

Securities Sector: FY2024 Update

Profits improved from stronger margin lending and investment income, asset risks stabilized amid slower bond defaults

Overall, credit fundamentals for securities firms improved in 2024 from the prior year. The sector return on average assets (ROAA) rose by 20bps to 4.5% in 2024, driven mainly by stronger margin lending and fixed-income investment gains of the large firms. In addition, asset risks stabilized as firms cut back on offering commitments for bond buyback and bond defaults slowed. Sizeable capital raised from large and private bank-affiliated firms kept the sector leverage at a low level. In 2025, we expect the sector credit fundamentals will continue to improve from stronger margin lending and bond distribution.

Large firms led sector profit growth in 2024, while smaller firms were hit by lower equity investment income during 2H2024. Most large firms' ROAA rose from 4.3% in 2023 to 5.0% in 2024, driven by stronger margin lending and fixed-income investment gains. Among these firms, VCI and SSI recorded stronger-than-peer margin loan growth backed by their extensive brokerage customer base. Meanwhile, other large firms including private bank-affiliated firms recorded higher fixed-income investment gains (e.g., VPSS), and bond advisory fees (e.g., ORS, TCBS). VND saw a significant profit decline in 4Q2024, driven by higher credit costs related to its credit exposure to a large power sector corporate group. On the other hand, smaller firms recorded significant declines in equity investment income and ROAA (e.g., VIX, VDS) as stock market valuation declined in 2H2024. Overall, around half of the covered 25 firms¹ - mostly large and private bank-affiliated firms - achieved their full-year 2024 profit targets. In 2025, we expect private bank-affiliated firms will continue to lead sector profit growth by leveraging customer networks and capital from their parent banks to boost margin lending and bond distribution activities.

Sector asset risk stabilized, driven by reduced buyback commitments and slower bond defaults. The sector's exposure to higher-risk assets, mainly corporate bonds, remained broadly flat at 21% as of 2024. Asset risks for several small firms declined as some firms cut back on offering bond buyback commitments (e.g., TVSI), and other firms benefited from principal repayments by defaulted energy and real estate bond issuers (e.g., CTS). Meanwhile, exposure to event risk remains high for private-bank affiliated firms, as they increased margin lending to large customers in 2H2024 amid sluggish demand from retail customers.

Sector leverage remained low, driven by sizeable capital raising. Sector leverage ratio² remained flat at 230% in 2024. Sizeable capital raised by large local and bank-affiliated firms (e.g., VIX, SSI, VCI, KAFI, ACBS) supported their asset growth in 2024. In 4Q2024, several large firms announced plans to raise new capital over the next 12 months. Vietnam regulations limit firm's bond exposure (e.g., VND) to 70% of total equity, and margin lending (e.g., HCM) to 200% of total equity. We expect the continued capital raising by these firms and several bank-affiliated firms (e.g., ACBS, ORS, TCBS) in 2025 will keep sector leverage at a low level.

Liquidity risk remained well-managed, mostly for private bank-affiliated firms given their diverse funding sources. These firms managed to secure larger credit facilities from local banks (e.g., CTS, ORS, MBS, KAFI), while other firms (e.g., TCBS) issued higher long-term bonds and reduced reliance on retail and/or corporate clients' borrowings. At end-2024, the sector's outstanding bonds increased by 45% year-on-year (YoY) amid strong demand from retail investors. Overall, 60% of firms have average or higher liquidity profiles in 2024, mainly large and bank-affiliated firms. We expect sector funding profile to improve in 2025, as firms issue more long-term bonds and diversify funding sources (e.g., ORS, TCBS, DSE) to support stronger business expansion (e.g., VPSS).

CONTACTS

Nguyen Ha My, CFA

Associate Analyst

my.nguyen@visrating.com

Bach Hoang Anh, CPA
(Aust.)

Associate Analyst

my.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



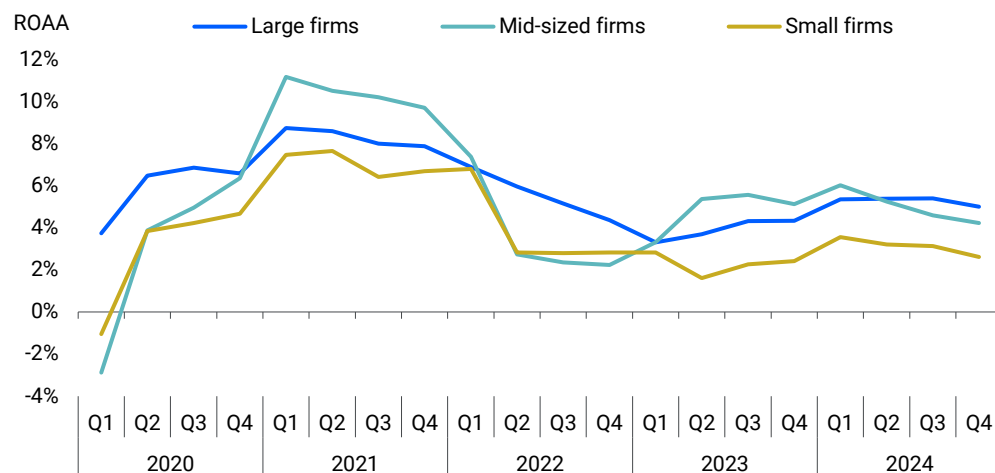
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¹ 25 out of 30 firms covered by our analysis announced their business plan for 2024

