



Mega Holdings

3Q / 2014 (v.1)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED SEPT 30TH, 2014 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC HAS FILED ITS AUDITED FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON NOV 30TH, 2014.

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Agenda



Operation Highlights



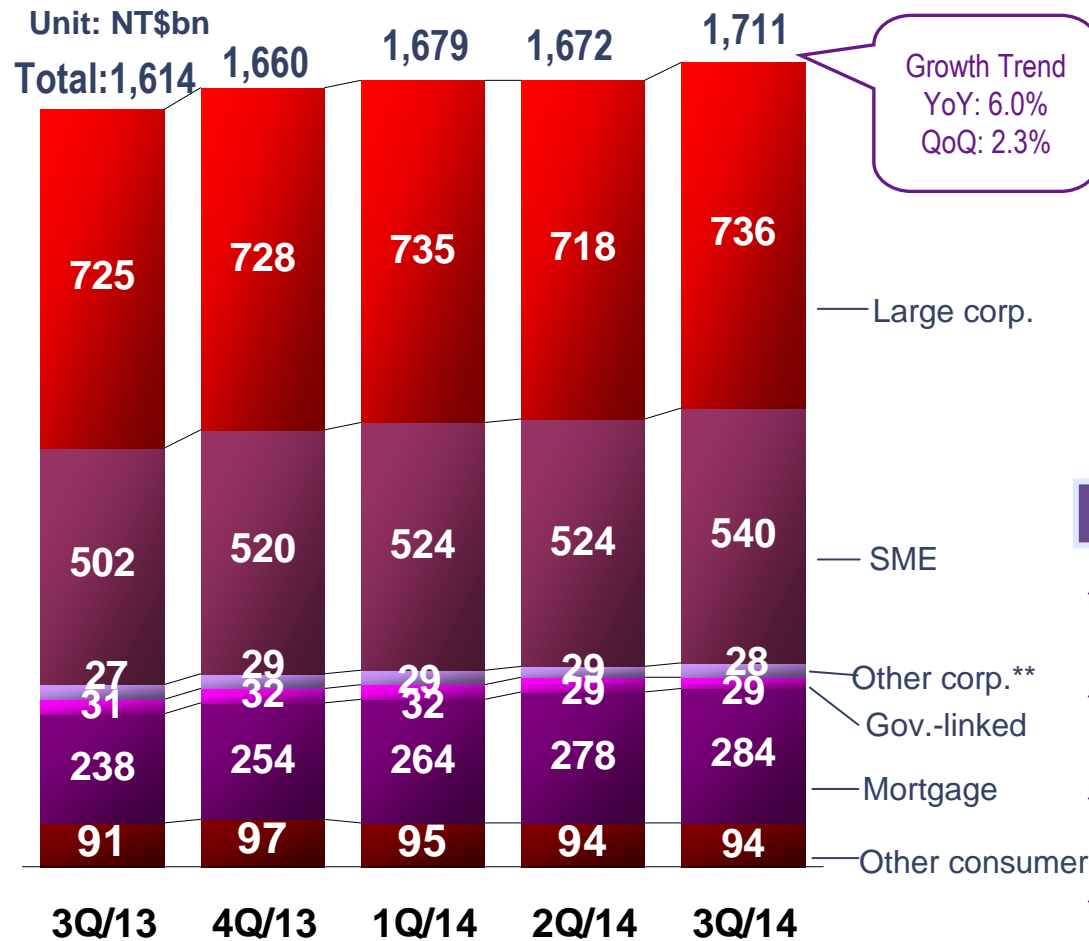
Financial Performance



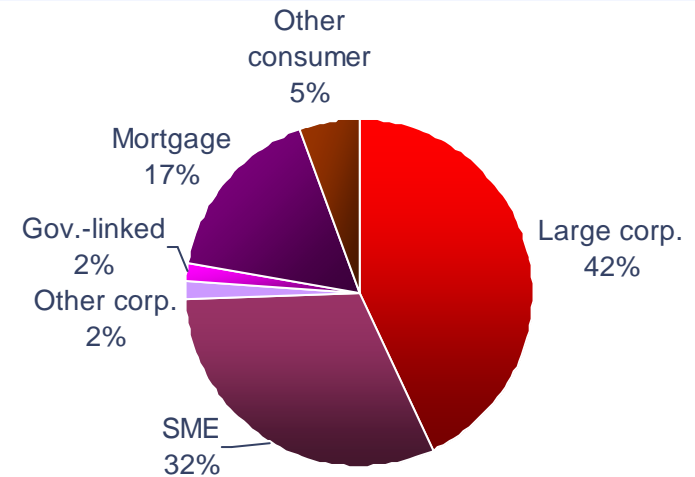
Appendix

Total loan was up 2.3% QoQ; demand were seen from large corp., SME & mortgage loans

