

Financial Review 3Q 2020

(Bloomberg: 2801 TT)

December 4, 2020

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# Agenda

- Operational Highlights
- Financial Performance
- Operating Results
- Appendix

# Operational Highlights (consolidated basis)

#### **Core Business**

- Loans NT\$1,486 bn,+4.15% YoY, Corp.+4.33% YoY Personal +13.30% YoY Overseas -10.03% YoY
- ➤ Deposits NT\$1,829 bn,+5.59% YoY,

  NTD Demand Deposit+8.80% YoY

  FX Demand Deposit+21.20% YoY

#### **Profitability**

- ➤ Net Income Before Tax NT\$6.773 bn,-35.80% YoY
- > EPS NT\$0.54 · ROA 0.35% · ROE 4.63%

#### **Asset Quality**

- ➤ NPL ratio was 0.40%
- ➤ Coverage ratio was 314.60%

# Capital Adequacy Ratio

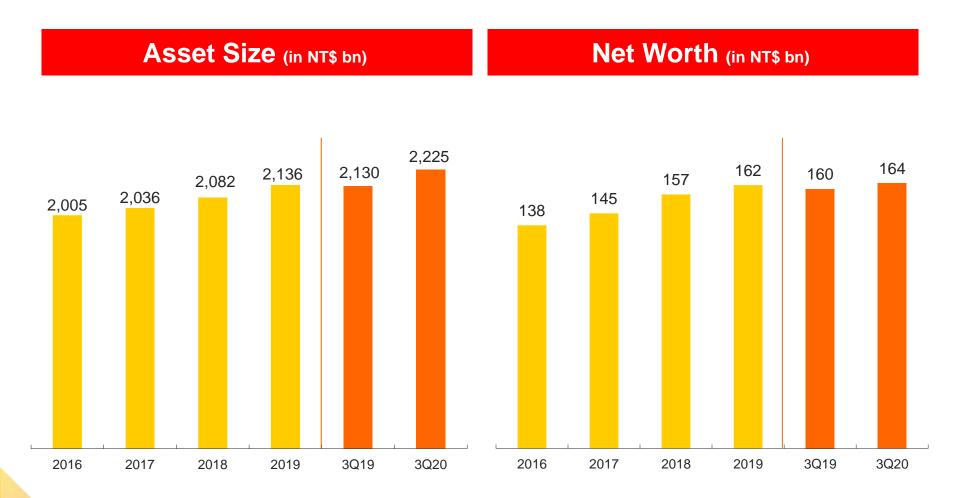
➤ BIS ratio was 14.53%

<sup>\*.</sup>ROE and ROA are after-tax figures and annualized figures.

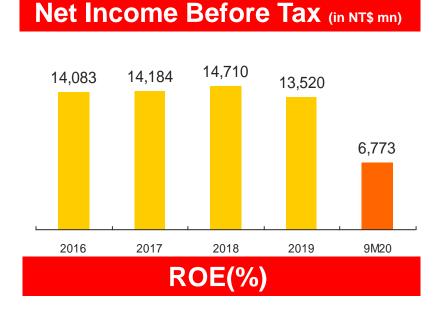
# Agenda

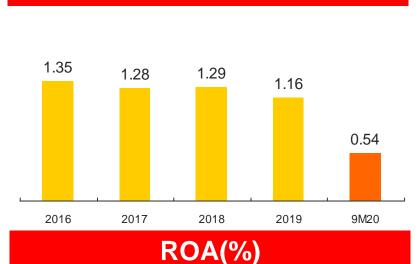
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## **Asset Size and Net Worth**

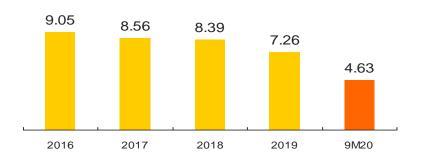


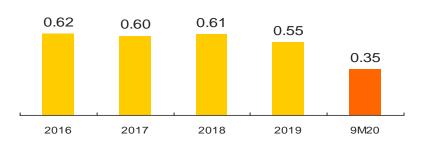
# **Financial Performance**





EPS After tax (in NT\$)





\*ROE and ROA are after-tax figures and annualized figures.

