

CTBC FHC (2891.TW/2891 TT)

1Q24 ROE up to 19.6% on life insurance & banking earnings

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of May 31 (NT\$)	35.40
12M target price (NT\$)	39.00
Previous target price (NT\$)	34.00
Revised up (%)	14.7
Upside (%)	10.2

Key message

- 1Q24 earnings were up 61% YoY on life insurance & banking earnings.
- CTBC Bank saw weak NIM but robust fee income improvements in 1Q24.
- CTBC slightly revise down 2024F NIM, but revise up FX swap gains.

Trading data

Mkt cap (NT\$bn/US\$mn)	695 / 21,422	
Outstanding shares (mn)	19,621	
Foreign ownership (mn)	7,541	
3M avg. daily trading (mn)	45.63	
52-week trading range (NT\$)	23.25 –38.55	

Performance	3M	6M	12M
Absolute (%)	20.4	29.4	45.7
Relative (%)	8.8	7.9	18

Share price chart



Source: TEJ

Event

In 1Q24, CTBC FHC's EPS soared 82% YoY to NT\$1.07, ROE rose to 19.6%, and BVPS increased NT\$1.44 QoQ, reflecting a pickup of NT\$7.45bn in other equities.

Impact

1Q24 life insurance & banking earnings rebounded. CTBC FHC posted net profit of NT\$20.92bn in 1Q24, up 61% YoY and 179% QoQ, 11% higher than our forecast. CTBC Bank's earnings grew 7% YoY, with pre-provision earnings up 20% YoY and fee and investment income up 23% and 56% respectively, offsetting a net interest income (NII) contraction of 6% YoY. Taiwan Life's net profit rebounded to NT\$7.66bn, as investment returns widened 209bps YoY to 4.74%, with hedging costs down 101bps YoY to 0.34% on NT-dollar depreciation, forex gains, the pre-hedge recurring yield being up 11bps YoY to 3.38%, and capital gains growth. In 1Q24, unrealized losses on financial assets under net worth decreased to NT\$4.7bn, with stock valuation of NT\$17bn. Taiwan Life's embedded value per share (the number of FHC shares) rose 16% YoY to NT\$13 in 2023, reflecting adjusted net worth growth of 33% YoY, and a value of in-force policies decline of 4%.

Weak 1Q24 bank NIM; robust fee income increases. CTBC Bank's NIM narrowed 10bps QoQ in 1Q24 to 1.37%, as the net interest spread decreased 8bps QoQ on higher funding costs. However, NIM, with FX swap income of NT\$3.24bn included, was 1.61%, compared with 1.71% in 2023. Since demand for all currency corporate loans and NT-dollar mortgage loans both picked up, loan growth YoY rebounded to 9.4% in 1Q24. Fee income grew at a faster YoY rate of 23% in 1Q24, thanks to wealth management and credit card fee income growing by 43% and 21% respectively. In 1Q24, the NPL ratio rose by 0.02% QoQ to 0.54%, while credit costs jumped 15bps YoY to 26bps, still at 25-30bps company guidance, on general provisions and provisions for unsecured loans.

Mixed 2H24F outlook. Management has revised down 2024F NIM (FX swap included) by 3bp to 1.60-1.63%, while the US potentially delaying rate cuts may help FX swap income rise 5-10% to NT\$11.5-12bn. However, FCY loan demand recovery will help with NIM improvement. Taiwan Life's 2024F hedging costs will remain at 1%. Regarding M&A, management will target to maximize company values. For banks, management is considering expanding its bank deposit and loan market share. For any potential life insurance for M&A, management will consider if CBTC FHC has the ability to bear potential capital right issues for targets adopting IFRS/ ICS 2.0 in 2026.

Valuation & Action

We predict core earnings will continue to grow, driven by strong wealth management fee income, comprehensive overseas and domestic presences, stable asset quality and Taiwan Life's business rebound. Our target price is NT\$39, on 1.45x 2024-25F average BPVS derived by the sum-of-the-parts valuation model. Maintain Outperform.

Risks

Weak global financial markets; low investment yield; surging bank credit costs.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Net revenue (NT\$mn)	186,058	139,252	136,576	221,874	245,624
Provision charges (NT\$mn)	(51,649)	(20,803)	17,016	(54,645)	(75,266)
PPOP (NT\$mn)	113,694	67,852	49,918	132,816	155,135
Net profit (NT\$mn)	54,205	31,279	56,081	64,633	66,478
EPS (NT\$)	2.78	1.60	2.86	3.29	3.39
BVPS (NT\$)	20.54	17.34	20.98	25.22	28.71
Cash DPS (NT\$)	1.25	1.00	1.80	1.90	2.00
EPS growth (%)	26.5	(42.6)	78.9	15.3	2.9
Net profit growth (%)	26.5	(42.3)	79.3	15.2	2.9
PE (x)	12.7	22.2	12.4	10.7	10.4
PB (x)	1.7	2.0	1.7	1.4	1.2
Dividend yield (%)	3.5	2.8	5.1	5.4	5.6
Return on average equity (%)	14.0	8.5	14.9	14.3	12.6
Return on average assets (%)	0.8	0.4	0.7	0.8	0.7

Source: Company data; KGI Research estimates

Figure 1: 1Q24 net profit up 61% YoY, with banking earnings up 7% YoY and life insurance net profit up to NT\$7.66bn

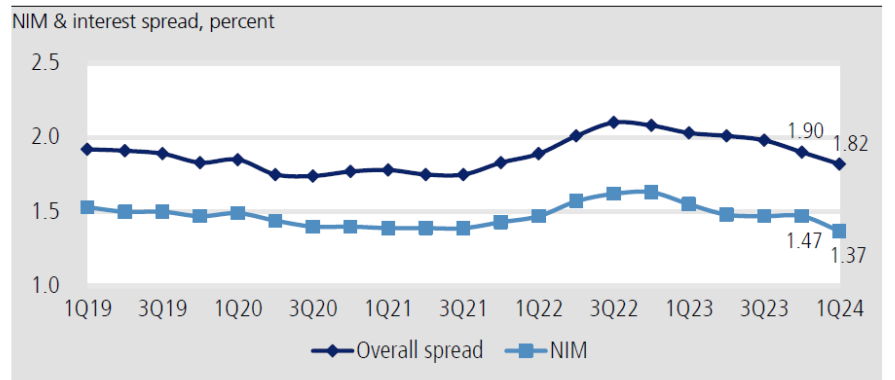
NT\$m	2023		1Q24			Jan-Apr 24		Achieved of 2024 (%)
	Earnings	YoY (%)	Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	
CTBC FHC	56,081	79.3	20,920	61.4	179.1	26,027	59.2	40.3
CTBC Bank	41,333	11.3	12,113	6.6	25.9	14,750	4.6	33.6
Taiwan Life	12,382	N.A.	7,655	N.A.	N.A.	9,879	N.A.	47.3

