



Financial Review of 2Q 2018

(Bloomberg: 2801 TT)

2018.08.27



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▶ Agenda

● **Operations Highlight**

● Financial Performance

● Operating Results

● Appendix

► Operations Highlight

Core Business

- ★ Loans +2.5% YoY (+0.4% QoQ)
- ★ Deposits +4.6% YoY (+1.1% QoQ)

Profitability

- ★ Net Income +10.2% YoY , NII +4.4% YoY
- ★ FC Interest spread +24bps YoY,
Gain on invest +58.6% YoY

Asset quality

- ★ NPL ratio was 0.40%
(improved to 0.29% in Jul-18)

Capital Adequacy Ratio

- ★ BIS ratio was 14.16% (+1.41% YoY)

▶ Agenda

● Operations Highlight

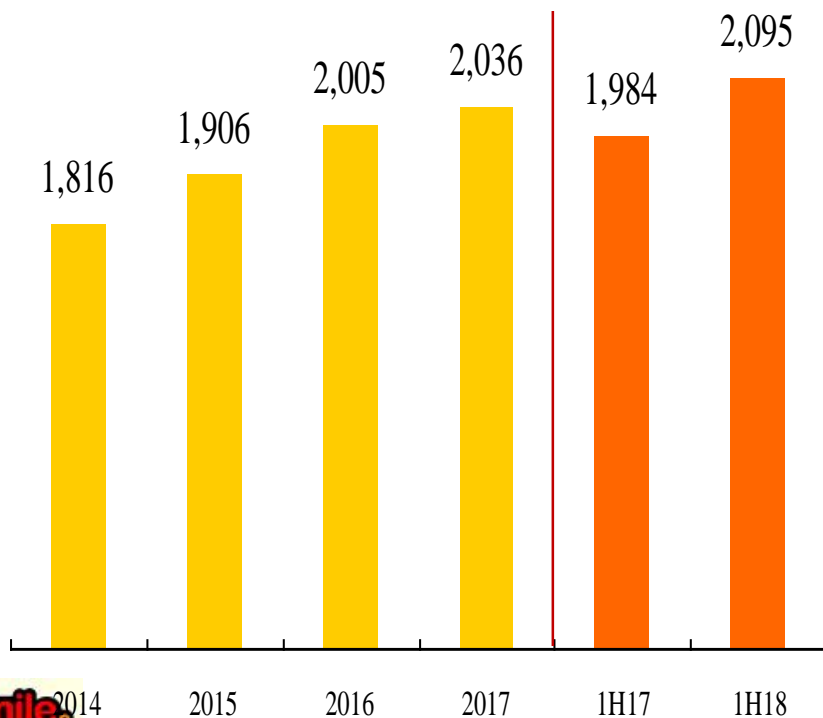
● **Financial Performance**

● Operating Results

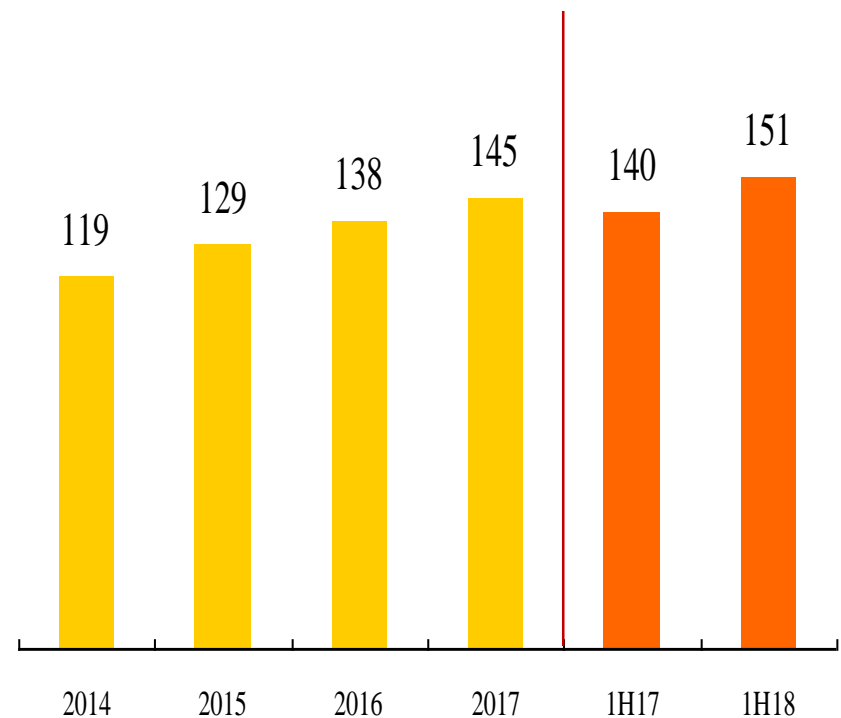
● Appendix

▶ Asset size and Net Worth

Asset size (in NT\$ bn)

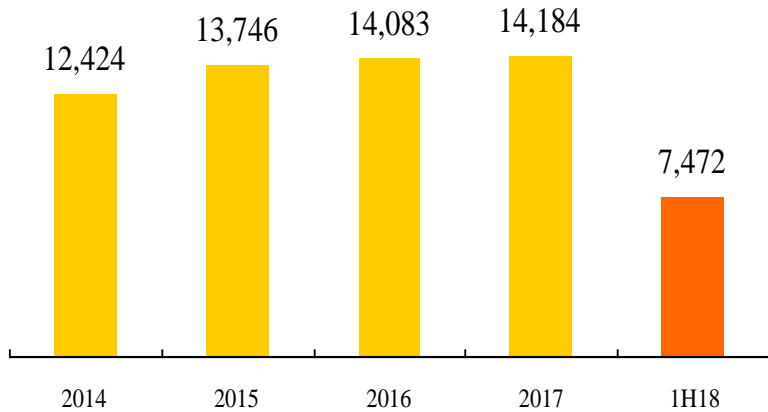


Net Worth (in NT\$ bn)

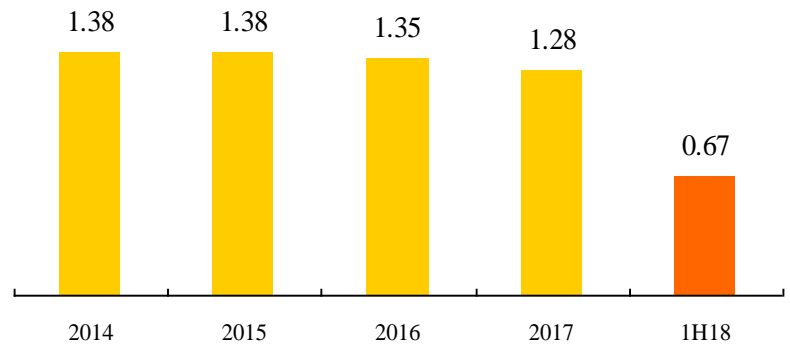


► Financial Performance

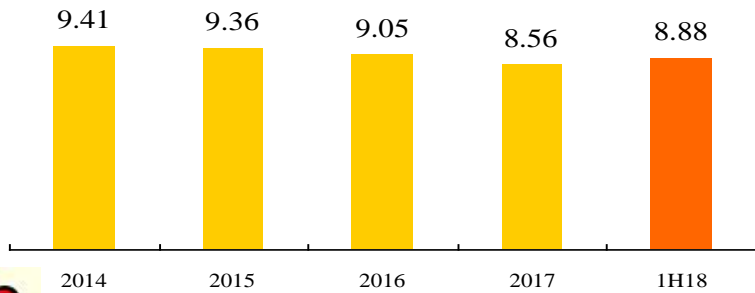
Net Income Before Tax (in NT\$ mn)



