CHB 彰化銀行
CHANG HWA BANK

Financial Review 2023Q4

(Bloomberg: 2801 TT)

March 26, 2024

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Economic Outlook

Global trade momentum is expected to improve, but geopolitical risks still need to be noted.

- Major central banks are expected to start cutting interest rates, which will help boost the stock and bond markets. However, it is still need to pay attention to whether the timing is in line with expectations.
- China's Job market and housing market problems have impacted private consumption and investment confidence. The recovery of end demand and supply chain migration have also led an uncertainty in China's export prospects.
- The global geopolitical conflicts have not stopped yet. In addition to the war between Ukraine and Russia, which still creates uncertainties for the prices of bulk commodities such as food and energy, the Red Sea crisis derived from the conflict between Israel and Hamas has increased the international freight rates. If the conflict continues or even intensifies, which may increase the disturbance to international raw material prices and global inflation.

The domestic economy will turn from "Cold outside and warm inside" to " Warm both inside and outside".

- The manufacturing boom is expected to improve as inventory depletion comes to an end and end demand slowly recovers. Business opportunities in emerging technologies such as AI and HPC (High-Performance Computing) will continue growing. Exports are expected to improve, and private investment momentum will pick up.
- Industries such as catering, tourism, wholesale, and retail are expected to perform well as the wage boosts consumption momentum.
- The heavy electricity industry has benefited from Taipower's plan to strengthen the power grid's resilience and business opportunities in green energy and environmental protection.
- After borders between countries are relaxed, demand for air passenger transport will remain strong.

Sustainable Performance

Governance

- Selected for the first time in the Dow Jones Sustainability World Index.
- Selected as a component stock of the "Taiwan Sustainability Index" for 11 consecutive times.
- "National Sustainable Development Award - Enterprise Category" by the National Council for Sustainable Development, Executive Yuan.
- 16th TCSA awarded "Taiwan Business Sustainability Award-Sustainability Comprehensive Performance-Taiwan's Top 100 Sustainability Model Enterprises Award" and "Sustainability Report-Finance and Insurance Industry-Gold Level" .
- "Sustainability and Resilience Leadership Award" for four consecutive years.
- "The 20th National Brand Yushan Award" of the National Enterprise Competitiveness Development Association"

Social

- The Bronze Award in the Sponsorship Category of the "Sports Promoter Award" of the Ministry of Education.
- Ranked first in the micro-insurance auxiliary group of the insurance industry in cooperating with policies to promote various businesses by FSC.
- 2023 Trust Award, Diversified Trust Innovation Award - "Best Urban Renewal Trust Innovation Award", "Best Real Estate Management Trust Innovation Award", "Excellence Trust Marketing Award" and "Special Creative Award" by China Times.
- "Digital Inclusive Award", "Digital Service Award" and "Digital Security Award" by China Times.

Environmental

- CDP evaluation was upgraded to Leadership level.
- The 5th "National Enterprise Environmental Protection Award - Bronze Level Award" of the Ministry of Environment.
- The New Taipei City "Private Enterprises and Groups Green Procurement Plan" awarded medals in recognition.

Agenda

- **Operational Highlights**
- Financial Performance
- Operating Results
- Appendix

Operational Highlights (consolidated basis)

Core Business

- Loans NT$1,743 bn,+3.93% YoY,
  Corp.+5.15% YoY，Personal +0.31% YoY，Overseas +13.78% YoY
- Deposits NT$2,363 bn,+4.62% YoY,
  NTD Deposit +4.05% YoY
  FX Deposit +6.21% YoY

Profitability

- Net Income After Tax NT$12.98bn,+18.33% YoY
- EPS NT$1.20，ROA 0.46%，ROE 7.27%

Asset Quality

- NPL ratio was 0.18%，-0.02%YoY
- Coverage ratio was 693.38%，+55.31%YoY

Capital Adequacy Ratio

- BIS ratio was 14.31%

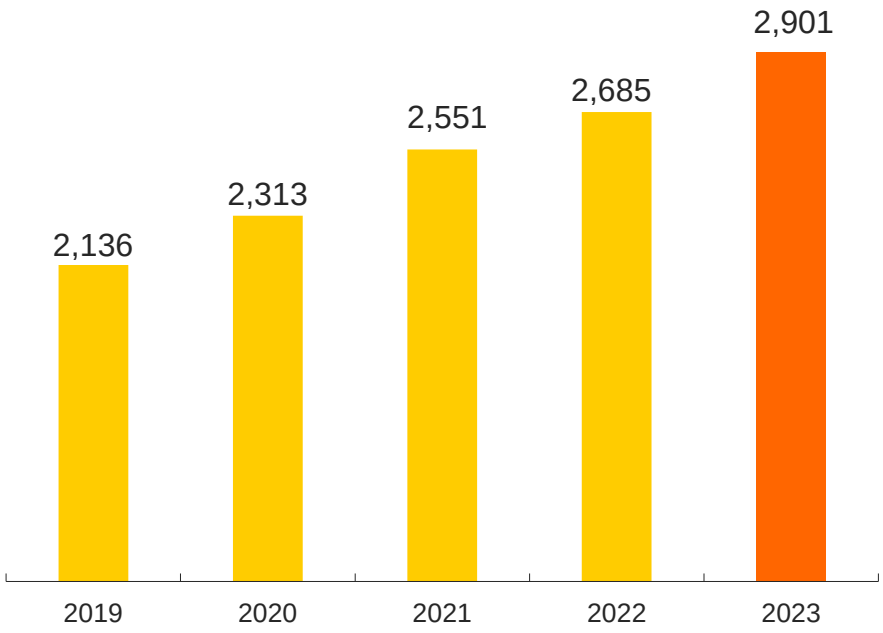
*ROE and ROA are after-tax figures.

Agenda

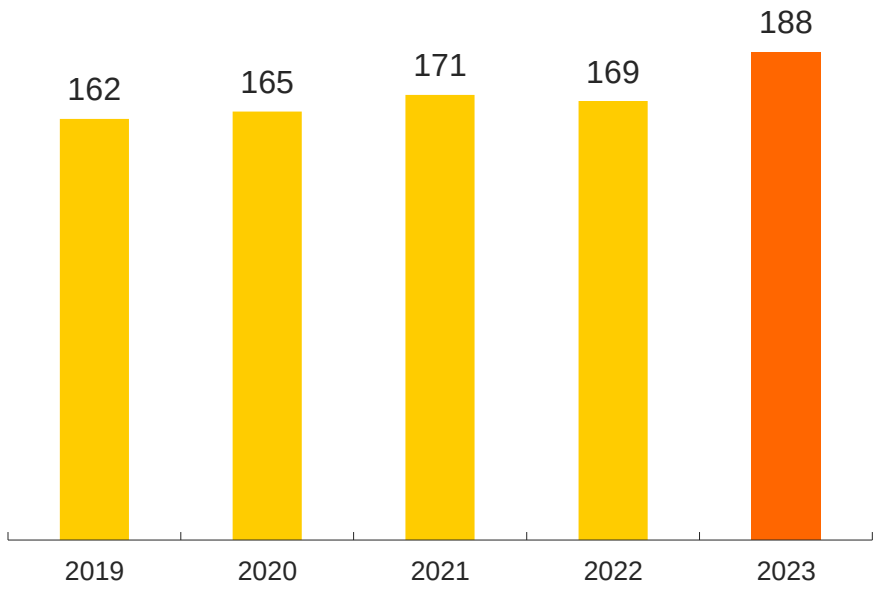
- Operational Highlights
- **Financial Performance**
- Operating Results
- Appendix

Asset Size and Net Worth

Asset Size (in NT$ bn)

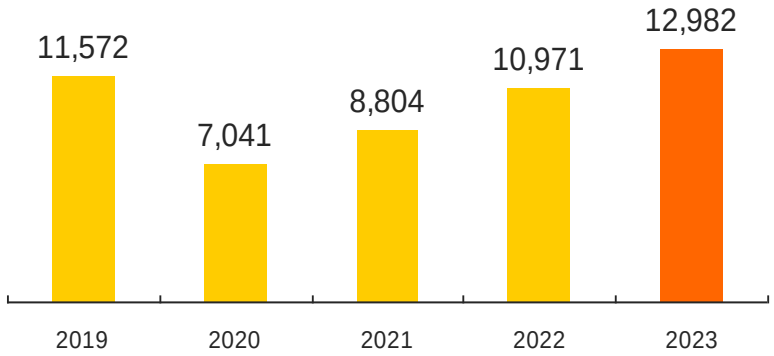


Net Worth (in NT$ bn)

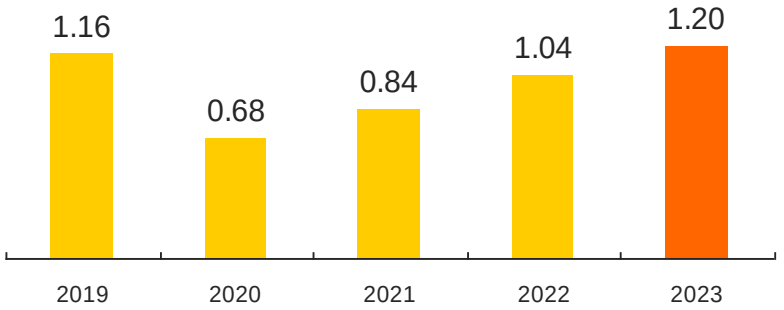


Financial Performance

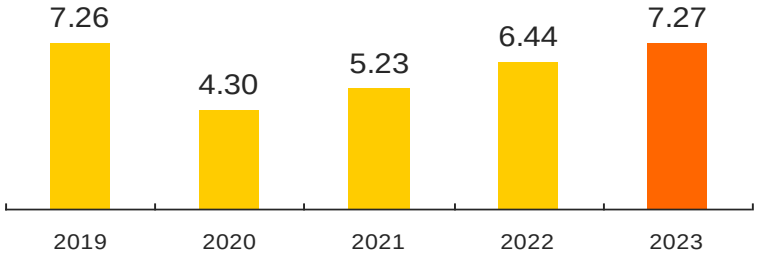
Net Income After Tax (in NT$ mn)



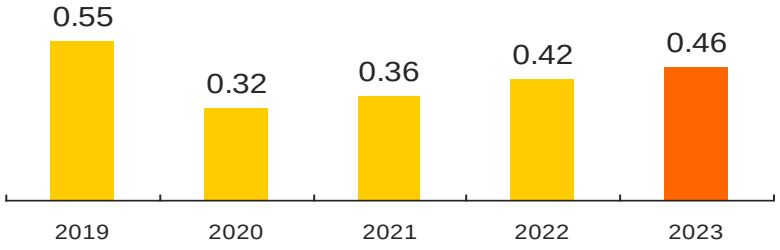
EPS After tax (in NT$)



ROE(%)



ROA(%)



*ROE and ROA are after-tax figures.

