



彰化銀行

Financial Review 2023Q1

(Bloomberg: 2801 TT)

May 29 2023



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Economic Outlook

The uncertainty of the global economic outlook makes the growth weaker than expected.

- The IMF predicted that the global economic growth rate revised to 2.8%, and the inflation rate may still be as high as 7.0%.
- The cycle of raising interest rates has approached the end for most of the global central banks. But the tightening the economic environment has led to financial crises in some banks in the United States and Europe, which may cause banks to tighten lending standards, thereby depressing the momentum of investment and consumption.
- The recovery of China's economy in the post-epidemic has weakened and still needs to observing for recovery.

Domestic consumption recovery momentum is expected to continue into the second half of the year

- Benefiting from the continuous relaxation of domestic epidemic prevention and control measures and the opening of borders, the recovery of people's willingness to consume drives consumption momentum, which will bring better recovery to the retail and hospitality industry.
- Affected by the sluggish demand in the terminal market, the adjustment time of inventories has been prolonged, resulting in continued weakness in Taiwan's export orders. With the continuous reduction of industrial inventory pressure and the recovery of terminal market demand, the overall economic performance is expected to improve gradually in the second half of the year.
- This year's relatively optimistic industries mainly include solar energy, energy storage, and electric vehicles that benefit from carbon neutrality and power shortage effects, as well as sectors such as air passenger transportation, sightseeing, and catering that have seen a surge in demand.

Sustainable Performance

Governance

- Evaluated as 5% among Taiwan listed companies / Top 4 among Taiwan listed financial and insurance companies in the Corporate Governance Evaluation for two consecutive years.
- Obtained the Taiwan Intellectual Property Management Standard (TIPS) Level A certification for two consecutive years.
- Included in the S&P Global 2023 Sustainability Yearbook.
- Awarded "CG6013 (2021) Corporate Governance System Evaluation" by the Taiwan Corporate Governance Association, the highest level of "Excellent" certification.

Social

- 80 bilingual branches have been established in Taiwan, providing friendly financial services and enhancing international competitiveness.
- In response to Friendly Finance, the Bank cooperated with the "Taiwanese Sign Language Interpreter Association" to introduce the "Sign Language Video Service" .
- Provide several related loans and funds for women, youth, and special ethnic groups to encourage them to obtain resources and practice the concept of inclusive finance and gender equality.

Environmental

- Apply for TCFD third-party verification and certification for two consecutive years, and obtain the highest certification level " Level 5+: Excellence".
- Continuously maintain environmental and energy management system verification and greenhouse gas inventory verification, and increase the compliance verification of sustainable procurement and water resource efficiency management system verification to improve energy management efficiency.
- In line with the urban renewal and renovation policies, the older buildings were rebuilt with Green Building Labeling System to revitalize self-owned assets and be environmentally friendly.
- Join hands with public welfare organizations such as the Society of Wilderness and the Kaohsiung Wild Bird Society to protect the natural ecology and maintain a sustainable environment.

Agenda

● **Operational Highlights**

● Financial Performance

● Operating Results

● Appendix

Operational Highlights (consolidated basis)

Core Business

- Loans NT\$1,713 bn,+6.74% YoY,
Corp.+8.71% YoY , Personal -0.16% YoY ,
Overseas +30.30% YoY
- Deposits NT\$2,332 bn,+5.76% YoY,
NTD Deposit + 2.34% YoY
FX Deposit +16.21% YoY

Profitability

- Net Income After Tax NT\$3.45bn,+45.21% YoY
- EPS NT\$0.33 , ROA 0.13% , ROE 2.01%

Asset Quality

- NPL ratio was 0.18% , -0.11%YoY
- Coverage ratio was 693.87% , +271.82%YoY

Capital Adequacy Ratio

- BIS ratio was 14.33%

*ROE and ROA are after-tax figures.

Agenda

● Operational Highlights

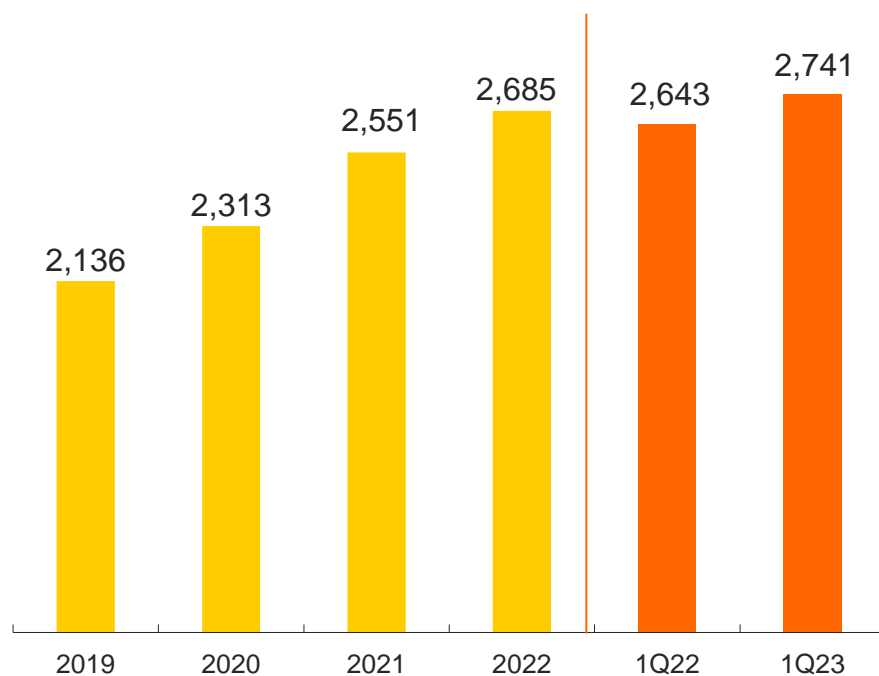
● **Financial Performance**

● Operating Results

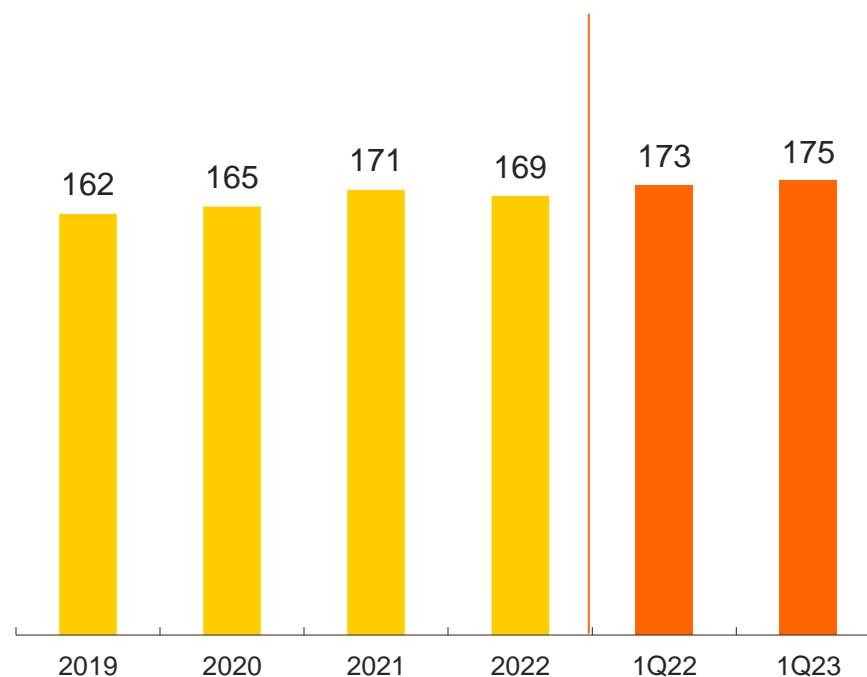
● Appendix

Asset Size and Net Worth

Asset Size (in NT\$ bn)

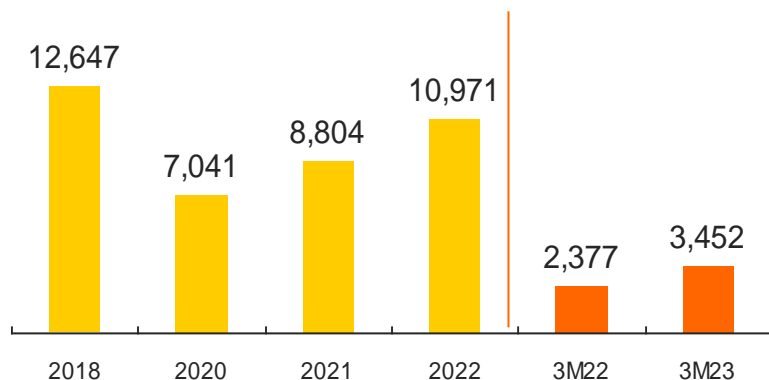


Net Worth (in NT\$ bn)

