

# Corporate Rating Methodology

Updated August 2025



# Executive Summary

This publication has been developed by FiinRatings and substantially revised by S&P Global Ratings' experts. This publication presents FiinRatings' methodology for assigning issuer credit ratings (ICRs) on non-financial corporates in Vietnam 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 non-financial corporates 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 non-financial corporates involves a comprehensive assessment of several parameters. Some core parameters are considered to have a high influence on the credit quality of a non-financial corporates , while others are considered supplementary parameters. FiinRatings takes a forward-looking view on the performance of the non-financial corporates on these parameters while evaluating its rating.
- If you have any question or concern, please contact our Customer Support Team at <https://fiingroup.vn/ContactUs>, or email [fiinratings@fiingroup.vn](mailto:fiinratings@fiingroup.vn).

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## THE RATED UNIVERSE

This methodology introduces FiinRatings' analytical process rating non-financial corporate entities. This methodology does not apply to the following sectors, based on the unique characteristics of these sectors, which require either a different framework of analysis or substantial modifications to one or more factors of analysis: project finance entities, project developers, commodities trading, investment holding companies and companies that maximize their returns by buying and selling equity holdings over time, corporate securitizations, non-profit and cooperative organizations (other than agricultural cooperatives, and other entities whose cash flows are primarily derived from partially owned equity holdings).

## ISSUER AND ISSUE RATING

### Issuer Credit Ratings

A FiinRatings issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the counterparty credit ratings. Sovereign credit ratings and corporate credit ratings are all forms of issuer credit ratings.

### Issue Ratings

A FiinRatings issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation as well as the currency in which the obligation is denominated. The opinion reflects FiinRatings' view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default..

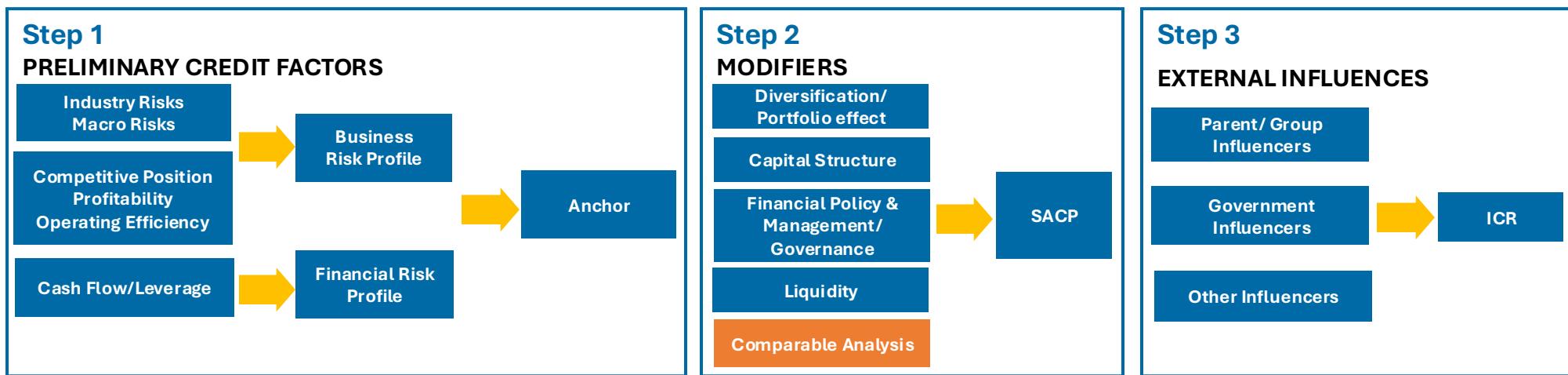
# Corporate Issuer Credit Rating Framework

FiinRatings, together with close support of S&P Global Ratings' experts, has developed its rating criteria for non-financial corporate sector in Vietnam market.

