



# Financial Review of 3Q 2019

(Bloomberg: 2801 TT)

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# ▶ Agenda

● **Operational Highlights**

● Financial Performance

● Operating Results

● Appendix

# ▶ Operational Highlights (consolidated basis)

## Core Business

- ★ Loans -0.3% YoY, SME+1.3%YoY
- ★ Deposits +1.7% YoY, NTD Demand Deposit+6.3%YoY

## Profitability

- ★ Net Income Before Tax -7.9% YoY
- ★ NII -0.02% YoY
- ★ Profit from Overseas and OBU to 52.2%

## Asset quality

- ★ NPL ratio was 0.36%
- ★ Coverage ratio was 338.30%

## Capital Adequacy Ratio

- ★ BIS ratio was 14.59% (+0.18% YoY)

# ▶ Agenda

● Operational Highlights

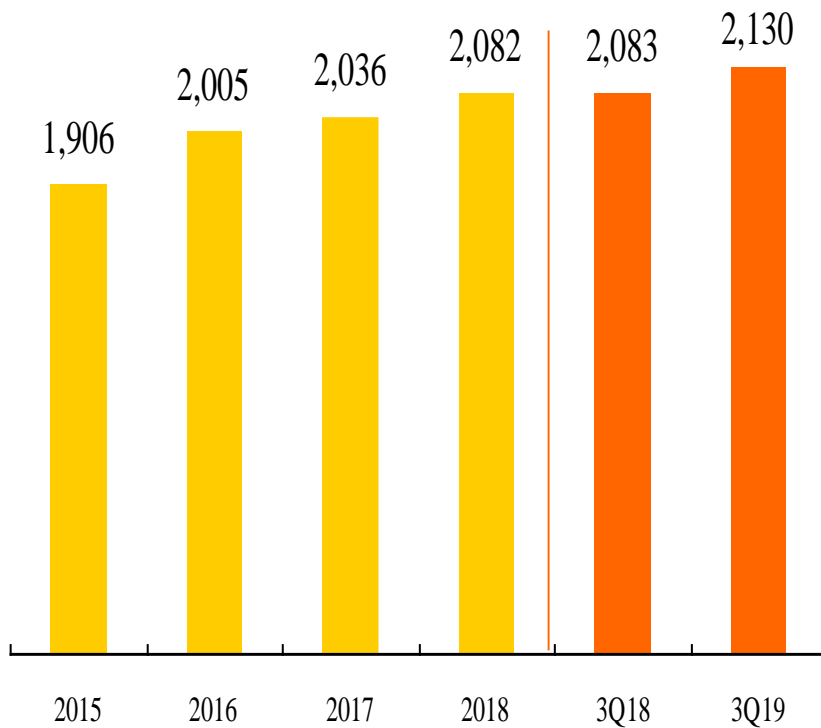
● **Financial Performance**

● Operating Results

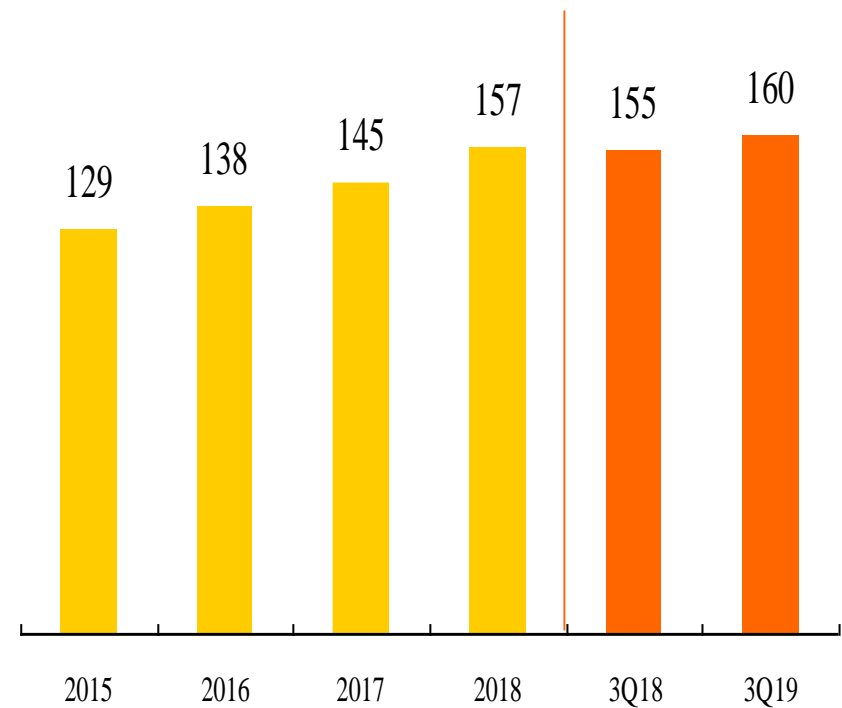
● Appendix

# ▶ Asset size and Net Worth

Asset size (in NT\$ bn)

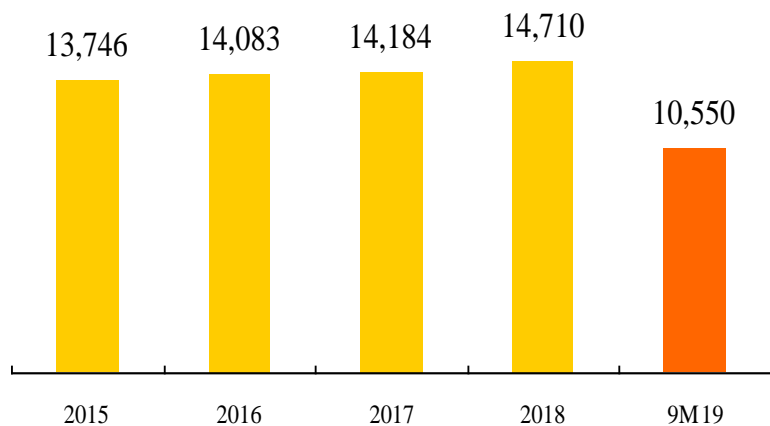


Net Worth (in NT\$ bn)

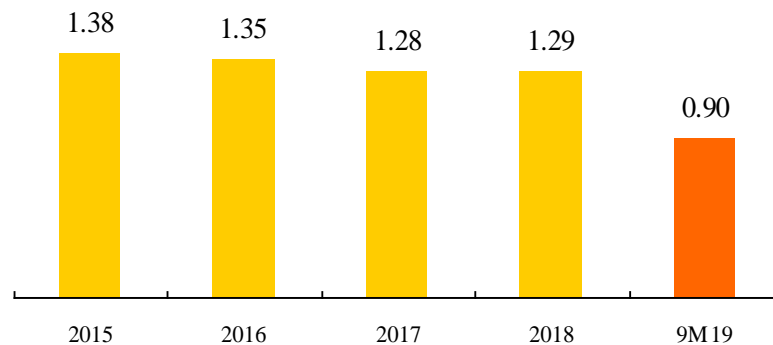


# ► Financial Performance

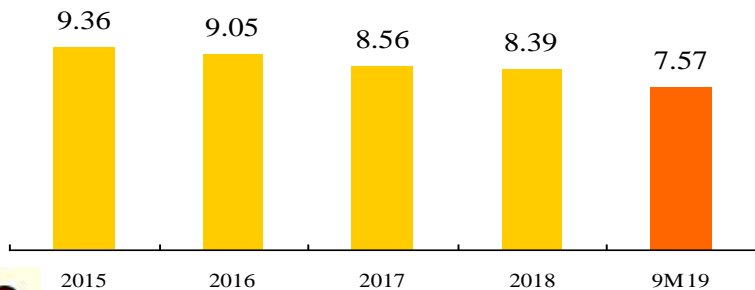
Net Income Before Tax (in NT\$ mn)



