

TABLE OF CONIENTS

Abbreviation list	ii
Status and Functions of the State Bank of Viet Nam	iii
Management Board of the State Bank of Viet Nam	v
Forewords by the Governor	vii
Departments and Administration Units of the State Bank of Viet Nam	x
■ Part I – World and Viet Nam’s economy	1
1. World economy overview	1
1.1. World economic growth	1
1.2. Monetary policy management in some countries	3
2. Viet Nam’s economy	4
2.1. Economic growth	5
2.2. Employment and income	8
2.3. Inflation	9
2.4. State budget revenues and expenditures	10
2.5. Balance of payments	11
2.6. Monetary and financial developments	13
2.7. Credit institutions’ activities	20
■ Part II – State Bank of Viet Nam’s management	25
1. Monetary policy management	25
2. Foreign exchange management	29
3. Banking inspection and supervision	31
4. Macroprudential supervision over the financial system	36
5. Legislation and law enforcement	37
6. Issuance and vault operation	39
7. Payment operation	40
8. Credit information	42
9. Communication and information transparency	45
■ Part III – Internal governance	46
1. Internal Audit	46
2. Human resources and training	46
3. Research Activities	48
4. Statistics	49
5. Information Technology	50
■ Part IV – International cooperation	53
1. International economic integration	53
2. Cooperation with international financial and monetary institutions	54
3. Bilateral cooperation	56
■ Appendix	58

ABBREVIATION LIST

Abbreviation	Content
BoC	Bank of Canada
BoE	Bank of England
BoJ	Bank of Japan
CAR	Capital Adequacy Ratio
CE	Credit to the Economy
CI	Credit Institution
CIC	Credit Information Center
ECB	European Central Bank
FCD/M2	Foreign currency mobilization ratio/total money supply
FDI	Foreign Direct Investment
Fed	Federal Reserve of the United States of America
ICOR	Incremental capital - Output Ratio
M2	Money supply
NCG	Net Government Lending
NDA	Net Domestic Asset
NFA	Net Foreign Assets
PBoC	People's Bank of China
RBoA	Reserve Bank of Australia
ROA	Return on Asset
ROE	Return on Equity
TFP	Total factor's Productivity

STATUS AND FUNCTIONS OF THE STATE BANK OF VIET NAM



Headquarters, 49 Ly Thai To Str., Ha Noi, Viet Nam

□ The State Bank of Viet Nam is a ministerial-level agency of the Government, Central Bank of the Socialist Republic of Viet Nam which performs state management over monetary, banking activities and foreign exchange; plays the role of a central bank issuing banknotes, acts as the bank of the credit institutions and the monetary service provider for the Government.

Summary of Article 2, Law on the State Bank of Viet Nam 2010

□ The national monetary policies include national decisions of state authorities on the currency value stabilizing objectives represented by inflation target, use of proper instruments and measures to fulfill the set objectives.

Clause 1, Article 3, Law on the State Bank of Viet Nam 2010

□ The National Assembly determines annual inflation targets reflected by consumer price index and supervises the implementation of the national monetary policies.

Clause 2, Article 3, Law on the State Bank of Viet Nam 2010

□ The Government submits to the National Assembly for decision on annual inflation targets. The Prime Minister, the Governor of the State Bank decides to use proper instruments and measures to realize monetary objectives in accordance with the regulation of the Government.

Clause 4, Article 3, Law on the State Bank of Viet Nam 2010

MANAGEMENT BOARD OF THE STATE BANK OF VIET NAM



Mr. Le Minh Hung
Governor



Mr. Nguyen Dong Tien
Deputy Governor
(retired from December 01, 2018)



Mr. Dao Minh Tu
Deputy Governor



Ms. Nguyen Thi Hong
Deputy Governor



Mr. Nguyen Kim Anh
Deputy Governor



Mr. Doan Thai Son
Deputy Governor



Mr. Le Minh Hung
Governor

Forewords by the Governor

The year 2018 witnessed complicated and unpredictable developments of the world economy and global financial markets. Although the global economic growth momentum continued to maintain, the growth pace showed a slow-down since the second half of the year. At the same time, on the global level, there was a large volatility in the price of basic commodities in the face of escalating The U.S-China trade tensions, along with the return of populism and protectionism, the increase of inflation in many countries, the dollar's appreciation against most major currencies. In that context, major central banks continued to tighten monetary policy, resulting in the trend of interest rate hikes and foreign exchange intervention to stabilize exchange rates in many emerging and developing countries. Similarly, the domestic economy during the last year faced many difficulties due to legacy internal weaknesses from many years ago, the comparatively low competitiveness of the economy, the state of natural disasters and floods. The above-mentioned adverse impacts formed enormous difficulties and challenges for the monetary policy management of the SBV in achieving objectives of controlling inflation, stabilizing the monetary and foreign exchange markets and supporting economy growth.

However, with the drastic, close and consistent guidance of the Government and the close coordination from other ministries and agencies, the SBV, in strictly following the objectives set by the National Assembly, the Government, and macroeconomic, monetary market developments, managed monetary policy in the manner of proactiveness, flexibility and close coordination with fiscal and other macroeconomic policies to control inflation, stabilize macroeconomy, and contribute to supporting sustainable economic growth; and ensure the safe operation of the credit institution system. Followings were specific solutions to monetary policy and banking activities manage of the SBV:

First, the good control of the currency maintained the average annual core inflation at 1.48 percent, creating a room for the economy to absorb external adverse shocks and for the Government to adjust price of goods managed by the State. Monetary policy coordinated harmoniously and smoothly with other macroeconomic policies, especially fiscal policy and price management policy, which helped contain average inflation at 3.54 percent, lower than the target of 4 percent. This result confirmed the market's confidence in the Government and SBV's ability to control inflation.

Second, monetary policy management contributed to the economic growth rate of 7.08 percent, the highest in the past 11 years. In its policy management, the SBV implemented many solutions to remove difficulties for production and business, ensure the provision of credit. Credit solutions continued to direct funding to production,

business and priority areas under the Government's direction; and strictly control credit flow to risky areas while improving credit quality. Difficulties in credit relationship continued to be paid attention and resolved through banking - business connection programs.

Third, the concerted deployment of monetary policy tools, especially via open market operations, resulted in appropriate money supply management, maintained sufficient liquidities and stabilized the money market. Interbank interest rate remained at an appropriate level, thus either supporting the stability of monetary and foreign exchange markets or and stabilizing the market interest rates and creating conditions for the successful issuance of Government bonds with longer term and lower interest rates.

Fourth, interest rate was kept stable in the context of increasing international interest rates, contributing to macroeconomic stability. This proved the banking system's endeavors and contribution to macroeconomic stability and supporting business production. The SBV regulated and promptly met liquidity needs of credit institutions, maintained interbank interest rate at an appropriate level; adjusted the reduction of interest rates via open market bids, instructed credit institutions to regularly review and balance its' financial capacity to reduce costs, apply reasonable lending interest rates to share difficulties with borrowers and ensure financial safety.

Fifth, despite certain pressures, exchange rate and the foreign exchange market were basically kept stable, the SBV continued to buy foreign currencies to accumulate the State foreign exchange reserves, and the legitimate foreign currency demands were full and timely met. In the context of complicated fluctuations of the world financial and monetary markets and a sharp currency depreciation in many emerging markets that negatively affected the macro economy, a slight increase of the VND/USD exchange rate proved the SBV's proactiveness and flexibility in exchange rate policy management. This contributed to strengthening the market's confidence in the VND, the downward trend of dollarization and goldization, and positively supporting fiscal policy, trade policy and the process of public debt restructuring.

Sixth, the SBV proactively and drastically directed the restructuring of the credit institution system associated with non-performing loans (NPLs) resolution NPLs with focus on resolving weak credit institutions and implementing Resolution No. 42/2017/QH14 of the National Assembly on piloting NPLs resolution in NPLs credit institutions and amended Law on Credit Institutions. The SBV approved restructuring plans of credit institutions, the operation quality of credit institutions had been improved, and NPLs continued to be controlled and handled effectively.

In the mean time, the SBV continued to effectively take other actions to achieve monetary policy and state management objectives in the banking sector, including promoting non-cash payment and enhancing security and safety of payment activities; implementing gold market management solutions; strengthening administrative

reform, improving business environment; promoting communication and information activities in order to call out consensus from the people; promoting the management role of the SBV's provincial and municipal branches; renovating and improving statistics, organizational structure, training, scientific research, emulation and commendation; actively implementing financial supervision, etc. In addition, the SBV continued to well perform its representative role at international financial and monetary organizations, and strengthened, further developed and enhanced bilateral and multilateral relations with central banks and financial institutions in order to enlist the support and assistance to Viet Nam in the international arena.

With the pro-active and concerted implementation of solutions, monetary policy and banking activities in 2018 continued to achieve successes in the context of complicated and unpredictable developments in the world economy. The domestic economy shown good resilience in the fluctuating external environment with good growth (7.08 percent - the highest in the last 11 years), the macro balances remained guaranteed, the business environment showed improvement, foreign exchange reserves was built-up, inflation was controlled at 3.54 percent - the fifth consecutive year that was controlled at about 4 percent. Macroeconomy was maintained stable with positive growth prospects, which resulted in the raise of Viet Nam's credit rating by Moody's and Fitch Ratings.

In 2019, difficulties and challenges for the banking system remain substantial. Given the solid macroeconomic foundation and accomplishments in recent years with supports and guidance from the Party and the State, the close coordination from ministries, municipalities and localities, the SBV will make all its effort to fulfill the tasks assigned by the Party and the State in 2019 and to create necessary changes for the successful realization of 2016-2020 Socio-economic Development Plan.

Governor of the State Bank of Viet Nam

A handwritten signature in black ink, appearing to read 'L. Minh Hung', with a long horizontal line extending to the right.

LE MINH HUNG

DEPARTMENTS AND ADMINISTRATION UNITS OF THE STATE BANK OF VIET NAM

<i>Monetary Policy Department</i>	Advises and assists the Governor of the SBV in determining instruments in carrying out national monetary policy such as refinancing window, interest rate, exchange rate, reserve requirements, open market operations, and others for the conduction of national monetary policies.
<i>Foreign Exchange Management Department</i>	Advises and assists the Governor in carrying out state management function over foreign exchange, foreign exchange activities and gold trading in accordance with applicable laws and regulations.
<i>Payment Department</i>	Advises and assists the Governor in carrying out the state management function over payment and settlement of the economy in accordance with applicable laws and regulations.
<i>Economic Sectoral Credit Department</i>	Advises and assists the Governor in carrying out the state management function over bank credit to economic sectors in accordance with applicable laws and regulations.
<i>Forecasting and Statistics Department</i>	Advises and assists the Governor in carrying out forecasting and statistics in accordance with applicable laws and regulations.
<i>International Cooperation Department</i>	Advises and assists the Governor in carrying out the state management function over international cooperation and integration within the State Bank's scope of management in accordance with applicable laws and regulations.
<i>Monetary and Financial Stability Department</i>	Advises and assists the Governor in stabilizing the monetary and financial systems within the State Bank's scope of state management.
<i>Internal Audit Management</i>	Advises and assists the Governor in carrying out internal audits and control over the SBV Units' operations.
<i>Legal Affairs Department</i>	Advises and assists the Governor in conducting state management via laws in the fields of monetary, banking operations and foreign exchange.
<i>Finance and Accounting Department</i>	Advises and assists the Governor in the SBV financial, accounting operations, capital investments, conducting the state management function over accounting, finance, and capital investments in the banking sector.

<i>Personnel and Organization Department</i>	Advises and assists the Governor and the SBV's Party Committee on human resources management, staffing, management and use of civil servants, officials, remunerations and others within the SBV's scope of management as stipulated in applicable laws and regulations.
<i>Emulation and Rewarding Department</i>	Advises and assists the Governor in carrying out the state management function on emulation and rewarding in the banking sector in accordance with applicable laws and regulations.
<i>Communication Department</i>	Advises and assists the Governor in managing and organizing communication activities in the banking sector that relate to the SBV's state management function.
<i>SBV Office</i>	Advises and assists the Governor in his leadership over banking activities, implements the SBV's administrative reform, manage archive and administrative works of the banking system in accordance with applicable laws and regulations.
<i>Banking Information Technology Department</i>	Advises and assists the Governor in carrying out the state management function over information technology in the banking sector and development and application of information technology in the SBV.
<i>Issue and Vault Department</i>	Advises and assists the Governor in carrying out the state management and central bank functions over currency issuance and vault operations in accordance with applicable laws and regulations.
<i>Administration Department</i>	Assists the Governor in managing public assets (excluding those transferred to income-generating administrations) assigned by the Governor and administrative and logistic activities in Ha Noi city and Ho Chi Minh city including: managing assets, finance, technical infrastructure, security, and taking care of living conditions and healthcare of the SBV staff.
<i>Central Banking Department</i>	Advises and assists the Governor in conducting central banking operations.
<i>Banking Supervision Agency</i>	A General Department level agency of the SBV. It advises and assists the Governor in implementing state management function over credit institutions, foreign bank branches, as well as inspection, banking supervision, complaint and denunciation resolutions, anti-corruption and anti-money laundering, deposit insurance. It conducts administrative and professional inspections and banking supervision in the areas under the SBV's state management. It conducts anti-money laundering and counter-terrorism financing in accordance with applicable laws and regulations and as assigned by the Governor.

Municipal and provincial branches Advises and assists the Governor in implementing the state management function over monetary, banking and foreign exchange operations in their local areas. They conduct several central banking operations as delegated by the Governor.

ADMINISTRATIVE UNITS AND UNITS ESTABLISHED BY THE GOVERNOR

Banking Strategy Institute Undertakes researches and builds banking development strategies, projects and plans; organizes researches, development and control of the implementation of banking science and technology missions in meeting the SBV's requirements in accordance with applicable laws and regulations.

Viet Nam's National Credit Information Center A public administrative agency. It undertakes the function of national credit registration. It collects, processes, stores and analyzes of credit information; prevents and minimizes of credit risk; conducts credit marking and rating of legal entities and individuals within Viet Nam's territory in serving the SBV's state management in accordance with the SBV's rules and applicable laws and regulations.

Banking Times A speaker and social forum of the banking sector. It disseminates the Party's orientation and guidelines, the State's legislation and policies, and banking operations in accordance with the SBV's rules and applicable laws and regulations.

Banking Review A speaker and professional forum on banking theories, operations, science and technology. It disseminates the Party's orientation and guidelines, the State's legislation and policies, banking operations and achievements in banking science and technology and other relevant areas in accordance with the SBV's rules and applicable laws and regulations.

Banking Training School Trains and strengthens human resource capacity; provides with staff of the SBV and the banking sector with up-to-date professional knowledge and skills.

Banking Academy Trains and strengthens human resource capacity in the fields of economic and banking-finance at intermediate, college, undergraduate and graduate levels and in other areas as authorized.

Part I – World and Viet Nam's economy

1. World economy overview

In 2018, global economic growth remained strong but slowed down in the second half of the year. On global scale, there were a complicated movement in commodities price (annual average oil price rose by 28.3 percent) in the context of escalating U.S.-China trade tension, an increase in protectionism and inflation pressure in many economies, and an appreciation of the U.S. dollar against most major currencies. In facing such developments, central banks continued to tighten monetary policy, resulting in the upward trend in interest rates and foreign exchange intervention to stabilize exchange rates in many emerging and developing countries.

1.1. World economic growth

According to International Monetary Fund (IMF),¹ world economic growth reached the rate of 3.6 percent in 2018, lower than that of 3.8 percent in 2017; global inflation rate rose from 3.2 percent in 2017 to 3.6 percent in 2018.