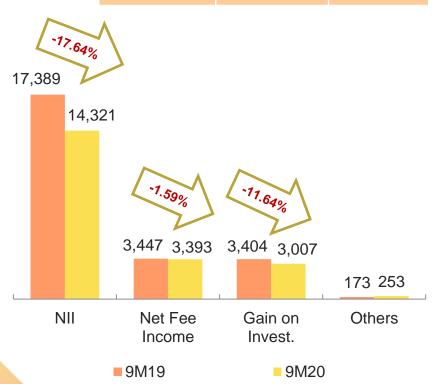
# **Comprehensive Income**

(In NT\$ mn)	9M19	9M20	YoY(%)
Net Revenue	24,413	20,974	-14.09%
Provision, Net	1,705	2,387	40.00%
Operating Expense	12,159	11,814	-2.83%
Net Income Before Tax	10,550	6,773	-35.80%
Income Tax Expense	1,567	1,118	-28.65%
Net Income After Tax	8,982	5,654	-37.05%
Other Comprehensive Income	634	-314	-149.60%
Total Comprehensive Income	9,616	5,340	-44.47%

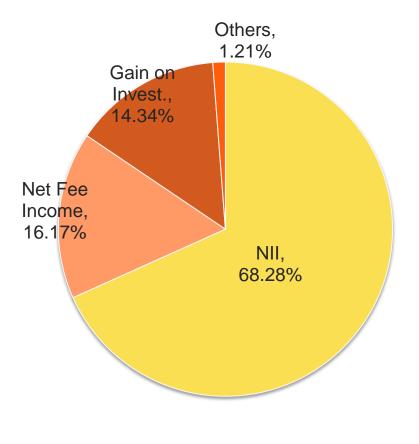
## **Net Revenue**

#### Net Revenue (in NT\$ mn)

9M19	9M20	YoY
24,413	20,974	-14.09%



#### 9M20 Net Revenue Breakdown



# **Net Fee Income**

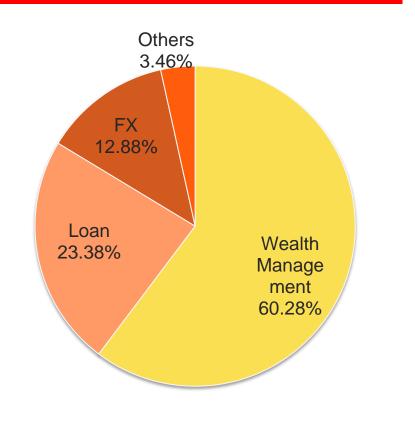
#### Net Fee Income (in NT\$ mn) YoY 9M19 9M20 3,447 3,393 -1.59% -6.10% 2,178 2,045 793 591 531 437 148 117

FX

9M20

Others

#### 6M20 Net Fee Income Breakdown



Loan

■9M19

Wealth

Management

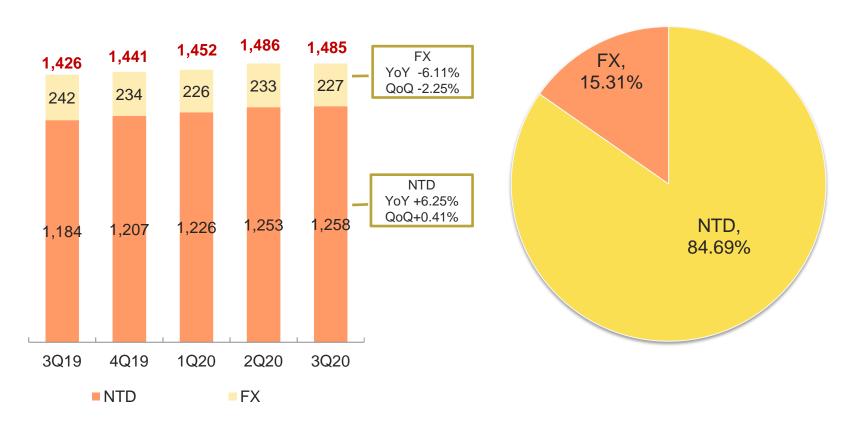
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# Loan Breakdown by Currency

#### Quarterly Loan Balance (in NT\$ bn)

3Q20 Loan Breakdown by Currency



<sup>1.</sup>Loan is included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.

