



Message from the Chairman

Considering the uncertainties in the global economic outlook, such as the U.S.-China trade war, emerging market currency crisis, increase of geopolitical risks, and China's risk of recession, the banking industry still faces many severe challenges, including the stricter international financial monitoring, the increase in regulatory costs, the rise of FinTech and its invasion of bank niches, and the continued shrinking of deposit and loan yield spreads, all of which have made the banking industry environment increasingly hostile. The Bank closely observes and prudently responds with an eye on the principles of risk management and asset quality optimization; and thanks to the efforts of all employees, the cumulative pre-tax earnings of 2018 totaled NT\$14.710 billion, making it the 9th consecutive year that the Bank has earned more than NT\$10 billion. In terms of asset quality, the non-performing loan (NPL) ratio was 0.32%, and the debt coverage ratio was 378.07%.

CHB continually and successfully to promote corporate governance and sustainable development in the recent year, we have been selected



as a constituent of TWSE Corporate Governance 100 Index (CG 100), TWSE RAFIR Taiwan High Compensation 100 Index (HC 100), FTSE4Good Emerging Index for years. In addition to being selected as a constituent of the FTSE4Good TIP Taiwan ESG Index for the first time in 2018, we were awarded the BSI Corporate Social Responsibility Report Sustainability Excellence Award, the silver medal of the 2018 Taiwan Corporate Sustainability Awards (TCSA) for “Corporate Sustainability Report” , and passed the ISO 14064-1: 2006 verification, becoming the first partially state-owned bank to complete the greenhouse gas inventory of all business locations and offices in Taiwan.





Furthermore, CHB creates a friendly working environment and takes care of employee rights, also believes we are all part of CHB Family, both winner of labour and the bank. Therefore, CHB has been signed a "Group Agreement" with the CHB Union on May 14, 2018 to show that both employers and employees working together to protect the rights and interests of employees and to secure harmonious labor relations.

In 2019, the Bank plans to focus on "solidifying the foundation of Chang Hwa Bank through the lead of digital banking" as core business strategy; build smart finance by three major economic strategies: "using FinTech to drive growth momentum" , "perfecting customer experience and grasping potential business opportunities" and "expanding overseas markets and integrating cross-border services" ; and solidify the foundation for sustainable operations with four major operational pillars: "emphasizing legal compliance and information security while strengthening internal control" , "improving corporate governance and enhancing brand value" , "prudent capital planning and asset quality optimization" and "accumulating human capital and fulfilling social responsibilities" , all in order to keep a proactive



and stable pace to reach new milestones and achieve the goal of remaining a quality financial institution.