



彰化銀行

# Financial Review 2022Q2

(Bloomberg: 2801 TT)

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August 31, 2022



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# Economic Outlook

## **Economic growth momentum slows, and market demand is cooling down.**

- Affected by the war between Russia and Ukraine stalemate, the international energy and food prices have been pushed up, and global inflation pressure has continued to rise.
- The market demand is expected to cool down, and the recent price of international raw materials has dropped significantly, which will help ease the pressure of global inflation in the year's second half.

## **The outlook for Taiwan's industrial prosperity will be adjusted downwards and become more conservative.**

- Affected by factors such as rising prices, a sharp correction in the financial market, and the rising local epidemic, the performance of private consumption was weaker than expected.
- The Stay-at-Home Economy and long-distance demand are no longer needed, including the sharp decline in personal computers and TVs and industries including panels, passive components, DRAM, LED, PC, machine tools, and automobiles.
- Industries such as petrochemicals, steel, textiles, wholesale and retail, etc., were affected by the decline in consumer demand and from optimistic to conservative.
- The gradual loosening of border controls in various countries and the recovery of people's willingness to consume will hopefully increase consumption momentum in the second half of the year.

# Sustainable Performance

## Governance

- 「The Global Top 500 Banks」 by The Banker (8th Consecutive Years, 2015 ~ 2022).
- Formally signed to join the Organization-Science Based Targets initiative (SBTi), becoming the first government-own bank to commit to setting carbon reduction targets by the SBTi.
- Evaluated as 5% among Taiwan listed companies / Top 4 among Taiwan listed financial and insurance companies in the 8<sup>th</sup> Corporate Governance Evaluation.
- Official adoption of the Equator Principles and becoming a member of the Equator Principles Association on April 22.
- Launched the "Sustainable Performance Linked Credit Loan Project" to encourage enterprises to "control GHG emissions", "carbon reduction", "energy consumption", etc.,

## Social

- Taking the concept of fostering the development of sports and inheriting the spirit of sportsmen as the starting point, the "CHB Archery Team" was established, recruiting archery masters to join.
- 53 bilingual branches have been established in North, Central, and South Taiwan, providing friendly bilingual financial services and enhancing international competitiveness.

## Environmental

- Changhua Branch carried out a carbon neutral branch transformation plan, successfully reduced carbon emissions by 26.7%, including purchased carbon rights with the Gold Standard, and passed the verification of the PAS 2060 carbon neutral standard, and became the first carbon neutral branch of the Bank.
- Actively participate in climate change issues and introduced the TCFD framework in 2020, also joined the TCFD initiative in 2021 then officially became a signatory supporter of TCFD in July 2021.
- Through the compliance of Sustainable Procurement (ISO20400) and the verification of Water efficiency management systems (ISO46001), the internal resource and energy management efficiency have been improved.

# Agenda

● **Operational Highlights**

● Financial Performance

● Operating Results

● Appendix

# Operational Highlights (consolidated basis)

## Core Business

- Loans NT\$1,629 bn,+7.19% YoY,  
Corp.+10.40% YoY · Personal +9.51% YoY ·  
Overseas +11.55% YoY
- Deposits NT\$2,215 bn,+11.72% YoY,  
NTD Deposit + 7.16% YoY  
FX Deposit +27.78% YoY

## Profitability

- Net Income After Tax NT\$5.320 bn,+27.65% YoY
- EPS NT\$0.50 · ROA 0.20% · ROE 3.16%

## Asset Quality

- NPL ratio was 0.23% · -0.10%YoY
- Coverage ratio was 505.25% · +123.3%YoY

## Capital Adequacy Ratio

- BIS ratio was 13.85%

\*ROE and ROA are after-tax figures.

# Agenda

● Operational Highlights

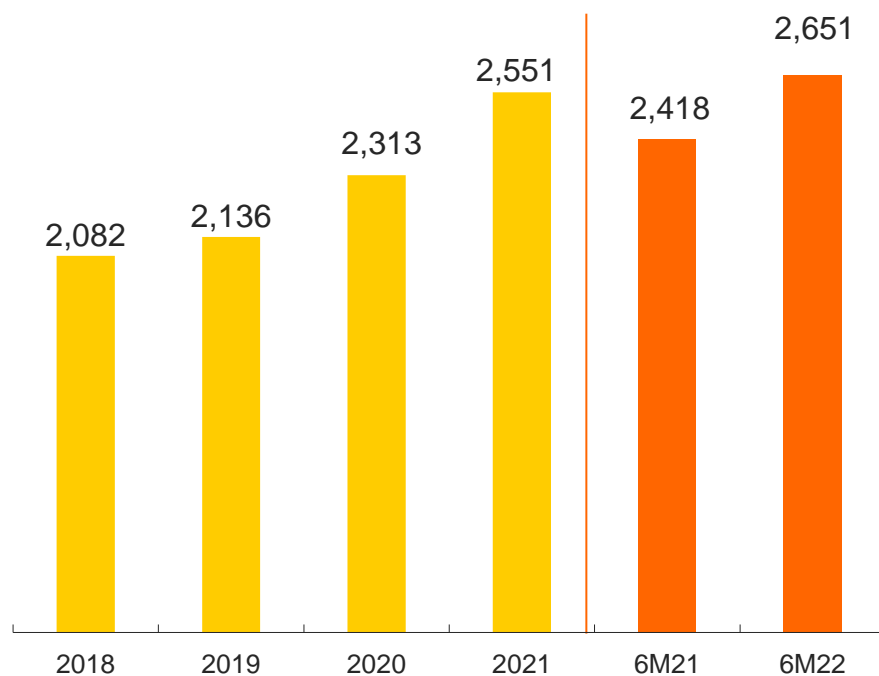
● **Financial Performance**

● Operating Results

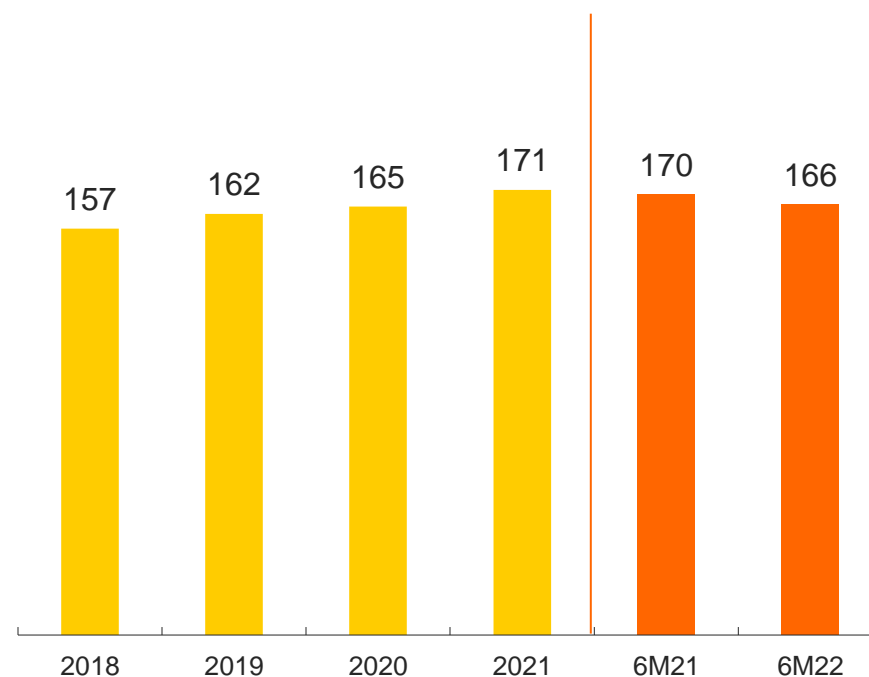
● Appendix

# Asset Size and Net Worth

**Asset Size** (in NT\$ bn)



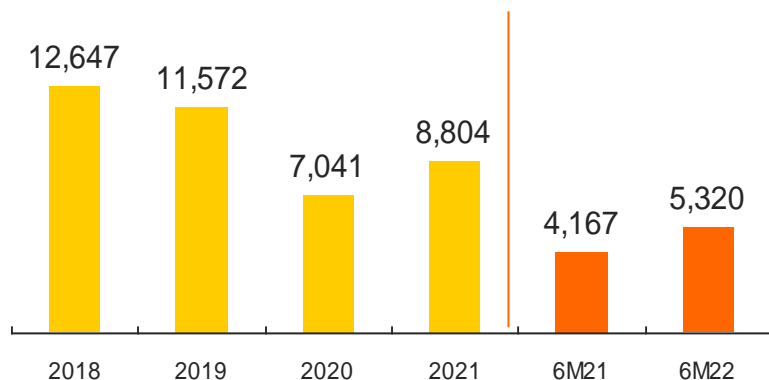
**Net Worth** (in NT\$ bn)



