

Financial sector

Insurance- & brokerage-centric FHC earnings boosted by investment gains in August

Key message

1. The August combined earnings of 13 FHCs in Taiwan was up 1% MoM, and up 57% YoY, with insurance- and brokerage-centric FHCs posting 136% and 79% YoY earnings growth, outstripping bank-centric peers' 8.5% growth.
2. The August earnings recovery of insurance- and brokerage-centric FHCs was due to capital market gains boosting investment income, while banks saw earnings decline MoM on reduced cash dividends.
3. The restarting of the US rate cut cycle in September will lower US dollar funding costs for banks, while the pullback of US long-term Treasury yields will help reduce valuation losses for life insurers from holdings of long-term bonds.

Event

The August combined earnings of 13 FHCs in Taiwan was up 1% MoM and 57% YoY, with insurance- and brokerage-centric FHCs posting 136% and 79% YoY earnings growth, better than bank-centric peers' 8.5% growth, on investment gains from the Taiex and S&P 500 (up a respective 2.9% and 1.9%). Banks saw earnings decline MoM on lower cash dividends.

Analysis

Insurance-centric FHCs – Higher capital gains. Fubon FHC (2881 TT, NT\$87.6, N) reported August net profit of NT\$11.1bn, up 101% YoY and 0.6% MoM, with Fubon Life's (FL) earnings decreasing 2% MoM to NT\$5.8bn on capital gains of NT\$11bn, up by NT\$4bn MoM, offsetting a decline in recurring income to NT\$13bn. Taipei Fubon Bank's profit rose 10% MoM on lower provisions, while non-op income drove a NT\$0.2bn monthly increase at Fubon P&C. Cathay FHC's (2882 TT, NT\$64.9, N) August net profit was NT\$10.3bn, up 95% YoY and 14% MoM, as Cathay Life (CL) booked higher capital gains, driving monthly profit up by 25% MoM to NT\$5.3bn and offsetting a 12% MoM contraction in bank earnings. The YoY declines in the January-August earnings of Fubon and Cathay FHCs narrowed to 35% and 34%, achieving 78% and 83% of our full-year forecasts. Taishin-Shin Kong FHC (2887 TT, NT\$17.3, N) delivered August earnings of NT\$4.7bn, up 70% YoY and 30% MoM, with Shin Kong Life (SKL) contributing a loss of NT\$0.9bn, while the net profits of Taishin Bank and Shin Kong Bank rose 19% and 197% MoM. The 2.3% depreciation of the NT dollar in August created valuation gains from the unhedged FX positions of life insurers, with the FX reserves of FL, CL and SKL climbing to NT\$80bn, NT\$65bn and NT\$75bn, respectively. Assuming the NT dollar strengthens again on a US dollar retreat in 2H25F on rate cuts, we expect FX reserves will mitigate the impact on insurers as current reserves should offset losses from NT dollar appreciation to below NT\$28 per US dollar.

Bank-centric FHCs – Core earnings growth solid. E. Sun FHC (2884 TT, NT\$33.8, OP) reported August net profit of NT\$3.1bn, up 2.2% YoY, but down 10.5% MoM, as bank earnings fell 22.5% MoM, offsetting 35% MoM growth in the combined profits of securities and venture capital subsidiaries. The FHC booked interest and fee income growth of 0.9% and 16% MoM, extending the YTD rising streak, offsetting a MoM decline of NT\$570mn in August investment income, dragged down by reduced dividend income and higher operating expenses. January-August FHC net profit climbed 26.2% YoY to NT\$23.31bn, achieving 75% of our full-year forecast. CTBC FHC (2891 TT, NT\$42.05, OP) saw August net profit grow 53% YoY and 35% MoM to NT\$7.9bn, with bank earnings up 13% MoM to NT\$5bn on net interest income growth of 4% MoM, prompted by widening FCY interest spread and loan growth, higher investment income from bond investments and lower general provisions. Taiwan Life's August earnings rose 37% MoM to NT\$2.38bn, buoyed by higher capital gains from stock investments, offsetting reduced cash dividends. Also, the insurer's FX reserves increased by NT\$6bn MoM in August to over NT\$20bn, which we expect to withstand NT dollar appreciation to below NT\$27 per US dollar. First FHC (2892 TT, NT\$30, N) and Mega FHC (2886 TT, NT\$41.55, N) reported 9.3% and 29% MoM declines in August net profit, due to lower cash dividends for banking units, although FX swap gains were stable MoM. Yuanta FHC's (2885 TT, NT\$34, N) August net profit grew 19% MoM to NT\$3.83bn, with securities earnings up 17% MoM on a rising Taiex and index turnover, which boosted brokerage fee and investment income, offsetting a 2.5% MoM decline in bank earnings and losses of NT\$50mn from Yuanta Life.

Stocks for Action

The market now expects the Fed to opt for more aggressive rate cuts (of 50-75bps) in 2025F in response to disappointing labor market results of late. We expect the restarting of a US rate cut cycle in September will lower US dollar funding costs for banks, while the relocation of Taiwan supply chains could shore up demand for FCY loans, boosting banks' NIM and net interest income in 2025-26F. Meanwhile, a robust capital market will help banks maintain fee income growth at mid- or high-single digits, offsetting the negative impact of narrowing FX swap gains in 2H25F. The recent pullback of US long-term Treasury yields will reduce valuation losses for life insurers from holdings of long-term bonds, along with a narrowing US-Taiwan interest spread, which helps lower recurring hedging costs through currency swaps. However, life insurers are required to allocate 30% of 2025 earnings to FX reserves, and 2H25F capital market uncertainty will still weigh on the 2025F net worth of FHCs. Our current preference for financial segments, in descending order, is banks, life insurance, brokerage and leasing. Our top picks are E. Sun FHC, CTBC FHC and Chailease (5871 TT, NT\$111.5, OP). As for insurance-centric FHCs, we prefer Fubon to Cathay and Taishin-Shin Kong in terms of 2025F earnings and dividends.

Risks

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

Figure 1: In August, 13 FHCs' combined net profit rose 1% MoM and 57% YoY, with insurance- & brokerage-centric FHCs posting 136% & 79% YoY earnings growth, outstripping bank-centric peers' 8.5% growth

