

1Q2020

Highlights and Operating Review

HNFHC Consolidated Operating Results

	4Q2019	1Q2020	QoQ	3M2019	3M2020	YoY
Net Income (NT\$MN)	2,977	(1,448)	-	4,208	(1,448)	-
Total Assets (NT\$MN)	2,731,828	2,770,137	1.4%	2,661,421	2,770,137	4.1%
Book Value(NT\$MN)	188,701	179,320	-5.0%	181,899	179,320	-1.4%
EPS(NT\$)	0.24	(0.12)	-	0.35	(0.12)	-
Book Value Per Share (NT\$)	15.50	14.73	-5.0%	15.76	14.73	-6.5%

Subsidiaries Operating Results

Unit:NT\$MN	4Q2019	1Q2020	QoQ	3M2019	3M2020	YoY
	Net Income			Net Income		
HNCB	2,740	3,349	22.2%	4,040	3,349	-17.1%
HNSC	316	(4,661)	-	175	(4,661)	-
SCIC	163	57	-65.0%	147	57	-61.2%
HNIT	3	(6)	-	2	(6)	-
HNVC	(13)	(42)	-223.1%	40	(42)	-
HNAMC	6	2	-66.7%	19	2	-89.5%
Total	3,215	(1,301)	-	4,423	(1,301)	-

Note : Numbers are audited.

Highlights :

(Some factsheets in pertinence to HNCB operating results are disclosed for your reference)

- Affected by HNSC's MTM loss NT\$4,637MN in warrants trading episode, HNFHC reported a consolidated net loss NT\$1,448MN in 1Q20. HNCB reported a net income of NT\$3,349MN in 1Q20 (-17.1% YoY) which was caused by: FED performed rate cuts for 175bps in total 5 times from last July to March 2020, therefore the interest spread between USD and NTD was widely narrowed. As a consequence, FX gain contracted significantly compared to the same period last year. Furthermore, FED's rate cut in March triggered liquidity suspicion, and led equity and security markets to slump at the same time, bringing less treasury gain by executing stop loss.
- As of 1Q20, HNCB loan was at NT\$1,700.8BN, increased by 5.6% YoY, due to SME, large corporate and mortgage lending increased. Net Interest Spread declined 7bps YoY to 1.33% and was subjected to rate cut by FED

and CBC in March. Net Interest Margin (NIM) went up 4bps YoY to 0.96% due to interest expense conservation in less demand for interbank call loan for Swap operation. Accordingly, NII rose 2.6% YoY.

- HNCFB's NFI in 1Q20 was NT\$1,668MN (-17.6% YoY) attributed to bancassurance business contraction while loan fee income climbed.
- Asset quality maintained benign status. NPL ratio improved 3bps to 0.14% in 1Q20. Coverage ratio rose 176.20 percentage points to 948.03% in 1Q20.

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HNCB Factsheets for Reference Only

