

Investor/Analyst Briefing

3Q/2018 (V.1)



兆豐金控
Mega Holdings

DISCLAIMER

- This document is provided by Mega Financial Holding Co., Ltd. (the "Company"). Except for the numbers and information included in the Company's financial statements, the information contained in this document has not been audited or reviewed by any accountant or independent expert. The Company makes no express or implied representations or warranties as to the fairness, accuracy, completeness, or correctness of such information or opinions. This document is provided as of the date herein and will not be updated to reflect any changes hereafter. The Company, its affiliates and their representatives do not accept any responsibility or liability for any damage caused by their negligence or any other reasons, nor do they accept responsibility or liability for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.
 - This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to take place in the future based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.
 - This document is not and cannot be construed as an offer to purchase or sell securities or other financial products or solicitation of an offer.
 - This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.
-

Table of Contents



Operation Highlights & Strategic Focus



Financial Performance



Operating Performance

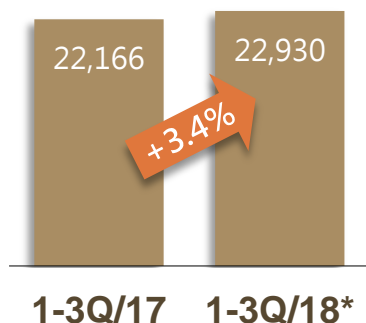


Appendix

Operation Highlights

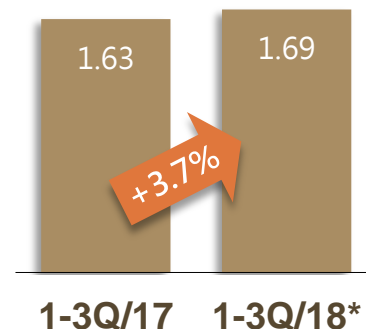
Mega FHC After-tax Earning

Unit: NT\$MN



Mega FHC EPS

Unit: NT\$



Operation Highlights

Earning Growth

Mega FHC 1-3Q/2018 after-tax earning reached NT\$22.9BN, up 3.4% YoY; 1-3Q/2018 EPS reached NT\$1.69, up 3.7% YoY.

Loan Growth

Loan was up 0.9% QoQ and 9.9% YoY, boosted by growth from FCY corporate loan and mortgage.

Fee Growth

Bank fee was up 1.0% QoQ and 2.3% YoY, helped by WM fee growth; WM fee was up 7.2% YoY.

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.

OPEX

Operating expense was up 11%, YoY, driven by WM, FinTech and compliance head counts increases, plus further compliance spending on lawyer fee, consultant fee and IT system.

Asset Quality

NPL ratio was down to 0.14% and coverage ratio reached 1153%; new NPL ratio was down 4bps QoQ; suggesting asset quality remained stable.

* 1-3Q/18 are un-audited numbers

Table of Contents



Operation Highlights & Strategic Focus



Financial Performance



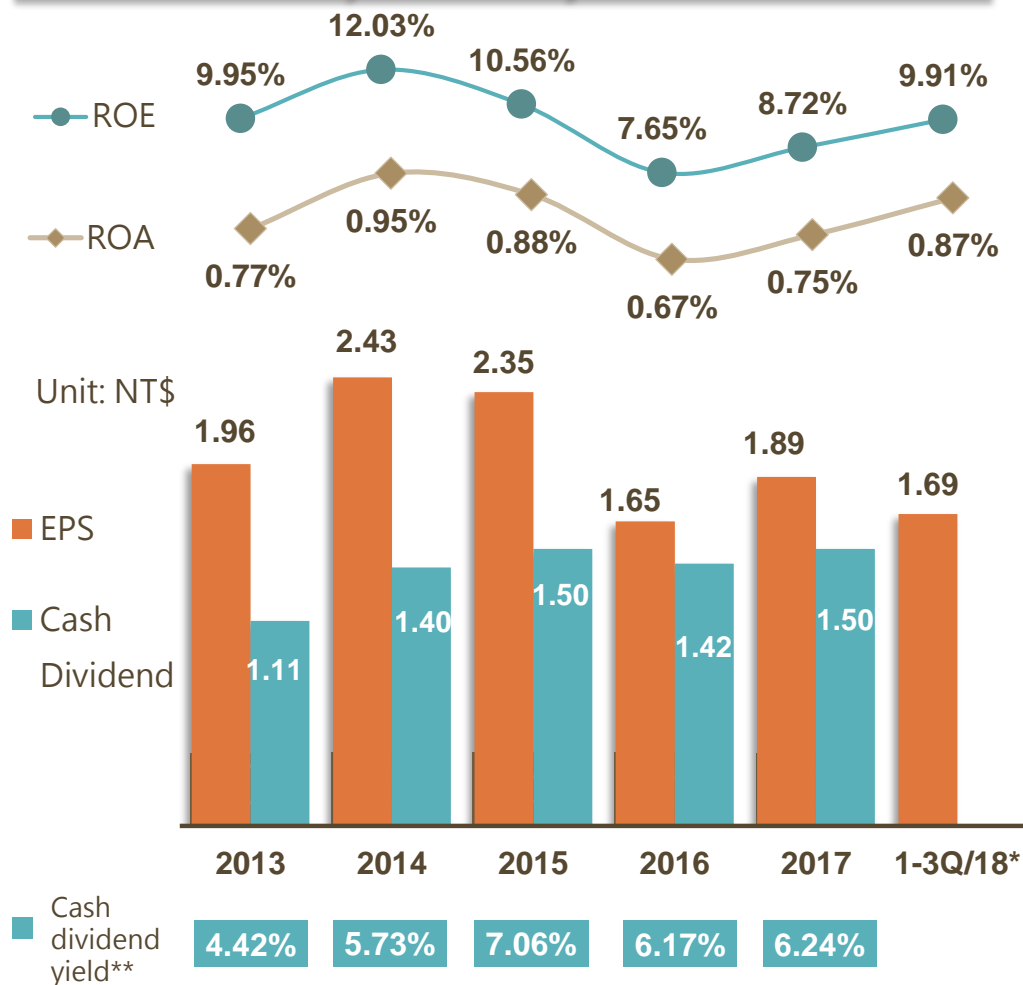
Operating Performance



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.

* 1-3Q/18 are un-audited numbers

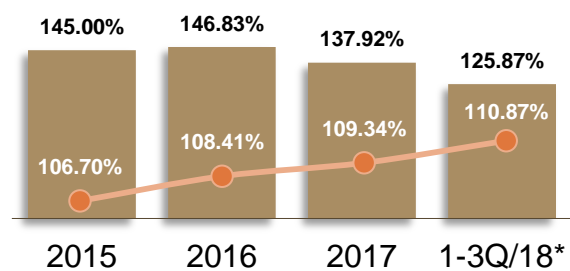
** Cash dividend yield = cash dividend / last trading day share price of that year

