

Investor/Analyst Briefing

2Q / 2017



Mega Holdings

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE SIX MONTHS ENDED JUN 30, 2017 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC WILL FILE ITS AUDITED FINANCIAL STATEMENTS THROUGH TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON AUG 31, 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

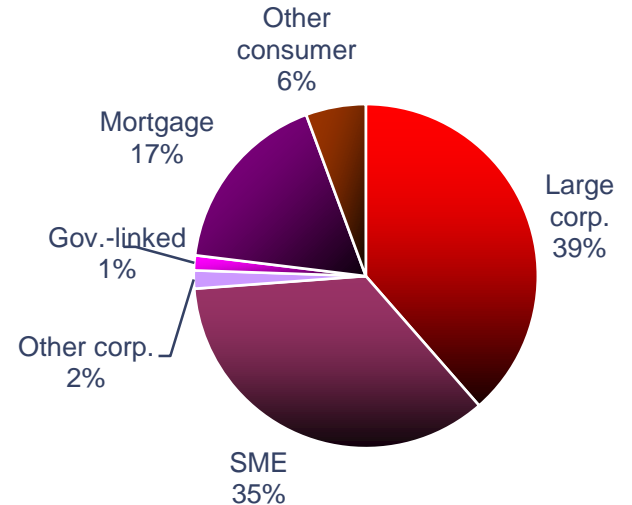
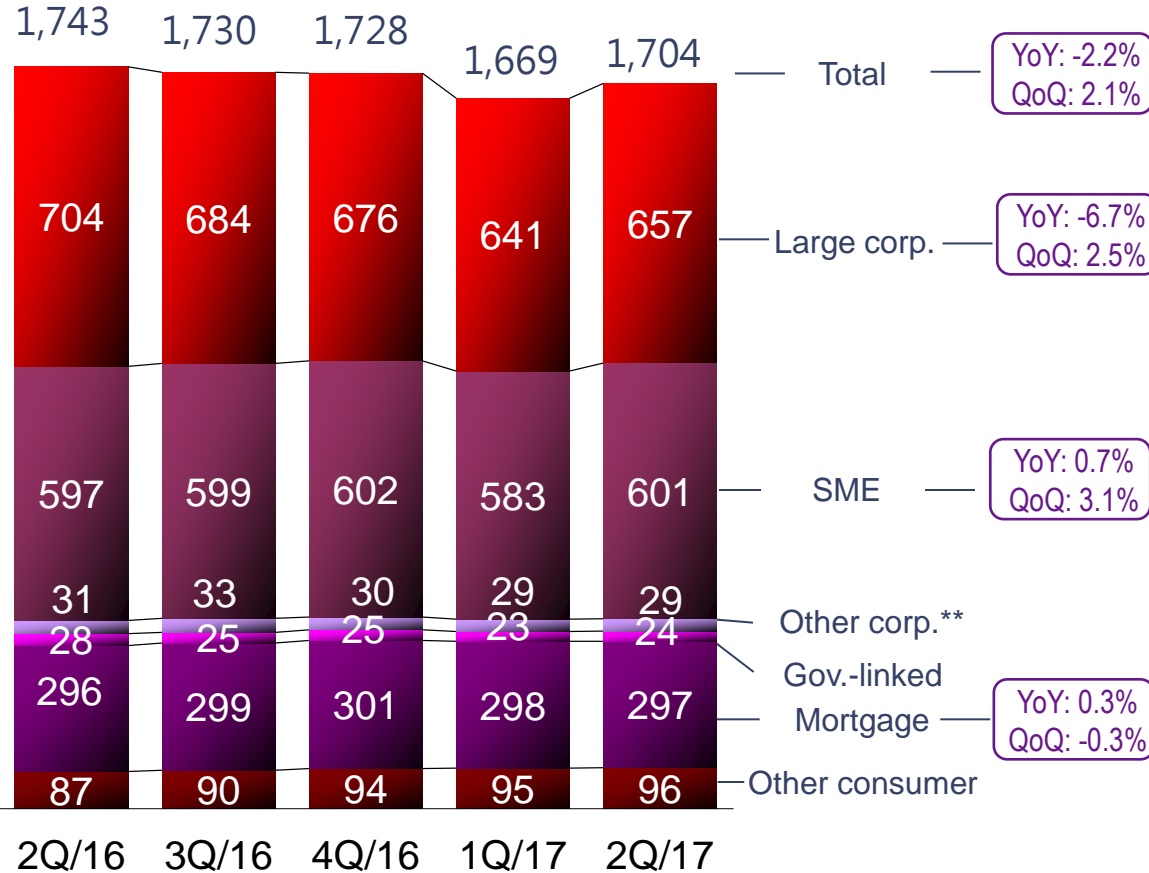
Total loan was up 2.1% QoQ, driven by SME and large corp. loan

Mega Bank quarterly loan balance*

Mega Bank 2Q/17 loan breakdown by customer

Unit: NT\$bn

Growth Trend

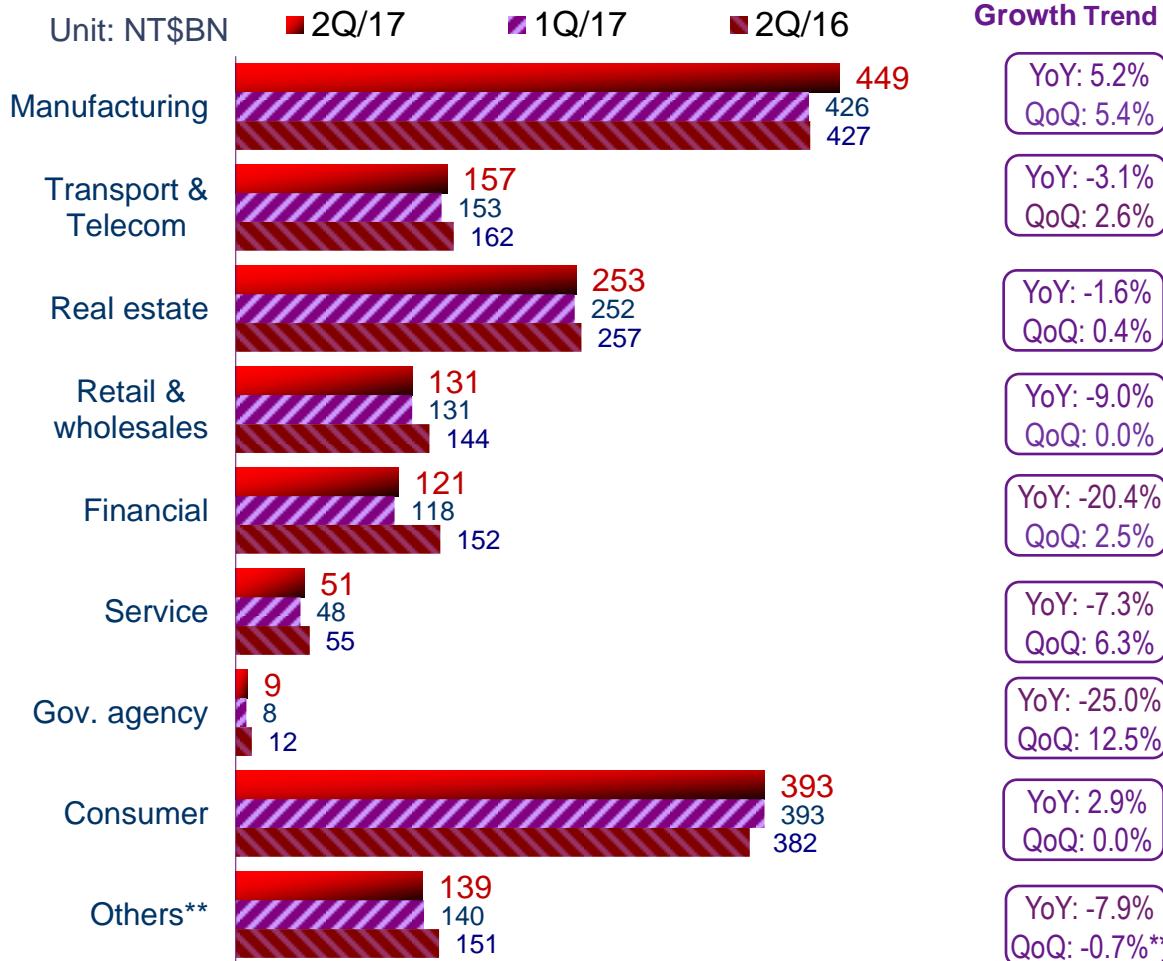


* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

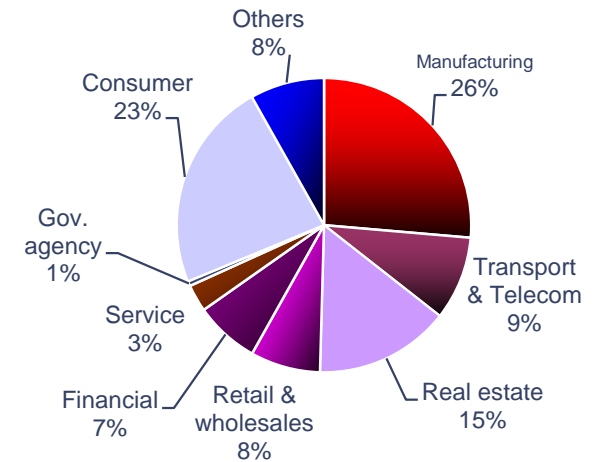
** Includes Gov.-linked Non-Profit Organization and etc.

