

CTBC FHC (2891.TW/2891 TT)

Positive 2H24F outlook, but FSC holds key to successful M&A

FTSE4Good TIP Taiwan ESG Index stock			
Outperform · Maintained			
Price as of August 28 (NT\$)	33.10		
12M target price (NT\$)	38.00		
Previous target price (NT\$)	39.00		
Revised down (%)	2.6		
Upside (%)	14.8		
Key message			
1. 2Q24 FHC earnings up 2.5% YoY as better bank earnings more than offset decline in insurance business profits.			
2. 2Q24 bank NIM picked up while fee income grew substantially, offsetting credit cost increase.			
3. FSC approval of tender offer is key to successful acquisition of Shin Kong FHC.			
Trading data			
Mkt cap (NT\$bn/US\$mn)	649 / 19,928		
Outstanding shares (mn)	19,621		
Foreign ownership (mn)	6,660		
3M avg. daily trading (mn)	58.33		
52-week trading range (NT\$)	23.60 -40.85		
Performance			
	3M	6M	12M
Absolute (%)	-9.9	14.1	39.1
Relative (%)	-12.2	-4.5	3.6

Share price chart



Source: TEJ

Event

CTBC FHC saw 2Q24 net profit edge up 2.5% YoY, mainly as bank earnings rose 15% YoY, offsetting a 10% decline in life insurance profits. Management expects 2024F cash dividend to match the 2023 level, post-public tender offer.

Impact

Rebound in 2Q24 bank earnings more than offset profit decline at Taiwan Life (TL). 2Q24 FHC net profit arrived at NT\$16.29bn, up 2.5% YoY, but down 22% QoQ, beating our forecast by 8%, as CTBC Bank's earnings climbed 15% YoY, driven by a respective 27% and 35% uptick in fee income and investment income, which saw pre-provision operating profit rise 22% YoY, offsetting credit cost rise of NT\$1.1bn. TL's 2Q24 net profit sank 10% YoY, as pre-hedging recurring yield dipped 10bps YoY, offsetting the benefit of an increase of 119bps YoY in 1H24 investment return to 4.44%, buoyed by increased realized capital gains and declining hedging costs to 0.52%, down 50bps YoY. Unrealized financial asset losses under TL's net worth turned to net gains of NT\$400mn in 2Q24, with stock gains of NT\$18bn.

Core bank earnings regained momentum in 2Q24. CTBC Bank's 2Q24 NIM stayed at 1.37%, primarily on flat interest rate spread and higher overall bond yield, and 1H24 NIM with FX swap gains was 1.6%. Total lending growth decelerated to 8% YoY in 2Q24, on lower NT dollar corporate loans offsetting demand for FCY corporate loans and NT dollar mortgage loans. Fee income growth picked up to 27% YoY, on solid wealth management and credit card businesses. 2Q24 credit costs rose 13bps QoQ to 39bps on higher provisions for general loans.

Positive 2H24F outlook. Management maintains 2024F NIM, including FX swap gains staying at 1.6-1.63% due to lower FCY funding costs and rebounding FCY loans amid US rate cuts. TL's projected hedging costs are unchanged at 1%. Management said it has filed an application to the FSC to acquire 10-51% of shares of Shin Kong FHC (2888 TT, NT\$13, NR) via a public tender offer. Management notes that Shin Kong Life's adoption of IFRS/ ICS2.0 accounting standards may meet capital adequacy requirements with higher contractual service margin and the help of transitional measures without accessing reserves for mortality and interest rate difference savings and losses. However, a successful acquisition hinges on FSC approval of CTBC FHC's tender offer, which will be announced mid-September. The FHC expects 2024F cash dividend to match the 2023 level, based on earnings growth and a lower DLR post-public tender offer. .

Valuation & Action

We expect the shares to be volatile in the near term on M&A uncertainties, with FSC approval being the key factor to watch. That said, in light of improving bank NIM and wealth management fee income growth, along with valuation gains from TL's bond holdings aided by US rate cuts, we maintain an Outperform rating for CTBC FHC with a sum-of-the-parts target price of NT\$39, equivalent to 1.5x 2024-25F average BVPS.

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	204,409	249,408
Provision charges (NT\$mn)	(51,649)	(20,803)	17,016	(34,718)	(76,862)
PPOP (NT\$mn)	113,694	67,852	49,918	114,783	157,271
Net profit (NT\$mn)	54,205	31,279	56,081	65,454	67,050
EPS (NT\$)	2.78	1.60	2.86	3.34	3.42
BVPS (NT\$)	20.54	17.34	20.98	23.24	27.02
Cash DPS (NT\$)	1.25	1.00	1.80	1.70	1.80
EPS growth (%)	26.5	(42.6)	78.9	16.7	2.4
Net profit growth (%)	26.5	(42.3)	79.3	16.7	2.4
PE (x)	11.9	20.7	11.6	9.9	9.7
PB (x)	1.6	1.9	1.6	1.4	1.2
Dividend yield (%)	3.8	3.0	5.4	5.1	5.4
Return on average equity (%)	14.0	8.5	14.9	15.1	13.6
Return on average assets (%)	0.8	0.4	0.7	0.8	0.7

Source: Company data; KGI Research estimates

Figure 1: 2Q24 net profit growth edged up 2.5% YoY, with bank earnings up 15% YoY, while life insurance net profit sank 10% YoY

NT\$m	2023		1Q24		2Q24			Jan-Jul 24			Achieved of 2024 (%)
	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	QoQ (%)	Earnings	YoY (%)	EPS (NT\$)	
CTBC FHC	56,081	79.3	20,920	61.4	16,287	2.7	(22.15)	48,048	31.9	2.41	73.4
CTBC Bank	41,333	11.3	12,113	6.6	11,060	15.2	(8.69)	26,994	11.8	1.82	60.5
Taiwan Life	12,382	N.A.	7,655	N.A.	5,412	(9.8)	(29.30)	19,772	106.6	3.18	95.3