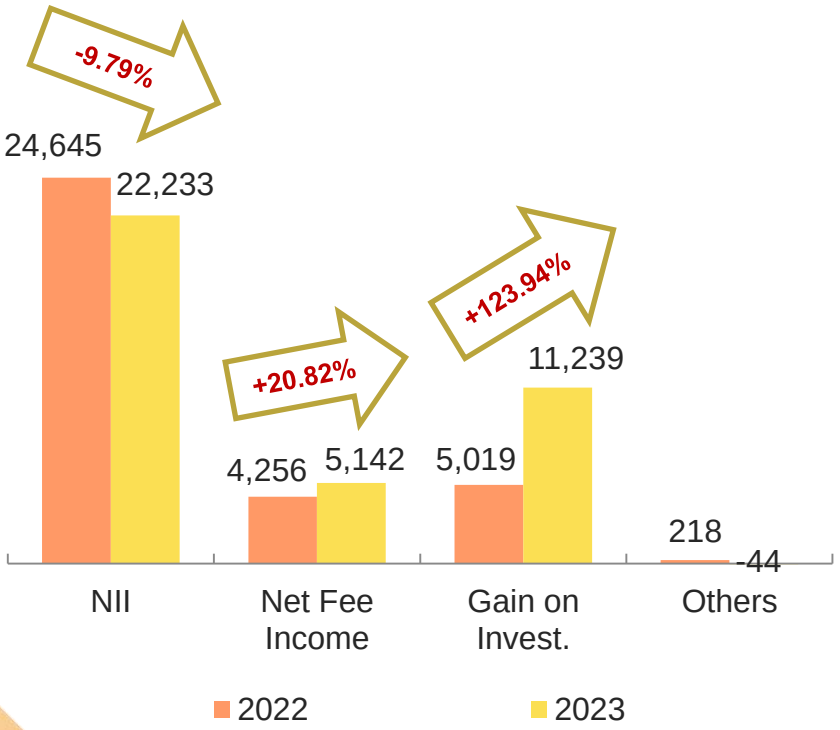
Comprehensive Income

(In NT$ mn)	2022	2023	YoY(%)
Net Revenue	34,139	38,570	12.98%
Provision, Net	3,319	3,241	-2.34%
Operating Expense	17,769	19,092	7.45%
Net Income Before Tax	13,051	16,237	24.41%
Income Tax Expense	2,080	3,254	56.50%
Net Income After Tax	10,971	12,982	18.33%
Other Comprehensive Income	-8,151	11,814	244.94%
Total Comprehensive Income	2,820	24,796	779.28%

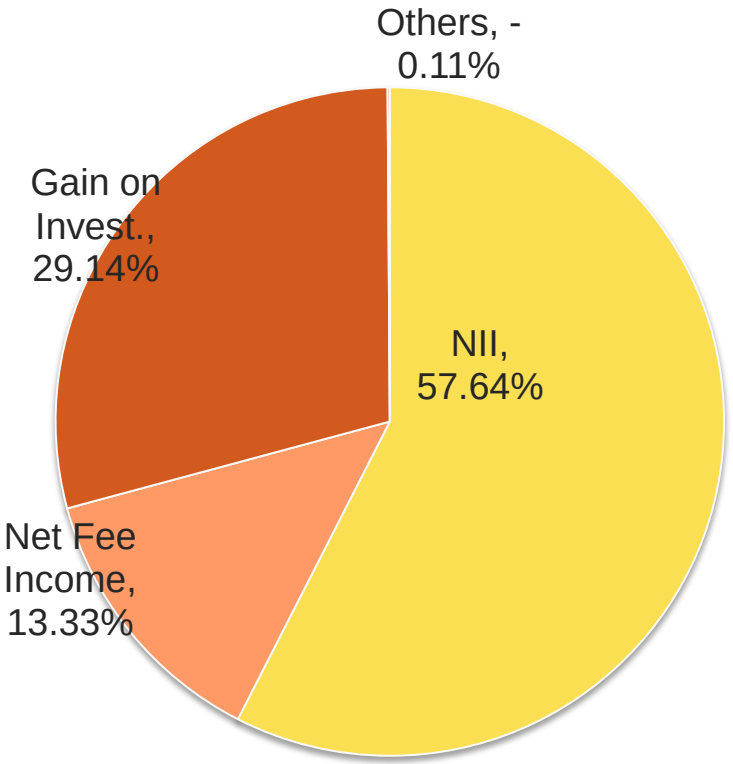
Net Revenue

Net Revenue (in NT$ mn)

2022	2023	YoY
34,139	38,570	+12.98%



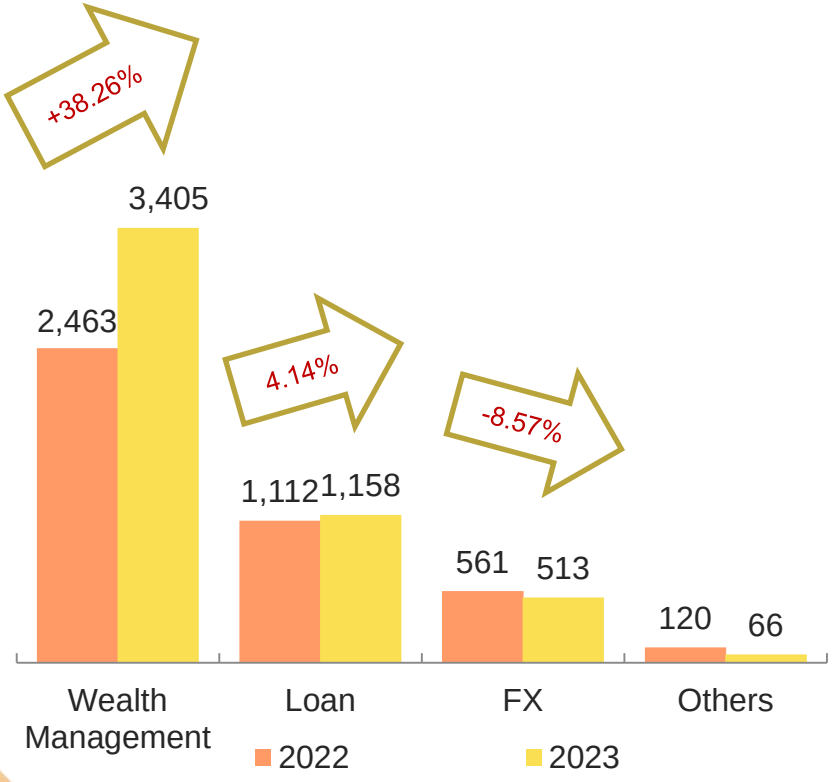
2023 Net Revenue Breakdown



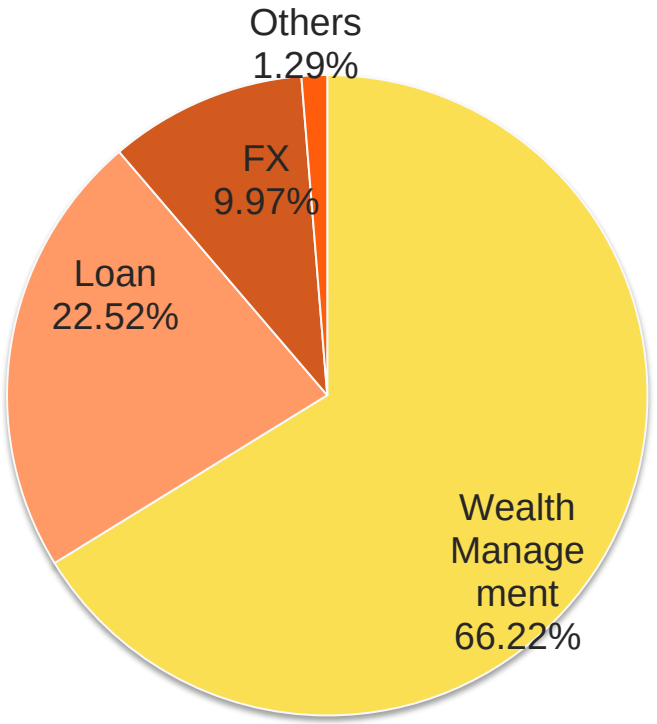
Net Fee Income

Net Fee Income (in NT$ mn)

