

14 Jan 2022

## Dec corporate bond update

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### Bond offerings rush to issue in Dec

Corporate bond offerings rebounded to VND102.9tn, 86.3% mom, +60.9% yoy in Dec, bolstered by Financials (+177.4% mom) and Energy (+429.6% mom). Financials and Real Estate sectors were still the two largest constituents with 55.7%/28.5% share in Dec. Two offerings were issued abroad with a VND7.2tn in Dec. Overall, bond underwriting recorded VND698.3tn, +52.9% yoy in 2021 of which Financials and Real Estate posted VND265.3/279.9tn, 85.5%/55.7% yoy.

### Retail clients could buy strongly on the secondary market

Commercial banks and stockbroking firms subscribed 55.9%/21.5% in Dec, and 31.3%/38.9% in 2021. Individual bondholders made up 4.9% and corporate lenders occupied 19.9% in 2021. Elaborated in [our Nov corporate bond report](#), there is a large mismatch between actual subscription in the primary market vs the ending balance as of end-3Q21, implying that bankers and individual clients invested heavily from the securities' re-transfers in the secondary markets.

### Stricter regulation on private issuance

The Ministry of Finance (MOF) is taking a poll on amending Decree 153 with suggestions 1) forbidding leveraged buyout purpose 2) the issuer must submit the credit rating if a) the issuers do not offer collateral, third payment guarantee b) suffer a loss in a previous year or an accumulated loss and c) the buyers are individual professionals. If the amendments are passed, the landscape of bond issuance in Vietnam could be healthier since 100% of offerings are not rated.

### Credit rating services on the long way to grow

The amendments lay a stepping stone to the further development of credit rating services. Although the corporate bond issuance market is booming lately, only two companies are offering credit rating services, namely FiiRatings and Saigon Phat Think Ratings. The marketing is expecting another company, VIS Rating established in Nov, 2021 could be the third player. Despite the huge demand for the credit ratings if the amendments are passed, MOF only grants licensing for 5 companies following the master plan with a vision toward 2030F.

### The publicity of information is hindered

Circular 122 issued by MOF assigns Hanoi Exchange (HNX) to receive issuers' information disclose including 1) information before bond offering, 2) information on bond offering results and 3) information on convertible bonds, warrant-linked bonds, the redemption of bonds before maturity, and bond swap. However, HNX will only disclose publicly on their webpage if the issuers agree based on HNX guidance (Decree 14). The mismatch between Decree 14 and Circular 122 will impede buyers' search for transparent issuance information.

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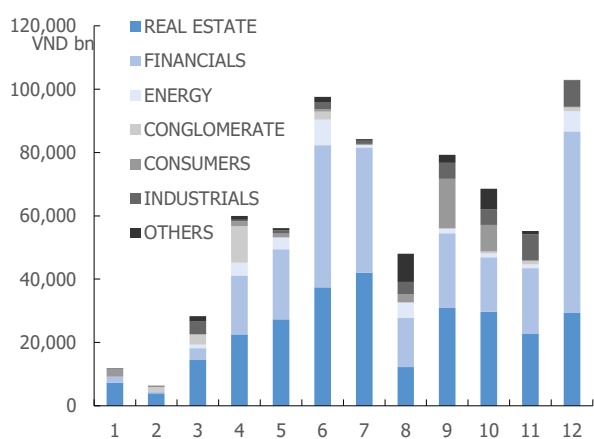
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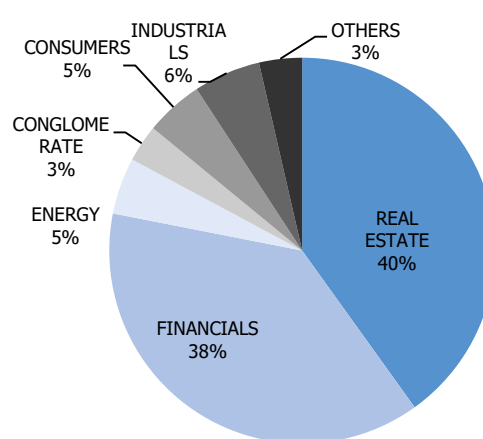
This monthly corporate bond report is intended to track monthly corporate bond issuance in the Vietnam market. Some of our terms, namely Financials sector include the banking, security firms, asset management funds, and financial credit institutions. The Real Estate sector comprises housing developers, industrial park operators. Industrials sector combines logistics in Port, Aviation, Warehouse, Construction, Auto Assembly. We assign Conglomerate to those operating in multiple businesses namely Vingroup, IPA Group. There were 125 corporate bond offerings equivalent to VND102.9tn underwritten in Dec. Notably, a huge pump in Financials (+177.4% mom) and Energy (+429.6% mom) were seen in Dec. Financials sector contributed a VND57.3tn, making up 55.7% of the total issuance of which each HDB, VIB, VPB occupied VND9-10tn. Real Estate accounted for a VND29.3tn, constituting 28.5% and Novaland subsidiaries formed a VND3.8tn. Two issuances were conducted abroad including HDB (VND3.8tn) and Phu My Hung (VND3.4tn).

