

# First Financial Holding

## 3Q 2017 Earnings Result

Nov. 30, 2017



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# At a Glance

## ◆ Earnings in-line

Loan book grew by +3.3% (YoY), as group bottom line earnings grew by +10.6% (YoY), which was boosted by NII (+4.3% YoY) and Treasury gains (+10.6% YoY) from Bank unit. Besides, Overseas pre-tax profits climbed to 36.77% of total pre-tax earnings, gradually back to the peak level in 2014.

## ◆ FFHC to acquire the full stakes of JV, First-Aviva Life(FAL) (49% ownership) at USD 1.00

On Oct.12, FFHC signed agreement with Aviva Group to purchase its entire shareholding on First-Aviva Life, JV Co.,. After the deal, FAL will be FFHC's 100% owned subsidiary and financial impact remains minimum.

## ◆ FSC announced mortgage risk weight cuts, which will be implemented by the end of 2017, and is estimated to lift FB's Tier-1 & CAR ratios by 0.56% and 0.66%, respectively.

After FSC's policy adjustment, FB will have accommodative capital buffer and benefit for future loan expansion.

# Impact on Chin Fu Shipbuilding Co., Default

## Exposures & potential losses

- On Oct. 25, 2017, the troubled borrower Ching Fu defaulted on its syndication loans with outstanding balance of NTD 15.4 bn.
- The total outstanding balance for First Bank is NTD 8.1 bn, with potential losses up to NTD 4.55 bn, of which NTD 3.55 bn for syndication loan; NTD 1 bn for FB's individual lending.

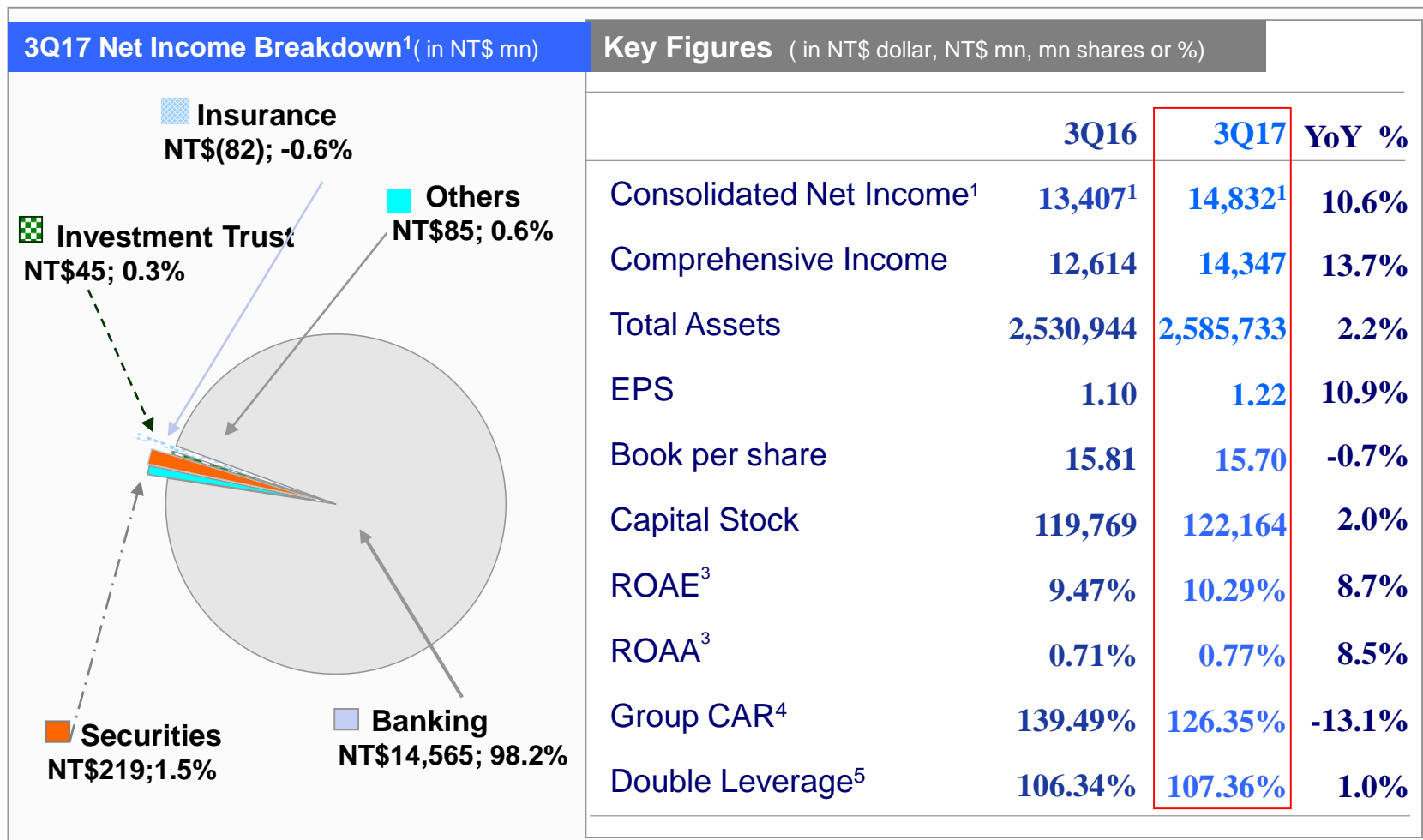
## Extra-Provisioning

- First Bank does not rule out the possibility of full provisioning after concluding with CPA the amount of provisioning at the end of 2017.



