



兆豐金控
Mega Holdings

2Q/2018 Analyst Meeting

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Operation Highlights & Strategic Focus



Financial Performance



Operating Performance



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1H/2018 Operation Highlights

Mega FHC After-tax Earning

Unit: NT\$MN



Mega FHC EPS

Unit: NT\$



1H/2018 Operation Highlights

Earning Growth

Mega FHC 1H/2018 after-tax earning reached NT\$15.5BN, up 6.9% YoY; 1H/2018 EPS reached NT\$1.14, up 6.5% YoY.

Loan Growth

Loan was up 3.6% QoQ and 8.6% YoY, boosted by growth from corporate and mortgage loan.

Fee Growth

Bank fee was up 7.6% QoQ and 6.0% YoY, helped by WM and syndication loan fee growth.

Trading Income

Trading gain remained stable; Fed rate hikes should help boosting Dollar asset yield, widening spread gap against other currencies, which is favorable for related trade.

FinTech

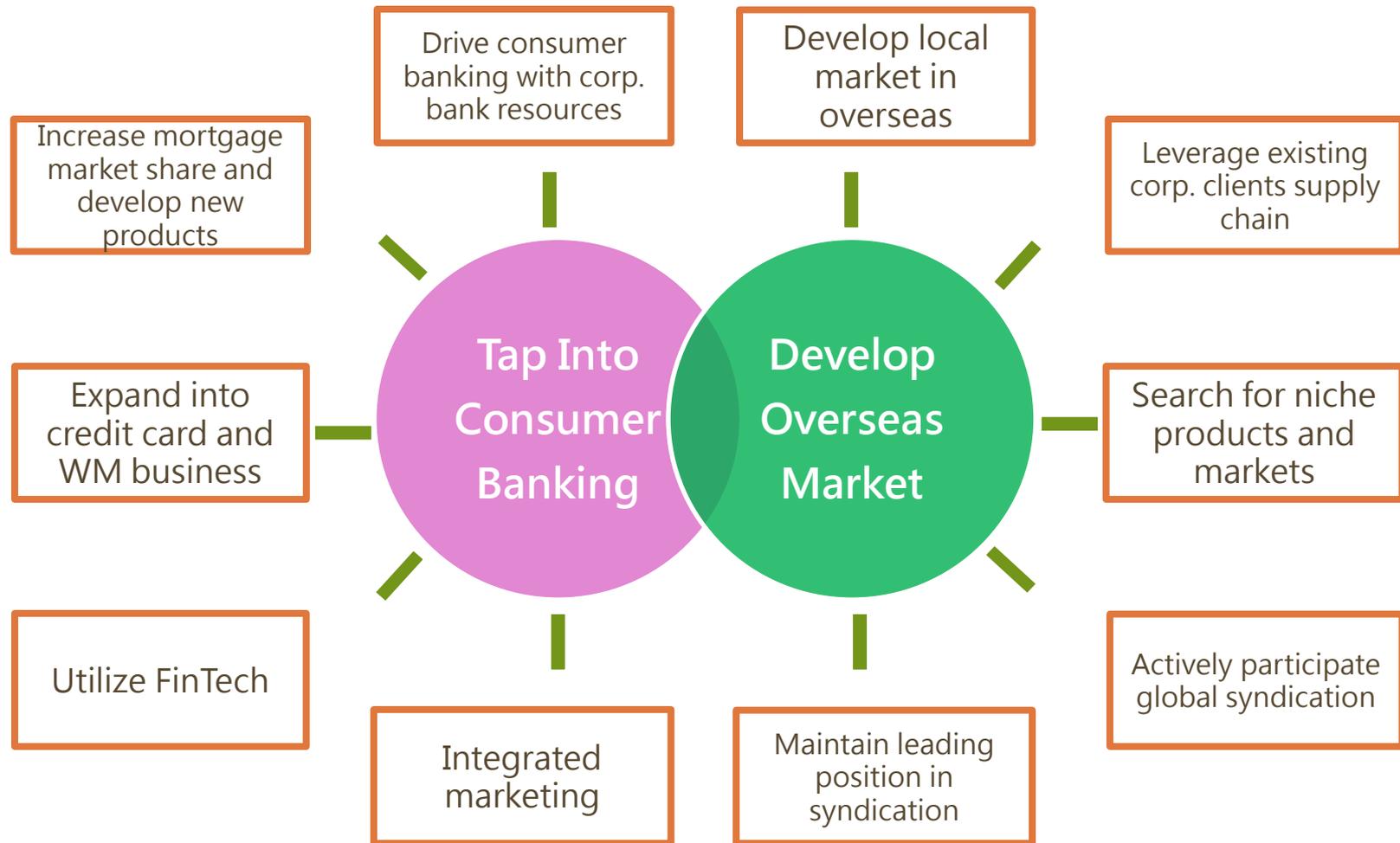
Build up Big Data platform and 360 degree customer overview, push mobile payment, increase social media marketing, develop Blockchain application, and evaluation net bank opportunity.

Compliance

Set up AML/CFT committee, APG Task Force, Dollar Clearing Task Force; continue building up domestic and overseas branches AML system and KYC centralized system.

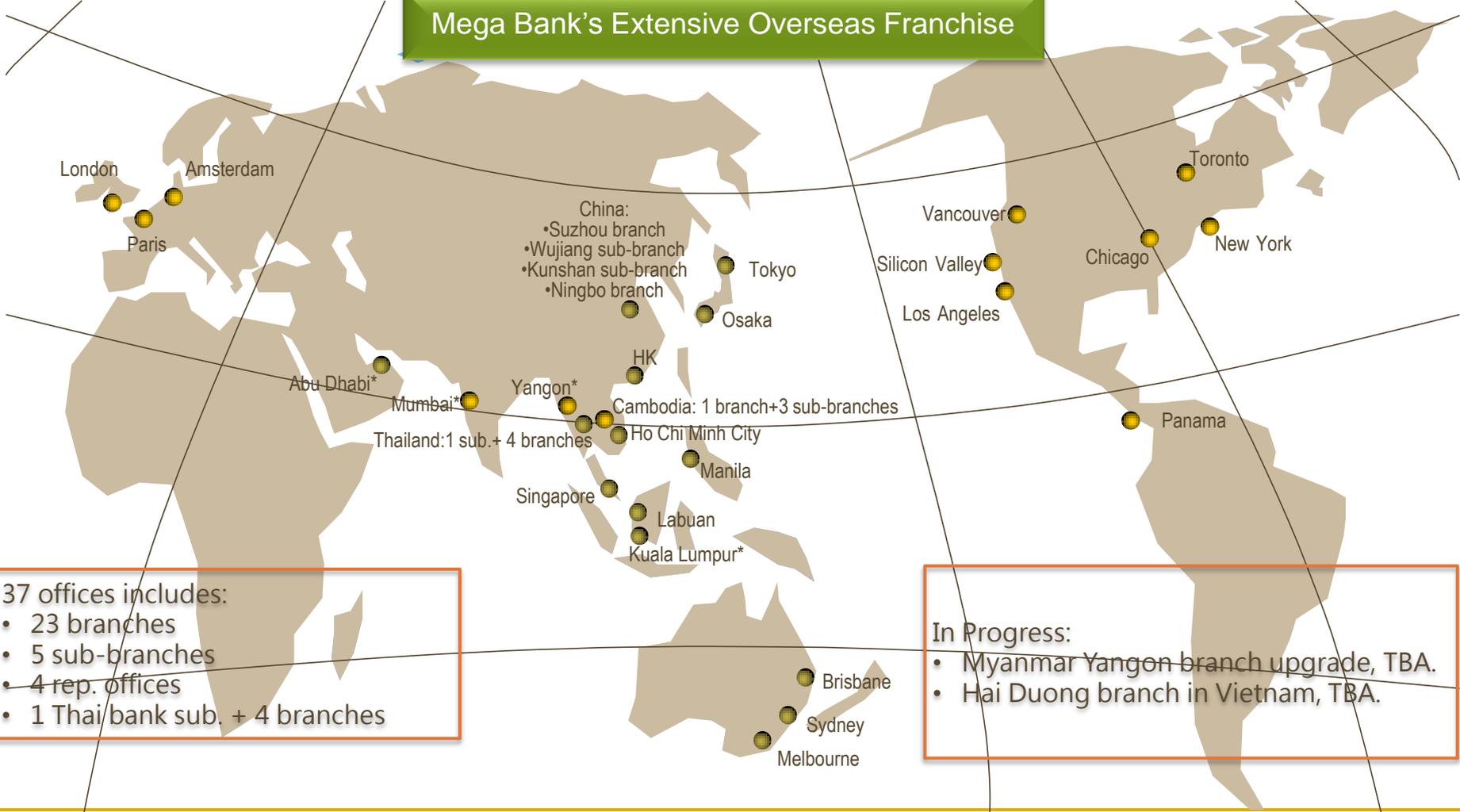
* 1H/18 are audited numbers

Strategic Focus – “Transform Business Target; Ignite Dual Engine Profit”



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

Mega Bank's Extensive Overseas Franchise



37 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

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Operation Highlights & Strategic Focus



