

THEMATIC REPORT CORPORATE BOND MARKET

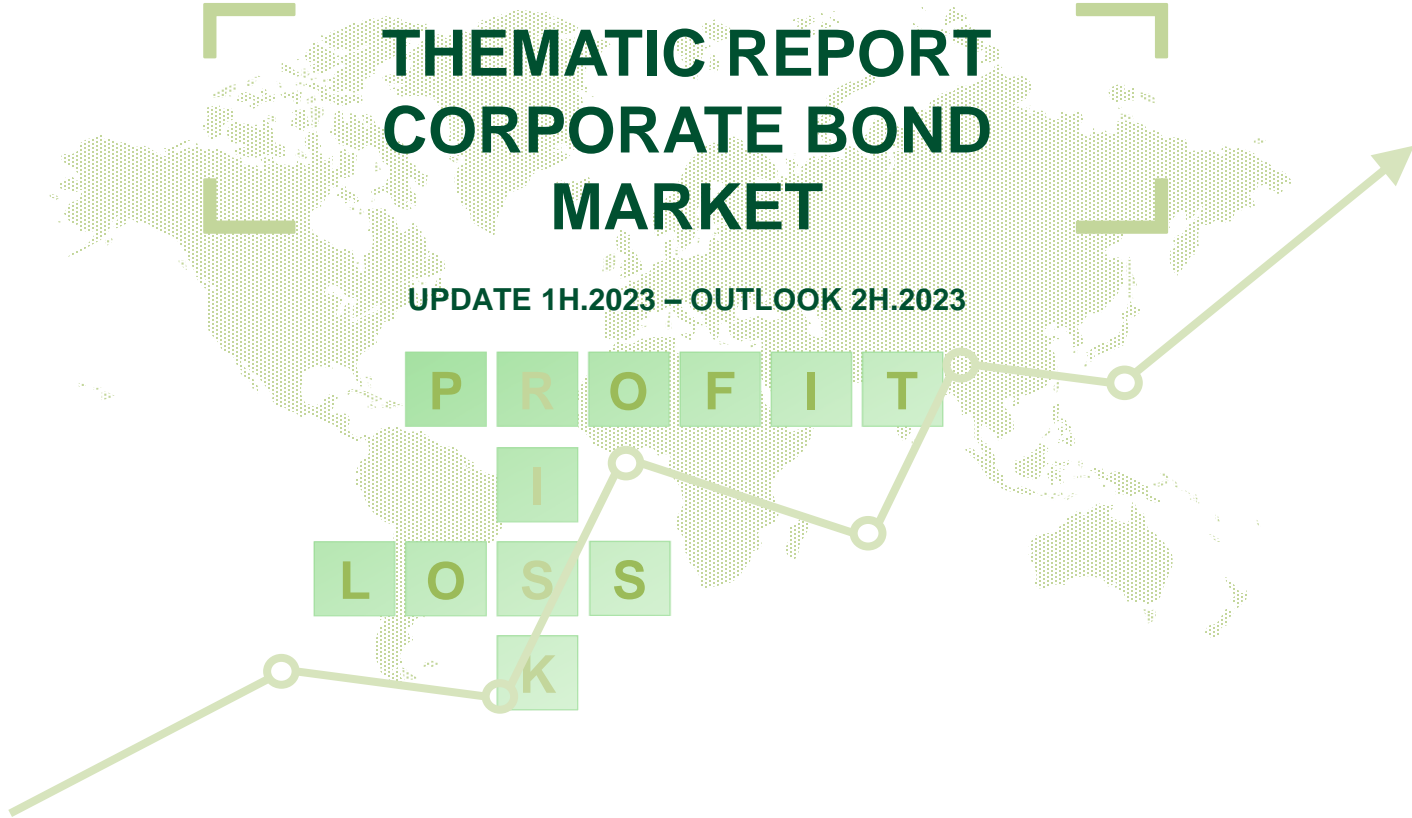
UPDATE 1H.2023 – OUTLOOK 2H.2023

P R O F I T

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HIGHLIGHTS 1H.2023

- ▼ In 1H.23, there were 61 domestic corporate bond issuances; issuance value of VND 64,552 bn (-69% yoy)
- ▼ According to CBIS Portal, in 1H.23, the volume of bonds bought before maturity reached VND 80,621 bn (+3% YoY).
- ▼ The market size continues to shrink. As of 12 July, 2023, the outstanding value of corporate bonds was estimated VND 1,078,787 bn, equivalent to ~11% GDP.
- ▼ Average tenor in 1H.23 increased to 3.98 from 3.71 years recorded in 2022. Average yields for successful issuance was 11.53%. Highest yields belongs to real estate sector ~12%. High yields recorded, which indicated high cost of funds for corporates.
- ▼ 146 announcements related to 113 bonds with late payment of principal, interest and buyback before maturity; VND 42,000 bn worth of bond under negotiation process to change bond terms mainly in real estate and energy.

