

# Investor/Analyst Briefing

3Q/2019 (V.1)

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兆豐金控  
Mega Holdings

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# Table of Contents

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## Operation Highlights



## Financial Performance

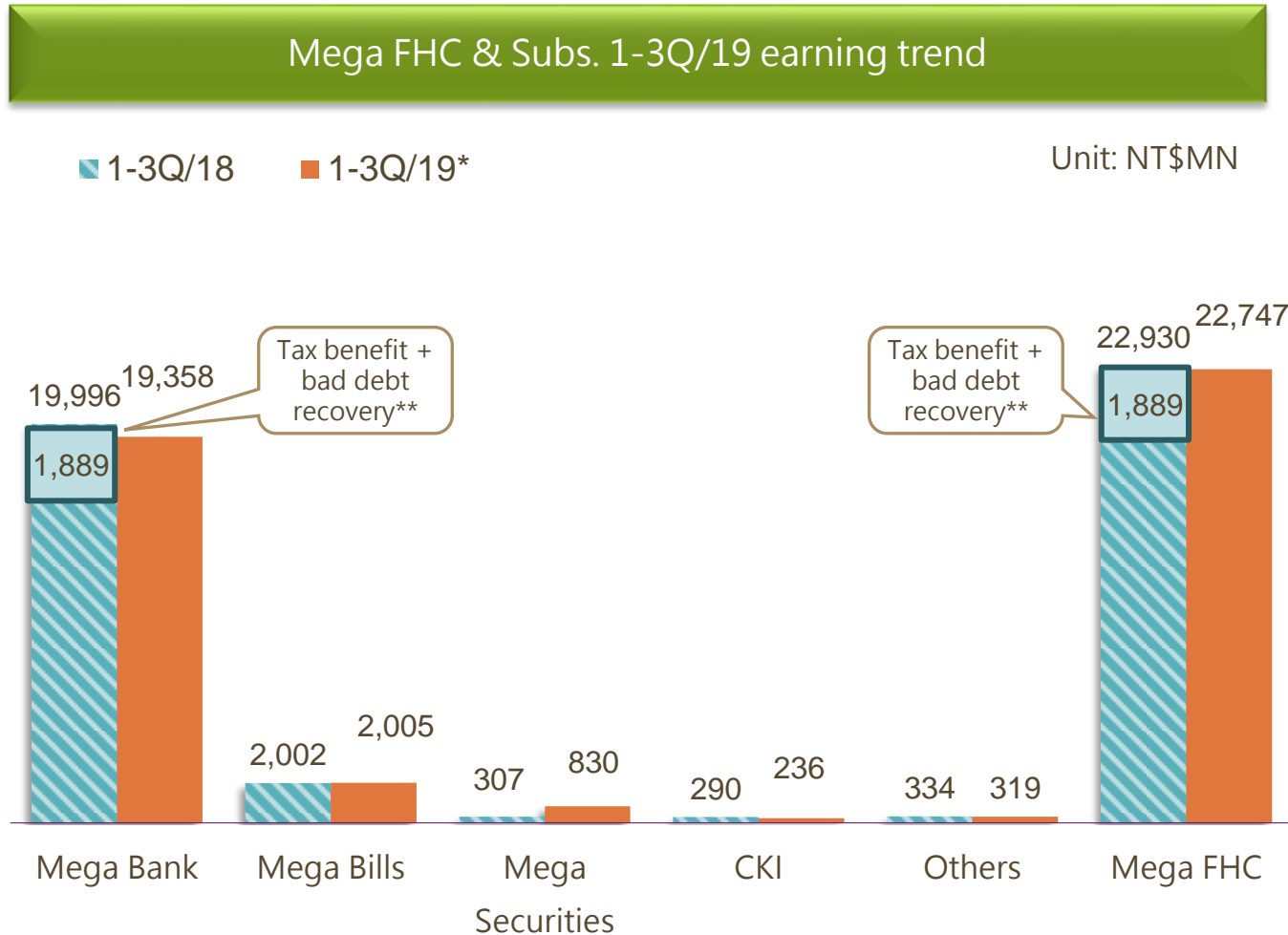


## Operating Performance



## Appendix

# Group earning performance remained solid, excluding one-off gain last year.



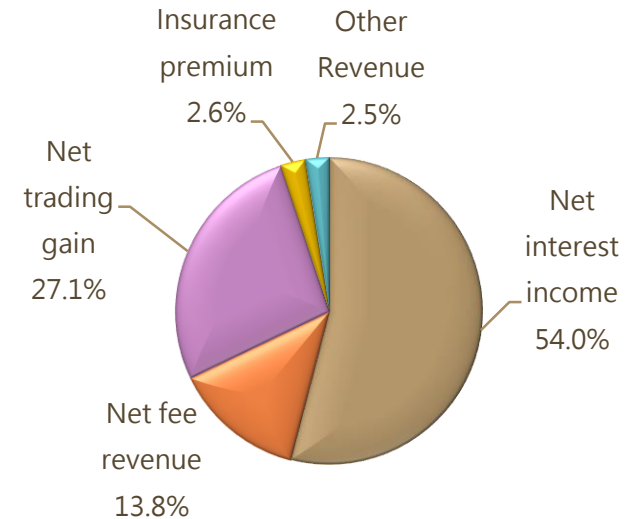
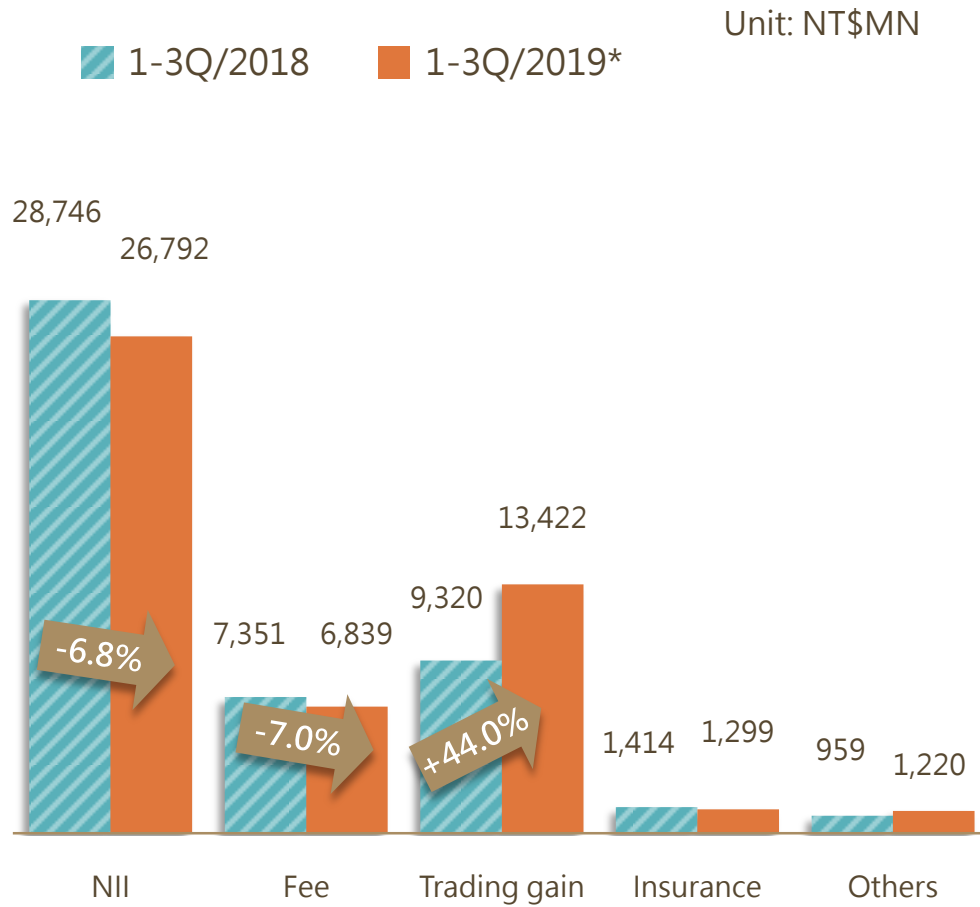
\* 1-3Q/19 are un-audited figures

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

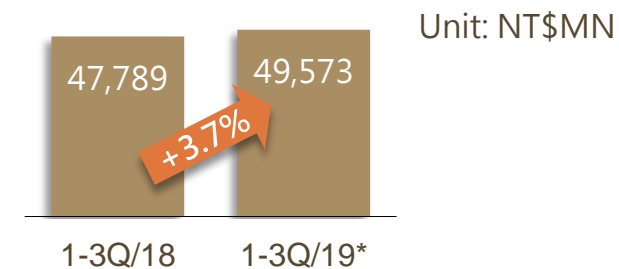
# Group trading gain was up 44.0%, helped offset NII & fee declines, and pushed the revenue up 3.7% YoY

Mega Group consolidated net revenue \*

Mega Group 1-3Q/19 net revenue breakdown



Mega Group 1-3Q/19 net revenue trend



\* 1-3Q/19 are un-audited figures.

