

Media Release

Standard Chartered Bank (Taiwan) Upgraded To 'twAA+/twA-1+'; Off CreditWatch On Completed Group Restructuring; Outlook Stable

October 22, 2019

Overview

- SCB group has completed its restructuring plan to move SCB Taiwan under the ownership of SCBHK. We now view SCB Taiwan as a highly strategic subsidiary of the Hong Kong-based bank.
- We are raising our long-term issuer credit rating on SCB Taiwan to 'twAA+' from 'twAA' and are removing the rating from CreditWatch where we placed it with positive implications on Aug. 7, 2019.
- At the same time, we are affirming the 'twA-1+' short-term issuer credit rating on the bank.
- The stable outlook reflects the outlook on parent SCBHK, given our view that SCB Taiwan is now a highly strategic subsidiary of the Hong Kong bank.

Rating Action

Taiwan Ratings Corp. today raised its long term issuer credit rating on **Standard Chartered Bank (Taiwan) Ltd.** (SCB Taiwan) to 'twAA+' from 'twAA' and removed the rating from CreditWatch, where we had placed it on Aug. 7, 2019. At the same time, we affirmed the short term issuer credit rating at 'twA-1+'.

Rationale

We raised our long-term rating on SCB Taiwan following the completion of the Standard Chartered Bank (SCB) group's transfer of ownership of SCB Taiwan to Standard Chartered Bank (Hong Kong) Ltd. (SCBHK; A+/Stable/A-1). The ratings on SCB Taiwan now reflect the bank's highly strategic status to its Hong Kong parent and we believe the Taiwan-based subsidiary benefits from the higher ratings on the parent bank. We continue to assess SCB Taiwan as a highly integrated unit within the parent group in terms of its business strategies and risk management framework. We believe the parent group is unlikely to divest of SCB Taiwan and we assess the bank would receive necessary support from its parent group under almost all foreseeable circumstances.

PRIMARY CREDIT ANALYST

Eva Chou
Taipei
+886-2-8722-5822
eva.chou
@spglobal.com
eva.chou
@taiwanratings.com.tw

SECONDARY CONTACT

Patty Wang
Taipei
+886-2-8722-5823
patty.wang
@taiwanratings.com.tw
patty.wang
@spglobal.com

Outlook

The stable outlook on SCB Taiwan reflects the outlook on its parent, SCBHK. The ratings on SCB Taiwan will move in tandem with the parent's group credit profile, given SCB Taiwan's highly strategic group status. Any change in the group's creditworthiness may affect our ratings on SCB Taiwan.

In addition, we expect SCB Taiwan to grow its business prudently in the coming one to two years and maintain a stable credit profile. We also expect the bank to uphold rigid risk management and maintain its asset quality over the same period. Moreover, we believe SCB Taiwan will maintain its above-average capitalization to provide sufficient buffer for business development. We do not expect any capital reduction by the bank in the next year or two.

Downside scenario

We may lower the long-term rating on SCB Taiwan if S&P Global Ratings lowers its rating on SCBHK. We may also lower the rating on SCB Taiwan if the SCB group's willingness to support the bank weakens due to the Taiwan bank's diminished importance. This may happen if SCB Taiwan no longer fits the group's Greater China strategy or if the bank's operating performance and business referrals no longer meet the group's standard. Nevertheless, we believe the likeliness of weaker support to be low in the next two years.

Upside scenario

We may raise the long-term rating on SCB Taiwan if the bank attains core group status, while maintaining its high integration with the group and operating in line with the group's strategy. Nonetheless, we see a low likelihood of this over the next two years, given the bank's small size within the group. We could also raise the rating on SCB Taiwan if S&P Global Ratings upgrades SCBHK while at the same time SCB Taiwan sustains its high strategic importance to the group. However, we believe an upgrade of SCBHK is unlikely over the next two years.

Related Criteria & Research

Related Criteria

- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions - November 09, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

Related Research

- Standard Chartered Bank (Taiwan) Ltd. Ratings Placed On CreditWatch Positive On Group Restructuring – Aug 7, 2019

(Unless otherwise stated, these articles are published on www.standardandpoors.com, access to which requires a registered account)

Ratings List

Upgraded; CreditWatch Action

	To	From
Standard Chartered Bank (Taiwan) Ltd.		
Issuer Credit Rating	twAA+/Stable/twA-1+	twAA/Watch Pos/twA-1+

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.

Copyright © by Taiwan Ratings Corp. All rights reserved.

Copyright © 2019 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.