

Investor/Analyst Briefing

1Q / 2016 (V.2)



Mega Holdings

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED MAR 31, 2016 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC WILL FILE ITS AUDITED FINANCIAL STATEMENTS THROUGH TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MAY 31, 2016.

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Agenda



Operation Highlights



Financial Performance

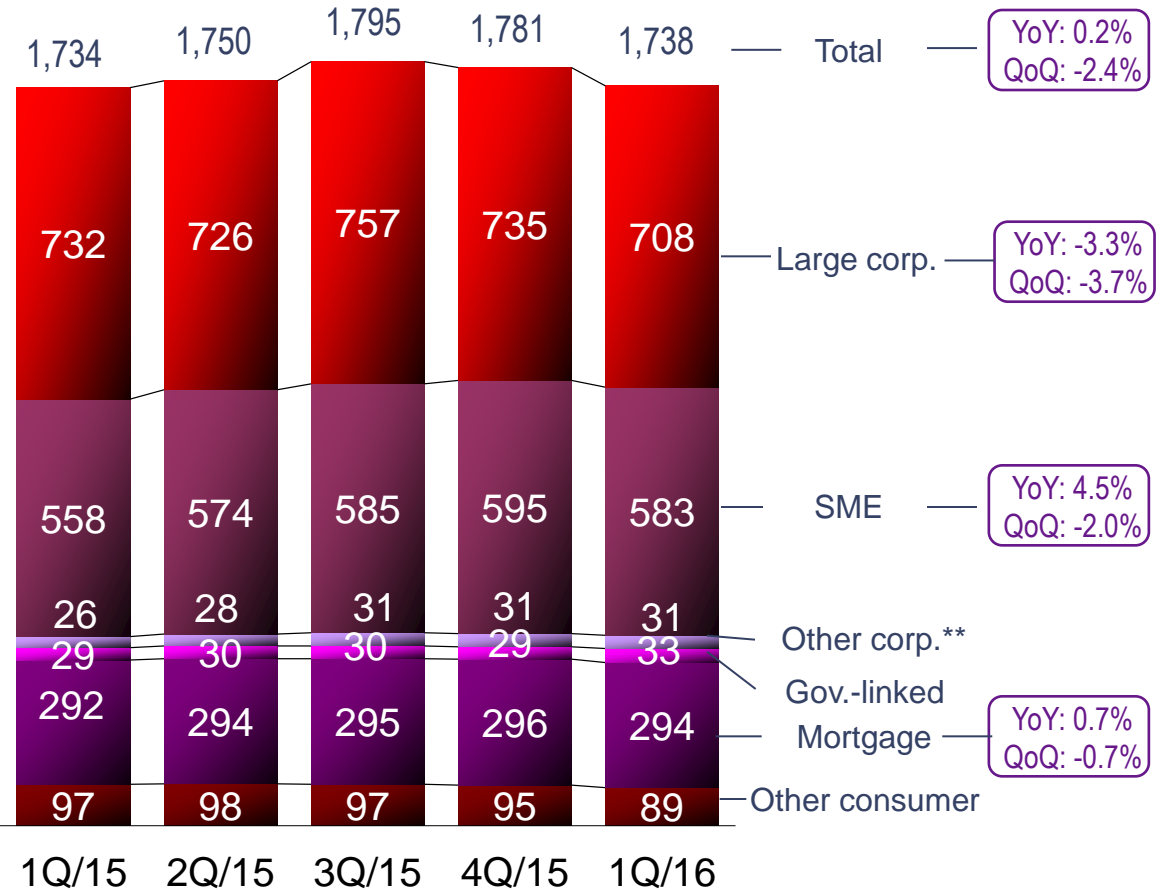


Appendix

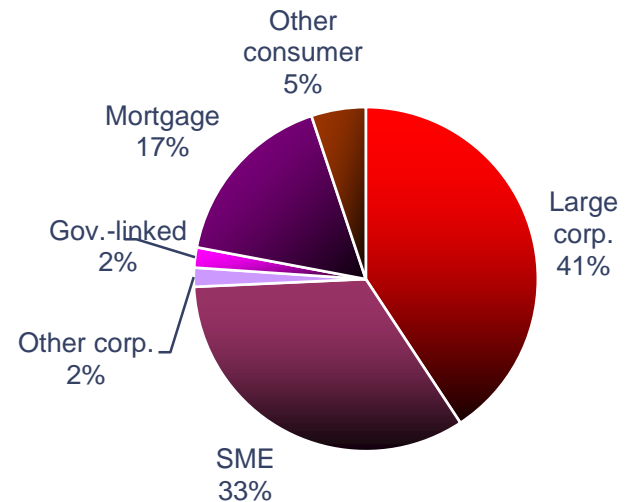
Growth remained challenging

Mega Bank quarterly loan balance*

Unit: NT\$bn



Mega Bank 1Q/16 loan breakdown by customer



* Mega Bank quarterly un-audited end balance, 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.

Growth from real estate, gov. agency and leisure industries were more than offset by others

