

BIDV **R**eview

BIDV  A Newsletter of Bank for Investment and Development of Vietnam JSC • Issue **No.53** | September 2019

Policy rate cut
supports growth

BIDC: 10 years
and counting





BIDV headquarters seen from Hoan Kiem Lake, Hanoi

ABOUT BIDV

Founded in 1957, BIDV is the largest commercial bank in Vietnam by assets. The bank boasts subsidiaries in finance, banking, securities and insurance. It has a wide network of more than 1000 branches and transaction offices as well as commercial presences in six countries and territories. BIDV stock (BID) is listed on Ho Chi Minh City Stock Exchange (HOSE). For more information, please visit www.bidv.com.vn.



EXECUTIVE PRODUCER

QUACH HUNG HIEP, Ph.D

Senior Executive Vice President

EDITORIAL BOARD

COMMUNICATION AND BRANDING DEPARTMENT

HEAD OFFICE:

BIDV Tower, 35 Hang Voi str., Hoan Kiem dist., Hanoi, Vietnam

Tel: (+84) 24 22205544

Fax: (+84) 24 22225316

Contact center: 19009247

Email: bidvreview@bidv.com.vn

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Editor's Letter

Dear readers,

September marks a milestone in the development progress of the Bank for Investment and Development of Cambodia Plc. (BIDC). The bank celebrated its 10th anniversary, affirming its role in connecting Vietnamese businesses in the country as well as the markets of both Cambodia and Vietnam. BIDC and other commercial presences of BIDV in Cambodia have been operating effectively, making an important contribution to shaping a firm footprint of the Vietnamese business community in the beautiful pagoda country.

This month, BIDV took part in the National Conference on Sustainable Development 2019. As the only speaker representing Vietnamese financial institutions, BIDV continues to confirm its contribution to the sustainable economic development of the country as well as proposing recommendations that focus on green credit and environmentally friendly project development.

Gaining recognition for its digital product BIDV iBank, this month BIDV received the Vietnam digital transformation award, marking its valuable contributions to digital technology development. Previously, the BIDV iBank was honoured with a Top 10 Sao Khue award.

Besides the awards and recognition, BIDV has conducted many activities aimed at supporting the local community. The most recent projects include assisting mountainous districts affected by the typhoon and inaugurating a new kindergarten which BIDV fully sponsored. As well as these, a number of other meaningful activities were organised by the bank branches

to help disadvantaged people all over the country.

BIDV Review continues to bring you updated information about Vietnam's market. This month, Moody's announced its periodic review of issuers including Vietnam. The good rating reflects Vietnam's high economic strength, which will support the asset quality and profitability of the banking system.

In the month, the State Bank of Vietnam (SBV) announced it would cut several key interest rates with effect from 16 September. The rate cuts are the first to be made by the SBV since October 2017. The new move can be viewed as reasonable given that the global economy has become more volatile and less favourable, while the central banks of many countries have cut their key interest rates.

Regarding bond market, according to a recent report released by ADB, ASEAN countries posted positive quarter on quarter (q-o-q) growth in total bond issuance, with Vietnam registering the highest q-o-q growth rate in emerging East Asia during the review period. Treasury bonds continued to account for a significant majority of the government bond stock, representing an 82.7 percent share of the government bond total.

Have a closer look into this month's issue of BIDV Review and enjoy! 



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H.E. Mdm. Men Sam An (centre), Mr. Chea Chanto, NBC governor (4th from right), Mr. Vu Quang Minh, ambassador to Cambodia (5th from right), Mr. Phan Duc Tu, BIDV chairman (6th from right), Mr. Le Kim Hoa, BIDC chairman (7th from right) and other senior officials at the 10th anniversary of BIDC in Phnom Penh, Cambodia

BIDC: 10 years and counting

The Bank for Investment and Development of Cambodia Plc. (BIDC) celebrated its 10th anniversary at an event held on 19 September 2019 in Phnom Penh, affirming its role in connecting Vietnamese businesses in the country as well as the two markets.

BIDC, an arm of the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) in Cambodia, started operation in September 2009. Over the last 10 years, the bank has penetrated the Cambodian financial and banking market, gaining a strong position through its effective operations, and making significant contributions to the investment and business activities of Vietnamese investors in Cambodia. The bank has made its name as a reputable commercial bank, and a brand familiar to both Cambodian and Vietnamese customers.

As of end-June 2019, BIDC's total assets hit over USD750 million, increasing by 4.2 times from 2009; outstanding loans reached nearly USD570 million, four times higher than 2009 and customer deposits of USD260 million, up 2.7 times compared to 2009. The bank's network has expanded sharply from its initial presence of just one headquarters in Phnom Penh with 44 employees to eight branches in key economic regions of Cambodia and Vietnam with over 400 employees. BIDC successfully deployed a modern information technology system, maintaining a sound financial situation in accordance with international

practices and regulations of the National Bank of Cambodia.

BIDC has played a key role in the Vietnamese business community in Cambodia, connecting the two markets, and strengthening image and reputation of Vietnamese businesses in the country. The bank has taken the lead in arranging and directly providing loans for key Vietnamese investment projects in Cambodia, particularly in the fields of agriculture and healthcare. Total credit limits provided by BIDC to Vietnamese projects in the country reached more than USD70 million.

The bank has also actively coordinated with the commercial presence of BIDV to implement social security activities in Cambodia in the fields of education, healthcare and disaster relief including building schools for overseas Vietnamese in Tonlé Sap,



“The Royal Government of Cambodia recognises and appreciates the efforts and significant contributions of BIDV and BIDC to the Cambodian economy. You should continue to maintain being a pioneer among Vietnamese businesses in Cambodia, contributing to economic, trade and investment activities between the two countries.”

*H.E. Mdm. Men Sam An,
Deputy Prime Minister, Royal
Government of Cambodia.*



“The entry of BIDC into the Cambodian market in 2009 demonstrates the trust of Vietnamese investors in Cambodia’s banking sector. The bank helps connect the financial markets and facilitates the business operations of both countries through economic and trade cooperation. BIDC has continuously increased its charter capital and launched new products and services to meet the needs of business activities and of customers.”

*Mr. Chea Chanto, Governor,
National Bank of Cambodia.*



“BIDC and other commercial presences of BIDV in Cambodia have been operating effectively, making an important contribution to shaping a firm footprint of the Vietnamese business community in the beautiful pagoda country. I do appreciate the achievements and positive contributions of BIDV and BIDC to strengthening the good, friendly relations between Vietnam and Cambodia”.

