

First Financial Holding

2019 1H Earnings Result

Aug 30, 2019



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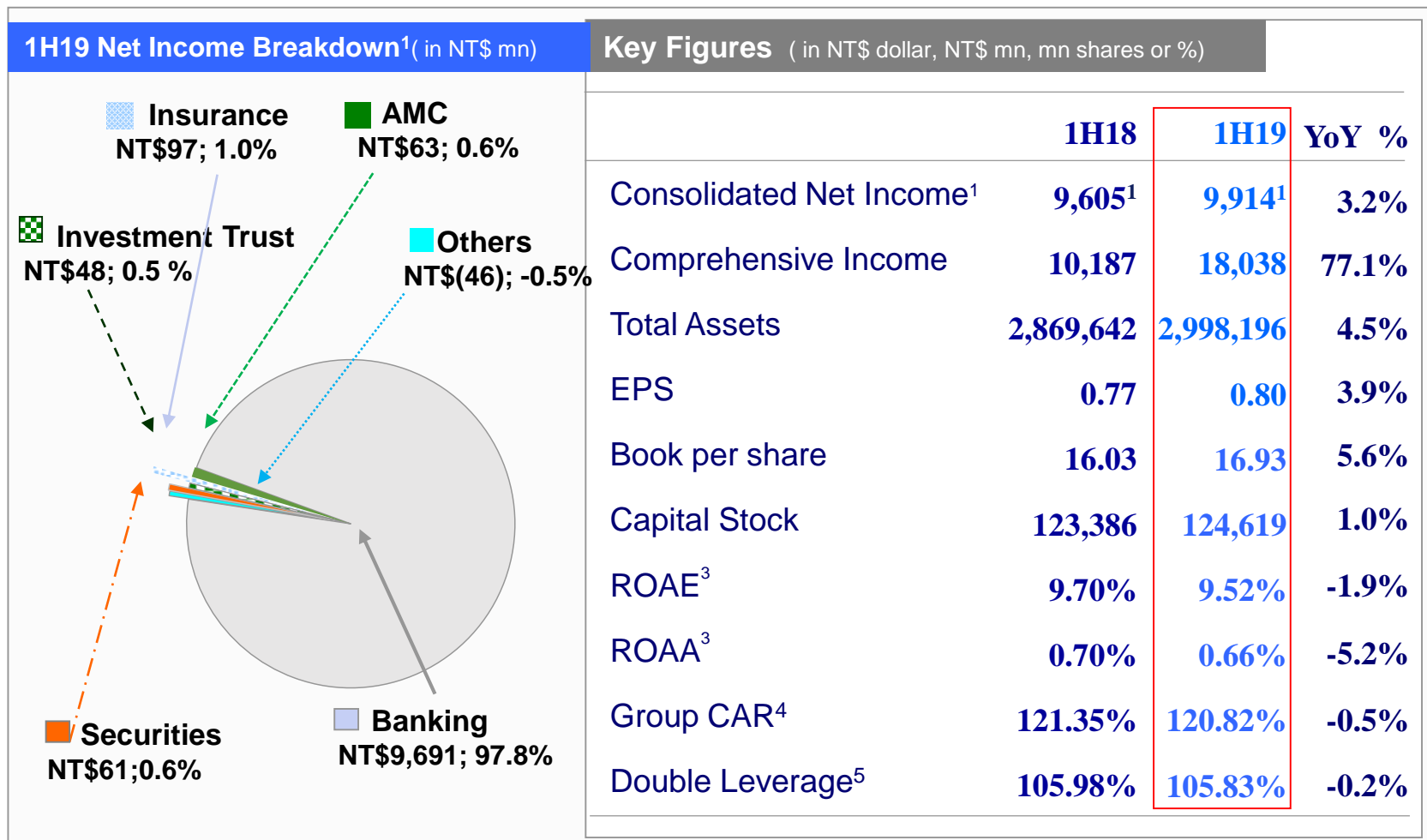
At a Glance

- ◆ **1H19 bottom-line grew by +3.2% YoY:**
Bank subsidiary delivered +5.0% profit growth whereas Life remained positive, both drove group's 1H19 solid performance.
- ◆ **Relocation for investments started to shift Bank's focus to corp. banking, given the F/X lending became soften in 2Q19:**
F/X loan (+5.8% YoY) softened in 2Q19 due to F/X interest rate gap shrank, mortgage demand remained firm (+6.5%,YoY) and the spotlight turned to repatriated TWN corps with incentive lending plans for back-home investments.
- ◆ **Bank's treasury gains (+31.4% YoY) remained 2nd profit contribution driver in 2Q19, mainly came from fixed-income products and SWAP trading:**
1H19 trading on fixed-income and SWAP both bolstered the treasury profit contribution and mitigate the volatile capital market performance.
- ◆ **Credit cost normalized in 1H19 helped bank's profit on track:**
Declining credit cost (21~22 bps, annualized, -30.4% YoY) in 1H19 indicated the tightening loan book has come to an expected result.



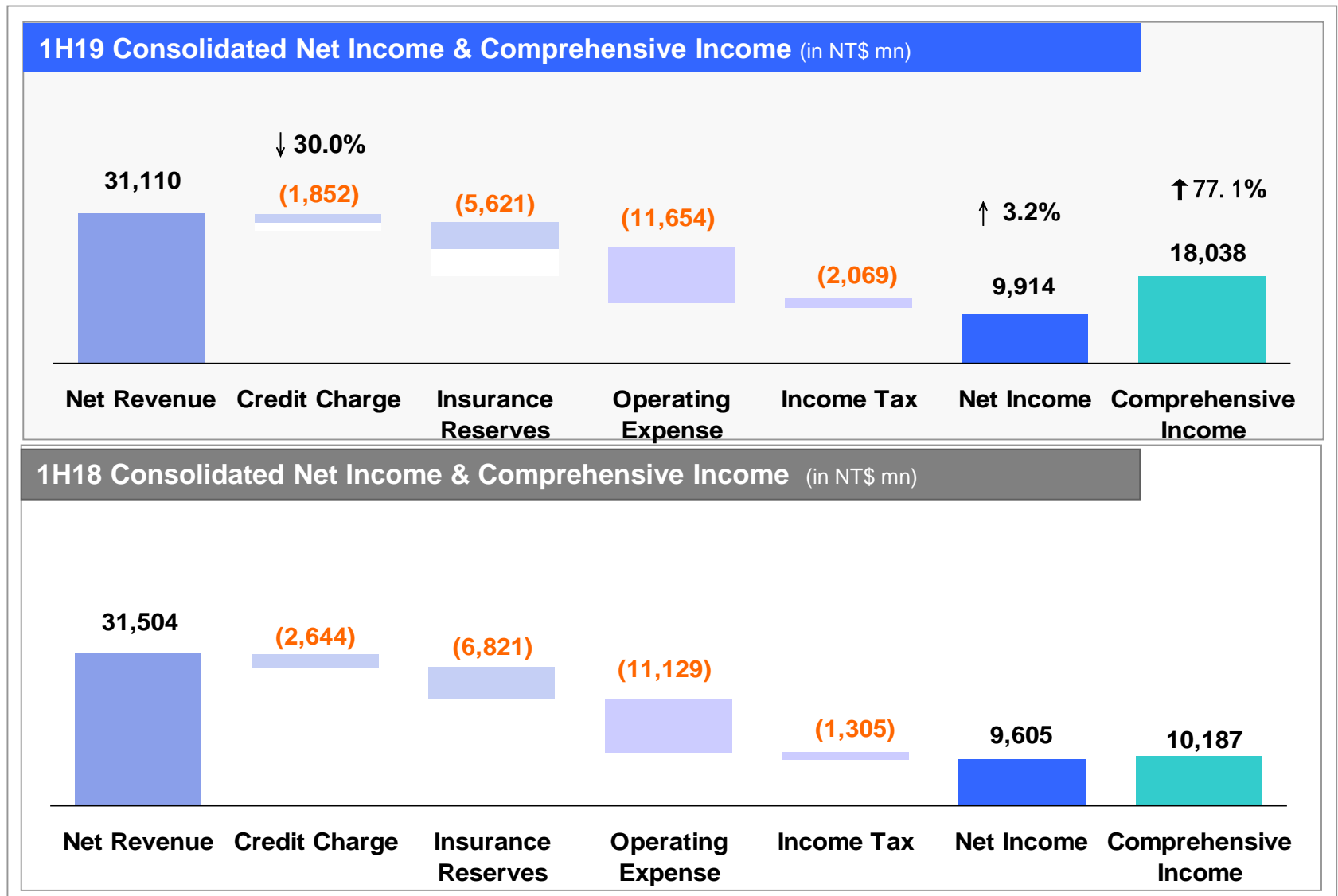
1H19 Financial Highlight

1H19 Key Figures

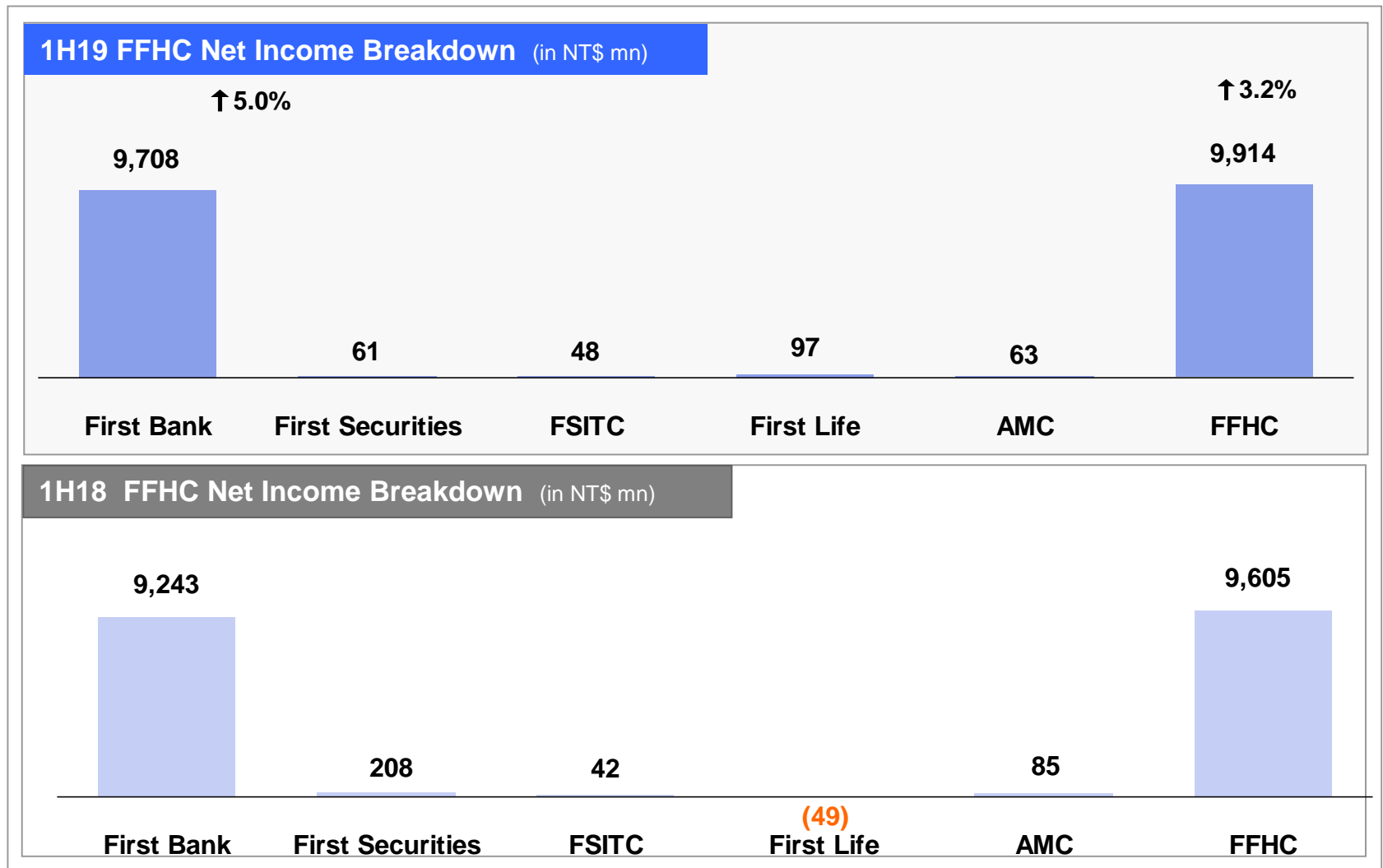


1. Based on the classification of specific company's business units, financial information by business segments should be listed individually.
 2. Comprehensive Income Statement is required by IFRS.
 3. Annualized figures. . 4. Updated semi-annually..
 5. Double Leverage = Equity Investment / Shareholder Equity