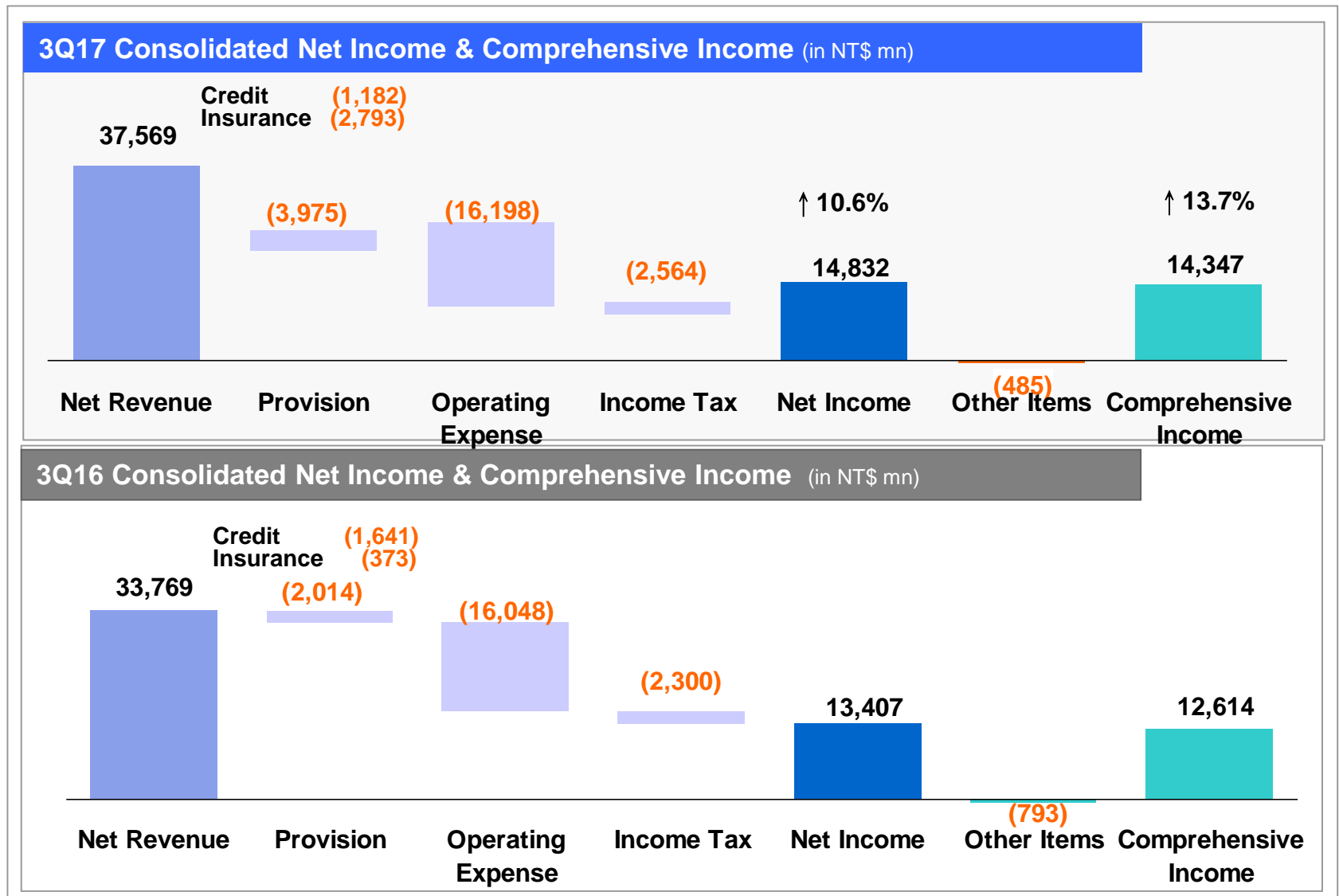
# 3Q 2017 Financial Highlight

# 3Q 2017 Key Figures

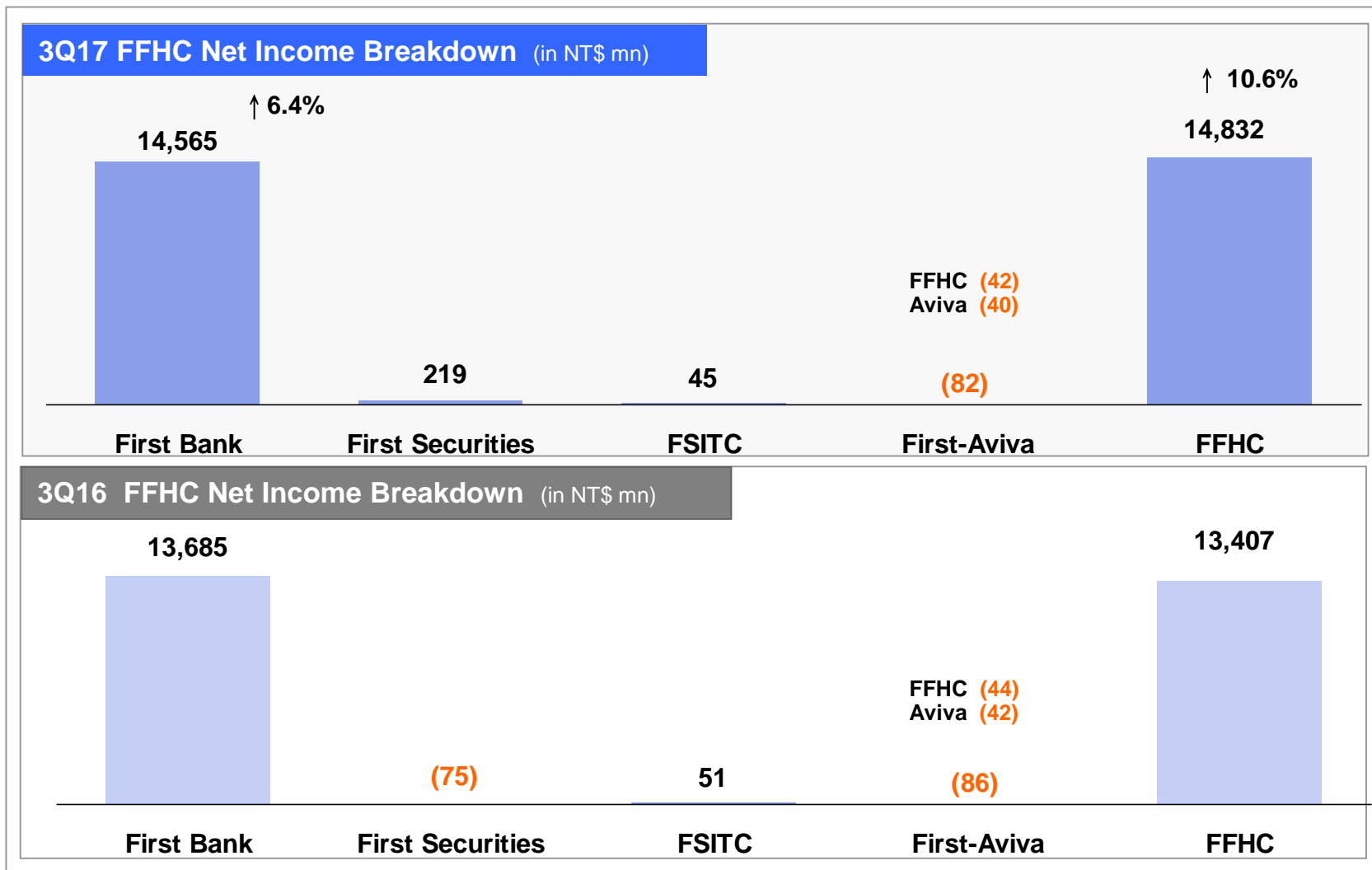


1. Based on the classification of specific company's business units, financial information by business segments should be listed individually.  
 2. Comprehensive Income Statement is required by IFRS.  
 3. Annualized figures. . 4. Preliminary date.  
 5. Double Leverage = Equity Investment / Shareholder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

# Net Income & Comprehensive Income



# Net Income Breakdown by Subsidiaries\*

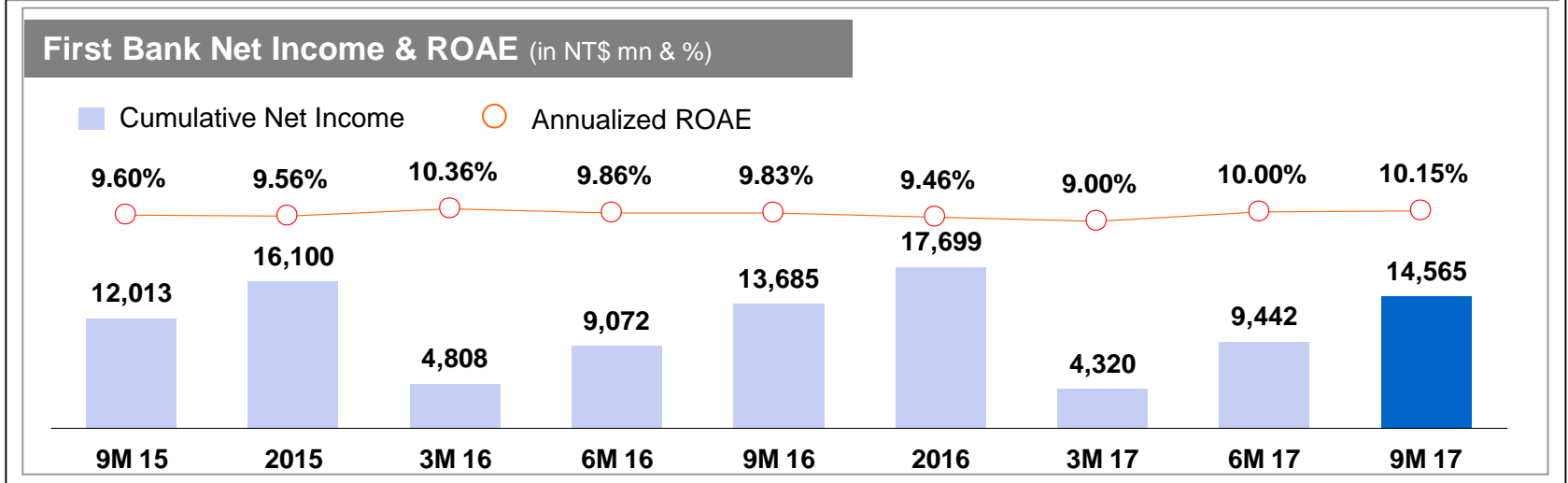
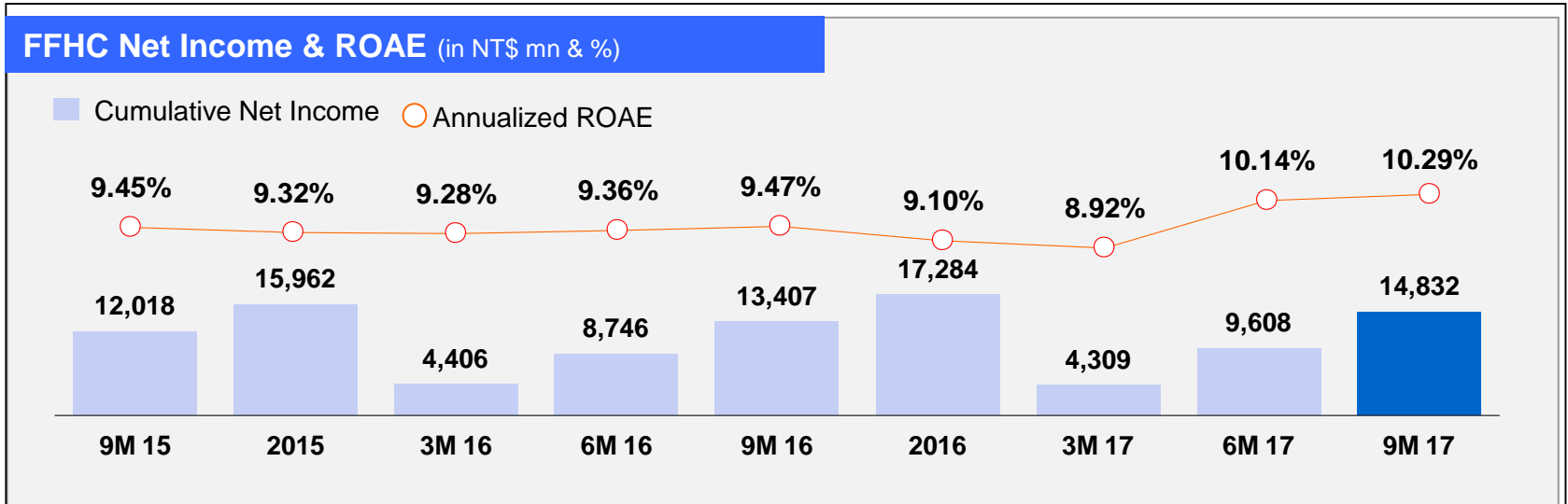


\* Major 4 subsidiaries were listed.



