

Bond Market Report

BOND MARKET REPORT 2023

Corporate bond market is gradually recovering while government bond market is strong

- The issuance of corporate bonds continued to recover in the 4Q23, driven by increased issuance from the banking sector
- The pressure on corporate bonds due in 2024 remains significant
- The issuance of private corporate bonds in 2024 may experience a slowdown unless there is alternative support policy for Decree 08
- Government bond yields dropped down to levels last seen in January 2022.

The issuance of corporate bonds continues to recover thanks to the increased issuance by the banking sector

There were 166 successful domestic corporate bond issues in the 4Q23. Total issuance value rose 22.3% qoq and nearly 700% yoy to VND146,277bn (~US\$6bn). Of these, 159 private corporate bond issuances had a total value of VND131,970bn (~US\$5.4bn), accounting for 90.2% of the total issuance value. Additionally, there were seven public offerings with a total issuance value of VND14,307bn (~US\$586m), making up 9.8% of the total issuance value. In 2023, the total value of corporate bonds issued reached approximately VND335,721bn (~US\$13.76bn), increasing 25.6% yoy. Among these, the total value of private placement bonds was about VND300,610bn (~US\$12.32bn), up 21% yoy.

In 4Q23, corporate bond issuance maintained its recovery momentum, increasing by 22% qoq and over 1,600% yoy. The resurgence in private corporate bond issuance is predominantly attributed to increased activity by the Banking sector. The total value of private corporate bonds issued by the Banking sector in 4Q23 reached approximately VND92,203bn (~US\$3,78bn), accounting for nearly 69.9% of the total value of private corporate bond issuance in 4Q23.

Pressure on corporate bonds maturing in 2024 remains significant

We estimate the total value of individual corporate bonds maturing in 2024 at approximately VND207,000bn (~US\$8.48bn), decreasing 3% yoy. The real estate sector comprises the largest portion, accounting for 59.3% of the total maturity value, followed by the Financial-Banking sector at 29.2%. Compared to the maturity value in 2023, the maturity value of the real estate sector has increased by 23.7%, while that of the Financial-Banking sector has surged by 69%. In the context of the real estate market still being sluggish, legal challenges persist in project clearance, and difficulties in business operations for real estate companies are expected to continue in the coming year. Therefore, we believe that cash flow pressures and issues related to maturing corporate bonds will remain significant challenges for the real estate sector in 2024.

Corporate bond issuance may slow in 2024 without a policy to replace Decree 08

The issuance of private corporate bonds may slow down as the provisions in Decree 65 that were suspended until December 31, 2023 come into effect. These include the regulations regarding professional securities investors and the mandatory implementation of credit ratings. We believe that applying these regulations is necessary to achieve the goal of enhancing quality for the stability and sustainable development of the corporate bond market in the long term. However, we also suggest that the government should explore and implement additional supportive policies to replace Decree 08, which expired on January 1, 2024. These policies can help support and promote the sustainable recovery of the corporate bond market. We expect that with the efforts of both market regulators and participants, especially issuing companies, the corporate bond market may witness a clear and sustainable recovery from the end of 2024.

Analyst(s):



Khuong Nguyen Ba

khuong.nguyenba@vndirect.com.vn

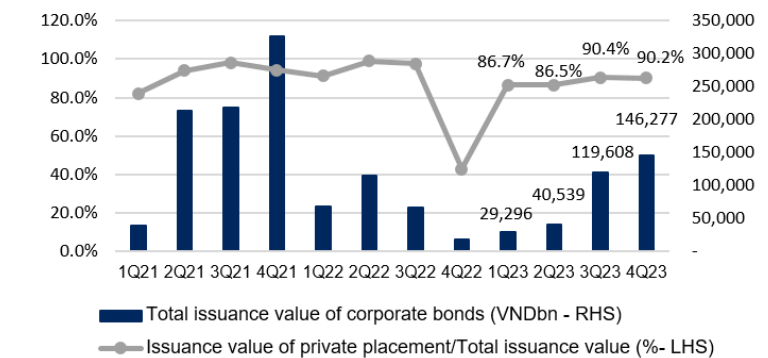
THE CORPORATE BOND MARKET

The issuance of corporate bonds continues to recover thanks to the increased issuance by the banking sector