We analyze an entity's business risk profile, then evaluate its financial risk profile, then combine those to determine an entity's anchor. We then may analyze additional factors that could potentially affect our anchor conclusion. To be specific, the methodology consists of determining, in the following order:

- The anchor: The anchor is determined by the combined assessment of the corporate issuer's business risk profile and its financial risk profile.
- The SACP: The SACP is the anchor adjusted for the impacts of additional factors: diversification, capital structure, financial policy, liquidity, and management and governance. The analysis of these factors can raise or lower the anchor or have no effect. We may also conduct a comparable ratings analysis, which may raise or lower the anchor, based on a holistic view of the entity's credit characteristics.
- The ICR: The ICR results from the combination of the SACP and any support framework, which determines the extent of the difference between the SACP and the ICR, if any, for group or government influence.

The framework for non-financial corporate issuer ratings is presented below.



Source: *FiinRatings*

*Note:*

- *The Anchor: The Business Risk and Financial Risk that the Issuer faces*
- *The Stand-Alone Credit Profile (“SACP”): an issuer’s creditworthiness in the absence of intervention*

# Step 1: Building the Anchor

The first step to determine the anchor for the entity, by combining the assessment of Business Risk Profile (BRP) and Financial Risks Profile (FRP).

To determine an entity's business risk profile, the methodology combines our analysis of industry risk and competitive position. The analytic factors within the business risk profile generally are a blend of qualitative considerations and quantitative information. Qualitative assessments distinguish risk factors, such as an entity's competitive advantages, that we use to consider its competitive position. Quantitative information includes, for example, the historical cyclicalities of revenue and profits that we review when assessing industry risk.

The financial risk profile is the outcome of decisions that management makes in the context of its business risk profile and its financial risk tolerances. Leverage is typically considered to determine an entity's financial risk profile the analysis focuses on quantitative measures.

MATRIX TO DETERMINE CORPORATE ANCHOR						
Business profile	Financial risk profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
	AAA/AA+	AA	A+/A	A-	BBB	BBB-/BB+
	AA/AA-	A+/A	A-/BBB+	BBB	BB+	BB
	A/A-	BBB+/BBB	BBB/BBB-	BBB-/BB+	BB	B+
	BBB/BBB-	BBB-	BB+	BB	BB-	B
	BB+	BB+	BB	BB-	B+	B/B-
	BB-	BB-	BB-/B+	B+	B	B-

FINANCIAL RISK PROFILE (FRP)						
Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged	
Leverage & Coverage assessment via core ratios to determine the preliminary cash flow assessment, then adjust via the supplementary ratios						

BUSINESS RISK PROFILE (BRP)						
Excellent	Strong	Satisfactory	Fair	Weak	Vulnerable	
Matrix to determine Business Risk Profile						
INDUSTRY RISK						
COMPETITION POSITION	Very low risk	Low risk	Intermediate risk	Moderately high risk	High risk	Very high risk

Excellent	Strong	Satisfactory	Fair	Weak	Vulnerable	
Excellent	Excellent	Excellent	Excellent/Strong	Excellent/Strong	Satisfactory	Weak
Excellent	Strong	Satisfactory	Strong/Satisfactory	Strong/Satisfactory	Satisfactory/Fair	Weak
Strong	Satisfactory	Fair	Satisfactory	Satisfactory	Fair	Vulnerable
Satisfactory	Fair	Weak	Fair	Fair	Weak	Vulnerable
Fair	Weak	Vulnerable	Weak	Weak/Vulnerable	Vulnerable	Vulnerable
Weak	Vulnerable	Vulnerable	Vulnerable	Vulnerable	Vulnerable	Vulnerable
Vulnerable	Vulnerable	Vulnerable	Vulnerable	Vulnerable	Vulnerable	Vulnerable

INDUSTRY RISK		ENTITY'S COMPETITIVE POSITION		
Revenue and Profitability	Cyclicalities	Competitive advantage	Scale, scope and diversity	Profitability
Industry's Competitive risk and growth	Operating efficiency			

## Step 2: Assessment of Modifiers: *Diversification/ Portfolio effect*

Diversification/portfolio effect is the modifier that applies only to companies that we regard as conglomerates. They are companies that have multiple core business lines that may be operated as separate legal entities.

Degree of correlation of business lines	Sub step 1: Assessment of Diversification/ Portfolio effect		
	3	4	5 or more
High	Neutral	Neutral	Neutral
Medium	Neutral	Moderately diversified	Moderately diversified
Low	Moderately diversified	Significantly diversified	Significantly diversified

For the purpose of these criteria, we define a conglomerate as a diversified company that is involved in several industry sectors. A conglomerate would have at least three business lines, each contributing a material source of earnings and cash flow. In rating a conglomerate, we first assess management's commitment to maintain the diversified portfolio over a longer-term horizon.

