



彰化銀行

Financial Review

3Q 2021

(Bloomberg: 2801 TT)

November 26, 2021



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Economic Outlook

- **The new lifestyle “Coexisting with the Coronavirus” and the global economic recovery continues.**
 1. The pandemic's impact on advanced countries will gradually fade and enter a new lifestyle to coexistence with the virus.
 2. The recovery of the global economy will also tend to ease in the future.
 3. The monetary easing policy is almost to the end, and it is estimated to exit QE in the middle of next year, and interest rates might rise in the second half of the year.
- **Taiwan’s export scale has repeatedly achieved a remarkable record, and the GDP forecast will have a chance to look up to 6%**
 1. As Europe and the US are gradually lifting lockdowns, the momentum of the stay-at-home economy and long-distance demand will be undermined, such as the related industries such as panels, passive components, and DRAM.
 2. The chip shortage remains unresolved, major foundries have raised their quotations, and applications such as 5G, automotive electronics, and cloud servers are still waiting for supply so that the domestic semiconductor industry will remain optimistic.
 3. Under the general trend of "carbon neutrality," the new energy and electric vehicle-related industries are expected to usher in new growth opportunities in the future.

Sustainable Performance

● Governance

1. Actively participate in the "ESG Initiative Platform" to implement and promote the concept of ESG sustainability with other public banking sectors.
2. The CSR report has passed the double certification by the third-party verification agency of AA1000 assurance standard and SASB standard.

● Social

1. Enthusiastically sponsor several academic, sports, and public welfare, such as athlete training programs, elderly care, and charity activities.
2. Committed to maintaining the work-life balance of employees by organized the "Healthy Let's Go" event, inviting colleagues to work together to promote health and charity donations to the Taiwan Dementia Association.

● Environmental

1. Became a TCFD supporter and completed the verification of TCFD compliance, obtained the highest levels "Level 5: Excellent" certification.
2. Support the development of green industries, increase green initiatives, lower the ratio of investment and financing quotas for high energy-consuming industries, and expected to sign the "Equator Principles" in 2022.

● Sustainable Awards

- "Sustainability Resilience Pilot Award" by BSI for 2 consecutive years.
- "2021 Taiwan Sustainable Investment Award - Model" by TAISE
- "Achiever" award in the 1st Greater China GCBSI Index and ranked among the top 20 companies in Taiwan
- "2021 Best Corporate Social Responsibility Award" for two consecutive years by Excellence Magazine.
- "2021 the Banking for Women Initiative of the Year – Taiwan" by Asian Banking & Finance
- "2021 Best Corporate Governance Team – Taiwan" and "Best CSR Bank – Taiwan" by International Finance Magazine.

Agenda

● **Operational Highlights**

● Financial Performance

● Operating Results

● Appendix

Operational Highlights (consolidated basis)

Core Business

- Loans NT\$1,572 bn, +5.79% YoY,
Corp. +4.05% YoY · Personal +14.08% YoY ·
Overseas -12.19% YoY
- Deposits NT\$2,063 bn, +12.76% YoY,
NTD Demand Deposit +11.46% YoY
FX Demand Deposit +21.11% YoY

Profitability

- Net Income After Tax NT\$6.774 bn, +19.81% YoY
- EPS NT\$0.65 · ROA 0.29% · ROE 4.07%

Asset Quality

- NPL ratio was 0.33%
- Coverage ratio was 367.39%

Capital Adequacy Ratio

- BIS ratio was 15.52% · +0.99% YoY

1.YoY is compared with the average on third quarter of 2020 and 2021.

2.ROE and ROA are after-tax figures.

Agenda

● Operational Highlights

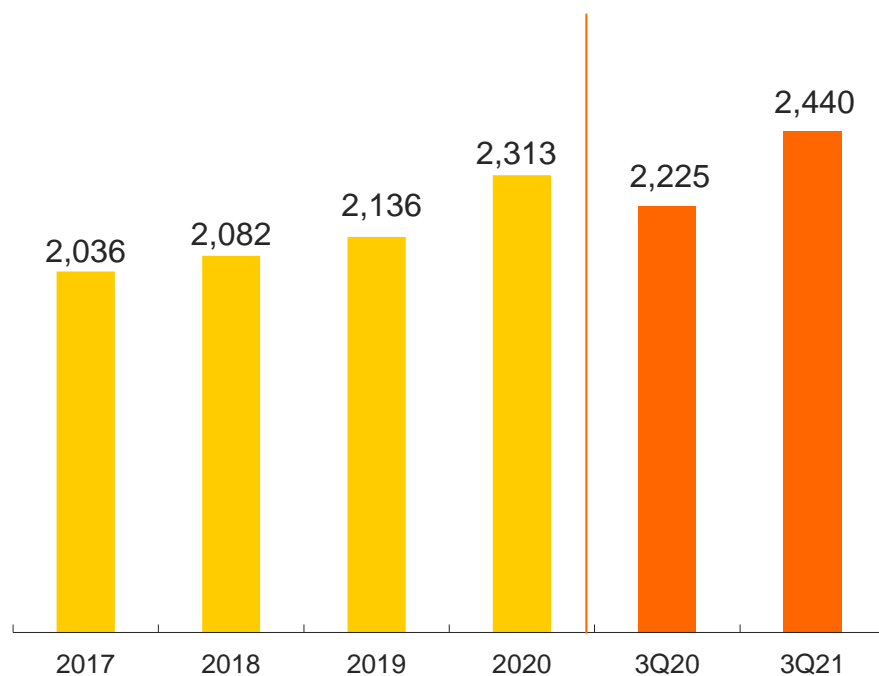
● **Financial Performance**

● Operating Results

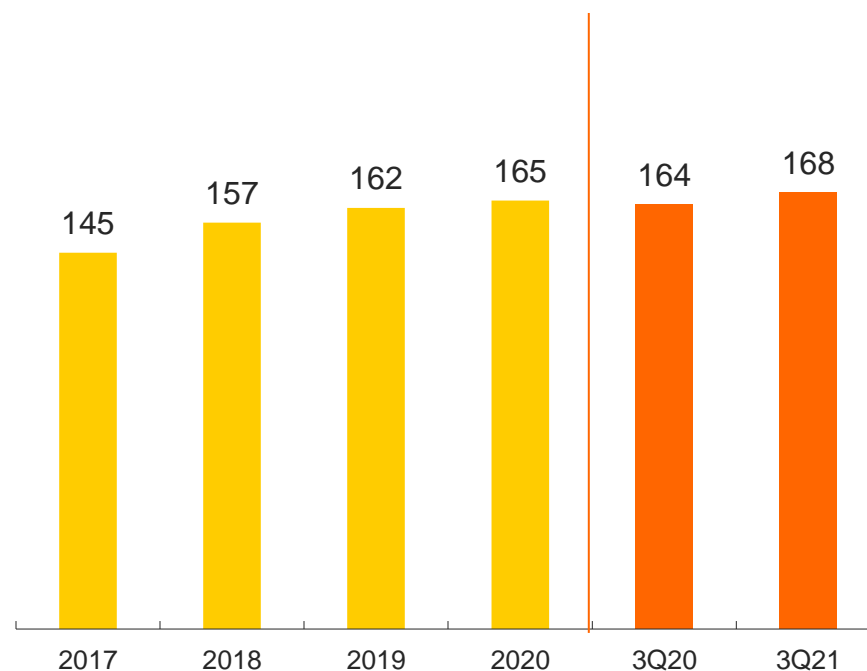
● Appendix

Asset Size and Net Worth

Asset Size (in NT\$ bn)

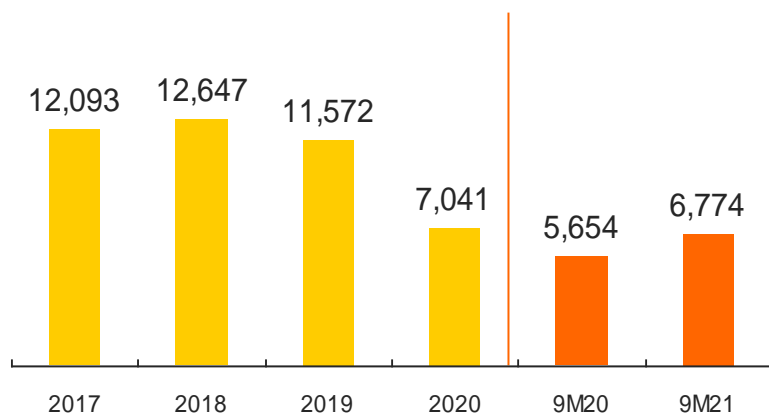


Net Worth (in NT\$ bn)

