

# CTBC Holding

Analyst Meeting  
Financial Review of 1Q23

May 15<sup>th</sup>, 2023  
Investor Relations



CTBC  
中國信託

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A photograph of a modern, multi-story glass skyscraper. The building features a complex, angular design with many windows and balconies. A semi-transparent teal rectangular overlay is positioned in the center of the image, containing the text "CTBC FHC" in white. The background shows a clear sky and some lower-level architectural details at the base of the building.

CTBC FHC

# CTBC Holding's 1Q23 performance summary

## CTBC Holding

- Net profit of NT\$13bn showed a strong QoQ recovery but down 21% YoY due to loss at life subsidiary
- ROE was 14.6%, ranked #1 among FHCs in Taiwan
- A cash dividend of NT\$1.0/per share, implying a payout ratio of 64.5% & a dividend yield of 4.4% based on the closing price on Apr. 28<sup>th</sup>, 2023

## CTBC Bank

- Net profit of NT\$11.4bn, up 38% QoQ & 53% YoY, ranked #1 among TW banks
- Strong profitability owing to high NII, resumed fee growth, increased trading income, and lower provisioning
- Strong capitalization with CET1 ratio at 12% & resilient asset quality with credit costs of 11bps

## Taiwan Life

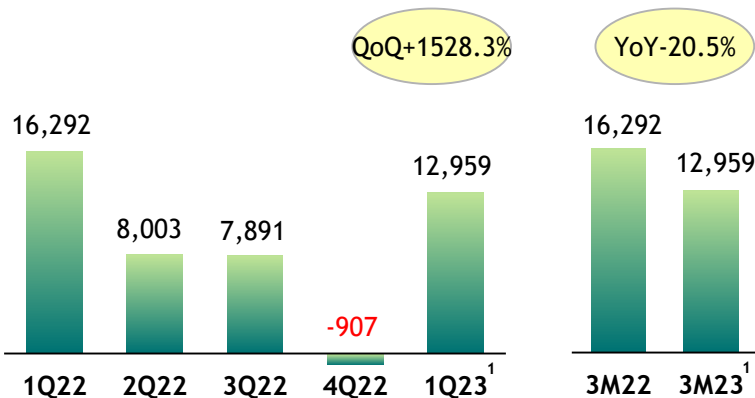
- Net loss of NT\$882mm showed a strong QoQ recovery but down YoY due to elevated hedging cost
- LT value products continued to grow despite weak FYP on lower sales of investment-linked policies
- Sufficient capitalization with RBC ratio at 254%

## Other Subsidiaries

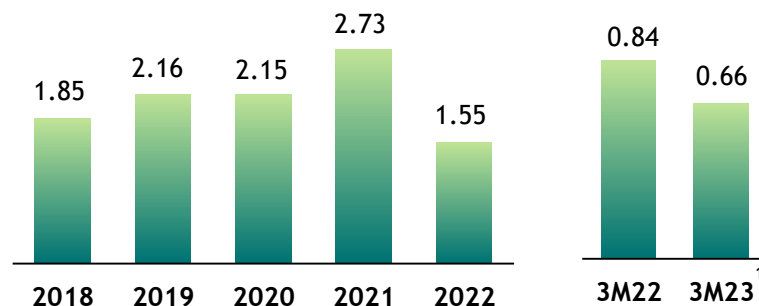
- Other subsidiaries including CTBC Securities, CTBC Capital, CTBC AMC, CTBC Investments and Taiwan Lottery also showed a solid trend of recovery
- Total net profit from other subsidiaries were up 1,212% QoQ and 230% YoY

# CTBC Holding's profitability

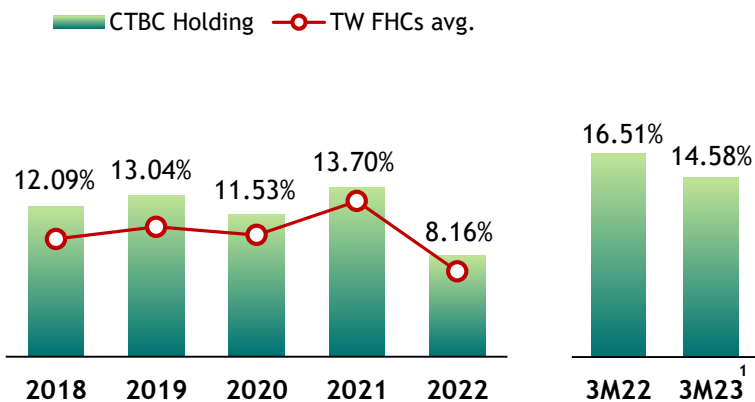
Consolidated net profit  
NT\$ mn



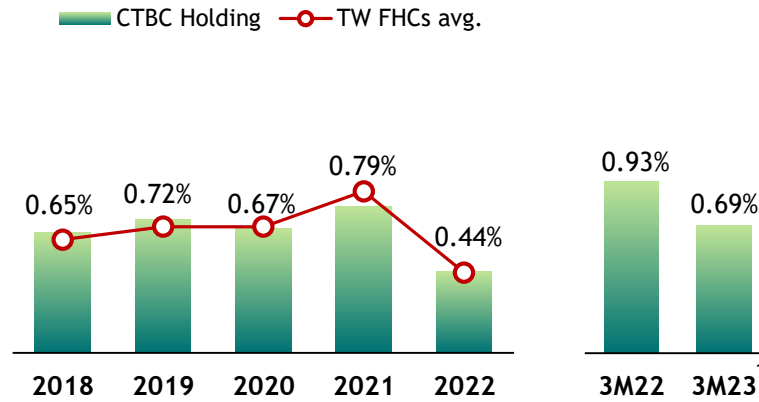
EPS  
NT\$



ROE  
%



ROA  
%

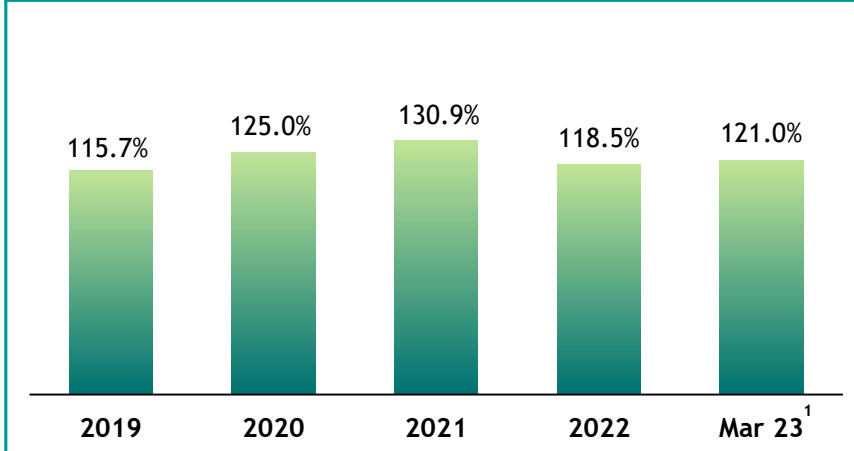


CTBC Holding's numbers are presented on a consolidate basis.

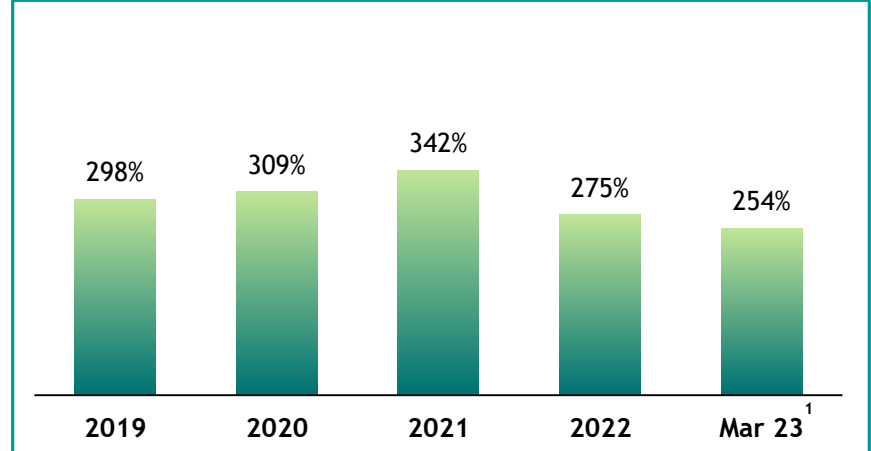
1. 1Q23/3M23 numbers are preliminary.

# CTBC Holding's capitalization

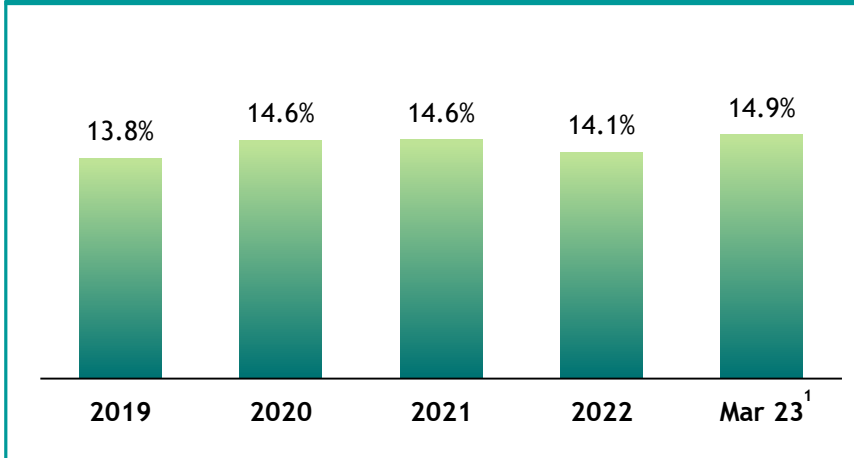
CTBC Holding's CAR  
%



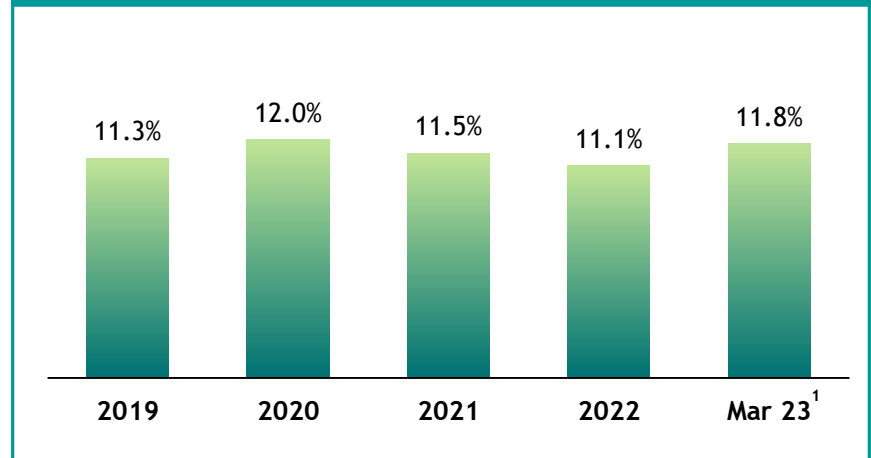
Taiwan Life RBC  
%



CTBC Bank's CAR<sup>2</sup>  
%



CTBC Bank's CET1 ratio<sup>2</sup>  
%



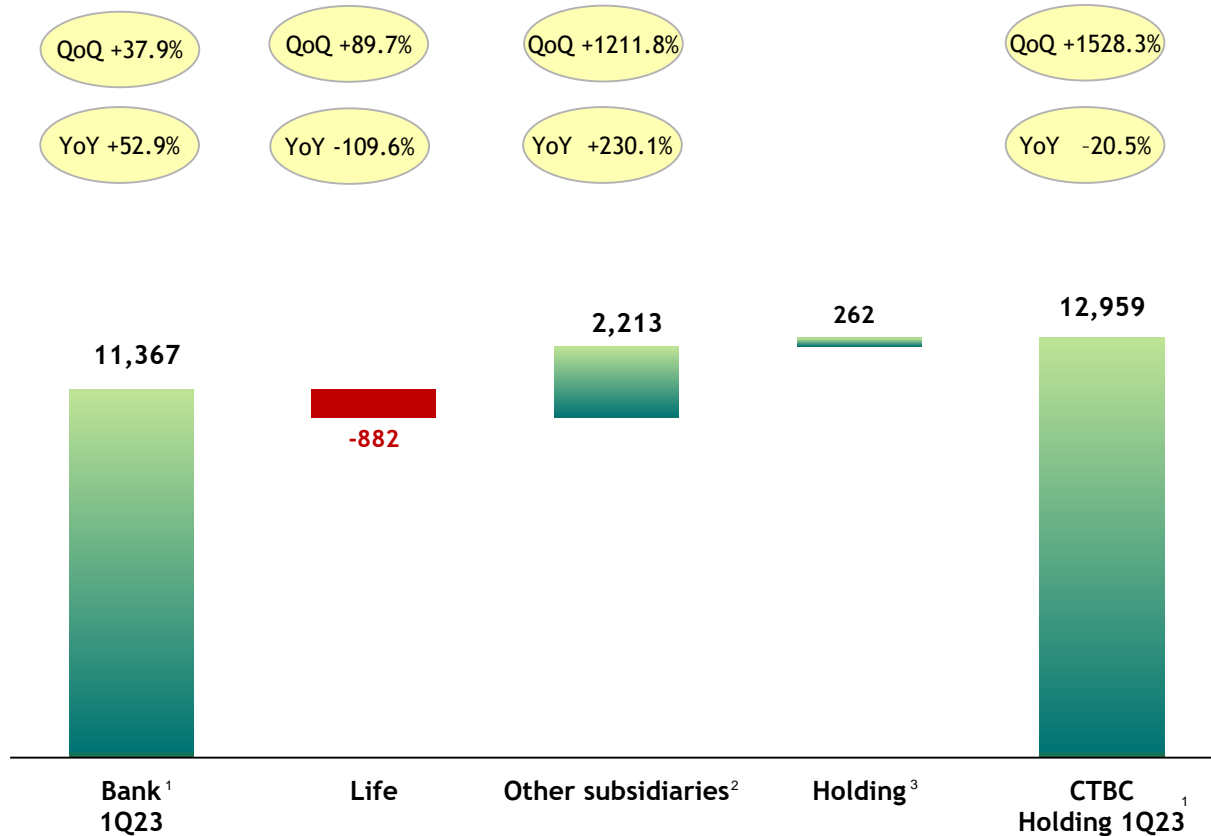
CTBC Holding's numbers are presented on a consolidate basis.

