

Corporate Bonds Bulletin

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Important Notice:

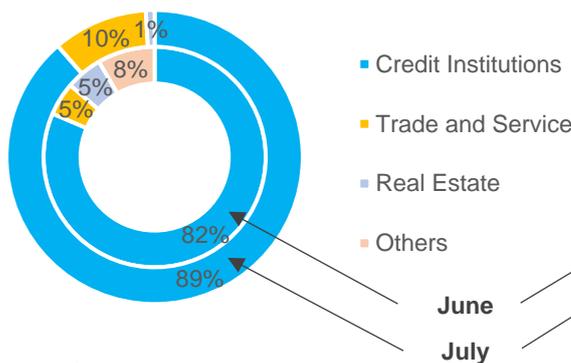
Data was collected from HNX as of August 2nd 2022, which was based on the issue date and may differ from the data based on the completion date.

Market Overview

In July, the scale of bond issuance decreased sharply, with the issuance value of only nearly 22 trillion VND, down 65% YoY and 48.23% MoM respectively. Despite the modest issuance value, FiinGroup's data shows that 58 listed real estate companies have maintained loan balance growth (including bank credits and bonds) at 25.1% for the first six months of 2022. The statistic shows that businesses can still access bank loan capital even though the bond channel has been quiet.

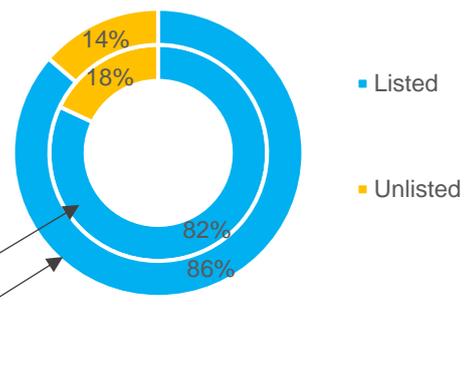
Of which, 86% of the issuances belonged to listed companies, up 4% compared to the previous month, and the remaining 14% were from unlisted companies. Data updated up to the end of July 2022 did not record the presence of public issuances.

Figure 1: Issuance structure of the real estate industry decreased sharply



Source: FiinRatings, HNX

Figure 2: Listed companies issue mostly



Source: FiinRatings, HNX

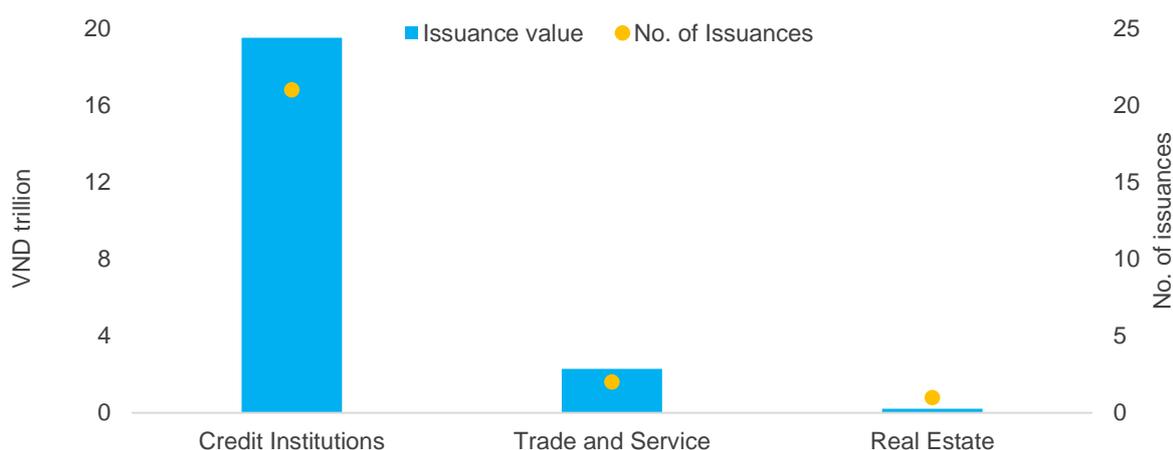
Notice: The data does not include international corporation bonds mobilised in foreign currencies; the issuance value is statistically based on the issue date.

Issuing activities of Credit Institutions continued to lead the market with a total of 21 issuances, reaching a scale of VND 19.49 trillion, accounting for 89% of the primary market. Although the market share of bank bonds has grown significantly, the issuance value has decreased by nearly 63.5% compared to the previous month. The most significant issuances came from credit institutions, notably the issuance of (1) EVNFinance with a value of VND 1,725 trillion; (2) Bank for Investment and Development of Vietnam (BIDV) with a value of VND 1.5 trillion; and (3) Orient Commercial Joint Stock Bank (OCB) with a value of VND 1 trillion.

It is worth noting that, while real estate enterprises continuously ranked second in terms of issuance structure in previous months, the market in July only recorded one bond issuance from Ha An Real Estate Business Investment JSC of Dat Xanh Group. Specifically, the issuance value reached 210 billion VND and accounted for only 2% of the primary market.

