

Securities Sector: 9M2024 Update

Large firms led sector profit boost with strong margin lending and investment gains, supported by significant capital raises

Sector return on average assets (ROAA) rose from 4.3% in 2023 to 4.9% in 9M2024, with large firms outperforming their peers in margin lending and fixed-income investment gains. Slower bond defaults and declining bond buyback commitments have reduced the firms' asset risk. Liquidity profiles remained stable despite firms using higher short-term borrowings to support margin lending. In addition, we expect ongoing capital raises from bank-affiliated and large local firms will strengthen their loss absorption buffers and expand further business growth.

Strong margin lending and fixed-income investment gains helped large firms to boost profits and outperform sector peers. Their ROAAs rose to 5.4% as of 9M2024, from 4.3% in the prior year, higher than the sector average. On margin lending, large firms recorded stronger loan growth at higher lending rates compared with sector peers, supported by their large capital base and customer networks. In addition, large firms maintain among the largest fixed-income operations in the sector and benefited from improved corporate bond market conditions with the surge in bond investment gains and custody service fees (e.g. TCBS, VPBANKS, VND). In contrast, ROAA for mid-sized firms (e.g., SHS, BSI, VDS) fell by 2% quarter-on-quarter (QoQ), mainly due to a decline in the valuation of their sizable equity investments. Their growth in margin lending lagged the large firms, constrained by their small capital base and network. Overall, we expect more than half of the 25 firms¹ are on track to meet their full-year profit targets. We expect the sector's ROAA for full-year 2024 will improve by 50-70 basis points from prior year to 4.8%-5%.²

Sector asset risk has moderated, driven by slower bond defaults and declining bond buyback commitments. TVSI lowered bond buyback commitments by 30% in 9M2024 following the principal repayments of defaulted bond issuers in energy and real estate sector. Over 20% of firms under our analysis have high risk appetite profiles due to sizable corporate bond investments. We view the asset risk stemming from these investments have moderated from a year ago from slowing defaults and improving recovery rates. Meanwhile, margin loans to large, single customers continued to rise in 3Q2024, and increased firms' vulnerability to sizable losses when firms are forced to liquidate loan collaterals during market downturns, such as in 4Q2022.

Sector leverage remained low, supported by significant capital raises. Strong capital raising from local firms (VIX, VND, MBS) in 3Q2024 strengthened their loss buffers and kept sector leverage low at 230%. ACBS also proposed additional capital raising and grown into a key contributor to the parent bank's business strategy; for HCM, new capital injections will expand their business and keep margin loan balances below the regulatory limit of 200% total equity. Coupled with ongoing capital raises by local firms (SSI, SHS, VCI), we expect the sector leverage will moderate in the coming quarters. Overall, only 10% of firms have high leverage due to their limited capital injections or sizeable commitments to buyback bonds from customers.

Liquidity risks from higher use of short-term borrowings remained well managed for several foreign-owned and bank-affiliated firms. For example, bank-affiliated firms (CTS, ORS) had a track record of accessing clean credit lines from local banks, while foreign firms (MASVN, KIS) benefited from their parents' funding support. In addition, liquid assets such as cash, and CDs from these firms made up 15-30% of total assets. Refinancing risk from retail and/or corporate clients' borrowings lowered for TCBS given a four-fold increase in long-term bond issuance compared to last year. Overall, 30% of firms have strong liquidity profiles, most are bank-affiliated firms benefiting from recent capital raises and are less reliant on short-term borrowings to grow their core investment activities.

CONTACTS

Nguyen Manh Tung

Associate Analyst

tung.nguyen@visrating.com

Phan Duy Hung, CFA, MBA

Director – Senior Analyst

hung.phan@visrating.com

Simon Chen, CFA

Head of Ratings & Research

simon.chen@visrating.com



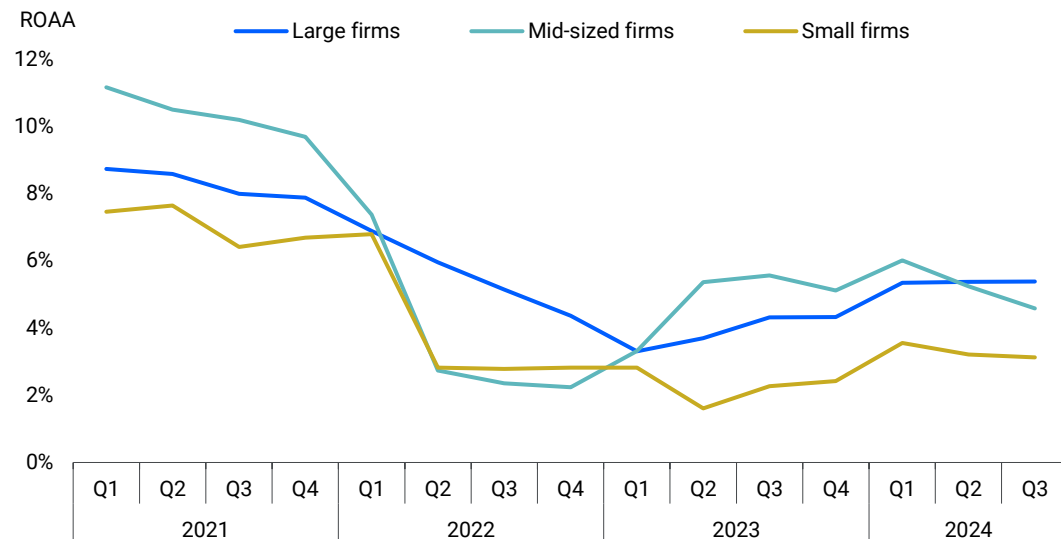
<https://visrating.com>

¹ 25 out of 30 firms covered by our analysis announced their business plan for 2024

