VIETNAM INVESTORS SERVICE

RATING ANNOUNCEMENT
05 September 2025

VIS Rating assigns first-time BBB issuer rating to Tien Phong Securities Corporation, stable outlook

Hanoi, 05 September 2025 - VIS Rating has assigned a long-term issuer rating of BBB to Tien Phong Securities Corporation (TPS). The outlook on TPS's BBB issuer rating is stable. This is the first time VIS Rating has assigned a rating to TPS.

RATING RATIONALE

TPS's BBB long-term issuer rating reflects its 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 average profitability, leverage, funding and liquidity profiles, and below-average risk appetite relative to peers.

Established in 2006, TPS is a mid-sized privately-owned securities firm with total assets of VND 11 trillion as of 1H2025. In 2019, TPBank became a shareholder of TPS and added several of its key executives to TPS's management team. The new management embarked on a major business restructuring that included rebranding, integration with TPBank's ecosystem, and launching new proprietary trading, corporate bond advisory and underwriting businesses. Corporate bond advisory and distribution have since become TPS's primary business, leveraging TPBank's branch network and customer base to expand market reach and drive cross-selling. As of report date, TPBank remains the largest shareholder at TPS, with a 9% stake.

We assess TPS's risk appetite at a 'Below-Average' level, reflecting its elevated exposure to risky assets, including corporate bond investments and business cooperation contract (BCC) receivables of companies that either defaulted or are linked to recent defaults. However, we also expect TPS's de-risk initiatives will stabilize its asset risk over the next 12-18 months.

As of 1H2025, over 70% of TPS's total assets comprised corporate bond investments and receivables – primarily lending to corporates through BCC contracts – significantly higher than the industry average of 20%. These exposures are concentrated in a few large real estate and power groups with weak operating cash flows and high leverage; some of the group entities had defaulted on bond repayments or were embroiled in various financial and legal issues in 1H2025.

According to the management, TPS is implementing new strategic initiatives to de-risk its corporate bond advisory and distribution business, aimed at enhancing risk management and improving bad debt recovery. Measures include accelerated debt restructuring, stricter customer selection, and aligning credit approval standards and collateral management practices with those of TPBank.

TPS is actively working with defaulted bond issuers to accelerate recoveries, including identifying and negotiating with potential investors to acquire the project assets of defaulted bond issuers, thereby facilitating the acceleration of collateral liquidation and/or bond repayment. The management expects the majority of the bond proceeds to be recovered by mid-2026, supported in part by improved access to new bank financing for project developers, and the resolution of overdue BCC receivables to extend into 2027.

We expect debt restructuring efforts may not always be straightforward and may be prolonged as a result of negotiations and the due diligence process of potential investors.

While we view the de-risk initiatives as positive over the longer term, we expect TPS's asset risk will remain elevated and gradually stabilize over the next 12-18 months.

TPS's margin loans, accounting for 8% of its total assets as of 1H2025, remained concentrated among several large borrowers, though no credit losses were recorded from margin lending during 2019-1H2025. Like most large firms, TPS has developed robust margin call and collateral management processes, including early repayment reminders for borrowers and an automatic force-sell mechanism to limit credit losses. Over the next 12–18 months, we expect asset risks from margin loans to remain well-managed, supported by its risk controls and efforts to diversify into the mass retail segment.

TPS's profitability is assessed as 'Average', reflecting below-peer return on average assets (ROAA) due to lower asset yields and higher funding costs, as well as elevated pre-tax earnings volatility from concentrated fixed-income income streams. We expect profitability to improve from the trough in 1H2025, supported by ongoing efforts to diversify core businesses and enhance earnings stability.

During 2020-2024, TPS's ROAA was at 4.6% on average, below peers' average of 8.0%. TPS's ROAA reached its lowest level of -2.0% in 1H2025, driven by a net loss from the sale of equity and corporate bond investments under its de-risk strategy. We also note that TPS's earning quality remained weak, given limited cash inflows from defaulted bond and BCC receivables' interest income.

TPS's pre-tax earnings volatility reached 80% in 1H2025, significantly above the peer average of 49%, driven by high reliance on bond investments, advisory, and BCC income from a few large corporate clients. Over the past three years, these sources contributed 80% of operating profits, exposing TPS to sharp earnings swings when any key client experiences financial stress.

As part of its de-risk strategy, the firm will strengthen cash flow from fixed-income operations by tightening customer selection, and diversify its core business to margin lending activities. Going forward, TPS intends to focus on bond advisory and underwriting for TPBank's corporate clients in renewable energy, infrastructure, and real estate. According to the management, TPS will also work with TPBank to accelerate cross-selling of brokerage, margin loan and bond distribution to retail customers.

As core business income begins to grow, we expect TPS's income diversity and stability to improve over the next 12-18 months. The management has set a pre-tax earnings target of VND 139 billion for 2025.

