



Financial Review of 3Q 2018

(Bloomberg: 2801 TT)

2018.11



▶ Disclaimer

- This presentation is provided by Chang Hwa Bank Co., Ltd. ('CHB'). The information contained within is not reviewed or reviewed by any accountant or any independent third party. Users should read this material in conjunction with all other public financial and operational information filed to the competent authorities by CHB. While we endeavor to provide accurate, complete and consistent information herein, CHB makes no guarantee or warranties as to the accuracy or correctness of all the material contained. After this presentation is released to the public, we undertake no obligation to update any relevant data to reflect any change hereafter.
- Users should also notice that this presentation may contain forward-looking statements. Statements that are not historical facts, including statements relating to the implementation of strategic initiatives, future business development and economic performance are forward-looking statements. By their nature, forward-looking statements involve uncertainties, risks, assumptions and other factors that could cause actual developments and results to differ materially from our statement in this presentation. These factors include, but not limited to, regulatory developments, competitive conditions, technological developments, general economic conditions and management changes.
- The information, statements or opinions in this presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice or recommendation respect to such securities or other financial instruments. CHB and its affiliates representatives, no matter for their negligence or any other reasons, should not be liable for any loss or damages arising from the use of or interpretation by others of information contained within this presentation or any matter related to this document.

▶ Agenda

● **Operations Highlight**

● Financial Performance

● Operating Results

● Appendix

► Operations Highlight

Core Business

- ★ Loans +2.0% YoY
- ★ Deposits +3.5% YoY

Profitability

- ★ Net Income +6.6% YoY , NII +3.1% YoY
- ★ FC Interest spread +28bps YoY,
Gain on invest +55.15% YoY

Asset quality

- ★ NPL ratio was 0.30%

Capital Adequacy Ratio

- ★ BIS ratio was 14.41% (+1.54% YoY)

▶ Agenda

● Operations Highlight

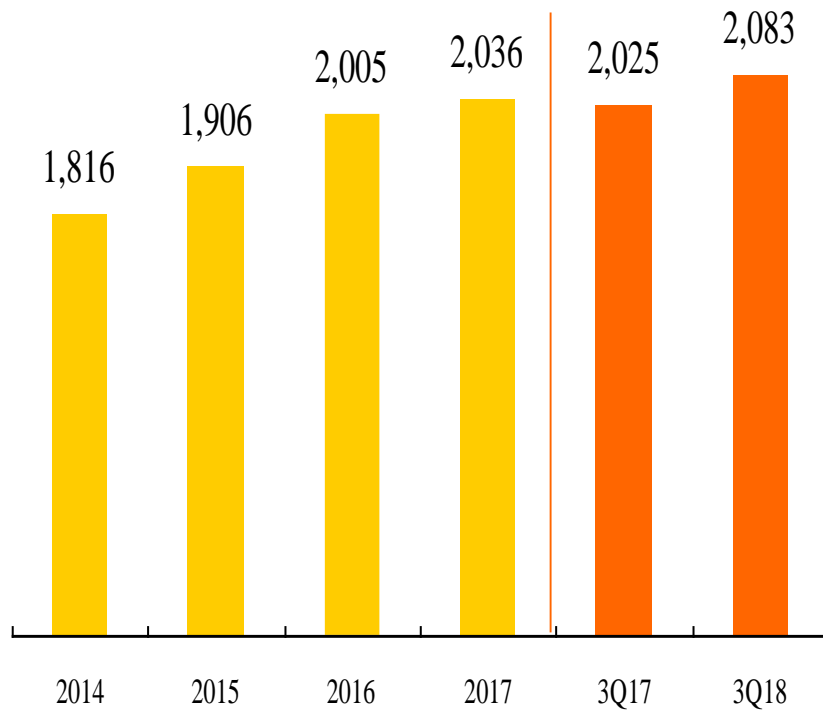
● **Financial Performance**

● Operating Results

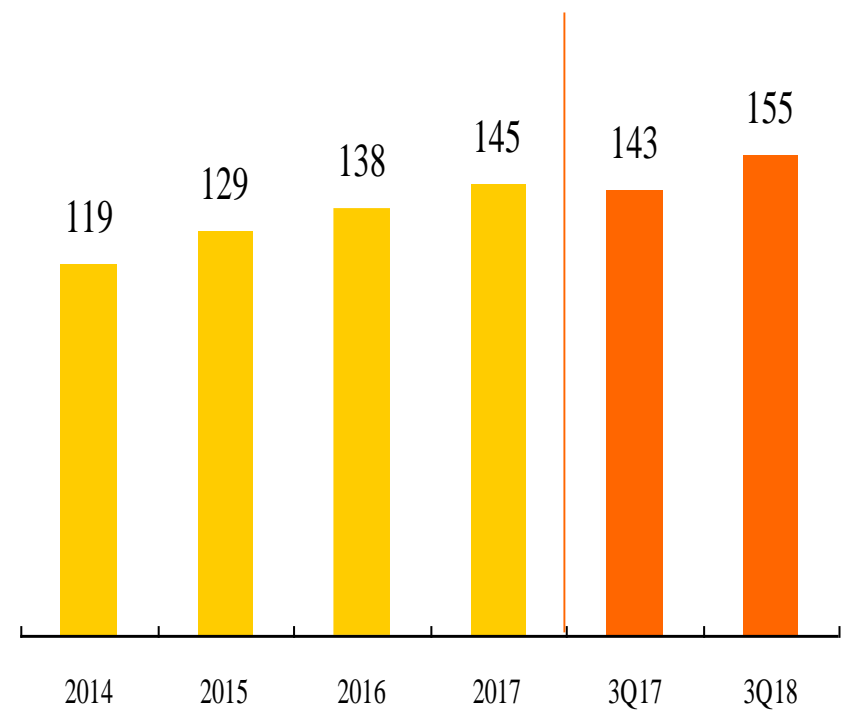
● Appendix

▶ Asset size and Net Worth

Asset size (in NT\$ bn)

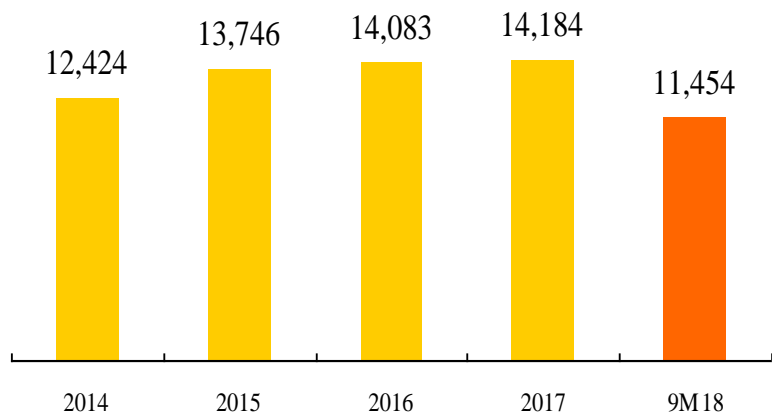


Net Worth (in NT\$ bn)

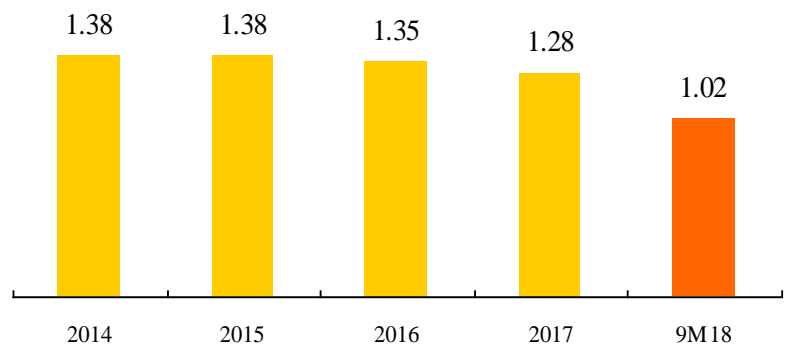


► Financial Performance

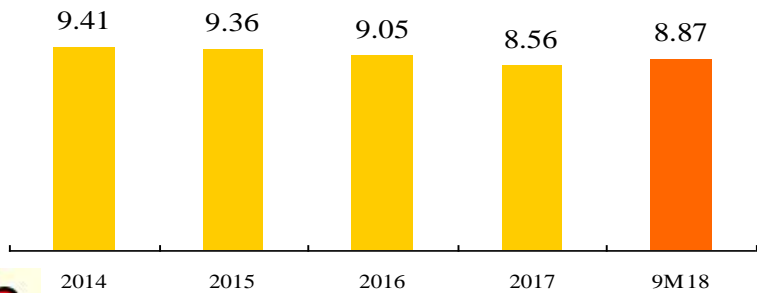
Net Income Before Tax (in NT\$ mn)