The U.S.'s economy grew by 2.9 percent, higher than the rate of 2.2 percent in 2017, labor market strongly recovered with the unemployment rate falling from 4.1 percent in 2017 to 3.9 percent at the end of 2018, at some point of time, notably, falling to the 50-year low level. In the context that a stable economic growth momentum was maintained, the employment rate was improved, the Fed raised interest rate four times to 2.25-2.5 percent. Budget deficit at the end of fiscal year 2018, however, jumped up to the highest level in the last 6 years, about USD 779 billion, equivalent to 3.9 percent of GDP, an increase of 17 percent compared to FY 2017 (budget deficit in 2017 stood at 3.5 percent of GDP.) Public debt in 2018 slightly reduced to 105.8 percent of GDP from 106.2 percent of GDP in 2017. Inflation rate went up from 2.1 percent in 2017 to 2.4 percent in 2018.

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World economic growth in 2018 slowed down since the middle of the year. Higher global inflation resulted from sharp rise in commodities price while core inflation remained stable.

¹ World Economy Outlook Report, April 2019, International Monetary Fund.

The Eurozone's economy slowed down, growing by 1.8 percent only, down from 2.4 percent in 2017. Industrial production and exports decreased. Economic growth in the region sluggished, namely Germany: 1.5 percent (2017: 2.5 percent); France: 1.5 percent (2017: 2.2 percent); Italy: 0.9 percent (2017: 1.6 percent) and Spain: 2.5 percent (2017: 3.0 percent). The U.S.-China trade tension, Brexit negotiation process, Italy's budget draft, secessionism in Spain, political instability in France deterred growth pace in the region. However, there was a continuous decrease in unemployment rate to the lowest level in the past ten years (7.8 percent). Public debt was cut down, from 86.8 percent of GDP in 2017 to 84.96 percent of GDP. Notwithstanding, public debt level in several countries remained high and continued to increase, e.g. Greece (181.26 percent of GDP), Italy (132.08 percent of GDP). Regionwide inflation rate rose from 1.5 percent in 2017 to 1.8 percent in 2018.

Japan's economy faced many difficulties, the growth rate was 0.8 percent only, a sharp decrease from 1.9 percent in 2017. Economic growth was fluctiative quarter after quarter (Q1: -0.4 percent; Q2: 1.9 percent; Q3: -2.4 percent; Q4: 1.9 percent) of which the third quarter recorded the sharpest decline in the past 4 years due to lower investment, consumption and export. Japan's exports jumped down in 2018 due to the impact from the trade tension between its two biggest trading partners - the U.S and China; resulted in Japan's full-year trade deficit (USD -11 billion) for the first time since 2015. Budget deficit was at 3.8 percent of GDP. Public debt rose from 235 percent of GDP in 2017 to 237 percent of GDP in 2018. Inflation rate went up to 1.0 percent in 2018 from 0.5 percent in 2017.

Emerging and developing economies saw a stable growth, in general. In 2018, economic growth rate in emerging and developing economies as a group was 4.5 percent, lower than the rate of 4.8 percent in 2017. Among the BRICS, China's economic growth rate in 2018 stood at the lowest level in the past 28 years, declined to 6.6 percent compared to 6.8 percent in 2017 due to increased U.S. tariff pressure and weakening



domestic demand. Inflation rate in this country went up quickly during the early months but fell down to lower than 2 percent at the end of the year. Brazil's economic recovery has been sluggish like in 2017, reaching the pace of 1.4 percent after 2015-2016 crisis. Meanwhile, Russia's economy had escaped from recession and recovered strongly with the highest GDP growth rate of 2.3 percent in 2018 since 2012 (2017: 1.6 percent). India's economic growth was at a sustainable rate of 7.1 percent (2017: 7.2 percent). Economic growth rate in ASEAN countries was 5.2 percent (2017: 5.4 percent). Average inflation rate among emerging and developing economies was 4.8 percent, up from 4.3 percent in 2017.

Global trade growth slowed down to an estimated rate of 3.8 percent (2017: 5.4 percent), mostly due to the impact from protectionism and the U.S China trade tension. World trade indicator slumped during the second half of the year. According to the WTO's evaluation, between May and October, 2018, merchandise trade values affected by protectionist measures taken by G20 economies increased 6 - fold compared to 6 months ago, the highest level since 2012.

1.2. Monetary policy management in some countries

Monetary policy in 2018 followed a prudential and more tightening trend compared to 2017. As of end-2018, central banks worldwide raised interest rate 87 times.

In advanced economies, most central banks continued to pursue post-2008 crisis monetary policy "normalization", narrowed easing conditions and increased interest rate. The Fed raised interest rate four times in the context of stable economic growth momentum, PCE inflation was controlled at close the target of 2 percent and the unemployment rate reduced to full employment level. The ECB kept interest rate unchanged but scaled down the asset purchase program from EUR 60 billion to EUR 30 billion per month since January and officially ended at the end of 2018. The BoE maintained the asset purchase program scale but increased interest rate once in August, 2018. The BoC raised interest rate three times. On the

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Amidst stable world economic growth unexpected developments affecting global trade resulted in more prudential monetary policy management by central banks worldwide.

contrary, the BoJ and the RBoA kept interest rate stable to support economic growth.

In emerging and developing economies, central banks chose to raise interest rate to prevent capital flows reversals and to protect local currency value in the context of raising interest rate in advanced economies. Interest rate was raised three times by the Central Bank of Russia, two times by Reserve Bank of India, three times by Central Bank of Turkey, three times by Central Bank of Mexico, four times by Central Bank of Philippines, five times by Bank of Indonesia and five times by Central Bank of Argentina. On the contrary, People's Bank of China (PBoC), in managing monetary policy in more relaxed manner, cut down reserve requirement four times in 2018, and used refinancing instruments for economic stimulus amidst escalating U.S.-China trade tension and the economic growth slow-down.

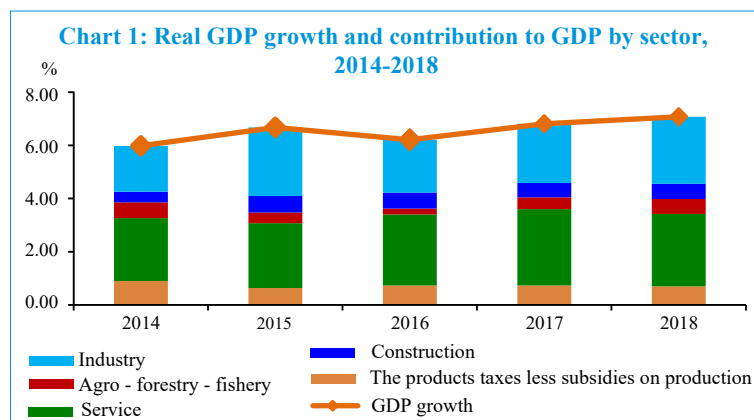
2. Viet Nam's economy

Vietnam's socio-economy in 2018 developed in the context of complicated and unpredictable changes in the world economy. However, with the motto of "*Discipline, integrity, action, creativity, efficiency*", the Government and the Prime Minister led and drastically directed ministries, agencies and localities to focus on the synchronizing and effective implementation of objectives, assignments and solutions specified in Resolutions of the Party, National Assembly and Government. The Government directed ministries, agencies and localities to continue to ease business requirements, create a favorable environment for the establishment and operation of enterprises; a number of symposiums, bank - businesses connection events had been organized to address difficulties, promote production of industries and localities; promote the deployment of new generation free trade agreements in order to explore markets, promote domestic production, and strive to fulfill the determined targets. As a result, Viet Nam's economy reached the highest growth rate in the past 11 years, inflation continued to be controlled below the goal set by the National Assembly; processing and manufacturing industries, service, import-export, foreign

investment, foreign exchange reserves, etc. all reached high growth rate. Stable macroeconomy and positive growth prospects were formed a basis for Moody's and Fitch Ratings to raise Viet Nam's credit ratings (Moody's increased from B1 to Ba3; Fitch Ratings raised from BB- to BB with a stable outlook.) Apart from the positive aspects, however, there remained some shortcomings of and challenges to the economy such as the process of economic restructuring in accordance with growth model reforms which had been progressing but is still at slow pace, low labor productivity, the low competitiveness of the, climate change effects, natural disasters, storms, floods, epidemics remained complicated, affecting agricultural production and people's life.

2.1. Economic growth

By economic sector, all of 3 sectors of agro - forestry - fishery, industry and construction increased higher than that of the same period; service maintained a decent growth



Source: General Statistical Office, the SBV's estimation

Agro - Forestry - Fishery production increased by 3.76 percent, which is the highest increase in the period of 2012-2018, mainly due to favorable weather, the trend of changing product structure within the industry towards investing in products with high economic value; expand exports of Viet Nam's fishery products in new and potential markets.

Industrial production increased by 8.79 percent, which is the highest increase in the last 3 years, mainly

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2018 economic growth reached 7.08 percent, the highest for the last 11 years, exceeding the target of 6.7 percent, thanks to the decent growth in agro - forestry - fishery, processing and manufacturing industries and services. (Net) Export was the main contributor to economic growth in 2018 with a record trade surplus, domestic demand was improved. Macroeconomic stability, quality of growth, investment efficiency were improved, and labor productivity was gradually enhanced.

from the contribution of manufacturing and processing industry which kept high growth while mining continued to decline -3.1 percent of 2017 (2017: -7.1 percent). Processing and manufacturing increased by 12.98 percent, lower than the sudden increase of 14.4 percent in 2017 but higher than the average growth in the period of 2012-2016 (up by 10.09 percent) and was the largest contribution factor to total economic value added (2.55 percentage points). Increased manufacturing - manufacturing activities stemmed from the acceleration of Vingroup Group's production of cars and electric scooters and the expansion of production by Samsung and Formosa in the second half of the year. The index of industrial production of some commodity groups increased sharply such as the group of electronic products, computers and optical products production of 11.29 percent (2017: 32.71 percent); metal production 25.11 percent (2017: 17.6 percent), coke and refined petroleum 65.54 percent, motor vehicles 16.77 percent (2017: 0.18 percent).

Construction increased by 9.16 percent, higher than the level of 8.7 percent in 2017 due to the increasing demand of infrastructure development and housing. Total implemented investment capital from the State budget in 2018 increased by 12.5 percent, higher than the increase of 7.2 percent y-o-y in 2017, mainly thanks to investment capital. Investment capital from the private sector grew strongly as a result of preferential policies, supporting to create favorable conditions for private enterprises to invest in expanding production and business, resulting in increasing investment capital of the private sector by 18.5 percent, a high increase over the years.

Services continued to expand, increasing by 7.03 percent, lower than 7.44 percent y-o-y in 2017, but still higher than the average growth of 6.83 percent in 2011-2017; in which, wholesale and retail increased by 8.51 percent over the same period in 2017, being the industry with the highest growth rate in the service sector, and the second largest contributor to the increase in total added value increase of the whole economy (0.92 percentage points); accommodation and catering services increased by



6.78 percent (the number of international visitors to Viet Nam in the year was estimated at 15.5 million, increasing by 19.9 percent against 2017); finance, banking and insurance activities increased by 8.21 percent; real estate business continued to improve, increasing by 4.33 percent. The proportion of the service sector to GDP expanded from 38.3 percent in 2015 to 39 percent in 2018.

In terms of aggregate demand, net export made positive contribution to growth after years of negative contribution thanks to record trade surplus. Domestic demand improved, in which private consumption and investment experienced encouraging growth

Final consumption increased by 7.17 percent, lower than the rate of 7.35 percent y-o-y but still higher than the average growth pace of 7.07 percent in the last 5 years. While private consumption maintained an upward trend with a surge of 7.26 percent (2017: 7.35 percent), public consumption growth witnessed a slowdown, up by 6.28 percent (2017: 7.34 percent).

Total asset accumulation increased by 8.22 percent, the lowest increase in the last 4 years, mainly due to the low increase of development investment spending 14.5 percent (2017: 23.3 percent). The cause was the slowdown in capital construction expenditures (including Government bonds) in the first 2 months of 2018; at the same time, the progress of disbursement of capital construction capital from the budget is still slow.

Net export contributed positively to the overall economic growth (contributed 0.73 percentage points) after 4 consecutive years of negative contributions. In particular, exports of goods and services increased by 14.27 percent, contributing 17.07 percentage points (2017: 16.74 percent, contributing 18.33 percentage points), imports of goods and services increased by 12.81 percent, contributing 16.34 percentage points (2017: increased by 17.5 percent, contributing 20.3 percentage points).

2.2. Employment and income

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Either urban or rural unemployment rates were declined, GDP per capita in 2018 estimated to reach VND 58.5 million, equivalent to USD 2,587, an increase of USD 198 compared to that in 2017.

In 2018, labor force segment of over 15 years old was estimated to be 55.4 million people, an increase of 566.2 thousand labors compared to 2017, in which male labor force was 28.98 million, accounted for 52.3 percent in total labor force, female labor force was 26.4 million, made up 47.7 percent. Unemployment rate of working-age laborers was 2.0 percent (2017: 2.24 percent; 2016: 2.30 percent; 2015: 2.33 percent), in which, urban unemployment rate was 2.95 percent (2017: 3.18 percent; 2016: 3.23 percent; 2015: 3.37 percent); and rural unemployment rate was 1.55 percent (2017: 1.78 percent; 2016: 1.84 percent; 2015: 1.82 percent). Youth unemployment rate (ages from 15-24) was 7.06 percent (2017: 7.51 percent), of which, that in urban and rural was 10.56 percent and 5.73 percent, respectively (2017: 11.75 percent and 5.87 percent).

Investment efficiency and growth quality continued to be improved: **(i)** Improved investment efficiency with newly added production capacities to the economy. The Incremental Capital Output Ratio (ICOR) decreased from 6.42 in 2016 to 6.11 in 2017 and 5.97 in 2018; the average ratio during 2016-2018 was 6.17 (average ratio during 2011-2015: 6.25); **(ii)** Improved economic growth quality. In 2018, the contribution of total factor productivity (TFP) to GDP growth reached 43.50 percent; the average contribution during 2016-2018 was 43.29 percent, much higher than the average of 33.58 percent during 2011-2015. Labor productivity at current prices was estimated to reach VND 102 million/labor (equivalent to USD 4,512/labor, an increase of USD 346 compared to 2017), an increase of 5.93 percent compared to 2017 (2016: 5.29 percent) thanks to additional labor force and high employment rate.

In 2018, GDP at current prices was VND 5,535.3 quadrillion; GDP per capita was estimated to be VND 58.5 million or USD 2,587, an increase of USD 198 compared to 2017. For civil servants, officials and armed force servants, the basic wage was raised from VND 1.3 million/month to VND 1.39 million/month since July



01, 2018 according to Decree No. 72/2018/ND-CP dated May 15, 2018 of the Government. Minimum wages for employee working for enterprises, cooperatives, farms, households, etc. was raised according to Decree No. 141/2017/ND-CP dated December 07, 2017 and taking effect from January 01, 2018. Accordingly, minimum wages were divided into four regions and applied level for each region were VND 3.98 million/month, VND 3.53 million/month; VND 3.09 million/month and VND 2.76 million/month.