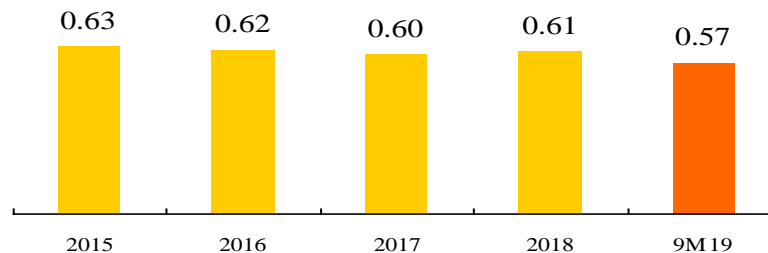
EPS After tax



ROE



ROA



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



# ► Comprehensive Income

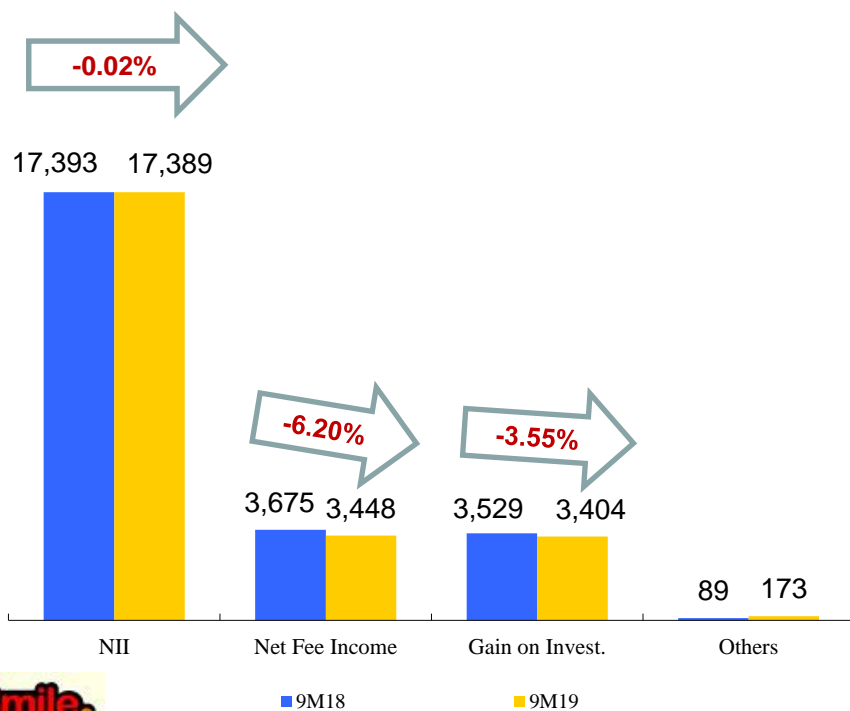
(In NT\$ mn )	9M18	9M19	YoY(%)
Net Revenue	24,686	24,414	-1.10%
Provision, Net	1,558	1,705	9.41%
Operating Expense	11,674	12,159	4.16%
Net Income Before tax	11,454	10,550	-7.90%
Income Tax Expense	1,486	1,567	5.45%
Net Income After tax	9,968	8,982	-9.89%
Other comprehensive income	829	634	-23.56%
Total comprehensive income	10,797	9,616	-10.94%



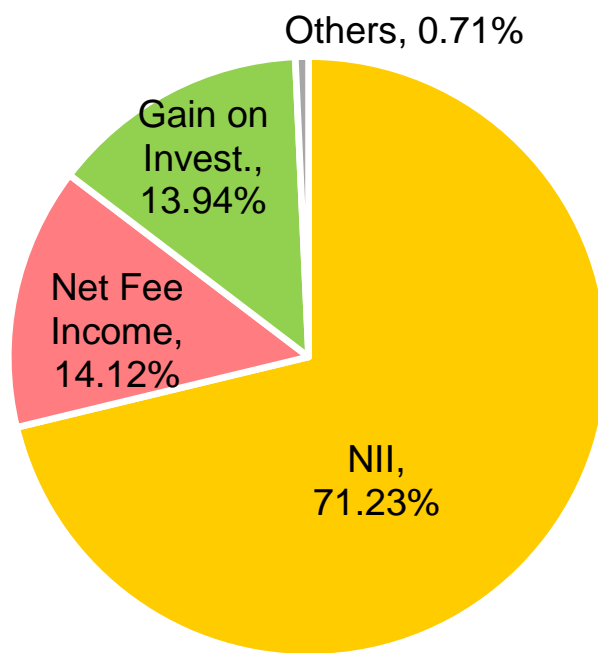
# ▶ Net Revenue

## Net Revenue (in NT\$ mn)

9M18	9M19	YoY
24,686	24,414	-1.1%



## 9M19 Net Revenue breakdown

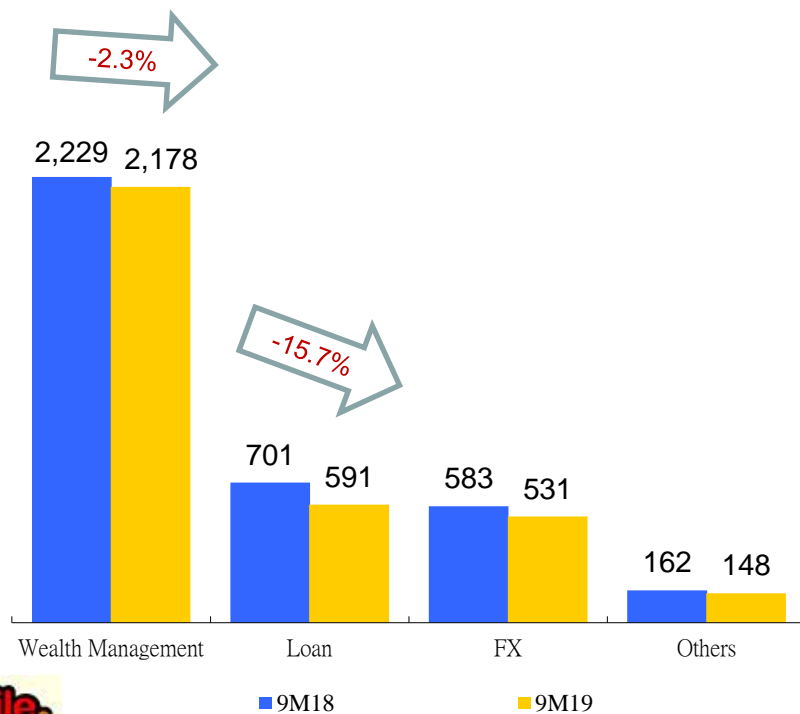
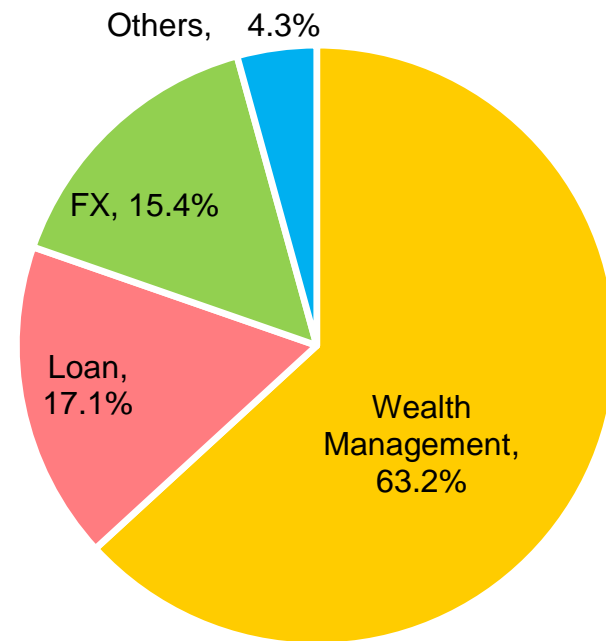


# ▶ Net Fee Income

## Net Fee Income (in NT\$ mn)

9M18	9M19	YoY
3,675	3,448	-6.2%

## 9M19 Net Fee Income breakdown



# ▶ Agenda

● Operational Highlights

● Financial Performance

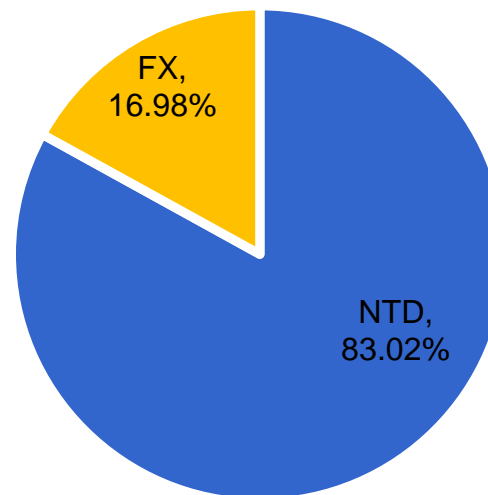
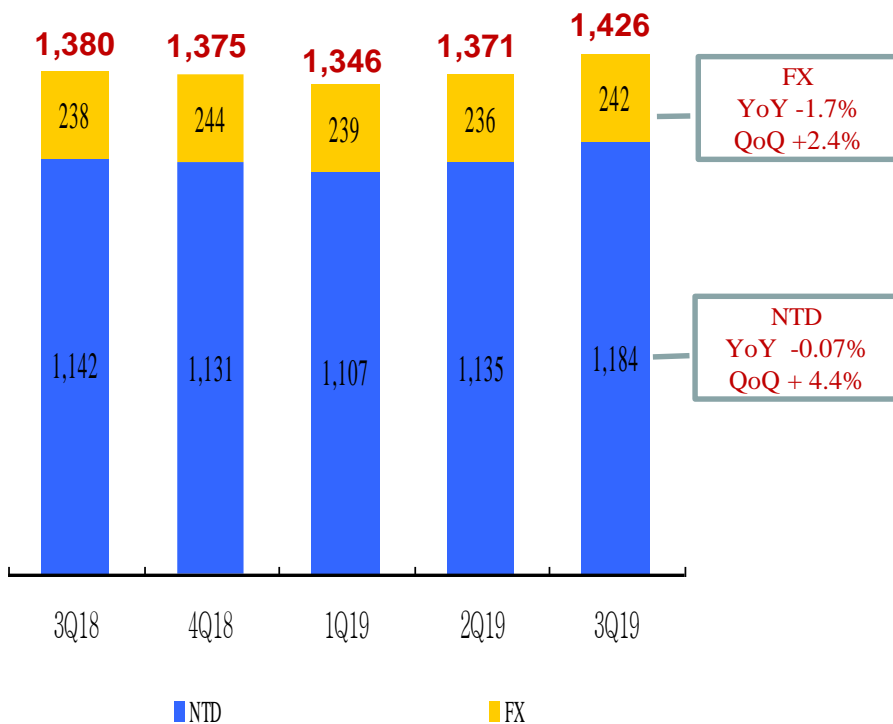
**● Operating Results**

