

Media Release:

# Yuanta Commercial Bank Ratings Affirmed At 'twAA/twA-1+' Under Revised Criteria; Outlook Stable

January 19, 2022

## Overview

- We reviewed Yuanta Commercial Bank under our revised criteria.
- We have affirmed the 'twAA/twA-1+' issuer credit ratings on the bank and the issue credit ratings on the bank's various debentures.
- The rating outlook remains stable.

## Rating Action

Taiwan Ratings Corp today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on **Yuanta Commercial Bank**. The outlook on the long-term rating is stable. At the same time, we affirmed our ratings on the bank's various subordinated unsecured debentures (see Ratings List).

## Rationale

The affirmation follows a revision to our criteria for rating banks and nonbank financial institutions and for determining a Banking Industry Country Risk Assessment (BICRA; see "Financial Institutions Rating Methodology" and "Banking Industry Country Risk Assessment Methodology And Assumptions," both published Dec. 9, 2021).

The ratings on Yuanta Commercial Bank continue to reflect the 'bbb' anchor for banks operating mostly in Taiwan, as well as Yuanta Commercial Bank's strong capitalization and adequate funding and liquidity profile. Counterbalancing these rating strengths are the bank's moderate profitability and above-average growth appetite. The ratings also reflect our view that the parent **Yuanta Financial Holding Co. Ltd.** group would provide support for Yuanta Commercial Bank, if needed, given the bank's core status within the group.

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## Outlook

As a core entity of the group, the stable rating outlook on Yuanta Commercial Bank reflects our view of the direction of the parent group's consolidated credit profile, given the bank's core group status. The outlook also reflects our view that Yuanta Financial Holding group's capitalization will remain strong in 2022-2023. That's given the group's commitment to adopt a prudent growth strategy with no material growth in the group's risk assets relative to its capital over the same period. We also believe that the parent group will remain securities-centric in 2022-2023 with a strong market position and franchise in the securities industry.

### Downward scenario

We may lower the long-term rating on Yuanta Commercial Bank if:

- 1) the parent group embarks on an aggressive growth strategy that is beyond our base-case assumption for 2022-2023 without adequate business and financial risk controls
- 2) if the parent group adopts more aggressive capital policies, which could be indicated by a risk-adjusted capital ratio below 10%; or
- 3) the group's flagship company, Yuanta Securities Co. Ltd. fails to maintain its leading market position in major product lines or sustain above-average profitability.

We may also lower the rating on Yuanta Commercial Bank if we assess the bank's strategic importance to the group has materially weakened, though we consider this to be remote over the next one to two years

### Upward scenario

We could upgrade Yuanta Commercial Bank if the parent group is able to improve its risk-adjusted capital ratio to sustainably above 15%, though we view such an event as unlikely in 2022-2023.

## Rating Score Snapshot:

Issuer Credit Rating: twAA/Stable/twA-1+

Stand-alone credit profile: bbb

- Anchor: bbb
- Business position: Adequate (0)
- Capital and earnings: Strong (+1)
- Risk position: Moderate (-1)
- Funding and liquidity: Adequate and adequate (0)
- Comparable rating analysis: 0

Support: +1

- ALAC support: 0
- GRE support: 0
- Group support: +1
- Sovereign support: 0

Additional factors: 0

## 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: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- TRC Financial Services Issue Credit Rating Criteria - July 31, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions - July 01, 2019
- 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 – August 10, 2020

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## Ratings List

### Ratings Affirmed

#### Yuanta Commercial Bank

Issuer Credit Rating	twAA/Stable/twA-1+
Unsecured Subordinated Debenture	twA+

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