

Financial sector

2024 FHC earnings up 64% YoY, raising cash dividends

Key message

1. The aggregate 2024 earnings of fourteen FHCs in Taiwan amounted to NT\$598bn, up 64% YoY, with insurance-centric FHCs up 145% YoY, outperforming brokerage- and bank-centric peers' 33% and 17% earnings growth, respectively.
2. December bank earnings grew MoM on higher investment returns, while insurance and brokerage earnings fell MoM due to reduced investment gains.
3. For 2025, we recommend CTBC FHC (2891 TT, NT\$38.55, OP), Cathay FHC (2882 TT, NT\$65.1, OP), Fubon FHC (2881 TT, NT\$89.9, OP), Yuanta FHC (2885 TT, NT\$34.4, OP) and E. Sun FHC (2884 TT, NT\$27.35, OP).

Event

Fourteen FHCs in Taiwan reported combined December net profit of NT\$26.5bn, down 23% MoM but up 389% YoY, as: (1) rebounding net interest and investment income offset additional credit costs and operating expenses by banks; (2) excepting Fubon Life, a subsidiary of Fubon FHC (2881 TT, NT\$89.9, OP), most insurers booked lower capital gains; and (3) brokerages booked lower investment returns. On a full-year basis, the fourteen FHCs generated NT\$598bn net profit in 2024, up 64% YoY, with insurance-centric FHCs up 145% YoY, outperforming brokerage- and bank-centric peers' 33% and 17% earnings growth, respectively.

Analysis

Insurance- & brokerage-centric FHCs saw hedging costs & expenses increase at year-end. Fubon FHC's December net profit rose 1.4% MoM to NT\$10.5bn, as: (1) Fubon Life's earnings rose 27% MoM, with realized capital gains and recurring income up NT\$2.7bn and NT\$400mn MoM respectively, offsetting higher hedging costs of NT\$1.9bn; and (2) bank earnings dropped 16.5% MoM on increased credit costs at year-end. Cathay FHC (2882 TT, NT\$65.1, OP) posted a December net loss of NT\$1.9bn, mainly due to Cathay Life's earnings loss of NT\$3.6bn on higher hedging costs, driven by lower efficiency in basket hedging and lower realized capital gains, and Cathay United Bank's earnings slip of 50% MoM on higher credit costs. As the 2024 earnings of Fubon and Cathay FHCs achieved our forecasts by a respective 111% and 99.7%, we expect their 2024F cash dividend per share (DPS) will be NT\$3.8-4 and NT\$2.8-3 per share, respectively.

Bank-centric FHCs recognized more provisions & operating expenses at year-end. CTBC FHC (2891 TT, NT\$38.55, OP) reported December net profit of NT\$3.7 bn, down 25% MoM, as Taiwan Life booked a loss of NT\$440mn on lower capital gains and rising hedging costs. CTBC Bank's earnings rose 2% MoM on rebounding net interest and investment income, offsetting general provisions. CTBC FHC's 2024 net profit climbed 28% YoY to NT\$72bn, beating our forecast by 4%, and we believe 2024F cash dividend will be at least NT\$1.85. E. Sun FHC (2884 TT, NT\$27.35, OP) saw December net profit grow 29% MoM to NT\$2.08bn, thanks to recognition of FX swap gains and bond valuation gains. 2024 FHC earnings grew 20% YoY to NT\$26.08bn, above our forecast by 1%, and we expect an average 2024F dividend of NT\$1.1.

Stocks for Action

December dot plot of the US Fed and the market anticipates the magnitude of 2025F US rate cuts will narrow 50bps to 3.9%, which in turn will push up 10-year Treasury yields to 4.5-4.7%, consequently helping the yield curve to return to a positive slope in 2025. Therefore, the financial sector will benefit from long-term asset yields surpassing short-term funding costs, resulting in higher returns, and life insurer's recurring yields will also improve. With the US-Taiwan interest spread narrowing to 2.5%, we believe life insurers will benefit from lower CS hedging costs in 2025F. Although US rate cuts may narrow in 2025F, we think they will lower US dollar funding costs for banks, and a tightening China policy proposed by the US president-elect Trump may trigger further supply chain reshuffling, creating demand for foreign currency loans. Our top picks of financial stocks for 2025 are CTBC FHC, Cathay FHC and Fubon FHC on reduced bank funding costs, higher recurring yields for life insurance units, better-than-peers interest spreads upon adoption of IFRS 17 and better cash yields. We also recommend Yuanta FHC, given improving operations of brokerage business amid rate cuts and higher cash yield, and E. Sun FHC, on sustainable net interest and fee income.

