



Mega Holdings

1Q / 2014 (v.1)

Investor/Analyst Briefing



DISCLAIMER

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



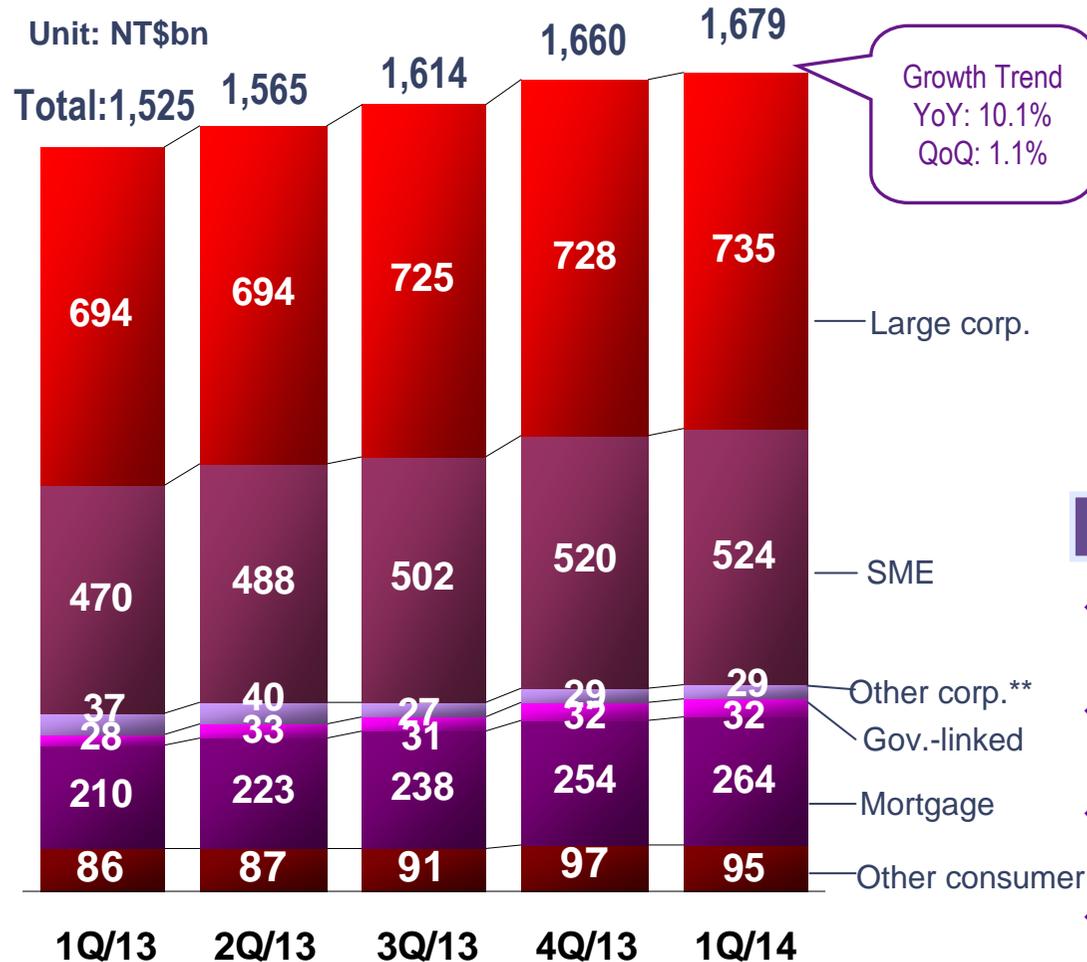
Financial Performance



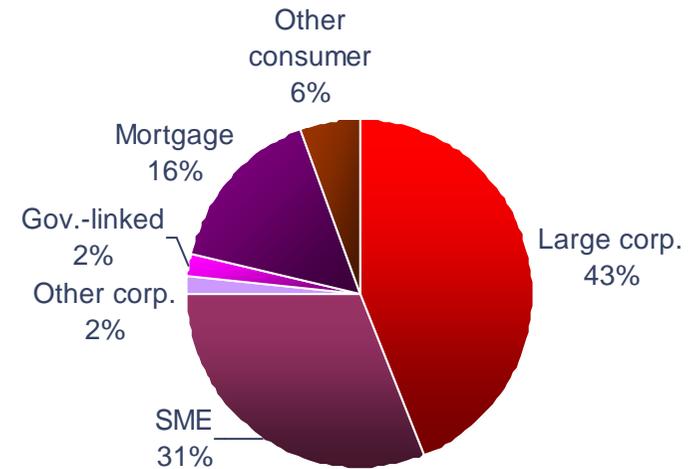
Appendix

Total loan was up 10.1% YoY, driven by SME and mortgage loan growth

Mega Bank quarterly loan balance*



Mega Bank 1Q/14 loan breakdown by customer



Highlights

- ❖ Large corp. loan was up 5.9% YoY and 1.0%QoQ.
- ❖ SME loan was up 11.5% YoY and 0.8% QoQ.
- ❖ Mortgage loan was up 25.7% YoY and 3.9% QoQ.
- ❖ Total loan was up 10.1% YoY and 1.1% QoQ.

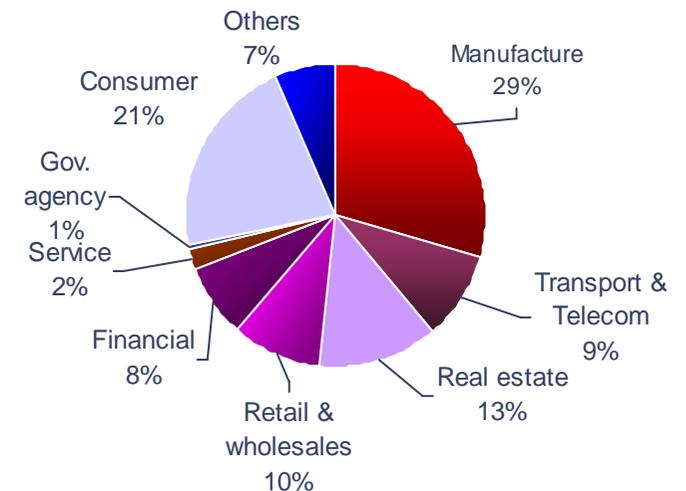
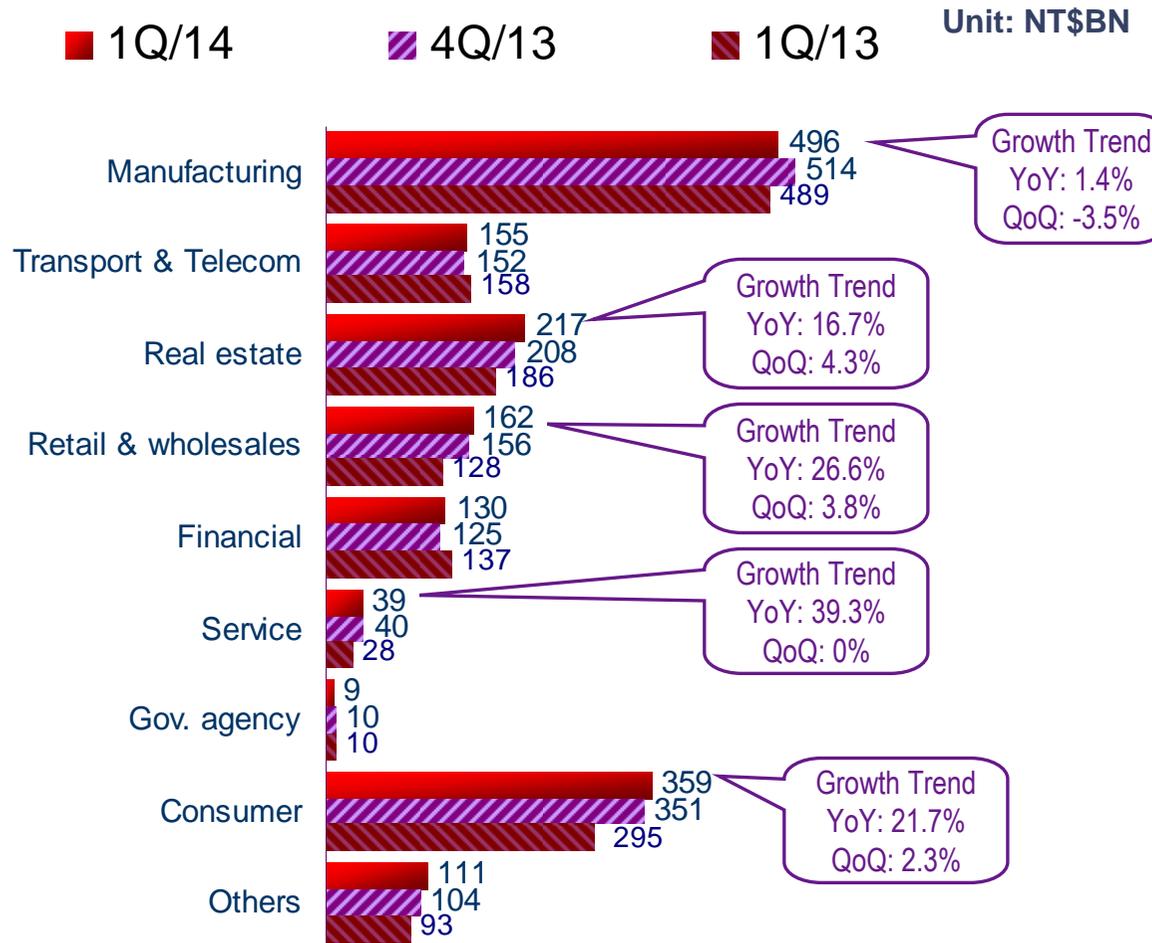
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Real estate, retail / wholesales and consumer loan dominated the growth