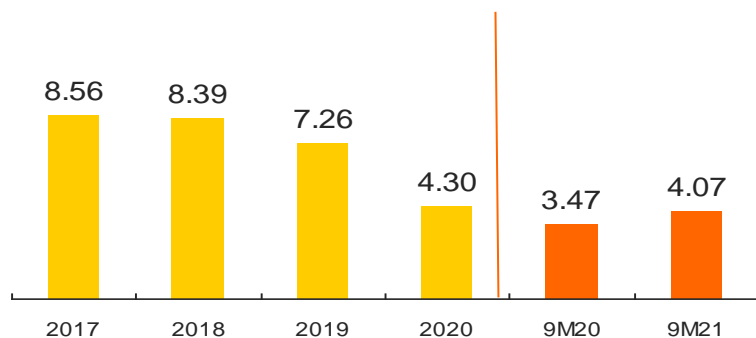


Financial Performance

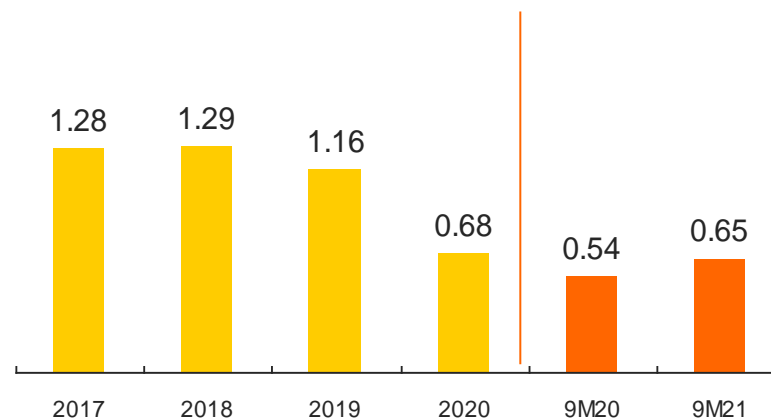
Net Income After Tax (in NT\$ mn)



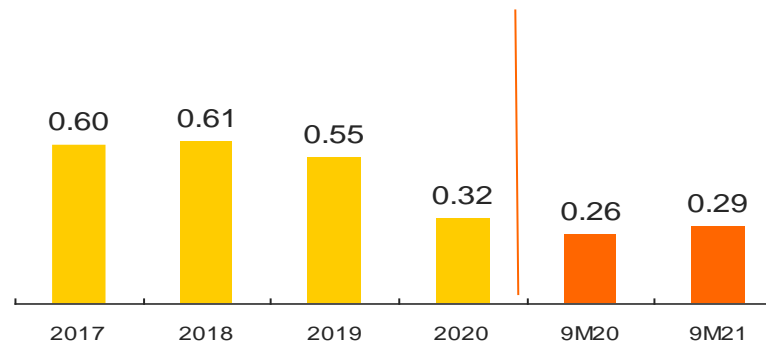
ROE(%)



EPS After tax (in NT\$)



ROA(%)



*ROE and ROA are after-tax figures.

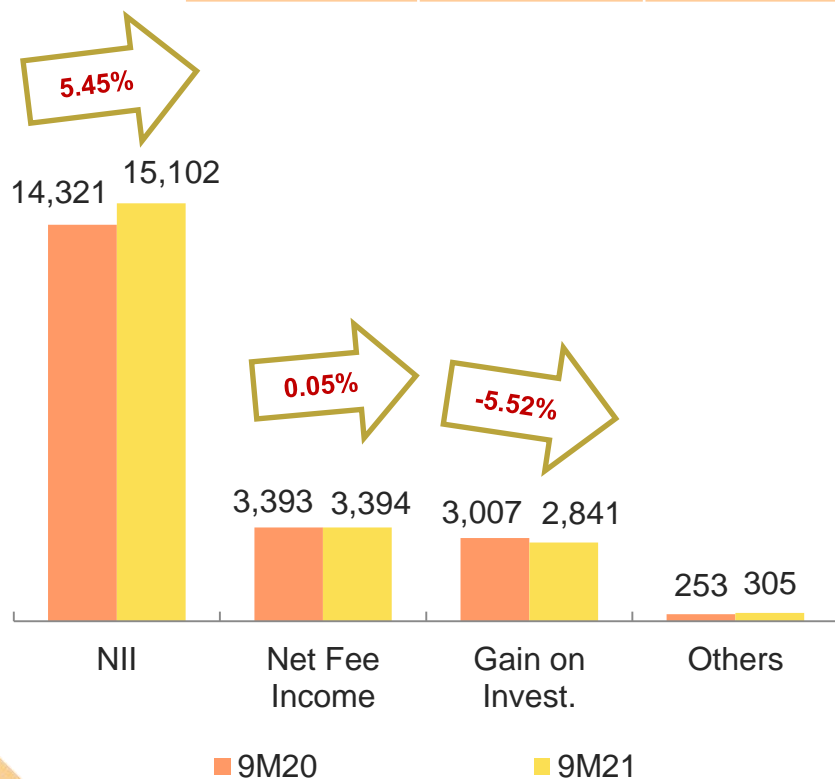
Comprehensive Income

(In NT\$ mn)	9M20	9M21	YoY(%)
Net Revenue	20,974	21,642	3.19%
Provision, Net	2,387	1,395	-41.56%
Operating Expense	11,814	12,461	5.47%
Net Income Before Tax	6,773	7,786	14.96%
Income Tax Expense	1,118	1,012	-9.53%
Net Income After Tax	5,654	6,774	19.81%
Other Comprehensive Income	-314	157	150.10%
Total Comprehensive Income	5,340	6,932	29.81%

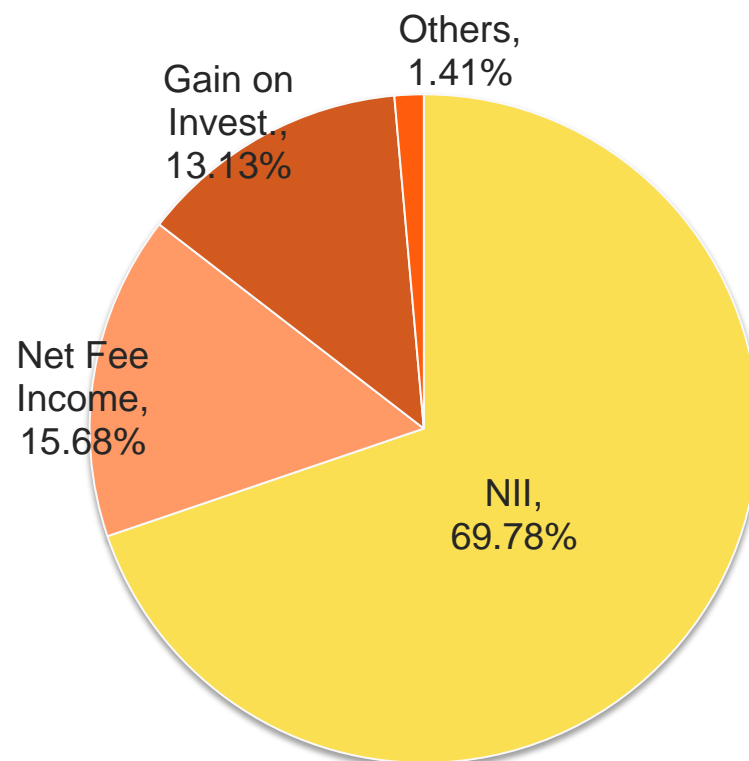
Net Revenue

Net Revenue (in NT\$ mn)

9M20	9M21	YoY
20,974	21,642	3.19%



9M21 Net Revenue Breakdown

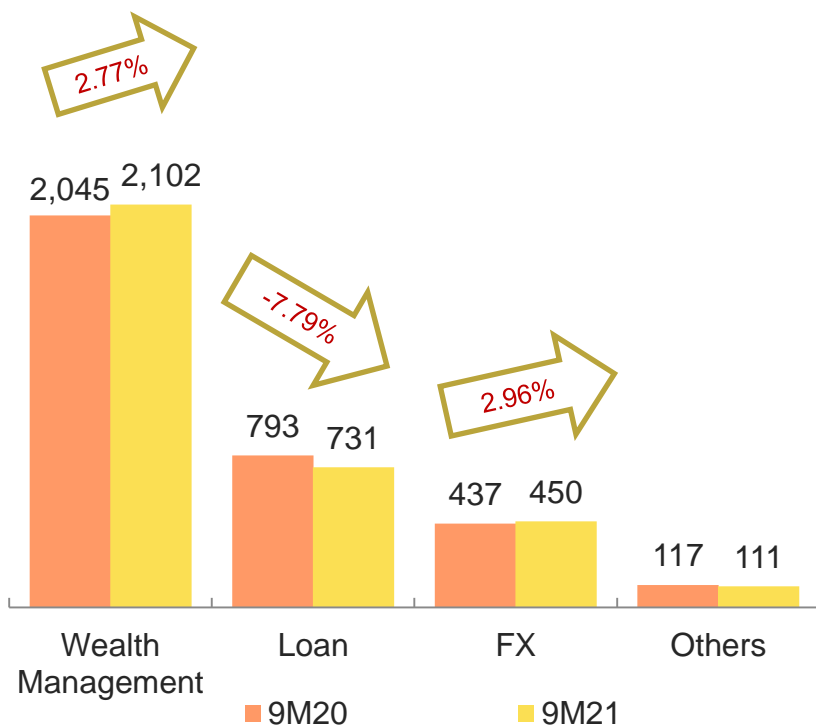
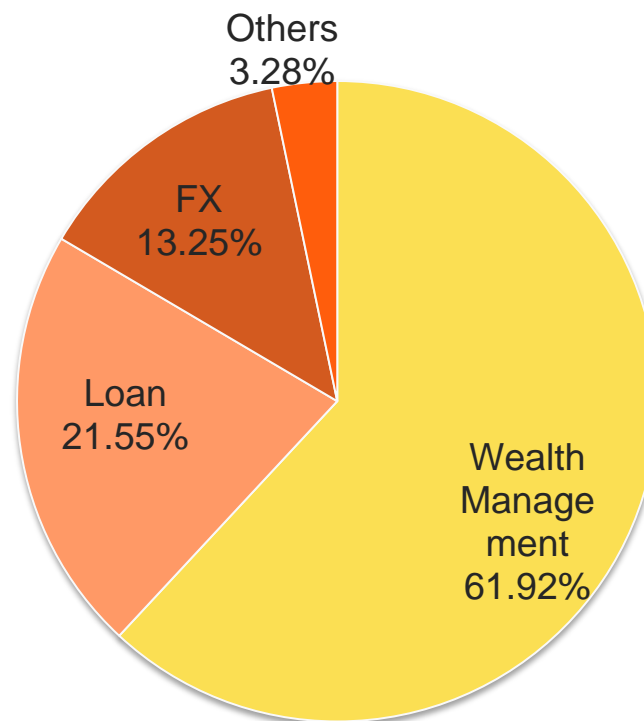