² Refer to securities sector outlook 2024: Outlook improving from continued growth in margin lending profits and investment gains supported by stronger market conditions, while asset risk stabilizes from slower bond defaults

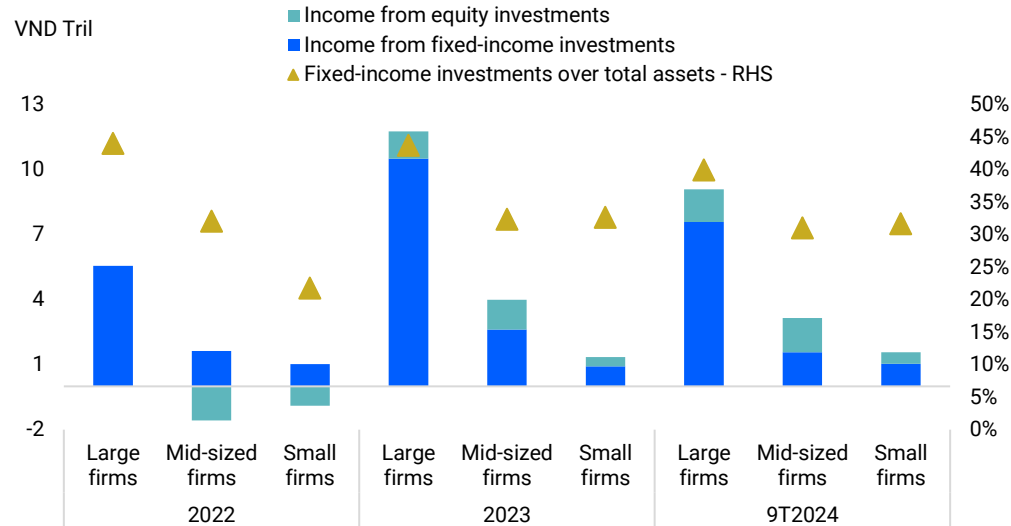
Strong margin lending and fixed-income investment gains helped large firms to boost profits and outperform sector peers

Exhibit 1: Profits for large firms outperformed their peers...



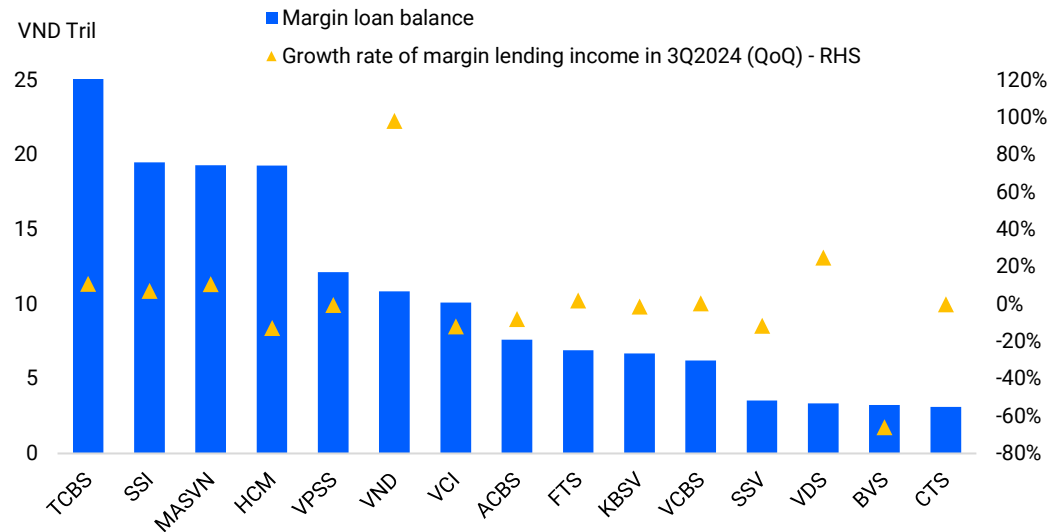
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
Source: Company data, Vietnam Investors Service

Exhibit 2: ...supported by strong fixed-income investment gains



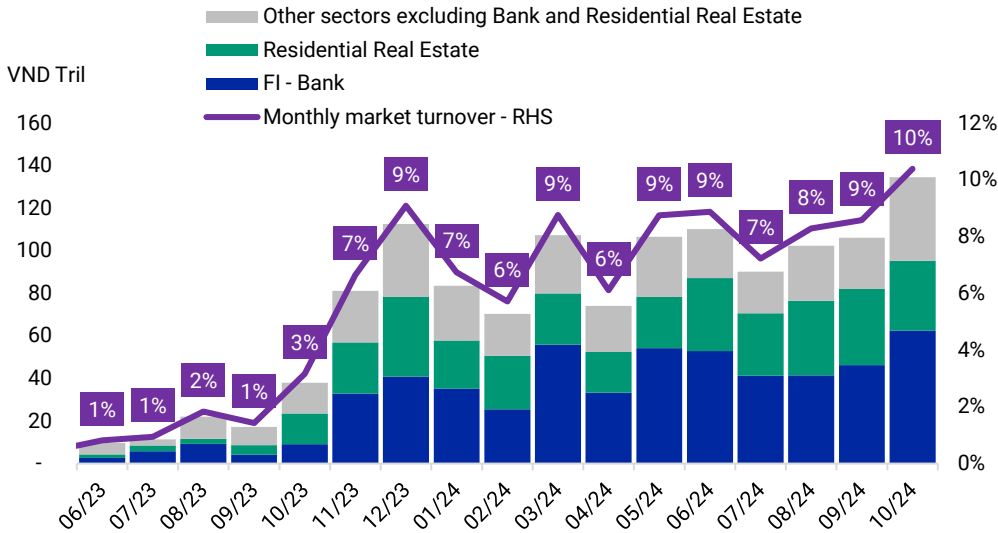
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
Source: Company data, Vietnam Investors Service