2022	2023	YoY
4,256	5,142	+20.82%



2023 Net Fee Income Breakdown



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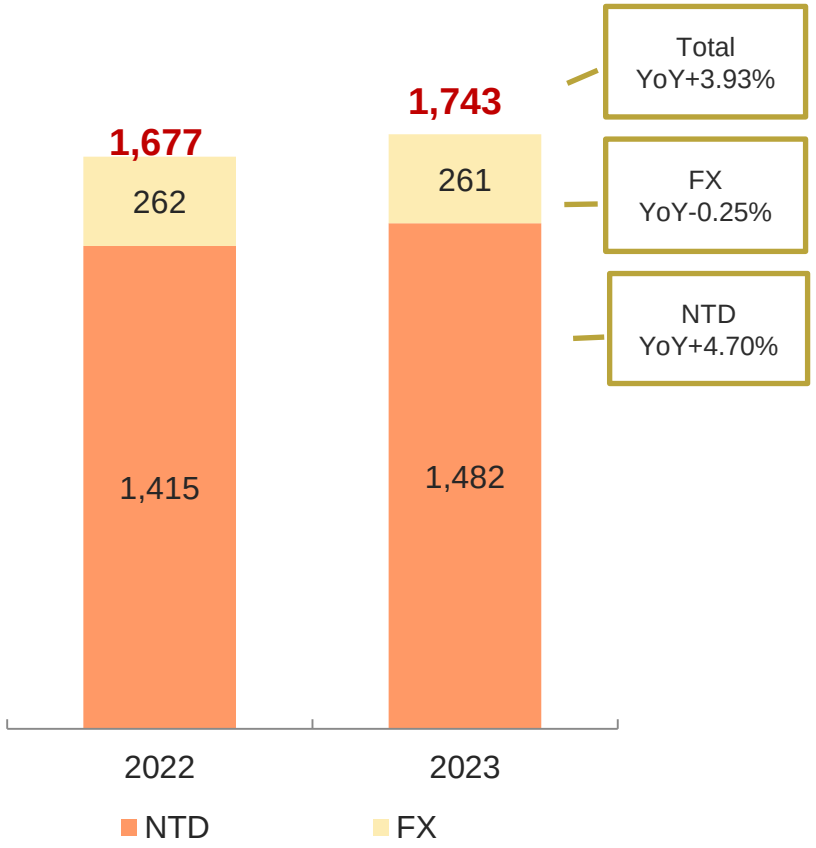
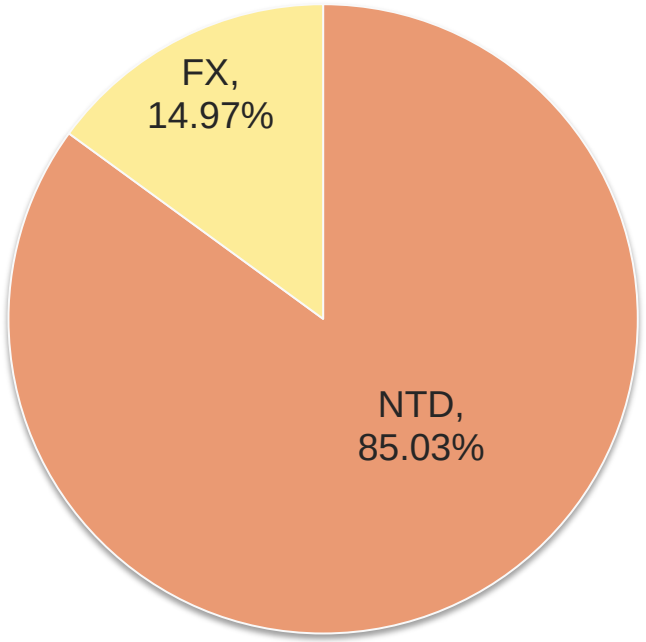
Loan Breakdown by Currency

Quarterly Loan Balance (in NT$ bn)



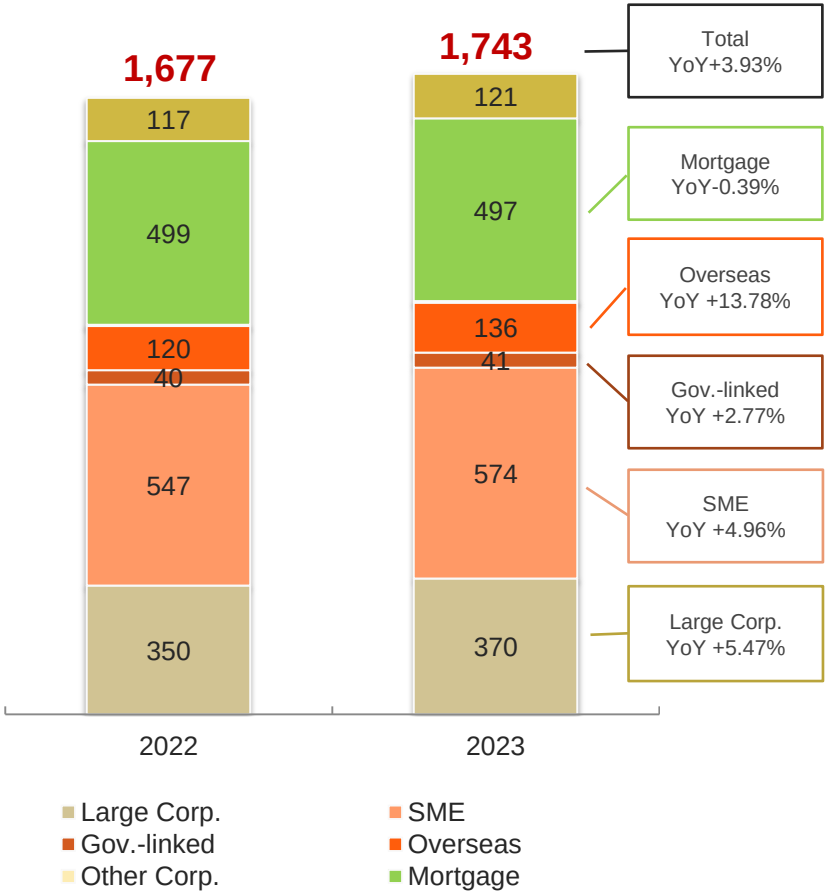
2023 Loan Breakdown by Currency



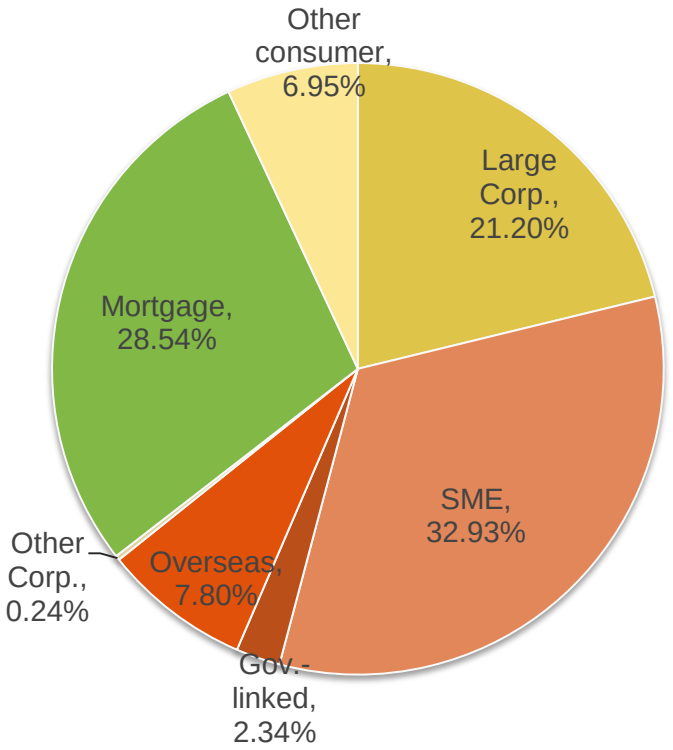
*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

Loan Breakdown by Customer

Quarterly Loan Balance (in NT$ bn)