Net Fee Income

Net Fee Income (in NT\$ mn)

9M20	9M21	YoY
3,393	3,394	0.05%

9M21 Net Fee Income Breakdown



Agenda

● Operational Highlights

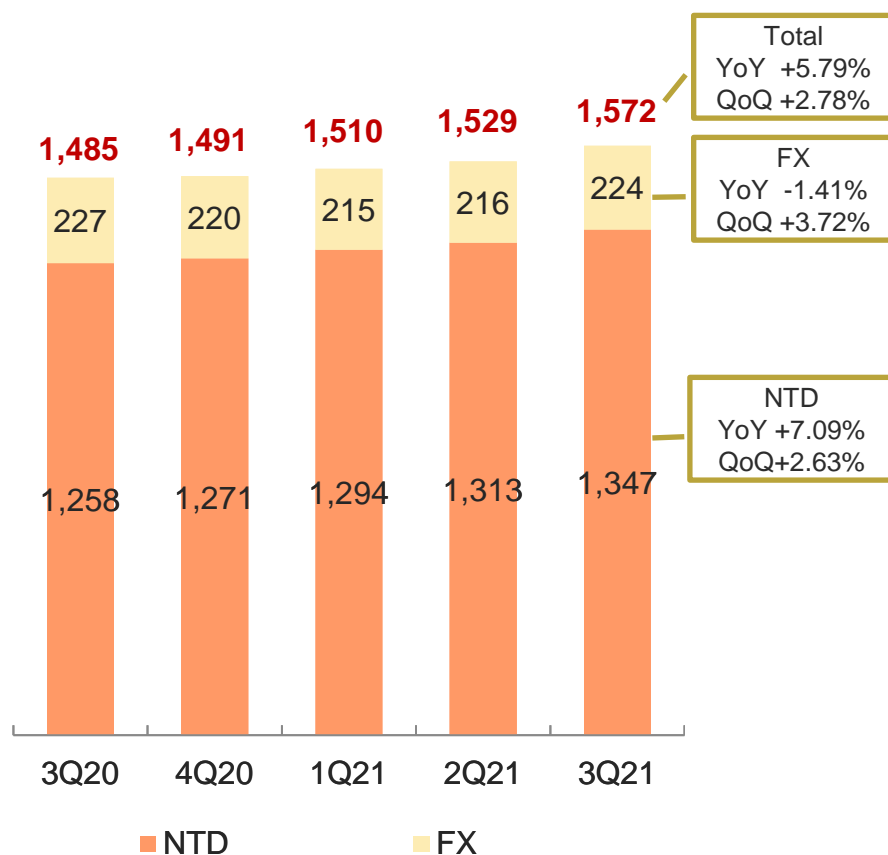
● Financial Performance

● **Operating Results**

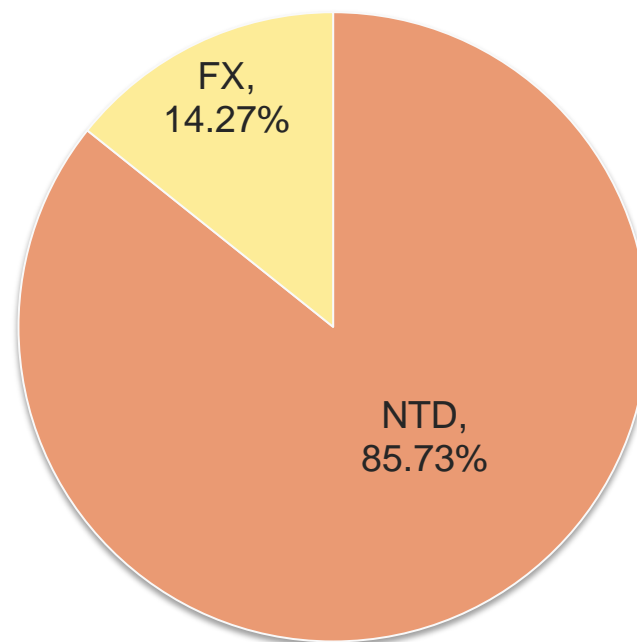
● Appendix

Loan Breakdown by Currency

Quarterly Loan Balance (in NT\$ bn)



3Q21 Loan Breakdown by Currency

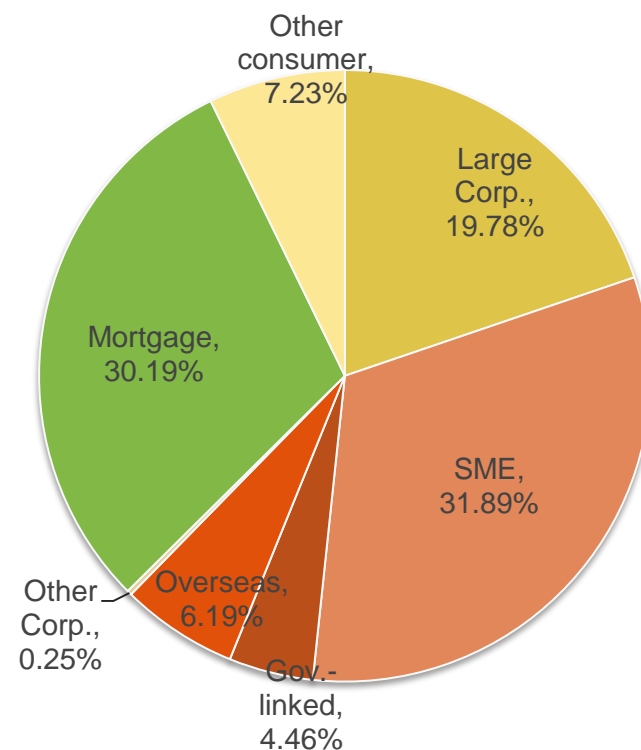
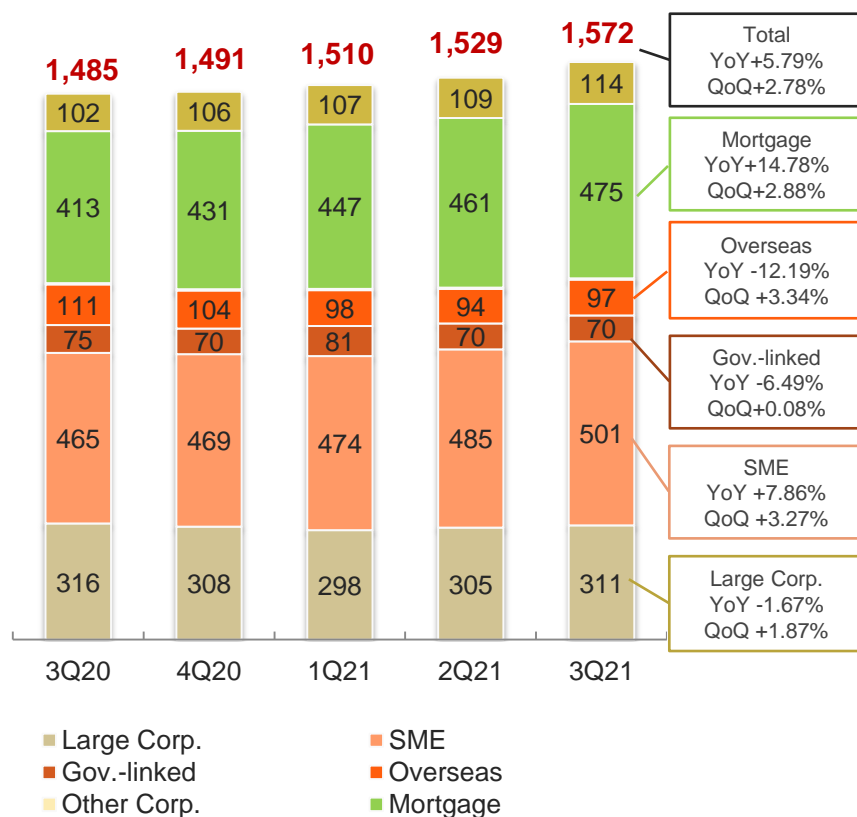


1. Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.
2. Quarterly loan balance is single quarter average balance basis.
3. YoY is compared with the average on third quarter of 2020 and 2021.