NT\$m	2024			1Q25			2Q25			Aug-25			Jan-Aug 25			2025F
	Earnings	YoY (%)		Earnings	YoY (%)		Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)	Achieved(%)
2880 TT	Hua Nan FHC*	23,123	7.0	5,338	(5.2)		6,345	13.6	18.9	2,238	(1.0)	(32.9)	17,253	6.1	1.24	71.1
2881 TT	Fubon FHC	151,160	129.0	41,058	35.0		10,326	(79.7)	(74.9)	11,100	100.7	0.6	73,480	(35.2)	5.11	77.7
2882 TT	Cathay FHC	111,190	118.3	32,015	(16.0)		13,985	(58.4)	(56.3)	10,270	95.2	13.9	65,050	(33.9)	4.18	83.2
2883 TT	KGI FHC*	33,546	77.1	8,706	6.0		-3,232	N.A.	N.A.	3,897	104.4	(24.3)	14,523	(46.0)	0.83	87.6
2884 TT	E. Sun FHC	26,084	20.1	8,809	40.9		7,961	23.4	(9.6)	3,094	2.2	(10.5)	23,305	26.2	1.44	75.3
2885 TT	Yuanta FHC	35,830	34.9	7,638	(17.3)		8,590	1.9	12.5	3,832	73.2	19.1	23,277	(5.7)	1.75	80.2
2886 TT	Mega FHC	34,766	4.6	8,011	(30.3)		10,180	14.3	27.1	3,025	29.9	(28.8)	25,465	(5.4)	1.72	73.2
2887 TT	TS FHC	20,070	37.4	4,733	(5.6)		5,491	(1.3)	16.0	4,700	69.7	29.8	18,540	20.9	1.13	62.9
2888 TT	Shin Kong FHC*	20,607	N.A.	-12,530	N.A.		-17,014	N.A.	N.A.	-	-	-	-	-	-	-
2889 TT	Waterland FHC*	2,171	8.5	402	(36.1)		255	(56.3)	(36.5)	323	201.9	1.6	1,298	(16.4)	0.36	N.A.
2890 TT	SinoPac FHC*	22,302	12.8	7,202	4.2		5,401	2.4	(25.0)	2,790	35.4	7.1	18,073	8.4	1.38	107.0
2891 TT	CTBC FHC	72,028	28.4	19,908	(4.8)		15,932	(2.2)	(20.0)	7,901	52.9	35.3	49,581	(6.8)	2.49	76.0
2892 TT	First FHC	25,359	12.9	7,206	2.7		6,740	0.4	(6.5)	2,715	13.8	(9.3)	19,655	3.6	1.37	74.3
5880 TT	Cooperative FHC*	19,743	14.4	4,935	(5.8)		5,196	6.9	5.3	1,947	4.8	(17.8)	14,329	(2.5)	0.92	N.A.
Total of 13 FHCs		577,372	55.5	160,895	3.8		98,367	(39.3)	(38.9)	57,832	56.8	1.1	363,829	(18.3)		
Life insurance-centered FHCs		315,966	110.0	86,512	12.7		26,569	(71.5)	(69.3)	29,967	136.0	18.9	171,593	(28.1)		
Banking-centered FHCs		223,405	16.3	61,408	(10.3)		57,756	(3.2)	(5.9)	23,710	8.5	(16.7)	167,661	(7.1)		
Brokerage-centered FHCs		38,001	33.0	12,975	31.5		14,042	55.8	8.2	4,155	79.2	17.5	24,575	(6.3)		

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

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

Note 3: On July 24, Taishin FHC merged with Shin Kong FHC and was renamed Taishin-Shin Kong FHC; Total of 13 FHCs earnings are excluding Shin Kong FHC.

Source: Bloomberg; Company data; KGI Research

Figure 2: Life insurers saw August net profit fall 20% MoM , but rose significantly YoY on increased capital gains from stocks, which more than offset declines in cash dividends

NT\$m	FHC ticker	Subsidiary name	2024			1Q25			2Q25			Aug-25			Jan-Aug 25		
			Earnings	YoY (%)		Earnings	YoY (%)		Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2881 TT	Fubon Life		102,530	184.1		27,316	56.4		-2,725	N.A.	N.A.	5,810	146.2	(2.0)	36,280	(51.3)	3.06
2882 TT	Cathay Life		67,180	311.1		18,282	(29.0)		1,041	(95.4)	(94.3)	5,330	336.9	25.4	28,370	(57.2)	4.49
2885 TT	Yuanta Life		1,923	(4.8)		479	(51.8)		-479	N.A.	N.A.	-47	N.A.	N.A.	28	(98.8)	0.01
2887 TT	Taishin Life		1,240	394.5		178	(78.3)		1,127	128.0	534.3	-60	N.A.	N.A.	1,370	(28.3)	1.15
2888 TT	Shin Kong Life		10,378	N.A.		-11,049	N.A.		-19,031	N.A.	N.A.	-910	N.A.	N.A.	890	-	0.10
2891 TT	Taiwan Life		21,474	73.4		5,599	(26.9)		1,618	(70.1)	(71.1)	2,382	229.5	36.7	11,340	(44.7)	1.82
5880 TT	Taiwan Cooperative Life		1,203	(4.1)		108	(63.8)		-108	N.A.	N.A.	34	(17.1)	(67.6)	-115	N.A.	(0.17)
2883 TT	KGI Life		22,155	117.7		6,176	19.9		-5,105	N.A.	N.A.	1,569	55.2	(58.9)	6,458	(66.0)	1.27
Total of 8 life insurers			228,083	271.9		47,088	(19.6)		-23,664	N.A.	N.A.	14,108	N.A.	(20.2)	84,621	(57.0)	

Note: Taishin FHC merged with Shin Kong FHC on July 24, and only disclosed the cumulative earnings of Shin Kong Life after the merger date.

Source: Company data; KGI Research

Figure 3: P&C earnings rose 13% MoM & 27% YoY in August

NT\$m	FHC ticker	Subsidiary name	2024			1Q25			2Q25			Aug-25			Jan-Aug 25		
			Earnings	YoY (%)		Earnings	YoY (%)		Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2880 TT	Hua Nan P&C		1,293	41.1		332	(16.9)		445	(8.7)	34.1	172	5633.3	(5.5)	1,130	(0.4)	5.65
2881 TT	Fubon P&C		3,010	N.A.		1,624	20.5		1,262	15.4	(22.3)	770	92.5	35.1	4,220	32.3	14.08
2882 TT	Cathay Century P&C		2,700	116.8		1,051	21.2		837	92.0	(20.4)	330	83.3	(8.3)	2,550	39.3	12.73
2886 TT	Chung Kuo P&C		413	N.A.		153	(8.0)		243	N.A.	59.3	79	54.9	(1.3)	555	169.4	1.23
Total of 4 P&C			7,416	N.A.		3,160	13.6		2,787	44.0	(11.8)	1,351	27.1	13.3	8,455	32.9	

Source: Company data; KGI Research

Figure 4: Bank profit dropped 9% MoM, but rose 5.8% YoY on lower investment income (on a MoM basis), but net interest & fee income continued up; SCSB's (5876 TT, NT\$41.1, N) August earnings fell 35% MoM to NT\$1.43bn on increased provisions & lower investment income

NT\$m	FHC ticker	Subsidiary name	2024			1Q25			2Q25			Aug-25			Jan-Aug 25		
			Earnings	YoY (%)		Earnings	YoY (%)		Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2880 TT	Hua Nan Bank		21,593	7.7		5,209	3.3		6,046	15.8	16.1	2,163	(2.3)	(24.1)	16,267	10.3	1.53
2881 TT	Taipei Fubon Bank		30,540	23.9		10,112	23.9		9,409	16.4	(6.9)	3,260	12.0	10.1	25,740	14.8	1.63
2882 TT	Cathay United Bank		38,340	33.1		12,049	16.4		11,106	14.6	(7.8)	3,690	6.6	(12.4)	31,280	13.6	2.41
2883 TT	KGI Bank		5,536	2.6		1,706	16.2		1,673	24.3	(2.0)	650	47.4	(3.1)	4,700	21.2	1.00
2884 TT	E. Sun Bank		24,533	25.4		8,740	54.9		8,152	37.7	(6.7)	2,476	(17.1)	(22.5)	22,547	30.8	1.54
2885 TT	Yuanta Bank		10,015	15.7		2,544	(3.4)		2,752	7.8	8.2	1,072	51.8	(2.5)	7,468	7.5	0.86
2886 TT	Mega Bank		28,370	(8.6)		7,202	(27.2)		8,167	3.3	13.4	2,341	21.2	(30.0)	21,055	(8.6)	2.17
2887 TT	Taishin Bank		18,510	24.2		4,932	11.6		4,922	17.1	(0.2)	2,010	(15.5)	18.9	13,560	9.7	1.10
2888 TT	Shin Kong Bank		7,216	6.3		-224	N.A.		2,009	7.6	N.A.	950	57.3	196.9	1,270	-	0.25
2890 TT	Sinopac Bank		17,463	8.7		6,204	17.9		4,932	10.7	(20.5)	1,608	(1.5)	(2.0)	14,466	11.7	1.31
2891 TT	CTBC Bank		49,424	19.6		13,443	11.0		14,319	29.5	6.5	4,995	7.1	13.1	37,175	17.4	2.17
2892 TT	First Bank		23,806	10.6		6,778	4.4		7,029	11.5	3.7	2,205	(2.9)	(20.0)	18,766	6.7	1.53
5880 TT	Taiwan Cooperative Bank		18,951	16.2		4,952	0.1		5,620	8.8	13.5	1,726	2.2	(17.4)	14,392	2.0	1.10
2801 TT	Chang Hwa Bank		14,958	15.2		4,135	7.9		4,995	38.2	20.8	1,606	22.7	(15.4)	12,634	26.7	1.07
2809 TT	King's Town Bank		5,024	(19.1)		630	(68.8)		943	(22.7)	49.6	429	195.5	(13.8)	2,499	(26.8)	2.25
5876 TT	SCSB		13,373	(8.8)		4,667	7.7		3,137	113.6	(32.8)	1,429	(3.2)	(34.8)	11,339	20.0	2.34
Total of 16 banks			327,652	13.4		98,031	11.0		90,259	12.7	(7.9)	32,610	5.8	(9.0)	255,158	9.8	