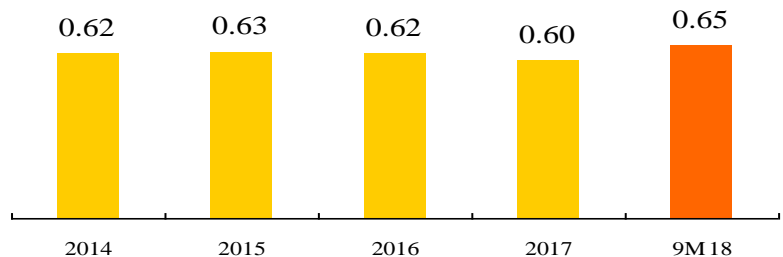
EPS After tax



ROE



ROA



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



▶ PPOP

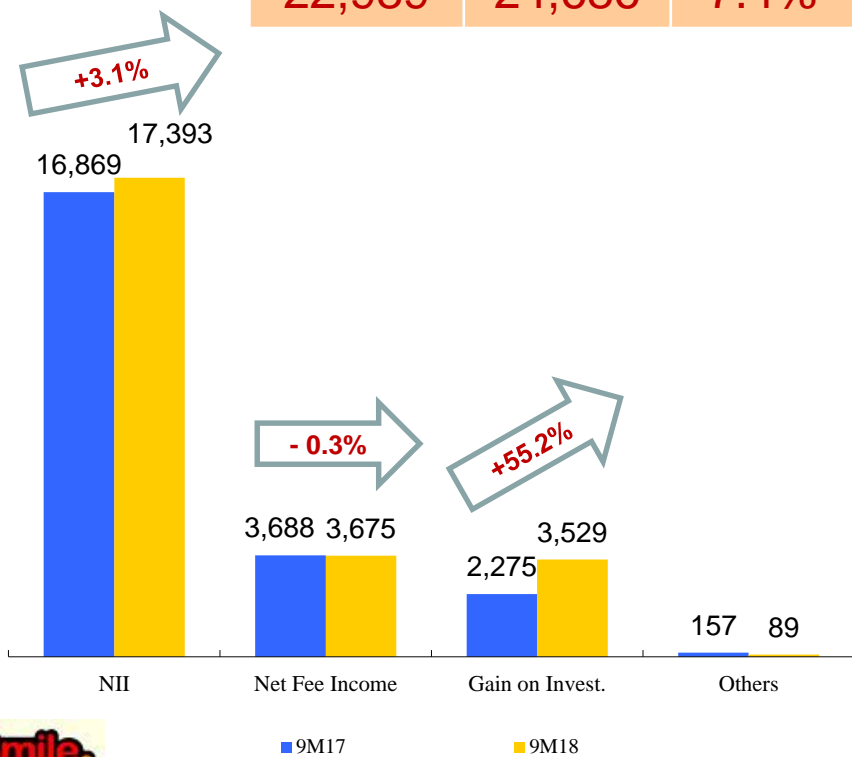
(In NT\$ mn)	9M17	9M18	YoY(%)
PPOP ¹	11,028	13,013	18.0%
Provision Expense	2,339	2,187	-6.5%
Recovery	2,457	628	-74.4%
Net Income Before tax	11,146	11,454	2.8%
Income Tax Expense	1,791	1,486	-17.0%
Net Income After tax	9,355	9,968	6.6%

1.PPOP means Pre-Provision Operating Profits.

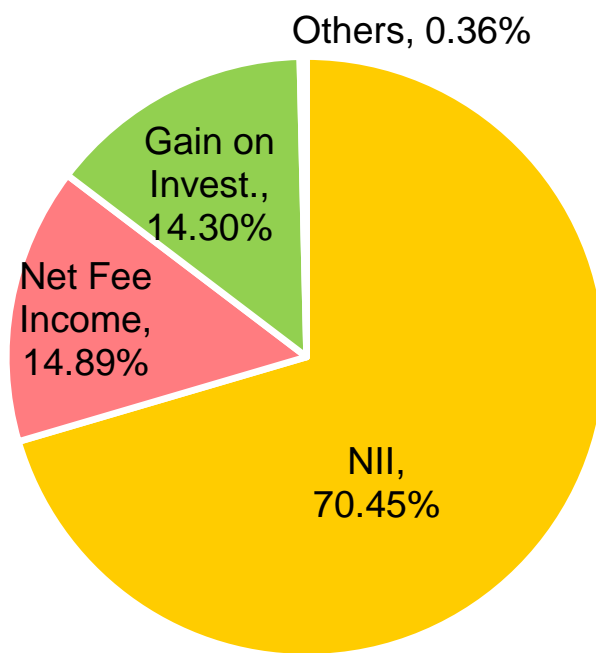
▶ Net Revenue

Net Revenue (in NT\$ mn)

9M17	9M18	YoY
22,989	24,686	7.4%



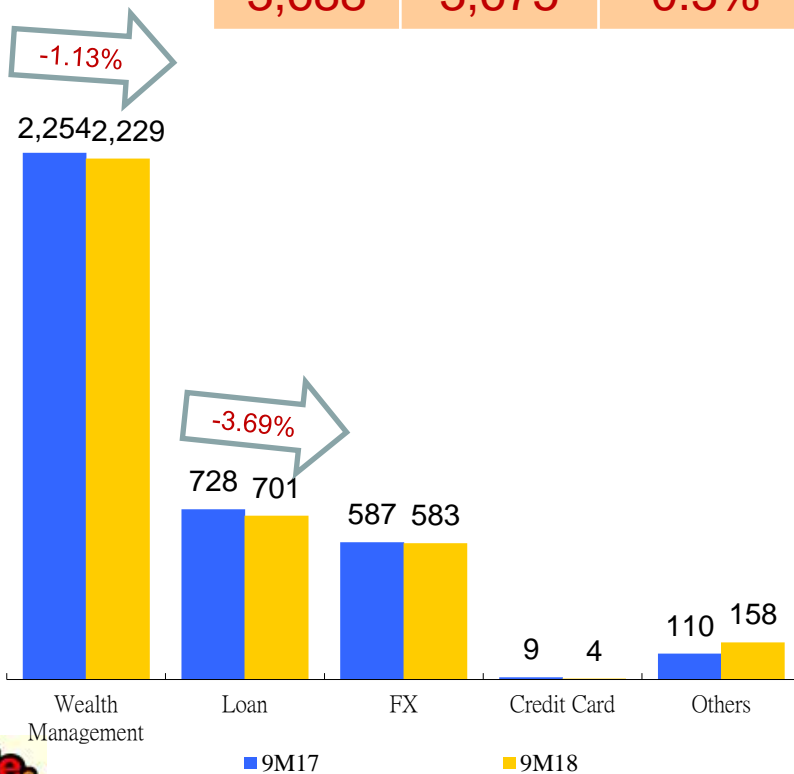
9M18 Net Revenue breakdown



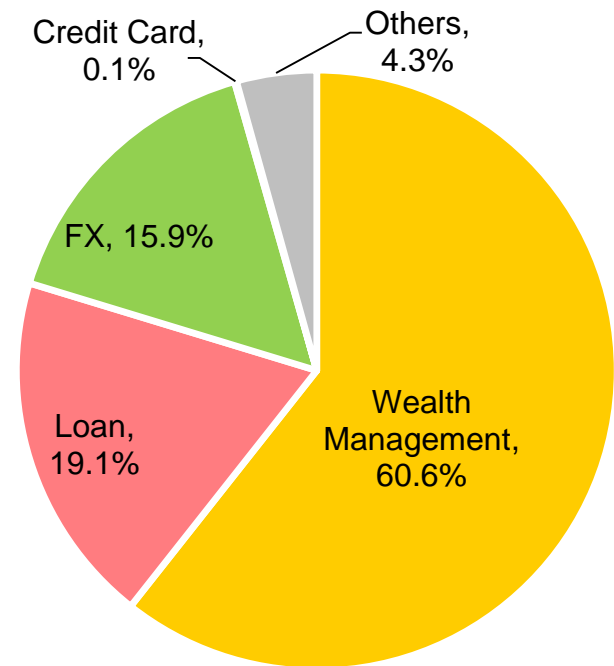
▶ Net Fee Income

Net Fee Income (in NT\$ mn)

