

Research Update:

# Ratings On Fubon Financial Holding Co. Ltd. And Fubon Life Insurance Co. Ltd. Affirmed; Outlook Negative

October 29, 2020

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on **Fubon Financial Holding Co. Ltd.** (Fubon FHC), as well as the 'twAA' issue rating on the holding company's various unsecured senior corporate bonds. At the same time, we affirmed the 'twAA+' long term issuer credit rating and financial strength rating on **Fubon Life Insurance Co. Ltd.** The outlook on the long-term ratings is negative.

The ratings on Fubon Life continue to reflect the insurer's better earnings resilience and good domestic market position compared with other life insurers domestically. However, we assess Fubon Life's capitalization to be only fair, which although in line with the local peer average, is slightly weaker than that of its international peers. This is despite our assessment of Fubon Life's capital and earnings as satisfactory after consideration of the insurer's track record on asset and liability risk control, as well as the managed market risk volatility of its domestic equity investments. Conversely, Fubon Life Insurance's investment leverage and foreign exchange risk exposure are comparatively higher than that of its regional peers, which makes the insurer susceptible to global capital market volatility.

Our assessment of Fubon FHC's group credit profile largely reflects the stand-alone credit profile of its key and flagship subsidiary, Fubon Life. The insurer accounted for around 45% of the group's net worth and over half of its profits on an average basis over the past five years. The ratings on Fubon FHC reflect the group's strong market position and diversified business profile in Taiwan's life and non-life insurance, bank, and securities sectors. The ratings also reflect the group's better earnings resilience due to its diversification benefits compared to other financial holding companies domestically. Counterbalancing these strengths is Fubon Life's modest capitalization level, albeit a common feature among Taiwan-based life insurers. The ratings on the holding company also reflect its subordination to the group's core entities.

### PRIMARY CREDIT ANALYST

**Patty Wang**

Taipei

+886-2-8722-5823

patty.wang

@taiwanratings.com.tw

patty.wang

@spglobal.com

### SECONDARY CONTACT

**Serene Hsieh, CPA, FRM**

Taipei

+886-2-8722-5820

serene.hsieh

@taiwanratings.com.tw

serene.hsieh

@spglobal.com

## Related Criteria & Research

### Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- TRC Financial Services Issue Credit Rating Criteria - July 31, 2019
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions - July 01, 2019
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010

### Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020
- Outlook On Fubon Financial Holding And Most Subsidiaries Revised To Negative On Rising Investment Risk; Ratings Affirmed – April 29, 2020

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

## Ratings List

### Ratings Affirmed

#### Fubon Financial Holding Co. Ltd.

Issuer Credit Rating	twAA/Negative/twA-1+
Unsecured Senior Corporate Bonds	twAA

#### Fubon Life Insurance Co. Ltd.

Issuer Credit Rating	twAA+/Negative
Financial Strength Rating	twAA+/Negative

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).

# Research Update: Ratings On Fubon Financial Holding Co. Ltd. And Fubon Life Insurance Co. Ltd. Affirmed; Outlook Negative

Copyright © 2020 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, [www.taiwanratings.com](http://www.taiwanratings.com) (free of charge), and [rrs.taiwanratings.com.tw](mailto:rrs.taiwanratings.com.tw) (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.