



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.

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Agenda



Operation Highlights



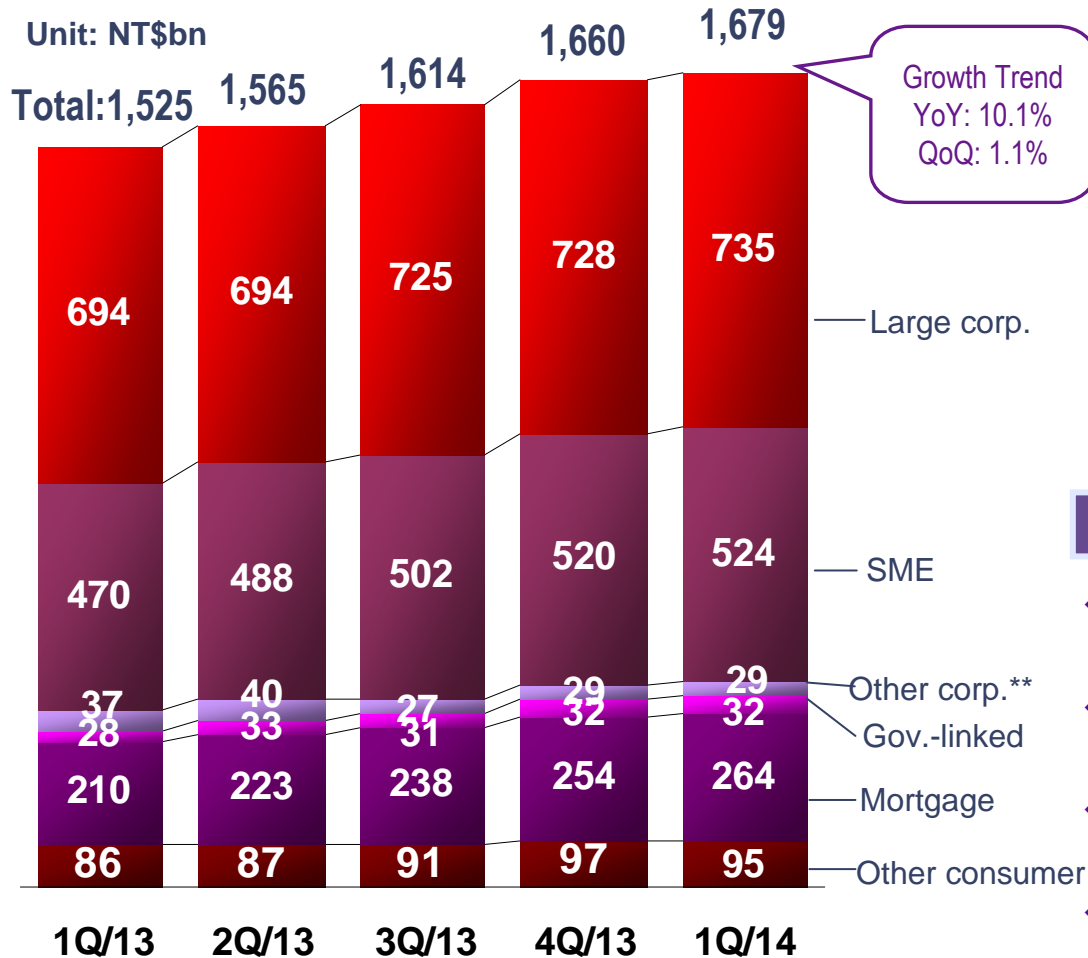
Financial Performance



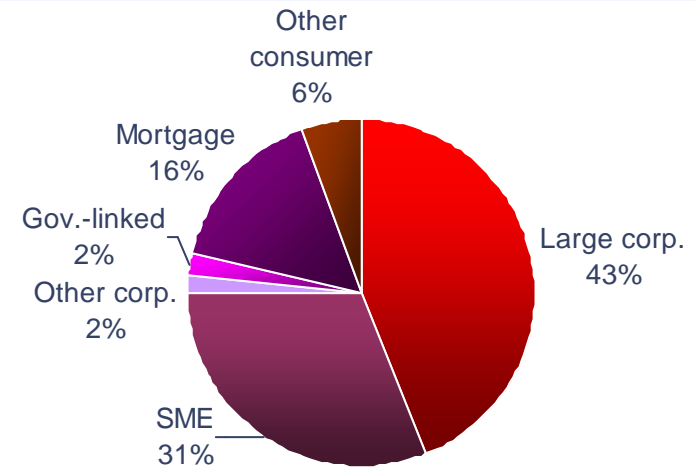
Appendix

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.

