

Media Release:

Kings Town Bank International Lease Corp. Ratings Remain On WatchNeg After Shareholders Approve Parent Bank Merger Plan

March 12, 2025

Overview

- Shareholders of both King's Town Bank and SinoPac Holdings have approved the proposed merger between King's Town Bank and SinoPac Bank. King's Town Bank is the parent of **Kings Town Bank International Lease Corp.**
- King's Town Bank continues to look for a new buyer for the leasing subsidiary, given the parent's intention to divest its leasing subsidiary under the merger plan.
- We believe the leasing company's strategically important 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 it finalizes the sale.
- We are maintaining our 'twBBB+' long-term and 'twA-2' short-term issuer credit ratings on Kings Town Bank International Lease on CreditWatch where we placed them with negative implications on Jan. 7, 2025.
- 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.

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Rating Action

Taiwan Ratings Corp. today affirmed its 'twBBB+' long-term and 'twA-2' short-term issuer credit ratings on Kings Town Bank International Lease. The ratings remain on CreditWatch with negative implications where they were placed on Jan. 7, 2025.

Rationale

The continued CreditWatch placement reflects our view that Kings Town Bank International Lease's credit profile will likely weaken once the disposal process begins. We believe that potential support from the parent King's Town Bank will diminish over the next few months, given the parent bank's intention to dispose of the leasing subsidiary under the bank's proposed merger with SinoPac Bank. The merger will have a negative impact on the leasing company's group status, in our view. Extraordinary shareholder meetings held on March 3, 2025, by both King's Town Bank and SinoPac Holdings approved the merger proposal.

We continue to see a strong incentive for King's Town Bank to support the leasing subsidiary before disposal is finalized. Our assessment of the leasing company's strategically important group status remains unchanged. This is because we believe that the bank still has a strong incentive to financially support King's Town Bank International Lease, if needed. In our view, Taiwan's regulatory framework ensures that the parent, King's Town Bank, will maintain the leasing subsidiary's minimum financial soundness during the divestment period. We also believe that King's Town Bank continues to support the leasing subsidiary in securing sufficient funding for its routine business operations.

The proposed merger still awaits regulatory approval. King's Town Bank's shareholders agreed to a merger with SinoPac Holdings via a share swap and cash transaction. At the same time, the parent bank will seek and negotiate with the best qualified buyer to divest Kings Town Bank International Lease. However, the proposal remains subject to approval by Taiwan's financial regulator.

CreditWatch

We expect to resolve the CreditWatch placement when we receive 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 lower our ratings on Kings Town Bank International Lease by one or more notches if the parent bank demonstrates weakening group support for the subsidiary.

Conversely, 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.

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- 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: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- 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

Kings Town Bank International Lease Corp.

Issuer Credit Rating	twBBB+/Watch Neg/twA-2
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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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