

Issue Credit Rating Methodology

Most recent update: November 2025



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This publication has been developed by FiinRatings and substantially revised by S&P Global Ratings' experts. This publication presents FiinRatings' methodology for assigning issue credit ratings (for Corporates and Non-bank financial institutions) and is intended as a general guidance to help companies, investors and other market participants to understand how FiinRatings looks at quantitative and qualitative factors in explaining rating outcomes.

- The criteria organize the analytical process according to a common framework and articulate the steps in developing the stand-alone credit profile (SACP) and issuer credit rating (ICR) for securities in accordance with international standards.
- FiinRatings uses a principle-based approach for assigning and monitoring ratings nationally, which is in accordance with international standards. These broad principles apply generally to ratings of all types of corporates and asset classes. However, for certain types of issuers and issues, FiinRatings complements these principles with specific methodologies and assumptions.
- FiinRatings assigns credit ratings to both issuers and issues and strives to maintain comparability of ratings across sectors and over time. That is, FiinRatings intends for each rating symbol to connote the same general level of creditworthiness for issuers and issues in different sectors and at different times nationally.
- FiinRatings' approach to rating issues involves a comprehensive assessment of several factors. Some core factors are considered to have a high influence on the credit quality of the issuers and issues, while others are considered supplementary parameters. FiinRatings takes a forward-looking view on the issuers and issues on these parameters while evaluating their rating.
- If you have any question or concern, please contact our Analytical Team at <https://fiingroup.vn/ContactUs>, or email fiinratings@fiingroup.vn.

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After obtaining a Corporate's or Financial Institution's Issuer Credit Rating ("ICR"), we can proceed to rate an Issue

- **Issuer Credit Ratings:** The likelihood of payment--the capacity and willingness of the obligor to meet its financial commitment on a financial obligation in accordance with the terms of the obligation.
- **Issue Credit Ratings:** Specific rating for a financial instrument (e.g., corporate bond, secured & unsecured debt instruments)

Issue Credit Ratings Framework

Issue credit ratings are based, in varying degrees, on FiinRatings' analysis of the following considerations:

- The nature and provisions of the financial obligation, and the promise we impute; and
- The protection afforded by, and relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangements under the laws of bankruptcy and other laws affecting creditors' rights.

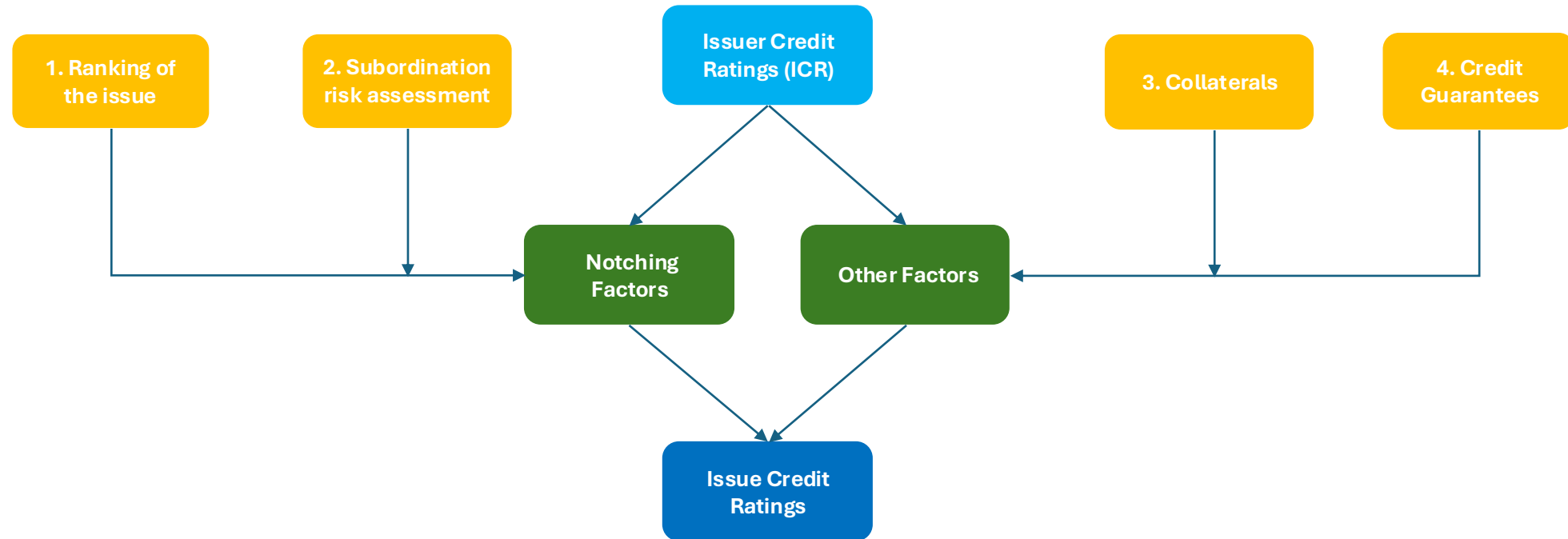
Issue ratings are an assessment of default risk but may incorporate an assessment of relative seniority and/or ultimate recovery in the event of default. Subordinated obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations, and when these matters materially impact on the relative loss likely to be suffered by various classes of debt upon default). We also explore the impacts of intervention from other involved parties regarding guarantee deeds, as well as the recovery rate of the issue based on the secured assets in the event of default. During the assessment, a variety of qualitative factors are factored in, i.e., financial covenants, termination rights, negative pledges, etc., to reflect the limitations of involved parties' legal responsibility.