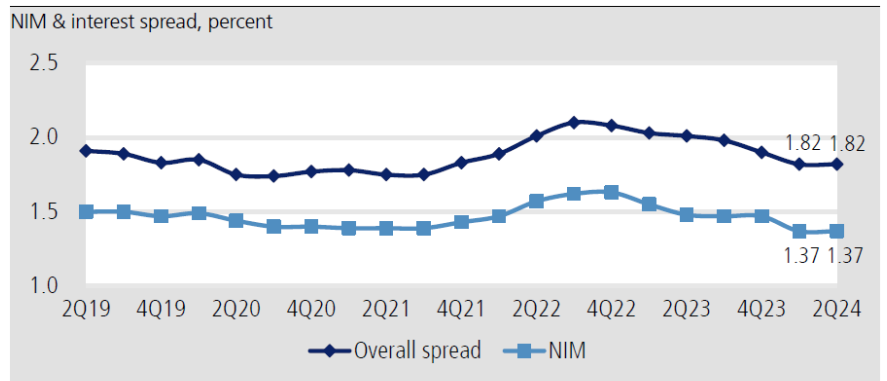
Source: Company data; KGI Research

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

NT\$m	2024F				2025F			
	Revision	Previous range (%)	YoY (%)	YoY (%)	Revision	Previous change (%)	YoY (%)	YoY (%)
CTBC FHC	65,454	64,633	1.3	16.7	67,050	66,478	0.9	2.4
CTBC Bank	44,630	43,960	1.5	8.0	47,690	46,680	2.2	6.9
Taiwan Life	20,746	20,877	(0.6)	67.6	19,671	21,166	(7.1)	(5.2)

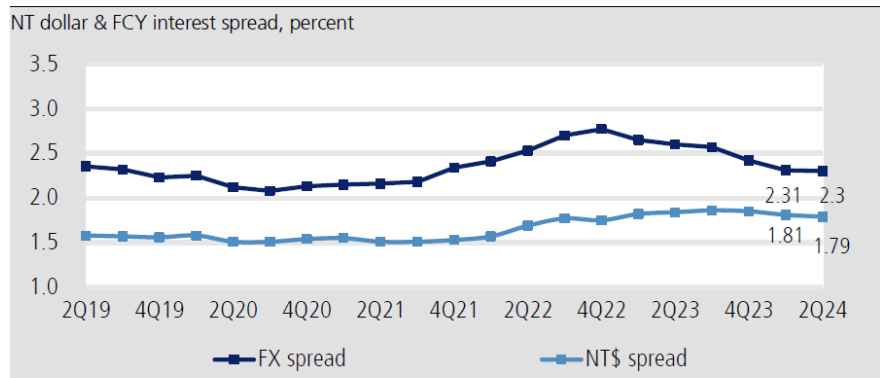
Source: KGI Research

Figure 3: Bank's 2Q24 NIM stayed at 1.37% & 1H24 NIM with FX swap gains was 1.6%



Source: Company data; KGI Research

Figure 4: 2Q24 NT dollar & FCY spread both down 4bps QoQ

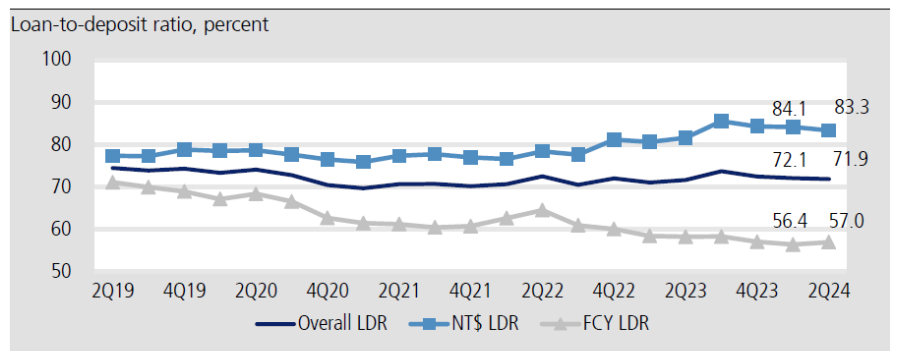


Source: Company data; KGI Research estimates

Figure 5: Total lending growth decelerated to 8% YoY in 2Q24, on lower NT dollar corporate loans offsetting demand for FCY corporate loans & NT dollar mortgage loans

NT\$bn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1Q24	2Q24	weighting(%)
Corporate NT loans	478	527	472	506	541	581	584	675	881	953	958	940	26.2
FCY loans	872	919	966	975	1,035	1,033	969	1,055	1,195	1,215	1,243	1,262	35.1
Mortgages	364	450	514	568	639	693	765	833	951	1,105	1,107	1,129	31.4
Unsecured loans	102	106	108	109	115	129	175	201	252	256	259	263	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	3,594	100.0
YoY (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1Q24	2Q24	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	3.6	(1.9)
FCY loans	135.7	5.4	5.1	0.9	6.2	(0.2)	(6.2)	8.9	13.3	1.7	7.6	8.3	1.5
Mortgages	1.1	23.6	14.2	10.5	12.5	8.5	10.4	8.9	14.2	16.2	12.3	9.7	2.0
Unsecured loans	6.3	3.9	1.4	1.4	5.5	12.2	35.7	14.9	25.3	1.6	11.2	9.1	1.5
Total loans	43.3	10.4	1.9	4.3	8.1	4.5	2.4	11.5	17.1	7.6	9.4	7.6	0.8

Source: Company data; KGI Research

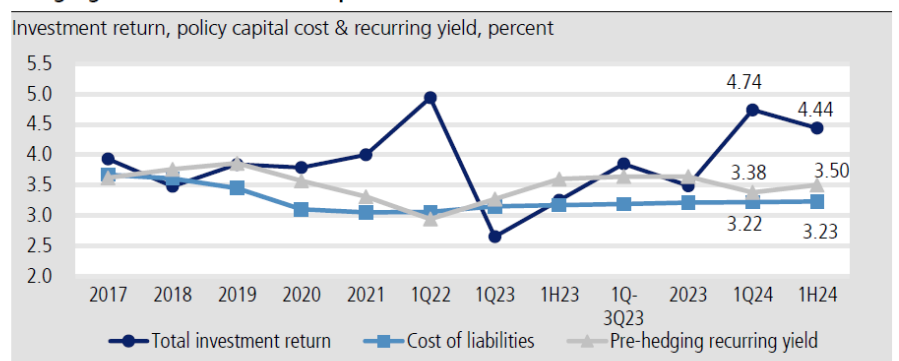
Figure 6: 2Q24 loan-to-deposit ratio dropped to 71.9%, with FCY ratio up to 57%


Source: Company data; KGI Research

Figure 7: 2Q24 fee income growth picked up to 27% YoY, on solid wealth management & credit card businesses