● Appendix

# ▶ Loan breakdown by currency

Quarterly loan balance (in NT\$ bn)

3Q19 loan breakdown by currency

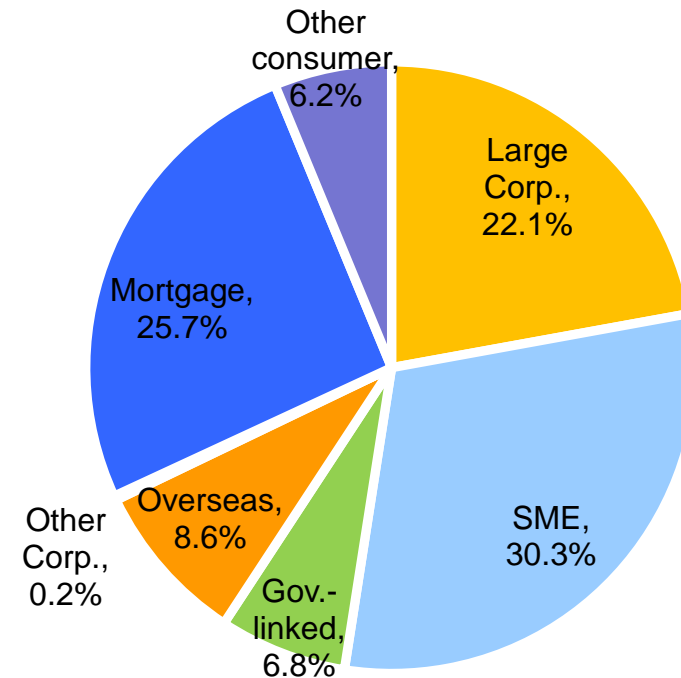
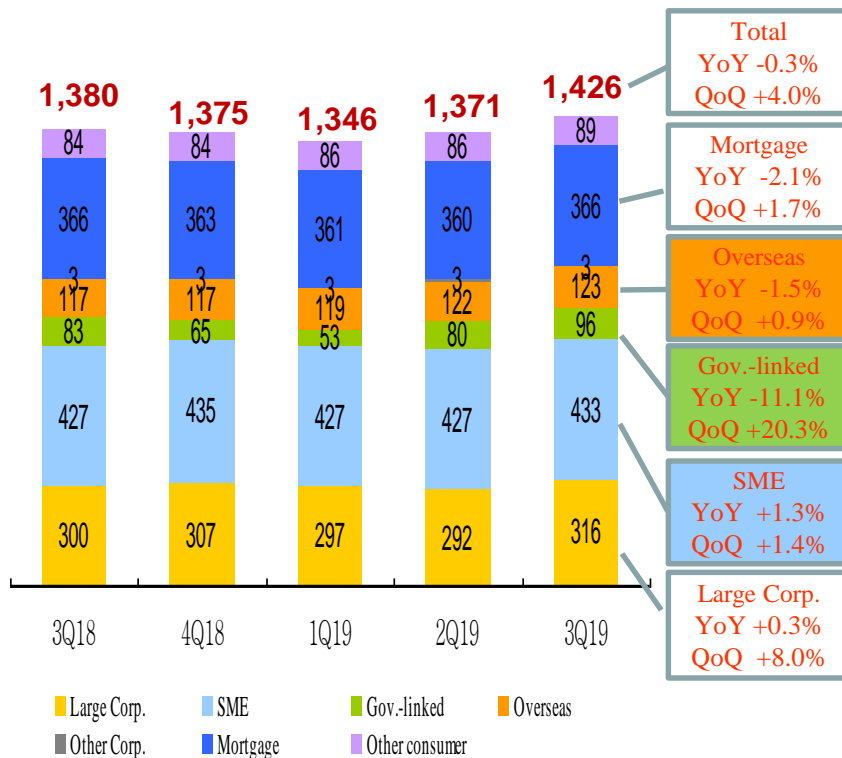


1. Loan is included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. Quarterly loan balance is single quarter average balance basis.
3. YoY is compared with the average of nine months in 2018 and 2019.

# ▶ Loan breakdown by customer

Quarterly loan balance (in NT\$ bn)

3Q19 loan breakdown by customer



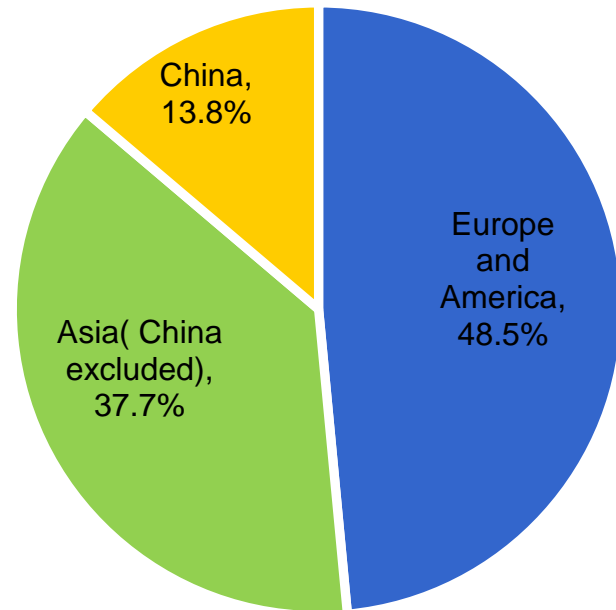
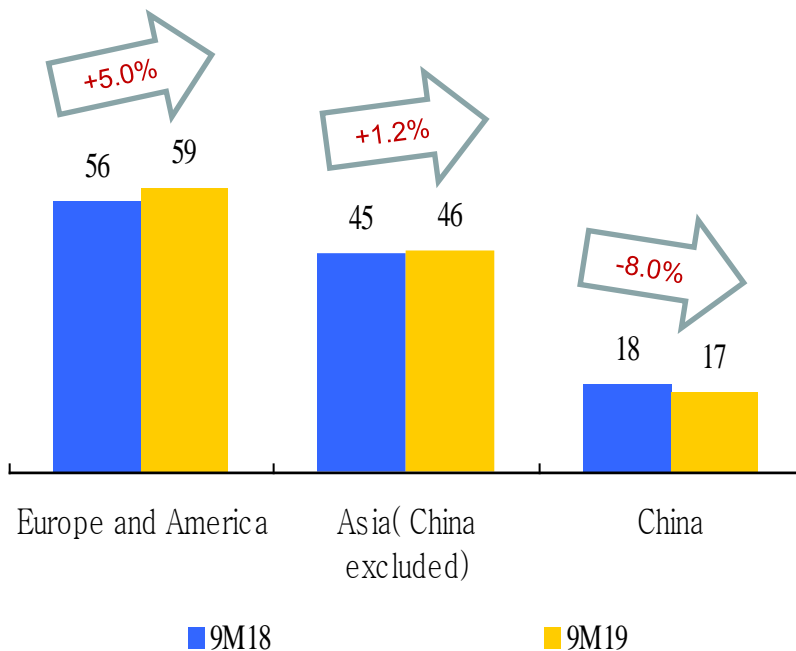
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2. Quarterly loan balance is single quarter average balance basis.
3. YoY is compared with the average of nine months in 2018 and 2019.

