

Securities

Looking forward to a market upgrade in 2025

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Securities companies under our coverage demonstrated robust financial performance in 9M2024

In 9M2024, total operating profit of the top 35 securities companies by equity capital reached VND32,592 billion (+25.5% YoY), while post-tax profit stood at VND17,791 billion (+40.6% YoY). The significant improvement in profitability can be attributed to the strong market rebound in 2024, following a relatively subdued performance in the proceeding year.

Growth was observed across all business segments, with margin lending and investment leading the way

In the first nine months of 2024, gross profit from brokerage services of the monitored securities firms hit VND2,217 billion (+13.4% YoY). The investment segment generated VND14,569 billion (+60.3% YoY), while the margin lending segment earned VND13,516 billion (+43.0% YoY), with an average yield of 9.5%. The trailing 12-month ROE improved to 10.0% from 8.8% in 2023. However, it remains relatively low compared to historical levels, primarily due to ongoing capital expansion efforts undertaken by securities companies.

Attractive valuations & low interest rates would give the stock market a boost

KBSV maintains a positive outlook for the Vietnamese stock market in 2025. We anticipate favorable market trends, driven by a combination of attractive valuations, given a relatively low VN-Index's P/E, and robust liquidity supported by prevailing low interest rates and the anticipated return of foreign capital inflows.

Vietnam's stock market is poised for an upgrade in September 2025

KBSV assesses the likelihood of Vietnam receiving an upgrade from FTSE in the March 2025 review as low, as securities firms require more time to establish stable operational mechanisms. FTSE will prioritize gathering feedback from institutional clients before deciding on an upgrade. However, KBSV expects Vietnam to be formally considered for an upgrade in the September 2025 review, with the country potentially being included in FTSE's emerging markets index in 2026.

Attractive valuations present medium-to-long-term investment opportunities

Securities stocks are trading at attractive valuations, given expectations of robust price appreciation and rising market liquidity in 2025, further supported by the anticipated positive impact of a potential market upgrade. Investors may find compelling investment opportunities in securities firms with strong institutional client bases, robust resources, and compelling valuations, including **Vietcap Securities (VCI)** and **Ho Chi Minh Securities (HCM)**.

Positive

 maintain

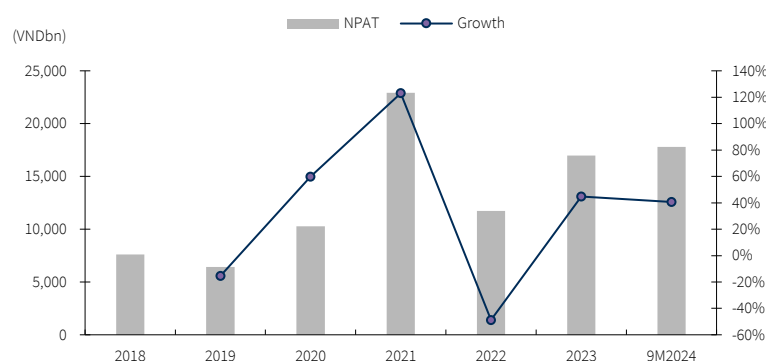
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Business performance in 9M24

In 9M2024, NPAT of the entire sector surged by 40.6% YoY

In 9M2024, total operating profit of the top 35 securities companies by equity capital (representative of the entire securities sector in this report) reached VND32,592 billion (+25.5% YoY), while NPAT stood at VND17,791 billion (+40.6% YoY). The sector's profitability saw a robust recovery in 9M2024, underpinned by the market rebound from the low base of 2023, which in turn boosted the performance of margin lending and investment activities across securities firms.

