

Seminar on Credit Rating by the Ministry Of Finance and Asian Development Bank

Lessons Learnt from our First Rating Assignments

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HCMC | 16 April 2021



Table of Content

1 Methodology

Analytical Framework for a NBFi

Analytical Framework for a Corporate

2 Initial Lessons Learnt

Rating vs. Auditing

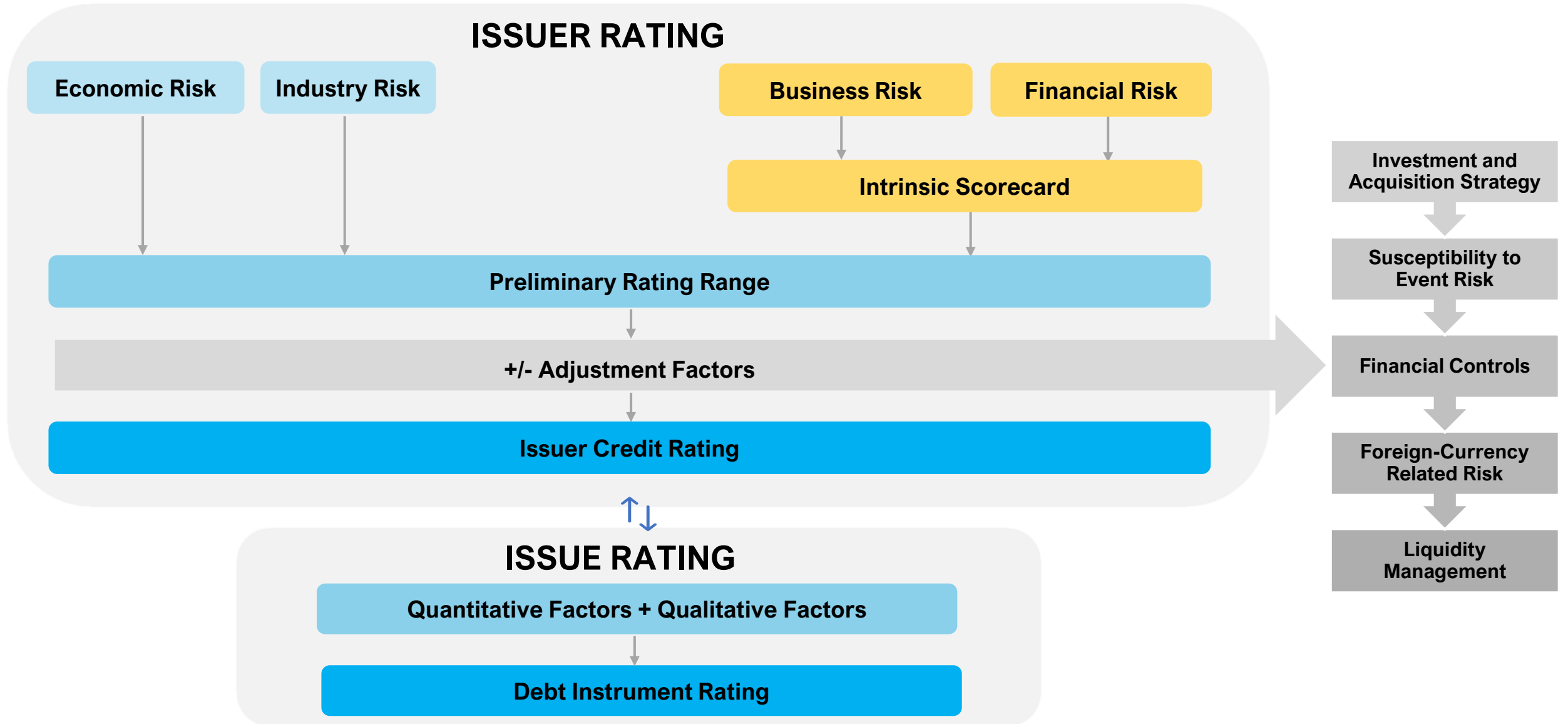
Rating vs. Equity Research

Rating vs. Pricing

For an Efficient Rating Action

3 How we can work together!

Overall Rating Methodology



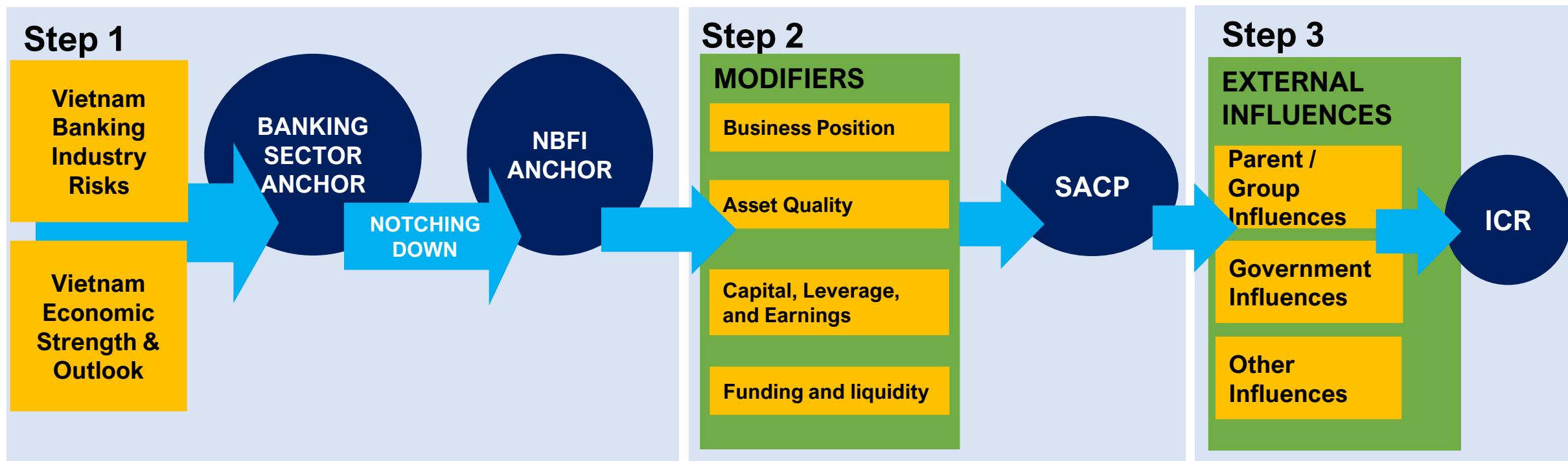
Our National Rating Scales vs. the International

