國票金融控股公司

Waterland Financial Holdings
1H16 Interim Results

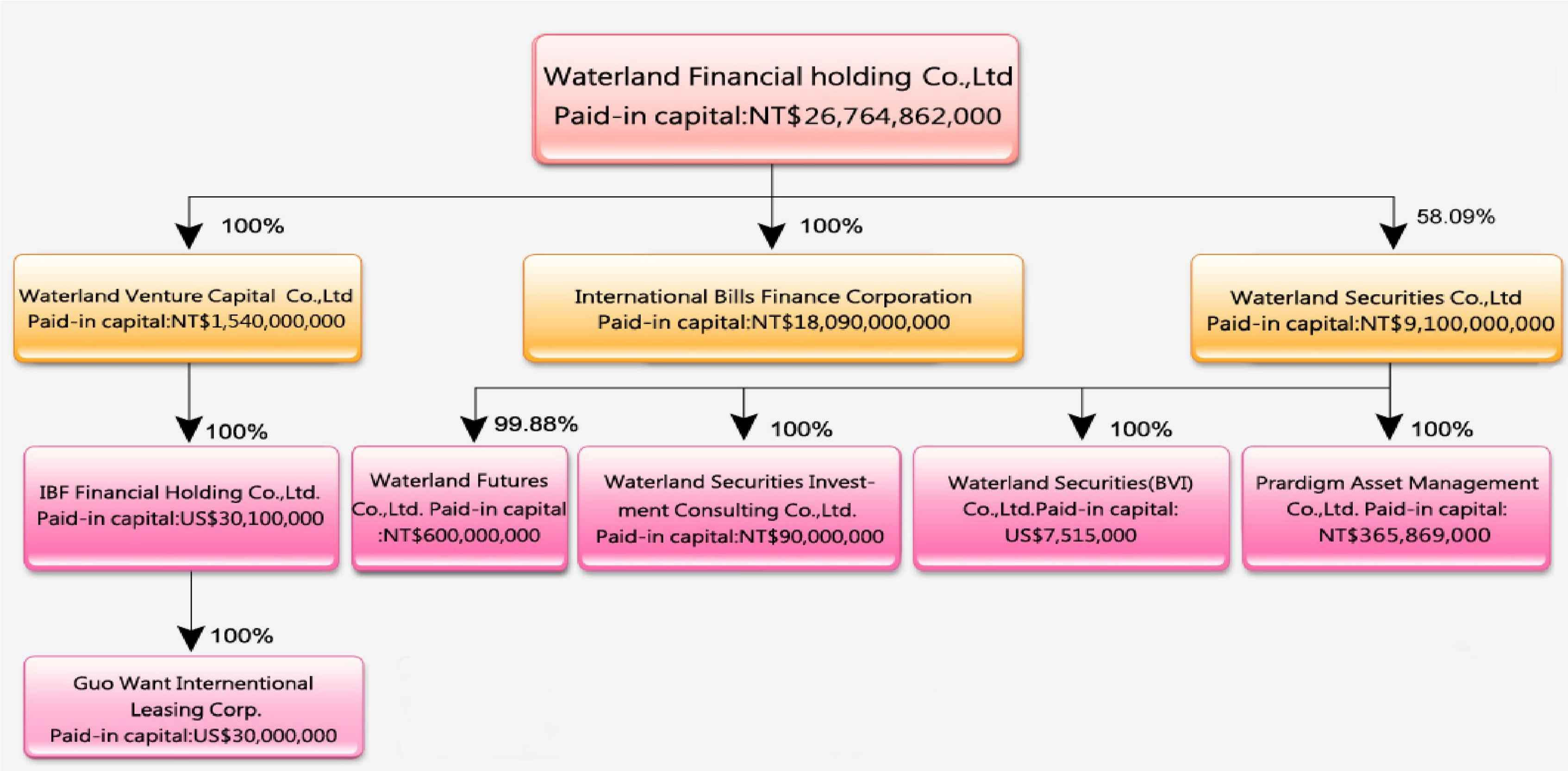
2016/08/31

- WFH Operation Highlights
- IBFC Operation Highlights
- WLS Operation Highlights
- Waterland VC Operation Highlights
- Guo Want Operation Highlights
- Q & A

WFH Operation Highlights

Group Structure

August 15 , 2016



Our diversity allows us to provide professional solutions to our customers.

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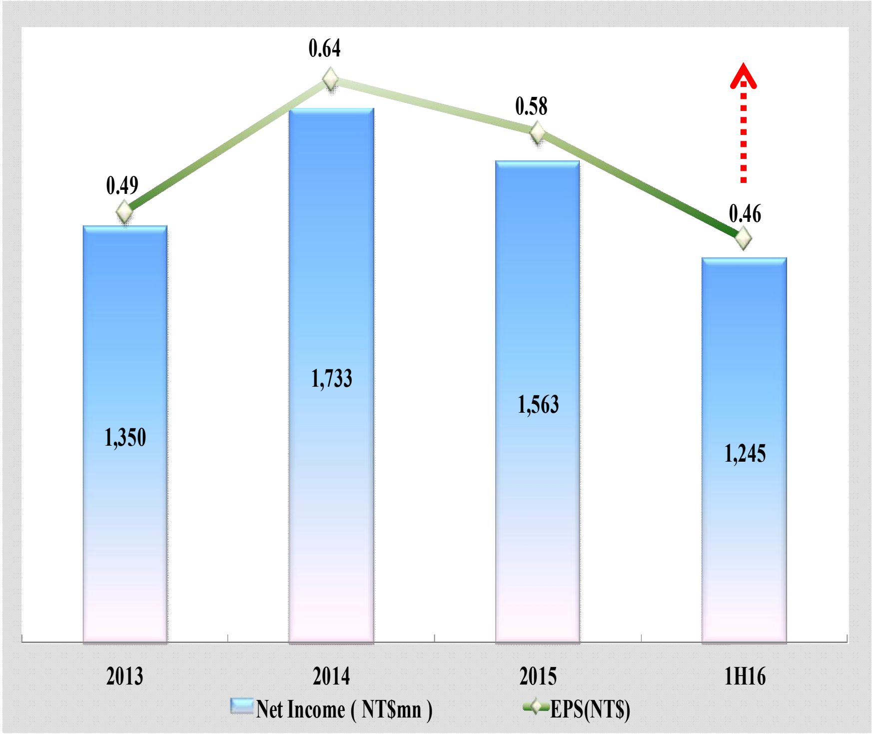
WFH Operation Highlights

Operating Summary-Consolidated Financial Info

	2013	2014	2015	1H16	1H15	YoY
Net Income-After Tax (NT$mn)	1,350	1,733	1,563	**1,245**	868	**43.43%**
Stockholders' Equity (NT$mn)	28,326	29,581	30,354	**31,138**	29,619	**5.13%**
Book Value Per Share (NT$)	10.99	11.22	11.34	**11.81**	11.23	**5.16%**
EPS(NT$)	0.52	0.66	0.58	**0.46**	0.32	**43.75%**



43.4% profit growth YoY, and book value per share reached NT$11.81 in 1H16 .

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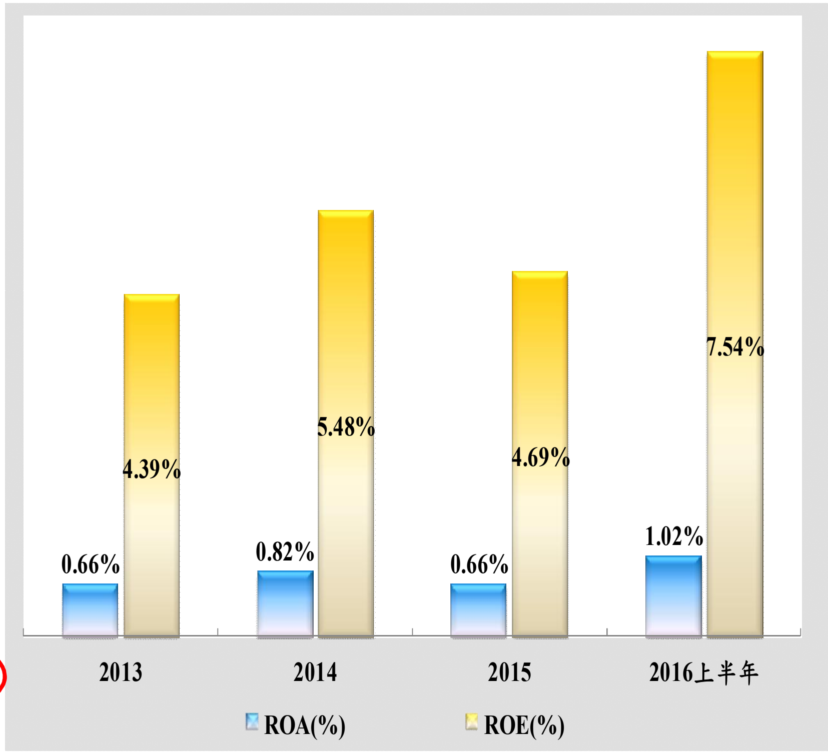
WFH Operation Highlights

Operating Summary-Financial Ratios

	2013	2014	2015	1H16	1H15	YoY
ROA [1] (%)	0.66	0.82	0.66	**1.02**	0.80	**27.50%**
ROE[1] (%)	4.39	5.48	4.69	**7.54**	5.34	**41.20%**
CAR (%)	167.81	172.76	178.06	**164.90**	162.45	**1.51%**
DLR (%)	102.62	110.67	110.55	**109.74**	109.36	**0.35%**



Note：1. ROA and ROE are based on consolidated financial statements.