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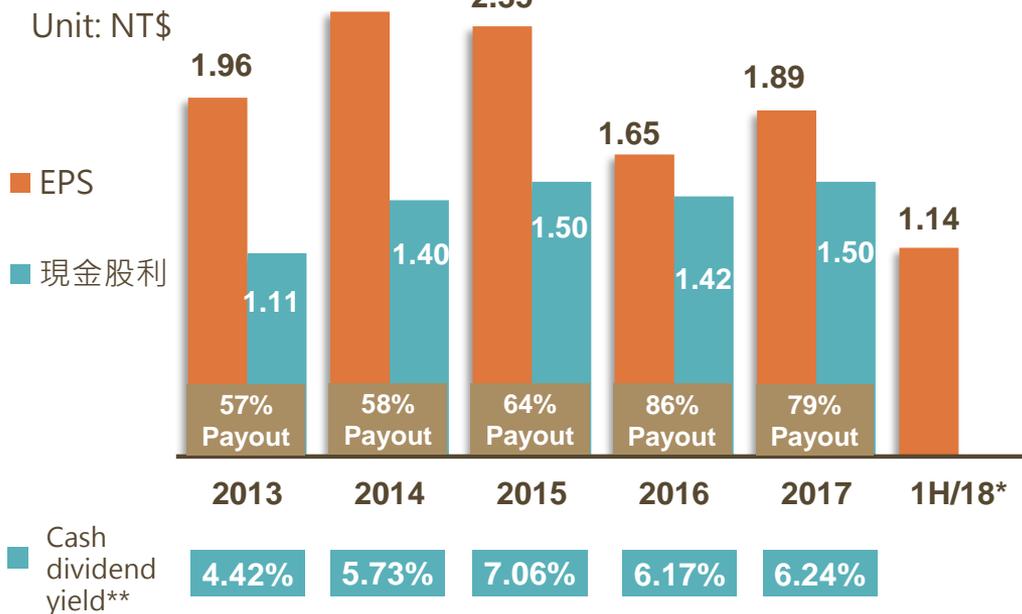
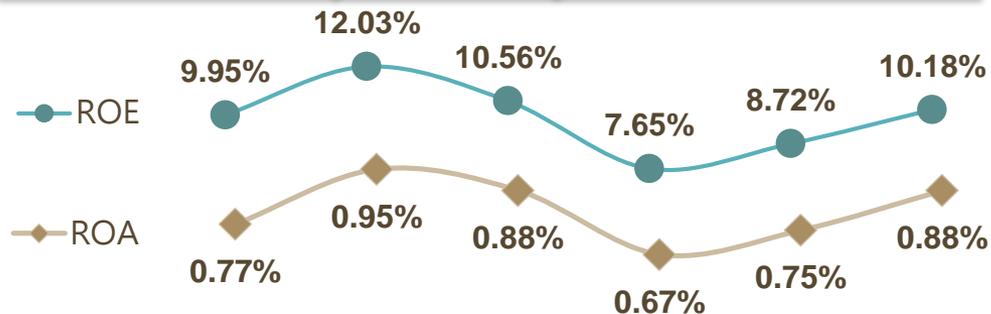
Operating Performance



Appendix

Profit recovered further; dividend policy remained stable.

Key Profitability Ratios



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.

* 1H/18 are audited numbers

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

Strong tier 1 capital

Mega FHC

Moody's: A3

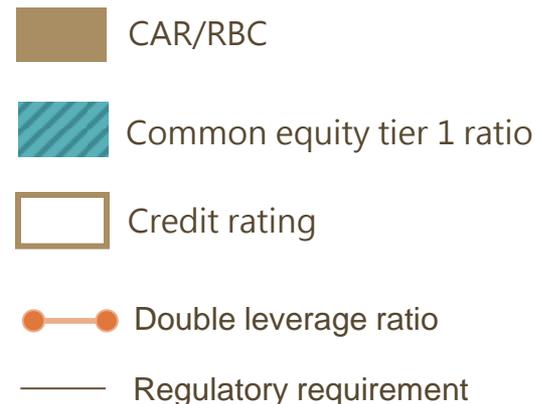
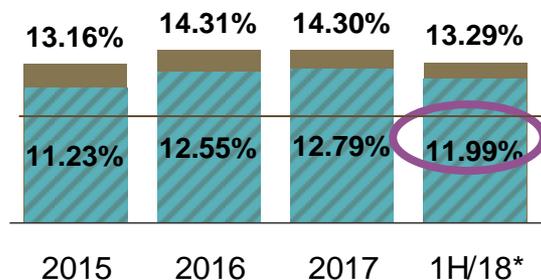
Requirement: 100%



Mega Bank

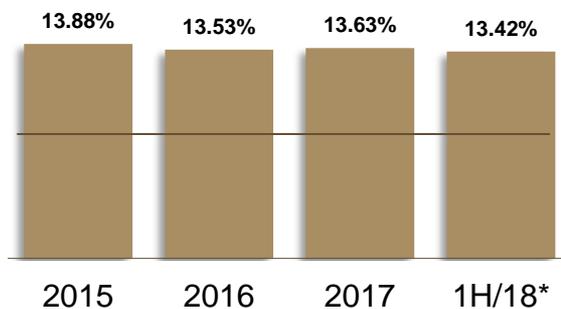
Moody's: A1 / S&P: A

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



Mega Bills

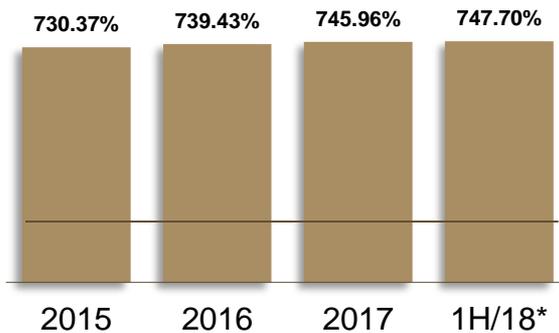
Requirement : 8.0%



CKI P&C

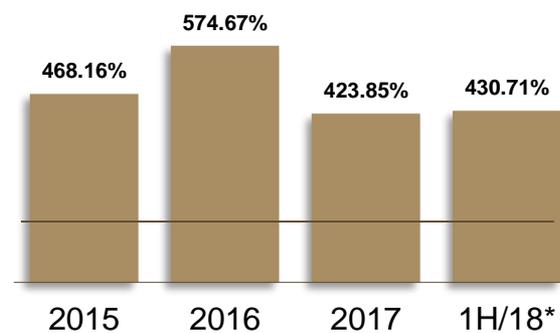
Moody's: A3 / S&P: A-

Requirement: 200%



Mega Securities

Requirement : 150%

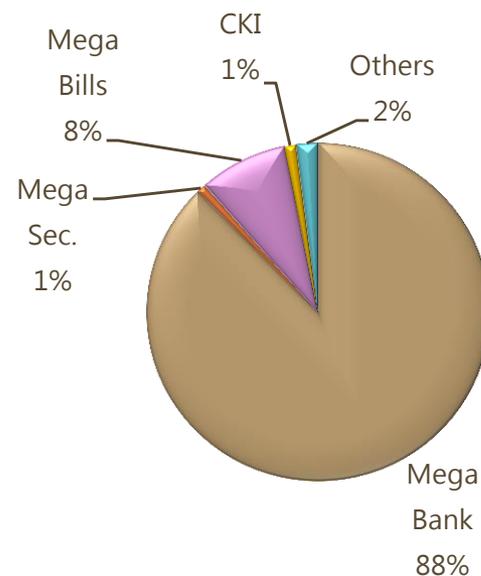
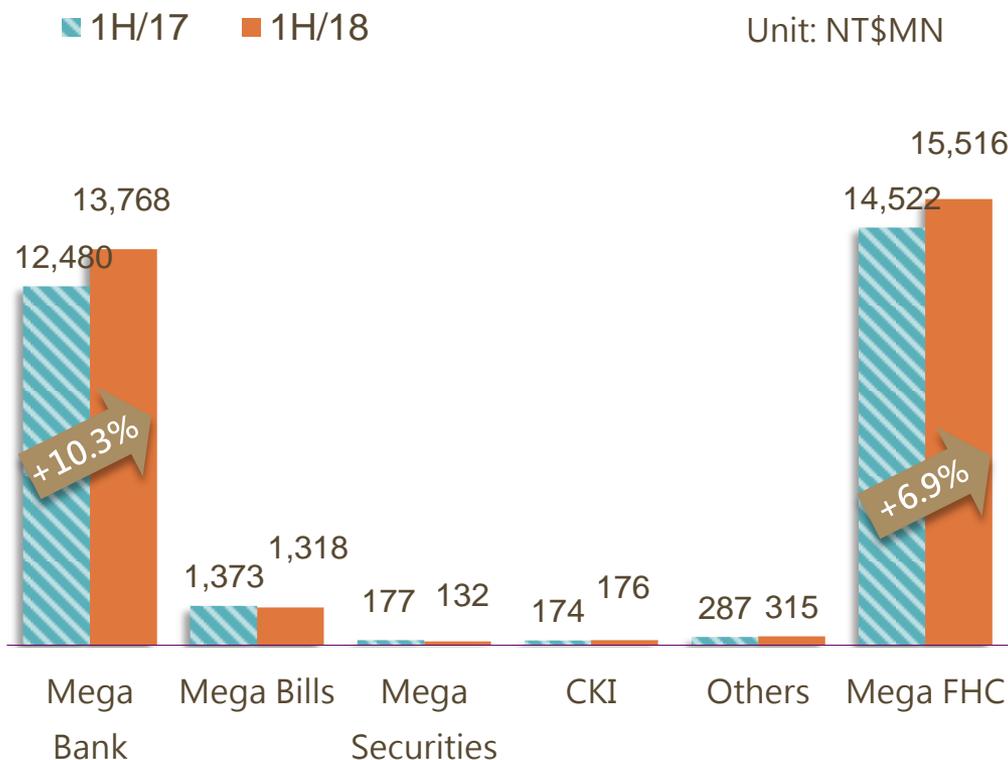


* 1H/18 are audited numbers and 2017 cash dividends are deducted already.