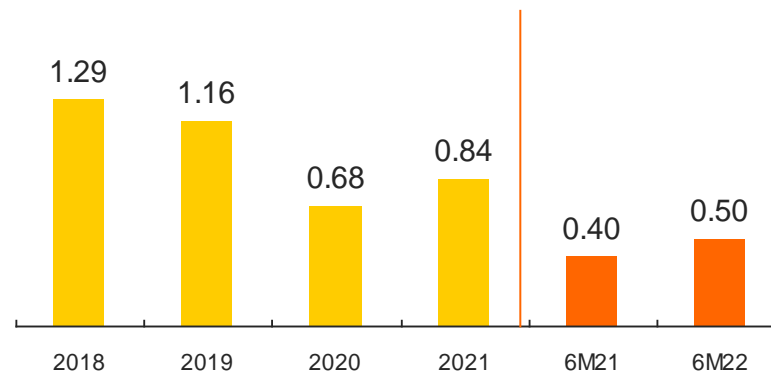


# Financial Performance

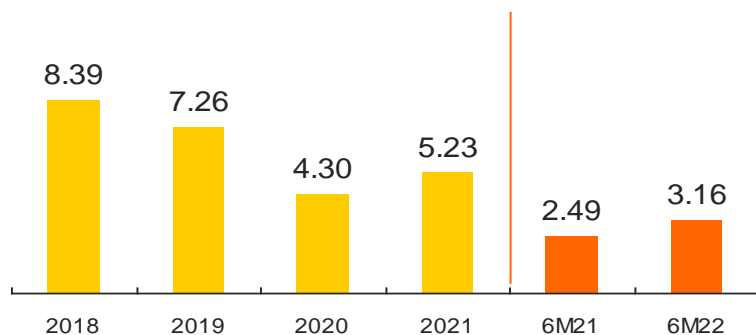
## Net Income After Tax (in NT\$ mn)



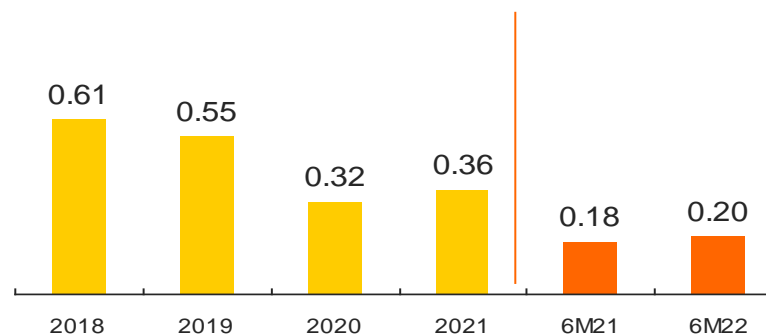
## EPS After tax (in NT\$)



## ROE(%)



## ROA(%)



\*ROE and ROA are after-tax figures.

# Comprehensive Income

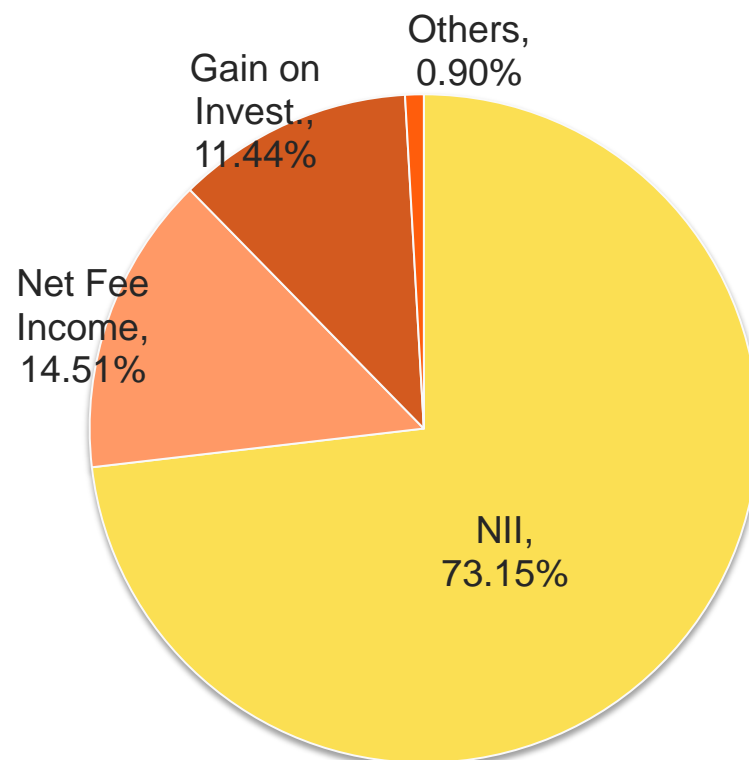
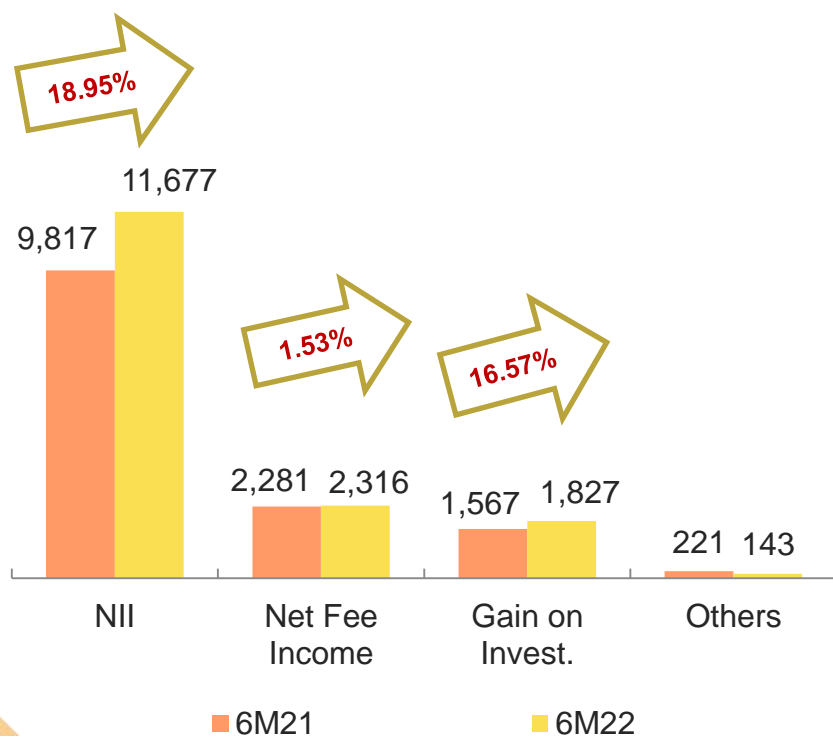
(In NT\$ mn )	6M21	6M22	YoY(%)
Net Revenue	13,885	15,962	14.95%
Provision, Net	939	1,381	47.04%
Operating Expense	8,067	8,411	4.26%
Net Income Before Tax	4,879	6,170	26.46%
Income Tax Expense	711	850	19.49%
Net Income After Tax	4,167	5,320	27.65%
Other Comprehensive Income	595	-5,761	-1,068.11%
Total Comprehensive Income	4,763	-441	-109.27%

# Net Revenue

## Net Revenue (in NT\$ mn)

6M21	6M22	YoY
13,885	15,962	14.95%

## 6M22 Net Revenue Breakdown

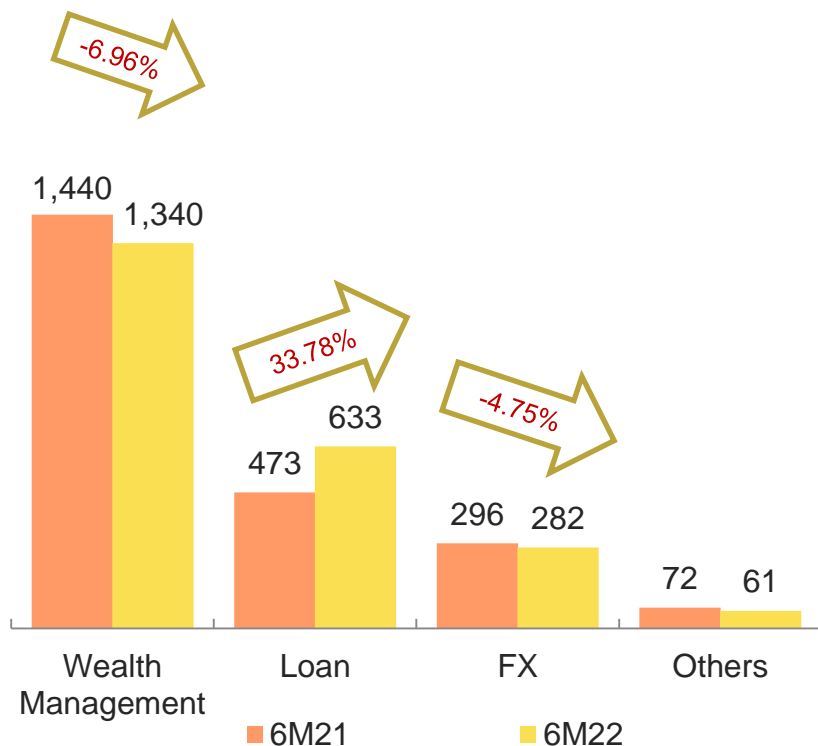
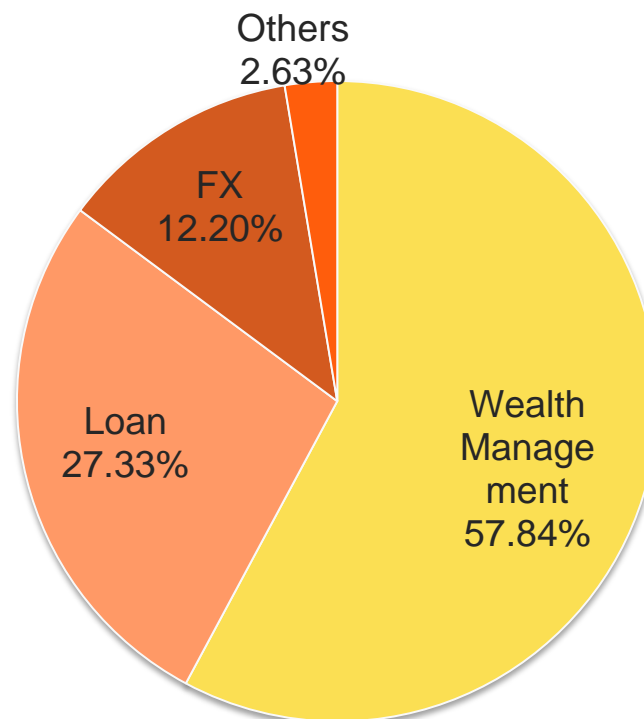