**Figure 1. Bond issuance by sector by month in 2021**



Source: Hnx, Fiipro

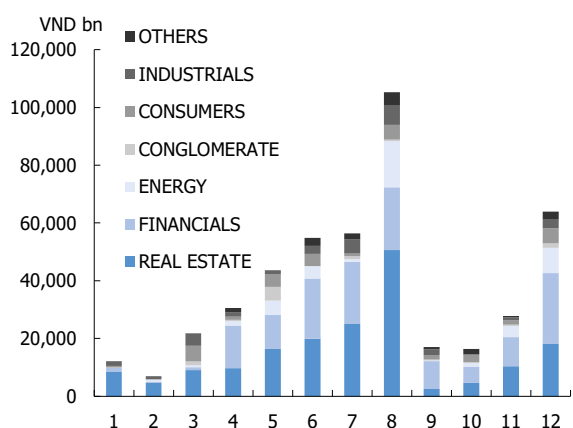
**Figure 2. The bond underwriting by sector in 2021**



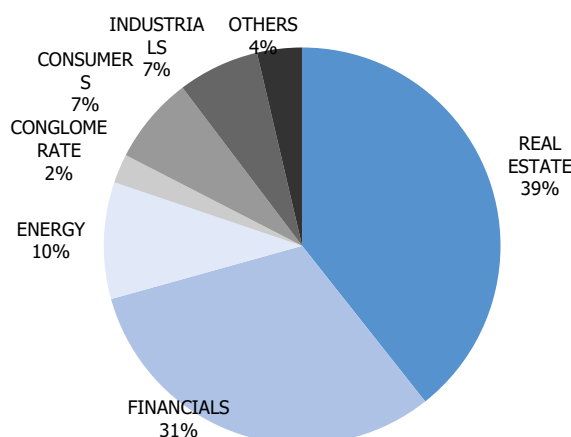
Source: Hnx, Fiipro

The rebound in Dec helps bold the booming issuance landscape in 2021 with a 52.9% yoy issuance growth to VND698.3tn. The embedded fuel engines were rewarded to Financials and Real Estate which recorded VND265.3tn/VND279.9tn, 85.5% yoy/55.7% yoy, and contributed 38.0%/40.1% respectively in 2021.

