



Mega Holdings

4Q / 2013 (v.1)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE TWELVE MONTHS ENDED DEC. 31TH, 2013 ARE UN-AUDITED NUMBERS. MEGA FHC WILL FILED ITS AUDITED FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MAR. 31TH, 2014.

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



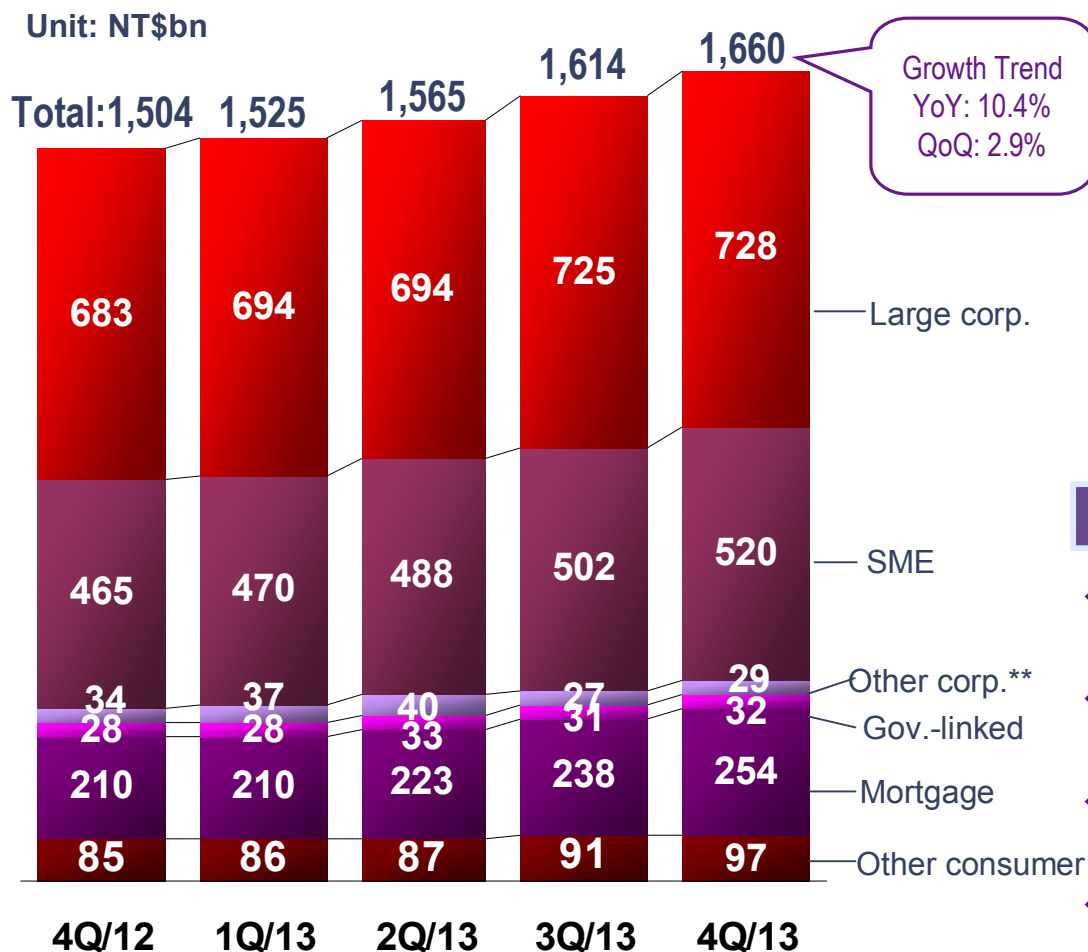
Financial Performance



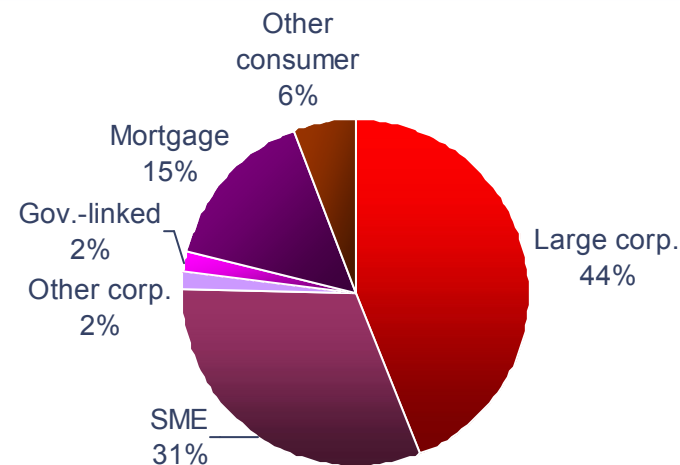
Appendix

Total loan was up 10.4% YoY

Mega Bank quarterly loan balance*



Mega Bank 4Q/13 loan breakdown by customer



Highlights

- ❖ Large corp. loan was up 6.6% YoY and 0.4% QoQ.
- ❖ SME loan was up 11.8% YoY and 3.6% QoQ.
- ❖ Mortgage loan was up 21.0% YoY and 6.7% QoQ.
- ❖ Total loan was up 10.4% YoY and 2.9% QoQ.

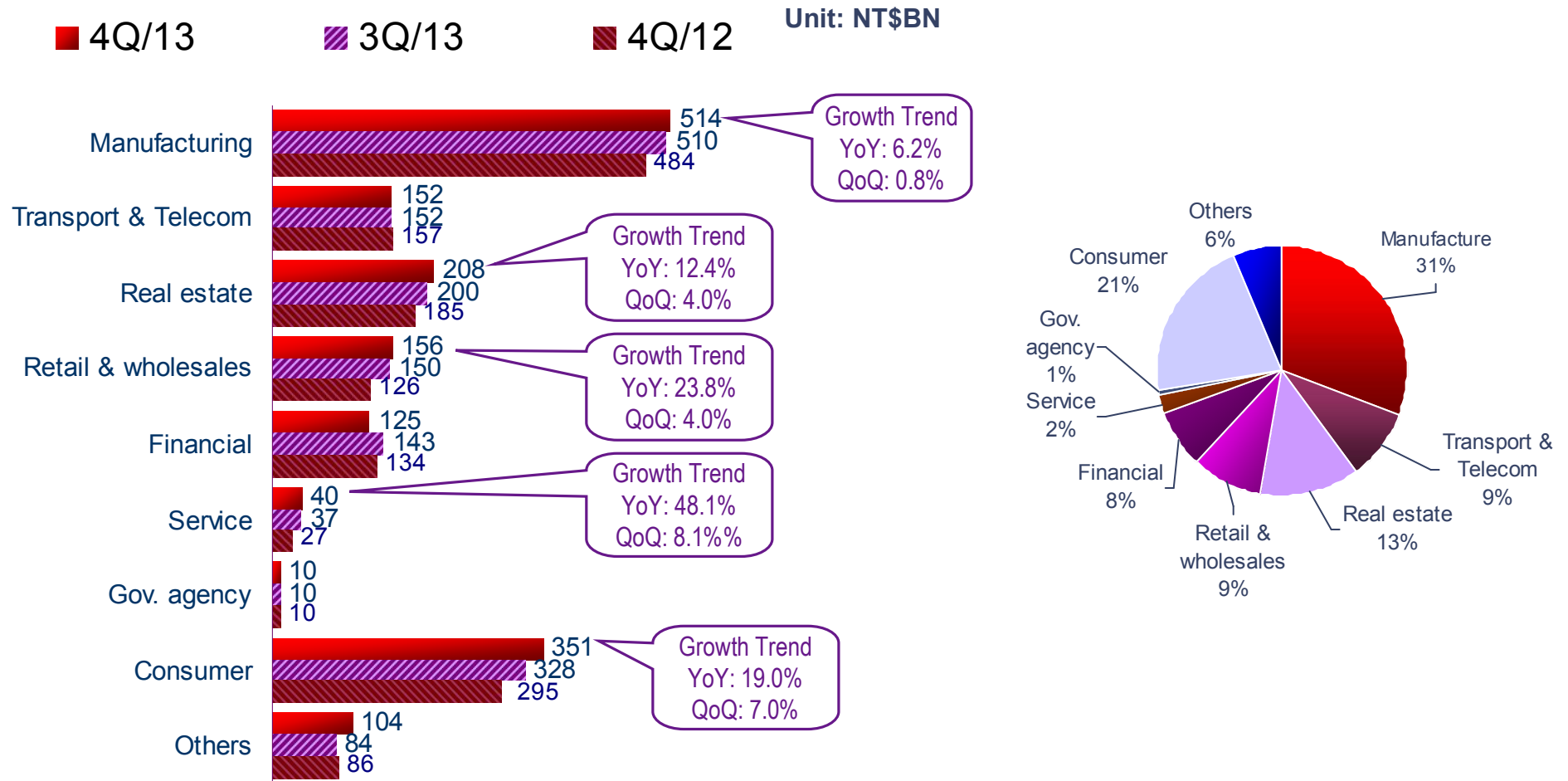
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Retail / wholesales and service industries loan growth continued while consumer loan picked up

