



彰化銀行

Financial Review 2023Q2

(Bloomberg: 2801 TT)

August 30, 2023



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Economic Outlook

The high uncertainty in the momentum of the global economic recovery also adds pressure to financial markets.

- Global consumer demand is weak, coupled with China's economic recovery after the epidemic is not as expected, and the economic prospects of the United States and Europe in the second half of the year still need to be observed.
- Domestic inflation has slowed down, and private consumption momentum is expected to remain buoyant. In addition, with the continuous adjustment of industrial inventory, the trading volume should get better and rebound. The overall domestic economy is expected to show a trend of improvement.

The domestic job market and consumption remain stable, and the economy will be better compared to the 1st half.

- Electronic industries such as panels, LEDs, and PCs are gradually returning to healthy levels under manufacturers' active control of production capacity.
- Retail, catering, and tourism performance is still active, and the employment market is stable. The salary adjustment of the service industry and the stock market are performing well. These are the main factors to support Taiwan's domestic demand momentum and economic growth this year.
- The prosperity of semiconductors still depends on the strength of demand for consumer electronics products, including DRAM, IC packaging and testing, and foundry, which are relatively weak.
- The auto industry's performance should gradually recover in the second half of the year due to the significant relief of production capacity and transportation and the deferred demand for car purchases.

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

- Implement friendly financial services, support disadvantaged vendors and assist local development through the Taiwan Pay to enhance sustainable competitiveness.
- Use digital financial technology to create a "smart cash flow service platform" for the meat wholesale market, simplify the bidding process, improve financial security, and assist in transforming traditional markets.
- Continue to hold "Financial Knowledge Promotion Seminars" to reduce financial gaps and promote inclusive finance.

Environmental

- The TCFD report has been awarded the highest level of "Level 5+: Excellence" by the British Standards Institution (BSI) for three consecutive years.
- Signed the Science-Based Carbon Reduction Target Initiative (SBTi) and set a goal of reducing carbon emissions by 42% in 2030 compared to the base year (2020).
- Actively formulate specific action plans such as "Carbon Reduction" and "Carbon Neutrality," and strive to make the business development strategy consistent with the "National 2050 Net Zero Emission Target" and the goals of the "Paris Agreement".
- Join hands with public welfare groups such as the Wilderness Conservation Association 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\$1,720 bn, +5.63% YoY,
Corp. +7.69% YoY · Personal -0.44% YoY ·
Overseas +23.47% YoY
- Deposits NT\$2,349 bn, +6.08% YoY,
NTD Deposit + 3.65% YoY
FX Deposit +13.27% YoY

Profitability

- Net Income After Tax NT\$7.010bn, +31.78% YoY
- EPS NT\$0.65 · ROA 0.26% · ROE 4.07%

Asset Quality

- NPL ratio was 0.17% · -0.06%YoY
- Coverage ratio was 723.72% · +218.47%YoY

Capital Adequacy Ratio

- BIS ratio was 14.26%

*ROE and ROA are after-tax figures.

Agenda

● Operational Highlights

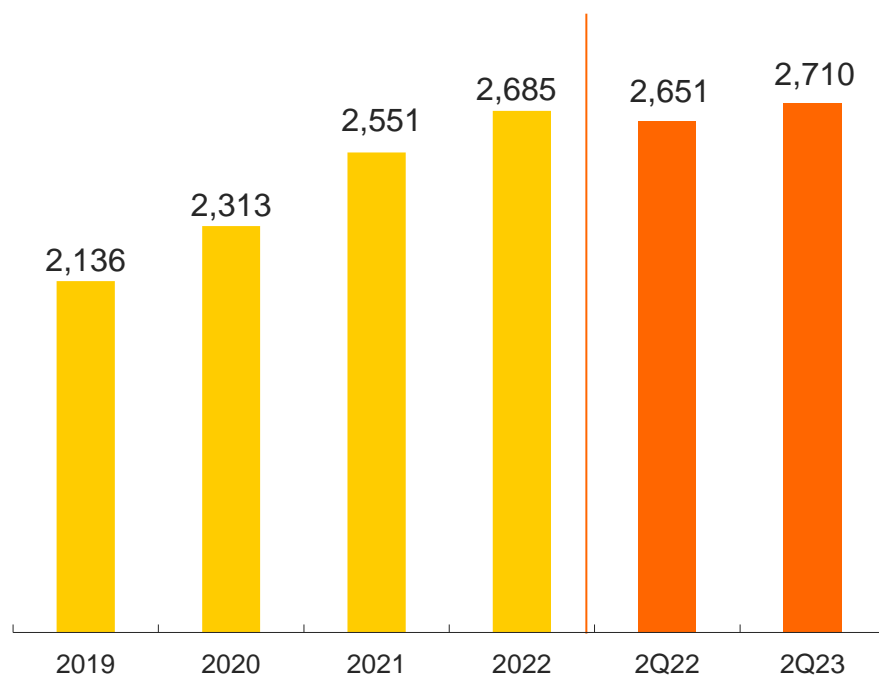
● **Financial Performance**

● Operating Results

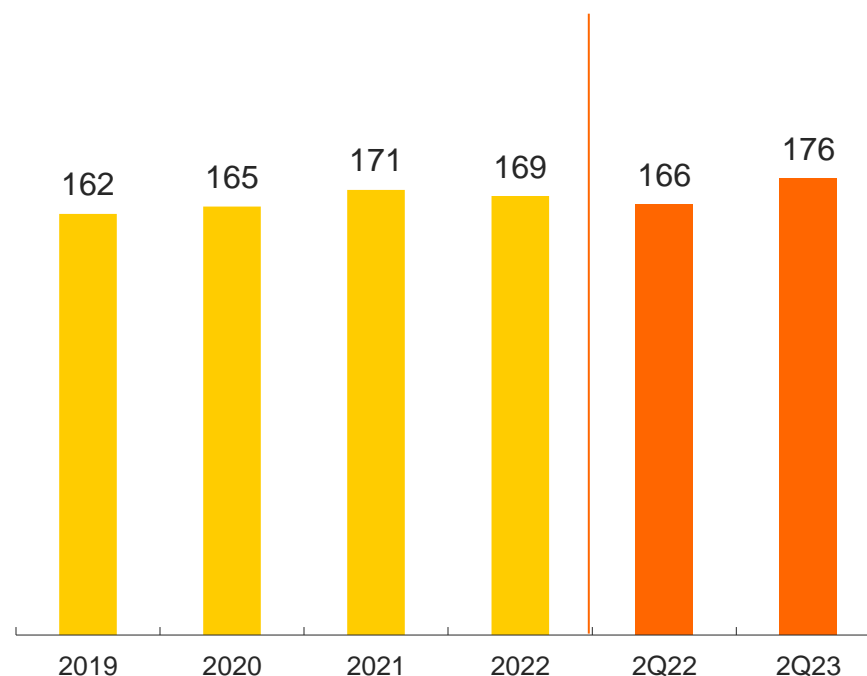
● Appendix

Asset Size and Net Worth

Asset Size (in NT\$ bn)

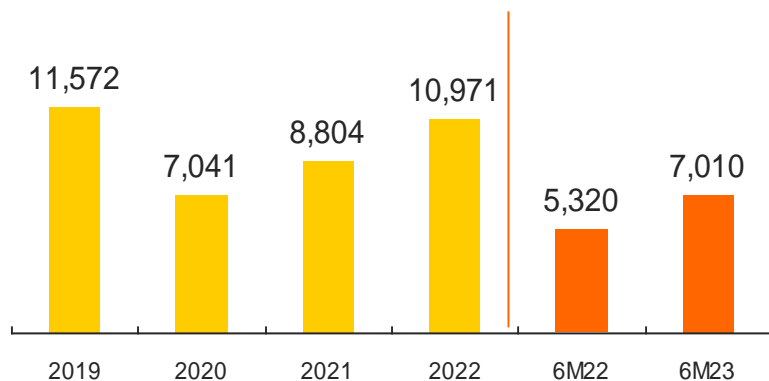


Net Worth (in NT\$ bn)

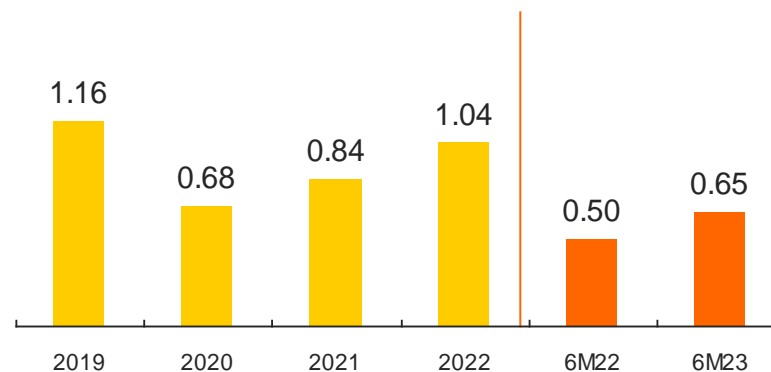


Financial Performance

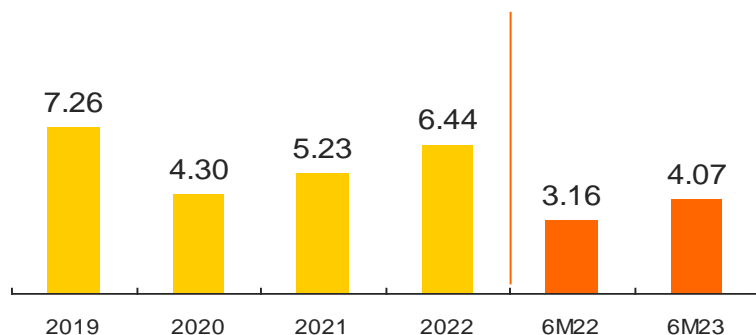
Net Income After Tax (in NT\$ mn)