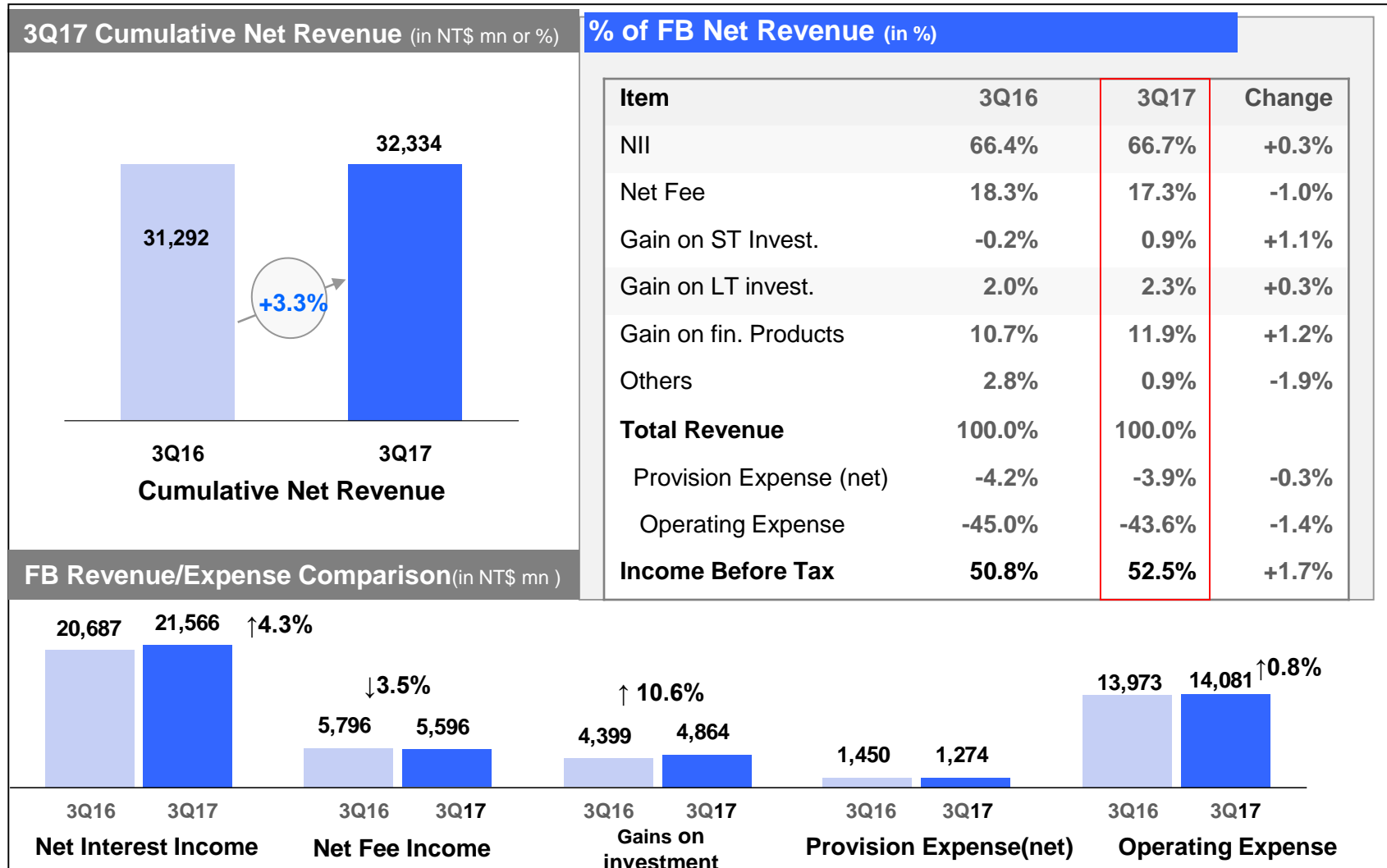
# 3Q 2017 Operating Results

# FFHC & First Bank Profitability -After Tax



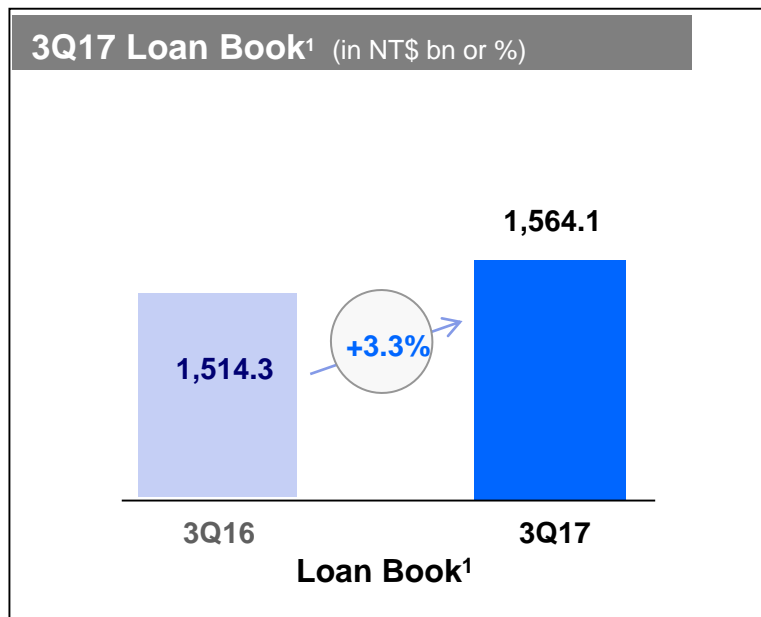
1. Minority interests included

# FB 3Q17 Pre-tax Profit



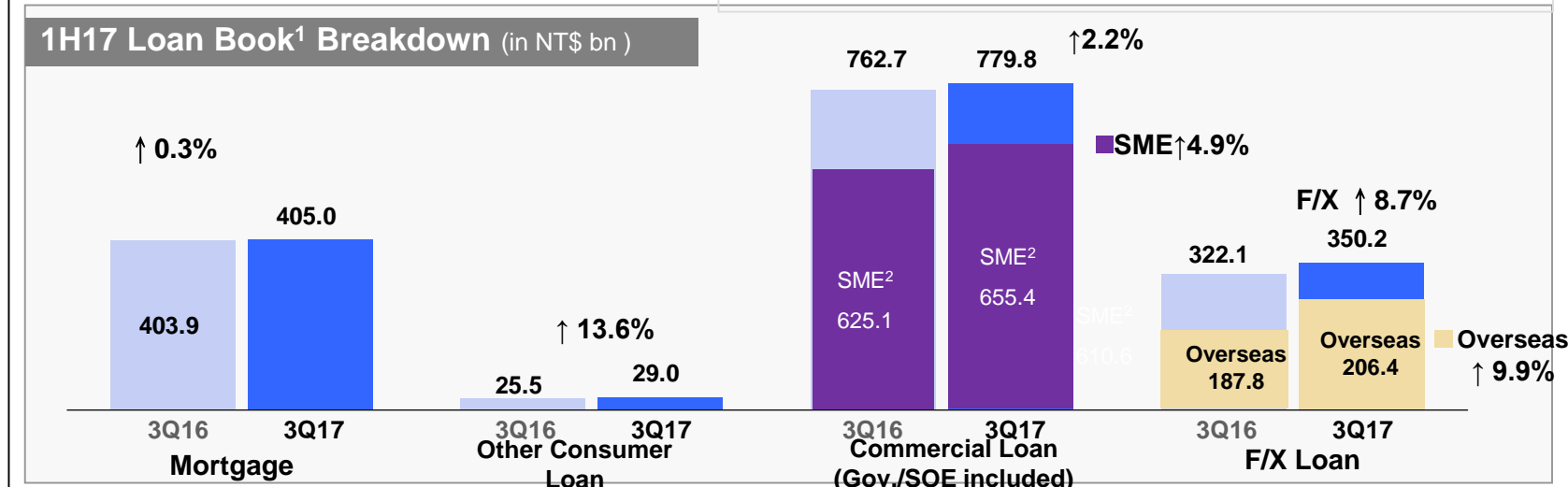
Preliminary Data.

# FB 3Q17 Loan Book Mix



### % of Loan Book<sup>1</sup>

Item	3Q16	3Q17	Change
<b>Consumer</b>	28.4%	27.8%	-0.6%
Mortgage	26.7%	25.9%	-0.8%
Other Consumer Loan	1.7%	1.9%	+0.2%
<b>Corporate Banking</b>	71.6%	72.2%	+0.6%
Commercial Loan (Gov./SOE included)	50.4%	49.9%	-0.5%
--- SME	41.3%	41.9%	+0.6%
F/X/ Loan	21.3%	22.4%	+1.1%
--- Overseas	12.4%	13.2%	+0.8%
<b>Loan Book<sup>1</sup></b>	<b>100.0%</b>	<b>100.0%</b>	

