



兆豐金控
Mega Holdings

2Q/2019 Analyst Meeting

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Operation Highlights & Strategic Focus



Financial Performance



Operating Performance



Appendix

Group earning performance remained solid, if one-off gain was excluded.

Mega FHC & Subs. 1-2Q/19 earning trend

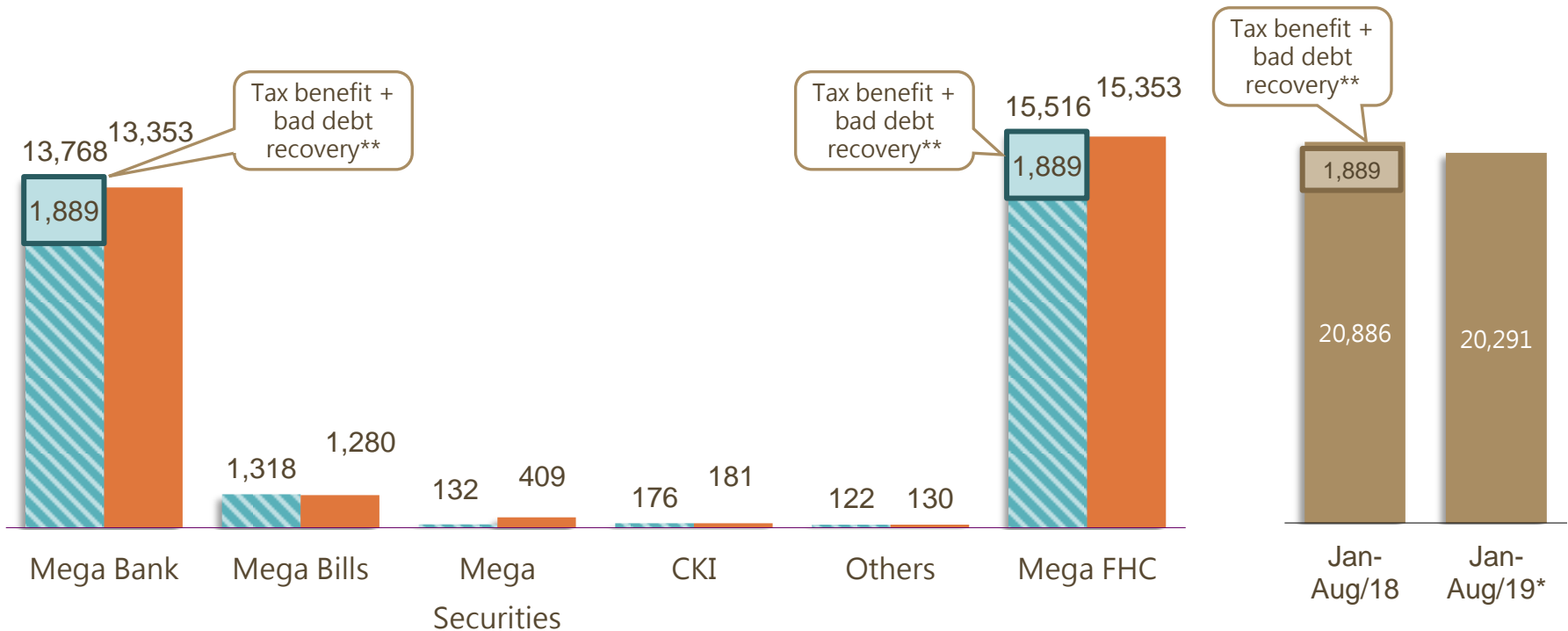
Mega FHC Jan-Aug/19 Earning trend

■ 1-2Q/18

■ 1-2Q/19

Unit: NT\$MN

Unit: NT\$MN

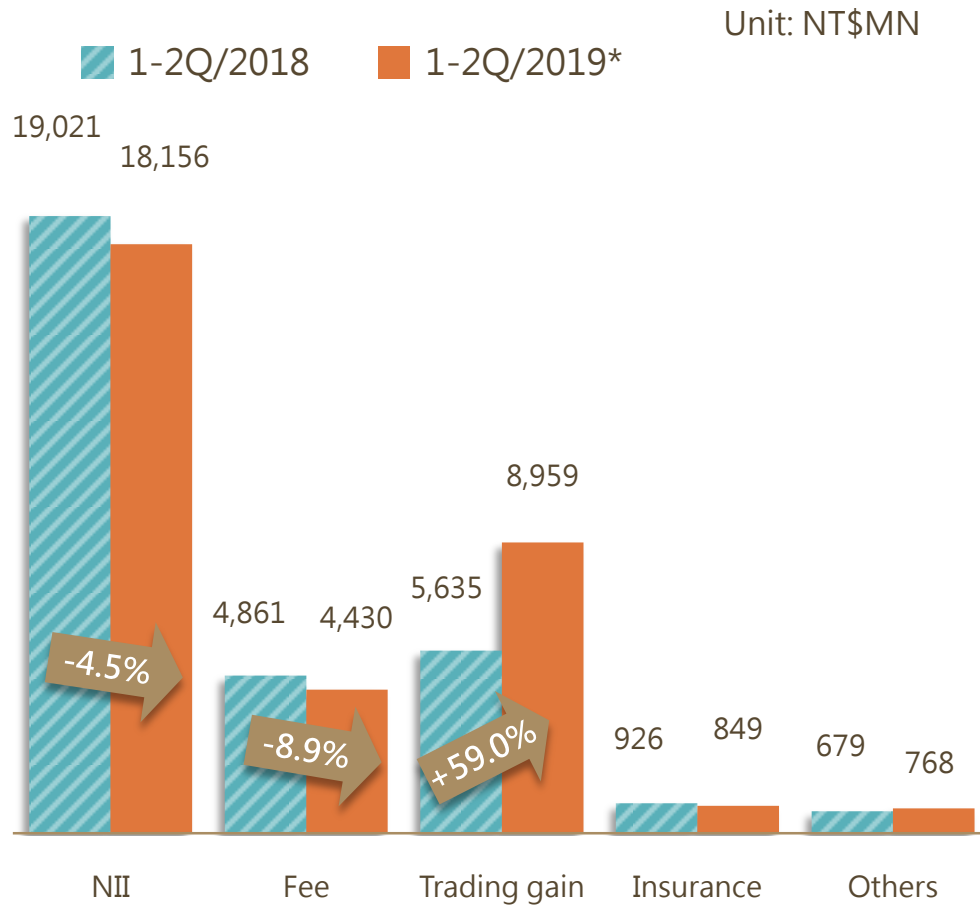


* 1-2Q/19 are audited figures; Jan-Aug/19 are un-audited figures

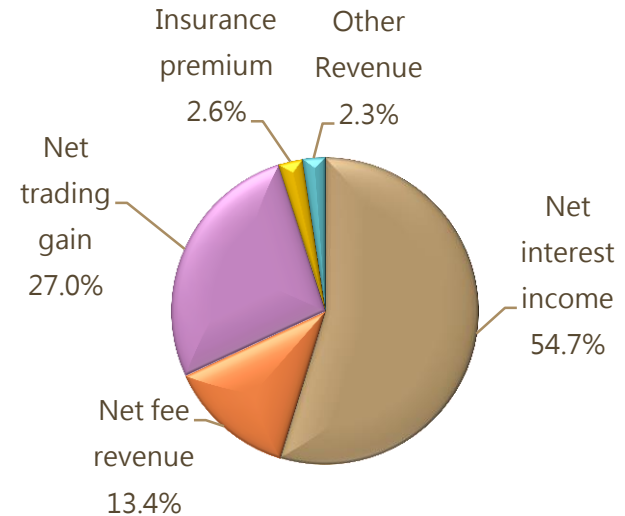
** Includes deferred tax benefit NT\$1,192mn and TransAsia bad debt recovery NT\$697mn.

Group trading gain was up 59.0%, helped offset NII & fee, and pushed the revenue up 6.6% YoY

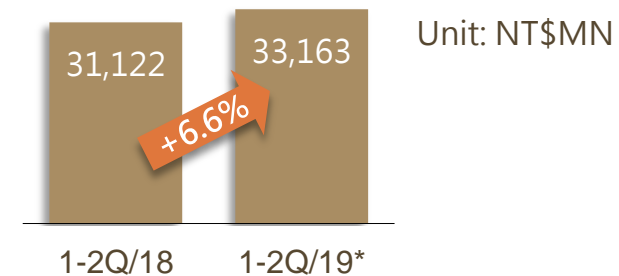
Mega Group consolidated net revenue *



Mega Group 1-2Q/19 net revenue breakdown



Mega Group 1-2Q/19 net revenue trend



* 1-2Q/19 are audited figures.

