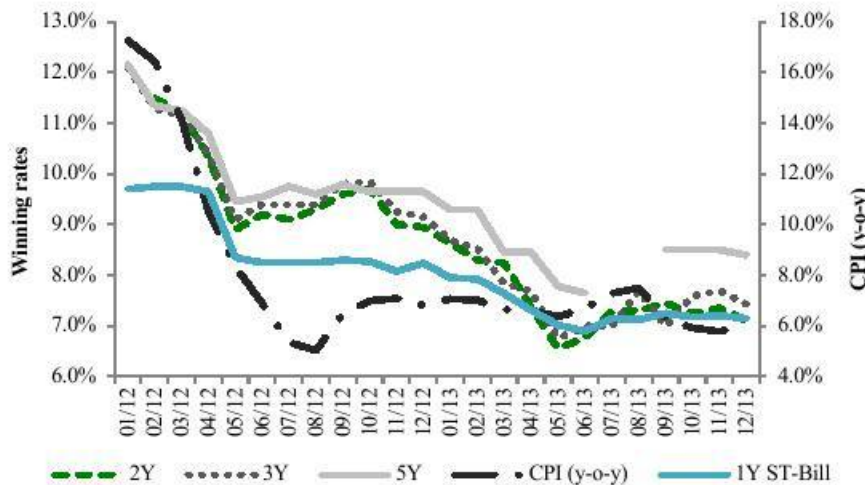


ROUND-UP

2013: Bond market was very active. Bond yield curve became steeper.

2014: A robust state is in sight. Bond yields might fluctuate around 2H2013's levels.

**2013 REPORT
12/2013**



(Source: Bloomberg, VCBS)

- 2013:** Vietnam bond market set a new record high in 2013 given a total issued volume of VND226,892bn (+30% yoy) for ST and a total trading value of VND 476,544 bn (+102% yoy). **The active state of the market might be attributable to some facts that (1) bond investors preferred bond trading when bond yields hit lows in the first half of FY2013 and credit growth was lower than expected, and (2) low interbank rates as compared to the bond yields.** The interbank market was quite stable in 2013; liquidity stayed ample throughout the year. VND interbank rates was in the downward trend in 1H2013, then surged towards the year-end and finally cool off to a normal range at the end of December. Downward movement constituted the mainstream of bond yields in 2013 with declines by 90-195 bps across bonds of all tenors.
- 2014 outlook:** We expect the bond market to remain dynamic in 2014 on the heels of ample supply and significant demand for all categories of bonds. Issued amount would escalate along with (1) greater capital needs of the government to fund for important projects and to cover budget deficit, (2) existing appetite for long-term financing sources of enterprises. Demand for bonds might stay strong as we expect banks maintain prudent lending practice and continue to invest in bonds in the search of safety, taking into account the huge financial resource available to the banking system in 2014 from (1) VND132,560 bn worth of bonds and bills maturing in 2014 and (2) special bonds receiving from VAMC in exchange of bad debts. Considering the low expectation inflation for 2014 (7%) and the supply-demand balance, we think the yields might fluctuate around 2H2013's levels. The probability of wild changes as in 1H2013 is insignificant.

In this issue

- Round-up
- Bond market
- Interest rates

DauThi Van Anh
+84 4 3936 6425 (ext. 123)
dtvanh@vcbs.com.vn

Nguyen Quang Tu
+84 4 3936 6425 (ext. 117)
nqtu@vcbs.com.vn

See Disclaimer at Page 14

Macroeconomic, Fixed-Income,
Financial and Corporation
Information updated at
www.vcbs.com.vn

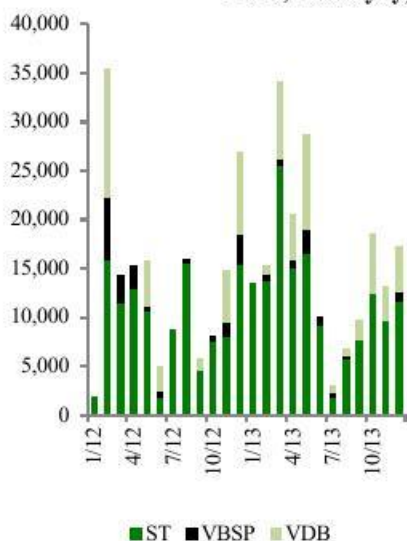
BOND MARKET

- The bond market was very active in December and throughout 2013
- Bond yield curve shifted downward in December. The curve turned steeper

Primary market

December: Active market in the year-end month

The primary market ended the year on a positive note. Liquidity advanced given a total winning volume of VND17,288 bn (+32% mom, -36% yoy)



The primary market ended the year on a positive note. Liquidity advanced given the total winning volume of VND17,288 bn (+32% mom, -36% yoy). Of which, ST bonds took the lead, accounting for 67% of the total issued amount, followed by VDB bonds with the proportion of 27%. Meanwhile, after three months staying on the sideline, VBSP bonds recorded some very first successful auctions.

Demand for bonds remained high, reflected in the good range of average bid-to-cover ratio, winning-to-offered ratio and participants per auction as follows:

Issuers	Bid-to-cover	Winning-to-offered	Bidders per auction
ST	247%	83%	13
VDB	164%	78%	3
VBSP	80%	22%	1.5
All	195%	70%	NA

ST bonds constituted the all-time favorite assets of investors when it came to liquidity and level of risk while VDB attracted market players thanks to the large spread between its yield and to ST-bonds. In regards to VBSP bonds, we think that the bonds were benefitted from the ample inflows in the primary market. When the offered volume of ST bonds was limited, money streams chose VBSP bonds as an alternation. Better demand for the bonds, therefore, seemed to be a result of spillover effects rather than improved attractiveness of VBSP bonds itself.

