

Investor/Analyst Briefing

4Q/2017 (V.1)



兆豐金控
Mega Holdings

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED DEC 31, 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 APR 30, 2018.

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Agenda



Operation Highlights



Financial Performance

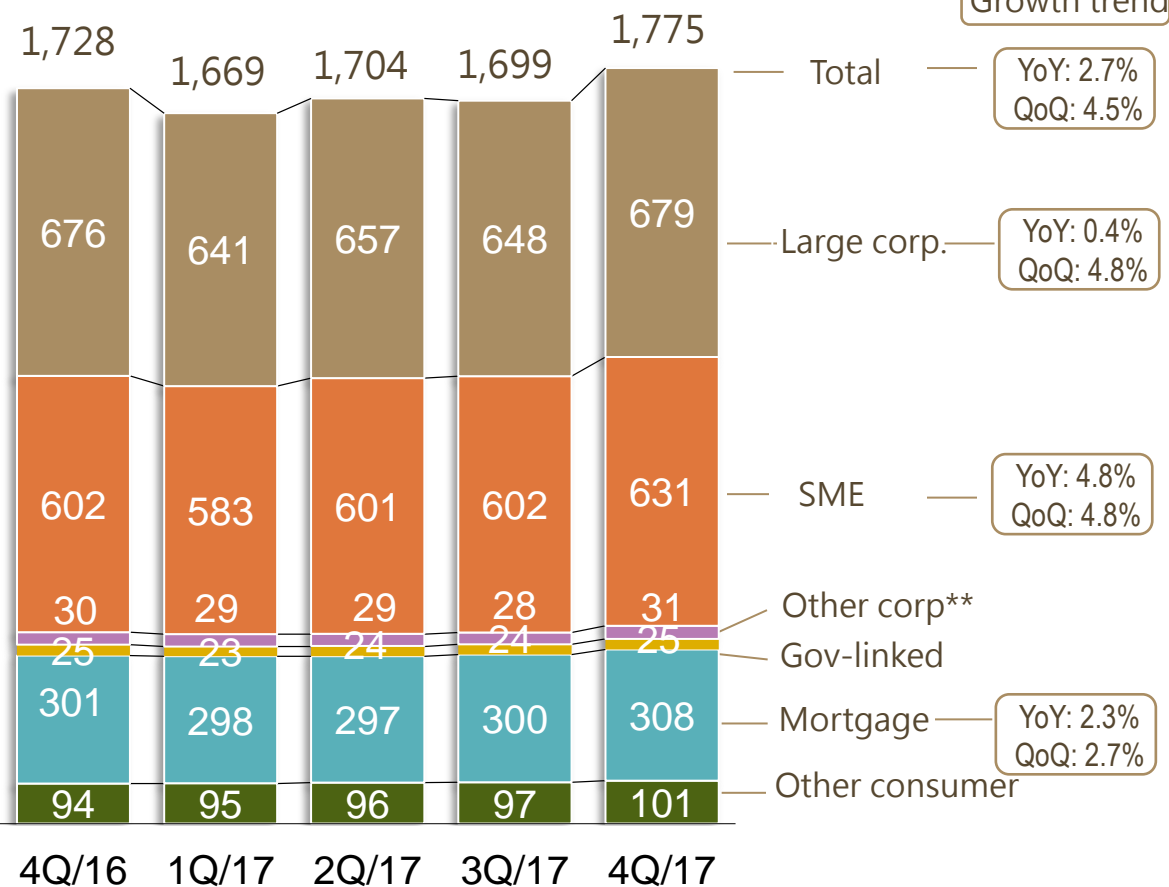


Appendix

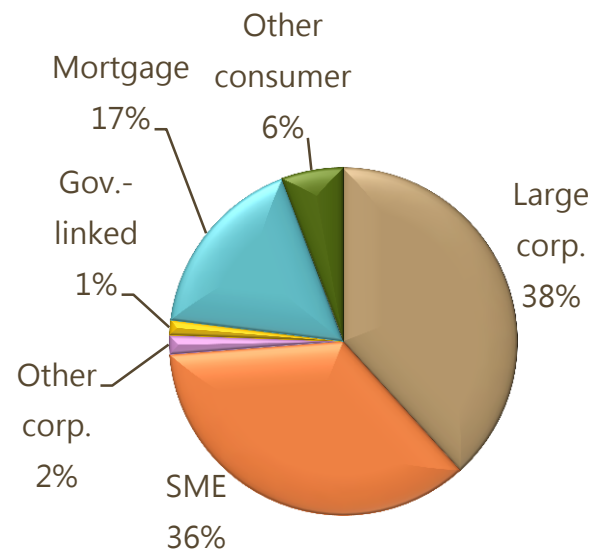
Loan was up 4.5% QoQ; 2.7% YoY

Mega Bank quarterly loan balance*

單位: NT\$bn



Mega Bank 4Q/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.

Loan were up across most industries

Mega Bank loan balance trend by industry*

Unit: NT\$BN

■ 4Q/17

■ 3Q/17

■ 4Q/16

Growth trend

YoY: 6.1%
QoQ: 5.1%

YoY: -4.4%
QoQ: 0.0%

YoY: -1.5%
QoQ: 3.2%

YoY: 1.5%
QoQ: 2.3%

YoY: 21.0%
QoQ: 18.1%

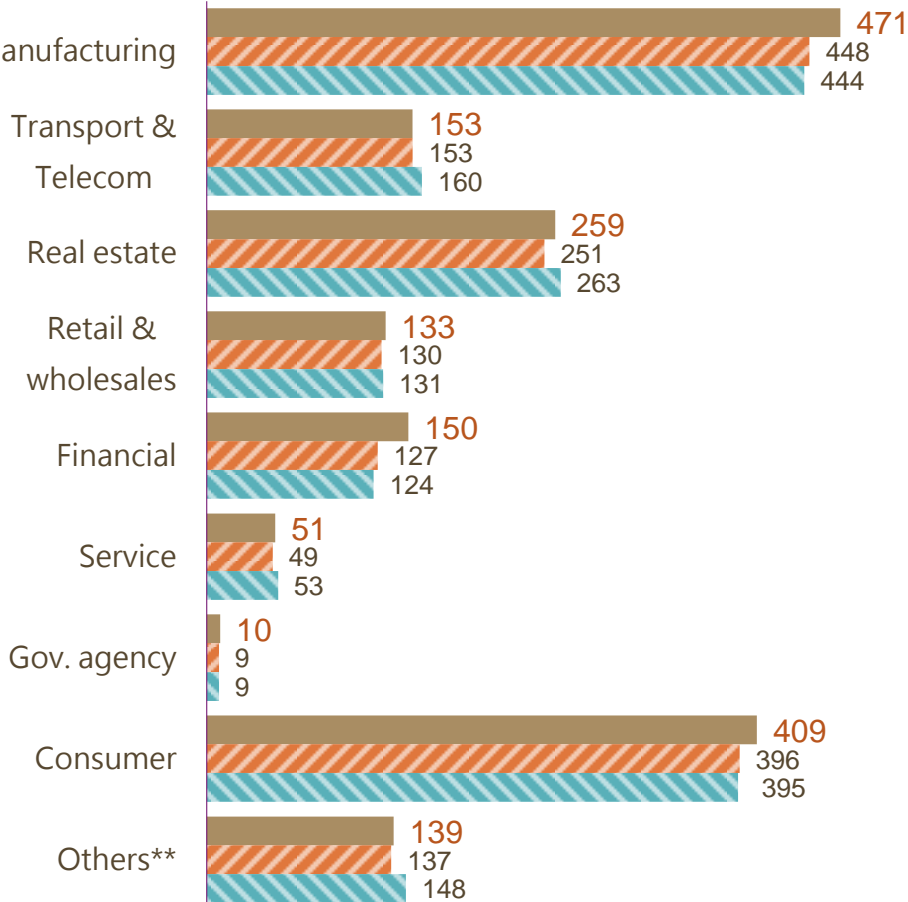
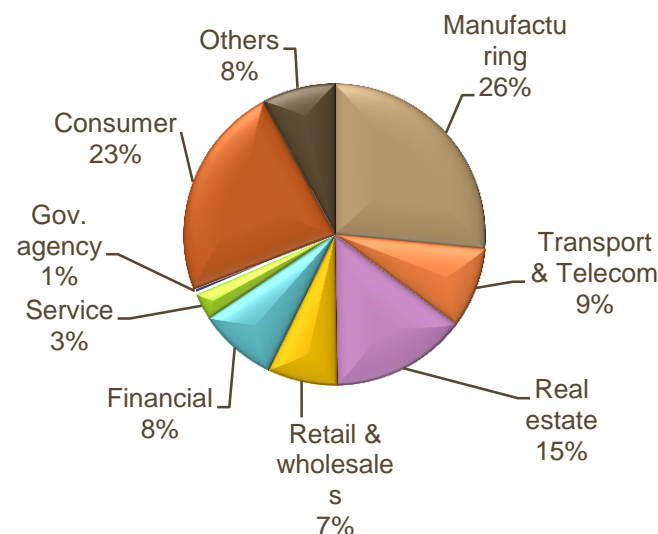
YoY: -3.8%
QoQ: 4.1%