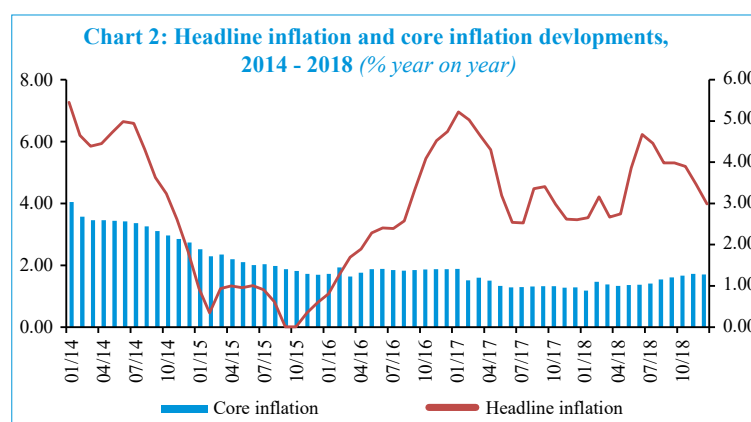
2.3. Inflation

Average consumer price index (CPI) in 2018 increased by 3.5 percent compared to 2017, equivalent to the increase in 2017, but remained below the target of 4 percent set by the National Assembly. Average inflation rate between 2015 and 2018 were well below the increase over the period of 2011-2014. Inflation hike in 2018 was the result of the following specific reasons. *First*, healthcare and education service prices continued to be strongly raised following the set roadmap; accordingly, the price indices for healthcare and education services increased by 13.9 percent and 7.1 percent, respectively (2017: 57.9 percent and 10.4 percent), making a considerable contribution to inflation hike. *Second*, world fuel price increased sharply in the first three quarters of the year, pushing domestic petrol and gas prices, resulting in higher growth rates in price indices of housing and construction materials group (grew by 3.3 percent) and transportation group (grew by 6.4 percent) compared to 2017 (rose by 4.3 percent and 6.8 percent, respectively). *Third*, fresh food price recovered from a sharp decline in 2017, resulting in higher growth rate in price index of food group (grew by 3.5 percent) compared to 2017 (declined by 2.6 percent), making the highest contribution to inflation hike. *Fourth*, natural calamities and unfavorable weather conditions like typhoons, floods made adverse impact on supply, hence making commodities price increase in Central provinces in year-end months.



Average consumer price index (CPI) in 2018 increased by 3.5 percent, equivalent to the increase in 2017, but remained below the target of 4 percent set by the National Assembly, mainly because of raised food and fuel prices and administrated prices. Core inflation continued to be kept stable at 1.5 percent.

Regarding inflation movements, there was an upward trend in average inflation growth rate year-by-year in the first 5 months of 2018, followed by a downward trend from June 2018, making a contribution to inflation curb at below the target of 4 percent set by the National Assembly. This was mostly explained by monetary policy management in proactive, flexible and cautious manner for controlling core inflation at the average rate of 1.5 percent (2017: 1.4 percent). At the same time, the Government was careful in choosing the right time and right level of administrative prices hike, thus closely coordinating with monetary policy in controlling inflation within the set target.



Source: General Statistical Office

2.4. State budget revenues and expenditures

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State budget revenues and expenditures in 2018 exceeded estimates, making significant contribution to fulfilling tasks of socio-economic development, public security, national defense and social protection. Progress

Total budget revenues in 2018, according to the National Assembly's estimation, exceeded earlier estimates by 8 percent and reached approximately 25.7 percent of GDP (2017: exceeded by 6.7 percent and were equal to 25.8 percent of GDP.) Higher-than-estimation revenues were essentially attributed to the property market, dividends and retained earnings from SOEs, sale of crude oil. Domestic revenues continued to take the biggest account in total revenues (80.6 percent) and were 4.5 percent higher than earlier estimates (2017: 4.9 percent). Revenues generated from crude oil were equivalent to 184 percent of earlier estimates (2017: 129.5 percent) because of the recovery in crude oil price. Export-import revenue reached 113.2 percent

as expected (2017: reached 109.6 percent of earlier estimates).

Total budget expenditures exceeded earlier estimates by 6.1 percent (2017: decreased by 2.5 percent compared to earlier estimates), in which, investment expenditures were 2.9 percent higher than estimates (2017: exceeded 4.4 percent); current expenditures excelled earlier estimates by 1.4 percent (2017: decreased by 2.3 percent of earlier estimates).

State budget deficit was lower than earlier estimates in absolute value, stood at VND 191,500 billion or 3.46 percent of GDP (2017: 2.74 percent of GDP).

2.5. Balance of payments

Overall balance of payments in 2018 reached a surplus of USD 6.03 billion, the third consecutive year of overall balance of payment surplus. Although unfavorable stock market fluctuation and USD appreciation in the world market in 2018 put pressures on domestic exchange rate and foreign exchange market, strong domestic economy growth, high trade surplus and increased foreign investment capital inflow continued to tap into Viet Nam that helped to stabilize foreign currency and balance supply and demand. A great deal of foreign currency was purchased by the SBV from the credit institutions for accumulation of the State foreign exchange reserves, consequently.

Current accounts gained a surplus of USD 5.9 billion (or 2.4 percent of GDP) thanks to the positive evolvment in most of the components. Particularly, the big surplus amount in commodities balance, remittances and increase in tourism revenues made a positive contribution to the high surplus of current accounts. In 2018, commodities balance reached a surplus of USD 16.5 billion, an increase compared to the surplus of USD 10.84 billion in 2017. In 2018², trade balance also reached a surplus of USD 6.83 billion and was the third consecutive

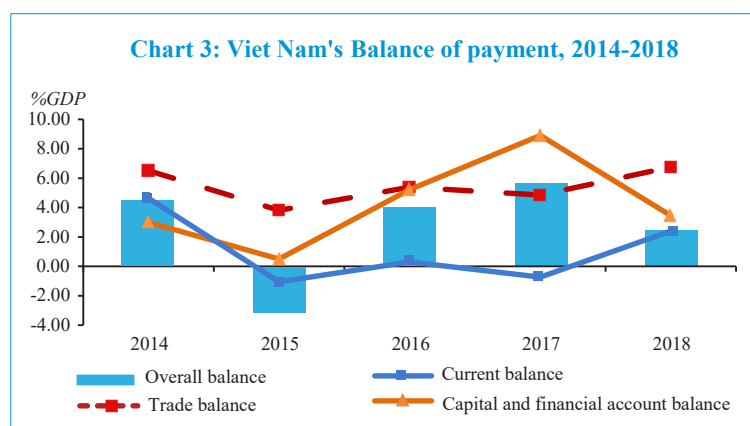
of budget revenue was faster than that of budget spending, resulting in lower-than-estimation State budget deficit.

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Overall balance of payments continued to be in surplus and was the third consecutive year of surplus thanks to high-quality domestic economy growth, high surplus in trade, and increase in foreign investment capital flow, facilitating to the accumulation of the State foreign exchange reserves.

² Trade balance is the differences between FOB price of exports and CIF price of imports.

year of positive surplus (2016: USD 1.78 billion and 2017: USD 2.11 billion). Total value of imports and exports reached approximately USD 480.6 billion, an increase of more than USD 52.4 billion compared to 2017. Service account deficit was USD 3.68 billion, in which, service exports reached USD 14.8 billion and service imports reached USD 18.48 billion, an increase of 13.2 percent and 8 percent y-o-y, respectively. In 2018, income balance deficit stood at USD 15.8 billion, a decrease of 6.9 percent compared to 2017. Current transfers achieved a surplus of USD 8.86 billion, rose by 3.9 percent from the surplus of USD 8.53 billion in 2017.



Source: The State Bank of Viet Nam

Capital and financial accounts gained a surplus of USD 8.46 billion, a decrease of 57.5 percent compared to the number of USD 19.9 billion in 2017, largely thanks to the continuing increase in FDI and FI into the country. More specifically, net FDI in 2018 reached a surplus of USD 14.9 billion, an increase of 9.4 percent compared to the surplus of USD 13.6 billion in 2017. In 2018, although the global stock markets fluctuated wildly, U.S-China trade war became increasingly intense, the US increased interest rates four times and FI flows tended to withdraw from emerging markets, net FI gained a surplus and reached USD 3.02 billion, increased by 46 percent compared to the surplus of USD 2.07 billion in 2017. Net external borrowing stood at USD 1.88 billion, a decrease compared to the number of USD 10.75 billion in 2017 as a result of the increase in short-term corporate repayment. Money and deposit

experienced a deficit of USD 11 billion, which was beyond the deficit of USD 6.4 billion in 2017.

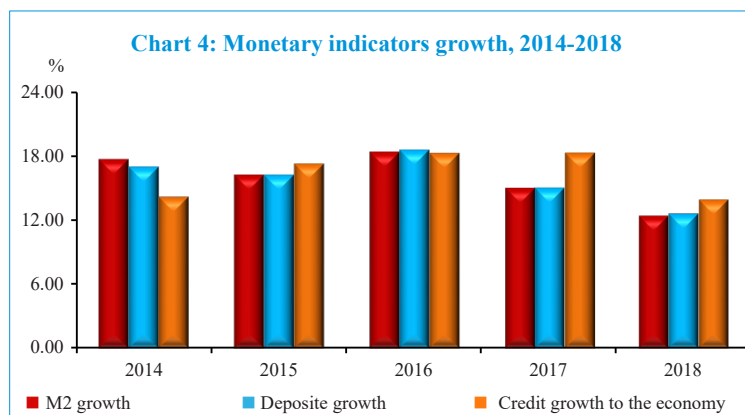
2.6. Monetary and financial developments

Monetary developments

By the end of 2018, total liquidity (M2) increased by 12.41 percent y-o-y and lower than the growth rate of 15 percent in 2017, which was mostly attributed to slower y-o-y growth pace in net foreign assets (NFA) and net domestic assets (NDA). NDA increased by 10.7 percent (2017: 12.19 percent) as a result of a slow increase in circular economy (CE) at 12.72 percent (2017: 17.42 percent) although Net Credit to Government (NCG) slight decreased at more than -14.95 percent (2017: -23.98 percent), amidst good State Treasury capital mobilization performance accompanied by delayed disbursement led to the surge of State Treasury's deposit in the banking system. Credit growth was slowed down, in line with SBV's guidelines in strict control of credit growth from the beginning of the year. NCG continued its downward trend as a result of delayed disbursement of development investment expenditures and strict control of regular expenditures, leading to the surge of State Treasury's deposit in the banking system. NFA slowed down at 21.8 percent (2017: 33.29 percent) and lower than the increase of 32.4 percent in 2017 as a result of the increase of foreign assets at 17.36 percent.

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Total liquidity growth was maintained at a reasonable level, contributing to inflation control. Capital mobilization slowed down; credit to the economy rose lower than that in 2017, in line with the Government's guidelines and policies in monetary policy management and actively supported economic growth.

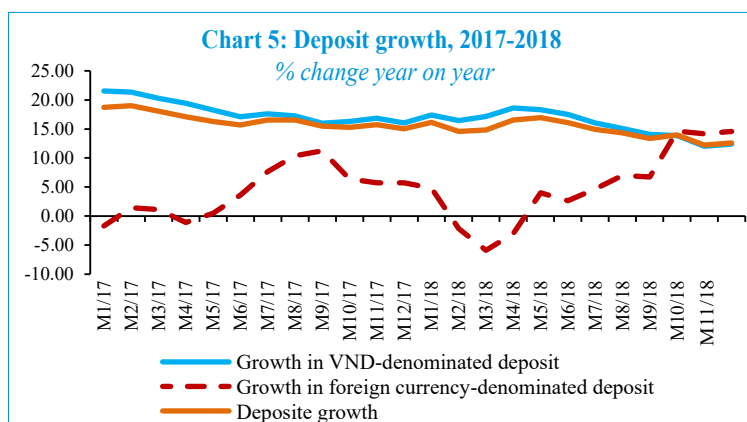


Source: The State Bank of Viet Nam

Slow down in capital mobilization in the banking system

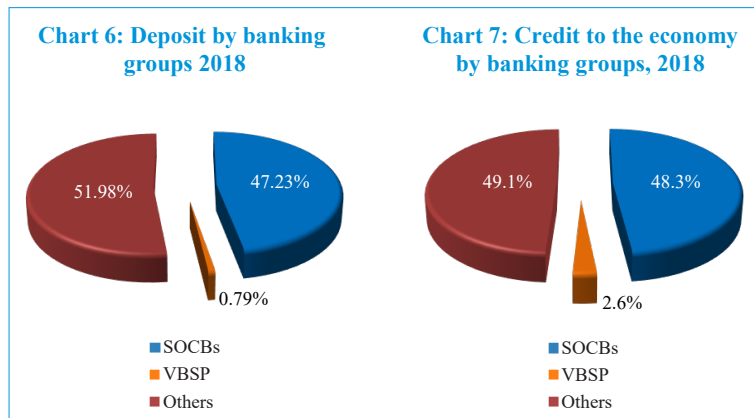
In 2018, capital mobilization growth of the whole system reached 12.61 percent compared to 15.02 percent in 2017, in which, VND deposit increased by 12.41 percent (2017: 16.047 percent) and foreign currency deposit rose by 14.57 percent (2017: decreased by 5.74 percent). Although foreign currency deposits increased, the ratio of foreign currency deposits to M2 (FCD/M2) stood at 8.16 percent, lower than the average rate of 10.18 percent for the period 2013-2017 and the on average 18.08 percent in the 2007-2012 period.

The proportion of state-owned commercial banks' capital mobilization reversed to decrease slightly while that of other credit institutions increased and ratio of the Social Policy Bank kept constant as following: Capital mobilization of state-owned commercial banks (excluding VBSP) accounted for 47.23 percent of the total deposit outstanding (2017: 47.70 percent); that at other credit institutions³ accounted for 51.98 percent (2017: 51.50 percent); Viet Nam Bank for Social Policies accounts for 0.79 percent of total deposit outstanding only.



Source: The State Bank of Viet Nam

³ Including joint-stock commercial banks, non-bank credit institutions, people's credit funds, 100% foreign owned banks, joint-ventured banks, and foreign bank branches.



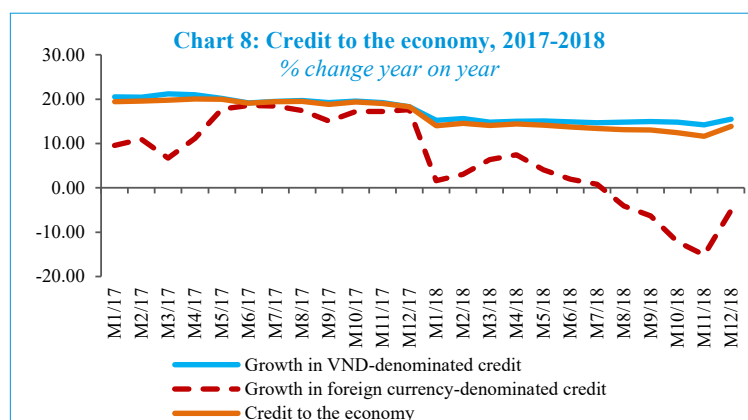
Source: The State Bank of Viet Nam

Credit to the economy grew at lower compared to 2017, which was in line with the orientation and direction of the Government and positively contributed to economic growth.

In 2018, credit to the economy⁴ increased by 13.89 percent y-t-d (2017: 18.28 percent), in which VND credit increased by 15.50 percent and foreign currency credit reduced by 5.07 percent. Foreign currency credit is managed in line with the roadmap of anti-dollarization; the ratio of foreign currency credit to M2 dropped sharply from 18.09 percent in 2011 to 6.74 percent in 2016 and 5.11 percent in 2018. Credit was mainly focused on the production and business whereas, especially for agriculture and rural whereas, processing and manufacturing, etc.

In terms of credit structure by types of bank, there was a slight increase in credit outstanding in other credit institutions, while that in state-owned commercial banks and the Social Policy Bank decreased: Credit outstanding in state-owned commercial banks (excluding Social Policy Bank) accounted for 48.30 percent of the total outstanding (2017: 49.05 percent); Viet Nam Bank for Social Policies accounts for 2.60 percent (2017: 2.71 percent); other credit institutions accounted for 49.1 percent (2017: 48.23 percent).

⁴ Credit outstanding excludes the balance of credit extension in line with entrusted contracts and the balance of VAMC special bonds.



Source: The State Bank of Viet Nam

Interest rate

VND interest rate

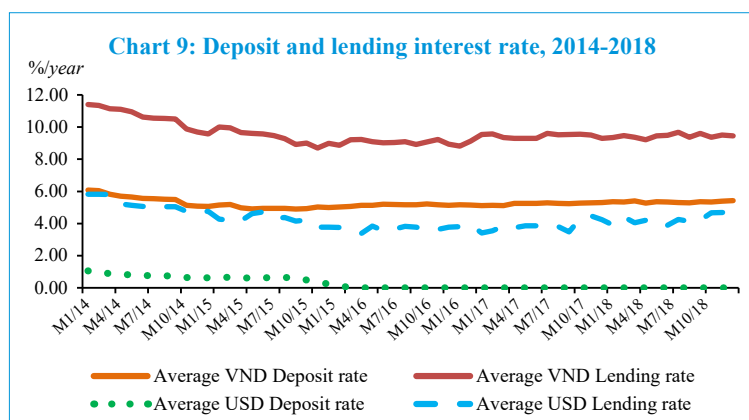
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Market interest rate continued to be stabilized in the context of increasing international interest rate.

