



Financial Review of 2Q 2017

(Bloomberg: 2801 TT)

2017.08.30



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▶ Agenda

● **Operations Highlight**

● Financial Performance

● Operating Results

● Appendix

► Operations Highlight

Core Business

- ★ Loans declines 1.4% YoY, and grows 1.6% than 2016/2H.
- ★ Deposits increases 4.2% YoY, and grows 2.3% than 2016/2H.

Profitability

- ★ Net Income declines 1.9% YoY.(After deducting one-off THSR preferred shares recovery, Net Income increases 3.4% YoY.)
- ★ NII increases 2.9% YoY, and the spread is widen.

Asset quality

- ★ NPL ratio is 0.32%.(After deducting “Transasia Airways Co.”, NPL ratio is 0.24%.)

Capital Adequacy Ratio

- ★ BIS ratio is 12.75%.

▶ Agenda

● Operations Highlight

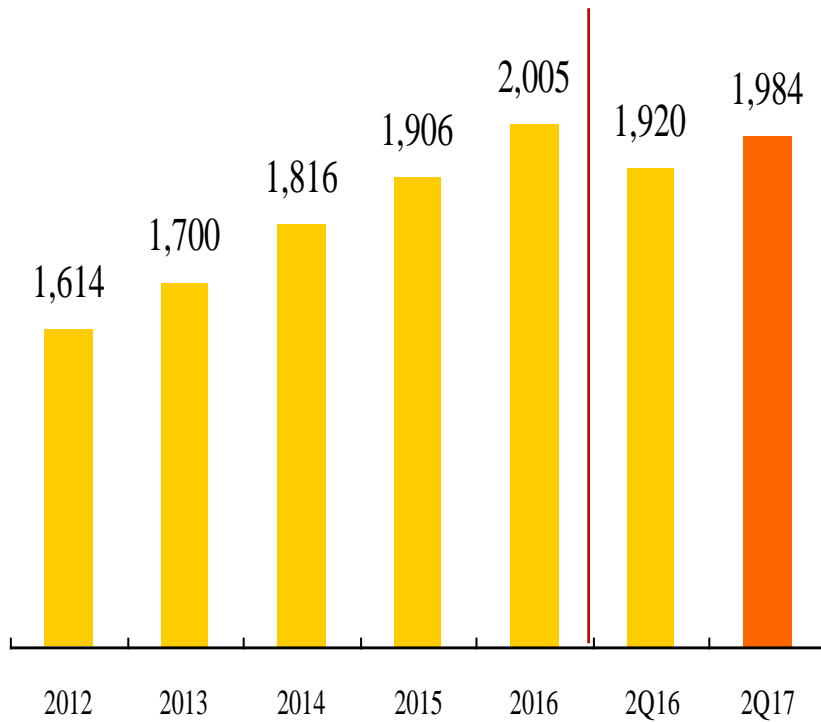
● **Financial Performance**

● Operating Results

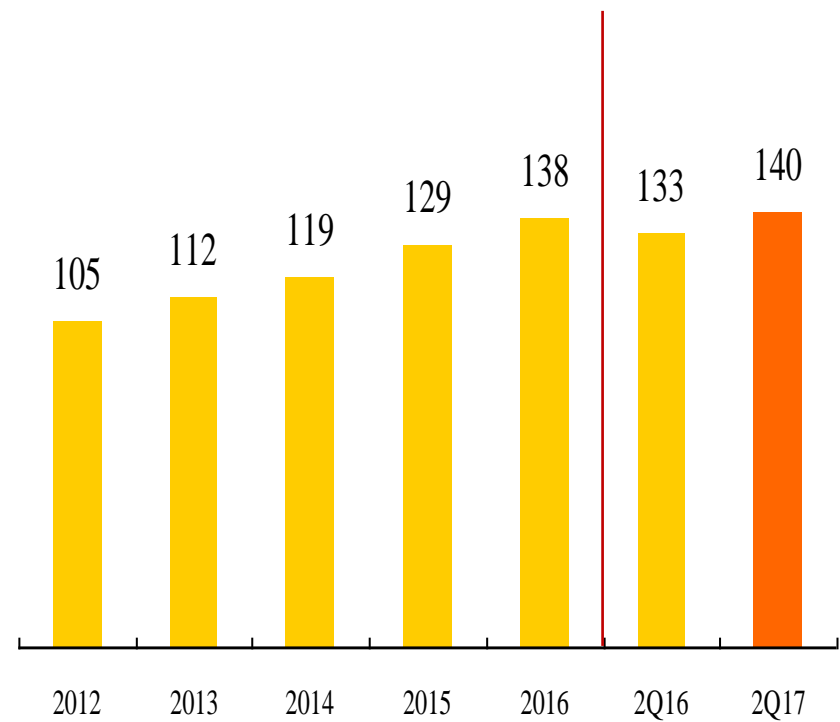
● Appendix

▶ Asset size and Net Worth

Asset size (in NT\$ bn)

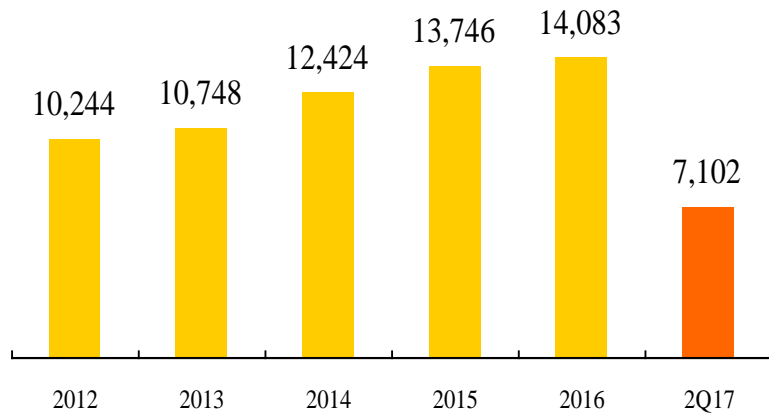


Net Worth (in NT\$ bn)



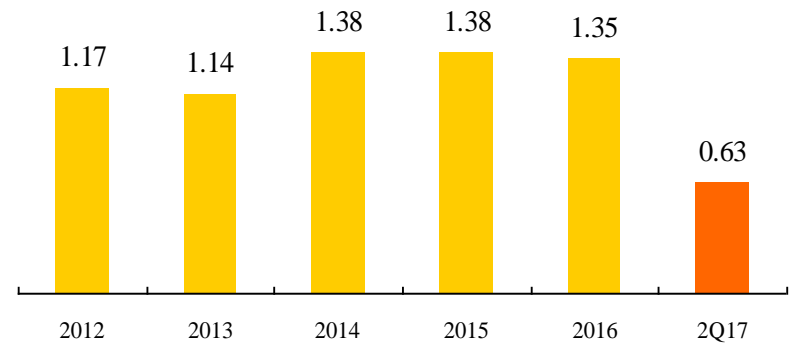
► Financial Performance

Net Income Before Tax (in NT\$ mn)

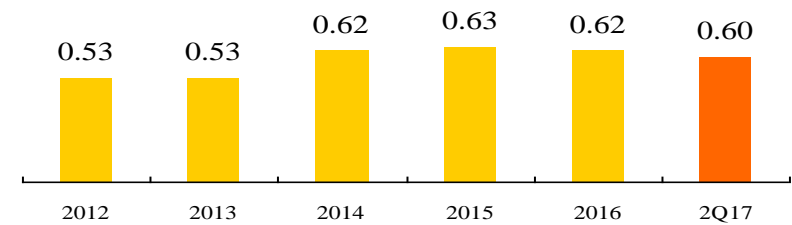
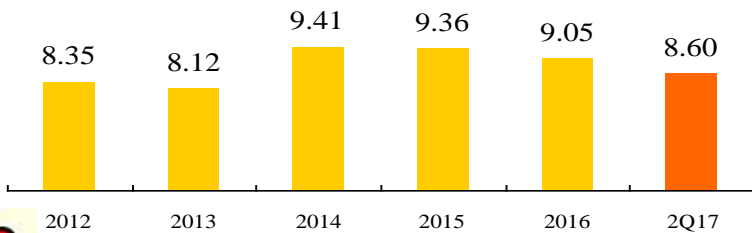


ROE

EPS After tax



ROA



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



▶ PPOP

(In NT\$ mn)	2Q16	2Q17	YoY(%)
PPOP ¹	7,654	7,513	-1.8%
Provision Expense	953	1,107	16.2%
Recovery	480	696	45.0%
Net Income Before tax	7,181	7,102	-1.1%
Income Tax Expense	1,111	1,146	3.2%
Net Income After tax	6,070	5,956	-1.9%
Net Income After tax ²	5,762	5,956	3.4%

1.PPOP means Pre-Provision Operating Profits.