We assess TPS's leverage at an 'Average' level, reflecting its track record of using higher-than-peer borrowings, as well as its ability to access new capital to support business growth.

TPS's reported leverage ratio stood at 2.9x as of 1H2025, consistently higher than industry's average of 2.6x due to its fixed-income operation expansion.

According to the management, TPS plans to raise VND 3.5 trillion in 2025, while maintaining the current leverage level and a consistent non-cash dividend policy to support its business expansion over the next 12-18 months. As such, we expect TPS's leverage level to remain stable.

We position TPS's funding and liquidity at 'Average' level, reflecting its diversified funding structure with sizeable long-term bond fundings – an unique strength that lowers TPS's refinancing risks relative to peers.

Unlike peers with high reliance on short-term borrowings, TPS demonstrates high funding stability, with long-term bonds contributing nearly half of TPS's total borrowings as of 1H2025. In addition, TPS manages to secure sizeable credit facilities from various local banks, with clean lines from TPBank contributing nearly 60% of its short-term borrowings.

TPS plans to issue up to VND 2 trillion of 5Y senior unsecured bonds in 2025 with a lower coupon rate to refinance existing bonds and reduce funding costs amid a low-interest-rate environment.

Liquidity risks will remain well-managed, given lower-than-peer reliance on short-term borrowings and ongoing debt collection efforts to improve its cash inflows. As of 1H2025, TPS's liquidity inflows over outflows ratio was 140%, well above the industry average of 100%.

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

The outlook on TPS's long-term issuer rating is stable. We expect TPS's de-risking efforts will support the gradual stabilization of its asset risks and profit growth over the next 12-18 months.

Factors that could lead to an upgrade of the rating

TPS's BBB rating could be upgraded if (1) the firm raises new capital to strengthen its loss absorption buffer and lower leverage ratio to below 2.0x on a sustainable basis; or (2) we assess TPBank's capacity or willingness to support increase substantially.

Factors that could lead to a downgrade of the rating

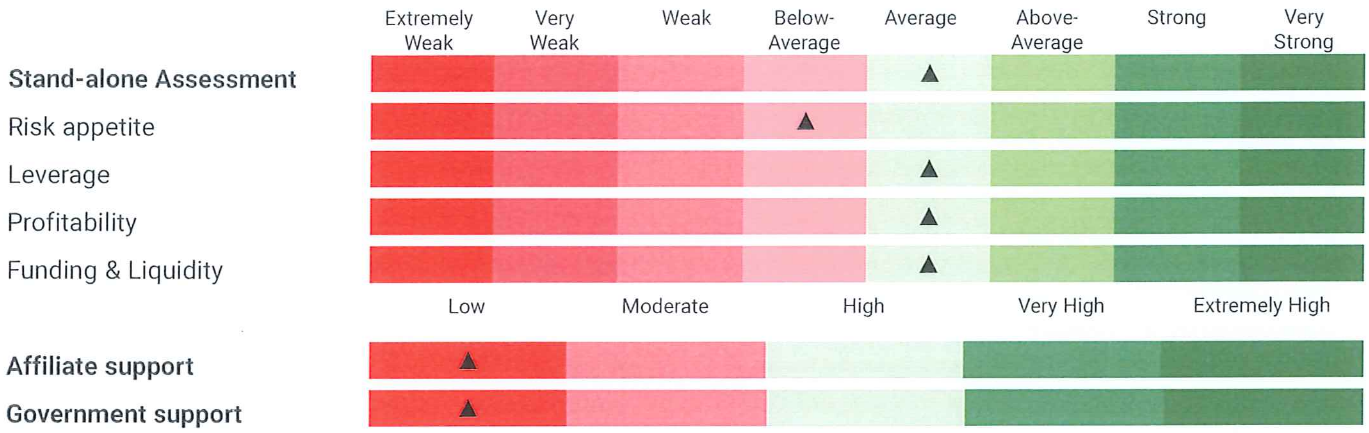
TPS's BBB rating could be downgraded if (1) the firm's de-risking efforts fail to resolve asset quality issues, leading to balance sheet losses and significantly weaker capital level; or (2) the firm's liquidity risks increase, given higher reliance on short-term borrowings, and/or insufficient liquid assets to cover its short-term obligations, for example, liquidity ratio falling below 100% on a consistent basis; or (3) its core profitability continues to incur loss from investments or brokerage services on a consistent basis.

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
05 September 2025	Long-term Issuer Credit Rating	BBB	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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This rating is solicited.

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Vietnam Investors Service and Credit Rating Agency Joint Stock Company
Public Credit Rating Announcement No: VN0304814339-001-050925

M.S.D.N: 0109839192-C.T.C.P
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Simon Chen, CFA
Head of Ratings and Research
05 September 2025

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