VIETNAM INVESTORS SERVICE



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## Securities Sector

# Private-bank affiliated firms will lead the sector profit growth, boosted by stronger investor sentiment and stabilizing asset risk

In 2025, we expect the credit fundamentals for Vietnam securities firms will improve modestly from the prior year, driven primarily by stronger profits from a pick-up in margin lending and bond distribution. We expect investor sentiment in 2025 will be buoyed by robust economic growth and improvements in the financial health of corporates in general. Ongoing efforts to enhance the market infrastructure will help to attract investors to the domestic equity and bond markets. Declining corporate bond defaults will help stabilize asset risks, even as firms increase their investment portfolios. Firms will maintain stable leverage and liquidity through ongoing efforts to raise new capital to support business growth.

**Sector profitability will improve by 30-50 basis points compared to 9M2024, reaching 5.3%-5.5%, driven by higher income from margin lending and bond investments**. Private bank-affiliated firms, in particular, will lead the sector profit growth of around 25% in 2025. These firms can continue to leverage customer networks and capital from their parent banks. As bond issuance picks up in 2025, bond investment and advisory fees will grow, supported by banks' strong customer relationships and extensive distribution networks. However, we expect the profitability upside will be limited for foreign firms given their small customer base and lack of scale advantages in their main brokerage and margin lending business.

**Sector asset risk will stabilize despite higher corporate bond investments.** The sector's exposure to higher-risk assets, mainly corporate bonds, will increase, particularly for private bank-affiliated firms. Banks and their affiliated firms typically partner closely to lend to large corporate borrowers. Firms may also commit more to bond buybacks as they increase sales to retail investors. However, we expect the sector's credit losses to remain stable due to lower bond defaults. Robust business conditions will support corporate cash flows and debt serviceability. Private bank-affiliated firms tend to offer large margin loans to customers and, hence, are more exposed to event risks. Nonetheless, asset risks are mostly well-managed through substantial collateral coverage.

**Sector leverage will moderate through new capital injections**. In particular, private bank-affiliated firms will maintain higher-than-peer capital raises from banks' capital support to boost their asset growth**.** On the other hand, foreign firms may seek more short-term bank borrowings to expand margin lending.

**Refinancing risks will be limited as firms maintain good access to a variety of funding sources.** Following the implementation of the new Securities Law[1], we expect investor confidence and liquidity in the domestic corporate bond market to improve over the course of 2025. Firms will be able to supplement their bank funding by tapping into both the public and private markets for new bond funding. As such, liquidity risks will be well-managed.

[1] Refer to Credit Insights: Latest amendments to the Securities Law will limit excessive risk-taking and improve market behavior, credit-positive for bond holders (December 2024)

### Exhibit 1: Securities Sector – Credit Outlook Improving for 2025 and Key Drivers

Improve | Stable | Deteriorate

| Factors | Outlook | Key drivers |
| --- | --- | --- |
| **Operating environment** | Improve / Stable | • Investor sentiment in 2025 will be buoyed by robust economic growth and improvements in the financial health of corporates in general.<br>• Ongoing efforts to enhance the market infrastructure will help to attract investors to the domestic equity and bond markets.<br>• Interest rates will rise slightly amid currency pressure linked to the US's trade barriers and slower Fed rate cuts, posing a downside risk to market valuation and investor sentiment. |
| **Risk appetite** | Stable | • The sector's exposure to higher-risk assets, mainly corporate bonds, will increase, particularly for private bank-affiliated firms given their close partnership with affiliated banks to lend to large corporate borrowers<br>• Firms may also commit more to bond buybacks as they increase sales to retail investors<br>• Sector's credit losses to remain stable due to lower bond defaults as robust business conditions will support corporate cash flows and debt serviceability.<br>• Private bank-affiliated firms tend to offer large single-name margin loans, and, hence, are more exposed to event risks.<br>• Asset risks for margin loans are mostly well-managed given substantial collaterals. |
| **Profitability** | Improve / Stable | • Sector profitability will improve, driven by higher income from margin lending and bond investments.<br>• Private bank-affiliated firms will lead the sector in profit growth from bond investment and advisory fees, driven by leveraging customer networks and capital from their parent banks<br>• Foreign firms will face limited profitability upside given their small customer base and lack of scale advantages in their main brokerage and margin lending business. |
| **Leverage** | Stable | • Private bank-affiliated firms will continue to inject higher-than-peer new capital to boost their asset growth.<br>• Foreign firms will seek more short-term bank borrowings to expand margin lending. |
| **Funding & Liquidity** | Stable | • Refinancing risks will be limited as firms maintain good access to a variety of funding sources.<br>• Firms will be able to supplement their bank funding by tapping into both the public and private markets for new bond funding, following improved investor confidence and liquidity in the domestic corporate bond market.<br>• Liquidity risks will be well-managed. |

*Source: VIS Rating*

## Exhibit 2: Key Drivers of Outlook Change

### Negative Scenario

**Drivers might lead us to lower our expectations**

- Slower growth prospects from lower bond issuances due to a material slowdown real estate project approvals

- Weakening investor sentiment from a significant interest rate increase and regulatory effort to improve stock market infrastructure taking longer time to materialize

- A significant deterioration of firms' asset quality due to the impairment of large single-name margin loan exposures and higher bond default rates

- Higher leverage and liquidity risk given firms' failures to raise new capital and large-scale cash dividend payouts

- Reduced profitability from low investor trading activities

### Base case

**Key drivers of our outlook**

- Improving business growth prospects for securities firms amid a pick-up in bond issuance activities and ongoing efforts to enhance the market infrastructure attracting investors

- Gradually improving investor sentiment, driven by robust economic growth and improvements in the financial health of corporates

- Stable asset risk from declining corporate bond defaults, even as firms increase their investment portfolio

- Moderate leverage through ongoing capital injection, coupled with limited refinancing risks as firms maintain good access to a variety of funding sources

- Mild improvement in profitability from margin loans and bond investments

### Positive Scenario

**Drivers might lead us to raise our expectations**

- Significantly stronger business growth prospect due to lower interest rate following inflation decline and low currency pressure

- A material increase in investor trading activities and foreign inflow, supported by stock market upgrade

- Significant improvement in the real estate market accelerates the developers' bond issuances