1. Mar 23 numbers are preliminary.

2. CTBC Bank adopted Basel III since 2013.

# CTBC Holding's net profit breakdown by entity

CTBC Holding's net profit breakdown  
NT\$ mn



1Q23 <sup>1</sup> breakdown	%
Bank	88%
Life	-7%
Others <sup>2</sup>	19%

CTBC Holding's numbers are presented on a consolidated basis.

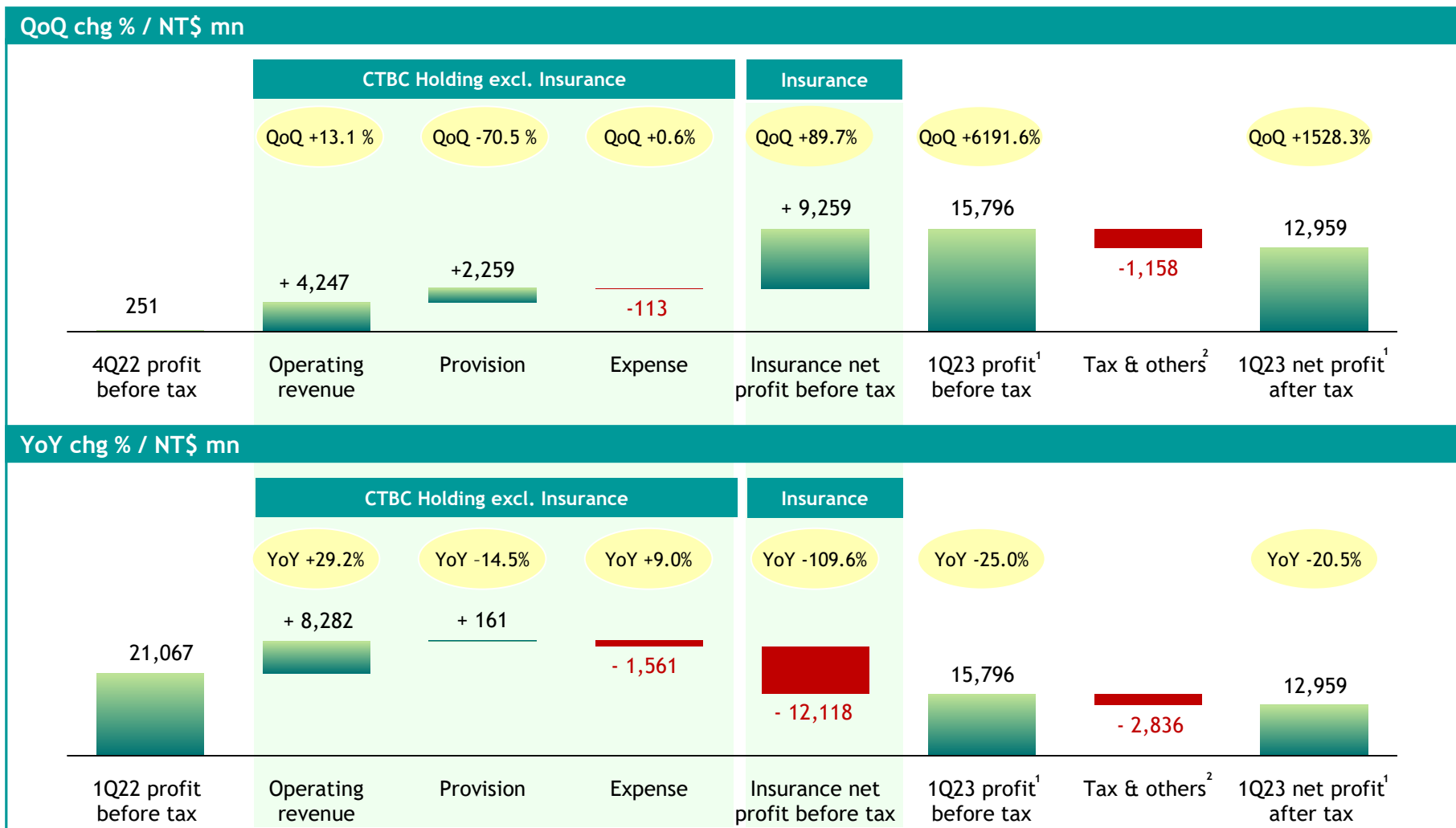
1. 1Q23 numbers are preliminary

2. Other subsidiaries include CTBC Securities, CTBC Capital, CTBC Asset Management, Taiwan Lottery, and CTBC Investments

3. Holding (on a non-consolidated basis) is an adjustment item for compiling consolidated statement.



# CTBC Holding's net profit movements



CTBC Holding's numbers are presented on a consolidated basis.

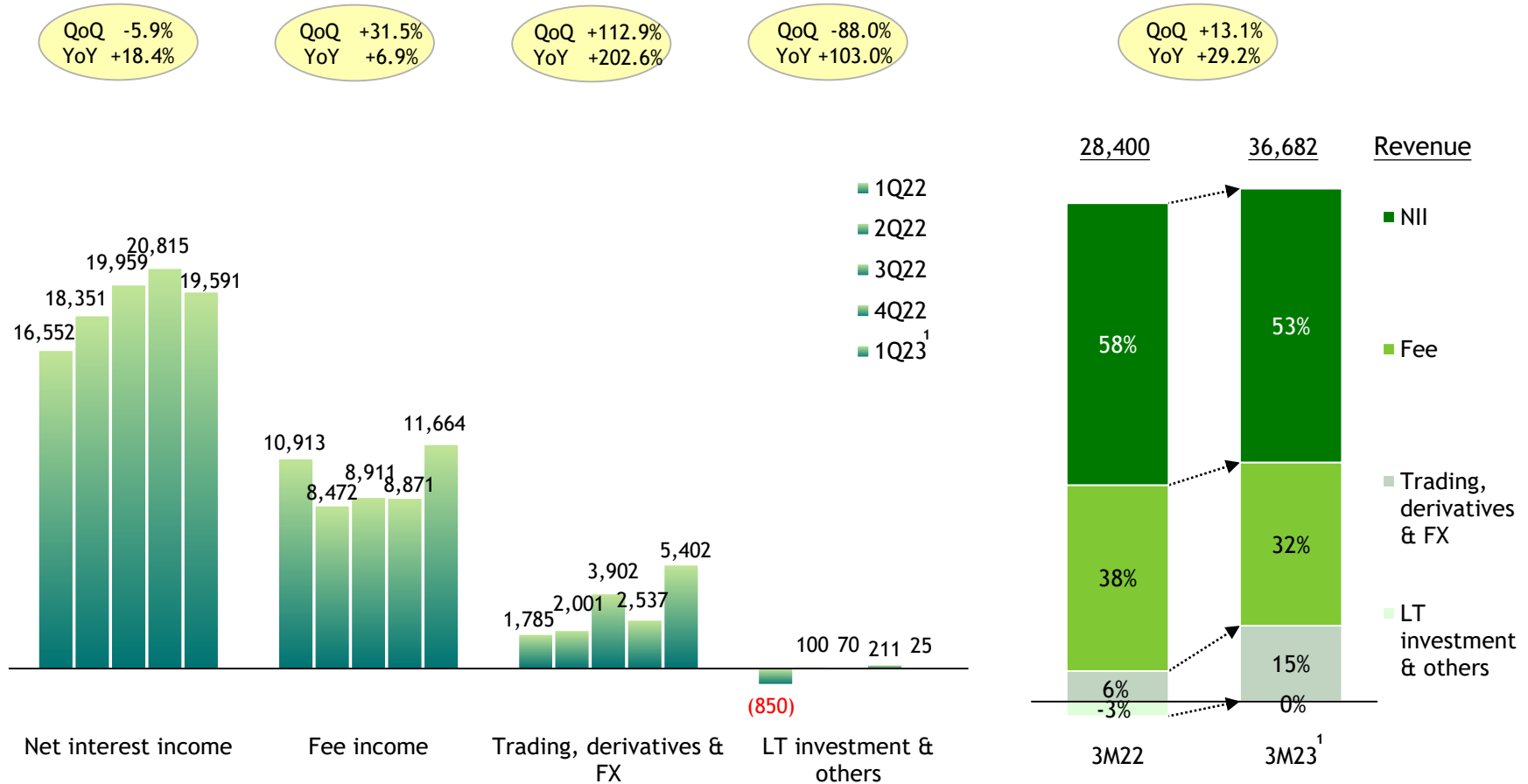
1. 1Q23/3M23 numbers are preliminary.

2. Others include minority interest.



# CTBC Holding's revenue breakdown (excl. Life)

CTBC Holding's revenue breakdown  
NT\$ mn, %



CTBC Holding's numbers are presented on a consolidated basis.

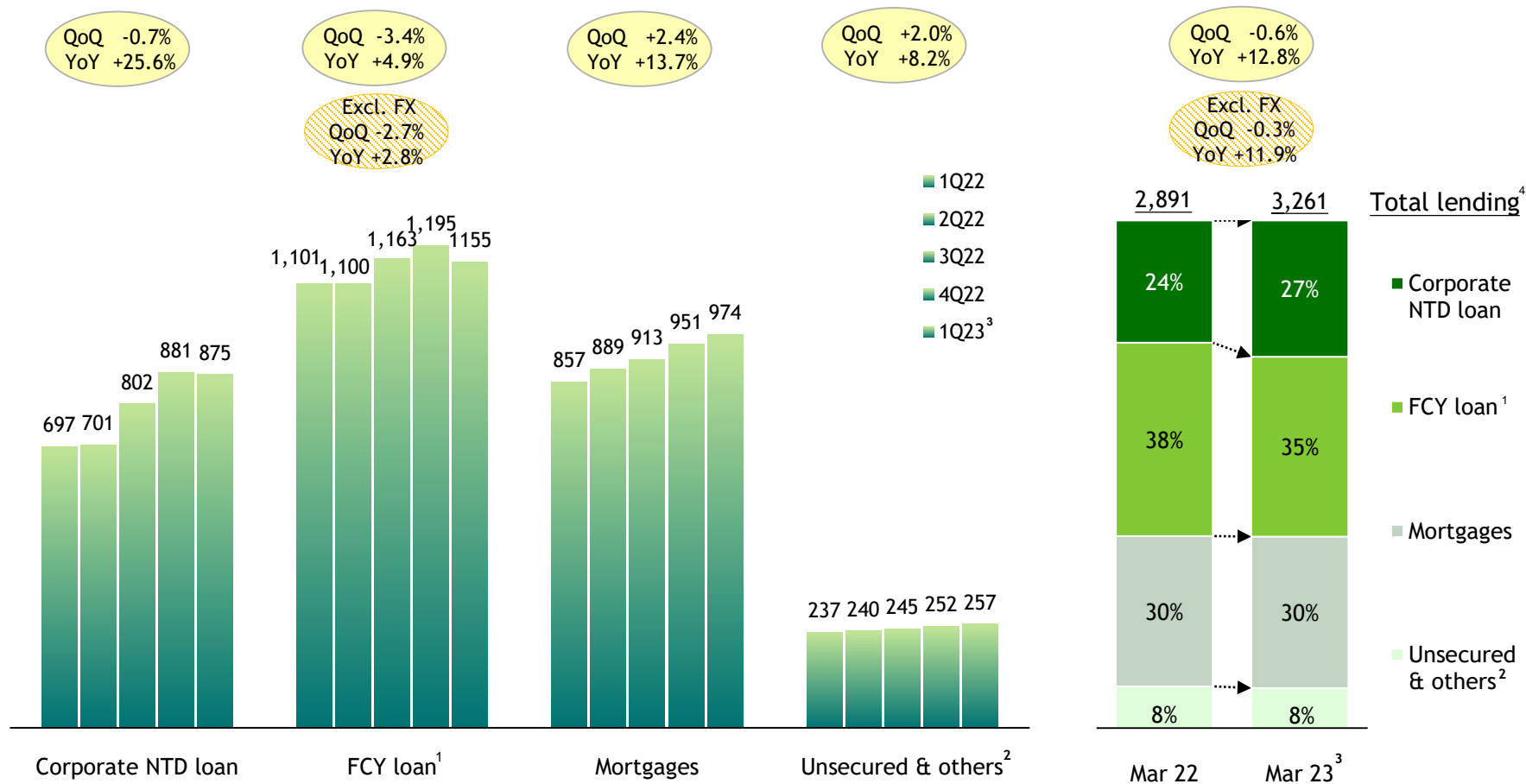
1. 1Q23/3M23 numbers are preliminary.

A photograph of a modern glass skyscraper with a teal overlay. The building features a grid of windows and a curved facade. The text "CTBC Bank" is centered in a white serif font within a teal rectangular area.

# CTBC Bank

# CTBC Bank's lending portfolio breakdown

Lending breakdown (incl. credit card revolving balance)  
NT\$ bn, %



These numbers are presented on CTBC Bank consolidated basis.

1. FC Loan includes non-accrual loans.

2. Unsecured & other loans include unsecured consumer, credit card revolving, small business loans and NTD non-accrual loans.

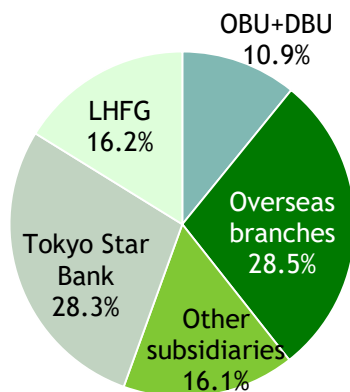
3. 1Q23/Mar 23 numbers are preliminary.

