臺銀綜合證券股份有限公司

主辦分析師：

謝雅嫕，FRM，CPA，台北 (886) 2-8722-5820；serene.hsieh@taiwanratings.com.tw，serene.hsieh@spglobal.com

協辦分析師：

楊凱傑，台北 (886) 2-8722-5816；jack.yang@taiwanratings.com.tw，jack.yang@spglobal.com

內容

主要評等因素

評等展望

評等理由

相關準則

發行體信用評等
twAA+/穩定/twA-1+

主要評等因素

優勢：	劣勢：
可經由臺灣金控集團獲得來自臺灣政府提供的潛在特別支持。	業務結構具集中性且欠缺規模優勢。
非常強等級的資本水準。	受國內股票市場波動影響，績效表現較具波動性。

評等展望：穩定

臺銀綜合證券股份有限公司（臺銀證券）「穩定」的評等展望係反映：中華信評預期，未來一至二年中，該公司應可維持其在母集團臺灣金融控股股份有限公司（臺灣金控）中的高度策略性地位。因此，臺銀證券的評等變動方向將與臺灣金控集團的集團信用結構調整方向一致，而臺灣金控集團的集團信用結構則與臺灣金控集團旗下銀行子公司**臺灣銀行股份有限公司**（臺灣銀行）的信用結構高度相關，因為臺灣銀行在該金控集團的整體信用結構中扮演主導性的角色。

中華信評預期，未來兩年，臺灣政府應會在必要時為臺灣銀行提供充分且即時的特別支援；且若需要，該支援應可流向臺銀證券。此外，中華信評也認為，未來兩年內，臺灣金控集團的整體信用結構將可維持穩定，且該金控集團應不會採取過度積極的購併或放款成長策略。

評等下調情境

若臺灣金控集團的信用結構轉弱，中華信評可能會調降臺銀證券的評等。此外，若臺銀證券對臺灣金控集團的重要性在未來一至二年中明顯降低，則中華信評亦可能會調降該公司的評等。可能導致前述評等調降的情況為：臺銀證券的營運績效表現持續轉弱，或是該公司的市場地位明顯弱化。

評等上調情境

若臺灣金控集團的信用結構強化，中華信評可能會調升臺銀證券的評等。此外，若中華信評對臺銀證券在臺灣金控集團中的地位進行重新檢視評估時，認定其已提升至評等準則所定義的核心等級，則中華信評亦可能會調升臺銀證券的評等。不過前提是，臺銀證券必須要能顯著提高其在臺灣金控集團中的獲利與股東權益貢獻比重。

評等理由

臺銀證券的評等結果係反映：中華信評認為，臺銀證券應可維持其在臺灣金控集團中的高度策略重要性地位，而且臺灣金控集團應會為臺銀證券提供必要的財務支持。此外，臺銀證券的評等結果亦反映：臺銀證券在非常強等級的資本水準、低於產業平均的業務穩定度、以及較本土券商同業稍高的交易績效波動性等。

外部支持： 在臺灣金控集團中的地位屬高度策略性等級

由於臺銀證券在臺灣金控集團中具高度策略重要性地位，因此中華信評認為該公司在幾乎所有情況下均能受惠於財務體質較其強健的臺灣金控集團所提供的支援；中華信評在評估臺銀證券的發行體信用評等時，已將前述潛在集團支持納入考量。中華信評亦認為，臺銀證券將可維持其在臺灣金控集團中的高度策略性地位，且未來一至二年臺灣金控集團極可能繼續持有該公司。

臺銀證券為臺灣金控集團 100%持有之子公司；該公司在臺灣金控集團中扮演證券商品提供者的角色，並與集團希望能成為臺灣全方位金融商品服務提供者的策略發展目標一致。中華信評認為，臺銀證券已持續運用臺灣金控集團較為廣泛的行銷網絡，以協助其發展證券經紀業務。2019 年由臺灣金控集團轉介而來的經紀成交量約占臺銀證券經紀成交量的 40%。