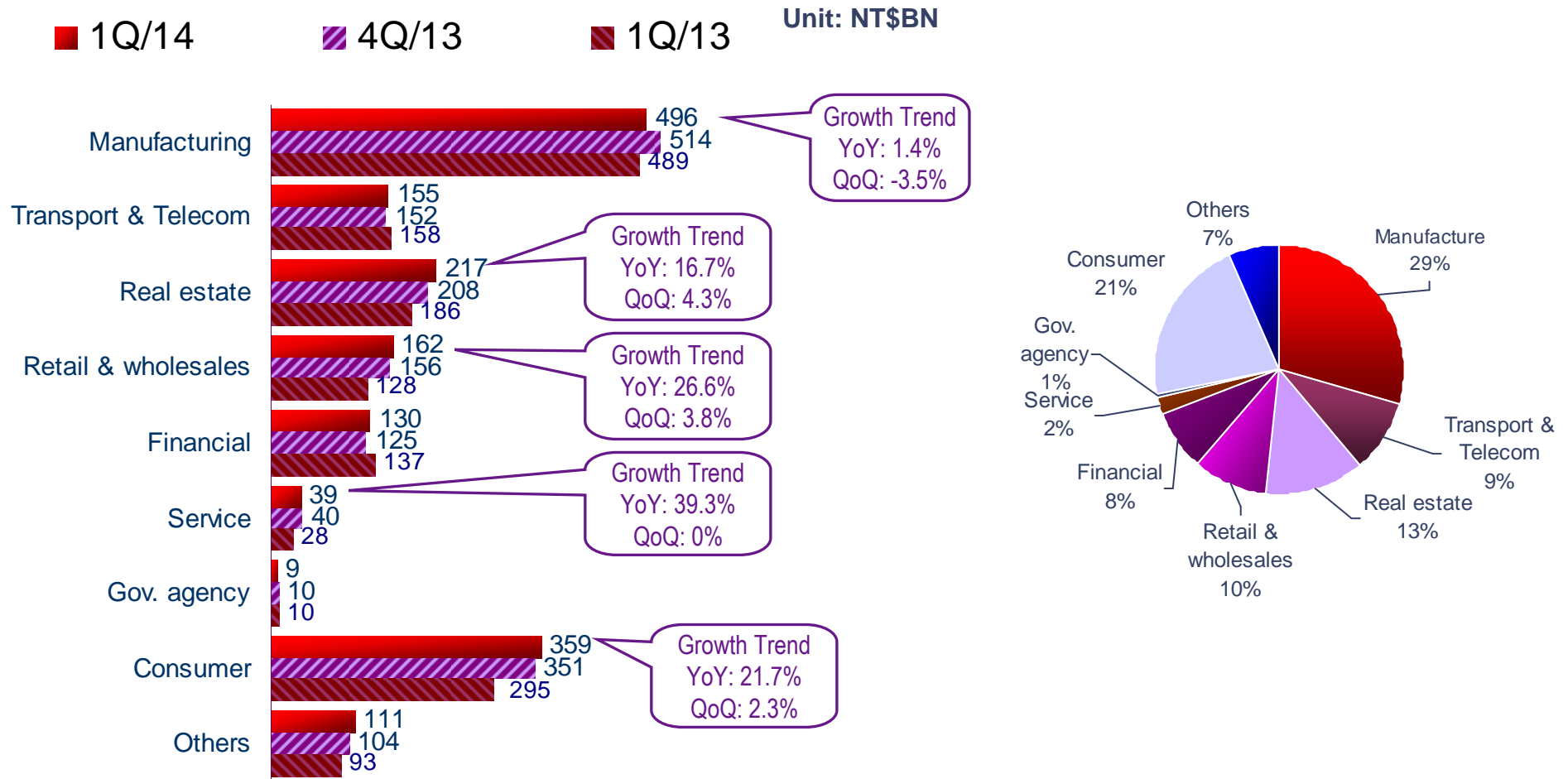
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** 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*

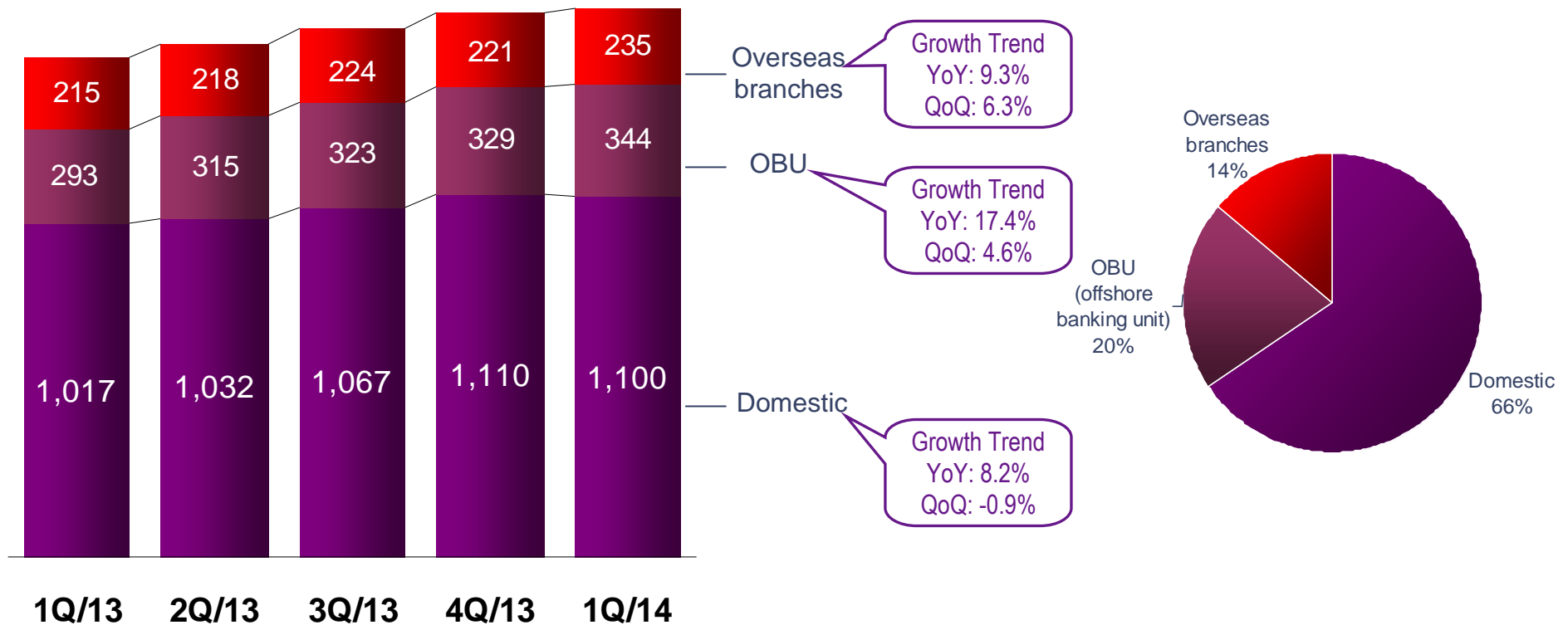


* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Mega Bank 1Q/14 loan breakdown by regions *

