

Financial sector

Life insurance net losses deepened in May on NT dollar appreciation of nearly 7%

Key message

1. In May, 14 FHCs posted a combined net loss of NT\$6.85bn. Banking FHC earnings fell 25% YoY, better than securities FHC earnings falling 66% and life insurance FHCs incurring net losses of NT\$22.7bn.
2. In May, life insurers saw net losses widen on NT dollar appreciation of 6.98% and lower investment income; bank net interest income and investment income picked up.
3. Our investment preferences are banking > life insurance > securities and leasing. We are positive on E. Sun FHC and CTBC FHC (bank net interest and fee income sustainable and asset quality stable).

Event

In May, the combined net loss of Taiwan's 14 FHCs was NT\$6.85bn. Banking-centric FHCs saw earnings contract 25% YoY, outperforming securities peers' 66% earnings decline, and life insurance peers' net losses of NT\$22.7bn. Life insurance FHCs incurred net losses primarily due to unfavorable forex rates, as the NT dollar appreciated by 6.98% in May, or NT\$2.09. As Fubon Life (2881 TT, NT\$87.7, N), Shin Kong Life (2888 TT, NT\$11.95, NR) and Yuanta Life (2885 TT, NT\$32.9, N) had already run out of foreign exchange valuation reserves (FX reserves), forex losses were reflected in P&L accounts.

Analysis

Life insurance FHCs – Bigger impact of forex losses. In May, Fubon FHC reported a net loss of NT\$5.79bn on Fubon Life's wider losses of NT\$9.14bn (forex losses of NT\$30bn offsetting capital gains of NT\$19bn, up NT\$9.1bn MoM, and recurring income of NT\$10.4bn). While Fubon Life adopted the new FX reserves mechanism in May, FX reserves of NT\$27bn had already run out in May. Cathay FHC (2882 TT, NT\$66, N) reported net profit of NT\$5.24bn in May, down 8% YoY but up 306% MoM, with Cathay Life contributing only NT\$440mn (a fixed provision under the new FX reserves mechanism and lower capital gains) and the banking unit saw earnings decrease by 2.4% MoM. Cathay Life also adopted the new FX reserves mechanism in May, so forex loss in May was fully offset by FX reserves, though the firm didn't disclose the balance in May.

Banking FHCs – Interest & investment income up. In May, E. Sun FHC's (2884 TT, NT\$31.2, OP) net profit was NT\$2.85bn, up 14% YoY and MoM, driven by E. Sun Bank's earnings growth of 19% YoY, which offset securities contraction of 25%. Bank loans boosted net interest income (NII) by 5% MoM. The FHC saw investment income grow 77% MoM to NT\$1.56bn, as demand for hedging rose on NT dollar appreciation, increasing revenue of the flow business, and stock and bond valuations rebounded. In May, CTBC FHC (2891 TT, NT\$42.5, OP) posted net profit of NT\$2.12bn, down 59% YoY and 20% MoM. CTBC Bank's earnings grew 13.5% MoM (higher NII and fee income and lower general provisions). Taiwan Life's (2891 TT, NT\$42.5, OP) net losses widened to NT\$2.8bn on forex losses of around NT\$5bn, with FX reserves down by NT\$6.8bn to NT\$3.1bn, implying a balance depletion based on NT dollar appreciation to around NT\$29. First FHC's (2892 TT, NT\$27.85, N) net profit fell 13.6% YoY and 2% MoM in May, with First Bank up 4.7% MoM (NII up 3% MoM and other income) offsetting First Life's net losses of NT\$335mn (forex). Mega FHC's (2886 TT, NT\$40.05, N) net profit was NT\$3.18bn, the second highest month YTD, up 13.6% YoY and 46.7% MoM, with bank earnings up 29% MoM (higher NII and investment income) and securities turning profitable MoM. Yuanta FHC posted earnings of only NT\$740mn in May, down 71% YoY and 43% MoM, on life insurance net losses of NT\$2.07bn offsetting securities earnings growth of 18% YoY and of 23% for the bank. Since Yuanta Life's forex reserves reached the lower limit in May, forex losses are NT\$200mn if the NT dollar strengthens by NT\$0.1 against the US dollar.

