

Investor/Analyst Briefing

4Q / 2016 (V.1)



Mega Holdings

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE TWELVE MONTHS ENDED DEC 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 APR 30, 2017.

These materials are not an offer for sale of securities in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

Agenda



Operation Highlights



Financial Performance



Appendix

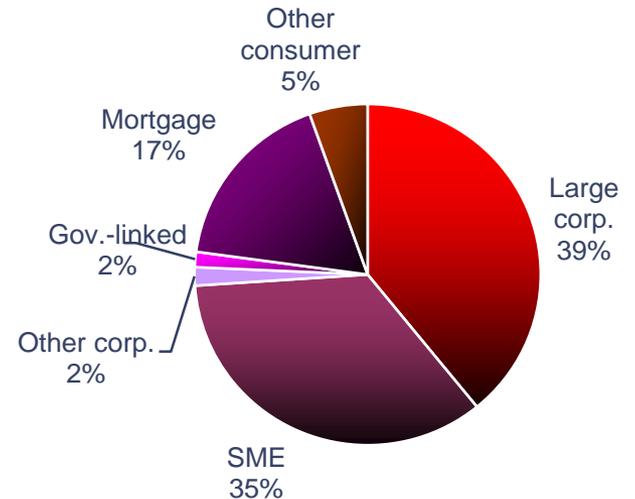
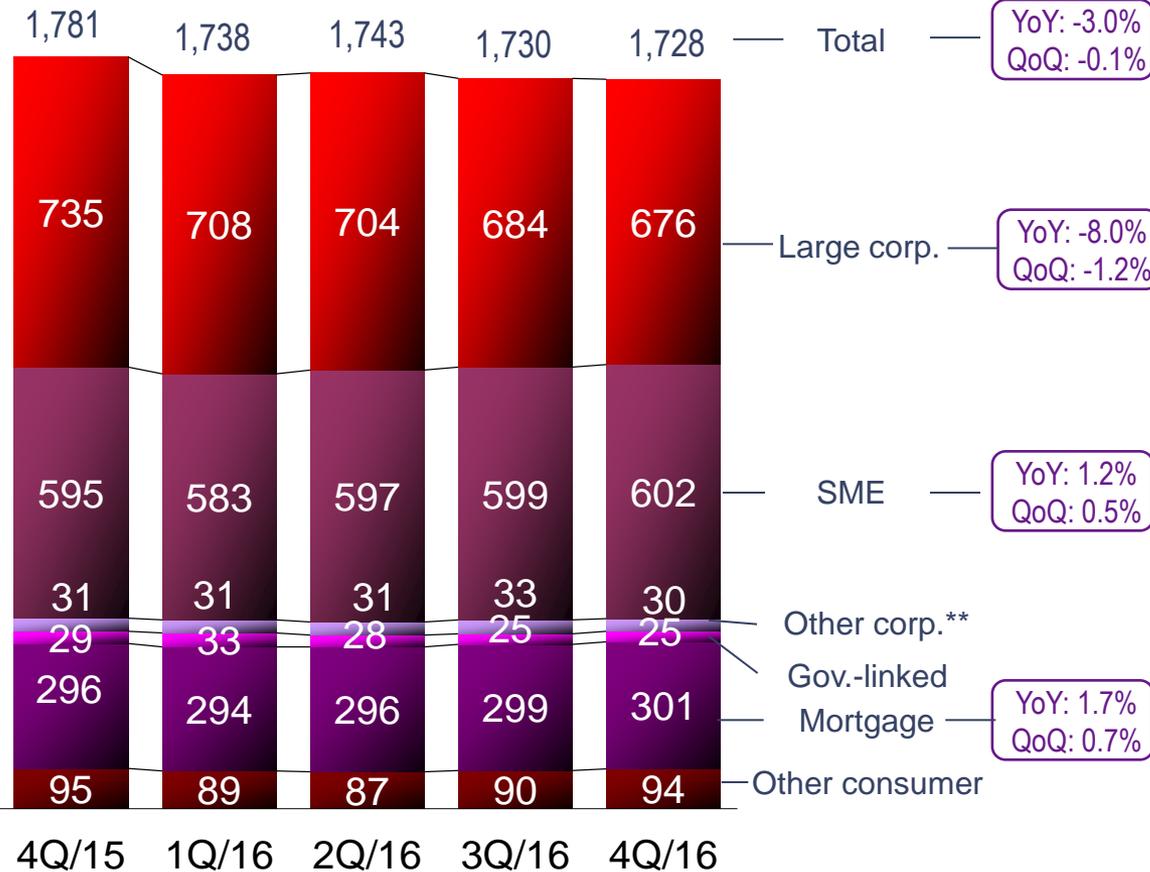
Loan figures reflecting our conservative risk appetite and macro uncertainties

Mega Bank quarterly loan balance*

Mega Bank 4Q/16 loan breakdown by customer

Unit: NT\$bn

Growth Trend



* 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.

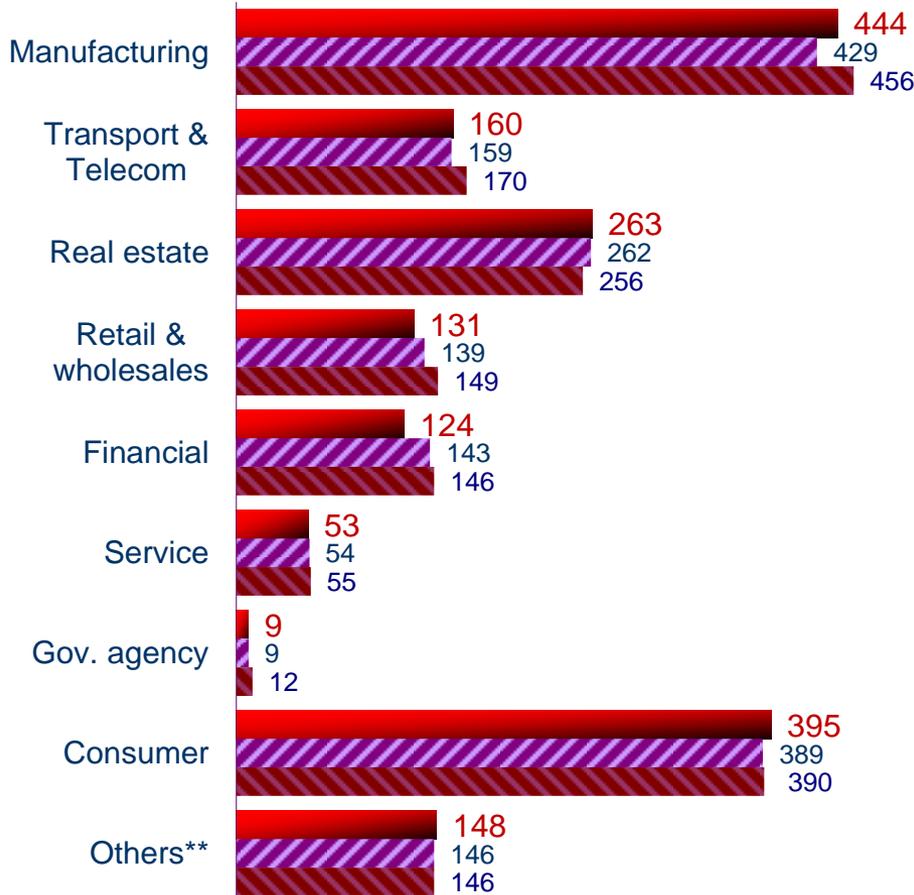
** Includes Gov-linked Non-Profit Organization and etc.