2023 Loan Breakdown by Customer

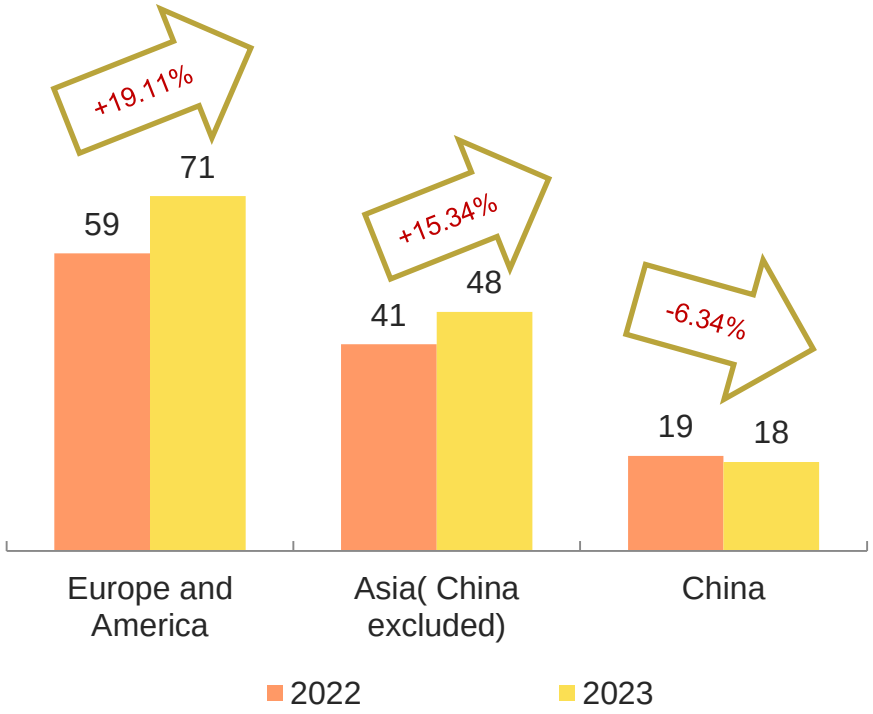


*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

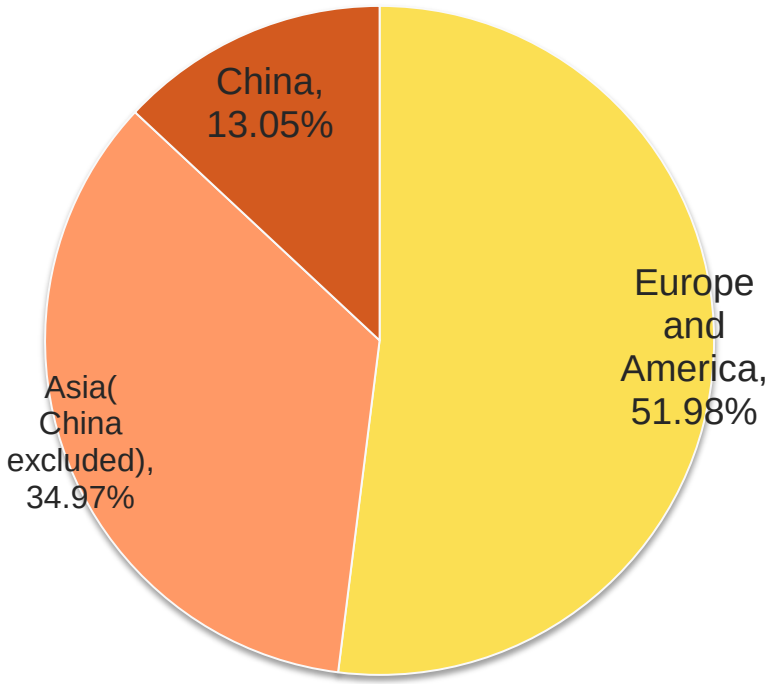
Overseas Loan Breakdown by Regions

Overseas Loan Balance (in NT$ bn)

2022	2023	YoY
120	136	+13.78%



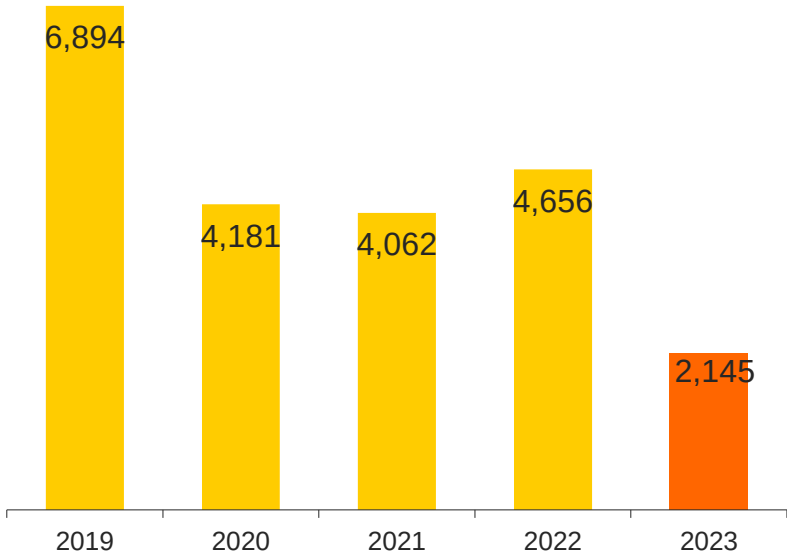
2023 Overseas Loan Breakdown by Regions



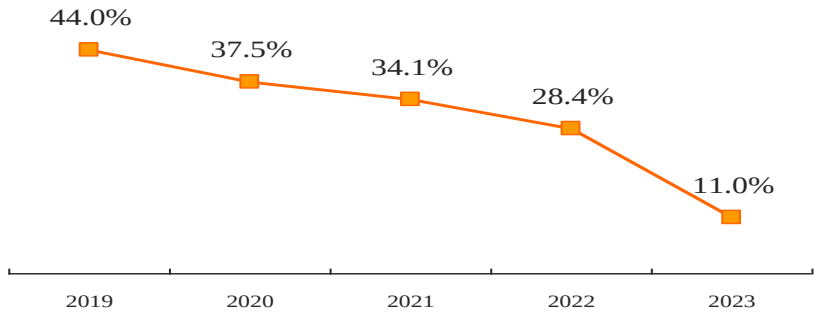
*.Loan includes ordinary loans, advances (credit card), factoring A/R, exchange bills negotiated, and import / export bills negotiated, and excludes overdue loans.

Overseas & OBU Performance

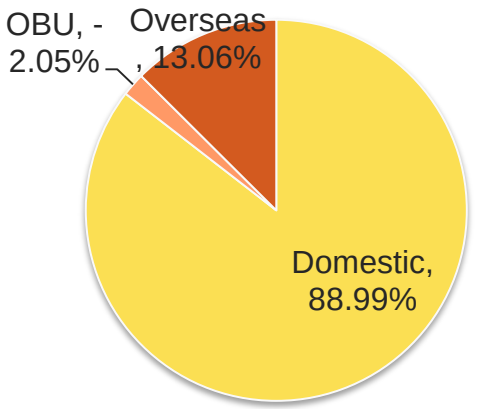
Overseas & OBU Net Income After Tax (in NT$ mn)



Overseas & OBU PPOP proportion

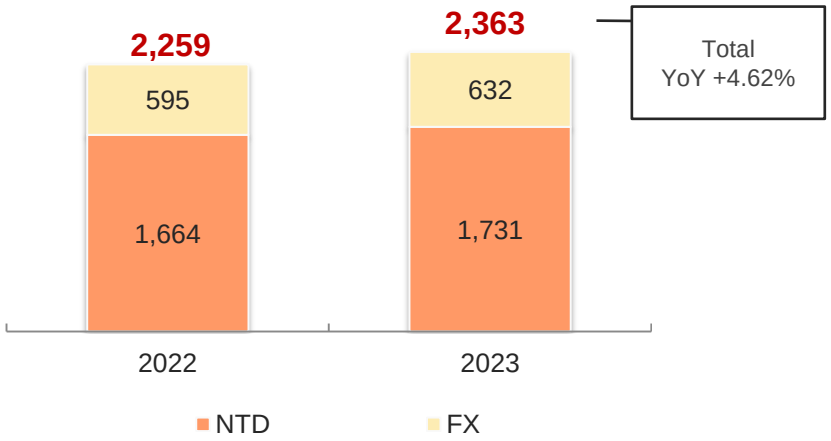


2023 PPOP Breakdown

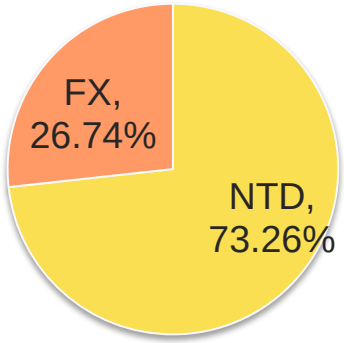


Deposit Breakdown by Currency

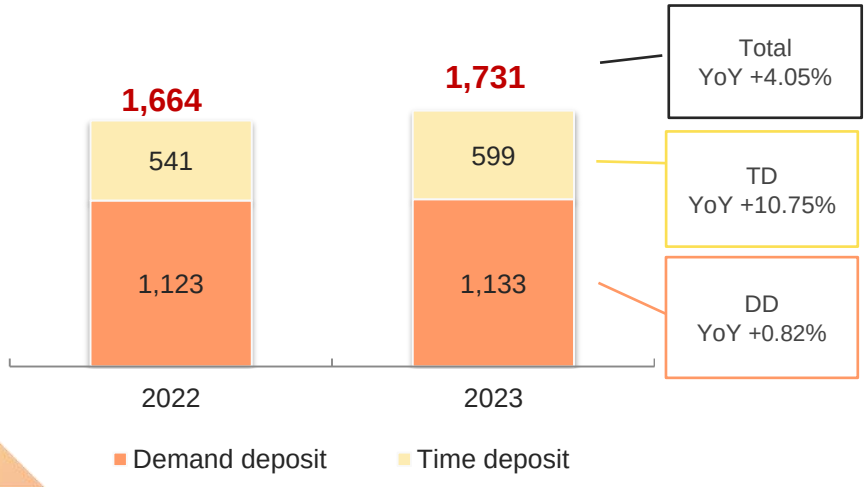
Deposit Balance (in NT$ bn)



