

Media Release:

E.SUN FHC Ratings Kept On CreditWatch On Potential Merger Impact; E.SUN Bank Ratings Affirmed With Stable Outlook

June 25, 2026

Overview

- Shareholders of **E.SUN Financial Holding Co. Ltd.** (E.SUN FHC) and Mercuries Life Insurance Co. Ltd. have approved a merger of the two companies. The transaction remains subject to regulatory approval.
- We have kept our 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on E.SUN FHC on CreditWatch with negative implications, given that the merger with financially weaker Mercuries Life may weaken E.SUN FHC's credit profile.
- At the same time, we affirmed our 'twAA+' long-term and 'twA-1+' short-term issuer credit ratings on **E.SUN Commercial Bank Ltd.** (E.SUN Bank), as well as our 'twA+' issue credit rating on the bank's subordinated unsecured debenture. We believe the bank will maintain strong capitalization and continue to receive government support in times of financial stress. The outlook on the long-term rating is stable.
- We expect to resolve our CreditWatch placement on E.SUN FHC once we have more clarity on the merger process.

Rating Action

Taiwan Rating Corp. today kept its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on E.SUN FHC on CreditWatch with negative implications, where we originally placed them on Nov. 6, 2025. At the same time, we affirmed our 'twAA+' long-term and 'twA-1+' short-term issuer credit ratings on E.SUN Bank, as well as our 'twA+' issue credit rating on the bank's subordinated unsecured debenture. The outlook on the long-term rating remains stable.

Rationale

The proposed merger is likely to weaken E.SUN FHC's group credit profile. We assess the financial profile of Mercuries Life to be weaker than that of E.SUN FHC. On a pro forma basis, Mercuries Life will account for about 30% of the combined group's assets and 10% of its combined capital. We believe any synergies from the merger will only materialize through effective integration post-merger.

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E.SUN FHC may require additional resources to manage the post-merger capital needs of the life insurance subsidiary without jeopardizing the group's consolidated credit profile. E.SUN FHC has announced a NT\$22 billion capital injection plan to enhance Mercuries Life's capitalization and fulfill the local regulatory solvency requirement post-merger.

We believe E.SUN Bank can maintain its credit strength despite the parent's merger with Mercuries Life. The ratings on E.SUN Bank will continue to benefit from potential government support due to the bank's moderate systemic importance in Taiwan, despite the potential weakening of the E.SUN FHC group credit profile post-merger.

E.SUN Bank's risk-adjusted capital (RAC) ratio decreased to 9.7% as of Dec. 31, 2025, from 10.9% a year earlier. This was due to the bank's higher dividend payout and the application of a revised Basel III standardized approach in calculating regulatory capital, which increased the bank's trading book risk-weighted assets under our RAC framework. We forecast the bank will send cash dividends upstream to the holding company with a 30%-50% payout ratio over the next two years to support the wider group's capital needs. We also believe the bank's RAC ratio could drop to 9.5%-10.0% over the same period. Nonetheless, we believe the bank's prudent capital management will help to sustain its capitalization at a strong level, with additional support from the bank's good risk-adjusted core earnings driven by stable revenues sources and record of low credit losses.

The ratings on E.SUN Bank continue to reflect the bank's moderate systemic importance in Taiwan. We continue to see a moderately high likelihood of support from the Taiwan government to the bank in times of financial stress, given E.SUN Bank's good retail franchise and satisfactory presence in the fragmented domestic banking sector.

CreditWatch

E.SUN FHC

We expect to resolve the CreditWatch placement when we have more clarity on the merger progress.

We may affirm the ratings on E.SUN FHC if the proposed deal does not materialize, such as through the failure to receive regulatory approval, or if we assess E.SUN FHC could significantly improve the capitalization of Mercuries Life without weakening the group's credit profile.

We may lower our ratings on E.SUN FHC if we believe the merger has weakened the post-merger group credit profile.

Outlook

E.SUN Bank

The stable rating outlook on E.SUN Bank reflects our view of a moderately high likelihood that the Taiwan government will provide support for the bank should it face financial distress. That's because of E.SUN Bank's good retail franchise and considerable presence in Taiwan's fragmented banking sector.

In addition, we believe E.SUN Bank will maintain strong capitalization with strong risk-adjusted core earnings and a RAC ratio of close to 10% over the next two years, supported by the bank's prudent capital policy. Furthermore, we anticipate E.SUN Bank maintaining adequate asset quality and profitability despite above-average business growth over the past few years.

Moreover, we see E.SUN Bank continuing to play a dominant role in the credit profile of E.SUN FHC group.

Downward scenario

We view the likelihood of a downgrade to be remote over the next two years.

Upward scenario

We similarly view the likelihood of an upgrade to be remote over the next two years.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 5, 2026
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

CreditWatch

E.SUN Financial Holding Co. Ltd.

Issuer Credit Rating	twAA-/WatchNeg/twA-1+
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Ratings Affirmed

E.SUN Commercial Bank Ltd.

Issuer Credit Rating	twAA+/Stable /twA-1+
Subordinated Unsecured (with non-viability)	twA+

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