Stocks for Action

The financial subindex has risen by 5.6% since May, reflecting a rebound in the Taiex and the inclusion of financial plays with a cash dividend yield exceeding 4.5% into high-dividend funds. Currently, the market expects US rate cuts will narrow to 25-50bps this year. Delays in rate cuts will ease FX swap income contractions for banks. For 2025F, we predict banks' NIM will flatten or edge up, while life insurers' profitability and distributable earnings will be affected by uncertainty caused by stock and bond volatility. Recently, the Financial Supervisory Commission (FSC) has been considering the relaxation of rules governing the provision of policy reserves and mortality reserves in a bid to increase the balance of forex reserves for life insurers, mitigating the impact of forex losses. Our 2025F investment preferences are, in descending order, banking, life insurance and securities/ leasing. We are positive on E. Sun FHC and CTBC FHC for sustainable net interest and fee income as well as stable asset quality.

Risks

US Fed pivots back to rate hikes to curb inflation; sharper upticks in bank credit costs.

Figure 1: In May, 14 FHCs posted combined net loss of NT\$6.85bn; banking FHCs' earnings fell 25% YoY, better than securities FHCs' earnings decline of 66% and life insurance FHCs' incurring net losses of NT\$22.7bn

NT\$m	2024			1Q25			May-25			Jan-May 25			2025F
FHC ticker	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)	Achieved(%)
2880 TT Hua Nan FHC*	23,123	7.0	1.68	5,337	(5.2)	0.39	1,392	(31.0)	(14.1)	8,350	(12.2)	0.61	37.2
2881 TT Fubon FHC	151,160	129.0	10.80	41,120	35.2	3.01	-5,790	N.A.	N.A.	39,490	(33.6)	2.89	42.7
2882 TT Cathay FHC	111,190	118.3	7.28	32,120	(15.7)	2.17	5,240	(33.5)	306.2	38,650	(34.3)	2.64	48.2
2883 TT KGI FHC*	33,546	77.1	1.97	8,706	6.0	0.52	-7,363	N.A.	N.A.	1,861	(85.6)	0.11	7.4
2884 TT E. Sun FHC	26,084	20.1	1.63	8,791	40.6	0.55	2,850	13.9	13.5	14,152	34.7	0.88	48.0
2885 TT Yuanta FHC	35,830	34.9	2.77	7,639	(17.3)	0.59	743	(70.5)	(42.9)	9,683	(34.6)	0.75	33.3
2886 TT Mega FHC	34,766	4.6	2.35	8,010	(30.3)	0.54	3,184	13.6	46.7	13,365	(21.0)	0.90	39.7
2887 TT Taishin FHC	20,070	37.4	1.39	4,730	(5.6)	0.33	560	(60.0)	(55.9)	6,560	(19.1)	0.44	23.1
2888 TT Shin Kong FHC*	20,607	N.A.	1.26	-12,533	N.A.	(0.71)	-14,834	N.A.	N.A.	-31,217	N.A.	(1.77)	N.A.
2889 TT Waterland FHC*	2,171	8.5	0.61	401	(36.2)	0.11	153	16.8	N.A.	352	(59.3)	0.10	N.A.
2890 TT SinoPac FHC*	22,302	12.8	1.76	7,202	4.2	0.57	1,331	(31.0)	(27.1)	10,358	(0.7)	0.82	74.2
2891 TT CTBC FHC	72,028	28.4	3.64	19,908	(4.8)	1.02	2,115	(58.7)	(20.3)	24,676	(20.8)	1.27	37.8
2892 TT First FHC	25,359	12.9	1.81	7,206	2.7	0.51	2,000	(13.6)	(1.9)	11,245	(1.7)	0.80	43.9
5880 TT Cooperative FHC*	19,743	14.4	1.26	4,989	(4.7)	0.32	1,571	(22.5)	19.5	7,875	(10.0)	0.52	N.A.
Total of 14 FHCs	597,979	64.4		143,626	(9.2)		-6,848	N.A.	N.A.	155,400	(41.1)		
Life insurance-centered FHCs	316,503	146.3		69,413	(13.0)		-22,747	N.A.	N.A.	48,784	(62.0)		
Banking-centered FHCs	243,475	17.8		66,173	(3.3)		15,003	(25.4)	(2.6)	96,581	(9.6)		
Brokerage-centered FHCs	38,001	33.0		8,040	(18.5)		896	(66.1)	(18.5)	10,035	(64.9)		

Note 1: * Indicates FHCs not within our coverage universe; forecasts for these FHCs are based on Bloomberg consensus

