



# Financial Review of 3Q 2017

(Bloomberg: 2801 TT)

2017.11.27



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# ▶ Agenda

● **Operations Highlight**

● Financial Performance

● Operating Results

● Appendix

# ► Operations Highlight

## Core Business

- ★ Loans increases 0.1% YoY, and increases 1.1% QoQ.
- ★ Deposits increases 4.9% YoY, and increases 3.1% QoQ.

## Profitability

- ★ Net Income increases 0.4% YoY.(After deducting one-off THSR preferred shares recovery, Net Income increases 4.5% YoY.)
- ★ NII increases 4.3% YoY, and the spread is widen.

## Asset quality

- ★ NPL ratio is 0.29%.(After deducting “Transasia Airways Co.”, NPL ratio is 0.23%.)

## Capital Adequacy Ratio

- ★ BIS ratio is 12.87%.

# ▶ Agenda

● Operations Highlight

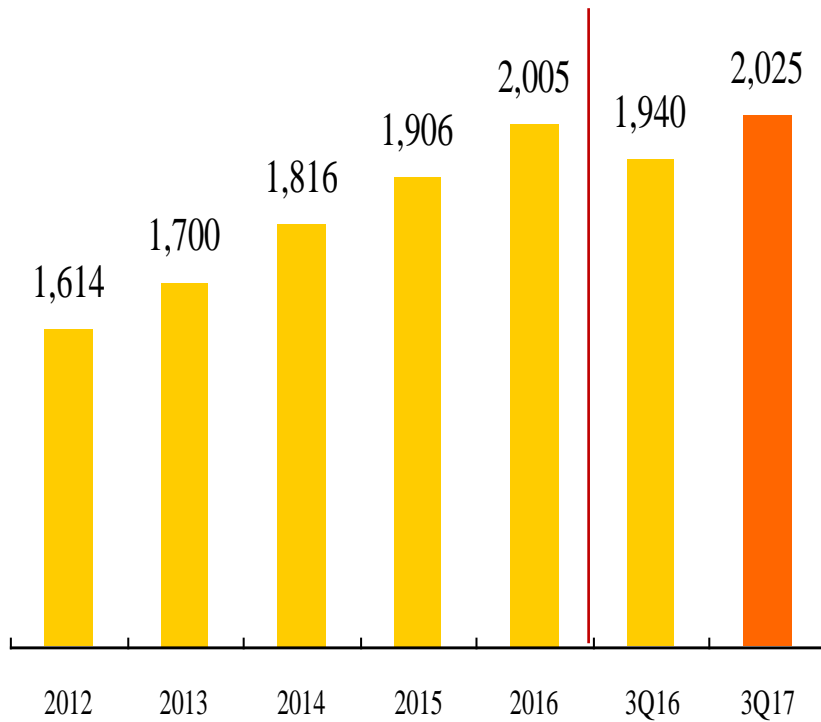
● **Financial Performance**

● Operating Results

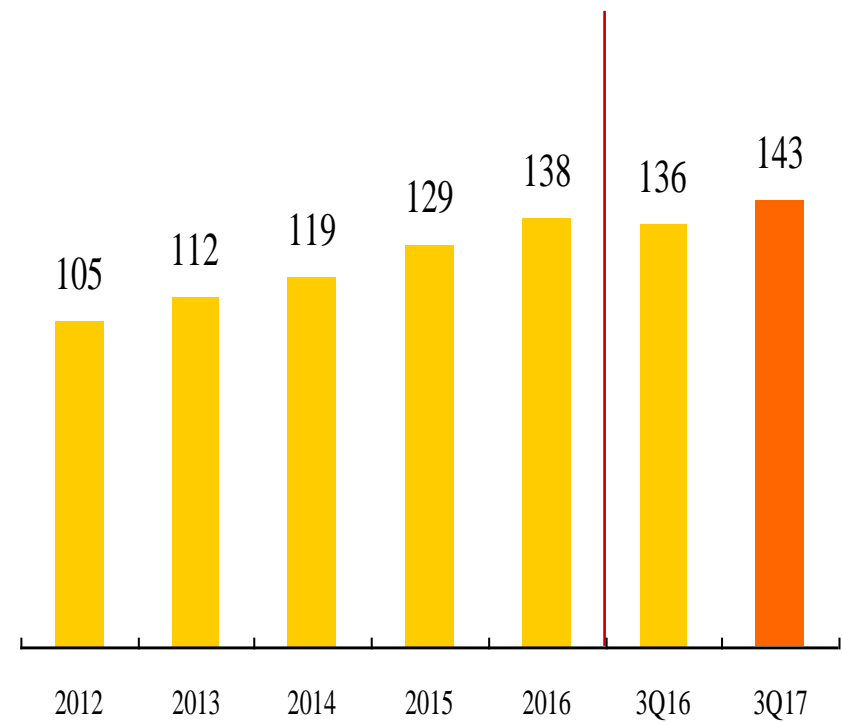
● Appendix

# ▶ Asset size and Net Worth

Asset size (in NT\$ bn)

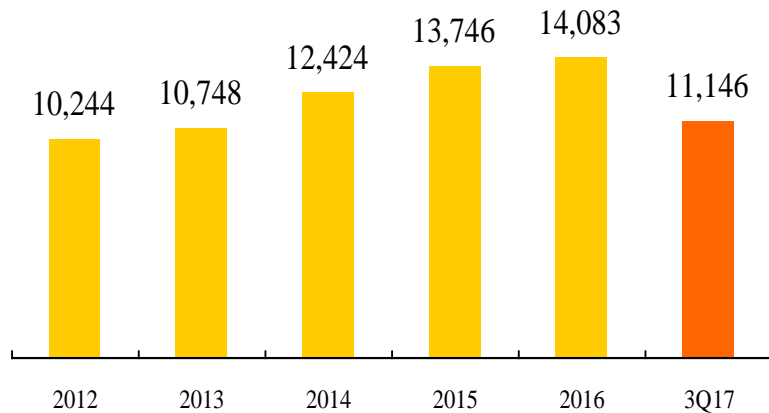


Net Worth (in NT\$ bn)



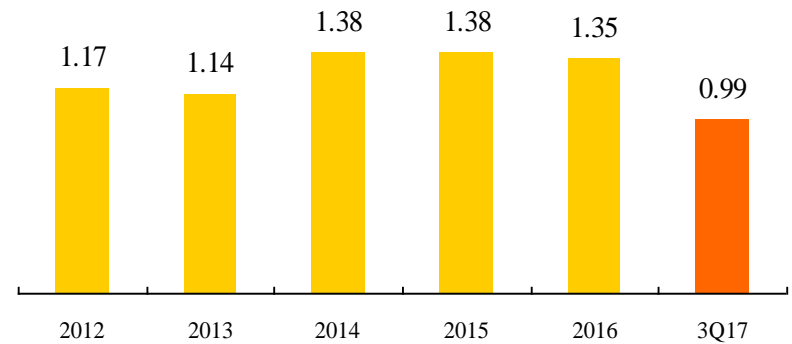
# ▶ Financial Performance

Net Income Before Tax (in NT\$ mn)

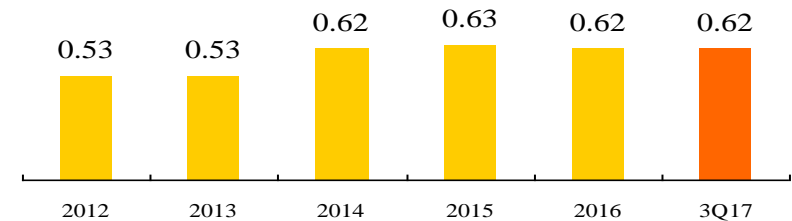
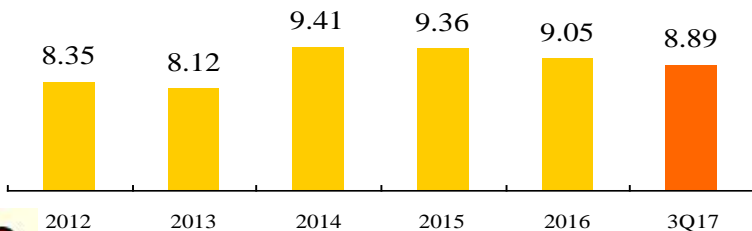


ROE

EPS After tax



ROA



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

# ▶ PPOP

(In NT\$ mn )	3Q16	3Q17	YoY(%)
PPOP <sup>1</sup>	11,782	11,028	-6.4%
Provision Expense	1,747	2,339	33.9%
Recovery	891	2,457	175.8%
Net Income Before tax	10,926	11,146	2.0%
Income Tax Expense	1,611	1,791	11.2%
Net Income After tax	9,315	9,355	0.4%
Net Income After tax <sup>2</sup>	8,951	9,355	4.5%

- 1.PPOP means Pre-Provision Operating Profits.
- 2.Excluding one-off THSR preferred shares recovery.

