

Media Release:

Mega International Commercial Bank 'twAAA/twA-1+' Ratings Affirmed On Strong Capitalization; Outlook Stable

September 19, 2022

Overview

- Taiwan-based **Mega International Commercial Bank Co. Ltd.** (Mega Bank). has a strong business franchise and strong capitalization in Taiwan's banking sector. It also benefits from likely financial support from the Taiwan government if needed, given the bank's high systemic importance.
- We have affirmed our 'twAAA' long-term and 'twA-1+' short-term issuer credit ratings on Mega Bank.
- The stable rating outlook reflects our view that Mega Bank will maintain its lead market share 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 'twAAA' long-term and 'twA-1+' short-term issuer credit ratings on Mega Bank. The outlook on the long-term rating is stable.

Rationale

The ratings on Mega Bank reflect the bank's well-established franchise in Taiwan's banking sector, particularly in foreign exchange and offshore banking businesses. The ratings also reflect Mega Bank's above-average overseas diversification by domestic standards, strong capitalization, and adequate funding and liquidity supported by a strong corporate banking franchise. Our view of Mega Bank's high systemic importance in Taiwan's banking industry and foreign exchange market also supports the ratings. That's because we believe the Taiwan government will provide financial support to the bank during times of financial distress. The bank's slightly moderate profitability by international standards tempers these rating strengths.

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Outlook

The stable rating outlook for Mega Bank reflects our view that the bank will maintain its lead market share in Taiwan's foreign exchange and offshore banking businesses, which supports the bank's business franchise and funding profiles. We also believe Mega Bank will maintain its strong capitalization over the next two years. In addition, the bank's high systemic importance in Taiwan's banking industry is unlikely to change over the same period. Moreover, we believe the bank will continue to play a dominant role in the **Mega Financial Holding Co. Ltd.** group's consolidated credit profile over the same period.

Downward scenario

We view the possibility of a downgrade as remote over the next two years.

Ratings Score Snapshot

Issuer credit rating: twAAA/Stable/twA-1+

Stand-alone credit profile: a-

Anchor: bbb

Business position: Strong (+1)

Capital and earnings: Strong (+1)

Risk position: Adequate (0)

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

ESG credit indicators: E-2, S-2, G-2

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- 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
- 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
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- 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

Mega International Commercial Bank Co. Ltd.

Issuer Credit Rating	twAAA/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 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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