Total Recovery Rate

A guarantee for an issue can significantly impact the issue ratings compared to the issuer's rating due to the obligation from a third party, i.e., the guarantors. This involvement sets a legal foundation for lenders or bondholders to seek solutions in the event of default. In most cases, to quantify this legal obligation, we assess the total recovery rate of the issue, which consists of two major components:

- **The contractual recovery rate:** determined by the structure of the guarantee deed, adjusted for terms and conditions.
- **The base recovery rate:** derived from the quality of the secured assets based on liquidation scenario analysis.

The issuer ratings could be notched up or notched down based on following factors to assign the final issue ratings. The credit guarantee assessment process and the underlying secured asset evaluation aims at identify the issue recovery rate, while the issue ranking assessment focuses on the issue inherent recovery rate based on its debt ranking assessment. In most cases, a full guarantee assessment does not require further issue ranking assessment. On the contrary, the assessment of an issue without guarantee can be directly proceeded forward to the debt ranking and collateral assessment steps. An issue with partial guarantee would generally require to follow through both of the partial guarantee and issue ranking assessment process.



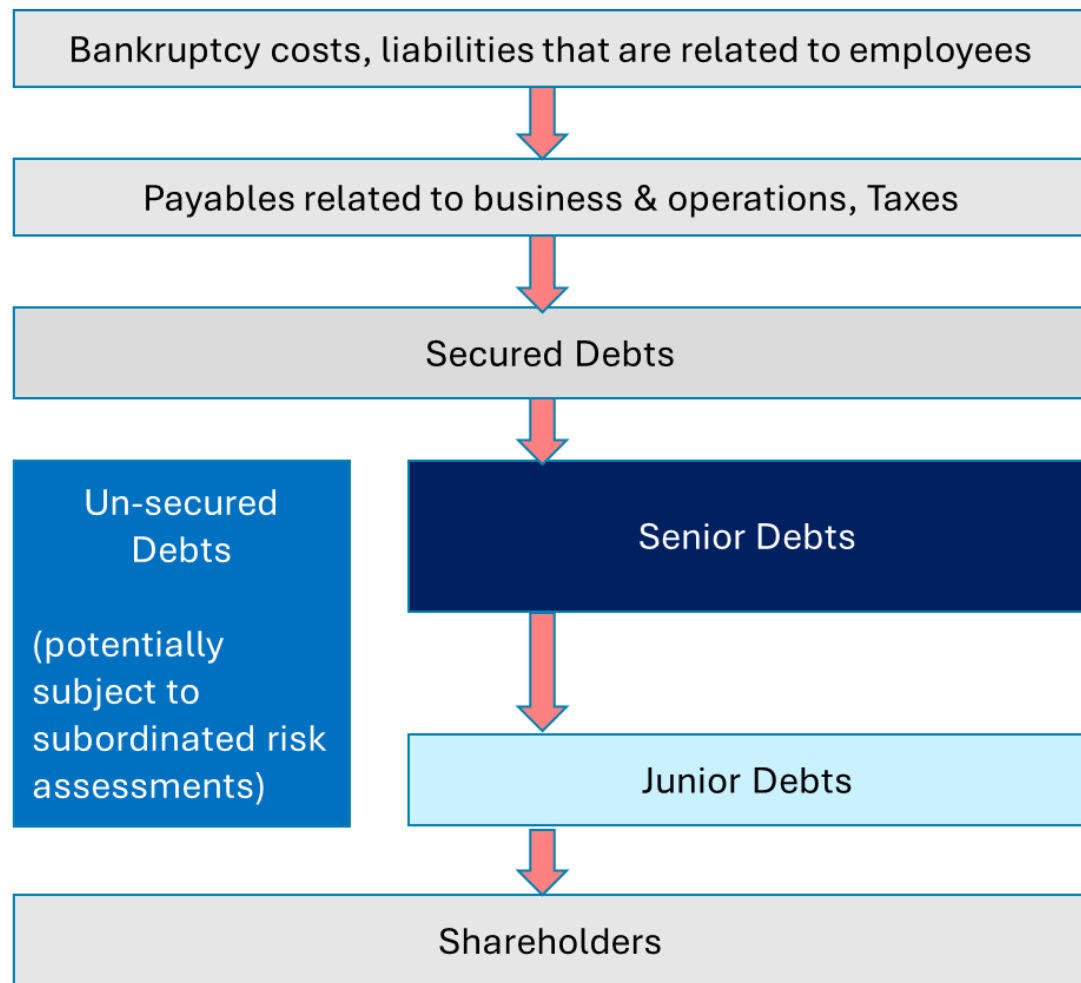
Note: Issue Credit Rating will also factor in other qualitative factors such as financial covenants, termination rights, negative pledges, etc. from reviewing debt instrument's documents