Note: Taishin FHC merged with Shin Kong FHC on July 24, and only disclosed the cumulative earnings of Shin Kong Bank after the merger date.

Source: Company data; KGI Research

Figure 5: Securities net profit was up 26% MoM & 104% YoY as brokerage fee & investment income both rose with Taiex average daily turnover surging 33% MoM to NT\$592.8bn, a YTD high (January-August daily turnover rebounded to NT\$433.5bn, down 13.6% YoY)

NT\$m		2024		1Q25		2Q25			Aug-25			Jan-Aug 25		
FHC ticker	Subsidiary name	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
2880 TT	Hua Nan Securities	1,907	26.6	215	(56.1)	416	(27.0)	93.5	191	18.6	(33.0)	1,107	(25.5)	1.69
2881 TT	Fubon Securities	10,090	45.0	1,665	(29.0)	2,389	(9.1)	43.5	1,170	48.1	(5.6)	6,470	(13.8)	3.98
2882 TT	Cathay Securities	4,180	97.9	875	(3.6)	902	(28.3)	3.1	450	32.4	36.4	2,560	(16.1)	3.32
2883 TT	KGI Securities	10,123	37.8	1,843	(36.4)	1,867	(28.7)	1.3	1,661	147.9	17.6	6,783	(5.8)	3.73
2884 TT	E.Sun Securities	2,175	68.8	305	(26.3)	617	(4.5)	102.3	310	34.8	19.2	1,490	(3.8)	2.70
2885 TT	Yuanta Securities	21,158	53.4	3,967	(11.4)	5,621	17.1	41.7	2,471	68.1	26.2	14,016	3.1	2.13
2886 TT	Mega Securities	2,550	27.3	258	(70.9)	433	(28.7)	68.0	461	129.4	(0.2)	1,614	(27.3)	1.39
2887 TT	Taishin Securities	2,360	52.8	291	(54.7)	204	(75.8)	(29.7)	550	323.1	139.1	1,280	(31.9)	1.84
2888 TT	MasterLink Securities	3,400	36.1	-1,064	N.A.	457	(58.9)	N.A.	770	275.6	266.7	980	-	0.45
2890 TT	SinoPac Securities	5,828	51.9	1,204	(21.5)	901	(34.5)	(25.1)	917	96.4	(3.1)	3,963	(4.6)	2.35
2892 TT	First Securities	1,183	21.0	120	(61.5)	178	(52.3)	47.9	180	114.3	45.2	602	(33.3)	0.90
2855 TT	President Securities	4,373	51.9	-67	N.A.	588	(56.3)	N.A.	976	533.5	36.4	2,211	(37.1)	1.38
5880 TT	Taiwan Cooperative Securities	218	7.8	-53	N.A.	-43	N.A.	N.A.	120	69.0	(4.0)	148	(50.5)	0.29
6005 TT	Capital Securities	5,396	30.6	875	(35.5)	1,140	(8.7)	30.3	996	92.4	65.2	3,877	1.8	1.62
Total of 14 brokerages		74,941	46.7	10,433	(45.6)	15,670	(19.5)	50.2	11,223	104.4	26.1	47,101	(12.5)	

Note: Taishin FHC merged with Shin Kong FHC on July 24, and only disclosed the cumulative earnings of Master Link Securities after the merger date.

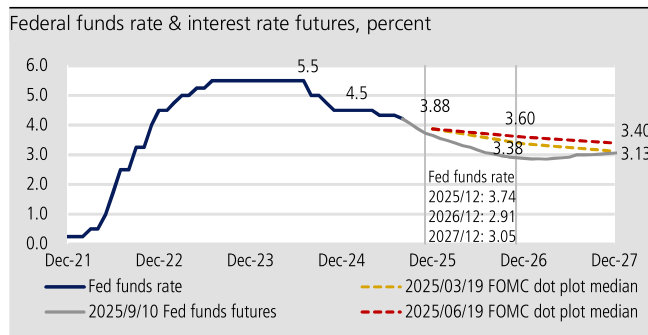
Source: Company data; KGI Research

Figure 6: Chailase's August net profit fell 20% YoY, but rose 13% MoM as operating profit increased by 11.7% MoM on 4% sales MoM growth & reduced expected credit losses in China; Yulon Finance's (9941 TT, NT\$96.6, N) August earnings were NT\$410mn, down 4% YoY, but up 2.6% MoM, but operating profit rose 7% MoM; Hotai Finance's (6592 TT, NT\$68.6, N) sales were NT\$1.95bn, down 21% YoY & 0.6% MoM

NT\$m		2024		1Q25		2Q25			Aug-25			Jan-Aug 25		2025F
FHC ticker	Subsidiary name	Sales	YoY (%)	Sales	YoY (%)	Earnings	YoY (%)	QoQ (%)	Sales	YoY (%)	MoM (%)	Sales	YoY (%)	Achieved(%)
5871 TT	Chailase	102,292	4.9	24,707	(1.2)	49,281	91.5	99.5	8,225	(6.4)	3.8	65,429	(4.4)	65.3
9941 TT	Yulon Finance	41,471	(0.0)	9,698	(6.7)	19,884	89.5	105.0	3,262	(8.9)	(3.0)	26,638	(5.0)	66.7
6592 TT	Hotai Finance	28,964	1.1	6,086	(21.8)	12,083	57.2	98.5	1,951	(20.5)	(0.6)	15,998	(22.1)	66.4
FHC ticker	Subsidiary name	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS(NT\$)
5871 TT	Chailase	22,570	(9.8)	5,506	(5.3)	4,992	(22.1)	(9.3)	1,677	(20.2)	13.0	13,659	(16.9)	7.65
9941 TT	Yulon Finance	5,099	(18.7)	1,147	(12.1)	1,112	(17.2)	(3.0)	414	(4.2)	2.6	3,076	(12.8)	5.07
6592 TT	Hotai Finance	0	N.A.	727	36.5									

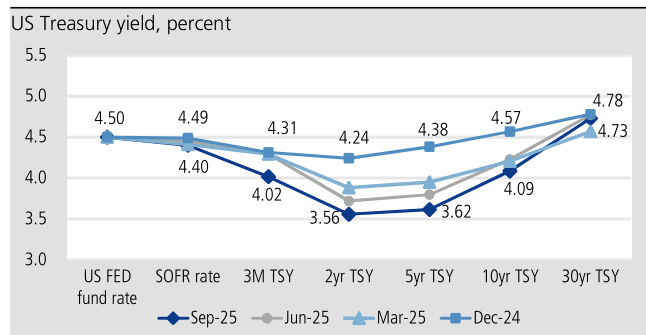
Source: Company data; KGI Research

Figure 7: Consensus for 2025F US rate cuts has widened to 50-75bps, reflecting weaker-than-expected employment data; a renewed rate-cut cycle is expected to lower US dollar funding costs for banks, while falling long-term yields could reduce long-term bond valuation losses for life insurers



