



Mega Holdings

3Q / 2013 (v.1)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED SEPT. 30TH, 2013 ARE UN-AUDITED NUMBERS. MEGA FHC HAS FILED ITS AUDITED INTERIM FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON NOV. 30TH, 2013.

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Agenda



Operation Highlights



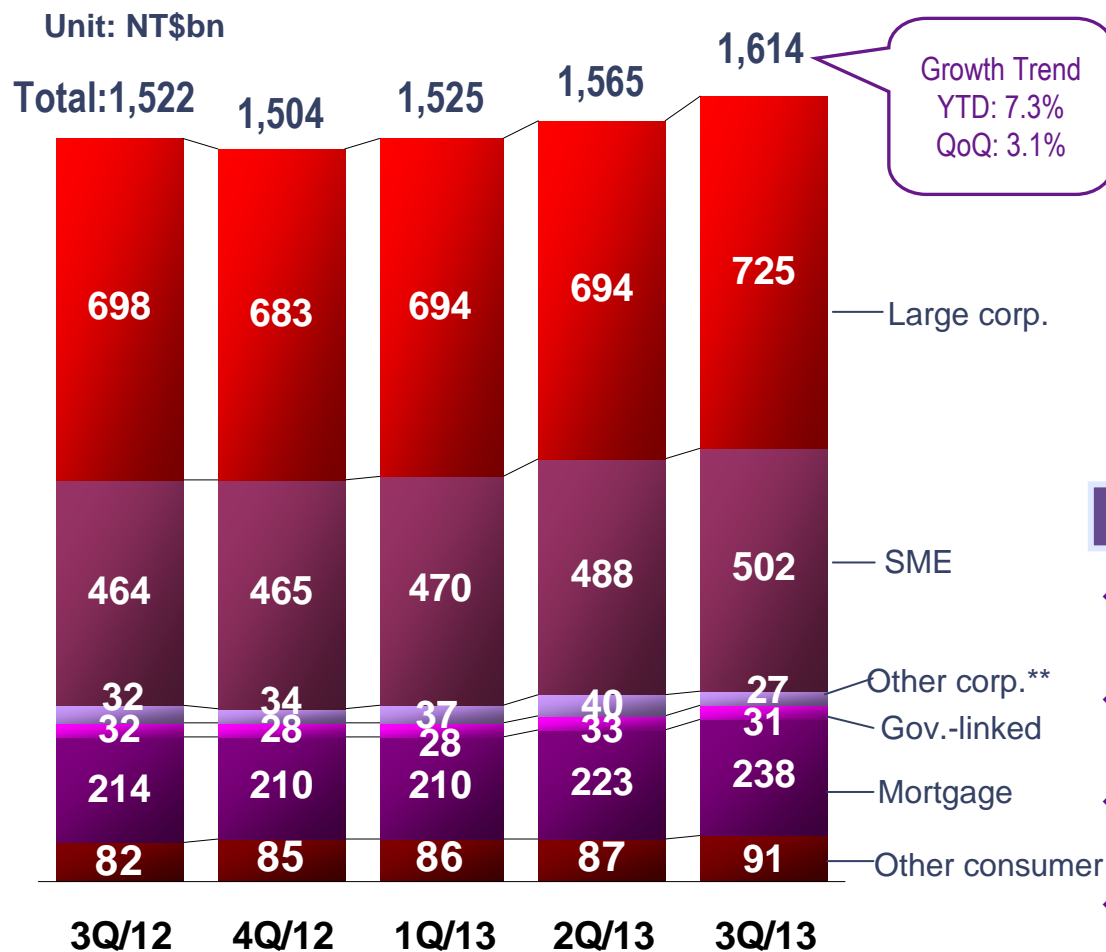
Financial Performance



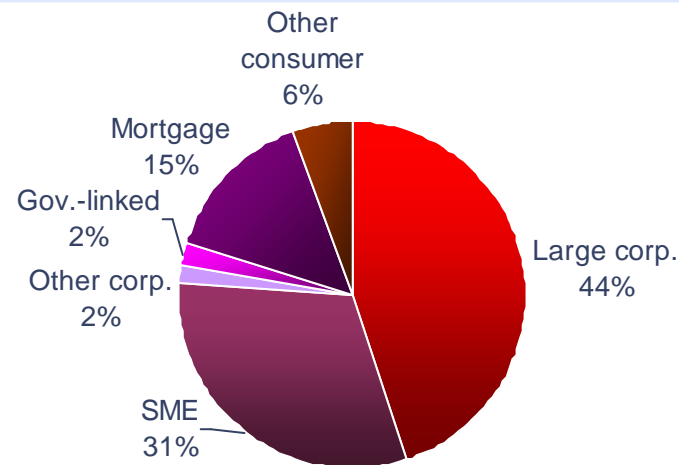
Appendix

Total loan was up 7.3% YTD

Mega Bank quarterly loan balance*



Mega Bank 3Q/13 loan breakdown by customer



Highlights

- ❖ Large corp. loan was up 3.9% YoY and 4.5%QoQ.
- ❖ SME loan was up 8.2% YoY and 2.9% QoQ.
- ❖ Mortgage loan was up 11.2% YoY and 6.7% QoQ.
- ❖ Total loan was up 7.3% YTD, 6.0% YoY and 3.1% QoQ.

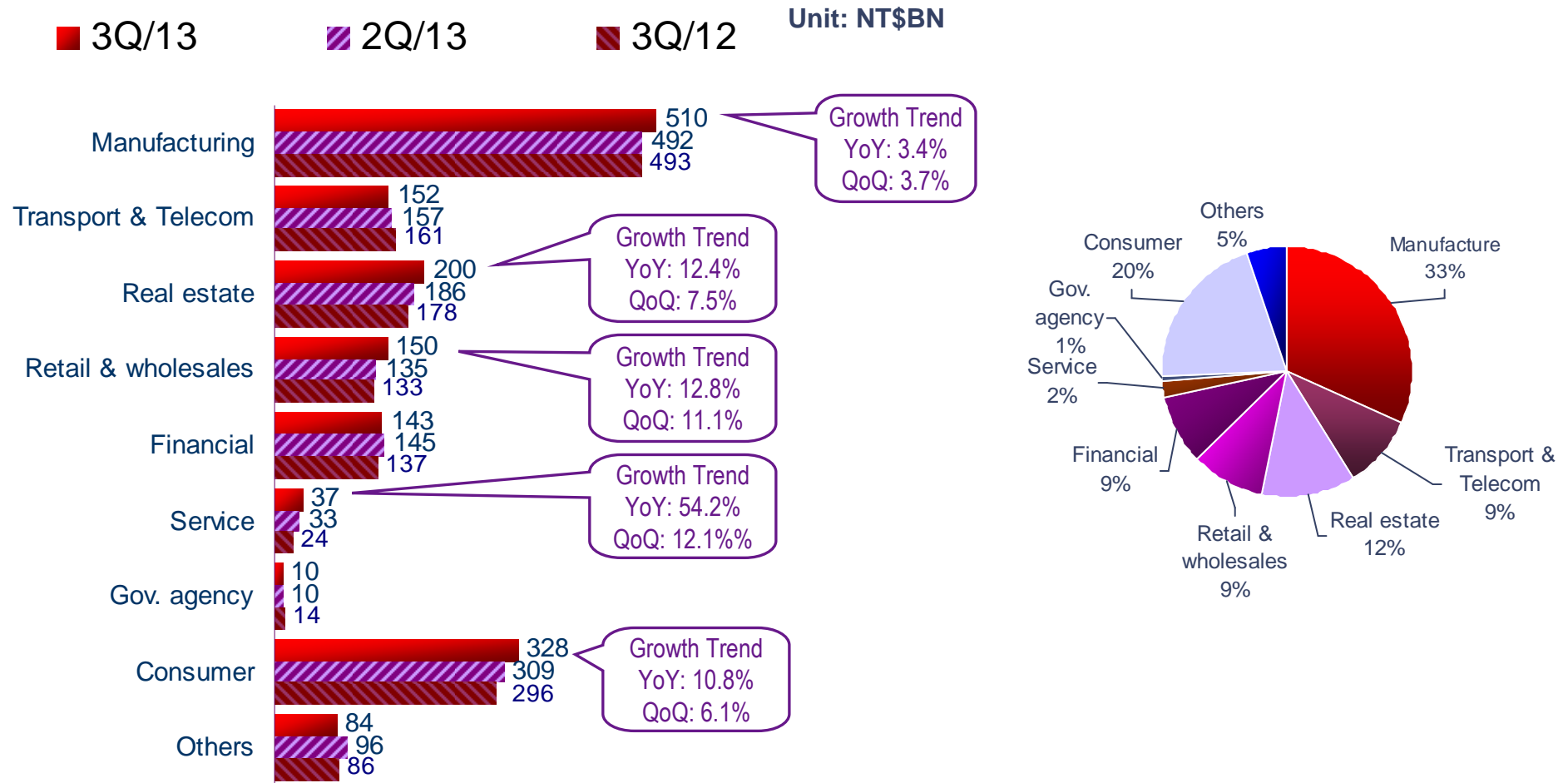
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Retail / wholesales and service industries loans posted double digits growth QoQ