4. Total lending portfolio includes performing loans, credit card revolving balance, and non-accrual loans.

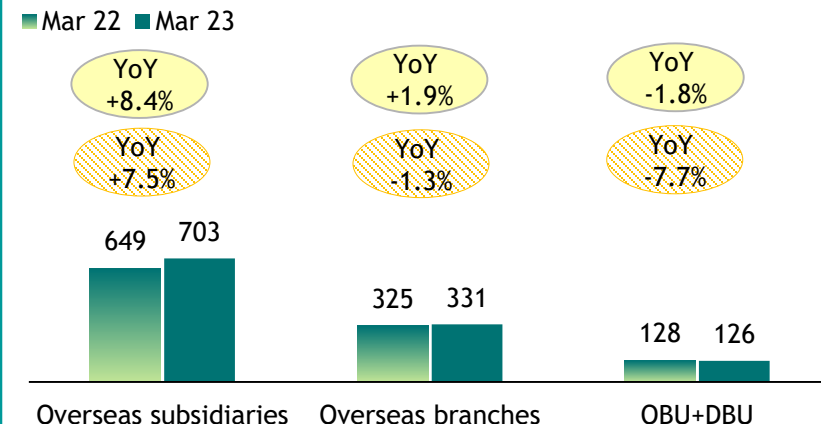
# CTBC Bank's FCY loan breakdown

Excl. FX

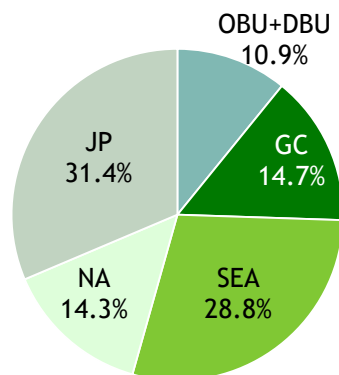
FCY loan breakdown by entity<sup>1, 2</sup>  
%



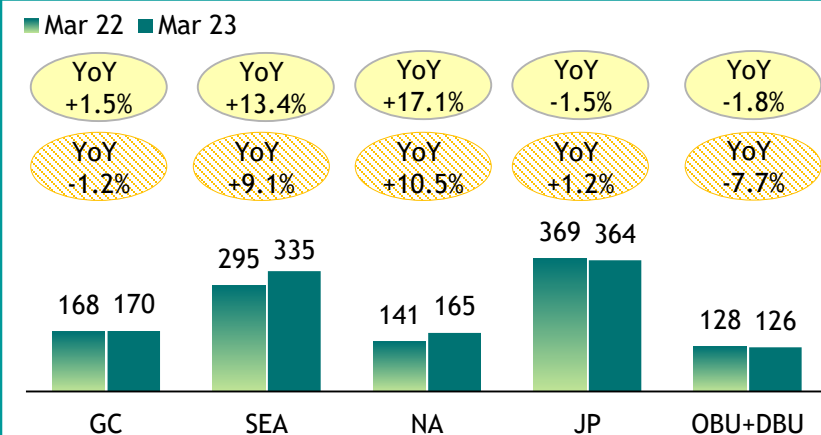
FCY loan growth by entity<sup>1, 2</sup>  
NT\$ bn, %



FCY loan breakdown by region<sup>1, 2</sup>  
%



FCY loan growth by region<sup>1, 2</sup>  
NT\$ bn, %



These numbers are presented on CTBC Bank's consolidated basis. Percentages may not total 100% due to rounding.

1. FC Loan breakdown includes non-accrual loans and excludes an elimination item. GC: Greater China (China, HK); SEA: Southeast Asia (Singapore, Indonesia, Philippines, Thailand, Vietnam, India); NA: North America (US, Canada); JP: Japan

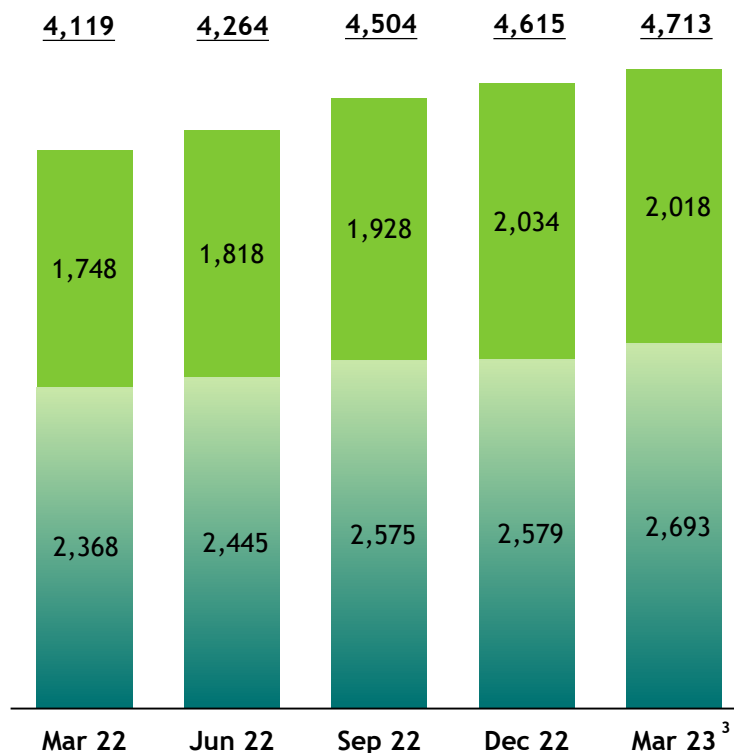
2. Mar 23 numbers are preliminary.

# CTBC Bank's deposit mix

Total deposits<sup>1</sup>, NTD, and FCY deposits  
NT\$ bn, %

■ FCY Deposit  
■ NTD Deposit

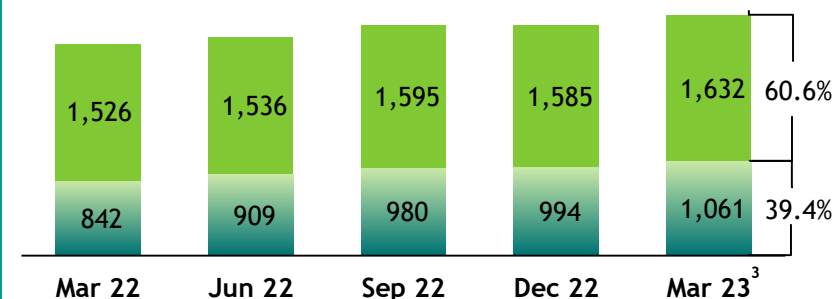
QoQ +2.1%  
YoY +14.4%



NTD deposits  
NT\$ bn, %

■ Saving  
■ Time

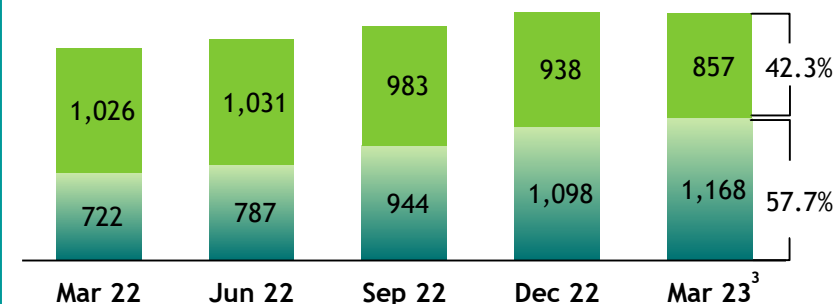
QoQ +4.4%  
YoY +13.7%



FCY deposits<sup>2</sup>  
NT\$ bn, %

■ Saving  
■ Time

QoQ -0.7%  
YoY +15.5%



These numbers are presented on CTBC Bank's consolidated basis.

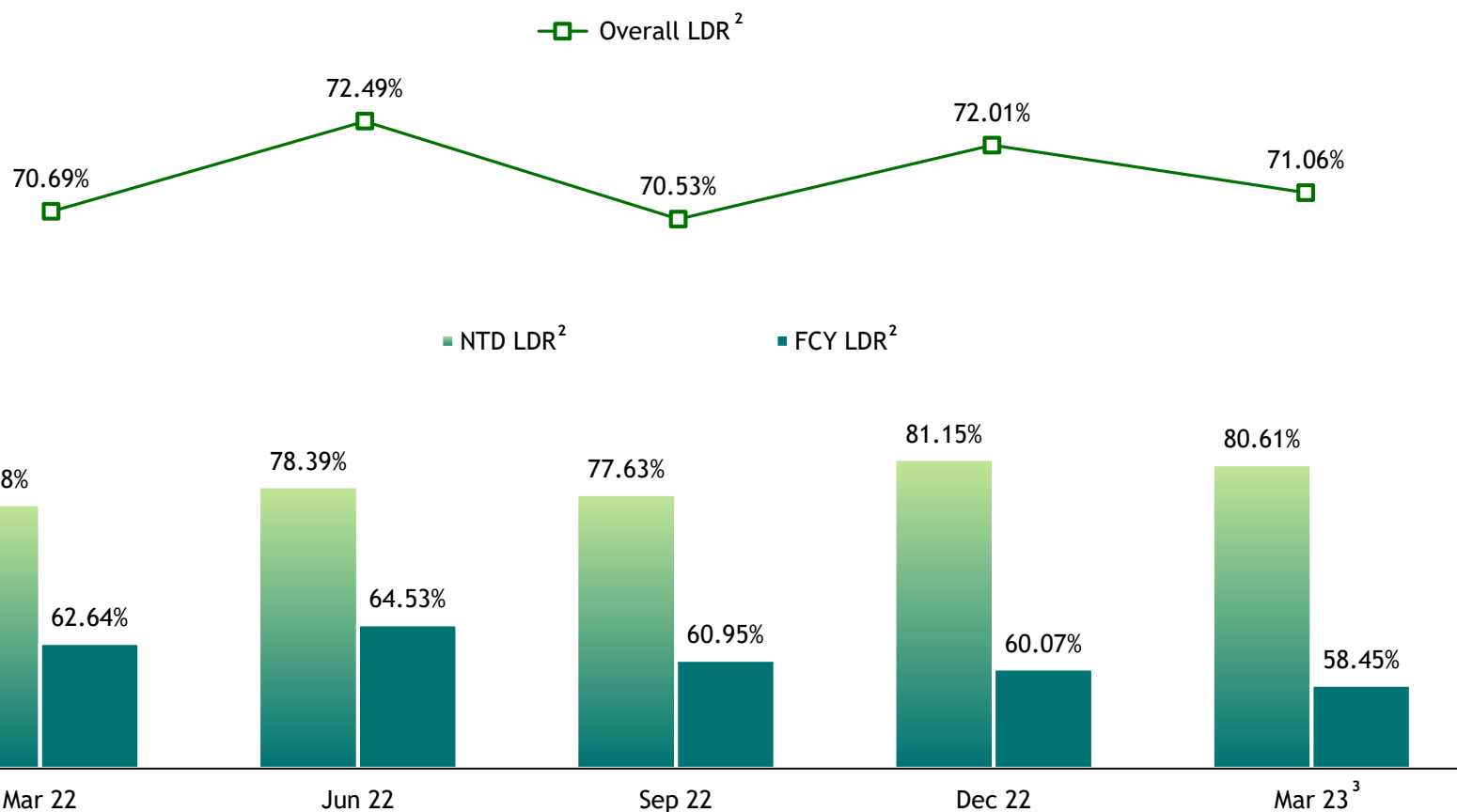
1. Total deposits include remittances.

2. FCY saving & time deposits exclude elimination items.

3. Mar 23 numbers are preliminary.

# CTBC Bank's LDR

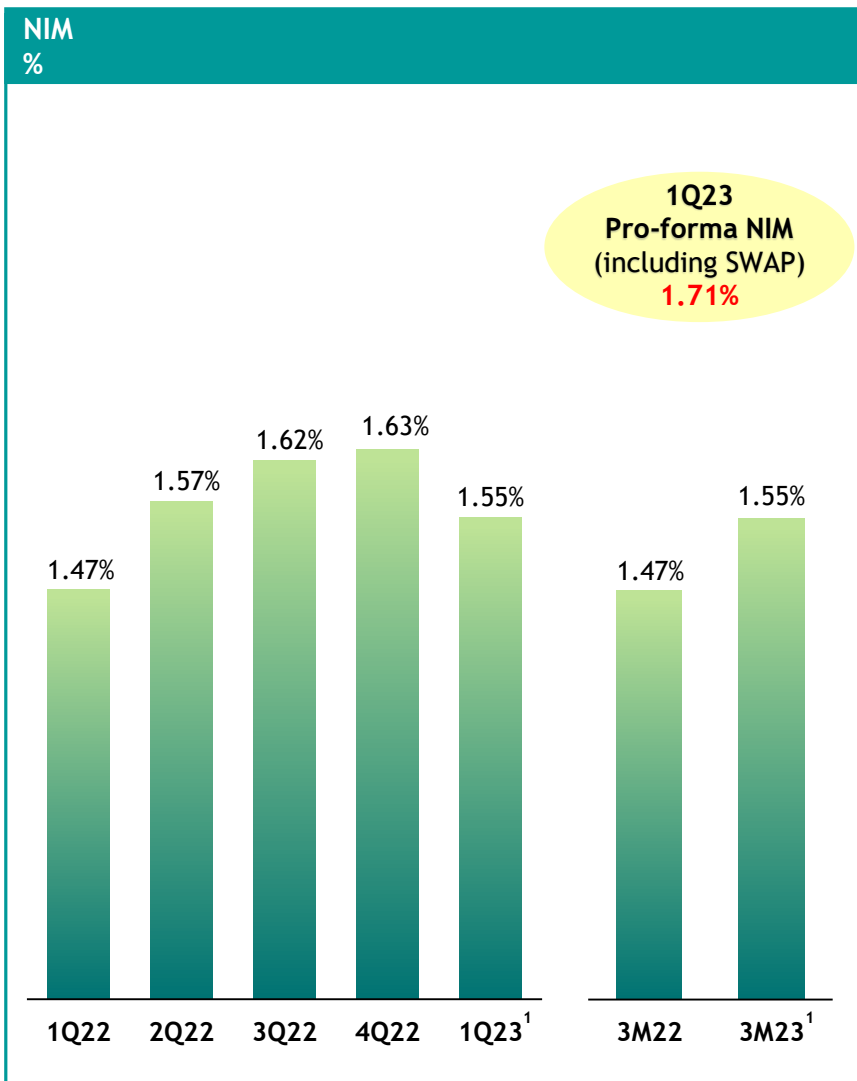
Overall LDR<sup>1</sup>  
%



These numbers are presented on CTBC Bank consolidated basis.

