

Research Update:

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

October 26, 2022

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on Taiwan-based **Fubon Financial Holding Co. Ltd.** (Fubon FHC). At the same time, we affirmed the 'twAA+' long term issuer credit rating and financial strength rating on **Fubon Life Insurance Co. Ltd.**, which is Fubon FHC's life insurance subsidiary. The outlook on the long-term ratings is stable.

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 about 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 fair capitalization level, albeit a common feature among Taiwan-based life insurers.

The long-term issuer rating on Fubon FHC is one notch lower than the ratings on the group's core entities on a global rating scale, to reflect the holding company's structural subordination to the group's core entities. This compares favorably with generally a two to three notch gap between an insurance group holding company and its core units. The single notch difference reflects Fubon FHC's direct control over multiple material operating units such that non-insurance operations have contributed on average about 45% of the group's overall profits

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historically. We consider these operating entities as sufficiently diverse and independent, such that suspension of cash flows from any of them would not substantially weaken the holding company's financial position. We also acknowledge the limited regulatory restrictions on cash flows between group members and between operating units and holding companies in Taiwan.

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021
- (Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Fubon Financial Holding Co. Ltd.

Issuer Credit Rating	twAA/Stable/twA-1+
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Fubon Life Insurance Co. Ltd.

Issuer Credit Rating	twAA+/Stable
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Financial Strength Rating	twAA+/Stable
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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 for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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