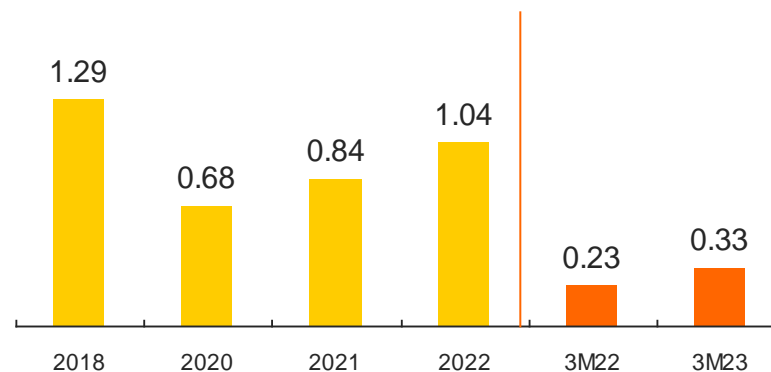


Financial Performance

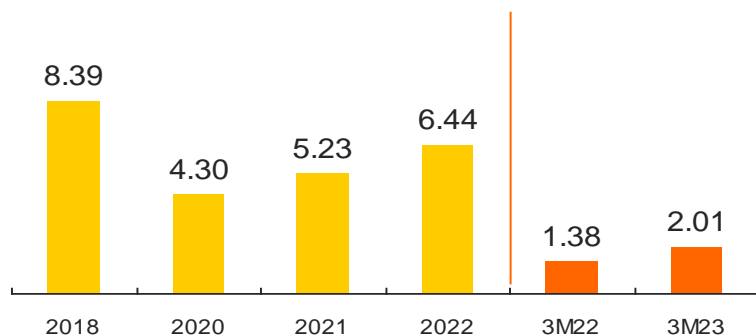
Net Income After Tax (in NT\$ mn)



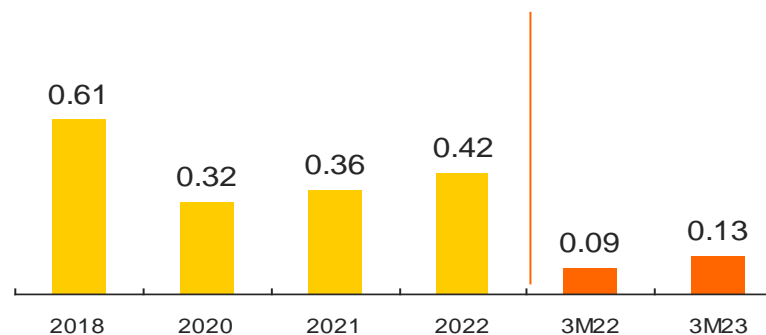
EPS After tax (in NT\$)



ROE(%)



ROA(%)



*ROE and ROA are after-tax figures.

Comprehensive Income

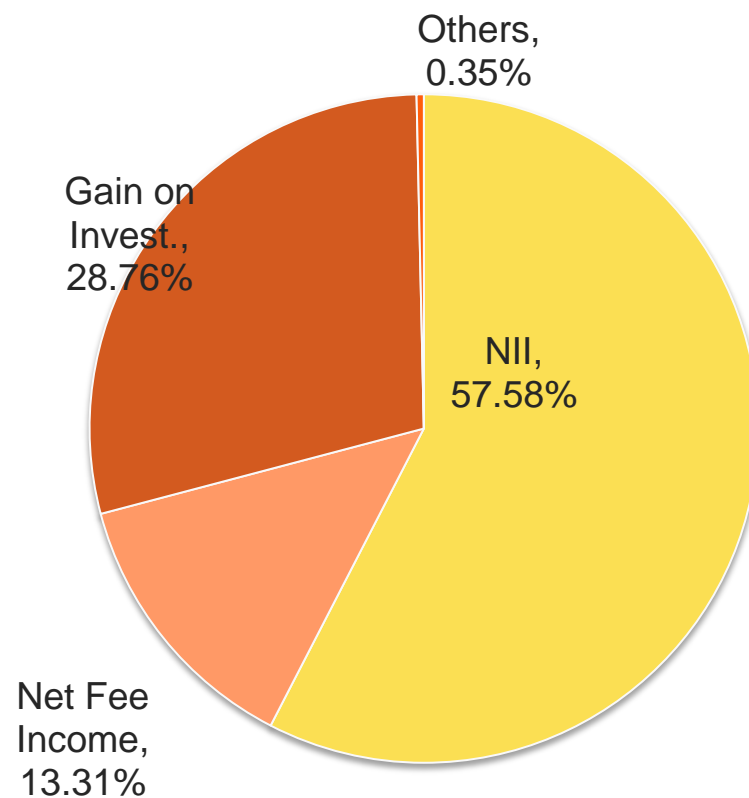
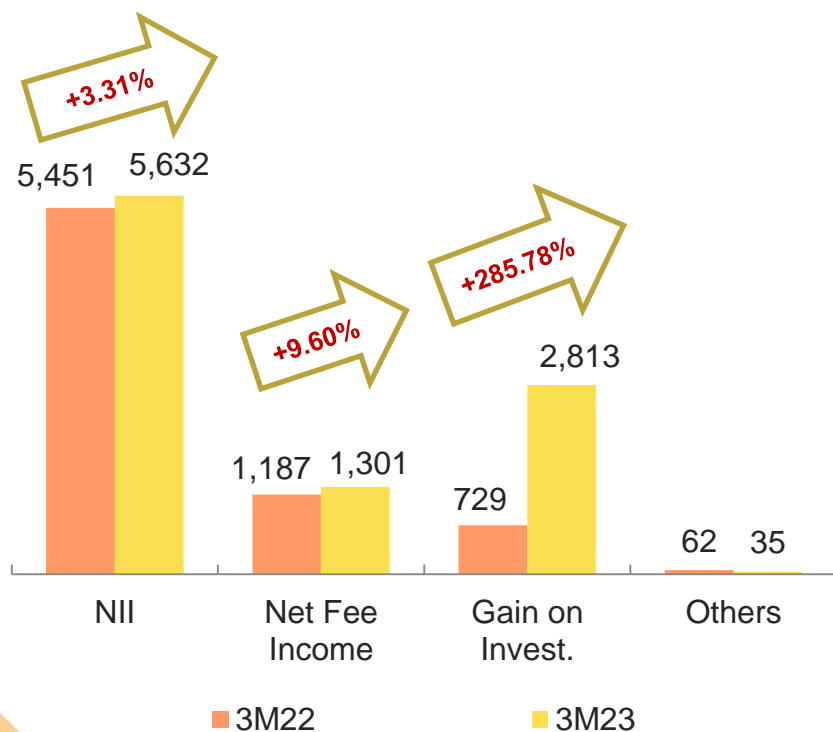
| (In NT\$ mn) | 3M22 | 3M23 | YoY(%) |
|----------------------------|-------|-------|---------|
| Net Revenue | 7,430 | 9,781 | 31.65% |
| Provision, Net | 557 | 904 | 62.15% |
| Operating Expense | 4,054 | 4,645 | 14.59% |
| Net Income Before Tax | 2,818 | 4,232 | 50.15% |
| Income Tax Expense | 441 | 780 | 76.77% |
| Net Income After Tax | 2,377 | 3,452 | 45.21% |
| Other Comprehensive Income | -764 | 2,336 | 405.69% |
| Total Comprehensive Income | 1,613 | 5,788 | 258.90% |

Net Revenue

Net Revenue (in NT\$ mn)

| 3M22 | 3M23 | YoY |
|-------|-------|---------|
| 7,430 | 9,781 | +31.65% |

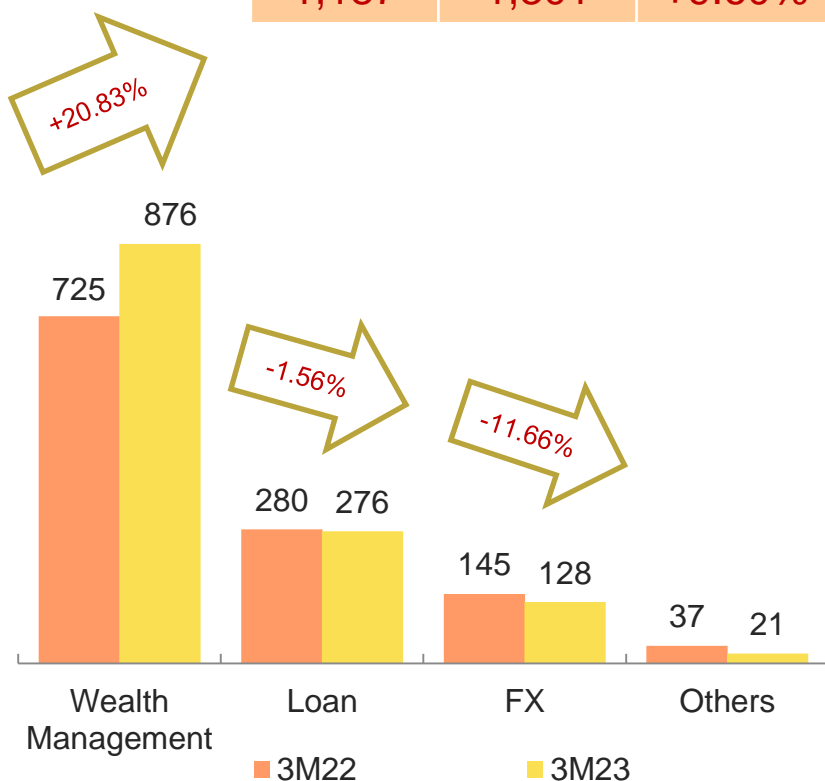
3M23 Net Revenue Breakdown



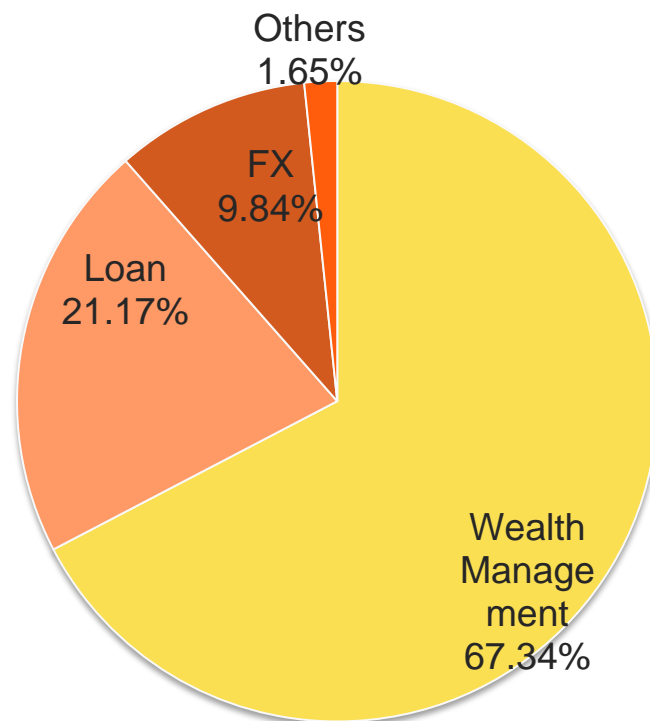
Net Fee Income

Net Fee Income (in NT\$ mn)

