

Bulletin:

China Development Financial Holding Corp. Can Absorb The China Life Acquisition

August 16, 2021

This report does not constitute a rating action.

Taiwan Ratings Corp. said today that **China Development Financial Holding Corp.** (twAA-/Stable/twA-1+) has sufficient financial buffer to absorb its planned acquisition of **China Life Insurance Co. Ltd.** as a 100% owned insurance subsidiary. We do not anticipate any change in the group credit profile after the full ownership because we already view China Life as a core subsidiary, which will remain the dominant contributor to the group credit profile. We believe the franchise linkage, potential resource sharing, and cross selling activities between China Life and other group members will accelerate after China Life becomes fully owned by the group.

We expect the financial holding company's financial leverage to be manageable post the acquisition because the company will fund the merger in a share swap transaction. China Development Financial Holding will acquire all outstanding shares of China Life through a combination of common shares and preferred shares issuance as well as a cash payment. We estimate the holding company's double leverage ratio will increase to 120%-125% after the acquisition, from 117% as of the end of June 2021. The acquisition plan is subject to approval of its shareholders' meeting and regulator.

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