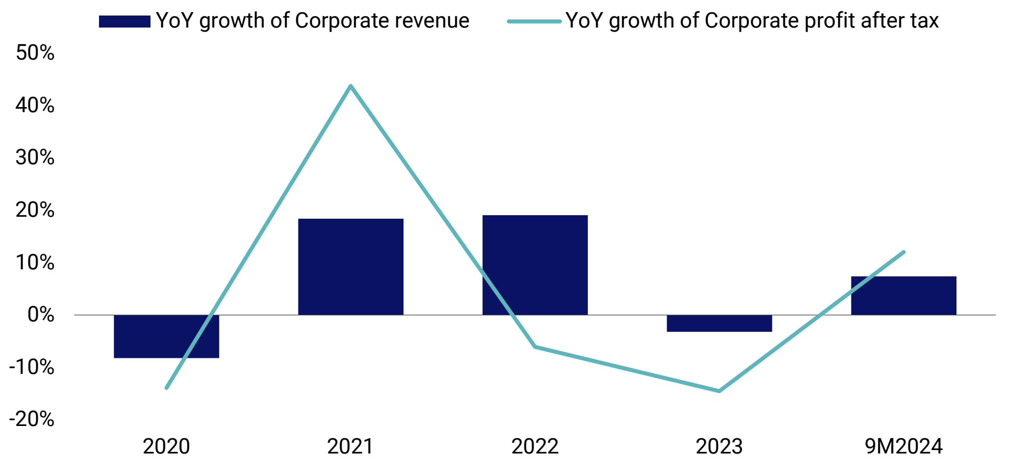
- Enhancement in asset quality and liquidity resources due to lower large single-name margin loan and bond investment exposure

- Profitability surges given margin loan and bond distribution expansion from substantially higher retail demand and new capital raising.

*Source: VIS Rating*

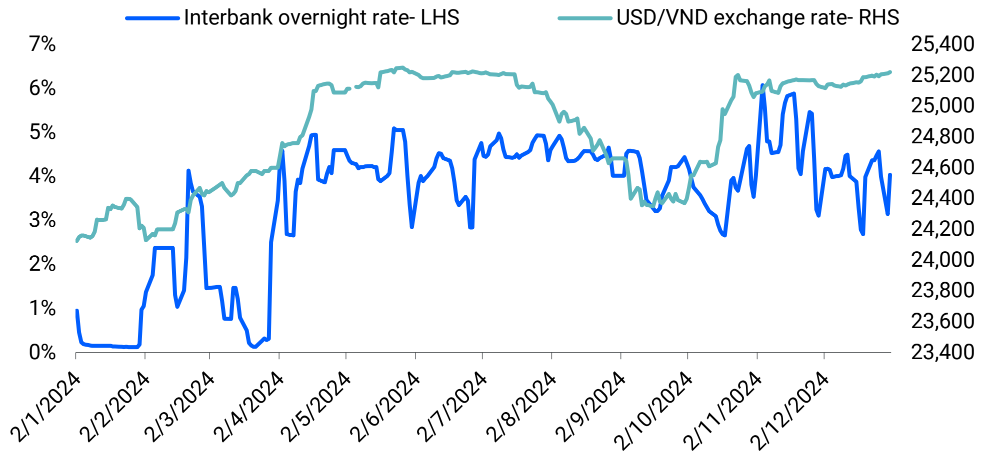
## Improving business growth prospects for securities firms in 2025

**Exhibit 3: Investor sentiment in 2025 will be buoyed by robust economic growth and improving financial health of corporates in general, …**



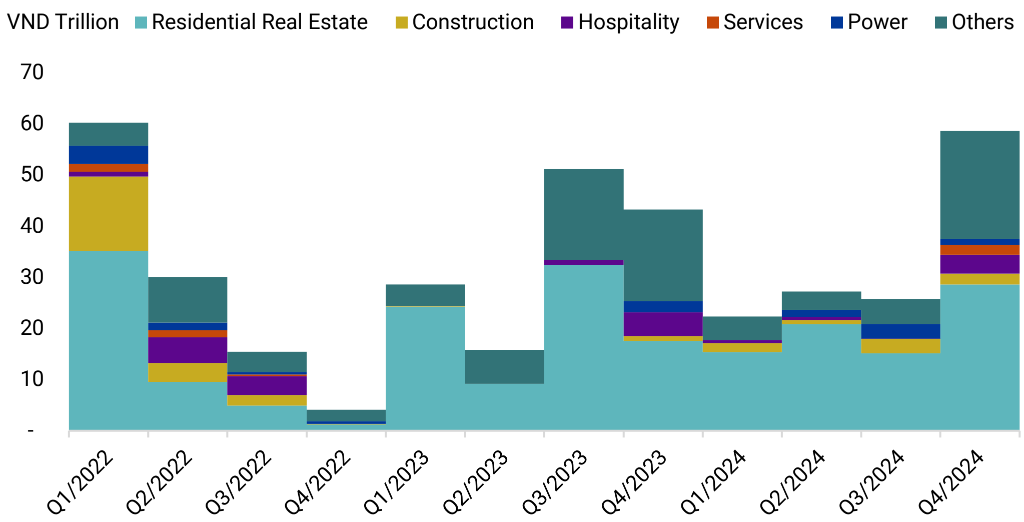

*Source: Company data, VIS Rating*
*Note: Data includes all listed non-financial institution companies*

**Exhibit 4: …but interest rates will rise slightly amid currency pressure, posing a downside risk to market valuation and investor sentiment**