Risks

US rate cuts more aggressive in 2025 in the face of economic weakness; Fed pivots to rate hikes again to curb rebounding inflation; sharper upticks in bank credit costs.

Yuanta FHC (2885 TT, NT\$34.4, OP). December net profit fell 53% MoM, but surged 242% YoY to NT\$1.76bn, as brokerage-related profits declined 33% MoM on decreased investment returns and other income. Bank earnings were also down by 45% MoM, due to recognition of one-off real estate investment gains in November, offsetting Yuanta Life's monthly loss of NT\$510mn, as the insurer booked higher liability costs of at year-end. Yuanta FHC's 2024 net profit grew 35% YoY, beating our forecast by 5%, and we expect their 2024F dividend may be higher than our estimate of NT\$1.45.

Mega FHC (2886 TT, NT\$38.45, N). Earnings grew by 185% MoM and 31% YoY in December, to NT\$2.7bn, on close to NT\$1.5bn in income tax reversal on P&C losses offsetting bank earnings growth of 6% MoM (investment income offset provision increases of close to NT\$1.1bn). Net profit grew 4.6% YoY in 2024, 1% below our projection.

Taishin FHC (2887 TT, NT\$17.4, N). Earnings were NT\$790mn in December, down 43% MoM, with Taishin Bank earnings growth of 115% offsetting life insurance losses of NT\$580mn and valuation losses on Diamond Biofund, held by the venture capital unit. Taishin Bank grew earnings by 62% YoY in 4Q24 to NT\$4.55bn, reflecting core earnings growth and the absence of significant provisions thanks to stable asset quality. Consequently, full-year 2024 earnings hit NT\$20.07bn, up 37.5% YoY, beating our forecast by 5%.

First FHC (2892 TT, NT\$27.5, N). Earnings fell 18% MoM in December to NT\$1.24bn, as First Bank increased provisions by NT\$1.4bn to boost the coverage ratio to 800%, offsetting higher FX swap income of NT\$1.5bn. In 2024, First FHC garnered net profit of NT\$25.4bn, up 13% YoY, in line with our forecast. We forecast a dividend of NT\$0.9 for 2024 due to capital requirement restrictions, for a yield of 3.2%, below the FHC average of 4%.

SCSB (5876 TT, NT\$40.5, N). Earnings rose 30% MoM in December to NT\$1.45bn, on rebounding net interest and investment income. In 2024, SCSB booked net profit of NT\$13.37bn, down 9% YoY, in line with our forecast. We forecast a dividend of NT\$1.7-1.8 for 2024 as SCSB may maintain a stable dividend policy, for a yield of 4.2-4.4%.

Figure 1: In December, earnings of Taiwan's 14 FHCs combined fell 23% MoM, with banking-centric FHCs up 0.8% MoM beating life insurance- and securities- centric FHCs; in 2024, their net profit grew 64% YoY, with life insurance-centric FHCs up 145% YoY, outperforming securities & banking counterparts 33% and 17% YoY

