

# Investor/Analyst Briefing

1Q/2018 (V.1)

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兆豐金控  
Mega Holdings

# DISCLAIMER

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THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED MAR 31, 2018 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC WILL FILE ITS AUDITED FINANCIAL STATEMENTS THROUGH TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MAY 31, 2018.

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

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Operation Highlights



Financial Performance



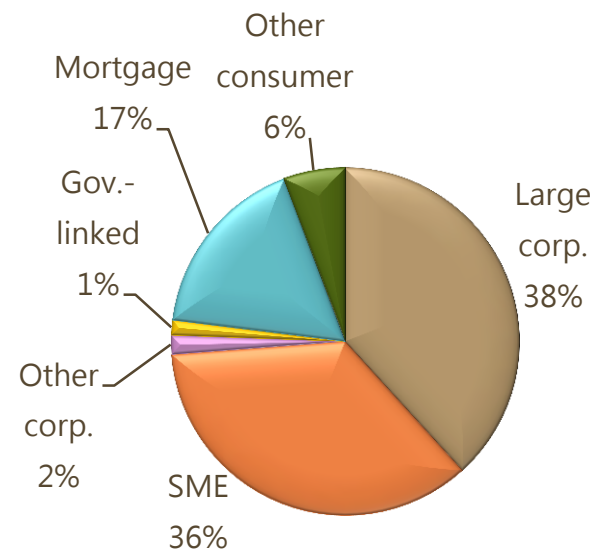
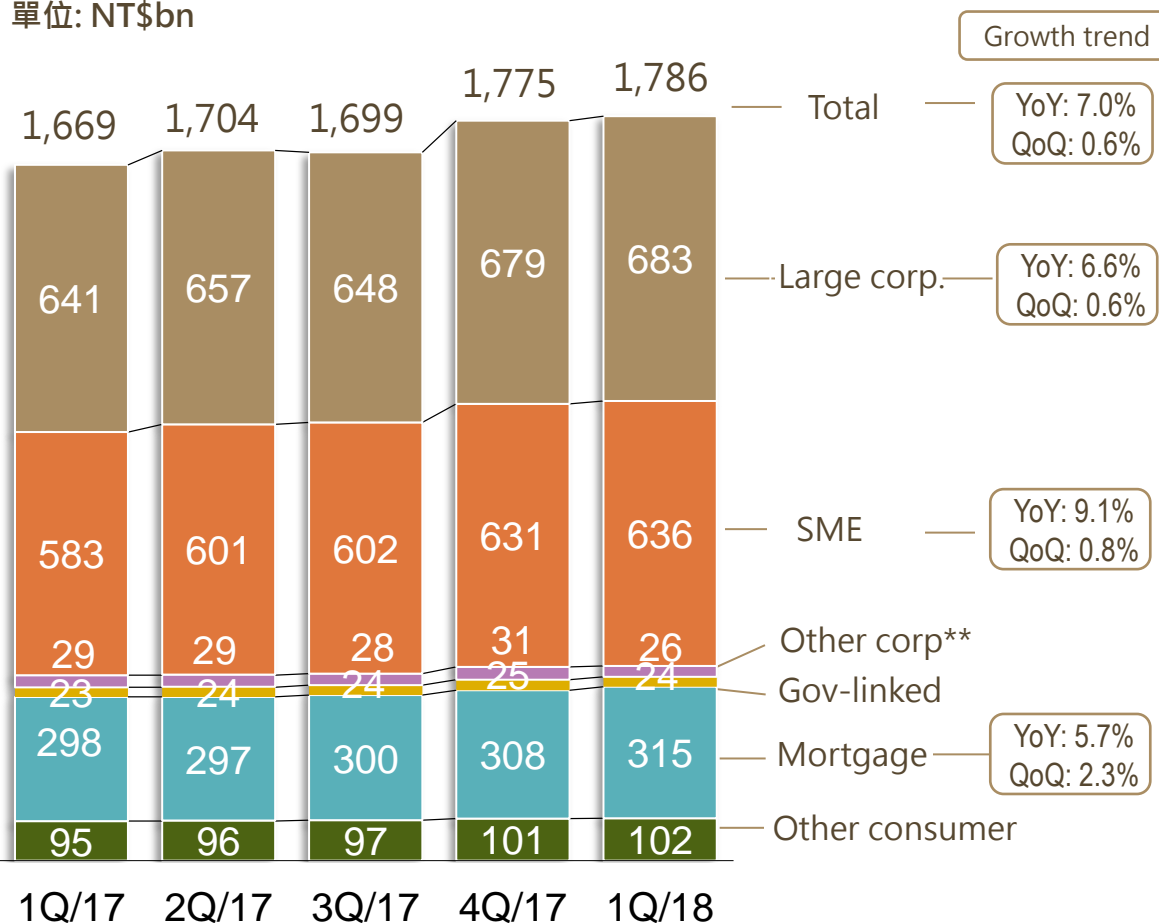
Appendix

# Loan was up 0.6% QoQ; 7.0% YoY

Mega Bank quarterly loan balance\*

Mega Bank 1Q/18 loan breakdown

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.

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

# Manufacturing, financial and consumer loans were up; retail/wholesales loans were down

Mega Bank loan balance trend by industry\*

1Q/18 loan breakdown by industry\*

Unit: NT\$BN    ■ 1Q/18    ▨ 4Q/17    ▩ 1Q/17

Growth trend

YoY: 13.1%  
QoQ: 2.3%

YoY: -1.3%  
QoQ: -1.3%

YoY: 2.8%  
QoQ: 0.0%

YoY: -4.6%  
QoQ: -6.0%

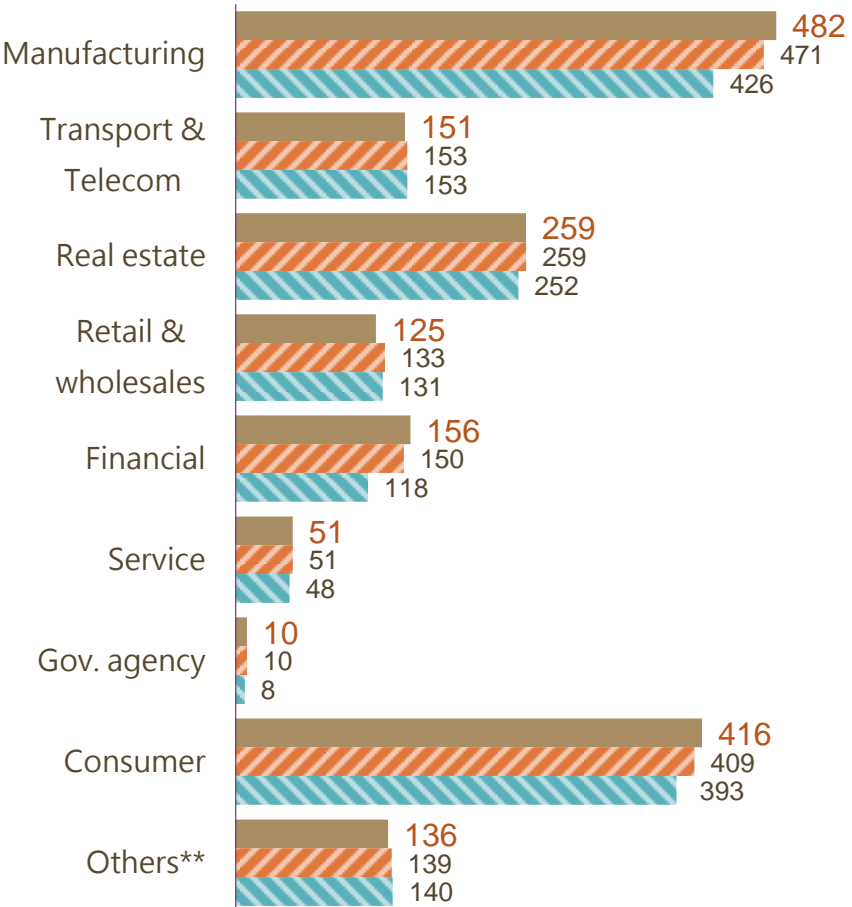
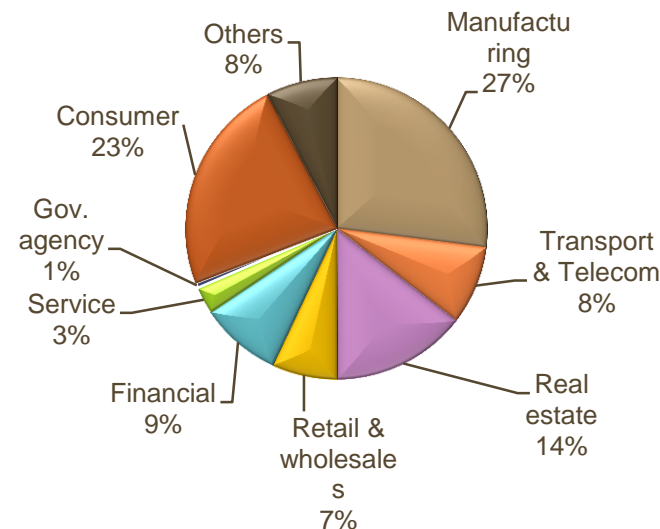
YoY: 32.2%  
QoQ: 4.0%