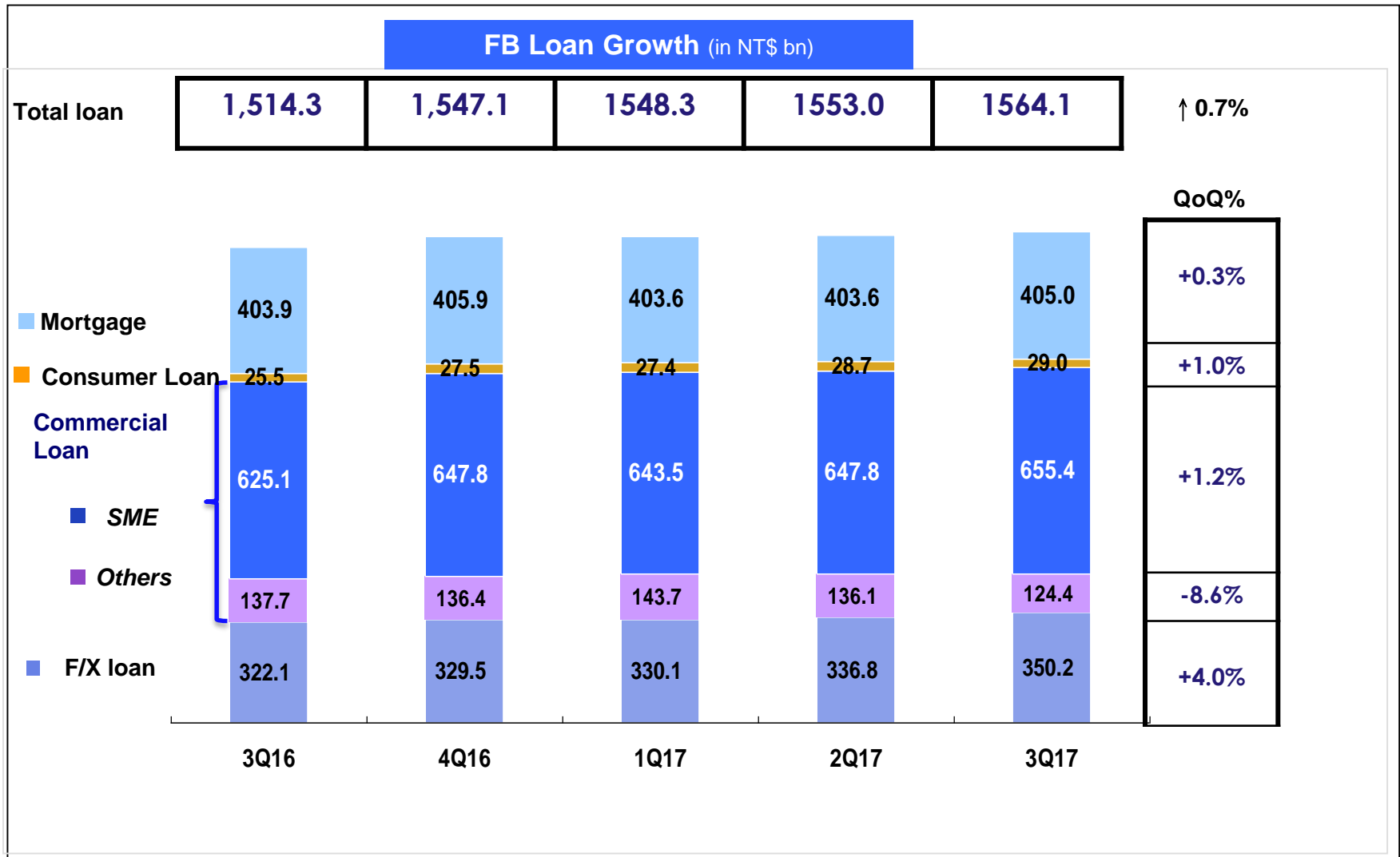


1. Loan Book does not include NALs

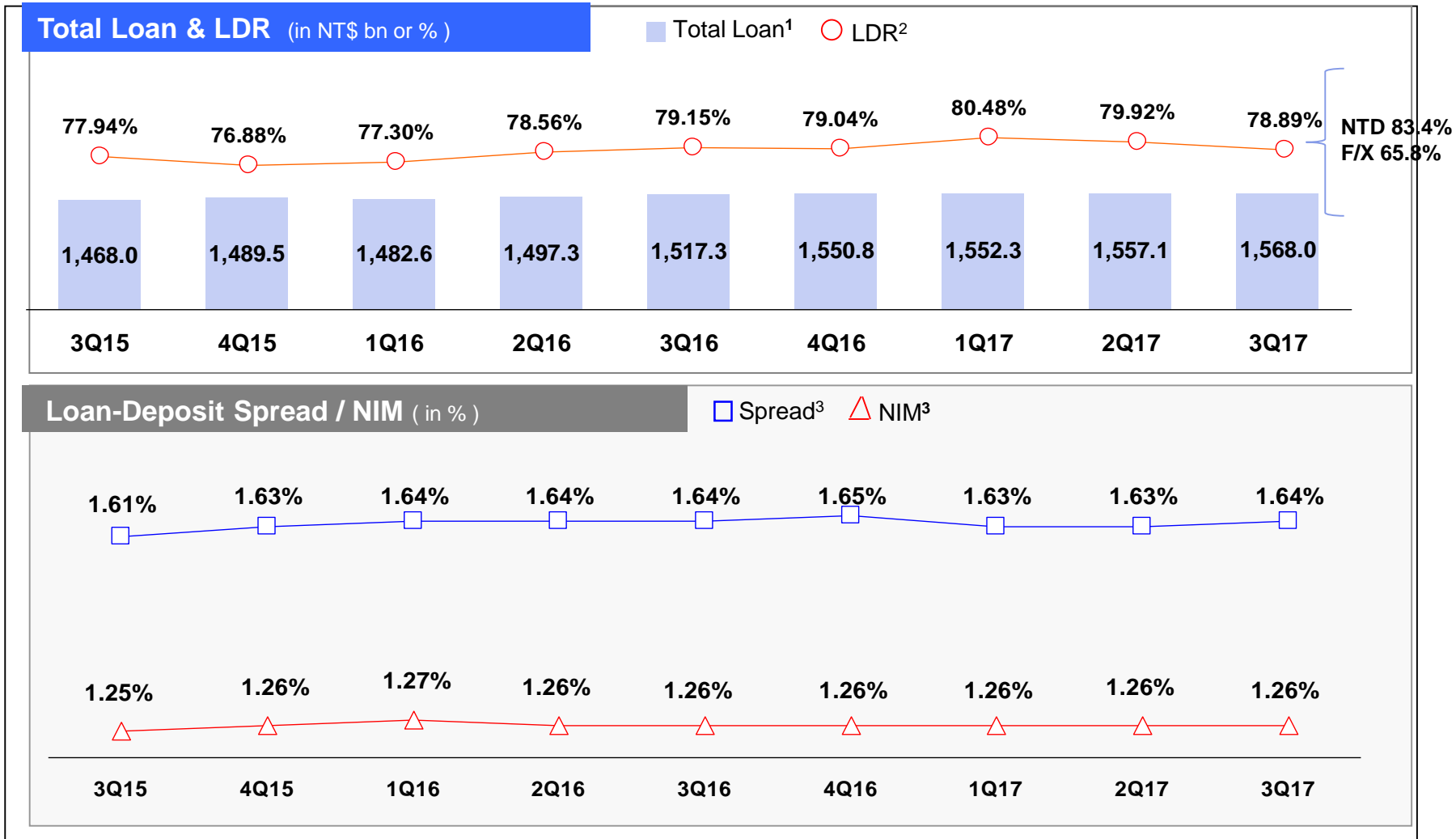
2. SME as defined by the "Act for Development of Small & Medium Enterprises; both NTD & Foreign currency loan included

# FB Loan Breakdown

## -QoQ Comparison



# FB 3Q17 LDR, SPREAD & NIM

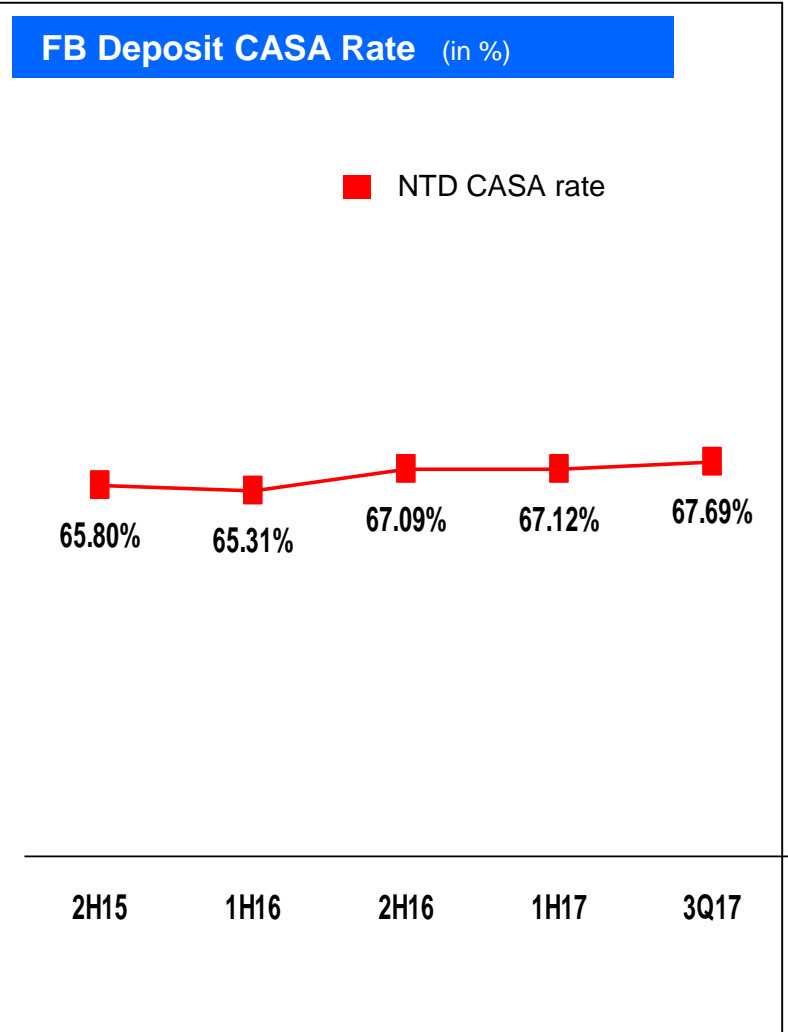
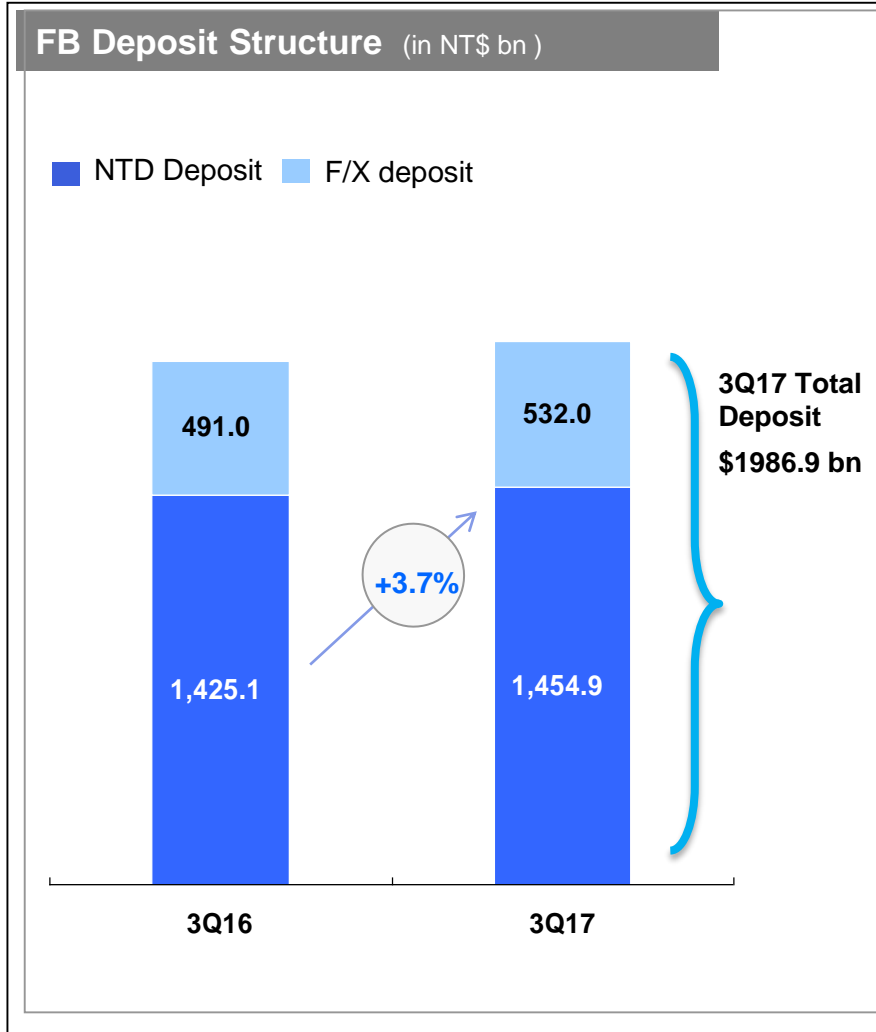


1. Total Loan = loan + import/export negotiation + NALs

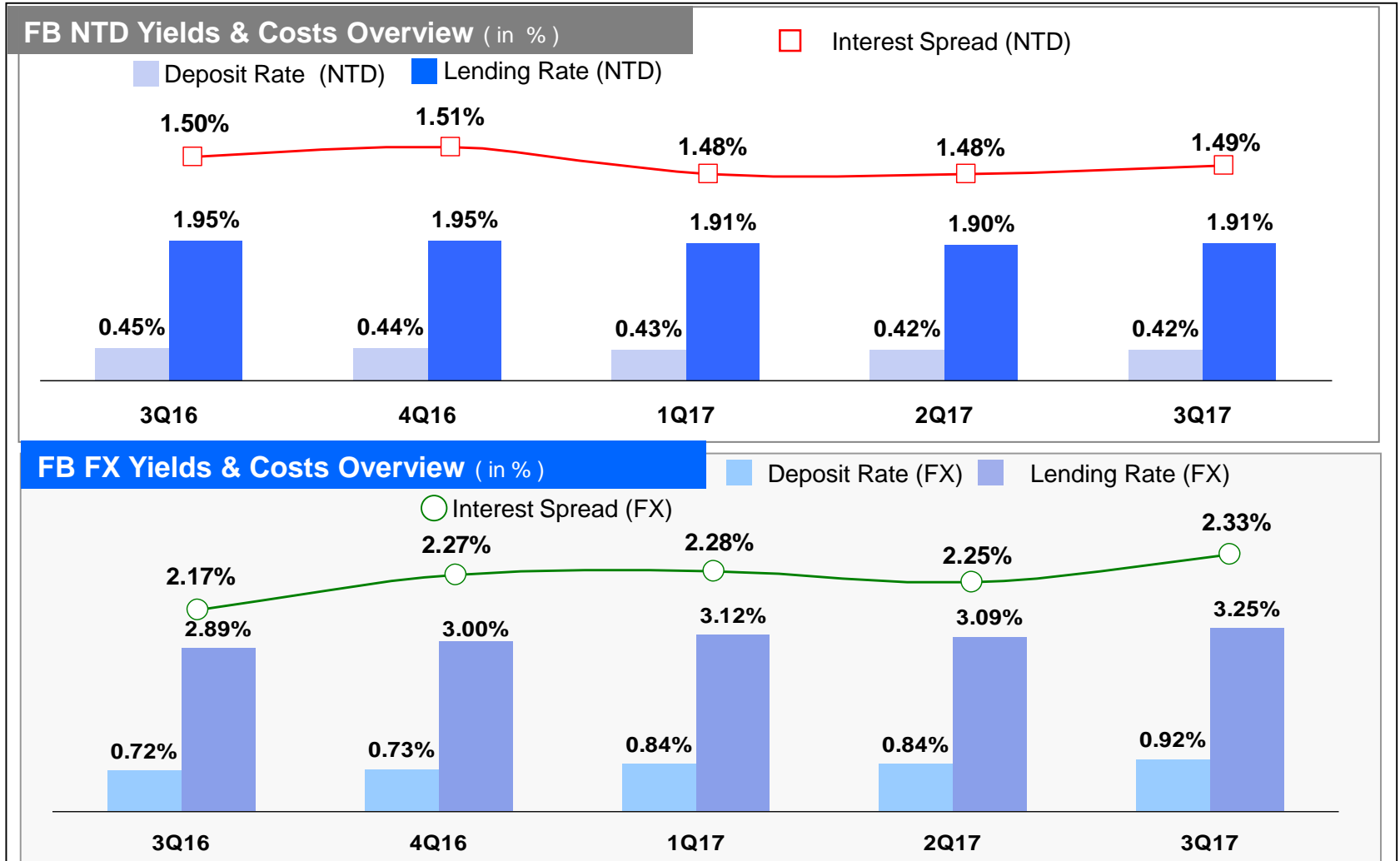
2. LDR = Total loan / Total deposit, starting from 2012, total deposit does not include structured deposit.

