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Business Report

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President

Chiang, Jui-Tang

In 2020, held back by the pandemic COVID-19, the global economy has slowed its momentum for growth considerably¹. Domestically, the economic growth rate in 2020 was 3.11%². The monitoring indicator turned to be yellow-red light (signifying transitional) in December along with the leading indicator and coincident indicator continuing to show a growing trend, suggesting that the domestic economy is gradually improving. Looking forward to 2021, as the pandemic is becoming more or less lenient, the global economy may be expected to pick up and grow, as the demand for distance economy continues to grow. Moreover, given that technology applications, in automotive electronics, for instance, are emerging, stimulating export growth, and that domestic consumption is rising³, the economic growth rate in 2021, estimated by the Directorate-General of Budgeting, Accounting, and Statistics (under Executive Yuan), is predicted to be 4.64%⁴.

With a business model that comprises services of mails, savings and remittances, and life insurance, Chunghwa Post is the most trusted state-owned enterprise that provides comprehensive, quality, and local services to citizens around the country to meet their basic needs.

In the face of a severe and ever-changing environment, Chunghwa Post has encountered many challenges regarding national missions and its operation. Thanks to the constant effort of all colleagues, Chunghwa Post again attains its operational goals in 2020. The operating results in 2020 and a summary of operational goals for 2021 are presented as follows:

[1] Based on the analysis of domestic and foreign economic situations done by the Committee of Research and Development, Ministry of Economic Affairs on December 31, 2020.

[2] Based on the statistics of national income and related press releases about the domestic economic prospect from the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan on February 20, 2021

[3] Based on the press release on January 27, 2021, from the National Development Council about the economy status in December 2020.

[4] Based on the same source as Note 2.

I. 2020 Operation Results

(I) Major Operation Items: Estimation and Execution

Operation Item	Unit	Result This Year	Estimation	Result Previous Year	Estimation Accomplished (%)	Increase over Previous Year (%)
Mail Operations	1000 pcs	1,955,522	1,945,166	2,061,379	100.53%	-5.14%
Philately	NT\$1000	625,663	610,956	550,991	102.41%	13.55%
Savings (Average daily balance)	NT\$100 million	63,850.36	65,971.00	62,741.72	96.79%	1.77%
Domestic Remittances (Amount of Request)	NT\$100 million	16,360.07	16,361.00	16,411.87	99.99%	-0.32%
Simple Life Insurance (Premium income)	NT\$100 million	1,185.02	1,310.00	1,277.94	90.46%	-7.27%
Agential Services (Amount of Request)	NT\$100 million	201.52	47.10	61.68	427.86%	226.72%

- Notes:
1. Compared with last year, there is a decrease in the number of mail pieces processed primarily because the government and larger clients are going paperless and because international mailing is affected by the pandemic, which leads air carriers to suspend some of their flights, in turn making all commercial airmails not deliverable temporarily.
 2. Compared with last year, there is a decrease in the number of remittances processed primarily because over-the-counter remittance or interbank transfer service, for one, is replaced by electronic services such as automated facilities, mobile payment and transfer, etc. and, for another, is impacted by the pandemic in terms of its trading amount.
 3. Compared with last year, the premium income of Simple Life Insurance decreases because the Financial Supervisory Commission has set an insurance threshold since July 1, 2020; terminating six types of insurance products, in turn reducing the premium income of new policies, and because many deposit insurance policies continue to mature this year and the amount of renewal premium declines.
 4. Compared with the same period last year, the total amount of agential services increases by 226.72% primarily because of the new business operation, redeeming and distributing triple stimulus vouchers.

(II) Capital Utilization

Postal capital utilization is institutionalized in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of Postal Simple Life Insurance Act. Below is the tabular presentation of the postal capital utilization as of the end of December 2020:

2020 Postal Capital Utilization

Unit: NT\$100 million

Item	As of the end of December of 2020	Percentage in Postal Capital (%)	As of the end of December of 2019	Increase/Decrease (%)
Demand deposits (including reserves against deposits in the Central Bank of the R.O.C. and the revolving funds in all branch offices.)	2,769	3.83%	2,681	3.28%
Time deposits (including time savings deposits)	20,585	28.45%	20,361	1.10%
Interbank Call Loans and Short Term Notes and Bills	17,767	24.54%	16,649	6.72%
Bonds (including government bonds, corporate bonds, and financial bonds)	19,818	27.39%	19,474	1.77%
Overseas Investment	9,693	13.40%	9,646	0.49%
Stocks and Mutual Funds (including investment outsourcing)	1,165	1.61%	1,216	-4.19%
Mortgage Loans on Certificates of Deposit, Insurance Policies and Real Estate.	442	0.61%	463	-4.54%
Real Estate Investment	114	0.16%	101	12.87%
Total	72,353	100%	70,591	2.50%

(III) Financial Status and Profitability Analysis

In fiscal year 2020, the total revenue (including operating revenue and non-operating revenue) amounted to NT\$244,667.63 million and the total expenditure (including operating costs, operating expenses and non-operating expenses) totaled NT\$229,607.68 million. Profit before tax was NT\$15,059.95 million, and the income tax payable was NT\$5,923.15 million, and the net profit was NT\$9,136.8 million, with an increase of NT\$200.02 million over the estimated NT\$8,936.78 million. The ROA (return on assets), ROE (return on equity) after tax, and net profit margin for the year were 0.12%, 4.49%, and 3.74% respectively.