According to our consolidated data, there were 166 successful domestic corporate bond issuances in 4Q23, with a total issuance value of approximately VND146,277bn (~US\$6bn), an increase 22.3% qoq, and an increase nearly 700% yoy. Of these, 159 private corporate bond issuances had a total value of VND131,970bn (~US\$5.4bn), accounting for 90.2% of the total issuance value. Additionally, there were 7 public offerings with a total issuance value of VND14,307bn (~US\$586m), making up 9.8% of the total issuance value (our data is compiled based on information published on the Hanoi Stock Exchange's website as of January 10, 2024). In 2023, the total value of corporate bonds issued reached approximately VND335,721bn (~US\$13.76bn), increasing 25.6% yoy. Among these, the total value of private placement bonds was around VND300,610bn (~US\$12.32bn), increasing 21% yoy. The total value of public issuance amounted to VND35,111bn (~US\$1.44bn), increasing 87% yoy.

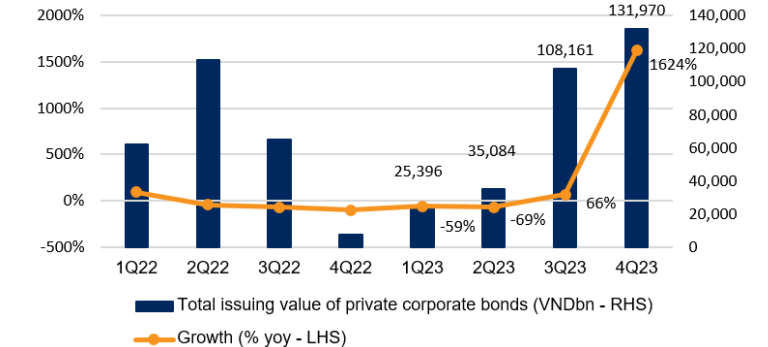
In 4Q23, private issuance of corporate bonds maintained its recovery momentum, increasing by 22% qoq and over 1,600% yoy. We observe that the resurgence in private corporate bond issuance in 4Q23 is predominantly attributed to increased activity in this regard by the Banking sector. The total value of private corporate bonds issued by the Banking sector in 4Q23 reached approximately VND92,203bn (~US\$3.78bn), accounting for nearly 69.9% of the total value of private corporate bond issuance in 4Q23. From June 2023 until now, there has been a significant increase in the private placement of corporate bonds by the Banking sector. We believe that the provisions in Circular 08/2020/TT-NHNN of the State Bank of Vietnam, which became effective on October 1, 2023, stipulating a maximum ratio of short-term mobilized capital to medium and long-term loans for commercial banks to be reduced to 30% from the previous of 34%, have been one of the key drivers for the recent surge in corporate bond issuance by commercial banks. This is because banks have been issuing corporate bonds to enhance their medium and long-term mobilized capital following the adjustment in regulations. The banks that issued the highest amount of private placement corporate bonds in the fourth quarter of 2023 include: Tien Phong Commercial Joint Stock Bank with issuance of VND11,512bn (~US\$42m), Vietnam Technological and Commercial Joint Stock Bank with issuance of VND11,300bn (~US\$472m), Orient Commercial Joint Stock Bank with issuance of VND11,150bn (~US\$457m), Lien Viet Post Joint Stock Commercial Bank with issuance of VND10,250bn (~US\$420m), Ho Chi Minh City Development Joint Stock Commercial Bank with issuance of VND8,000bn (~US\$328m), and others. The major bond issuances by these banks in 4Q23 have maturity periods ranging

Figure 1: Total corporate bonds issued and private placement rate



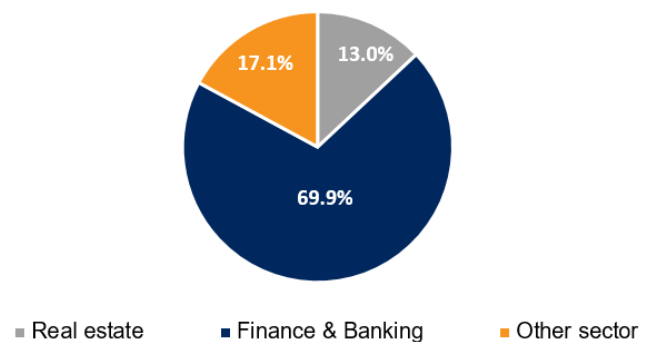
Source: HNX, VNDIRECT RESEARCH

Figure 2: Corporate bond private placements



Source: HNX, VNDIRECT RESEARCH

Figure 3: Structure of individual corporate bonds issued by sectors in the 4Q23



Source: HNX, VNDIRECT RESEARCH

from 2 to 8 years, with issuance interest rates ranging from 5% to 8.05% per annum.

