

Media Release:

Ratings On Yuanta Securities Co. Ltd. Affirmed At 'twAA/twA-1+' Under Revised Criteria; Outlook Stable

January 19, 2022

Overview

- We have reviewed our ratings on Yuanta Securities under our revised criteria.
- We have affirmed the issuer ratings on the company.
- The rating outlook remains stable.

Rating Action

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

Rationale

The affirmation follows 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" and "Banking Industry Country Risk Assessment Methodology And Assumptions," both published Dec. 9, 2021).

The ratings on Yuanta Securities reflect the company's very strong business stability backed by its leading position in Taiwan's securities sector and resilient profit record, as well as the company's good geographic and business diversification compared with domestic peers', and Yuanta Securities' strong capitalization relative to its risk profile. The correlation of Yuanta Securities' revenue to volatile stock market conditions and obstacles to further strengthen the company's funding profile on a stand-alone basis somewhat temper these rating strengths.

Outlook

The stable rating outlook for Yuanta Securities reflects our view of the direction of the parent **Yuanta Financial Holding Co. Ltd.** (Yuanta FHC) group's credit profile, given Yuanta Securities' core group status. The outlook also reflects our view that the group will maintain its strong capitalization in 2022-2023. That's because of 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 Yuanta FHC group will remain securities-centric during 2022-2023. In addition, we believe that on a stand-alone basis, Yuanta Securities will maintain its leading business position and strong capitalization over the next one to two years.

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Downward scenario

We may downgrade Yuanta Securities if:

- the Yuanta FHC group embarks on an aggressive growth strategy, either organically or via mergers and acquisitions, that is beyond our base-case assumption for 2022-2023, without adequate business and financial risk controls, or
- the group adopts more aggressive capital policies, which would be indicated by a risk-adjusted capital ratio below 10%.

We may also lower the rating if Yuanta Securities fails to maintain its leading market position in major product lines and keep its stable and above-average profitability.

Upward scenario

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

Rating Score Snapshot:

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

Stand-alone credit profile: bbb+

- Anchor: bb+
- Business position: Very Strong (+2)
- Capital and earnings: Strong (+1)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and Adequate (0)
- Comparable rating analysis: 0

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- 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

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 Securities Co Ltd.

Issuer Credit Rating

twAA/Stable/twA-1+

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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