



兆豐金控
Mega Holdings

Bloom in Asia; Peak in Decade

Investor/Analyst Briefing

3Q/2017 (V.1)

Renew from the Heart

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED SEPT 30, 2017 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC WILL FILE ITS AUDITED FINANCIAL STATEMENTS THROUGH TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON NOV 30, 2017.

These materials are not an offer for sale of securities in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

Agenda



Operation Highlights



Financial Performance



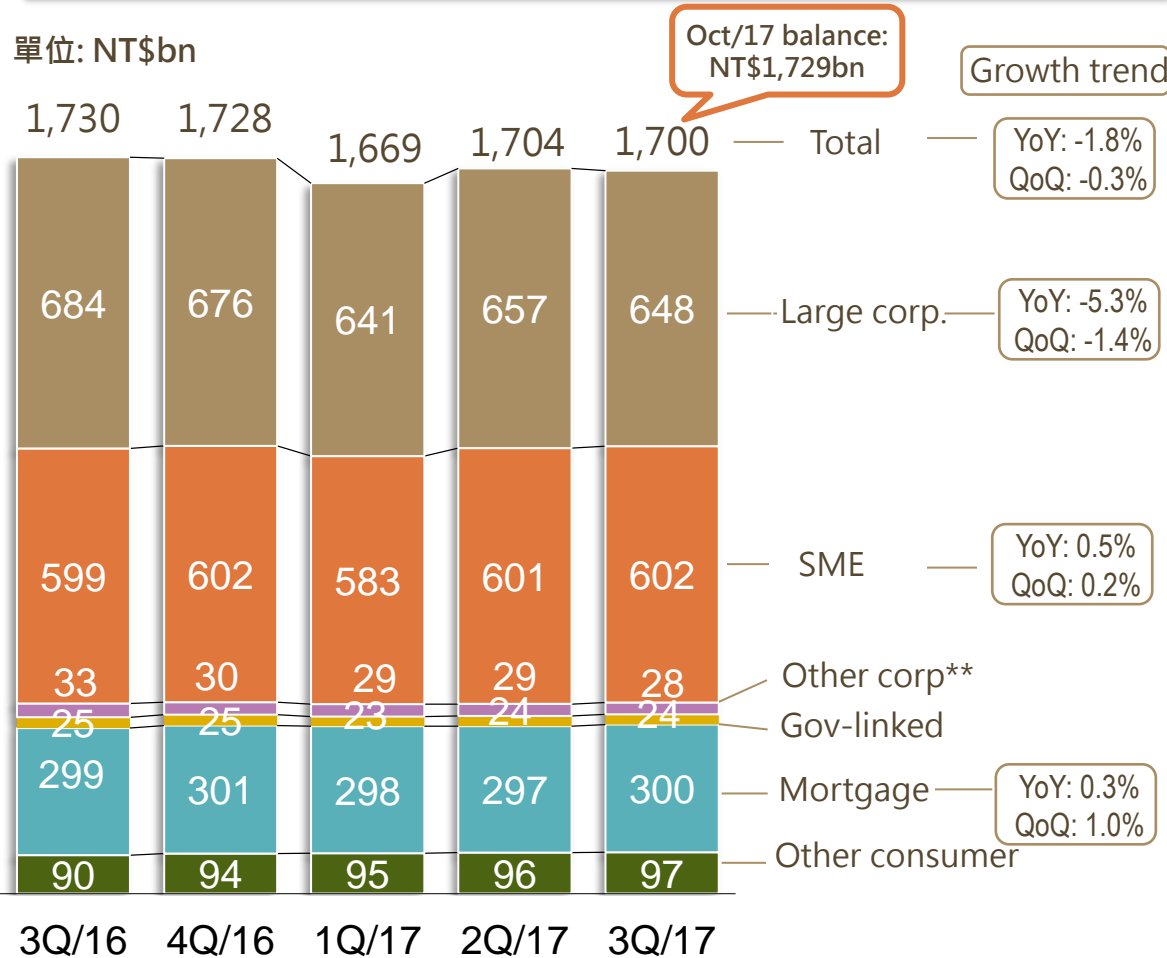
Appendix



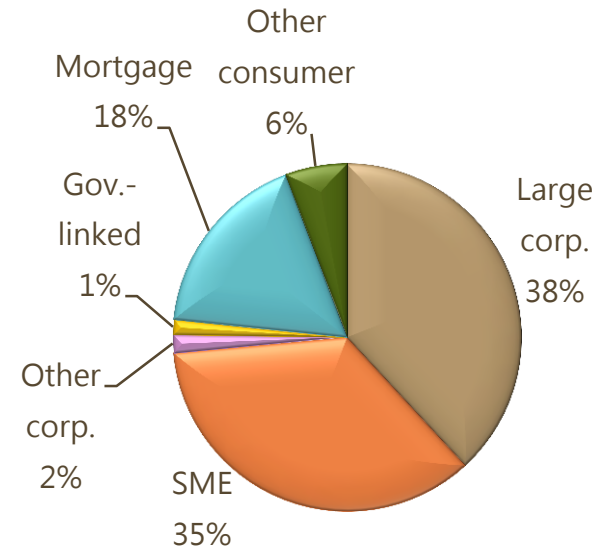
Loan was flat but Oct/2017 number outperformed; 4Q/2017 looks promising

Mega Bank quarterly loan balance*

單位: NT\$bn



Mega Bank 3Q/17 loan breakdown



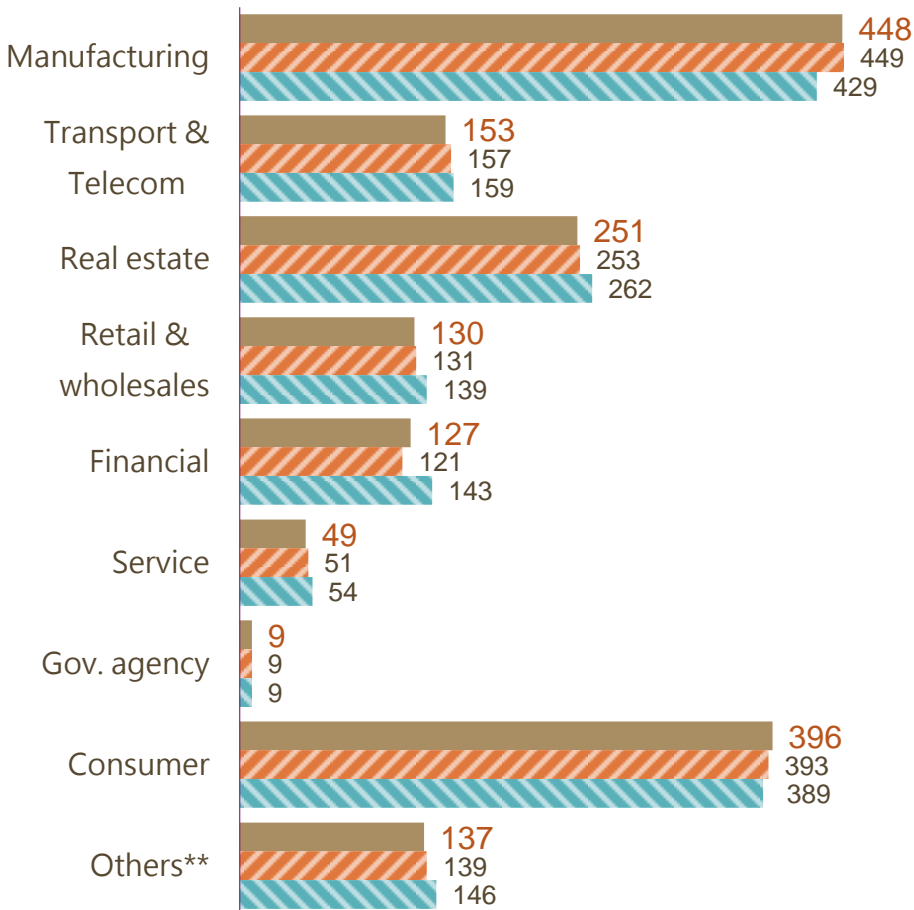
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** Includes Gov-linked Non-Profit Organization and etc.

