

Rating Update:

FiinRatings affirms BBB-/Stable Issuer Rating for Tien Phong Securities Joint Stock Company (“TPS”)

**Long-term Issuer Credit Rating (*): BBB-
Rating Outlook: Stable**

Hanoi, 27 December 2024

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** This rating is an Issuer Credit Rating (ICR). An ICR reflects our view of the senior unsecured credit rating of an issuer and is not specific to a debt instrument such as bond that it may issue.*

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.

Hanoi, 27 December 2024

In the latest credit rating update, FiinRatings affirmed the issuer credit rating of ‘**BBB-**’ with the ‘**Stable**’ outlook for Tien Phong Securities Joint Stock Company (“TPS”), based on:

- (1) TPS continues to benefit from its ‘Moderate’ strategic role within the TPBank ecosystem over the next 12 to 24 months.
- (2) TPS's funding and liquidity profile remains ‘Adequate,’ supported by a significant increase and diversification in credit lines from multiple financial institutions, thereby ensuring sufficient fulfilment of its capital needs.
- (3) TPS is expanding its brokerage and margin lending segments, which we consider to be more stable and sustainable business lines. Additionally, the concentration risk within its margin lending portfolio is on a declining trend. We believe these factors will further enhance TPS's business stability.

We may adjust TPS's credit rating or outlook under the following scenarios:

Upgrade Scenarios

Factors that could, individually or collectively, lead to review for positive rating action or upgrade for TPS:

- The company significantly increases its equity to 5,000 billion VND or more while reducing its Debt-to-Equity ratio to align closer to the industry median of around 1.0–1.3 times.
- TPS makes a notable improvement in business position, evidenced by a significant shift toward more stable business lines (specifically brokerage and margin lending), with a secured market share and contributing more than 40% to the Company’s total revenue. Furthermore, revenue generated from its business in the bond market demonstrates improved stability over time.
- The risk appetite in margin lending portfolios, proprietary trading, and other businesses, as well as the quality of receivables, shows significant improvement.

Downgrade Scenarios

Factors that could, individually or collectively, lead to review for negative rating action or downgrade for TPS:

- TPS's core business revenue structure remains more volatile than the industry average, affecting the stability of the Company's business position.
- TPS no longer maintains its strategic role within the TPBank ecosystem and no longer benefits from or receives support associated with this position
- The risk appetite in margin lending, proprietary trading, and other businesses, as well as the credit risk of TPS's business partners, has significantly increased.

RATING RATIONALE

TPS's business position remains at an “Adequate” level amid recent turbulence and unclear recovery in the stock market, thanks to the shift to margin lending, which is a more stable business line, along with a slight improvement in the Company's equity brokerage market share. However, revenue from TPS's bond-related services and business operations remains volatile, reflecting persistent challenges in the bond market.

- **TPS has made commendable efforts to shift its business model toward margin lending, a segment with greater stability, while brokerage revenue continues to provide a consistent contribution.** Margin lending revenue has shown significant growth, rising from VND 1.2 billion in 2020 to VND 131.1 billion in the first nine months of 2024. Although this segment's contribution to total revenue remains modest, we believe it is gradually enhancing the stability of TPS's business position.
- By the end of 9M2024, TPS's margin loan balance reached nearly VND 2,254 billion, exceeding the initial annual target by 16% and more than doubling (2.1 times) the level recorded at the end of 2023, despite several market fluctuations during the year. Meanwhile, the number of active accounts registered for margin loan services increased to 575, a 1.5-times increase compared to June 30, 2023, indicating robust growth in TPS's margin loan portfolio. The Company's brokerage market share also saw a positive recovery in 2024, achieving 0.37% of the total market transaction value, a slight increase from the previous decline to 0.34% as of December 31, 2023 (according to FiinRatings estimates).
- Considering the potential benefits from TPBank's ecosystem and a recovering brokerage market share, we believe that TPS has a solid foundation to continue expanding its margin loan portfolio steadily in 2025. Revenue from brokerage and margin lending activities is expected to remain a stable contributor to TPS's total revenue.
- **However, we maintain our view on the instability of TPS's core business activities related to corporate bonds, with revenues coming from various sources over time.** The revenue sources include advisory and underwriting fees (2019–2022), bond custody fees (2021–2023), profits from proprietary bond trading, and income from bond-related services recorded under other revenues in 9M2024. FiinRatings assesses that, in the context of the corporate bond market continuing to face significant challenges, these factors will have ongoing adverse impacts on the revenue streams from the Company's bond-related services and business activities.

TPS's capital, leverage, and earnings are assessed as "Moderate," driven by the current upward trend in its leverage ratio, despite an improvement in profit margins, which are approaching the median level of the Top 20 securities companies.