Fig 1. Vietnam – NPAT, NPAT growth of securities firms in 2018–2024 (VNDbn, %)

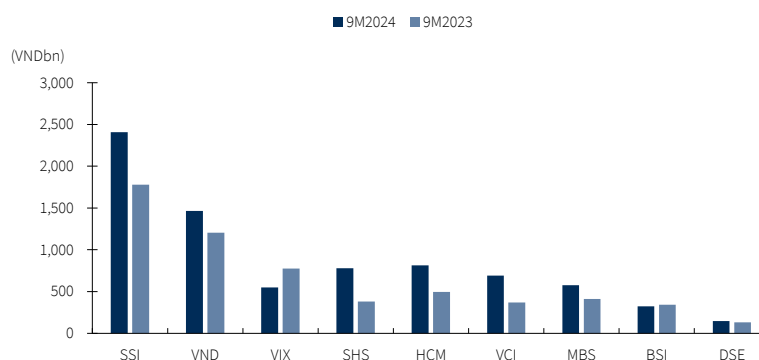


Source: Company reports, KB Securities Vietnam

*The data is compiled from 35 securities companies with a capital of approximately or greater than VND2,000 billion, together accounting for 89% of the total profit of the securities industry.

Fig 2. Vietnam – NPAT of listed securities firms

The group of securities companies, excluding VIX and BSI, all reported strong growth in net profit in 9M2024, primarily due to the low base in 2023. Notable examples include SHS (+105% YoY), HCM (+64% YoY), and VCI (+88% YoY). SSI, with its position as the leading company in the industry, achieved net profit of VND2,407 billion (+35.2% YoY), ranking second in the industry after TCBS.



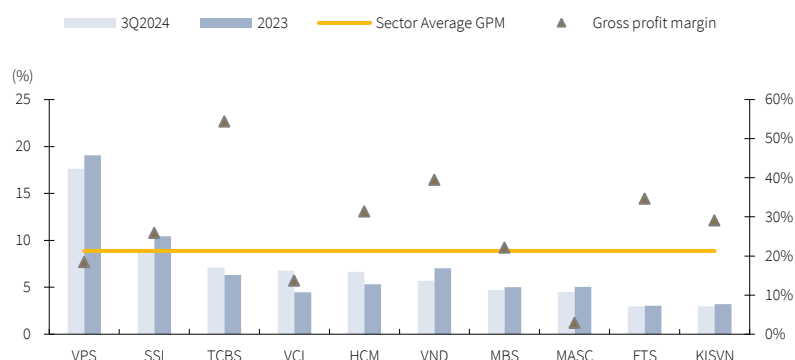
Source: Company reports, KB Securities Vietnam

Brokerage services experienced a 13.4% increase in profit amidst fierce competition

In 9M2024, brokerage revenue of the monitored securities companies totaled VND10,406 billion (+19.7% YoY), driven by higher stock prices, which positively impacted fee income. However, gross profit reached VND2,217 billion (+13.4% YoY) due to increased competition, with many adopting zero-fee trading strategies to attract clients. In terms of market share, under increasing competitive pressure, VPS Securities and SSI Securities (SSI) maintained their leading positions, albeit with slight declines of 1.4 percentage points (ppts) and 1.6 ppts YTD, respectively. Conversely, Techcom Securities (TCBS), HCM, and VCI demonstrated significant gains in market share, up 0.77%, 1.33%, and 2.31% YTD, respectively. VNDirect Securities (VND), which experienced a decline in market share from 7.01% in 2023 to 5.7% in 3Q2024, has fallen out of the top 5 securities companies by market share.