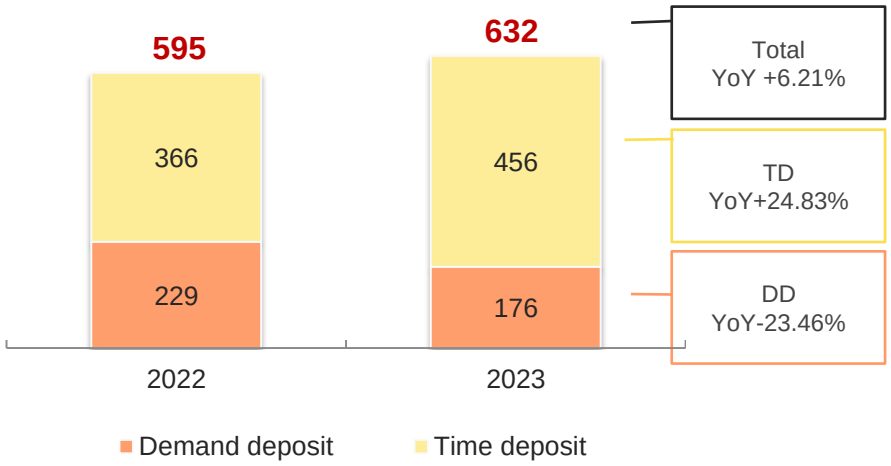
9M23 Deposit Breakdown by Currency



NTD Deposit Balance (in NT$ bn)

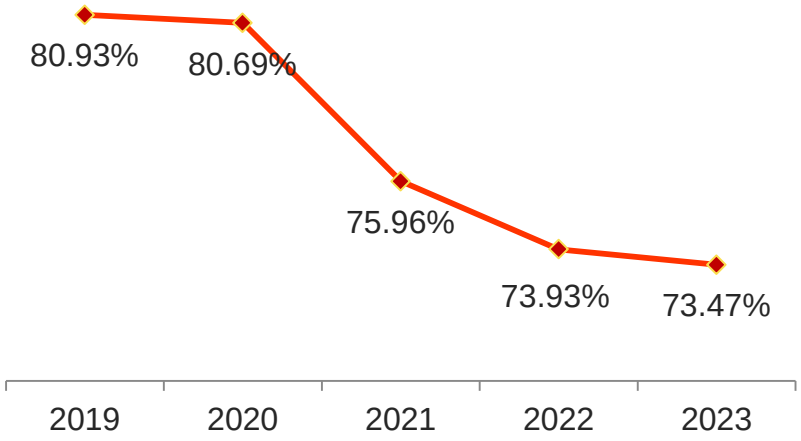


FX Deposit Balance (in NT$ bn)