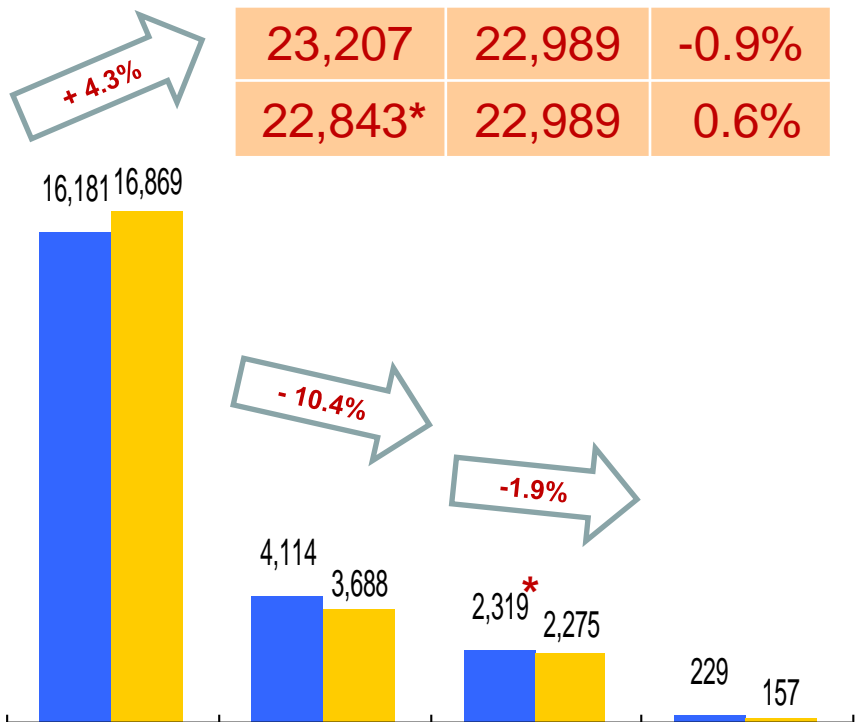
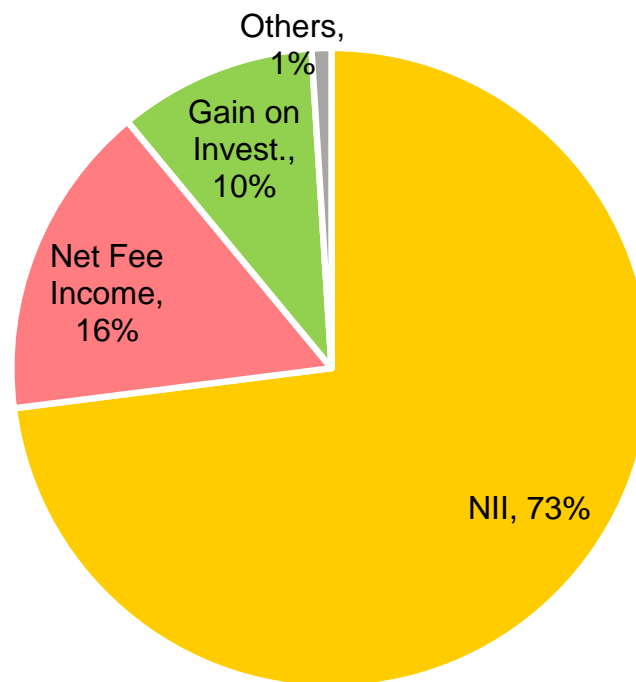


# ▶ Net Revenue

## Net Revenue (in NT\$ mn)

3Q16	3Q17	YoY
23,207	22,989	-0.9%
22,843*	22,989	0.6%

## 3Q17 Net Revenue breakdown



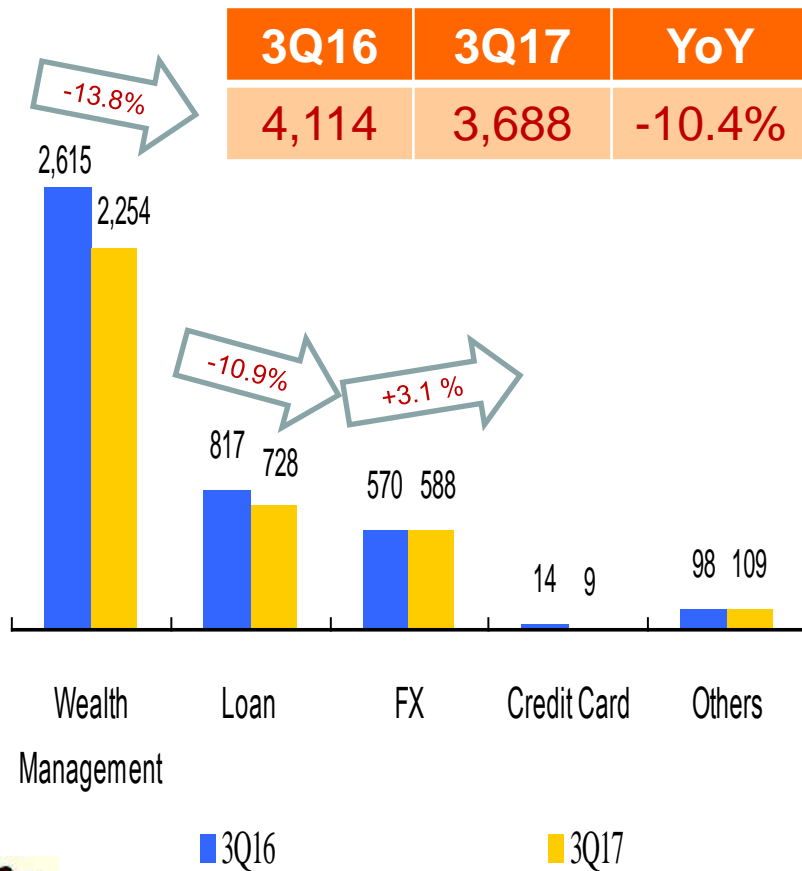
NII      Net Fee Income      Gain on Invest.      Others

■ 3Q16      ■ 3Q17

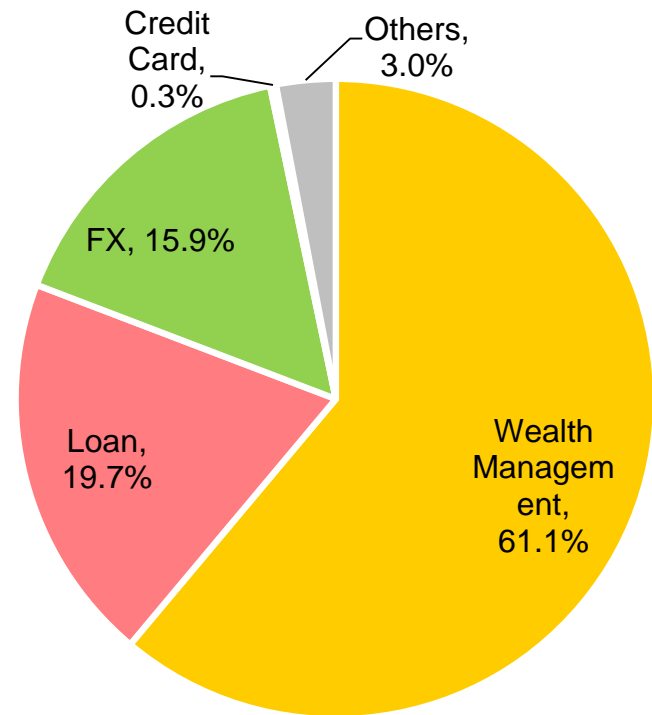
\* Excluding one-off THSR preferred shares recovery.

# ▶ Net Fee Income

Net Fee Income (in NT\$ mn)