Source: Company data; KGI Research

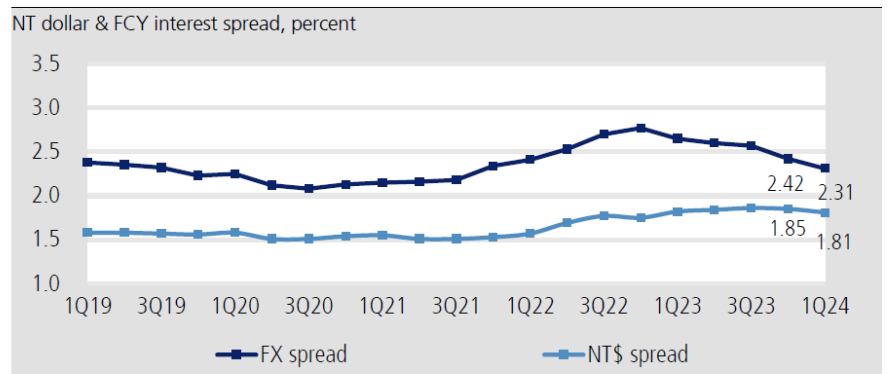
Figure 2: CTBC FHC's 2024-25F earnings

NT\$m	2024F				2025F	
	Revision	Previous	Change (%)	YoY (%)	KGI Forecast	YoY (%)
CTBC FHC	64,633	63,405	1.9	15.2	66,478	2.9
CTBC Bank	43,960	44,956	(2.2)	6.4	46,680	6.2
Taiwan Life	20,877	16,780	24.4	68.6	21,166	1.4

Source: KGI Research

Figure 3: 1Q24 NIM down 10bps QoQ to 1.37%, & 1.61% inclusive of FX swap income of NT\$3.24bn


Source: Company data; KGI Research

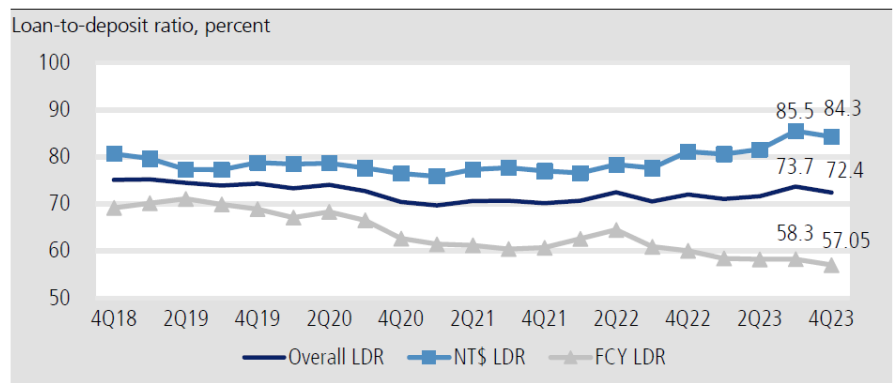
Figure 4: 1Q24 NT-dollar spread down 4bp; FCY spread down 11bps QoQ


Source: Company data; KGI Research estimates

Figure 5: 1Q24 loan growth picked up YoY to 9.4% on strong demand for all currency corporate loans & mortgage loans

NT\$bn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1Q24	weighting(%)
Corporate NT loans	478	527	472	506	541	581	584	675	881	953	958	26.9
FCY loans	872	919	966	975	1,035	1,033	969	1,055	1,195	1,215	1,243	34.9
Mortgages	364	450	514	568	639	693	765	833	951	1,105	1,107	31.0
Unsecured loans	102	106	108	109	115	129	175	201	252	256	259	7.3
Total loans	1,847	2,039	2,078	2,168	2,344	2,450	2,510	2,799	3,279	3,529	3,566	100.0
YoY (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1Q24	QoQ
Corporate NT loans	6.9	10.3	(10.5)	7.3	6.9	7.4	0.5	15.6	30.5	8.2	8.1	0.5
FCY loans	135.7	5.4	5.1	0.9	6.2	(0.2)	(6.2)	8.9	13.3	1.7	7.6	2.3
Mortgages	1.1	23.6	14.2	10.5	12.5	8.5	10.4	8.9	14.2	16.2	12.3	0.2
Unsecured loans	6.3	3.9	1.4	1.4	5.5	12.2	35.7	14.9	25.3	1.6	11.2	1.2
Total loans	43.3	10.4	1.9	4.3	8.1	4.5	2.4	11.5	17.1	7.6	9.4	1.0

Source: Company data; KGI Research

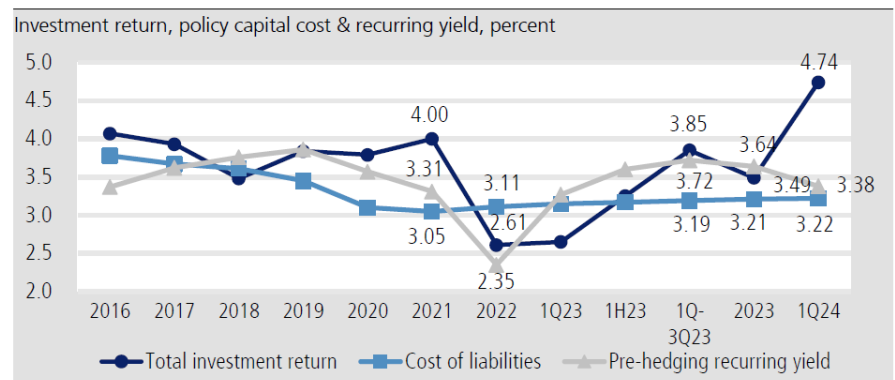
Figure 6: 1Q24 loan-to-deposit ratio drops to 72.1%, with NT-dollar & FCY ratios down to 84.1% and 56.4%