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Order of payment according to Bankruptcy's Law: We would apply this order in accordance with Bankruptcy Law and combined with our notching framework to define the seniority of financial obligations and perform further assessment to assign the issue rating



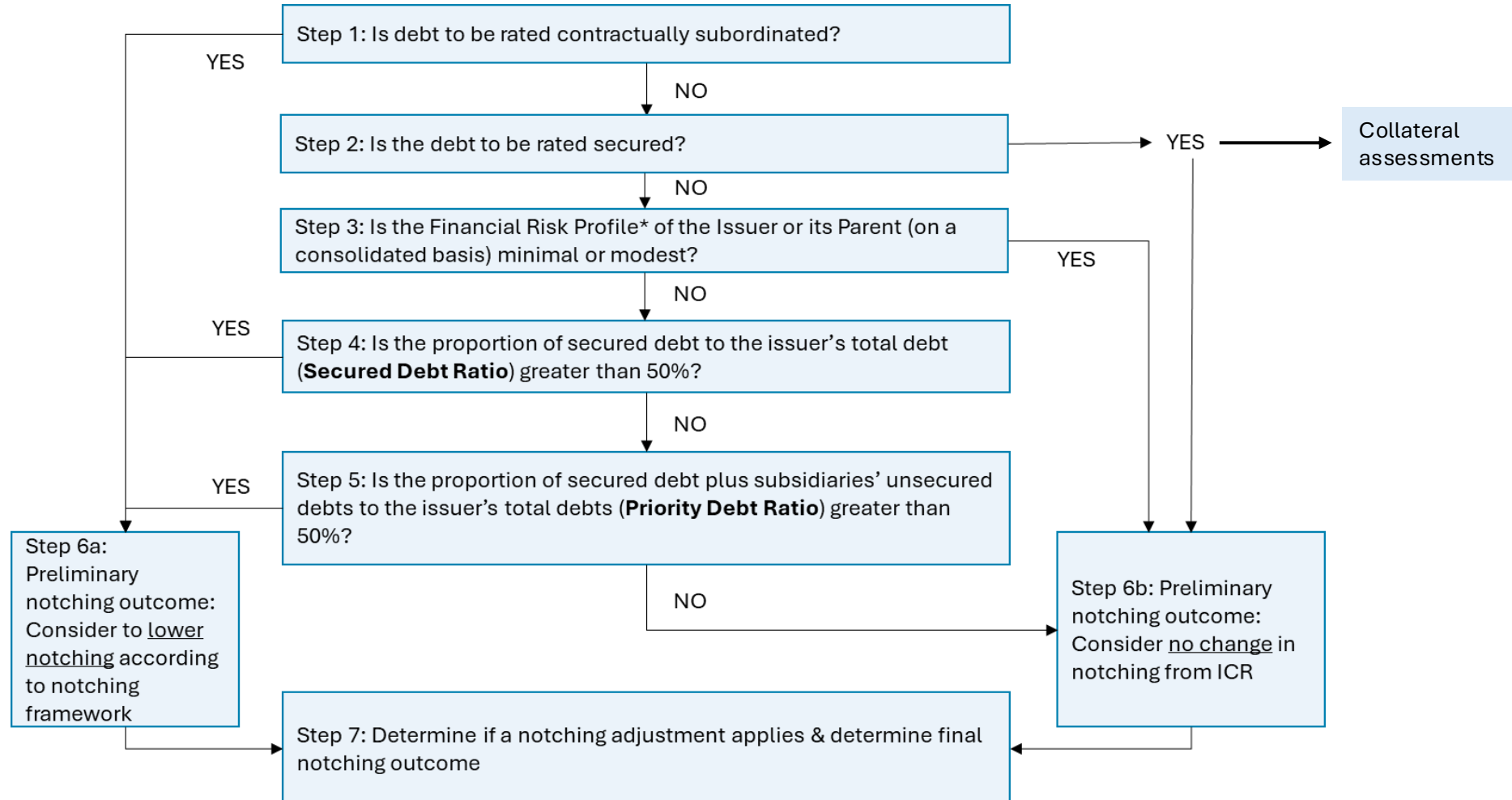
The factor addresses a key area of Issue Rating in Framework. One of the main rating considerations is the Ranking of the Issue.