OUTLOOK 2H.2023.

- ▼ In 2H.2023, the market scale of corporate bond shall be stable due to some reasons:
 - ▼ Interest rate level in the downtrend helps create more favorable conditions for new issuance in 2H.2023.
 - ▼ The amount of bonds bought back before maturity is forecasted to stop increasing.
 - ▼ Issuing organizations manage to speed up negotiations to extend bond terms when interest rates are favorable, and Decree 08 is still in effect. Thereby, businesses shall have more time to deal with bond maturity.
- ▼ Issuance costs shall be lower thanks to: interest rates are in downward trend; effort and measures to revive the market; the launching new trading system for private placement corporate bonds. Nevertheless, there will be differentiation between issuers with history of default events and others.

CONTENT



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HIGHLIGHTS

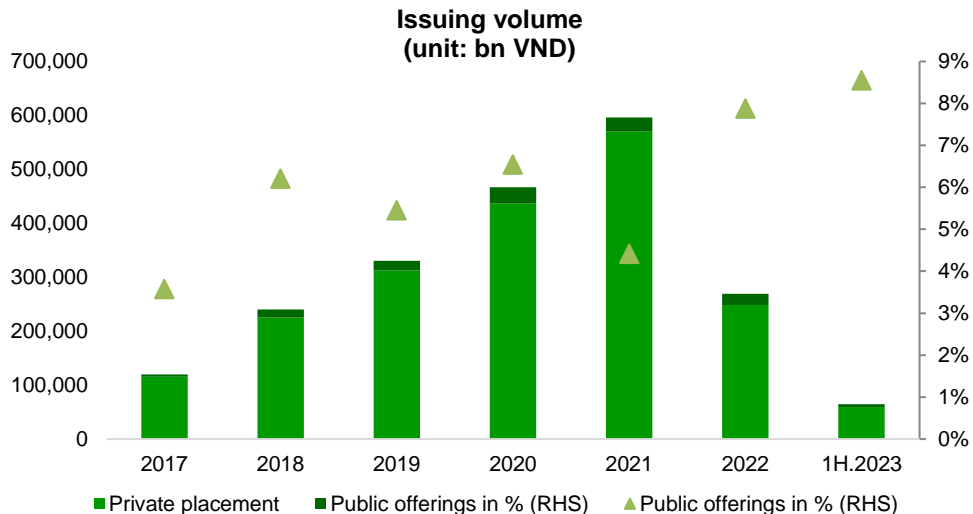
Step by step to revive the market

02

OUTLOOK

Maturity pressure remains strong

Efforts to remove difficulties including issuance of Decree 08 amending Decree 65.



- ▼ On March 5th, 2023, the Government issued Decree No. 08/2023/ND-CP amending, supplementing and suspending the effect of a number of articles of the Decrees prescribing private placement and trading of privately placed corporate bonds in domestic market and offering of corporate bonds in international market.
- ▼ This decree allows issuers to negotiate with bond holders to pay with other assets if they fail to redeem the bonds on time. Also, the decree delay the effectiveness of some clause in Decree No.65 till 31 Dec 2023.

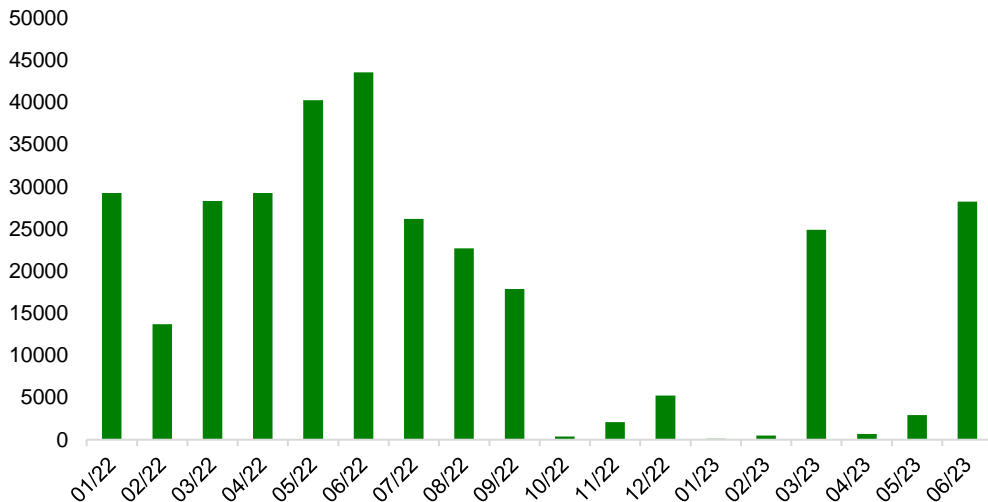
(Thematic report Decree 08)