Growth from manufacturing industry and consumer loan improved

Mega Bank loan balance trend by industry*

Unit: NT\$BN

■ 4Q/16 ■ 3Q/16 ■ 4Q/15



Growth Trend

YoY: -2.6%
QoQ: 3.5%

YoY: -5.9%
QoQ: 0.6%

YoY: 2.7%
QoQ: 0.4%

YoY: -12.1%
QoQ: -5.8%

YoY: -15.1%
QoQ: -13.3%

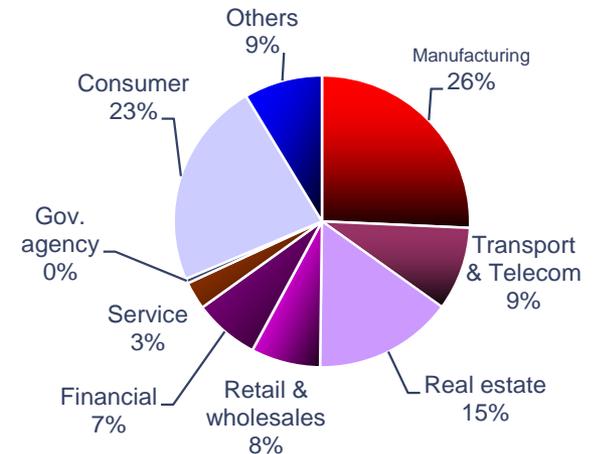
YoY: -3.6%
QoQ: -1.9%

YoY: -25.0%
QoQ: 0.0%

YoY: 1.3%
QoQ: 1.5%

YoY: 1.4%
QoQ: 1.4%**

Mega Bank 4Q/16 loan breakdown by industry*

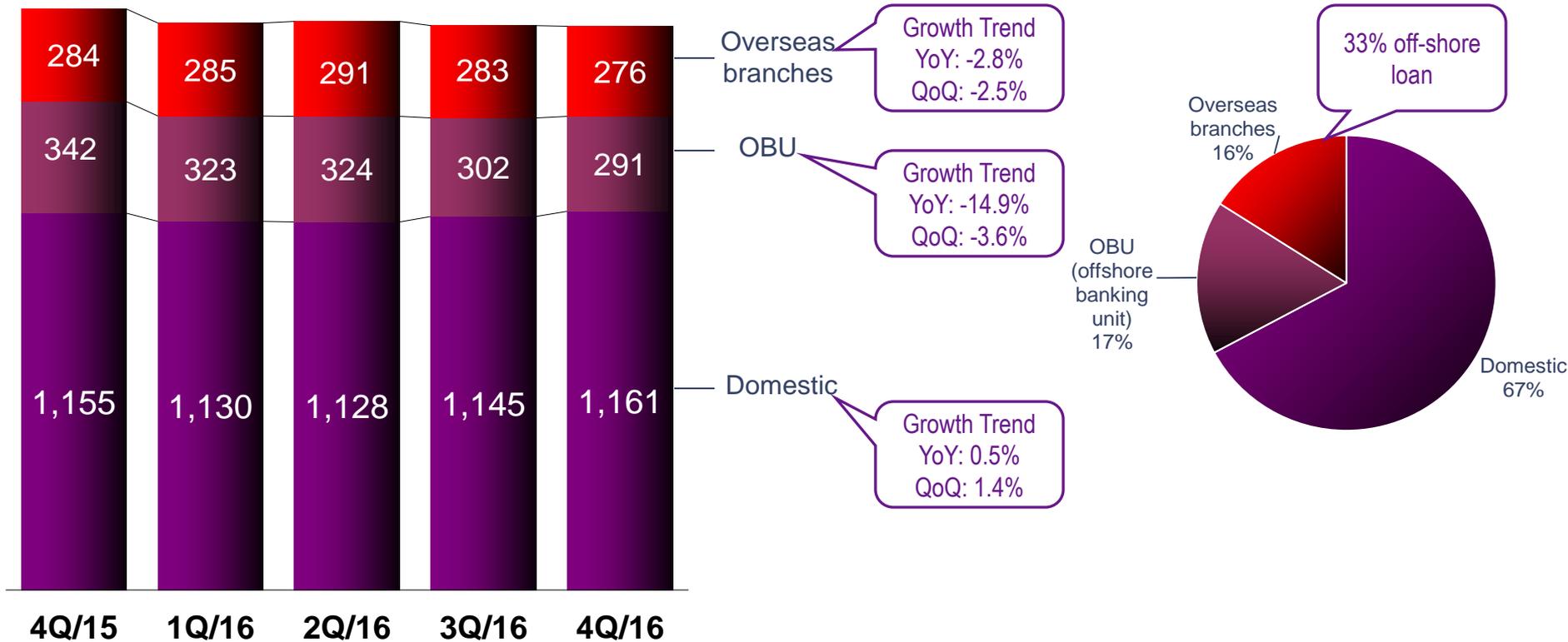


- * Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.
- ** Main growth driver for "Other Industry": leisure (hotel & restaurant) industry

Domestic loan growth showed stability

Mega Bank 4Q/16 loan breakdown by regions *

Unit: NT\$bn



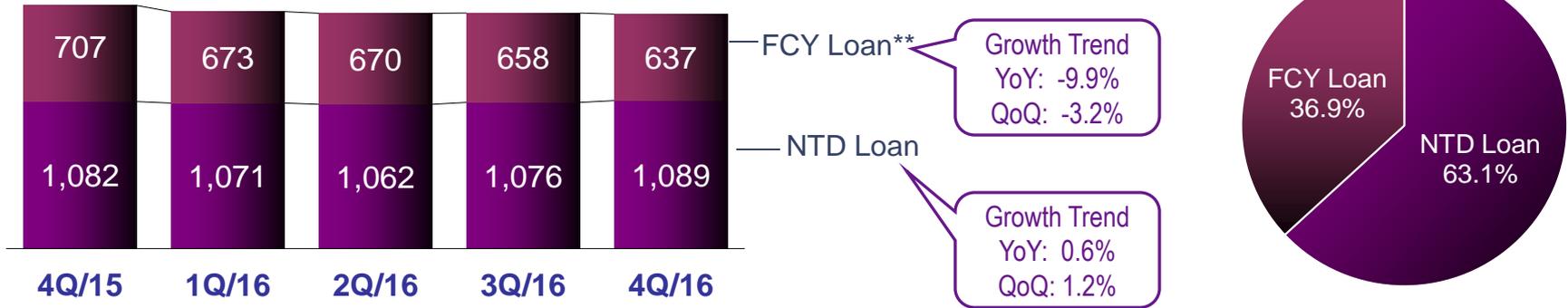
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

