

Media Release:

Kings Town Bank International Lease Corp. Ratings On WatchNeg Following Parent Bank's Merger Announcement

January 7, 2025

Overview

- King's Town Bank, the parent bank of Kings Town Bank International Lease, has announced its proposed merger with SinoPac Holdings.
- At the same time, King's Town Bank decided to divest its leasing subsidiary.
- We believe the leasing company's group status will very likely weaken if the sale process begins; however, we see no change in the likelihood of financial support from the parent bank to the subsidiary before the sale is confirmed.
- We have therefore placed our 'twBBB+/twA-2' long-term and short-term issuer credit ratings on Kings Town Bank International Lease on CreditWatch with negative implications.

Rating Action

Taiwan Ratings Corp. today placed its 'twBBB+' long-term and 'twA-2' short-term issuer credit ratings on Kings Town Bank International Lease on CreditWatch with negative implications.

Rationale

The CreditWatch placement reflects our view that Kings Town Bank International Lease's credit profile will weaken once the disposal process begins. We expect potential financial support from the parent King's Town Bank will diminish over the next few months, given its intention to dispose of the leasing subsidiary following the announcement of the parent bank's proposed merger with SinoPac Bank. The merger will have a negative impact on the leasing company's group status, in our view. King's Town Bank recently announced that its board has agreed to a merger with SinoPac Holdings via a share swap and cash transaction. At the same time, the parent bank announced it will hold an open auction to dispose of Kings Town Bank International Lease.

Support from King's Town Bank won't change before disposal starts. Our assessment of the leasing company's strategically important group remains unchanged, given the bank still has the incentive to support King's Town Bank International Lease financially, if needed. We believe that the regulatory framework in Taiwan would lead King's Town Bank to ensure the leasing subsidiary maintains minimum financial soundness during the disposal period.

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The proposed merger awaits shareholder and regulatory approval. Board meetings of both King's Town Bank and SinoPac Holdings approved the proposed merger on Dec. 27, 2024. However, the proposal remains subject to the approval of their respective shareholder meetings and Taiwan's financial regulator.

CreditWatch

We expect to resolve the CreditWatch placement when we have more clarity over the development of the merger plan, as well as more details regarding the progress of the parent bank's disposal plan for the leasing company.

We may remove the CreditWatch placement and affirm the ratings if the proposed sale does not materialize, and at the same time we view the leasing subsidiary remains a strategically important group member to King's Town Bank.

Conversely, we may lower our ratings on Kings Town Bank International Lease by one or more notches if the parent bank goes through with the proposed disposal plan, which demonstrates weakening group support for the subsidiary.

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
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- 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

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

Ratings List

CreditWatch

	To	From
Kings Town Bank International Lease		
Issuer Credit Rating	twBBB+/Watch Neg/twA-2	twBBB+/Stable/twA-2

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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