臺銀證券的評等變動方向將與臺灣金控集團信用結構的調整方向一致，而中華信評對該金控集團信用結構的評估已納入潛在的政府支持。中華信評評估認為，臺灣銀行在面臨需要時應可獲得臺灣政府及時提供的支持，且該政府支持應可擴及至臺灣金控，臺銀證券則可透過所屬金控集團間接獲得政府的支持。儘管臺銀證券在臺灣金控集團總股東權益部位中的占比較小，截至 2019 年底時約為 1%，但此情況並不會影響前述中華信評對臺銀證券可獲得金控集團支持的看法。

評等基準：主要在臺灣營運之券商的基準為標普全球評級「bb+」等級

標普全球評級認為，臺灣證券業者面臨的經濟風險程度較銀行業者為高，因為證券業者的業務集中在波動的國內股市。標普全球評級亦認為，臺灣證券業者面臨的產業風險高於銀行業，因為證券公司營收基礎的穩定性較低，且易隨國內股市行情的波動而起伏。此外，與銀行業者擁有小額且多樣化之資金來源結構相較，臺灣證券業者對躉售資金來源的依賴程度相對較高。因此，臺灣證券公司的評等基準為標普全球評級「bb+」，該水準較臺灣銀行業的評等基準低 2 個級距。

表 1 | **圖表下載**

臺銀綜合證券股份有限公司重要財務資料（年度截至 12 月 31 日止）

(新台幣百萬元)	2019	2018	2017	2016	2015
調整後資產	12,024	8,417	11,448	8,583	9,739
調整後普通股權益	3,770	3,605	3,572	3,510	3,497
總調整後資本	3,770	3,605	3,572	3,510	3,497
營業收入	716	668	707	487	591
非利息費用	487	498	467	430	448
淨利	197	126	208	44	122
核心獲利	197	126	208	44	122

© 2020 Taiwan Ratings Corp.

營運狀況：較小的營運規模與較高的產品集中性對該公司業務穩定性造成限制

中華信評認為，由於臺銀證券的業務集中在其證券經紀服務且臺銀證券在此領域亦處於規模上的劣勢，造成該公司的業務穩定性低於國內同業。經紀業務手續費收入約占臺銀證券 2019 年營收的 60.7%。臺銀證券在台灣股票經紀市場中的市占率僅約 1%；偏小的營運規模加上臺灣證券業激烈的市場競爭，使臺銀證券的訂價能力受限。臺銀證券較弱的訂價能力亦可從該公司經紀業務手續費與融資放款利息收入的折讓率在高於業界平均水準得見。由於市場競爭激烈，中華信評並不預期臺銀證券可以透過本身業務的成長顯著提升其整體業務穩定性。同時，中華信評也認為，臺銀證券在未來的一至二年期間仍將高度仰賴其證券經紀業務。

表 2 | 圖表下載

臺銀綜合證券股份有限公司營運狀況（年度截至 12 月 31 日止）

(%)	2019	2018	2017	2016	2015
淨利息收入／營業收入	16.7	22.3	21.1	27.1	24.1
手續費收入／營業收入	60.7	72.4	59.8	67.7	63.7
市場敏感收入／營業收入	11.5	(0.9)	10.5	(1.8)	(2.6)
稅前盈餘／營業收入	32.0	25.3	33.9	11.7	24.2
核心獲利／平均調整後普通股權益	5.4	3.5	5.9	1.2	3.5

© 2020 Taiwan Ratings Corp.

資本與獲利：高風險性資產成長幅度小，資本水準得以獲得支撐

中華信評認為，臺銀證券在非常強等級的資本是該公司個別基礎信用結構（stand-alone credit profile）的最大支持因素。中華信評預期，臺銀證券應可在未來一至二年中繼續維持非常強的資本水準，且預期該公司考量分散效果前的風險調整後資本（risk-adjusted capital；簡稱 RAC）比應可繼續保持在 15%以上。前述預測主要係基於：中華信評認為，臺銀證券的交易策略仍將維持相對單純、且不會顯著增加其整體的風險部位。另外，臺銀證券的高品質的資本（全係由普通股所組成），亦是支持該公司資本水準得以達到非常強等級的原因。截至 2019 年年底，臺銀證券考量分散效果與現金股利配發前的 RAC 比約為 25.6%，低於 2018 年的 34.5%。而前述 RAC 比的走低趨勢，則與 2019 年股市行情較 2018 年為佳下，因資產增值而帶來的資產成長情況相符。然而臺銀證券的 RAC 比仍較業界平均水準高出許多，這是因為該公司持有的投資組合與該公司的資本水準相比仍相對較小之故。