NTD loan balance grew higher

Mega Bank 4Q/16 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance *

Unit: NT\$ billion

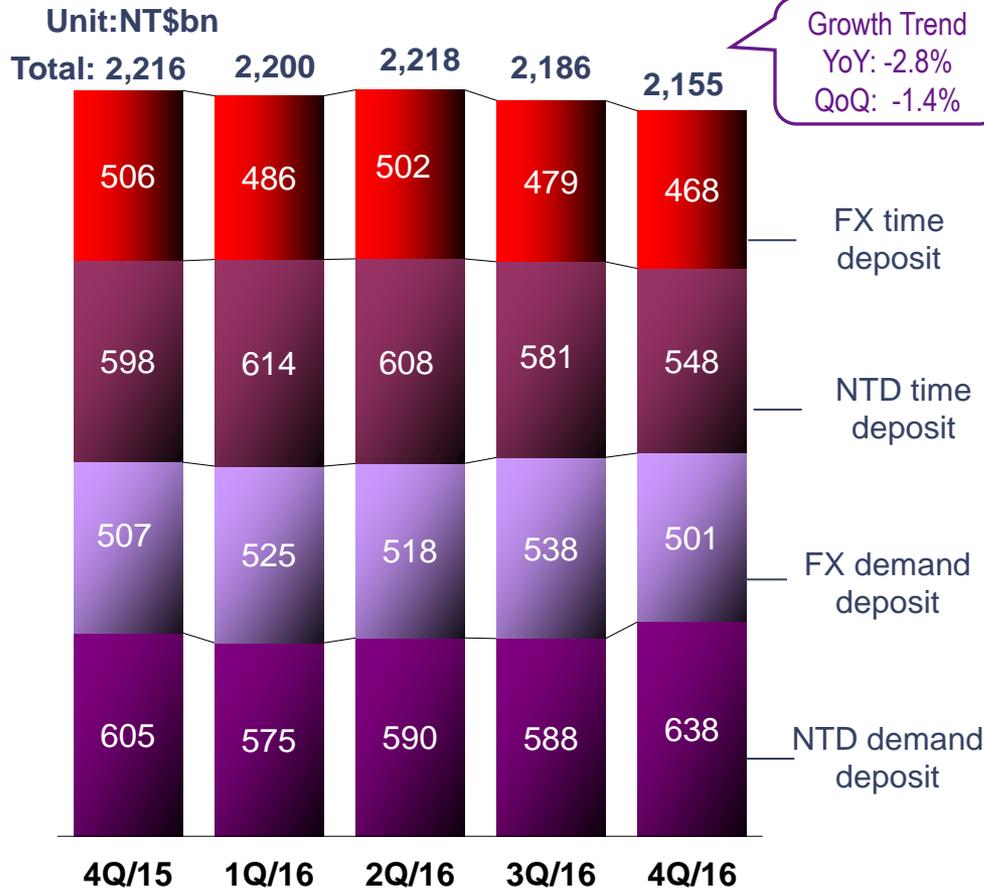


* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

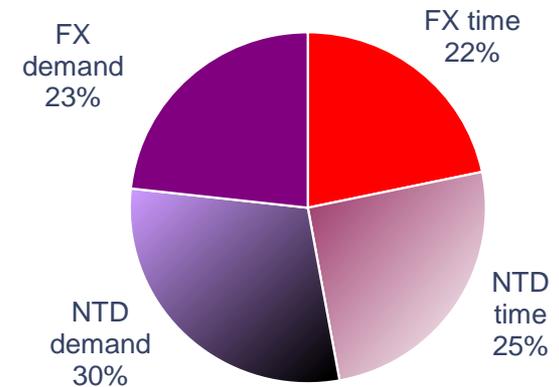
** Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

Excessive liquidity pressure eased

Mega Bank's deposit balance *



Mega Bank's 4Q/16 deposit breakdown

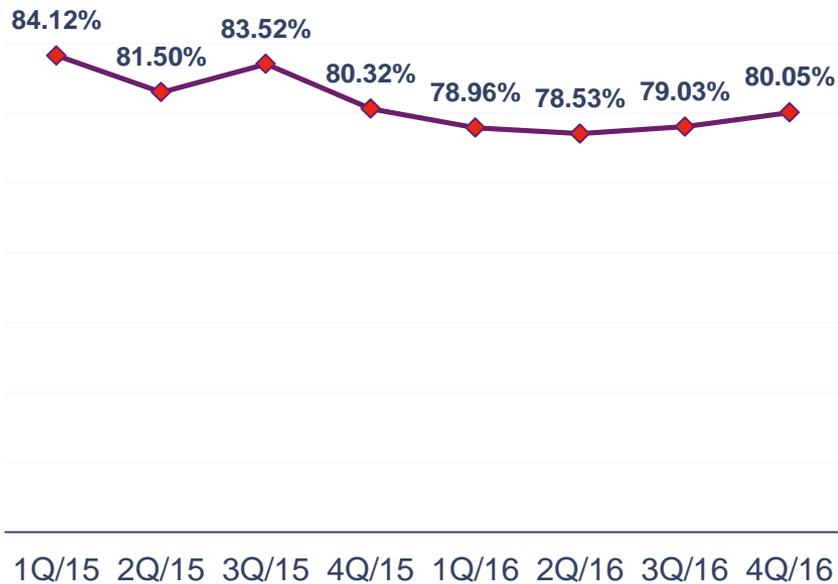


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

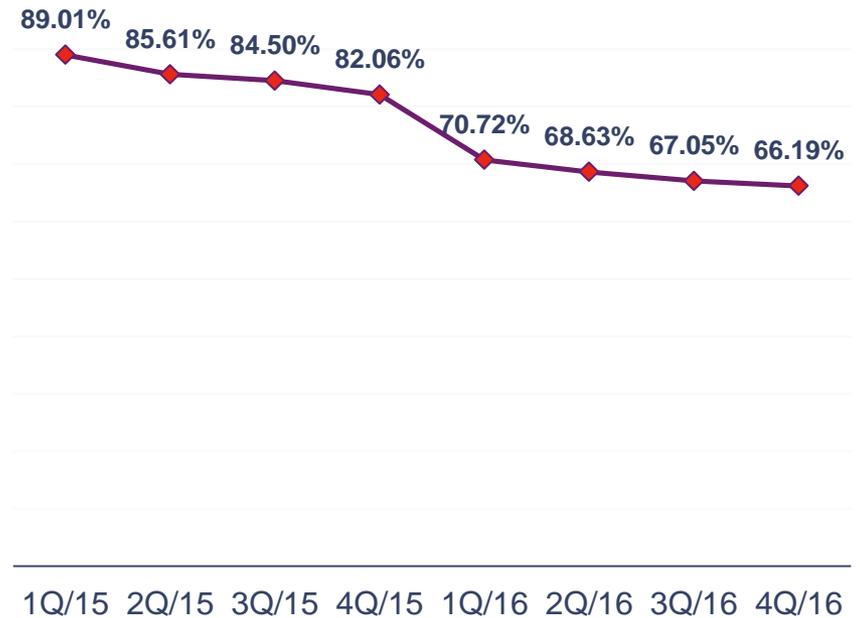
** Includes retail and corporate deposit but excludes due from central banks and banks