Business Prospect in 2H/19



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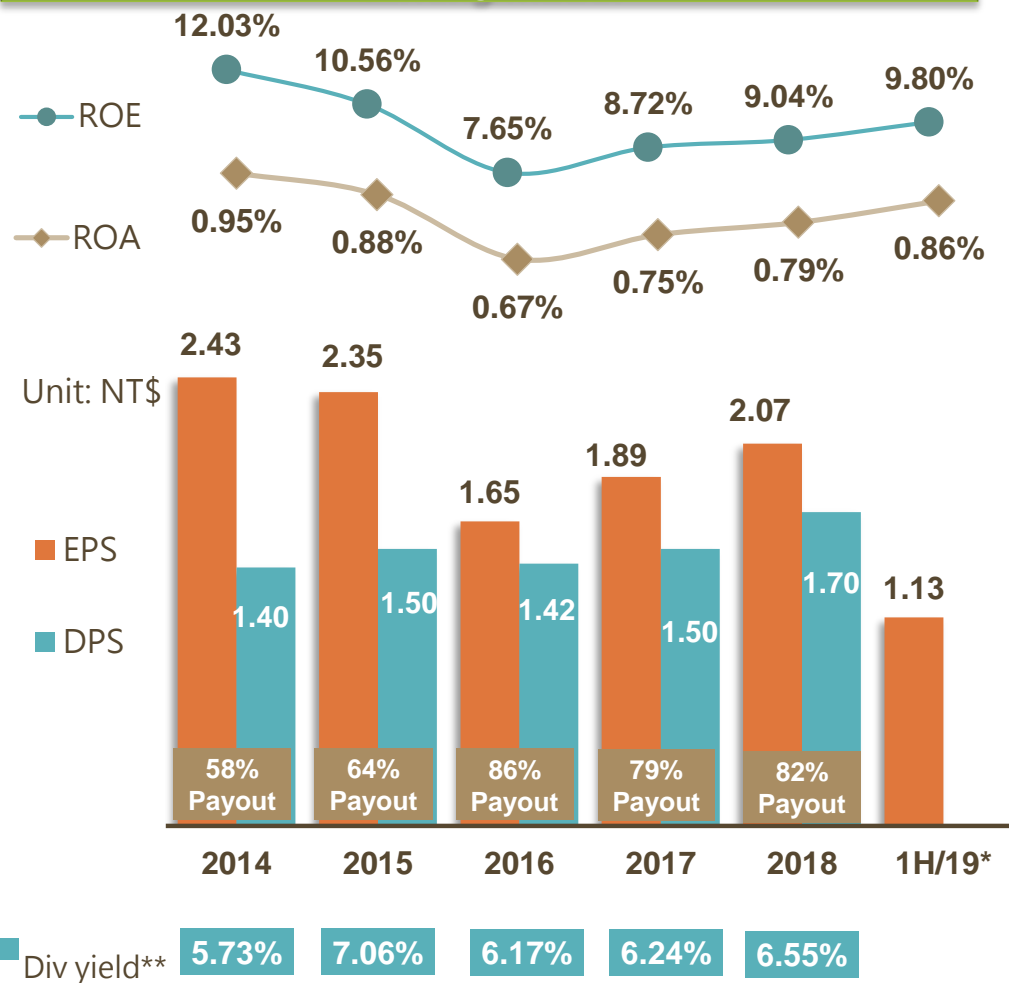
Operating Performance



Appendix

Profit recovered further; dividend policy remained attractive.

Earning Matrix



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/19 are audited numbers; ROE and ROA annualized numbers.

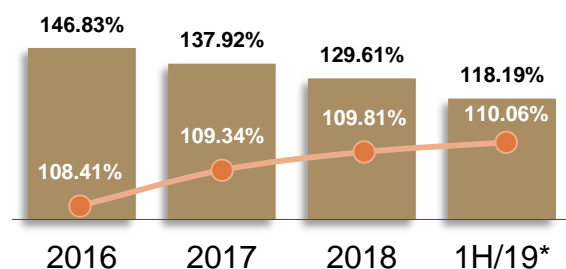
** Cash dividend yield = cash dividend / last trading day share price of that year

Strong tier 1 capital

Mega FHC

Moody's: A3

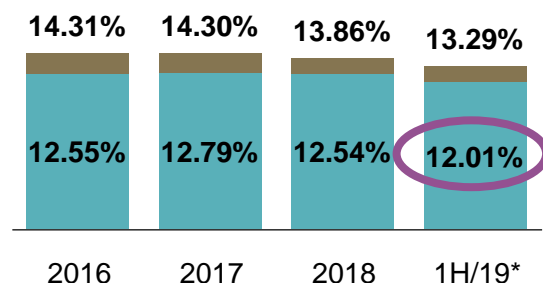
Requirement: 100%



Mega Bank

Moody's: A1 / S&P: A

Requirement: CAR: 10.50%
Tier-1: 8.50%



CAR/RBC

Common equity tier 1 ratio

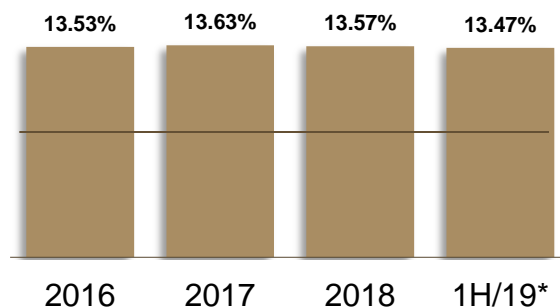
Credit rating

Double leverage ratio

Regulatory requirement

Mega Bills

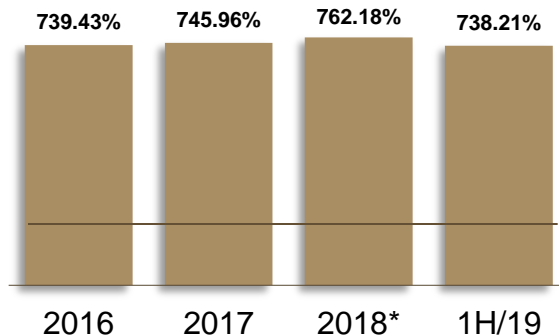
Requirement : 8.0%



CKI P&C

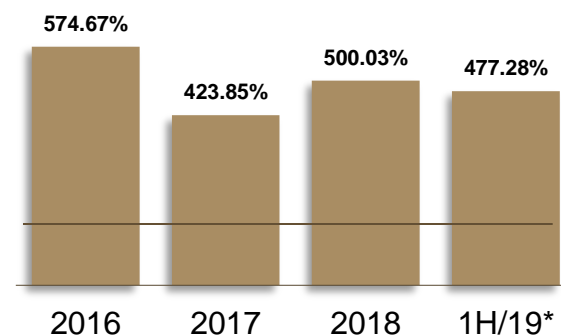
Moody's: A3 / S&P: A-

Requirement: 200%



Mega Securities

Requirement : 150%



* 1H/19 are audited numbers

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Operation Highlights & Strategic Focus