# Table of Contents

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Operation Highlights



Financial Performance



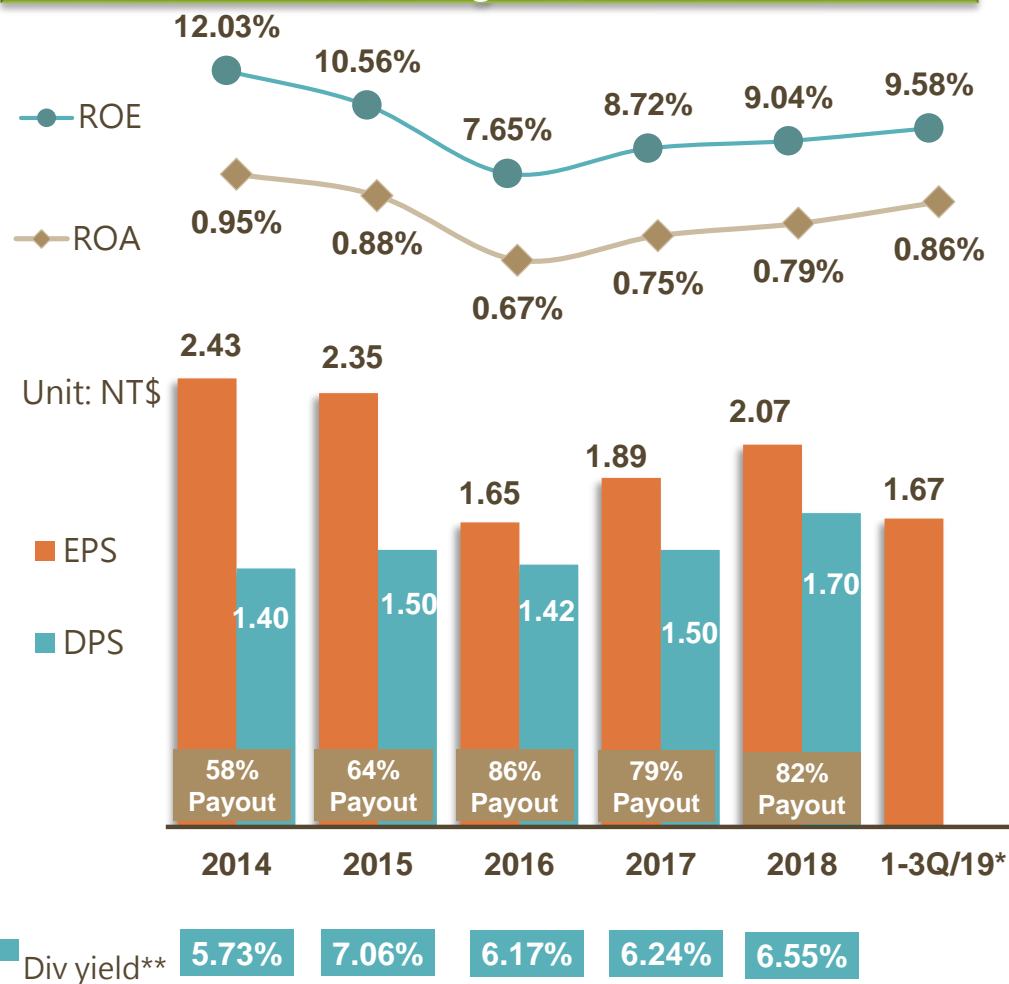
Operating Performance



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.

\* 1-3Q/19 are un-audited numbers; ROE and ROA annualized numbers.

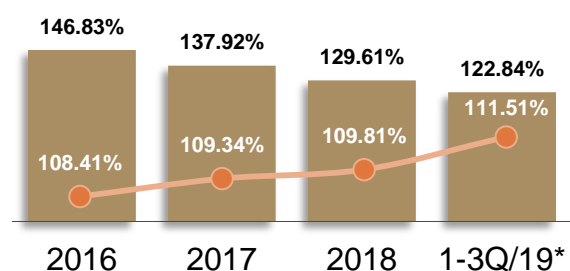
\*\* Cash dividend yield = cash dividend / last trading day share price of that year