# Net Fee Income

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

6M21	6M22	YoY
2,281	2,316	1.53%

## 6M22 Net Fee Income Breakdown



# Agenda

● Operational Highlights

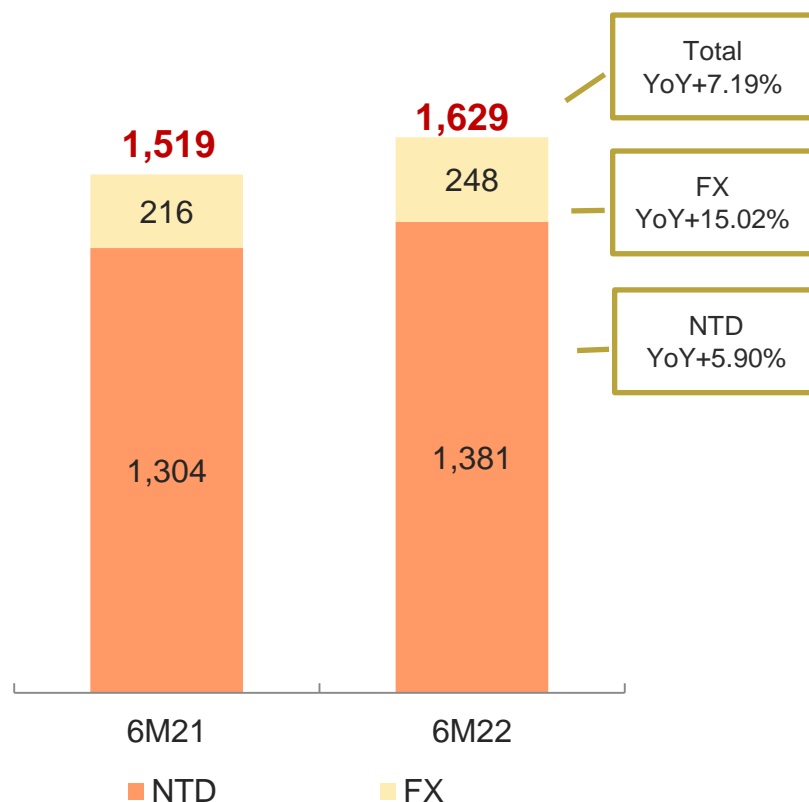
● Financial Performance

● **Operating Results**

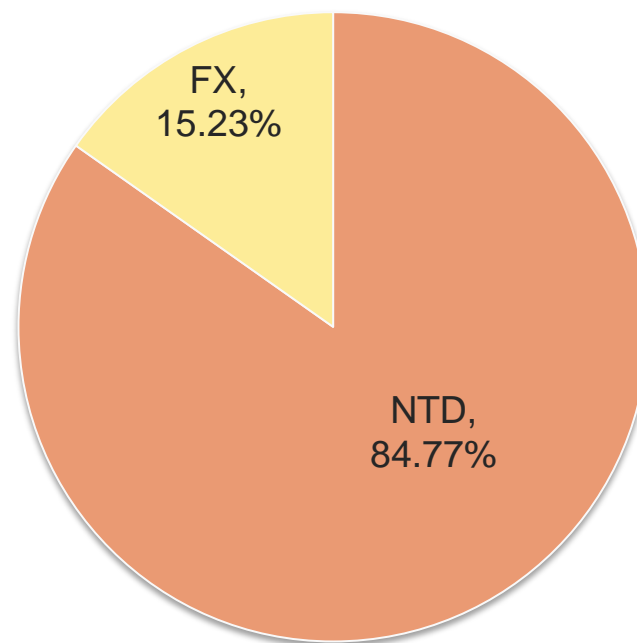
● Appendix

# Loan Breakdown by Currency

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



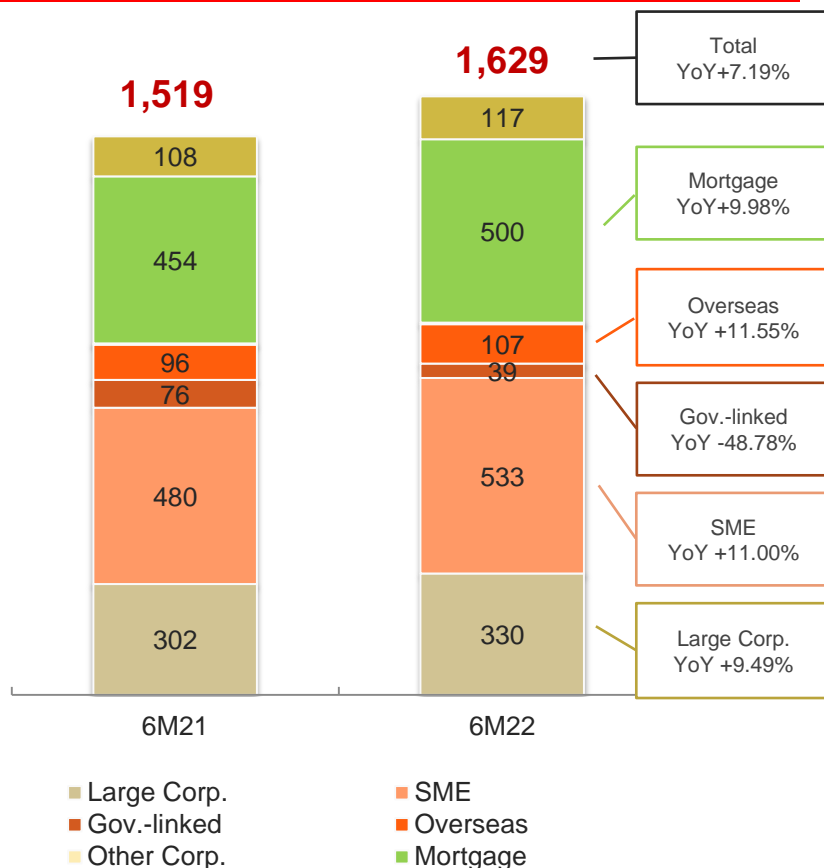
## 6M22 Loan Breakdown by Currency



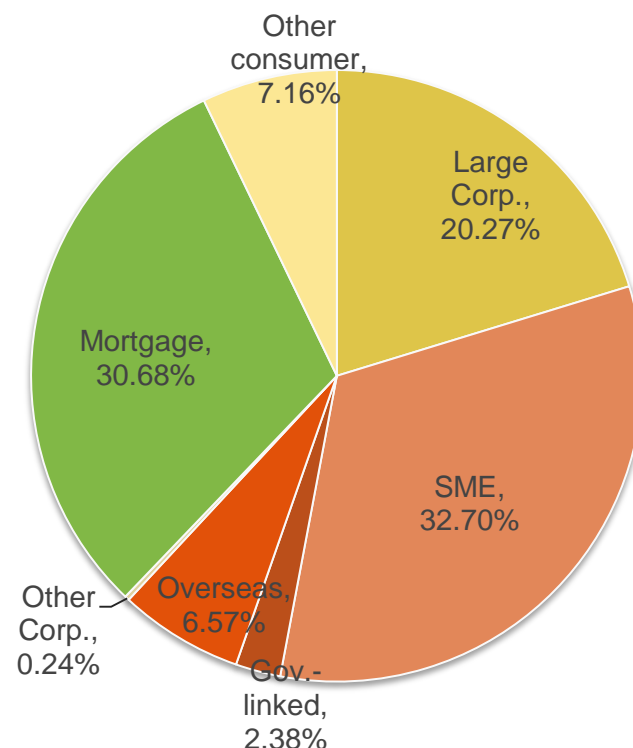
\*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