The second-largest group in terms of the value of private placement corporate bonds in the 4Q23 is the real estate sector, with a total issuance value of approximately VND17.183bn (~US\$704m), representing about 13% of the total issuance value in the 4Q23. Compared to the previous quarter, the total value of private placement issuance by the real estate sector decreased by 50.8%. The issuance value of the real estate sector in 4Q23 is primarily concentrated in a few major real estate companies. Among them, Vinhomes Joint Stock Company issued 5 tranches with a total value of VND9,000bn (~US\$369m) at an interest rate of 12% per annum, with a maturity period of 18-24 months. Saigon Capital Joint Stock Company also issued 3 tranches with a total value of VND3.000bn (~US\$123m) at an interest rate of 12.5% per annum, with a maturity period of 60 months.

Redemption of bonds before maturity remains quite dynamic

The total value of redeemed bonds before maturity in 4Q23 reached over VND67,051bn (~US\$2.75bn), increasing 14.4% qoq but decreasing 27.1% yoy. Despite the decrease in the total repurchased value compared to peak quarters, the value of redeemed bonds before maturity in 4Q23 remains at a relatively high level (data compiled based on information released by HNX as of January 10, 2024). For the entire year 2023, the total value of redeemed bonds before maturity exceeded VND246,569bn (~US\$10.1bn), increasing 6.8% yoy.

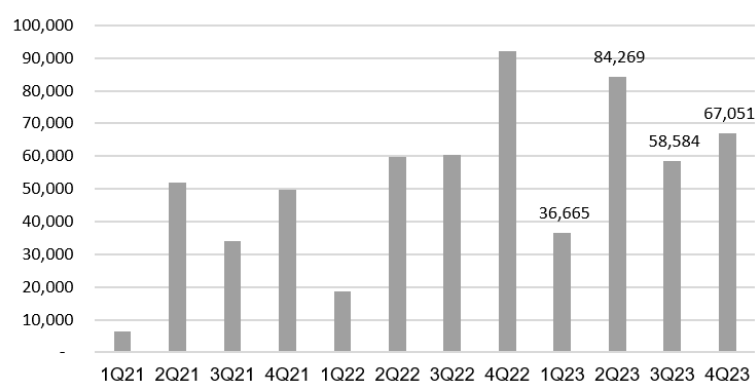
The Banking sector continues to be the group that executes the most redeemed bonds before maturity in 4Q23. In 4Q23, the total value of redeemed bonds before maturity by the Banking sector reached nearly VND37,000bn (~US\$1.51bn), accounting for 54.7% of the total value of redeemed bonds before maturity in 4Q23. Compared to the previous quarter, the total value of redeemed bonds before maturity in the Banking sector increased by 19.2%. The banks that repurchased the most redeemed bonds before maturity in 4Q23 include: Southeast Asia Commercial Joint Stock Bank repurchasing VND6,200bn (~US\$254m), International Commercial Joint Stock Bank repurchasing VND5,500bn (~US\$225m), Ho Chi Minh City Development Joint Stock Commercial Bank repurchasing VND5,200bn (~US\$213m), The Joint Stock Commercial Bank for Investment and Development of Vietnam repurchasing over VND4,570bn (~US\$187m)...

Figure 4: Top banks issuing the most private corporate bonds in 4Q23

Name of Issuer	Total value of Issuance (VNDbn)	Average term of bond (years)	Average issuance interest rate (%)
Tien Phong Commercial Joint Stock Bank	11,512	8.8	6.8
Vietnam Technological and Commercial Joint Stock Bank	11,300	2.2	5.9
Orient Commercial Joint Stock Bank	11,150	2.9	5.6
Lien Viet Post Joint Stock Commercial Bank	10,250	2.8	5.8
Ho Chi Minh City Development Joint Stock Commercial Bank	8,000	8.0	7.9
The Joint Stock Commercial Bank for Investment and Development of VN	7,044	8.2	6.3
Vietnam International and Commercial Joint Stock Bank	6,500	5	6.9
An Binh Commercial Joint Stock Bank	6,300	2.1	6.2