Strong tier 1 capital

Mega FHC

Moody's: A3

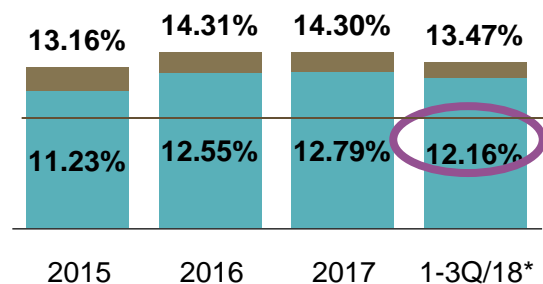
Requirement: 100%



Mega Bank

Moody's: A1 / S&P: A

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



CAR/RBC

Common equity tier 1 ratio

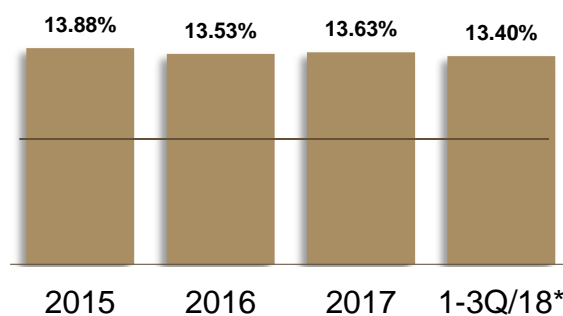
Credit rating

Double leverage ratio

Regulatory requirement

Mega Bills

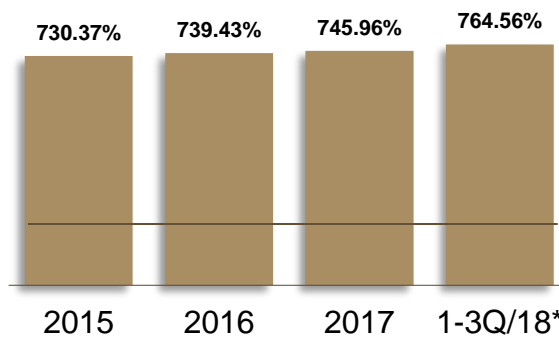
Requirement : 8.0%



CKI P&C

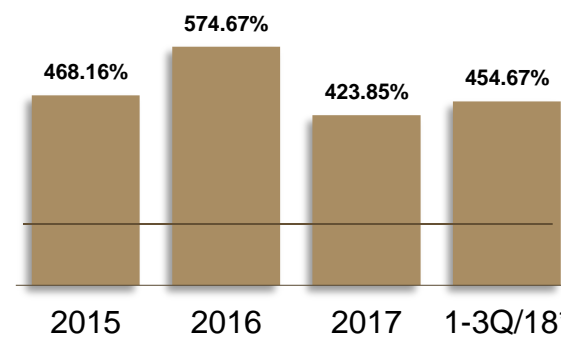
Moody's: A3 / S&P: A-

Requirement: 200%



Mega Securities

Requirement : 150%

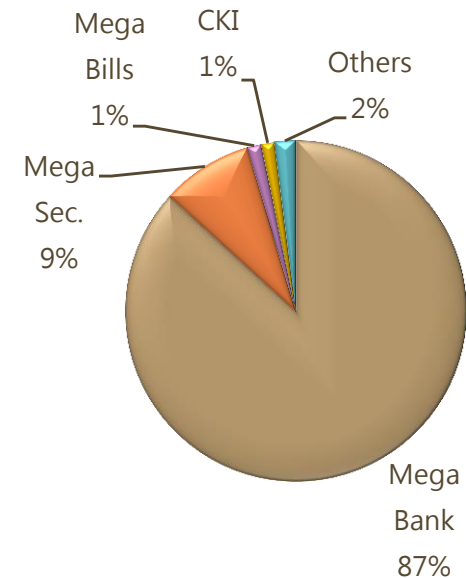
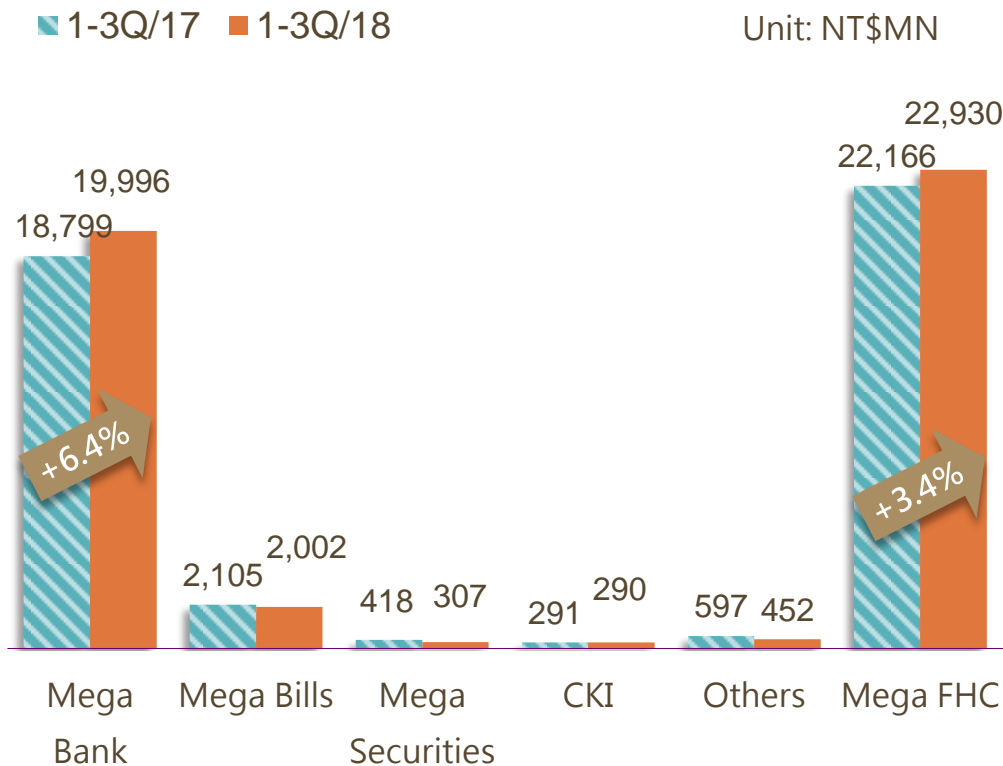


* 1-3Q/18 are un-audited numbers

Group earning was up 3.4%YoY; bank earning was up 6.4% YoY

Mega FHC & Subs. 1-3Q/18 earning trend

Mega FHC 1-3Q/18 earning contribution breakdown

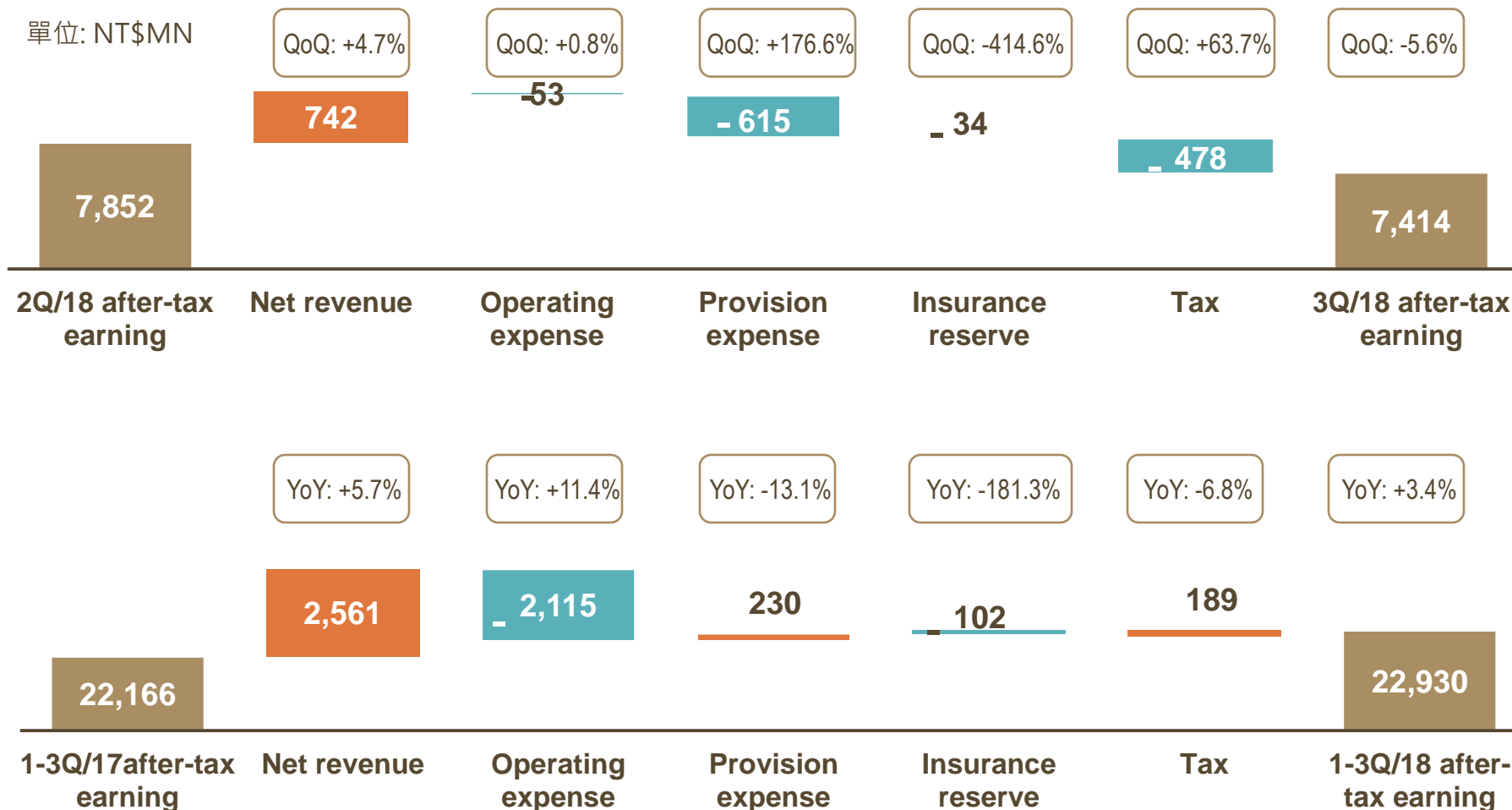


* 1-3Q/18 are un-audited numbers

Revenue was up 4.7% QoQ, cost was flat QoQ, but earning was dragged by provision and tax increase

Mega FHC earning analysis*

單位: NT\$MN



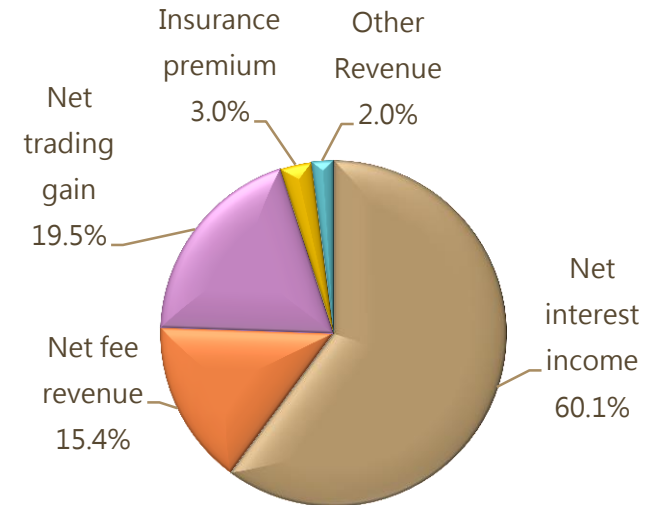
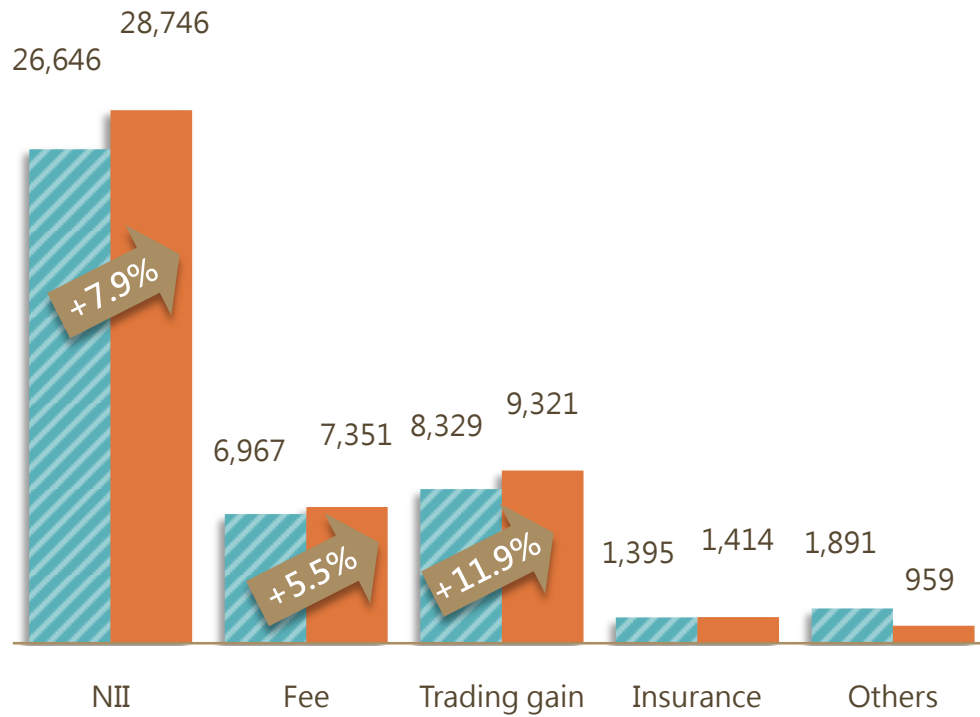
* 1-3Q/18, 3Q/18 are consolidated un-audited numbers.