Both ROA and ROE surged in 1H16. CAR and DLR were well under control.

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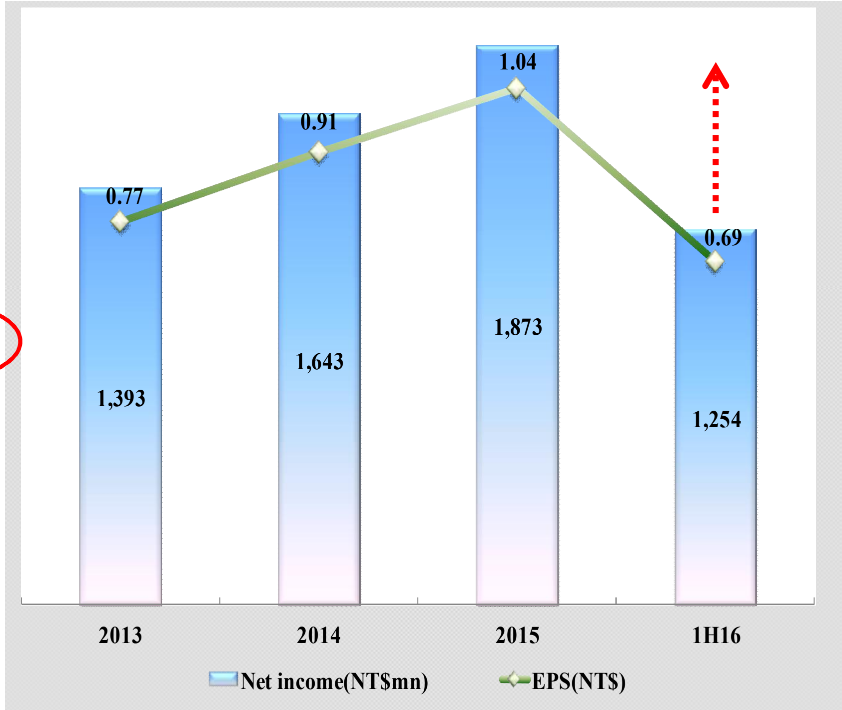
WFH Operation Highlights

Subsidiaries Financial Info - IBFC

Items	2013	2014	2015	1H16	1H15	YoY
Net Income[1] (NT$mn)	2,114	2,542	2,885	**1,796**	1,407	**27.65%**
Income After Tax(NT$mn)	1,393	1,643	1,873	**1,254**	915	**37.05%**
EPS(NT$)	0.77	0.91	1.04	**0.69**	0.51	**35.29%**
ROE(%) (Annualized)	5.62	6.53	7.18	**9.32**	7.19	**29.62%**



In the past 4 years, IBFC had stable profit growth with a notable 37.05% increase YoY in 1H16 .

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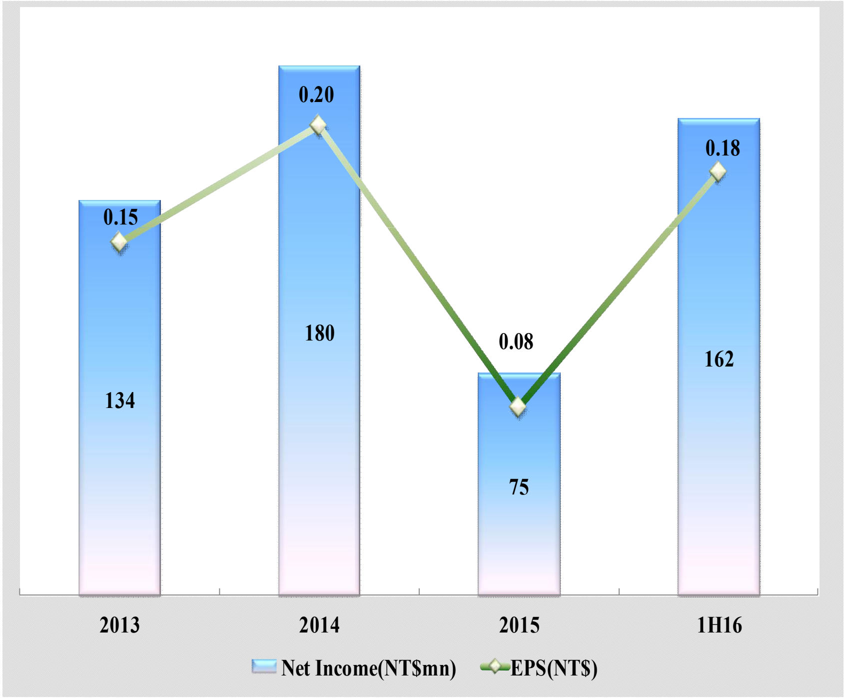
WFH Operation Highlights

Subsidiaries Financial Info - WLS

	2013	2014	2015	1H16	1H15	YoY
Net Income (NT$mn)	134	180	75	**162**	**79**	105.06%
EPS(NT$)	0.15	0.20	0.08	**0.18**	**0.09**	100.00%
ROA(%) (Annualized)	0.45	0.56	0.23	**0.96**	**0.46**	108.70%
ROE(%) (Annualized)	1.43	1.88	0.77	**3.32**	**1.64**	102.44%



Although WLS' earnings fluctuated, it had remained profitable in recent years. The profit in 1H16 grew significantly than in previous year .

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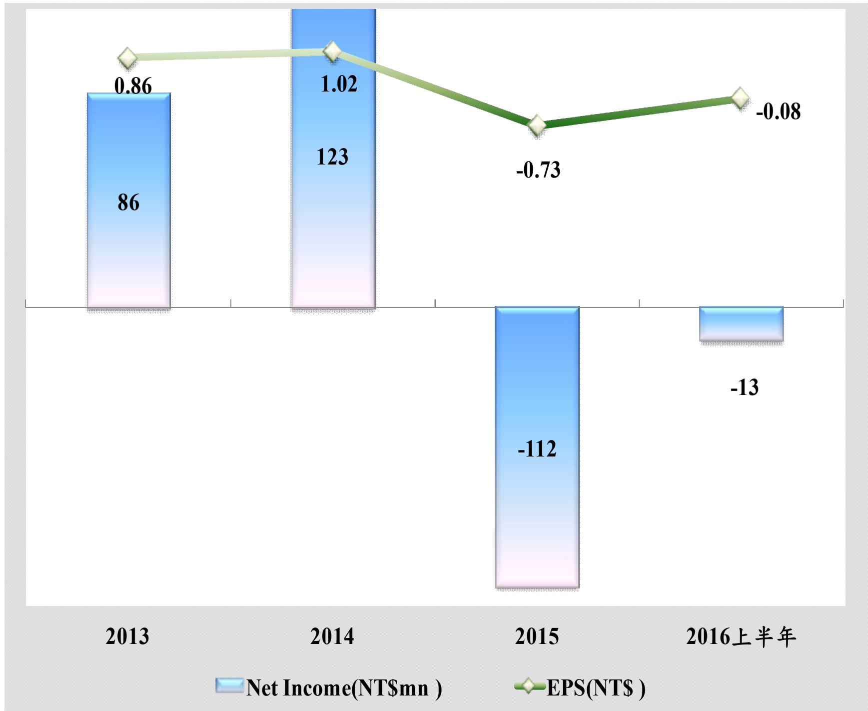
WFH Operation Highlights

Subsidiaries Financial Info–Waterland VC

	2013	2014	2015	1H16	1H15	YoY
Net Income (NT$mn)	86	123	-112	**-13**	8	-262.50%
EPS(NT$)	0.86	1.02	-0.73	**-0.08**	0.05	-260.00%
ROA(%) (Annualized)	4.44	7.60	-5.88	**-1.29**	0.82	-257.32%
ROE(%) (Annualized)	9.42	9.26	-7.65	**-1.88**	1.03	-282.52%



The profit of Waterland VC was impacted by the volatility of Taiwan stock market, trading volume decline in Emerging Stock Board, and impairment loss and investment loss of sub company, Guo-Want, in 2015 and 1H16.