Source: Company data; KGI Research

Figure 7: 1Q24 fee income growth quickened to 23% YoY, on wealth management & credit card fee income being up 42% & 21% respectively

NT\$m	2023	YoY (%)	weighting(%)	1Q24	YoY (%)	QoQ (%)	weighting(%)
Wealth management business	17,908	20.3	45.7	5,783	42.5	16.9	43.0
Credit card business	5,510	6.2	14.1	1,708	20.5	22.6	12.7
Retail banking business	3,213	6.3	8.2	828	3.5	1.5	6.2
Corporate business	5,208	8.9	13.3	1,707	22.1	98.7	12.7
Overseas subsidiaries	1,875	4.1	4.8	496	1.2	(10.5)	3.7
Lottery center	5,455	7.6	13.9	2,926	6.7	256.4	21.8
Total net fee income	39,171	12.7	100.0	13,448	23.3	43.2	100.0

Source: Company data; KGI Research

Figure 8: In 1Q24, TL's investment return rose 209bps to 4.74%, with pre-hedge recurring income yield up by 11bps YoY, higher than liability costs' 3.22%


Source: Company data; KGI Research

Figure 9: In 2023, TL's embedded value per share (FHC shares) rose 16% YoY; TL's 1Q24 FYP up 34% YoY; company guides FYP and FYPE will both grow by double digit percentages in 2024F

NT\$m	2023	YoY(%)			
Adjusted net worth	166	33			
VIF(after CoC)	155	(4)			
Embedded value	259	17			
Embedded value (per FHC share)(NT\$)	13.2	15.8			
NT\$m					
FYP breakdown	2023	YoY(%)	1Q24	YoY(%)	Weighting (%)
Traditional	767	68.4	128	(18.1)	1.1
Interest crediting annuity & UL	39,367	41.3	10,272	46.8	88.1
Investment-linked	4,442	(80.4)	618	26.8	5.3
Health, accidents and others	4,809	(26.5)	641	(39.6)	5.5
Total FYP	49,385	(14.1)	11,659	34.0	100.0
Total FYPE	22,297	26.4	5,144	20.6	

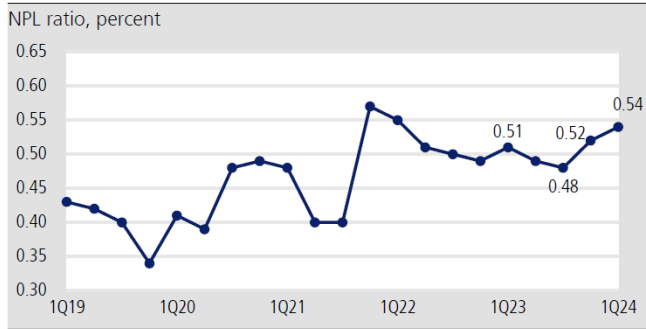
Source: Company data; KGI Research

Figure 10: CTBC FHC's sum-of-the-parts valuation

SOTP valuation	Total (NT\$m)	Per share (NT\$)
CTBC Bank (1.45x 2025E BV)	622,492	31.7
Taiwan Life (0.65x 2025E EV)	212,080	10.8
CTBC FHC net debt (1x 2025E net debt)	(63,941)	(3.3)
Total	770,632	39.3
Outstanding shares(mn shares)	19,622	
Target price (implied average 2024-25E 1.45x PB)		39.3

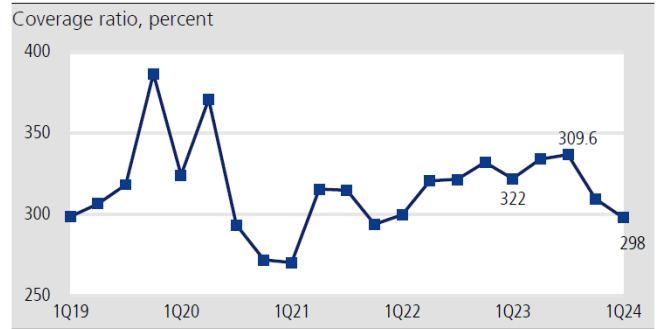
Source: KGI Research

Figure 11: Bank (consolidated) 1Q24 NPL ratio



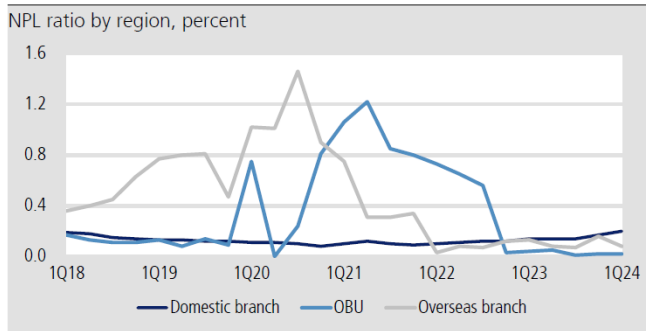
Source: Company data; KGI Research

Figure 12: Bank (consolidated) 1Q24 coverage ratio



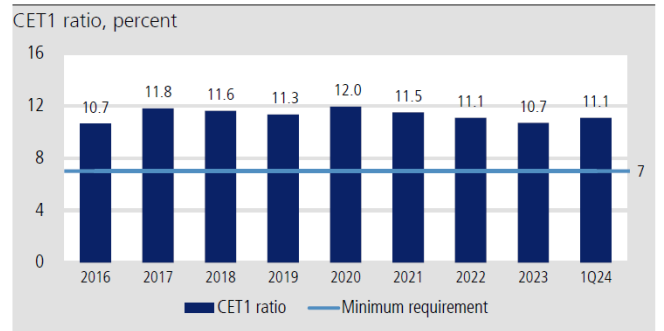
Source: Company data; KGI Research

Figure 13: NPL ratio by region



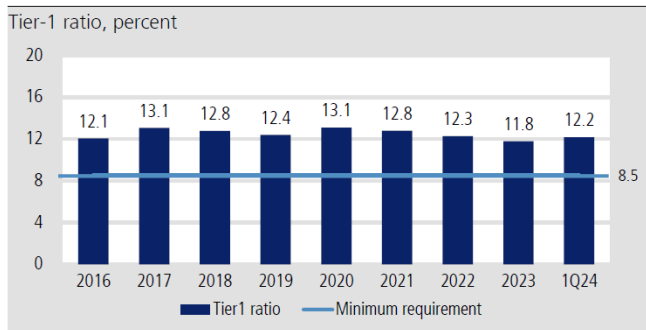
Source: TEJ; KGI Research

Figure 14: 1Q24 CET1 ratio (consolidated)