Pushed total LDR higher

Mega Bank's total LDR*



Mega Bank's USD LDR*



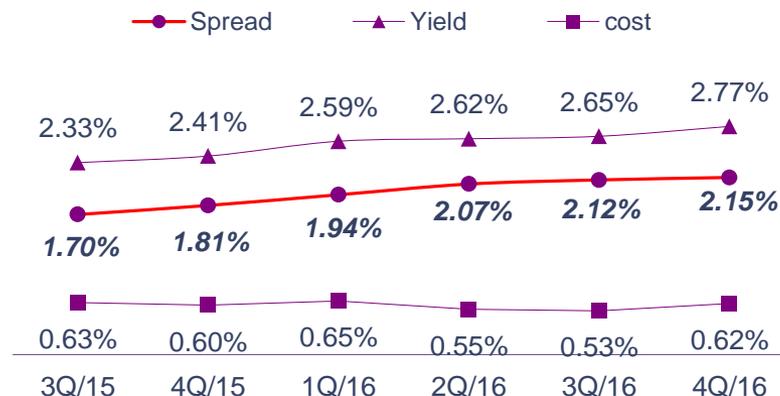
* LDR calculation is based on loan/deposit end balance

Offshore spread extended higher

Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*

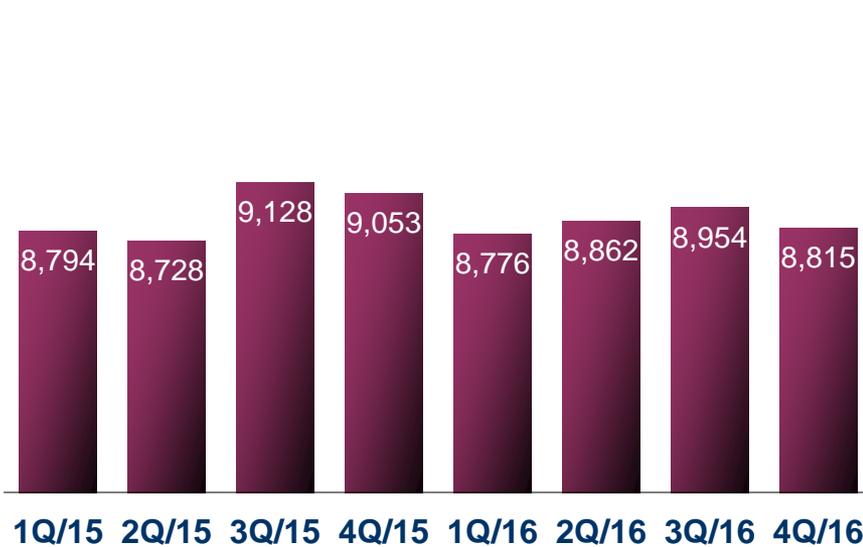


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers..

Assets figures reflecting our conservative risk appetite and macro uncertainties

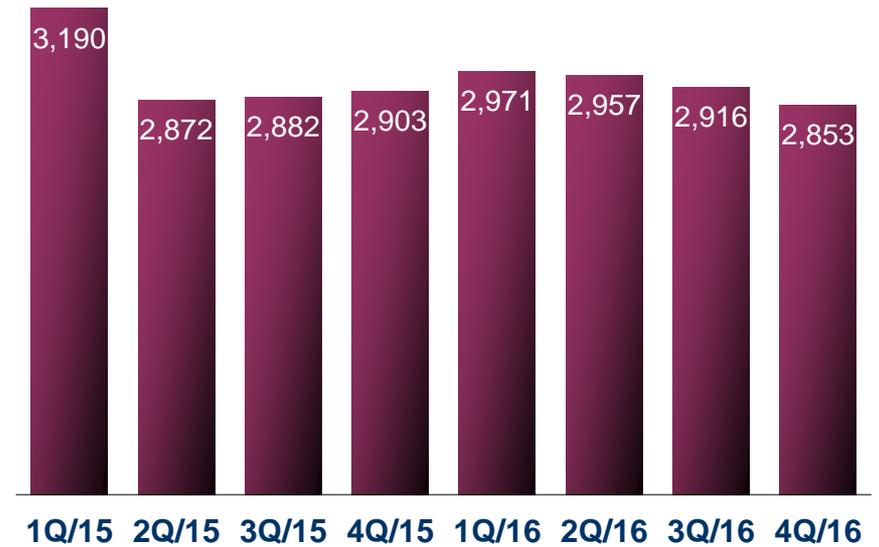
Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion



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

** Quarterly average interest earning assets

NIM inched up due to USD NIM improvement

Mega Bank quarterly Total NIM*



Mega Bank quarterly FCY NIM*



Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM*

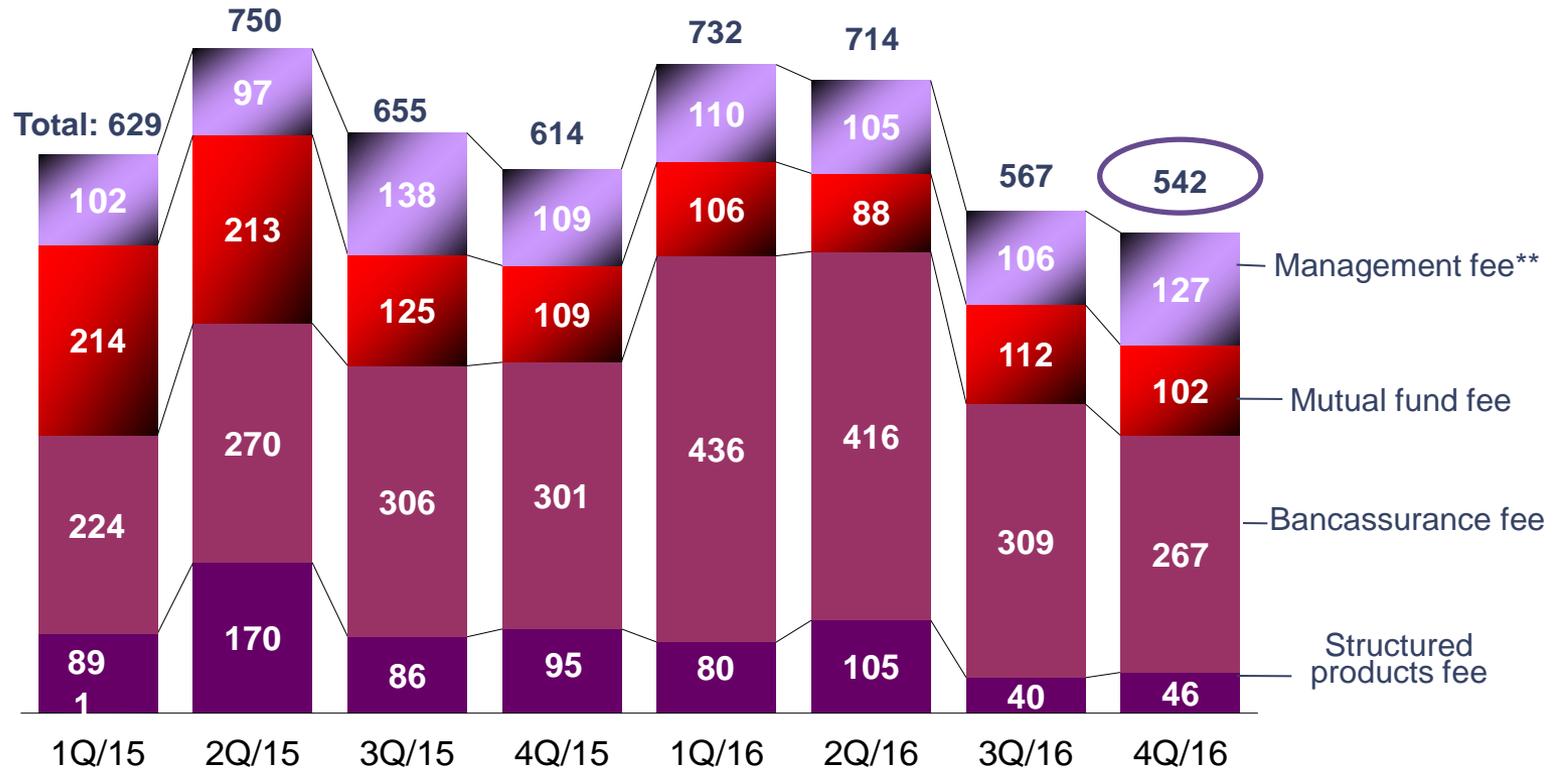


* NIM = annualized net interest income / average interest earning assets of that quarter.

WM fee was dragged by bancassurance regulatory changes

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.