NT\$m	2023	YoY (%)	weighting(%)	1Q24	YoY (%)	QoQ (%)	2Q24	YoY (%)	QoQ (%)	weighting(%)
Wealth management business	17,908	20.3	45.7	5,783	42.5	16.9	5,649	31.3	(2.3)	49.5
Credit card business	5,510	6.2	14.1	1,708	20.5	22.6	1,695	37.1	(0.8)	14.8
Retail banking business	3,213	6.3	8.2	828	3.5	1.5	845	9.7	2.1	7.4
Corporate business	5,208	8.9	13.3	1,707	22.1	98.7	1,744	31.1	2.2	15.3
Overseas subsidiaries	1,875	4.1	4.8	496	1.2	(10.5)	561	39.9	13.1	4.9
Lottery center	5,455	7.6	13.9	2,926	6.7	256.4	929	(2.6)	(68.3)	8.1
Total net fee income	39,171	12.7	100.0	13,448	23.3	43.2	11,423	27.0	(15.1)	100.0

Source: Company data; KGI Research

Figure 8: In 1H24, TL's investment return rose 119bps to 4.44%, with pre-hedging recurring yield down by 10bps YoY, while realized capital gains increased, and hedging costs were down 50bps YoY to 0.52%


Source: Company data; KGI Research

Figure 9: In 2Q24, TL's FYP rose 18% YoY, in line with guidance that 2024F FYP & FYPE will both grow by double digits

NT\$m	2023		1Q24		2Q24		Weighting (%)
FYP breakdown	YoY(%)		YoY(%)		YoY(%)		
Traditional	767	68.4	128	(18.1)	118	(32.4)	0.9
Interest crediting annuity & UL	39,367	41.3	10,272	46.8	10,478	11.9	76.2
Investment-linked	4,442	(80.4)	618	26.8	2,614	146.9	19.0
Health, accidents and others	4,809	(26.5)	641	(39.6)	546	(47.3)	4.0
Total FYP	49,385	(14.1)	11,659	34.0	13,755	18.2	100.0
Total FYPE	22,297	26.4	5,144	20.6	7,111	31.1	

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 (1.4x 2025E BV)	563,968	28.7
Taiwan Life (0.75x 2025E EV)	244,979	12.5
CTBC FHC net debt (1x 2025E net debt)	(63,941)	(3.3)
Total	745,007	38.0
Outstanding shares(mn shares)	19,621	
Target price (implied average 2024-25E 1.5x PB)		38.0

Source: KGI Research

Figure 11: Successful acquisition of SKF would see CTBC's asset value expand to NT\$13.4tn; from thirteenth to first in Taiwan

FHC ticker	Financial holding company	1Q24 Assets (NT\$m)	Markets shares	Raking	2020-1Q24 ROE (%)	Raking
2882 TT	Cathay FHC	13,081,009	16.3%	1	9.2	2
2881 TT	Fubon FHC	11,526,386	14.3%	2	11.3	1
2891 TT	CTBC FHC	8,375,455	10.4%	3	11.2	3
5868 TT	Taiwan FHC	6,748,824	8.4%	4	4.1	4
2888 TT	Shin Kong FHC	5,084,231	6.3%	5	3.2	8
5880 TT	Coorporative FHC	4,918,897	6.1%	6	4.1	10
2892 TT	First FHC	4,548,916	5.7%	7	8.8	9
2886 TT	Mega FHC	4,484,757	5.6%	8	8.0	5
2880 TT	Hua Nan FHC	4,152,128	5.2%	9	8.3	13
2883 TT	KGI FHC	3,816,381	4.7%	10	9.0	7
2884 TT	E. Sun FHC	3,734,752	4.6%	11	9.8	11
2885 TT	Yuanta FHC	3,535,816	4.4%	12	10.2	6
2887 TT	Taishin FHC	3,202,711	4.0%	13	8.2	12
2890 TT	SinoPac FHC	2,882,592	3.6%	14	10.0	14
2889 TT	Waterland FHC	393,402	0.5%	15	7.2	15
	Total FHCs	80,486,254				
	CTBC FHC merges Shin Kong FHC*	13,459,686	16.7%	1	8.3	
	CTBC FHC merges Taishin Shin Kong FHC*	16,662,397	20.7%	1	8.3	

Note: *Pro Forma basis

Source: TEJ; Company data; KGI Research

Figure 12: On merger with Shin Kong Life, Taiwan Life's asset value to rise to NT\$5.9tn; third among peers, up from sixth

Tickers	Life insurance	Assets (NT\$m)	Market shares	Ranking	Liability (NT\$m)	Market shares	Ranking	2020-1Q24 ROE (%)	Ranking
2882 TT	Cathay Life	8,818,307	24.7%	1	8,131,053	24.5%	1	9.52	15
2881 TT	Fubon Life	5,978,420	16.7%	2	5,407,574	16.3%	2	14.04	5
5874 TT	Nan Shan Life	5,538,346	15.5%	3	5,174,744	15.6%	3	10.11	12
2888 TT	Shin Kong Life	3,671,789	10.3%	4	3,492,810	10.5%	4	(0.28)	8
2883 TT	KGI Life	2,463,316	6.9%	5	2,292,516	6.9%	5	11.17	10
2891 TT	Taiwan Life	2,245,307	6.3%	6	2,091,317	6.3%	6	11.37	18
2867 TT	Mercuries Life	1,571,548	4.4%	7	1,526,864	4.6%	7	(6.32)	20
5873 TT	TransGlobe Life	1,467,727	4.1%	8	1,414,307	4.3%	8	11.29	11
5859 TT	Farglory Life	717,446	2.0%	9	676,400	2.0%	9	18.48	3
5868 TT	Bank Taiwan Life	495,881	1.4%	10	463,988	1.4%	10	(1.89)	9
	Allianz Taiwan Life Insurance	472,064	1.3%	11	459,231	1.4%	11	16.75	14
2885 TT	Yuanta Life	448,478	1.3%	12	417,108	1.3%	12	8.31	16
2876 TT	Hontai Life	359,295	1.0%	13	343,453	1.0%	13	9.87	19
	PCA Life	332,704	0.9%	14	314,590	0.9%	14	11.82	13
2887 TT	Taishin Life	291,179	0.8%	15	268,439	0.8%	16	6.03	7
28869	Cardif Assurance Vie, Taiwan Branch	286,429	0.8%	16	277,290	0.8%	15	18.82	6
	Chubb Life Taiwan	234,843	0.7%	17	216,682	0.7%	17	12.39	4
5880 TT	BNP Paribas Cardif TCB Life	130,536	0.4%	18	118,780	0.4%	18	10.25	2
2892 TT	First Life	94,714	0.3%	19	89,245	0.3%	19	9.61	1
	ALA, Taiwan Branch	84,087	0.2%	20	78,527	0.2%	20	20.59	17
	Industry	35,702,416			33,254,919				
2891 TT	Taiwan Life merges Shin Kong Life*	5,917,096	16.6%	3	5,584,126	16.8%	2		
2891 TT	Taiwan Life merges Taishin Shin Kong Life*	6,208,275	17.4%	2	5,852,565	17.6%	2		