Group earning was up 6.9%YoY; bank earning was up 10.3% YoY

Mega FHC & Subs. 1H/18 earning trend

Mega FHC 1H/18 earning contribution breakdown

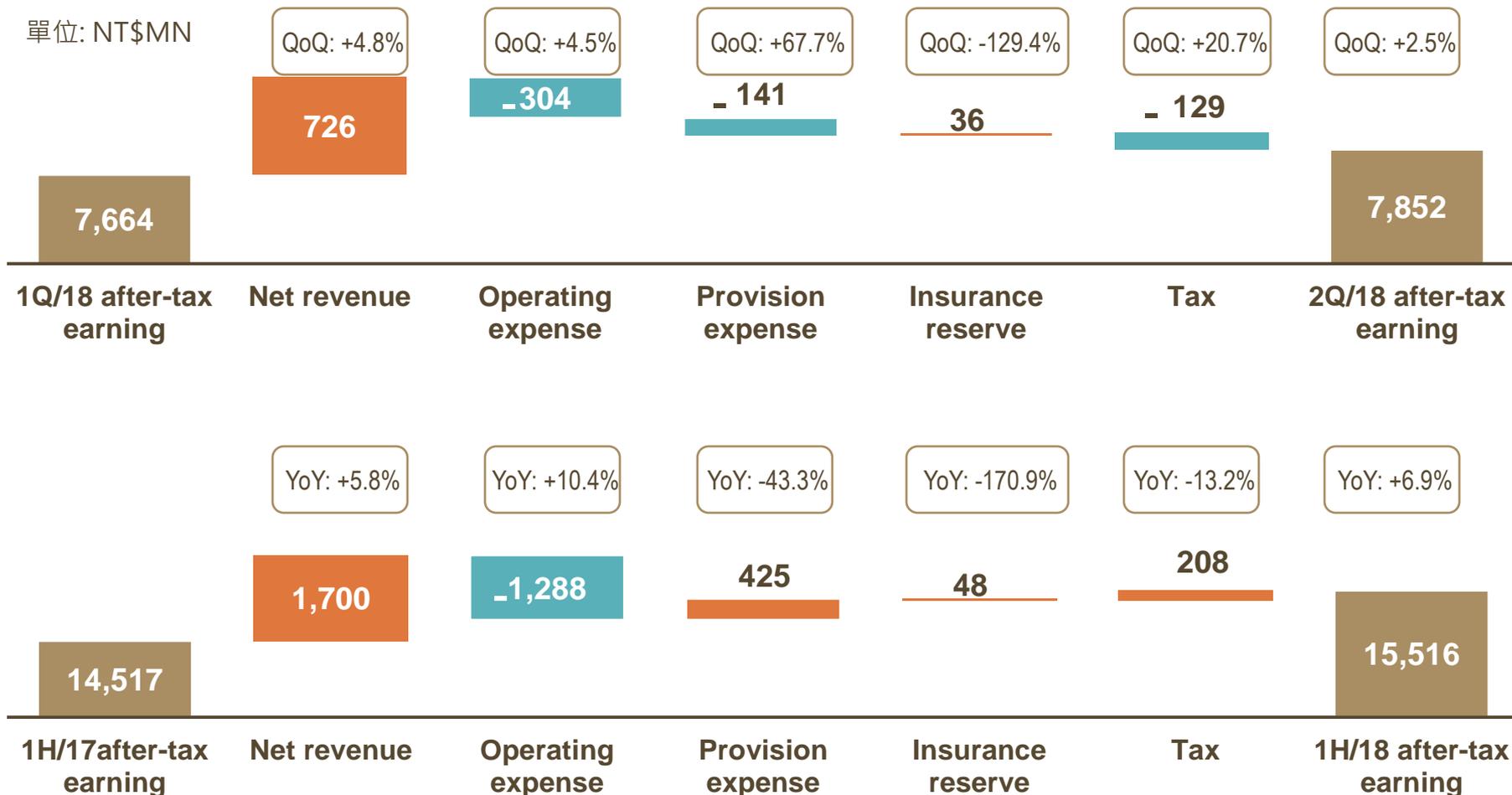


* 1H/18 are audited numbers

FHC 1H/18 was up, OPEX was up as well, provision and tax were down; pushed earning higher.

Mega FHC earning analysis*

單位: NT\$MN

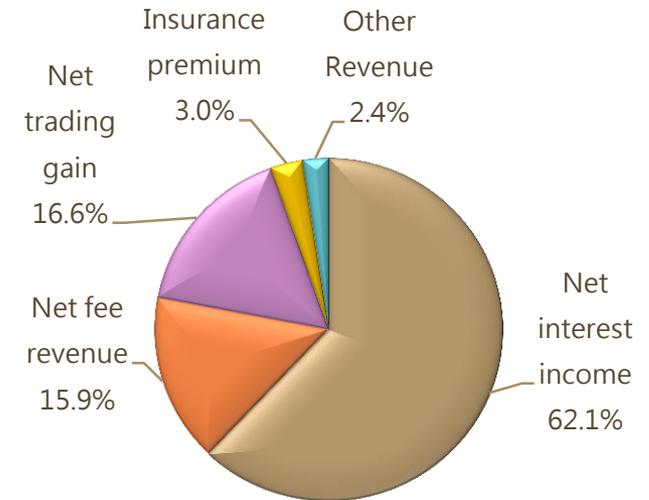
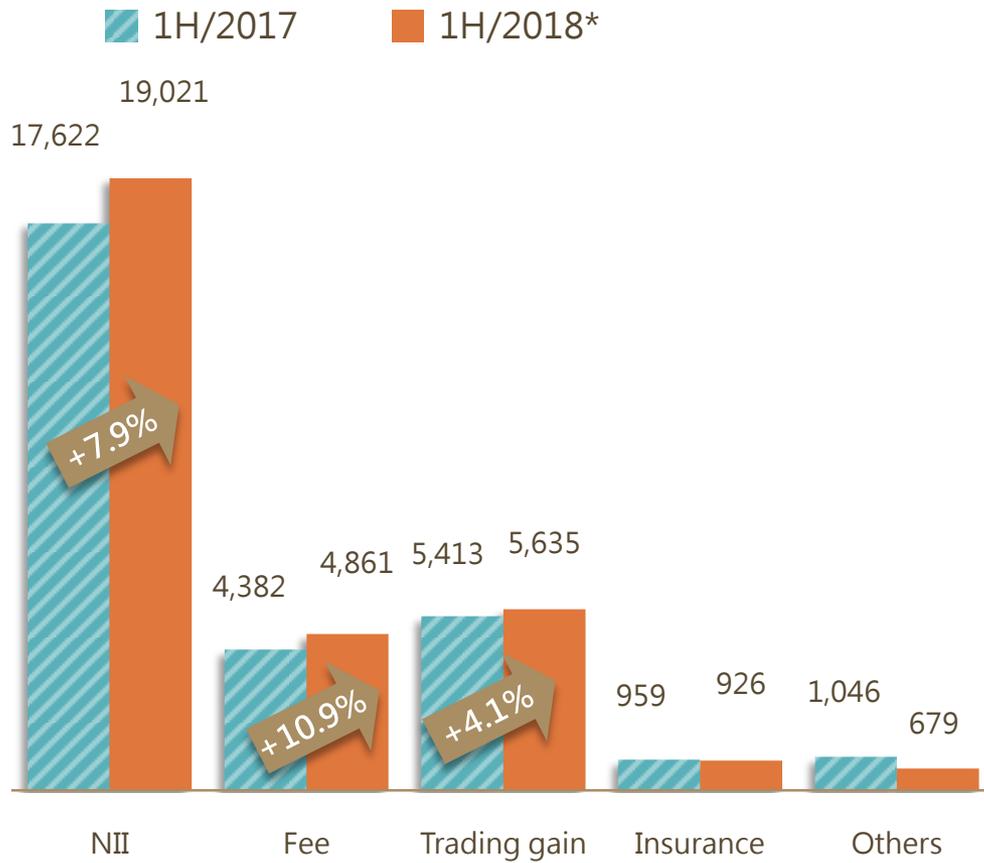


* 1H/18, 2Q/18 are consolidated audited numbers.

Group NII was up 7.9% YoY; fee was up 10.9% YoY; while trading was up 4.1% YoY.

Mega Group consolidated net revenue *

Mega Group 1H/18 net revenue breakdown



* 1H/18 are audited figures.