Mega Bank loan balance trend by industry*

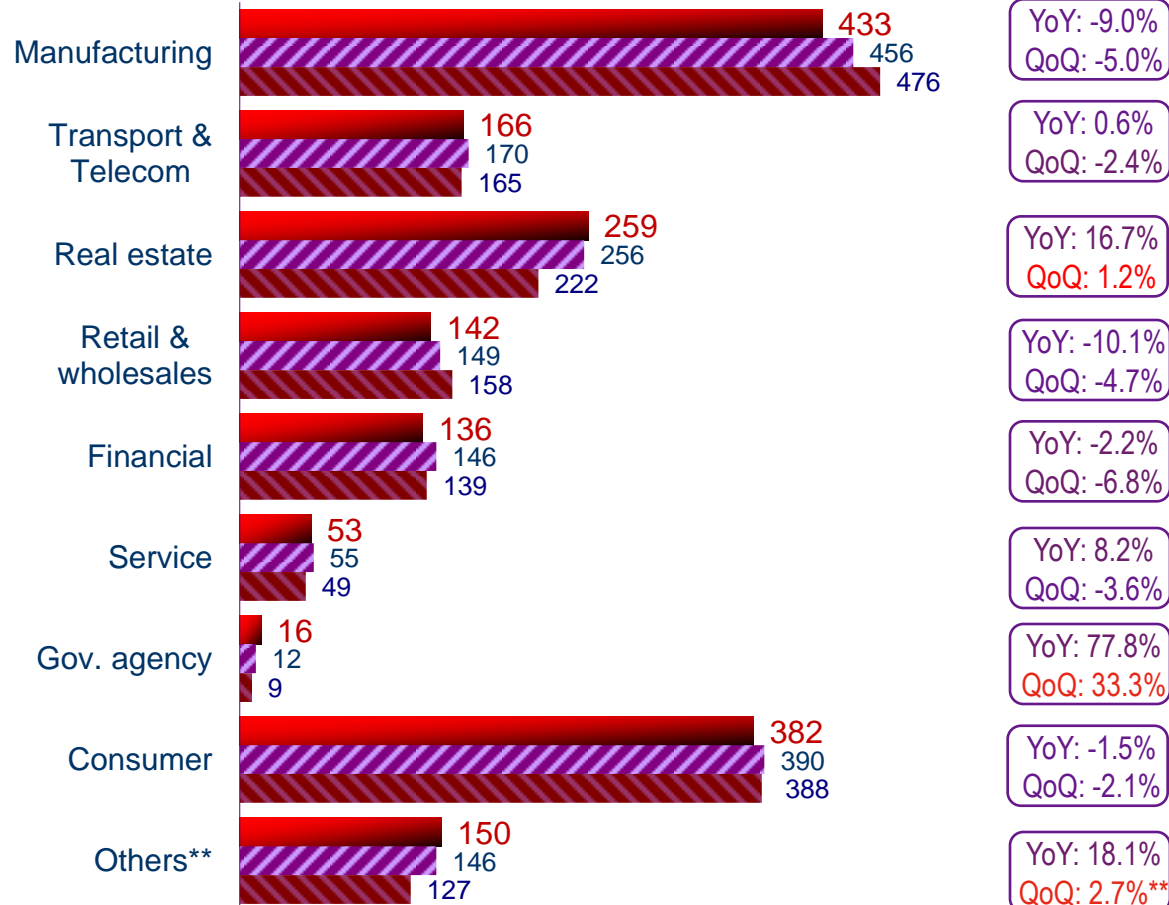
Unit: NT\$BN

■ 1Q/16

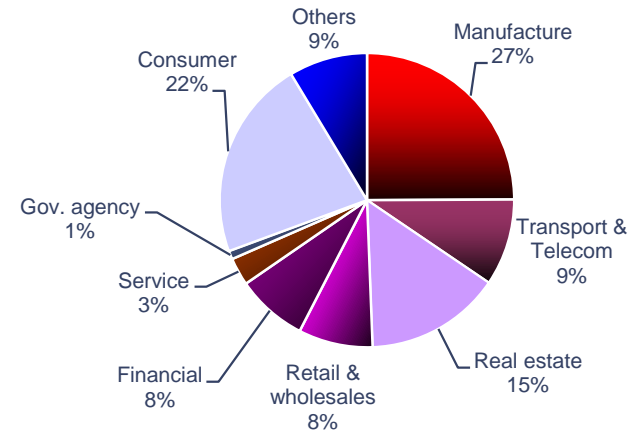
■ 4Q/15

■ 1Q/15

Growth Trend



Mega Bank 1Q/16 loan breakdown by industry*

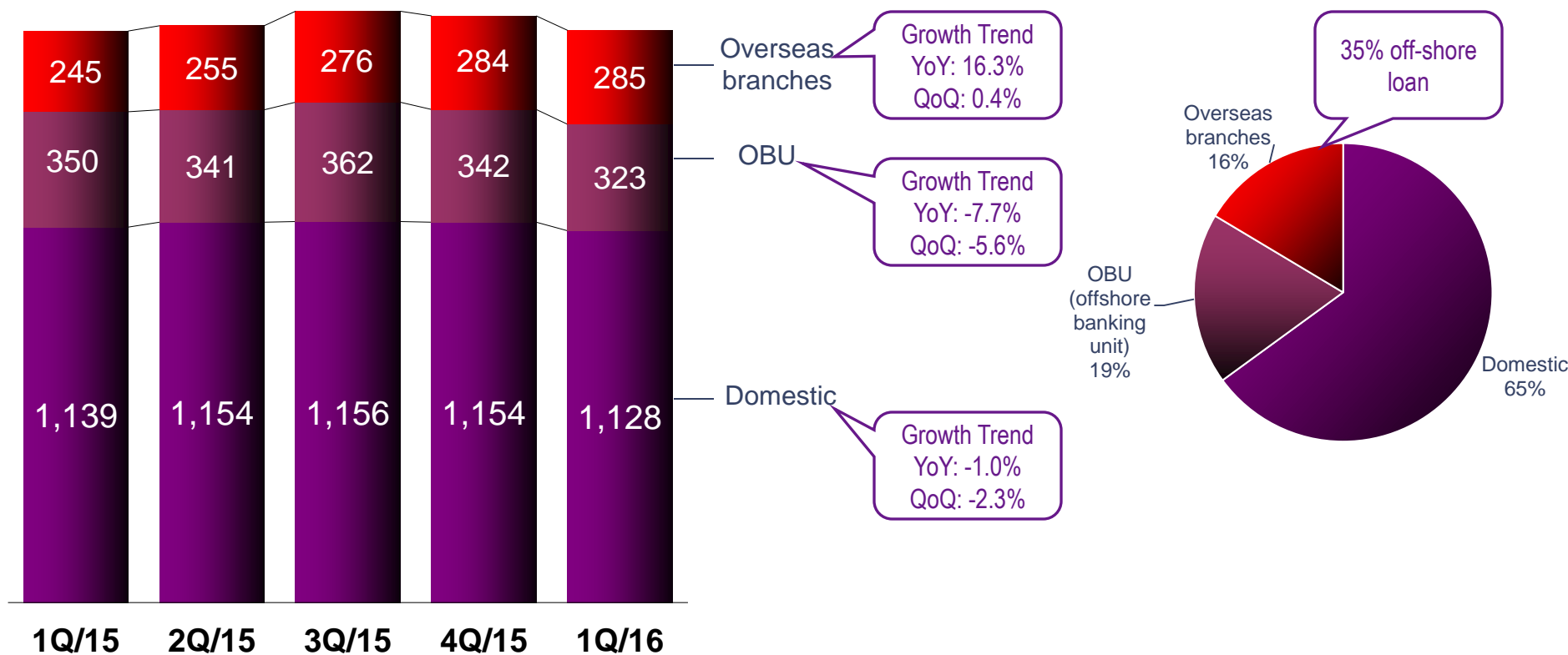


- * Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.
- ** Main growth driver for "Other Industry": leisure (hotel & restaurant) industry

Overseas branches loan growth was not enough the withstand the decline from others

Mega Bank 1Q/16 loan breakdown by regions *

Unit: NT\$bn



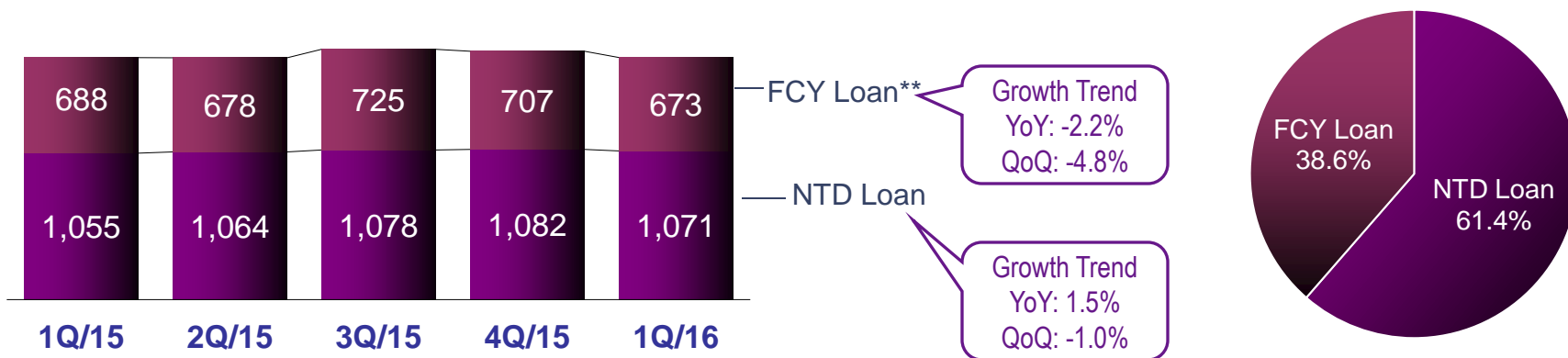
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

USD loan balance was flat; others were weak

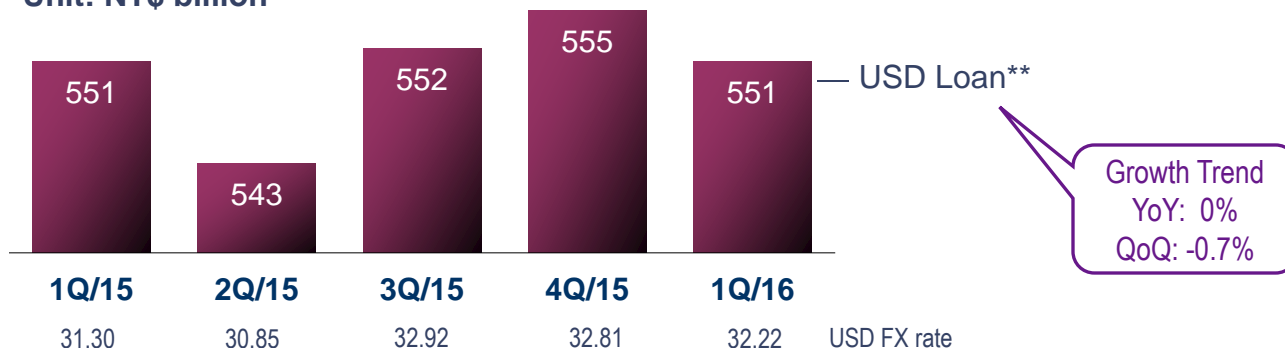
Mega Bank 1Q/16 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$ billion

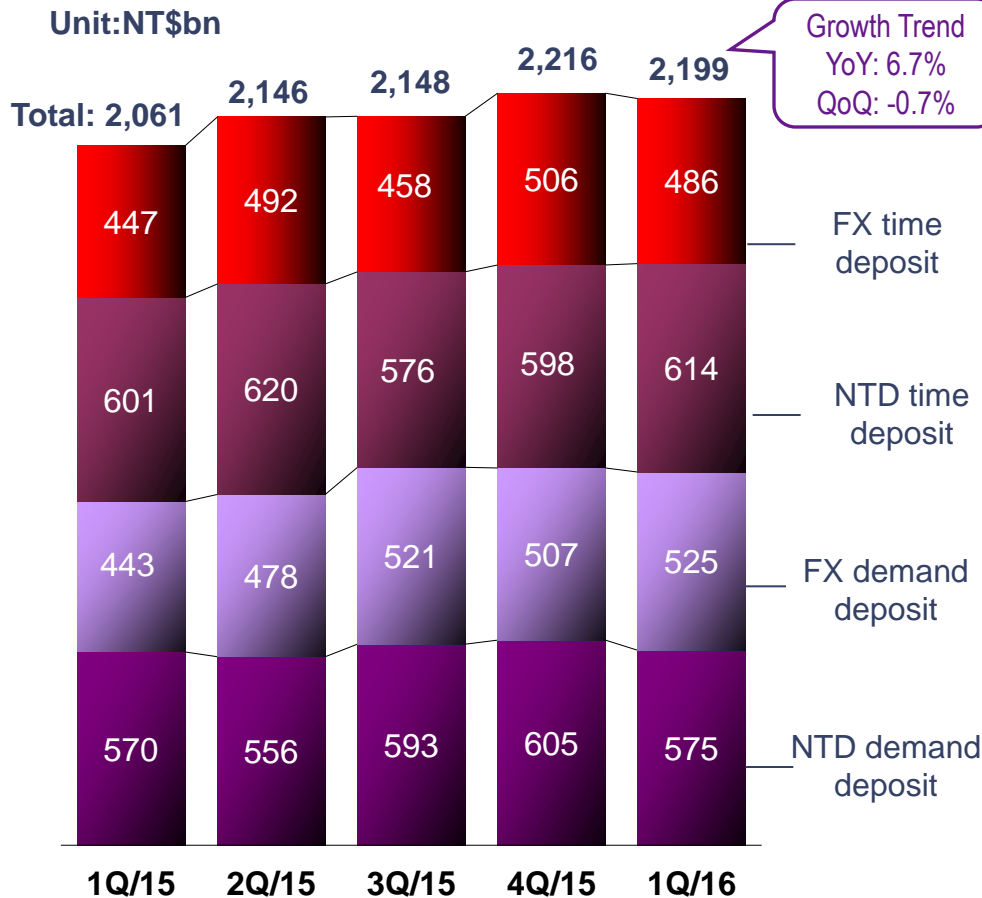


* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

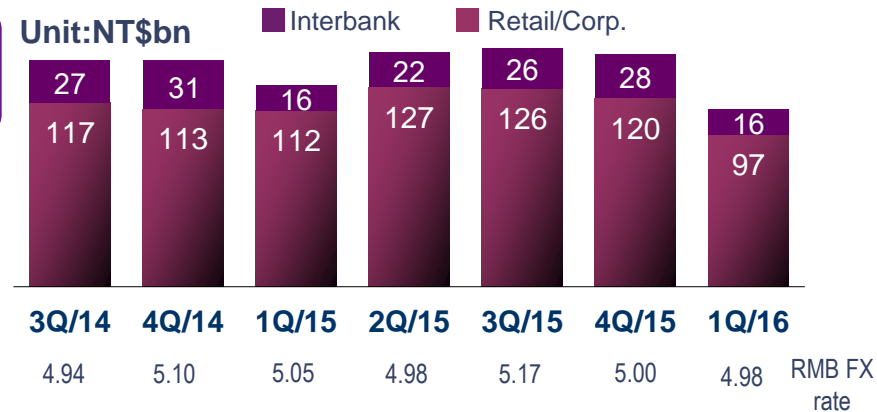
** Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