² Note: Leverage ratio is calculated by dividing tangible assets and off-balance-sheet exposure over tangible common equity

Large firms led sector profit growth in 2024

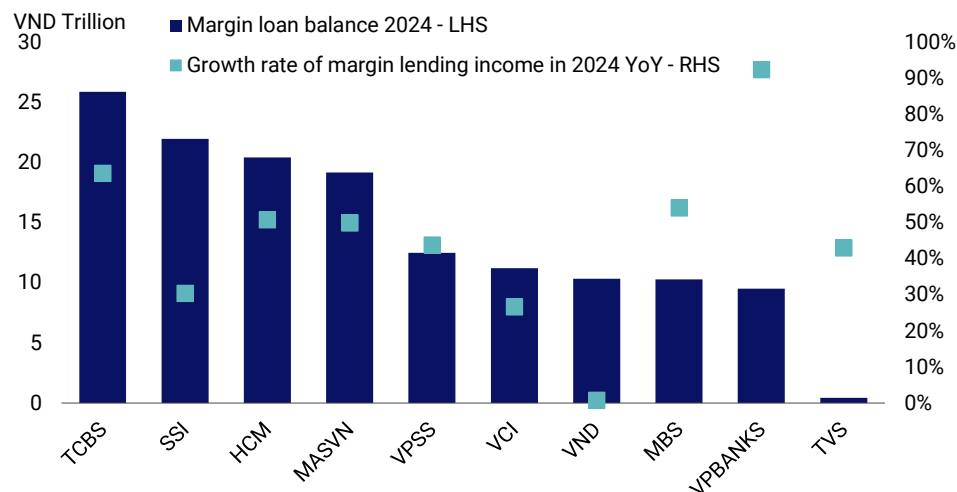
Exhibit 1: Large firms' profitability outperformed peers'...



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

Source: Company data, VIS Rating

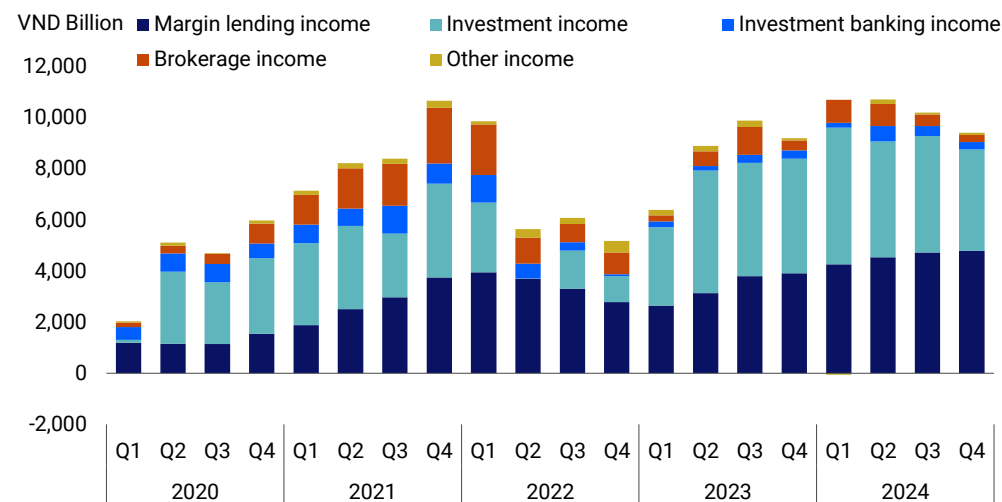
Exhibit 3: Several large firms recorded stronger-than-peers margin loan growth backed by their extensive brokerage customer base



