VIETNAM DAILY NEWS

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Market Analysis

1. Market extends losses on bank stocks

Benchmark indices settled down on Monday as losses in the banking sector overshadowed gains in real estate stocks.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) ended the day at 1,052.8 points, a slight decline of 0.2 points or 0.02 per cent.

The market's breadth was negative as there were more stocks inclining to the downtrend on the southern exchange.

However, liquidity improved with a trading value on HoSE up 28.3 per cent over the previous session to VND11.17 trillion (US$474 million), equal to a trading volume of over 622.4 million shares.

The index's losses were capped by rallies in large-cap stocks, mostly in the realty industry. The VN30-Index, which tracks 30 biggest stocks in market capitalisation on HoSE, climbed 2.87 points, or 0.27 per cent, to 1,050.07 points.

In the VN30 basket, 14 stocks inched higher, while 15 slid and one was flat.

Affected by fears of the collapse of the US banking system, many big Vietnamese banks witnessed poor performance.

Specifically, BIDV (BID) was the biggest loser on the first trading day of the week, down 1.91 per cent. It was followed by Vietcombank (VCB), Sacombank (STB), Techcombank (TCB), Asia Commercial Joint Stock Bank (ACB), and MBBank (MBB). These banks lost in a range of 0.65-3.85 per cent.

The Silicon Valley Bank (SVB) meltdown last week rippled through the US markets, causing investors to flock to safe-haven assets.

On the contrary, VP Bank (VPB) posted a great performance with a gain of more than 6 per cent after news of its stake sale for a Japanese megabank.

VP Bank is expected to reach a deal to sell a 15 per cent stake to Japan's Sumitomo Mitsui Financial Group Inc. for about $1.4 billion, Bloomberg reported citing sources familiar with the transaction.

Other big names contributing to the market's bearish trend were Vietnam Airlines (HVN), Hoa Phat Group (HPG), and FPT Corporation (FTP).

The bullish trend of realty stocks also helped cushioned some of the losses. Particularly, Vinhomes (VHM) was the leader of the uptrend, up 4.43 per cent. Other two of the Vin-family stocks: Vingroup (VIC) and Vincom Retail (VRE) also added 0.38 per cent and 3.93 per cent, respectively.

The HNX-Index on the Ha Noi Stock Exchange (HNX) extended losses for the second day in a row on Monday. It closed the session at 205.85 points, down 2.01 points or 0.97 per cent.

During the session, more than 54.57 million shares were traded on the exchange, worth VND814.53 billion.

Meanwhile, foreign investors injected capital into the market, with a total net value of VND862.77 billion on the two main exchanges.

Of which, they net bought VND841.47 billion on HoSE and VND21.3 billion on HNX.

Macro & Policies

2. WB predicts Vietnamese economy to grow by 6.3% in 2023

Growth is expected to pick up to 6.5% in 2024 as the economies of Vietnam's main export markets gain strength, the report says.

The outlook for Vietnam reflects heightened uncertainty in the global economy. Downside risks include weaker-than-expected growth in Vietnam's major export markets, which include the United States, China and the eurozone, tightening financial conditions, higher domestic inflation, weaknesses in the balance sheets of corporate, banking and household sectors, and financial sector vulnerabilities.

Domestic and external headwinds warrant increased vigilance and data-driven policy responses, the report says.

These include managing the trade-off between growth and inflation and strengthening the supervisory framework for the financial sector. On the upside stronger than expected recovery of global growth could lift exports and hence growth above the baseline projection.

"Vietnam has the fiscal space to implement measures to boost growth, unlike many other countries," said Carolyn Turk, World Bank Country Director for Vietnam. "Effective implementation of priority public investments is key to support growth, both in the short-term and in the longer-term. Also, fiscal and monetary policies must be synchronized to ensure that support to the economy and macroeconomic stability are achieved effectively."

The report's special section on Vietnam's services sector identifies four key reforms that could unlock the potential of a sector that can deliver substantial employment and added value. For Vietnam to achieve its objective of becoming a high-income economy by 2045, it should more effectively leverage its diversified services sector to secure more sustained productivity growth, according to the analysis, "Harnessing the potential of the services sector for future growth."

This would entail undertaking reforms to enhance services sector productivity and its cross-sectoral contributions to manufacturing and agriculture productivity growth.