YoY: 6.3%  
QoQ: 0.0%

YoY: 25.0%  
QoQ: 0.0%

YoY: 5.9%  
QoQ: 1.7%

YoY: -2.9%  
QoQ: -2.2%\*\*



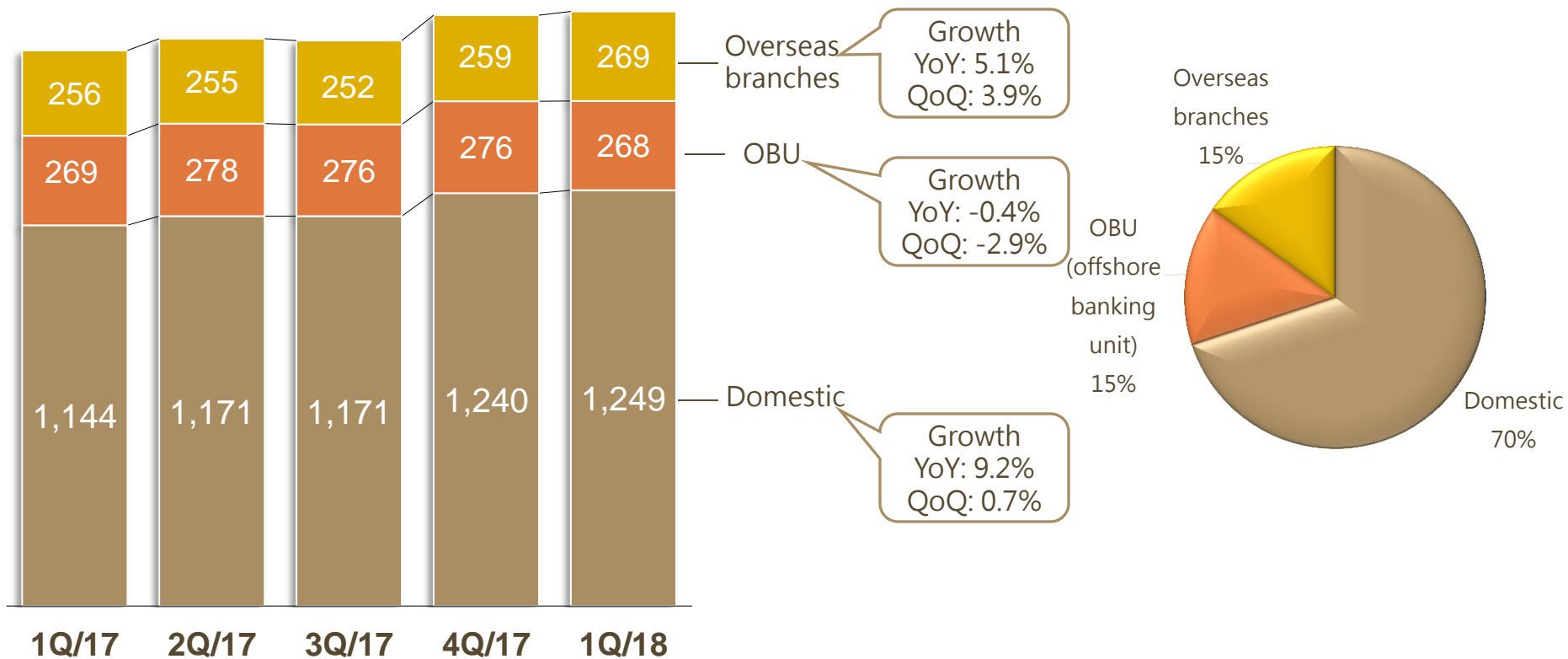
\* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# Overseas branches loan was up 3.9% QoQ

Mega Bank 1Q/18 loan breakdown by regions \*

單位: NT\$bn

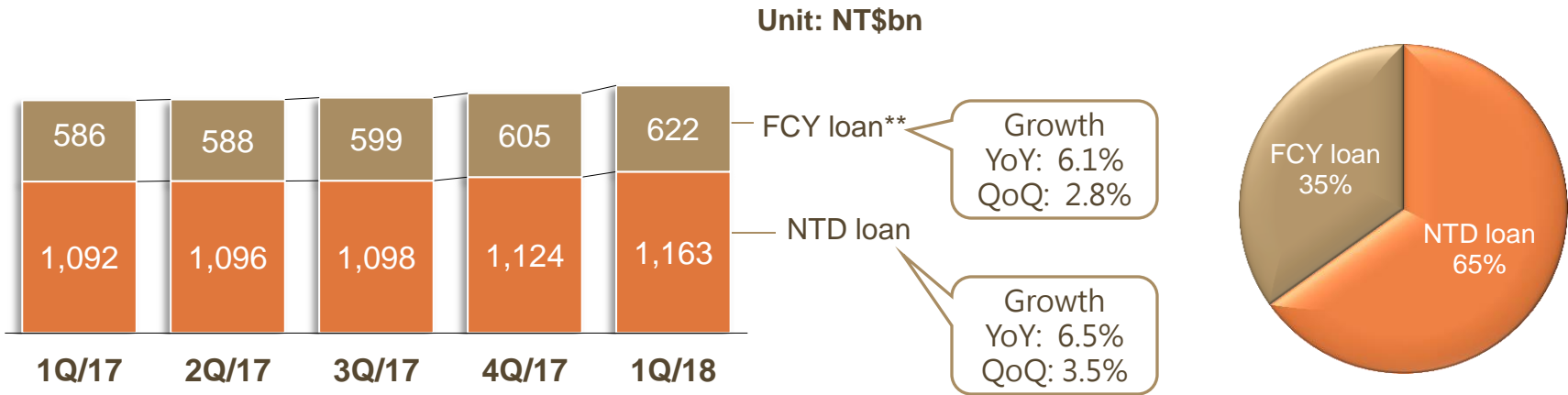


\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

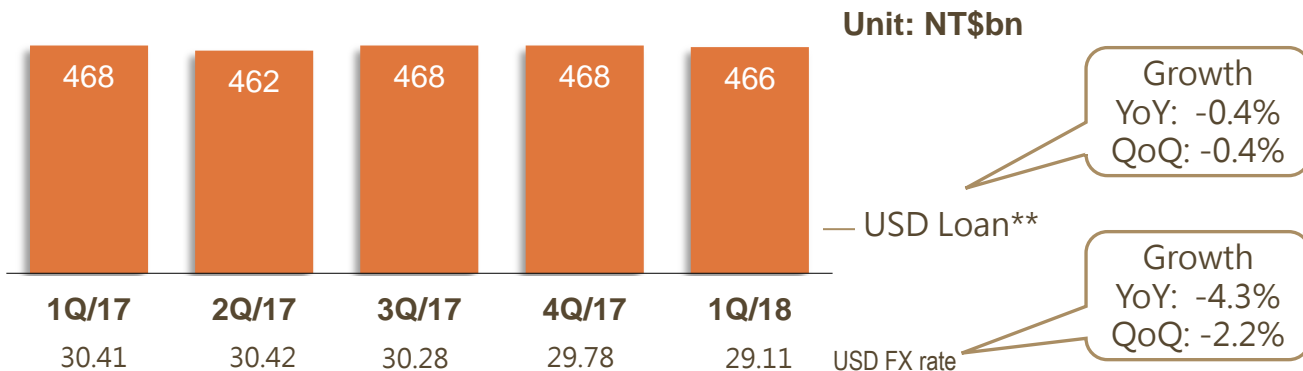
\*\* OBU stands for Off-shore Banking Unit

# Foreign currency loan demand recovered further; while NTD loan demand stayed strong

## Mega Bank 1Q/18 loan breakdown by currency: NTD vs. foreign currency loan \*



## Mega Bank USD Loan balance\*

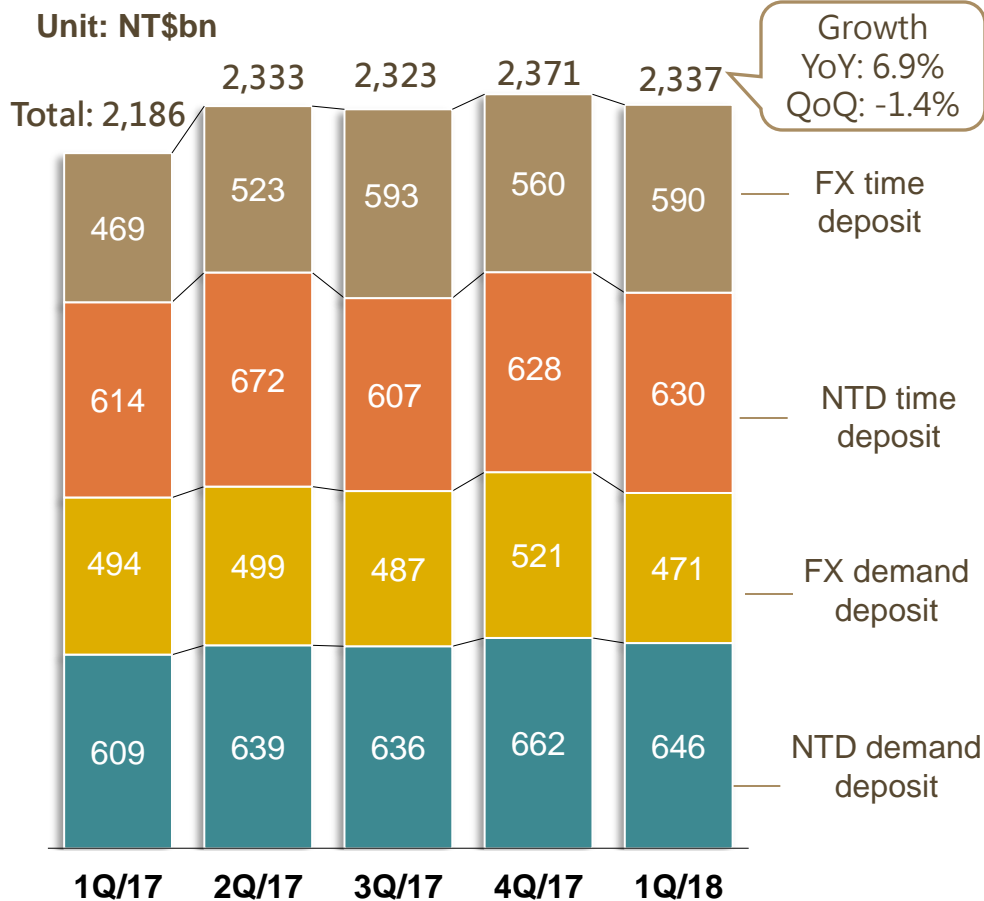


\* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

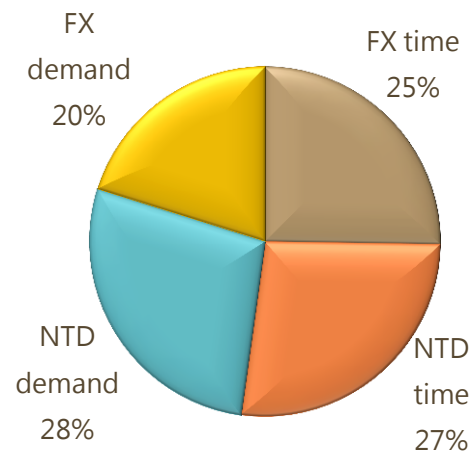
\*\* Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

