

Media Release:

# Ratings On SinoPac Holdings And Key Subsidiaries Affirmed Following Acquisition Announcement; Outlooks Stable

January 7, 2025

## Overview

- **SinoPac Holdings** has announced its plan to fully acquire Taiwan-based King's Town Bank through a share swap and cash transaction.
- We believe the transaction will not substantially pressure the consolidated financial profile of the SinoPac group and we expect the group to maintain its credit profile following the acquisition, given the group's larger scale and sounder credit metrics than King's Town Bank.
- We affirmed our long-term and short-term issuer credit ratings on SinoPac Holdings and its key subsidiaries. At the same time, we affirmed our long-term issue ratings on SinoPac Securities Corp.'s subordinated corporate bonds.
- The outlooks on the long-term ratings remain stable and reflect our view that the group will largely retain its credit profile over the next two years.

## Rating Action

Taiwan Ratings Corp. today affirmed its long-term and short-term issuer credit ratings on SinoPac Holdings and its key subsidiaries (see the ratings list). The outlooks on the long-term ratings are stable.

## Rationale

The rating affirmation reflects our view that SinoPac group's consolidated credit can absorb the group's planned acquisition of King's Town Bank. In our view, the group has a scale advantage relative to King's Town Bank and sufficient resources to execute the acquisition plan without undermining the group's overall credit metrics. The proposed deal, which remains subject to shareholder and regulatory approval, includes a share swap and cash transaction to acquire all Taiwan-based King's Town Bank's common shares.

We expect SinoPac Holdings' double leverage ratio to remain below the 125% regulatory benchmark following the acquisition. The double leverage ratio measures the ratio of the holding company's equity investments in its subsidiaries to total shareholders' equity.

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**SinoPac Holdings group has a superior credit risk profile to King's Town Bank.** We believe this will ensure that the SinoPac Holdings group maintains its consolidated group credit risk profile with a sufficient buffer after the merger. This view is also supported by the holding company's track record of active capital and business management during past acquisitions. At the same time, we expect Bank SinoPac to be the surviving banking entity, because local regulations only allow one banking arm under a financial holding company structure. On a pro forma basis, King's Town Bank would account for 12% and 23% of the consolidated assets and equity, respectively, of the combined bank.

We believe that Bank SinoPac can maintain its strong capitalization with a risk adjusted capital (RAC) ratio above 10% over the next two years. At the same time, we expect the bank's investment risk appetite to remain unchanged following the acquisition. King's Town Bank has a higher revenue contribution from trading activities than its domestic banking peers, reflecting a higher risk appetite. However, we expect this will improve after its merger with Bank SinoPac.

**The acquisition plan remains subject to shareholders and regulatory approval.** SinoPac Holdings plans to offer a cash and share swap for 100% of King's Town Bank's common shares for a consideration of one share of King's Town Bank for 1.15 shares of SinoPac Holdings plus New Taiwan dollar (NT\$) 26.75 cash. The board of SinoPac Holdings has approved the proposed deal, which remains subject to the approval of the group's shareholders and the local financial regulator.

**The ratings on SinoPac Holdings and its key subsidiaries continue to reflect the group's solid market presence and satisfactory funding and liquidity in Taiwan's financial market.** The ratings also reflect our view of the group's satisfactory capitalization and risk control at the consolidated group level. This is underpinned by our assessment of Bank SinoPac's strong capitalization and satisfactory asset quality.

## Outlook

The stable rating outlooks reflect our view that SinoPac Holdings group will largely retain its credit profile over the next two years. The outlooks also reflect our expectation of a smooth integration with King's Town Bank, if the acquisition goes ahead, as well as our view that SinoPac Holdings and its various subsidiaries will maintain their credit profiles post-acquisition.

### Downward scenario

We may lower the long-term ratings on SinoPac Holdings and its key subsidiaries if we lower our assessment of the group credit profile. This could happen if Bank SinoPac fails to maintain strong capitalization as indicated by the RAC ratio consistently below 10% over the coming two years, or if the integration with King's Town Bank proves more challenging than we expected and leads to a weakening of Bank SinoPac's financial performance.

We may also lower the ratings on SinoPac Holdings if the company's double leverage ratio rises to and remains above 125% and higher than the domestic average.

## Upward scenario

We see only a remote likelihood of an upgrade of SinoPac Holdings and its key subsidiaries over the next one to two years. However, we could raise our ratings on SinoPac Holdings and its key subsidiaries if we assess the group profile has strengthened. This could happen if Bank SinoPac can significantly and sustainably enhance its market presence while at the same time maintaining its asset quality and capital strength.

## Related Criteria & Research

### Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 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: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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## Ratings List

### Ratings Affirmed

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#### SinoPac Holdings

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Issuer Credit Rating	twA+/Stable/twA-1
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#### Bank SinoPac

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Issuer Credit Rating	twAA-/Stable/twA-1+
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#### SinoPac Securities Corp.

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Issuer Credit Rating	twAA-/Stable/twA-1+
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Unsecured Subordinated Debenture	twA+
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#### SinoPac Leasing Corp.

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Issuer Credit Rating	twA+/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](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).

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