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WFH Operation Highlights

Subsidiaries -Financial Ratios

IBFC	2013	2014	2015	1H16	1H15	YoY
ROA(%)	0.76	0.89	0.92	**1.16**	0.98	**18.37%**
ROE(%)	5.62	6.53	7.18	**9.32**	7.20	**29.44%**
CAR(%)	14.08	15.47	16.08	**14.78**	14.62	**1.09%**
NPL(%)	0.27	0.25	0.26	**0.01**	0.24	**-95.83%**
WLS	**2013**	**2014**	**2015**	**1H16**	**1H15**	**YoY**
ROA(%)	0.45	0.56	0.23	**0.96**	0.46	**108.70%**
ROE(%)	1.43	1.88	0.77	**3.32**	1.64	**102.44%**
CAR(%)	300.23	406.65	397.02	**349.50**	312.18	**11.95%**
Waterland VC	**2013**	**2014**	**2015**	**1H16**	**1H15**	**YoY**
ROA(%)	4.44	7.60	-5.88	**-1.29**	0.82	**-257.32%**
ROE(%)	9.42	9.26	-7.65	**-1.88**	1.03	**-282.52%**

ROA and ROE of IBFC and WLS rose significantly comparing to 2015. In addition, CARs was moderate and NPLs remained at low level.

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WFH Operation Highlights

Profit contribution from subsidiaries

Unit ： NT $ mn

Subsidiaries	2013		2014		2015		1H16	
	Amount	%	Amount	%	Amount	%	Amount	%
IBFC	1,393	91.80%	1,643	91.10%	1,873	105.90%	**1,254**	**91.60%**
WLS	40	2.70%	39	2.20%	34	1.90%	**99**	**7.30%**
Waterland VC	84	5.50%	122	6.80%	-138	-7.80%	**15**	**1.10%**
Total	1,517	100.00%	1,804	100.00%	1,769	100.00%	**1,369**	**100.00%**

The main profit of WFH came from the earnings growth of IBFC as usual.

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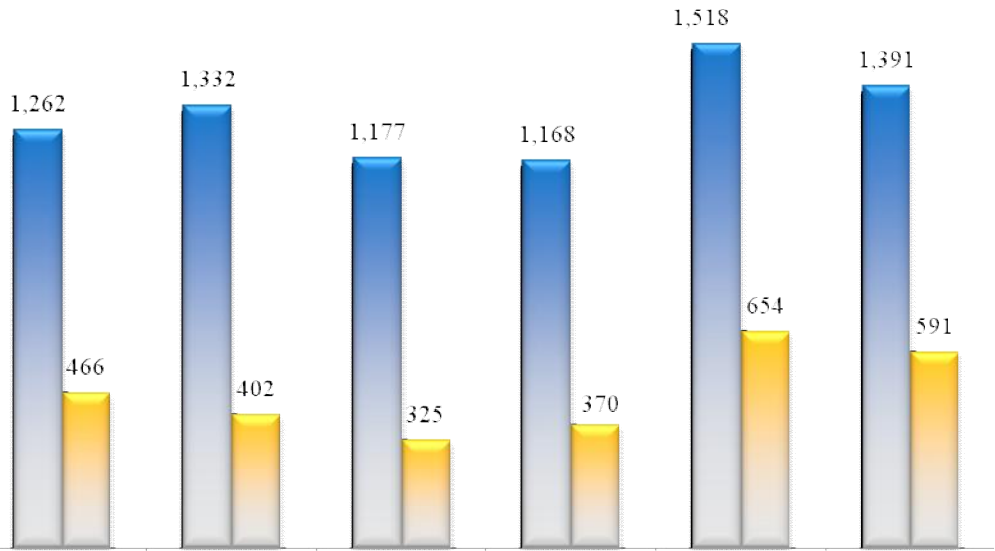
WFH Operation Highlights

Quarterly Revenue and Profit

Unit ： NT$mn



	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2
Consolidated Net Revenues	1,262	1,332	1,177	1,168	1,518	1,391
Net Income- After TAX	466	402	325	370	654	591

The profits in 1Q16 and 2Q16 both increased YoY. The growth momentum is expected to continue in 2H16.

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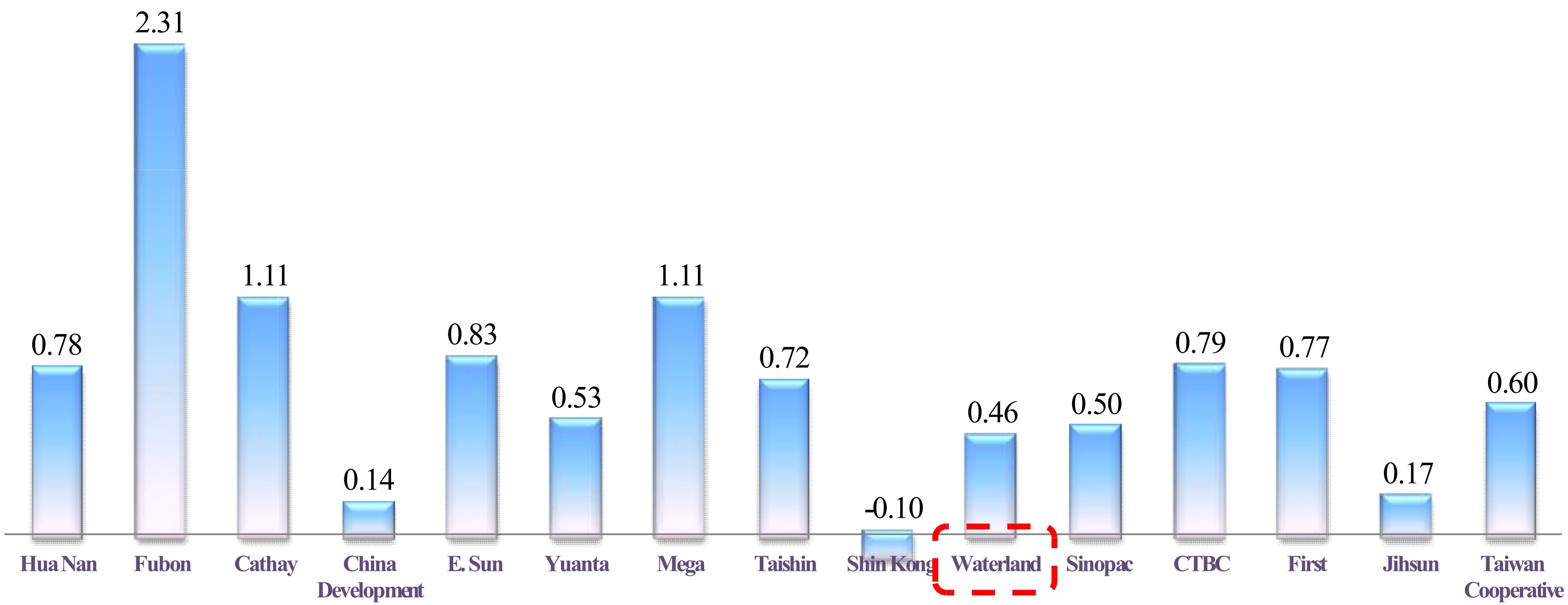
WFH Operation Highlights