The criteria aim to measure how diversification, or the portfolio effect could improve the anchor of a company with multiple business lines. This approach helps us determine how the credit strength of a corporate entity with a given mix of business lines could improve based on its diversity. The competitive position factor assesses the benefits of diversity within individual lines of business. This factor also assesses how poorly performing businesses within a conglomerate affect the organization's overall business risk profile.

We expect that a conglomerate will also benefit from diversification if its core assets consistently produce positive cash flows over our rating horizon. This supports our assertion that the company diversifies to take advantage of allocating capital among its business lines. To this end, our analysis focuses on a conglomerate's track record of successfully deploying positive discretionary cash flow into new business lines or expanding capital-hungry business lines. We assess companies that we do not expect to achieve these benefits as neutral.

We determine the assessment for this factor based on the number of business lines in separate industries and the degree of correlation between these business lines. There is no rating uplift for an issuer with a small number of business lines that are highly correlated. By contrast, a larger number of business lines that are not closely correlated provide the maximum rating uplift. The degree of correlation of business lines is high if the business lines operate within the same industry. The degree of correlation of business lines is medium if the business lines operate within different industries but operate within the same geographic region. An issuer has a low degree of correlation across its business lines if these business lines are both (i) in different industries and (ii) either operate in different regions or operate in multiple regions.

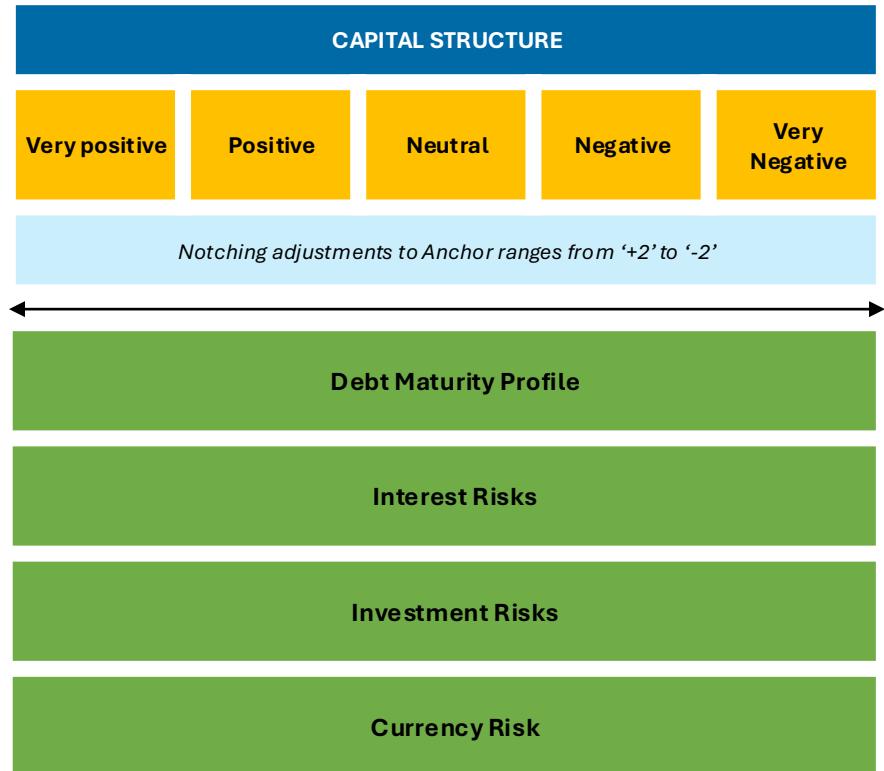
## Step 2: Assessment of Modifiers (Cont.): *Capital structure*

FiinRatings uses its capital structure criteria, the second modifier, to assess risks in a company's capital structure that may not show up in our FRP measured by Cash flow/ Leverage. These risks may exist as a result of maturity date or other mismatches between an entity's sources of financing and its assets or cash flows.