截至 2019 年年底，臺銀證券的投資組合占其淨值的 85.6%（相當於占其總資產的 26.8%），且該投資組合主要為固定收益投資。在中華信評的基本情境假設中，中華信評預期，臺銀證券應會依照市場變化調整其投資組合之組成成分，但其投資組合之整體規模並不會大幅增加。因此，儘管臺銀證券向來有配發高額股利予其母集團的傾向，不過中華信評認為，未來一至二年臺銀證券的資本水準評估結果應能繼續維持在非常強等級，且其 RAC 比應可持續保持在 15%以上的水準。

中華信評認為，臺銀證券的獲利表現具相當的波動性，且此特性與其他台灣券商面臨的情況相同。中華信評預期，臺銀證券以證券經紀業務為主的營運模式，將會使該公司的營運績效持續隨股市行情波動而起伏。該公司截至 2019 年底之前五年的平均資產報酬率介於 0.48%至 2.09%間。不過在 COVID-19 全球疫情導致市場高度波動下，該公司 2020 年第一季的平均資產報酬率波動至負的 3.2%。

表 3 | 圖表下載

臺銀綜合證券股份有限公司資本（年度截至 12 月 31 日止）

(%)	2019	2018	2017	2016	2015
槓桿比 (IFRS)	31.4	42.8	31.2	40.9	35.9
標普全球評級考量分散效果前的風險調整資本比	25.6	34.5	33.7	35	29.2
調整後總股東權益／調整後資產	31.3	42.8	31.2	40.3	35.2
調整後普通股權益／總調整後資本	100.0	100.0	100.0	100.0	100.0

*N/A--不適用。© 2020 Taiwan Ratings Corp.

表 4 | 圖表下載

臺銀綜合證券股份有限公司獲利（年度截至 12 月 31 日止）

(%)	2019	2018	2017	2016	2015
人事費用／營業收入	38.6	41.1	37.6	51.6	44.0
成本收入比	68.0	74.6	66.1	88.3	75.8
核心獲利／營業收入	27.6	18.8	29.5	9.0	20.6
內生資本／前一年的股東權益	5.5	1.3	1.8	0.2	1.0
淨利息收入／平均生息資產	3.4	4.7	4.4	4.1	3.8

© 2020 Taiwan Ratings Corp.

風險部位：單純的風險管理機制，且有較同業更加波動的交易績效表現

中華信評認為，相較於許多同業，臺銀證券維持的風險管理機制與其採取的避險策略均相對單純，這點亦可由該公司近幾年的交易績效表現較為波動起伏獲得印證。中華信評認為，與國內同業相比，臺銀證券的風險控管架構較不複雜，僅以符合監管機關的最低要求為標準。雖然臺銀證券的風險偏好相當保守，但該公司較單純的風險管理系統則限制了其避險效率，並使其交易績效表現比國內同業更為波動。因此，中華信評認為，臺銀證券的風險部位略弱於國內同業，且中華信評並不預期前述狀況會在短期內發生變化。

表 5 | 圖表下載

臺銀綜合證券股份有限公司風險部位（年度截至 12 月 31 日止）

(%)	2019	2018	2017	2016	2015
經年度化換算的調整後資產成長率	42.9	(26.5)	33.4	(11.9)	(12.4)
調整後普通股權益／管理資產	31.4	42.8	31.2	40.9	35.9

© 2020 Taiwan Ratings Corp.

資金來源與流動性： 因可獲得潛在集團支持，資金來源結構允當

中華信評認為，臺銀證券整體而言的資金來源與流動性結構在允當等級，因為中華信評認為，臺銀證券母公司臺灣金控集團應有意願且有充足的資金來源與流動性，可以協助其證券子公司維持營運的資金調度需求。中華信評認為，潛在的集團支援應可緩解臺銀證券面臨的劣勢，包括證券業本身的躉售資金調度特性以及其證券持有部位可能出現的大幅波動。