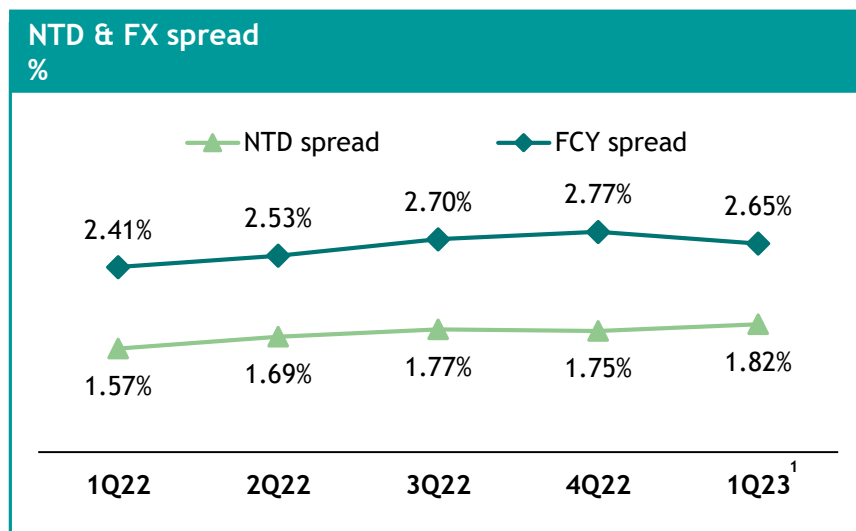
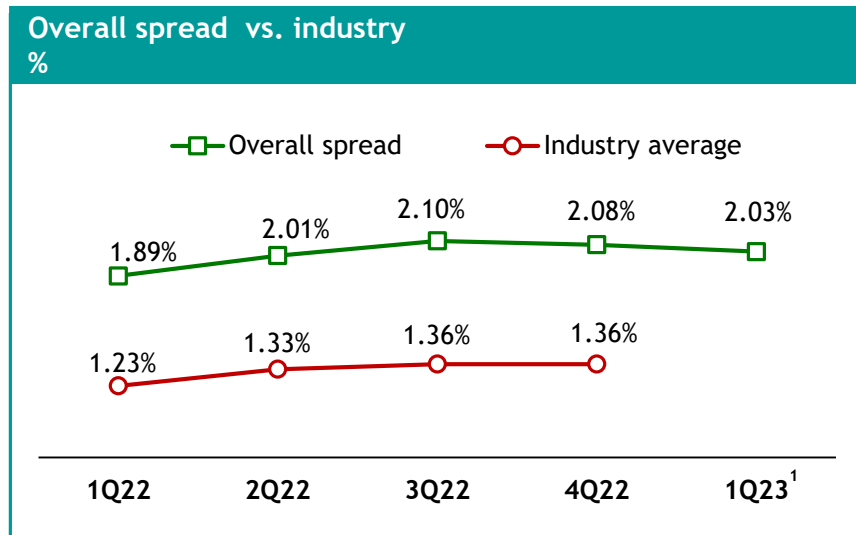
1. Use average balance to calculate LDR; credit card account receivables are included in the calculation of CTBC Bank's LDR.
2. Loans include both performing and non-accrual loans; deposits are adjusted to exclude structured deposits and remittances.
3. Mar 23 numbers are preliminary.

# CTBC Bank's NIM and spreads



These numbers are presented on CTBC Bank consolidated basis.

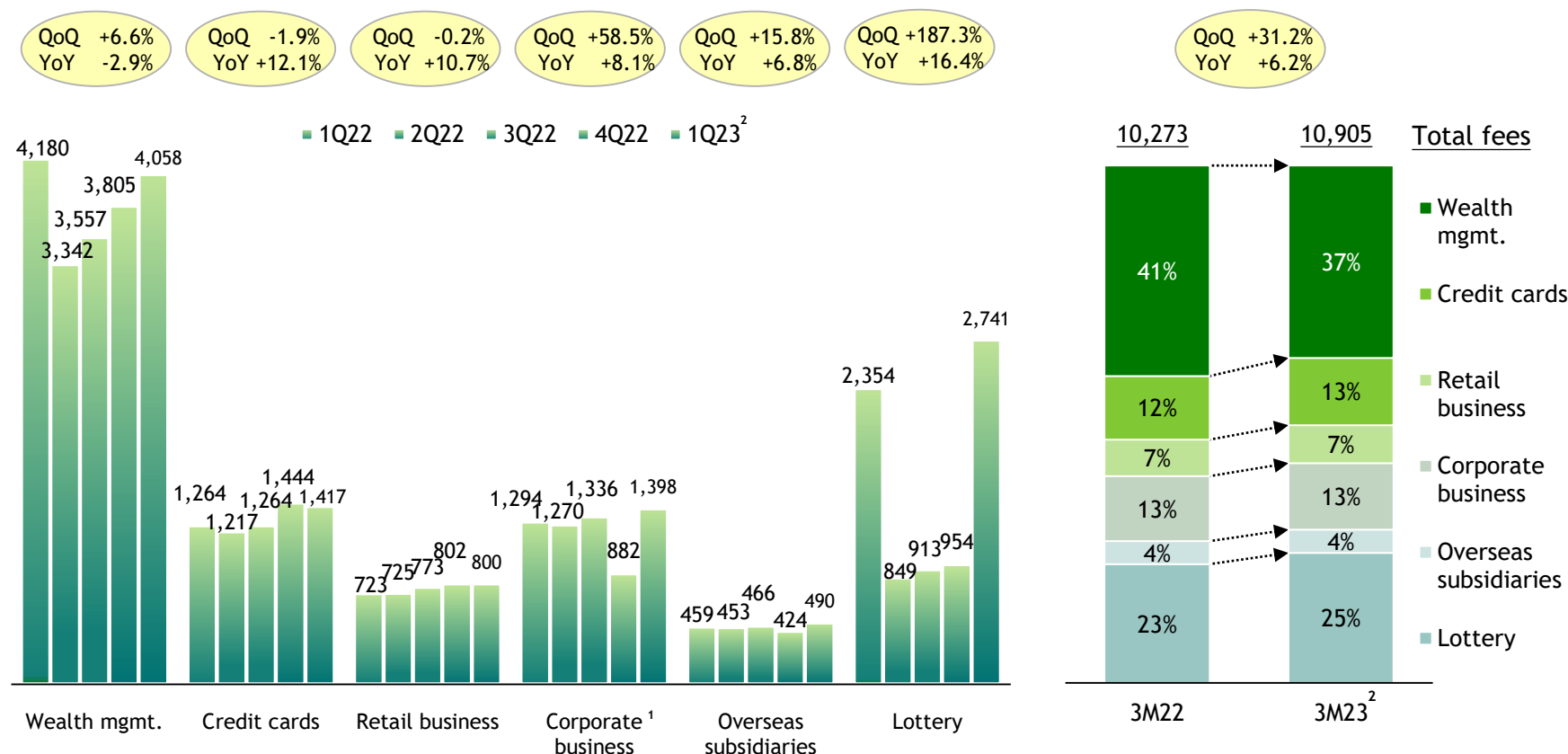
1. 1Q23/3M23 numbers are preliminary.





# CTBC Bank's fee breakdown

CTBC Bank's fee income breakdown  
NT\$ mn, %



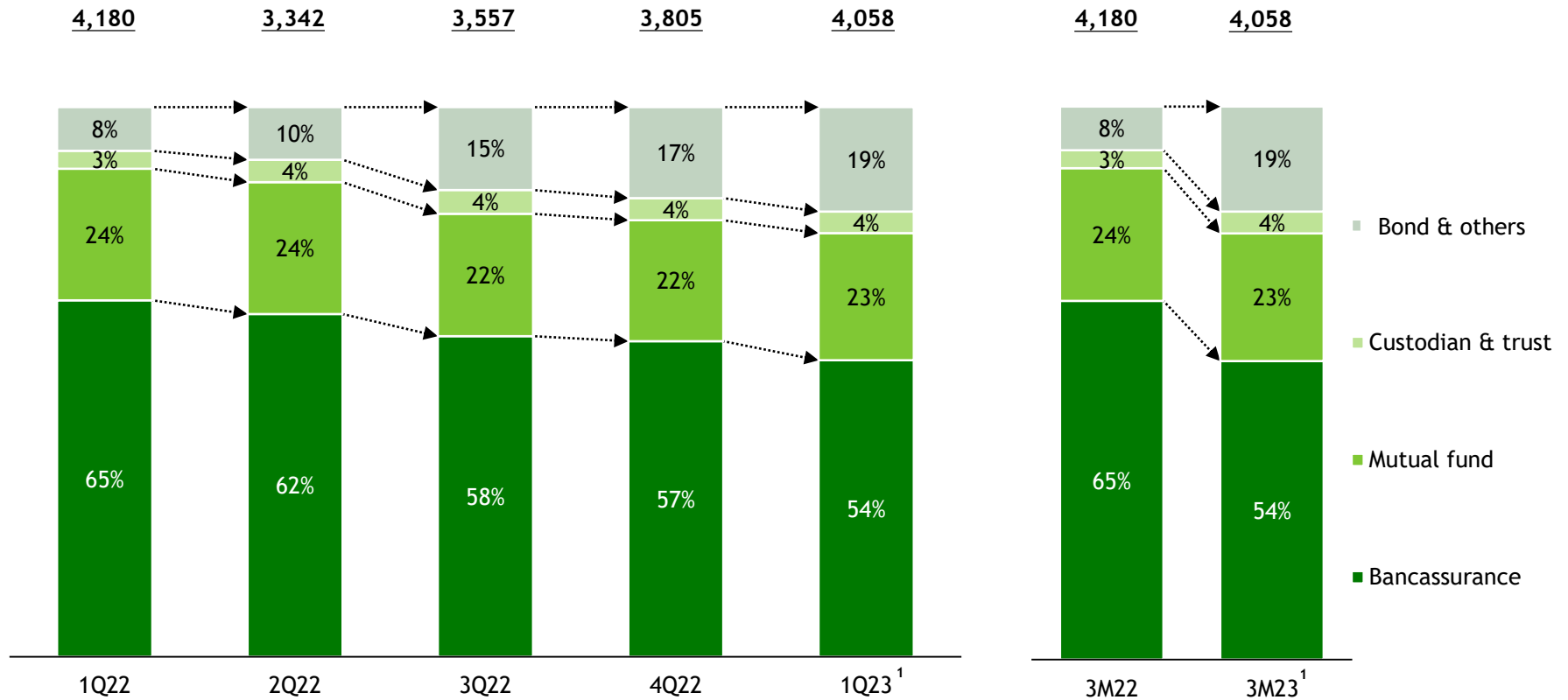
CTBC Bank's numbers are presented on a consolidated basis.

1. Corporate business excludes overseas subsidiaries.

2. 1Q23/3M23 numbers are preliminary.

# CTBC Bank's wealth management fee

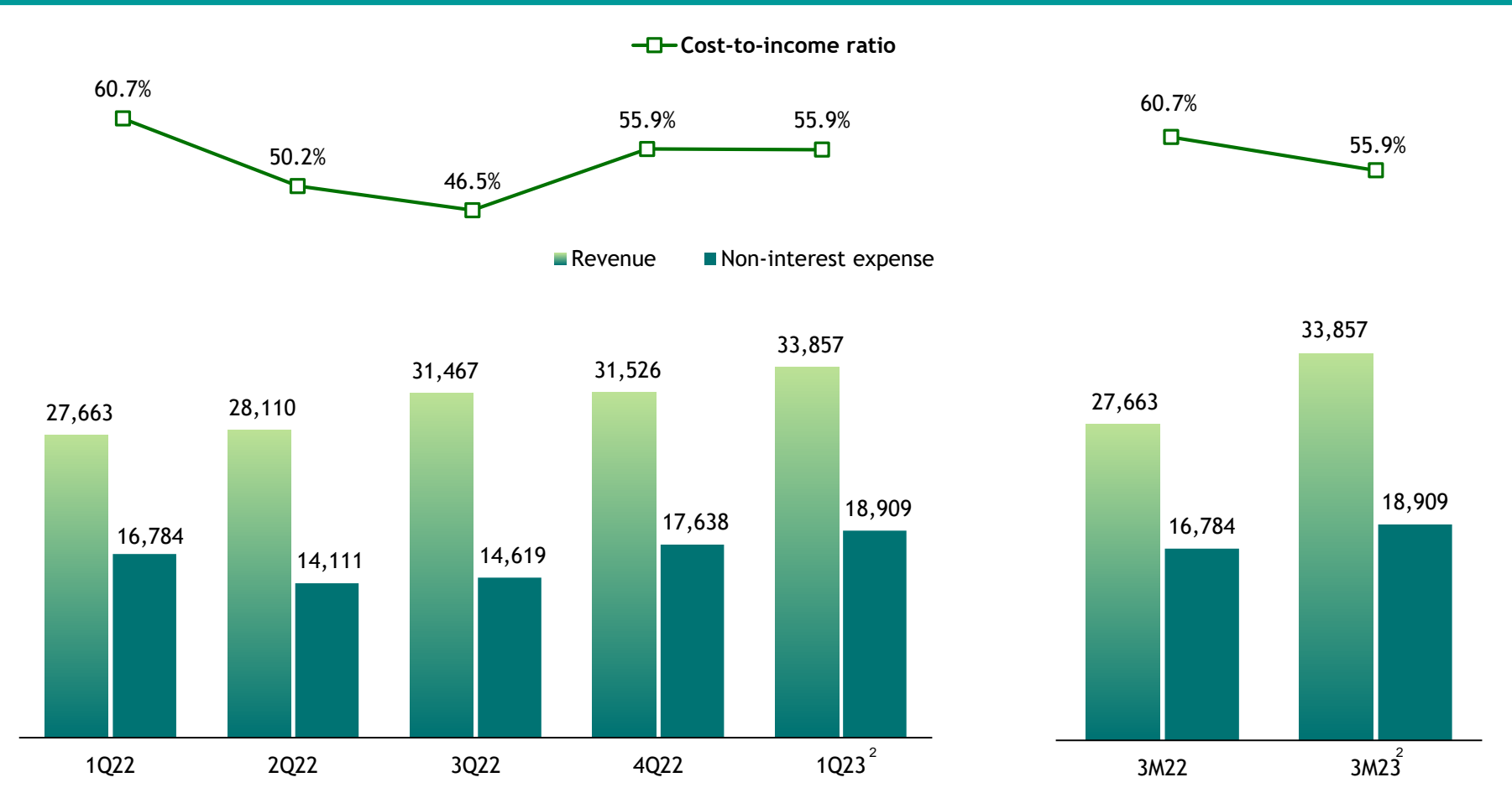
Wealth mgmt. fee breakdown  
NT\$ mn, %



1. 1Q23/3M23 numbers are preliminary.

