

Media Release:

# Shin Kong FHC, Shin Kong Life And Key Subsidiaries Upgraded On Taishin FHC Merger

May 22, 2025

## Overview

- Taiwan-based **Shin Kong Financial Holding Co. Ltd.** (Shin Kong FHC) group will be delisted and its group entities will merge with **Taishin Financial Holding Co. Ltd.** (Taishin FHC) group on July 24, 2025.
- We align the Shin Kong FHC group credit profile with that of Taishin FHC to reflect our view of the post-merger group credit profile. We believe **Shin Kong Life Insurance Co. Ltd.** and **Taiwan Shin Kong Commercial Bank Co. Ltd.** (Shin Kong Bank) will remain core entities post-merger, and **MasterLink Securities Corp.** will remain a highly strategic member under the new group TS Financial Holding Co. Ltd. (TS FHC).
- We raised our various ratings on Shin Kong FHC, Shin Kong Life, Taiwan Shin Kong Bank and MasterLink Securities to reflect their group status and planned merging with respective entities under Taishin FHC group. At the same time, we raised our issue credit ratings on the outstanding subordinated debts of Shin Kong Life and Shin Kong Bank.
- The negative outlook on Shin Kong FHC, Shin Kong Life, and MasterLink Securities reflects potential weakening in the credit profile of TS FHC group after merging with the financially weaker insurer. The developing outlook on Shin Kong Bank is identical to the outlook on Taishin International Bank to reflect uncertainties over the merger's execution and the potential for government support.

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## Rating Action

Taiwan Ratings Corp. today raised its ratings on Shin Kong FHC, Shin Kong Life, Taiwan Shin Kong Commercial Bank, and MasterLink Securities. At the same time, we raised our issue credit ratings on the outstanding subordinated debts of Shin Kong Life and Shin Kong Bank (see Ratings List).

## Rationale

**The credit profile Shin Kong FHC group is now equalized to that of Taishin FHC group.** This reflects our view that the merger would enhance the group's market ranking and expand the market share of the key banking, life insurance, and securities subsidiaries. We believe these benefits will temper the downward pressure from the weaker financial profile of Shin Kong Life relative to the wider TS FHC group.

**The upgrade action for Shin Kong FHC, Shin Kong Life, Shin Kong Bank, and MasterLink Securities reflects their group status under the new TS FHC group.** We believe Shin Kong Life and Shin Kong Bank will remain core members under the wider TS FHC group while MasterLink Securities will maintain its highly strategic role.

We expect Shin Kong Life's capital and earnings strength to remain at a fair level over the next two years. This takes into consideration the insurer's above-average earnings volatility and uncertainties over financial changes as the sector adopts new accounting standards in 2026. We therefore assess the financial risk profile as fair.

That said, Shin Kong Life's capital redundancy under our moderate stress scenario has a 99.5% confidence level, which is better than our previous estimate of its capital deficiency at the same stress level. The insurer's capital buffer has improved on the back of a series of capital injections and profit accumulation in 2024.

Shin Kong Life could see its funding structure come under strain in 2025, following reported losses in the first four months of the year. This followed heightened foreign exchange costs and the adoption of a new foreign exchange volatility reserve mechanism. But, in our view, the insurer will maintain its adequate debt-servicing ability despite above-average earnings volatility and additional financial obligations.

The ratings on Shin Kong Life also reflect its satisfactory business position. The insurer reported 19% growth in premiums and 23% growth in its contract service margin (CSM) in 2024. The steady generation of CSM reflects preparations for the adoption of International Reporting Standard (IFRS) 17 and Insurance Capital Standard (ICS) in 2026.

The ratings on Shin Kong Bank reflect our view of implicit support from the financially stronger parent group post-merger, the bank's strong capitalization relative to risk profile, and satisfactory asset quality. Counterbalancing factors include the bank's relatively small scale and lower earnings margin than regional peers.

The ratings on MasterLink Securities reflect the potential post-merger support from TS FHC group as a highly strategic entity, the broker's strong capitalization relative to risk profile, and satisfactory market position in securities products and services. Counterbalancing factors include MasterLink Securities' high reliance on short-term, confidence-sensitive funding sources and the inherent volatility of its earnings profile.

## Outlook

The negative rating outlook on Shin Kong FHC, Shin Kong Life, and MasterLink Securities reflects our view that the 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 Shin Kong FHC, Shin Kong Life and MasterLink Securities will move in tandem with the post-merger group credit profile.

The developing outlook on Shin Kong Bank reflects our view that the rating direction of the consolidated bank could be positive, unchanged, or negative, subject to the execution of the merger with Taishin International 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 Shin Kong FHC, Shin Kong Life, and MasterLink Securities if we believe the credit profile of the combined groups has weakened.

We may lower our ratings on Shin Kong Bank if we believe the credit profile of the combined groups has weakened and the combined banking unit does not maintain its deposit market share within our forecast of 5%-6%.

#### Upward scenario

We may revise the outlook to stable on Shin Kong FHC, Shin Kong Life, and MasterLink Securities if we assess the group can maintain its consolidated credit profile post-merger, while effectively managing the large-scale integration and capital needs of the combined life insurance unit.

We may upgrade Shin Kong Bank if 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 in Taiwan.

We may upgrade MasterLink Securities if we believe its importance to the post-merger group reaches core status. This would be demonstrated by the broker's meaningful contribution to and solid integration with TS FHC group.

## Related Criteria & Research

### Related Criteria

- 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 | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions - February 10, 2025
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Principles Of Credit Ratings - February 16, 2011

## 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

### Upgraded; Outlook

	To	From
<b>Shin Kong Life Insurance Co. Ltd.</b>		
Issuer Credit Rating	twAA-/Negative	twA+/Positive
Financial Strength Rating	twAA-/Negative	twA+/Positive
Unsecured Subordinated Corporate Bond	twA+	twA
<b>Shin Kong Financial Holding Co. Ltd.</b>		
Issuer Credit Rating	twA+/Negative/twA-1	twA/Positive/twA-1
<b>Taiwan Shin Kong Commercial Bank Co. Ltd.</b>		
Issuer Credit Rating	twAA-/Developing/twA-1+	twA+/Positive/twA-1
Unsecured Subordinated Debenture	twA	twA-
<b>MasterLink Securities Corp</b>		
Issuer Credit Rating	twA+/Negative/twA-1	twA/Positive/twA-1

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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