Financial and consumer industries loans were up

Mega Bank loan balance trend by industry*

Unit: NT\$BN ■ 3Q/17 ▨ 2Q/17 ■ 3Q/16



Growth trend

YoY: 4.4%
QoQ: -0.2%

YoY: -3.8%
QoQ: -2.5%

YoY: -4.2%
QoQ: -0.8%

YoY: -6.5%
QoQ: -0.8%

YoY: -11.2%
QoQ: 5.0%

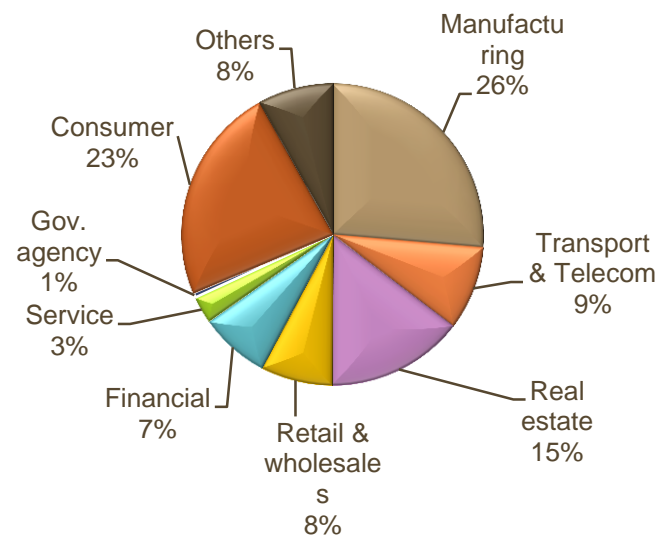
YoY: -9.3%
QoQ: -3.9%

YoY: 0%
QoQ: 0%

YoY: 1.8%
QoQ: 0.8%

YoY: -6.2%
QoQ: -0.4%**

3Q/17 loan breakdown by industry*



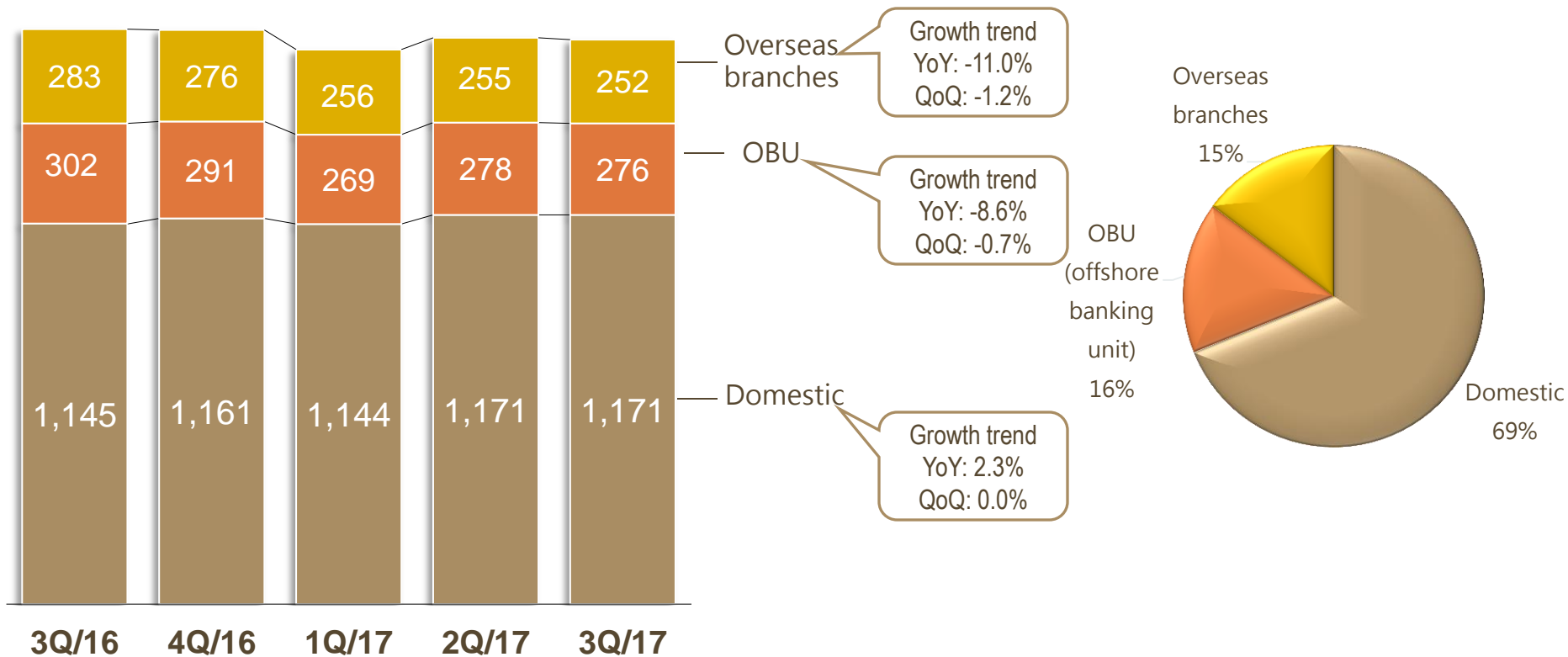
* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** Main component for "Other Industry": leisure (hotel & restaurant) industry

Domestic/overseas loan mix saw little changes

Mega Bank 3Q/17 loan breakdown by regions *

單位: NT\$bn



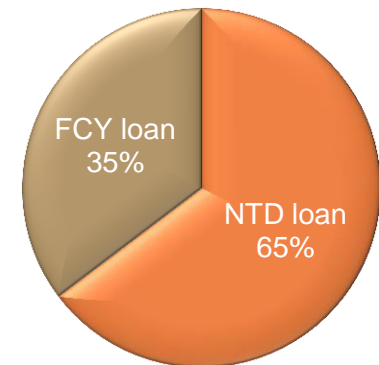
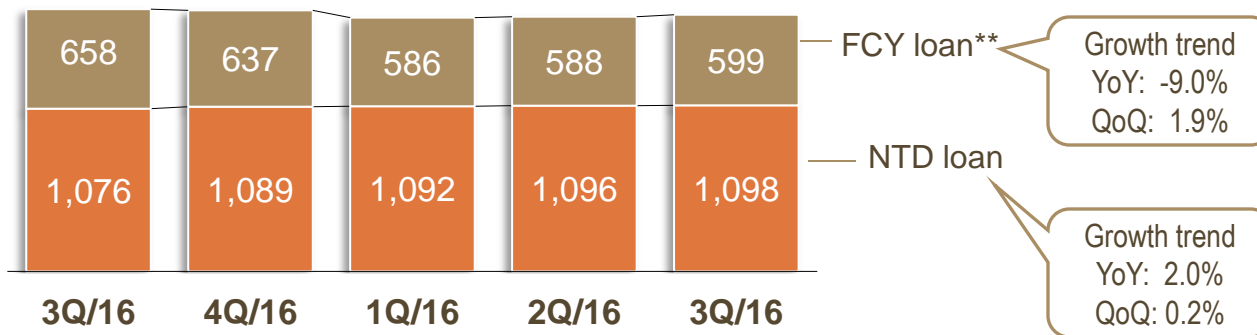
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

Foreign currency loan demand stabilized

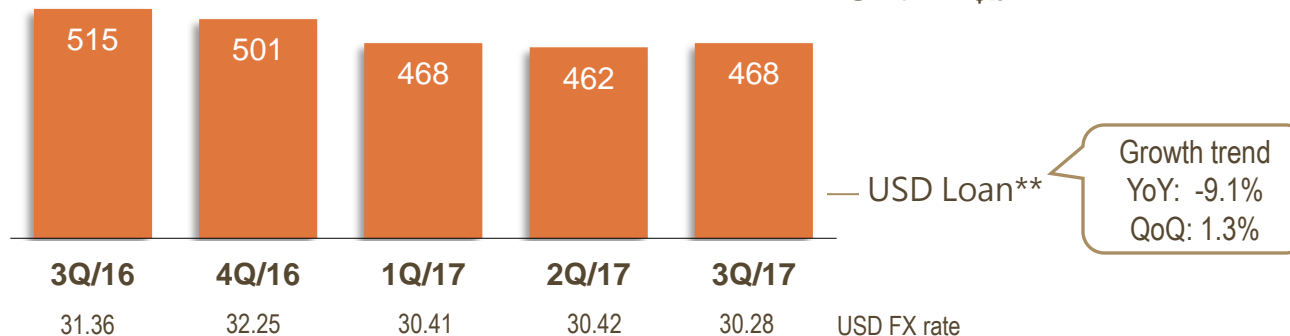
Mega Bank 3Q/17 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$bn

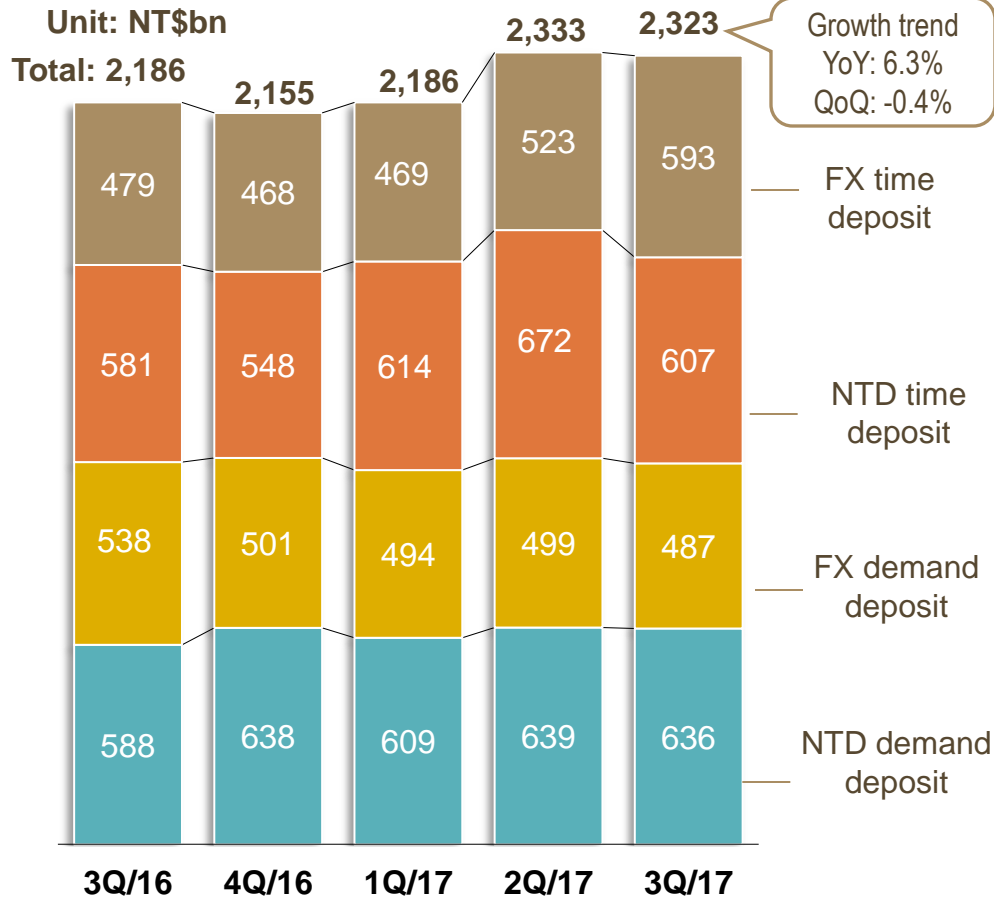


* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

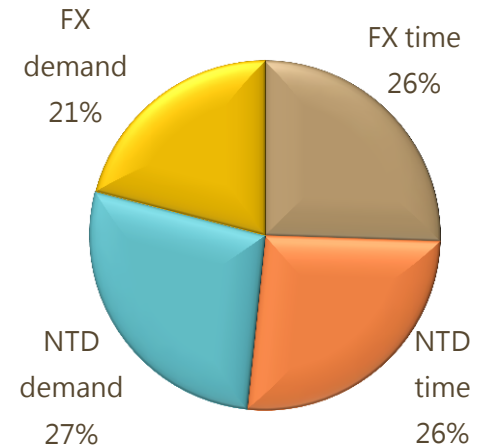
** Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

