

19 Nov 2020 | Rating Watch

Fitch Removes RWN on Capital Nomura; Affirms 'AA(tha)'; Outlook Stable

Fitch Ratings-Bangkok-18 November 2020:

Fitch Ratings (Thailand) has removed the Rating Watch Negative (RWN) on Capital Nomura Securities Public Company Limited's (CNS) National Long-Term Rating and affirmed the rating at 'AA(tha)'. The Outlook is Stable. At the same time, Fitch affirmed CNS's National Short-Term Rating at 'F1+(tha)'.

The removal of the RWN follows a similar rating action on the Viability Rating (VR) of CNS's parent, Nomura Holdings, Inc. (NHI, A-/Stable, VR: bbb+) on 13 November 2020 (see "Fitch Removes RWN on Nomura's VRs; Revises Outlook to Stable; Affirms IDRs" at www.fitchratings.com/site/pr/10142833).

Key Rating Drivers

The CNS's National Ratings are underpinned by Fitch's belief the company would receive extraordinary support, if needed, from the parent, NHI. CNS is a strategically important subsidiary because it plays a key role in the group's regional strategy, in Fitch's view. The Japanese parent holds 99.1% stake in CNS and there is a high level of management control, with evidence of ongoing cooperation and support.

NHI's VR rather than the Long-Term Issuer Default Rating (IDR) drives CNS's National Ratings. This is because the IDR is driven by support considerations from the Japanese sovereign (A/Negative) based on NHI's systemically important status in Japan, and Fitch believes that such support may not necessarily flow through to non-core overseas subsidiaries.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Fitch could take a positive rating action on CNS, if the parent were to have greater ability to provide support, as indicated by a positive change in the parent's VR - while also taking into the consideration the CNS's ratings in relation to Fitch's Thai National Rating scale. A higher parental

propensity to support CNS could also lead to an upgrade; for example, if CNS has a more meaningful role in the group's franchise and makes a larger contribution to NHI. However, Fitch does not expect this to occur in the medium-term, given CNS's small asset size (less than 0.1% of NHI's consolidated assets)

Factors that could, individually or collectively, lead to negative rating action/downgrade:

CNS's National Long-Term Rating could be downgraded if NHI's VR is downgraded. There may also be downside to the rating if the parent's propensity to provide extraordinary support were to weaken; this could occur from a substantial reduction in shareholding, combined with lower levels of management control and financial or operational linkages. Fitch would also take into consideration CNS's rating strength relative to its Thai National Rating scale. However, Fitch does not expect a significant reduction in parental support propensity for these entities in the near to medium term.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

CNS's National Ratings are linked to NHI's VR.

Capital Nomura Securities Public Company Limited; National Long Term Rating; Affirmed; AA(thai);
Rating Outlook Stable
; National Short Term Rating; Affirmed; F1+(thai)

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