# 2025 Taiwan Broker Sector Credit Trends

## Strong Capitalization Underpins Stable Credit Outlook

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*This report does not constitute a rating action*

# 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

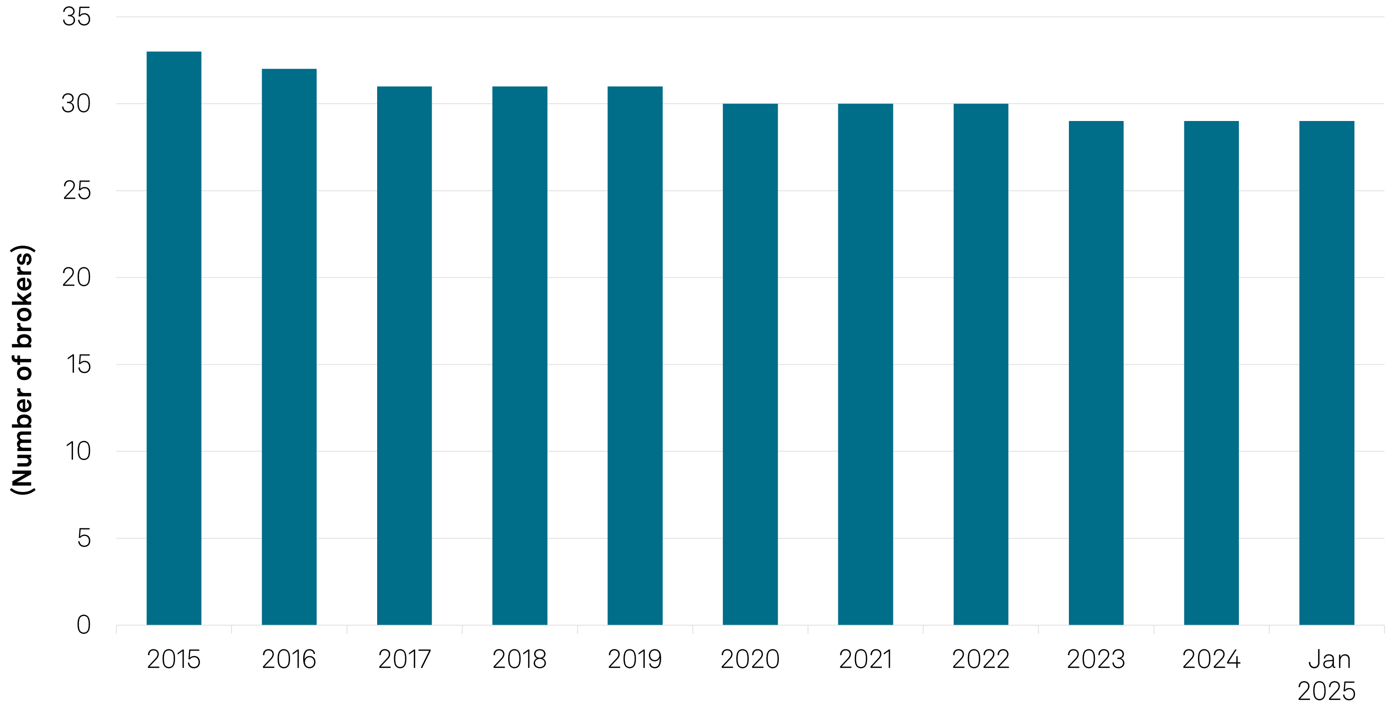
- Leverage increased to 4.7x at the end of 2024 from 4.0x in 2023 on the back of strong equity market performance. We expect leverage to be around 4.0x-4.5x over the next few quarters on a more conservative economic outlook.