YoY: 11.1%
QoQ: 11.1%

YoY: 3.5%
QoQ: 3.3%

YoY: -6.1%
QoQ: 1.5%**

4Q/17 loan breakdown by industry*



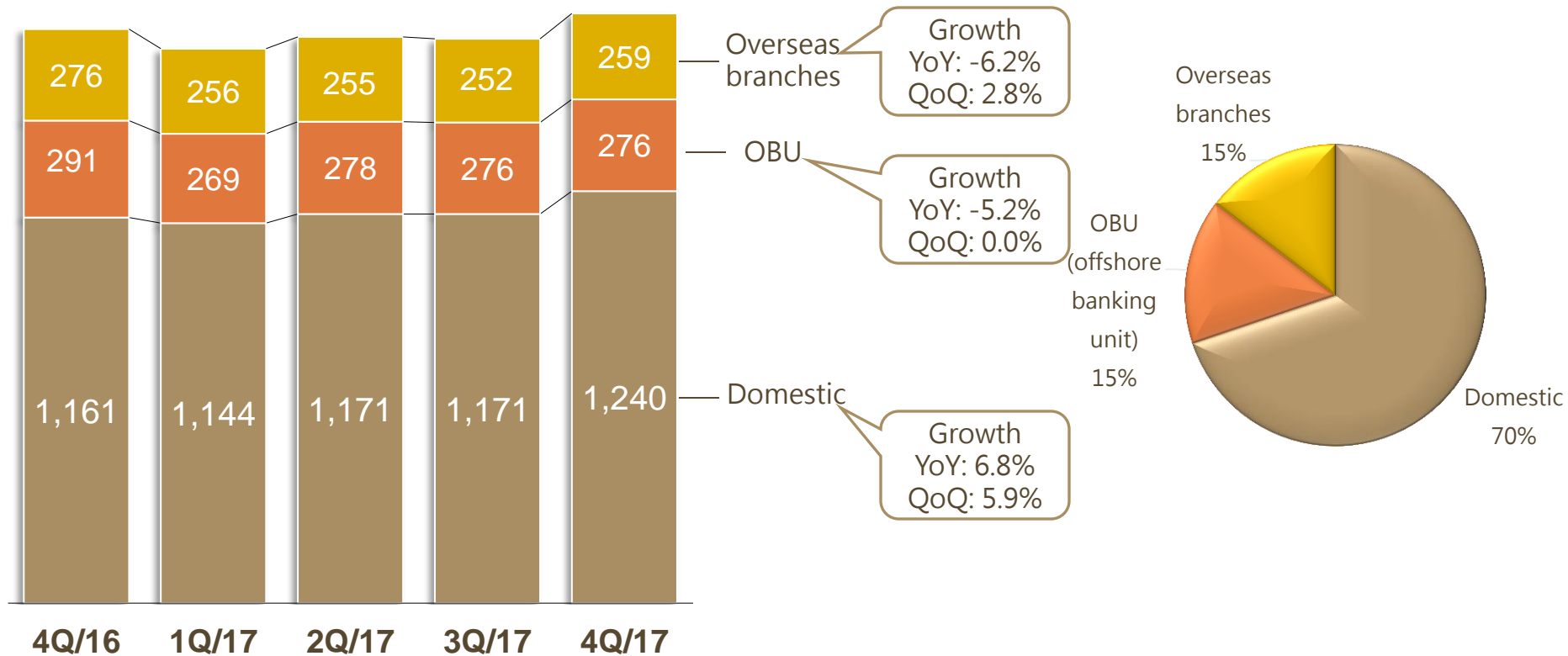
* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Domestic loan was up 5.9% QoQ; Overseas branches loan was up 2.8% QoQ

Mega Bank 4Q/17 loan breakdown by regions *

單位: NT\$bn



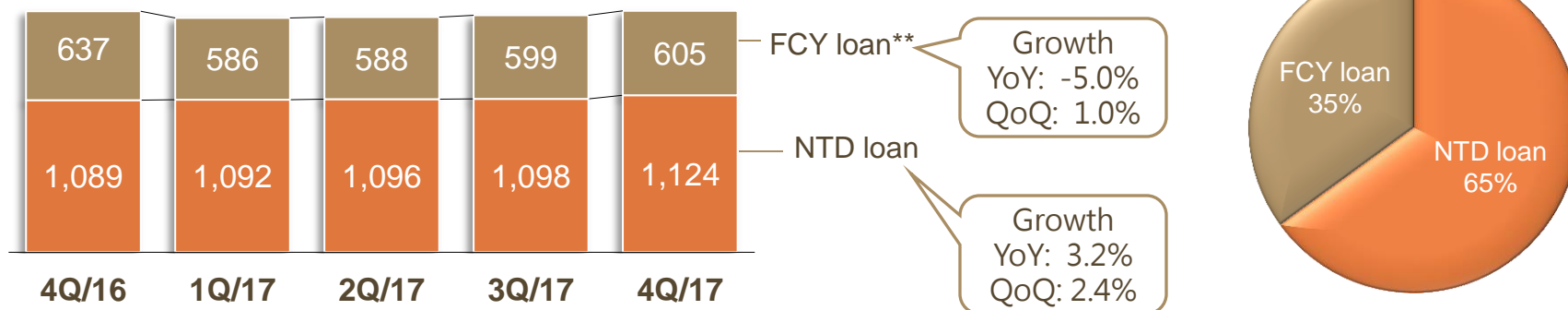
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

Foreign currency loan demand picked up

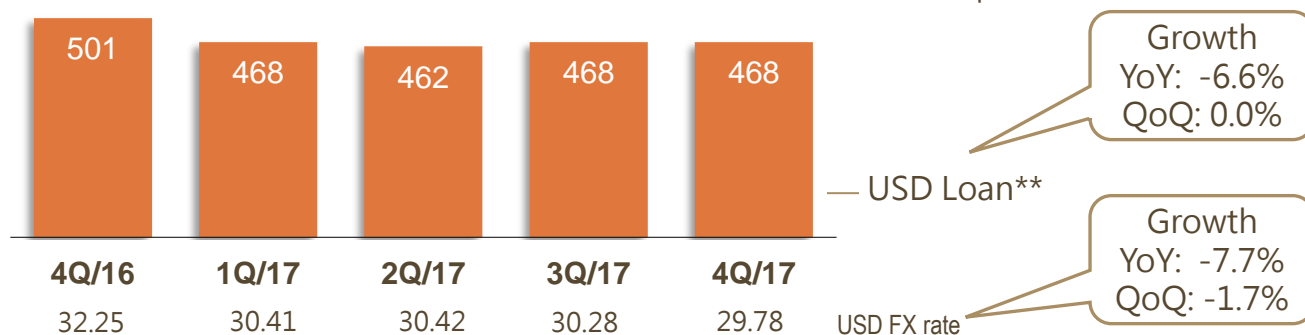
Mega Bank 4Q/17 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$bn



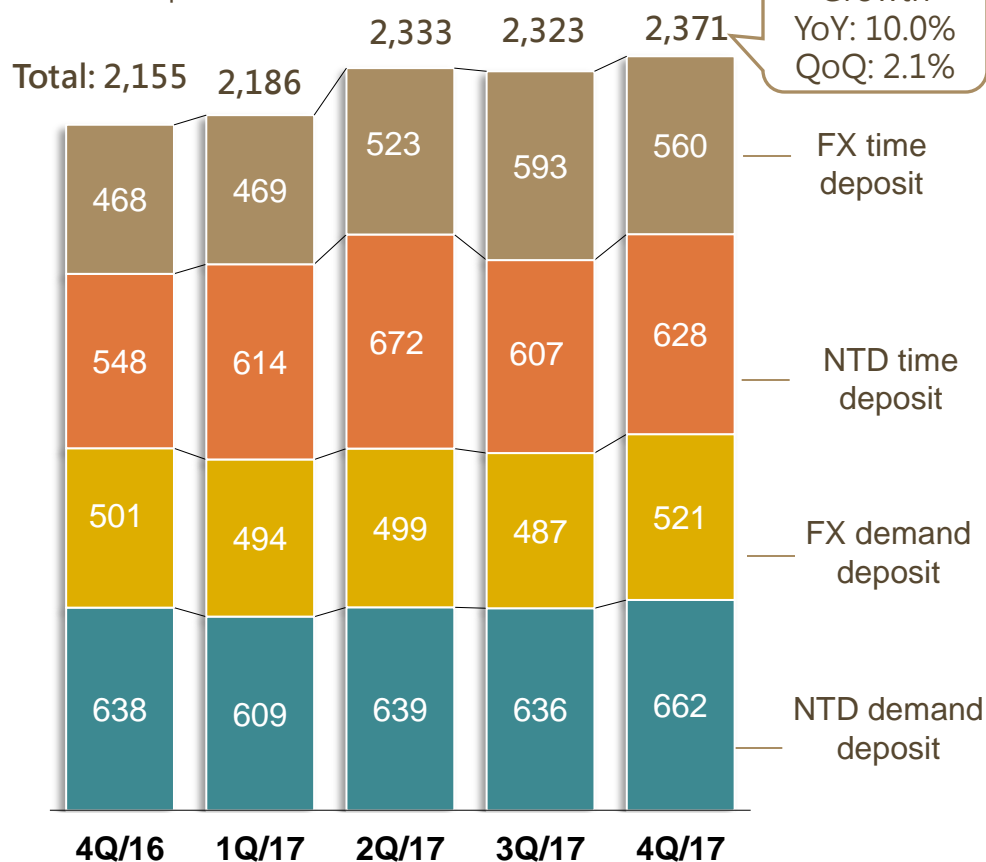
* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