Group NII was up 7.9% YoY; fee was up 5.5% YoY; while trading was up 11.9% YoY.

Mega Group consolidated net revenue *

Mega Group 1-3Q/18 net revenue breakdown

1-3Q/2017 1-3Q/2018*



* 1-3Q/18 are un-audited figures.

Table of Contents



Operation Highlights & Strategic Focus



Financial Performance



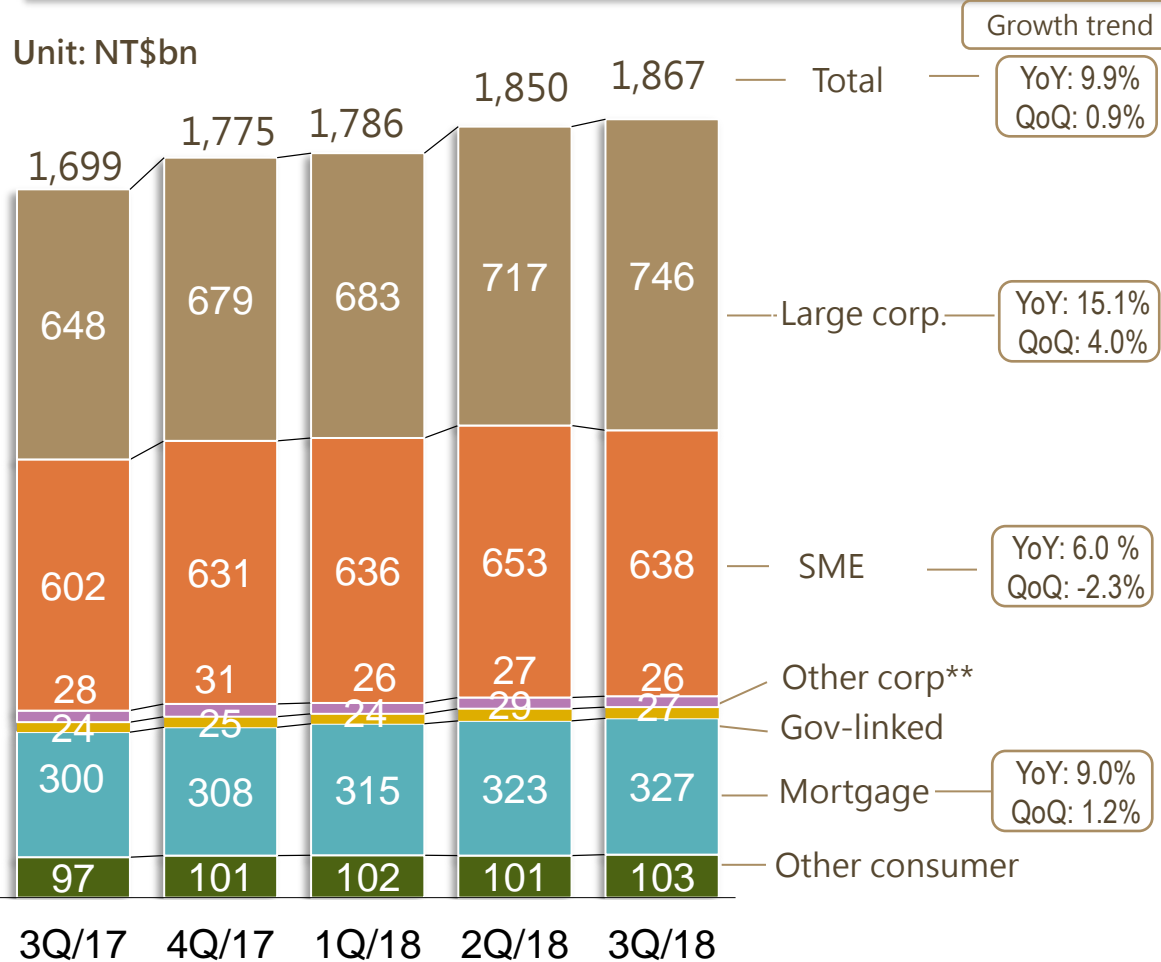
Operating Performance



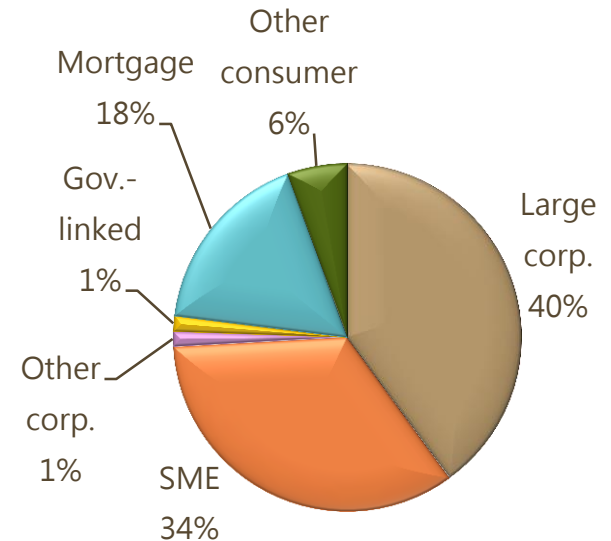
Appendix

Loan was up 0.9% QoQ & 9.9% YoY, driven by large corp. loan demand

Mega Bank quarterly loan balance*



Mega Bank 3Q/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, service and consumer loans growth outperformed the rest

Mega Bank loan balance trend by industry*

Unit: NT\$BN

■ 3Q/18

▨ 2Q/18

▨ 3Q/17

Growth trend

YoY: 15.0%
QoQ: 2.6%

YoY: -2.6%
QoQ: -2.6%

YoY: 6.0%
QoQ: 0.4%

YoY: 6.2%
QoQ: -1.4%

YoY: 26.8%
QoQ: 0.0%

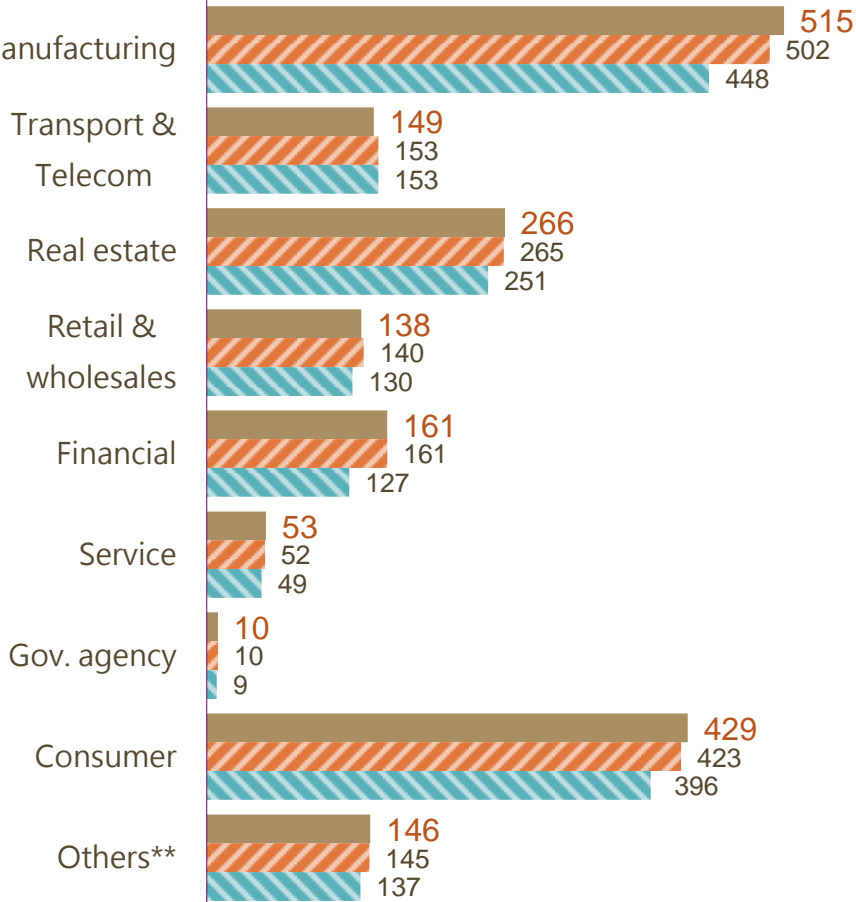
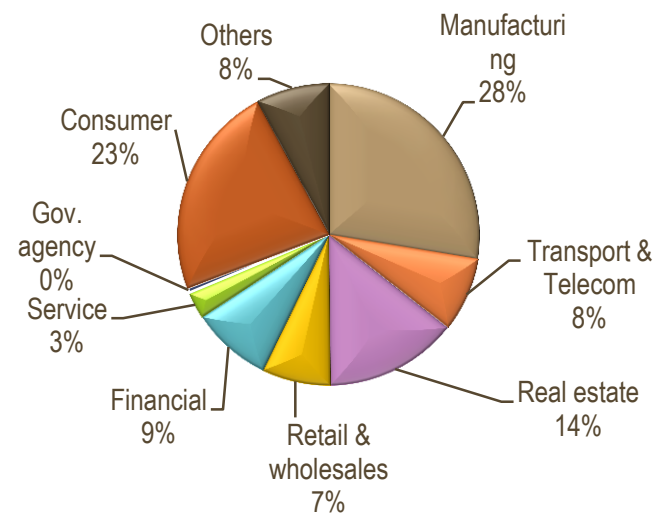
YoY: 8.2%
QoQ: 1.9%