Source: HNX, VNDIRECT RESEARCH

Figure 5: Values of redeemed bonds before maturity (VNDbn)



Source: HNX, VNDIRECT RESEARCH

Figure 6: Top banks repurchasing their own individual corporate bonds before maturity in 4Q23

Name of Issuer	Total value of redeemed bonds before maturity in 4Q23 (VNDbn)
Southeast Asia Commercial Joint Stock Bank	6,200
International Commercial Joint Stock Bank	5,500
Ho Chi Minh City Development Joint Stock Commercial Bank	5,200
The Joint Stock Commercial Bank for Investment and Development of Vietnam	4,570
Military Commercial Joint Stock Bank	3,000
Lien Viet Post Joint Stock Commercial Bank	2,990
Tien Phong Commercial Joint Stock Bank	2,079
Orient Commercial Joint Stock Bank	2,000

Source: HNX, VNDIRECT RESEARCH

The private corporate bond trading platform recorded additional milestones in the 4Q23

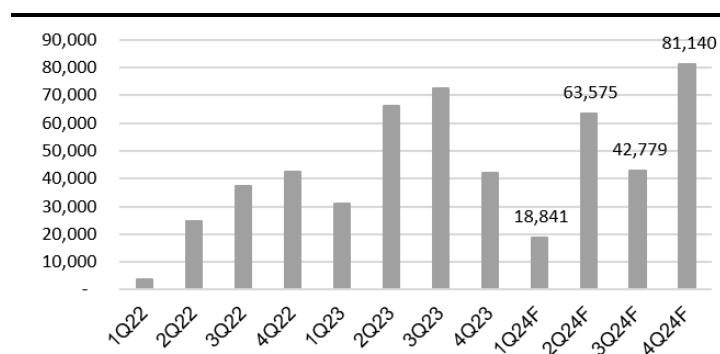
According to data from the Hanoi Stock Exchange (HNX), by the end of 2023, there were over 800 lots of private corporate bonds registered trading on the private corporate bond to trade platform (constituting over 80% of the total circulating individual corporate bonds). The average transaction value of the platform in December 2023 reached approximately VND500bn (~US\$20.4m) per session. Compared to the end of the 3Q23, which had only slightly over 50 listed bond codes and an average transaction value of around VND250bn (~US\$10.2m) per session, the platform has seen more positive results in the 4Q23.

OVERVIEW OF THE CORPORATE BOND MARKET IN 2023

The list of issuers delaying corporate bond payments continues to grow

The year 2023 witnessed the largest maturity value of corporate bonds to date, with the total value of individual corporate bonds maturing in 2023 being over VND213,000bn (~US\$8.73bn). This amount is nearly twice the total maturity value in 2022 (our figures exclude the value of redeemed bonds before maturity and the value of corporate bonds with extended terms). In the context of ongoing challenges in the business operations of many companies, a sluggish real estate market, and difficulties in cash flow, several enterprises have faced constraints in accessing capital. Since 2Q22, the list of issuers with delayed payments on maturing corporate bonds has consistently grown. According to our aggregated data, as of the end of 2023, there are approximately over 70 issuers on the list of delayed payments for maturing corporate bonds. We estimate that the total outstanding debt of corporate bonds for these issuers is around over VND172,000bn (~US\$7.05bn), accounting for approximately 16.5% of the total outstanding debt of corporate bonds in the market. The majority of these issuers belong to the real estate sector.

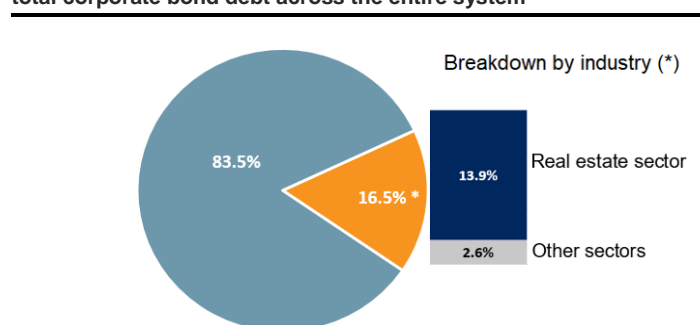
Figure 7: Value of individual corporate bonds maturing in 2023 - 2024 (VNDbn)



Our figures exclude the value of redeemed bonds before maturity and the value of corporate bonds with extended terms