| 3M22 | 3M23 | YoY |
|-------|-------|--------|
| 1,187 | 1,301 | +9.60% |



3M23 Net Fee Income Breakdown



Agenda

● Operational Highlights

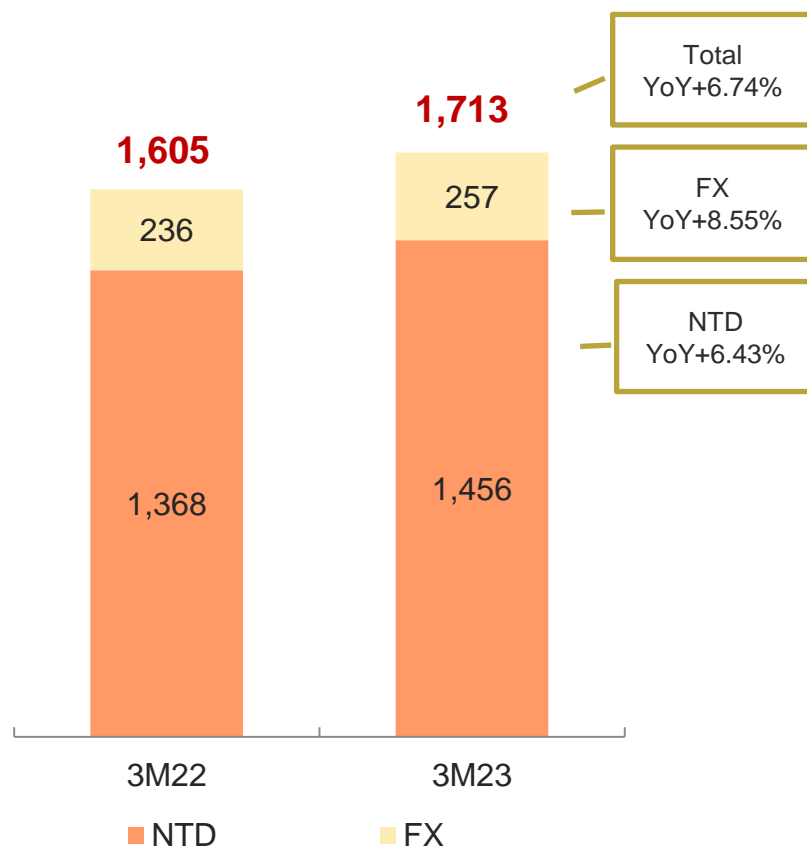
● Financial Performance

● **Operating Results**

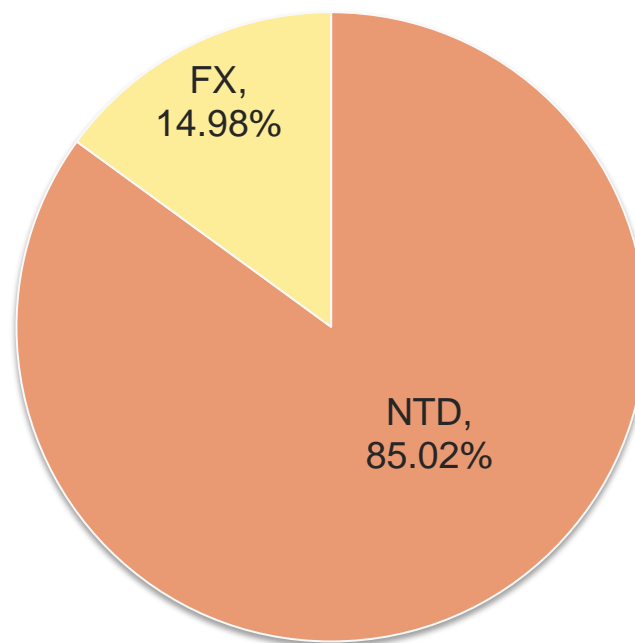
● Appendix

Loan Breakdown by Currency

Quarterly Loan Balance (in NT\$ bn)



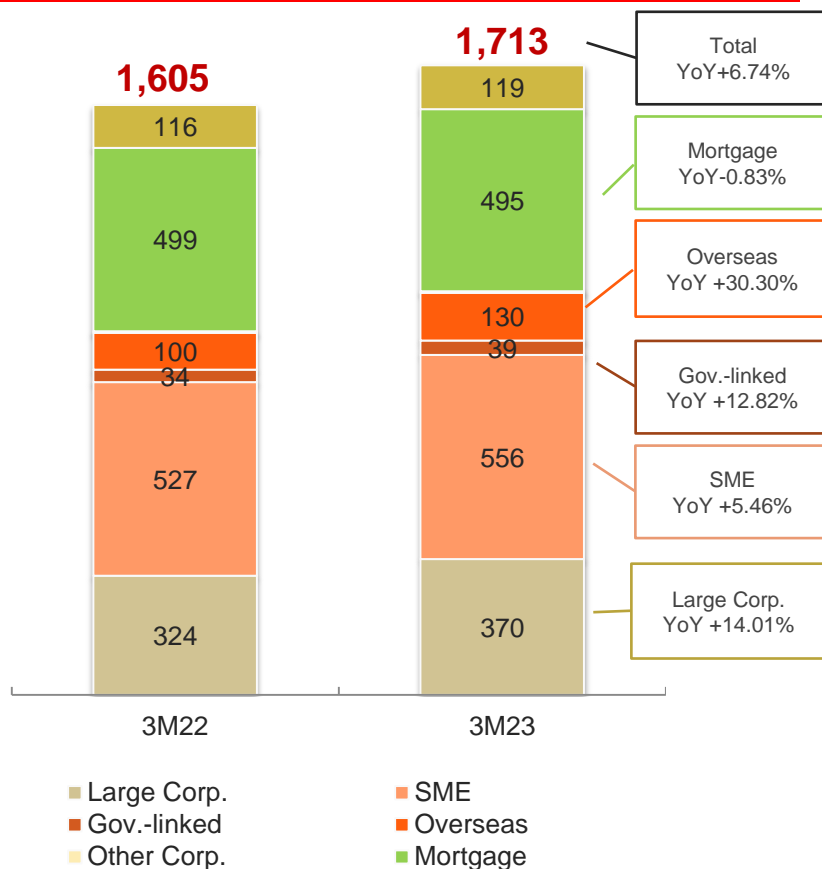
3M23 Loan Breakdown by Currency



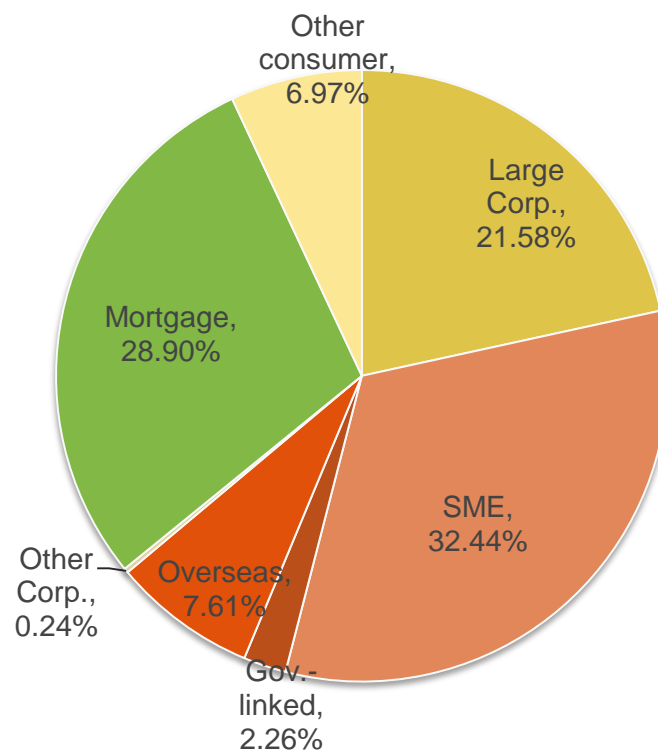
*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

Loan Breakdown by Customer

Quarterly Loan Balance (in NT\$ bn)