Manufacturing loan was up 5.4% QoQ, most significant increases in recent quarters

Mega Bank loan balance trend by industry*



Mega Bank 2Q/17 loan breakdown by industry*

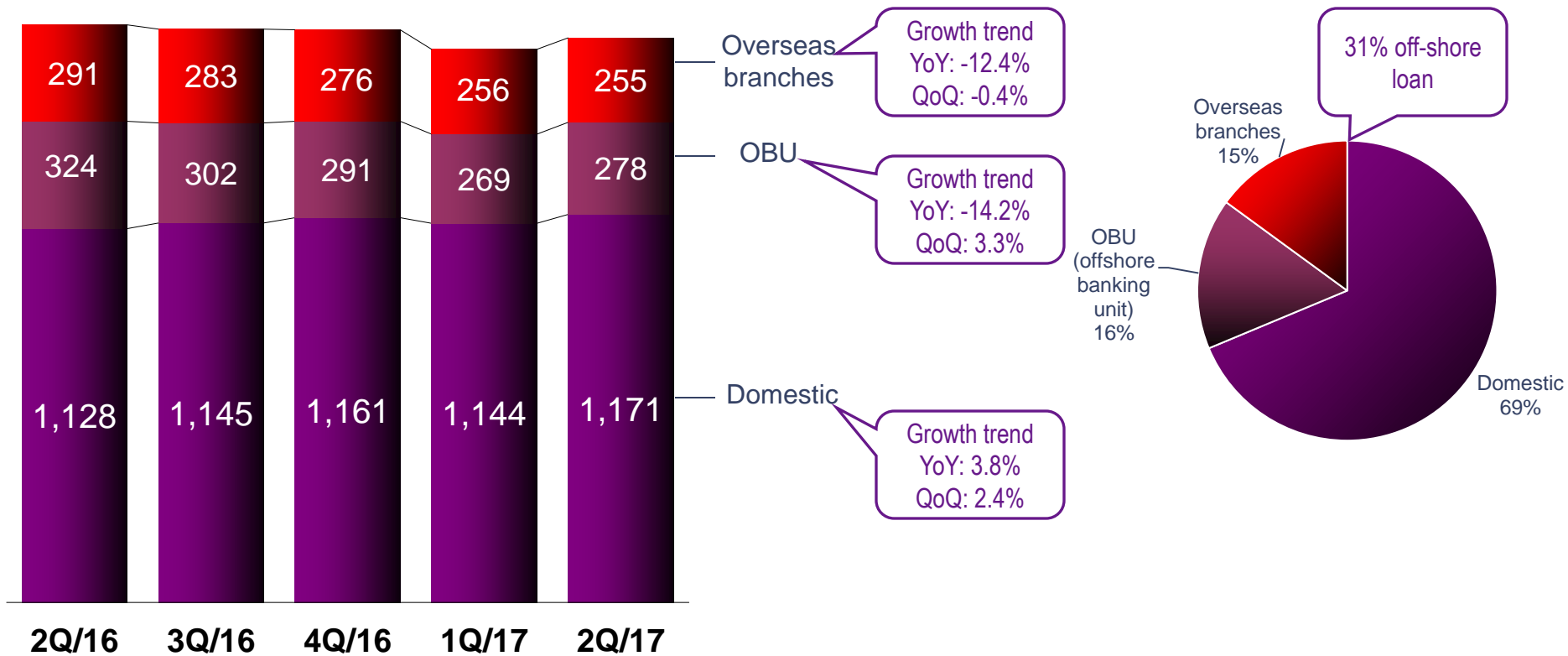


- * Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.
- ** Main component for "Other Industry": leisure (hotel & restaurant) industry

Domestic and OBU loan bounced back up

Mega Bank 2Q/17 loan breakdown by regions *

Unit: NT\$bn



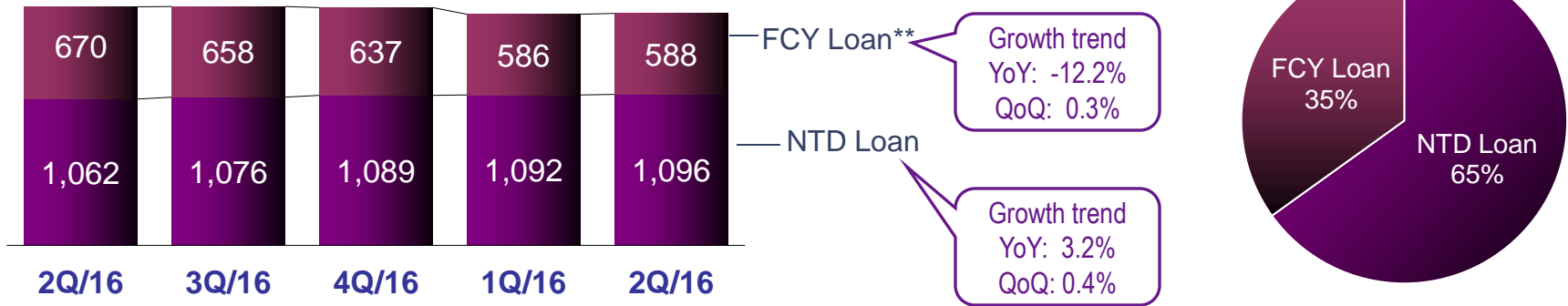
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

Foreign currency loan demand stabilized

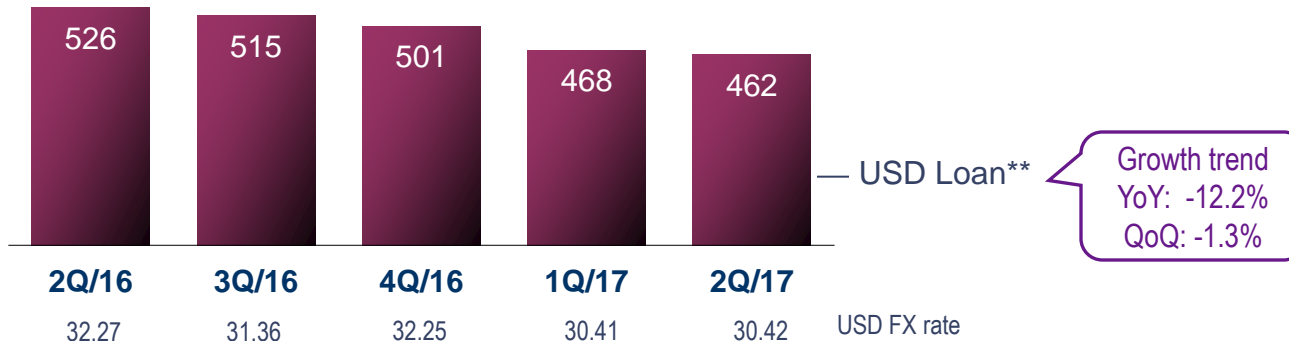
Mega Bank 2Q/17 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance *

Unit: NT\$ billion

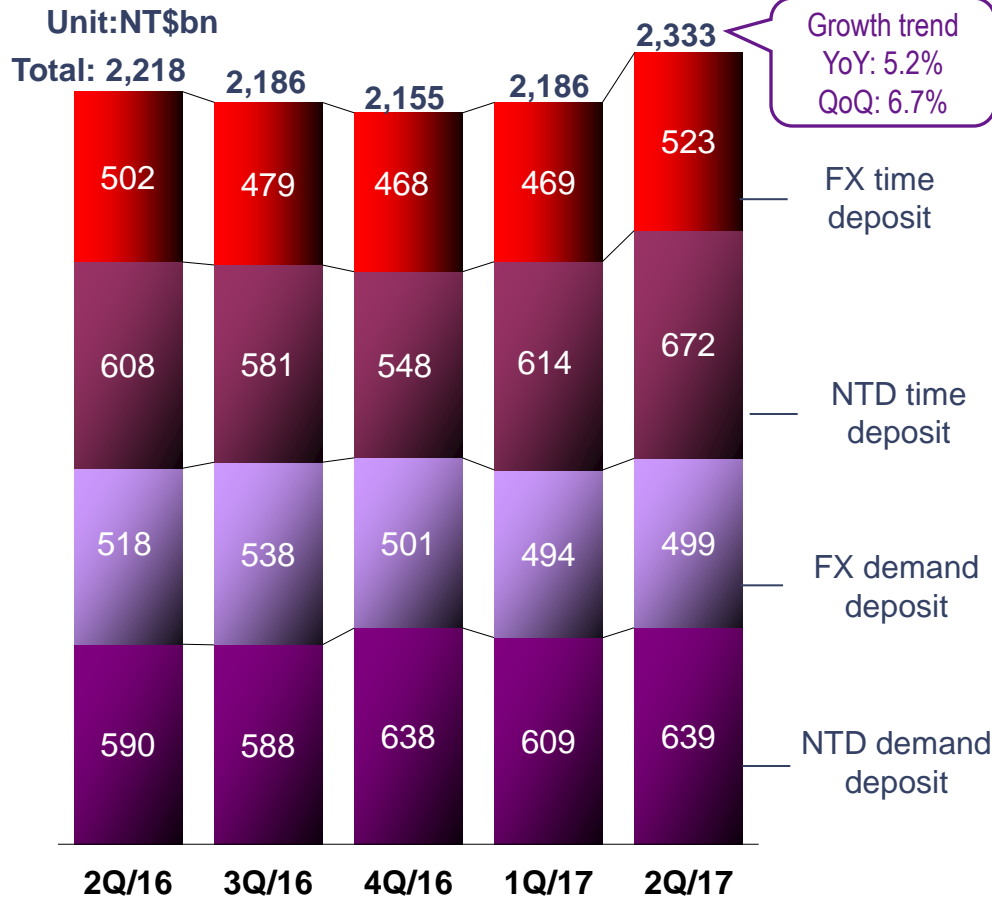


* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

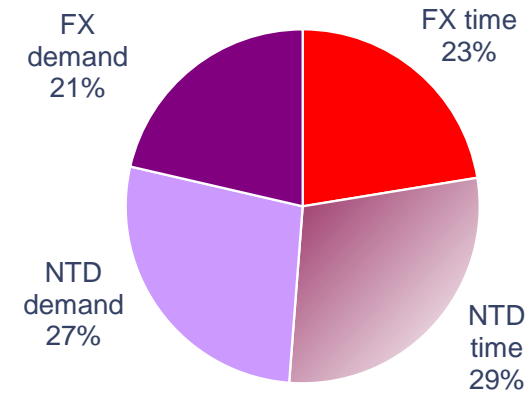
** Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

Aggressively taking NTD retail deposit to strengthen retail banking business

Mega Bank's deposit balance *



Mega Bank's 2Q/17 deposit breakdown

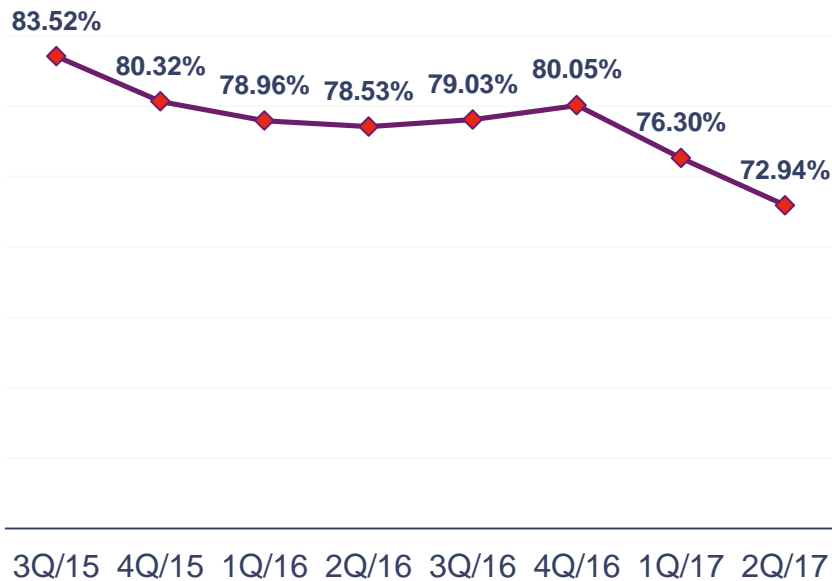


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

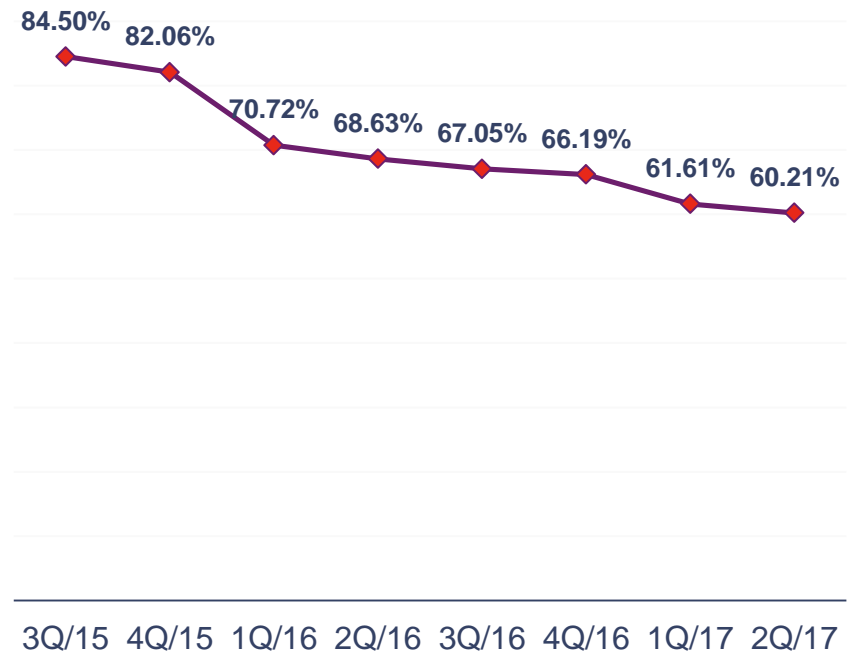
** Includes retail and corporate deposit but excludes due from central banks and banks

LDR remained low

Mega Bank's total LDR*



Mega Bank's USD LDR*



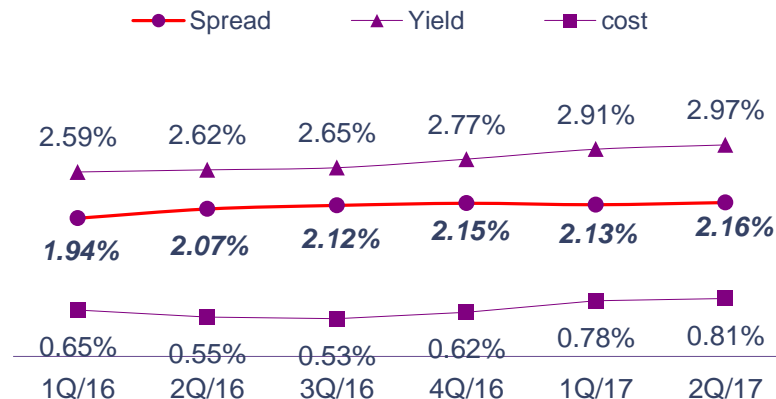
* LDR calculation is based on loan/deposit end balance