Mega Bank loan balance trend by industry*

Mega Bank 4Q/13 loan breakdown by industry*

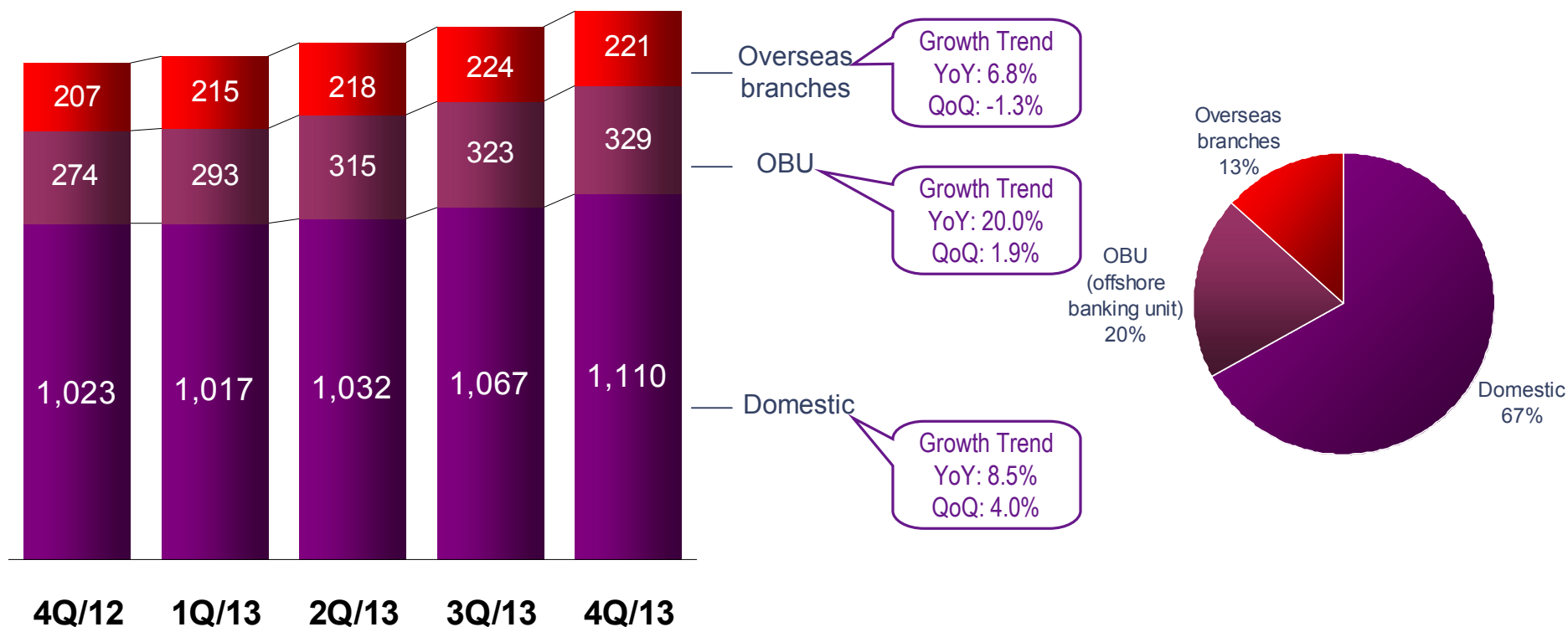


* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

OBU loan was up 20.0% YoY

Mega Bank 4Q/13 loan breakdown by regions *

Unit: NT\$bn



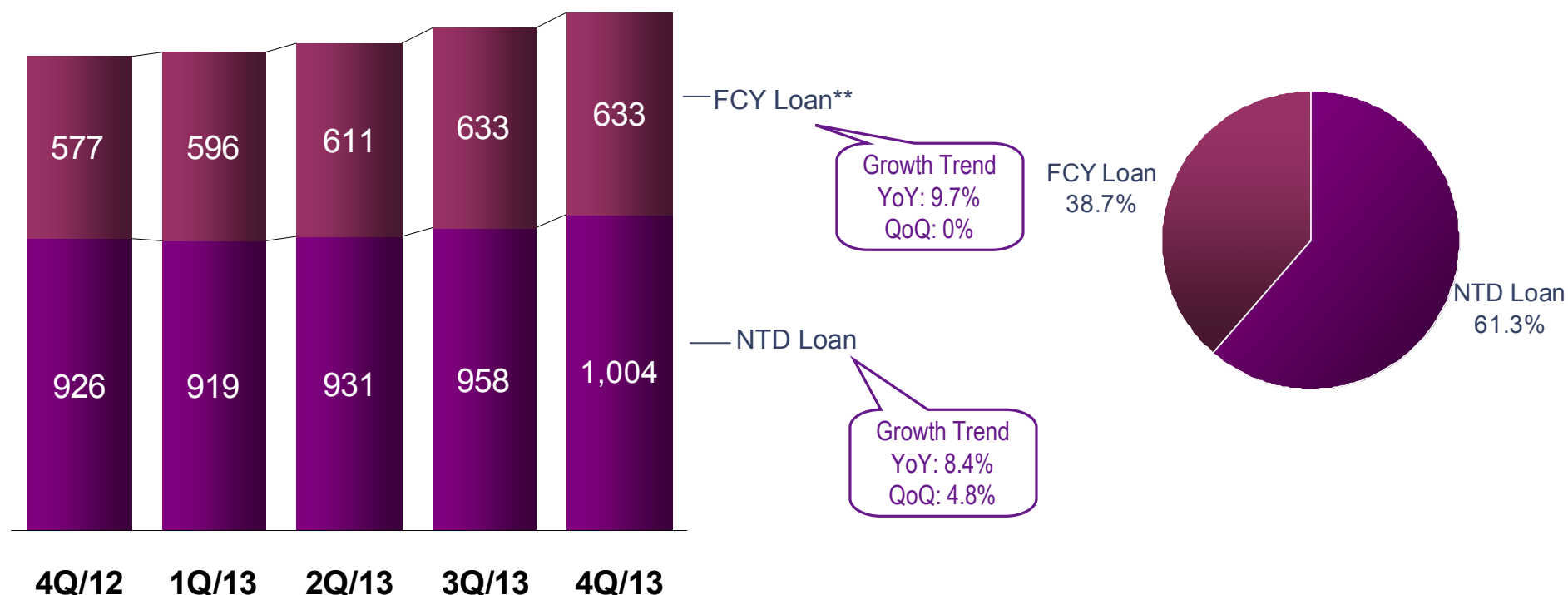
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

FCY loan jumped 9.7% YoY

Mega Bank 4Q/13 loan breakdown by currency: NTD vs. foreign currency loan *

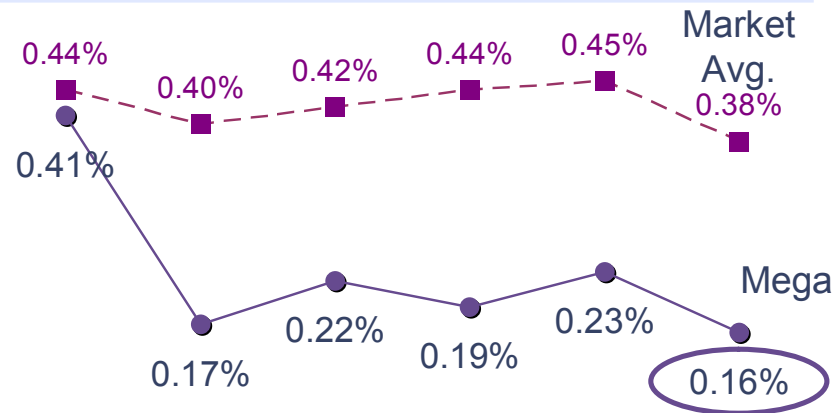
Unit: NT\$bn



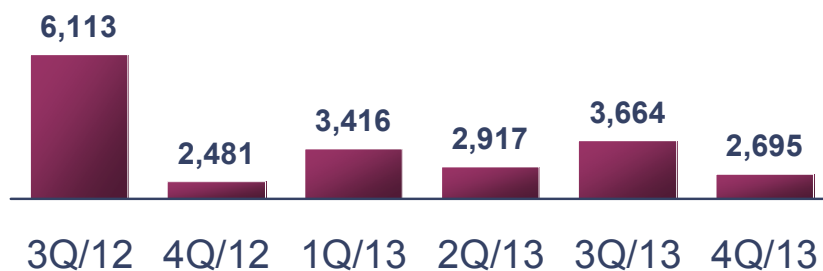
* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee. Foreign currency loan includes OBU, overseas branch and some domestic branch loan.

