



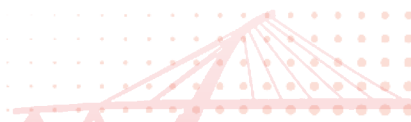
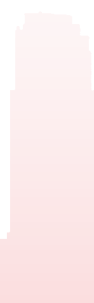
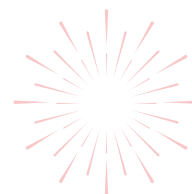
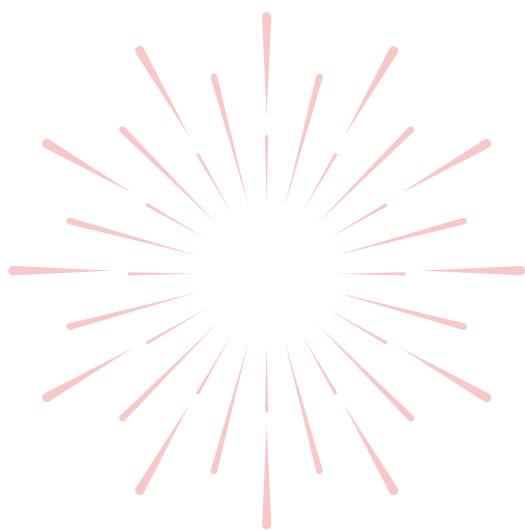
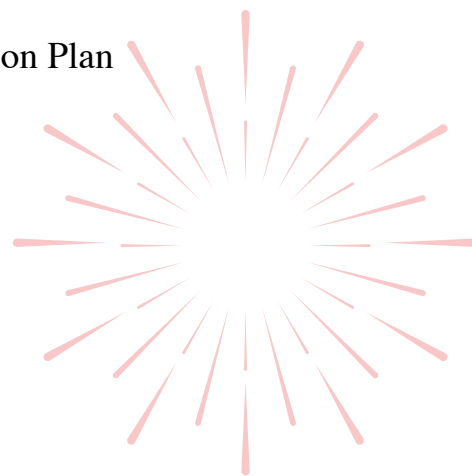
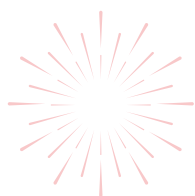
II

Business Report



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President

Chiang, Jui-Tang



Reflecting on the year 2022, the global economy has experienced the Russia-Ukraine war, inflationary pressures, coupled with the contractionary monetary policies of major economies, leading to quarterly declines¹ in economic growth. Domestically, the economy grew by 2.45% in 2022, and the monitoring indicator in December continued to show a blue light. Both leading and coincident indicators continued to fall, but the decline in the leading indicator has been narrowing, and we must closely monitor subsequent economic changes. Looking forward to 2023, under the influence of contractionary policies around the globe to fight inflation and the stalemate of the Russia-Ukraine war, global economic growth will slow down; domestic and foreign semiconductor supply chains continue to invest in Taiwan, plus green energy investments and the three major investment plans for Taiwan continue, and the government has increased its public construction budget, all of which will help support domestic investment momentum^{2, 3}. The Directorate-General of Budget, Accounting, and Statistics of the Executive Yuan predicts economic growth of 2.12%⁴ in 2023.

In the post-pandemic era, Chunghwa Post is adapting to evolving lifestyle and emerging technology trends by providing an array of financial services that are not only diverse but also convenient and user-friendly. We are keeping pace with the current digital era, actively promoting digital transformation, intelligent logistics, and consistent asset management. We are also committed to aligning our actions with international ESG sustainable development trends. These concerted efforts are all aimed at fostering the company's sustainable development potential and bolstering its digital competitiveness."

In the face of a severe and changing external environment, Chunghwa Post bears policy-related tasks, and the operation is challenging. However, under the diligent efforts of all postal colleagues to promote various businesses, we achieved our operational goals in 2022. We would like to explain the company's business results in 2022 and the summary of the business plan for 2023 as follows:

[1] According to the economic situation overview data from the Department of Statistics, Ministry of Economic Affairs on February 2, 2023.