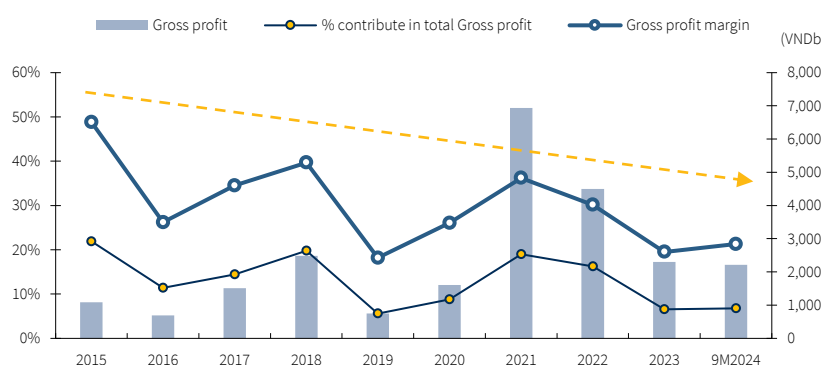
The contrasting picture of market share fluctuations and gross profit margins within the brokerage segment highlights the diverse fee and product strategies among securities companies. HCM and TCBS, in particular, are demonstrating effectiveness, with both showing increases in market share and maintaining gross profit margins above the industry average.

Fig 3. Vietnam – Brokerage market share and gross profit margin of top 10 HSX-listed securities firms (%)



Source: Company reports, KB Securities Vietnam

Fig 4. Vietnam – Brokerage gross profit & gross profit margin (VNDbn, %)

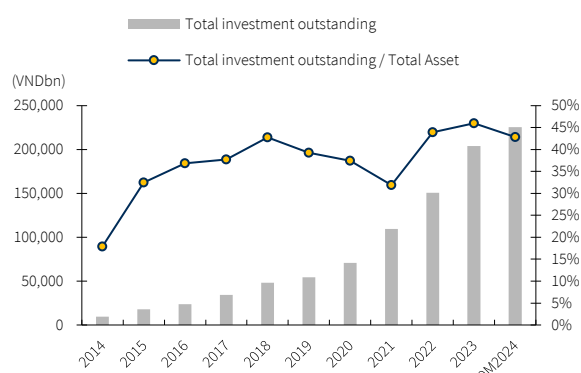


Source: Company reports, KB Securities Vietnam

Investment saw a 60.3% surge in profits thanks to expanded total investment outstanding and a buoyant stock market

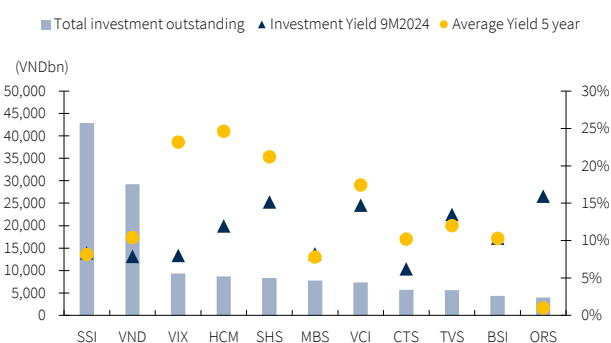
In 9M2024, investment gross profit of the monitored securities companies reached VND14,569 billion (+60.3% YoY). The average yield for the first nine months of the year was 9.0%, higher than the 7.0% recorded in the same period of 2023, due to: (i) the low base at the end of 2023 and the strong market rally, with the VN-Index up 10.9% YTD as of December 19, 2024 despite some volatility; (ii) a significant increase in total investment outstanding compared to 2023. The total investment balance, including Fair Value Through Profit or Loss (FVTPL), Held-to-Maturity (HTM), and Available-for-Sale (AFS), reached VND225,372 billion as of 3Q2024, up 49.6% from the end of 2022. This reflects the strong capital increases undertaken by securities companies from 2021 to 2023, a period when margin lending demand relatively subdued. In terms of portfolio composition, securities companies tend to maintain a conservative approach, allocating a significant proportion of their investment portfolios to lower-risk assets such as certificates of deposit (CDs) and bonds, while maintaining a smaller allocation to higher-risk assets like stocks.