20161H FHCs - EPS Comparison (Non

Unit ： NT $



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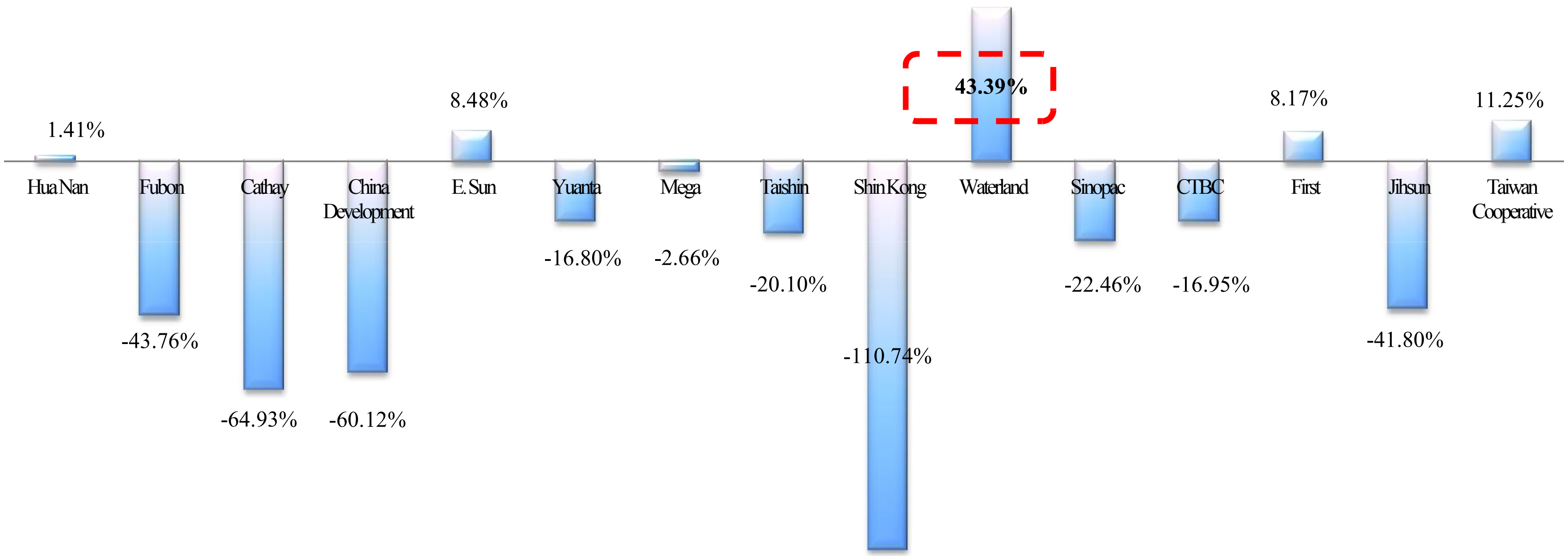
WFH Operation Highlights

Financial Holding Companies –1H16 Profit YoY



Coupled with revenue growth from bills/ bonds business and decent securities proprietary trading, WFH Group had outstanding performance relatively to other peers.

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WFH Operation Highlights

Summary of 1H16 Performance and Earnings

- WFH group had recorded notable growth of profits in 1H2016, mainly benefited from the outstanding performance of bills finance business and decent securities proprietary trading.
- Earnings of IBFC had increased 37% YoY as a result of improved interest spread in the mist of Central Bank's monetary easing policies. Improved interest spread was achieved through fine-tuned credit policies of customer segmentation and low funding cost. On top of that, expansion in foreign currency bond position and well-timed investment in equities and CB also helped bring in good profits in the first half of 2016.
- Earnings of WLS had increased more than 100% as a result of profitable proprietary trading of securities and bonds.
- Compared to average profit decline of the other 15 financial holding peers, WFH had recorded over 40% growth in 1H16. The profit growth momentum is expected to continue in 2H16.

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IBFC Operating Highlights

Revenue Breakdown

Unit：NT$ mn.

項　目	2013		2014		2015		1H15		1H16	
Bills	1,257	59.46%	1,604	63.10%	1,890	65.51%	867	61.62%	**1,024**	57.02%
Bonds	581	27.48%	783	30.80%	845	29.29%	424	30.14%	**545**	30.35%
Equity	156	7.38%	46	1.81%	124	4.30%	113	8.03%	**55**	3.06%
Other	120	5.68%	109	4.29%	26	0.90%	3	0.21%	**172**	9.58%
Total	2,114	100.00%	2,542	100.00%	2,885	100.00%	1,407	100.00%	**1,796**	100.00%

IBFC's major profits come from bills and bonds business. Revenue in guarantee business and interest spreads increased each year as customer segmentation pricing policy was enforced to gear up interest spreads. Besides, since the inception of foreign currency bond business in 2014, IBFC has actively built foreign bond position, which also generated good profits each year.

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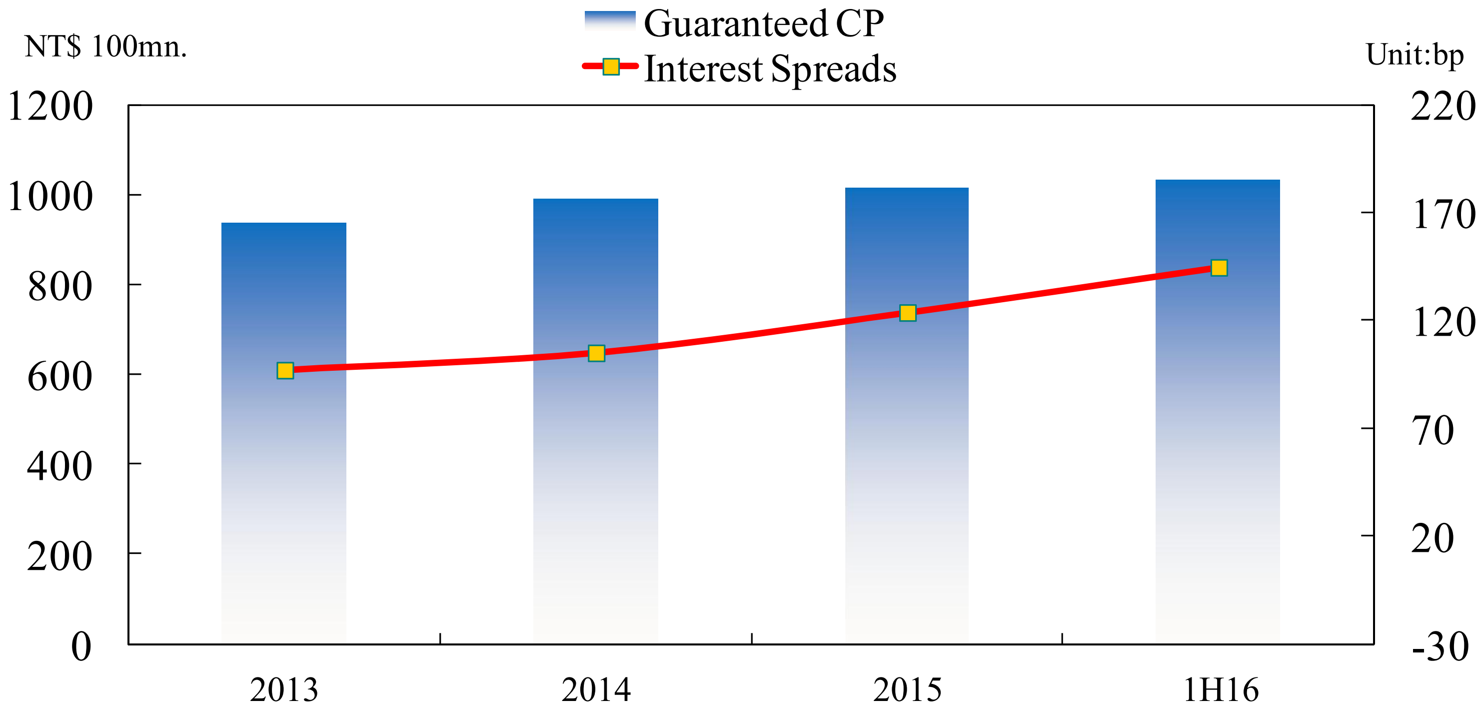
IBFC Operating Highlights

Bills Rvenue Compostion(2)



Despite excess liquidity in the money market intensifies competition in credit loan business, IBFC strives to expand new credit clients with quality collateral and high interest spreads. Business volume and interest spreads increased each year in an upward trend.