# Strong tier 1 capital

## Mega FHC

Moody's: A3

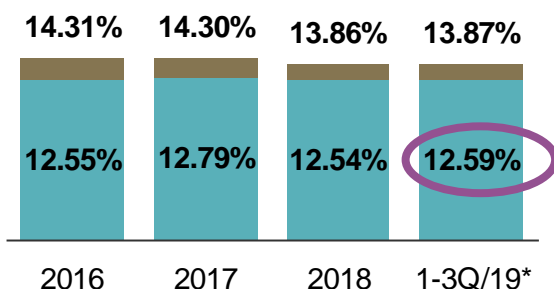
Requirement: 100%



## Mega Bank

Moody's: A1 / S&P: A

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



CAR/RBC

Common equity tier 1 ratio

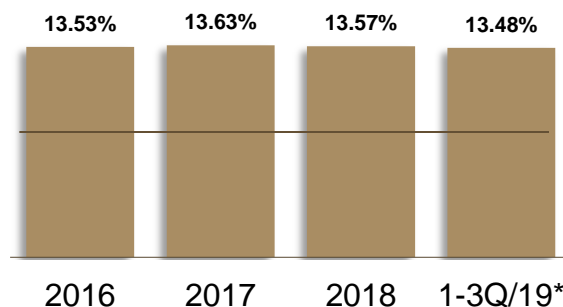
Credit rating

Double leverage ratio

Regulatory requirement

## Mega Bills

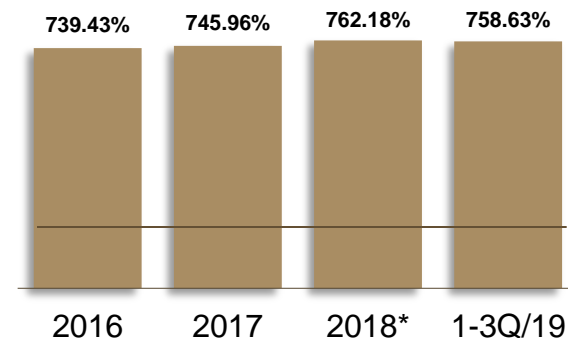
Requirement : 8.0%



## CKI P&C

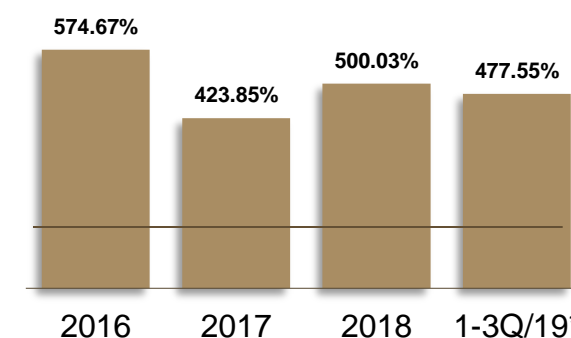
Moody's: A3 / S&P: A-

Requirement: 200%



## Mega Securities

Requirement : 150%



\* 1-3Q/19 are un-audited numbers



# Table of Contents

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Operation Highlights



Financial Performance



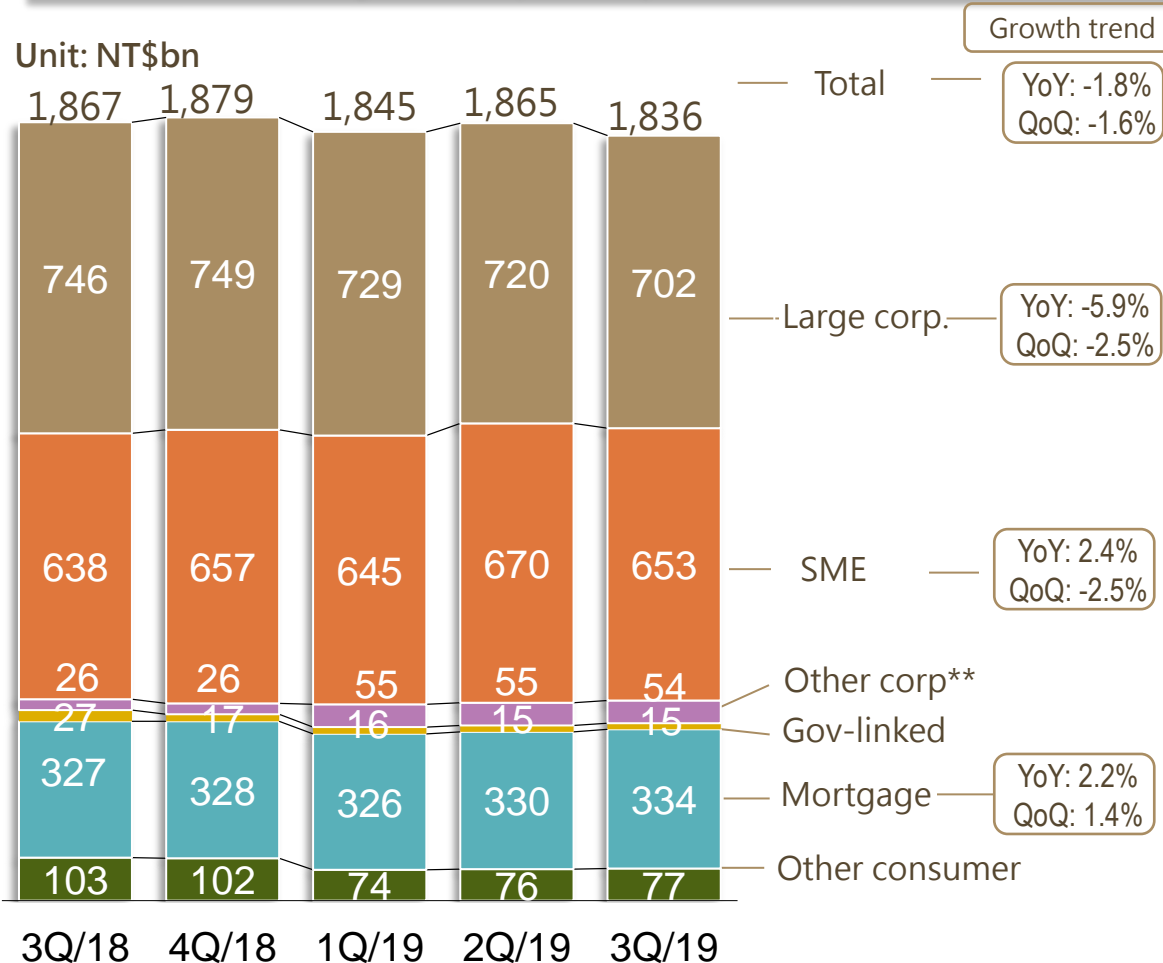
Operating Performance



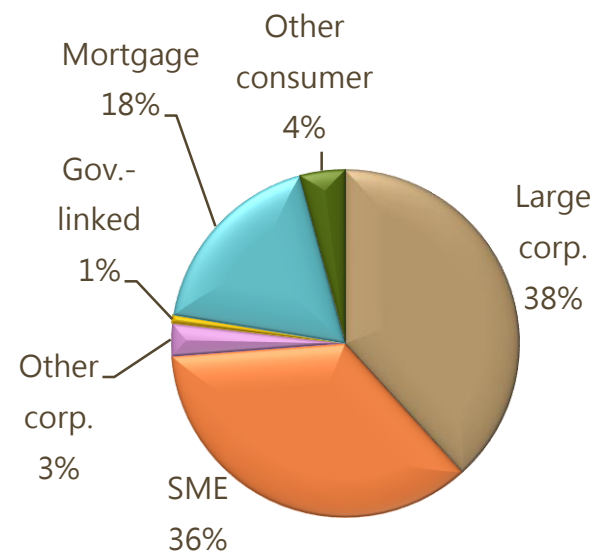
Appendix

# Mortgage was up 1.4% QoQ; others were soft

Mega Bank quarterly loan balance\*



Mega Bank 3Q/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.

# Consumer loans were up; others were soft.

Mega Bank loan balance trend by industry\*

Unit: NT\$BN

■ 3Q/19

▨ 2Q/19

▤ 3Q/18

Growth trend

YoY: -2.8%  
QoQ: -2.2%

YoY: -5.4%  
QoQ: -1.5%

YoY: -0.5%  
QoQ: 0.3%

YoY: -4.5%  
QoQ: -3.8%

YoY: -5.3%  
QoQ: -6.8%

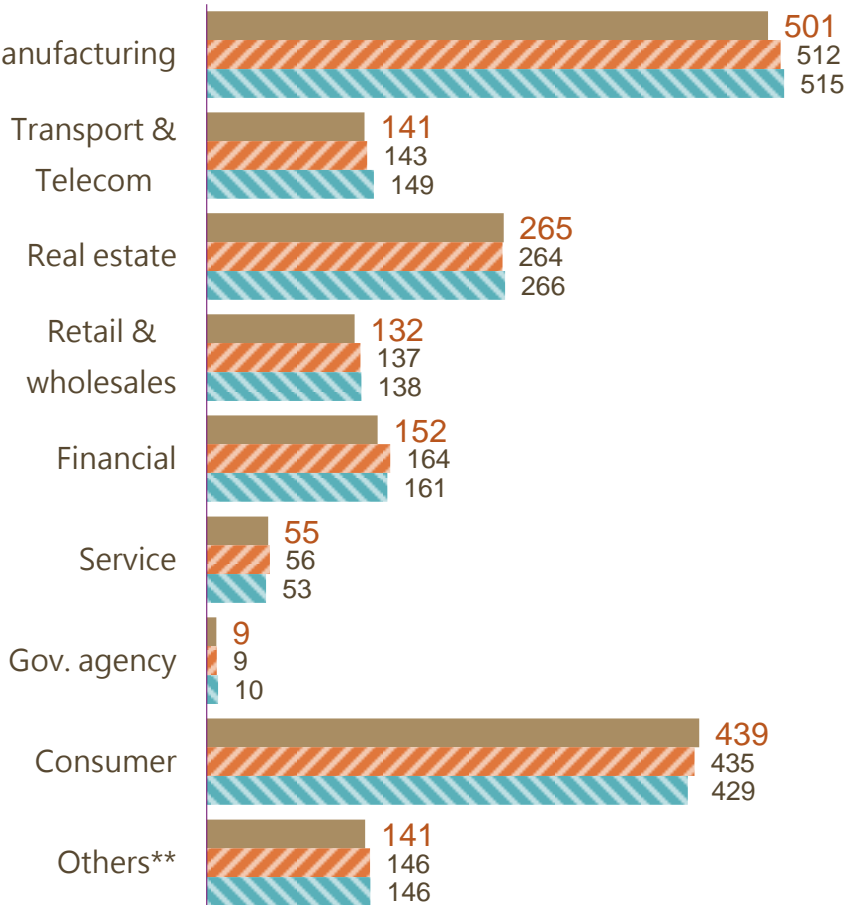
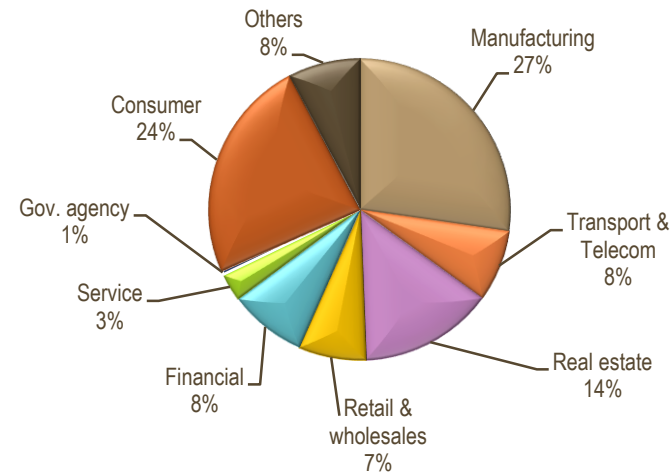
YoY: 3.4%  
QoQ: -2.5%