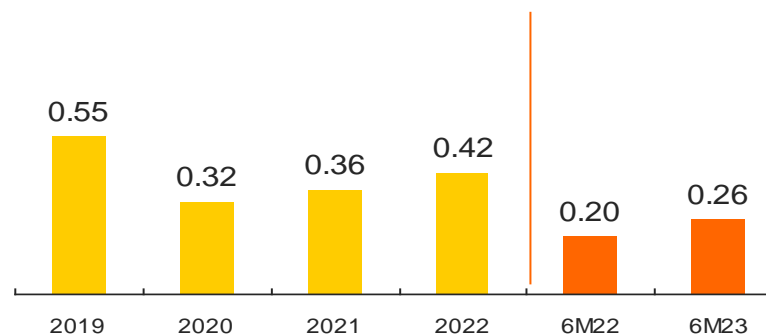
EPS After tax (in NT\$)



ROE(%)



ROA(%)



*ROE and ROA are after-tax figures.

Comprehensive Income

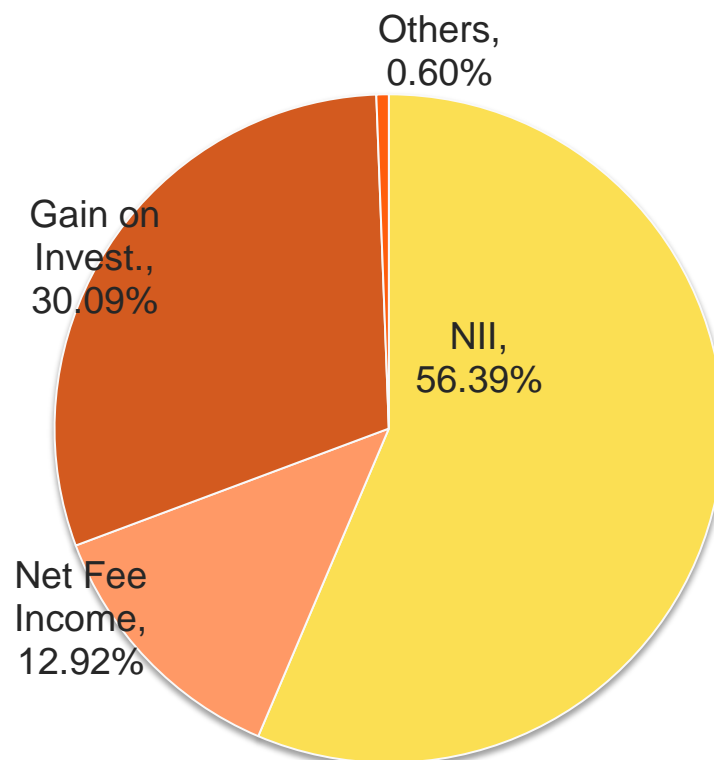
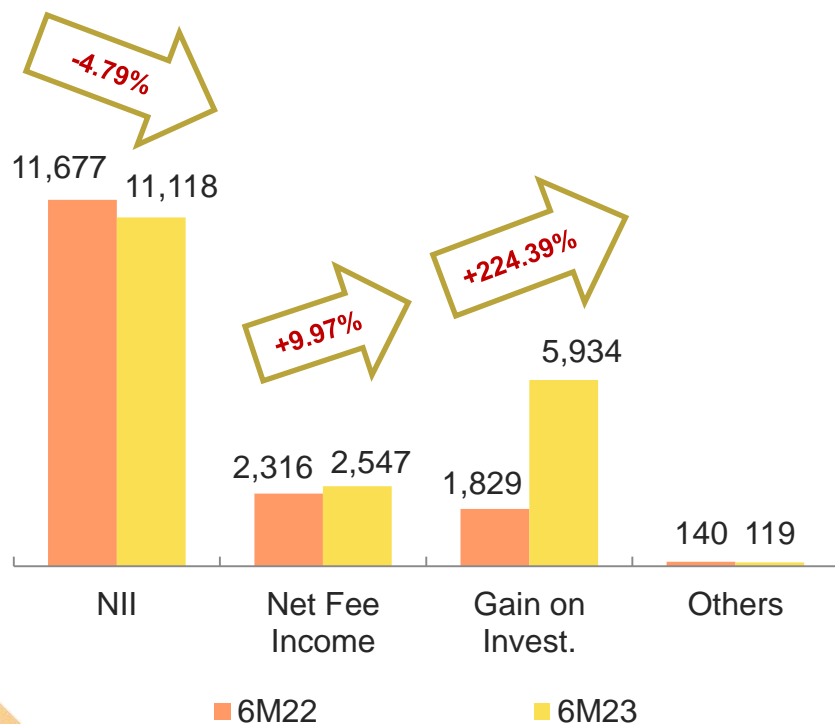
(In NT\$ mn)	6M22	6M23	YoY(%)
Net Revenue	15,962	19,717	23.52%
Provision, Net	1,381	1,453	5.19%
Operating Expense	8,411	9,664	14.90%
Net Income Before Tax	6,170	8,600	39.39%
Income Tax Expense	850	1,589	87.02%
Net Income After Tax	5,320	7,010	31.78%
Other Comprehensive Income	-5,761	5,518	195.77%
Total Comprehensive Income	-441	12,528	2,937.96%

Net Revenue

Net Revenue (in NT\$ mn)

6M22	6M23	YoY
15,962	19,717	+23.52%

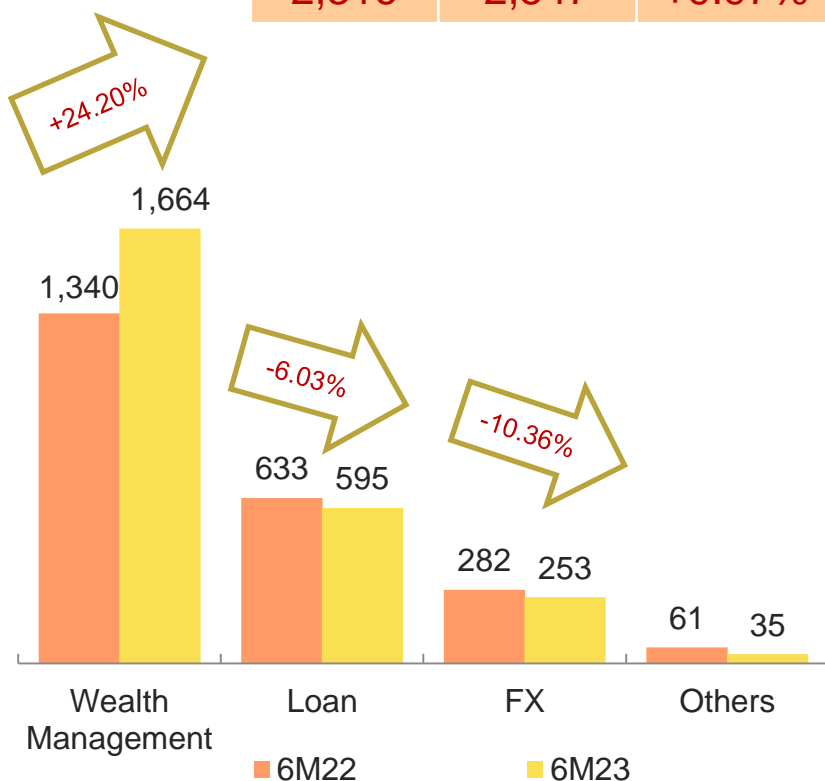
6M23 Net Revenue Breakdown



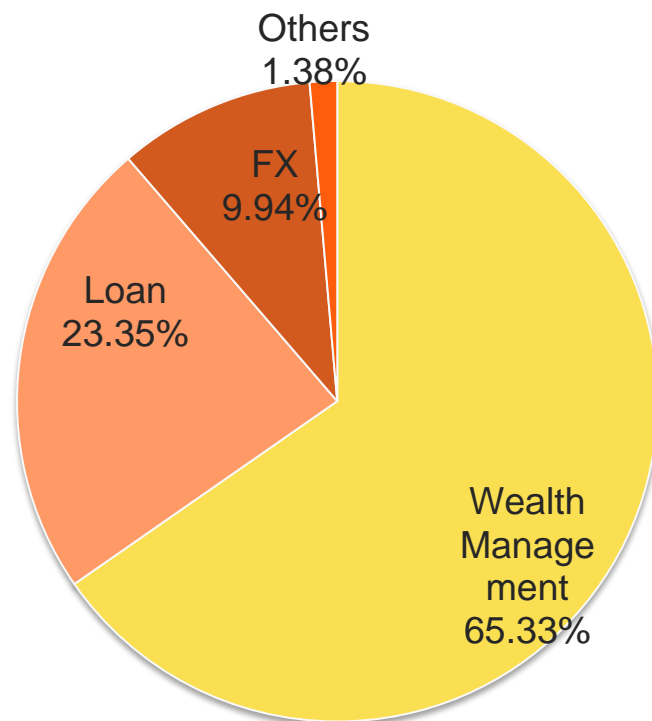
Net Fee Income

Net Fee Income (in NT\$ mn)