NT\$mn	2023			1Q24		2Q24		3Q24		Dec-24			Jan-Dec24			2024F	
	Earnings	YoY (%)	EPS (NT\$)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS (NT\$)	Achieved (%)	
2880 TT	Hua Nan FHC*	21,618	24.9	1.58	5,629	12.6	5,586	1.5	6,640	4.0	1,930	29.4	21.2	23,123	6.9	1.68	101.6
2881 TT	Fubon FHC	66,017	40.7	4.80	30,408	117.5	50,907	76.0	39,995	60.6	10,510	N.A.	1.4	151,160	128.5	10.80	111.0
2882 TT	Cathay FHC	50,929	36.3	3.24	38,109	443.7	33,652	32.0	31,057	16.1	-1,910	N.A.	N.A.	111,190	115.9	7.28	99.7
2883 TT	KGI FHC*	18,943	15.7	1.13	8,214	134.5	8,739	31.6	12,187	65.4	502	397.0	(76.8)	33,546	76.9	1.97	98.6
2884 TT	E. Sun FHC	21,726	37.9	1.41	6,251	3.5	6,452	43.4	8,195	53.5	2,081	41.9	29.3	26,084	19.9	1.63	101.5
2885 TT	Yuanta FHC	26,566	23.8	2.09	9,235	60.0	8,426	(8.4)	9,434	10.2	1,764	241.9	(52.7)	35,830	34.9	2.77	105.4
2886 TT	Mega FHC	33,247	81.3	2.37	11,490	6.6	8,906	11.5	8,924	8.0	2,705	31.0	185.0	34,766	4.6	2.35	99.3
2887 TT	Taishin FHC	14,602	(1.8)	1.01	5,011	(1.0)	5,565	45.7	6,084	89.0	790	276.2	(42.8)	20,070	37.5	1.39	105.2
2888 TT	Shin Kong FHC*	(7,409)	N.A.	(0.48)	3,094	N.A.	17,393	551.9	-827	N.A.	1,117	(65.5)	N.A.	20,607	N.A.	1.26	94.8
2889 TT	Waterland FHC*	2,000	55.3	0.58	628	3.8	584	12.7	480	2.1	159	1.9	(3.6)	2,171	8.6	0.61	N.A.
2890 TT	SinoPac FHC*	19,764	23.8	1.62	6,911	45.5	5,274	(1.4)	6,263	11.6	1,083	(6.7)	8.2	22,302	12.7	1.76	95.1
2891 TT	CTBC FHC	56,081	79.3	2.82	20,920	61.4	16,287	2.7	21,442	8.4	3,702	238.4	(25.0)	72,028	28.4	3.64	103.9
2892 TT	First FHC	22,461	9.1	1.65	7,015	5.8	6,714	2.8	7,079	20.6	1,243	16.7	(17.6)	25,359	12.9	1.81	108.4
5880 TT	Cooperative FHC*	17,264	(14.7)	1.17	5,237	7.2	4,859	4.7	5,728	14.8	849	20.8	(34.4)	19,743	10.5	1.26	N.A.
Total of 14 FHCs		363,809	30.0		158,153	102.9	179,343	40.5	162,682	22.2	26,525	389.1	(23.2)	597,979	63.7		
Life insurance-centered FHCs		128,479	25.1		79,824	416.9	110,690	73.7	82,412	27.5	10,219	N.A.	(37.6)	316,503	144.8		
Banking-centered FHCs		206,764	34.0		68,465	22.0	59,643	10.1	70,356	18.3	14,383	55.4	0.8	243,475	17.4		
Brokerage-centered FHCs		28,566	25.6		9,863	54.7	9,010	(7.3)	9,914	9.8	1,923	186.2	(50.6)	38,001	33.0		

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

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

Source: Bloomberg; Company data; KGI Research

Figure 2: December life insurance earnings down 47% MoM on lower capital gains & higher hedging costs

