CMB INTERNATIONAL 招銀国际

Fixed Income
Credit Commentary

5 Dec 2025

CMBI Credit Commentary

Taiwan Lifers – An emerging subset with new premium

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吴蒨莹
(852) 3900 0801
cyrenang@cmbi.com.hk

Yujing Zhang 张钰婧
(852) 3900 0830
zhangyujing@cmbi.com.hk

Maintain buy on SHIKON 35 and FUBON 35

Taiwan insurer is emerging market subset, coming to the offshore USD bond market since Sep'24 with new issue premium ahead of the full adoption of IFRS. Despite the tightened credit spread compared with the levels when we first put out our trade ideas in Jul'25, we continue to prefer **SHIKON 6.95 06/26/35** for over NSINTWs for 20bps yield pick-up. We also continue to prefer **FUBON 5.45 12/10/35** with a yield pick-up of 10bps.

Supportive regulatory environment for lifers

We analyze the sector more from a top-down approach as we believe that the 4 major Taiwan lifers with outstanding USD bonds are more or less exposed to the same macro issues such as TWD appreciation and regulatory environment. We pair up Nanshan Life with Shin Kong Life, as well as Cathay Life with Fubon Life for fair and relative value assessments based on their credit profiles and scale of operations. In 1H25, the profitability of the Taiwan lifers was adversely affected by TWD appreciation against USD through fair value loss on USD-denominated bonds and equities. We take comfort with the supportive regulatory environment. In Jun'25, the FSC Taiwan proposed three interim measures to cope with the market volatility, including (i) using semi-annual average exchange rate for RBC ratio calculation; (ii) relaxing the basis for policy liability reserves provision, and (iii) differentiated supervisory requirements are adopted regarding the transitional measures under the new solvency regime. FSC will explore approaches for fair financial accounting representation of FX risks, aiming to help life insurers better reflect the impact of FX fluctuations on their financial statements. FSC Taiwan expects to unveil relevant plans by end-2025. We take additional comfort TWD had depreciated c9% since early Jul'25.

More investor-friendly regulatory framework in case of PONV

The insurance regulatory framework varies across different regions in Asia. We understand that in Australia, Mainland China and Singapore, the regulatory frameworks for lifers are similar to those for banks, such that the principal of the capital papers will have to absorb losses at PONV, or the local regulator has the bail-in power. In Hong Kong and South Korea, the distribution is deferrable and noncumulative to absorb losses, while distribution is deferrable and cumulative in Japan. Overall, we view the local rules in Taiwan is more investor friendly, in view of the absence of PONV or distribution deferral/ cancellation clauses.

CMBI Fixed Income
fis@cmbi.com.hk

Table 1: Bond profile of selected TW lifers

Security name	ISIN	Amt o/s (USD mn)	Ask px	T-spread (bps)	Z-spread (bps)	YTW	Mod dur	First call date	Payment rank	Issue rating (M/S/F)
CATLIF 5.95 07/05/34	XS2852920342	600	107.0	90	139	4.9%	6.6	N/A	Subordinated	-/BBB+/BBB+
CATLIF 5.3 09/05/39	XS2885079702	320	102.1	95	143	5.0%	6.9	09/05/2034	Subordinated	-/BBB+/BBB+
FUBON 5.45 12/10/35	XS3151416727	650	101.9	116	158	5.2%	7.4	09/10/2035	Subordinated	-/BBB+/BBB+
NSINTW 5.45 09/11/34	XS2888260564	700	99.4	151	199	5.5%	6.8	N/A	Subordinated	-/BBB+/BBB
NSINTW 5 ⅞ 03/17/41	XS3046322593	395	100.9	171	212	5.8%	7.4	12/17/2035	Subordinated	-/BBB+/BBB
SHIKON 6.95 06/26/35	XS3096123883	400	107.8	183	228	5.9%	6.8	N/A	Subordinated	-/BBB/-

Source: Bloomberg.