Mega Bank loan balance trend by industry*

Mega Bank 1Q/14 loan breakdown by industry*

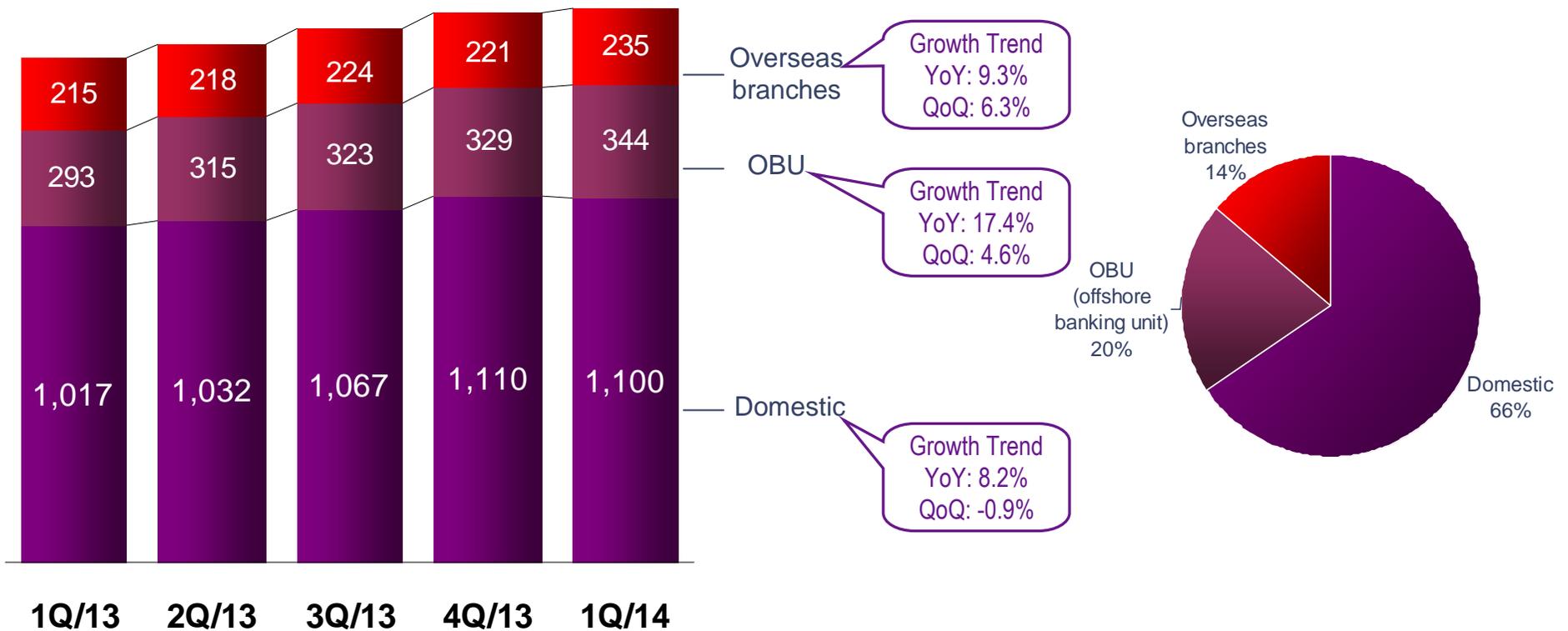


* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

Overseas loan was up 6% QoQ; OBU loan was up 5% QoQ

Mega Bank 1Q/14 loan breakdown by regions *

Unit: NT\$bn



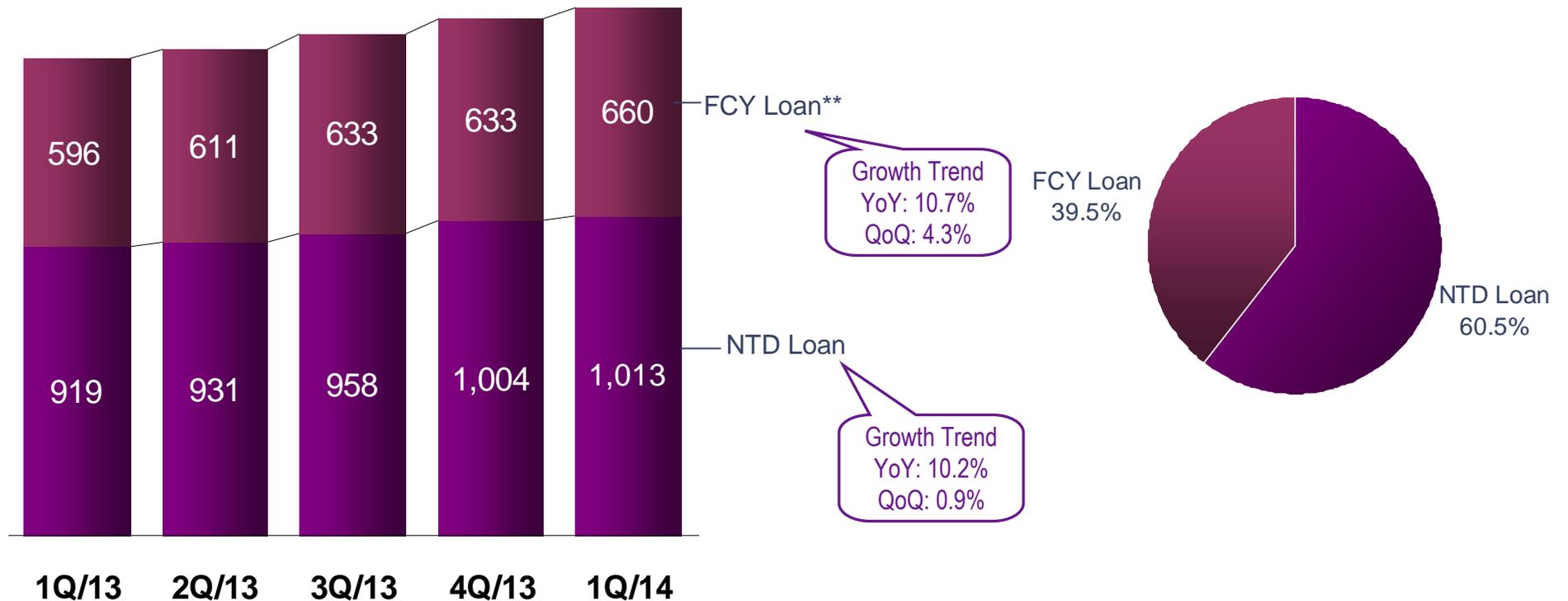
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