# Deposit growth stabilized

Mega Bank deposit balance \*



Mega Bank 1Q/18 deposit breakdown



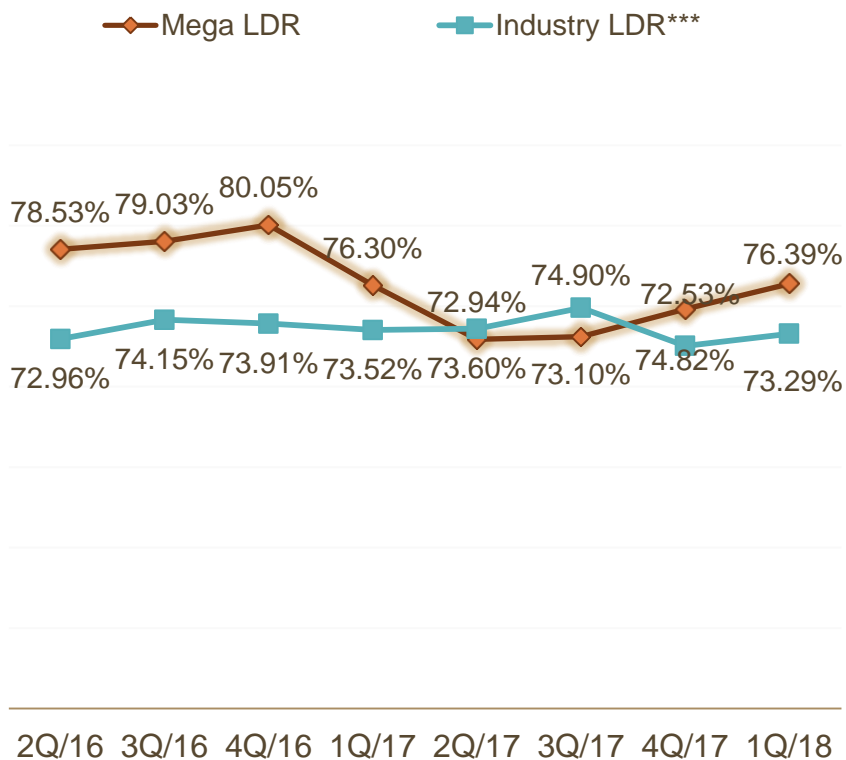
\* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

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

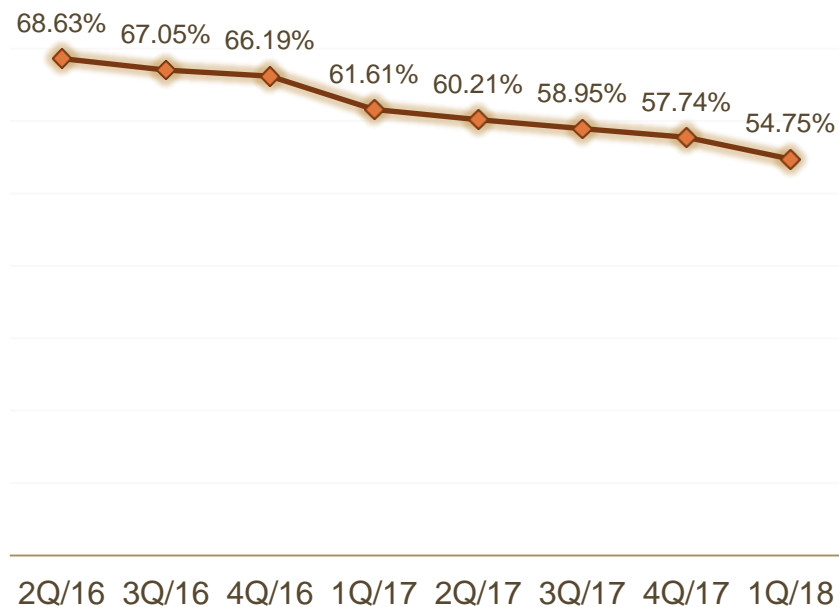


# Total LDR pushed up higher

Mega Bank's total LDR\*



Mega Bank's USD LDR\*\*



\* Total LDR calculation is based on loan/deposit end balance

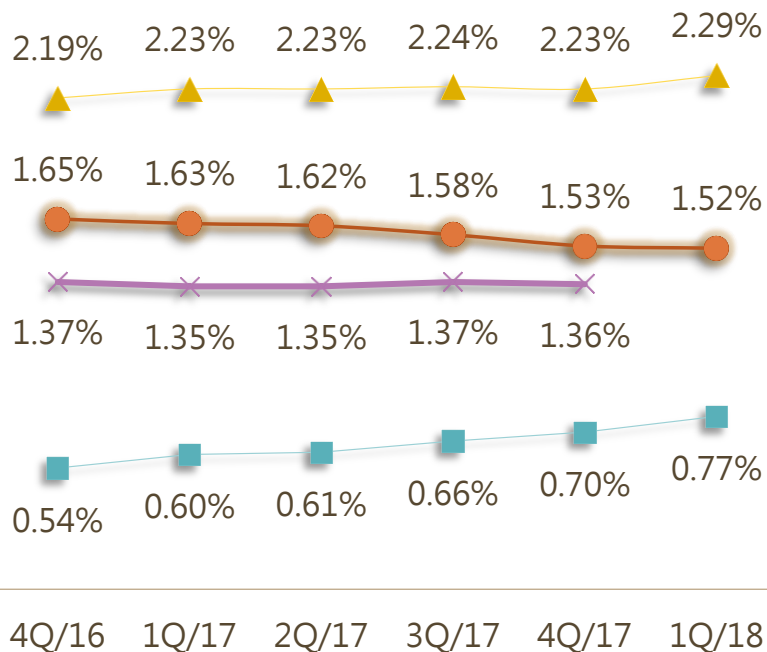
\*\* USD LDR calculation is based on average loan/deposit balance of that quarter

\*\*\* Source: Central Bank of Taiwan

# Loan interest spread stabilized

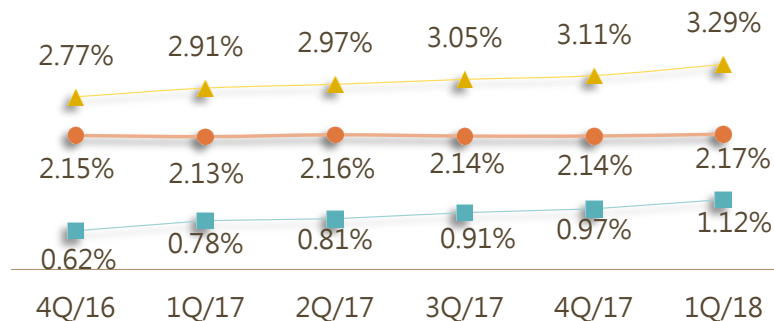
## Mega Bank total loan interest spread\*

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



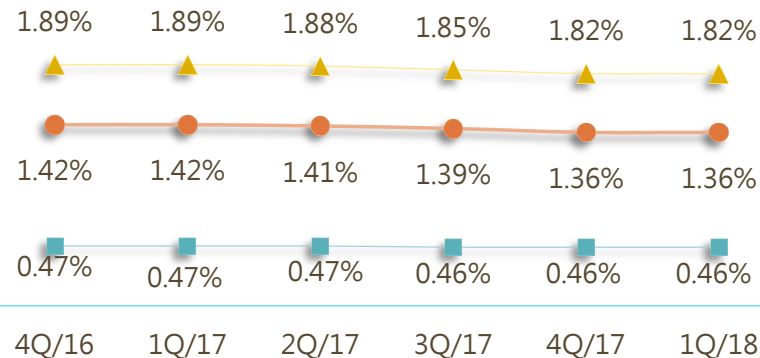
## Mega Bank overseas loan interest spread\*