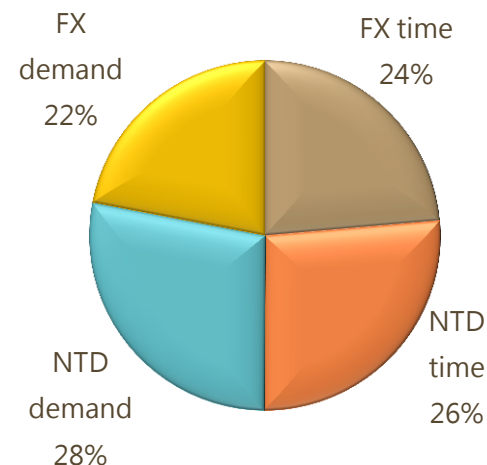
Low cost demand deposit increased

Mega Bank deposit balance *

Unit: NT\$bn



Mega Bank 4Q/17 deposit breakdown

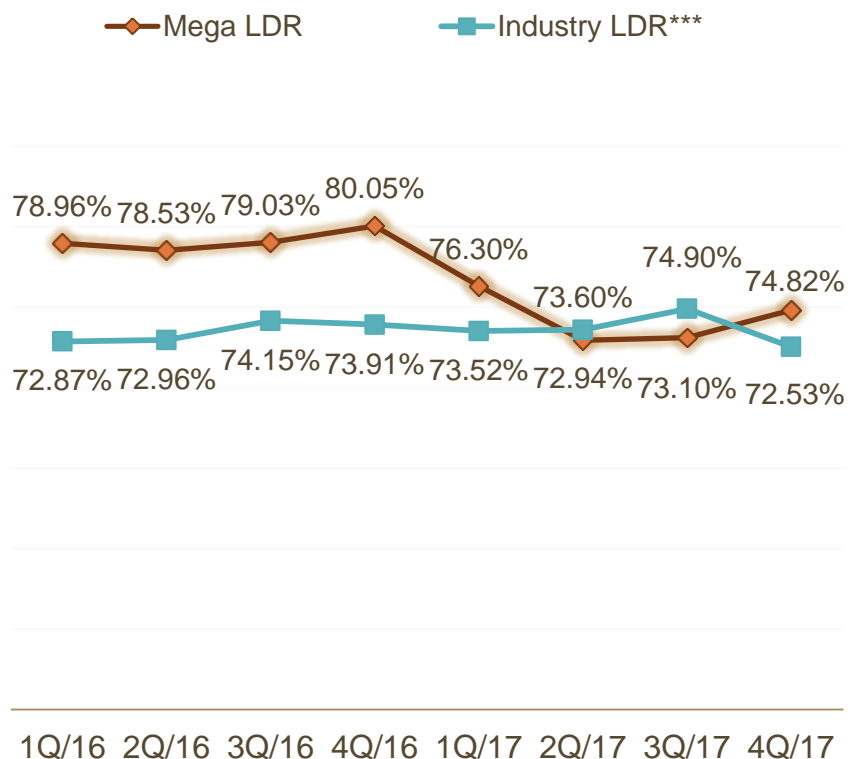


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

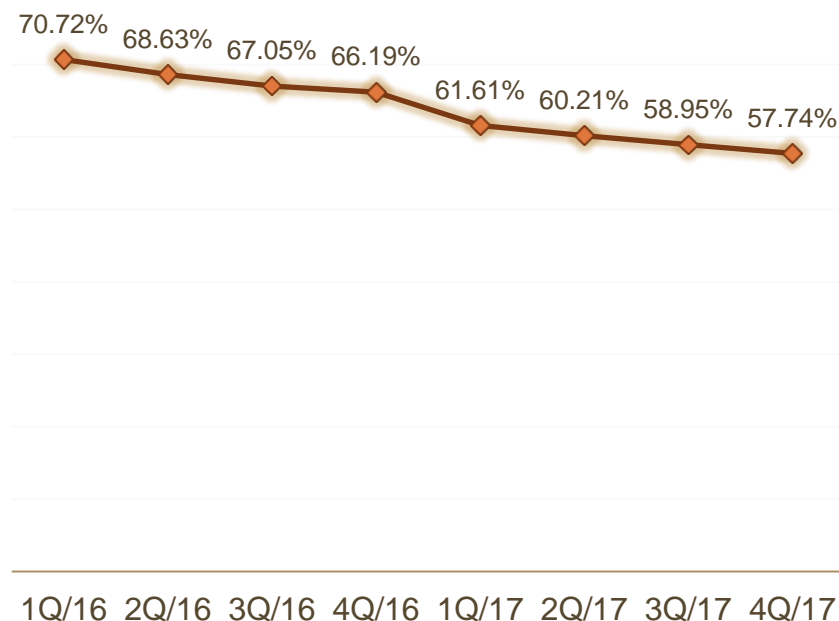
** Includes retail and corporate deposit but excludes due from central banks and banks

Total LDR inched up

Mega Bank's total LDR*



Mega Bank's USD LDR*



* LDR calculation is based on loan/deposit end balance

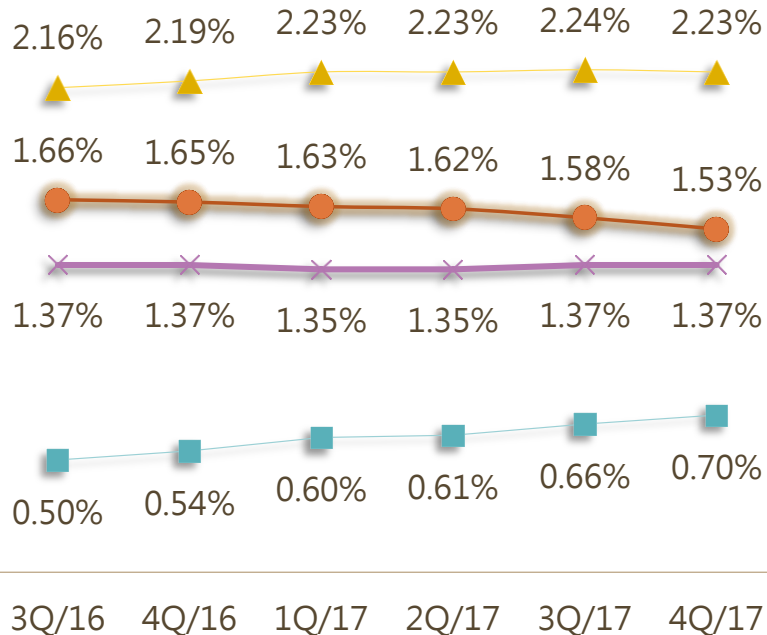
** USD LDR calculation is based on average loan/deposit balance of that quarter

*** Source: Central Bank of Taiwan

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

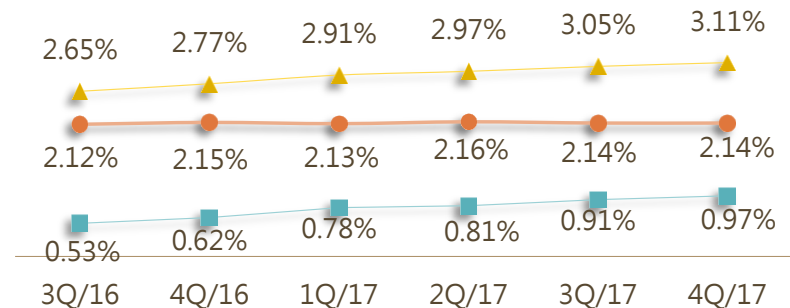
Mega Bank total loan interest spread*

—●— Spread —▲— Yield —■— Cost —×— Industry spread **



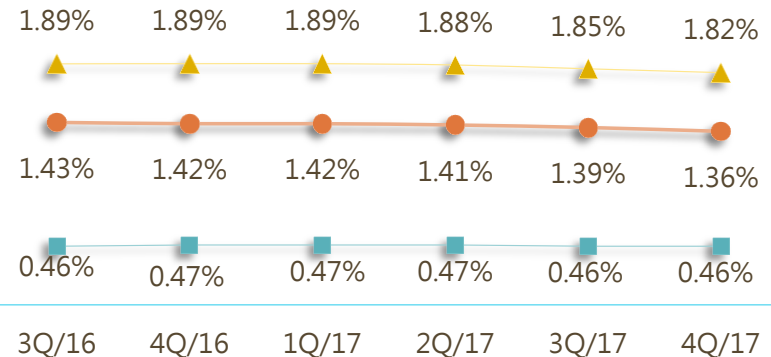
Mega Bank overseas loan interest spread*