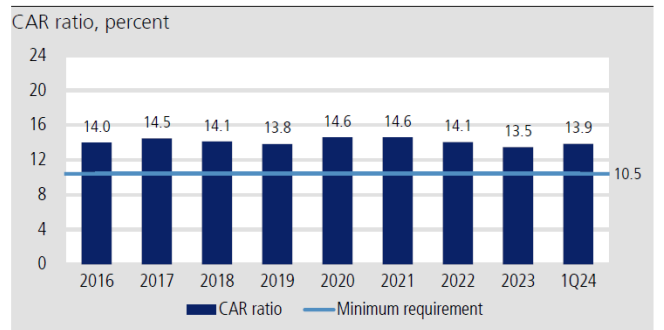
Source: TEJ; KGI Research

Figure 15: Bank (consolidated) 1Q24 tier-1 ratio



Source: Company data; KGI Research

Figure 16: Bank (consolidated) 1Q24 CAR ratio

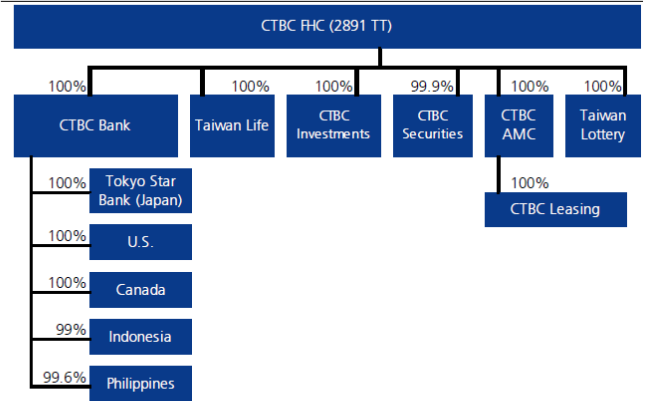


Source: Company data; KGI Research

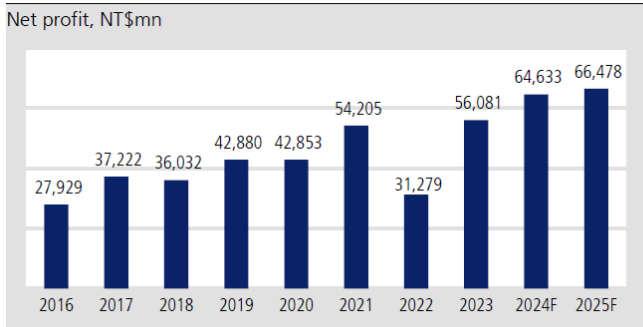
Figure 17: Company profile

Founded in 2002, CTBC FHC is focused on banking. As of September 2022, assets stood at US\$252.2bn, ranking fourth among Taiwan's 16 FHCs. CTBC FHC is engaged in the banking, securities, investment trust, insurance brokerage, venture capital and lottery businesses. CTBC Bank is the most globalized bank in Taiwan. Besides having 147 branches in Taiwan, CTBC Bank has subsidiaries in the US, Canada, Indonesia, the Philippines and Japan (the latter due to its acquisition of Tokyo Star Bank in June 2014). CTBC FHC increased shareholding of LHFG (TH) to 46.6% in 4Q21 to become the largest shareholder. Also, it has overseas branches in Hong Kong, Singapore, China, India, Thailand and Vietnam. CTBC Bank is the consumer banking leader in Taiwan with wealth management, credit card and derivatives trading all ranking number one.