9M17	9M18	YoY
3,688	3,675	-0.3%



9M18 Net Fee Income breakdown



▶ Agenda

● Operations Highlight

● Financial Performance

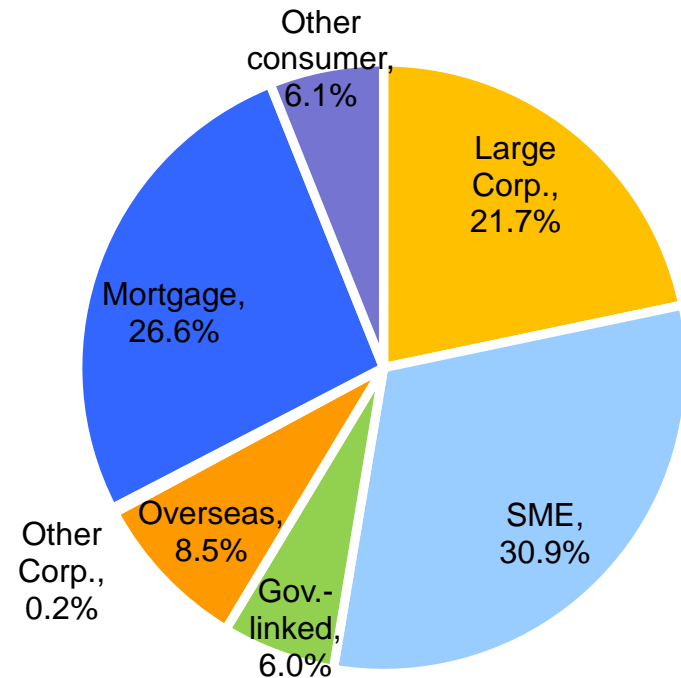
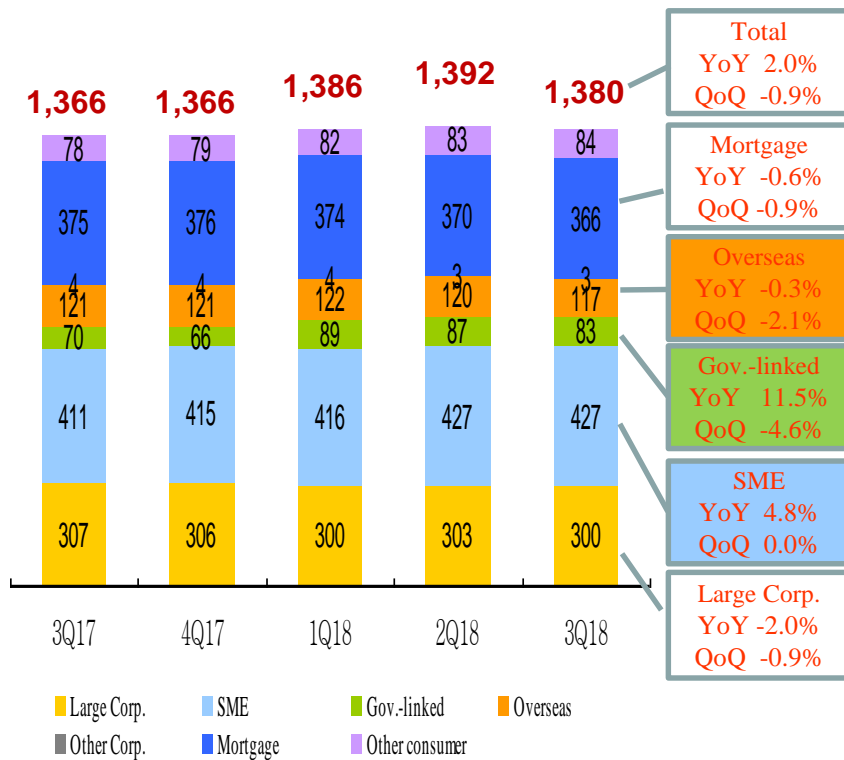
● **Operating Results**

● Appendix

▶ Loan breakdown by customer

Quarterly loan balance (in NT\$ bn)

3Q18 loan breakdown by customer

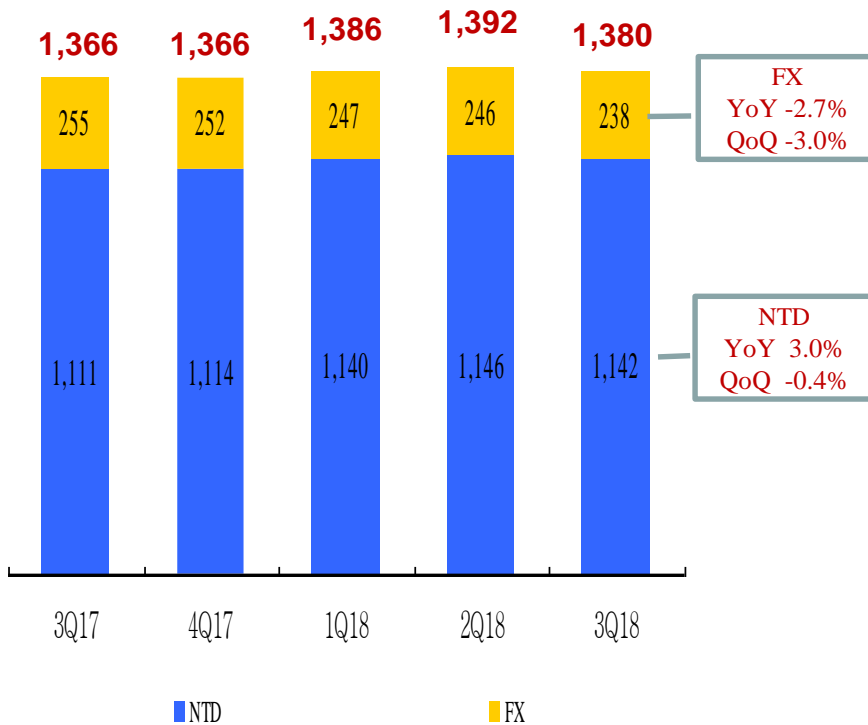


- Loans included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
- Quarterly loan balance is single quarter average balance basis.
- YoY is yearly average comparison.

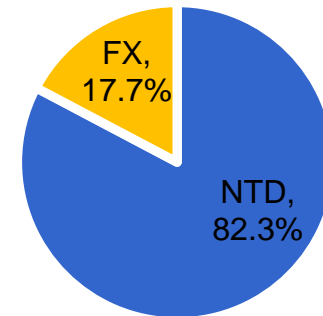


▶ Loan breakdown by currency

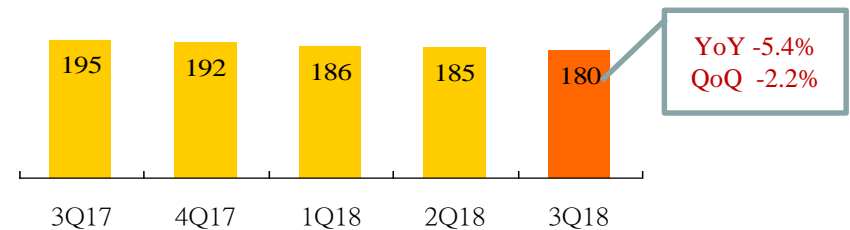
Quarterly loan balance (in NT\$ bn)



3Q18 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.

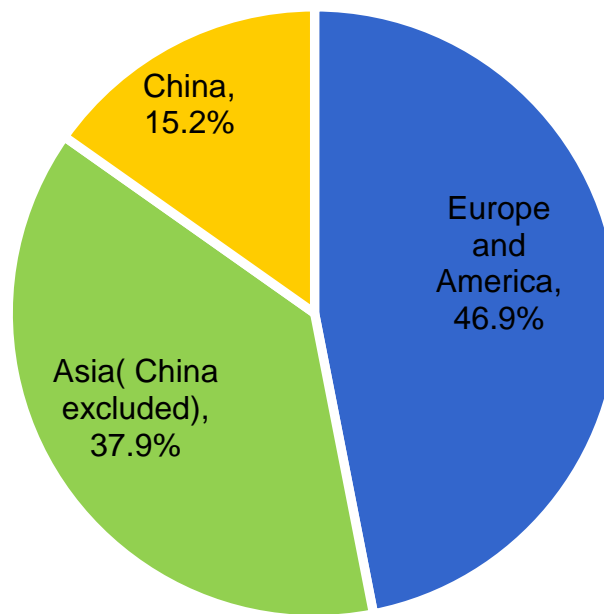
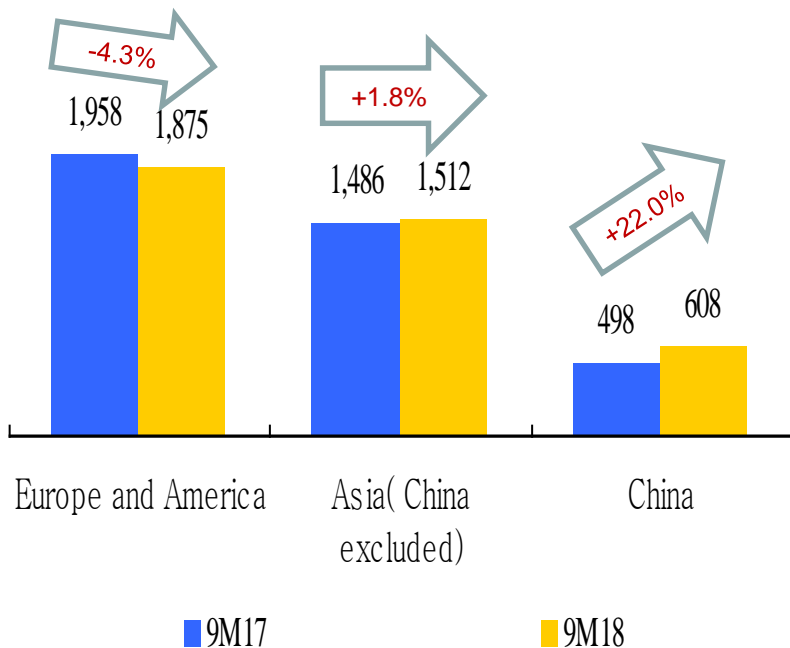