Source: CBIS Portal, VCBS research estimates & compiles

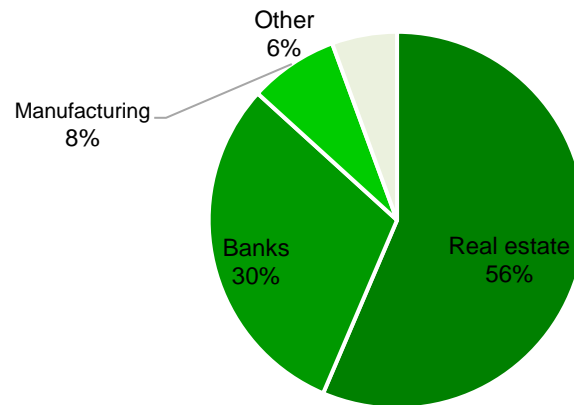
- ▼ In 1H.23, there were 61 domestic corporate bond issuances; issuance value of VND 64,552 bn (-69% yoy): The average issuance term is 3.98 years, which was higher than 2.89 years recorded in 1Q.23 (2022 average terms: 3.71). Therein:
 - 54 private issuances with a total value of VND 59,032 billion (91.4%)
 - 7 public issuances worth VND 5,520 billion (8.6% of total volume)
 - In general, private issuance is the preferred choice of businesses. Nevertheless, the proportion of public placement was higher due to Masan cases.
- ▼ In addition, there were no record for international bond issued in this period.

New issuance recorded mainly in March and June in real estate sector.

Monthly corporate bond issued (bn VND)



Corporate bonds issued by sector in 1H.23

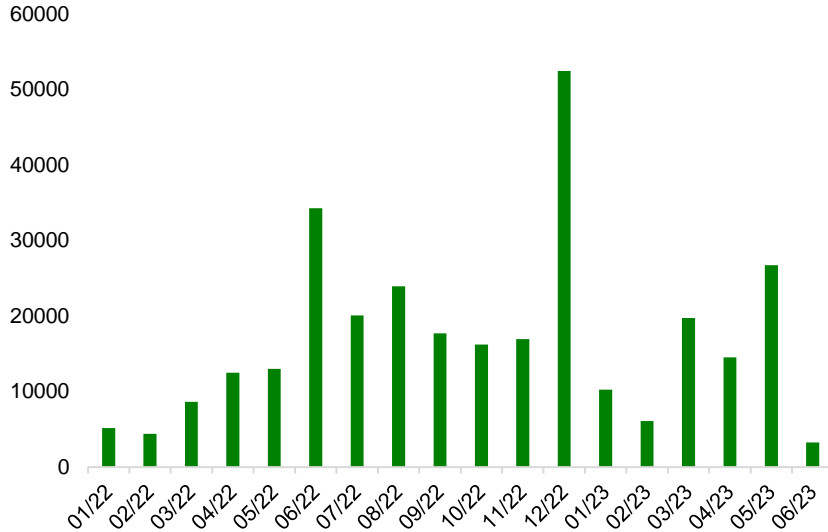


- Higher issuing volume was recorded in March and June after Decree 08 took effect.
- In the first half, Real Estate and Banks was the main issuers, accounting for 56% and 30% respectively of the total successful issuance value

In 1H.2023 market still report bonds bought back before maturity.

Top 20 issuers in bond buybacks before maturity in 1H.23

Corporate bonds buybacks before maturity VND*



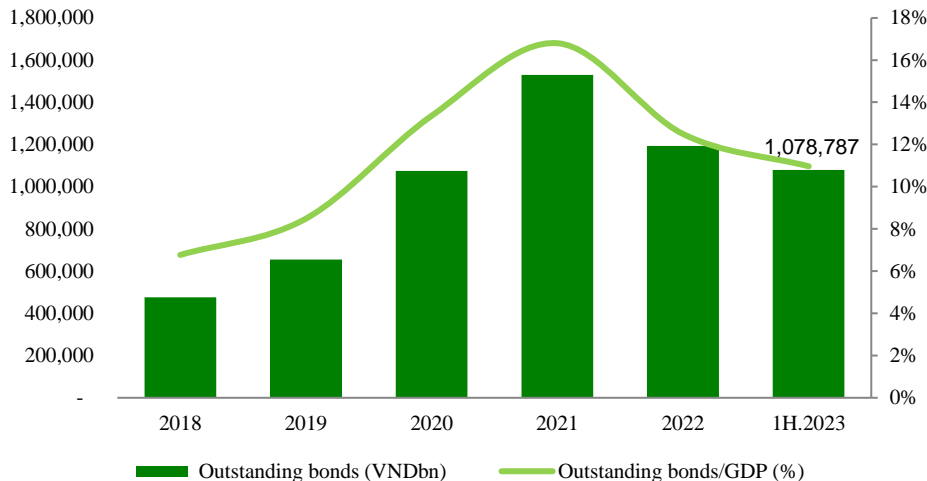
Source: CBIS Portal, till 19 July 2023, VCBS compiles & estimates

