

Media Release:

Ratings On CTBC Asset Management Co. Ltd. Affirmed At 'twA+/twA-1' On Group Business Restructuring, Outlook Stable

June 17, 2021

Overview

- We have raised our anchor for CTBC AMC, given the company has disposed its China Leasing business to its affiliate under the parent group's restructuring plan.
- Conversely, we assess CTBC AMC's capitalization will weaken to strong from very strong over the next two years, due to the company's upcoming capital upstream and growth appetite.
- We have affirmed our 'twA+' long-term and 'twA-1' short-term issuer credit ratings on CTBC AMC.
- The rating outlook remains stable to reflect our view that CTBC AMC will remain a strategically important group entity over the next two years.

Rating Action

On, June 17, 2021, Taiwan Ratings Corp. affirmed its 'twA+' long-term and 'twA-1' short-term issuer credit ratings on **CTBC Asset Management Co. Ltd.** (CTBC AMC). The outlook on the long-term rating remains stable.

Rationale

The ratings affirmation reflects the improved anchor for CTBC AMC after the company disposed of its China leasing business to an affiliate of the parent **CTBC Financial Holding Co. Ltd.** (CTBC FHC) group in March 2021, counterbalanced by a likely decline in CTBC AMC's capitalization over the next two years. We forecast capitalization will weaken because CTBC AMC is set to upstream capital to the parent group during 2021 while at the same time implementing a rapid growth plan for the next two years. The combined effect of this business restructuring is neutral to CTBC AMC's credit profile.

Anchor strengthened with 100% asset exposure in Taiwan. CTBC AMC's asset exposure is now solely in Taiwan with a focus on real estate management and investment, which lifts the anchor for the rating.

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Capitalization will weaken to strong, given CTBC AMC's growth plan and the group's financial policy. CTBC AMC's leverage measured by debt over adjusted total equity (ATE) was 0.5x at the end of 2020. Under the group's business plan, CTBC AMC is set to upstream new Taiwan dollar (NT\$) 3 billion in capital to the parent group in 2021. We expect this to increase CTBC AMC's leverage to 1x by the end of 2021 and to 1.5x-2.75x over the next two years amid double-digit asset growth.

Outlook

The stable outlook on CTBC AMC mainly reflects our view that the company will maintain strong capitalization over the coming two years through adequate risk controls and close group oversight. The outlook also reflects our belief that CTBC AMC will remain a strategically important group entity over the next two years.

Upward scenario

We may raise the long-term rating if the company's leverage sustains at a very strong level as indicated by a debt to ATE ratio consistently below 1.5x over the next two years.

Downward scenario

We may downgrade CTBC AMC if the company's leverage materially weakens as shown by a debt to ATE ratio consistently above 2.75x. This could result from overly aggressive growth or operating losses from unfavorable developments in the domestic property market. However, we view this to be remote over the next two years. We may also lower the long-term rating if we assess CTBC AMC's importance to its parent group has weakened as evidenced by significantly weaker earnings performance over the next two years.

Related Criteria & Research

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

CTBC Asset management Co. Ltd.

Issuer Credit Rating

twA+/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 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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