FCY loan jumped 4.3% QoQ

Mega Bank 1Q/14 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



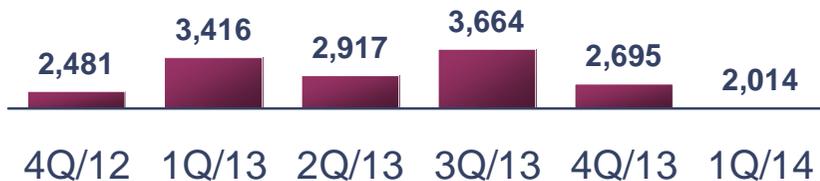
* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee. Foreign currency loan includes OBU, overseas branch and some domestic branch loan.

Asset quality remained strong

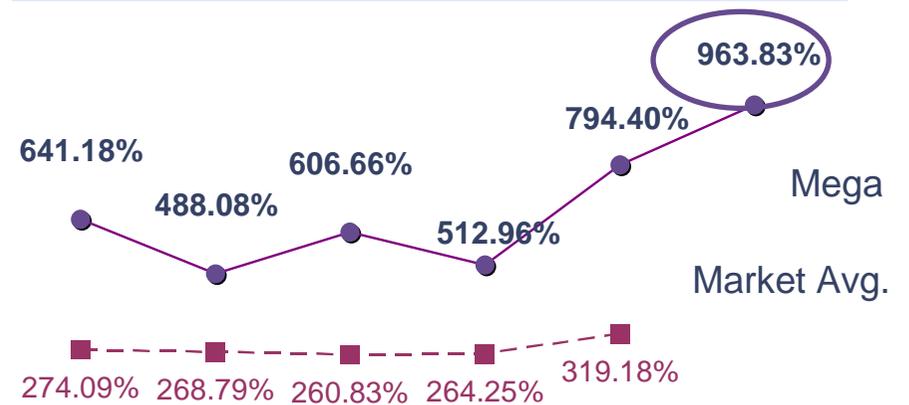
Mega Bank NPL balance & NPL ratio*



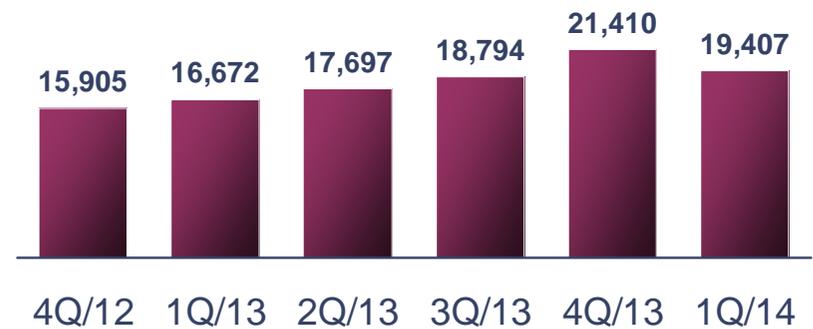
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



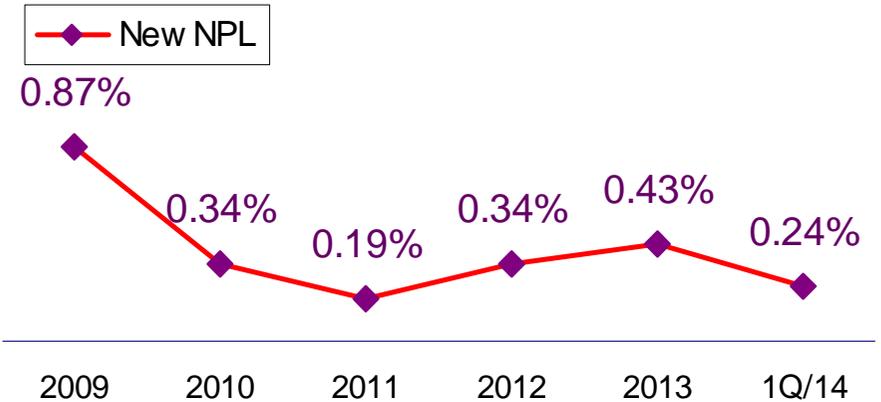
* 90 days standard

New NPL formation stabilized

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



TMT Exposure update

- Total exposure: NT\$2.9bn
- 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.

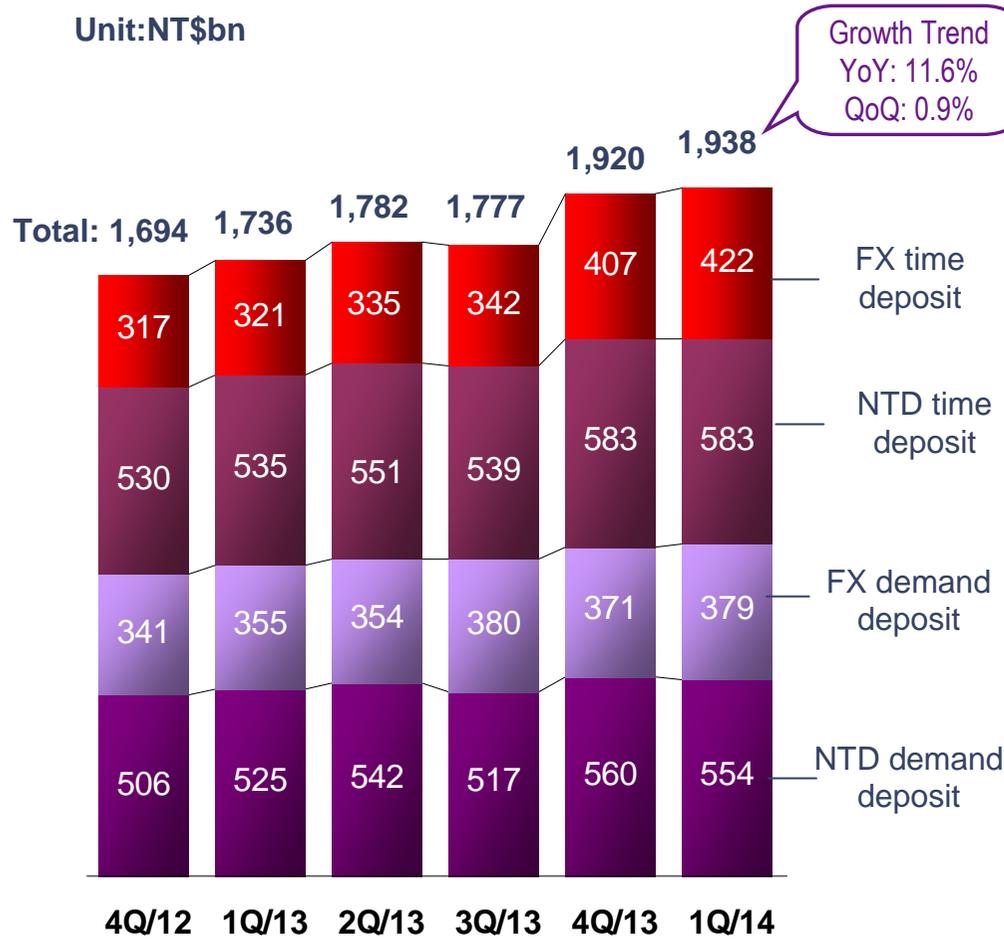
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