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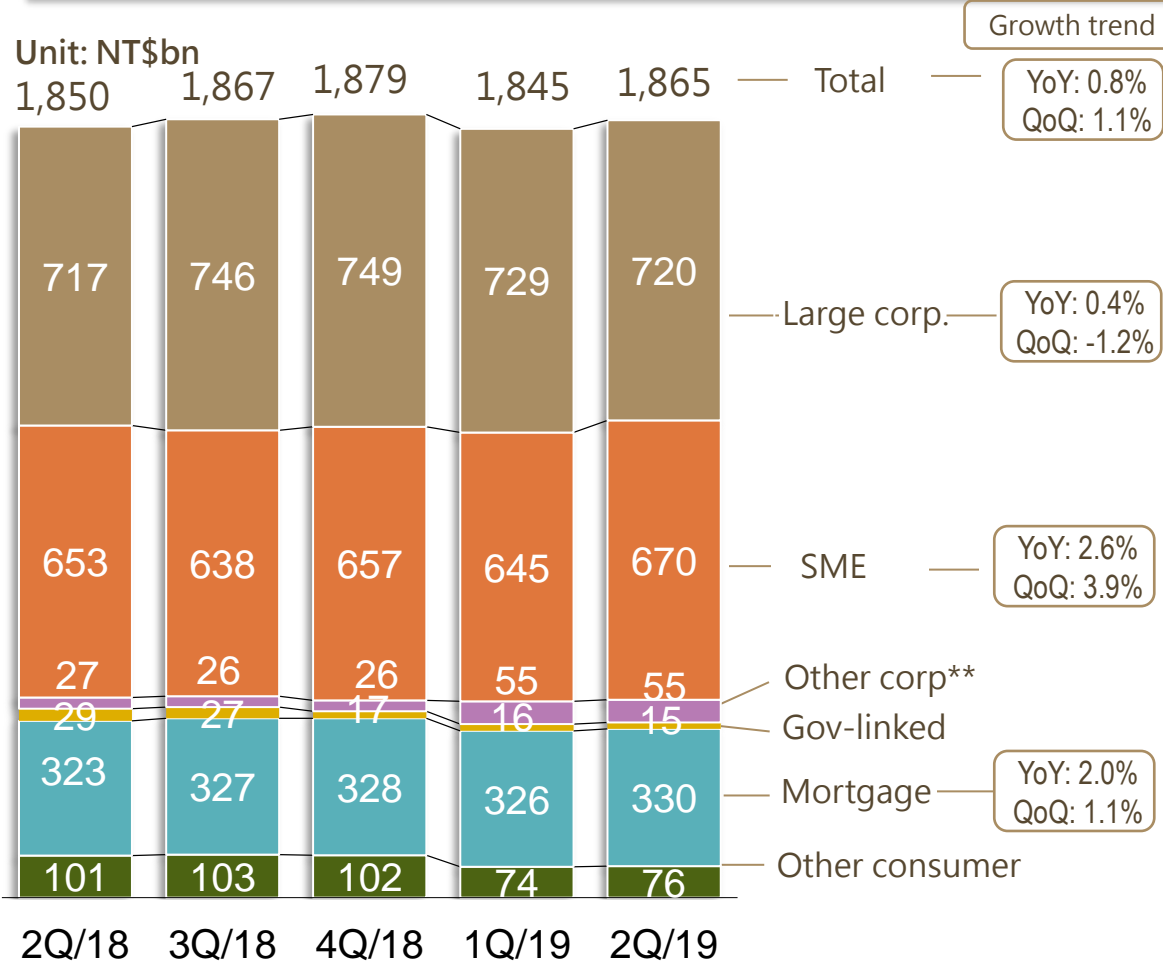
Operating Performance



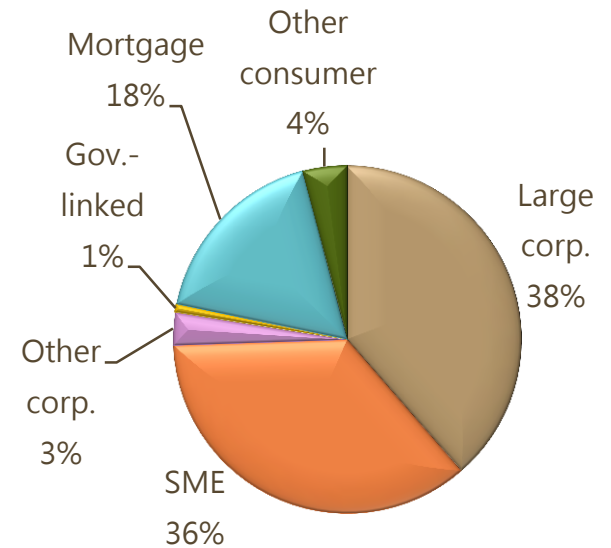
Appendix

Loan was up 1.1% QoQ, driven by SME and mortgage loan demand

Mega Bank quarterly loan balance*



Mega Bank 2Q/19 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, retail/wholesales, financial and consumer loans were up in 2Q/19

Mega Bank loan balance trend by industry*

Unit: NT\$BN

■ 2Q/19

▨ 1Q/19

▤ 2Q/18

Growth trend

YoY: 1.9%
QoQ: 2.8%

YoY: -6.5%
QoQ: -1.3%

YoY: -0.4%
QoQ: -1.5%

YoY: -2.1%
QoQ: 3.8%

YoY: 1.6%
QoQ: 1.6%

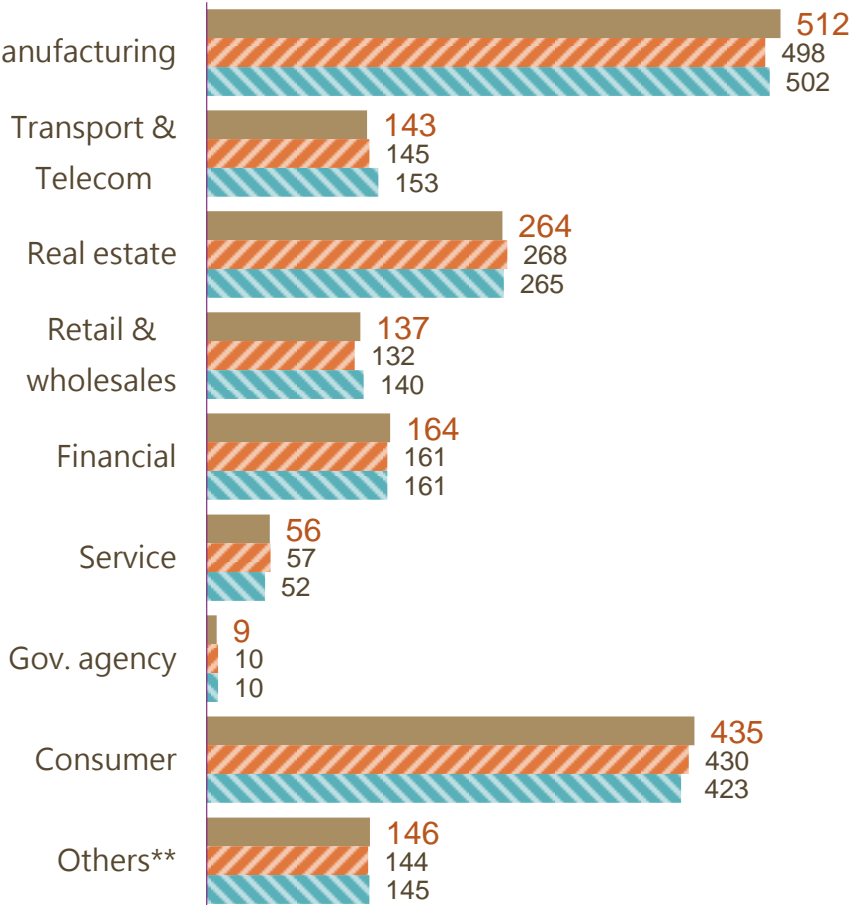
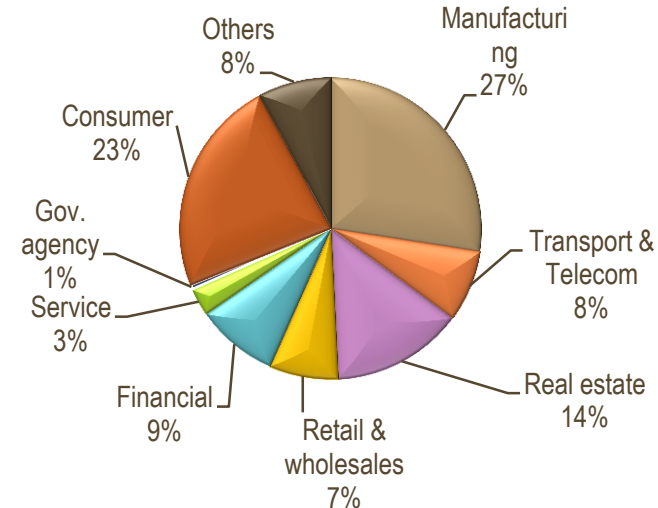
YoY: 8.1%
QoQ: -1.4%