YoY: -13.0%  
QoQ: -3.3%

YoY: 2.4%  
QoQ: 1.0%

YoY: -3.2%  
QoQ: -2.8%\*\*

3Q/19 loan breakdown by industry\*



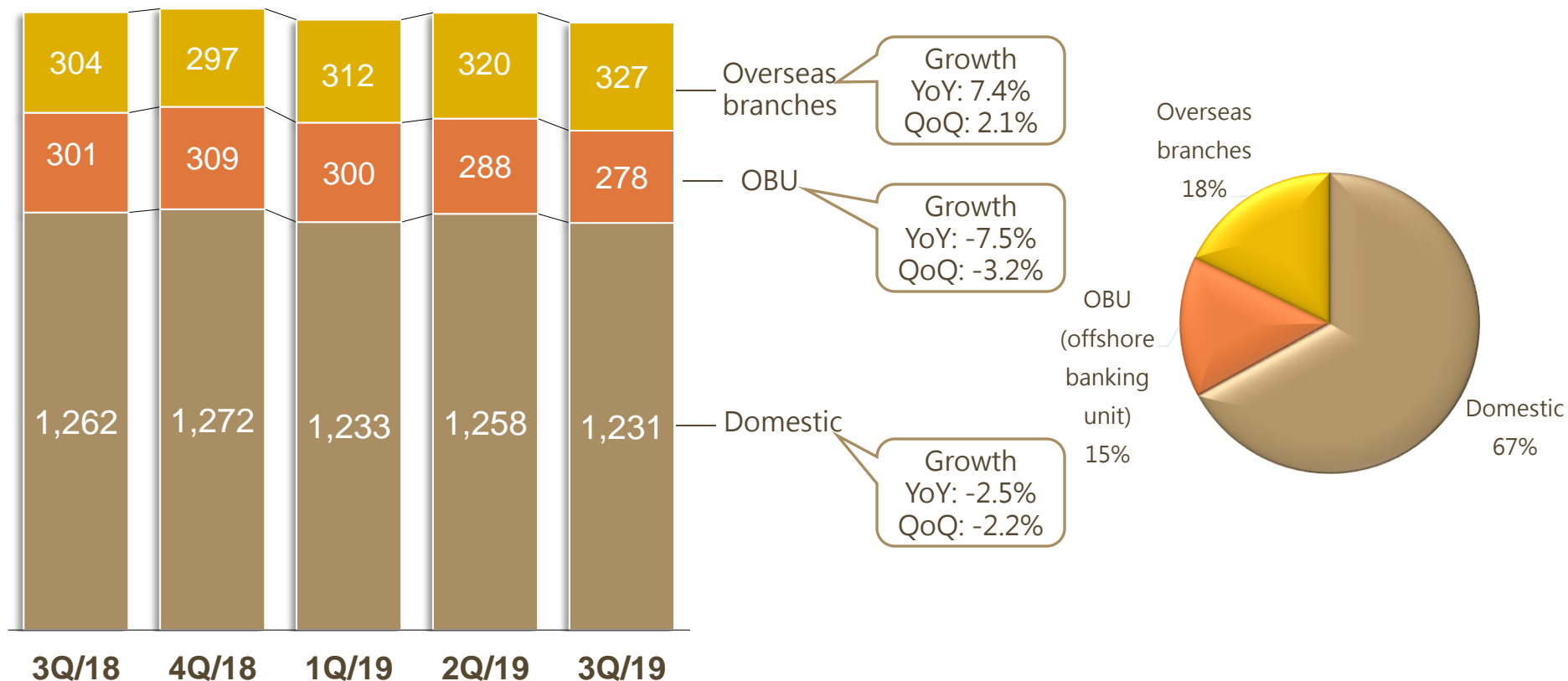
\* Mega Bank internal numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# Overseas branches loan was up 2.1% QoQ, 7.4% YoY

Mega Bank 3Q/19 loan breakdown by regions \*

Unit: NT\$bn



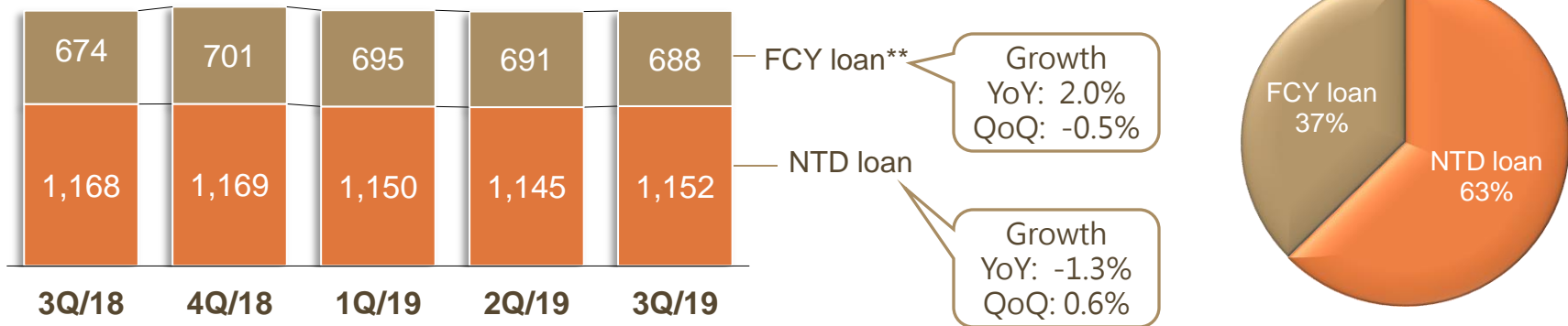
\* Mega Bank quarterly end balance, internal numbers; includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee

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

# YoY FCY loan demand still outperformed NTD loan

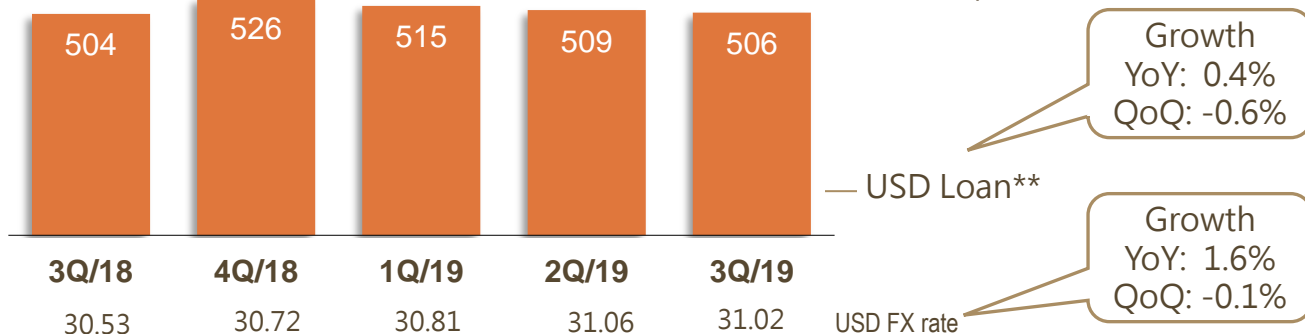
## Mega Bank loan breakdown by currency: NTD vs. foreign currency loan \*

Unit: NT\$bn



## Mega Bank USD Loan balance\*

Unit: NT\$bn



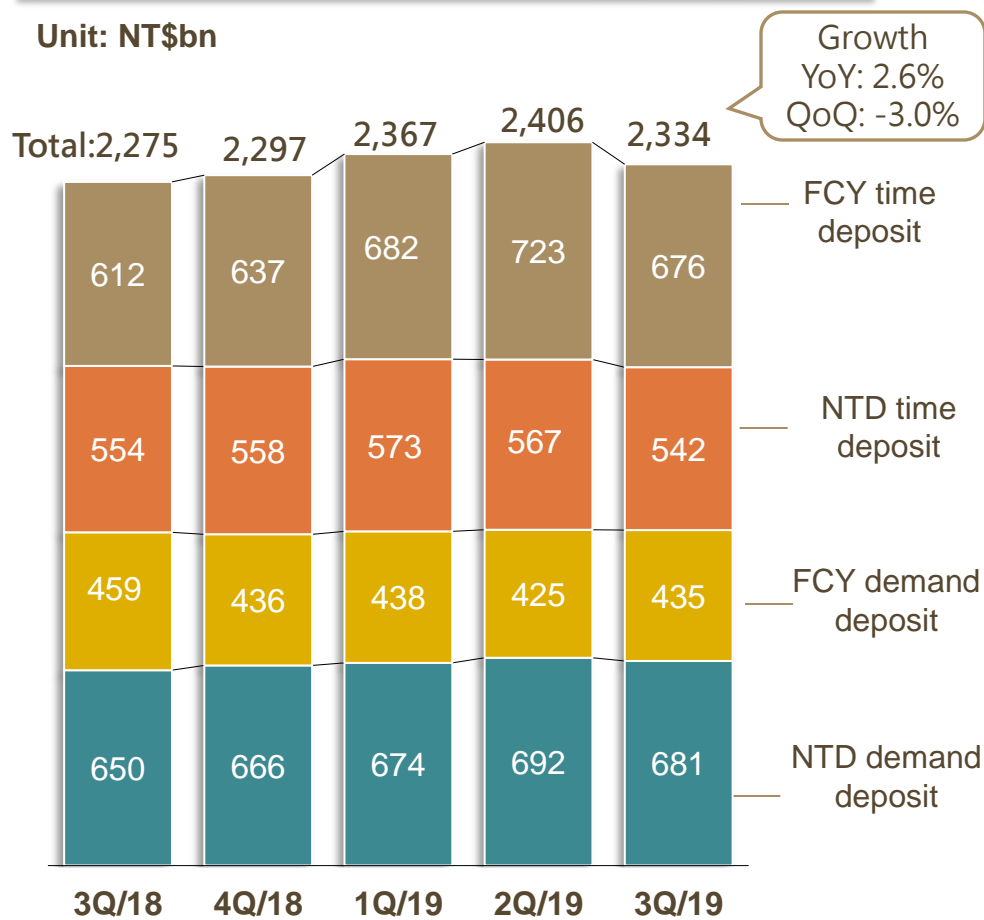
\* Mega Bank quarterly average balance, internal numbers; includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