# CTBC Bank's cost-to-income ratio

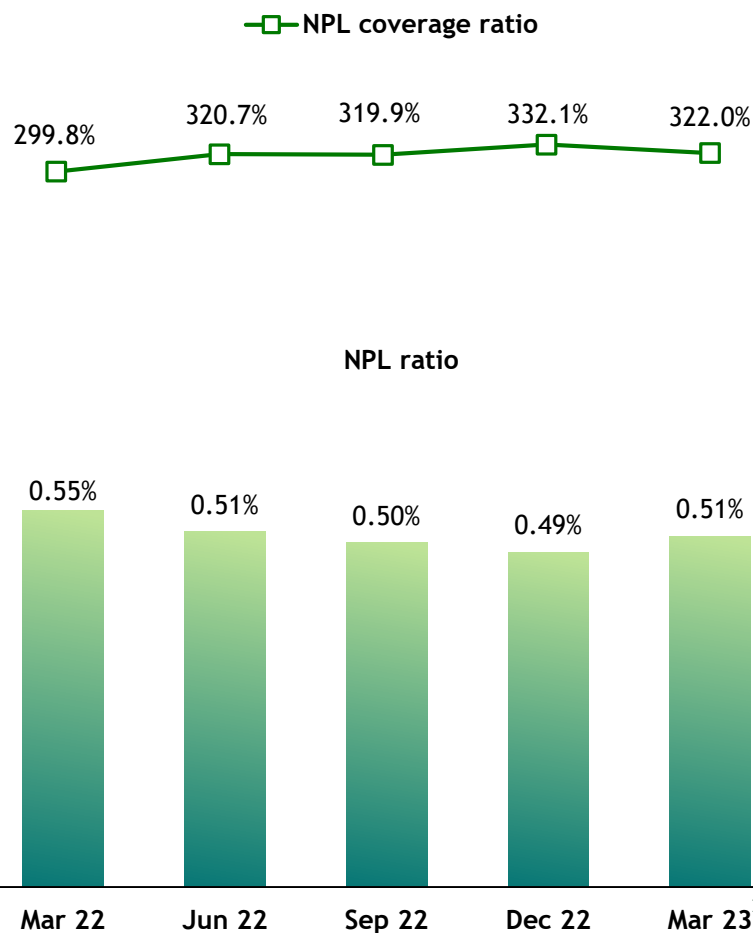
CTBC Bank's cost-to-income ratio<sup>1</sup> and revenue & non-interest expense  
NT\$ mn, %



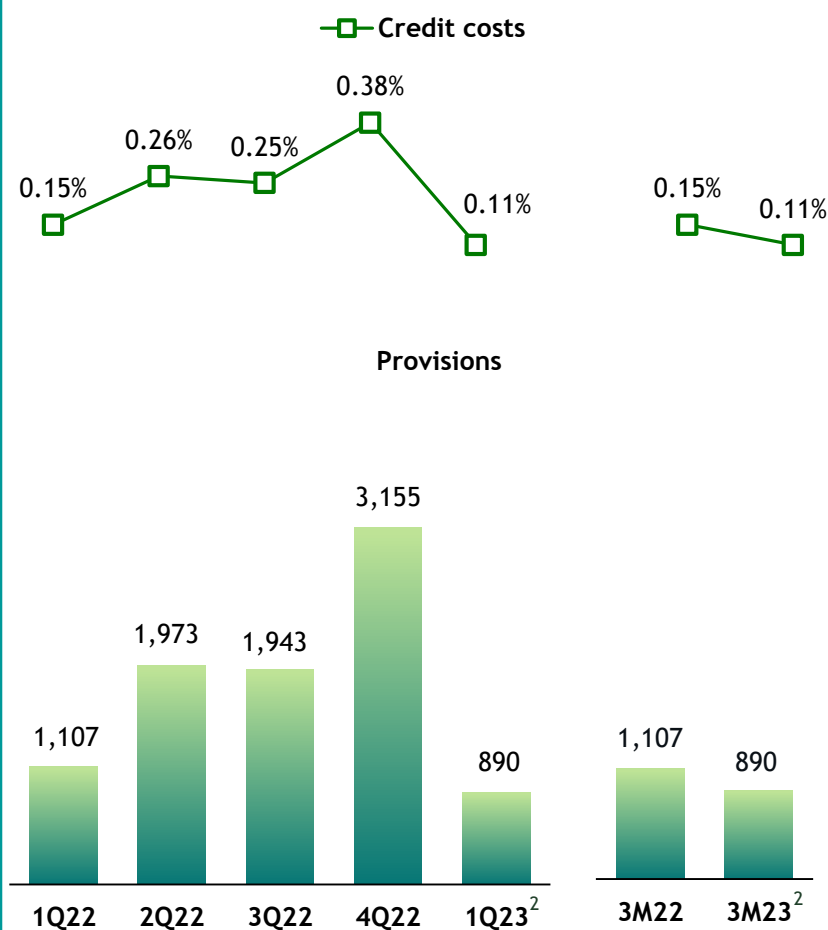
1. Cost-to-income ratio = (total non-interest expense)/(pre-provision operating revenue)
2. 1Q23/3M23 numbers are preliminary.

# CTBC Bank's asset quality

NPL ratio<sup>1</sup> & NPL coverage ratio  
%



Provisions & credit costs  
NT\$ mn, %



These numbers are presented on CTBC Bank consolidated basis.

1. NPL refers to loans over 90 days overdue.

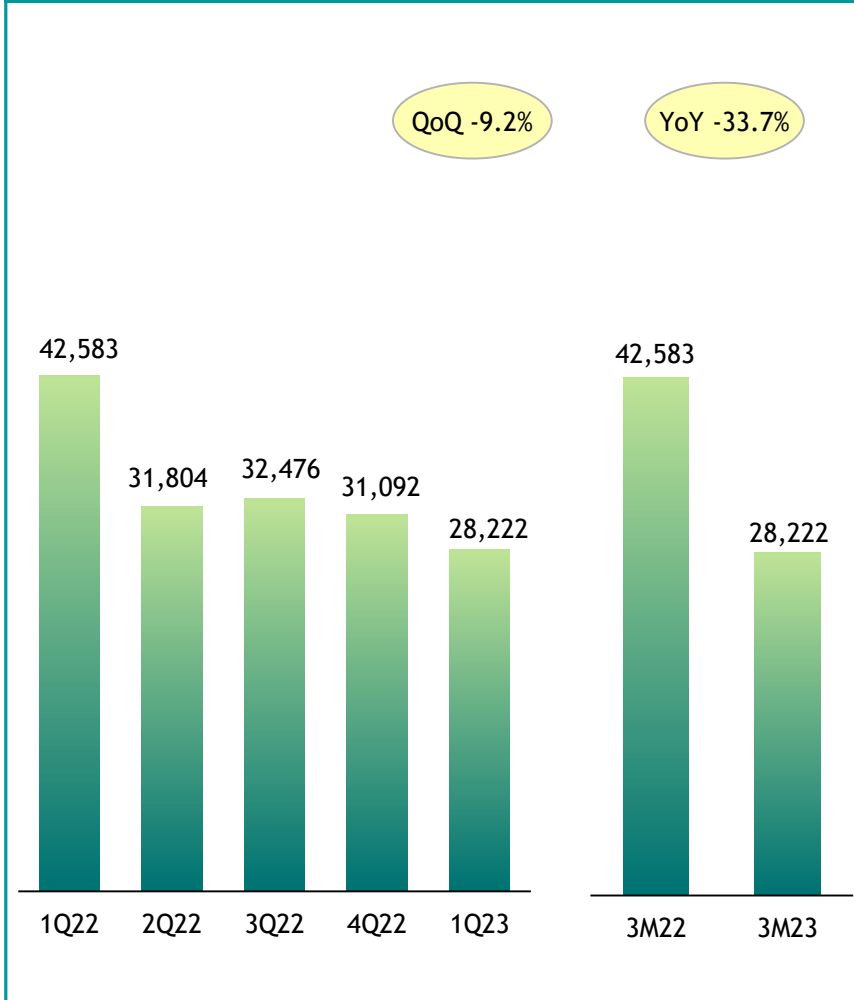
2. 1Q23/3M23/Mar 23 numbers are preliminary.

A photograph of a modern, multi-story glass skyscraper with a complex, angular design. The building features numerous balconies and large glass windows. A semi-transparent teal rectangular box is overlaid in the center of the image, containing the text "Taiwan Life".