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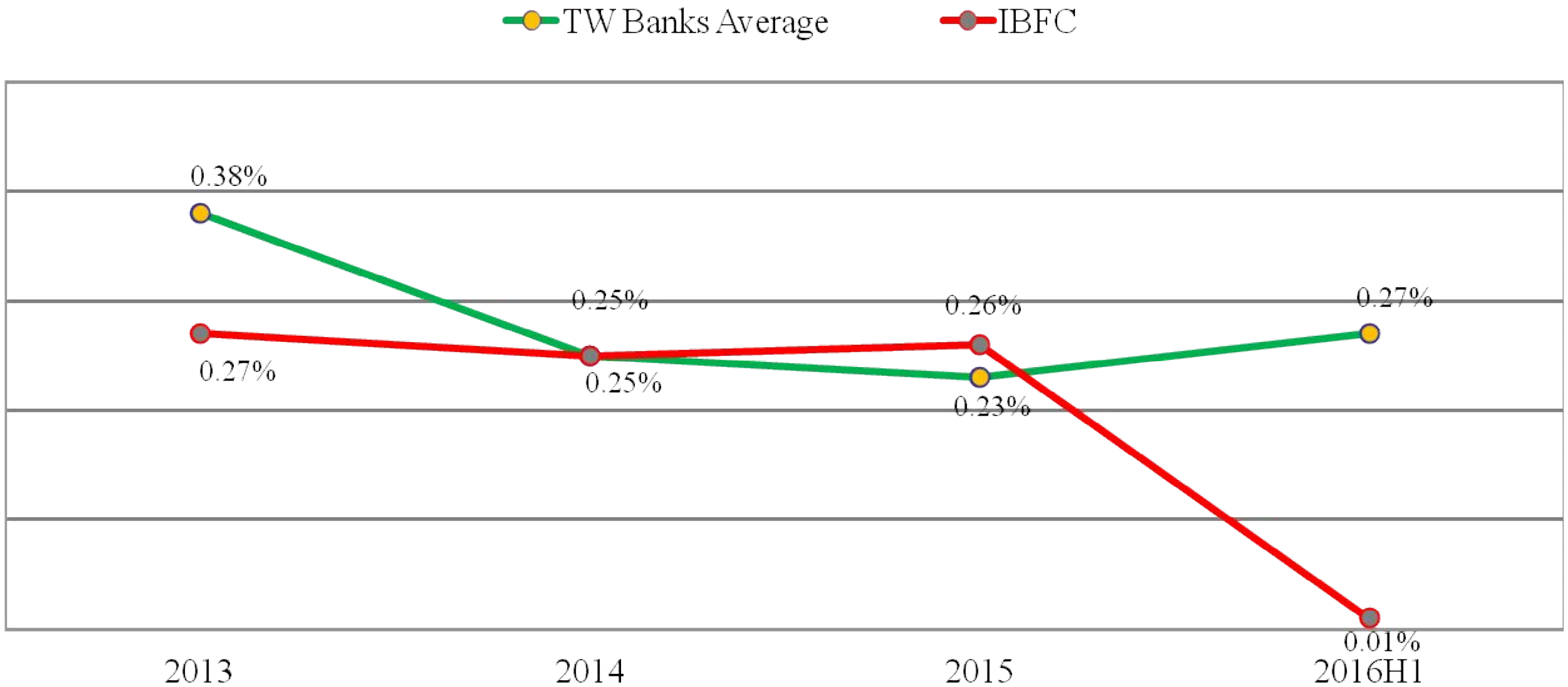
IBFC Operating Highlights

Asset Quality – Overdue Ratio



IBFC maintain sound asset quality as IBFC recovered overdue loans in the first half of 2016, and its overdue ratio has dropped significantly, far lower than that of domestic banks' average.

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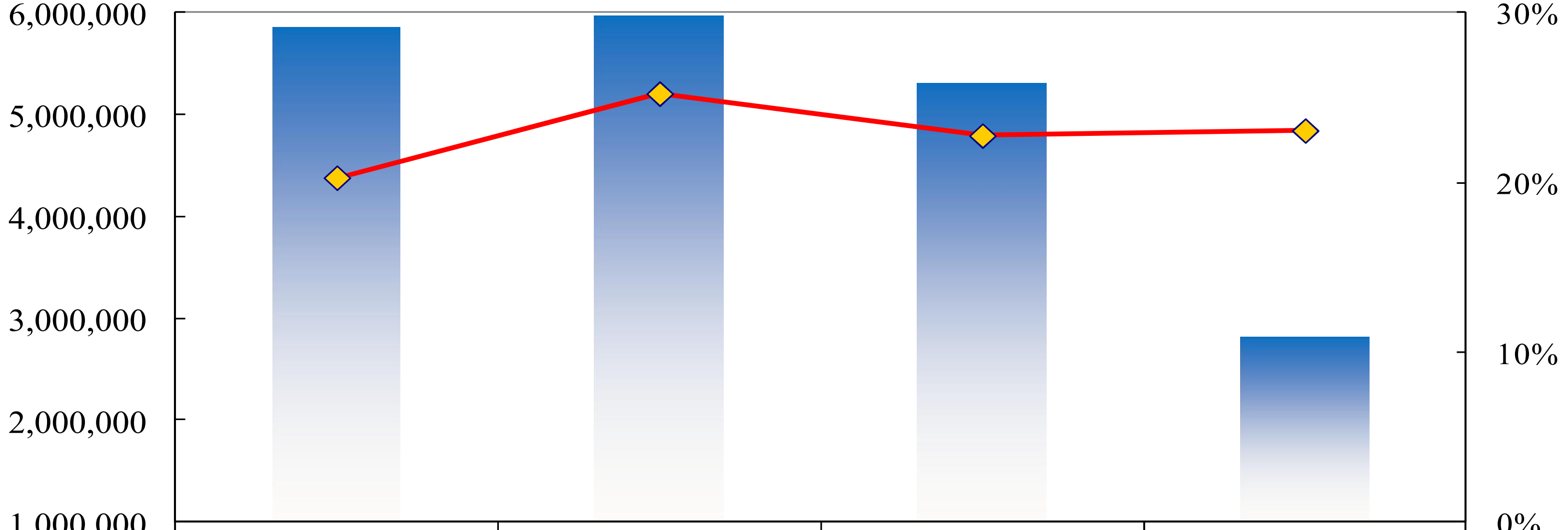
IBFC Operating Highlights

Trading volume in Bills – Secondary market trading

Unit：NT$ mn.



	2013	2014	2015	1H16
Trading volume	5,856,632	5,968,683	5,309,056	2,815,440
Market share	20.29%	25.25%	22.78%	23.07%

Domestic banks ranked highest in the market share of CP secondary market in recent years, followed by state funds, corporate customers, and mutual funds. With diversified funding sources, IBFC still upholds market leadership in CP secondary market.

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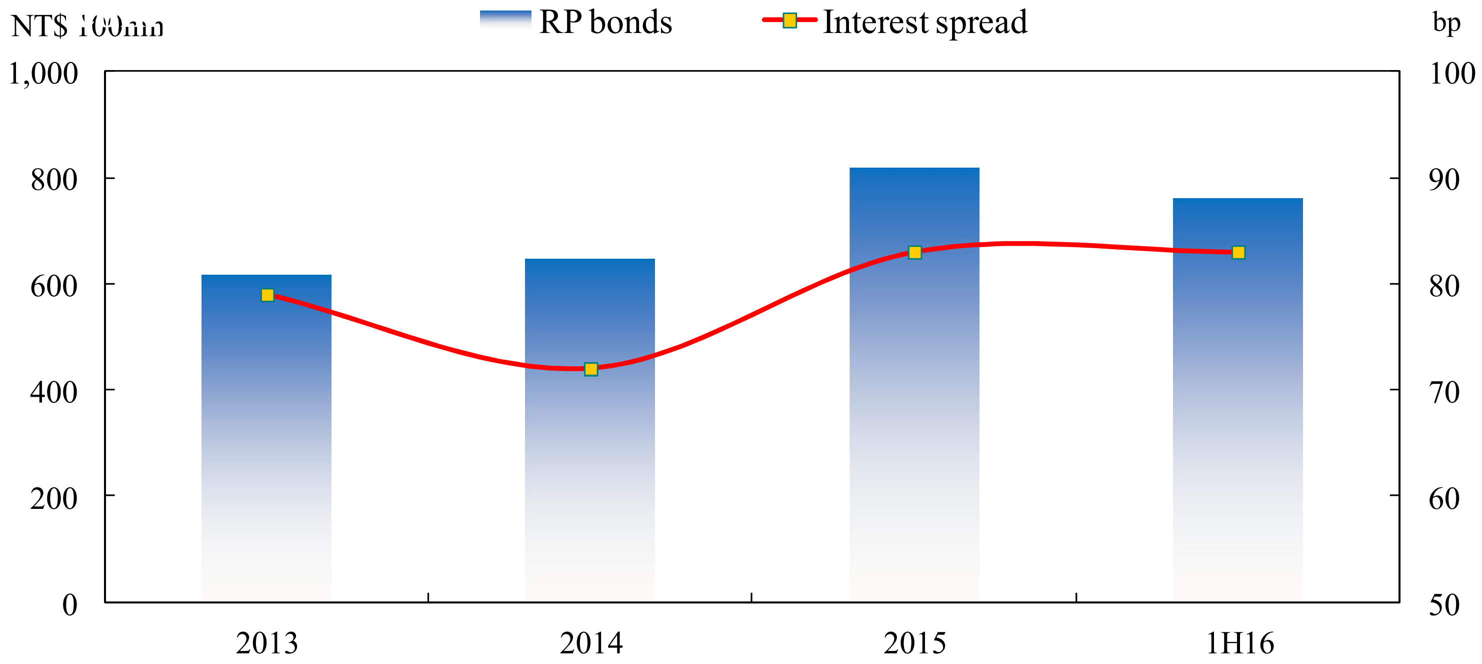
IBFC Operating Highlights