3M23 Loan Breakdown by Customer

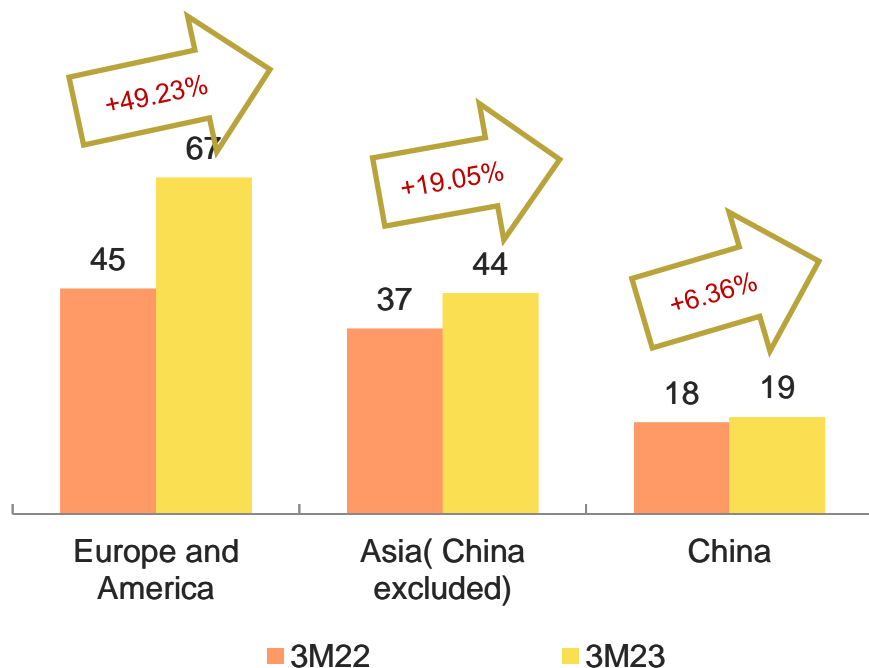


*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

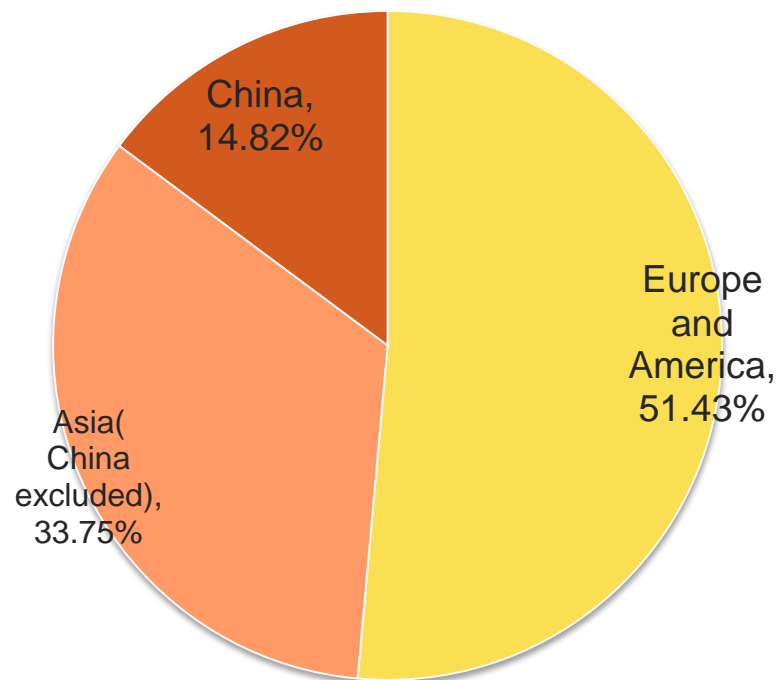
Overseas Loan Breakdown by Regions

Overseas Loan Balance (in NT\$ bn)

| 3M22 | 3M23 | YoY |
|------|------|---------|
| 100 | 130 | +30.30% |



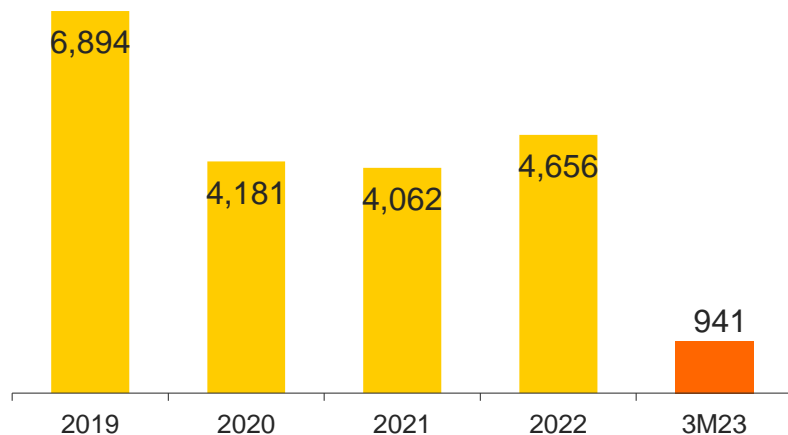
3M23 Overseas Loan Breakdown by Regions



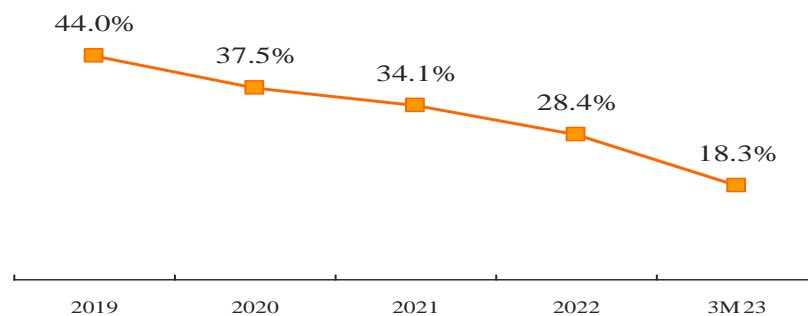
*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

Overseas & OBU Performance

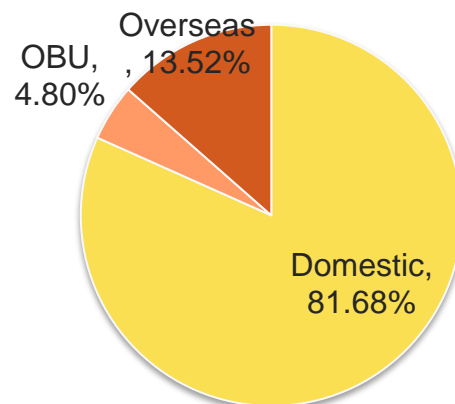
Overseas & OBU Net Income After Tax (in NT\$ mn)



Overseas & OBU PPOP proportion

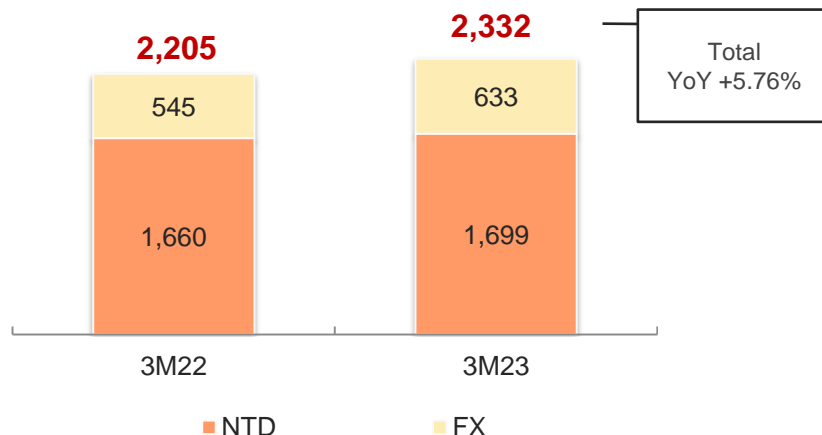


3M23 PPOP Breakdown

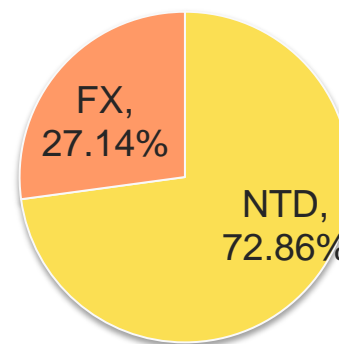


Deposit Breakdown by Currency

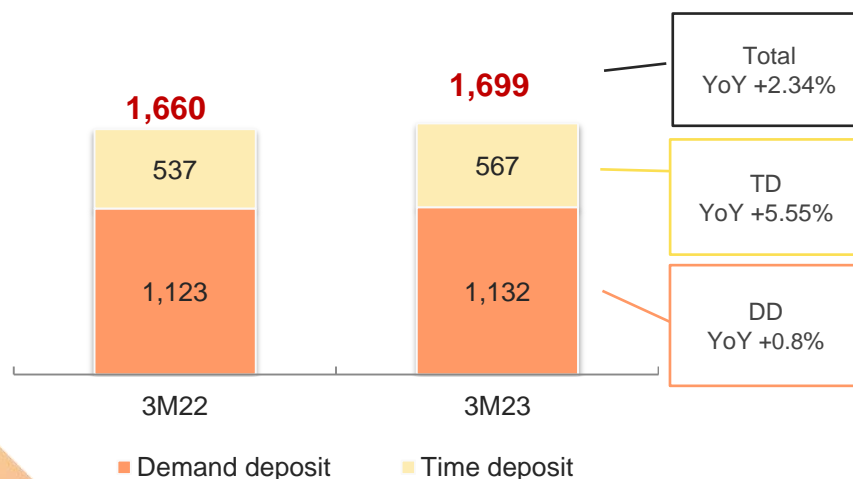
Deposit Balance (in NT\$ bn)



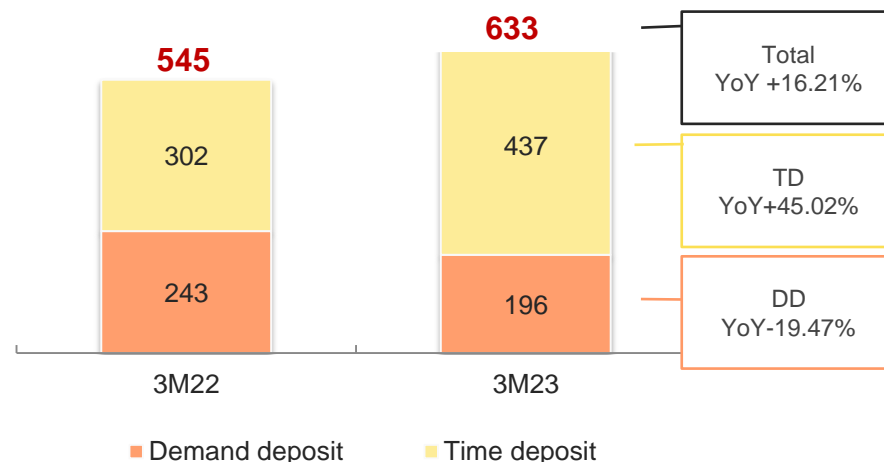
3M23 Deposit Breakdown by Currency



NTD Deposit Balance (in NT\$ bn)