Loan Breakdown by Customer

Quarterly Loan Balance (in NT\$ bn)

9Q21 Loan Breakdown by Customer

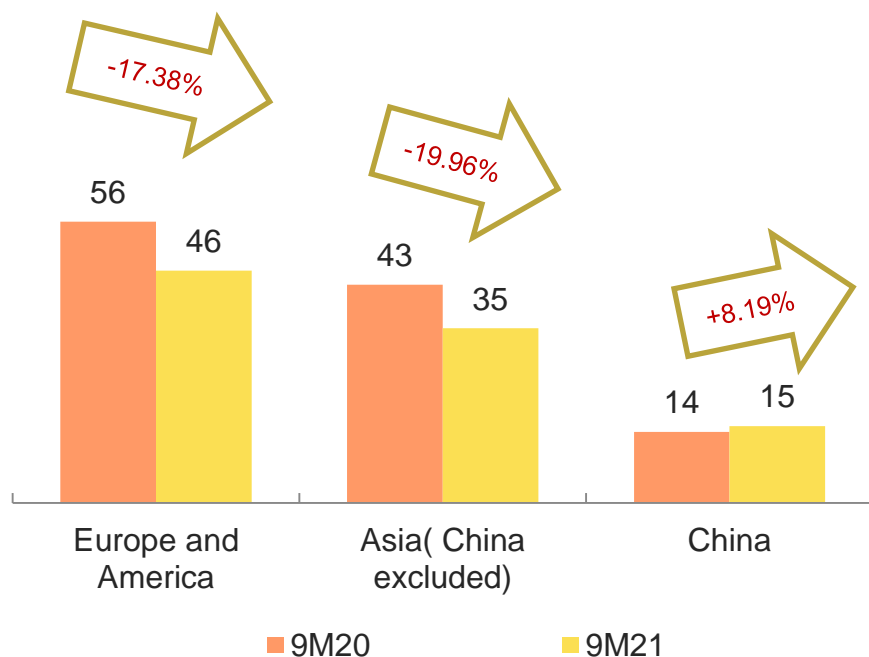


1. Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.
2. Quarterly loan balance is single quarter average balance basis.
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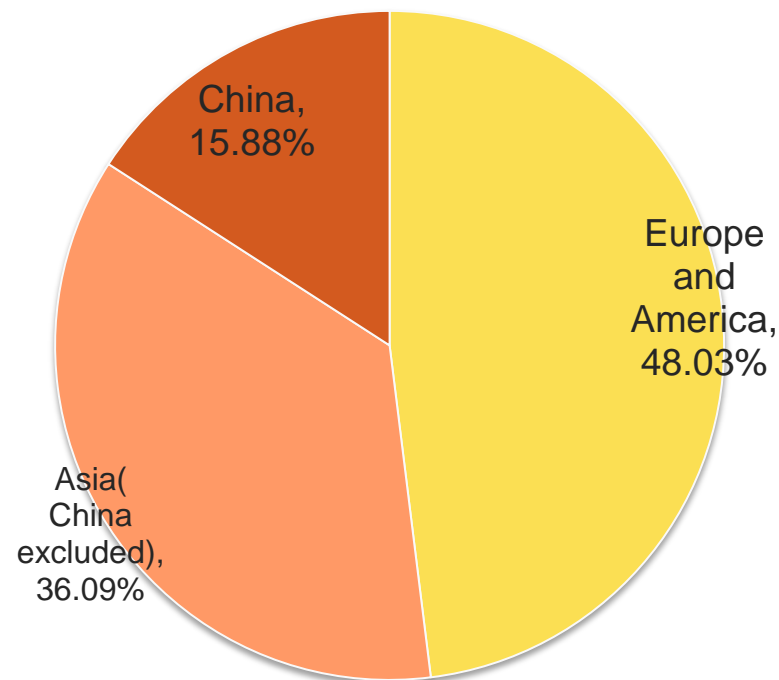
Overseas Loan Breakdown by Regions

Overseas Loan Balance (in NT\$ bn)

9M20	9M21	YoY
114	96	-15.18%



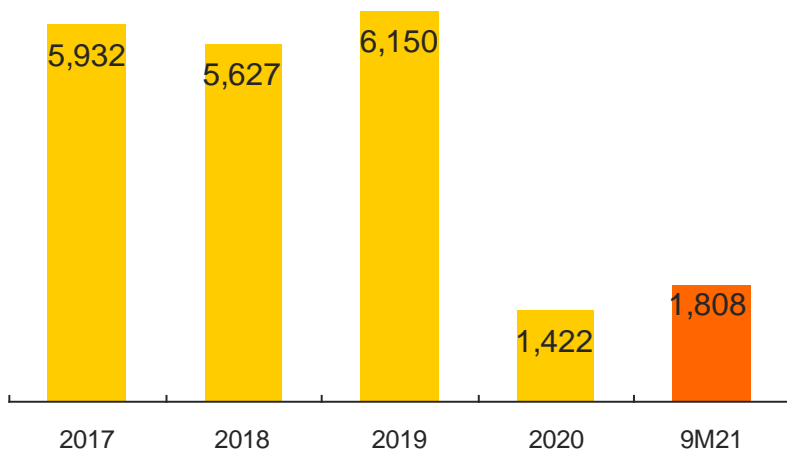
9M21 Overseas Loan Breakdown by Regions



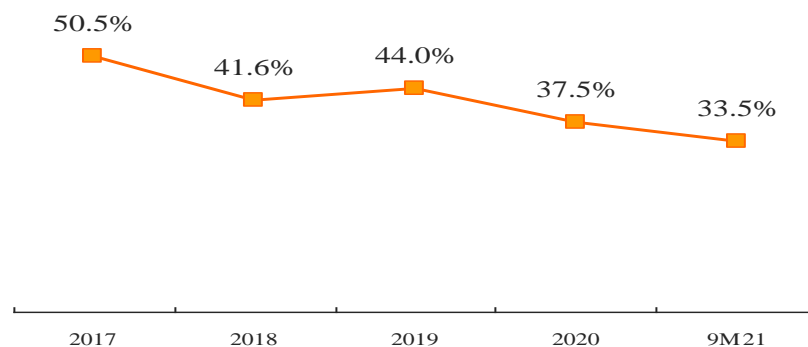
- 1.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.
- 2.The figures are the average of nine months.
- 3.Including China subsidiary.

Overseas & OBU Performance

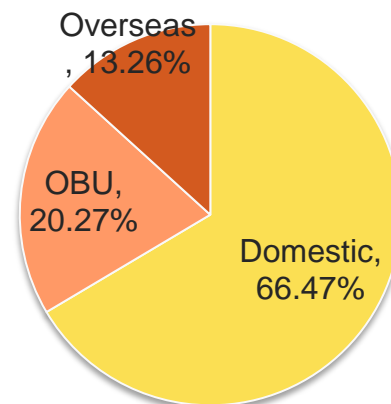
Overseas & OBU Net Income After Tax (in NT\$ mn)



Overseas & OBU PPOP proportion

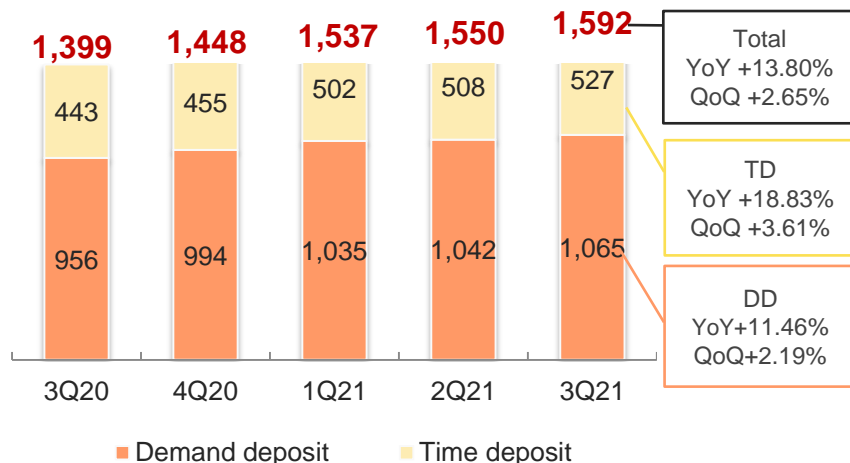


9M21 PPOP Breakdown

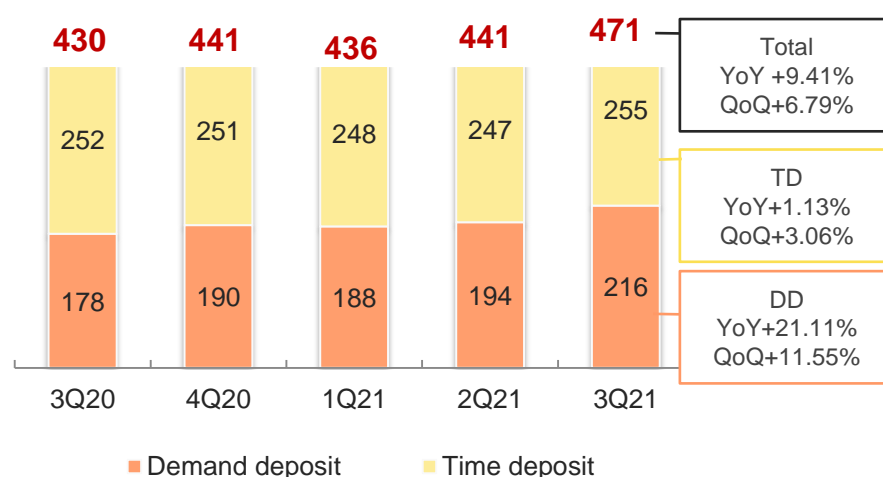


Deposit Breakdown by Currency

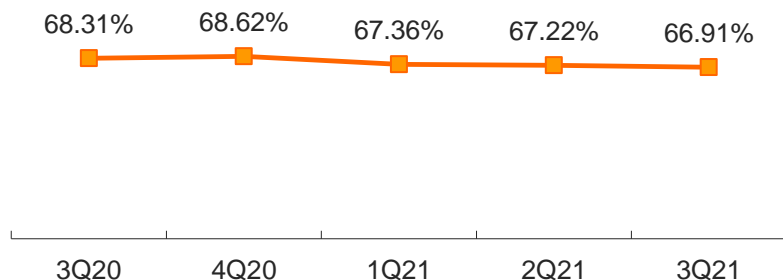
Quarterly NTD Deposit Balance (in NT\$ bn)