Excessive deposit issue was under control

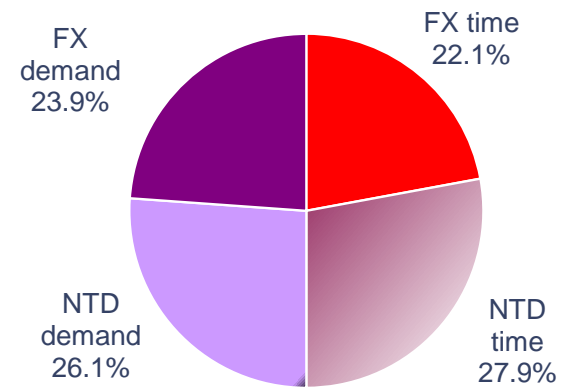
Mega Bank's deposit balance *



Mega Bank's RMB deposit**



Mega Bank's 1Q/16 deposit breakdown

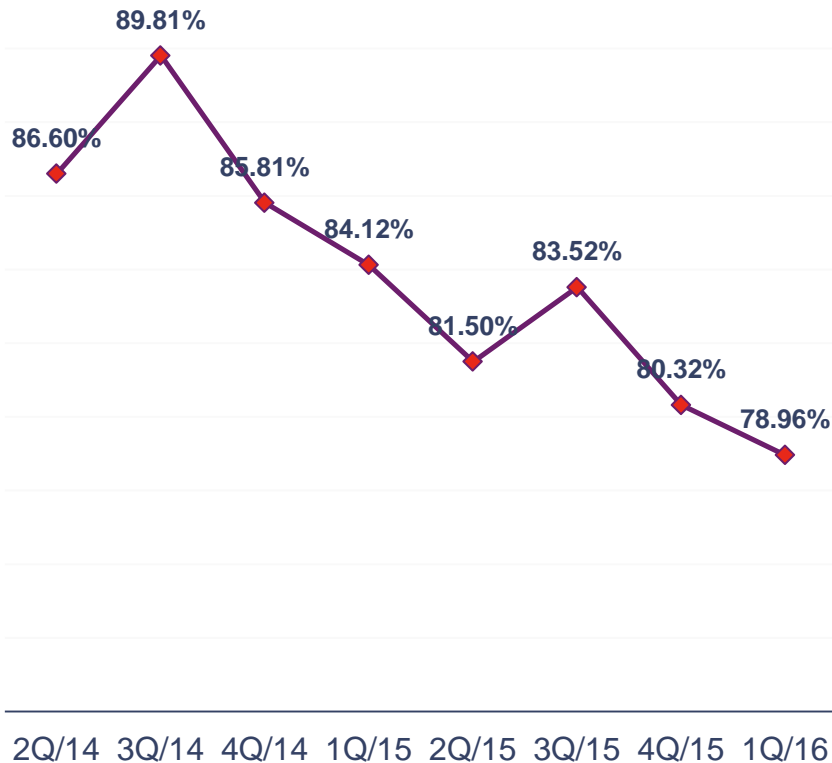


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

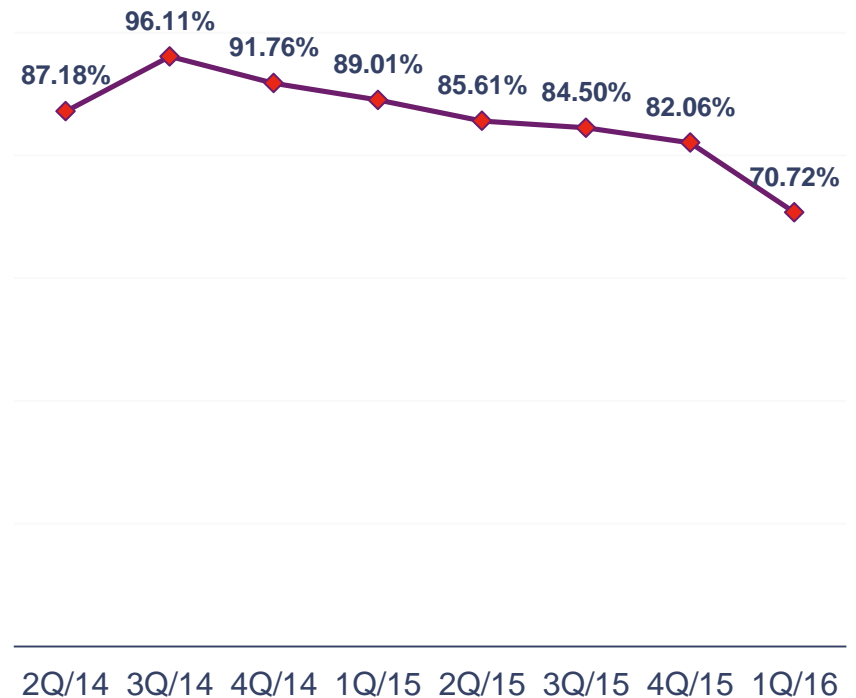
** Includes retail and corporate deposit but excludes due from central banks and banks

Loan contraction caused the LDR to dip further

Mega Bank's total LDR*



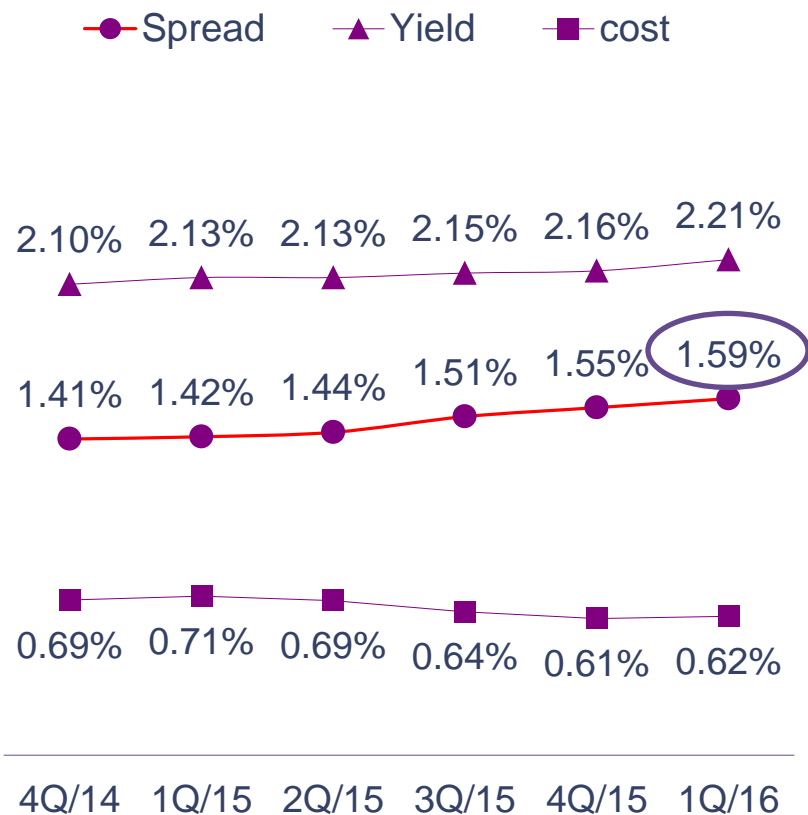
Mega Bank's USD LDR*



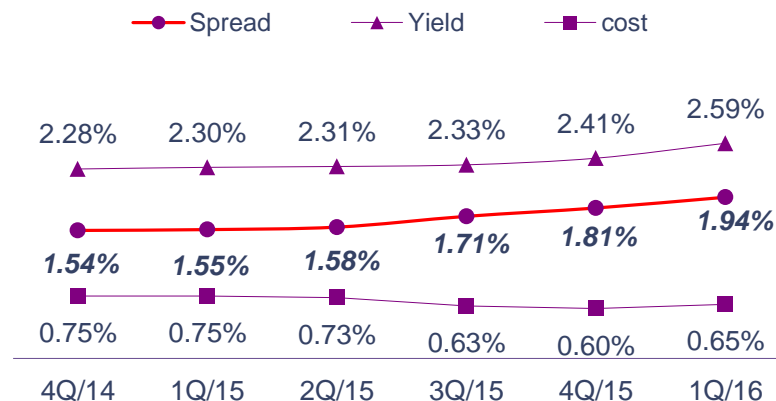
* LDR calculation is based on loan/deposit end balance

Overseas loan spread continued to climb higher

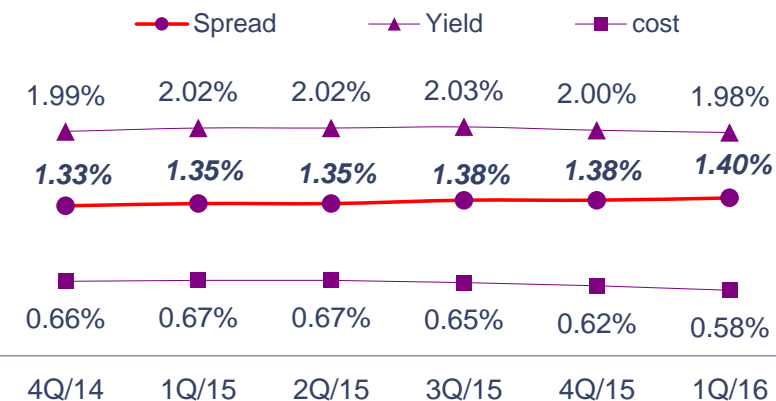
Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*

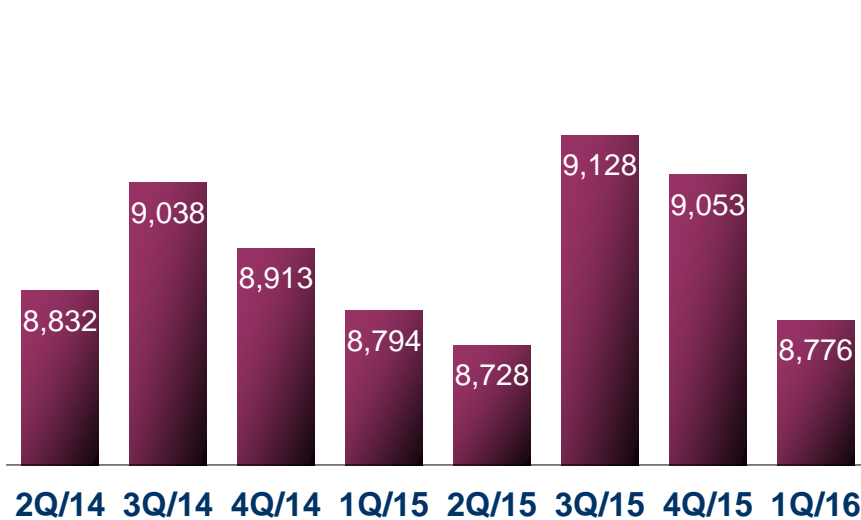


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers..

