

Bond Credit Rating Public Announcement

Bond BWLCH2434001

Issued by Biwase – Long An Water Joint Stock Company (“BWE-LA”)

Bond Credit Rating^(*): AAA

Hanoi, 19 November 2024

Primary Analysts:

Nguyen Vu Cuong, MSc, Lead Analyst: cuong.nguyen@fiingroup.vn

Nguyen Nho Khanh, Secondary Analyst: khanh.nguyennho@fiingroup.vn

Rating Committee Members:

Le Hong Khang, Committee Chairman: khang.le@fiingroup.vn

Nguyen Anh Quan, MSc, Committee Member: quan.nguyen@fiingroup.vn

Nguyen Nhat Hoang, CFA, Committee Member: hoang.nguyennhat@fiingroup.vn

** This rating is an Issue Credit Rating. The Issue Credit Rating reflects our view of a specific individual issuance, including a specific bond that the Issuer issues.*

The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

The rating presented in this announcement is effective from the rating date, until and unless we make any further updates.

This document is prepared in both English and Vietnamese. The English translation is for reference only and the Vietnamese version will prevail in the event of any inconsistency between the English version and the Vietnamese version.

Any quotation or citations must be in context with the full content of this publication; any duplication or modification of substantial portions of the information contained in this publication that may alter FiinRatings' viewpoints are strictly prohibited.

Hanoi, 19 November 2024

FiinRatings is pleased to announce that bond BWLCH2434001 issued by Biwase – Long An Water Joint Stock Company (“BWE-LA” or “the Company”) has been assigned a first-time long-term rating of “**AAA**”.

RATING RATIONALE

FiinRatings assigns a credit rating of “**AAA**” to the bond issuance coded BWLCH2434001 with a total value of VND 700 billion by Biwase – Long An Joint Stock Company (“BWE-LA”, “the Issuer”, or “the Company”). The credit rating for this bond has been adjusted upward from the Issuer’s baseline credit rating of “**BBB**” with a “**Stable**” outlook, reflecting the comprehensive, unconditional, and irrevocable guarantee provided by the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“**CGIF**” or “the Guarantor”).

FiinRatings raised the rating by 8 notches from the Issuer’s baseline credit rating due to the impact of CGIF’s guarantee mechanism, which ensures full and irrevocable payment obligations for the bonds issued by BWE-LA. Proceeds from this issuance will be allocated to the third phase of the Nhi Thanh Water Plant investment project.

The bond rating also reflects CGIF’s creditworthiness, which benefits from its robust capital base and prudent financial management. As of December 2023, CGIF maintained charter capital of USD 1.158 billion and a financial leverage ratio of 1.15x, calculated as the total value of guarantees relative to total equity. FiinRatings assesses that CGIF has effectively utilized its capital while keeping risks under control. The Guarantor’s current leverage ratio remains within its internal limit of 2.5x for the guarantee-to-equity ratio, underscoring the fund’s commitment to prudent risk management. This approach ensures adequate capacity to absorb potential losses should the need to fulfill guarantee obligations arise.

In 2023, CGIF’s guaranteed issuance value grew rapidly, supported by the recovery of many countries post-COVID-19. The rising costs of borrowing in USD on international markets, combined with ample liquidity in domestic capital markets, also drove demand for local currency bond issuances. A significant portion of CGIF’s transactions is concentrated in ASEAN markets, such as Cambodia and Vietnam, aligning with CGIF’s mission to support the development of local bond markets and promote financial stability in the region, especially in developing countries. CGIF typically guarantees issuances ranging from USD 30 million to USD 100 million, with bond terms between 03 and 10 years. This size and term structure enable CGIF to balance risk diversification and guarantee portfolio management, supporting long-term sustainability for its guarantee portfolio.

CGIF currently operates in 12 ASEAN+3 countries and has issued guarantees for 84 transactions, totaling USD 3.57 billion since its establishment. Vietnam is the largest market in CGIF’s portfolio, accounting for USD 736 million across 14 bond issuances as of August 2024. This highlights CGIF’s pivotal role in supporting the development of Vietnam’s bond market and promoting local currency bond issuance.