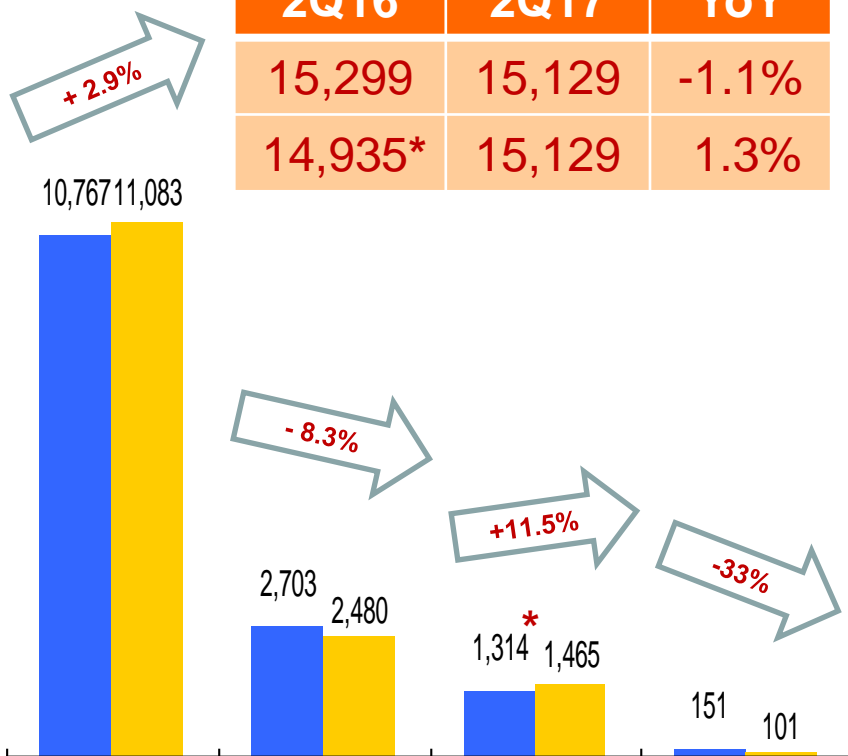
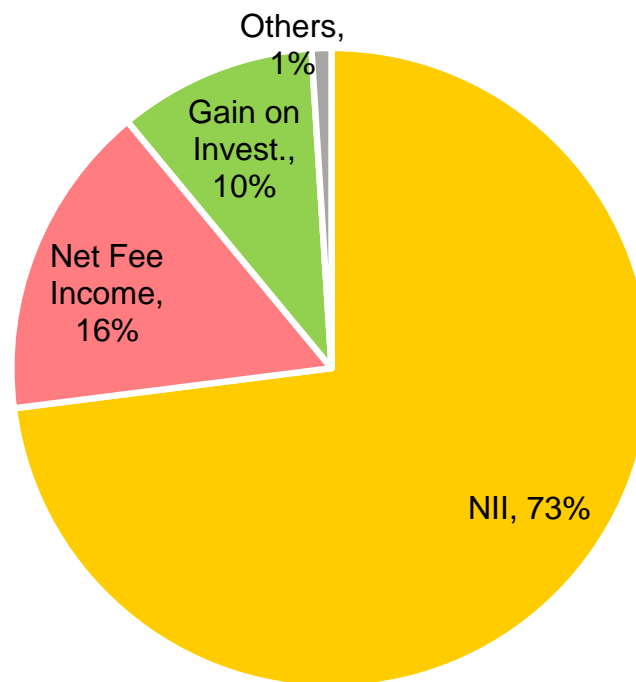
2.Excluding one-off THSR preferred shares recovery.

▶ Net Revenue

Net Revenue (in NT\$ mn)

2Q16	2Q17	YoY
15,299	15,129	-1.1%
14,935*	15,129	1.3%

2Q17 Net Revenue breakdown



NII Net Fee Income Gain on Invest. Others

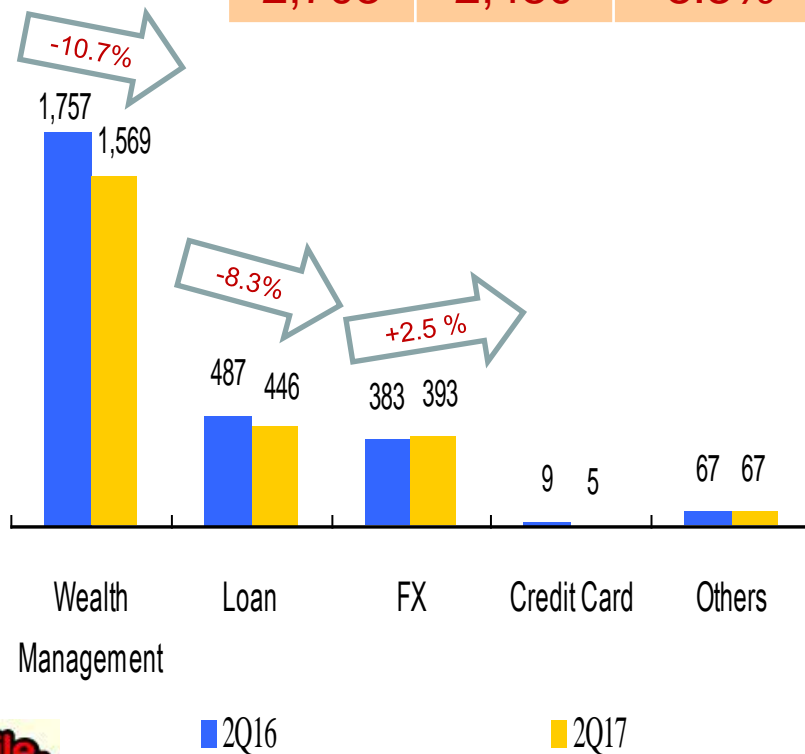
■ 2Q16 ■ 2Q17

* Excluding one-off THSR preferred shares recovery.

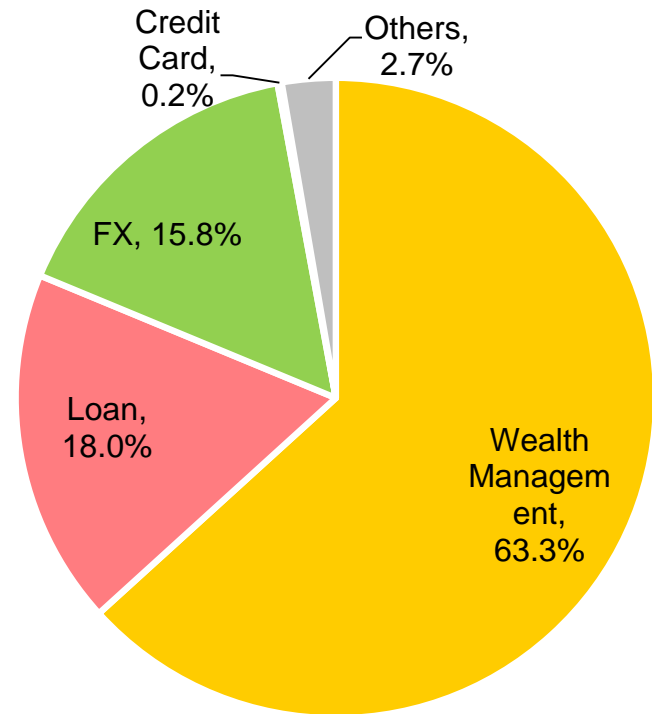
▶ Net Fee Income

Net Fee Income (in NT\$ mn)

