

# KGI Securities Co. Ltd.

## Key Rating Drivers

**Shareholder Support:** KGI Securities Co. Ltd.'s (KGI Securities) rating reflects Fitch Ratings' expectation of a high likelihood of shareholder support from its 100% shareholder KGI Financial Holding Corporation (KGIFHC). The ratings are linked to KGIFHC's creditworthiness, which is in turn driven by the credit strength of its largest subsidiary, KGI Life Insurance Co., Ltd. (KGI Life, National Insurer Financial Strength: AA+(twn)/Stable).

The ratings were removed from Rating Watch Negative and affirmed on a Stable Outlook following similar action on KGI Life's ratings, reflecting the resolution of group-related risks. Fitch expects KGI Life's earnings and capital profiles to remain consistent with the ratings under our base-case Taiwan dollar/US dollar exchange rate assumptions, with policy surrender rates stable since May. KGI Life also continues to mitigate asset-liability currency mismatch risk and increase its FX valuation reserve.

**Support Propensity Remains Unchanged:** Fitch expects KGIFHC's propensity to support KGI Securities to remain intact, underpinned by the requirement in Taiwan's Financial Holding Company Act for KGIFHC to support its securities subsidiary. Fitch assesses that a default by KGI Securities would pose significant reputational risk to the group, given shared branding and strong operational links.

**Resilient Standalone Credit Profile.** Fitch expects KGI Securities' standalone credit profile to remain resilient, supported by a strong market position and adequate balance-sheet buffers despite an earnings profile that will remain sensitive to capital-market fluctuations. The company's established trading and collateral management strategies and liquidity cushions should help mitigate risk arising from rising leverage in the past two years.

**Benign Asset Quality:** Fitch deems KGI Securities' asset quality adequate, backed by established hedging and risk-management policies. The company has reported zero credit losses from margin lending in the past five years. Its investment portfolio, consisting primarily of government securities and investment-grade private-sector bonds, reflects a moderate risk appetite.

**Variable Earnings:** We expect continued short-term volatility in profitability, tied to market sentiment and economic conditions. The company's annualised operating income/average equity declined to 7% in 1H25, from 10% in 2024, driven by lower underwriting and trading income. Earnings could improve in 2026 if more accommodative US monetary policy and an end to Taiwanese rate hikes lift equity-market sentiment and narrow fixed-income spreads.

**Adequate Capital Profile:** Net tangible leverage rose to 9.4x in 1H25 from 8.5x in 2024, due to a lower equity base from dividend payouts and exchange losses from translating the financial statements of foreign operations. Nevertheless, Fitch views KGI Securities' capital adequacy and leverage as adequately managed against potential market shocks. The regulatory capital adequacy ratio of 276% as of end-1H25 remained well above minimum regulatory requirements.

**Stable Liquidity:** KGI Securities has demonstrated a prudent funding and liquidity profile. It tends to rely on short-tenor funding, like most local peers, but refinancing risk is mitigated by liquid assets that consistently exceed short-term obligations. The majority of liquid assets are held in government securities and investment-grade corporate bonds, and liquidity coverage has been healthy, exceeding 140% for the last four years. KGI Securities has shifted part of its funding towards more diversified sources, including longer-tenor subordinated debt.

## Ratings

### National Rating

National Long-Term Rating	AA-(twn)
National Short-Term Rating	F1+(twn)

### Sovereign Risk

Long-Term Foreign-Currency IDR	AA
Long-Term Local-Currency IDR	AA
Country Ceiling	AAA

### Outlooks

National Long-Term Rating	Stable
National Short-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

### Highest ESG Relevance Scores

ESG Relevance Scores are not assigned to KGI Securities Co. Ltd.

### Applicable Criteria

<a href="#">Corporates Recovery Ratings and Instrument Ratings Criteria (August 2024)</a>
<a href="#">Non-Bank Financial Institutions Rating Criteria (January 2025)</a>
<a href="#">National Scale Rating Criteria (December 2020)</a>
<a href="#">Corporate Hybrids Treatment and Notching Criteria (April 2025)</a>

### Related Research

[Global Economic Outlook \(December 2025\)](#)

[APAC Securities Firms Outlook 2026 \(November 2025\)](#)

[Large Taiwanese Securities Firms' Financial Resilience Widens Divergence \(September 2025\)](#)

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## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A deterioration in KGIFHC's credit profile would lead to negative rating action on KGI Securities. Negative developments in KGIFHC's credit profile may include a deterioration in KGI Life's credit profile, as denoted by its Insurer Financial Strength rating and IDR, or rising exposure to subsidiaries with weaker financial profiles that could place pressure on the holding company's consolidated credit profile.

Fitch may also consider negative rating action if there is a sustained and significant reduction in KGIFHC's liquid assets and liquidity facilities, or a significant increase in KGI Securities' risk-taking or balance-sheet size relative to its parent, which could affect KGIFHC's ability to support its subsidiary.

In addition, negative rating action may result from reduced propensity by KGIFHC to support KGI Securities, as indicated by a reduced role for the subsidiary within the group's franchise, or weakened operational integration, shareholding or control. However, we do not anticipate such changes in the near term.