Note: Refer to the Appendix for the full name of securities firms

Source: Company data, VIS Rating

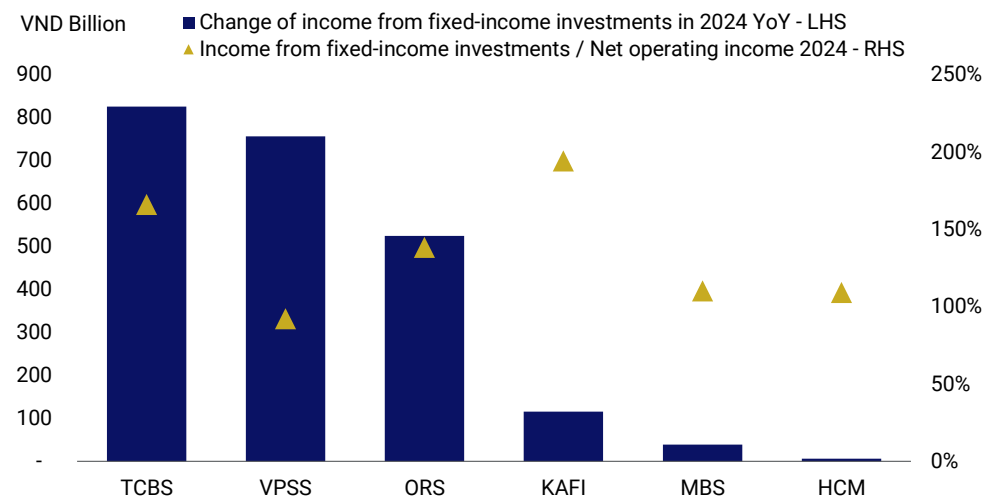
Exhibit 2: ...driven by stronger margin lending income and fixed-income investment gains



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

Source: Company data, VIS Rating

Exhibit 4: Other large firms recorded higher fixed-income investment gains

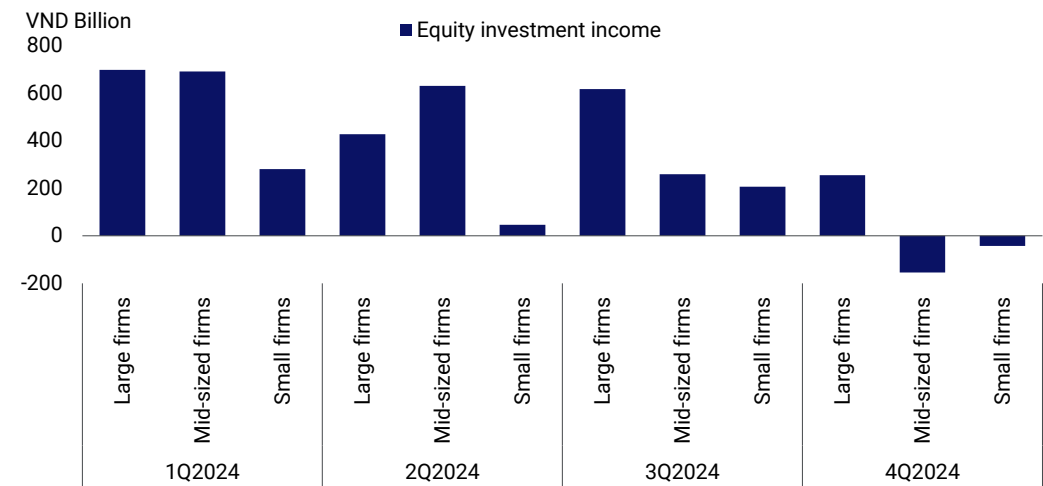


Note: Refer to the Appendix for the full name of securities firms

Source: Company data, VIS Rating

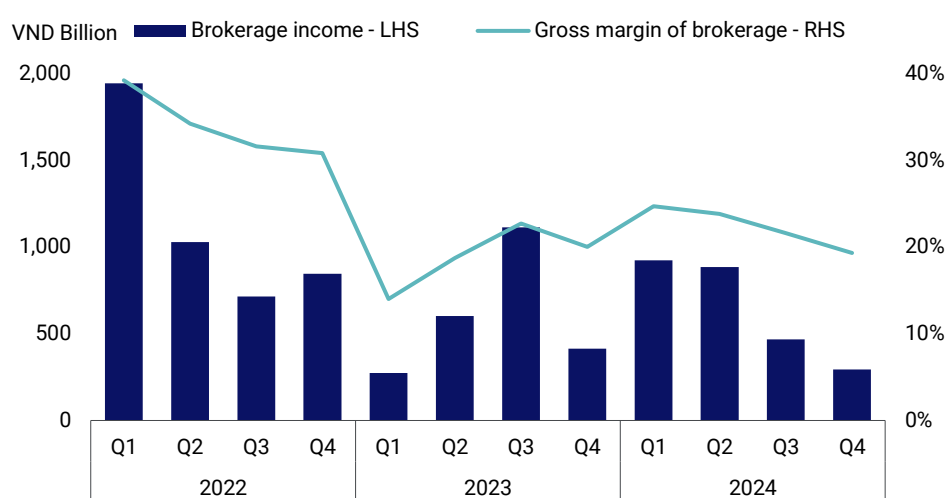
Smaller firms were hit by lower equity investment income during 2H2024