YoY: -10.0%
QoQ: -10.0%

YoY: 2.8%
QoQ: 1.2%

YoY: 0.3%
QoQ: 1.0%**

2Q/19 loan breakdown by industry*



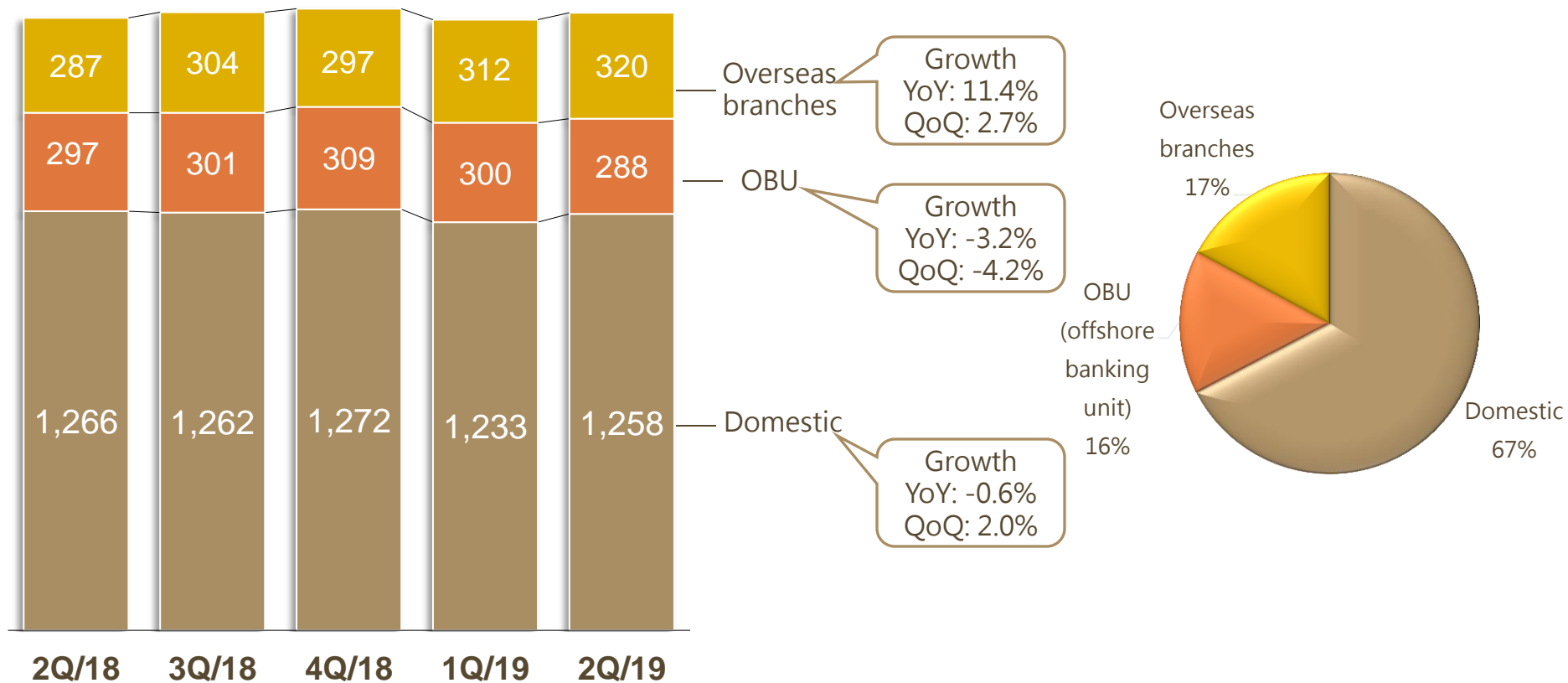
* Mega Bank internal numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Overseas loan was up 2.7% QoQ

Mega Bank 2Q/19 loan breakdown by regions *

Unit: NT\$bn



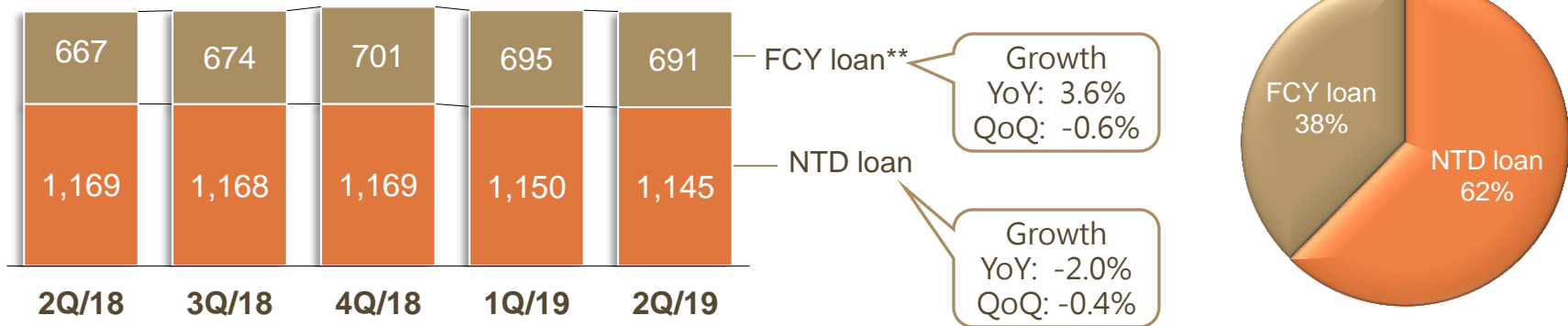
* Mega Bank quarterly end balance, internal numbers; includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee

** OBU stands for Off-shore Banking Unit

FCY loan demand still outperformed NTD loan

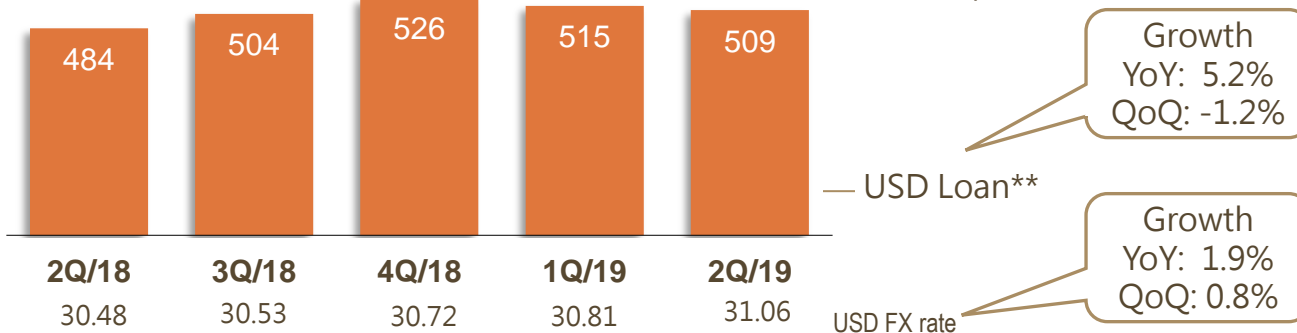
Mega Bank loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$bn



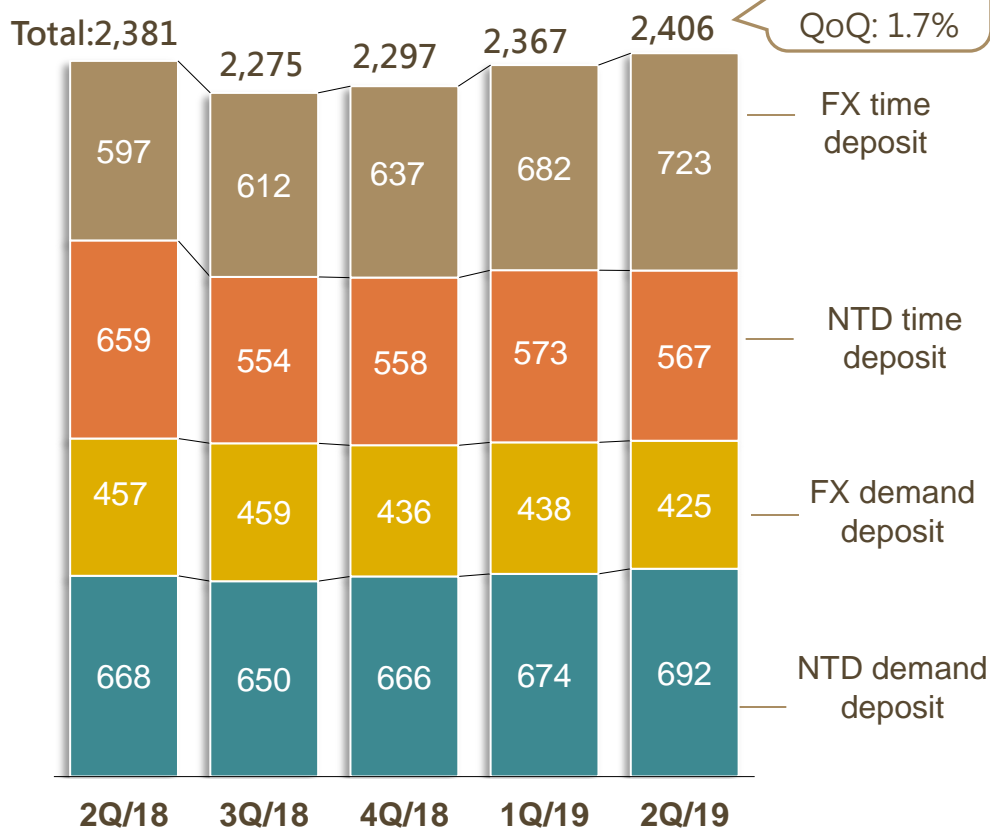
* Mega Bank quarterly average balance, internal numbers; includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