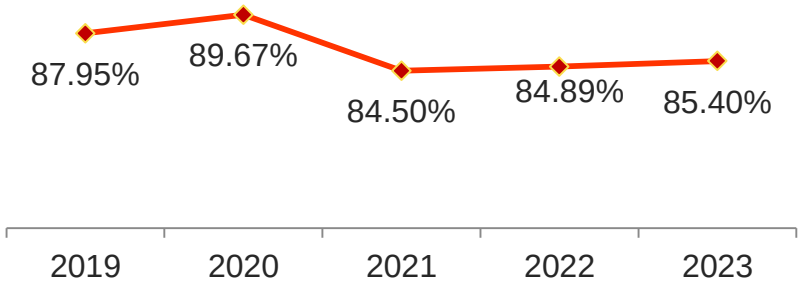


LDR

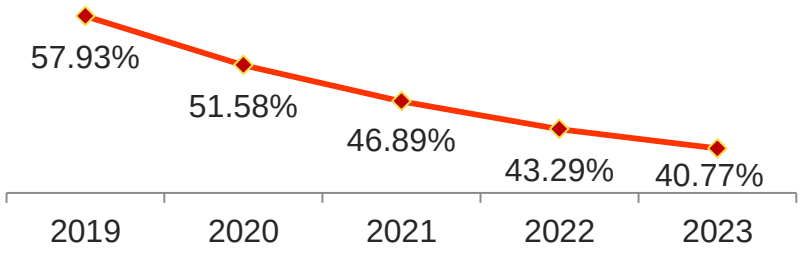
Total LDR



NTD LDR

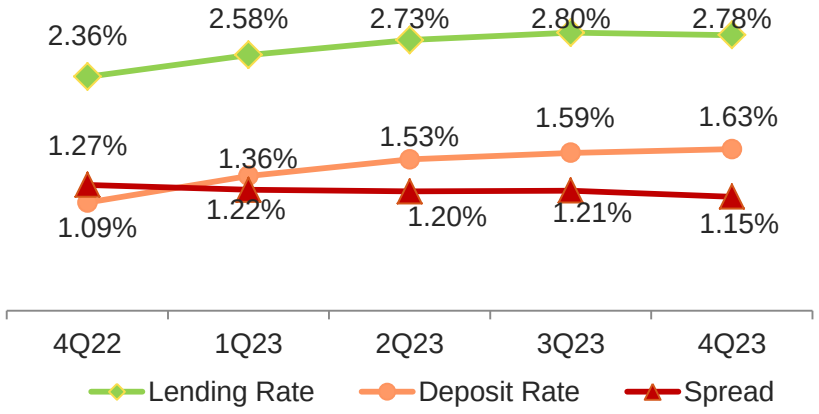


FX LDR

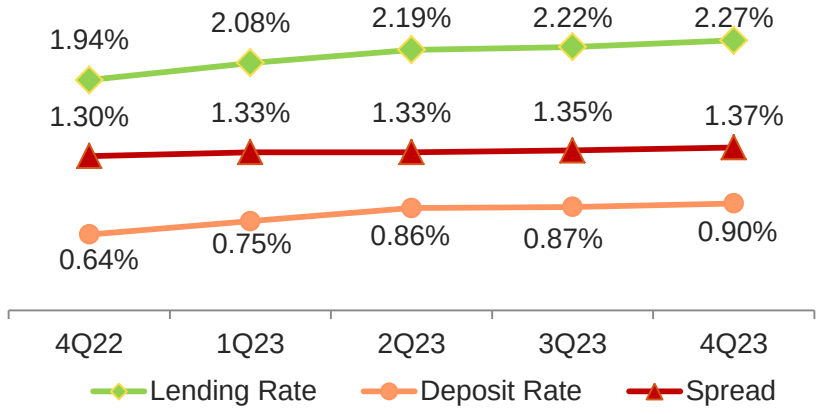


Spread and NIM

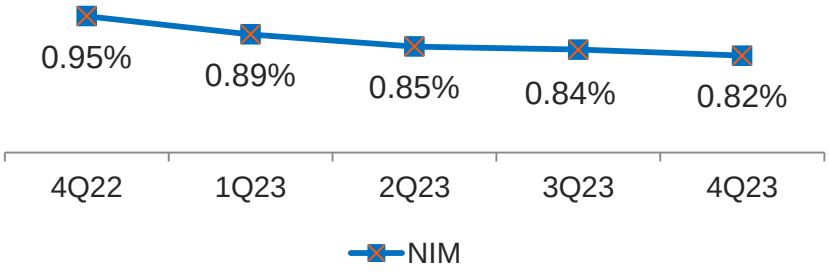
Total Loan to Deposit Spread



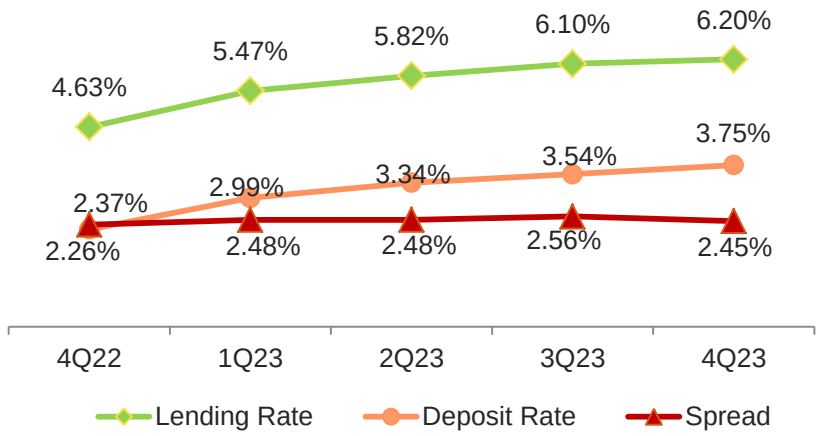
NTD Loan to Deposit Spread



NIM



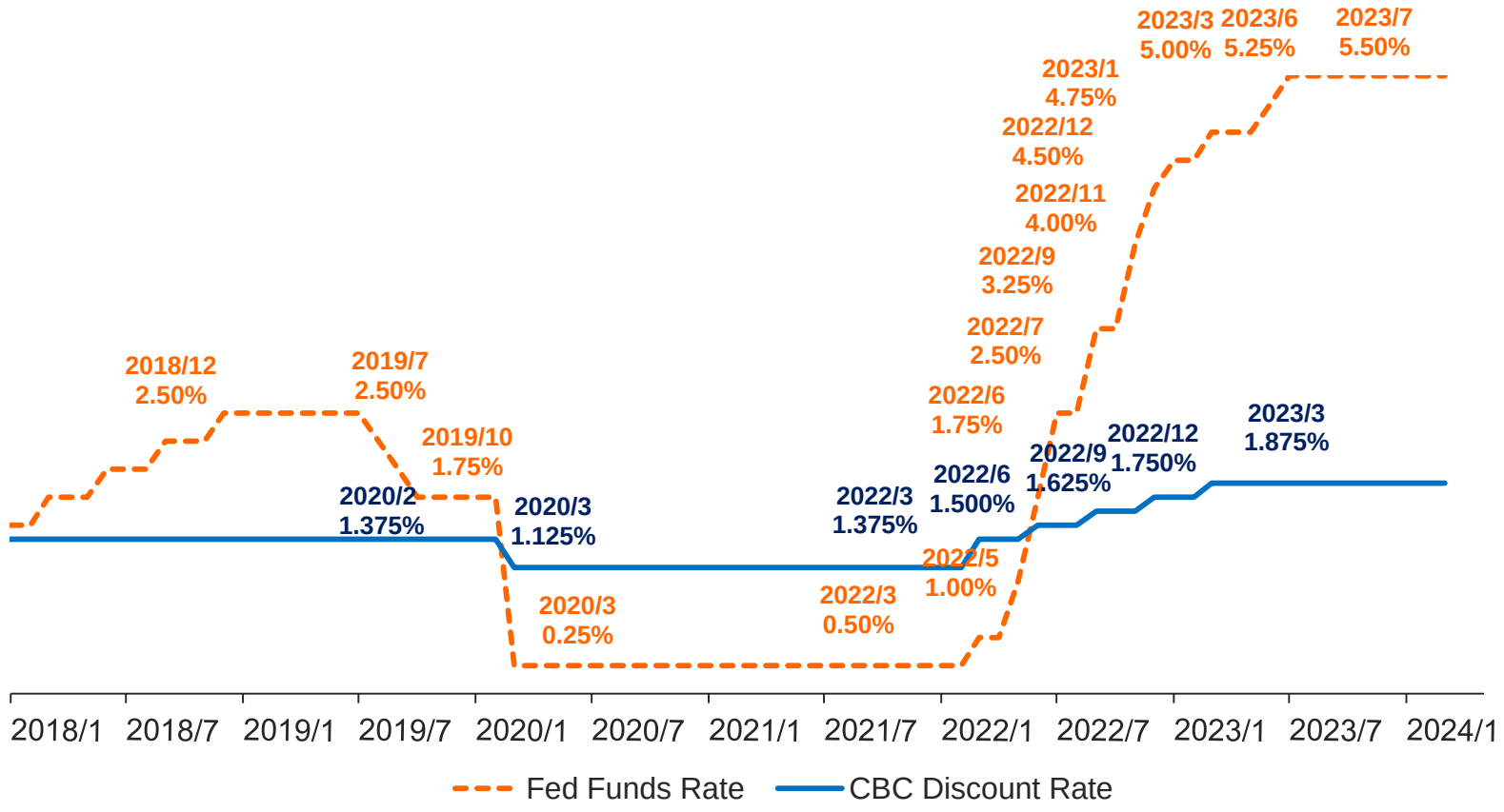
FX Loan to Deposit spread



*.IFRS and quarterly basis.

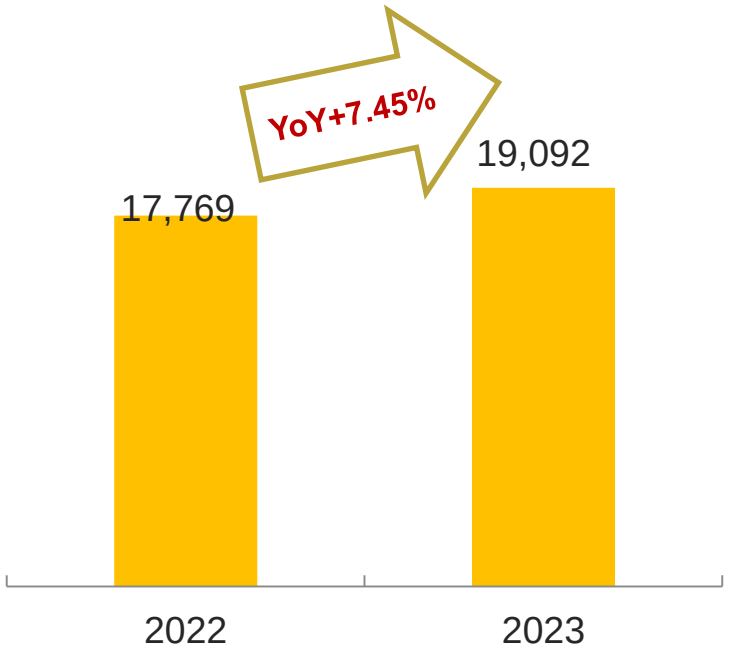
Fed Funds Rate vs. CBC Discount Rate Trends

Fed Funds Rate VS. CBC Discount Rate

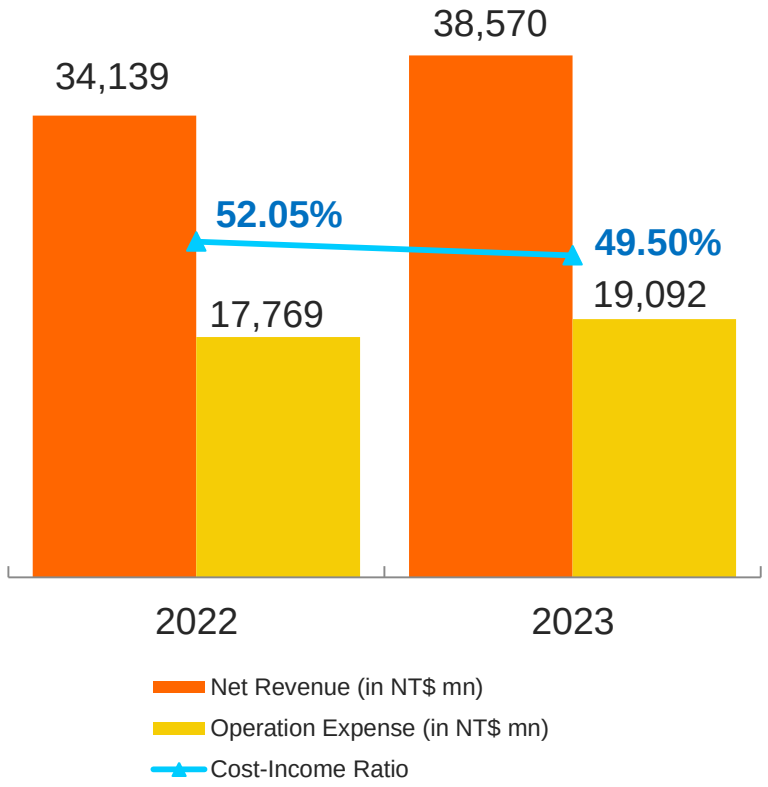


Cost-Income Ratio

Operating Expense (in NT$ mn)

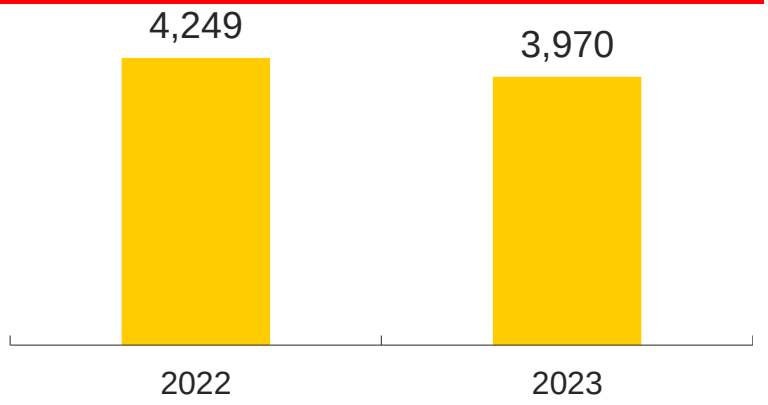


Cost-Income Ratio

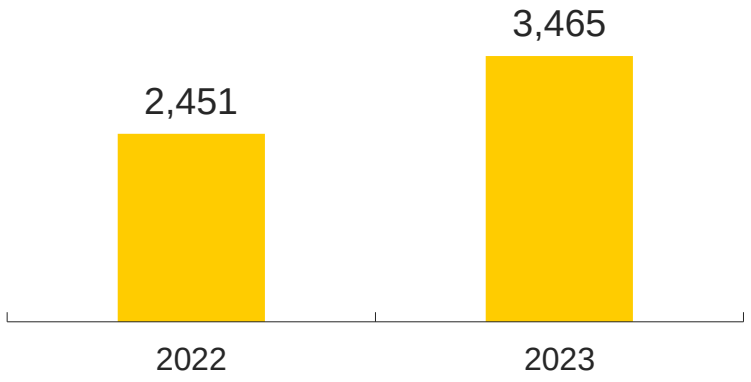


Loan Provision, Write-off and Recovery

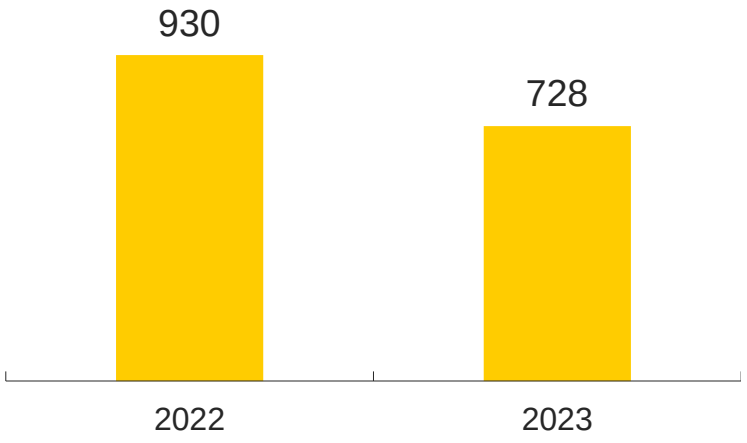
Provision (in NT$ mn)