*Mr. Vu Quang Minh, Vietnamese
Ambassador Extraordinary and
Plenipotentiary to Cambodia.*

presenting computers to Cambodian ministries and local Red Cross workers, assisting flood victims, and supporting healthcare, education and poverty reduction in the country with a total value of about USD10 million. The social security activities by BIDC and BIDV’s commercial presences have contributed to improving the lives of Cambodian people, and are appreciated by the governments of the two countries.

In recognition of the important contributions to the socio-economic development of Cambodia as well as

the development of good cooperative relations between the two countries, the King and the Royal Government of Cambodia have awarded the bank noble orders and honours. Particularly, BIDC was awarded the Royal Order of MONISARAPHOAN - MOIS SEREY VAT class by the King of Cambodia. The King of Cambodia also awarded the Royal Order of MONISARAPHOAN - MOHA SEREY VATH class to Mr. Phan Duc Tu, BIDV Chairman. The Royal Government of Cambodia also awarded eight individuals of BIDV and BIDC with Order of MONISARAPHON - ASARITH class for

their positive contributions to Cambodia.

BIDC chairman Mr. Le Kim Hoa pledged that BIDC would continue to foster the business and cultural values which have been built up over the past 10 years as one of the top modern financial institutions in Cambodia, and continue to strive to make a positive contribution to the economic cooperation of businesses of the two countries as well as the development of the banking system and socio-economic development of Cambodia. 

Driving sustainable development

At the National Conference on Sustainable Development 2019, BIDV continued to affirm its position as a leading financial institution driving sustainable development.

The conference took place in Hanoi on 12 September with the attendance of Vietnam’s Prime Minister Nguyen Xuan Phuc, National Assembly Vice Chairwoman Tong Thi Phong, Deputy Prime Minister Vu Duc Dam and more than 700 delegates from government agencies, local authorities, businesses, associations, international organisations and research institutes.

SUSTAINABILITY IS A KEY

As the only speaker for Vietnamese financial institutions and enterprises at the conference, Mr. Le Ngoc Lam, BIDV’s senior executive vice president in charge of the Board of Management, highlighted the bank’s significant contribution to sustainable development in Vietnam and proposed solutions to drive the Vietnam Sustainable Development Strategy for the period 2011-2020 and the National Action Plan to implement the 2030 Agenda for Sustainable Development.

According to Mr. Lam, BIDV’s business strategy focuses on sustainable development and action plans, demonstrating its responsibility to the community and employees. The bank has paid close attention to the development of human resources, sustainable and secure asset-capital restructuring, asset quality improvement, financial health meeting Basel II standards, customer base expansion. Currently, BIDV’s individual

customers accounted for 12 percent of the country’s population, while its SME customers accounted for 40 percent of SMEs in Vietnam. The lender has also boosted digital banking and advanced technology application to increase automation and improve productivity, and diversify products and services to meet the needs of customers.

Recently, BIDV has provided up to VND20,000 billion (USD860 million) to fund green credit projects, focusing on renewable energy development, recycling, waste collection, clean water and the reusing of resources. In addition to domestic mobilised capital, BIDV has been trusted by international organisations to fund credit projects totaling USD700 million. In 2018, BIDV

successfully developed and issued the “Environmental and Social Risk Management Framework” (ESMS) in accordance with the law of Vietnam and international practices, signing a USD300 million loan agreement with the Asian Development Bank (ADB) to support SMEs in Vietnam.

RECOMMENDATIONS FOR SUSTAINABLE DEVELOPMENT

Mr. Lam proposed three recommendations for sustainable economic development. Firstly, regarding green credit and environmentally friendly project, the government should consider developing preferential credit programs which will be entrusted via



credit institutions (similar to an SME development fund) to encourage green projects, environmental protection, and energy efficiency. The State Bank of Vietnam could provide guidance of social and environmental risk assessment for credit institutions to develop an environmental and social risk management framework appropriate to Vietnam's conditions; and consider a guidance policy for credit institutions on reacting to projects that affect the social environment such as increasing borrowing rates or restricting lending.

Secondly, on strengthening social and environmental risk management, the government along with relevant ministries and agencies should review

“Sustainable development not only helps financial institutions limit risks, but also helps to enhance their reputation, as well as recognition and cooperation from the international community.”

*Mr. Le Ngoc Lam,
BIDV's senior executive vice
president in charge of the Board
of Management*

and tighten the licensing conditions for projects negatively impacting the environment and society, strictly control the licensing of environmental impact assessment, build preferential tax policies for environmentally friendly projects, as well as impose high taxes on projects which cause adverse environmental effects, and implement fees such as for waste disposal fees, among other things. Local authorities should proactively examine factories and projects located in residential areas and coastal areas for relocation; strictly license projects that are likely to cause pollution; and actively promote the importance of production and business associated with environmental protection and the use of environmentally friendly products to businesses.

Lastly, on sustainable development management, according to Circular 155/2015 dated 6 October 2015, the Ministry of Finance has regulated that listed companies must include assessment reports relating to the company's environmental and social responsibilities in their annual report. In the coming time, it is recommended that this circular be made requisite for all unlisted large and influential companies. 

In 2018, BIDV was honoured as one of the 10 most sustainable businesses in commerce and services by Vietnam Chamber of Commerce and Industry and other government agencies.

With the responsibility associated with the Sustainable Development Strategy in Vietnam, BIDV has recently registered to be a member of Vietnam Business Council for Sustainable Development (VBCSD).



VAN HIEN

Smoothing payment channels with the Middle East and Africa

On 9 September 2019 in Hanoi, BIDV joined a panel discuss on “Payment in commercial transactions: current status and solutions”, an event in the framework of the "Meet with Ambassadors from the Middle East and Africa 2019" Conference which was first organized by Vietnam Ministry of Foreign Affairs.

Addressing the conference, Vietnamese Deputy Prime Minister Mr. Pham Binh Minh affirmed the conference is one of the important steps to identify specific measures to overcome the shortcomings and limitations in bilateral cooperation, and realize potentials and visions of cooperation between Vietnam and Middle East - African countries.

Economic cooperation between Vietnam and the Middle East - Africa region has achieved remarkable progress. Total two-way trade turnover in the first 7 months of 2019 reached USD6.4 billion and



Two BIDV officers are talking with a visitor at the bank's booth on the sideline of the "Meet with Ambassadors from the Middle East and Africa 2019" Conference in Hanoi

imports from these markets reached USD4.5 billion. Commodity exchange between Vietnam and the Middle East - Africa is quite diverse. Africa is a large market with high import demand for agricultural products such as rice, coffee, pepper, or coconut. The Middle East with high per capita income level has a relatively large purchasing power. This region is primarily focused on the oil industry, offering opportunities for Vietnam's agricultural products to penetrate.