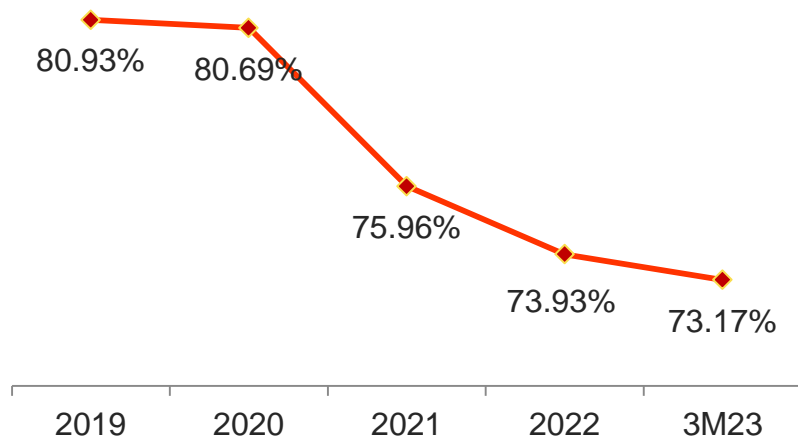


FX Deposit Balance (in NT\$ bn)

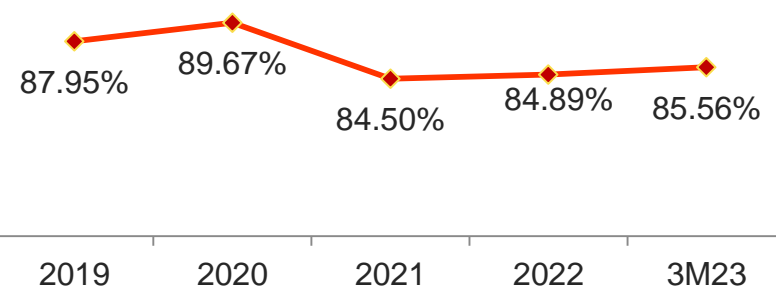


LDR

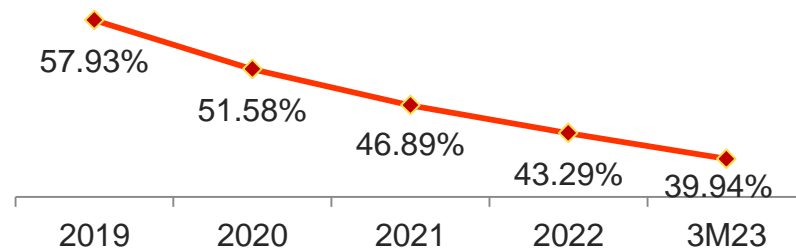
Total LDR



NTD LDR

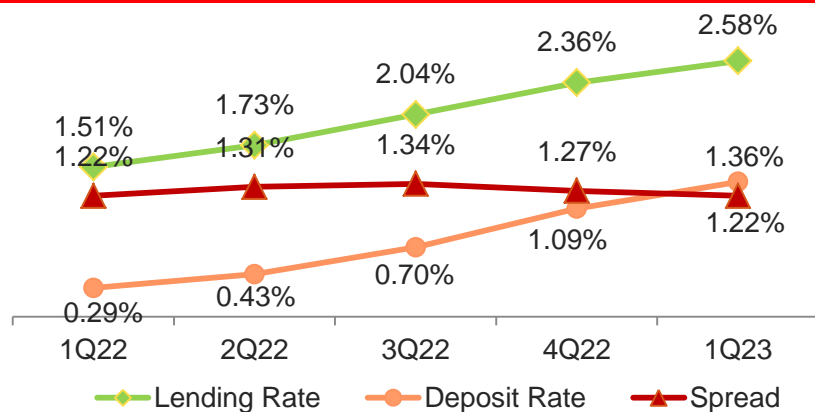


FX LDR

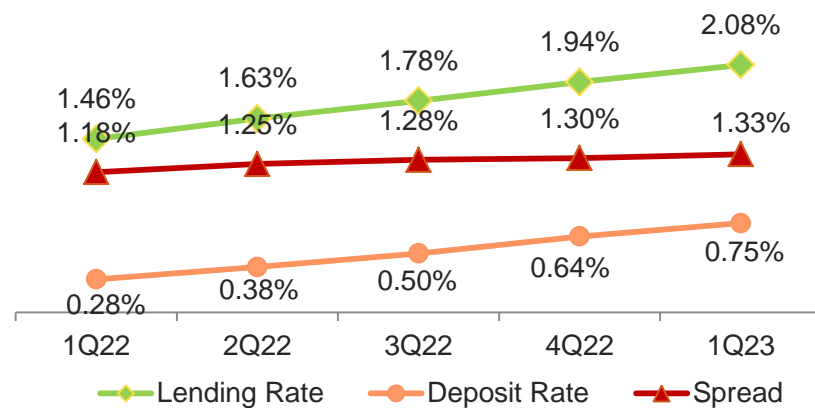


Spread and NIM

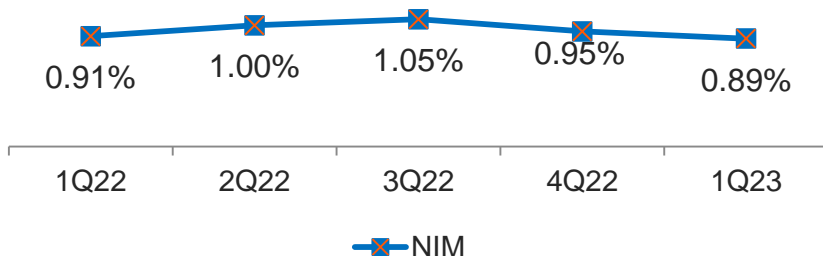
Total Loan to Deposit Spread



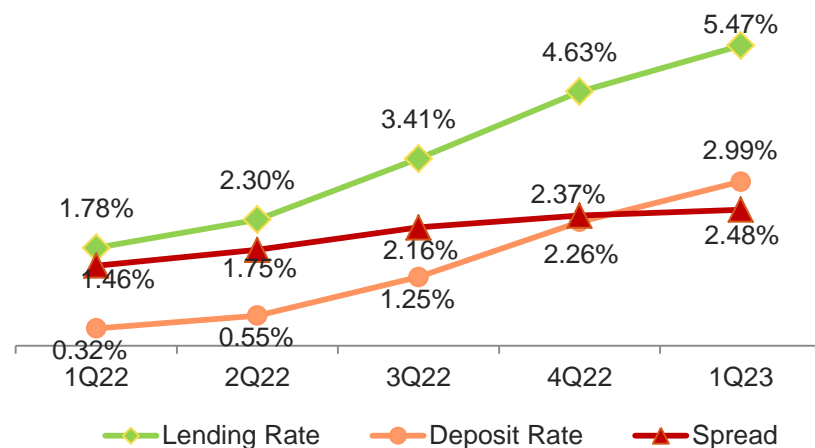
NTD Loan to Deposit Spread



NIM



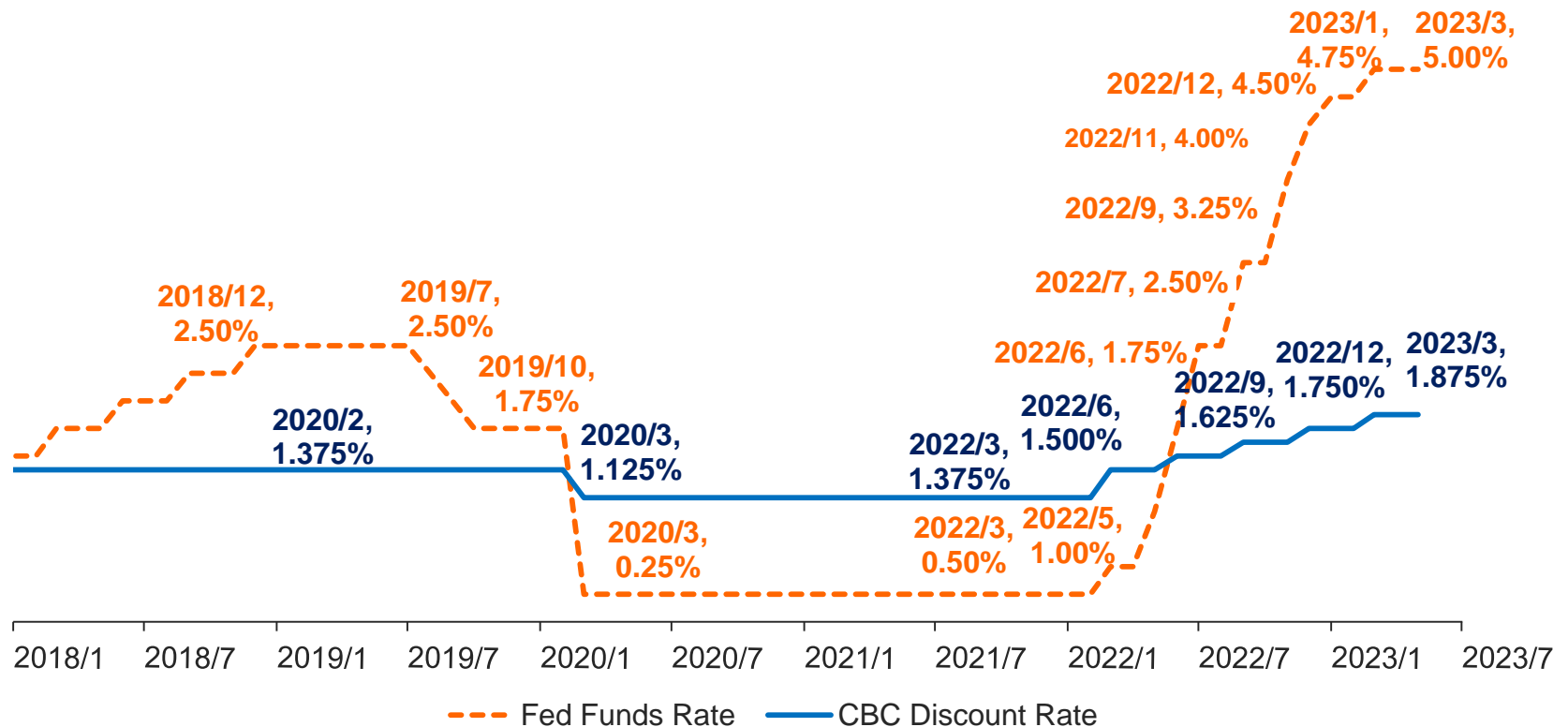
FX Loan to Deposit spread



*.IFRS and quarterly basis.

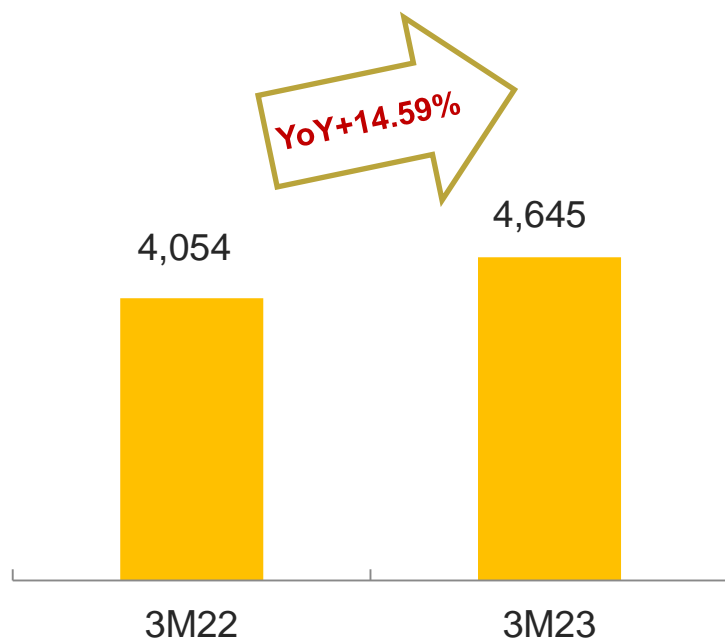