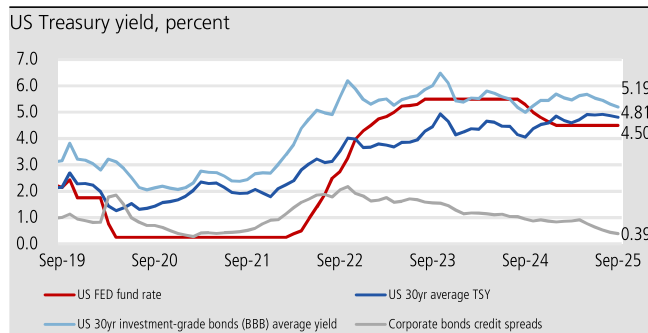
Source: Bloomberg; KGI Research

Figure 8: With rising expectations for a Fed rate cut in September, 10-year Treasury yield fell to 4.09%, & 30-year to 4.73%; if yields fall below end-2024 levels of 4.57% & 4.78%, it may impact bond valuation losses and prompt provisioning or reversal of special reserves



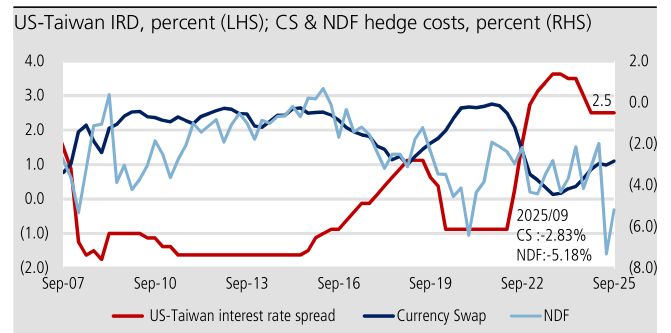
Source: Bloomberg; KGI Research

Figure 9: US 30-year Treasury yield has fallen to 4.81% & BBB corporate bond yield to 5.19%, with credit spreads continuing to narrow to their lowest levels since 2021



Source: Bloomberg; KGI Research

Figure 10: Amid rising expectations for a US rate cut in September, CS swap points declined to 2.83%, which will impact banks' FX swap income in 2H25F, while life insurers see lower CS & NDF hedging costs



Source: Bloomberg; KGI Research

Figure 11: Most banks saw improved 2Q25 NIMs vs. 1Q25, reflecting lower funding costs; E.Sun, Fubon, Taishin & Yuanta Bank expect stronger NIMs in 2025F, while Mega Bank's NIM may reach 1%

The Fed cuts interest rates by 100 bps in 4Q24						2025F Forecast	
Percent (%)	2Q24	1Q25	2Q25	QoQ NIM change from 2Q24 to 1Q25			
2891 TT CTBC	1.37	1.49	-	(1.49)	0.12	2025F(inc. FX) up 2-4bps to 1.63%-1.66%	
2882 TT Cathay	1.55	1.55	1.57	0.02	-	2025F NIM stay at 1.55%	
5876 TT SCSB	1.38	1.22	1.11	(0.11)	(0.16)	Expect NIM for Taiwan operations to rebound in 3Q25F. Hong Kong subsidiary to maintain NIM at 1.97%. 2025F NIM target remains at 1.25%	
2884 TT E.Sun	1.28	1.30	1.29	(0.01)	0.02	NIM projected to reach 1.31%-1.32% in 4Q25F	
2887 TT Taishin	1.25	1.26	1.29	0.03	0.01	YoY NIM increase of 6-8 bps to 1.3%-1.32% in 2025F	
2881 TT Fubon	1.15	1.16	1.21	0.05	0.01	Maintain a YoY NIM increase of 3-5 bps in 2025F	
2890 TT Sinopac	0.94	1.19	1.23	0.04	0.25	NIM expected to be maintained above 1.34% in 2025F	
2886 TT Mega	0.97	0.96	0.95	(0.01)	(0.01)	NIM projected to reach 1% in 2025F	
2885 TT Yuanta	0.88	0.92	0.97	0.05	0.04	Maintain NIM at 0.91% in 2025F	
2892 TT First	0.70	0.67	0.71	0.04	(0.03)	NIM (including FX) to be maintained at 1.03%-1.04% in 2025F	
2880 TT Hua Nan	0.67	0.71	0.75	0.04	0.04	If the Fed cuts interest rates by 25 bps, 2025F NIM would increase by 1 bp	
Avg.	1.29	1.29	1.11	(0.02)			

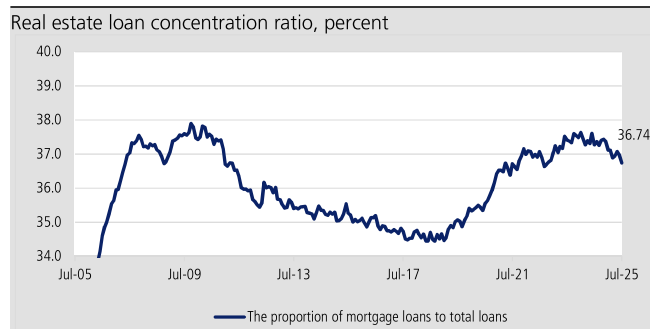
Source: Company data; KGI Research

Figure 12: FSC's exclusion of the preferential housing loan program for young people from Article 72-2 limits will help state-owned banks increase mortgage loans; however, real estate lending still depends on whether the central bank adjusts concentration limits or self-regulation policies at its September meeting

Unit: Trillion New Taiwan Dollars							
According to Article 72-2, Paragraph 1 of the Banking Act (Calculated ratio excluding exempted items)	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Total outstanding balance of housing construction and enterprise construction loans (numerator)	15.18	15.19	15.23	15.27	15.26	15.31	15.36
Deposit balance + amount of financial debenture issuance (denominator)	57.41	57.88	57.87	57.84	57.77	58.18	58.99
Average ratio of domestic banks: %	26.44	26.25	26.31	26.40	26.42	26.31	26.04
Average ratio of government-owned banks: %							27.61
27% and above - Number of banks within each ratio range	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
29% and above	0	0	0	0	0	0	0
28% and above but less than 29%	3	3	4	3	5	3	3
27% and above but less than 28%	8	6	5	8	6	7	7

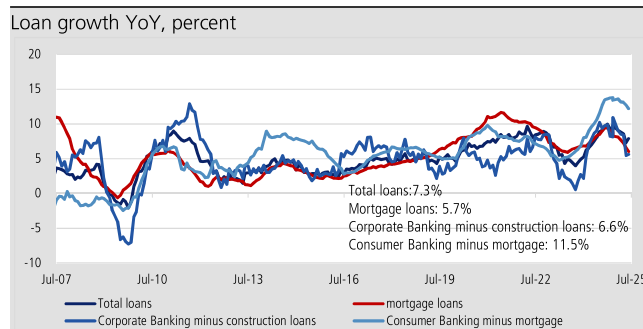
Source: Banking Bureau of FSC; KGI Research

Figure 13: Following central bank's 7th round of credit controls in September 2024, Taiwan's real estate loan ratio declined to 36.74% in July 2025, down from 37.4% in August 2024



Source: TEJ; KGI Research

Figure 14: Central bank housing curbs since 3Q24 have shown results, with related loan growth slowing to 5.7% YoY in July



