

A background image showing a close-up of vertical wooden slats, likely from a staircase or a modern architectural element, with a warm, natural wood tone.

2025 Taiwan Broker Sector Credit Trends

Strong Capitalization Underpins Stable Credit Outlook

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Key Takeaways

- Stable credit trends to sustain in 2025.
- Industry consolidation continues slowly and steadily.
- Brokerage remains a significant revenue contributor with a rising contribution from wealth management.
- Strong capitalization can absorb potential capital market volatility.
- Macroeconomic uncertainties could lower industry returns.
- Macroeconomic uncertainty, capital market volatility, changing revenue composition, and tech disruption all pose risks.

Stable Credit Trend To Sustain In 2025



Return on average assets (ROAA) of 2.4%-2.6%

- ROAA continued to improve in 2024 to 3.16% from 2.99% in 2023, coupled with a 47% year-on-year increase in average daily trading value.
- We forecast ROAA at 2.4%-2.6% in 2025, which is close to the historical average of 2.5%, amid uncertainties over the direction of U.S. trading policies and global geopolitical risks.



Asset to equity ratio of 4.0x-4.5x

- Leverage increased to 4.7x at the end of 2024 from 4.0x in 2023 on the back of strong equity market performance. We expect leverage to be around 4.0x-4.5x over the next few quarters on a more conservative economic outlook.