Source: VNDIRECT RESEARCH, HNX

Figure 8: The outstanding corporate bond debt of issuers with delayed payments currently constitutes approximately 16.5% of the total corporate bond debt across the entire system



(*) The group of real estate issuers with delayed bond payments currently accounts for 13.9% of the total outstanding debt of corporate bonds in the market

Source: VNDIRECT RESEARCH, HNX

Decree 08 provided a platform to renegotiate bond terms

On March 5, 2023, the government issued Decree 08/2023/NĐ-CP (Decree 08), amending and supplementing certain provisions of Decree 65/2022/NĐ-CP

(Decree 65) to address difficulties in the market. Decree 08 provided a legal basis for issuers to negotiate adjustments to certain terms of bonds, especially the extension of bond terms. In 2023, many issuers, particularly those in the real estate sector, faced challenges in business operations and cash flow. However, Decree 08 expired on January 1, 2024.

Negotiations for extending the term of corporate bonds have been lively since the issuance of Decree 08

Under Decree 08, many issuers chose the option of negotiating with bondholders to extend the maturity dates of their bonds, providing them with additional time to recover and generate sufficient cash flow to meet their bond obligations. Although this solution may lead to additional financial costs, it provides a means for issuers to navigate through challenging financial situations. According to our aggregated data, since the issuance of Decree 08 until now, negotiations for extending the term of corporate bonds between issuers and bondholders have been active. As of the end of 2023, nearly 70 issuers have successfully reached agreements to extend the term of their bonds with bondholders with a total value of extended bonds of more than VND116,000bn (~US\$4.75bn).

Decree 08 helped reverse the negative impacts of Decree 65

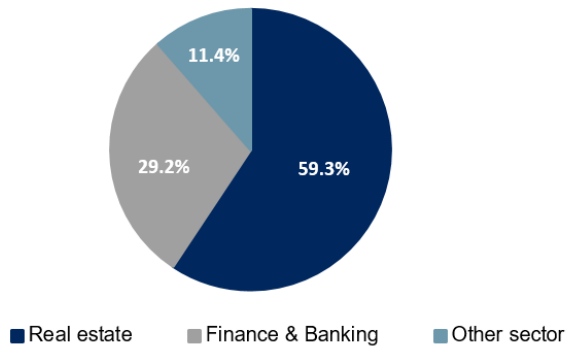
On September 16, 2022, the government issued Decree 65/2022/NĐ-CP (Decree 65), which had stricter provisions regarding the conditions for issuing individual corporate bonds. It included regulations stipulating that bond investors must be professional securities investors and that there must be credit ratings for issuers. From the time Decree 65 was issued until the enactment of Decree 08, the issuance of individual corporate bonds had essentially been in a frozen state. During this period, there were only over 30 rounds of individual corporate bond issuance, with a total value of over VND12,000bn (~US\$492m). This marked a decrease of over 90% compared to the average issuance value before that. Decree 08, with provisions temporarily suspending the enforcement of regulations on professional securities investors and mandatory credit ratings, effective until the end of December 31, 2023, has facilitated the revival of private corporate bond issuance activities in 2H23.

THE PROSPECTS OF THE CORPORATE BOND MARKET IN 2024

The pressure on corporate bonds due in 2024 remains significant

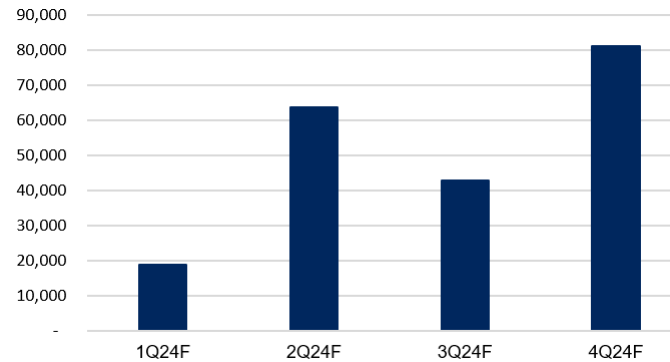
We estimate the total value of individual corporate bonds maturing in 2024 is approximately VND207,000bn (~US\$8.48bn), decreasing 3% yoy (our figures exclude the value of redeemed bonds before maturity and the value of corporate bonds with extended terms). The real estate sector comprises the largest portion, accounting for 59.3% of the total maturity value, followed by the Financial-Banking sector at 29.2%. Compared to the maturity value in 2023, the maturity value of the real estate sector has increased by 23.7%, while that of the Financial-Banking sector has surged by 69%. In the context of the real estate market still being sluggish, legal challenges persist in project clearance, and difficulties in business operations for real estate companies are expected to continue in the coming year. Therefore, we believe that cash flow pressures and issues related to maturing corporate bonds will remain significant challenges for the real estate sector in 2024.