Fig 5. Vietnam – Total investment outstanding of securities firms in 2014–2024 (VNDbn, % total assets)



Source: Company reports, KB Securities Vietnam

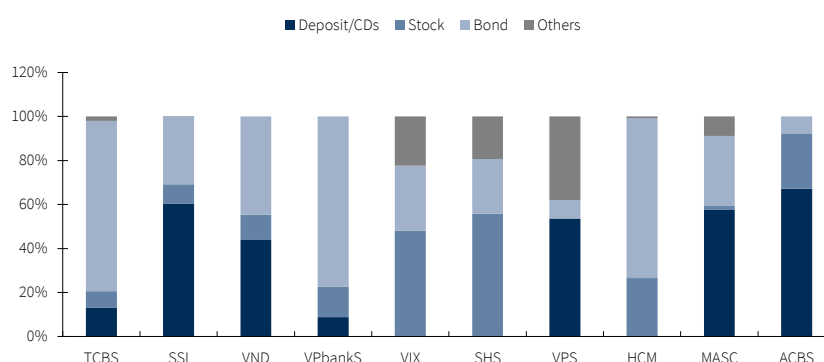
Fig 6. Vietnam – Total investment outstanding & average yield of some securities firms in 9M2024 (VNDbn, %)



Source: Company reports, KB Securities Vietnam

Except for VIX and SHS, which have a large proportion of their portfolio in stocks, the other securities companies in the Top 10 maintain a relatively low proportion of stock investments, under 30%.

Fig 7. Vietnam – Portfolio composition of top 10 HSX-listed companies by equity (%)

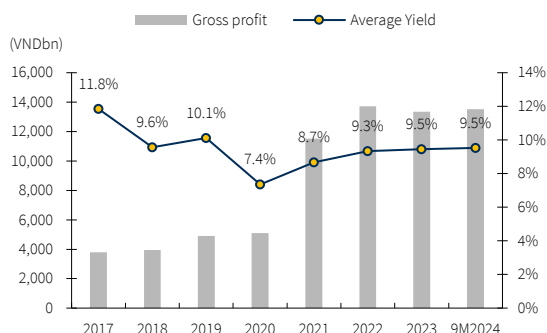


Source: Company reports, KB Securities Vietnam

Margin lending profit jumped by 43% YoY on increased market liquidity

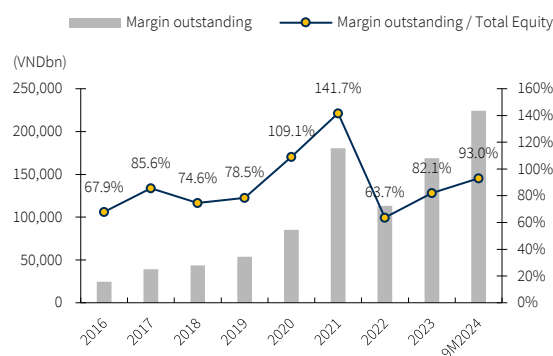
In 9M2024, margin lending gross profit of the monitored securities companies touched VND13,516 billion (+43% YoY), while the average yield remained stable at 9.5%, similar to the previous year. This robust growth was primarily driven by enhanced market liquidity, strong stock price appreciation, and increased demand for margin loans, particularly from corporate clients. The Vietnamese stock market witnessed a notable rise in trading activity in 2024, with average daily trading value of VND18.7 trillion (+22.9% YoY). This heightened market activity contributed to a substantial increase in the outstanding margin loan balance, which reached an all-time high of VND224,206 billion (+32.7% YTD) in 3Q2024. However, the margin lending-to-equity ratio remains relatively low at 93%, indicating significant untapped potential for further expansion within this segment as market liquidity improves.