**Figure 3. Bond issuance by sector by month in 2020**



**Figure 4. The bond underwriting by sector in 2020**

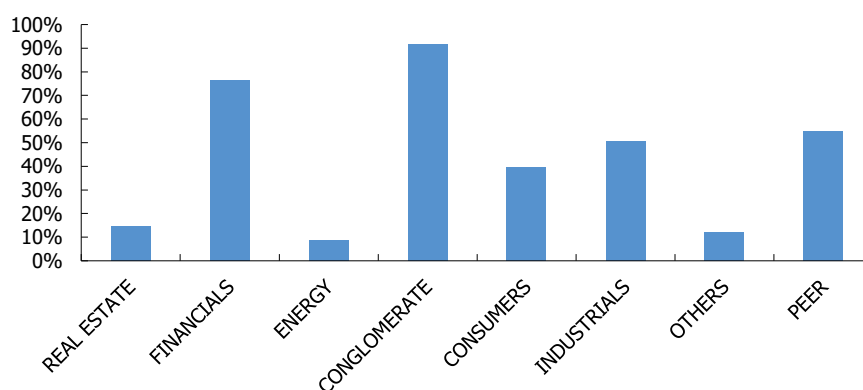


Source: Hnx, Fiipro

Source: Hnx, Fiipro

Regarding collateral or credit ratings, based on disclose of a VND589.9tn issuance, 45.4% were secure in the form of third-party payment guarantees, asset-backed commitments, but 100% were not attached to ratings by rating agencies in Dec. It came as no surprise as Financials sector, the dominant issuer always offers bonds with no collateral. Together with conglomerates Vingroup, Masan, Sovico, those are among the highest issuances with no collateral, significantly higher than the peer average of 60%.

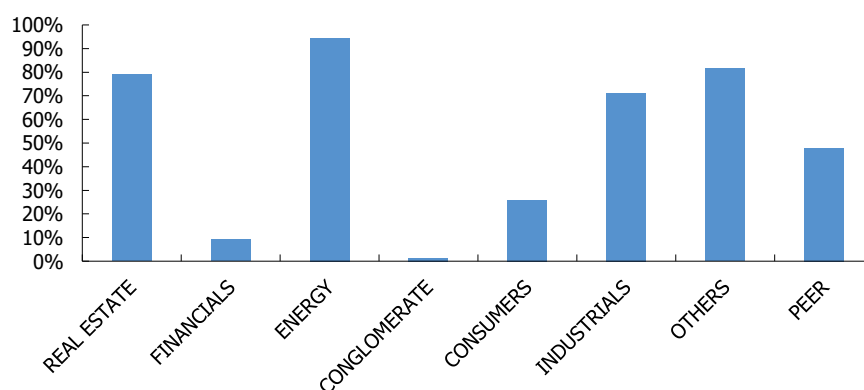
**Figure 5. 54.6% of total offerings in 2021 lacked collaterals**



Source: Hnx, Fiipro

Vietnam corporate bond market has 48% of total offerings in 2021 was issued by non-listed players. The figure could be higher up to 80% in Real Estate sector and 94% in the Energy sector. To Conglomerates, Consumers, and Financials sectors, most of them are listed on HSX. The immaterial share of listed issuers out of the total is concerning the quality and frequency of the information disclosed. They are not exposed to any strict requirements by relevant regulators as the listed ones, implying that bondholders could face certain bottlenecks to make a decision on investment.

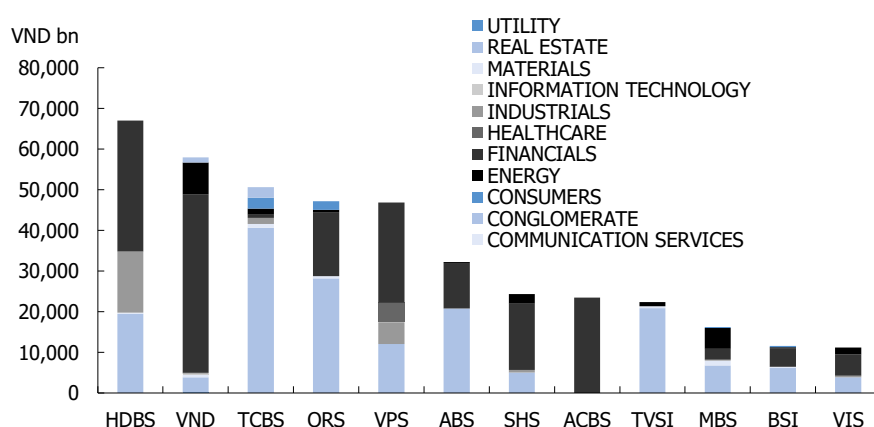
**Figure 6. 48% of total offerings in 2021 was issued by non-listed players**



Source: Hnx, Fiipro

It makes sense that securities firms affiliated with bank-owned financial groups are among the 10 largest underwriters in 2021 as they could ramp up the matching process by actively subscribing or referring to their mother bankers. However, VND was the second-biggest underwriter with a total VND58tn value and plays the leading underwriter in the Financials sector. TCBS lagged behind thanks to backing the Real Estate issuances of Masterise and Vinhomes.