Asset quality remained strong

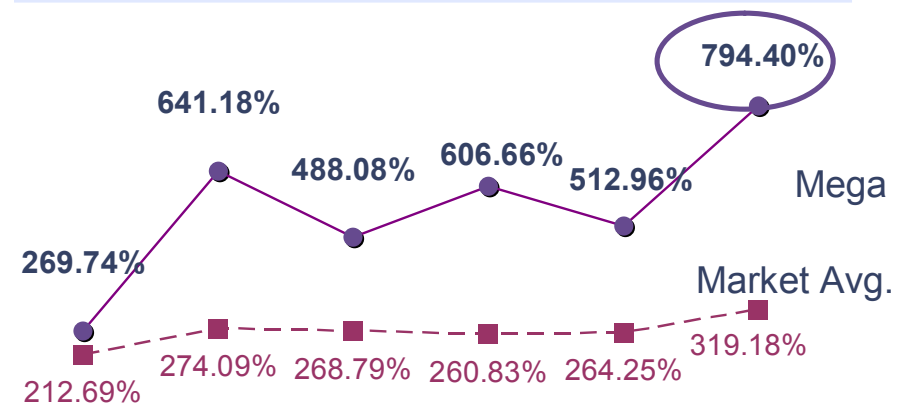
Mega Bank NPL balance & NPL ratio*



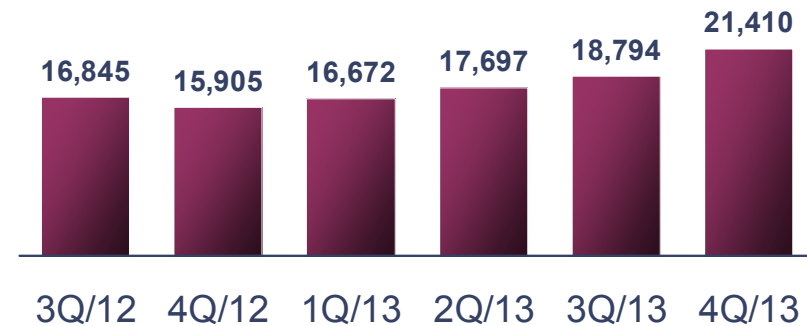
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



General provision
/ total loan =
1.04%

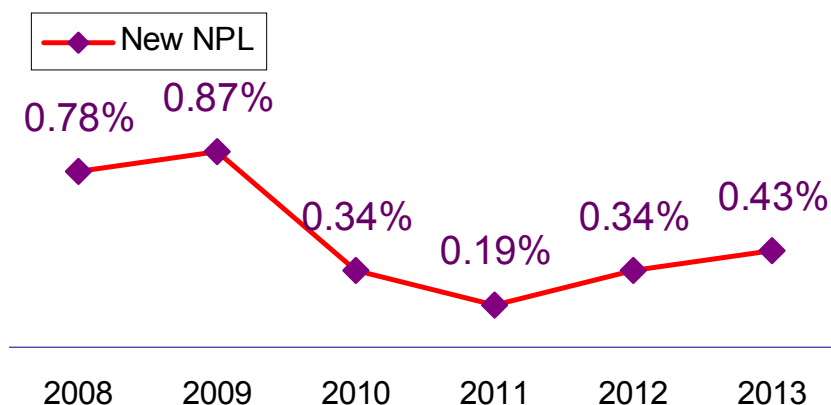
* 90 days standard

New NPL was up due to TMT exposure but whole case is closed now.

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



- Includes NT\$2.9bn TMT exposure.
- Provided 60% provision in 1-3Q/2013.
- Booked NT\$0.32bn write back in Dec/2013.
- Booked NT\$0.65bn write back in Feb/2014.
- Whole case was closed and recovered in Feb/2014.

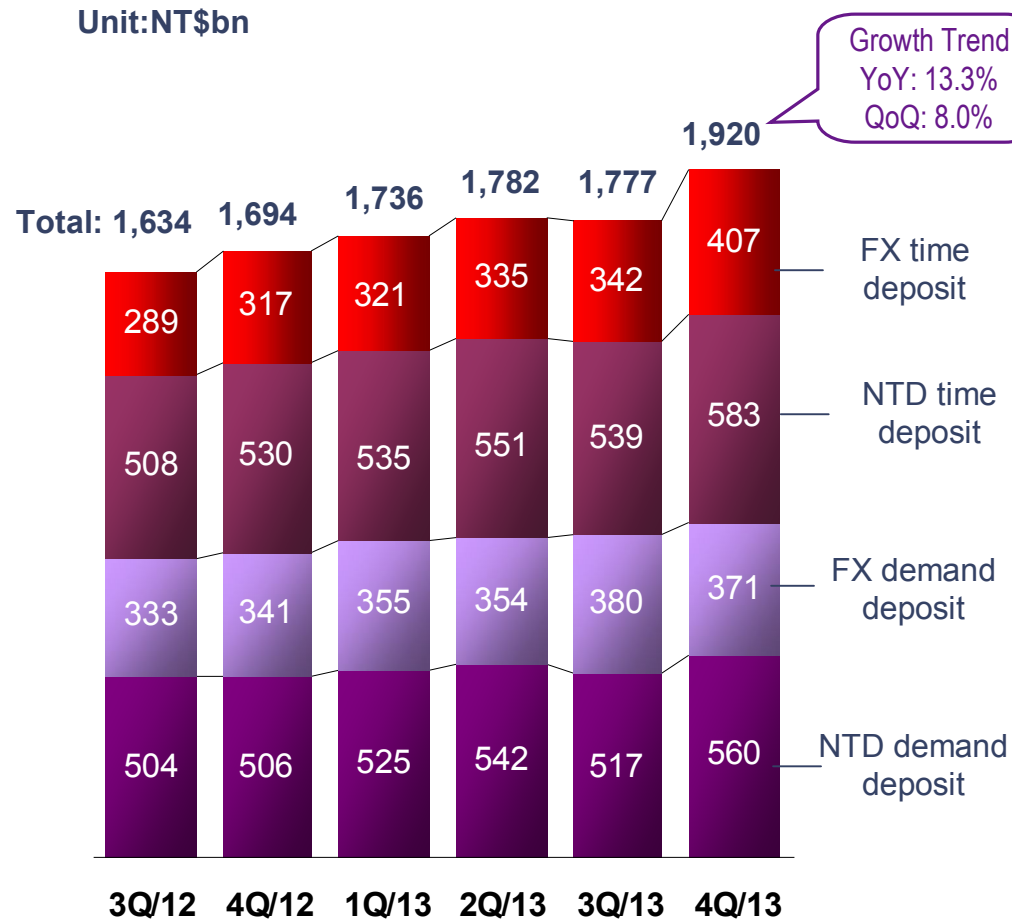
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

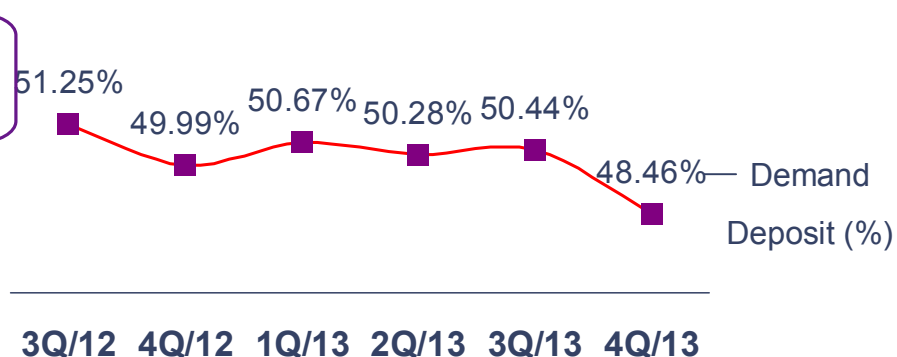
Deposit was up 13.3% YoY, driven by FX deposit.