Mega Bank loan balance trend by industry*

Mega Bank 3Q/13 loan breakdown by industry*

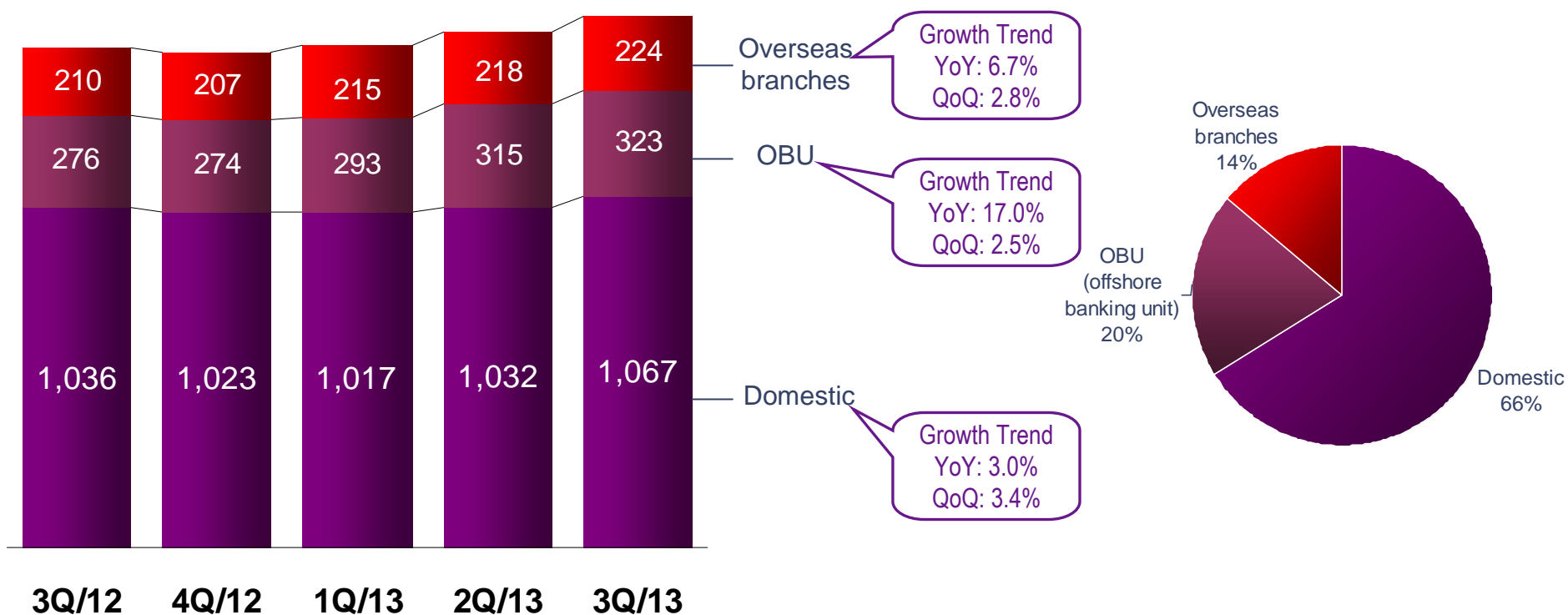


* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

OBU loan was up 17.0% YoY

Mega Bank 3Q/13 loan breakdown by regions *

Unit: NT\$bn



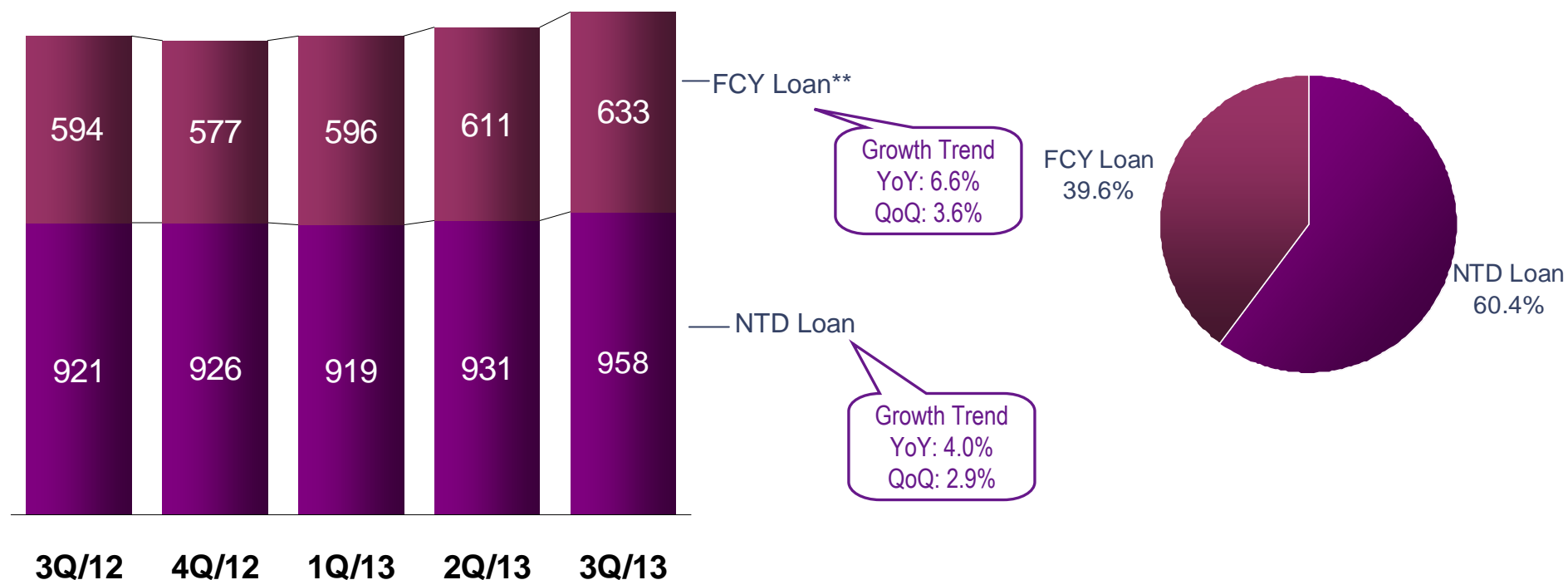
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

FCY loan jumped 3.6% QoQ

Mega Bank 3Q/13 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



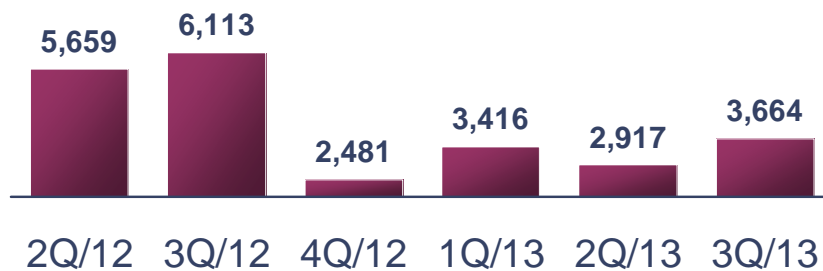
* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.
Foreign currency loan includes OBU, overseas branch and some domestic branch loan.