Interim measures from FSC Taiwan to alleviate the impact from FX volatility

In 1H25, the profitability of the TW lifers were adversely affected by TWD appreciation against USD through fair value loss on USD-denominated bonds and equities. In Jun'25, the FSC Taiwan proposed three interim measures to cope with the market volatility, including (i) using semi-annual average exchange rate for RBC ratio calculation; (ii) relaxing the basis for policy liability reserves provision, and (iii) differentiated supervisory requirements are adopted regarding the transitional measures under the new solvency regime. TWD had depreciated c9% since early Jul'25.

TW insurers are proposing changes to accounting rules that will cut annual hedging costs by an estimated TWD90bn (cUSD2.9bn) and provide relief for excessive currency swings, by way of allowing exchange rate fluctuations to be partially recognized overtime, rating than having the full impact booked immediately. In past decades, TW insurers spent cTWD2tn on hedging forex exposures. FSC will explore approaches for fair financial accounting representation of FX risks, aiming to help life insurers better reflect the impact of FX fluctuations on their financial statements. FSC Taiwan expects to unveil relevant plans by end-2025.

TW-ICS and IFRS 17 introduce more volatility to solvency ratio

We understand that HK, Korea, Japan and Singapore insurers already adopted IFRS 17 starting from Jan'23, Taiwan insurers will fully adopt IFRS 17 starting from Jan'26. The IFRS 17 implementation is expected to increase the volatility in life insurer's solvency ratios, though the magnitude of volatility increases will depend significantly on the measurement model applied and specific business characteristics.

To illustrate, insurers are required to use current discount rates that fluctuate with market conditions under IFRS 17. This will affect the valuations of assets and liabilities. The volatility of interest rate and steepness of yield curve could cause material changes in reported equity of lifers which have, in general, long-duration liabilities.

Meanwhile, the CSM, representing unearned profit to be released over time which should smooth the revenue recognition. However, the revaluation of CSM at each of the reporting period end could introduce new volatility to the life insurers. Changes in future cash flows estimates are now recognized through CSM adjustments gradually, instead of immediately impacting profit or loss. When adverse changes exceed the remaining CSM, losses must be recognized immediately.

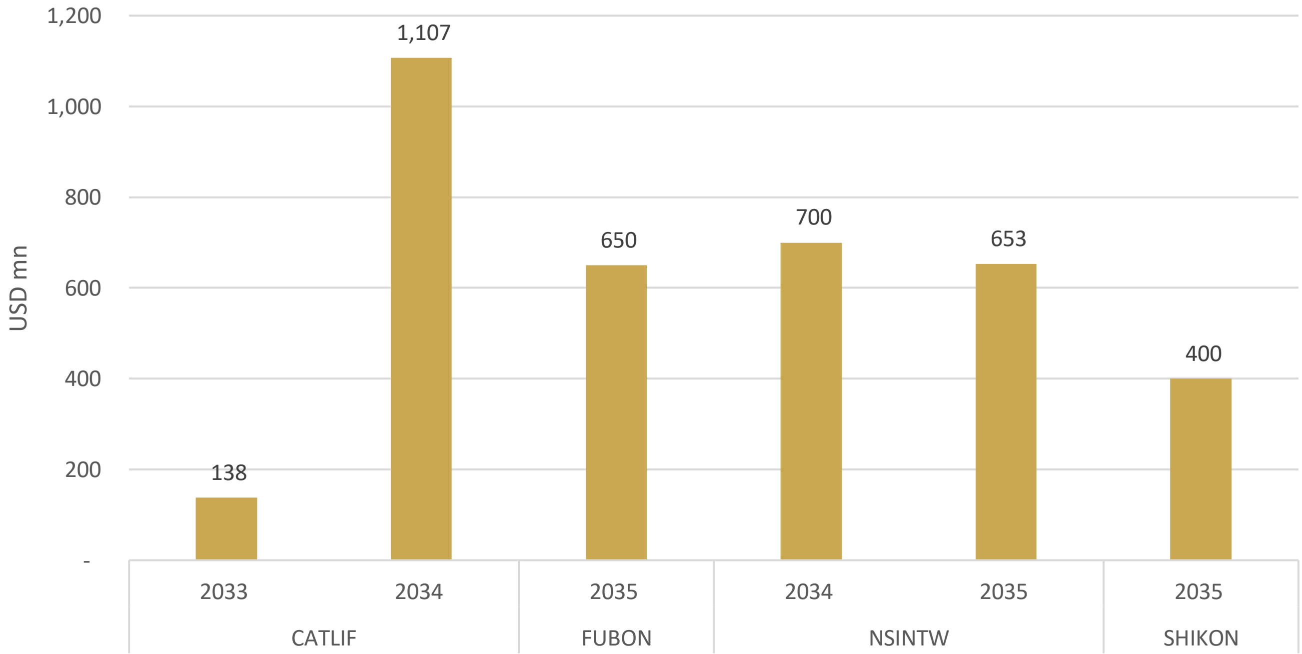
Taiwan insurer USD bond supply to decelerate in 2026