Custodian & bills fee jumped higher

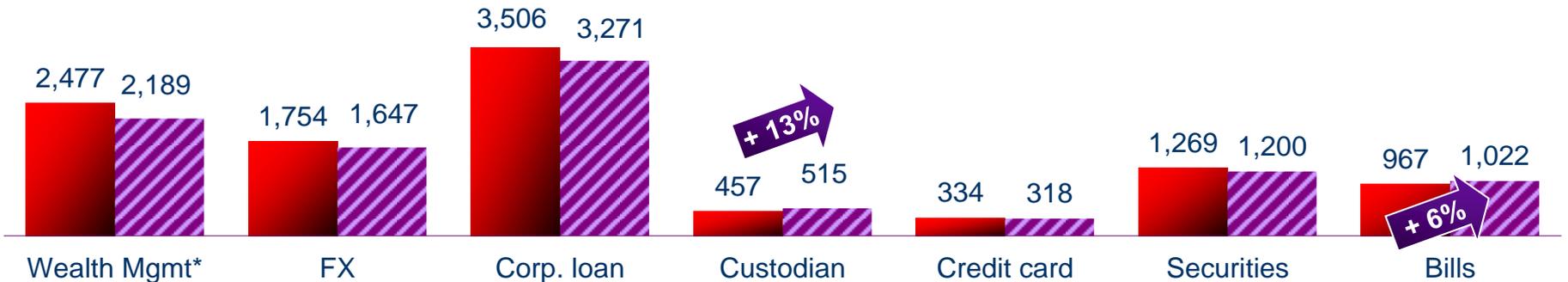
Mega Bank net fee breakdown

Mega Securities net fee

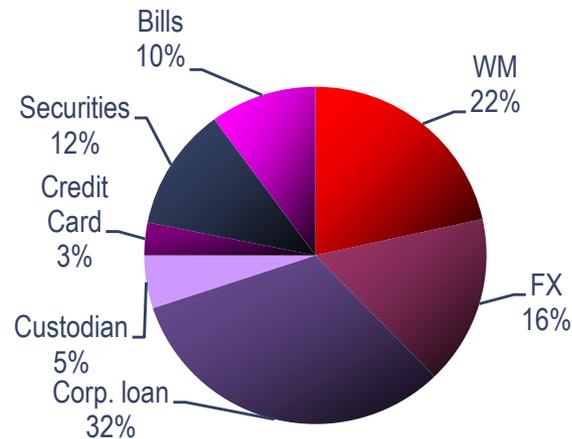
Mega Bills net fee

■ 1-4Q/15 ■ 1-4Q/16

Unit: NT\$MN



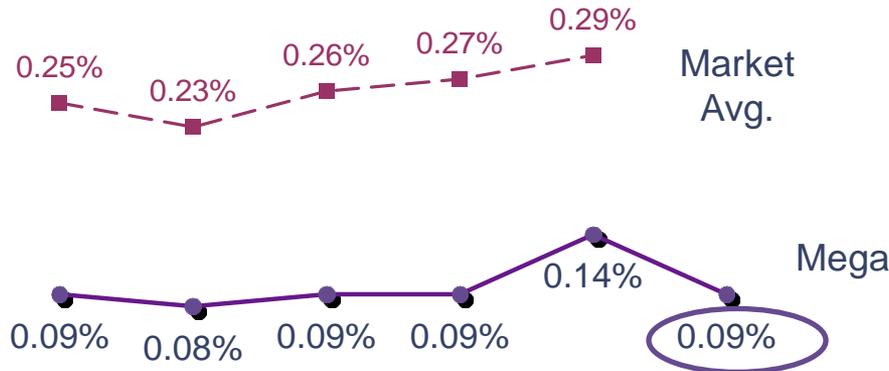
Mega FHC 1-4Q/16 net fee breakdown



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

NPL ratio dipped lower; reserved climbed higher

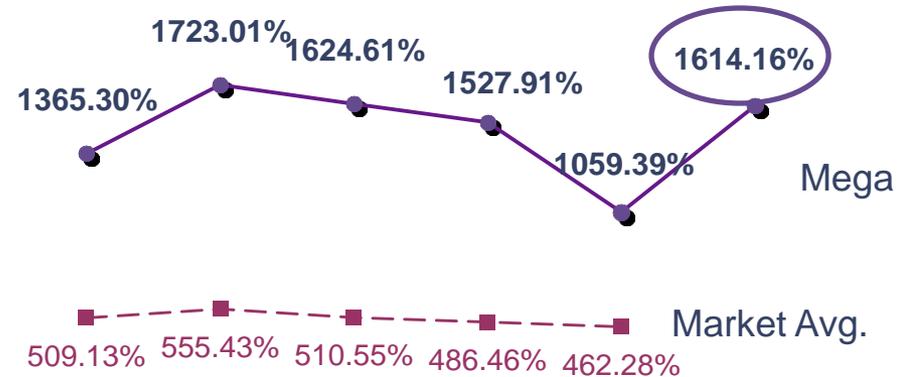
Mega Bank NPL balance & NPL ratio*



Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



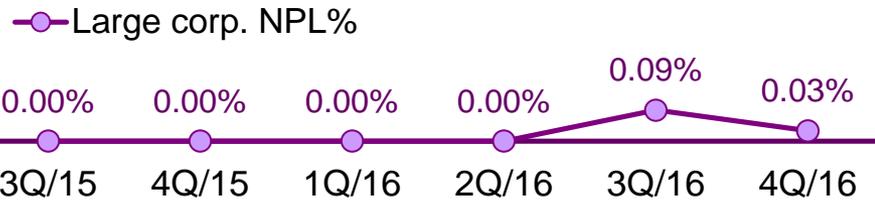
Unit: NT\$MN



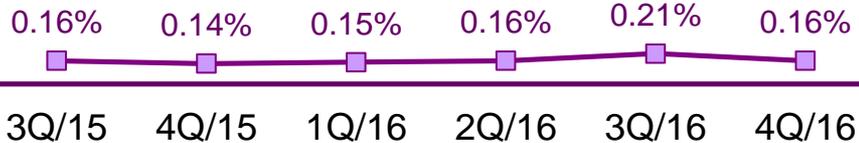
* 90 days standard

Asset quality was benign across all types of customer

Mega Bank NPL ratio by customer *



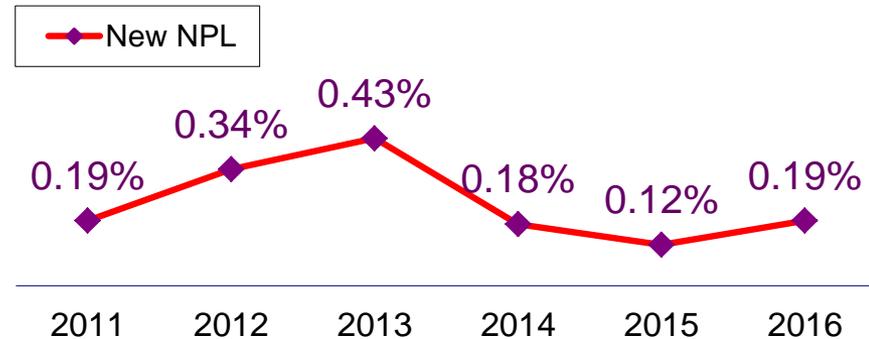
—■— SME NPL %



—▲— Mortgage NPL %



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



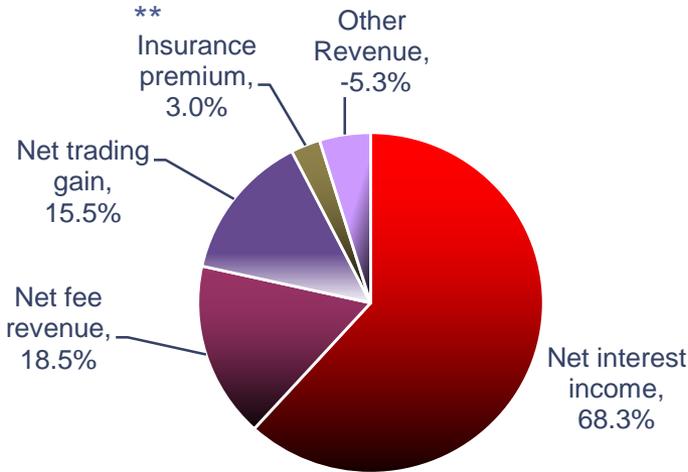
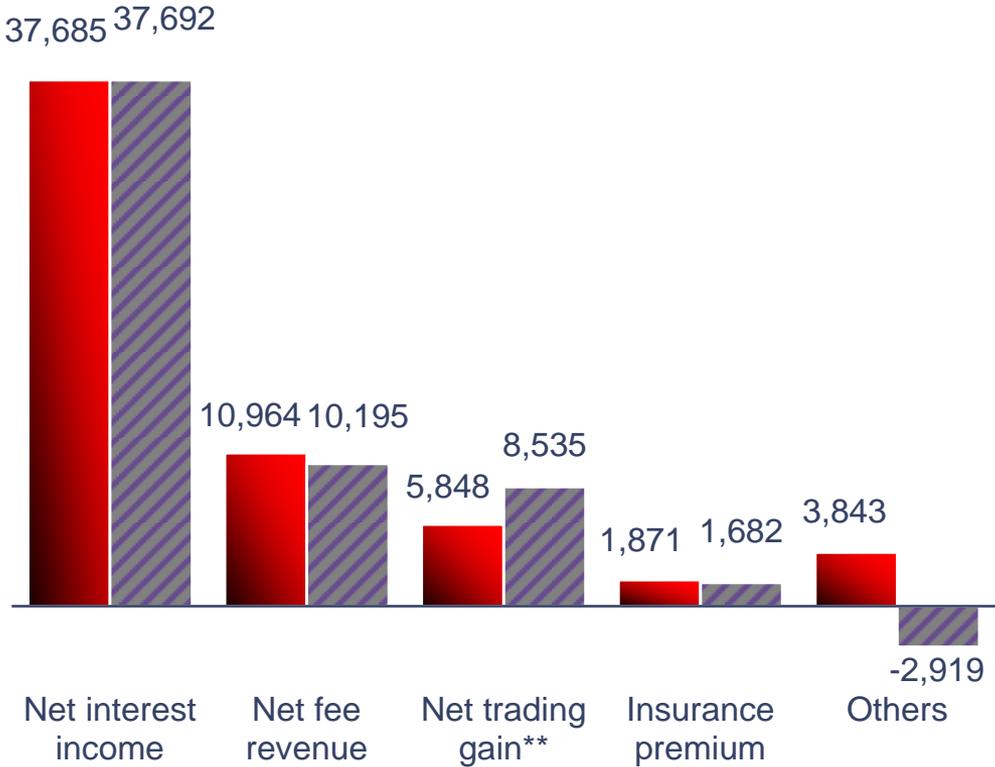
Appendix

Core earning stayed intact

Mega Group consolidated net revenue *

Mega Group 1-4Q/2016 net revenue breakdown

■ 1-4Q/15 ■ 1-4Q/16 Unit: NT\$MN



* Un-audited figures.

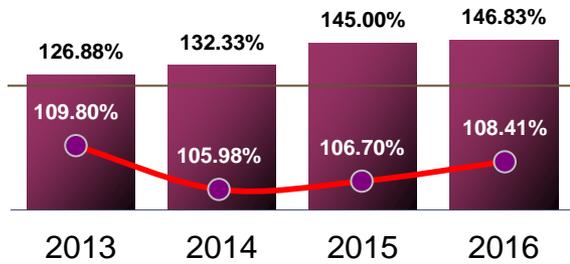
** Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