—●— Spread —▲— Yield —■— Cost



## Mega Bank domestic loan interest spread\*

—●— Spread —▲— Yield —■— Cost

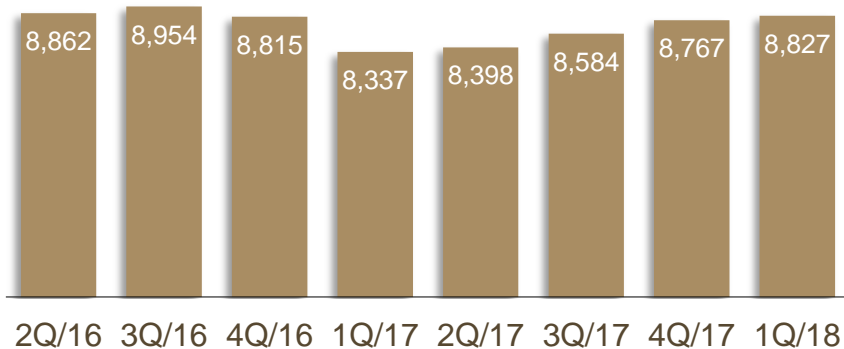


\* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

# NII growth trend remained

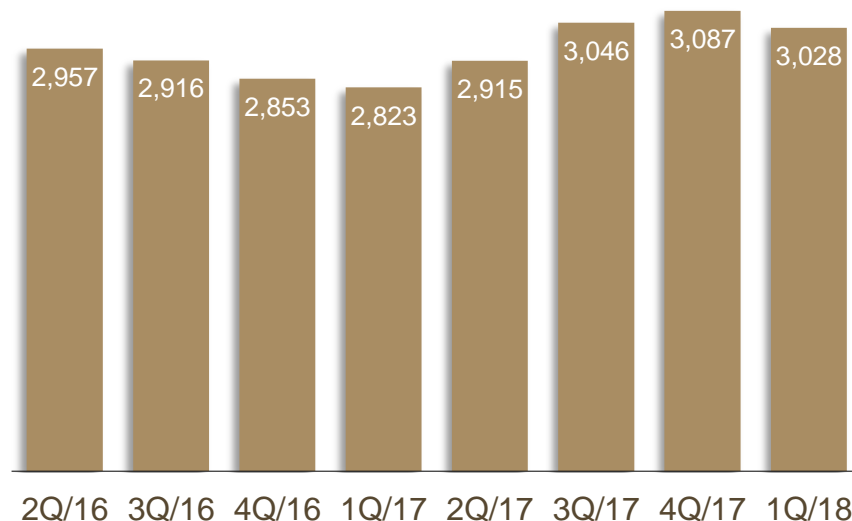
## Mega Bank quarterly NII\*

Unit: NT\$ million



## Mega Bank quarterly interest earning assets\*\*

Unit: NT\$ billion

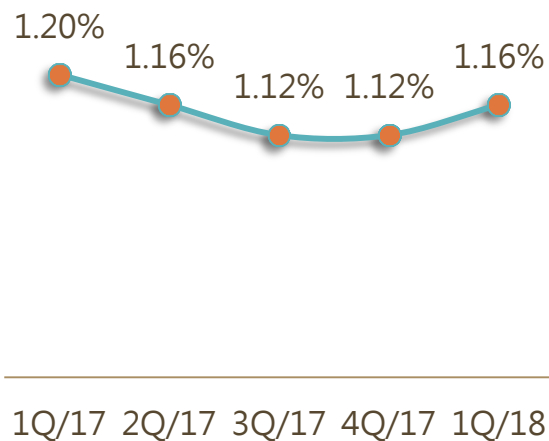


\* Stand-alone un-audited P&L net interest income

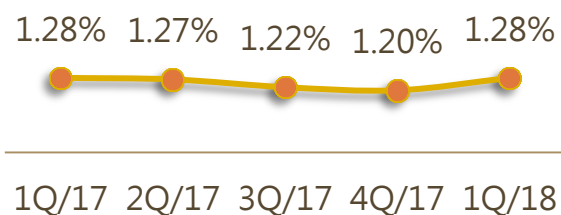
\*\* Quarterly average interest earning assets

# NIM bounced back up

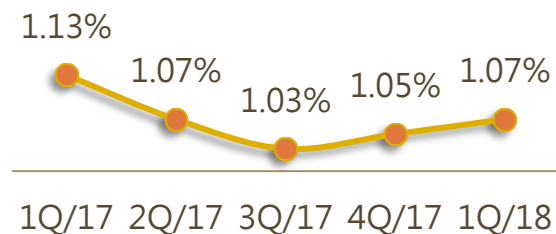
Mega Bank quarterly Total NIM\*



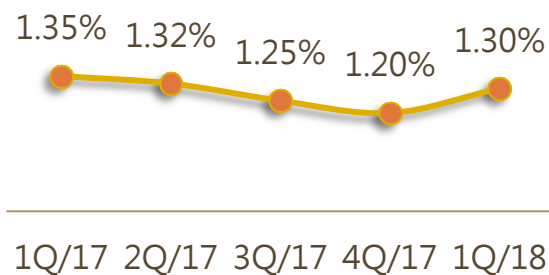
Mega Bank quarterly FCY NIM\*



Mega Bank quarterly NTD NIM\*



Mega Bank monthly USD NIM\*

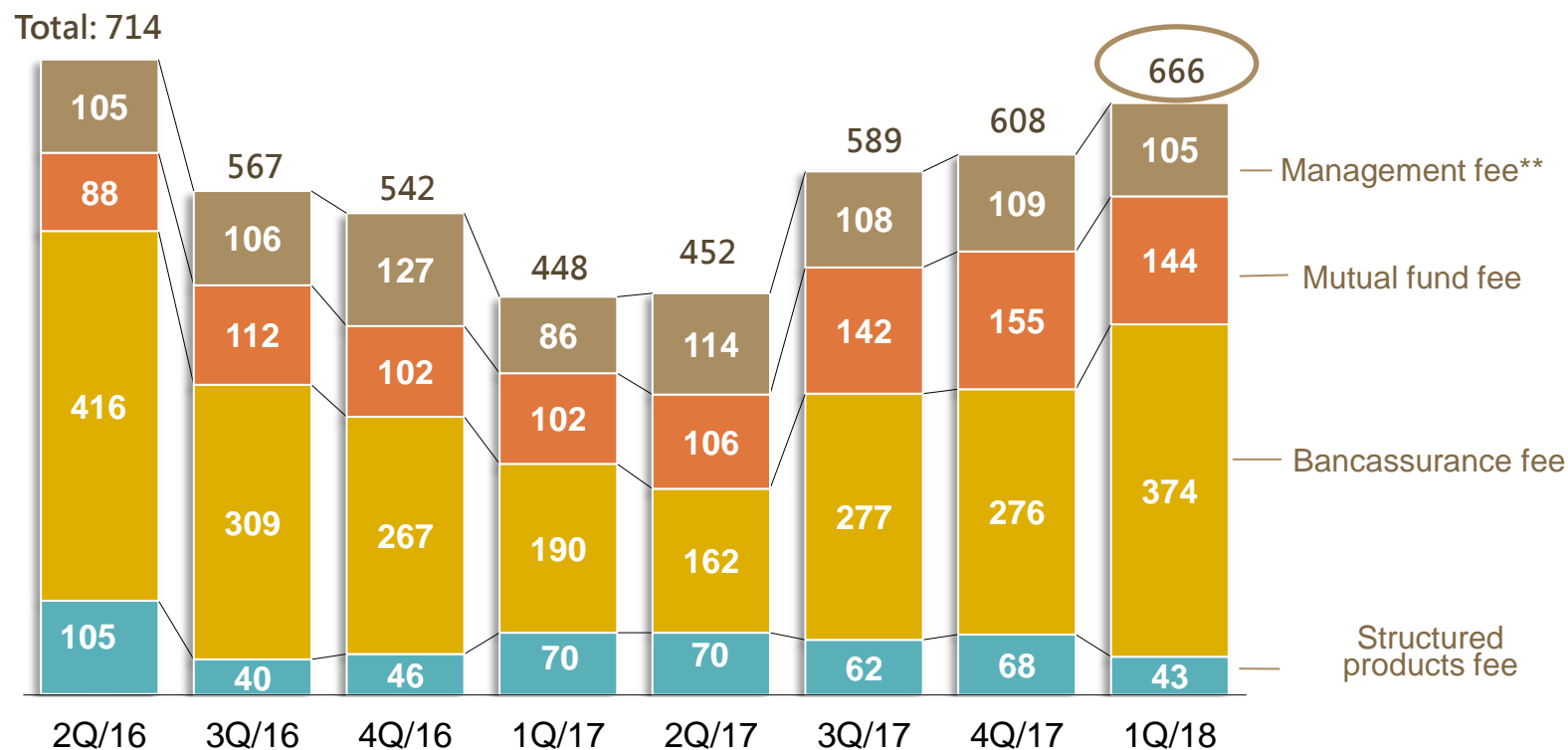


\* NIM = annualized net interest income / average interest earning assets of that quarter.