3Q17 Net Fee Income breakdown



# ▶ Agenda

● Operations Highlight

● Financial Performance

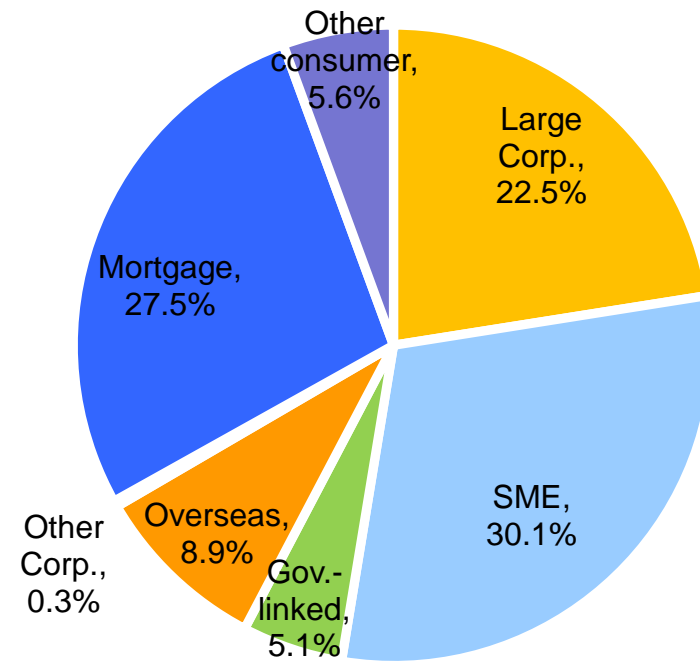
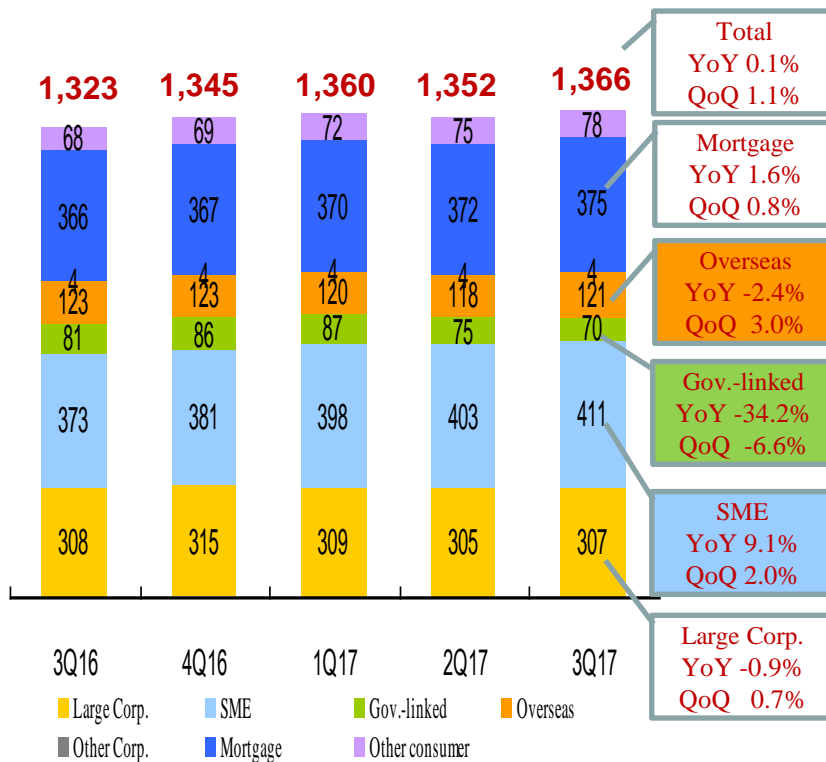
● **Operating Results**

● Appendix

# ▶ Loan breakdown by customer

Quarterly loan balance (in NT\$ bn)

3Q17 loan breakdown by customer



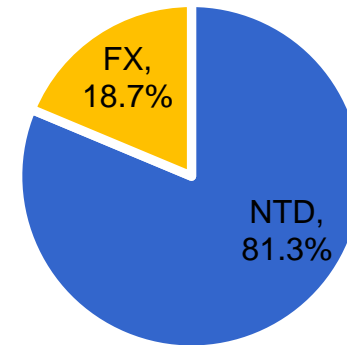
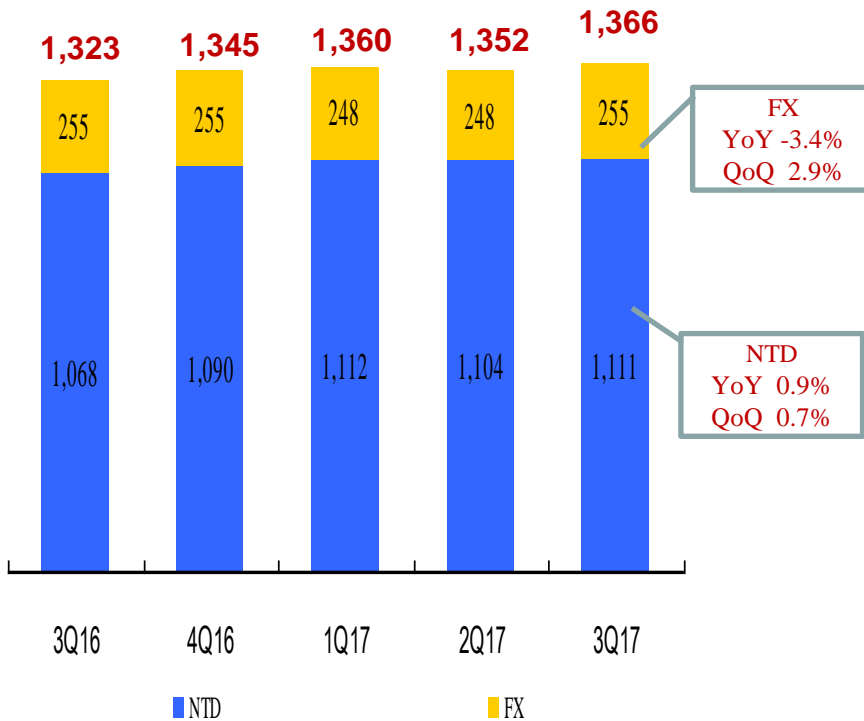
1. Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. Quarterly loan balance is single quarter average balance basis.
3. YoY is compared to average of the first nine months in 2016 and 2017.



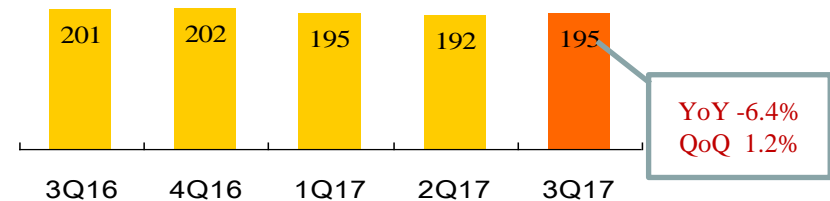
# ▶ Loan breakdown by currency

Quarterly loan balance (in NT\$ bn)

3Q17 loan breakdown by currency



Quarterly USD loan balance (in NT\$ bn)



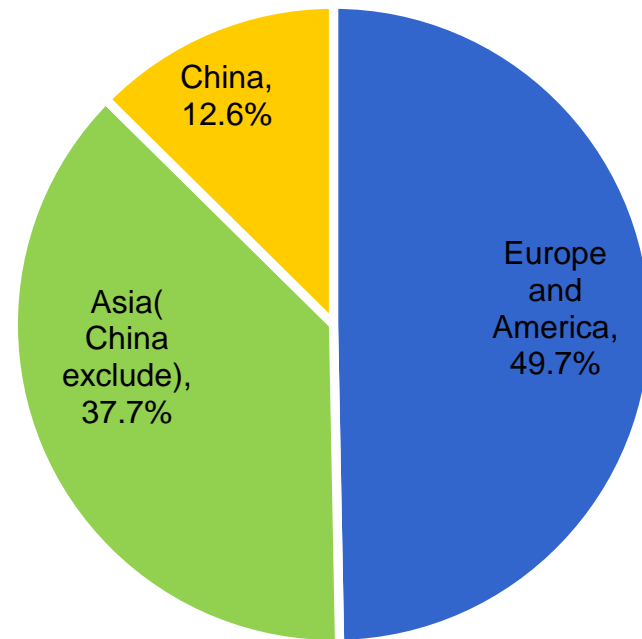
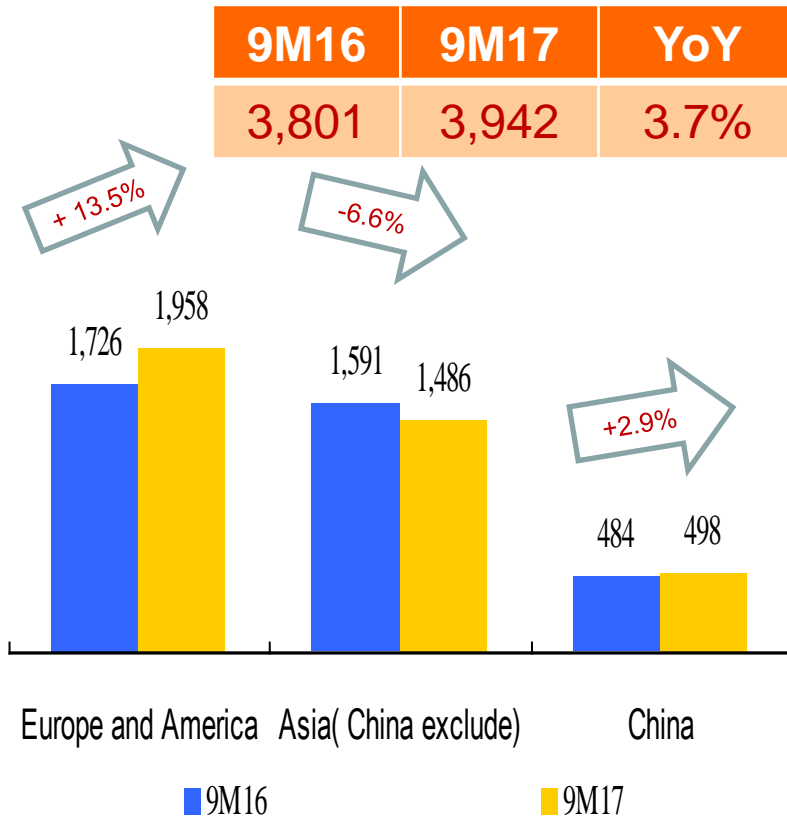
1. Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. Quarterly loan balance is single quarter average balance basis.
3. YoY is compared to average of the first nine months in 2016 and 2017.