[2] According to the press release of the national income statistics and domestic economic outlook by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan on February 22, 2023.

[3] According to the press release of the economic situation in December of 2022 by the National Development Commission on February 3, 2023

[4] Same as the above footnote 2.



Business Report

I. 2022 Operation Results

(I) Major Operation Items: Budget Estimation and Execution

Items	Units	Result This Year	Estimation	Result Previous Year	Estimation Accomplished (%)	Increase over Previous Year (%)
Mail Operations	1000pcs	1,897,035	1,797,739	1,892,355	105.52%	0.25%
Philately	NT\$1000	626,587	558,765	616,720	112.14%	1.60%
Savings (Average daily balance)	NT\$100 million	67,982.15	67,427.63	65,532.09	100.82%	3.74%
Domestic Remittances (Total amount)	NT\$100 million	15,940.95	14,545.00	16,420.54	109.60%	-2.92%
Simple Life Insurance (Premium income)	NT\$100 million	840.45	821.00	991.78	102.37%	-15.26%
Agential Services (Total amount)	NT\$100 million	63.25	45.68	82.71	138.46%	-23.53%

- Notes:
1. The income from remittances slightly decreased compared with the previous year. The main reason is that in recent years, online transactions and mobile payment transfers and other electronic payment services have gradually replaced over-the-counter postal money orders, postal account remittances, and inter-bank remittances. Coupled with the impact of the Covid-19 pandemic on over-the-counter transactions, the volume of remittance business has been affected.
 2. The premium income from the Simple Life Insurance business decreased compared with the previous year. This is primarily due to our phased-out best-selling, savings-oriented insurance products. As these policies gradually reach their expiration and their payment periods conclude, our renewal premium income has correspondingly decreased.
 3. The agential business primarily declined due to a significant reduction in the nationwide redemption of non-routine and policy-related stimulus vouchers compared to the previous year. Furthermore, a steep decrease in the influx of mainland tourists to Taiwan resulted in a drop in the volume of ATM transactions conducted with UnionPay cards from the mainland. Adding to these factors, due to the impact of the Russia-Ukraine conflict and the pandemic, FedEx and DHL had temporarily ceased accepting international express parcels bound for Ukraine and Russia.

(II) The Use of Funds

The use of postal funds has been legalized and is handled in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of Postal Simple Life Insurance Act. The details of the use of postal funds as of the end of December in 2022 are as follows:

2022 Postal Capital Utilization

Unit : NT\$100 million

Item	As of the End of December of 2022	Percentage in Postal Capital (%)	As of the End of December of 2021	Increase/Decrease (%)
Demand Deposits (including reserves against deposits in the Central Bank of the ROC and the revolving funds in all branch offices)	3,145	4.04%	2,895	8.64%
Time deposits (including time savings deposits)	25,439	32.69%	20,539	23.86%
Interbank Call Loans and Short Term Notes and Bills	13,242	17.01%	17,726	-25.30%
Bonds (including government bonds, corporate bonds, and financial bonds)	22,065	28.36%	20,882	5.67%
Overseas Investment	11,607	14.92%	10,276	12.95%
Stocks and Mutual Funds (including investment outsourcing)	1,821	2.34%	1,613	12.90%
Mortgage loans on Certificates of Deposit, Insurance Policies and Real Estate	358	0.46%	399	-10.28%
Real Estate Investment	138	0.18%	122	13.11%
Total	77,815	100%	74,452	4.52%

(III) Financial Status and Profitability Analysis

In fiscal of 2022, the total revenue (including operating revenue and non-operating revenue) was NT\$233,402.48 million, total operating expenditure (including operating costs, operating expenses, and

non-operating expenses) were NT\$221,894.62 million, pre-tax net profit was NT\$11,507.86 million, income tax payable was NT\$ 8,125.72 million, net profit for the current period was NT\$19,633.58 million, an increase of NT\$11,028.91 million over the estimated NT\$8,604.67 million. The return on assets after tax for this year was 0.25%, return on net value after tax was 9.26%, and the net profit margin was 8.45%.