Deposit was up 11.6% YoY, driven by FX deposit.

Mega Bank's deposit balance *

Unit:NT\$bn

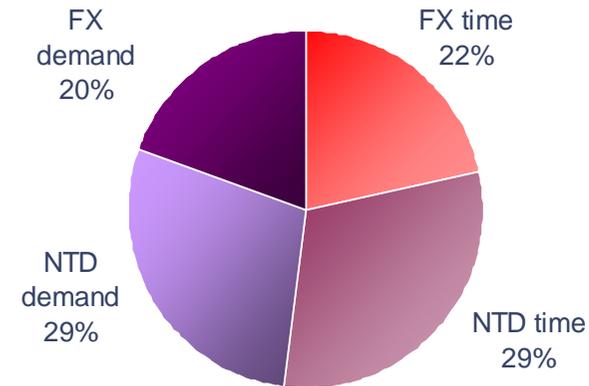


Growth Trend
YoY: 11.6%
QoQ: 0.9%

Mega Bank's demand deposit trend (%)



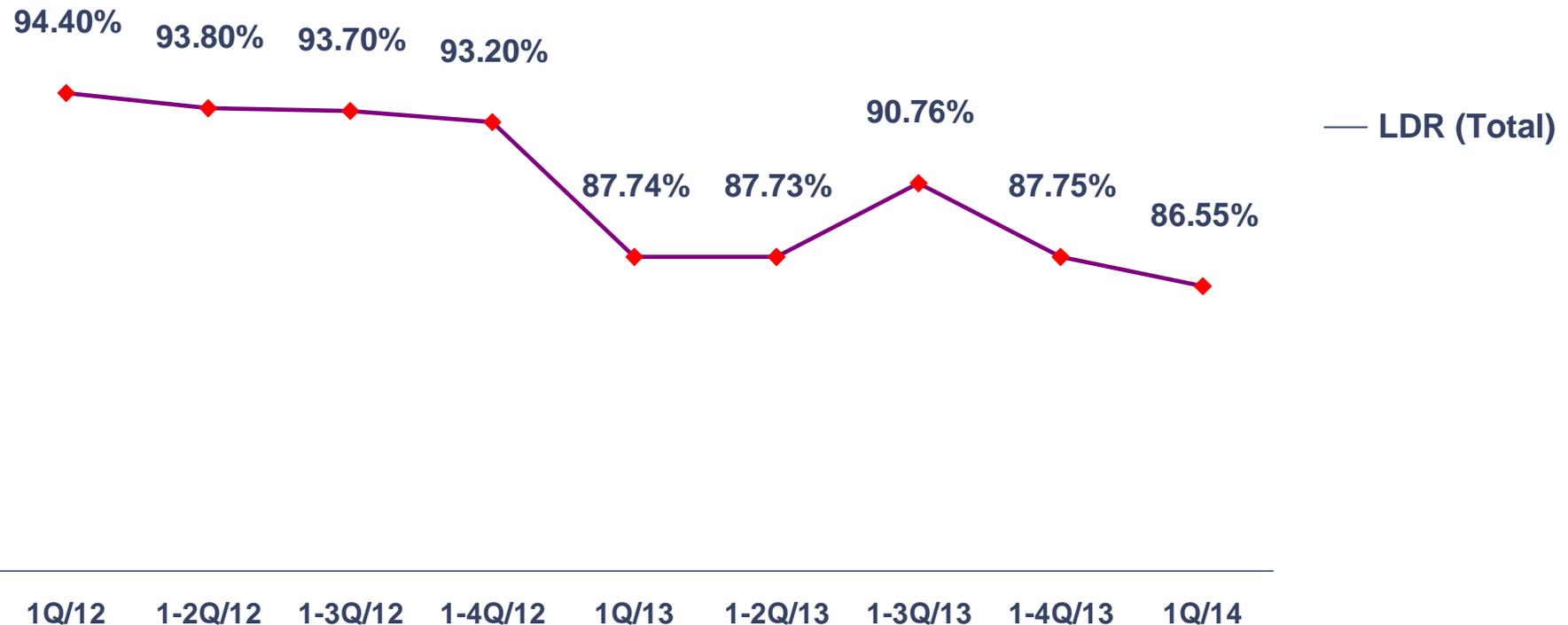
Mega Bank's 1Q/14 deposit breakdown



* 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 mismatched**

Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*



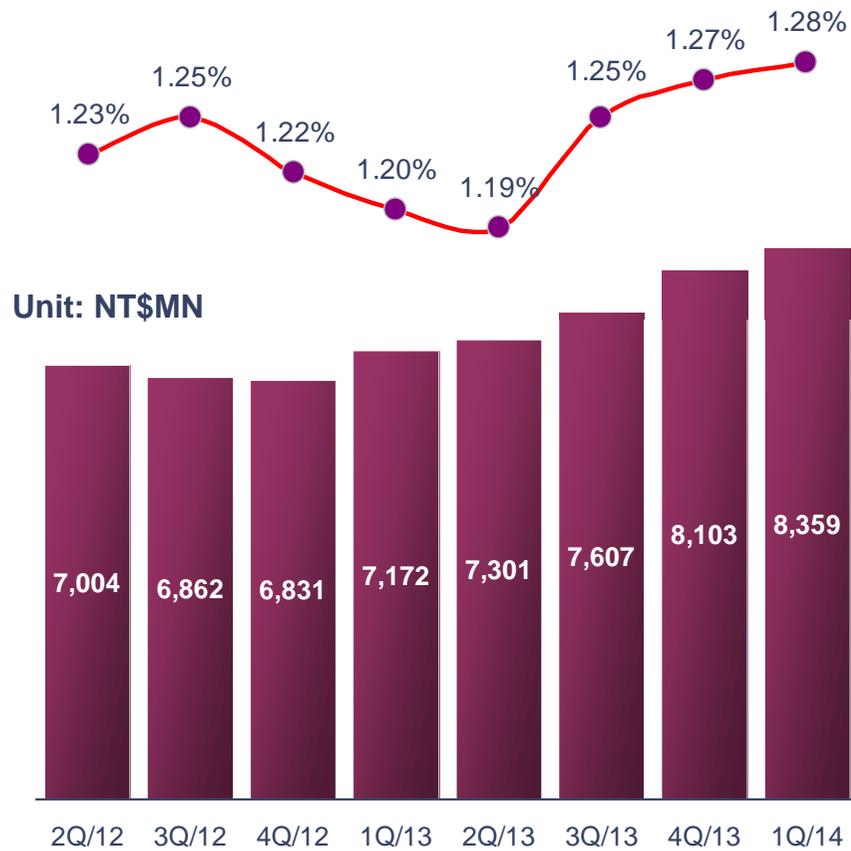
* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