# ▶ Overseas Loan breakdown

Overseas loan balance (in US\$ mn)

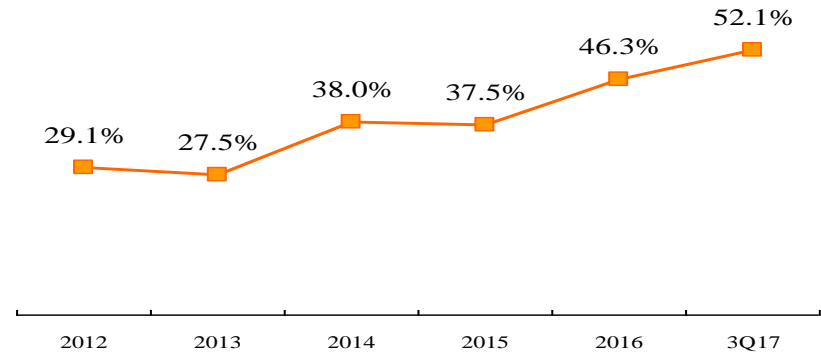
9M17 overseas loan breakdown by regions



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.

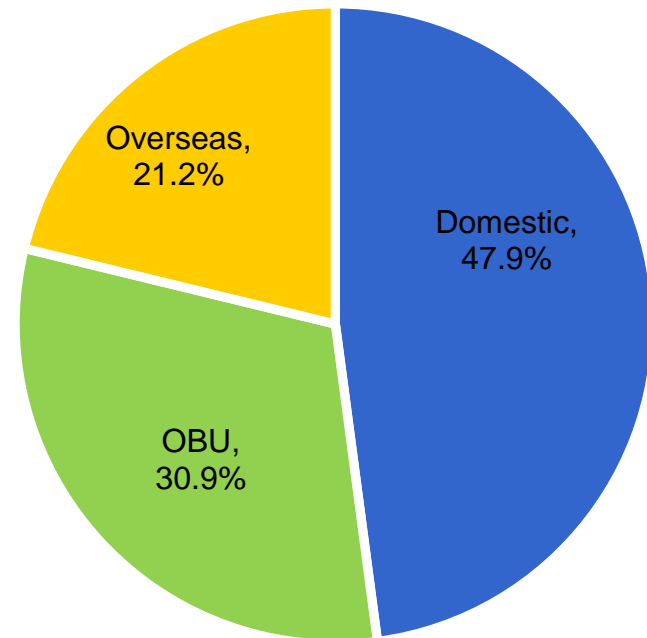
# ▶ Overseas & OBU PPOP yearly Grow

## Overseas & OBU PPOP proportion

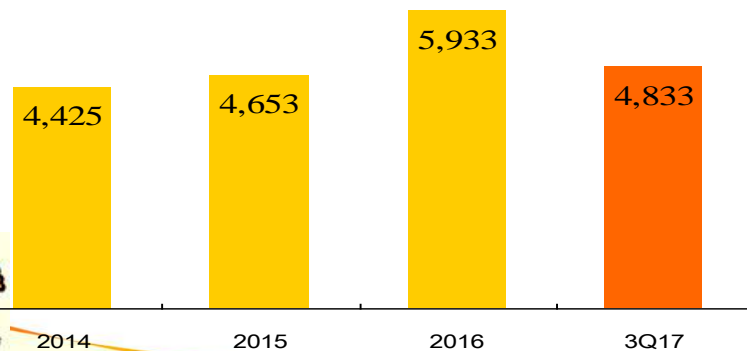


1.PPOP means Pre-Provision Operating Profits.

## 3Q17 PPOP breakdown

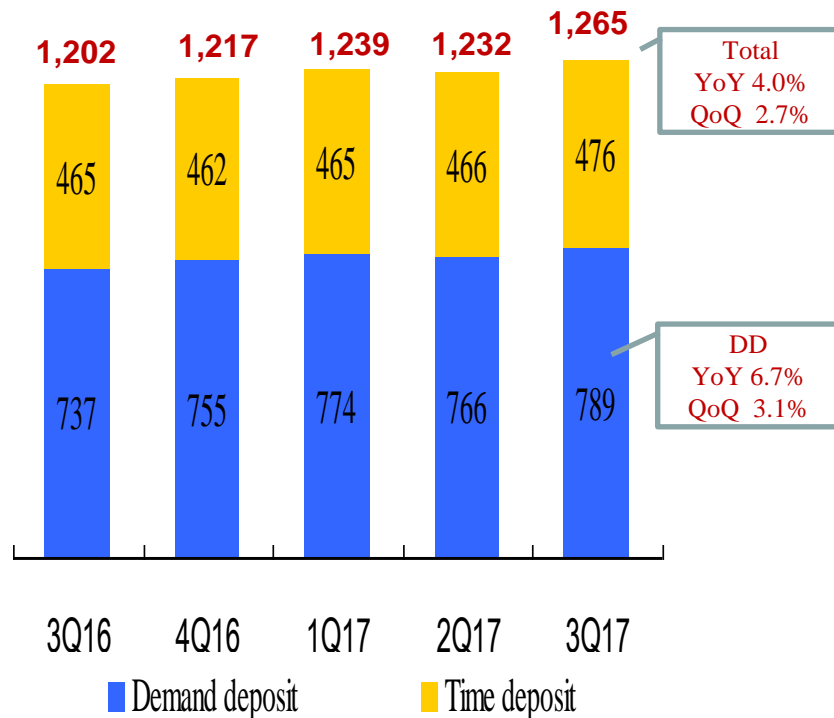


## Overseas & OBU Net Income Before Tax (in NT\$ mn)

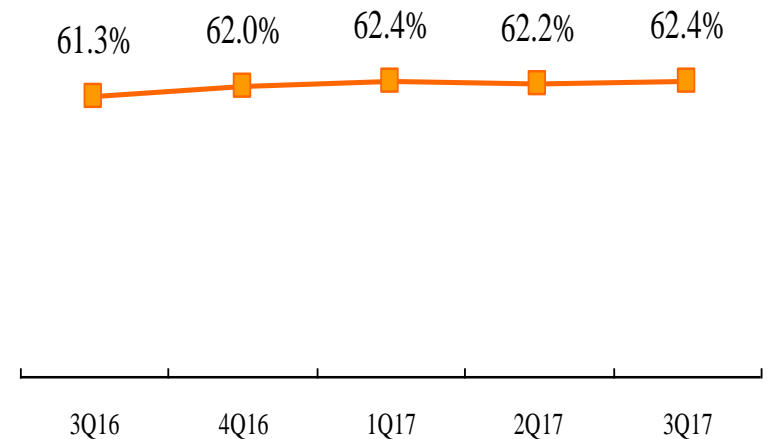


# ▶ NTD Deposit breakdown

Quarterly NTD deposit balance (in NT\$ bn)



Quarterly NTD demand deposit proportion



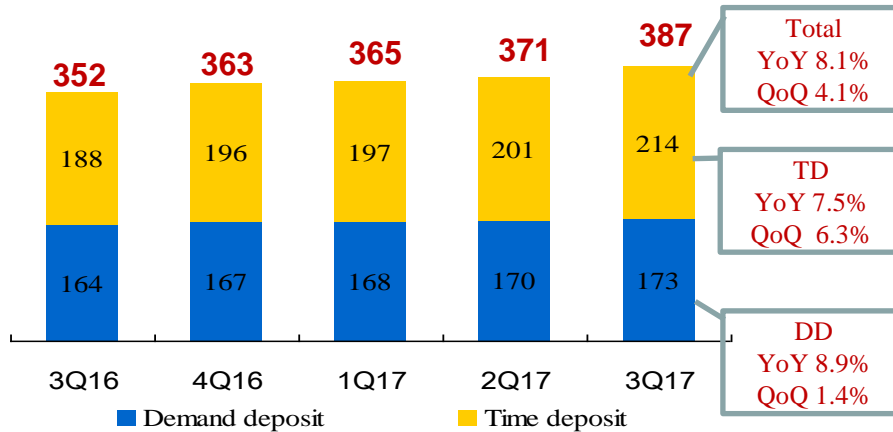
1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is compared to average of the first nine months in 2016 and 2017.