Even though Vietnam's services sector has grown as a share of the economy, employed a greater share of workers, and seen its labor productivity increasing in the decade before 2019, Vietnam's performance in this area lags peer countries such as Malaysia, the Philippines, and Indonesia.

Exports of knowledge-rich services known as "global innovator services" constitute only 9% of total services exports, and only 6.4% of total employment in the services sector is in this sub-sector, which includes information and communications technology, finance, and professional services, which are among the most productive services areas in the economy. The small scale of firms, restrictions to services trade, low technology adoption, and scarcity of inter-sectoral linkages affect productivity, suggesting that there is room for improvement through appropriate policy actions.

To accelerate growth of this sector, Vietnam could consider reducing restrictions to services trade and foreign investment in this area, implementing reforms to enhance competition and access to finance for domestic firms.

This is addition to encouraging firm-level product and process innovation and technology adoption, strengthening skills and capabilities of workers and managers, and focusing on services that can promote further growth of other sectors, particularly manufacturing.

3. Tra fish exports predicted to recover from third quarter

Data from the Vietnam Association of Seafood Exporters and Producers (VASEP) showed that in the first two months of this year, revenue from seafood export topped 1.1 billion USD, down 26% year on year, with tra fish exports dropping 38% to 240 million USD.

According to Vietcombank Securities Limited Company (VCBS), the demand of tra fish plummeted from the fourth quarter of last year after positive signs in the beginning of the year. A fall of 20-30% was seen in the production and export revenue of the product from last November due to high inventories and inflation in importing countries.

The downturn trend continued in the first month of 2023, with respective fall of 51 and 60% over the same period last year.

However, tra fish exports increased slightly at 4% in February to 662 million USD. But the VCBS predicted that tra fish demand will continue to decrease in the majority of the markets until the third quarter when festive events in year-end come and the Chinese market is opening.

While high feed prices and extreme weather conditions are effecting small-scaled farms, large-scaled businesses are eying great opportunities to expand their market share thanks to their self-supply of input materials and the application of a closed production process, according to the VCBS.

The VCBS reported that in 2022, tra fish exports hit a record of 2.44 billion USD despite the high feed price. In the year, strong growth of at least 30% was seen in tra fish export revenue generated from the majority of the markets, especially some Middle East countries at 115-429%.

The firm held that 2023 will still be a good year for businesses that can promote their advantages in material supply.

Exporters held that after a long period of decline in revenue due to low tra fish prices in the first half of this year, domestic exporters will enjoy recovery in the third quarter.

4. Taiwanese investors' demand for industrial property expected to be high: Savills

This year, Taiwan has been the second largest foreign investor in Vietnam with 407.1 million USD, according to the Foreign Investment Agency under the Ministry of Planning and Investment.

Cumulatively, the island was the fourth largest foreign investor in Vietnam as of mid-2022.

Its investments are mostly in manufacturing, construction and real estate.

There is a long history of Taiwanese investment into Vietnam dating back over 30 years and covering manufacturing as well as real estate, said Managing Director of Savills Neil MacGregor.

In the early days, the key driver was low-cost labour and this saw many large manufacturers from the garment and footwear industries establish a strong presence, he said.

Today, while these investors continue to expand their presence in Vietnam, there are also increasingly hi-tech investors from Taiwan moving production to Vietnam, he said.

In real estate, some of the most successful projects in Vietnam are by Taiwanese investors, including Phu My Hung, Royal Centre and Nikko Hotel in Ho Chi Minh City, he added.

Su Ngoc Khuong, Senior Director of Investment at Savills, said the country's real estate market offers tremendous opportunities for foreign investors.

"The strengths of Taiwanese investors are their strong financial resources, business and product development experience, customer base, and low financial costs."

Savills data showed that manufacturing, industrial and family office investors are bullish on the Vietnamese market, a positive for the industrial and commercial real estate segments.

The country currently has 406 industrial parks.

5. Real estate market won't recover until late 2024: Experts

Speaking at a forum last week, Nguyen Quoc Hiep, Chairman of the Vietnam Association of Construction Contractors, said the market would continue facing prolonged hurdles such as a lack of access to capital, credit tightening, legal bottlenecks and delays in bond payments.

Decree 08 recently issued by the Government aimed at removing difficulties for the corporate bond market is not effective enough to regain investor confidence in the market, he said.

"The decree, which allows issuers to extend bond terms by up to two years, only helps prevent the market from collapsing but it does not actually protect the rights and benefits of bondholders."