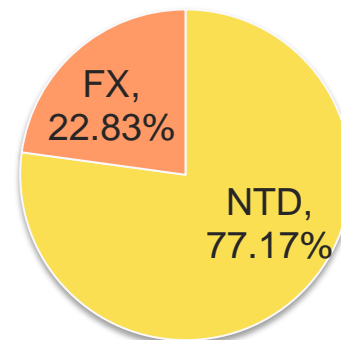
Quarterly FX Deposit Balance (in NT\$ bn)



Quarterly NTD Demand Deposit Proportion



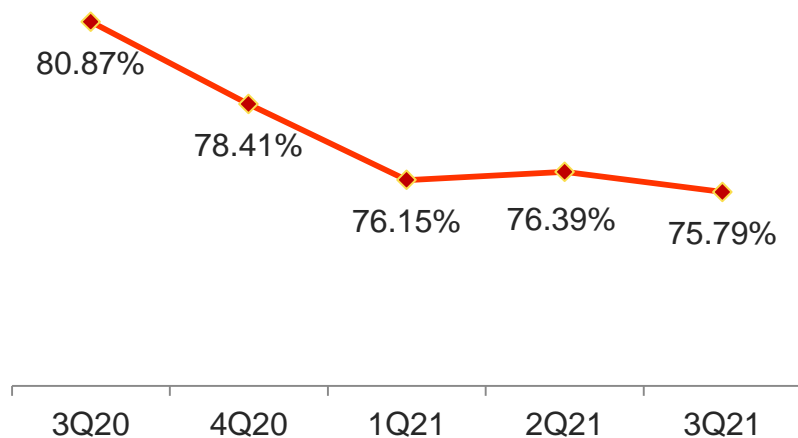
3Q21 Deposit Breakdown by Currency



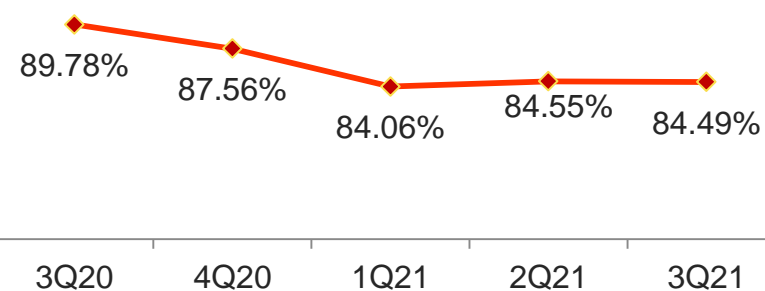
1. Quarterly deposit balance is single quarter average balance basis.
2. YoY is compared with the average on third quarter of 2020 and 2021.

LDR

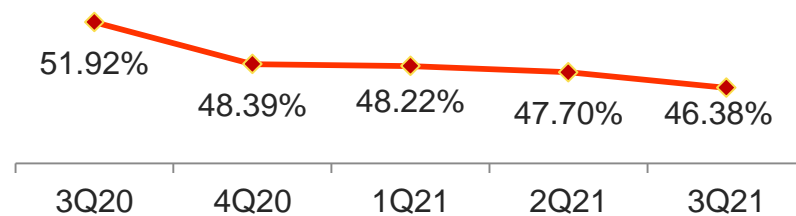
Total LDR



NTD LDR

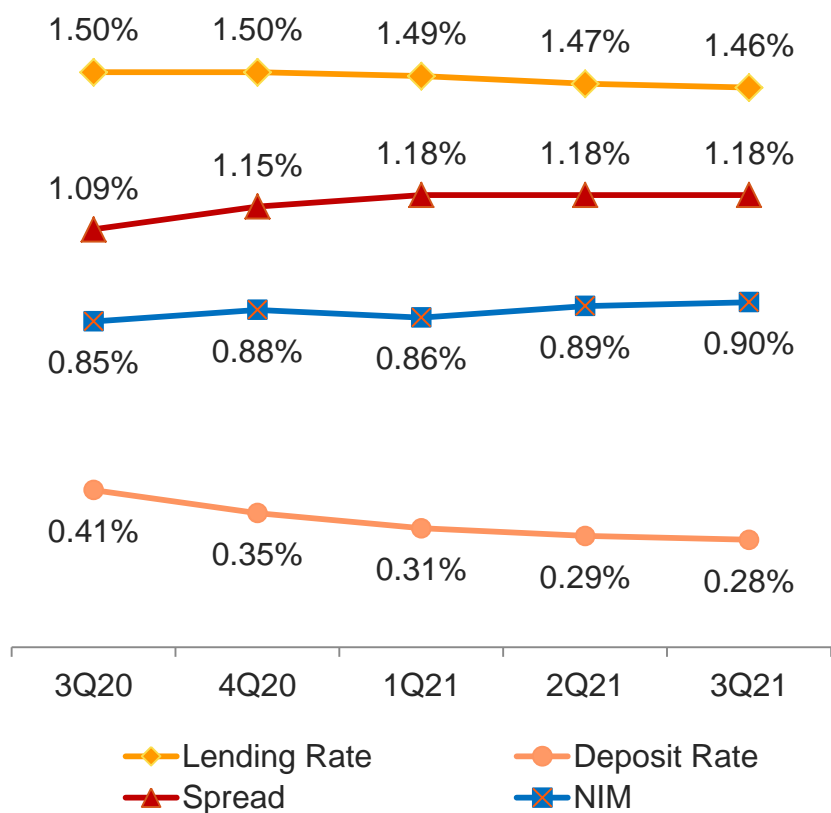


FX LDR

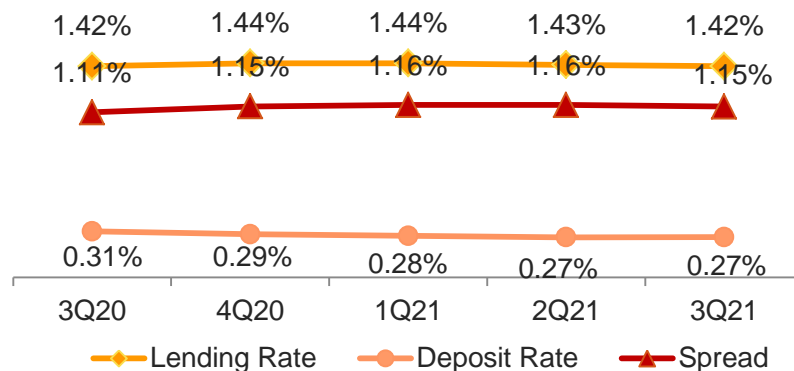


Spread and NIM

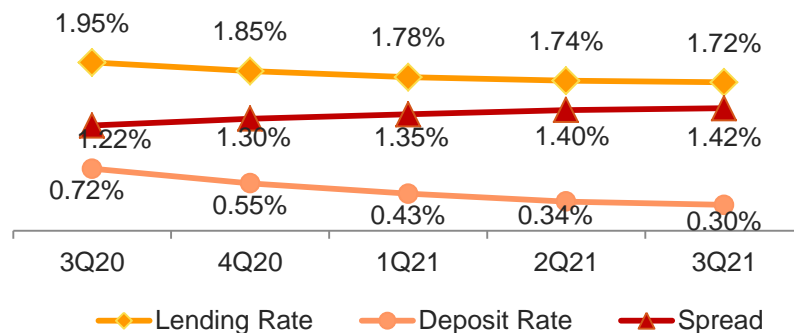
Quarterly Total Loan to Deposit Spread and NIM