According to Ms. Phan Thi Thanh Nhan, head of Operations and

Trade Finance Centre at BIDV, despite the good development opportunities in trade between Vietnam and the region, businesses in Vietnam and in the two Middle East - African markets still face significant difficulties in payment due to the lack of information, insufficient market knowledge, business practice and legal systems.

According to a Moody's report, outlook for the African banking industry in 2019 is stable but with latent risks. Ms. Nhan said African businesses, due to their limited financial capacity, prefer the method of transfer after shipment or documents against acceptance (D/A), but are not willing to open a letter of credit which cause concerns for exporters.

As one of the leading financial institutions in the country, BIDV has taken a key and supportive role in promoting the cooperation between Vietnam and the Middle East - African countries through continuing and expanding cooperation with banks in these countries as well as regular coordination with the State Bank of Vietnam and Vietnamese enterprises to provide solutions to easing the smooth process of international commercial transactions between the two. 

DIEP LINH

BIDV receives Vietnam digital transformation award



A representative of BIDV receives the Vietnam Digital Award from Vietnam Digital Communications Association in Hanoi

At the Vietnam Digital Award 2019 ceremony held on 6 September in Hanoi by Vietnam Digital Communications Association, BIDV received an outstanding digital transformation award.

“Vietnam Digital Award” is an annual award that honours organisations and individuals for their achievements and valuable contributions to digital technology development, an important driver of digital economic development in Vietnam. BIDV was among 50 businesses to be honoured at the award ceremony in recognition of its successful digital product BIDV iBank.

Launched in October 2018, BIDV iBank is an e-banking product operating on a multi-channel platform including

web and mobile devices for corporate clients, financial institutions and other institutional organisations.

With BIDV iBank, clients can conduct banking transactions including making deposits and loans, and guarantee account queries; performing domestic and international money transfers and salary payments; sending documents with digital signature through the programme for processing with the same legal value as the original documents; querying information for merchants; effectively managing

cash flow between their main account and subsidiary accounts; viewing transaction summaries, checking transaction status by time and period; and receiving cash flow management reports of members of the group/corporation.

Compared with other electronic banking products, the outstanding advantage of BIDV iBank is that it is a multi-purpose product designed on a single transaction portal with intelligent customised interface and multiple authentication modes, allowing transaction processing in multiple mechanisms and supporting direct connection to the client’s finance-accounting system. The product features modern technology in line with global trends, which integrates microservices architecture with the world’s leading advanced technology solutions such as IBM Filenet, Oracle 12c Cloud or BIDV-built products such as SmartOTP, a plugin-based digital signature solution.

In 2018 BIDV iBank was honoured with a Top 10 Sao Khue award. This is a prestigious award in Vietnam serving to commend outstanding IT products and services.

The award is the driving force for BIDV to continue improving the quality of its e-banking products in order to not only meet the increasing demand of clients, but also to create market-leading products. 📌

DUC DIEP

BIDV and Vi Mo sign payment cooperation agreement



Mr. Le Trung Thanh, BIDV's senior executive vice president (4th from right) and senior executives of BIDV and Vi Mo pose for a photo after the signing ceremony.

On 30 August 2019, BIDV and Vi Mo Technology Company signed an agreement on developing comprehensive payment services. The signing opens an opportunity for the two to tap their strengths in the field of finance, banking and electronic payment.

Under the agreement, Vi Mo will develop merchants for BIDV and assist them in their operation as well as coordinating to deal with any problems which may arise.

When using BIDV's mPOS deployed by Vi Mo, customers will be provided

with convenient and multifunctional card payment devices suitable to the needs of merchants. At the same time, the merchants will be given a mobile application as well as online reports to manage transactions and perform automatic cross-checks. Merchants will also receive professional after-sale support and customer care from a team set up exclusively for them.

Currently, BIDV is providing different modern, secure and convenient electronic payment methods for customers following the government's scheme on the development of non-cash payments. [B](#)

DUONG DUC

BIDV kicks off trade finance software project

On 3 September, the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) and Surecomp DOS GmbH signed a contract in Hanoi, kicking off a project on procurement and implementation of trade finance software at BIDV.

This is one of the key projects in the bank's digital transformation roadmap and is set to be deployed in 15 months.

The new trade finance system will help BIDV improve its operational efficiency and competitiveness through being able to quickly respond to changes in customers' needs for trade finance services via the Trade portal, thereby helping customers better manage their import and export activities.

The new system will also speed up the development of trade finance products and allow changes to the existing products to be made in order to make tailored ones. In addition, it will help BIDV save operating costs and improve productivity. [B](#)

TRANG CHI



Representatives of LaoVietBank and other 9 banks sign an MOU with the Bank of the Lao P.D.R

LaoVietBank selected as loan provider for SMEs in Laos

On 13 September, Bank of the Lao P.D.R organised a signing ceremony for a Memorandum of Understanding (MOU) between the Banking Operation Department - Bank of the Lao P.D.R and commercial banks.

The banks have been selected to take part in the loan project of the China Development Bank (CDB) to fund USD300 million to encourage the development of small and medium enterprises (SMEs) in Laos.

The ten banks included Laos - Viet Joint Venture Bank, a subsidiary of BIDV, the Banque Pour Le Commerce Extérieur

Lao Public (BCEL), Lao Development Bank (LDB), Agricultural Promotion Bank (APB), Maruhan Japan Bank Lao Company Limited, Joint Development Bank (JDB), Lao-China Bank Company Limited, ST Bank Company Limited, Military Commercial Joint Stock Bank-Lao Branch and Saigon Thuong Tin Bank Lao Company Limited.

The objective of the project is to contribute to the implementation of the government's sustainable development goals as well as to achieve sustainable national socio-economic growth by promoting the development of SMEs. 

HAI YEN

First bank to connect with VSS through e-payment

The bilateral e-payment system between BIDV and Vietnam Social Security (VSS) will help electroneise insurance collection and payment, saving time and costs for businesses and individuals. BIDV is the first commercial bank to implement a bilateral e-payment system with Vietnam Social Insurance.

From 1 September 2019, organisations and individuals may opt for diverse forms of payment channels at BIDV such as internet banking, mobile banking, online bill payment, interbank money transfer, automatic debit, or over-the-counter payment for social insurance, health

insurance, and unemployment insurance.