An issue with higher ranking will result in being more prioritized to receive payment in the Event of Default. Therefore, issues with very higher ranking or being secured by collaterals will be considered for notching up in their rating, depends on ranking of other obligations of issuers or quality of collaterals.

On the other hand, issues with very lower ranking will be considered for notching down.

We then perform assessment by applying our Notching Framework for Subordinated debts to better reflect the inherent risk of instruments which are significantly higher risk of loss on investments.

Reflecting subordination (ranking) risk in Issue Rating: These criteria outline our methodology for assigning issue credit ratings that signal certain debt instruments could potentially be significantly subordinated relative to other debt in the issuer's consolidated capital structure.



Note: (*) Financial Risk Profile is assessed quantitatively via key metrics such as: Gearing (Adjusted Debt/Equity), Debt/EBITDA, Interest Coverage, etc.

We assess the financial risk employed by the Issuer in a consolidated basis in combination with the assessment of portion of secured debts/priority debts in its capital structure to come up with our proposed number of notching (if applicable)

We typically notch the issue credit rating of contractually/structurally subordinated debt down from the ICR to signal the higher risk that this class of debt carries relative to more senior debts. Subordinated debt ranks below other debt regarding claims against the issuer's assets, due to provisions in the debt instrument's documentation or inherently in its capital structure. When creditors explicitly agree to rank junior to other creditors, they have accepted a relatively higher risk of loss on their investment.

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Financial Risk Level of Non-financial Corporates is the Corporates' Financial Risk Profile (FRP). For Financial Institutions, Financial Risk Level is assessed via Funding and Liquidity Modifier.

Secured Debts Ratio = Secured Debts / Total Assets;

Priority Debts Ratio = [Secured Debts + Debts outstanding at subsidiaries] / Total Assets

Secured Debts Ratio will be applied for companies with cash flow generation from its operating activities and independent from other entities of group companies,

Priority Debts Ratio will be applied for companies when its cash flow generation is dependent on subsidiaries (operating companies)

For lower of the notching, we apply if we believe the issuance would further strain the financial risk profile of the Issuer

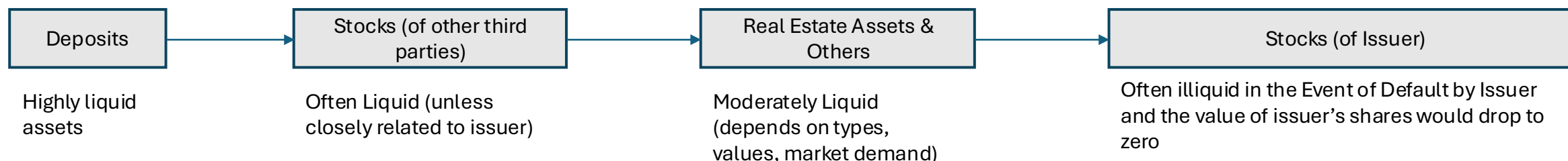
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On a case-by-case basis, we will examine pledged securities. Generally, we will use the approach indicated below:

1. Firstly, we examine the **Liquidity** of an Issue's collateral. Collaterals usually take the forms of: deposits, stocks (of issuer or of other third party), and real estates in some cases. Collaterals with high liquidity are easier to be liquidated in the Event of Default, giving bondholders higher chances of recovery in such event.



2. Secondly, we examine the **Value** of the collaterals, including Loan-to-Value ratio. With each type of collateral, we will determine a realistic market value of the collaterals, which best reflects the value that the collaterals will be sold for with ease in order to recover for the creditors. From there, we will calculate base recovery rate based on the LTV ratio and perform assessment on whether the collaterals can actually cover fully, only partial, or none of the loans.

However, if there is any material events which affect the value of collaterals (e.g. the collateral is also a collateral for other issue(s)), FiinRatings will perform further assessment to adjust base recovery rate of the specific instruments.