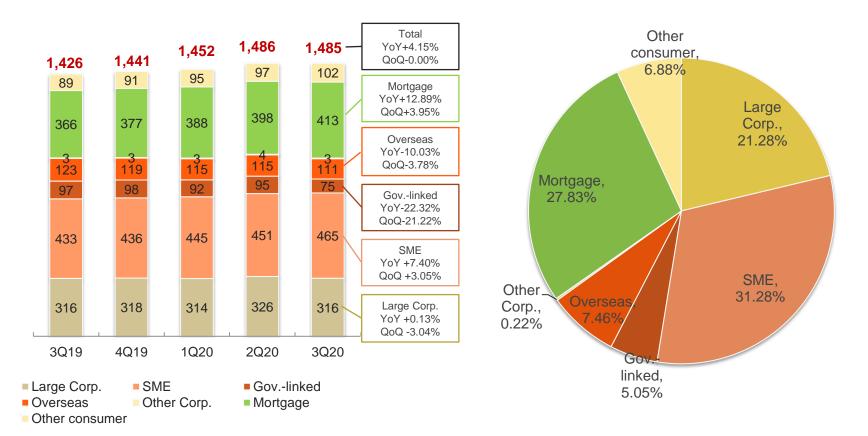
<sup>2.</sup> Quarterly loan balance is single quarter average balance basis.

<sup>3.</sup> YoY is compared with the average on third quarter of 2019 and 2020.

# Loan Breakdown by Customer

#### Quarterly Loan Balance (in NT\$ bn)

#### 3Q20 Loan Breakdown by Customer



<sup>1.</sup>Loan is included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.

<sup>2.</sup> Quarterly loan balance is single quarter average balance basis.

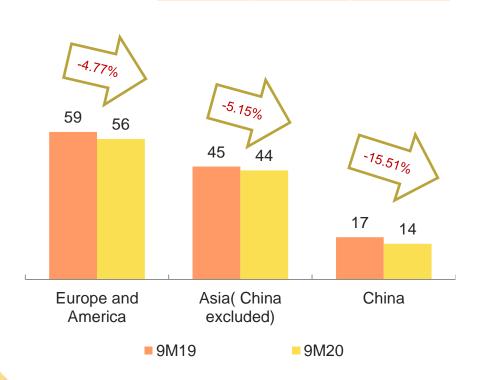
<sup>3.</sup> YoY is compared with the average on third quarter of 2019 and 2020.

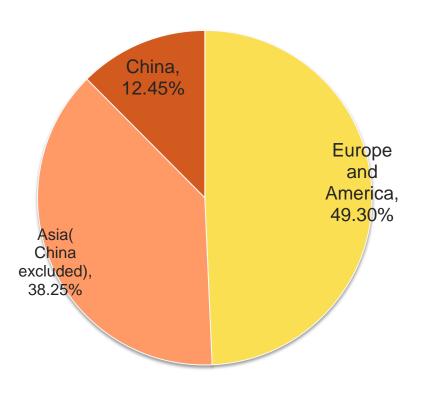
# Overseas Loan Breakdown by Regions



9M19	9M20	YoY
121	114	-6.39%

#### 9M20 Overseas Loan Breakdown by Regions





<sup>1.</sup>Loan is included ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excluded overdue loans.

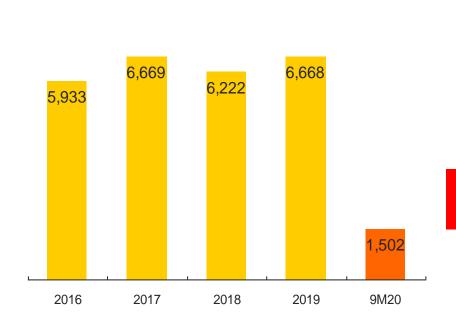
<sup>2.</sup> The figures are the average of nine months.

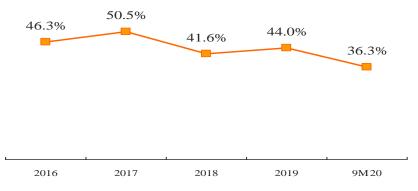
<sup>3.</sup>Including China subsidiary.