—●— Spread —▲— Yield —■— Cost



Mega Bank domestic loan interest spread*

—●— Spread —▲— Yield —■— Cost

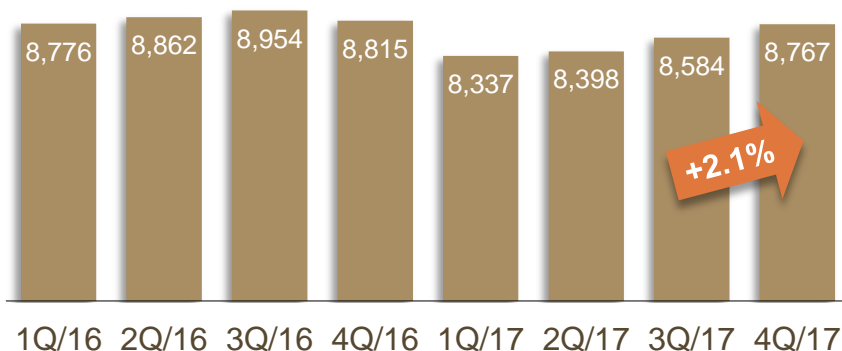


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

NII continued to move up higher

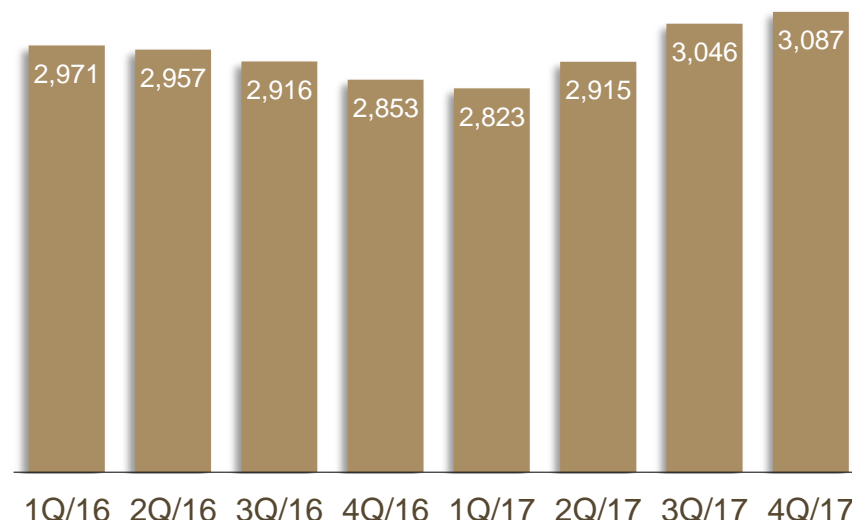
Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion

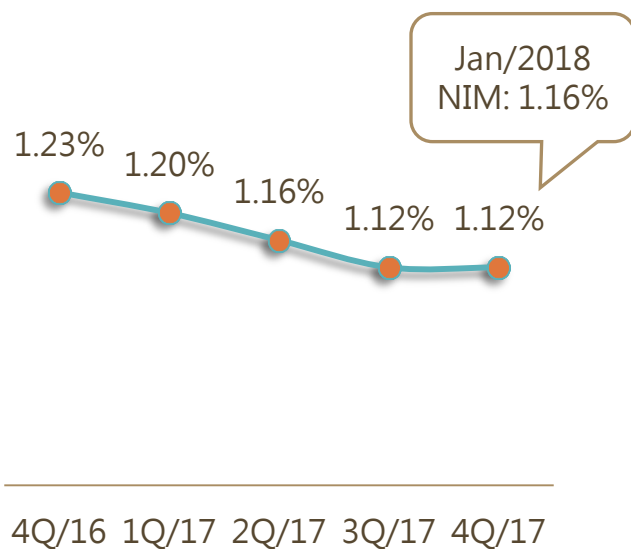


* Stand-alone un-audited P&L net interest income

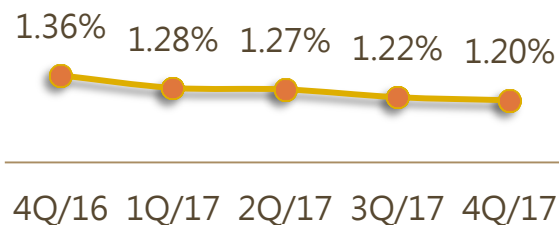
** Quarterly average interest earning assets

NIM stabilized

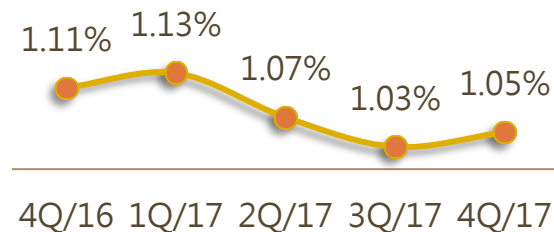
Mega Bank quarterly Total NIM*



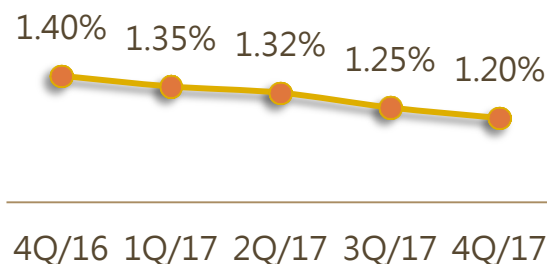
Mega Bank quarterly FCY NIM*



Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM*

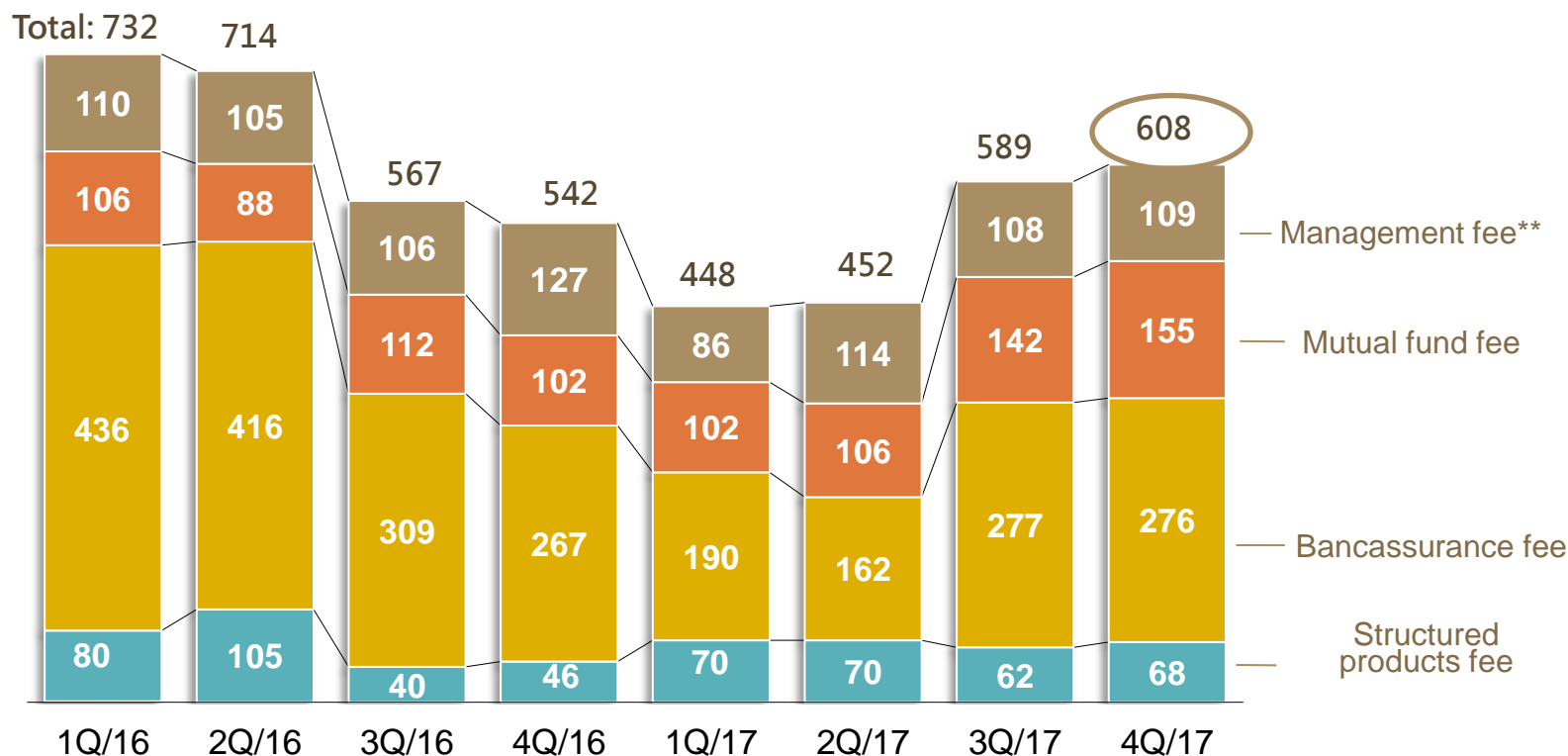


* NIM = annualized net interest income / average interest earning assets of that quarter.