# WM fee recovered further

## Mega Bank wealth management gross fee breakdown\*

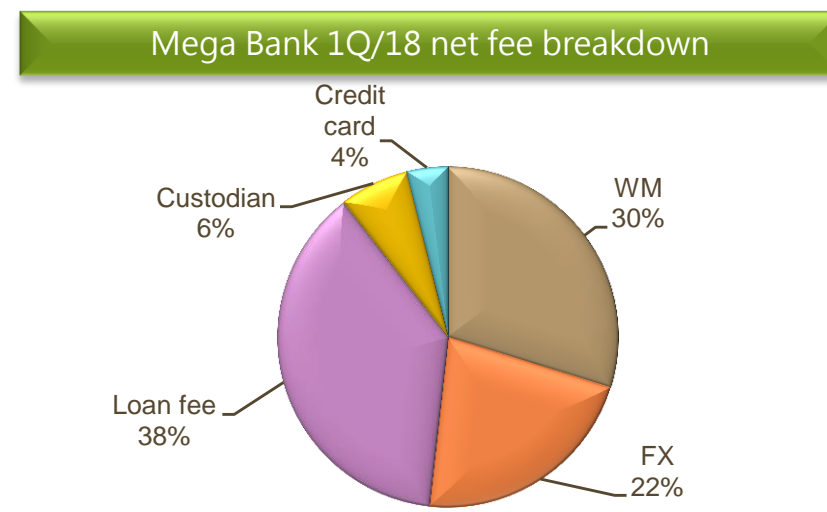
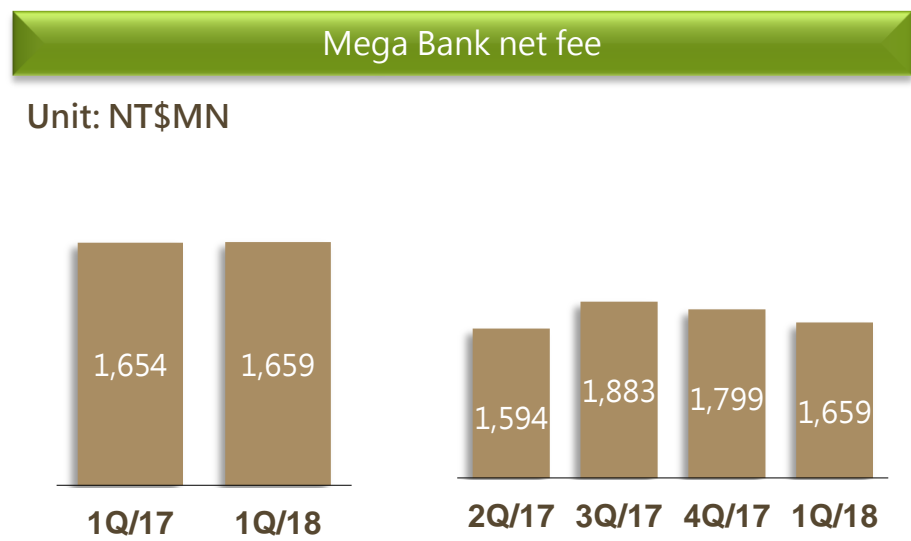
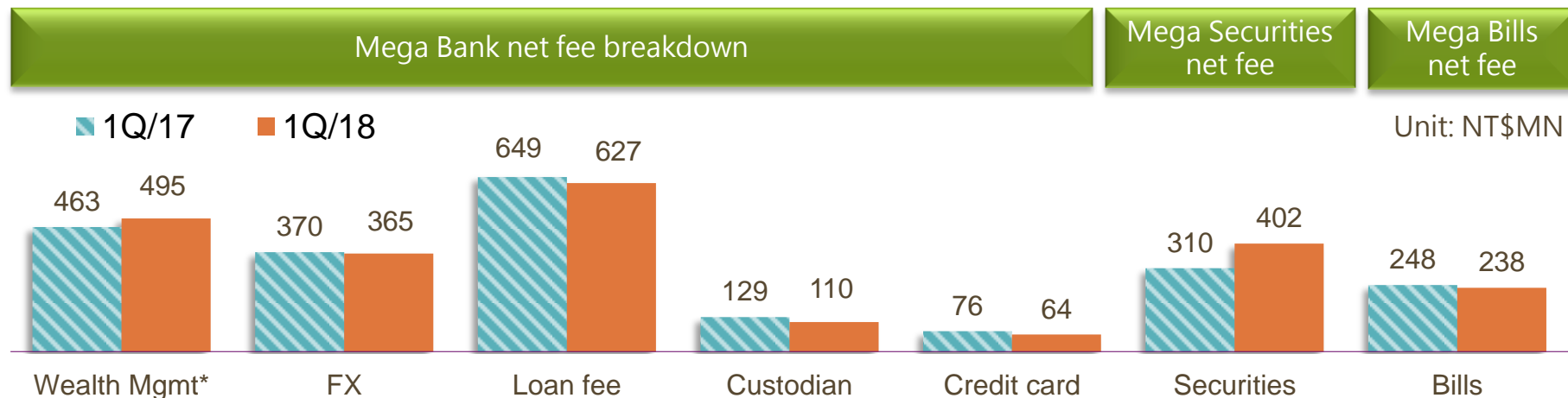
單位: NT\$MN



\* 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.

# Mega Bank fee inched up, driven by WM fee

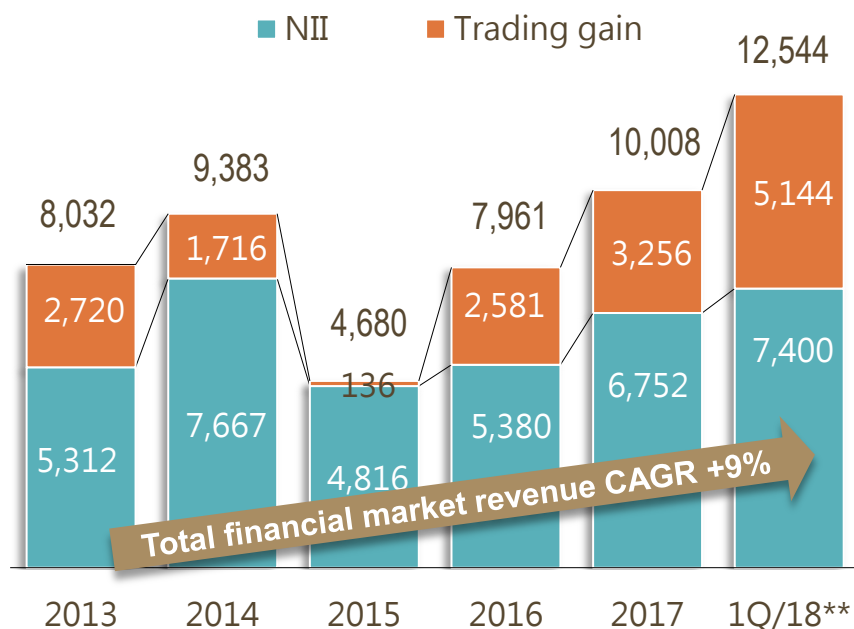


\* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

# Financial market revenue remained robust

## Mega Bank financial market net revenue\*

Unit: NT\$mn



Past

- 2013~1Q/18 CAGR was 9%.
- 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.
- Strong financial market revenue helped off-set declines from other revenue items.

Future

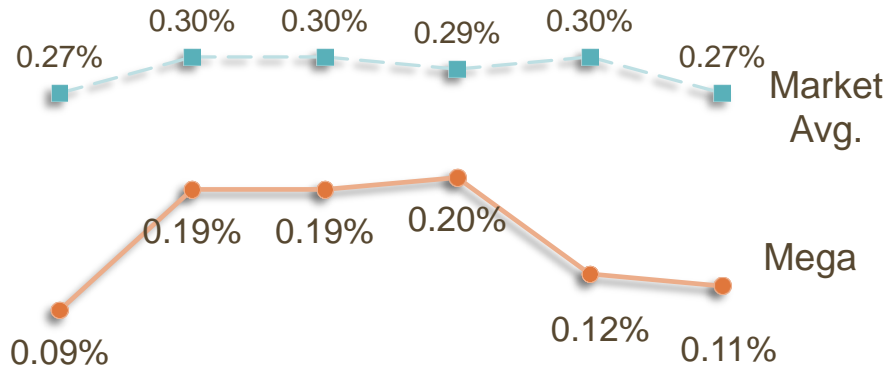
- Opportunity: mgmt. team is expected to build up more USD bond portfolio.
- Risk: Black Swan events could compromise the performance of the trading gain.

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

\*\* 1Q/18 are annualized numbers

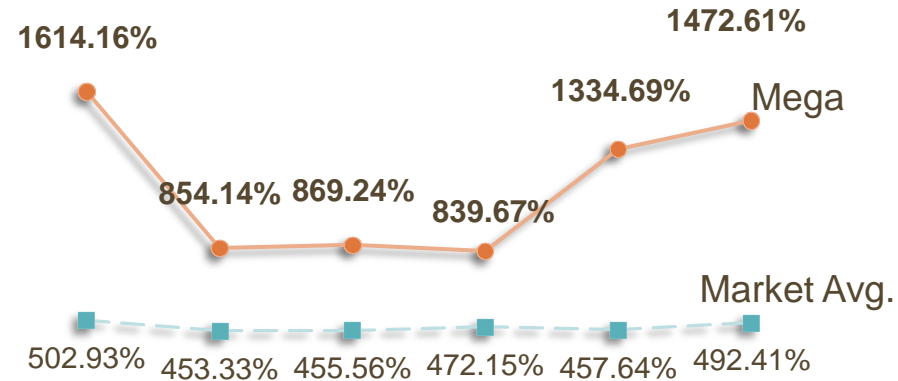
# NPL ratio remained low; coverage climbed higher

Mega Bank NPL balance & NPL ratio\*

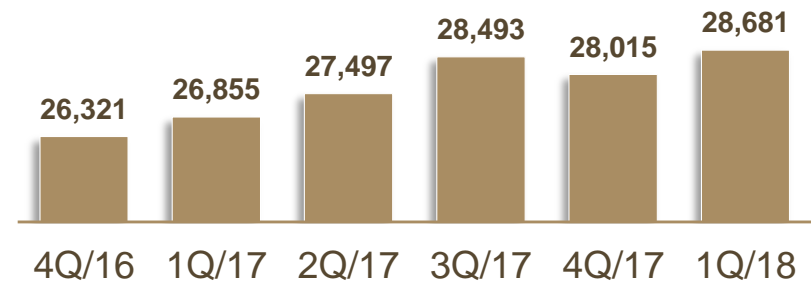
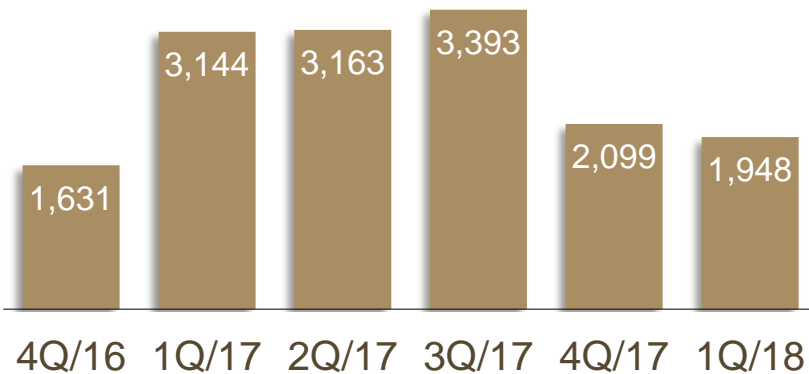