**Figure 7. HDBS dominated the corporate bond market as a broker/dealer**

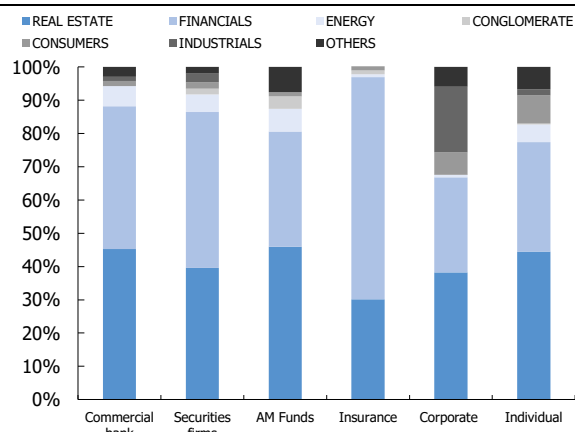


Source: Hnx, Fiinpro

In terms of bondholder types, based on the discloses of VND34.5tn underwriting in Dec, bankers and stockbroking firms accounted for 55.9%/21.5% of total subscribers, leaving the corporate with 17.7%. Commercial banks bought 100% the Financials and the broking firms subscribed 79% in Financials.

In 2021, based on the discloses of VND554.8tn underwriting, bankers and stockbroking firms bought 31.3%/38.9% of total bond underwritings, while the individual made up 4.9% and corporate bondholders occupied 19.9%. To bankers, they allocated their funds heavily in Real Estate while in securities firms are skewed in favour of Financials. The corporate bondholders were fond of Real Estate much.

**Figure 8. The subscriber's investment by sector in 2021**



Source: Hnx, Fiinpro

**Figure 9. Subscription by sector by bondholder in 2021**

%	Commercial bank	Securities firms	AM Funds	Insurance	Individual	Corporate
REAL ESTATE	14.2	15.4	0.8	0.6	2.2	7.6
FINANCIALS	13.5	18.3	0.6	1.2	1.6	5.7
ENERGY	1.9	2.0	0.1	0.0	0.3	0.1
CONGLOMERATE	0.0	0.7	0.1	0.0	0.0	0.0
CONSUMERS	0.5	0.7	0.0	0.0	0.4	1.3
INDUSTRIALS	0.4	1.0	0.0	0.0	0.1	3.9
OTHERS	0.9	0.8	0.1	0.0	0.3	1.2
SUM	31.3	38.9	1.6	1.8	4.9	19.9

Source: Hnx, Fiinpro

### Amendments on decree 153 aim to solidify the market

In late Dec, the Ministry of Finance (MOF) released a new draft on amending decree 153 which regulates the private bond issuance in Vietnam. Some of the revisions covered are much stricter yet healthier as follows:

- Leverage buyout: MOF bans the issuers to use the receipt to invest or buy stakes in other businesses. We estimate a 6% of total bond issuance with leverage buyout purpose in 2021 could be hit if MOF passes this forbiddance.
- Credit ratings: the issuers must submit credit ratings on the offering and the companies in case they don't offer any secured forms (collaterals, third payment guarantee) or they made a loss in the previous year or suffer the accumulated loss in the balance sheet. Individual professional buyers could only buy issuance with credit ratings.
- Secondary trading on Hanoi Exchange system.