Increased general provision to meet 1% rule

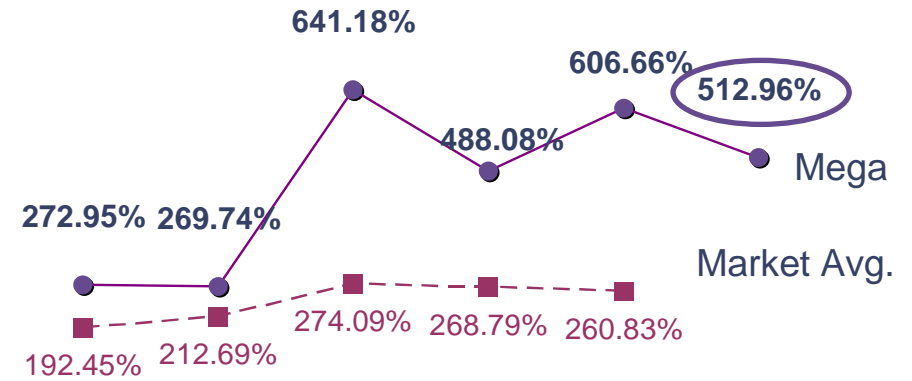
Mega Bank NPL balance & NPL ratio*



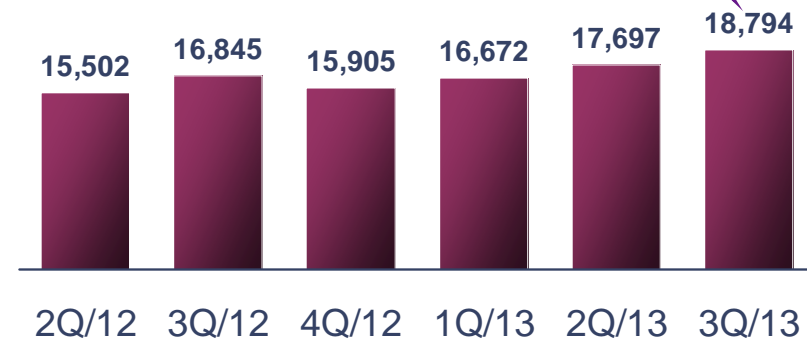
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



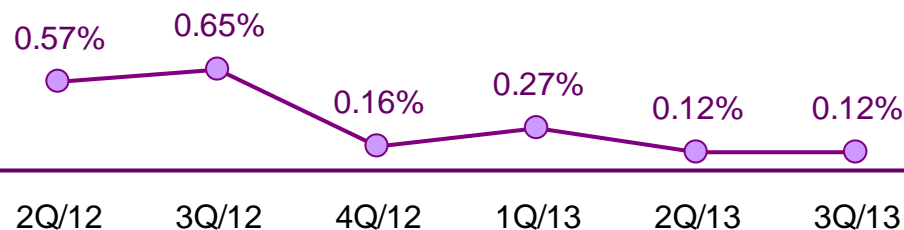
General provision / total loan = 1.00%

* 90 days standard

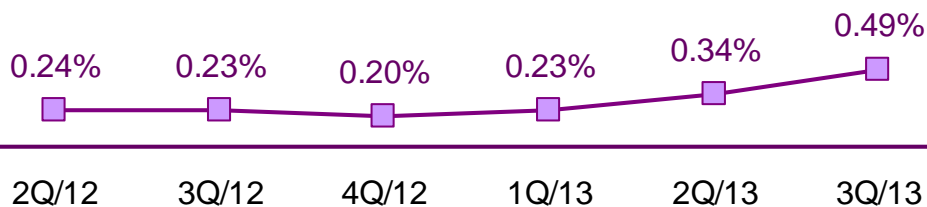
New NPL was up due to TMT exposure but provision and write-off took place simultaneously

Mega Bank NPL ratio by customer *

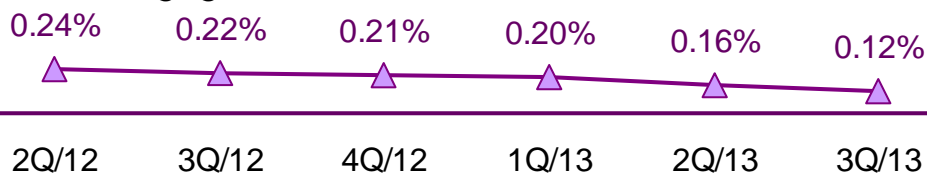
—●— Large corp. NPL%



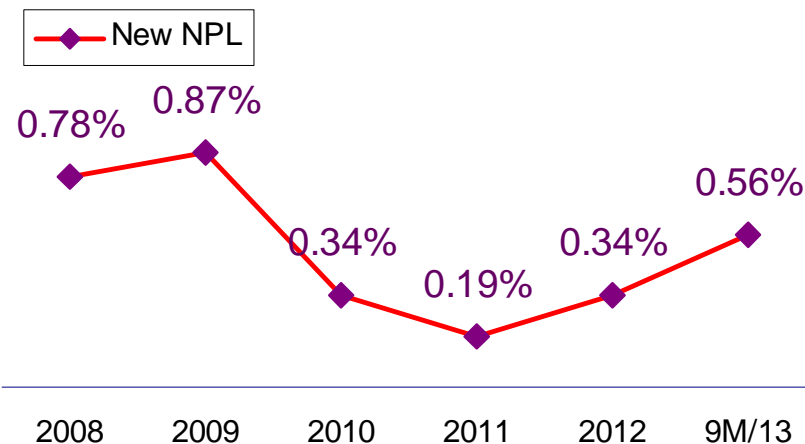
—■— SME NPL %



—▲— Mortgage NPL %



Mega Bank new NPL as % of total loan **



- Annualized number
- Includes TMT exposure
- Mega has provided 60% provision on TMT exposure (NT\$2.9bn)

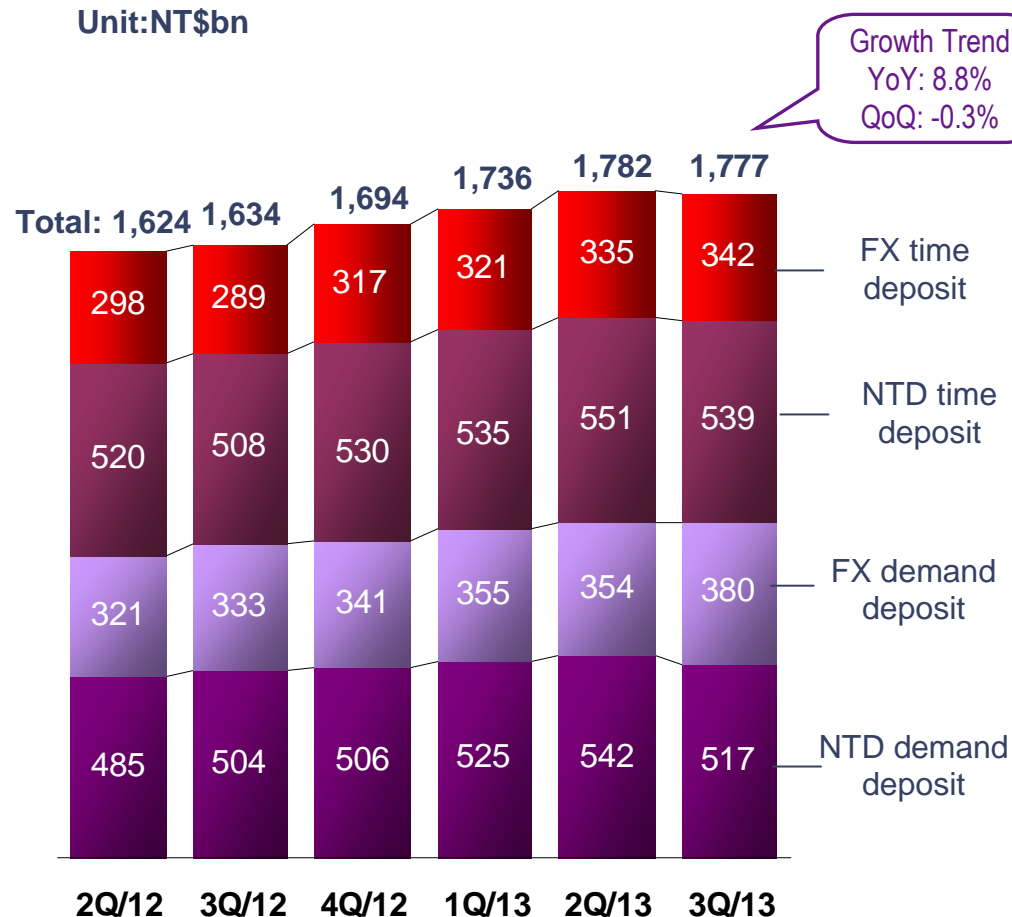
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