Fig 8. Vietnam – Margin lending gross profit & average yield of the securities sector (VNDbn, %)



Source: Company reports, KB Securities Vietnam

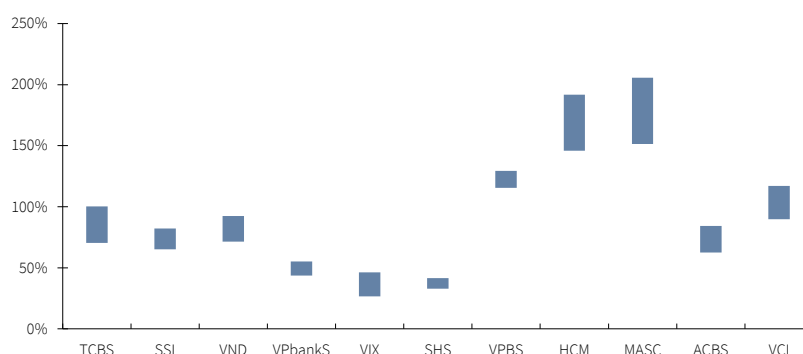
Fig 9. Vietnam – Outstanding margin loans at securities firms in 2015–2024 (VNDbn, % equity)



Source: Company reports, KB Securities Vietnam

Fig 10. Vietnam – Margin lending-to-equity ratio of top 11 securities firms by equity over the last four quarters (%)

Securities companies that have significantly increased their capital over the past three years, such as TCBS, SSI, VND, VPbankS, VIX, ACBS, and SHS, have yet to fully leverage this capital to generate substantial returns from margin lending, given subdued demand for borrowed capital.



Source: Company reports, KB Securities Vietnam

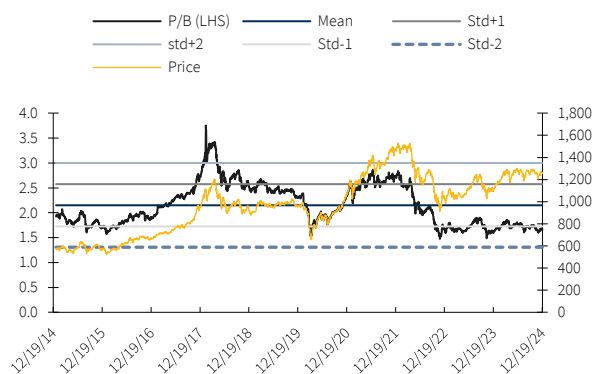
Business outlook for 2025

The stock market is projected to exhibit robust growth in 2025, driven by attractive valuations

KBSV maintains a positive outlook on the price and liquidity dynamics of the Vietnamese stock market in 2025 based on the following factors:

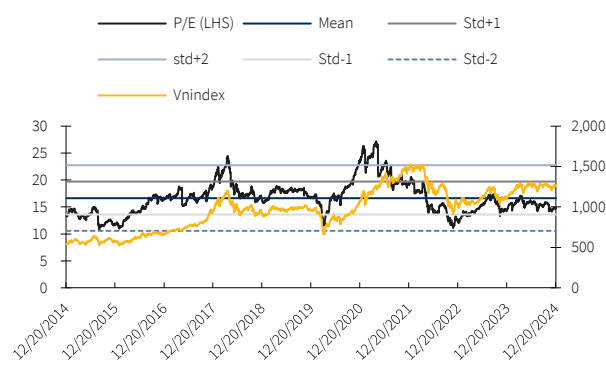
- **Attractive valuation:** KBSV forecasts a 16.7% growth in market-wide EPS for 2025, led by large-cap companies. 2025 forward P/E is expected at 12.2x, 26.9% below the 10-year average of 16.7x (Figure 12). Meanwhile, the VN-Index's P/B ratio as of December 19, 2024 stands at 1.66x, 23% below the 10-year average of 2.15x (Figure 11).
- **Sustained high liquidity:** Market liquidity is expected to remain robust in 2025, supported by low interest rates. KBSV anticipates that Vietnam will maintain low interest rates, in line with global trend of interest rate cuts. With deposit rates offering relatively unattractive returns, this environment is expected to stimulate increased demand for stock market investments. While exchange rate uncertainty remains a potential risk, particularly given the potential impact of global economic and political developments, its impact is not expected to be overly significant.