6M22	6M23	YoY
2,316	2,547	+9.97%



6M23 Net Fee Income Breakdown



Agenda

● Operational Highlights

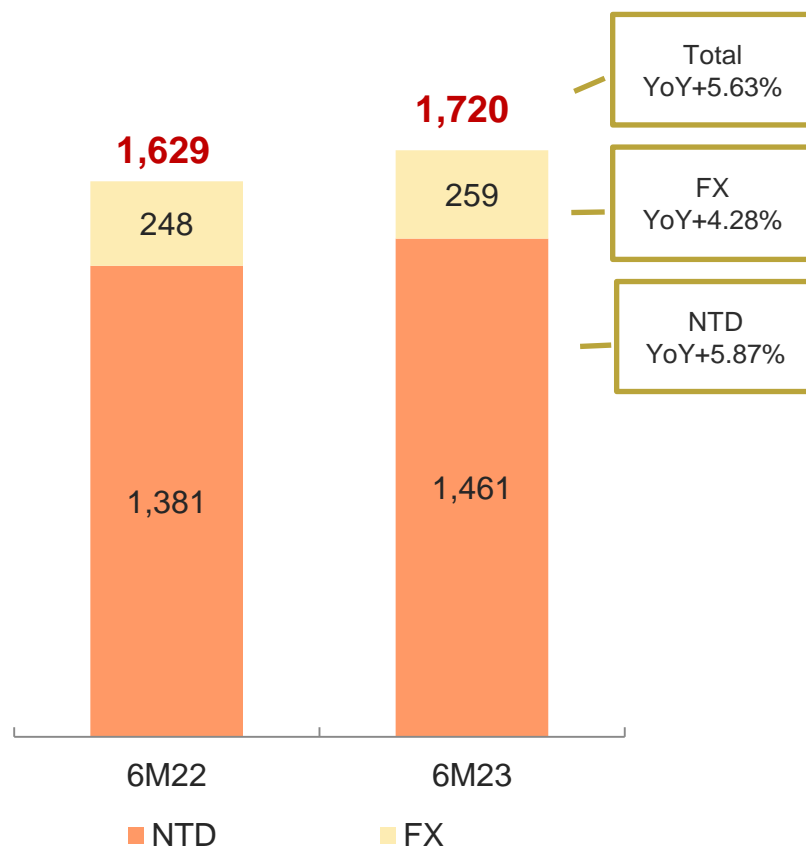
● Financial Performance

● **Operating Results**

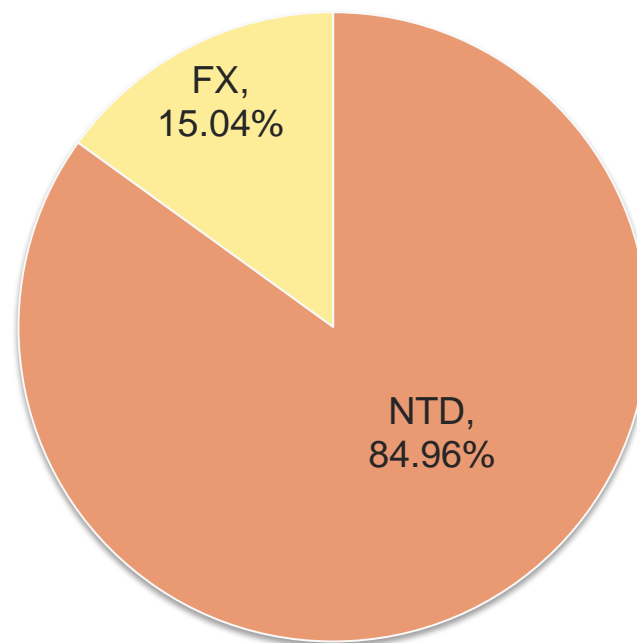
● Appendix

Loan Breakdown by Currency

Quarterly Loan Balance (in NT\$ bn)



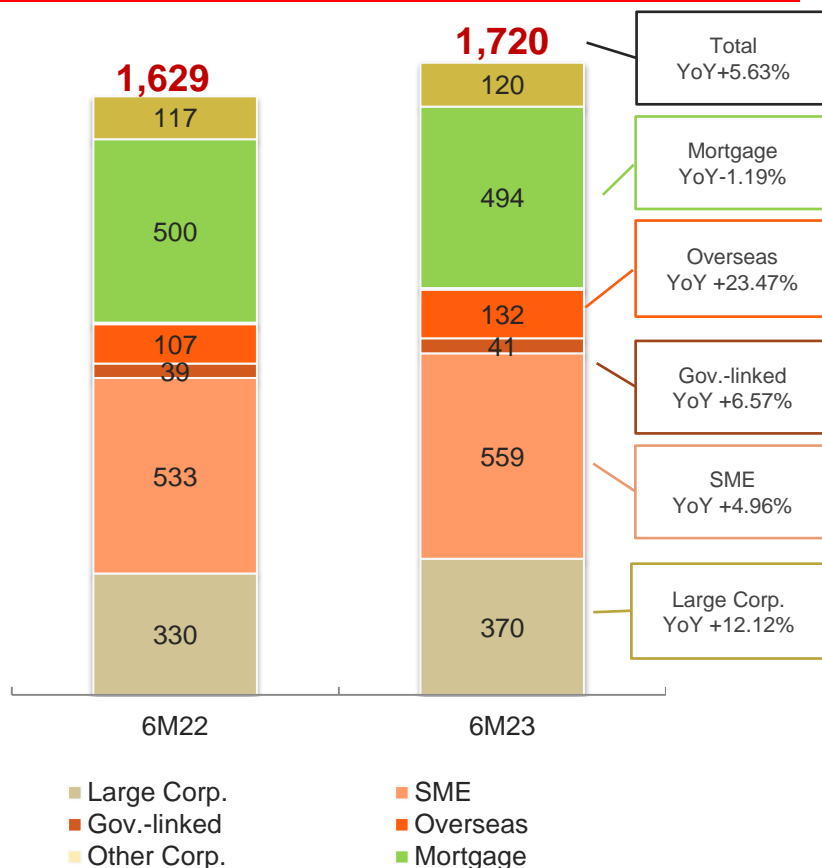
6M23 Loan Breakdown by Currency



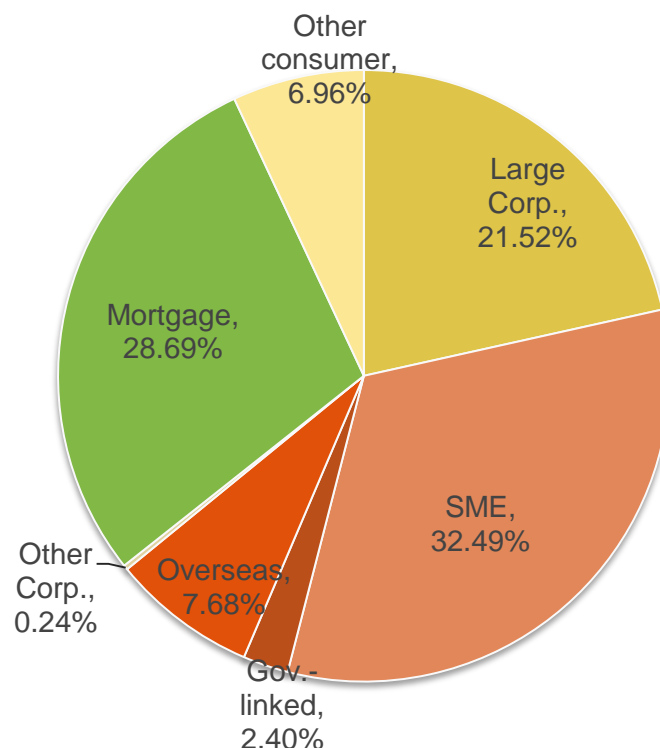
*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

Loan Breakdown by Customer

Quarterly Loan Balance (in NT\$ bn)