Exhibit 3: Large firms' margin lending income increased significantly



Source: Vietnam Investors Service
Refer to Appendix for full name of securities firms

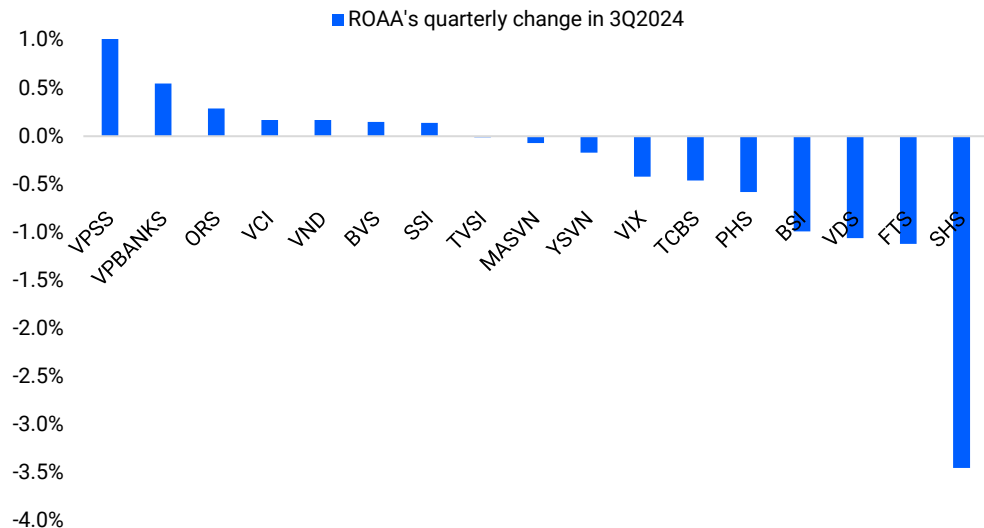
Exhibit 4: Improved bond market conditions support recovery of bond distributors' profits



Source: HNX, Vietnam Investors Service

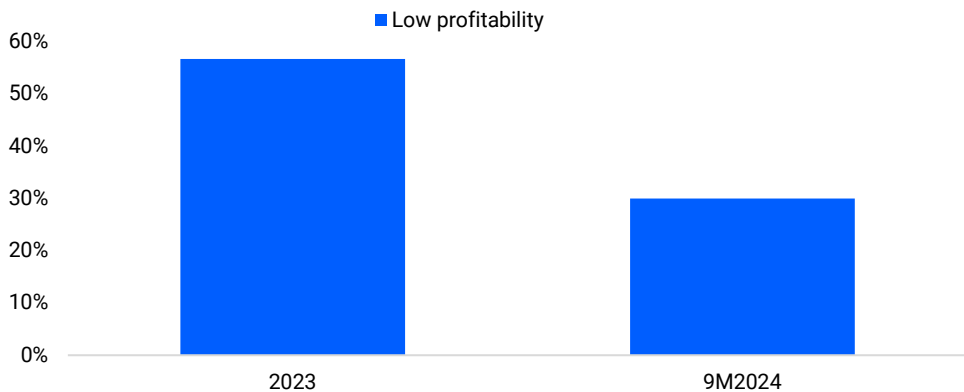
Profits from equity investment and brokerage segments declined given lower stock valuation and limited trading value

Exhibit 5: ROAA for mid-sized firms declined significantly from lower valuation of their sizable equity investments

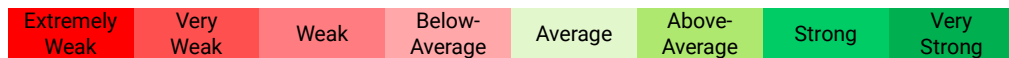


Source: Company data, Vietnam Investors Service

Exhibit 7: Declining number of firms with low profitability in 9M2024

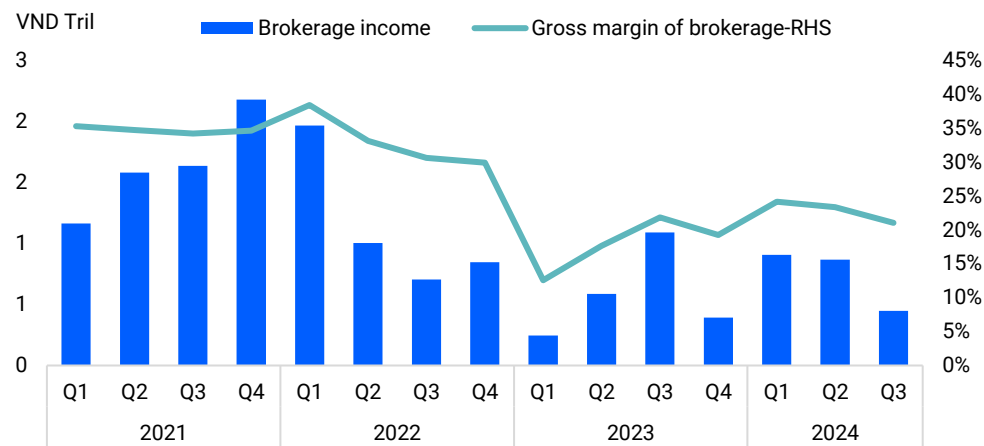


Note: Low profitability is denoted by Below-Average, Weak, Very Weak, and Extremely Weak categories based on our eight-category assessment scale, as illustrated below