Fed Funds Rate vs. CBC Discount Rate Trends

Fed Funds Rate VS. CBC Discount Rate

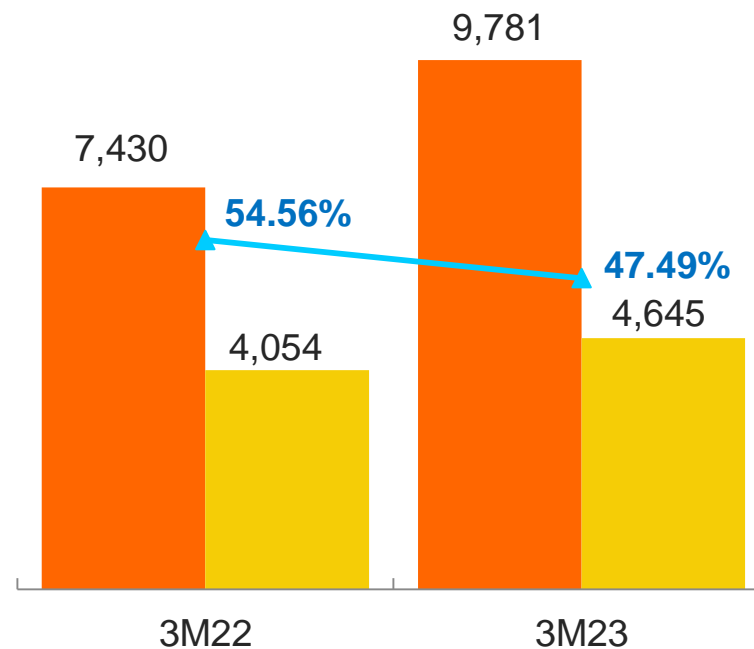


Cost-Income Ratio

Operating Expense (in NT\$ mn)



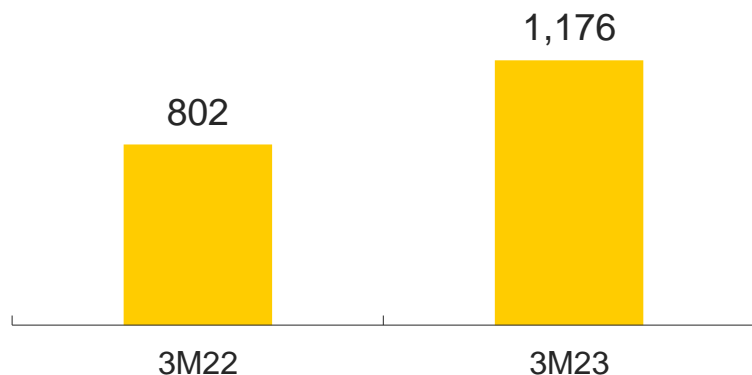
Cost-Income Ratio



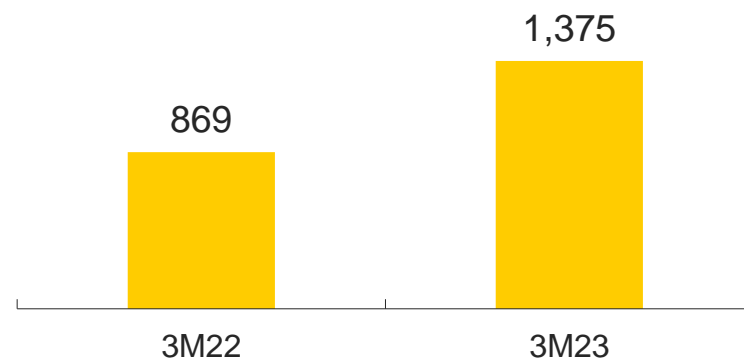
- Net Revenue (in NT\$ mn)
- Operation Expense (in NT\$ mn)
- Cost-Income Ratio

Loan Provision, Write-off and Recovery

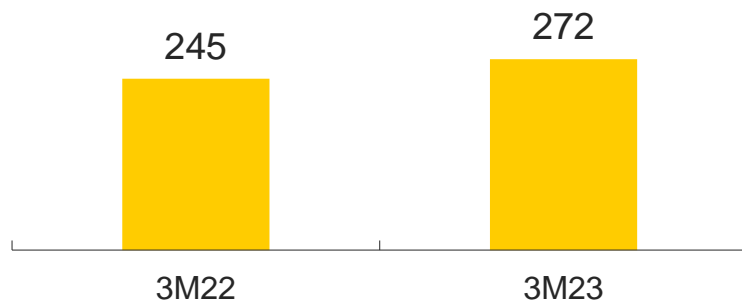
Provision (in NT\$ mn)



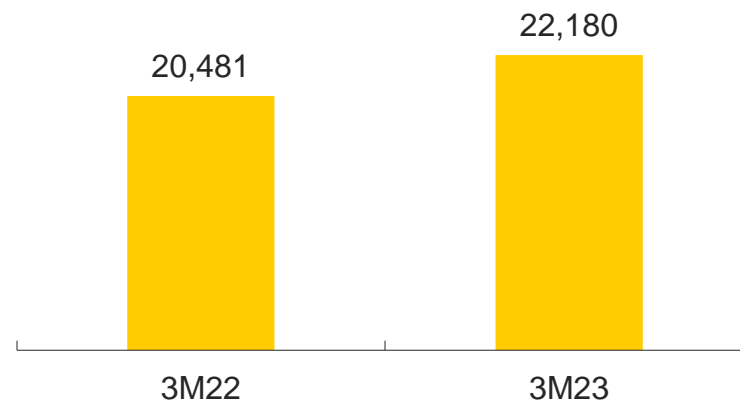
Write-Off (in NT\$ mn)



Recovery (in NT\$ mn)

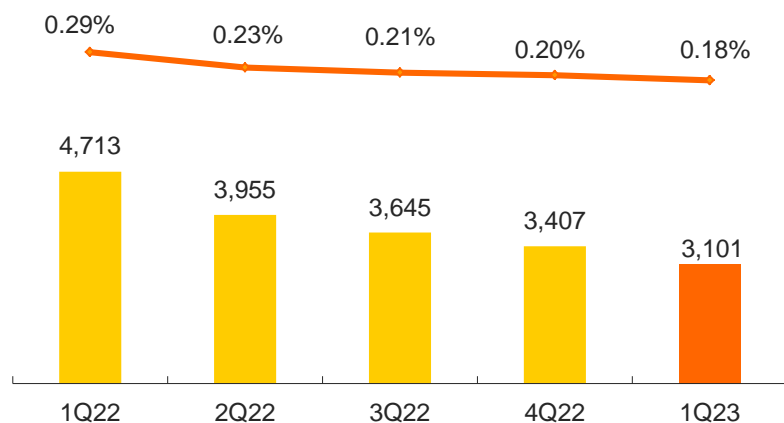


Reserve (in NT\$ mn)