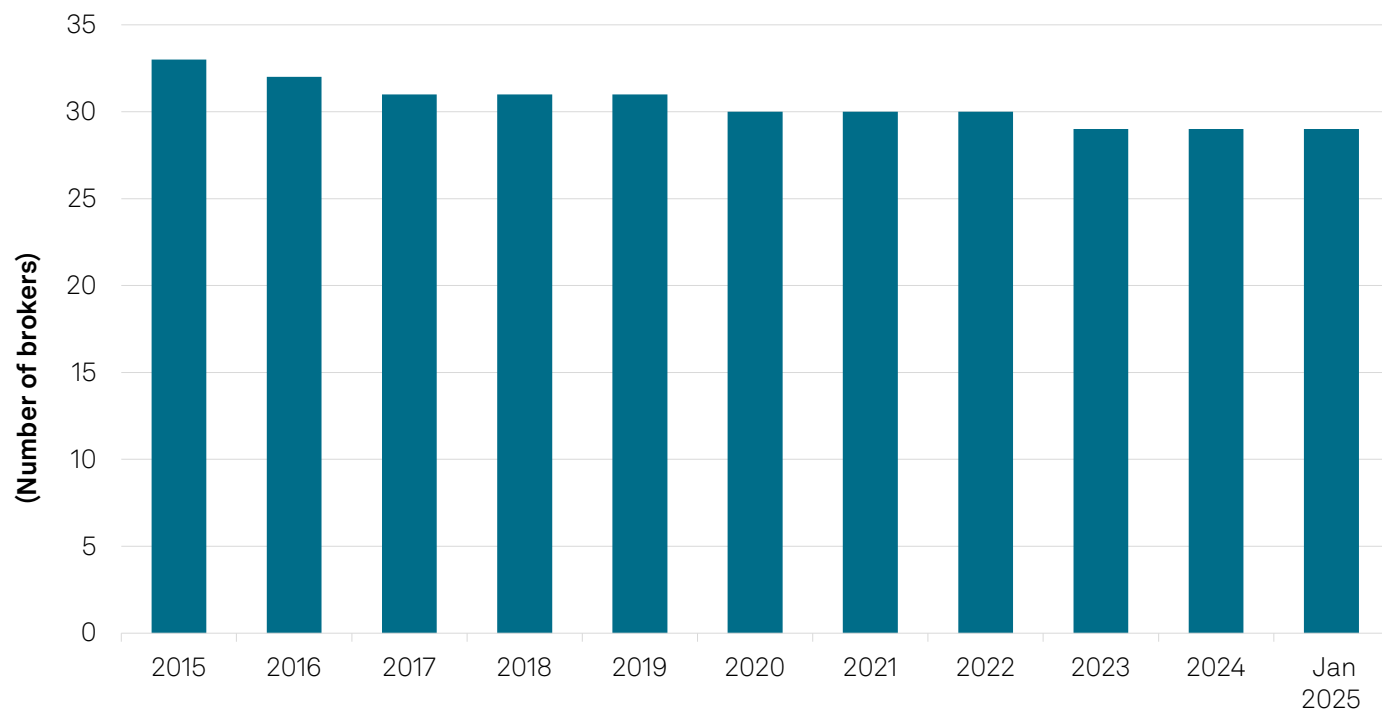


Risk adjusted capital (RAC) ratio remains strong at 13%-14%

- We estimate average capital will remain strong for brokers that we rate, with a forecasted RAC ratio of 13%-14% in 2025, given brokers' prudent record of capital management.

Consolidation Continues Slowly And Steadily

Number Of Integrated Securities Firms In Taiwan



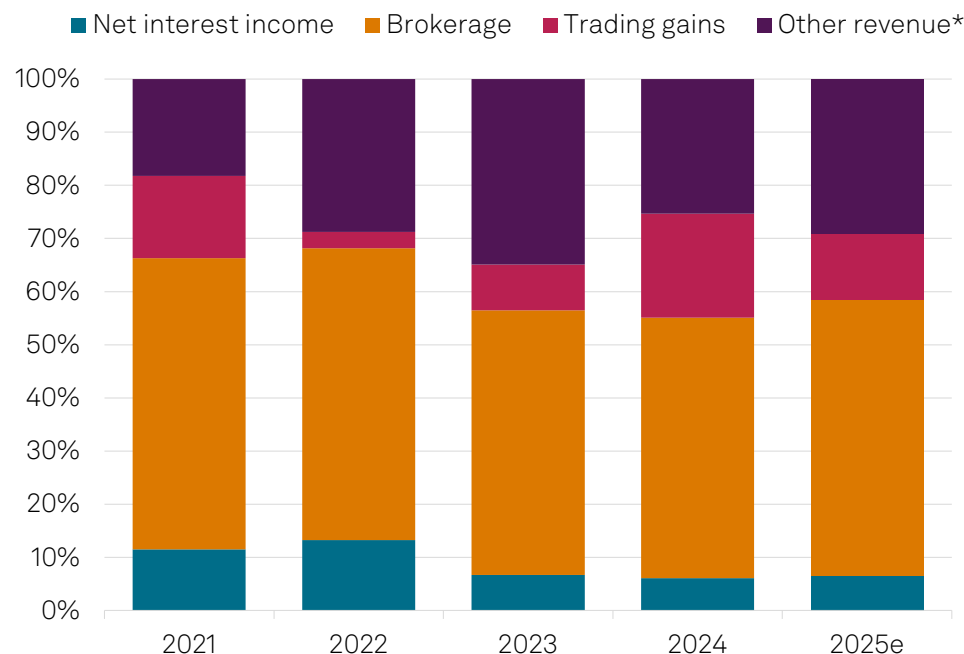
Source: Taiwan Securities Association

- More consolidation is likely and positive for the sector's long-term business stability.
- Broker consolidation remains slow but steady. The implication for short-term competitive dynamics and market pricing discipline remain to be seen.
- The merger of Fubon Securities with Jih Sun Securities in 2023 solidified Fubon Securities' position as the third largest broker by domestic market share.
- The proposed merger of Taishin Financial Holding and Shinkong Financial Holding groups will combine Taishin Securities and Masterlink Securities. The post-merger broker will rank fourth among local brokers, compared with seventh and eleventh, respectively, pre-merger (data as of February 28, 2025).