Figure 01: CGIF’s guarantee portfolio by country

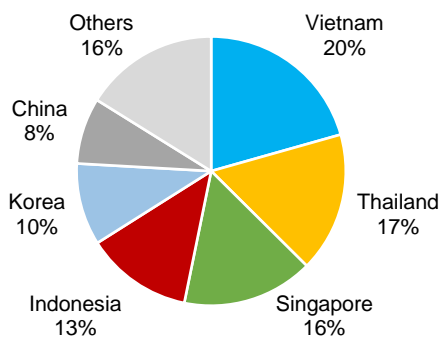
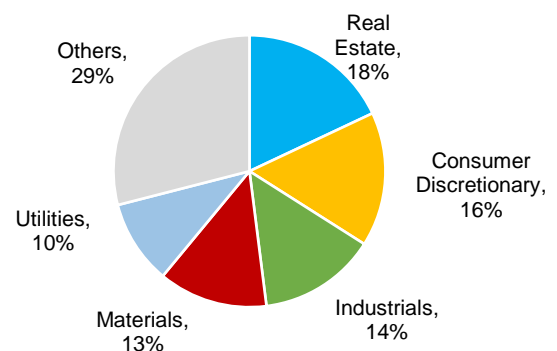


Figure 02: CGIF’s guarantee portfolio by industry



Source: CGIF

The liquidity position of CGIF is assessed at a good level, maintaining a capital buffer to cover its guarantee obligations. As of December 2023, CGIF held a substantial amount of high-quality assets, predominantly comprising government and corporate bonds rated “AA-“ or higher on international rating scales. These assets are rigorously managed with the objective of capital preservation, focusing on liquidity and credit quality, allowing CGIF to maintain a highly liquid and flexible portfolio.

CGIF’s prudent liquidity management policy is reflected in its stringent investment principles, prioritizing instruments with high credit quality and good liquidity. Additionally, CGIF regularly conducts liquidity stress tests to assess its ability to meet obligations under adverse scenarios, including simultaneous guarantee demands. In such scenarios, CGIF consistently has sufficient liquidity to fulfill any guarantee requirements without resorting to distressed asset sales, ensuring the ability to meet its obligations even in unfavorable market conditions.

CGIF’s guarantee underwriting process adheres to prudent standards, including the assessment of the issuer’s financial health, sectoral risks, and national factors. CGIF applies strict ratio thresholds when evaluating the issuer’s ability to meet financial obligations and continuously monitors the issuer’s financial condition throughout the guarantee period.

In December 2021, CGIF handled its first default case involving Malaysia-based KNM Group Berhad, when the company failed to meet principal and interest payments on bonds issued in Thailand. CGIF honored its guarantee, covering USD 83 million in principal and USD 1.5 million in interest. The management of this credit event was conducted proactively, leveraging reinsurance agreements and collateral to mitigate losses.

CGIF’s capital and liquidity safeguards were strong enough to absorb this event of the issuer’s default without significantly impacting its financial standing. Each guarantee typically represents 2% to 8% of CGIF’s total capital, with maturities evenly distributed across guarantees to reduce concentration risk. This capital structure enables CGIF to withstand pressure from potential credit events without causing material disruptions to its operations.

RATING METHODOLOGY

The rating methodology explains FiinRatings approach to assessing credit risk of companies in Vietnam. This methodology is intended as a general guidance to help companies, investors, and other market participants to understand how FiinRatings looks at quantitative and qualitative factors significant in explaining rating outcomes in general and specific for each sector that we cover.

In addition, certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please follow the link below for the Rating Methodology and Related Criteria:

- [Issue Rating Methodology](#)

Or refer to the following link for more details on the general ranking methodology:

- [General Rating Methodology](#)

RATING HISTORY

Bond BWLCH2434001 issued by Biwase - Long An Water Joint Stock Company (“BWE-LA”)

Credit Rating Type	Date	Rating
Initial Bond Credit Rating	19 November 2024	AAA

RATING SCALE AND DEFINITION

We employ below rating scale in assigning ratings for all issuers across industries and sectors that we cover in Vietnam. The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