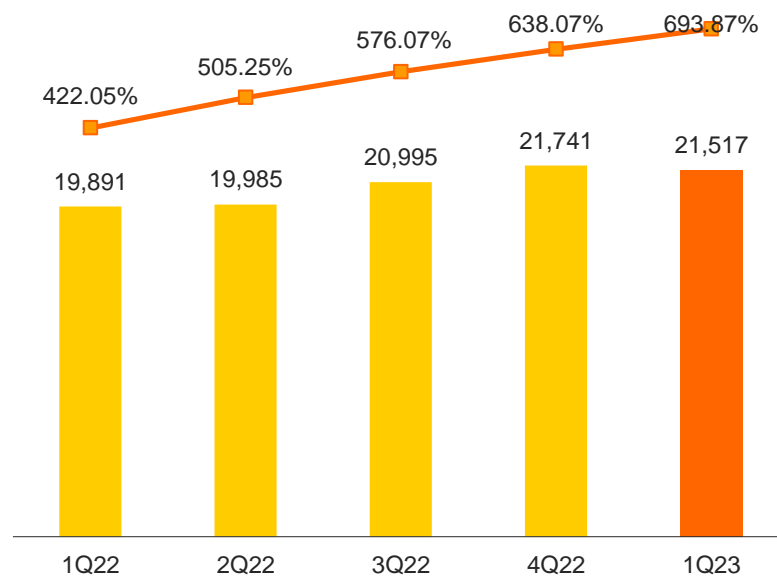
NPL Ratio and Coverage Ratio

NPL Ratio



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

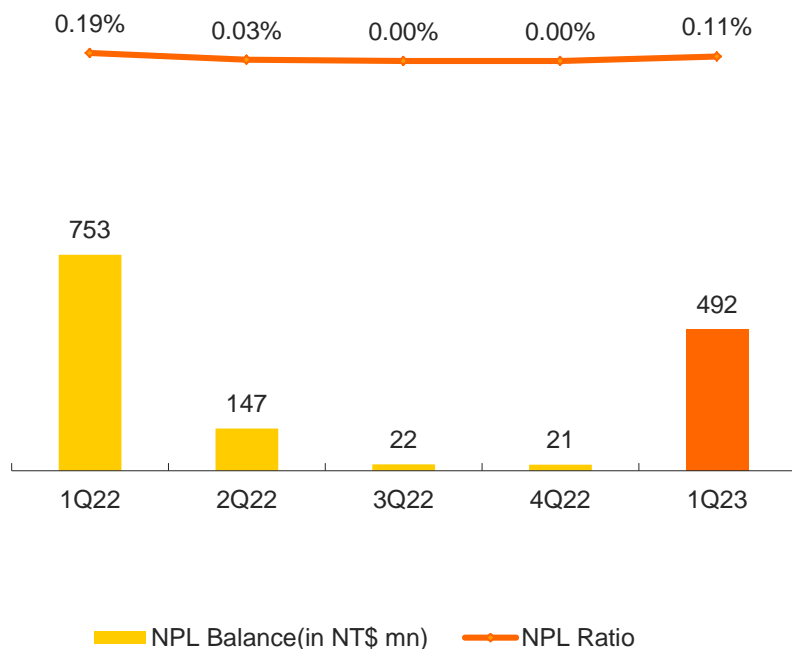
Coverage Ratio



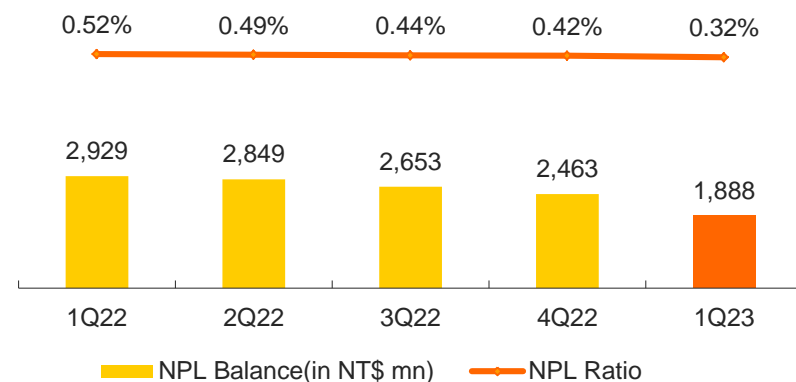
■ Loan loss reserved(in NT\$ mn) —■— Coverage Ratio

Asset Quality

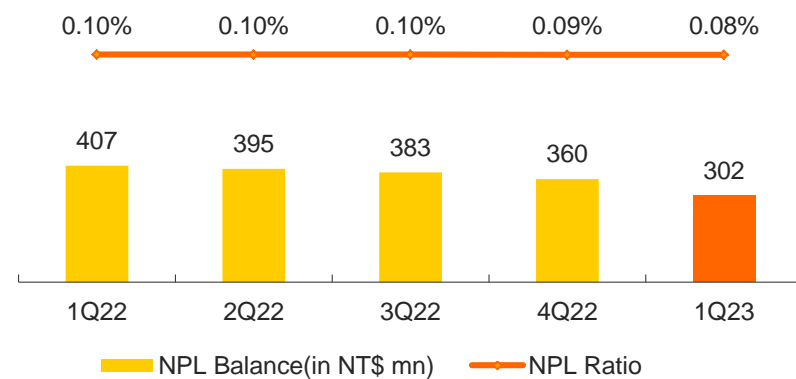
Large Corp.



SME



Mortgage



Credit Rating & CAR

Credit Rating

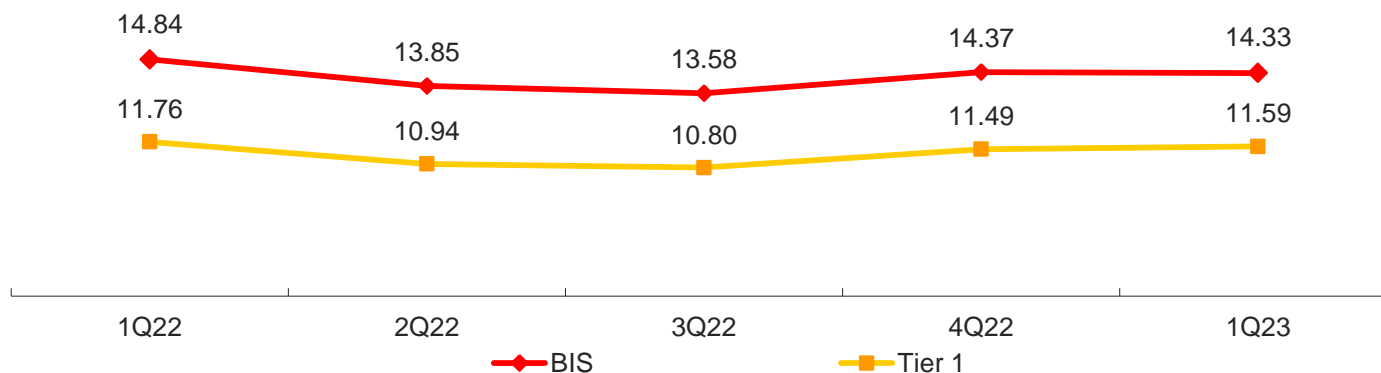
■ **Moody's** (2023/3,Review) :

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

■ **S&P** (2022/11,Review) :

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

Capital Adequacy Ratio (%)



Operating Strategy

Continuing the strategic of "**CUSTOMER-ORIENTED, SUSTAINABLE INTEGRITY**", the Bank will **focus on the following 4Cs to achieving SUSTAINABLE FINANCE.**

CARBON

Expand greenhouse gas inventory and take action to reduce carbon emissions.

CAPITAL

Create investment value and exert long-term sustainable influence.

CREDIT

Follow the Equator Principles and assist enterprises in transformation through green finance.

CUSTOMER

Value the Principle to Treat Clients Fairly and optimize financial friendly services.

Integrate 4Cs into 2023 Sustainable Development Action Plans

1. Expand core business and increase operating profit.
2. Customer oriented, and focus on digital business opportunities.
3. Be diligent and fair in treating customers, and adhere to information security laws and regulations.
4. Stable asset quality and implement internal control and risk management.
5. Practice green finance and strengthen sustainable resilience.