- TPS's leverage ratio continued its upward trend, rising from 1.6 times at the end of 2023 to 1.8 times in Q3/2024, higher than the median of 1.4 times for the top 20 securities companies. For 2025–2026, while TPS's capital requirements are expected to remain high, its leverage ratio could decrease if the following conditions are met: (1) the maturity of 1,000 billion VND in bonds in April 2026 without issuing new bonds, (2) the completion of a plan to increase equity by 2,016 billion VND in 2025, and (3) maintaining the current bank borrowing levels. These are the key factors that FiinRatings will continue to monitor in upcoming rating updates to assess improvements in TPS's capital structure, leverage, and profitability.
- TPS's capital adequacy ratio is currently maintained at a sufficient level. As of the end of Q3/2024, TPS's capital adequacy ratio reached 373%, a significant increase from 272% at the end of 2023. The improvement in TPS's capital adequacy ratio was primarily driven by an increase in available capital (equity growth). Moving forward, the Company plans to maintain a capital adequacy ratio above 300% to meet operational requirements. To achieve this target, TPS will continue implementing measures such as increasing charter capital, collecting receivables, and adjusting its investment portfolio.

- TPS’s profit showed improvement in the first nine months of 2024, mainly due to income from proprietary bond trading. The cost-to-income ratio (CIR) edged up to 57.2% but stayed lower than the 64% median of the top 20 securities firms. At the same time, TPS’s ROE and ROA saw continued growth, reaching 11.6% and 4.0%, respectively, compared to 9.4% and 3.4% at the end of 2023.

FiinRatings continues to assess TPS's risk position at “Moderate” level, reflecting the Company's unchanged risk appetite in margin lending activities, proprietary bond trading, and its receivables portfolio.

- We acknowledge a decreasing trend of concentration risk in TPS's margin lending portfolio over the past period (from mid-2023 to the end of Q3 2024). This trend is expected to continue improving as the Company further expands this business segment. The outstanding loan proportion of the top 5 corporate clients decreased from 8.8% (as of June 30, 2023—when the initial credit rating was conducted) to 3.0% (as of September 30, 2024). Similarly, the outstanding loan proportion of the top 20 individual clients dropped from 82.6% to 64.4% during the same period.
- However, we believe that TPS's risk appetite in margin lending has not shown any significant changes, as the concentration of margin loans among individual clients remains high. At the same time, the share of loans allocated to the real estate sector rose from 14.7% as of June 21, 2023, to 41.0% by the end of September 2024. The average loan-to-value (LTV) ratio has remained steady at 35–36%, while the proportion of low-liquidity collateral assets has stayed within the range of 15–20%.
- TPS's high-risk appetite in proprietary trading of corporate bonds and credit risk from counterparties in TPS's receivables remain our primary concerns in TPS's credit profile. The value of its proprietary bond trading portfolio increased from 980.2 billion VND (as of June 30, 2023, during the initial credit rating) to 1,275.1 billion VND as of September 30, 2024, continuing to account for 30–40% of equity capital. This reflects TPS's persistent high-risk appetite, as the Company continues to allocate capital to assets with potential profitability but considerable risk, especially in the context of an unclear market recovery. Similarly, total receivables rose from 2,282 billion VND (as of March 31, 2024) to 2,721 billion VND (as of September 30, 2024), equivalent to 60–70% of equity capital. Approximately 70% of the total receivables are associated with counterparties whose credit risks require attention, according to FiinRatings' credit assessment.

TPS's funding and liquidity profile remains ‘Adequate,’ supported by a significant increase and diversification in credit lines from multiple financial institutions, thereby ensuring sufficient fulfilment of its capital needs.

- The credit limit of TPS has significantly increased compared to the update six months ago, rising to 7,697 billion VND from 5,200 billion VND (as of 31/03/2024), mainly thanks to the new credit line of 1,200 billion VND at Vietinbank. We assess that TPS's increased use of credit limits may raise the risk of refinancing for the Company. In 9M2024, TPS borrowed nearly 5,000 billion VND per quarter on average (repaying nearly 4,000 billion VND in principal), significantly higher than the average quarterly amount in 2023 – borrowing 3,500 billion VND (repaying nearly 3,000 billion VND in principal). On the other hand, despite the increasing refinancing risk, TPS is expected to maintain liquidity to meet financial obligations within the next 12 months, thanks to the continuous increase in credit limits and timely support from TPBank under unfavourable conditions. In our projections, TPS is likely to maintain a liquidity source/usage ratio of 1.2–1.3 times in 2025.

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:

- [Rating methodology for Securities Companies](#)
- [Notching for Group Support Methodology](#)

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

- [General Rating methodology](#)

CREDIT RATINGS HISTORY

Credit Ratings History

Tien Phong Securities Joint Stock Company (“TPS”)

Issuer Credit Rating History

<i>06 October 2023</i>	<i>Initial Ratings</i>	<i>Issuer Rating: BBB- Outlook: Stable</i>
<i>24 May 2024</i>	<i>Surveillance</i>	<i>Issuer Rating: BBB- Outlook: Stable</i>
<i>27 December 2024</i>	<i>Surveillance</i>	<i>Issuer Rating: BBB- Outlook: Stable</i>

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 and explanation	Rating scales
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
	C
Group 8: Default. Payments on an obligation are not made on the date due or the issuer becomes insolvent. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action.	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:

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

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FIINRATINGS JOINT STOCK COMPANY

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Nguyen Quang Thuan, FCCA
Chief Executive Officer
Hanoi, 27 December 2024

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