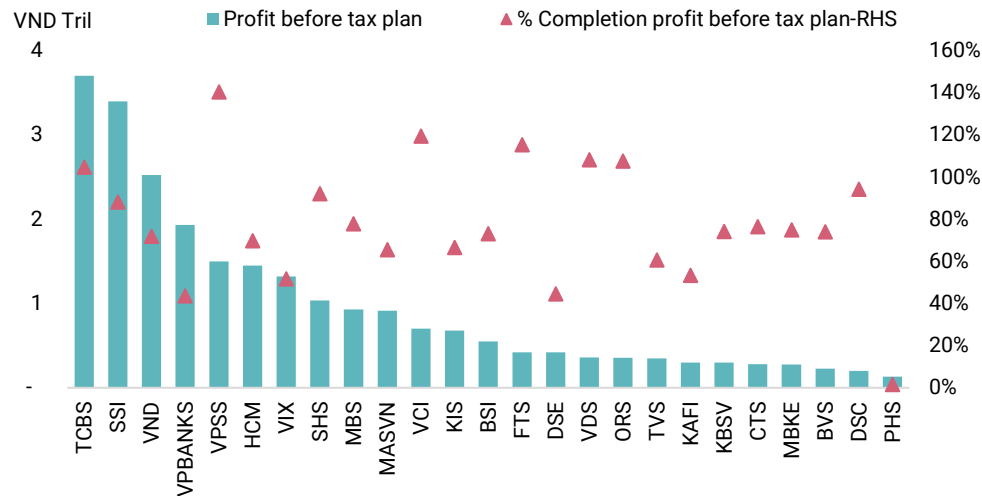
Source: Vietnam Investors Service

Exhibit 6: Brokerage income remains low driven by fee competition and lower stock trading value



Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
Source: Company data, Vietnam Investors Service

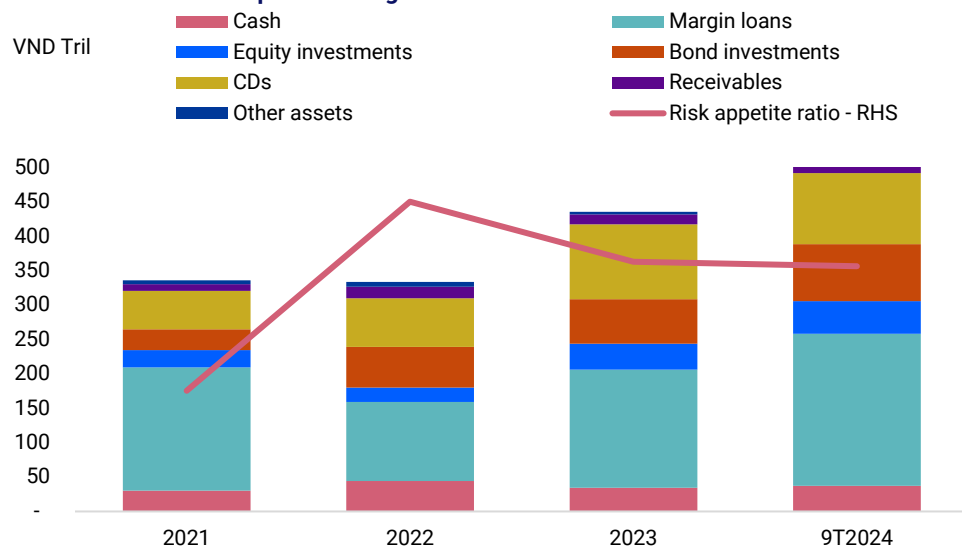
Exhibit 8: More than half of the 25 firms are on track to meet their full-year profit targets



Source: Company data, Vietnam Investors Service

Sector asset risk has moderated, driven by slower bond defaults and declining bond buyback commitments

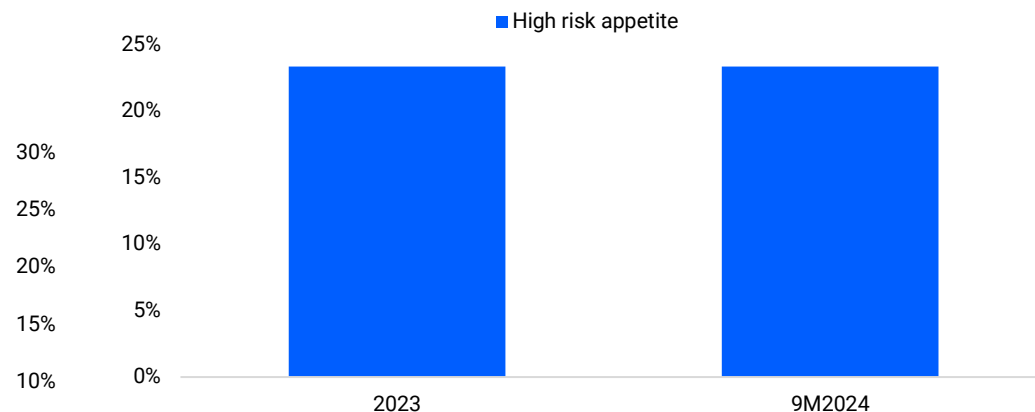
Exhibit 9: The sector exposure to higher-risk assets remained stable



