

VIS Rating assigns first-time A- issuer rating to AIS Securities Joint Stock Company, stable outlook

Hanoi, 01 July 2025 - VIS Rating has assigned a long-term issuer rating of A- to AIS Securities Joint Stock Company (AIS). The outlook on AIS's A- issuer rating is stable. This is the first time VIS Rating assigned a rating to AIS.

RATING RATIONALE

AIS's A- long-term issuer rating reflects its above-average standalone assessment and our expectation of a low likelihood of affiliate and government support for the firm in times of need. The firm's standalone assessment incorporates its strong leverage, above-average risk appetite, funding and liquidity profiles, and below-average profitability relative to peers.

Established in 2007, AIS is a small-sized securities firm in Vietnam. As of 2024, the company reported total assets of VND 2.6 trillion—significantly below the industry average of VND 8 trillion—ranking 36th in the sector by asset size.

Following a change in key shareholders in 2019, AIS initiated a comprehensive restructuring of its business operations. The firm raised new capital in 2019, 2020 and 2022 to restore business operations and secure essential licenses for margin lending, brokerage, and derivatives services, etc. Since 2020, AIS has gradually expanded its product offerings and invested in technology infrastructure to comprehensively enhance its trading platforms.

According to management, AIS adopts a conservative business strategy focused on capital preservation, targeting a modest annual profit growth of 10% over the 2021–2025 period. In contrast to peers, AIS operates with a lean sales force and deliberately avoids fee-based competition to expand brokerage market share. The firm also maintains a cautious stance on margin lending, limiting exposure to highly leveraged clients.

We view AIS's leverage position to be one of its key credit strengths. The 'Strong' assessment reflects its conservative use of borrowings relative to industry norms. Over the past five years, the firm maintained a reported leverage ratio of 1.3x, well below the industry average of 2.3x. This conservative capital structure aligns with management's strategic focus on capital preservation and its decision not to aggressively expand margin lending activities.

Rather than deploying capital to scale its core brokerage operations, AIS has primarily allocated excess capital toward treasury investments. With no significant business expansion planned over the next 12–18 months, the firm is expected to continue operating with limited short-term debt and maintain stable leverage levels.

AIS is assessed to have an 'Above-Average' funding and liquidity profile, supported by its substantial holdings of highly liquid assets relative to peers. As of end-2024, the firm's liquidity inflow-to-outflow ratio stood at 264%, significantly above the industry average of 109%. This reflects AIS's conservative approach, characterized by minimal margin lending activity and a treasury portfolio concentrated in cash, TDs, CDs, and FI bonds.

At end-2024, majority of AIS's borrowings are short-term, secured loans from a state-owned bank. Management has indicated a preference for this funding source over unsecured credit lines to reduce funding costs and enhance returns from treasury operations.

However, AIS's narrow funding base may constrain its ability to scale, particularly if it seeks to expand margin lending. In contrast, larger securities firms in Vietnam typically maintain diversified funding channels, including substantial credit lines from both domestic and international banks, which enhances their resilience during periods of market stress. According to management, AIS is working to diversify its funding by securing more credit facilities from other local banks.

Over the past three years, AIS's average exposure to higher-risk assets – mainly corporate bonds - stood at 12% of total assets, below the industry average of 20%. As of end-2024, 82% of AIS's total assets comprised low-risk fixed-income instruments, including term deposits (TDs), bank certificates of deposit (CDs), and financial institution (FI) bonds. Margin loans accounted for just 4% of total assets. These characteristics underpin its 'Above-Average' risk appetite.

During 2021 to the first half of 2022, the firm held several corporate bonds issued by companies in the agriculture, manufacturing, and real estate sectors—some of which were later associated with bond defaults in late 2022. According to management, AIS typically held these bonds for less than six months and exited positions through secondary market sales, enabling the firm to fully divest from real estate bonds without incurring credit losses.

Looking ahead, AIS may selectively increase its exposure to non-FI corporate bonds, particularly in the manufacturing sector, while continuing to avoid high-risk real estate issuers. The firm has set an investment cap of VND 500 billion per issuer, equivalent to 20% of its total assets, to manage concentration risk. Given this disciplined approach, AIS's asset risk profile is expected to remain stable over the next 12–18 months.

Margin lending risk remains limited due to the small scale of operations, stringent client selection, and robust collateral management practices. Management has reiterated its intent to restrict lending to highly leveraged borrowers and maintain modest growth in margin loans, in alignment with the firm's conservative risk strategy.

AIS is assessed to have 'Below-Average' profitability, reflecting its lower-than-industry-average return on average assets (ROAA) and concentrated income structure. Over the past three years, AIS recorded an average ROAA of 4.0%, slightly below the industry average of 4.3%. This underperformance is primarily attributed to modest income from low-yield fixed-income instruments—such as CDs, TDs, and FI bonds—which collectively accounted for 85% of total operating income.

Unlike larger peers, AIS has limited contributions from margin lending and brokerage activities due to its small customer base and conservative business strategy. As of 2024, the firm's brokerage gross margin and margin lending rates stood at 2.5% and 8.2%, respectively—well below the industry averages of 20% and 11%.