NII dipped lower; while interest earning assets were up

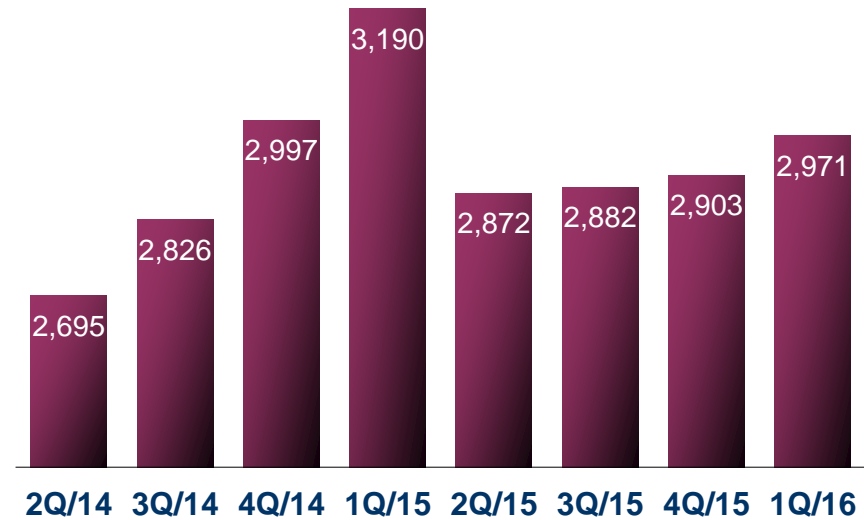
Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion



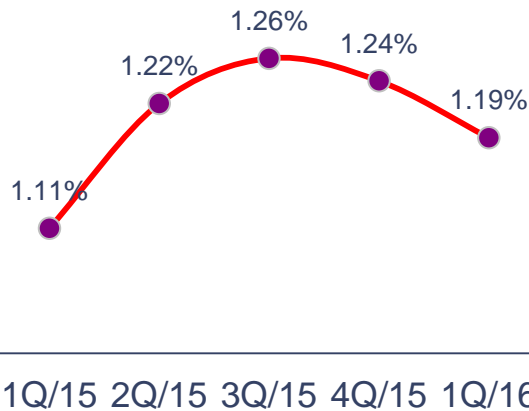
- ❖ Although spread widened, but loans contraction, idle deposits and lower LDR caused the NII to dip a bit lower.
- ❖ Interest earning assets were up.

* Stand-alone un-audited P&L net interest income

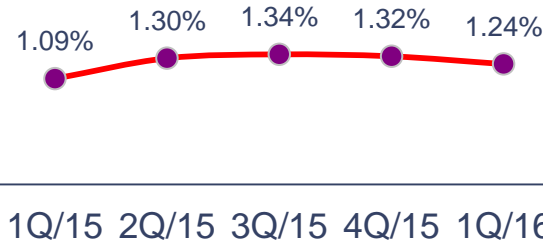
** Quarterly average interest earning assets

Total NIM was dragged down by RMB business

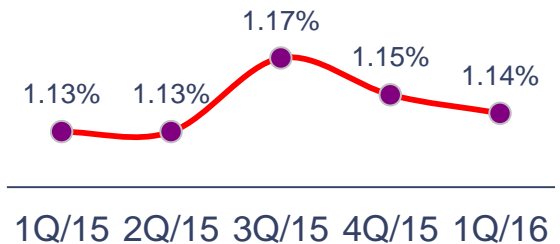
Mega Bank quarterly Total NIM*



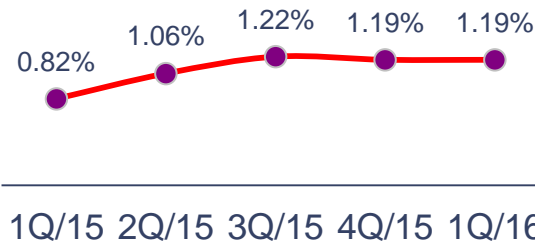
Mega Bank quarterly FCY NIM*



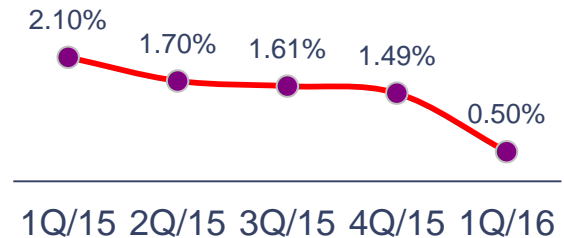
Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM*



Mega Bank monthly RMB NIM*

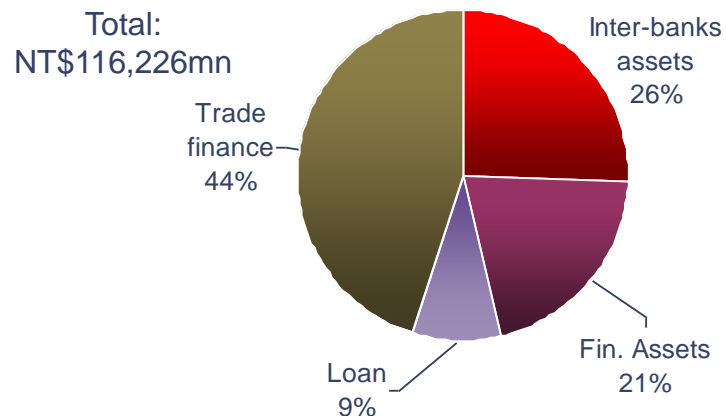


- ❖ Despite interest spread improvement, loan contraction, idle deposit and low LDR caused the USD and NTD NIM to stay flat.
- ❖ RMB business faced challenges, details can be found on P.13; as a result, RMB NIM tumbled and caused the overall NIM to dip further.

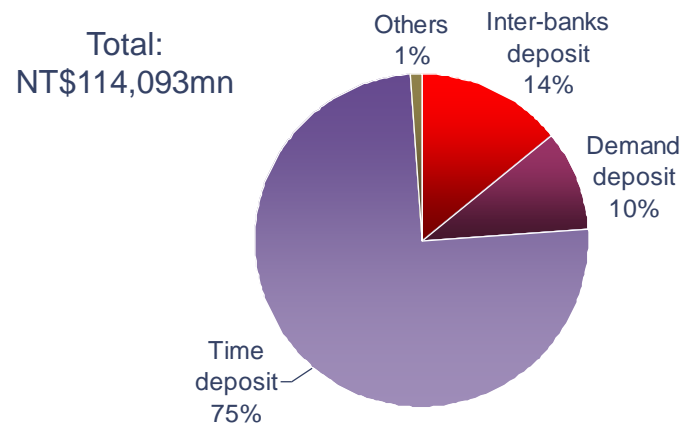
* NIM = annualized net interest income / average interest earning assets of that quarter.