Brokerage Business Remains Significant But Wealth Management Is Growing

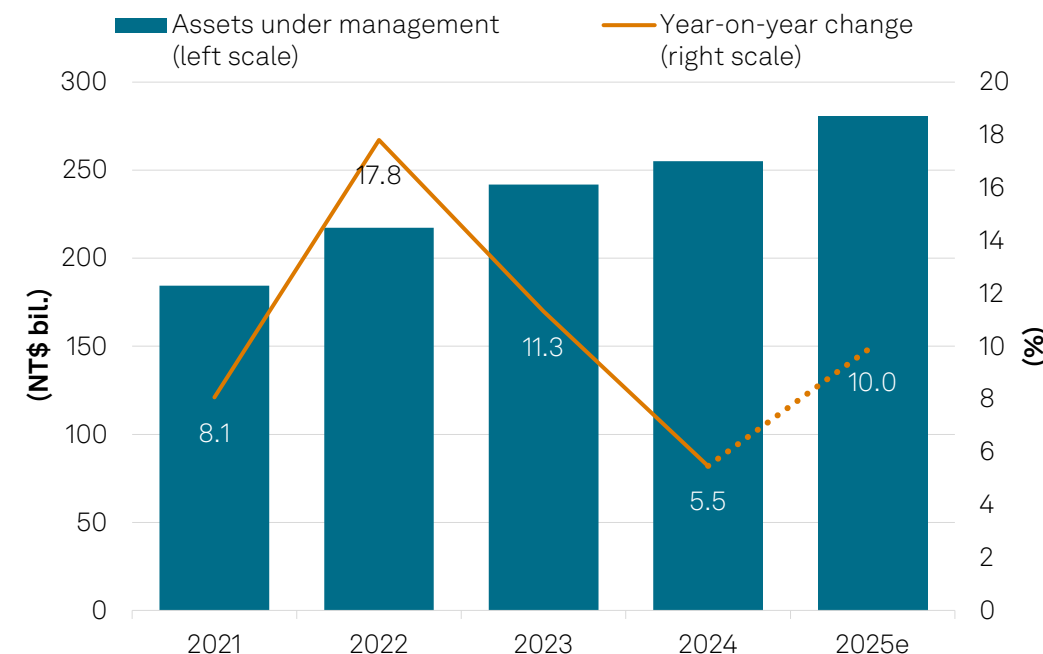
- Brokerage fees to remain the key revenue source, providing a solid revenue base in 2025.
- Assets under wealth management are growing steadily and will slowly improve revenue diversification.

Revenue Contribution Trend



*Includes dividend income, transfer-agent services income, equity in earnings of unconsolidated subsidiaries, underwriting fees, other fees & commissions, and other non-interest income. Source: Taiwan Ratings estimate (e).