# Loan Breakdown by Customer

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



## 6M22 Loan Breakdown by Customer

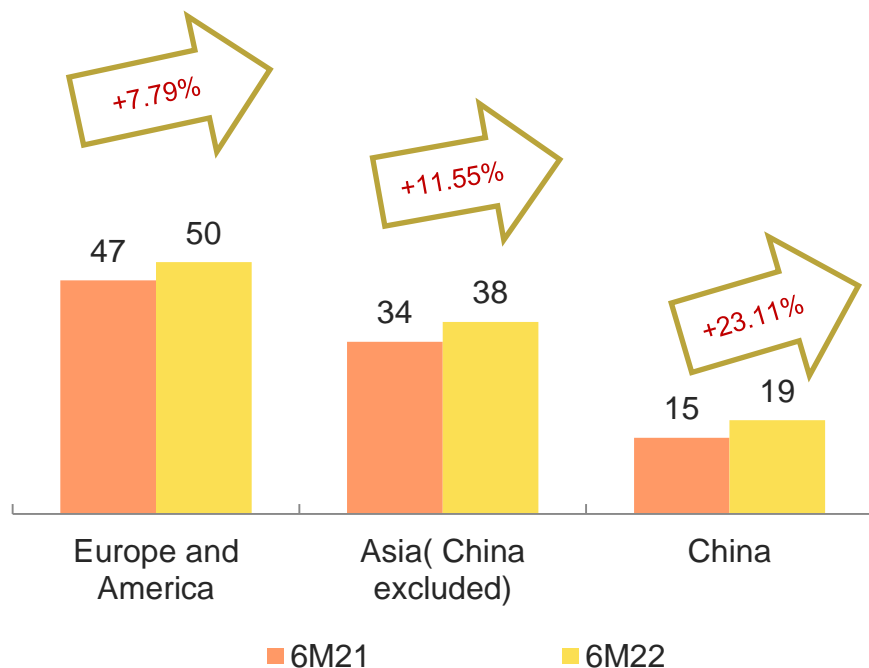


\*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

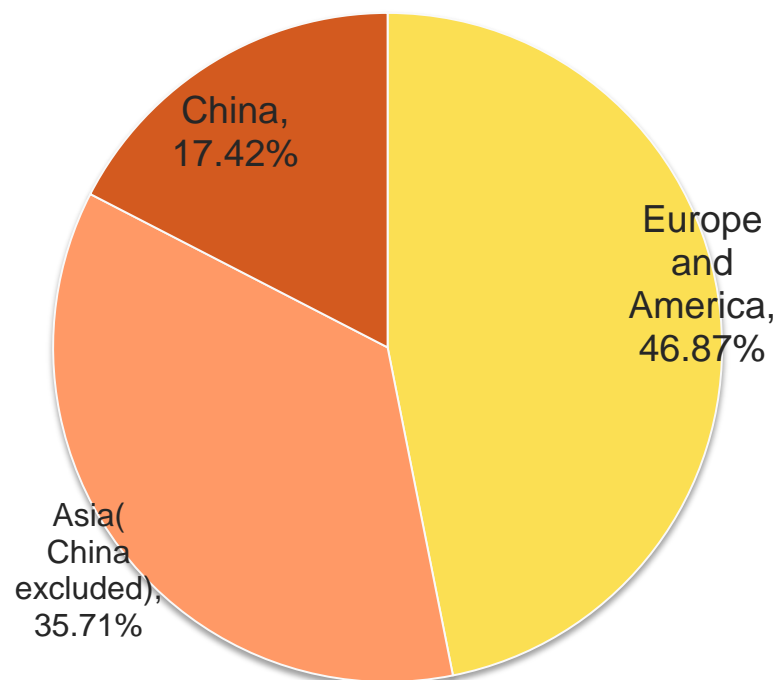
# Overseas Loan Breakdown by Regions

**Overseas Loan Balance** (in NT\$ bn)

6M21	6M22	YoY
96	107	+11.55%



**6M22 Overseas Loan Breakdown by Regions**

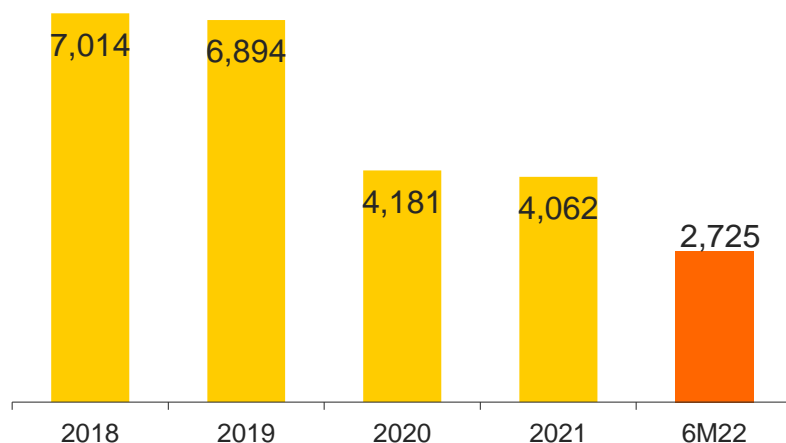


\*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

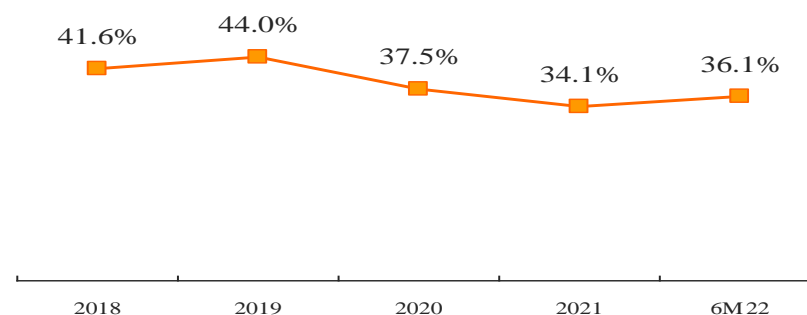


# Overseas & OBU Performance

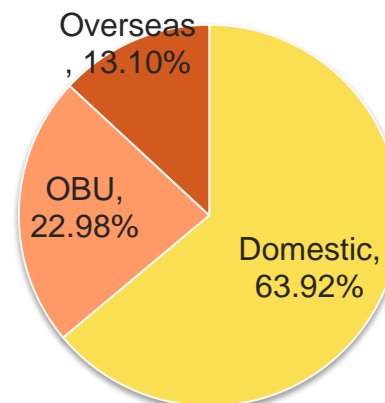
## Overseas & OBU Net Income After Tax (in NT\$ mn)



## Overseas & OBU PPOP proportion

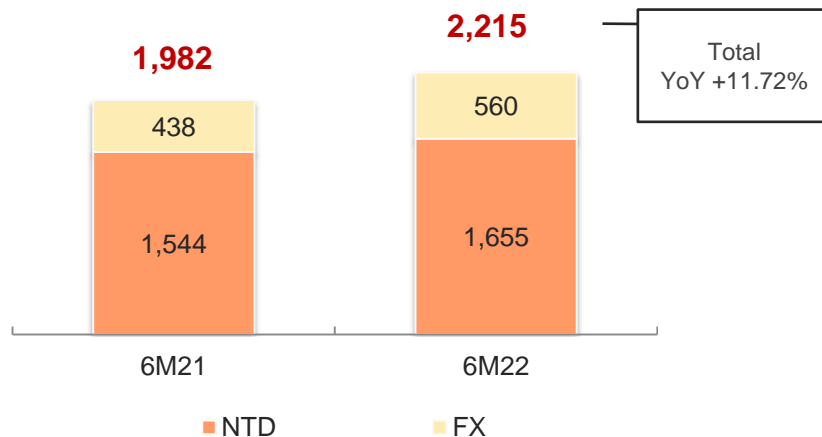


## 6M22 PPOP Breakdown

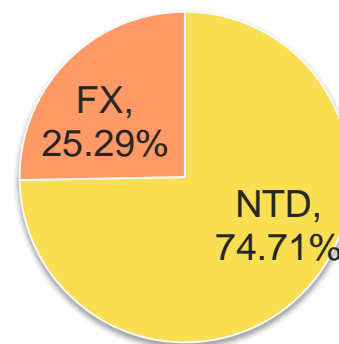


# Deposit Breakdown by Currency

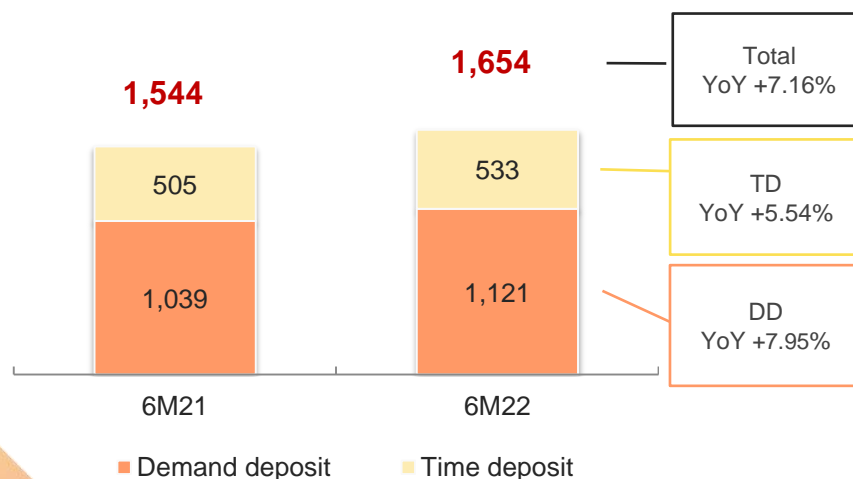
Deposit Balance (in NT\$ bn)



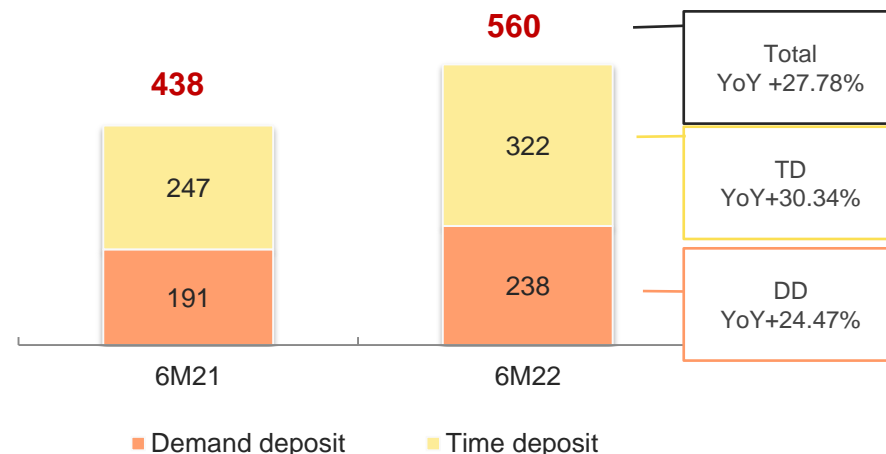
6M22 Deposit Breakdown by Currency



NTD Deposit Balance (in NT\$ bn)