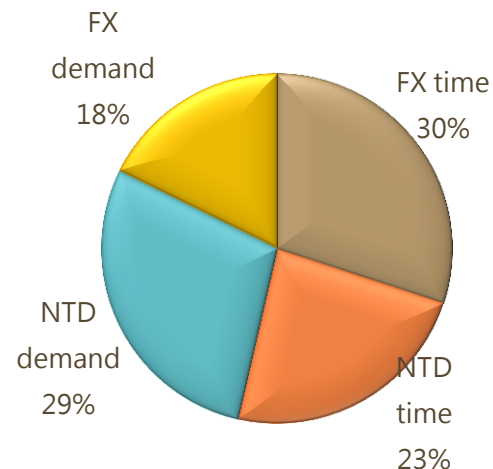
Deposit was up 1.7% QoQ; 1.1% YoY

Mega Bank deposit balance *

Unit: NT\$bn



Mega Bank 2Q/19 deposit breakdown

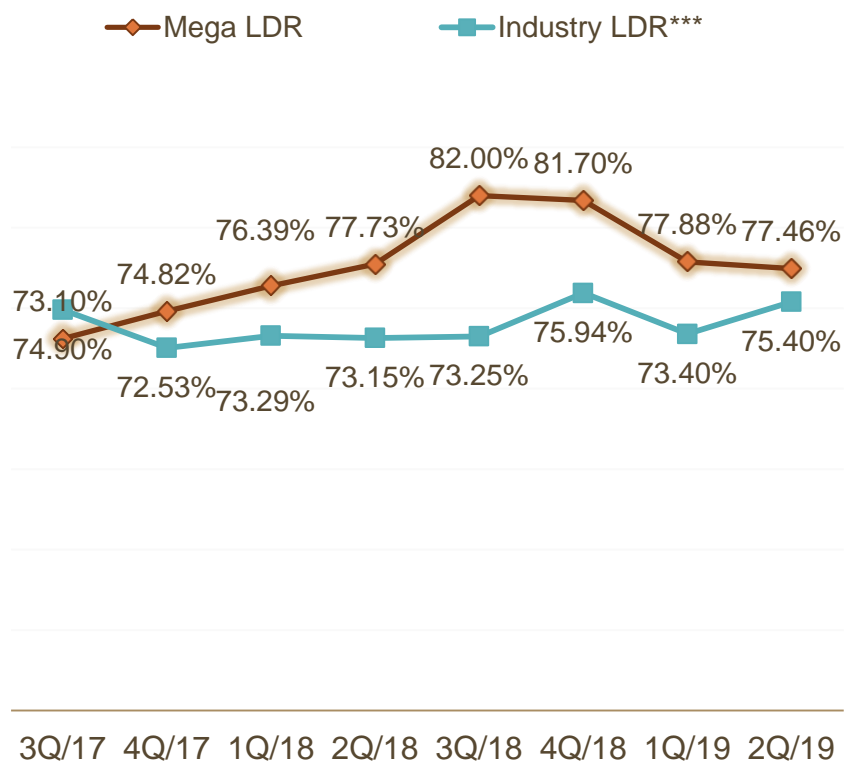


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit; internal numbers.

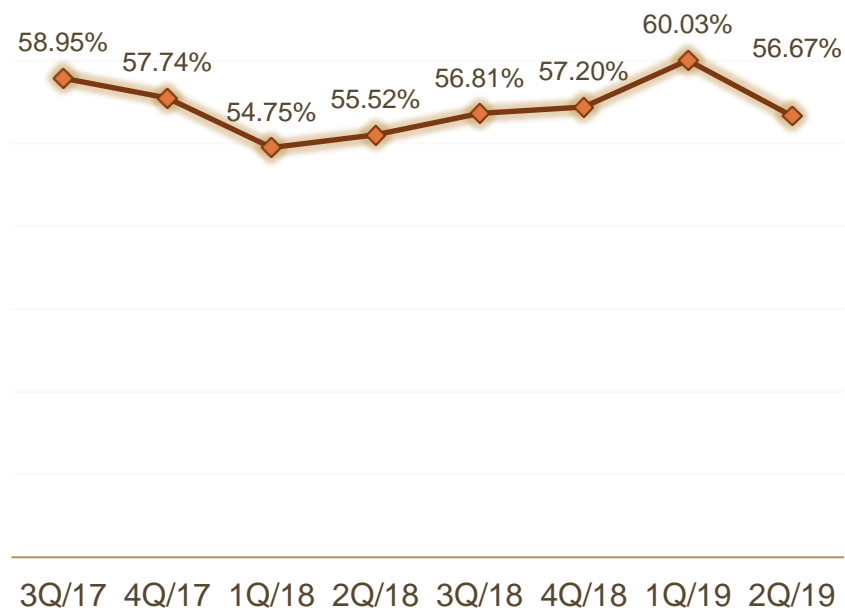
** Includes retail and corporate deposit but excludes due from central banks and banks

Overall LDR and USD LDR were down

Mega Bank's total LDR*



Mega Bank's USD LDR**



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

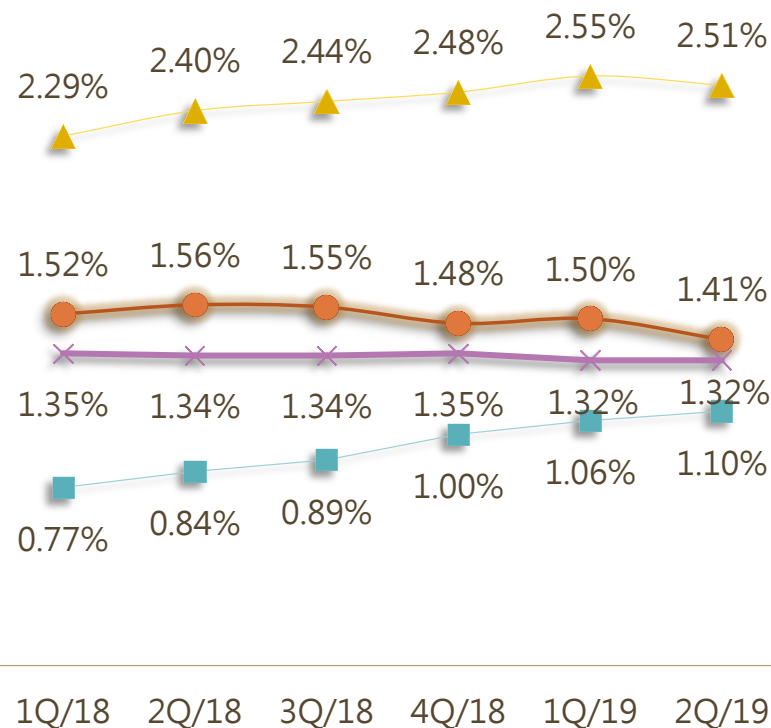
** USD LDR calculation is based on average loan/deposit balance of that quarter