NT\$m		2023			1Q24		2Q24		3Q24		Dec-24			Jan-Dec24		
FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS (NT\$)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS (NT\$)
2881 TT	Fubon Life	36,091	(44.9)	3.26	17,463	140.9	34,103	79.7	26,356	55.9	10,540	N.A.	27.4	102,530	183.0	8.66
2882 TT	Cathay Life	16,343	(51.5)	2.57	25,735	N.A.	22,818	53.1	18,556	5.9	-3,610	N.A.	N.A.	67,180	302.3	10.51
2885 TT	Yuanta Life	2,019	46.7	0.85	993	2,211.0	926	(41.3)	141	(92.9)	-511	N.A.	N.A.	1,923	(4.8)	0.77
2887 TT	Taishin Life	251	(82.0)	0.27	817	4,085.6	494	94.6	579	(29.3)	-580	N.A.	N.A.	1,240	396.0	1.15
2888 TT	Shin Kong Life	(17,193)	N.A.	(2.33)	453	N.A.	14,420	N.A.	(3,415)	N.A.	290	(83.4)	N.A.	10,378	N.A.	1.31
2891 TT	Taiwan Life	12,383	N.A.	1.99	7,655	N.A.	5,412	(9.8)	8,002	(14.4)	-438	N.A.	N.A.	21,474	73.5	3.45
5880 TT	Taiwan Cooperative Life	1,254	8.4	1.82	298	(0.8)	293	(17.1)	222	(31.7)	126	(11.3)	(10.6)	1,203	(4.1)	1.75
2883 TT	KGI Life	10,178	(22.7)	2.07	5,149	1,503.6	5,837	26.7	9,137	43.1	-232	N.A.	N.A.	22,155	118.4	4.37
5874 TT	Nan Shan Life	22,110	(29.9)	1.60	13,480	2,688.5	12,108	(20.3)	11,570	(48.7)	1,337	N.A.	(51.3)	42,456	92.0	2.89
Total of 9 life insurers		83,436	(40.2)		72,044	N.A.	96,410	56.2	71,150	(10.2)	6,922	N.A.	(47.3)	270,539	222.0	

Source: Company data; KGI Research

Figure 3: In December, major FHCs' P&C earnings fell 270% MoM, mainly as Fubon P&C increased reserves for COVID-19 policy re-insurance claims of NT\$920mn

NT\$m		2023			1Q24		2Q24		3Q24		Dec-24			Jan-Dec24		
FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS (NT\$)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS (NT\$)
2880 TT	Hua Nan P&C	916	100.1	4.58	399	123.6	487	105.5	295	20.2	7	(93.4)	(84.8)	1,293	41.2	6.46
2881 TT	Fubon P&C	-2,230	N.A.	(2.04)	1,348	N.A.	1,094	6.2	993	22.1	-480	N.A.	N.A.	3,010	N.A.	10.05
2882 TT	Cathay Century P&C	1,246	N.A.	6.23	868	N.A.	436	(42.4)	899	13.9	200	N.M.	150.0	2,700	103.0	13.49
2886 TT	Chung Kuo P&C	-1,467	N.A.	(2.90)	166	N.A.	(80)	N.A.	230	18.0	37	(38.3)	N.M.	413	N.A.	1.78
Total of 4 P&C		-1,536	N.A.		2,780	0.0	1,936	107.0	2,417	18.3	-236	N.A.	N.A.	7,416	N.A.	

Source: Company data; KGI Research

Figure 4: December bank net profit fell 8% MoM on higher provisions & operating expenses