### Credit rating services on the long way to grow

Credit rating is popular in developed markets, aiming to supply transparent information for investors and regulators. In Vietnam, there are three legal documents regulating the credit rating services, credit rating agencies Decree 88/2014/ND-CP, Decree 10/VBHN-BTC, Circular 80/2020/TT-BTC. However, none of them impose an obligation for the issuers and issuance to be rated. Vietnamese corporations usually have their credit ratings by global credit rating agencies such as Standard & Poor's and Moody's Investors Service. Although the corporate bond issuance market is booming lately, only two companies are offering credit rating services, namely FiinRatings and Saigon Phat Think Ratings. The marketing is expecting another company, VIS Rating established on Nov, 2021 could be the third player. Despite the huge demand for the credit ratings if the amendments are passed, MOF only grants licensing for 5 companies operating in the credit rating services until 2030.

### Hurdles on accessing information disclosed by issuers

Circular No.122/2020/TT-BTC issued by MOF provides guidance on information disclosure and reporting prescribed in the government's Decree no. 153/2020/ND-CP dated December 31, 2020, on private placement and trading of privately placed corporate bonds in the domestic market and offering of corporate bonds in the international market. In detail, the circular requires:

- Issuers shall disclose information before the bond offering.
- Issuers shall disclose information on bond offering results. Information on results of the bond offering in the domestic market to be disclosed shall comply with the form in Appendix II.
- Issuers shall disclose information on a periodic basis of every 6 months and on an annual basis with the form in Appendix III.
- Issuers shall disclose information on the conversion of bonds into shares and exercise of warrants. Information to be disclosed shall comply with the form in Appendix IV.
- Issuers shall disclose information on redemption of bonds before maturity and bond swap. Information to be disclosed shall comply with the form in Appendix IV.
- Issuers shall send information to Hanoi Exchange (HNX) by using electronic documents through its corporate bond information webpage.

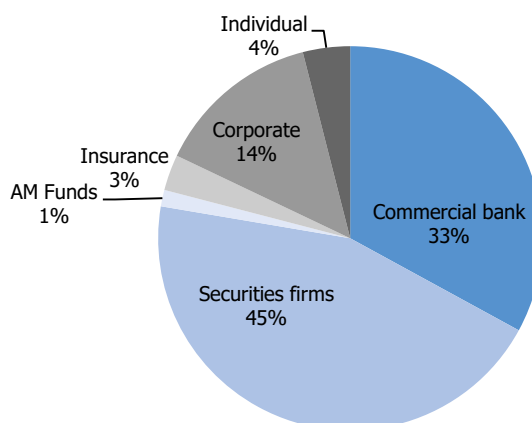
However, the HNX who operates the corporate bond information webpage

doesn't public the issuer's disclosure without the consent of issuers. Since there is no regulation to require the HNX or issuers to publicize the disclosure, it could be much harder for bondholders or regulatory offices to monitor the issuance.

## Appendix

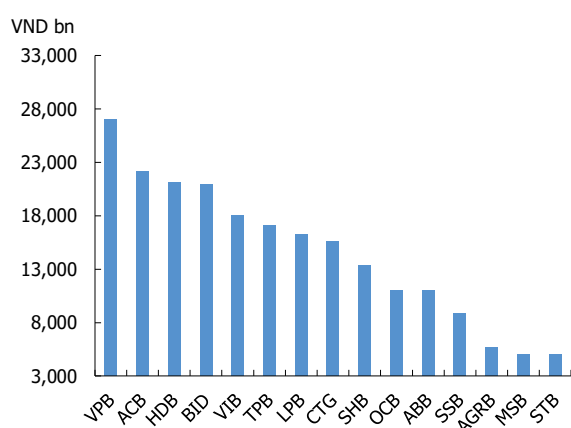
Financials sector have some key goals to pump the corporate bond underwriting market. First, the banking sector needs to enhance its CAR tier 2 since bond issuance is taken into account of capital tier 2. Second, bankers also have to thicken their buffer of short-term funds using for medium-long-term loans. Although SBV is suspending the timeline to commit these decelerating ratios, bankers have to take the most advantage of lower interest rate settings. Third, non-banking financials mostly the security firms are offering the bond to finance their margin loans and bond investment. Regarding buyers of Financials issuance, the securities firms played a dominating share of 45% and commercial banks lagged behind with 33% share.