Deposit campaign target met; deposit growth stabilized

Mega Bank deposit balance *



Mega Bank 3Q/17 deposit breakdown

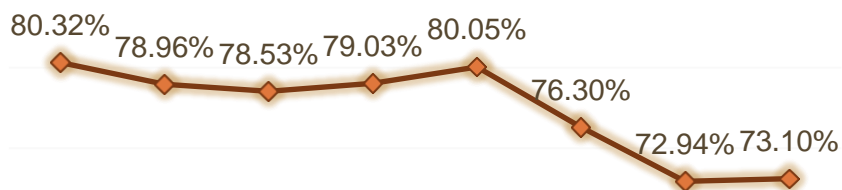


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

** Includes retail and corporate deposit but excludes due from central banks and banks

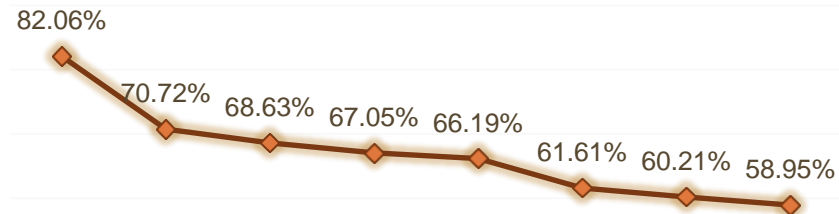
Total LDR inched up

Mega Bank's total LDR*



4Q/15 1Q/16 2Q/16 3Q/16 4Q/16 1Q/17 2Q/17 3Q/17

Mega Bank's USD LDR*



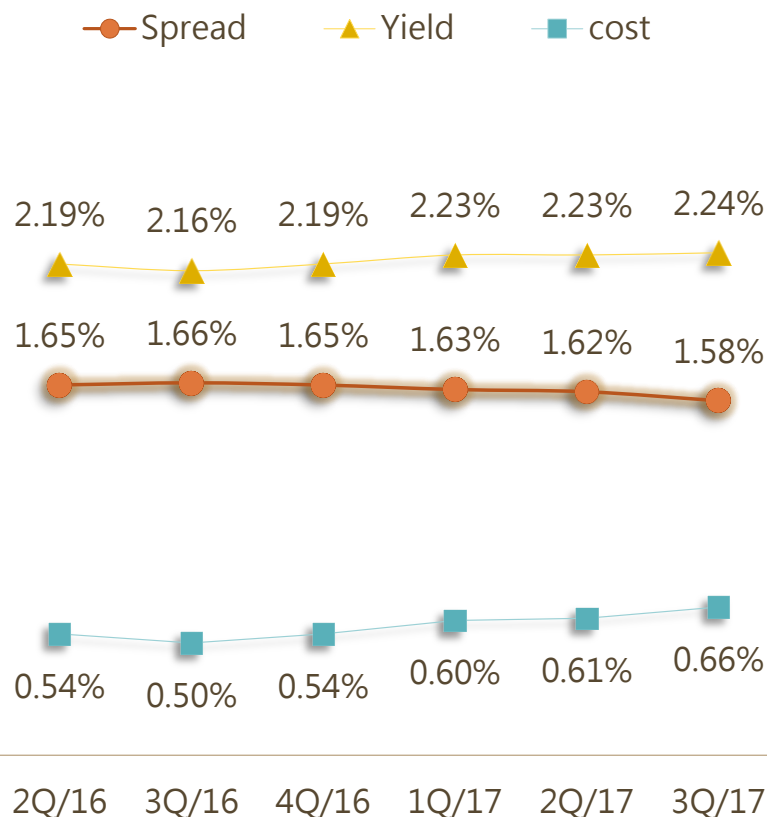
4Q/15 1Q/16 2Q/16 3Q/16 4Q/16 1Q/17 2Q/17 3Q/17

* LDR calculation is based on loan/deposit end balance

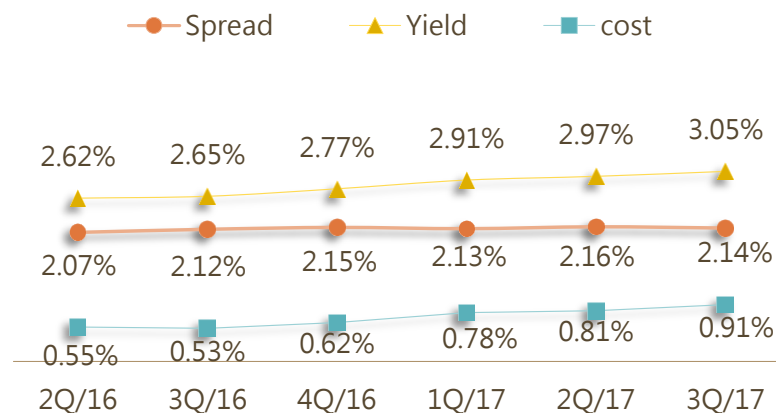
** USD LDR calculation is based on average loan/deposit balance of that quarter

Overseas yield/cost increased simultaneously; domestic yield slide due to competition

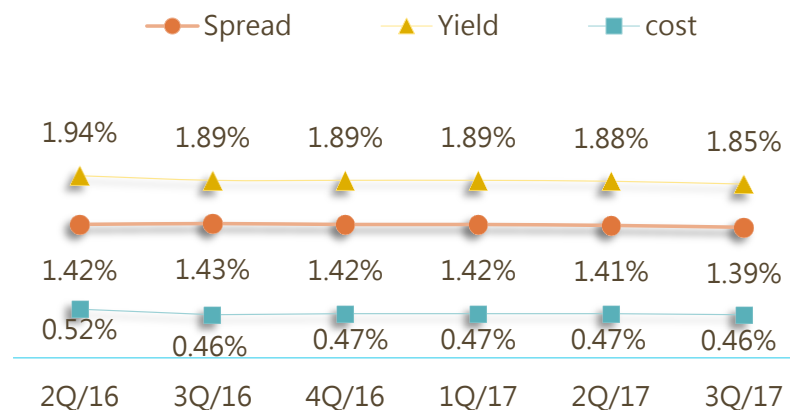
Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*

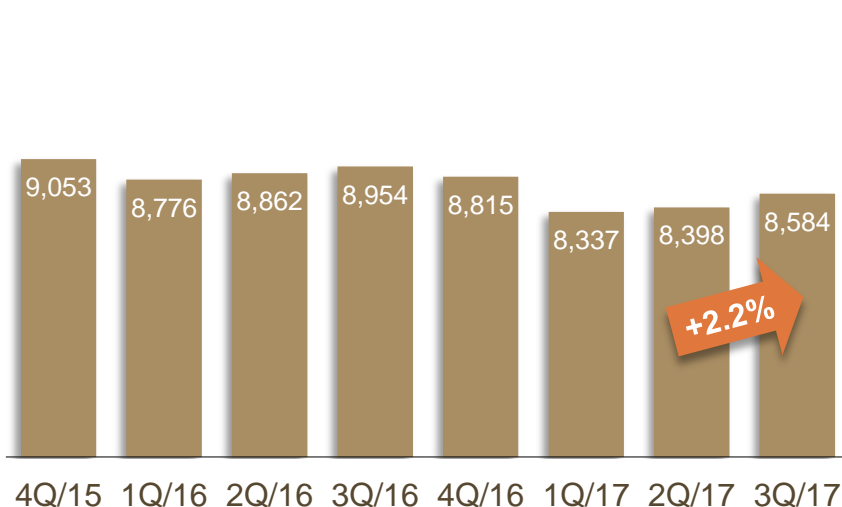


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

NII was up 2.2% QoQ; interest earning assets jumped 4.5% QoQ; both highest in 2 years

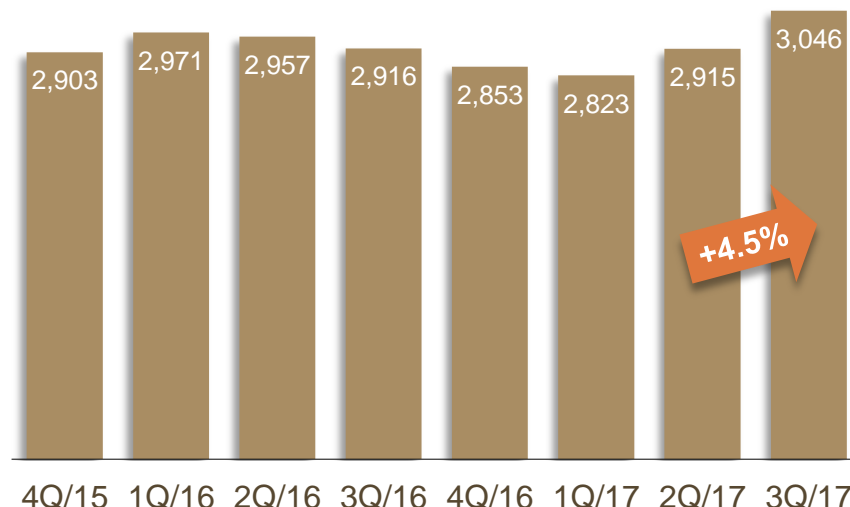
Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion

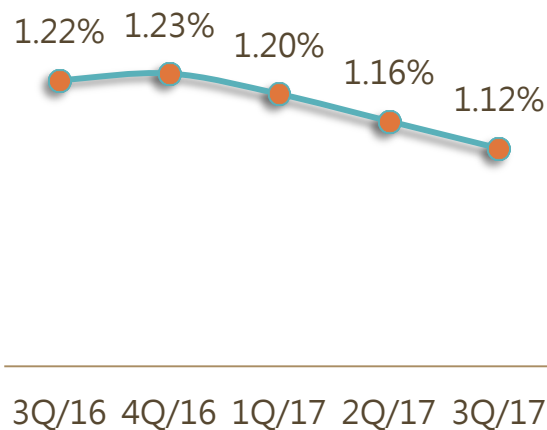


* Stand-alone un-audited P&L net interest income

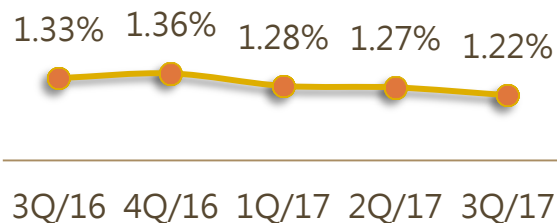
** Quarterly average interest earning assets

NIM pressure continued

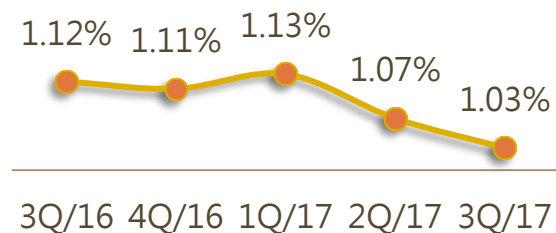
Mega Bank quarterly Total NIM*



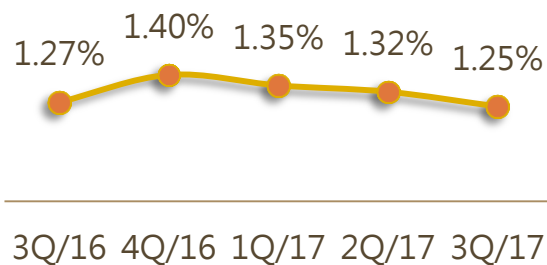
Mega Bank quarterly FCY NIM*



Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM*

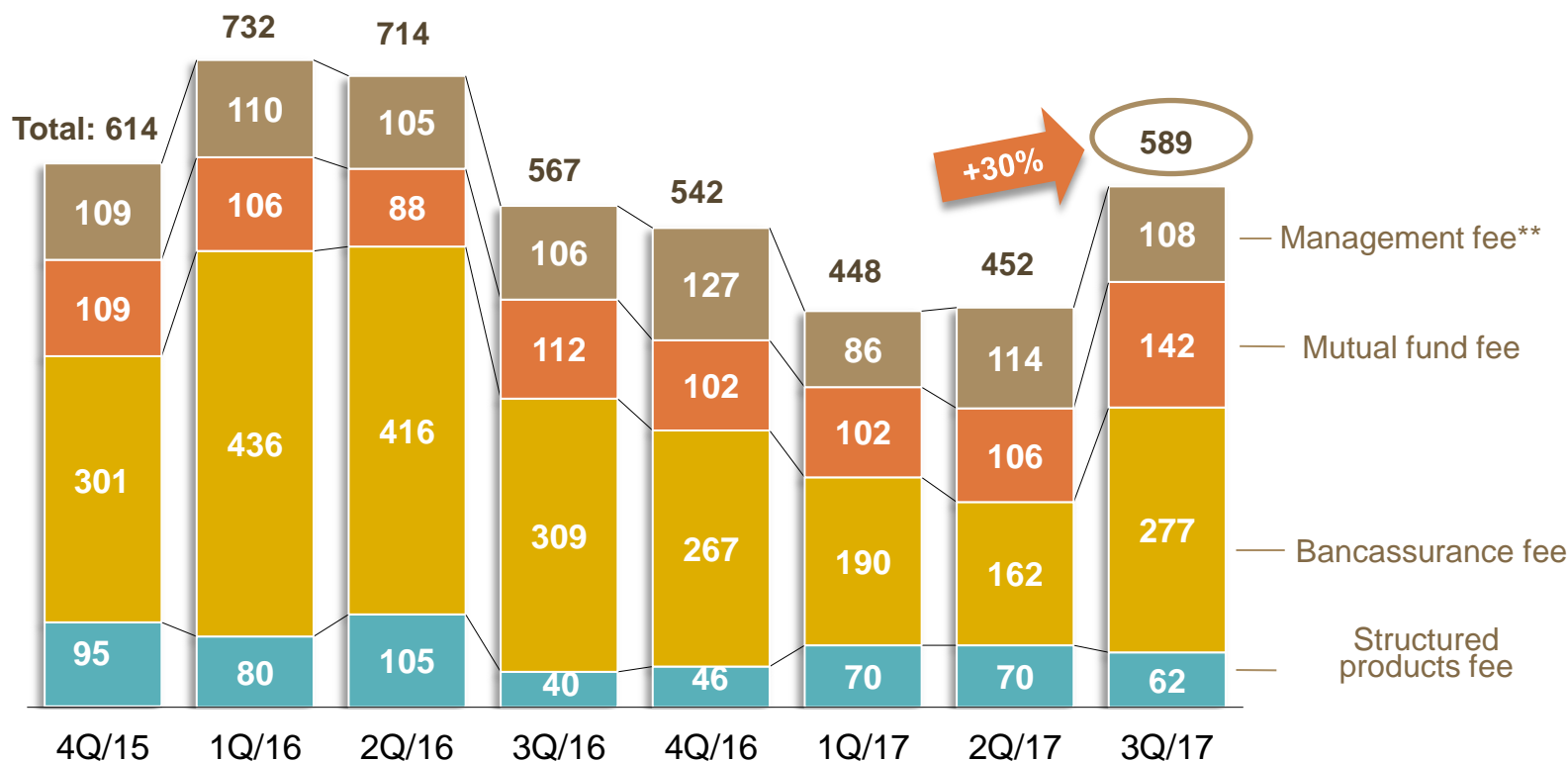


* NIM = annualized net interest income / average interest earning assets of that quarter.

WM fee pushed up 30% QoQ; driven by stronger bancassurance and mutual fund sales fee

Mega Bank wealth management gross fee breakdown*

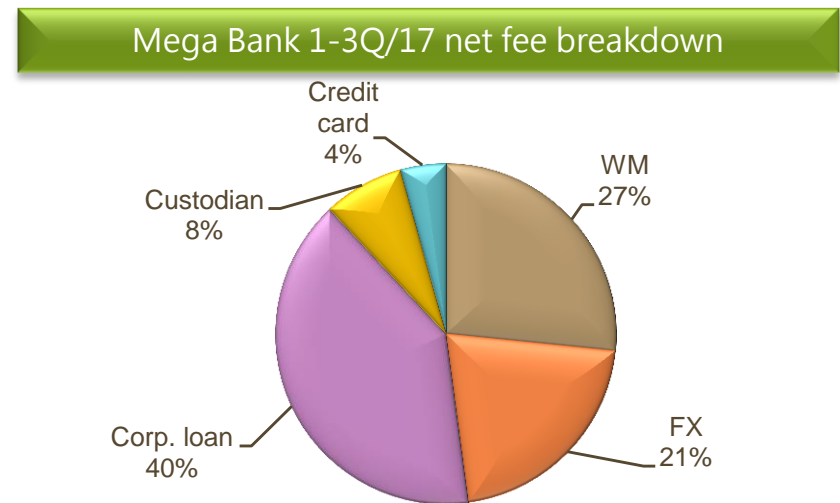
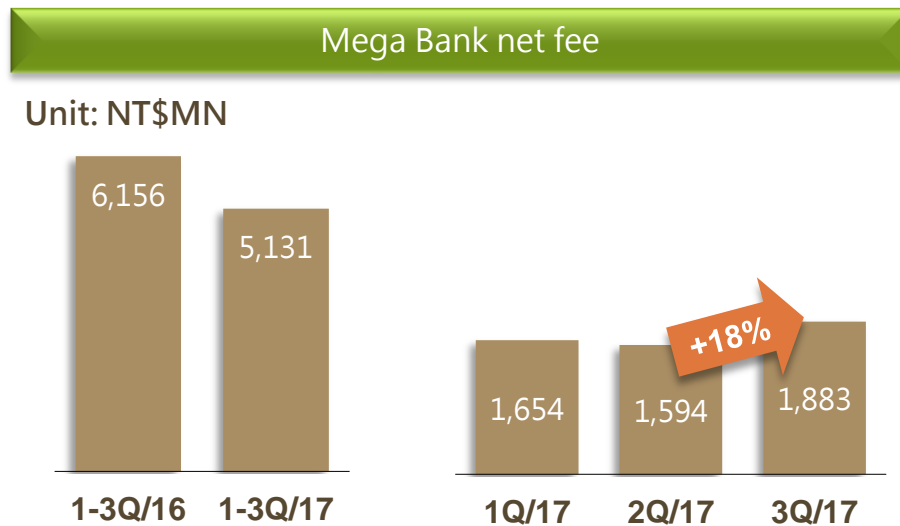
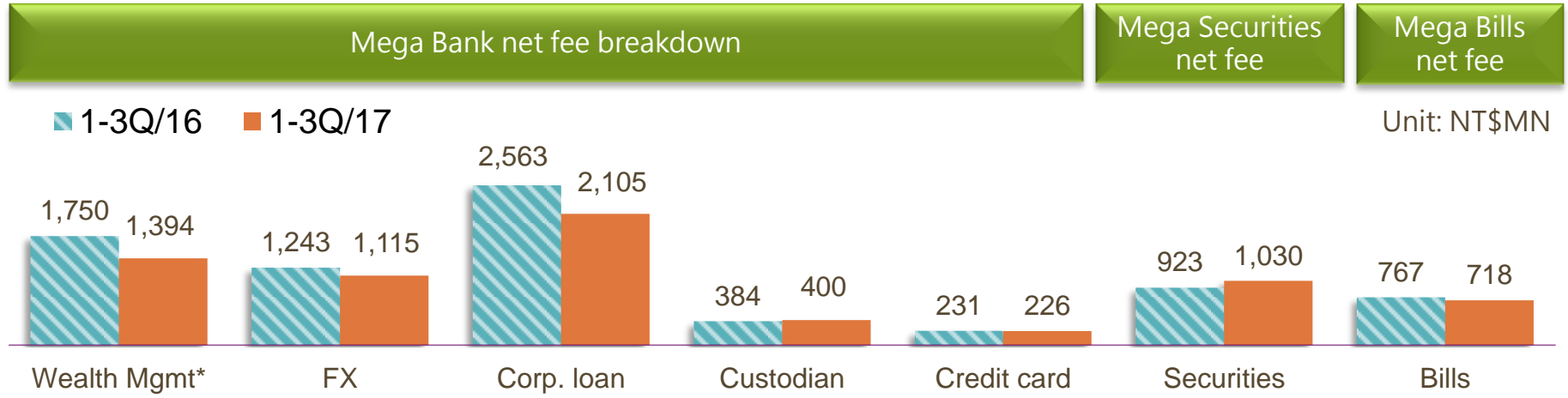
單位: NT\$MN



* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

** Profit sharing scheme of fund mgmt fee and trust account mgmt fee.

1-3Q/17 Mega Bank net fee decline narrowed; 3Q/17 was up 18% QoQ

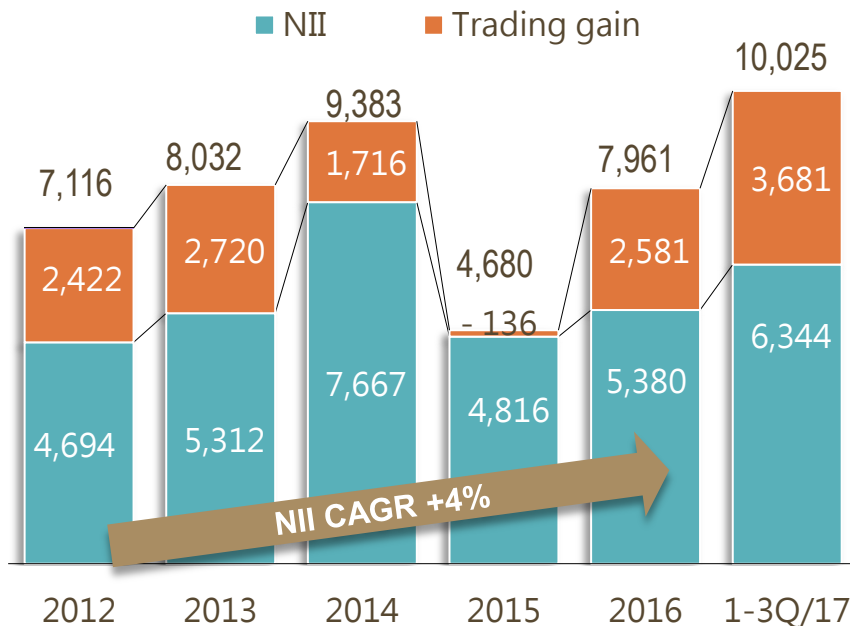


* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

1-3Q/2017 strong financial market revenue helped off-set declines from other revenue items

Mega Bank financial market net revenue*

Unit: NT\$mn



Past

- 2012~2016 NII CAGR was 4%.
- 2012~2016 trading gain showed relative stability.

Present

- Professional financial market trading team and platform, managing inter-banking assets and fixed income portfolio, to generate stable and consistent NII and trading gain to enhance the revenue of the bank.
- 1-3Q/17 strong financial market revenue helped off-set declines from other revenue items.

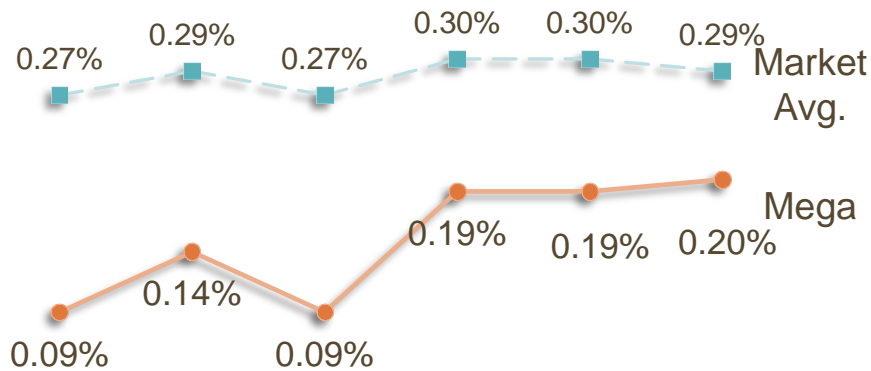
Future

- Opportunity: US rate hike could help pushed the USD NII higher.
- Risk: Black Swan events could compromise the performance of the trading gain.

* 1-3Q/17 are annualized numbers; they include NII and trading gain generated from the financial market.

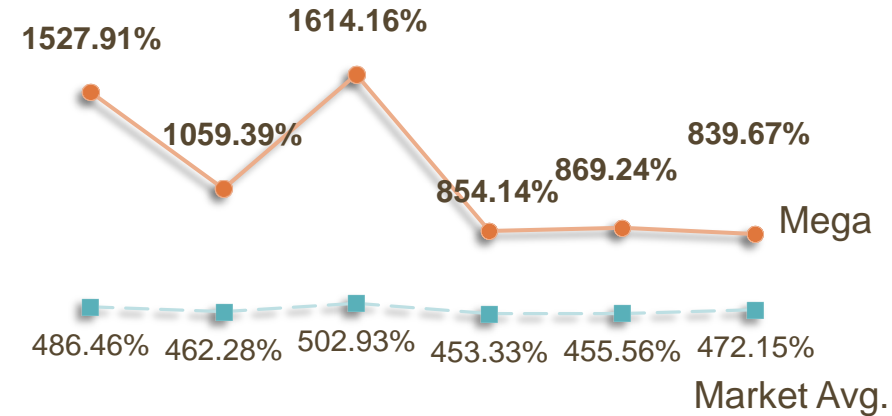
NPL ratio remained low; reserved climbed higher

Mega Bank NPL balance & NPL ratio*

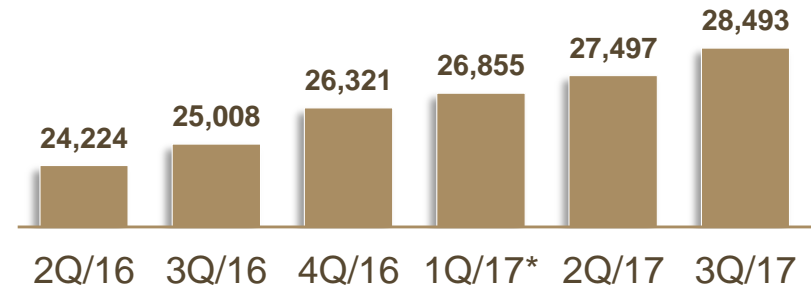
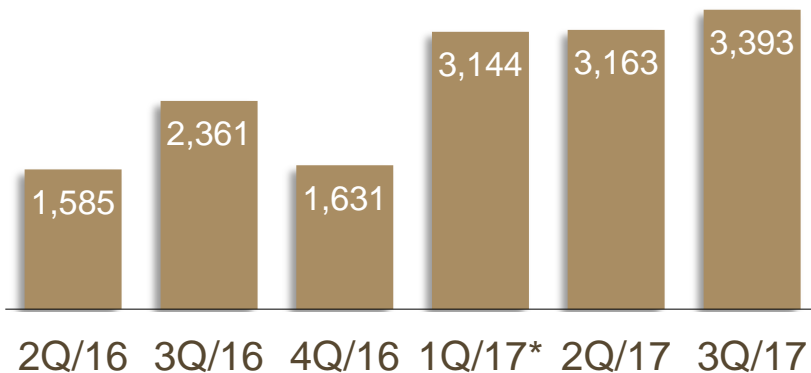


Unit: NT\$MN

Mega Bank loan loss reserved and coverage ratio



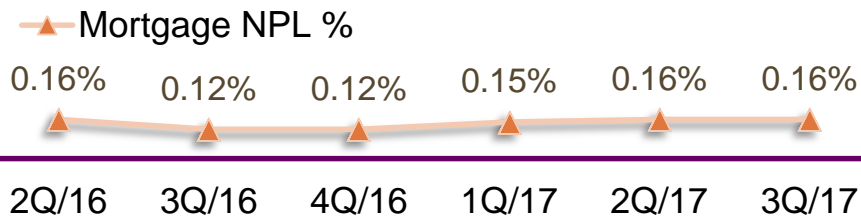
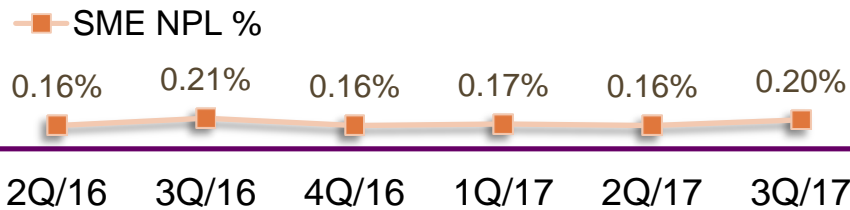
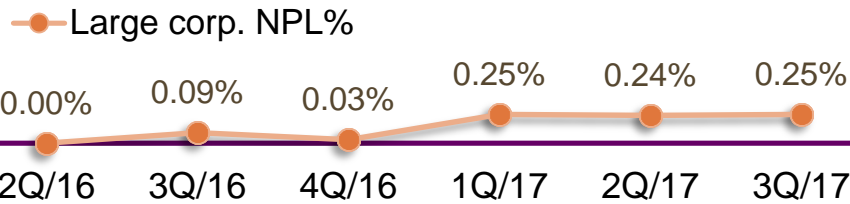
Unit: NT\$MN