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Q&A



Agenda

● Operational Highlights

● Financial Performance

● Operating Results

● Appendix

BALANCE SHEETS(Consolidated)

| (in NT\$ mn) | Year(IFRSs) | | | Quarter(IFRSs) | | | | | | Period(IFRSs) | | |
|---|------------------|------------------|---------------|------------------|------------------|------------------|------------------|------------------|---------------|------------------|------------------|--------------|
| | 2021 | 2022 | Change% | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | Change% | 1Q22 | 1Q23 | Change% |
| Assets | | | | | | | | | | | | |
| Cash & due from Banks | 290,702 | 201,747 | -30.60% | 244,781 | 197,135 | 268,433 | 201,747 | 259,432 | 28.59% | 244,781 | 259,432 | 5.99% |
| Financial assets at FVPL, net | 56,612 | 31,486 | -44.38% | 87,639 | 48,639 | 65,117 | 31,486 | 66,691 | 111.81% | 87,639 | 66,691 | -23.90% |
| Financial assets at FVOCI, net | 174,195 | 214,616 | 23.20% | 198,358 | 226,441 | 223,201 | 214,616 | 213,751 | -0.40% | 198,358 | 213,751 | 7.76% |
| Financial assets for hedging | 147 | 0 | -100.00% | - | - | - | - | - | - | - | - | - |
| Financial assets at amortized cost, net | 405,256 | 485,011 | 19.68% | 419,119 | 427,283 | 379,200 | 485,011 | 446,337 | -7.97% | 419,119 | 446,337 | 6.49% |
| Receivables, net | 22,929 | 22,447 | -2.10% | 21,024 | 22,944 | 24,079 | 22,447 | 21,560 | -3.95% | 21,024 | 21,560 | 2.55% |
| Loans, net | 1,554,775 | 1,685,320 | 8.40% | 1,625,463 | 1,682,443 | 1,731,391 | 1,685,320 | 1,687,402 | 0.12% | 1,625,463 | 1,687,402 | 3.81% |
| Other financial assets, net | 3,858 | 1,769 | -54.15% | 2,398 | 2,853 | 2,866 | 1,769 | 2,618 | 48.02% | 2,398 | 2,618 | 9.16% |
| Property and equipment, net | 20,979 | 21,031 | 0.25% | 21,062 | 21,096 | 20,961 | 21,031 | 21,022 | -0.04% | 21,062 | 21,022 | -0.19% |
| Right-of-use asset | 1,942 | 1,954 | 0.67% | 1,914 | 1,912 | 2,021 | 1,954 | 1,952 | -0.11% | 1,914 | 1,952 | 1.99% |
| Investment property, net | 13,852 | 13,846 | -0.05% | 13,850 | 13,849 | 13,847 | 13,846 | 13,844 | -0.01% | 13,850 | 13,844 | -0.05% |
| Other assets | 5,860 | 5,626 | -3.99% | 7,201 | 6,864 | 8,973 | 5,626 | 5,991 | 6.49% | 7,201 | 5,991 | -16.80% |
| Total Assets | 2,551,106 | 2,684,852 | 5.24% | 2,642,810 | 2,651,460 | 2,740,089 | 2,684,852 | 2,740,601 | 2.08% | 2,642,810 | 2,740,601 | 3.70% |
| Liabilities | | | | | | | | | | | | |
| Due to banks | 99,889 | 52,877 | -47.06% | 163,577 | 91,013 | 114,335 | 52,877 | 86,673 | -53.75% | 163,577 | 86,673 | -47.01% |
| Financial liabilities at FVPL | 3,150 | 6,920 | 119.66% | 5,889 | 8,237 | 14,054 | 6,920 | 2,754 | -50.76% | 5,889 | 2,754 | -53.23% |
| RP | 1,373 | 941 | -31.46% | 1,563 | 1,078 | 17,704 | 941 | 1,494 | -94.68% | 1,563 | 1,494 | -4.41% |
| Payables | 36,770 | 31,965 | -13.07% | 26,201 | 49,327 | 29,837 | 31,965 | 36,983 | 7.13% | 26,201 | 36,983 | 41.15% |
| Deposits and remittances | 2,167,441 | 2,349,883 | 8.42% | 2,195,620 | 2,254,841 | 2,304,264 | 2,349,883 | 2,366,276 | 1.98% | 2,195,620 | 2,366,276 | 7.77% |
| Bank notes payable | 51,278 | 51,219 | -0.11% | 51,264 | 51,249 | 51,234 | 51,219 | 52,205 | -0.03% | 51,264 | 52,205 | 1.84% |
| Provisions | 4,694 | 3,023 | -35.60% | 4,621 | 4,643 | 4,579 | 3,023 | 3,018 | -33.97% | 4,621 | 3,018 | -34.70% |
| Lease liabilities | 1,770 | 1,795 | 1.37% | 1,747 | 1,736 | 1,864 | 1,795 | 1,796 | -3.69% | 1,747 | 1,796 | 2.82% |
| Other liabilities | 13,287 | 17,200 | 29.45% | 19,263 | 23,569 | 35,540 | 17,200 | 14,585 | -51.60% | 19,263 | 14,585 | -24.29% |
| Total Liabilities | 2,379,654 | 2,515,824 | 5.72% | 2,469,745 | 2,485,693 | 2,573,411 | 2,515,824 | 2,565,784 | -2.24% | 2,469,745 | 2,565,784 | 3.89% |
| Stockholders' Equity | 171,452 | 169,028 | -1.41% | 173,065 | 165,767 | 166,678 | 169,028 | 174,817 | 1.41% | 173,065 | 174,817 | 1.01% |
| Total Liabilities and Stockholders' Equity | 2,551,106 | 2,684,852 | 5.24% | 2,642,810 | 2,651,460 | 2,740,089 | 2,684,852 | 2,740,601 | -2.02% | 2,642,810 | 2,740,601 | 3.70% |

STATEMENTS OF COMPREHENSIVE INCOME(Consolidated)

| (in NT\$ mn) | Year(IFRSs) | | | Quarter(IFRSs) | | | | | | | Period(IFRSs) | | |
|--|---------------|---------------|-----------|----------------|--------------|---------------|--------------|--------------|--------------|----------------|---------------|--------------|----------------|
| | 2021 | 2022 | Change % | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | Change % | 3M22 | 3M23 | Change % |
| Interest Income | 27,492 | 41,612 | 51.36% | 7,078 | 7,305 | 9,025 | 11,442 | 13,841 | 14,545 | 5.09% | 7,305 | 14,545 | 99.12% |
| Interest Expense | 7,026 | 16,967 | 141.47% | 1,714 | 1,854 | 2,799 | 4,768 | 7,545 | 8,914 | 18.14% | 1,854 | 8,914 | 380.88% |
| Net Interest Income | 20,466 | 24,645 | 20.42% | 5,364 | 5,451 | 6,225 | 6,673 | 6,296 | 5,632 | -10.54% | 5,451 | 5,632 | 3.31% |
| Net Service fee and commissions income | 4,554 | 4,256 | -6.55% | 1,160 | 1,187 | 1,128 | 1,024 | 916 | 1,301 | 42.06% | 1,187 | 1,301 | 9.60% |
| Gains(losses) on financial assets and liabilities at FVPL | 1,238 | 3,312 | 167.59% | 296 | 260 | 404 | 535 | 2,113 | 2,509 | 18.75% | 260 | 2,509 | 864.90% |
| Realized gains of financial assets at FVOCI | 1,483 | 70 | -95.26% | 20 | 142 | 242 | -29 | -284 | 218 | 176.85% | 142 | 218 | 53.99% |
| Gains(losses) on disposal of credit assets measured at AC | 0 | -2 | -5744.83% | 0 | -2 | 0 | 0 | 0 | -42 | - | -2 | -42 | -2517.79% |
| Foreign exchange gains(losses) | 495 | 1,640 | 231.60% | 84 | 333 | 448 | 982 | -123 | 85 | 169.58% | 333 | 85 | -74.36% |
| Other miscellaneous net income | 450 | 216 | -52.03% | 119 | 58 | 84 | -8 | 82 | 78 | -5.28% | 58 | 78 | 33.72% |
| Net income other than net interest income | 8,220 | 9,493 | 15.49% | 1,680 | 1,978 | 2,307 | 2,504 | 2,704 | 4,149 | 53.43% | 9,493 | 4,149 | -56.29% |
| Net Revenues and gains | 28,686 | 34,139 | 19.01% | 7,044 | 7,430 | 8,532 | 9,177 | 9,000 | 9,781 | 8.68% | 7,430 | 9,781 | 31.65% |
| Credit loss provisions, net | 1,794 | 3,319 | 85.03% | 399 | 557 | 824 | 757 | 1,181 | 904 | -23.49% | 557 | 904 | 62.15% |
| Operating Expenses | 16,772 | 17,769 | 5.94% | 4,311 | 4,054 | 4,357 | 4,617 | 4,741 | 4,645 | -2.01% | 4,054 | 4,645 | 14.59% |
| Employee Benefits expenses | 11,409 | 11,721 | 2.74% | 2,827 | 2,672 | 2,865 | 3,098 | 3,086 | 3,098 | 0.38% | 2,672 | 3,098 | 15.92% |
| Depreciation and amortization expenses | 1,420 | 1,571 | 10.59% | 449 | 366 | 402 | 404 | 398 | 410 | 2.88% | 366 | 410 | 11.91% |
| Other general and administrative expenses | 3,943 | 4,476 | 13.53% | 1,134 | 1,015 | 1,090 | 1,116 | 1,256 | 1,138 | -9.41% | 1,015 | 1,138 | 12.07% |
| Income before income tax from continuing operations | 10,120 | 13,051 | 28.95% | 2,334 | 2,818 | 3,351 | 3,803 | 3,078 | 4,232 | 37.47% | 2,818 | 4,232 | 50.15% |
| Income Tax Expense | 1,317 | 2,080 | 57.95% | 305 | 441 | 409 | 602 | 628 | 780 | 24.25% | 441 | 780 | 76.77% |
| Net Income | 8,804 | 10,971 | 24.62% | 2,029 | 2,377 | 2,943 | 3,201 | 2,451 | 3,452 | 40.86% | 2,377 | 3,452 | 45.21% |
| Basic EPS(NT\$) | 0.84 | 1.04 | 23.81% | 0.19 | 0.23 | 0.28 | 0.30 | 0.23 | 0.33 | 43.48% | 0.23 | 0.33 | 43.48% |
| Other comprehensive income | 1,333 | -8,151 | -711.32% | 1,176 | -764 | -4,997 | -2,289 | -101 | 2,336 | 2417.39% | -764 | 2,336 | 405.69% |
| Total comprehensive income | 10,137 | 2,820 | -72.18% | 3,205 | 1,613 | -2,054 | 912 | 2,350 | 5,788 | 146.33% | 1,613 | 5,788 | 258.90% |



彰化銀行

THANK YOU