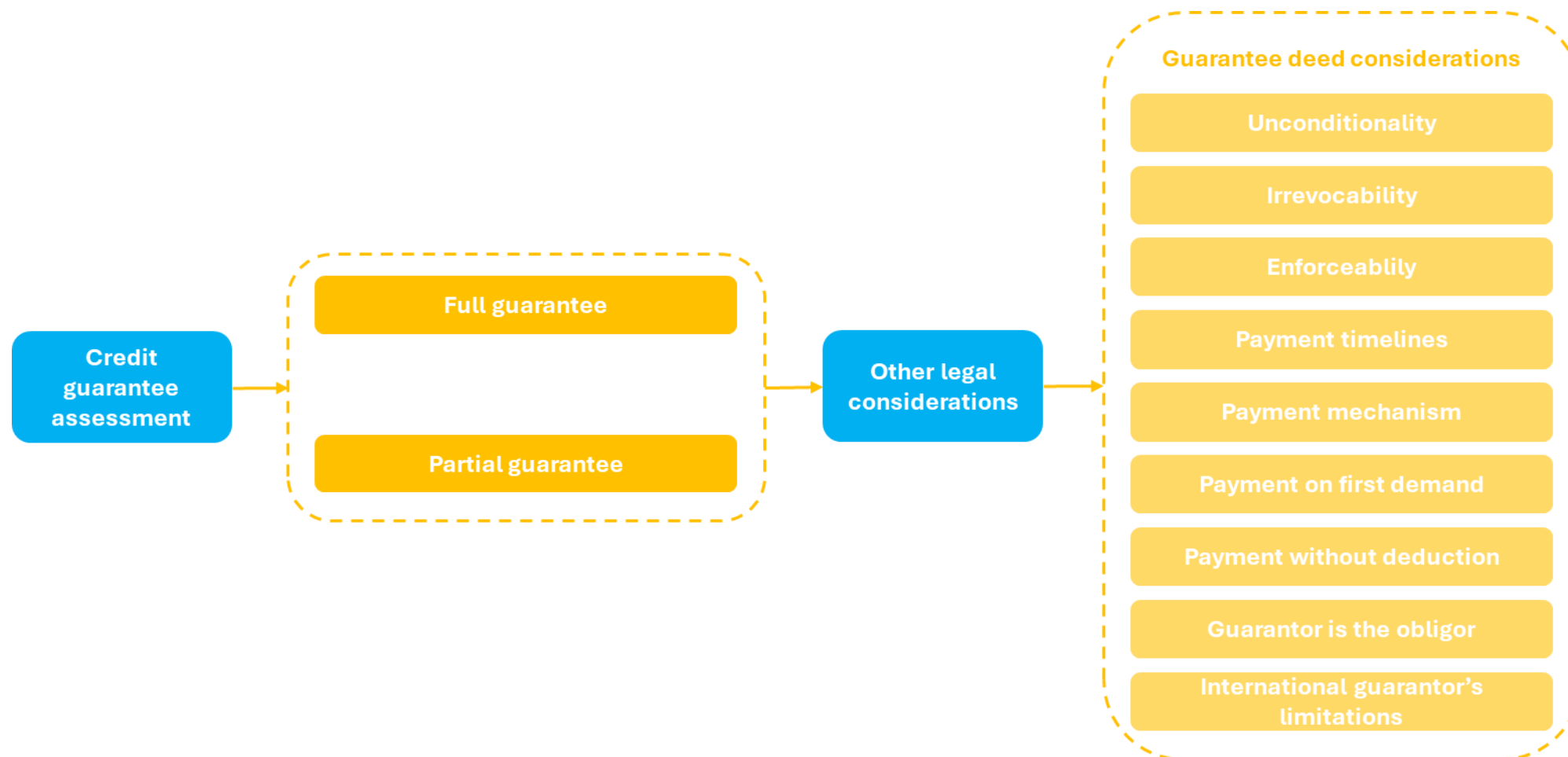
Types of collateral	Methods of determine market value	Haircut apply	Applicable to calculate base recovery rate (Y/N)
Deposits	Deposit balance	Minimal (0-10%)	Yes
Stocks/Shares of Equity of other third parties	Average market price in last 30 days	Moderate (20-30%)	Yes
Real Estate Assets & Other Assets	Market price/m2 times areas Market price adjusted to best reflect sale value of other assets	High (30-50%)	Yes
Stocks/Shares of Equity of Issuers or related companies	Average market price in last 30 days	High (up to 100%)	No

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FiinRatings assesses the issue guarantee based on guarantee portion contracted between the issuer and the guarantor, as well as the various agreed terms and conditions between involved parties as specified in the guarantee deeds. It is essential to critically assess the commitment and obligation from the guarantor's side on the payment coverage regarding the timelines, payment methods, and the amount of payment, etc. should the circumstance of insolvency, liquidation, and dissolution or any other similar issues occurs against the issuer of the rated instrument.



In many cases, guarantees are observed and can play a crucial role in the issuance ratings. FiinRatings approaches these circumstances from the credit assessment of the guarantor and the guaranteed portion assessment.

Guarantor

Guarantors can be Parents, Subsidiaries, or have no such relationship with Issuers.