NT\$m		2023			1Q24		2Q24		3Q24		Dec-24			Jan-Dec24		
FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS (NT\$)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS (NT\$)
2880 TT	Hua Nan Bank	20,051	19.9	2.05	5,045	8.2	5,223	2.7	5,987	1.7	1,944	46.7	17.1	21,593	7.7	2.07
2881 TT	Taipei Fubon Bank	24,648	8.1	1.72	8,164	18.2	8,084	26.4	8,857	24.5	1,470	110.0	(16.5)	30,540	23.7	2.13
2882 TT	Cathay United Bank	28,805	12.6	2.65	10,354	13.6	9,691	16.8	10,994	38.8	1,370	226.2	(50.2)	38,340	32.3	3.15
2883 TT	KGI Bank	5,395	(10.1)	1.17	1,469	(4.3)	1,345	(8.8)	1,495	21.5	398	11.5	(6.4)	5,536	2.5	1.20
2884 TT	E.Sun Bank	19,563	32.1	1.72	5,644	2.7	5,919	47.6	7,924	78.9	1,846	46.0	8.5	24,533	25.2	1.89
2885 TT	Yuanta Bank	8,657	18.8	1.17	2,634	22.4	2,552	(17.5)	2,465	11.8	590	174.4	(44.6)	10,015	15.7	1.25
2886 TT	Mega Bank	31,025	28.3	3.63	9,888	(5.9)	7,904	(1.2)	7,300	3.7	930	(41.6)	6.0	28,370	(8.5)	2.95
2887 TT	Taishin Bank	14,908	22.4	1.61	4,419	3.0	4,204	14.9	5,333	28.5	1,760	114.6	37.5	18,510	24.1	1.90
2888 TT	Shin Kong Bank	6,791	(1.0)	1.36	1,677	12.7	1,867	(7.3)	1,959	14.3	585	(11.4)	1.6	7,216	6.3	1.45
2890 TT	Sinopac Bank	16,066	9.2	1.68	5,261	34.1	4,456	2.2	4,665	5.7	783	(11.8)	(32.5)	17,463	8.6	1.68
2891 TT	CTBC Bank	41,333	11.3	2.79	12,113	6.6	11,060	15.2	13,106	21.9	4,364	71.5	1.8	49,424	19.6	3.13
2892 TT	First Bank	21,526	5.9	2.11	6,493	2.7	6,306	6.2	6,644	15.4	1,178	12.2	(24.3)	23,806	10.6	2.16
5880 TT	Taiwan Cooperative Bank	16,303	(14.6)	1.48	4,948	6.2	5,166	20.0	5,443	16.0	959	79.6	(21.7)	18,951	16.4	1.54
2801 TT	Chang Hwa Bank	12,982	18.3	1.20	3,831	11.0	3,613	1.5	3,805	17.9	1,288	16.5	6.0	14,958	15.2	1.33
2809 TT	King's Town Bank	6,207	180.8	5.59	2,019	140.2	1,220	(19.3)	628	(70.7)	449	(29.4)	5.3	5,024	(19.1)	4.52
5876 TT	SCSB	14,660	(1.9)	3.02	4,335	1.7	1,468	(85.0)	4,748	628.4	1,454	(1.6)	30.3	13,373	(8.8)	2.76
Total of 16 banks		288,921	12.2		88,292	9.0	80,078	(1.2)	91,353	24.6	21,368	37.1	(7.4)	327,652	13.3	

Source: Company data; KGI Research

Figure 5: December securities net profit down 11% MoM on lower brokerage fee income, due to lower Taiwan stock turnover & investment income

NT\$m		2023			1Q24		2Q24		3Q24		Dec-24			Jan-Dec24		
FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS (NT\$)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS (NT\$)
2880 TT	Hua Nan Securities	1,506	36.1	2.30	490	122.8	570	21.6	606	24.7	144	18.0	300.0	1,907	26.7	2.91
2881 TT	Fubon Securities	6,960	153.7	4.28	2,344	52.8	2,629	45.2	3,150	53.7	590	3.5	(30.6)	10,090	43.3	6.20
2882 TT	Cathay Securities	2,112	49.9	2.74	908	94.5	1,258	117.8	1,186	120.9	260	18.2	(16.1)	4,180	98.1	5.42
2883 TT	KGI Securities	7,344	102.4	3.97	2,898	53.2	2,620	45.3	2,610	54.0	636	(16.5)	(14.9)	10,123	38.8	5.57
2884 TT	E.Sun Securities	1,289	28.3	3.22	414	44.8	646	98.1	644	81.4	152	34.5	(5.0)	2,175	68.9	5.44
2885 TT	Yuanta Securities	13,793	14.5	2.09	4,479	47.4	4,800	17.1	5,997	53.5	1,510	44.8	(41.1)	21,158	53.4	3.21
2886 TT	Mega Securities	2,003	232.0	1.73	887	90.6	608	(2.3)	806	49.1	116	(57.8)	11,500.0	2,550	27.3	2.20
2887 TT	Taishin Securities	1,545	196.4	2.23	642	49.3	845	90.8	464	94.5	160	(30.4)	(5.9)	2,360	52.3	3.41
2888 TT	MasterLink Securities	2,499	589.8	1.55	1,002	30.1	1,112	43.8	803	80.1	271	(3.6)	545.2	3,400	36.2	2.11
2890 TT	SinoPac Securities	3,836	142.4	2.37	1,533	90.3	1,375	49.6	1,621	21.7	368	(4.2)	55.3	5,828	52.2	3.50
2892 TT	First Securities	978	142.5	1.59	313	(5.5)	373	12.1	245	46.6	78	11.4	151.6	1,183	21.0	1.82
2855 TT	President Securities	2,879	294.7	1.98	1,726	277.2	1,344	14.8	540	(34.4)	351	3.0	183.6	4,373	51.9	3.00
5880 TT	Taiwan Cooperative Securities	202	(29.5)	0.39	184	348.8	43	(53.7)	53	(47.5)	-62	N.A.	N.A.	218	7.9	0.42
6005 TT	Capital Securities	4,132	391.8	1.90	1,357	22.3	1,249	14.7	1,245	16.0	466	7.2	6.1	5,396	18.3	2.25
Total of 14 brokerages		51,076	87.3		19,174	61.9	19,471	34.0	19,969	45.2	5,040	3.7	(11.3)	74,941	45.4	