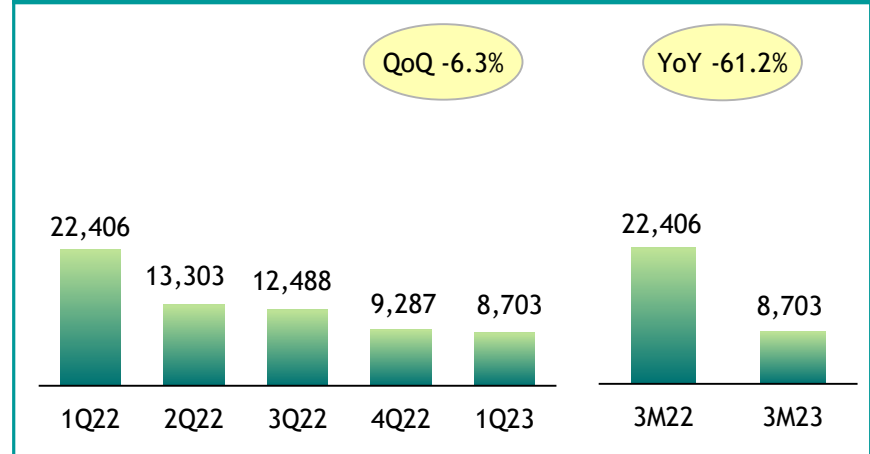
# Taiwan Life

# Taiwan Life focused on LT value products amid higher U.S. interest rates environment

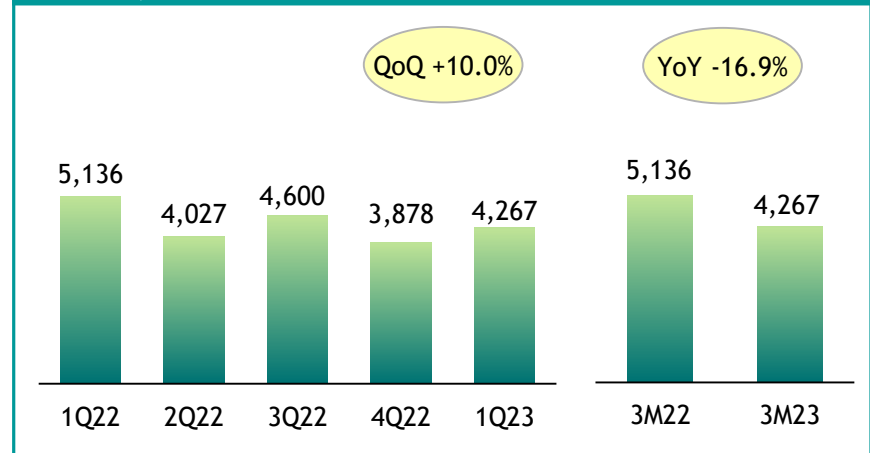
Total premium (TP)  
NT\$ mn, %



First year premium (FYP)  
NT\$ mn, %

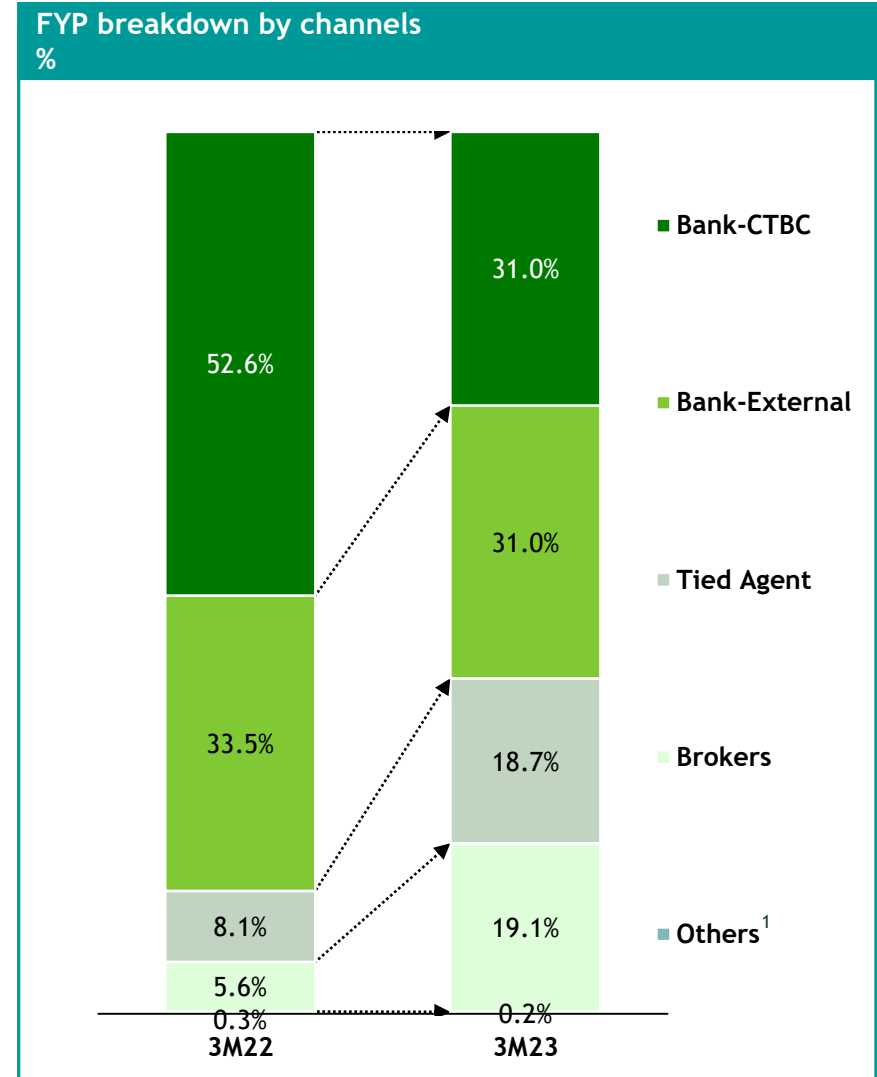
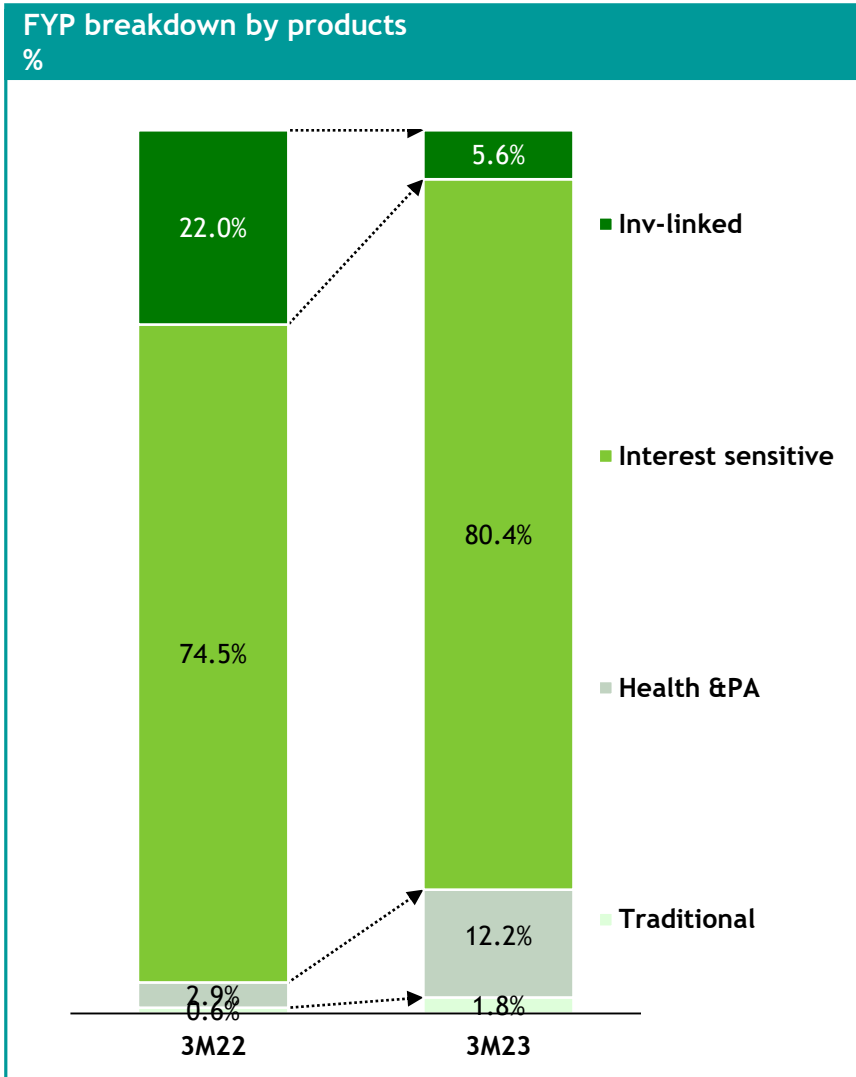


First year premium equivalent (FYPE)  
NT\$ mn, %



Data resource: Life insurance association and Taiwan Insurance Institution

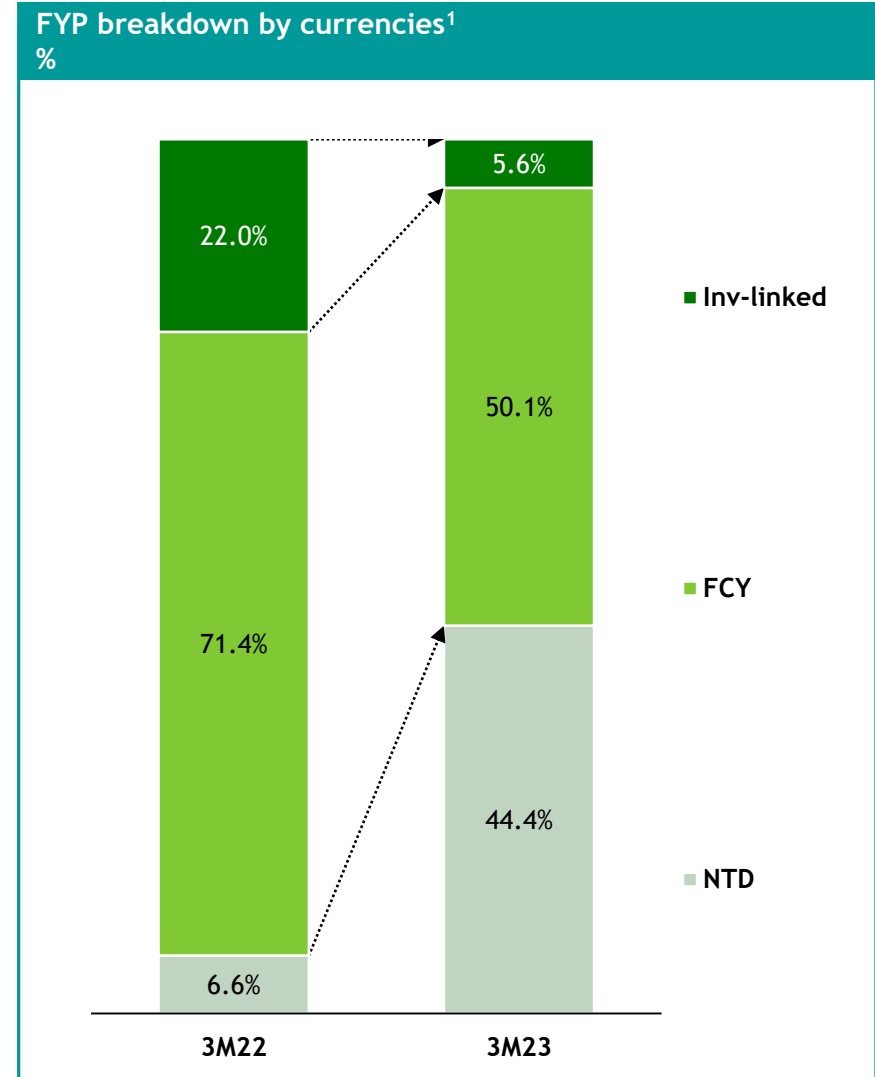
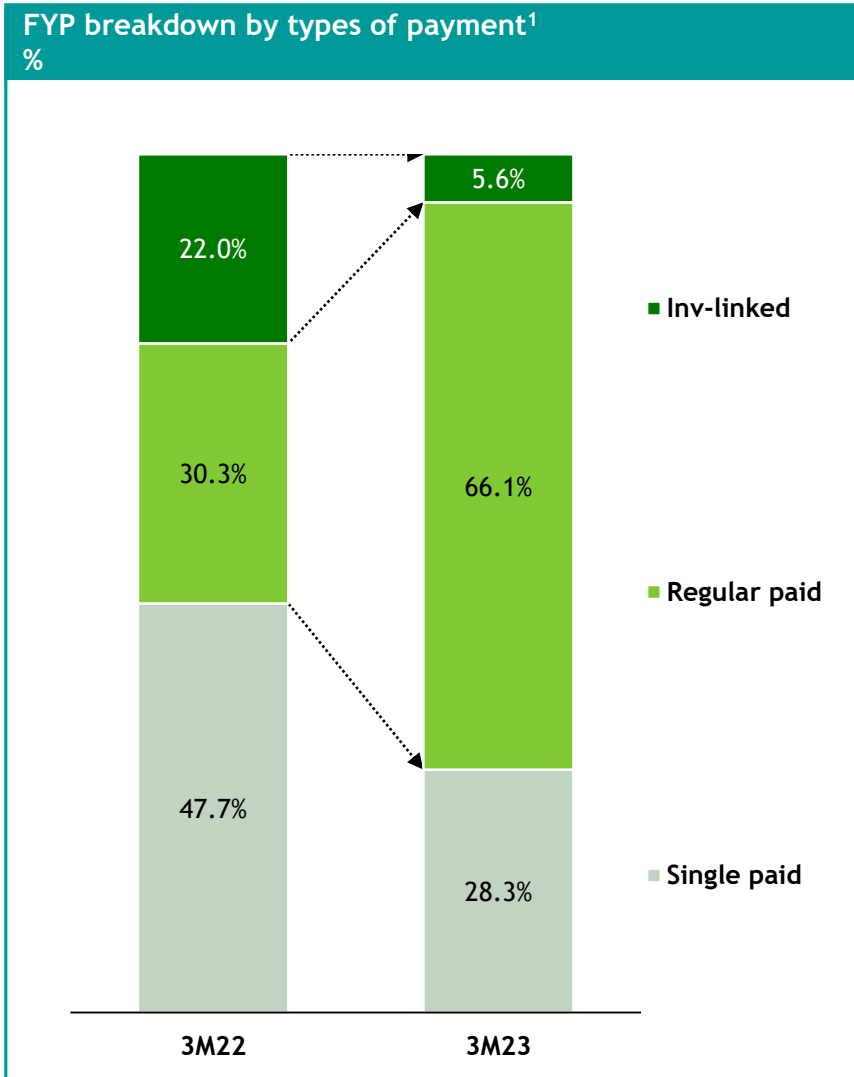
# Taiwan Life - Weights on value products increased



1. Others include tel-marketing and inter-group channels



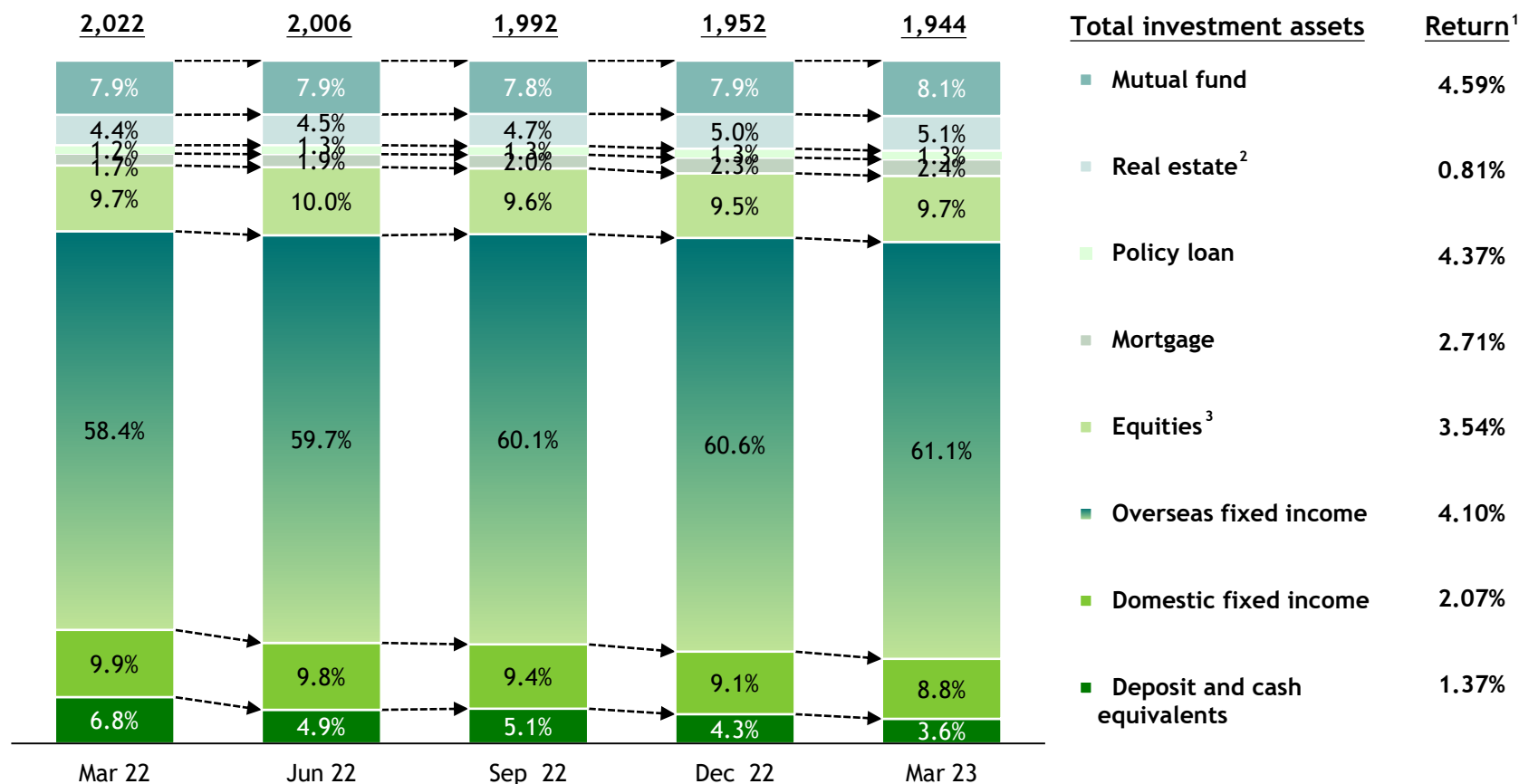
# Taiwan Life - Weights on regular-paid value products increased