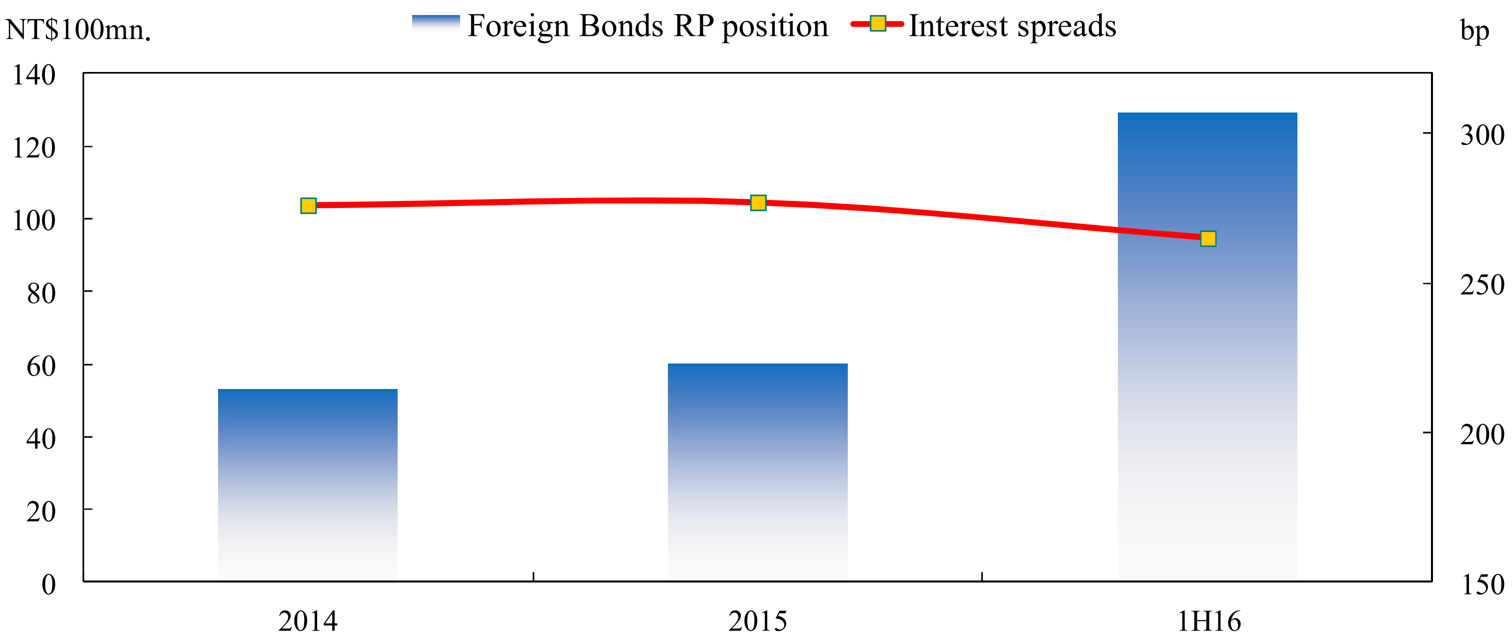
Bonds revenue



As the central bank has lowered interest rates, ample liquidity in the money market and short supply of government bond issuance contribute to flattening bond yield curve. IBFC strive to introduce lower-cost sources of bond Repo to widen spreads.

IBFC Operating Highlights

Bonds Revenue



Foreign bond repo balance increased each year as foreign bond position expanded gradually. Yield and credit spreads in foreign bonds, currently about 260 bps, are higher than those of domestic bonds. In order to maximize profits and minimize risks, IBFC adopted "major position in Repo, defensive position in outright trading" strategy with proper currency hedging tactics.

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Agenda

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WLS Operating highlights

Operation Overview

Unit：NT$mn

	2013	2014	2015	1H16	1H15	YoY
Balance of Margin Loan	8,093	10,436	9,653	**7,687**	**11,363**	(32.35%)
Turnover of stock	1,026,300	1,272,100	1,046,000	**430,800**	**520,000**	(17.15%)
M/S of brokerage(%)	2.19	2.19	1.87	**1.77**	**1.88**	(5.85%)
Turnover of futures (IB) (contracts)	1,803,270	2,343,536	3,376,579	**2,108,353**	**1,224,034**	72.25%
M/S of futures (IB) (%)	0.59	0.58	0.64	**0.84**	**0.52**	61.54%

1.The retail brokerage market share, trading volume and margin loan balance in first half of 2016 decreased year on year compared with 1H 2015, given the sluggish market conditions and increasing trading shares from foreign institutional investors.
2. IB future business was proactively promoted in 1H 2016, the trading volume and market share increased significantly compared with last year.

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WLS Operating highlights

Performance-1

	2013		2014		2015		1H16	
	%	Ranking	%	Ranking	%	Ranking	%	Ranking
M/S of brokerage	2.19%	11/31	2.19%	11/31	1.87%	11/31	**1.77%**	**12/31**
M/S of margin loan	3.70%	10/31	3.96%	10/31	4.08%	10/31	**4.06%**	**10/31**
M/S of futures (IB)	0.59%	13/14	0.58%	12/14	0.64%	11/14	**0.84%**	**10/14**
M/S of E-trading	1.60%	19/71	1.56%	20/71	1.45%	20/71	**1.48%**	**21/71**
M/S of foreign stock sub-brokerage	0.26%	17/40	0.59%	15/40	0.83%	15/42	**0.72%**	**16/42**

Note： Foreign securities houses are excluded .

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WLS Operating highlights

Revenue Breakdown

Unit:NT$ ’000

	2013		2014		2015		1H16	
Brokerage	1,442,578	82.16%	1,747,029	87.28%	1,503,283	76.21%	606,682	61.76%
Proprietary Trading	251,798	14.34%	205,144	10.25%	419,737	21.28%	358,666	36.51%
Underwriting	49,867	2.84%	36,769	1.84%	31,059	1.57%	9,337	0.95%
Others	11,554	0.66%	12,670	0.63%	18,425	0.93%	7,602	0.77%
Total	1,755,797	100.00%	2,001,612	100.00%	1,972,504	100.00%	982,287	100.00%

Profits of proprietary trading contributed over 30% of 1H16 operating revenue. However, revenue from brokerage fee dropped sharply as margin loan business suffered from low turnover of retail investors.