6M23 Loan Breakdown by Customer

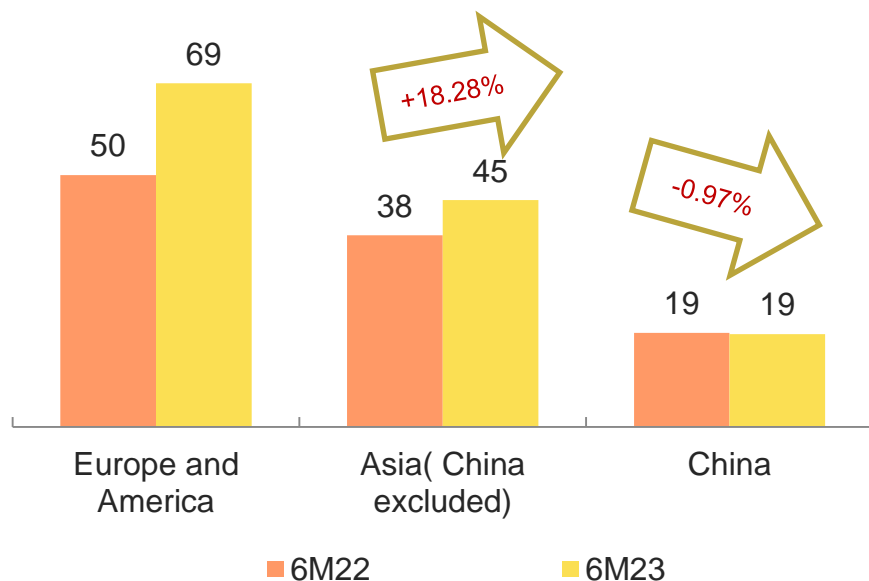


*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

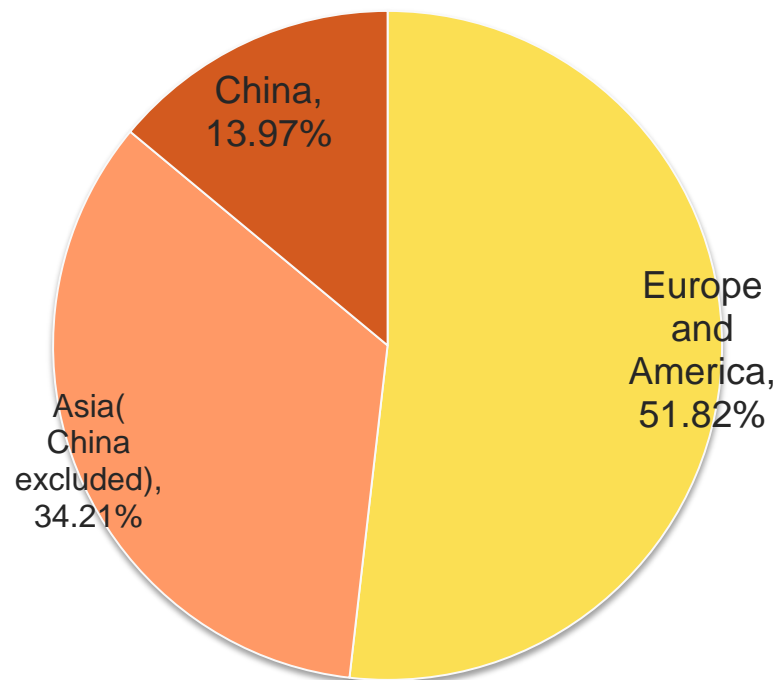
Overseas Loan Breakdown by Regions

Overseas Loan Balance (in NT\$ bn)

6M22	6M23	YoY
107	132	+23.47%



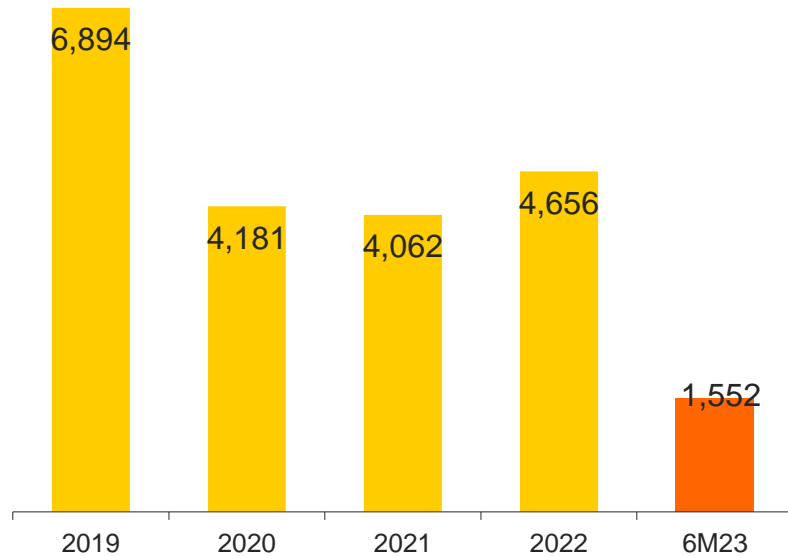
6M23 Overseas Loan Breakdown by Regions



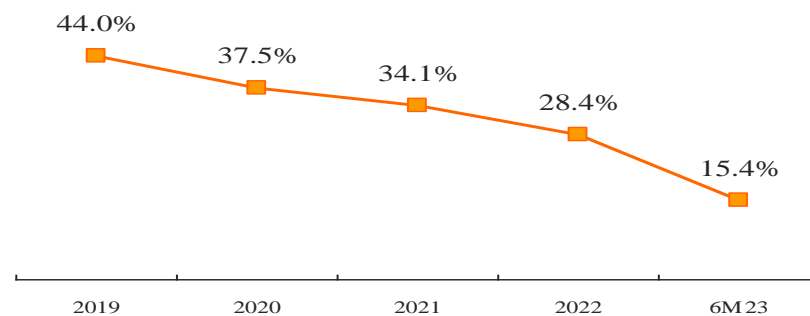
*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

Overseas & OBU Performance

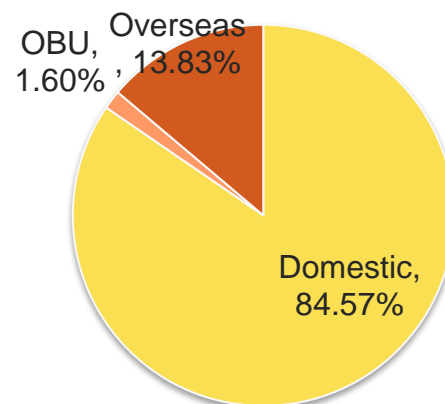
Overseas & OBU Net Income After Tax (in NT\$ mn)



Overseas & OBU PPOP proportion

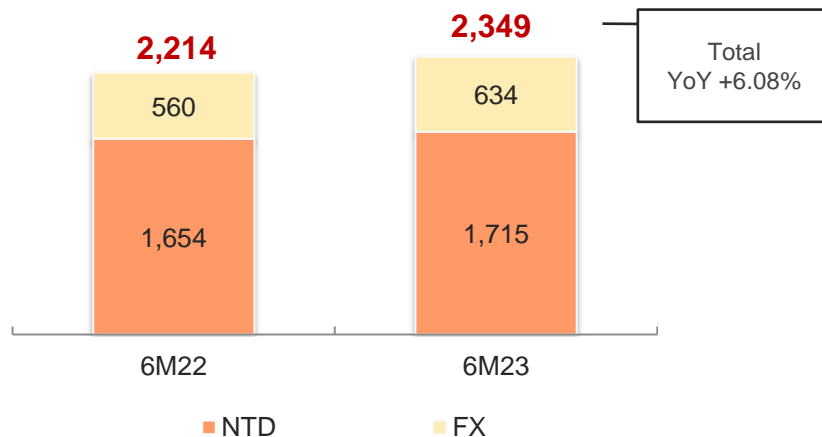


6M23 PPOP Breakdown

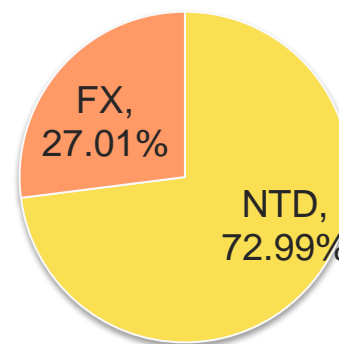


Deposit Breakdown by Currency

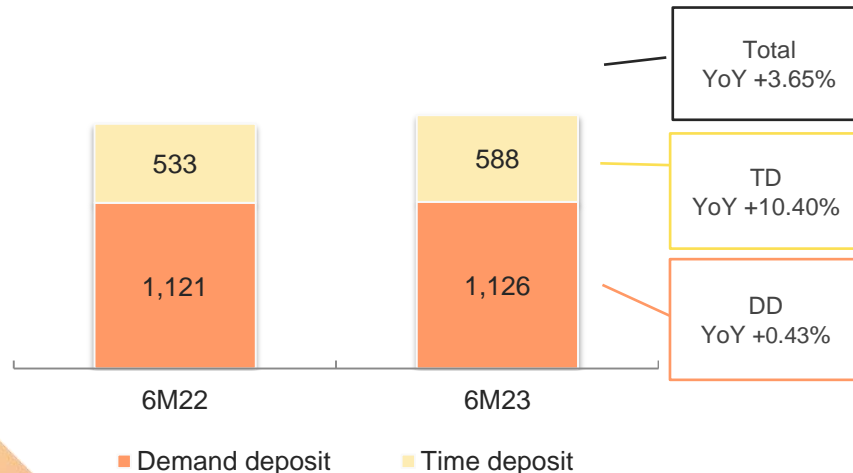
Deposit Balance (in NT\$ bn)