Note 2: Insurance-centric FHCs are Cathay, Fubon, KGI, and Shin Kong; bank-centric FHCs are Hua Nan, E. Sun, Mega, SinoPac, CTBC, First, and Taiwan Cooperative; securities-centric FHCs are Yuanta and IBF

Source: Bloomberg; Company data; KGI Research

Figure 2: In May, life insurers booked a wider net loss of NT\$38bn on NT dollar appreciation of 6.98%, leading to higher forex losses; forex losses at Fubon Life, Shin Kong Life and Yuanta Life were reflected in P&L due to forex reserves depletion

NT\$m	2024			1Q25			May-25			Jan-May 25		
FHC ticker	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2881 TT Fubon Life	102,530	184.1	8.66	27,360	56.7	2.31	-9,140	N.A.	N.A.	15,810	(58.3)	1.33
2882 TT Cathay Life	67,180	311.1	10.51	18,240	(29.1)	2.86	440	(89.5)	N.A.	16,110	(59.0)	2.59
2885 TT Yuanta Life	1,923	(4.8)	0.77	479	(51.8)	0.18	-2,073	N.A.	N.A.	-2,533	N.A.	(0.93)
2887 TT Taishin Life	1,240	394.5	1.15	180	(78.0)	0.16	-890	N.A.	N.A.	-940	N.A.	(0.85)
2888 TT Shin Kong Life	10,378	N.A.	1.31	-11,053	N.A.	(1.34)	-15,378	N.A.	N.A.	-30,247	N.A.	(3.66)
2891 TT Taiwan Life	21,474	73.4	3.45	5,599	(26.9)	0.90	-2,829	N.A.	N.A.	1,448	(87.0)	0.23
5880 TT Taiwan Cooperative Life	1,203	(4.1)	1.75	108	(63.7)	0.16	-200	N.A.	N.A.	-182	N.A.	(0.26)
2883 TT KGI Life	22,155	117.7	4.37	6,176	19.9	1.22	-7,997	N.A.	N.A.	-1,390	N.A.	(0.27)
Total of 8 life insurers	228,083	271.9		47,089	(19.6)		-38,067	N.A.	N.A.	-1,924	N.A.	

Source: Company data; KGI Research

Figure 3: P&C earnings fell 31% YoY and 4% MoM as investment income also hit by forex losses

NT\$m	2024			1Q25			May-25			Jan-May 25		
FHC ticker	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2880 TT Hua Nan P&C	1,293	41.1	6.46	332	(16.8)	1.66	160	(9.6)	56.9	594	(21.6)	2.97
2881 TT Fubon P&C	3,010	N.A.	10.05	1,630	20.9	5.41	350	(35.2)	(20.5)	2,410	12.6	8.02
2882 TT Cathay Century P&C	2,700	116.8	13.49	1,070	23.3	5.35	150	400.0	(11.8)	1,390	39.0	6.95
2886 TT Chung Kuo P&C	413	N.A.	1.78	152	(8.4)	0.34	72	N.A.	50.0	273	2630.0	0.61
Total of 4 P&C	7,416	N.A.		3,184	14.5		732	(31.1)	(3.7)	4,667	19.4	

Source: Company data; KGI Research

Figure 4: Bank profit was up 4% YoY and down 2% MoM on higher NII; SCSB's (5876 TT, NT\$46.2, N) earnings were just NT\$545mn, down 62% MoM and 69% YoY, as Hong Kong subsidiary made a provision of HK\$400mn in response to decreases in collateral value and lower NII and fee income MoM in Taiwan