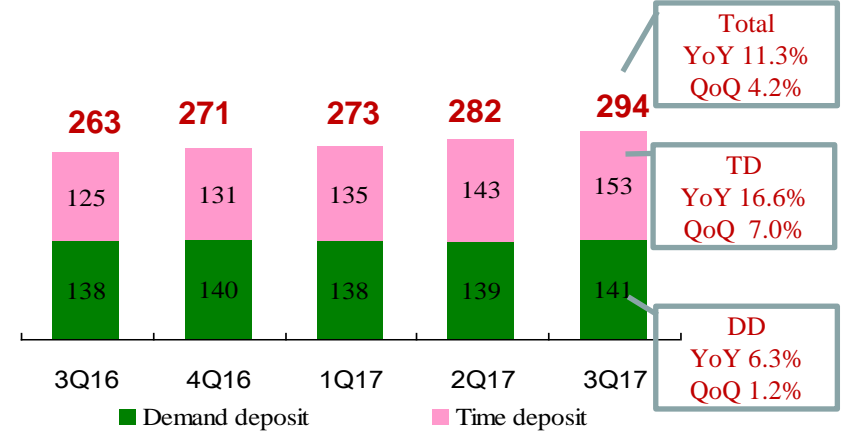


# FX Deposit breakdown

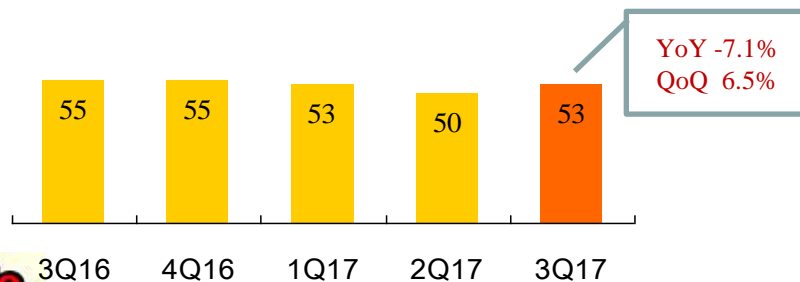
Quarterly FX deposit balance (in NT\$ bn)



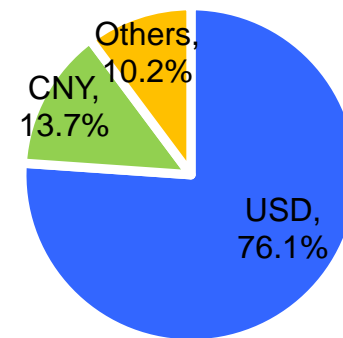
Quarterly USD deposit balance (in NT\$ bn)



Quarterly RMB deposit balance (in NT\$ bn)



3Q17 FX deposit breakdown by currency

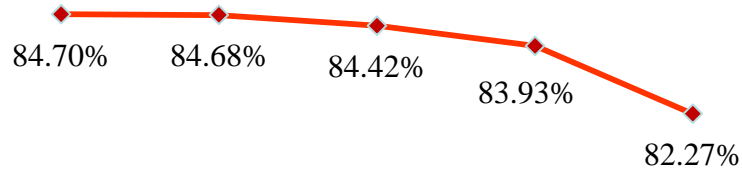


1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is compared to average of the first nine months in 2016 and 2017.



# ▶ LDR

## Total LDR

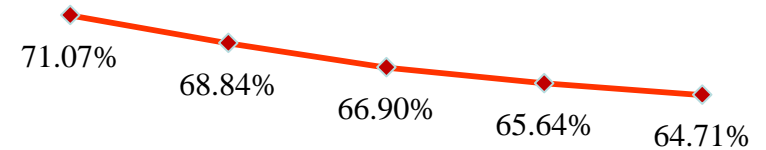


## NTD LDR



3Q16 4Q16 1Q17 2Q17 3Q17

## FX LDR

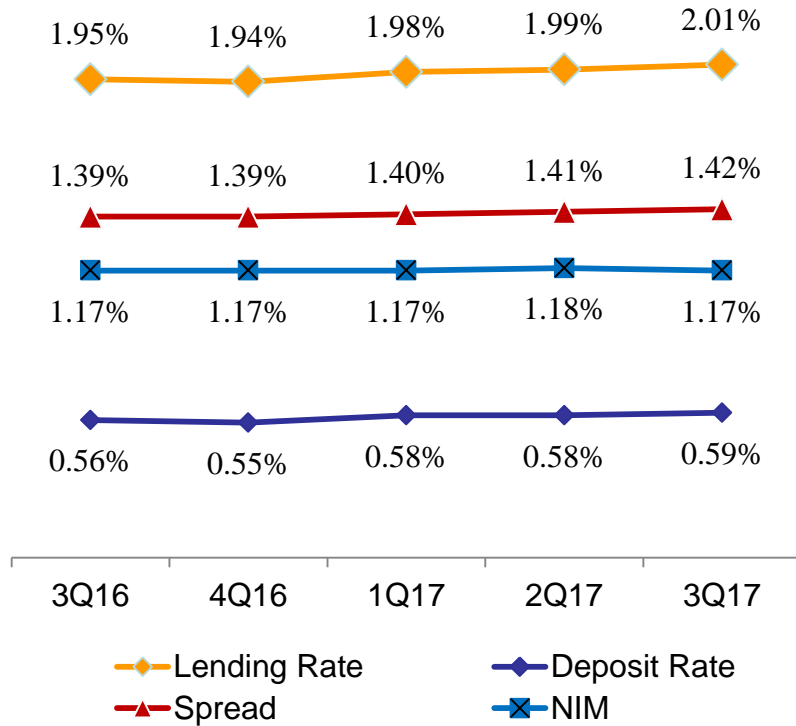


3Q16 4Q16 1Q17 2Q17 3Q17

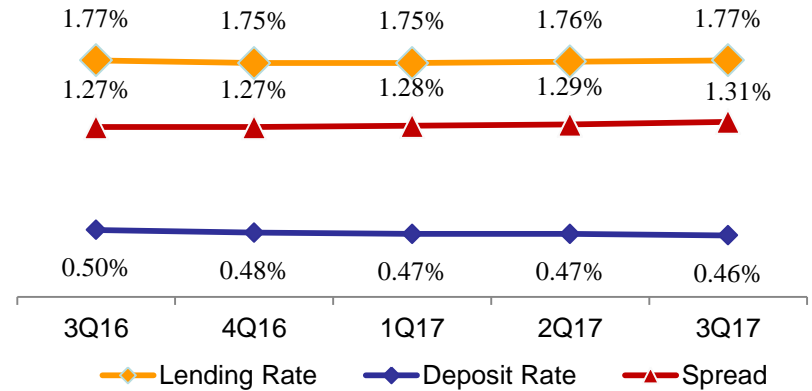


# Spread and NIM

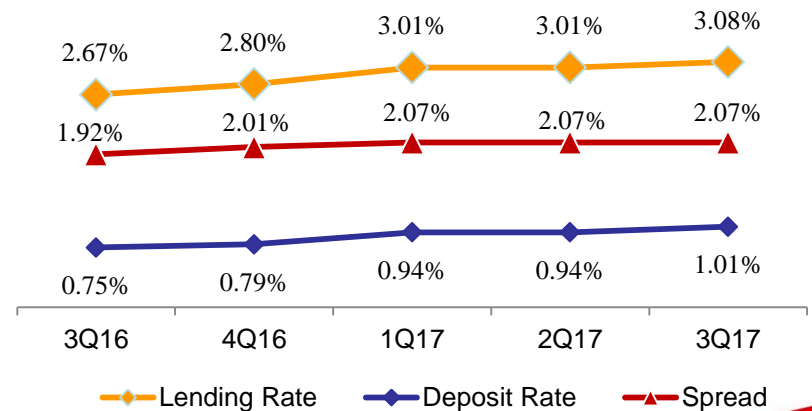
## Quarterly total loan interest spread and NIM