In the month, high appetite for 2Y ST bonds existed, but significant zest to 3Y-5Y ST bonds was also visible. As the State Treasury only opened two auctions for the 2Y bonds with a total offered volume of VND1,000 bn, investors flocked into the market to bid for this short term bonds, leading to the bid-to-cover ratio of 4.1 and a sold-out streak. Amid limited supply of 2Y ST bonds, market players also eyed ST bonds of longer terms. For 3Y and 5Y ST bonds, the bid-to-cover ratio posted 1.7 while the winning-to-offered ratio registered 60%. In the final week of the month, though the bidding amount was about 2.5-3.5 times higher than the offering amount, the sold-out result did not come as expected. This outcome, we think, could be reasoned by the existing gap between cut-off rate by the State Treasury and expectation of the market.

The good state of buying force could be attributable to the following reasons:

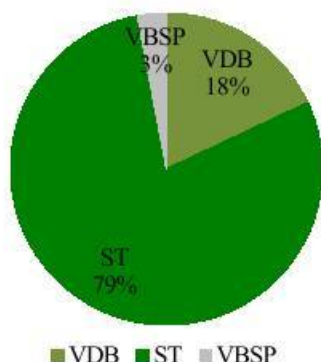
- (1) High demand came from small-to-medium banks. Though credit growth made a leap in the year end month, jumping from 7.54% ytd as of 25th November to above 11% as of 25th December, driving force of the growth appeared to be paced by big lenders while small banks continually struggled to lend out. These small banks, hence, were in a rush to buy bonds to optimize their idle money regardless current low level of bond yields. This is a totally different story compared to the last December when the yields were quite high and banks bid bonds in the hope of earning future capital gains.

(2) CPI for the whole year 2013 reaching 6.04% yoy, far behind the initial consensus of 7% showed that the inflation was well controlled. This achievement together with the government’s commitment to maintain inflation-target policies in 2014 made investors set a low inflation expectation and accept a lower level of bond yields.

In December, VND2,000 bn worth of ST bills (-37.5% mom) was successfully mobilized at the rate of 6.35% and 6.30%. Buying interest for the ST bills was significant given the bid-to-cover ratio of 2.1 and winning-to-offered ratio of 100%.

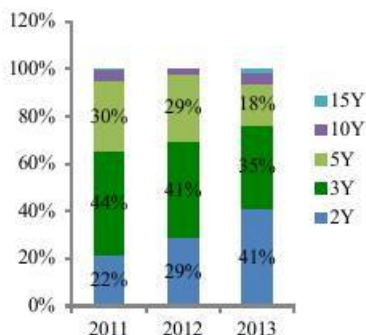
2013: In a hefty state

In 2013, the primary market settled on a high note given the total issued amount of VND226,892 bn (+30% yoy)



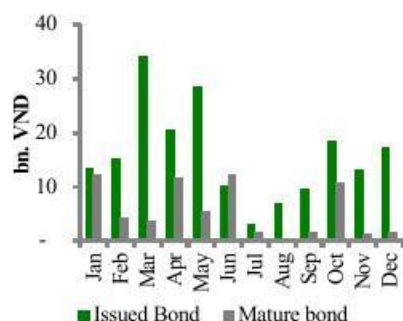
2013 could be seen as a successful year for Vietnam bond market given the total issued volume of VND190,402 bn (+13.6% yoy) for ST and government-backed bonds and VND36,490 bn (+10% yoy) for ST bills. The market set its new record highs in Q1.2013, then showed some weaknesses in the second half of Q2.2013 and went through a lackluster mode in Q3.2013 before regaining its robust state in Q4. In details, comfortable liquidity of the banking system resulting from stagnant credit extension and high deposit growth accommodated bond investments. Besides, the relative attractiveness of bond yields against CPI and interbank rates was also attributable to the active stance of the bond market in Q1 and Q2 given issued amount of VND62,853 bn (+21% yoy) and VND59,188 bn (+65% yoy), respectively. However, investors showed hesitation in Q3 as investment in bonds became somewhat costly when the yields reached the bottom during that time. Besides, banks speeded up lending out in Q3, which, to some extent, distracted money flows out of the bond market. Consequently, the primary market switched on hibernation mode given only VND19,480bn raised (-36% yoy). In Q4.2013, in line with a positive reversal of the yields in the first two months and ample liquidity of the banking system, the market found the way back to its active stance given VND 48,881bn (+151% qoq) mobilized, almost equal to issued amount of Q4.2012.

In regards to market composition, ST-bonds and bills dominated with the issued amount of VND180,512bn (+22% yoy), making up 79% of the total market value. With this result, State Treasury has surpassed its issuance target for the whole year 2013 (VND170,000bn) by 6.2%. In Q4.2013, VDB bonds saw the improvements in its relative weighting to ST bonds, which was attributable to the fact that (1) amount offered of the former surpassed that of the latter during that time, and (2) investors paid more attention to VDB bonds given the limited issuance of the government-guaranteed bonds in the coming time.



In terms of maturity, the leadership of the short-term bonds has been the mainstream of the Vietnam bond market for years as investors stayed cautious about contingent risks attached to long-term bonds. It is also the case for the market in 2013. We noted that the government increased issued amount over the last three years (2011-2013) mainly by raising the issuance of 2Y bonds while the proportion of the long-term bonds decreased year over year. The weighting of 2Y bonds climbed from 22% in 2011 to 29% in 2012 and 41% in 2013 while that of 3Y bonds dropped from 44% to 41% and 35% in the same period. Similarly, the weighting of 5Y bonds fell from 30% in 2011 to 29% in 2012 and 18% in 2013.