Mega Bank's deposit balance *

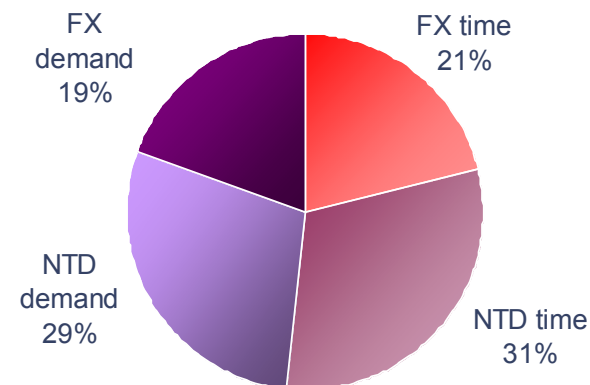
Unit:NT\$bn



Mega Bank's demand deposit trend (%)



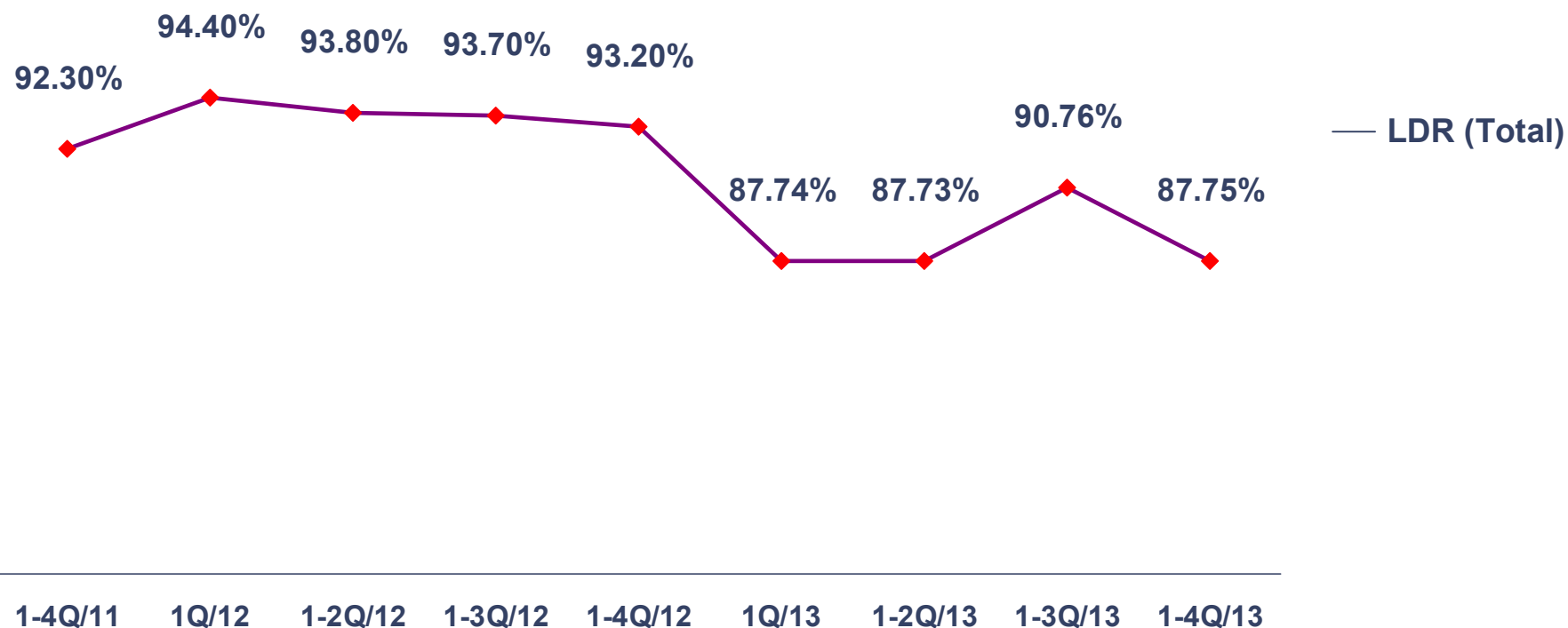
Mega Bank's 4Q/13 deposit breakdown



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

...which helped maintain relatively lower LDR

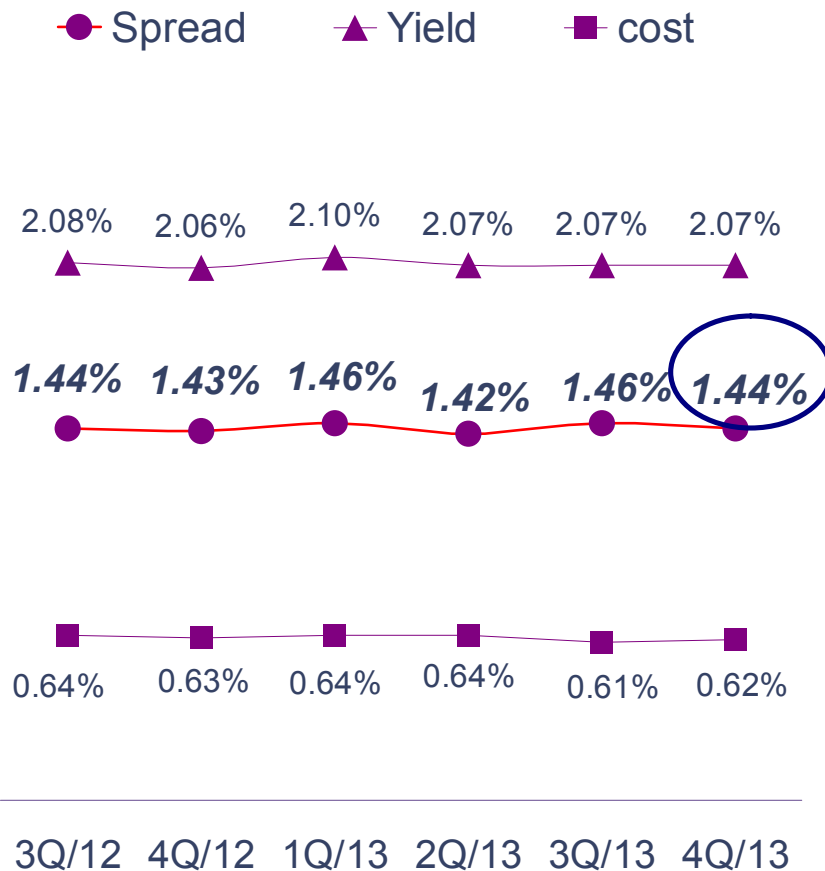
Mega Bank's loan to deposit ratio (LDR) trend*



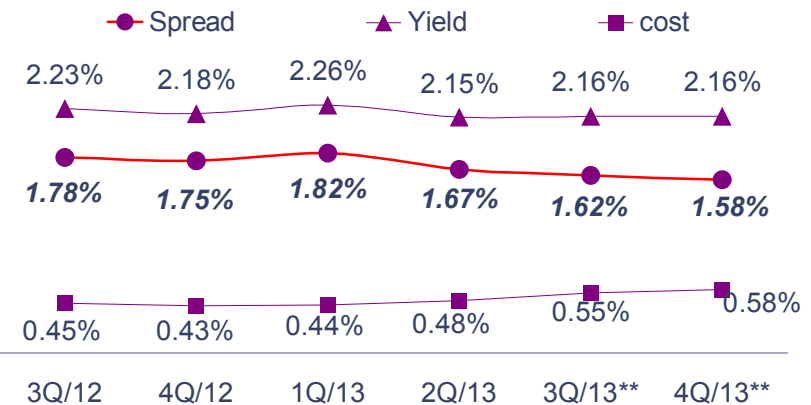
* LDR calculation is based on average loan/deposit balance of that period.

