

Media Release:

Yuanta Financial Holding Co. Ltd. 'twAA-/twA-1+' Ratings Affirmed Under Revised Criteria; Outlook Stable

January 19, 2022

Overview

- We have reviewed our ratings on Yuanta FHC under our revised criteria.
- We have affirmed the 'twAA-/twA-1+' issuer credit ratings on the financial holding company. The stable outlook remains unchanged.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **Yuanta Financial Holding Co. Ltd.** (Yuanta FHC). The affirmations follow a revision to our criteria for rating banks and nonbank financial institutions and for determining a Banking Industry Country Risk Assessment (BICRA) (see "Financial Institutions Rating Methodology," published Dec. 9, 2021 and "Banking Industry Country Risk Assessment Methodology And Assumptions," published Dec. 9, 2021)

The ratings on the holding company reflect Yuanta FHC group's strong capitalization on a consolidated basis and leading position in Taiwan's securities-related market. Several factors offset the holding company's strengths. These include the correlation of Yuanta FHC group's operating revenue to the impact of the volatile Taiwan stock market on the group's securities arm, as well as an above-average growth strategy at its banking arm, **Yuanta Commercial Bank**. In addition, the ratings on Yuanta FHC reflect the holding company's relative subordination to its major operating subsidiaries.

Outlook

The stable rating outlook reflects our view that Yuanta FHC group's capitalization will remain strong in 2022-2023. That's given the group's commitment to adopt a prudent growth strategy with no material growth in the group's risk assets relative to its capital over the same period. We also believe that the group will remain securities-centric in 2022-2023. On a consolidated basis, Yuanta FHC group has a stronger market position and franchise in the domestic securities industry than its peers have.

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Downward scenario

We may lower the long-term rating on Yuanta FHC if the group embarks on an aggressive growth strategy that is beyond our base-case assumption for 2022-2023--organically or via mergers and acquisitions--without adequate business and financial risk controls, or if the group adopts more aggressive capital policies. Such an aggressive policy would be identified by a risk-adjusted capital ratio below 10%.

We may also lower the rating if the group's flagship company, **Yuanta Securities Co. Ltd.**, fails to maintain its leading market position in major product lines and sustain above-average profitability.

Upward scenario

We could upgrade Yuanta FHC if the group improves its risk-adjusted capital ratio sustainably above 15%, though we view such an event as unlikely in 2022-2023.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- 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
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011 xxx

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Yuanta Financial Holding Co. Ltd.

Issuer Credit Rating	twAA-/Stable/twA-1+
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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