Source: Company data; KGI Research

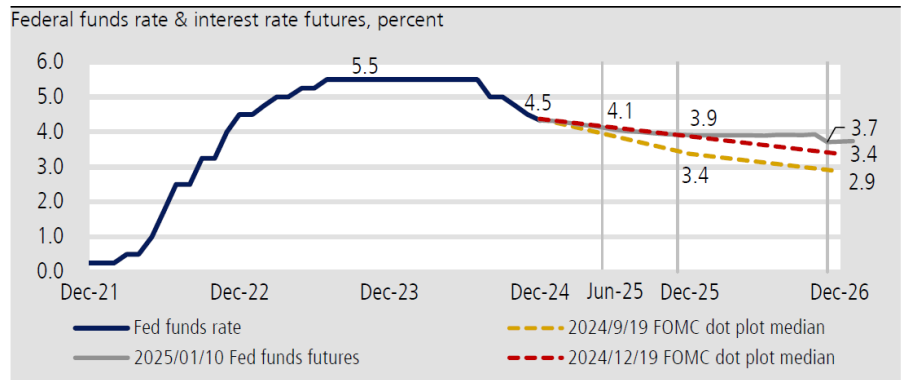
Figure 6: In December, Yulon Finance's (9941 TT, NT\$112, N) earnings fell 34% MoM on higher year-end operating expenses & lower bad debt recovery; Chailease's (5871 TT, NT\$112.5, N) December earnings rose slightly by 4% MoM, with China earnings in 4Q24 down 46% YoY on higher expected credit losses as the delinquency ratio didn't improve in 4Q24

NT\$m		2023		1Q24		2Q24		3Q24		Dec-24			Jan-Dec24		2024F
FHC ticker	Subsidiary name	Sales	YoY (%)	Sales	YoY (%)	Sales	YoY (%)	Sales	YoY (%)	Sales	YoY (%)	MoM (%)	Sales	YoY (%)	Achieved (%)
5871 TT	Chailease	97,526	12.6	25,011	8.1	25,735	6.6	26,230	4.2	8,483	(0.2)	3.3	93,808	(3.8)	91.7
9941 TT	Yulon Finance	41,489	13.5	10,397	6.3	10,490	1.5	10,515	(1.6)	3,501	(1.2)	6.9	38,039	(8.5)	92.1
6592 TT	Hotai Finance	28,660	25.8	7,784	18.6	7,684	11.0	7,181	(4.3)	2,134	(18.1)	3.0	26,830	(6.4)	90.3

NT\$m		2023			1Q24		2Q24		3Q24		Dec-24			Jan-Dec24			2024F
FHC ticker	Subsidiary name	Earnings	YoY (%)	EPS (NT\$)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	Earnings	YoY (%)	MoM (%)	Earnings	YoY (%)	EPS (NT\$)	Achieved (%)
5871 TT	Chailease	25,034	(8.0)	15.15	5,815	(15.6)	6,409	3.8	6,179	(0.9)	1,434	(21.2)	4.1	22,570	(9.8)	13.30	96.5
9941 TT	Yulon Finance	6,275	8.1	11.07	1,304	(27.2)	1,343	(22.9)	1,587	(7.6)	214	417.6	(33.9)	5,099	(18.7)	8.87	91.7
6592 TT	Hotai Finance	3,690	13.0	6.41	840	(6.6)	1,024	15.5	727	(27.7)							