Fig 11. Vietnam – VN-Index's P/B in 2014–2024



Source: Bloomberg, KB Securities Vietnam

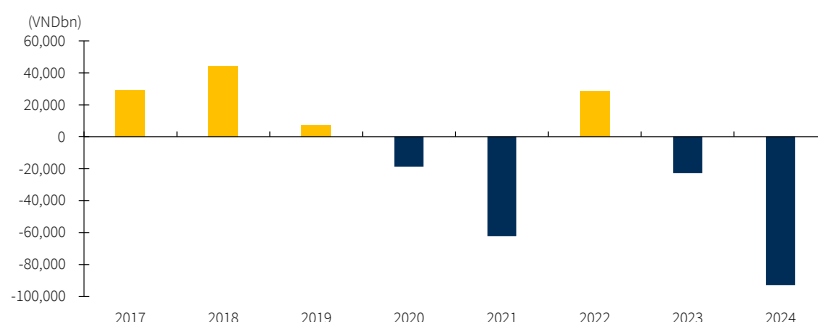
Fig 12. Vietnam – VN-Index's P/E in 2014–2024



Source: Bloomberg, KB Securities Vietnam

Foreign investors have intensified net selling in 2024 due to exchange rate pressures and high expected returns in developed markets like the US. KBSV expects foreign capital flows to return to Vietnam, given attractive valuations and positive impacts of a potential market upgrade.

Fig 13. Vietnam – Net foreign trading (VNDbn)



Source: Fiinpro

Vietnam's stock market is expected to be upgraded in September 2025

Circular 68/2024/TT-BTC, effective from November 2, 2024, allows foreign institutional investors to execute transactions for purchasing stocks without the requirement of upfront funds. This groundbreaking change enables investors can purchase securities on a T+0 basis and settle payments on T+1 and T+2. This crucial reform addresses two of the remaining criteria for a potential market upgrade by FTSE Russell, namely counterpart payment transfer mechanisms and the handling of failed transactions. In our view, the likelihood of Vietnam being upgraded in the March 2025 evaluation period is low as securities firms require adequate time to fully implement and stabilize the new operational mechanisms. Furthermore, FTSE will need to gather feedback from institutional investors to assess the effectiveness and practicality of these new procedures.

The upgrade to a higher classification would attract foreign capital flows into the local stock market

KBSV anticipates a positive outcome for Vietnam in the upcoming FTSE Russell market classification review, with an upgrade to emerging market status expected in September 2025 and inclusion in the FTSE Emerging Markets Index anticipated in 2026. This significant milestone is poised to significantly enhance foreign capital inflows into the Vietnamese market. In our estimate, following the upgrade, Vietnam could attract about VND36,000 billion in foreign capital from ETFs (~1.5% of the total assets of these ETFs) and around VND100,000 billion from passive and active funds tracking FTSE emerging markets index (~1% of the total assets of these funds).

Table 14. Global – Correlation between capitalization and weight in FTSE Secondary Emerging Markets Index

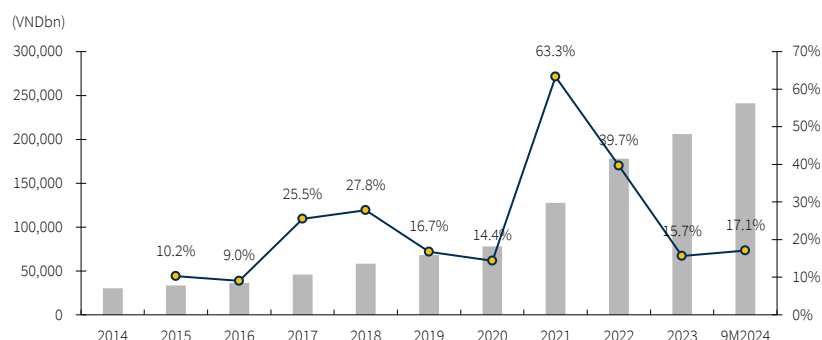
	Vietnam	Iceland	China	India	Indonesia	Saudi Arabia	Qatar	Phillippines
Market cap (USDtn)	0.20	0.02	7.11	2.16	0.18	0.60	0.08	0.06
Weight in FTSE secondary emerging markets index		0.12%	30.26%	22.79%	1.77%	4.33%	0.91%	0.64%
Capitalization equivalent to 1% weight (USDtn)		0.18	0.23	0.09	0.10	0.14	0.09	0.10
Vietnam's estimated weight	1.49%							
Estimated total investment in ETFs (USDmn)	1,279							