1. FYPs are grouped by types of payment and currencies, except inv-linked products

# Taiwan Life - Investment portfolio breakdown

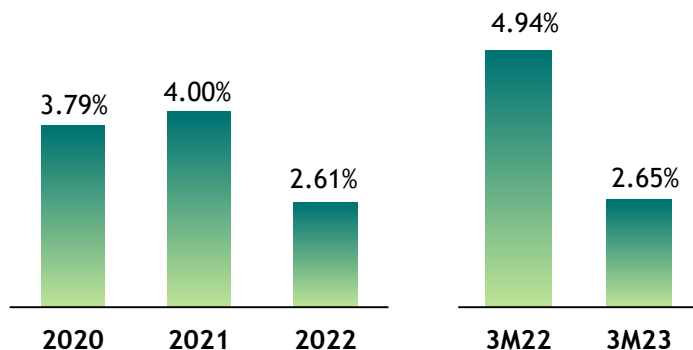
Total investment portfolio breakdown  
NT\$bn, %



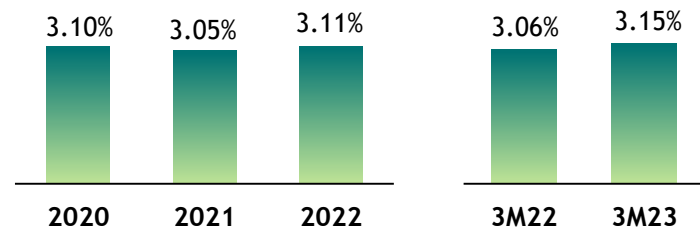
1. Return for each type of investment assets is pre-hedge
2. Part of the real estate project construction work is underway
3. Include CTBC Insurance and other investments under equity method

# Taiwan Life - Investment yield, cost of liabilities & breakeven point

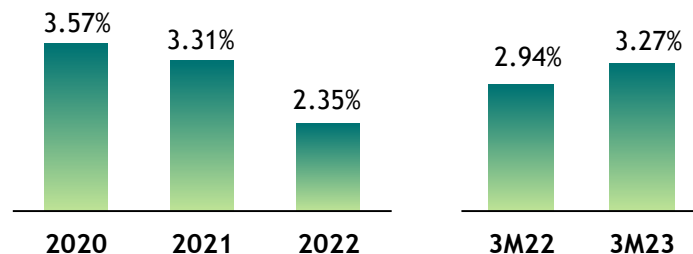
Total investment yield<sup>1</sup>  
%



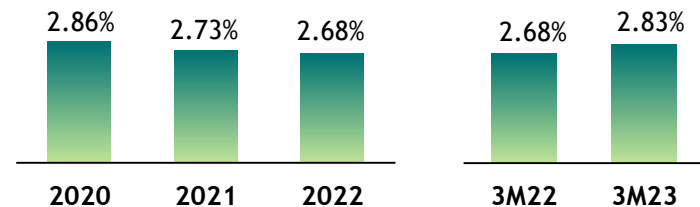
Cost of liabilities (reserve base)  
%



Recurring yield<sup>2</sup>  
%



Breakeven point<sup>3</sup>  
%

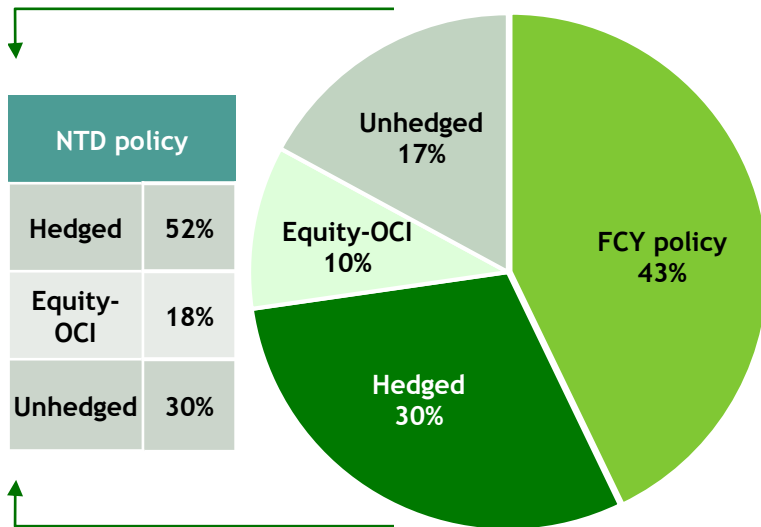


1. Investment yield is after hedge
2. Recurring yield is before hedge
3. Breakeven point = (net investment income - profit before tax)/average of investment assets

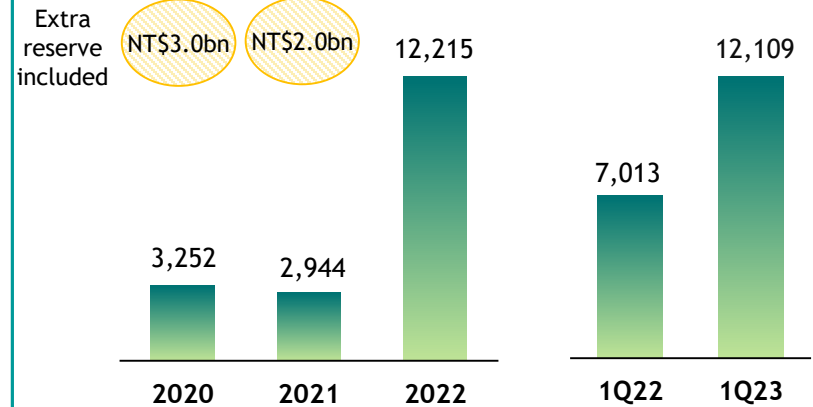
# Taiwan Life - Hedging & FX reserve

## 3M23 FCY investment hedging structure

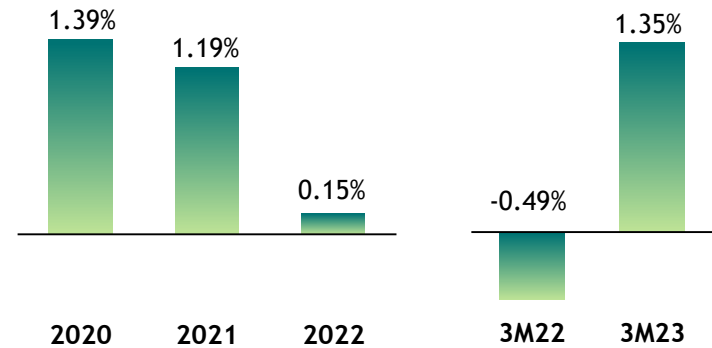
■ FCY policy ■ Hedged<sup>2</sup> ■ Equity-OCI<sup>3</sup> ■ Unhedged



## FX reserve balance NT\$ mn



## Hedging cost (overseas asset-based) %



1. Percentages may not total 100% due to rounding
2. Hedged position Includes currency swap and NDF
3. Equity-OCI includes equity and mutual fund

A photograph of a modern glass skyscraper with a curved facade, reflecting the sky and surrounding environment. The building is composed of many rectangular glass panels, creating a grid-like pattern. The sky is a pale, overcast blue. The overall image has a teal color overlay.

# 2022 Taiwan Life Embedded Value Report

# 2022 Embedded Value (EV)

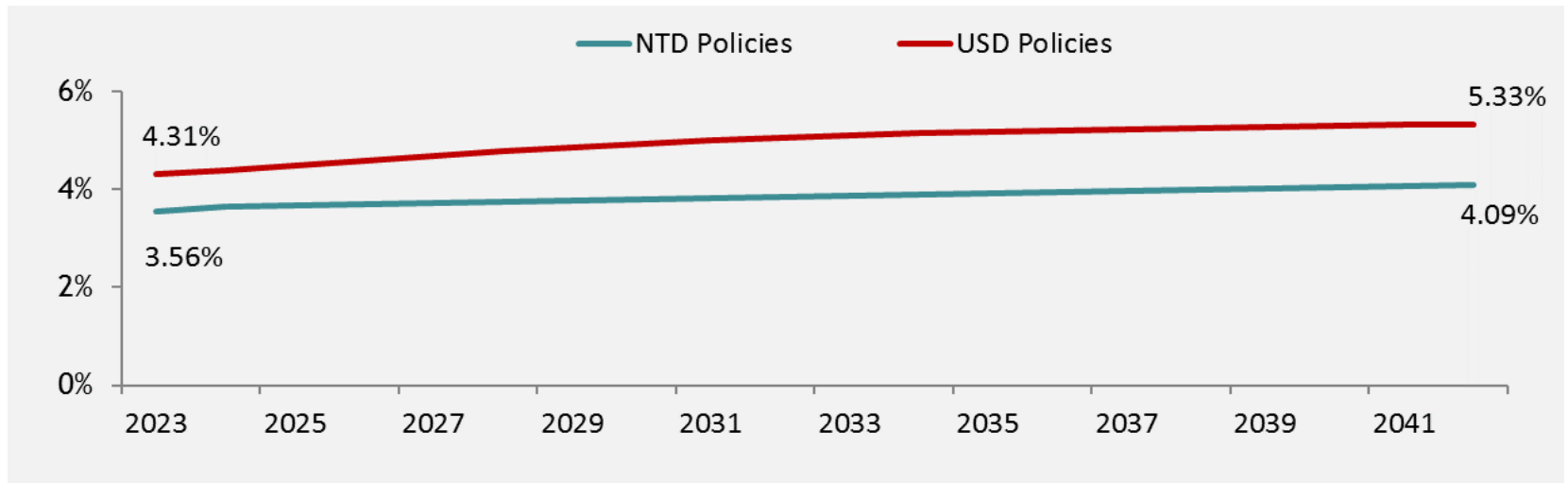
Unit : NTD\$ billion

Valuation Date	2022/12/31
Investment Yield	NTD Policies : Year 2023 : 3.56% ~ Year 2042(+) : 4.09% USD Policies : Year 2023 : 4.31% ~ Year 2042(+) : 5.33%
Risk discount rate	10%
Adjusted net worth	125.0
Value of in-force business (Before CoC)	161.0
Cost of Capital (CoC)	(64.4)
<b>Embedded Value (EV)</b>	<b>221.5</b>
<b>EV Per Share (NTD\$)</b>	<b>35.6 [11.4]</b>
Value of one year's new business (After CoC)	5.9

1. Per Share = per share of Taiwan Life;
2. [Per Share] = per share of CTBC Holding
3. The weighted-average outstanding shares of common stock of Taiwan Life and CTBC Holding are 6.23 billion and 19.50 billion, respectively.

# Assumptions

- Investment Yield



- RBC capital requirement :
  1. Apply 2022 RBC formula announced by Insurance Bureau.
  2. RBC Capital Requirement remains 200% RBC.
- Experience Rate :
  - Mortality Rate : In accordance with company's most updated mortality trends.
  - Morbidity Rate : In accordance with company's most updated morbidity trends and varied by product type.
  - Lapse Rate : In accordance with company's most updated lapse rate trends and varied by product type.
  - Expenses Assumptions : In accordance with company's most updated expense analysis and varied by product type and channels. And, the commissions are calculated on the actual commission rates.
- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.



# Sensitivity Analysis

Unit : NTD\$ billion

Valuation Date	2022/12/31				
Assumption	Investment Yield -0.25%	Investment Yield +0.25%	Base Case	Discount Rate -1%	Discount Rate +1%
Risk discount rate	10%	10%	10%	9%	11%
Adjusted net worth	125.0	125.0	125.0	125.0	125.0
Value of in-force business (Before CoC)	135.5	185.6	161.0	175.8	148.4
Cost of Capital (CoC)	(68.8)	(62.7)	(64.4)	(59.4)	(68.6)
<b>Embedded Value (EV)</b>	<b>191.7</b>	<b>247.8</b>	<b>221.5</b>	<b>241.4</b>	<b>204.8</b>
<b>EV Per Share (NTD\$)</b>	<b>30.8 [9.8]</b>	<b>39.8 [12.7]</b>	<b>35.6 [11.4]</b>	<b>38.8 [12.4]</b>	<b>32.9 [10.5]</b>
Value of one year's new business (After CoC)	5.6	6.3	5.9	7.0	5.0

1. Per Share = per share of Taiwan Life;
2. [ Per Share ] = per share of CTBC Holding
3. The weighted-average outstanding shares of common stock of Taiwan Life and CTBC Holding are 6.23 billion and 19.50 billion, respectively.