In 2018, the interest rate basically continued to be stabilized amidst upward trend in international interest rate. As of end-2018, VND deposit rate ranged between 4.5 percent and 5.5 percent p.a for under six-month deposits; 5.5 percent to 6.5 percent p.a for six-month to under twelve-month deposits; and 6.6 percent and 7.3 percent for twelve-month and above deposits. Lending interest rate was 6.0 percent to 9.0 percent for short-term and 9.0 percent to 11 percent for medium-and long-term loans.

USD interest rate

USD interest rate evolved in line with the Government's and the SBV's policy on anti-dollarization, reduction of foreign currency holding, thus helping stabilize exchange rate. As of end-2018, USD deposit rate at credit institutions was at 0 percent according to the SBV's rule, and USD lending rate ranged from 2.8 percent to 6.0 percent p.a, in which, short-term lending rate was 2.8 percent to 4.7 percent p.a and medium and long-term lending rate was 4.6 percent to 6.0 percent p.a.



Source: The State Bank of Viet Nam

Note: Deposit and lending interest rates are at average values

Interbank money market

The interbank market continues to expand in volumes, especially lending and deposit in USD

Total turnover of VND deposit and lending in interbank market was VND 8,765 quadrillion, and that of USD lending and deposit converted to VND stood at VND 4,791 quadrillion, increased by 11.5 percent and 31.4 percent respectively compared to 2017. Meanwhile, transaction volume of valuable paper in USD between credit institutions and foreign bank branches was lower than that of loans and deposits, but it had the same growth, when increased from VND 1,047 trillion in 2017 to 1,139 trillion in 2018, or 8.9 percent.

In term of maturities, most realized transactions in interbank market in 2017 were at under one-month maturities with the focus on overnight and one-week. Turnover of VND overnight transactions in 2018 reached VND 4,320 quadrillion and of USD overnight transactions, converted to VND, was VND 2,976 quadrillion, accounted for 49.1 percent and 62.1 percent, respectively in total yearly turnover.

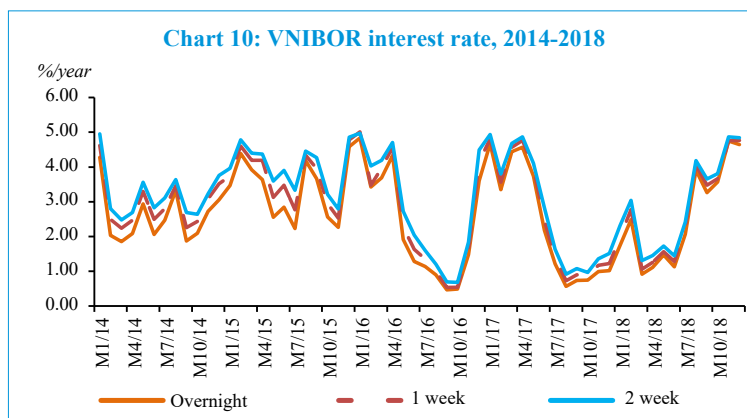
Interbank rate was maintained at reasonable levels

In 2018, the interbank interest rate was higher than in 2017 but remained at a reasonable level, and market liquidity was guaranteed. During 2018, overnight, one-week and two-week interest rates were

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Interbank interest rates was maintained at a reasonable level, and transaction volumes continued to go up.

kept at 2.60 percent p.a, 2.76 percent p.a and 2.93 percent p.a on average, respectively.



Source: The State Bank of Viet Nam

Foreign exchange market development

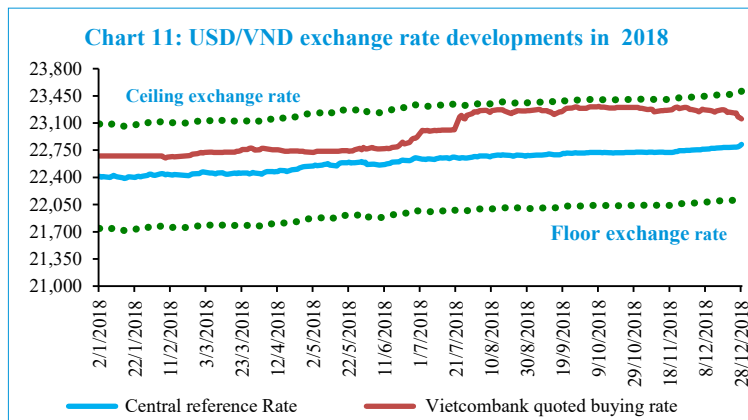
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Despite the fast and complicated fluctuation of the international market, domestic foreign exchange market in 2018 was relatively stable thanks to stable macroeconomic fundamentals and monetary policy operation solutions in an active and flexible manner of the SBV.

In spite of the rapid changes in international market, from favorable conditions in the first half of the year to constant pressure in the second half of the year, the domestic exchange rate and foreign exchange market were relatively stable and in consistence with market conditions. In the first five months of the year, before the downtrend of the USD in international market, domestic supply of foreign exchange was relatively abundant. Market exchange rate was generally stable and the SBV bought a large amount of foreign currency to increase foreign exchange reserves. However, in the second half of the year, the foreign exchange market was put under pressure due to unfavorable factors such as: *(i)* The USD in international market appreciated sharply with positive movements of the U.S economy as well as the opposite trend in monetary policy between Fed and other major central banks; *(ii)* Escalating the U.S-China trade conflict had had a negative impact on market sentiment as well as investment and production activities; *(iii)* The CNY and currencies of some emerging countries depreciated sharply (Turkey, Argentina and so on), rising concerns about an economic and monetary crisis in emerging and developing countries; *(iv)* Stock market in many countries plummeted, putting more risks to economic growth, and tightening global financial conditions.

Accordingly, the market exchange rate tends to increase rapidly, sometimes reaching over 23,350 VND/USD.

In spite of great pressure in the second half of the year, domestic exchange rate and foreign exchange market, in general, was stable in 2018 (by the end of 2018, the central exchange rate increased by 1.78 percent compared to the end of 2017, USD/VND exchange rate on the market increased by about 2.16 percent.) Market liquidity was smooth, legal foreign currency demands were fully met, the SBV purchased foreign currency in net to accumulate the State's foreign exchange reserve. The market was stabilized thanks to the favorable macroeconomic fundamentals, together with the SBV's flexible administration of monetary policy to stabilize the foreign exchange market. The central exchange rate mechanism continues to promote efficiency in absorbing external shocks and reducing speculation and hoarding of foreign currencies.



Source: The State Bank of Viet Nam

Gold price development

Domestic gold price was relatively stable and fluctuated within a narrow band despite complicated changes in international gold price. As of end-2018, domestic gold price stood at VND 36.34 - 36.54 million/ounce, a decrease of approximately 0.5 percent compared to early 2018.

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Domestic gold price was stabilized with narrowing domestic price gap.

Securities market

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Securities market fluctuated sharply and adjusted to decrease compared to 2017.

The stock market in 2018 witnessed many strong ups and downs due to a great many of internal and external factors. After rising above the historic level in April, the market entered a strongly correcting trend and failed to maintain the upward momentum as in 2017. Compared to the end of 2017, the VN-index reached 892.54 points, HNX-index reached 104.23 points, UPCoM-index reached 52.83 points, a decrease of 9.31 percent, 10.31 percent and 3.7 percent respectively. Stock market capitalization reached VND 3,957 trillion (equivalent to 71.49 percent of GDP; 2017: 70.18 percent), an increase of 12.6 percent compared to the end of 2017. Regarding market liquidity, during 2018, the transaction value in all three exchanges improved significantly, although the main contribution was mainly in the first quarter and a number of sudden trading days. The average daily trading value on the three exchanges, HOSE, HNX and UPCoM, reached VND 5,500, 795 and 375 billion, an increase of 31.87 percent, 23.45 percent and 55.6 percent, respectively, compared to the average of 2017. In 2018, foreign investors purchased approximately VND 42,700 billion, a slight decrease from VND 46,000 billion in 2017. Derivative stock market grew strongly in size and nominal trading value of the derivative market as of October 2018 reached almost VND 17,000 billion/session compared to VND 2,500 billion/session at the end of 2017. The number of derivative trading accounts increased 3.2 times compared to the end of 2017.

2.7. Credit institutions' activities

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Credit institutions' financial strength, prudential ratios, and risk management were enhanced. Profitability

As of end-2018, the credit institution system in Viet Nam included 01 totally state-owned bank, 03 banks with state holdings of above 50 percent, 03 compulsorily acquired commercial banks, 28 joint-stock commercial banks, 02 policy banks, 01 Cooperative Bank, 09 banks with 100 percent foreign-owned, 02 joint-ventured banks, 49 foreign bank branches, 26 finance companies and finance leasing companies, 04 microfinance institutions and 1,183 people's credit funds.

**Table 1: Credit institution system in Viet Nam
as of December 31, 2018**

No	Types	2017	2018
1	State-owned Commercial Banks (SOCBs)	7	7
2	Social Policy Bank (VBSP)	1	1
3	Development Bank	1	1
4	Joint-stock Commercial banks (JCBs)	28	28
5	Joint-ventured banks (JVBs)	2	2
6	100% foreign-owned bank	9	9
7	Foreign Bank Branches	49	49
8	Non-bank Credit Institutions	26	26
9	Cooperative Bank of Viet Nam	1	1
10	People's Credit Funds	1,178	1,183
11	Micro-finance Institutions	4	4

ratio was slightly improved compared to 2017, and there were continuous liquidity stability and credit quality improvement.

Source: The State Bank of Viet Nam

Credit institutions endeavored to improve financial capacity as well as prudential ratios, and strengthen risk management

In 2018, credit institutions achieved continuous positive business outcome and improved their financial capacity, asset quality and NPL resolution; liquidity in the banking system remained stable; sense of compliance as well as governance and management quality were significantly improved, cross-ownership and credit extension exceeding limit were gradually handled. Generally, credit institutions and foreign bank branches strictly complied with regulations on prudential limits and ratios and other regulations of the State Bank of Viet Nam; chartered capital and equity of the whole system were improved. As of end-2018, total assets reached VND 10.06 quadrillion, an increase of 10.6 percent compared to end-2017; total chartered capital was VND 576.3 trillion, an increase of 12.5 percent compared to end-2017, and total equity reached VND 806.1 trillion, an increase of 12.9 percent compared to end-2017.

Table 2: Credit institutions' assets and capital⁵

	Total assets		Total equity		Chartered capital	
	VND billion	± %	VND billion	± %	VND billion	± %
State-owned Commercial Banks	5,059,226	6.6	268,599	5.5	161,782	2.1
Joint-stock Commercial Banks	4,554,977	13.1	338,183	16.4	267,234	24.4
Joint-ventured, foreign banks	1,136,614	19.1	162,864	14.8	113,489	3.5
Financial and Financial leasing companies	167,822	18.3	32,565	39.4	26,421	17.2
Cooperative Bank ⁶	145,600	10.7	3,946	8.6	7,412	6.2
Total	11,064,239	10.6	806,156	12.9	576,338	12.5

Source: The State Bank of Viet Nam

Table 3: Credit institutions' operational indicators⁷

Unit: %

	ROA	ROE	CAR	Short-term deposit to medium-and long-term lending
State-owned Commercial Banks	0.7	12.3	9.5	30.7
Joint-stock Commercial Banks	1.0	12.8	11.2	32.7
Joint-ventured, foreign banks	1.1	7.6	25.9	(5.2)
Financial and Financial leasing companies	4.1	19.1	19.5	34.9
Cooperative Bank	0.8	9.6	24.1	33.8
Total	0.9	11.8	12.1	28.4

Source: The State Bank of Viet Nam

⁵ Excluded credit institutions with negative equity and did not include Social Policy Bank and People's Credit Funds.

⁶ Included Cooperative Bank of Viet Nam and People's Credit Funds.

⁷ ROA and ROE were calculated based on credit institutions' turnover-expenditure difference in 2018, excluding those with negative equity.



Basically, there was a growth in credit institutions' business performance and credit extension, in the meantime, net profit from credit activities continued to be the main contributor to total profits together with the development of non-credit services and foreign exchange business. As of end-2018, ROA and ROE of the whole system were 0.9 percent and 11.8 percent, respectively, higher than those in 2017 (0.7 percent and 10.3 percent). Minimum capital adequacy ratio in the system (CAR), as of end-2018, reached 12.1 percent, a slight decrease compared to end-2017, due to the slower increase in equity compared to the total risk weighted assets as credit institutions strengthen lending and investment activities. Chartered capitals and equity of the whole system were improved.

There were stabilized liquidity and improved credit quality

Liquidity risk: Liquidity in the whole system remained stable; regulations on credit line and capital adequacy ratios were strictly complied by credit institutions. Short-term deposit to medium- and long-term lending ratio was 28.4 percent at end-2018.

Credit risk: There had been a stable increase in credit growth since 2016, in line with the capital absorption capacity of the economy. Credit structure had been improved with the positive growth of short-term credit and the slow expansion of medium and long-term credit in line with the capacity of balancing capital and ensuring adequate liquidity. Thanks to proactive and vigorous implementation of the NPL resolution measures, credit quality control and NPL ratio maintenance at prudent level in line with present target, NPL ratio in 2018 kept being controlled at 3 percent, on-balance sheet NPL ratio of the whole credit institution system reached 1.91 percent. In 2018, total resolved on-balance sheet NPLs was VND 163.14 trillion of (2017: VND 115.54 trillion), in which, amount of NPLs resolved by credit institutions using credit risk provision made up 49 percent, handled by borrowers accounted for 28 percent and sold to the VAMC was 17 percent. According to the data on NPL

resolution under Resolution No. 42/2017/QH14, since May 15, 2017 (the time that Resolution 42 became effective) until end-2018, VND 198.5 trillion of NPLs was resolved by the credit institution system (2017: 85.09 billion VND).

Part II – State Bank of Viet Nam's management

In implementing the Government's guidance at Resolution No. 01/NQ-CP dated January 01, 2018, the SBV issued Instructive No. 01/CT-NHNN dated January 10, 2018 that set the objectives and tasks for the whole banking sector in 2018 being *“Managing monetary policy in proactive, flexible and cautious manner and in close coordination with fiscal and other macroeconomic policies to curb inflation rate below the target (4 percent on average), maintain macroeconomic stability, appropriately support economic growth rate (6.7 percent); ensure adequate liquidity in credit institutions and stability of exchange rates and foreign exchange market. In 2018, total liquidity was set to grow by 16 percent, credit outstanding by 17 percent with appropriate adjustment in accordance with actual developments”*.

1. Monetary policy management

Conducting open market operations in proactive, flexible and cautious manner for proper monetary regulation, ensuring adequate liquidity in the system and stable monetary market, supporting exchange rate stability and monetary controls

The SBV continued to conduct OMOs in proactive, flexible and cautious manner for proper monetary regulation, supporting money market and exchange rates stability.

In the first half of the year, with favorable foreign currency supply, the SBV mainly supplied money to buy foreign currencies, facilitating the State foreign exchange reserves to be accumulated while conducting sterilization via the SBV-bills issuance to control currency. Accordingly, the SBV reduced the interest rate for offering valuable papers by 0.25 percent per annum and then kept at 4.75 percent per annum to show support in stabilizing the market interest rates; at the same time, the SBV offered SBV-bills with a reasonable volume and maturity, on the one hand to conduct sterilization and

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Proactive, flexible and cautious conduction of monetary policy to control inflation, maintain macroeconomic stability, and give appropriate support to economic growth, while ensuring adequate systemic liquidity and stable monetary market.

control the monetary at a reasonable level, on the other hand, to contribute to control inflation, stabilize exchange rates and support stabilizing market interest rates.