**Figure 10. Type of bondholders in Financials underwriting**



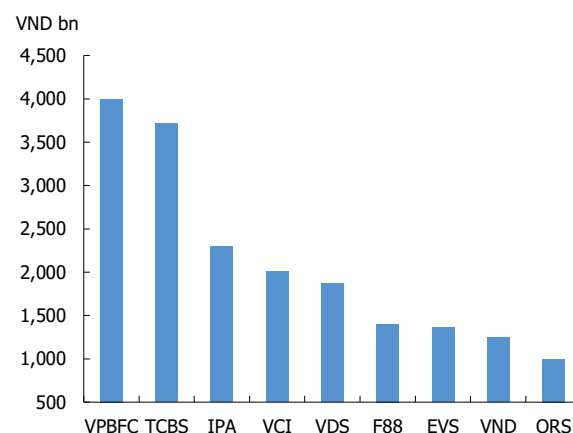
Source: Hnx, Fiinpro

**Figure 11. Banking underwriting by issuer in 2021**



Source: Hnx, Fiinpro

**Figure 12. Non-banking financials by issuer in 2021**



Source: Hnx, Fiinpro

In 2021, commercial banks pumped VND235tn, while broking firms contributed VND18.6tn and the remainders supplied VND11.6tn. The banking sector bond

issuance was largely concentrated on the three biggest issuers VPB, HDB and ACB who each have attracted nearly VND22-27tn value. The non-banking sector was defined mostly by VPBFC, TCBS, VCI, VDS, EVS who are among the key energetic bondholders and the largest margin loan suppliers.

**Figure 13. Top three largest banking borrowers**

Issuer	Volume	Coupon	Underwriter	Term	Buyers
HDB	21,133	3.2-7.8	HDBS (100%)	3-7 years	Bank: 59.3% Securities: 28.8% Insurance: 10.3%
ACB	22,200	3.4-4	ACBS (100%)	3 years	Bank: 11.3% Security : 22.5% Corporate: 66.2%
VPB	27,030	3.9-4	ASC (36.9%) VPS (63.1%)	3-4 years	Bank: 52.2% Securities: 40.3% Corporate: 7.4%

Source: Hnx, Fiipro

**Figure 14. Top three largest non-banking borrowers**

Issuer	Volume	Coupon	Underwriter	Term	Buyers
VPBF C	4,000	7.5	VPS (100%)		Bank: 100%
TCBS	3,713	NA	HDBS (100%)	3 years	Bank: 12% Securities: 24.2% Corporate: 63.8%
VCI	1,940		VPS (100%)	3-4 years	Bank: 24% Securities: 64% Corporate: 12%

Source: Hnx, Fiipro

Real Estate sector includes residential developers, industrial park operators. Housing developers are seeking VND279.9tn bond issuance in 2021 of which VND15tn was issued abroad. The housing sector bond issuance was led by giants including Materise, Hung Tinh, Sunshines, Novaland, Bamboo Capital of which their related companies offered tens of trillions dong in 2021. The non-housing sector was defined mostly by Vietnam Singapore industrial park developer, IDICO Industrial park developer with a VND3.8tn.

Real Estate developers are under severe pressure to finance their mid to long-term loans since SBV is strictly controlling the real estate loans by imposing higher risk-weighted asset ratio and shrinking short-term deposit funding mid to long-term loans. In 2021, up to 10% of total issuance real estate was aimed to fund refinancing purposes and 18% was used to buy more stakes in other companies, and 42% was utilized to bolster their land bank acquisition. As mentioned above, real estate sector issuance was 51% dominated by non-public companies. They pledged their assets in terms of land use rights, interest rising from the projects including their stakes. Since non-listed on bourses, they are not subject to strict control of information disclosed in terms of financial statements, cash-flow receipts, or withdraws, implying that the bondholders are totally based on issuers' credit. The bondholders of Real Estate issuance are composed of the securities firms with a 38% share, commercial banks with 35%, corporate with 19%, and individual bondholders with 5%. A least of VND12.2tn bought by individual subscribers in 2021 raises concerns about their thorough understanding and constant check on the issuers' project.