Unit: NT\$MN

Mega Bank loan loss reserved and coverage ratio



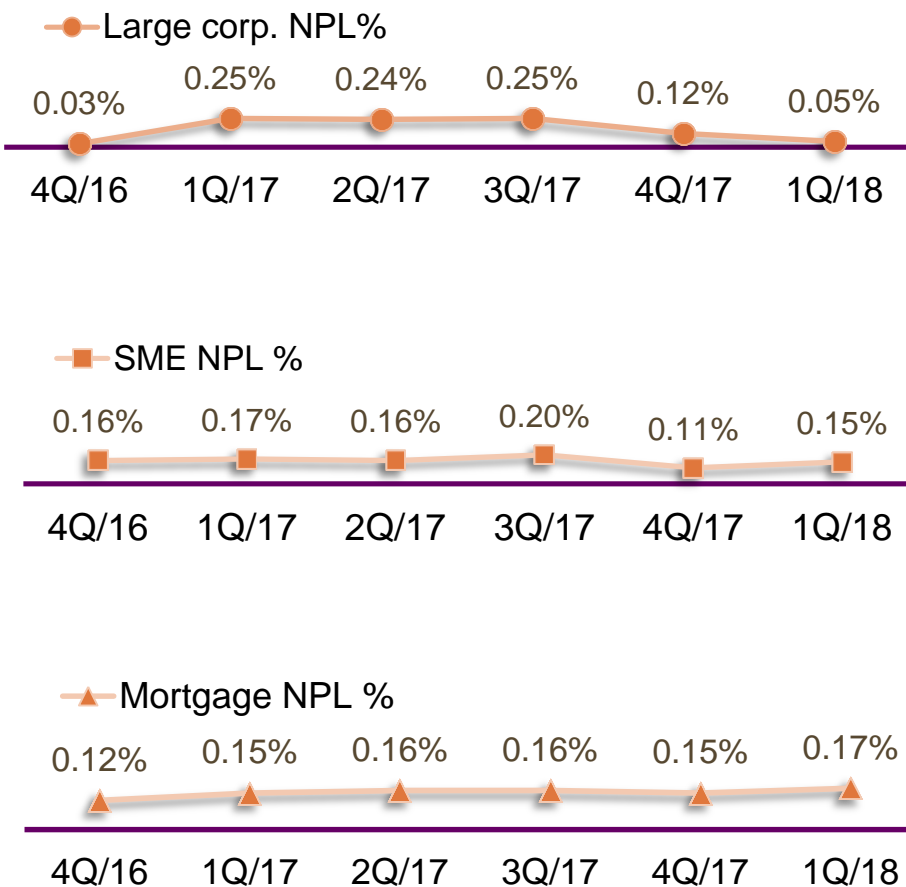
Unit: NT\$MN



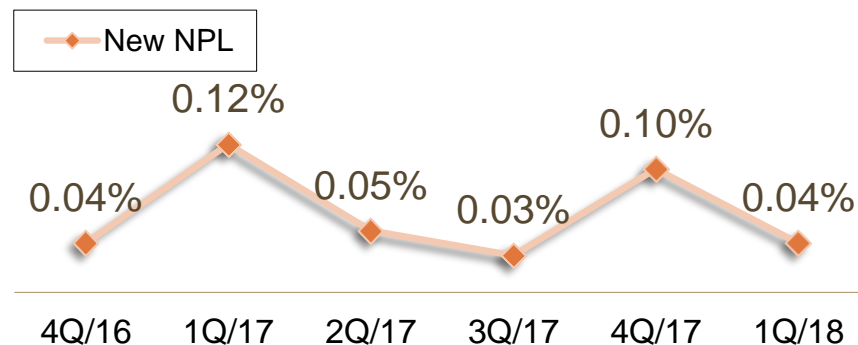


# Strong asset quality

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.

\*\* New NPL balance / total loan; Mega Bank Internal number; 1Q/17 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

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Operation Highlights



Financial Performance

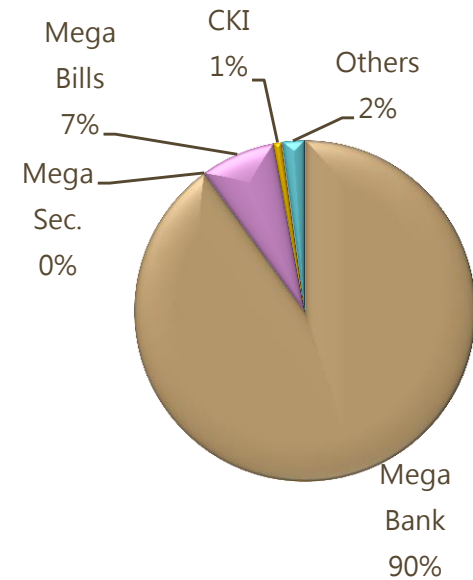
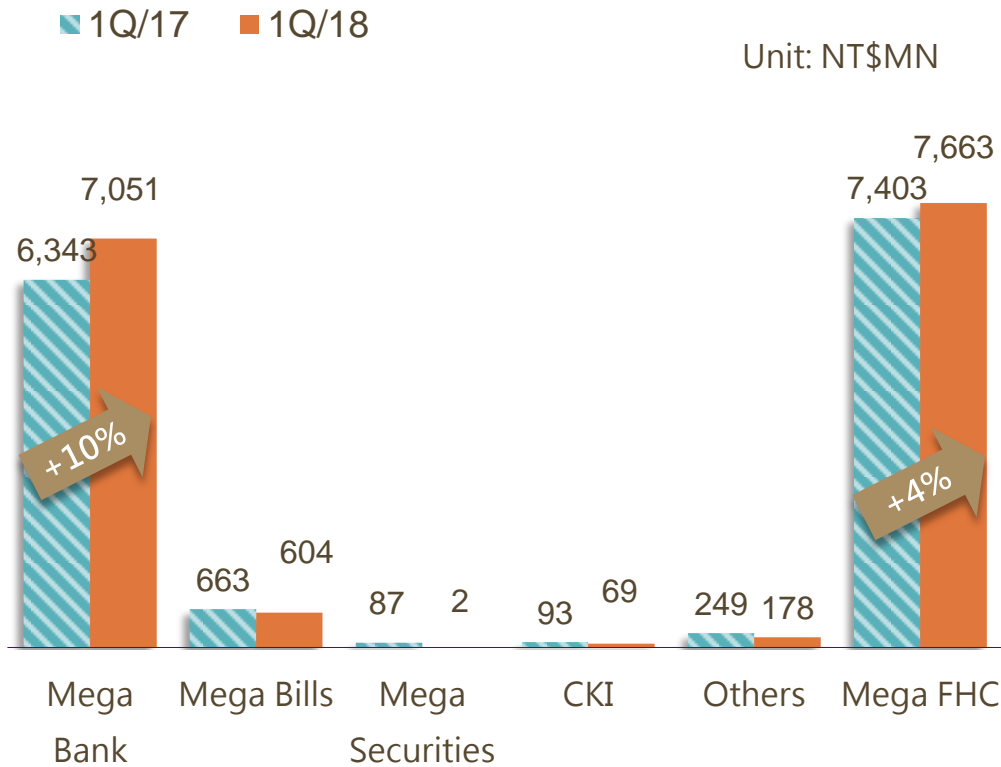


Appendix

# Group earning was up 4%YoY; bank earning was up 10% YoY

## Mega FHC & Sub. 1Q/18 earning trend

## Mega FHC 1Q/18 earning contribution breakdown

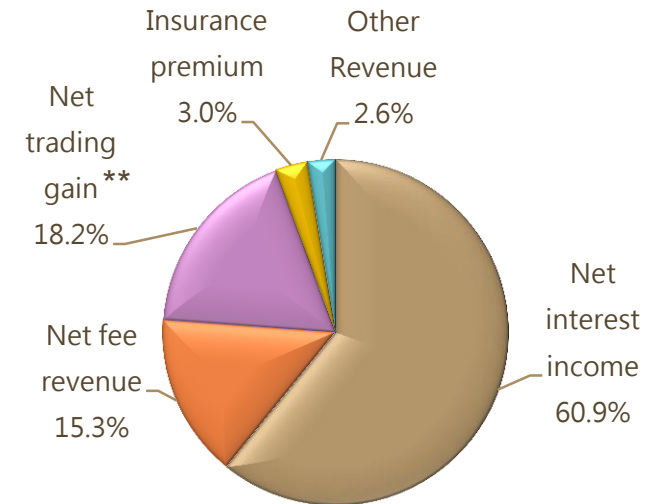
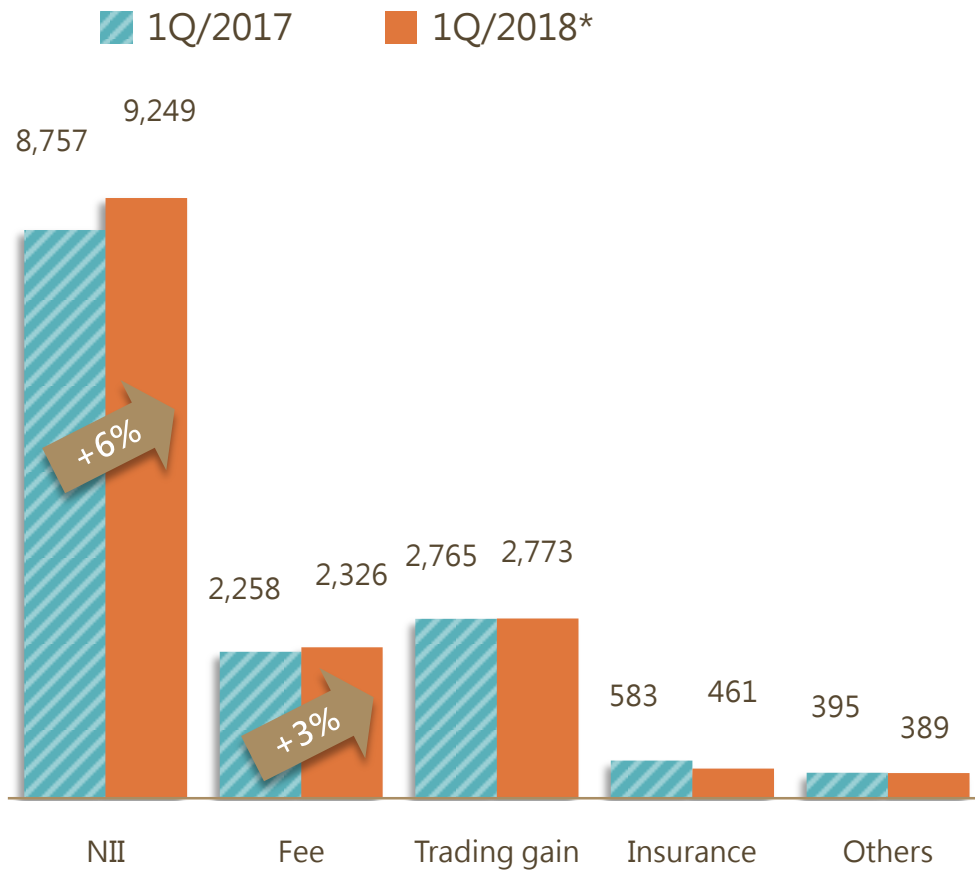