Mega Bank quarterly loan balance*



Mega Bank 3Q/14 loan breakdown by customer



Highlights

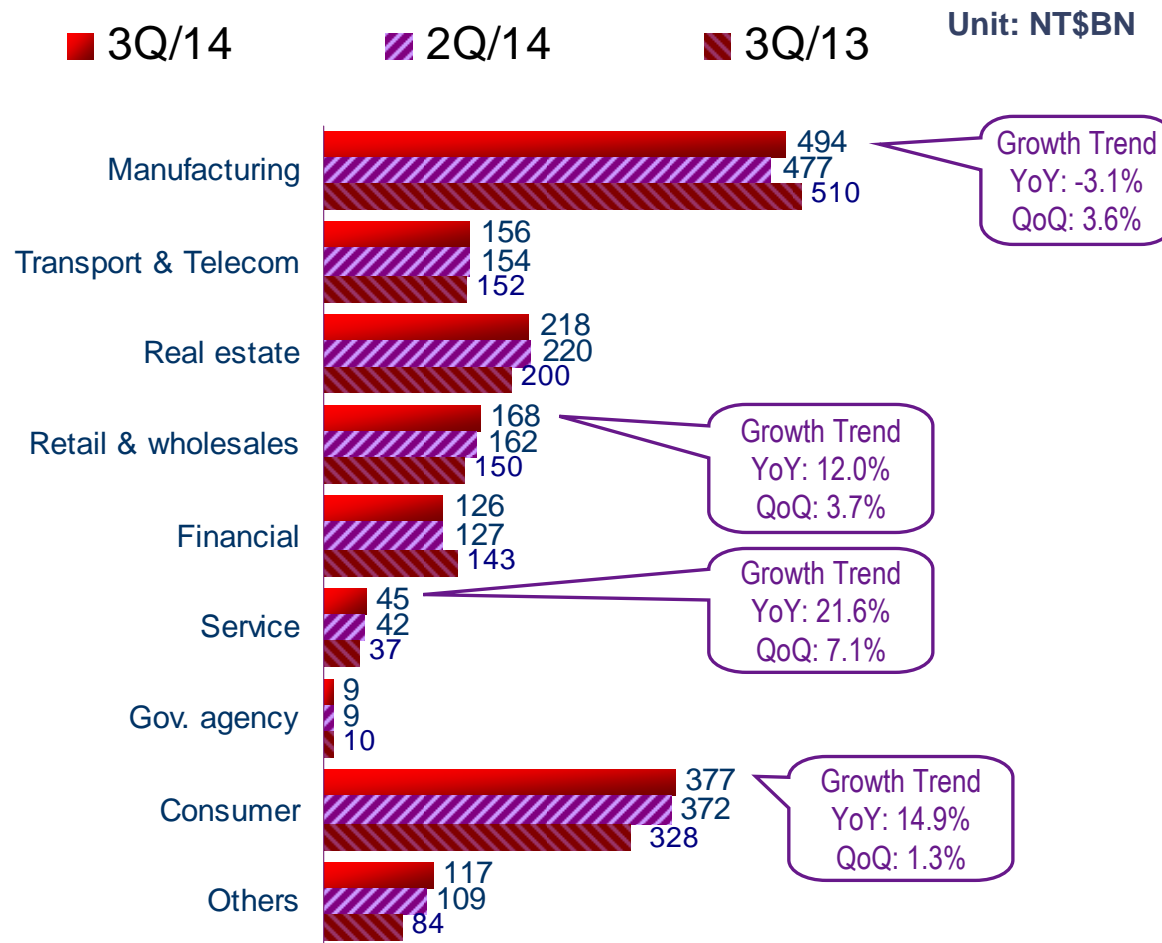
- ❖ Large corp. loan was up 1.5% YoY and 2.5% QoQ.
- ❖ SME loan was up 7.6% YoY and 3.1% QoQ.
- ❖ Mortgage loan was up 19.3% YoY and 2.2% QoQ.
- ❖ Total loan was up 6.0% YoY and 2.3% QoQ.

* 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.