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Operation Highlights & Strategic Focus



Financial Performance



Operating Performance

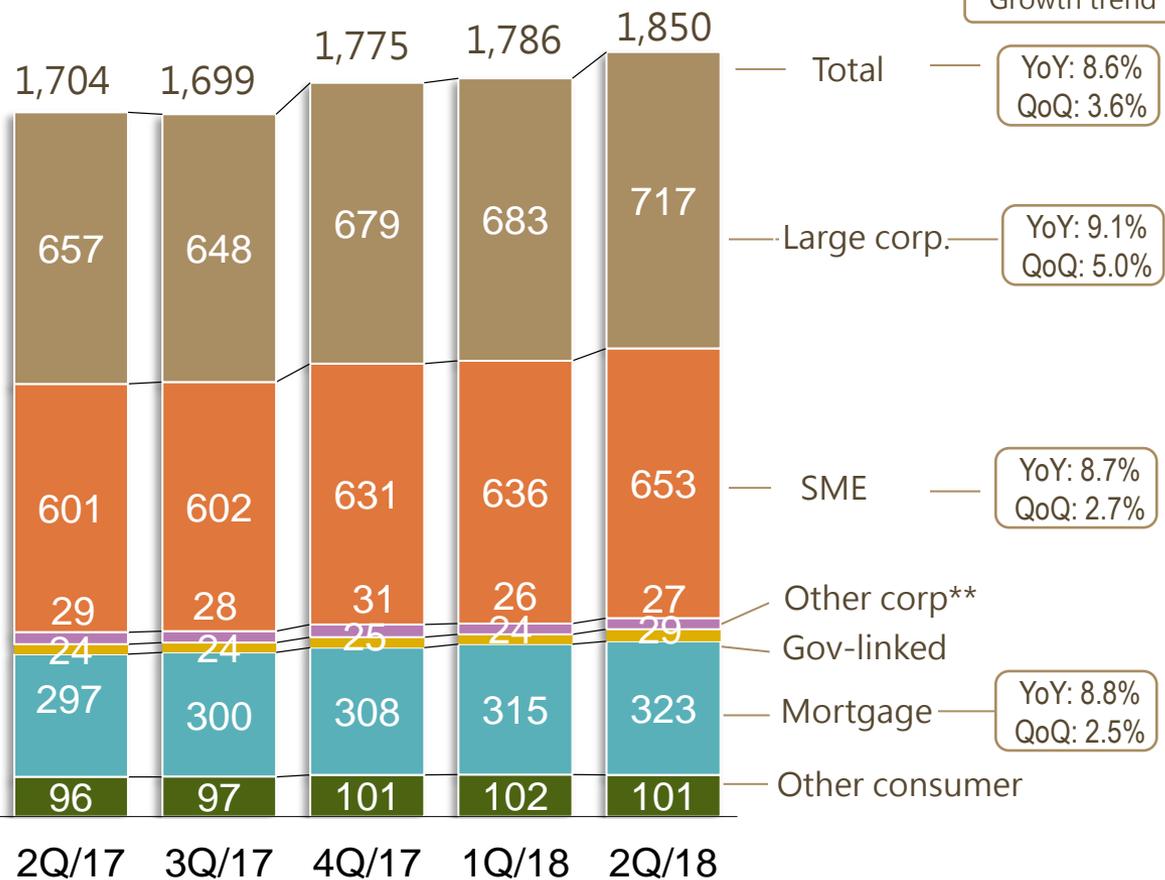


Appendix

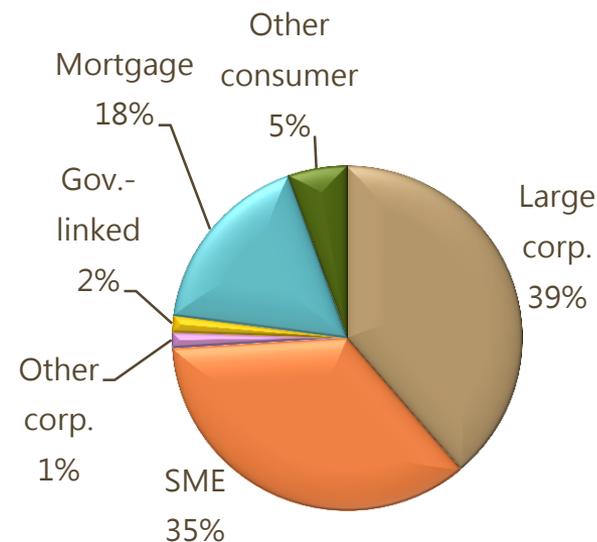
Loan jumped 3.6% QoQ & 8.6% YoY, driven by large corp. loan demand

Mega Bank quarterly loan balance*

單位: NT\$bn



Mega Bank 2Q/18 loan breakdown



* Mega Bank quarterly end balance, internal numbers; 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 retail/wholesales loans were up

Mega Bank loan balance trend by industry*

2Q/18 loan breakdown by industry*

Unit: NT\$BN

■ 2Q/18 ■ 1Q/18 ■ 2Q/17

Growth trend

YoY: 11.8%
QoQ: 4.1%

YoY: -2.5%
QoQ: 1.3%

YoY: 4.7%
QoQ: 2.3%

YoY: 6.9%
QoQ: 12.0%

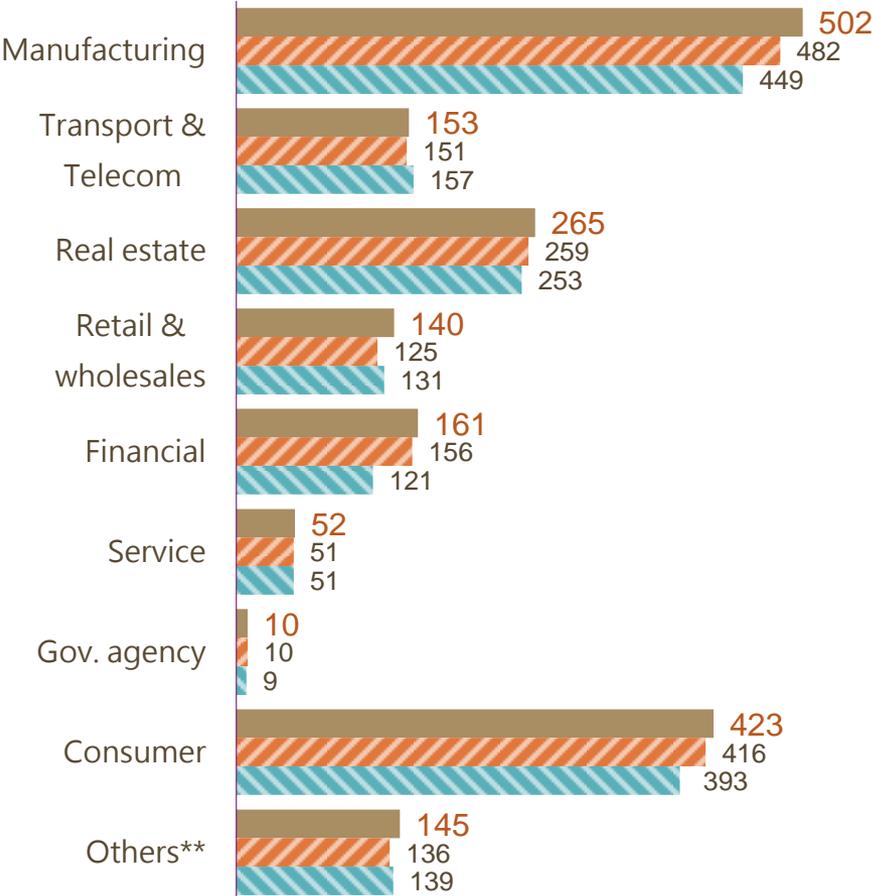
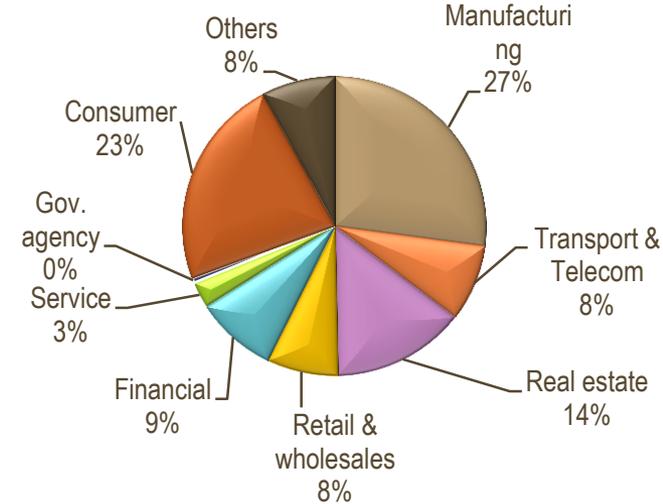
YoY: 33.1%
QoQ: 3.2%