\* 1Q/18 are un-audited numbers

# Group NII was up 6% YoY; while fee was up 3% YoY

Mega Group consolidated net revenue \*

Mega Group 1Q/18 net revenue breakdown



\* 1Q/18 are un-audited figures.

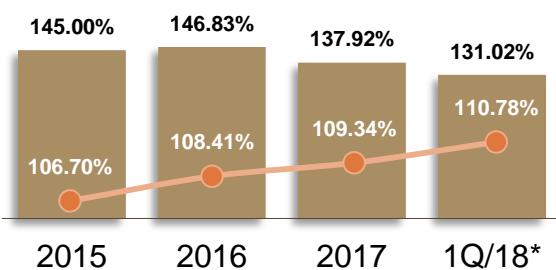
\*\* Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

# Tier-1 capital ratio stood at 12.80%

## Mega FHC

Moody's: A3

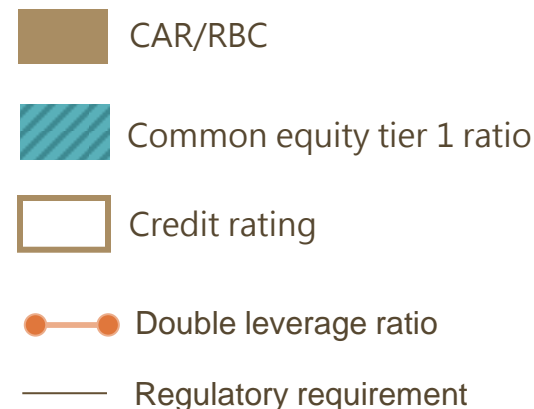
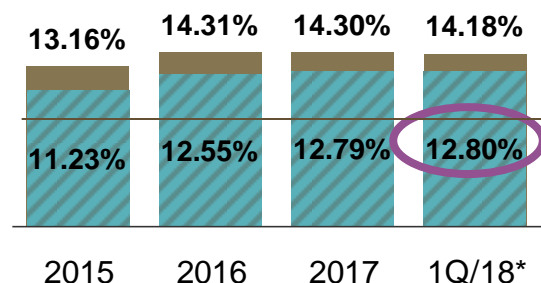
Requirement: 100%



## Mega Bank

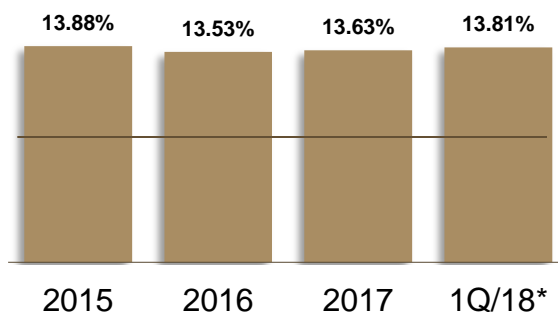
Moody's: A1 / S&P: A

Requirement: CAR: 9.875%  
Tier-1: 7.875%



## Mega Bills

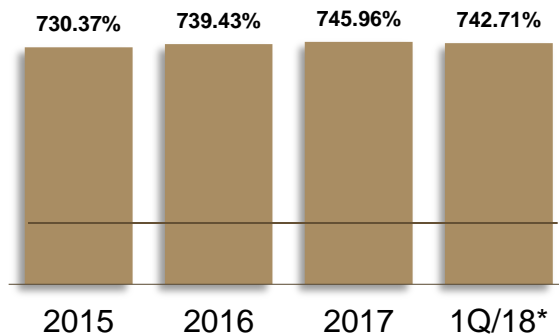
Requirement : 8.0%



## CKI P&C

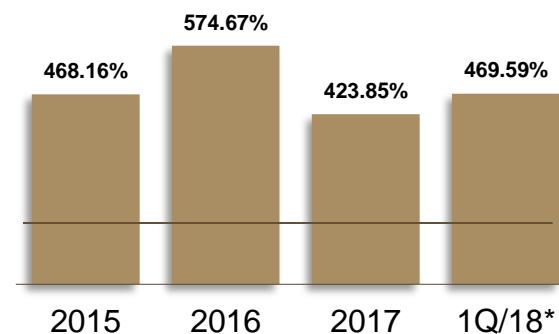
Moody's: A3 / S&P: A-

Requirement: 200%



## Mega Securities

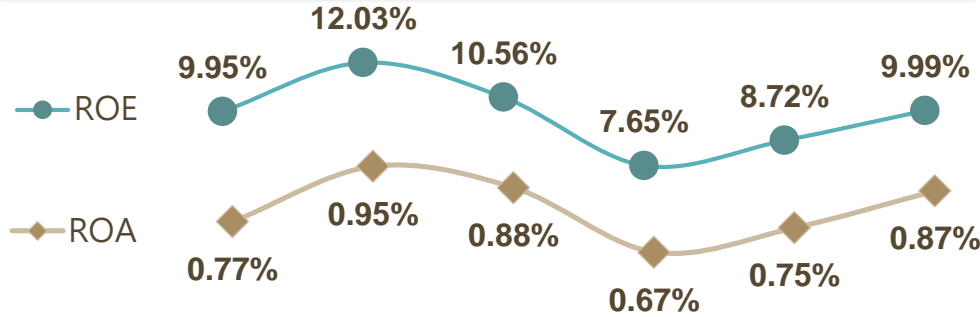
Requirement : 150%



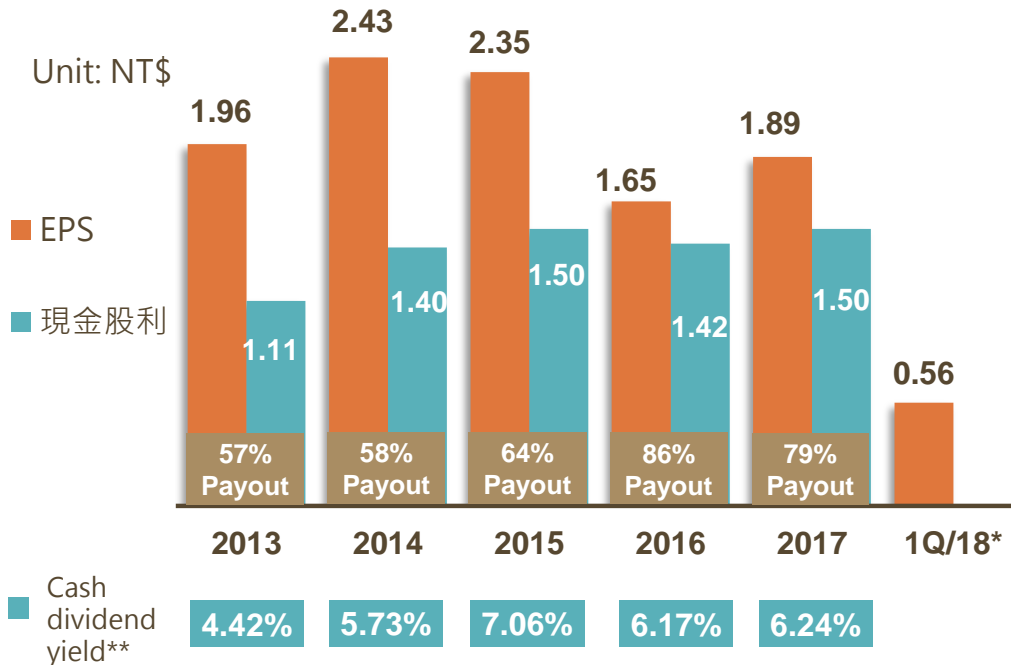
\* 1Q/18 are un-audited numbers

# Strong commitment of maximizing shareholder value

## Key Profitability Ratios



Unit: NT\$



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.

