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Research Update:

The Export-Import Bank of the Republic of China Assigned 'AA-/A-1+' Ratings; Outlook Stable

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Overview

- The ratings on EXIM Bank reflect its critical public policy role as Taiwan's legally mandated export credit agency and its integral link with the government, its sole owner.
- We equalize the ratings on EXIM Bank with those on the Taiwan sovereign, reflecting our opinion that there is an almost certain likelihood that the Taiwan government will provide timely and sufficient extraordinary support to EXIM Bank whenever needed.
- We are assigning our 'AA-' long-term and 'A-1+' short-term counterparty credit ratings, and our 'cnAAA/cnA-1+' Greater China regional scale ratings to EXIM Bank.
- The stable rating outlook over the next 24 months reflects our view that the bank will remain a government-related entity with almost certain likelihood of receiving government support if needed.

Rating Action

On Jan. 3, 2017, S&P Global Ratings assigned its 'AA-' long-term and 'A-1+' short-term counterparty credit ratings to The Export-Import Bank of the Republic of China (EXIM Bank). The outlook on the long-term rating is stable. At the same time, we assigned our 'cnAAA' long-term and 'cnA-1+' short-term Greater China regional scale ratings to EXIM Bank.

Rationale

The ratings on EXIM Bank reflect our view that there is an almost certain likelihood that the government of Taiwan would provide timely and sufficient extraordinary support to EXIM Bank in the event that the bank faces financial distress. This is based on EXIM Bank's critical public policy role as Taiwan's legally mandated export credit agency and its integral link with the government, its sole owner. We have therefore equalized the ratings on EXIM Bank with our issuer credit ratings on Taiwan (unsolicited AA-/Stable/A-1+; cnAAA/cnA-1+).

We view EXIM Bank as a government-related entity based on our view of the bank's following characteristics:

- Critical role as the government's key vehicle in supporting trade-related activities to promote economic growth in Taiwan. The bank provides trade credits and credit insurance to Taiwan's exporters and importers.
- Integral link with the Taiwan government, through the government's 100% ownership and ongoing government intervention. The government drives EXIM

Bank's business strategies, determines its growth target, appoints its senior management, and approves its budgets.

EXIM Bank plays the important policy role in promoting export trade and economic development of Taiwan, which is a highly trade-dependent economy. The bank's role is therefore an essential part of the government's agenda. EXIM Bank was established in 1979 and is the sole export-import policy bank in Taiwan.

We do not expect the government's ownership in EXIM Bank to change over the next two to three years, given the bank's unique policy role. The government's support framework to EXIM Bank is clearly regulated under "The Export-Import Bank of The Republic of China Act Taiwan", and the national treasury provides the bank's capital. In the case that the bank suffers a loss which cannot be covered by its reserve fund, the government will appropriate funds to replenish the bank's capital balance. The government plans to inject New Taiwan dollar (NT\$) 20 billion into the bank in 2016-2018, of which NT\$10 billion was already injected in the first half of 2016.

The Taiwan government drives the EXIM Bank's strategy, determines key budgetary decisions, and maintains tight control to ensure the implementation of the bank's policy role. The bank's board of directors acts as the government's policy-making instrument. We believe the government has the administrative capacity and mechanisms to meet EXIM Bank's needs in times of financial distress and in a timely manner.

Outlook

The stable outlook on EXIM Bank reflects the stable rating outlook on Taiwan. The ratings on EXIM Bank will move in tandem with those on Taiwan, given the bank's almost certain government-related entity status.

Downside scenario

We could lower the rating on EXIM Bank if the government's willingness to support the bank declines although we believe this scenario is very unlikely in the coming few years.

Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 01, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013

- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions, Dec. 06, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

Ratings List

New Rating

The Export-Import Bank of the Republic of China

Counterparty Credit Rating	AA-/Stable/A-1+
Greater China Regional Scale	cnAAA/--/cnA-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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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