(IV) Research and Development

The relevant business units of our company conducted analyses of financial situations and investigations on industrial dynamics and trends, both at home and abroad, on a regular and irregular basis, and compiled referential business reports for the benefit of operation. What follows is a list of major research developments in 2020 that deserves our mention:

1. Three hundred and fifty-seven (357) reports done regularly on the analyses of domestic and international financial situations.

- (1) Analytical reports on domestic and international macroeconomics (monthly)
- (2) Analytical reports on domestic fixed income market (weekly)
- (3) Analytical reports on domestic stock market (weekly)
- (4) Analytical reports on international investments (weekly and monthly)

2. One (1) sponsored research project by experts and academic institutions: Project of Risk Management Consulting Services for Chunghwa Post VISA Card

II. 2021 Outline of Operation Plan

(I) Strategy

By integrating Chunghwa Post's logistics, cash, and information flows, we aim to offer comprehensive and quality services of mails, savings and remittances, and insurance. By actively promoting digital transformations, we are pursuing the business objectives of smart logistics and digital finance. By enhancing the utilization of postal capital and revitalizing asset management to boost operational efficiency. By continuing to provide welfare services, we fulfill our corporate social responsibility.

(II) Policy

1. Related to Implementing Government Policies

- (1) To be in line with economic policies, supporting the government's major public construction projects and the investment plans of the private sectors.
- (2) To be in line with financial policies, popularizing mobile payment, increasing the ratio of electronic payment, developing diverse financial services that meet people's needs, and promoting inclusive finance.
- (3) To be in line with cross-strait policies, enhancing the interaction and cooperation so as to offer convenient services to people.
- (4) To be in line with the asset policies, enhancing asset management and utilization to enlarge operational capacity.
- (5) To be in line with national policies, promoting the exchange and cooperation with the postal businesses in various countries.

2. Related to Management

- (1) Vie for relaxing regulations, re-integrate resources of postal service, and diversify products so as to offer comprehensive and quality mails, savings and remittances, and insurance services.
- (2) Develop service of smart logistics to broaden the scope of postal service, create demand for EMS, parcel and package delivery, and gain greater advantage to Chunghwa Post's operation.
- (3) Promote the transition into financial technology and provide an O2O service in response to the digitalization of financial services.

- (4) Allocate assets properly, enhance the effectiveness of capital utilization, activate asset utilization, and promote the effectiveness of such developments.
- (5) Make good use of our information technology, enhance information security, improve the operating procedures, and strengthen the overall effectiveness of our service.
- (6) Enhance management of human resources and actively nurture talent to improve competitiveness.
- (7) Enhance corporate governance, optimize the financial structure, and improve the risk management.
- (8) Gradually replace the current vehicles with electric ones to be in line with the government's green policies.
- (9) Actively advocate for various charitable activities, continue organizing events for the elderly, take social responsibility, and create a positive corporate image.

3. Related to Coordinating Supply and Demand

- (1) To enhance service quality and work effectiveness, relocating and renovating branch offices, improving facilities, and creating a bright, comfortable and friendly postal environment for clients.
- (2) To enhance operational efficiency, expanding information appliances and upgrading operating systems to meet clients' diverse needs.
- (3) To promote postal transformations and to develop smart logistics, constructing a postal logistics park, offering supporting services for related businesses, and strengthening our corporate competitiveness.
- (4) In response to the trend of Internet economy, constructing a public platform and network of comprehensive cross-border logistics, internally accelerating the transformation of traditional mail services and externally facilitating the expansion of local enterprises into global market.

(III) Operation Goals

- 1. Mail:** Estimated to handle 1 billion 871.92 million pieces.
- 2. Philately:** Estimated to have a revenue of NT\$548.77 million.
- 3. Savings:** Estimated to have an average daily balance of NT\$6,603.4 billion year-round.
- 4. Remittances:** Estimated to process a total amount of NT\$1,403.9 billion year-round.
- 5. Simple Life Insurance:** Estimated to have a premium income amounting to NT\$128 billion in total year-round.
- 6. Agential Services:** Estimated to process a total amount of NT\$5 billion 439 million year-round.

(IV) Surplus Goal

It is estimated to generate a profit before tax of NT\$11 billion 279.75 million.