NTD Loan to Deposit Spread



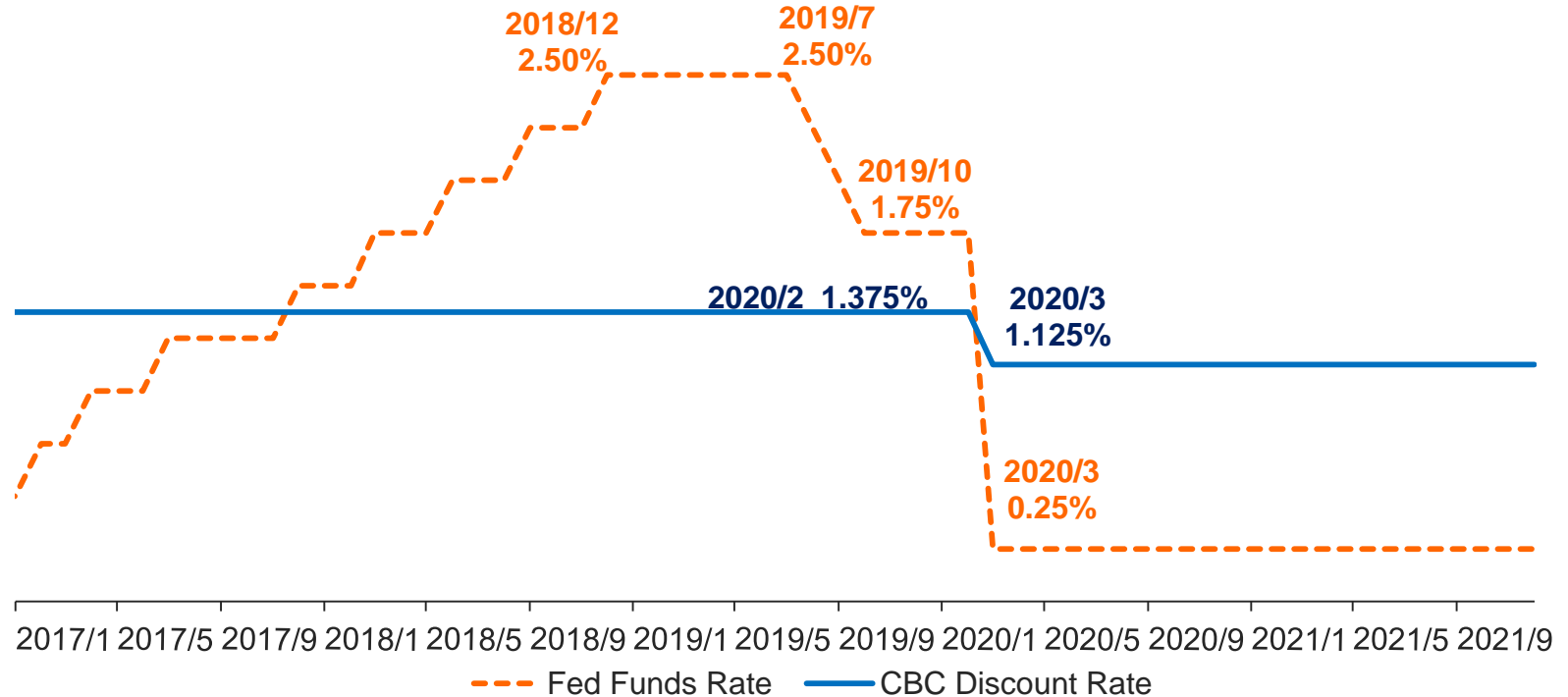
FX Loan to Deposit spread



*.IFRS and quarterly basis.

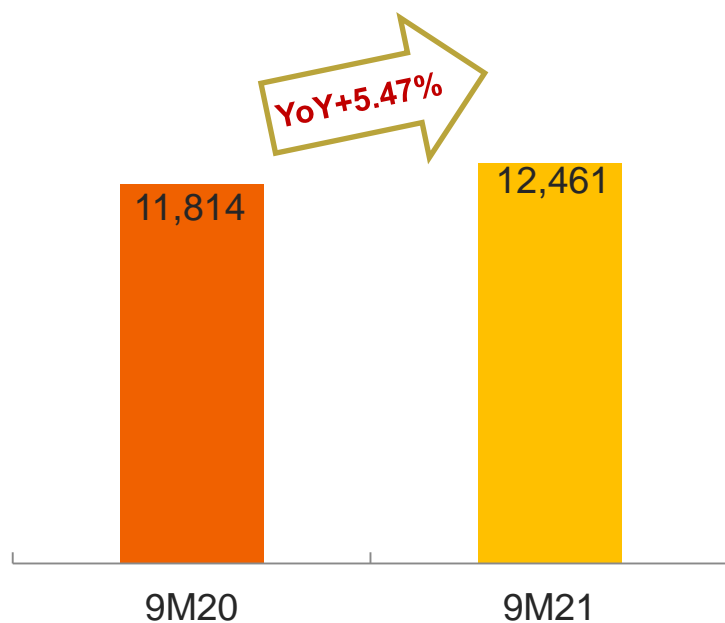
Fed Funds Rate vs. CBC Discount Rate Trends

Fed Funds Rate VS. CBC Discount Rate

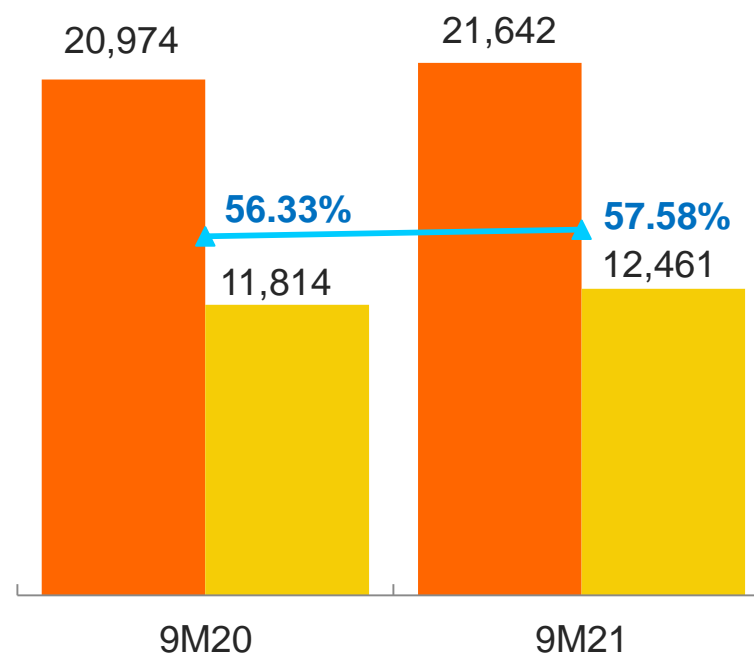


Cost-Income Ratio

Operating Expense (in NT\$ mn)



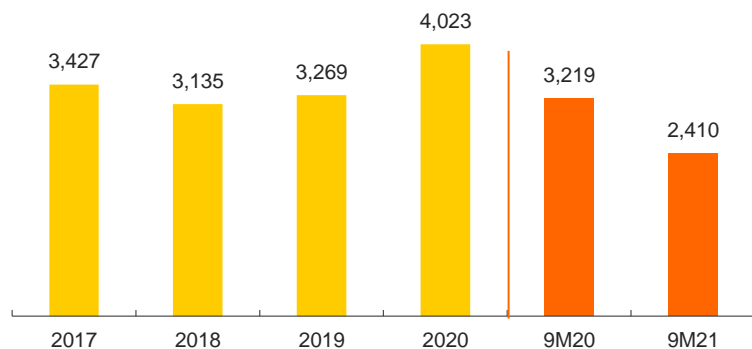
Cost-Income Ratio



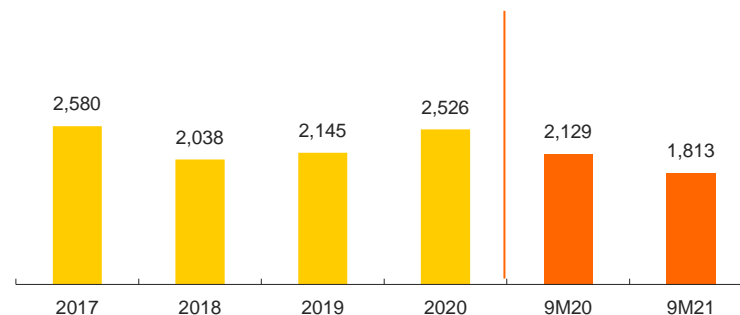
- Net Revenue (in NT\$ mn)
- Operation Expense (in NT\$ mn)
- Cost-Income Ratio

Loan Provision, Write-off and Recovery

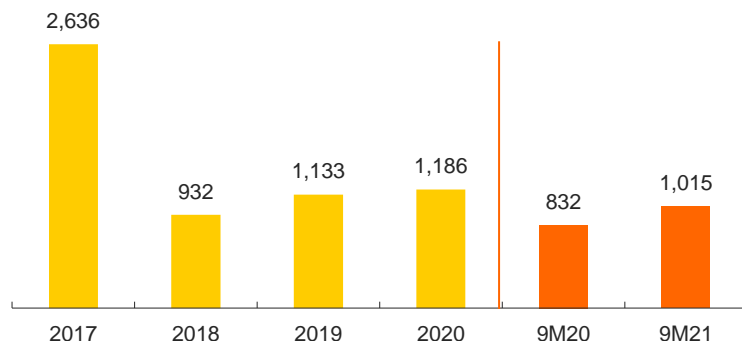
Provision (in NT\$ mn)



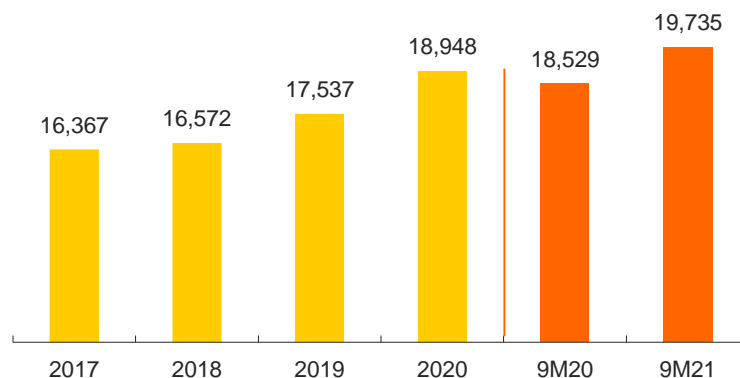
Write-Off (in NT\$ mn)



Recovery (in NT\$ mn)