Deposit was up 8.8% YoY, higher than loan growth

Mega Bank's deposit balance *

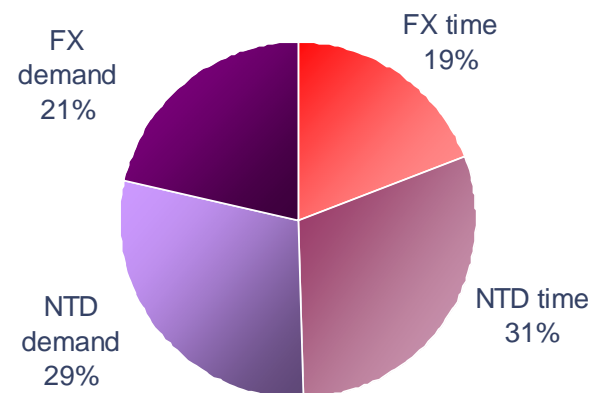
Unit:NT\$bn



Mega Bank's demand deposit trend (%)



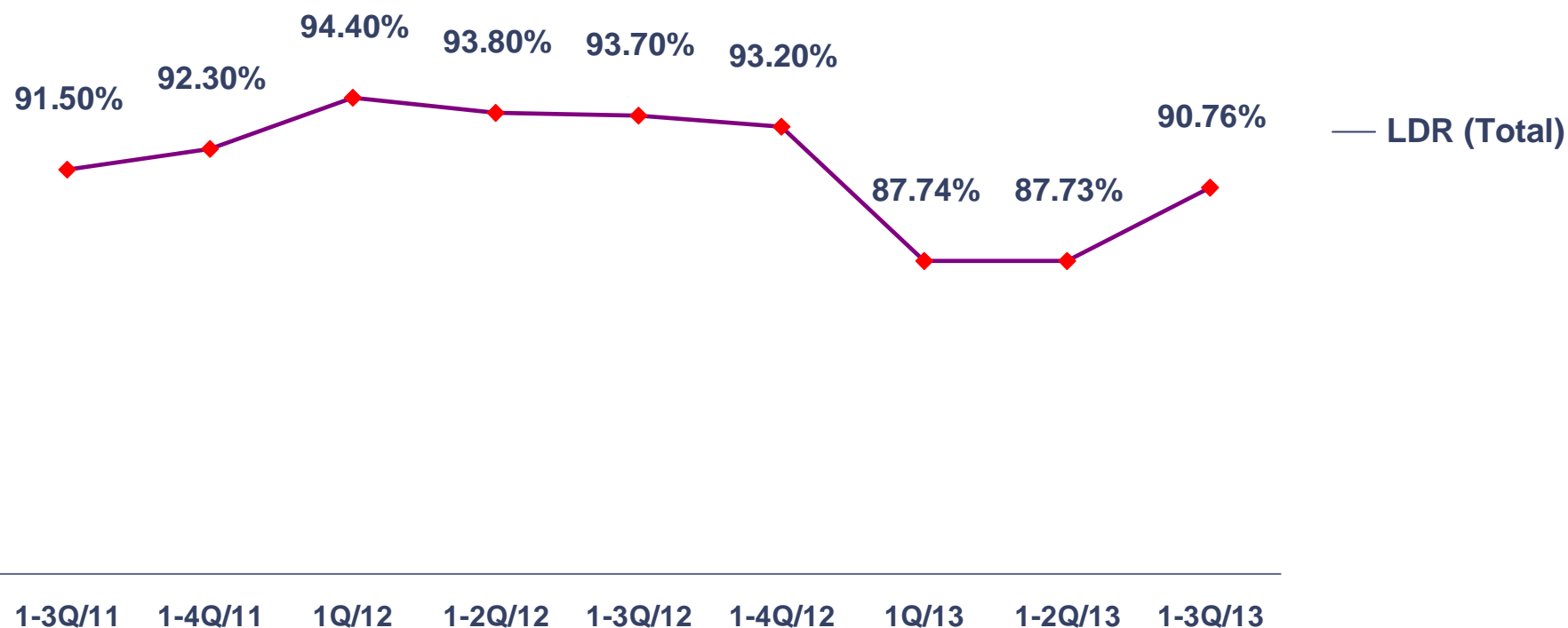
Mega Bank's 3Q/13 deposit breakdown



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

...which helped maintain relatively lower LDR

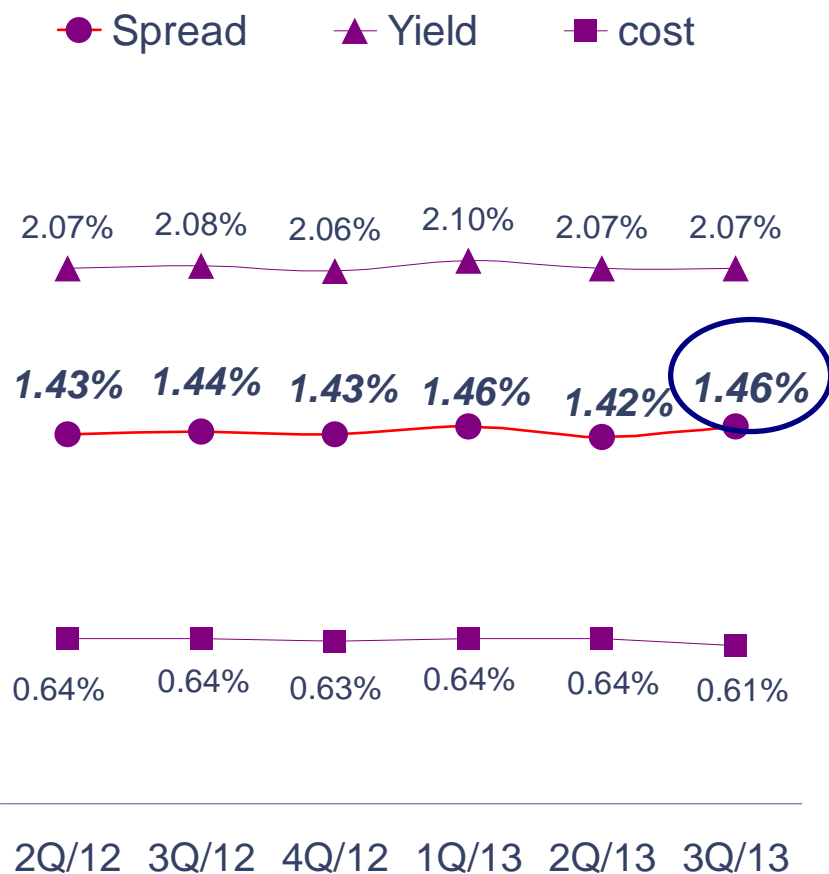
Mega Bank's loan to deposit ratio (LDR) trend*



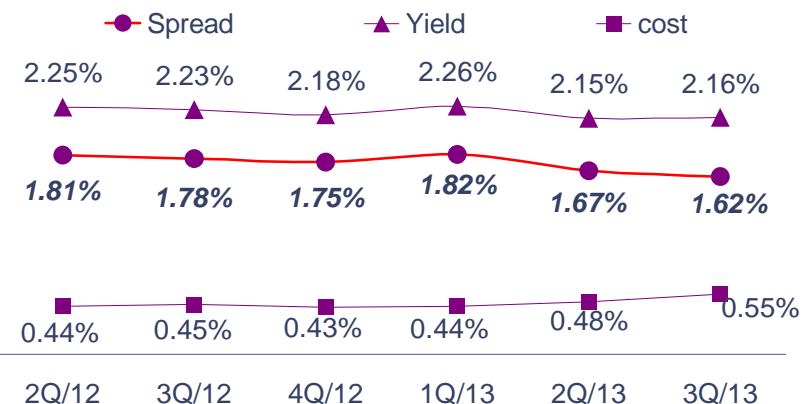
* LDR calculation is based on average loan/deposit balance of that period.