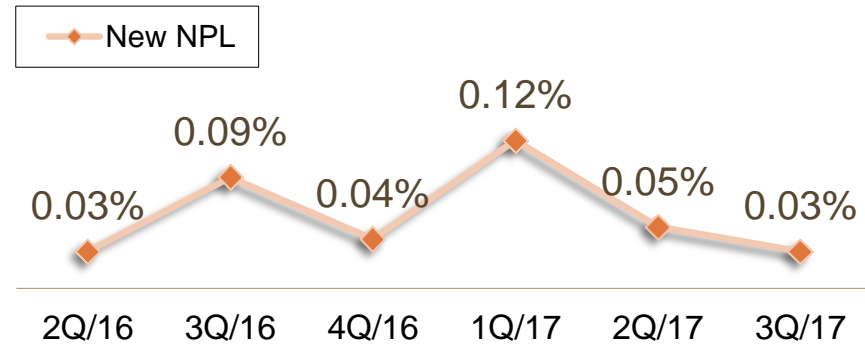
* 1Q/17 number includes TransAsia Airline NPL NT\$1.5bn

New NPL formation remained low

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

** Annualized new NPL balance / total loan. Mega Bank Internal number. 1Q/17 number includes TransAsia Airline NPL NT\$1.5bn.

Agenda



Operation Highlights



Financial Performance



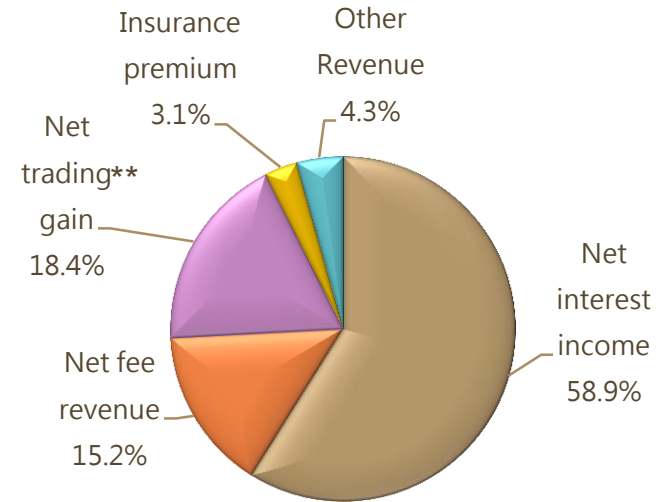
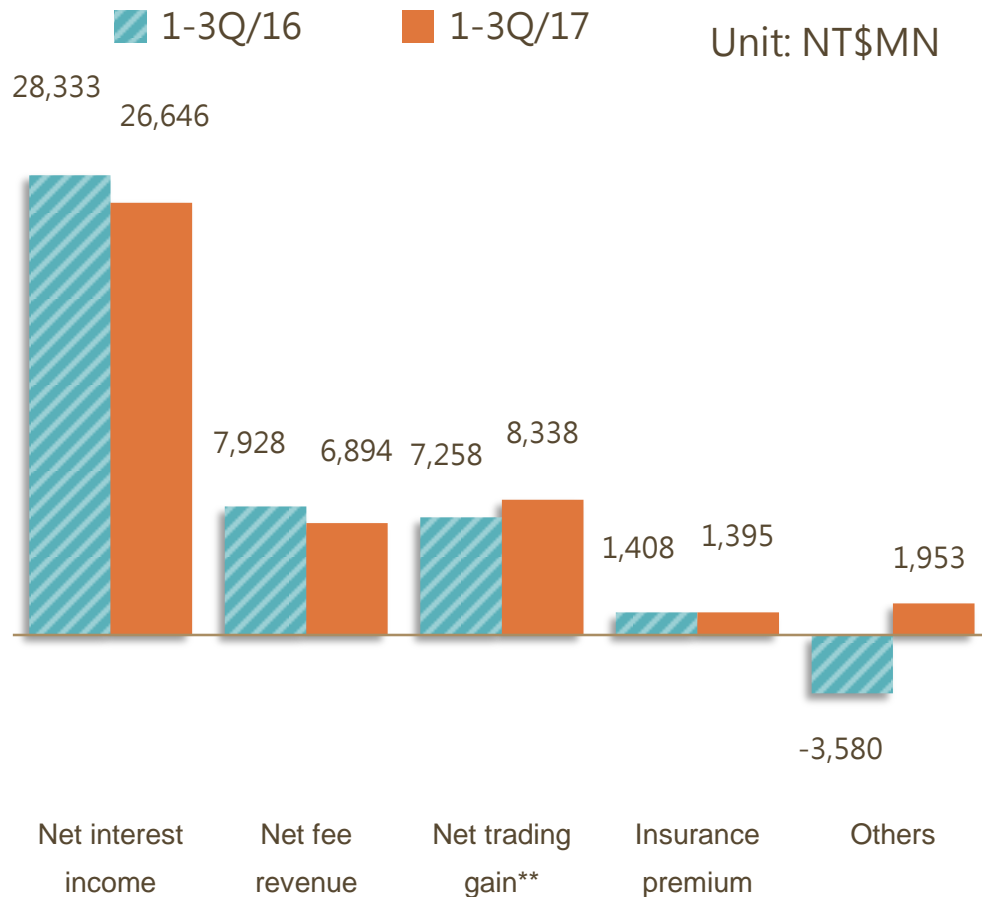
Appendix



Strong trading gain helped offset declines from others

Mega Group consolidated net revenue *

Mega Group 1-3Q/17 net revenue breakdown



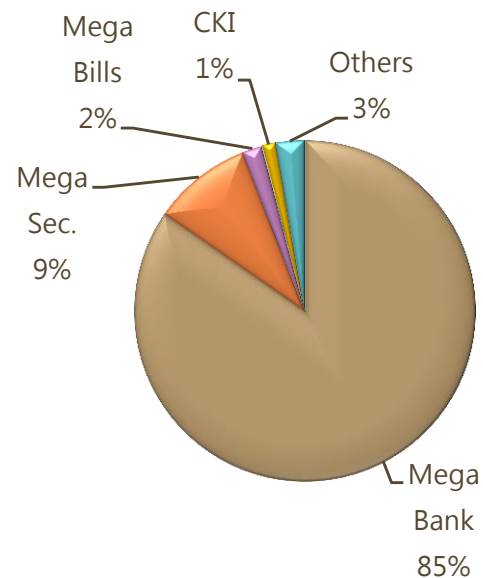
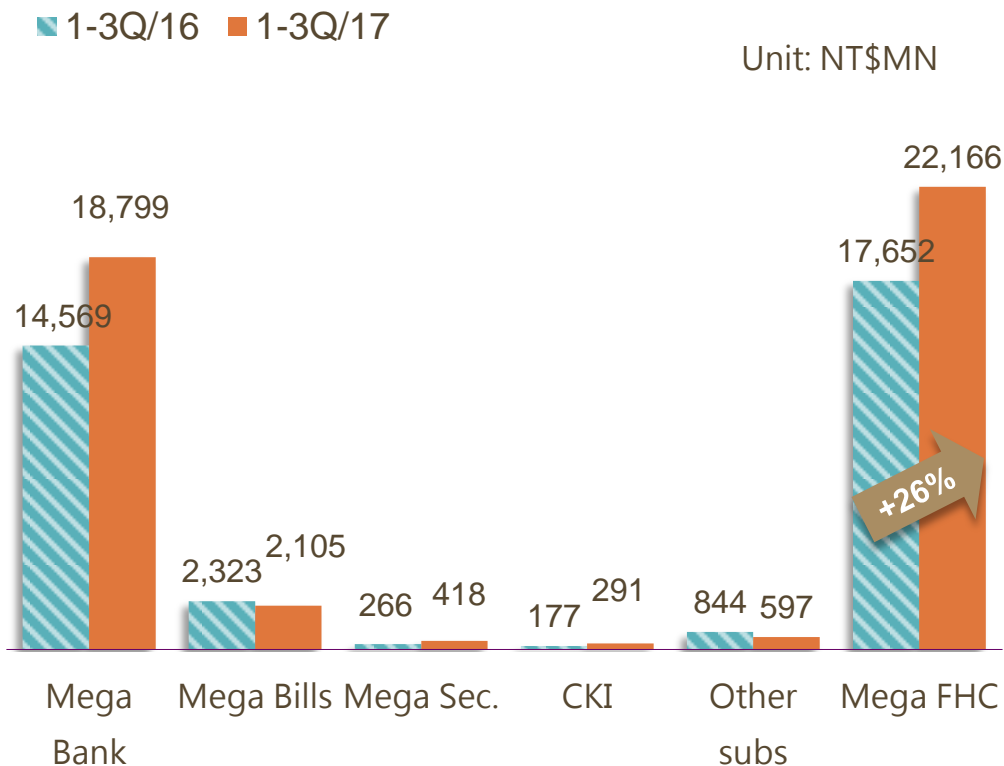
* Un-audited figures.

** Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

Mega FHC earning was up 26% YoY

Mega FHC & Sub. 1-3Q/17 earning trend

Mega FHC 1-3Q/17 earning contribution breakdown



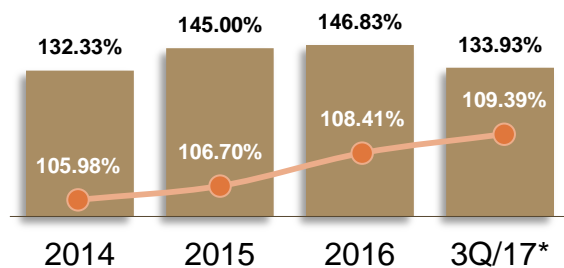
* 1-3Q/17 are un-audited numbers

Strong tier-1 capital ratio of 12.36%

Mega FHC

Moody's: A3

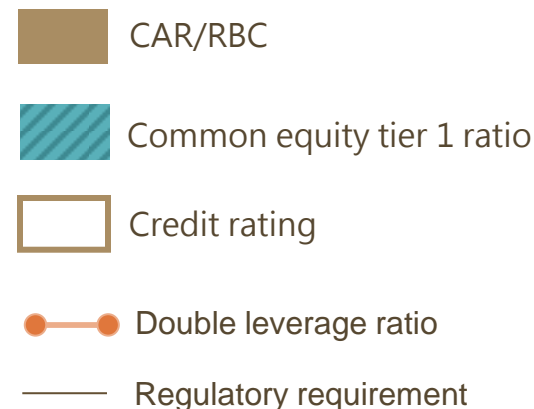
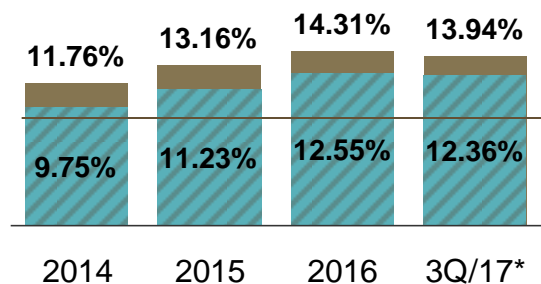
Requirement: 100%



Mega Bank

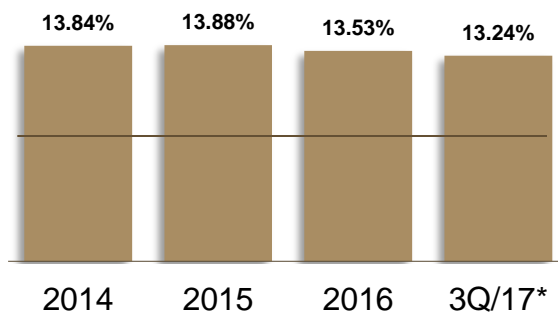
Moody's: A1 / S&P: A

Requirement: CAR: 9.25%
Tier-1: 7.25%



Mega Bills

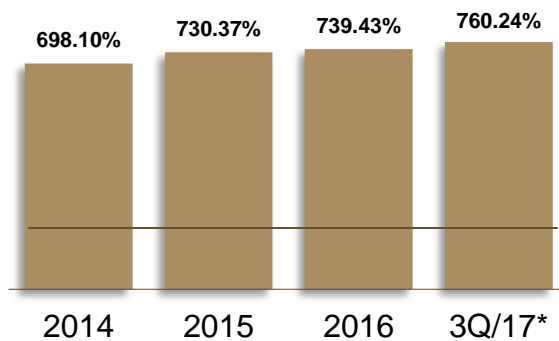
Requirement : 8.0%



CKI P&C

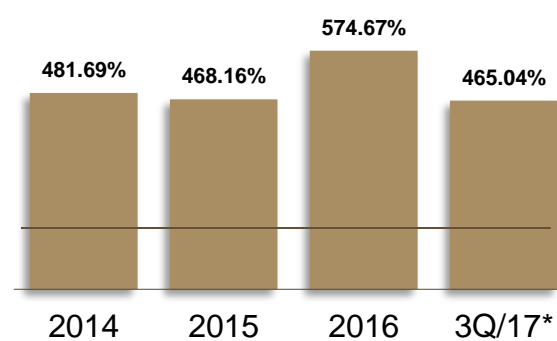
Moody's: A3 / S&P: A-

Requirement: 200%



Mega Securities

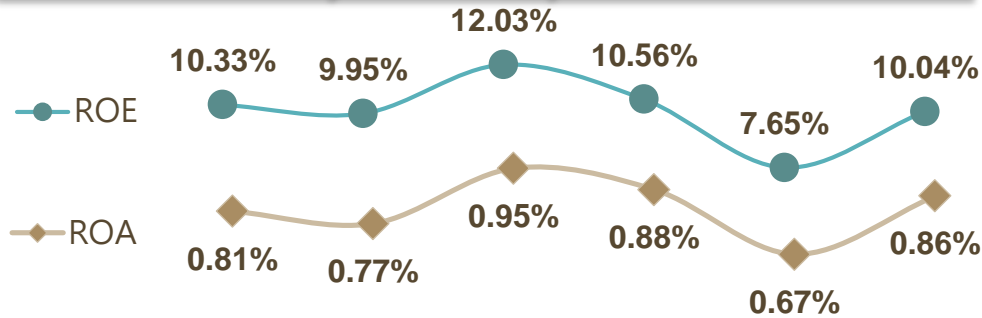
Requirement : 150%



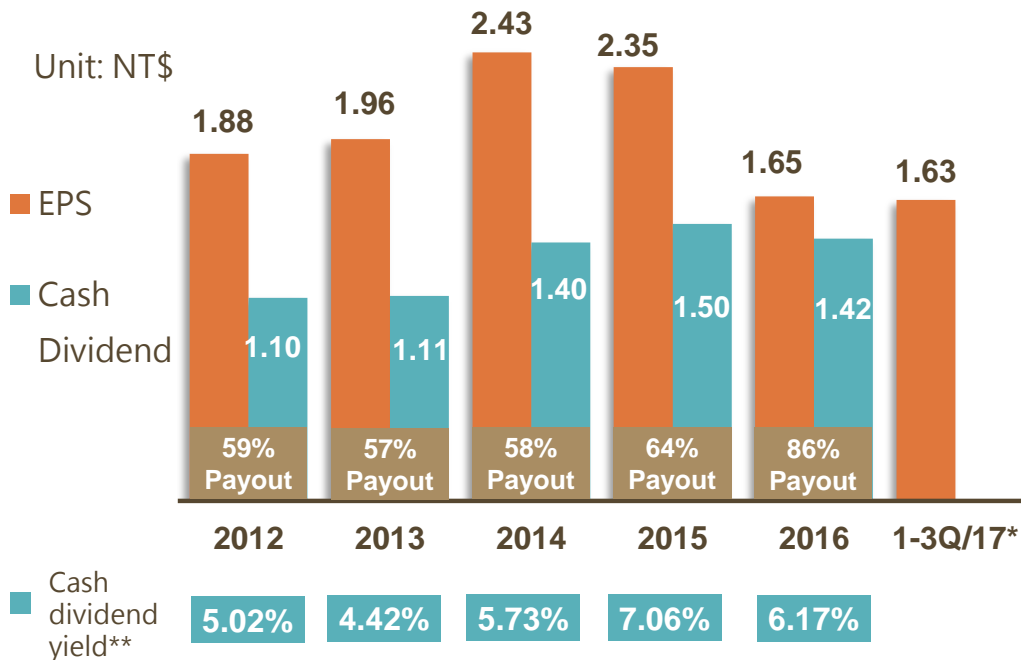
* 3Q/17are un-audited numbers

Attractive dividend policy

Key Profitability Ratios



Unit: NT\$



Cash dividend yield**



To prevent over-inflated capital base as well as to maintain sufficient capital for future growth, our dividend policy is:

- ❖ Maintain high payout ratio
- ❖ At least 50% of dividend payout in cash form.

* 1-3Q/17 are un-audited numbers; ROE & ROA are annualized numbers.

** Cash dividend yield = cash dividend / last trading day share price of that year

1-3Q/2017 Mega FHC consolidated P&L statement

| <i>NT\$MN, EPS:NT\$</i> | 1-3Q/2017* | 1-3Q/2016 | YoY |
|--|-------------------|------------------|------------|
| Net interest income | 26,646 | 28,333 | -6% |
| Net fee revenue | 6,894 | 7,928 | -13% |
| Insurance premium | 1,395 | 1,408 | -1% |
| Gain from fin. assets at fair value thru P&L | 5,782 | 4,572 | 26% |
| Available for sales asset gain | 1,351 | 1,537 | -12% |
| Equity method investment gain | 149 | 212 | -30% |
| FX spread gain | 1,273 | 1,246 | - |
| Asset impairment loss (write-back) | -230 | -321 | -28% |
| Property gain | 13 | 12 | 8% |
| Other non-interest revenue (net) | 1,953 | -3,580 | -155% |
| Operating net revenue | 45,226 | 41,347 | 9% |
| Operating expense | -18,576 | -17,319 | 7% |
| Pre-provision operating profit | 26,650 | 24,028 | 11% |
| Provision expense on loan | -1,750 | -1,558 | 12% |
| Reserved on insurance | 56 | -133 | - |
| Pretax profit | 24,956 | 22,337 | 12% |
| Tax | -2,789 | -4,685 | -40% |
| Minority shareholder interest | 5 | 7 | - |
| Net profit | 22,172 | 17,659 | 26% |
| EPS (NT\$) | 1.63 | 1.30 | 25% |