WM fee inched up higher

Mega Bank wealth management gross fee breakdown*

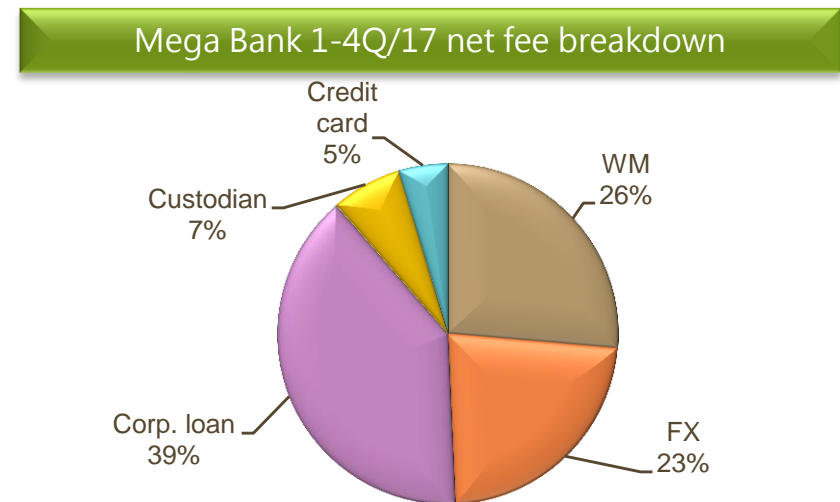
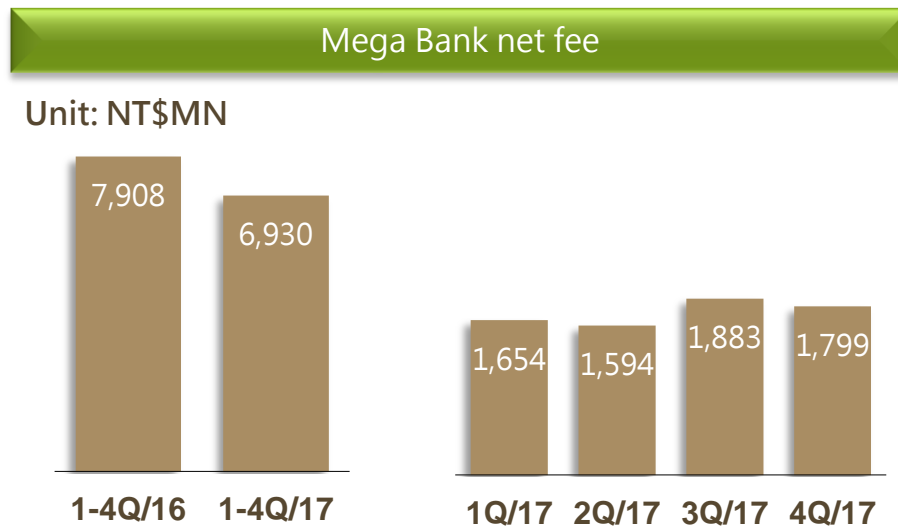
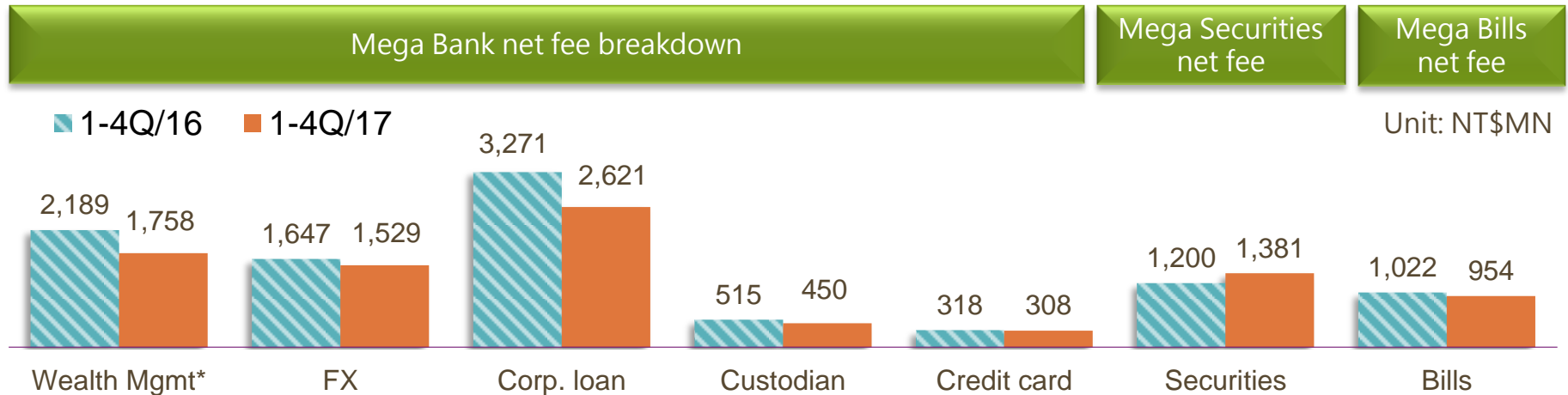
單位: NT\$MN



* 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; bank fee maintained NT\$1.8bn in 4Q/17

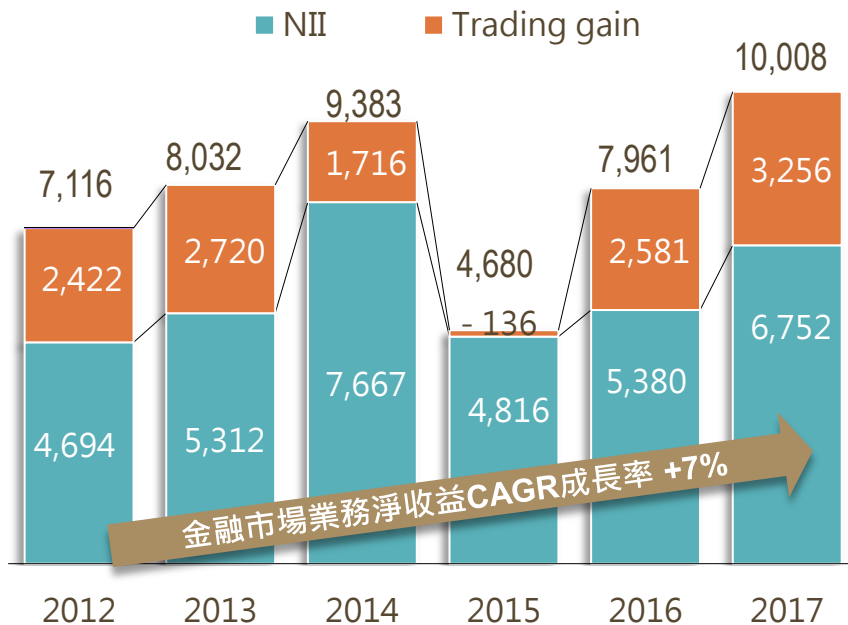


* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

1-4Q/2017 strong financial market revenue helped off-set declines from other revenue items

Mega Bank financial market net revenue*

Unit: NT\$m



Past

- 2012~2017 NII CAGR was 7%.
- 2012~2017 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.
- 1-4Q/17 strong financial market revenue helped off-set declines from other revenue items.

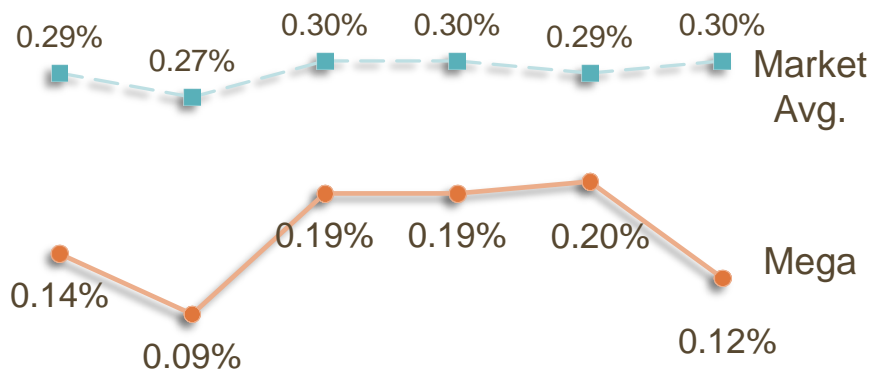
Future

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

* They include NII and trading gain generated from the financial market.

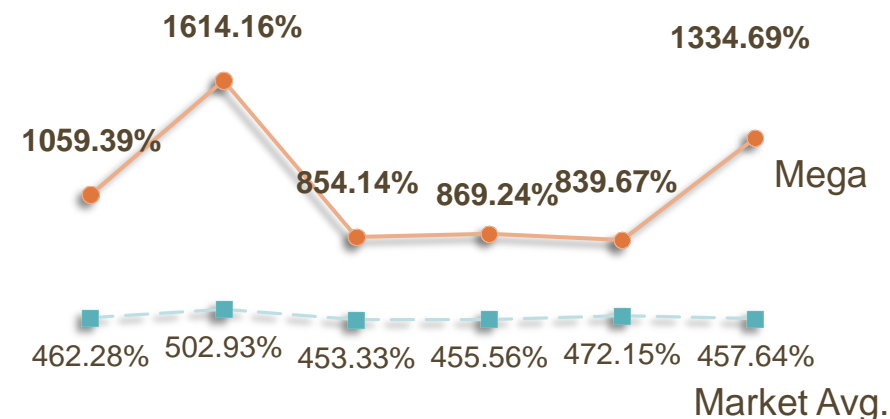
NPL ratio remained low; coverage climbed higher