A huge amount of bonds is going to mature this year and next year, putting great pressure on issuers, mostly property developers, as they now face liquidity problems and cannot issue new bonds to restructure debt, he noted.

He said it was vital to develop a long-term legal basis for corporate bond issuance in order to build a sustainable capital market for the real estate sector.

Do Viet Chien, Vice Chairman of the Vietnam Real Estate Association, said property firms must be well prepared as the market would continue facing obstacles in the coming time.

A recently set up task force aiming to remove difficulties for the market now faces issues beyond their authority in terms of provisions of laws, he added.

The task force should have more power to resolve the challenges faced by property firms, he said. "It should also work directly with real estate firms to assist them in addressing their issues."

Once the Law on Land, the Law on Housing, and the Law on Real Estate Business are finalised, hopefully they will provide opportunities for investors to come back to the market, he said.

Dr. Nguyen Van Dinh, Vice Chairman of the Vietnam Real Estate Association, said the market has faced unprecedented problems in the past five years with a large inventory and a sharp drop in liquidity.

The market has seen a huge imbalance between supply and demand with an oversupply in the high-end segment but a shortage of affordable housing products, he said.

He recommended property developers focus on affordable housing and social housing projects in order to address the mismatch between supply and demand.

It's vital to have specific regulations to implement the 120 trillion VND support package to finance social housing projects and housing projects for workers, he said.

Bond issuers must develop specific debt repayment plans and actively negotiate with bondholders in order to regain their confidence in the market, he added.

The Government has already issued four directives to remove challenges for the economy, especially the real estate market.

It has also taken measures such as rescheduling and deferring debt, tax, and land rent for real estate businesses.

However, experts have urged property firms to take efforts themselves first instead of replying too much on Government support measures.

6. VN needs funds to increase national petroleum reserve

According to a report from the Ministry of Industry and Trade, Viet Nam's national petroleum reserve was quite low, around 300,000 cubic metres per year, equivalent to only nine days of net import and seven days of consumption, lower than the demand.

The ministry proposed the national petroleum reserve be raised from nine days of net import to 15 days and 30 days in the 2026-30 period.

Accordingly, it was estimated that Viet Nam would need around VND4.1 trillion (US$173.7 million) per year to increase the national petroleum reserve.

Minister of Industry and Trade Nguyen Hong Dien said that the biggest obstacle was finding funds for the increase.

The storage must be enough for around 4-6 months of consumption to be able to cope with unusual situations in the global markets and avoid supply disruptions.

The Ministry of Finance, however, said that the sum was beyond the ability of the State budget. Currently, the State budget could arrange around VND1.5 trillion per year for the national total reserves, meaning that it only met a third of the needed amount.

Dien said that each year, the State should arrange an additional sum of around VND1-2 trillion, equivalent to 1-2 days of net import to increase the national petroleum reserve to 15 days of net import to 2025.

The ministry's statistics showed that last year the total petroleum supply was nearly 25.58 million cubic metres, including 8.87 million cubic metres from imports, and 15.69 million cubic metres from local refineries.

In 2023, the ministry asked that the total petroleum supply should be 27.34 million cubic metres, 15 per cent higher than last year, in which imports would still account for a large proportion.

Despite being a strategic product that plays an important role in ensuring energy security, the low reserve is one of the problems affecting fuel supply when unusual situations occur.

2022 was a difficult year for the global petrol and oil market due to the Russia – Ukraine conflict which caused disruptions and supply scarcity, pushing up prices and causing risks to enterprises.

Another problem is the shortage of infrastructure for the storage of petroleum. Currently, petroleum from the national reserve is being stored at more than 20 sites of major petrol wholesalers, triggering concerns that it would lead to a lack of transparency.

The Ministry of Industry and Trade admitted that it was difficult to separate the national petroleum reserve from the reserve of enterprises because the State did not have the infrastructure for petroleum reserves and must rent from enterprises.

The lack of infrastructure for petroleum reserves must be tackled in the long term, the Ministry of Industry and Trade said. However, in the short-term, renting storage units of enterprises must continue to avoid disruption and there should be mechanisms to increase transparency.

7. Business environment reform is the most efficient support for enterprises: GSO

This was one of the solutions GSO proposed to maintain macro-economic stability and promote economic growth.

It is necessary to closely monitor the global economic situation and the fiscal and monetary policies of countries with a large economic scale.