Net Income & Comprehensive Income



Net Income Breakdown by Subsidiaries*

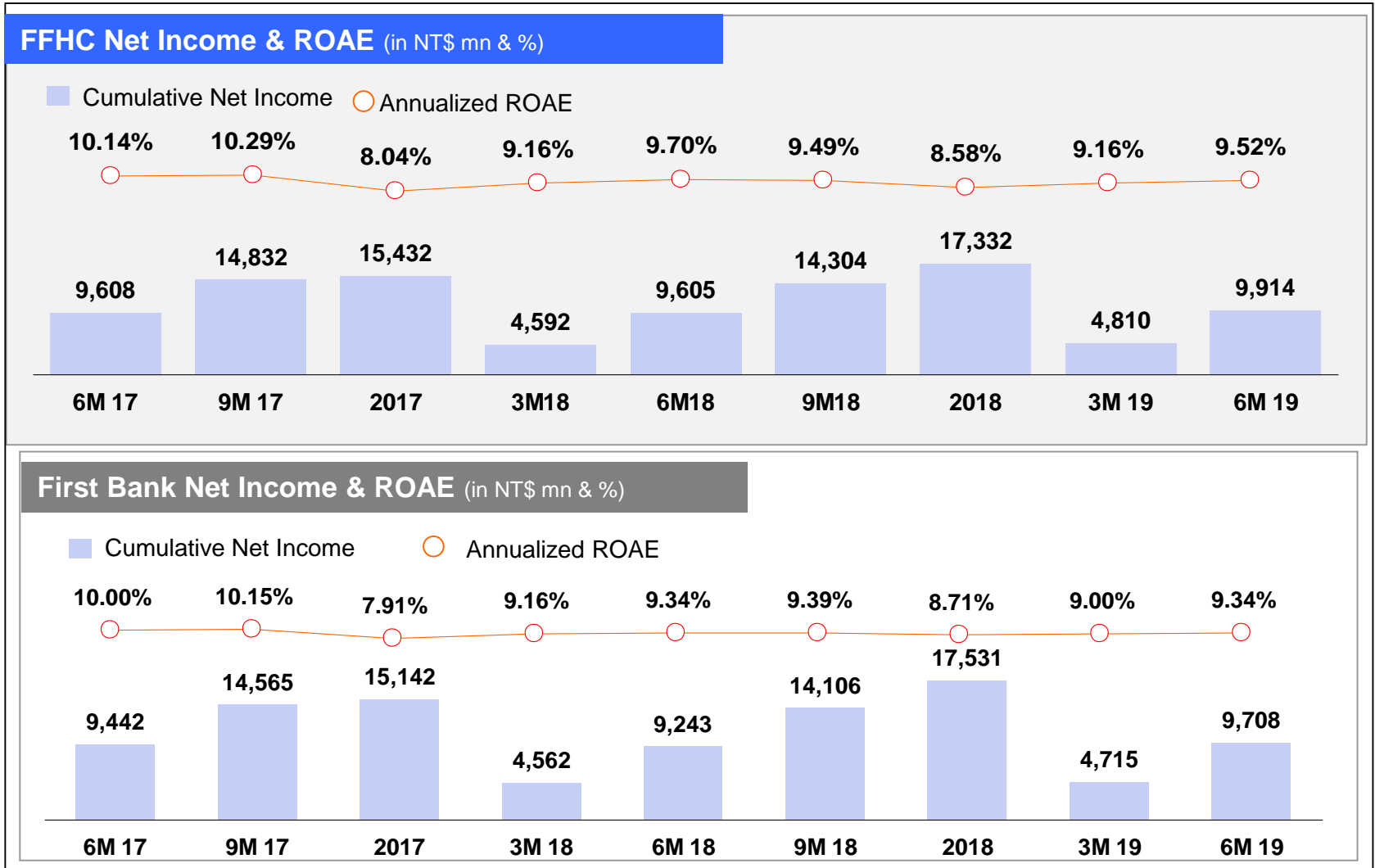


* Major 5 subsidiaries were listed.

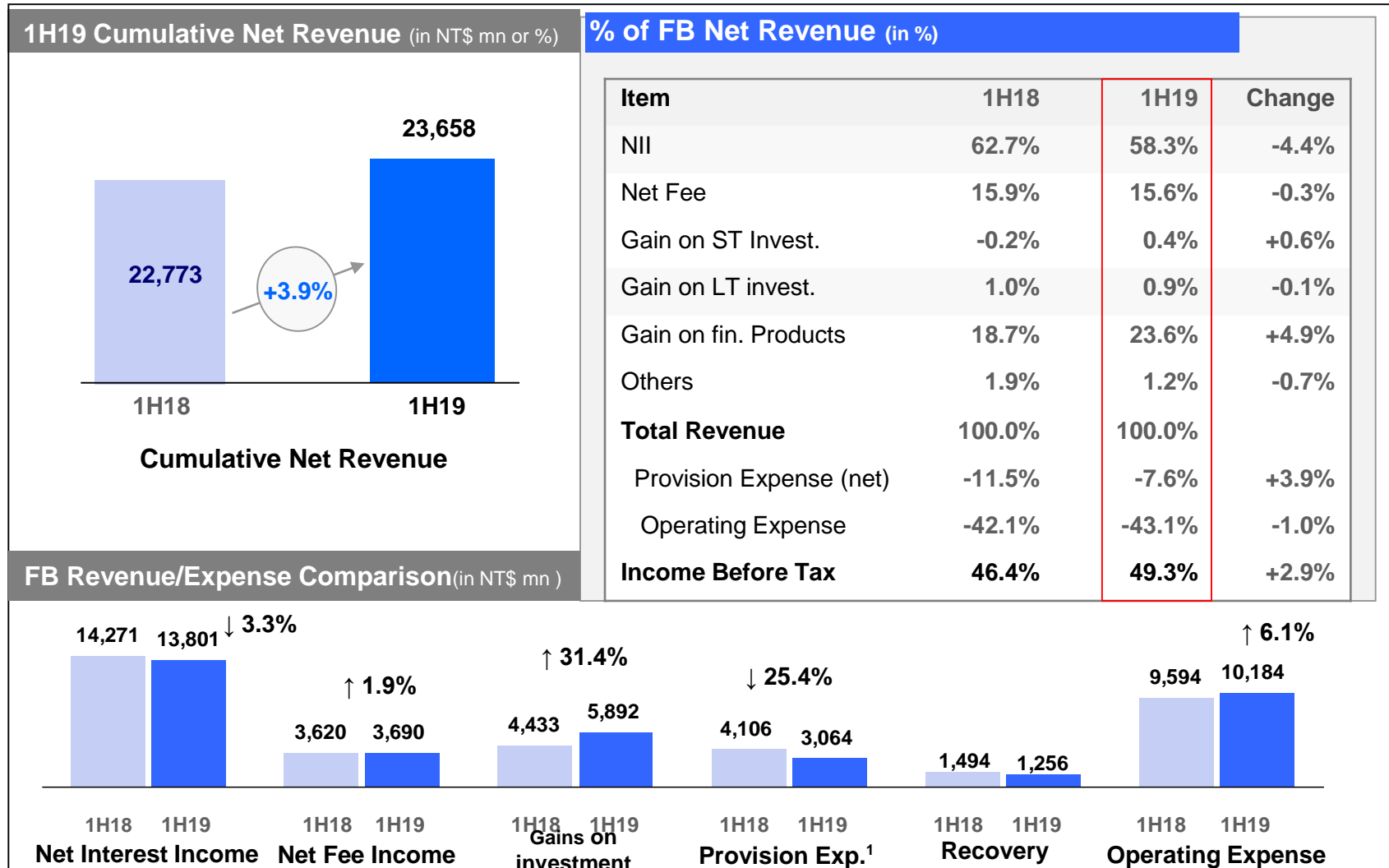


1H19 Operating Results

FFHC & First Bank Profitability -After Tax



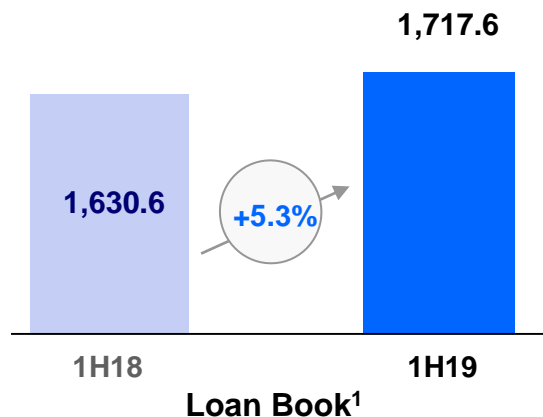
FB 1H19 Pre-tax Profit



1. Gross Provision expense.

FB 1H19 Loan Book Mix

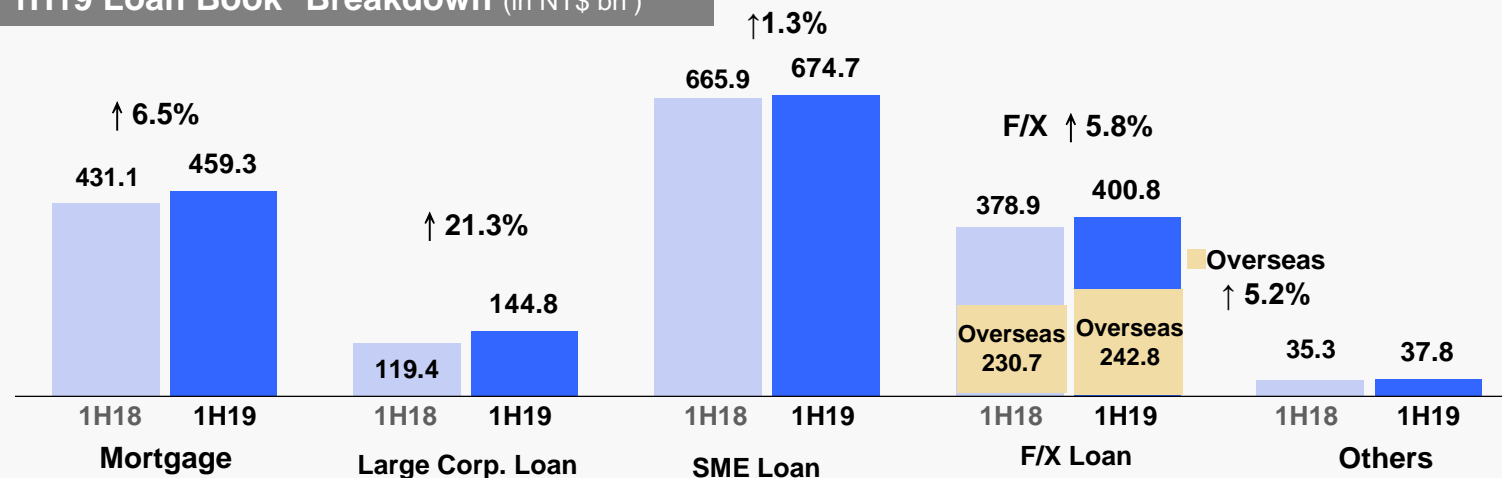
1H19 Loan Book¹ (in NT\$ bn or %)