NT\$m		2024			1Q25			May-25			Jan-May 25		
FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2880 TT	Hua Nan Bank	21,593	7.7	2.07	5,209	3.3	0.50	1,268	(28.8)	(22.7)	8,116	(3.6)	0.78
2881 TT	Taipei Fubon Bank	30,540	23.9	2.13	10,110	23.8	0.64	2,670	5.5	(8.2)	15,710	18.7	1.00
2882 TT	Cathay United Bank	38,340	33.1	3.15	12,190	17.7	1.00	3,620	9.7	(2.4)	19,510	16.3	1.61
2883 TT	KGI Bank	5,536	2.6	1.20	1,706	16.1	0.36	481	41.9	(15.3)	2,755	16.7	0.59
2884 TT	E.Sun Bank	24,533	25.4	1.89	8,722	54.5	0.67	2,834	18.7	5.0	14,257	47.8	0.97
2885 TT	Yuanta Bank	10,015	15.7	1.25	2,545	(3.4)	0.32	910	22.6	28.2	4,164	(3.9)	0.52
2886 TT	Mega Bank	28,370	(8.6)	2.95	7,202	(27.2)	0.75	2,789	2.3	29.1	12,151	(19.1)	1.26
2887 TT	Taishin Bank	18,510	24.2	1.90	4,940	11.8	0.50	1,460	10.6	(21.1)	8,250	16.0	0.84
2888 TT	Shin Kong Bank	7,216	6.3	1.45	-223	N.A.	(0.05)	474	(24.6)	(8.5)	768	(72.6)	0.06
2890 TT	Sinopac Bank	17,463	8.7	1.68	6,205	17.9	0.60	1,447	6.6	(21.4)	9,492	19.5	0.91
2891 TT	CTBC Bank	49,424	19.6	3.13	13,443	11.0	0.85	5,049	31.8	13.5	22,942	23.5	1.45
2892 TT	First Bank	23,806	10.6	2.16	6,778	4.4	0.61	2,305	2.8	4.7	11,285	4.7	1.02
5880 TT	Taiwan Cooperative Bank	18,951	16.2	1.54	4,953	0.1	0.40	1,761	(2.3)	20.8	8,172	1.5	0.66
2801 TT	Chang Hwa Bank	14,958	15.2	1.33	4,135	7.9	0.37	1,490	32.7	(4.9)	7,191	15.2	0.64
2809 TT	King's Town Bank	5,024	(19.1)	4.52	630	(68.8)	0.57	317	(25.6)	75.8	1,127	(59.8)	1.01
5876 TT	SCSB	13,373	(8.8)	2.76	4,550	5.0	0.94	545	(69.0)	(62.1)	6,534	(12.7)	1.35
Total of 16 banks		327,652	13.4		93,095	5.4		29,420	4.0	(1.6)	152,424	7.7	

Source: Company data; KGI Research

Figure 5: In May, securities net profit fell 12% YoY but rose 255% MoM, as securities investment income picked up on higher share prices and as Taiex average daily turnover rose 9% MoM to NT\$426.6bn, down 25% YoY; in January-May, Taiex average daily turnover was NT\$442bn, down 16% YoY, slightly higher than our forecast of NT\$446bn

NT\$m		2024			1Q25			May-25			Jan-May 25		
FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2880 TT	Hua Nan Securities	1,907	26.6	2.91	216	(55.9)	0.33	94	(36.9)	452.9	326	(58.9)	0.50
2881 TT	Fubon Securities	10,090	45.0	6.20	1,670	(28.8)	1.02	670	(10.7)	116.1	2,640	(31.8)	1.63
2882 TT	Cathay Securities	4,180	97.9	5.42	870	(4.2)	1.14	280	(51.7)	115.4	1,280	(26.9)	1.66
2883 TT	KGI Securities	10,123	37.8	5.57	1,844	(36.4)	1.01	622	(28.1)	157.0	2,707	(37.4)	1.49
2884 TT	E.Sun Securities	2,175	68.8	5.44	444	7.2	1.11	146	(25.1)	28.1	704	(15.5)	1.76
2885 TT	Yuanta Securities	21,158	53.4	3.21	3,967	(11.4)	0.60	1,607	17.2	12.7	7,000	(1.1)	1.06
2886 TT	Mega Securities	2,550	27.3	2.20	258	(70.9)	0.22	201	33.1	N.A.	291	(74.5)	0.25
2887 TT	Taishin Securities	2,360	52.8	3.41	290	(54.8)	0.42	240	100.0	N.A.	440	(58.9)	0.64
2888 TT	MasterLink Securities	3,400	36.1	2.11	-1,064	N.A.	(0.66)	233	(19.9)	N.A.	-1,266	N.A.	(0.79)
2890 TT	SinoPac Securities	5,828	51.9	3.50	1,203	(21.5)	0.72	253	(40.2)	4116.7	1,461	(34.3)	0.88
2892 TT	First Securities	1,183	21.0	1.82	121	(61.3)	0.19	36	(69.0)	620.0	161	(67.8)	0.25
2855 TT	President Securities	4,373	51.9	3.00	-67	N.A.	(0.05)	274	(24.0)	N.A.	19	(99.2)	0.01
5880 TT	Taiwan Cooperative Securities	218	7.8	0.42	-68	N.A.	(0.13)	9	(18.2)	N.A.	-101	N.A.	(0.19)
6005 TT	Capital Securities	5,396	30.6	2.25	991	(27.0)	0.40	470	6.1	296.5	1,580	(31.4)	0.63
Total of 14 brokerages		74,941	46.7		10,674	(44.3)		5,135	(11.9)	254.9	17,242	(42.0)	