Note: *Pro Forma basis

Source: TEJ; FSC; Company data; KGI Research

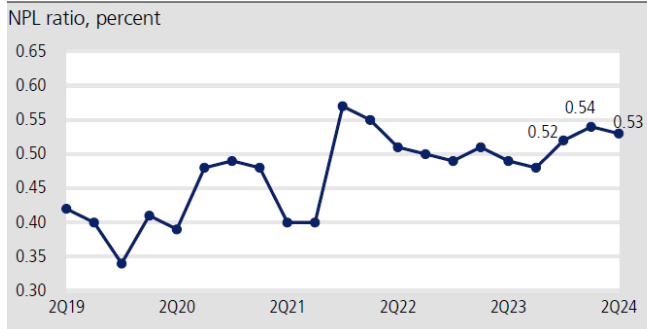
Figure 13: CTBC Bank's market share for deposits & loans would also rise to a respective first among peers

FHC/Bank Tickers	Bank	2Q24 Deposits (NT\$m)	Market shares	Ranking	2Q24 Loans (NT\$m)	Market shares	Ranking	Number of Branches
5858 TT	Bank Of Taiwan	5,125,071	9.0%	1	3,164,119	7.9%	1	163
2891 TT	CTBC Bank Co., Ltd.	4,339,557	7.6%	2	2,849,941	7.1%	3	153
5880 TT	Taiwan Cooperative Bank	3,973,712	7.0%	3	2,911,734	7.2%	2	266
2892 TT	First Commercial Bank	3,641,773	6.4%	4	2,529,710	6.3%	4	186
2882 TT	Cathay United Bank	3,453,036	6.0%	5	2,409,395	6.0%	5	164
2880 TT	Hua Nan Commercial Bank, Ltd.	3,382,890	5.9%	6	2,396,494	6.0%	6	185
2881 TT	Taipei Fubon Commercial Bank	3,262,156	5.7%	7	2,179,173	5.4%	10	178
2884 TT	E.Sun Commercial Bank, Ltd.	3,155,436	5.5%	8	2,181,308	5.4%	9	138
2886 TT	Mega International Commercial	3,027,853	5.3%	9	2,229,651	5.5%	8	107
5857 TT	Land Bank Of Taiwan	2,869,067	5.0%	10	2,316,421	5.8%	7	148
2801 TT	Chang Hwa Commercial Bank	2,633,000	4.6%	11	1,918,784	4.8%	11	184
2887 TT	Taishin International Bank	2,296,407	4.0%	12	1,664,700	4.1%	12	100
2890 TT	Bank Sinopac Company Limited	2,102,320	3.7%	13	1,498,731	3.7%	14	124
2834 TT	Taiwan Business Bank, Ltd.	1,985,666	3.5%	14	1,550,977	3.9%	13	124
2885 TT	Yuanta Commercial Bank	1,744,947	3.1%	15	1,158,612	2.9%	15	148
5876 TT	The Shanghai Commercial Saving	1,251,897	2.2%	16	876,273	2.2%	16	73
2888 TT	Taiwan Shin Kong Commercial B	1,102,096	1.9%	17	831,432	2.1%	17	102
	Industry	57,143,561	0.0%	0	40,183,448	0.0%	0	0
	Taiwan Life Insurance merges Shi	7,738,060	13.5%	1	5,346,073	13.3%	1	355

Note: *Pro Forma basis

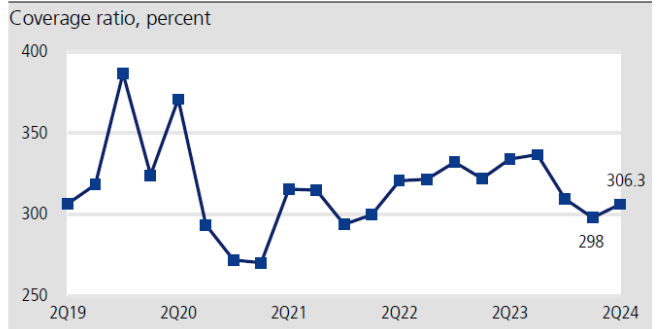
Source: TEJ; FSC; Company data; KGI Research

Figure 14: Bank (consolidated) 2Q24 NPL ratio



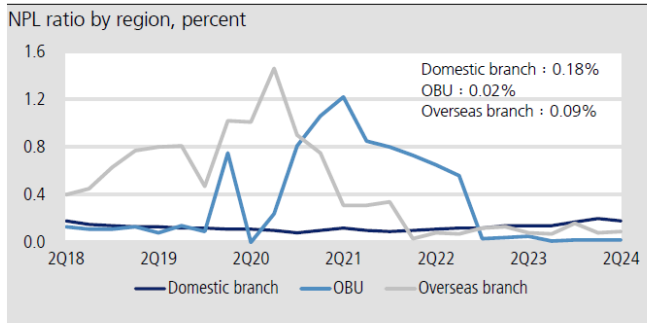
Source: Company data; KGI Research

Figure15: Bank (consolidated) 2Q24 coverage ratio



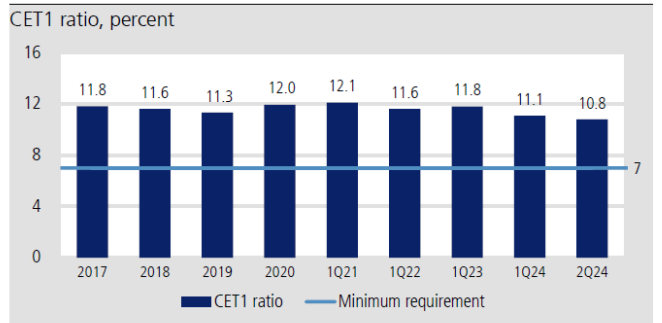
Source: Company data; KGI Research

Figure16: NPL ratio by region



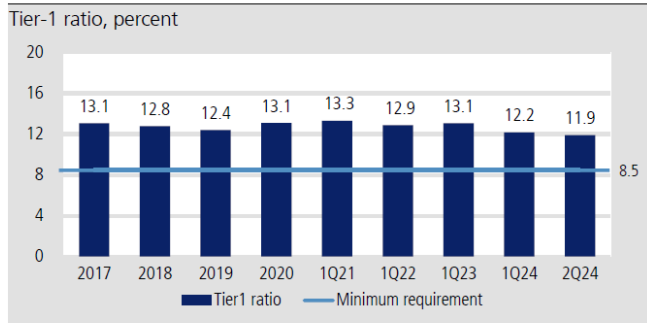
Source: TEJ; KGI Research

Figure17: 2Q24 CET1 ratio (consolidated)



