

Media Release:

Union Finance & Leasing (Int'l) Corp. Upgraded To 'twA/twA-1' Following Similar Parent Action; Outlook Stable

February 15, 2022

Overview

- In December 2021, Taiwan Ratings raised its long-term issuer credit rating on Union Bank of Taiwan to 'twA+' from 'twA' with a stable outlook.
- We are raising our issuer credit ratings on Union Finance & Leasing to 'twA/twA-1' from 'twA-/twA-2' to reflect our view that the parent bank would provide the leasing subsidiary with some financial support, if needed.
- The rating outlook is stable.
- At the same time, we have reviewed the leasing company's stand-alone credit profile under our revised criteria.

Rating Action

Taiwan Ratings Corp. today raised its issuer credit ratings on **Union Finance & Leasing (Int'l) Corp.** to 'twA/twA-1' from 'twA-/twA-2' following our earlier upgrade of the parent, **Union Bank of Taiwan**. The outlook on the long-term rating is stable.

At the same time, we reviewed Union Finance & Leasing's stand-alone credit profile following a revision to our methodology for rating financial institutions (see "Financial Institutions Rating Methodology," published on Dec. 9, 2021).

Rationale

The upgrade action on Union Finance & Leasing follows our similar rating action on the parent bank. That is because we believe the parent bank is likely to extend some financial support to the subsidiary, if needed. This view is supported by our assessment that Union Finance & Leasing plays a strategic important role within the parent group's business development plan. We believe Union Finance & Leasing fits the parent's strategy to offer leasing services in both the Taiwan and Japan markets. The company's operations also fulfil the parent's investment strategy in the Japanese property market as well as in Taiwan's green energy industry. We therefore believe there is a possibility that the parent group will provide Union Finance & Leasing with some financial support if required.

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In our view, Union Finance & Leasing's capitalization remains strong, albeit declining, relative to its overall risk profile. Counterbalancing factors include the company's weakening risk profile and moderate business position resulting from a relatively small market share compared with that of leading competitors.

Outlook

The stable rating outlook for Union Finance & Leasing reflects our view of the likelihood that the parent banking group would provide the company with some financial support, if needed. On a stand-alone basis, we believe Union Finance & Leasing will control the rise in its risky assets to maintain its capitalization at a strong level over the next two years.

Downward scenario

We may lower the long-term rating on Union Finance & Leasing if the parent bank's consolidated credit profile weakens over the next one to two years.

Upward scenario

We may raise the rating on Union Finance & Leasing if we raise our rating on the parent bank. However, we believe that a further upgrade is remote over the next one to two years, given the bank's business growth strategy and capital policy.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- 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: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021
- Union Bank of Taiwan Upgraded To 'twA+/twA-1' On Good Asset Quality; Outlook Stable - December 8, 2021.

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

Ratings List

Upgraded

	To	From
Union Finance & Leasing (Int'l) Corp.		
Issuer Credit Rating	twA/Stable/twA-1	twA-/Stable/twA-2

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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