FiinRatings considers the following factors that may not be adequately captured in our leverage analysis:

- Debt maturity profile: we consider refinance risks or benefits beyond the horizon we typically consider in our liquidity analysis;
- Debt interest rate risk: we could view this risk as negative if interest rate movements could lead to material weakening of leverage due to an entity's mix of fixed versus floating rate debt;
- Investments: We view material, nonstrategic investments that could be readily monetized as flexibility that could enhance an issuer's credit quality; and
- Debt currency risk: we could view this risk as negative when exchange rate movements could lead to weakening leverage metrics due to unhedged foreign exchange risk.

FiinRatings considers the above factors in totality when arriving at an assessment of capital structure as positive or negative, which may adjust the anchor up or down, respectively. A neutral capital structure has no effect on the anchor.

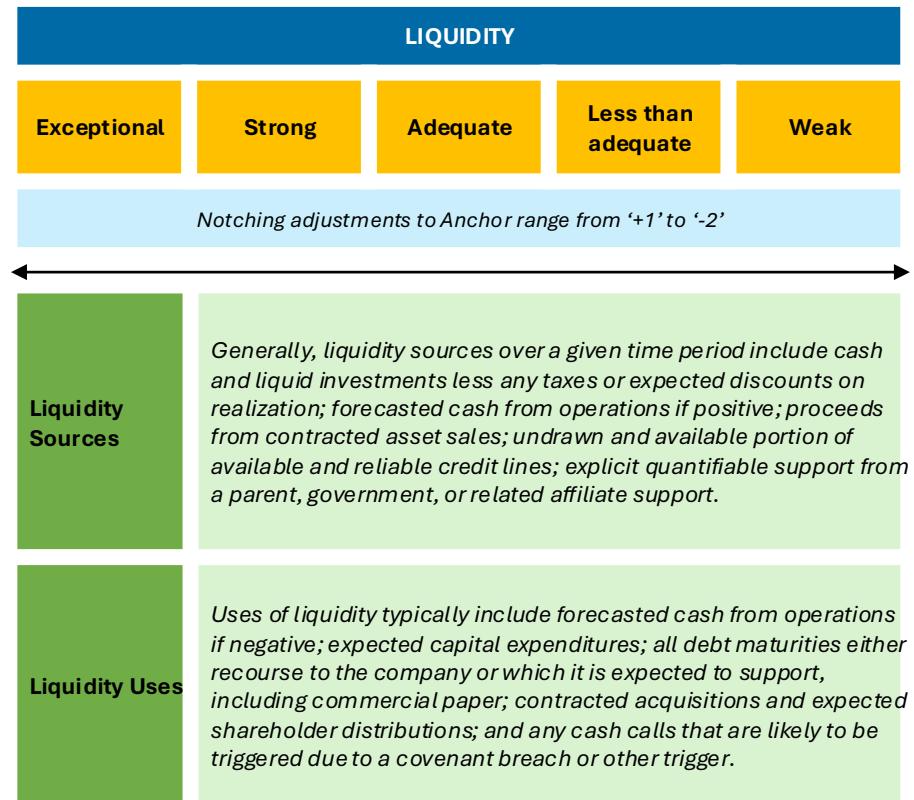


## Step 2: Assessment of Modifiers (Cont.): *Liquidity*

Our assessment of liquidity, the third modifier, focuses on the monetary flows (the sources and uses of cash) that are the key indicators of a company's liquidity cushion.

The liquidity analysis typically considers the potential for an entity to breach any covenant tests, as well as its ability to absorb high-impact, low-probability events, the nature of the entity's bank relationships, its standing in credit markets, and how prudent (or not) we believe its financial risk management to be.

Liquidity does not usually provide uplift to a rating, but in some cases may be the driving factor of relatively low ratings. We consider quantitative and qualitative factors when analyzing liquidity and may assess liquidity as sufficient or insufficient. The most important reflection of liquidity is generally in the quantitative measure of sources to uses. In periods of increasing stress, where an entity has flexibility to reduce planned cash outflows (for instance, growth capital expenditures), we may account for such a reduction when we believe management will behave accordingly.



## Step 2: Assessment of Modifiers (Cont.): *Financial policy, Management & Governance*

Financial policy, Management & Governance analysis is the third analytical factor to determine the final SACP under the methodology.