# ▶ Overseas Loan breakdown

Overseas loan balance (in NT\$ bn)

9M19 overseas loan breakdown by regions

9M18	9M19	YoY
119.6	121.4	+1.6%



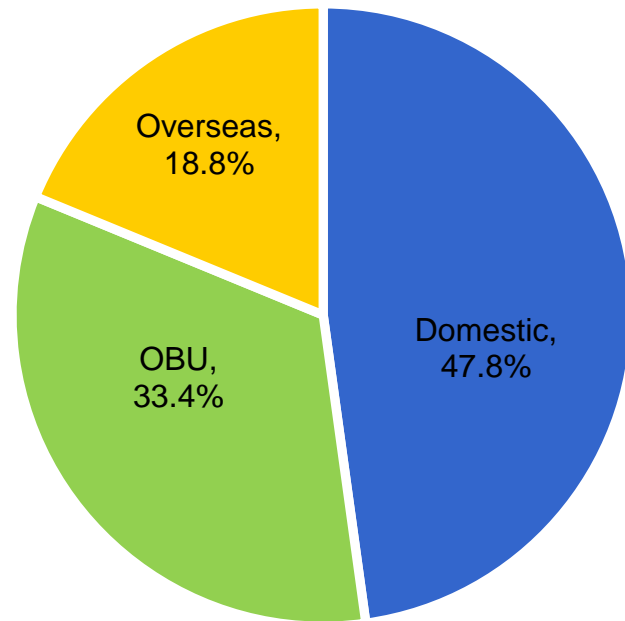
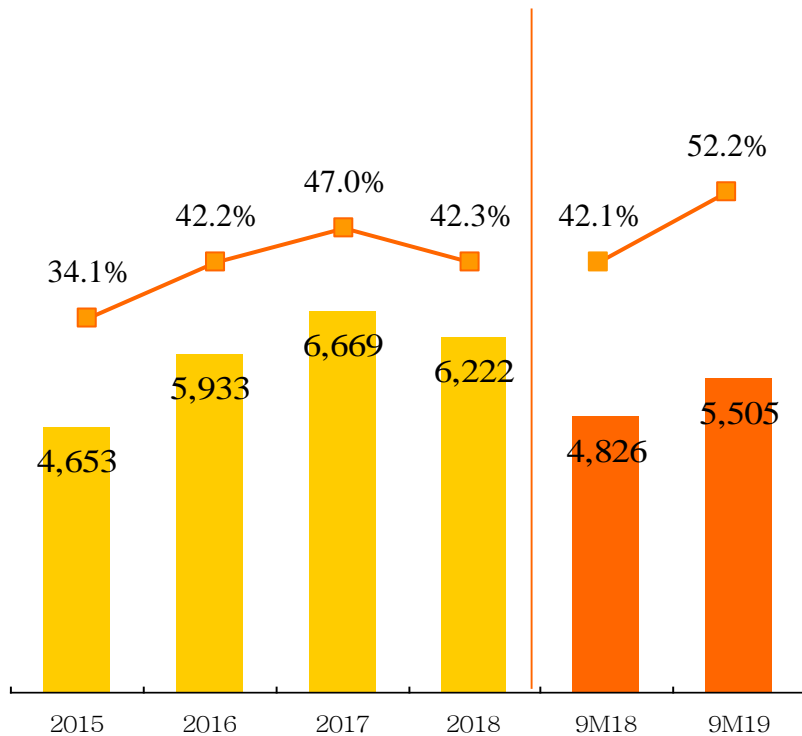
1. Loan is included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.
2. The figures are the average of nine months.
3. Including China subsidiary.



# Overseas & OBU Performance

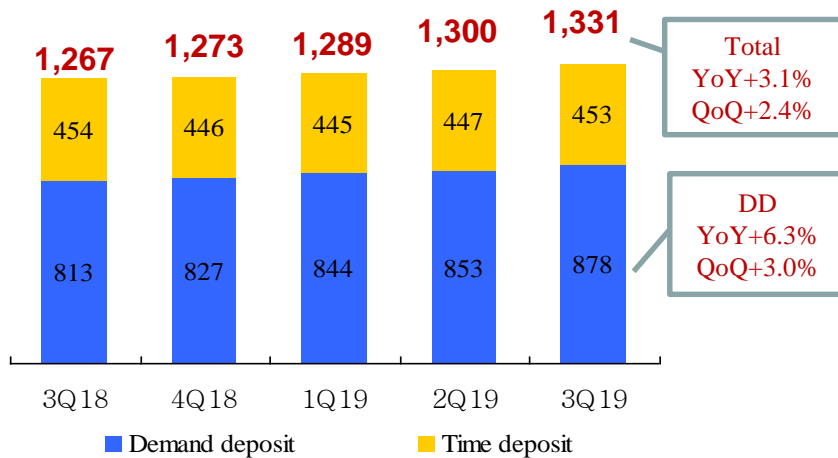
**Overseas & OBU**  
Net Income Before Tax (in NT\$ mn)

**9M19 Net Income Before Tax**  
breakdown

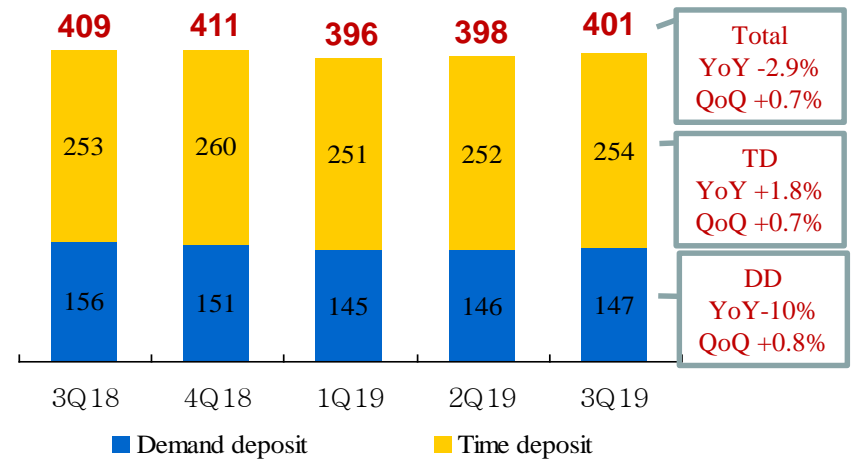


# Deposit breakdown by currency

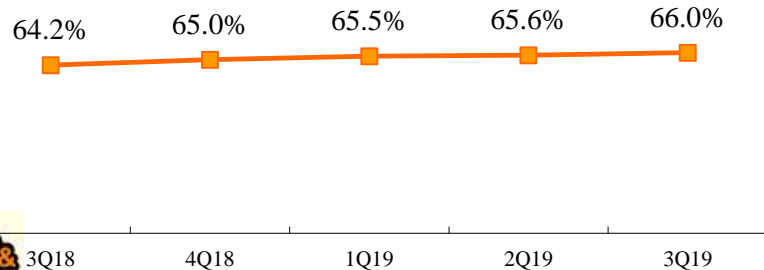
Quarterly NTD deposit balance (in NT\$ bn)



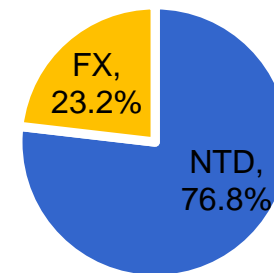
Quarterly FX deposit balance (in NT\$ bn)



Quarterly NTD demand deposit proportion



3Q19 Deposit breakdown by currency

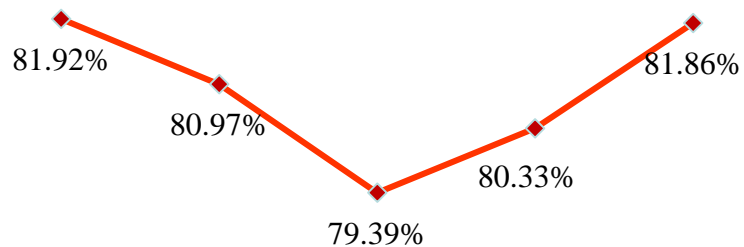


1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is compared with the average of nine months in 2018 and 2019.