2Q16	2Q17	YoY
2,703	2,480	-8.3%



2Q17 Net Fee Income breakdown



▶ Agenda

● Operations Highlight

● Financial Performance

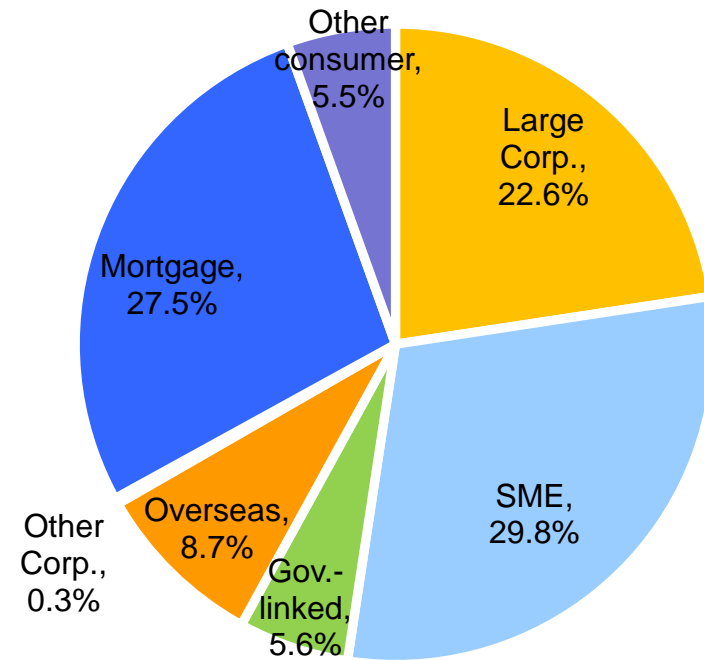
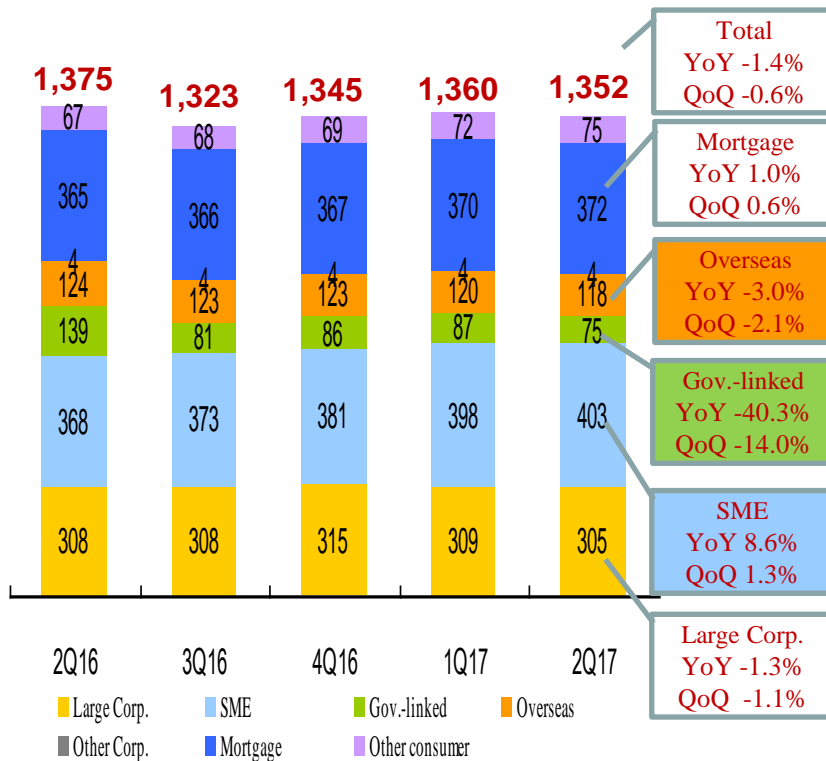
● **Operating Results**

● Appendix

▶ Loan breakdown by customer

Quarterly loan balance (in NT\$ bn)

2Q17 loan breakdown by customer



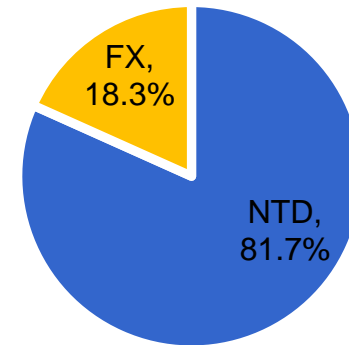
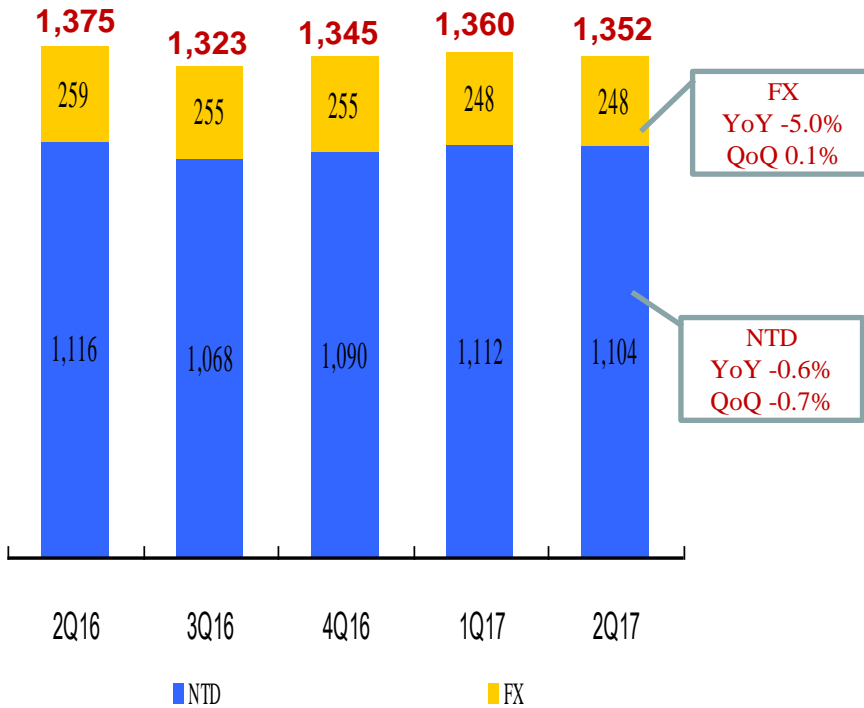
- Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
- Quarterly loan balance is single quarter average balance basis.
- YoY is compared to average of the first six months in 2016 and 2017.



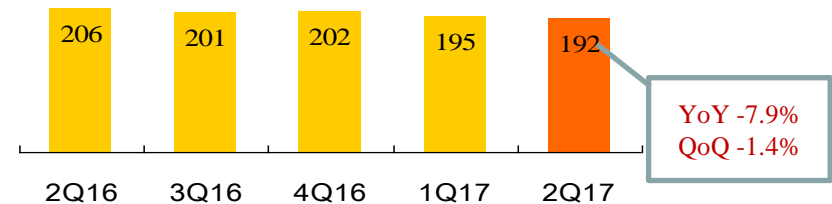
▶ Loan breakdown by currency

Quarterly loan balance (in NT\$ bn)

2Q17 loan breakdown by currency



Quarterly USD loan balance (in NT\$ bn)



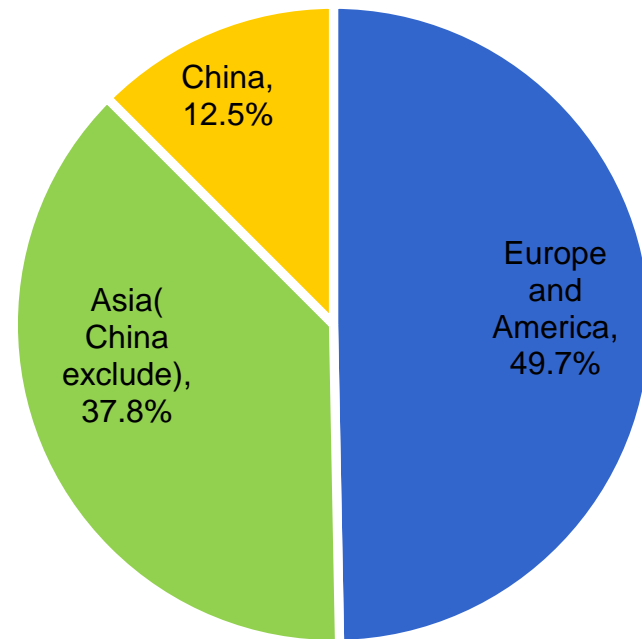
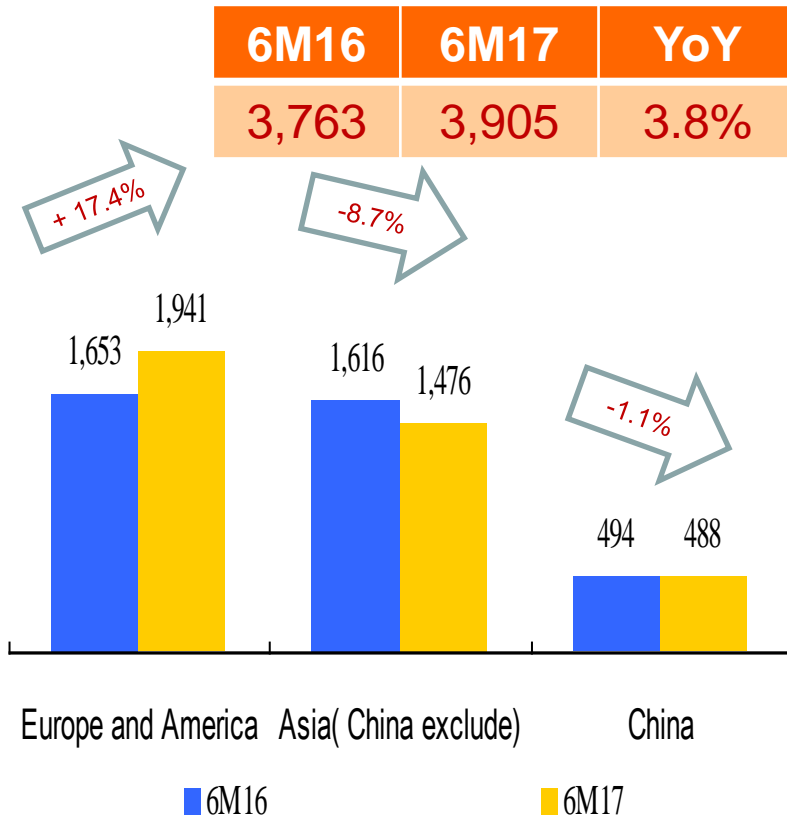
1. Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. Quarterly loan balance is single quarter average balance basis.
3. YoY is compared to average of the first six months in 2016 and 2017.