Since July 2018, there were a number of negative developments in the global financial and monetary markets exerting pressure on exchange rates and inflation control targets, thus the State Bank extended the term of SBV-bills up to 140 days, raising interest rates for bills offering, maintaining liquidity of credit institutions at a reasonable level to avoid impact on market interest rates. In the context of selling foreign currencies for foreign exchange market intervention, temporary working capital shortage in credit institutions, particularly since the end of October 2018 when there was high demand for credit disbursement and payment, the SBV temporarily halted the offering of bills, provided liquidity support for credit institutions through the channel of offering valuable papers with terms and volumes suitable to market developments and the availability of working capital to support credit institutions facing difficulties in receiving loans in the interbank market, contributing to money market stability.

Cutting down OMO buying interest rate, contributing to stabilizing interest rates

In 2018, the SBV continued to manage interest rate in line with developments in macroeconomy, inflation and money market for contributing to controlling inflation within target and stabilizing macroeconomy. Based on macroeconomic, money and foreign exchange market developments as well as overall supply-demand balance, the SBV cut down OMO buying interest rate from 5 percent p.a. to 4.75 percent p.a.; regulated liquidity in the credit institution system, contributing to stabilizing interest rates.

Keeping VND and foreign currency reserve requirement ratios stable

Reserve requirement ratio for VND deposits was maintained at 3.0 percent for demand deposits and term deposits due within 12 months, 1.0 percent for



term deposits with maturities of more than 12 months. For deposits denominated in foreign currencies, reserve requirement ratio was maintained at 8.0 percent for demand deposits and deposits with maturity of less than 12 months, 6.0 percent for term deposits with a maturity of more than 12 months and 1.0 percent for deposits of credit institutions located abroad.

Maintaining refinancing window to give funding support to NPL resolution process and the realization of other objectives as guided by the Government

Refinancing instruments continued to be adopted in alignment with market developments and performance of credit institutions and targets of monetary policy management. The SBV continued to refinance as guided by the Government such as refinancing based on VAMC's special bonds to supplement credit institutions' working capital in NPL resolution process according to Decree No. 53/2013/ND-CP dated May 18, 2013 and Decree No. 34/2015/ND-CP dated March 31, 2015; refinancing Joint Stock Commercial Bank for Investment and Development of Viet Nam for lending to projects under phase 1 of the Master plan to protect against flooding in Ho Chi Minh City.

Flexibly managing daily central exchange rate in combination to synchronous and flexible operation of monetary policy instruments

In 2018, exchange rate and foreign exchange market stabilization measures were implemented by the SBV in a uniformed and flexible manner. *First*, the SBV continued to announce central exchange rate on a daily basis with reference to developments in domestic and international markets, macroeconomic and monetary balances and monetary policy objectives. The central exchange rate moved flexibly in both upward/downward directions, which curtailed foreign currency speculation and holding, thereby reducing dollarization as well as minimizing adverse impacts from external events and easing exchange rate pressure. *Second*, foreign exchange

market intervention was implemented in active and flexible manner in accordance with market developments for stabilizing the market. Based on market developments and monetary policy management viewpoints, the SBV flexibly adjusted buying/selling exchange rates and make forward foreign exchange purchases/sales with credit institutions. Specifically: *(1)* When there was plentiful supply of foreign currencies, in addition to spot purchase of foreign currencies, the SBV bought 3-month foreign currencies (from February 7th, 2018), contributing to implement appropriate currency regulation and control inflation; *(2)* When the exchange rates and the foreign exchange market were under pressure due to the unfavorable conditions of the supply and demand of foreign currencies, the international market had unfavorable movements, putting pressure on the domestic market, besides other regulatory measures and media, the SBV sold foreign currency when necessary to stabilize the market. *Third*, exchange rate was managed in conjunction with uniformed and flexible management of monetary policy instruments. The SBV properly managed liquidity and VND interest rates, proactively boosted communication, market orientation with monetary policy and exchange rate regulation, especially in periods when exchange rates and foreign exchange markets were under short-term pressure, thereby, creating consensus among market members and improving transparency, effectiveness of monetary policy and exchange rates. Exchange rate and foreign exchange market management of Viet Nam in 2018 received high appreciation from many international organizations, enterprises and the public.

Managing credit solutions in parallel with safety, improving credit efficiency and quality, creating favorable conditions in accessing credit capital of the economy

Based on the 2018 growth target of about 6.7 percent and the average inflation of about 4 percent set by the National Assembly and the Government, the SBV set a target of credit growth for 2018 of about 17 percent, with



adjustment in accordance with actual developments. Accordingly, the SBV announced credit growth targets for credit institutions and during the implementation process, considered adjusting credit growth targets for credit institutions and foreign bank branches on the basis close monitoring of each credit institution and the whole system. The SBV continued to implement measures to create favorable conditions for credit institutions to expand credit, focusing on production areas and priority fields; strictly control credit for potentially risky areas, with consolidation and efficiency improvement; continue to implement credit programs; promptly handle difficulties and problems regarding mechanisms and policies to facilitate credit expansion for economic development, in parallel with operational safety.

For foreign currency credit, the SBV continued to control the demand for foreign currency loans to ensure the compliance with the anti-dollarization roadmap. At the same time, in order to realize the Government's goal in Resolution No. 35/NQ-CP dated May 16, 2016 on supporting and developing enterprises by 2020, the SBV issued Circular No. 42/2018/TT-NHNN dated December 28, 2018 amending and supplementing a number of articles of Circular No. 24/2015/TT-NHNN dated December 08, 2015, providing foreign currency loans of credit institutions and foreign bank branches for Borrowers being residents.

2. Foreign exchange management

Strengthen the construction and completion of the legal framework on foreign exchange management and the gold market

In 2018, the State Bank issued 05 circulars to improve the legal framework related to foreign exchange activities and renovate the system of legal documents in accordance with practical conditions; thereby, contributing to creating a complete and synchronized legal corridor, creating conditions for organizations and individuals to perform foreign exchange activities domestically and internationally according to the law

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Continue to improve the legal framework for foreign exchange and gold market management; the management of current transactions, and capital

transactions, management of the State foreign exchange reserves, management of the gold market continued to be effective.

while ensuring the right to access economic benefits from these activities.

Current transactions management

Current transactions management continued to follow the direction of liberalization in line with international commitments, the SBV, in the meantime, kept implementing solutions to limit domestic foreign currency spending and to encourage the Vietnamese's confidence in the VND. The policy of attracting remittances continued to be implemented in a looser manner and in line with integration trend, aiming at encouraging and facilitating inward remittances, contributing to the improvement of the Viet Nam's balance of payments and accumulation of the State foreign exchange reserves. Besides, the SBV continued to implement policies in order to attract foreign currencies to the banking system such as the policy on management of foreign currency exchange, remittance, purchase and sale of foreign currency cash between authorized credit institutions and individuals, cross-border transaction management, etc.

Capital transactions management

The SBV had issued adequate regulations on the foreign exchange management vis-a-vis foreign investment, in the meantime, the foreign exchange management activities is implemented toward: *(i)* Facilitating foreign direct investment into Viet Nam, promoting economic growth and improving international balance of payments, contributing to the development of securities market to created more funding channels for business activities; *(ii)* Managing overseas direct/ portfolio investment in a prudent manner in order to either support domestic investors to seize opportunities or ensure close supervision of capital outflows, and channel resources to domestic economic development; *(iii)* Strictly manage the monitoring of non-government guaranteed enterprises' external borrowing and repayment thresholds, ensuring the net external debt of financially autonomous enterprises in 2017 to be within the limit approved by the Prime Minister.



State foreign exchange reserves management

In 2018, under the mentioned market development in above, foreign currency holding continued to decrease, and foreign currency resources were converted to serve socio-economic development. In such conditions, the SBV bought more foreign currency to build up the State foreign exchange reserves, make the total amount of foreign exchange reserves increased in comparison with the year 2017.

Gold market management

In 2018, domestic gold market continued to be stabilized and well self-regulated without any 'gold fever' in the market; sales volume of gold bars decreased compared to previous years. The SBV did not have to use foreign currency to import gold for market intervention. The goldenisation of the economy continued to be limited, a part of gold capital in the economy continued to be converted into money for socio-economic development, contributing to exchange rate and macroeconomic stability.

3. Banking inspection and supervision

Supervision and Inspection

Implementing the 2018 inspection plan issued under Decision No. 2445/QĐ-NHNN dated November 24, 2017 and the decisions on adjustment and supplementation of the 2018 inspection plan of the SBV, 2018 specialized inspection 2018 focused on: Inspection and assessment of financial status, business performances, capital and the status of charter capital ownership; compliance with regulations on safety limits and ratios; inspection of the implementation of the Restructuring Plan and the NPL Resolution Scheme approved by the authorized authorities; etc. The inspection results formed an important basis for the SBV to request CIs to build/adjust the restructuring plan in line with their operations. In addition, post-inspection monitoring, urging, examination and treatment continued to be closely and strictly supervised to ensure CIs' strict execution of recommendations in the inspection and



The SBV continued to drastically and uniformly implement measures on banking inspection and supervision; restructuring of credit institutions system in association with NPL resolution; improvement of the legal framework for prudential

banking operations, risk management, support of NPL resolution and restructuring were implemented in drastic and uniformed manner; the application of prudential regulations in accordance with Basel II standards was promoted.

supervision conclusions; the results of implementation and post-inspection handling were associated with the consideration of licensing for network expansion and provision of new banking services, thereby improving the efficiency and effectiveness of inspection and supervision.

At the same time, in 2018, the whole system focused on and actively undertook administrative inspection, citizen reception, complaints and denunciations handling and anti-corruption with a number of encouraging results. On the basis of the shortcomings and violations detected through the administrative inspection, the administrative inspection team recommended the inspected entities to take measures to overcome the shortcomings. In general, the inspected units basically executed the recommendations. Regarding citizen reception, complaints and denunciations handling in 2018, the whole banking system received almost 400 turns of citizen concerning mainly to interest rates, qualified criteria for preferential loans, attitude of banks' staff, etc.; processed over 2,000 mails and applications, of which more than 1,000 were under SBV's authorization. Leaders at all levels always paid close attention and provided directions to raise the awareness and sense of responsibility of officials to timely and lawfully handle complaints and denunciations arising from the unit level; therefore, in 2018, there were no complicated cases or arising hotspots.

Banking supervision continued to be innovated and strengthened on the basis of developing and implementing new supervision tools and methods together with promoting information technology application, database and supervision criteria system development, gradually moving from compliance supervision to a combination of compliance supervision and risk-based supervision. Basically, banking supervision had achieved positive results: *(i)* There was a link between the development of inspection plan and inspection implementation; *(ii)* Potential risks identification and assessment were conducted in order to promptly issue warning documents on strengthening inspection, supervision



and risk management for potential high-risk activities; (iii) Meetings with supervised entities and proposal on appropriate inspection content were implemented. In addition, in order to continue perfecting the supervision process in accordance with the provisions of law and approaching international practices, the SBV issued Circular No. 04/2018/TT-NHNN dated March 12, 2018 amending and supplementing a number of articles of Circular No. 08/2017/TT-NHNN, adding provisions on the application of early intervention in banking supervision, contributing to timely handling of violations, minimizing risks to the supervised banking entities.

Licensing management

Management and licensing in 2018 continued to follow prudent principles, standards and conditions, in line with the progress and results of NPL restructuring and resolution of the whole system and of each CI in order to ensure the safe and sound development of the CIs system. In 2018, the SBV granted new licenses for the establishment and operation for 02 foreign bank branches and 05 representative offices of foreign banks in Ha Noi City and Ho Chi Minh City. At the same time, the SBV approved the establishment of 81 branches, 357 transaction offices and 01 service unit of CIs.

The implementation of the 2016-2020 Master plan on Restructuring of the Credit Institution System associated with non-performing loans (NPL) Resolution and adoption of prudential regulations in line with Basel II standards

Continuing to enhance the implementation of the restructuring of the credit institutions associated with NPL resolution

In 2018, based on the measures specified in the 2016-2020 Master plan on Restructuring of Credit Institutions System associated with non-performing loans and the current operational status of the CI system, the SBV drastically instructed credit institutions to complete their restructuring plans associated with NPL resolution to submit to competent authorities for approval. The

SBV has strengthened supervision of credit institutions to implement the approved restructuring plans; while directing credit institutions with unapproved plans to review recommendations at inspection conclusions for supplementing and completing the plans in order to properly and fully reflect the reality of credit institutions as well as propose solutions to conform with reality and provisions of law and to ensure the requirements of the objectives and solutions set out in Master plan 1058.

As of present, the SBV had basically completed the approval of plans or had written request to the Board of Directors/Board of Members of credit institutions to review, finalize and be responsible for approving restructuring plans for most of the credit institutions. Credit institutions that had not approved the plan mainly include joint-stock commercial banks undergoing merging procedures, credit institutions waiting for the issuance of inspection conclusions so as to add recommendations in the inspection conclusions to the plan and weak credit institutions being handled under specific regime, etc. Currently, credit institutions had been actively implementing approved restructuring plans in association with NPL resolution, focusing on strengthening the control and improvement of credit quality; restructuring activities to be safer and healthier; actively developing payment services, other non-credit services and expanding retail and consumer credit services; promoting the development and diversification of banking services ...

On August 28, 2018, the SBV held a 1-year Review Conference on the implementation of Masterplan 1058 and Resolution No. 42/2017/QH14. After the Conference, the SBV issued Directive No. 05/CT-NHNN dated September 17, 2018 on continuing to strengthen the restructuring of the CI system associated with NPL resolution to ensure thorough uptake by the entire sector. In general, in 2018, in sticking to the goals and orientations set out in Master plan 1058 and solutions to deal with NPLs under Resolution No. 42/2017/QH14, the whole banking sector has been focused on the implementation



of solutions to restructure the credit institution system associated with NPLs resolution, which achieved positive results in accordance with the set goals and roadmap.

Implement prudential regulations in line with international standards and Basel II requirements

In 2018, the SBV continued to focus on improving legal framework, monetary policy mechanisms and banking operations with a focus on issuing guiding documents for the Law No. 17/2017/QH14 to amend and supplement a number of articles of 2010 Law on Credit Institutions, creating a synchronized legal corridor, meeting the requirements of state management in the banking sector, ensuring the stable, safe and sound operations of credit institutions and monetary and financial markets. In particular, in order to create sufficient legal basis for credit institutions to implement Basel II Capital Requirements under the standardized approach, the SBV issued Circular No. 13/2018/TT-NHNN dated May 18, 2018 providing internal control system of commercial banks and foreign bank branches.

The introduction of Circular No. 13/2018/TT-NHNN contributes to making fundamental changes in the governance, administration, risk management and control of credit institutions; as well as helps to timely prevent, warn and address violations and risks, thus contributing to mitigating the probability of losses and banking system failure. Accordingly, credit institutions are required to rearrange and reorganize their supervisory functions in accordance with three lines of defense model; enhance the responsibilities and independence of the Board of Directors, Board of Management and Supervisory Board in management and supervision; strictly implement inspection and control over all activities of CIs from head offices to branches and transaction offices; strengthen risk management for material risks, determine risk appetite in line with financial and governance capacity of credit institutions; perform capital computation and governance to ensure sufficient capital to cover risks; strengthen independent inspection and evaluation of internal audit.

Anti-money laundering

In 2018, many important outcomes in anti-money laundering and counter-terrorist financing were made, contributing to national and international crimes prevention and struggling, protection of national financial and monetary security as well as the safety of banking system. The SBV pushed ongoing national risks assessment on money laundering and terrorist financing (NRA), organized, in collaboration with the World Bank and relevant agencies, the 2nd NRA conference in June, 2018 and coordinated with relevant ministries and agencies to finalize submission letter to the Prime Minister for approval of Viet Nam's NRA results and Post-NRA Action Plan for 2019-2020 period.