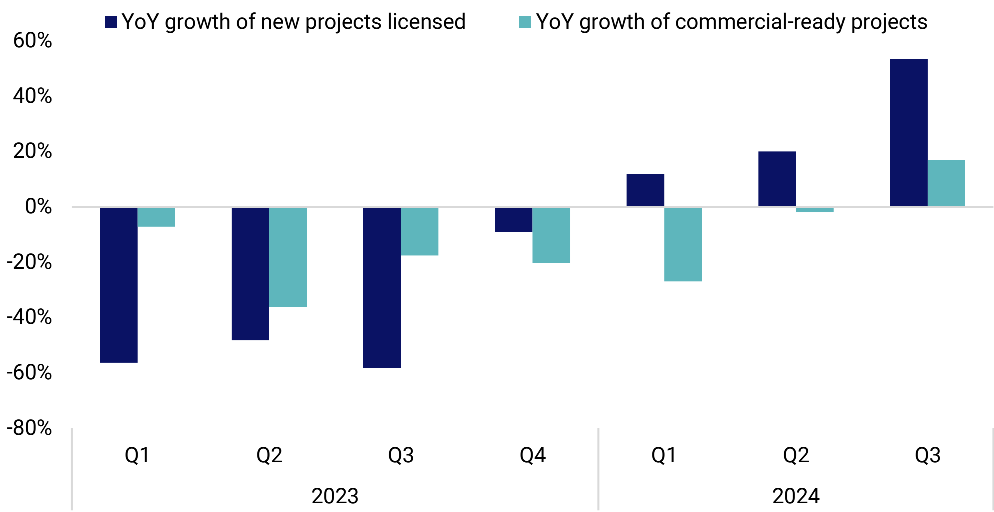

*Source: VIS Rating*

**Exhibit 5: Higher corporate bond issuance activities following the recovery in the bond market**




*Source: VIS Rating*

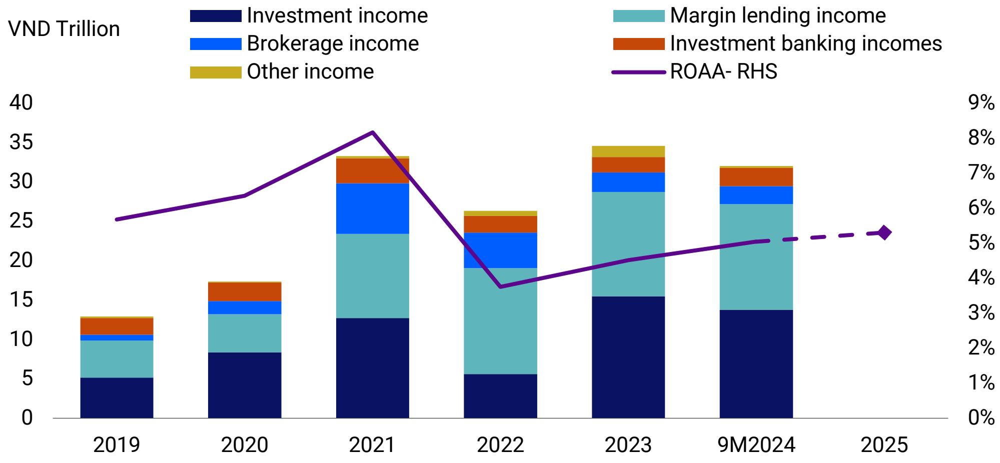
**Exhibit 6: Growing refinancing demand and accelerated project expansion will gradually drive stronger bond issuances for real estate developers**




*Source: Ministry of Construction, VIS Rating*

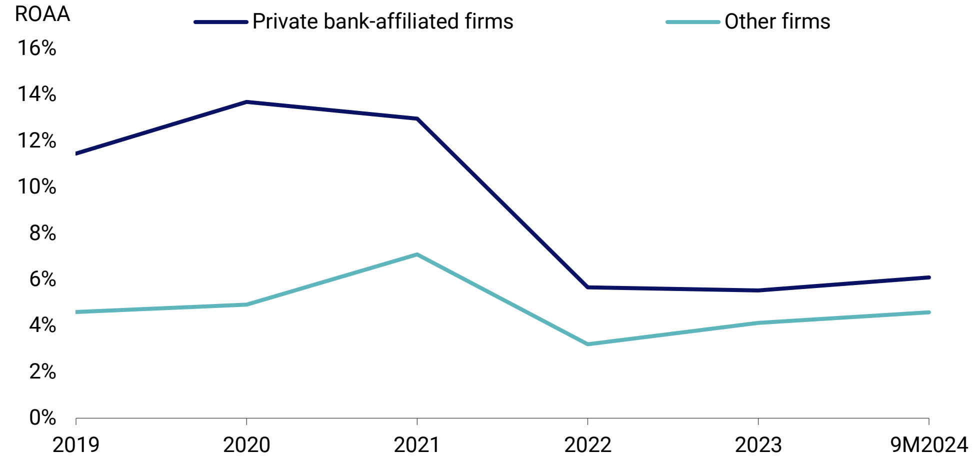
## Sector profitability will improve by 30-50 basis points compared to 9M2024, reaching 5.3%-5.5%, driven by higher income from margin lending and bond investments

**Exhibit 7: Sector profitability will improve to 5.3%-5.5%, driven by higher income from margin lending and bond investments**



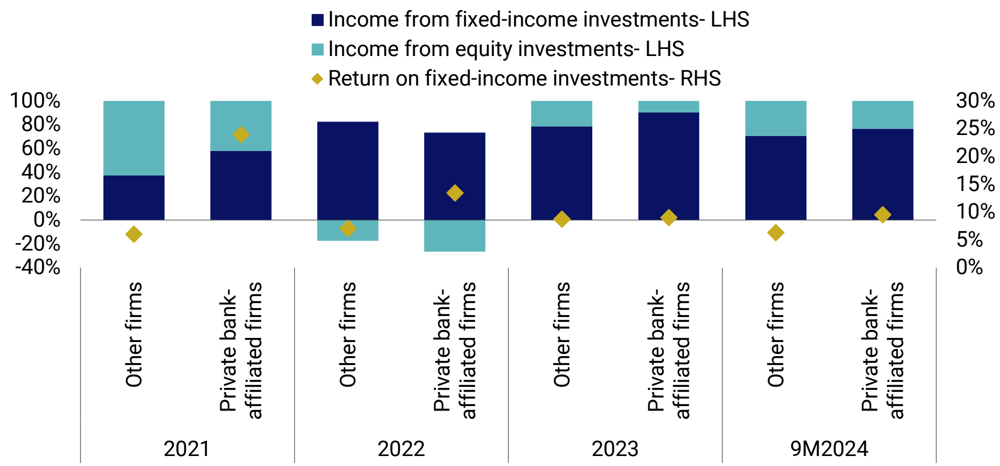

*Source: Company data, VIS Rating*
*Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets*