No.	Issuer	Total
1	VPB - Vietnam Prosperity Joint Stock Commercial Bank	14.370
2	TPB - Tien Phong Commercial Joint Stock Bank	10.258
3	OCB - Orient Commercial Joint Stock Bank	7.800
4	ACB - Asia Commercial Joint Stock Bank	7.500
5	TCB - Vietnam Technological and Commercial Joint Stock Bank	6.500
6	MSB - Vietnam Maritime Commercial Joint Stock Bank	6.300
7	AZRC - AZURA . JSC	6.300
8	YMGC - Yamagata Corporation	6.137
9	BID - Joint Stock Commercial Bank for Investment and Development of Vietnam	5.893
10	LPB - Lien Viet Post Commercial Joint Stock Bank	5.100
11	ABB - An Binh Commercial Joint Stock Bank (ABBANK)	4.300
12	VIB - Vietnam International Commercial Joint Stock Bank	4.160
13	ATKC - Ataka Vietnam Joint Stock Company	3.429
14	KDPC - East Zone - PHU QUOC CO., LTD	2.900
15	BAB - Bac A Commercial Joint Stock Bank	2.700
16	DVPC - DOJI Jewelry Group Joint Stock Company	2.600
17	NCRC - Cam Ranh Yacht Club and Resort Joint Stock Company	2.131
18	KBC - Kinh Bac Urban Development Corporation - JSC	2.000
19	SHB - Saigon - Hanoi Commercial Joint Stock Bank	2.000
20	STB - Saigon Thuong Tin Commercial Joint Stock Bank	2.000

- According to CBIS Portal, in 1H.23, the volume of bonds bought before maturity reached VND 80,621 bn (+3% YoY). The amount of bond buybacks can be explained by either actively done by issuers or demand from the bond holders. This trends shall extend in 2023.
- Among the top 20 enterprises with bought back value excluding banks are Yamagata, Azura, Osaka, Doji Jewelry Group Joint Stock Company, etc...

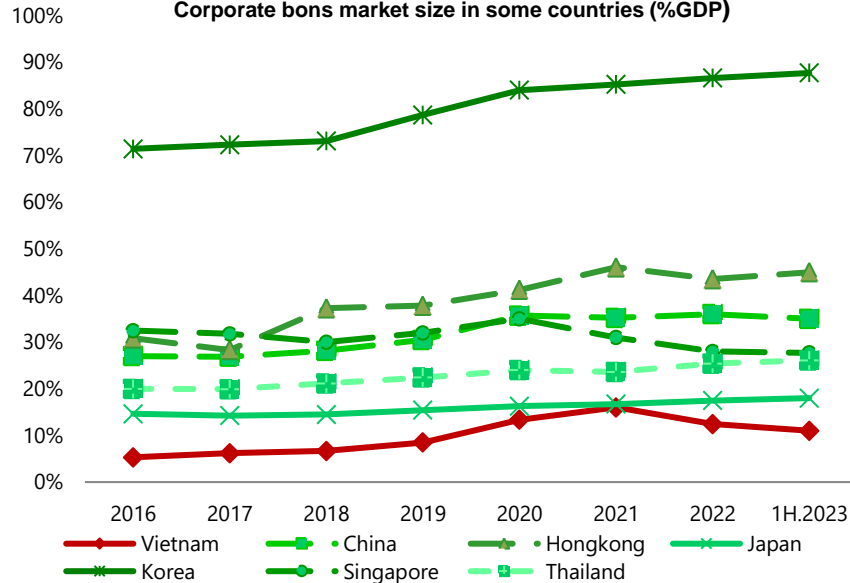
The market size decreased.

Corporate bonds outstanding



- ❖ The market size continues to shrink. As of 12 July, 2023, the outstanding value of corporate bonds was estimated VND 1,078,787 bn, equivalent to ~11% GDP.
- ❖ The shrink is due to the low new issuance volume while the outstanding bonds keeps maturing and or repurchased.