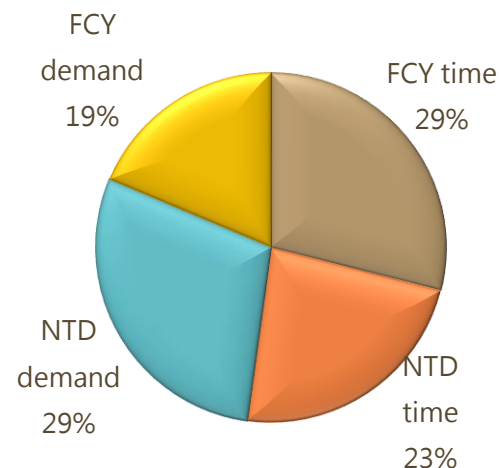
# NTD/FCY time deposit were down; FCY demand deposit were up.

Mega Bank deposit balance \*

Unit: NT\$bn



Mega Bank 3Q/19 deposit breakdown

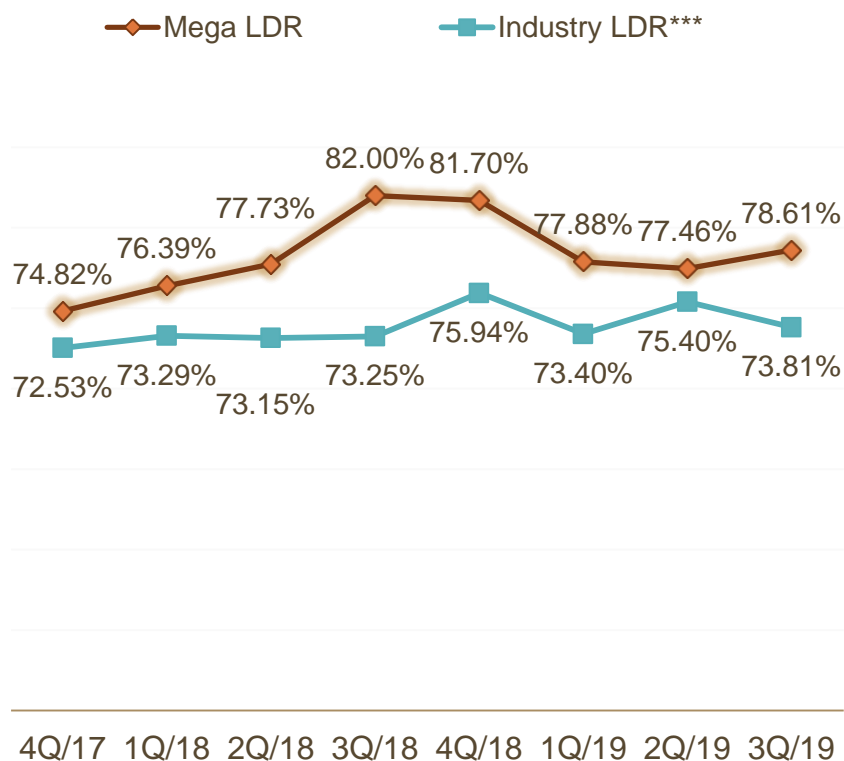


\* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit; internal numbers.

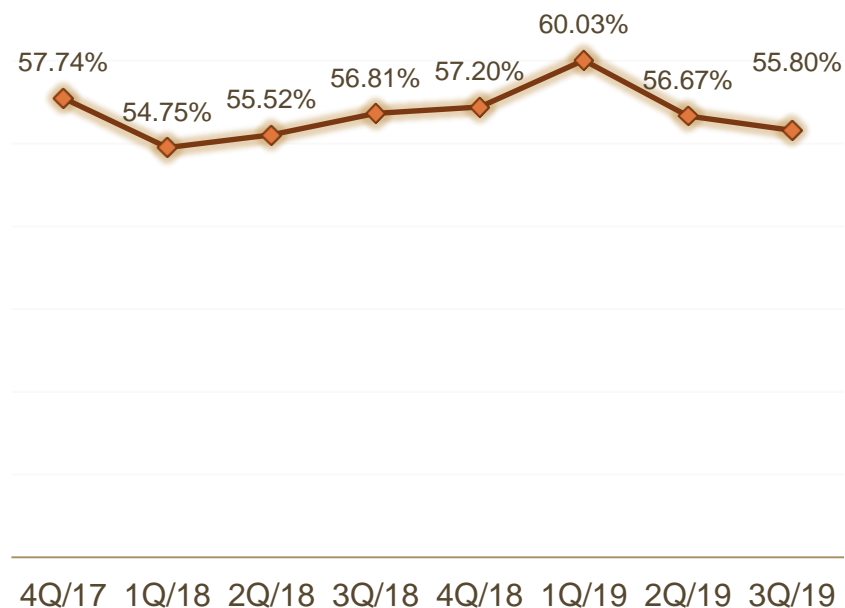
\*\* Includes retail and corporate deposit but excludes due from central banks and banks

# Overall LDR was up

## Mega Bank's total LDR\*



## Mega Bank's USD LDR\*\*



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

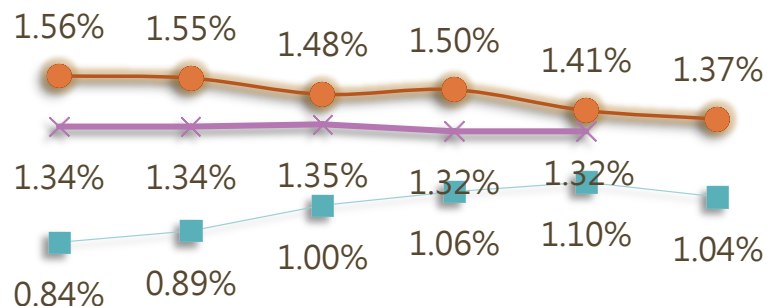
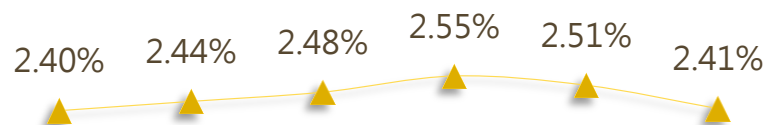
\*\* USD LDR calculation is based on average loan/deposit balance of that quarter

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

# Spread was down as overseas spread was down

## Mega Bank total loan interest spread\*

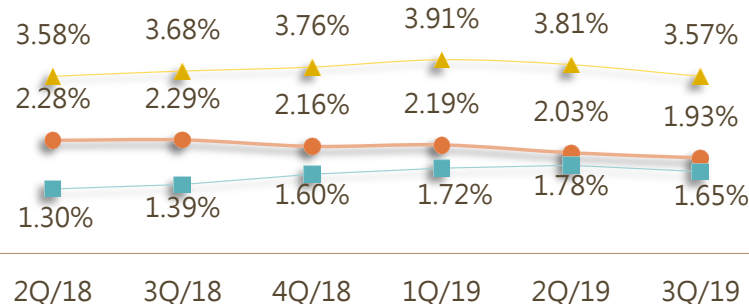
—●— Spread —▲— Yield —■— Cost —×— Industry spread \*\*



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

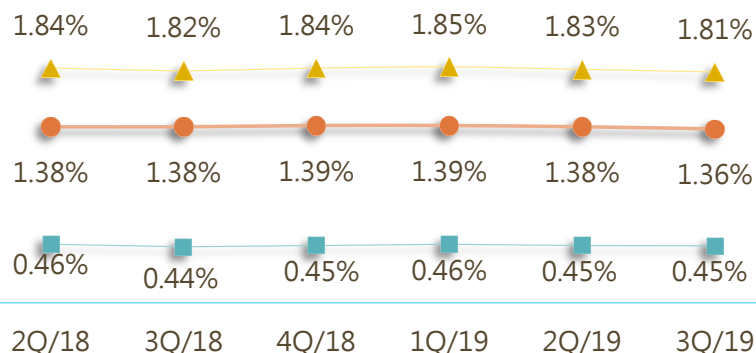
## Mega Bank overseas loan interest spread\*

—●— Spread —▲— Yield —■— Cost



## Mega Bank domestic loan interest spread\*

—●— Spread —▲— Yield —■— Cost

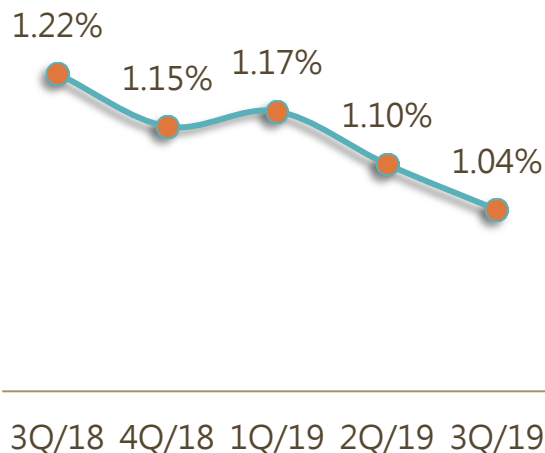


\* Overseas loan includes overseas branches and OBU loan; internal numbers.