With respect to market players, according to the 9M2013 report of the Ministry of Finance, buying magnitude of local commercial banks accounted for 72.3% while that of offshore ones represented 16% of the total issued amount in 9M2013. The



rest is attributable to investment funds and securities companies. Given the larger participation of banks in the primary market in Q4, we estimate that domestic commercial banks might hold about 80% of the total issue in 2013.

It is noteworthy that total amount issued (VND226,892bn) in 2013 was 2.3 times as much as the total mature bonds and bills in the same time frame. This supports our view that the liquidity of the banking system was comfortable in 2013.

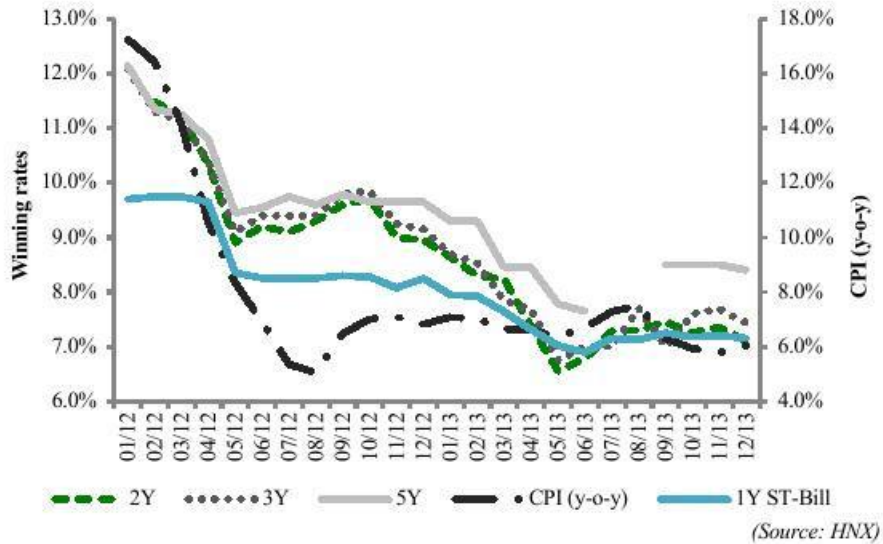
2013: Winning rates declined, hit lows in May and then slightly bounced back in the following months before retreating in December.

In 2013, the winning rates of less-than-5Y bonds extended the downtrend commencing from the end of 2012, contracting by 2.20%-2.50% to hit the bottom of 6.55%-6.75% in May 2013. A reversal took place afterward yet the recovery paced slowly as the rates fluctuated in a narrow band of 5 bps – 30 bps per auction. In details:

The winning rates of 2Y and 3Y bond stayed in downtrend in 1H2013, hitting the trough at 6.55% and 6.75% in May and June respectively, then fluctuating and keeping up with the upward trend. The rates ended December at 7.1% and 7.43% respectively, down by 25 bps and 26 bps compared to the winning rates of November. It were the low inflation expectation and high demand of investors that drag the rate down in the year-end month.

The winning rates of 5Y and 10Y are pretty solid throughout the year. 5Y bond rates ended at 8.5% in September, October and November and then declined by 10 bps in the end of December to hit 8.4%. Given the fact that winning volume for the auction of 5Y ST-bonds was lower than the offered volume though the bid-to-cover ratio posted 1.3, the decline might stem from the desire of the State Treasury to keep the cut-off rate at a reasonable level. On the other hand, 10Y bond is around 8.89% and 8.9% during 2H2013.

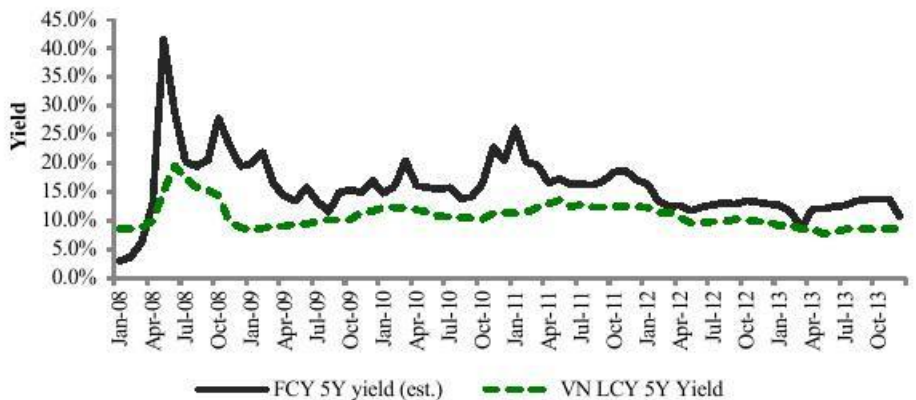
Considering the matured amount of VND61,819 bn in January (inclusive of bonds, ST bills and SBV bills) and the estimated January CPI of 5.7%-5.8%, we think that demand for bond would stay strong in the coming month with the short term bonds in focus. In light of that, **we expect the winning rates of 2Y and 3Y ST bonds to further tick down in the coming month while those of the long term bonds might hover around the current levels.**



The gap between the real VGB yield and our est VGB yield was narrowed down from -3.1% at the end of 2012 to -2.24 % in December 2013