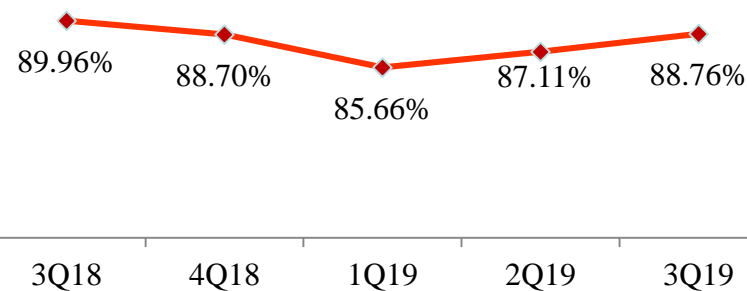


# ▶ LDR

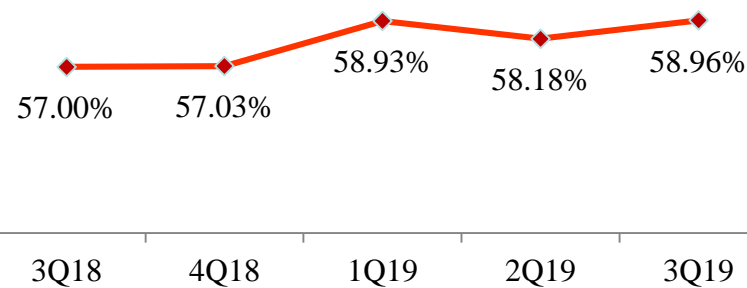
## Total LDR



## NTD LDR

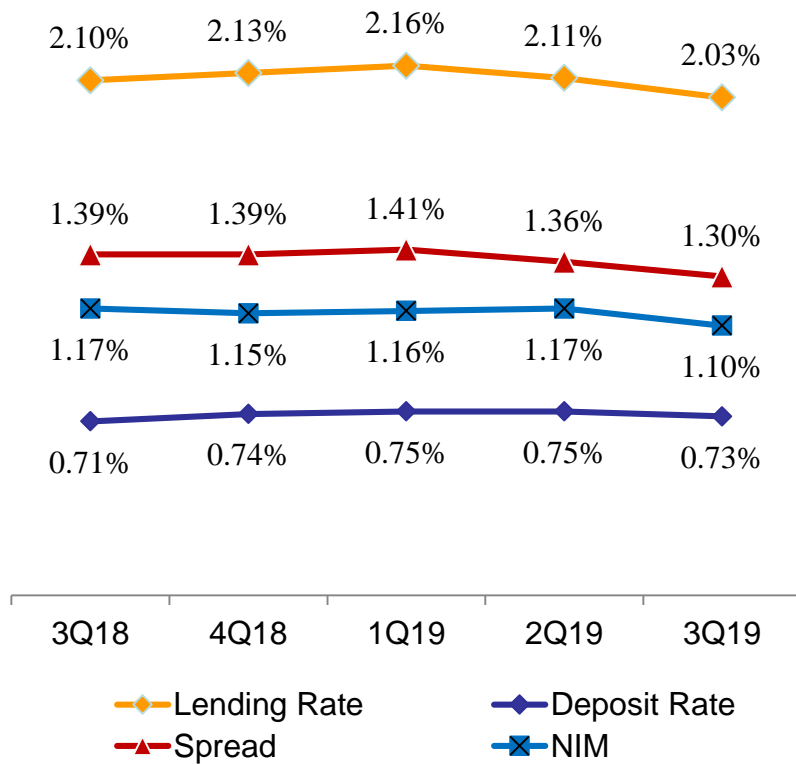


## FX LDR

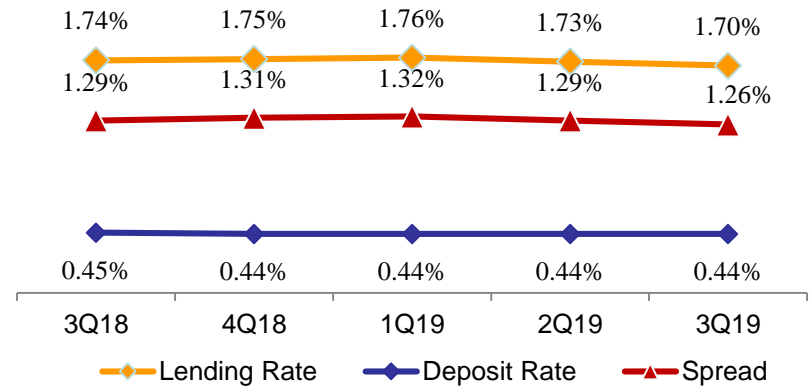


# ► Spread and NIM

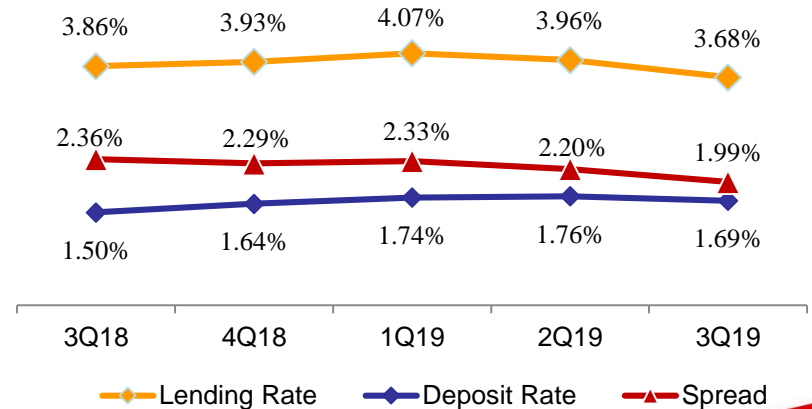
## Quarterly total loan interest spread and NIM