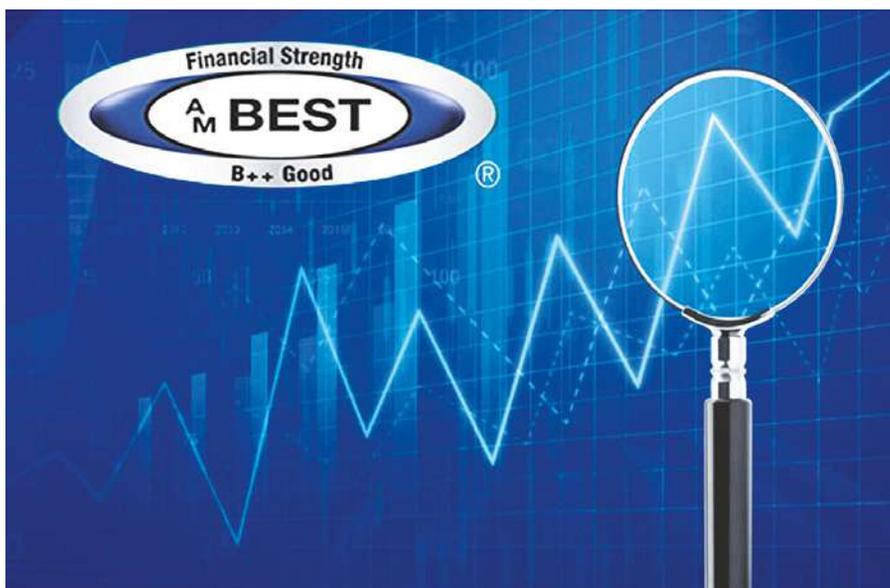
The implementation of this payment system also meets the level-4 online public service standard according to the Prime Minister's policy and the State Bank of Vietnam's non-cash payment policy.

The new payment system marks an important step in the cooperation between the insurance industry and BIDV in particular and commercial banks in general in the process of modernising the collection of social insurance in order to bring the best utilities to residents and businesses. 

HAI NGUYEN

A.M. Best affirms BIC financial strength rating

A.M. Best has affirmed a Financial Strength Rating of B++ (Good) and Long-Term Issuer Credit Rating of “bbb” for BIDV Insurance Corporation (BIC). The outlook of these credit ratings is stable.



The credit rating result from A.M. Best affirms BIC’s positive business performance

The ratings reflect the company’s balance sheet strength, which A.M. Best categorises as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM).

BIC’s balance sheet strength assessment is underpinned by risk-adjusted capitalisation that remains at the strongest level, as measured

by Best’s Capital Adequacy Ratio (BCAR). Despite the company’s moderate dividend payout ratio over the past three years, retained earnings have remained sufficient to bolster shareholders’ equity and support business growth. Other balance sheet considerations include the company’s reliance on third-party reinsurance to increase underwriting capacity for large property and engineering risks, as well as to manage accumulation risks and catastrophe exposure.

A.M. Best views the company’s operating performance as adequate, as evidenced by a five-year average return-on-equity ratio of 7.7 percent (2014-2018). BIC’s underwriting performance has consistently operated at a close to break-even position, with a five-year average combined ratio of 99.1 percent (2014-2018) and 100.2 percent for 2018.

BIC’s technical performance remains partially constrained by its elevated operating expense ratio. Despite this, the company’s overall earnings remain supported by robust investment earnings, emanating mainly from interest income on term deposits. A.M. Best expects prospective operating performance to remain at an adequate level; however, if the company’s underwriting performance deteriorates below a break-even position, or if robust investment returns are no longer achieved, pressure on this



BIC logo on a building in the centre of Hanoi

assessment could arise.

A.M. Best assesses BIC's business profile as neutral. In 2018, the company reported gross written premiums (GWP) of over VND2.2 trillion (USD98 million), with over 90 percent of business sourced from Vietnam and the remainder from Laos.

BIC's common branding and business distribution arising from its intermediate parent, Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), is viewed as a benefit to its business profile.

The company's main lines of

businesses are motor, commercial property and engineering, personal accident and medical, which collectively accounted for approximately 80 percent of GWP in 2018. On a net premium basis, the company's portfolio is focused more on motor, personal accident and medical. Prospectively, growth in BIC's portfolio is expected to be driven by personal accident and medical business arising from its bancassurance distribution channel.

A.M. Best considers the company's ERM framework as appropriate given the size and complexity of its operations. BIC's risk management framework

and capabilities benefit from a level of technical support, expertise and oversight provided by BIDV, as well as from a strategic relationship with shareholder; Fairfax Asia Limited.

"The credit rating result from A.M. Best has continued to affirm the company's positive business performance, as maintaining this result is not an easy task for every insurer, particularly in the context of strong competition and an unfavourable insurance market," said Mr. Tran Hoai An, chief executive officer of BIC. "BIC will continue to focus on improving its risk management system, restructuring its product portfolio, controlling operating and compensation costs and strengthening the application of information technology - striving for a higher rating in the future."

BIC's business activities in the first six months of 2019 reported very positive results. Total insurance premium revenue fulfilled 47 percent of the year plan, of which, direct written premium grew by 12 percent compared to the same period last year. Consolidated profit before tax increased by 18 percent and bancassurance surged 69 percent. BIC set consolidated profit to hit USD9.5 million for 2019.

Currently, BIC is one of three non-life insurance companies owning the highest credit rating in the market (B++). 

NGOC MINH



Quang Ninh is the leading province for provincial competitiveness index in Vietnam

Vietnam among top eight countries for investors

U.S. News & World Report has identified the best countries to invest in for 2019.

Top of the list is Uruguay with total GDP of USD56.2 billion and GDP growth of 1.6 percent, followed by Saudi Arabia and Costa Rica. From 23rd place last year, Vietnam climbed to 8th, above Slovenia and Chile.

To determine the overall list, U.S. News & World Report surveyed over 21,000 people worldwide, about 80 different countries, measuring them against 65 different attributes, including cultural influence, entrepreneurship, and quality of life.

To qualify as a country worthy of investment, certain standards must be met. A World Bank Group report in 2011 highlighted four factors - the country's people, environment, relationships, and framework - that propel both individuals and corporations to invest in a given country's natural resources, markets, technologies, or brands. Guided by this report, U.S. News focused on just eight of the 65 attributes: entrepreneurship, economic stability, favourable tax environment, innovation, skilled labour, technological expertise, dynamism, and corruption. Responses from over 7,000 survey participants — who act as decision makers in business around the globe - were then used to determine the ranking.