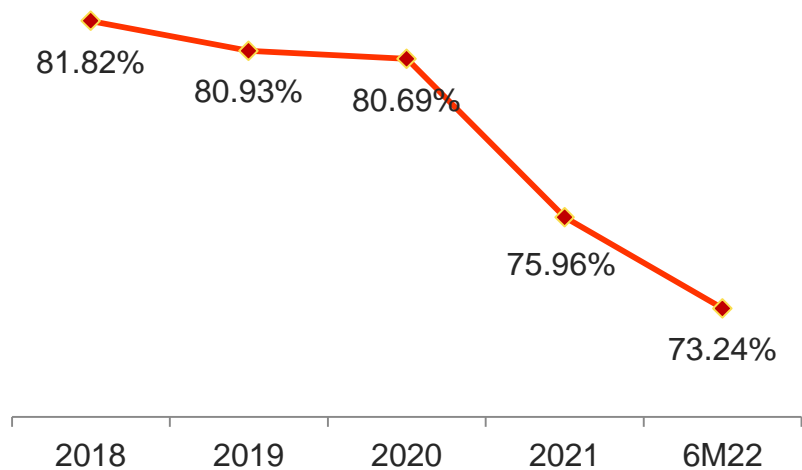


FX Deposit Balance (in NT\$ bn)

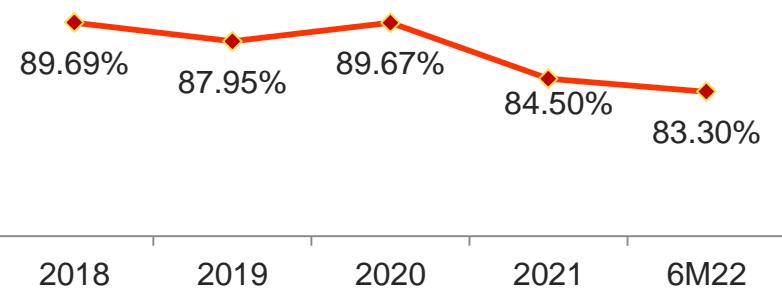


# LDR

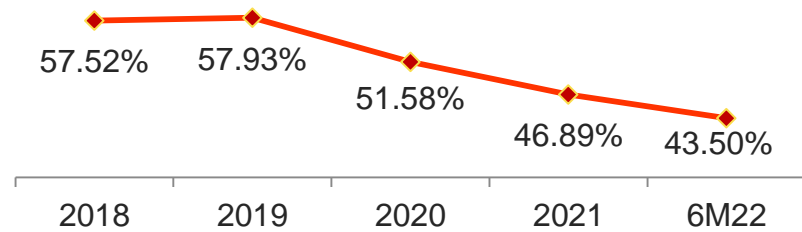
## Total LDR



## NTD LDR

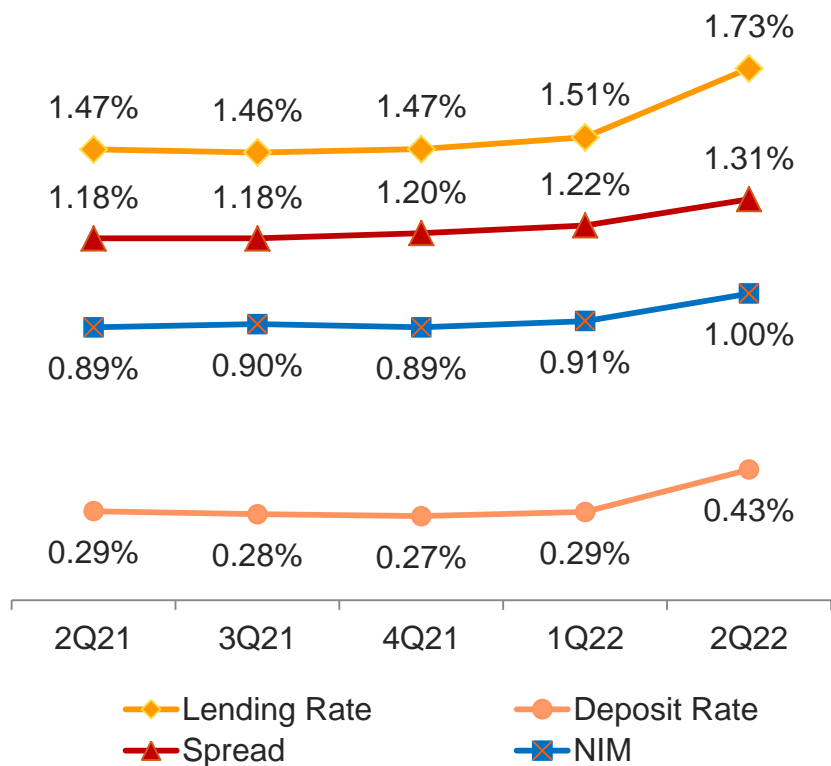


## FX LDR

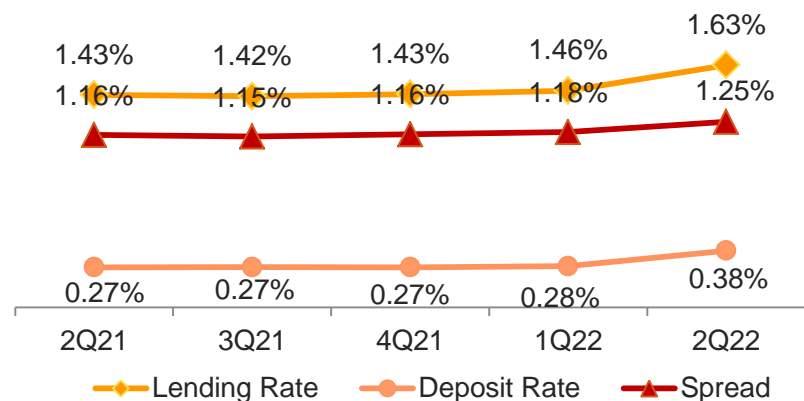


# Spread and NIM

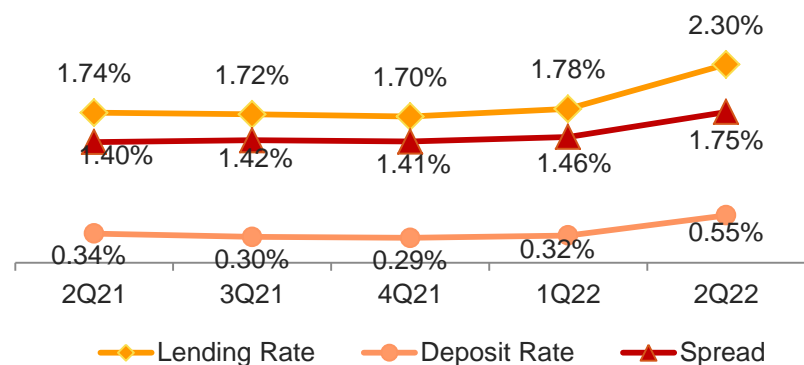
## Quarterly Total Loan to Deposit Spread and NIM



## NTD Loan to Deposit Spread



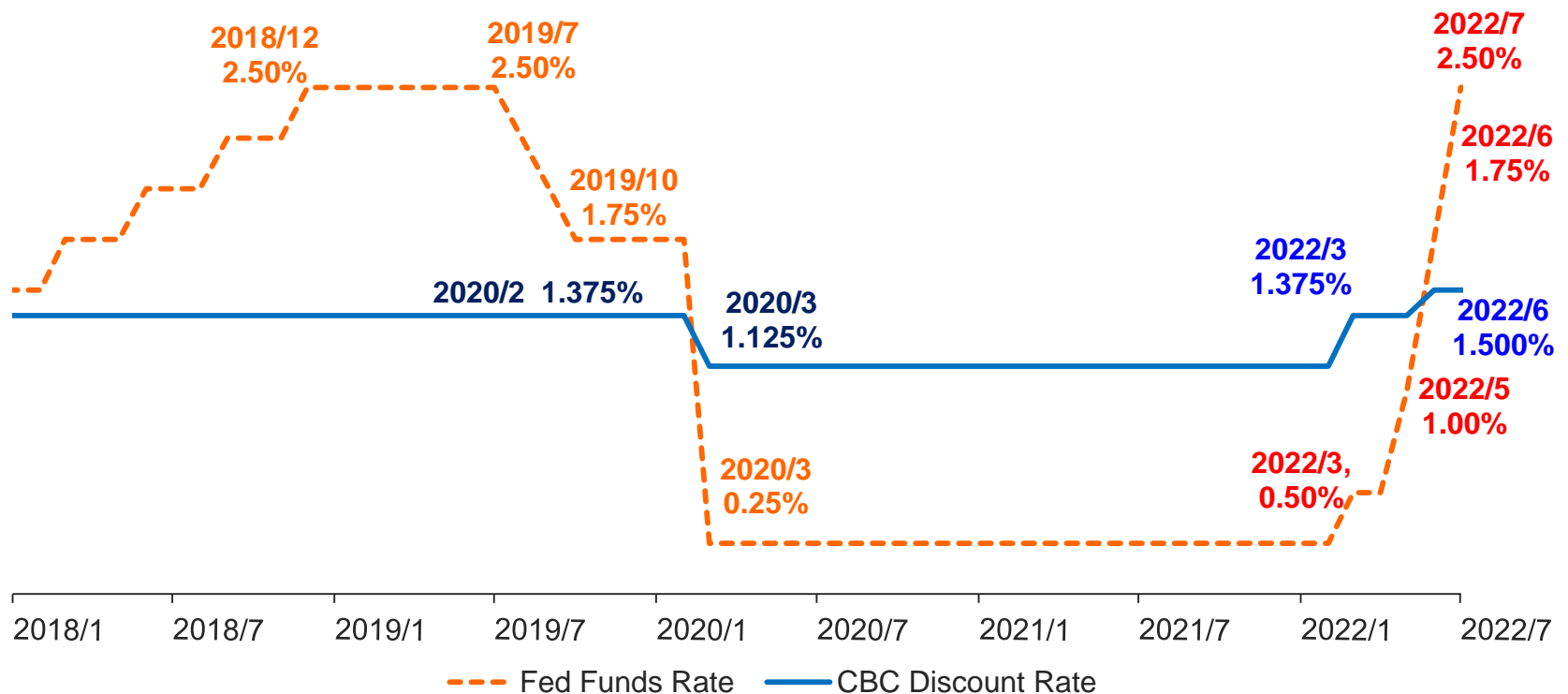
## FX Loan to Deposit spread



\*.IFRS and quarterly basis.