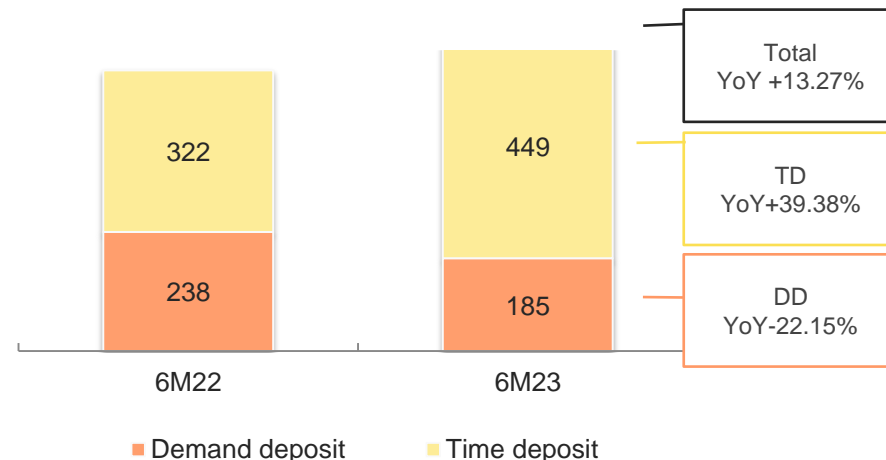
6M23 Deposit Breakdown by Currency



NTD Deposit Balance (in NT\$ bn)

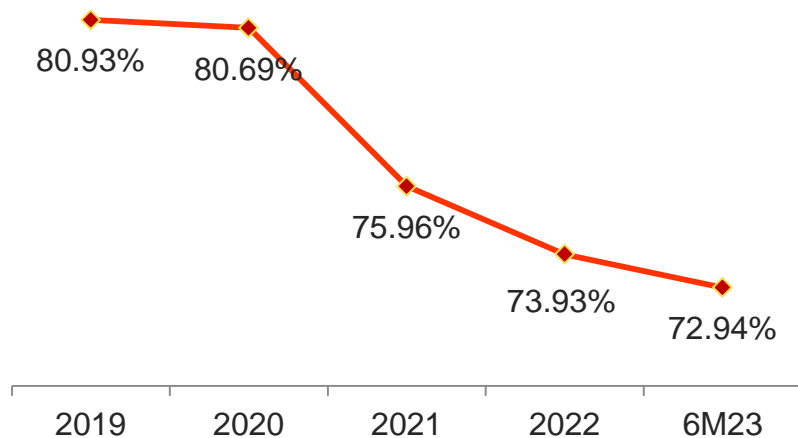


FX Deposit Balance (in NT\$ bn)