YoY: 11.1%
QoQ: 0.0%

YoY: 8.3%
QoQ: 1.4%

YoY: 6.6%
QoQ: 0.7%**

3Q/18 loan breakdown by industry*



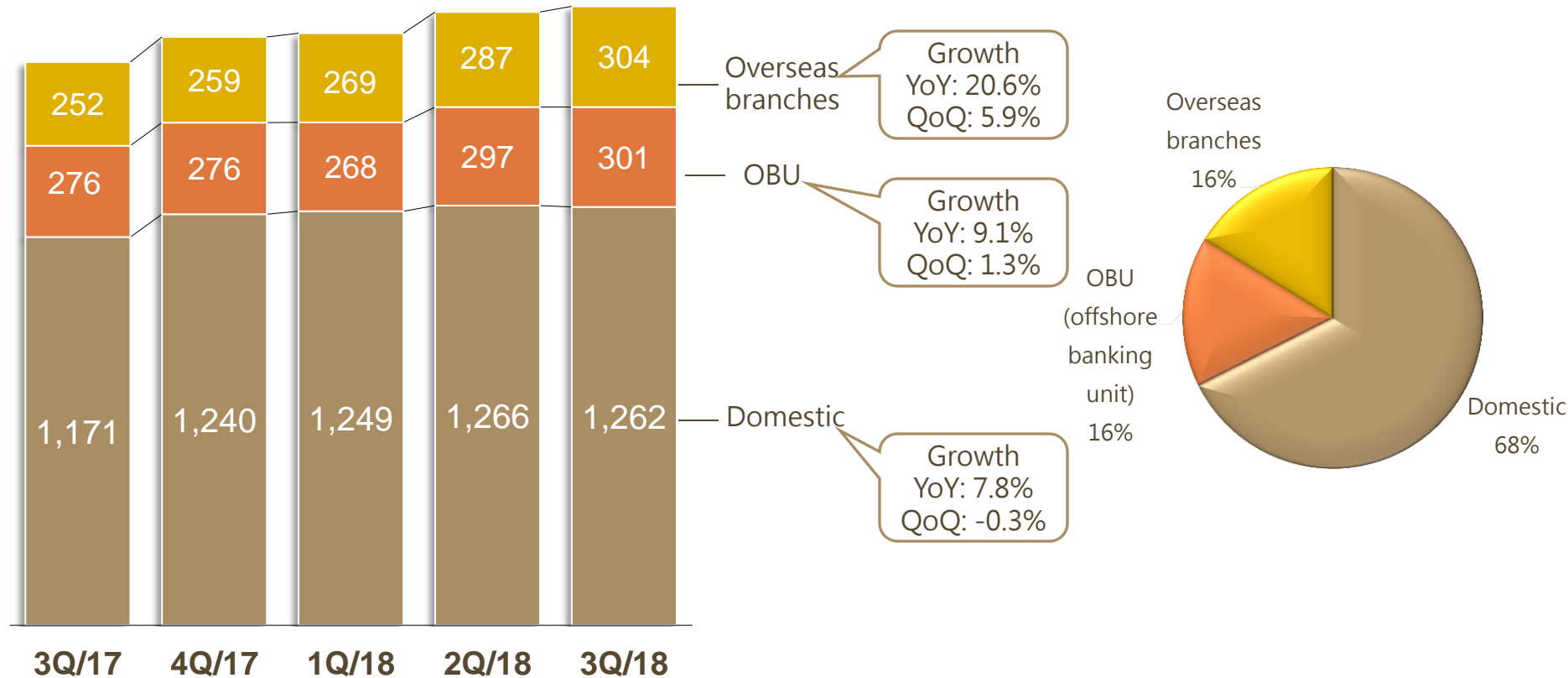
* Mega Bank internal numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Overseas branches loan was up 5.9% QoQ, while OBU loan was up 1.3% QoQ

Mega Bank 3Q/18 loan breakdown by regions *

單位: NT\$bn



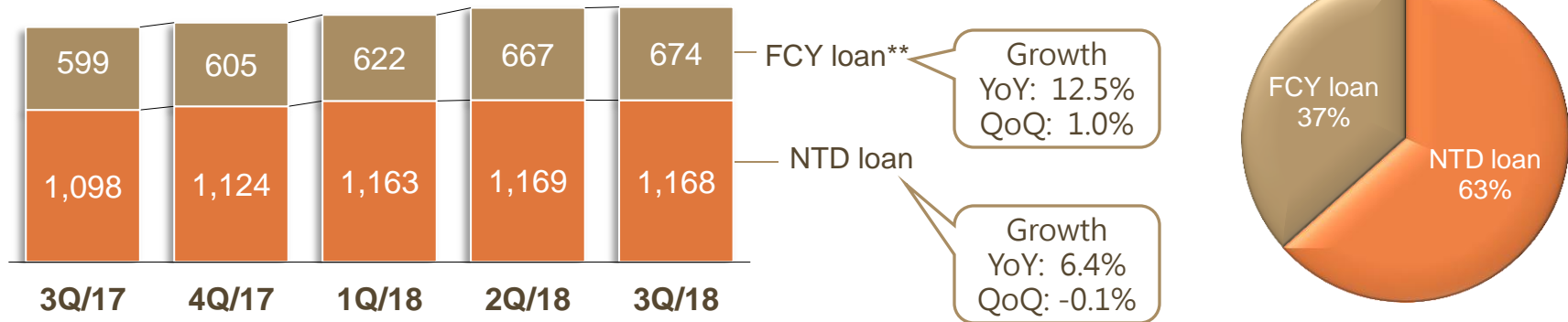
* Mega Bank quarterly end balance, internal numbers; includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee

** OBU stands for Off-shore Banking Unit

USD loan continued to experience healthy growth

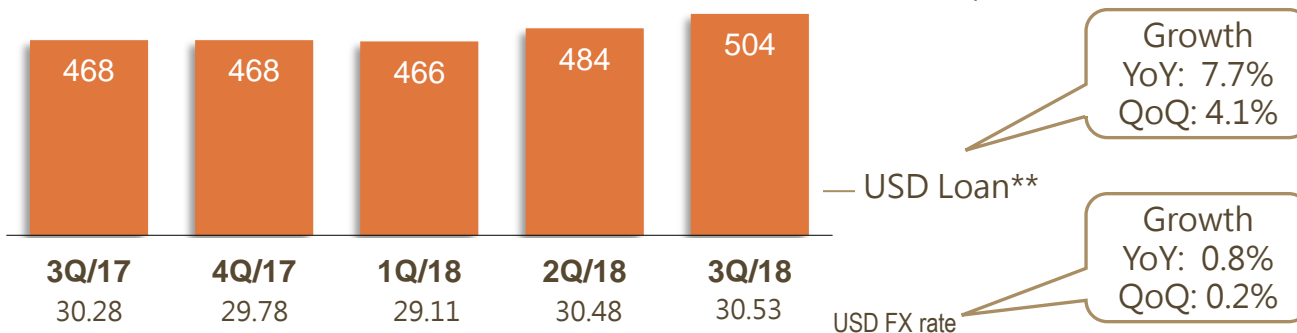
Mega Bank loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$bn