Mega Bank NPL balance & NPL ratio*

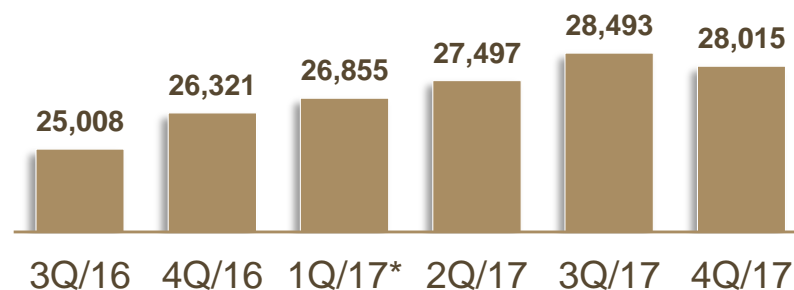


Unit: NT\$MN

Mega Bank loan loss reserved and coverage ratio



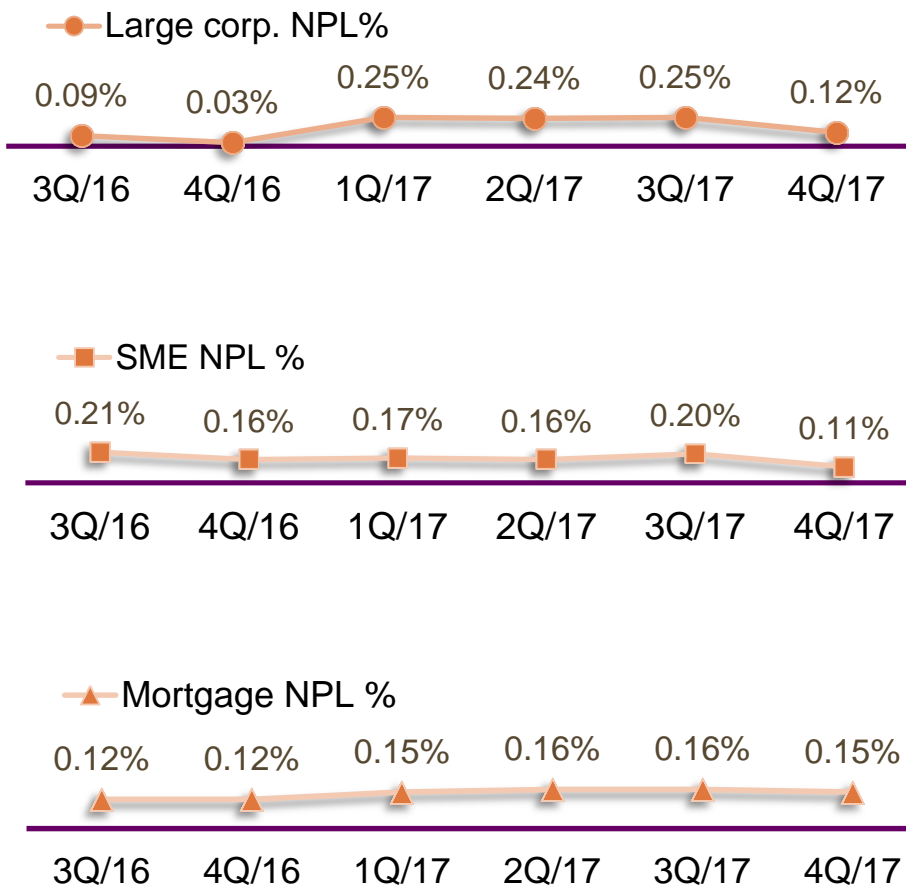
Unit: NT\$MN



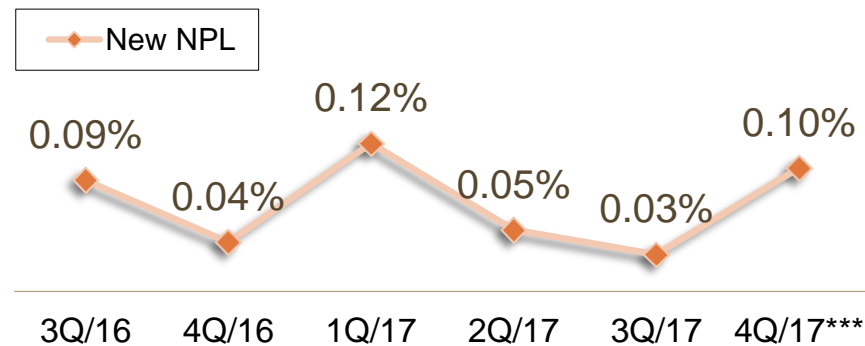
* Starting 1Q/17 NPL number includes TransAsia Airline NPL NT\$1.5bn

New NPL formation inched up but were fully covered

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.

*** 4Q/17 includes Ching-Fu exposure NT\$1.2bn, which were 100% provisioned and 100% written-off.

Agenda



Operation Highlights



Financial Performance



Appendix

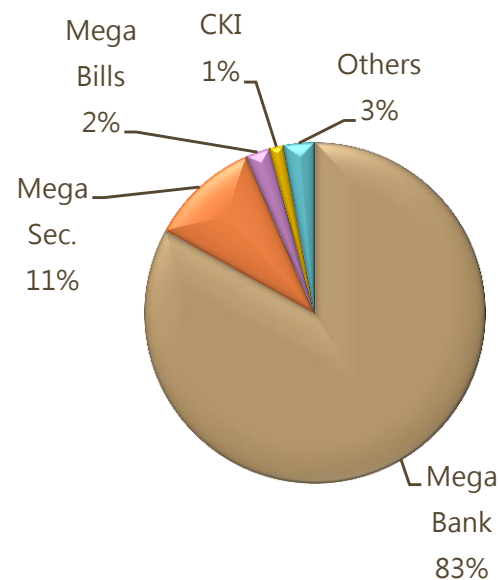
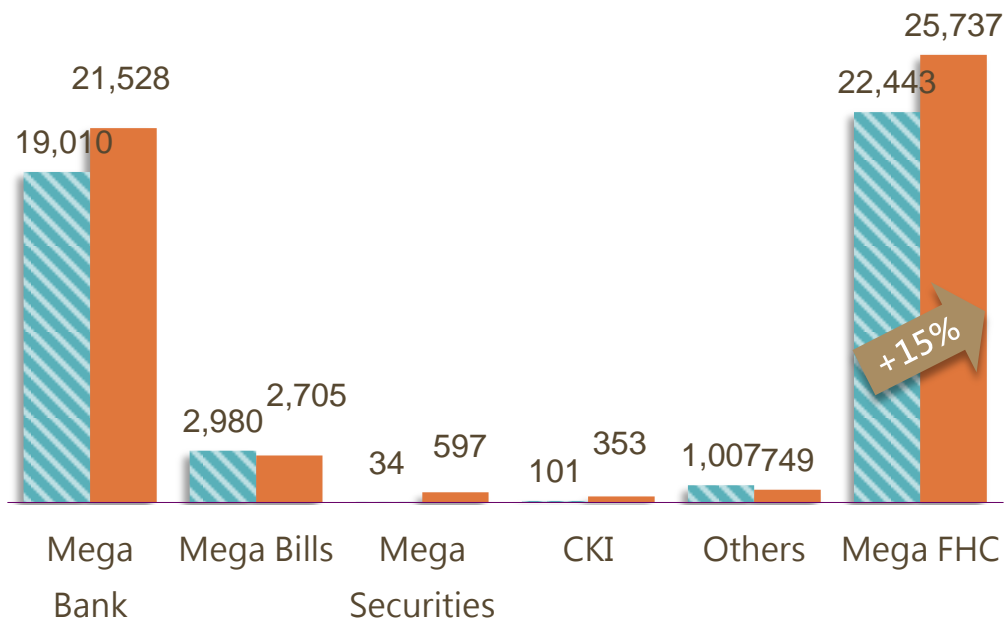
Mega FHC earning was up 15% YoY

Mega FHC & Sub. 1-4Q/17 earning trend

Mega FHC 1-4Q/17 earning contribution breakdown

■ 1-4Q/16 ■ 1-4Q/17

Unit: NT\$MN

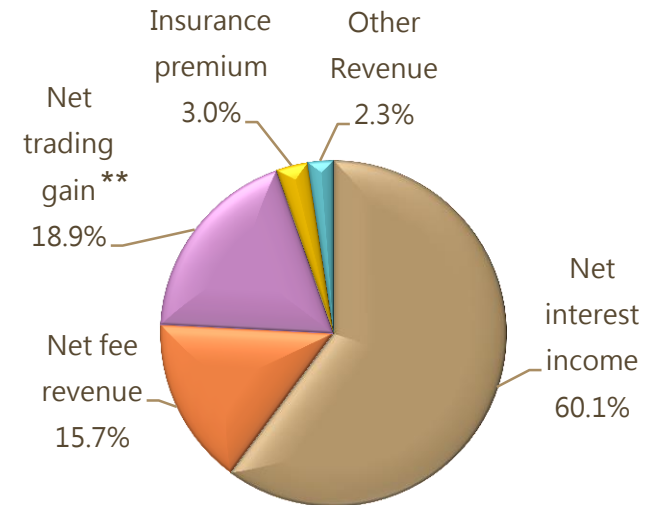
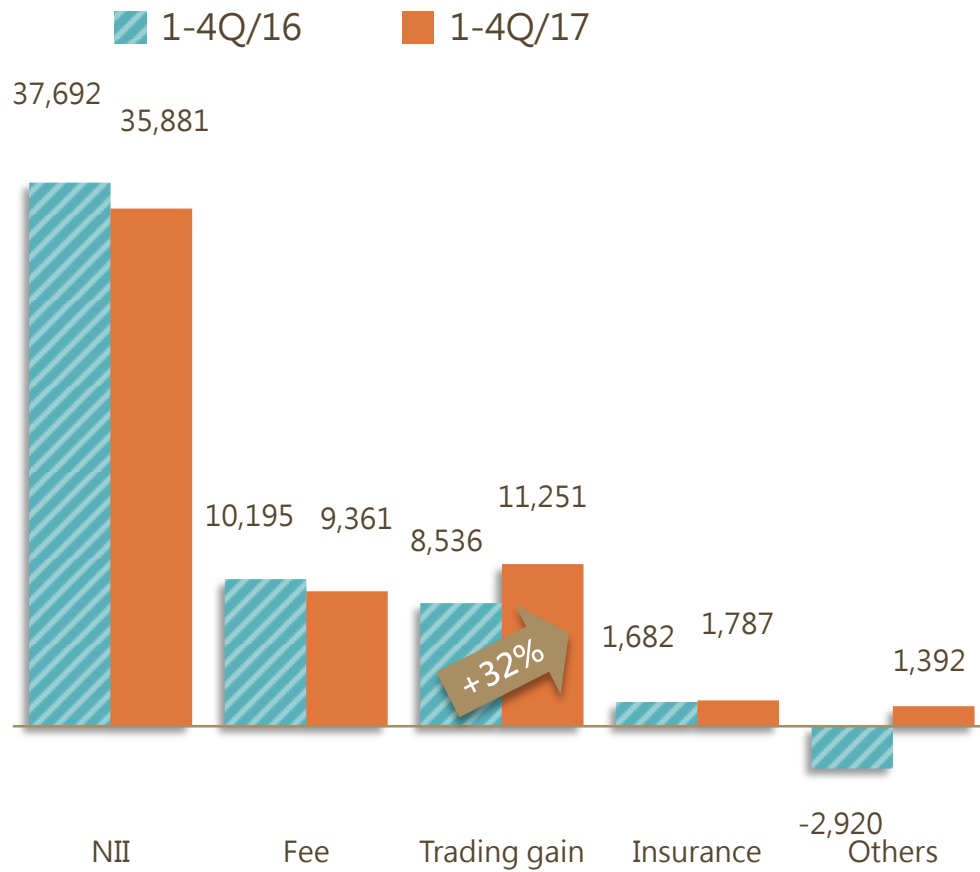