Overseas loan interest spread bounced back up

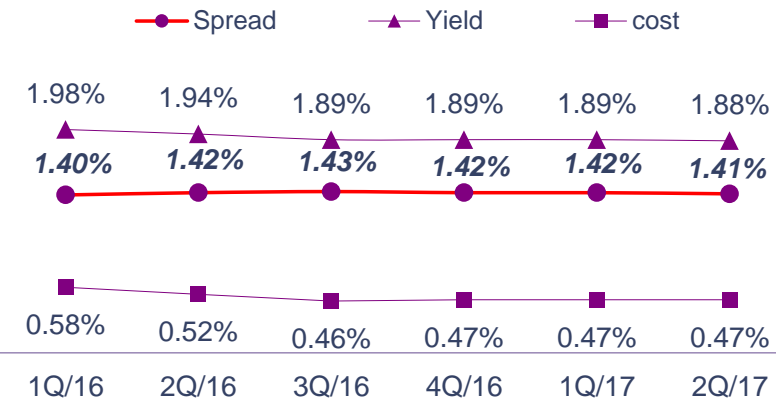
Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*

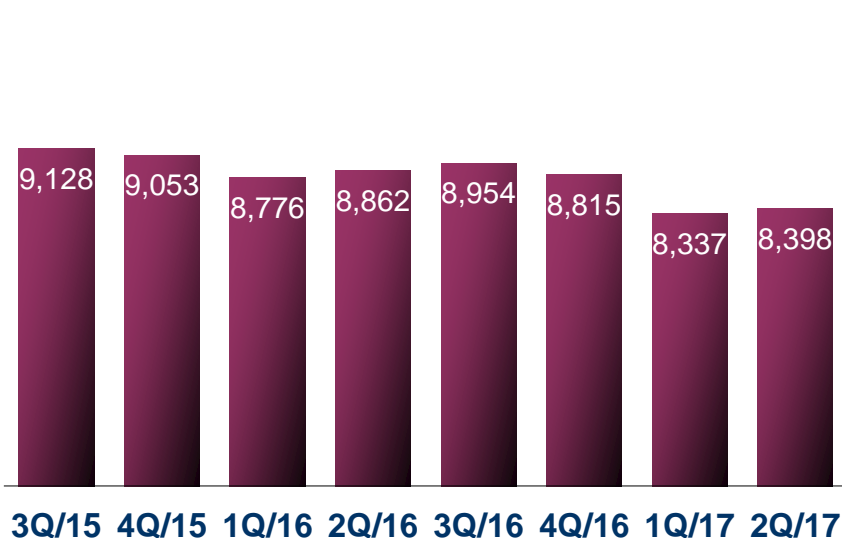


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers..

NII / interest earning assets climbed higher

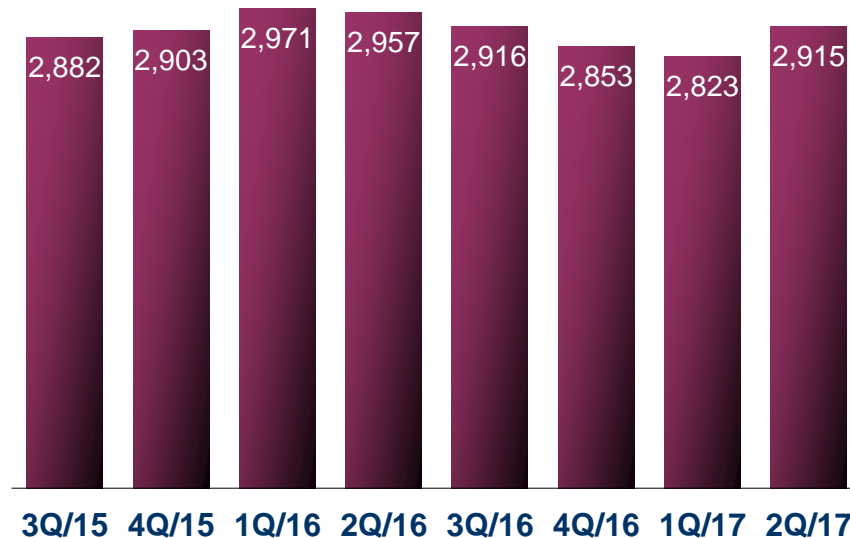
Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion

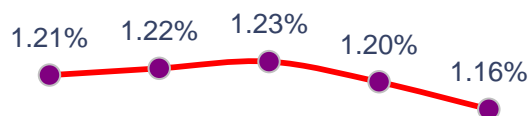


* Stand-alone un-audited P&L net interest income

** Quarterly average interest earning assets

FCY NIM stabilized; while NTD NIM was down

Mega Bank quarterly Total NIM*



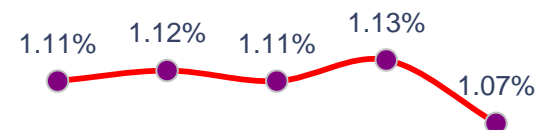
2Q/16 3Q/16 4Q/16 1Q/17 2Q/17

Mega Bank quarterly FCY NIM*



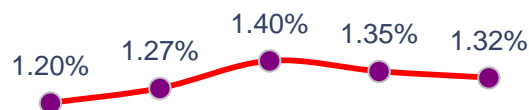
2Q/16 3Q/16 4Q/16 1Q/17 2Q/17

Mega Bank quarterly NTD NIM*



2Q/16 3Q/16 4Q/16 1Q/17 2Q/17

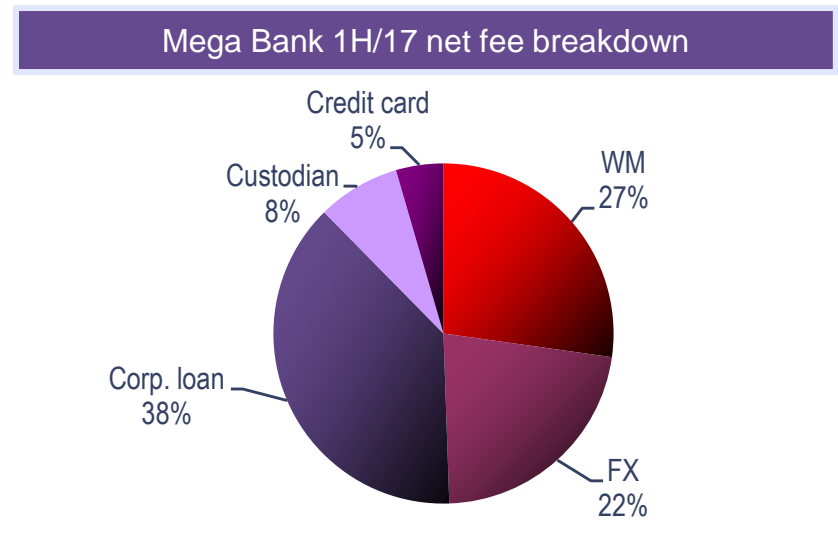
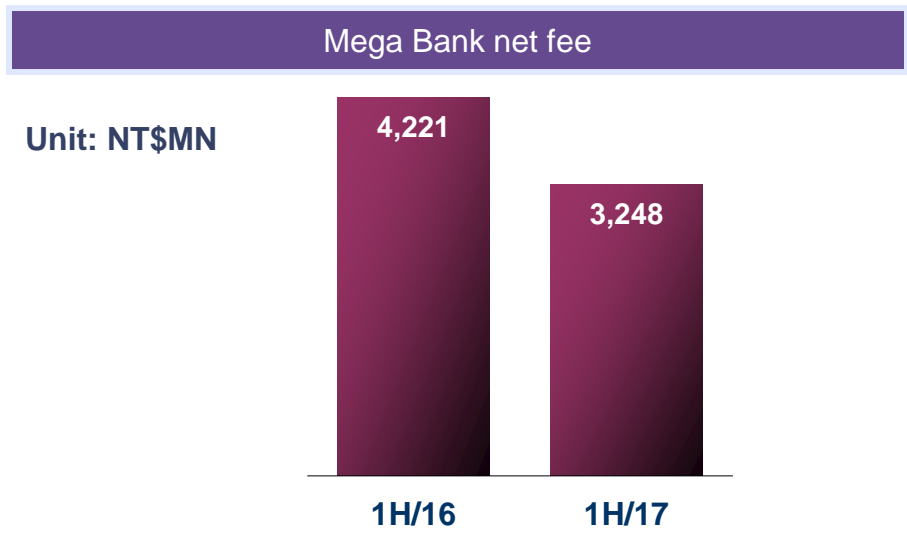
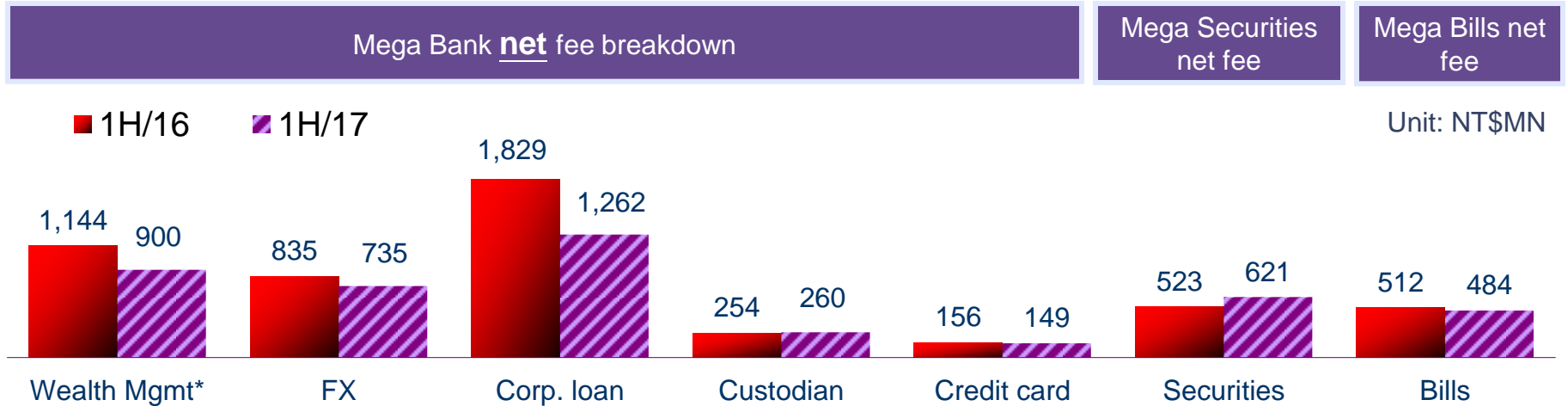
Mega Bank monthly USD NIM*