The gap between the real VGB yield and our est.VGB yield was narrowed down from (-3.1%) at the end of 2012 to (-2.24 %) in December 2013. In particular, real VGB yield slightly fell from 9.75% p.a in December 2012 to 8.45% p.a in December 2013 while our est. VGB yield sharply plunged from 12.9% p.a. to 10.7% p.a respectively. Notably, the two yields have once closely approach each other in March when our est. VGB yield suddenly plunged following a tumble of the percentage difference between NDF and spot USD/VND from 9.1% in December 2012 to 5.8% in March 2013 and Vietnam 5Y CDS from 3.03% to 2.17%. In addition, December witnessed the second smallest gap in the year, significantly lower than the spread of 5% in November. This, once again, is attributable to the decline of NDF 12M to 22,425 which scaled down the gap between NDF 12M and spot USD/VND 6.3% in December compared to 9.7% last month. The lower NDF 12M indicated stronger confidence in the Dong, which is bolstered by the low 2013 CPI, trade surplus of USD862 million in 2013 and the commitment to devalue the Dong only as much as 2% in 2014 of the government. The decreasing gap also means the increasing relative attractiveness of Vietnam government bond. **Given the deeper trust in economic stability of Vietnam, foreign investors are expected to continue to invest in the bond market.**

Est. VGB yield (*) vs Real VGB yield



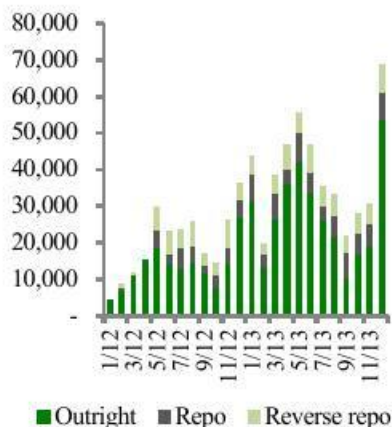
(*): FCY 5Y yield = US 5Y bond yield + difference (%) between VND/USD 12M NDF and spot exchange rate + Vietnam CDS

(Source: Bloomberg)

Secondary market

December: the market broke out

In November, the total trading value increased to VND30,712.5 bn (+6% mom, +17% yoy)



The secondary market ended 2013 with a bang given the total trading value of VND68,593 bn (+126% mom, +89% yoy), an all-time high level. Liquidity surged as cash-rich banks who struggled to lend out and managed to buy a significant amount in the primary market register buying in bulk. The massive bid was then well responded by bond holders who would like to realize profits when the bond yields hit lows. Most of the trading value was attributable to bonds while bill market was in quiet mode due to no supply available.

With respect to bond trading, outright value soared to VND53,619bn, 2.8 times higher than that of November, while repo trading value increased to VND14,974 bn (+30% mom). Regarding outright trading composition, ST bonds were at the top of the board with the largest proportion of approx. 80%, followed by VDB bonds which accounted for 16%. In addition, 77% of the total outright trading value was presented by less than 3Y bonds, 18% was made up by 3Y – 5Y bonds, while the remainder was attributed to more than 7Y bonds

In regards to prospect of the secondary market in the coming months, we think that as Q1 is the low season of banking business, banks might significantly continue to invest in bonds. In addition, with a huge amount of bonds and bills getting due in the next three months (see the table below), market players would have a large financial resource available to enhance their bond investments.

Month (in 2014)	Bond (VND bn)	ST-bills (VND bn)	SBV bills (VND bn)	Total (VND bn)
1	8,950	7,290	45,579	61,819
2	18,165	3,550	793	22,508
3	3,808	3,000	4,945	11,753

We, therefore, bet on an active secondary market in January, 2014.

2013: Hit the record high

The total trading value in the secondary market in 2013 posted VND 476,544 bn (+102% yoy) and reached the highest level since 2010 thanks to the outperformance of both outright and repo trading values. In addition, it was noteworthy that average monthly trading value was approx. VND4,000-5,000bn in FY2010 and FY2011. It gradually went up to approx. VND19,600bn in FY2012 and VND39,712bn in 12013.

From another perspective, the trading composition remained identical throughout the whole year 2013 as the majority of trading bonds was contributed by 0-3Y (74%) and ST-bonds (85%).

The active state of the market might be attributable to some facts that (1) bond investors preferred bond trading when bond yields hit lows in the first half of FY2013 and credit growth was sluggish, (2) low interbank rates as compared to the bond yields supported bond investors to arbitrage in the bond market for short term profits, and (3) efforts to optimize idle money of small banks and incentives to lock in profits of bond investors when the yields went down in the last two months of 2013 largely improved the liquidity of the market in Q4.2013.

The total trading value in the secondary market in 2013 posted VND 476,544 bn (+102% yoy) and reached the highest level since 2010

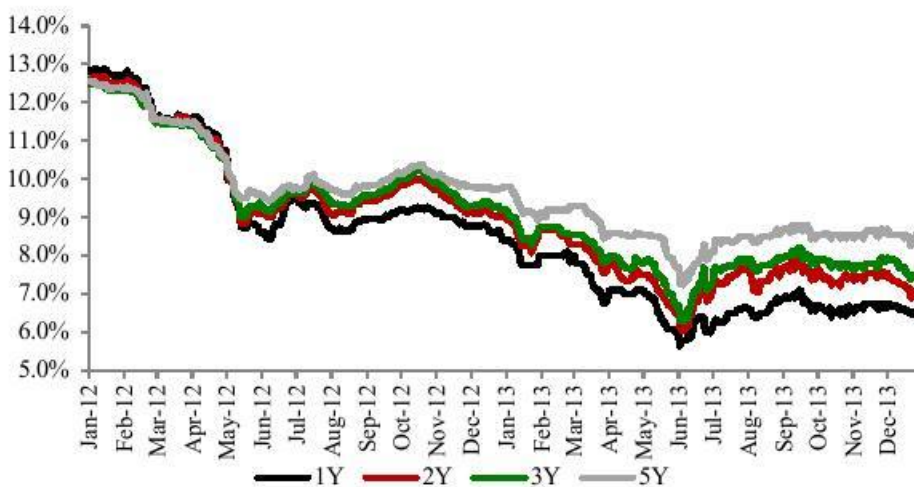
Bond yields for all tenors had been constantly dropping down since the beginning of the year till May with the sharper reduction of short-end than long-end, then slightly bounced back in Q3.2013 before retreating in December



