

DBS VICKERS SECURITIES (THAILAND) CO., LTD

No. 116/2023
26 June 2023

FINANCIAL INSTITUTIONS

Company Rating: AAA
Outlook: Stable

Last Review Date: 27/06/22

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 view 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. Our assessment of DBSVT’s group status considers the company’s important role as part of the group’s regional platform that provides 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.

We expect DBSVT will continue to benefit from the DBS Group’s long-term commitment given its full ownership. The integration between DBSVT and the group remains substantial. DBSVT’s business strategies and risk management policies are determined and closely monitored by the DBS Group through matrix reporting lines. The parent also appoints the company’s board of directors and key members of managements.

The business integration is also evidenced by client referrals and collaborations within the group. For example, 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, it is highly likely that the linkage between the DBS Group and DBSVT will be maintained in the foreseeable future.

Risk management aligned with the group

DBSVT’s risk management policies are aligned with those of the DBS Group. The group’s risk management committee closely oversees the company’s risk policies and management. The risk management team at DBSVT is required to report daily to the group risk in Singapore.

Apart from strict know-your-customer (KYC) procedures, various risk limits are set by the group, such as single credit limits on margin loans. We believe these policies help reduced credit risk for DBSVT to an extent. The group limit on direct market access (DMA) trading implemented in recent years has also helped address operational risk for the company.

In light of market risk, we view that DBSVT’s exposure to market risk is limited as the company does not engage in speculative proprietary trading, as mandated by the group’s risk management policy. For structured products offered to its customers, DBSVT tends to hedge against potential risks with its counterparts within the group.

Ongoing financial support from the DBS Group

DBSVT receives ongoing financial support from the DBS Group in the forms of credit facilities and subordinated loans, which we expect to continue in the foreseeable future. At the end of March 2023, the company utilized credit facilities of around SGD45 million from the group. The company also had available credit facilities of around THB4 billion from various local financial

institutions at the end of March 2023. We expect the total amount of available credit facilities to be sufficient to fund the company's operations and cover any liquidity shortfalls over the next 12 months.

Modest market position in brokerage business

DBSVT has moderate market position in Thailand's securities brokerage business and likely to remain so given intense competition. The company's total revenue market share in securities brokerage gradually declined over the past five years to 1.75% in 2022, largely owing to increased competition for DMA volume from foreign clients. Revenue market share in the retail segment has also been soft, also due to competition. Nonetheless, the domestic institution segment has shown improving trend.

Expanding private banking business

For non-brokerage business, particularly the wealth management business, DBSVT continues to leverage the strength of its parent as Asia's top-four private banks in 2022. The company provides a wide range of investment products for high-net-worth and ultra-high-net-worth clients, such as equities, fixed income, mutual fund, and offshore investment. Its private banking business has been fast growing, with asset under advisory (AUA) of THB3 billion as of the end of 2022. Additionally, DBSVT utilizes the comprehensive research products provided by its parent company, covering a wide range of markets, sectors, and individual securities. The company also recently launched Global Structured Products in 2022 to provide investment opportunity for its clients to invest in overseas stocks.

Securities brokers facing multiple risk factors

The slowdown in average daily turnover in the first half of 2023 negatively impacted the performance of securities companies. Securities firms' aggregate earnings fell 74% year-on-year (y-o-y) in the first quarter of 2023 on downbeat market sentiment. This resulted in high market volatility and average daily turnover slowing down to THB61 billion in the first five months of 2023, compared with THB77 billion in 2022. In 2023, political uncertainty following Thailand's general election in May 2023 could pose a new headwind to the performance of Thai stock market.

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

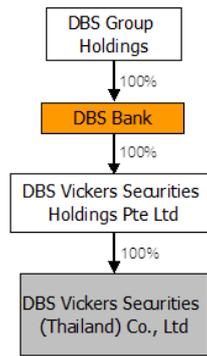
DBSVT was established on 18 November 1996 under the name "Nava Securities Co., Ltd." with initial registered capital of THB1 billion. The company was granted business licenses covering securities brokerage, securities trading, securities underwriting, and investment advisory by the Ministry of Finance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

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2022	2021	2020	2019	2018
Total assets	3,699	4,229	3,124	4,335	2,875
Net investment in securities	30	54	37	105	125
Total securities business receivables and accrued interest receivables	2,777	3,506	1,918	3,089	2,331
Allowance for doubtful accounts	128	122	111	116	129
Total debts	1,231	1,376	430	668	250
Shareholders' equity	802	974	1,027	1,013	1,141
Net securities business income	483	629	606	737	761
Total income	715	835	876	989	949
Operating expenses	780	785	748	773	690
Interest expense	27	20	23	37	27
Net income	(178)	(54)	14	(141)	95

Unit: %

	-----Year Ended 31 December-----				
	2022	2021	2020	2019	2018
Profitability					
Brokerage fees/total revenues	64.1	73.2	69.3	57.5	78.0
Fees and services income/total revenues	4.5	3.1	4.2	6.0	4.7
Gain (loss) from trading/total revenues	(1.2)	1.5	0.6	17.1	3.4
Operating expenses/net revenues	113.4	96.3	88.2	81.3	74.9
Pre-tax margin	(23.5)	(7.9)	2.3	(18.6)	12.3
Return on average assets	(4.5)	(1.5)	0.4	(3.9)	2.7
Earning before tax/risk-weighted assets	(2.3)	(1.0)	0.3	(2.9)	2.1
Asset Quality					
Classified receivables/gross securities business receivables	5.2	4.1	7.5	4.7	6.2
Allowance for doubtful accounts/gross securities business receivables	4.6	3.5	5.8	3.8	5.6
Credit costs (reversal)	0.2	0.4	(0.2)	(0.5)	(0.3)
Capitalization					
Leverage ratio	21.4	23.0	32.8	23.3	40.0
Risk-adjusted capital	13.2	12.5	18.9	14.9	21.5
Funding and Liquidity					
Gross stable funding ratio	50.7	57.4	89.5	72.3	102.2
Liquidity coverage metric	0.2	0.1	0.5	0.4	0.5

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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