Description	Scale	Definition
Extremely strong capacity to meet financial obligation	AAA	Highest Grade Credit
Very strong capacity to meet financial obligation	AA+	Very High-Grade Credit
	AA	
	AA-	
Strong capacity to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances	A+	High Grade Credit
	A	
	A-	
Adequate capacity to meet financial commitments but more vulnerable to adverse developments and economic conditions	BBB+	Good Credit Grade
	BBB	
	BBB-	
Moderate capacity to meet financial obligations but less vulnerable than other speculative issuers	BB+	Non-investment Grade
	BB	
	BB-	
Weak capacity to meet financial obligations. Sensitive to business, financial and economic conditions. High risk.	B+	Very Speculative Grade
	B	
	B-	
Very weak capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk.	CCC+	Substantial Risk
	CCC	
	CC	
	C	

International 1	International 2
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-
Ba1	BB+
Ba2	BB
Ba3	BB-
B1	B+
B2	B
B3	B-
Caa1	CCC+
Caa2	CCC
Caa3	CC
Ca	C

This is the "Blind Spot Area" for all Vietnamese issuers and debt instruments which are subjected to Global Scale Ratings since the upper limit of sovereign rating for Vietnam is currently at Ba3/BB.

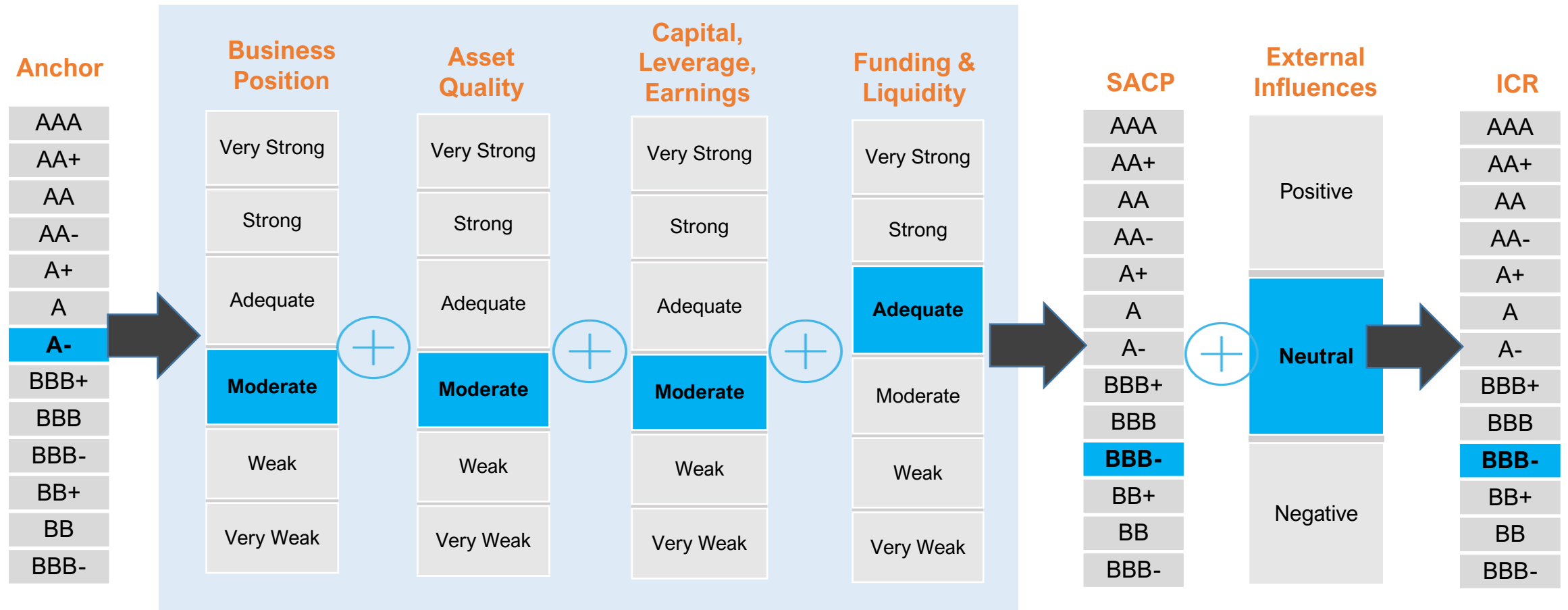
Analytical Framework: *Non-Bank Financial Institution (NBFI)*



- **Anchor:** Determined based on economic and industry risk assessment.
- **SACP** (Stand-alone Credit Profile): an issuer's creditworthiness in the absence of extraordinary intervention.
- **ICR** (Issuer Credit Rating): an issuer's overall creditworthiness given the consideration of any relevant extraordinary intervention.