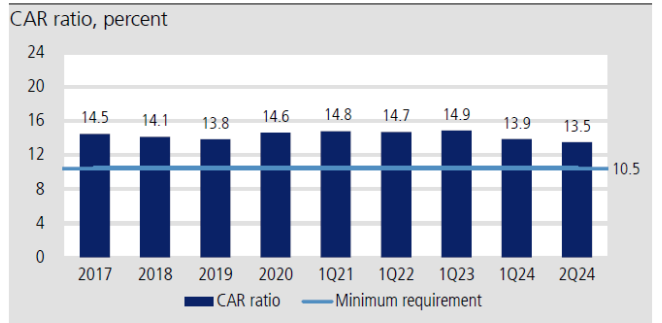
Source: TEJ; KGI Research

Figure18: Bank (consolidated) 2Q24 tier-1 ratio



Source: Company data; KGI Research

Figure19: Bank (consolidated) 2Q24 CAR ratio



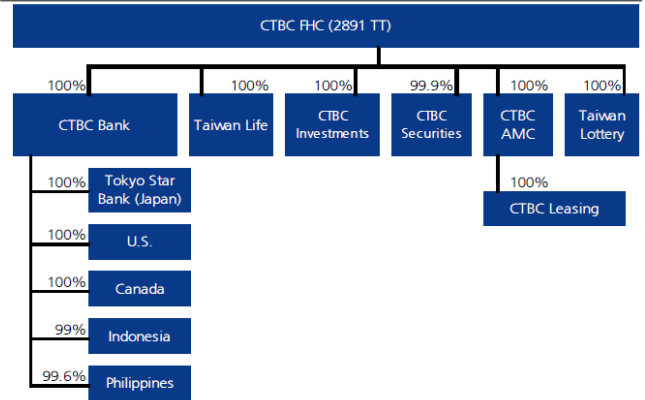
Source: Company data; KGI Research

Figure20: 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 LHFH (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.

