

PRIMARY MARKET

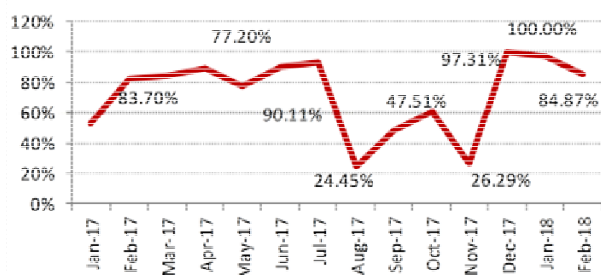
February 2018, because of the effect of the Lunar New Year, the State Treasury held only two auction sessions for government bonds, with the total value of calling amount and additional of VND11,800 billion, and mobilized successfully VND10,015 billion (achieving the winning ratio of 84.9%). Demand for bonds from investors continued to increase as the amount of matured bonds in February was relatively huge, reflected by the volume of bidding is 3.7 times higher than the total bid volume. Except for the bidding before the Lunar New Year in which 100% of bidding volume was not issued, the following session right after the holiday witnessed an overwhelming demand from investors. By the end of February, the State Treasury has completed 65.29% of its quarter plan (VND45 trillion).

Along with the high winning rate, the winning interest rates of the tenors tended to decrease. Compared with the one in January 2018, the winning interest rate of the State Treasury bonds fell sharply on all mobilized tenors. In particular, the yield of 5-year bond is 3.05% per annum (downed 125 bps), 7-year is 3.4% per annum (downed 95 bps), 10-year is 4.00-4.35% per annum (downed 35 bps), 15-year is 4.40-4.50% per annum (downed 10bps).

As of the end of February 2018, total outstanding value of Vietnam government bond, government-guaranteed bond and municipal bond is VND 1,016,838 billion. The market shares of government bonds in total bond outstanding value was 83.94% or VND 853,494 billion, came next was government-guaranteed bond with 13.19% or VND141,480 billion and the remaining 2.15% is municipal bond.

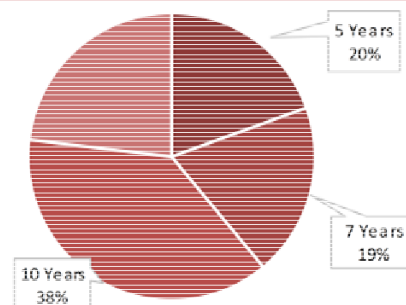
Government bonds have not been re-issued in February 2018, but the Ministry of Finance has also released data to mobilize these bonds in 2018 with a total issuance volume of VND34.100 billion. Of which, the Vietnam bank for Social Policy (VBS) will mobilize VND 9,670 billion (equal to 100% of VBS guaranteed limit in 2018), up 4.54% over 2017 (VND 9,250 billion) and the Vietnam Development Bank (VDB) VND 24,430 billion (equal to 100% of VDB guaranteed limit of 2018), down 2.84% compared to 2017 (VND25,145 billion).

RATIO OF SUCCESSFUL BID/OFFER ON PRIMARY MARKET



Source HNX/VFM

PROPORTIONS OF BOND TERMS ISSUED IN FEB 2018



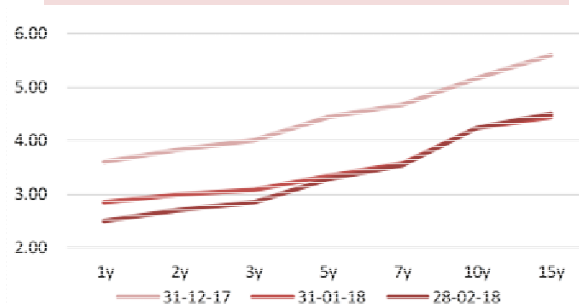
Source: HNX/VFM

GOVERNMENT BOND ISSUANCE—FEB 2017

Terms	Number of auctions	Call amount (VND Billion)	Bid amount (VND Billion)	Success amount (VND Billion)	Winning Yield	Bid to cover Ratio
5 Years	1	1,950	10,000	1,950	3.05-3.05	5.128
7 Years	1	1,950	4,884	1,950	3.40-3.40	2.505
10 Years	2	3,950	16,150	3,800	4.00-4.35	4.089
15 Years	2	3,950	12,965	2,315	4.40-4.52	3.282
20 Years	-	-	-	-	-	-
30 Years	-	-	-	-	-	-
Total	6	11,800	43,999	10,015		3.729

Source: HNX/VFM

BOND YIELD CURVE— FEB AND JAN 2018 (%)



Source: Reuters, VFM

TOTAL ISSUED AMOUNT AND TARGET PLAN 2018

Terms	Winning amount	Plan for Q1	% Plan Q1	Yearly plan 2017	%Yearly plan 2017
5 Years	3,900	5,000	78.00%	50,000	7.80%
7 Years	4,950	5,000	99.00%	36,000	13.75%
10 Years	9,455	11,000	85.95%	37,000	25.55%
15 Years	6,315	11,000	57.41%	32,000	19.73%
20 Years	1,500	5,000	30.00%	20,000	7.50%
30 Years	3,260	8,000	40.75%	25,000	13.04%
Total	29,380	45,000	65.29%	200,000	14.69%