Exhibit 5: Several mid-sized and small firms recorded significant ROAA declines as stock market valuation declined in 2H2024



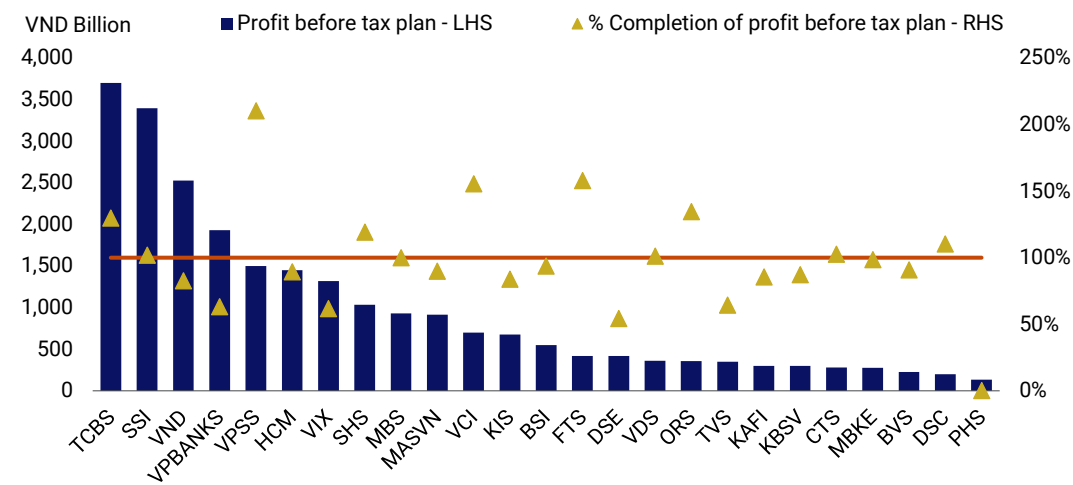
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
Source: Company data, VIS Rating

Exhibit 6: Brokerage income declined from fierce fee competition and lower stock trading value



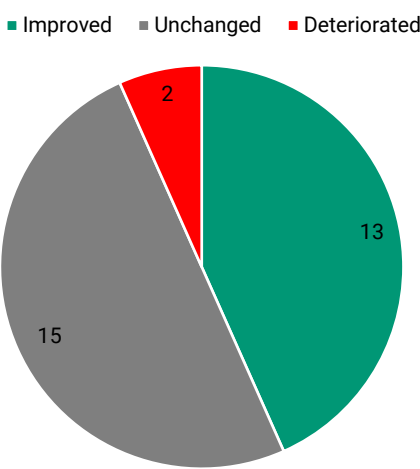
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
Source: Company data, VIS Rating

Exhibit 7: Mainly large and private bank-affiliated firms achieved their full-year 2024 profit targets



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

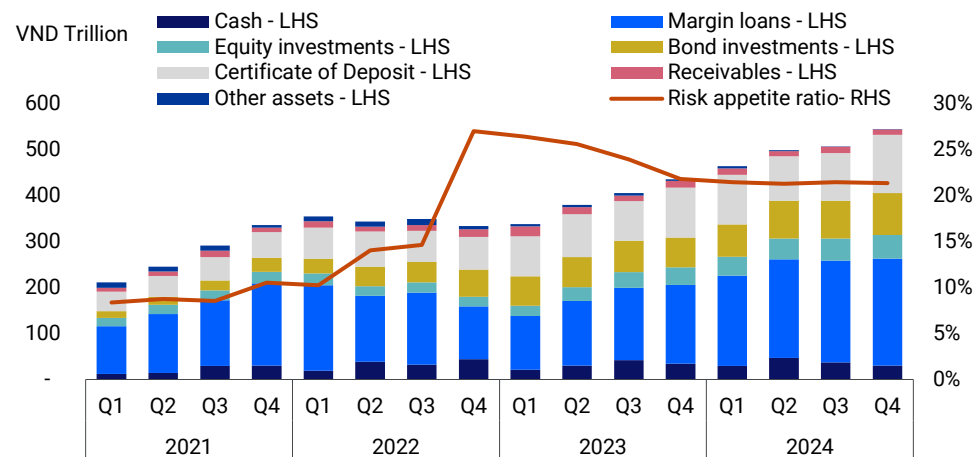
Exhibit 8: Profitability improved in 2024, mostly large and private bank-affiliated firms



