

German Business Association / Swiss Business Association Gala Dinner
Intercontinental Asiana Hotel, Ho Chi Minh City – November 21, 2011
(Speech by: Mr Jose Isidro (Lito) Camacho, Vice Chairman Asia Pacific, CREDIT SUISSE AG)

Your Excellency, Distinguished Guests, Ladies and Gentlemen,

My name is Lito Camacho and I'm Vice Chairman for Asia Pacific at Credit Suisse. It's my privilege to share with you my thoughts on investing in Vietnam and on the outlook for the country's financial markets. I would like to offer my thanks to the German Business Association, the Swiss Business Association and Ringier for this opportunity.

Undoubtedly, economic reform has delivered rapid GDP and income growth in Vietnam, connecting this nation with the global economy as never before. Any investor taking a quick walk through the streets of Ho Chi Minh City will easily see how liberalization has energized Vietnam's economy and has improved the livelihoods of its citizens.

As we all know, however, economic reform and globalization bring to life a constantly-evolving set of tensions and challenges, especially for emerging markets. As one of the stars of globalization, Vietnam now faces some tough questions on how to deal with its consequences, especially amid weaknesses in the global economy and instability in the financial markets.

Investors are watching as policymakers try to tackle inflation pressures and the weak currency without hurting economic activity or the export sector. This is a very tough balancing act and there are no simple answers, I'm afraid. As I learned during my time as Secretary of Finance in the Philippines, effective economic policy usually involves finding a balance between apparently conflicting objectives.

Let me be clear though: these "growing pains" are not unique to Vietnam and have been experienced by most emerging economies during their own economic transitions – including

many that are considered success stories today. Emerging markets specialists, as we at Credit Suisse are proud to call ourselves, know that most developing nations go through short term dislocations as they adjust to more liberalized economic systems and greater integration with the global economy. Asset bubbles, inflation, currency fluctuations and trade and fiscal deficits have always been part of the emerging markets story and will continue to be so.

Credit Suisse started investment banking coverage of Vietnam in 2001 and we have raised around US\$5 billion of capital for the Vietnamese government, corporates and institutions. Crucially, this gives us a longer term perspective on Vietnam's development than many other international banks. That's important at a challenging time like this because we need to be able to look beyond all the short term problems and remember what Vietnam has achieved in the last decade, including an average annual real GDP growth of above 8% between 2003 and 2007 – a remarkable achievement for any emerging economy.

It has not been a surprise to see this growth rate fall in recent, more troubled years for the global economy, but Vietnam has remained quite resilient. The economy grew by 6.3% in 2008, 5.4% in 2009 and 6.8% in 2010, in spite of the headwinds we all faced. Unfortunately, Vietnam is not and cannot be immune to turbulence in the developed economies – the EU and US account for more than 35% of its exports. But Credit Suisse nonetheless forecasts GDP growth of just under 6% in 2011 and 2012, and it's vital to keep sight of Vietnam's compelling medium and long term investment prospects.

Vietnam has a relatively young population and a workforce with a good level of basic education. It has political stability, an abundance of various natural resources and a favourable geographical location close to China, the world's second largest economy. Critically, it also has reform momentum driving the transition from a command to a market economy, and modernization momentum as the economic structure is upgraded and the population becomes urbanized.

While Vietnam remains a developing economy, it has more than doubled its GDP per capita over the last 10 years and has enormous scope for future wealth creation. Vietnam's particular demographic profile helps this process. GDP growth is directly linked to working-age population growth, for which Vietnam has one of the highest rates in the region.

Consumption growth rates – another key driver of economic growth – also remain high, at above 7%. It's worth pointing out that average urban incomes are more than double rural incomes and, therefore, Vietnam's urbanization has had a profound effect on domestic consumption. Our analysts estimate that the urban consumer market would be about 26% smaller without this process of urbanization.