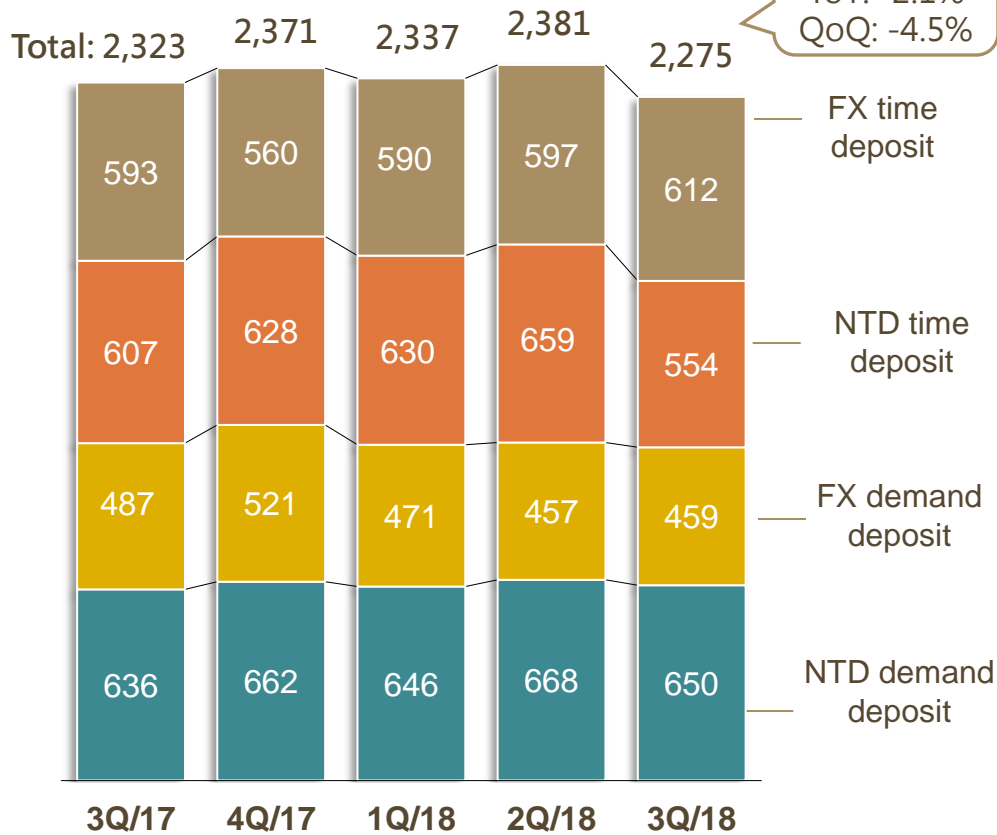
* Mega Bank quarterly average balance, internal numbers; includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

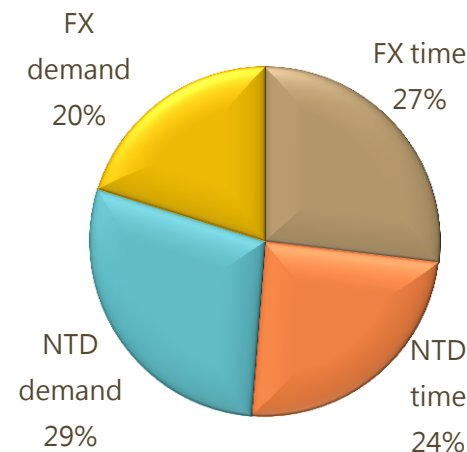
Deposit was down due to NTD time deposit decline

Mega Bank deposit balance *

Unit: NT\$bn



Mega Bank 3Q/18 deposit breakdown

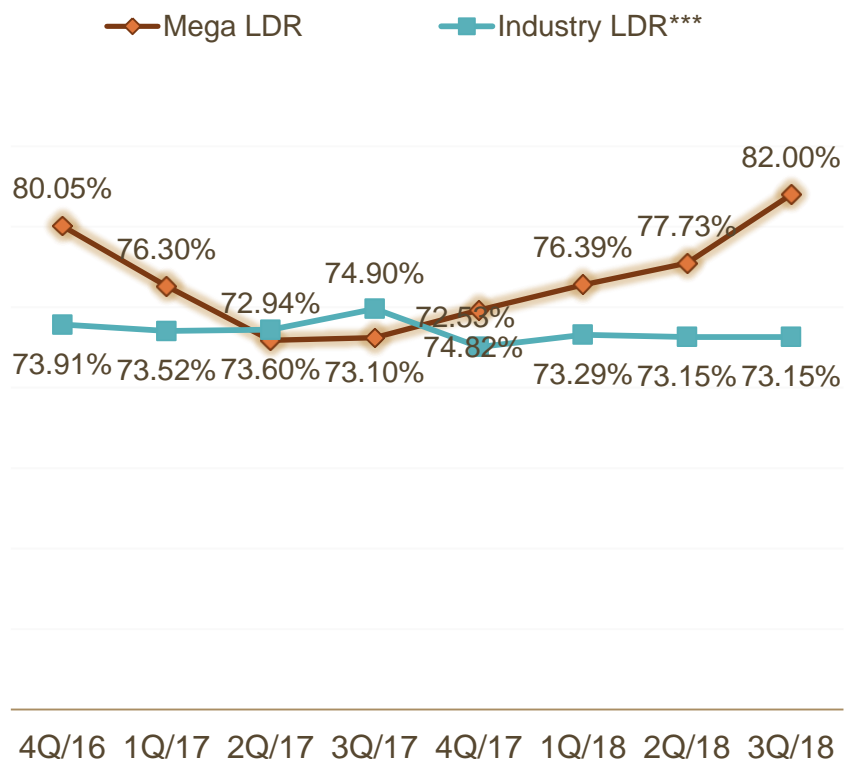


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit; internal numbers.

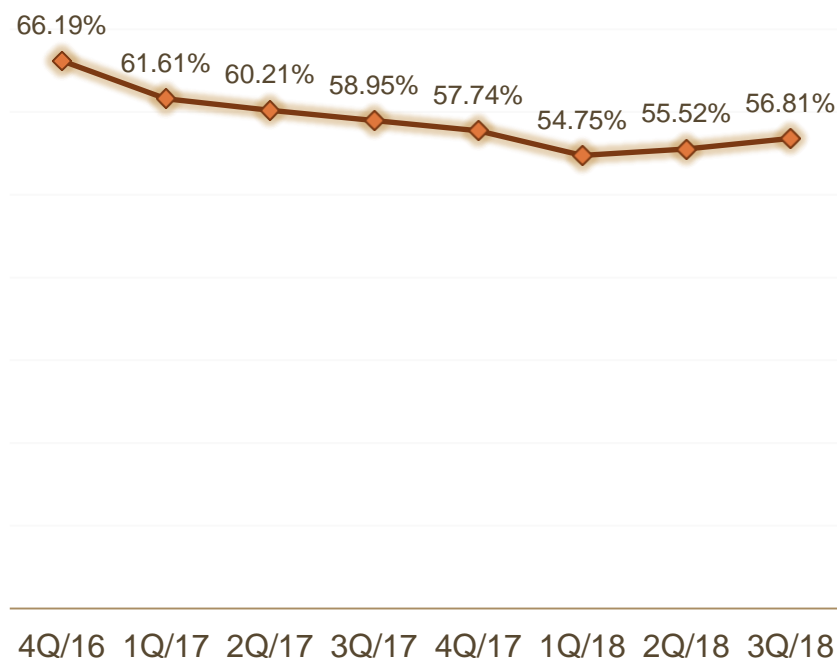
** Includes retail and corporate deposit but excludes due from central banks and banks

LDR pushed up higher

Mega Bank's total LDR*



Mega Bank's USD LDR**



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

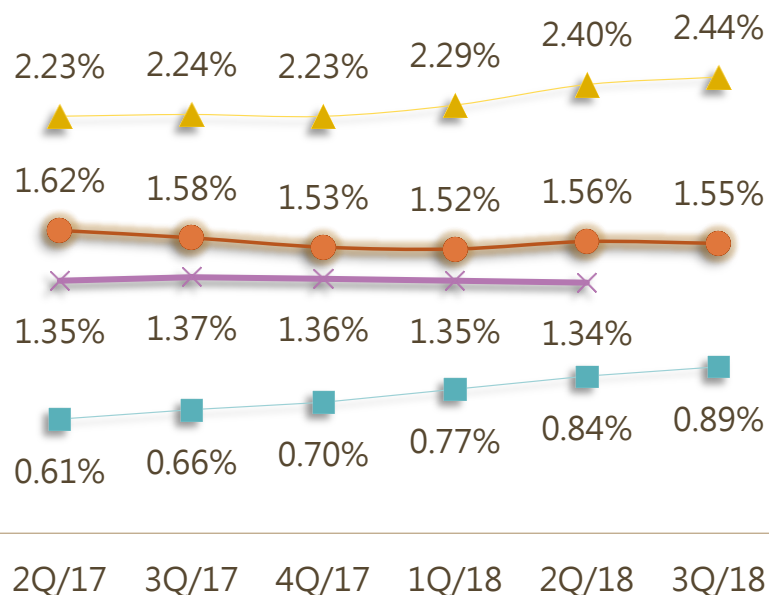
** USD LDR calculation is based on average loan/deposit balance of that quarter

*** Source: Central Bank of Taiwan

Loan interest spread remained stable

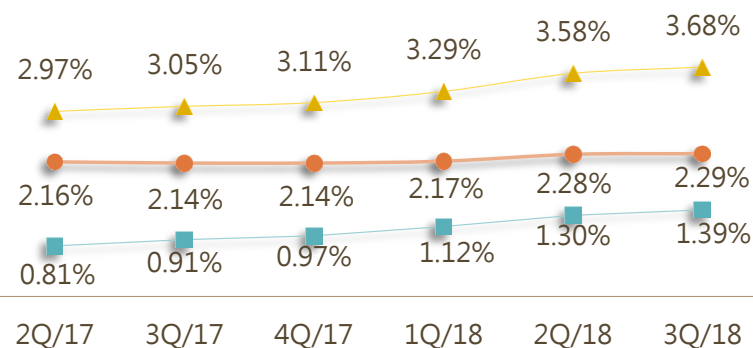
Mega Bank total loan interest spread*

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



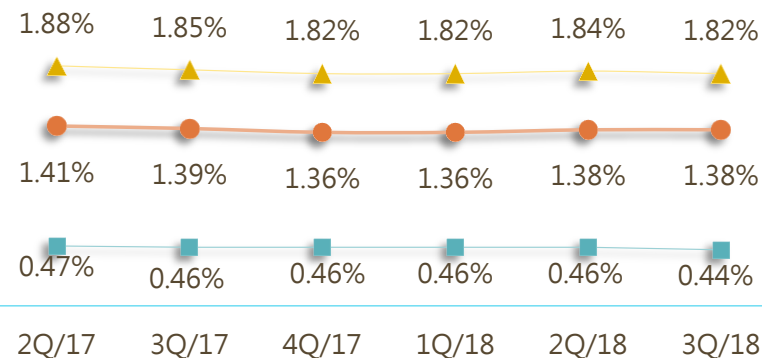
Mega Bank overseas loan interest spread*