In 2018, the top five countries for investment were the Philippines, Indonesia, Poland, Malaysia, and Singapore. Malaysia fell from 4th place to 13th place this year. [R](#)

Vietnam has just revised its GDP calculation. The revised GDP increased to USD275 billion from the current USD220 billion as of the end of 2017. The economy's size at the end of the first half of 2019 exceeded USD300 billion using the new calculation. Vietnam's revised per-capita GDP has reached USD3,000 instead of USD2,590. Vietnam's total GDP increased by 25.4 percent per year for the 2011-17 period following the calculation revision.

KHANH LINH

Vietnam: an ideal place to work and live

Vietnam has been voted the second best destination for foreigners to live and work in 2019, revealed by a recent survey by Expat Insider.

According to the survey, Vietnam climbed 12 places, from ranking 14th out of 68 destinations in 2018 to second place this year.

More than 20,000 survey respondents shared their sights into expat life in 64 destinations around the world. In Vietnam, expats report being particularly happy with their career prospects (68 percent satisfied vs. 55 percent globally) and their jobs in general (74 percent satisfied vs. 64 percent globally). Vietnam is also rated very highly for earning opportunities (1st out of 64). 81 percent of expats surveyed reported being happy with their financial situation (vs. 64 percent worldwide), and 75 percent state that their disposable household income is more than they need to cover their daily costs (vs. 49 percent globally). This might be partially because living in Vietnam is also considered affordable: 86 percent of expats rate the cost of living positively (vs. 47 percent globally).

According to one Australian expat, “Vietnam is a very inexpensive country, and the people are nice”. However, Vietnam lags behind other countries



Ho Chi Minh City, the largest economic hub of Vietnam

in terms of digital life (51st), with for example, just about half the expats surveyed claiming to find it easy to pay without cash (vs. 79 percent globally). Another dissatisfying factor is the quality of the environment, which is rated negatively by 57 percent (vs. 20 percent globally).

Ranked 1st out of 64 countries and territories in the Expat Insider 2019 survey, Taiwan stands out for its great quality of life. Taiwan is rated best in the world for the affordability of healthcare, with almost nine in ten respondents (89 percent) satisfied with this factor (vs. 55 percent globally).

The top 10 destinations for expats

in 2019 include Taiwan, Vietnam, Portugal, Mexico, Spain, Singapore, Bahrain, Ecuador and Czech. [R](#)

For its annual Expat Insider survey, InterNations asked 20,259 expats representing 182 nationalities and living in 187 countries or territories to provide information on various aspects of expat life, as well as their gender, age, and nationality. Participants were asked to rate up to 48 different aspects of life abroad on a scale of one to seven. The rating process emphasised the respondents’ personal satisfaction with these aspects and considered both emotional topics as well as more factual aspects with equal weight.

State Bank policy rate cut supports growth



The State Bank's new move to cut the policy rate can be viewed as reasonable given that the global economy has become more volatile and less favourable, while the central banks of many countries have cut their key interest rates.

The State Bank of Vietnam (SBV) announced it would cut several key interest rates with effect from 16 September. The rate cuts are the first to be made by the SBV since October 2017.

Accordingly, the annual refinance rate and rediscount rate will be lowered from 6.25 percent to 6 percent, and from 4.25 percent to 4 percent, respectively. The annual overnight electronic interbank rate and rate of loans to offset capital shortage in clearance between the central bank and domestic banks will also be cut to 7 percent from 7.25 percent. The interest rate of bids of valuable papers

through the open market operations will be reduced from 4.75 percent to 4.5 percent annually.

The cuts are made in the context that the domestic macro-economy continues to be stable, inflation is under control, and the monetary and foreign exchange markets were stable, the SBV said in a statement.

According to the SBV, it took monetary policy measures to stabilise interest rates in the context of rising interest rates in the international market, which contributed to macroeconomic stability and supported growth at reasonable levels. In recent years, the world economy has become less favourable, and many central banks including the US Federal Reserve (Fed) and the European Central Bank (ECB) have cut their policy rates.

The Federal Reserve lowered interest rates by 0.25 percent to 1.75-2.0 percent, a percentage point on 18 September, its second cut since late July and suggested it was prepared to move aggressively if the United States economy showed additional signs of weakening.

Mr. Can Van Luc, member of the National Financial and Monetary Policy Advisory Council and chief economist at BIDV, said that the policy rate cut at this moment was a suitable move in



Headquarters of the State Bank of Vietnam in Hanoi

the current context. “Vietnam’s central bank policy rate cut will help stabilise the output interest rate level, meaning that the lending rate will not increase in the context the input interest rates have inched up recently”.

“Rate cuts will help spur growth and boost exports especially in the background of the U.S.-China trade war now,” said expert Nguyen Tri Hieu.

According to economists, given the current positive domestic macroeconomic backdrop, interest

rates will develop stably, supported by positive factors such as redundant system liquidity and reasonable credit growth. In addition, the tending not to pursue a tightened monetary policy by many central banks will help reduce pressure on domestic interest rates.

In 2019, inflation is projected to average at 2.9 percent, buoyed by weak transport inflation due to a drop in average oil prices in the year. The exchange rate was also nearly steady, with the US dollar listed at commercial

banks to inch up by only some VND10 for buying and VND30 for selling against the end of 2018. The central bank’s USD/VND daily reference exchange rate also rose slightly by 1.28 percent against end-2018.

Data from the General Statistics Office showed that the country’s inflation cooled to 2.57 percent in August 2019, down from 3.52 percent in August 2018. The rate was the lowest rise for the past three years. In 2019, inflation is projected to average at 2.9 percent, buoyed by weak transport inflation due to a drop in average oil prices in the year.

The central bank’s key rate cut is considered a reference for the market to follow suit. It would also be an effective measure to support liquidity for commercial banks, helping them cut input costs so as to ensure the stability of lending interest rates.

Vietnam’s central bank said it would continue to control credit growth at around 14 percent for the whole year while monitoring macro-economic developments, domestic and international markets as well as US-China trade war tension to regulate a flexible exchange rate in order to stabilise the foreign currency market. 



Macro environment supports banks: Moody's

Vietnam's strong economic growth has provided a solid foundation for Vietnam banking system to develop.

POSITIVE PERIODIC REVIEW

Early this month, Moody's announced the completion of a periodic review of issuers including Vietnam.