Source: Company data; KGI Research

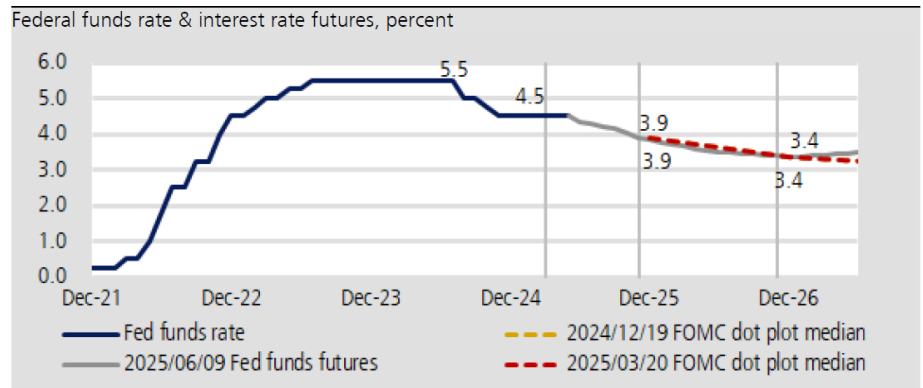
Figure 6: Yulon Finance's (9941 TT, NT\$109, N) earnings were just NT\$270mn, down 42% YoY and 33% MoM, on non-distributable earnings tax offsetting operating profit growth of 5%; Chailease's (5871 TT, NT\$112.5, N) earnings fell 23% YoY and 9.5% MoM, on higher ECL in China, reflecting a rising delinquency rate there; Hotai Finance's (6592 TT, NT\$72.1, N) sales fell 2% MoM and 21% YoY, on lower interest income due to lower higher-interest-rate used-car loans

NT\$m		2024		1Q25		May-25			Jan-May 25		2025F	
FHC ticker	Subsidiary name	Sales	YoY (%)	Sales	YoY (%)	Sales	YoY (%)	MoM (%)	Sales	YoY (%)	Achieved(%)	
5871 TT	Chailease	102,292	4.9	24,707	(1.2)	8,264	(5.8)	(0.1)	41,240	153.7	39.9	
9941 TT	Yulon Finance	41,497	0.0	9,776	(6.0)	3,320	(5.0)	(4.5)	16,572	141.2	42.4	
6592 TT	Hotai Finance	28,964	1.1	6,086	(21.8)	1,996	(21.0)	(1.9)	10,116	95.4	40.7	

FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	EPS(NT\$)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)	Achieved(%)
5871 TT	Chailease	22,570	(9.8)	13.30	5,506	(5.3)	3.28	1,582	(22.6)	(9.5)	8,836	(10.1)	4.83	40.0
9941 TT	Yulon Finance	5,099	(18.7)	8.87	1,141	(12.5)	1.98	269	(42.2)	(33.4)	1,820	(16.5)	2.99	35.6
6592 TT	Hotai Finance	3,055	(17.2)											

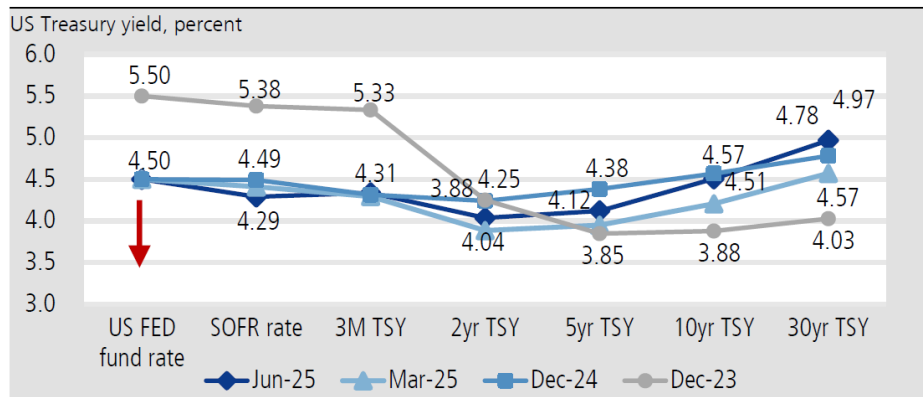
Source: Company data; KGI Research

Figure 7: Consensus 2025F US rate cuts now at 25-50bps, to be adjusted by Trump policy-led inflation and unemployment rate; delaying rate cuts will ease FX swap income contraction for banks