Unit: NT\$bn



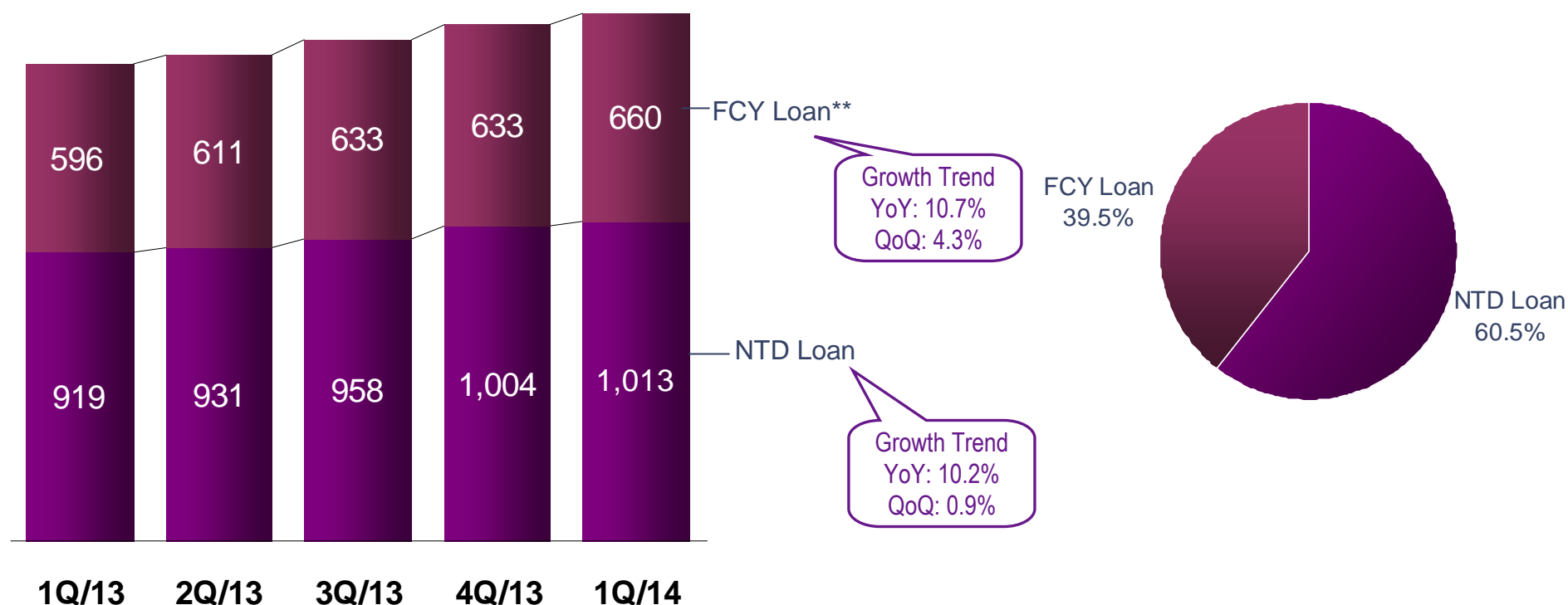
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** 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 *

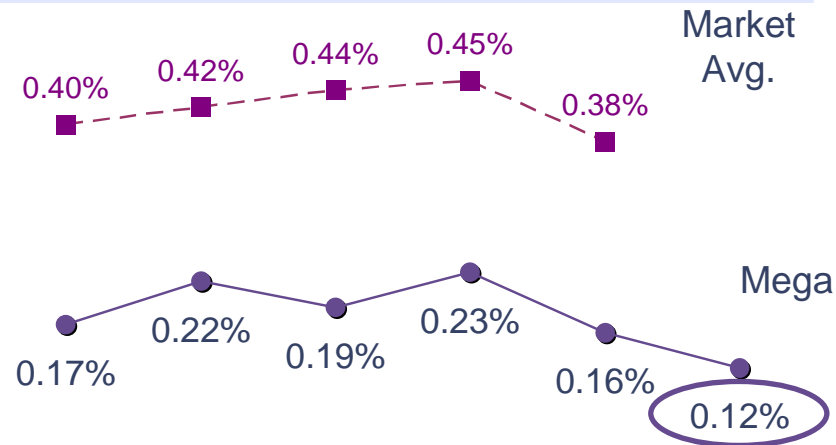
Unit: NT\$bn



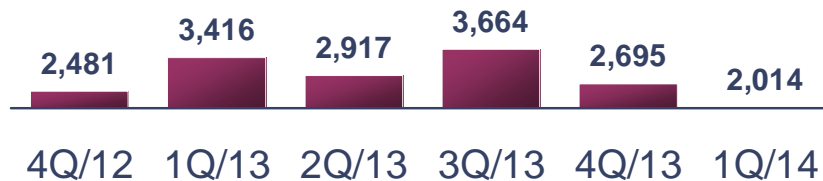
* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee. Foreign currency loan includes OBU, overseas branch and some domestic branch loan.

Asset quality remained strong

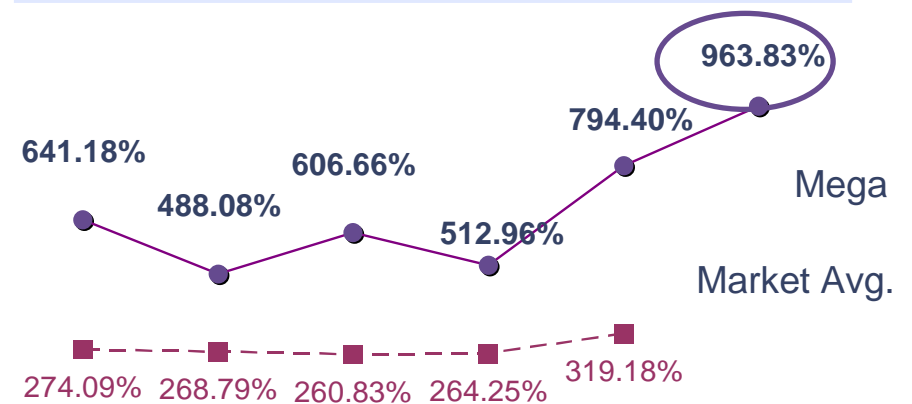
Mega Bank NPL balance & NPL ratio*



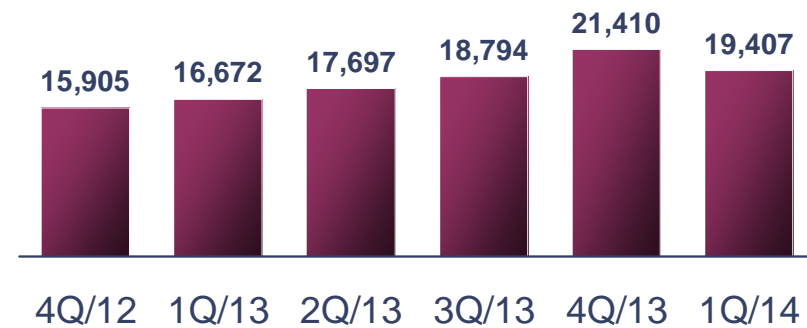
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



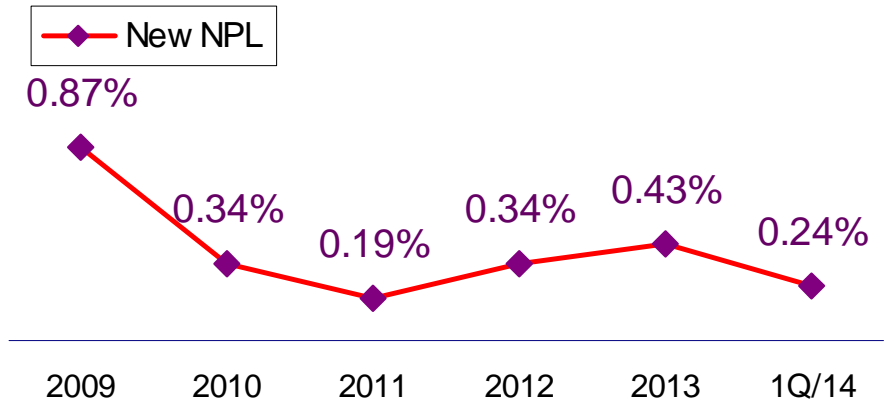
* 90 days standard

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.