—●— Spread —▲— Yield —■— Cost



Mega Bank domestic loan interest spread*

—●— Spread —▲— Yield —■— Cost

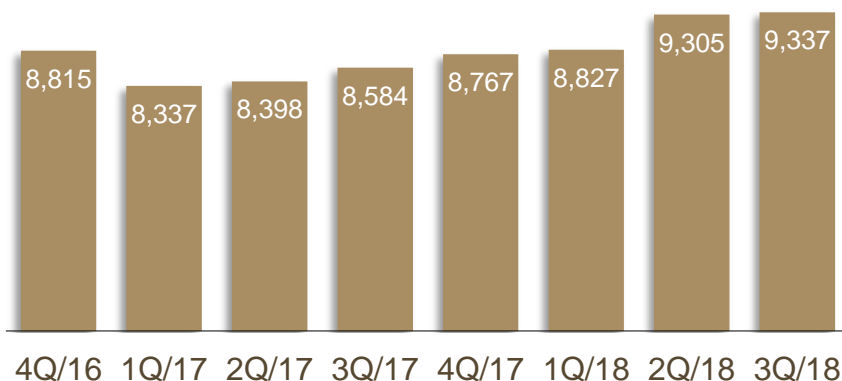


* Overseas loan includes overseas branches and OBU loan; internal numbers.

Net interest income was up slightly

Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion

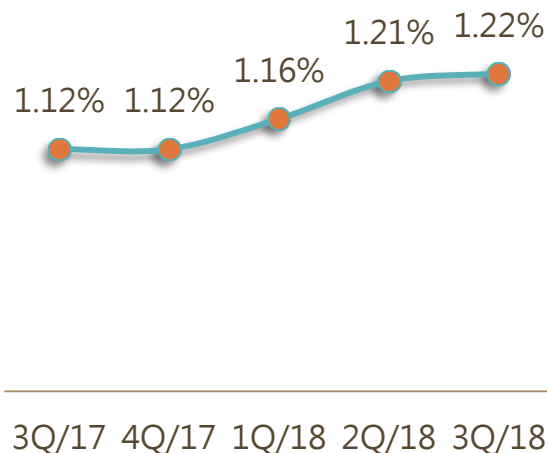


* Stand-alone internal numbers

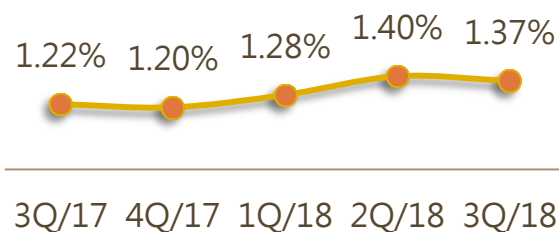
** Quarterly average interest earning assets

NIM inched up

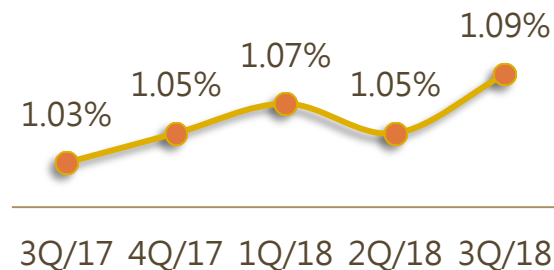
Mega Bank quarterly Total NIM*



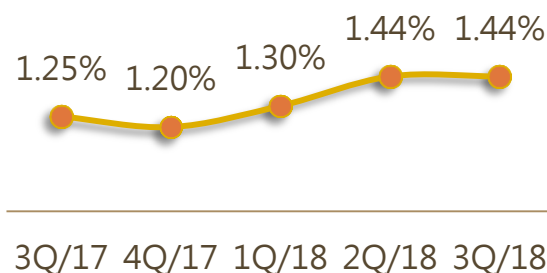
Mega Bank quarterly FCY NIM*



Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM*

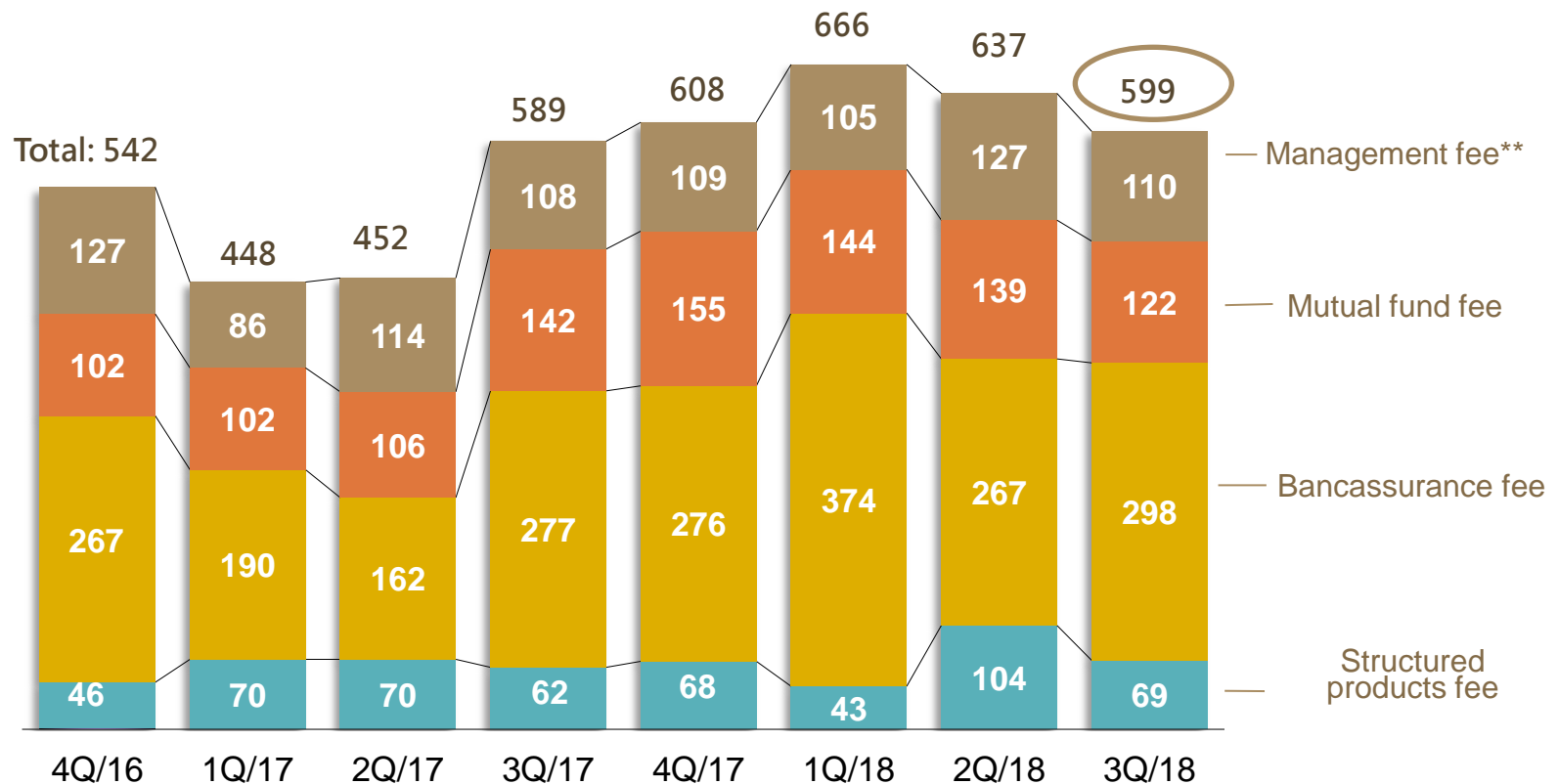


* NIM = annualized net interest income / average interest earning assets of that quarter; internal numbers.

WM fee remained stable; supported by bancassurance 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.

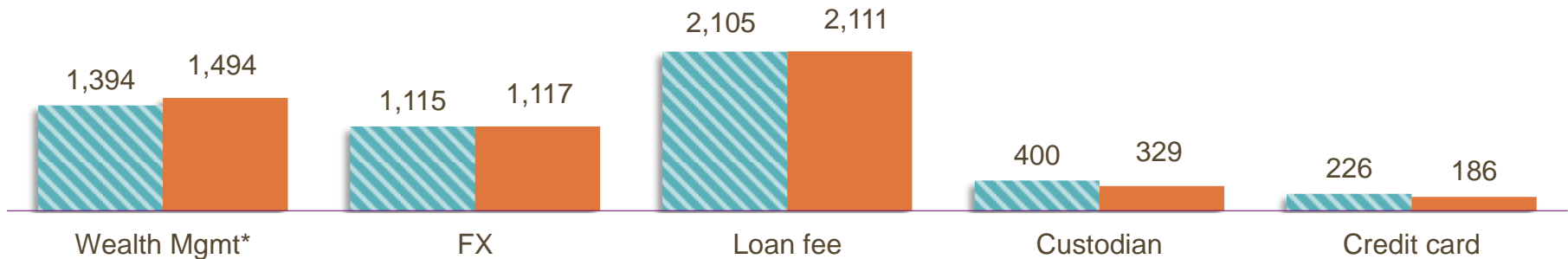
** Profit sharing scheme of fund mgmt fee and trust account mgmt fee.