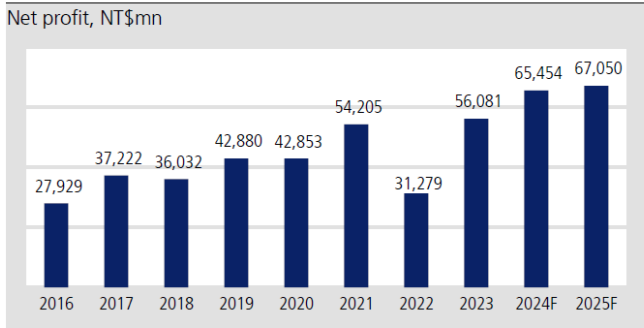
Source: KGI Research

Figure21: Organization chart



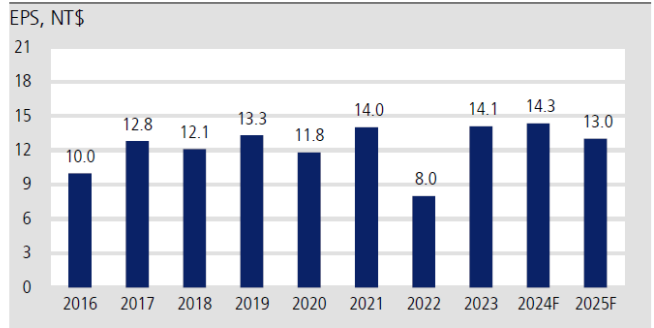
Source: Company data; KGI Research

Figure22: Net profit



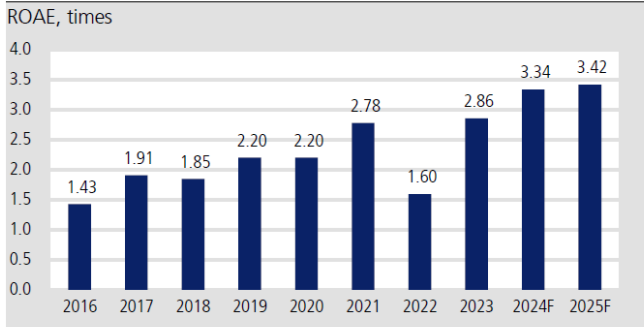
Source: KGI Research

Figure23: EPS



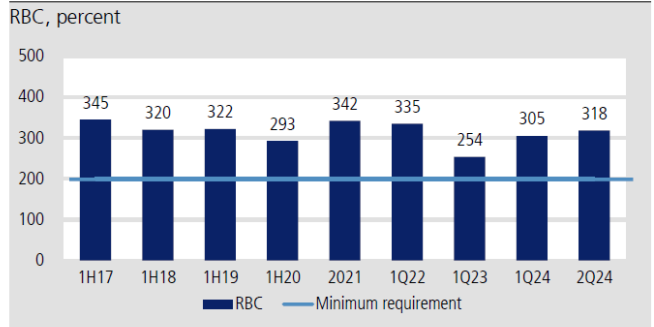
Source: KGI Research

Figure24: ROAE



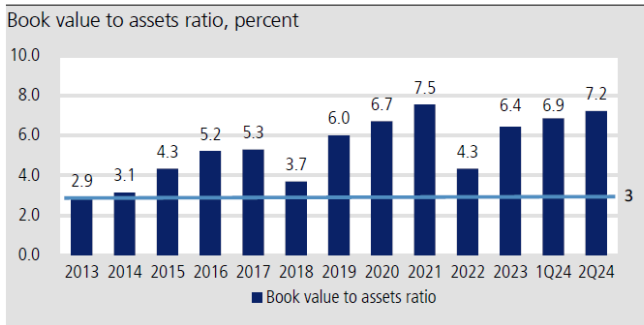
Source: KGI Research

Figure25: TL’s RBC was 318% in 2Q24



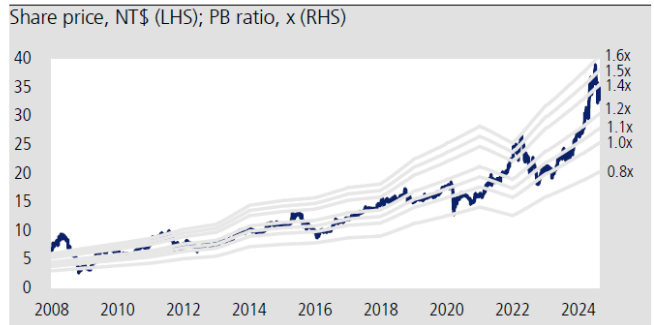
Source: Company data; KGI Research

Figure26: TL’s 2Q24 book value to assets ratio up to 7.2%



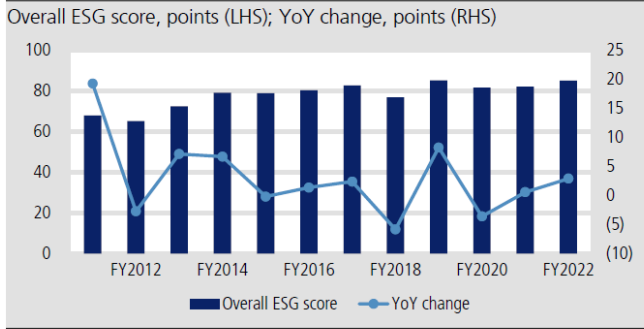
Source: Company data; KGI Research

Figure 27: CTBC FHC’s 12M rolling PB



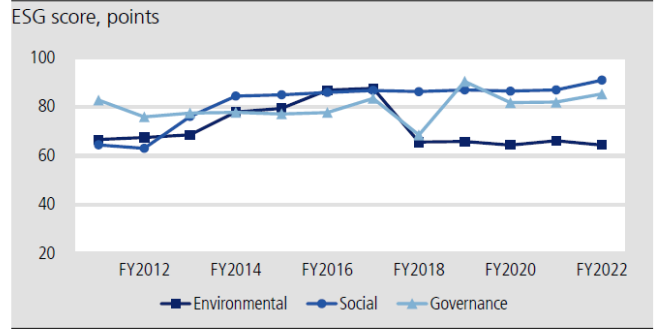
Source: TEJ; KGI Research

Figure28: Overall ESG score



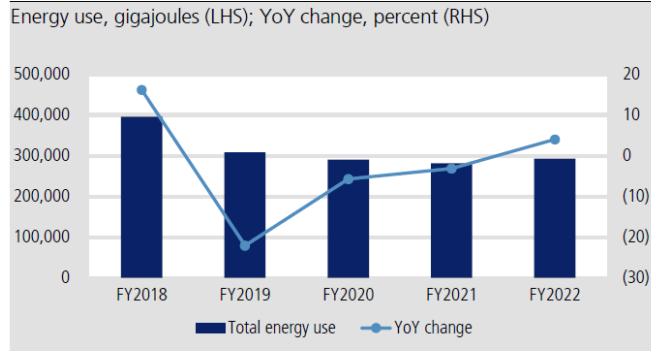
Source: Refinitiv, KGI Research, Company data

Figure29: ESG score by category



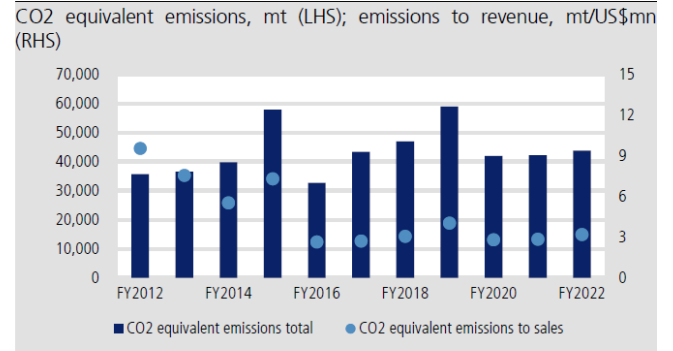
Source: Refinitiv, KGI Research, Company data

Figure30: Energy use



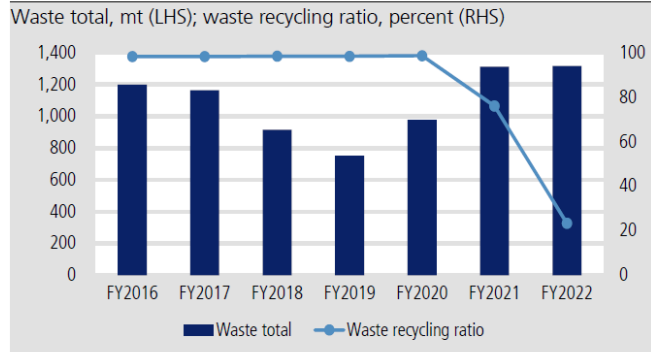
Source: Refinitiv, KGI Research, Company data

Figure 31: CO2 equivalent emissions



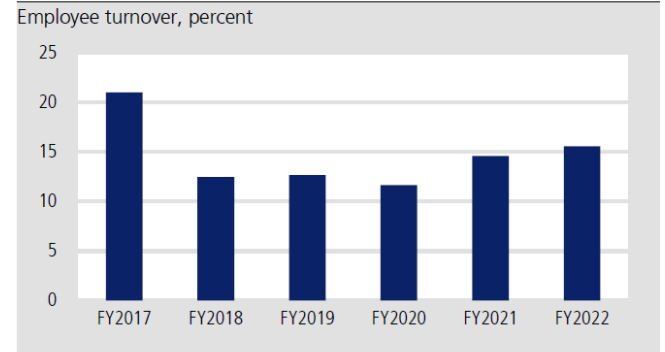
Source: Refinitiv, KGI Research, Company data

Figure32: Waste total



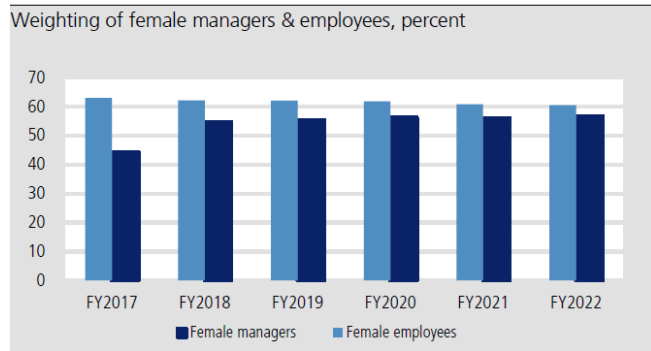
Source: Refinitiv, KGI Research, Company data

Figure33: Employee turnover



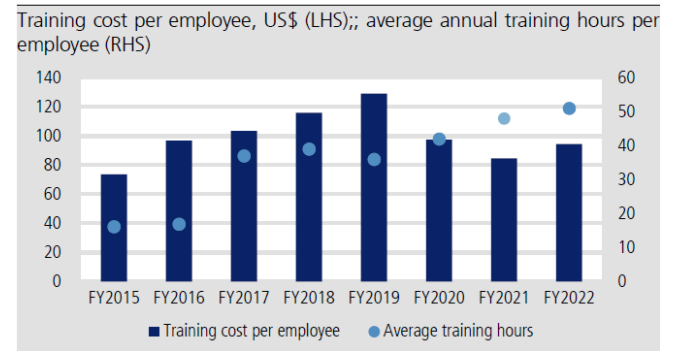
Source: Refinitiv, KGI Research, Company data