# Overseas & OBU Performance

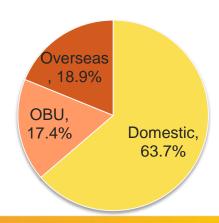
Overseas & OBU Net Income Before Tax (in NT\$ mn)

#### Overseas & OBU **PPOP** proportion



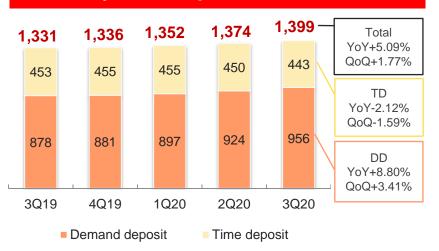


#### 9M20 PPOP Breakdown

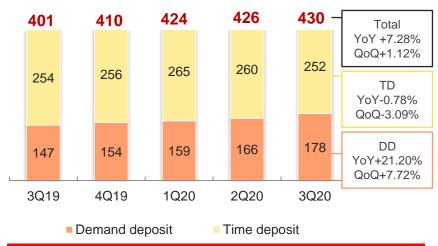


# **Deposit Breakdown by Currency**

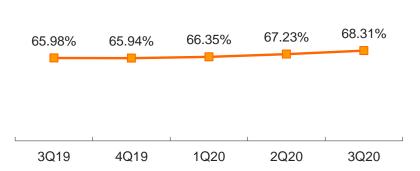
#### Quarterly NTD Deposit Balance (in NT\$ bn)



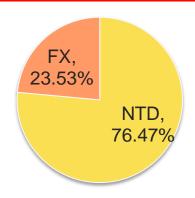
#### Quarterly FX Deposit Balance (in NT\$ bn)



#### **Quarterly NTD Demand Deposit Proportion**



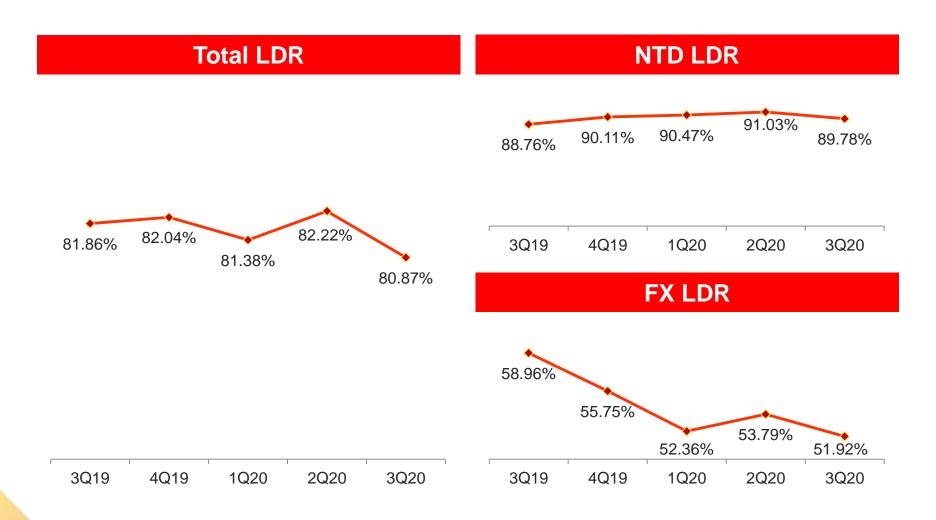
#### **2Q20 Deposit Breakdown by Currency**



<sup>1.</sup> Quarterly deposit balance is single quarter average balance basis.

<sup>2.</sup> YoY is compared with the average on third quarter of 2019 and 2020.

# **LDR**



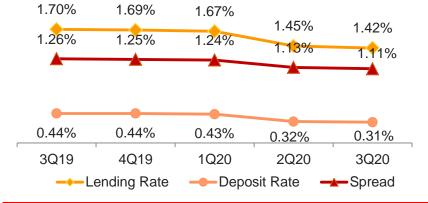
**CHANG HWA BANK** 

# **Spread and NIM**

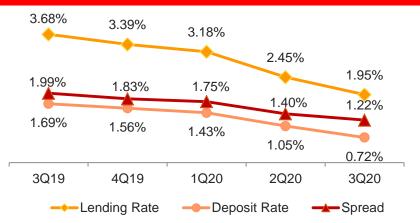
#### **Quarterly Total Loan to Deposit Spread and NIM**