Bank fee was up 1.0% QoQ, 2.3% YoY, driven by WM fee

Mega Bank net fee breakdown

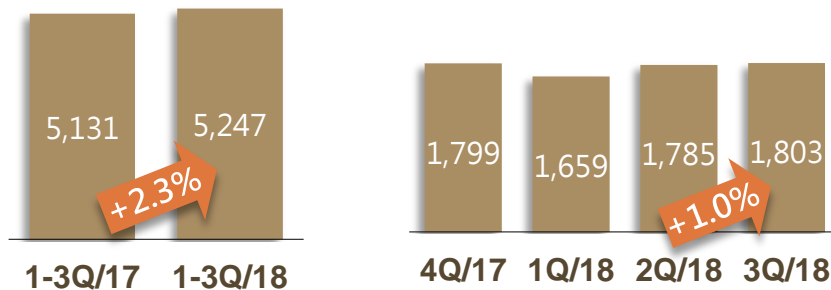
■ 1-3Q/17 ■ 1-3Q/18

Unit: NT\$MN

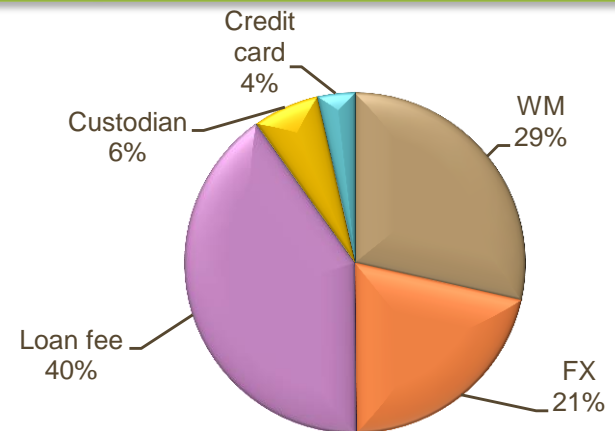


Mega Bank net fee

Unit: NT\$MN



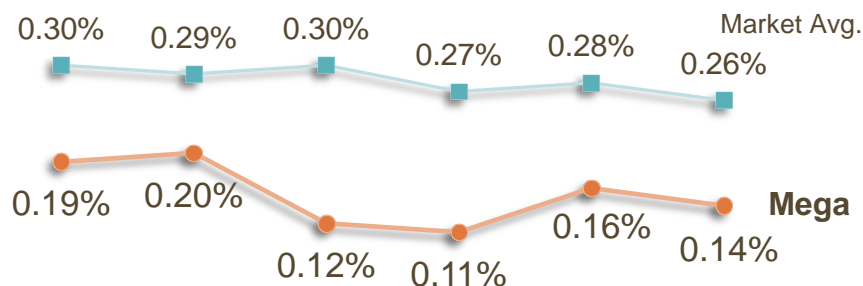
Mega Bank 1-3Q/18 net fee breakdown



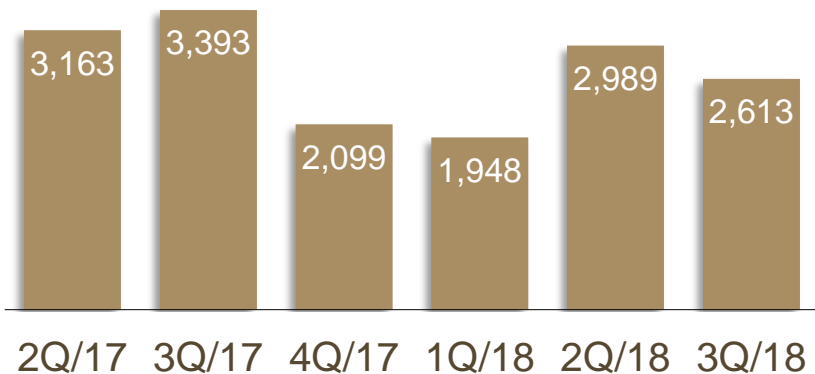
* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

NPL was down; coverage was up

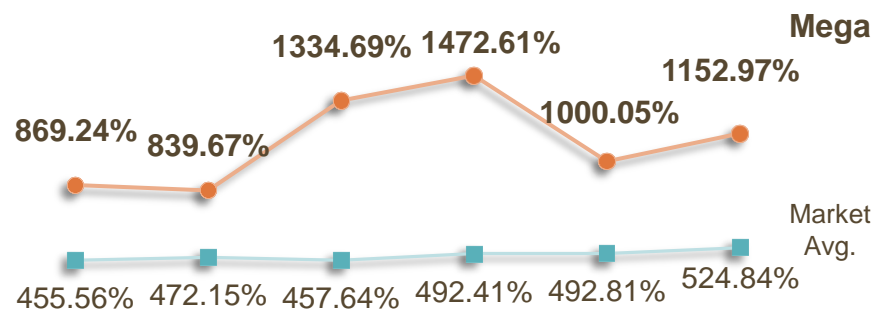
Mega Bank NPL balance & NPL ratio*



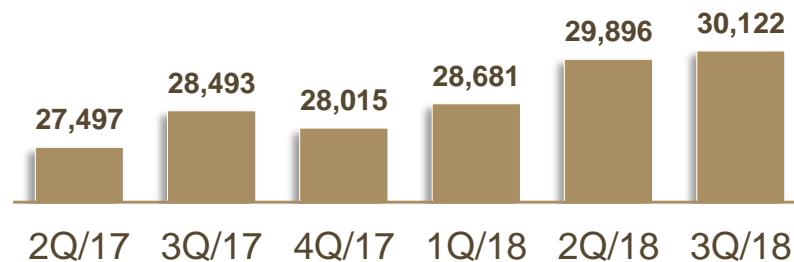
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio

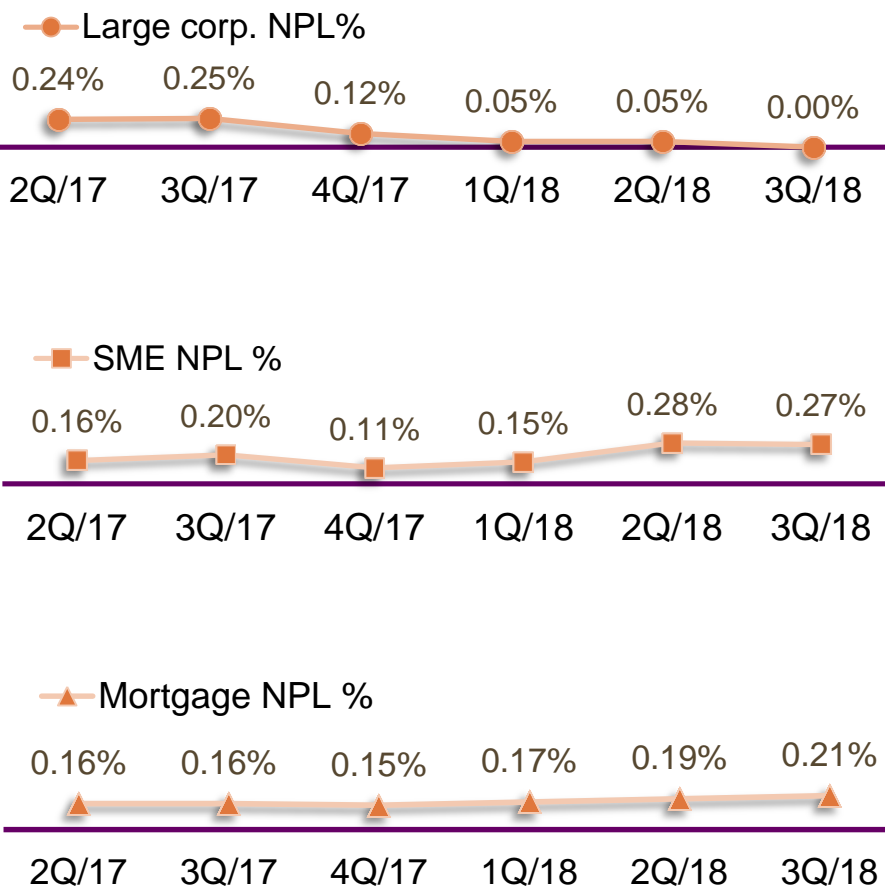


Unit: NT\$MN

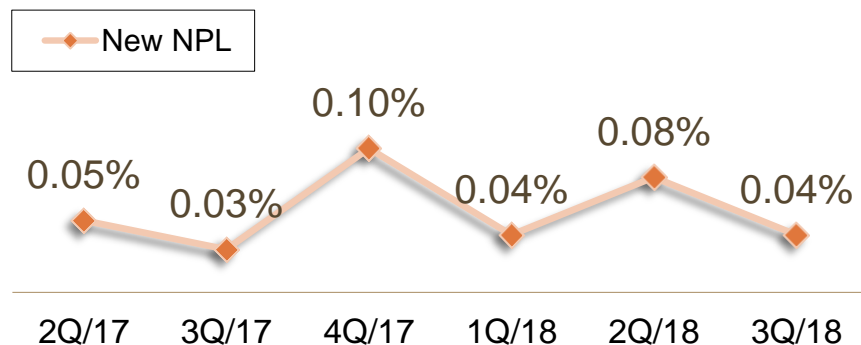


New NPL formation was down

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.