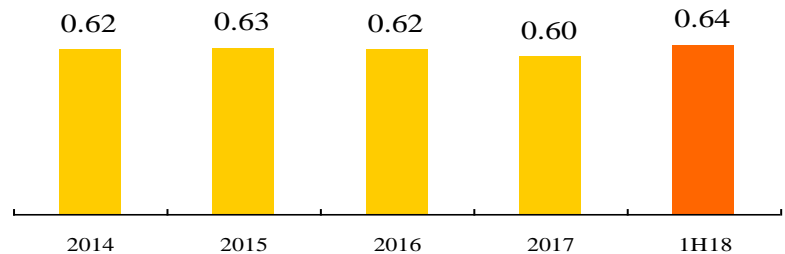
EPS After tax



ROE



ROA



1. ROE and ROA were after-tax figures and annualized figures.



▶ PPOP

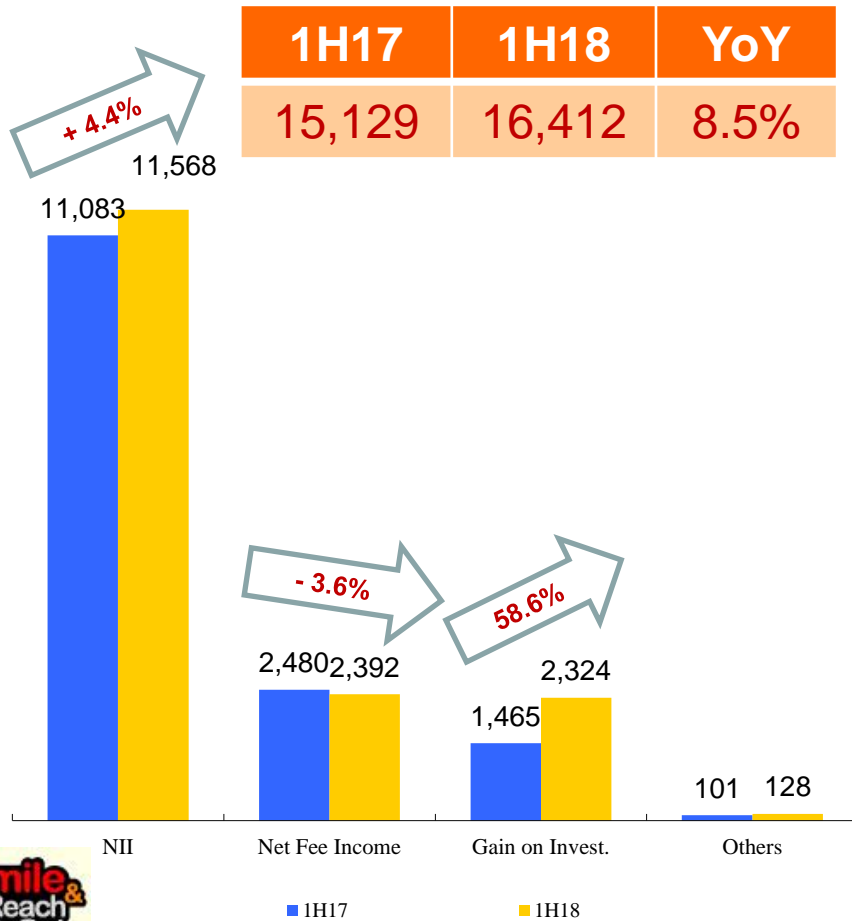
(In NT\$ mn)	1H17	1H18	YoY(%)
PPOP ¹	7,513	8,626	14.8%
Provision Expense	1,107	1,554	40.2%
Recovery	696	400	-42.6%
Net Income Before tax	7,102	7,472	5.2%
Income Tax Expense	1,146	907	-20.9%
Net Income After tax	5,956	6,565	10.2%



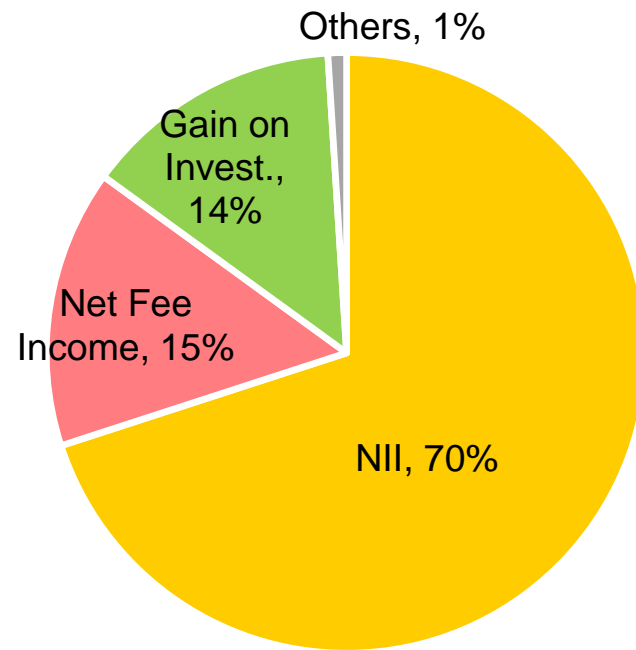
1.PPOP means Pre-Provision Operating Profits.

▶ Net Revenue

Net Revenue (in NT\$ mn)



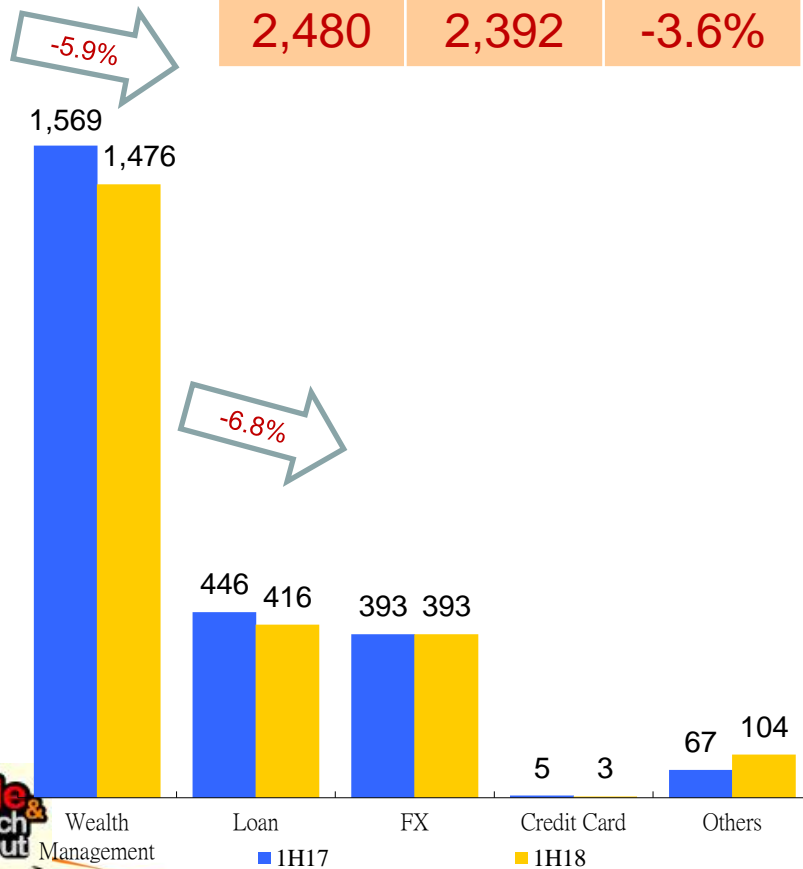
1H18 Net Revenue breakdown



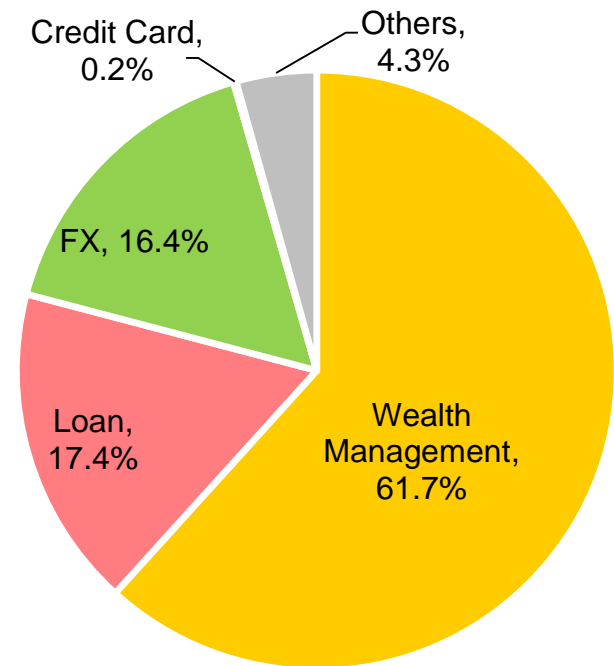
▶ Net Fee Income

Net Fee Income (in NT\$ mn)