Bond yields for all tenors, according to Bloomberg data, had been constantly dropping down since the beginning of the year till May with the sharper reduction of short-end than long-end, then climbed off its lows and slightly bounced back in Q3.2013. Subsequently, the yields fluctuated within a narrow band of 5-15 bps in October and November. The yields then entered into another downtrend with significant declining momentum (declining up to 50 bps mom for each tenor) in December. Specifically, the yields of 1Y, 2Y, 3Y and 5Y bonds posted 6.55% (-20 bps mom), 7.05% (-50 bps mom), 7.5% (-45 bps mom) and 8.45% (-25 bps mom) while those of 7Y, 10Y, and 15Y kept hovering at 8.9%, 9.0% and 9.1%, respectively. Yield curve, hence, became steeper.

On the back of low expectation inflation and the hefty demand for bonds, we expect the downtrend of the bond yields would prolong in January.

Yield

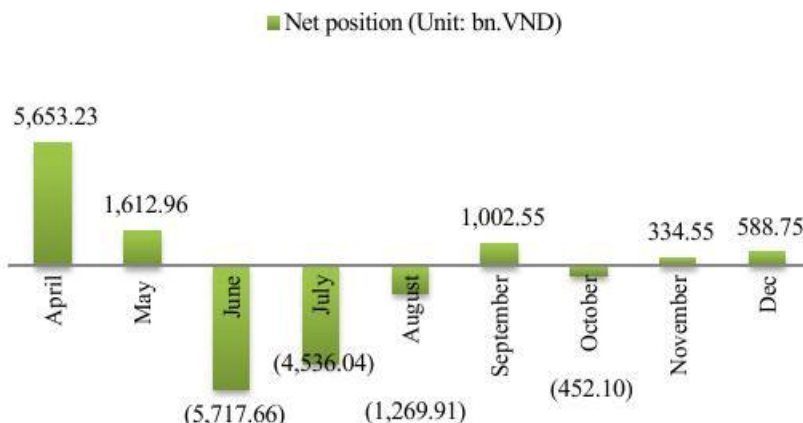


(Source: Bloomberg, VCBS)

In December, foreign investors (FIs) acted as net buyers with trading magnitude of VND588.7bn

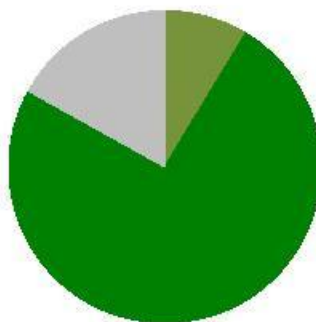
In December, FIs net bought VND588.7 bn in Vietnam bond market. There was not any trades on bills, but a net buy of about VND588.7 bn on bond. This move was consistent with the smaller gap of our est.VGB yield and the real VGB yield illustrated above. In 2013, FIs hold net sell position of VND4,124bn in the bond market of Vietnam. Specifically, FIs net sold VND212bn worth of bonds and VND 3,911.5bn worth of bills. The outflows from Vietnam market is categorized in general trend rather than a particular case given the fact that FIs are temporarily getting off emerging markets. Throughout the year, FIs aggressively hold a net sell position of VND10,510bn for bonds with maturity less than a year. On the other hand, they strongly bought bonds with maturity of 2 years and above, as a result of holding a net buy position of VND10,297bn. Given the higher exposure for above 2Y bonds, FIs seemed to have confidence of the long-term prospect of the Vietnam bond market.

FIs in the secondary market



(Source: HNX, VCBS)

Corporate bond market cheered up a little in December on the issuance of VND300 bn worth of 5Y bonds of Viet Hung Urban Development and Investment Joint Stock Company



■ FCY ■ LCY ■ Muni LCY

COPORATE AND MUNICIPAL BONDS

Corporate bond market was in idle status in 1H2013, and then turned more active in Q3.2013 and October before returning to vibrant mode in November. The market cheered up a little in December on the issuance of VND300 bn worth of 5Y bonds of Viet Hung Urban Development and Investment Joint Stock Company on 30th December. The bonds were clean and asset-backed. Interest rate was equal to the 12M deposit rate quoted by Viecombank HO plus 3.6% p.a. Proceeds from the bond sales would be used for financial restructuring.

As mentioned in the November reports, **the downtrend of interest rate base motivated enterprises to mobilize capital via bond sales in 2H2013**. At the same time, demand for the corporate bonds heated up along with the efforts to improve the credit growth of banks in Q3 and Q4. All the factors together brought about upbeat sentiment for the corporate bond market in 2H2013.

A handful of banks issuing bonds for the sake of a long-term oriented capital structure and VIC offering high yield bonds at interest rate of 11.625% p.a in the international market were a few highlights in the corporate bond market in 2013.

Transparency remained a problem of Vietnam corporate market. We noted that a large number of issuance were the private ones in form of credit agreement between enterprises and commercial banks, which made it hard to trace back the information about the issued bonds. Once the information was not available to the public, the transparency of Vietnam corporate bond market has yet to be improved. With the efforts of VBMA to establish a data center on corporate bonds of Vietnam in the coming time, we expect the transparency would be better in 2014, which would help enhance liquidity of the market accordingly.

After referring to the preliminary report of the authority agency, we revised the issued amount of corporate bonds in 2013 from VND40,332 bn to VND38,095.7bn (-17% yoy). The lower issued amount of 2013 compared to 2012 is mostly due to the decline by 75% of FCY bonds. **The LCY bonds increased by 18% times yoy to reach VND33,888.7bn; of which, the short-term bonds were the majority.** Less than 3Y

bonds presented 63% while 3-5Y bonds accounted for 26%; the rest was attributable to above 5Y bonds.