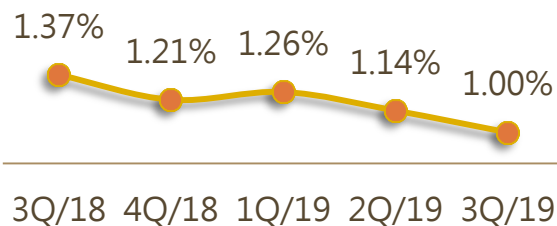


# FCY NIM pressure continued

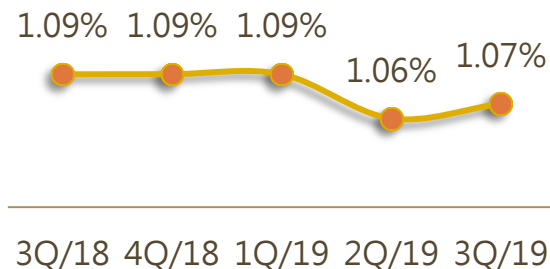
Mega Bank quarterly Total NIM\*



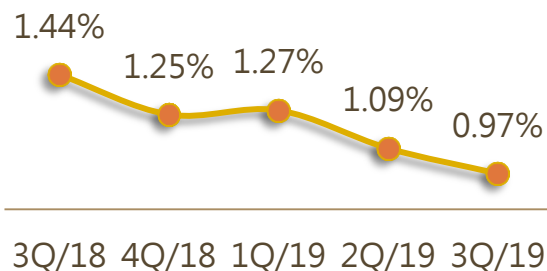
Mega Bank quarterly FCY NIM\*



Mega Bank quarterly NTD NIM\*



Mega Bank monthly USD NIM\*

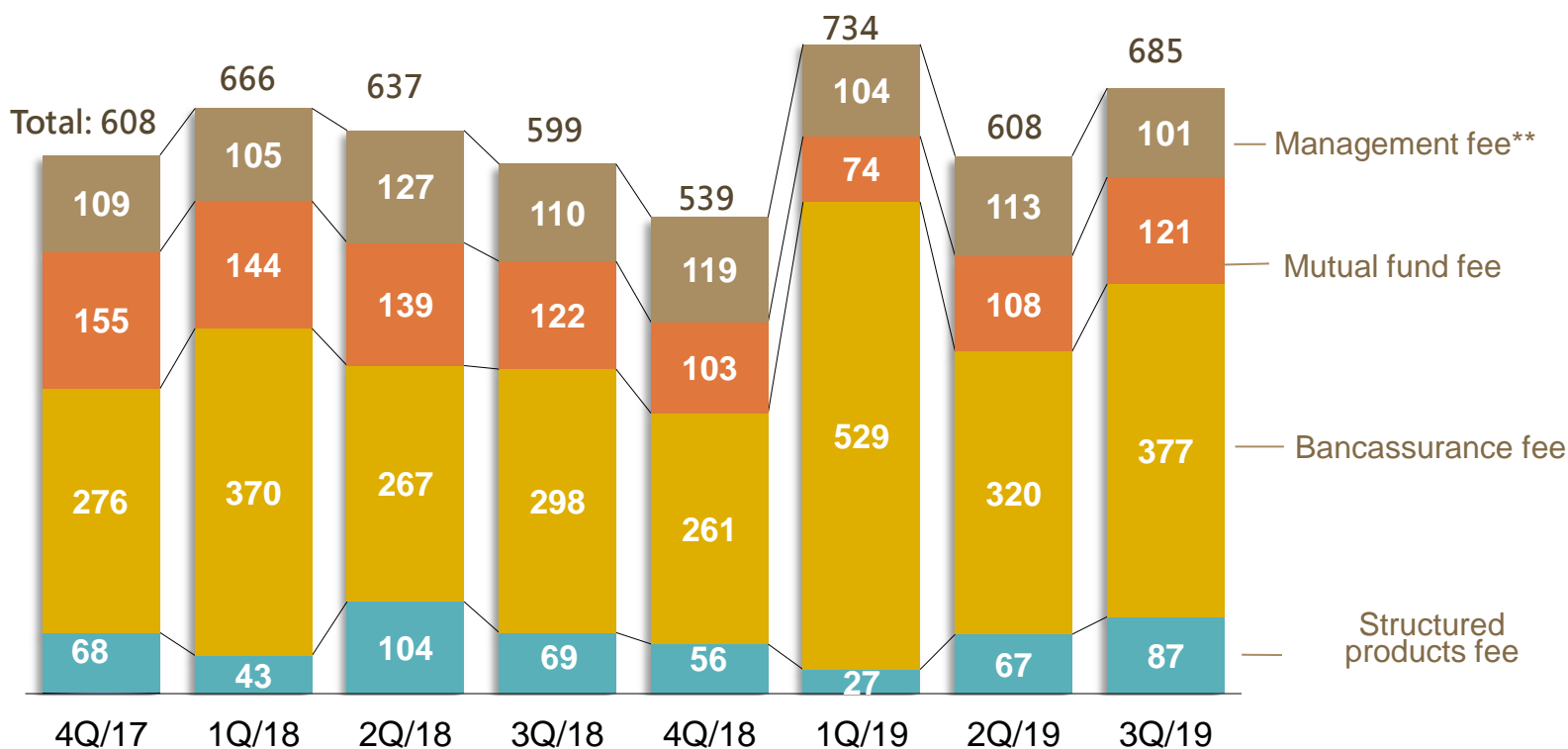


\* NIM = annualized net interest income / average interest earning assets of that quarter; internal numbers.

# 3Q/19 WM fee was up; driven by bancassurance fee

## Mega Bank wealth management gross fee breakdown\*

Unit: NT\$MN



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

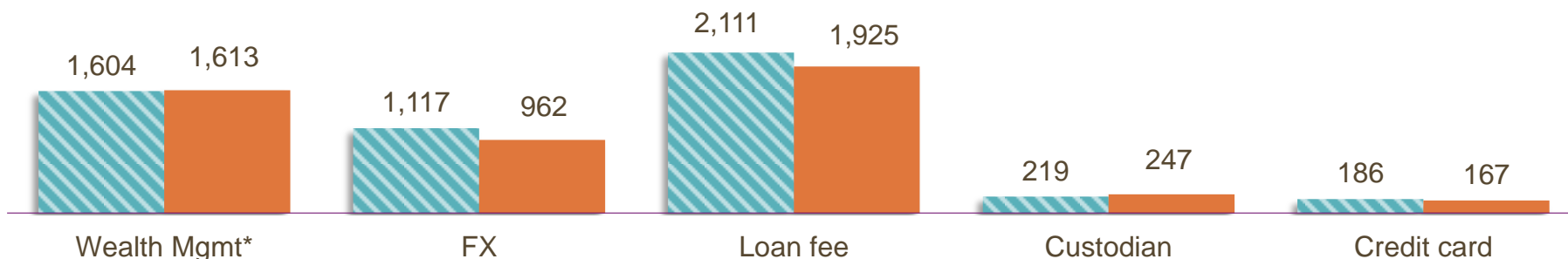
\*\* Profit sharing scheme of fund mgmt fee and trust account mgmt fee.