Analytical Framework: *Non-Bank Financial Institution*

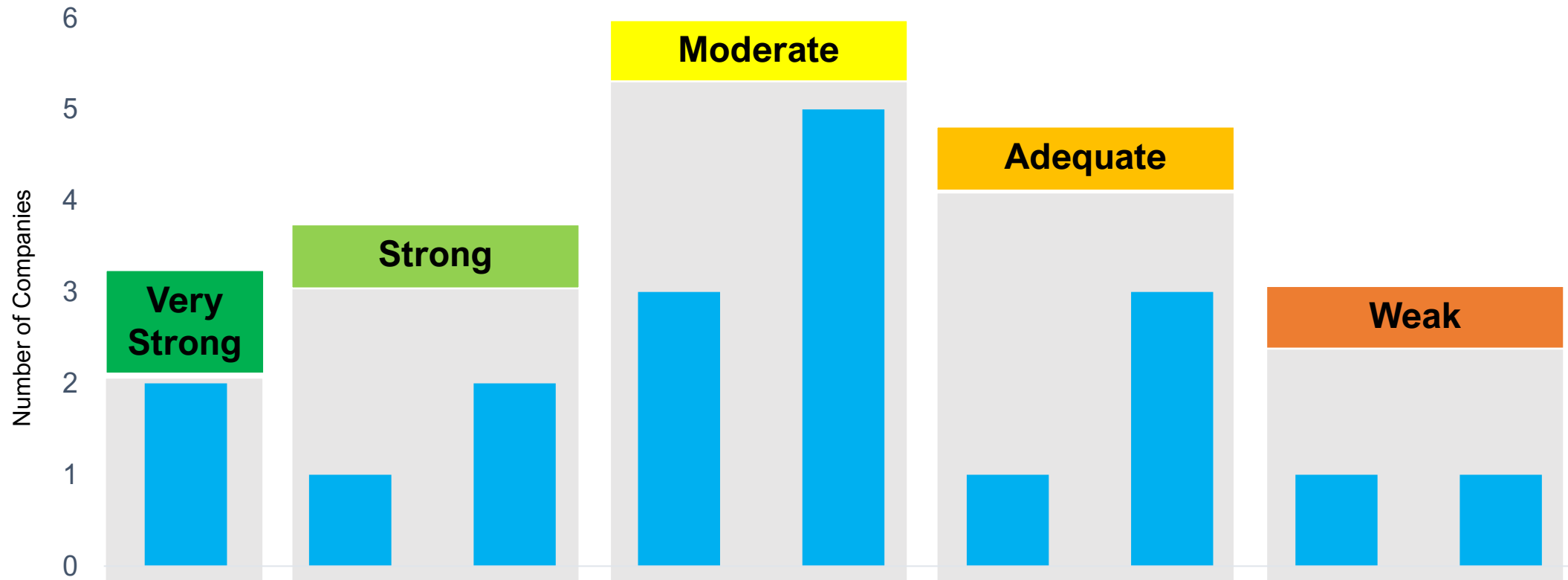
Applying in practice at one of our first rating assignments for a Vietnamese consumer finance company



Source: FiiRatings

Analytical Framework: *Non-Bank Financial Institution*

Distribution of Indicative Assets Quality Scores of 16 consumer finance companies