With respect to municipal bonds, VND8,210bn was mobilized in 2013 (+70% yoy) to finance important projects of Hanoi, Hochiminh City and Quang Ninh.

2014 OUTLOOK:

On the heels of 2013's success, the bond market is expected to be active in 2014. Our expectation was based on some hints as follows:

On the supply side: The supply of bonds is anticipated to increase in all categories.

- (1) The supply of the government bonds is expected to be ample in the coming time. Government spending has been on the rise for years, leading to an increasing gap between revenues and expenditure. Under such pressure, the National Assembly (NA) passed the proposal to lift the deficit cap to 5.3% of GDP in 2014. Besides, the NA has approved the government's proposal to issue an addition of VND170 trillion worth of government bonds in 2014-2016 period to finance projects of National Highway 1A, National Highway and a number of other important projects. These VND170,000bn does not include VND75,000 bn already put in the plan of 2012-2015 period. With the approval of the NA, the government had right to offer more bonds to raise fund for important projects in the coming time. The supply of ST bonds, therefore, would be abundant in 2014.
- (2) The supply of the municipal bond would rise significantly as many provinces have been under a tight budget and want to seek for capital on their own. A number of provinces such as Bac Ninh, Vinh Phuc, Da Nang, Can Tho plans to raise funds for their infrastructure projects.
- (3) The source of corporate bonds would be ample given the existing appetite for long term and medium term capital of the enterprises. Especially, when the interest rate base is expected to stay low in 1H2014, we think that many firms would seize the opportunities to borrow at a low cost. We note that a handful of enterprises such as IJC, HUT, Eximbank, and Vinacomin have recently announced plans to issue bonds. As per our observation, there might be no new issuance in Q1.2014, yet several bond sales are scheduled to be carried out in Q2.2013.

On the demand side: We think buying interest in bonds would remain in the coming time given the facts that:

- (1) As most of bond buyers are local commercial banks, the demand for bonds would come down to the issue of credit growth. Considering the development of credit in 2013, we noted that banks chose to stay tight with lending decisions and kept credit quality at the forefront. This prudence is anticipated to be maintained in 2014, fully taking into account that the Circular No.02 on asset classification of banks would come effective in June, 2014. Therefore, we think credit extension would pace moderately, well along with the target of 12%-14% that the State Bank sets for 2014. A credit boom seems to be outside the realm of possibilities.
- (2) In addition, in the next year, market players would have quite a big potential fund, inclusive of (1) VND131,560bn worth of bonds and ST-bills would mature in 2014 and (2) with special bonds (SBs) of VAMC in pockets, the banks could borrow fund from SBV at the rate of 5%, lower than current re-financing rate of 7%. As of December 16th, VAMC has issued VND22,863 bn worth of SBs in exchange of bad debts to banks; the amount issued of SBs would accelerate in the coming time,

along with the bad debt purchase and is expected to reach VND70,000 bn-VND100,000 bn in 2014. The banks could take advantages of the cheap money to invest in safe assets with yield higher than 5%. In that case, bonds would be an optimal choice.

From above analysis, an active stance of the bond market in 2014 is insight.

With respect to winning rates, based on the forecast that the economy would stay stable in 2014, we think that the winning rates would fluctuate around the current levels; the probability of wild changes as in 1H2013 is insignificant. In January, as VND61,819bn worth of bonds and bills would get due and the credit growth usually stays low due to seasonal factors, banks might enhance investment in bonds. **Given such expected high demand, the winning rates might further decrease in January, 2014. However, in a longer term, with abundant supply of bonds, the State Treasury may be under pressure to rise its cut-off rates in order to improve the attractiveness of bonds and stimulate the demand when the credit growth gets higher.**

INTEREST RATES

- Both deposit and lending rates constantly declined in 2013
- Interbank market remained stable
- SBV net absorbed VND7,474 bn via OMO channel in 2013

INTEREST RATES

Both deposit and lending rates constantly declined in 2013. As of December, the deposit rates for tenors less than 6 months were quoted under the cap of 7% while those for terms above 6 months slightly were in the range of 6.5%-7.5%. Meanwhile, the lending rates tumbled by 3% -5% ytd, closing 2013 in the range of 7% to 10.5% pa for the short terms and from 11% to 12.8% pa for the long terms.

SBV lowered deposit rates caps in June. Particularly, the deposit rate cap for tenor less than 6 months was set at 7%, while the cap for longer terms was removed. SBV then kept the cap unchanged in 2H2013 to maintain positive real interest rate against the inflation.

Given the inflation expectation (6% in 2013 and around 7% in 2014) and the prediction about the devaluation of the Dong by 2%-3% in 2014, we think that a further decline of the deposit rates is unlikely. Meanwhile, the lending rates have gone down significantly to the levels of the 2005-2006 period and appeared acceptable to enterprises at the moment. In addition, the NIM of banks is currently low, in the range of 2.8%-3%. All things considered, we do not bet on a further plunge of the lending rates. **We expect the interest rate base would remain stable in 1H2014 and equal to that in the end of 2013.**

INTERBANK MARKET

VND interbank rates declined during the first half of 2013, and suddenly bounced back to over 4.5% by the end of July. As mentioned in previous reports, the large withdrawal of surplus fund via OMO in order to stop USD speculation of some banks in mid July lifted the interbank rates in a short amount of time. The rate then fluctuated in a normal range.