Figure34: Gender diversification



Source: Refinitiv, KGI Research, Company data

Figure35: Employee training



Source: Refinitiv, KGI Research, Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - 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	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - 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	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - 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	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn)</p> <ul style="list-style-type: none"> - 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	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - 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	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - 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	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - 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	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - 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	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - 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	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - 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	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - 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	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - 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

NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Gross Loans to Customers	2,783,460	3,263,278	3,512,541	3,738,835	4,018,917
Net Loans & Advances	2,737,051	3,210,623	3,456,021	3,677,217	3,950,015
Due from banks & call loans	359,082	496,635	557,120	562,817	565,071
Investments FVOCI or AC	1,402,940	1,422,667	1,568,169	1,556,711	1,569,202
Other Interest Earning Assets	167,801	170,638	191,077	242,654	243,638
Cash and equivalents	62,158	83,114	76,977	83,071	83,403
Long-term equity investments	3,559	3,112	3,588	3,448	3,448
Property investments					
Net Fixed Assets	63,475	62,633	62,455	62,543	62,543
Other Non-Interest Earning Assets	4,355	2,196	1,934	2,920	2,943
Total Non-Interest Earning Assets	68,485	77,610	88,837	89,146	89,146
Total Assets	4,878,152	5,537,173	6,046,297	6,290,528	6,579,440
Due to banks & call loans from banks	70,219	114,197	111,977	85,498	79,872
Deposits from mutual loans accounts	4,111,585	4,614,616	5,000,082	5,242,719	5,516,535
Other Interest Bearing Liabilities	274,885	348,194	432,788	436,156	407,454
Total Interest-Bearing Liabilities	4,456,689	5,077,006	5,544,827	5,764,373	6,003,859
Reserve for operation					
Other Non-Interest Bearing Liabilities	82,496	99,158	120,157	126,220	126,220
Total Non-Interest Bearing Liabilities	82,496	99,158	120,157	126,220	126,220
Total Liabilities	4,539,185	5,176,165	5,664,984	5,890,593	6,130,079
Common Stocks	147,962	147,962	147,962	147,962	147,962
Retained earnings reserve	153,991	179,290	198,403	213,962	262,235
Capital Reserve	29,808	29,872	30,140	30,342	30,342
Other Reserves	-14,928	-19,434	-18,713	-15,738	-14,586
Shareholders' Funds	316,833	337,691	357,791	376,528	425,954
Minority interests	22,134	23,317	23,521	23,407	23,407
Preferred shareholders funds					
Total Equity	338,967	361,008	381,312	399,935	449,361
Total Liabilities & Equity	4,878,152	5,537,173	6,046,297	6,290,528	6,579,440

Profit & Loss - CTBC Bank

NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Interest Income	72,169	105,888	163,590	183,349	192,063
Interest Expense	13,200	30,802	85,811	107,208	111,077
Interest Net Revenue	58,969	75,086	77,779	76,142	80,986
Commissions & Fees	37,623	34,748	39,171	46,137	48,142
Trading Income	8,414	9,873	21,497	22,641	20,227
Other non-interest income	(336)	(940)	(651)	(209)	(135)
Non Interest Income	45,701	43,681	60,016	68,569	68,034
Total Operating Income	104,670	118,767	137,795	144,710	149,020
Operating Expenses	62,070	63,151	76,007	77,525	80,035
Pre-Provision Operating Profit (PPOP)	42,600	55,615	61,788	67,186	68,985
Total Provision Charges	7,627	8,178	8,764	10,962	10,825
Pre-tax Profit	34,973	47,438	53,025	56,224	58,160
Current taxation	5,384	8,959	10,238	10,707	9,887
Ordinary Income	29,589	38,479	42,787	45,517	48,273
Consolidated net income	29,589	38,479	42,787	45,517	48,273
Minorities	(207)	1,337	1,454	887	583
Net Profit	29,796	37,142	41,333	44,630	47,690
Dividends	0	0	0	0	0
Retained earnings reserve	29,796	37,142	41,333	44,631	47,690
Normalised Net Profit	29,796	37,142	41,333	44,630	47,690
EPS	2.00	2.60	2.89	3.08	3.26
ROE (ave.)	9.41%	11.76%	12.30%	12.40%	12.03%
NPL Ratio	0.56%	0.48%	0.52%	0.51%	0.48%
Coverage Ratio	294%	332%	310%	323%	354%
Credit cost	0.29%	0.27%	0.25%	0.29%	0.27%
Cost-income Ratio	59.30%	53.17%	55.16%	53.57%	53.71%
NIM	1.40%	1.57%	1.49%	1.38%	1.40%
Loan to Deposit Ratio	67.70%	70.72%	70.25%	71.31%	72.85%
Fee Growth	9.2%	-7.6%	12.7%	17.8%	4.3%
PPOP Growth	9.2%	-7.6%	12.7%	17.8%	4.3%
Net Profit Growth	9.3%	24.7%	11.3%	8.0%	6.9%

CTBC FHC Earning Breakdown

NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
CTBC Bank	29,796	37,142	41,333	44,630	47,690
Taiwan Life Insurance	23,131	(3,407)	12,382	20,746	19,671
CTBC FHC	54,205	31,279	56,081	65,454	67,050

Source: Company data, KGI Research estimates

Balance Sheet - Taiwan Life

NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Cash & Cash equivalents	100,180	83,936	66,912	76,590	79,580
Equities - Domestic	182,328	185,440	200,736	199,537	207,328
Equities - International	0	0	0	0	0
Bonds - Domestic	196,353	177,632	171,216	151,164	148,690
Bonds - International	1,206,167	1,182,912	1,182,768	1,231,484	1,287,947
Mortgage loans	32,058	44,896	45,264	40,310	41,884
Policy loans	26,047	25,376	25,584	26,202	27,225
Real estate	90,162	97,600	106,272	110,854	115,182
Total investments	2,003,600	1,962,000	1,968,000	2,015,522	2,094,223
Non-investment assets	155,760	249,925	276,868	288,281	288,281
Total Assets	2,159,360	2,211,925	2,244,868	2,303,803	2,382,503
Reserve for insurance operations & liabilities	1,773,594	1,863,023	1,846,206	1,876,599	1,933,630
Other financial liabilities	222,988	245,336	250,846	251,149	251,149
Total Liabilities	1,996,582	2,108,360	2,103,052	2,129,748	2,184,779
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	75,373	95,043
Other Reserves	15,976	-45,855	-9,535	2,357	6,357
Total Equity	162,778	93,566	141,816	174,054	197,724