"The Government should regularly review to promptly remove difficulties and obstacles of enterprises for promoting production and business activities, including lack of capital, high input material prices and difficulties in product consumption," Ngoc said.

"Besides that, it needs to have prompt support for several industries being affected by declining demand of the world market such as leather, footwear, textiles and wood."

It needs to monitor labour and job markets closely and then support the enterprises to overcome labour shortages.

State management offices should effectively implement solutions to stimulate trade and service demand and develop tourism programmes.

On the other hand, they should focus on expanding and diversifying export products and markets by effectively exploiting the signed free trade agreements (FTAs) between Vietnam and its partners. On that basis, policies also need to be adjusted to lure further high-quality foreign direct investment.

"The Government should drastically and quickly implement the tasks and investment projects under the programme for socio-economic recovery and development in 2023, including disbursement of public investment capital for key projects to be completed this year or early 2024," Ngoc said.

Disease prevention and control must be strengthened along with plans on preventing drought and saltwater intrusion impacts, as well as natural disasters, rain, floods and landslides to minimise damage to production and people's lives.

Finally, it is necessary to improve the efficiency of State management agencies and tighten administrative discipline in those agencies.

According to the GSO, Vietnam's socio-economic development in February took place in the context that the world economy continued to have many complicated fluctuations.

Global inflation cooled but remained at a high level, while world energy prices are still increasing, and the Russia-Ukraine conflict has many unexpected developments.

Global consumer demand is reducing, causing the number of export orders and turnover to decrease. Many key industries have been affected, especially in localities with large industrial scales, such as Quang Ngai, Vinh Phuc, Binh Duong, and HCM City.

Therefore, the index of industrial production (IIP) in the first two months of this year decreased by 6.3% over the same period last year.

The exports to some key markets recorded a decline, such as the EU (down 4.2%); the Republic of Korea (5.7%); Japan (5.9%); ASEAN (7.9%); and the US (21%).

In that challenging situation, the production and business activities of the enterprises were severely affected by higher input costs but lower orders. Many businesses temporarily suspended operations to find other directions or wait for dissolution procedures.

In the first two months of the year, the number of enterprises suspending business for a definite term was about 39,000 units, an increase of 18.5% over the same period last year. About 9,400 enterprises were waiting for dissolution procedures, an increase of 5.8%.

The difficulties of the world economy also prevented foreign investors from expanding the scale of existing projects in Vietnam. As of the end of February, registered FDI capital reached 535.4

million USD, the lowest from 2019 to 2023 and a reduction of 4.9% year on year.

Core inflation in the first two months of 2023 increased by 5.08%, higher than the general inflation at 4.6%.

"This is a challenge for the State management agencies in issuing monetary policy. It is necessary to have a proactive and flexible monetary policy, ensuring inflation control and supporting economic growth," Ngoc said.

However, the IIP of the number of processing and manufacturing industries in February increased compared to the same period last year, such as the production of beverages, coke, refined petroleum and chemicals, she said.

The total retail sales of goods and services increased by 13% yearly, while Vietnam had a trade surplus of 2.82 billion USD in the first two months.

International visitors to Vietnam were estimated at 1.8 million arrivals, nearly 37 times higher than last year, due to many international tourism programmes when the COVID-19 pandemic is under control.

Corporate News

8. NVL: Novaland expects to issue 2.9 bil shares this year

↑ 3.29%

Novaland has proposed a plan to increase charter capital through stock issuance to shareholders, according to the company's document.

The real estate developer specifically requests that shareholders approve the Board of Directors decisions regarding the company's restructuring, including the negotiation and implementation of new share and convertible bond issuances as well as other actions to boost operating capital and financial restructuring.

Novaland intends to release more than 975 million individual shares as part of the proposal to issue new shares at a price of at least VNĐ10,000 (US$0.42) per share. The company will make at least VNĐ9.75 trillion if it is effective. Professional securities and strategic investors are buyers of stocks.

The funds will be used to restructure, settle past-due debts, carry out projects, pay taxes and fulfill other obligations to the State budget, and raise the working capital of its subsidiary.

It also intends to issue 1.95 billion additional shares to current shareholders at a ratio of 1:1, which means that holders of each share will be entitled to purchase one additional share. The share's sale price cannot be less than VNĐ10,000.