Both deposit and lending rates constantly declined in 2013. SBV lowered deposit rates caps in June

VND interbank rates was in the downward trend in 1H2013 while average USD interbank rates saw no notable changes. VND interbank rates surged by the end of

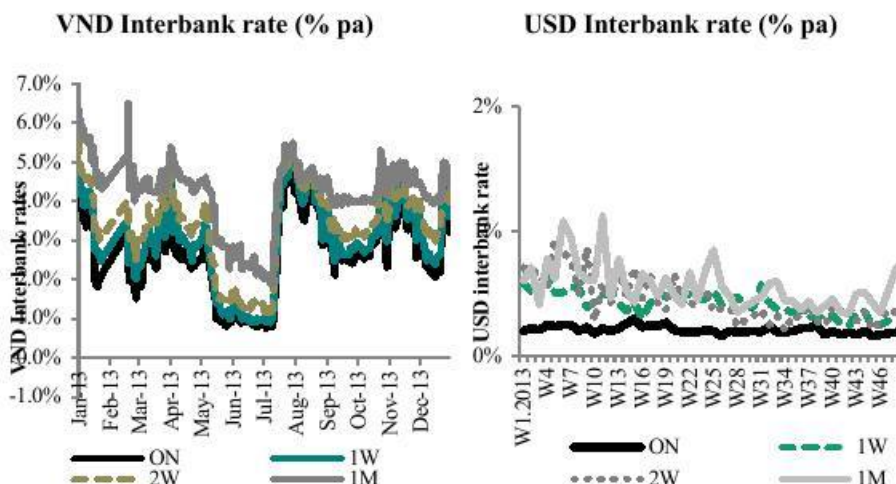
December, but cool off immediately thanks to intervention of SBV

During the fourth week of December (23rd-27th), VND interbank rates dramatically increased for ON-2W tenors. As of Dec 25th, these rates were at 4.67%, 4.93% and 4.9% respectively. This happened basically due to the seasonal factors. To be specific, many banks were on final steps to reach their targets on credit growth for 2013. In addition, demand for the Dong was high upon the need of short-term cash to complete the required reserve. These events appeared close to one another, created a temporary hype for the VND interbank rates. These rates then cool off on the net injection of VND12,863 bn by SBV in OMO market. As of 31st December, the rates fell down to 3.2%, 3.6%, and 4% for ON-2W tenors.

We would like to note that interest rates applied to reverse repo contract in OMO set a cap for 1W interbank rate. The former is currently 5.5%, which indicates that the latter cannot surpass this mark; otherwise, financial institutions would choose to borrow from SBV instead off their peers in the interbank market.

USD interbank rate was quite stable throughout 2013 and ended December in the range of 0.19%-1.46% for ON-3M terms.

With VND45,579 worth of SBV-bills maturing in January, **we expect the liquidity of the banking system would be ample in the coming time, which in turn accommodate the stability of the interbank market.**



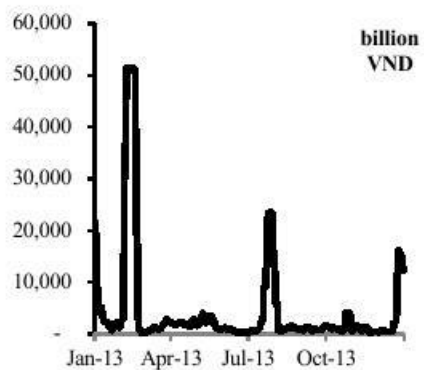
OPEN MARKET OPERATION (OMO)

SBV net injected VND3,139 bn via OMO channel in December

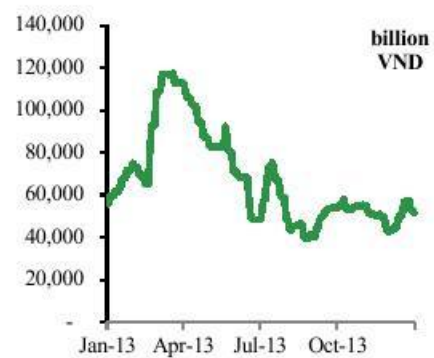
SBV net pumped VND3,139bn via OMO channel in December. This amount was insignificant and lower by 80% compared to net injected amount in December 2012 of VND15,838 bn. To meet the higher need of cash, SBV made VND26,813 worth of new loans to banks (+580% mom), while paid back only VND15,059 bn. Reverse repo outstanding, as a result, amounted to VND12,202bn (+26 times wow). However, this level was still much lower than the outstanding value of VND26,739bn in December 2012. Liquidity of the banking system was kept in a good state.

In 2013, SBV net absorbed VND7,474bn via OMO mechanism. The money market was very active as SBV acted as a flexible lender in reverse repo channel, and, at the same time, aggressively used sterilization mechanism to keep the liquidity of the banking system healthy. **We expect SBV would maintain its appropriate intervention in the OMO market in 2014.**

Daily Reverse Repo Transaction



Daily Outright Transaction (SBV bills) in billion VND



APPENDICES

Monthly Bond and Bills Issued Volume

Month	ST (bn. VND)	VBSP (bn. VND)	VDB (bn. VND)	ST-Bill (bn. VND)	Total (bn. VND)
Dec-12	15,495	3,100	8,220	2,300	29,115
Jan-13	13,460	0	0	7,290	20,750
Feb-13	13,798	700	745	3,550	18,793
Mar-13	25,600	700	7,850	3,000	37,150
Apr-13	15,066	930	4,590	2,000	22,586
May-13	16,600	2,400	9,637	3,000	31,637
Jun-13	9,265	700	0	3,000	12,965
Jul-13	1,925	500	560	1,400	4,385
Aug-13	5,700	400	675	2,570	9,345
Sep-13	7,780	0	1,940	1,600	11,320
Oct-13	12,516	0	5,965	3,880	22,361
Nov-13	9,722	0	3,390	3,200	16,312
Dec-13	11,590	1,050	4,648	2,000	19,288