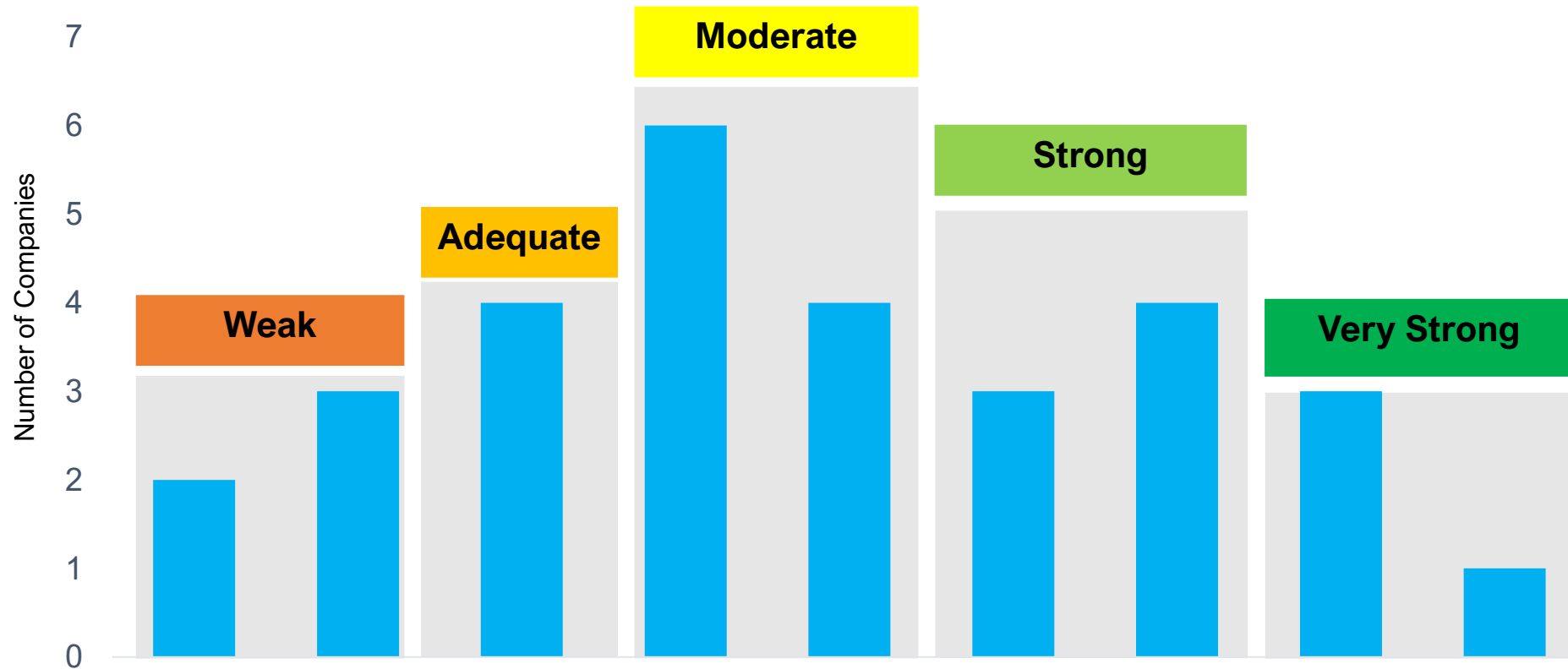


Source: *FiinRatings*

Notes: Analysis by *FiinRatings* with data covered 16 FinCos licensed by State Bank of Vietnam

Analytical Framework: *Non-Bank Financial Institution*

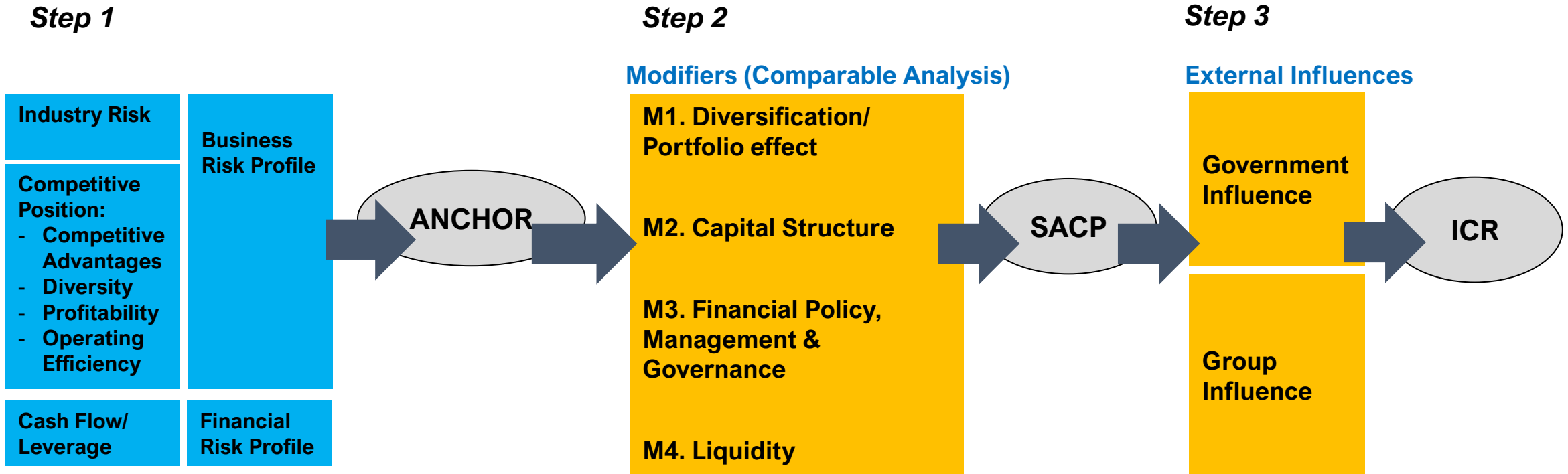
Distribution of Earnings Assessment of 16 consumer finance companies



Source: FiinRatings

Notes: Analysis by FiinRatings with data covered 16 FinCos licensed by State Bank of Vietnam