YoY: 2.0%
QoQ: 2.0%

YoY: 11.1%
QoQ: 0.0%

YoY: 7.6%
QoQ: 1.7%

YoY: 4.3%
QoQ: 6.6%**



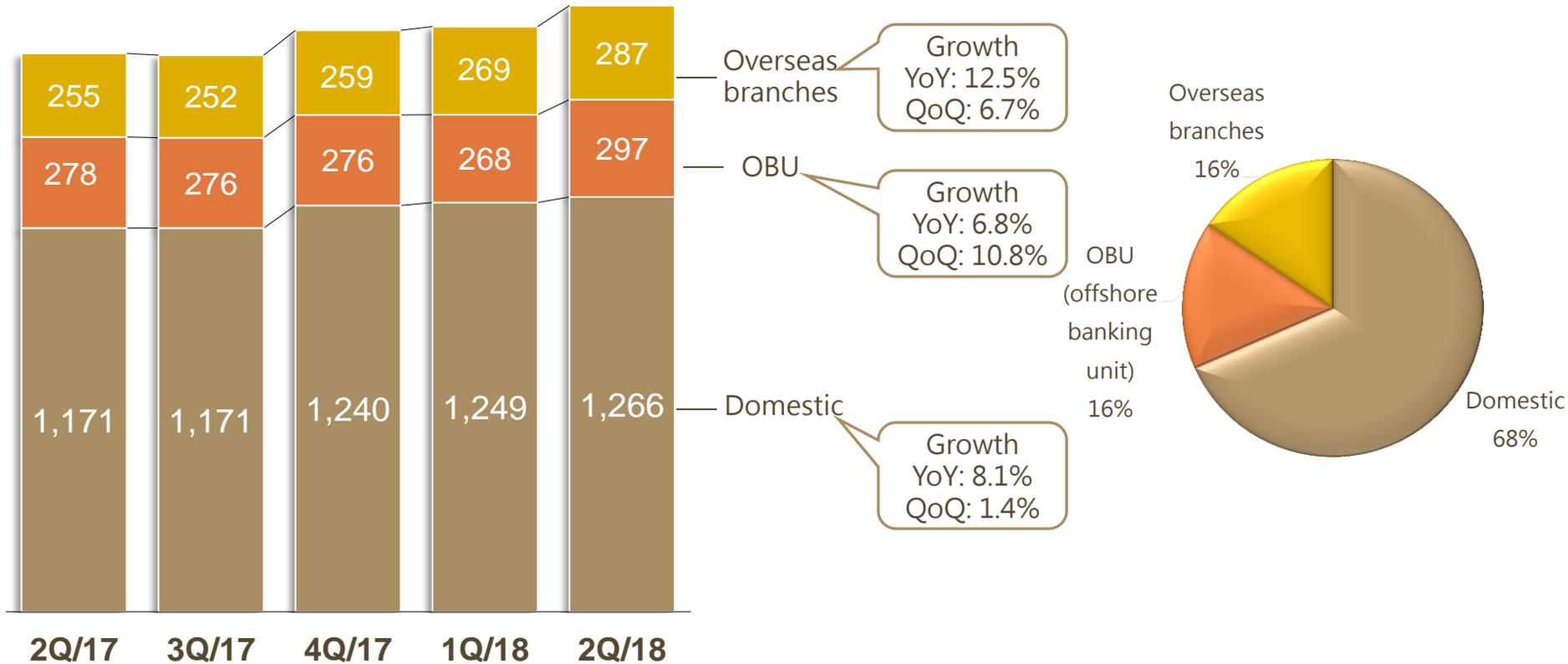
* Mega Bank internal numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Overseas branches loan was up 6.7% QoQ, while OBU loan was up 10.8% QoQ

Mega Bank 2Q/18 loan breakdown by regions *

單位: NT\$bn

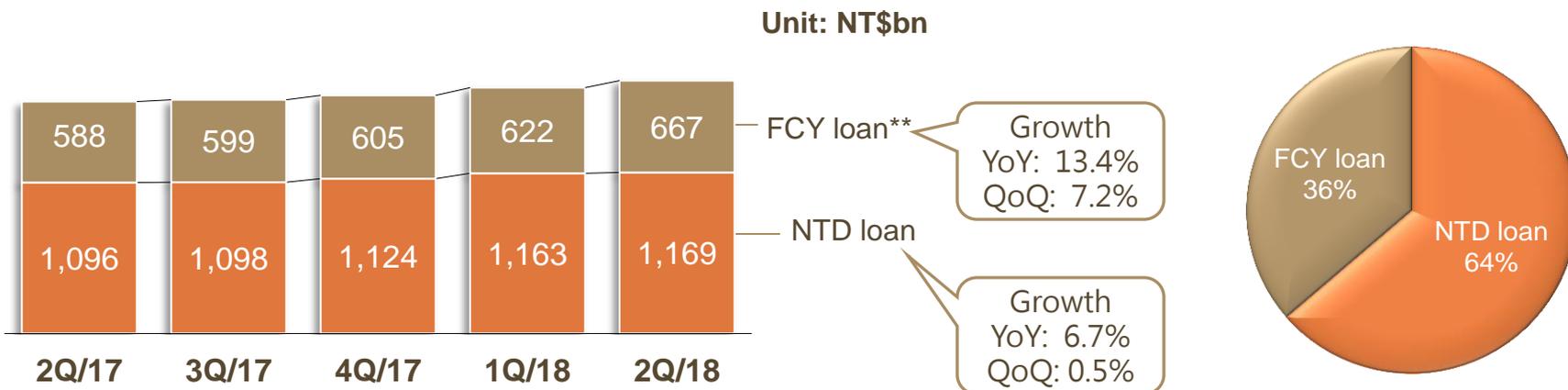


* Mega Bank quarterly end balance, internal numbers; includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee

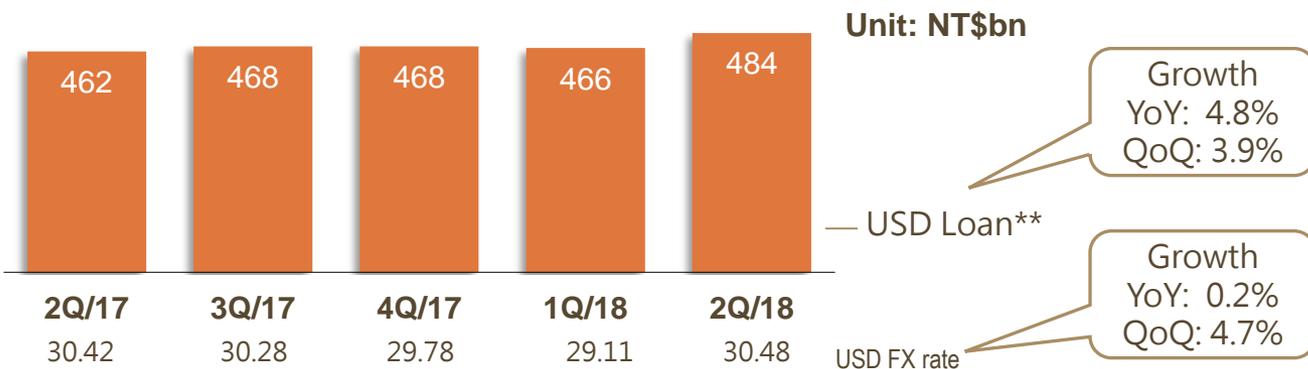
** OBU stands for Off-shore Banking Unit

Foreign currency loan was up 7.2% QoQ

Mega Bank 2Q/18 loan breakdown by currency: NTD vs. foreign currency loan *



Mega Bank USD Loan balance*



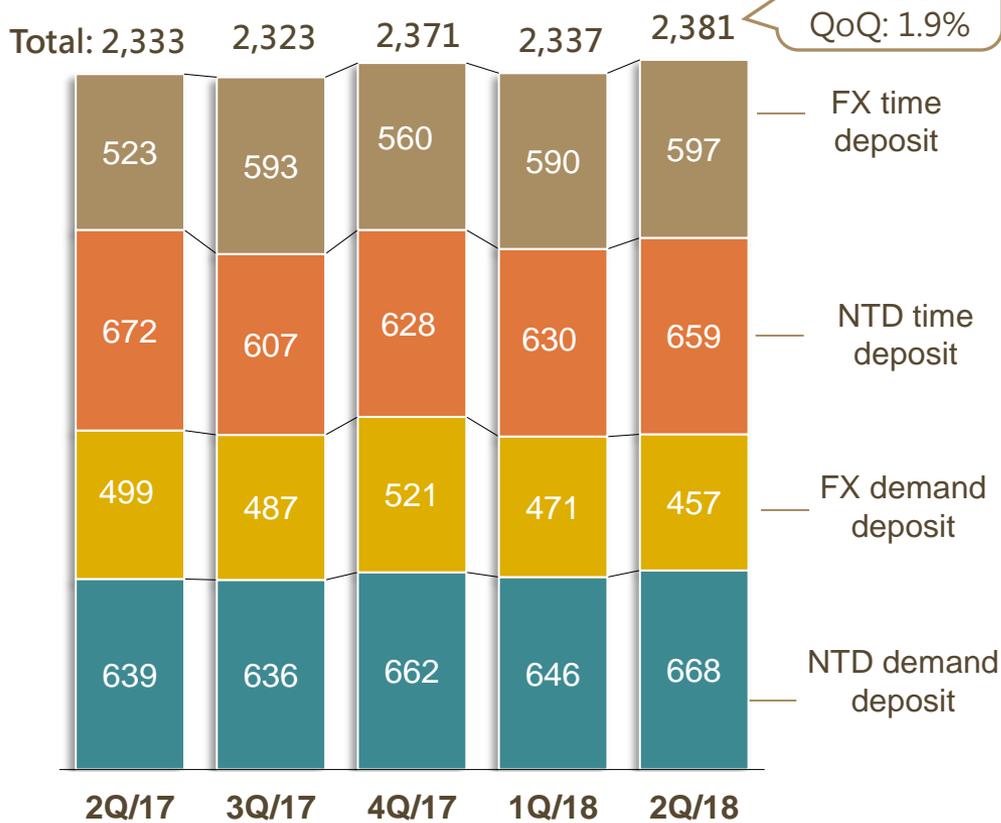
* Mega Bank quarterly average balance, internal numbers; includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