### Financial policy:

Financial policy refines the view of a company's risks beyond the conclusions arising from the standard assumptions in the "Cash flow / leverage" assessment. The cash flow/leverage assessment will typically factor in operating and cash flows metrics we observed from historical performance and the trends we expect to see for the coming few years based on operating assumptions and predictable financial policy elements.

The financial policy assessment is a measure of the degree to which owner/managerial decision-making can affect the predictability of a company's financial risk profile. We assess an entity's financial policy via the evaluation of the management's financial discipline and financial policy framework. The former assessment is based on management's leverage tolerance and the likelihood of event risk. The latter assesses the comprehensiveness, transparency, and sustainability of the entity's financial policies. This will help determine whether there is a satisfactory degree of visibility into the issuer's future financial risk profile. Companies that have developed and sustained a comprehensive set of financial policies are more likely to build long-term, sustainable credit quality than those that do not.

### Management & governance:

The analysis of management and governance addresses how management's strategic competence, organizational effectiveness, risk management, and governance practices shape the company's competitiveness in the marketplace, the strength of its financial risk management, and the robustness of its governance. Stronger management of important strategic and financial risks may enhance creditworthiness.



## Step 2: Assessment of Modifiers (Cont.): *Comparable Analysis*

Comparable ratings analysis is the last analytical factor under the methodology to determine the final SACP on an entity, and this considers the overall credit quality of the entity and its position against peers.

This analysis can lead us to raise or lower our anchor, based on our overall analysis of its credit characteristics for the factors we have considered in arriving at the SACP. This involves taking a holistic review of an entity's SACP, in which we evaluate an entity's credit characteristics in aggregate and consider any factors not already captured. The application of comparable ratings analysis reflects the need to "fine-tune" ratings outcomes, even after the use of each of the other modifiers. A positive or negative assessment is therefore likely to be common rather than exceptional. The SACP may be notched up/down by one notch or remain unchanged.

Generally, we compare an entity with all other entities in the same sector and country of domicile. More specifically, the peer group is typically corporates that are in the same sector and have similar SACPs (i.e., the same or one notch higher or lower). However, the peer groups may include others. For example:

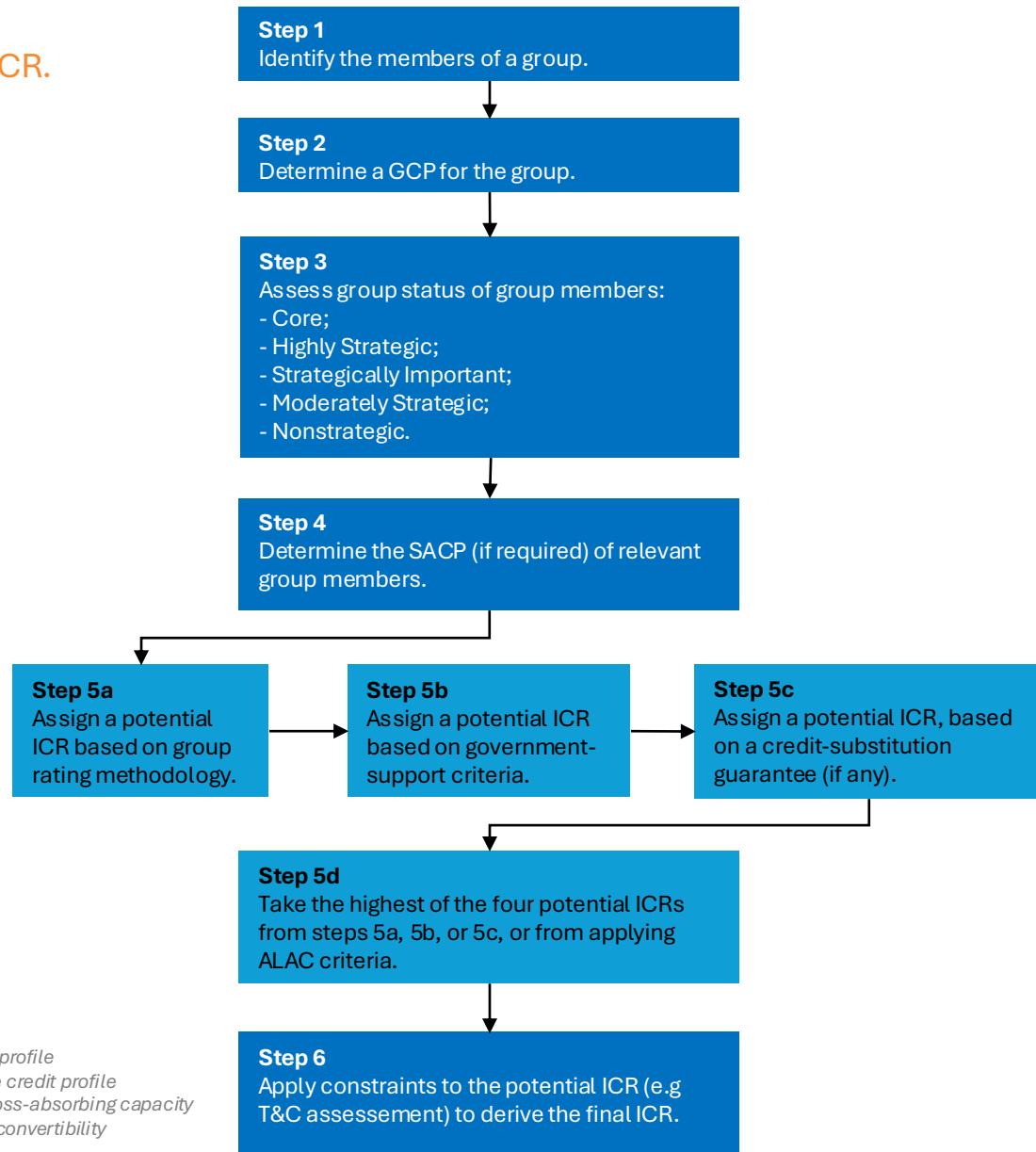
- The peer group may include companies in the same sector but in different countries if there's an insufficient number of domestic peers or because regional or global peers form a better comparison.
- The peer group may include companies from other sectors when the entity's business overlaps with or is adjacent to other sectors.

## Step 3: Assessment of External Influences

After determining the SACP, FiinRatings then factor in any potential external influences on an entity to determine the ICR.

The criteria address a key area of "External support" in Framework. One of the main rating considerations is the potential for support (or negative intervention) from the parent company or group.

The criteria articulate the steps in determining an issuer credit rating (ICR) or financial strength rating (FSR) on a member of a corporate or financial services group. This involves assessing the group's overall creditworthiness, the stand-alone credit profile of group members, and the status of an entity relative to other group members and the parent company.



**GCP:** Group credit profile  
**SACP:** Stand-alone credit profile  
**ALAC:** Additional loss-absorbing capacity  
**T&C:** Transfer and convertibility

# Assessment of External Influences: *Government-support criteria*

After determining the SACP, FiinRatings then factor in any potential Government support on an entity to determine the ICR.

Our process for determining extraordinary government support for a specific entity follows a structured, two-step approach, beginning with an assessment of the likelihood of support itself.

## Step 1: Assessment Of The Likelihood Of Extraordinary Government Support:

First, we determine the likelihood that a government will provide extraordinary support during a period of stress. This is a combined assessment based on two key pillars:

- Assessing The Importance Of the entity's Role To The Economy:** Evaluates the potential impact of an entity's default on the government and the economy
- Assessing the strength and durability of the link between the Entity and the government:** Analyzes government ownership, control, and track record of support

As a general principle, the higher the likelihood of sufficient and timely extraordinary support, the closer the entity's creditworthiness will be to the government's. Conversely, a lower likelihood of support means the entity's rating will be closer to its own intrinsic credit strength (SACP)

		Framework to determine The Likelihood Of Extraordinary Government Support				
		Importance of the entity's Role to the Economy				
Likelihood of Extraordinary Government Support		CRITICAL	VERY IMPORTANT	IMPORTANT	LIMITED IMPORTANCE	
Link between the entity and the Government	INTEGRAL	Almost certain	Extremely high	High	Moderately high	
	VERY STRONG	Extremely high	Very high	High	Moderately high	
	STRONG	High	High	Moderately high	Moderate	
	LIMITED	Moderately high	Moderately high	Moderate	Low	