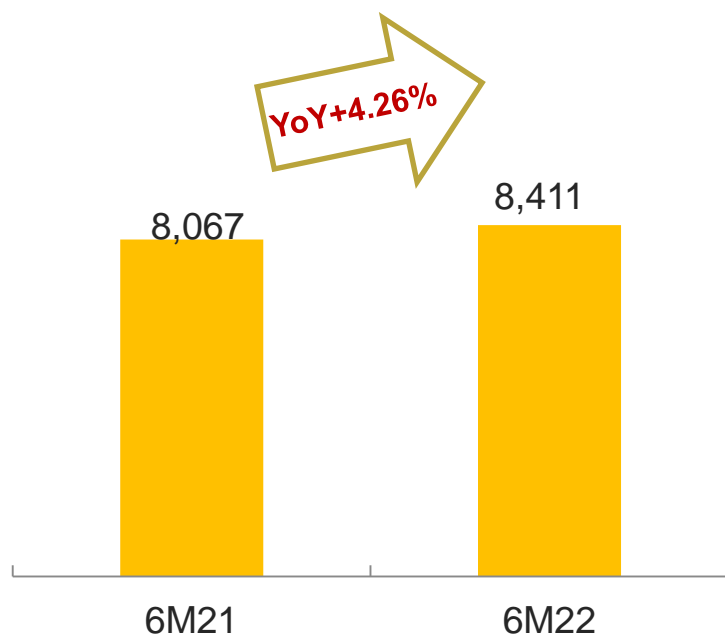
# Fed Funds Rate vs. CBC Discount Rate Trends

## Fed Funds Rate VS. CBC Discount Rate

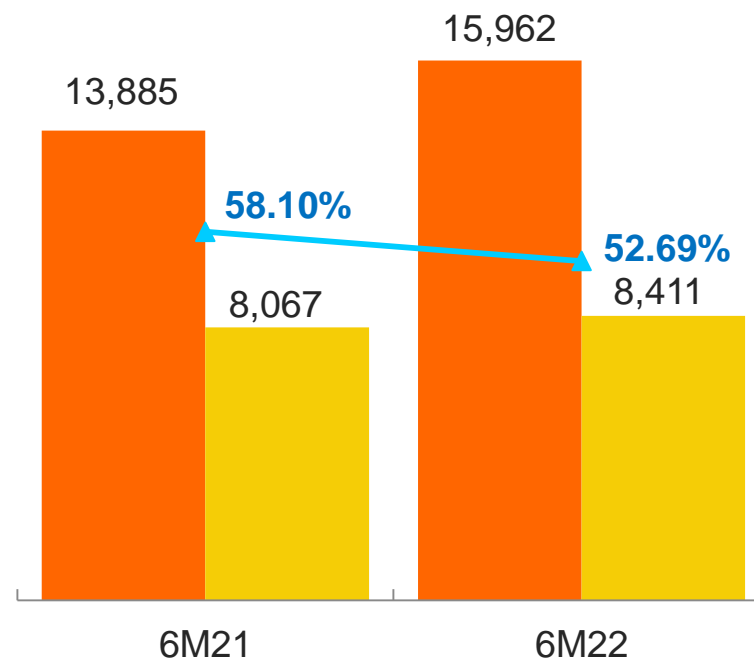


# Cost-Income Ratio

## Operating Expense (in NT\$ mn)



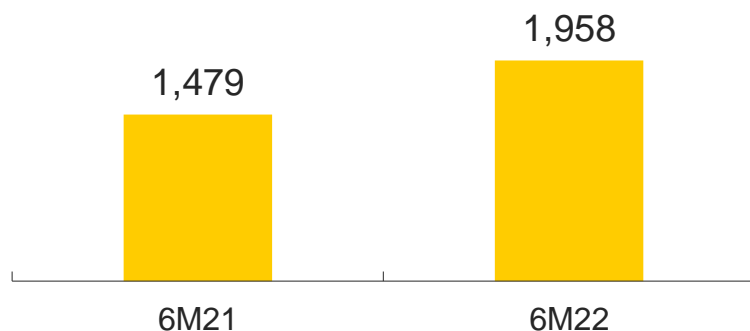
## Cost-Income Ratio



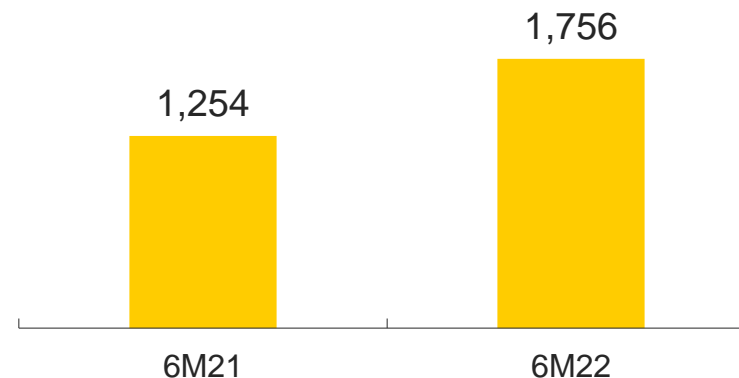
- Net Revenue (in NT\$ mn)
- Operation Expense (in NT\$ mn)
- Cost-Income Ratio

# Loan Provision, Write-off and Recovery

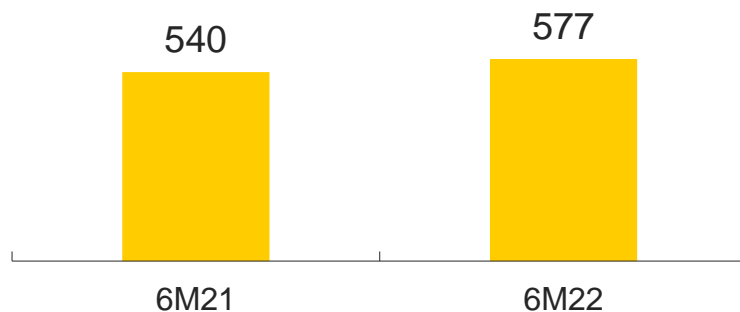
**Provision** (in NT\$ mn)



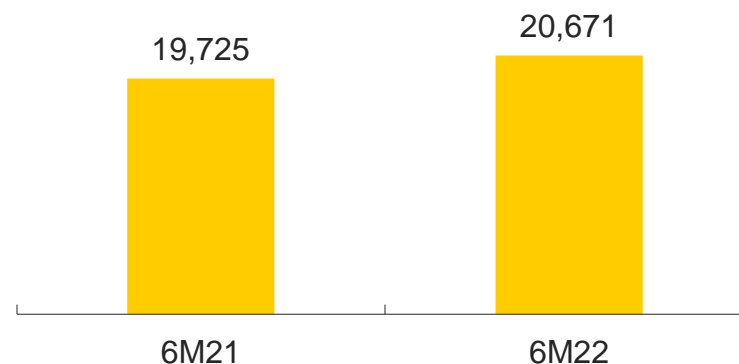
**Write-Off** (in NT\$ mn)