Strong tier-1 capital ratio of 12.55%

Mega FHC*

Moody's: A3

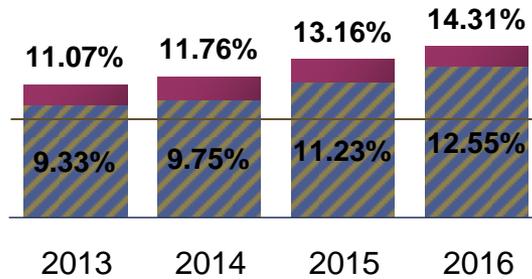
Regulatory Requirement : 100%



Mega Bank

Moody's: A1 / S&P: A / Fitch: A-

Regulatory Requirement : 8.0%



CAR / RBC**

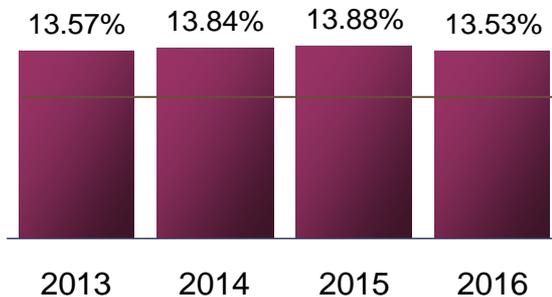
Common Equity Tier I capital ratio**

Credit rating

Double leverage ratio

Mega Bills

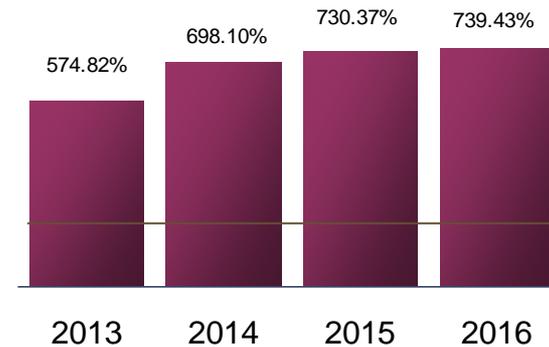
Requirement : 8.0%



CKI P&C

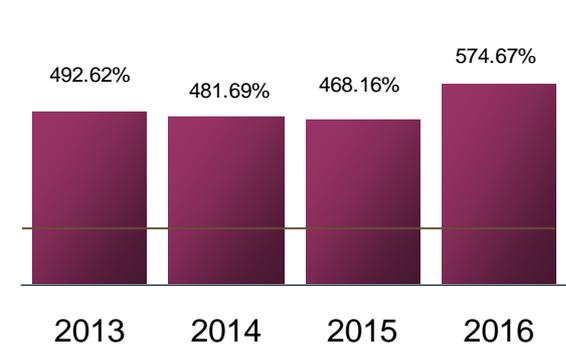
Moody's: A3 / S&P: BBB+

Requirement: 200%



Mega Securities

Requirement : 150%

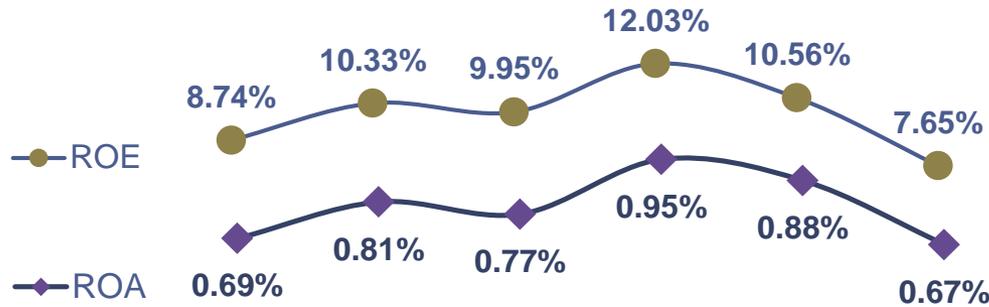


* FHC CAR is calculated based on net investments in subsidiaries

** 2016 are un-audited BASEL III numbers.

Attractive dividend policy

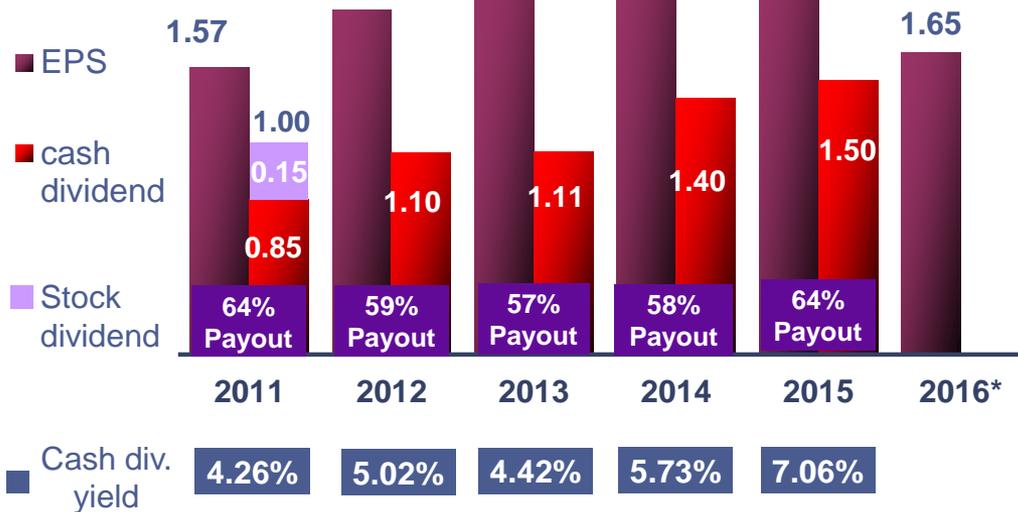
Key Profitability Ratios



❖ 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\$



* 2016 are un-audited numbers; ROE & ROA are annualized numbers.

1-4Q/2016 Mega FHC consolidated P&L statement

<i>NT\$MN, except per share data</i>	1-4Q/2016*	1-4Q/2015	YoY
Net interest income	37,692	37,685	0%
Net fee revenue	10,195	10,964	-7%
Insurance premium	1,682	1,871	-10%
Gain from fin. assets at fair value thru P&L	4,596	1,073	328%
Available for sales asset gain	1,986	1,534	29%
Equity method investment gain	237	237	0%
FX spread gain	2,078	2,974	-30%
Asset impairment loss (write-back)	-381	-489	-22%
Property gain	19	519	-96%
Other non-interest revenue (net)	-2,919	3,843	-176%
Operating net revenue	55,185	60,211	-8%
Operating expense	-23,403	-25,414	-8%
Pre-provision operating profit	31,782	34,797	-9%
Provision expense on loan	-3,711	444	-936%
Reserved on insurance	-117	-15	-
Pretax profit	27,954	35,226	-21%
Tax	-5,567	-5,952	-6%
Minority shareholder interest	7	144	-
Net profit	22,394	29,418	-24%
EPS (NT\$)	1.65	2.35	-30%

* Un-audited consolidated numbers.

1-4Q/2016 Mega FHC consolidated balance sheet

<i>NT\$MN</i>	1-4Q/2016*	1-4Q/2015	YoY
Assets:			
Cash and due from banks	638,562	652,169	-2%
Bills and bonds under RP agreement	2,856	7,079	-60%
Fin. assets at fair value through P&L	186,317	182,037	2%
AFS financial assets	354,463	346,461	2%
HTM financial assets	280,997	201,234	40%
Other financial assets	14,562	17,190	-15%
A/R, net	86,790	175,747	-51%
Loan, net	1,715,279	1,773,269	-3%
Equity method LT investments, net	3,102	2,976	4%
Land, premises and equipments, net	23,617	23,203	2%
Others	16,727	17,153	-2%
Total assets	3,323,272	3,398,518	-2%
Liabilities			
Due to banks	441,706	473,865	-7%
Deposits	2,170,195	2,230,143	-3%
CP & Bond payable	53,626	61,824	-13%
Bills & bonds sold under repurchase agreement	231,192	192,937	20%
Other liabilities	134,491	146,294	-8%
Total liabilities	3,031,210	3,105,063	-2%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	89,974	88,373	2%
Equity adjustment items	-2,158	839	-
Minority shareholder interest	53	51	4%
Total stockholders' equity	292,061	293,455	0%
Total liabilities and stockholders' equity	3,323,271	3,398,518	-2%
Book value per share (NT\$)	21.48	21.58	0%

* Un-audited consolidated numbers.

