

Use of Rating Outlook and CreditWatch

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1. Introduction

- FiinRatings uses CreditWatch and Ratings Outlooks to express its assessment of the likelihood of a rating change and, in most cases, the probable direction of such change.
- A FiinRatings Rating Outlook indicates our perspective on the potential trajectory of a long-term credit rating over the intermediate term, typically spanning from six months to two years. When determining a Rating Outlook, we take into account any alterations we observe in economic and/or fundamental business/financial conditions. It is important to note that a Rating Outlook does not necessarily foreshadow a rating change or future CreditWatch action. A Rating Outlook can fall into one of the following categories:
 - Positive: a rating may be raised
 - Negative: a rating may be lowered
 - Stable: a rating is not likely to change
 - Developing: a rating may be raised, lowered, or affirmed
- CreditWatch emphasis the potential direction of a short- or long-term rating. It focuses on identifiable events and short-term trends that may necessitate special surveillance by FiinRatings. Such events may include mergers, recapitalizations, regulatory actions, performance deterioration of securitized assets, or anticipated operating developments. CreditWatch employs the following designations to indicate the potential rating direction:
 - Positive: a rating may be raised
 - Negative: a rating may be lowered
 - Developing: a rating may be raised, lowered, or affirmed
- Rating Outlooks (other than stable) and CreditWatch are used in a changing credit situation when, in our view, a rating change is not certain. While many rating changes are preceded by a non-stable Rating Outlook or a placement on CreditWatch, changes can and do occur even when the Rating Outlook is stable or the rating is not on CreditWatch, particularly when an abrupt change in creditworthiness can be promptly evaluated. FiinRatings' primary objective is always to promptly align the rating appropriately, even if a rating change is not anticipated due to unforeseen circumstances.

2. Rating Outlook

- A Rating Outlook indicates our view regarding the potential for a rating change and its direction. Unlike CreditWatch, a Rating Outlook is typically assigned as an ongoing component of long-term ratings for corporate and government entities (except when the rating is on CreditWatch) and some structured finance ratings. Rating Outlooks have a longer time horizon compared to CreditWatch and incorporate trends or risks that we believe have less certain implications for credit quality. The time frame for a Rating Outlook is generally up to two years for investment-grade ratings and up to one year for speculative-grade ratings. The shorter time frame for speculative-grade Rating Outlooks reflects the inherent volatility and increased susceptibility to nearer-term refinancing risks, liquidity issues, and covenant triggers.
- A positive Rating Outlook indicates the possibility of a rating upgrade, while a negative Rating Outlook suggests the potential for a rating downgrade. A stable Rating Outlook is assigned when we believe that the ratings are unlikely to change. It is important to note that Rating Outlooks should not be mistaken for the expected stability of the issuer's financial or economic performance. Although FiinRatings assigns positive or negative Rating Outlooks to issuer ratings when we believe an event or trend has less certain implications for a rating change compared to CreditWatch, the potential for change must be realistic and not remote. Positive

or negative Rating Outlooks are assigned to issuer ratings when we believe that an event or trend has at least a one-in-three likelihood of resulting in a rating action over the intermediate term for investment-grade credits (generally up to two years) and over the shorter term for speculative-grade credits (generally up to one year). For example, a company with rapidly improving earnings and cash flow may still have a stable Rating Outlook if FiinRatings doubts the sustainability of the trend and thus views an eventual upgrade as unlikely. Occasionally, a developing Rating Outlook may be assigned to an issuer when we believe that a rating may be raised or lowered. An example of applying a developing Rating Outlook could be when a subsidiary is flagged for sale, or a government enterprise is identified for privatization, and the time frame for such action falls within the Rating Outlook period of six months to two years, as opposed to the 90-day CreditWatch period.

- A positive or negative Rating Outlook does not necessarily indicate an imminent rating change or a CreditWatch listing. Conversely, rating changes can occur even when an issuer has a stable Rating Outlook. Unforeseen events can transpire, prompting a reassessment of ratings at any time. If deemed appropriate, the rating itself would be revised to reflect the most up-to-date opinion on credit quality, without delaying such a change by first revising the Rating Outlook or placing ratings on CreditWatch solely to signal a potential change.

3. CreditWatch

Ratings may be placed on CreditWatch under three sets of circumstances:

1. When, in our assessment, an event or deviation from an anticipated trend has taken place or is anticipated, and additional information is required to make a rating decision.
2. When we perceive a material change in the performance of an issuer or issue, but the extent of the rating impact has not been fully determined, and FiinRatings believes that a rating change is likely in the near future.
3. When changes in criteria have been implemented, necessitating a review of an entire sector or multiple transactions, and FiinRatings anticipates that rating changes are probable in the short term.

For instance, under Circumstance 1, an issuer is typically subjected to such monitoring due to a merger, recapitalization, or unforeseen operating development. These rating reviews are concluded promptly once FiinRatings has obtained the requisite information and completed its analysis, typically within a 90-day period, unless the outcome of a specific event is pending.

Under Circumstance 2, a transaction may be placed under such surveillance as the result of identified performance deterioration until we complete our analysis of the magnitude of the rating impact, normally within 90 days.

In Circumstance 3, a group of transactions may be placed under surveillance due to being affected by a change in criteria. In situations where ratings remain on CreditWatch for more than 90 days (e.g., in the case of mergers and acquisitions) or when significant events or deviations from trends occur, FiinRatings will generally publish interim updates to convey its most current assessment of the situation. In instances where ratings are placed on CreditWatch due to securitized assets' performance deterioration or a change in criteria, and the analysis of the rating impact is expected to extend beyond 90 days, FiinRatings will typically publish an expected timeframe to complete its evaluation of the situation.

About FiinRatings

FiinRatings operates in the field of credit rating, licensed by the Ministry of Finance, providing credit ratings and related services to issuers, creditors and investors in Vietnam credit market. FiinRatings is also Vietnam first green bonds approved verifier, in accordance with the green bond international standard by the Climate Bonds Initiative and a Vietnamese pioneer in ESG Evaluation and ESG Scoring for Vietnamese companies. For more information, please visit: [FiinRatings - The leading Credit Rating Agency in Vietnam](#)

For analytical inquiries

If you have any question or concern, please contact FiinRatings' analytical team by email: analytical.fiinratings@fiingroup.vn