

DBS VICKERS SECURITIES (THAILAND) CO., LTD

No. 99/2022
27 June 2022

FINANCIAL INSTITUTIONS

Company Rating: AAA
Outlook: Stable

Last Review Date: 30/06/21

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 assess DBSVT as 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 continues to serve as part of the group’s regional platform to offer brokerage services to clients of the DBS Group and affiliated companies. DBSVT remains highly integrated with the group, as evidenced by client referrals and collaborations within the group. DBSVT also adopts the group’s strategies and financial targets. The company leverages DBS Bank’s strength in private banking to capitalize on Thailand’s strong growth in the wealth management market.

In our view, the DBS Group has a strong and long-term commitment to support DBSVT given its full ownership and DBSVT’s role as an integral part of its securities business platform in Asia. As an integral part of the group, DBSVT’s business strategies and risk management policies are determined and closely monitored by the DBS Group. 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

We consider DBSVT’s market position in the securities brokerage business as moderate. The company’s revenue market share in securities brokerage was 1.8% in 2021, down from 2.3% in 2020. The decrease was due to the lower trading volume from foreign investors, especially the Direct Market Access (DMA) segment. In 2021, foreign investors contributed about 68% of the company’s total securities trading volume. This has declined from 75%-90% over the recent years.

DBSVT has continued to strengthen its wealth management business by leveraging its parent’s investment platform. The company has gradually expanded its investment product offering, especially offshore investment, to high-net-worth clients. Moreover, the company’s wealth management business helps diversify its sources of revenue away from brokerage businesses. In 2021, the contribution of fee income from selling agents was 12.4% of total revenue, up from 9.1% and 10.2% in 2019 and 2020 respectively.

Risk management aligned with the group

DBSVT’s risk management policies are aligned with those of the DBS Group. The policies and management of market risk and credit risk are closely monitored by the group’s risk management committee. 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 products

exposures. As for credit risk, the company also adopts the group’s prudent policies on margin lending.

Ongoing financial support from the DBS Group

DBSVT’s adequate funding and liquidity profile is mainly supported by ongoing financial supports from the DBS Group, in the form of credit facilities. At the end of March 2022, the company utilized credit facilities of around SGD45 million from the group. We assess the group as willing and financially capable of supporting the company, if needed. The company also had available credit facilities of around THB4.4 billion from various local financial institutions as of 31 March 2022.

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

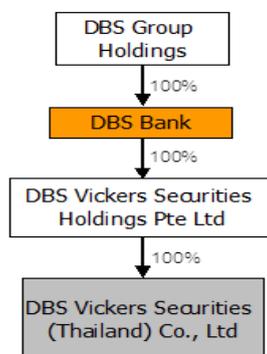
DBSVT was established on 18 November 1996 under the name “Nava Securities Co., Ltd.” with initial registered capital of THB1 billion. The company was granted business licenses covering securities brokerage, securities trading, securities underwriting, and investment advisory by the Ministry of Finance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

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2021	2020	2019	2018	2017
Total assets	4,229	3,124	4,335	2,875	4,064
Net investment in securities	54	37	105	125	54
Total securities business receivables and accrued interest receivables	3,506	1,918	3,089	2,331	3,028
Allowance for doubtful accounts	122	111	116	129	137
Total debts	1,376	511	943	668	959
Shareholders' equity	974	1,027	1,013	1,141	1,046
Net securities business income	629	606	737	761	666
Total income	835	876	989	949	846
Operating expenses	785	748	773	690	669
Interest expense	20	23	37	27	32
Net income	(54)	14	(141)	95	9

Unit: %

	-----Year Ended 31 December -----				
	2021	2020	2019	2018	2017
Profitability					
Brokerage fees/total revenues	60.8	59.1	48.4	70.4	72.7
Fees and services income/total revenues	15.5	14.4	15.1	12.4	9.7
Gain (loss) from trading/total revenues	1.5	0.6	17.1	3.4	2.8
Operating expenses/net revenues	96.3	88.2	81.3	74.9	82.1
Pre-tax margin	(7.9)	2.3	(18.6)	12.3	1.5
Return on average assets	(1.5)	0.4	(3.9)	2.7	0.2
Earning before tax/risk-weighted assets	(5.4)	1.4	(2.8)	1.9	0.2
Asset Quality					
Classified receivables/gross securities business receivables	4.1	7.5	4.7	6.2	4.8
Allowance for doubtful accounts/gross securities business receivables	3.5	5.8	3.8	5.6	4.5
Credit costs (reversal)	0.4	(0.2)	(0.5)	(0.3)	0.3
Capitalization					
Leverage ratio	23.0	32.8	23.3	40.0	26.0
Risk-adjusted capital	12.4	18.7	14.3	20.6	17.2
Funding and Liquidity					
Gross stable funding ratio	57.4	89.5	72.3	102.2	92.9
Liquidity coverage metric	0.1	0.5	0.4	0.5	0.6

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021

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

Company Rating:	AAA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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