

Media Release:

Shin Kong FHC And Key Operating Unit Ratings Placed On CreditWatch Developing On Merger Announcement

August 27, 2024

(Editor's note: In an earlier published version, the related criteria section was incomplete. A corrected version follows.)

Overview

- On Aug. 22, 2024, **Shin Kong Financial Holding Co. Ltd.** (Shin Kong FHC) and **Taishin Financial Holding Co. Ltd.** (Taishin FHC) groups announced a merger agreement through a share swap.
- One day later, CTBC Financial Holding Co. Ltd. (CTBC FHC) announced the first stage of a potential acquisition of Shin Kong group via a tender offer to acquire up to 51% of Shin Kong FHC's shares.
- Both cases remain subject to regulatory approval.
- We placed our ratings on various entities of the Shin Kong FHC group on CreditWatch with developing implications.
- We expect to resolve the CreditWatch placement when we have sufficient clarity over the operations and financial structure of the combined group post-merger as well as the acquiring group's capital management policy with respect to Shin Kong Life, the core operating unit of Shin Kong FHC group.

Rating Action

Taiwan Ratings Corp. today placed its issuer credit ratings on **Shin Kong Life Insurance Co. Ltd.**, **Taiwan Shin Kong Commercial Bank Co. Ltd.**, Shin Kong FHC, and **MasterLink Securities Corp.** on CreditWatch with developing implications (see Ratings List).

Rationale

The CreditWatch placement reflects our view of the uncertain outcome of a potential merger between either Taishin FHC or CTBC FHC with Shin Kong FHC group. The CreditWatch developing listing indicates that we could affirm, lower, or raise our ratings on the various entities of Taiwan-based Shin Kong FHC group. This depends on not only shareholder and regulatory approval of each transaction but also our assessment of the effect of these transactions on each operating unit's financial and business risk profiles. Key areas of focus include the post-transaction operating performance and capital structure of Shin Kong FHC group, particularly the financial strength and capital management policy of the group's core operating unit, Shin Kong Life.

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On Aug. 22, 2024, Taishin and Shin Kong groups announced a merger agreement through which Taishin will issue new common shares and swap 0.6022 common shares for each share of Shin Kong FHC. The transaction remains subject to shareholder approval at a meeting to be held on Oct. 9, 2024, as well as approval from Taiwan's financial regulator. If the merger is finalized, Taishin FHC will be the surviving company and will rename as TS Financial Holding Co. Ltd.

Meanwhile, on Aug. 23, 2024, the Board of CTBC Financial Holding Co. Ltd. (CTBC FHC) passed a tender offer plan to acquire up to 51% of the common shares of Shin Kong FHC in the open market once it receives regulatory approval. This would form the first stage in a potential acquisition of Shin Kong FHC group. According to the press conference, the tender offer is a combination of new Taiwan dollar (NT\$) 4.09 in cash and 0.3231 common share swap for each share of Shin Kong FHC.

Credit Watch

We expect to resolve the CreditWatch placement when we have sufficient additional information on the proposed operations and capital structure of the various units of the Shin Kong FHC group post-merger. We could raise our ratings on the various key operating units if we believe the merger will strengthen the Shin Kong group credit profile, mostly through the financial resources under a financially stronger parent. The ratings would remain unchanged if the merger does not materialize.

We could lower our ratings on the key group units if the merger does not materialize and we believe that Shin Kong Life cannot maintain its financial profile due to unexpected market volatility. We anticipate resolving the CreditWatch placement by transaction close.

Related Criteria & Research

Related Criteria

- 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: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

Related Research

- Taiwan Ratings' Ratings Definitions – Nov. 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

CreditWatch

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

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