

Media Release:

# Shin Kong Life, Shin Kong Financial Holding And Key Subsidiaries Ratings Affirmed With Positive Outlook; Off CreditWatch

February 13, 2025

## Overview

- **Shin Kong Life Insurance Co. Ltd.'s** operating performance is stabilizing, with the Taiwan-based insurer recording a profit in 2024 after two years of losses.
- We continue to view Shin Kong Life as the flagship unit and key credit driver of **Shin Kong Financial Holding Co. Ltd.** (Shin Kong FHC) group.
- We believe Shin Kong FHC's proposed merger with stronger **Taishin Financial Holding Co. Ltd.** (Taishin FHC) will strengthen the group credit profile. The merger still awaits regulatory approval.
- We affirmed our ratings on Shin Kong FHC and its key subsidiaries with positive outlook. We removed the ratings from CreditWatch, where they were placed with developing implications on Aug. 27, 2024. We also affirmed our issue ratings on the outstanding subordinated debt of Shin Kong Life and **Taiwan Shin Kong Commercial Bank Co. Ltd.** (Shin Kong Bank).
- The positive rating outlook reflects Shin Kong Life's likely stabilizing performance and benefits from the Taishin FHC merger over the next 12-24 months.

### PRIMARY CREDIT ANALYST

**Effie Tsai**  
Taipei  
+886-2-2175-6824  
effie.tsai  
@taiwanratings.com.tw  
effie.tsai  
@spglobal.com

### SECONDARY CONTACT

**Serene Hsieh, CPA, FRM**  
Taipei  
+886-2-2175-6820  
serene.hsieh  
@taiwanratings.com.tw  
serene.hsieh  
@spglobal.com

## Rating Action

Taiwan Ratings Corp. today affirmed its ratings on Shin Kong Life, Shin Kong Bank, Shin Kong FHC, and **MasterLink Securities Corp.** The outlook on the long-term ratings is positive. We removed the ratings from CreditWatch, where they were placed with developing implications on Aug. 27, 2024. (see Ratings List).

## Rationale

**Shin Kong FHC's credit standing will improve if the Taishin FHC merger materializes.** The merger will enhance the market rankings of the combined group, and expand the market share of the key banking, life insurance, and securities subsidiaries. Nonetheless, we remain cautious about the employee replacement plans of the affected entities. Smooth execution of talent retention without jeopardizing the competitiveness of the group will be crucial.

At the same time, synergies from the merger could take time to materialize. It would require effective integration post-merger, considering the scale and complexity of the entities. Key areas of focus include the post-transaction operating performance and capital structure of Shin Kong FHC group, particularly the financial strength and capital management policy of the group's core operating unit, Shin Kong Life. The merger is still awaiting regulatory approvals.

**Shin Kong Life's stabilizing operating performance reduces downside risks to the group credit profile.** After two years of losses, the insurer posted a consolidated after-tax profit of New Taiwan dollar (NT\$) 10.4 billion in 2024 amid somewhat favorable capital market conditions. In addition, active capital enhancement actions pushed up Shin Kong Life's risk-based capital ratio above the minimum regulatory requirement; we estimate the ratio exceeded 220% as of the end of 2024, up from 176% at the end 2023.

**Shin Kong Life's capital adequacy is improving, with a widening capital buffer.** Under S&P Global Ratings' risk adjust capital model, we forecast the insurer will have a slight capital deficiency at the 99.50% confidence level in the next one to two years. This is given Shin Kong Life's modest pace of internal capital generation. That said, we note the insurer's capital buffers have improved on the back of stabilizing earnings.

We believe Shin Kong Life's healthy growth in value in force (present value to future earnings) and controlled expansion with a focus on accumulating contract service margin will support its capital buffer. This could help the insurer to cope with future market volatility and more stringent capital requirements under the new Insurance Capital Standard framework in 2026.

**Shin Kong Life will maintain its strong competitive position over the next two years.** The insurer has maintained its position in the Taiwan's life insurance sector, where it ranks fourth in terms of total premiums and total assets as of Sept. 30, 2024. Shin Kong Life has a well-established brand and satisfactory market share in major products. The good sales contribution from the insurer's agent force also supports our view.

**The group's consolidated credit profile will continue to move in tandem with that of Shin Kong Life.** The insurer remains the flagship unit of the Shin Kong FHC and drives the group credit profile. Shin Kong Bank and MasterLink Securities are respectively core and highly strategic group members. Their credit profile will move in tandem with the group credit profile.

## Outlook

The positive rating outlook on Shin Kong Life, Shin Kong FHC, and the key group units reflects our view of Shin Kong Life's stabilizing earnings performance over the next 12-24 months. It also reflects the benefits if the merger with Taishin FHC group materializes.

We expect Shin Kong FHC group to maintain its competitive position in Taiwan's financial services industry, particularly the life insurance sector. The ratings on Shin Kong Life, Shin Kong FHC, and key group units will move in tandem with the group's consolidated credit profile.

### Downside scenario:

We may revise the rating outlook on Shin Kong Life, Shin Kong FHC, and the key group units to stable if the merger does not materialize.

### Upside scenario:

We may upgrade Shin Kong Life, Shin Kong FHC, and the key group units if we assess that the group credit profile is likely to improve over the next one to two years.

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This could happen if:

- The merger with Taishin FHC Group materializes, with effective management of the large-scale integration; or
- Shin Kong Life enhances its capital buffer and has stable earnings, such that we assess its capital and earnings as satisfactory. This would have to be accompanied by the insurer maintaining its adequate funding structure, stable investment allocation, and strong competitive position, and group's other key entities having stable credit profiles.

## Related Criteria & Research

### Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- 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
- 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

### Related Research

- Taiwan Ratings' Ratings Definitions – Nov. 11, 2021

(Unless otherwise stated, these articles are published on [www.taiwanratings.com](http://www.taiwanratings.com))

## Ratings List

### Rating Affirmed; CreditWatch/Outlook Action

	To	From
<b>Shin Kong Life Insurance Co. Ltd.</b>		
Issuer Credit Rating	twA+/Positive	twA+/Watch Dev
Financial Strength Rating	twA+/Positive	twA+/Watch Dev
Unsecured Subordinated Corporate Bond	twA	twA/Watch Dev
<b>Shin Kong Financial Holding Co. Ltd.</b>		
Issuer Credit Rating	twA/Positive/twA-1	twA/Watch Dev /twA-1
<b>Taiwan Shin Kong Commercial Bank Co. Ltd.</b>		
Issuer Credit Rating	twA+/Positive/twA-1	twA+/Watch Dev/twA-1
Unsecured Subordinated Debenture	twA-	twA-/Watch Dev
<b>MasterLink Securities Corp</b>		
Issuer Credit Rating	twA/Positive/twA-1	twA/Watch Dev/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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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