*** Source: Central Bank of Taiwan

Spread was down as overseas spread was down

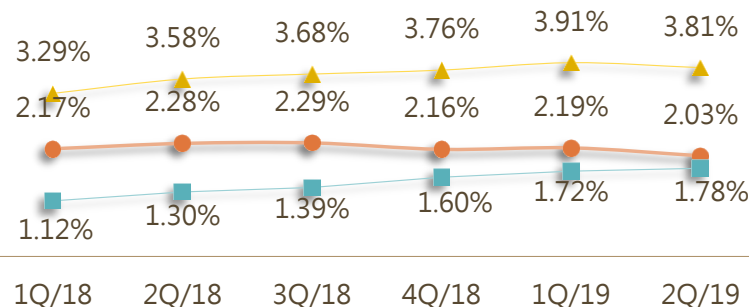
Mega Bank total loan interest spread*

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



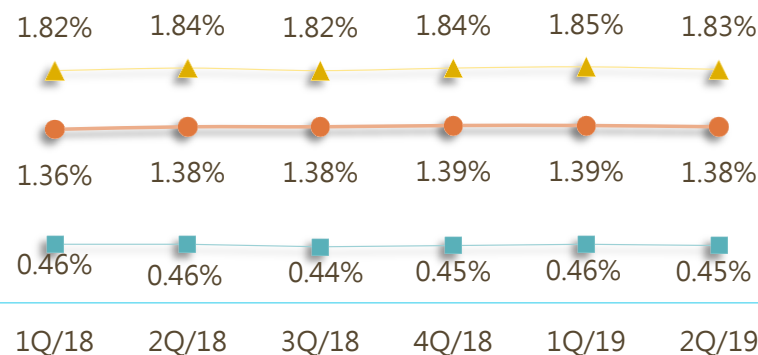
Mega Bank overseas loan interest spread*