2Q/16 3Q/16 4Q/16 1Q/17 2Q/17

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

Bank fee was down due to softer syndication loan fee

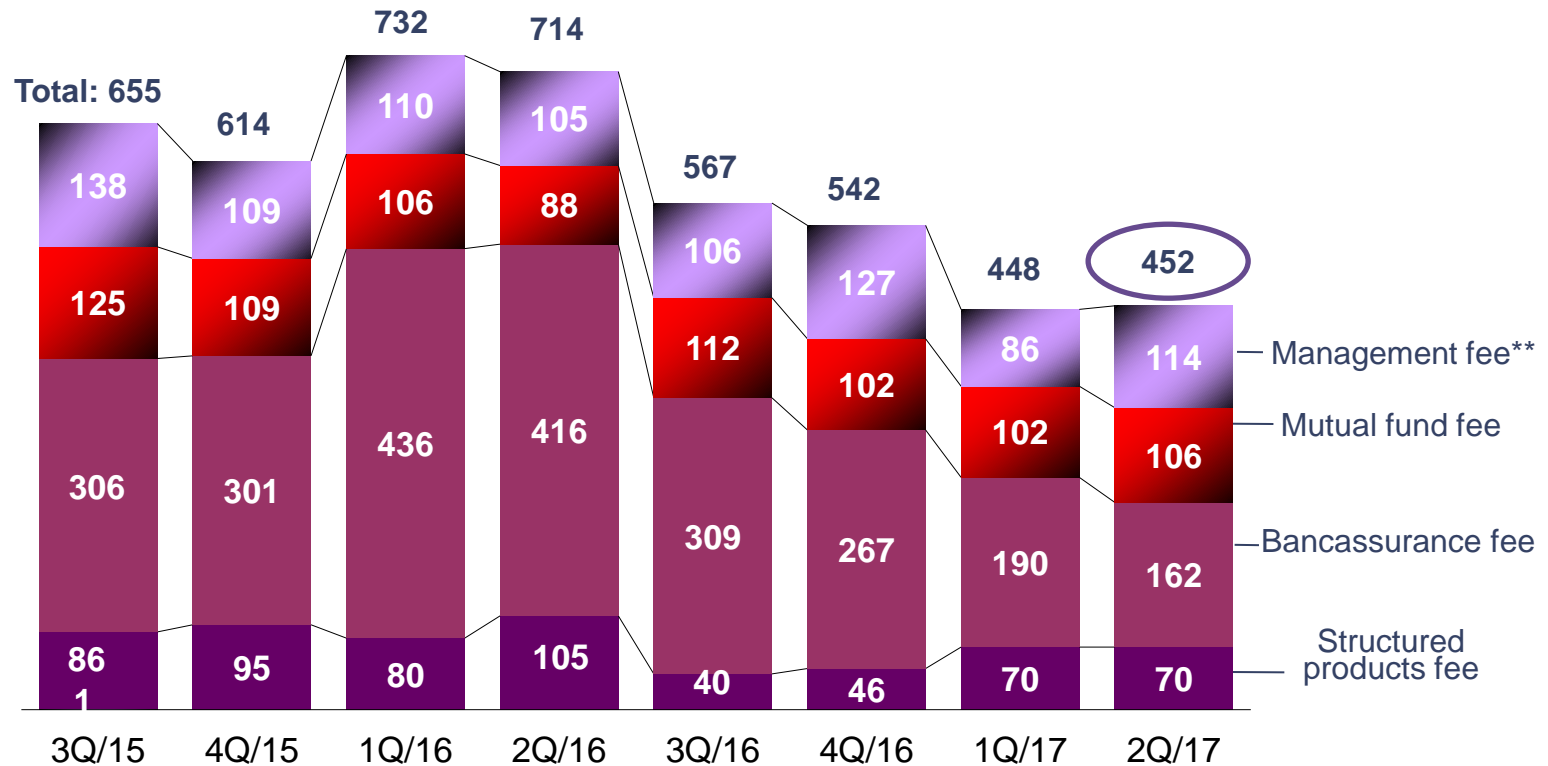


* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

WM fee inched up

Mega Bank wealth management gross fee breakdown*

Unit: NT\$MN

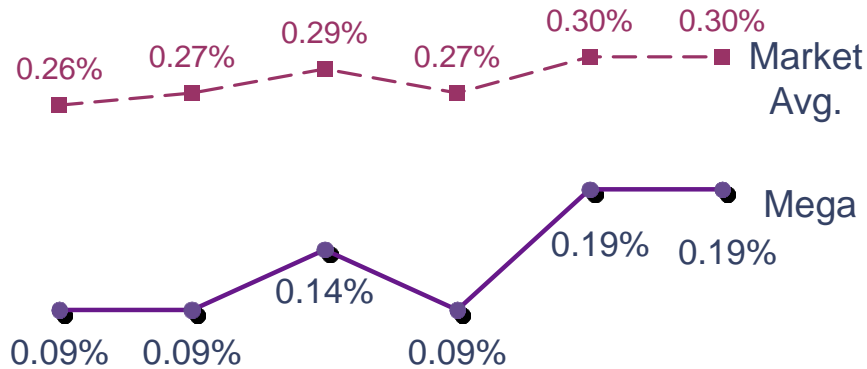


* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

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

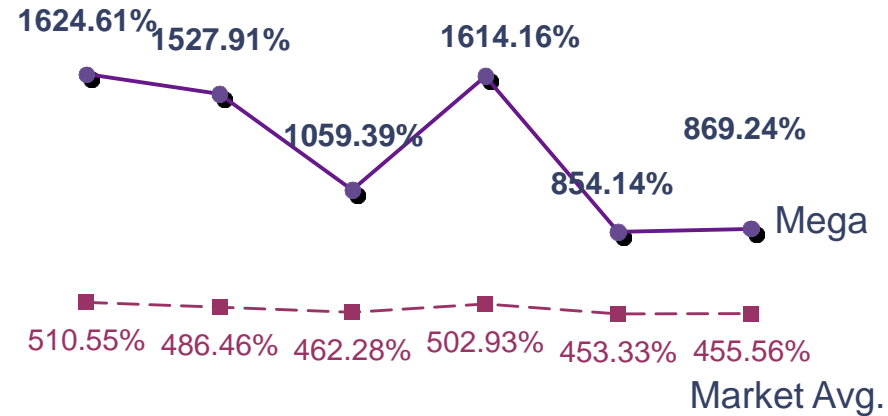
NPL ratio remained low; reserved climbed higher