Corporate bonds market size in some countries (%GDP)

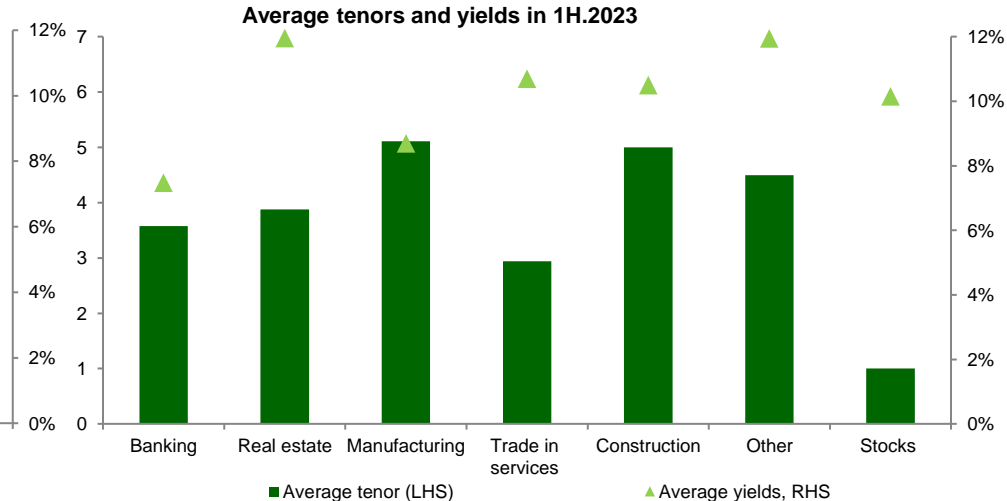
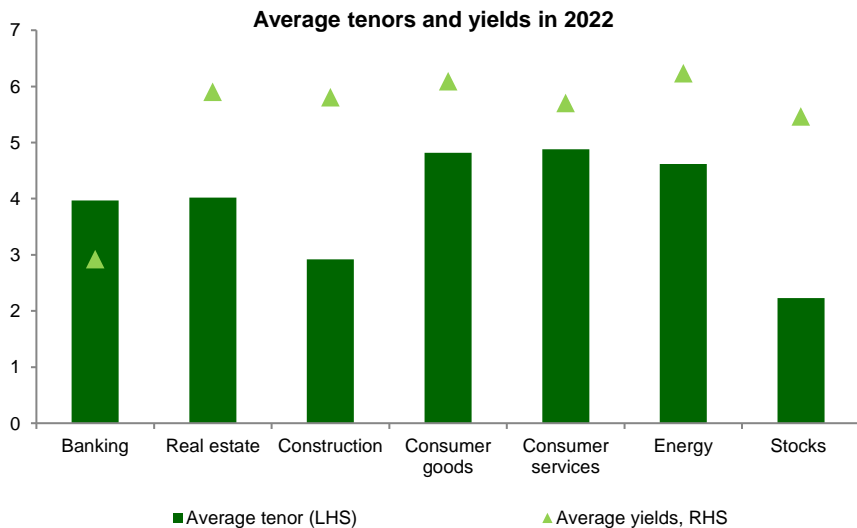


Source: CBIS Portal, ABO, VCBS compiles & estimates

- ❖ Compared to other countries, the size of the corporate bond market in Vietnam is relatively small.
- ❖ VCBS believes that the market scale will be stable in upcoming period as the restructuring procedure continues.

High yields recorded, which indicated high cost of funds for corporates.