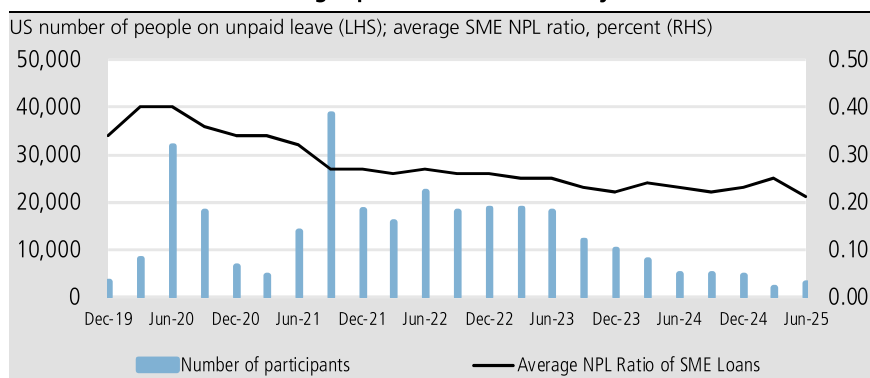
Source: TEJ; KGI Research

Figure 15: Banks' NPL ratio was 0.16% in July, up by 0.01ppt MoM, with SCSB at 0.37% & Mega Bank at 0.26%, still higher than peers

FHC/Bank ticker Bank	Jul-25			Jul-25			Jul-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	0.01	(0.01)	2,776	121	(66)	796	(49)	94
2801 TT Chang Hua Bank	0.16	0.00	0.00	3,299	74	178	800	(2)	43
2886 TT Mega Bank	0.26	0.00	(0.04)	6,173	277	(713)	625	(24)	99
5880 TT Taiwan Cooperative Bank	0.17	0.00	(0.01)	5,289	185	112	674	(17)	48
2892 TT First Bank	0.17	0.01	(0.01)	4,632	254	37	813	(31)	71
2881 TT Taipei Fubon Bank	0.12	0.00	0.01	2,955	131	428	1,048	(19)	(88)
2888 TT Shin Kong Bank	0.12	0.00	0.00	1,094	49	86	1,055	13	(37)
2884 TT E.Sun Bank	0.15	0.01	(0.01)	3,584	196	100	806	(29)	24
2880 TT Hua Nan Bank	0.17	0.01	0.00	4,001	207	(14)	749	(36)	(17)
5876 TT SCSB	0.37	0.01	(0.09)	3,306	81	(773)	373	(4)	85
2891 TT CTBC Bank	0.15	0.00	0.00	4,897	(60)	380	837	34	9
2885 TT Yuanta Bank	0.06	0.00	0.02	746	(2)	319	2,170	14	(1,301)
2890 TT Bank Sinopac	0.18	0.01	0.06	2,913	149	1,086	766	(33)	(343)
2887 TT Taishin Bank	0.15	0.01	0.04	2,793	338	862	824	(98)	(317)
2882 TT Cathay United Bank	0.17	0.03	0.05	4,632	995	1,622	953	(247)	(371)
2809 TT King's Town Bank	0.02	0.00	0.00	39	0	(11)	7,847	112	2,164
Bank industry	0.16	0.01	0.00	69,730	3,844	4,761	843	(36)	(7)

Source: FSC; TEJ; KGI Research

Figure 16: Unpaid leave has risen recently due to higher US tariffs; during COVID-19 peaks in June 2020 & December 2021, SME NPLs briefly rose to 0.4% before declining, supported by government relief measures like loan extensions, and interest subsidies for working capital loans and recovery loans



Source: Labor Statistics Portal; KGI Research

Figure 17: In June, SME loan ratios were higher at King's Town Bank (2809 TT, NT\$57.6, N), Taiwan Business Bank (2834 TT, NT\$15.35, NR), and First Bank (2892 TT, NT\$30, N), but most banks see limited exposure to US tariff impacts on exports

Ticker	Bank	SME Loans (NT Million)	SME Loans as % of Total Loans	Overdue Loans / Total Loans Balance (NT Million)	Non-performing Loan Ratio (%)
2809	King's Town	139,998	63.4	7735.7	0.02
2834	Taiwan Business	804,723	53.6	845.4	0.16
5844	First	978,345	43.0	843.2	0.16
5843	Mega	714,950	38.9	648.8	0.26
5876	SCSB	297,825	38.3	376.8	0.36
2801	Chang Hua	662,235	38.2	802.7	0.16
5838	Hua Nan	779,400	36.6	784.8	0.16
5849	Sinopac	419,827	31.7	799.0	0.17
5847	E.Sun	633,780	31.2	835.1	0.14
5854	Taiwan Cooperative	843,464	30.0	691.4	0.17
2893	Shin Kong	213,801	26.0	1042.1	0.12
5848	Taishin	335,989	22.3	921.5	0.14
5836	Taipei Fubon	420,629	20.4	1067.2	0.12
5852	Yuanta	240,355	19.0	2156.7	0.06
2837	KGI	77,805	18.7	727.4	0.17
5841	CTBC	435,585	16.3	803.6	0.15
5835	Cathay United	350,924	14.3	1200.0	0.14
	Total	10,568,997	27.6	878.6	0.15

Source: TEJ; KGI Research

Figure 18: During 2020-23, COVID-19 impacted corporate loan delinquency trends; in 2Q25, CTBC Bank's corporate (guaranteed) NPL ratio was above peers, but loan loss coverage for corporate (guaranteed) also rose to over 264%

Bank	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
CTBC	0.28	0.24	0.35	0.46	0.46	0.33	0.59	0.78	0.87	0.8	0.79	0.78	0.77	0.79	0.81	0.83	0.9	0.91	0.78	0.83	0.86	0.93
SCSB	0.22	0.23	0.24	0.26	0.2	0.2	0.15	0.14	0.47	0.46	0.54	0.34	0.34	0.36	0.37	0.33	0.53	0.69	0.41	0.42	0.59	0.68
Mega	0.43	0.4	0.39	0.34	0.43	0.34	0.34	0.36	0.21	0.21	0.19	0.18	0.25	0.38	0.45	0.36	0.54	0.5	0.46	0.36	0.49	0.41
First	0.39	0.41	0.39	0.37	0.45	0.37	0.36	0.37	0.38	0.38	0.37	0.35	0.34	0.34	0.36	0.36	0.35	0.35	0.35	0.39	0.36	0.33
Sinopac	0.22	0.16	0.25	0.21	0.2	0.18	0.2	0.18	0.2	0.18	0.21	0.19	0.18	0.16	0.17	0.19	0.46	0.25	0.28	0.38	0.39	0.27
Yuanta	0.05	0.05	0.07	0.07	0.06	0.19	0.18	0.18	0.18	0.18	0.01	0.02	0.04	0.06	0.07	0.09	0.2	0.25	0.25	0.23	0.3	0.25
Taipei Fubon	0.65	0.61	0.57	0.53	0.52	0.48	0.45	0.45	0.48	0.49	0.5	0.51	0.32	0.31	0.31	0.33	0.29	0.27	0.25	0.25	0.29	0.23
E.Sun	0.18	0.17	0.19	0.23	0.23	0.22	0.23	0.24	0.23	0.23	0.22	0.21	0.32	0.34	0.31	0.31	0.31	0.3	0.31	0.17	0.19	0.18
Taiwan Business	0.53	0.64	0.54	0.7	0.72	0.68	0.37	0.19	0.18	0.2	0.21	0.22	0.19	0.21	0.21	0.16	0.21	0.27	0.26	0.27	0.18	0.22
Cathay United	0.07	0.06	0.35	0.32	0.3	0.42	0.28	0.09	0.04	0.05	0.06	0.06	0.07	0.07	0.09	0.08	0.1	0.09	0.08	0.05	0.05	0.06
Taishin	0.21	0.2	0.18	0.17	0.1	0.06	0.08	0.09	0.18	0.18	0.19	0.22	0.14	0.13	0.15	0.17	0.17	0.17	0.13	0.14	0.13	0.14