與國內同業相似，臺銀證券不能收受大眾存款，因此必須依賴附買回交易與商業本票發行來支應其融資調度需求。然而依賴這類短期性質且易受市場信心變動影響的資金來源，已導致該公司截至 2019 年底止之前五年的流動性覆蓋率持續維持在屬於較低水準的 0.6 倍至 0.9 倍之間。不過，中華信評也認為，由於包括法規在內並無任何會阻止臺灣金控集團在臺銀證券有需要時為其提供資金支援的明顯障礙存在，這點應可降低臺銀證券前述的流動性風險。

表 6 | 圖表下載

臺銀綜合證券股份有限公司資金來源與流動性（年度截至 12 月 31 日止）

(%)	2019	2018	2017	2016	2015
總穩定資金來源比率	140.7	196.9	152.8	165.1	129.8
短期躉售型資金來源／調整後資產	33.0	21.1	34.8	34.5	32.7
流動保障倍數	0.7	0.9	0.6	0.6	0.7
客戶存款／調整後資產	1.9	3.4	2.4	2.0	2.1
經紀客戶應付款／調整後資產	31.2	28.6	27.4	19.9	22.2

© 2020 Taiwan Ratings Corp.

相關準則

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- 認識中華信評評等定義 - June 26, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

(除非另有說明，相關準則與研究均公佈於 www.taiwanratings.com 網站)

評等表（截至 July 30, 2020）

臺銀綜合證券股份有限公司	
發行體信用評等	twAA+/穩定/twA-1+
發行體信用評等歷史	
26/06/2012	twAA+/穩定/twA-1+

著作權 © 2020 中華信用評等公司（中華信評）。保留所有權利。

嚴禁以任何手段、任何形式修改、逆向工程探究、複製或散佈內容（包括評等、信用相關分析與數據、價值評估、模型、軟體或其它應用或由其產生之結果）或相關之任何部分（本內容），或將其儲存於資料庫或存取系統中，除非事先取得中華信評的書面同意。本內容不得用於任何非法或未經授權之目的。中華信評與任何第三方提供者，以及其董事、主管、股東、員工或代理人（統稱中華信評方），不保證本內容之正確性、完整性、時效性或是可利用性。對於任何錯誤、遺漏（疏忽或其他原因，不論原因為何）、或是任何使用本內容而導致之結果，或是對使用者輸入之任何數據的安全性或維護，中華信評方概不負責。本內容是以「現況」基礎提供。中華信評否認任何及所有明示或默示的保證，包括，但不限於，不保證適售性或適用於特定目的或使用、不保證沒有錯誤、軟體錯誤或缺失，以使本內容之功能不被中斷或本內容可在任何軟體或硬體架構上運作。對於任何使用本內容導致之任何直接、間接、附帶、示範、補償、懲罰、特殊或衍生之損害、費用、開支、法律費用或損失（包括但不限於收入損失或獲利損失與機會成本，或因疏失造成的損失），即使是在已告知這類損失的可能性情況下，中華信評概不負責。

本內容中之信用相關與其它分析與陳述，係為截至發表日為止之意見陳述而非事實陳述。中華信評的意見、分析與評等承認決定（說明如下）並非購買、持有或出售任何證券，或是進行任何投資決定之建議，且非任何證券是否適合投資之表示。本內容在以任何格式或形式發佈後，中華信評並不承擔更新之義務。本內容不應為使用者、其經理部門、員工、顧問與／或客戶在進行投資與其它業務決策時的依賴根據，且非其本身技術、判斷與經驗的替代品。中華信評並不擔任受託人或投資顧問的角色，除非已經登記註冊。雖然中華信評係自其認為可靠之來源取得資訊，但中華信評並不會對所收到之任何資訊進行稽核，且不負有對其執行實地查核或獨立驗證的責任。評等相關出版品可能因各種原因而出版，未必一定為評等委員會採取之評等行動，包括但不限於對一評等結果之定期更新與相關分析。

在一司法管轄區內之主管機關基於某些管理目的，允許評等機構承認在另一司法管轄區內發佈之評等的情況下，中華信評保留可隨時自行授予、撤銷或中止這類評等承認的權利。中華信評對任何因評等承認之授予、撤銷或中止產生的情況並不承擔任何責任，且不負有任何聲稱之損失賠償責任。