**Figure 15. Top three largest issuers in the housing sector**

Issuer	Value	Coupon	Underwriter	Term	Buyers
Maste rise	34,810	10.3-12.15 to 1-2 years 10.5-13.65 to 4 years	TCBS (100%)		Bank: 71.8% Securities firms: 28.2%
SUNS HINES	30,850	10-11% to 2-5 years	ABS: 78.3% TVSI: 10.4% ORS: 11.3%	3 years	Bank: 2.8% Securities: 36.2% Corporate: 61.6%
NOVA LAND	30,733	9.75-12.5 to 1-5 years	VPS, TVSI, ORS, YUANTA	3-4 years	Bank: 63.6% Securities : 14.4% AM: 6.4% Individual: 5.6% Corporate: 5.4% Foreigners: 11.8

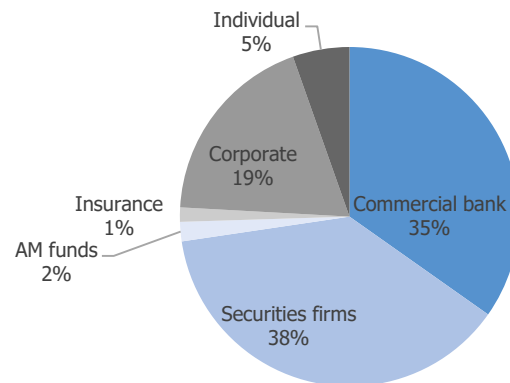
Source: Hnx, Fiipro

**Figure 16. Top three largest issuers in non-housing sector**

Issuer	Volume	Coupon	Underwriter	Term	Buyers
VSIP	1,000		9 Mirae	7	Bank: 10% Securities firms:10% AM: 10% Insurance: 70%
Indico	100	11.5	BVS	1.5 years	Individual: 100%
TTC	62		VIS	3 years	Bank: 100%
KBC	1,500	10.8	N.A	2 years	N.A
EIB	1,010	11.5	SSI	1	AM: 100%

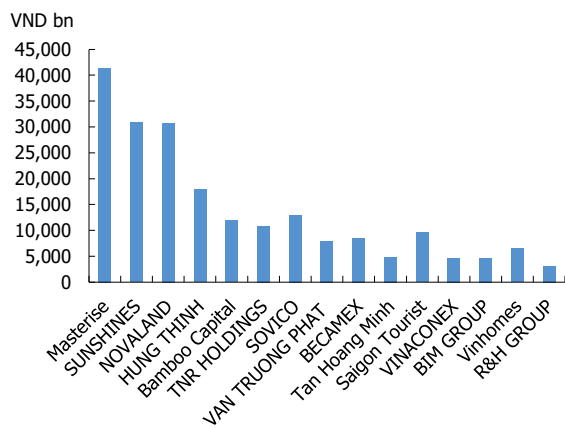
Source: Hnx, Fiipro

**Figure 17. Type of bondholders in Real Estate underwriting**



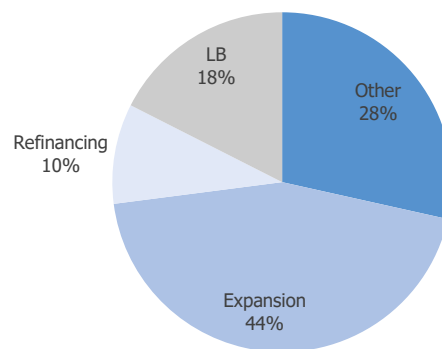
Source: Hnx, Fiipro

**Figure 18. Housing issuance by the issuer in 2021**



Source: Hnx, Fiipro

**Figure 19. Type of purpose in Real Estate underwriting in 2021**



Source: Hnx, Fiipro



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