

Media Release:

# Ratings On Mega Financial Holding Co. Ltd. And Mega International Commercial Bank Co. Ltd. Affirmed On Strong Capitalization; Outlook Stable

September 23, 2021

## Overview

- Mega Bank has a strong business franchise and capitalization in the domestic banking sector with implicit support from the Taiwan government, given the bank's high systemic importance.
- In our view, Mega Bank plays a dominate role to the group's overall credit profile and contributes most of the group's consolidated assets and capital.
- We are affirming our long-term and short-term issuer credit ratings on Mega FHC and Mega Bank.
- The stable rating outlook reflects our view that Mega Bank, and accordingly the Mega FHC group, will maintain its lead position in Taiwan's foreign exchange and offshore banking businesses, as well as strong capitalization over the next two years.

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA/twA-1+' issuer credit ratings on **Mega Financial Holding Co. Ltd.** and 'twAAA/twA-1+' issuer credit ratings on **Mega International Commercial Bank Co. Ltd.** (Mega Bank). The outlook on the long-term ratings is stable.

## Rationale

The ratings on Mega Bank reflect the bank's well-established franchise especially in Taiwan's foreign exchange and offshore banking businesses, above-average overseas diversification, strong capitalization, and adequate funding and liquidity supported by a strong corporate banking franchise. The ratings also reflect our belief in the likelihood of the government of Taiwan providing support for the bank in times of financial distress, given our view of the bank's high systemic importance in Taiwan's financial sector and foreign exchange market. The bank's slightly moderate profitability by international standards tempers these strengths.

### PRIMARY CREDIT ANALYST

**Eunice Fan**  
Taipei  
+886-2-2175-6818  
eunice.fan  
@spglobal.com  
eunice.fan  
@taiwanratings.com.tw

### SECONDARY CONTACT

**Eva Chou**  
Taipei  
+886-2-2175-6822  
eva.chou  
@spglobal.com  
eva.chou  
@taiwanratings.com.tw

The ratings on Mega FHC reflect our assessment of the group's lead position in Taiwan's foreign exchange and offshore banking businesses through its core bank subsidiary, Mega Bank, as well as the group's strong capitalization and adequate funding and liquidity profile supported by the strong banking franchise. Mega FHC group's slightly moderate profitability by international standards tempers these strengths. The ratings on the holding company also reflect its subordination to the group's core entities.

Mega FHC is a bank-centric financial holding company with Mega Bank as its core subsidiary. The bank contributed about 90% of the group's assets and over 80% of its net worth in 2020. The performance of the group largely reflects that of Mega Bank, and we believe the bank will remain the group's flagship unit over the coming two to three years.

## Outlook

The stable rating outlook for Mega Bank and Mega FHC reflects our view that Mega Bank will maintain its lead position in Taiwan's foreign exchange and offshore banking businesses, which support the bank's business franchise and funding profiles. We also believe Mega Bank will maintain its capitalization at a strong level over the next two years. In addition, the bank's high systemic importance in Taiwan's financial sector is unlikely to change over the same period, in our view. Moreover, we expect Mega Bank to continue to play a dominant role in the group's overall credit profile over the same period.

### Downward scenario

We may lower the long-term rating on Mega Bank and Mega FHC if the bank's business franchise in foreign exchange and offshore banking businesses weaken, or if the bank fails to maintain above-average profitability in terms of the domestic banking system. We could also lower the rating if the bank's capitalization deteriorates as shown by a risk-adjusted capital ratio falling below 10% over the next two years. However, we view the likelihood of such deterioration to be low over the rating horizon, given the bank's prudent capital policy as one of the designated domestic systemic important banks in Taiwan.

### Upward scenario

We may raise the rating on Mega FHC if the bank's capitalization improves, as represented by a risk adjusted capital ratio sustainably above 15%. However, this is highly unlikely over the next one to two years, given the bank's business strategy.

## Related Criteria & Research

### Related Criteria

- TRC Financial Services Issue Credit Rating Criteria - July 31, 2019
- 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

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- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Group Rating Methodology - July 01, 2019

**Related Research**

- Taiwan Ratings' Ratings Definitions – August 10, 2020

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**Ratings List**

**Ratings Affirmed**

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**Mega International Commercial Bank Co. Ltd.**

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Issuer Credit Rating	twAAA/Stable/twA-1+
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**Mega Financial Holding Co. Ltd.**

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Issuer Credit Rating	twAA/Stable/twA-1+
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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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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