Source: Bloomberg, KB Securities Vietnam

Stiff competition would negatively impact gross profit margin across core business segments

Between 2021 and 2024, securities companies collectively increased their capital, particularly notable among bank-owned securities firms, such as ACB Securities (ACBS), VPBank Securities (VPBankS), KAFI Securities (KAFI), TCBS, and LPBank Securities (LPBS). While these companies (excluding TCBS) have not yet fully leveraged their expanded capital base to achieve significant market share in brokerage and margin lending, they possess several key advantages: access to extensive resources, substantial capital scale, and valuable cross-marketing opportunities with their parent banks. As these firms intensify their focus on core brokerage and margin lending activities, they are expected to exert significant competitive pressure on the market. Potential impacts of this increased competition include: **(i) intensified fee competition** (firms may adopt fee waivers or significant reductions to attract and retain clients, which could negatively impact brokerage margins) and **(ii) lower margin lending rates** (firms may offer more attractive margin lending rates to attract customers, potentially impacting the profitability of this key revenue stream).

Fig 15. Vietnam – Equity capital of securities firms in 2014–2024 (VNDbn)

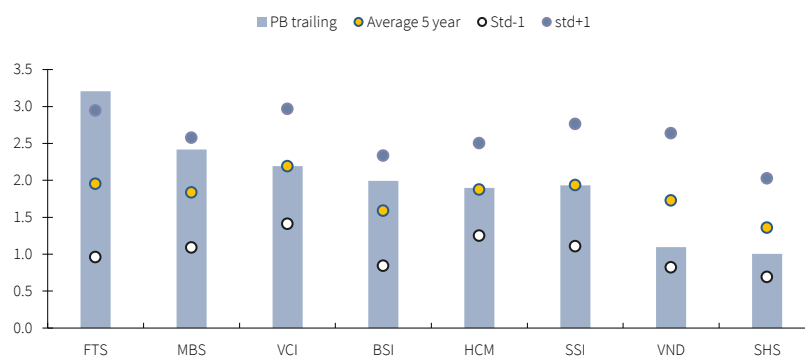


Source: Company reports, KB Securities Vietnam

KBSV views the current valuations of many securities stocks as attractive for medium-to-long-term investment opportunities

In 2024, securities stocks exhibited a volatile performance in 2024, mirroring the overall market's divergence alongside the underwhelming performance of the KRX system. Currently, many securities stocks are trading at or near their 5-year average P/B ratios. Given the anticipated robust growth in the stock market in 2025, characterized by both price appreciation and increased liquidity, coupled with the positive implications of the expected market upgrade, KBSV views the current valuations of many securities stocks as relatively attractive. Investors are encouraged to adopt a selective approach, prioritizing stocks with strong institutional client bases, robust resources, and compelling valuations, such as VCI and HCM, to capitalize on anticipated foreign capital inflows. For stocks with attractive valuations but potential challenges in maintaining market share, like SSI and VND, or mid-cap stocks with relatively high valuations, such as FPT Securities (FTS), BIDV Securities (BSI), and MB Securities (MBS), a more cautious approach is recommended. Investors may consider strategic disbursements during market corrections to optimize investment returns.

Fig 16. Vietnam – P/B of listed securities firms



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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