Media Release:

CTBC Bank Co. Ltd. Ratings Affirmed At 'twAA+/twA-1+' On Comparable Ratings Analysis; Outlook Stable

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Overview

- **CTBC Bank Co. Ltd.'s** capitalization has weakened from high loan growth and increased equity investments. We believe the bank's risk-adjusted capital ratio is unlikely to return to our threshold for strong capital and earnings over the next one to two years.
- However, we view the bank's stand-alone credit profile to be comparable to other same rating regional peers, given CTBC Bank's large scale, good asset quality, and diversified earnings.
- We therefore revised our capital and earnings score for CTBC Bank to adequate from strong. At the same time, we applied a positive comparable ratings analysis to the bank's stand-alone credit profile.
- We affirmed our 'twAA+' long-term and 'twA-1+' short-term issuer credit ratings on CTBC Bank.
- The rating outlook is stable to reflect potential government support given the bank's systemic importance in the local financial market.

Rating Action

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

Rationale

The rating affirmation reflects CTBC Bank's superior credit risk profile relative to other local private banks and its competitive standing among similarly rated regional peers, supported by a positive notch in our comparable ratings analysis. The bank's competitive advantages are underpinned by its large scale and broader geographic footprint compared to domestic and several regional counterparts. Notably, CTBC Bank has demonstrated superior asset quality resilience compared to its regional peers, despite exposure to higher-risk economies and ongoing organic growth. Furthermore, the bank's diversified overseas subsidiary and branch networks and broad product suite drive significant fee-income contributions, enhancing revenue diversification and providing a buffer against volatility.

We assess CTBC Bank's capital and earnings as adequate over the next two years compared with strong previously, as defined by our risk-adjusted capital (RAC) ratio. The ratio declined to 9.5% at the end of 2025 from 10.3% at the end of 2024, primarily driven by good loan growth and increases in equity investments, which attracted higher market risk charges under our capital model. The ratio held relatively stable at 9.3% in the first half of 2026, because robust earnings have helped offset high loan growth and rising equity exposures. Nonetheless, we note that a 50% dividend payout ratio for 2026 earnings would further compress the RAC ratio to 9.1% as of the end of June 2026.

We anticipate the bank's capitalization remaining stable at an adequate level, with the RAC ratio ranging from 8%-9%. As a Domestic Systemically Important Bank, CTBC Bank is subject to stringent regulatory capital requirements with good intention to maintain its capital adequacy. We anticipate proactive capital management through optimized risk-return profiles, potential hybrid issuances, and strategic capital adjustments. Furthermore, the bank continues to benefit from strong parental support, which stands ready to provide capital injections if required.

Outlook

The stable rating outlook reflects our view that CTBC Bank is of moderate systemic importance in Taiwan's financial sector with potential government support. We also believe the bank will maintain its strong business position and diversified revenue sources relative to local peers in Taiwan's highly competitive banking sector. We anticipate the bank will maintain most of its key risk characteristics over the next two years, including adequate capitalization, resilient earnings, and adequate risk management. CTBC Bank remains the anchor and core group member for the CTBC Financial Holding Co. Ltd. group.

Downward scenario

We may lower the long-term issuer credit rating on CTBC Bank if the bank can no longer maintain its geographic and revenue diversification with resilient earnings and its asset quality deteriorates due to aggressive growth.

Upward scenario

We could raise the rating if CTBC Bank demonstrates stronger risk management that delivers sustainably better loss experience and earning results than similarly rated peers and improves its capitalization to a strong level.

CTBC Bank Co. Ltd.--Rating Component Scores

Issuer Credit Rating	twAA+/Stable/twA-1+
SACP	a-
Anchor	bbb
Economic risk	3
Industry risk	5
Business position	Strong
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Strong
Comparable ratings analysis	1

Support	1
ALAC support	0
GRE support	0
Group support	-1
Sovereign support	+1
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 5, 2026
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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

Ratings List

Ratings Affirmed

CTBC Bank Co. Ltd.	
Issuer Credit Rating	twAA+/Stable/twA-1+