\* 1Q/18 are un-audited numbers

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

# 1Q/2018 Mega FHC consolidated P&L statement

<i>NT\$MN, EPS:NT\$</i>	1Q/2018*	1Q/2017	YoY
Net interest income	9,249	8,757	6%
Net fee revenue	2,326	2,258	3%
Insurance premium	461	583	-21%
Gain from fin. assets at fair value thru P&L	2,191	2,475	-11%
Available for sales asset gain	0	487	
Gain from fin. assets at fair value through other comprehensive income	5	0	
Gain from debt investment measured by amortized cost	1	0	
Equity method investment gain	37	44	-16%
FX spread gain	579	-151	
Asset impairment loss (write-back)	-47	-97	
Property gain	7	7	0%
Other non-interest revenue (net)	389	395	
Operating net revenue	15,198	14,758	3%
Operating expense	-6,678	-6,113	9%
Pre-provision operating profit	8,520	8,645	-1%
Provision expense on loan	-208	-464	-55%
Reserved on insurance	-28	-23	22%
Pretax profit	8,284	8,158	2%
Tax	-621	-755	-18%
Minority shareholder interest	0	0	
Net profit	7,663	7,403	4%
EPS (NT\$)	0.56	0.54	4%

\* 1Q/18 are un-audited consolidated numbers.

# 1Q/2018 Mega FHC consolidated balance sheet

<i>NT\$MN</i>	1Q/2018*	1Q/2017	YoY
<b>Assets:</b>			
Cash and due from banks	645,094	626,683	3%
Bills and bonds under RP agreement	2,786	4,796	-42%
Fin. assets at fair value through P&L	189,796	187,814	1%
AFS financial assets	-	371,054	-100%
HTM financial assets	-	292,068	-100%
Fin. Assets at fair value through other comprehensive income	444,575	-	
Debt instrument investment measured by amortized cost	293,214	-	
Other financial assets	3,567	13,879	-74%
AVR, net	97,524	80,562	21%
Loan, net	1,772,644	1,656,249	7%
Equity method LT investments, net	3,217	3,154	2%
Land, premises and equipments, net	23,618	23,518	0%
Others	15,699	19,817	-21%
<b>Total assets</b>	<b>3,491,734</b>	<b>3,279,594</b>	<b>6%</b>
<b>Liabilities</b>			
Due to banks	382,541	338,384	13%
Deposits	2,351,866	2,198,036	7%
CP & Bond payable	53,467	58,863	-9%
Bills & bonds sold under repurchase agreement	235,692	236,700	0%
Other liabilities	153,183	147,940	4%
<b>Total liabilities</b>	<b>3,176,749</b>	<b>2,979,923</b>	<b>7%</b>
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	103,346	97,362	6%
Equity adjustment items	7,418	-1,925	-485%
Minority shareholder interest	29	42	-31%
<b>Total stockholders' equity</b>	<b>314,985</b>	<b>299,671</b>	<b>5%</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,491,734</b>	<b>3,279,594</b>	<b>6%</b>
<b>Book value per share (NT\$)</b>	<b>23.16</b>	<b>22.03</b>	<b>5%</b>

\* 1Q/18 are un-audited consolidated numbers



# 1Q/2018 Mega Bank consolidated P&L statement

<i>NT\$MN, EPS: \$NT</i>	1Q/2018*	1Q/2017	YoY
Net interest income	8,827	8,337	6%
Net fee revenue	1,659	1,654	0%
Gain from fin. assets at fair value thru P&L	1,982	1,941	2%
Available for sales asset gain	0	416	-
Gain from fin. assets at fair value through other comprehensive income	-1	0	-
Gain from debt investment measured by amortized cost	1	0	-
FX spread gain	614	57	91%
Asset impairment loss (write-back)	-1	-97	-
Equity method investment gain	37	41	-11%
Other non-interest revenue (net)	101	105	-4%
Cost method investment gain	0	12	-
Operating net revenue	13,219	12,466	6%
Operating expense	-5,488	-5,019	9%
Pre-provision operating profit	7,731	7,447	4%
Provision expense on loan	-226	-479	-112%
Pretax profit	7,505	6,968	7%
Tax	-454	-625	-38%
Net profit	7,051	6,343	10%
EPS (NT\$)	0.83	0.74	11%

\* 1Q/18 are un-audited consolidated numbers

# 1Q/2018 Mega Bank consolidated balance sheet

<i>Unit: NT\$MN</i>	1Q/2018*	1Q/2017	YoY
<b>Assets:</b>			
Cash and due from banks	645,921	619,566	4%
Bills and bonds under RP agreement	2,286	4,103	-44%
Fin. assets at fair value through P&L	50,005	45,123	11%
Fin. Assets at fair value through other comprehensive income	277,987	-	
Debt instrument investment measured by amortized cost	290,583	-	
AFS financial assets	-	218,271	
HTM financial assets	-	290,362	
Other financial assets	7	9,504	
A/R, net	61,935	49,576	25%
Loan, net	1,772,644	1,655,494	7%
Equity method LT investments, net	3,139	3,076	2%
Land, premises and equipments, net	15,463	15,128	2%
Others (net)	9,173	8,333	10%
<b>Total assets</b>	<b>3,129,143</b>	<b>2,918,536</b>	<b>7%</b>
<b>Liabilities</b>			
Due to banks	366,743	323,935	13%
Deposits	2,354,548	2,205,790	7%
CP & Bond payable	25,900	36,200	-28%
Bills & bonds sold under repurchase agreement	3,521	480	634%
Other liabilities	99,647	88,845	12%
<b>Total liabilities</b>	<b>2,850,359</b>	<b>2,655,250</b>	<b>7%</b>
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	126,478	117,787	7%
Equity adjustment items	4,724	(2,083)	-327%
<b>Total stockholders' equity</b>	<b>278,784</b>	<b>263,286</b>	<b>6%</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,129,143</b>	<b>2,918,536</b>	<b>7%</b>
<b>Book value per share (NT\$)</b>	<b>32.66</b>	<b>30.84</b>	<b>6%</b>

\* 1Q/18 are un-audited consolidated numbers

# Agenda

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Operation Highlights



Financial Performance



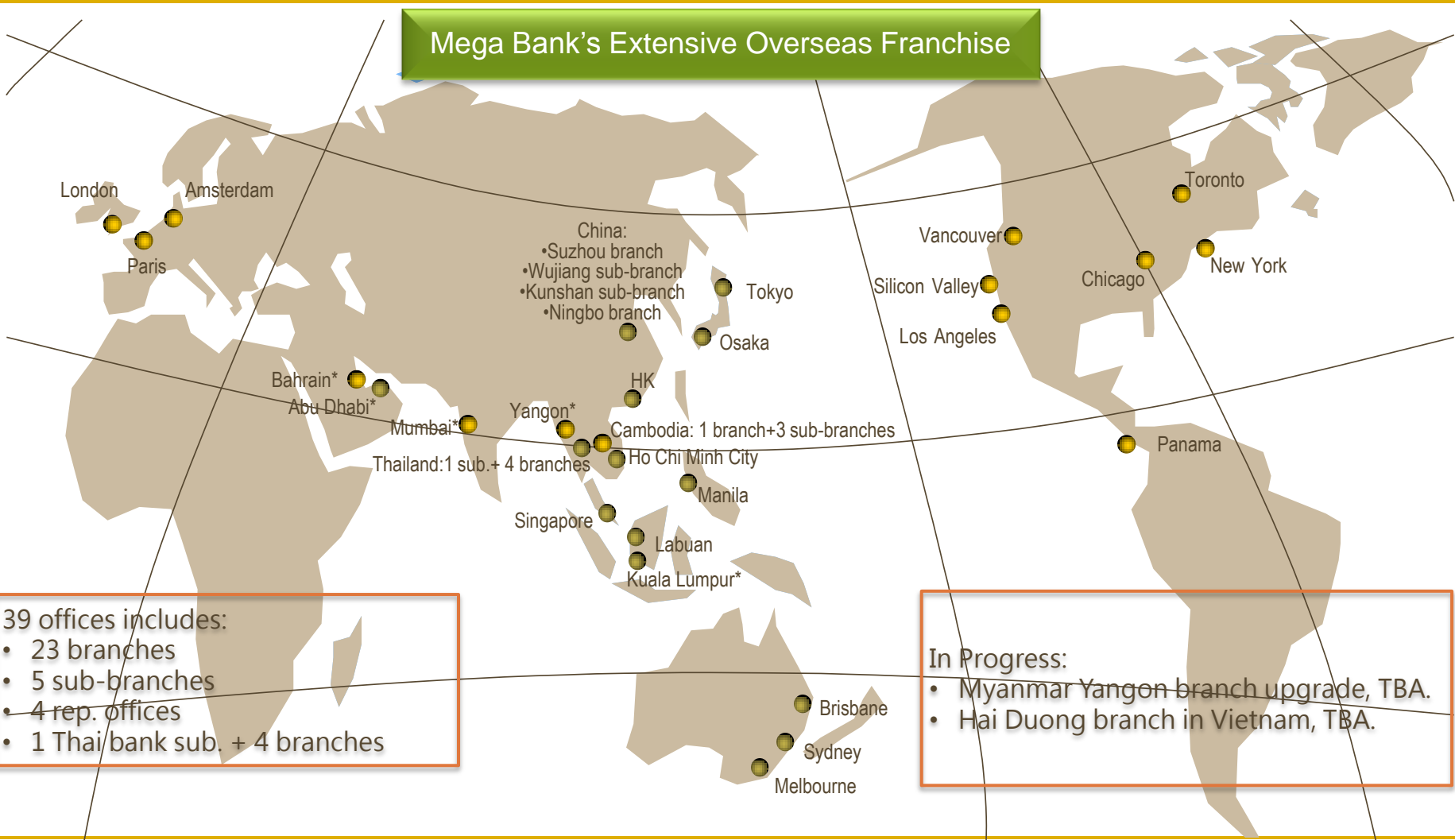
Appendix

# Our vision



# 37 offices in 18 countries; 19 offices in "New South Bond Area"

## Mega Bank's Extensive Overseas Franchise



39 offices includes:

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

In Progress:

- Myanmar Yangon branch upgrade, TBA.
- Hai Duong branch in Vietnam, TBA.

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