#### **NTD Loan to Deposit Spread**



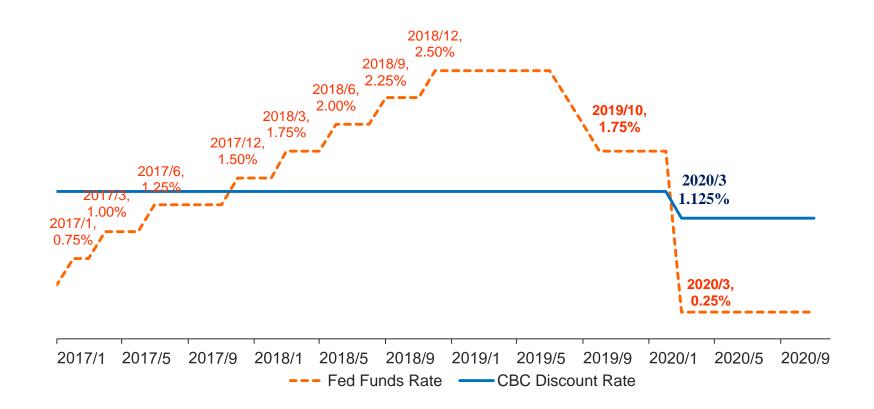
#### **FX Loan to Deposit spread**



\*.IFRS and quarterly basis.

#### Fed Funds Rate vs. CBC Discount Rate Trends

#### **Fed Funds Rate VS. CBC Discount Rate**

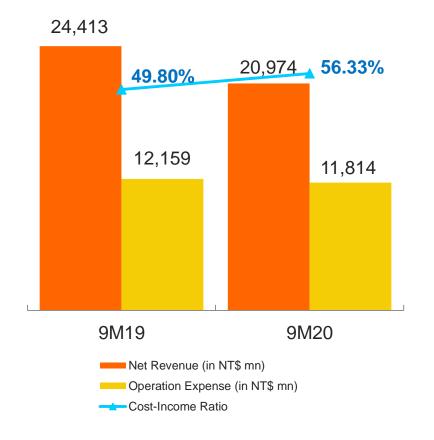


### **Cost-Income Ratio**

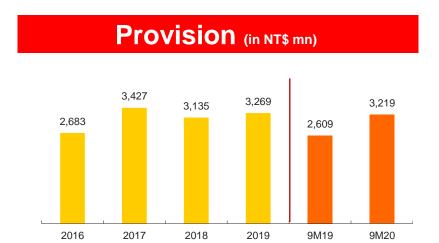
#### Operating Expense (in NT\$ mn)