—●— Spread —▲— Yield —■— Cost



Mega Bank domestic loan interest spread*

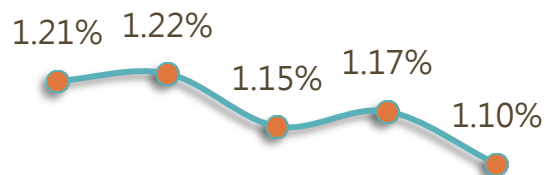
—●— Spread —▲— Yield —■— Cost



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

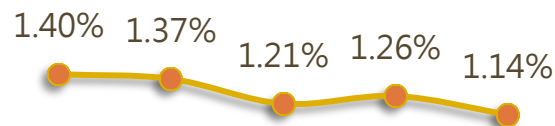
NIM pressure emerged

Mega Bank quarterly Total NIM*



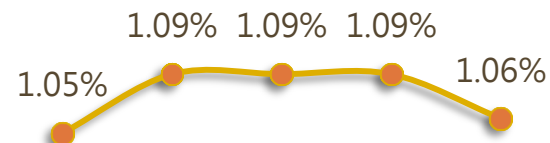
2Q/18 3Q/18 4Q/18 1Q/19 2Q/19

Mega Bank quarterly FCY NIM*



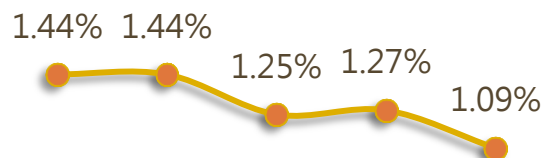
2Q/18 3Q/18 4Q/18 1Q/19 2Q/19

Mega Bank quarterly NTD NIM*



2Q/18 3Q/18 4Q/18 1Q/19 2Q/19

Mega Bank monthly USD NIM*



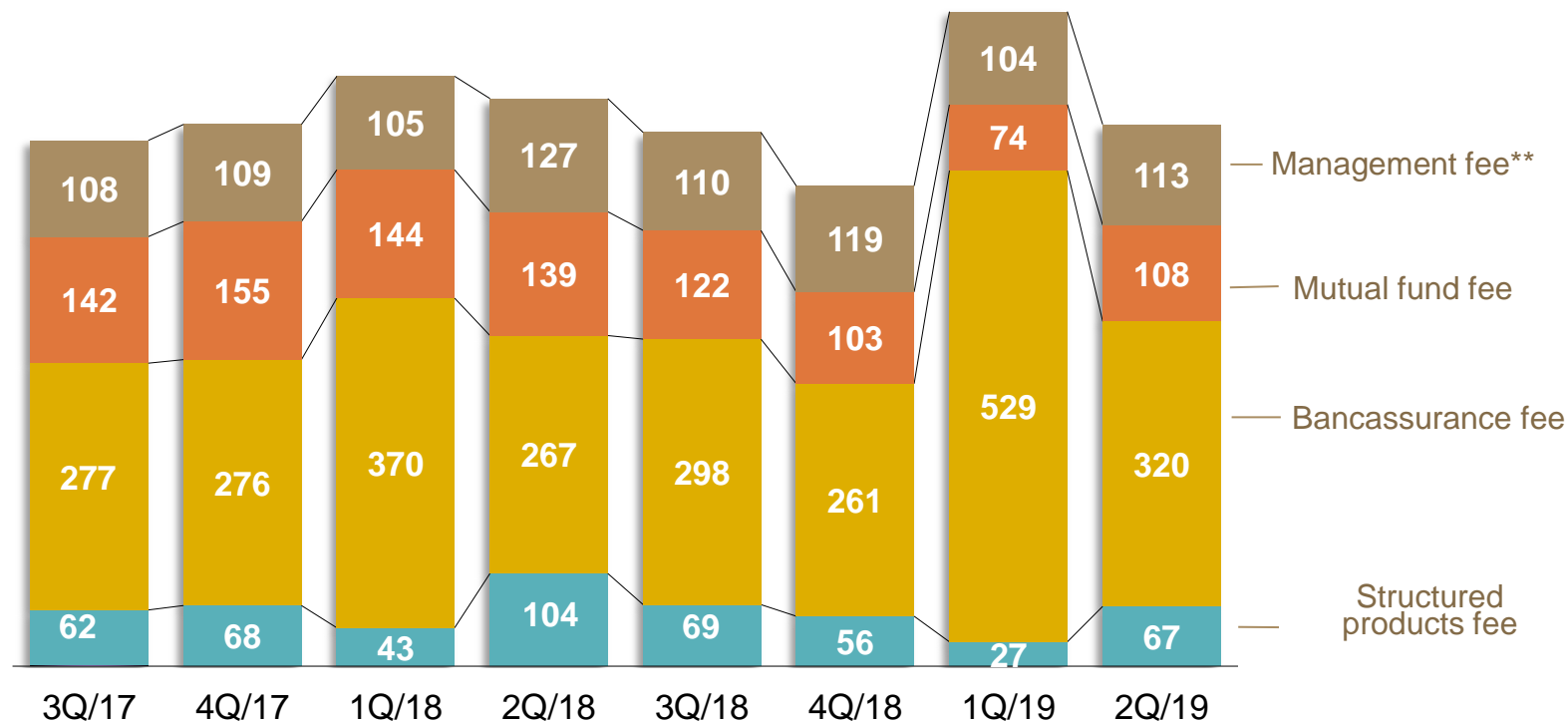
2Q/18 3Q/18 4Q/18 1Q/19 2Q/19

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

Bancassurance fee remained robust

Mega Bank wealth management gross fee breakdown*

Unit: NT\$MN

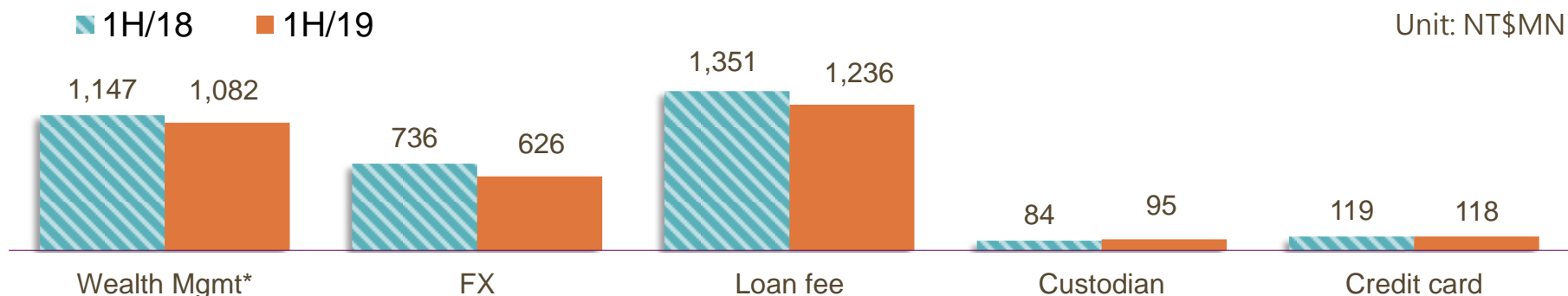


* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

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

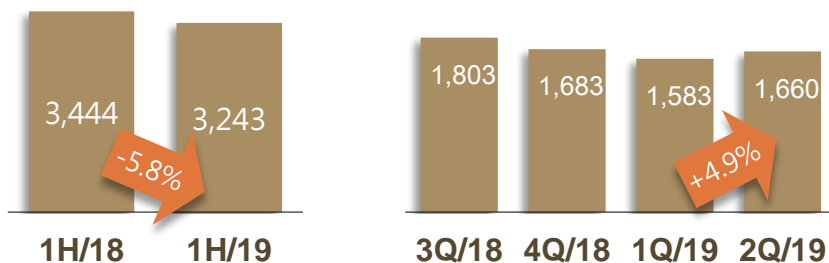
Bank fee was up 4.9% QoQ

Mega Bank net fee breakdown

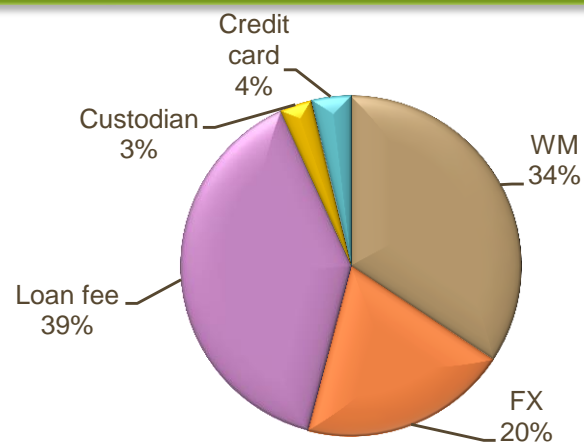


Mega Bank net fee

Unit: NT\$MN



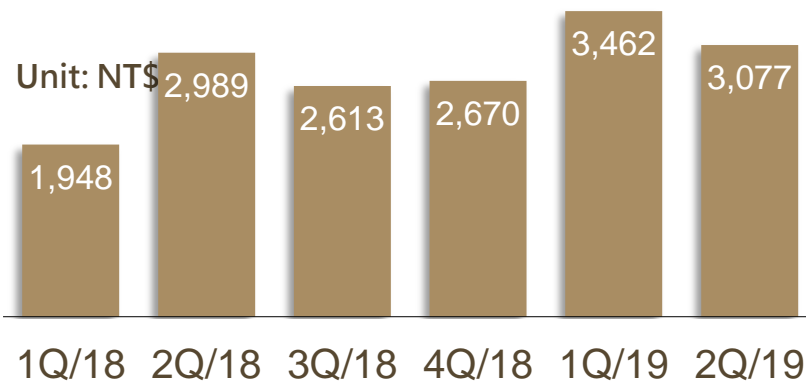
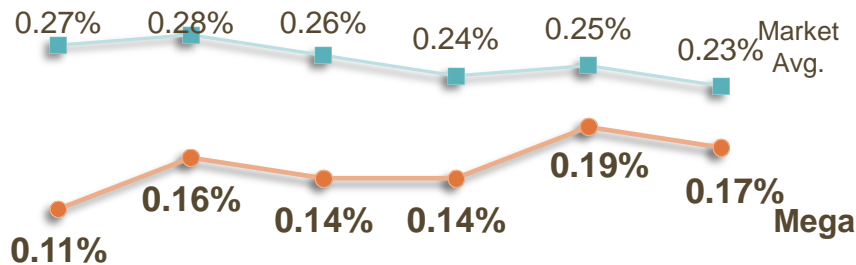
Mega Bank 1H/19 net fee breakdown



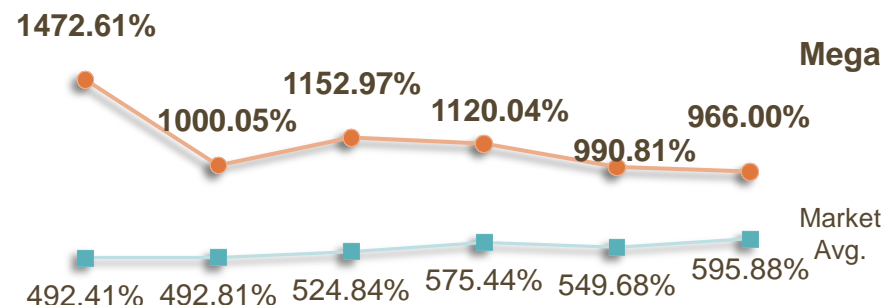
* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

Superior asset quality

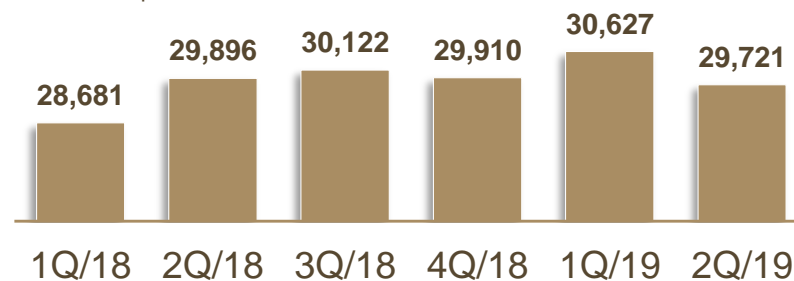
Mega Bank NPL balance & NPL ratio*



Mega Bank loan loss reserved and coverage ratio



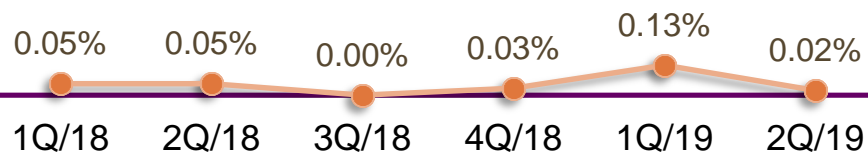
Unit: NT\$MN



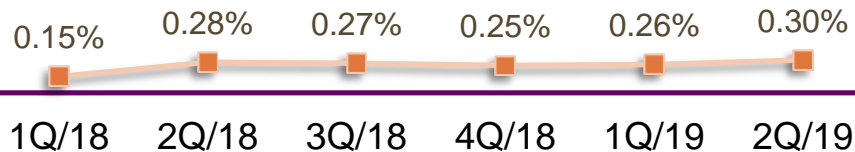
NPL figures remained stable

Mega Bank NPL ratio by customer *

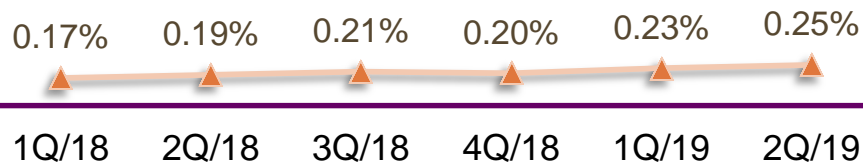
Large corp. NPL%



SME NPL %

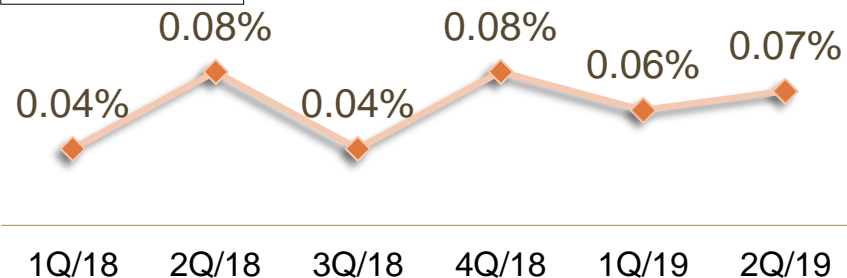


Mortgage NPL %



Mega Bank new NPL as % of total loan *

New NPL



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

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1-2Q/2019 Mega FHC consolidated P&L statement

<i>NT\$MN, EPS:NT\$</i>	1-2Q/2019*	1-2Q/2018	YoY
Net interest income	18,156	19,021	-5%
Net fee revenue	4,430	4,861	-9%
Insurance revenue	849	926	-8%
Financial assets and liabilities at fair value thru P&L	6,665	3,702	80%
Gain from fin. assets at fair value through other comprehensive income	845	282	200%
Gain from debt investment measured by amortized cost	-	1	
Equity method investment gain	135	90	50%
Gain on reclassification under the overlay approach	-84	47	-278%
FX spread gain	1,366	1,513	-10%
Asset impairment loss (write-back)	-33	-12	174%
Property gain	65	12	444%
Other non-interest revenue (net)	768	679	13%
Operating net revenue	33,163	31,122	7%
Operating expense	-14,766	-13,659	8%
Pre-provision operating profit	18,397	17,463	5%
Provision expense on loan	-566	-556	2%
Reserved on insurance	88	-20	-542%
Pretax profit	17,919	16,887	6%
Tax	-2,567	-1,372	87%
Net profit	15,353	15,516	-1%
EPS (NT\$)	1.13	1.14	-1%

* 1-2Q/2019 are audited numbers.