▶ Overseas Loan breakdown

Overseas loan balance (in US\$ mn)

6M17 overseas loan breakdown by regions

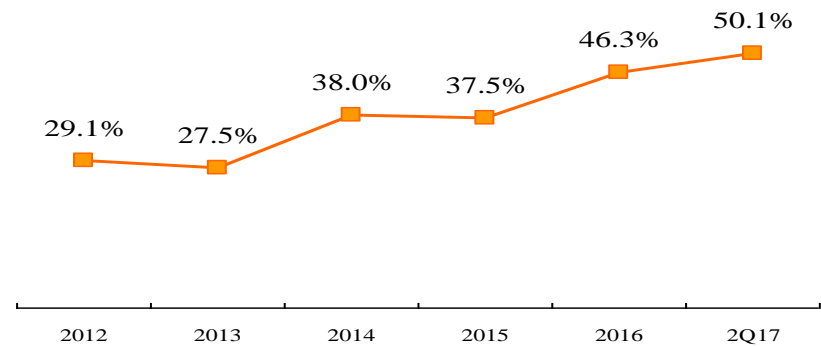


1. Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. The figures were the average of the first six months.
3. Asia included HK branch.



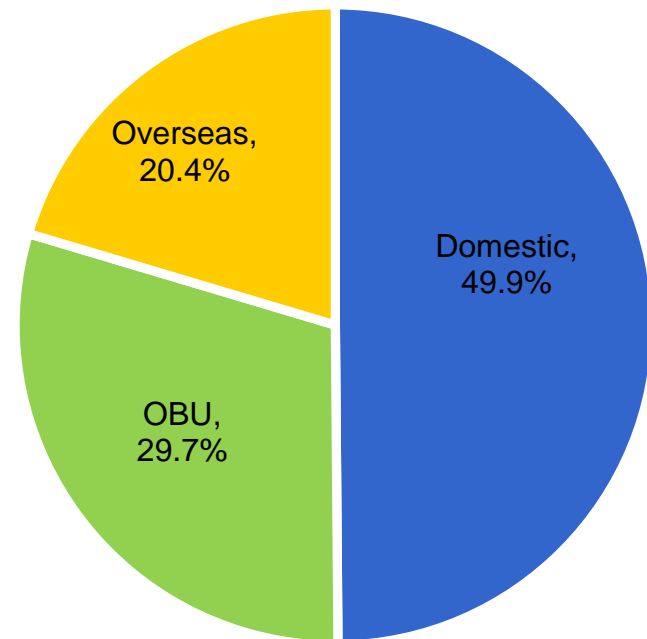
▶ Overseas & OBU PPOP yearly Grow

Overseas & OBU PPOP proportion

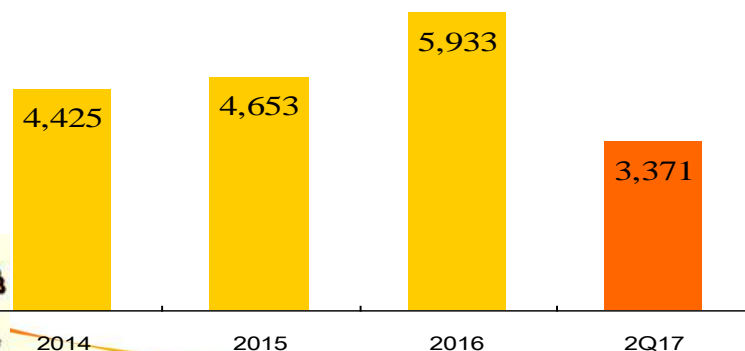


1.PPOP means Pre-Provision Operating Profits.

2Q17 PPOP breakdown

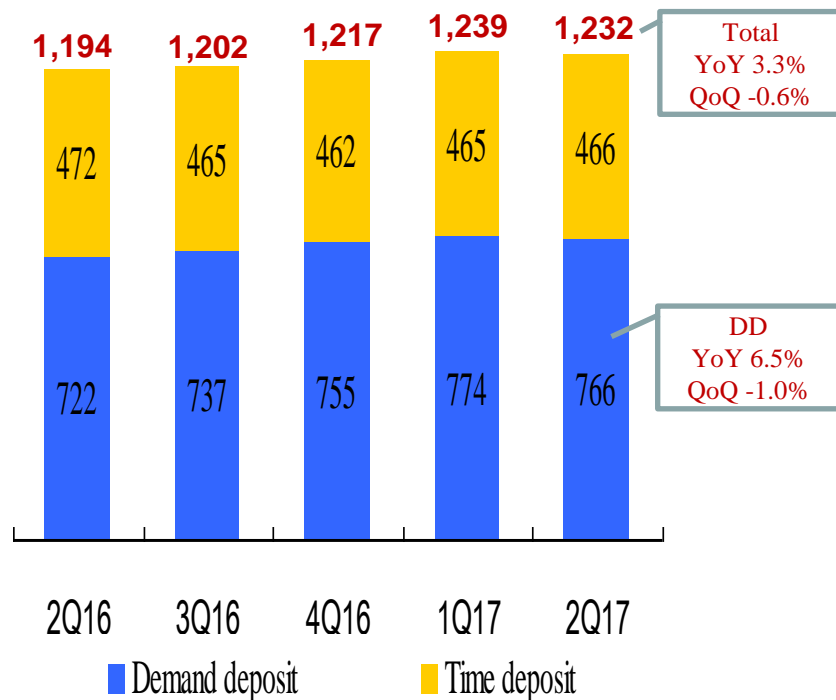


Overseas & OBU Net Income Before Tax (in NT\$ mn)

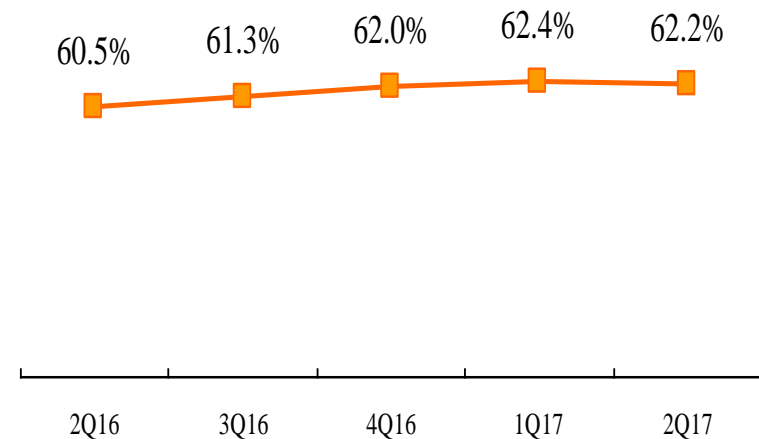


▶ NTD Deposit breakdown

Quarterly NTD deposit balance (in NT\$ bn)



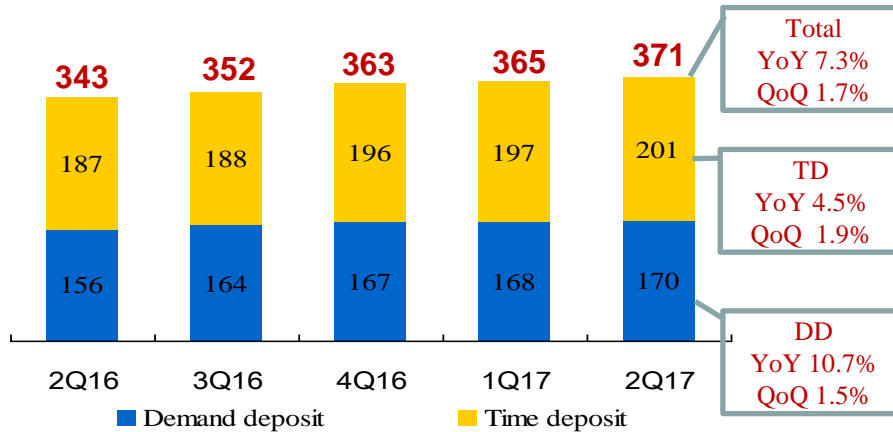
Quarterly NTD demand deposit proportion



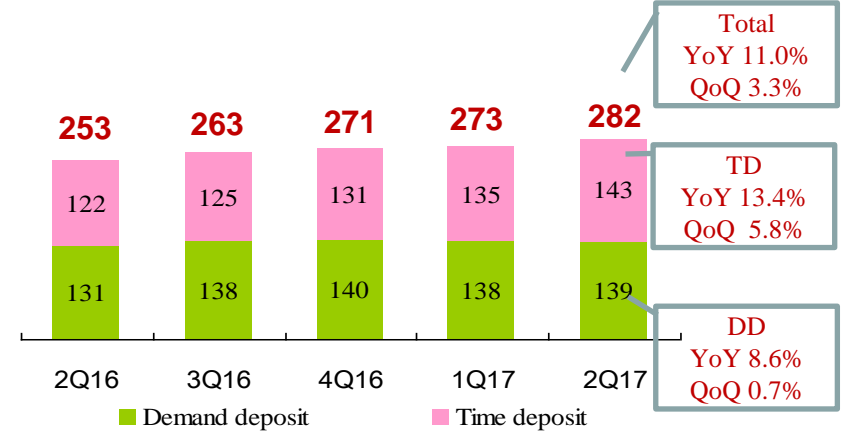
1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is compared to average of the first six months in 2016 and 2017.