▶ Overseas Loan breakdown

Overseas loan balance (in US\$ mn)

9M18 overseas loan breakdown by regions

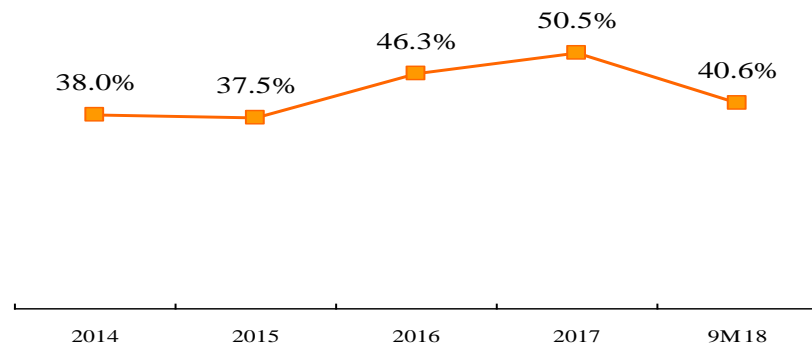
9M17	9M18	YoY
3,942	3,995	1.33%



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.

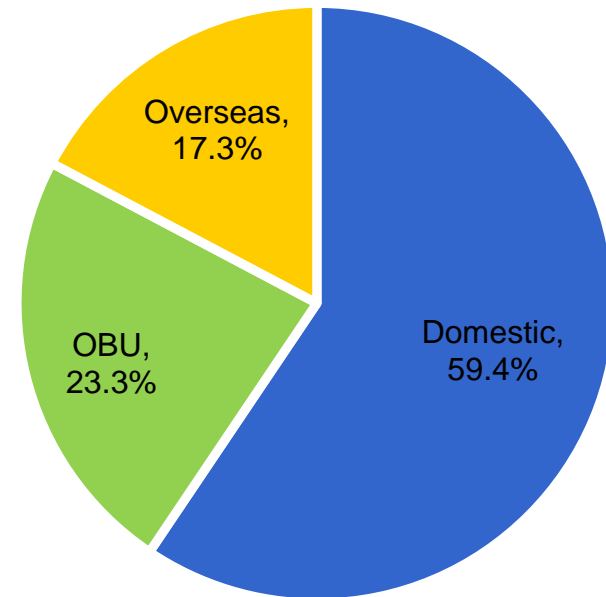
▶ Overseas & OBU PPOP

Overseas & OBU PPOP proportion

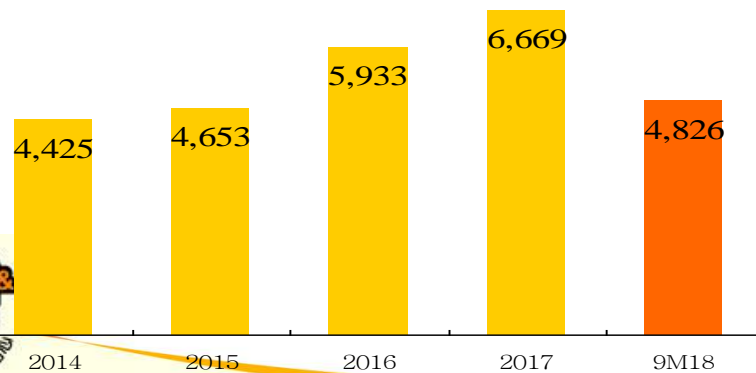


1.PPOP means Pre-Provision Operating Profits.

9M18 PPOP breakdown

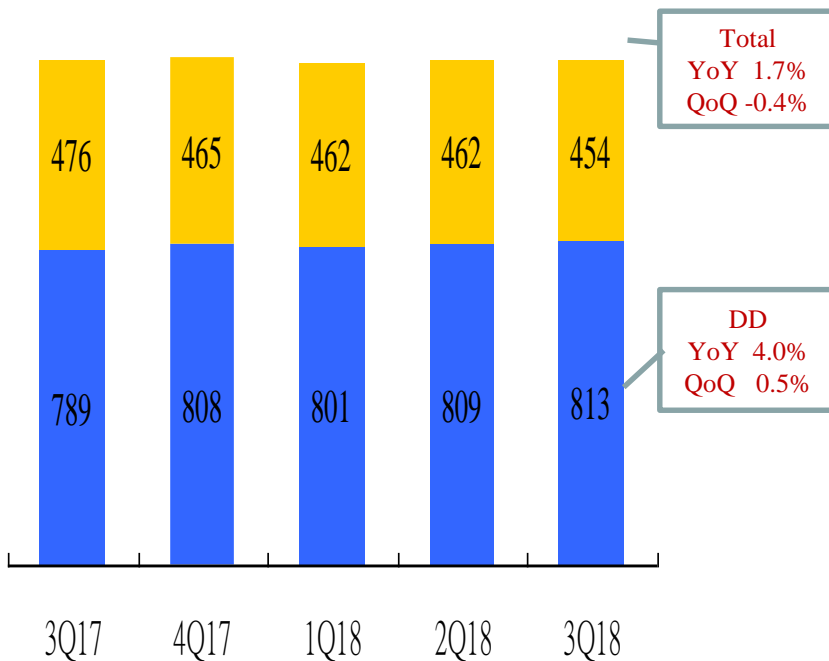


Overseas & OBU Net Income Before Tax (in NT\$ mn)

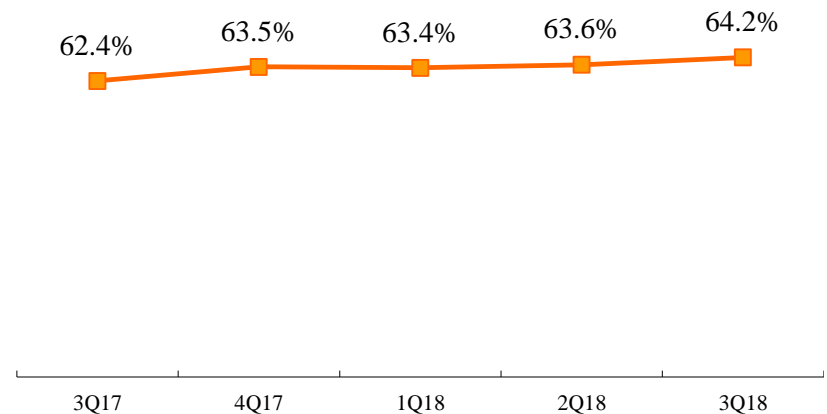


▶ NTD Deposit breakdown

Quarterly NTD deposit balance (in NT\$ bn)