* 1-4Q/17 are un-audited numbers, which includes FED compliance related fine US\$29mn.

Strong trading gain helped offset declines from others

Mega Group consolidated net revenue *

Mega Group 1-4Q/17 net revenue breakdown



* Un-audited figures.

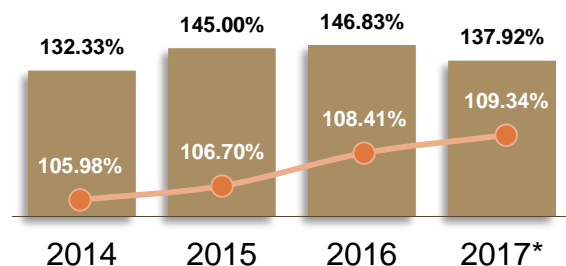
** Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

Strong tier-1 capital ratio of 12.79%

Mega FHC

Moody's: A3

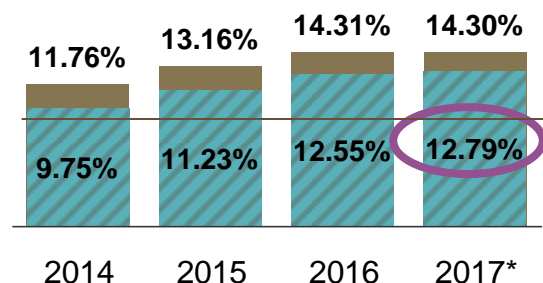
Requirement: 100%



Mega Bank

Moody's: A1 / S&P: A

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



CAR/RBC

Common equity tier 1 ratio

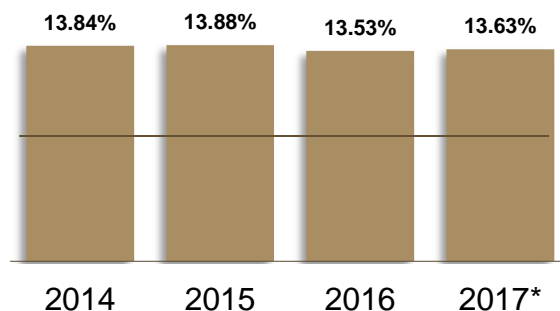
Credit rating

Double leverage ratio

Regulatory requirement

Mega Bills

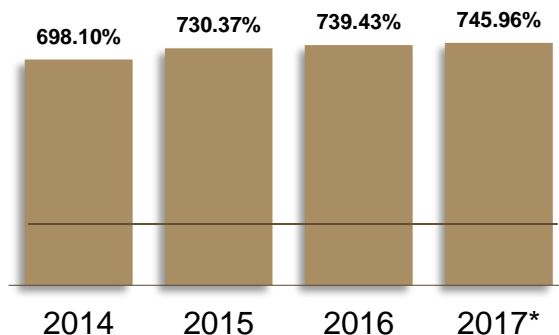
Requirement : 8.0%



CKI P&C

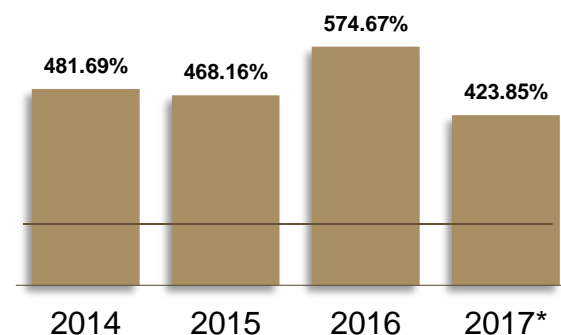
Moody's: A3 / S&P: A-

Requirement: 200%



Mega Securities

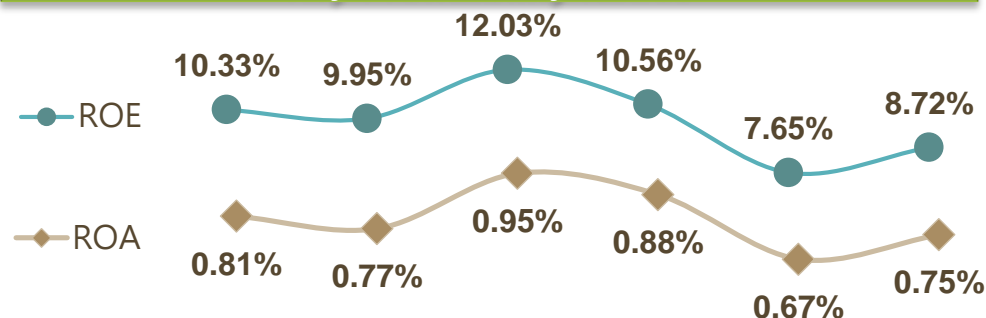
Requirement : 150%



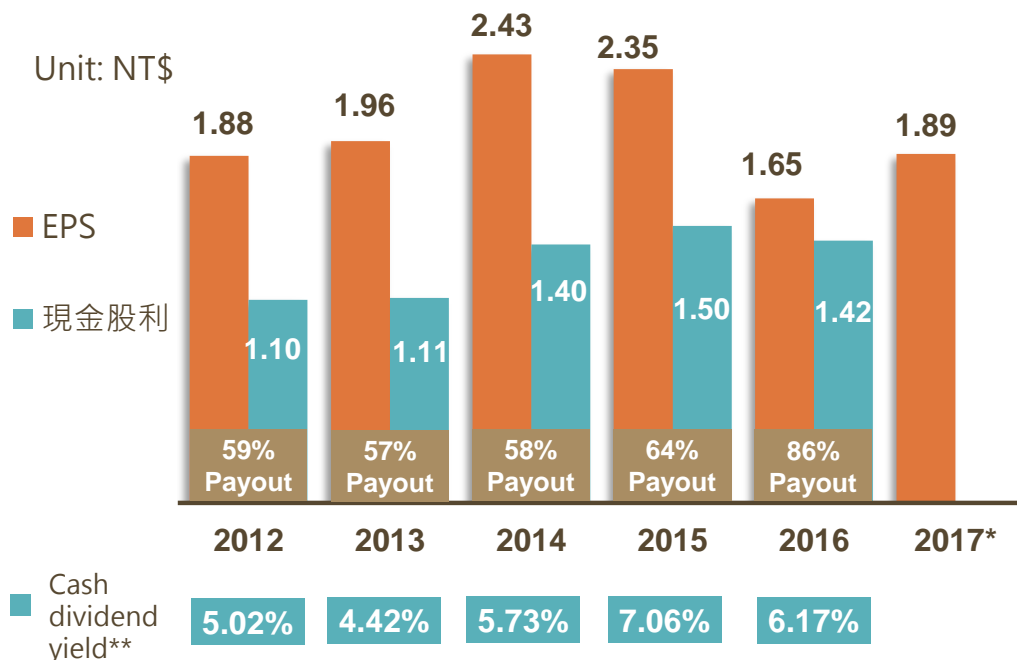
* 2017 are un-audited numbers

Attractive dividend policy

Key Profitability Ratios



Unit: NT\$



Cash dividend yield**

5.02% 4.42% 5.73% 7.06% 6.17%

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.

* 2017 are un-audited numbers which includes FED compliance related fine US\$29mn; ROE & ROA are annualized numbers.