3. Annual cumulative Average Spread and NIM

# FB 3Q17 Deposit Mix

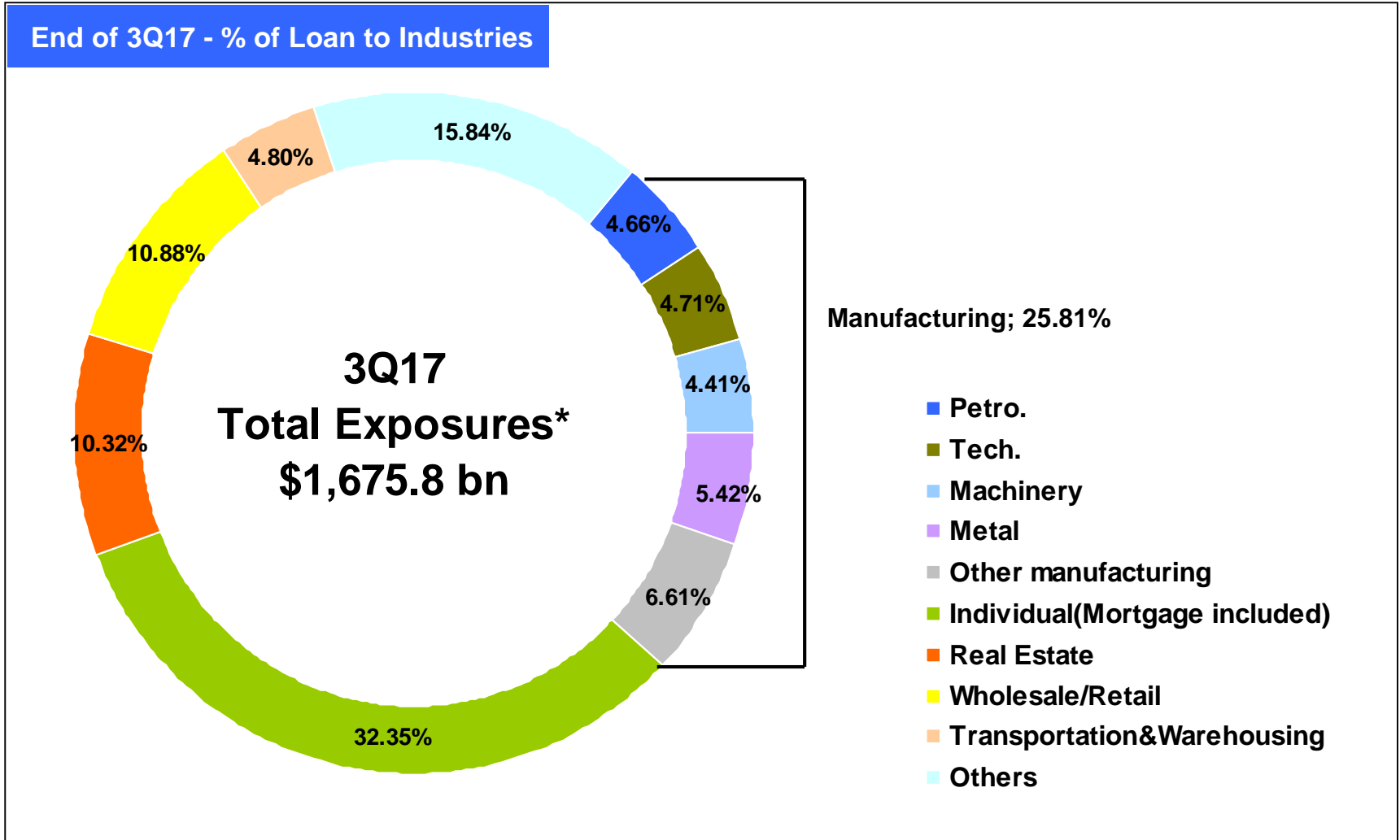


# FB 3Q17 Loan Yields



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

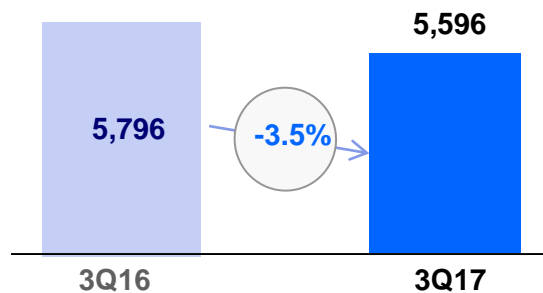
# Major Exposures Breakdown



1. Total exposures does not includes NALs and investment.

# FB 3Q17 Fee Income Breakdown

3Q17 Cumulative Net Fee Income (in NT\$ mn or %)

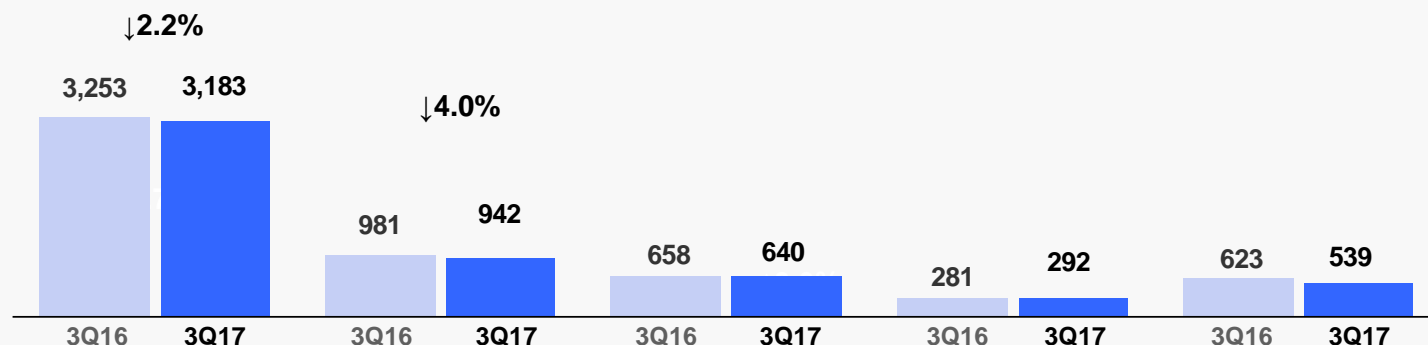


Net Fee Income

% of Cumulative Net Fee

Item	3Q16	3Q17	Change
WM <sup>1</sup>	56.1%	56.9%	+0.8%
Loan-related	16.9%	16.9%	-0.0%
F/X	11.4%	11.4%	+0.0%
Credit Card	4.8%	5.2%	+0.4%
Other <sup>2</sup>	10.8%	9.6%	-1.2%
<b>Cumulative Net Fee</b>	<b>100.0%</b>	<b>100.0%</b>	

3Q17 Cumulative Net Fee Breakdown (in NT\$ mn)