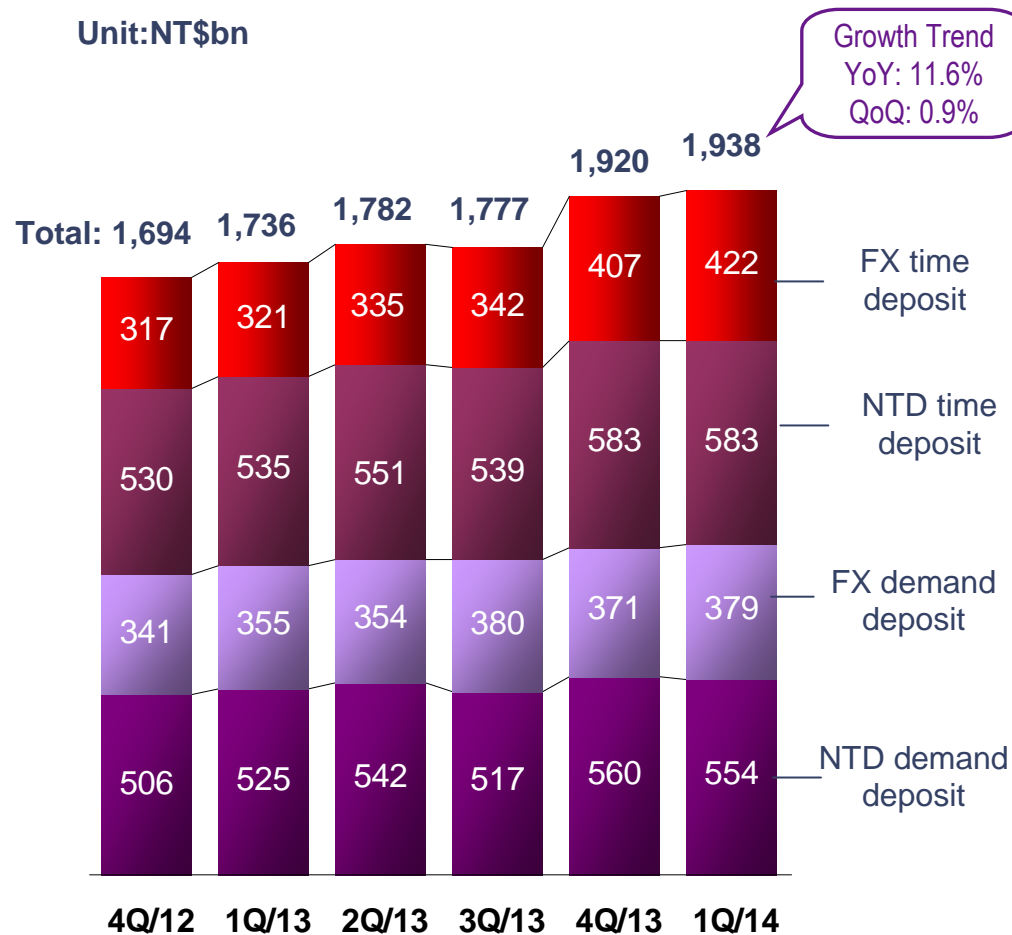
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

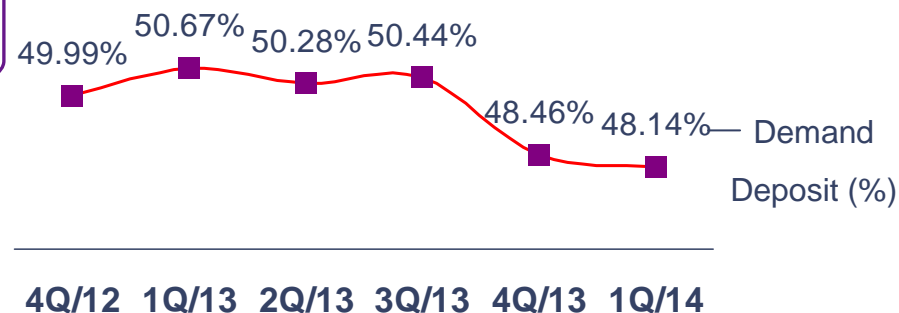
Deposit was up 11.6% YoY, driven by FX deposit.

Mega Bank's deposit balance *

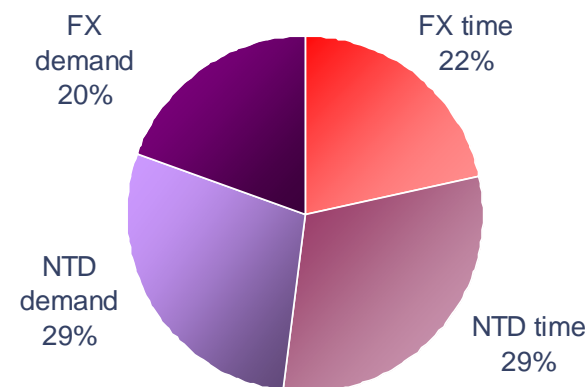
Unit:NT\$bn



Mega Bank's demand deposit trend (%)