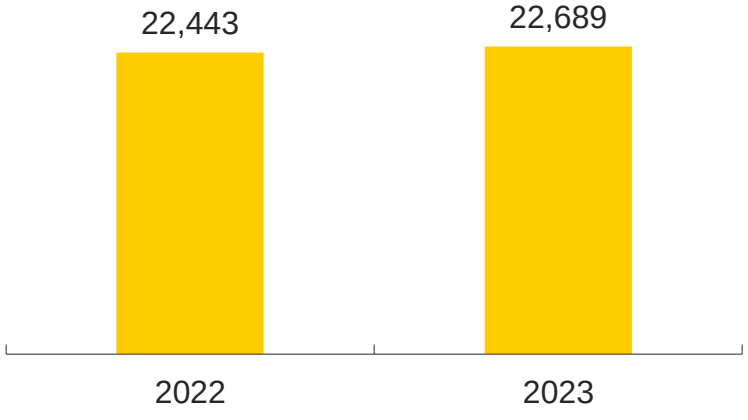
Write-Off (in NT$ mn)



Recovery (in NT$ mn)

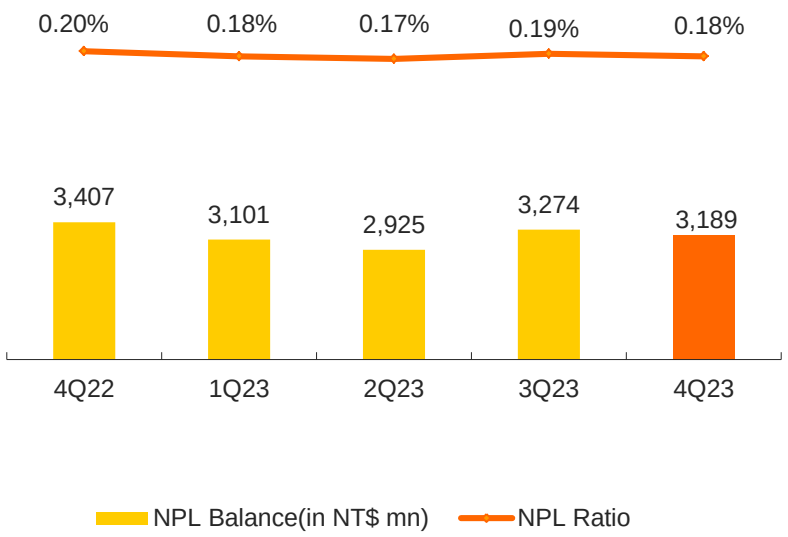


Reserve (in NT$ mn)

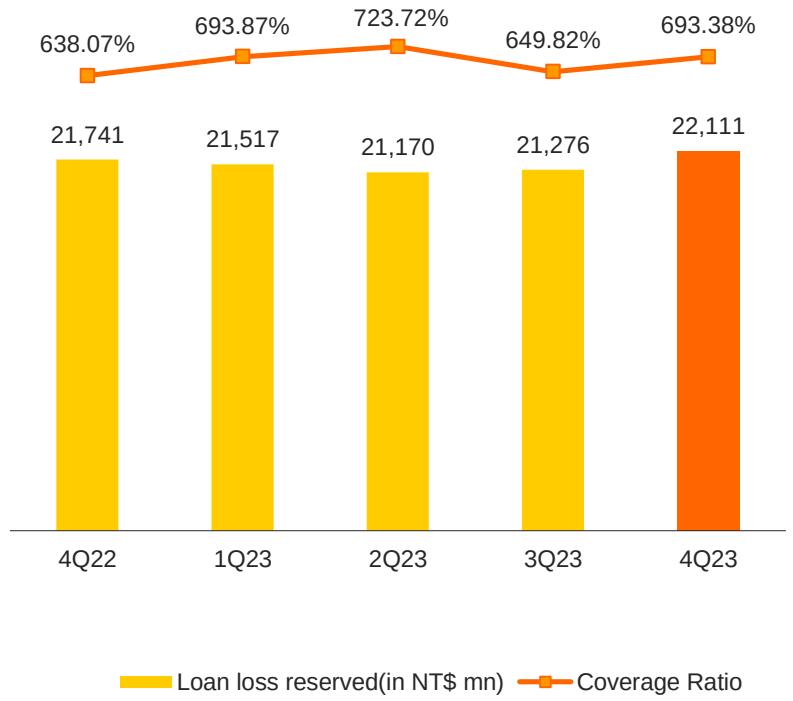


NPL Ratio and Coverage Ratio

NPL Ratio

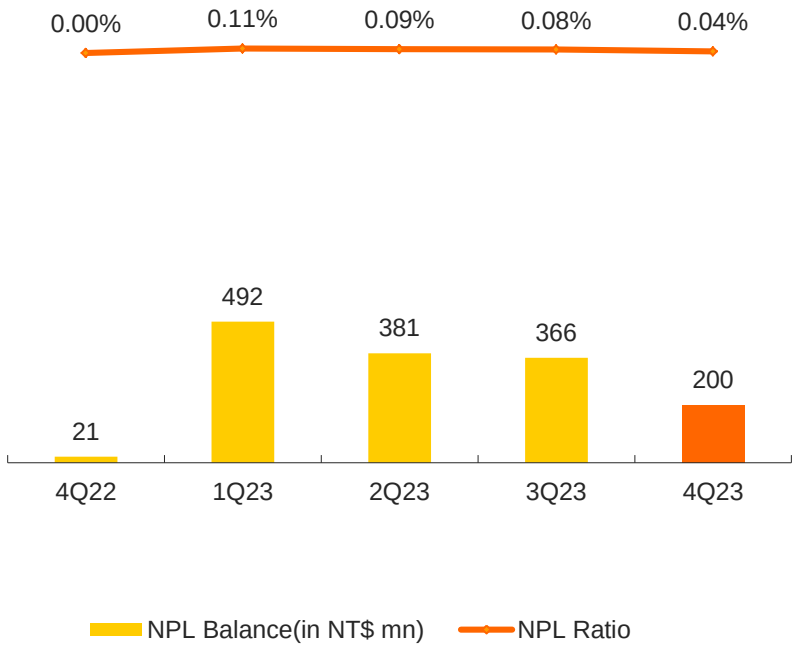


Coverage Ratio

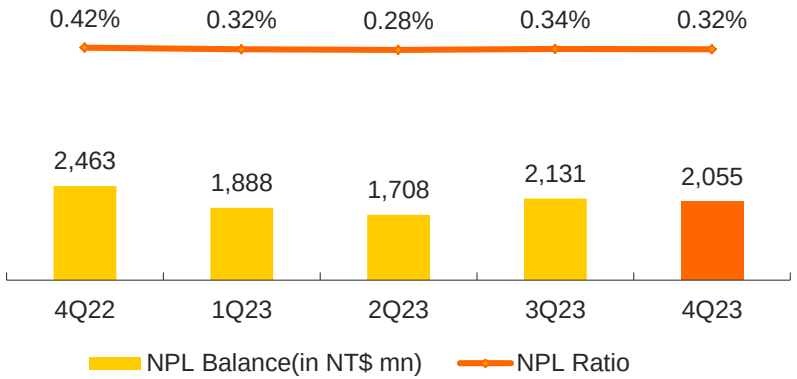


Asset Quality

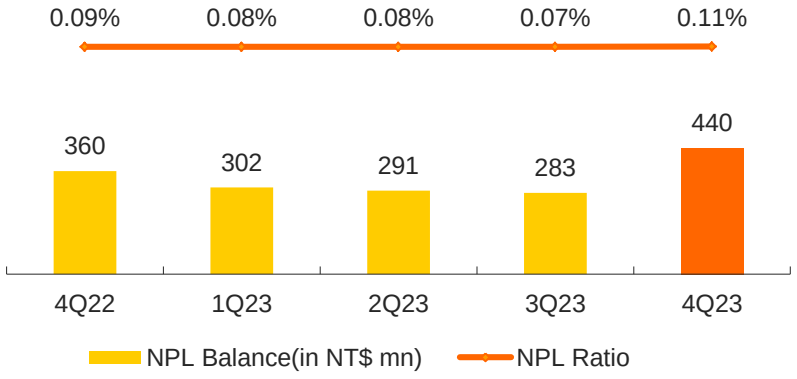
Large Corp.



SME



Mortgage

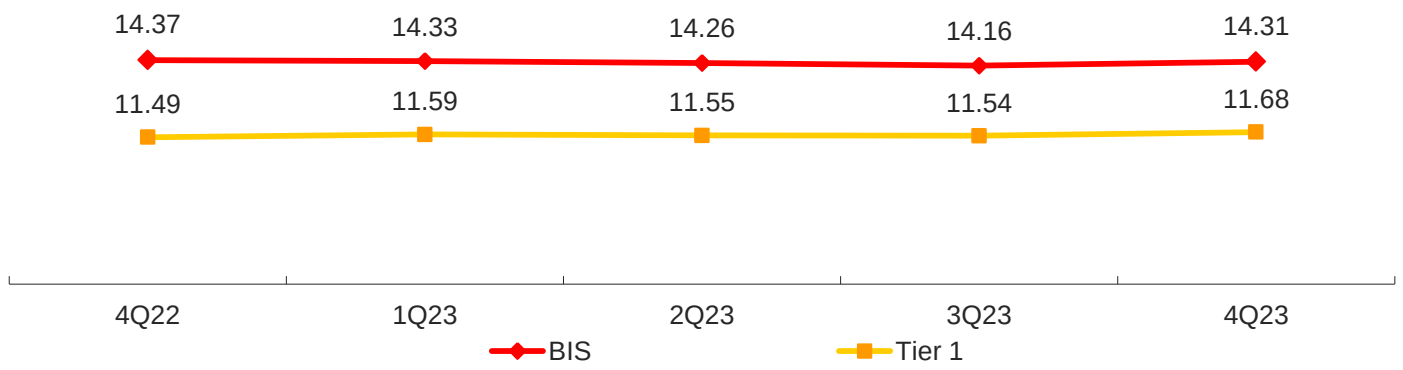


Credit Rating & CAR

Credit Rating

- **Moody's** (2023/3,Review) ：
  - Long Term Rating：A2
  - Short Term Rating：P-1
  - Outlook：Stable
- **S&P** (2023/12,Review) ：
  - Long Term Rating：A
  - Short Term Rating：A-1
  - Outlook：Stable

Capital Adequacy Ratio (%)



Operating Strategy

CHB continue to strengthen “Corporate Banking” and “Overseas”, while improving "Personal Banking" and “Wealth Management", and taking "4C" as the Sustainable Goal, which are Carbon, Capital, Credit and Customer.