Since 2023, Taiwan lifers issued totaled USD3.75bn bond to build capital buffers ahead of the TW-ICS and IFRS 17, which will become effective from 1 Jan'26. The Taiwan FSC provided pre-implementation incentives, such as increasing insurer's asset allocation flexibility and decreasing risk factors (incl. policy-based infrastructure investments and equity), for insurers who raise capital during the preparatory phase. By the time the new rules go live on 1 Jan'26, major insurers should have achieved the solvency ratios requirement to absorb the initial impact of the new rules. This removes the urgency for large scale external capital replenishment in 2026.

FSC Taiwan has introduced transitional measures that allow insurers to phase in linear increase of the capital charges over a 15-year period to avoid cliff effects, including gradual phase-in of the net fair value impact from assets and liabilities of legacy portfolios based on insurers' RBC levels; risk factor for interest rate risk will increase from 50% to 100%; emerging risk including longevity, lapse, expense and catastrophe, non-default risk will increase from 0% to 100%. The long transition path means insurers do not need to be fully capitalized for the full requirement by 1 Jan'26. The urgency to replenish capital is reduced notably.

Based on the maturity schedule of the outstanding bonds, which are concentrated in 10-year tenor or callable in 10 years, the next major new supply should come in 2033-34. Furthermore, there could be opportunistic issuance should the UST fall substantially in 2026, so as to refinance the more expensive tranche and optimize the capital structure. There could also be smaller size insurer to tap on the USD bond market to diversify their funding channels.

Chart 1: Taiwan lifer USD bond maturities/first callable



Source: Bloomberg.

Table 2: TW lifers' financial highlights

As of Sep'25	CATLIF	FUBON	NSINTW	SHIKON
RBC ratio (>200%)	N/A	402%	N/A	NA
Equity-to-asset ratio (>3%)	9.3%	11.4%	6.7%	4.9%
ROE	6.3%	10.4%	7.8%	NA
ROA	0.5%	1.0%	0.6%	NA
Investment portfolio				
Cash & cash equivalents	3.5%	6.0%	3.1%	2.8%
Equity - Domestic	6.9%	9.9%	13.0%	6.5%
Equity - International	5.1%	6.8%	4.1%	1.0%
Bond - Domestic	8.7%	14.7%	5.0%	12.0%
Bond - International	60.3%	51.5%	62.5%	66.1%
Others	15.5%	11.1%	12.3%	11.6%
Total	100.0%	100.0%	100.0%	100.0%
FX exposures in FX assets	69%	NA	73%	68%
% hedged with hedging tools	60%	53%	59%	50%

Note: NSINTW's FX exposures were as of Jun'25.
Source: Company filling, CMBI FICC Research.

CMB International Global Markets Limited

Fixed Income Department
Tel: 852 3657 6235/ 852 3900 0801
fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.
Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not