FX Deposit breakdown

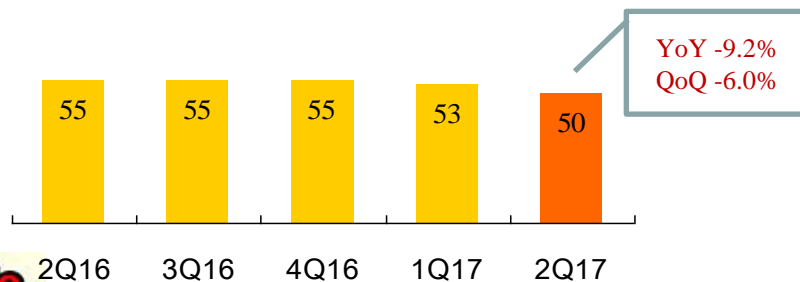
Quarterly FX deposit balance (in NT\$ bn)



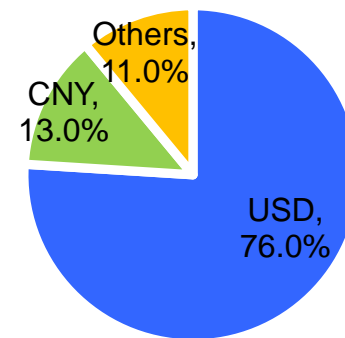
Quarterly USD deposit balance (in NT\$ bn)



Quarterly RMB deposit balance (in NT\$ bn)



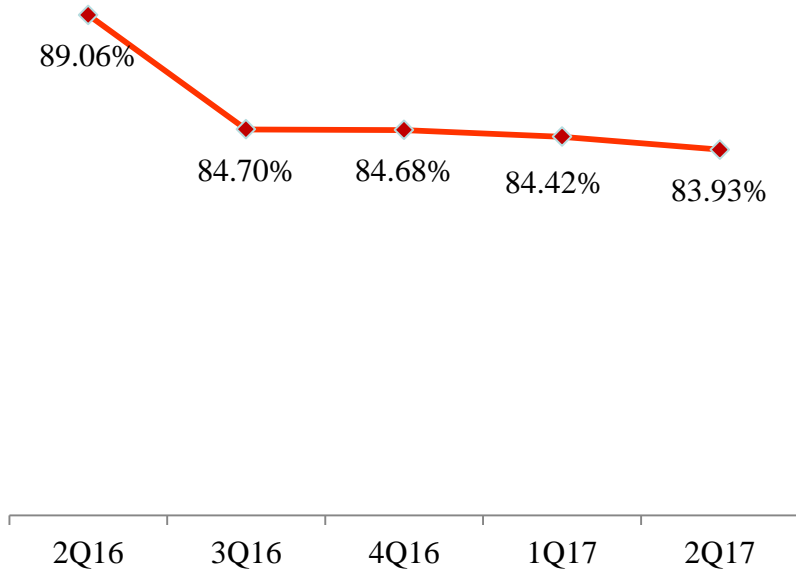
2Q17 FX deposit breakdown by currency



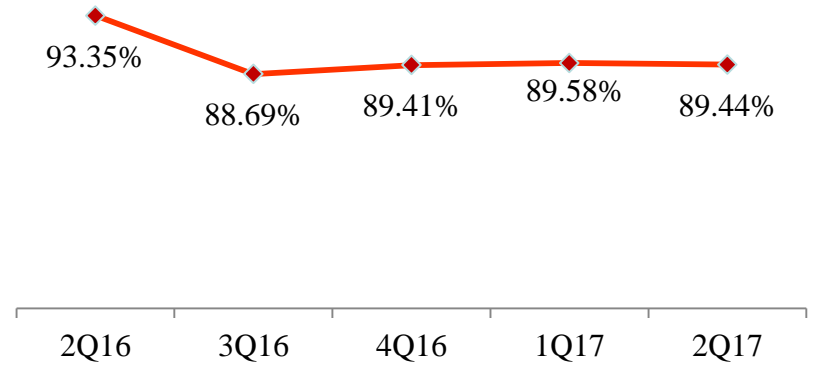
1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is compared to average of the first six months in 2016 and 2017.

▶ LDR

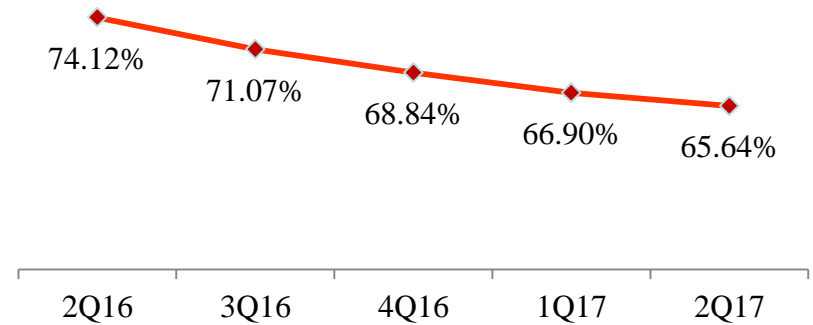
Total LDR



NTD LDR

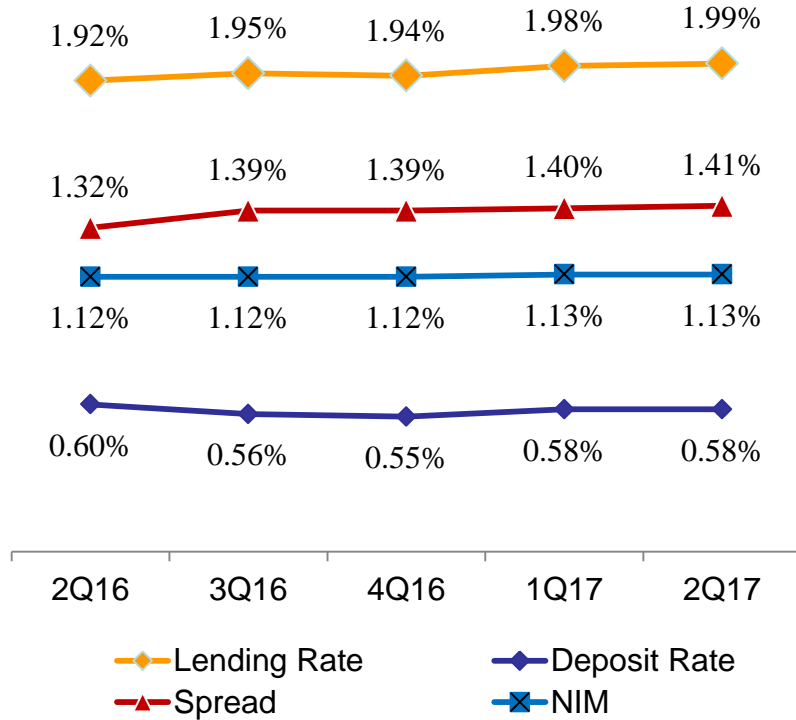


FX LDR

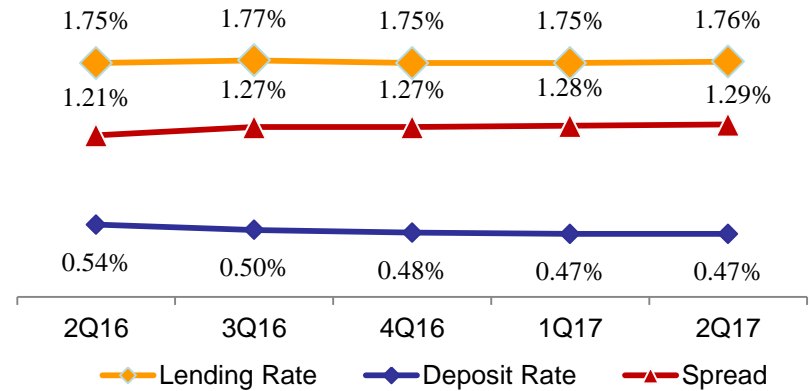


Spread and NIM

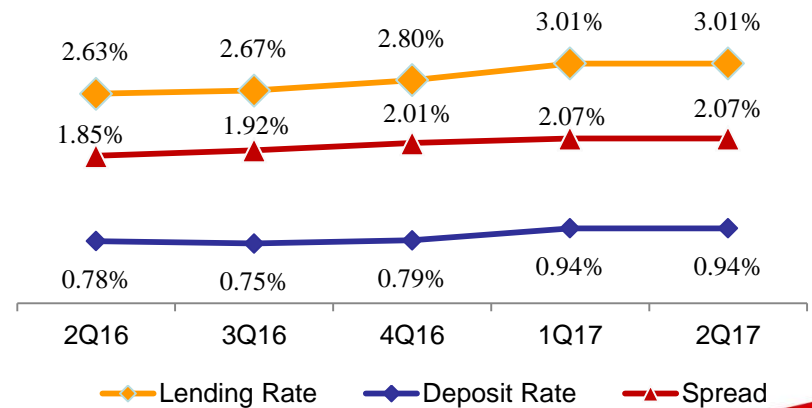
Quarterly total loan interest spread and NIM