# Bank fee was up 1.9% QoQ

## Mega Bank net fee breakdown

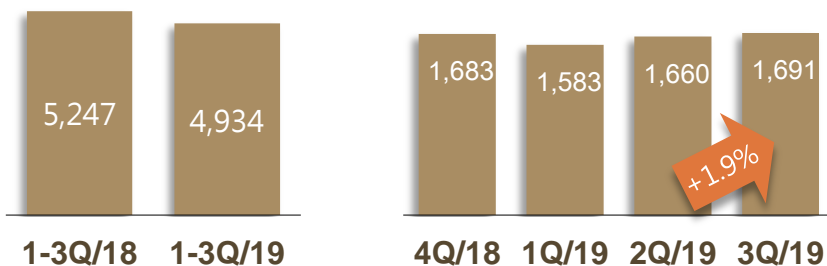
■ 1-3Q/18 ■ 1-3Q/19

Unit: NT\$MN

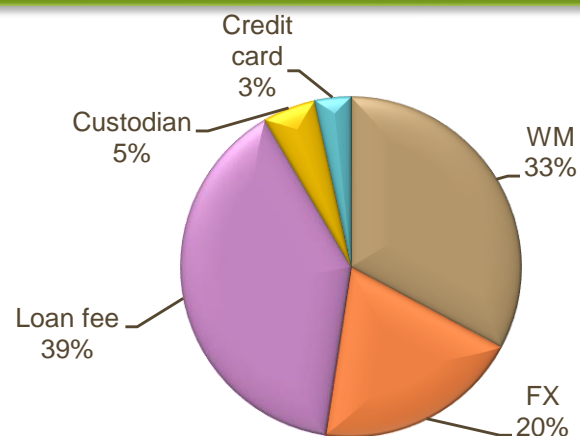


## Mega Bank net fee

Unit: NT\$MN



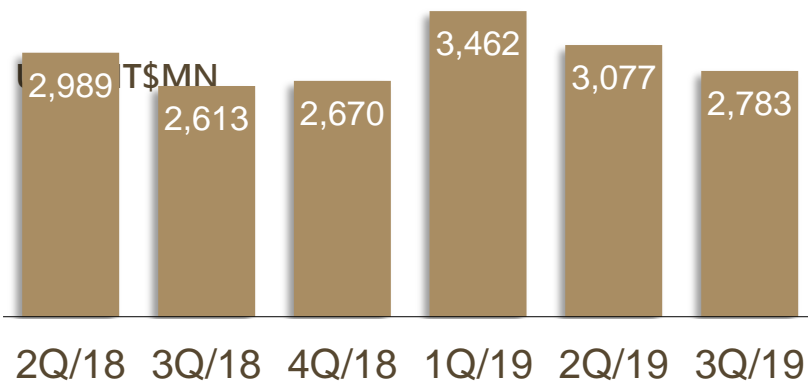
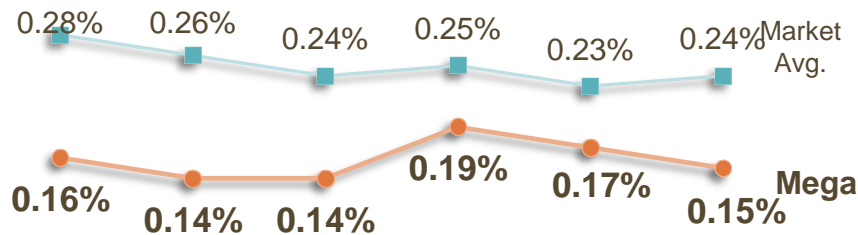
## Mega Bank 1-3Q/19 net fee breakdown



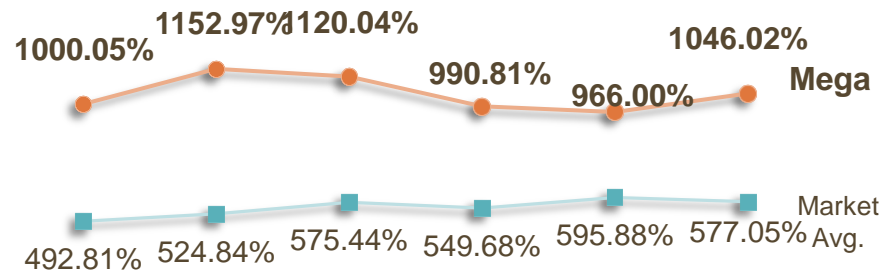
\* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

# Superior asset quality

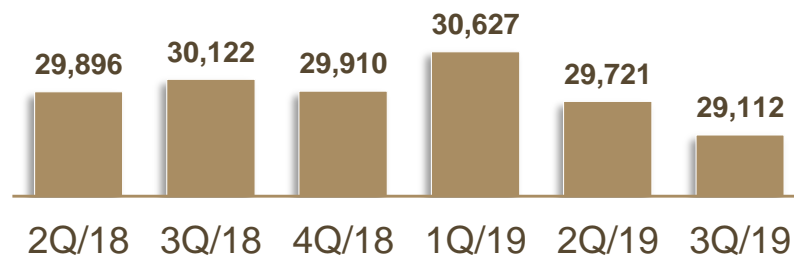
Mega Bank NPL balance & NPL ratio\*



Mega Bank loan loss reserved and coverage ratio



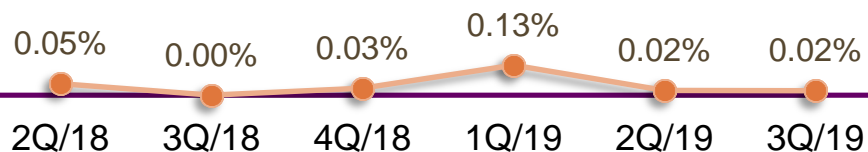
Unit: NT\$MN



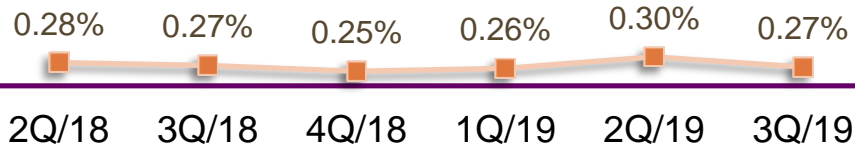
# NPL figures remained stable

Mega Bank NPL ratio by customer \*

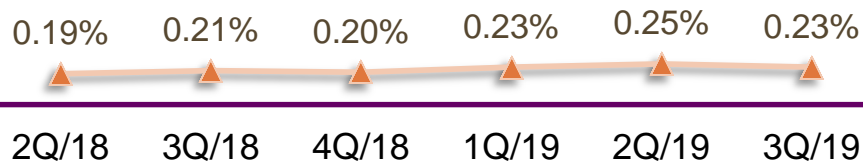
Large corp. NPL%



SME NPL %

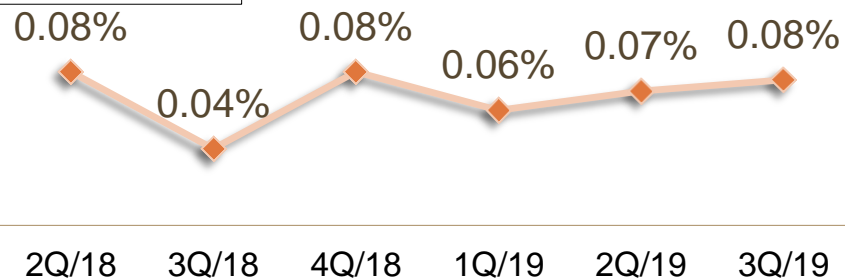


Mortgage NPL %



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.

# Table of Contents

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Operation Highlights



Financial Performance



Operating Performance



Appendix

# 1-3Q/2019 Mega FHC consolidated P&L statement

NT\$MN, EPS:NT\$	1-3Q/2019*	1-3Q/2018	YoY
Net interest income	26,792	28,746	-7%
Net fee revenue	6,839	7,351	-7%
Insurance revenue	1,299	1,414	-8%
Financial assets and liabilities at fair value thru P&L	8,634	5,871	47%
Gain from fin. assets at fair value through other comprehensive income	2,879	1,389	107%
Gain from debt investment measured by amortized cost	-	1	
Equity method investment gain	166	140	18%
Gain on reclassification under the overlay approach	-101	57	-278%
FX spread gain	1,799	1,878	-4%
Asset impairment loss (write-back)	-25	-29	-12%
Property gain	70	14	419%
Other non-interest revenue (net)	1,220	959	27%
Operating net revenue	49,573	47,789	4%
Operating expense	-22,447	-20,693	8%
Pre-provision operating profit	27,126	27,096	0%
Provision expense on loan	-697	-1,520	-54%
Reserved on insurance	-3	-45	-93%
Pretax profit	26,426	25,530	4%
Tax	-3,678	-2,601	41%
Net profit	22,747	22,930	-1%
EPS (NT\$)	1.67	1.14	46%

\* 1-3Q/2019 are un-audited numbers.