Novaland can therefore earn at least VNĐ19.5 trillion if it effectively sells all of the shares. It plans to use the funds to restructure its debt, pay off past-due debts, pay staff salaries, cover general operating expenses, and carry out initiatives that the company has invested in.

The two plans are expected to run in 2023, or according to the decision of the Board of Directors, after the State Securities Commission (SSC) issues the certificate of registration to offer more shares to the public.

If both issuance options are authorised and fully implemented, Novaland's charter capital will increase by nearly 2.5 times, from roughly VNĐ19.5 trillion to VNĐ48.7 trillion, making it one of the top companies with the largest charter capital on the Vietnamese stock exchanges.

Additionally, it plans to issue shares under the Employee Stock Option Programme (ESOP) in 2023. The volume is up to 1.5 per cent of the company's outstanding shares at the moment of issuance, and the price is at least VNĐ10,000.

Members of the Board of Directors and employees on the approved list by the Board of Directors are among the subjects of the offering. The goal is to raise the benefits for Board of Directors and employees while luring talent.

Regarding the handling of domestic bond debt, there are now hundreds of bondholders who have agreed to swap bonds for real estate products during this period after the proposal of the company, Bùi Thành Nhơn said in his letter published on February 24. Besides, Novaland is also making efforts to negotiate and agree with the lenders on debts.

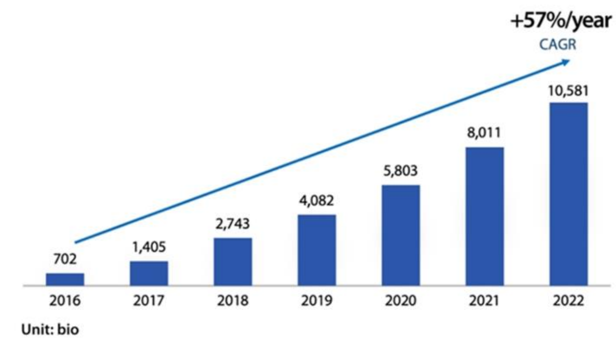
9. VIB: VIB plans to approve dividend payment and capital increase plan at the upcoming AGM

↓ -1.19%

After six years of implementing strong and extensive strategic transformation, Vietnam International Bank (VIB) has marked important milestones in its journey to becoming the leading retail bank in Việt Nam.

The bank will hold its Annual General Meeting of Shareholders (AGM) in 2023 on March 15. Below are important points that are listed in the document sent by the bank to its shareholders.

Profit increased 15 times with an average growth of 57 per cent/year



A chart shows the bank's annual profit growth in 2016-22. — Source: Financial statements in 2016-22

The intense focus on retail banking has helped VIB create a scale advantage. The business models of auto loans, home loans and credit cards showed their effectiveness, allowing the bank to gain leading market share in many retail segments.

The customer-centric strategy has helped VIB attract and serve over four million customers and increase customer engagement.

The positive business results of 2022 contributed to the overall efficiency in the six years of transformation (2017-22), making VIB one of the leading banks in asset size growth, revenue growth, effective cost management and tight risk control. VIB's profit has grown at an annual compound growth rate (CAGR) of 57 per cent per year over the past six years.

A leader in scale growth

Items	VIB	Top 10 listed bank
Lending growth, 2017-2022	+25%/year	+18%/year
Revenue growth, 2017-2022	+32%/year	+24%/year
Profit growth, 2017-2022	+57%/year	+39%/year

A chart shows VIB's growth rate of some indicators compared to the Top 10 listed banks in 2017-22. — Source: Finpro, financial statements of banks

With Việt Nam's economy among the most dynamic in the world, the substantial increase in investment, consumption and financial services demand in recent years has created conditions for retail banks such as VIB to maintain a positive growth rate in the past six years and the future.

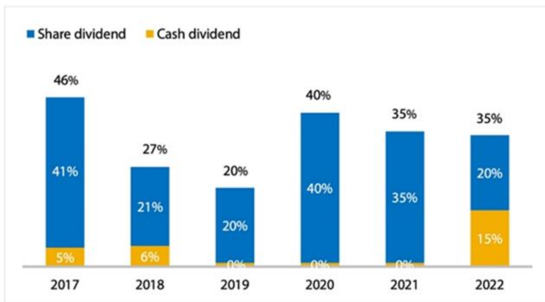
Sustainable business performance

Items	VIB	Top 10 listed bank
Provision cost/Total loans, 2017-2022	0.6%/year	1.5%/year
ROE, 2022	30%	22%
Retail loans/Total loans, 2022	90%	49%

VIB's business performance compared to the Top 10 listed banks in the 2017-22 period. — Source: Finpro, financial statements of banks

VIB is a bank with outstanding retail loans accounting for over 90 per cent of its total loan portfolio. The bank has recorded its return on equity (ROE) ratio at over 30 per cent for three consecutive years thanks to its focus on retail and the effective operating model.