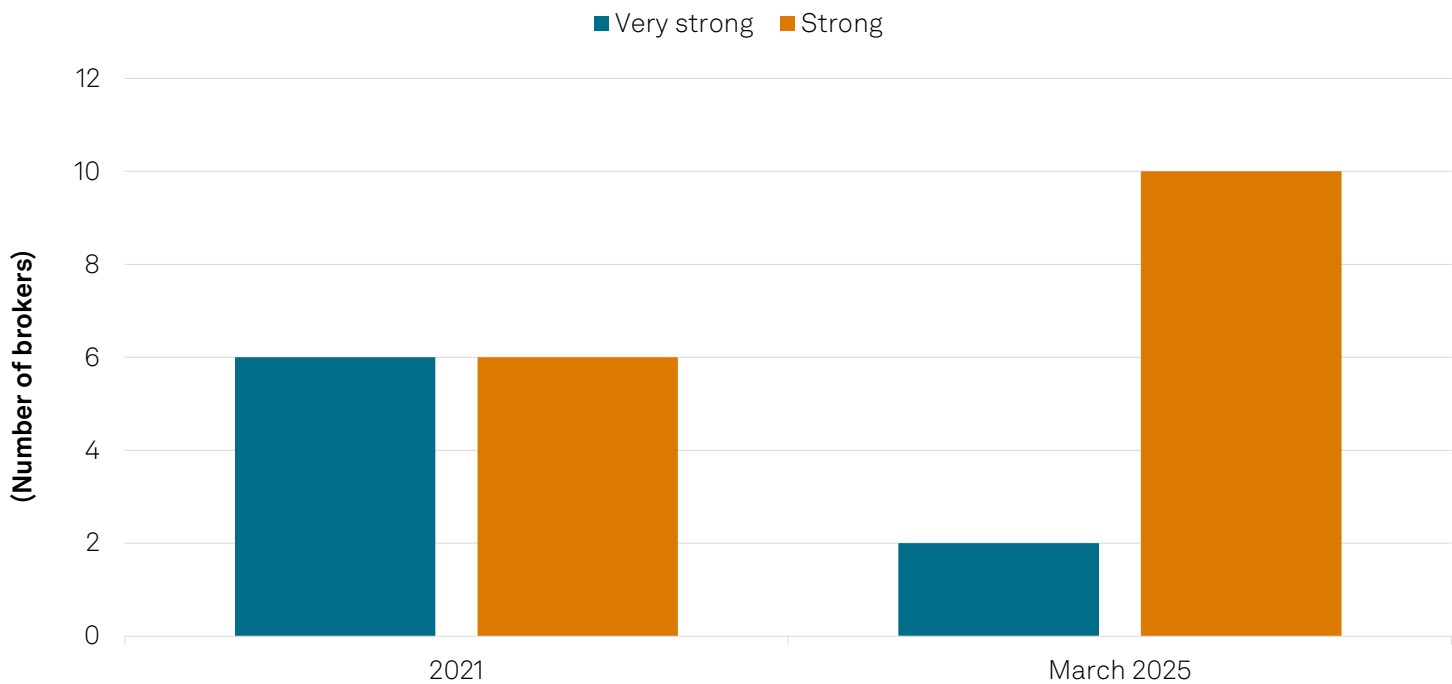
Assets Under Wealth Management



Sources: Taiwan Securities Association, Taiwan Ratings Corp.'s estimates (e).