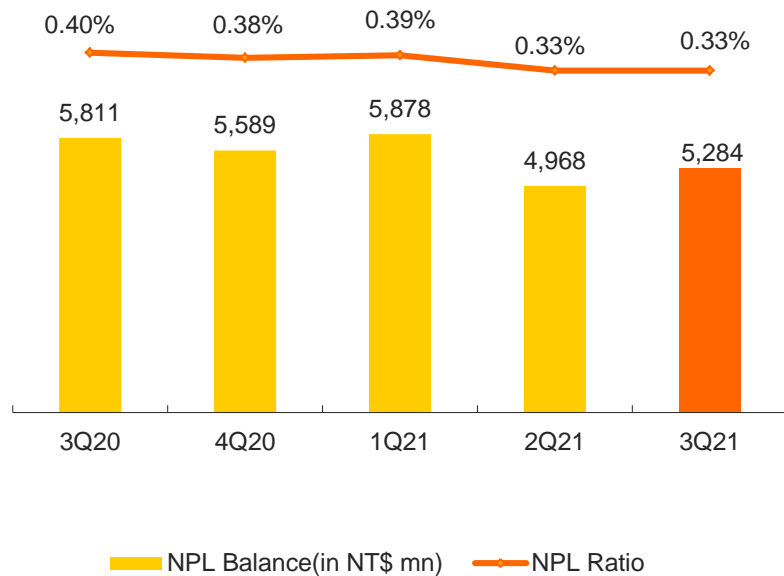


Reserve (in NT\$ mn)

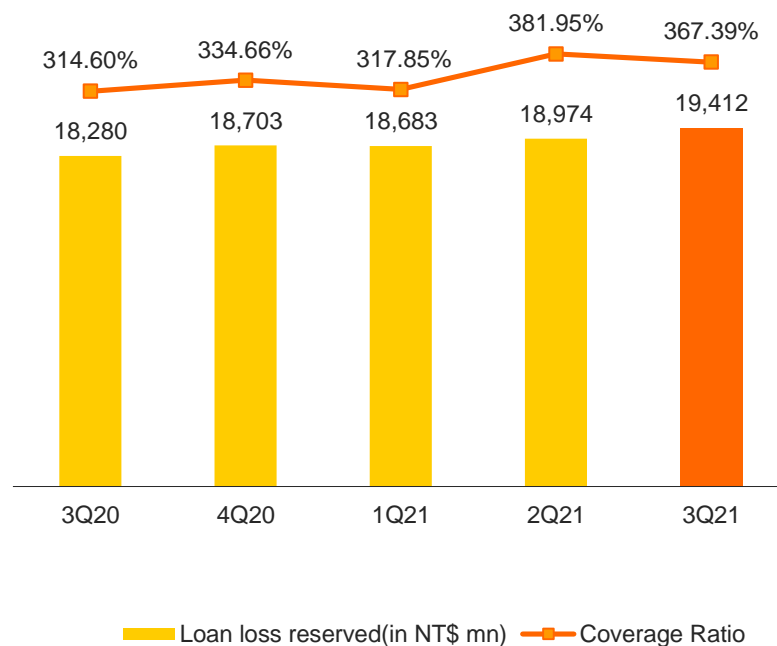


NPL Ratio and Coverage Ratio

NPL Ratio

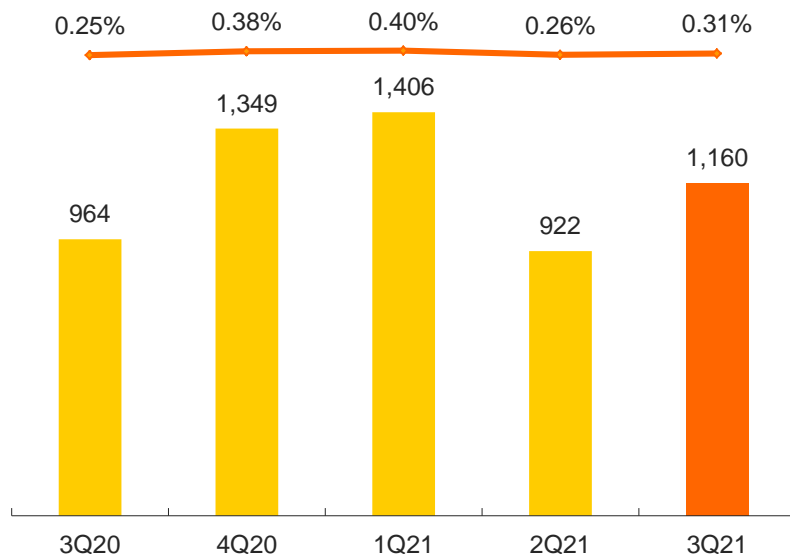


Coverage Ratio



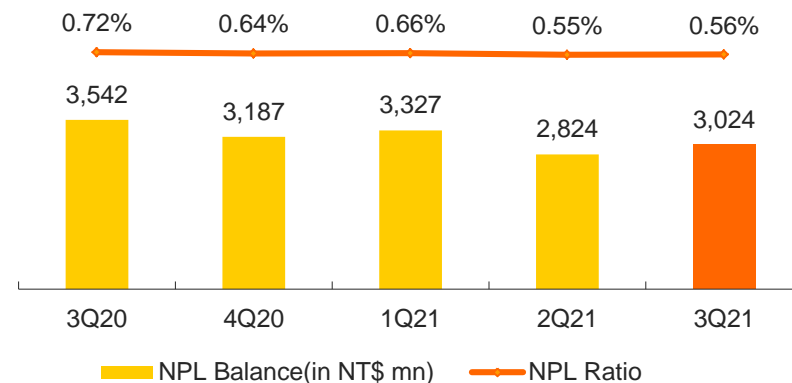
Asset Quality

Large Corp.



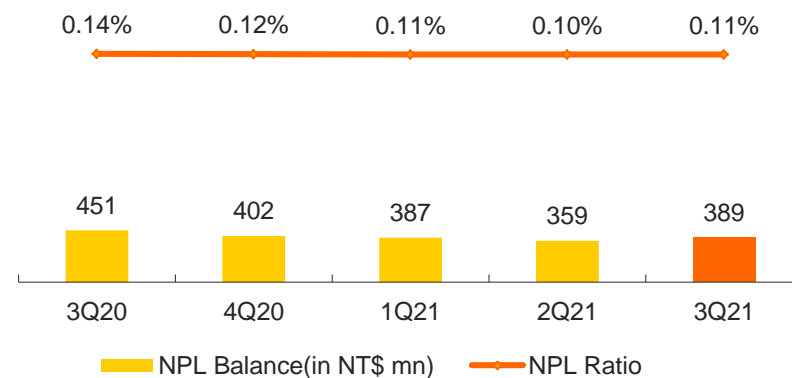
■ NPL Balance(in NT\$ mn) — NPL Ratio

SME



■ NPL Balance(in NT\$ mn) — NPL Ratio

Mortgage



■ NPL Balance(in NT\$ mn) — NPL Ratio

Credit Rating & CAR

Credit Rating

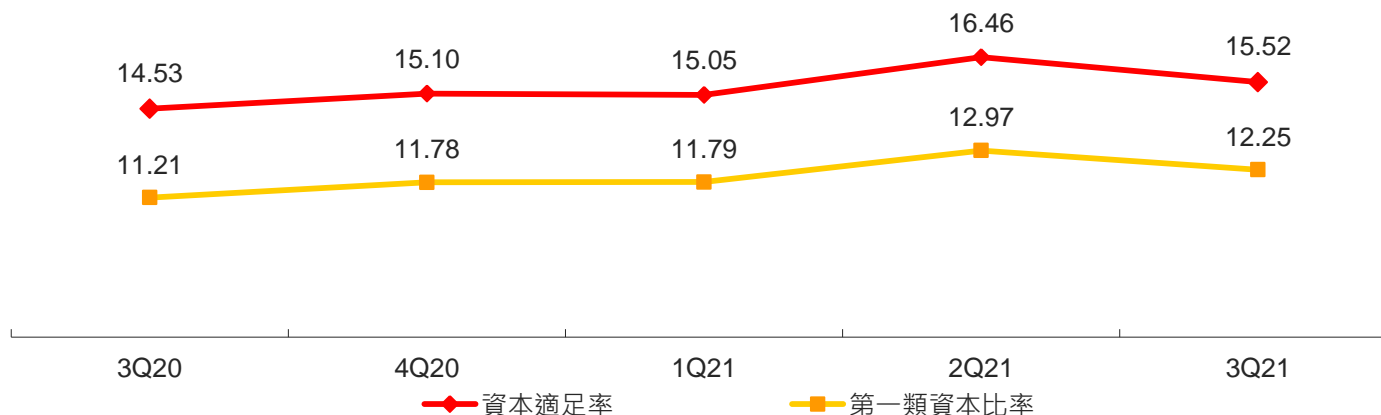
■ **Moody's** (2021/5,Review) :

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

■ **S&P** (2021/4,Review) :

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

Capital Adequacy Ratio (%)



Operational Perspective

Expand the core business base and increase profitability

- Adjust the credit structure of Corporate finance, expand the customer base of SMEs and increase NIM.
- Focus on self-use residence loans, and increase market share in housing loans.
- Strive the business opportunities of the syndicated loans and enriching the syndicated fee into the earnings performance.
- Establish partnerships with customers, bonding into its money flow, and create a dimension partnership together.
- Continue to cooperate with gov. policies, such as “Trillion revitalization” to investing Taiwan, coordinate with the central bank's financing project to seize the business opportunities after the pandemic.

Overseas expansion

- Deeply cultivate overseas niche markets, expand global strategic territory.
- Dynamically manage asset structure and focus on potential industries.
- Develop diversified overseas profit contributions and improve operational performance.
- Continue to cultivate outstanding overseas talents and balanced development of the banking business in all dimensions.