Mega Bank NPL balance & NPL ratio*

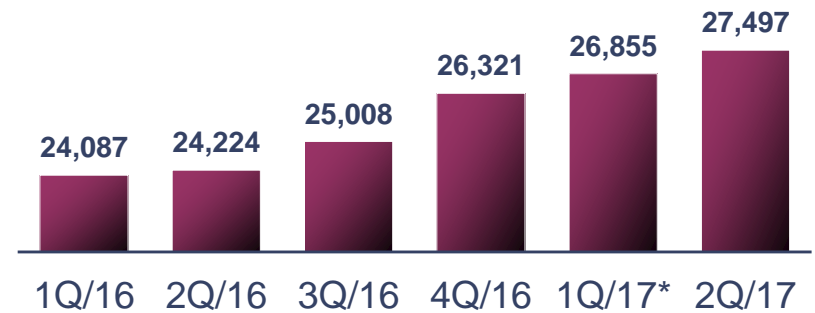
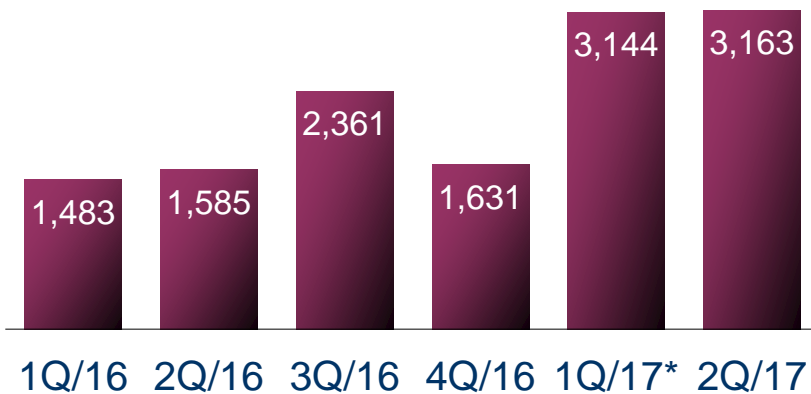


Unit: NT\$MN

Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN

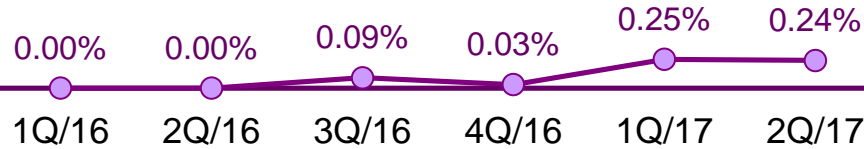


* 1Q/17 number includes TransAsia Airline NPL NT\$1.5bn

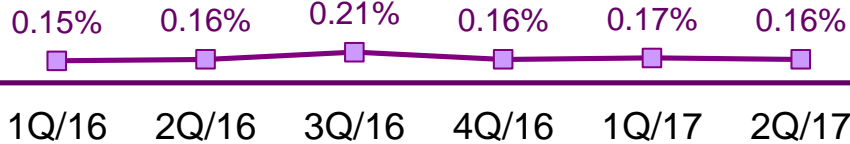
New NPL formation dropped

Mega Bank NPL ratio by customer *

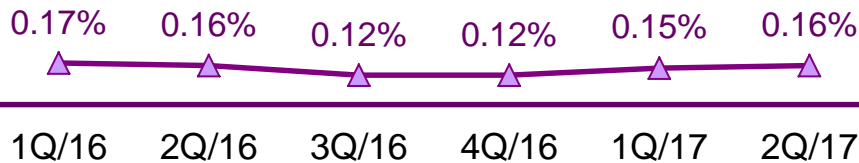
● Large corp. NPL%



■ SME NPL %

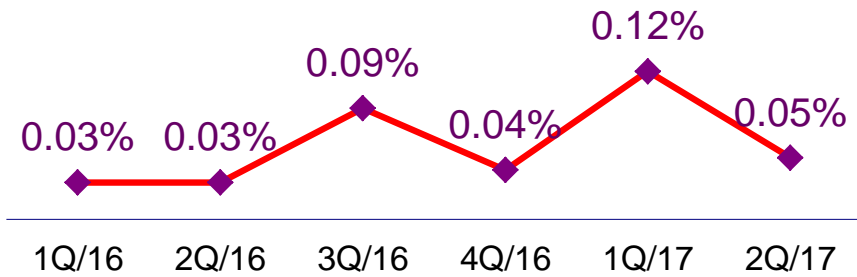


▲ Mortgage NPL %



Mega Bank new NPL as % of total loan **

◆ New NPL

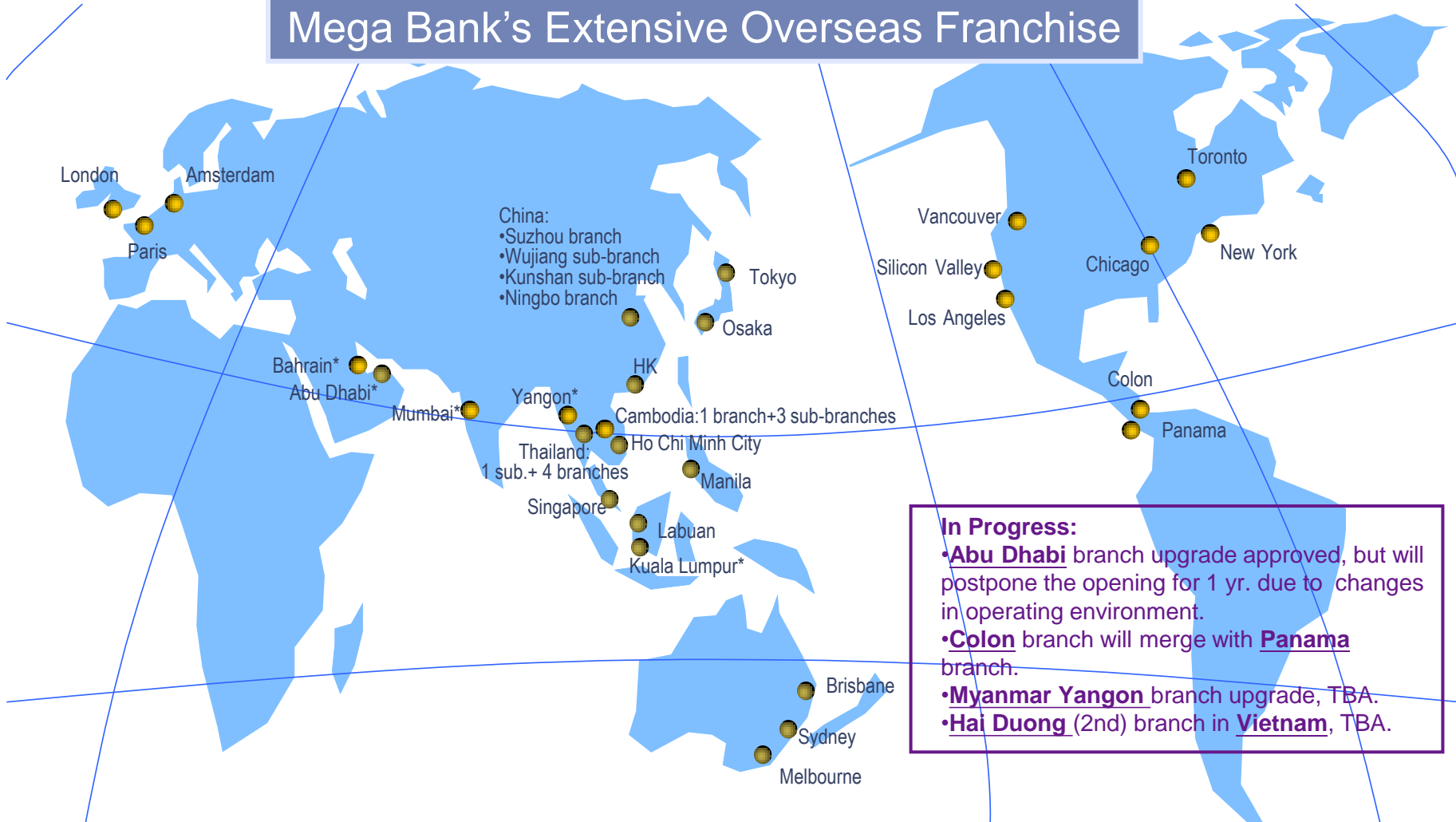


* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

** Annualized new NPL balance / total loan. Mega Bank Internal number. 1Q/17 number includes TransAsia Airline NPL NT\$1.5bn.