Figure 9: Structure of corporate bonds by sector due in 2024



Source: HNX, VNDIRECT RESEARCH

Figure 10: Value of corporate bonds maturing quarterly in 2024 (VNDbn)



Source: HNX, VNDIRECT RESEARCH

The issuance of private corporate bonds in 2024 may experience a slowdown if there is no support policy to replace Decree 08

The issuance of private corporate bonds may experience a slowdown as the provisions in Decree 65 come into effect, including the regulations regarding professional securities investors and the mandatory implementation of credit ratings (these provisions have been suspended until December 31, 2023). We believe that applying these regulations is necessary to achieve the goal of enhancing quality for the stability and sustainable development of the corporate bond market in the long term. However, we also suggest that the government should explore and implement additional supportive policies to replace Decree 08, which expired on January 1, 2024. These policies can help support and promote the sustainable recovery of the corporate bond market. We expect that with the efforts of both market regulators and participants, especially issuing companies, the corporate bond market may witness a clear and sustainable recovery by the end of 2024.

In October 2023, the Ho Chi Minh City Real Estate Association (HoREA) proposed to the government to extend the suspension of the enforcement of those provisions until December 31, 2024, instead of the initially proposed date of December 31, 2023. However, the Ministry of Finance stated that, after more than 8 months of implementing Decree 08, individual professional securities investors had accumulated enough time to comply with the regulations for professional securities investors as per Decree 65. Therefore, there is no need to extend the suspension of this provision. Regarding the mandatory credit rating requirement, the Ministry of Finance has granted licenses for credit rating services to three companies that meet the legal conditions and capabilities. One of these companies has Moody's as a reputable global shareholder, while the other two companies are currently receiving technical support from S&P and Fitch.

Figure 11: List of significant private corporate bond issues in the 4Q23

Numbers	Name of Issuer	Sector	The issuance date	Value of Issuance (VNDbn)	Term of bond (years)	The issuance interest rate (%)
1	Truong Hai Group Corporation	Manufacturing	14-Nov-23	8,680	5.0	6.0
2	Lien Viet Post Joint Stock Commercial Bank	Banking	27-Dec-23	3,750	2.0	5.1
3	Lien Viet Post Joint Stock Commercial Bank	Banking	25-Dec-23	3,000	3.0	5.2
4	Orient Commercial Joint Stock Bank	Banking	25-Dec-23	3,000	2.0	5.0
5	Ho Chi Minh City Development Joint Stock Commercial Bank	Banking	18-Dec-23	2,534	8.0	7.8
6	Asia Commercial Joint Stock Bank	Banking	20-Oct-23	2,500	2.0	6.0
7	Vietnam International and Commercial Joint Stock Bank	Banking	16-Oct-23	2,500	3.0	6.0
8	Saigon – Hanoi Commercial Joint Stock Bank	Banking	27-Dec-23	2,448	7.0	8.0
9	Ho Chi Minh City Development Joint Stock Commercial Bank	Banking	27-Nov-23	2,322	8.0	8.0
10	Trung Nam Energy Development and Investment Corporation	Manufacturing	18-Oct-23	2,230	2.0	10.0
11	Lien Viet Post Joint Stock Commercial Bank	Banking	28-Dec-23	2,000	3.0	6.0
12	Vietnam Technological and Commercial Joint Stock Bank	Banking	25-Dec-23	2,000	2.0	4.7
13	Vietnam Technological and Commercial Joint Stock Bank	Banking	22-Dec-23	2,000	3.0	5.2
14	Joint Stock Commercial Bank for Foreign Trade of Vietnam	Banking	22-Dec-23	2,000	6.0	6.2
15	Vietnam Technological and Commercial Joint Stock Bank	Banking	18-Dec-23	2,000	2.0	4.7
16	Vietnam Technological and Commercial Joint Stock Bank	Banking	19-Dec-23	2,000	2.0	4.7
17	Orient Commercial Joint Stock Bank	Banking	14-Dec-23	2,000	3.0	5.1
18	VINHOMES JSC	Real estate	21-Dec-23	2,000	2.0	12.0
19	Tien Phong Commercial Joint Stock Bank	Banking	30-Nov-23	2,000	3.0	5.7
20	VINHOMES JSC	Real estate	23-Nov-23	2,000	2.0	12.0
21	Vietnam International and Commercial Joint Stock Bank	Banking	17-Oct-23	2,000	3.0	5.8
22	VINHOMES JSC	Real estate	17-Oct-23	2,000	2.0	12.0
23	Vietnam Technological and Commercial Joint Stock Bank	Banking	27-Oct-23	1,800	2.0	5.3
24	Saigon–Lam Dong Investment and Tourist Corporation	Real estate	29-Dec-23	1,607	5.0	12.0
25	The Joint Stock Commercial Bank for Investment and Development of VN	Banking	25-Oct-23	1,520	5.0	6.2
26	Tien Phong Commercial Joint Stock Bank	Banking	11-Dec-23	1,500	2.0	5.8
27	Tien Phong Commercial Joint Stock Bank	Banking	4-Dec-23	1,500	2.0	5.8
28	Vietnam Maritime Commercial Join Stock Bank	Banking	22-Nov-23	1,500	3.0	5.8
29	Ho Chi Minh City Development Joint Stock Commercial Bank	Banking	6-Nov-23	1,500	8.0	8.1
30	Vietnam Technological and Commercial Joint Stock Bank	Banking	31-Oct-23	1,500	2.0	5.0
31	VINHOMES JSC	Real estate	17-Oct-23	1,500	2.0	12.0
32	VINHOMES JSC	Real estate	17-Oct-23	1,500	1.5	12.0