% of Loan Book¹

Item	1H18	1H19	Change
Consumer	28.4%	29.0%	+0.6%
Mortgage	26.4%	26.8%	+0.4%
Corporate Banking	71.6%	71.0%	-0.6%
Large Corp. Loan	7.3%	8.4%	+1.1%
SME Loan	40.8%	39.3%	-1.5%
F/X/ Loan	23.2%	23.3%	+0.1%
--- Overseas	14.2%	14.1%	-0.1%
Loan Book¹	100%	100%	

1H19 Loan Book¹ Breakdown (in NT\$ bn)



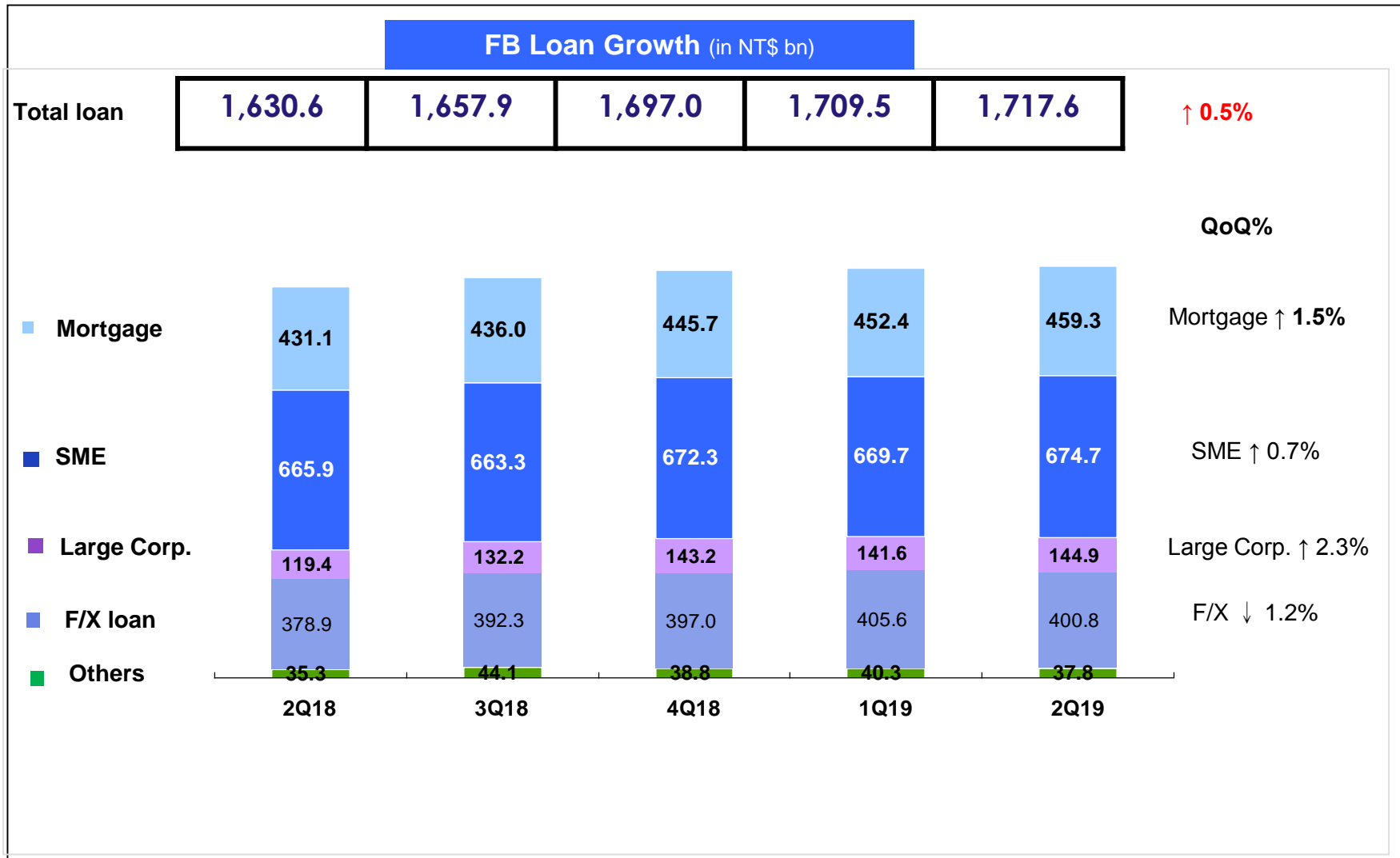
1. Loan Book does not include NALs

2. SME as defined by the "Act for Development of Small & Medium Enterprises; both NTD & Foreign currency loan included

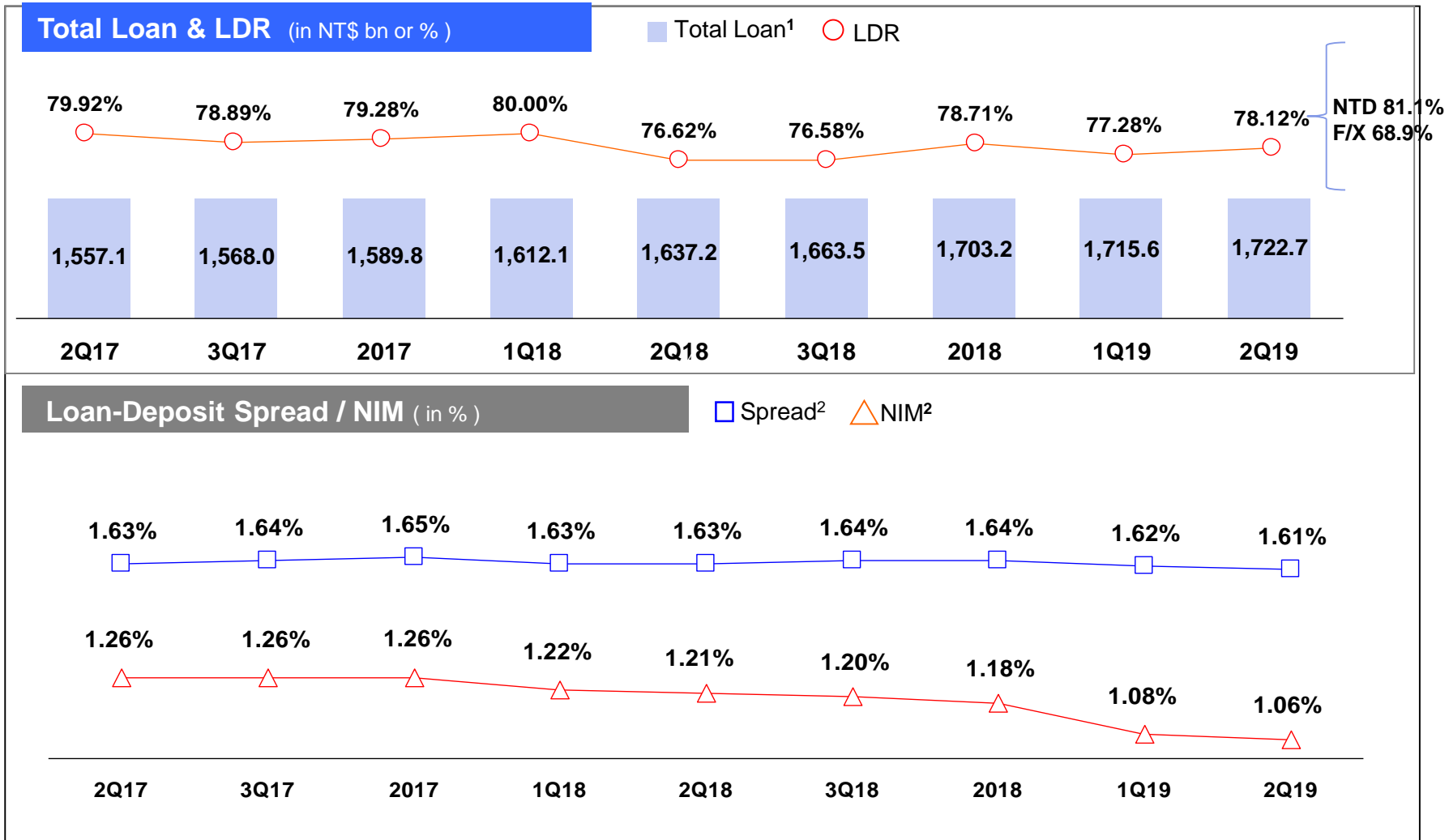
3. Others included other consumer loan and Gov./SOE loan.