Profit & Loss - Taiwan Life

NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Gross written premium (GWP)	144,182	129,939	131,465	137,306	150,226
- First year premium	106,635	57,486	49,384	54,703	58,618
Net earned premium (NEP)	141,207	126,389	127,787	133,711	146,502
Net claims	-132,004	-173,954	-189,491	-133,002	-127,621
Underwriting costs & commissions	-14,208	-11,751	-15,782	-12,977	-15,043
Net commission	1,971	2,082	1,955	2,169	2,386
Net change in policyholder reserves	-43,813	-11,257	26,979	-36,517	-55,031
Investment income	78,627	73,481	67,932	78,333	80,082
Other operating expenses	-6,624	-6,149	-7,668	-7,013	-7,472
Net non-operating expenses	-368	-257	-478	-614	-645
Operating Expenses	-7,192	-6,406	-8,142	-7,627	-8,116
Pre-Tax Income	24,943	-1,377	11,348	24,090	23,141
Income Tax Expense	-1,812	-2,030	1,034	-3,344	-3,470
Net Profit	23,131	-3,407	12,382	20,746	19,671
EPS	3.71	-0.55	1.99	3.33	3.16
ROAE	15.3%	-2.7%	10.5%	13.1%	10.6%
BVPS	26.14	15.03	22.78	27.95	31.75
Net Profit Growth	39.9%	-114.7%	-463.4%	67.6%	-5.2%
FYP Growth	19.0%	-46.1%	-14.1%	10.8%	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	3,779,146	4,060,802
Net loans & advances	2,795,275	3,280,389	3,524,919	3,717,528	3,991,899
Due from banks & call loans	359,082	496,635	557,120	562,817	565,071
FVTOCl and AC	3,128,207	3,138,115	3,371,241	3,492,285	3,615,479
Other interest earning assets	-	(0)	-	0	(0)
Cash and equivalents	130,417	133,811	125,943	159,660	162,984
Long-term equity investments	16,947	15,748	18,667	3,448	3,448
Net fixed assets	49,406	49,024	49,608	54,866	66,690
Total intangible assets	38,566	39,265	39,212	40,039	40,360
Other non-interest earning assets	-	-	-	-	-
Total non-interest earning assets	800,962	805,354	850,855	966,087	987,830
Total assets	7,083,526	7,720,493	8,304,135	8,738,717	9,160,280
Due to banks and call loans from banks	247,212	294,743	317,585	310,362	289,939
Deposits from mutual loans accounts	4,081,504	4,582,271	4,976,248	5,217,092	5,489,568
Other interest bearing liabilities	155,231	225,353	313,882	338,639	316,354
Total interest-bearing liabilities	4,483,947	5,102,367	5,607,715	5,866,093	6,095,861
Reserve for operation	1,787,455	1,866,524	1,834,999	1,940,463	2,100,419
Other non-interest bearing liabilities	359,522	358,780	396,075	422,677	380,828
Total non-interest bearing liabilities	2,146,977	2,225,304	2,231,074	2,363,140	2,481,247
Total liabilities	6,630,924	7,327,671	7,838,789	8,229,233	8,577,107
Common stocks	194,970	195,841	196,229	196,211	196,211
Proceeds - new issued	-	-	-	-	-
Share capital	194,970	195,841	196,229	196,211	196,211
Retained earnings reserve	177,591	183,405	217,831	246,672	313,723
Capital and other reserves	27,895	(39,749)	(2,310)	13,143	20,222
Shareholders' funds	400,456	339,497	411,750	456,026	530,156
Minority interests	22,146	23,326	23,596	23,459	23,017
Preferred shareholders funds	29,999	29,999	29,999	29,999	29,999
Total equity	452,601	392,822	465,345	509,484	583,172
Total liabilities & equity	7,083,526	7,720,493	8,304,135	8,738,717	9,160,280

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25f
Growth					
Net interest income growth	(0.3%)	16.9%	3.9%	0.5%	5.8%
Operating profit growth	(12.3%)	(40.3%)	(26.4%)	129.9%	37.0%
Net profit growth	26.5%	(42.3%)	79.3%	16.7%	2.4%
EPS growth	26.5%	(42.6%)	78.9%	16.7%	2.4%
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%	15.1%	13.6%
Per share data					
EPS (NT\$)	2.78	1.60	2.86	3.34	3.42
BVPS (NT\$)	20.54	17.34	20.98	23.24	27.02
Cash DPS (NT\$)	1.25	1.00	1.80	1.70	1.80

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	242,877	254,567
Interest expense	(14,691)	(32,701)	(88,320)	(110,118)	(114,133)
Net interest revenue	108,754	127,117	132,066	132,760	140,435
Commissions & fees [net]	27,840	27,468	28,599	35,050	36,537
Net insurance income	9,023	(47,486)	(62,128)	(51,649)	(58,235)
Trading income	40,891	42,755	32,702	56,645	44,051
Other non-interest income	(451)	(10,603)	5,337	31,603	86,620
Non interest income	77,303	12,135	4,510	71,649	108,973
Net revenue	186,058	139,252	136,576	204,409	249,408
Operating expenses	(72,364)	(71,401)	(86,658)	(89,626)	(92,136)
Operating profit	113,694	67,852	49,918	114,783	157,271
Charge for bad debts	(7,714)	(8,986)	(9,674)	(11,343)	(10,825)
Provision bad debts on credit card	-	-	-	-	-
Provision of insurance duty	(43,935)	(11,816)	26,690	(23,375)	(66,037)
Provision charges	(51,649)	(20,803)	17,016	(34,718)	(76,862)
Pre-tax profit	62,044	47,049	66,934	80,065	80,409
Current taxation	(8,046)	(14,436)	(9,360)	(14,057)	(13,358)
Ordinary income	53,998	32,613	57,574	66,008	67,050
Consolidated net income	53,998	32,613	57,574	66,008	67,050
Minorities	207	(1,334)	(1,493)	(554)	-
Net profit	54,205	31,279	56,081	65,454	67,050
Dividends	(24,371)	(19,584)	(35,320)	(33,356)	(35,318)
Retained earnings reserve	29,834	11,695	20,762	32,098	31,732
Normalised net profit	54,205	31,279	56,081	65,454	67,050

Source: Company data, KGI Research estimates

CTBC FHC – Recommendation & target price history



Date	Rating	Target	Price
2024-08-25	Outperform	39.00	33.10
2024-05-31	Outperform	39.00	35.40
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

Source: TEJ, KGI Research

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