WM Fee<sup>1</sup>

Loan-related

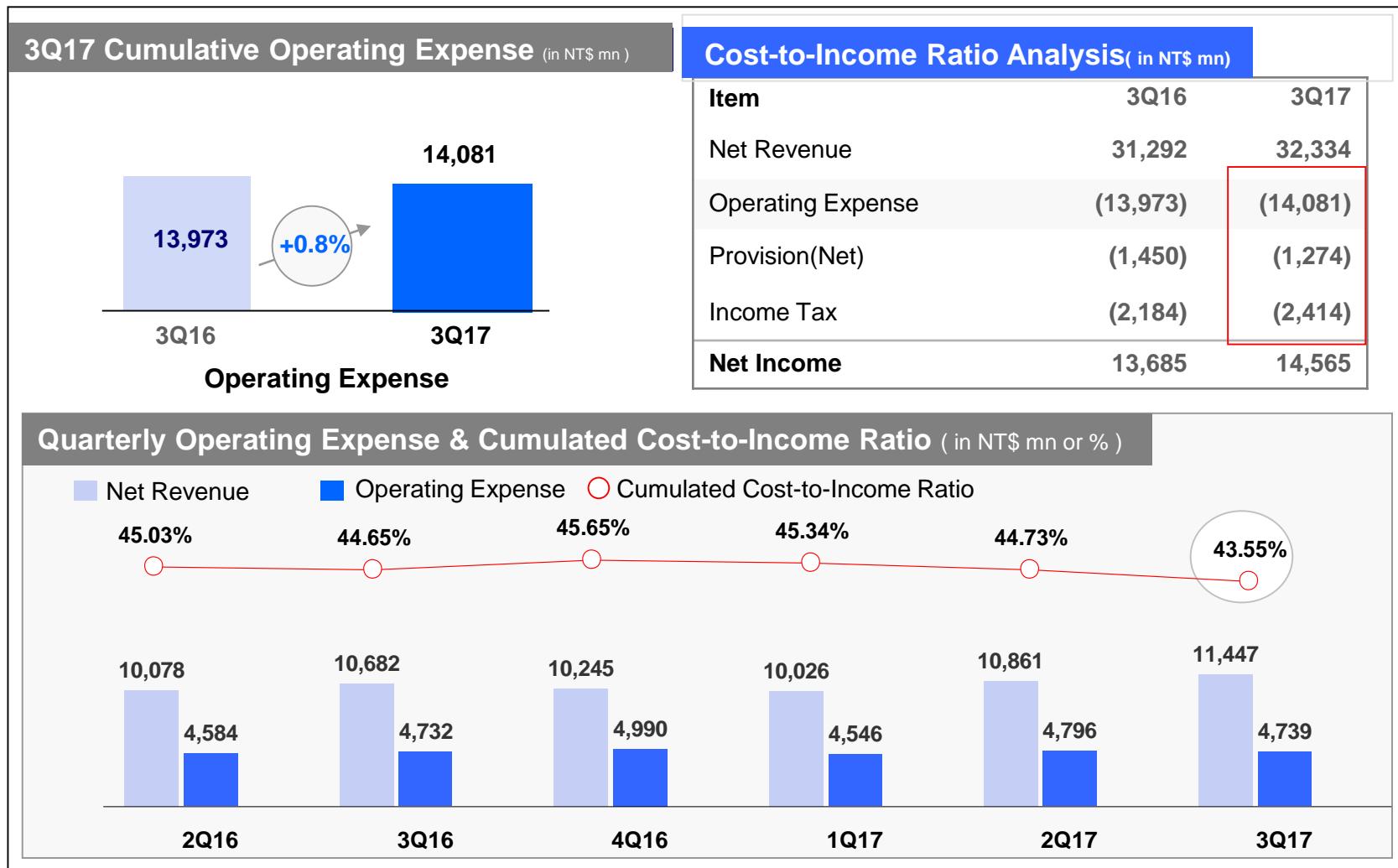
F/X

Credit Card

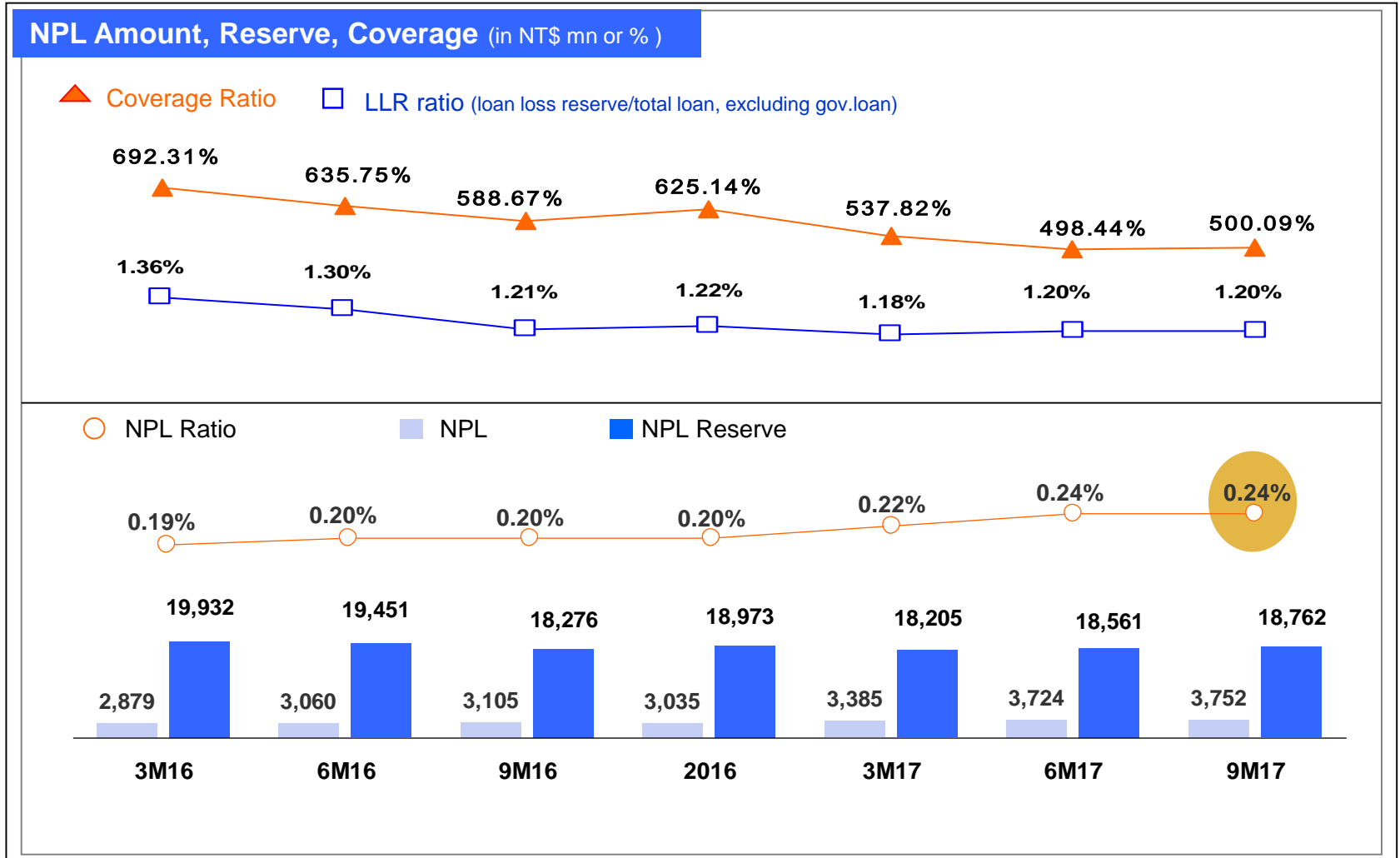
Other<sup>2</sup>

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

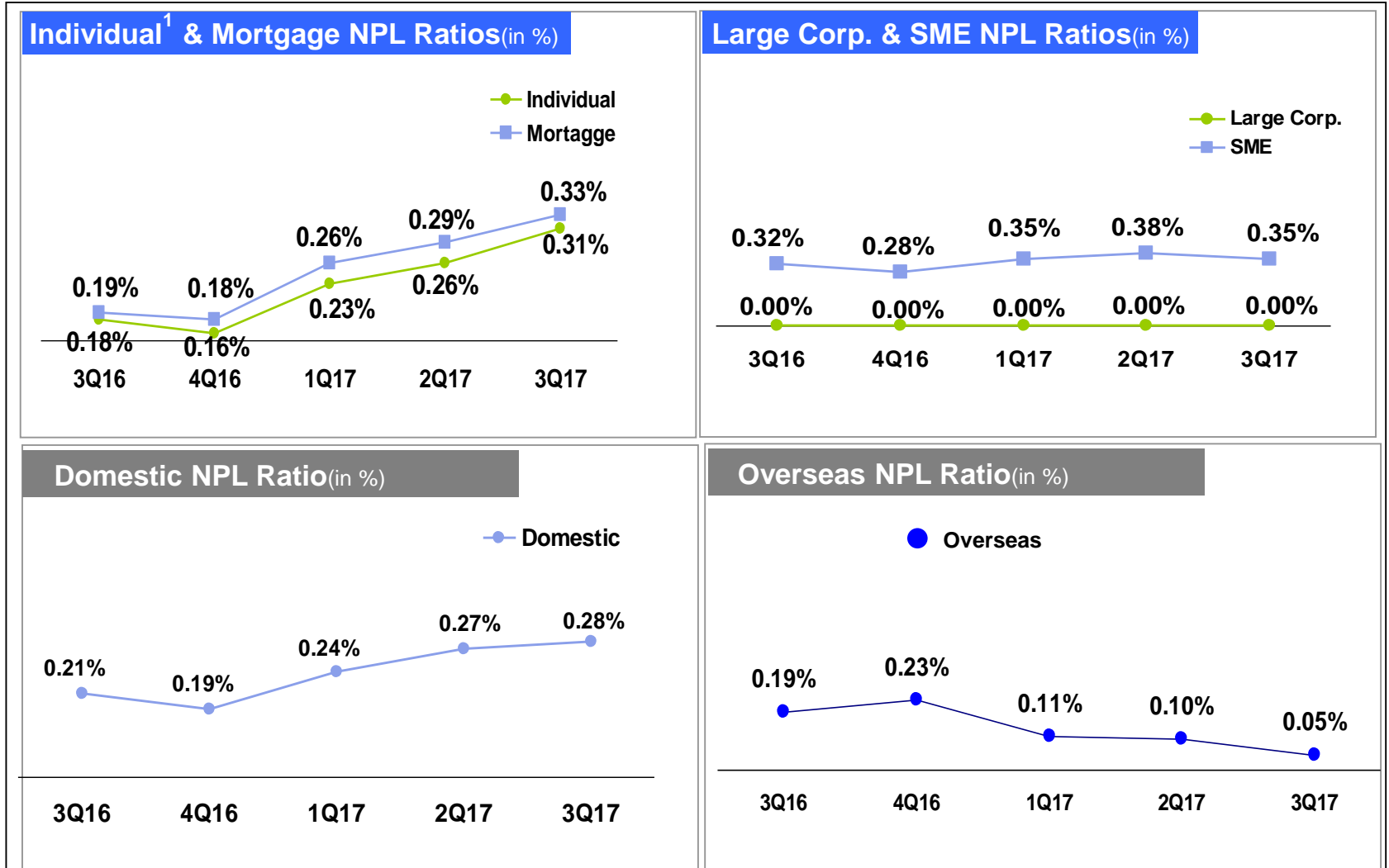
# FB 3Q17 Cost-to-Income Ratio



# FB 3Q17 Asset Quality



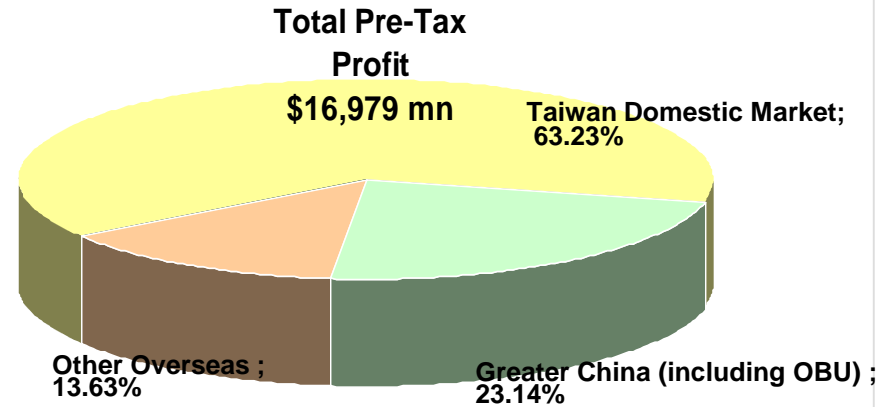
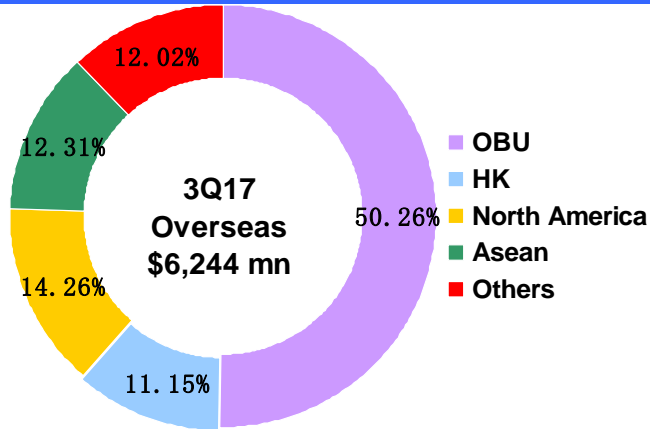
# FB NPL Migration by Sectors