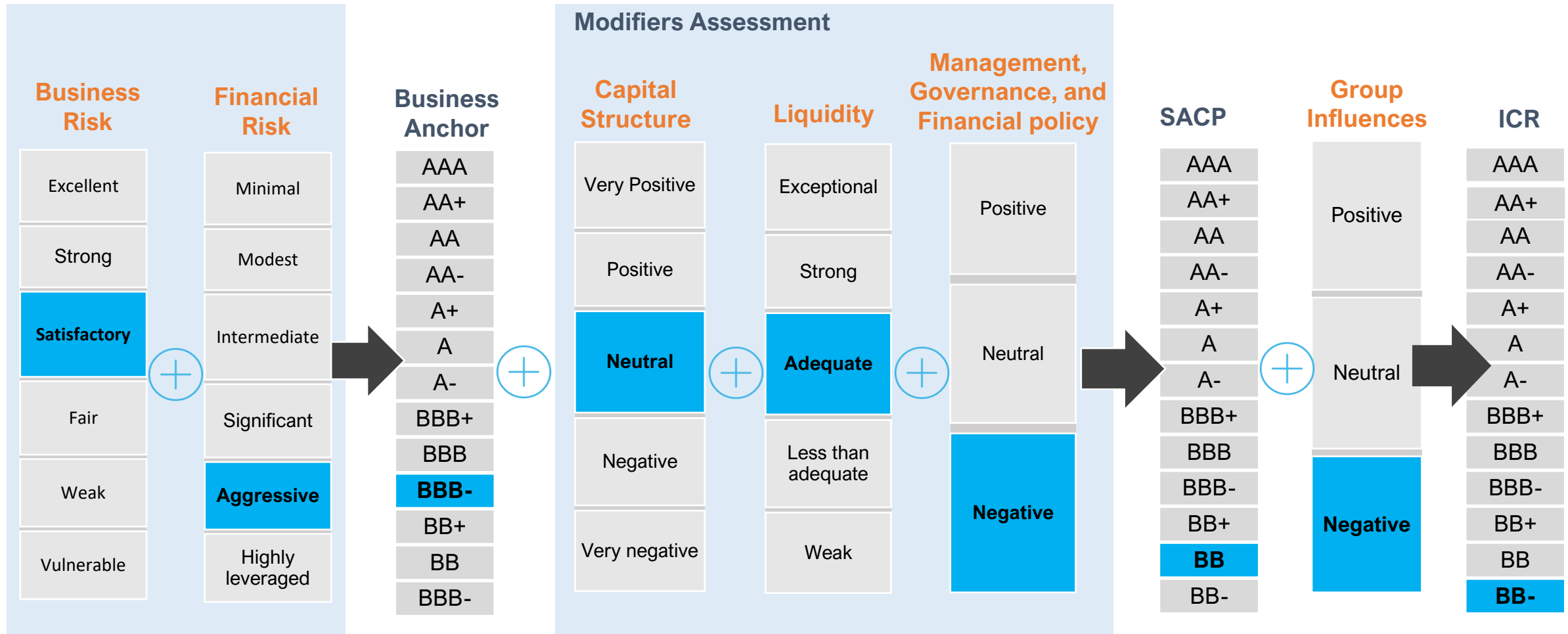
Analytical Framework: Corporate



- **Anchor:** Determined based on Business risk and Financial Risk assessment.
- **SACP** (Stand-alone Credit Profile): an issuer's creditworthiness in the absence of extraordinary intervention.
- **ICR** (Issuer Credit Rating): an issuer's overall creditworthiness given the consideration of any relevant extraordinary intervention.

Analytical Framework: Corporate

Applying in practice at one of our first rating assignment for a Vietnamese for-profit educational provider



Source: FiiRatings

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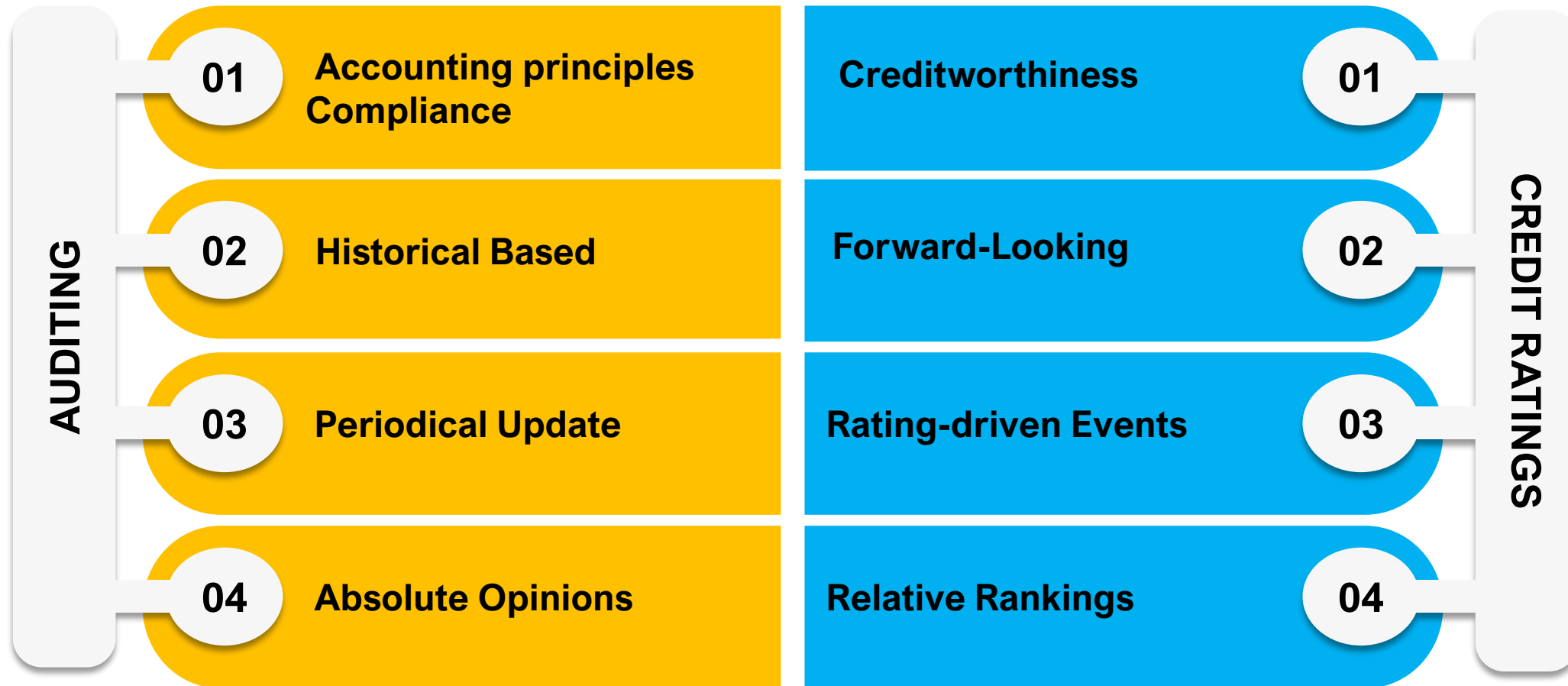
For an Efficient Rating Action