Spread was up mainly due to IFRS adoption

Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



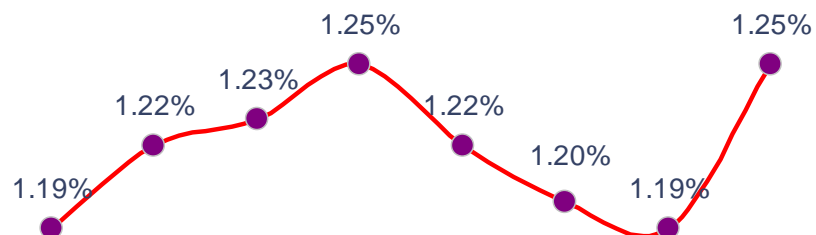
Mega Bank domestic loan interest spread*



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

NIM was up mainly due to IFRS adoption

Mega Bank quarterly NIM & NII *



Unit: NT\$MN



Mega Bank quarterly NTD NIM*



Mega Bank quarterly foreign currency NIM*

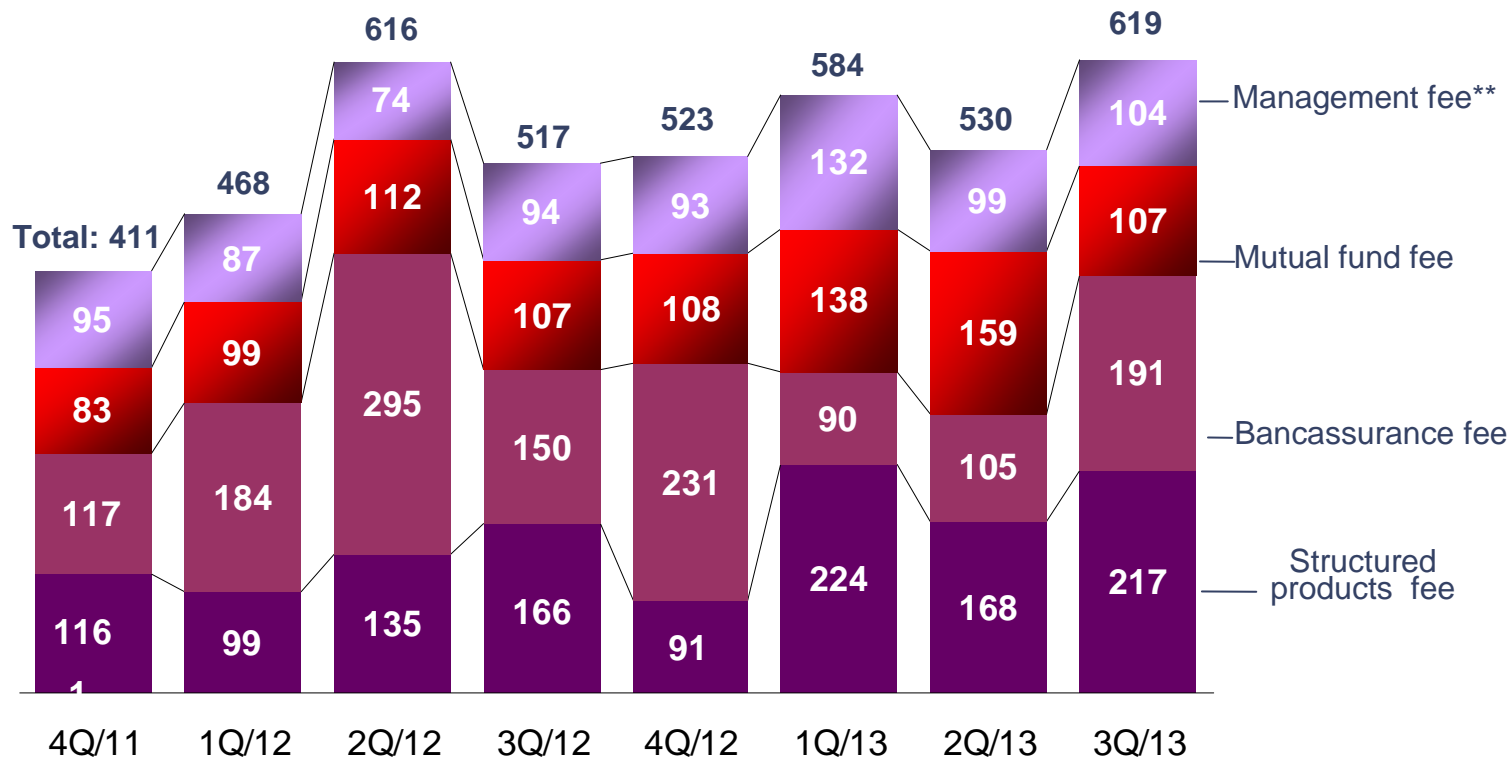


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

Structured products and bancassurance sales fee were up.

Mega Bank quarterly wealth management gross fee revenue breakdown by product *

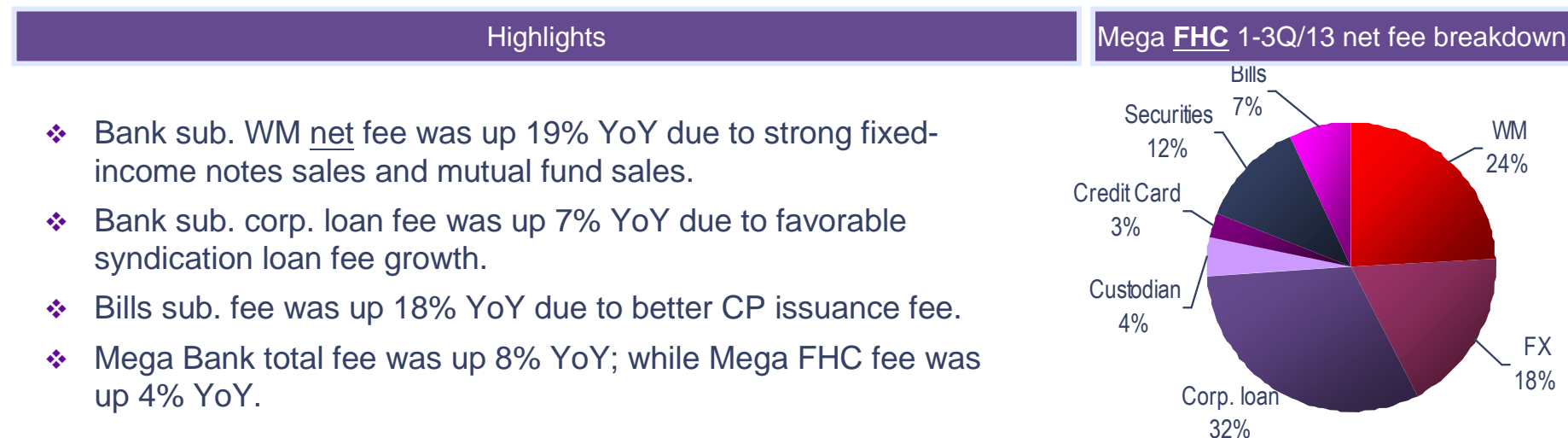
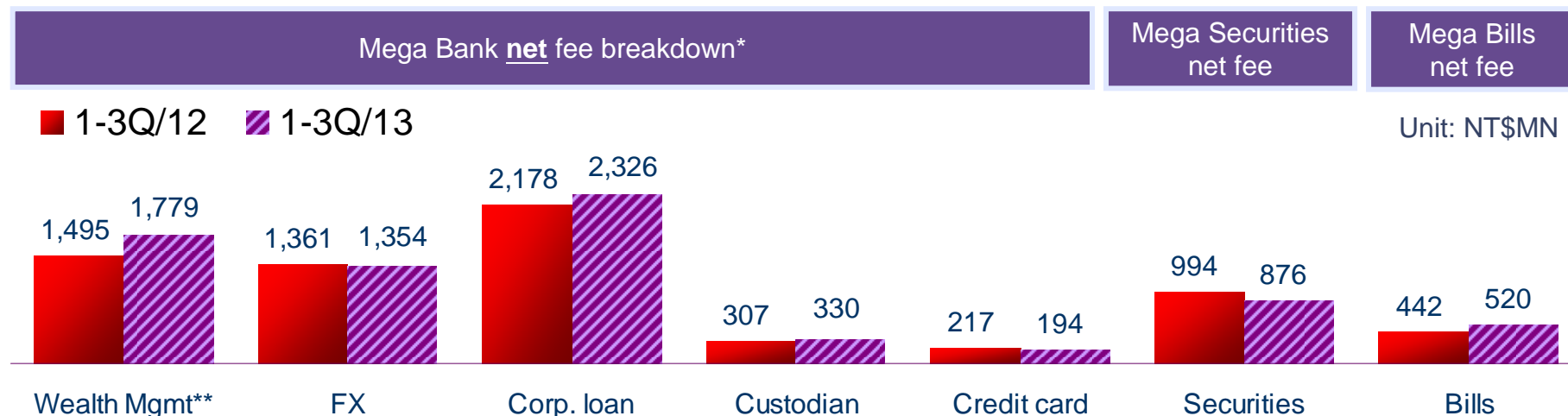
Unit: NT\$MN



* 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.