Earnings volatility remains elevated, given the firm's exposure to a retail-driven market and reliance on a narrow set of income sources. With no material changes expected in its business mix over the next 12–18 months, AIS's profitability is likely to remain stable but subdued.

For 2025, given macro-economic uncertainties and geopolitical risks, AIS has set a profit target reflecting a 20% year-over-year decline, while maintaining stable brokerage operation. Instead, the firm will prioritize managing returns from lower-risk fixed-income investments, including TDs, CDs, and FI bonds.

AIS's issuer rating does not incorporate uplift for affiliate and government support.

The outlook on AIS's long-term issuer rating is stable, reflecting our view that its credit fundamentals will remain stable over the next 12-18 months.

Factors that could lead to an upgrade of the rating

AIS's A- rating could be upgraded if (1) the company exhibits a track record of meaningfully improving the profitability from its core business, for example, through stronger business activity and income from core margin lending and brokerage, and develops a more robust customer base on a consistent basis.

Factors that could lead to a downgrade of the rating

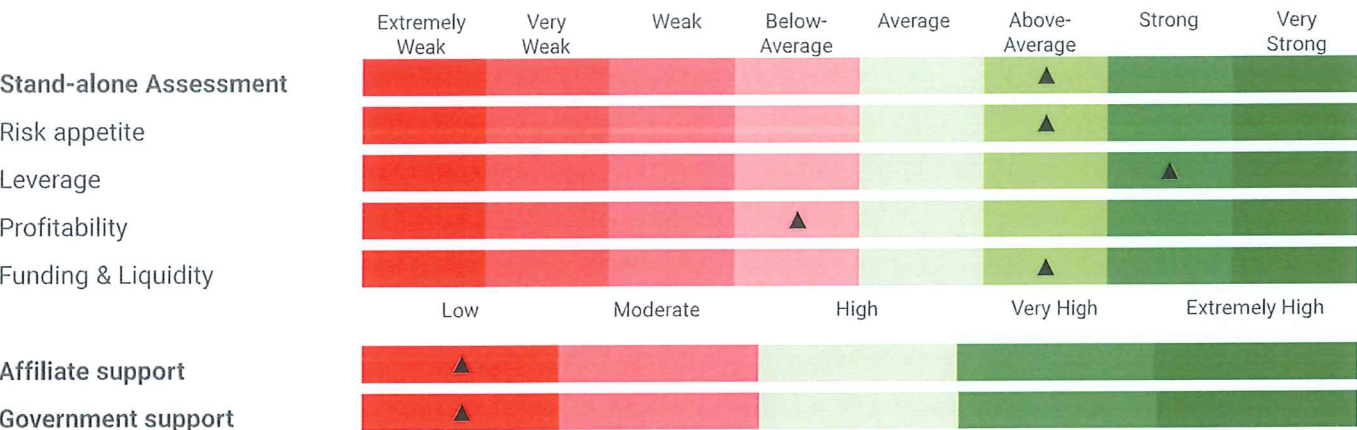
AIS's A- rating could be downgraded if (1) the firm's increases substantially its holdings of higher risk assets, heightening the likelihood of balance sheet losses; or (2) the company significantly increases its leverage to support business expansion, for example, its leverage ratio increase to above 2.5x on a consistent basis or (3) the firm becomes increasingly vulnerable to liquidity risks and does not hold sufficient liquidity assets to cover its short-term obligations.

RATING METHODOLOGY

Rating Methodology: Financial Institutions.

For detailed information, please see our full methodologies at: <https://visrating.com/how-to-get-rated/view/financial-institutions-rating-methodology.2>

SUMMARY OF KEY FACTORS



Source: VIS Rating

CREDIT RATING HISTORY

Date	Rating type	Rating	Outlook	Action
01 July 2025	Long-term Issuer Credit Rating	A-	Stable	First-time assignment

RATING SCALE

Long-Term Rating

AAA	Issuers or debt instruments demonstrate the strongest creditworthiness relative to other domestic entities and transactions.
AA	Issuers or debt instruments demonstrate very strong creditworthiness relative to other domestic entities and transactions.
A	Issuers or debt instruments demonstrate above-average creditworthiness relative to other domestic entities and transactions.
BBB	Issuers or debt instruments demonstrate average creditworthiness relative to other domestic entities and transactions.
BB	Issuers or debt instruments demonstrate below-average creditworthiness relative to other domestic entities and transactions.
B	Issuers or debt instruments demonstrate weak creditworthiness relative to other domestic entities and transactions and may be approaching default, with strong recovery prospects.
CCC	Issuers or debt instruments demonstrate very weak creditworthiness relative to other domestic entities and transactions and are likely in or near default, typically with moderate recovery prospects.
CC	Issuers or debt instruments demonstrate extremely weak creditworthiness relative to other domestic entities and transactions and are typically in default, typically with poor recovery prospects.
C	Issuers or debt instruments demonstrate the weakest creditworthiness relative to other domestic entities and transactions and are typically in default, with very poor recovery prospects.

Note: VIS Rating appends the modifiers + and – to each generic rating classification from AA through CCC. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier – indicates a ranking in the lower end of that generic rating category

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