NTD loan interest spread*



FX loan interest spread*

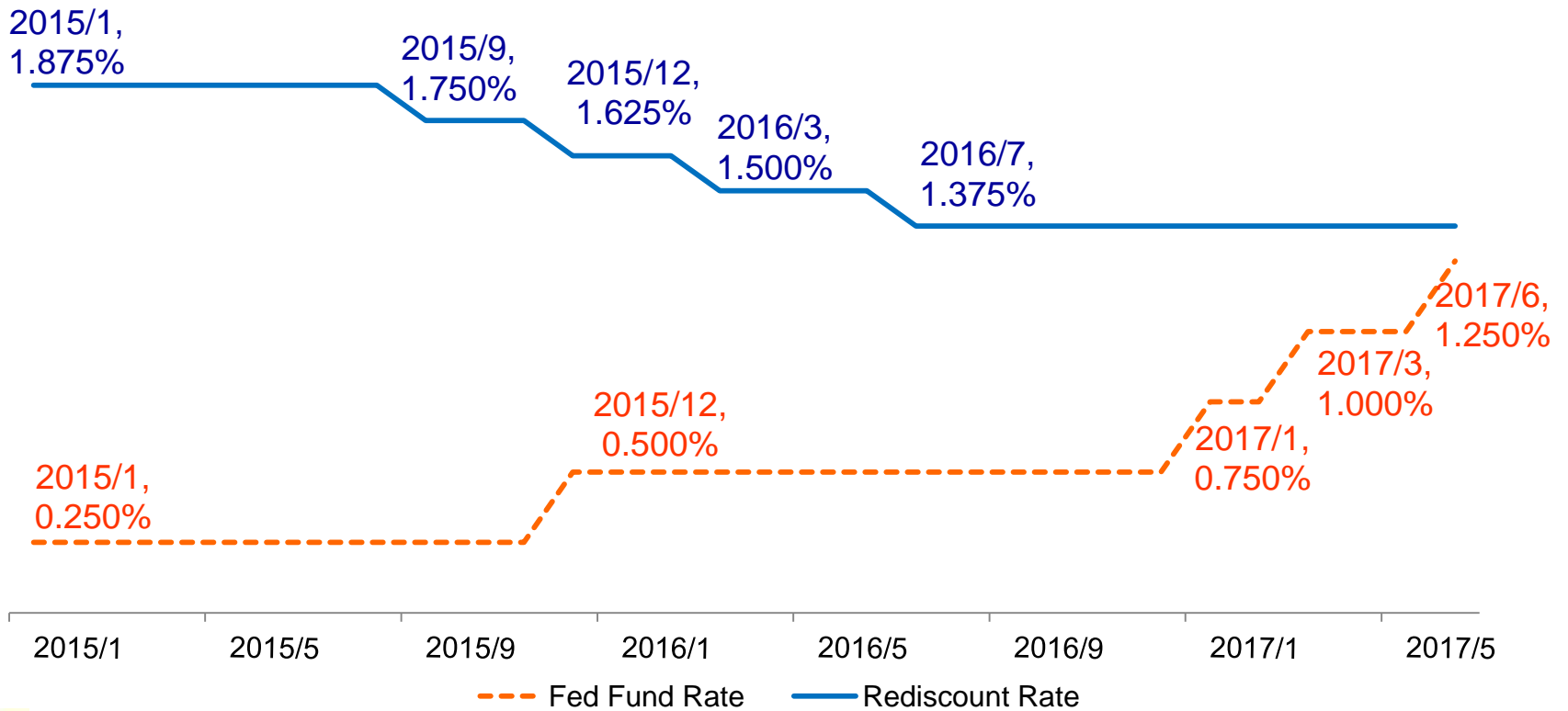


* Quarterly based.



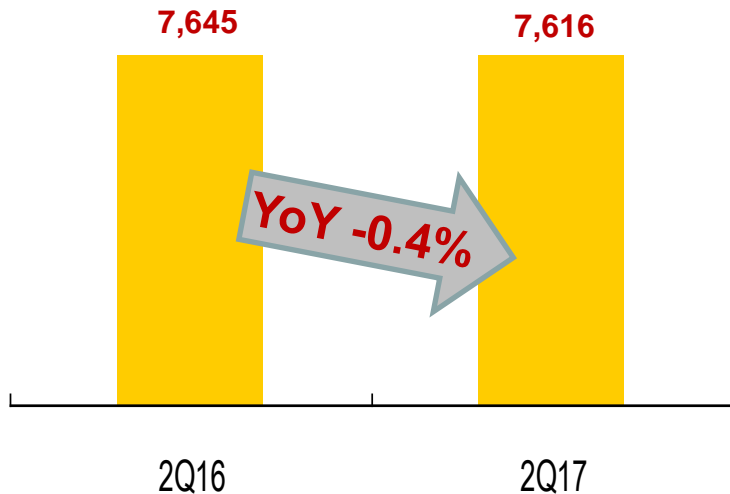
FED vs. CBC interest rates trends

Fed Fund Rate VS. Rediscount Rate

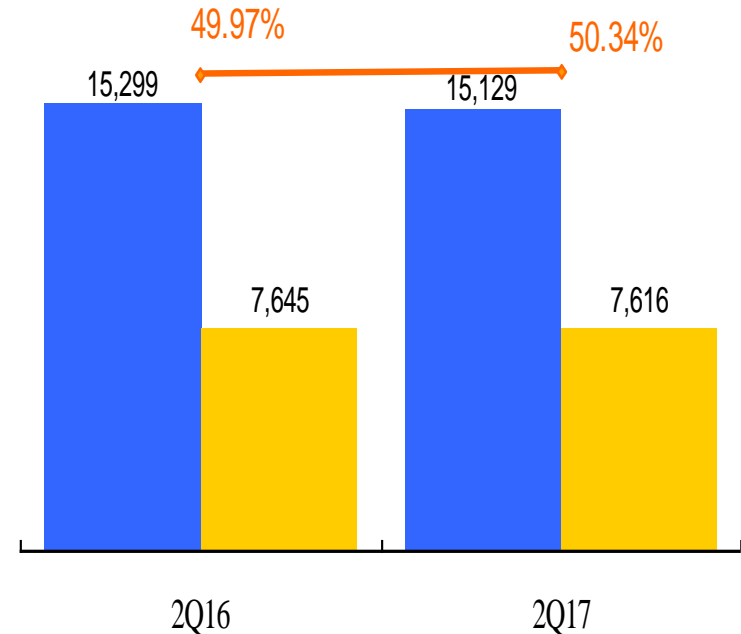


► Cost-Income Ratio

Operating Expense (in NT\$ mn)



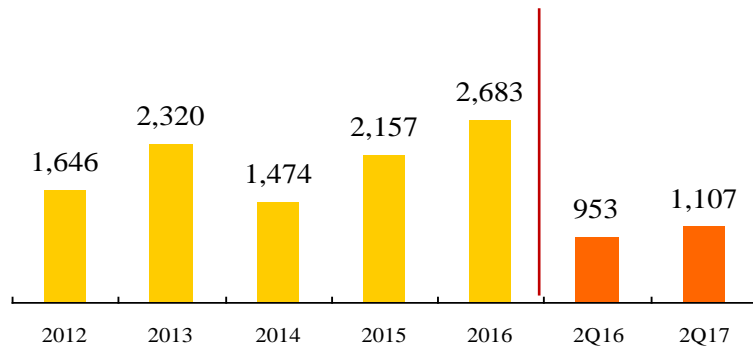
Cost-Income Ratio



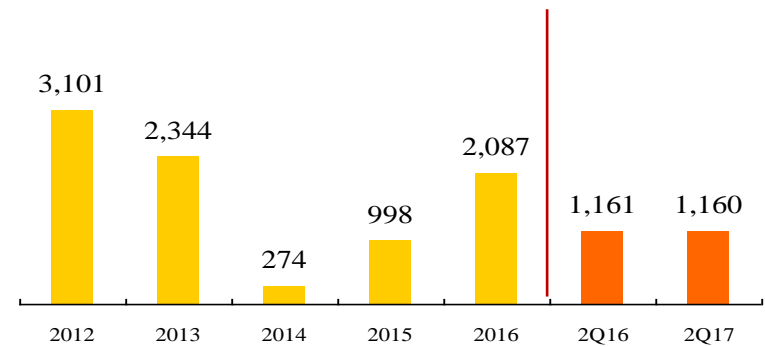
- Net Revenue (in NT\$ mn)
- Operation Expense (in NT\$ mn)
- Cost-Income Ratio