**Exhibit 8: Private bank-affiliated firms will lead the sector in profit growth by leveraging customer networks and capital from their parent banks**



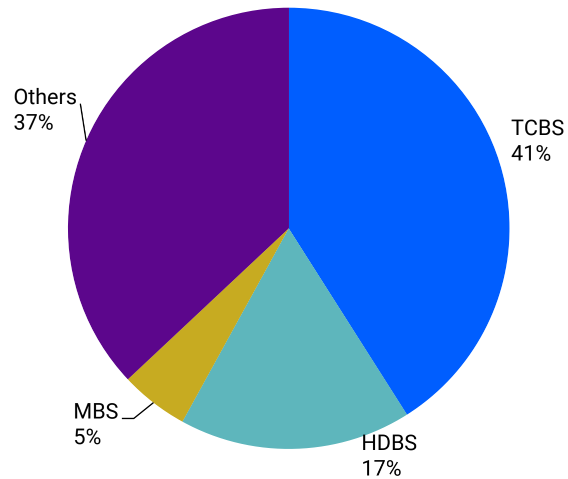

*Source: Company data, VIS Rating*

**Exhibit 9: As bond issuance picks up in 2025, private bank-affiliated firms will grow bond investment income…**




*Source: Company data, VIS Rating*

**Exhibit 10: …and advisory fees given their dominant market share in bond advisory activities**



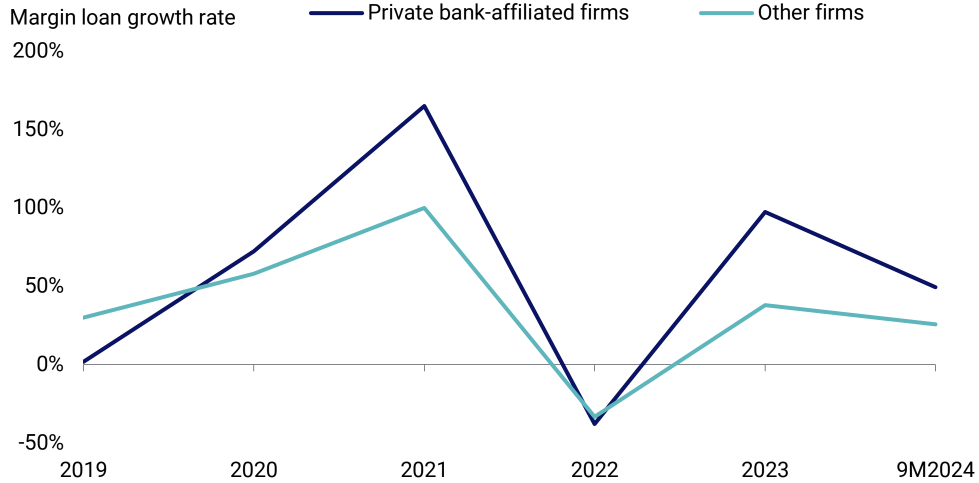

*Source: Hanoi Stock Exchange (HNX), VIS Rating*
*Note: Data regarding non-financial institution corporate bond issued in 9M2024.*
*Refer to the Appendix for the full name of securities firms*

## Margin lending income will improve amid higher investor sentiment, while brokerage income will remain sluggish given lower brokerage fees following zero-fee policy

**Exhibit 11: Ongoing efforts to enhance the market infrastructure will help to attract investors to the domestic equity market**

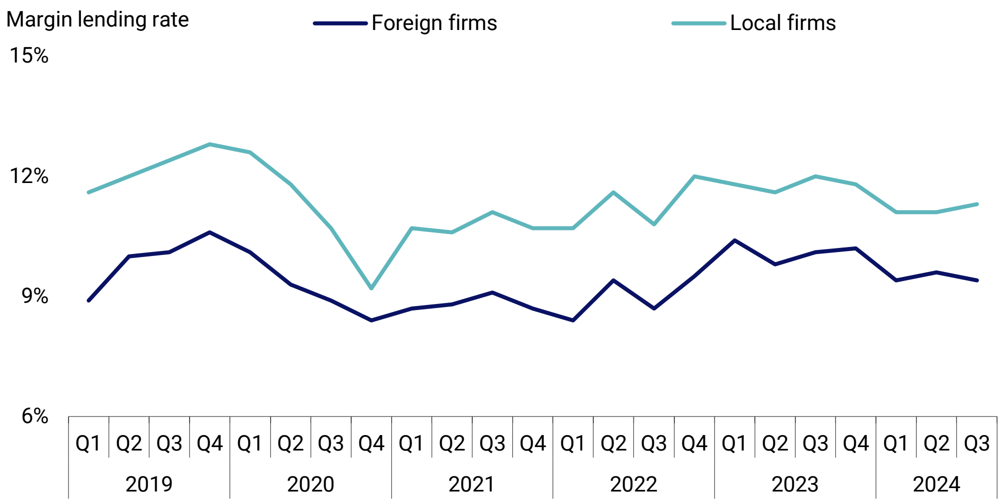

*Source: HNX, Ho Chi Minh Stock Exchange (HSX), Company data, VIS Rating*

**Exhibit 12: Private bank-affiliated firms will be able to grow margin loan balance faster than peers, supported by higher capital injection in 2024-2025**



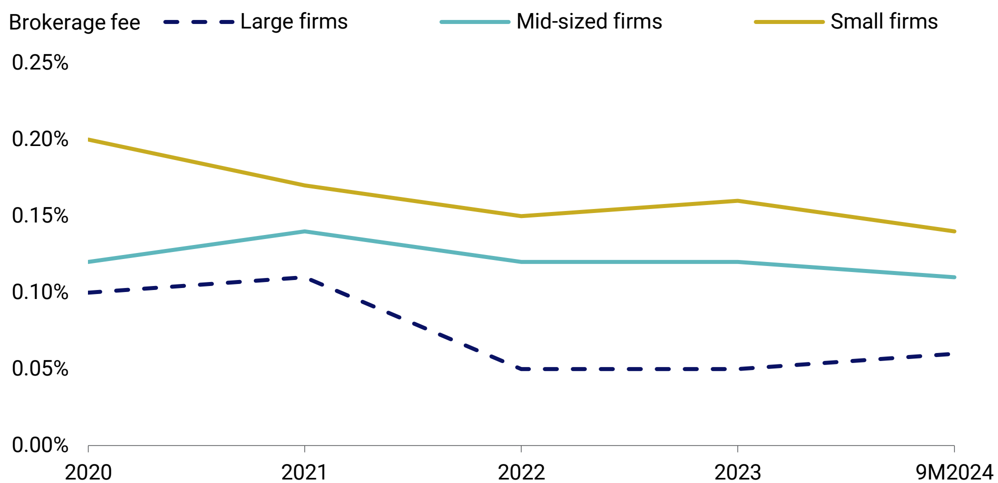

*Source: Company data, VIS Rating*

**Exhibit 13: Foreign firms will face limited profitability upside with lower-than-peer lending rates given their small customer base and lack of scale advantages**