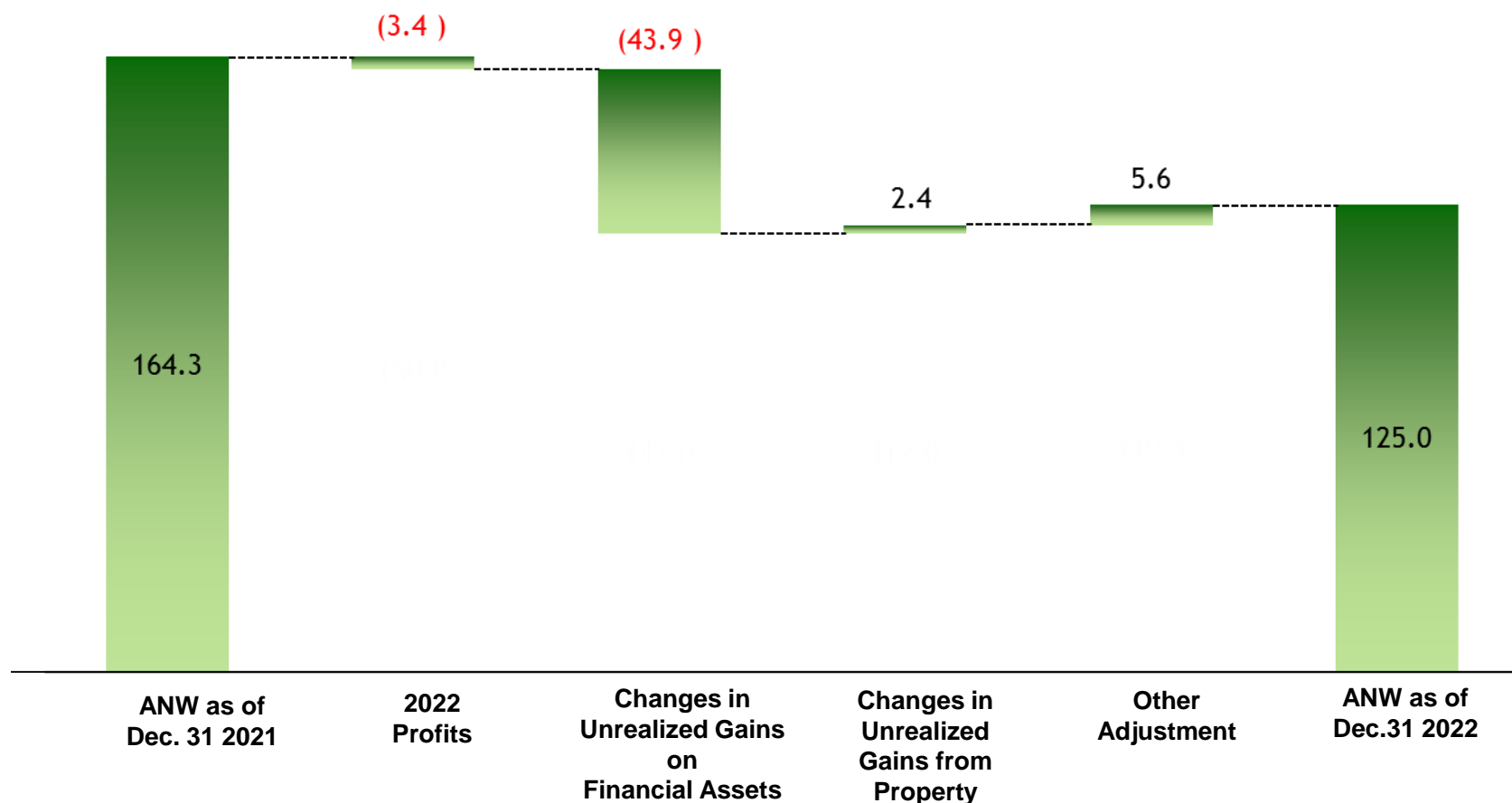
# 2022 vs 2021

Unit : NTD\$ billion

Valuation Date	2022/12/31	2021/12/31
Investment Yield	NTD Policies : Year 2023 : 3.56%~Year 2042(+) : 4.09% USD Policies : Year 2023 : 4.31%~Year 2042(+) : 5.33%	NTD Policies : Year 2022 : 3.64%~Year 2041(+) : 4.07% USD Policies : Year 2022 : 4.10%~Year 2041(+) : 5.14%
Risk discount rate	10%	10%
Adjusted net worth	125.0	164.3
Value of in-force business (Before CoC)	161.0	155.9
Cost of Capital (CoC)	(64.4)	(62.5)
<b>Embedded Value (EV)</b>	<b>221.5</b>	<b>257.7</b>
Value of one year's new business (After CoC)	5.9	7.1

# Analysis of change in Adjusted Net Worth (ANW)

Unit : NTDS\$ billion

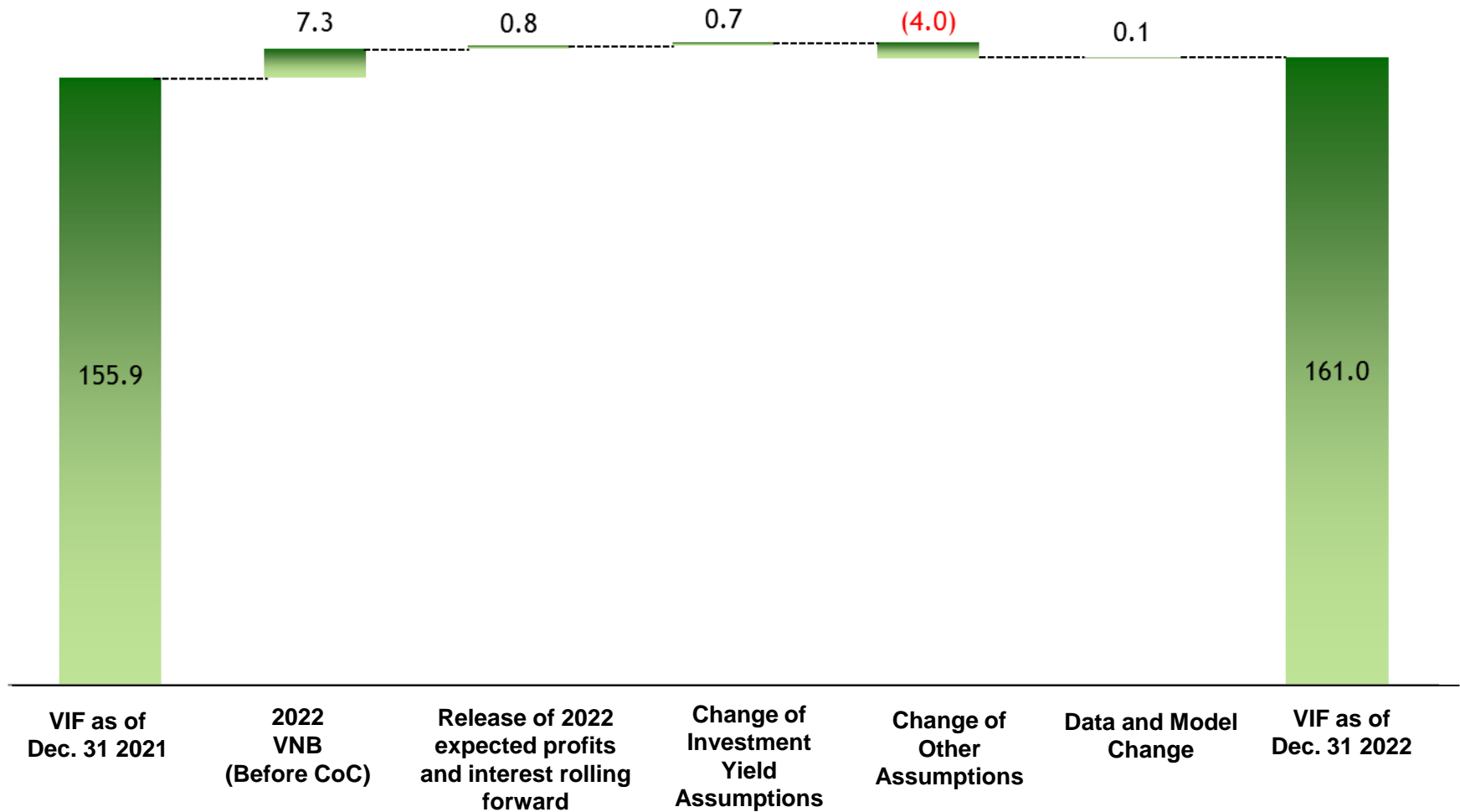


Note1 : Other adjustment includes change of foreign exchange volatility reserve.

Note2 : ANW excludes goodwill.

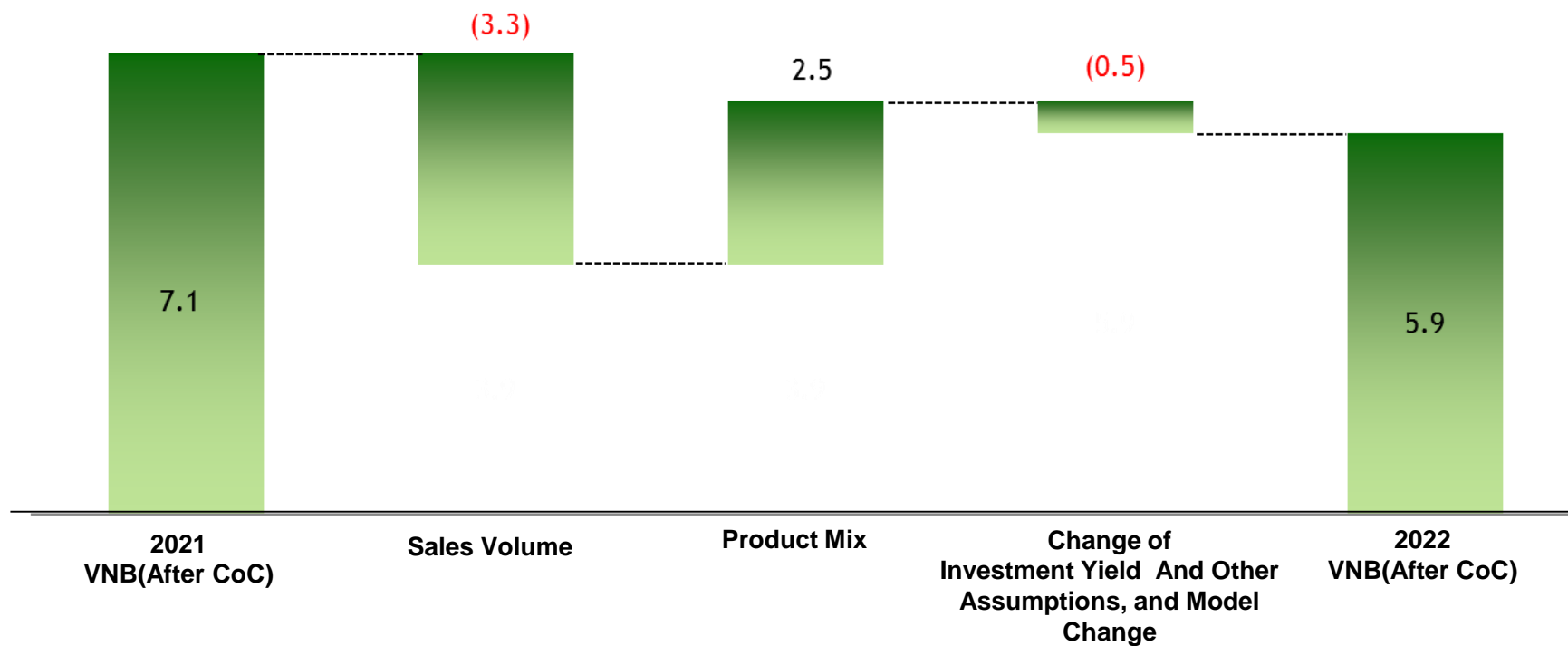
# Movement of VIF(Before CoC)

Unit : NTD\$ billion



# Movement of VNB(After CoC)

Unit : NTD\$ billion



A photograph of a modern, multi-story glass skyscraper with a complex, angular design. The building features numerous balconies and large glass windows. A semi-transparent teal rectangular box is overlaid in the center of the image, containing the text "ESG Highlights".

# ESG Highlights

# Sustainability milestones

## International ESG Standards



## 2022 Impact financing

- 19% of CTBC Bank's Institutional banking loans in green financing
- TW Life applied NT\$56bn in sustainable investment & financing



- Joined **Coalition of Movers and Shakers on Sustainable Finance** initiated by FSC
- 1<sup>st</sup> in Taiwan to sign up for **Taskforce on Nature-related Financial Disclosures**
- Joined **Partnership for Biodiversity Accounting Financials, PBAF**
- Committed to **2050 Net Zero** and submitted **SBT targets** to SBTi for review

2012

- Joined **CDP**

2019



- CTBC Bank adopted **Equator Principles, PRB**
- Taiwan Life adopted **PSI, PRI**
- Established Sustainability Committee

2020

- Joined **TCFD, PCAF, GIIN**
- Established the Corporate Sustainability Department

2021

- Served as **PCAF Asia Pacific chair**
- 1<sup>st</sup> in Asia to disclose financed emissions using PCAF methodologies
- Published 1<sup>st</sup> Climate Risk Assessment Report

2022

2023

- **SBT** targets are expected to be reviewed in June 2023 and released by end-2023
- The only FI in Greater China to participate in **UNEP FI-led pilot program in support of the TNFD**





# ESG recognitions

## Selected ESG indices



**DJSI**  
World Index,  
Emerging Markets Index



**FTSE4Good**  
Emerging Markets  
Index

**MSCI ESG Leaders  
Indexes Constituent**

**MSCI**  
ESG Leaders Indices  
With “AA” Rating



**Bloomberg**  
Gender- Equality  
Index



**Greater China Business  
Sustainability Index**  
#2 among Taiwan  
#6 cross-strait

## Sustainability



Asia-Pacific Climate  
Leaders 2022



Renewable Energy M&A  
Deal of the Year 2022



Best Bank for Sustainable  
Finance in Taiwan



the Excellence Awards in  
the Best ESG, the Elite  
Awards 2022



2022 Excellence in CSR  
Award #7 among large  
enterprise



Global Views Monthly ESG  
Awards 2023



Best Sustainable Bank  
in Taiwan



Top 10 Domestic  
Companies  
Sustainability Model



2022 National Sustainable  
Development Award



Asia's Best CSR 2022



2022 Climate Change  
Questionnaire with “B”  
Rating



Best Investor Relations  
Team

# CTBC Holding

Q & A

May 15<sup>th</sup>, 2023  
Investor Relations



**CTBC**  
中國信託