RMB business scaled down

Mega Bank 1Q/16 RMB interest earning assets*

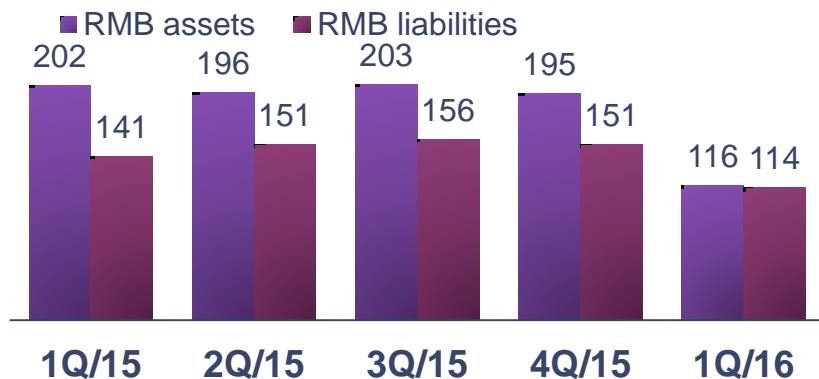


Mega Bank 1Q/16 RMB interest bearing liabilities*



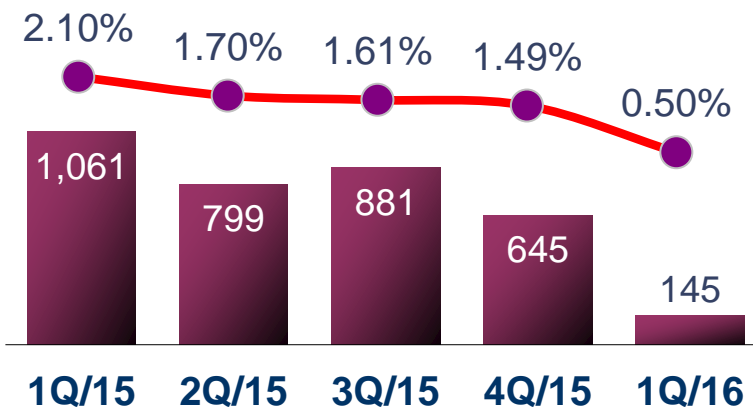
Mega Bank RMB assets & liabilities*

Unit: NT\$bn



Mega Bank RMB NIM & NII**

Unit: NT\$m

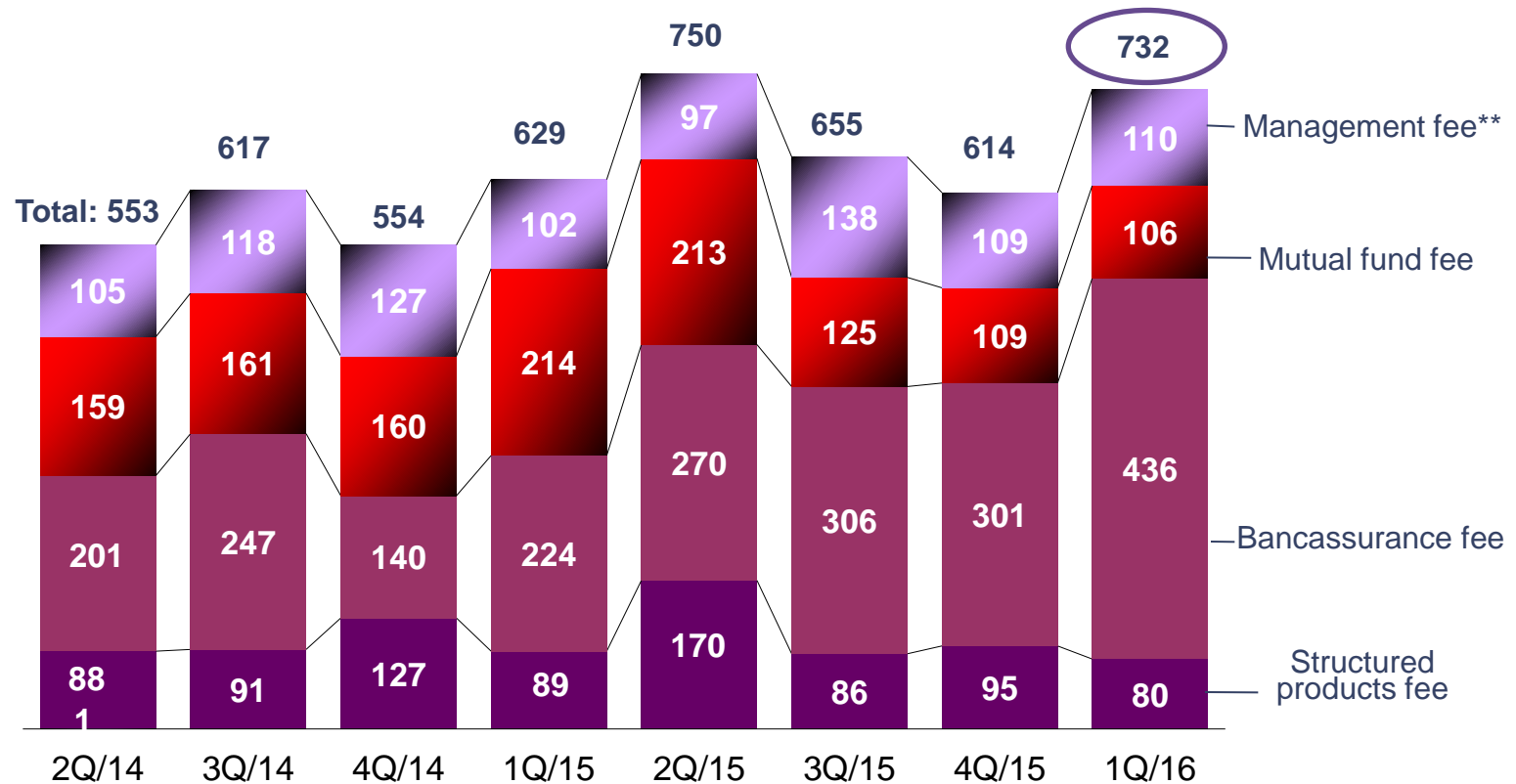


- * Daily average balance of that period
- ** NII: net interest income; NIM: net interest margin

Bacassurance fee outperformed

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.

Group fee was up 2.5% YoY, driven by WM, corp. loan, custodian and bills fee growth

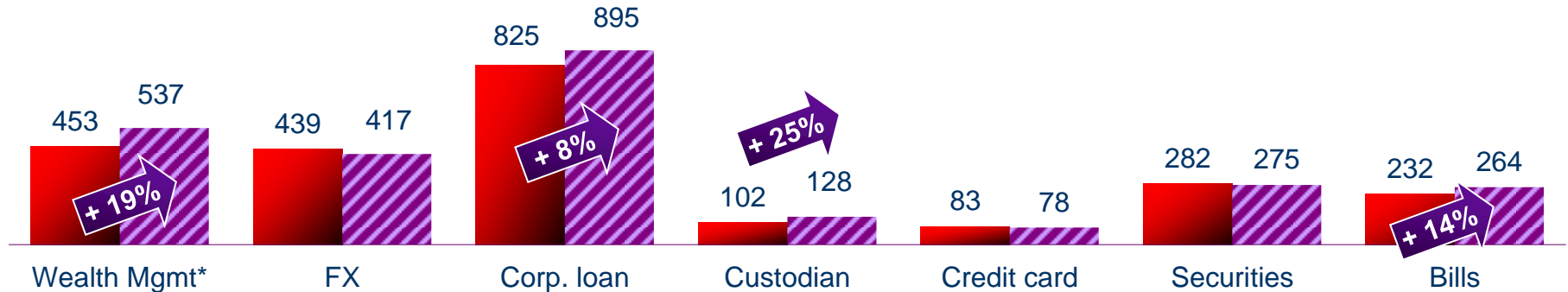
Mega Bank net fee breakdown

Mega Securities net fee

Mega Bills net fee

■ 1Q/15 ■ 1Q/16

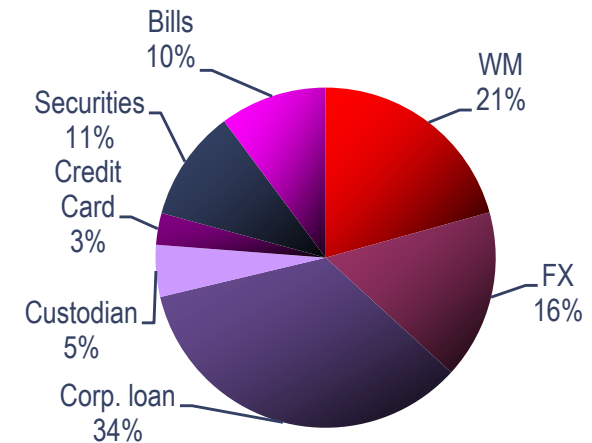
Unit: NT\$MN



Highlights

- ❖ Bank WM net fee was up 19% YoY due to strong bancassurance sales fee.
- ❖ Bank corp. loan fee was up 8% YoY, driven by syndication loan fee.
- ❖ Custodian fee was up 25% YoY, driven by strong institutional account demand.
- ❖ Bills sub. fee was up 14% YoY due to better CP issuance fee.

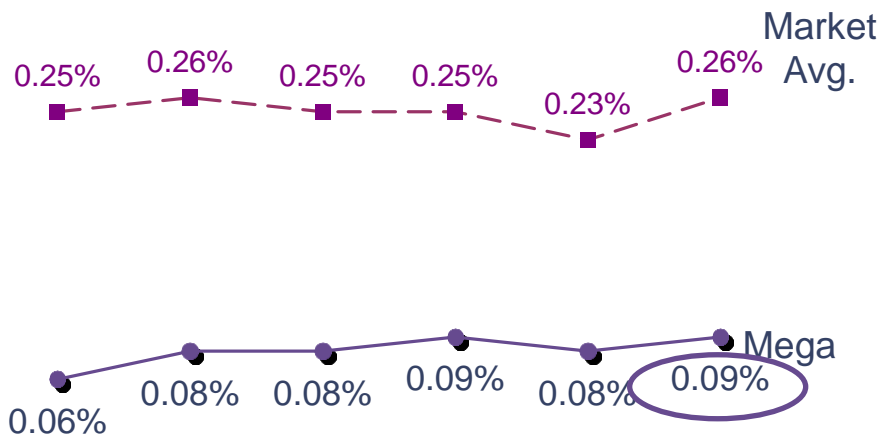
Mega FHC 1Q/16 net fee breakdown



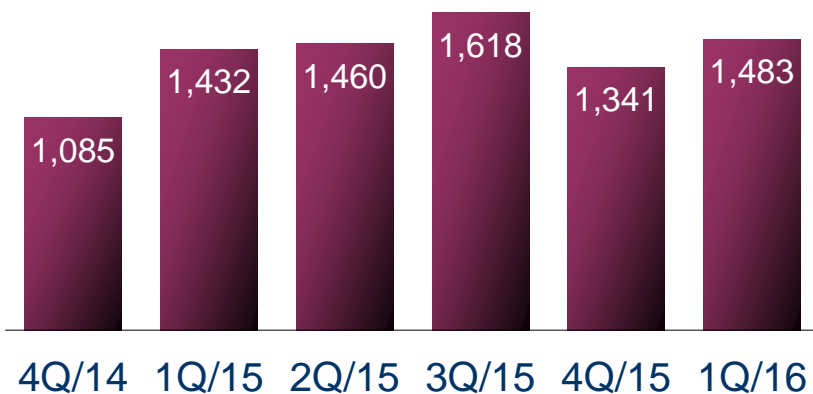
* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