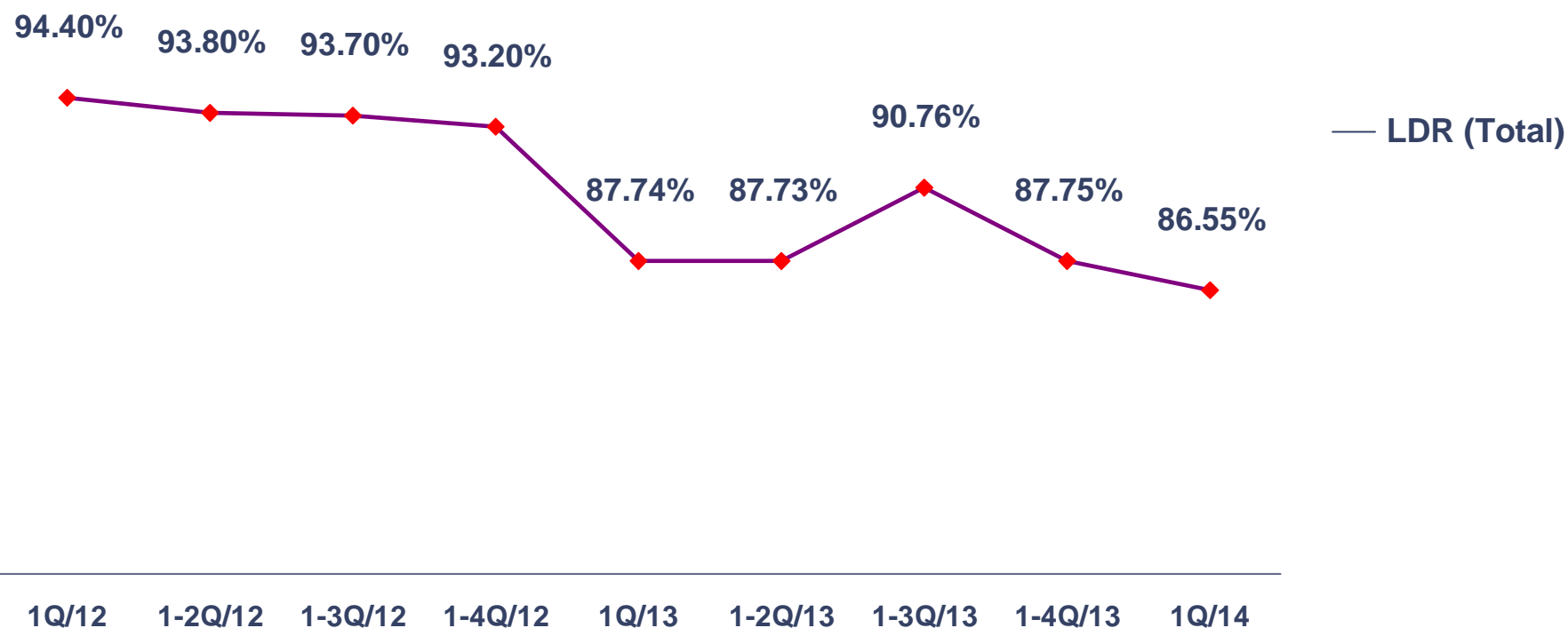
Mega Bank's 1Q/14 deposit breakdown



* 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*



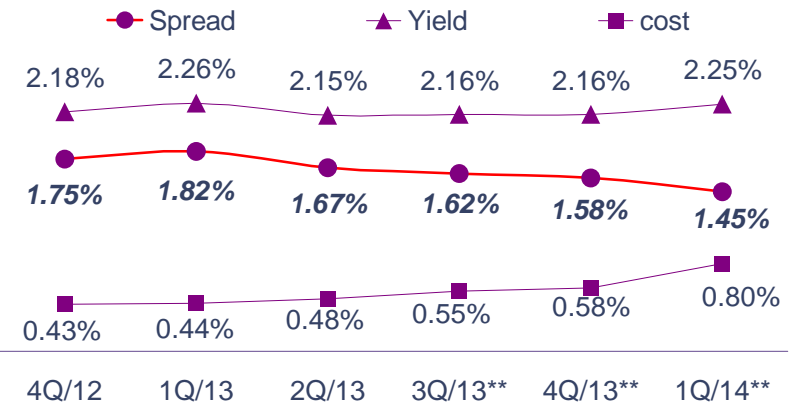
* LDR calculation is based on average loan/deposit balance of that period.

