

PRIMARY MARKET

On the last day of September, the State Treasury has announced the second adjustment to government bond issuance plan in 2016. Total amount of government bond to be issued will be adjusted from VND 250,000 billion to 281,000 billion. The State Treasury has completed the first adjusted plan (from VND 220,000 billion to 250,000 billion) in the third quarter of 2016 and continue to add another 31,000 billion to the issuance plan in the fourth quarter. Considering the current market situation, an additional 31,000 billion bond issuance is not a difficult objective for the State Treasury. The terms that will be issued in 4th quarter 2016 (7, 15 and 30 years) have been receiving a lot of attention from investors. The continually adjustment of primary bond issuance in 2016 also reflects the high market demand for government bond under the circumstances that interbank liquidity is good and bond yield decrease consecutively for all the bond with lower than 30 year term.

In the 3rd quarter, the State Treasury has offered a total of VND 74,400 billion in bonds of different terms and successfully issued 62,594.2 billion, equivalent to 84.13% of the total offered amount. In September, the State Treasury has issued 11,036 billion out of the total 13,500 billion offered, the successful issuance ratio is 81.75%, a significant decrease from the ratio of 94.62% in August.

In this quarter, the total value of government guaranteed bonds issued achieved VND 7226 billion, equal to 56.9% of the offered amount. The majority of government bonds that are issued in the 3rd quarter of 2016 is 5-year, accounted for 75% of total value of the issuance. However, it could be observed that the total value of government guaranteed bond issued in the 3rd quarter is significantly lower than 2nd quarter as well as the lowest in the 3 quarters of 2016 (the successful issued value in Q1 and Q2 are VND 13,650 billion and 9550 billion, respectively). In this quarter, VND 500 billion of municipal bonds issued by Vung Tau city government are also successfully issued after 2 auction sessions.

The bid-winning bond yield on primary market has continuously decreased in the 3rd quarter with the largest drop in September. Bid-winning yields for 5-year and 7-year bonds (the 2 major terms that are issued) has dropped by 38 and 42 basis points respectively (comparison made between the first and last auction in the quarter). The yield for long term bonds (20 and 30 year) did not have notable change in the 3rd quarter while the yield for 30-year bond dropped by 2 basis points in the last 2 auction sessions in the quarter.

SECONDARY MARKET
SIGNIFICANT CHANGES OF BOND YIELDS OF ALL TERMS

Government bond yield has had strong decline on all terms in September 2016. The strongest movements belong to the most traded terms, including 5-year and 7-year bond. Due to the yield change of short term bonds, the yields of 10-year and longer term bond has had significant downward movement. The decrease in yield for 5-year and 7-year bond were 65 basis points while the yield of 10-year and 15-year bond decreased 53 and 38 basis points respectively. The remarkable drop of bond yield of all terms has led to an abnormal increase in the Composite Total Return Index announced by the Hanoi Stock exchange in September, the monthly change of this index is 2.91%. This index has increased by 4.1% in the 3rd quarter and by 8.7% in 9 months. The volatility of the index in September reflects the fluctuation of bond yields.

CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – SEPTEMBER IN COMPARISON TO AUGUST 2016

	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	15 Years
30-09-2016 (%) (T Day)	3.63	4.41	4.74	5.18	5.73	6.46	7.28
31-08-2016 (%)	4.10	4.87	5.25	5.82	6.38	6.99	7.67
31-12-2015 (%)	4.97	5.31	5.82	6.63	6.95	7.18	7.75
T Day - 30 Change (Bp)	(47.30)	(45.40)	(51.20)	(64.50)	(65.50)	(52.90)	(38.50)
T Day - 31-12-2015 Change (Bp)	(134.90)	(90.00)	(108.20)	(144.80)	(122.50)	(71.20)	(46.70)

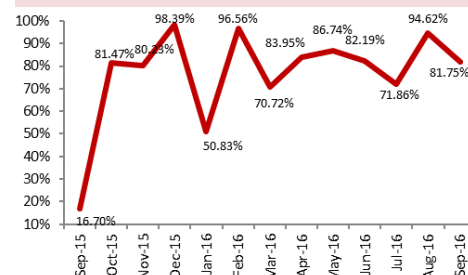
NOTABLE INCREASE OF SECONDARY MARKET TRADING IN SEPTEMBER

Secondary market trading volume has increased significantly in the 3rd quarter of 2016. Total value of transactions achieved VND 273,731 billion, a rise of 27.8% compared to 2nd quarter. The increase of demand for investment had pushed total value of outright transaction in September by 10.5% compared to August, similarly, daily average trading value also increased by 20.9%. The components of bonds traded had observable changes with 5-year bond accounted for 22% of total market transaction value in September, a significant increase from 19% of August. 5-year bond also accounted for 25% of bonds value traded in the 3rd quarter. It is expected that secondary market trading activities will continue to be busy in the 4th quarter as the demand from commercial banks would remain high and the issuance of popular bond terms (5 and 7 year) is insignificant. The proportion of 5-year bond's trading value would continue to increase.

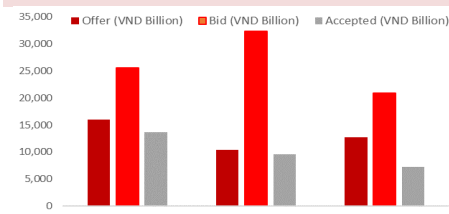
UPDATED GOVERNMENT BOND ISSUANCE PLAN 2016

Term (year)	Original Plan 2016 (VND '000 billion)	1st Adjustment (VND '000 billion)	2nd Adjustment (VND '000 billion)	Plan in Q4 2016 (VND billion)	Total Value issued 9M 2016 (VND billion)
3	66	40	25	0	25,142
5	100	145	157	3,000	153,849
7	0	20	30	6,000	23,995
10	12	7	9	4,000	5,153
15	18	25	35	6,000	29,567
20	12	3	5	4,000	1,231
30	12	10	20	8,000	11,383
Total	220	250	281	31,000	250,320

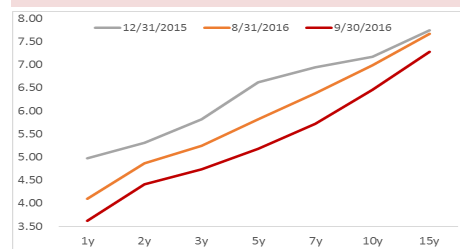
Source: VBMA

RATIO OF SUCCESSFUL BID/OFFER


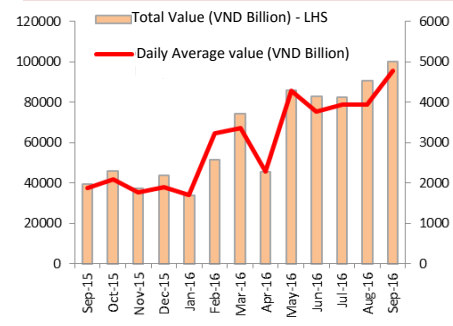
Source: HNX/VFM

BID, OFFER AND ACCEPTED VALUE OF GOVERNMENT GUARANTEED BONDS ISSUANCE BY QUARTER—2016


Source: Reuters, VFM

BOND YIELD CURVE—SEPTEMBER & AUGUST 2016 (%)


Source: Reuters, VFM

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS


Source: HNX/VFM