39 offices in 20 countries; 19 offices in “New South Bond Area”

Mega Bank’s Extensive Overseas Franchise



In Progress:

- **Abu Dhabi** branch upgrade approved, but will postpone the opening for 1 yr. due to changes in operating environment.
- **Colon** branch will merge with **Panama** branch.
- **Myanmar Yangon** branch upgrade, TBA.
- **Hai Duong** (2nd) branch in **Vietnam**, TBA.

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

Agenda



Operation Highlights



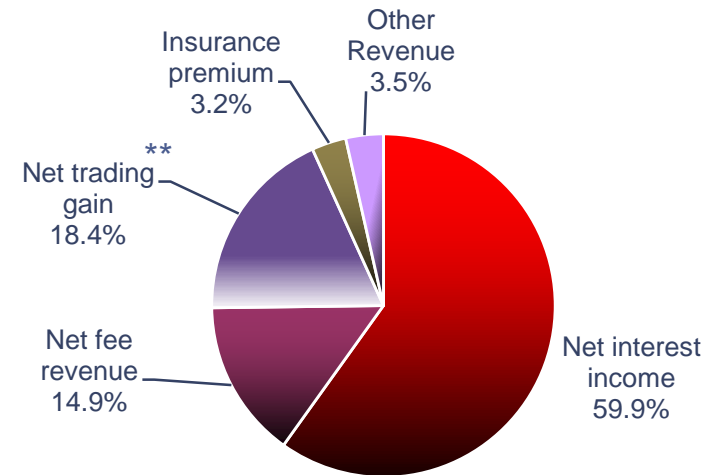
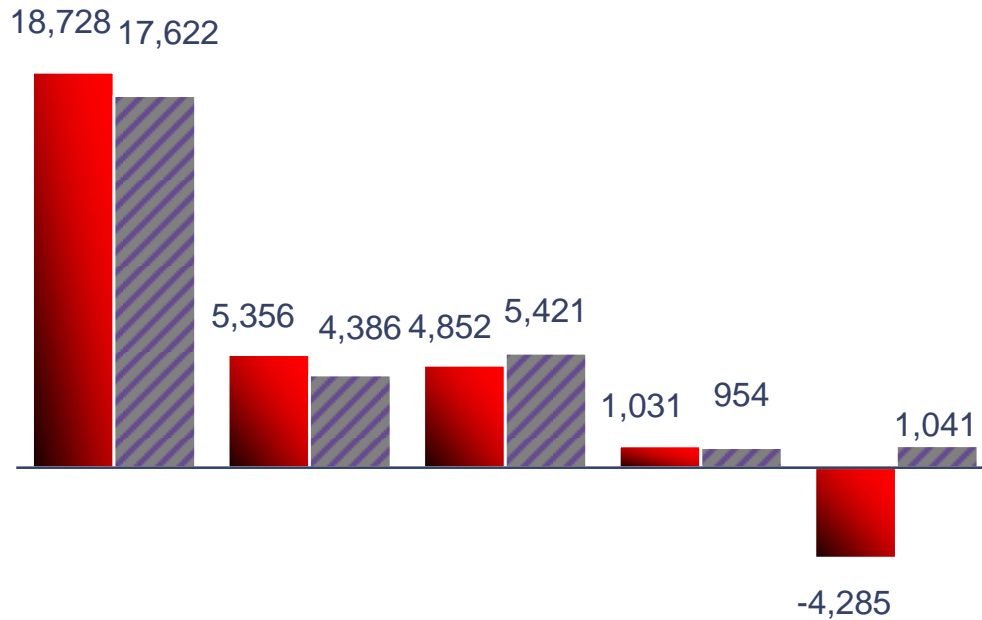
Financial Performance

Strong trading gain helped offset declines from others

Mega Group consolidated net revenue *

Mega Group 1-2Q/2017 net revenue breakdown

■ 1-2Q/16 ■ 1-2Q/17 Unit: NT\$MN



Net interest income Net fee revenue Net trading gain** Insurance premium Others

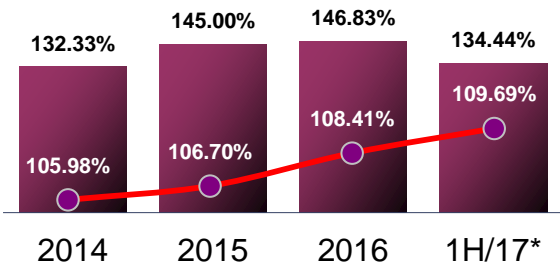
* Un-audited figures.

** 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 12.30%

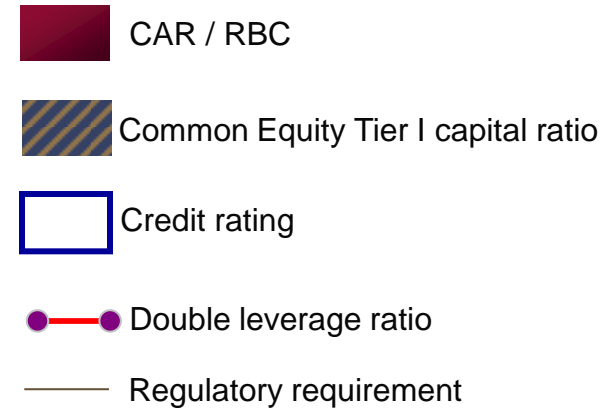
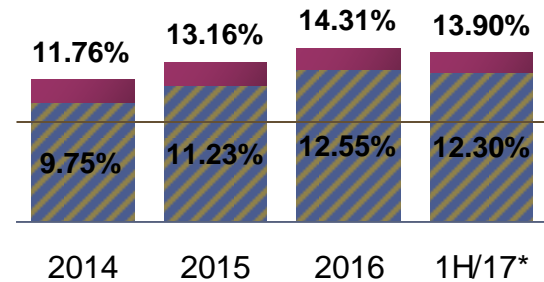
Mega FHC