Source: HNX/VFM

SBV BILL ISSUANCES IN FEB 2018

Feb—2018	SBV Bill	OMO
New issues	91,600	0
Matured amount	-57,000	0
Net	34,600	0

SECONDARY MARKET
BOND MARKET IS AFFECTED BY LONG-TERM HOLIDAY

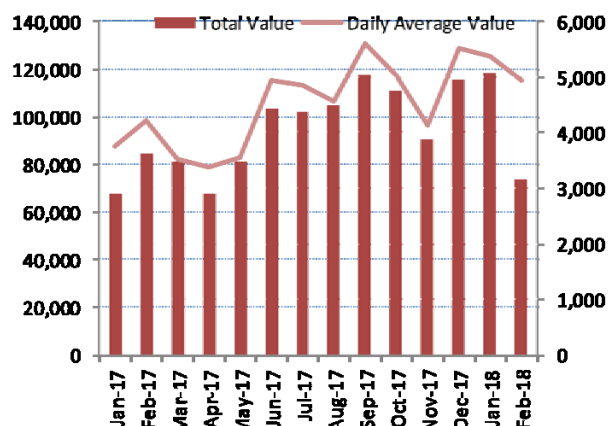
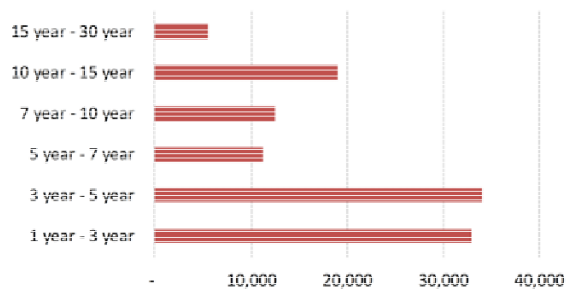
Lunar New Year holiday coupled with the liquidity of the banking system was drying up at the time before the Tet holiday caused bond market liquidity in February became lower than that in the previous month. The total trading value in February reached VND73,893 billion, average trading value decreased 8.33% compared to last month and got VND4,926 billion per session. The government bond yields in February also fluctuated according to the liquidity situation of interbank systems. Bond yields increased at the mid-month, right close to the holiday, but began to decline sharply at the beginning of the month and after the holiday. Repo transactions in February also saw a significant strong growth, reaching an average of VND2,780 billion per session, accounting for 53% of the total market transactions. The huge number of repo transaction showed the fact that investors are investing in bonds and taking advantage of low interbank market interest rates to raise leverage to seek additional returns. Foreign investors in February continued to be net buyers of VND270 billion, with short maturities of less than three years. At the moment, foreign investors actively buy short-term bonds and sell long-term bonds to reduce their portfolio's duration.

BOND INVESTOR BECOME MORE CAREFUL WITH LONGER-TERM

The State Bank Vietnam (SBV) has had a month of reasonable and flexible management. Through issuing SBV bills, the State Bank has continuously injected money into the market at the time before Lunar New Year to support liquidity of the whole interbank market, and immediately after the Tet, the State Bank of Vietnam withdrew cash flow with the issuance of long-term bills up to 1 month. Thanks to the timely adjustment of the SBV, the interbank interest rate level quickly regained the average level in 2017 right after the Lunar New Year and helped support the market for government bonds. At present, with the expectation that monetary market interest rate will continue to be maintained at low level and investment demand from investors still dominate the supply from the State Treasury, investment from bonds is still efficient but profitability though not much. However, the yields on government bonds fell sharply to new low-record levels, causing gap between government bonds and interbank interest rates, as well as the deposited rate in Vietnam's retail market stayed extremely small level, which is much far lower than that of other peer countries in the region. In addition, the yields of US Treasuries are on the upward trend recently with expectations that the Fed will raise interest rates by accelerating the process of tightening monetary policy. Hence, in March, investor sentiment on the market of investors will become more cautious and sensitive to variables such as inflation, interbank rates or new policies from regulators.

CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – FEB 2018 IN COMPARISON TO JAN 2018

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
28-02-2018 (%) (T Day)	2.50	2.71	2.86	3.27	3.56	4.25	4.50
31-01-2017 (%)	2.84	3.00	3.08	3.35	3.57	4.23	4.45
31-12-2017 (%)	3.61	3.82	4.00	4.43	4.67	5.17	5.59
T Day - 30 Change (Bp)	- 34.10	- 28.80	- 22.40	- 7.80	- 1.40	1.80	5.40
T Day - 31-12-2017 Change (Bp)	- 111.10	- 110.80	- 114.40	- 115.80	- 111.40	- 92.20	- 108.60

Source: VFM
VALUE OF OUTRIGHT TRANSACTION OVER MONTHS

Source: HNX/VFM
VALUE OF OUTRIGHT TRANSACTION OVER TENORS

Source: HNX/VFM