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

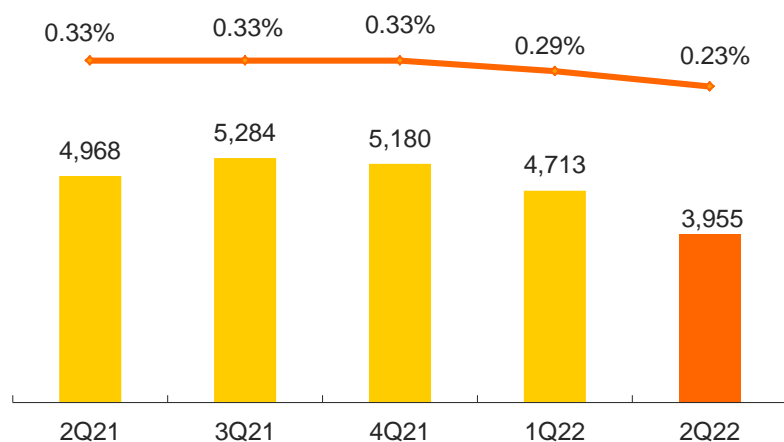


**Reserve** (in NT\$ mn)



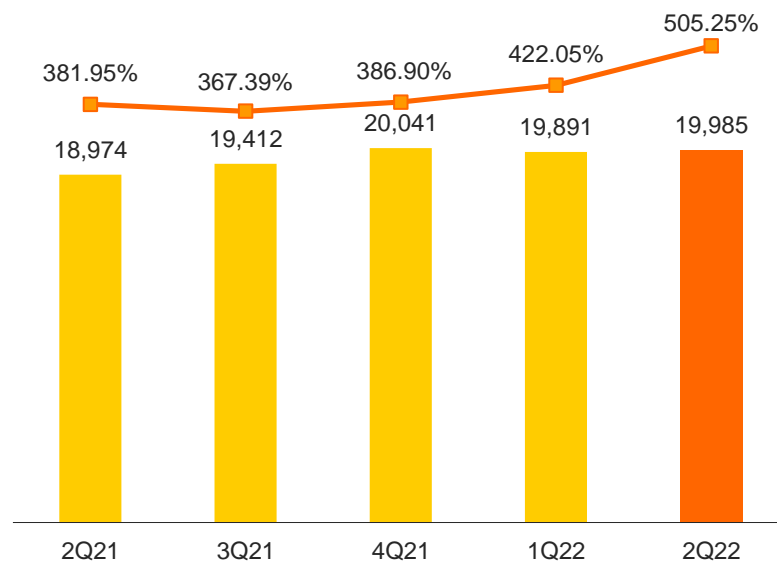
# NPL Ratio and Coverage Ratio

## NPL Ratio



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

## Coverage Ratio

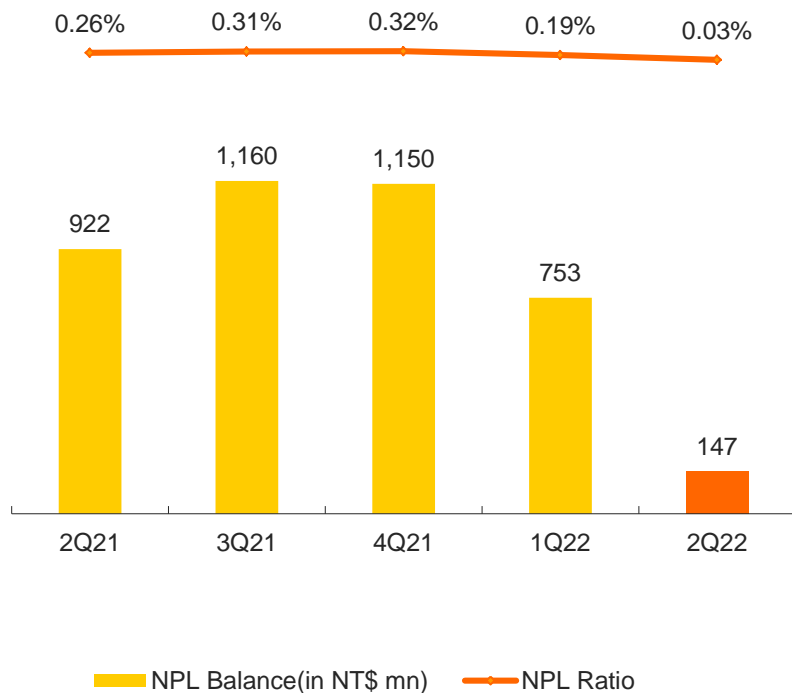


■ Loan loss reserved(in NT\$ mn) —■ Coverage Ratio

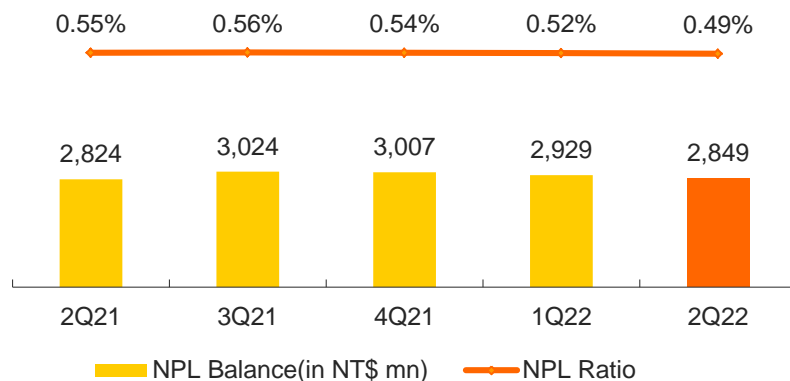


# Asset Quality

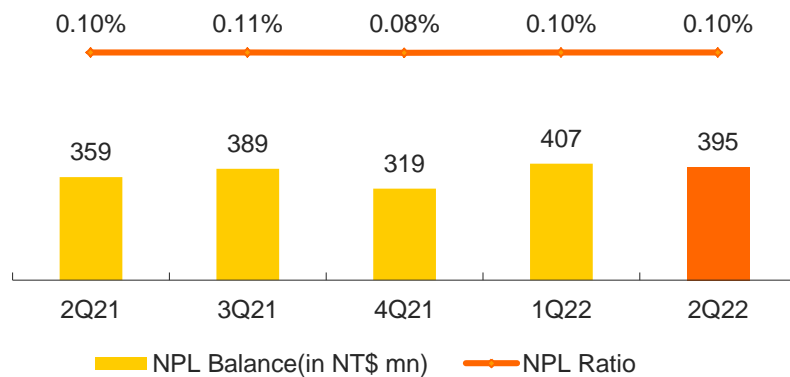
## Large Corp.



## SME



## Mortgage



# Credit Rating & CAR

## Credit Rating

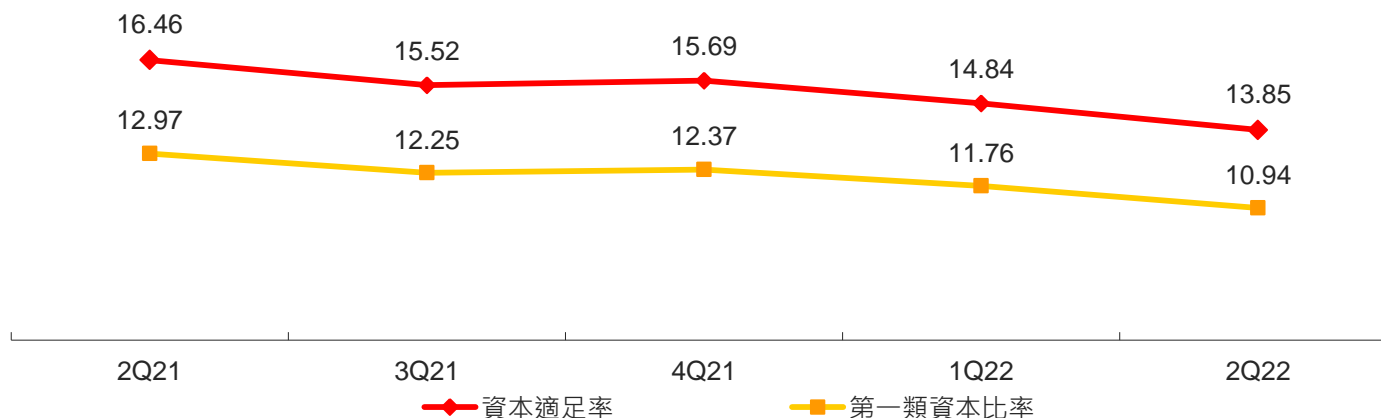
■ **Moody's** (2022/3,Review) :

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

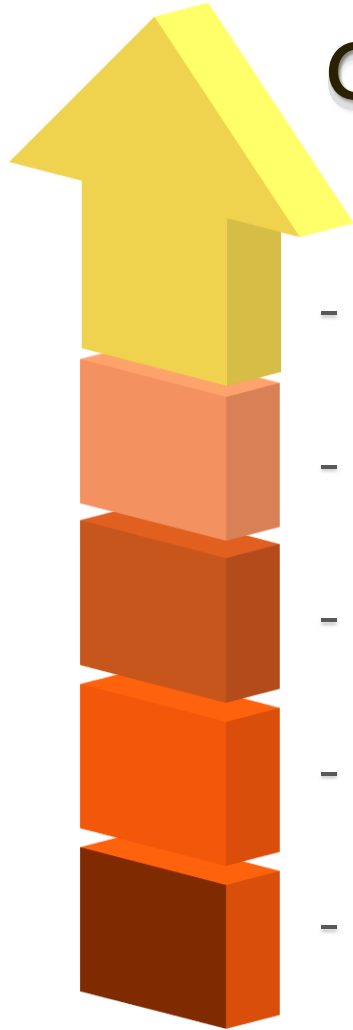
■ **S&P** (2022/5,Review) :

- Long Term Rating : A-
- Short Term Rating : A-1
- Outlook : Stable

## Capital Adequacy Ratio (%)



# Operating Strategy



## Customer-oriented, Integrity and Sustainability

- Optimize income and asset structure, and actively increase profits
- Deploy digital transformation and build a financial ecosystem
- Deepen legal compliance and implement three lines of defense for internal control
- Practice fair hospitality and commit to developing green finance
- Improve information and operational efficiency, and strengthen information security governance