Moody's: A3 Regulatory Requirement : 100%



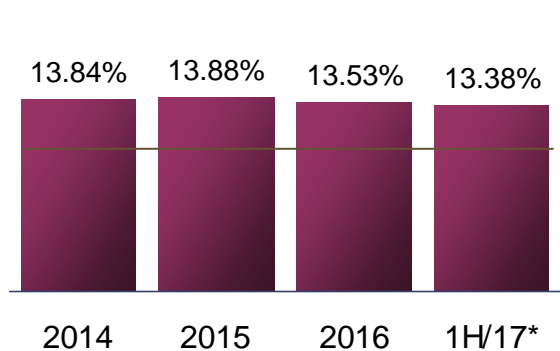
Mega Bank

Moody's: A1 / S&P: A / Fitch: A- Regulatory Requirement : 8.0%



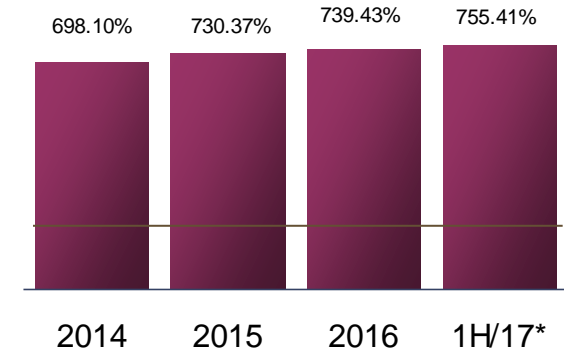
Mega Bills

Requirement : 8.0%



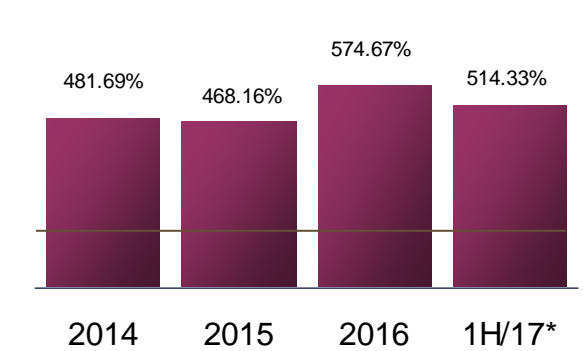
CKI P&C

Moody's: A3 / S&P: BBB+ Requirement: 200%



Mega Securities

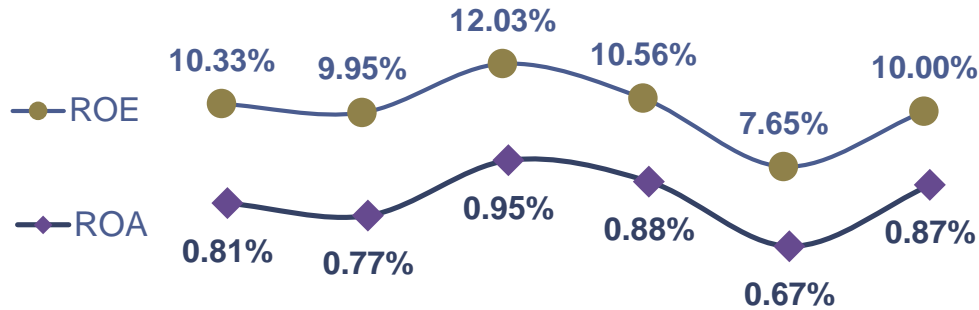
Requirement : 150%



* 1H/17 are un-audited numbers.

Attractive dividend policy

Key Profitability Ratios



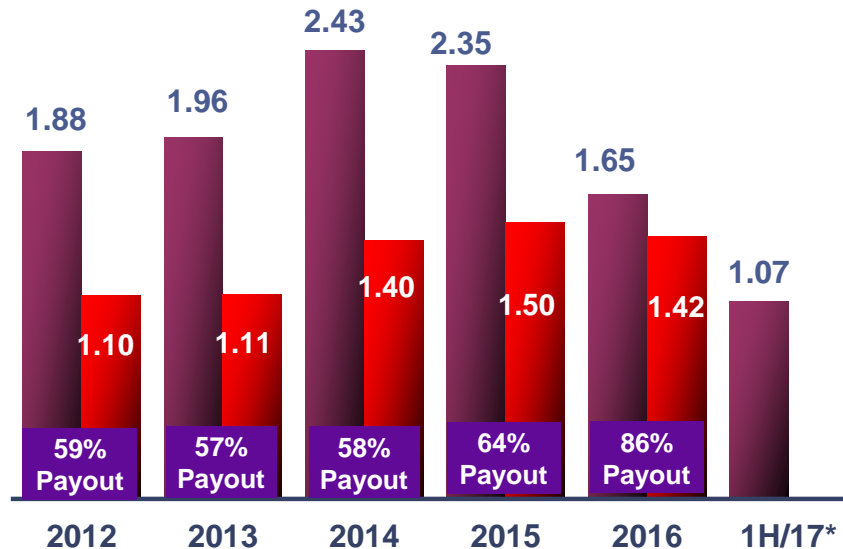
❖ To prevent over-inflated capital base as well as to maintain sufficient capital for future growth, our dividend policy is:

- Maintain high payout ratio
- At least 50% of dividend payout in cash form.

Unit: NT\$

■ EPS

■ DPS



■ Cash div. yield**

5.02%

4.42%

5.73%

7.06%

6.17%

* 1H/17 are un-audited numbers; ROE & ROA are annualized numbers.

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

1-2Q/2017 Mega FHC consolidated P&L statement

<i>NT\$MN, except per share data</i>	1-2Q/2017*	1-2Q/2016	YoY
Net interest income	17,622	18,728	-6%
Net fee revenue	4,386	5,356	-18%
Insurance premium	954	1,031	-7%
Gain from fin. assets at fair value thru P&L	4,019	2,535	59%
Available for sales asset gain	814	1,101	-26%
Equity method investment gain	87	133	-35%
FX spread gain	638	1,306	-51%
Asset impairment loss (write-back)	-150	-230	-35%
Property gain	13	7	86%
Other non-interest revenue (net)	1,041	-4,285	-124%
Operating net revenue	29,424	25,682	15%
Operating expense	-12,374	-11,687	6%
Pre-provision operating profit	17,050	13,995	22%
Provision expense on loan	-981	-967	1%
Reserved on insurance	28	-220	-
Pretax profit	16,097	12,808	26%
Tax	-1,580	-3,376	-53%
Minority shareholder interest	0	7	-
Net profit	14,517	9,439	54%
EPS (NT\$)	1.07	0.69	55%

* Un-audited consolidated numbers.

1-2Q/2017 Mega FHC consolidated balance sheet

<i>NT\$MN</i>	1-2Q/2017*	1-2Q/2016	YoY
Assets:			
Cash and due from banks	628,835	632,867	-1%
Bills and bonds under RP agreement	2,397	9,372	-74%
Fin. assets at fair value through P&L	173,127	195,694	-12%
AFS financial assets	388,446	353,280	10%
HTM financial assets	346,801	248,402	40%
Other financial assets	14,044	16,791	-16%
A/R, net	81,920	113,187	-28%
Loan, net	1,689,837	1,731,772	-2%
Equity method LT investments, net	3,125	3,195	-2%
Land, premises and equipments, net	23,714	23,263	2%
Others	15,501	15,625	-1%
Total assets	3,367,747	3,343,448	1%
Liabilities			
Due to banks	318,120	386,382	-18%
Deposits	2,342,532	2,226,290	5%
CP & Bond payable	52,284	53,104	-2%
Bills & bonds sold under repurchase agreement	205,949	221,619	-7%
Other liabilities	160,148	172,699	-7%
Total liabilities	3,079,033	3,060,094	1%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	85,169	77,413	10%
Equity adjustment items	-689	1,696	-
Minority shareholder interest	42	53	-21%
Total stockholders' equity	288,714	283,354	2%
Total liabilities and stockholders' equity	3,367,747	3,343,448	1%
Book value per share (NT\$)	21.23	20.84	2%

* Un-audited consolidated numbers.

1-2Q/2017 Mega Bank consolidated P&L statement

<i>NT\$MN, except per share data</i>	1-2Q/2017*	1-2Q/2016	YoY
Net interest income	16,735	17,702	-5%
Net fee revenue	3,248	4,221	-23%
Gain from fin. assets at fair value thru P&L	2,998	1,652	81%
Available for sales asset gain	658	805	-18%
Equity method investment gain	91	130	-30%
FX spread gain	792	1,322	-40%
Asset impairment loss (write-back)	-150	-234	-36%
Other non-interest revenue (net)	435	-5,011	-109%
Operating net revenue	24,807	20,587	20%
Operating expense	-10,084	-9,402	7%
Pre-provision operating profit	14,723	11,185	32%
Provision expense on loan	-989	-1,021	-3%
Pretax profit	13,734	10,164	35%
Tax	-1,254	-2,483	-49%
Net profit	12,480	7,681	62%
EPS (NT\$)	1.46	0.90	62%

* Un-audited consolidated numbers

1-2Q/2017 Mega Bank consolidated balance sheet

NT\$MN	1-2Q/2017*	1-2Q/2016	YoY
Assets:			
Cash and due from banks	624,101	625,921	0%
Bills and bonds under RP agreement	2,593	9,971	-74%
Fin. assets at fair value through P&L	44,619	48,866	-9%
AFS financial assets	239,500	214,405	12%
HTM financial assets	344,745	246,594	40%
Other financial assets	9,421	9,901	-5%
A/R, net	49,036	79,087	-38%
Loan, net	1,689,837	1,731,772	-2%
Equity method LT investments, net	3,047	3,120	-2%
Land, premises and equipments, net	15,352	15,069	2%
Others (net)	8,921	9,118	-2%
Total assets	3,031,172	2,993,824	1%
Liabilities			
Due to banks	293,864	367,652	-20%
Deposits	2,351,902	2,238,941	5%
CP & Bond payable	36,200	36,200	0%
Bills & bonds sold under repurchase agreement	393	584	-33%
Other liabilities	91,550	102,383	-11%
Total liabilities	2,773,909	2,745,760	1%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	111,120	100,558	11%
Equity adjustment items	(1,439)	(76)	-
Total stockholders' equity	257,263	248,064	4%
Total liabilities and stockholders' equity	3,031,172	2,993,824	1%
Book value per share (NT\$)	30.14	29.06	4%

* Un-audited consolidated numbers.