Note: June 2020 and December 2021 were peak periods for unpaid leave implementation

Source: TEJ; banks; KGI Research

Figure 19: During 2020-23, COVID-19 impacted consumer unsecured loan delinquency trends; in 2Q25, E.Sun Bank's consumer unsecured loan NPL ratio was above peers, but coverage consumer unsecured loans still reached 132%

Bank	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
E.Sun	0.53	0.58	0.52	0.54	0.61	0.52	0.45	0.39	0.49	0.59	0.62	0.65	0.86	0.87	0.95	0.81	0.9	0.86	0.95	1.04	1.09	1.03
SCSB	0.26	0.22	0.24	0.15	0.17	0.16	0.11	0.1	0.14	0.17	0.22	0.16	0.15	0.18	0.21	0.16	0.33	0.41	0.35	0.43	0.81	0.89
CTBC	1.23	1.01	0.89	0.91	1.05	1.07	0.98	0.74	0.8	0.89	0.94	0.93	1.02	0.93	0.91	1.13	1.41	1.2	1.07	0.99	0.91	0.87
Mega	0.14	0.14	0.15	0.14	0.13	0.13	0.12	0.13	0.12	0.11	0.14	0.14	0.07	0.08	0.09	0.14	0.18	0.19	0.23	0.35	0.41	0.44
Sinopac	0.33	0.3	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.28	0.28	0.29	0.3	0.32	0.34	0.37	0.4	0.4	0.42	0.47	0.49	0.41
Taipei Fubon	0.26	0.22	0.16	0.15	0.23	0.19	0.15	0.09	0.1	0.1	0.12	0.12	0.13	0.15	0.15	0.16	0.19	0.26	0.33	0.31	0.28	0.22
First	0.08	0.07	0.04	0.03	0.03	0.09	0.11	0.06	0.06	0.06	0.08	0.08	0.13	0.04	0.04	0.04	0.07	0.06	0.08	0.13	0.13	0.09
Yuanta	0.11	0.09	0.07	0.05	0.06	0.07	0.08	0.03	0.04	0.03	0.03	0.05	0.1	0.06	0.03	0.05	0.06	0.07	0.07	0.08	0.08	0.08
Taiwan Business	2.94	3.17	3.27	2.98	2.51	2.04	1.88	1.46	1.65	2.07	1.78	1.47	1.27	1.55	1.49	0.76	0.74	0.74	0.97	1.17	1.13	1.29
Cathay United	0.24	0.25	0.25	0.25	0.23	0.25	0.22	0.17	0.19	0.22	0.23	0.25	0.35	0.4	0.38	0.43	0.46	0.57	0.63	0.61	0.62	0.54
Taishin	0.37	0.34	0.3	0.29	0.29	0.28	0.28	0.25	0.24	0.26	0.25	0.24	0.25	0.25	0.24	0.24	0.27	0.28	0.33	0.35	0.34	0.34

Note: June 2020 and December 2021 were peak periods for unpaid leave implementation

Source: TEJ; banks; KGI Research

Figure 20: After applying for the new FX reserve mechanism and temporary policy reserve measures in 2Q25, Fubon, Cathay & Shin Kong Life shifted to reduce hedging ratios to build up FX reserve levels

	Cathay Life				Fubon Life				Taiwan Life				Shin Kong Life				2025	QoQ
Percent	2024	YoY	1Q25	QoQ	2025	QoQ	2024	YoY	1Q25	QoQ	2025	QoQ	2024	YoY	1Q25	QoQ	2025	QoQ
FX policy/Currency Swap/NDF	75.9	1.8	78.9	3.1	72.4	(6.5)	62.7	(11.0)	61.3	(1.3)	67.9	6.5	70.0	(1.6)	67.6	(2.5)	74.2	(3.8)
FX policy	31.0	1.0	32.0	1.0	31.0	(1.0)	26.0	(1.1)	26.6	0.7	26.3	(0.3)	41.0	(1.0)	41.0	0.0	29.2	0.3
Currency Swap/NDF	44.9	0.8	46.9	2.1	41.4	(5.5)	36.7	(9.9)	34.7	(2.0)	41.6	6.9	29.0	(0.6)	26.6	(2.5)	45.0	(3.0)
Currency Swap	0.0	0.0	0.0	0.0	0.0	0.0	33.8	(1.8)	31.5	(2.3)	26.7	(4.9)	0.0	0.0	0.0	0.0	28.4	1.0
NDF	0.0	0.0	0.0	0.0	0.0	0.0	2.9	(8.1)	3.2	0.3	14.9	11.8	0.0	0.0	0.0	0.0	16.7	(4.0)
AFS/mutual funds	6.9	(0.8)	6.1	(0.8)	6.2	0.1	16.0	(0.1)	13.6	(2.4)	14.0	0.4	11.0	(0.0)	11.8	0.8	1.6	0.2
Proxy OpenUSD and other currencies	17.3	(0.9)	15.0	(2.3)	21.4	6.4	21.3	11.1	25.1	3.7	18.1	(6.9)	20.0	2.6	20.7	0.6	24.2	3.6
Total	100		100		100		100		100		100		100		100		100	
Hedging cost	(1.56)	(0.60)	(0.80)	0.76	(1.45)	(0.65)	(1.41)	(0.56)	(0.87)	0.54	(7.00)	(6.13)	(0.91)	(0.17)	(0.43)	0.48	(1.47)	(0.07)
Forex Reserves(NT\$mn)	27,514		38,624		56420		21,481		26,169		51581		10,595		14,017		45,146	

Source: Company data; KGI Research

Figure 21: In 2Q25, Cathay, Fubon & Taiwan Life applied for new FX reserve & policy reserve measures, aiming to raise FX reserves; we estimate they can withstand NT dollar appreciation below NT\$28 per US dollar

Ticker	Company	Proxy & Open		FX reserves (NT\$mn)						Regulatory forbearance on reserve requirements(A)=(B)+ (C)	Net Income Before Tax (B)	Increasing amounts of FX reserves based on temporary relief measures of policy reserves (C)	Expected NT dollar appreciation covered by FX reserve	Note
		1Q25	2Q25	1Q25	Apr-25	May-25	2Q25	Jul-25	Aug-25					
2882 TT	Cathay Life	15.0	21.4	38,624	30,500	estimate <5,000	56,400	35,000	65,000	50,848	0	50,848	around 27-28 NT dollar	Adopted the new regulation in May 2025
2881 TT	Fubon Life	25.1	18.1	26,169	9,000	0	51,581	54,000	80,000	56,127	0	56,127	around 26.5-27 NT dollar	Adopted the new regulation in May 2025
2891 TT	Taiwan Life	21.0		14,017	9,900	3,100	3,400	15,000	>20,000	15,128	0	15,128	around 26.5-27.5 NT dollar	Adopted the new regulation in July 2025
2887 TT	Shin Kong Life	32.2	33.2	59,330	34,000	0	61,700	N/A	75,000	63,111	2,011	61,100	around 27 NT dollar	Adopted the new regulation in Dec 2024
2887 TT	Taishin Life	N/A	N/A	1,750	N/A	N/A	2,000	N/A	N/A	5,258	2,658	2,600	N/A	Adopted the new regulation in Dec 2024
2885 TT	Yuanta Life	N/A	N/A	3,361	N/A	N/A	3,322	N/A	N/A	6,803	3,503	3,300	N/A	N/A
2867 TT	Mercuries Life	38.9	N/A	15,332	N/A	N/A	17,450	N/A	N/A	42,334	24,698	17,636	N/A	Adopted the new regulation in April 2025
2883 TT	Kgi Life	28.1	31.5	39,030	21,200	N/A	2,441	N/A	32,000	23,402	0	23,402	N/A	Adopted the new regulation in Dec 2024
5874 TT	Nan Shan Life	N/A	N/A	32,151	N/A	N/A	25,119	N/A	N/A	32,049	16,049	16,000	N/A	Adopted the new regulation in May 2025