* Un-audited consolidated numbers

1-3Q/2017 Mega FHC consolidated balance sheet

| <i>NT\$MN</i> | 1-3Q/2017* | 1-3Q/2016 | YoY |
|---|------------------|------------------|-----------|
| Assets: | | | |
| Cash and due from banks | 789,005 | 587,998 | 34% |
| Bills and bonds under RP agreement | 1,997 | 299 | 568% |
| Fin. assets at fair value through P&L | 181,252 | 209,052 | -13% |
| AFS financial assets | 440,741 | 369,598 | 19% |
| HTM financial assets | 304,661 | 273,034 | 12% |
| Other financial assets | 13,884 | 15,690 | -12% |
| A/R, net | 86,644 | 87,582 | -1% |
| Loan, net | 1,686,338 | 1,718,298 | -2% |
| Equity method LT investments, net | 3,129 | 3,137 | 0% |
| Land, premises and equipments, net | 23,705 | 23,233 | 2% |
| Others | 17,660 | 13,503 | 31% |
| Total assets | 3,549,016 | 3,301,424 | 7% |
| Liabilities | | | |
| Due to banks | 492,965 | 359,804 | 37% |
| Deposits | 2,335,755 | 2,204,781 | 6% |
| CP & Bond payable | 63,497 | 61,446 | 3% |
| Bills & bonds sold under repurchase agreement | 217,035 | 234,659 | -8% |
| Other liabilities | 143,070 | 149,000 | -4% |
| Total liabilities | 3,252,322 | 3,009,690 | 8% |
| Capital stock (common stock) | 135,998 | 135,998 | 0% |
| Capital surplus | 68,194 | 68,194 | 0% |
| Retain earning | 92,819 | 85,633 | 8% |
| Equity adjustment items | -359 | 1,856 | - |
| Minority shareholder interest | 42 | 53 | -21% |
| Total stockholders' equity | 296,694 | 291,734 | 2% |
| Total liabilities and stockholders' equity | 3,549,016 | 3,301,424 | 7% |
| Book value per share (NT\$) | 21.82 | 21.45 | 2% |

* Un-audited consolidated numbers

1-3Q/2017 Mega Bank consolidated P&L statement

| <i>NT\$MN, EPS: \$NT</i> | 1-3Q/2017* | 1-3Q/2016 | YoY |
|--|-------------------|------------------|------------|
| Net interest income | 25,319 | 26,731 | -5% |
| Net fee revenue | 5,131 | 6,156 | -17% |
| Gain from fin. assets at fair value thru P&L | 4,095 | 3,040 | 35% |
| Available for sales asset gain | 976 | 1,172 | -17% |
| Equity method investment gain | 152 | 195 | -22% |
| FX spread gain | 1,457 | 1,312 | 11% |
| Asset impairment loss (write-back) | -230 | -324 | -29% |
| Other non-interest revenue (net) | 922 | -4,666 | -120% |
| Operating net revenue | 37,822 | 33,616 | 13% |
| Operating expense | -15,031 | -13,890 | 8% |
| Pre-provision operating profit | 22,791 | 19,726 | 16% |
| Provision expense on loan | -1,774 | -1,609 | 10% |
| Pretax profit | 21,017 | 18,117 | 16% |
| Tax | -2,218 | -3,548 | -37% |
| Net profit | 18,799 | 14,569 | 29% |
| EPS (NT\$) | 2.20 | 1.71 | 29% |

* Un-audited consolidated numbers

1-3Q/2017 Mega Bank consolidated balance sheet

| <i>Unit: NT\$MN</i> | 1-3Q/2017* | 1-3Q/2016 | YoY |
|---|------------------|------------------|------------|
| Assets: | | | |
| Cash and due from banks | 783,287 | 580,357 | 35% |
| Bills and bonds under RP agreement | 2,559 | 1,000 | 156% |
| Fin. assets at fair value through P&L | 42,468 | 45,024 | -6% |
| AFS financial assets | 280,595 | 217,856 | 29% |
| HTM financial assets | 302,356 | 271,326 | 11% |
| Other financial assets | 9,267 | 9,882 | -6% |
| A/R, net | 53,829 | 54,366 | -1% |
| Loan, net | 1,686,338 | 1,718,298 | -2% |
| Equity method LT investments, net | 3,053 | 3,061 | 0% |
| Land, premises and equipments, net | 15,376 | 15,079 | 2% |
| Others (net) | 9,497 | 6,759 | 41% |
| Total assets | 3,188,625 | 2,923,008 | 9% |
| Liabilities | | | |
| Due to banks | 458,742 | 323,358 | 42% |
| Deposits | 2,339,754 | 2,207,107 | 6% |
| CP & Bond payable | 36,200 | 36,200 | 0% |
| Bills & bonds sold under repurchase agreement | 1,184 | 879 | 35% |
| Other liabilities | 89,035 | 100,818 | -12% |
| Total liabilities | 2,924,915 | 2,668,362 | 10% |
| Capital stock (common stock) | 85,362 | 85,362 | 0% |
| Capital surplus | 62,220 | 62,220 | 0% |
| Retain earning | 117,439 | 107,446 | 9% |
| Equity adjustment items | -1,311 | -382 | - |
| Total stockholders' equity | 263,710 | 254,646 | 4% |
| Total liabilities and stockholders' equity | 3,188,625 | 2,923,008 | 9% |
| Book value per share (NT\$) | 30.89 | 29.83 | 4% |

* Un-audited consolidated numbers

Agenda



Operation Highlights



Financial Performance



Appendix

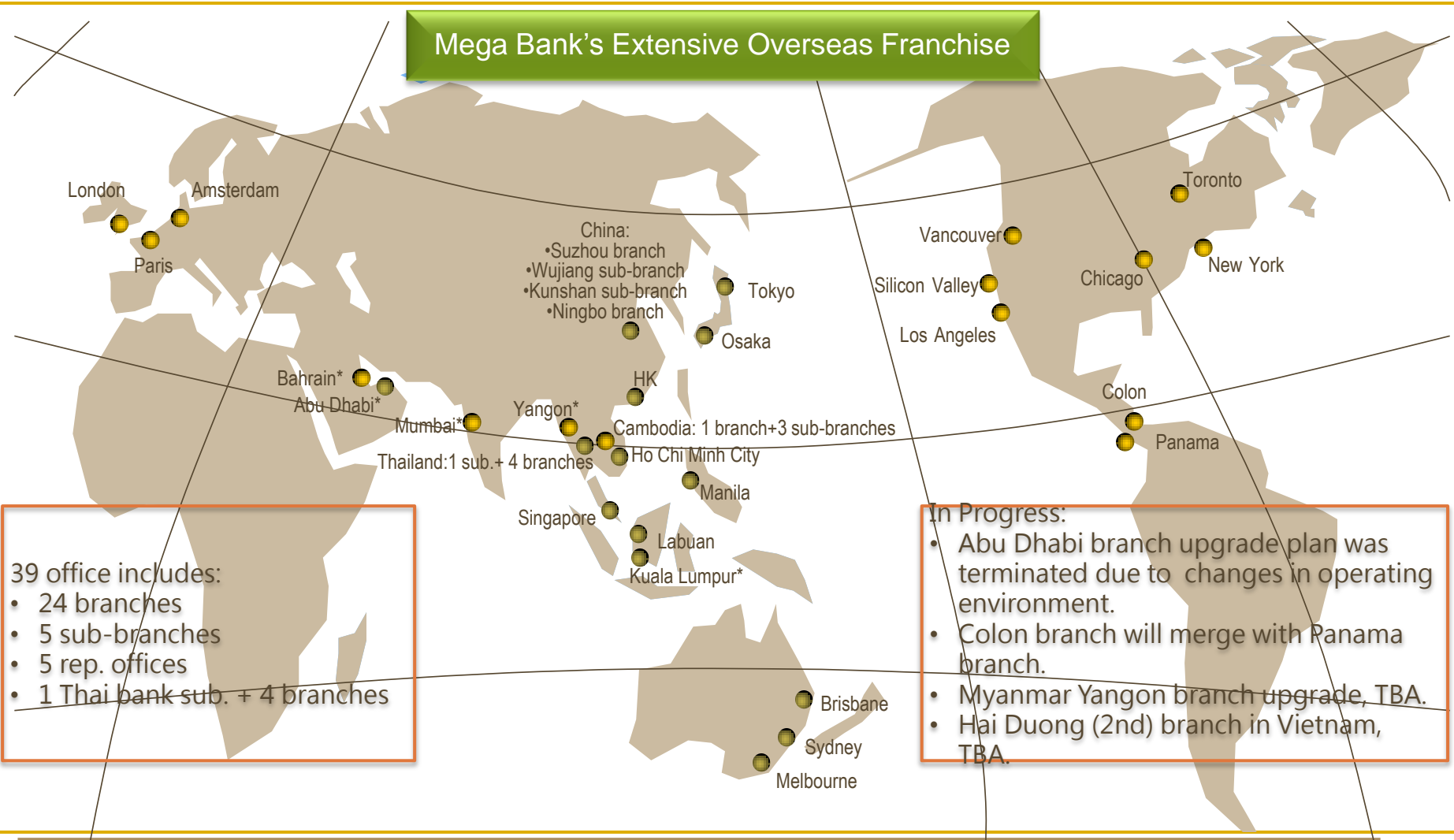


Our vision



39 offices in 20 countries; 19 offices in "New South Bond Area"

Mega Bank's Extensive Overseas Franchise



39 office includes:

- 24 branches
- 5 sub-branches
- 5 rep. offices
- 1 Thai bank sub. + 4 branches

In Progress:

- Abu Dhabi branch upgrade plan was terminated due to changes in operating environment.
- Colon branch will merge with Panama branch.
- Myanmar Yangon branch upgrade, TBA.
- Hai Duong (2nd) branch in Vietnam, TBA.

* Yangon, Bahrain, Kuala Lumpur, Abu Dhabi and Mumbai are rep. offices
 ** Canada bank sub. were converted to two branches in Toronto and Vancouver on Nov 1, 2017.