FB Loan Breakdown

-QoQ Comparison

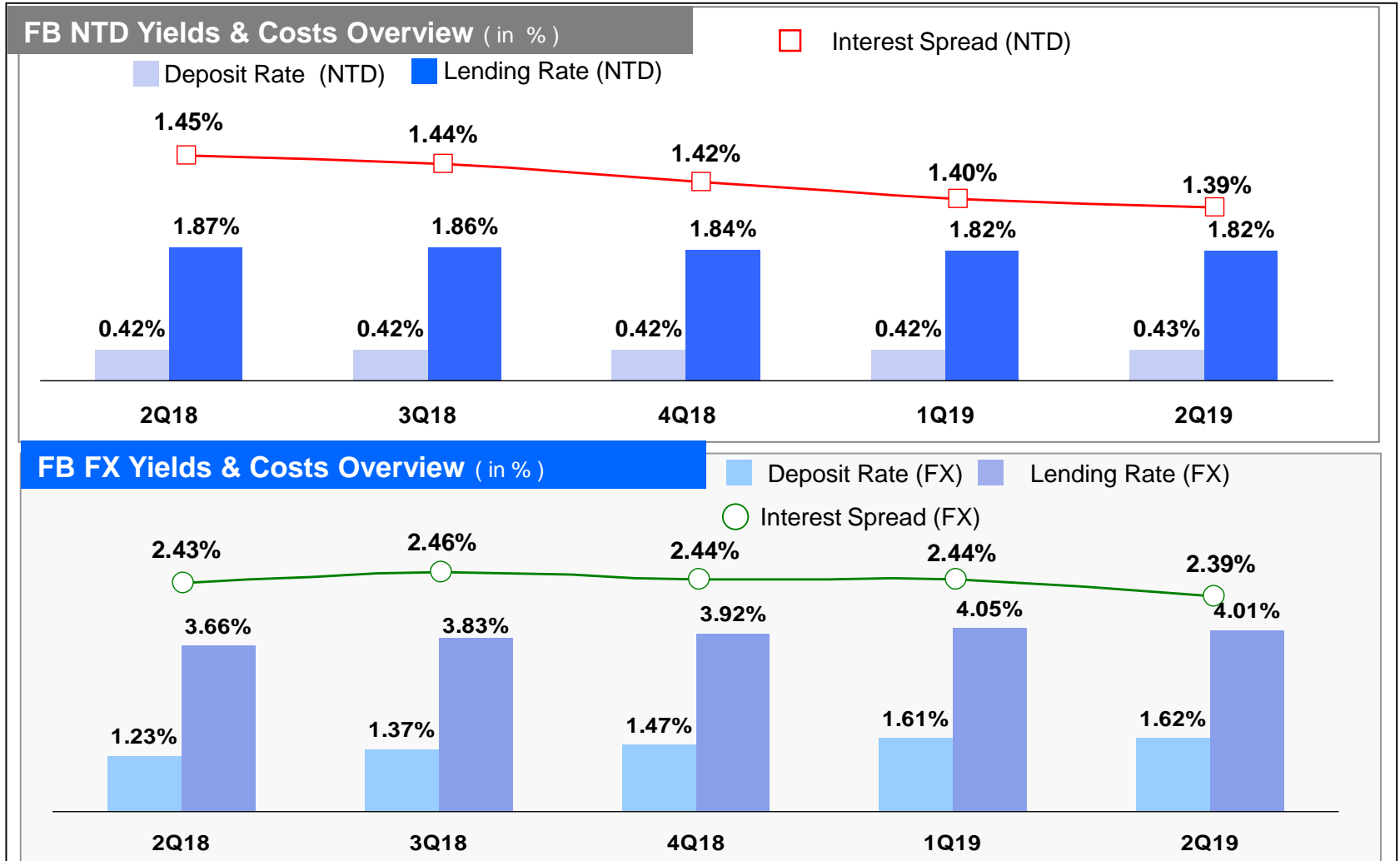


FB 1H19 LDR, SPREAD & NIM



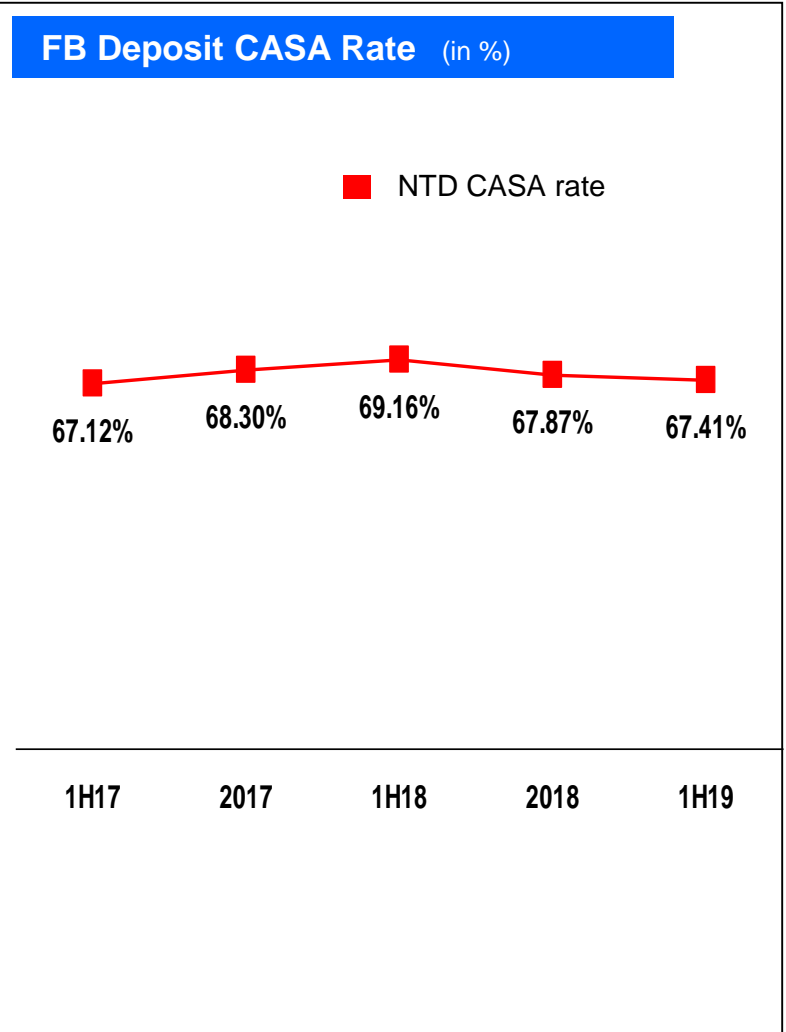
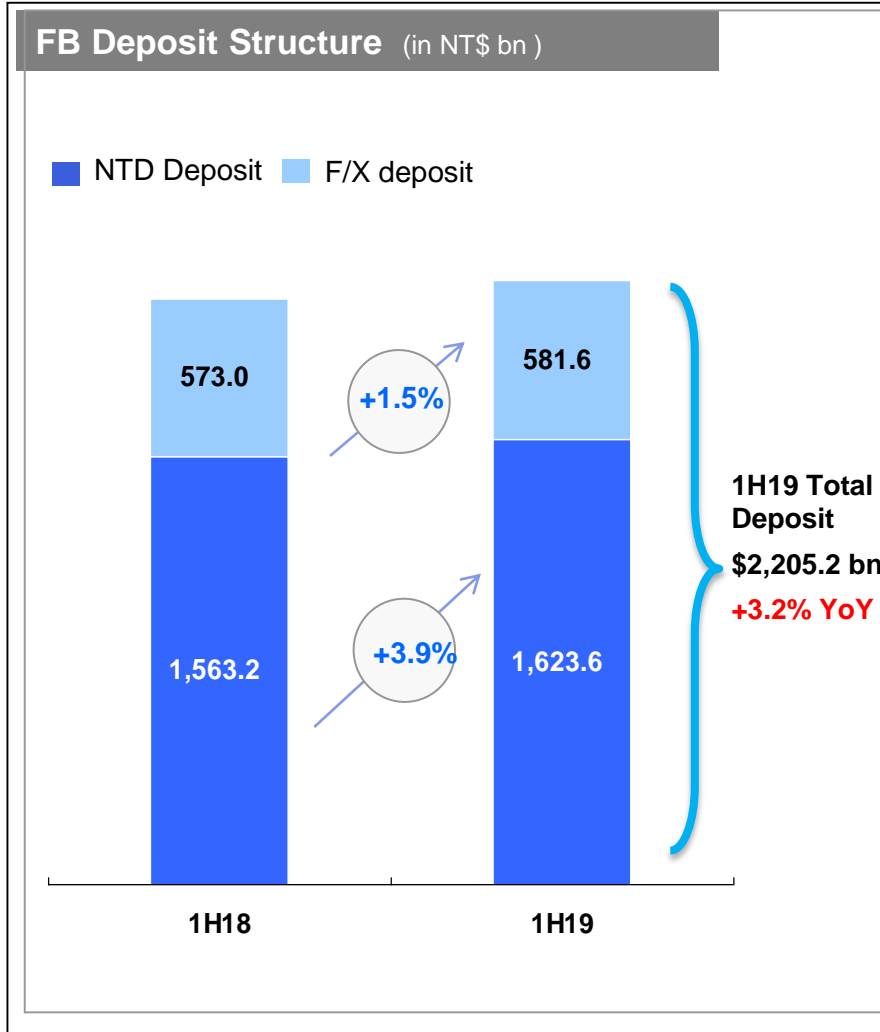
1. Total Loan = loan + import/export negotiation + NALs
 2. Annual cumulative Average Spread and NIM

FB 1H19 Loan Yields

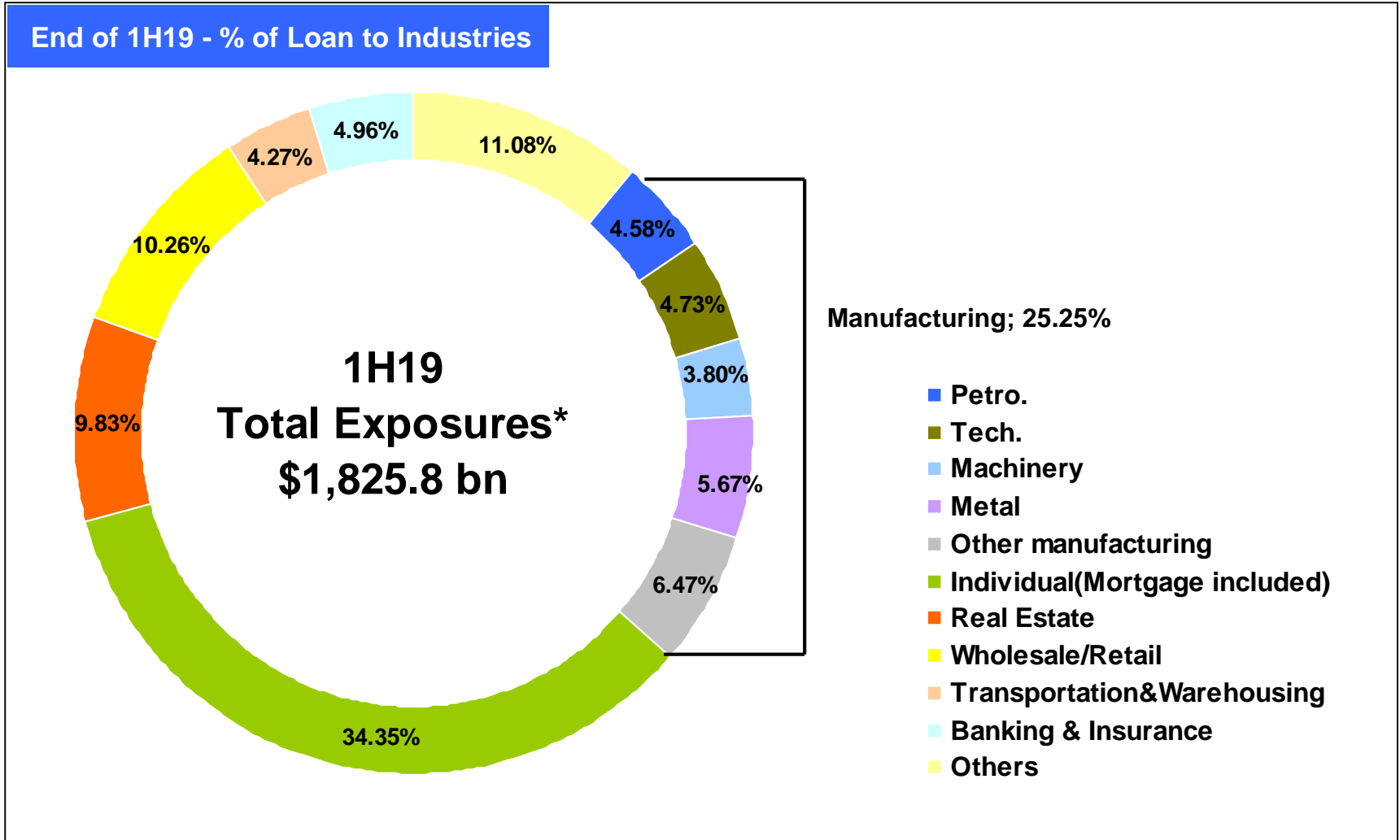


*All rates are **QUARTERLY** average rates.