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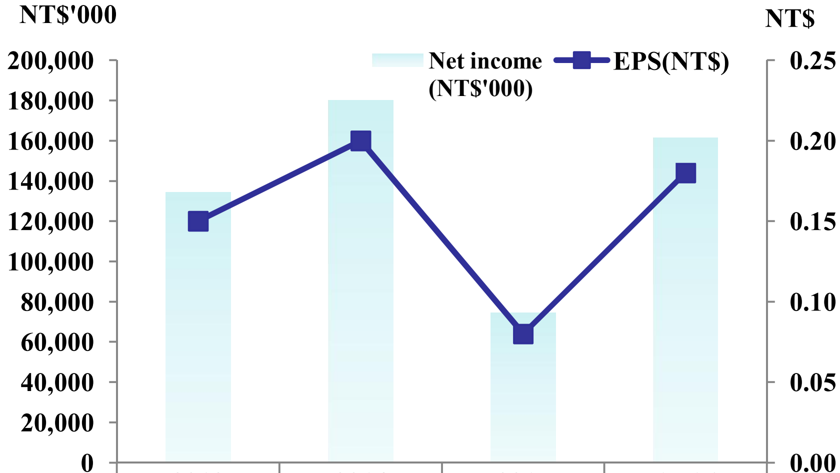
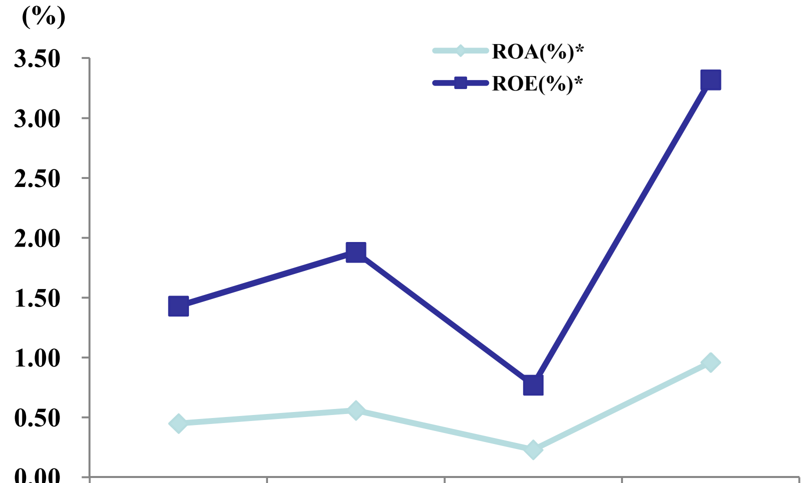
WLS Operating highlights

Financial Highlight



	2013	2014	2015	1H16
Net income (NT$'000)	134,411	180,179	74,581	161,574
EPS(NT$)	0.15	0.2	0.08	0.18



	2013	2014	2015	1H16
ROA(%)*	0.45	0.56	0.23	0.96
ROE(%)*	1.43	1.88	0.77	3.32

- Better performance on revenue and earning of 1H16 came from profitable tradings of proprietary equity and fixed-income positions.

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Waterland VC Operation Highlights

Revenue Breakdown

Unit:NT$ ‘000)

	2013		2014		2015		1H16	
Gain on disposal of investments, net	82,301	50.11%	84,262	41.17%	15,934	57.09%	**20,827**	**36.01%**
Gain on valuation of financial asset	13,348	8.13%	-	-	-	-	-	-
Equity in gain of affiliates, net	47,543	28.95%	108,082	52.81%	-	-	**30,230**	**52.27%**
Dividend income	10,505	6.40%	11,260	5.50%	10,454	37.46%	**6,146**	**10.63%**
Other income	10,538	6.42%	1,058	0.52%	1,521	5.45%	**635**	**1.09%**
合計	164,235	100.00%	204,662	100.00%	27,909	100.00%	**57,838**	**100.00%**

The main income of Waterland VC comes from the disposal of long-term investments and profits of its subsidiary, Guo -Want.

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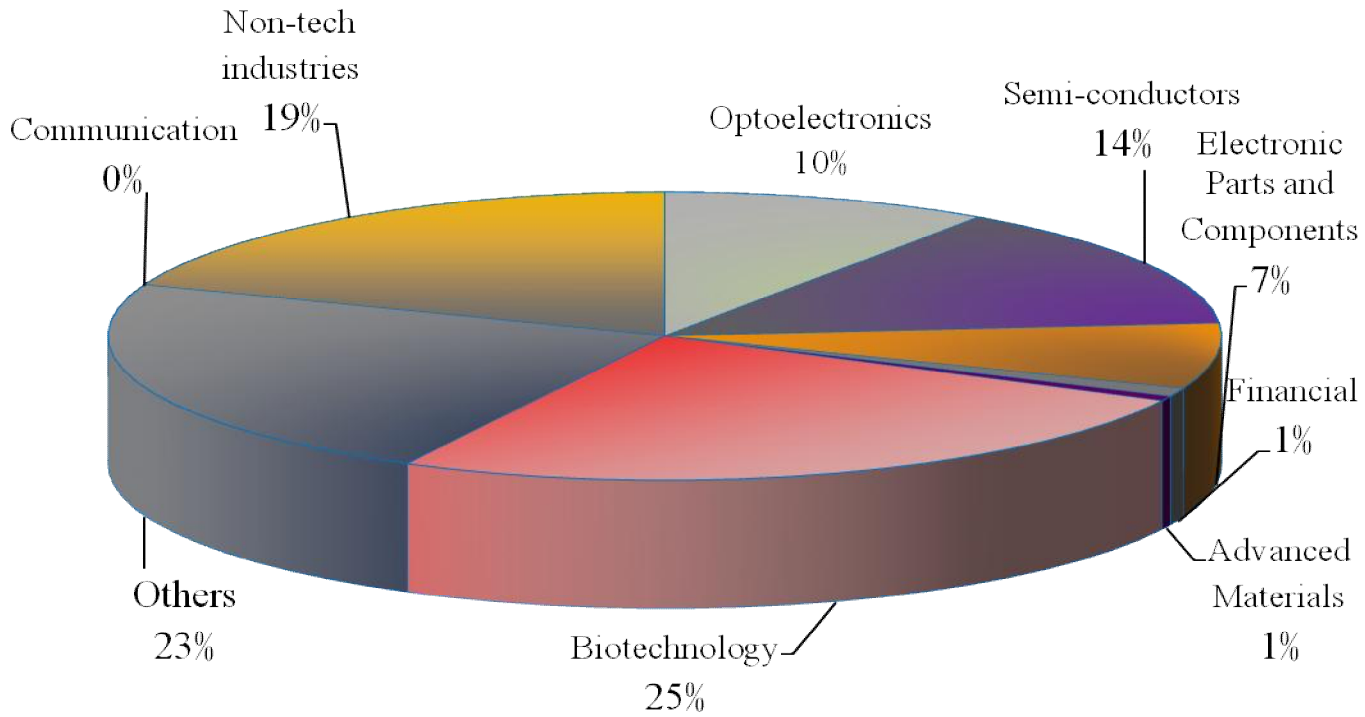
Waterland VC Operation Highlights

Profolio of invested industries of the first half of 2016



At the end of June 2016, total long-term investments amounted to 938 million. Most of which are in biotechnology industries. The rest are non-tech industries, semiconductor and optoelectronics industries.

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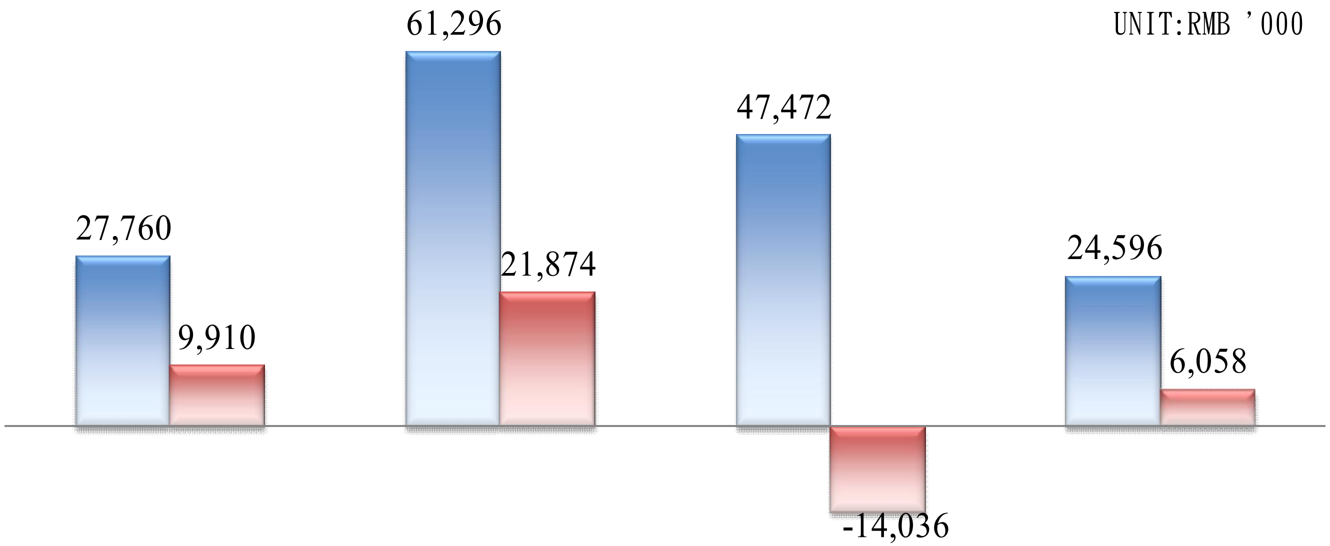
Guo Want Operation Highlights