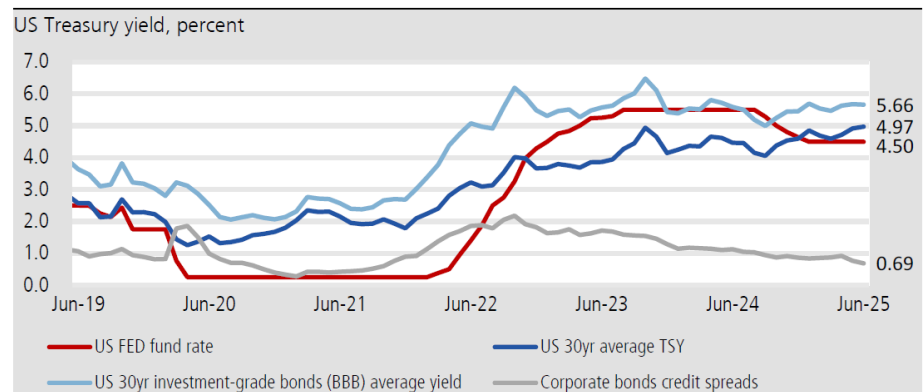
Source: Bloomberg; KGI Research

Figure 8: Since June, 10-year Treasury yield has remained at 4.4-4.5%, and 30-year's has inched up to 4.8-5.0%; wider long-term yield swings could affect bond valuations for life insurers



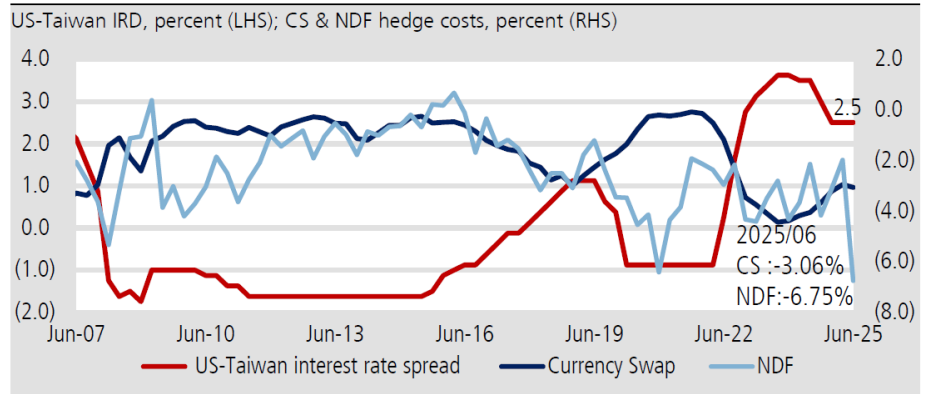
Source: Bloomberg; KGI Research

Figure 9: US 30-year Treasury yield has risen to 4.97% and BBB corporate bond yield to 5.66%; we predict life insurers & banks will continue to buy higher-yielding overseas bonds to boost recurring yields



Source: Bloomberg; KGI Research

Figure 10: CS swap points in June declined to 3.0-3.1%, suggesting delaying rate cuts will ease FX swap income contraction for banks, but higher hedging costs for life insurers



Source: Bloomberg; KGI Research

Figure 11: CTBC Bank & E.Sun Bank maintain 2025F NIM guidance of 2-4bps & 3bps YoY growth; Mega Bank anticipates up to 1% 2025F NIM