To prepare for the Mutual Evaluation Mission of the Asia-Pacific Group on Money Laundering (APG) in 2019, the SBV actively coordinated with ministries to develop, complete and send the modeling report to APG (in April 2018); submitted to the Prime Minister for approval of Decision on the issuance of APG's Master plan for Mutual Evaluation of Viet Nam; established a Supporting Team for the Mutual Evaluation Round and successfully organized a Training workshop on mutual evaluation of Viet Nam. In order to further improve the legal framework for anti-money laundering, the SBV had been studying to develop a Decree amending and supplementing a number of articles of Decree No. 116/2013/ND-CP on detailed execution of a number of articles of the Law on Anti-Money Laundering and planned to submit to the Government for signing in November 2019.

4. Macroprudential supervision over the financial system

Systematic Risk Monitoring Regulation (issued under Decision No. 2563/QD-NHNN dated December 31, 2016) continued to be implemented and meetings of the task force and supporting group on monetary-financial stability (according to Decision No. 2471/QD-NHNN dated December 20, 2016) were regularly held



by the SBV. The database and information system for systematic risks monitoring was regularly updated and improved, contributing to the policy making process on appropriate macro and macroprudential policies in each period. In addition, SBV officials gradually applied quantitative analysis models and analytical techniques in terms of systematic risks assessment in accordance with international practices such as stress test, systematic risk alarming system (SRAM), early warning model, financial cycle to monitor, evaluate and analyze risks and propose appropriate policies and tools for each period.

There was an increasing improvement in the financial stability framework evidenced in the establishment of a macroprudential framework to prevent systematic risks. Accordingly, the Macroprudential Framework includes 03 main components: **(i)** Systematic risks monitoring and supervision; **(ii)** Macroprudential tools selection and execution; and **(iii)** Appropriate institutional framework.

5. Legislation and law enforcement

Legislation

In order to further improve institutional framework for banking operations, in 2018, to implement the Resolution No. 42/2017/QH14 and Law No. 17/2017/QH14 amending and supplementing a number of articles of the Law on Credit Institutions, the SBV, according to its competence, drafted and issued, coordinated to issue or submitted to competent authorities for the introduction of 55 legal documents, including 03 decrees and 01 decision of the Prime Minister; 51 circulars of the Governor of the SBV. The said legal documents laid a legal basis for the SBV to carry out the following key tasks: **(i)** Restructuring the credit institution system; **(ii)** Trading and resolution of NPLs by credit institutions and the VAMC; **(iii)** Issuing regulations on the establishment, organizational structure and operation of credit institutions; **(iv)** Regulating foreign exchange operation, gold; and **(v)** Implementing credit support policies. With a great number of promulgated legal documents, the legal framework of the banking sector continued to be improved,



The SBV continued to implement the Systematic Risk Monitoring Regulation and gradually improve the macroprudential framework to lay a legal basis for preventing systematic risks and mitigate negative impacts on the economy.



Legislation and law enforcement continued to be strengthened to improve the legal framework for monetary and banking activities, contributing to the transparency of the legal system for the banking sector.

strengthening the state management in the monetary and banking sector, laying an important legal foundation for the SBV to manage monetary policy, ensure safety, and push the process of restructuring and consolidation of the credit institution system.

Strengthening law enforcement in the banking sector

In order to improve the effectiveness of banking law enforcement, the SBV focused on the following tasks: *(i)* Communicating newly issued legal regulations throughout the banking system; *(ii)* Reviewing legal documents, abolishing 06 Circulars of the SBV, disclosing 15 documents with complete invalidation and 30 documents with full invalidation; *(iii)* Examining legislative documents (examination, within its competence, of 25 documents sent by ministries, ministerial-level agencies, People's Councils and People's Committees; and self-examination of 51 document); *(iv)* Finalizing the banking and monetary codification, accordingly, the Government issued Resolution No. 129/NQ-CP approving the results of the banking and monetary codification including 06 entities; *(v)* Reviewing banking laws in correlation to international commitments and treaties that Viet Nam had been or under the process of joining such as CPTPP, EVFTA, Viet Nam-UK Agreement, ASEAN Trade in Electronics Agreement, ASEAN Trade in Services Agreement (ATISA), Regional Comprehensive Economic Partnership (RCEP), etc.; *(vi)* Regularly updating and monitoring the implementation of newly promulgated legal documents, implementing topical monitoring, promulgating guiding documents or proposing amendments, supplements or new ones to meet management requirements, thus improving the uniformity and transparency of banking legal system; *(vii)* Continuing researching and proposing controlled sandbox for a number of banking activities applying science and technology; *(viii)* Actively participating in the making of such credit institution-related laws as the Law on Securities, the Law on Investment, and the Law on Enterprises, etc.



6. Issuance and vault operation

On issuance operation and cash regulation

Cash issuance and circulation were closely monitored by the SBV, and cash was regulated in active and flexible manner on the bases of individual locality and individual period in order to meet the economy's cash demand in term of either value or denomination structure. Particularly, during Tet holidays, the time of high pressure of cash revenue and expenditure, the SBV initiatively planned to prepare, concentrate resources and implement synchronized solutions to raise cash reserves at different agencies to ensure smooth cash transactions, not to occur shortage of money across the country and locality. At the same time, the SBV also closely coordinated with other competent agencies to communicate the right use of small denominations, prohibit money exchange activities in contravention of law; implementing various measures to improve the quality of cash in circulation.

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*Effectively
implementing
issue and vault
operation, ensuring
the safety of
the system and
monetary security.*

Vault safety operation

In order to further strengthen the management of vault safety in the whole sector, in 2018, the inspection of vault safety operation at the SBV branches and credit institutions was strengthened by the SBV to promptly detect, overcome existing matters, guide and request units to strictly comply with the regulations on the management of vault operations, overcome shortcomings in order to ensure absolute security of assets.

Preventing and struggling against counterfeit money

The SBV focused on applying technology in analyzing and expertising counterfeit money and suspected counterfeit money in order to give timely warning of newly emerging counterfeit currencies to the banking system, the State Treasury; strengthening the training and professional training for officials and employees in the banking system, the State Treasury; promoting coordination with the functional units of the Ministry of Public Security, the Ministry of National Defense in preventing and struggling against

counterfeit money and protect Vietnamese money through the implementation of the Regulation on coordination. Thanks to the synchronous implementation of solutions and close coordination of functional units, the amount of counterfeit money seized through the banking system and the State Treasury in 2018 decreased by almost 50% compared to 2017, contributing to ensure national monetary security. In addition, in order to improve the legal framework and enhance the responsibilities of the concerned ministries in the prevention of counterfeit money and the protection of Vietnamese money, the State Bank has reviewed, assessed and summarized the Decision No. 130/2003 /QD-TTg dated June 30, 2003 of the Prime Minister and made a dossier proposing the Government to make a Government's decree on the prevention of counterfeit money and the protection of Vietnamese money.

7. Payment operation

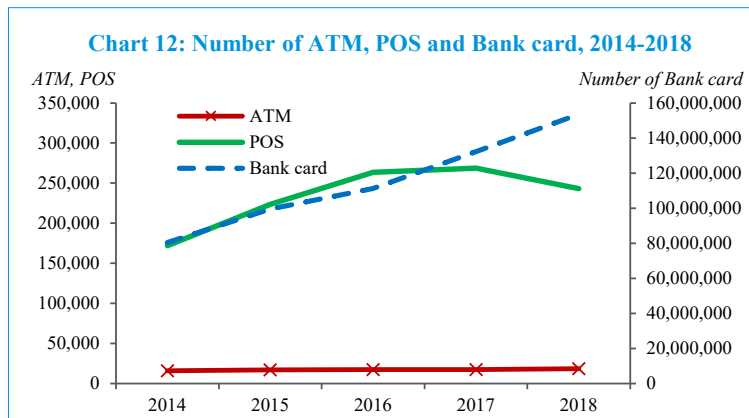
Modernizing payment system

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Payment system continued to be modernized with stable, safe and convenient operation, well meeting the needs of payment in the economy, contributing to speeding up payment.

New and innovative payment instruments built on advanced science and technology and telecommunications have been bringing about convenient payment channels and creating many benefits to consumers. By the end of 2018, there were about 76 banks operating Internet payment services and over 41 banks providing mobile payment services. The number of transactions in 2018 via the Internet was 255 million with the value of VND 16 trillion, increasing by 33.6 percent and 19.5 percent compared to the end of 2017, respectively. The number of mobile transactions reached over 185 million, with the value of almost VND 1.8 quadrillion, increasing by 41 percent and 169 percent compared to the end of 2017, respectively. In line with the global trend of payment technology, some banks have paid great attention on research activities so as to apply new and modern technologies to payment activities on mobile devices through the application of biometrics (fingerprint, face, voice), quick response code (QR Code), tokenization, contactless payment, mPOS technology, etc. Besides, to promote cashless payment activities, by the end of 2018,

the SBV had licensed 26 non-bank organizations to provide payment intermediaries to serve low-value retail and payment transactions.



Source: The State Bank of Viet Nam

Investments in infrastructure and technology for non-cash payments kept growing aiming at improving service quality and efficiency. The task of ensuring security and safety of card systems and electronic payment has been increasingly focused. By the end of 2018, there were 18,587 ATMs and 243,123 card accepting devices (POS) installed. The number of transactions via ATM reached 874,588 thousand items with transaction value of more than 2,451 trillion VND. The continuously improved number of cards issued was 153.6 million, an increase of 16.10 percent compared to the end of 2017. More features were integrated into a card to pay for goods and services while the quality of services and card payment security were improved. The safety and security of bank cards were strengthened by the application of local chip card standards and card data security standards (PCI/DSS).

The interbank electronic payment system continued to operate stably, safely, effectively, smoothly, meeting the interbank payment needs in a timely, accurate, convenient, and secure manner. By the end of 2018, the inter-bank electronic payment system of the SBV had connected with 377 members, including: 64 members under the State Treasury, 64 members under the State Bank, 248 members under credit institutions and 01 member being operating the switch and clearing system.

Total number of transactions via inter-bank electronic payment system in 2018 reached 137,594 thousand transactions with a total transaction value of VND 73,110 trillion, up 25.87 percent and 24.68 percent respectively compared to 2017.

Payment systems regulation and supervision

The legal framework for payment activities continued to be improved in order to create a uniformity in the state management of payment. Accordingly, the SBV advised the Government to approve the Scheme to promote banking payment for public services such as tax collection, electricity, water, tuition, hospital fees, and payment of social security programs. In addition, in the spirit of proactively capturing and applying technology for the interests of users, the SBV applied a set of internal standards for domestic chip cards and a set of technical standards for QR Code from the payment acceptance unit in Viet Nam as a basis for uniform application of standards, ensuring uniformity, avoiding waste of resources, increasing safety level, increasing utilities for customers.

In order to improve the legal framework for supervisory activities, the SBV issued Circular No. 20/2018/TT-NHNN dated August 30, 2018, on supervision of payment systems, deploying the strategy of supervising payment systems in Viet Nam for the period of 2014-2020, combining daily online monitoring for inter-bank electronic payment systems and periodic monitoring of payment systems, foreign currencies, payment of securities, and strengthening supervision of payment intermediary services to ensure security and safety in payment.

8. Credit information

In 2018, the Viet Nam National Credit Information Center (CIC) continued to implement solutions to improve the quality of the national credit information database either extensively or intensively; developing a system of diversified products and services; innovating processes and operations; upgrading information technology system. The achievements had confirmed the

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The effectiveness in operations of the Viet Nam National Credit Information Center had been



position and role of credit information for Viet Nam's financial infrastructure, contributing to the safe and sound development of the banking system.

Development of a national credit information database

In 2018, in addition to maintaining a conventional data source through credit institutions in the system, CIC expanded and supplemented unconventional sources of information through ministries, sectors and voluntary organizations.

By the end of 2018, 100 percent of credit institutions and foreign banks' branches, 1,118 people's credit funds, 04 microfinance institutions and 43 voluntary organizations provided reports to CIC. Over 38.9 million borrower profiles were archived in the national credit information database, over 920,000 and 38 million of which were corporates and individuals, respectively. According to the World Bank's Doing Business 2019, the credit registry coverage improved to 54.8 percent (51 percent in 2017), the depth of credit information index maintained at 7 over 8 points, higher than average levels of Asia Pacific and OECD countries.

*improved,
contributing
to information
transparency
and safety of the
banking system.*

Credit rating operation

Table 4: Depth of credit information index 2018

Indicator	Viet Nam	East Asia and Pacific	OECD
Depth of credit information index (grade 0-8)	7.0	4.2	6.7
Credit registry coverage (% of adults)	54.8	16.9	21.8
Credit bureau coverage (% of adults)	29.5	23	65.3

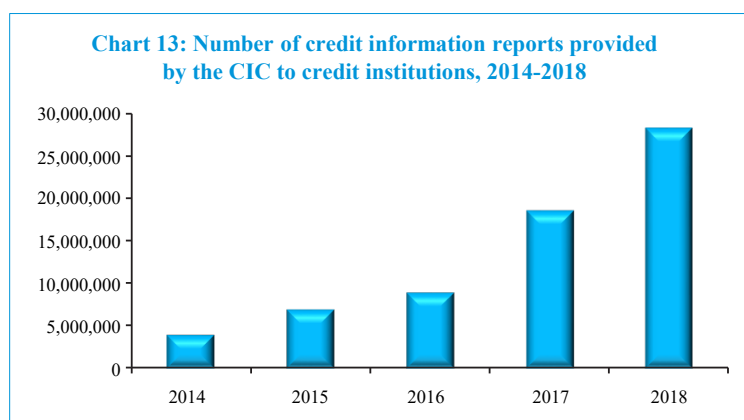
Source: World Bank – Doing Business 2019

Provision of credit information

In 2018, through monthly reports on credit situation and non-performing loans resolution of credit institutions, the CIC timely provided information for the

SBV's direction and management; credit developments at local level for serving the inspection and supervision by the SBV provincial branches. Besides, direct connection from the CIC system to the risk management and credit approval system of credit institutions, owing to the official application of the new information provision methodology (Host to Host), improved the efficiency of credit information. As a result, the CIC provided almost 28.3 million credit reports in 2018, an increase of 52 percent compared to 2017. The CIC met nearly 44.4 million requests if the quick search on the borrowers' credit status were counted. The rate of real-time automatic information provision was about 93 percent, higher than that of 85 percent in 2017. This rate reflected that the innovation of processes and operations, products and services, as well as quality of input information and the application of new technology by the CIC brought remarkable achievements.

Moreover, the CIC provided a large amount of information about customers who belonged to the highest debt group as a basis for credit institutions to classify and assess debts; at the same time providing data packages for credit institutions to build up, develop, test models of risk management, credit grading, internal credit ratings, portfolio management and debt recovery; providing information to support credit institutions in implementing Basel II roadmap.



Source: The State Bank of Viet Nam



Credit literacy and support

In order to implement credit information transparency and support borrowers in monitoring their credit information and improving credit scores, the CIC had developed a web portal to connect with borrowers and the Customer Support Center (Contact Center). This is one of the important subjects in the implementation of the Government's Resolution No. 19/NQ-CP and the Government's Resolution No. 35/NQ-CP on solutions to improve the business environment and enhance accessibility of people and businesses to credit.

9. Communication and information transparency

In 2018, communication activities of the SBV continued to focus on the following tasks: state management of communication in the banking system; communicating policies of the Government; management of monetary policy and banking activities of the SBV; strengthening governance, upgrading interface and content of the SBV's Portal; timely response to concerned issues; implementing social security activities of the banking industry. The connectivity in communication activities was increasingly strengthened, hence, contributing to improving the efficiency of communication activities throughout the banking system. Besides, the financial literacy programs such as “Tiền khéo, tiền khôn – Smart Money, Intelligent Money”, “Những đứa trẻ thông thái – Intelligent Children”... continue to be well implemented. These programs helped improve the understanding of people and enterprises about banking products and services, reduce risks to customers, minimize the social costs, thus contributing to active implementation of Master plan on non-cash payment, promoting of the payment of public services via bank and Master plan on improving accessibility to banking services for the economy.



