

Fubon Financial Holdings Reports October 2022 Earnings Results

Fubon Financial reported unaudited consolidated pre-tax loss of NT\$6.519bn and net loss of NT\$5.412bn in October. Cumulative consolidated pre-tax profit was NT\$98.290bn for the first ten months of the year, and cumulative net profit was NT\$78.302bn, translating into EPS of NT\$6.07. Excluding the impact from Covid-related policies, such as premium income, retention loss and reserve, the pro-forma October consolidated pre-tax profit and net profit would be NT\$455mn and NT\$167mn respectively, and pro forma cumulative consolidated pre-tax profit and net income for 10M22 will be NT\$137.086bn and NT\$109.339bn respectively. Cumulative net profit of Fubon Financial, and Fubon Life were the second highest in record for the same period. Cumulative net profit of Taipei Fubon Bank had surpassed the net profit of FY21 and hit a record high in October.

As of the end of October, Fubon Financial acquired 73.95% of Jih Sun FHC. Investment income of NT\$2,016mn was recognized in the first ten months.

The performance of the main subsidiaries is as follows:

Fubon Life's October unaudited consolidated pre-tax loss was NT\$1,687mn, net loss was NT\$1,304mn and cumulative net profit was NT\$82,307mn. Fubon Life's capital position remained decent with RBC ratio at over 300%. The equity to asset ratio exceeded the legal minimum requirement of 3%. The global capital markets were volatile and TAIEX closed down 3.53% in October. Dividend income contributed to Fubon Life's October earnings. For fixed income investment, as the Fed guided a higher interest rate on the back of soaring inflation, the higher bond yield would benefit the recurring return of Fubon Life in the long run. While the capital markets fluctuated, Fubon Life maintained its liquidity for management flexibility. As the USD appreciated against the NTD by 1.47% in the month, the cumulative FX gain plus hedging cost improved meaningfully yoy. The balance of FX reserves increased from NT\$43.9bn in September to NT\$47.2bn in October. Fubon Life's consolidated FYP in October was NT\$8,208mn and consolidated total premium was NT\$28,827mn. Fubon Life's cumulative FYP and TP was NT\$95,095mn and NT\$288,244mn, respectively, in Taiwan. FYP in October was NT\$7,939mn and TP in October was NT\$27,327mn, both estimated to rank the top 2 in the industry.

Taipei Fubon Bank's October net profit was NT\$1,745mn, 26% up mom. Due to the rise of net interest income and the recovery of MTM in financial products, cumulative net profit reached NT\$20,492mn, up nearly 30% yoy, exceeding the total net profit in FY21. Deposit and loan balance grew steadily and customers' assets continued to increase. Total assets and AUM of wealth management both rose by 10% yoy. Growth of cumulative net interest income was 12% yoy. In the credit card business, the number of active cards increased 16%

yoy, leading to double digit growth in card spending amount and gross credit fee income yoy. As of October, asset quality remained benign, with NPL ratio and coverage ratio at 0.17% and 747%, respectively.

Fubon Insurance's October net loss was NT\$5,922mn and cumulative net loss was NT\$23,008mn, mainly due to the claims of covid-related policies. The claims process has been accelerated through the Online Covid-related Policies Automatic Verification and Claim System and RPA. The direct claims and the retention claims of covid-related policy was NT\$13.0bn from 280,000 cases, and NT\$9,752mn, respectively, in October. Cumulative direct claims reached NT\$52,036mn from 1.147mn cases and the cumulative retention claims reached NT\$33,377mn as of October. Also, the incurred-but-not-reported (IBNR) reserves balance on retention basis was NT\$4.0bn as of October. The total direct claims and IBNR would be around NT\$57.0bn without considering the recovery from reinsurance. Based on the development trends of Covid-19 and the latest epidemic prevention policies, the provision for insurance liability reserves would be reviewed monthly. With the recent trend of COVID-19 infection in Taiwan showing the peak has passed, and the change of quarantine requirement effective from November 7, we view the claim losses from covid-related policy would trend down.

In terms of business performance, the premium in October was NT\$4,182mn, up 7.5% yoy. Due to the company's active involvement in green energy insurance, engineering insurance significantly grew by 52.7%, which contributed to a 31.4% yoy growth in commercial line. Cumulative written premium was NT\$46,440mn, up 6.8% yoy. With a market share of 25.1%, Fubon Insurance continued to be the market leader.

Fubon Securities' October net loss was NT\$51mn. Cumulative net profit was NT\$2,463mn, down 61% yoy. As TAiEX dropped to a year low of 12,629 in October, revenue from brokerage and proprietary trading decreased yoy.

Table: Net profit of Fubon Financial and its subsidiaries

NT\$m	2022		2021	
	October	YTD	October	YTD
Fubon Financial	-5,412	78,302	5,604	135,815
EPS (NT\$)	-0.44	6.07	0.50	11.81
<i>Net profit by subsidiary:</i>				
Fubon Life	-1,304	82,307	3,083	98,313
Taipei Fubon Bank	1,745	20,492	1,351	15,873
Fubon Insurance	-5,922	-23,008	660	6,747
Fubon Securities	-51	2,463	520	6,330

Note: As of the end of October, Fubon Financial acquired 73.95% of Jih Sun FHC. Investment income of NT\$2,016mn was recognized in the first ten months.

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