中華信評將其業務單位之某些業務活動運作予以隔開，以保護這些業務活動進行的獨立性與客觀性。基於此，中華信評某些業務單位可能擁有中華信評其它業務單位無法取得之資訊。中華信評已制訂政策與程序，維護各分析過程中所取得之某些非公開資訊的機密性。

中華信評就其承辦的委託評等與相關分析收取報酬，且通常是來自發行體、創始機構、安排機構、或證券承銷商或是來自債務人。中華信評保留散播其意見與分析的權利。中華信評發佈之評等與分析可於其網站上取得，包括 www.taiwanratings.com（免費）與 rrs.taiwanratings.com.tw（訂閱），並可透過其它方式，包括中華信評出版品與擔任第三方之轉送服務提供商傳送發佈。其他可能影響評等之利益衝突情形，僅依主管機關要求揭露於此。

BankTaiwan Securities Co. Ltd.

Primary Credit Analyst:

Serene Hsieh, FRM, CPA, Taipei (886) 2-8722-5820; serene.hsieh@taiwanratings.com.tw, serene.hsieh@spglobal.com

Secondary Contact:

Jack Yang, Taipei (886) 2-8722-5816; jack.yang@taiwanratings.com.tw, jack.yang@spglobal.com

Table Of Contents

Major Rating Factors

Outlook

Rationale

Related Criteria

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

Major Rating Factors

Strengths:	Risks
Potential support from the Taiwan FHC group which benefits from extraordinary support from the Taiwan government.	Business concentration and scale disadvantage.
Very strong capitalization.	Volatile performance that fluctuates with the domestic stock market.

Outlook: Stable

The stable outlook on **BankTaiwan Securities Co. Ltd.** reflects our expectation that the company will maintain its highly strategic role within the Taiwan Financial Holding Co. Ltd. (Taiwan FHC) group over the next one to two years. Hence, the ratings on the securities company will move in tandem with the group credit profile, which highly correlates to the credit profile of the group's banking arm, Bank of Taiwan, given the bank's dominant role in the group's overall risk profile.

We expect the government of Taiwan to provide sufficient and timely extraordinary support to Bank of Taiwan over the next two years, as needed, and the support could flow to BankTaiwan Securities when necessary. We also expect the Taiwan FHC group to maintain a stable consolidated credit profile without overly aggressive mergers and acquisitions or loan growth over the same period.

Downside scenario

We may lower the ratings on BankTaiwan Securities if Taiwan FHC group's credit profile weakens. We may also lower the ratings if the company's importance to the parent group significantly declines in the next one to two years. This could be due to BankTaiwan Securities' weakening operating performance or significant deterioration in its market position.

Upside scenario

We may raise the ratings on BankTaiwan Securities if Taiwan FHC group's credit profile strengthens. We may also raise the ratings if we reclassify BankTaiwan Securities as core to the wider group, which would require the company to significantly increase its contribution to the group in terms of earnings and shareholders' equity.

Rationale

The ratings on BankTaiwan Securities reflect our view that the company will maintain its highly strategic role within the Taiwan FHC group and that the group will provide the securities company financial support as necessary. The ratings also reflect our view of BankTaiwan Securities' very strong capitalization as well as below-average revenue stability and more volatile trading performance compared with domestic brokers'.

External support: Highly strategic member of the Taiwan FHC group

We believe BankTaiwan Securities can benefit from the support of the financially stronger Taiwan FHC group under almost all circumstances because of the company's highly strategic role and we've reflected this potential group support in our ratings. We also believe the company will keep its highly strategic role within the Taiwan FHC group because we believe the group is highly unlikely to divest of BankTaiwan Securities in the next one to two years.

Taiwan FHC group wholly owns BankTaiwan Securities and established the brokerage house as a securities product provider to fit the group's strategy to be a full financial service provider in Taiwan. We believe BankTaiwan Securities has utilized the group's wider distribution network to support its brokerage business. Referrals from the group contributed about 40% of BankTaiwan Securities' brokerage transaction volume in 2019.

The ratings on BankTaiwan Securities will move in tandem with the direction of the Taiwan FHC group credit profile, which already factors in potential government support. In our assessment, the Taiwan government will provide timely support to Bank of Taiwan, if needed, and such support will extend to Taiwan FHC and therefore to BankTaiwan Securities. This is despite the securities company's small contribution to the group's total equity of about 1% as of end-2019.