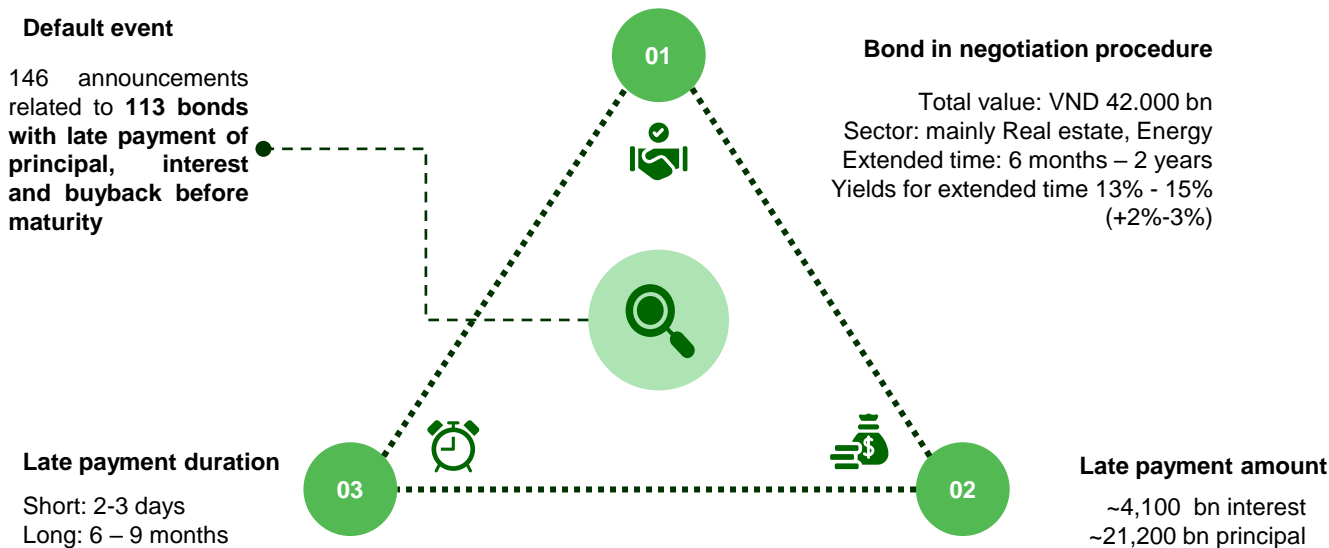
- Average tenor in 1H.23 increased to 3.98 from 3.71 years recorded in 2022. Average yields for successful issuance was 11.53%.
- Highest yields belongs to real estate sector ~12%.
- High yields recorded, which indicated high cost of funds for corporates.



Source: VBMA, Fiinpro, CBIS portal, VCBS compiled & estimated, *excluded Zero coupon

Decree 08 creates a legal framework to promote the bond extension negotiation process.

- According to CBIS Portal, by July 2023, many businesses announced late payment of interest, principal or inability to redeem bonds. In the meantime, some bonds have been successfully negotiated for extension since Decree 08 took effect.



In the second quarter of 2023, the number of bonds with late payment of interest and principal continued to increase. In some cases, bonds continue to be delayed in paying interest in the next payment period. During the restructuring process, the form of bond extension still dominates, accounting for over 80%, indicating that the current processing methods mostly help the issuer to have more time.

On July 19, the trading system for private placement corporate bonds came into operation with 19 bond codes, issued by 3 corporates.

The system is operated by the Hanoi Stock Exchange, and Vietcombank is the payment bank for transactions.



Trading value in the first week (July 19-25) reached 5,029,202 million bonds, equivalent to a transaction value of VND 1,787.74 billion.

It is expected that more than 1,600 individual bonds issued by 1,000 businesses will be traded on the system.

The trading system for private placement bonds shall help to increase liquidity and in transparency of the corporate bond market. It should also be noted that the launching of the private placement corporate bond 's trading system is just the beginning.

CONTENT



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HIGHLIGHTS

Step by step to revive the market

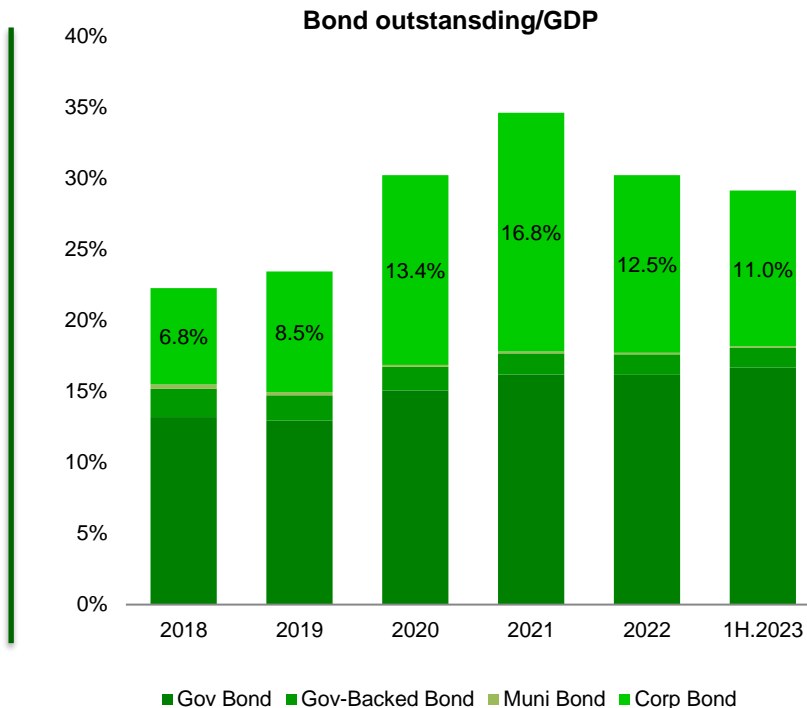
02

OUTLOOK

Maturity pressure remains strong

The market scale of corporate bond shall be stable.