## 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



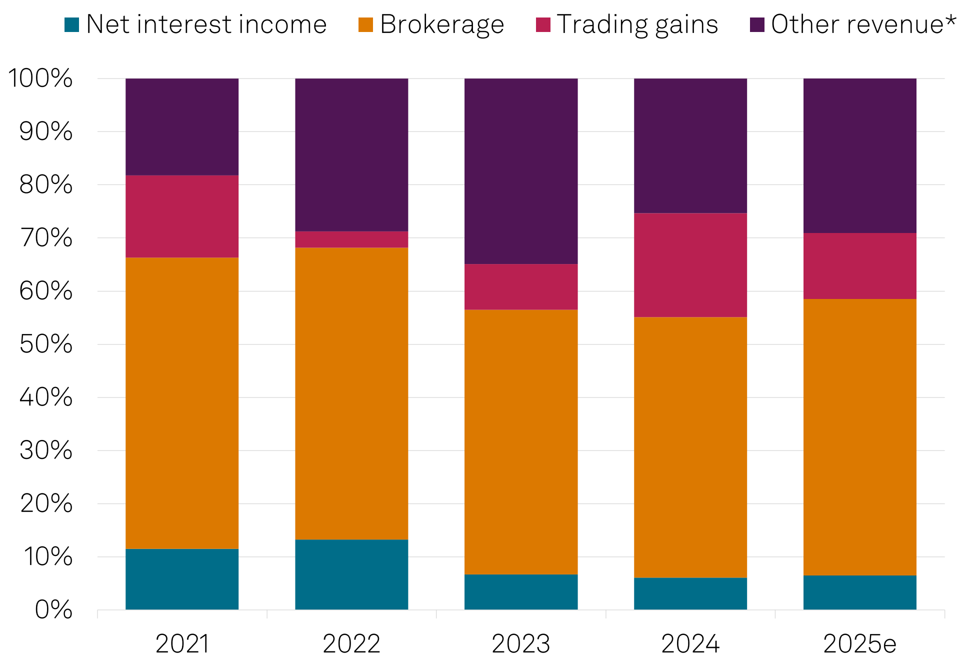

Source: Taiwan Securities Association

- 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

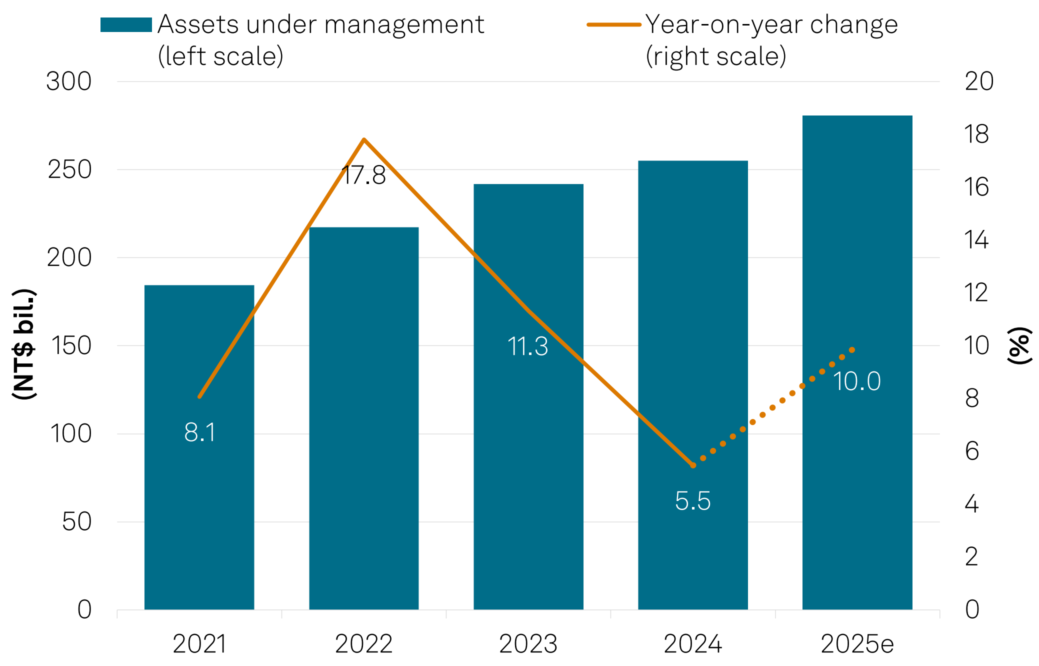
- Brokerage fees to remain the key revenue source, providing a solid revenue base in 2025.
- Assets under wealth management are growing steadily and will slowly improve revenue diversification.