1H17	1H18	YoY
2,480	2,392	-3.6%



1H18 Net Fee Income breakdown



▶ Agenda

● Operations Highlight

● Financial Performance

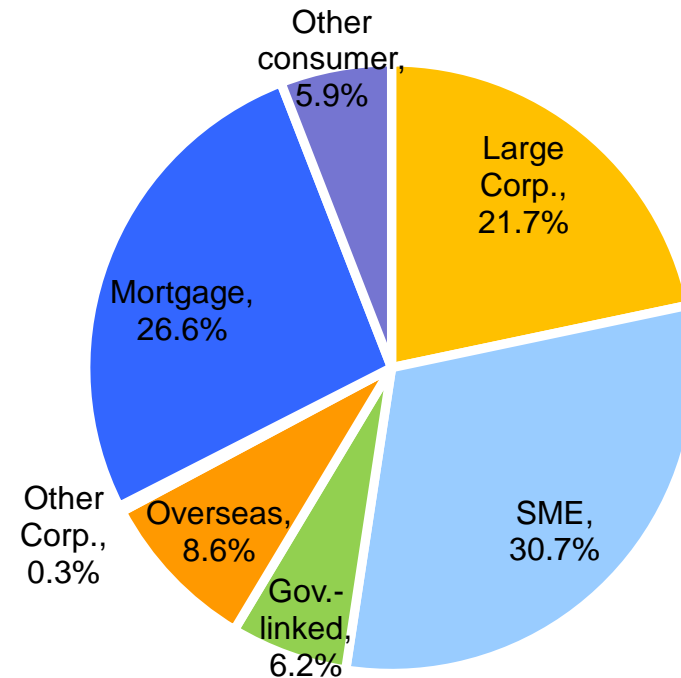
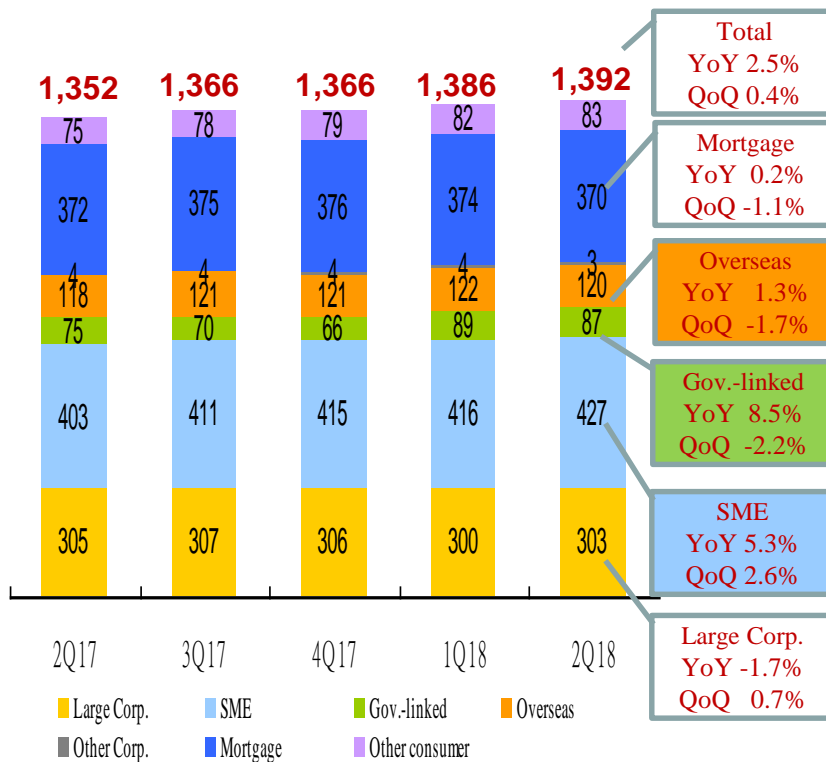
● **Operating Results**

● Appendix

▶ Loan breakdown by customer

Quarterly loan balance (in NT\$ bn)

2Q18 loan breakdown by customer



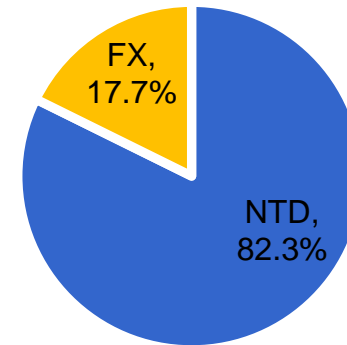
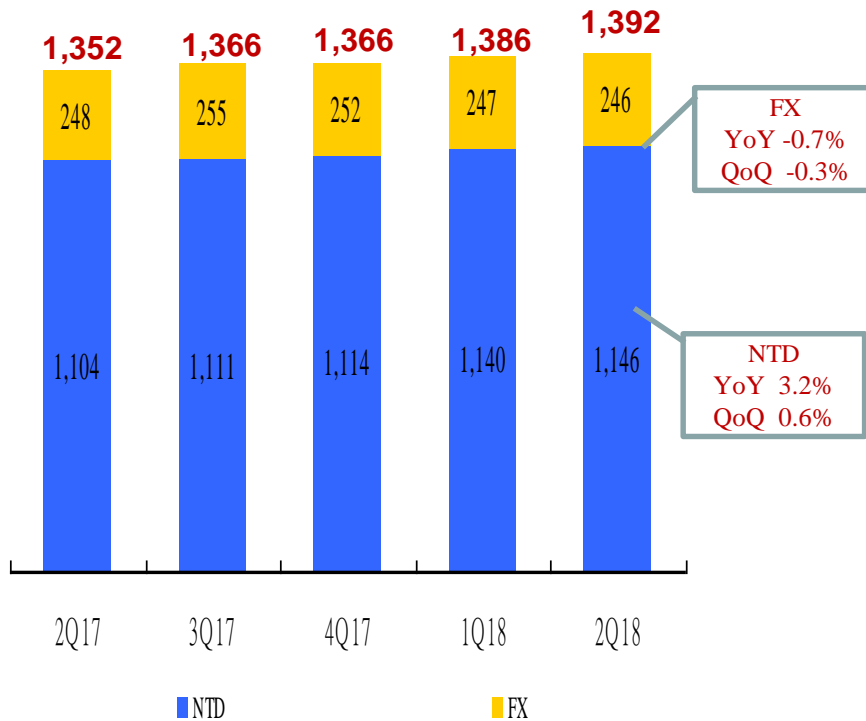
1. Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. Quarterly loan balance is single quarter average balance basis.
3. YoY is yearly average comparison.



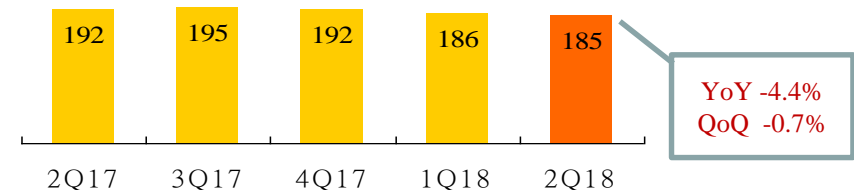
▶ Loan breakdown by currency

Quarterly loan balance (in NT\$ bn)

2Q18 loan breakdown by currency



Quarterly USD loan balance (in NT\$ bn)



- Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
- Quarterly loan balance is single quarter average balance basis.
- YoY is yearly average comparison.

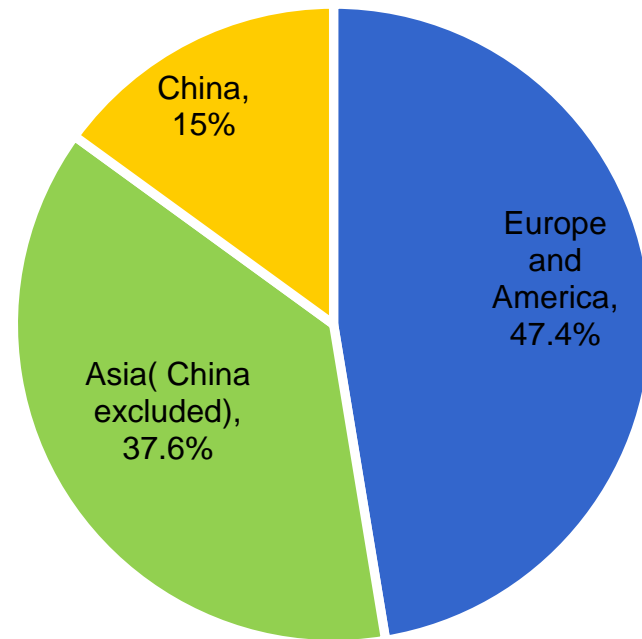
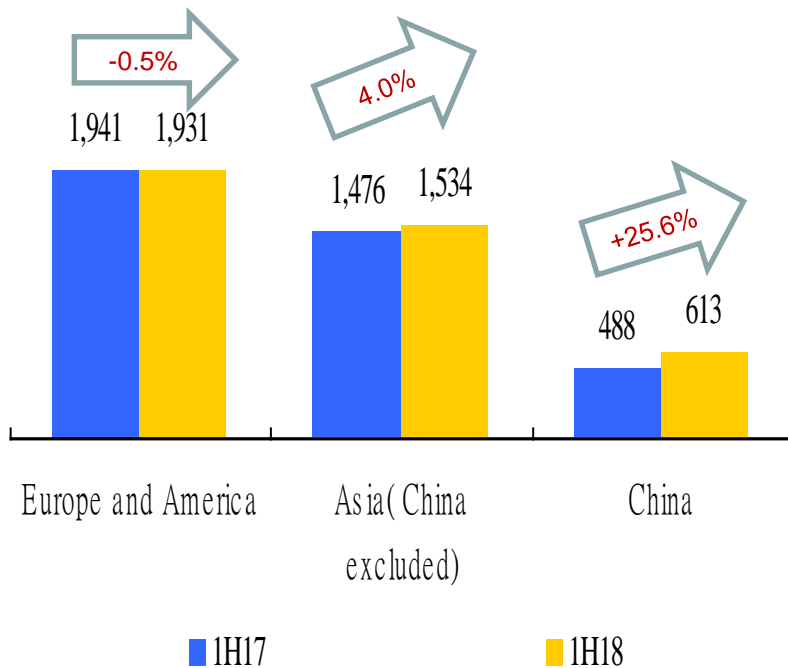