3 How we can work together!

#1: Credit Rating vs. Auditing

Perception #1: Our works often understood as the audit of the financial statements by many corporate issuers

Reality:



#2: Credit Rating vs. Equity Research

Perception #2: Having Credit Ratings is good for Stock Price!

Reality:



#3: Credit Rating vs. Pricing

Perception #3: *Credit Ratings can be an indicator of market price and guarantee of credit quality*

Reality: *Credit Ratings ARE NOT:*

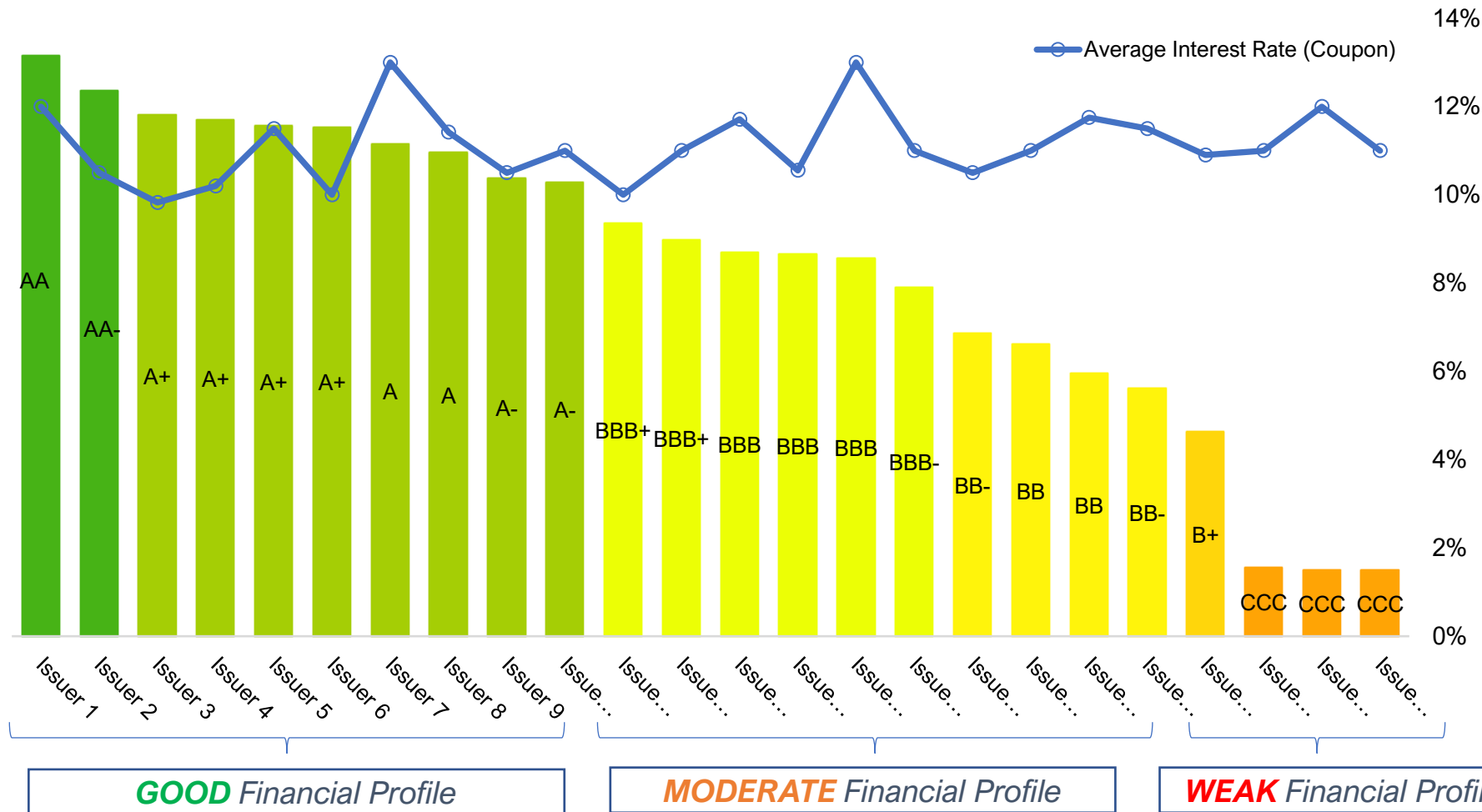
- Indications of market liquidity or price;
- Guarantees of credit quality or future credit risk;
- Absolute measure of default probability;
- Expected ultimate loss given default

Thus, ratings DO NOT ADDRESS:

- Whether investors should “buy”, “sell”, or “hold” rated securities;
- Whether any particular rated securities are suitable investments for a particular investor or group of investors;
- Whether the expected return of a particular investment is adequate compensation for the risk

#3: Credit Rating vs. Pricing

We believe the market is mispricing from the perspective of both issuers and investors



IMPORTANT NOTE:

- This is just the financial profile scoring which is part of our rating scorecard. The financial factors only accounted for 45 - 55% of total weight and therefore this is not considered as a final rating opinion.
- The scoring is based on the industry benchmark for the Residential Sub-Sector using the issuers' public financial statements. This chart is for illustration purposes only.
- Please contact us if you want further understanding of our rating methodology.