Guarantees extended by subsidiaries to parent level debt (i.e., upstream guarantees) or cross guarantees may overcome structural subordination by putting the claims of parent company creditors pari passu with those of operating company creditors.

FiinRatings views that guarantee given to a debt instrument may enhance its credit profile, resulting in higher rating given to the guaranteed debt instrument compared to the issuer's rating. The existence of guarantee may not significantly affect the instrument's probability of default; however, it may increase the recovery prospect under the event of default, through the execution of claim mechanism to the guarantor.

In order to be eligible by FiinRatings to provide a credit enhancement of a debt instrument, a guarantee must fulfill the following conditions:

- The guarantor has superior financial capability as required to be an Eligible Guarantor
- The guarantee must be irrevocable and unconditional, including under the bankruptcy of the issuer
- Value of guarantee should be clearly stated in the contract, which covers the principal and coupon payment

After FiinRatings assigns the rating of the issuer, then FiinRatings will conduct the analysis of the guarantor's creditworthiness, the guarantee's characteristics, such as payment priority and subordination:

- Where the obligations under the guarantee rank pari passu with the guarantor's senior unsecured obligations, the rating assigned to the obligation will be adjusted based on (1) the issuer's rating and (2) the guarantor's rating
- The rating assigned to an obligation that benefits from a subordinated guarantee will correspond to the adjusted rating of an equivalent subordinated obligation of the guarantor.

Generally, the guarantor should have a higher rating compared to the issuer's rating for the issue to be upward adjusted. The number of uplift notches granted to the issue's rating must not surpass the guarantor's rating. In most case where the guarantor's rating is lower than the issuer's rating, FiinRatings do not consider any significant uplift adjustment to the issue's rating.

In the case of full guarantee, FiinRatings believes that a further assessment on the issue ranking is not necessary, subject to appropriate guarantee deeds. Therefore, we conduct thoroughly assessment of the legal terms and conditions agreed between the guarantor and the issuer and any other involved parties. The executed guarantee deed provides creditors a necessary legal foundation to seek solutions from the guarantor of the guaranteed debt instrument. It is essential for the guarantee deed to specify the obligation of the guarantors regarding the covered amount, timelines, payment method, etc. FiinRatings looks into the following details of the guaranteed deed and any other customized supplementary terms by individual cases which impact the guarantor's obligation.

Criteria	Explanation
Unconditionality	The support extended should be unconditional in nature in honoring the obligations under the guarantee.
Irrevocability	The support provider should not revoke the guarantee till all the obligations of the borrower are fully paid to the lender.
Enforceability	The support extended should be legally enforceable at any time during the tenure of rated instruments.
Payment timelines	In the event of default of the issuer, the payment should be exercised without delays. In case there is a post-due-date guarantee activation structure, the committed time frame needs to be reflected in the obligation assessment.
Payment mechanism	The sufficient amount of payment from the issuer should be made to a designated account by a specified deadline, otherwise the guarantee is activated by the guarantor.
Payment on first demand	In the event of default of the issuer, the payment should be exercised on first notice from the creditors.
Payment without deduction	All guaranteed payments are to be made by the guarantor without any deductions.
Guarantor is the obligor	The creditors are entitled to proceed against the support provider without waiting to exercise all its remedies.
Trustees' responsibility	If there is a trustee assigned, the trustee should monitor compliance with the payment mechanism in accordance with the terms laid down in the guarantee deed in a timely manner.
International guarantor's limitations	A guarantee from an international guarantor should be assessed regarding any limitations in cross-nation fund transfer, potential delays, and other regulatory or legal issues in the guarantor making remittances to the guarantee as per the specific laws in the origin and the destination of the payment.

Full Guarantee Notching Up from the Issuer's Credit Rating Based on the Guarantor's Credit Rating

For full guarantee cases, the recovery rate is derived completely from the contractual recovery rate, which is 100% before other adjustments.