** 3Q/13~1Q/14 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 did not contribute to the loan yield number.



NIM continued to inch up

Mega Bank quarterly NIM & NII *



Mega Bank quarterly NTD NIM*



Mega Bank quarterly foreign currency NIM*

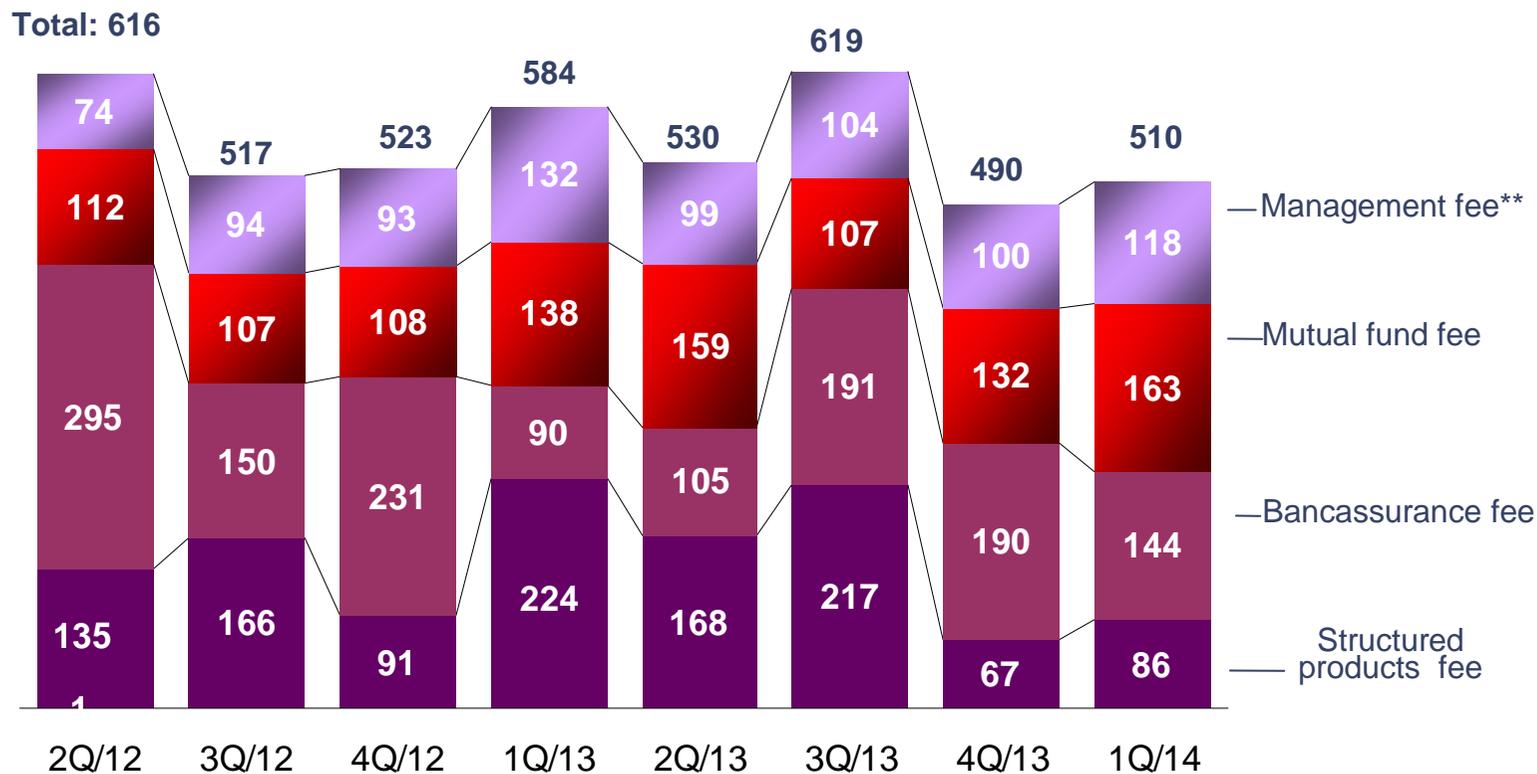


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

WM fee was down YoY but up QoQ, due to improved mutual fund sales

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

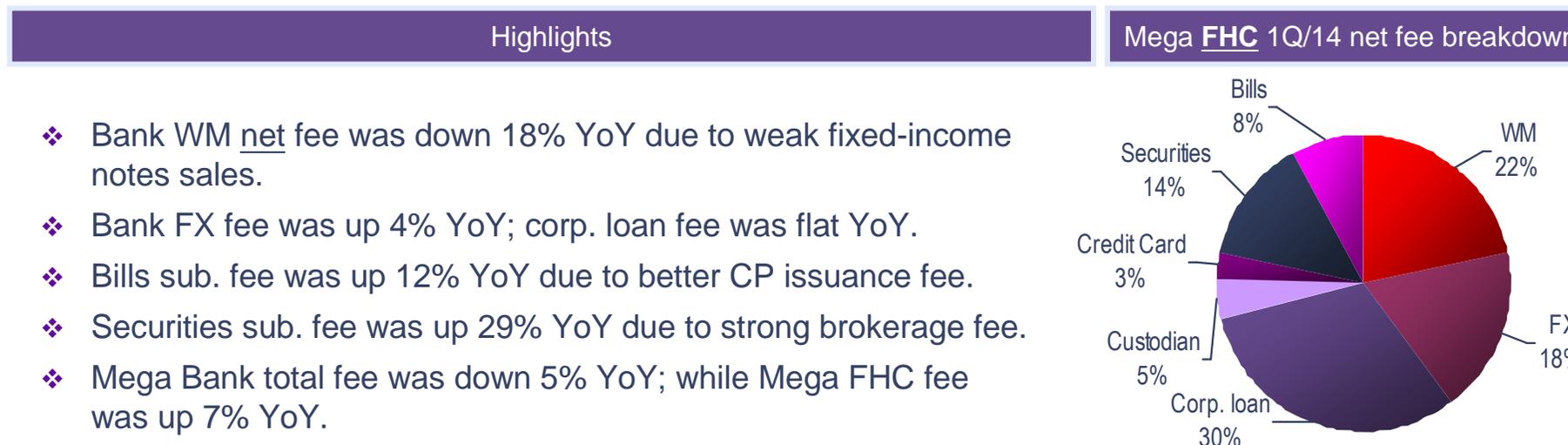
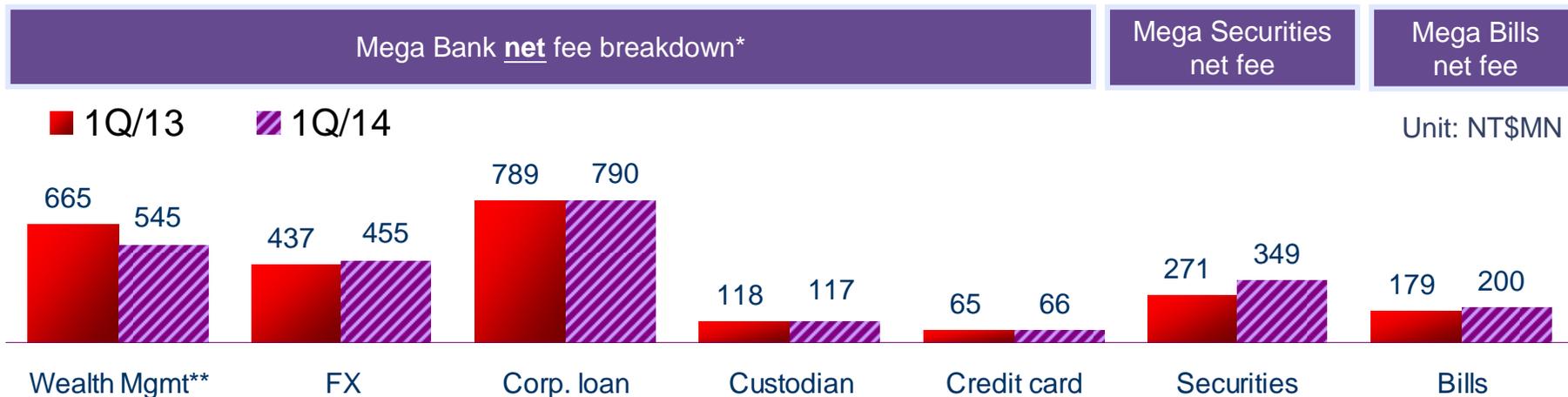
Unit: NT\$MN