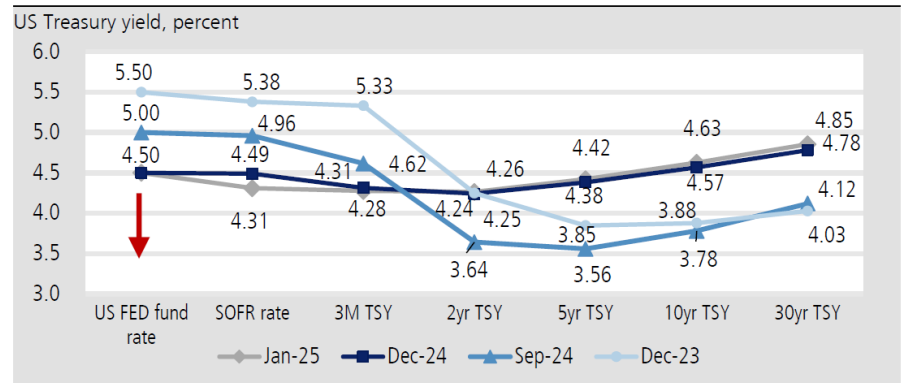
Source: Company data; KGI Research

Figure 7: Fed dot plot & market expect 2025 rate cuts of just 50bps, to 3.9%; reduction adjustable on Trump policy-induced inflation & unemployment



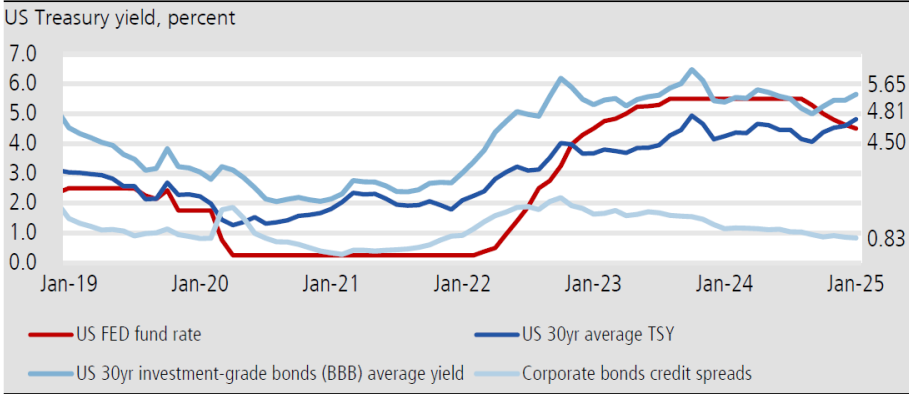
Source: Bloomberg; KGI Research

Figure 8: US Treasury 10-year yield rose to 4.63% in January; 2025F yield curve positive & sharper, which is positive for the financial sector's bond income & life insurers' reinvestment yields



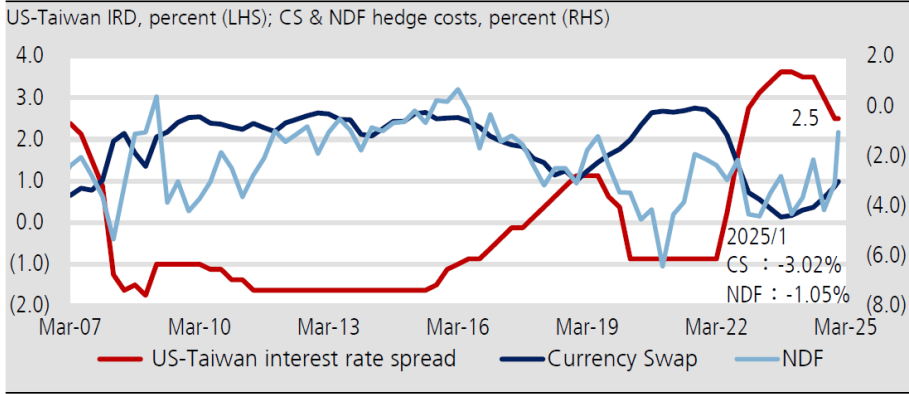
Source: Bloomberg; KGI Research

Figure 9: US 30-year BBB-grade corporate bond yields rose to 5.6% in January and the credit spread fell to 0.83%; life insurers & banks continue to buy high-yield overseas bonds to lift recurring yields