(IV) Research and Development Status

Our company's relevant business units regularly and irregularly research, analyze, and discuss domestic and foreign financial situations, and industry trends on a periodical and non-periodical basis. We also compile various business-specific research for business reference. Notable research advancements in 2022 are as follows:

We've conducted 346 regular domestic and foreign financial situation research analyses.

1. Domestic and foreign macroeconomic analysis report (monthly report).
2. Domestic fixed income market research and analysis report (weekly report).
3. Domestic stock market research and analysis report (weekly report).
4. Foreign investment research and analysis report (weekly and monthly report).

II. 2023 Outline of Operation Plan

(I) Strategy

Integrate postal logistics, cash flow, and information flow functions to provide universal high-quality mail services, savings, and life insurance services; develop intelligent logistics, e-commerce, and digital finance to expand the business niche and promote inclusive finance; improve the utilization of postal funds, activate asset management, and enhance operational efficiency.

(II) Policy

1. On executing government policies:

- (1) Support major public construction and private investment plans to promote economic vitality in line with economic policies.
- (2) Promote the popularization of mobile payments, expand diversified financial services, and promote inclusive and sustainable finance in line with financial policies.
- (3) Strengthen business exchanges and cooperation, provide convenient postal services to the public in line with cross-strait policies.
- (4) Activate asset management, strengthen development benefits, and increase revenue in line with asset policies.
- (5) Strengthen business exchanges and cooperation with postal administrations in various countries in line with national policies.

2. Regarding business management:

- (1) Vie for deregulation, integrate postal resources, develop postal savings and life insurance businesses, and provide universal, high-quality services.
- (2) Develop intelligent logistics services, expand postal services to drive demand for express mail, parcel, and small package delivery so as to expand business niches.



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- (3) Respond to the digitization of financial services, promote fintech, and provide integrated online and offline services.
- (4) Properly plan asset allocation, improve fund utilization, activate asset management, and improve development benefits.
- (5) Make good use of digital technology, strengthen information security, improve workflow, and improve service efficiency.
- (6) Strengthen human resource management, actively cultivate diverse talents, and enhance business competitiveness.
- (7) Strengthen corporate governance, improve financial structure, and enhance risk control capabilities.
- (8) Introduce electric vehicle initiatives to gradually phase out current fuel motorcycles, thereby promoting green logistics and supporting energy conservation, carbon reduction, and environmental sustainability.
- (9) Actively promote various public welfare activities, continue to organize postal sports events for the elderly and care for the elderly living alone, fulfill social responsibilities, and create a high-quality corporate image.

3. About supply and demand matching:

- (1) To improve service quality and operational efficiency, actively purchase, beautify post offices, improve service facilities, and create a bright, comfortable, and friendly mailing environment.
- (2) To enhance operational efficiency, expand information equipment and system functions to meet diverse customer needs.
- (3) Promote transformation of mail services, develop intelligent logistics, establish postal logistics parks, provide industry support services, and strengthen corporate competitiveness.
- (4) Respond to the trend of internet economy, construct a comprehensive cross-border logistics public service platform and system, drive the transformation and development of traditional mail services internally, and support domestic industries to expand international markets externally.

(III) Operational Goals

- 1. Mail business:** An estimated 1,743.11 million pieces of mail items to be collected and sent.
- 2. Philatelic business:** An estimated revenue of NT\$568.9 million from philately.
- 3. Savings business:** An average daily balance of NT\$6,810,000 million is expected for the whole year.
- 4. Exchange business:** An estimated annual turnover of NT\$1,548,800 million.
- 5. Simple life insurance business:** An estimated annual premium income of NT\$84,656 million.
- 6. Agency business:** An estimated annual agency turnover of NT\$ 5,473 million.

(IV) Profit Goals

An estimated pre-tax net profit of NT\$11,096.59 million.