

Media Release:

Taishin D.A. Finance Ratings Remain On CreditWatch Negative Due To Parent Group Merger

October 23, 2024

Overview

- The upcoming merger of Taishin FHC group and Shin Kong Financial Holding Co. Ltd. (Shin Kong FHC) groups is likely to weaken the Taishin FHC group credit profile.
- We placed our ratings on **Taishin D.A. Finance Co. Ltd.** on CreditWatch with negative implications on Aug. 27, 2024.
- We continue to assess the company's capital and earnings as very strong, considering the capital policy of the parent group toward Taishin D.A. Finance.
- We expect to resolve the CreditWatch placement once we have more clarity on the merger process, as well as the execution of future business strategies, financial management and operational integration of the combined group.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twA+' long-term and 'twA-1' short-term issuer credit ratings on **Taishin D.A. Finance Co. Ltd.** The affirmation reflects our view that the ratings on Taishin D.A. Finance will move in tandem with the **Taishin Financial Holding Co. Ltd.** (Taishin FHC) group credit profile. The ratings remain on CreditWatch with negative implications.

Rationale

We expect Taishin D.A. Finance to maintain very strong capitalization through a supportive capital policy from the parent group over the next one to two years. That's despite the finance company's risk adjusted capital (RAC) ratio has dropped and remained below 15% since the end of 2023. We believe Taishin FHC will adopt a proactive capital plan to restore Taishin D.A. Finance's capitalization and sustain the company's RAC ratio above 15% in 2025. A RAC ratio of 15% is the lower threshold for our assessment of very strong capitalization.

The ratings on Taishin D.A. Finance continue to reflect our view of potential financial support from the parent group, if needed, given our view of the company's strategic importance to the group's business strategy. The ratings also reflect the finance company's very strong capitalization. Taishin D.A.'s smaller business scale and less comprehensive risk framework compared with local banks temper these strengths.

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CreditWatch

The CreditWatch placement with negative implication reflects our view that the rating on Taishin D.A. Finance will move in tandem with the group credit profile. We anticipate the group credit profile will weaken following the upcoming merger with Shin Kong FHC group, given the weaker financial profile of the latter.

We may remove the CreditWatch placement and affirm the ratings on Taishin D.A. Finance if the upcoming deal does not materialize, such as through the failure to receive regulatory approval. We may also remove the CreditWatch placement and affirm the ratings if Taishin FHC group can sustain its consolidated credit post-merger, while at the same time effectively managing the large-scale integration and capital needs of the group's combined life insurance unit.

Under the affirmation scenario, the outlook on Taishin D.A. Finance would be negative to reflect pressure on its consolidated capitalization, if the parent group cannot execute its capital strengthening plan in a timely manner.

We may remove the CreditWatch placement and lower the ratings on Taishin D.A. Finance if we assess the merger with the financially weaker Shin Kong FHC group weakens the post-merger Taishin FHC group credit profile.

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Media Release: Taishin FHC And Key Subsidiary Ratings Placed On CreditWatch Following Merger Announcement – Aug. 27, 2024
- Taiwan Ratings' Ratings Definitions – Nov. 11, 2021

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

Ratings List

CreditWatch

Taishin D.A. Finance Co. Ltd.

Issuer Credit Ratings

twA+/Watch Neg/twA-1

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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