Media Release:

Ratings Affirmed On Mega Financial Holding Group Units; Mega Bank Outlook Remains Stable; Other Outlooks Still Negative

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Overview

- **Mega Financial Holding Co. Ltd.** (Mega FHC) group's core banking unit, **Mega International Commercial Bank Co. Ltd.** (Mega Bank), has a strong business franchise and strong capitalization. However, we see that the bank's above average-business position could weaken over the next two years, amid intensifying domestic competition.
- Mega Bank is the anchor for the consolidated Mega FHC group credit profile, and the weakening trend for the bank's stand-alone credit profile could negatively affect the group credit profile.
- We affirmed our 'twAAA' long-term and 'twA-1+' short-term issuer credit ratings on Mega Bank. The outlook on the long-term rating remains stable to reflect potential government support, given its high systemic importance; however, we do not anticipate such support extending to non-operating holding companies and non-bank subsidiaries.
- We also affirmed our long- and short-term issuer credit ratings on Mega FHC and its key operating subsidiaries with negative rating outlooks.

Rating Action

Taiwan Ratings Corp. today affirmed its long- and short-term issuer credit ratings on Mega FHC, **Mega Bills Finance Corp.**, and **Mega Securities Co. Ltd.** and long-term issuer credit rating and financial strength rating on **Chung Kuo Insurance Co. Ltd.** The outlook on the long-term ratings remains negative (see Ratings List).

At the same time, we affirmed our 'twAAA' long-term and 'twA-1+' short-term issuer credit ratings on Mega Bank. The outlook on the long-term rating remains stable.

Rationale

The negative rating outlooks continue to reflect the impact of potential weakening in Mega Bank's business position on the consolidated Mega FHC group credit profile. The weakening trend for Mega Bank's stand-alone credit profile could pressure the overall group credit profile, given the bank's significant representation in terms of the group's pro forma net worth and profits at 80% in the first half of 2026. As core and highly strategically important subsidiaries under the

Mega FHC group, the ratings on Mega Bills Finance and Mega Securities benefit from group support, and hence the ratings and outlook will move in tandem with the group credit profile. We continue to assess Chung Kuo Insurance's stand-alone credit profile to be of a similar credit strength to the group credit profile. Therefore, any weakening of the group credit profile could cap the ratings on the insurer at the group credit profile on S&P Global Ratings global rating scale.

The rating affirmation for Mega Bank reflects the bank's strong business franchise and capitalization in Taiwan's highly competitive banking system. Mega Bank is one of the largest state-owned banks in Taiwan and has a niche in wholesale banking. The bank's government ownership and its competitive edge in trade finance, offshore banking, and foreign currency exchange businesses underpin its strong business franchise and business stability. We also assess the bank has above-average geographic diversification compared with similar sized domestic banking peers.

Mega Bank's business position could weaken over the next two years under increasingly strong competition from private domestic banks. The bank's market share and revenue stream in wholesale banking has declined over the past few years, which could affect Mega Bank's ability to maintain its superior competitive position compared with local peers. That's despite Mega Bank's profitability, as indicated by the ratio of core earnings to average adjusted assets, is only comparable to the average for similar-scale domestic peers at 0.7% for the first half of 2026. Similar size private domestic banks with above-average profitability benefitted from bullish market sentiment and strong wealth management fee income growth over the same period.

We believe the bank's niche exposure in trade finance, offshore banking, and foreign currency exchange businesses will continue to support its business stability. Nonetheless, the bank could find it difficult to maintain its superior competitive position compared with local peers over the next two years. Slower foreign loan growth and rising competition in Mega Bank's focus business lines were the key drivers behind its declining market position and customer base over the past few years. The bank's loan market share decreased to 5.5% at the end of June 2026 from 6.1% at the end of 2021. Its share of the foreign deposit market decreased to 8.0% from 9.9% over the same period. The contribution from overseas banking units and foreign branches to Mega Bank's profitability also decreased to 26% from 48% over the period.