Quarterly NTD demand deposit proportion



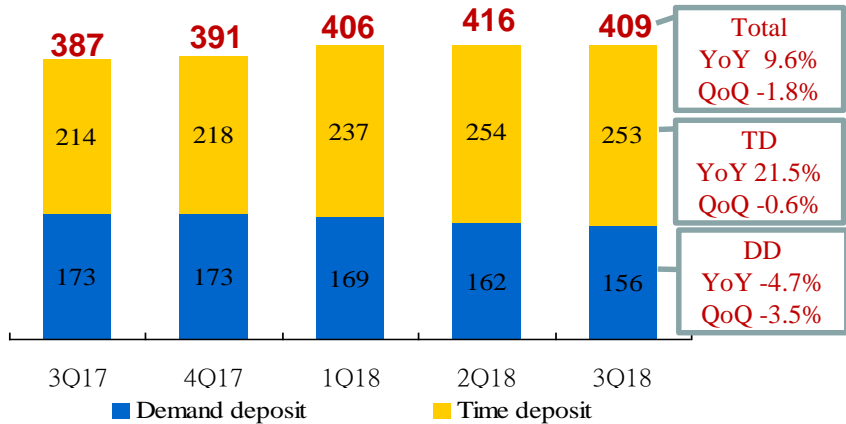
■ Demand deposit ■ Time deposit

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

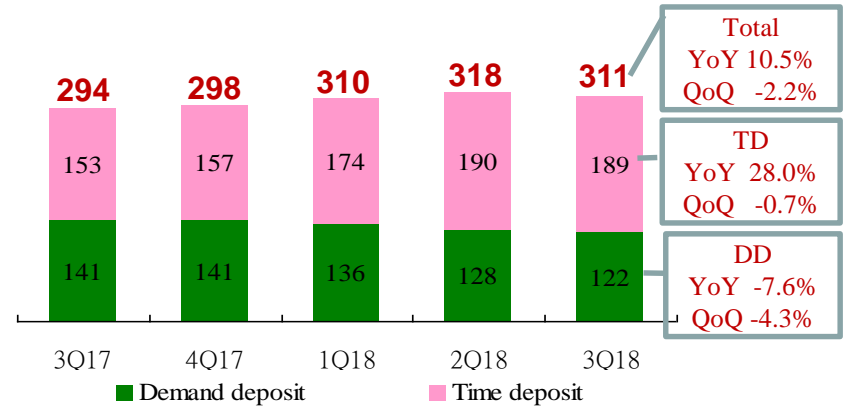


FX Deposit breakdown

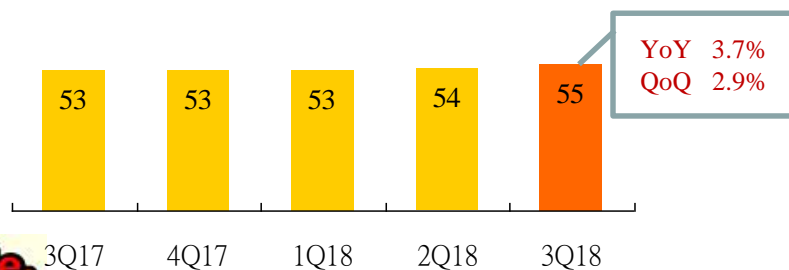
Quarterly FX deposit balance (in NT\$ bn)



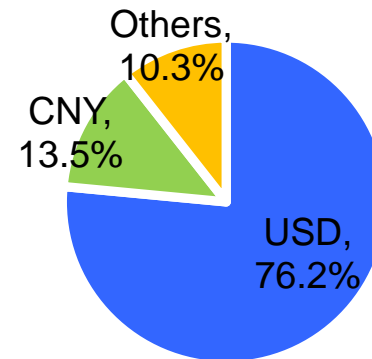
Quarterly USD deposit balance (in NT\$ bn)



Quarterly RMB deposit balance (in NT\$ bn)



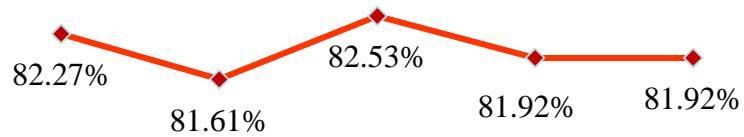
3Q18 FX deposit breakdown by currency



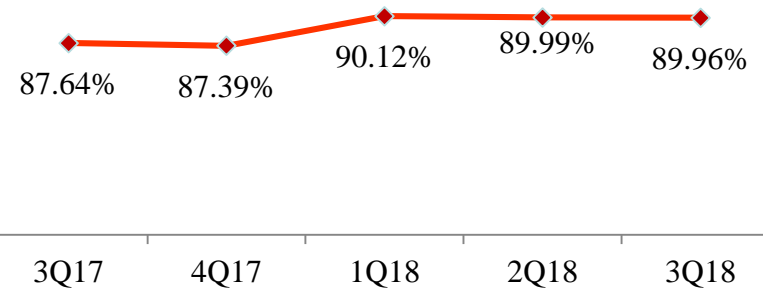
1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is yearly average comparison.

▶ LDR

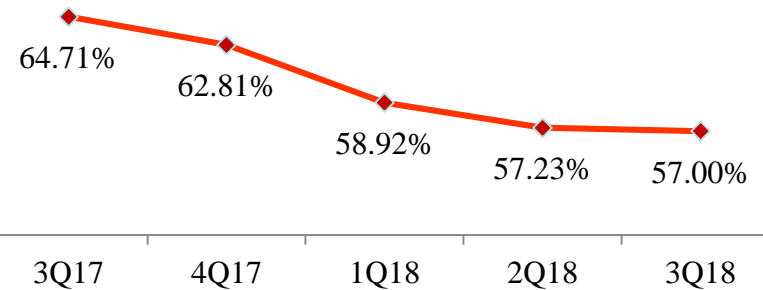
Total LDR



NTD LDR

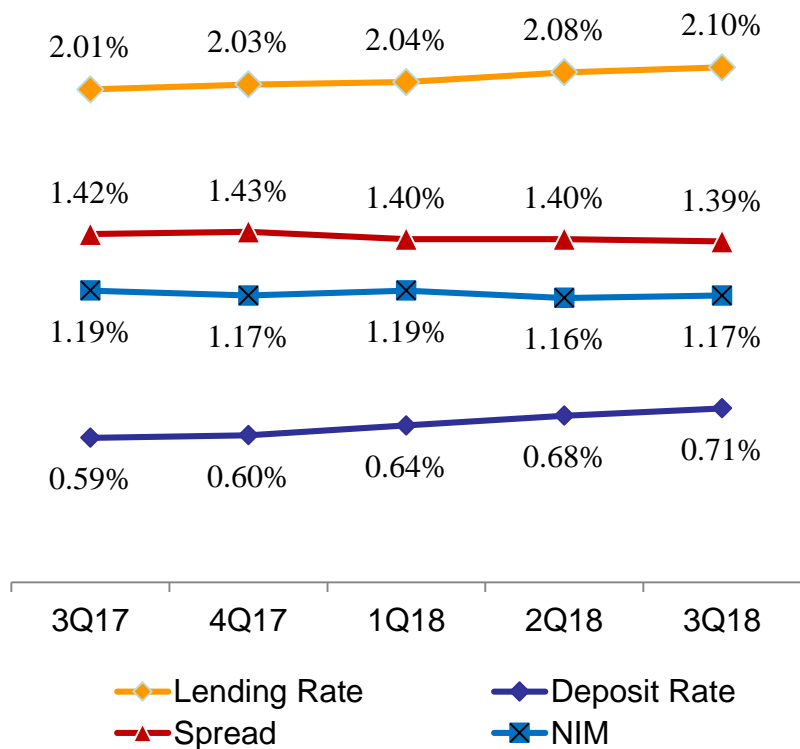


FX LDR

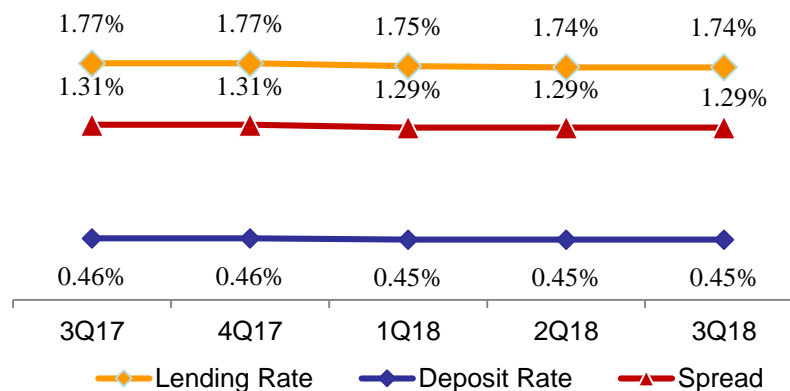


► Spread and NIM

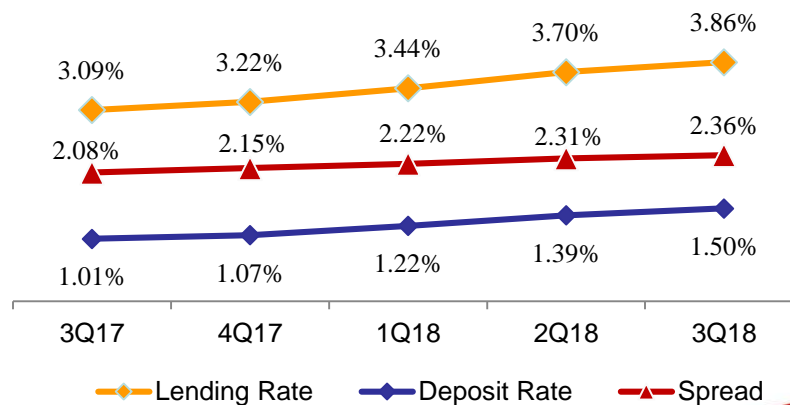
Quarterly total loan interest spread and NIM