## Step 2: Establish The Entity's Issuer Credit Rating (ICR)

With the likelihood of support established, we then determine the final rating by combining three key inputs:

- The Likelihood of Extraordinary Government Support (from Step 1)
- The entity's Stand-Alone Credit Profile (SACP)
- The Government's Local Currency Rating

This combination yields the final Issuer Credit Rating, reflecting both the entity's intrinsic strength and the potential for government intervention

# Assessment of External Influences: *Government-support criteria (Cont')*

## Assessing The Importance Of the entity's Role To The Economy.

FiinRatings distinguishes four different levels when assessing the importance of the entity's role to the Economy for the purpose of determining potential extraordinary support from the government:

- Critical
- Very important
- Important
- Limited importance

Level of importance	Criteria
<b>Critical</b>	<ul style="list-style-type: none"><li>• The Entity operates on behalf of the government and its main purpose is to provide a key public service that could not be readily undertaken by a private entity and would be likely conducted by the government itself; or</li><li>• The Entity is among the most important corporate in the country and it plays a central role in meeting key economic, social, or political objectives of the government or in the implementation of a key national policy.</li></ul>
<b>Very important</b>	The Entity's default/credit stress would lead to a disruption of its activities and have a significant systemic impact on the local economy.
<b>Important</b>	The Entity's credit standing is important because one or more of the conditions below are met: (i) provider of essential infrastructure, goods, or services to the population, (ii) part of its activities relates to an important public policy role, (iii) Its default/credit stress would lead to a disruption of its activities and could have a significant impact on a sector of the economy.
<b>Limited Importance</b>	<ul style="list-style-type: none"><li>• The Entity is among many entities and/or its activity could easily be undertaken by other entities if it ceased to exist.</li><li>• The government is primarily interested by the Entity operations and/or employment and not so much by its credit standing.</li></ul>

# Assessment of External Influences: *Government-support criteria (Cont')*

## Assessing the strength and durability of the link between the Entity and the government

FiinRatings distinguishes four different levels when assessing the strength of the link between the Entity and the government:

- Integral
- Very strong
- Strong
- Limited

Link Between The Government And The Entity	Criteria
<b>Integral</b>	The Entity is essentially an arm of, and/or very tightly controlled by, the government, and/or there is a legal framework in place that provides for explicit government support for the Entity. In addition, the government has a policy, supported by a track record, of providing considerable and timely credit support in all circumstances.
<b>Very strong</b>	The government has a very strong and durable link with the Entity, and/or there is a legal framework in place that provides for explicit government support for the Entity. In addition, the government has a policy, supported by a track record, of providing very strong and timely credit support in most circumstances.
<b>Strong</b>	The government is an important shareholder of the Entity and has a policy and/or track record of providing strong credit support in certain circumstances, or in case the government is not an important shareholder, it has already supported the Entity and stated its intention to continue to do so.
<b>Limited</b>	The government has limited interference with the Entity and has a policy, track record, and/or capacity for providing very limited credit support or has or is expected to negatively intervene in the Entity. The government is not a shareholder or is a minority shareholder and does not interfere more than any other minority shareholder in the Entity's strategic decisions and operations.

## Assessment of External Influences: *Government-support criteria (Cont')*

### Determining the Entity's Issuer Credit Rating with Government support

Tables below indicate what would be the Entity's issuer or issue credit rating based on its SACP (listed down the left-hand side of the table), our assessment of the likelihood of extraordinary government support (listed across the top of the table), and the government's local currency rating (AAA credit rating)

**Likelihood of extraordinary government support**

SACP	Almost certain	Extremely high	Very high	High	Moderately high	Moderate	Low
aaa	AAA	AAA	AAA	AAA	AAA	AAA	AAA
aa+	AAA	AAA	AAA	AA+	AA+	AA+	AA+
aa	AAA	AAA	AAA	AA+	AA	AA	AA
aa-	AAA	AAA	AA+	AA	AA	AA-	AA-
a+	AAA	AA+	AA	AA-	AA-	AA-	A+
a	AAA	AA+	AA	AA-	A+	A+	A
a-	AAA	AA+	AA	AA-	A+	A	A-
bbb+	AAA	AA+	AA-	A+	A	A-	BBB+
bbb	AAA	AA+	A+	A	A-	BBB+	BBB
bbb-	AAA	AA+	A	A-	BBB+	BBB	BBB-