Information and communication activities continue to achieve important and increasingly professional results, creating public confidence in monetary policy management and banking operations, contributing to systemic stability.

Part III – Internal governance

1. Internal Audit

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Internal audit and control activities continued to focus on potential risk areas, contributing to improving the quality of operations and safety of the SBV.

Internal audit and control activities continued to be implemented in effective manner by the SBV in accordance with Circular No. 16/2011/TT-NHNN dated August 17, 2011 of the Governor, focusing on risky areas. Accordingly, in 2018, the SBV conducted internal audits at 30 units on the subjects of financial statements; compliance; capital investment projects; IT projects; cash issue and vault operations; and periodical audit of the FSMIMS project. Internal audit activities helped units of the SBV to timely identify and fill gaps and shortcomings; review and complete internal processes and regulations thus contributing to intensifying management capability to ensure compliance with applicable laws and regulations and thrift practice and waste combat.

2. Human resources and training

Staff, personnel structure and management

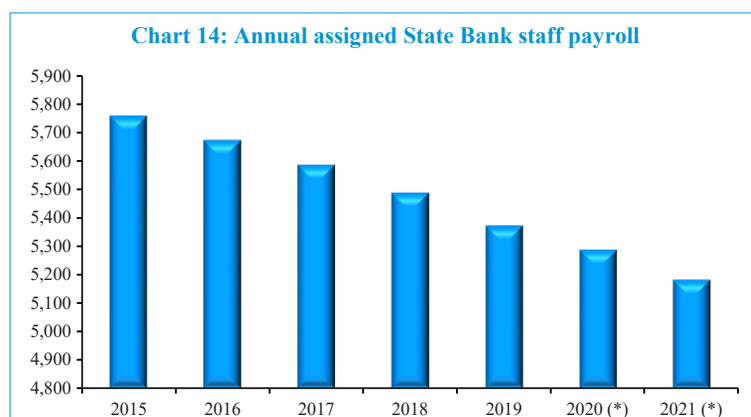
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The SBV's organizational structure continued to be managed in a more streamlined and effective manner in line with the Party and Government's guidelines and policies; staff quality at unit level and training efficiency continued to be improved toward international standards.

In implementation of the Resolution No. 18-NQ/TW dated October 25, 2017 of the XII Central Executive Committee Meeting on a number of issues regarding reform and organizational structure of a streamlined, effective and efficient political system, the SBV continued to review its functions, tasks, authorities and organizational structure to make appropriate arrangements and adjustments. The specific results were as follows: **(i)** To meet the policy of assigning similar functions and tasks to one central agency, reducing intermediaries and ensuring efficiency and cost savings, the SBV transferred the publication of Banking Informatics Magazine from the Department of Information Technology to the Banking Times Agency; **(ii)** To consistently advice the Government and the Prime Minister on the reorganization of functions, tasks and powers of the BSA in more streamlined and effective manners. Accordingly, the SBV was currently finalizing the Decree amending and supplementing a number of

articles of Decree No. 26/2014/ND-CP dated April 07, 2014 on the organizational structure and operations of the BSA, which would be consulted with the Ministry of Home Affairs prior to submitting to the Prime Minister; proposing the Prime Minister the new Decision to replace Decision No. 35/2014/QD-TTg dated June 12, 2014 on the functions, roles, responsibilities and organizational structure of the BSA.

For payroll scheme, in 2018, the SBV took the initiative in reviewing and evaluating the tasks assigned to its units including reducing the number of employees in line with the instructions made by the Ministry of Home Affairs; at the same time, an overall and detailed roadmap for each year was developed, too to ensure that the staff downsizing ratio reaches at least 10 percent in 2015-2021. The following graph shows SBV's payroll developments in 2015-2019 and estimation for 2020-2021:



(*) The estimated payroll scheme for 2020-2021, ensuring at least 10 percent of downsizing compared to that in 2015

Source: The State Bank of Viet Nam

Regarding personnel activity, in 2017-2018 alone, 73 percent of the public servants of the SBV were recruited in two ways: *(i)* The admission examination and assessment process was conducted in line with general regulations and principles of public disclosure and transparency; examination by computer-based tests was applied step by step; *(ii)* The admission without examination was conducted to immediately recruit outstanding candidates having long-term experience for vacancies. In particular, through the latter conduct,

a number of candidates that could assume key positions of some units had been received and appointed; thereby contributing to implementation of leadership rotation policy between the SBV and commercial banks and vice versa. The recruited cases without entrance examination were strictly conducted out by the SBV in line with the process and eligible criteria as approved and verified by the Ministry of Home Affairs.

Training activities

Training activities are targeted at building a team of professional and competent civil servants who will engage in policy formulation and implementation in line with market-based principles, advanced technologies and move toward international best practices and standards. Many positive results had been obtained for staff training in 2018. Specifically, 4,366 employees participated in short-term training and, 10 attended postgraduate training courses at home and abroad, 13 experts interned at Vietcombank. At the same time, the SBV continued to coordinate with the ATTF technical assistance projects/ programs to meet the units' requirements for professional knowledge update and improvement. The training activities have been conducted toward improvement of training programs, methods, lecturer's role and incentives for learners to help improve the training quality and satisfy the need for human resource development in the banking industry.

3. Research Activities

In 2018, 30 additional tasks at ministerial level; 14 additional tasks at departmental level were implemented across the banking sector with focus on the following 06 main topics: **(i)** To complete operational framework for the SBV toward a modern central bank in accordance with a socialism-oriented market economy oriented; **(ii)** To improve the framework of monetary policy, exchange rate policy, foreign exchange management, gold and monetary markets in order to improve the effectiveness and efficiency of the SBV's management for the 2016-2020 period; **(iii)** To continue credit institution

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Research activities in banking sector were in line with overall goals and contributed significantly to the sector's practices and theory.

restructuring in tandem with NPL resolution; consolidate and renovate banking governance in accordance with international practices; improve the transparency in banking activities; *(iv)* To improve the mechanism and effectiveness of banking inspection and supervision, macro prudential supervision of the financial system; *(v)* To improve the financial infrastructure, information technology and banking services; *(vi)* Inter-ministries and basic researches supporting the operation of the banking sector. Selected research topics were developed basing on issues of the banking industry, providing theoretical and practical basis to banking operations.

In 2018, the SBV had held a number of seminars on topics of public interest: Industry Conference “*Viet Nam’s Banking Industry with the Fourth Industrial Revolution*”; 4th Symposium with the theme “*A new step of banking-finance industry in the context of industrial revolution 4.0*”; Workshop on sharing international experience on peer-to-peer lending and regulatory sandbox framework for financial technology sector; National Workshop on “*Microfinance to support poverty reduction for women in Viet Nam*”, “*Microfinance and economic development opportunities for women*”, “*Enhancing the effectiveness of the management of macro prudential policies in Viet Nam*”. The subjects of discussion at the seminars were well-acknowledged, stating the industry's practice so as to seek solutions, recommendations, strategic orientations, contributing to promoting sustainable development of the banking industry in the upcoming years.

4. Statistics

In order to improve the legal framework and enhance the effectiveness of statistical surveys, in 2018, the SBV issued Circular No. 26/2018/TT-NHNN dated November 16, 2018, providing regulations on statistical, monetary, banking and foreign exchange surveys out of national statistical survey program, replacing the Circular No. 06/2011/TT-NHNN dated March 22, 2011 of the SBV which regulated statistical, monetary, banking operation and foreign exchange surveys in the past.

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Statistic activities of SBV had been improving and developing which support monetary policies management and guidance.

In addition to strengthening activities on collecting, checking, tracing, synthesizing information and reports to meet the guidance, supervision of credit institutions, SBV put its focus on guiding and responding to issues of credit institutions in Circular No. 11/2018/TT-NHNN amending and supplementing a number of articles of Circular No. 35/2015/TT-NHNN dated December 31, 2015.

The SBV continued the official surveys of inflation expectation on monthly basis; business trend on quarterly basis through an online statistical survey system; online statistical surveys; pilot survey of credit trend on biannual basis and that of inflation expectation on economists on quarterly basis. The results of these surveys have supported policymakers to timely foresee trends, developments and expectations in the monetary market and banking operational activities. In addition, the SBV continued to update and complete the database system on macroeconomic, domestic and international financial markets; application of modern information technology in exploiting and reporting. The above results have contributed to the analysis, forecasting, planning and implementation of monetary policy of the SBV.

5. Information Technology

Promote the application of technology in management and administration activities associated with administrative reform

In order to improve the role of state management on information technology and promote technology application, in 2018, the State Bank of Viet Nam issued 04 circulars and 02 regulations, specifically: (i) Circular No. 18/2018/TT-NHNN dated August 21, 2018 on safety of the information system in banking activities; Circular No. 21/2018/TT-NHNN dated August 31, 2018 amending Circular No. 37/2016/TT-NHNN dated December 30, 2016 on regulation for the management and operation of and using the national interbank electronic payment system; Circular No. 34/2018/TT-NHNN dated December 24, 2018, providing the

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Managing stable and smooth operation of information technology infrastructure, promoting the application of technology associated with administrative reform; ensure security and system safety.



management and use of computer networks of the SBV; Circular No. 35/2018/TT-NHNN dated December 24, 2018 amending and supplementing Circular No. 35/2016/TT-NHNN dated December 29, 2016 prescribing safety and confidentiality for provision of Internet banking services; **(ii)** Regulations on safety, confidentiality of information technology system of the State Bank of Viet Nam and overall plan for information security and security of credit institutions. In addition, the State Bank of Viet Nam also completed the IT application plan in 2018 and updated the E-Government Architecture. The issued documents created a complete legal corridor, adjusted and instructed credit institutions to do well the security and safety for the system in banking activities. In parallel with the promulgation of legal documents, the SBV also organized inspection teams to promptly detect security and confidentiality restrictions, thereby making recommendations and solutions.

Also, the SBV actively promoted the application of technology in management and administration activities in association with administrative reform. Accordingly, the SBV was topped the ranking of PAR Index published by the Government PAR Steering Committee for 3 consecutive years. Currently, 100 percent of the SBV's administrative procedures had been updated on the national database to serve the needs of organizations and individuals inside and outside the industry. In 2018, the SBV completed the implementation of “Building shared infrastructure for upgrading the public services of the State Bank of Viet Nam from level 2 to level 3, 4”; upgraded 15 additional services to level 3, bringing the total number of online public services level 3 to 35/368, the rest were public services level 2. Besides, the SBV also improved the system of statistical reports, listing and improving the accuracy and timeliness of data serving the management of SBV board. In addition, in order to improve the effectiveness of monitoring people's credit fund system, the SBV collected 25 reports from the people's credit funds and carried out 40 output reports for exploitation and management and, sharing information for Viet Nam Deposit Insurance and Cooperative Bank to well

coordinate the management of activities of the people's credit fund system. According to the Government's plan, the State Bank of Viet Nam had been coordinating to build a system of inter-ministerial reports to improve the effectiveness of implementation and use in service of national management of the Government.

Managing, operating and maintaining stable and smooth information technology infrastructure operations in parallel with ensuring information security and safety

With the orientation to deploy centralized information technology systems model within the central bank, all information technology infrastructure of the SBV is centrally managed at the Department of Information Technology; in which the main data center is designed in accordance with Tier III standards - TIA 942 operated since 2017 - this is the most modern data center in the banking system in Viet Nam. In 2018, in order to ensure safe and smooth operation of the main Data Center, the SBV implemented the maintenance on all technical matters. The SBV completed centralizing server resources, disk cabinets to the main Data center and backup center to ensure continuous and smooth operations, too. Security systems had been equipped in line with the network infrastructure to control access between the LAN and the WAN of the SBV as well as between different partitions of the LAN. The digital signature system (CA-NHNN) was upgraded in early 2018, meeting the standards of the Ministry of Information and Communications. Up to current time, over 6,000 digital certificates had been issued effectively for the operation of information systems: Inter-bank electronic payment system, online public service delivery system, and deposit insurance reporting system.

In 2018, SBV continued to review and promulgate legal and guiding documents to ensure security and safety for electronic payment systems; conduct information security incident response drills for members of the Banking Information Technology Incident Response Network.

Part IV – International cooperation

In 2018, the international cooperation activities were developed in proactive and positive manner with clear targets which helped to improve the efficiency in order to make international cooperation more intensive and stable, bringing practical benefits to our country, and promoting international integration as well as Viet Nam's status in the international stage.

1. International economic integration

In 2018, the SBV continued to ameliorate and strengthen traditional friendship and comprehensive cooperation between Viet Nam and other ASEAN, ASEAN + 3 and APEC countries through activities and initiatives on finance and banking cooperation; to closely coordinate, review and approve the important issues in the activities of the SEACEN. On these forums, the SBV actively participated in discussions and assessment sessions of economic-financial developments, countries' policy responses in order to consult, propose appropriate policies, thus contributing to promote multilateral economic cooperation, expanding service markets, strengthening regional and international monetary-banking cooperation.

The SBV actively participated in negotiating and signing new generation free trade agreements (FTAs) on banking-related issues. Up to present, 12 FTAs had been signed, including: Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); FTAs signed as an ASEAN member such as AFTA, five FTAs between ASEAN and China, Korea, Japan, Australia and New Zealand (AANZFTA), Hong Kong; and five FTAs signed as an independent party (with Chile, Japan, Korea, Eurasia Economic Union, and Cuba). In addition, the SBV had been coordinating with relevant ministries and agencies to promote negotiations for the early conclusion of the Regional Comprehensive Economic Partnership (RCEP).

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*More extensive
and intensive
integration into
regional and global
economy.*

In 2018, the SBV participated in a large-scale promotion event of Viet Nam to the international business community under World Economic Forum on ASEAN. In order to enhancing the strength of the banking industry in the context of integration and globalization, the SBV continued to improve the legal framework to guide the banking operation in line with the WTO integration roadmap; proactively mobilize/ implement training cooperation programs from the SEACEN and the SCCB with the focus on exploiting and applying international standards and practices in some areas such as automatic clearing system, risk management under Basel II, institutionalization of FTA commitments, financial inclusion, etc...

2. Cooperation with international financial and monetary institutions

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Strengthening position at international financial and monetary and institutions.

The SBV continued to well undertake the representative role of the Government at such international financial and monetary institutions as International Monetary Fund (IMF), World Bank (WB), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), International Bank for Economic Cooperation (IBEC), and International Investment Bank (IIB), through the maintenance and development of cooperation, communication of the Government's policies Viet Nam, thereby increasingly consolidating relationship with these institutions.

In 2018, on behalf of the Government, the SBV leaders attended the IMF/WB Spring Annual Meeting in the United States, the AIIB Annual Meeting in India, the ADB Annual Meeting in the Philippines, and the IMF/WB Annual Meeting in Indonesia, the IIB Central Bank Governor's Meetings/Conference, the IBEC Council Meeting in Cuba, etc. Besides, the State Bank of Viet Nam was the host in the reception of the leaders of international financial institutions such as AIIB Vice President, ADB Vice President, WB Managing Director cum Executive Director of Finance, WB Vice President in charge of East Asia-Pacific Region, Chairman of IBEC Board of Directors, etc. The international financial institutions



leaders had meetings with the Government leaders and work meetings with the leaders of ministries, agencies and local authorities to strengthen cooperation, thereby, enhancing Viet Nam's position in the international arena and further promoting the existing relationship between Viet Nam and the international institutions.

In the relationship with the AIIB, the SBV continued to assert its role as a responsible founding member. Particularly, as the Alternate Director of the Group at AIIB (for the term from July 2017 to June 2018), the SBV's representative actively participated in the process of formulating AIIB policies and activities, thereby contributing to strengthening the status and voice of Viet Nam at the international financial and monetary institutions.

