

DBS VICKERS SECURITIES (THAILAND) CO., LTD.

No. 109/2024
28 June 2024

FINANCIAL INSTITUTIONS

Company Rating: AAA
Outlook: Stable

Last Review Date: 26/06/23

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 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 DBS Group

We assess DBSVT as a highly strategic subsidiary of the DBS Group. The company is wholly-owned by DBS Vickers Securities Holding Pte. (DBSVH), the Singapore-based securities arm of the DBS Group. DBSVT plays a crucial role as the Group’s regional platform in providing brokerage and other financial services to clients of the DBS Group and affiliated companies. The company also shares the Group’s brand name and reputation.

In our view, DBS Group has a strong and long-term commitment to provide financial and business support to DBSVT as well as extraordinary support in times of financial distress. The recent capital injection of THB255 million from DBS Vickers Securities Holdings in 2023 exemplifies the Group’s financial support to DBSVT.

We also view the integration between DBSVT and the Group to remain substantial in the foreseeable future. The integration is evidenced in business referrals, product cross-selling, and collaborations. DBSVT’s business strategies and risk management policies are determined and closely monitored by the DBS Group through matrix reporting lines. Key senior management are also appointed by the Group.

Risk management aligned with the Group

DBSVT adopts DBS Group’s prudent risk management policy. The risk management team at DBSVT reports daily to the Group’s risk management in Singapore. The Group’s risk management committee also closely oversees the company’s risk policies and management.

Regarding market risk, we expect DBSVT’s exposure to market risk to remain limited. This is because the company does not engage in speculative proprietary trading, as mandated by the Group’s risk management policy. When offering structured products to its clients, DBSVT typically hedges against potential risks by collaborating with counterparts within the Group.

Ongoing financial support from the DBS Group

We expect DBSVT will continue receiving ongoing financial support from the DBS Group in the forms of credit facilities and subordinated loans in the foreseeable future.

As of March 2024, the company had available credit facilities from DBSVH of around SGD17 million. At the same time, the company also had available credit facilities of around THB3.1 billion from various local financial institutions. In our view, this should be sufficient to fund the company’s operations and cover any liquidity shortfalls over the next 12 months.

Strengthened market position in foreign investor segment

DBSVT holds a moderate market position in Thailand’s securities brokerage business compared with peers. Nonetheless, in 2023, the company’s revenue

market share improved moderately to 2% in 2023 from 1.8% in 2022, driven primarily by high-frequency trading in the foreign investor segment. This has helped offset the decline in retail brokerage fee following its restructuring of the retail brokerage business in 2023 aimed to focus more on high-net-worth (HNW) individuals and electronic trading investors.

Wealth management business: potential revenue growth

DBSVT has been leveraging the DBS Group's wealth management platform by utilizing the Group's wealth management infrastructure and knowhow. This allows its clients to access a wide range of investment options including stocks, bonds, mutual funds, and alternative investments globally. The company also benefits from the Group's regional research capabilities that support wealth clients. We expect this collaboration to gradually improve revenue generations and diversify income sources for DBSVT in the longer-term.

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 the 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.

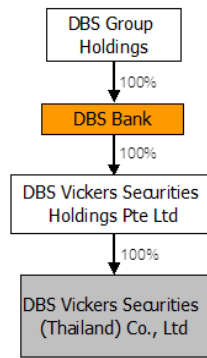
In 1998, Vickers Ballas Holdings Ltd. (VBHL), a Singaporean firm, acquired a 49% stake (57.502 million shares) in Nava Securities. Nava Securities was renamed Nava Vickers Ballas Securities Co., Ltd. in May 1998. In January 2000, VBHL acquired an additional 59.849 million shares (51% of the total registered 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.

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 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 DBSV's overseas trading services for smart phone users, Online KYC, eStatement, and its Point Redemption System via www.dbsvtrade.com. DBSVT also launched BrainBox, a new investing tool for clients. BrainBox provides both fundamental and technical analyses to investors. Development in digital services has continued in subsequent years to accommodate clients in digital transformation including WealthBOX, a mutual fund investment planning mobile tool.

DBSVT Group Structure



Source: DBSVT

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total assets	2,702	3,699	4,229	3,124	4,335
Net investment in securities	9	30	54	37	105
Total securities business receivables and accrued interest receivables	1,902	2,777	3,506	1,918	3,089
Allowance for doubtful accounts	132	128	122	111	116
Total debts	1,002	1,231	1,376	430	668
Shareholders' equity	711	802	974	1,027	1,013
Net securities business income	400	483	629	606	737
Total income	758	715	835	876	989
Operating expenses	979	780	785	748	773
Interest expense	52	27	20	23	37
Net income	(342)	(178)	(54)	14	(141)

Unit: %

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Profitability					
Brokerage fees/total revenues	44.9	64.1	73.2	69.3	57.5
Fees and services income/total revenues	1.4	4.5	3.1	4.2	6.0
Gain (loss) from trading/total revenues	7.3	(1.2)	1.5	0.6	17.1
Operating expenses/net revenues	138.6	113.4	96.3	88.2	81.3
Pre-tax margin	(46.8)	(23.5)	(7.9)	2.3	(18.6)
Return on average assets	(10.7)	(4.5)	(1.5)	0.4	(3.9)
Earning before tax/risk-weighted assets	(6.0)	(2.3)	(1.0)	0.3	(2.9)
Asset Quality					
Classified receivables/gross securities business receivables	7.6	5.2	4.1	7.5	4.7
Allowance for doubtful accounts/gross securities business receivables	7.0	4.6	3.5	5.8	3.8
Credit costs (reversal)	0.2	0.2	0.4	(0.2)	(0.5)
Capitalization					
Leverage ratio	26.1	21.4	23.0	32.8	23.3
Risk-adjusted capital	14.2	13.2	12.5	18.9	14.9
Funding and Liquidity					
Gross stable funding ratio	54.1	50.7	57.4	89.5	72.3
Liquidity coverage metric	0.2	0.2	0.1	0.5	0.4

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022

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

Company Rating:	AAA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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