Source: VIS Rating

Sector asset risk stabilized, driven by reduced buyback commitment and slower bond default

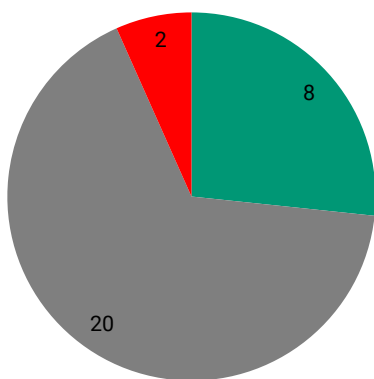
Exhibit 9: The sector's exposure to higher-risk assets remained broadly flat in 2024



Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
 Risk appetite ratio is calculated as total higher-risk assets including corporate bonds, unlisted shares, overdue margin loans and receivables, and off-balance sheet exposures divided by tangible assets.
 Source: Company data, VIS Rating

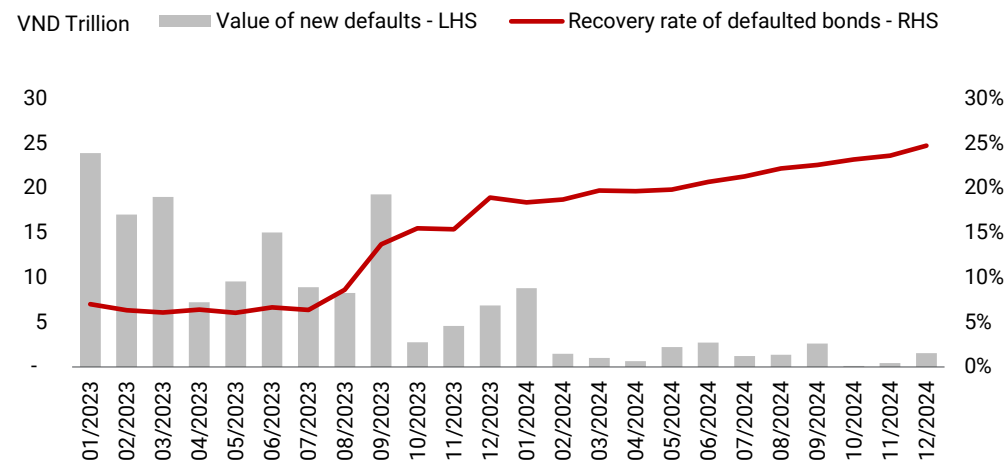
Exhibit 11: Asset risks stabilized as firms cut back on offering commitments for bond buyback and slower bond defaults

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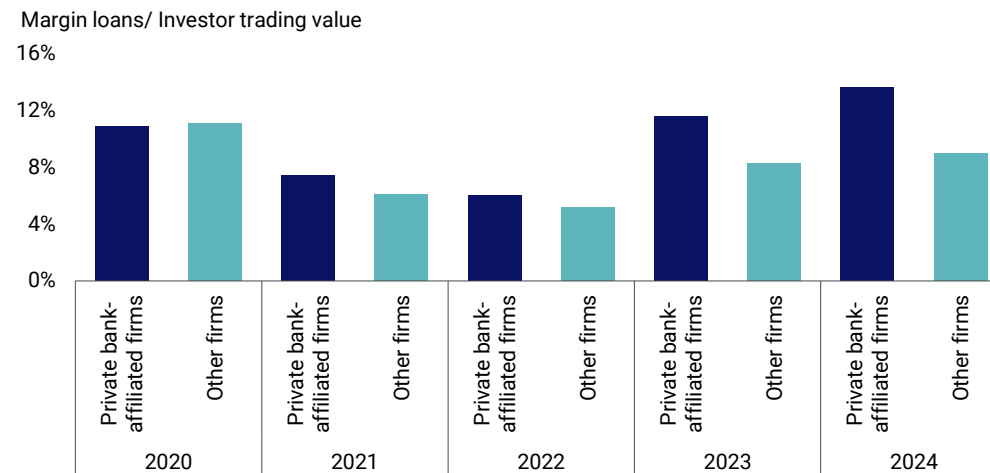
Source: VIS Rating