Source: Company data, Vietnam Investors Service

Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets

Exhibit 10: Over 20% of firms covered by our analysis have high risk appetite



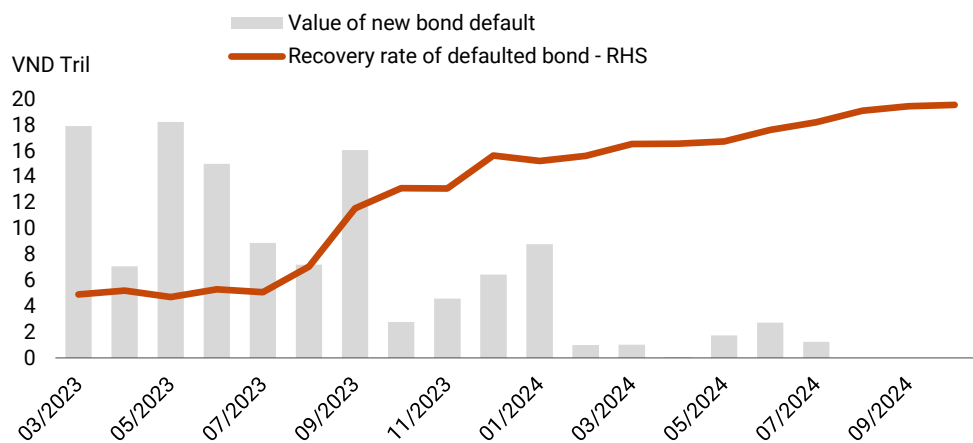
Note: Risk appetite ratio is calculated as total higher-risk assets and off-balance-sheet exposure divided by tangible assets

High risk appetite is denoted by Below-Average, Weak, Very Weak, and Extremely Weak categories based on our eight-category assessment scale, as illustrated below



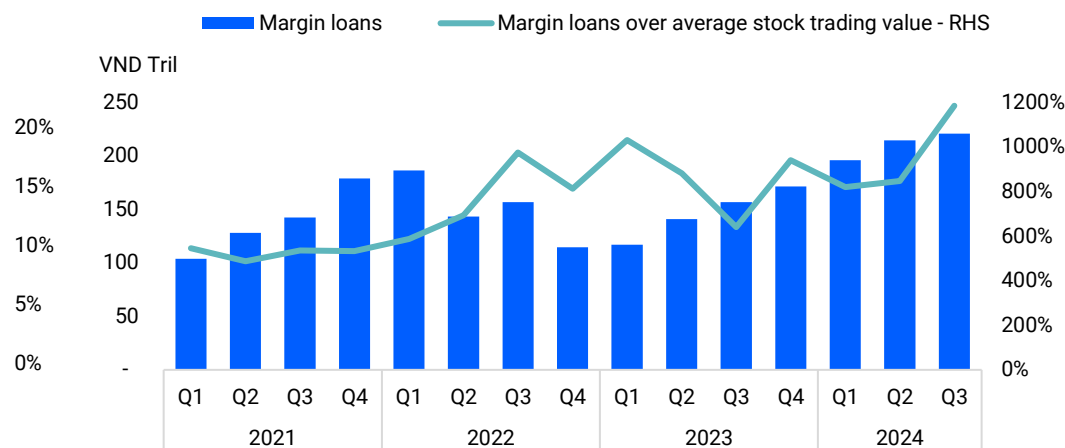
Source: Vietnam Investors Service

Exhibit 11: Asset risk from bond holdings stabilized given slower new bond defaults and improving recovery rates



Source: Vietnam Investors Service

Exhibit 12: Margin loans to large, single customers will increase firms' vulnerability to sizable losses

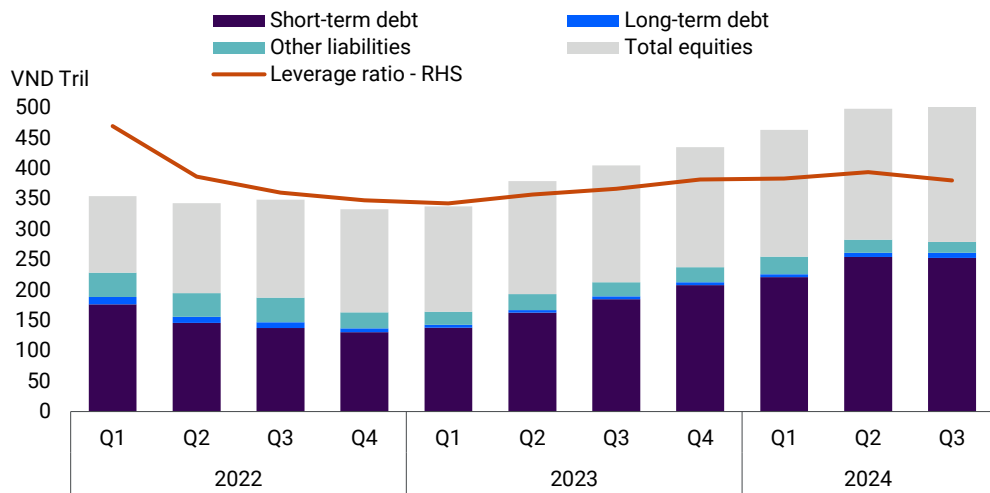


Source: Company data, Vietnam Investors Service

Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets

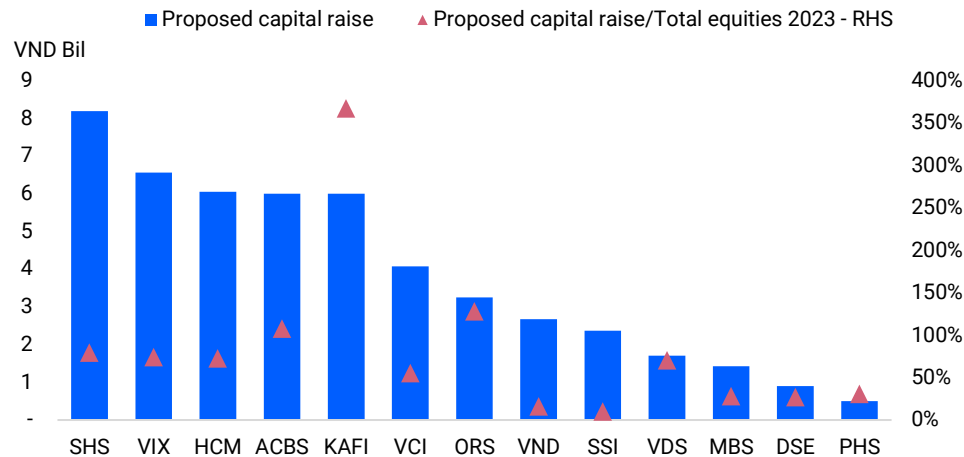
Sector leverage remained low, supported by significant capital raises

Exhibit 13: Sector leverage remained at low level...