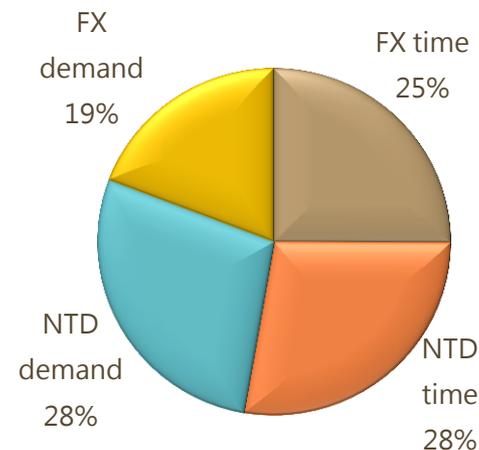
Deposit was up, driven by NTD deposit growth

Mega Bank deposit balance *

Unit: NT\$bn



Mega Bank 2Q/18 deposit breakdown

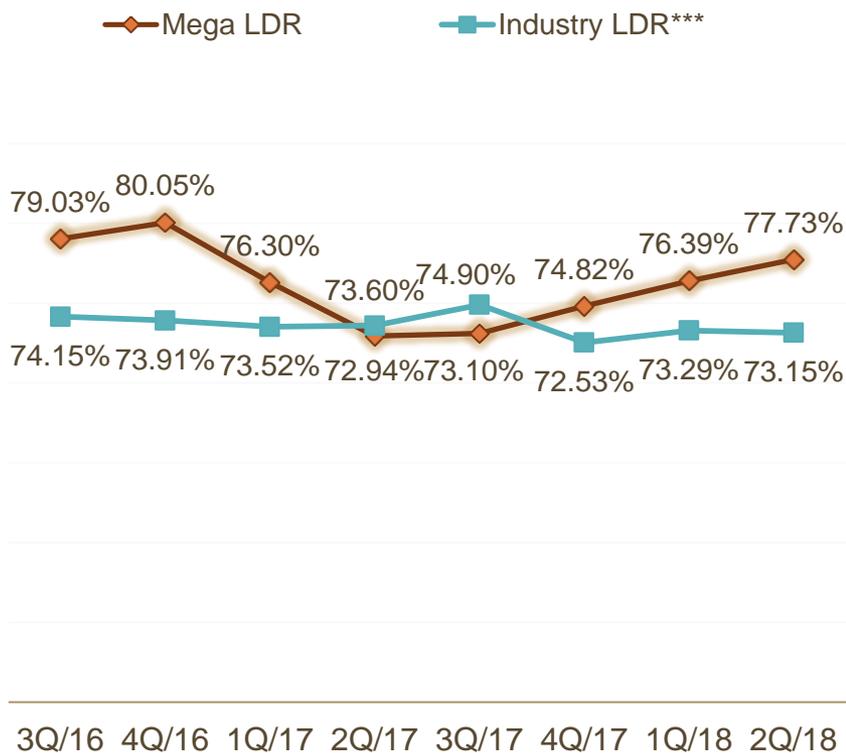


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit; internal numbers.

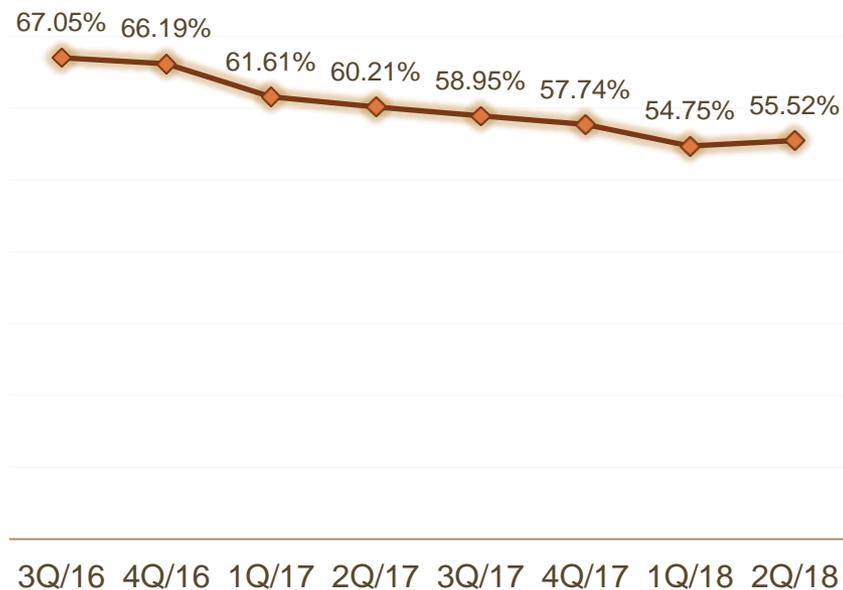
** Includes retail and corporate deposit but excludes due from central banks and banks

LDR pushed up higher

Mega Bank's total LDR*



Mega Bank's USD LDR**



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

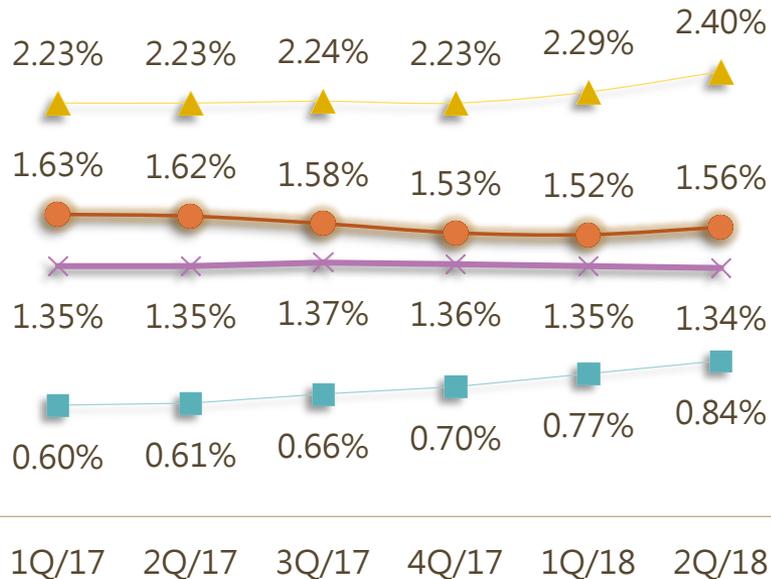
** USD LDR calculation is based on average loan/deposit balance of that quarter

*** Source: Central Bank of Taiwan

Loan interest spread was up 4bps QoQ, helped by overseas loan spread improvement

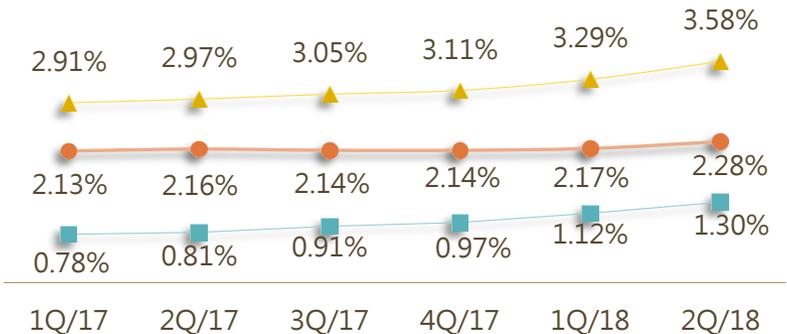
Mega Bank total loan interest spread*

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



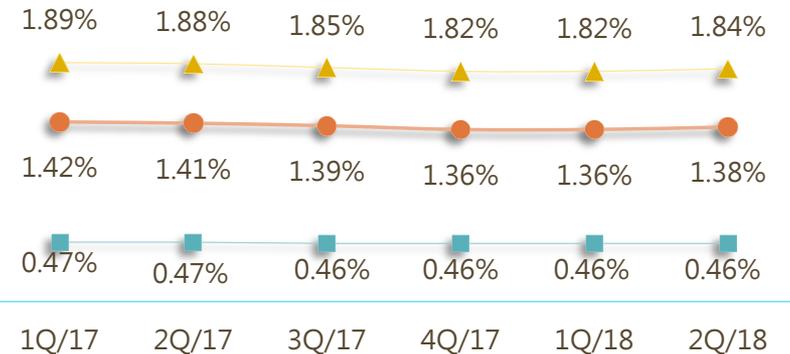
Mega Bank overseas loan interest spread*

—●— Spread —▲— Yield —■— Cost



Mega Bank domestic loan interest spread*

—●— Spread —▲— Yield —■— Cost

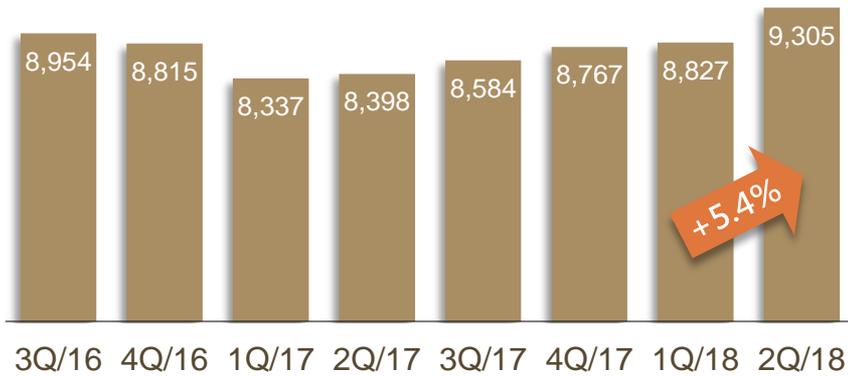


* Overseas loan includes overseas branches and OBU loan; internal numbers.