Source: FiinRatings

#4: For an Efficient Rating Action



**Regular Business Performance
Tracking And Planning**



**Active Management
Engagement**



Transparency

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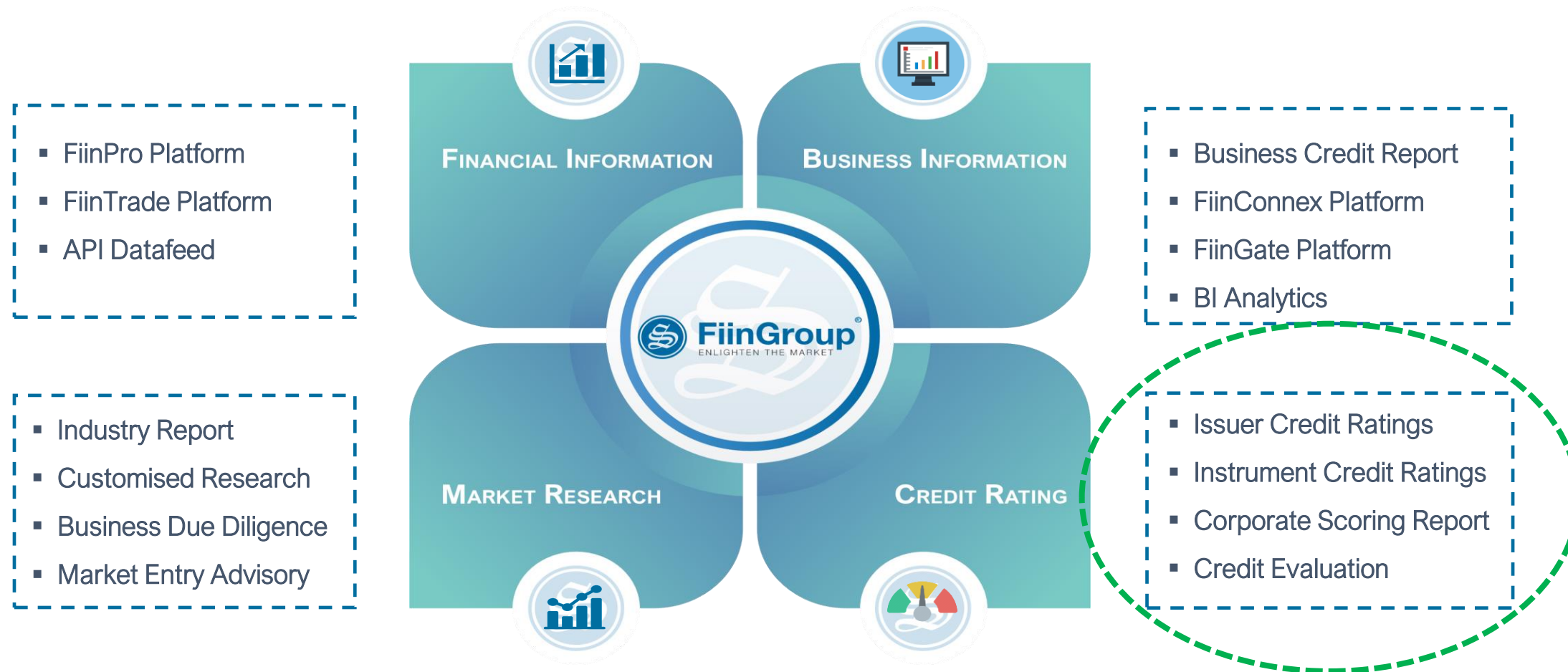
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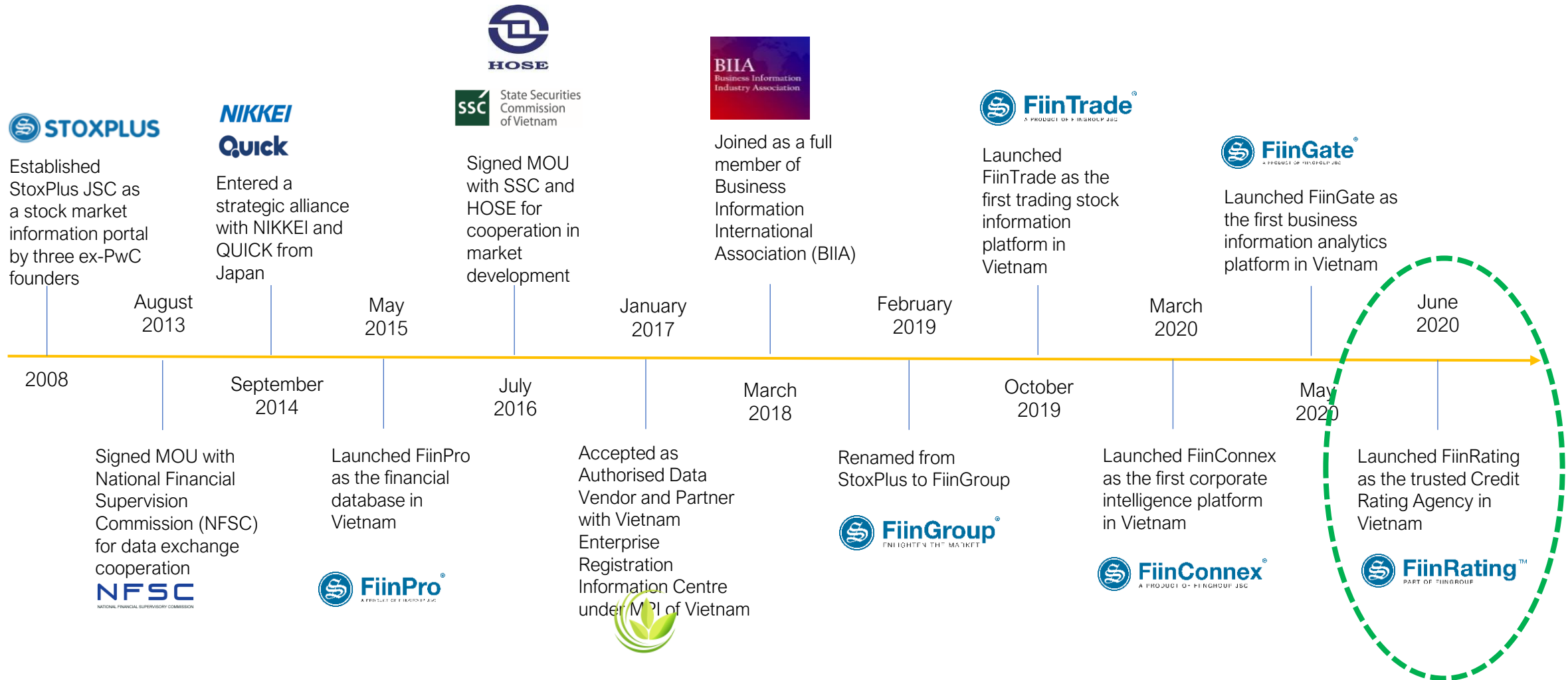
Our Journey from Financial Data & Analytics to Credit Ratings

