

Media Release:

Mercuries Life Insurance Co. Ltd. 'twA-' Ratings Remain On CreditWatch Positive On Potential E.SUN Merger

January 28, 2026

Overview

- Shareholders of both **Mercuries Life Insurance Co. Ltd.** and **E.SUN Financial Holding Co. Ltd.** (E.SUN FHC) have approved a merger between the two companies. The materialization of the deal remains subject to local regulatory approval.
- Mercuries Life's steady business growth and capital enhancement measures have support stable credit profile despite recent earnings volatilities.
- We are keeping our 'twA-' issuer credit and financial strength ratings on Mercuries Life on CreditWatch with positive implications, where we placed them on Nov. 6, 2025.
- We expect to resolve the CreditWatch placement upon transaction close and after a detailed review of the proposed operations and capital structure post-merger.

Rating Action

Taiwan Ratings Corp. said today that it was keeping its 'twA-' issuer credit and financial strength ratings on Mercuries Life on CreditWatch with positive implications where they were placed on November 6, 2025.

Rationale

The ratings on Mercuries Life remain on CreditWatch until the merger receives regulatory approval and we have a clearer picture of the potential impact of the merger on the ratings. We placed the ratings on CreditWatch with positive implications on Nov. 6, 2025, following the announcement by E.SUN FHC of its plan to acquire Mercuries Life.

We maintain our view of potential uplift to the Mercuries Life's creditworthiness if the deal materializes. We assess Mercuries Life's capital and earning to be marginal relative to risk profile and sensitive to market volatility. E.SUN FHC group benefits from scale advantage and stronger financial strength relative to the life insurer. Mercuries Life would be E.SUN group's sole insurance unit, which we believe would bring it access to the resources and support of the wider group.

Business risk profile remains satisfactory. This is demonstrated by the insurer's stable market share and steady new business generation. The satisfactory business risk profile also reflects Mercuries Life's high level of control over its distribution channels which we believe will support its

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sales momentum in 2026-2027. We anticipate this strength providing good support for the insurer to execute its business plans and product strategies focusing on products with good contract service margin with steady growth potential.

Mercuries Life's overall financial risk profile remains marginal. This is due to the insurer's below-average capital and earnings and weaker funding structure ratios. Our assessment also reflects uncertainty over how its reported financials will evolve under new accounting standards taking effect from 2026. We assess Mercuries Life's capitalization to be sensitive to market volatility and its investment allocations in risky assets such as equities over next one to two years. Nonetheless, we believe Mercuries Life will prudently manage its capital without aggressively increasing its investment appetite.

Overall risk exposure is comparable to the domestic peer average. This is despite Mercuries Life's dynamic adjustment to its hedging ratio and hedging tools over the past two years. The insurer's hedging ratio for its mismatched foreign exchange--net of natural hedging from foreign currency liabilities--decreased to 45%-50% from 60%-70% over the period. However, Mercuries Life's foreign exchange volatility reserve increased to new Taiwan dollar (NT\$) 37 billion at the end of 2025, which provides a good buffer to absorb potential currency swings, in our view. In addition, our assessment indicates the insurer's capital buffer has some capacity to absorb these risks.

Mercuries Life's funding structure is neutral to the ratings. This is despite weaker earnings have suppressed the insurer's EBITDA over the past few years, such that its financial obligations were more than four times its EBITDA as of the end of 2025. Under our base case for the insurer, we estimate Mercuries Life's earnings will slightly improve in 2026-2027 and be sufficient to absorb a likely modest increase in financial obligations. As of the end of 2025, the insurer has outstanding debt issuances totaling NT\$28.5 billion with yearly interest expenses of around NT\$0.58 billion which we view to be manageable compared to its total assets and earnings.

Credit Watch

We anticipate resolving the CreditWatch placement by transaction close and after a detailed review of the proposed operations and capital structure post-merger. We could raise our ratings on the Mercuries Life if we believe the merger will strengthen the insurer's credit profile, mostly through the financial resources under a financially stronger parent. The ratings would remain unchanged if the merger does not materialize.

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Media Release: Mercuries Life Insurance Co. Ltd. 'twA-' Ratings Placed On CreditWatch Positive On Merger Announcement, Nov. 6, 2025
- Taiwan Ratings' Ratings Definitions – Nov. 11, 2021

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

Ratings List

Rating Affirmed

Mercuries Life Insurance Co. Ltd.

Issuer Credit Rating	twA-/Watch Positive
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Financial Strength Rating	twA-/Watch Positive
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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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