Definition	Rating Scale
Group 1: Extremely strong capacity to meet financial obligation.	AAA
	AA+
Group 2: Very strong capacity to meet financial obligation.	AA
	AA-
Group 3: Strong capacity to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances.	A+
	A
	A-
Group 4: Adequate capacity to meet financial commitments but more vulnerable to adverse developments and economic conditions.	BBB+
	BBB
	BBB-
Group 5: Moderate capacity to meet financial obligations but less vulnerable than other speculative issuers.	BB+
	BB
	BB-
Group 6: Weak capacity to meet financial obligations. Sensitive to business, financial and economic conditions. High risk.	B+
	B
	B-
Group 7: Very weak capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk.	CCC+
	CCC
	CCC-
	CC
Group 8: Default. Payments on an obligation are not made on the date due (SD) or the issuer becomes insolvent (D). The ' D ' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action.	C
	SD, D

OWNERSHIP DISCLOSURE AND STATEMENTS

At the time of the publication, the following information is provided as required by current regulations and as a part of our compliance policies in providing credit ratings:

- BWE-LA's percentage of equity ownership at FiinRatings: *none*
- FiinRatings's percentage of equity ownership at BWE-LA: *none*
- FiinRatings's other employee percentage of equity ownership at BWE-LA: *none*
- BWE-LA's investment value of bond(s) issued by FiinRatings: *none*
- FiinRatings's investment value of bond(s) issued by BWE-LA: *none*
- BWE-LA's investment value of other debt instruments issued by FiinRatings: *none*
- FiinRatings's investment value of other debt instruments issued by BWE-LA: *none*

FiinRatings aforementioned includes FiinRatings JSC., its directors, Credit Rating Committee members, and analysts of FiinRatings engaged in this rating action. The information above was examined during client acceptance process and before the signing date of Credit Rating Agreement with the Company and was updated on the issue date of this report.

FiinRatings maintain a strict independence policy to meet current regulations in providing credit rating services in Vietnam as well as to comply with our conflicts-of-interest policy and to ensure the objectivity and independence in giving opinion on our credit ratings. Accordingly, personnel directly participated in credit rating are not allowed to own or to execute any transactions of securities, shares or debt instruments issued by the Company once FiinRatings has established a credit rating relationship.

FIINRATINGS JOINT STOCK COMPANY

Public Credit Rating Announcement No. 01-BWLCH2434001-2024



Nguyen Quang Thuan, FCCA

Chief Executive Officer

Hanoi, 19 November 2024

CONTACT

This credit rating notice is prepared for public disclosure in accordance with applicable regulations and therefore only provides rating results and an evaluation summary of relevant criteria. Complete ratings information or complete ratings reports are provided exclusively by FiinRatings subject to specific terms and conditions.

For Media Enquiries: Ms. Pham Thuy Duong, Marketing Manager

Mobile: +84 (0) 399 841 588

Email: duong.phamthuy@fiingroup.vn

For Client Service: Ms. Ba Thi Thu Hue, Senior Manager, Head of Commercial

Mobile: +84 (0) 971 390 935

Email: hue.ba@fiingroup.vn

DISCLAIMER

The Content shall not be used for any unlawful or unauthorized purposes. FiinRatings and FiinGroup, as well as their directors, officers, shareholders, employees, or agents (collectively FiinRatings Parties) do not guarantee the accuracy, completeness, timeliness, or availability of the Content. FiinRatings Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an “as is” basis. FIINRATINGS PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall FiinRatings Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special, or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. FiinRatings’ opinions, analyses, and rating acknowledgment decisions are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. FiinRatings assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

FiinRatings does not act as a fiduciary or an investment advisor. While FiinRatings has obtained information from sources it believes to be reliable, FiinRatings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

FiinRatings Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

FiinRatings is a division of FiinGroup Joint Stock Company specializing in credit rating services. FiinRatings keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of FiinRatings may have information that is not available to FiinGroup business units. FiinRatings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

FiinRatings may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. FiinRatings reserves the right to disseminate its opinions and analyses. FiinRatings’s public ratings and analyses are made available on its Web sites, and may be distributed through other means, including via FiinRatings publications and third-party redistributors. Additional information about our rating fees is available at <https://fiingroup.vn/FiinRatings>.

FIINRATINGS, FIIN, and FIINGROUP are registered trademarks of Vietnam FiinGroup Joint Stock Company.