* 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 down, while FX, bills & brokerage fee were up



* 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

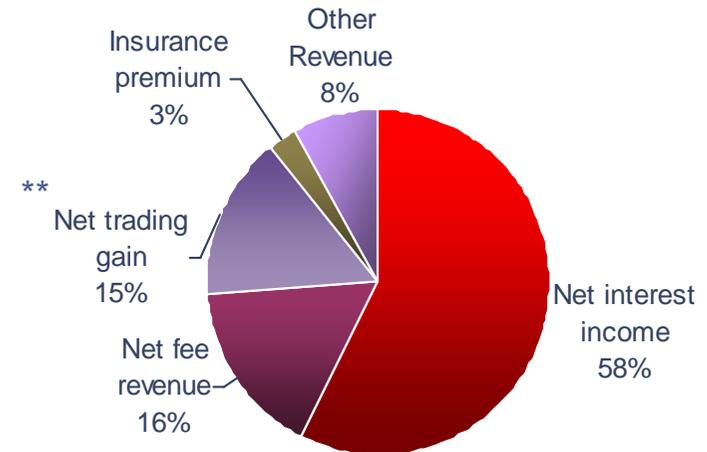
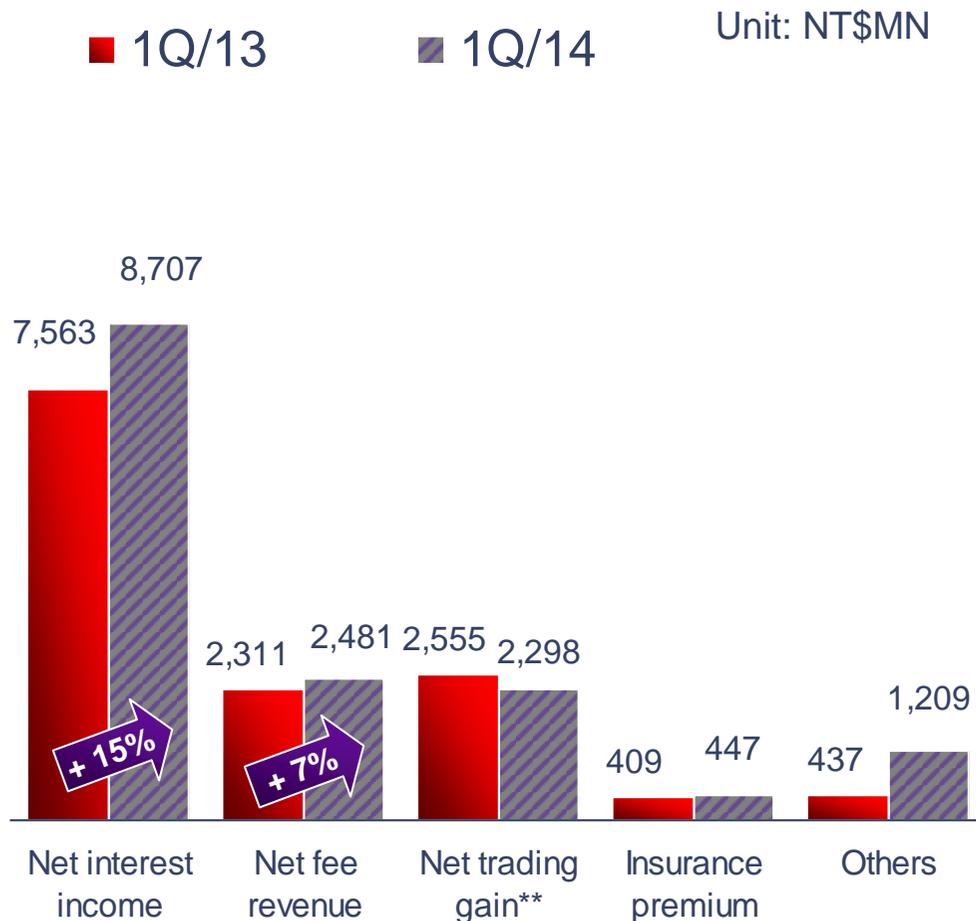