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*

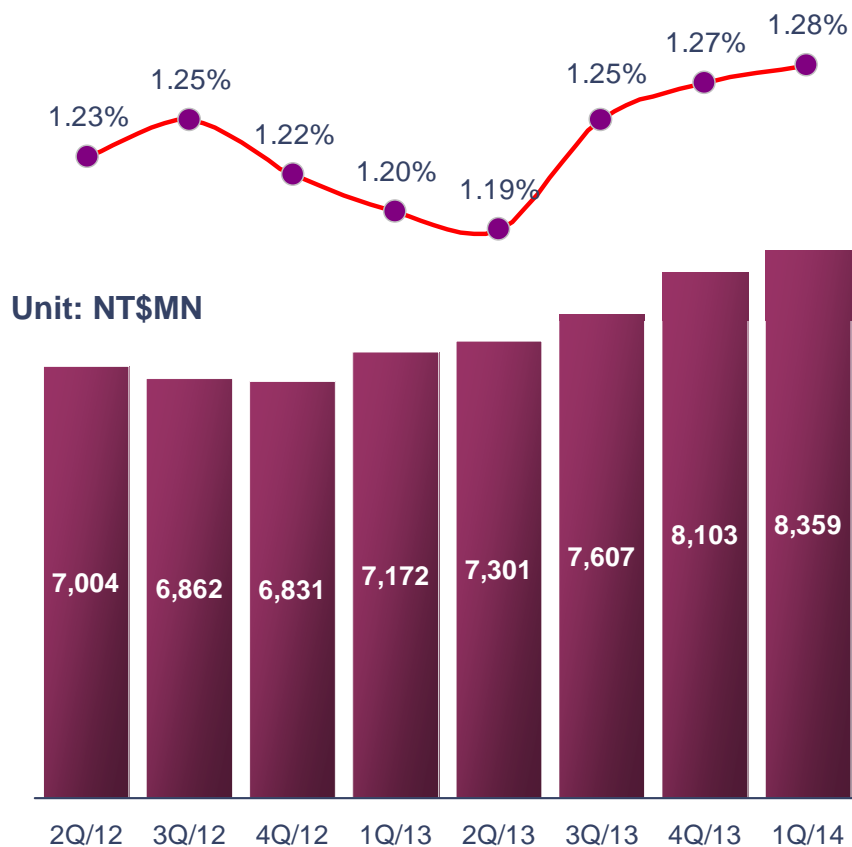


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

** 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*

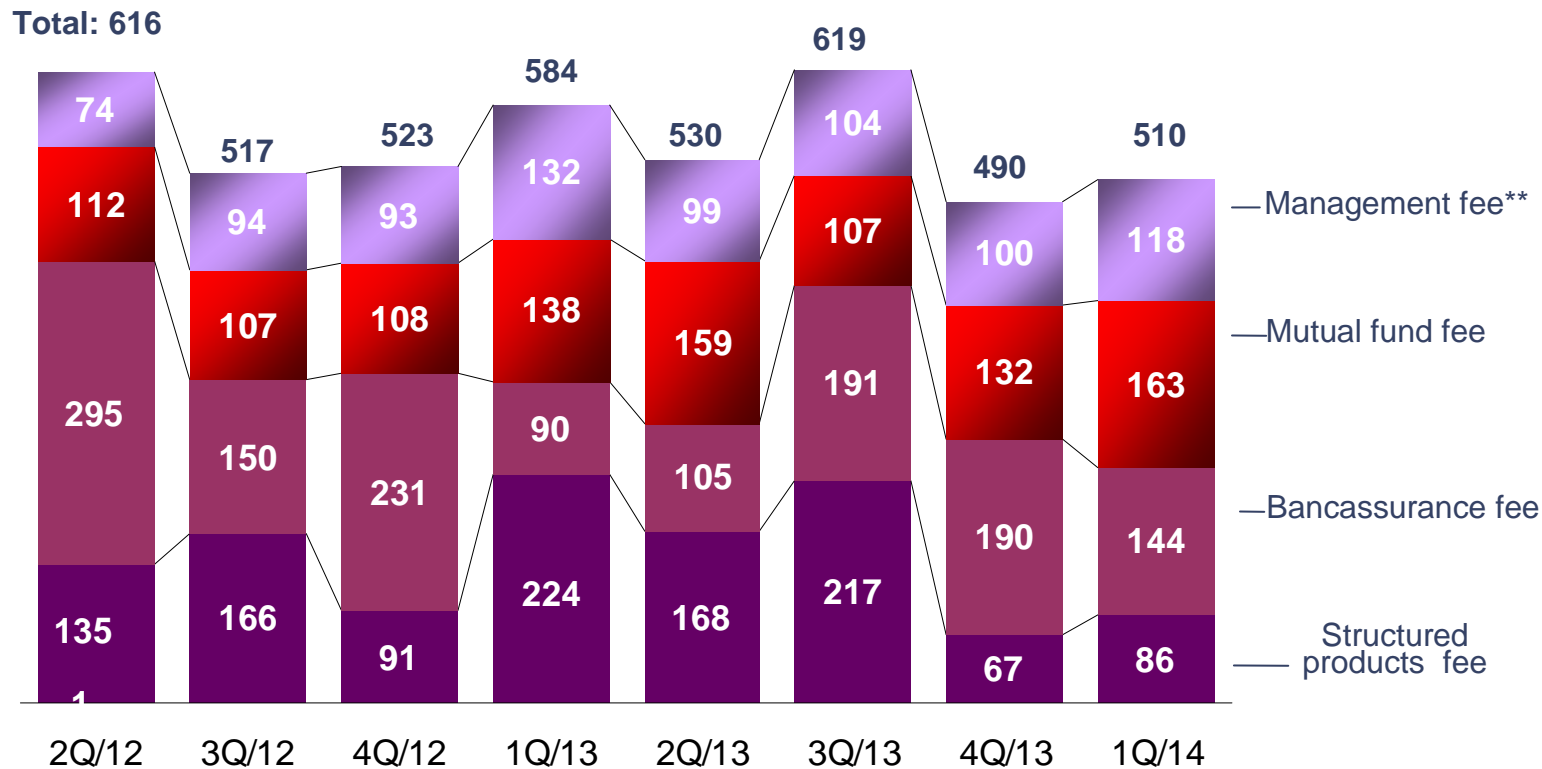


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

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 *

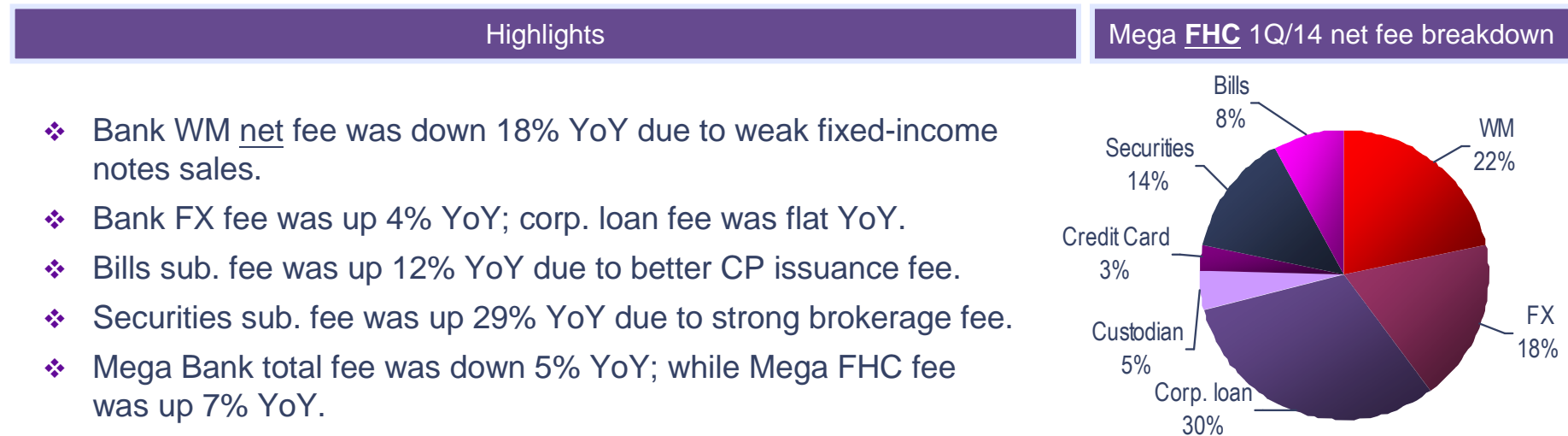
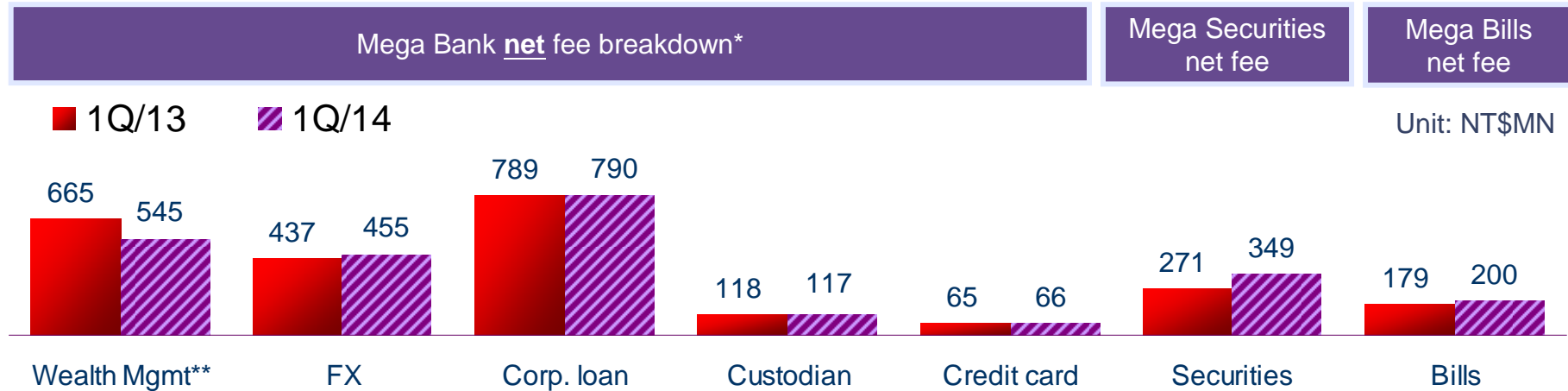
Unit: NT\$MN