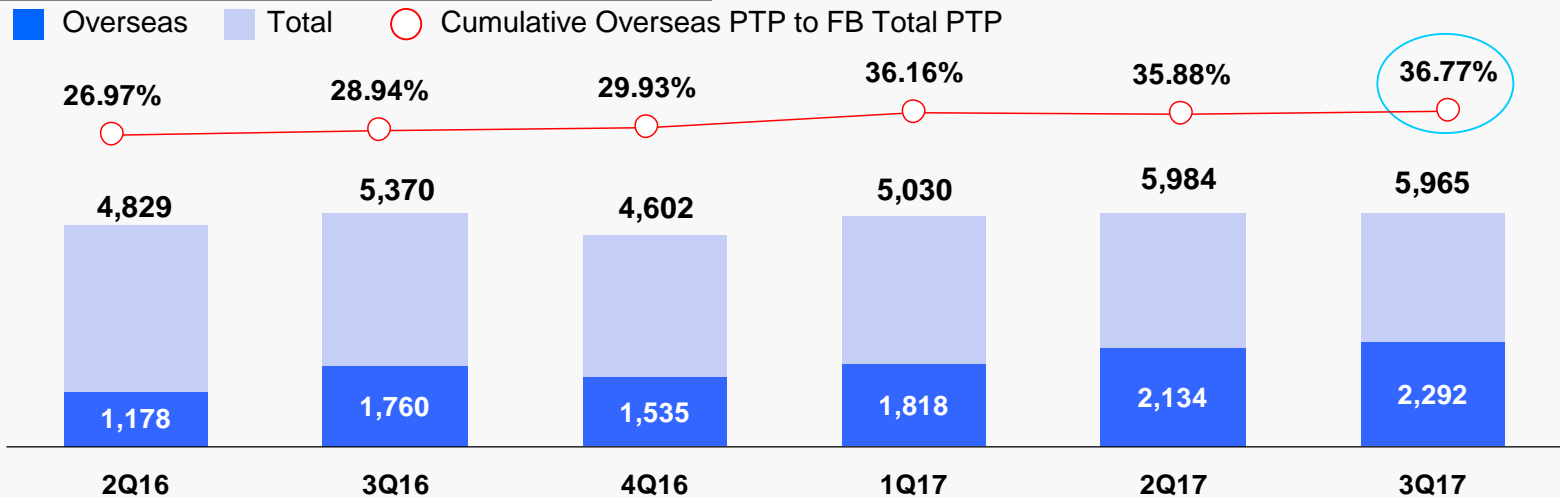
1. Individual: mortgage and non-mortgage loan included  
 2. bad-debt recovery not included.

# FB 3Q17 Overseas Profits

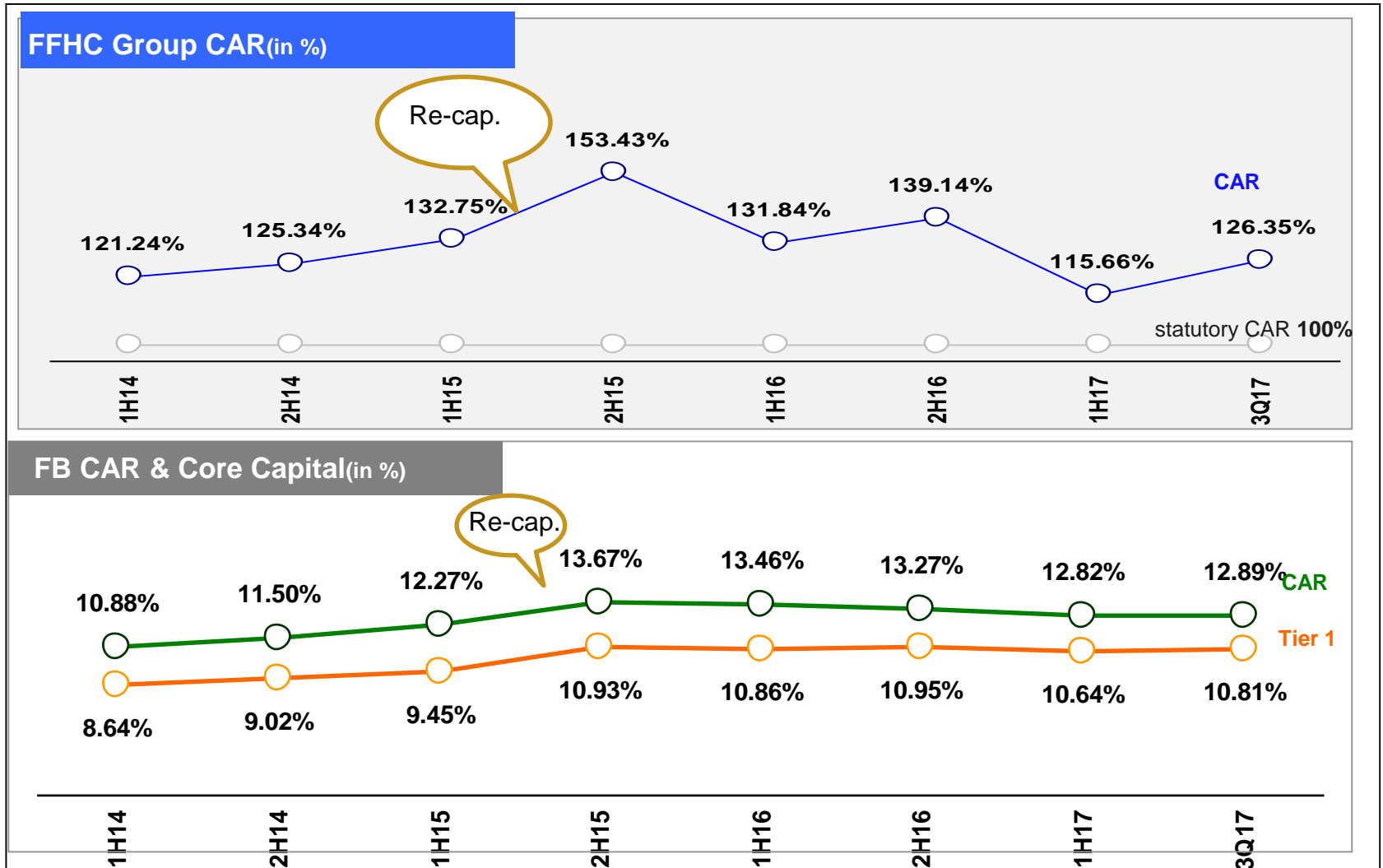
3Q17 FB Total Pre-Tax Profit Mix ( in NT\$ mn or % )



Quarterly Overseas & Total PTP (in NT\$ mn or %)



# CAR & Core Capital



- Preliminary data.
- 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 %)

	IFRSs			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
Net interest income	28,278	28,452	28,801	21,437	22,410	4.5%
Net service fee & commission	7,428	8,502	8,723	6,736	6,217	-7.7%
Net Insurance revenue	(6,533)	121	1,351	736	3,210	--
Gain on financial assets meas. at fair value through P/L	1,373	1,152	2,569	2,502	4,036	61.3%
Real estate investment gain	172	146	163	94	58	-38.3%
Gain on AFS financial assets	417	541	951	881	892	1.2%
Income from equity invest.	(26)	(588)	(75)	(131)	113	--
Net gain on F/X	2,172	1,707	935	(62)	(118)	90.3%
Assets impairment loss	(6)	(10)	(39)	(39)	(53)	--
Others	911	825	1,712	1,615	804	-50.2%
Ner Revenue	34,186	40,848	45,091	33,769	37,569	11.3%
Net Provision for credit losses	(4,015)	(518)	(2,244)	(1,641)	(1,182)	--
Recovered(provided) for insurance res.	7,101	540	(871)	(373)	(2,793)	--
Operating Expense	(20,789)	(21,893)	(21,779)	(16,048)	(16,198)	0.9%
Income from continued op. before tax	16,483	18,976	20,197	15,707	17,396	10.8%
Income tax expenses	(2,405)	(3,014)	(2,913)	(2,300)	(2,564)	11.5%
Consolidated net income	14,078	15,962	17,284	13,407	14,832	10.6%
Other Items	3,420	413	(2,354)	(793)	(485)	-38.8%
Comprehensive Income	17,497	16,375	14,930	12,614	14,347	13.7%
Net Income attributed to:						
Parent	14,085	16,006	17,356	13,449	14,872	10.6%
Minority interests	(7)	(44)	(72)	(42)	(40)	--
Comprehensive Income attributed to:						
Parent	17,542	16,461	15,023	12,609	14,337	13.7%
Minority interests	(45)	(86)	(93)	5	10	100.0%
EPS <sup>1</sup> (NT\$)	1.43	1.48	1.45	1.10	1.22	10.9%

# FFHC Non-consolidated Income Statement

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

	Full Year Results			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
Operating revenues						
Income from long-term investment	13,904	16,431	17,857	13,772	14,997	8.9%
Other income <sup>1</sup>	289	213	242	240	244	1.7%
Total revenues	14,194	16,644	18,099	14,012	15,241	8.8%
Loss from long-term investment	(8)	(114)	(304)	(183)	(42)	-77.0%
Operating expenses	(264)	(373)	(338)	(254)	(278)	9.4%
Other expenses and losses	(159)	(192)	(145)	(107)	(97)	-9.3%
Income from continued op. before tax	13,763	15,965	17,312	13,468	14,824	10.1%
Income from continued op. after tax	14,085	16,006	17,356	13,468	14,824	10.1%
Income from discontinued op., net of tax	0	0	0	0	0	--
Net income	14,085	16,006	17,356	13,450	14,872	10.6%
EPS <sup>2</sup> (NT\$)	1.43	1.48	1.45	1.10	1.22	10.9%

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 Year Results			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
<b>Non-consolidated Balance Sheet Data</b>						
Long-term investment	167,888	197,454	203,834	201,362	205,847	2.2%
Total non-consolidated assets	172,071	201,923	205,165	203,085	208,410	2.6%
Total liabilities	18,126	14,283	13,390	13,725	16,670	21.5%
Total shareholders' equity	153,945	187,640	191,775	189,360	191,740	1.3%
<b>Consolidated Balance Sheet Data</b>						
Total consolidated assets	2,355,709	2,500,096	2,541,156	2,530,944	2,585,733	2.2%
Total liabilities	2,201,332	2,312,109	2,349,127	2,341,231	2,393,729	2.2%
Total shareholders' equity	154,377	187,987	192,029	189,713	192,004	1.2%
Parent's shareholders' equity	153,945	187,640	191,775	189,361	191,740	1.3%
Minority interests	432	347	254	352	264	-25.0%
Current shares outstanding	92,593	114,611	119,769	119,769	122,164	2.0%

