

Media Release:

COTA Commercial Bank Ltd. Ratings Affirmed At 'twBBB+/twA-2' Under Revised Criteria; Outlook Stable

December 28, 2021

Overview

- We have reviewed our ratings on COTA Commercial Bank under our revised criteria.
- We have affirmed the 'twBBB+/twA-2' issuer credit ratings on the bank. The stable outlook remains unchanged.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twBBB+' long-term and 'twA-2' short-term issuer credit ratings on **COTA Commercial Bank Ltd.** (Cota Bank). The outlook on the long-term rating remains stable. The affirmation follows a revision to our methodology for rating financial institutions (see "Financial Institutions Ratings Methodology," published Dec. 9, 2021).

Rationale

Our ratings on Cota Bank reflect the bank's adequate capitalization and funding and liquidity profile. The bank's small business scale with scale disadvantage and higher loan concentration on real estate related sectors than other domestic banks' offset these strengths.

Outlook

The stable outlook reflects our view that Cota Bank will maintain adequate risk-adjusted capitalization over the next two years to support the bank's business growth. We also believe that Cota Bank will maintain its asset quality despite the bank's higher exposure to the real estate sector.

Downward scenario

We may lower the long-term rating on Cota Bank if the bank's asset quality significantly deteriorates compared with its peers' such as through a weakening in the bank's nonperforming loan ratio, ratio of substandard loan to total loans, or reserve coverage ratio. We may also lower the rating if the bank's capitalization weakens significantly, as indicated by its risk adjusted capital ratio falling below 7% due to weak capital accumulation or overly aggressive business growth.

PRIMARY CREDIT ANALYST

Jenny Lin
Taipei
+886-2-2175-6811
jenny.lin
@spglobal.com
jenny.lin
@taiwanratings.com.tw

SECONDARY CONTACT

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

Upward scenario

We could consider positive rating action if the bank improves its capitalization through recurring operating earnings on a sustainable basis as indicated by a risk adjusted capital ratio consistently above 10% while roughly maintaining asset quality and reserve coverage.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- 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
- General Criteria: Hybrid Capital: Methodology And Assumptions - July 01, 2019
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- 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: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed

Cota Commercial Bank Ltd.

Issuer Credit Rating	twBBB+/Stable/twA-2
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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 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.

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