▶ Loan provision, write-off and recovery

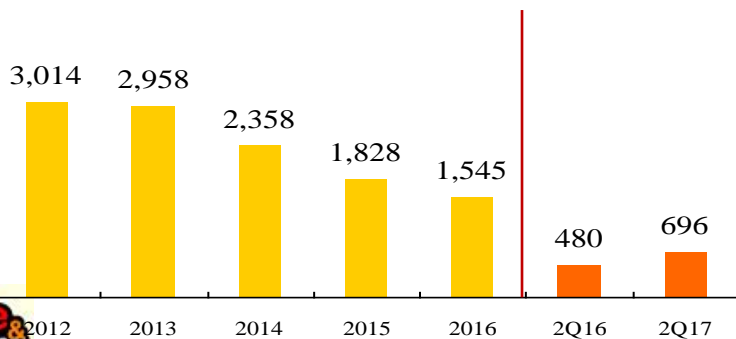
Provision (in NT\$ mn)



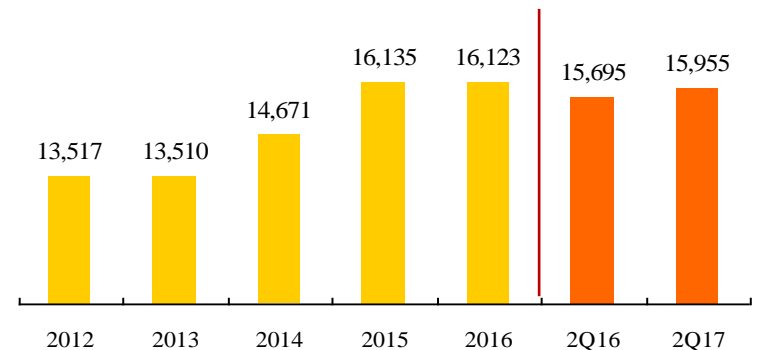
Write-Off (in NT\$ mn)



Recovery (in NT\$ mn)

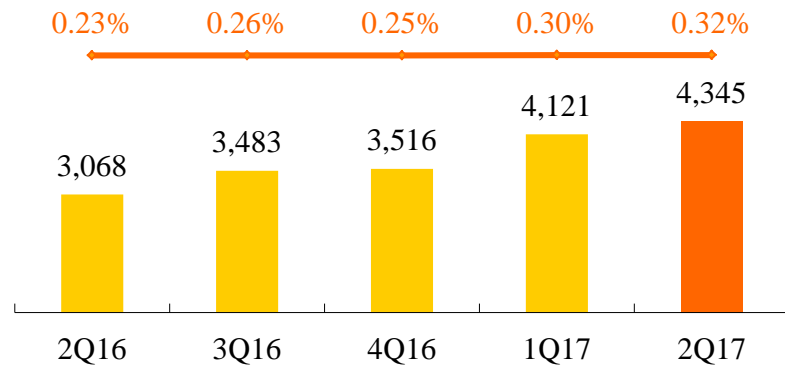


Reserve (in NT\$ mn)



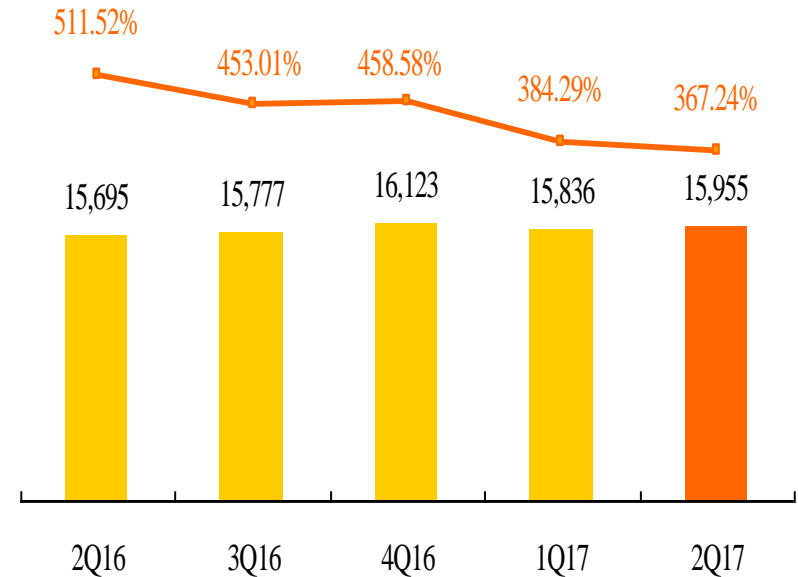
► NPL Ratio and Coverage Ratio

NPL Ratio



■ NPL Balance(in NT\$ mn) — NPL Ratio

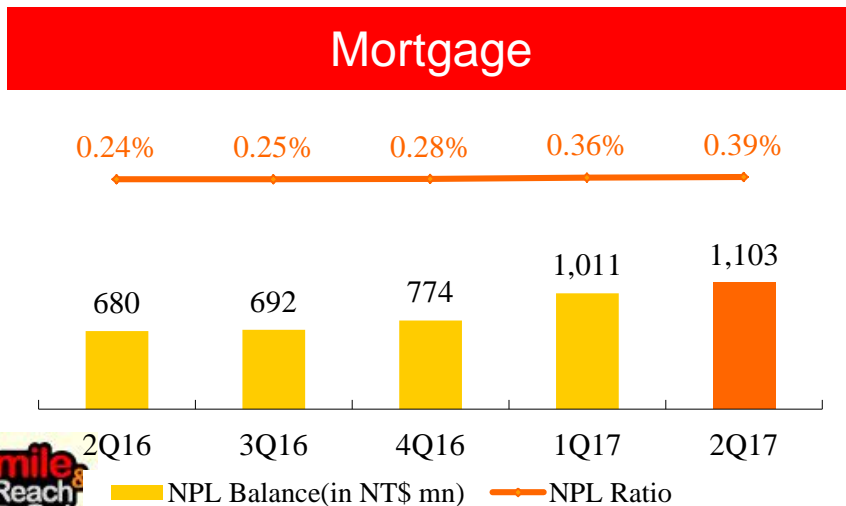
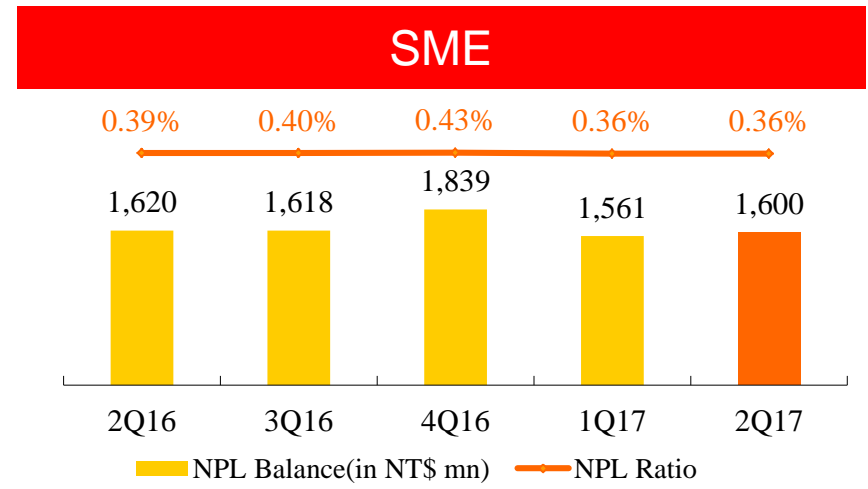
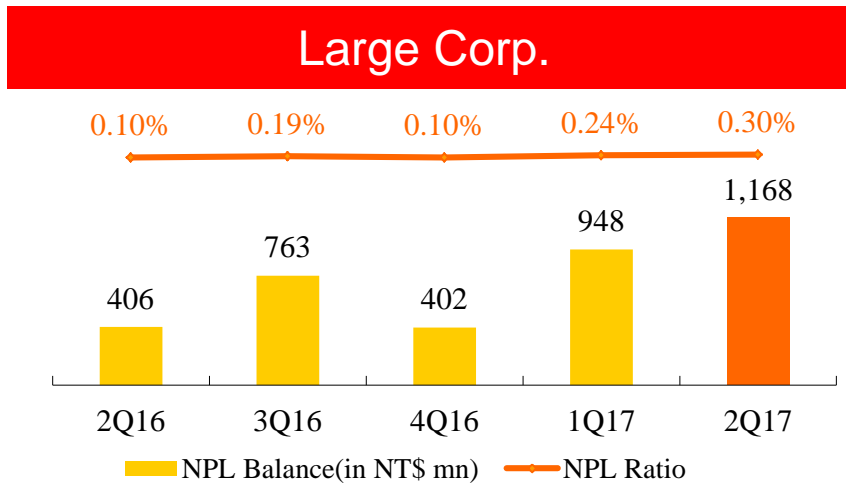
Coverage Ratio



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



▶ Asset quality



Highlight

★ The NPL ratio of Large corp. is increased, which mainly due to the “Transasia Airways Co.” loan became NPL.