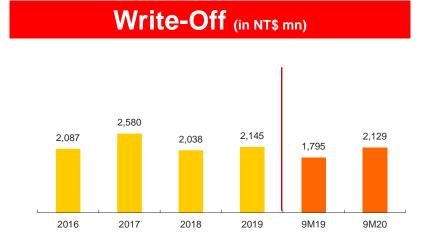
# 12,159 11,814 9M19 9M20

#### **Cost-Income Ratio**

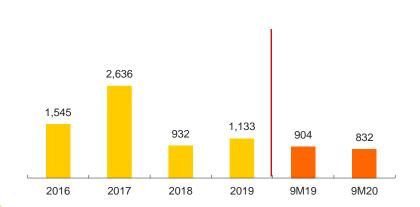


# Loan Provision, Write-off and Recovery

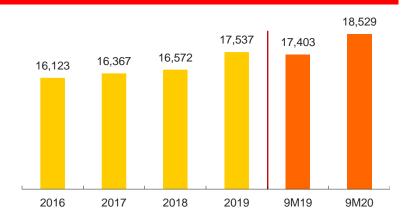








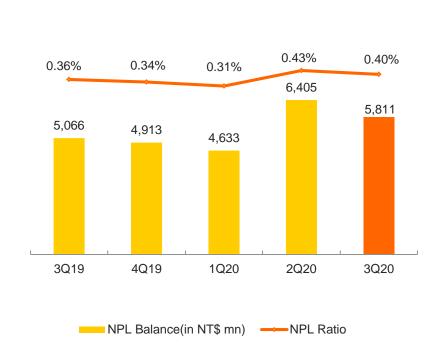


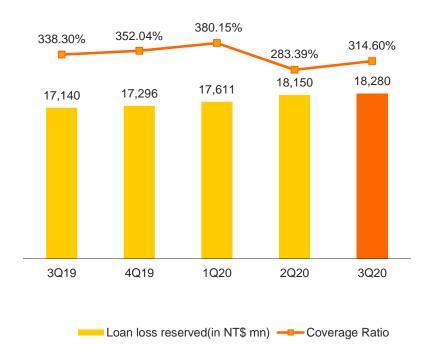


# **NPL Ratio and Coverage Ratio**

#### **NPL Ratio**

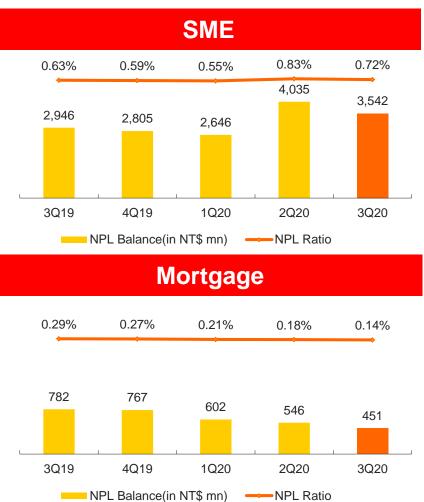
#### **Coverage Ratio**





# **Asset Quality**



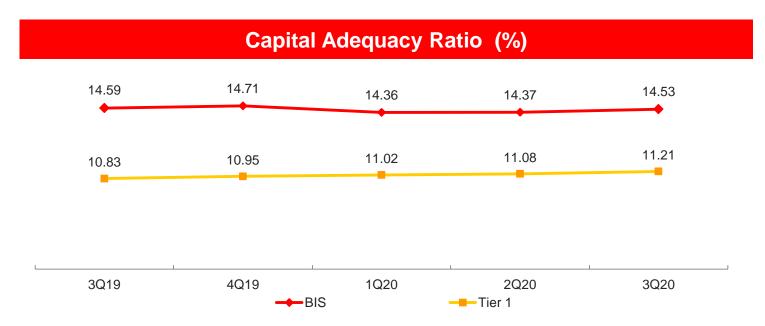


# **Credit Rating & CAR**

#### **Credit Rating**

- Moody's (2020/2,Review):
  - Long Term Rating : A2
  - Short Term Rating : P-1
  - Outlook : Stable

- **S&P** (2020/11,Review) :
  - Long Term Rating : A-
  - Short Term Rating : A-2
  - −Outlook : Stable



# **Operational Perspective**

# Strengthen Core Business

- Committed to expanding the customer base of SMEs, adjusting the loan structure, and combining the functions of the "SME Credit Guarantee Fund of Taiwan" to improve the quality of credit assets.
- > Maintaining the momentum on the growth of personal loans, provide a full range of financial services, and expand the scope of contacts.
- > Gradual integration into the customer's cash flow management to expand a stable deposit base.
- Seizing business opportunities from government arranged programs, such as "Return of overseas Taiwanese Companies", "Special Act for Overseas Funds" and "Trillion revitalization".

#### Diverse Sources of Profit

- Assisting branches on profound customer cultivation and providing a wealth inheritance plan with the aid from the high-asset service team. Developing diversified wealth management products; expanding aspects on asset planning; providing suitable products for target customers; strengthening the growth momentum of wealth management.
- > Improving financial operation efficiency with a flexible asset allocation strategy
- > Participating in urban planning projects to improve the management of self-owned assets.

#### Overseas Layout

- > Implementing business integration and promotion in the ASEAN region.
- Promoting overseas units to engage in international syndicated loans actively.
- > Continue to attract and cultivate outstanding overseas talents, and improving the management of business performance and regulatory compliance of overseas branches.

