

Media Release:

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

January 20, 2022

Overview

- We have reviewed our ratings on Taiwan Cooperative Securities Co. Ltd. under our revised criteria.
- We have affirmed the 'twAA-/twA-1+' issuer credit ratings on the broker. 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 **Taiwan Cooperative Securities Co. Ltd.** The outlook on the long-term rating is stable. The affirmation follows a revision to our methodology for rating nonbank financial institutions (see "Financial Institutions Rating Methodology," published Dec. 9, 2021).

The ratings on Taiwan Cooperative Securities reflect our view of a strong likelihood of support from its parent, **Taiwan Cooperative Financial Holding Co. Ltd.** group, given our view of the firm's highly strategic status within the group. The ratings also reflect Taiwan Cooperative Securities' very strong capitalization and adequate funding and liquidity profile, which benefits from the company's association with the parent group. Nonetheless, the securities company's relatively small operating scale in the local securities industry, and higher-than average concentration on single-name exposure relative to its capital base partly offset these credit strengths.

Outlook

The ratings on Taiwan Cooperative Securities will move in tandem with the parent group credit profile, given the securities company's highly strategic status within the group. The stable outlook on Taiwan Cooperative Securities reflects our outlook on the parent group credit profile. We expect that on a stand-alone basis, Taiwan Cooperative Securities will maintain very strong capitalization over the next one to two years, while its business scale is unlikely to improve substantially over the same period, due to stiff industry competition.

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Upside scenario

We may raise the long-term rating if we reclassify Taiwan Cooperative Securities as a core entity to the wider group. This would require the company to make a significant increase in its contribution to the group in terms of earnings and shareholders' equity; however, we believe this is relatively remote over the next two years.

Downside scenario

We may lower the long-term rating if the company's importance to the group declines significantly over the next two years. This could result from the company's consistently weak performance or a significantly deteriorated position in the local securities market. We may also lower the rating if the group credit profile deteriorates substantially, although we view this to be remote over the next one to two years, considering the group's prudent capital policies.

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

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

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

Ratings List

Ratings Affirmed

Taiwan Cooperative Securities 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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