As for the IMF, the SBV well performed the focal function at the IMF, closely coordinated with the IMF Office in Viet Nam, the SEAGV Office, regularly exchanged and updated information and data, participated in the IMF's surveys on accessing to finance, governance, risk management and compliance of Central Banks in providing data to international partners. The IMF carried out a number of policy advisory activities and technical assistance programs for the SBV in many areas such as external sector statistics (ESS), modeling for Forecasting and Policy Analysis System (FPAS), Enhanced General Data Dissemination System (e-GDDS), etc.

In cooperation with the IIB/IBEC, the SBV well undertook the role of the Government's representative in these organizations/institutions, especially in the context that these two banks had been making strong reforms in their institutional/organizational structure and operation.

In Decision No. 2183/QĐ-TTg dated November 14, 2016, the Prime Minister approved the Scheme on “*Promoting the participation in regional and international financial - monetary and banking institutions*” and its attached Action Plan until 2020 with the vision to 2030, according to which the SBV was assigned to approach and

participate in the member organizations under Bank for International Settlement (BIS) toward official enrollment to the BIS during 2017-2020 period. Accordingly, in recent years, the SBV had involved in a number of activities of exchange with the BIS, actively participated in the BIS's groups, forums and organizations. Currently, the State Bank of Viet Nam had acted as permanent observer of the BIS in its conferences and forums.

3. Bilateral cooperation

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Bilateral cooperation continued to be strengthened and promoted.

In implementing guidelines and orientations of the Party and Government on strengthening international integration, in 2018, the SBV developed and deepened cooperation with central banks and banking supervision agencies in the traditional partners of Viet Nam such as Laos, China, Cambodia, Thailand, South Korea and Japan. Also, the SBV actively established relationships with the central banks and banking supervision agencies in potential areas of the Government's orientation to promote trade and investment relations such as the Middle East, Africa, etc. with outstanding events such as the 2018 High-Level Bilateral Conference with the People's Bank of Laos, the National Bank of Cambodia, the 4th meeting of the Working Group on monetary and financial cooperation with the bank, exchanging about cultural and sports with the People's Bank of Laos and the National Bank of Cambodia, Workshop on Solutions to Promote Payment with Middle Eastern and African Markets.

In 2018, the SBV reviewed and amended current international agreements as well as signed new ones to set up a framework or promote cooperation between the SBV and authorities in other countries in the areas of mutual interest, including: Memorandum of Understanding on strengthening cooperation in the field of financial innovation between the SBV and the Korea Financial Services Commission (FSC) in March 2018; Memorandum of Understanding on banking cooperation and Memorandum of cooperation on information exchange in the field of banking supervision and inspection between the SBV and the

Singapore Monetary Authority (MAS) in April 2018; Memorandum of understanding on cooperation and information exchange in the supervision of payment systems between the SBV and the Central Bank of Russia in September 2018.

The SBV continued to implement and enhance effectiveness of bilateral assistance programs/activities (Canada-GAC; Japan-JICA; Luxembourg-ATTF, DID, ...) for the SBV to build capacity of its staff as well as banking staff in the fields of partners' advantages, contributing to meet the requirements of the increasing quality of human resources in the context of international integration. Typically, the Project "Capacity Building in Money Printing Ink Production" implemented in the period of 2015-2017, sponsored by the JICA, Japan, won special project award among the JICA's 60 international projects.

In addition, with the role of managing Viet Nam's banking system, in 2018, the SBV actively participated in bilateral governmental forums and bilateral committees to strengthen cooperation in the banking sector. In addition, the SBV actively directed and coordinated with commercial banks in studying and developing mechanisms to facilitate payment, money transfer and investment activities for the promotion of trade and investment activities between Viet Nam and other countries, following the spirit of the Government's guidance on strengthening cooperation, boosting investment promotion in new markets such as the Middle East, Africa, America, etc.

A horizontal graphic with a light gray rounded rectangle in the center. On the left and right sides of the rectangle are blue semi-circular shapes, resembling the ends of a pill or a stylized 'C' shape. The word "APPENDIX" is written in a bold, black, serif font across the center of the gray rectangle.

APPENDIX

APPENDIX 1: INTEREST RATES ANNOUNCED BY THE SBV

Unit: % per annum

Time	Refinancing rate	Rediscount rate	Overnight interbank lending rate
December 2017	6.25	4.25	7.25
January 2018	6.25	4.25	7.25
February 2018	6.25	4.25	7.25
March 2018	6.25	4.25	7.25
April 2018	6.25	4.25	7.25
May 2018	6.25	4.25	7.25
Jun 2018	6.25	4.25	7.25
July 2018	6.25	4.25	7.25
August 2018	6.25	4.25	7.25
September 2018	6.25	4.25	7.25
October 2018	6.25	4.25	7.25
November 2018	6.25	4.25	7.25
December 2018	6.25	4.25	7.25

Source: The State Bank of Viet Nam

APPENDIX 2: OPEN MARKET OPERATIONS

Bid	2018
Number of sessions	251
Maturity (days)	7; 14; 21
Number of Bidders	627
Average bid volume per session (VND billion)	2,938
Average success volume per session (VND billion)	2,572
Interest rate (% per annum)	4.75; 5.0
Bidding method	Volume
Ask	2018
Number of sessions	193
Maturity (days)	7; 14; 28; 91; 140
Number of Bidders	257
Average bid volume per session (VND billion)	5,127
Average success volume per session (VND billion)	4,384
Interest rate (% per annum)	0.27-3.75
Bidding method	Volume, Interest

Source: The State Bank of Viet Nam

APPENDIX 3: REQUIRED RESERVE RATIO (*)

Unit: %

Effective time	VND DEPOSITS (**)		FOREIGN CURRENCY DEPOSITS			
	Deposits of customer, State Treasury, issuance of valuable papers		Deposits of customer, State Treasury, issuance of valuable papers			
			Demand and less than 12 month deposits		12 month and up deposits	
	Demand and less than 12 month deposits	12 month and up deposits	Viet Nam Bank for Agriculture and Rural Development (VBARD), cooperative banks	Other credit institutions	Viet Nam Bank for Agriculture and Rural Development (VBARD), cooperative banks	Deposits of credit institutions abroad
May 2011	3	1	5	6	3	4
June 2011	3	1	6	7	4	5
September 2011 (***)	3	1	7	8	5	1

(*) Excluding people's credit funds, microfinance institutions applying the compulsory reserve ratio of 0% for all types of deposits; Policy banks apply the compulsory reserve ratio according to the Government's regulations.

(**) Credit institutions with an average loan balance of 40% or more in agriculture and rural development loans may apply the compulsory reserve ratio lower than the above compulsory reserve ratio in accordance with the SBV's regulation on guiding on the implementation of measures on operating policy tools to support credit institutions to lending to agriculture and rural areas (currently Circular No. 14/2018/TT-NHNN dated May 29, 2018).

(***) Credit institutions operating in Viet Nam calculate the compulsory reserve for deposits of foreign credit institutions according to the SBV's Circular No. 27/2011/TT-NHNN dated August 31, 2011, amending and supplementing some Article of the Regulation on compulsory reserve for credit institutions issued addition to the SBV's Decision No. 581/2003/QĐ-NHNN dated June 9, 2003.

Source: The State Bank of Viet Nam

APPENDIX 4: BALANCE OF PAYMENT

Unit: USD Million

	2017	2018
A. CURRENT ACCOUNT	-1,651	5,899
Goods: Export F.O.B	215,119	243,697
Goods: Import F.O.B	204,274	227,157
<i>Goods (net)</i>	<i>10,845</i>	<i>16,540</i>
Services: Export	13,070	14,791
Services: Import	17,100	18,470
<i>Services (net)</i>	<i>-4,030</i>	<i>-3,680</i>
Investment income (Primary income): Receipts	745	1,615
Investment income (Primary income): Payment	17,739	17,433
<i>Investment income (Primary income) (net)</i>	<i>-16,994</i>	<i>-15,818</i>
Current transfers (Secondary income): Receipts	10,031	10,869
Current transfers (Secondary income): Payment	1,503	2,012
<i>Current transfers (Secondary income) (net)</i>	<i>8,528</i>	<i>8,857</i>
B. CAPITAL ACCOUNT	0	0
Capital account: Receipts	0	0
Capital account: Payment	0	0
C. FINANCIAL ACCOUNT	19,941	8,464
Direct Investment Abroad: Assets	-480	-598
Direct Investment in Vietnam: Liabilities	14,100	15,500
<i>Direct Investment (net)</i>	<i>13,620</i>	<i>14,902</i>
Portfolio Investment Abroad: Assets	0	0
Portfolio Investment in Vietnam: Liabilities	2,069	3,021
<i>Portfolio Investment (net)</i>	<i>2,069</i>	<i>3,021</i>
Other Investment: Assets	-9,603	-11,143
Cash and deposit	-9,556	-10,804
Credit Institutions	-4,068	-4,449
Other sectors	-5,488	-6,355
Loans	0	0
Trade credit and advances	0	0
Other receivables/payables	-47	-339
Other Investment: Liabilities	13,855	1,686
Cash and deposit	3,110	-198
Credit Institutions	3,084	-268
Credit Institutions	26	70
Borrowing and repayment of foreign debts	10,745	1,884
Short term	6,436	-3,313
Debt	21,806	20,712
Amortization	-15,370	-24,025
Long term	4,309	5,197
Debt	13,732	12,956
Government's debt	3,225	3,010
Private debt	10,507	9,946
Amortization	-9,423	-7,759
Amortization	-1,249	-1,570
Repayment of Privatization	-8,174	-6,189
Commercial Credit and advance payment	0	0
Receivable and Accrued Expenses	0	0
<i>Other Investment (net)</i>	<i>4,252</i>	<i>-9,459</i>
D. ERRORS AND OMISSIONS	-5,746	-8,334
E. OVERALL BALANCE	12,544	6,031
F. RESERVES AND OTHER ITEMS	-12,544	-6,031
Reserves Assets	-12,544	-6,031
Claims on and borrow from the IMF	0	0
Special Finance	0	0

Source: The State Bank of Viet Nam

APPENDIX 5: USD/VND EXCHANGE RATE

Unit: VND/USD

2018	Exchange Rate end-month			Average Exchange Rate in the month		
	Central reference Rate	Average Rate of Vietcombank		Central reference Rate	Average Rate of Vietcombank	
		Buying	Selling		Buying	Selling
January	22,441	22,675	22,745	22,411	22,675	22,745
February	22,463	22,720	22,790	22,440	22,681	22,751
March	22,458	22,750	22,820	22,454	22,736	22,806
April	22,539	22,730	22,800	22,486	22,749	22,819
May	22,595	22,765	22,835	22,575	22,743	22,813
June	22,650	22,920	22,990	22,597	22,814	22,884
July	22,669	23,245	23,325	22,647	23,066	23,139
August	22,678	23,260	23,340	22,679	23,253	23,333
September	22,714	23,290	23,370	22,701	23,268	23,348
October	22,726	23,300	23,390	22,720	23,301	23,386
November	22,750	23,275	23,365	22,731	23,279	23,369
December	22,825	23,155	23,245	22,780	23,242	23,332

Note: Listed Exchange Rate is the amount of VND to exchange 1 USD

Source: The State Bank of Viet Nam

APPENDIX 6: DOMESTIC GOLD PRICES

Unit: Million VND/tael

2018	Gold Price end-month	Average Gold Price in the month
January	36.88	36.82
February	36.70	36.91
March	36.82	36.80
April	36.84	36.90
May	36.74	36.72
June	36.73	36.84
July	36.80	36.87
August	36.74	36.75
September	36.40	36.64
October	36.46	36.54
November	36.46	36.51
December	36.53	36.42

Source: The State Bank of Viet Nam

APPENDIX 7: CONSUMER PRICE INDEX

Unit: %

Year	Time	January	February	March	April	May	June	July	August	September	October	November	December
2014	Year to date	0.69	1.24	0.80	0.88	1.08	1.38	1.62	1.84	2.25	2.36	2.08	1.84
	Month on month	0.69	0.55	-0.44	0.08	0.20	0.30	0.23	0.22	0.40	0.11	-0.27	-0.24
	Year on year	5.45	4.65	4.39	4.45	4.72	4.98	4.94	4.31	3.62	3.23	2.60	1.84
	Average year on year	5.45	5.05	4.83	4.73	4.73	4.77	4.80	4.73	4.61	4.47	4.30	4.09
2015	Year to date	-0.20	-0.25	-0.10	0.04	0.20	0.55	0.68	0.61	0.40	0.51	0.58	0.60
	Month on month	-0.20	-0.05	0.15	0.14	0.16	0.35	0.13	-0.07	-0.21	0.11	0.07	0.02
	Year on year	0.94	0.34	0.93	0.99	0.95	1.00	0.90	0.61	0.00	0.00	0.34	0.60
	Average year on year	0.94	0.64	0.74	0.80	0.83	0.86	0.86	0.83	0.74	0.67	0.64	0.63
2016	Year to date	0.00	0.42	0.99	1.33	1.88	2.35	2.48	2.58	3.14	4.00	4.50	4.74
	Month on month	0.00	0.42	0.57	0.33	0.54	0.46	0.13	0.10	0.54	0.83	0.48	0.23
	Year on year	0.80	1.27	1.69	1.89	2.28	2.40	2.39	2.57	3.34	4.09	4.52	4.74
	Average year on year	0.80	1.03	1.25	1.41	1.59	1.72	1.82	1.91	2.07	2.27	2.47	2.66
2017	Year to date	0.46	0.69	0.90	0.90	0.37	0.20	0.31	1.23	1.83	2.25	2.38	2.60
	Month on month	0.46	0.23	0.21	0.00	-0.53	-0.17	0.11	0.92	0.59	0.41	0.13	0.21
	Year on year	5.22	5.02	4.65	4.30	3.19	2.54	2.52	3.35	3.40	2.98	2.62	2.60
	Average year on year	5.22	5.12	4.96	4.80	4.47	4.15	3.91	3.84	3.79	3.71	3.61	3.53
2018	Year to date	0.51	1.24	0.97	1.05	1.61	2.22	2.13	2.59	3.20	3.54	3.24	2.98
	Month on month	0.51	0.73	-0.27	0.08	0.55	0.61	-0.09	0.45	0.59	0.33	-0.29	-0.25
	Year on year	2.65	3.15	2.66	2.75	3.86	4.67	4.46	3.98	3.98	3.89	3.46	2.98
	Average year on year	2.65	2.90	2.82	2.80	3.01	3.29	3.45	3.52	3.57	3.60	3.59	3.54

Source: General Statistics Office

APPENDIX 8: MONERATY AND CREDIT INDICATORS

Items	2017 (*)	Q1/2018	Q2/2018	Q3/2018	2018
Closing balance (VND billion)					
1. Total liquidity	8,194,708	8,521,098	8,879,582	8,933,435	9,211,848
2. Deposit of resident economic entities and individuals	7,216,801	7,444,405	7,825,717	7,906,902	8,126,830
3. Claims to the economy	6,512,018	6,555,278	6,827,140	6,985,654	7,211,175
Annual percentage change					
1. Total liquidity	15.00	3.98	8.36	9.01	12.41
2. Deposit of resident economic entities and individuals	15.02	3.15	8.44	9.56	12.61
3. Claims to the economy	18.28	3.53	7.82	10.33	13.89

(*) Credit outstanding includes the balance of credit extension in line with entrusted contracts and the balance of VAMC special bonds

Source: The State Bank of Viet Nam

APPENDIX 9: GROSS DOMESTIC PRODUCT

Year	GDP at Current Price (VND billion)	GDP Growth*	GDP Per Capita (VND thousand)
(%)	GDP Per Capita	6.42	24,818
(VND thousand)	2,779,880	6.24	31,647
2012	3,245,419	5.25	36,544
2013	3,584,262	5.42	39,932
2014	3,937,856	5.98	43,402
2015	4,192,862	6.68	45,717
2016	4,502,733	6.21	48,576
2017	5,007,857	6.81	53,500
2018	5,535,267	7.08	58,500

Note: * Compared to 2010 price

Source: General Statistics Office

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