The credit profile assigned to Vietnam (issuer rating Ba3) reflects its "High (-)" economic strength, which incorporates the country's strong

growth performance against very low GDP per capita, and also takes into consideration the fact that rapid credit growth can partly be explained by financial deepening; "Low (+)" institutional strength, reflecting its scores on the Worldwide Governance Indicators but limited and gradual improvement of policy effectiveness; and "Moderate (-)" fiscal strength, given a high debt burden and still-substantial share of foreign currency denominated government debt. Susceptibility to event risk, at "High (-)", is driven by a weak, albeit improving, banking system.

However, the growth of other countries in the region has not been as positive as that of Vietnam. Previously, Moody's revised its growth forecasts for 16 Asian economies. In general, weaker trade and investment have weighed on GDP growth, despite stable private and public consumption, leading Moody's to make downward changes to full-year GDP forecasts for 2019-2020.

Of the 16, Hong Kong and Singapore have shown particularly weak expansions this year, with very large deteriorations in real GDP growth



Da Nang city in central Vietnam

when compared to the first half of 2018.

Moody's explains that externally-oriented economies saw a sharper slowing during the first six months of 2019, while domestic factors have had a greater influence on growth in Japan, India and the Philippines.

Moody's also points out that the weaker global economy has stunted Asian exports and the uncertain operating environment has weighed on investment. In particular, softer capital formation has mirrored the weakening in exports, especially for trade-reliant economies such as Korea and Hong Kong.

As for the Philippines, the delay in the passing of the government budget has disrupted its infrastructure build-out, while in Malaysia and Sri Lanka, fiscal

tightening has posed drags. In India, the moderation in business sentiment and slow flow of credit to corporates have contributed to weaker investment in the country.

Moody's also says that the slower overall GDP growth in the region has not yet weighed significantly on broader employment conditions, while generally benign inflation supports purchasing power across Asia Pacific.

STABLE OUTLOOK FOR BANKING SYSTEM

Moody's Investors Service also announced its research result confirming a stable outlook for Vietnam's banking system.

This reflects the country's robust economic performance, which will support asset quality and profitability. According to Moody's, the stable outlook is in line with the stable outlook for all 18 rated banks in Vietnam and any slowdown in exports will be offset by strong investment and domestic consumption.

According to Rebeca Tan, a Moody's assistant vice president and analyst, Moody's expects Vietnam's real GDP growth to moderate to 6.7 percent in

2019 and 6.5 percent in 2020 from 7.1 percent in 2018, but even at these projected rates the country will still remain the fastest-growing economy in Southeast Asia.

"Vietnam's banks have been cleaning up their balance sheets, supporting asset quality, and we expect the systemwide problem loan ratio to decline to 4.8 percent at the end of 2020 from 5.1 percent at the end of 2018," adds Tan.

Capital ratios should remain broadly stable over the next 12-18 months, supported by growth in retained earnings, although a number of banks will need to raise capital to meet stricter Basel II capital requirements while sustaining asset growth.

Profitability will improve as banks increase their lending to the higher yielding retail and small and medium enterprise (SME) segments, while credit costs will remain stable as banks continue to make provisions against legacy problem assets.

"The government will continue to provide support when needed, mainly in the form of liquidity assistance and regulatory forbearance, as it has done in the past," said Moody's. **R**

Wave of businesses moving into Vietnam

The US-China trade war, additional investment and new free trade agreements have all had a positive effect on Vietnam's industrial sector.

Vietnam has a low-cost labour force, stable government and one of the fastest global growth rates – all appealing features leading to a fertile investment environment.

THE MOVE FROM CHINA

Due to these positive factors, in the first half of this year many businesses moved their factories from China to Vietnam. These include aerospace manufacturer Hanwha Aero Engines Co., Ltd. from South Korea, automotive components manufacturer Yokowo from Japan and garment and textile producer Huafu Industrial Co., Ltd. from Hong Kong, figures from Savills Vietnam.

Two groups have also moved, AirPods manufacturer Goertek (to a factory in Bac Ninh province in the north of Vietnam), and electronics – TV manufacturer TCL (who moved to the southern province of Binh Duong, Vietnam).

In addition, a series of enterprises operating mainly in the fields of electronics, textiles, footwear, and spare parts production, including Foxcom, Lenovo, Nintendo, Sharp, Kyocera, and Oasis, are under consideration.

Other businesses are considering moving to Vietnam including Foxcom, Lenovo, Nintendo, Sharp, Kyocera, and Oasis

In the first half of 2019, Vietnam had 326 established industrial parks, covering a total area of 95,500 ha with 65,600 ha industrial land (68.7 percent). Of these, 251 are operating industrial parks, covering 60,900 ha (74 percent occupancy) and 75 are under construction, site clearance or compensation. There are 17 coastal economic zones of 845,000 ha. 3.6 million workers are working in industrial parks and economic zones in the first half of 2019.

A recent report from Savills on industry in Vietnam revealed that in H1/2019, 1,723 new projects registered capital investment of USD7.41 billion. The manufacturing and processing sector attracted 605 new projects, accounting for 71.2 percent of FDI at USD13.15 billion, up 39.8 percent year-on-year.

Hanoi and Ho Chi Minh City were the best performers, obtaining 26.3 percent and 16.7 percent of FDI respectively, with Binh Duong receiving 7.4 percent and Dong Nai with 6.7 percent. Investments from Hong Kong accounted for 28.7 percent of registered FDI with USD5.3 billion, followed by South Korea with USD2.73 billion and China with USD2.28 billion. Industrial parks and economic zones attracted approximately 340 FDI projects with newly registered capital of USD8.7

billion (figures from the Ministry of Planning and Investment, 2019).

OUTLOOK FOR FDI INTO INDUSTRIAL SECTOR

According to ADB, Vietnam remains the fastest growing economy in Southeast Asia in 2019, while the World Bank assessed that Vietnam



ranks 69th among 190 economies for ease of doing business.

Vietnam has sufficient capacity for new FDI. Despite occupancy in key provinces increasing year-on-year, numerous future projects allow foreign companies to increase investment.

“Manufacturers are showing interest in

the Central Regions while developers are actively converting agricultural land to industrial usage, guaranteeing additional supply,” said John Campbell, Senior Consultant, Industrial Services, Savills.

The central economic zone has captured the attention of foreign manufacturers, with Nghe An, Hue,

Quang Nam and Quang Ngai all offering new projects with competitive pricing.

