

Media Release:

Taishin FHC And Key Subsidiaries Ratings Affirmed; Off CreditWatch On Protracted Merger Progress

February 13, 2025

Overview

- The merger of **Taishin Financial Holding Co. Ltd.** (Taishin FHC) and **Shin Kong Financial Holding Co. Ltd.** (Shin Kong FHC) groups continues to progress pending regulatory approvals. We now anticipate a time horizon of 12-18 months to evaluate the rating direction of the combined group, and to gain more clarity over the groups' operational integration and post-merger business and financial plans.
- We affirmed our ratings on Taishin FHC, **Taishin International Bank Co. Ltd.** (Taishin Bank), and **Taishin Life Insurance Co. Ltd.** and removed the ratings from CreditWatch where we placed them on Aug. 27, 2024, following the merger announcement.
- The negative outlook for Taishin FHC and Taishin Life reflects potential weakening in the credit profile of Taishin FHC group following the merger with the financially weaker Shin Kong FHC group.
- The outlook for Taishin Bank is developing because we believe the rating direction for the bank could be positive, unchanged, or negative, subject to the merger's execution. Our ratings on the bank could factor in potential government support, given the meaningful domestic deposit share of the combined banking entity post-merger.

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Rating Action

Taiwan Ratings Corp. today affirmed its issuer credit ratings on Taishin FHC and Taishin Life with a negative long-term rating outlook. At the same time, we affirmed our issuer credit ratings on Taishin Bank with a developing outlook on the long-term rating. We removed all the ratings from CreditWatch where we placed them on Aug. 27, 2024 (see ratings list).

Rationale

We affirmed the ratings and removed them from CreditWatch because we believe the proposed merger requires more time to conclude, giving us more time to assess the rating direction. This includes the receipt of regulatory approval as well as the release of more details on operational integration and post-merger business and financial plans.

We believe the process to evaluate the rating direction of the combined group will require a further 12-18 months as the merger progresses. This compares with our initial expectation of three to six months. We had originally placed the ratings on CreditWatch on Aug. 27, 2024, following the merger announcement.

We continue to believe that the merger will weaken Taishin FHC's group credit profile. The credit profile of Taiwan-based Shin Kong Financial Holding Co. Ltd. (Shin Kong FHC; twA/Positive/twA-1) group is weaker than that of Taishin FHC, and Shin Kong FHC group will constitute a significant portion of the combined group profile.

We also believe that Taishin FHC may require additional resources to manage the post-merger integration, given the large scale of both financial groups that involves a wide variety of operating units. This is despite our view that the merger will enhance the market rankings of the combined group, and greatly expand the market share of key banking, life insurance, and securities subsidiaries.

However, synergies from the merger are only likely to materialize through effective integration post-merger.

In addition, we await further clarity over the financial management of the combined post-merger group, if the merger materializes. This includes the capital structure and financial strength of the combined life insurance subsidiaries, as well as the post-transaction operating performance of the combined group.

Moreover, the ratings on Taishin Bank could benefit from government support post-merger. That's because of the meaningful share of domestic deposit that the combined banking unit will hold after the integration of Taiwan Shin Kong Commercial Bank Co. Ltd. (Shin Kong Bank; twA+/Positive/twA-1). We estimate the deposit market share could reach 5%-6%; however, the rating direction of Taishin Bank remains subject to the effectiveness and execution of the merger.

The merger has been approved by the shareholders of both groups, with regulatory approval still pending.

Outlook

The negative rating outlook on Taishin FHC and Taishin Life reflects our view that Taishin FHC group's post-merger group credit profile could weaken after integration of the financially weaker Shin Kong FHC group over the next two years. The ratings on Taishin FHC and Taishin Life will move in tandem with the post-merger group credit profile.

The developing outlook on Taishin Bank reflects our view that the rating direction for the bank could be positive, unchanged, or negative, subject to the execution of the merger with Shin Kong Bank. In addition, the ratings on the bank could factor in potential government support if the combined banking unit achieves a meaningful domestic deposit share.

Downward scenario

- We may lower our ratings on Taishin FHC and Taishin Life if we believe the Taishin FHC group's credit profile has weakened post-merger.
- We may lower our ratings on Taishin Bank if the merger materializes but the combined banking unit does not maintain its deposit market share within our forecast of 5%-6%.

Upward scenario

- We may revise the outlook on Taishin FHC, Taishin Bank and Taishin Life to stable if the proposed merger fails, such as through the failure to receive regulatory approval.
- We may also revise the outlook on Taishin FHC and Taishin Life to stable if we assess the group can sustain its consolidated credit profile following the merger, while at the same time effectively managing the large-scale integration and capital needs of the combined life insurance unit.

- We may upgrade Taishin Bank if the merger materializes, and we assess the combined banking unit's credit profile has strengthened with substantially expanded scale and earnings stability. Under such a scenario, we will factor in a degree of government support, given the combined banking unit's moderate systemic importance.

Related Criteria & Research

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- 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
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019

Related Research

- Taiwan Ratings' Ratings Definitions – Nov 11, 2021

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

Ratings List

CreditWatch; Outlook Action

	To	From
Taishin Financial Holding Co. Ltd.		
Issuer Credit Rating	twA+/Negative/twA-1	twA+/Watch Neg/twA-1
Taishin International Bank Co. Ltd.		
Issuer Credit Rating	twAA-/Developing/twA-1+	twAA-/Watch Dev/twA-1+
Taishin Life Insurance Co. Ltd.		
Issuer Credit Rating	twAA-/Negative	twAA-/Watch Neg
Financial Strength Rating	twAA-/Negative	twAA-/Watch Neg

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