Exhibit 10: Asset risks declined from higher recovery of defaulted bonds



Source: VIS Rating

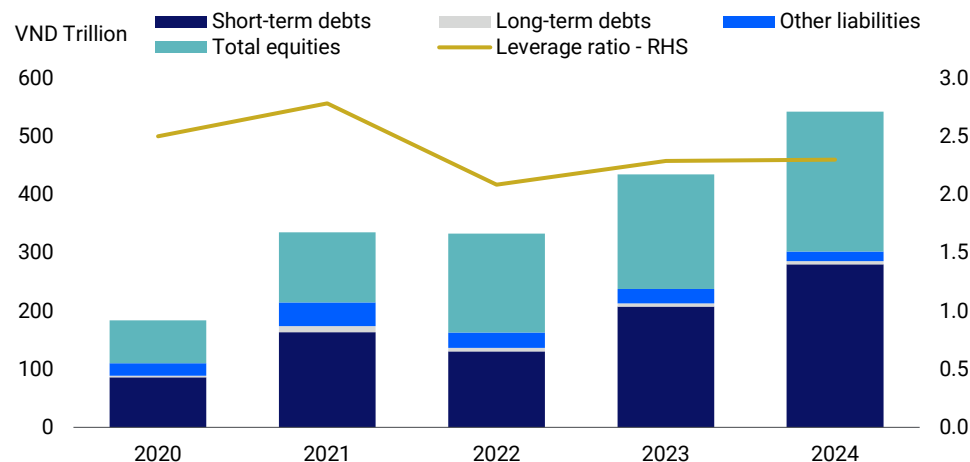
Exhibit 12: Event risk remains high for private-bank affiliated firms due to higher margin loans to large customers



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

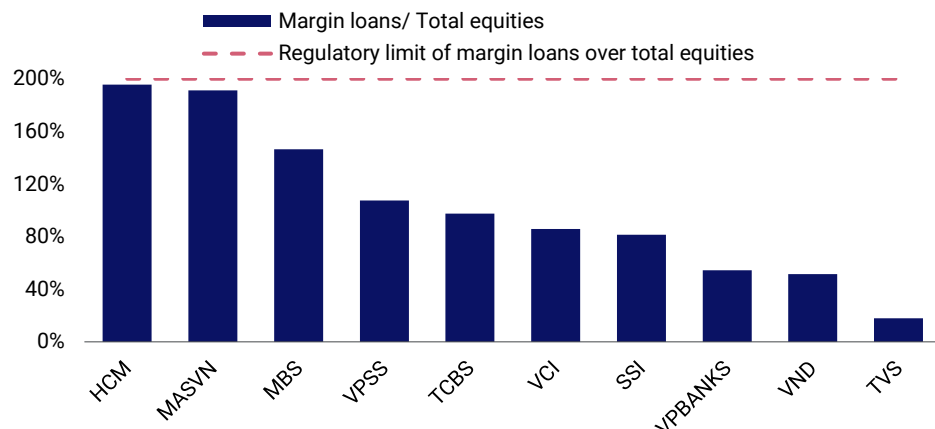
Sector leverage remained low, driven by sizeable capital raising

Exhibit 13: Sector leverage ratio remained flat in 2024



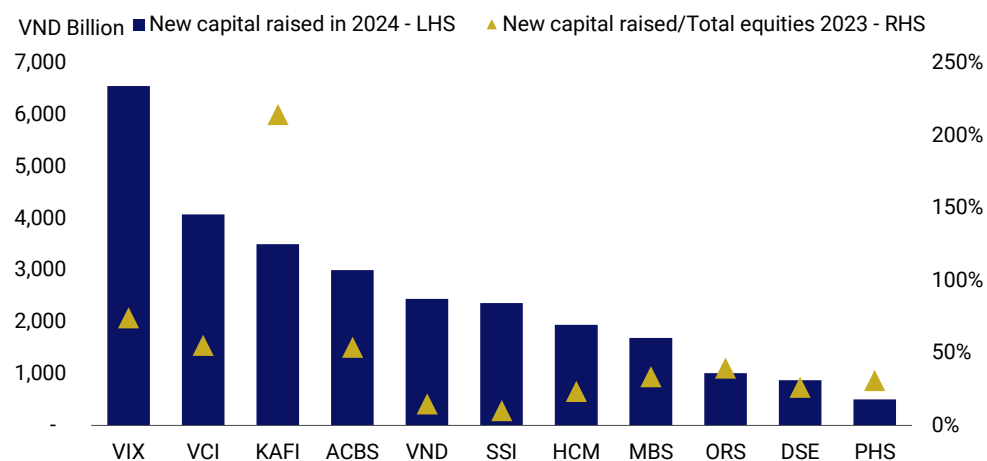
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
Source: Company data, VIS Rating

Exhibit 15: Several large firms will raise new capital to keep their margin lending below the regulatory limit



