

Media Release:

Union Finance & Leasing Outlook Revised To Negative On Potentially Weakened Capitalization; 'twA/twA-1' Ratings Affirmed

October 7, 2026

Overview

- We assess **Union Finance & Leasing (Int'l) Corp.'s** asset quality has deteriorated over the past few quarters, due to sizeable payment delinquency from concentrated exposure. We have therefore revised our risk position assessment for the company to constrained from moderate.
- We believe a possible rise in credit costs could weaken Union Finance & Leasing's capital strength. We acknowledge the parent, Union Bank of Taiwan, is strongly committed to injecting capital into the leasing subsidiary as needed; however, it remains unclear if the timing and size of such an injection will be sufficient to sustain the subsidiary's strong capitalization.
- We have therefore revised the rating outlook on Union Finance & Leasing to negative from stable to reflect a one-in-three chance that we could revise downward our assessment of the company's capital to adequate from strong over the next two years.
- At the same time, we affirmed our 'twA' long-term rating and 'twA-1' short-term issuer credit ratings on Union Finance & Leasing.

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Rating Action

Taiwan Ratings Corp. today revised its outlook on the long-term issuer credit rating on Union Finance & Leasing to negative from stable. At the same time, we affirmed the 'twA' long-term and 'twA-1' short-term issuer credit ratings on the company.

Rationale

The negative outlook revision reflects our view that Union Finance & Leasing's capital strength could weaken without a sufficient and timely capital injection. Union Finance & Leasing could require a sufficient and timely capital injection to sustain its capitalization at a strong level amid potentially higher credit costs over the next one to two years. While the parent, Union Bank of Taiwan, has a proven track record demonstrating its strong commitment to meet the subsidiary's capital needs through financial support, the timing and size of a proposed capital injection relative to the additional credit costs remain unclear. We therefore see a one-in-three chance that the company's capital strength, as measured by its risk-adjusted capital (RAC) ratio, could decline to below 10% over the next two years without sufficient and timely capital support.

Weakened risk position due to its higher risk and client concentration than industry peers. The company's lending is concentrated on a very few names. Moreover, its asset quality has deteriorated with some sizeable delinquent payments as of the end of June 2026, with the majority of its nonperforming assets linked to those names. We believe this risk concentration exposes the finance and leasing company to higher risks, especially when its nonperforming assets are also concentrated in a few names. We have therefore revised downward our assessment of the company's risk position to constrained from moderate.

The ratings affirmation reflects Union Finance's strategically important role within the group. We believe the financing and leasing subsidiary is likely to receive financial support from the parent in times of financial distress. We assess Union Finance & Leasing as a strategically important unit of the Union Bank of Taiwan group because the subsidiary fits the parent's strategy to offer leasing services in Taiwan and Japan. Union Finance & Leasing accounted for about 4.0% of the group's capital and contributed 2.1% of net profits in 2025.

Outlook

The negative rating outlook on Union Finance & Leasing reflects one-in-three likelihood that the company's capitalization could weaken to adequate from strong over the next two years. That's because of potentially higher credit costs over the period without a timely and concrete capital injection plan from the parent Union Bank of Taiwan group.

Downside scenario

We may lower the long-term rating on Union Finance & Leasing if the company's capitalization weakens, as measured by the RAC ratio falling below 10% over the next two years, without a concrete and timely capital injection plan from Union Bank of Taiwan.

Upside scenario

We may revise the negative outlook on Union Finance & Leasing back to stable if the company's RAC ratio remains above 10% over the next two years. This would require a timely capital injection from the parent, Union Bank of Taiwan, relative to the subsidiary's potential credit costs.

Related Criteria

- 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; Outlook Revision

	To	From
Union Finance & Leasing (Int'l) Corp.		
Issuer Credit Rating	twA/Negative/twA-1	twA/Stable/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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