HNCB Condensed Income Statements

Expressed In Millions of New Taiwan Dollars, Except Earnings Per Share

	Quarterly Results						Yearly Results		
	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	QoQ Change (%)	3M2019	3M2020	YoY Change (%)
Interest Income	11,309	11,160	11,144	10,723	10,441	-2.6%	11,309	10,441	-7.7%
Interest Expense	(5,120)	(4,997)	(4,762)	(4,326)	(4,088)	-5.5%	(5,120)	(4,088)	-20.2%
Net Interest Income	6,189	6,163	6,382	6,397	6,353	-0.7%	6,189	6,353	2.6%
Net fee income	2,025	1,887	1,853	1,816	1,668	-8.1%	2,025	1,668	-17.6%
Gains(Losses) on financial assets and liabilities at fair value through profit or loss	2,182	2,593	536	(3,943)	1,488	-	2,182	1,488	-31.8%
Realized gains(losses) from sale of fair value through other comprehensive income financial assets	321	432	1,159	21	559	2561.9%	321	559	74.1%
Foreign exchange gains, net	(296)	(1,095)	577	4,781	(1,016)	-	(296)	(1,016)	-243.2%
Share of the profit or loss of associates and joint ventures	9	10	10	10	5	-50.0%	9	5	-44.4%
Other non-interest income	113	290	149	136	143	5.1%	113	143	26.5%
Net Income Excluding Interest Income	4,354	4,117	4,284	2,821	2,847	0.9%	4,354	2,847	-34.6%
Net Revenues	10,543	10,280	10,666	9,218	9,200	-0.2%	10,543	9,200	-12.7%
Bad-debt expenses	(425)	140	(406)	(693)	106	-	(425)	106	-
Operating Expenses	(5,321)	(5,508)	(5,488)	(5,312)	(5,218)	-1.8%	(5,321)	(5,218)	-1.9%
Employee Benefits	(3,375)	(3,568)	(3,499)	(3,363)	(3,331)	-1.0%	(3,375)	(3,331)	-1.3%
Depreciation and amortization	(444)	(451)	(450)	(456)	(455)	-0.2%	(444)	(455)	2.5%
Other general and administrative expenses	(1,502)	(1,489)	(1,539)	(1,493)	(1,432)	-4.1%	(1,502)	(1,432)	-4.7%
Income before income tax from continuing operations	4,797	4,912	4,772	3,213	4,088	27.2%	4,797	4,088	-14.8%
Income Tax Expense	(757)	(725)	(570)	(473)	(739)	56.2%	(757)	(739)	-2.4%
Net income	4,040	4,187	4,202	2,740	3,349	22.2%	4,040	3,349	-17.1%
Basic earnings per share	0.49	0.50	0.51	0.33	0.40	21.2%	0.49	0.40	-18.4%
Other comprehensive income	3,153	2,374	(1,225)	230	(7,182)	-	3,153	(7,182)	-
Othe comprehensive income for the period, net of income tax	7,193	6,561	2,977	2,970	(3,833)	-	7,193	(3,833)	-

Note: Numbers are audited.

HNCB Loan Breakdowns

Unit : NT\$MN

Loan	2019/3/31	2019/6/30	2019/9/30	2019/12/31	2020/3/31	QoQ	YoY
Government	41,077	43,868	45,409	43,194	43,202	-	5.2%
Large Corp.	217,323	221,291	226,726	233,479	233,935	0.2%	7.6%
SME	449,663	465,671	475,063	515,716	515,117	-0.1%	14.6%
Other Corp.	2,507	2,525	2,560	2,686	2,581	-3.9%	3.0%
Mortgages	516,692	519,186	518,704	522,881	528,766	1.1%	2.3%
Other Consumer	98,013	99,979	100,309	105,134	107,722	2.5%	9.9%
Overseas and OBU	284,617	271,102	267,130	265,587	269,492	1.5%	-5.3%
Total	1,609,892	1,623,622	1,635,901	1,688,677	1,700,815	0.7%	5.6%

HNCB Net Fee Income Breakdowns

Unit : NT\$MN

Fee Income	3M2019	Weight	3M2020	Weight	YoY
Wealth Management	1,378	68%	1,052	63%	-23.7%
FX	236	12%	210	13%	-11.0%
Loans	186	9%	225	13%	21.0%
Cards	88	4%	64	4%	-27.3%
Others	137	7%	117	7%	-14.6%
Total	2,025	100%	1,668	100%	-17.6%

HNCB Financial Ratios

Unit : %	3M2019	6M2019	9M2019	FY2019	3M2020
Interest Spread	1.40	1.41	1.41	1.40	1.33
NIM	0.92	0.92	0.93	0.94	0.96
LDR	75.66	75.09	75.38	75.50	75.41
NTD Demand Deposit Ratio	68.17	68.63	69.07	69.19	69.34
Cost-Income Ratio	50.40	51.97	51.77	53.13	56.68

HNCB Asset Quality

Unit : %	3M2019	6M2019	9M2019	FY2019	3M2020
NPL	0.16	0.11	0.14	0.12	0.13
Coverage	771.83	1135.52	845.07	1031.65	948.03