▶ Credit Rating & CAR

Credit Rating

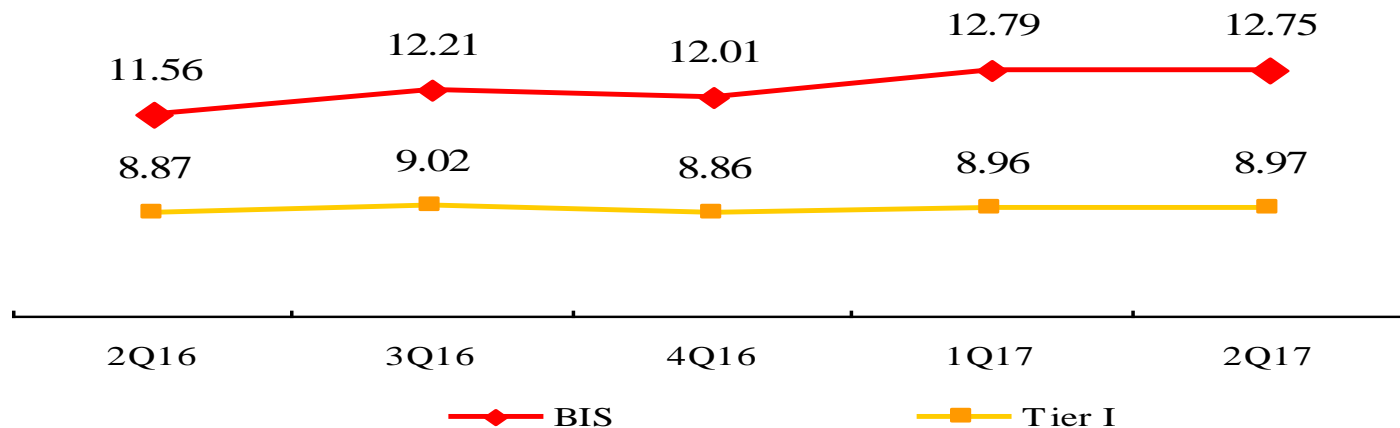
■ **Moody's** (Dec. 16 Review) :

- 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 end of the 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 %	2Q16	3Q16	4Q16	1Q17	2Q17	Change %	2Q16	2Q17	Change %
Assets												
Cash and cash equivalents, due from the Central Bank and other banks	177,880	240,024	34.94%	202,901	237,754	240,024	242,434	245,673	1.34%	202,901	245,673	21.08%
Financial assets at fair value through profit or loss, net	43,519	34,699	-20.27%	37,192	42,531	34,699	24,969	22,691	-9.12%	37,192	22,691	-38.99%
Derivative financial assets for hedging	193	86	-55.44%	256	235	86	177	230	29.94%	256	230	-10.16%
Available-for-sale financial assets, net	67,415	76,825	13.96%	74,313	75,335	76,825	76,981	80,420	4.47%	74,313	80,420	8.22%
Held-to-maturity financial assets, net	205,777	204,865	-0.44%	193,148	204,426	204,865	212,712	217,335	2.17%	193,148	217,335	12.52%
Other financial assets, net	31,748	23,098	-27.25%	16,789	23,966	23,098	19,645	17,719	-9.80%	16,789	17,719	5.54%
Receivables, net	19,729	20,280	2.79%	21,904	19,454	20,280	18,785	21,415	14.00%	21,904	21,415	-2.23%
Loans, net	1,321,934	1,367,260	3.43%	1,335,636	1,298,881	1,367,260	1,342,762	1,340,346	-0.18%	1,335,636	1,340,346	0.35%
Property and equipment, net	22,253	20,802	-6.52%	22,034	20,803	20,802	20,737	20,727	-0.05%	22,034	20,727	-5.93%
Investment property, net	12,537	13,754	9.71%	12,548	13,755	13,754	13,752	13,751	-0.01%	12,548	13,751	9.59%
Other assets	3,272	3,459	5.72%	3,359	3,346	3,459	5,675	3,502	-38.29%	3,359	3,502	4.26%
Total Assets	1,906,257	2,005,152	5.19%	1,920,080	1,940,486	2,005,152	1,978,629	1,983,809	0.26%	1,920,080	1,983,809	3.32%
Liabilities												
Deposits and remittances	1,547,740	1,624,430	4.95%	1,552,896	1,565,173	1,624,430	1,610,400	1,628,137	1.10%	1,552,896	1,628,137	4.85%
Other liabilities	229,042	243,198	6.18%	234,211	239,382	243,198	228,634	216,135	-5.47%	234,211	216,135	-7.72%
Total Liabilities	1,776,782	1,867,628	5.11%	1,787,107	1,804,555	1,867,628	1,839,034	1,844,272	0.28%	1,787,107	1,844,272	3.20%
Stockholders' Equity	129,475	137,524	6.22%	132,973	135,931	137,524	139,595	139,537	-0.04%	132,973	139,537	4.94%
Total Liabilities and Stockholders' Equity	1,906,257	2,005,152	5.19%	1,920,080	1,940,486	2,005,152	1,978,629	1,983,809	0.26%	1,920,080	1,983,809	3.32%



CHB Income Statements(in NT\$ mn)

	Year(IFRSs)			Quarter(IFRSs)					Period(IFRSs)			
	2015	2016	Change %	2Q16	3Q16	4Q16	1Q17	2Q17	Change %	2Q16	2Q17	Change %
Interest Income	32,992	32,590	-1.22%	8,137	7,982	8,191	8,281	8,502	2.67%	16,417	16,783	2.23%
Interest Expense	12,076	10,863	-10.04%	2,733	2,568	2,644	2,818	2,882	2.27%	5,650	5,700	0.88%
Net Interest Income	20,916	21,727	3.88%	5,404	5,414	5,547	5,463	5,620	2.87%	10,767	11,083	2.93%
Net Service fee and commissions income	4,905	5,412	10.34%	1,603	1,411	1,299	1,365	1,115	-18.32%	2,703	2,480	-8.25%
Gains(losses) on financial assets and liabilities at fair value through profit or loss	407	2,071	408.85%	409	475	358	753	480	-36.25%	1,238	1,233	-0.40%
Realized gains(losses) of available-for-sale financial assets	280	432	54.29%	46	201	99	146	23	-84.25%	132	169	28.03%
Foreign exchange gains(losses)	1,647	280	-83.00%	88	41	322	-334	222	-166.47%	-83	-112	34.94%
Other non-interest income	1,502	1,086	-27.70%	101	366	178	58	218	275.86%	542	276	-49.08%
Net Income excluding Interest Income	8,741	9,281	6.18%	2,247	2,494	2,256	1,988	2,058	3.52%	4,532	4,046	-10.72%
Net Revenues	29,657	31,008	4.56%	7,651	7,908	7,803	7,451	7,678	3.05%	15,299	15,129	-1.11%
Reversed allowance for Bad-debt expenses and guarantee liability provisions	329	1,138	245.90%	525	382	283	432	-21	-104.86%	473	411	-13.11%
Operating Expenses	15,582	15,787	1.32%	3,913	3,780	4,364	3,570	4,046	13.33%	7,645	7,616	-0.38%
Employee Benefits	10,193	10,549	3.49%	2,602	2,536	2,937	2,367	2,703	14.20%	5,077	5,071	-0.12%
Depreciation and amortization	702	718	2.28%	179	181	179	177	178	0.56%	358	354	-1.12%
Other general and administrative expenses	4,687	4,520	-3.56%	1,132	1,063	1,248	1,026	1,165	13.55%	2,210	2,191	-0.86%
Income before income tax from continuing operations	13,746	14,083	2.45%	3,213	3,746	3,156	3,449	3,653	5.91%	7,181	7,102	-1.10%
Income Tax Expense	2,103	1,997	-5.04%	537	500	386	582	564	-3.09%	1,111	1,146	3.15%
Net Income	11,643	12,086	3.80%	2,676	3,246	2,770	2,867	3,089	7.74%	6,070	5,956	-1.88%
Basic EPS(NT\$)	1.38	1.35	-1.94%	0.30	0.36	0.31	0.32	0.33	3.13%	0.64	0.63	-1.56%
Other comprehensive income	172	-1,077	-726.16%	126	-289	-1,176	-795	618	-177.74%	388	-177	-145.62%
Total comprehensive income for the period	11,815	11,009	-6.82%	2,802	2,957	1,594	2,072	3,707	78.91%	6,458	5,779	-10.51%