# Assessment of External Influences: *Government-support criteria (Cont')*

## Determining the Entity's Issuer Credit Rating with Government support

Tables below indicate what would be the Entity's issuer or issue credit rating based on its SACP (listed down the left-hand side of the table), our assessment of the likelihood of extraordinary government support (listed across the top of the table), and the government's local currency rating (AAA credit rating)

**Likelihood of extraordinary government support**

SACP	Almost certain	Extremely high	Very high	High	Moderately high	Moderate	Low
bb+	AAA	AA+	A-	BBB+	BBB	BBB-	BB+
bb	AAA	AA	BBB+	BBB	BBB-	BB+	BB
bb-	AAA	AA	BBB+	BBB-	BB+	BB	BB-
b+	AAA	AA	BBB+	BB+	BB	BB-	B+
b	AAA	AA-	BBB	BB	BB-	B+	B
b-	AAA	AA-	BBB-	BB-	B+	B	B-
ccc+	AAA	BBB-	BB-	B+	B	B-	CCC+
ccc	AAA	BB+	B+	B	B-	CCC	CCC
ccc-	AAA	BB+	B+	B-	B-	CCC-	CCC-
cc	AAA	BB-	B+	B-	B-	CC	CC

# Issue Credit Rating Framework

Once we have Issuer Credit Rating, we can proceed to rate an Issue.

- **Issuer ratings:** General estimate of the creditworthiness of the Company
- **Issue ratings:** Specific rating for a financial instrument (e.g., corporate bond, unsecured debt instruments)
- **The issue ratings** = Issuer ratings +/- Issue notching factors (*Qualitative and Quantitative factors*)

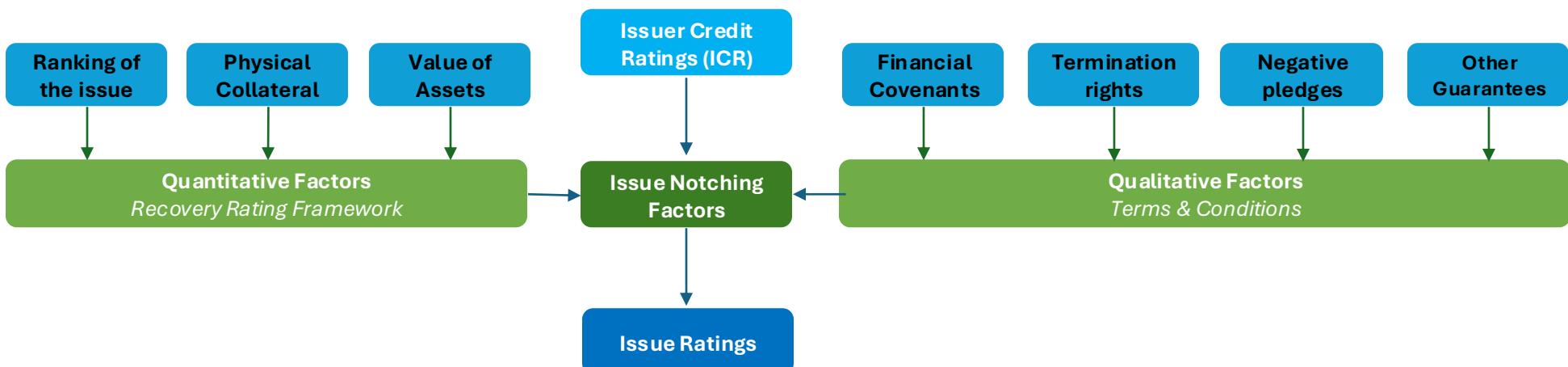
## Issue Credit Ratings Framework

Issue credit ratings are based, in varying degrees, on S&P Global Ratings' analysis of the following considerations:

- 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;
- 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 or ultimate recovery in the event of default. Junior 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.)

The issuer ratings could be notched up or not notched down maximum 3 notches (1 category) to produce the final issue ratings.



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