*Source: Company data, VIS Rating*

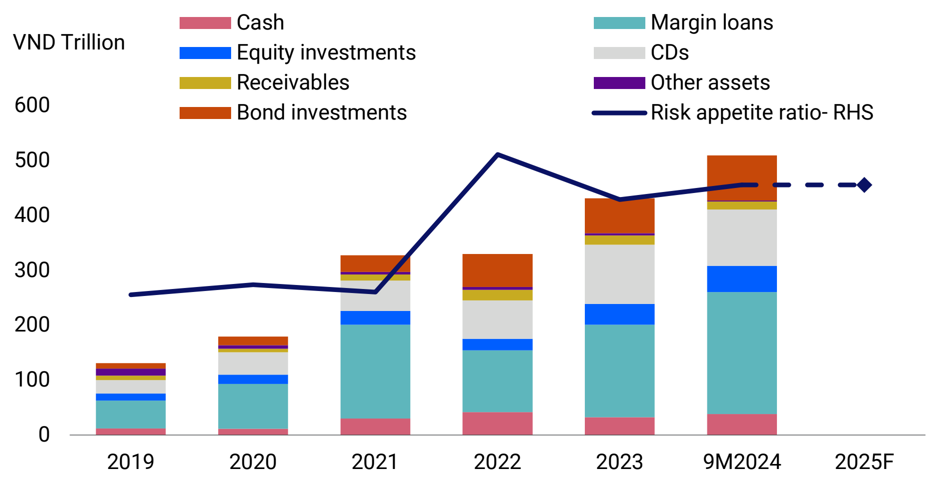
**Exhibit 14: More mid-sized and small firms will reduce their brokerage fees following large firms' zero-fee policy**




*Source: Company data, VIS Rating*
*Note: Refer to the Appendix for the full name of securities firms*

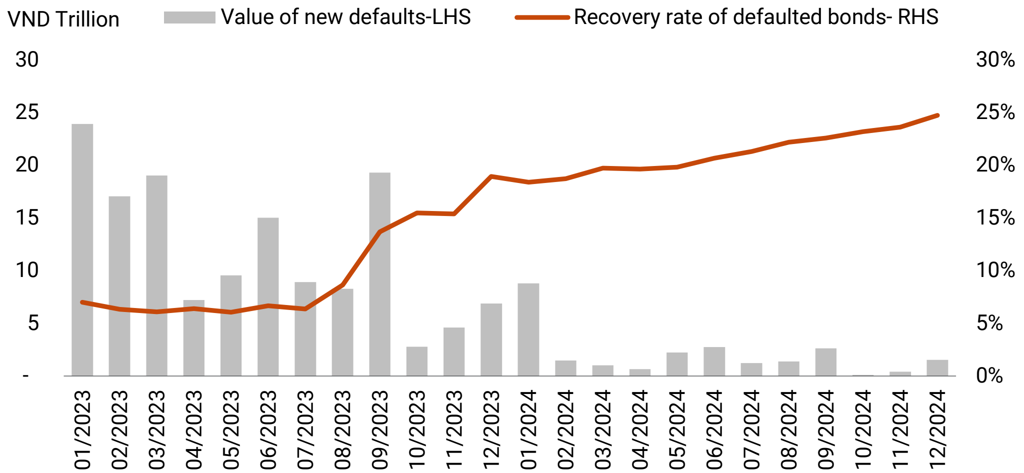
## Sector asset risk will stabilize despite higher corporate bond investments

### Exhibit 15: Declining corporate bond defaults will help stabilize asset risks, even as firms increase their investment portfolios



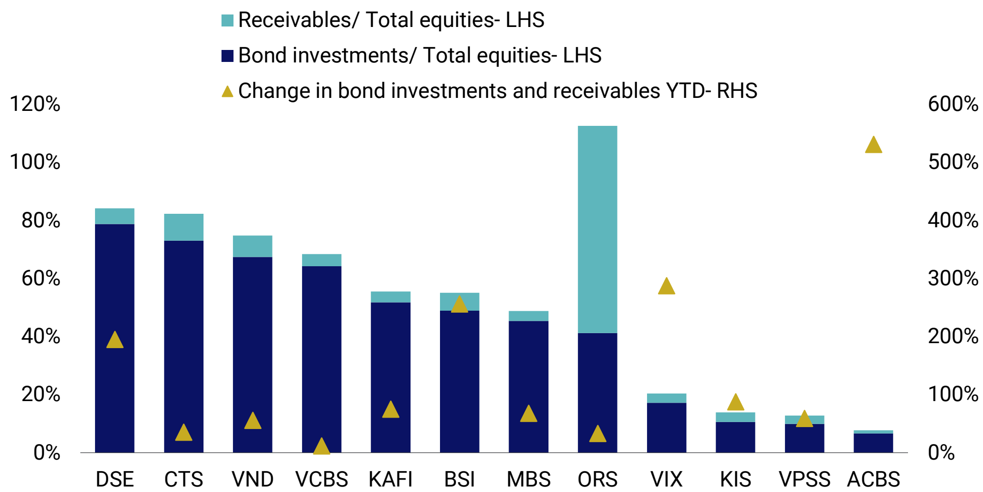

*Source: Company data, VIS Rating*
*Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets*

### Exhibit 16: Lower bond defaults as robust business conditions will support corporate cash flows and debt serviceability