Before expanding into Credit Rating Agency (CRA) business, we have a long track record in industry research, financial analytics and corporate credit scoring to support domestic and cross-border trade and capital flows into Vietnam



Our Journey from Financial Data & Analytics to Credit Ratings

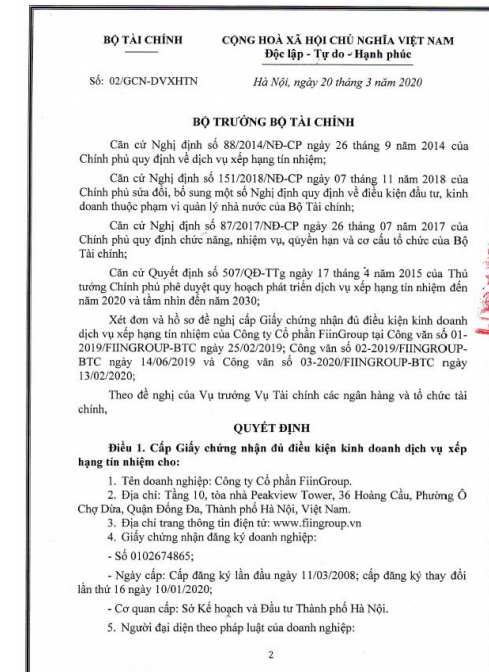
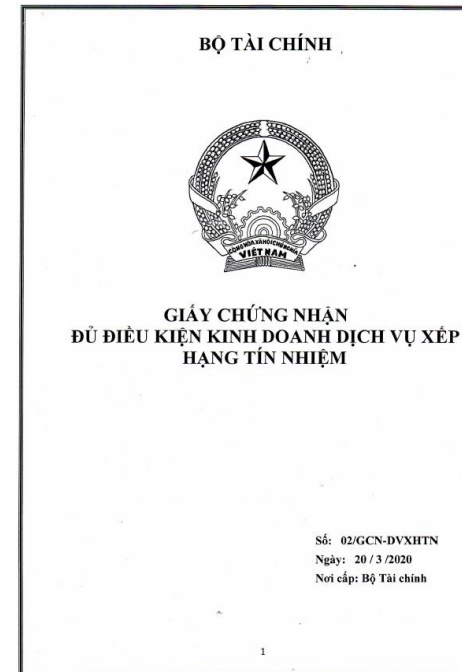
We started up as a financial information provider for Vietnam stock market 13 years ago and now expanding in Credit Ratings service



Our Journey from Financial Data & Analytics to Credit Ratings

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- FiiRatings is the second licensed CRA business in Vietnam and we focus on below services:
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 - Issuer Credit Rating; and
 - Credit Assessment Report;
 - Credit Evaluation Service.
- FiiRatings focuses on credit rating for issuers and its instruments such as bonds, corporate ratings and related services for investors and creditors. Prior to expanding in credit rating services, FiiGroup is well known in Vietnam as an independent information provider in the country with financial information terminals, business information portals and market research to support foreign and local institutional investors and foreign trading partners to Vietnamese enterprises.



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