1-2Q/2019 Mega FHC consolidated balance sheet

NT\$MN	1-2Q/2019*	1-2Q/2018	YoY
Assets:			
Cash and due from banks	619,652	600,286	3%
Bills and bonds under RP agreement	2,972	10,725	-72%
Fin. assets at fair value through P&L	196,084	200,976	-2%
Fin. Assets at fair value through other comprehensive income	502,173	446,167	13%
Debt instrument investment measured by amortized cost	290,029	283,530	2%
Other financial assets	6,357	3,444	85%
A/R, net	89,025	102,732	-13%
Loan, net	1,853,128	1,835,787	1%
Equity method LT investments, net	3,191	3,230	-1%
Land, premises and equipments, net	23,464	23,710	-1%
Others	18,346	17,261	6%
Total assets	3,604,419	3,527,847	2%
Liabilities			
Due to banks	381,401	386,558	-1%
Deposits	2,421,616	2,392,722	1%
CP & Bond payable	20,733	37,096	-44%
Bills & bonds sold under repurchase agreement	279,208	232,193	20%
Other liabilities	189,097	177,047	7%
Total liabilities	3,292,055	3,225,616	2%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	94,778	90,867	4%
Equity adjustment items	13,381	7,142	87%
Minority shareholder interest	12	29	-60%
Total stockholders' equity	312,363	302,231	3%
Total liabilities and stockholders' equity	3,604,419	3,527,847	2%
Book value per share (NT\$)	22.97	22.22	3%

* 1-2Q/2019 are audited numbers.

1-2Q/2019 Mega Bank consolidated P&L statement

NT\$MN, EPS: \$NT	1-2Q/2019*	1-2Q/2018	YoY
Net interest income	17,654	18,132	-3%
Net fee revenue	3,243	3,444	-6%
Financial assets and liabilities at fair value thru P&L	5,235	2,818	86%
Gain from fin. assets at fair value through other comprehensive income	529	155	242%
Gain from debt investment measured by amortized cost	-	1	
FX spread gain	123	91	35%
Equity method investment gain	1,354	1,506	-10%
Asset impairment loss (write-back)	-31	32	-196%
Other non-interest revenue (net)	322	200	62%
Operating net revenue	28,430	26,378	8%
Operating expense	-12,310	-11,170	10%
Pre-provision operating profit	16,120	15,208	6%
Provision expense on loan	-710	-578	23%
Pretax profit	15,410	14,630	5%
Tax	-2,057	-861	139%
Net profit	13,353	13,768	-3%
EPS (NT\$)	1.56	1.61	-3%

* 1-2Q/2019 are audited numbers.

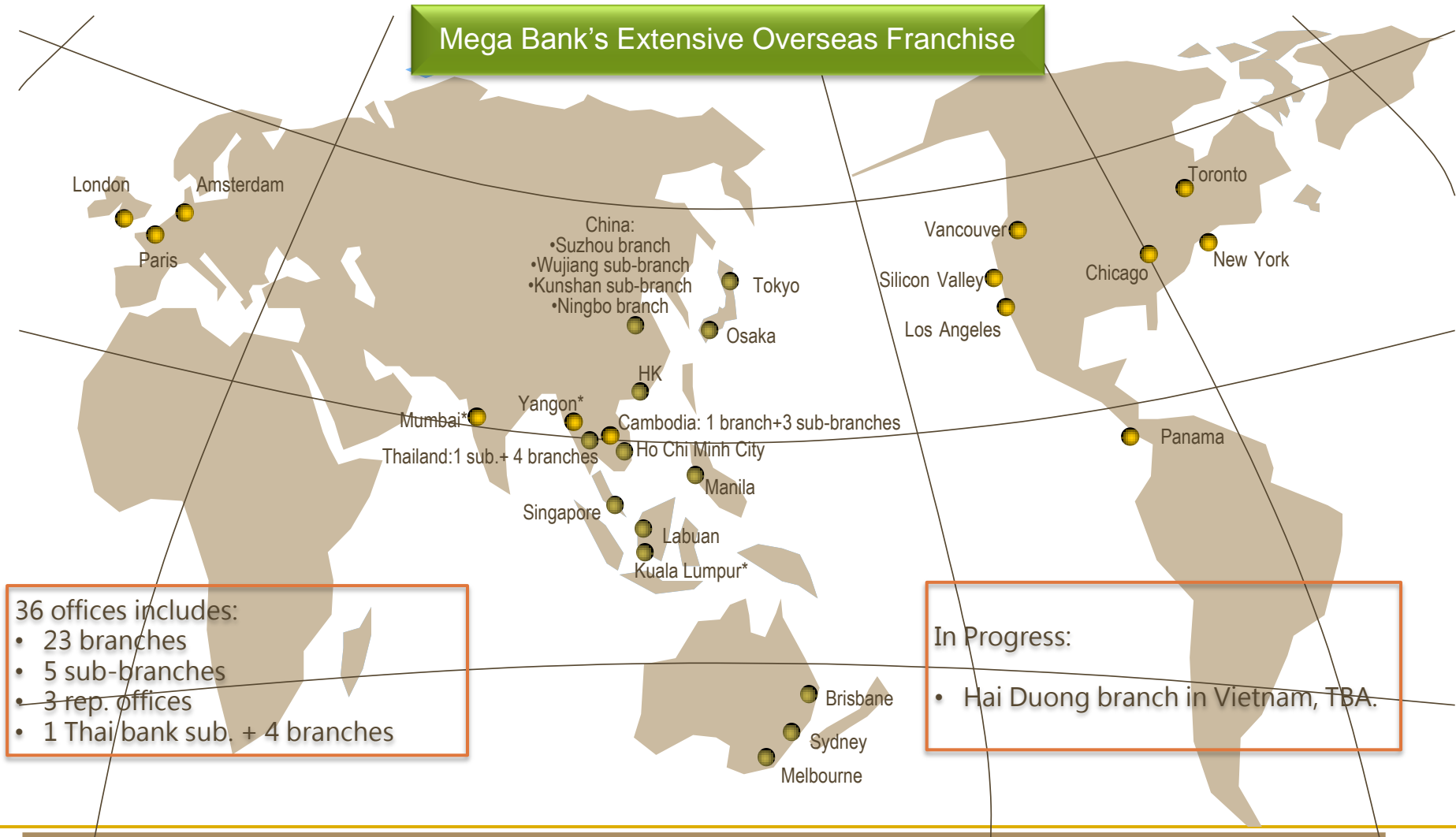
1-2Q/2019 Mega Bank consolidated balance sheet

<i>Unit: NT\$MN</i>	1-2Q/2019*	1-2Q/2018	YoY
Assets:			
Cash and due from banks	619,657	601,103	3%
Bills and bonds under RP agreement	4,034	20,478	-80%
Fin. assets at fair value through P&L	64,347	56,264	14%
Fin. Assets at fair value through other comprehensive income	339,662	286,443	19%
Debt instrument investment measured by amortized cost	286,227	280,683	2%
Other financial assets	582	158	269%
A/R, net	56,326	62,912	-10%
Loan, net	1,853,128	1,835,787	1%
Equity method LT investments, net	3,093	3,139	-1%
Land, premises and equipments, net	15,543	15,423	1%
Others (net)	11,814	10,749	10%
Total assets	3,254,412	3,173,136	3%
Liabilities			
Due to banks	361,238	359,507	0%
Deposits	2,429,662	2,400,486	1%
CP & Bond payable	12,000	21,200	-43%
Bills & bonds sold under repurchase agreement	58,954	18,508	219%
Other liabilities	109,699	100,306	9%
Total liabilities	2,971,553	2,900,007	2%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	126,591	120,384	5%
Equity adjustment items	8,686	5,163	68%
Total stockholders' equity	282,858	273,129	4%
Total liabilities and stockholders' equity	3,254,412	3,173,136	3%
Book value per share (NT\$)	33.14	32.00	4%

* 1-2Q/2019 are audited numbers.

36 offices in 17 countries; 19 offices in "New South Bond Area"

Mega Bank's Extensive Overseas Franchise



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



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