1-4Q/2016 Mega Bank consolidated P&L statement

<i>NT\$MN, except per share data</i>	1-4Q/2016*	1-4Q/2015	YoY
Net interest income	35,583	36,046	-1%
Net fee revenue	7,908	8,600	-8%
Gain from fin. assets at fair value thru P&L	3,010	-1,155	-
Available for sales asset gain	1,597	1,191	34%
Equity method investment gain	221	186	19%
FX spread gain	2,101	2,908	-28%
Asset impairment loss (write-back)	-334	-488	-32%
Other non-interest revenue (net)	-4,357	2,953	-
Operating net revenue	45,729	50,241	-9%
Operating expense	-18,884	-20,465	-8%
Pre-provision operating profit	26,845	29,776	-10%
Provision expense on loan	-3,721	544	-
Pretax profit	23,124	30,320	-24%
Tax	-4,213	-4,612	-9%
Net profit	18,911	25,708	-26%
EPS (NT\$)	2.22	3.27	-32%

* Un-audited consolidated numbers

1-4Q/2016 Mega Bank consolidated balance sheet

NT\$MN	1-4Q/2016*	1-4Q/2015	YoY
Assets:			
Cash and due from banks	630,438	647,090	-3%
Bills and bonds under RP agreement	4,256	9,436	-55%
Fin. assets at fair value through P&L	45,317	47,028	-4%
AFS financial assets	205,721	231,507	-11%
HTM financial assets	279,291	199,529	40%
Other financial assets	9,671	9,985	-3%
A/R, net	59,425	142,521	-58%
Loan, net	1,715,279	1,773,269	-3%
Equity method LT investments, net	3,027	2,900	4%
Land, premises and equipments, net	15,187	15,147	0%
Others (net)	8,218	10,356	-21%
Total assets	2,975,830	3,088,768	-4%
Liabilities			
Due to banks	425,991	465,336	-8%
Deposits	2,172,522	2,235,242	-3%
CP & Bond payable	36,200	36,200	0%
Bills & bonds sold under repurchase agreement	445	548	-19%
Other liabilities	83,137	97,949	-15%
Total liabilities	2,718,295	2,835,275	-4%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	111,415	105,682	5%
Equity adjustment items	(1,462)	229	-
Total stockholders' equity	257,535	253,493	2%
Total liabilities and stockholders' equity	2,975,830	3,088,768	-4%
Book value per share (NT\$)	30.17	29.70	2%

* Un-audited consolidated numbers.

Agenda



Operation Highlights



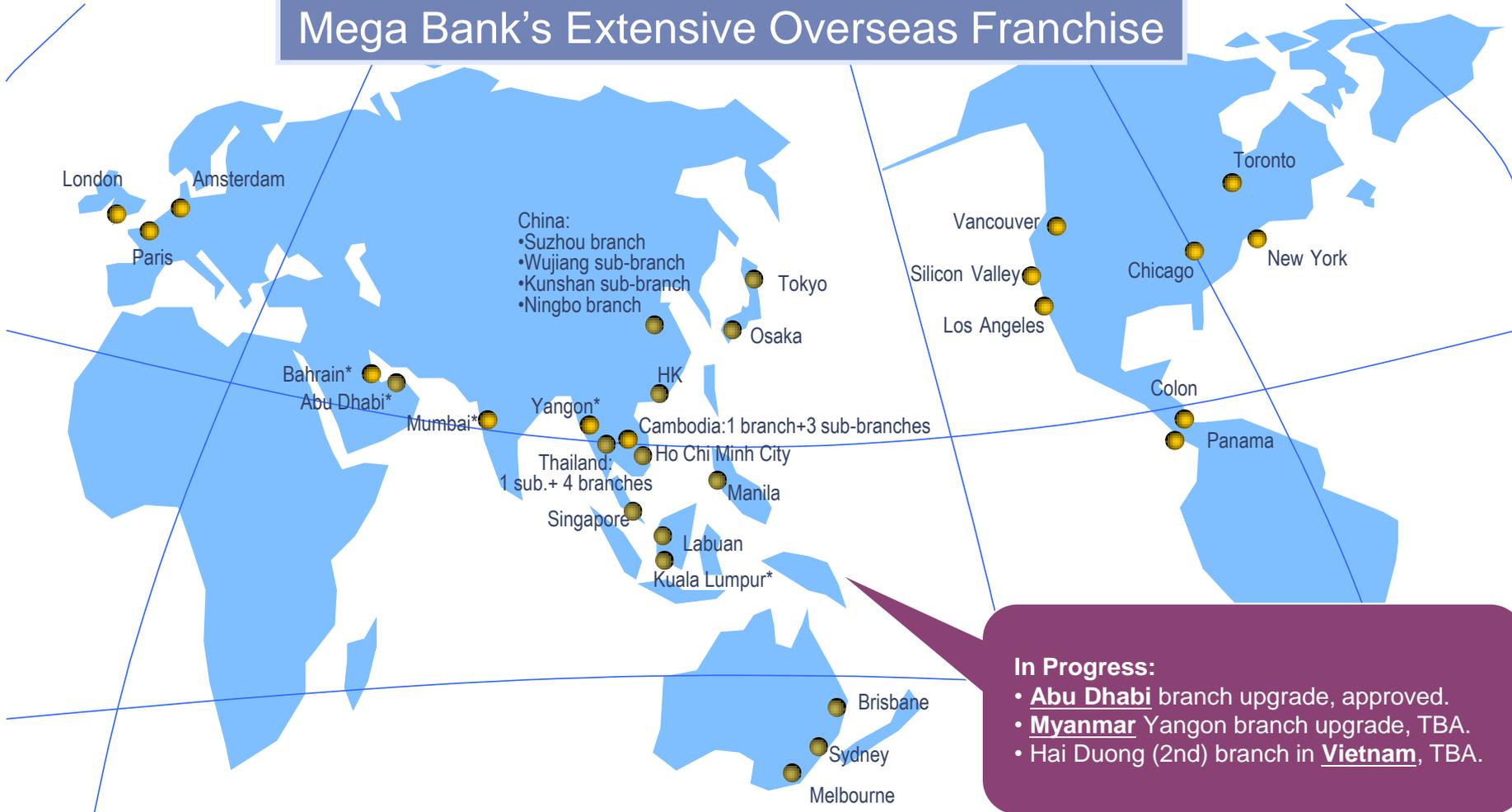
Financial Performance



Appendix

39 offices in 20 countries; 15 offices in SE Asia

Mega Bank's Extensive Overseas Franchise



In Progress:

- **Abu Dhabi** branch upgrade, approved.
- **Myanmar** Yangon branch upgrade, TBA.
- Hai Duong (2nd) branch in **Vietnam**, TBA.

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