Overseas spread number was misguided due to RMB asset-liability mix-match**

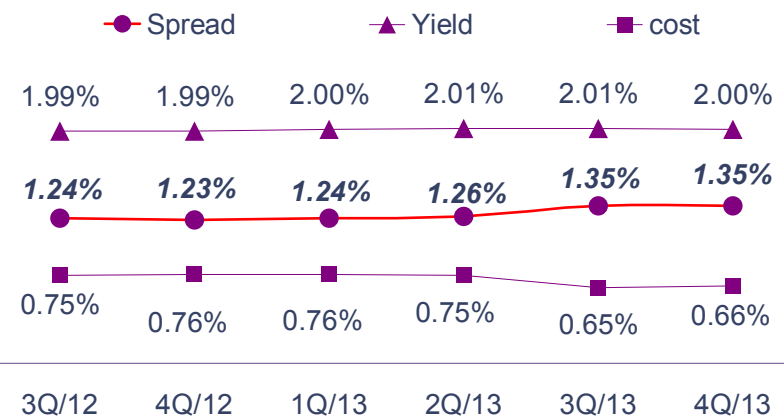
Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*

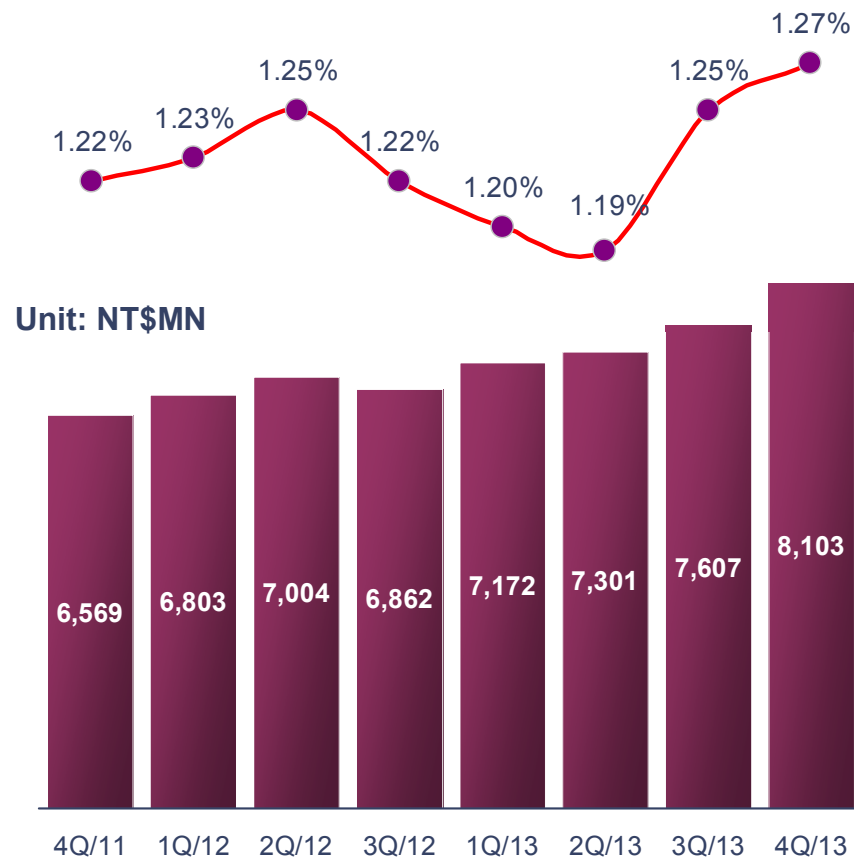


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

** 3~4Q/2013 RMB deposit (approx. 5% of total deposit now) surged and pushed the overseas deposit cost higher; however RMB deposits were mostly placed in inter-banking market with favorable yield, which do not contribute to the loan yield side.