The Trade and Service sector is ranked second, with two issuances worth 1.17 trillion VND and accounting for 8% of the primary market. Both bond lots are jointly issued by Phu Quoc Tourism Development and Investment Joint Stock Company.

Figure 3: Value and number of issuances in July



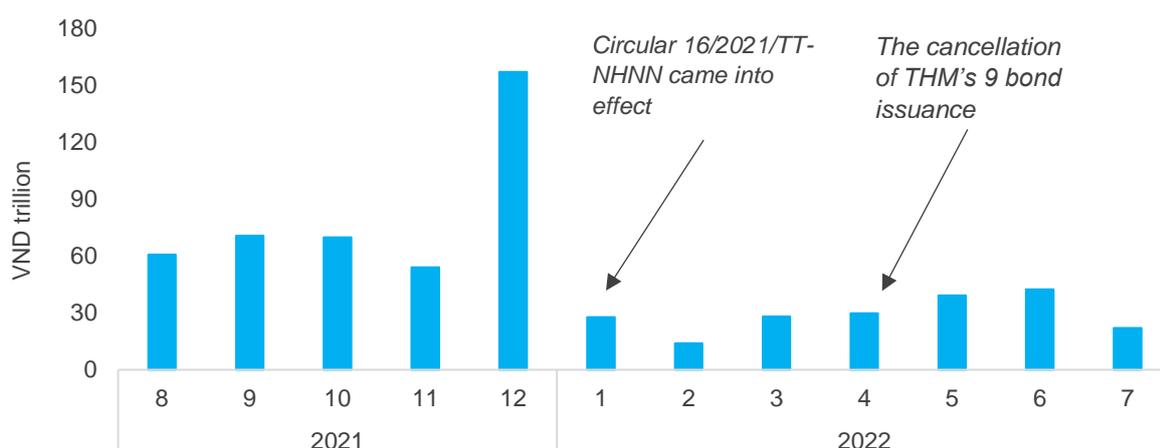
Source: FiinRatings, HNX

Highlights of the Month

The corporate bond market in July 2022 recorded the first batch of Green Bonds issued in Vietnam by EVNFinance; the proceeds are expected to be used to finance projects that meet the conditions stated in the Green Bond Framework of the company, based on the Green Bond Principles of the International Capital Markets Association (ICMA). We consider this a significant boost to the Green Bond market, which is relatively new and modest, and the sustainable future of the renewable energy industry. EVNFinance's leadership in mobilizing green bonds will encourage businesses to look to this capital channel more, ensuring the necessary capital to implement projects towards Vietnam's commitment at the Summit on Transformation. United Nations climate for 2021 (COP26).

Soon, we believe that green bond activities will thrive, along with the need to certify bond lots according to environmental, social, and governance (ESG) standards to ensure the use of capital for sustainable development goals. Currently, FiinRatings, as an authorized certifying agency, is working with several businesses to support them in receiving green bond certificates according to international standards of the Climate Bonds Initiative, aimed at long-term capital from international organizations given reasonable capital costs.

Figure 4: Values of corporate bond issuance within the last 12 months



Sources: FiinRatings, HNX

Offering interest rates: Bond issuance interest rates of credit institutions fluctuated around 4.3 - 7.6%, a marked increase compared to the group's average interest rate in the first six months of 2022, precisely 4.35%. The only real estate bond issued in July belongs to Ha An Real Estate Business Investment Joint Stock Company, which also carries a higher than the average nominal interest rate of the first half of this year at 11%.

Bond tenure: The bond tenor issued this July has a slight stretch compared to the average term of 2021 and the previous months. Bank-issued bonds have average maturities of about five years, significantly longer than the last 3 to 4 years average of the first half of this year. The service and real estate sectors also have similar trends. In our opinion, this reflects the rising interest rate environment and the tendency of issuers to extend the bond's maturities in the current situation.

Collateral: Only 5 out of 24 lots of bonds issued in July have collateral, mainly in the form of shares of the parent company. In our opinion, this is an issue that investors need to pay attention to in assessing the quality of the collateral, especially with the current sharp decline and volatility in the stock market.

Conclusion

Primary issuance of corporate bonds in July 2022 had a sharp decrease in both the size and number of issuance transactions of non-banking enterprises compared to May - June. While the bank credit channel for real estate is tightened, the corporate bond market is also relatively meager, with only one issuance. Along with the gloomy stock market with little capital mobilisation, we believe that the real estate developers are facing significant obstacles in raising bond capital for further deployment and sale in the second half of 2022 and the whole of 2023. Policies adjustments, including Decree 153 amendment with new standards and conditions on the issuance, distribution, and bonds trade, are expected to gradually support the corporate bond mobilising channel to become more active and in-depth, contribute to promoting the long-term capital channel, and controlling the risks from this market more tightly.

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Media Contact

(Ms.) **Nguyen Minh Hien** – Public Relations Manager, FiinGroup

Phone: +84 358 048 193

Email: hien.nguyenminh@fiingroup.vn