# Enhance the Competitiveness of Digital Financial

- > Implementing mobile online banking; combining services like credit cards and online loans to provide customers with digital financial services that are time efficient and user-friendly to attract young customers.
- > Strengthening the integration of multiple banking channels; optimizing the mobile payment process; expanding the mobile payment application.
- > Implementing a full spectrum of media service system to elevate customer satisfaction and reduce labor cost
- > Enhancing Alliances with different industries to maximize cooperation channels and business opportunities

# Implement Regulatory Compliance & Corporate Governance

- > Strengthening the legal compliance system and functions; monitoring legal compliance risks; ensuring effectiveness of the system; establishing a legal compliance culture.
- > Continuing with the development on policies of Anti-Money Laundering and Countering the Financing of Terrorism to strengthen relevant risk management mechanisms Ranked among the top 5% companies in the TWSE CG evaluation and top 4 in the financial and insurance industry.
- Upgraded by the CDP (Carbon Disclosure Project) in 2019 from Awareness level (C) to Management level (B).



Q&A



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#### **BALANCE SHEETS**(Consolidated)

(in NT\$ mn)		Year(IFRSs)	)	Quarter(IFRSs)					Period(IFRSs)			
	2018	2019	Change%	3Q19	4Q19	1Q20	2Q20	3Q20	Change%	3Q19	3Q20	Change%
Assets									_			
Cash & due from Banks	249,016	199,336	-19.95%	187,982	199,336	208,434	188,282	210,244	11.66%	187,982	210,244	11.84%
Financial assets at FVPL, net	10,918	11,483	5.18%	11,114	11,483	19,466	15,475	22,100	42.81%	11,114	22,100	98.85%
Financial assets at FVOCI, net	91,938	116,296	26.49%	124,472	116,296	106,589	112,222	116,512	3.82%	124,472	116,512	-6.40%
Financial assets for hedging	245	247	0.97%	267	247	302	288	262	-8.77%	267	262	-1.79%
Financial assets at amortized cost, net	268,060	276,059	2.98%	272,616	276,059	294,020	310,472	307,368	-1.00%	272,616	307,368	12.75%
Receivables, net	29,934	23,201	-22.49%	35,177	23,201	20,150	19,294	22,373	15.96%	35,177	22,373	-36.40%
Loans, net	1,336,701	1,427,351	6.78%	1,422,235	1,427,351	1,469,115	1,491,585	1,463,346	-1.89%	1,422,235	1,463,346	2.89%
Other financial assets, net	55,045	40,134	-27.09%	34,609	40,134	33,282	29,652	40,308	35.94%	34,609	40,308	16.47%
Property and equipment, net	21,071	20,739	-1.58%	20,701	20,739	20,672	20,658	20,682	0.11%	20,701	20,682	-0.09%
Right-of-use asset	-	1,620	-	1,643	1,620	1,670	1,616	1,575	-2.58%	1,643	1,575	-4.14%
Investment property, net	13,742	13,873	0.95%	13,875	13,873	13,871	13,869	13,868	-0.01%	13,875	13,868	-0.05%
Other assets	5,142	5,303	3.14%	5,530	5,303	6,025	6,096	6,248	2.48%	5,530	6,248	12.99%
Total Assets	2,081,812	2,135,643	2.59%	2,130,220	2,135,643	2,193,595	2,209,511	2,224,887	0.70%	2,130,220	2,224,887	4.44%
Liabilities												
Due to banks	113,039	102,306	-9.50%	104,986	102,306	120,633	132,971	113,808	-14.41%	104,986	113,808	8.40%
Financial liabilities at FVPL	11,047	4,247	-61.55%	13,412	4,247	2,537	5,101	5,536	8.53%	13,412	5,536	-58.72%
RP	5,286	1,547	-70.73%	1,968	1,547	1,831	1,847	1,753	-5.11%	1,968	1,753	-10.93%
Payables	36,678	21,847	-40.44%	41,833	21,847	23,286	30,982	29,131	-5.98%	41,833	29,131	-30.36%
Deposits and remittances	1,689,581	1,765,948	4.52%	1,730,495	1,765,948	1,805,747	1,800,588	1,836,094	1.97%	1,730,495	1,836,094	6.10%
Bank notes payable	49,549	55,521	12.05%	55,539	55,521	55,577	54,604	54,580	-0.04%	55,539	54,580	-1.73%
Provisions	5,296	5,341	0.84%	5,149	5,341	5,229	5,189	5,159	-0.59%	5,149	5,159	0.20%
Lease liabilities	-	1,420	-	1,445	1,420	1,476	1,426	1,402	-1.68%	1,445	1,402	-2.98%
Other liabilities	14,774	15,229	3.08%	15,480	15,229	15,139	14,721	13,841	-5.97%	15,480	13,841	-10.59%
Total Liabilities	1,925,250	1,973,406	2.50%	1,970,307	1,973,406	2,031,454	2,047,430	2,061,303	0.68%	1,970,307	2,061,303	4.62%
Stockholders' Equity	156,562	162,237	3.62%	159,913	162,237	162,141	162,081	163,583	0.93%	159,913	163,583	2.30%
Total Liabilities and Stockholders' Equity	2,081,812	2,135,643	2.59%	2,130,220	2,135,643	2,193,595	2,209,511	2,224,887	0.70%	2,130,220	2,224,887	4.44%