Percent (%)	1Q24	2Q24	3Q24	4Q24	1Q25	QoQ	2024-25F Forecast
2891 TT CTBC	1.37	1.37	1.41	1.45	1.49	0.04	2025F(inc. FX) up 2-4bps to 1.63%-1.66%
2882 TT Cathay	1.46	1.55	1.61	1.57	1.55	(0.02)	2025F NIM stay at 1.55%
5876 TT SCSB	1.32	1.38	1.26	1.28	1.22	(0.06)	3Q25F rebound and 2025F higher than 1.25%
2884 TT E.Sun	1.30	1.28	1.28	1.30	1.30	-	2025F up 3bps to 1.33%
2887 TT Taishin	1.24	1.25	1.27	1.22	1.26	0.04	2025F up 6-8bps to 1.3%-1.32%
2881 TT Fubon	1.14	1.15	1.16	1.13	1.16	0.03	2025F up by low to middle bps
2890 TT Sinopac	1.18	0.94	1.01	0.98	1.19	0.21	Positive on merger of Amret
2886 TT Mega	1.00	0.97	0.93	0.90	0.96	0.06	2025F target 1%
2885 TT Yuanta	0.84	0.88	0.89	0.88	0.92	0.04	2025F NIM staty at 0.91%
2892 TT First	0.70	0.70	0.68	0.67	0.67	-	2025F(inc. FX) down 1-2bps to 1.03%-1.04%
2880 TT Hua Nan	0.64	0.67	0.70	0.68	0.71	0.03	2025F up more than 10bps
Avg.	1.26	1.29	1.29	1.28	1.29	0.01	

Source: Company data; KGI Research

Figure 12: In 2Q25, life insurers increased the share of hedging on NT dollar appreciation; 2Q25F hedging costs to pick up to over 1%

Percent	Cathay Life				Fubon Life				Taiwan Life			
	2024	YoY	1Q25	QoQ	2024	YoY	1Q25	QoQ	2024	YoY	1Q25	QoQ
FX policy/Currency Swap/NDF	75.9	1.8	78.9	3.1	62.7	(11.0)	61.3	(1.3)	70.0	(1.6)	68.0	(2.0)
FX policy	31.0	1.0	32.0	1.0	26.0	(1.1)	26.6	0.7	41.0	(1.0)	41.0	0.0
Currency Swap/NDF	44.9	0.8	46.9	2.1	36.7	(9.9)	34.7	(2.0)	29.0	(0.6)	27.0	(2.0)
Currency Swap	N.A.	N.A.	N.A.	N.A.	33.8	(1.8)	31.5	(2.3)	N.A.	N.A.	N.A.	N.A.
NDF	N.A.	N.A.	N.A.	N.A.	2.9	(8.1)	3.2	0.3	N.A.	N.A.	N.A.	N.A.
AFS/mutual funds	6.9	(0.8)	6.1	(0.8)	16.0	(0.1)	13.6	(2.4)	11.0	(0.0)	12.0	1.0
Proxy Open/USD and other currencies	17.3	(0.9)	15.0	(2.3)	21.3	11.1	25.1	3.7	20.0	2.6	21.0	1.0
Total	100		100									
Hedging cost	(1.56)	(0.60)	(0.80)	0.76	(1.41)	(0.56)	(0.87)	0.54	(0.91)	(0.17)	(0.43)	0.48

Source: Company data; KGI Research

Figure 13: On NT dollar appreciation of 7%, the Taiwan life insurance sector increased the portion of hedging in May; Cathay Life and Fubon Life are subject to the new FX reserves mechanism, but forex reserves at Fubon Life, Shin Kong Life and Yuanta Life ran out in May, and thus forex losses were reflected in P&L accounts

	4Q24	1Q25	1Q25	Apr-25	Apr-25	May-25	NT dollar appreciation of 1%			Note
	Proxy & Open		FX reserves (NT\$mn)			Forex loss estimates (NT dollar appreciation of 6.98%)	Forex loss	FX reserves impact	The impact to 2025F FHC net profit (%)	
2882 TT Cathay Life	17.3	15.0	38,624	30,500	didn't disclose (estimate less than 5,000)	-40,000	-2,000	-3,000	-2.5%	New FX reserves mechanism
2881 TT Fubon Life	21.3	25.1	26,169	9,000	0	-30,000	-5,455	0	-5.9%	New FX reserves mechanism
2891 TT Taiwan Life	20.0	21.0	14,017	9,900	3,100	-12,000	-788	-1,182	-2.6%	Evaluate new FX reserves mechanism & forex reserve hit the downside limit of NT\$0.9bn when the NT dollar appreciates close to NT\$29/US\$
2888 TT Shin Kong Life	24.2	lower	59,330	34,000	0	-55,200	-7,576	0	NA	New FX reserves mechanism