## 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).

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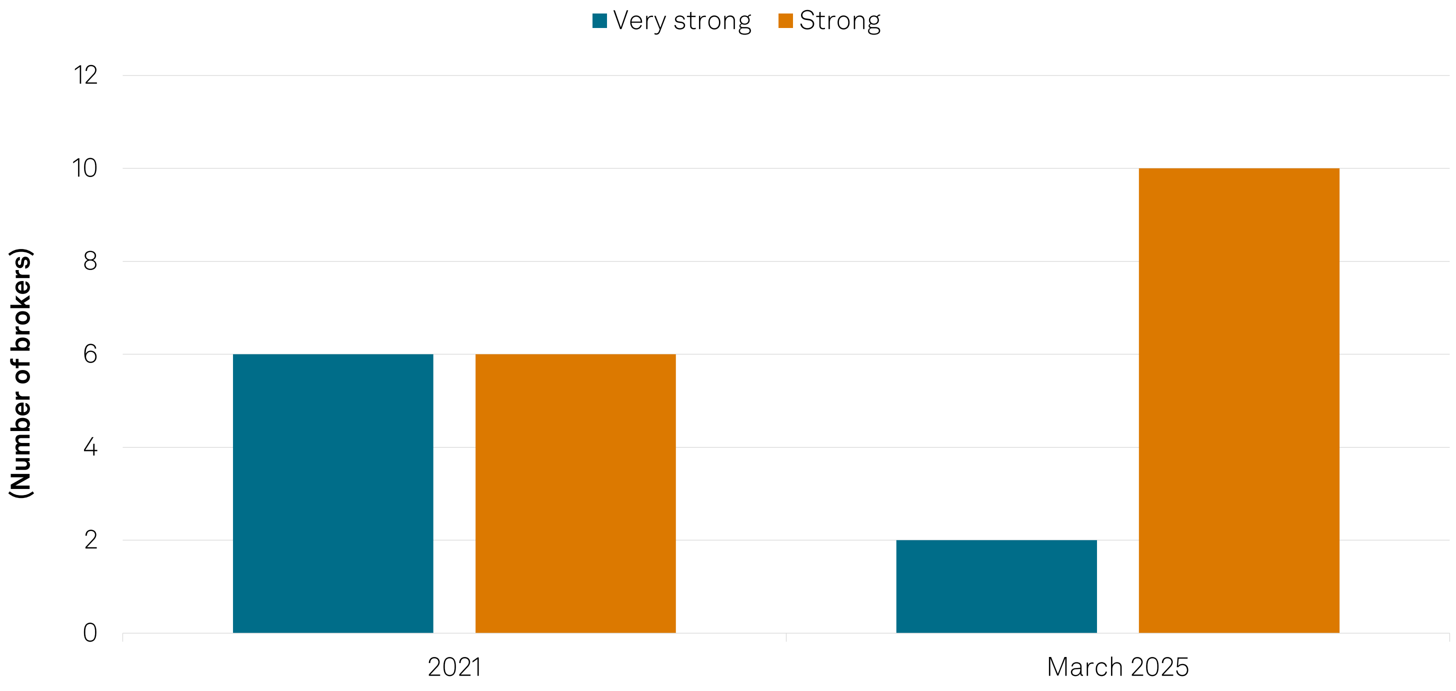
# Strong Capitalization Can Absorb Capital Market Volatility