* 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

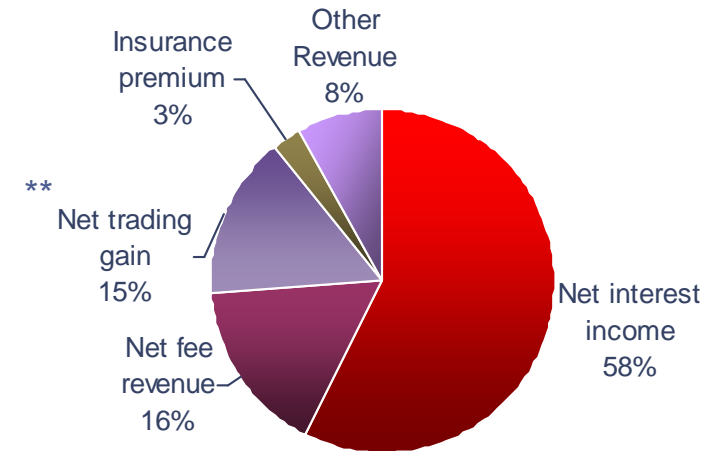
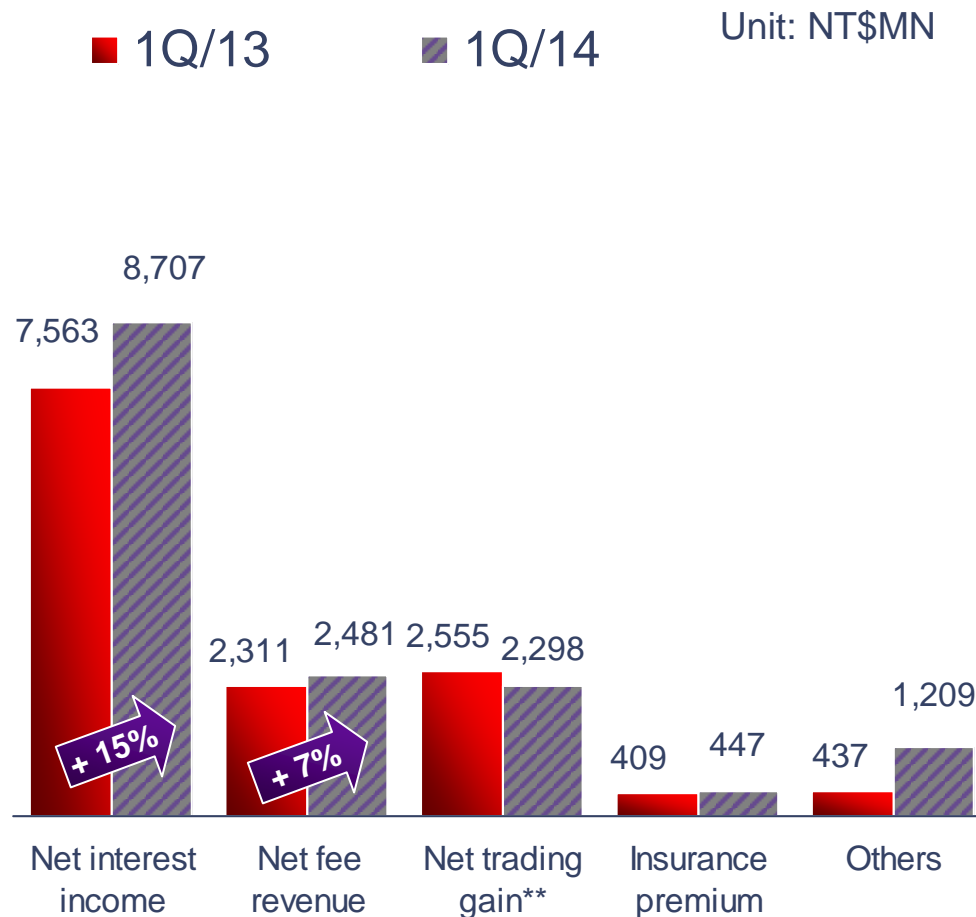