Asset quality remained strong; reserve pushed higher

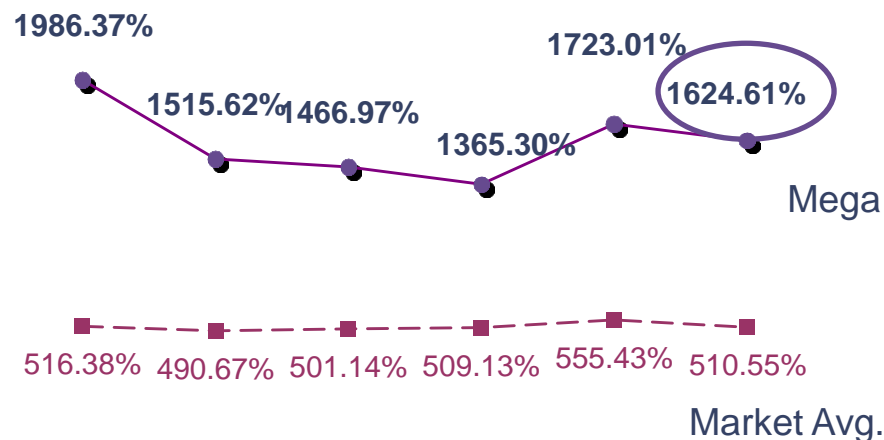
Mega Bank NPL balance & NPL ratio*



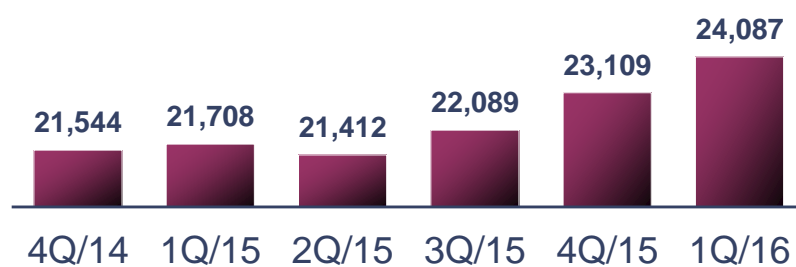
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



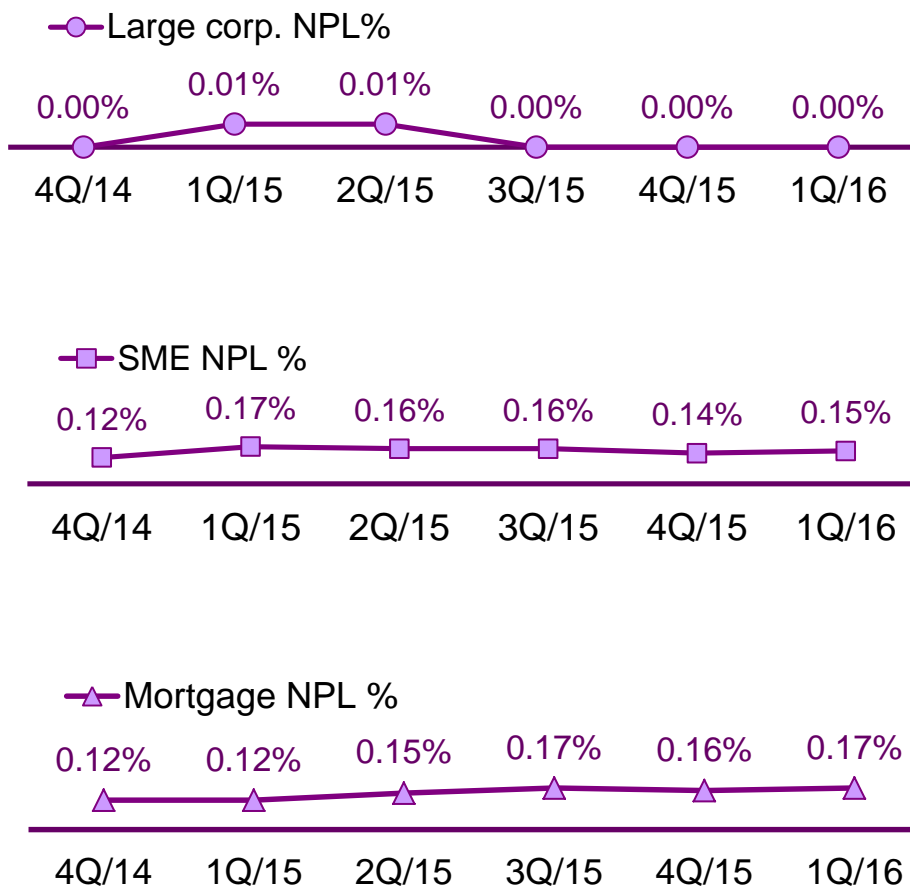
Unit: NT\$MN



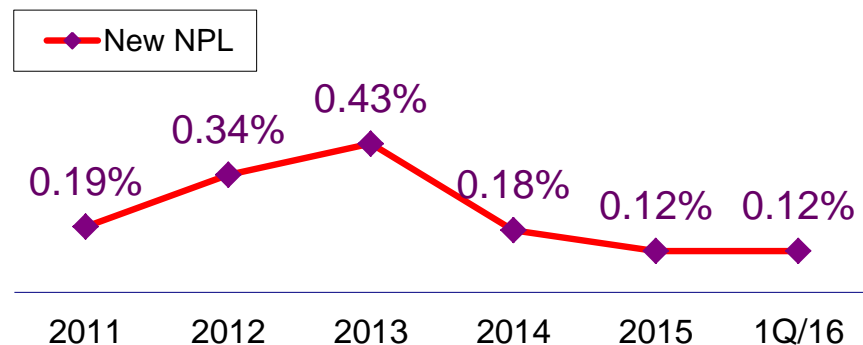
* 90 days standard

No sign of asset quality deterioration

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.