▶ Overseas Loan breakdown

Overseas loan balance (in US\$ mn)

1H18 overseas loan breakdown by regions

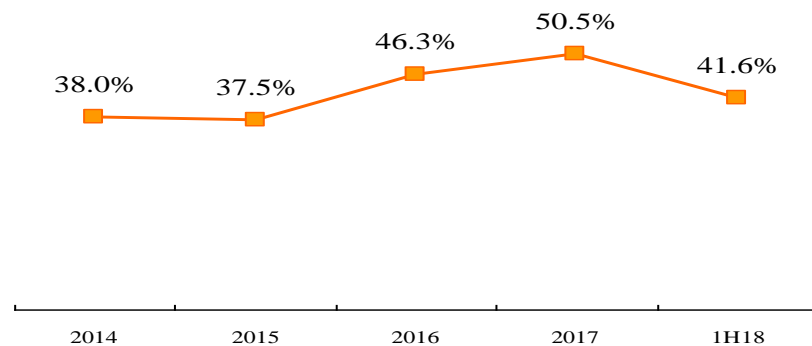
1H17	1H18	YoY
3,905	4,078	4.4%



1. Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. The figures were the average of the first nine months.
3. Asia included HK branch.

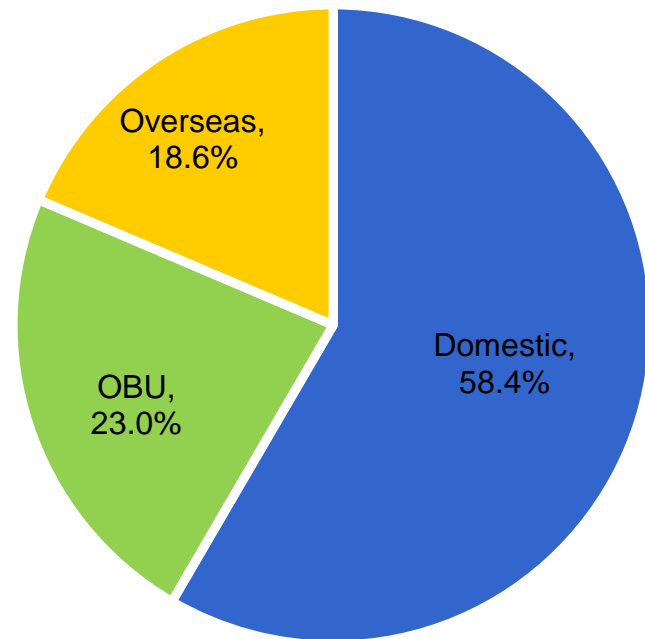
▶ Overseas & OBU PPOP

Overseas & OBU PPOP proportion

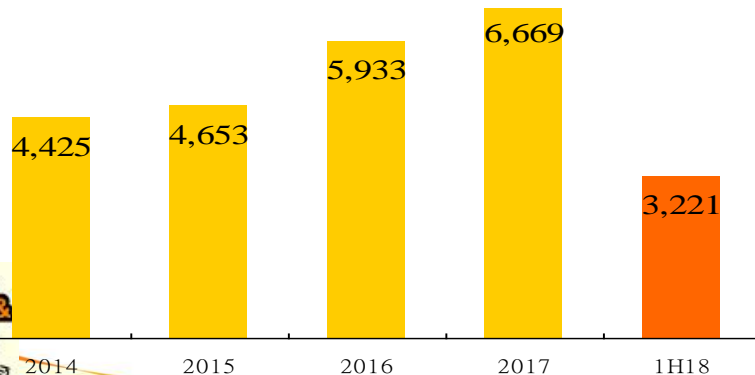


1.PPOP means Pre-Provision Operating Profits.

1H18 PPOP breakdown



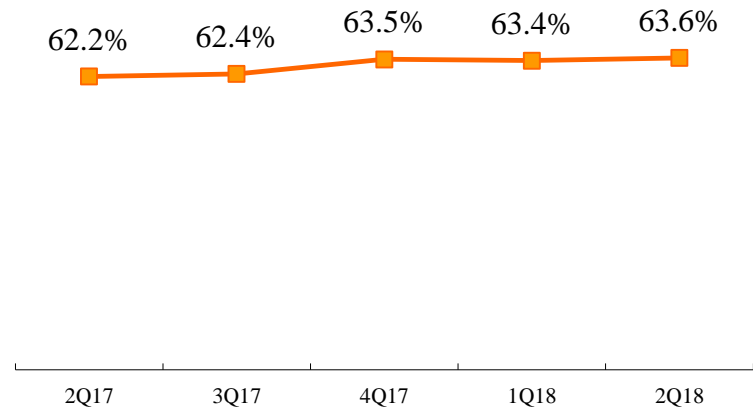
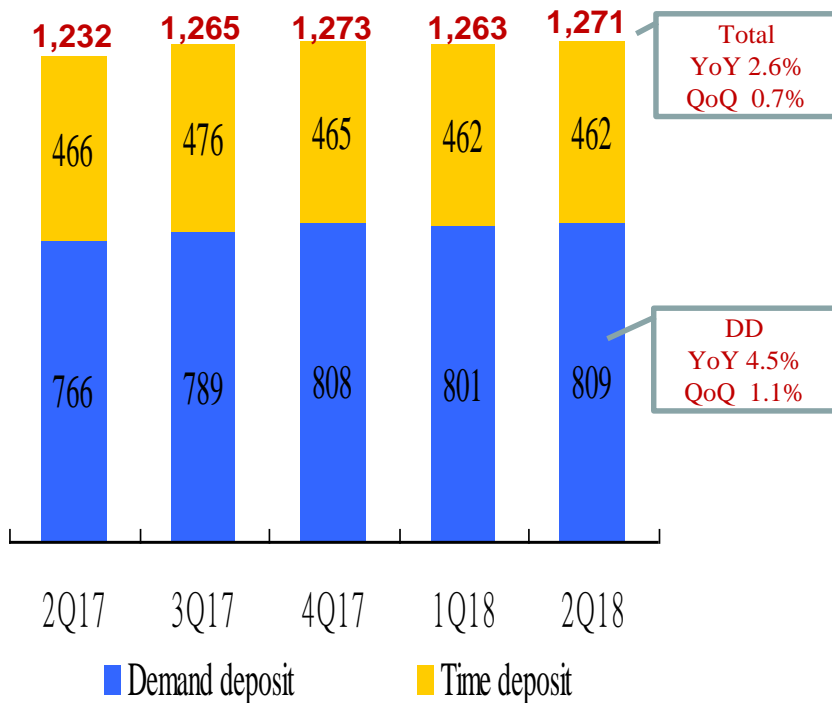
Overseas & OBU Net Income Before Tax (in NT\$ mn)



▶ NTD Deposit breakdown

Quarterly NTD deposit balance (in NT\$ bn)

Quarterly NTD demand deposit proportion

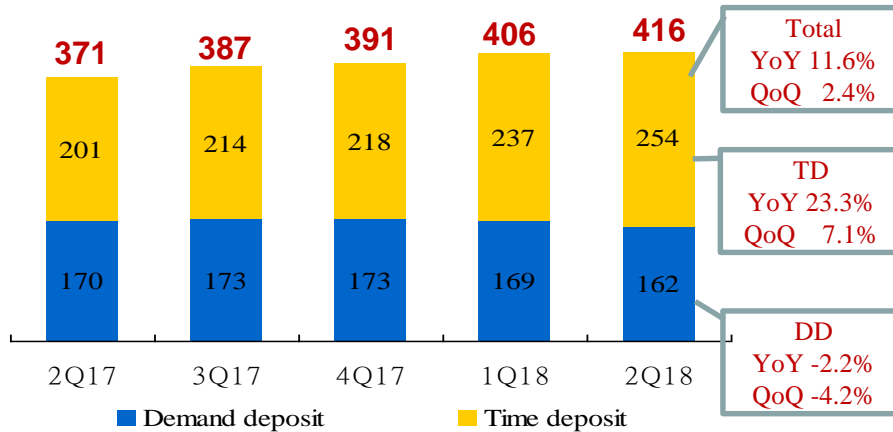


1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is yearly average comparison.