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#### **STATEMENTS OF COMPREHENSIVE INCOME(Consolidated)**

(in NT\$ mn)	Ye	ear(IFRSs	)	Quarter(IFR				rter(IFRSs)			Period(IFRSs)		
	2018	2019	Change%	3Q19	4Q19	1Q20	2Q20	3Q20	Change%	9M19	9M20	Change%	
Interest Income	38,422	39,190	2.00%	9,858	9,340	8,797	7,377	6,832	-16.14%	29,850	23,006	-22.93%	
Interest Expense	15,232	16,341	7.28%	4,153	3,880	3,659	2,789	2,237	-23.79%	12,461	8,685	-30.30%	
Net Interest Income	23,190	22,850	-1.47%	5,705	5,461	5,137	4,588	4,596	-10.69%	17,389	14,321	-17.64%	
Net Service fee and commissions income	4,868	4,635	-4.79%	1,151	1,187	1,223	1,065	1,104	-12.97%	3,448	3,393	-1.59%	
Gains(losses) on financial assets and liabilities at FVPL	2,712	1,837	-32.27%	387	648	323	842	262	160.78%	1,188	1,427	20.09%	
Realized gains of financial assets at FVOCI	782	1,365	0.75	725	176	386	452	366	17.07%	1,190	1,203	1.16%	
Gains(losses) on disposal of credit assets measured at AC	-101		-	-	-	-	0	0	-	-	-	-	
Foreign exchange gains(losses)	1,181	919	-22.19%	373	-75	235	-2	65	-100.67%	994	298	-70.01%	
Other miscellaneous net income	476	473	-0.64%	74	268	150	87	94	-41.90%	205	332	62.00%	
Net income other than net interest income	9,918	9,229	-6.95%	2,710	2,204	2,317	2,445	1,892	5.50%	7,025	6,653	-5.29%	
Net Revenues and gains	33,108	32,078	-3.11%	8,415	7,665	7,454	7,032	6,487	-5.66%	24,414	20,974	-14.09%	
Credit loss provisions, net	2,203	2,136	-3.02%	710	432	572	845	970	47.70%	1,705	2,387	40.01%	
Operating Expenses	16,195	16,422	1.40%	4,202	4,263	3,783	4,070	3,962	7.61%	12,158	11,814	-2.83%	
Employee Benefits expenses	10,797	10,868	0.65%	2,787	2,812	2,505	2,700	2,650	7.75%	8,056	7,855	-2.49%	
Depreciation and amortization expenses	716	1,437	100.68%	365	355	354	350	352	-1.18%	1,082	1,056	-2.42%	
Other general and administrative expenses	4,682	4,117	-12.06%	1,050	1,097	923	1,021	959	10.62%	3,020	2,903	-3.87%	
Income before income tax from continuing operations	14,710	13,520	-8.09%	3,502	2,970	3,100	2,117	1,556	-31.70%	10,550	6,773	-35.81%	
Income Tax Expense	2,064	1,949	-5.60%	519	380	607	364	147	-40.03%	1,568	1,118	-28.68%	
Net Income	12,646	11,572	-8.49%	2,983	2,589	2,493	1,753	1,409	-29.68%	8,982	5,654	-37.05%	
Basic EPS(NT\$)	1.29	1.16	-10.08%	0.30	0.26	0.25	0.17	0.14	-32.00%	0.90	0.54	-40.00%	
Other comprehensive income	110	369	235.52%	-1,342	-265	-2,589	2,181	93	-184.25%	634	-314	-149.58%	
Total comprehensive income	12,756	11,941	-6.39%	1,641	2,324	-96	3,934	1,502	-4201.21%	9,616	5,340	-44.47%	