Financial Highlights

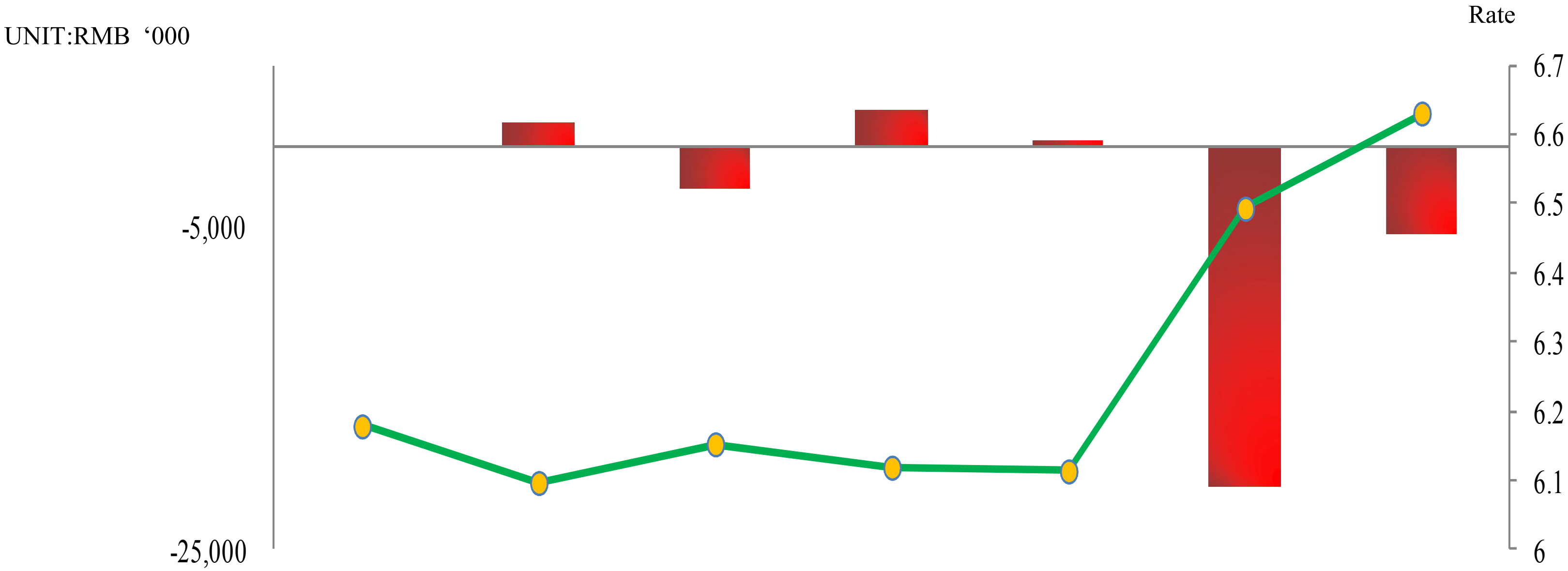


	2013	2014	2015	1H2016
Revenue	27,760	61,296	47,472	24,596
Net income (loss)	9,910	21,874	-14,036	6,058

Guo-want had good performance of revenues and earnings since its establishment. However, it suffered serious exchange loss caused by unexpected devaluation of Last August, The company recorded annual loss in 2015, but in 1H2016 Guo Want endeavored to restructure its credit portfolio and collect receivables, as well as reduce U.S. dollar borrowings. The company's efforts had shoot up net profit to RMB 6,058,000 in 1H 2016.

Guo Want Operation Highlights

Profit (Loss)-Exchange Rate Changes



	2013/6/30	2013/12/31	2014/6/30	2014/12/31	2015/6/30	2015/12/31	2016/6/30
Exchange Gains or Losses	-32	1,362	-2,598	2,156	326	-21,050	-5,475
RMB rate	6.1787	6.0969	6.1528	6.119	6.1136	6.4936	6.6312

Last August, the RMB value against the US dollar had plunged from 6.1162 to 6.6594, 5432 bps or -8.9%. In attempt to reduce exchange risk, Guo-want has decreased its offshore US-dollar loan and instead increased borrowing of RMB loan for its funding.

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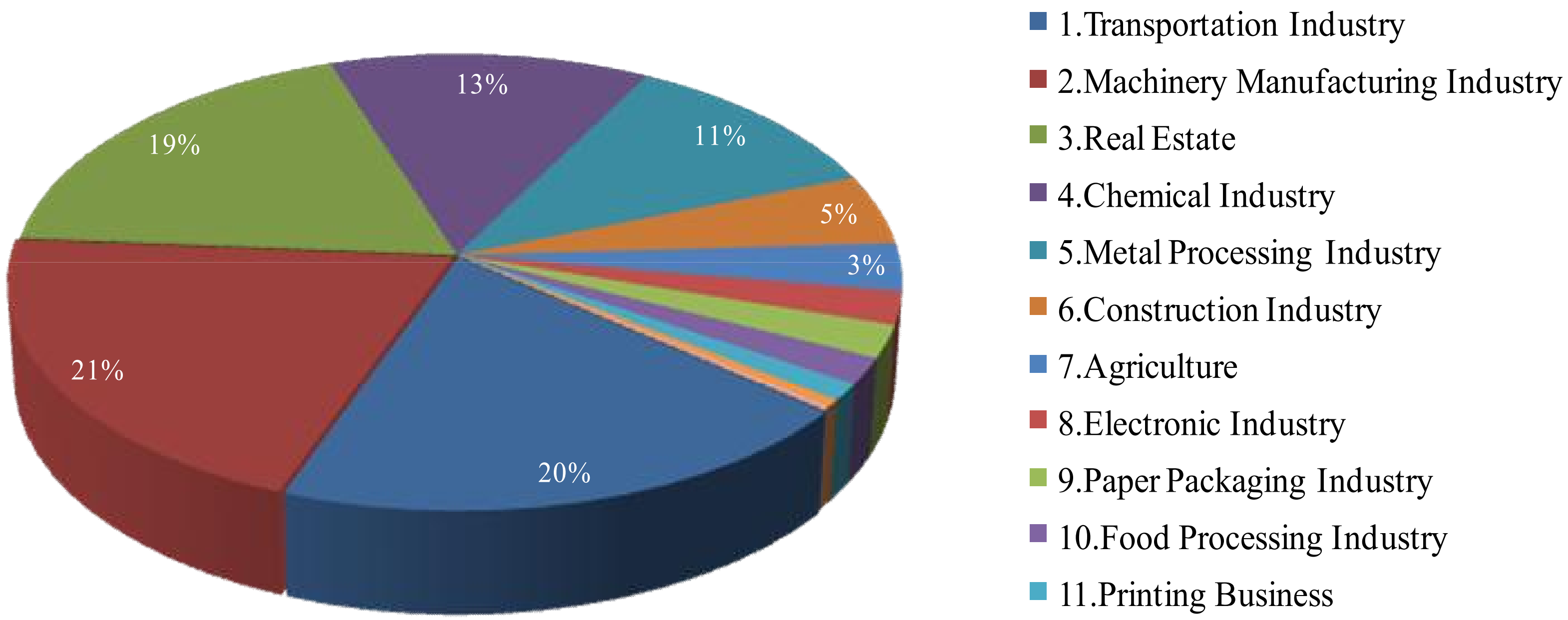
Guo Want Operation Highlights

Industry Sectors of the Loan Portfolio



Transportation , Machinery Manufacturing, Real Estate Development, Manufacture of Chemical and Manufacture of Metals, take a large proportion of 84% among Industry Sectors of the Loan Portfolio.

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Guo Want Operation Highlights

UNIT：NT$ ’000

Financial Holdings	LEASING COMPANY	Total Amount of Paid-in Capital	Accumulated Outflow of Investment from Taiwan	Percentage of Ownership	2014 Share of Profits/Losses	2015 Share of Profits/Losses	2016Q1 Share of Profits/Losses	Carrying Amount as of Mar 31, 2016	Accumulated Share of Profits/Losse	Accumulated Inward Remittance of Earnings as of Mar 31, 2016
WATERLAND	GUO WANT LEASING	904,543	904,543	100	108,172	-71,915	23,383	981,992	129,117	46,501

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Q & A