FB 1H19 Deposit Mix

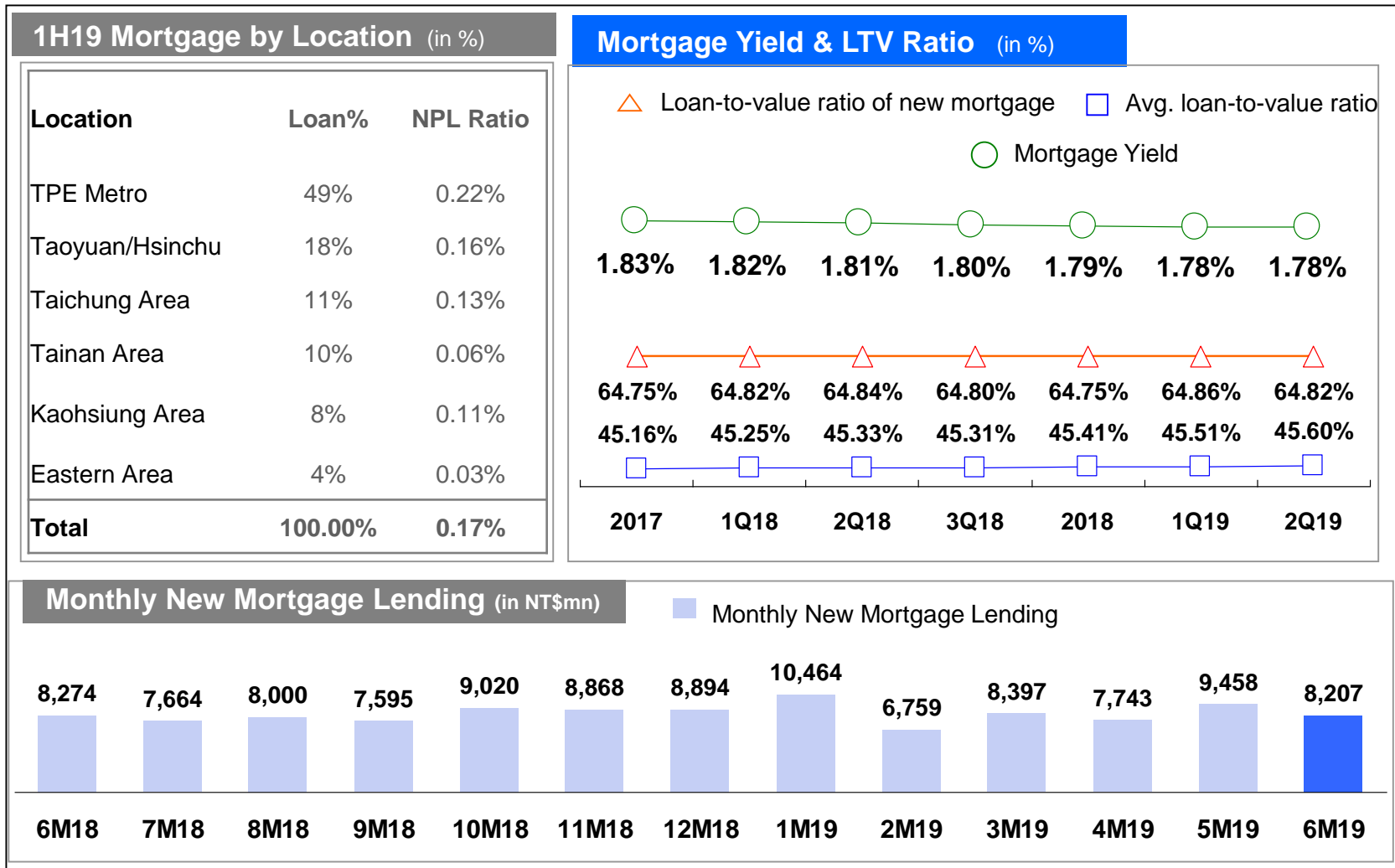


Major Exposures Breakdown



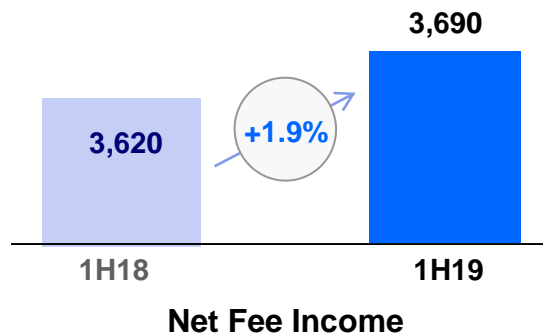
1. Total exposures does not includes NALs and investment.

FB 1H19 Mortgage Book



FB 1H19 Fee Income Breakdown

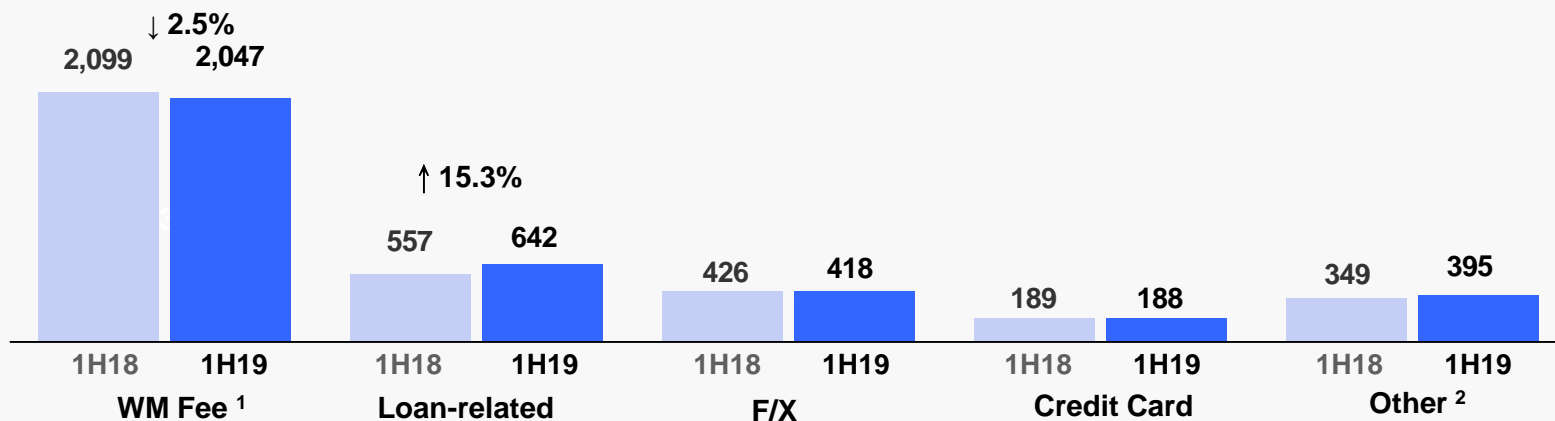
1H19 Cumulative Net Fee Income (in NT\$ mn or %)



% of Cumulative Net Fee

Item	1H18	1H19	Change
WM ¹	58.0%	55.5%	-2.5%
Loan-related	15.4%	17.4%	+2.0%
F/X	11.8%	11.3%	-0.5%
Credit Card	5.2%	5.1%	-0.1%
Other ²	9.6%	10.7%	+1.1%
Cumulative Net Fee	100.0%	100.0%	

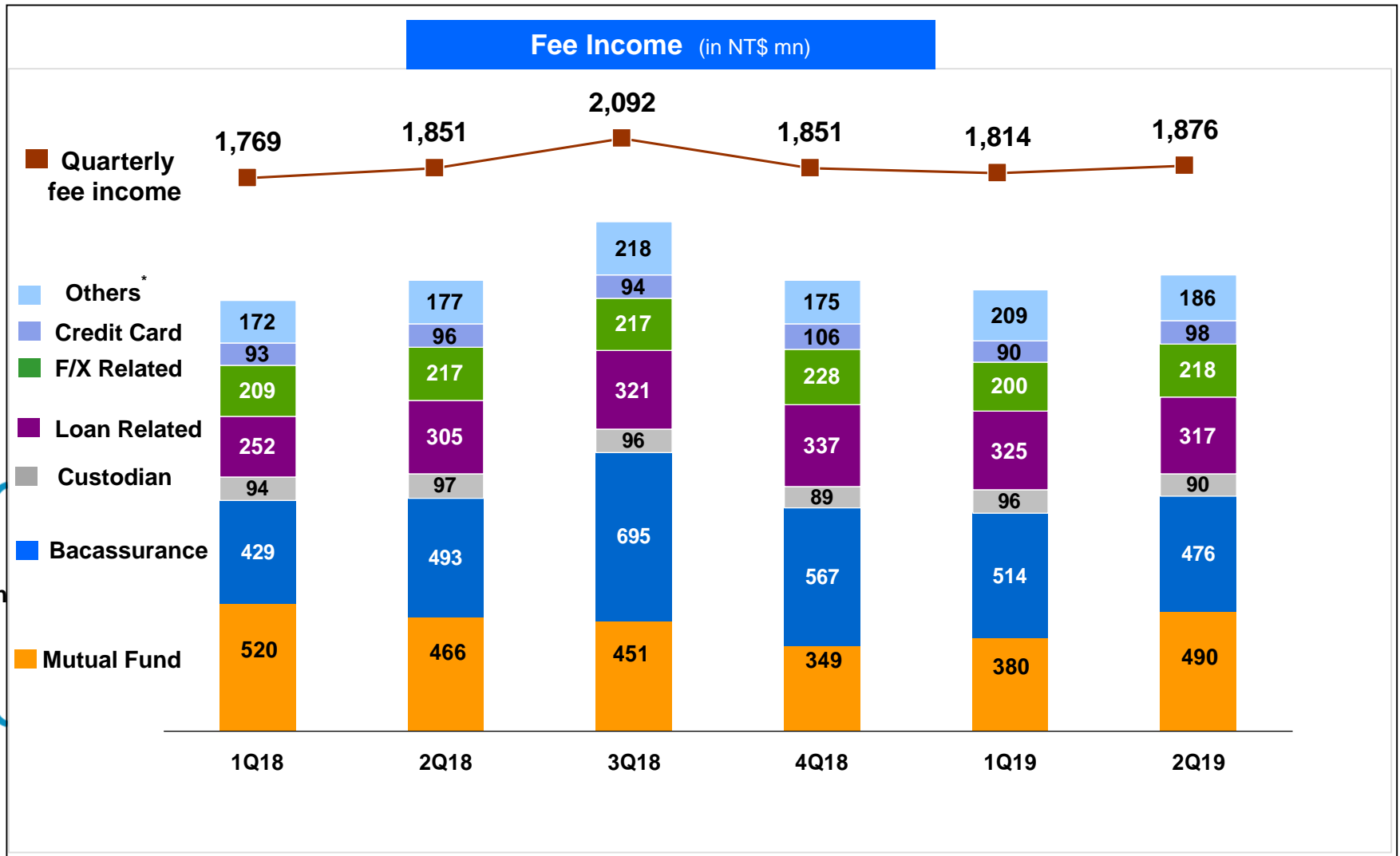
1H19 Cumulative Net Fee Breakdown (in NT\$ mn)



1. WM Fee = Custodian Fee + Trust-related Fee + Bancassurance Fee
 2. Other represents network service fee, including overseas branches