NIM continued to inch up

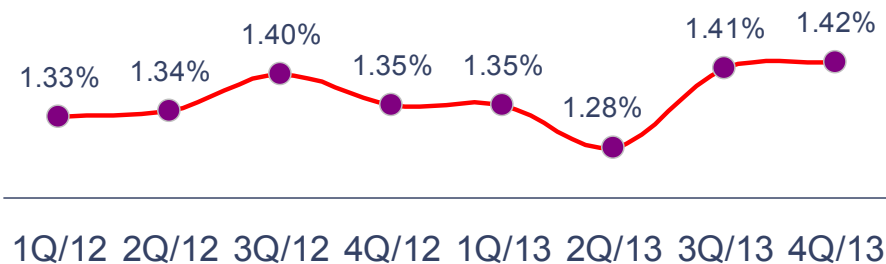
Mega Bank quarterly NIM & NII *



Mega Bank quarterly NTD NIM*



Mega Bank quarterly foreign currency NIM*

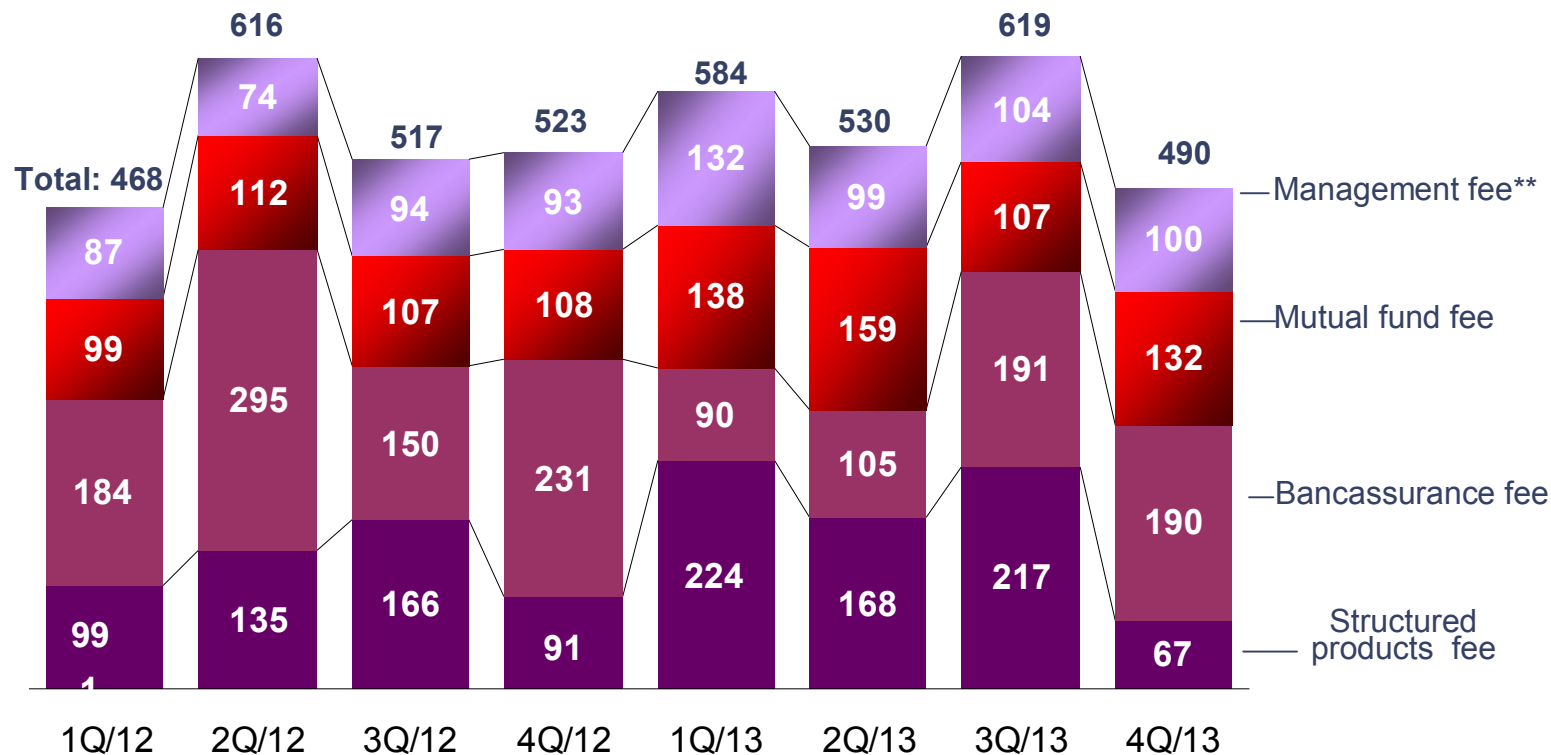


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

Mutual fund sales improved while structured product sales softened

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

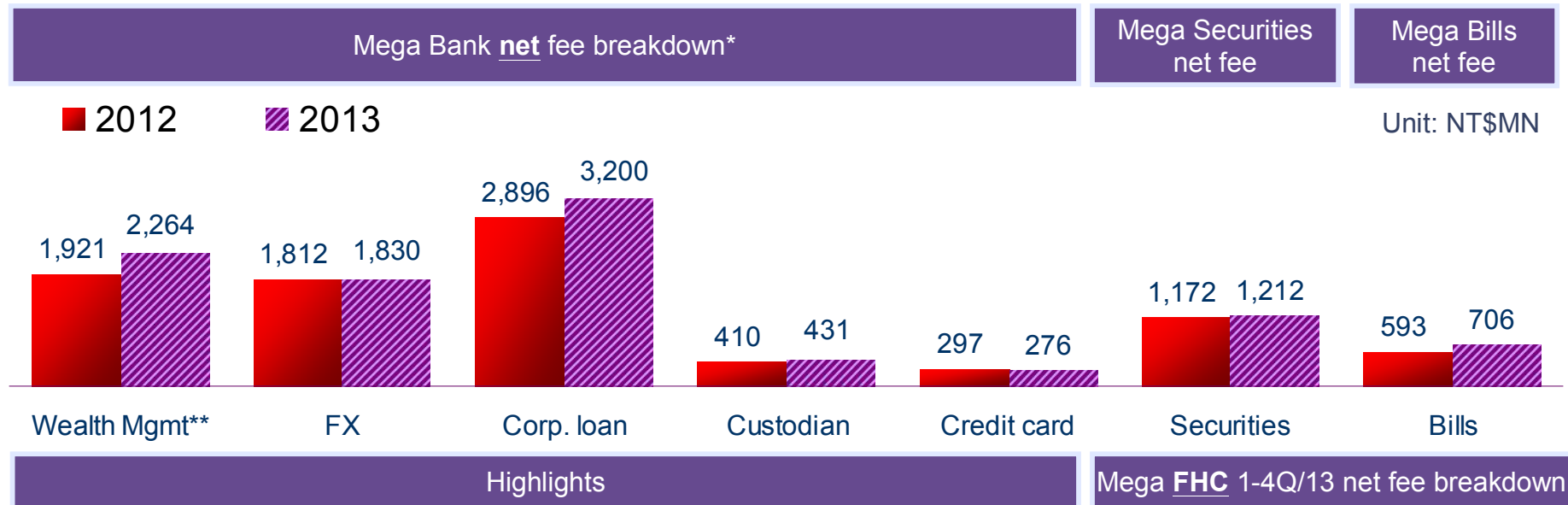
Unit: NT\$MN



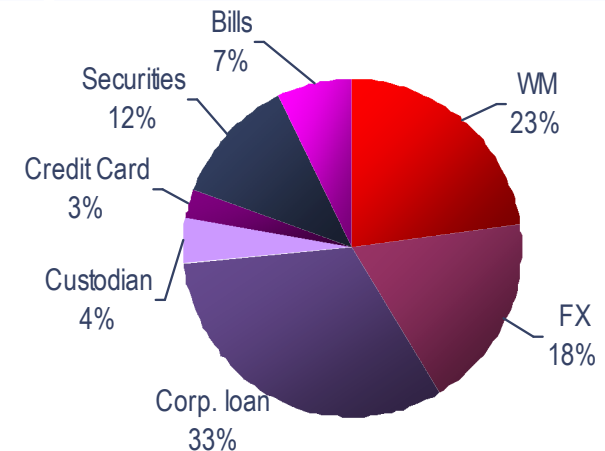
* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

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

Bank fee was boosted by WM and syndication loan fee



- ❖ Bank sub. WM net fee was up 18% YoY due to strong fixed-income notes sales and mutual fund sales.
- ❖ Bank sub. corp. loan fee was up 10% YoY due to favorable syndication loan fee growth.
- ❖ Bills sub. fee was up 19% YoY due to better CP issuance fee.
- ❖ Mega Bank total fee was up 12% YoY; while Mega FHC fee was up 16% YoY.



* 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



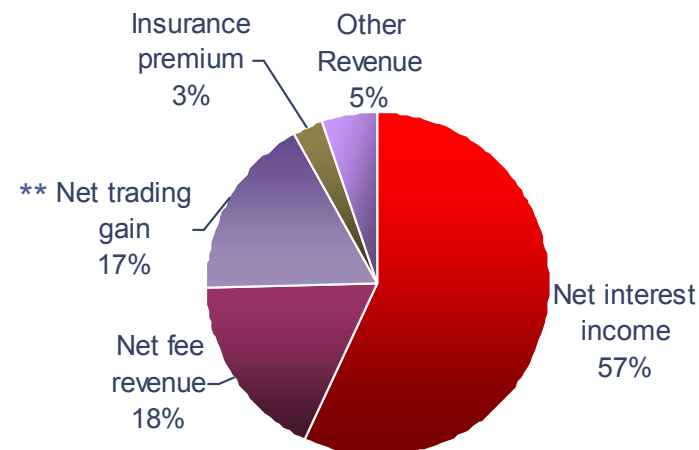
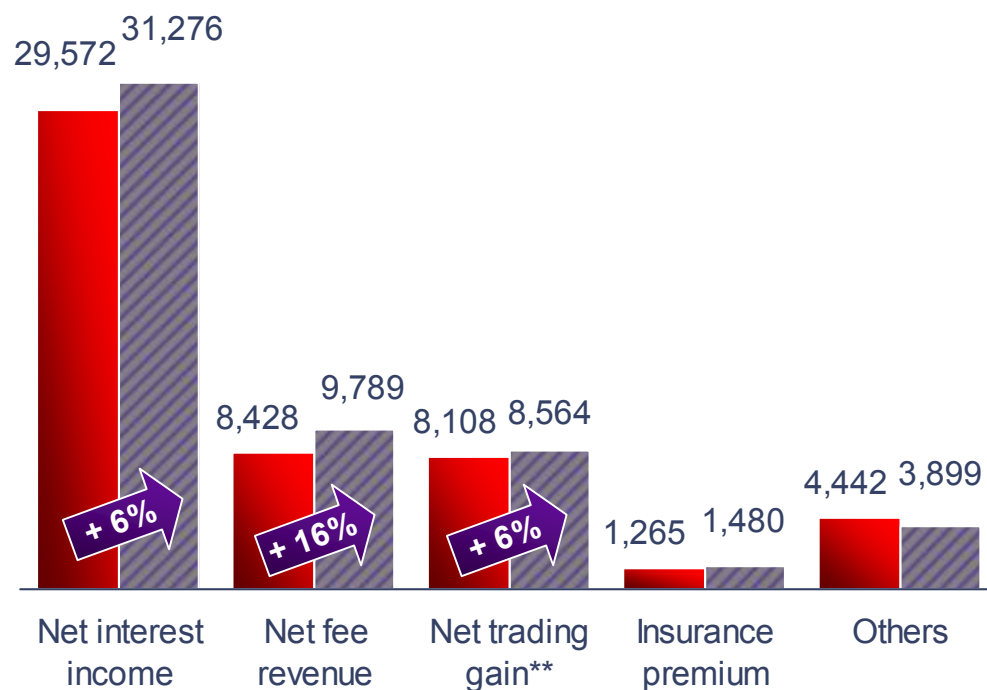
Appendix

Group net revenue was up 6% YoY.

