

Media Release

CTBC Securities Co. Ltd. Assigned 'twAA-/twA-1+' Ratings; Outlook Stable

October 4, 2019

Overview

- We view CTBC Securities as a highly strategic member of Taiwan-based CTBC FHC group.
- CTBC Securities operates in line with the group's core financial services and plays an important role in providing equity-related services to the group's domestic clients.
- We are therefore assigning our 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings to CTBC Securities.
- The stable outlook reflects the outlook on the parent group and our expectation that CTBC Securities will remain a highly strategic group member over the next two years.

Rating Action

Taiwan Ratings Corp. today assigned its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on CTBC Securities Co. Ltd. The outlook on the long-term rating is stable.

Rationale

The ratings on CTBC Securities reflect the implicit support from the company's parent, **CTBC Financial Holding Co. Ltd.** (CTBC FHC) group, given its highly strategic group status.

We view CTBC Securities as a highly strategic subsidiary of the CTBC FHC group. CTBC Securities operates in line with the group's core financial services and focuses on equity-related services in Taiwan. CTBC Securities benefits from the group's business referrals for brokerage and investment banking services. CTBC FHC fully owns CTBC Securities and the subsidiary's reputation is closely linked with that of the parent group, given the similar naming and logo.

The group has demonstrated strong commitment to support its subsidiaries through close oversight and resource fungibility. CTBC Securities runs its middle and back end operations independently, but the company still receives support from the group's stronger resources. CTBC Securities represents only a small proportion of the group's total capital base, at about 2% in 2018, and makes a limited profit contribution to the group.

CTBC Securities is a small-sized broker in Taiwan with about 1% share of brokerage business. The company is engaged in brokerage, underwriting, and dealing business in Taiwan, with niche positions in warrant business and foreign IPOs. We expect CTBC Securities' market shares to continue to grow as they have over the past few years, especially given consistent support from its parent group.

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Outlook

The stable outlook on CTBC Securities reflects our expectation that the company will remain a highly strategic subsidiary of CTBC FHC group. The ratings on CTBC Securities will therefore move in tandem with the consolidated credit profile of CTBC FHC group.

Upward scenario

We could raise the rating on CTBC Securities if we raise our assessment of CTBC FHC's consolidated group credit profile, while at the same time we assess that CTBC Securities remains a highly strategic group entity.

Downward scenario

We could lower the ratings on CTBC Securities if we lower the assessment on CTBC FHC's consolidated group credit profile.

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

New Ratings

CTBC Securities Co. Ltd.

Issuer Credit Rating	twAA-/Stable/twA-1+
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