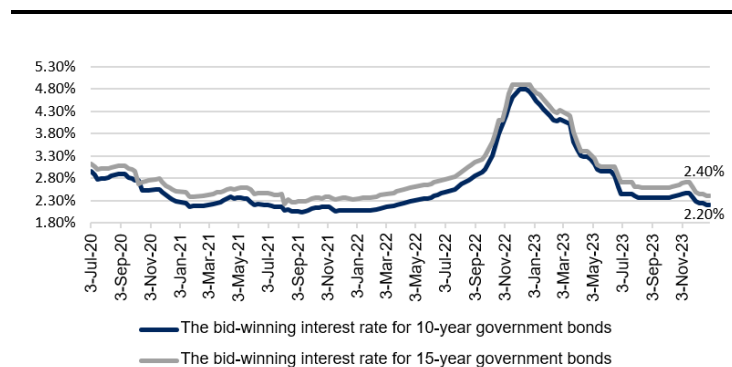
Source: HNX, VNDIRECT RESEARCH

THE GOVERNMENT BOND MARKET

THE GOVERNMENT BOND MARKET IN 4Q23

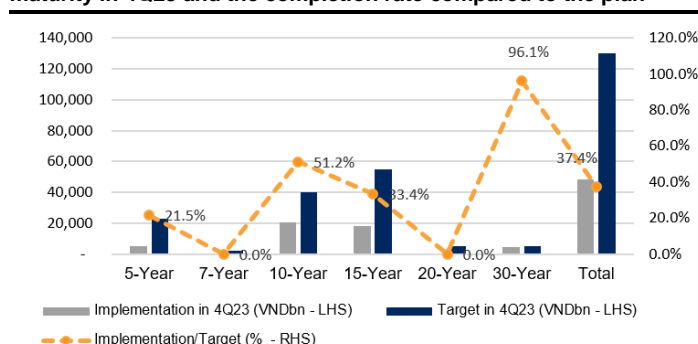
Primary market: New issuance yields continued to trend down

Figure 12: Primary market government bond yields



Source: VNDIRECT RESEARCH, HNX

Figure 13: The actual issuance value of government bonds by maturity in 4Q23 and the completion rate compared to the plan