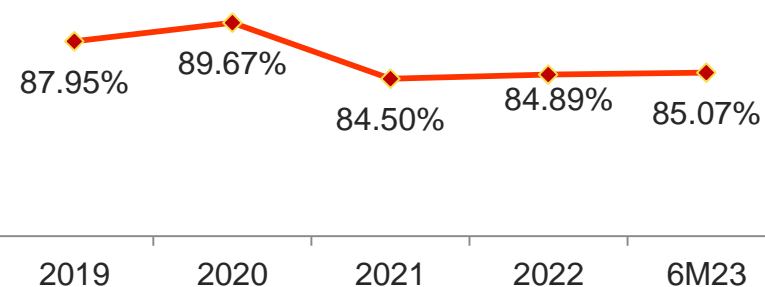


LDR

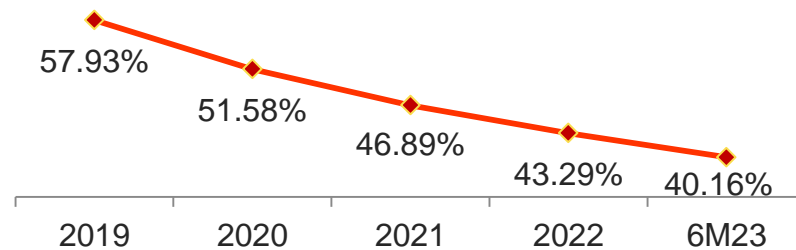
Total LDR



NTD LDR

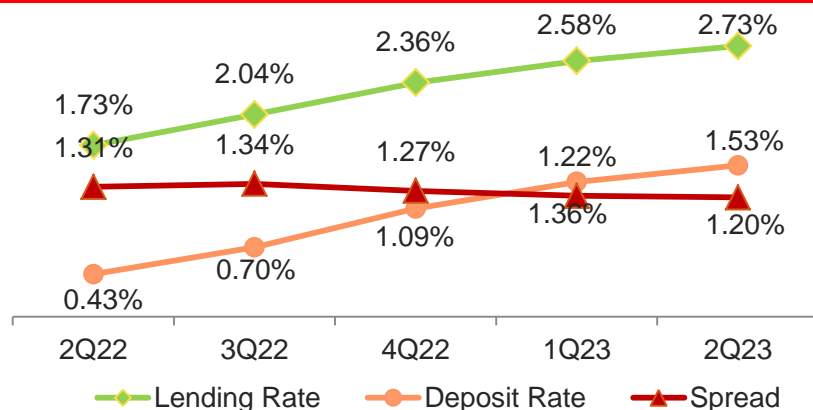


FX LDR

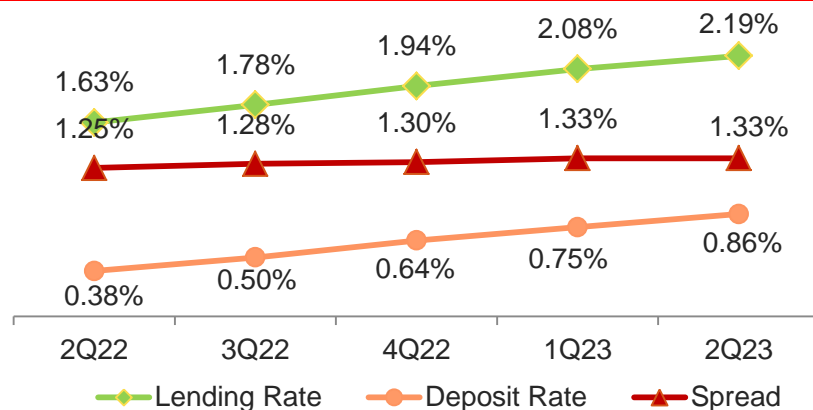


Spread and NIM

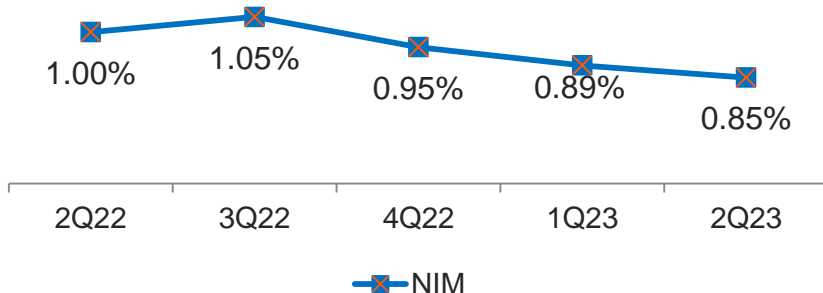
Total Loan to Deposit Spread



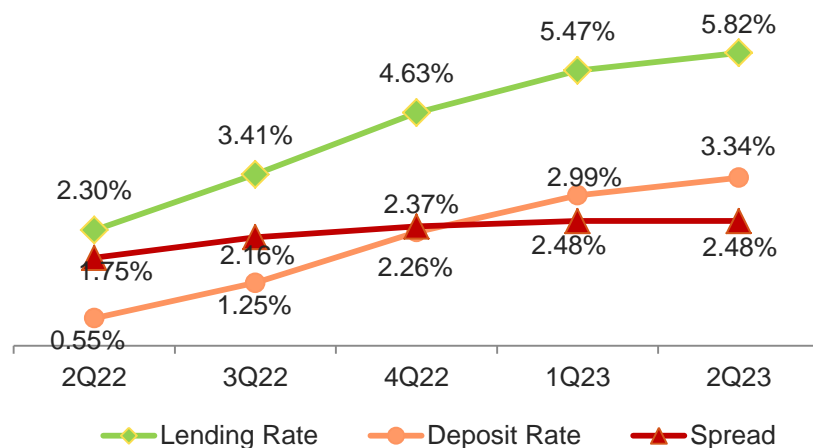
NTD Loan to Deposit Spread



NIM



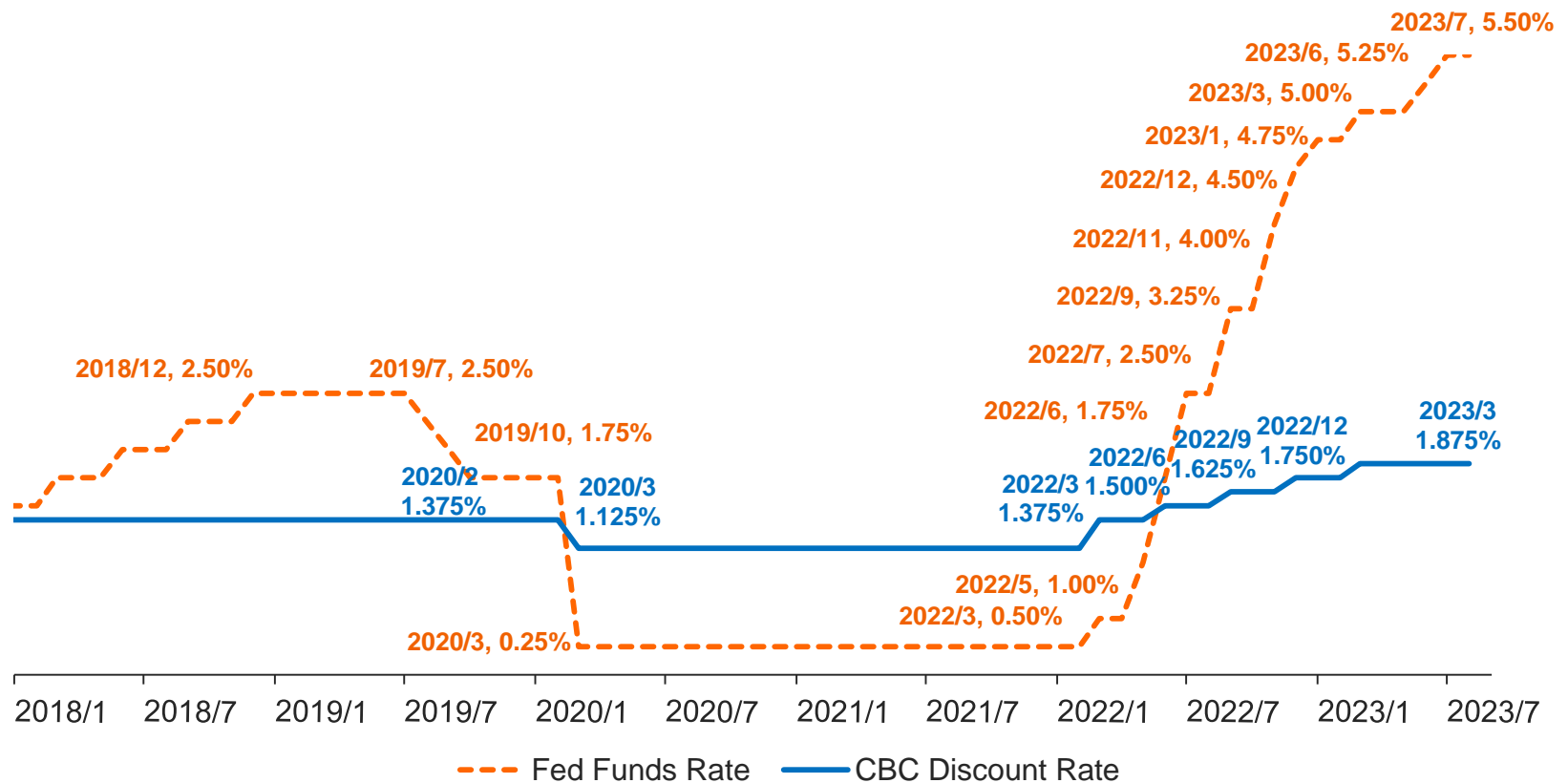
FX Loan to Deposit spread



*.IFRS and quarterly basis.

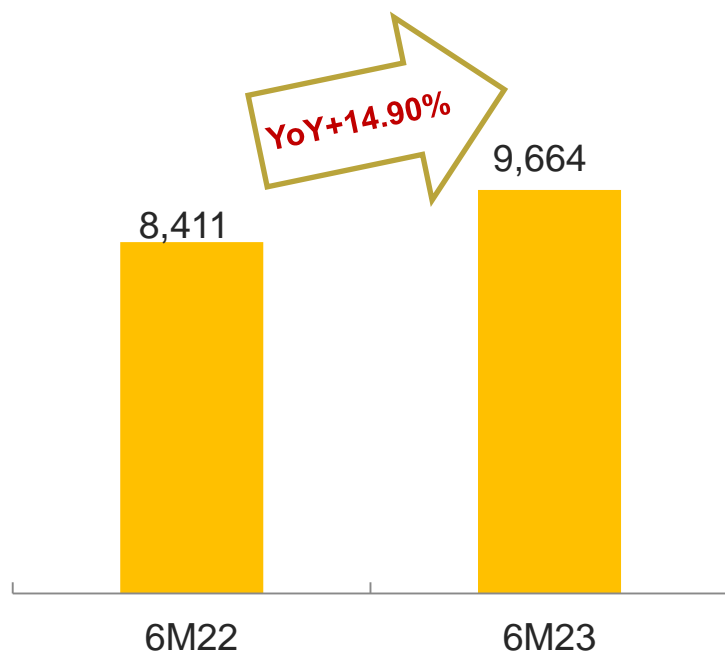
Fed Funds Rate vs. CBC Discount Rate Trends

Fed Funds Rate VS. CBC Discount Rate

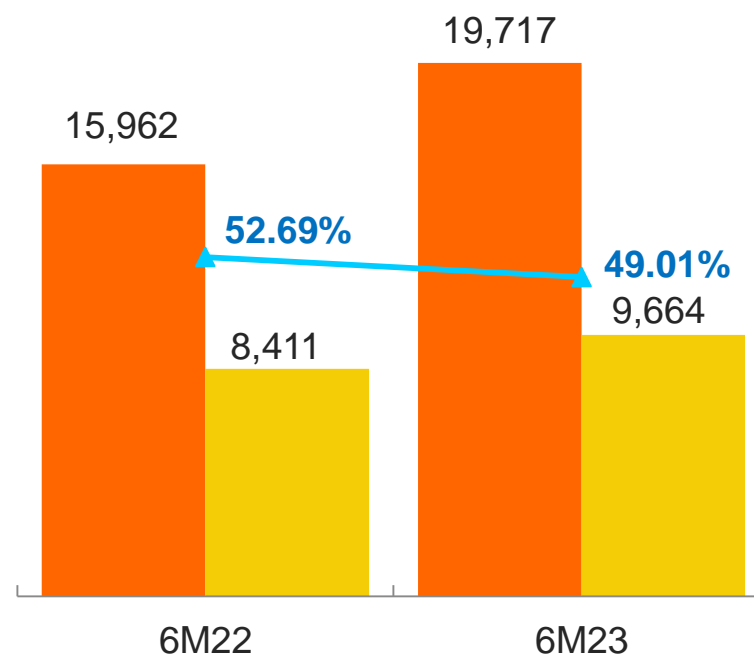


Cost-Income Ratio

Operating Expense (in NT\$ mn)



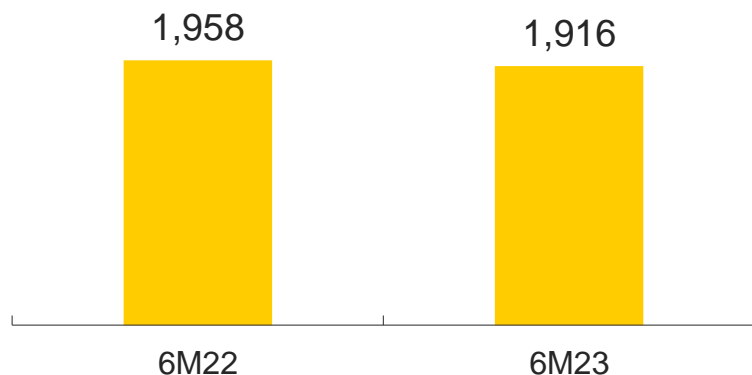
Cost-Income Ratio



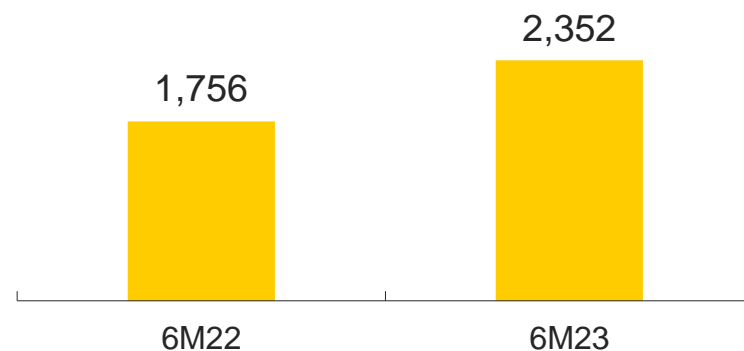
- Net Revenue (in NT\$ mn)
- Operation Expense (in NT\$ mn)
- Cost-Income Ratio

