Media Release:

E.SUN Financial Holding 'twAA-/twA-1' Ratings Affirmed; Off WatchNeg; Outlook Negative On Merger Execution Risk

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Overview

- The Financial Supervisory Commission in Taiwan has approved the proposed merger between **E.SUN Financial Holding Co. Ltd.** (E.SUN FHC) and Mercuries Life Insurance Co. Ltd.
- As a result, we affirmed our 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on E.SUN FHC and removed the ratings from CreditWatch, where we placed them with negative considerations on Nov.6, 2025, following the initial merger announcement.
- The outlook on E.SUN FHC is negative to reflect our view of a one-in-three likelihood that the post-merger group credit profile will weaken over the next two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on E.SUN FHC and removed all ratings from CreditWatch where we placed them with negative credit considerations on Nov. 6, 2025. The outlook on the 'twAA-' long-term rating is negative.

Rationale

The affirmation reflects our view that the E.SUN FHC group credit profile remains unchanged on a consolidated basis, which reflects the combined stand-alone credit profiles of the group's banking unit, E.SUN Commercial Bank Ltd. and merger target Mercuries Life. We believe E.SUN Bank can maintain its capital and earnings at a strong level over the next one to two years while the financial profile of Mercuries Life could improve following a new Taiwan dollar (NT$) 22 billion capital injection from E.SUN FHC. We forecast the post-merger E.SUN FHC group will become the sixth largest financial holding company in Taiwan and have three business engines--banking, life insurance, and securities businesses. E.SUN FHC group will remain a bank-centric group post-merger, with E.SUN Bank serving as the primary driver of the consolidated group credit profile, supplemented by the contribution from Mercuries Life.

On a pro-forma basis, the post-merger return on average assets for E.SUN FHC is 0.6% as of the end of 2025, which is slightly below the domestic industry average of 0.67% at the same time. In our base case scenario, the holding company could gradually improve its profitability over the next two years, while at the same time maintaining its double leverage ratio at a level close to the domestic industry average of around 116%. The double leverage ratio measures the parent's equity investment in its subsidiaries as a proportion of its total equity. We estimate the bank will contribute about 80% of the group's consolidated post-merger credit profile, with the life subsidiary contributing the remaining 20% and a limited contribution from the group's securities subsidiary. The life insurer's business growth and contract service margin are likely to trend upward under the support by the group's resources over the next few years.

Outlook

The negative rating outlook on E.SUN FHC reflects our assessment of a one-in-three likelihood that the holding company will fail to maintain its credit profile over the next two years. Potential deterioration in the group credit profile could result from the increasing influence of financially weaker Mercuries Life under its aggressive growth strategy, the insurer's failure to achieve profitable growth, difficulties for the group to attain synergies from the merger, or a deterioration in E.SUN FHC's double leverage ratio due to its subsidiaries rising capital demands.

Downward scenario

We may lower the rating on E.SUN FHC if any of the following occurs:

- The merger fails to deliver beneficial operational synergies;
- The weaker life insurance unit exerts a substantial increase in influence over the group credit profile than we had forecast due to aggressive and unprofitable growth;
- The double leverage ratio increases and becomes worse than the domestic peer average; or
- The group credit profile deteriorates due to weakening of the stand-alone credit profile of either E.SUN Bank or Mercuries Life.

Upward scenario.

We could revise E.SUN FHC's outlook back to stable if the group can effectively integrate with and materialize synergies from the merger over the next two years. At the same time, E.SUN Bank would need to maintain its strong capital and earnings, with Mercuries Life maintain profitable growth over the same period.

Related Criteria & Research

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions - October 13, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - May 05, 2026
- 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: 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

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

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
E.SUN Financial Holding Co. Ltd.		
Issuer Credit Ratings	twAA-/Negative/twA-1+	twAA-/WatchNeg/twA-1+