\*figures may not match due to rounding

## FFHC Key Ratios

### FFHC Key Ratios

	Full Year Results			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
After-tax ROAA (Annualized ratio)	0.61%	0.66%	0.69%	0.71%	0.77%	8.5%
After-tax ROAE (Annualized ratio)	9.53%	9.32%	9.10%	9.47%	10.29%	8.7%
Book Per Share	16.63	16.37	16.01	15.81	15.70	-0.7%
Capital Stock	92,593	114,611	119,769	119,769	122,164	2.0%
Double leverage <sup>1</sup>	109.06%	105.23%	106.29%	106.34%	107.36%	1.0%
Group CAR <sup>2</sup>	125.34%	153.43%	139.14%	139.49%	126.35%	-9.4%
Debt Ratio <sup>3</sup>	10.53%	7.07%	6.53%	6.77%	8.00%	18.2%

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

2. Updated semi-annually.

3. Non-consolidated basis.

# FB Income Statement

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

	IFRSs			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
Net interest income	27,138	27,496	27,797	20,687	21,566	4.2%
Net fee income	6,190	7,790	8,035	5,796	5,596	-3.5%
Net gain on ST invest.	(151)	(49)	274	176	307	74.4%
Net gain on LT invest.	666	177	433	827	726	-12.2%
Net gain on other fin. products	3,496	2,823	4,344	3,396	3,831	12.8%
Other net income	181	349	654	410	308	-24.9%
Net revenue	37,520	38,586	41,537	31,292	32,334	3.3%
Operating expenses	(17,736)	(18,997)	(18,963)	(13,973)	(14,081)	0.8%
Pre-provisiion pre-tax profit	19,784	19,589	22,574	17,319	18,253	5.4%
Provision expense	(6,161)	(3,027)	(4,396)	(2,647)	(3,519)	32.9%
Adjustment: bad-debt recovery	2,240	2,554	2,346	1,197	2,245	87.6%
Income before tax	15,862	19,115	20,524	15,869	16,979	7.0%
Income tax	(2,481)	(3,015)	(2,825)	(2,184)	(2,414)	10.5%
Net income	<b>13,381</b>	<b>16,100</b>	<b>17,699</b>	<b>13,685</b>	<b>14,565</b>	6.4%
Other items	3,242	995	(2,099)	(809)	(619)	-23.5%
Comprehensive income	16,623	17,095	15,599	12,876	13,946	8.3%
EPS	1.81	1.93	1.99	1.54	1.64	0.06

\*Preliminary data

## FB Key Ratios

### FB Key Ratios

	Full Year Results			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
Loan to deposit spread	1.55%	1.63%	1.65%	1.64%	1.64%	0.00%
Net Interest Margin	1.28%	1.26%	1.26%	1.26%	1.26%	0.00%
Cost to income ratio <sup>3</sup>	47.27%	49.23%	45.65%	44.65%	43.55%	-2.46%
Loan to deposit ratio <sup>1</sup>	83.03%	76.88%	79.04%	79.15%	78.89%	-0.33%
NPL ratio	0.20%	0.19%	0.20%	0.20%	0.24%	20.00%
<b>Gross Provision ratio</b>	1.24%	1.19%	1.16%	1.00%	1.15%	15.00%
<b>LLR ratio (excluding gov. loan)</b>	1.37%	1.40%	1.22%	1.21%	1.20%	-0.83%
Coverage ratio	680.71%	751.03%	625.14%	588.67%	500.09%	-15.05%
CAR	11.50%	13.67%	13.27%	13.36%	12.89%	-3.52%
Tier-1	9.02%	10.93%	10.95%	10.97%	10.81%	-1.46%
ROAA <sup>2</sup>	0.59%	0.69%	0.72%	0.75%	0.78%	4.00%
ROAE <sup>2</sup>	9.40%	9.56%	9.46%	9.83%	10.14%	3.15%

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		2017 Quarterly			Year-over-Year Comparison		
	2015	2016	Q1	Q2	Q3	3Q16	3Q17	Change
NPL- beginning	2,951	2,761	3,035	3,385	3,724	2,761	3,035	9.9%
Net new NPL influx	2,201	6,166	1,700	1,379	908	5,248	3,987	-24.0%
<i>Domestic</i>	1,306	4,611	1,320	1,385	880	3,889	3,585	-7.8%
<i>Overseas</i>	895	1,555	380	(6)	28	1,359	402	-70.4%
Net write-offs	(2,391)	(5,892)	(1,350)	(1,040)	(880)	(4,904)	(3,270)	-33.3%
NPL- ending balance	2,761	3,035	3,385	3,724	3,752	3,105	3,752	20.8%
Allowance for loan loss- beginning	20,089	20,738	18,973	18,205	18,561	20,738	18,973	-8.5%
Provisions for loan loss	2,919	4,238	775	1,374	1,188	2,561	3,337	30.3%
Net write-offs	(2,391)	(5,892)	(1,350)	(1,040)	(880)	(4,904)	(3,270)	-33.3%
Others	121	(111)	(193)	22	(107)	(119)	(278)	133.6%
Allowance for loan loss- ending	20,738	18,973	18,205	18,561	18,762	18,276	18,762	2.7%
Recovery from bad debt	2,554	2,346	424	1,310	277	1,198	2,011	67.9%
<i>Domestic</i>	2,213	2,075	369	1,169	253	1,115	1,791	60.6%
<i>Overseas</i>	282	214	43	128	9	39	180	361.5%
<i>Credit card</i>	59	57	12	13	15	44	40	-9.1%

1. Non-consolidated basis

# First Sec. Operating Report

## First Sec Income Statement Summary

in NT\$ million or %

	Full Yr		Full Year Results		Year-over-Year Comparison		
	2014		2015	2016	3Q16	3Q17	Change
Brokerage commission	803	Brokerage commission	753	645	499	605	21.2%
Net interest income	335	Net interest income	315	292	221	222	0.5%
Underwriting commission	38	Underwriting commission	53	23	19	33	73.7%
Priciple transaction gains, net	187	Transaction gains through F/V, net	217	(12)	57	173	203.5%
Other operating income	63	Other operating income	125	93	91	95	4.4%
Total operating income	1,426	Total operating income	1463	1,041	887	1,128	27.2%
Total operating expenses	(1,367)	Total operating expenses	(1,363)	(1,288)	(971)	(937)	-3.5%
Non-operating income	54	Non-operating income	64	42	36	51	41.7%
Income before tax	114	Income before tax	164	(205)	(48)	242	--
Income tax	(40)	Income tax	10	(24)	(27)	(23)	-14.8%
Cummulative effect of change in accounting principles	0	Cummulative effect of change in accounting principles	0		0	0	--
Net income	74	Net income	174	(229)	(75)	219	392.0%

## First Sec Key Ratios

ROAE (Annualized)	1.14%
ROAA (Annualized)	0.40%
Brokerage market share	1.57%
Margin loan market share	2.41%

## First Sec Key Ratios

ROAE (Annualized)	2.65%	-3.65%	-1.59%	1.68%
ROAA (Annualized)	0.92%	-1.30%	-0.55%	4.79%
Brokerage market share	1.58%	1.45%	1.52%	1.56%
Margin loan market share	2.56%	2.99%	2.82%	2.96%

# FSITC Operating Report

## FSITC Income Statement Summary in NT\$ million or %

	Full Year Results			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
Total operating income						
Management fee	513	464	440	330	351	6.4%
Sales service fee	1	1	5	4	4	--
Total operating income	514	465	445	334	355	6.3%
Operating expenses	(433)	(370)	(380)	(283)	(311)	9.9%
Non-operating income	14	26	11	10	9	-10.0%
Income before tax	95	120	76	61	53	-13.1%
Income tax	(16)	(18)	(12)	(10)	(8)	-20.0%
Income after tax	79	102	64	51	45	-11.8%
Cummulative effect of change in accounting principles	0	0	0	0	0	--
Net income	79	102	64	51	45	-11.8%
<b>FSITC Key Ratios</b>						
AUM	72,651	97,016	94,461	92,198	99,101	7.5%
AUM Ranking	11	8	8	11	7	--

1. Non-consolidated basis

## First-Aviva Financial Results Summary in NT\$ million or %

	Full Year Result			Year-over-Year Comparison		
	2014	2015	2016	3Q16	3Q17	Change
<b>Income Statement Summary</b>						
<b>Operating Revenue</b>	<b>14,903</b>	<b>11,576</b>	<b>7,520</b>	<b>5,295</b>	<b>9,073</b>	71.4%
Premium Income	13,436	11,820	7,235	5,593	7,876	40.8%
Other insurance income	136	233	244	181	201	11.0%
Net Investment Income	1,331	(476)	41	(479)	996	-307.9%
<b>Operating Cost</b>	<b>(14,531)</b>	<b>(11,164)</b>	<b>(7,157)</b>	<b>(5,019)</b>	<b>(8,763)</b>	74.6%
Reinsurance commission	(20)	(27)	(34)	(24)	(29)	20.8%
Reserves	(1,623)	(2,994)	2,037	1,801	(2,880)	-259.9%
Claims	(12,230)	(7,412)	(8,502)	(6,302)	(5,253)	-16.6%
Commission	(633)	(691)	(586)	(444)	(513)	15.5%
Others	(25)	(40)	(72)	(50)	(88)	--
<b>Operating Expenses</b>	<b>(397)</b>	<b>(501)</b>	<b>(513)</b>	<b>(362)</b>	<b>(416)</b>	14.9%
Sales related expenses	(88)	(113)	(83)	(48)	(93)	93.8%
Management expenses	(309)	(388)	(430)	(314)	(323)	2.9%
Other expense	0	0	0	0	0	--
<b>Profit/Loss of Operation</b>	<b>(25)</b>	<b>(89)</b>	<b>(150)</b>	<b>(86)</b>	<b>(106)</b>	23.3%
<b>Non-Operating Profit</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	--
<b>Profit/Loss Before Tax</b>	<b>(14)</b>	<b>(89)</b>	<b>(150)</b>	<b>(86)</b>	<b>(106)</b>	23.3%
Income tax	(1)	(1)	(3)	0	24	--
<b>Net Income after tax</b>	<b>(15)</b>	<b>(90)</b>	<b>(147)</b>	<b>(86)</b>	<b>(82)</b>	-4.7%
<b>Key Ratios</b>						
ROAE(Annualized ratio)	-1.60%	-11.26%	-23.91%	-16.16%	-20.83%	28.9%
ROAA(Annualized ratio)	-0.05%	-0.28%	-0.45%	-0.36%	-0.33%	-8.3%

\* FFHC claims 51% of First-Aviva operating results.