Michael Kokalari, chief economist at VinaCapital, believes that concerns around labour supply mainly stem from manufacturers with tight margins in “low-value-added” industries such as garments and furniture. Kokalari stated that Vietnam has yet to reach its full potential. He added that with 10 percent of the workforce in the FDI sector and 40 percent in the agricultural industry, there is excellent potential for labour to shift “from the farm to the factory”, fueling industrialisation.

Moreover, the manufacturing sector only contributes approximately 20 percent of Vietnam’s GDP, falling short of other ‘Asian Tiger’ economies, which peaked at 30 percent GDP.

The industrial sector is growing strongly with a tenfold increase in FDI over the last decade. Good land supply is facilitating incoming manufacturing projects and the rise of rental options with RBF and BTS solutions. Vietnam must be more selective with projects to move up the value chain, improve competitiveness and ensure sustainable growth.

Low labour costs and government incentives, particularly preferential tax rates, will continue to be critical drivers of FDI. However, to maintain the transition to higher-value industries, Vietnam must focus on the quality rather than the number of investments. 



Vietnam's total bond issuance sees highest growth in emerging East Asia



Vietnam registers the highest q-o-q growth rate in emerging East Asia during the review period, according to the September report of the Asian Development Bank's (ADB) Asia Bond Monitor.

Vietnam's total bond issuance amounted to USD23.2 billion in Q2 2019, up 295.1 percent quarter on quarter (q-o-q) from a low base in the previous quarter, thus registering the highest growth rate in emerging East Asia during the review period. The growth was driven solely by a rebound in central bank issuance as the State Bank of Vietnam resumed the issuance of bills in March after a five month break. Central bank bond issuances accounted for 94.0 percent of Vietnam's total issuance during the quarter. Issuance rose 123.8 percent y-o-y in Q2 2019, reversing the 72.2 percent y-o-y contraction in Q1 2019.

At the end of June, the outstanding stock of local currency (LCY) government bonds climbed to

VND1,127.6 trillion, rising 3.2 percent q-o-q in Q2 2019, which was up from 0.9 percent q-o-q growth in Q1 2019. The overall stock of government bonds was lifted by the surge in central bank bills in Q2 2019, while Treasury bonds posted a slower expansion and government-guaranteed and municipal bonds contracted during the review period. On an annual basis, growth in government bonds rebounded to 2.9 percent y-o-y following a 2.4 percent y-o-y contraction in the prior quarter.

Treasury bonds continued to account for a significant majority of the government bond stock, representing an 82.7 percent share of the government bond total. The stock of Treasury bonds totaled VND932.0 trillion at the end of June, up 1.4 percent q-o-q and 8.7 percent y-o-y.

The aggregate LCY bond issuance of the Association of Southeast Asian Nations (ASEAN) member economies reached USD285.0 billion in Q2 2019. The outstanding LCY bond total of member economies of ASEAN reached USD1.5 trillion at the end of June. Growth in ASEAN bond markets moderated to 2.3 percent q-o-q in Q2 2019 from 4.0 percent q-o-q in Q1 2019. Among ASEAN members, the largest LCY bond markets in terms of bonds outstanding were those of Thailand, Malaysia, and Singapore.

Thailand's LCY bond market reached a size of USD424.9 billion at the end of June, as growth accelerated to 3.1

percent q-o-q in Q2 2019 from 1.6 percent q-o-q in the prior quarter. Both government and corporate bonds contributed to overall growth during the review period. Government bonds expanded 2.3 percent q-o-q, up from 1.4 percent q-o-q in Q1 2019, driven by increases in the stock of central bank bonds and state-owned enterprise and other bonds. On the other hand, the stock of Treasury bills and bonds declined 0.4 percent q-o-q. Corporate bonds also posted robust growth in Q2 2019, accelerating to 5.1 percent q-o-q from 2.3 percent q-o-q in Q1 2019, on active issuance by corporates. On a y-o-y basis, growth in the LCY bond market in Thailand moderated to 9.4 percent in Q2 2019 from 10.9 percent in the prior quarter.

The LCY bond market of Malaysia reached a size of USD360.1 billion at the end of June as growth climbed to 3.3 percent q-o-q from 2.9 percent q-o-q in Q1 2019. The corporate bond market drove most of the growth during the review period; government bonds also contributed, albeit to a lesser degree. While positive, the q-o-q growth in government bonds eased to 1.8 percent in Q2 2019 from 3.6 percent in the prior quarter. Growth was solely driven by the increase in the stock of central government bonds, comprising Malaysian Government Securities and Government Investment Issues. The stock of central bank bills fell by nearly half as issuance plummeted in Q2 2019. Corporate bond market growth was robust, rising



5.0 percent q-o-q on hefty issuance volume during the quarter. Malaysia's LCY bond market growth picked up to 8.7 percent y-o-y in Q2 2019 from 7.6 percent y-o-y in Q1 2019.

The outstanding amount of Singapore's LCY bonds reached USD317.2 billion at the end of June, with growth slowing to 2.3 percent q-o-q in Q2 2019 from 4.2 percent q-o-q in Q1 2019. Government bond market growth decelerated to 2.7 percent q-o-q from 4.5 percent q-o-q on higher volume of maturities for Singapore Government Securities despite increased issuance during the quarter. Growth in the corporate bond segment also eased to 1.7 percent q-o-q in Q2 2019 from 3.7 percent in Q1 2019. The bond market growth in Singapore inched up to 9.9

percent y-o-y in Q2 2019 from 9.4 percent y-o-y in Q1 2019.

Emerging East Asia's LCY bond market remained dominated by government bonds, which represented a 61.8 percent share of the total bond stock at the end of June. The region's government bond market reached a size of USD9.4 trillion on growth of 3.7 percent q-o-q and 13.6 percent y-o-y in Q2 2019. The largest government bond markets were those of the PRC and the Republic of Korea, accounting for shares of 78.9 percent and 8.7 percent of the regional government bond total, respectively. All of the region's government bond markets except for Indonesia posted positive q-o-q growth in Q2 2019. [B](#)

A verdant paradise in rainy season



As autumn brings cooler weather to the north of Vietnam, tourists can head south to explore the wetlands of the Mekong Delta. During the rainy season from September to November, Tra Su Melaleuca Forest shows off its beauty in all its glory.

Tra Su melaleuca forest is located in An Giang's Van Giao commune, nearly 100km from Long Xuyen city and about 30 kilometres southwest of Chau Doc district. The forest is a popular tourist destination during An Giang floating season, covering a vast area of 850 hectares. It comprises an ecosystem of melaleuca trees and a flooded mangrove forest which are home to an abundance of different species of flora and fauna.