Carbon	Capital	Credit	Customer
Expand greenhouse gas inventory and take action to reduce carbon emissions.	Create investment value and exert long-term sustainable influence.	Follow the Equator Principles and assist enterprises in transformation through green finance.	Value the Principle to Treat Clients Fairly and optimize financial friendly services.

Five Major Business Management Policies

1. Continue to adjust the credit structure, increase interest income and deposits, and prevent the impact of interest rate cuts.
2. Strengthen the wealth management team, develop new customers, and secure high-end customers.
3. Optimize online loan services, increase cross-industry cooperation, and establish a complete digital ecosystem.
4. Increase the proportion of overseas profits, strengthen the absorption of local deposits, and actively expand overseas operating bases..
5. We attach great importance to risk control and set various capital adequacy ratio targets.

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Q&A

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- Appendix

BALANCE SHEETS(Consolidated)

(in NT$ mn)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2022	2023	Change%	4Q22	1Q23	2Q23	3Q23	4Q23	Change%	4Q22	4Q23	Change%
Assets												
Cash & due from Banks	201,747	243,280	20.59%	201,747	259,432	174,249	196,057	243,280	24.09%	201,747	243,280	20.59%
Financial assets at FVPL, net	31,486	73,576	133.68%	31,486	66,691	70,680	70,660	73,576	4.13%	31,486	73,576	133.68%
Financial assets at FVOCI, net	214,616	261,736	21.96%	214,616	213,751	230,520	259,633	261,736	0.81%	214,616	261,736	21.96%
Financial assets at amortized cost, net	485,011	453,143	-6.57%	485,011	446,337	484,786	442,350	453,143	2.44%	485,011	453,143	-6.57%
Receivables, net	22,447	20,992	-6.48%	22,447	21,560	25,636	21,253	20,992	-1.23%	22,447	20,992	-6.48%
Loans, net	1,685,320	1,802,525	6.95%	1,685,320	1,687,402	1,679,635	1,751,223	1,802,525	2.93%	1,685,320	1,802,525	6.95%
Other financial assets, net	1,769	1,236	-30.14%	1,769	2,618	1,517	1,271	1,236	-2.79%	1,769	1,236	-30.14%
Property and equipment, net	21,031	21,048	0.08%	21,031	21,022	21,059	21,081	21,048	-0.16%	21,031	21,048	0.08%
Right-of-use asset	1,954	1,938	-0.83%	1,954	1,952	1,882	1,982	1,938	-2.18%	1,954	1,938	-0.83%
Investment property, net	13,846	13,873	0.20%	13,846	13,844	13,843	13,841	13,873	0.23%	13,846	13,873	0.20%
Other assets	5,626	7,528	33.82%	5,626	5,991	5,726	6,332	7,528	18.89%	5,626	7,528	33.82%
Total Assets	2,684,852	2,900,874	8.05%	2,684,852	2,740,601	2,709,534	2,785,683	2,900,874	4.14%	2,684,852	2,900,874	8.05%
Liabilities												
Due to banks	52,877	113,218	114.12%	52,877	86,673	66,607	104,295	113,218	8.56%	52,877	113,218	114.12%
Financial liabilities at FVPL	6,920	6,595	-4.70%	6,920	2,754	2,859	2,643	6,595	149.53%	6,920	6,595	-4.70%
RP	941	11,138	1083.65%	941	1,494	1,481	17,545	11,138	-36.52%	941	11,138	1083.65%
Payables	31,965	36,499	14.18%	31,965	36,983	32,217	44,702	36,499	-18.35%	31,965	36,499	14.18%
Deposits and remittances	2,349,883	2,475,789	5.36%	2,349,883	2,366,276	2,355,458	2,358,249	2,475,789	4.98%	2,349,883	2,475,789	5.36%
Bank notes payable	51,219	49,164	-4.01%	51,219	52,205	52,190	49,175	49,164	-0.02%	51,219	49,164	-4.01%
Provisions	3,023	3,307	9.38%	3,023	3,018	3,192	3,230	3,307	2.38%	3,023	3,307	9.38%
Lease liabilities	1,795	1,783	-0.65%	1,795	1,796	1,714	1,831	1,783	-2.60%	1,795	1,783	-0.65%
Other liabilities	17,200	15,384	-10.56%	17,200	14,585	18,086	23,098	15,384	-33.40%	17,200	15,384	-10.56%
Total Liabilities	2,515,824	2,712,876	7.83%	2,515,824	2,565,784	2,533,804	2,604,769	2,712,876	4.15%	2,515,824	2,712,876	7.83%
Stockholders' Equity	169,028	187,998	11.22%	169,028	174,817	175,730	180,914	187,998	3.92%	169,028	187,998	11.22%
Total Liabilities and Stockholders' Equity	2,684,852	2,900,874	8.05%	2,684,852	2,740,601	2,709,534	2,785,683	2,900,874	4.14%	2,684,852	2,900,874	8.05%

STATEMENTS OF COMPREHENSIVE INCOME(Consolidated)

(in NT$ mn)	Year(IFRSs)			Quarter(IFRSs)						Period(IFRSs)		
	2022	2023	Change%	4Q22	1Q23	2Q23	3Q23	4Q23	Change%	2,022	2,023	Change%
Interest Income	41,612	64,843	55.83%	13,841	14,545	15,898	16,848	17,552	4.18%	41,612	64,843	55.83%
Interest Expense	16,967	42,610	151.14%	7,545	8,914	10,412	11,292	11,993	6.20%	16,967	42,610	151.14%
Net Interest Income	**24,645**	**22,233**	**-9.79%**	**6,296**	**5,632**	**5,486**	**5,555**	**5,560**	**0.07%**	**24,645**	**22,233**	**-9.79%**
Net Service fee and commissions income	4,256	5,142	20.82%	916	1,301	1,245	1,333	1,263	-5.25%	4,256	5,142	20.82%
Gains(losses) on financial assets and liabilities at FVPL	3,312	9,610	190.17%	2,113	2,509	2,178	2,063	2,861	38.68%	3,312	9,610	190.17%
Realized gains of financial assets at FVOCI	70	906	1187.37%	-284	218	710	458	-480	-204.91%	70	906	1187.37%
Gains(losses) on disposal of credit assets measured at AC	-2	-234	-14385.52%	0	-42	-1	-190	-1	99%	-2	-234	-14385.52%
Foreign exchange gains(losses)	1,640	736	-55.14%	-123	85	236	360	55	-84.86%	1,640	736	-55.14%
Other miscellaneous net income	216	177	-18.10%	82	78	82	75	-58	-176.54%	216	177	-18.10%
Net income other than net interest income	**9,493**	**16,337**	**72.10%**	**2,704**	**4,149**	**4,450**	**4,099**	**3,639**	**-11.21%**	**9,493**	**16,337**	**72.10%**
Net Revenues and gains	**34,139**	**38,570**	**12.98%**	**9,000**	**9,781**	**9,936**	**9,654**	**9,199**	**-4.72%**	**34,139**	**38,570**	**12.98%**
Credit loss provisions, net	3,319	3,241	-2.34%	1,181	904	549	855	933	9.15%	3,319	3,241	-2.34%
Operating Expenses	**17,769**	**19,092**	**7.45%**	**4,741**	**4,645**	**5,019**	**4,636**	**4,792**	**3.37%**	**17,769**	**19,092**	**7.45%**
Employee Benefits expenses	11,721	12,265	4.64%	3,086	3,098	3,334	2,958	2,876	-2.77%	11,721	12,265	4.64%
Depreciation and amortization expenses	1,571	1,650	5.07%	398	410	414	416	410	-1.40%	1,571	1,650	5.07%
Other general and administrative expenses	4,476	5,177	15.64%	1,256	1,138	1,271	1,262	1,506	19.32%	4,476	5,177	15.64%
Income before income tax from continuing operations	**13,051**	**16,237**	**24.41%**	**3,078**	**4,232**	**4,368**	**4,163**	**3,473**	**-16.57%**	**13,051**	**16,237**	**24.41%**
Income Tax Expense	2,080	3,254	56.50%	628	780	809	937	728	-22.31%	2,080	3,254	56.50%
Net Income	**10,971**	**12,982**	**18.33%**	**2,451**	**3,452**	**3,558**	**3,226**	**2,746**	**-14.90%**	**10,971**	**12,982**	**18.33%**
Basic EPS(NT$)	1.04	1.20	15.38%	0.23	0.33	0.33	0.30	0.24	-20.00%	1.04	1.20	15.38%
Other comprehensive income	-8,151	11,814	44.94%	-101	2,336	3,181	1,958	4,338	121.52%	-8,151	11,814	44.94%
Total comprehensive income	**2,820**	**24,796**	**779.28%**	**2,350**	**5,788**	**6,739**	**5,185**	**7,084**	**36.63%**	**2,820**	**24,796**	**779.28%**

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