Loan Provision, Write-off and Recovery

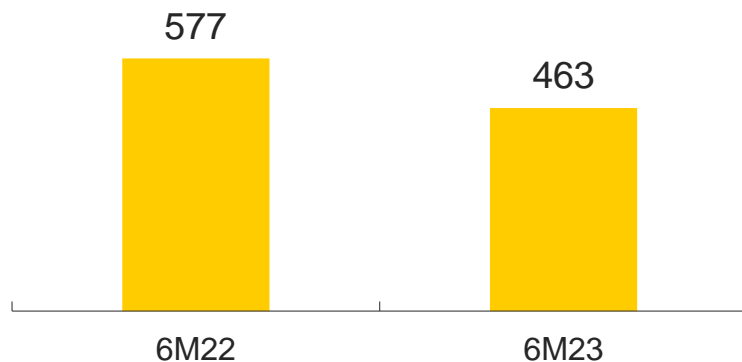
Provision (in NT\$ mn)



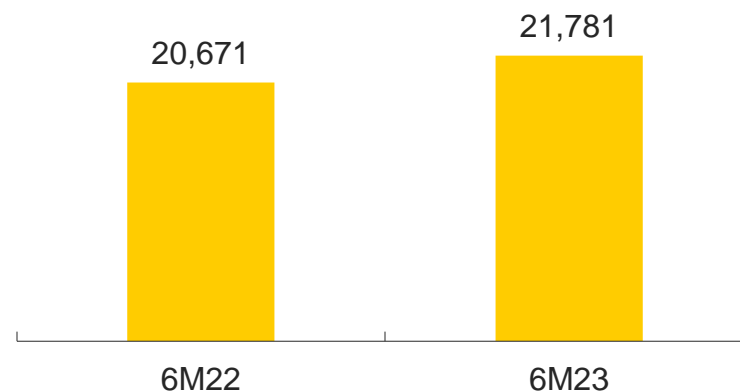
Write-Off (in NT\$ mn)



Recovery (in NT\$ mn)

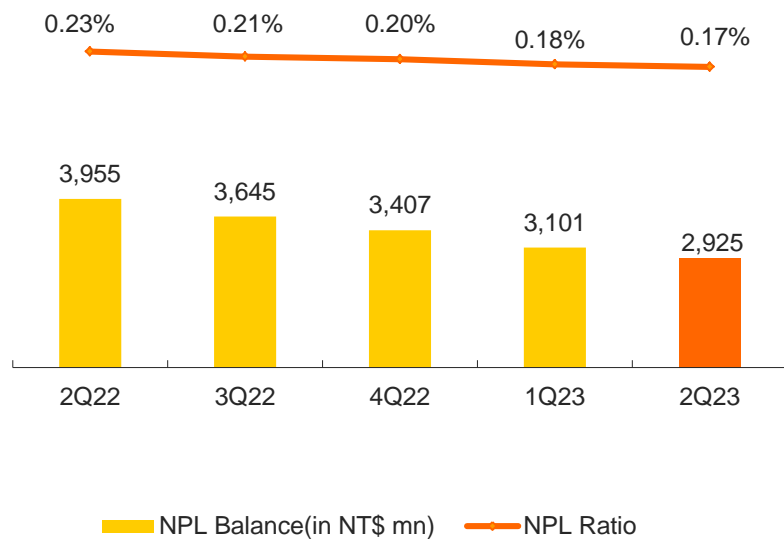


Reserve (in NT\$ mn)

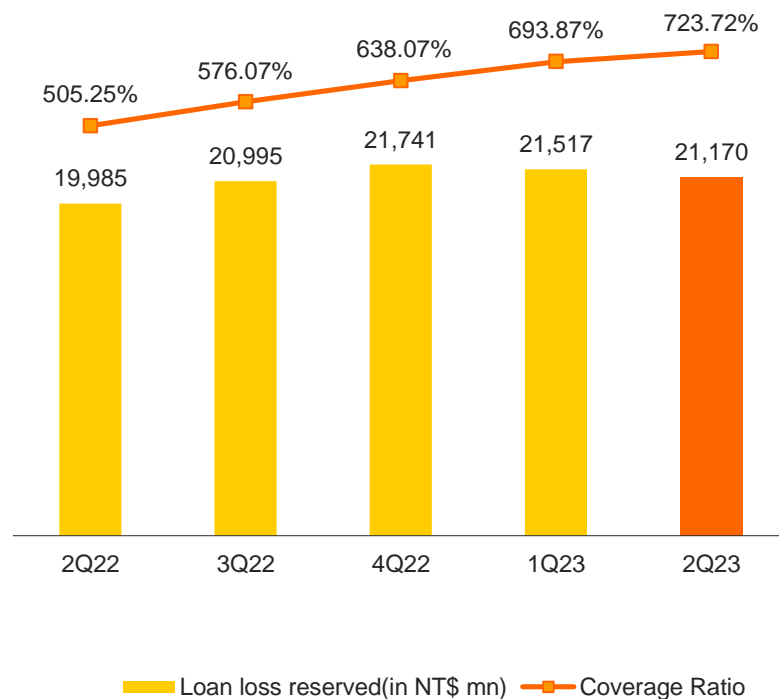


NPL Ratio and Coverage Ratio

NPL Ratio

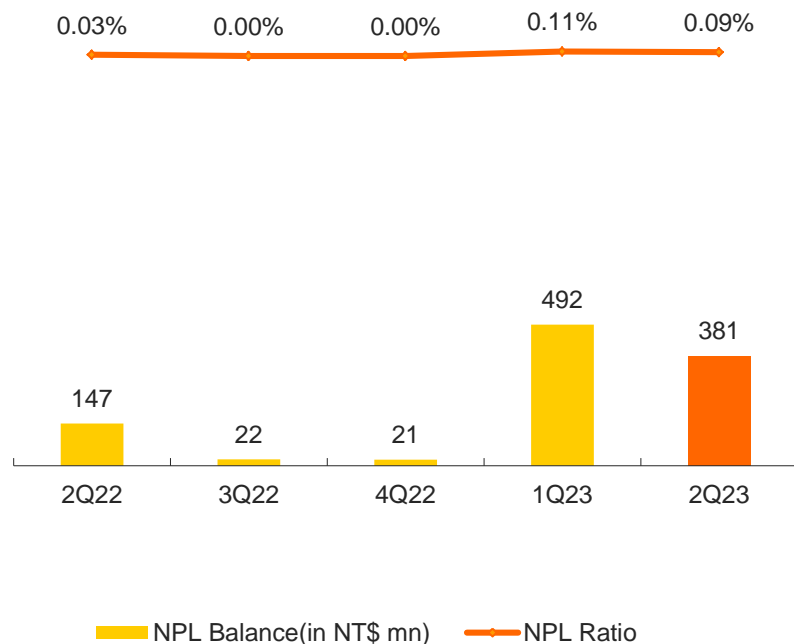


Coverage Ratio

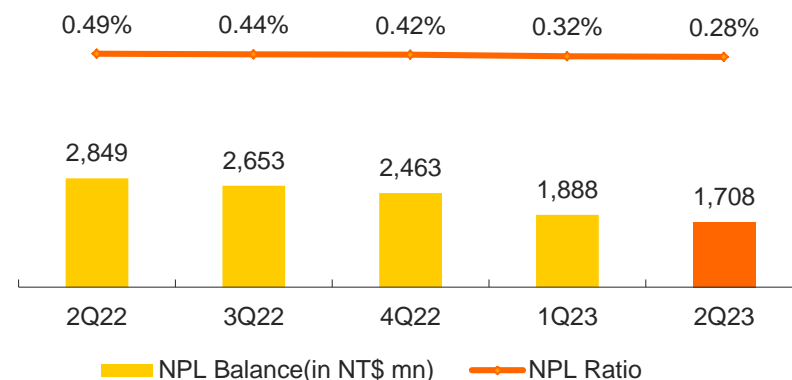


Asset Quality

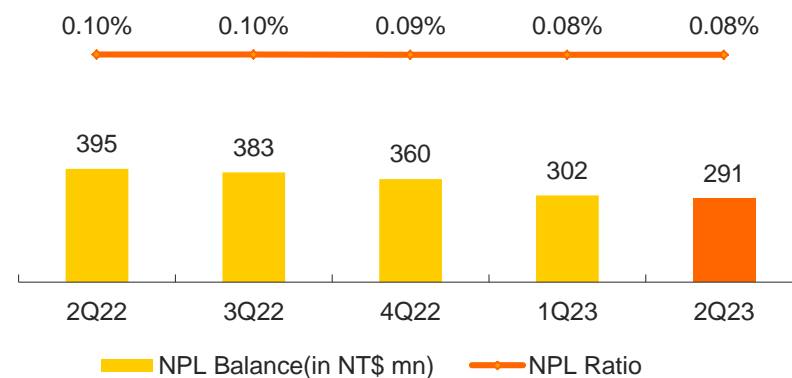
Large Corp.