Enhance the momentum in Wealth Management

- Assisting branches on profound customer cultivation and providing a wealth inheritance plan with aid from the high-asset service team.
- Developing diversified wealth management products; expanding aspects of asset planning; providing suitable products for target customers; strengthening wealth management's growth momentum.
- Improving financial operation efficiency with a flexible asset allocation strategy.

Increasing the reach and breadth of digital financial services

- Provide a full range of digital financial services for online apply, such as digital deposits, credit cards, credit loans, funds, and other products by the new digital bank APP.
- Expand the service ecosystem and enhance competitiveness by third-party service providers with standardized technical specifications to quickly connect to the bank service.
- Plan to issue new credit cards and optimizing the process of online financial services to provide a convenient experience and services.
- Established an all-media customer service system to improve customer satisfaction.

Legal compliance, risk control, internal control and internal audit

- Strengthen the legal compliance system and functions, monitor legal compliance risks, and ensure the system's effectiveness in establishing a legal compliance culture.
- Continuing to develop anti-Money Laundering policies and countering the Financing of Terrorism to strengthen relevant risk management mechanisms.
- Continue to improve the risk management mechanism to identify effectively, measure, monitor, and report various risks to ensure a stable operation.
- Continue to implement the three lines of defense of the internal control system to ensure effective internal control systems and implementation.

Sustainable Governance

- Continue to promote various ESG (environmental, social, and governance) issues and strengthen information disclosure to implement sustainability goals.
- Provide green financial products and support the development of related industries.
- Ranked among the top 6~20% companies in the TWSE CG evaluation and awarded as the “Model” in the Banking Sector of the 1st 2021 Taiwan Sustainable Investment Award.
- Become a supporter of TCFD (Task Force on Climate-Related Financial Disclosures)



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Q&A



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BALANCE SHEETS(Consolidated)

(in NT\$ mn)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2019	2020	Change%	3Q20	4Q20	1Q21	2Q21	3Q21	Change%	3Q20	3Q21	Change%
Assets												
Cash & due from Banks	199,336	262,192	31.53%	210,244	262,192	249,587	249,272	207,147	-16.90%	188,282	207,147	10.02%
Financial assets at FVPL, net	11,483	14,581	26.98%	22,100	14,581	59,373	52,866	26,335	-50.19%	15,475	26,335	70.17%
Financial assets at FVOCI, net	116,296	122,696	5.50%	116,512	122,696	146,741	156,439	180,153	15.16%	112,222	180,153	60.53%
Financial assets for hedging	247	232	-6.34%	262	232	203	190	182	-4.32%	288	182	-36.69%
Financial assets at amortized cost, net	276,059	345,283	25.08%	307,368	345,283	363,688	349,151	378,296	8.35%	310,472	378,296	21.85%
Receivables, net	23,201	21,481	-7.41%	22,373	21,481	23,572	23,198	25,621	10.45%	19,294	25,621	32.79%
Loans, net	1,427,351	1,477,887	3.54%	1,463,346	1,477,887	1,499,269	1,523,351	1,576,518	3.49%	1,491,585	1,576,518	5.69%
Other financial assets, net	40,134	25,591	-36.24%	40,308	25,591	21,654	20,673	3,378	-83.66%	29,652	3,378	-88.61%
Property and equipment, net	20,739	20,909	0.82%	20,682	20,909	20,871	20,852	20,887	0.17%	20,658	20,887	1.11%
Right-of-use asset	1,620	1,519	-6.24%	1,575	1,519	1,654	1,973	1,984	0.56%	1,616	1,984	22.77%
Investment property, net	13,873	13,859	-0.10%	13,868	13,859	13,857	13,855	13,854	-0.01%	13,869	13,854	-0.11%
Other assets	5,303	7,210	35.95%	6,248	7,210	6,793	6,102	5,341	-12.47%	6,096	5,341	-12.39%
Total Assets	2,135,643	2,313,440	8.33%	2,224,887	2,313,440	2,407,263	2,417,922	2,439,698	0.90%	2,209,511	2,439,698	10.42%
Liabilities												
Due to banks	102,306	118,051	15.39%	113,808	118,051	121,999	111,912	106,480	-4.85%	132,971	106,480	-19.92%
Financial liabilities at FVPL	4,247	7,294	71.72%	5,536	7,294	3,011	3,470	1,807	-47.93%	5,101	1,807	-64.58%
RP	1,547	1,227	-20.72%	1,753	1,227	1,555	1,433	1,450	1.15%	1,847	1,450	-21.53%
Payables	21,847	22,237	1.79%	29,131	22,237	27,280	33,710	46,900	39.13%	30,982	46,900	51.38%
Deposits and remittances	1,765,948	1,917,987	8.61%	1,836,094	1,917,987	2,003,175	2,026,264	2,044,107	0.88%	1,800,588	2,044,107	13.52%
Bank notes payable	55,521	61,351	10.50%	54,580	61,351	60,224	51,318	51,311	-0.01%	54,604	51,311	-6.03%
Provisions	5,341	5,316	-0.46%	5,159	5,316	5,123	4,931	4,917	-0.28%	5,189	4,917	-5.25%
Lease liabilities	1,420	1,344	-5.41%	1,402	1,344	1,481	1,789	1,822	1.83%	1,426	1,822	27.73%
Other liabilities	15,229	13,580	-10.82%	13,841	13,580	15,999	13,279	12,657	-4.68%	14,721	12,657	-14.02%
Total Liabilities	1,973,406	2,148,386	8.87%	2,061,303	2,148,386	2,239,846	2,248,106	2,271,450	1.04%	2,047,430	2,271,450	10.94%
Stockholders' Equity	162,237	165,054	1.74%	163,583	165,054	167,417	169,816	168,247	-0.92%	162,081	168,247	3.80%
Total Liabilities and Stockholders' Equity	2,135,643	2,313,440	8.33%	2,224,887	2,313,440	2,407,263	2,417,922	2,439,698	0.90%	2,209,511	2,439,698	10.42%

STATEMENTS OF COMPREHENSIVE INCOME(Consolidated)

(in NT\$ mn)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2019	2020	Change%	3Q20	4Q20	1Q21	2Q21	3Q21	Change%	9M20	9M21	Change%
Interest Income	39,190	29,816	-23.92%	6,832	6,810	6,674	6,737	7,003	3.94%	23,006	20,414	-11.27%
Interest Expense	16,341	10,676	-34.67%	2,237	1,991	1,867	1,727	1,718	-0.57%	8,685	5,312	-38.84%
Net Interest Income	22,850	19,140	-16.23%	4,596	4,820	4,807	5,010	5,285	5.50%	14,321	15,102	5.45%
Net Service fee and commissions income	4,635	4,528	-2.31%	1,104	1,135	1,204	1,077	1,114	3.39%	3,393	3,394	0.05%
Gains(losses) on financial assets and liabilities at FVPL	1,837	1,648	-10.27%	262	221	316	388	237	-39.04%	1,427	941	-34.05%
Realized gains of financial assets at FVOCI	1,365	1,219	-10.71%	366	16	195	408	861	111.06%	1,203	1,463	21.59%
Gains(losses) on disposal of credit assets measured at AC		0	-	0	0	-	-	-	-	-	-	-
Foreign exchange gains(losses)	919	339	-63.06%	65	41	183	59	168	183.97%	298	410	37.65%
Other miscellaneous net income	473	443	-6.42%	94	111	190	48	93	91.20%	332	331	-0.21%
Net income other than net interest income	9,229	8,177	-11.40%	1,892	1,523	2,088	1,981	2,472	24.79%	6,653	6,540	-1.70%
Net Revenues and gains	32,078	27,317	-14.84%	6,487	6,343	6,895	6,990	7,757	10.96%	20,974	21,642	3.19%
Credit loss provisions, net	2,136	2,836	32.76%	970	449	576	364	456	25.23%	2,387	1,395	-41.56%
Operating Expenses	16,422	16,170	-1.53%	3,962	4,356	3,941	4,126	4,394	6.48%	11,814	12,461	5.47%
Employee Benefits expenses	10,868	10,808	-0.55%	2,650	2,952	2,688	2,812	3,081	9.59%	7,855	8,581	9.24%
Depreciation and amortization expenses	1,437	1,403	-2.38%	352	346	253	363	356	-1.85%	1,056	971	-8.03%
Other general and administrative expenses	4,117	3,960	-3.82%	959	1,057	900	952	957	0.50%	2,903	2,809	-3.25%
Income before income tax from continuing operations	13,520	8,311	-38.53%	1,556	1,538	2,378	2,500	2,907	16.29%	6,773	7,786	14.96%
Income Tax Expense	1,949	1,270	-34.84%	147	151	433	279	300	7.79%	1,118	1,012	-9.53%
Net Income	11,572	7,041	-39.15%	1,409	1,386	1,946	2,222	2,607	17.35%	5,654	6,774	19.81%
Basic EPS(NT\$)	1.16	0.68	-41.38%	0.14	0.12	0.19	0.21	0.25	19.05%	0.54	0.65	20.37%
Other comprehensive income	369	-230	-162.37%	93	84	417	178	-438	-345.94%	-314	157	-150.10%
Total comprehensive income	11,941	6,811	-42.96%	1,502	1,471	2,363	2,399	2,169	-9.59%	5,340	6,932	29.81%



彰化銀行

THANK YOU