We forecast Mega Bank will maintain strong capital and earnings over the next two years. Our assessment of the bank's strong capital and earnings reflects our expectation that Mega Bank will prudently manage its loan growth and investment activities over the next two years. We believe the bank will carry out timely capital replenishment, as needed, to keep the risk-adjusted capital (RAC) ratio before diversification near our 10% threshold for strong capital and earnings. Nonetheless, we forecast the RAC ratio could dip slightly below the 10% threshold before 2028 due to weak capital accumulation over the period under a possible average annual cash dividend payout ratio of 70%.

High systemic importance in Taiwan's banking sector and foreign exchange markets supports the ratings. We believe Mega Bank has high systemic importance to Taiwan's banking system and is highly likely to receive support from the Taiwan government in times of financial stress. Under the government's support framework, we will maintain the long-term issuer credit rating on Mega Bank if we lower our assessment of its stand-alone credit profile by one notch. Mega Bank has a government policy role to provide offshore banking services and handles government foreign financial matters by leveraging its wide international presence. In addition, Mega Bank's New York branch provides U.S. dollar settlement services for the Central Bank of Taiwan.

Outlook

Mega International Commercial Bank Co. Ltd.

The stable rating outlook for Mega Bank reflects our view that the bank will maintain strong capitalization over the next two years. We also believe the bank's high systemic importance in Taiwan's financial sector is unlikely to change over the period. Moreover, we see Mega Bank continuing to play a dominant role in the group's overall credit profile over the same period. However, the bank's above-average business position could weaken over the next two years.

Downside scenario
We could lower the long-term rating on Mega Bank by one notch if both of the following occur:

- The bank cannot maintain its competitive edge and franchise in wholesale banking, specifically syndication, foreign exchange and offshore banking businesses, due to a decline in market share or segment revenue, or if the bank fails to maintain its overall profitability consistent with the domestic banking average; and
- The bank fails to manage strong capitalization by failing to keep the RAC ratio near our 10% threshold coupled with a lack of capital planning, including timely capital replenishment.

Upside scenario
We view an upgrade to be remote over the next two years. This would require us to raise our assessment of the bank's stand-alone credit profile by two notches, which is highly unlikely.

Mega Financial Holding Co. Ltd., Mega Bills Finance Corp., Mega Securities Co. Ltd., and Chung Kuo Insurance Co. Ltd.

The negative rating outlooks reflect a one-in-three likelihood that we may lower our ratings on Mega FHC and several group subsidiaries if Mega Bank cannot restore its business position over the next two years.

Downside scenario
We may lower the credit ratings on Mega FHC, Mega Bills Finance, Mega Securities, and Chung Kuo Insurance if the group credit profile weakens because we revise downward our assessment of Mega Bank's stand-alone credit profile by one notch.

We could also lower the ratings on Mega FHC if the holding company's double leverage ratio deteriorates without adequate capital planning. In addition, we could downgrade Chung Kuo Insurance if the insurer's capital and earnings deteriorate substantially from very strong at present. This could result from higher losses from underwriting or reinsurance recoveries than we forecast, without sufficient capital replenishment.

Upside scenario
We could revise the outlooks on Mega FHC, Mega Bills Finance, Mega Securities, and Chung Kuo Insurance to stable if Mega Bank consistently demonstrates a competitive advantage and a robust franchise in wholesale banking. This would require recovering business flows and achieving quality growth in its foreign exchange and offshore banking businesses. It would also require a stable profit stream with overall profitability consistent with the domestic banking average.

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - May 05, 2026
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions - October 13, 2025
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Principles Of Credit Ratings - February 16, 2011

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

Ratings List

Ratings Affirmed	
Mega International Commercial Bank Co. Ltd.	
Issuer Credit Rating	twAAA/Stable/twA-1+
Mega Financial Holding Co. Ltd.	
Issuer Credit Rating	twAA/Negative/twA-1+
Mega Bill Finance Corp.	
Issuer Credit Rating	twAA+/Negative/twA-1+
Mega Securities Co. Ltd.	
Issuer Credit Rating	twAA/Negative/twA-1+
Chung Kuo Insurance Co. Ltd.	
Issuer Credit Rating	twAA/Negative
Financial Strength Rating	twAA/Negative

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.