- ❖ Size of corporate bond market: Currently, the total debt balance of the corporate bond market is less than 15% of GDP; in which, individual corporate bonds alone are about ~11% of GDP (about 1.07 trillion VND), still quite modest compared to other countries in the region and also far from the target set out in 2025. In 2H.2023, the market scale of corporate bond shall be stable due to some reasons:
 - ❖ Interest rate level in the downtrend helps create more favorable conditions for new issuance in 2H.2023.
 - ❖ The amount of bonds bought back before maturity is forecasted to stop increasing.
 - ❖ Issuing organizations manage to speed up negotiations to extend bond terms when interest rates are favorable, and Decree 08 is still in effect. Thereby, businesses shall have more time to deal with bond maturity.
- ❖ On the demand side, for institutional investors, government bonds are still a priority investment channel when it comes to risk-reward approach. Meanwhile, for individual investors, it still takes time to regain market confidence.
- ❖ VCBS expects that there will be much more private placement corporate bonds listing in new trading system in the upcoming period. Consequently, it will help to boost the transparency of information disclosure such as transaction data, bond status and contribute to better protection in term of investors' interest....
- ❖ In general, we believe that the new trading system is the right effort to build sustainable development of the capital market.



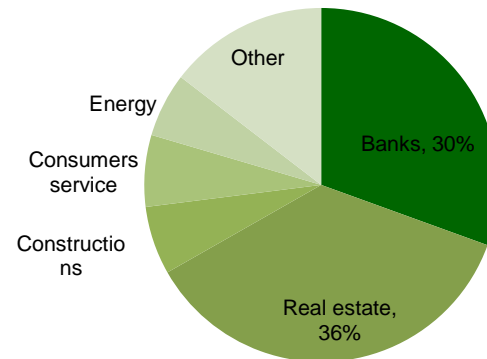
Source: HNX, CBIS Portal, VCBS compiled and estimated

Decree 08 helps issuers buy more time to deal with bond matured.

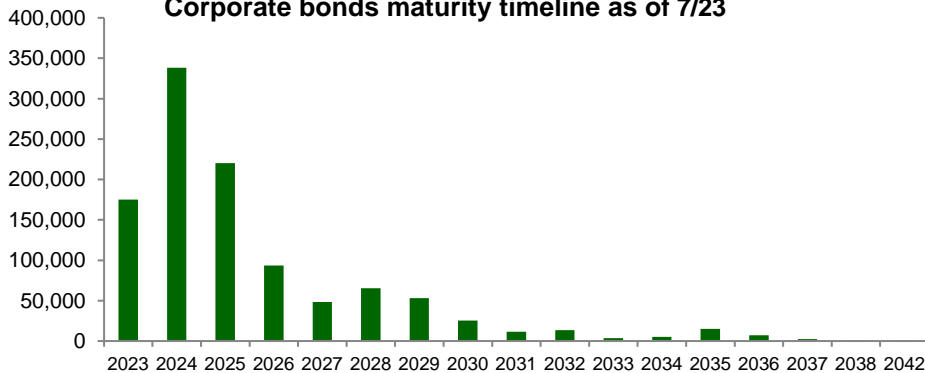
- ▼ We estimate till July 2023, the outstanding value of corporate bonds was VND 1,078 trillion. Therein, real estate accounts for 36%, and banks account for 30%.
- ▼ The volume of corporate bonds maturing in 2023 is estimated at VND 170,000 bn, which is much lower than the figure estimated at the fourth quarter 2022 due to actively buyback before maturity. In detail, the buybacks value for Real estate were VND 38,700 bn, which indicates buy back demand still exists.

The real estate sector continued to record a wave of bond buybacks before maturity. **The positive point of this period is the short-term solution of allowing the change of bond terms to help businesses have more time to deal with matured bonds.**

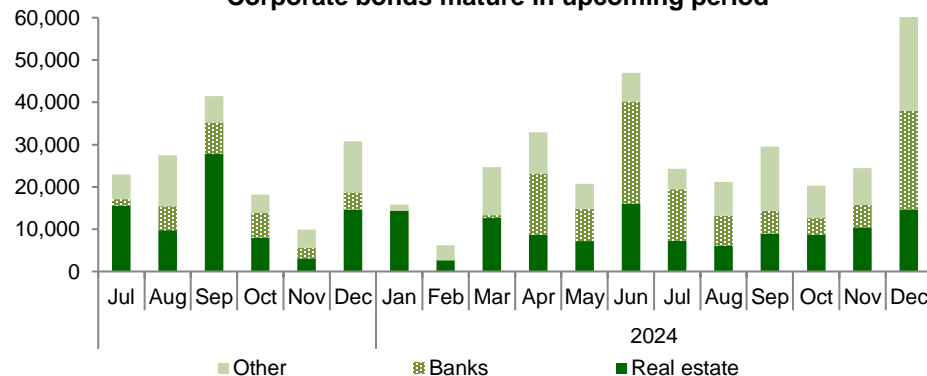
Outstanding corporate bonds at the end of 12 July 2023