(Source: HNX, VCBS)

Monthly Bond Trading of the secondary bond market

Month	Bonds		ST-bills		Total
	Outright (bn. VND)	Repo & Reverse repo Value (bn. VND)	Outright (bn. VND)	Repo & Reverse repo Value (bn. VND)	
Dec-12	27,012	9,275	-	-	36,287
Jan-13	31,763	12,023	-	-	43,786
Feb-13	13,399	6,141	-	-	19,540
Mar-13	26,523	11,854	957	434	39,768
Apr-13	36,067	10,655	1,358	654	48,734
May-13	42,160	13,422	330	137	56,049
Jun-13	33,380	13,469	1,253	201	48,303
Jul-13	25,930	9,510	445	0	35,885
Aug-13	21,689	11,262	1,610	366	34,927
Sep-13	10,337	11,064	0	370	21,771
Oct-13	16,884	11,178	715	189	28,996
Nov-13	19,189	11,146	0	377.5	30,712.5
Dec-13	53,619	14,974	49	0	548,642

(Source: HNX, VCBS)

Open market operation

Month	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
Dec-12	8,638	33,738	25,100	26,739	4,050	13,312	9,262	55,747
Jan-13	36,037	11,056	(24,981)	1,758	37,161	53,754	16,593	75,153
Feb-13	55,247	53,584	(1,663)	95	17,182	49,259	32,077	107,230
Mar-13	4,172	6,378	2,206	2,301	9,227	14,874	5,647	112,877
Apr-13	9,184	8,968	(216)	2,085	25,756	0	(25,756)	87,121
May-13	10,980	10,049	(931)	1,154	36,505	20,000	(16,505)	70,616
Jun-13	2,945	2,226	(719)	435	22,030	0	(22,030)	48,586
Jul-13	27,115	39,992	12,877	13,312	28,016	33,728	5,712	54,298
Aug-13	16,663	4,417	(12,246)	1,066	39,208	26,298	(12,910)	41,388
Sep-13	3,928	4,235	307	1,373	4,000	16,665	12,665	54,053
Oct-13	8,145	7,010	(1,135)	550	6,975	8,348	1,373	55,426
Nov-13	4,040	3,938	(102)	448	18,331	5,787	(12,544)	42,882
Dec-13	15,059	26,813	11,754	12,202	17,816	26,431	8,615	51,497

(Source: SBV, VCBS Unit: billion VND)

DISCLAIMER

This report is designed to provide updated information on the fixed-income, including bonds, interest rates, and some other related. The VCBS analysts exert their best efforts to obtain the most accurate and timely information available from various sources, including information pertaining to market prices, yields and rates. All information stated in the report has been collected and assessed as carefully as possible.

It must be stressed that all opinions, judgments, estimations and projections in this report represent independent views of the analyst at the date of publication. Therefore, this report should be best considered a reference and indicative only. It is not an offer or advice to buy or sell or any actions related to any assets. VCBS and/or Departments of VCBS as well as any affiliate of VCBS or affiliate that VCBS belongs to or is related to (thereafter, VCBS), provide no warranty or undertaking of any kind in respect to the information and materials found on, or linked to the report and no obligation to update the information after the report was released. VCBS does not bear any responsibility for the accuracy of the material posted or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any materials or information so provided.

This report may not be copied, reproduced, published or redistributed for any purpose without the written permission of an authorized representative of VCBS. Please cite sources when quoting. Copyright 2012 Vietcombank Securities Company. All rights reserved.

VIETCOMBANK SECURITIES COMPANY

12th and 17th floor, Vietcombank Tower
198 Tran Quang Khai Street, Hanoi, Vietnam
Tel: 84 – 4 – 39 367 516/ 39 360 024
Fax: 84 – 4 – 39 360 262

<http://www.vcbs.com.vn>

Ha Noi Headquarter	: Floor 12th&17th, Vietcombank Tower, 198 Tran Quang Khai Street, Hoan Kiem District, Ha Noi Tel: (84-4)-39367516/17/18/19/20; 39368601/02; 39365094/95; 39367516; 39366990 ext: 213/218 Email: vcbs@vcbs.com.vn
Ho Chi Minh Branch	: Floor 1 st and 7 th , Green Star Building, 70 Pham Ngoc Thach Street, Ward 6, District No. 3, Ho Chi Minh City Tel: (84-8)-38200799 Floor 6th, Khanh Nguyen Building, 63 Pham Ngoc Thach Street, Ward 6, District No. 3, Ho Chi Minh City Tel: (84-8)-38200774/75/76; 38200799 ext: 101-104
Da Nang Branch	: Floor 2, 10 Hai Phong Street, Hai Chau District, Da Nang City Tel: (84-511)-3888991 ext: 12/13
Can Tho Branch	: Floor 1st, Post Office Building, 2 Hoa Binh Avenue, Ninh Kieu District, Can Tho City Tel: (84-710)-3750888
Vung Tau Branch	: Floor 1st, 27 Le Loi Street, Vung Tau City, Ba Ria - Vung Tau Province Tel: (84-64)-3513974/75/76/77/78
Phu My Hung Transaction Unit	: Lawrence Sting Building, 801 Nguyen Luong Bang Street, Phu My Hung Urban Zone, District No. 7, Ho Chi Minh City Tel: (84-8)-54136573
An Giang Representative Office	: Floor 6th, Nguyen Hue Building, 9/9 Tran Hung Dao Street, My Xuyen Ward, Long Xuyen City, An Giang Province Tel: (84-76)-3949841
Dong Nai Representative Office	: F240-F241 Vo Thi Sau Street, 7th Block, Thong Nhat Ward, Bien Hoa City, Dong Nai Province Tel: (84-61)-3918812
