

Bulletin:

# Cathay FHC Share Issue To Boost Insurance Units' Capital Strength

October 24, 2022

Taiwan Ratings Corp. said today that **Cathay Financial Holding Co. Ltd.'s** planned share issue could beef up the capital strength of its insurance arm but would only slightly boost the group's capitalization.

On Oct. 20, 2022, Cathay Financial Holding (twAA/Stable/twA-1+) group announced its capital plan to issue up to 1.5 billion new common shares. The group intends to use the proceeds from the share issue to beef up the capital strength of its life and non-life insurance units, **Cathay Life Insurance Co. Ltd.** (twAA+/Stable/--) and **Cathay Century Insurance Co. Ltd.** (twAA+/Stable/--), respectively.

The total value of the proceeds from the share issue will be subject to the final pricing of the issuance. Nonetheless, we estimate the likely proceeds to be injected into Cathay Life will account for only about 3% of Cathay Life's total adjusted capital (TAC) as of June 30, 2022. Therefore, the capital plan has no impact on our ratings or outlook on the insurer. In our calculation for TAC, we exclude unrealized gains or losses on fixed income investments meant to be held long-term to match their insurance liabilities. In addition, the capital plan does not significantly alter our overall assessment of the group credit profile, which mirrors our credit assessment for Cathay Life. That's because of the insurer's dominant role in the group credit profile in terms of assets and profit contribution.

This report does not constitute a rating action.

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