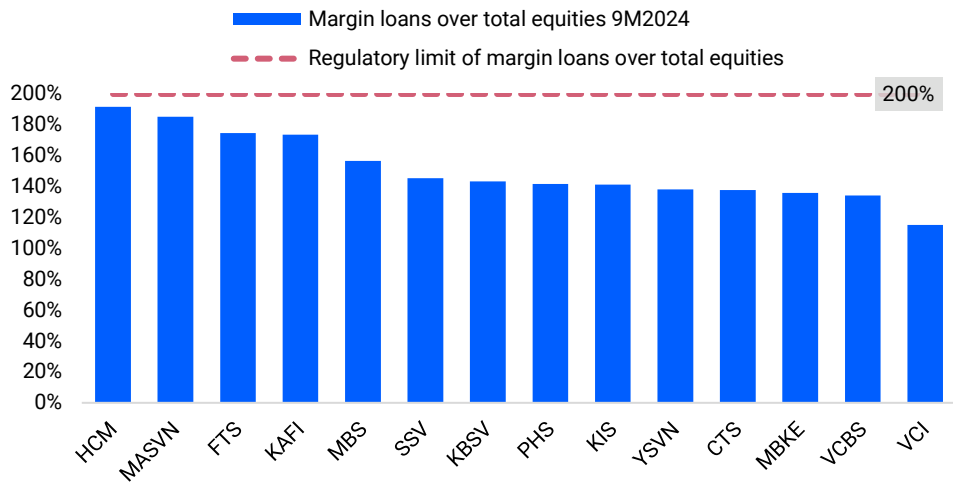
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
 Source: Company data, Vietnam Investors Service

Exhibit 14: ...driven by significant capital raising from bank-affiliated and large local firms



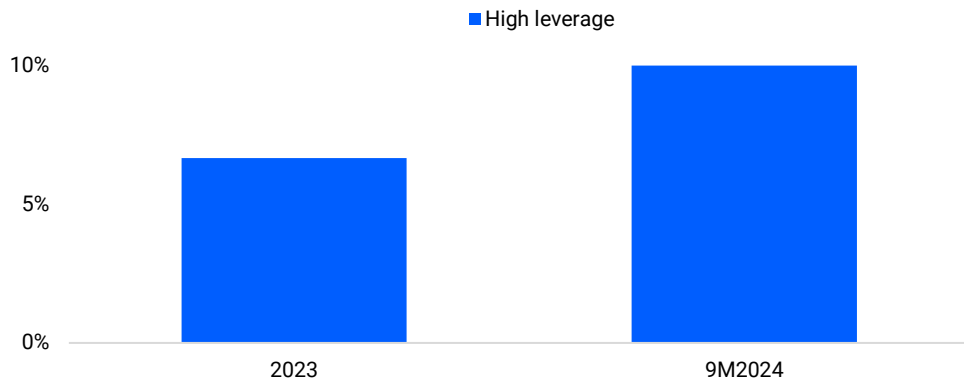
Source: Company data, Vietnam Investors Service

Exhibit 15: Several firms need to raise new capital to keep margin loan balances below regulatory limit

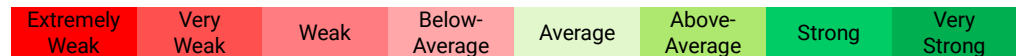


Source: Company data, Vietnam Investors Service

Exhibit 16: Only 10% of firms use high leverage to expand their businesses



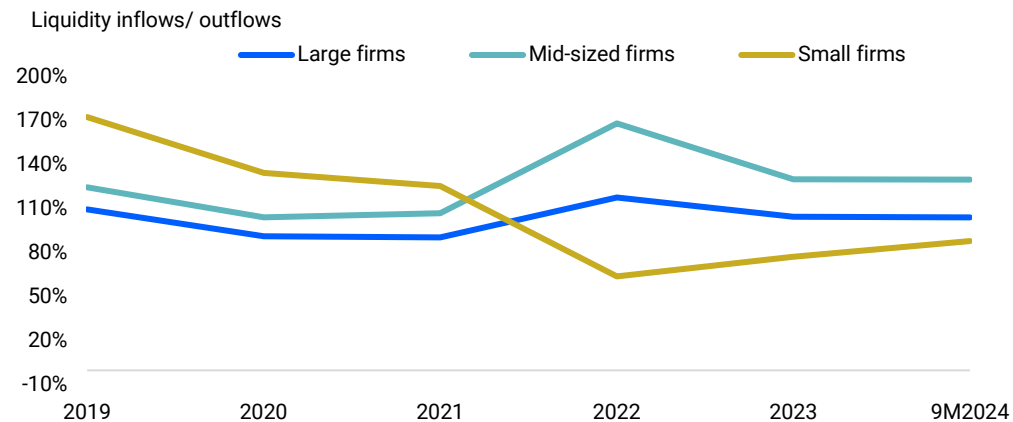
Note: Leverage ratio is calculated by dividing tangible assets and off-balance-sheet exposure over tangible common equities
 High leverage is denoted by Below-Average, Weak, Very Weak, and Extremely Weak categories based on our eight-category assessment scale, as illustrated below



