



Research Update:
Industrial Bank of Taiwan

2011/06/23

Primary Credit Analyst Chris Lee ; (886) 2 8722-5816
chris_lee@taiwanratings.com.tw

Secondary Contact Andy Chang, CFA; (886) 2 8722-5815
andy_chang@taiwanratings.com.tw

Rationale

Taiwan Ratings Corp. today affirmed its 'twA' long-term and 'twA-1' short-term counterparty credit ratings on Industrial Bank of Taiwan (IBT). The outlook on the long-term rating is stable. At the same time we affirmed the 'twA-' issue rating on IBT's subordinated debenture. The ratings on IBT reflect the bank's satisfactory capitalization, stable management under a consistent business strategy, and gradually increasing diversification on its business profile. Counterbalancing factors include the wholesale nature of IBT's funding profile, the earnings volatility inherent in its high correlation with the capital market, and its smaller market position compared to domestic peers'.

Outlook

The stable outlook reflects our expectation that the IBT group, of which IBT is the core entity, will maintain its satisfactory capitalization over the next one to two years as a result of the group's prudent business growth strategy and capital policy amid the recovering global economy. Moreover, we expect integration and resource movement among IBT group members, particularly China Bills Finance Co. Ltd., to further strengthen over the next one to two years. We may lower the ratings on IBT if the group's capitalization deteriorates as a result of an aggressive expansion move or capital plan, or if the bank's asset quality weakens due to the unfavorable economy given the bank's higher concentration risk nature.

Related Criteria and Research

- [Understanding Taiwan Ratings' Rating Definitions](#), published on www.taiwanratings.com on Aug. 6, 2010
- [TRC Financial Services Sector Issue Rating Criteria](#), published on www.taiwanratings.com/en/ on Aug. 6, 2010
- Criteria | Financial Institutions | Banks: [Bank Rating Analysis Methodology Profile](#), published on www.standardandpoors.com on March 18, 2004

(Access to www.standardandpoors.com requires a registered account)

Analytic services provided by Taiwan Ratings Corporation (TRC) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by TRC. TRC has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.