

DBS VICKERS SECURITIES (THAILAND) CO., LTD.

No. 100/2021
30 June 2021

FINANCIAL INSTITUTIONS

Company Rating: AAA
Outlook: Stable

Last Review Date: 30/06/20

Company Rating History:

Date	Rating	Outlook/Alert
28/06/18	AAA	Stable
15/07/16	AA-	Stable
22/03/11	A-	Stable
15/12/09	A-	Negative
17/10/06	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on DBS Vickers Securities (Thailand) Co., Ltd. (DBSVT) at “AAA” with a “stable” outlook. The rating mainly reflects the company’s status as a highly strategic subsidiary of the DBS Group whose main operating entity is DBS Bank Ltd. (rated “AA-/Stable” by S&P Global Ratings).

KEY RATING CONSIDERATIONS

Highly strategic subsidiary of the DBS Group

We consider DBSVT to be a highly strategic subsidiary of the DBS Group. DBSVT is a wholly owned subsidiary of DBS Vickers Securities Holding Pte (DBSVH), the Singapore-based securities arm of the DBS Group. The company serves as an integral part of a platform to offer brokerage services to clients of the DBS Group and affiliated companies. As an integral part of the group, DBSVT adopts the group’s strategies and financial targets. DBSVT’s strong linkage with the group is evidenced by the company’s securities brokerage trading volume originating from affiliated companies that accounted for 75% of total securities brokerage trading volume in 2020. The company also leverages DBS Bank’s strength in private banking to capitalize on Thailand’s strong growth in the wealth management market.

We believe the DBS Group has a strong and long-term commitment to support DBSVT given its full ownership and DBSVT’s role as integral part of its securities business platform in Asia. DBSVT has received both business and financial support from the DBS Group. The company has been granted credit facilities by the group and employs the group’s integrated risk management and operating platform. In our view, DBSVT’s reputation is inextricably linked with the group’s given the shared brand name. We are of the view that it is highly likely that the linkage between the DBS Group and DBSVT will be maintained in the foreseeable future.

Modest market position in securities brokerage business

DBSVT has a modest market position in the securities brokerage business and market shares in other business lines. In 2020, the company’s securities brokerage revenue share (excluding proprietary trade) ranked in the top-20 among peers with a 2.8% share, down from 4.8% in the previous year. Foreign investors contributed about 75% of its securities trading volume in 2020. The lower trading volume from foreign investors in the past several years, especially the Direct Market Access (DMA) segment, has caused a decline in DBSVT’s brokerage revenue share. Nevertheless, we expect the continuous expansion of DBSVT’s wealth management business to help support brokerage revenue over the next few years through a broader product offering to high-net-worth clients.

Risk management aligned with the group

As an integral part of the DBS Group, DBSVT’s operations and risk management policies strictly follow the group’s policies. DBSVT’s exposure to market risk is limited as the company does not engage in speculative proprietary trading, in accordance with the group’s risk management policy. In addition, the company has a policy of hedging its structured product exposures. As for credit risk, the company also adopts the group’s prudent policies on margin lending.

Ongoing financial support from the DBS Group

We expect DBSVT's funding and liquidity profiles will continue to be supported by the group at an adequate level. The company has received ongoing financial supports from the group in the form of credit lines. At the end of March 2021, the company had available credit facilities of around SGD30 million from the group. We assess the group as willing and financially capable of supporting the company, if needed. The company also has available credit facilities of around THB4.3 billion from various local financial institutions as of 31 March 2021.

BASE-CASE ASSUMPTIONS

TRIS Rating's base assumption is that DBSVT will remain a highly strategic subsidiary of the DBS Group.

RATING OUTLOOK

The "stable" outlook reflects our expectation that DBSVT will maintain its status as a highly strategic subsidiary of the DBS Group and continue to operate as an integral part of DBS Group's securities business in Asia.

RATING SENSITIVITIES

DBSVT's rating is at the highest level at "AAA" with a "stable" outlook. The rating and outlook could be revised downward if the rating on DBS Bank were revised downward. Any change in the group's structure and strategy such that DBSVT was no longer a highly strategic subsidiary of the group could also negatively impact the rating and/or outlook.