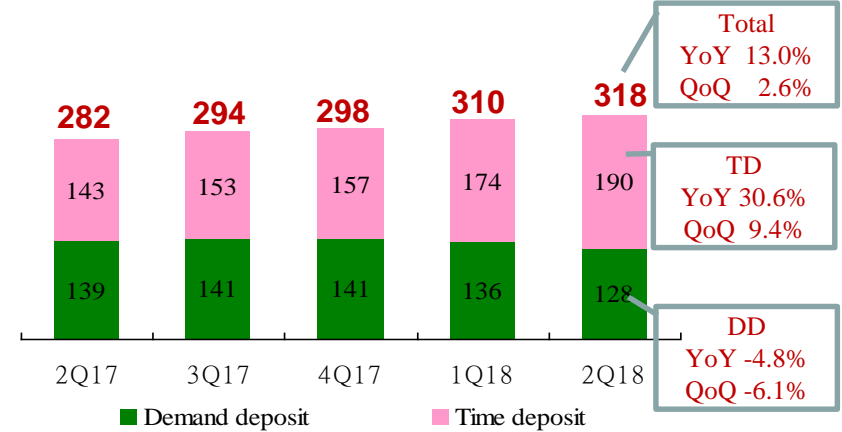


FX Deposit breakdown

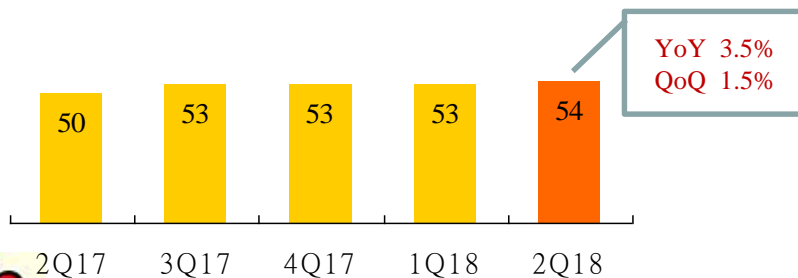
Quarterly FX deposit balance (in NT\$ bn)



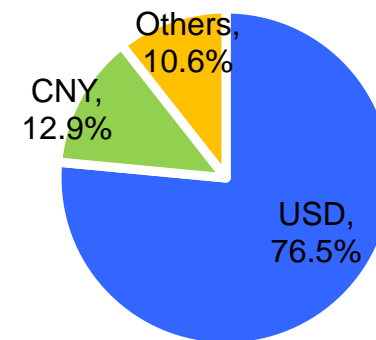
Quarterly USD deposit balance (in NT\$ bn)



Quarterly RMB deposit balance (in NT\$ bn)



2Q18 FX deposit breakdown by currency

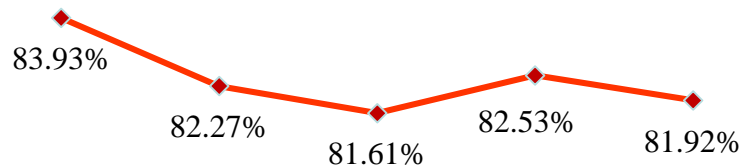


1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is yearly average comparison.

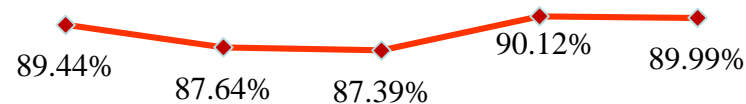


▶ LDR

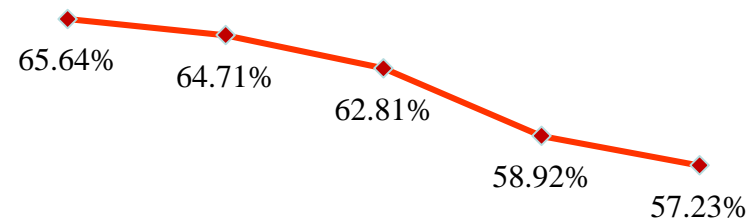
Total LDR



NTD LDR

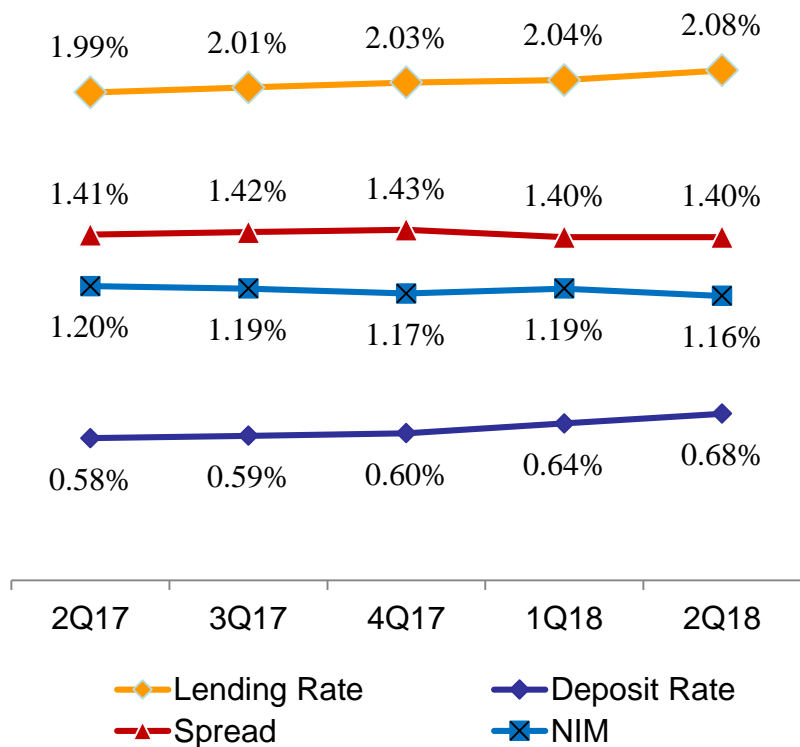


FX LDR

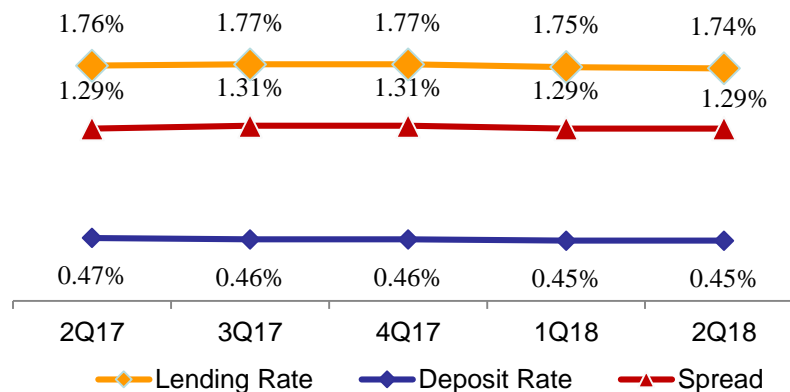


► Spread and NIM

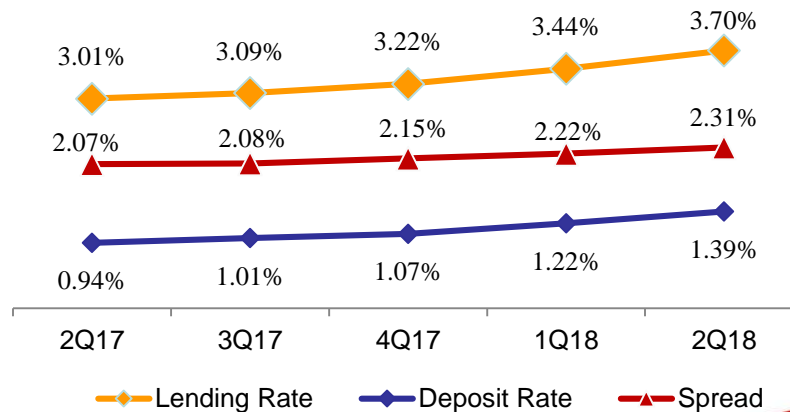
Quarterly total loan interest spread and NIM