Source: Company data, Vietnam Investors Service

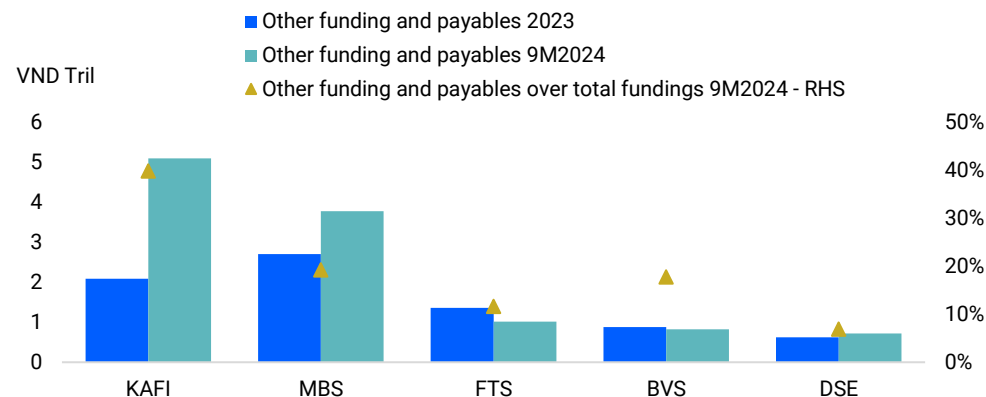
Liquidity risks from higher use short-term borrowings are well managed for several foreign-owned and bank-affiliated firms

Exhibit 17: Liquidity profiles remained stable in 9M2024



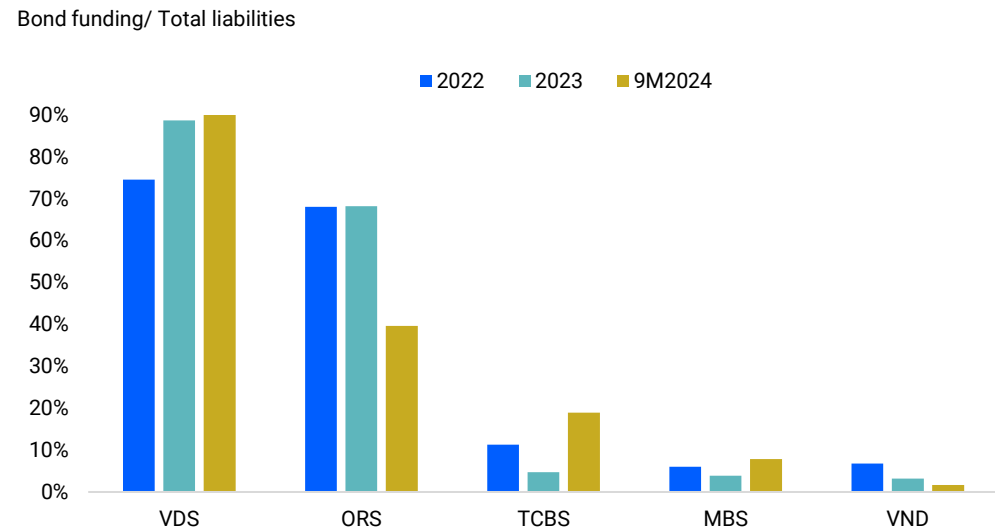
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
 Source: Company data, Vietnam Investors Service

Exhibit 18: Several firms might be exposed to event risks due to higher borrowings from customers



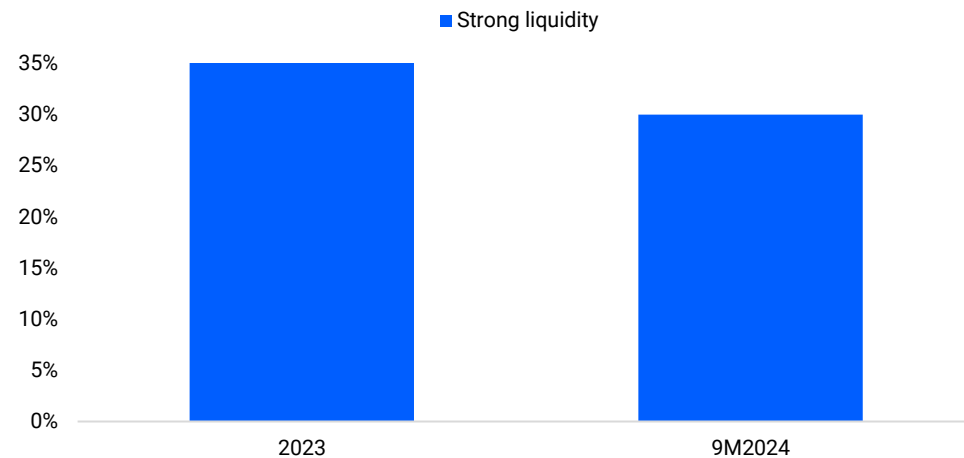
Source: Company data, Vietnam Investors Service

Exhibit 19: Refinancing risk lowered for TCBS given increasing long-term bond issuance



Source: Company data, Vietnam Investors Service

Exhibit 20: Around 30% have strong liquidity profiles



Note: Liquidity is calculated by dividing liquidity inflows by liquidity outflows
 Strong liquidity is denoted by Above-Average, Strong, and Very Strong categories based on our eight-category assessment scale, as illustrated below