We have seen in other emerging markets the power of urbanization as a catalyst for consumption growth. From a starting point of 20% urbanization, there is clearly enormous scope for Vietnam's prosperity to grow as this sector expands. China took 20 years after its "Open Door" policies began to hit 36% urbanization and another 10 years to reach 47%. We believe that these are also realistic expectations for Vietnam.

If long term productivity gains can be captured through investment and education, and reform policies are maintained, then we believe Vietnam can continue to benefit from its demographic fundamentals – and that it can achieve a long term growth trend of above 7%, which is above the average for non-Japan Asia.

So it's easy to see why Vietnam remains an attractive investment destination for global companies in spite of the recent global crisis and its short term challenges. Indeed, some of the biggest investors in the world continue to come to Vietnam.

Earlier this year, Credit Suisse advised Kohlberg Kravis Roberts, better known as KKR, on a US\$159m investment in Masan Consumer, Vietnam's market leader in fish, soya and chili sauce and its second largest producer of branded instant noodles. In May, we were also proud to act as sole bookrunner for a US\$90m bond issue by Hong Anh Gia Lai, a diversified private sector company. This was the first international corporate bond issue by a Vietnamese company, representing another breakthrough for Vietnam in the international capital markets.

Major international companies also remain eager to access Vietnam's growing economy and young, increasingly urban population. In September, we advised Vietcombank, one of the leading banks in Vietnam, on the US\$567m sale of a 15% stake to Mizuho of Japan. We also advised TNK-BP, in a transaction worth approximately US\$1 billion, on the acquisition of BP assets in Vietnam.

Vietnam's domestic capital markets remain very challenging at the moment, overshadowed by high debt levels and an undercapitalized banking system. Most listed stocks are small and lack liquidity, while the process of market reform is still at a relatively early stage.

But these continuing direct investments in Vietnam by major global corporate and financial investors are surely strong demonstrations of confidence in Vietnam's longer term prospects. Investments like these will help Vietnam's private sector continue its remarkable growth, which I believe will be essential to Vietnam achieving its economic goals. In my experience, the development of the private sector has been key to the strength, growth, resilience, flexibility and dynamism of economies in all emerging markets.

Continuing the development of the private sector is surely Vietnam's greatest challenge – and opportunity – in the years ahead. While the state-owned sector will continue to play a vital role in advancing the government's economic objectives, we are convinced that a larger and stronger private sector will attract substantial foreign investments and act as a tremendous source of momentum for the economy as a whole.

It is for this reason that helping the private sector grow, along with supporting the government and SOEs, has been at the heart of Credit Suisse's work here since we started covering Vietnam ten years ago. We will continue to play our part in the equitization of state-owned enterprises. As well as the sale of a stake in Vietcombank to Mizuho, we have also been involved in the sale of a strategic stake in BaoViet and Swiss Re's acquisition of an interest in Vina Re.

Attracting direct and portfolio investors to Vietnam requires effective investor communication. While the world is more aware of Vietnam as a rising Asian economic power than it has ever been, global investors' understanding of Vietnam is still not all that it could or should be. And the importance of being well understood by the outside world is even greater at a time when Vietnam is facing some economic turbulence.

Your Excellency, honored guests – Vietnam should be commended for the way that it has reformed and engaged with the global economy over the last decade. There is no question that domestic policy challenges and global uncertainty are likely to make the next few years tough ones for Vietnam. But allow me to conclude by reiterating that these trials are common in developing economies, and that Vietnam's continuing commitment to economic reform ensures that it will emerge stronger from this difficult time.

It's clear that some of the world's biggest investors have great faith in Vietnam's strong fundamentals and long term prospects. I would like to close by saying that Credit Suisse wholeheartedly shares this conviction – we have believed in Vietnam for more than a decade now and our confidence in this country's bright future remains as firm as ever.

Thank you very much for your attention. I hope you enjoy the rest of the evening and look forward to meeting with many of you later.

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