## NTD loan interest spread



## FX loan interest spread

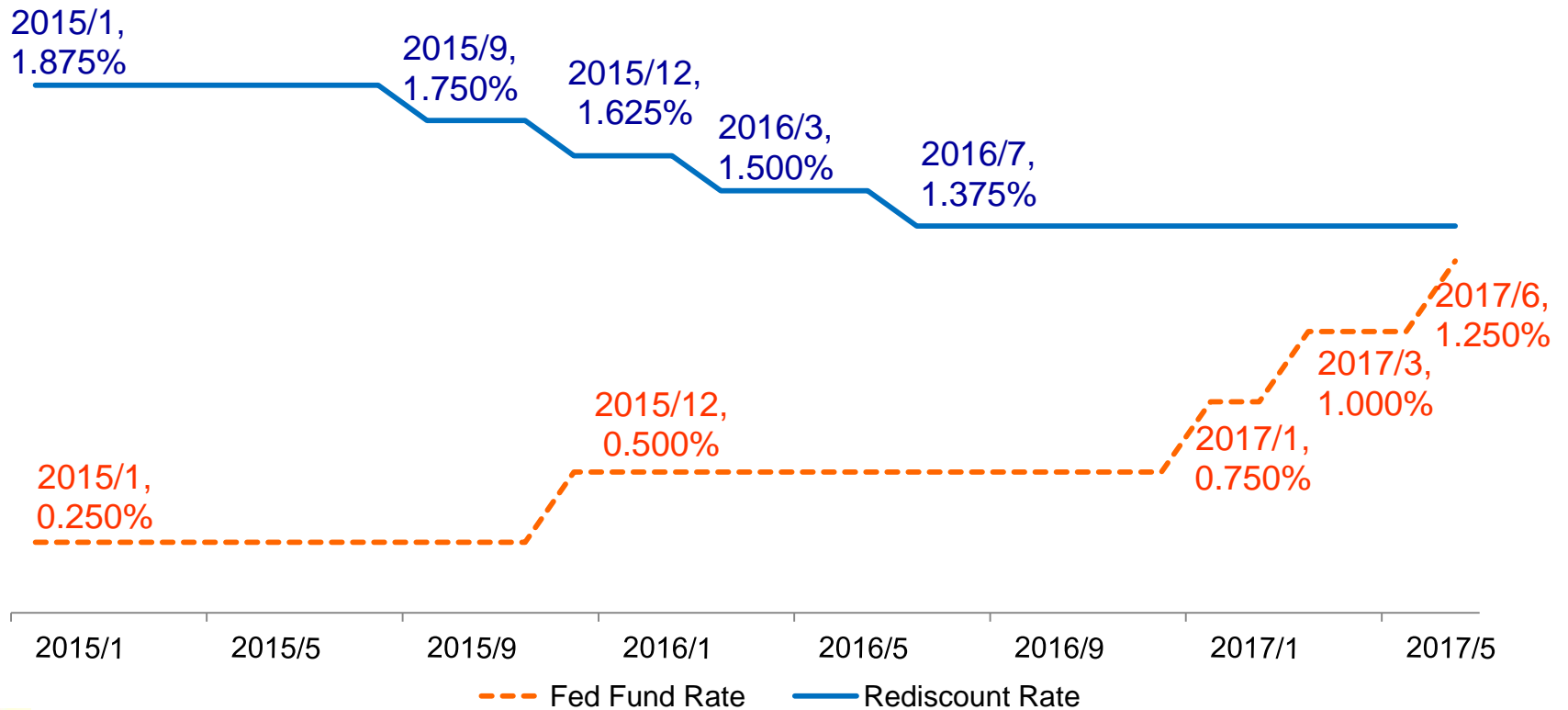


1. IFRS and quarterly based.



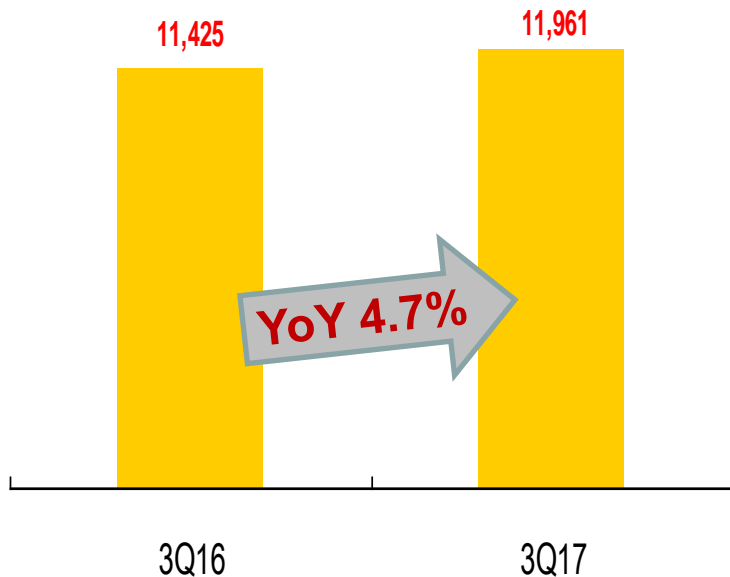
# FED vs. CBC interest rates trends

## Fed Fund Rate VS. Rediscount Rate

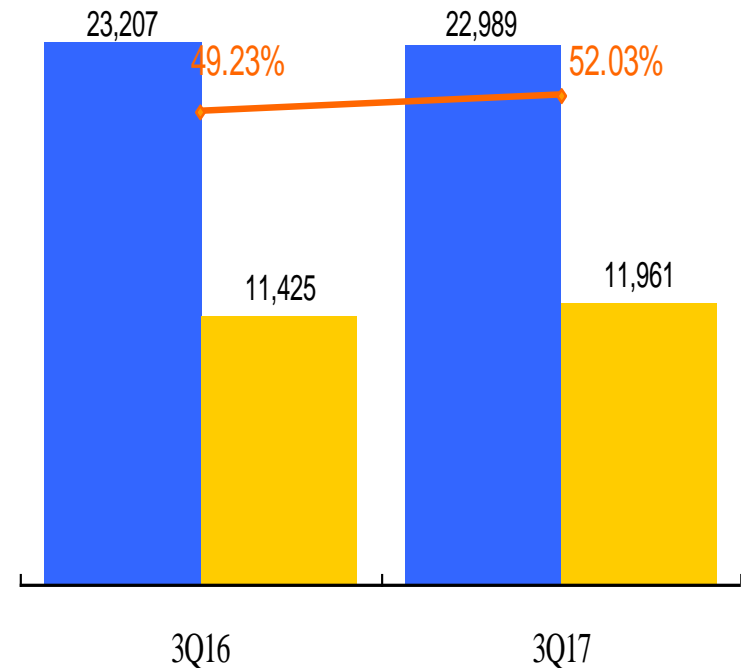


# ► Cost-Income Ratio

## Operating Expense (in NT\$ mn)



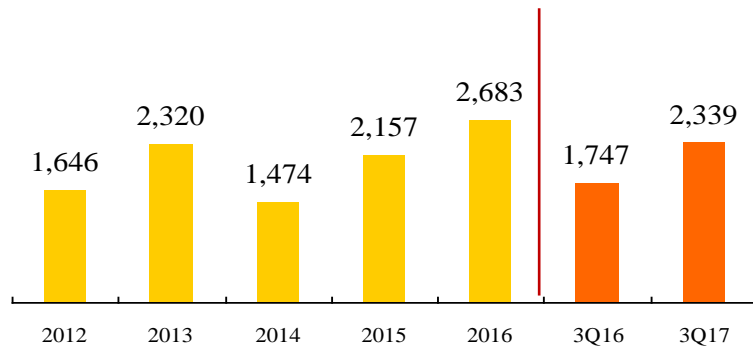
## Cost-Income Ratio



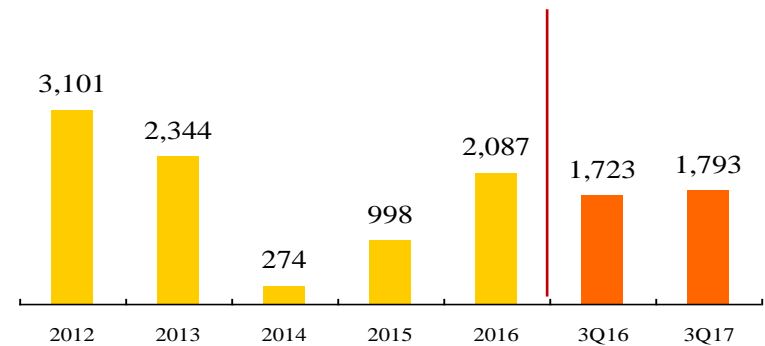
- Net Revenue (in NT\$ mn)
- Operation Expense (in NT\$ mn)
- Cost-Income Ratio

# ▶ Loan provision, write-off and recovery

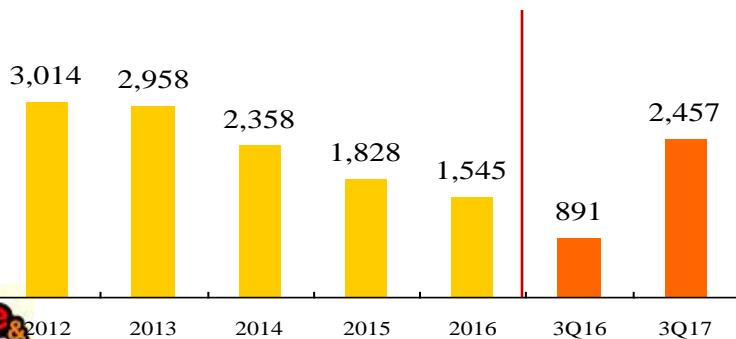
**Provision** (in NT\$ mn)



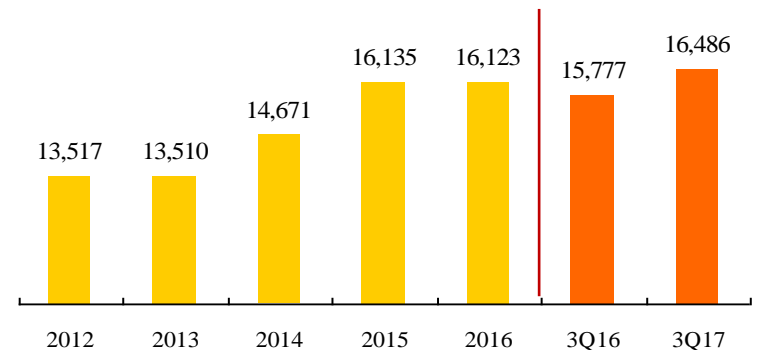
**Write-Off** (in NT\$ mn)