NTD loan interest spread



FX loan interest spread

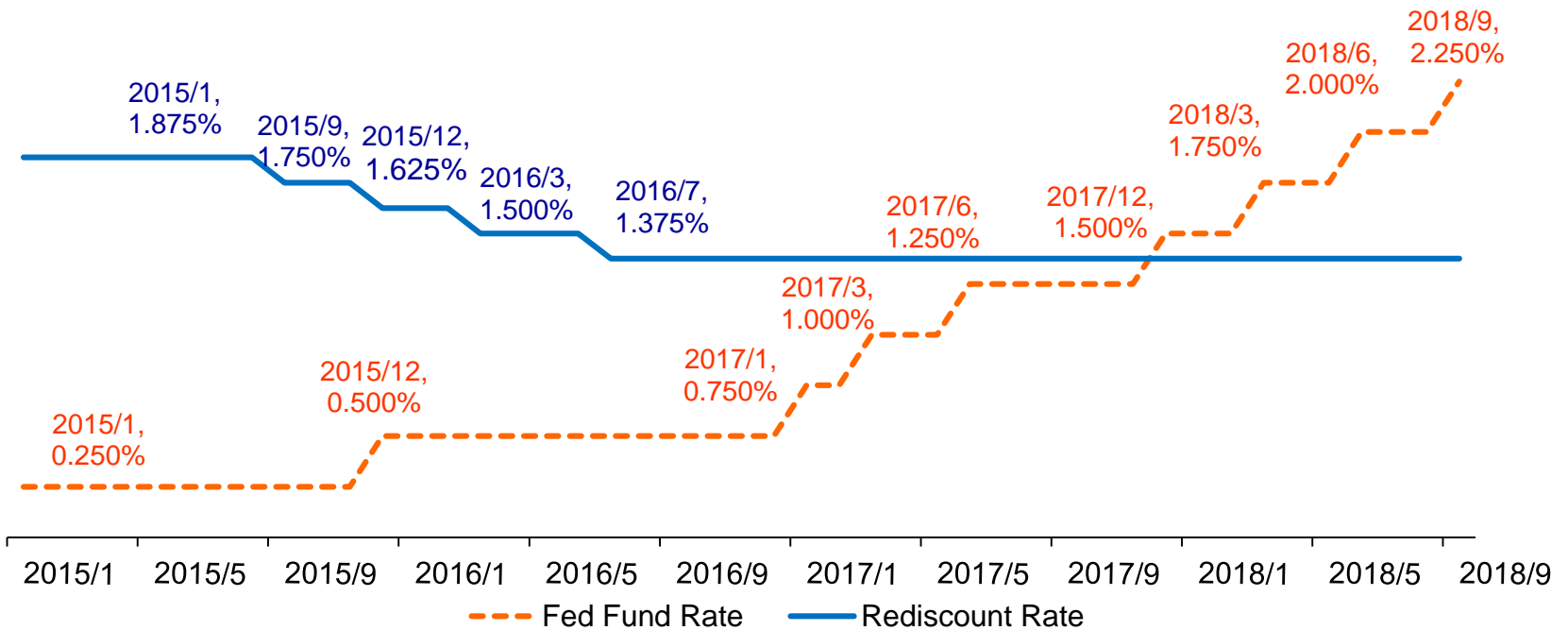


1. IFRS and quarterly basis.



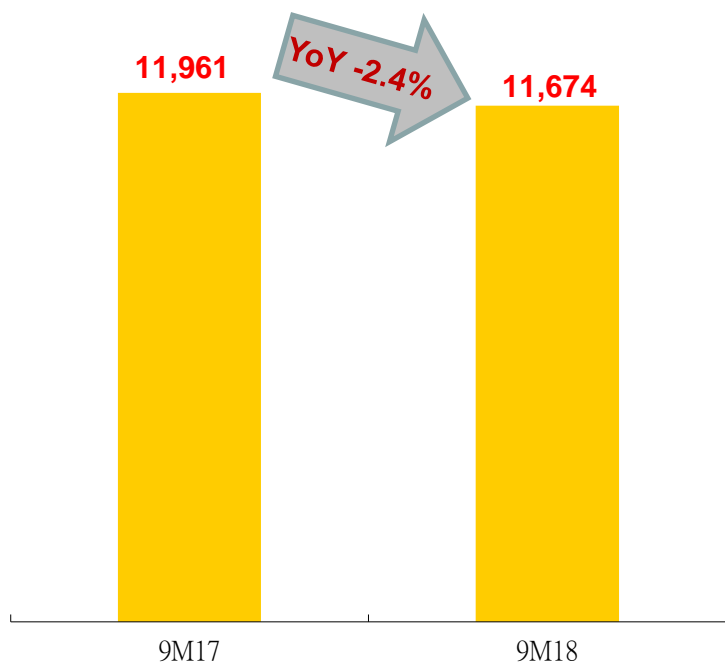
FED vs. CBC interest rates trends

Fed Fund Rate VS. Rediscount Rate

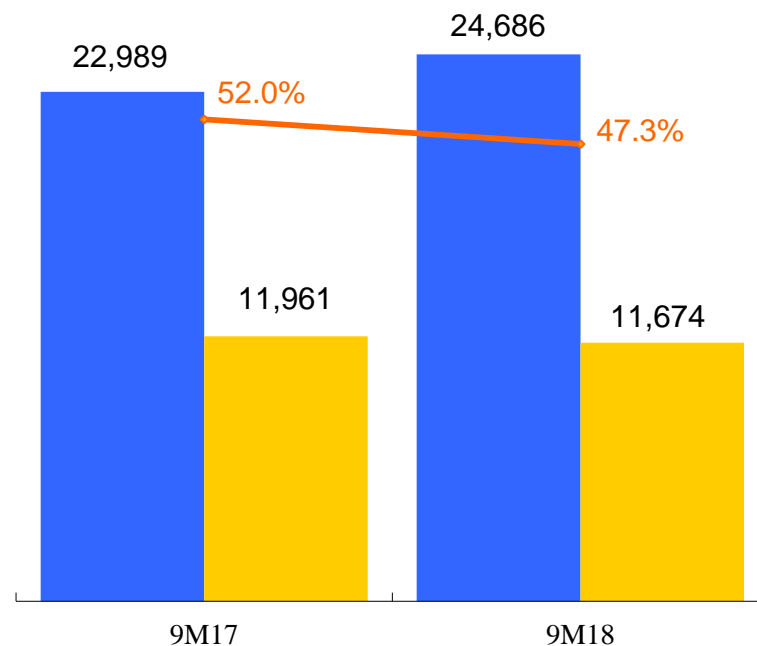


► Cost-Income Ratio

Operating Expense (in NT\$ mn)



Cost-Income Ratio

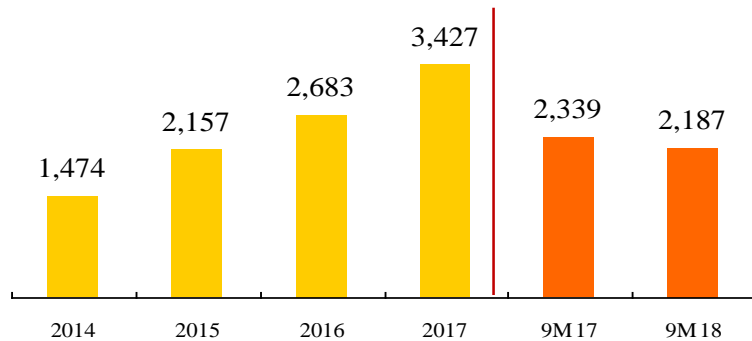


Net Revenue (in NT\$ mn) Operation Expense (in NT\$ mn)

