VIETNAM

BOND MARKET

November 2017
Vietnam Key Medium Term Indicators

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<tbody>
<tr>
<td>GDP Growth (%)</td>
<td>6.0</td>
<td>6.7</td>
<td>6.2</td>
<td>6.3</td>
<td>6.4</td>
</tr>
<tr>
<td>Consumer Price Index (annual average, %)</td>
<td>4.1</td>
<td>0.6</td>
<td>2.7</td>
<td>4.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Current Account Balance (% GDP)</td>
<td>4.9</td>
<td>0.1</td>
<td>4.0</td>
<td>2.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Fiscal Balance (% GDP)</td>
<td>-6.3</td>
<td>-6.2</td>
<td>-6.5</td>
<td>-5.7</td>
<td>-5.6</td>
</tr>
<tr>
<td>Public Debt (% GDP) – MOF Definition</td>
<td>58.0</td>
<td>61.8</td>
<td>63.7</td>
<td>65.0</td>
<td>65.4</td>
</tr>
<tr>
<td>Public debt (% GDP)</td>
<td>54.5</td>
<td>59.6</td>
<td>62.2</td>
<td>64.6</td>
<td>65.2</td>
</tr>
</tbody>
</table>

Sources: GSO, MOF, SBV, and WB
Vietnam as a Middle Income country

Vietnam will need to rely more on market-based financing
Vietnam as compared to other capital markets

Market capitalization of listed domestic companies (% of GDP)

Vietnam has a big room to grow…

…but will need to implement reforms

Size of LCY Bond Market in % of GDP

Source: Asia Bond Online
Results of implementation of reforms so far…

- Improved primary market of government bonds: regular auctions, higher predictability, better information, larger issuance
- Improved secondary market: larger size of benchmark securities, higher liquidity
- Improved government debt portfolio: longer average tenor, higher likelihood for successful refinancing
- More active corporate bonds

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<tr>
<th>Indicator</th>
<th>Past</th>
<th>Present</th>
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<tbody>
<tr>
<td>Government bond to GDP ratio</td>
<td>14% (2012)</td>
<td>31% (2016)</td>
</tr>
<tr>
<td>Avg. tenor</td>
<td>2.38 yr (2012)</td>
<td>5.98 yr (2016)</td>
</tr>
<tr>
<td>Corporate bond to GDP ratio (incl. private placement)</td>
<td>3.6% (2012)</td>
<td>5.2% (2016)</td>
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**Vietnam – Issuance volumes in Local Currency Bond Market (Billion USD)**

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<tbody>
<tr>
<td>Gov Bond</td>
<td>6.78</td>
<td>9.76</td>
<td>11.39</td>
<td>12.38</td>
<td>6.83</td>
</tr>
<tr>
<td>T-Bill</td>
<td>1.73</td>
<td>1.24</td>
<td>-</td>
<td>0.86</td>
<td>-</td>
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<tr>
<td>VDB&amp;VBSP Bond</td>
<td>2.25</td>
<td>1.30</td>
<td>2.13</td>
<td>1.51</td>
<td>0.80</td>
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<tr>
<td>Municipal Bond</td>
<td>0.21</td>
<td>0.19</td>
<td>0.18</td>
<td>0.02</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>10.97</td>
<td>12.49</td>
<td>13.70</td>
<td>14.78</td>
<td>7.63</td>
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</tbody>
</table>

**Vietnam – Gov Bond Trading in Secondary Market (Billion USD)**

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<tr>
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<th>Outright</th>
<th>Repo</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>16.15</td>
<td>3.62</td>
<td>19.77</td>
</tr>
<tr>
<td>2014</td>
<td>30.49</td>
<td>11.54</td>
<td>42.04</td>
</tr>
<tr>
<td>2015</td>
<td>26.96</td>
<td>13.33</td>
<td>40.29</td>
</tr>
<tr>
<td>2016</td>
<td>43.55</td>
<td>26.51</td>
<td>70.06</td>
</tr>
<tr>
<td>10 tháng 2017</td>
<td>46.14</td>
<td>38.76</td>
<td>84.90</td>
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</table>
The corporate bond market in Vietnam is still relatively small and at an early development stage.

The corporate bond market remains negligible in size at just 4.6% of GDP in 2016 (USD 5.7 billion) and 3.18% of GDP as of Oct 2017.

**Vietnam: Corporate bond issuance volume in 2014 and 2015, classified by sectors (USD million)**
Remaining challenges

- Limited Institutional Investor base
- New Products as hedging tools
- Repo Market Development
- Limited universe of potential issuers for corporate bond
- Inconsistencies / gaps in the regulatory framework for bond markets
- Deficiencies in the offering / issuance process for corporate bonds
- Weak disclosure requirements / Limited access to key information
- Limited regulatory capacity / weak supervision and enforcement
- Limited liquidity / Little or no secondary market trading for corporate bond
- Lack of credit rating agency services
- No provisions for bondholders’ trustee/agent for bondholders
Vietnam Bond Market Development Roadmap (2017-2020, vision 2030) addresses these issues… and more: approved in August & launched in September 2017

Objective

To support the sustainable development of the bond market in Vietnam with a focus on measures to improve market depth and liquidity
• THANK YOU!