Strong Capitalization Can Absorb Capital Market Volatility

Capital Score Trend For Rated Taiwan Brokers

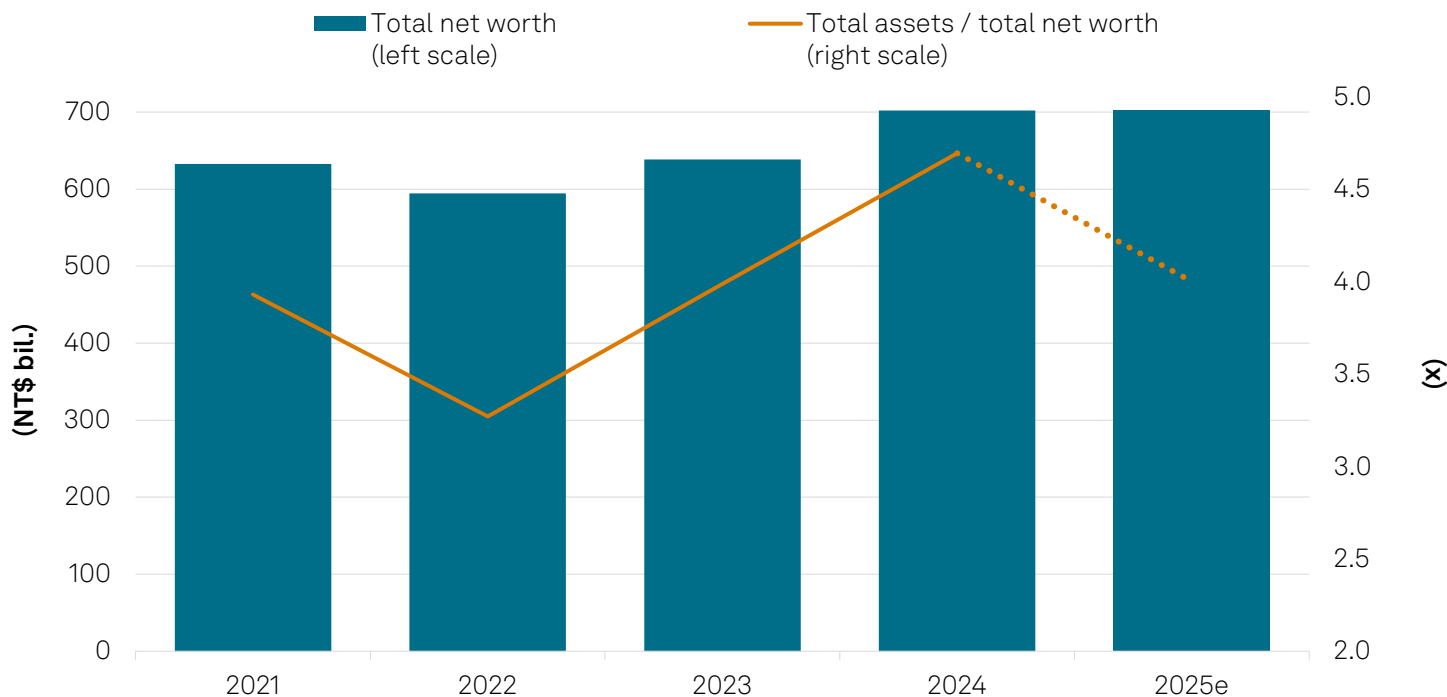


Source: Taiwan Ratings Corp.

- Average capitalization to remain strong in 2025
- We forecast for the sector’s RAC ratio will range between 13%-14%.
- Equity market performance will affect brokers’ exposure to risky assets; however, we expect brokers’ prudent risk management to underpin generally strong capitalization over the coming year.