Bank fee was boosted by WM and syndication loan fee.



* Internal data; within WM fee, fee reimbursed by insurance agent is booked as other revenue in P&L; as a result, total net fee combined here is slightly more than the net fee figure shown in FHC P&L.

** Net wealth mgmt fee.

Agenda



Operation Highlights



Financial Performance



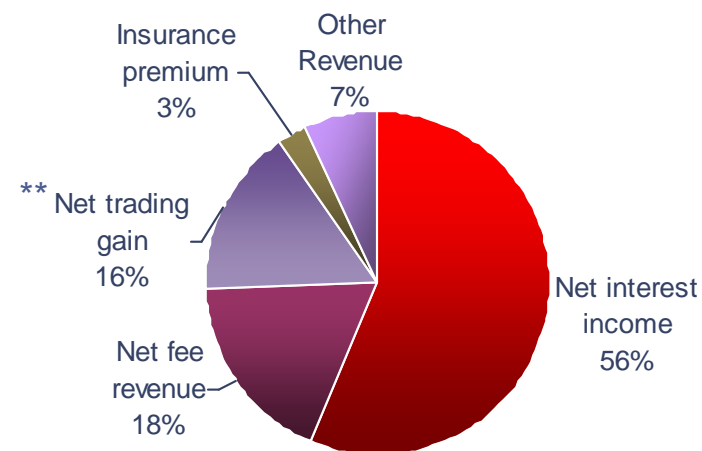
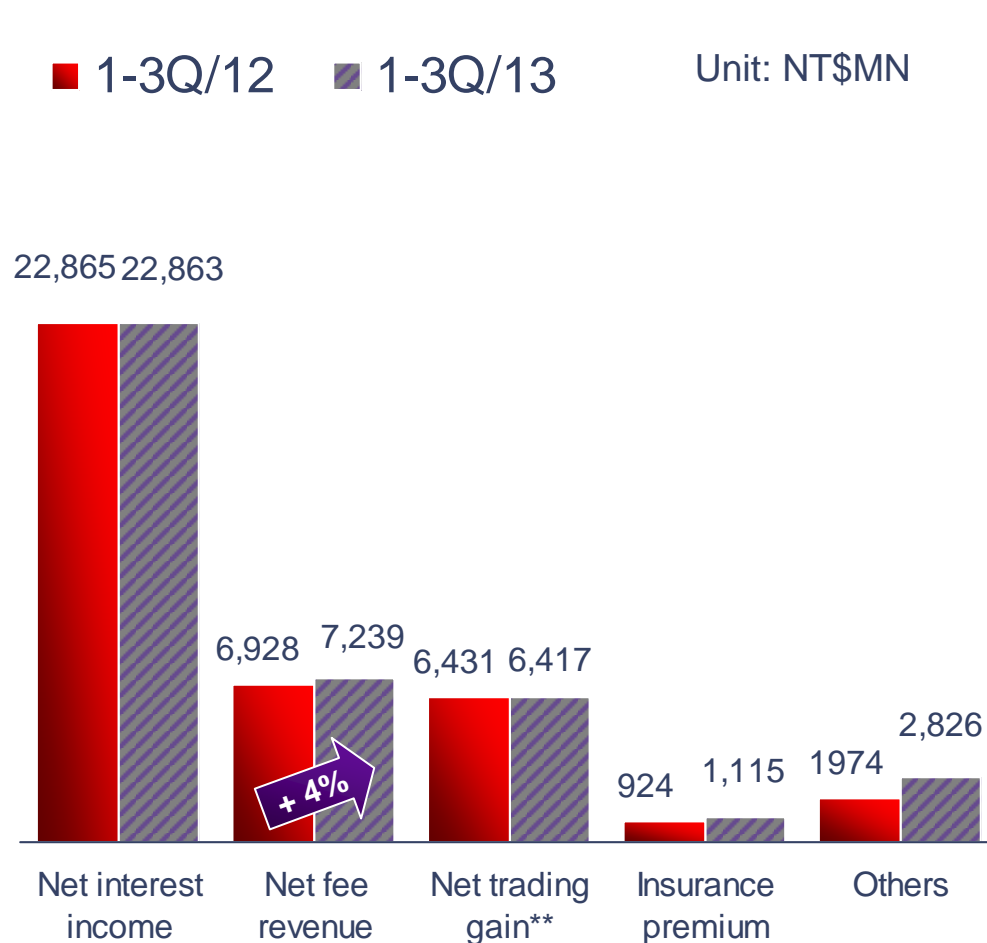
Appendix

Group net revenue was up 4% YoY.