Source: Company data; KGI Research

Figure 22: In 1H25, Fubon Life's investment return remained above peers due to active capital gains, offsetting 2Q25 FX losses; we expect hedging costs & gains to improve in 2H25F

Life insurers' investment position	Cathay Life				Fubon Life				Taiwan Life				Sing Kong Life			
Percent	2024	YoY	1H25	YoY	2024	YoY	1H25	YoY	2024	YoY	1Q25	YoY	2024	YoY	1H25	YoY
Pre-hedging recurring yield (a)	3.43	(0.02)	3.41	0.11	3.51	(0.02)	3.30	(0.10)	3.73	0.09	3.55	0.17	3.42	(0.01)	3.15	(0.02)
Hedging cost (b)	(1.56)	(0.60)	(1.45)	(0.24)	(1.41)	(0.56)	(3.89)	(2.60)	(0.91)	(0.17)	(0.43)	(0.09)	(1.47)	(0.07)	(2.83)	(1.66)
After-hedging recurring yield (c)	2.34	(0.44)	3.41	0.96	2.36	(0.14)	2.36	0.16	3.18	(0.01)	3.29	0.12	2.39	(0.06)	1.17	(1.18)
Cost of liability (Reserve base) (d)	3.78	0.01	3.84	0.07	3.14	(0.01)	3.11	(0.04)	3.27	0.06	3.29	0.07	3.79	0.02	3.75	(0.02)
Cost of liability (Investment portfolio base) (e)	3.38	(0.03)	3.55	0.18	2.86	(0.15)	2.97	0.09	3.07	0.10	3.11	0.07	3.56	(0.05)	3.67	0.10
Recurring yield (After-hedging) less cost of liability (Investment portfolio base) (c)-(e)	(1.04)	(0.41)	(0.14)	0.78	(0.50)	0.01	(0.61)	0.07	0.11	(0.11)	0.19	0.05	(1.17)	(0.01)	(2.50)	(1.28)
Capital gain	1.40	0.90	0.06	(1.77)	3.12	1.83	1.40	(1.83)	0.95	0.65	0.98	(0.59)	1.31	0.96	0.26	(1.79)
Investment yield	3.74	0.46	3.47	(0.81)	5.48	1.69	3.76	(1.67)	4.13	0.64	4.27	(0.47)	3.70	0.90	1.43	(2.97)

Source: Company data; KGI Research

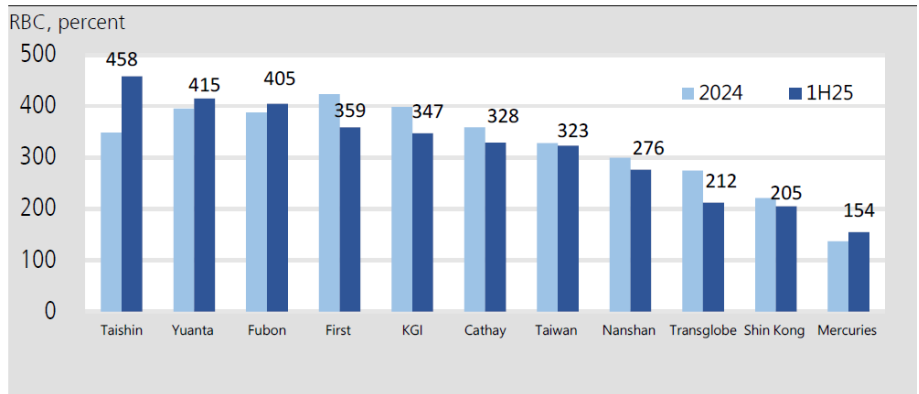
Figure 23: Monthly analysis of life insurers' hedging costs shows July reached 0.35% (non-annualized) on 0.06% NT dollar depreciation, due to Fubon, Cathay & Shin Kong Life applying for temporary easing of policy reserves in June to increase FX reserves in preparation for potential FX losses in 2H25F

(NT\$ Billion)	NT\$/USD at Month-End	TWD Appreciation/Depreciation (%)	Cumulative Net FX Loss	Total Hedging Cost for Life Insurance (%)	FX Reserve Balance	Overseas Investment	FX Conversion Gain/Loss (1)	Proportion (%)	Hedging Gain/Loss (2)	Proportion (%)	Monthly FX Swap/Hedging Instrument Cost (3)	Proportion (%)	Net Change in FX Reserve (4)	Proportion (%)	Total Net FX Loss (1)+(2)+(3)+(4)	Total Hedging Cost (%)
2024/1/31	31.30	(1.84)	(20.2)	(1.10)	114.6	21,994	239.5	1.09	(198.1)	(0.90)	(39.0)	(0.18)	(22.6)	(0.10)	(20.2)	(0.09)
2024/2/29	31.58	(0.88)	(40.2)	(1.09)	130.6	22,148	124.6	0.56	(292.1)	(1.32)	(73.6)	(0.33)	(38.6)	(0.17)	(40.2)	(0.18)
2024/3/29	31.99	(1.31)	(50.2)	(0.90)	160.9	22,380	180.2	0.81	(418.9)	(1.87)	(106.8)	(0.48)	(68.8)	(0.31)	(50.2)	(0.22)
2024/4/30	32.54	(1.73)	(47.8)	(0.63)	203.3	22,624	244.2	1.08	(168.2)	(0.74)	(31.1)	(0.14)	(42.5)	(0.19)	2.4	0.01
2024/5/31	32.42	0.37	(86.2)	(0.91)	188.4	22,717	(49.2)	(0.22)	27.3	0.12	(31.4)	(0.14)	14.9	0.07	(38.4)	(0.17)
2024/6/30	32.45	(0.09)	(112.3)	(0.99)	189.9	22,780	14.2	0.06	(9.6)	(0.04)	(29.2)	(0.13)	(1.5)	(0.01)	(26.1)	(0.11)
2024/7/31	32.84	(1.19)	(109.1)	(0.81)	230.6	23,007	170.2	0.74	(96.7)	(0.42)	(29.6)	(0.13)	(40.7)	(0.18)	3.2	0.01
2024/8/30	31.94	2.73	(179.6)	(1.18)	174.7	22,740	(387.7)	(1.70)	294.4	1.29	(33.1)	(0.15)	55.9	0.25	(70.5)	(0.31)
2024/9/30	31.65	0.90	(224.4)	(1.32)	157.7	22,653	(124.7)	(0.55)	95.0	0.42	(32.1)	(0.14)	17.0	0.08	(44.8)	(0.20)
2024/10/30	32.03	(1.20)	(259.3)	(1.37)	155.2	22,689	154.5	0.68	(158.9)	(0.70)	(33.0)	(0.15)	2.5	0.01	(34.9)	(0.15)
2024/11/30	32.46	(1.33)	(267.9)	(1.27)	185.2	22,994	187.9	0.82	(136.8)	(0.59)	(29.7)	(0.13)	(30.0)	(0.13)	(8.6)	(0.04)
2024/12/31	32.78	(1.00)	(302.9)	(1.32)	219.6	23,026	130.0	0.56	(136.9)	(0.59)	(29.1)	(0.13)	1.0	0.00	(35.0)	(0.15)
2025/1/31	32.68	0.30	(25.3)	(1.31)	226.3	23,089	(37.3)	(0.16)	45.8	0.20	(27.1)	(0.12)	(6.7)	(0.03)	(25.3)	(0.11)
2025/2/28	32.82	(0.42)	(47.2)	(1.22)	234.7	23,222	59.8	0.26	(4.8)	(0.02)	(49.8)	(0.21)	(15.1)	(0.07)	(47.2)	(0.20)
2025/3/31	33.18	(1.10)	(49.9)	(0.86)	283.6	23,281	167.0	0.72	(102.3)	(0.44)	(73.1)	(0.31)	(64.0)	(0.27)	(49.9)	(0.21)
2025/4/30	32.02	3.51	(118.3)	(1.57)	164.8	22,657	(511.6)	(2.26)	347.5	1.53	(23.9)	(0.11)	119.6	0.53	(68.4)	(0.30)
2025/5/31	29.93	6.52	(263.8)	(2.92)	188.8	21,687	(932.7)	(4.30)	605.1	2.79	(27.0)	(0.12)	209.1	0.96	(145.5)	(0.67)
2025/6/30	29.90	0.09	(522.0)	(4.82)	233.5	21,664	(37.3)	(0.17)	21.8	0.10	(28.0)	(0.13)	(214.7)	(0.99)	(258.2)	(1.19)
2025/7/31	29.92	(0.06)	(597.6)	(4.73)	233.9	21,664	28.6	0.13	(71.6)	(0.33)	(32.3)	(0.15)	(0.3)	0.00	(75.6)	(0.35)