## NTD loan interest spread



## FX loan interest spread

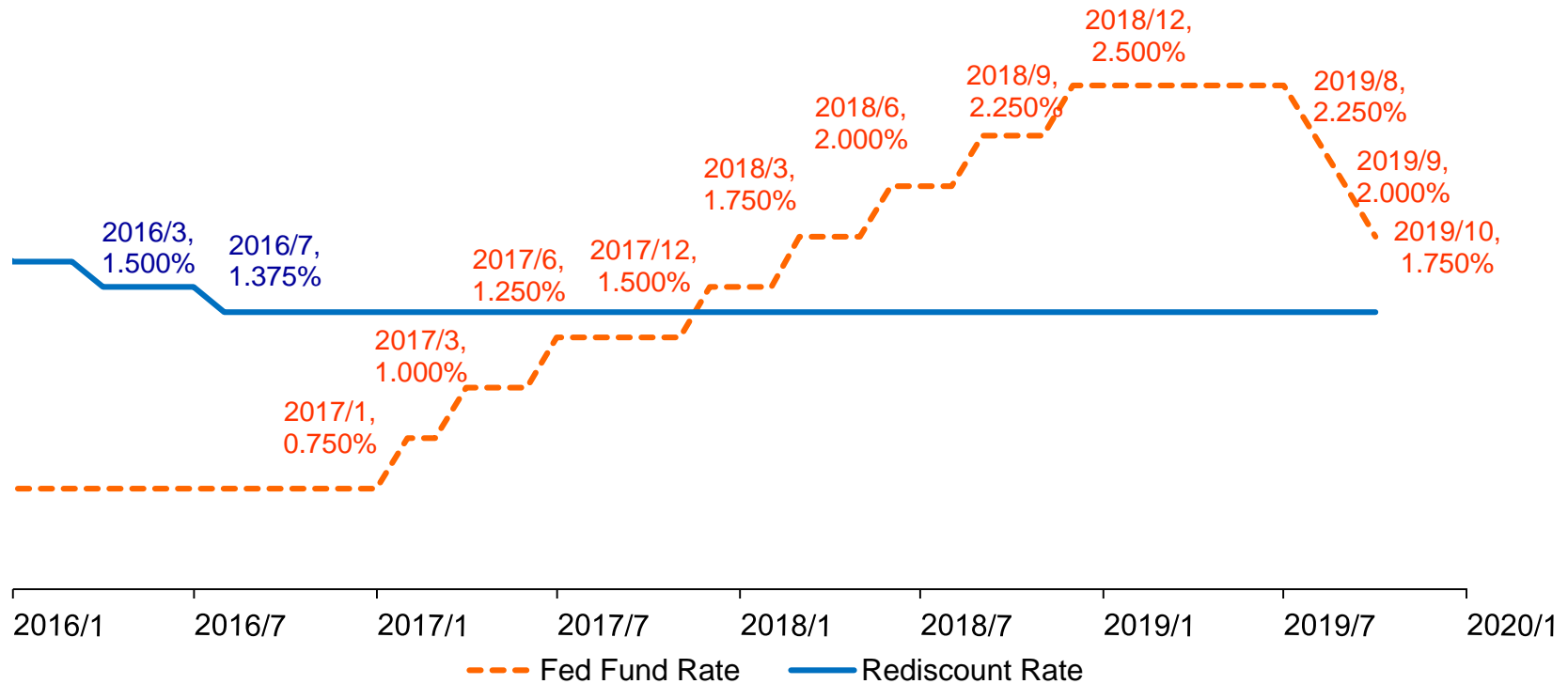


1. IFRS and quarterly basis.



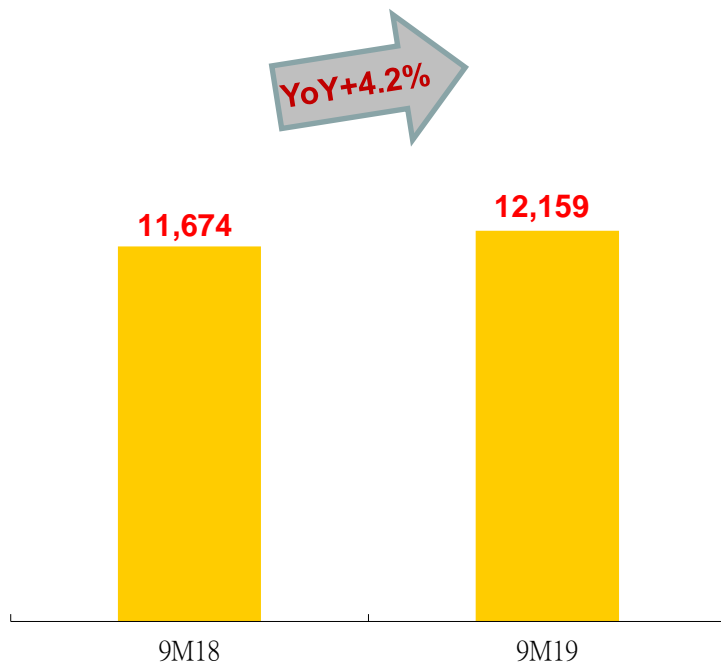
# FED vs. CBC interest rates trends

## Fed Fund Rate VS. Rediscount Rate

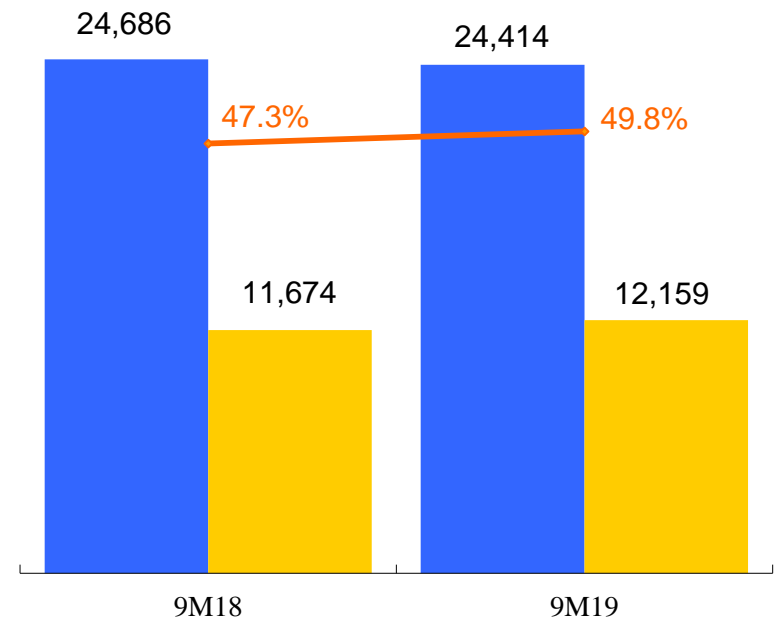


# ► Cost-Income Ratio

## Operating Expense (in NT\$ mn)



## Cost-Income Ratio



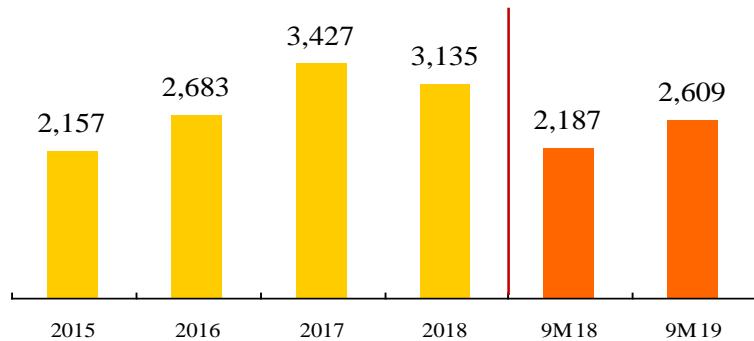
Net Revenue (in NT\$ mn)

Operation Expense (in NT\$ mn)

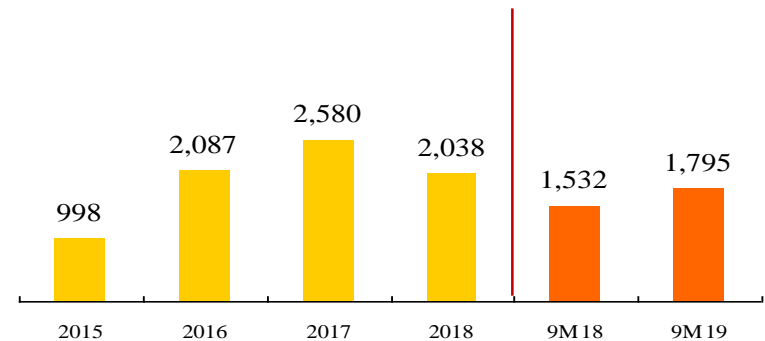
Cost-Income Ratio

# ▶ Loan provision, write-off and recovery

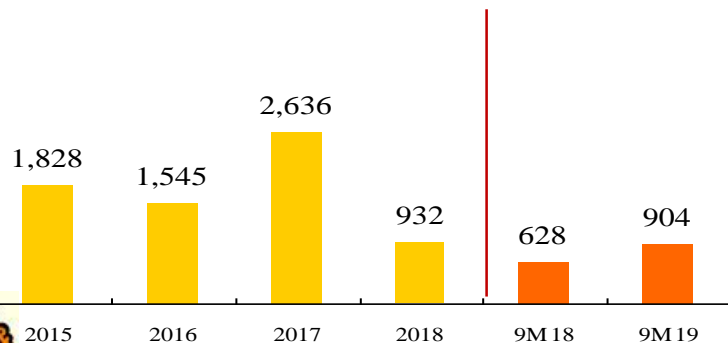
**Provision** (in NT\$ mn)



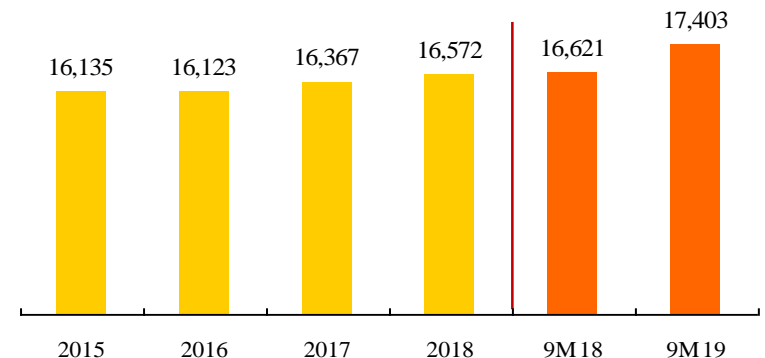
**Write-Off** (in NT\$ mn)