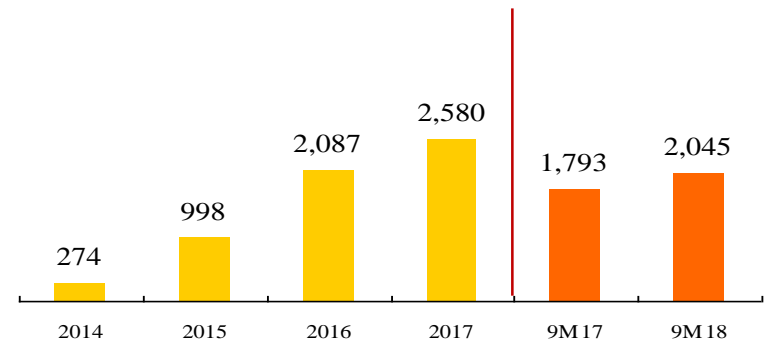
Cost-Income Ratio

▶ Loan provision, write-off and recovery

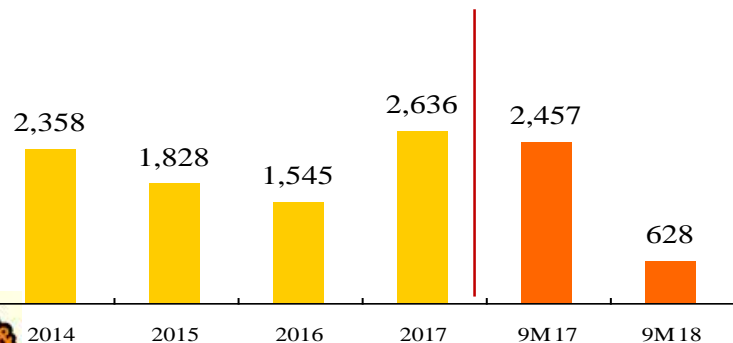
Provision (in NT\$ mn)



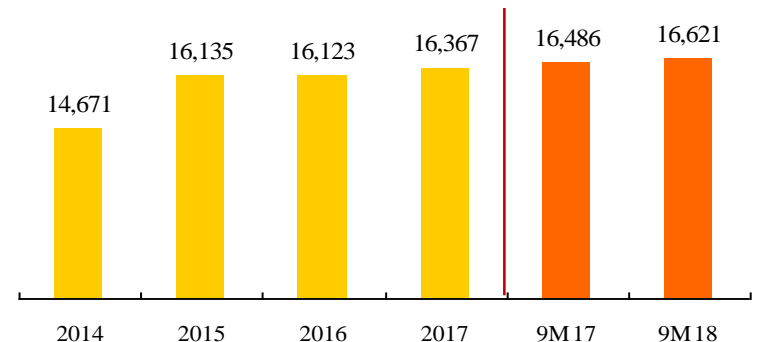
Write-Off (in NT\$ mn)



Recovery (in NT\$ mn)

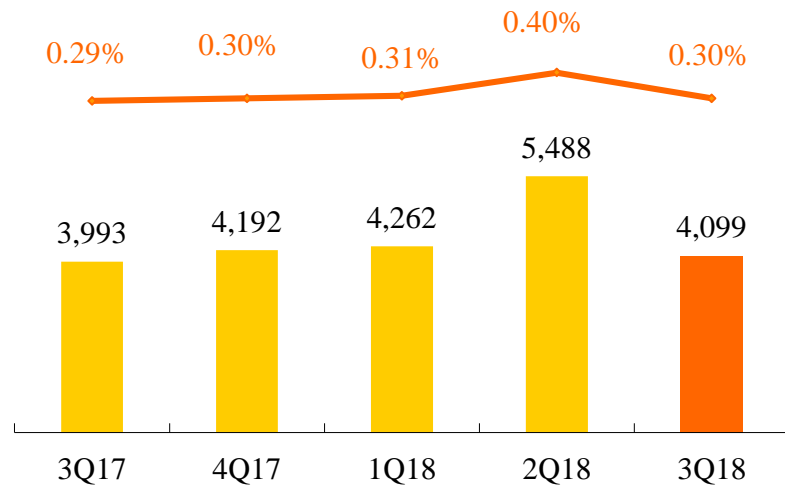


Reserve (in NT\$ mn)



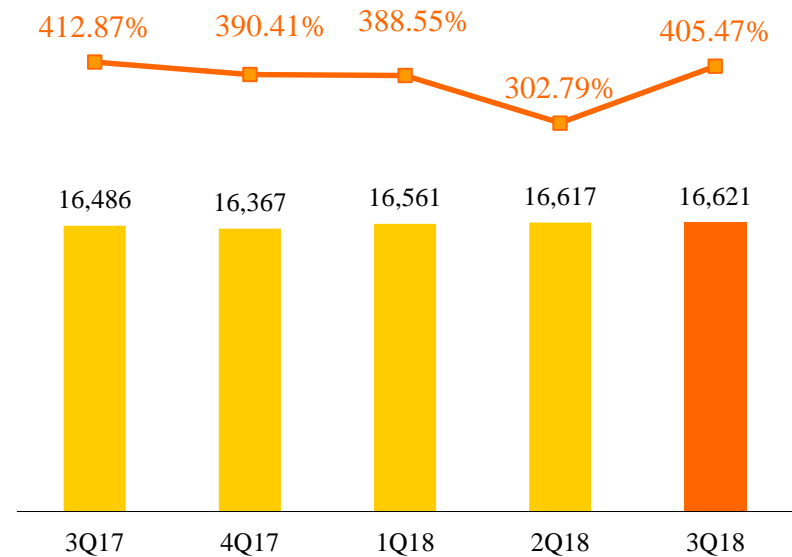
► NPL Ratio and Coverage Ratio

NPL Ratio



■ NPL Balance(in NT\$ mn) — NPL Ratio

Coverage Ratio

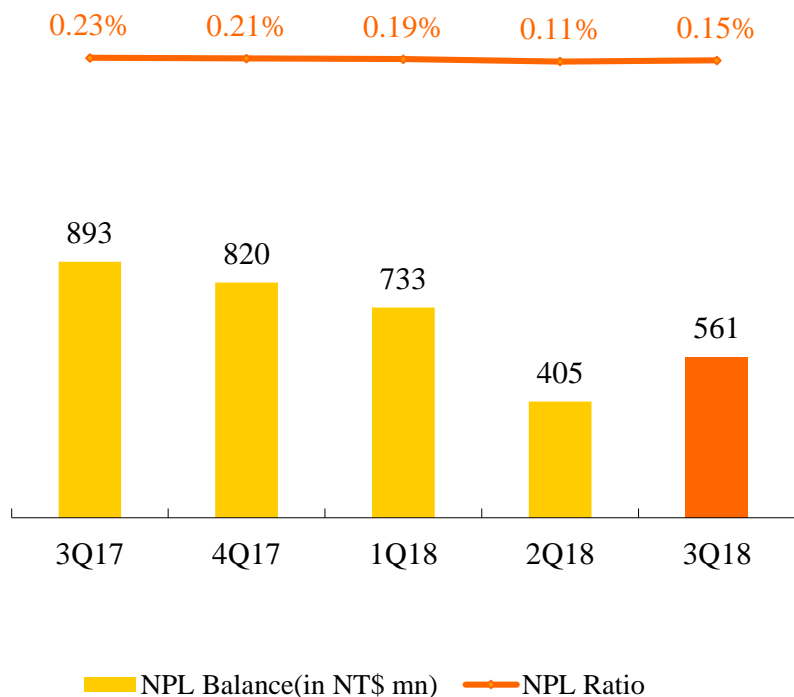


■ Loan loss reserved(in NT\$ mn) — Coverage Ratio

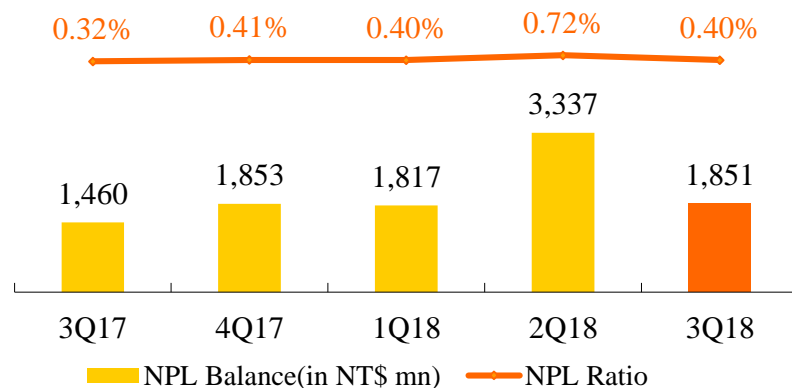


▶ Asset quality

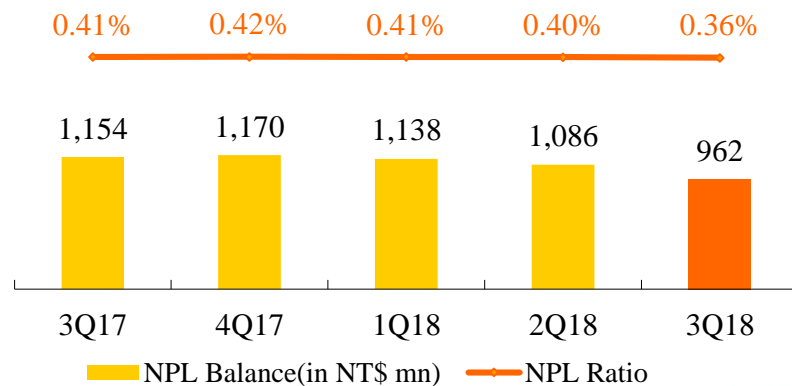
Large Corp.