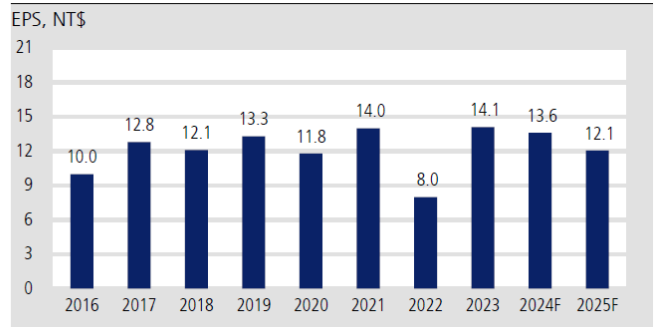
Source: KGI Research

Figure 18: Organization chart


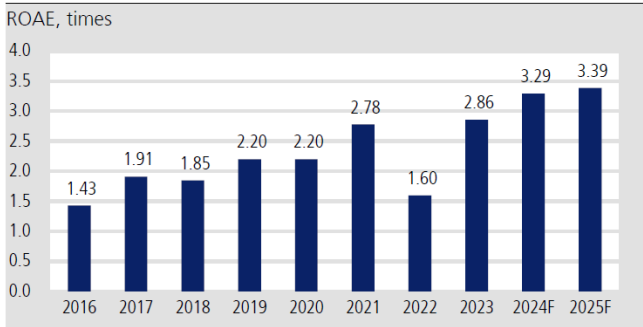
Source: Company data; KGI Research

Figure 19: Net profit


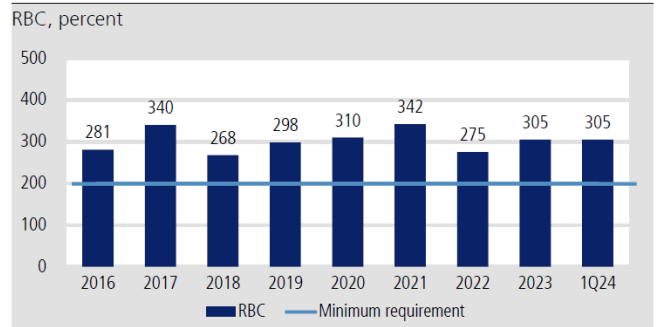
Source: KGI Research

Figure 20: EPS


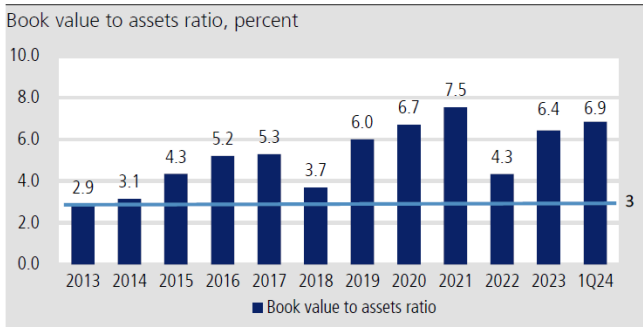
Source: KGI Research

Figure 21: ROAE


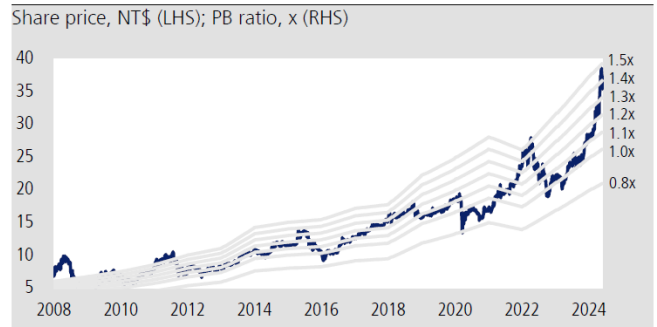
Source: KGI Research

Figure 22: TL's RBC was 305% in 1Q24


Source: Company data; KGI Research

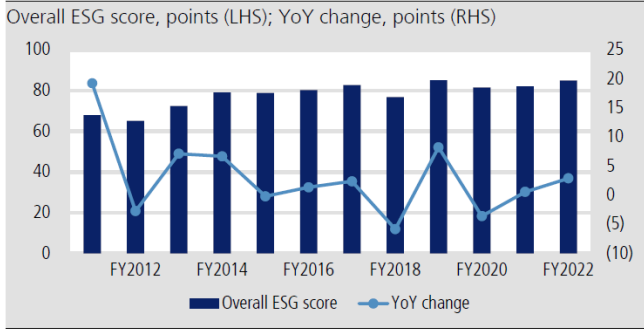
Figure 23: TL's 1Q24 book value to assets ratio up to 6.9%


Source: Company data; KGI Research

Figure 24: CTBC FHC's 12M rolling PB


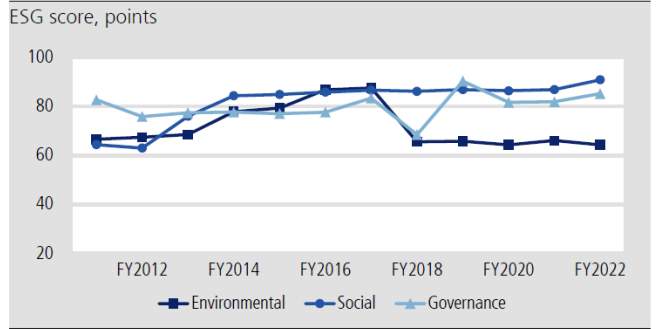
Source: TEJ; KGI Research

Figure 25: Overall ESG score



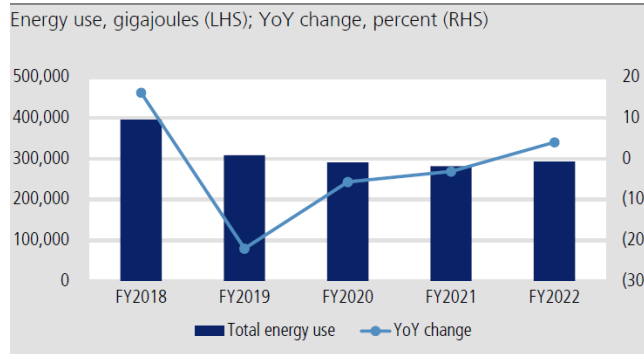
Source: Refinitiv; KGI Research; Company data

Figure 26: ESG score by category



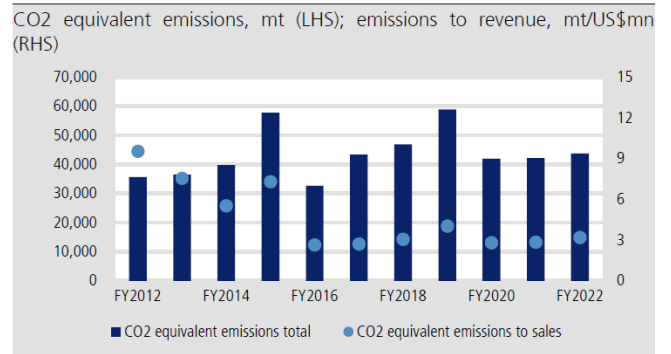
Source: Refinitiv; KGI Research; Company data

Figure 27: Energy use



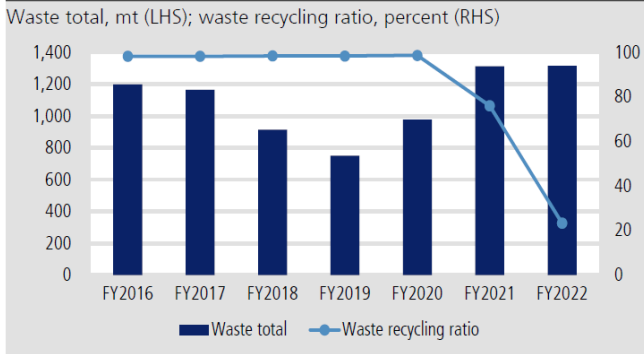
Source: Refinitiv; KGI Research; Company data