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

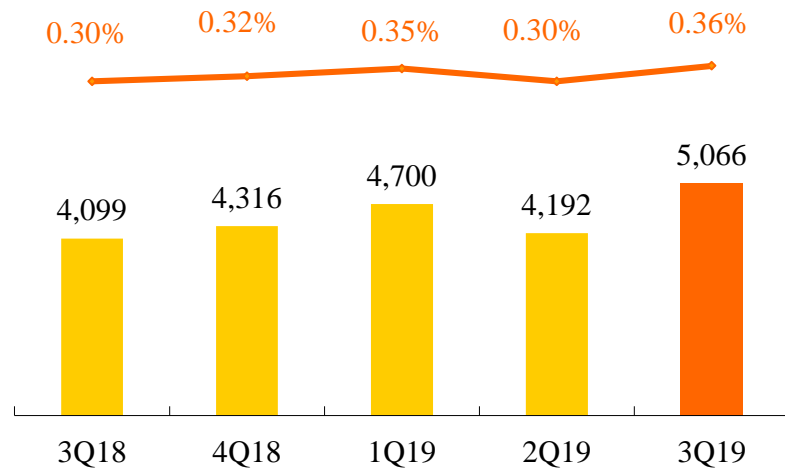


**Reserve** (in NT\$ mn)



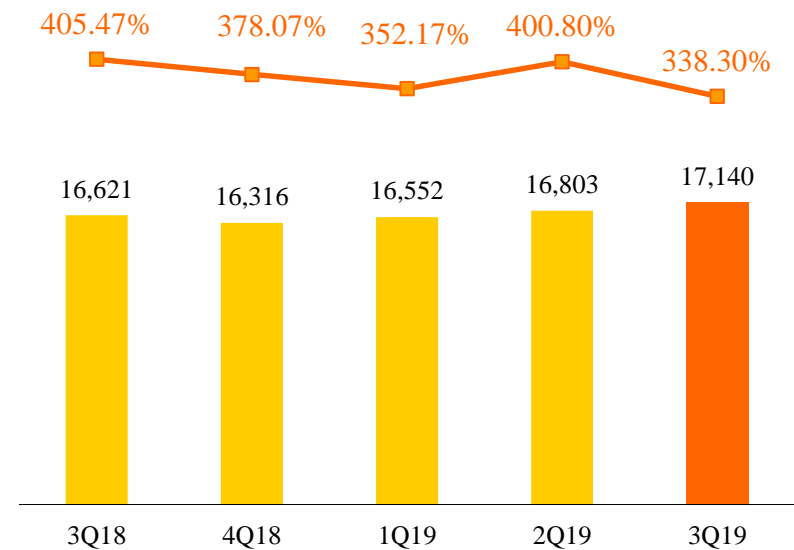
# ► NPL Ratio and Coverage Ratio

## NPL Ratio



■ NPL Balance(in NT\$ mn) — NPL Ratio

## Coverage Ratio

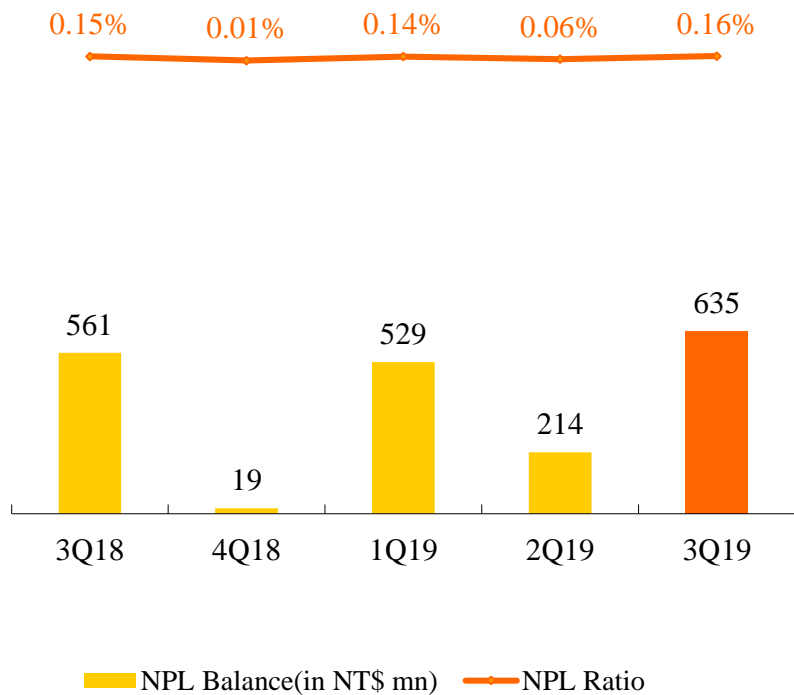


■ Loan loss reserved(in NT\$ mn) — Coverage Ratio

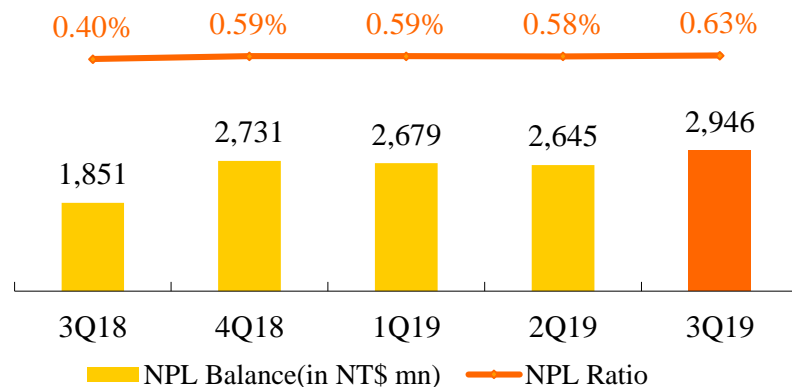


# ▶ Asset Quality

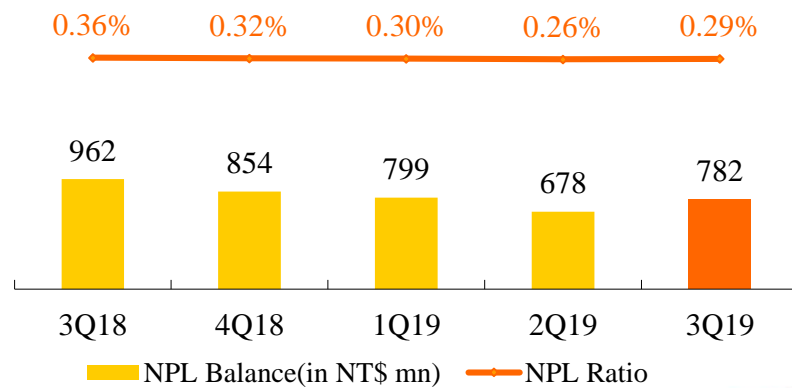
## Large Corp.



## SME



## Mortgage



# ▶ Credit Rating & CAR

## Credit Rating

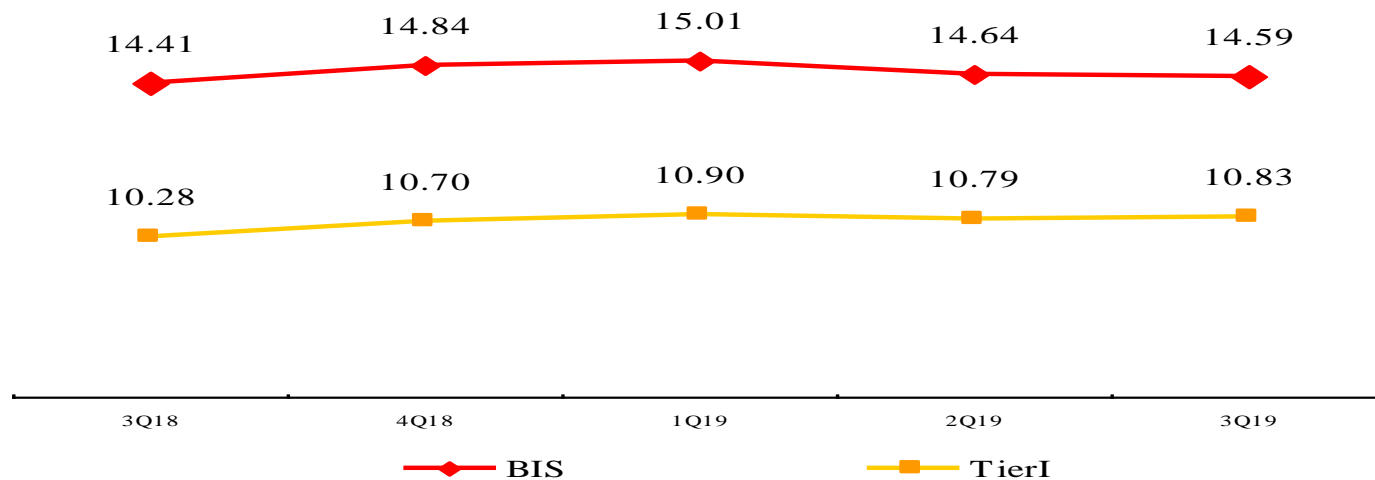
■ **Moody's** (2019/1,Review) :

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

■ **S&P** (2019/10,Review) :

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

## Capital Adequacy Ratio (%)





# Operational Perspective

## Strengthen Core Business

- To adjust the customer segmentation, strive to create new credit clients of small and medium-sized enterprises, and consolidate the profit from the spread.
- Full sprint on consumer banking business, narrowing the gap with the industry.
- Strive for business opportunities related to the “Overseas Taiwanese Business Return to Taiwan” and “Repatriated Offshore Funds Act”.
- Strengthen data management and application to integrate into the customer financial system.

## Develop Diverse Sources of Profit

- Combine high-asset team services to assist the branch in developing and focus on customers needs and providing with wealth inheritance planning.
- Develop multi-financial products, expand asset planning, offer suitable products to target customers, and strengthen the growth momentum of wealth management.
- Flexible asset allocation strategy to improve financial operations efficiency.
- Get involved in “Urban Renewal Project” to enhance “Owned Assets” activation benefit.

## Expend Overseas Layout

- Actively integrate the business opportunities of the ASEAN region after the establishment of the Yangon office and the Manila branch.
- Continue to strengthen the overseas layout; in addition to actively setting up the Houston branch, it will also focus on training professionals and expanding the international financial network.
- Actively promote overseas units to co-ordinate and hosting of an international joint syndicated loan.
- Strengthen the business and management capabilities of overseas branches and implement a culture of compliance.

## Enhance the Competitiveness of Digital Financial

- Push for corporate online banking upgrades to integrating Taiwan and overseas online banking as a multi-channel platform to provide customers with more comprehensive digital financial services.
- Reinforce on multi-channel integration, optimize mobile payment transaction processes, and expand mobile payment application fields.
- To build up a full functional media customer service system to improve customer satisfaction and reduce labor costs.
- Diversify alliances, expand cooperation channels, and create business opportunities.

## Implement Regulatory Compliance & Corporate Governance

- Continuously strengthen legal compliance and functions to ensure the effectiveness to enhance and cognition the culture of legal compliance.
- Strengthen the prevention of Anti-Money Laundering and countering the financing of terrorism to reduce the risk.
- Selected as a constituent stock of “FTSE4Good TIP TW ESG Index”, “TWSE Corporate Governance 100 Index”, and “FTSE4Good Emerging Index”.
- The Best Sustainable Management Award of 2019 Excellent Banking Service Rating