SME



Mortgage



▶ Credit Rating & CAR

Credit Rating

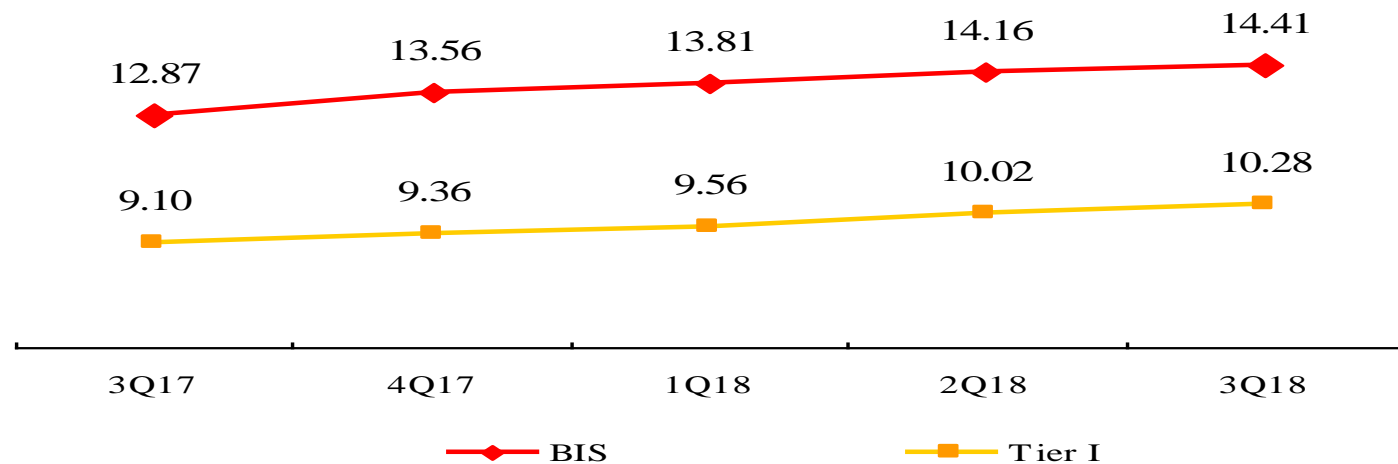
■ **Moody's** (Dec. 17 Review) :

- 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

● Operations Highlight

● Financial Performance

● Operating Results

● Appendix

(in NT\$ mn)

	Yearly Results			Quarterly Results				YOY	
	2016	2017	Change%	3Q17	4Q17	1Q18	2Q18	3Q18	Change%
Assets									
Cash & due from Banks	240,024	239,850	-0.07%	227,307	239,850	217,637	226,230	220,955	-2.79%
Financial assets at FVPL, net	34,699	13,553	-60.94%	15,984	13,553	9,209	12,253	11,918	-25.44%
Financial assets at FVOCI, net	-	-	-	-	-	85,084	93,945	99,532	-
Financial assets for hedging	-	-	-	-	-	227	238	216	-
Derivative financial assets for hedging	86	243	182.56%	250	243	-	-	-	-
Financial assets at amortized cost, net	-	-	-	-	-	260,029	268,727	253,448	-
Receivables, net	20,280	24,670	21.65%	25,190	24,670	26,178	27,750	31,989	26.99%
Loans, net	1,367,260	1,377,041	0.72%	1,355,397	1,377,041	1,368,570	1,370,075	1,368,161	0.94%
Available-for-sale financial assets, net	76,825	73,176	-4.75%	81,357	73,176	-	-	-	-
Held-to-maturity financial assets, net	204,865	237,412	15.89%	243,006	237,412	-	-	-	-
Other financial assets, net	23,098	31,247	35.28%	38,365	31,247	58,716	55,812	57,491	49.85%
Property and equipment, net	20,802	20,640	-0.78%	20,679	20,640	20,571	20,617	20,620	-0.29%
Investment property, net	13,754	13,748	-0.04%	13,749	13,748	13,746	13,745	13,743	-0.04%
Other assets	3,459	4,678	35.24%	3,780	4,678	6,483	5,622	4,956	31.11%
Total Assets	2,005,152	2,036,258	1.55%	2,025,064	2,036,258	2,066,450	2,095,014	2,083,029	2.86%
Liabilities									
Deposits from banks	139,163	108,152	-22.28%	115,214	108,152	136,291	143,330	113,712	-1.30%
Financial liabilities at FVPL	18,093	12,309	-31.97%	14,489	12,309	11,828	14,036	12,148	-16.16%
RP	2,955	3,119	5.55%	3,047	3,119	3,146	2,562	10,659	249.82%
Deposits and remittances	1,624,430	1,672,080	2.93%	1,660,625	1,672,080	1,680,943	1,674,631	1,683,083	1.35%
Bank notes payable	31,375	41,740	33.04%	41,745	41,740	39,526	46,539	46,518	11.43%
Other liabilities	51,612	53,910	4.45%	46,891	53,910	43,309	63,057	62,306	32.87%
Total Liabilities	1,867,628	1,891,310	1.27%	1,882,011	1,891,310	1,915,043	1,944,155	1,928,426	2.47%
Stockholders' Equity									
Total Liabilities and Stockholders' Equity	2,005,152	2,036,258	1.55%	2,025,064	2,036,258	2,066,450	2,095,014	2,083,029	2.86%

(in NT\$ mm)

	Yearly Results			Quarterly Results					Yearly Results		
	2016	2017	Change %	3Q17	4Q17	1Q18	2Q18	3Q18	9M17	9M18	Change %
Interest Income	32,590	34,603	6.18%	8,839	8,981	9,178	9,602	9,702	25,622	28,482	11.16%
Interest Expense	10,863	11,946	9.97%	3,053	3,193	3,408	3,804	3,878	8,753	11,090	26.70%
Net Interest Income	21,727	22,657	4.28%	5,786	5,788	5,770	5,798	5,824	16,869	17,392	3.10%
Net Service fee and commissions income	5,412	4,799	-11.33%	1,208	1,111	1,226	1,166	1,283	3,688	3,675	-0.35%
Gains(losses) on financial assets and liabilities at FVPL	2,071	2,343	13.13%	415	695	746	603	693	1,648	2,042	23.91%
Realized gains(losses) of AFS financial assets	432	564	30.56%	171	224	0	0	0	340	0	-1
Realized gains of financial assets at FVOCI	-	-	-	-	-	8	148	362	0	518	-
Gains(losses) on disposal of credit assets measured at AC	-	-	-	-	-	-	-	-92	0	-92	-
Foreign exchange gains(losses)	280	-77	-127.50%	121	-86	-4	767	130	9	893	9822.22%
Other miscellaneous net income	1,086	511	-52.95%	159	76	77	107	74	435	258	-40.69%
Net income other than net interest income	9,281	8,140	-12.29%	2,074	2,020	2,053	2,791	2,450	6,120	7,294	19.18%
Net Revenues and gains	31,008	30,797	-0.68%	7,860	7,808	7,823	8,589	8,274	22,989	24,686	7.38%
Credit loss provisions, net	1,138	791	-30.49%	-529	909	341	813	404	-118	1,558	1420.34%
Operating Expenses	15,787	15,822	0.22%	4,345	3,861	3,820	3,966	3,888	11,961	11,674	-2.40%
Employee Benefits expenses	10,549	10,608	0.56%	3,052	2,486	2,576	2,588	2,543	8,122	7,707	-5.11%
Depreciation and amortization expenses	718	719	0.14%	181	183	179	179	178	536	536	0.00%
Other general and administrative expenses	4,520	4,495	-0.55%	1,112	1,192	1,065	1,199	1,167	3,303	3,431	3.88%
Income before income tax from continuing operations	14,083	14,184	0.72%	4,044	3,038	3,662	3,810	3,982	11,146	11,454	2.76%
Income Tax Expense	1,997	2,091	4.71%	645	300	233	674	579	1,791	1,486	-17.03%
Net Income	12,086	12,093	0.06%	3,399	2,738	3,429	3,136	3,403	9,355	9,968	6.55%
Basic EPS(NT\$)	1.35	1.28	-5.19%	0.36	0.27	0.36	0.31	0.35	0.96	1.02	6.25%
Other comprehensive income	-1,077	-904	16.06%	117	-844	-63	551	341	-60	829	1481.67%
Total comprehensive income	11,009	11,189	1.64%	3,516	1,894	3,366	3,687	3,744	9,295	10,797	16.16%