Source: Company data, Vietnam Investors Service

APPENDIX

List of top 30 securities firms by total assets

The firms included in our analysis are as follows

	Short name	Full name	Classification
1	SSI	SSI Securities Corporation	Large firm
2	TCBS	Techcom Securities Joint Stock Company	Large firm
3	VND	VNDirect Securities Corporation	Large firm
4	VPBANKS	VPBank Securities Joint Stock Company	Large firm
5	VPSS	VPS Securities Joint Stock Company	Large firm
6	MAS	Mirae Asset Securities Joint Stock Company	Large firm
7	HCM	Ho Chi Minh City Securities Corporation	Large firm
8	VCI	Vietcap Securities Joint Stock Company	Large firm
9	MBS	MB Securities Joint Stock Company	Large firm
10	TVS	Thien Viet Securities Joint Stock Company	Large firm
11	KBSV	KB Securities Vietnam Joint Stock Company	Mid-sized firm
12	ACBS	ACB Securities Ltd., Co	Mid-sized firm
13	VCBS	Vietcombank Securities Company, Ltd.	Mid-sized firm
14	SHS	Saigon - Hanoi Securities Joint Stock Company	Mid-sized firm
15	KIS	KIS Vietnam Securities Corporation	Mid-sized firm
16	VIX	VIX Securities Joint Stock Company	Mid-sized firm
17	CTS	Vietnam Bank For Industry & Trade Securities Joint Stock Company	Mid-sized firm
18	BSI	BIDV Securities Joint Stock Company	Mid-sized firm
19	FTS	FPT Securities Joint Stock Company	Mid-sized firm
20	DNSE	DNSE Securities Joint Stock Company	Mid-sized firm
21	ORS	Tien Phong Securities Corporation	Small firm
22	SSV	Shinhan Securities Vietnam Co., Ltd.	Small firm
23	KAFI	KAFI Securities Joint Stock Company	Small firm
24	BVS	Baoviet Securities Company	Small firm
25	VDS	Viet Dragon Securities Corporation	Small firm
26	MBKE	Maybank Securities Limited	Small firm
27	YSVN	Yuanta Securities Vietnam Limited Company	Small firm
28	DSC	DSC Securities Corporation	Small firm
29	PHS	Phu Hung Securities Corporation	Small firm
30	TVSI	Tan Viet Securities Joint Stock Company	Small firm

© 2024 Vietnam Investors Service And Credit Rating Agency Joint Stock Company (“Công Ty Cổ Phần Xếp Hạng Tín Nhiệm Đầu Tư Việt Nam” in Vietnamese) (“VIS Rating”). All rights reserved .

CREDIT RATINGS ISSUED BY VIS RATING ARE OUR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, DEBT OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS OR OF ISSUER OF SUCH DEBTS OR FINANCIAL OBLIGATIONS, DEBT SECURITIES, PREFERRED SHARES OR OTHER FINANCIAL INSTRUMENTS IN VIETNAM AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY VIS RATING (COLLECTIVELY, “PUBLICATIONS”) MAY INCLUDE SUCH CURRENT OPINIONS. VIS RATING DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE VIS RATING’S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY VIS RATING’S CREDIT RATINGS. APART FROM FUNDAMENTAL RISKS NEEDED TO BE ASSESSED AS REQUIRED UNDER THE VIETNAMESE LAW (INCLUDING DECREE 88/2014 DATED 26 SEPTEMBER 2014 OF THE GOVERNMENT) ON CREDIT RATING SERVICES FROM TIME TO TIME, CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS (“ASSESSMENTS”), AND OTHER OPINIONS INCLUDED IN VIS RATING’S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. VIS RATING’S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE FOR REFERENCES ONLY AND DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND VIS RATING’S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO INVEST INTO, CONTRIBUTE CAPITAL, PURCHASE, SELL, OR HOLD PARTICULAR DEBT INSTRUMENTS OR FINANCIAL INSTRUMENTS. VIS RATING’S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VIS RATING ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY OR DEBT INSTRUMENTS THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

VIS RATING’S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY NON-PROFESSIONAL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR NON-PROFESSIONAL INVESTORS TO USE VIS RATING’S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN (INCLUDING INFORMATION OF VIS RATING AND/OR THIRD PARTIES WHO LICENSE VIS RATING TO INCORPORATE THE INFORMATION HEREIN (“VIS RATING’S LICENSORS”)) IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT PRIOR WRITTEN CONSENT OF VIS RATING OR VIS RATING’S LICENSORS. VIS RATING’S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by VIS Rating from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided “AS IS” without warranty of any kind. VIS Rating adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources VIS Rating considers to be reliable including, when appropriate, independent third-party sources. However, VIS Rating is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by VIS Rating.

To the extent permitted by law, VIS Rating and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, VIS Rating or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY VIS RATING IN ANY FORM OR MANNER WHATSOEVER.

VIS RATING MAY MAKE MODIFICATIONS AND/OR CHANGES TO ITS PUBLICATION AT ANY TIME, FOR ANY REASON. HOWEVER, VIS RATING UNDERTAKES NO OBLIGATION (NOR DOES IT INTEND) TO PUBLICLY SUPPLEMENT, UPDATE OR REVISE ITS PUBLICATION ON A GOING-FORWARD BASIS. YOU ASSUME THE SOLE RISK OF MAKING USE OF AND/OR RELYING ON VIS RATING’S ASSESSMENTS, OTHER OPINIONS AND PUBLICATION.

VIS Rating maintains policies and procedures to address the independence of VIS Rating’s credit ratings and credit rating processes. Information regarding, among others, entities holding more than 5% of the contributed charter capital of VIS Rating, any change to the shareholding ratios of entities holding more than 5% of the contributed charter capital of VIS Rating and a list of rated entities with a credit rating service charge accounting for over 5% of VIS Rating’s total revenue from credit rating activities in the fiscal year prior to the time of information disclosure, are posted at <https://visrating.com> under the heading “Corporate Disclosure”.



Empowering Better Decisions