Figure 28: CO2 equivalent emissions



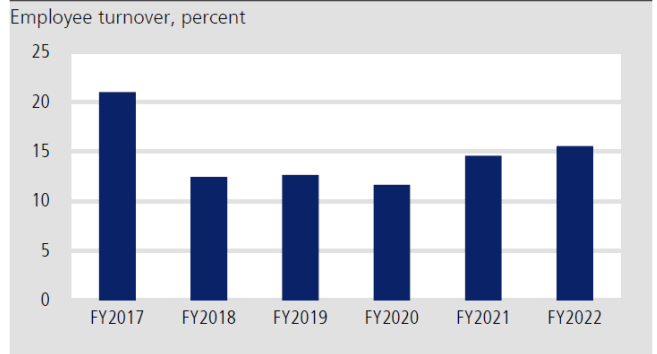
Source: Refinitiv; KGI Research; Company data

Figure 29: Waste total



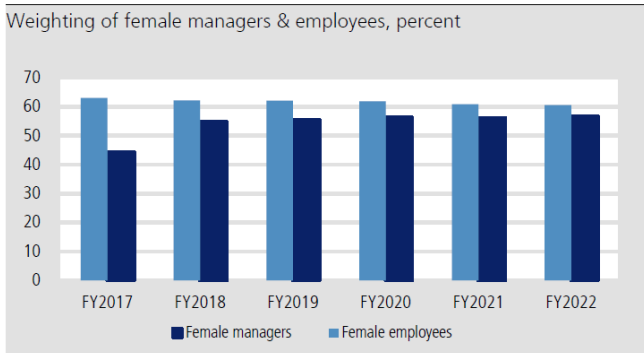
Source: Refinitiv; KGI Research; Company data

Figure 30: Employee turnover



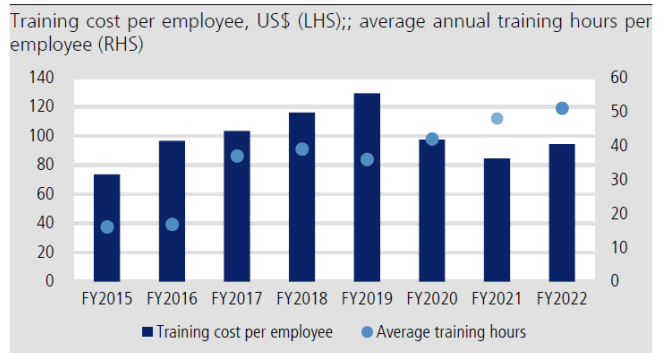
Source: Refinitiv; KGI Research; Company data

Figure 31: Gender diversification



Source: Refinitiv; KGI Research; Company data

Figure 32: Employee training



Source: Refinitiv; KGI Research; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'	
Renewable energy purchased	Total primary renewable energy purchased in gigajoules. - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	Direct CO2 and CO2 equivalent emissions in metric tons. - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	Emissions up markedly since 2015 on huge staff and business growth. Target to cut carbon dioxide emissions by 3.5% during 2021-23.
CO2 equivalent emissions to sales	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn) - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
Waste total	Total amount of waste produced in metric tons. - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered	Waste treatment spending was around NT\$4.2mn in 2020. Target to cut total waste by 3.5% during 2021-23 from 2020.
Waste recycling ratio	The waste recycling ratio as reported by the company. - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste	
Water withdrawal total	Total water withdrawal in cubic meters. - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered	No water withdrawal from underground. Water at office buildings and business outlets is for staff and customer use only. As such, no negative effect on water sources. Target to cut total water use by 3.5% during 2021-23.
Environmental expenditures	Total amount of environmental expenditures. - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures	
Turnover of employees	Percentage of employee turnover. - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving	
Women managers	Percentage of women managers. - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100	Percentage of women managers is 56.29% and that of middle and top women managers has risen 2-3% from 2019.
Women employees	Percentage of women employees. - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100	
Training hours total	Total training hours performed by all employees. - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

Balance Sheet - CTBC Bank

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Gross loans to Customers	2,783,460	3,263,278	3,512,541	3,806,815	4,182,301
Net Loans & Advances	2,737,051	3,210,623	3,456,021	3,744,595	4,112,550
Due from banks & call loans	359,082	496,635	557,120	479,528	481,449
Investments FVOCI or AC	1,402,940	1,422,667	1,568,169	1,656,750	1,670,043
Other Interest Earning Assets	167,801	170,638	191,077	180,502	181,231
Cash and equivalents	62,158	83,114	76,977	77,475	77,785
Long-term equity investments	3,559	3,112	3,588	3,559	3,559
Property investments					
Net Fixed Assets	63,475	62,633	62,455	62,672	62,672
Other Non-Interest Earning Assets	4,355	2,196	1,934	1,381	1,392
Total Non-Interest Earning Assets	68,485	77,610	88,837	87,149	87,149
Total Assets	4,878,152	5,537,173	6,046,297	6,323,110	6,707,444
Due to banks & call loans from banks	70,219	114,197	111,977	104,643	117,129
Deposits from mutual loans accounts	4,111,585	4,614,616	5,000,082	5,259,275	5,535,762
Other Interest Bearing Liabilities	274,885	348,194	432,768	404,079	452,296
Total Interest-Bearing Liabilities	4,456,689	5,077,006	5,544,827	5,767,997	6,105,188
Reserve for operation					
Other Non-Interest Bearing Liabilities	82,496	99,158	120,157	125,933	125,933
Total Non-Interest Bearing Liabilities	82,496	99,158	120,157	125,933	125,933
Total Liabilities	4,539,185	5,176,165	5,664,984	5,893,930	6,231,121
Common Stocks	147,962	147,962	147,962	147,962	147,962
Retained earnings reserve	153,991	179,290	198,403	242,551	289,693
Capital Reserve	29,808	29,872	30,140	30,239	30,239
Other Reserves	-14,928	-19,434	-18,713	-15,081	-15,081
Shareholders' Funds	316,833	337,691	357,791	405,671	452,814
Minority interests	22,134	23,317	23,521	23,509	23,509
Preferred shareholders funds					
Total Equity	338,967	361,008	381,312	429,180	476,323
Total Liabilities & Equity	4,878,152	5,537,173	6,046,297	6,323,110	6,707,444