** Annualized new NPL balance / total loan. Mega Bank Internal number.

Agenda



Operation Highlights



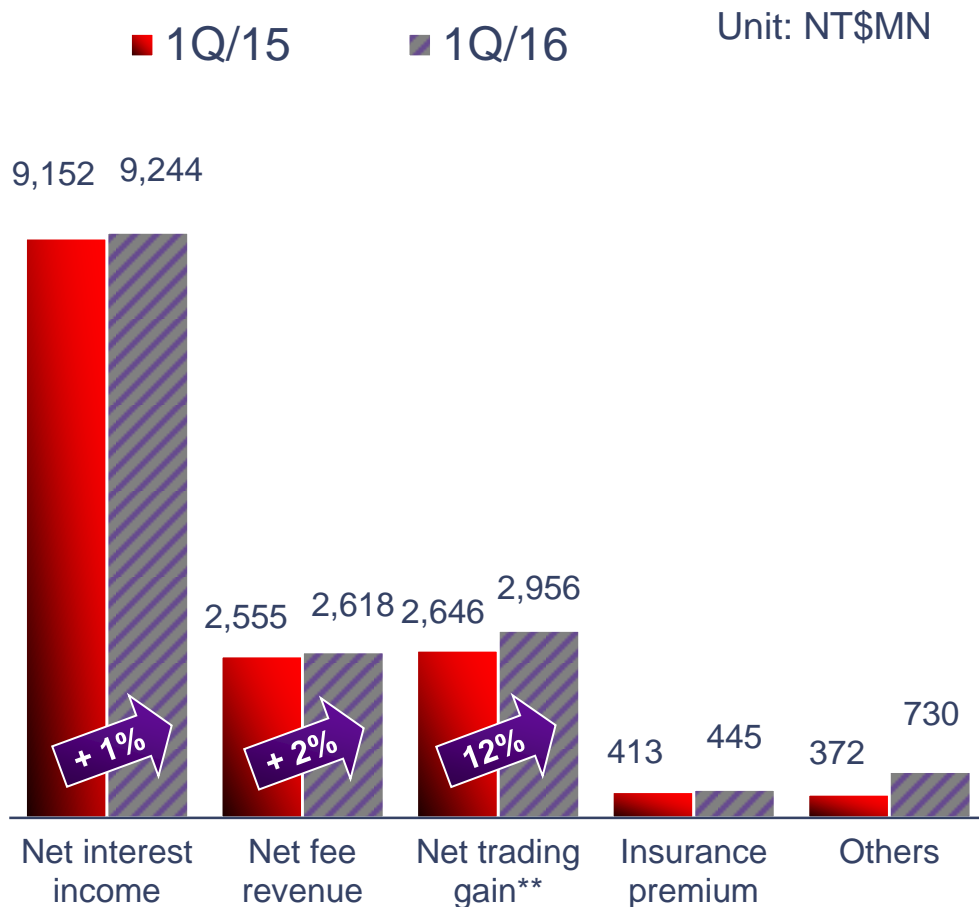
Financial Performance



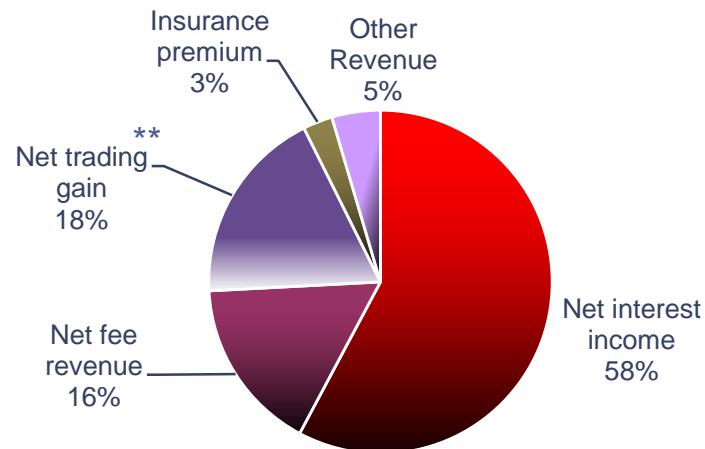
Appendix

Group net revenue was up 6% YoY

Mega Group consolidated net revenue *



Mega Group 1Q/2016 net revenue breakdown



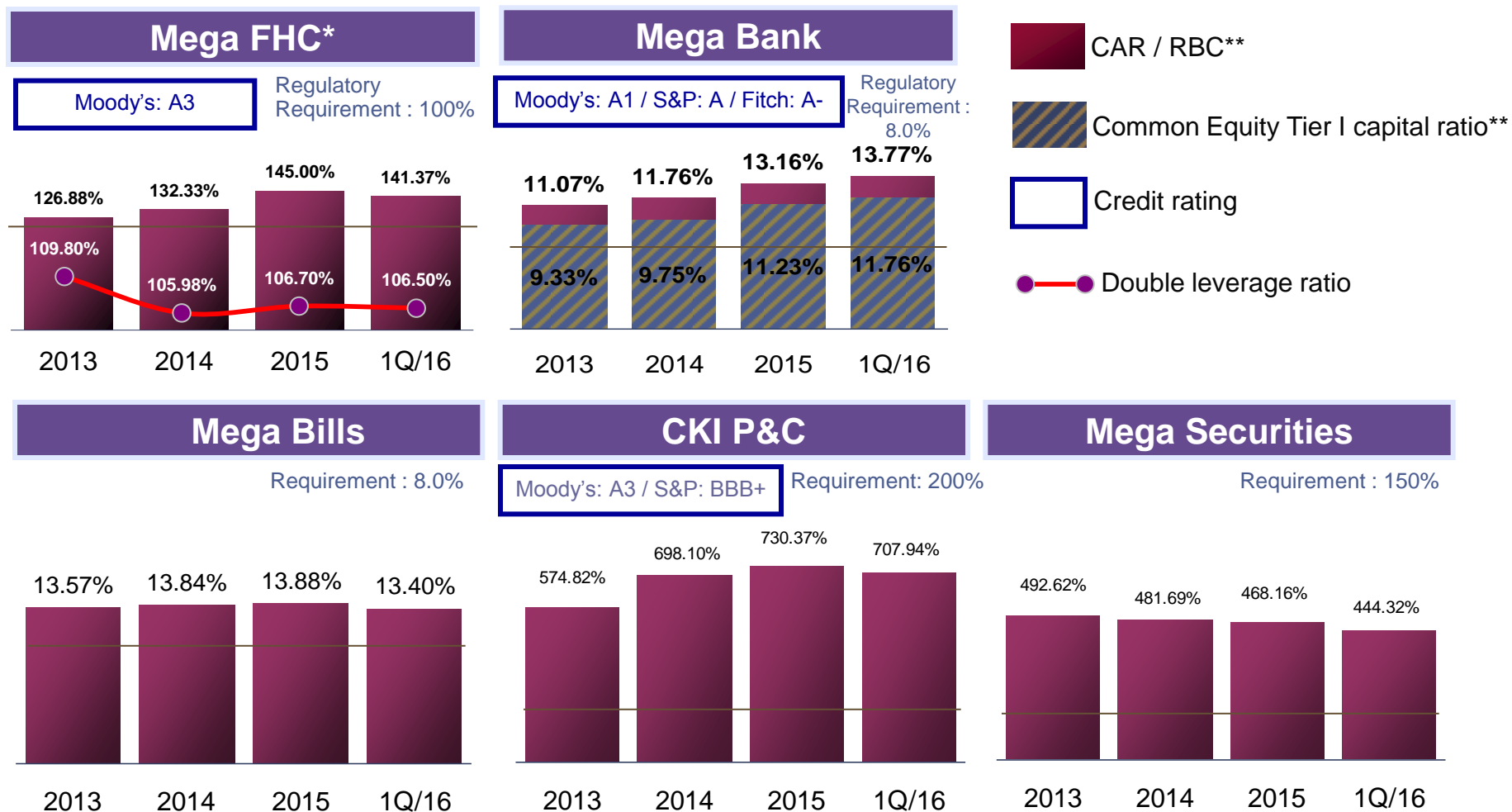
Highlights

- ❖ NII was up 1% YoY due to NIM improvement .
- ❖ Fee revenue was up 2% YoY due to strong WM, syndication loan, custodian & bills fee.
- ❖ Trading gain was up 12% YoY due to gain from FX hedging position and MTM recovery from TW convertible bond position.

* Un-audited figures.

** Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

CET1 capital ratio reached 11.76%; highest among major peers

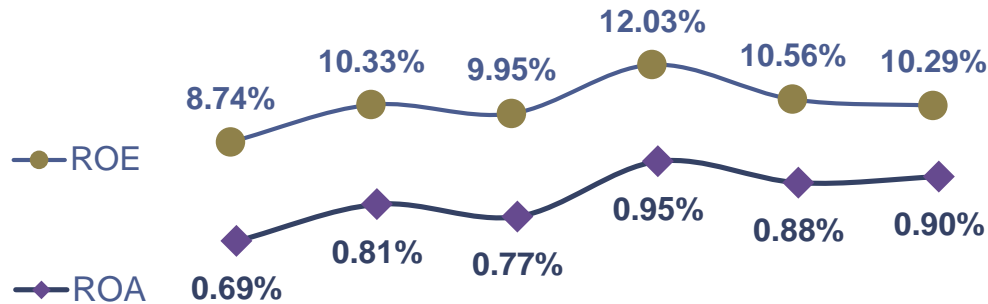


* FHC CAR is calculated based on net investments in subsidiaries

** 1Q/16 are un-audited BASEL III numbers.

Strong dividend policy with 6~7% cash yield

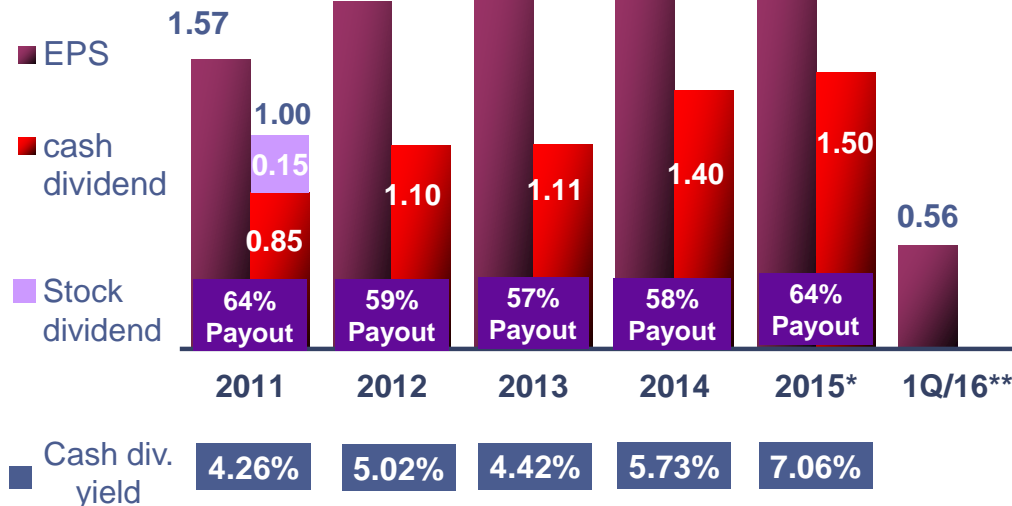
Key Profitability Ratios



❖ 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.

Unit: NT\$



* 2015 dividend policy is subject to AGM approval in June/2016

** 1Q/16 are un-audited numbers; ROE & ROA are annualized numbers.

1Q/2016 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2016*₄	1Q/2015	YoY
Net interest income	9,244	9,152	1%
Net fee revenue	2,618	2,555	2%
Insurance premium	445	413	8%
Gain from fin. assets at fair value thru P&L* ₁	1,501	888	69%
Available for sales asset gain	728	742	-2%
Equity method investment gain	91	54	69%
FX spread gain* ₂	732	458	60%
Asset impairment loss (write-back)	-99	-1	-
Property gain	3	505	-99%
Other non-interest revenue (net)	730	372	96%
Operating net revenue	15,993	15,138	6%
Operating expense	-5,879	-5,878	0%
Pre-provision operating profit	10,114	9,260	9%
Provision expense on loan* ₃	-1,195	63	-
Reserved on insurance	-97	43	-
Pretax profit	8,822	9,366	-6%
Tax	-1,176	-1,162	1%
Minority shareholder interest	7	1	-
Net profit	7,653	8,205	-7%
EPS (NT\$)	0.56	0.66	-15%

Brief Gap Analysis

1. Gain from fin. assets at fair value thru P&L was up due to gain from FX hedging position and MTM recovery from TW convertible bond position.
2. FX spread gain was up due to FX currency volatility.
3. Provision was up due to increased in general provision of general loan.
4. Un-audited consolidated P&L

1Q/2016 Mega FHC consolidated balance sheet*

NT\$MN	1Q/2016*	1Q/2015	YoY
Assets:			
Cash and due from banks	687,944	770,119	-11%
Bills and bonds under RP agreement	13,065	6,915	89%
Fin. assets at fair value through P&L	185,326	174,363	6%
AFS financial assets	369,227	297,085	24%
HTM financial assets	231,570	165,159	40%
Other financial assets	16,557	20,167	-18%
A/R, net	129,809	209,407	-38%
Loan, net	1,728,634	1,731,452	0%
Equity method LT investments, net	3,190	2,814	13%
Land, premises and equipments, net	23,369	23,375	0%
Others	19,550	19,525	0%
Total assets	3,408,241	3,420,381	0%
Liabilities			
Due to banks	467,785	671,719	-30%
Deposits	2,212,826	2,075,754	7%
CP & Bond payable	58,586	72,059	-19%
Bills & bonds sold under repurchase agreement	201,979	184,110	10%
Other liabilities	165,333	149,015	11%
Total liabilities	3,106,509	3,152,657	-1%
Capital stock (common stock)	135,998	124,498	9%
Capital surplus	68,194	55,269	23%
Retain earning	96,026	85,813	12%
Equity adjustment items	1,461	1,982	-
Minority shareholder interest	53	163	-67%
Total stockholders' equity	301,732	267,725	13%
Total liabilities and stockholders' equity	3,408,241	3,420,382	0%
Book value per share (NT\$)	22.19	21.50	3%

* Un-audited consolidated balance sheet.