Appendix

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



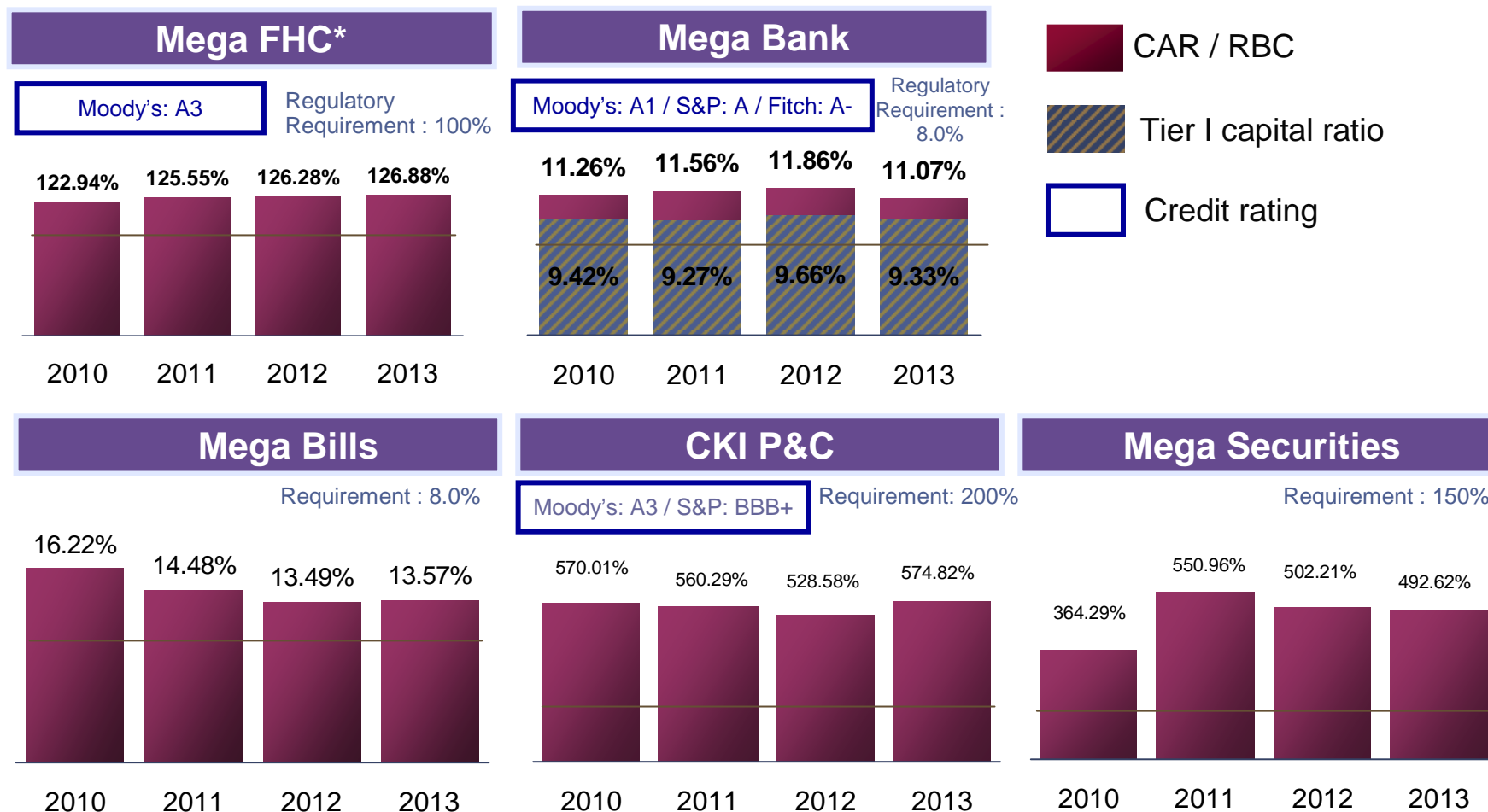
Highlights

- ❖ 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**

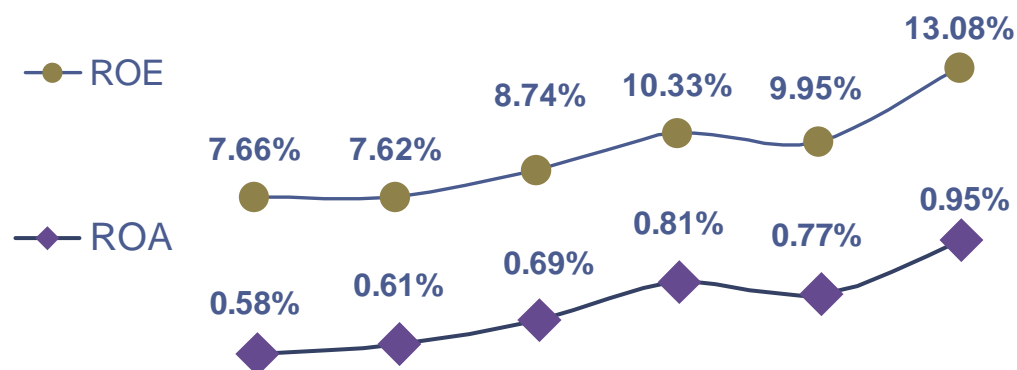


* FHC CAR is calculated based on net investments in subsidiaries

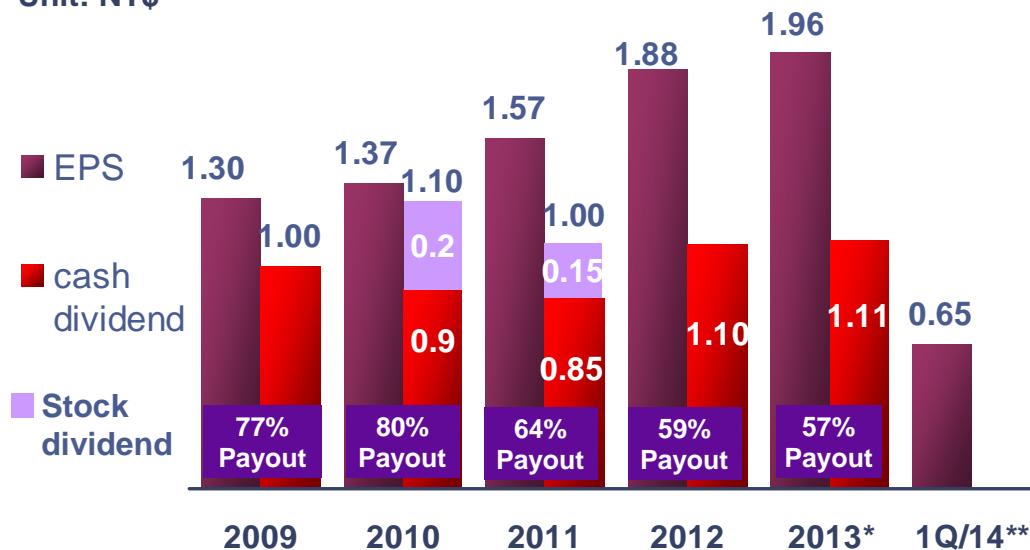
** 2013 are audited BASEL III numbers.

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.

Mega Bank's Overseas Franchise



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