NTD loan interest spread



FX loan interest spread

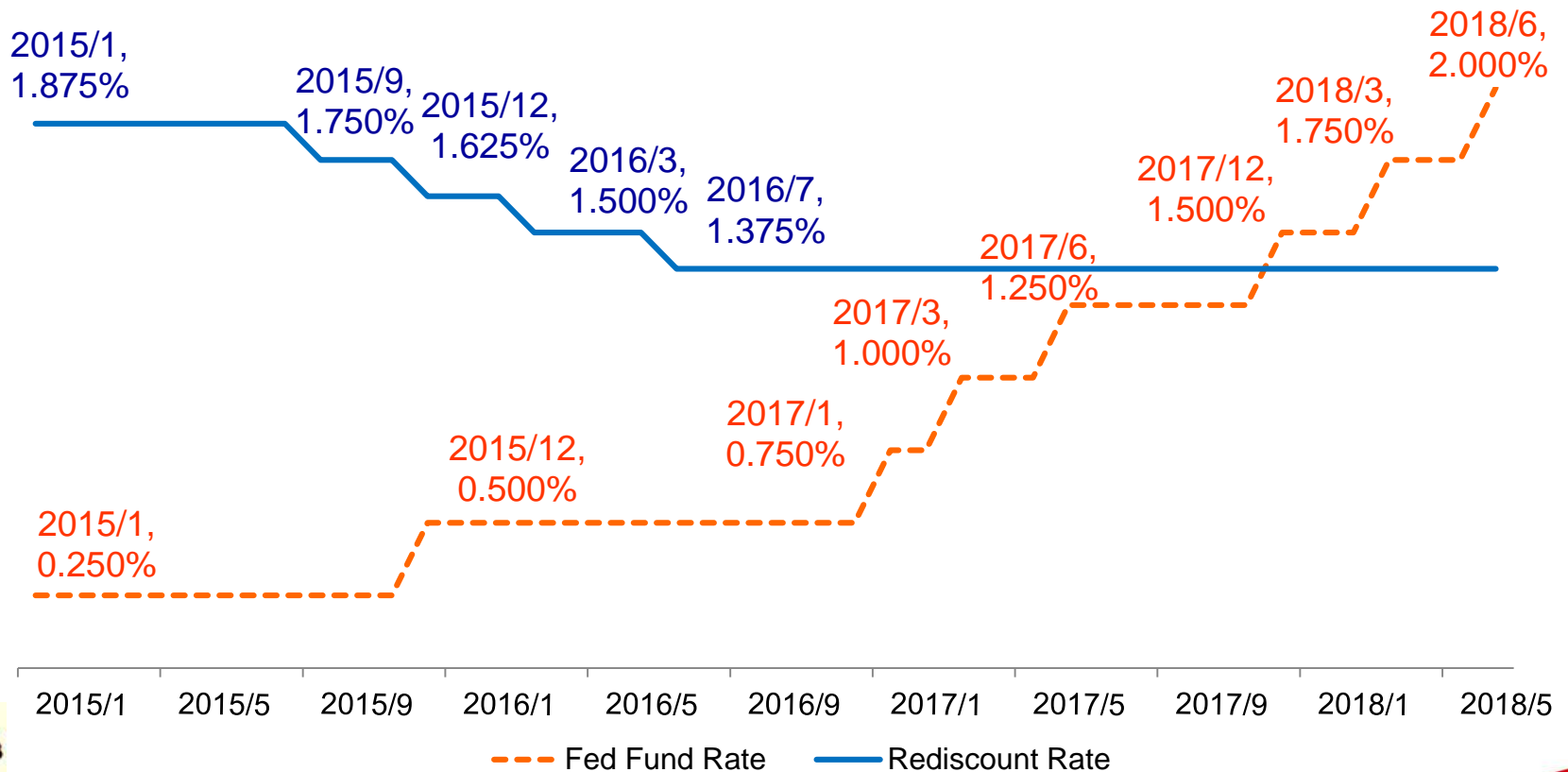


1. IFRS and quarterly basis.



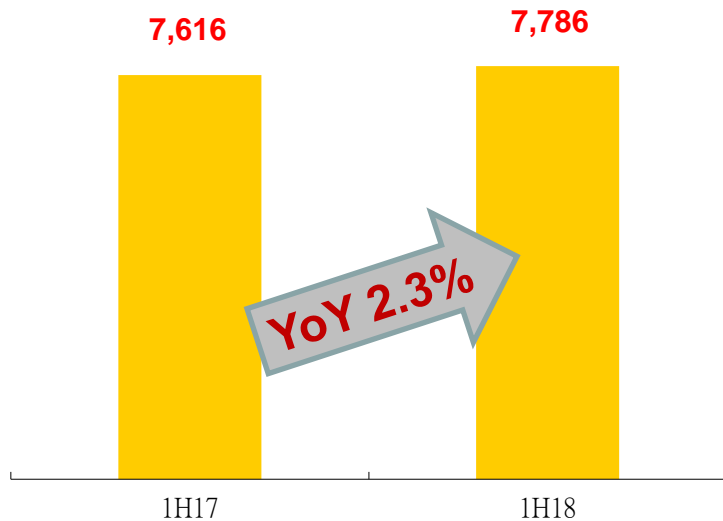
FED vs. CBC interest rates trends

Fed Fund Rate VS. Rediscount Rate

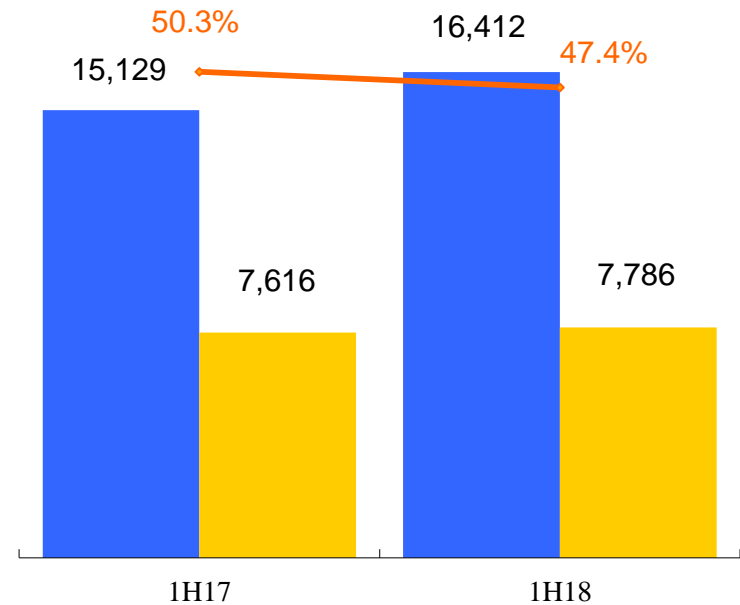


► Cost-Income Ratio

Operating Expense (in NT\$ mn)



Cost-Income Ratio

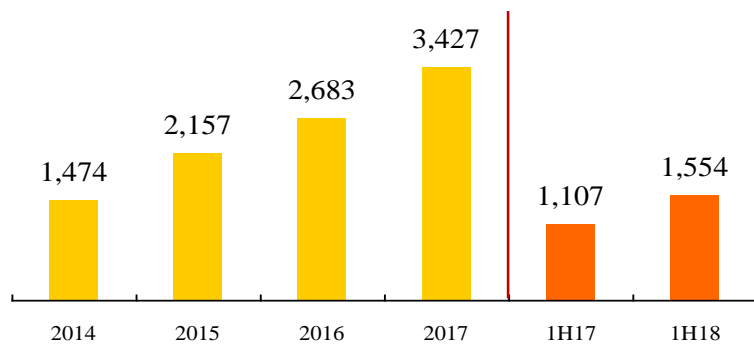


■ Net Revenue (in NT\$ mn) ■ Operation Expense (in NT\$ mn)

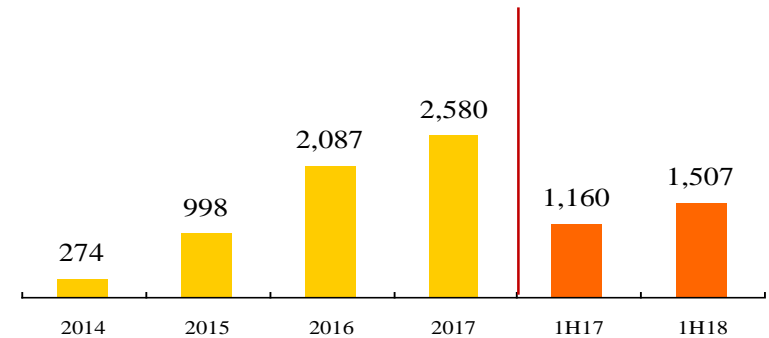
— Cost-Income Ratio

▶ Loan provision, write-off and recovery

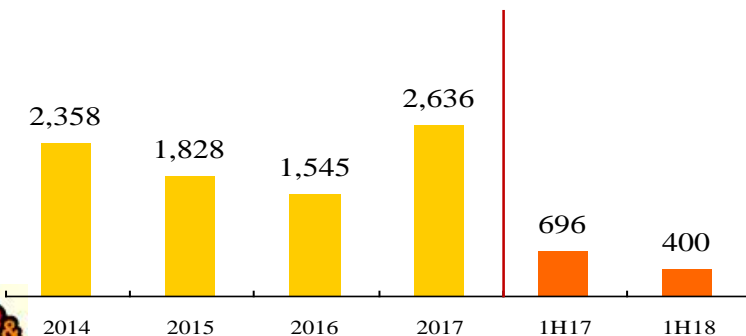
Provision (in NT\$ mn)



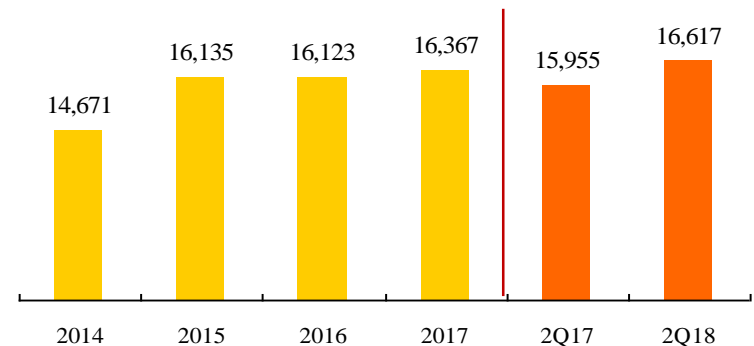
Write-Off (in NT\$ mn)