# 1-3Q/2019 Mega FHC consolidated balance sheet

NT\$MN	1-3Q/2019*	1-3Q/2018	YoY
<b>Assets:</b>			
Cash and due from banks	545,505	610,792	-11%
Bills and bonds under RP agreement	4,930	6,315	-22%
Fin. assets at fair value through P&L	213,686	197,512	8%
Fin. Assets at fair value through other comprehensive income	528,525	428,161	23%
Debt instrument investment measured by amortized cost	283,004	239,030	18%
Other financial assets	5,510	3,764	46%
A/R, net	88,331	100,694	-12%
Loan, net	1,825,166	1,851,727	-1%
Equity method LT investments, net	3,084	3,147	-2%
Land, premises and equipments, net	25,255	23,717	6%
Others	17,540	17,938	-2%
<b>Total assets</b>	<b>3,540,535</b>	<b>3,482,797</b>	<b>2%</b>
<b>Liabilities</b>			
Due to banks	354,451	397,644	-11%
Deposits	2,363,416	2,290,666	3%
CP & Bond payable	30,470	44,620	-32%
Bills & bonds sold under repurchase agreement	283,355	266,274	6%
Other liabilities	189,747	173,414	9%
<b>Total liabilities</b>	<b>3,221,439</b>	<b>3,172,618</b>	<b>2%</b>
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	102,082	98,139	4%
Equity adjustment items	12,810	7,816	64%
Minority shareholder interest	12	31	-62%
<b>Total stockholders' equity</b>	<b>319,097</b>	<b>310,178</b>	<b>3%</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,540,535</b>	<b>3,482,796</b>	<b>2%</b>
<b>Book value per share (NT\$)</b>	<b>23.46</b>	<b>22.81</b>	<b>3%</b>

\* 1-3Q/2019 are un-audited numbers.



# 1-3Q/2019 Mega Bank consolidated P&L statement

<i>NT\$MN, EPS: \$NT</i>	1-3Q/2019*	1-3Q/2018	YoY
Net interest income	26,013	27,469	-5%
Net fee revenue	4,934	5,247	-6%
Financial assets and liabilities at fair value thru P&L	6,425	4,437	45%
Gain from fin. assets at fair value through other comprehensive income	1,976	869	127%
Gain from debt investment measured by amortized cost	-	1	
FX spread gain	152	128	19%
Equity method investment gain	1,763	1,876	-6%
Asset impairment loss (write-back)	-21	12	-278%
Other non-interest revenue (net)	577	274	111%
Operating net revenue	41,819	40,313	4%
Operating expense	-18,684	-16,923	10%
Pre-provision operating profit	23,135	23,390	-1%
Provision expense on loan	-823	-1,550	-47%
Pretax profit	22,312	21,840	2%
Tax	-2,955	-1,844	60%
Net profit	19,358	19,996	-3%
EPS (NT\$)	2.27	2.34	-3%

\* 1-3Q/2019 are audited numbers.

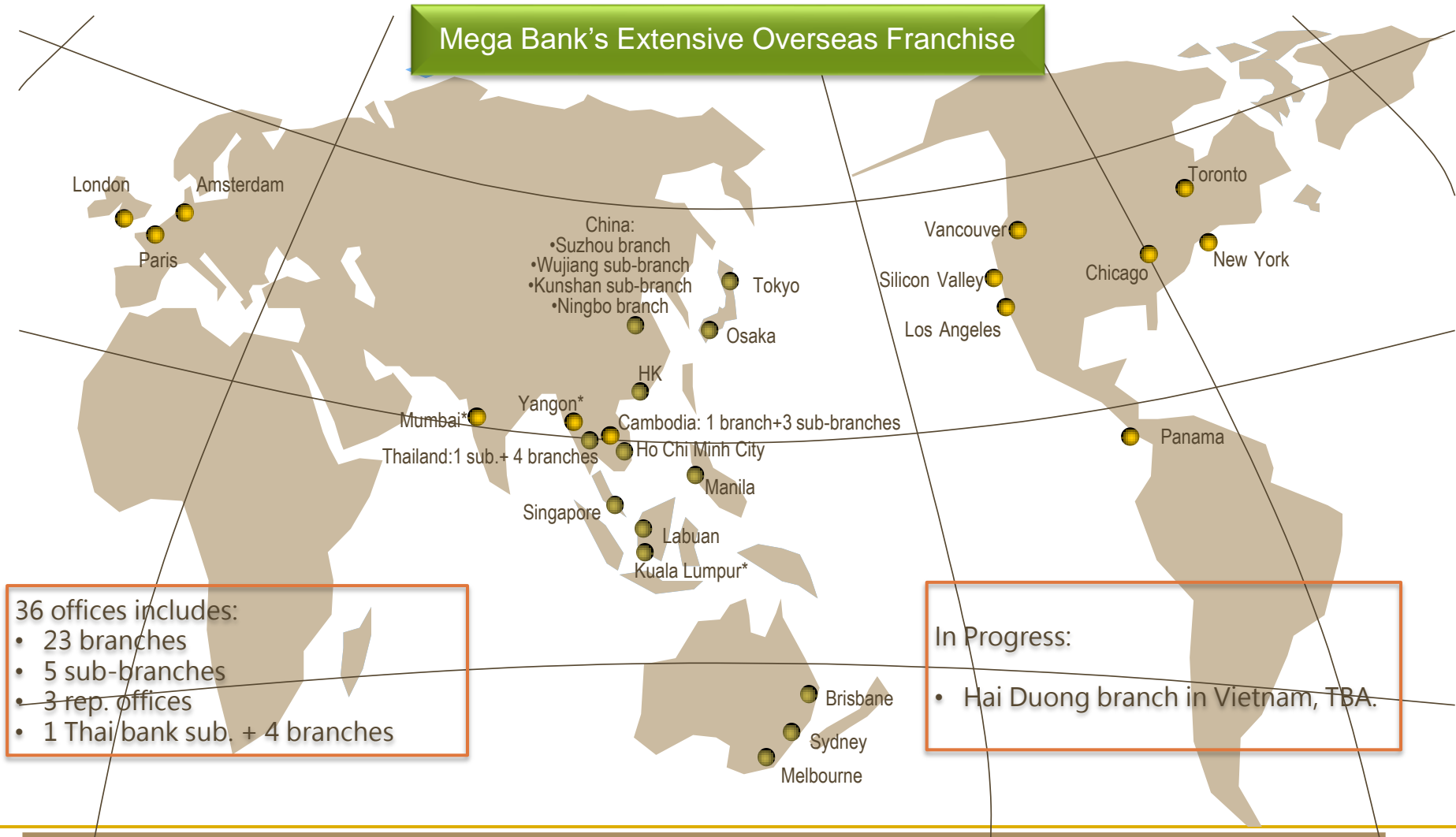
# 1-3Q/2019 Mega Bank consolidated balance sheet

<i>Unit: NT\$MN</i>	1-3Q/2019*	1-3Q/2018	YoY
<b>Assets:</b>			
Cash and due from banks	544,748	610,166	-11%
Bills and bonds under RP agreement	5,952	10,600	-44%
Fin. assets at fair value through P&L	65,876	60,178	9%
Fin. Assets at fair value through other comprehensive income	377,181	267,041	41%
Debt instrument investment measured by amortized cost	279,076	235,774	18%
Other financial assets	593	34	1648%
A/R, net	52,598	63,028	-17%
Loan, net	1,825,166	1,851,727	-1%
Equity method LT investments, net	2,984	3,058	-2%
Land, premises and equipments, net	17,511	15,455	13%
Others (net)	10,967	11,358	-3%
<b>Total assets</b>	<b>3,182,652</b>	<b>3,128,418</b>	<b>2%</b>
<b>Liabilities</b>			
Due to banks	339,427	372,411	-9%
Deposits	2,366,375	2,292,717	3%
CP & Bond payable	12,000	21,200	-43%
Bills & bonds sold under repurchase agreement	49,072	46,718	5%
Other liabilities	127,761	116,030	10%
<b>Total liabilities</b>	<b>2,894,635</b>	<b>2,849,076</b>	<b>2%</b>
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	132,541	126,488	5%
Equity adjustment items	7,894	5,271	50%
<b>Total stockholders' equity</b>	<b>288,017</b>	<b>279,342</b>	<b>3%</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,182,652</b>	<b>3,128,418</b>	<b>2%</b>
<b>Book value per share (NT\$)</b>	<b>33.74</b>	<b>32.72</b>	<b>3%</b>

\* 1-3Q/2019 are audited numbers.

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

## Mega Bank's Extensive Overseas Franchise



### 36 offices includes:

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

### In Progress:

- Hai Duong branch in Vietnam, TBA.

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



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