RATING ANNOUNCEMENT
12 June 2025

VIS Rating assigns first-time BBB+ subordinated debt ratings to Vietnam Asia Commercial Joint Stock Bank's subordinated bonds

Hanoi, 12 June 2025 - Vietnam Investors Service and Credit Rating Agency Joint Stock Company (VIS Rating) has assigned BBB+ subordinated debt ratings to three tranches of subordinated bonds issued by Vietnam Asia Commercial Joint Stock Bank (VAB). VAB issued three tranches of private placement subordinated bonds[1], totalling VND 1 trillion in 2023-2024.

The outlook of the ratings is stable. This is the first time VIS Rating assigned ratings to VAB's subordinated bonds.

The rating is based on the final terms and conditions in the bond transaction documents reviewed by VIS Rating.

RATING RATIONALE

The BBB+ rating assigned to the subordinated bonds issued by VAB is positioned one-notch below the bank's issuer rating.

This reflects our view that the bank's subordinated bonds are subject to legal subordination and higher loss severity compared to the bank's senior obligations.

The subordinated bonds constitute direct, unsecured and subordinated obligations of VAB, and rank pari passu with other subordinated liabilities of the bank.

According to SBV's Circular 41[2], bank subordinated bondholders rank junior to all bank senior creditors in terms of the creditor claim priority during liquidation.

In addition, the bonds have an optional, cumulative coupon-skip mechanism related to a net loss trigger. Coupon payments can be deferred at the option of VAB if such payments will result in a net loss for the bank in the financial year when the coupon payments are due.

As required by Decree 65[3], each private placement bondholder must sign a legally binding agreement with the issuing bank to acknowledge their understanding of the bond investment risks and bear responsibility for their investment decision.

The securities will mature in seven years and can be called by the issuer after two years.

According to the bond prospectus, the proceeds from the bond issuance will be used to increase the bank's Tier 2 capital and supplement its medium- to long-term funding sources for lending to targeted sectors, including energy, power generation, manufacturing, and construction.

According to VAB, it has complied with all disclosure requirements and fulfilled all other obligations in accordance with the bond terms and conditions and all relevant laws. VAB has made all principal and interest payments for the three subordinated bonds in full and on a timely basis over the past three years. These bonds are registered with the Vietnam Securities Depository (VSD) and listed on the Hanoi Stock Exchange (HNX).

The bank has appointed National Securities Company (NSI) to serve as the advisory service provider and bondholder representative for the subordinated bonds. NSI is required to monitor VAB's compliance with requirements under relevant laws, and notify bondholders of any event of default.

Established in 2003, VAB is a small-sized, privately-owned commercial bank with a 0.7% share of total deposits at end-2024.

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[1] *Three subordinated bonds in our rating announcement include VABCLH2330001, VABCLH2431001, and VABLH2431002*

[2] *Refer to Circular 41/2016/TT-NHNN: Regulation on Capital safety ratio for banks and foreign bank branches*

[3] *Refer to Decree 65/2022/ND-CP Amending and supplementing Decree 153/2020/ND-CP regulating the offering and trading of corporate bonds privately in the domestic market and the offering of corporate bonds to the international market*

Factors that could lead to an upgrade of the rating

VAB's BBB+ subordinated debt rating could be upgraded if the bank's issuer rating is upgraded.

The bank's issuer rating could be upgraded if the bank (1) reduces its credit concentration significantly, exhibits improvements in the quality of its lending and risk mitigation practices; and (2) strengthens its core capitalization substantially. For example, its tangible common equity (TCE) to risk-weighted asset (RWA) ratio consistently stays above 12%.

Factors that could lead to a downgrade of the rating

Conversely, the bank's BBB+ subordinated debt rating could be downgraded if the bank's issuer rating is downgraded.

The bank's issuer rating could be downgraded if (1) we view the bank's vulnerability to sizable credit losses has increased. For example, credit concentration does not improve, operating cash flows of its large borrowers deteriorate, and collaterals are unlikely to offer any meaningful risk mitigation; or (2) the bank's core capitalization declines as a result of rapid growth in loans or credit losses; or (3) we deem the bank to be increasing vulnerable to funding or liquidity risks.

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

CREDIT RATING HISTORY

Date	Rating type	Rating	Bond code	Maturity	Outlook	Action
12 June 2025	Subordinated debt rating	BBB+	VABCLH2330001	7 years	Stable	First-time assignment
12 June 2025	Subordinated debt rating	BBB+	VABCLH2431001	7 years	Stable	First-time assignment
12 June 2025	Subordinated debt rating	BBB+	VABLH2431002	7 years	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: Vietnam Investors Service 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

REGULATORY DISCLOSURES

For further specification of VIS Rating's Rating Symbols and Definitions, please see https://visrating.com/how-to-get-rated/.

VAB's ownership stake in VIS Rating: 0%

The ownership ratio of VAB held by VIS Rating's staff: 0%

Cases in which analysts and credit rating council members cease their participation in the credit rating contract before the contract expires and the reason for the cessation: 0

VIS Rating adheres to a stringent independence policy by current regulations governing the provision of credit rating services in Vietnam. This commitment extends to compliance with our conflicts-of-interest policy, aiming to uphold objectivity and independence when expressing opinions on credit ratings.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Simon Chen, CFA
Head of Ratings and Research
12 June 2025

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