Attractive dividend payout ratio

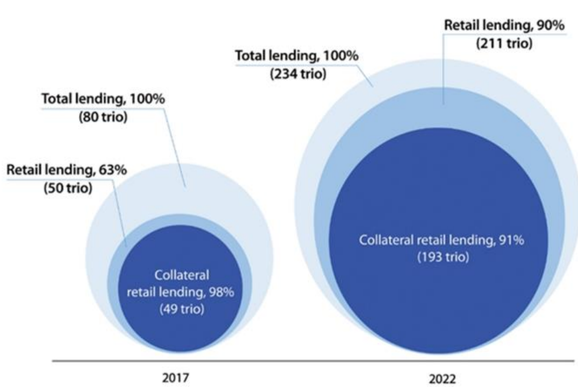


VIB's dividend payout ratio over the years. — Source: Documents of the Annual General Meeting of Shareholders in 2017-22

With ROE among the market's highest, VIB maintained the highest dividend payout ratio at 40 per cent in 2020, and 35 per cent in 2021. The bank is expected to pay dividends at 35 per cent in 2022.

In the last three years, VIB did not pay cash dividends following the request of the State Bank of Việt Nam. So in the document sent to shareholders, the bank's Board of Directors proposed that the 2022 dividend be paid 15 per cent in cash and 20 per cent in shares. VIB's leaders expect a dividend policy to be developed so that the bank could pay annual cash dividends to shareholders starting in 2023.

A bank with the lowest concentration risk in the market



VIB's outstanding balance in 2017-22. — Source: The bank's financial statements

VIB's outstanding retail loans account for up to 90 per cent of the total loan portfolio. Of the total, up to 91 per cent of loans are secured by assets, while the remainder is mainly credit card loans. Meanwhile, the outstanding balance of corporate bonds of VIB equals less than 1 per cent of the total credit balance.

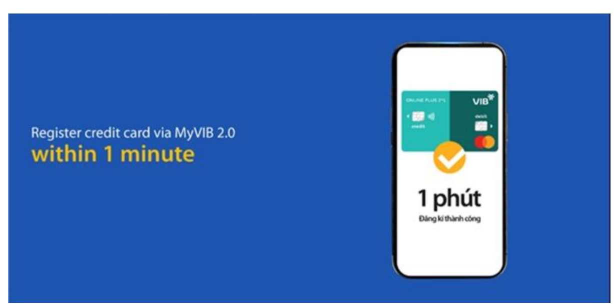
As a result, for five consecutive years, the ratio of provision expenses to VIB's outstanding loans was only 30-50 per cent of the average of the Top 10 listed banks. That is considered one of the crucial factors that have helped VIB achieve good profitability and a high ROE ratio.

Ranked in the highest group in the industry

Ranked highest by the State Bank of Việt Nam. — Photo courtesy of VIB

VIB has been ranked in the top group for many years by the State Bank, based on capital, profit, asset quality, liquidity quality and sensitivity management criteria.

A pioneer in card and technology trends



Registering a credit card on MyVIB 2.0. — Photo courtesy of VIB

Vie - VIB 's AI virtual financial expert. — Photo courtesy of VIB

Business plan in 2023: continuing the sustainable growth momentum

VIB's business plan in 2023. — Photo courtesy of VIB

VIB has marked essential milestones on the journey to becoming the leading retail bank in Việt Nam during the first six years of the 10-year strategic transformation period (2017-26).

In the document sent to the General Meeting of Shareholders, VIB's Board of Directors outlined the goals for the five-year period from 2022 to 2026, including attracting 10 million customers, achieving an annual compound growth rate of 20-30 per cent each year, thereby sustainably increasing the market capitalisation for shareholders.

VIB leaders said they believed the bank would achieve the business plan in 2023 and complete the 10-year transformation goal thanks to its creativity and persistence in large-scale transformation activities, excellent operating model, advanced corporate culture, and staff's capacity and enthusiasm.

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