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

1-4Q/2017 Mega FHC consolidated P&L statement

<i>NT\$MN, EPS:NT\$</i>	1-4Q/2017*	1-4Q/2016	YoY
Net interest income	35,881	37,693	-5%
Net fee revenue	9,361	10,238	-9%
Insurance premium	1,787	1,682	6%
Gain from fin. assets at fair value thru P&L	7,588	4,596	65%
Available for sales asset gain	1,919	1,988	-3%
Equity method investment gain	208	229	-9%
FX spread gain	1,720	2,089	-
Asset impairment loss (write-back)	-203	-381	-47%
Property gain	18	19	-5%
Other non-interest revenue (net)	1,392	-3,089	-145%
Operating net revenue	59,671	55,064	8%
Operating expense	-26,204	-23,417	12%
Pre-provision operating profit	33,467	31,647	6%
Provision expense on loan	-4,331	-3,613	20%
Reserved on insurance	148	-116	-
Pretax profit	29,284	27,918	5%
Tax	-3,552	-5,474	-35%
Minority shareholder interest	5	13	-
Net profit	25,737	22,457	15%
EPS (NT\$)	1.89	1.65	15%

* Un-audited consolidated numbers, which includes FED compliance related fine US\$29mn.

1-4Q/2017 Mega FHC consolidated balance sheet

NT\$MN	1-4Q/2017*	1-4Q/2016	YoY
Assets:			
Cash and due from banks	711,183	638,143	11%
Bills and bonds under RP agreement	2,553	2,856	-11%
Fin. assets at fair value through P&L	192,646	186,317	3%
AFS financial assets	442,557	354,465	25%
HTM financial assets	284,688	280,997	1%
Other financial assets	14,639	14,955	-2%
A/R, net	96,039	86,826	11%
Loan, net	1,762,486	1,715,279	3%
Equity method LT investments, net	3,185	3,108	2%
Land, premises and equipments, net	23,797	23,499	1%
Others	18,272	13,346	37%
Total assets	3,552,045	3,319,791	7%
Liabilities			
Due to banks	434,032	441,706	-2%
Deposits	2,384,543	2,171,288	10%
CP & Bond payable	52,900	53,626	-1%
Bills & bonds sold under repurchase agreement	237,706	231,192	3%
Other liabilities	143,813	129,952	11%
Total liabilities	3,252,994	3,027,764	7%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	95,843	89,959	7%
Equity adjustment items	-1,026	-2,166	-
Minority shareholder interest	42	42	0%
Total stockholders' equity	299,051	292,027	2%
Total liabilities and stockholders' equity	3,552,045	3,319,791	7%
Book value per share (NT\$)	21.99	21.47	2%

* Un-audited consolidated numbers

1-4Q/2017 Mega Bank consolidated P&L statement

<i>NT\$MN, EPS: \$NT</i>	1-4Q/2017*	1-4Q/2016	YoY
Net interest income	34,086	35,583	-4%
Net fee revenue	6,930	7,908	-12%
Gain from fin. assets at fair value thru P&L	5,423	3,010	80%
Available for sales asset gain	1,484	1,597	-7%
Equity method investment gain	209	227	-8%
FX spread gain	1,937	2,112	-8%
Asset impairment loss (write-back)	-205	-334	-39%
Other non-interest revenue (net)	117	-4,468	-103%
Operating net revenue	49,981	45,635	10%
Operating expense	-21,339	-18,900	13%
Pre-provision operating profit	28,642	26,735	7%
Provision expense on loan	-4,339	-3,620	20%
Pretax profit	24,303	23,115	5%
Tax	-2,775	-4,105	-32%
Net profit	21,528	19,010	13%
EPS (NT\$)	2.52	2.23	13%

* Un-audited consolidated numbers, which includes FED compliance related fine US\$29mn.

1-4Q/2017 Mega Bank consolidated balance sheet

<i>Unit: NT\$MN</i>	1-4Q/2017*	1-4Q/2016	YoY
Assets:			
Cash and due from banks	706,145	630,438	12%
Bills and bonds under RP agreement	1,698	4,256	-60%
Fin. assets at fair value through P&L	41,616	45,317	-8%
AFS financial assets	278,090	205,721	35%
HTM financial assets	282,444	279,291	1%
Other financial assets	9,338	9,671	-3%
A/R, net	59,208	59,425	0%
Loan, net	1,762,486	1,715,279	3%
Equity method LT investments, net	3,108	3,034	2%
Land, premises and equipments, net	15,494	15,187	2%
Others (net)	10,311	6,833	51%
Total assets	3,169,938	2,974,452	7%
Liabilities			
Due to banks	404,447	425,991	-5%
Deposits	2,387,224	2,173,615	10%
CP & Bond payable	25,900	36,200	-28%
Bills & bonds sold under repurchase agreement	848	445	91%
Other liabilities	86,702	80,636	8%
Total liabilities	2,905,121	2,716,887	7%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	119,673	111,445	7%
Equity adjustment items	-2,438	-1,462	-
Total stockholders' equity	264,817	257,565	3%
Total liabilities and stockholders' equity	3,169,938	2,974,452	7%
Book value per share (NT\$)	31.02	29.83	4%

* Un-audited consolidated numbers

Agenda



Operation Highlights



Financial Performance



Appendix

Our vision

To Become a Regional Financial Institution in Asia

Bloom in Asia; Peak in Decade

2014
Best Bank in TW –
Finance Asia

2015
Best Bank in TW –
Global Banking
& Finance

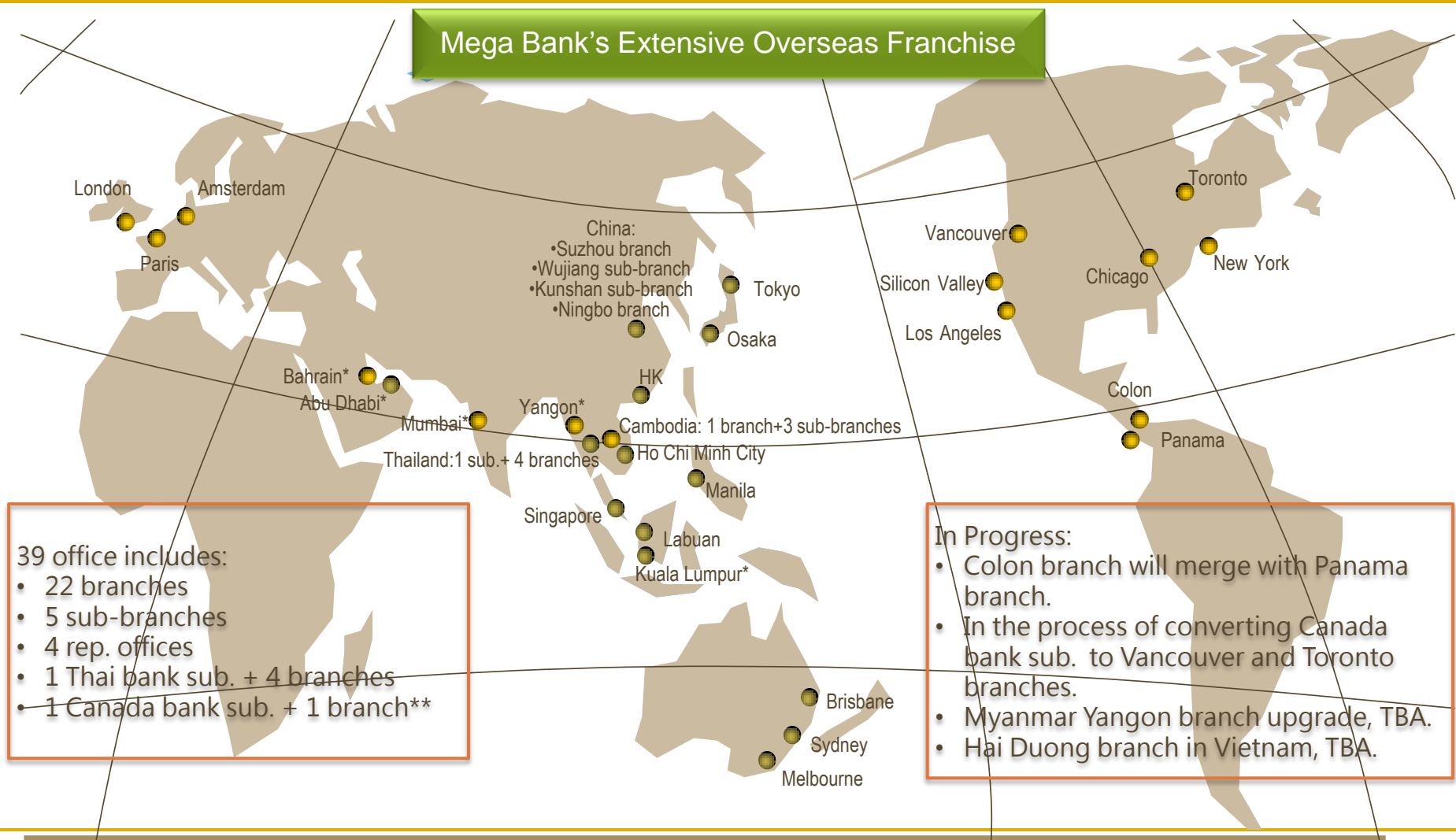
2016
Best Brand in TW
commercial Bank –
Global Brands
Publications

2017
TW most
innovative bank –
International
Finance
Magazine

2017
Best Bank in TW –
Global Banking
& Finance



38 offices in 19 countries; 19 offices in "New South Bond Area"



* Yangon, Bahrain, Kuala Lumpur, Abu Dhabi and Mumbai are rep. offices

** Canada bank sub. will convert into Vancouver and Toronto branches, to be approved soon.