Recovery (in NT\$ mn)

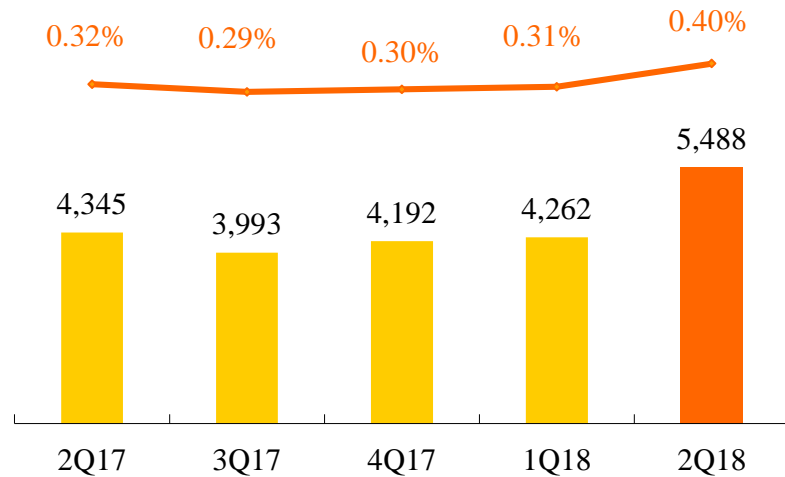


Reserve (in NT\$ mn)



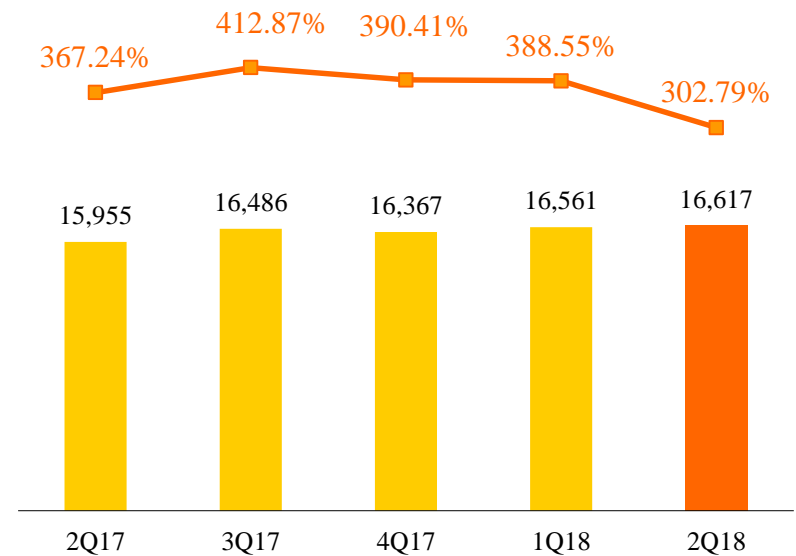
► NPL Ratio and Coverage Ratio

NPL Ratio



■ NPL Balance(in NT\$ mn) — NPL Ratio

Coverage Ratio

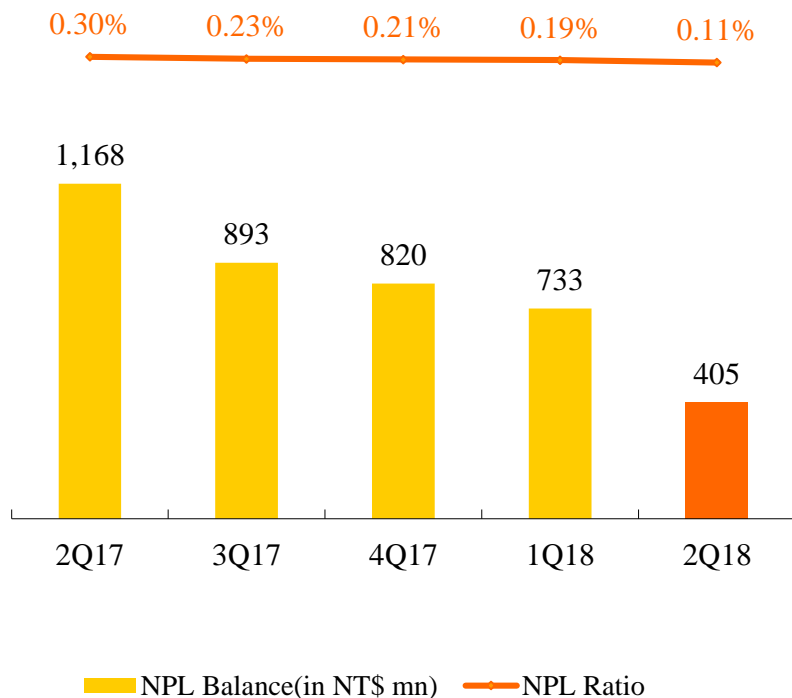


■ Loan loss reserved(in NT\$ mn) — Coverage Ratio

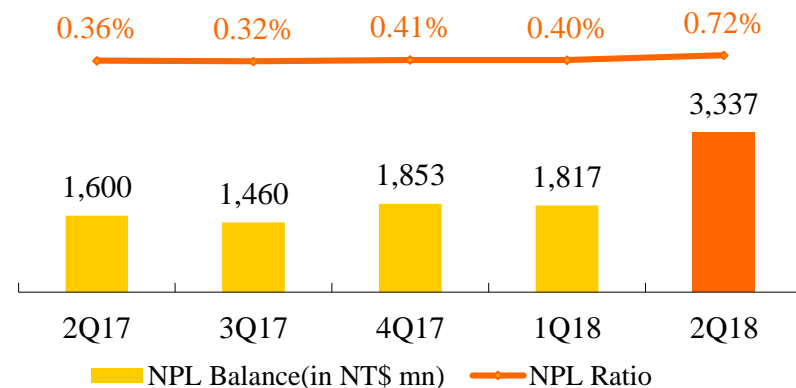


▶ Asset quality

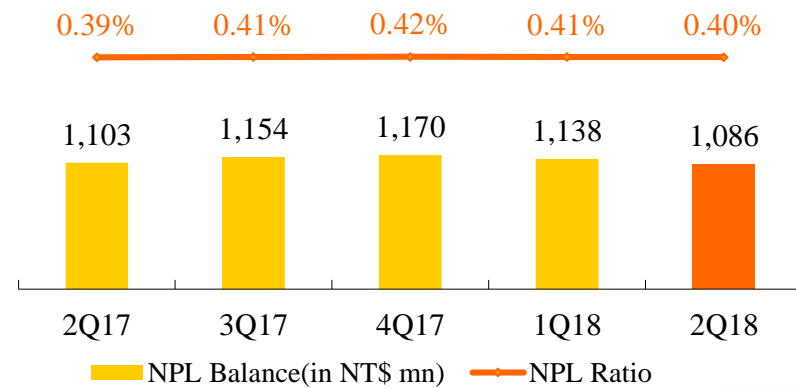
Large Corp.



SME



Mortgage



▶ Credit Rating & CAR

Credit Rating

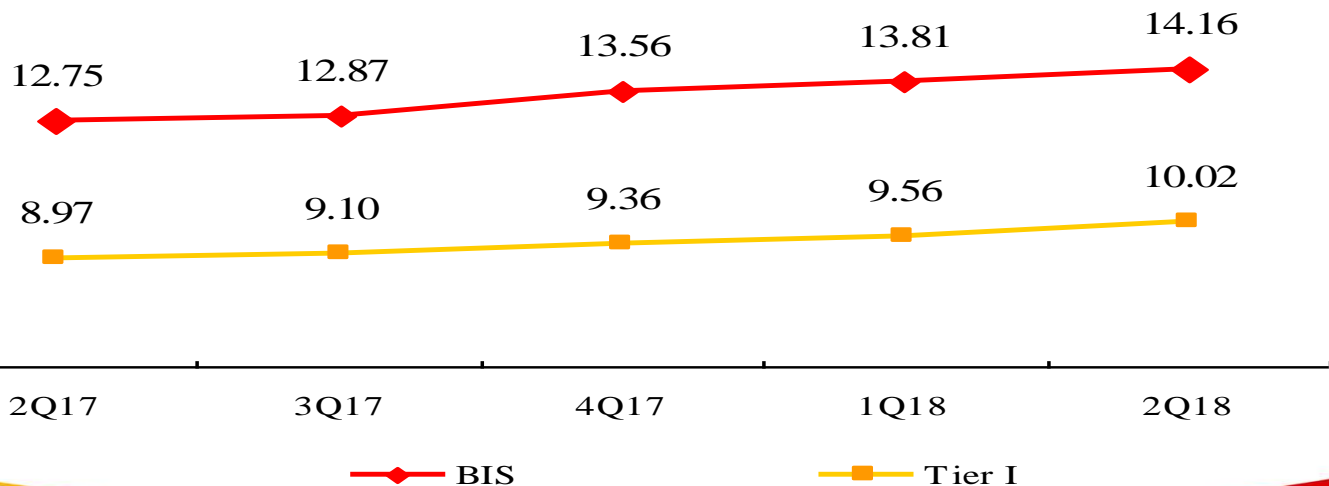
■ **Moody's** (Dec. 17 Review) :

- Long Term Rating : A2
- Short Term Rating : P-1
- Outlook : Stable

■ **S&P** (Dec. 17 Review) :

- Long Term Rating : BBB+
- Short Term Rating : A-2
- Outlook : Stable

Capital Adequacy Ratio (%)



▶ Operation Perspective

Strengthen Core Business

- Focus on high-quality SMEs and FX loans to increase interest spread.
- Provide customized financial services based on market trends and customers' business structure; furthermore, expanding trade finance services to become the business funding hub of customers.
- Take opportunities to arrange Syndication Loans to increase fee income.
- Enhance risk management function to strengthen assets quality.