1Q/2016 Mega Bank consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2016*⁴	1Q/2015	YoY
Net interest income	8,776	8,794	0%
Net fee revenue	2,034	2,049	-1%
Gain from fin. assets at fair value thru P&L * ¹	1,102	154	616%
Available for sales asset gain	568	360	58%
Equity method investment gain	91	54	69%
FX spread gain * ²	737	483	53%
Asset impairment loss (write-back)	-98	2	-
Other non-interest revenue (net)	286	161	78%
Operating net revenue	13,496	12,057	12%
Operating expense	-4,784	-4,649	3%
Pre-provision operating profit	8,712	7,408	18%
Provision expense on loan * ³	-1,196	354	-
Pretax profit	7,516	7,762	-3%
Tax	-990	-1,110	-11%
Net profit	6,526	6,652	-2%
EPS (NT\$)	0.76	0.86	-12%

Brief Gap Analysis

1. Gain from fin. assets at fair value thru P&L was up due to gain from FX hedging position and MTM recovery from TW convertible bond position.
2. FX spread gain was up due to FX currency volatility.
3. Provision was up due to increased in general provision of general loan.
4. Un-audited consolidated P&L

1Q/2016 Mega Bank balance sheet*

NT\$MN	1Q/2016*	1Q/2015	YoY
Assets:			
Cash and due from banks	681,498	762,005	-11%
Bills and bonds under RP agreement	20,342	6,858	197%
Fin. assets at fair value through P&L	50,954	41,116	24%
AFS financial assets	232,166	198,865	17%
HTM financial assets	229,761	163,501	41%
Other financial assets	10,031	13,561	-26%
A/R, net	95,465	176,974	-46%
Loan, net	1,728,634	1,731,452	0%
Equity method LT investments, net	3,118	2,887	8%
Land, premises and equipments, net	15,100	15,142	0%
Others (net)	11,497	13,360	-14%
Total assets	3,078,566	3,125,721	-2%
Liabilities			
Due to banks	452,188	651,738	-31%
Deposits	2,214,908	2,078,530	7%
CP & Bond payable	36,200	50,200	-28%
Bills & bonds sold under repurchase agreement	680	20,879	-97%
Other liabilities	115,049	100,596	14%
Total liabilities	2,819,025	2,901,943	-3%
Capital stock (common stock)	85,362	77,000	11%
Capital surplus	62,220	46,496	34%
Retain earning	112,208	98,875	13%
Equity adjustment items	(249)	1,407	-118%
Total stockholders' equity	259,541	223,778	16%
Total liabilities and stockholders' equity	3,078,566	3,125,721	-2%
Book value per share (NT\$)	30.40	29.06	5%

* Un-audited consolidated balance sheet.

Agenda



Operation Highlights



Financial Performance

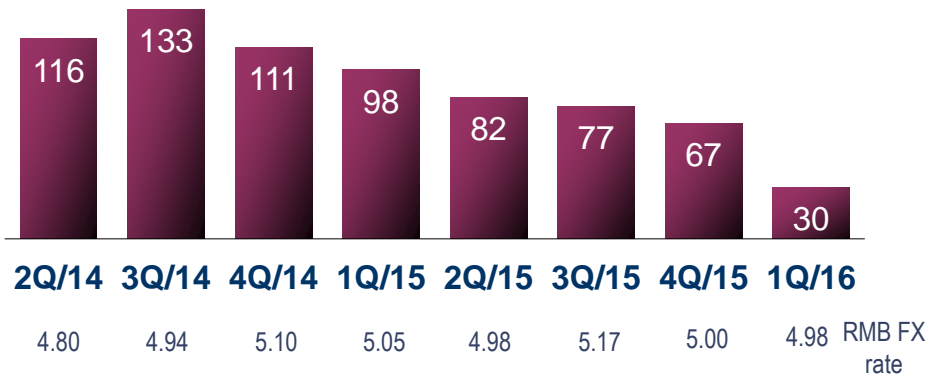


Appendix

Mega Bank's interbank assets trend

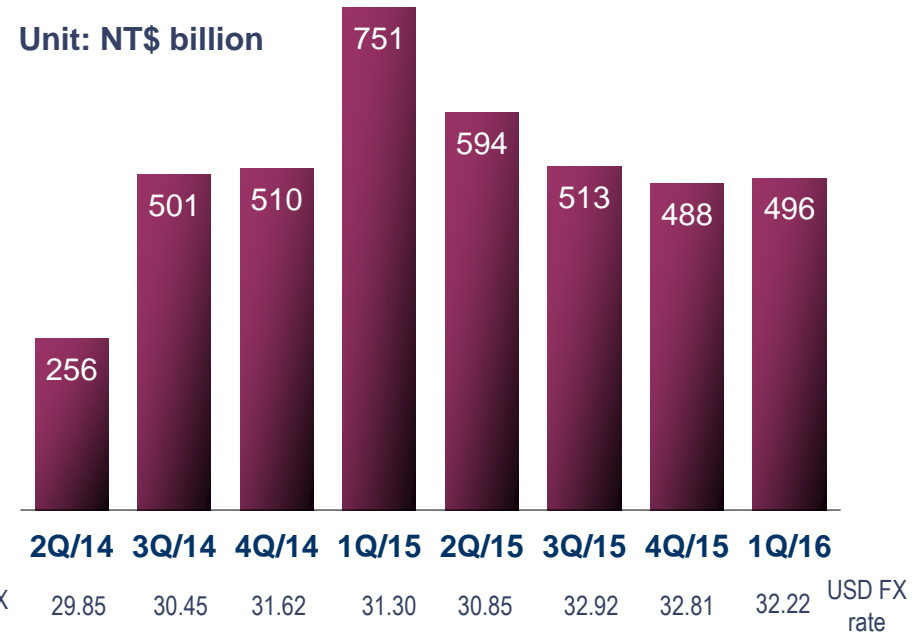
Mega Bank RMB inter-banks assets*

Unit: NT\$ billion



Mega Bank USD inter-banks assets*

Unit: NT\$ billion

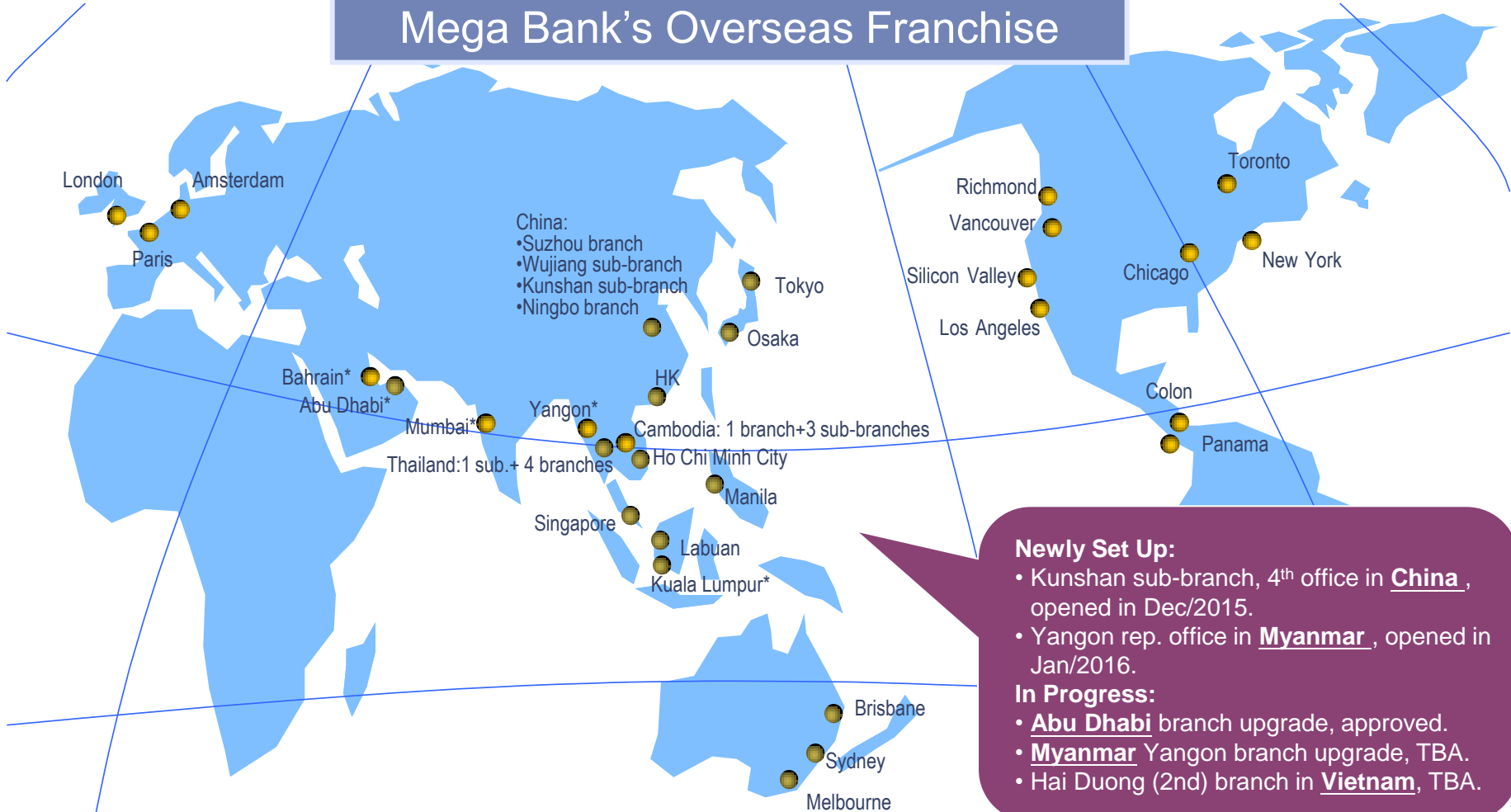


❖ Lower yield USD interbank assets stabilized and became less of swing factor for the NIM.

* Average end balance of that quarter; includes due from central banks, due from banks, cash and cash equivalence

39 offices in 20 countries; 15 offices in SE Asia

Mega Bank's Overseas Franchise



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