NII growth trend remained

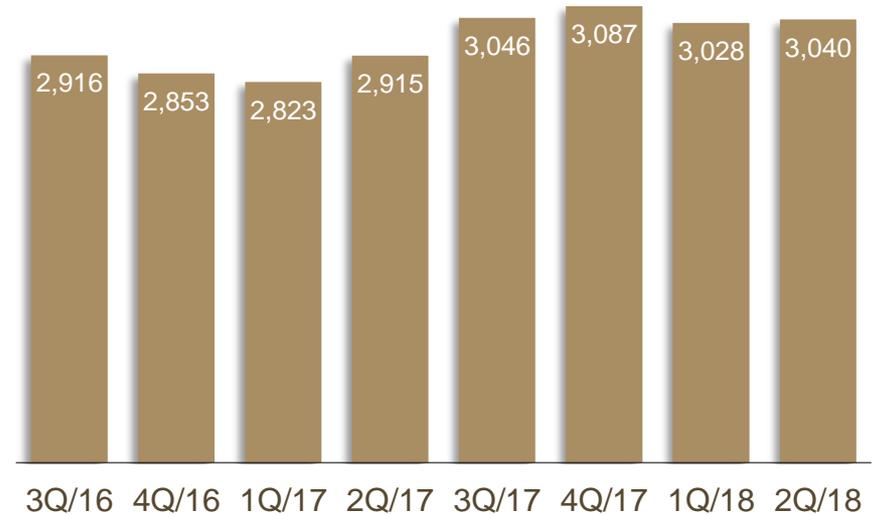
Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion

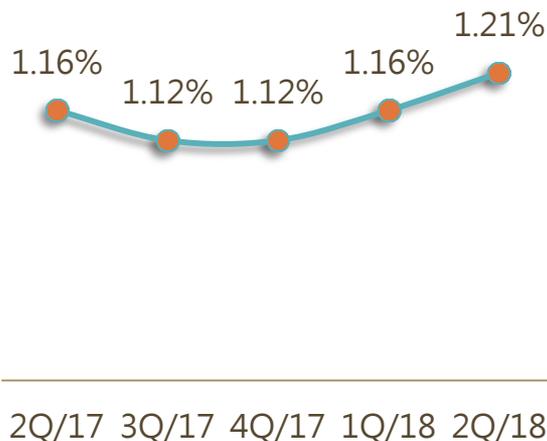


* Stand-alone internal numbers

** Quarterly average interest earning assets

NIM was up 5pbs, driven by FCY/USD NIM improvements

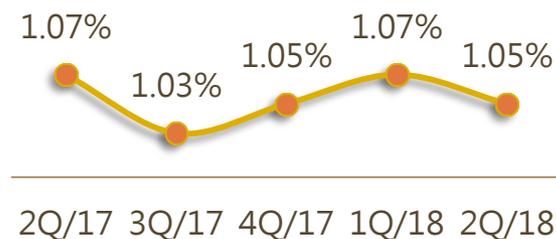
Mega Bank quarterly Total NIM*



Mega Bank quarterly FCY NIM*



Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM*

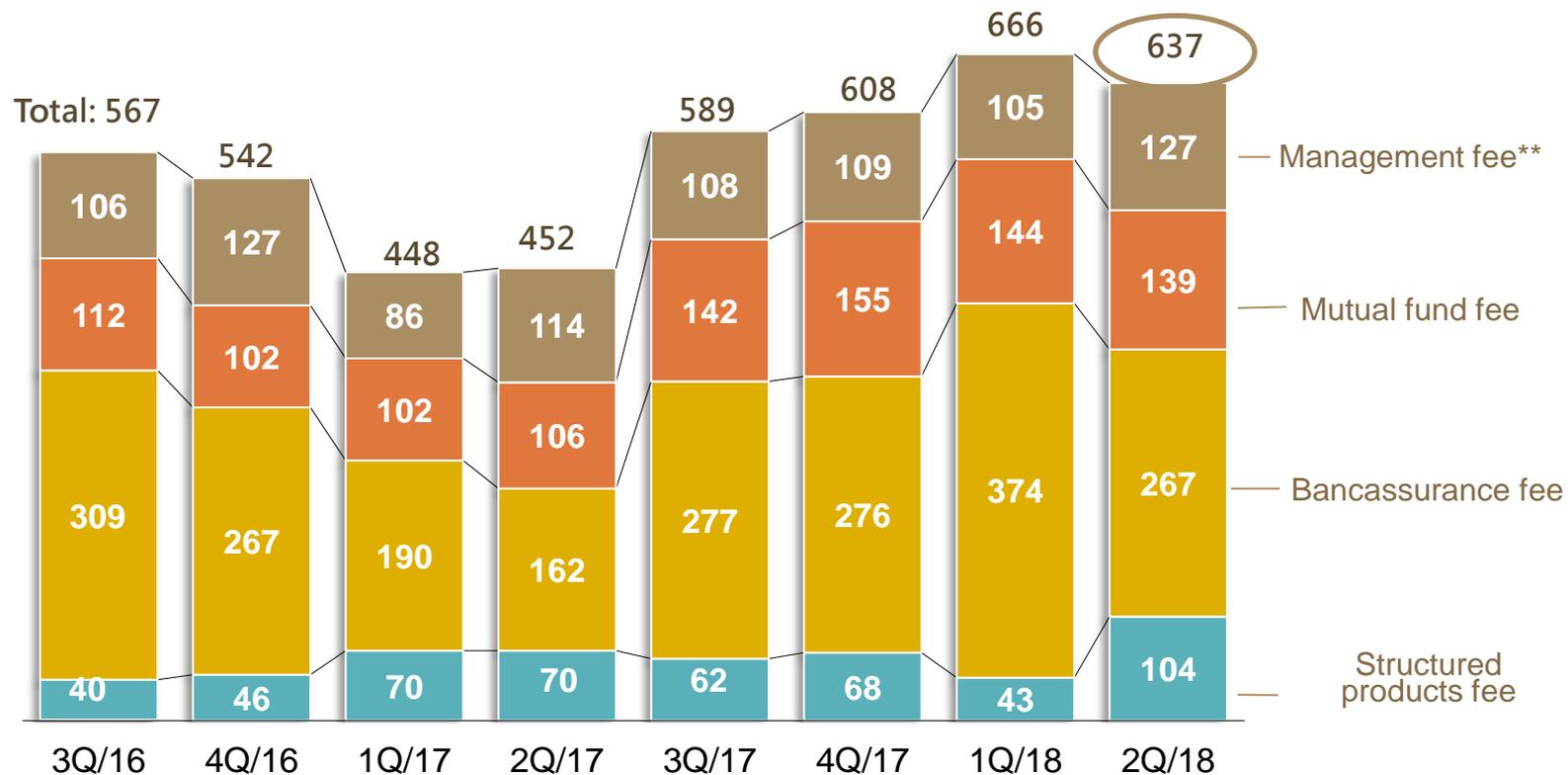


* NIM = annualized net interest income / average interest earning assets of that quarter; internal numbers.

WM fee remained strong

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.

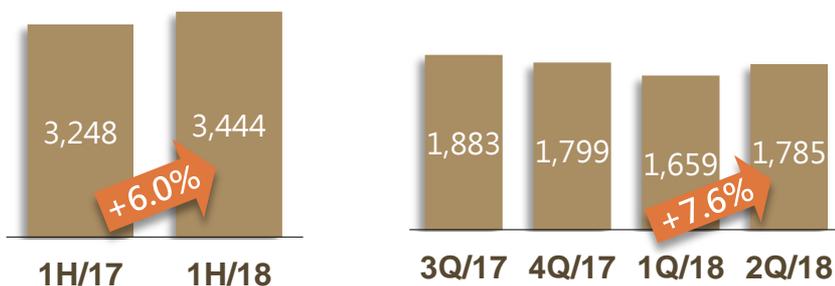
Bank fee was up 7.6% QoQ, 6.0% YoY, driven by WM and loan fee