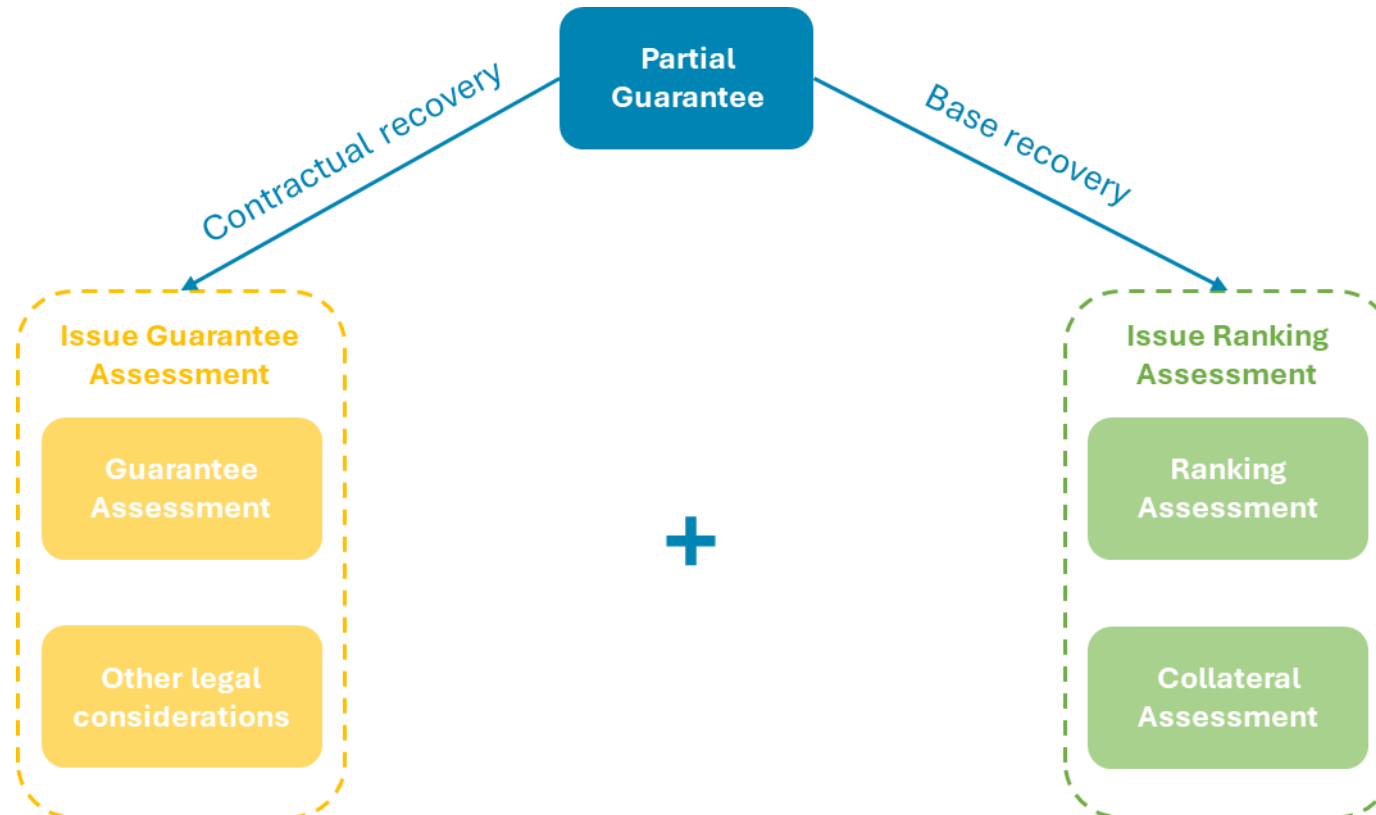
While FiinRatings believes that an Issuer's debt instrument with full guarantee from an eligible Guarantor will have a higher rating than the Issuer itself, our observation has shown that some Guarantees historically ended up not being able to execute due to "illegal origination" (and therefore invalid) (the Guarantee was originated without complying to the Guarantor's regulation). While this is may not be a technical default of guarantor, creditors' losses are recognized and unlikely to be recovered in full & on time (while lawsuits & settlements are going on).

Because of this, **we view that a debt instrument rating does not always equate guarantor's rating**. We also factor in the relationship between the Issuer and the Guarantor into our assessment of the Issue's credit rating.

Guarantor's rating or credit estimate		Treatment of instruments (issue rating)
[AAA]	Extremely strong capacity to meet financial obligation	Can be equal Guarantor's credit rating or Up to +12 notches from Issuer's credit rating
[AA]	Very strong capacity to meet financial obligation	Can be equal Guarantor's credit rating or Up to +9 notches from Issuer's credit rating
[A]	Strong capacity to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances	Can be equal Guarantor's credit rating or Up to +6 notches from Issuer's rating
[BBB]	Adequate capacity to meet financial commitments but more vulnerable to adverse developments and economic conditions	Can be equal Guarantor's credit rating or Up to +3 notches from Issuer's rating

Partial Guarantee Approach

In the case of partial guarantee, the foundation to the creditors' solutions in an event of the issuer's default involves the guarantor's contractual recovery and the issue's base recovery rate derived from its debt ranking and the secured asset liquidation. FiinRatings believes that it is necessary to respectively approach the guarantee deed, ranking of the debt, and evaluation of the available secured collaterals. Therefore, we conduct thoroughly assessment of not only the legal terms and conditions agreed between the guarantor and the issuer and any other involved parties, but also carry out the ranking and collateral assessment process.