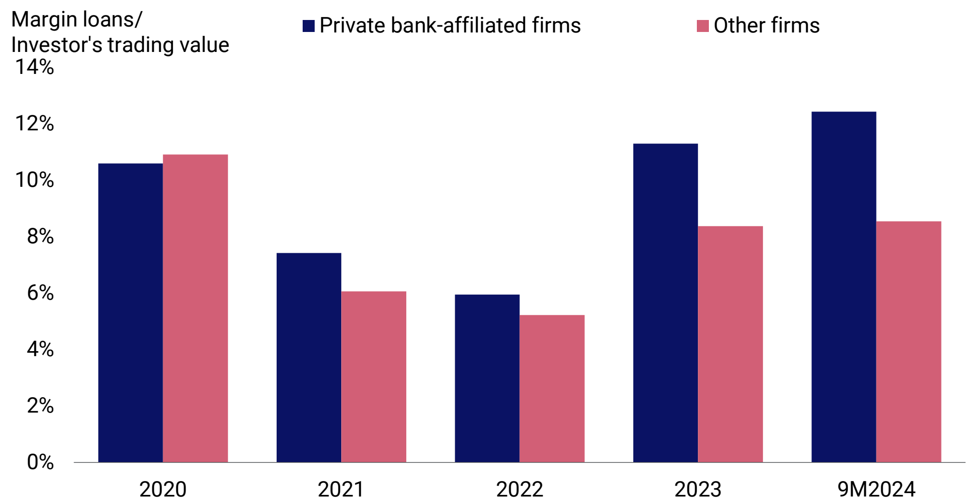

*Source: VIS Rating*

### Exhibit 17: Private bank-affiliated firms will increase corporate bond exposures, given their close partnership with affiliated banks to lend to large corporate borrowers




*Source: Company data, VIS Rating*
*Note: Refer to the Appendix for the full name of securities firms*

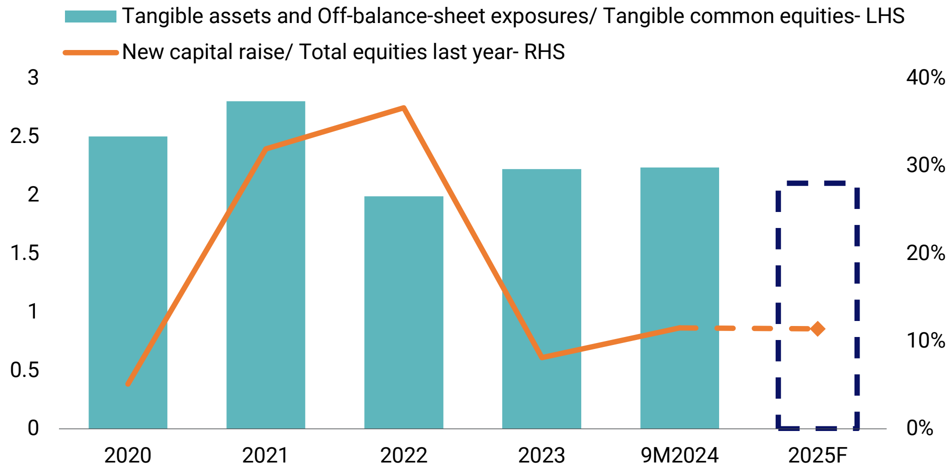
### Exhibit 18: Private bank-affiliated firms are more exposed to event risks as they tend to offer large single-name margin loans




*Source: Company data, VIS Rating*

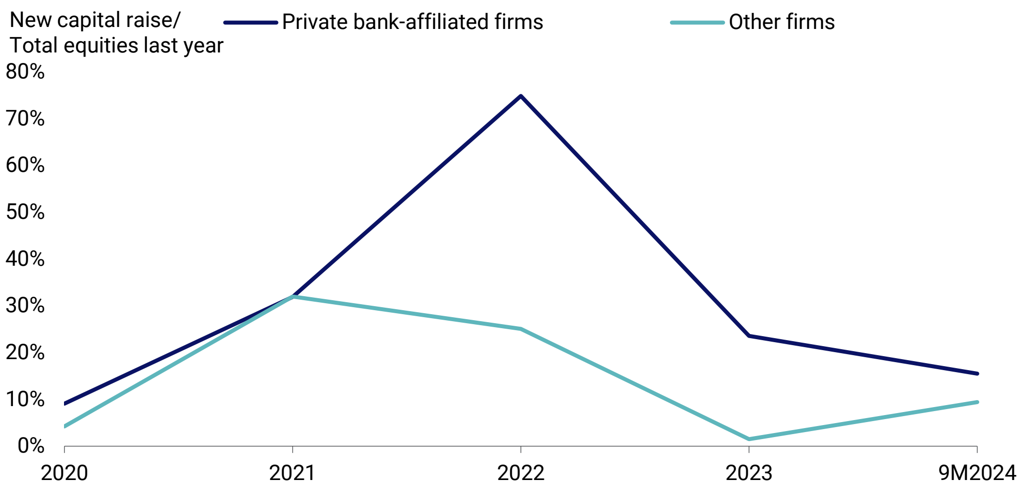
## Sector leverage will moderate through new capital injections

### Exhibit 19: Leverage will remain low through ongoing new capital raise



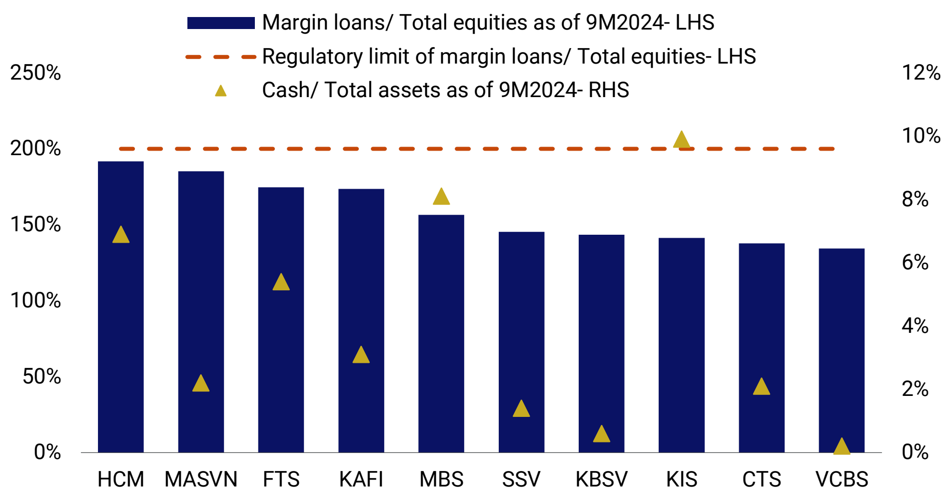

*Source: Company data, VIS Rating*
*Note: Data includes published new capital raising plans of top 30 securities firms by assets as of 15/01/2025*