Mega Group consolidated net revenue *

Mega Group 1-3Q/2013 net revenue breakdown

■ 1-3Q/12 ■ 1-3Q/13 Unit: NT\$MN



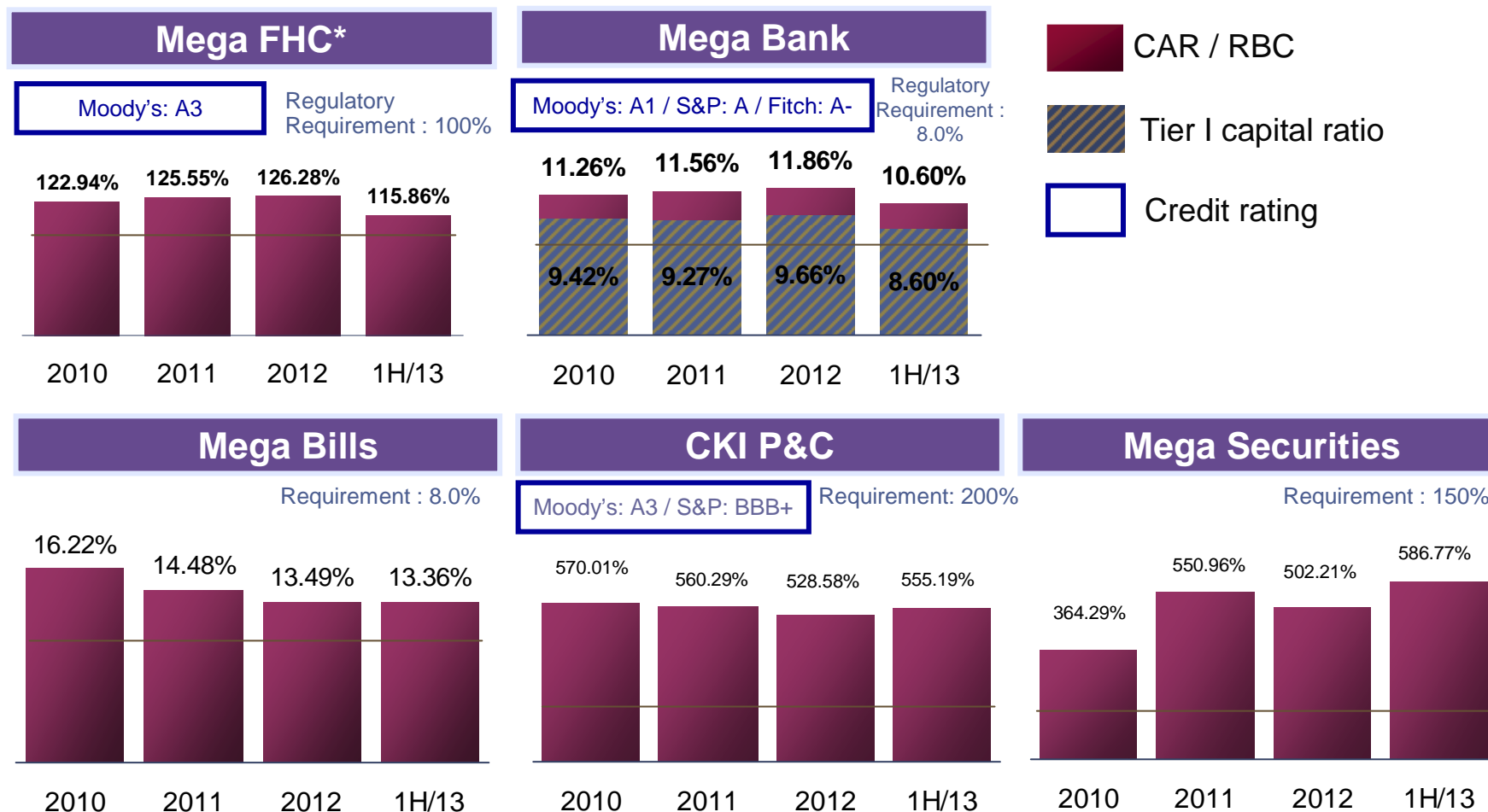
Highlights

- ❖ Group net revenue was up 4% YoY due net fee growth.
- ❖ NII was flat due to pressure from NIM.
- ❖ Fee revenue was up 4% due to strong bank fee growth.
- ❖ Trading gain was flat as strong FX spread income helped offsetting the slow down in fixed income trading gain.

* 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).

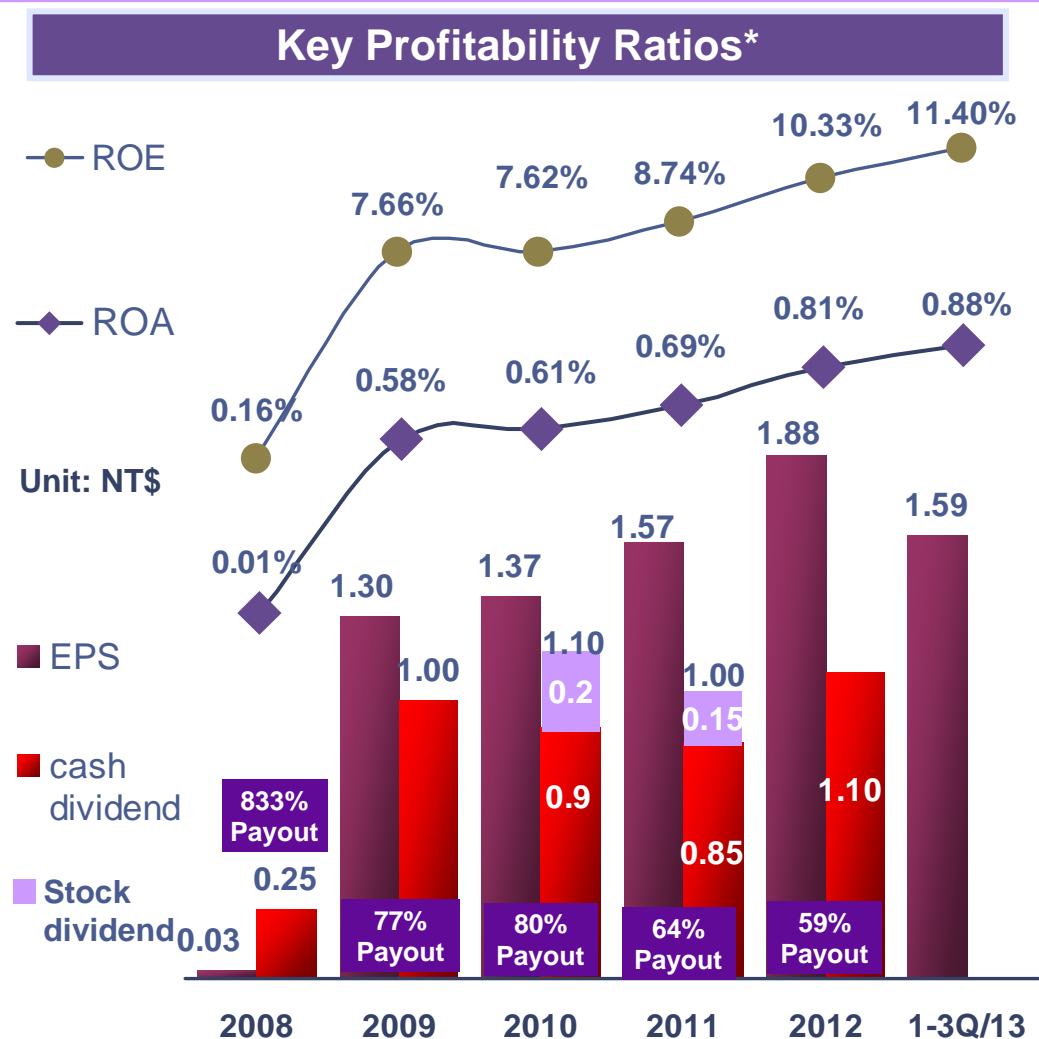
Well-capitalized for Basel III requirements**



* FHC CAR is calculated based on net investments in subsidiaries

** 1H/2013 is audited BASEL III numbers.

Strong profitability and attractive dividend policy



❖ 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.

* 1-3Q/13 numbers are un-audited annualized numbers.

1-3Q/2013 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1-3Q/2013*	1-3Q/2012*	YoY	2012*
Net interest income	22,863	22,865	0%	30,552
Net fee revenue	7,239	6,928	4%	8,504
Insurance premium	1,115	924	21%	1,442
Gain from fin. assets at fair value thru P&L	2,238	3,179	-30%	2,340
Available for sales asset gain	2,038	1,625	25%	1,845
Equity method investment gain	87	32	172%	306
FX spread gain	2,340	1,595	47%	2,409
Asset impairment loss (write-back)	-286	-86	-	-505
Cost method investment gain	-	-	-	779
NPL write-back (net)	1,443	518	179%	923
NPL asset sales gain	-	-	-	1,306
Other non-interest revenue (net)	1,383	1,455	-5%	1,364
Operating net revenue	40,460	39,035	4%	51,263
Operating expense	-15,769	-15,625	1%	-20,904
Pre-provision operating profit	24,691	23,410	5%	30,359
Provision expense on loan	-2,796	-1,890	48%	-4,535
Reserved on insurance	123	-74	-	13
Pretax profit	22,018	21,446	3%	25,837
Tax	-3,804	-3,740	2%	-4,292
Minority shareholder interest	-10	-11	-	-11
Net profit	18,204	17,695	3%	21,534
EPS (NT\$)	1.59	1.55	3%	1.88

Cost-to-income
ratio: 39%

* Un-audited numbers.

1-3Q/2013 Mega FHC consolidated balance sheet*

NT\$MN	1-3Q/2013*	1-3Q/2012*	YoY	2012*	YTD
Assets:					
Cash and due from banks	384,589	314,454	22%	461,452	-17%
Bills and bonds under RP agreement	4,764	2,399	99%	4,724	1%
Fin. assets at fair value through P&L	180,164	173,414	4%	184,569	-2%
AFS financial assets	223,848	190,997	17%	220,626	1%
HTM financial assets	180,063	151,218	19%	160,776	12%
Other financial assets	25,568	22,512	14%	22,801	12%
A/R, net	168,396	105,819	59%	125,373	34%
Loan, net	1,612,028	1,521,446	6%	1,502,646	7%
Equity method LT investments, net	2,644	2,532	4%	2,668	-1%
Land, premises and equipments, net	24,324	23,066	5%	23,038	6%
Others	15,741	14,516	8%	16,613	-5%
Total assets	2,822,129	2,522,372	12%	2,725,286	4%
Liabilities					
Due to banks	388,846	301,729	29%	419,532	-7%
Deposits	1,798,251	1,650,870	9%	1,718,209	5%
CP & Bond payable	62,624	66,046	-5%	64,330	-3%
Bills & bonds sold under repurchase agreement	197,576	160,667	23%	186,957	6%
Other liabilities	159,214	131,113	21%	122,174	30%
Total liabilities	2,606,511	2,310,425	13%	2,511,202	4%
Capital stock (common stock)	114,498	114,498	0%	114,498	0%
Capital surplus	43,425	43,425	0%	43,425	0%
Retain earning	57,705	48,448	19%	52,214	11%
Equity adjustment items	(299)	5,264	-106%	3,647	-108%
Minority shareholder interest	288	311	-7%	300	-4%
Total stockholders' equity	215,618	211,947	2%	214,085	1%
Total liabilities and stockholders' equity	2,822,129	2,522,372	12%	2,725,286	4%
Book value per share (NT\$)	18.81	18.48	2%	18.67	1%

* Un-audited numbers.