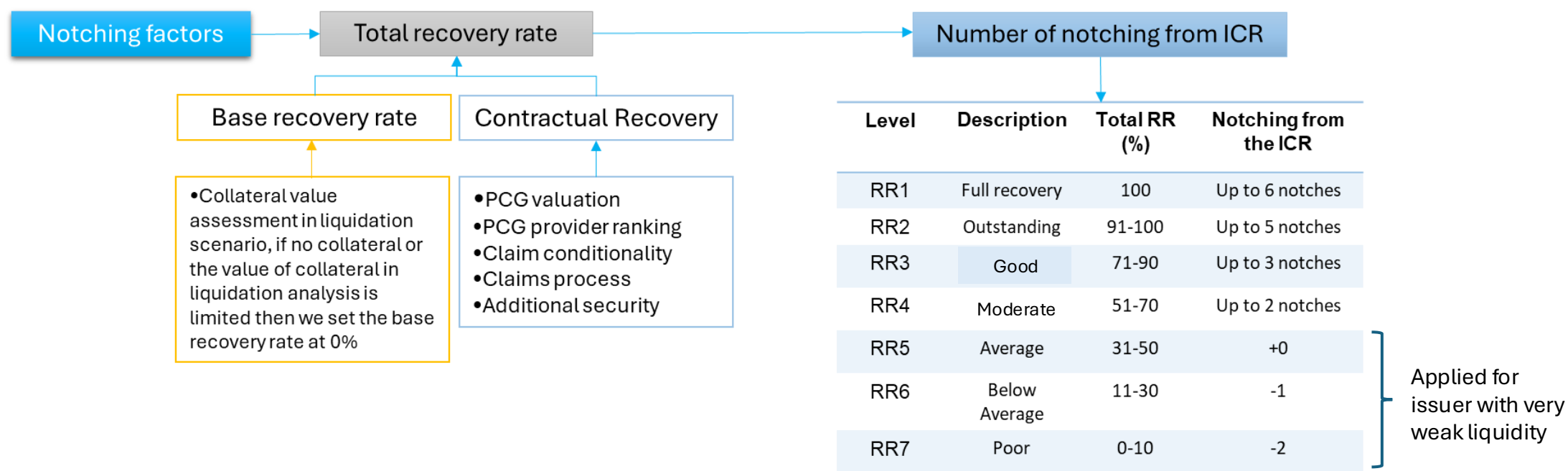
For the partial guarantee legal assessment approach, our criteria is similar to that of the full guarantee. It is always essential for the guarantee deed to specify the obligation of the guarantors regarding the covered amount, timelines, payment method, etc. FiinRatings looks into the following details of the guaranteed deed and any other customized supplementary terms by individual cases which impact the guarantor's obligation. These factors can increase or decrease the contractual recovery rate of the issue.

Criteria	Explanation
Unconditionality	The support extended should be unconditional in nature in honoring the obligations under the guarantee.
Irrevocability	The support provider should not revoke the guarantee till all the obligations of the borrower are fully paid to the lender.
Enforceability	The support extended should be legally enforceable at any time during the tenure of rated instruments.
Payment timelines	In the event of default of the issuer, the payment should be exercised without delays. In case there is a post-due-date guarantee activation structure, the committed time frame needs to be reflected in the obligation assessment.
Payment mechanism	The sufficient amount of payment from the issuer should be made to an designated account by a specified deadline, otherwise the guarantee is activated by the guarantor.
Payment on first demand	In the event of default of the issuer, the payment should be exercised on first notice from the creditors.
Payment without deduction	All guaranteed payments are to be made by the guarantor without any deductions.
Obligor Priority	In the event of default, the obligor priority should be determined for the creditors to prioritize their claims without waiting to exercise all its remedies.
Trustees' responsibility	If there is a trustee assigned, the trustee should monitor compliance with the payment mechanism in accordance with the terms laid down in the guarantee deed in a timely manner.
International guarantor's limitations	A guarantee from an international guarantor should be assessed regarding any limitations in cross-nation fund transfer, potential delays, and other regulatory or legal issues in the guarantor making remittances to the guarantee as per the specific laws in the origin and the destination of the payment.

After conducting the credit guarantee assessment and notching factors for the partial guarantee issue, we combine the contractual recovery rate and the base recovery rate to determine the total recovery rate of the issue. The total recovery rate would be used to determine the number of notching from the issuer's credit rating in combination with notching factors, which results in the issue's rating. However, the overall maximum uplift for the partial guarantee issues is limited by the following guidance:

- In most circumstances where the guarantor's rating is higher than the issuer's rating, the uplift must restrict the issue's rating by at least one notch below the guarantor's rating.
- Investment grade rated issuers are restricted at maximum one notch for the uplift of their issue's rating.
- Non-investment grade rated issuers have their rated instruments capped at 'BB+'.

Interpreting the Recovery Rate to Notching from the ICR



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