

Media Release:

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

January 26, 2022

## Overview

- We reviewed Taiwan Business Bank under our revised criteria.
- We affirmed our 'twAA-/twA-1+' issuer credit ratings on the bank.
- 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 **Taiwan Business Bank**. The look on the long-term rating is stable.

## 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 on Dec. 9, 2021).

The ratings on Taiwan Business Bank reflect the bank's government ownership and Taiwan Business Bank's moderate systemic importance with a moderately high likelihood of extraordinary government support. The ratings also reflect the bank's steady market share and good franchise in Taiwan's small and mid-size enterprise lending segment. However, the bank's slim earning capacity and slightly below-average asset quality somewhat offset these rating strengths.

## Outlook

The stable rating outlook on Taiwan Business Bank reflects our view of the likelihood that the bank will maintain adequate capital and earnings, as represented by a risk-adjusted capital (RAC) ratio sustainably above 7% over the next one to two years. In addition, we believe TBB will be able to maintain its good market position in deposit and small and mid-size enterprise

### PRIMARY CREDIT ANALYST

**Serene Hsieh, FRM, CPA**  
Taipei  
+886-2-2175-6820  
serene.hsieh  
@spglobal.com  
serene.hsieh  
@taiwanratings.com.tw

### SECONDARY CONTACT

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

loans as well as moderate systemic importance in Taiwan's financial sector over the next one to two years.

#### **Downward scenario**

We may lower the long-term rating on Taiwan Business Bank if the bank cannot sustain its RAC ratio above 7%, possibly due to an aggressive growth appetite, much weaker earnings results than we previously expected, or significant deterioration in its asset quality. We may also lower the rating if the bank's systemic importance in Taiwan weakens to low from moderate. This could be due to an apparent weakening of the bank's domestic deposit market share or a significant reduction in government control and influence over the bank.

#### **Upward scenario**

We may raise the rating if the bank materially improves its risk framework and underwriting comprehensiveness to be comparable with the industry average and accompanied by a more diversified business and revenue stream or if the bank materially enhanced its capitalization to strong compared with adequate currently. However, we view the likelihood of this as remote over the next one to two years.

#### **Ratings score snapshot**

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

Stand-alone credit profile: bbb-

Anchor: bbb

Business Position: Adequate (0)

Capital and Earnings: Adequate (0)

Risk Position: Moderate (-1)

Funding and Liquidity: Adequate and Adequate (0)

Comparable Rating Analysis: 0

Support: +2

ALAC Support: 0

GRE Support: 0

Group Support: 0

Sovereign Support: +2

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
- 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

(Unless otherwise stated, these articles are published on [www.taiwanratings.com](http://www.taiwanratings.com))

## Ratings List

### Ratings Affirmed

#### Taiwan Business Bank

Issuer Credit Rating	twAA-/Stable/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](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).

Copyright © by Taiwan Ratings Corp. All rights reserved.

Copyright © 2022 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](http://www.taiwanratings.com) (free of charge), and [rrs.taiwanratings.com.tw](http://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.