

Media Release:

CTBC Finance Co. Ltd. Assigned 'twA+/twA-1' Ratings; Outlook Stable

January 14, 2026

Overview

- CTBC Finance Co. Ltd. is a small-size financing company operating in Taiwan with a small presence in local financing market.
- We believe CTBC Finance benefits from potential support from its parent, **CTBC Financial Holding Co. Ltd.** (CTBC FHC) group, based on CTBC Finance's strategically important status within the financial group.
- We are assigning our 'twA+' long-term and 'twA-1' short-term issuer credit ratings to CTBC Finance.
- The stable rating outlook reflects our expectation that CTBC Finance could maintain strong capitalization with moderate earnings, adequate funding and liquidity, and prudent risk management over next 12 to 18 months under the group's oversight.

Rating Action

Taiwan Ratings Corp. today assigned its 'twA+' long-term and 'twA-1' short-term issuer credit ratings on CTBC Finance. The outlook on the long-term rating is stable.

Credit Highlights

Overview

Key strengths	Key risks
Support from the parent CTBC FHC group.	Weaker operating performance with limited operating scale compared with peers.
Strong capitalization compared to risk profile.	Moderate risk control framework compared to local banks.

Rationale

The ratings on CTBC Finance reflect the company's strategically important role within CTBC FHC group. In our view, financing subsidiary benefits from parental resources, if needed, covering many aspects from branding and funding support to risk management. Nonetheless, the subsidiary represents only a small proportion of the group's total capital base, at less than 1% at the end of 2024, with a limited profit contribution to the group at the same time.

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The ratings on CTBC Finance also reflect its strong capitalization relative to the company's relatively simple risk profile, and its adequate funding and liquidity profile. Counterbalancing factors include CTBC Finance's constrained business position due to the small scale and moderate risk position and risk control framework compared with local banks.

We apply our 'bb+' anchor for Taiwan finance companies operating under an FHC with regulatory oversight. Our 'bb+' anchor for CTBC Finance reflects the company's business focus as a finance company and the fact the Financial Supervisory Commission regulates CTBC Finance through its parent CTBC FHC group.

We assess the anchor for non-bank financial companies operating mainly in Taiwan to be two notches below our bank anchor of 'bbb' on S&P Global Ratings global rating scale. This reflects our view of the FSC's more prudent regulatory standards for such companies which are less robust than the regulatory standards for banks. We believe finance companies have generally adequate profit margins with stable market shares for leading players, which suggests sufficiently high entry barriers to competition. However, we also believe that funding risk for these firms is higher than for banks, given the greater reliance of non-bank financial companies on market-sensitive wholesale funding.

Small scale and moderate profitability constrain the business position. CTBC Finance is a small size finance company that provides financing services to small and mid-size enterprises and retail customers in Taiwan. The company's business mix includes corporate financing, vehicle installment payments, and long-term car leasing business.

In 2025, CTBC Finance began shifting its strategy to focus more on higher yield, albeit somewhat riskier, corporate financing, corporate long-term vehicle lease, and installment businesses. This moves the company away from its original business focus with lower interest spreads including new car financing through direct channel and strategic alliances. This shift, alongside the closure of an unsuccessful buy now, pay later venture in 2024, has helped to improve CTBC Finance's interest spread and resulted in new Taiwan dollar (NT\$) 48 million in net profit in the first nine months in 2025. Nonetheless, the company's scale disadvantage leaves it struggling to make sufficient profit to cover operational expenses. The company recorded a ratio of core earnings to average managed assets of negative 1.00% in 2023 and negative 0.64% and 2024.

CTBC Finance plans to expand its sales team to drive revenue growth from its corporate financing business. The company also expects to maintain growth momentum for its auto financing business by leveraging telemarketing and customer lists from the parent group. We expect CTBC Finance's earnings performance will gradually improve but still require more time to close the gap with its domestic peers.

Strong capitalization with some capital buffer; however, capitalization remains sensitive to growth trends and shifting business strategy. We view CTBC Finance's capitalization as strong relative to its simple risk profile. Over the past two years, its capitalization as measured by our risk-adjusted capital (RAC) ratio remained at 13%-14%. Nonetheless, we forecast the ratio will trend downward and likely reach close to 10% over the next 12-18 months, given the company's business transition to enlarge its operating scale and focus on riskier corporate financing.

Under our base case for CTBC Finance, we assume the company will pursue double-digit growth under the group's guidance while at the same time lifting the company's interest spread by increasing its focus on high margin business. CTBC Finance's overall operating performance should improve as its scale expands but the higher operating expense and possibly rising credit

cost driven by the expansion will also weigh profitability. Nonetheless, we believe the company can maintain moderate earnings over next 12-18 months.

Moderate risk position reflects a simple lending profile and less comprehensive risk

framework than Taiwan banks. We consider CTBC Finance's risk management and asset quality to be comparable to those of domestic financing. Non-bank financing companies generally have more relaxed underwriting standards and greater lending flexibility than Taiwan banks. Overall, the average loan-to-value ratio of auto finance companies in Taiwan is higher than for banks. This is despite CTBC Finance has maintained satisfactory loss experience. The company's ratio of non-performing assets, defined as receivables that are 90-day overdue, was 0.31% at the end of December 2024 and 0.34% at the end of June 2025. We assess these values to be well-controlled and lower than the ratios for similar rated domestic peers.

CTBC Finance could see credit costs rise in 2026-2027 under its active business expansion plan. Nonetheless, we believe these the company's strong capitalization is sufficient to absorb these potential losses over the next 12 to 18 months. In addition, we anticipate CTBC Finance's business nature remaining somewhat simple and subject to the prudent underwriting guidance and oversight of the parent group. CTBC Finance's credit risk controls aimed at lowering its single borrower concentration could also somewhat offset its overall credit risks, in our view.

Adequate funding with ample liquidity in Taiwan's banking system. We believe CTBC Finance has an adequate funding profile with sufficient funding sources despite the wholesale funding nature of its business. Potential funding sources include commercial papers and bank loans. We also assess the company has adequate funding sources relative to its potential funding needs because it has an adequate liquidity management mechanism to manage cash outflow needs. Therefore, we do not foresee any difficulty for the company to retain sufficient funding over the next two years, especially given ample liquidity in Taiwan's financial market. CTBC Finance's membership of the financially stronger CTBC FHC group should also continue to support the financing company's funding and liquidity profile.

Outlook

The stable rating outlook reflects our view of CTBC Finance's strategically important status within CTBC FHC group. The outlook also reflects our expectation that the company will maintain strong capitalization and positive earnings over next 12-18 months. In addition, we believe the company can prudently manage the increased risks arising from its business transition through adequate risk management policies and the parent group's oversight.

Downward scenario

We may downgrade CTBC Finance if:

- The company's capitalization deteriorates from strong as indicated by the RAC ratio falling to and remaining consistently below 10%. This could be due to overly aggressive growth or an operating loss from an increase in bad debt; or
- We believe CTBC Finance's importance to its parent group has weakened, as indicated by the company's significantly weaker earnings performance.

Upward scenario

We may upgrade CTBC Finance to reflect uplift for its stand-alone credit profile or strengthening of its importance to the parent group. Nonetheless, we see limited upside potential over the next 12-18 months.

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
- 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
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

New Ratings

CTBC Finance Co. Ltd.

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 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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