## Capital Score Trend For Rated Taiwan Brokers

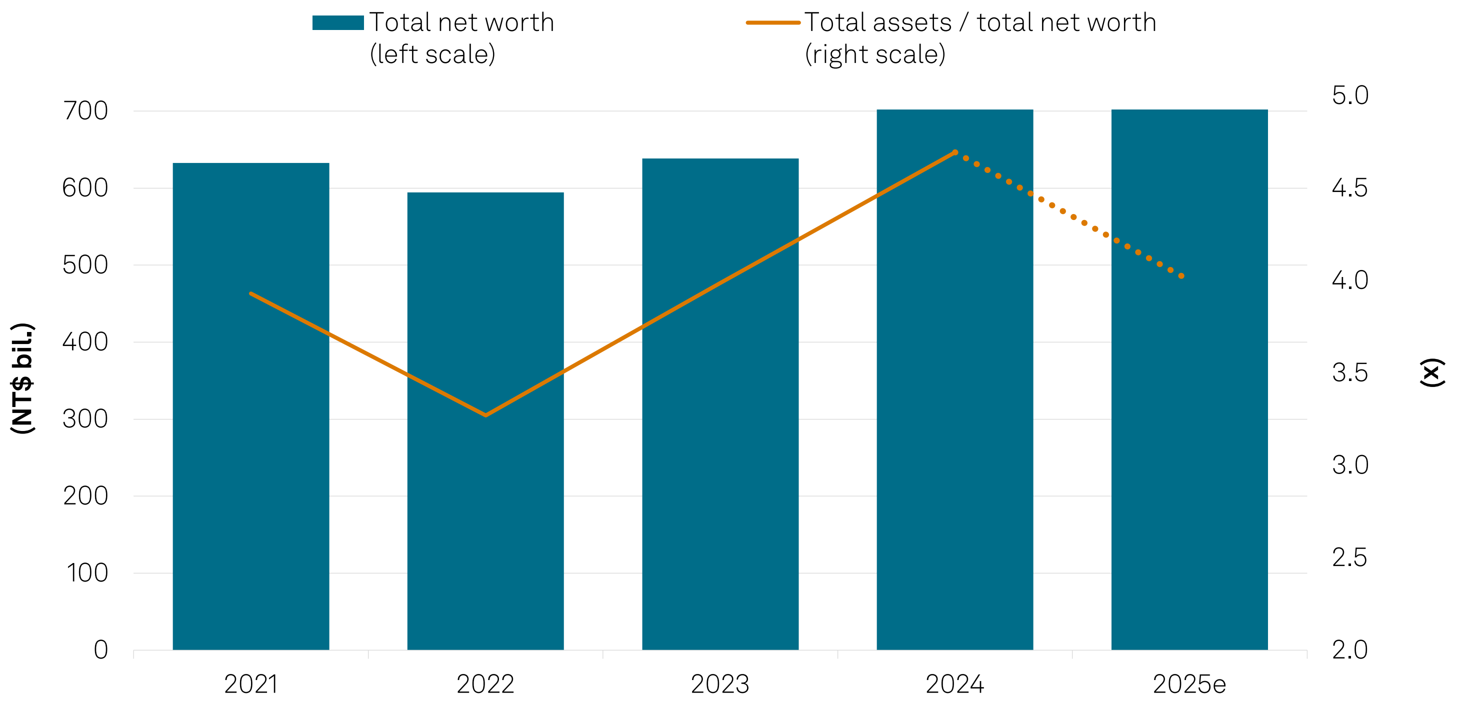



Source: Taiwan Ratings Corp.

- 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

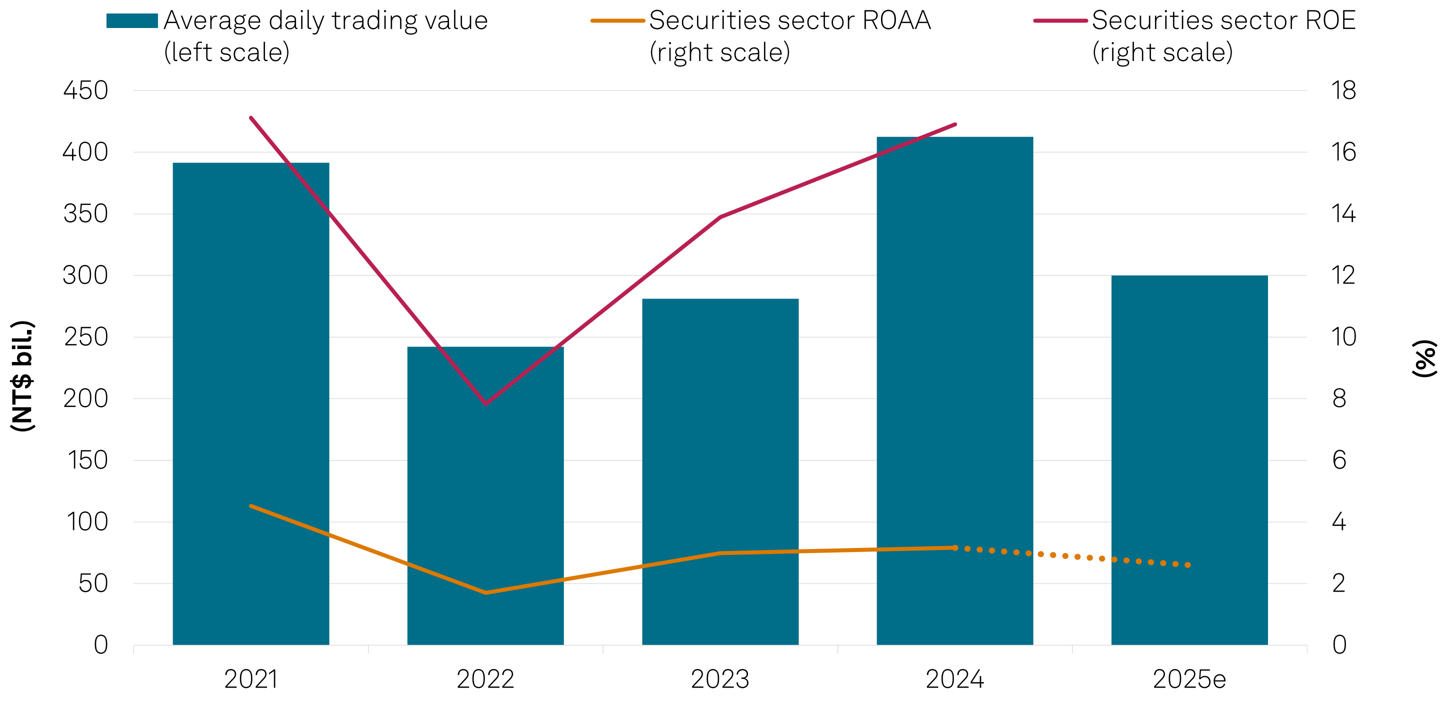



NT$--New Taiwan dollar. Sources: Taiwan's Securities and Futures Bureau, Taiwan Ratings estimates (e).

- 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 (EFT) 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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