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Q&A



# Agenda

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● Operational Highlights

● Financial Performance

● Operating Results

● Appendix

# BALANCE SHEETS(Consolidated)

(in NT\$ mn)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2020	2021	Change%	2Q21	3Q21	4Q21	1Q22	2Q22	Change%	2Q21	2Q22	Change%
<b>Assets</b>												
Cash & due from Banks	262,192	290,702	10.87%	249,272	207,147	290,702	244,781	197,135	-19.46%	249,272	197,135	-20.92%
Financial assets at FVPL, net	14,581	56,612	288.24%	52,866	26,335	56,612	87,639	48,639	-44.50%	52,866	48,639	-8.00%
Financial assets at FVOCI, net	122,696	174,195	41.97%	156,439	180,153	174,195	198,358	226,441	14.16%	156,439	226,441	44.75%
Financial assets for hedging	232	147	-36.42%	190	182	147	-	-	-	190	-	-100.00%
Financial assets at amortized cost, net	345,283	405,256	17.37%	349,151	378,296	405,256	419,119	427,283	1.95%	349,151	427,283	22.38%
Receivables, net	21,481	22,929	6.74%	23,198	25,621	22,929	21,024	22,944	9.13%	23,198	22,944	-1.10%
Loans, net	1,477,887	1,554,775	5.20%	1,523,351	1,576,518	1,554,775	1,625,463	1,682,443	3.51%	1,523,351	1,682,443	10.44%
Other financial assets, net	25,591	3,858	-84.93%	20,673	3,378	3,858	2,398	2,853	18.97%	20,673	2,853	-86.20%
Property and equipment, net	20,909	20,979	0.34%	20,852	20,887	20,979	21,062	21,096	0.16%	20,852	21,096	1.17%
Right-of-use asset	1,519	1,942	27.79%	1,973	1,984	1,942	1,914	1,912	-0.12%	1,973	1,912	-3.11%
Investment property, net	13,859	13,852	-0.05%	13,855	13,854	13,852	13,850	13,849	-0.01%	13,855	13,849	-0.05%
Other assets	7,210	5,860	-18.73%	6,102	5,341	5,860	7,201	6,864	-4.67%	6,102	6,864	12.49%
<b>Total Assets</b>	<b>2,313,440</b>	<b>2,551,106</b>	<b>10.27%</b>	<b>2,417,922</b>	<b>2,439,698</b>	<b>2,551,106</b>	<b>2,642,810</b>	<b>2,651,460</b>	<b>0.33%</b>	<b>2,417,922</b>	<b>2,651,460</b>	<b>9.66%</b>
<b>Liabilities</b>												
Due to banks	118,051	99,889	-15.38%	111,912	106,480	99,889	163,577	91,013	-44.36%	111,912	91,013	-18.67%
Financial liabilities at FVPL	7,294	3,150	-56.81%	3,470	1,807	3,150	5,889	8,237	39.87%	3,470	8,237	137.36%
RP	1,227	1,373	11.92%	1,433	1,450	1,373	1,563	1,078	-31.03%	1,433	1,078	-24.76%
Payables	22,237	36,770	65.35%	33,710	46,900	36,770	26,201	49,327	88.27%	33,710	49,327	46.33%
Deposits and remittances	1,917,987	2,167,441	13.01%	2,026,264	2,044,107	2,167,441	2,195,620	2,254,841	2.70%	2,026,264	2,254,841	11.28%
Bank notes payable	61,351	51,278	-16.42%	51,318	51,311	51,278	51,264	51,249	-0.03%	51,318	51,249	-0.13%
Provisions	5,316	4,694	-11.70%	4,931	4,917	4,694	4,621	4,643	0.47%	4,931	4,643	-5.84%
Lease liabilities	1,344	1,770	31.78%	1,789	1,822	1,770	1,747	1,736	-0.60%	1,789	1,736	-2.94%
Other liabilities	13,580	13,287	-2.16%	13,279	12,657	13,287	19,263	23,569	22.35%	13,279	23,569	77.49%
<b>Total Liabilities</b>	<b>2,148,386</b>	<b>2,379,654</b>	<b>10.76%</b>	<b>2,248,106</b>	<b>2,271,450</b>	<b>2,379,654</b>	<b>2,469,745</b>	<b>2,485,693</b>	<b>0.65%</b>	<b>2,248,106</b>	<b>2,485,693</b>	<b>10.57%</b>
<b>Stockholders' Equity</b>	<b>165,054</b>	<b>171,452</b>	<b>3.88%</b>	<b>169,816</b>	<b>168,247</b>	<b>171,452</b>	<b>173,065</b>	<b>165,767</b>	<b>-4.22%</b>	<b>169,816</b>	<b>165,767</b>	<b>-2.38%</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>2,313,440</b>	<b>2,551,106</b>	<b>10.27%</b>	<b>2,417,922</b>	<b>2,439,698</b>	<b>2,551,106</b>	<b>2,642,810</b>	<b>2,651,460</b>	<b>0.33%</b>	<b>2,417,922</b>	<b>2,651,460</b>	<b>9.66%</b>

# STATEMENTS OF COMPREHENSIVE INCOME(Consolidated)

(in NT\$ mn)

	Year(IFRSs)			Quarter(IFRSs)							Period(IFRSs)		
	2020	2021	Change%	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	Change%	6M21	6M22	Change%
Interest Income	29,816	27,492	-7.79%	6,674	6,737	7,003	7,078	7,305	9,025	23.55%	13,411	16,330	21.76%
Interest Expense	10,676	7,026	-34.19%	1,867	1,727	1,718	1,714	1,854	2,799	51.02%	3,595	4,653	29.44%
<b>Net Interest Income</b>	<b>19,140</b>	<b>20,466</b>	<b>6.92%</b>	<b>4,807</b>	<b>5,010</b>	<b>5,285</b>	<b>5,364</b>	<b>5,451</b>	<b>6,225</b>	<b>14.20%</b>	<b>9,817</b>	<b>11,677</b>	<b>18.95%</b>
Net Service fee and commissions income	4,528	4,554	0.59%	1,204	1,077	1,114	1,160	1,187	1,128	-4.98%	2,281	2,316	1.53%
Gains(losses) on financial assets and liabilities at FVPL	1,648	1,238	-24.90%	316	388	237	296	260	404	55.55%	705	664	-5.69%
Realized gains of financial assets at FVOCI	1,219	1,483	21.67%	195	408	861	20	142	242	70.81%	602	384	-36.32%
Gains(losses) on disposal of credit assets measured at AC	0	0	-	-	-	-	0	-2	0	97.70%	-	-2	-
Foreign exchange gains(losses)	339	495	45.75%	183	59	168	84	333	448	34.71%	242	781	222.52%
Other miscellaneous net income	443	450	1.75%	190	48	93	119	58	84	44.17%	239	142	-40.56%
<b>Net income other than net interest income</b>	<b>8,177</b>	<b>8,220</b>	<b>0.53%</b>	<b>2,088</b>	<b>1,981</b>	<b>2,472</b>	<b>1,680</b>	<b>1,978</b>	<b>2,307</b>	<b>16.60%</b>	<b>4,069</b>	<b>4,285</b>	<b>5.32%</b>
<b>Net Revenues and gains</b>	<b>27,317</b>	<b>28,686</b>	<b>5.01%</b>	<b>6,895</b>	<b>6,990</b>	<b>7,757</b>	<b>7,044</b>	<b>7,430</b>	<b>8,532</b>	<b>14.84%</b>	<b>13,885</b>	<b>15,962</b>	<b>14.95%</b>
Credit loss provisions, net	2,836	1,794	-36.75%	576	364	456	399	557	824	47.84%	939	1,381	47.04%
<b>Operating Expenses</b>	<b>16,170</b>	<b>16,772</b>	<b>3.72%</b>	<b>3,941</b>	<b>4,126</b>	<b>4,394</b>	<b>4,311</b>	<b>4,054</b>	<b>4,357</b>	<b>7.47%</b>	<b>8,067</b>	<b>8,411</b>	<b>4.26%</b>
Employee Benefits expenses	10,808	11,409	5.56%	2,688	2,812	3,081	2,827	2,672	2,865	7.21%	5,500	5,538	0.68%
Depreciation and amortization expenses	1,403	1,420	1.26%	253	363	356	449	366	402	9.80%	615	768	24.86%
Other general and administrative expenses	3,960	3,943	-0.43%	900	952	957	1,134	1,015	1,090	7.32%	1,852	2,105	13.66%
<b>Income before income tax from continuing operations</b>	<b>8,311</b>	<b>10,120</b>	<b>21.78%</b>	<b>2,378</b>	<b>2,500</b>	<b>2,907</b>	<b>2,334</b>	<b>2,818</b>	<b>3,351</b>	<b>18.91%</b>	<b>4,879</b>	<b>6,170</b>	<b>26.46%</b>
Income Tax Expense	1,270	1,317	3.70%	433	279	300	305	441	409	-7.39%	711	850	19.49%
<b>Net Income</b>	<b>7,041</b>	<b>8,804</b>	<b>25.04%</b>	<b>1,946</b>	<b>2,222</b>	<b>2,607</b>	<b>2,029</b>	<b>2,377</b>	<b>2,943</b>	<b>23.79%</b>	<b>4,167</b>	<b>5,320</b>	<b>27.65%</b>
Basic EPS(NT\$)	0.68	0.84	23.53%	0.19	0.21	0.25	0.19	0.23	0.28	21.74%	0.40	0.51	27.50%
Other comprehensive income	-230	1,333	679.20%	417	178	-438	1,176	-764	-4,997	553.78%	595	-5,761	-1068.11%
<b>Total comprehensive income</b>	<b>6,811</b>	<b>10,137</b>	<b>48.84%</b>	<b>2,363</b>	<b>2,399</b>	<b>2,169</b>	<b>3,205</b>	<b>1,613</b>	<b>2,054</b>	<b>27.37%</b>	<b>4,763</b>	<b>3,667</b>	<b>-23.00%</b>



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THANK YOU