Appendix

Group net revenue was up 14% YoY, due to strong NII and fee growth

Mega Group consolidated net revenue *

Mega Group 1Q/2014 net revenue breakdown



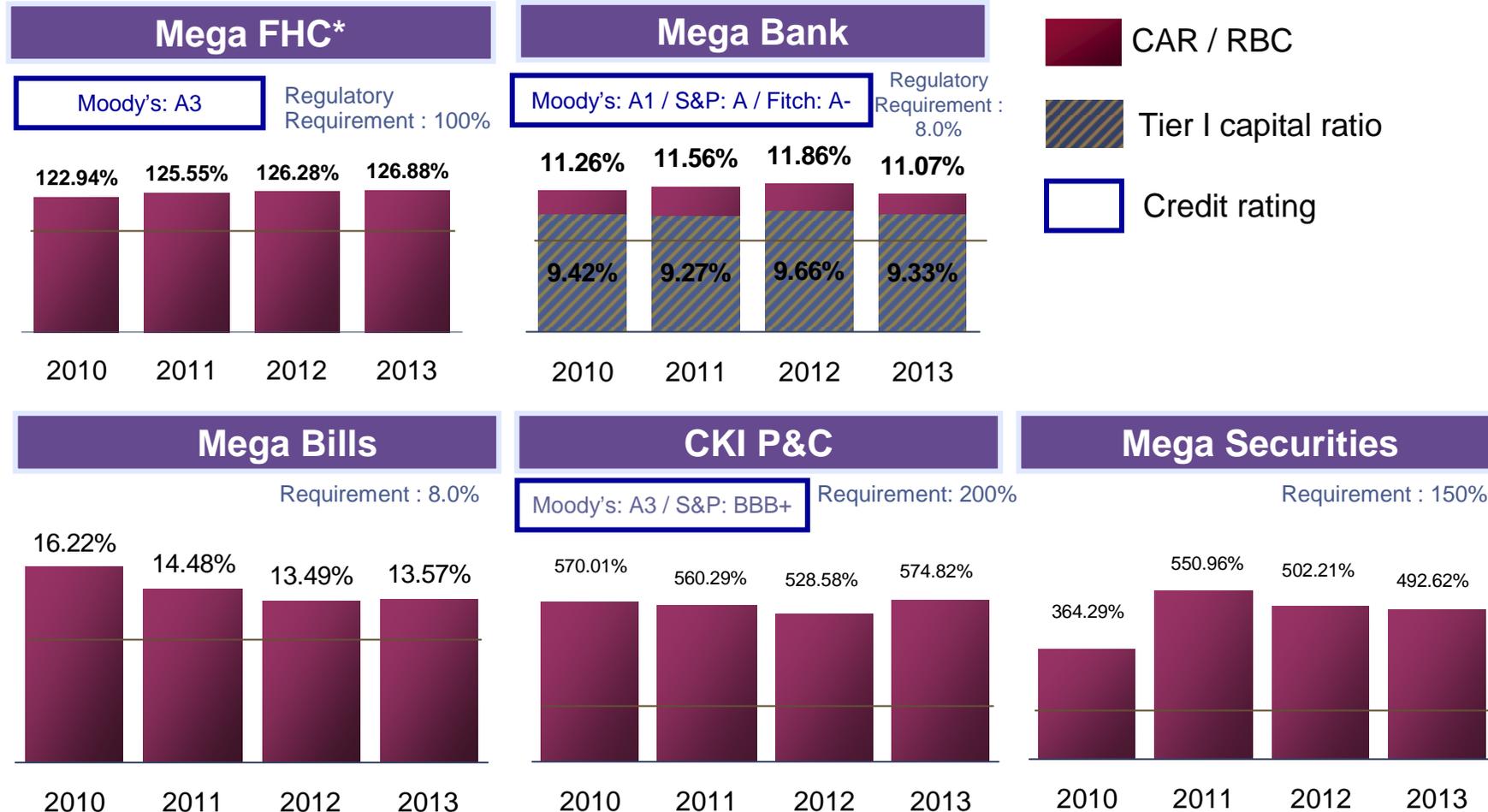
Highlights

- ❖ Group net revenue was up 14% YoY due to favorable NII, and fee.
- ❖ NII was up 15% YoY due to loan growth, asset growth and NIM improvement.
- ❖ Fee revenue was up 7% YoY due to strong FX, bills underwriting and securities brokerage fee.
- ❖ Trading gain was down 10% YoY due to weaker bond disposal 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

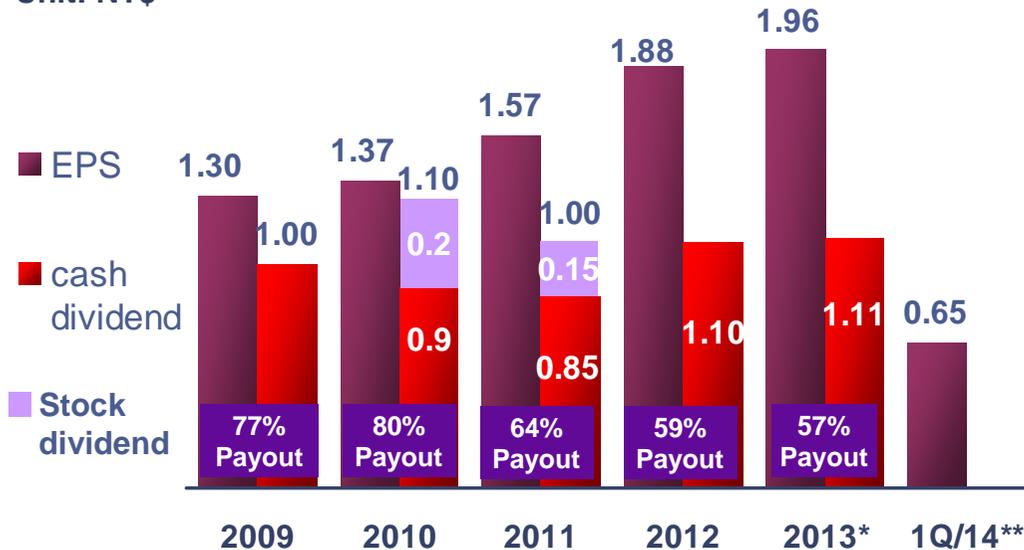
** 2013 are audited BASEL III numbers.

Record high ROE and stable cash dividend

Key Profitability Ratios



Unit: NT\$



❖ 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 dividend is subject to AGM approval in June/2014.

** 1Q/14 are unaudited numbers; ROE & ROA are annualized numbers.

1Q/2014 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2014*	1Q/2013	YoY	2013
Net interest income	8,707	7,563	15%	31,276
Net fee revenue	2,481	2,311	7%	9,789
Insurance premium	447	409	9%	1,480
Gain from fin. assets at fair value thru P&L	1,024	425	141%	3,622
Available for sales asset gain	383	1,063	-64%	2,124
Equity method investment gain	28	27	4%	203
Property investment gain	-	26	-	
FX spread gain	876	1,015	-14%	2,948
Asset impairment loss (write-back)	-13	-1	-	-333
NPL asset sales gain	-	-	-	1,704
Other non-interest revenue (net)	1,209	437	177%	2,195
Operating net revenue	15,142	13,275	14%	55,008
Operating expense	-5,576	-5,334	5%	-22,916
Pre-provision operating profit	9,566	7,941	20%	32,092
Provision expense on loan	-141	-739	-81%	-5,276
Reserved on insurance	-4	0	-	184
Pretax profit	9,421	7,202	31%	27,000
Tax	-1,376	-1,013	36%	-4,506
Minority shareholder interest	0	-1	-	-5
Net profit	8,045	6,188	30%	22,489
EPS (NT\$)	0.65	0.54	20%	1.96

Cost-to-income
ratio: 37%

* Un-audited numbers.

1Q/2014 Mega FHC consolidated balance sheet*

NT\$MN	1Q/2014*	1Q/2013	YoY	2013	YTD
Assets:					
Cash and due from banks	551,247	424,504	30%	551,247	0%
Bills and bonds under RP agreement	2,585	5,680	-54%	2,585	0%
Fin. assets at fair value through P&L	195,801	189,978	3%	195,801	0%
AFS financial assets	272,944	234,129	17%	272,944	0%
HTM financial assets	184,411	161,997	14%	184,411	0%
Other financial assets	23,430	26,980	-13%	23,430	0%
A/R, net	184,588	109,372	69%	184,588	0%
Loan, net	1,654,577	1,525,727	8%	1,654,577	0%
Equity method LT investments, net	2,698	2,963	-9%	2,698	0%
Land, premises and equipments, net	24,210	24,579	-2%	24,210	0%
Others	15,869	19,728	-20%	17,133	-7%
Total assets	3,112,360	2,725,637	14%	3,113,624	0%
Liabilities					
Due to banks	494,317	368,104	34%	523,266	-6%
Deposits	1,947,054	1,748,531	11%	1,933,723	1%
CP & Bond payable	62,950	66,270	-5%	60,293	4%
Bills & bonds sold under repurchase agreement	213,505	179,664	19%	219,651	-3%
Other liabilities	143,659	144,979	-1%	135,099	6%
Total liabilities	2,861,485	2,507,548	14%	2,872,032	0%
Capital stock (common stock)	124,498	114,498	9%	124,498	0%
Capital surplus	55,272	43,425	27%	55,272	0%
Retain earning	69,580	58,286	19%	61,535	13%
Equity adjustment items	1,330	1,575	-16%	101	1217%
Minority shareholder interest	195	305	-36%	186	5%
Total stockholders' equity	250,875	218,090	15%	241,592	4%
Total liabilities and stockholders' equity	3,112,360	2,725,637	14%	3,113,624	0%
Book value per share (NT\$)	20.14	19.02	6%	19.39	4%

* Un-audited numbers.