**Recovery** (in NT\$ mn)

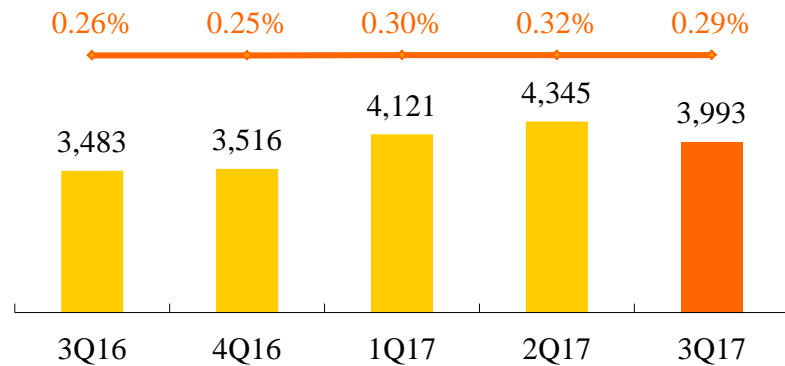


**Reserve** (in NT\$ mn)



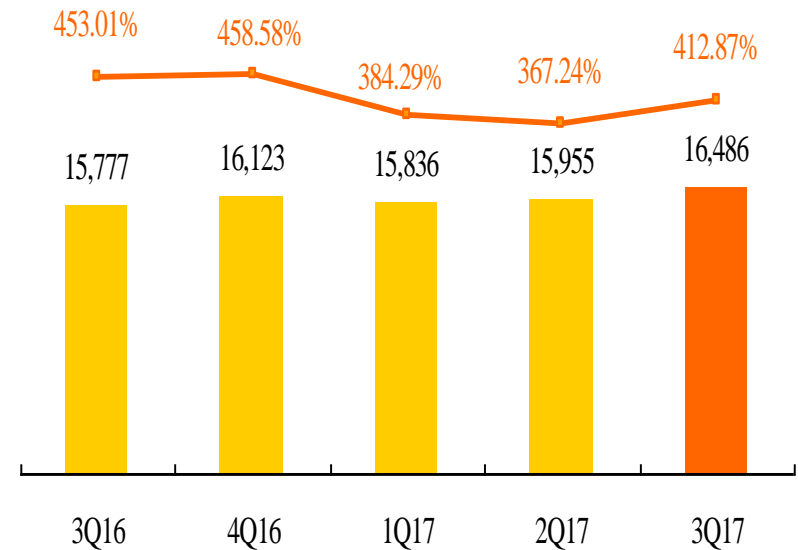
# ► NPL Ratio and Coverage Ratio

## NPL Ratio



■ NPL Balance(in NT\$ mn) — NPL Ratio

## Coverage Ratio

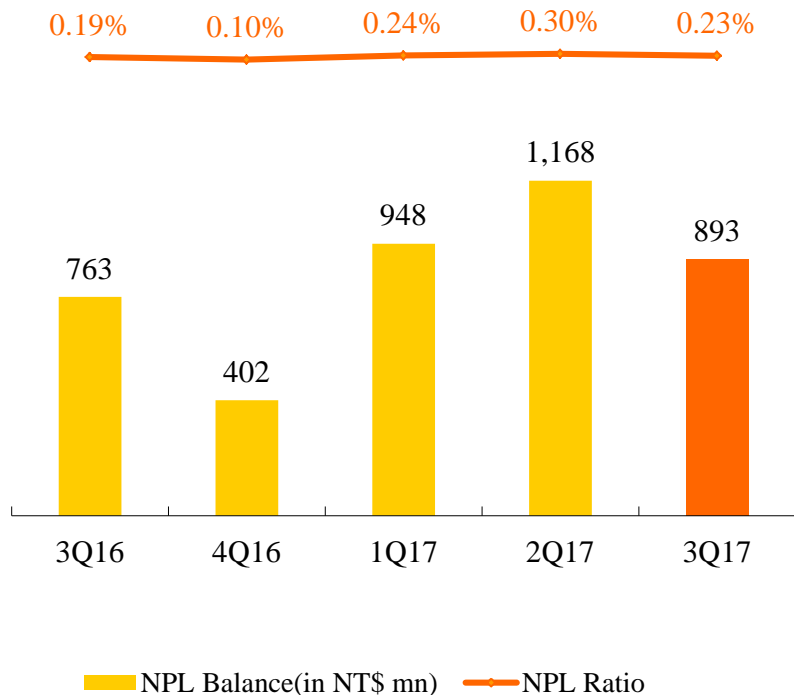


■ Loan loss reserved(in NT\$ mn) — Coverage Ratio

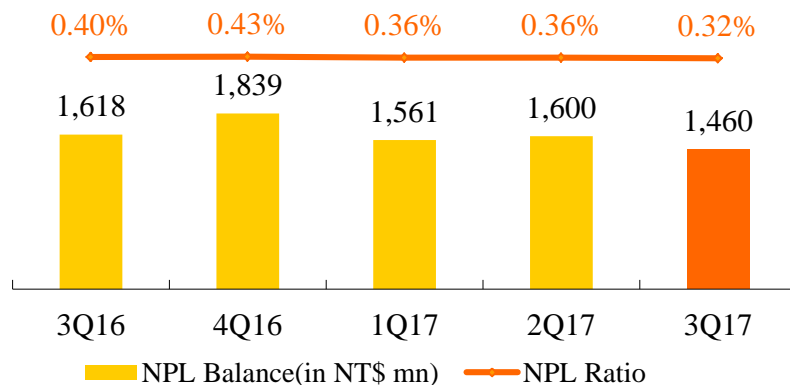


# ▶ Asset quality

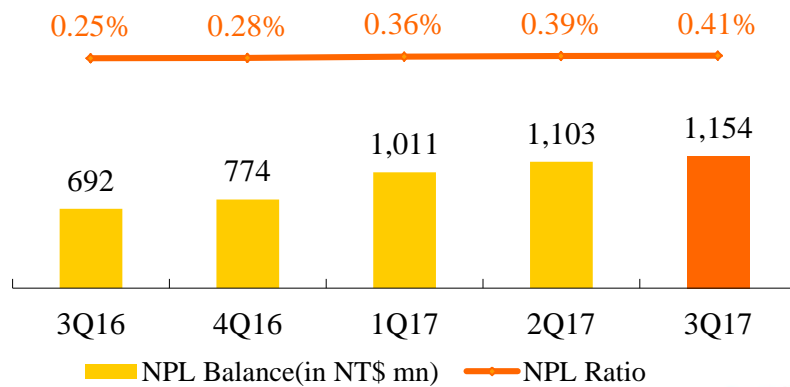
## Large Corp.



## SME



## Mortgage





# ▶ Credit Rating & CAR

## Credit Rating

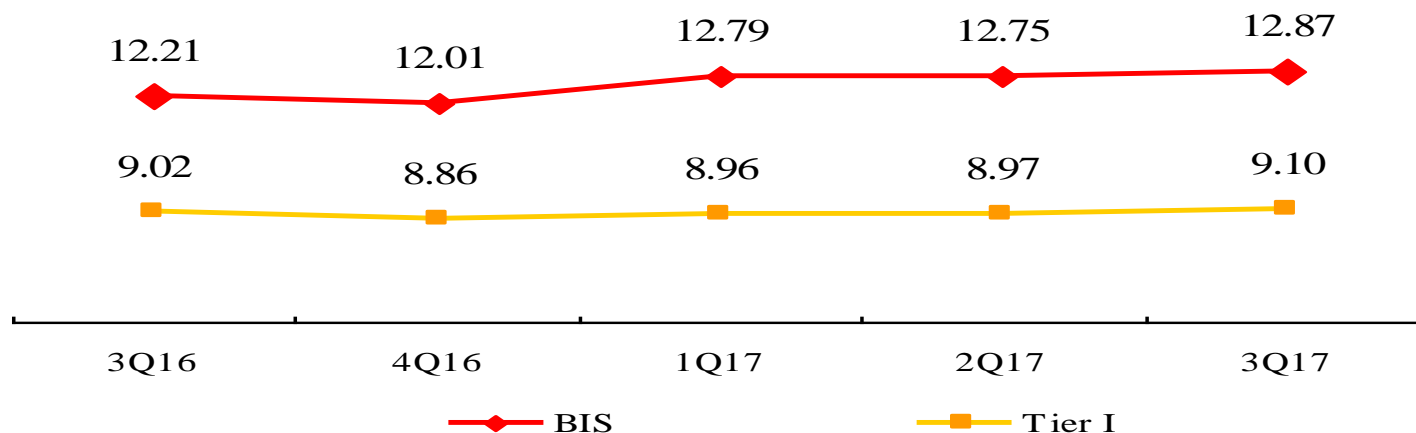
■ **Moody's** (Dec. 16 Review) :

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

■ **S&P** (Nov. 16 Review) :

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

## Capital Adequacy Ratio



# ▶ Operation Perspective

## Strengthen Core Business

- Cultivate high grade SME and FX loan richly to raise the spread up.
- In response to government's policy as urban renewal plan, 5+2 innovative industries plan, and new southbound policy to grasp financing opportunities.
- Be the leading Bank of Syndicated Loan to increase in fee income.
- Enhance the risk management of loan to strengthen assets quality.

## Develop Diversified Sources of Profit

- Develop diversified product to strengthen the W/M biz. growth momentum.
- Advance financial efficiency with flexible asset allocation strategy .
- Participate in urban renewal plan to enhance the own assets utilization and efficiency.

## Extend Overseas Layouts

- ASEAN marketing layout gain ground with Myanmar Representative Office is grand opened, and Manila Branch is expected to open at the 1H of next year.
- Intensify business and management capabilities of overseas branches.
- Extend the scope of overseas location and training experts for global business.