Fitch will also assess KGI Securities' credit profile relative to domestic peers when considering negative action on the National Ratings.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

KGI Securities' National Long-Term Rating could be upgraded if KGIFHC's credit profile improves, driven potentially by an upgrade of KGI Life's IFS rating and Long-Term IDR or by a sustained strengthening of the group's financial structure, exemplified by a Fitch-defined double-leverage ratio maintained below 120%. Fitch will also consider KGI Securities' credit profile relative to entities rated on the same National Rating scale.

There is no upside to the National Short-Term Rating, as it is already at the highest point on the scale.

## Debt Ratings

### Debt Ratings: KGI Securities Co. Ltd.

Rating Level	Rating	Outlook
Subordinated	A+(twn)	Stable

Source: Fitch Ratings

KGI Securities' Taiwan-dollar unsecured subordinated bond is rated one notch below the issuer's National Long-Term Rating to reflect the instrument's higher loss-severity risk relative to senior unsecured obligations. Additional notching has not been applied due to a lack of going-concern loss-absorption and equity-conversion features. Fitch applies our *Corporate Hybrids Treatment and Notching Criteria* and *Corporates Recovery Ratings and Instrument Ratings Criteria* to this assessment, in line with our approach for other APAC securities firms.

### Debt Rating Sensitivities

The National Long-Term Rating on the subordinated bonds is sensitive to changes in KGI Securities' National Long-Term Rating. Any action on KGI Securities' National Long-Term Rating would result in similar rating action on the subordinated bonds.

## Financials

### Income Statement

	30 June 25		31 Dec 24	31 Dec 23	31 Dec 22
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(TWDm)	(TWDm)	(TWDm)	(TWDm)
	Audited - unqualified				
Net operating income	366.8	10,969.5	25,481.1	19,374.8	15,074.7
Operating profit	72.4	2,164.5	6,195.4	2,885.0	2,016.8
Pre-tax profit	152.0	4,544.4	12,004.1	8,114.2	4,454.7
Net income	124.1	3,710.9	10,142.8	7,346.4	3,630.2
Exchange rate		USD1 = TWD29.902	USD1 = TWD32.781	USD1 = TWD30.735	USD1 = TWD30.708

Source: Fitch Ratings, Fitch Solutions, KGI Securities

## Balance Sheet

	30 June 25		31 Dec 24		31 Dec 23		31 Dec 22		
	6 months - interim (USDm)	6 months - interim (TWDm)	As % of Assets	Year end (TWDm)	As % of Assets	Year end (TWDm)	As % of Assets	Year end (TWDm)	As % of Assets
<b>Assets</b>									
Total cash and cash equivalents	3,345.0	100,023.3	19.2	99,180.4	19.0	76,210.9	17.9	93,688.8	24.6
Securities under agreements to resell	701.7	20,982.3	4.0	23,384.0	4.5	13,142.6	3.1	8,488.0	2.2
Securities owned (trading securities)	3,296.4	98,569.7	18.9	113,010.1	21.6	84,575.8	19.9	76,244.7	20.0
Other assets	5,695.9	170,320.0	32.6	163,229.1	31.3	144,128.8	33.9	139,313.7	36.6
Total receivables	4,424.2	132,292.2	25.3	123,306.1	23.6	106,974.2	25.2	63,335.2	16.6
Total assets	17,463.3	522,187.5	100.0	522,109.7	100.0	425,032.3	100.0	381,070.4	100.0
<b>Liabilities and equity</b>									
Total short-term borrowing	5,325.7	159,250.5	30.5	189,062.8	36.2	124,052.7	29.2	98,221.9	25.8
Deposits	-	-	0.0	-	-	-	-	-	-
Total other funding	9,842.4	294,308.3	56.4	258,915.3	49.6	235,099.8	55.3	220,729.4	57.9
Long-term debt	311.0	9,300.0	1.8	9,300.0	1.8	6,300.0	1.5	8,900.0	2.3
Total equity	1,984.1	59,328.7	11.4	64,831.6	12.4	59,579.8	14.0	53,219.0	14.0
Total liabilities and equity	17,463.3	522,187.5	100.0	522,109.7	100.0	425,032.3	100.0	381,070.4	100.0
Exchange rate	USD1 = TWD29.902		USD1 = TWD32.781		USD1 = TWD30.735		USD1 = TWD30.708		

Source: Fitch Ratings, Fitch Solutions, KGI Securities

## Summary Analytics

	30 June 25 6 months - interim	31 Dec 24 Year end	31 Dec 23 Year end	31 Dec 22 Year end
Operating income/average equity (%)	7.0	10.0	5.1	3.2
ROAA (%)	1.4	2.1	1.8	0.9
ROAE (%)	12.0	16.3	13.0	5.8
Total capital ratio (%)	276.0	321.4	291.0	297.3
Liquid assets/short-term funding (%)	150.7	142.9	161.7	187.3
Long-term funding/illiquid assets (%)	46.0	53.5	55.4	55.5

Source: Fitch Ratings, Fitch Solutions, KGI Securities

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