Source: VNDIRECT RESEARCH, HNX

In 4Q23, the State Treasury of Vietnam successfully mobilized VND48,595bn (~US\$1.99bn) in bonds in the primary market. Specifically, the State Treasury raised VND4,950bn (~US\$203m), VND20,490bn (~US\$840m), VND18,350bn (~US\$752m), and VND4,805bn (~US\$197m) in bonds with maturities of 5 years, 10 years, 15 years, and 30 years, respectively. From the beginning of 2023 until now, the bid-winning yield has maintained a decreasing trend across most maturities. Currently, the bid-winning yield for 10-year bonds has decreased to 2.2%, a reduction of 16 basis points (bpts) compared to the end of 3Q23 and a decrease of 245 bpts compared to the end of 2022. The bid-winning yield for 15-year bonds has decreased to 2.4%, a reduction of 19 bpts compared to the end of 3Q23 and a decrease of 240 bpts compared to the end of 2022. For the entire year 2023, the State Treasury of Vietnam has successfully mobilized over VND295,028bn (~US\$12.09bn), achieving approximately 96.7% of the mobilization plan for the year. (The 2023 mobilization plan for the State Treasury was adjusted down to VND305,000bn (~US\$12.5bn) from the previous VND400,000bn (~US\$16.39) by the Ministry of Finance).

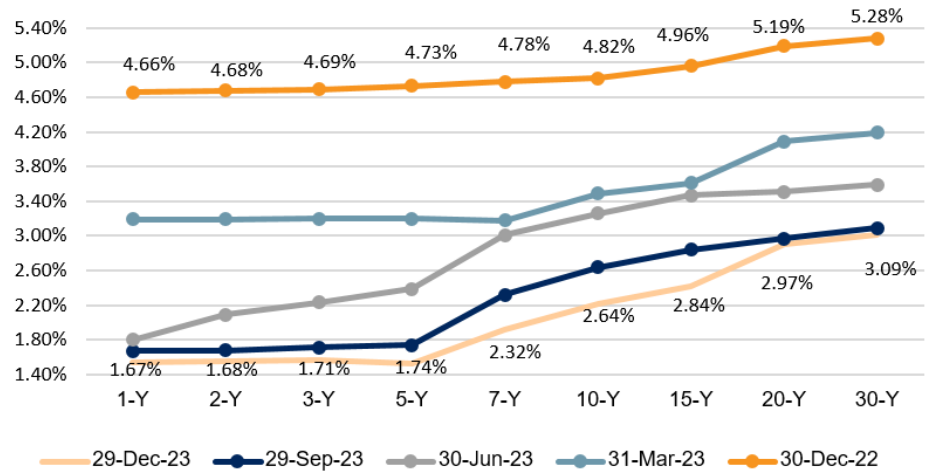
In 4Q23, the Vietnam Social Policy Bank continued its mobilization activities. The total mobilization value of the Vietnam Social Policy Bank in 4Q23 reached VND19,901bn (~US\$815.6m), with bonds having maturities of 5 years (VND8,000bn~US\$328m), 10 years (VND4,700bn~US\$192.6m), and 15 years (VND7,201bn~US\$295m). Accumulated throughout the year 2023, the Vietnam Social Policy Bank successfully mobilized a total of VND24,351bn (~US\$1bn). The Development Bank did not carry out fundraising activities in 2023.

Secondary market: Yields are decreasing and liquidity is increasing

The total transaction value in the secondary market in 4Q23 reached over VND527,051bn (~US\$21.6bn). Average daily transaction value increased 32.6% compared to 3Q23 to over VND8,108bn (~US\$332.3m). Outright transactions accounted for more than 81.1% of the total transaction value, while repo transactions made up nearly 18.9%. Foreign investors shifted to net buying in 4Q23, with a net buying value of over VND674bn (~US\$27.6m). For the entire year 2023, foreign investors were net sellers with a value of over VND4,377bn

(~US\$179.4m). 2023 marked the second consecutive year of net selling by foreign investors, with the net selling value decreasing by 45.7% compared to the net selling value in 2022. The yields on secondary market bonds in 4Q23 continued to maintain a decreasing trend across all maturities. However, the yield reduction slowed down and showed signs of stabilization in December 2023.

Figure 14: The yield of Vietnamese government bonds in the secondary market



Source: VBMA, VNDIRECT RESEARCH

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RECOMMENDATION FRAMEWORK**Stock Ratings**

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Barry Weisblatt – Head of ResearchEmail: barry.weisblatt@vndirect.com.vn**Khuong Nguyen Ba – Analyst**Email: khuong.nguyenba@vndirect.com.vn**VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vnWebsite: <https://vndirect.com.vn>