## Enhance Competition of Digital Finance

- Cultivate Fin-Tech talent and provide digitization financial service with big data, block-chain and AI technology.
- Apply for Fin-Tech patents actively and encourage E-payment and mobile payment.
- Enhance multichannel integration and introduce cross platform mobile development tools to extend the social network.
- Enhance the sound of the risk management of Fin-Tech and the protection mechanism of information security.

## Implement Compliance & Corporate Governance

- Enhance regulatory compliance system continually to ensure its on-going and effective operation and develop culture conscious of regulatory compliance.
- Enhance the sound of AML and CFT to reduce related risk.
- 2016 Top 5% of TWSE-listed Company in Corporate Governance.
- Added to the TWSE Corporate Governance 100 Index as a constituent in 2016.

# ▶ Q&A



# ▶ Agenda

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● Appendix

CHB Balance Sheets (in NT\$ mn)

	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2015	2016	Change %	3Q16	4Q16	1Q17	2Q17	3Q17	Change %	3Q16	3Q17	Change %
<b>Assets</b>												
Cash and cash equivalents, due from the Central Bank and other banks	177,880	240,024	34.94%	237,754	240,024	242,434	245,673	227,307	-7.48%	237,754	227,307	-4.39%
Financial assets at fair value through profit or loss, net	43,519	34,699	-20.27%	42,531	34,699	24,969	22,691	15,984	-29.56%	42,531	15,984	-62.42%
Derivative financial assets for hedging	193	86	-55.44%	235	86	177	230	250	8.70%	235	250	6.38%
Available-for-sale financial assets, net	67,415	76,825	13.96%	75,335	76,825	76,981	80,420	81,357	1.17%	75,335	81,357	7.99%
Held-to-maturity financial assets, net	205,777	204,865	-0.44%	204,426	204,865	212,712	217,335	243,006	11.81%	204,426	243,006	18.87%
Other financial assets, net	31,748	23,098	-27.25%	23,966	23,098	19,645	17,719	38,365	116.52%	23,966	38,365	60.08%
Receivables, net	19,729	20,280	2.79%	19,454	20,280	18,785	21,415	25,190	17.63%	19,454	25,190	29.48%
Loans, net	1,321,934	1,367,260	3.43%	1,298,881	1,367,260	1,342,762	1,340,346	1,355,397	1.12%	1,298,881	1,355,397	4.35%
Property and equipment, net	22,253	20,802	-6.52%	20,803	20,802	20,737	20,727	20,679	-0.23%	20,803	20,679	-0.60%
Investment property, net	12,537	13,754	9.71%	13,755	13,754	13,752	13,751	13,749	-0.01%	13,755	13,749	-0.04%
Other assets	3,272	3,459	5.72%	3,346	3,459	5,675	3,502	3,780	7.94%	3,346	3,780	12.97%
<b>Total Assets</b>	<b>1,906,257</b>	<b>2,005,152</b>	<b>5.19%</b>	<b>1,940,486</b>	<b>2,005,152</b>	<b>1,978,629</b>	<b>1,983,809</b>	<b>2,025,064</b>	<b>2.08%</b>	<b>1,940,486</b>	<b>2,025,064</b>	<b>4.36%</b>
<b>Liabilities</b>												
Deposits and remittances	1,547,740	1,624,430	4.95%	1,565,173	1,624,430	1,610,400	1,628,137	1,660,625	2.00%	1,565,173	1,660,625	6.10%
Other liabilities	229,042	243,198	6.18%	239,382	243,198	228,634	216,135	221,386	2.43%	239,382	221,386	-7.52%
<b>Total Liabilities</b>	<b>1,776,782</b>	<b>1,867,628</b>	<b>5.11%</b>	<b>1,804,555</b>	<b>1,867,628</b>	<b>1,839,034</b>	<b>1,844,272</b>	<b>1,882,011</b>	<b>2.05%</b>	<b>1,804,555</b>	<b>1,882,011</b>	<b>4.29%</b>
<b>Stockholders' Equity</b>	<b>129,475</b>	<b>137,524</b>	<b>6.22%</b>	<b>135,931</b>	<b>137,524</b>	<b>139,595</b>	<b>139,537</b>	<b>143,053</b>	<b>2.52%</b>	<b>135,931</b>	<b>143,053</b>	<b>5.24%</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>1,906,257</b>	<b>2,005,152</b>	<b>5.19%</b>	<b>1,940,486</b>	<b>2,005,152</b>	<b>1,978,629</b>	<b>1,983,809</b>	<b>2,025,064</b>	<b>2.08%</b>	<b>1,940,486</b>	<b>2,025,064</b>	<b>4.36%</b>



CHB Income Statements(in NT\$ mn)

	Year(IFRSs)			Quarter(IFRSs)					Period(IFRSs)			
	2015	2016	Change %	3Q16	4Q16	1Q17	2Q17	3Q17	Change %	3Q16	3Q17	Change %
Interest Income	32,992	32,590	-1.22%	7,982	8,191	8,281	8,502	8,839	3.96%	24,399	25,622	5.01%
Interest Expense	12,076	10,863	-10.04%	2,568	2,644	2,818	2,882	3,053	5.93%	8,218	8,753	6.51%
<b>Net Interest Income</b>	<b>20,916</b>	<b>21,727</b>	<b>3.88%</b>	<b>5,414</b>	<b>5,547</b>	<b>5,463</b>	<b>5,620</b>	<b>5,786</b>	<b>2.95%</b>	<b>16,181</b>	<b>16,869</b>	<b>4.25%</b>
Net Service fee and commissions income	4,905	5,412	10.34%	1,411	1,299	1,365	1,115	1,208	8.34%	4,114	3,688	-10.35%
Gains(losses) on financial assets and liabilities at fair value through profit or loss	407	2,071	408.85%	475	358	753	480	415	-13.54%	1,713	1,648	-3.79%
Realized gains(losses) of available-for-sale financial assets	280	432	54.29%	201	99	146	23	171	643.48%	334	340	1.80%
Foreign exchange gains(losses)	1,647	280	-83.00%	41	322	-334	222	121	-45.50%	-42	9	-121.43%
Other non-interest income	1,502	1,086	-27.70%	366	178	58	218	159	-27.06%	907	435	-52.04%
<b>Net Income excluding Interest Income</b>	<b>8,741</b>	<b>9,281</b>	<b>6.18%</b>	<b>2,494</b>	<b>2,256</b>	<b>1,988</b>	<b>2,058</b>	<b>2,074</b>	<b>0.78%</b>	<b>7,026</b>	<b>6,120</b>	<b>-12.89%</b>
<b>Net Revenues</b>	<b>29,657</b>	<b>31,008</b>	<b>4.56%</b>	<b>7,908</b>	<b>7,803</b>	<b>7,451</b>	<b>7,678</b>	<b>7,860</b>	<b>2.37%</b>	<b>23,207</b>	<b>22,989</b>	<b>-0.94%</b>
Reversed allowance for Bad-debt expenses and guarantee liability provisions	329	1,138	245.90%	382	283	432	-21	-529	2419.05%	856	-118	-113.79%
<b>Operating Expenses</b>	<b>15,582</b>	<b>15,787</b>	<b>1.32%</b>	<b>3,780</b>	<b>4,364</b>	<b>3,570</b>	<b>4,046</b>	<b>4,345</b>	<b>7.39%</b>	<b>11,425</b>	<b>11,961</b>	<b>4.69%</b>
Employee Benefits	10,193	10,549	3.49%	2,536	2,937	2,367	2,703	3,052	12.91%	7,614	8,122	6.67%
Depreciation and amortization	702	718	2.28%	181	179	177	178	181	1.69%	539	536	-0.56%
Other general and administrative expenses	4,687	4,520	-3.56%	1,063	1,248	1,026	1,165	1,112	-4.55%	3,272	3,303	0.95%
<b>Income before income tax from continuing operations</b>	<b>13,746</b>	<b>14,083</b>	<b>2.45%</b>	<b>3,746</b>	<b>3,156</b>	<b>3,449</b>	<b>3,653</b>	<b>4,044</b>	<b>10.70%</b>	<b>10,926</b>	<b>11,146</b>	<b>2.01%</b>
Income Tax Expense	2,103	1,997	-5.04%	500	386	582	564	645	14.36%	1,611	1,791	11.17%
<b>Net Income</b>	<b>11,643</b>	<b>12,086</b>	<b>3.80%</b>	<b>3,246</b>	<b>2,770</b>	<b>2,867</b>	<b>3,089</b>	<b>3,399</b>	<b>10.04%</b>	<b>9,315</b>	<b>9,355</b>	<b>0.43%</b>
Basic EPS(NT\$)	1.38	1.35	-1.94%	0.36	0.31	0.32	0.33	0.36	9.09%	1.04	0.99	-4.81%
Other comprehensive income	172	-1,077	-726.16%	-289	-1,176	-795	618	117	-81.07%	100	-60	-160.00%
<b>Total comprehensive income for the period</b>	<b>11,815</b>	<b>11,009</b>	<b>-6.82%</b>	<b>2,957</b>	<b>1,594</b>	<b>2,072</b>	<b>3,707</b>	<b>3,516</b>	<b>-5.15%</b>	<b>9,415</b>	<b>9,295</b>	<b>-1.27%</b>