Mega Bank net fee breakdown

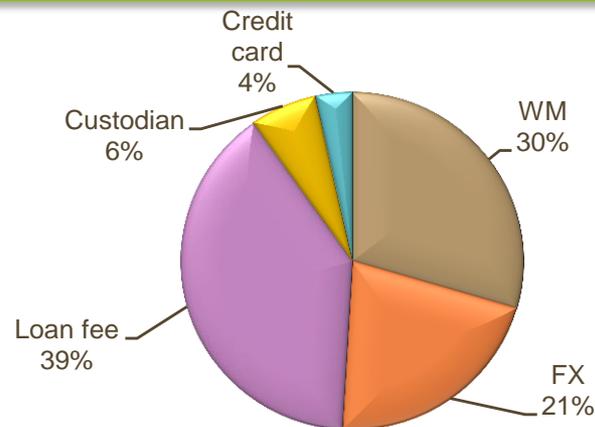


Mega Bank net fee

Unit: NT\$MN



Mega Bank 1H/18 net fee breakdown



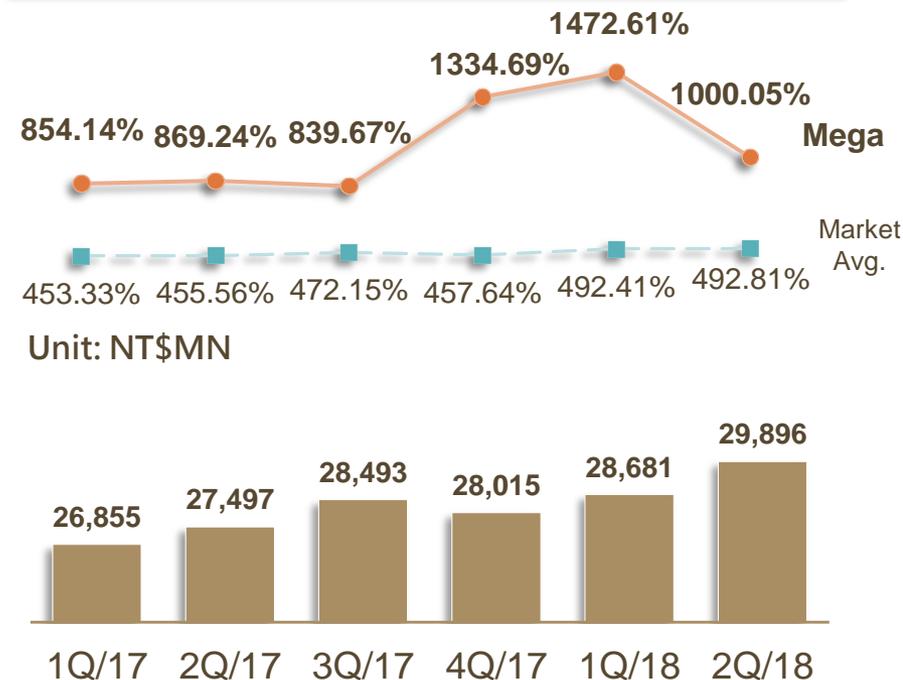
* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

NPL was up slightly but fully covered with reserved and collaterals

Mega Bank NPL balance & NPL ratio*



Mega Bank loan loss reserved and coverage ratio



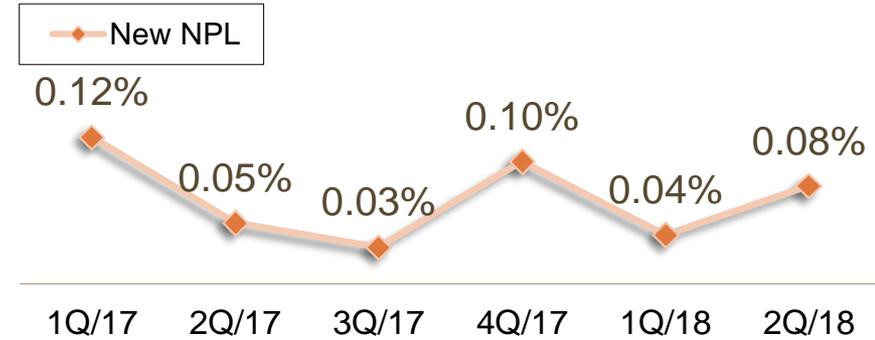
- ❖ NPL was up NT\$1.0bn due to a few SME default cases, including LED, construction service, fishery wholesales, and coal wholesales companies, and covered with reserved of NT\$0.9bn and some were backed by collaterals, such as real estates, which were under auction process.

NPL was up slightly due to a few SME default cases, but 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.

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1H/2018 Mega FHC consolidated P&L statement

<i>NT\$MN, EPS:NT\$</i>	1H/2018*	1H/2017	YoY
Net interest income	19,021	17,622	8%
Net fee revenue	4,861	4,382	11%
Insurance premium	926	959	-3%
Gain from fin. assets at fair value thru P&L	3,702	4,020	-8%
Available for sales asset gain	-	814	
Gain from fin. assets at fair value through other comprehensive income	282	-	
Gain from debt investment measured by amortized cost	1	-	
Equity method investment gain	90	93	-3%
	47	-	
FX spread gain	1,513	627	141%
Asset impairment loss (write-back)	-12	-150	
Property gain	12	9	33%
Other non-interest revenue (net)	679	1,046	-35%
Operating net revenue	31,122	29,422	6%
Operating expense	-13,659	-12,371	10%
Pre-provision operating profit	17,463	17,051	2%
Provision expense on loan	-556	-982	-43%
Reserved on insurance	-20	28	-171%
Pretax profit	16,887	16,097	5%
Tax	-1,372	-1,580	-13%
Minority shareholder interest	-	-	
Net profit	15,516	14,517	7%
EPS (NT\$)	1.14	1.07	7%

* 1H/18 are audited numbers.

1H/2018 Mega FHC consolidated balance sheet

<i>NT\$MN</i>	1H/2018*	1H/2017	YoY
Assets:			
Cash and due from banks	600,286	628,414	-4%
Bills and bonds under RP agreement	10,725	2,397	347%
Fin. assets at fair value through P&L	200,976	173,127	16%
AFS financial assets	-	388,446	
HTM financial assets	-	346,801	
Fin. Assets at fair value through other comprehensive income	446,167	-	
Debt instrument investment measured by amortized cost	283,530	-	
Other financial assets	3,444	14,522	-76%
AVR, net	102,732	81,941	25%
Loan, net	1,835,787	1,689,802	9%
Equity method LT investments, net	3,231	3,125	3%
Land, premises and equipments, net	23,710	23,595	0%
Others	17,261	15,068	15%
Total assets	3,527,847	3,367,238	5%
Liabilities			
Due to banks	386,558	318,120	22%
Deposits	2,392,722	2,349,990	2%
CP & Bond payable	37,096	52,284	-29%
Bills & bonds sold under repurchase agreement	232,193	206,006	13%
Other liabilities	177,047	152,124	16%
Total liabilities	3,225,616	3,078,524	5%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	90,867	85,169	7%
Equity adjustment items	7,142	-689	-1137%
Minority shareholder interest	29	42	-31%
Total stockholders' equity	302,231	288,714	5%
Total liabilities and stockholders' equity	3,527,847	3,367,238	5%
Book value per share (NT\$)	22.22	21.23	5%

* 1H/18 are audited numbers

1H/2018 Mega Bank consolidated P&L statement

<i>NT\$MN, EPS: \$NT</i>	1H/2018*	1H/2017	YoY
Net interest income	18,132	16,735	8%
Net fee revenue	3,444	3,248	6%
Gain from fin. assets at fair value thru P&L	2,817	2,999	-6%
Available for sales asset gain	0	658	-
Gain from fin. assets at fair value through other comprehensive income	155	0	-
Gain from debt investment measured by amortized cost	1	0	-
FX spread gain	1,506	784	48%
Asset impairment loss (write-back)	32	-150	-
Equity method investment gain	91	91	0%
Cost method investment gain	0	205	-
Other non-interest revenue (net)	200	237	-19%
Operating net revenue	26,378	24,807	6%
Operating expense	-11,170	-10,084	10%
Pre-provision operating profit	15,208	14,723	3%
Provision expense on loan	-578	-989	-71%
Pretax profit	14,630	13,734	6%
Tax	-861	-1,254	-46%
Net profit	13,769	12,480	9%
EPS (NT\$)	1.61	1.46	9%

* 1H/18 are audited numbers

1H/2018 Mega Bank consolidated balance sheet

<i>Unit: NT\$MN</i>	1H/2018*	1H/2017	YoY
Assets:			
Cash and due from banks	601,103	624,101	-4%
Bills and bonds under RP agreement	20,478	2,593	690%
Fin. assets at fair value through P&L	56,264	44,619	26%
Fin. Assets at fair value through other comprehensive income	286,443	-	
Debt instrument investment measured by amortized cost	280,683	-	
AFS financial assets	-	239,500	
HTM financial assets	-	344,745	
Other financial assets	158	9,421	
A/R, net	62,912	49,036	28%
Loan, net	1,835,787	1,689,802	9%
Equity method LT investments, net	3,139	3,047	3%
Land, premises and equipments, net	15,423	15,352	0%
Others (net)	10,748	8,709	23%
Total assets	3,173,136	3,030,925	5%
Liabilities			
Due to banks	359,507	293,864	22%
Deposits	2,400,486	2,359,361	2%
CP & Bond payable	21,200	36,200	-41%
Bills & bonds sold under repurchase agreement	18,508	393	4609%
Other liabilities	100,306	83,844	20%
Total liabilities	2,900,007	2,773,662	5%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	120,384	111,120	8%
Equity adjustment items	5,163	(1,439)	-459%
Total stockholders' equity	273,129	257,263	6%
Total liabilities and stockholders' equity	3,173,136	3,030,925	5%
Book value per share (NT\$)	32.00	30.14	6%

* 1H/18 are audited numbers

Q & A



兆豐金控
Mega Holdings



FinanceAsia 20



GLOBAL BANKING &
Finance
review



GLOBAL BRANDS



INTERNATIONAL
FINANCE



Global
Business Outlook