COMPANY OVERVIEW

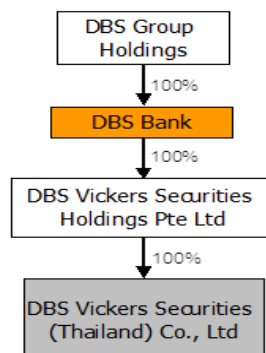
DBSVT was established on 18 November 1996 under the name "Nava Securities Co., Ltd." with initial registered capital of THB1 billion. The company was granted business licenses covering securities brokerage, securities trading, securities underwriting, and investment advisory by the Ministry of Finance (MOF) in early November 1997.

On 17 November 1997, the company received an accounting balance (assets and liabilities) transfer, with a net asset value of THB354 million, from Nava Finance and Securities PLC. The transfer was made to comply with a government regulation dictating the separation of securities companies and finance companies.

In 1998, Vickers Ballas Holdings Ltd. (VBHL), a Singaporean firm, acquired a 49% stake (57.502 million shares) in Nava Securities. Nava Securities was renamed Nava Vickers Ballas Securities Co., Ltd. in May 1998. In January 2000, VBHL acquired an additional 59.849 million shares (51% of the total registered shares) of the company from Bank Thai PLC, raising its stake to 99.99%. The company then changed its name to Vickers Ballas Securities (Thailand) Co., Ltd. (VBST) in early February 2001.

On 13 February 2001, DBS Group Holdings Ltd. (DBSH) took over VBHL in Singapore. The deal was completed through a subsidiary of DBSH, The Development Bank of Singapore Ltd. After DBSH acquired a 100% stake in VBHL, VBST was renamed DBS Vickers Securities (Thailand) Co., Ltd. (DBSVT) and began full operations in October 2001.

DBSVT Group Structure



Source: DBSVT

In August 2005, DBSVT received approval from the Securities and Exchange Commission (SEC) to act as a derivatives agent and to execute derivatives transactions on behalf of clients on the derivatives exchange. This business started on 28 April 2006 with the launch of the Thailand Futures Exchange (TFEX).

During 2012-2014, DBSVT launched several new products and services to facilitate its customers' online trading transactions and to provide them with research and market information. The new products and services included DBSVT's

overseas trading services for smart phone users, Online KYC, eStatement, and its Point Redemption System via www.dbsvitrade.com. DBSVT also launched BrainBox, a new investing tool for clients. BrainBox provides both fundamental and technical analyses to investors.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2020	2019	2018	2017	2016
Total assets	3,124	4,335	2,875	4,064	4,621
Net investment in securities	37	105	125	54	67
Total securities business receivables and accrued interest receivables	1,918	3,089	2,331	3,028	4,391
Allowance for doubtful accounts	111	116	129	137	411
Total debts	511	943	668	959	1,123
Shareholders' equity	1,027	1,013	1,141	1,046	1,048
Net securities business income	606	737	761	666	646
Total income	876	989	949	846	781
Operating expenses	748	773	690	669	653
Interest expenses	23	37	27	32	35
Net income	14	(141)	95	9	8

Unit: %

	-----Year Ended 31 December -----				
	2020	2019	2018	2017	2016
Profitability					
Brokerage fees/total revenues	58.8	48.4	70.4	72.7	73.9
Fees and services income/total revenues	14.8	15.1	12.4	9.7	8.1
Gain (loss) from trading/total revenues	0.6	17.1	3.4	2.8	1.5
Operating expenses/net revenues	88.2	81.3	74.9	82.1	87.6
Pre-tax margin	2.3	(18.6)	12.3	1.5	1.2
Return on average assets	0.4	(3.9)	2.7	0.2	0.2
Earning before tax/risk-weighted assets	1.4	(2.8)	1.9	0.2	0.1
Asset Quality					
Classified receivables/gross securities business receivables	7.5	4.7	6.2	4.8	9.8
Allowance for doubtful accounts/gross securities business receivables	5.8	3.8	5.6	4.5	9.4
Credit costs (reversal)	(0.2)	(0.5)	(0.3)	0.3	(0.1)
Capitalization					
Leverage ratio	32.8	23.3	40.0	26.0	22.7
Risk-adjusted capital	19.1	14.3	20.6	17.2	13.1
Funding and Liquidity					
Gross stable funding ratio	91.4	72.3	102.2	92.9	74.4
Liquidity coverage metric	0.4	0.4	0.5	0.6	0.3

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Securities Company Rating Methodology, 9 April 2020

DBS Vickers Securities (Thailand) Co., Ltd. (DBSVT)

Company Rating:	AAA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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