Source: Bloomberg; KGI Research

Figure 10: January currency swap (CS) points fell to 3.02% as 4Q24 CS costs fell 40bps to 3.22% on narrower US-Taiwan IRD; slower 2025F US rate cuts to ease FX swap income contractions for banks



Source: Bloomberg; KGI Research

Figure 11: November NPL ratio declined 0.01ppts to 0.15%, with SCSB staying at 0.4%

FHC/Bank ticker	Bank	Nov-24			Nov-24			Nov-24		
		NPL ratio (%)	MoM (ppts)	YTD (ppts)	NPL (NT\$m)	MoM	YTD	Coverage ratio (%)	MoM (ppts)	YTD (ppts)
2834 TT	Taiwan Business Bank	0.16	(0.03)	(0.02)	2,584	(548)	(135)	828	149	107
2801 TT	Chang Hwa Bank	0.16	0.00	(0.02)	3,089	0	(100)	805	8	111
2886 TT	Mega Bank	0.25	(0.02)	0.08	5,561	(443)	1,925	676	51	(309)
5880 TT	Taiwan Cooperative Bank	0.17	0.00	(0.01)	5,212	70	87	648	(13)	11
2892 TT	First Bank	0.17	0.00	0.00	4,410	(34)	311	799	5	(28)
2881 TT	Taipei Fubon Bank	0.12	0.01	0.00	2,662	89	170	1,101	(35)	30
2888 TT	Shin Kong Bank	0.12	0.00	0.00	1,018	(2)	76	1,074	2	(33)
2884 TT	E.Sun Bank	0.15	(0.01)	(0.01)	3,458	(249)	141	803	51	50
2880 TT	Hua Nan Bank	0.17	0.00	0.02	4,123	(29)	713	738	11	(109)
5876 TT	SCSB	0.40	0.00	0.23	3,627	47	2,167	345	7	(597)
2891 TT	CTBC Bank	0.14	(0.01)	(0.02)	4,250	(310)	(92)	879	52	96
2885 TT	Yuanta Bank	0.04	0.00	0.01	465	14	133	3,401	(65)	(828)
2890 TT	Bank Sinopac	0.17	(0.01)	0.08	2,868	(15)	1,554	740	12	(680)
2887 TT	Taishin Bank	0.13	0.00	0.01	2,169	(88)	395	1,018	36	(142)
2882 TT	Cathay United Bank	0.12	0.00	0.01	3,035	(91)	516	1,361	52	(92)
2809 TT	King's Town Bank	0.02	0.00	0.00	51	0	3	6,161	308	(1,410)
	Bank industry	0.15	(0.01)	0.01	64,356	(1,646)	9,414	882	24	(87)

Source: Company data; KGI Research

All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.

Disclaimer

All the information contained in this report is not intended for use by persons or entities located in or residing in jurisdictions which restrict the distribution of this information by KGI Asia Limited ("KGI") or an affiliate of KGI. Such information shall not constitute investment advice, or an offer to sell, or an invitation, solicitation or recommendation to subscribe for or invest in any securities or investment products or services nor a distribution of information for any such purpose in any jurisdiction. In particular, the information herein is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America, or to or for the benefit of United States persons (being residents of the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof). All the information contained in this report is for general information and reference purpose only without taking into account of any particular investor's objectives, financial situation or needs. Such information is not intended to provide professional advice and should not be relied upon in that regard.

Some of KGI equity research and earnings estimates are available electronically on www.kgi.com.hk. Please contact your KGI representative for information. The information and opinions in this report are those of KGI internal research activity. KGI does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be redistributed, reproduced or published (in whole or in part) by any means for any purpose without the prior written consent of KGI. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.