Anchor: 'bb+' to reflect the brokers' operating focus in Taiwan

We believe that securities firms in Taiwan face higher economic risks than banks do due to the business focus of securities firms on the volatile domestic equity market. We also regard the industry risk for Taiwan securities firms as higher than that for banks, given the less-stable revenue base for securities firms that tends to fluctuate with changes in the domestic stock market. In addition, the reliance of Taiwan securities firms on wholesale funding is greater than their banking counterparts', which have retail and diversified funding sources. As a result, the anchor for Taiwan securities firms is 'bb+', which is two notches below the anchor for Taiwan banks.

Table 1 | Download

BankTaiwan Securities Co. Ltd. Key Financial Data (Year ended December 31)

(Mil. NT$)	2019	2018	2017	2016	2015
Adjusted assets	12,024	8,417	11,448	8,583	9,739
Adjusted common equity	3,770	3,605	3,572	3,510	3,497
Total Adjusted Capital	3,770	3,605	3,572	3,510	3,497
Operating revenues	716	668	707	487	591
Noninterest expenses	487	498	467	430	448
Net income	197	126	208	44	122
Core earnings	197	126	208	44	122

NT$--New Taiwan dollar. © 2020 Taiwan Ratings Corp.

Business position: Small business scale and product concentration constrain the firm's business stability

We view BankTaiwan Securities' business stability as weaker than that of its domestic peers, given the company's concentration in brokerage business and 'scale disadvantage in this field. Brokerage fee income accounted for about 60.7% of BankTaiwan Securities' revenue in 2019. With only about 1% market share in Taiwan's brokerage market, the scale disadvantage along with fierce competition in the securities sector constrain BankTaiwan Securities' pricing power. This weaker pricing power is also reflected in the company's higher-than-average discount rate for its retail brokerage fee and margin loan interest income. We do not expect BankTaiwan Securities to improve its overall business stability significantly through organic growth due to intense market competition. We also believe the company will continue to rely its brokerage business over the next one to two years.

Table 2 | Download

BankTaiwan Securities Co. Ltd. Business Position (Year ended December 31)

(%)	2019	2018	2017	2016	2015
Net interest income/operating revenues	16.7	22.3	21.1	27.1	24.1
Fee income/operating revenues	60.7	72.4	59.8	67.7	63.7
Market-sensitive income/operating revenues	11.5	(0.9)	10.5	(1.8)	(2.6)
Pretax profit/operating revenues	32.0	25.3	33.9	11.7	24.2
Core earnings/average adjusted common equity	5.4	3.5	5.9	1.2	3.5

© 2020 Taiwan Ratings Corp.

Capital and earnings: Sustainable capitalization supported by a moderate risk appetite

BankTaiwan Securities' very strong capital is the greatest supporting factor for its stand-alone credit profile, in our view. We expect the company to maintain very strong capitalization with a risk-adjusted capital (RAC) ratio before diversification consistently above 15% over the coming one to two years. This is based on our view that the company will maintain a simple trading strategy without a huge increase in its position taking. The high quality of BankTaiwan Securities' capital, which is comprised entirely of common equities, also supports its capitalization. As of the end of 2019, the RAC ratio before diversification and cash dividend payment was about 25.6%, down from 34.5% as of 2018. The lower trend was in line with the asset growth on the back of asset appreciation during 2019, amid the improving stock market performance from that in 2018. The RAC ratio is much higher than the industry average because of BankTaiwan Securities' relatively smaller investment positon compared with its capital level.

As of the end of 2019, BankTaiwan Securities' investment portfolio accounts for 85.6% of its net worth or 26.8% of its total assets, and is mainly composed of fixed-income investments. In our base case assumption, we expect BankTaiwan Securities to adjust the composition of its investment portfolio based on market momentum, without much increase in terms of the size of the investment portfolio. We therefore expect BankTaiwan Securities to sustain very strong capitalization with a RAC ratio consistently above 15% over the next one to two years. This is despite the company's consistent trend to repatriate large cash dividends to its parent group.