Mega Group consolidated net revenue *

Mega Group 1-4Q/2013 net revenue breakdown

■ 1-4Q/2012 ■ 1-4Q/2013 Unit: NT\$MN



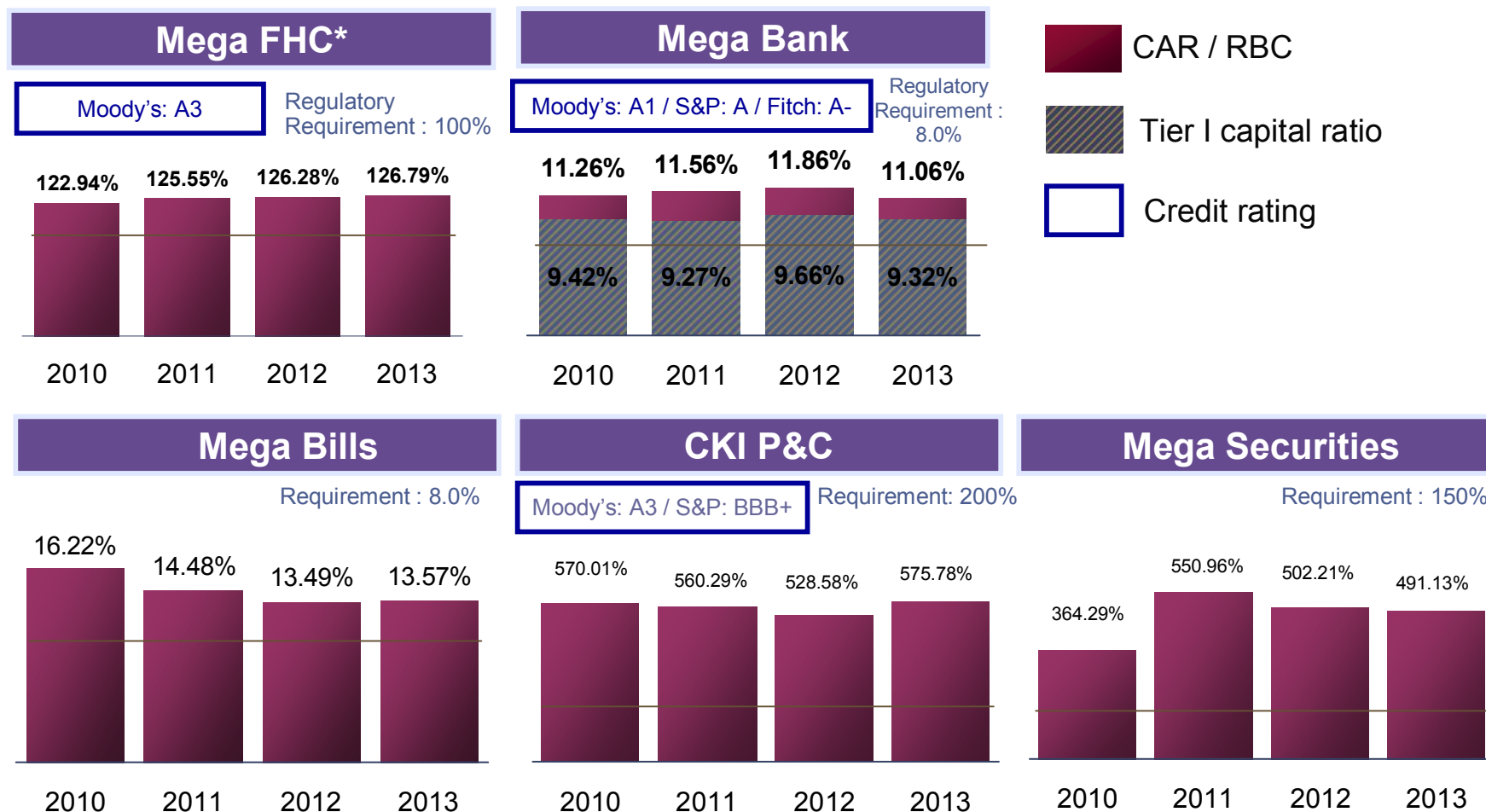
Highlights

- ❖ Group net revenue was up 6% YoY due to favorable NII, fee and FX spread income.
- ❖ NII was up 6% YoY due to strong loan growth.
- ❖ Fee revenue was up 16% YoY due to strong WM, syndication and bills fee.
- ❖ Trading gain was up 6% YoY due to strong FX spread income.

* 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**

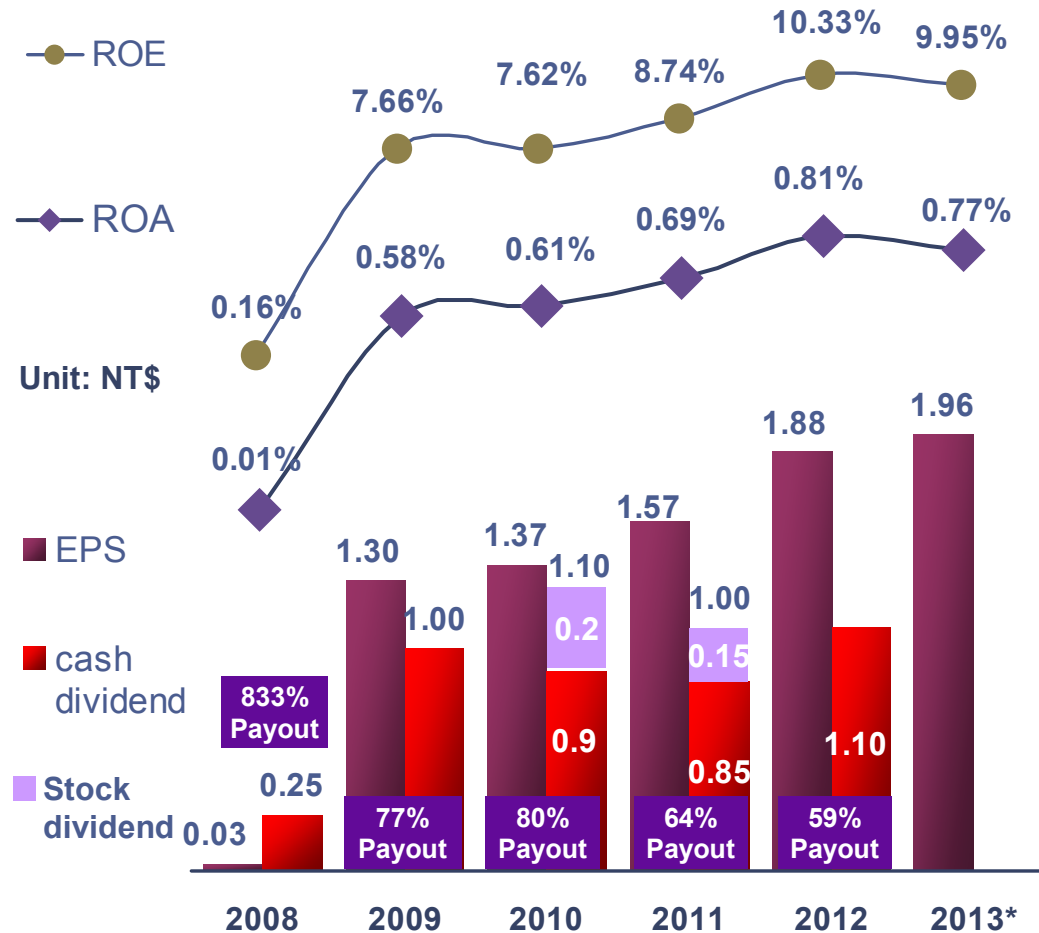


* FHC CAR is calculated based on net investments in subsidiaries

** 2013 is un-audited BASEL III numbers.

Strong profitability and 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.

* 2013 are post right issuance un-audited numbers.

2013 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	2013*	2012*	YoY	2012*
Net interest income	31,276	29,572	6%	29,572
Net fee revenue	9,789	8,428	16%	8,428
Insurance premium	1,480	1,265	17%	1,265
Gain from fin. assets at fair value thru P&L	3,622	4,246	-15%	4,246
Available for sales asset gain	2,124	1,816	17%	1,816
Equity method investment gain	203	175	16%	175
FX spread gain	2,948	2,377	24%	2,377
Asset impairment loss (write-back)	-333	-506	-34%	-506
NPL asset sales gain	1,704	1,989	-14%	1,989
Other non-interest revenue (net)	2,195	2,453	-11%	2,453
Operating net revenue	55,008	51,815	6%	51,815
Operating expense	-22,916	-22,150	3%	-22,150
Pre-provision operating profit	32,092	29,665	8%	29,665
Provision expense on loan	-5,276	-4,342	22%	-4,342
Reserved on insurance	184	-49	-	-49
Pretax profit	27,000	25,274	7%	25,274
Tax	-4,506	-4,479	1%	-4,479
Minority shareholder interest	-5	-10	-	-10
Net profit	22,489	20,785	8%	20,785
EPS (NT\$)	1.96	1.82	8%	1.82

Cost-to-income
ratio: 42%

* Un-audited numbers.