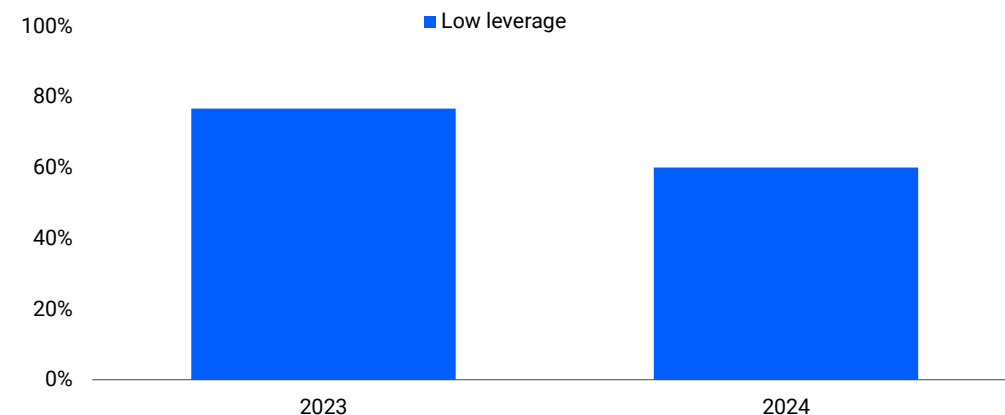
Note: Refer to the Appendix for the full name of securities firms
Source: Company data, VIS Rating

Exhibit 14: Sizeable capital raised from large local and bank-affiliated firms boosted their asset growth

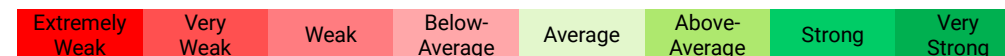


Source: Company data, VIS Rating

Exhibit 16: Most firms maintained low leverage in 2024



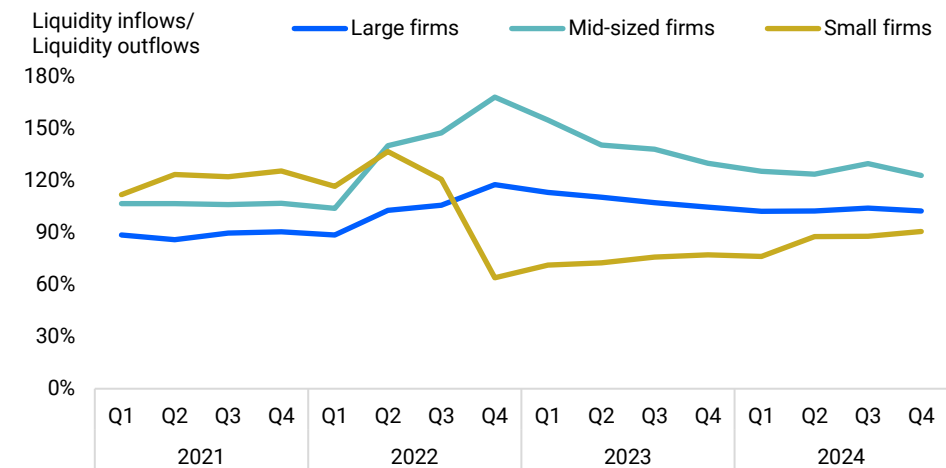
Note: Low leverage is denoted by Above-Average, Strong, and Very Strong categories based on our eight-category assessment scale, as illustrated below



Source: VIS Rating

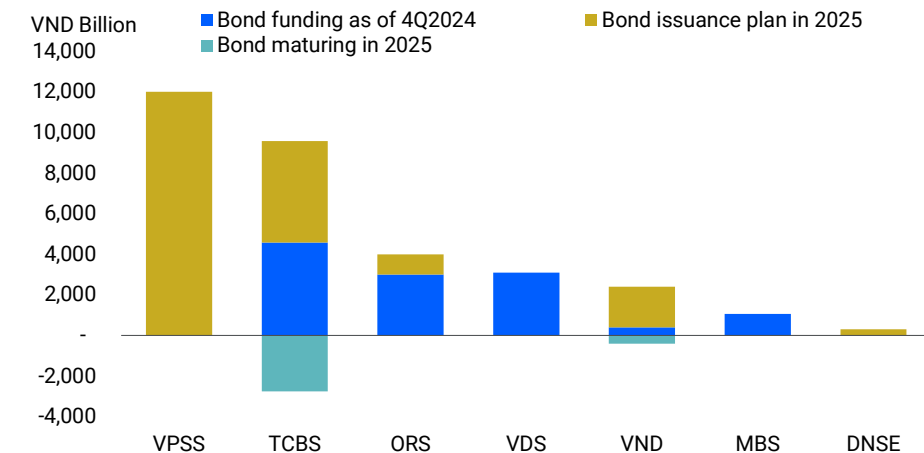
Liquidity risk remained well-managed, mostly for private bank-affiliated firms given their diverse funding sources