### Exhibit 20: Private bank-affiliated firms will maintain higher-than-peer capital raises from banks' capital support to boost their asset growth



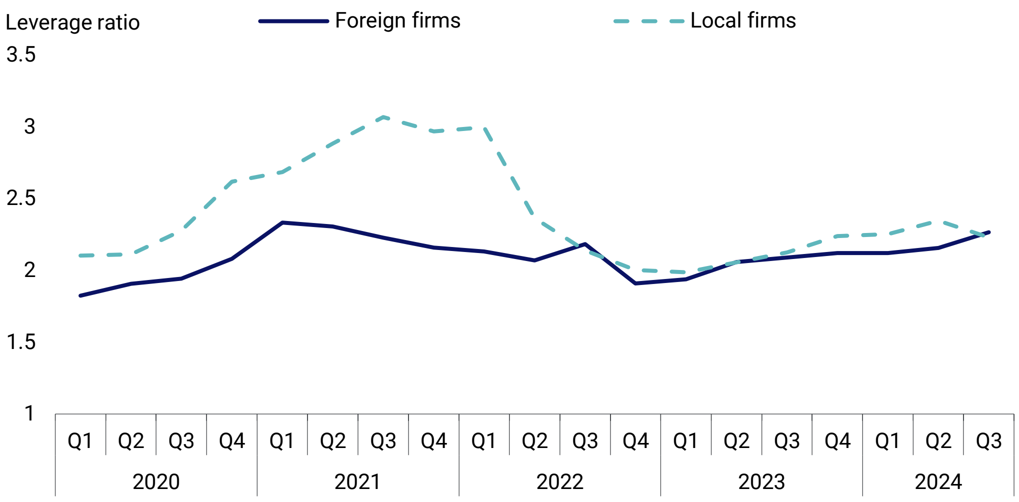

*Source: Company data, VIS Rating*

### Exhibit 21: Several firms need to raise new capital to meet the regulatory threshold




*Source: Company data, VIS Rating*
*Note: Refer to the Appendix for the full name of securities firms*

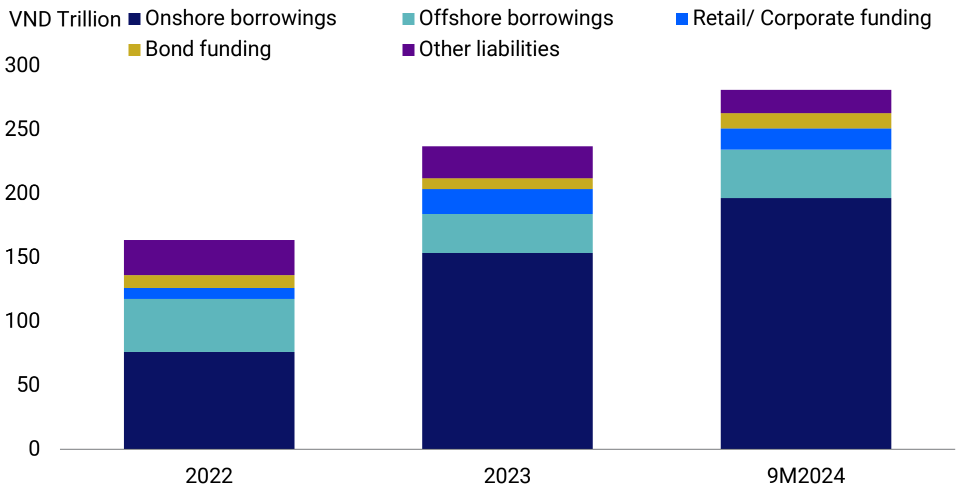
### Exhibit 22: Foreign firms may seek more short-term bank borrowings to expand margin lending




*Source: Company data, VIS Rating*

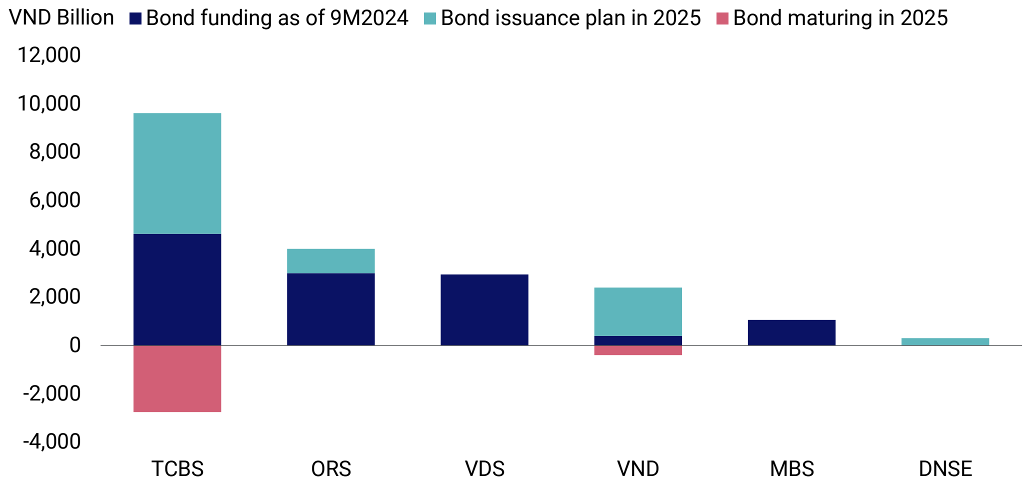
## Refinancing risks will be limited as firms maintain good access to a variety of funding sources