Note: Forex reserves refer to foreign exchange valuation reserve; the denominator used in the ratio is foreign investments and is not annualized

Source: Insurance Bureau; KGI Research

Figure 24: Insurance Bureau has been reviewing adjustments to localization transitional measures for life insurers; for those with a capital adequacy ratio below 250%, if the capital buffer period is shortened from 15 years to five years, capital pressure after adopting ICS would increase



Source: Company data; KGI Research

Figure 25: Life insurers' net worth fell 10.7% QoQ in 2Q25, more than banks (down 6%) and securities firms (down 3.9%); despite NT\$304.5bn in dividend payouts, 2Q25 equity losses widened by NT\$148.9bn, driven by capital gains, dividends & the impact of a 9.9% NT dollar appreciation on foreign operations

NT\$mn		2Q25				1Q25				2025 QoQ			
Ticker	Name	Equity attributable to parent company	BVPS (common shares)	Other equity interest*		Equity attributable to parent company	BVPS (common shares)	Other equity interest*		Equity attributable to parent company	Net worth QoQ (%)	BVPS (common shares)	Other equity interest*
2881 TT	Fubon FHC	816,197	52.70	(129,590)		914,177	59.87	(83,522)		(97,980)	-10.7%	(7.17)	(46,068)
2882 TT	Cathay FHC	764,898	45.87	(173,661)		866,114	52.77	(112,780)		(101,216)	-11.7%	(6.90)	(60,881)
2891 TT	CTBC FHC	442,621	21.00	(60,059)		496,610	23.74	(36,061)		(53,989)	-10.9%	(2.75)	(23,999)
2887 TT	Taishin FHC	212,453	12.88	(2,256)		229,782	14.22	(4,341)		(17,329)	-7.5%	(1.34)	2,085
2880 TT	Hua Nan FHC*	215,104	15.61	(6,602)		230,630	16.74	(3,058)		(15,526)	-6.7%	(1.13)	(3,544)
2885 TT	Yuanta FHC	308,413	23.83	6,075		322,884	24.95	9,097		(14,471)	-4.5%	(1.12)	(3,022)
2888 TT	Shin Kong FHC*	239,507	12.77	(38,234)		257,835	13.81	(37,444)		(18,328)	-7.1%	(1.03)	(791)
2892 TT	First FHC	262,706	18.73	16,941		276,355	19.70	23,862		(13,648)	-4.9%	(0.97)	(6,921)
2886 TT	Mega FHC	362,016	24.41	4,189		376,077	25.35	4,532		(14,062)	-3.7%	(0.95)	(343)
2884 TT	E.Sun FHC	248,265	15.52	2,422		263,392	16.47	6,310		(15,126)	-5.7%	(0.95)	(3,888)
2890 TT	Sinopac FHC*	206,031	16.24	(7,236)		213,468	16.83	(6,375)		(7,437)	-3.5%	(0.59)	(862)
5880 TT	Cooperative FHC*	252,694	16.60	(10,039)		259,009	17.01	(8,399)		(6,315)	-2.4%	(0.41)	(1,640)
2889 TT	Waterland FHC*	42,702	12.09	1,955		42,586	12.06	1,028		116	0.3%	0.03	926

Note: Insurance-centric FHCs are Cathay, Fubon, and Taishin-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: Company data; TEJ; KGI Research

Figure 26: Cathay FHC's other equity booked a loss of NT\$173.6bn in 1H25, resulting in lower distributable earnings in 1H25 versus peers; as 2025F distributable earnings will be affected if other equity doesn't improve in 4Q25F; Cathay FHC may need to pay cash dividends through additional paid-in capital

NT\$mn		2024 undistributed earnings	4Q24 other equity interest	1H25 net profit	2Q25F other equity interest	Reversal (Increase) in special reserve in 1H25F	1H25F available distributed earnings	2024 undistributed earnings	2025F Cash dividend per share (NT\$)	vs.2024 Cash dividend per share (NT\$)	2025F Cash dividend growth rate	2025 Double Leverage Ratio%
Ticker	Company											
2881 TT	Fubon FHC	340,157	(6,216)	51,384	(129,590)	(123,374)	263,028	340,157	3.20	4.25	-25%	120.31
2885 TT	Yuanta FHC	78,787	8,114	16,228	6,075	-	93,393	78,787	1.25	1.55	-19%	113.88
2891 TT	CTBC FHC	75,343	(29,882)	35,841	(60,059)	(30,177)	77,423	75,343	2.10	2.30	-9%	125.87
2886 TT	Mega FHC	56,211	1,282	18,191	4,189	-	72,583	56,211	1.60	1.60	0%	119.04
2892 TT	First FHC	26,179	22,539	13,946	16,941	-	38,731	26,179	1.20	0.95	26%	115.36
2890 TT	Sinopac FHC	27,500	(5,691)	12,603	(7,236)	(1,546)	37,298	27,500	0.95	0.91	4%	111.67
2880 TT	Hua Nan FHC	21,193	(7,899)	10,131	(6,602)	(2,140)	28,171	21,193	0.70	0.70	0%	118.38
5880 TT	Cooperative FHC	18,685	(7,953)	11,682	(10,039)	1,351	30,550	18,685	1.30	1.25	4%	120.53
2884 TT	E.Sun FHC	8,322	5,559	16,770	2,422	-	23,416	8,322	1.40	1.20	17%	114.96
2887 TT	Taishin FHC	4,720	(116)	10,223	(2,256)	(2,140)	11,781	4,720	0.80	0.90	-11%	115.41
2889 TT	Waterland FHC	1	820	657	1,955	-	592	1	0.30	0.30	0%	118.22
2888 TT	Shin Kong FHC	1,396	(24,357)	(29,544)	(38,234)	(13,877)	(39,071)	1,396	-	-	0%	106.55
2882 TT	Cathay FHC	15,155	(57,995)	46,000	(173,661)	(115,666)	(59,111)	15,155	2.50	3.50	-29%	124.78

Source: Company data; TEJ; KGI Research

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