Exhibit 17: Liquidity risk remained well-managed for most firms in 2024



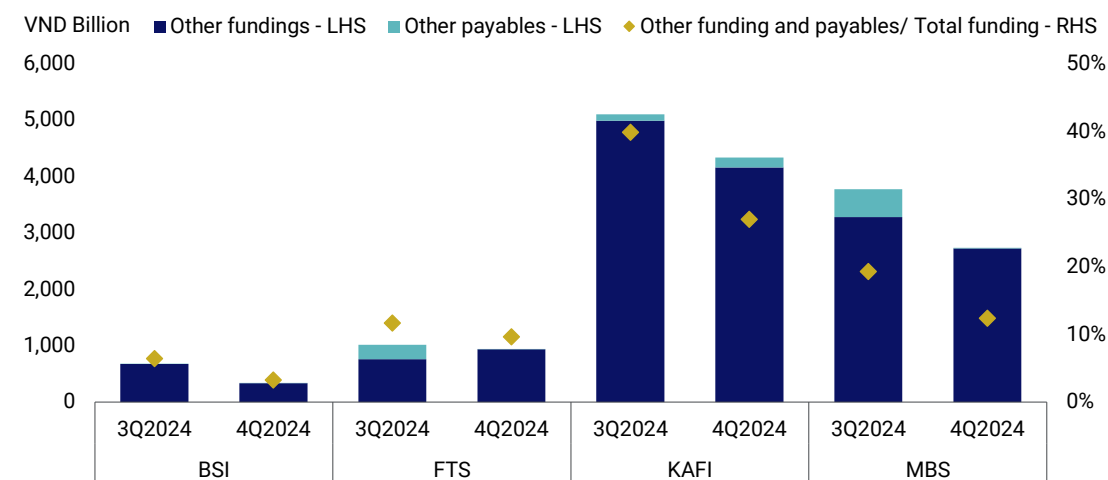
Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets
Source: Company data, VIS Rating

Exhibit 19: Firms issue more long-term bonds and diversify funding sources to support stronger business expansion



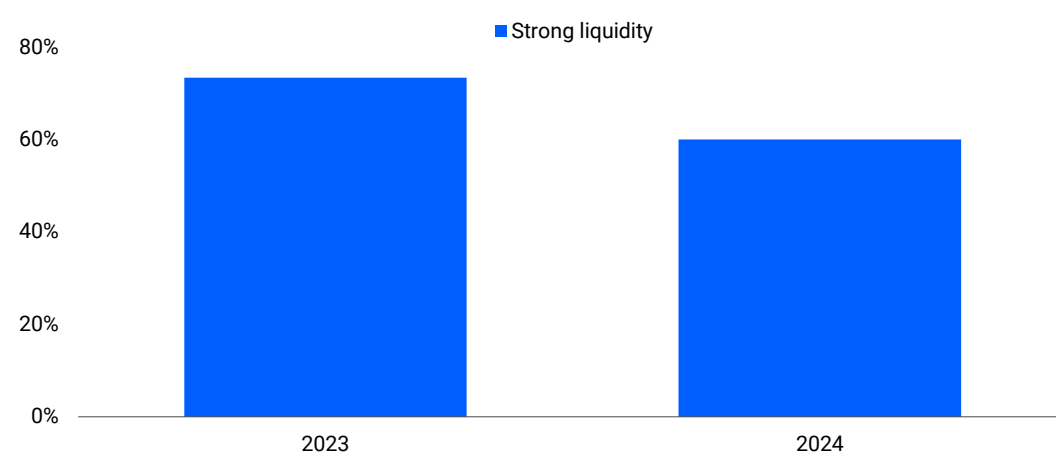
Note: Data for published bond issuance plan as of 05/02/2024
Refer to the Appendix for the full name of securities firms
Source: Company data, VIS Rating

Exhibit 18: Several firms reduced reliance on retail and corporate clients' borrowings

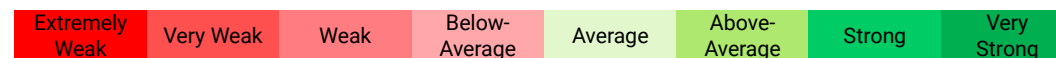


Note: Refer to the Appendix for the full name of securities firms
Source: Company data, VIS Rating

Exhibit 20: Over 60% of firms have strong liquidity profiles, mainly large and bank-affiliated firms



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



Source: Company data, VIS Rating

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	MASVN	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	DSE	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

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