FB Fee Income Breakdown

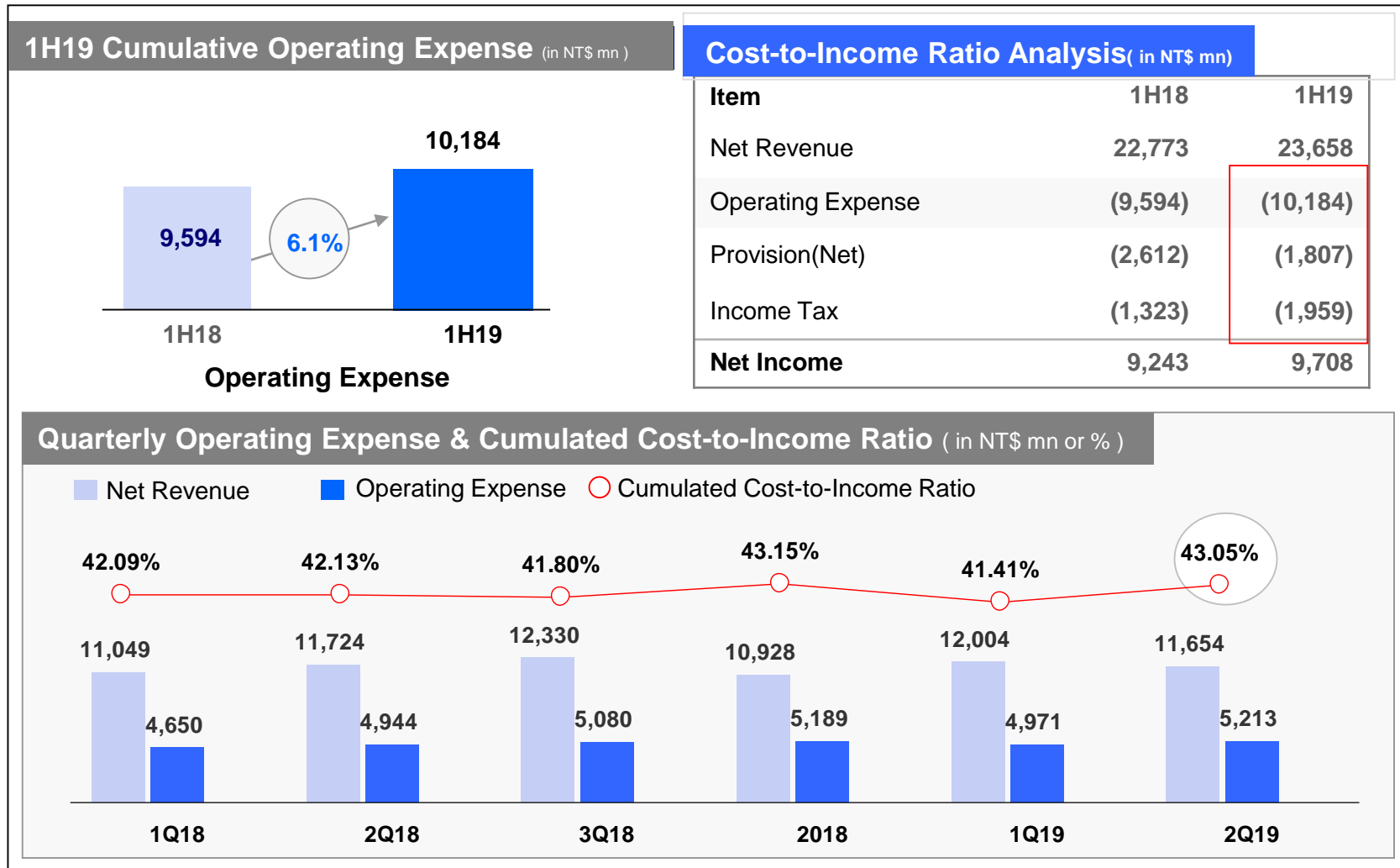
-QoQ Comparison



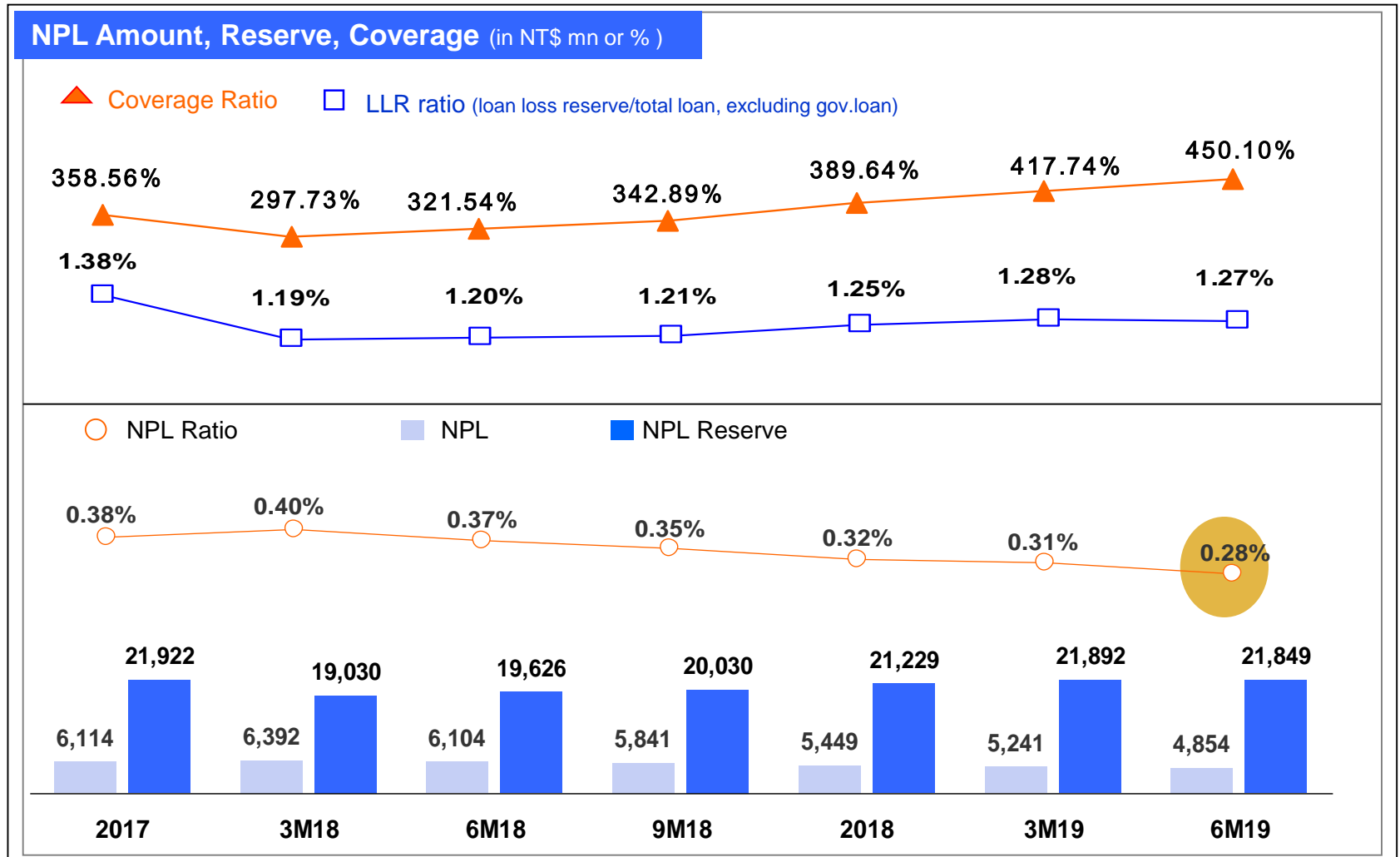
* Wealth Management Fee = Fund sales + Bancassurance + Custodian

*Other represents network service fee, including overseas branches

FB 1H19 Cost-to-Income Ratio

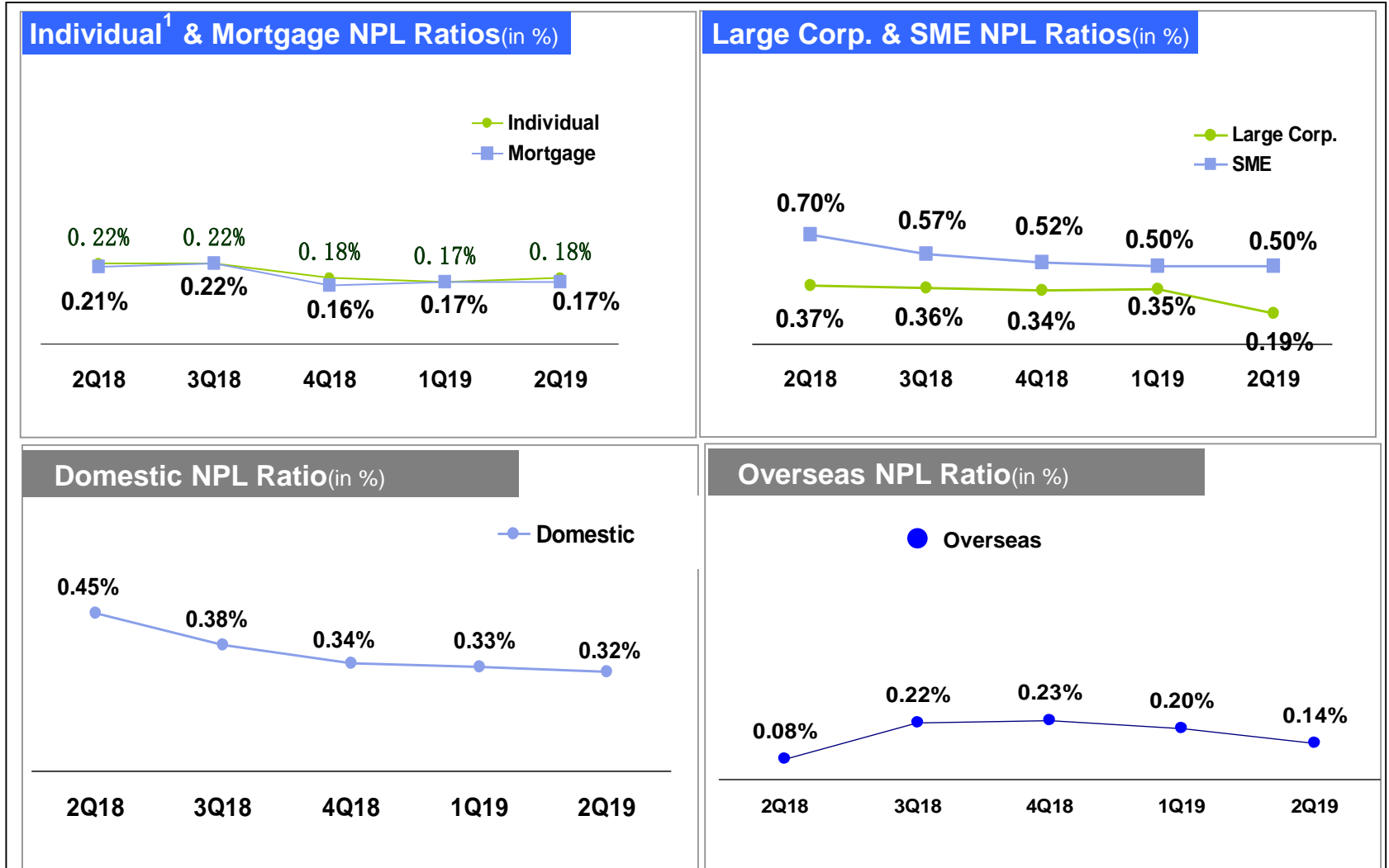


FB 1H19 Asset Quality



* NTD 2,141 mn was recategorized from “allowance for loan losses” to “reserve for loan commitments” and other provision referring to IFRS9 since 1H19.