# ▶ Q&A



# ▶ Agenda

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● Financial Performance

● Operating Results

● Appendix

## BALANCE SHEETS(Consolidated)

(in NT\$ mn)	Year(IFRSs)			Quarter(IFRSs)					Period(IFRSs)			
	2017	2018	Change%	3Q18	4Q18	1Q19	2Q19	3Q19	Change%	3Q18	3Q19	Change%
<b>Assets</b>												
Cash & due from Banks	239,850	249,016	3.82%	220,955	249,016	261,064	229,311	187,982	-18.02%	220,955	187,982	-14.92%
Financial assets at FVPL, net	13,553	10,918	-19.44%	11,918	10,918	8,892	9,090	11,114	22.27%	11,918	11,114	-6.75%
Financial assets at FVOCI, net	-	91,938	0.00%	99,532	91,938	95,754	119,839	124,472	3.87%	99,532	124,472	25.06%
Financial assets for hedging	-	245	-	216	245	262	275	267	-2.84%	216	267	23.69%
Derivative financial assets for hedging	243	-	-	-	-	-	-	-	-	0	0	-
Financial assets at amortized cost, net	-	268,060	0.00%	253,448	268,060	260,259	270,059	272,616	0.95%	253,448	272,616	7.56%
Receivables, net	24,670	29,934	21.34%	31,989	29,934	25,872	26,581	35,177	32.34%	31,989	35,177	9.97%
Loans, net	1,377,041	1,336,701	-2.93%	1,368,161	1,336,701	1,338,709	1,383,681	1,422,235	2.79%	1,368,161	1,422,235	3.95%
Available-for-sale financial assets, net	73,176	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity financial assets, net	237,412	-	-	-	-	-	-	-	-	-	-	-
Other financial assets, net	31,247	55,045	76.16%	57,491	55,045	50,986	44,118	34,609	-21.55%	57,491	34,609	-39.80%
Property and equipment, net	20,640	21,071	2.09%	20,620	21,071	21,051	20,827	20,701	-0.61%	20,620	20,701	0.39%
Right-of-use asset	-	-	-	-	-	1,883	1,684	1,643	-2.45%	0	1,643	-
Investment property, net	13,748	13,742	-0.04%	13,743	13,742	13,741	13,876	13,875	-0.01%	13,743	13,875	0.96%
Other assets	4,678	5,142	9.92%	4,956	5,142	7,761	4,829	5,530	14.51%	4,956	5,530	11.57%
<b>Total Assets</b>	<b>2,036,258</b>	<b>2,081,812</b>	<b>2.24%</b>	<b>2,083,029</b>	<b>2,081,812</b>	<b>2,086,234</b>	<b>2,124,170</b>	<b>2,130,220</b>	<b>0.28%</b>	<b>2,083,029</b>	<b>2,130,220</b>	<b>2.27%</b>
<b>Liabilities</b>												
Deposits from banks	108,152	113,039	4.52%	113,712	113,039	114,731	132,529	104,986	-20.78%	113,712	104,986	-7.67%
Financial liabilities at FVPL	12,309	11,047	-10.25%	12,148	11,047	11,172	12,143	13,412	10.45%	12,148	13,412	10.40%
RP	3,119	5,286	69.48%	10,659	5,286	3,635	2,181	1,968	-9.76%	10,659	1,968	-81.54%
Payables	34,850	36,678	5.25%	42,283	36,678	36,326	39,781	41,833	5.16%	42,283	41,833	-1.07%
Deposits and remittances	1,672,080	1,689,581	1.05%	1,683,083	1,689,581	1,685,252	1,700,423	1,730,495	1.77%	1,683,083	1,730,495	2.82%
Bank notes payable	41,740	49,549	18.71%	46,518	49,549	49,568	55,544	55,539	-0.01%	46,518	55,539	19.39%
Provisions	4,759	5,296	11.28%	5,007	5,296	5,190	5,136	5,149	0.24%	5,007	5,149	2.83%
Lease liabilities	-	-	-	-	-	1,657	1,475	1,445	-2.01%	0	1,445	-
Other liabilities	14,301	14,774	3.31%	15,016	14,774	17,901	16,687	15,480	-7.23%	15,016	15,480	3.09%
<b>Total Liabilities</b>	<b>1,891,310</b>	<b>1,925,250</b>	<b>1.79%</b>	<b>1,928,426</b>	<b>1,925,250</b>	<b>1,925,432</b>	<b>1,965,899</b>	<b>1,970,307</b>	<b>0.22%</b>	<b>1,928,426</b>	<b>1,970,307</b>	<b>2.17%</b>
<b>Stockholders' Equity</b>	<b>144,948</b>	<b>156,562</b>	<b>8.01%</b>	<b>154,603</b>	<b>156,562</b>	<b>160,802</b>	<b>158,271</b>	<b>159,913</b>	<b>1.04%</b>	<b>154,603</b>	<b>159,913</b>	<b>3.43%</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>2,036,258</b>	<b>2,081,812</b>	<b>2.24%</b>	<b>2,083,029</b>	<b>2,081,812</b>	<b>2,086,234</b>	<b>2,124,170</b>	<b>2,130,220</b>	<b>0.28%</b>	<b>2,083,029</b>	<b>2,130,220</b>	<b>2.27%</b>

# STATEMENTS OF COMPREHENSIVE INCOME(Consolidated)

(in NT\$ mm)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2017	2018	Change%	3Q18	4Q18	1Q19	2Q19	3Q19	Change%	9M18	9M19	Change%
Interest Income	34,603	38,422	6.18%	9,702	9,940	9,870	10,122	9,858	-2.61%	28,482	29,850	4.80%
Interest Expense	11,946	15,232	9.97%	3,878	4,142	4,139	4,169	4,153	-0.38%	11,090	12,461	12.36%
<b>Net Interest Income</b>	<b>22,657</b>	<b>23,190</b>	<b>4.28%</b>	<b>5,824</b>	<b>5,798</b>	<b>5,731</b>	<b>5,953</b>	<b>5,705</b>	<b>-4.17%</b>	<b>17,392</b>	<b>17,389</b>	<b>-0.02%</b>
Net Service fee and commissions income	4,799	4,868	-11.33%	1,283	1,193	1,165	1,132	1,151	1.64%	3,675	3,448	-6.19%
Gains(losses) on financial assets and liabilities at FVPL	2,343	2,712	13.13%	693	670	567	234	387	65.57%	2,042	1,188	-41.80%
Realized gains(losses) of AFS financial assets	564	0	30.56%	-	-	-	-	-	-	-	-	-
Realized gains of financial assets at FVOCI	-	782	-	362	264	194	271	725	167.35%	518	1,190	129.64%
Gains(losses) on disposal of credit assets measured at AC	-	-101	-	-92	-9	-	-	-	-	92.00	-	-
Foreign exchange gains(losses)	-77	1,181	-127.50%	130	288	330	291	373	28.26%	893	994	11.34%
Other miscellaneous net income	511	476	-52.95%	74	218	66	65	74	13.82%	258	205	-20.55%
<b>Net income other than net interest income</b>	<b>8,140</b>	<b>9,918</b>	<b>-12.29%</b>	<b>2,450</b>	<b>2,624</b>	<b>2,322</b>	<b>1,993</b>	<b>2,710</b>	<b>35.96%</b>	<b>7,294</b>	<b>7,025</b>	<b>-3.69%</b>
<b>Net Revenues and gains</b>	<b>30,797</b>	<b>33,108</b>	<b>-0.68%</b>	<b>8,274</b>	<b>8,422</b>	<b>8,053</b>	<b>7,946</b>	<b>8,415</b>	<b>5.90%</b>	<b>24,686</b>	<b>24,414</b>	<b>-1.10%</b>
Credit loss provisions, net	791	2,203	-30.49%	404	645	374	621	710	14.30%	1,558	1,705	9.42%
<b>Operating Expenses</b>	<b>15,822</b>	<b>16,195</b>	<b>0.22%</b>	<b>3,888</b>	<b>4,521</b>	<b>3,902</b>	<b>4,054</b>	<b>4,202</b>	<b>3.66%</b>	<b>11,674</b>	<b>12,158</b>	<b>4.15%</b>
Employee Benefits expenses	10,608	10,797	0.56%	2,543	3,090	2,615	2,654	2,787	5.02%	7,707	8,056	4.53%
Depreciation and amortization expenses	719	716	0.14%	178	180	361	356	365	2.61%	536	1,082	101.92%
Other general and administrative expenses	4,495	4,682	-0.55%	1,167	1,251	926	1,044	1,050	0.56%	3,431	3,020	-11.98%
<b>Income before income tax from continuing operations</b>	<b>14,184</b>	<b>14,710</b>	<b>0.72%</b>	<b>3,982</b>	<b>3,256</b>	<b>3,777</b>	<b>3,271</b>	<b>3,502</b>	<b>7.07%</b>	<b>11,454</b>	<b>10,550</b>	<b>-7.89%</b>
Income Tax Expense	2,091	2,064	4.71%	579	578	641	408	519	27.21%	1,486	1,568	5.52%
<b>Net Income</b>	<b>12,093</b>	<b>12,646</b>	<b>0.06%</b>	<b>3,403</b>	<b>2,678</b>	<b>3,136</b>	<b>2,863</b>	<b>2,983</b>	<b>4.20%</b>	<b>9,968</b>	<b>8,982</b>	<b>-9.89%</b>
Basic EPS(NT\$)	1.28	1.29	-5.19%	0.35	0.27	0.32	0.29	0.30	3.45%	1.02	0.91	-10.78%
Other comprehensive income	-904	110	16.06%	341	-719	1,105	871	-1,342	-254.08%	829	634	-23.52%
<b>Total comprehensive income</b>	<b>11,189</b>	<b>12,756</b>	<b>1.64%</b>	<b>3,744</b>	<b>1,959</b>	<b>4,241</b>	<b>3,734</b>	<b>1,641</b>	<b>-56.04%</b>	<b>10,797</b>	<b>9,616</b>	<b>-10.93%</b>