Profit & Loss - CTBC Bank

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Interest Income	72,169	105,888	163,590	180,817	190,899
Interest Expense	13,200	30,802	85,811	104,623	108,997
Interest Net Revenue	58,969	75,086	77,779	76,194	81,902
Commissions & Fees	37,623	34,748	39,171	45,331	46,829
Trading Income	8,414	9,873	21,497	21,023	18,614
Other non-interest income	(336)	(940)	(651)	(564)	(454)
Non Interest Income	45,701	43,681	60,016	65,789	64,989
Total Operating Income	104,670	118,767	137,795	141,983	146,891
Operating Expenses	62,070	63,151	76,007	77,471	78,902
Pre-Provision Operating Profit (PPOP)	42,600	55,615	61,788	64,512	67,989
Total Provision Charges	7,627	8,178	8,764	10,219	11,191
Pre-tax Profit	34,973	47,438	53,025	54,293	56,798
Current taxation	5,384	8,959	10,238	9,794	9,656
Ordinary Income	29,589	38,479	42,787	44,499	47,143
Consolidated net income	29,589	38,479	42,787	44,499	47,143
Minorities	(207)	1,337	1,454	538	463
Net Profit	29,796	37,142	41,333	43,960	46,680
Dividends	0	0	(3)	0	0
Retained earning reserve	29,796	37,142	41,330	43,961	46,680
Normalised Net Profit	29,796	37,142	41,333	43,960	46,680
EPS	2.00	2.60	2.89	3.01	3.19
ROE (ave.)	9.41%	11.76%	12.30%	11.66%	10.98%
NPL Ratio	0.56%	0.48%	0.52%	0.50%	0.47%
Coverage Ratio	294%	332%	310%	323%	354%
Credit cost	0.29%	0.27%	0.25%	0.27%	0.27%
Cost-income Ratio	59.30%	53.17%	55.16%	54.56%	53.71%
NIM	1.40%	1.57%	1.49%	1.39%	1.40%
Loan to Deposit Ratio	67.70%	70.72%	70.25%	72.38%	75.55%
Fee Growth	9.2%	-7.6%	12.7%	15.7%	3.3%
PPOP Growth	9.2%	-7.6%	12.7%	15.7%	3.3%
Net Profit Growth	9.3%	24.7%	11.3%	6.4%	6.2%

CTBC FHC Earning Breakdown

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
CTBC Bank	29,796	37,142	41,333	43,960	46,680
Taiwan Life Insurance	23,131	(3,407)	12,382	20,877	21,166
CTBC FHC	54,205	31,279	56,081	64,633	66,478

Source: Company data, KGI Research estimates

Balance Sheet - Taiwan Life

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Cash & Cash equivalents	100,180	83,936	66,912	56,520	58,607
Equities - Domestic	182,328	185,440	200,736	199,838	207,219
Equities - International	0	0	0	0	0
Bonds - Domestic	196,353	177,632	171,216	163,504	161,170
Bonds - International	1,206,167	1,182,912	1,182,768	1,235,360	1,289,364
Mortgage loans	32,058	44,896	45,264	46,427	48,142
Policy loans	26,047	25,376	25,584	26,241	27,211
Real estate	90,162	97,600	106,272	111,021	115,122
Total investments	2,003,600	1,952,000	1,968,000	2,018,562	2,093,123
Non-investment assets	155,760	249,925	276,868	288,281	288,281
Total Assets	2,159,360	2,201,925	2,244,868	2,306,842	2,381,404
Reserve for insurance operations & liabilities	1,773,594	1,863,023	1,846,206	1,878,509	1,931,905
Other financial liabilities	222,989	245,336	256,046	251,149	251,149
Total Liabilities	1,996,582	2,108,360	2,103,052	2,129,658	2,183,054
Common Stocks	62,267	62,267	62,267	62,267	62,267
Preferred Stocks	0	0	0	0	0
Capital Reserve	33,951	33,960	34,041	34,057	34,057
Retained earnings reserve	50,585	43,193	55,043	75,503	96,668
Other Reserves	15,976	-45,855	-9,535	5,357	5,357
Total Equity	162,778	93,566	141,816	177,184	198,350

Profit & Loss - Taiwan Life

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Gross written premium (GWP)	144,182	129,939	131,465	137,785	148,153
- First year premium	106,635	57,486	49,384	54,379	58,313
Net earned premium (NEP)	141,207	126,389	127,787	134,178	144,481
Net claims	-132,004	-173,954	-189,491	-132,998	-127,579
Underwriting costs & commissions	-14,208	-11,751	-15,782	-13,018	-13,891
Net commission	1,871	2,082	1,955	2,169	2,386
Net change in policyholder reserves	-43,613	-11,257	26,979	-36,425	-53,396
Investment income	78,627	73,481	67,932	77,989	80,930
Other operating expenses	-6,824	-6,149	-7,666	-7,037	-7,369
Net non-operating expenses	-368	-257	-476	-614	-645
Operating Expenses	-7,192	-6,406	-8,142	-7,651	-8,013
Pre-Tax Income	24,943	-1,377	11,348	24,244	24,900
Income Tax Expense	-1,812	-2,030	1,034	-3,367	-3,734
Net Profit	23,131	-3,407	12,382	20,877	21,166
EPS	3.71	-0.55	1.99	3.35	3.40
ROAE	15.3%	-2.7%	10.5%	13.1%	11.3%
BVPS	26.14	15.03	22.78	28.46	31.85
Net Profit Growth	39.9%	-114.7%	-463.4%	68.6%	1.4%
FYP Growth	19.0%	-46.1%	-14.1%	10.1%	7.2%

