

Media Release:

CTBC Venture Capital Co. Ltd. Ratings Affirmed At 'twA/twA-1' On Elevated Debt; Outlook Stable

September 9, 2025

Overview

- We believe that both the risk-adjusted leverage and quantitative cash-flow test for CTBC Venture Capital's venture capital business have weakened amid increasing debts following a new Taiwan dollar (NT\$) 1.1 billion cash dividend payout in Q2 2025.
- We believe the weakening of the above metrics has diminished CTBC Venture Capital's stand-alone credit (SACP) strengths.
- At the same time, we have revised our comparable rating adjustment for the company's venture capital operations to positive from neutral, to reflect its better diversification and liquidity management compared to international peers.
- We affirmed our 'twA' long- and 'twA-1' short-term issuer credit ratings on CTBC Venture Capital under our holistic assessment of the combined profile for its venture capital and leasing businesses.
- The rating outlook remains stable. This reflects our view that we are unlikely to change our assessment of CTBC Venture Capital's SACP over the next year, along with our assessment for the leasing subsidiary's adequate capitalization.

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Rating Action

Taiwan Ratings Corp. today affirmed its 'twA' long- and 'twA-1' short-term issuer credit ratings on **CTBC Venture Capital Co. Ltd.** The outlook on long-term rating remains stable.

Rationale

The rating affirmation reflects our view of the adequate capitalization of CTBC Venture Capital's leasing subsidiary, and the well-managed investment discipline and good diversification of the company's venture capital portfolio. The venture capital business continues to be the key contributor to the overall credit profile. However, several factors slightly offset CTBC Venture Capital's credit strengths. These include the company's weak stressed leverage and high reliance on short-term wholesale funding, very weak liquidity under our quantitative cash flow testing for its venture capital segment, and the small-scale of its leasing business in China which operates under higher economic risks than the company in Taiwan.

The credit profile of the venture capital division has weakened due to an unplanned cash dividend repatriation. We have lowered our assessment of the company's risk-adjusted leverage to very weak from weak; at the same time, we lowered the liquidity profile to very weak from weak. Both actions reflect the increase in outstanding debt at the venture capital operation used to fund its daily business operation following the NT\$1.1 billion cash dividend repatriation to its ultimate parent **CTBC Financial Holding Co. Ltd.** (CTBC FHC) in the second quarter of 2025. The increase in debt is mostly in the form of short-term wholesale funding. We believe the dividend payment to be a one-off, and as such, we believe CTBC Venture Capital will continue to accumulate net asset value with full earnings retention over the next two years to fund continuous growth in its investment portfolio. We also believe the company's overall investment strategies will remain unchanged over the period.

We now apply a positive comparable rating adjustment to the venture capital business despite its weakened credit profile. We assess CTBC Venture Capital's investment portfolio has some credit strengths compared to its close international rated peers. The overseas investment portfolio is diversified among early-stage to late-stage investments and mostly in well-developed countries such as the U.S. In addition, the adjustment reflects the company's good track record over its liquidity management and zero liquidity issues during its history, and a commitment from the financially stronger CTBC FHC to support the subsidiary's potential funding needs.

The credit profile of the leasing subsidiary remains stable despite weakened asset quality. The unfavorable macroeconomic environment has weakened the asset quality of CTBC Venture Capital's leasing business in China. However, this trend is similar to its peers, and we believe the additional credit costs are absorbable through earnings and as such will not weaken CTBC Venture Capital's capitalization. The leasing subsidiary has lowered its business growth appetite since 2024 and will maintain slow growth over 2025-2026. We forecast the leasing company's risk-adjusted capital ratio will remain at 9%-10% under our adequate assessment for its capitalization with fully earnings retention over the next two years.

The ratings continue to reflect the company's role within the parent CTBC FHC group. The ratings on CTBC Venture Capital reflect our view that the company will maintain its strategic importance to the parent CTBC FHC group, and that the group would provide financial support to the venture capital firm, if needed, over the next 12 months.

Outlook

The stable rating outlook reflects our view that CTBC Venture Capital will maintain its overall credit profile over the next one to two years. Several factors support this view. These include the adequate capital strength of its leasing subsidiary, the good business diversification and well-managed investment discipline of its venture capital business, along with a prudent risk control framework that is highly integrated with parent group. At the same time, we believe the venture capital business will remain the key contributor to CTBC Venture Capital's overall credit profile.

The outlook also reflects our view that CTBC Venture Capital will remain a strategically important subsidiary of the parent group, and that we will not change our assessment of the parent group credit profile over the next one to two years.

Downward scenario

We could lower the long-term rating on CTBC Venture Capital if:

- We lower our assessment of the venture capital business's SACP due to significant deterioration in the business' funding and liquidity assessments, such as a more aggressive capital policy including the upstream of large dividend payouts. This could lead to a removal of the positive comparable rating adjustment; or
- We lower our assessment of the leasing subsidiary's SACP due to deterioration in its capitalization as reflected in the RAC ratio dropping below 7%, or if its asset quality turns weaker than its Chinese leasing peers.

Upward scenario

We could raise the rating on CTBC Venture Capital if:

- The venture capital business' SACP improves materially and sustainably. This could result from improvement in its risk-adjusted leverage, liquidity profile, or from more conservative expansion in its investment portfolio over the next two years; and
- At the same time, the leasing subsidiary's capital strength improves sustainably supported by lower growth than we forecast, and the company maintains its capital policy of full earnings retention over the next two years.

Related Criteria & Research

Related Criteria

- 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
- Criteria | Financial Institutions | Other: Alternative Investment Funds Methodology - August 30, 2024
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed

CTBC Venture Capital 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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