Develop Diversified Sources of Profit

- Raise AUM under W/M biz by providing diversify and proper products and services.
- Cross selling to SMEs, and provide customized W/M services.
- Allocate assets with flexibility and efficiency.
- Participate in urban renewal plan to enhance the Bank's asset utilization and efficiency.

Extend Overseas Layouts

- Extend overseas layout in ASEAN market by establish Representative Office and Manila Branch; and keep explore potential branches (ex.in the New South Countries and the United States).
- Strengthen business and management capabilities of overseas branches and build a strong culture of compliance.
- Enhance international footprint by expanding overseas and training global business professionals.

Enhance Competition of Digital Finance

- Cultivate Fin-Tech talent and import technologies such as big data, block-chain and AI into financial service .
- Integrate multiple sales channels, improve mobile payment process, and expand its payment scope.
- Establish the Omni-Channel call center system to improve customer satisfaction and reduce labor costs.
- Expand community platform to attract younger customers and strengthen customer reaction.

Implement Compliance & Corporate Governance

- Enhance regulatory compliance system and function to ensure the compliance system effectiveness and strengthen establishing legal compliance culture.
- Enhance AML and CFT system to reduce related risks.
- Selected constituent into the TWSE Corporate Governance 100 Index for the three consecutive years since 2016.

▶ Q&A



▶ Agenda

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● Operating Results

● Appendix

CHB Balance Sheets (in NT\$ mn)

	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2016	2017	Change%	2Q17	3Q17	4Q17	1Q18	2Q18	Change %	2Q17	2Q18	Change %
Assets												
Cash and cash equivalents, due from the Central Bank and call loans to banks	240,024	239,850	-0.07%	245,673	227,307	239,850	217,637	226,230	3.95%	245,673	226,230	-7.91%
Financial assets at fair value through profit or loss, net	34,699	13,553	-60.94%	22,691	15,984	13,553	9,209	12,253	33.05%	22,691	12,253	-46.00%
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	85,084	93,945	10.41%	-	93,945	-
Financial assets for hedging	-	-	-	-	-	-	227	238	4.85%	-	238	-
Derivative financial assets for hedging	86	243	182.56%	230	250	243	-	0	-	230	-	-
Financial assets at amortized cost	-	-	-	-	-	-	260,029	268,727	0	-	268,727	-
Receivables, net	20,280	24,670	21.65%	21,415	25,190	24,670	26,178	27,750	6.01%	21,415	27,750	29.58%
Loans, net	1,367,260	1,377,041	0.72%	1,340,346	1,355,397	1,377,041	1,368,570	1,370,075	0.11%	1,340,346	1,370,075	2.22%
Available-for-sale financial assets, net	76,825	73,176	-4.75%	80,420	81,357	73,176	0	0	-	80,420	-	-
Held-to-maturity financial assets, net	204,865	237,412	15.89%	217,335	243,006	237,412	0	0	-	217,335	-	-
Other financial assets, net	23,098	31,247	35.28%	17,719	38,365	31,247	58,716	55,812	-4.95%	17,719	55,812	214.98%
Property and equipment, net	20,802	20,640	-0.78%	20,727	20,679	20,640	20,571	20,617	0.22%	20,727	20,617	-0.53%
Investment property, net	13,754	13,748	-0.04%	13,751	13,749	13,748	13,746	13,745	-0.01%	13,751	13,745	-0.04%
Other assets	3,459	4,678	35.24%	3,502	3,780	4,678	6,483	5,622	-13.28%	3,502	5,622	60.54%
Total Assets	2,005,152	2,036,258	1.55%	1,983,809	2,025,064	2,036,258	2,066,450	2,095,014	1.38%	1,983,809	2,095,014	5.61%
Liabilities												
Deposits and remittances	1,624,430	1,672,080	2.93%	1,628,137	1,660,625	1,672,080	1,680,943	1,674,631	-0.38%	1,628,137	1,674,631	2.86%
Other liabilities	243,198	219,230	-9.86%	216,135	221,386	219,230	234,100	269,524	15.13%	216,135	269,524	24.70%
Total Liabilities	1,867,628	1,891,310	1.27%	1,844,272	1,882,011	1,891,310	1,915,043	1,944,155	1.52%	1,844,272	1,944,155	5.42%
Stockholders' Equity	137,524	144,948	5.40%	139,537	143,053	144,948	151,407	150,859	-0.36%	139,537	150,859	8.11%
Total Liabilities and Stockholders' Equity	2,005,152	2,036,258	1.55%	1,983,809	2,025,064	2,036,258	2,066,450	2,095,014	1.38%	1,983,809	2,095,014	5.61%



CHB Income Statements(in NT\$ mn)

	Year(IFRSs)			Quarter(IFRSs)					Period(IFRSs)			
	2016	2017	Change %	2Q17	3Q17	4Q17	1Q18	2Q18	Change %	1H17	1H18	Change %
Interest Income	32,590	34,603	6.18%	8,502	8,839	8,981	9,178	9,602	4.62%	16,783	18,780	11.90%
Interest Expense	10,863	11,946	9.97%	2,882	3,053	3,193	3,408	3,804	11.62%	5,700	7,212	26.53%
Net Interest Income	21,727	22,657	4.28%	5,620	5,786	5,788	5,770	5,798	0.49%	11,083	11,568	4.38%
Net Service fee and commissions income	5,412	4,799	-11.33%	1,115	1,208	1,111	1,226	1,166	-4.89%	2,480	2,392	-3.55%
Gains(losses) on financial assets and liabilities at fair value through profit or loss	2,071	2,343	13.13%	480	415	695	746	603	-19.17%	1,233	1,349	9.41%
Realized gains(losses) of available-for-sale financial assets	432	564	30.56%	23	171	224	0	0	-	169	-	-
Realized gains of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	8	148	1750%	-	156	-
Foreign exchange gains(losses)	280	-77	-127.50%	222	121	-86	-4	767	-19275%	-112	763	-781.25%
Other miscellaneous net income	1,086	511	-52.95%	218	159	76	77	107	38.96%	276	184	-33.33%
Net income other than net interest income	9,281	8,140	-12.29%	2,058	2,074	2,020	2,053	2,791	35.95%	4,046	4,844	19.72%
Net Revenues and gains	31,008	30,797	-0.68%	7,678	7,860	7,808	7,823	8,589	9.79%	15,129	16,412	8.48%
Bad debts expenses, commitments and guarantee liability provisions	1,138	791	-30.49%	-21	-529	909	341	813	138.42%	411	1,154	180.78%
Operating Expenses	15,787	15,822	0.22%	4,046	4,345	3,861	3,820	3,966	3.82%	7,616	7,786	2.23%
Employee Benefits expenses	10,549	10,608	0.56%	2,703	3,052	2,486	2,576	2,588	0.47%	5,071	5,164	1.83%
Depreciation and amortization expenses	718	719	0.14%	178	181	183	179	179	0.00%	354	358	1.13%
Other general and administrative expenses	4,520	4,495	-0.55%	1,165	1,112	1,192	1,065	1,199	12.58%	2,191	2,264	3.33%
Income before income tax from continuing operations	14,083	14,184	0.72%	3,653	4,044	3,038	3,662	3,810	4.04%	7,102	7,472	5.21%
Income Tax Expense	1,997	2,091	4.71%	564	645	300	233	674	189.27%	1,146	907	-20.86%
Net Income	12,086	12,093	0.06%	3,089	3,399	2,738	3,429	3,136	-8.54%	5,956	6,565	10.22%
Basic EPS(NT\$)	1.35	1.28	-5.19%	0.33	0.36	0.27	0.36	0.31	-13.89%	0.61	0.67	9.84%
Other comprehensive income	-1,077	-904	-16.06%	618	117	-844	-63	551	-974.60%	-177	488	-375.71%
Total comprehensive income	11,009	11,189	1.64%	3,707	3,516	1,894	3,366	3,687	9.54%	5,779	7,053	22.05%