Source: Company data, KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Gross loans to customers	2,845,036	3,337,444	3,586,511	3,853,242	4,230,443
Net loans & advances	2,795,275	3,280,389	3,524,919	3,791,021	4,160,692
Due from banks & call loans	359,082	496,635	557,120	479,528	481,449
FVOCI and AC	3,128,207	3,138,115	3,371,241	3,588,869	3,711,173
Other interest earning assets	-	(0)	-	(0)	0
Cash and equivalents	130,417	133,811	125,943	133,995	136,393
Long-term equity investments	16,947	15,748	18,667	3,559	3,559
Net fixed assets	49,406	49,024	49,608	57,333	69,689
Total intangible assets	38,966	39,265	39,212	39,946	40,266
Other non-interest earning assets	-	-	-	-	-
Total non-interest earning assets	800,962	805,354	850,855	863,260	884,099
Total assets	7,083,526	7,720,493	8,304,135	8,722,679	9,237,414
Due to banks and call loans from banks	247,212	294,743	317,585	323,627	362,244
Deposits from mutual loans accounts	4,081,504	4,582,271	4,976,248	5,236,417	5,511,703
Other interest bearing liabilities	155,231	225,353	313,882	299,808	335,582
Total interest-bearing liabilities	4,483,947	5,102,367	5,607,715	5,859,852	6,209,529
Reserve for operation	1,787,455	1,866,524	1,834,999	1,973,111	2,135,759
Other non-interest bearing liabilities	359,522	358,780	396,075	341,230	275,807
Total non-interest bearing liabilities	2,146,977	2,225,304	2,231,074	2,314,341	2,411,566
Total liabilities	6,630,924	7,327,671	7,838,789	8,174,193	8,621,095
Common stocks	194,970	195,841	196,229	196,220	196,220
Proceeds - new issued	-	-	-	-	-
Share capital	194,970	195,841	196,229	196,220	196,220
Retained earnings reserve	177,591	183,405	217,831	282,163	348,641
Capital and other reserves	27,895	(39,749)	(2,310)	16,514	18,441
Shareholders' funds	400,456	339,497	411,750	494,897	563,302
Minority interests	22,146	23,326	23,596	23,589	23,017
Preferred shareholders funds	29,999	29,999	29,999	29,999	29,999
Total equity	452,601	392,822	465,345	548,486	616,319
Total liabilities & equity	7,083,526	7,720,493	8,304,135	8,722,679	9,237,414

Key ratios

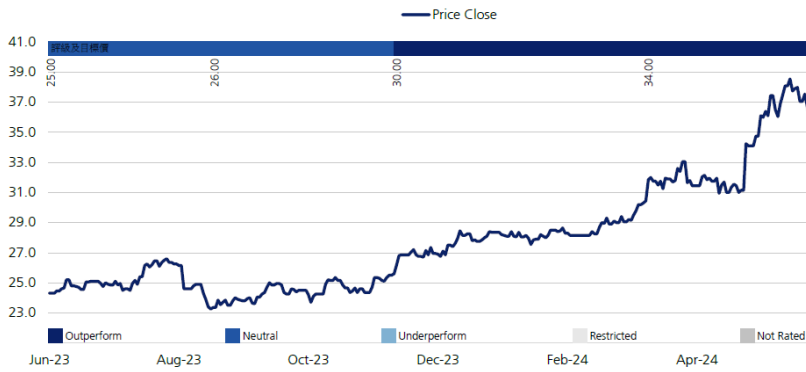
	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Net interest income growth	(0.3%)	16.9%	3.9%	0.6%	6.4%
Operating profit growth	(12.3%)	(40.3%)	(26.4%)	166.1%	16.8%
Net profit growth	26.5%	(42.3%)	79.3%	15.2%	2.9%
EPS growth	26.5%	(42.6%)	78.9%	15.3%	2.9%
Profitability					
Return on average assets	0.8%	0.4%	0.7%	0.8%	0.7%
Return on average equity	14.0%	8.5%	14.9%	14.3%	12.6%
Per share data					
EPS (NT\$)	2.78	1.60	2.86	3.29	3.39
BVPS (NT\$)	20.54	17.34	20.98	25.22	28.71
Cash DPS (NT\$)	1.25	1.00	1.80	1.90	2.00

Source: Company data, KGI Research estimates

Profit & loss

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Interest income	123,446	159,819	220,387	240,264	253,319
Interest expense	(14,691)	(32,701)	(88,320)	(107,354)	(111,865)
Net interest revenue	108,754	127,117	132,066	132,910	141,454
Commissions & fees (net)	27,840	27,468	28,599	32,803	33,830
Net insurance income	9,023	(47,486)	(62,128)	(50,771)	(55,874)
Trading income	40,891	42,755	32,702	52,026	42,893
Other non-interest income	(451)	(10,603)	5,337	54,906	83,321
Non interest income	77,303	12,135	4,510	88,964	104,170
Net revenue	186,058	139,252	136,576	221,874	245,624
Operating expenses	(72,364)	(71,401)	(86,658)	(89,058)	(90,489)
Operating profit	113,694	67,852	49,918	132,816	155,135
Charge for bad debts	(7,714)	(8,986)	(9,674)	(10,394)	(11,191)
Provision bad debts on credit card	-	-	-	-	-
Provision of insurance duty	(43,935)	(11,816)	26,690	(44,251)	(64,075)
Provision charges	(51,649)	(20,803)	17,016	(54,645)	(75,266)
Pre-tax profit	62,044	47,049	66,934	78,171	79,869
Current taxation	(8,046)	(14,436)	(9,360)	(13,286)	(13,391)
Ordinary income	53,998	32,613	57,574	64,886	66,478
Consolidated net income	53,998	32,613	57,574	64,886	66,478
Minorities	207	(1,334)	(1,493)	(253)	-
Net profit	54,205	31,279	56,081	64,633	66,478
Dividends	(24,371)	(19,584)	(35,320)	(37,282)	(39,244)
Retained earnings reserve	29,834	11,695	20,762	27,351	27,234
Normalised net profit	54,205	31,279	56,081	64,633	66,478

Source: Company data, KGI Research estimates

CTBC FHC – Recommendation & target price history


Date	Rating	Target	Price
2024-03-12	Outperform	34.00	30.45
2023-11-13	Outperform	30.00	25.60
2023-08-18	Neutral	26.00	23.35
2023-05-15	Neutral	25.00	23.35
2023-03-10	Neutral	24.00	22.25
2022-11-18	Neutral	22.50	21.40
2022-11-01	Neutral	22.50	21.10
2022-08-23	Outperform	28.00	23.80
2022-05-18	Outperform	32.00	26.10
2022-03-31	Outperform	34.00	29.40

Source: TEJ, KGI Research

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