1Q/2014 Mega Bank P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2014*	1Q/2013*	YoY	2013
Net interest income	8,359	7,172	17%	30,175
Net fee revenue	1,808	1,910	-5%	7,440
Gain from fin. assets at fair value thru P&L	168	-168	-200%	749
Available for sales asset gain	183	553	-67%	1,291
Equity method investment gain	95	90	6%	538
FX spread gain	928	1,010	-8%	2,880
Asset impairment loss (write-back)	0	0	-	-319
Cost method investment gain	0	0	-	633
Other non-interest revenue (net)	1,022	154	564%	1,832
Operating net revenue	12,563	10,721	17%	45,219
Operating expense	-4,310	-4,174	3%	-17,957
Pre-provision operating profit	8,253	6,547	26%	27,262
Provision expense on loan	-505	-826	-39%	-5,326
Pretax profit	7,748	5,721	35%	21,936
Tax	-1,085	-798	36%	-3,131
Net profit	6,663	4,923	35%	18,805
EPS (NT\$)	0.87	0.69	26%	2.64

Cost-to-income ratio is 34%

* Un-audited numbers.

1Q/2014 Mega Bank balance sheet*

NT\$MN	1Q/2014*	1Q/2013*	YoY	2013	YTD
Assets:					
Cash and due from banks	515,765	423,325	22%	546,393	-6%
Bills and bonds under RP agreement	5,110	6,465	-21%	5,452	-6%
Fin. assets at fair value through P&L	51,299	45,147	14%	44,481	15%
AFS financial assets	188,913	152,518	24%	184,450	2%
HTM financial assets	180,476	160,049	13%	182,739	-1%
Other financial assets	13,535	14,510	-7%	13,289	2%
A/R, net	165,308	89,888	84%	159,597	4%
Loan, net	1,677,089	1,525,727	10%	1,654,703	1%
Equity method LT investments, net	2,826	3,129	-10%	2,784	2%
Land, premises and equipments, net	15,128	15,450	-2%	15,194	0%
Others (net)	11,705	10,454	12%	10,630	10%
Total assets	2,827,154	2,446,662	16%	2,819,712	0%
Liabilities					
Due to banks	474,288	344,958	37%	504,207	-6%
Deposits	1,950,731	1,753,844	11%	1,932,772	1%
CP & Bond payable	48,800	43,900	11%	43,900	11%
Bills & bonds sold under repurchase agreement	54,896	21,751	152%	46,532	18%
Other liabilities	89,609	98,755	-9%	91,773	-2%
Total liabilities	2,618,324	2,263,208	16%	2,619,184	0%
Capital stock (common stock)	77,000	71,000	8%	77,000	0%
Capital surplus	46,499	37,261	25%	46,499	0%
Retain earning	84,372	74,595	13%	77,364	9%
Equity adjustment items	959	598	60%	(335)	-386%
Total stockholders' equity	208,830	183,454	14%	200,528	4%
Total liabilities and stockholders' equity	2,827,154	2,446,662	16%	2,819,712	0%
Book value per share (NT\$)	27.12	25.84	5%	26.04	4%

* Un-audited numbers.

Agenda



Operation Highlights

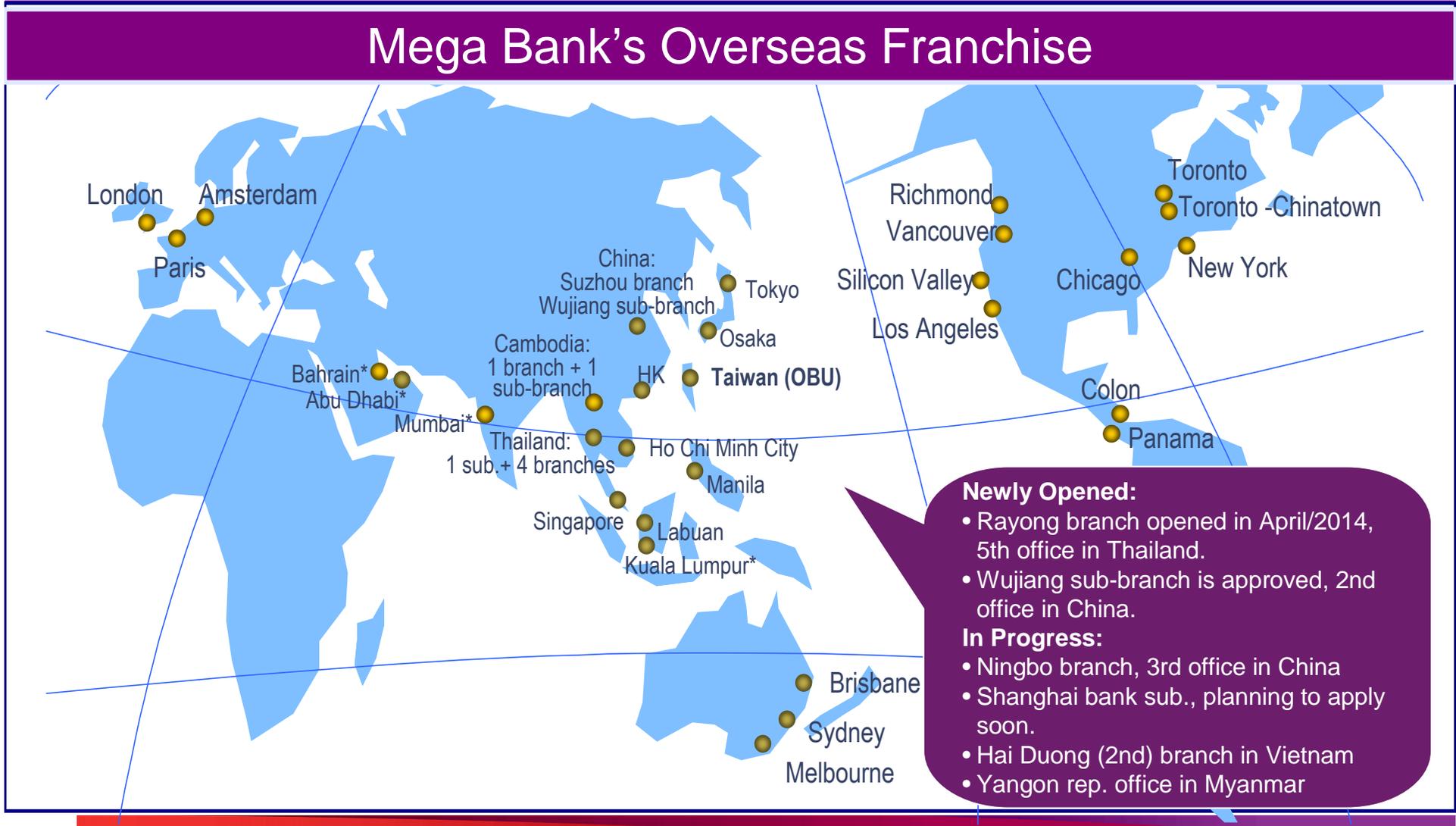


Financial Performance



Appendix

Most internationalized local bank.



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