Tra Su is home to 140 fauna species, 11 mammal species, 25 reptile species and 70 bird species, two of which are listed in Vietnam's Red Book.

The vibrant greens of the forest imbue a feeling of freshness and calm in

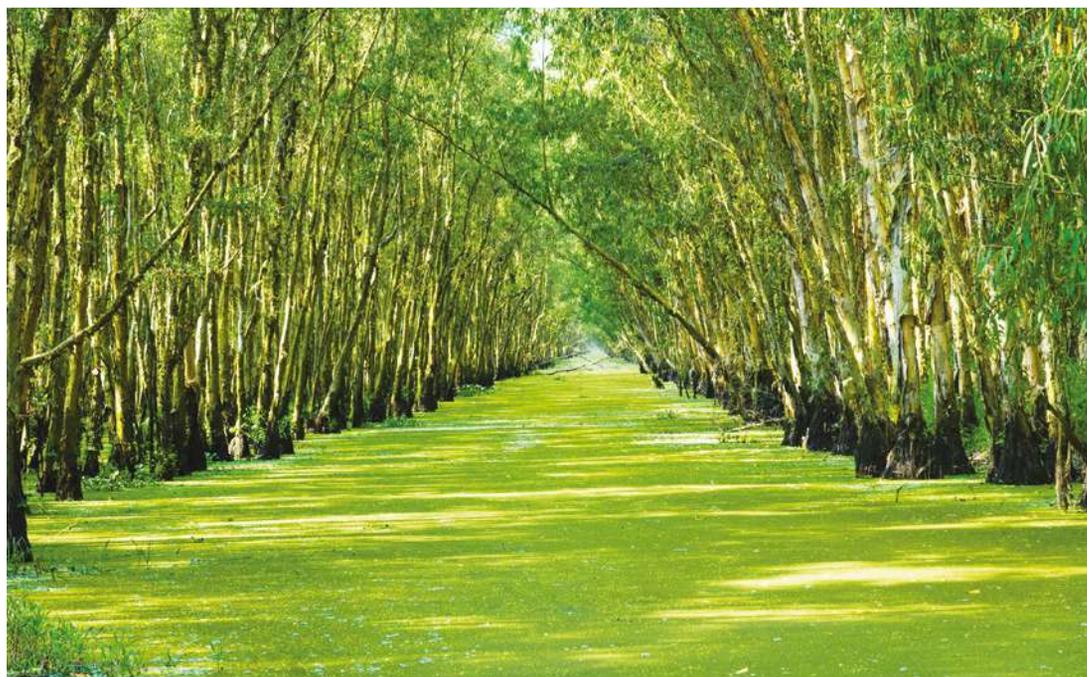
visitors who can enjoy getting closer to nature. In the rainy season, the water level of the river rises and the surface is covered with tiny duckweed and romantic yellow sesbania sesban flowers.

Tickets to explore the forest by canoe are very reasonably priced at just a few dollars. The melaleuca trees that line both sides of the road are awe inspiring and rice fields stretch straight across the area, interspersed by rows of tall jaggery trees, creating a beautiful scene.

The forest also features an observatory tower where visitors can view the entire vast melaleuca forest with a 25km long-range telescope. From



here, the villages of the Khmer and Kinh people can be glimpsed. If time allows, there are several special handicraft villages such as the brocade and silk weaving of the Khmer people that can be visited and visitors will have a chance to see how the community keeps bees for making honey and melaleuca oil. 



TIEN MANH

Extinct volcano graces central highlands landscape

As well as being famous for producing coffee, the Central Highlands is also known as the location of a number of impressive volcanoes. One volcano that has been inactive for millions of years, Chu Dang Ya, is particularly captivating in its beauty and aura.

In the language of the J'rai ethnic minority group, Chu Dang Ya means wild ginger. The volcano is located in Ploi Iagri village in the central highlands province of Gia Lai.

Chu Dang Ya Extinct Volcano is approximately 30km from the city of Pleiku and 20km from the attractive



Bien Ho Tourist Area. Even though the volcano has long been extinct, it's still possible to see the funnel-formed crater and the volcanic ash that is mixed with red basalt soil, creating an enchanting scene. The volcano is one of Gia Lai's top attractions.



Chu Dang Ya looks like an upturned bowl, a great cauldron-shaped valley teeming with fields of pumpkins, corn, sweet potatoes and edible cannas. Despite the fact that there is no water on the crater and no one is able to carry enough water for irrigation, the trees are still verdant all year round.

In the rainy season, Chu Dang Ya is fully covered in the green of taro and sweet potato fields. In the dry season, particularly between November and December, wild sunflowers are in full bloom on the hill-sides.

Other attractions in Gia Lai province

include the tranquil beauty of Bien Ho (T'Nung Lake) - the biggest lake in the Highlands, considered a precious gem of Pleiku city, Yaly Hydropower in Chu Pah district and Phu Cuong waterfall - a silver strip of silk in the middle of the Highlands in Chu Se district. [\[5\]](#)

AN KHANG

NGUYEN HIEN



A new kindergarten for local community

BIDV Dung Quat Branch has sponsored nearly VND7 billion (USD300,000) to construct a kindergarten in Binh Thanh commune, Ho Chi Minh City. The kindergarten was inaugurated this month.

Binh Thanh Kindergarten has six rooms with construction area of 1,001 m2 spread over two floors; and is equipped with a fire prevention system, electricity supply, water supply and drainage system. Around 430 students from neighbouring villages

including Hai Ninh, Vinh Tra, Trung An and Vinh An attend the kindergarten. The school has two teachers per class and 30-35 semi-boarded and non-boarded preschool students. The kindergarten has met the preschool goals for the local children.

Binh Thanh commune is home to many poor and disadvantaged households. Funding the school is a meaningful and humanistic contribution from BIDV to support the local community. 

Rapid aid to districts damaged by typhoon

Typhoon No.3 swept by Thanh Hoa province, leaving the mountainous districts of Quan Son and Muong Lat suffering severe damage.

The BIDV system collaborated with the Fatherland Front of Thanh Hoa province to bring immediate aids to the districts. Gifts were delivered to people in need of support in a timely manner, contributing a small part to help those in flooded areas overcome difficulties and the after-effects of the storms. The total cash support reached VND726 million (USD31,000). In addition, BIDV Trade Union through the Labour Union of Thanh Hoa Province donated 500 lifesaver backpacks to students in flooded areas. 

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