Leverage To Remain Above The 10-Year Average

Leverage Trend For Taiwan's Securities Sector

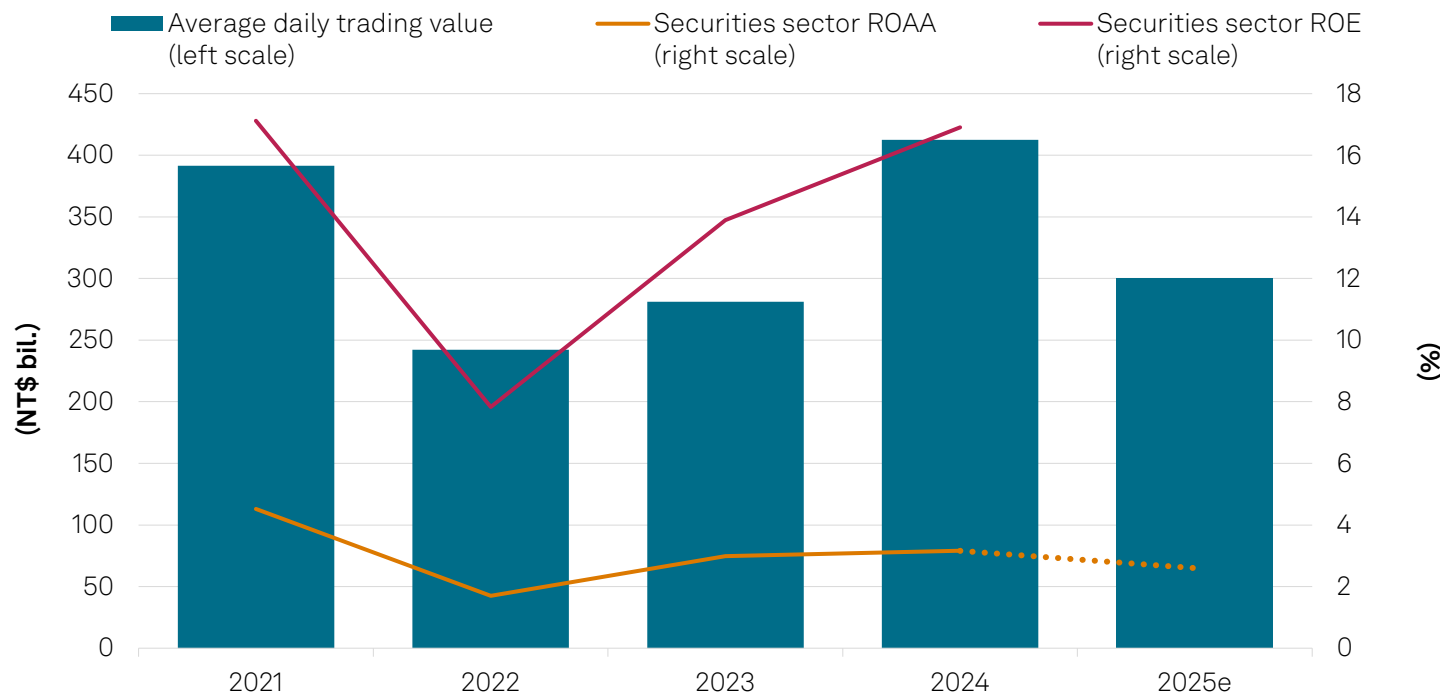


NT\$--New Taiwan dollar. Sources: Taiwan's Securities and Futures Bureau, Taiwan Ratings estimates (e).

- Taiwan brokers tend to increase their leverage during a bullish equity market.
- We expect leverage to range from 4.0x-4.5x over the next few quarters. This is close to the level of 4.7x recorded by the sector in 2024 but higher than the 10-year average of 3.5x.

Macro Uncertainties Could Lower Industry Returns

Key Indicators For Taiwan's Stock Exchange And Brokers



NT\$--New Taiwan Dollar; ROAA--Return on average assets; ROE--Return on equity.
Sources: Taiwan's Securities and Futures Bureau, Taiwan Ratings estimates (e).

- We forecast the sector's ROAA at 2.4%-2.6% in 2025, which is lower than the level in 2023-2024 but similar to the recent 10-year average of 2.5%.
- Taiwan Stock Exchange forecasts average daily turnover for the Taiwan Stock Market at NT\$300 billion in 2025. Uncertainties surrounding U.S. trade policies, geopolitical unrest, and the elevated valuation of Taiwan equities are the reasons underpinning this somewhat conservatively forecast.
- Increasing global capital expenditure on AI related products and infrastructure somewhat offsets these risks. This growing expenditure will likely benefit Taiwan's exports. Active exchange-traded fund (ETF) and multi-asset ETF trading, likely to begin in 2025, could support higher market turnover.

Key Macroeconomic Indicators

(%)	2024	2025e	2026e
Asia Pacific GDP growth (real)	4.5	4.1	4.0
Taiwan real GDP	4.6	2.1	2.1
Taiwan inflation	2.2	1.3	0.8
Taiwan unemployment rate	3.4	3.5	3.5
Exchange rate (US\$)	32.8	33.0	32.7
Policy rate	2.00	1.63	1.38

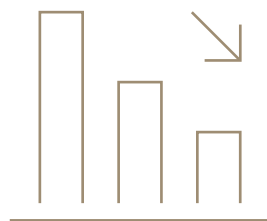
Sources: S&P Global Ratings and Taiwan Ratings Corp. “Economic Outlook Asia-Pacific Q1 2025: U.S. Trade Shift Blurs The Horizon”, on Nov. 24, 2024.

Key Risks For The Brokerage Sector



Economic risk

Potential deviation from our economic forecasts and outlook.



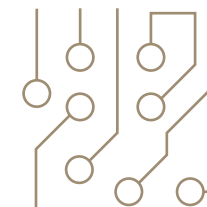
Capital market volatility

Capital market performance encounters unexpected turbulence.



Revenue diversification

Decline in wealth management revenue.



Tech disruption

Potential tech disruption and rising cyber risk under the growth in online trading.



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