2013 Mega FHC consolidated balance sheet*

NT\$MN	2013*	2012*	YoY	2012*	YTD
Assets:					
Cash and due from banks	551,247	458,490	20%	458,490	20%
Bills and bonds under RP agreement	2,585	2,282	13%	2,282	13%
Fin. assets at fair value through P&L	195,801	184,716	6%	184,716	6%
AFS financial assets	272,944	223,271	22%	223,271	22%
HTM financial assets	184,411	161,254	14%	161,254	14%
Other financial assets	23,430	27,629	-15%	27,629	-15%
A/R, net	184,588	122,685	50%	122,685	50%
Loan, net	1,654,577	1,502,701	10%	1,502,701	10%
Equity method LT investments, net	2,698	2,967	-9%	2,967	-9%
Land, premises and equipments, net	24,210	24,432	-1%	24,432	-1%
Others	17,133	16,542	4%	16,542	4%
Total assets	3,113,624	2,726,969	14%	2,726,969	14%
Liabilities					
Due to banks	523,266	413,637	27%	413,637	27%
Deposits	1,933,723	1,717,989	13%	1,717,989	13%
CP & Bond payable	60,293	64,331	-6%	64,331	-6%
Bills & bonds sold under repurchase agreement	219,651	187,482	17%	187,482	17%
Other liabilities	135,099	133,050	2%	133,050	2%
Total liabilities	2,872,032	2,516,489	14%	2,516,489	14%
Capital stock (common stock)	124,498	114,498	9%	114,498	9%
Capital surplus	55,272	43,425	27%	43,425	27%
Retain earning	61,535	52,097	18%	52,097	18%
Equity adjustment items	101	179	-44%	179	-44%
Minority shareholder interest	186	281	-34%	281	-34%
Total stockholders' equity	241,592	210,481	15%	210,481	15%
Total liabilities and stockholders' equity	3,113,624	2,726,969	14%	2,726,969	14%
Book value per share (NT\$)	19.39	18.36	6%	18.36	6%

* Un-audited numbers.

2013 Mega Bank P&L statement*

<i>NT\$MN, except per share data</i>	2013*	2012*	YoY	2012*
Net interest income	30,175	27,536	10%	27,536
Net fee revenue	7,440	6,619	12%	6,619
Gain from fin. assets at fair value thru P&L	749	1,944	-61%	1,944
Available for sales asset gain	1,291	1,015	27%	1,015
Equity method investment gain	538	486	11%	486
Dividend income	0	1,056	-	1,056
FX spread gain	2,880	2,324	24%	2,324
Asset impairment loss (write-back)	-319	45	-	45
Cost method investment gain	633	-425	-	-425
Other non-interest revenue (net)	1,832	2,515	-27%	2,515
Operating net revenue	45,219	43,115	5%	43,115
Operating expense	-17,957	-16,352	10%	-16,352
Pre-provision operating profit	27,262	26,763	2%	26,763
Provision expense on loan	-5,326	-4,187	27%	-4,187
Pretax profit	21,936	22,576	-3%	22,576
Tax	-3,131	-3,243	-3%	-3,243
Net profit	18,805	19,333	-3%	19,333
EPS (NT\$)	2.64	2.80	-6%	2.80

Cost-to-income
ratio is 39.7%

* Un-audited numbers.

2013 Mega Bank balance sheet*

NT\$MN	2013*	2012*	YoY	2012*	YTD
Assets:					
Cash and due from banks	546,393	461,122	18%	461,122	18%
Bills and bonds under RP agreement	5,452	-	-	-	-
Fin. assets at fair value through P&L	44,481	40,774	9%	40,774	9%
AFS financial assets	184,450	131,162	41%	131,162	41%
HTM financial assets	182,739	159,208	15%	159,208	15%
Other financial assets	13,289	17,062	-22%	17,062	-22%
A/R, net	159,597	102,351	56%	102,351	56%
Loan, net	1,654,703	1,504,898	10%	1,504,898	10%
Equity method LT investments, net	2,784	2,572	8%	2,572	8%
Land, premises and equipments, net	15,194	15,525	-2%	15,525	-2%
Others (net)	10,630	11,273	-6%	11,273	-6%
Total assets	2,819,712	2,445,947	15%	2,445,947	15%
Liabilities					
Due to banks	504,207	398,633	26%	398,633	26%
Deposits	1,932,772	1,702,444	14%	1,702,444	14%
CP & Bond payable	43,900	43,900	0%	43,900	0%
Bills & bonds sold under repurchase agreement	46,532	17,364	168%	17,364	168%
Other liabilities	91,773	102,291	-10%	102,291	-10%
Total liabilities	2,619,184	2,264,632	16%	2,264,632	16%
Capital stock (common stock)	77,000	71,000	8%	71,000	8%
Capital surplus	46,499	37,261	25%	37,261	25%
Retain earning	77,364	69,237	12%	69,237	12%
Equity adjustment items	(335)	3,817	-109%	3,817	-109%
Total stockholders' equity	200,528	181,315	11%	181,315	11%
Total liabilities and stockholders' equity	2,819,712	2,445,947	15%	2,445,947	15%
Book value per share (NT\$)	26.04	25.54	2%	25.54	2%

* Un-audited numbers.

Agenda



Operation Highlights



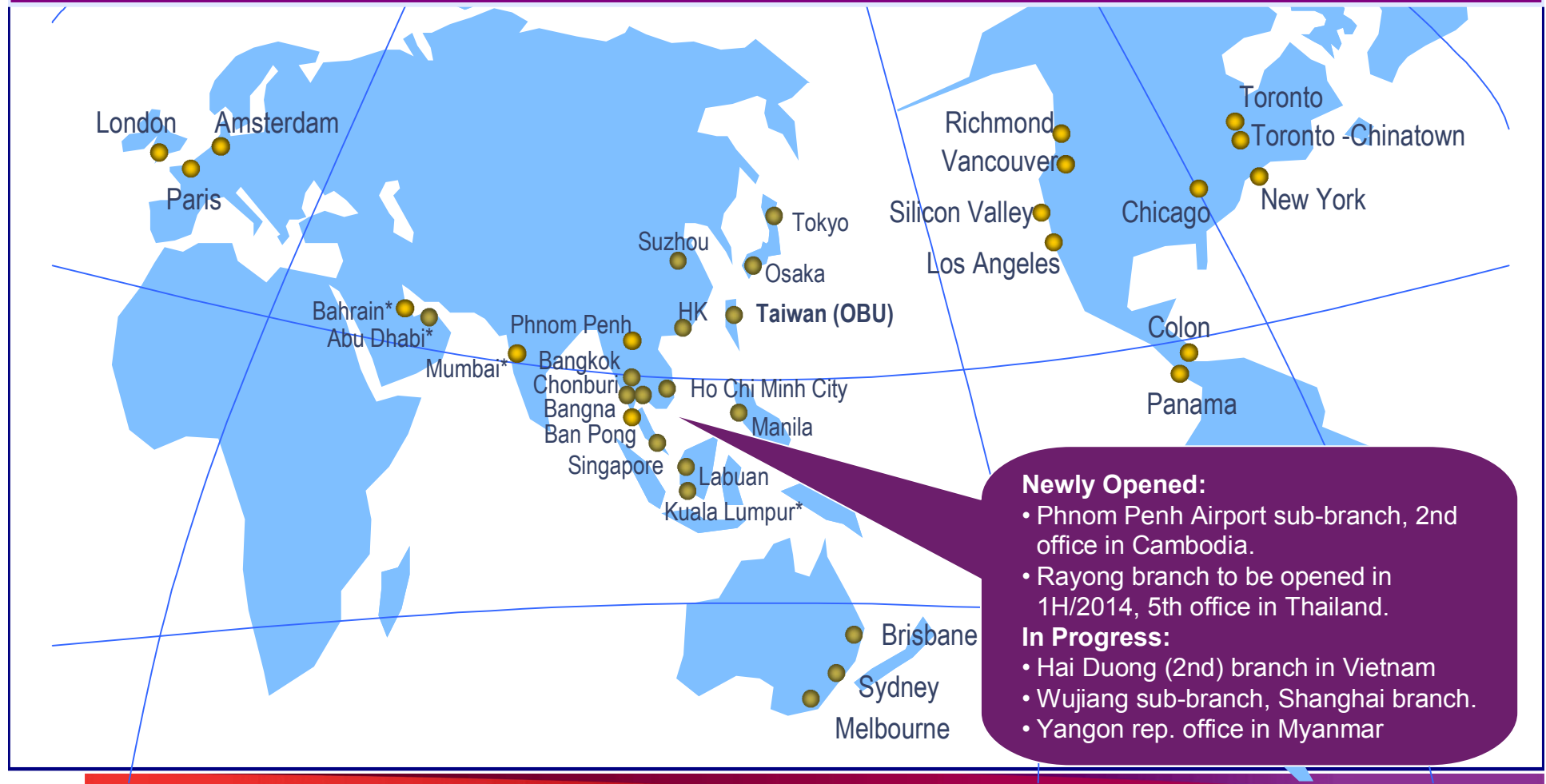
Financial Performance



Appendix

Most internationalized local bank.

Mega Bank's Overseas Franchise



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