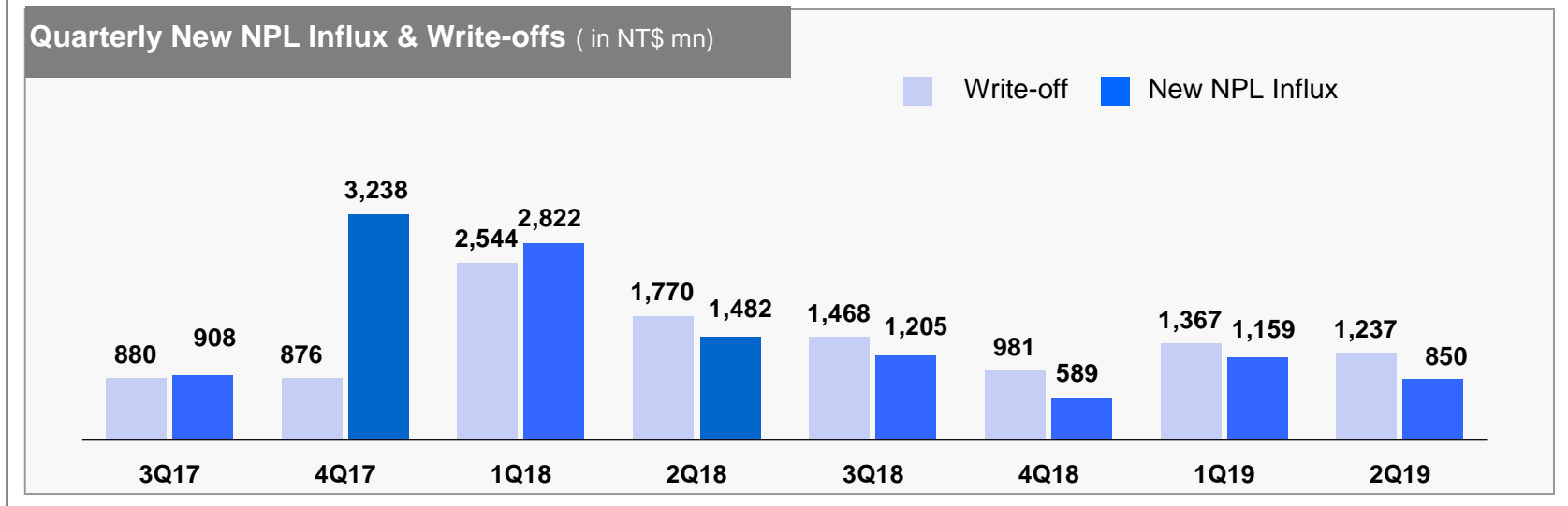
FB NPL Migration by Sectors



1. Individual: mortgage and non-mortgage loan included
 2. bad-debt recovery not included.

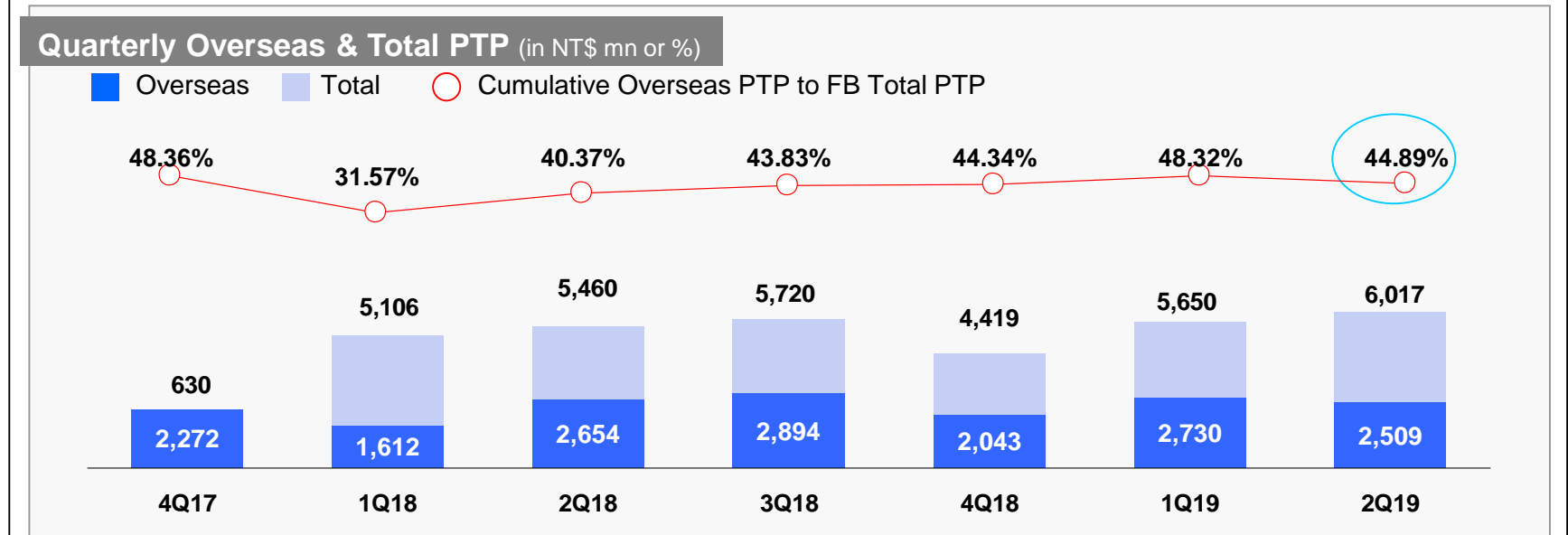
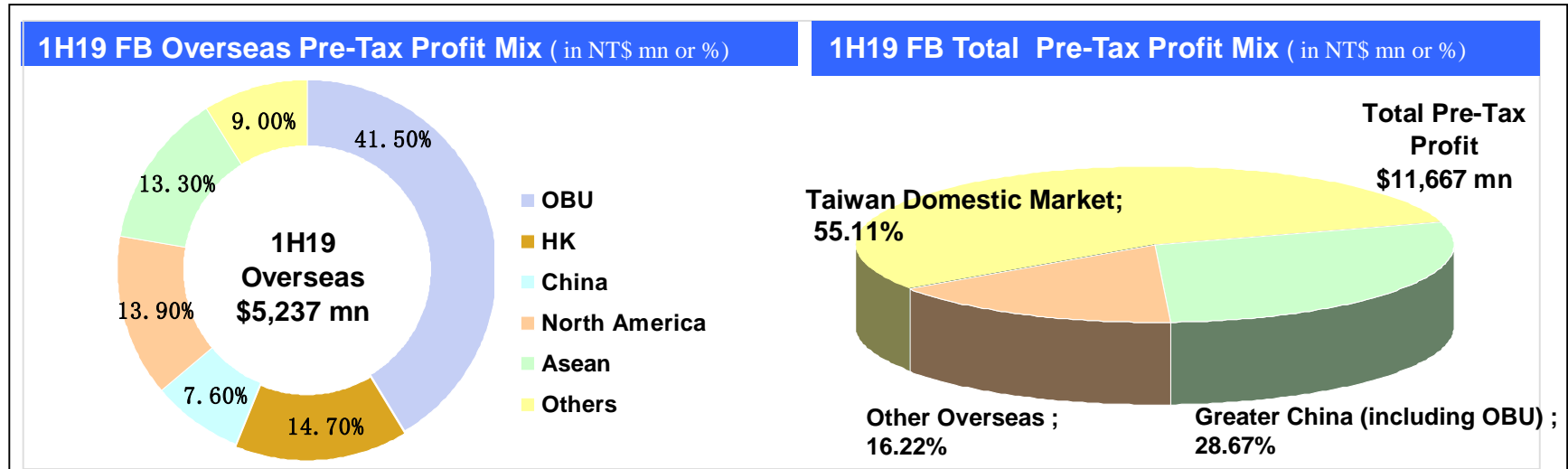
FB New NPL Influx Breakdown

Breakdown of New NPL Influx (in NT\$ mn)					Quarterly Recovery Mix (in NT\$ mn)				
Quarterly NPL Influx	3Q18	4Q18	1Q19	2Q19	Quarterly Recovery	3Q18	4Q18	1Q19	2Q19
--- Domestic	742	548	1,010	514	--- Domestic	574	897	492	726
--- Overseas	463	41	149	336	--- Overseas	12	15	5	9
					--- Credit Card	12	13	12	12
Total NPL Influx	1,205	589	1,159	850	Total Recovery	598	925	509	747

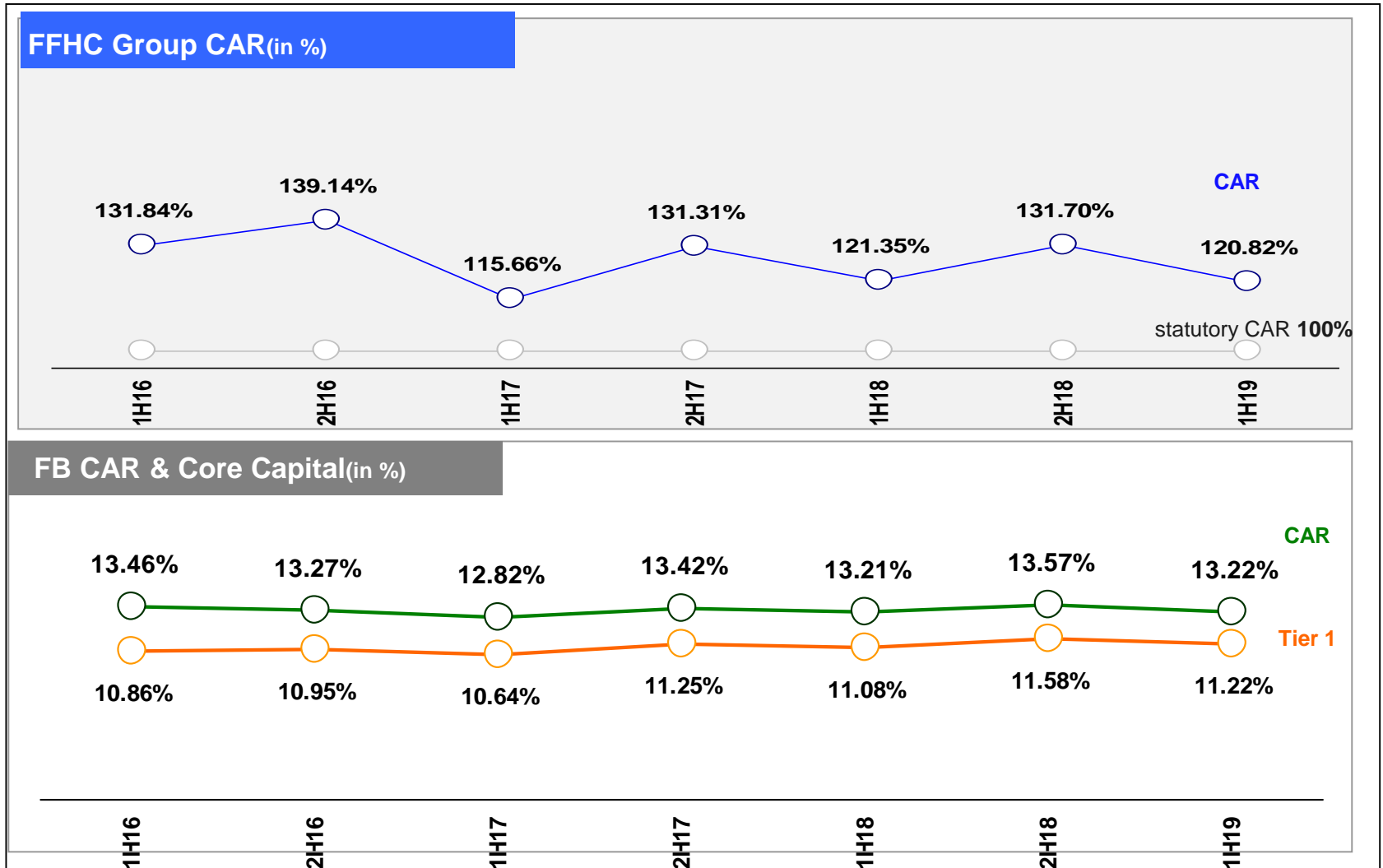


* 1H19 total new NPL influx was NT\$ 6,098 mn, and Ching-Fu Shipbuilding occupied NT\$ 1,727 mn. Excluding one-off Ching-Fu Shipbuilding NPL, other new NPL influx would be NT\$ 4,371 mn.

FB 1H19 Overseas Profits



CAR & Core Capital



•Updated semi-annually.

•Leverage ceiling for holding companies in Taiwan: Double Leverage < 125% ; Debt Ratio < 30%



Appendix

FFHC Consolidated Statement of Comprehensive Income

FFHC Consolidated Statement of Comprehensive Income (in NT\$ million or %)

	Full Year Results			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Net interest income	28,801	29,993	30,268	15,010	14,649	-2.4%
Net service fee & commission	8,723	8,341	8,526	4,069	4,073	0.1%
Net Insurance revenue	1,351	5,130	11,733	7,162	5,876	-18.0%
Gain on financial assets meas. at fair value through P/L	2,569	5,550	4,880	2,419	4,729	95.5%
Real estate investment gain	163	93	117	52	71	36.5%
Gain on AFS financial assets	951	1,052	0	0	0	#DIV/0!
Gain on financial assets at fair value through other compre. income	0	0	1,566	740	336	-54.6%
Income from equity invest.	(75)	138	110	64	73	14.1%
Excluding gain on fin. assets measured at amort.c	0	0	22	0	0	#DIV/0!
Reserve of overlay approach	0	0	0	0	(49)	#DIV/0!
Net gain on F/X	935	(170)	2,499	1,436	1,025	-28.6%
Assets impairment loss	(39)	(46)	(90)	(21)	13	-161.9%
Others	1,712	746	618	574	314	-45.3%
Net Revenue	45,091	50,827	60,249	31,504	31,110	-1.3%
Net Provision for credit losses	(2,244)	(6,772)	(5,486)	(2,644)	(1,852)	-30.0%
Recovered(provided) for insurance res.	(871)	(4,560)	(11,153)	(6,821)	(5,621)	-17.6%
Operating Expense	(21,779)	(21,347)	(22,906)	(11,129)	(11,654)	4.7%
Income from continued op. before tax	20,197	18,148	20,703	10,910	11,983	9.8%
Income tax expenses	(2,913)	(2,716)	(3,370)	(1,305)	(2,069)	58.5%
Consolidated net income	17,284	15,432	17,332	9,605	9,914	3.2%
Other Items	(2,354)	(1,038)	417	582	8,123	1295.7%
Comprehensive Income	14,930	14,394	17,749	10,187	18,037	77.1%
Net Income attributed to:						
Parent	17,356	15,483	17,332	9,605	9,914	3.2%
Minority interests	(72)	(51)	0	0	0	#DIV/0!
Comprehensive Income attributed to:						
Parent	15,023	14,380	17,749	10,187	18,037	77.1%
Minority interests	(93)	14	0	0	0	#DIV/0!
EPS ¹ (NT\$)	1.42	1.25	1.40	0.77	0.80	3.9%