Corporate bonds maturity timeline as of 7/23




Corporate bonds mature in upcoming period




INTEREST RATES IN DOWNWARD TREND. SLOW CREDIT GROWTH DUE TO WEAK DEMAND.


 In the worldwide market, there is still uncertainty deriving from monetary decisions of huge central banks.

 **Domestic updates: Deposit rates cooled down rapidly in recent months. Lending rate shall back off more in upcoming period.** Nevertheless, there will be a time lag and decrease in lending rates may focus on some specific sectors.

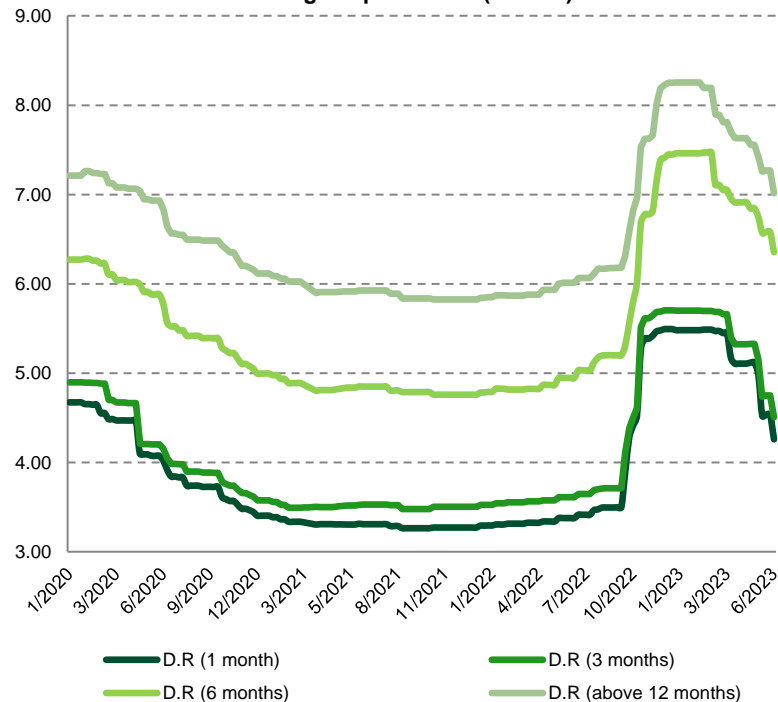
- The fact that interest rates stop increasing shall support issuers in restructuring bond mature in upcoming period.
- Effort to revive the market help stabilize market sentiment, ease the pressure to buy back bonds before maturity.

=> To sum up, the positive point is interest rate is on downward trend. Consequently, corporates shall take advantage of lower yields in terms of reference rates.

 In the long run, as the private placement corporate bond trading system comes into operation stably, we expect higher liquidity in the market in and issuance costs shall be lower.

 Nevertheless, for issuers with a history of late payment of principal and interest, the bond interest rate applied for the grace period will remain high along with a low probability of new issuance.

Average deposit rates (Unit: %)



Issuance costs shall be lower thanks to: interest rates are in downward trend; effort and measures to revive the market; the launching new trading system for private placement corporate bonds. **Nevertheless, there will be differentiation between issuers with history of default events and others.**

Year	Real estate	Banks	Other	Total value (VND bn)*
2023	91.057	32.241	51.678	174.976
2024	117.878	104.237	115.938	338.053
2025	86.677	90.824	42.682	220.183
2026	47.701	4.251	41.739	93.691
2027	15.170	8.623	24.756	48.549
2028	12.426	30.749	22.392	65.567
2029	9.250	24.160	19.773	53.183
2030	862	17.437	6.949	25.248
2031	1.766	6.119	3.537	11.422
2032	6.305	2.656	4.623	13.584
2033	215	905	2.641	3.761
2034	1.585	175	3.600	5.360
2035		1.727	13.272	14.999
2036		2.635	4.415	7.050
2037		2.235	350	2.585
2038			175	175
2042		400	-	400
Total	390.892	329.373	358.522	1.078.787

Source: CBIS Portal, VCBS Research, * figures as of 12 July 2023

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