Table of Contents



Operation Highlights & Strategic Focus



Financial Performance



Operating Performance



Appendix

1-3Q/2018 Mega FHC consolidated P&L statement

<i>NT\$MN, EPS:NT\$</i>	1-3Q/2018*	1-3Q/2017	YoY
Net interest income	28,746	26,646	8%
Net fee revenue	7,351	6,967	6%
Insurance revenue	1,414	1,395	1%
Financial assets and liabilities at fair value thru P&L	5,871	5,782	2%
Available for sales asset gain	-	1,351	
Gain from fin. assets at fair value through other comprehensive income	1,389	-	
Gain from debt investment measured by amortized cost	1	-	
Equity method investment gain	140	155	-10%
Gain on reclassification under the overlay approach	57	-	
FX spread gain	1,878	1,258	49%
Asset impairment loss (write-back)	-29	-230	
Property gain	14	13	2%
Other non-interest revenue (net)	959	1,891	-49%
Operating net revenue	47,790	45,228	6%
Operating expense	-20,693	-18,578	11%
Pre-provision operating profit	27,096	26,650	2%
Provision expense on loan	-1,520	-1,750	-13%
Reserved on insurance	-46	56	-181%
Pretax profit	25,531	24,956	2%
Tax	-2,601	-2,789	-7%
Minority shareholder interest	-	-	
Net profit	22,930	22,166	3%
EPS (NT\$)	1.69	1.63	4%

* 1-3Q/18 are un-audited numbers.

1-3Q/2018 Mega FHC consolidated balance sheet

NT\$MN	1-3Q/2018*	1-3Q/2017	YoY
Assets:			
Cash and due from banks	610,792	788,527	-23%
Bills and bonds under RP agreement	6,315	1,997	216%
Fin. assets at fair value through P&L	197,512	181,252	9%
AFS financial assets	-	440,741	-
HTM financial assets	-	304,661	-
Fin. Assets at fair value through other comprehensive income	428,161	-	
Debt instrument investment measured by amortized cost	239,030	-	
Other financial assets	3,764	14,362	-74%
A/R, net	100,694	86,634	16%
Loan, net	1,851,727	1,686,191	10%
Equity method LT investments, net	3,147	3,129	1%
Land, premises and equipments, net	23,717	23,586	1%
Others	17,938	13,982	28%
Total assets	3,482,797	3,545,064	-2%
Liabilities			
Due to banks	397,644	492,965	-19%
Deposits	2,290,666	2,338,694	-2%
CP & Bond payable	44,620	63,497	-30%
Bills & bonds sold under repurchase agreement	266,274	217,035	23%
Other liabilities	173,414	136,179	27%
Total liabilities	3,172,618	3,248,369	-2%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	98,139	92,819	6%
Equity adjustment items	7,816	-359	-
Minority shareholder interest	31	42	-25%
Total stockholders' equity	310,178	296,694	5%
Total liabilities and stockholders' equity	3,482,797	3,545,064	-2%
Book value per share (NT\$)	22.81	21.82	5%

* 1-3Q/18 are un-audited numbers.

1-3Q/2018 Mega Bank consolidated P&L statement

<i>NT\$MN, EPS: \$NT</i>	1-3Q/2018*	1-3Q/2017	YoY
Net interest income	27,469	25,319	8%
Net fee revenue	5,247	5,131	2%
Financial assets and liabilities at fair value thru P&L	4,437	4,095	8%
Available for sales asset gain	-	977	-
Gain from fin. assets at fair value through other comprehensive income	869	-	-
Gain from debt investment measured by amortized cost	1	-	-
FX spread gain	128	152	-19%
Equity method investment gain	1,877	1,446	23%
Asset impairment loss (write-back)	12	-230	2002%
Cost method investment gain	-	616	-
Other non-interest revenue (net)	274	317	-16%
Operating net revenue	40,313	37,822	6%
Operating expense	-16,923	-15,031	11%
Pre-provision operating profit	23,391	22,791	3%
Provision expense on loan	-1,550	-1,775	-14%
Pretax profit	21,841	21,017	4%
Tax	-1,844	-2,218	-20%
Net profit	19,996	18,799	6%
EPS (NT\$)	2.31	2.20	5%

* 1-3Q/18 are un-audited numbers.

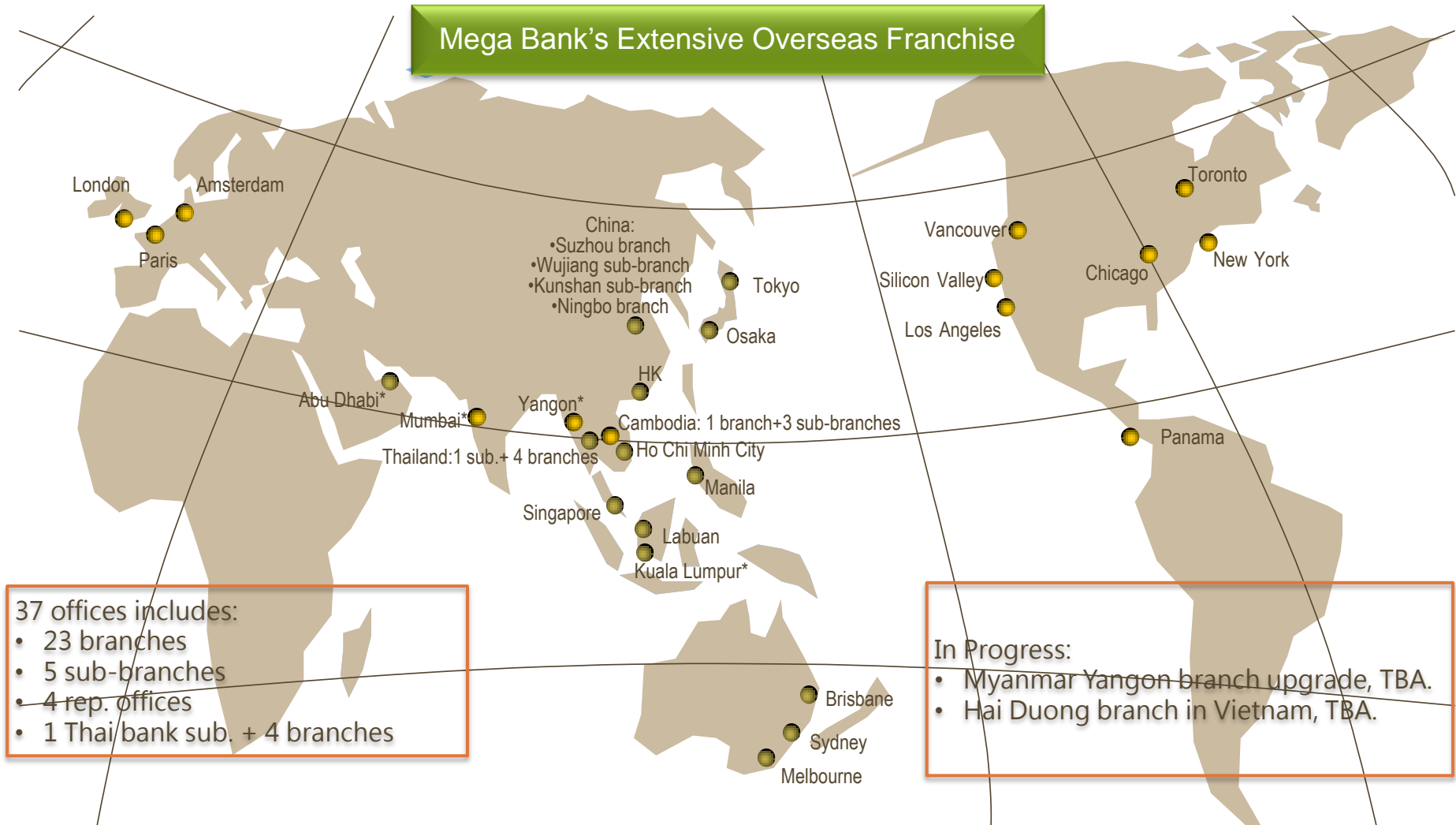
1-3Q/2018 Mega Bank consolidated balance sheet

<i>Unit: NT\$MN</i>	1-3Q/2018*	1-3Q/2017	YoY
Assets:			
Cash and due from banks	610,166	783,287	-22%
Bills and bonds under RP agreement	10,600	2,559	314%
Fin. assets at fair value through P&L	60,178	42,468	42%
Fin. Assets at fair value through other comprehensive income	267,041	-	-
Debt instrument investment measured by amortized cost	235,774	-	-
AFS financial assets	-	280,595	-
HTM financial assets	-	302,356	-
Other financial assets	34	9,267	-
A/R, net	63,028	53,830	17%
Loan, net	1,851,727	1,686,191	10%
Equity method LT investments, net	3,058	3,053	0%
Land, premises and equipments, net	15,455	15,376	1%
Others (net)	11,357	7,935	43%
Total assets	3,128,418	3,186,916	-2%
Liabilities			
Due to banks	372,411	458,742	-19%
Deposits	2,292,717	2,342,692	-2%
CP & Bond payable	21,200	36,200	-41%
Bills & bonds sold under repurchase agreement	46,718	1,184	3846%
Other liabilities	116,030	84,388	37%
Total liabilities	2,849,076	2,923,207	-3%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	126,489	117,439	8%
Equity adjustment items	5,271	(1,311)	-502%
Total stockholders' equity	279,341	263,709	6%
Total liabilities and stockholders' equity	3,128,418	3,186,916	-2%
Book value per share (NT\$)	32.72	30.89	6%

* 1-3Q/18 are un-audited numbers.

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

Mega Bank's Extensive Overseas Franchise



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