SME



Mortgage



Credit Rating & CAR

Credit Rating

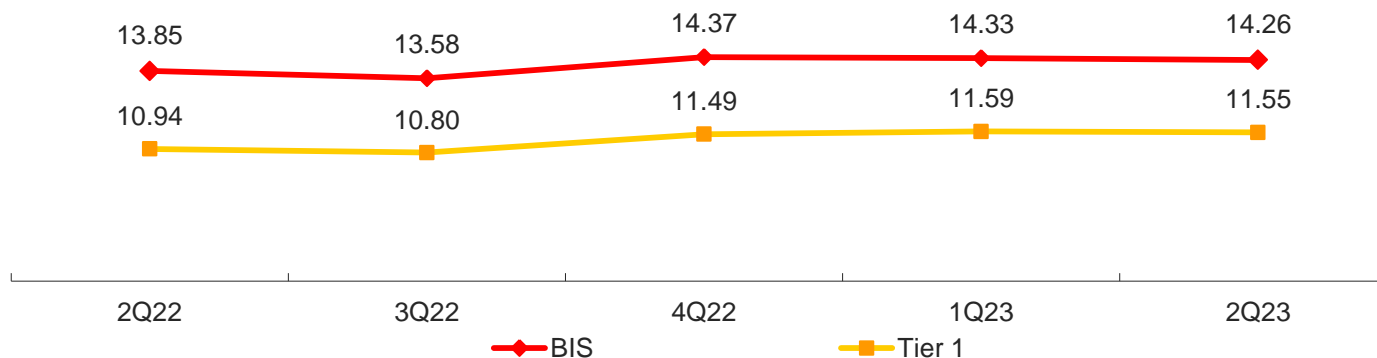
■ **Moody's** (2023/3,Review) :

- 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



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● Financial Performance

● Operating Results

● Appendix

BALANCE SHEETS(Consolidated)

(in NT\$ mn)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2021	2022	Change%	2Q22	3Q22	4Q22	1Q23	2Q23	Change%	2Q22	2Q23	Change%
Assets												
Cash & due from Banks	290,702	201,747	-30.60%	197,135	268,433	201,747	259,432	174,249	-32.83%	197,135	174,249	-11.61%
Financial assets at FVPL, net	56,612	31,486	-44.38%	48,639	65,117	31,486	66,691	70,680	5.98%	48,639	70,680	45.32%
Financial assets at FVOCI, net	174,195	214,616	23.20%	226,441	223,201	214,616	213,751	230,520	7.85%	226,441	230,520	1.80%
Financial assets for hedging	147	0	-100.00%	-	-	-	-	-	-	-	-	-
Financial assets at amortized cost, net	405,256	485,011	19.68%	427,283	379,200	485,011	446,337	484,786	8.61%	427,283	484,786	13.46%
Receivables, net	22,929	22,447	-2.10%	22,944	24,079	22,447	21,560	25,636	18.91%	22,944	25,636	11.74%
Loans, net	1,554,775	1,685,320	8.40%	1,682,443	1,731,391	1,685,320	1,687,402	1,679,635	-0.46%	1,682,443	1,679,635	-0.17%
Other financial assets, net	3,858	1,769	-54.15%	2,853	2,866	1,769	2,618	1,517	-42.05%	2,853	1,517	-46.83%
Property and equipment, net	20,979	21,031	0.25%	21,096	20,961	21,031	21,022	21,059	0.18%	21,096	21,059	-0.18%
Right-of-use asset	1,942	1,954	0.67%	1,912	2,021	1,954	1,952	1,882	-3.61%	1,912	1,882	-1.58%
Investment property, net	13,852	13,846	-0.05%	13,849	13,847	13,846	13,844	13,843	-0.01%	13,849	13,843	-0.04%
Other assets	5,860	5,626	-3.99%	6,864	8,973	5,626	5,991	5,726	-4.42%	6,864	5,726	-16.58%
Total Assets	2,551,106	2,684,852	5.24%	2,651,460	2,740,089	2,684,852	2,740,601	2,709,534	-1.13%	2,651,460	2,709,534	2.19%
Liabilities												
Due to banks	99,889	52,877	-47.06%	91,013	114,335	52,877	86,673	66,607	-23.15%	91,013	66,607	-26.82%
Financial liabilities at FVPL	3,150	6,920	119.66%	8,237	14,054	6,920	2,754	2,859	3.82%	8,237	2,859	-65.29%
RP	1,373	941	-31.46%	1,078	17,704	941	1,494	1,481	-0.88%	1,078	1,481	37.37%
Payables	36,770	31,965	-13.07%	49,327	29,837	31,965	36,983	32,217	-12.89%	49,327	32,217	-34.69%
Deposits and remittances	2,167,441	2,349,883	8.42%	2,254,841	2,304,264	2,349,883	2,366,276	2,355,458	-0.46%	2,254,841	2,355,458	4.46%
Bank notes payable	51,278	51,219	-0.11%	51,249	51,234	51,219	52,205	52,190	-0.03%	51,249	52,190	1.84%
Provisions	4,694	3,023	-35.60%	4,643	4,579	3,023	3,018	3,192	5.76%	4,643	3,192	-31.25%
Lease liabilities	1,770	1,795	1.37%	1,736	1,864	1,795	1,796	1,714	-4.55%	1,736	1,714	-1.27%
Other liabilities	13,287	17,200	29.45%	23,569	35,540	17,200	14,585	18,086	24.01%	23,569	18,086	-23.26%
Total Liabilities	2,379,654	2,515,824	5.72%	2,485,693	2,573,411	2,515,824	2,565,784	2,533,804	-1.25%	2,485,693	2,533,804	1.94%
Stockholders' Equity	171,452	169,028	-1.41%	165,767	166,678	169,028	174,817	175,730	0.52%	165,767	175,730	6.01%
Total Liabilities and Stockholders' Equity	2,551,106	2,684,852	5.24%	2,651,460	2,740,089	2,684,852	2,740,601	2,709,534	-1.13%	2,651,460	2,709,534	2.19%

STATEMENTS OF COMPREHENSIVE INCOME(Consolidated)

(in NT\$ mn)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2021	2022	Change%	2Q22	3Q22	4Q22	1Q23	2Q23	Change%	6M22	6M23	Change%
Interest Income	27,492	41,612	51.36%	9,025	11,442	13,841	14,545	15,898	9.30%	16,330	30,443	86.43%
Interest Expense	7,026	16,967	141.47%	2,799	4,768	7,545	8,914	10,412	16.81%	4,653	19,326	315.34%
Net Interest Income	20,466	24,645	20.42%	6,225	6,673	6,296	5,632	5,486	-2.59%	11,677	11,118	-4.79%
Net Service fee and commissions income	4,554	4,256	-6.55%	1,128	1,024	916	1,301	1,245	-4.33%	2,316	2,547	9.97%
Gains(losses) on financial assets and liabilities at FVPL	1,238	3,312	167.59%	404	535	2,113	2,509	2,178	-13.19%	664	4,687	605.34%
Realized gains of financial assets at FVOCI	1,483	70	-95.26%	242	-29	-284	218	710	225.68%	384	928	142.06%
Gains(losses) on disposal of credit assets measured at AC	0	-2	-5744.83%	0	0	0	-42	-1	98.33%	-2	-43	-2501.64%
Foreign exchange gains(losses)	495	1,640	231.60%	448	982	-123	85	236	176.38%	781	321	-58.89%
Other miscellaneous net income	450	216	-52.03%	84	-8	82	78	82	4.95%	142	159	12.23%
Net income other than net interest income	8,220	9,493	15.49%	2,307	2,504	2,704	4,149	4,450	7.25%	4,285	8,599	100.68%
Net Revenues and gains	28,686	34,139	19.01%	8,532	9,177	9,000	9,781	9,936	1.58%	15,962	19,717	23.52%
Credit loss provisions, net	1,794	3,319	85.03%	824	757	1,181	904	549	-39.21%	1,381	1,453	5.19%
Operating Expenses	16,772	17,769	5.94%	4,357	4,617	4,741	4,645	5,019	8.04%	8,411	9,664	14.90%
Employee Benefits expenses	11,409	11,721	2.74%	2,865	3,098	3,086	3,098	3,334	7.62%	5,538	6,432	16.14%
Depreciation and amortization expenses	1,420	1,571	10.59%	402	404	398	410	414	1.05%	768	824	7.24%
Other general and administrative expenses	3,943	4,476	13.53%	1,090	1,116	1,256	1,138	1,271	11.70%	2,105	2,409	14.43%
Income before income tax from continuing operations	10,120	13,051	28.95%	3,351	3,803	3,078	4,232	4,368	3.21%	6,170	8,600	39.39%
Income Tax Expense	1,317	2,080	57.95%	409	602	628	780	809	3.77%	850	1,589	87.02%
Net Income	8,804	10,971	24.62%	2,943	3,201	2,451	3,452	3,558	3.08%	5,320	7,010	31.78%
Basic EPS(NT\$)	0.84	1.04	23.81%	0.28	0.30	0.23	0.33	0.33	0.00%	0.51	0.65	27.45%
Other comprehensive income	1,333	-8,151	-711.32%	-4,997	-2,289	-101	2,336	3,181	36.15%	-5,761	5,518	195.77%
Total comprehensive income	10,137	2,820	-72.18%	-2,054	912	2,350	5,788	6,739	16.43%	-441	12,528	2937.96%



彰化銀行

THANK YOU