BankTaiwan Securities' earnings are quite volatile, in our view, and is similar to that faced by other brokers in Taiwan. We expect the company's operating performance to remain volatile and tied to local stock market performance, given the company's focus on stock brokerage business. In the five years ending 2019, the company's return on average assets ranged from 0.48%-2.09%. The return on average assets fell to negative 3.2% in the first quarter of 2020 under the heightened market volatility sparked by the COVID-19 pandemic.

Table 3 | Download

BankTaiwan Securities Co. Ltd. Capital (Year ended December 31)

(%)	2019	2018	2017	2016	2015
Leverage Ratio (IFRS)	31.4	42.8	31.2	40.9	35.9
S&P RAC ratio before diversification	25.6	34.5	33.7	35	29.2
Adjusted total equity/adjusted assets	31.3	42.8	31.2	40.3	35.2
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0

© 2020 Taiwan Ratings Corp.

Table 4 | Download

BankTaiwan Securities Co. Ltd. Earnings (Year ended December 31)

(%)	2019	2018	2017	2016	2015
Personnel expenses/operating revenues	38.6	41.1	37.6	51.6	44.0
Cost-income ratio	68.0	74.6	66.1	88.3	75.8
Core earnings/operating revenues	27.6	18.8	29.5	9.0	20.6
Internal capital generation/prior year's equity	5.5	1.3	1.8	0.2	1.0
Net interest income/average earning assets	3.4	4.7	4.4	4.1	3.8

© 2020 Taiwan Ratings Corp.

Risk position: Simple risk management with more volatile trading performance than peers

We consider BankTaiwan Securities' risk management to be less sophisticated than that of its domestic peers' and with a relatively simple hedging strategy that is also reflected in the company's volatile trading performance in recent years. We believe BankTaiwan Securities' risk control framework is less sophisticated than its domestic peers', and only in line with the regulator's minimum requirement. Although BankTaiwan Securities is quite conservative regarding its risk appetite, the brokerage house's simpler risk management system has limited its efficiency on hedging, making its trading performance more volatile than its domestic peers'. Therefore, we assess BankTaiwan Securities' risk position to be slightly weaker than that of domestic peers and we do not expect this feature to change in near future.

Table 5 | Download

BankTaiwan Securities Co. Ltd. Risk Position (Year ended December 31)

(%)	2019	2018	2017	2016	2015
Annualized adjusted assets growth rate	42.9	(26.5)	33.4	(11.9)	(12.4)
Adjusted common equity/managed assets	31.4	42.8	31.2	40.9	35.9

© 2020 Taiwan Ratings Corp.

Funding and liquidity: Adequate funding profile benefiting from potential group support

We assess BankTaiwan Securities' overall funding and liquidity position as adequate because we believe the parent group is willing and has sufficient funding and liquidity to meet this subsidiary's ongoing operating needs. We believe this potential group support could temper BankTaiwan Securities' weaknesses in terms of its wholesale funding nature and the likely volatility of its securities holdings.

Similar to its domestic peers, BankTaiwan Securities cannot take retail deposits and instead relies on repurchase agreements and the issuance of commercial papers to support its financing needs. Reliance on such short-term, confidence-sensitive funding has kept BankTaiwan Securities' liquidity coverage consistently low at 0.6x-0.9x over the five years ended 2019. Nonetheless, we expect no material barriers including regulations for the parent to provide funding support if needed. We consider this could lower the company’s liquidity risks.

Table 6 | Download

BankTaiwan Securities Co. Ltd. Funding and Liquidity (Year ended December 31)

(%)	2019	2018	2017	2016	2015
Gross stable funding ratio	140.7	196.9	152.8	165.1	129.8
Short-term wholesale funding/adjusted assets	33.0	21.1	34.8	34.5	32.7
Liquidity coverage metric	0.7	0.9	0.6	0.6	0.7
Customer deposits/adjusted assets	1.9	3.4	2.4	2.0	2.1
Brokerage customer payables/adjusted assets	31.2	28.6	27.4	19.9	22.2

© 2020 Taiwan Ratings Corp.

Related Criteria

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

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

Ratings Detail (As of July 30, 2020)

BankTaiwan Securities Co. Ltd.	
Issuer Credit Rating	twAA+/Stable/twA-1+
Issuer Credit Ratings History	
26/June/2012	twAA+/Stable/twA-1+

Copyright © 2020 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click here for any other conflict of interests that may affect the credit rating as requested by the regulator.