1-3Q/2013 Mega Bank P&L statement*

<i>NT\$MN, except per share data</i>	1-3Q/2013*	1-3Q/2012	YoY	2012*
Net interest income	22,087	21,470	3%	27,536
Net fee revenue	6,045	5,605	8%	6,619
Gain from fin. assets at fair value thru P&L	556	2,391	-77%	1,944
Available for sales asset gain	1,231	1,110	11%	1,015
Equity method investment gain	90	37	143%	486
Dividend income	0	-	-	1,056
FX spread gain	2,338	1,609	45%	2,324
Asset impairment loss (write-back)	-303	-89	-	45
Cost method investment gain	500	755	-34%	-425
NPL write-back (net)	146	827	-82%	-
Other non-interest revenue (net)	396	272	46%	2,515
Operating net revenue	33,086	33,987	-3%	43,115
Operating expense	-12,448	-12,408	0%	-16,352
Pre-provision operating profit	20,638	21,579	-4%	26,763
Provision expense on loan	-3,035	-1,985	53%	-4,187
Pretax profit	17,603	19,594	-10%	22,576
Tax	-2,573	-2,861	-10%	-3,243
Net profit	15,032	16,733	-10%	19,333
EPS (NT\$)	2.12	2.45	-13%	2.80

Cost-to-income
ratio is 38%

* Un-audited numbers.

1-3Q/2013 Mega Bank balance sheet*

NT\$MN	1-3Q/2013*	1-3Q/2012*	YoY	2012*	YTD
Assets:					
Cash and due from banks	378,665	315,974	20%	461,122	-18%
Bills and bonds under RP agreement	6,065	715	-	-	-
Fin. assets at fair value through P&L	47,414	42,719	11%	40,774	16%
AFS financial assets	138,729	103,943	33%	131,162	6%
HTM financial assets	178,388	148,995	20%	159,208	12%
Other financial assets	13,853	17,610	-21%	17,062	-19%
A/R, net	102,669	80,683	27%	102,351	0%
Loan, net	1,612,028	1,503,137	7%	1,504,898	7%
Equity method LT investments, net	2,764	9,341	-70%	2,572	7%
Land, premises and equipments, net	15,496	14,709	5%	15,525	0%
Others (net)	9,011	6,080	48%	11,273	-20%
Total assets	2,547,397	2,243,907	14%	2,445,947	4%
Liabilities					
Due to banks	369,131	289,671	27%	398,633	-7%
Deposits	1,800,616	1,639,792	10%	1,702,444	6%
CP & Bond payable	43,900	43,900	0%	43,900	0%
Bills & bonds sold under repurchase agreement	40,602	3,156	1187%	17,364	134%
Other liabilities	111,105	88,765	25%	102,291	9%
Total liabilities	2,365,354	2,065,284	15%	2,264,632	4%
Capital stock (common stock)	71,000	71,000	0%	71,000	0%
Capital surplus	37,261	37,261	0%	37,261	0%
Retain earning	74,410	66,423	12%	69,237	7%
Equity adjustment items	(628)	3,940	-116%	3,817	-116%
Total stockholders' equity	182,043	178,624	2%	181,315	0%
Total liabilities and stockholders' equity	2,547,397	2,243,908	14%	2,445,947	4%
Book value per share (NT\$)	25.64	25.16	2%	25.54	0%

* Un-audited numbers.

Agenda



Operation Highlights



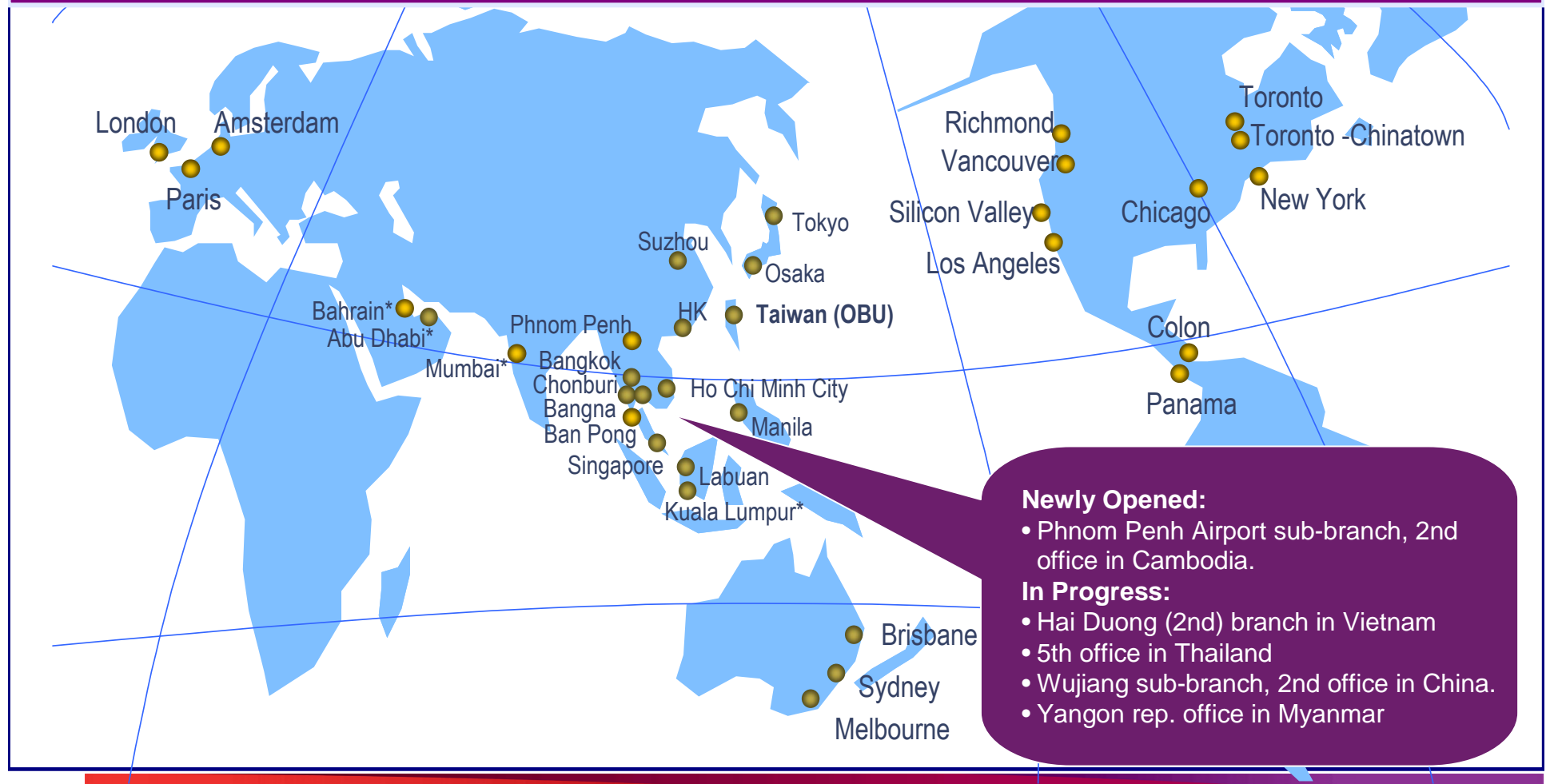
Financial Performance



Appendix

Most internationalized local bank.

Mega Bank's Overseas Franchise



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