Source: Company data; KGI Research

Figure 14: In 1Q25, Fubon Life's investment return growth beat peers'; 2Q25F forex losses and capital gains to decline

Life insurers' investment position Percent	Cathay Life				Fubon Life				Taiwan Life			
	2024	YoY	1Q25	YoY	2024	YoY	1Q25	YoY	2024	YoY	1Q25	YoY
Pre-hedging recurring yield (a)	3.43	(0.02)	3.40	0.17	3.51	(0.02)	3.35	0.04	3.73	0.09	3.55	0.17
Hedging cost (b)	(1.56)	(0.60)	(0.80)	0.41	(1.41)	(0.56)	(0.87)	0.15	(0.91)	(0.17)	(0.43)	(0.09)
After-hedging recurring yield (c)	2.34	(0.44)	2.84	0.46	2.36	(0.14)	2.59	0.58	3.18	(0.01)	3.29	0.12
Cost of liability (Reserve base) (d)	3.78	0.01	3.79	0.02	3.14	(0.01)	3.14	(0.01)	3.27	0.06	3.29	0.07
Cost of liability (Investment portfolio base) (e)	3.38	(0.03)	3.41	0.02	2.86	(0.15)	2.99	0.05	3.07	0.10	3.11	0.07
Recurring yield (After-hedging) less cost of liability (Investment portfolio base) (c)-(e)	(1.04)	(0.41)	(0.58)	0.44	(0.50)	0.01	(0.40)	0.53	0.11	(0.11)	0.19	0.05
Capital gain	1.40	0.90	1.17	(0.84)	3.12	1.83	2.82	0.21	0.95	0.65	0.98	(0.59)
Investment yield	3.74	0.46	4.01	(0.38)	5.48	1.69	5.41	0.79	4.13	0.64	4.27	(0.47)

Source: Company data; KGI Research

Figure 15: In April, banks' NPLs maintained at 0.16%, with SCSB up to 0.05% on loan reclassification into bad debt and Taipei Fubon Bank and Cathay United Bank up slightly

FHC/Bank ticker Bank	Apr-25			Apr-25			Apr-25		
	NPL ratio (%)	MoM (ppts)	YTD (ppts)	NPL (NT\$m)	MoM	YTD	Coverage ratio (%)	MoM (ppts)	YTD (ppts)
2834 TT Taiwan Business Bank	0.17	0.02	(0.04)	2,787	304	485	804	(71)	207
2801 TT Chang Hwa Bank	0.16	(0.01)	(0.01)	3,199	(49)	12	812	21	67
2886 TT Mega Bank	0.27	(0.02)	(0.05)	6,189	(562)	1,533	621	53	110
5880 TT Taiwan Cooperative Bank	0.16	(0.01)	(0.02)	4,958	(145)	176	715	26	90
2892 TT First Bank	0.17	0.00	(0.01)	4,511	3	(61)	818	4	76
2881 TT Taipei Fubon Bank	0.13	0.01	0.01	2,943	129	(270)	1,026	(39)	(95)
2888 TT Shin Kong Bank	0.12	0.00	0.00	1,078	73	(21)	1,002	(85)	(95)
2884 TT E.Sun Bank	0.14	0.00	(0.02)	3,310	14	223	834	6	72
2880 TT Hua Nan Bank	0.15	(0.02)	(0.01)	3,639	(370)	(294)	816	60	5
5876 TT SCSB	0.36	0.05	(0.21)	3,178	390	2,738	378	(44)	143
2891 TT CTBC Bank	0.16	(0.01)	(0.02)	5,377	(77)	310	755	25	59
2885 TT Yuanta Bank	0.05	0.00	0.01	696	45	(88)	2,326	(131)	(1,032)
2890 TT Bank Sinopac	0.18	0.01	0.04	2,883	49	(355)	786	(9)	(106)
2887 TT Taishin Bank	0.13	0.00	0.02	2,362	150	(427)	957	(44)	(260)
2882 TT Cathay United Bank	0.13	0.01	0.02	3,586	497	(229)	1,218	(179)	(206)
2809 TT King's Town Bank	0.02	0.00	0.00	52	1	5	5,802	(50)	(681)
Bank industry	0.16	0.00	(0.01)	68,594	(600)	5,510	847	11	38

Source: FSC; TEJ; KGI Research

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