### Exhibit 23: Improving funding stability with good access to a variety of funding sources



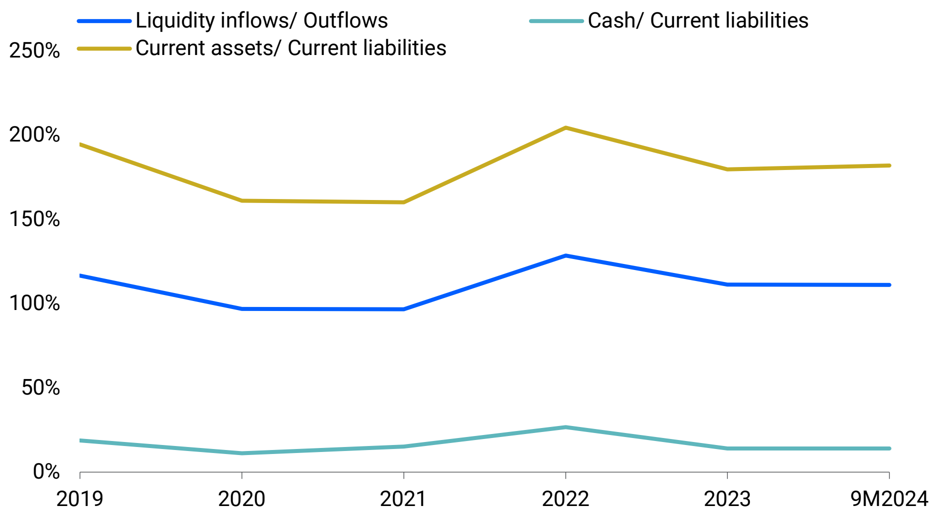

*Source: Company data, VIS Rating*
*Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets*

### Exhibit 24: Firms will supplement their bank funding by tapping into new bond funding



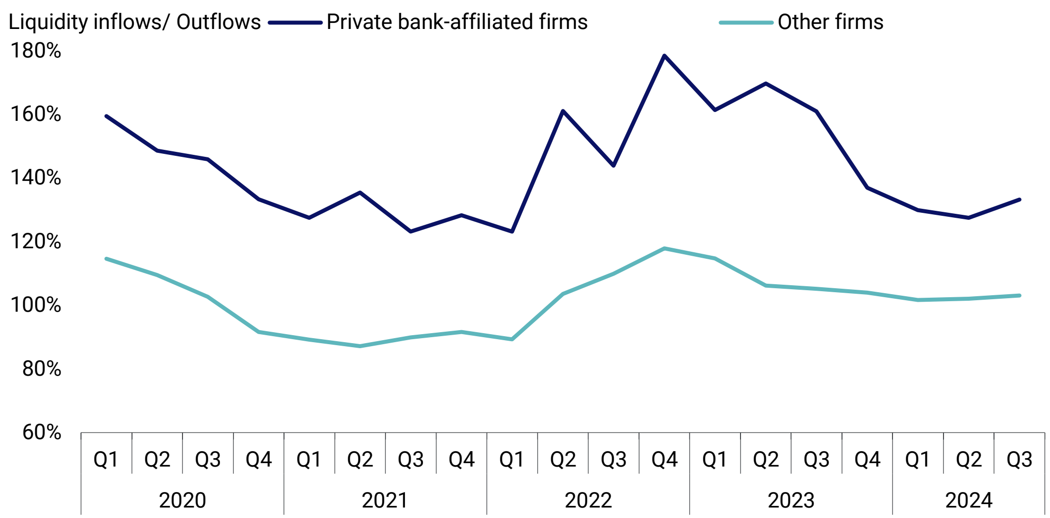

*Source: Company data, VIS Rating*
*Note: Data for published bond issuance plan as of 15/01/2024*
*Refer to the Appendix for the full name of securities firms.*

### Exhibit 25: Sector liquidity risks will be well-managed…




*Source: Company data, VIS Rating*
*Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets*

### Exhibit 26: … particularly for private bank-affiliated firms




*Source: Company data, VIS Rating*

## APPENDIX

### List of top 30 securities firms by total assets as of 30/09/2024

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 JSC | Large firm |
| **3** | VND | VNDirect Securities Corporation | Large firm |
| **4** | HCM | Ho Chi Minh City Securities Corporation | Large firm |
| **5** | VPSS | VPS Securities JSC | Large firm |
| **6** | MASVN | Mirae Asset Securities (Vietnam) JSC | Large firm |
| **7** | VPBANKS | VPBank Securities JSC | Large firm |
| **8** | ACBS | ACB Securities Co., Ltd. | Large firm |
| **9** | VCI | VietCap Securities JSC | Large firm |
| **10** | MBS | MB Securities JSC | Large firm |
| **11** | VIX | VIX Securities JSC | Mid-sized firm |
| **12** | KIS | KIS Vietnam Securities Corporation | Mid-sized firm |
| **13** | SHS | Saigon - Hanoi Securities JSC | Mid-sized firm |
| **14** | KAFI | KAFI Securities JSC | Mid-sized firm |
| **15** | VCBS | Vietcombank Securities Co., Ltd. | Mid-sized firm |
| **16** | ORS | Tien Phong Securities Corporation | Mid-sized firm |
| **17** | BSI | BIDV Securities JSC | Mid-sized firm |
| **18** | DSE | DNSE Securities JSC | Mid-sized firm |
| **19** | KBSV | KB Securities Vietnam JSC | Mid-sized firm |
| **20** | CTS | Viet Nam Bank For Industry & Trade Securities JSC | Mid-sized firm |
| **21** | FTS | FPT Securities JSC | Small firm |
| **22** | HDBS | HD Securities Corporation | Small firm |
| **23** | SSV | Shinhan Securities VietNam Co., Ltd. | Small firm |
| **24** | TVS | Thien Viet Securities JSC | Small firm |
| **25** | VDS | Viet Dragon Securities Corporation | Small firm |
| **26** | YSVN | Yuanta Securities Vietnam Ltd Company | Small firm |
| **27** | MBKE | Maybank Securities Limited | Small firm |
| **28** | DSC | DSC Securities Corporation | Small firm |
| **29** | BVS | Baoviet Securities Company | Small firm |
| **30** | LVS | LPBank Security JSC | Small firm |

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