FFHC Non-consolidated Income Statement

FFHC Standalone Income Statement Summary in NT\$ million, NT\$, or %

	Full Year Results			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Operating revenues						
Income from long-term investment	17,857	15,693	17,904	9,581	10,046	4.9%
Other income ¹	242	246	227	175	146	-16.6%
Total revenues	18,099	15,939	18,131	9,756	10,193	4.5%
Loss from long-term investment	(304)	(53)	(321)	(49)	0	-100.0%
Operating expenses	(338)	(334)	(356)	(176)	(183)	4.0%
Other expenses and losses	(145)	(118)	(110)	(41)	(101)	146.3%
Income from continued op. before tax	17,312	15,434	17,344	9,490	9,909	4.4%
Income from continued op. after tax	17,356	15,483	17,332	9,605	9,914	3.2%
Income from discontinued op., net of ta:	0	0	0	0	0	--
Net income	17,356	15,483	17,332	9,605	9,914	3.2%
EPS ² (NT\$)	1.42	1.25	1.40	0.77	0.80	3.9%

1. Including income other than long-term investment

2. EPS is adjusted retroactively for stock dividends

FFHC Balance Sheet

FFHC Balance Sheet Summary in NT\$ million or million shares

	Full Years Result			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Non-consolidated Balance Sheet Data						
Long-term investment	203,834	205,970	217,409	209,560	223,309	6.6%
Total non-consolidated assets	205,165	208,951	224,661	217,806	240,550	10.4%
Total liabilities	13,390	17,168	19,358	20,065	29,548	47.3%
Total shareholders' equity	191,775	191,783	205,303	197,741	211,002	6.7%
Consolidated Balance Sheet Data						
Total consolidated assets	2,541,156	2,634,059	2,935,204	2,869,642	2,998,196	4.5%
Total liabilities	2,349,127	2,442,008	2,729,901	2,671,902	2,787,194	4.3%
Total shareholders' equity	192,029	192,051	205,303	197,741	211,002	6.7%
Parent's shareholders' equity	191,775	191,783	205,303	197,741	211,002	6.7%
Minority interests	254	268	0	0	0	#DIV/0!
Current shares outstanding**	119,769	122,164	123,386	123,386	124,619	1.0%

*figures may not match due to rounding

FFHC Key Ratios

FFHC Key Ratios

	Full Year Results			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
After-tax ROAA (Annualized ratio)	0.69%	0.60%	0.62%	0.70%	0.66%	-5.7%
After-tax ROAE (Annualized ratio)	9.10%	8.04%	8.58%	9.70%	9.52%	-1.9%
Book Per Share	16.01	15.70	16.64	16.03	16.93	5.6%
Capital Stock	119,769	122,164	123,386	123,386	124,619	1.0%
Double leverage ¹	106.29%	107.40%	105.90%	105.98%	105.83%	-0.1%
Group CAR ²	139.14%	131.31%	131.70%	121.35%	120.82%	-0.4%
Debt Ratio ³	6.53%	8.24%	8.62%	9.21%	12.28%	33.3%

1. Double leverage ratio = Long-term investment / Equity

2. Updated semi-annually.

3. Unconsolidated basis

FB Income Statement

FB Comprehensive Income Statement Summary(Standalone) in NT\$ million or %

	Full Year Results			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Net interest income	27,797	28,843	28,669	14,271	13,801	-3.3%
Net fee income	8,035	7,457	7,563	3,620	3,690	1.9%
Net gain on ST invest.	274	398	98	(46)	96	-308.7%
Net gain on LT invest.	433	719	834	227	210	-7.5%
Net gain on other fin. products	4,344	5,256	8,396	4,252	5,586	31.4%
Other net income	654	241	431	449	275	-38.8%
Net revenue	41,537	42,914	45,991	22,773	23,658	3.9%
Operating expenses	(18,963)	(18,466)	(19,863)	(9,594)	(10,184)	6.1%
Pre-provision pre-tax profit	22,574	24,448	26,128	13,179	13,474	2.2%
Provision expense	(4,396)	(9,621)	(8,480)	(4,106)	(3,064)	-25.4%
Adjustment: bad-debt recovery	2,346	2,782	3,017	1,494	1,256	-15.9%
Income before tax	20,524	17,609	20,665	10,566	11,667	10.4%
Income tax	(2,825)	(2,467)	(3,134)	(1,323)	(1,959)	48.1%
Net income	17,699	15,142	17,531	9,243	9,708	5.0%
Other items	(2,100)	(1,214)	513	607	7,260	1096.0%
Comprehensive income	15,599	13,928	18,044	9,850	16,968	72.3%
EPS	1.99	1.70	1.97	1.04	1.09	0.05

FB Key Ratios

FB Key Ratios

	Full Year Results			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Loan to deposit spread	1.65%	1.65%	1.64%	1.63%	1.61%	-1.23%
Net Interest Margin	1.26%	1.26%	1.18%	1.21%	1.06%	-12.40%
Cost to income ratio ³	45.65%	43.03%	43.19%	42.13%	43.05%	2.18%
Loan to deposit ratio ¹	79.04%	79.28%	78.71%	76.62%	78.12%	1.96%
NPL ratio	0.20%	0.38%	0.32%	0.37%	0.28%	-24.32%
LLR ratio (excluding gov. loan)	1.22%	1.38%	1.25%	1.20%	1.27%	5.83%
Coverage ratio	625.14%	358.56%	389.64%	321.54%	450.10%	39.98%
CAR	13.27%	13.42%	13.57%	13.21%	13.22%	0.08%
Tier-1	10.95%	11.25%	11.58%	11.08%	11.22%	1.26%
ROAA ²	0.72%	0.60%	0.65%	0.70%	0.68%	-2.86%
ROAE ²	9.46%	7.91%	8.71%	9.34%	9.34%	0.00%

1. Loan to deposit ratio = total loan / total deposit

2. Annualized figures.

FB Loan Quality

FB NPL Migration in NT\$ million or %

	Full Year Results		2019 Quarterly		Year-over-Year Comparison		
	2017	2018	Q1	Q2	1H18	1H19	Change
NPL- beginning	3,035	6,114	5,449	5,241	6,114	5,449	-10.9%
Net new NPL influx	7,225	6,098	1,159	850	4,304	2,009	-53.3%
<i>Domestic</i>	6,744	5,394	1,010	514	4,104	1,524	-62.9%
<i>Overseas</i>	481	704	149	336	200	485	142.5%
Net write-offs	(4,146)	(6,763)	(1,367)	(1,237)	(4,314)	(2,604)	-39.6%
NPL- ending balance	6,114	5,449	5,241	4,854	6,104	4,854	-20.5%
Allowance for loan loss- beginning	18,973	19,781*	21,229	21,892	19,781*	21,229	7.3%
Provisions for loan loss	7,429	7,919	1,859	1,151	3,852	3,010	-21.9%
Net write-offs	(4,146)	(6,763)	(1,367)	(1,237)	(4,314)	(2,604)	-39.6%
Others	(334)	292	171	43	307	214	-30.3%
Allowance for loan loss- ending	21,922	21,229	21,892	21,849	19,626	21,849	11.3%
Recovery from bad debt	2,782	3,017	509	747	1,494	1,256	-15.9%
<i>Domestic</i>	2,533	2,895	492	726	1,424	1,218	-14.5%
<i>Overseas</i>	197	73	5	9	46	14	-69.6%
<i>Credit card</i>	52	49	12	12	24	24	0.0%

1. Non-consolidated basis

* NTD 2,141 mn was recategorized from "allowance for loan losses" to "reserve for loan commitments" and other provision referring to IFRS9 since 2018

First Sec Income Statement Summary

in NT\$ million or %

	Full Year Results			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Brokerage commission	645	849	899	483	350	-27.5%
Net interest income	292	306	293	160	106	-33.8%
Underwriting commission	23	38	97	24	8	-66.7%
Transaction gains through F/V, net	(12)	227	29	172	165	-4.1%
Other operating income	93	107	34	10	(44)	-540.0%
Total operating income	1,041	1,527	1,352	849	585	-31.1%
Total operating expenses	(1,288)	(1,301)	(1,260)	(645)	(561)	-13.0%
Non-operating income	42	72	77	40	48	20.0%
Income before tax	(205)	298	169	245	71	-71.0%
Income tax	(24)	(26)	(55)	(36)	(10)	-72.2%
Cummulative effect of change in accounting principles	0	0	0	0	0	#DIV/0!
Net income	(229)	272	114	208	61	-70.7%
First Sec Key Ratios						
ROAE (Annualized)	-3.65%	4.41%	1.82%	6.54%	1.94%	-70.3%
ROAA (Annualized)	-1.30%	1.55%	0.61%	2.02%	0.64%	-68.3%
Brokerage market share	1.45%	1.53%	1.42%	1.45%	1.38%	-4.8%
Margin loan market share	2.99%	2.94%	2.53%	2.49%	2.27%	-8.8%

FSITC Operating Report

FSITC Income Statement Summary in NT\$ million or %

	Full Year Results			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Total operating income						
Management fee	440	501	640	314	305	-2.9%
Sales service fee	5	7	13	4	15	275.0%
Total operating income	445	508	653	318	320	0.6%
Operating expenses	(380)	(440)	(540)	(271)	(278)	2.6%
Non-operating income	11	15	12	5	16	220.0%
Income before tax	76	82	125	51	58	13.7%
Income tax	(12)	(12)	(24)	(9)	(10)	11.1%
Income after tax	64	70	101	42	48	14.3%
Cummulative effect of change in accounting principles	0	0	0	0	0	#DIV/0!
Net income	64	70	101	42	48	14.3%
FSITC Key Ratios						
AUM	94,461	101,095	85,558	102,179	109,346	7.0%
AUM Ranking	8	8	9	7	11	

1. Non-consolidated basis

First Life Financial Results Summary
 in NT\$ million or %

	Full Year Result			Year-over-Year Comparison		
	2016	2017	2018	1H18	1H19	Change
Income Statement Summary						
Operating Revenue	7,520	13,298	17,513	11,527	10,638	-7.7%
Premium Income	7,235	11,684	18,333	11,431	7,995	-30.1%
Other insurance income	244	277	312	157	139	-11.5%
Net Investment Income	41	1,337	(1,132)	(61)	2,504	-4204.9%
Operating Cost	7,157	12,861	17,029	11,259	10,226	-9.2%
Reinsurance commission	37	40	49	23	28	21.7%
Reserves	(2,037)	4,566	8,746	7,217	6,141	-14.9%
Claims	8,502	7,419	7,122	3,432	3,552	3.5%
Commission	586	711	930	500	411	-17.8%
Others	72	125	182	87	94	8.0%
Operating Expenses	(513)	(566)	(638)	(325)	(301)	-7.4%
Sales related expenses	(83)	(134)	(164)	(93)	(68)	-26.9%
Management expenses	(430)	(432)	(474)	(232)	(233)	0.4%
Other expense	0	0	0	0	0	#DIV/0!
Profit/Loss of Operation	(150)	(129)	(154)	(56)	111	-298.2%
Non-Operating Profit	0	0	0	0	0	#DIV/0!
Profit/Loss Before Tax	(150)	(129)	(154)	(56)	111	-298.2%
Income tax	3	26	13	7	(14)	-300.0%
Net Income after tax	(147)	(103)	(141)	(49)	97	-298.0%
Key Ratios						
ROAE(Annualized ratio)	-23.91%	-19.39%	-12.94%	-8.76%	9.98%	-213.9%
ROAA(Annualized ratio)	-0.45%	-0.30%	-0.34%	-0.24%	0.40%	-266.7%

* FFHC claims 51% of First-Aviva operating results in 2015,2016, and 2017.