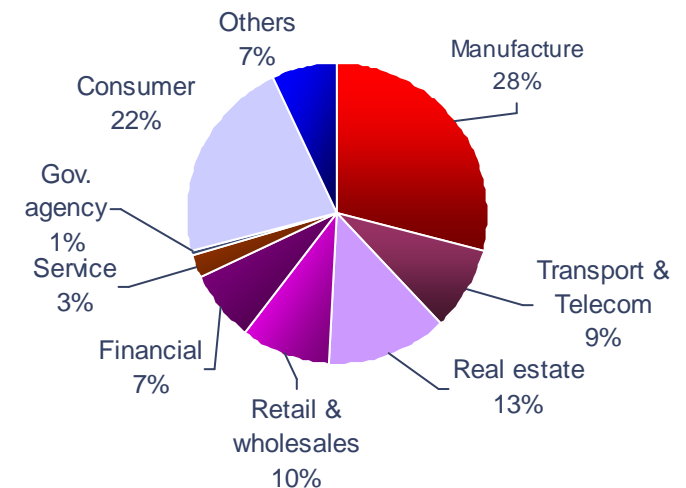
** Includes Gov-linked Non-Profit Organization and etc.

Growth were seen across the board, including manufacturing industry.

Mega Bank loan balance trend by industry*



Mega Bank 3Q/14 loan breakdown by industry*

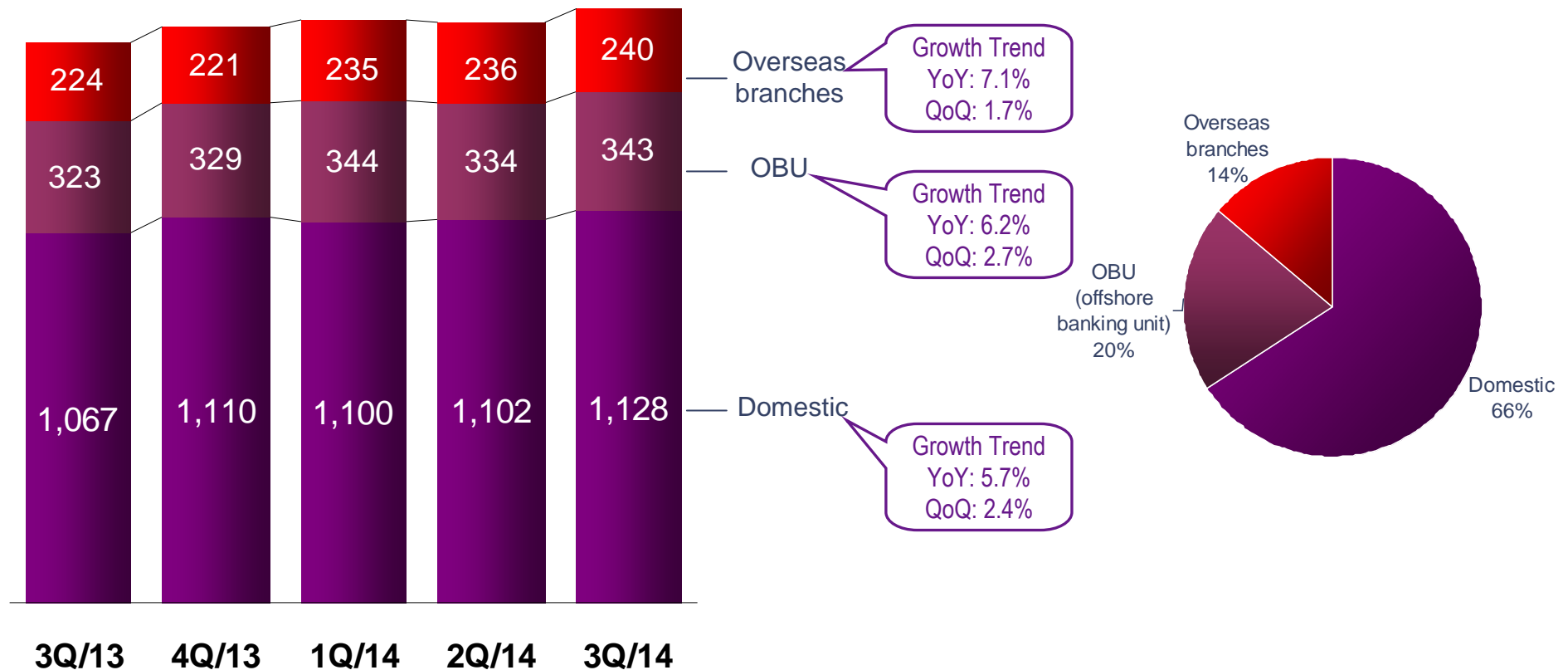


* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

Growth momentum resumed on all regions

Mega Bank 3Q/14 loan breakdown by regions *

Unit: NT\$bn



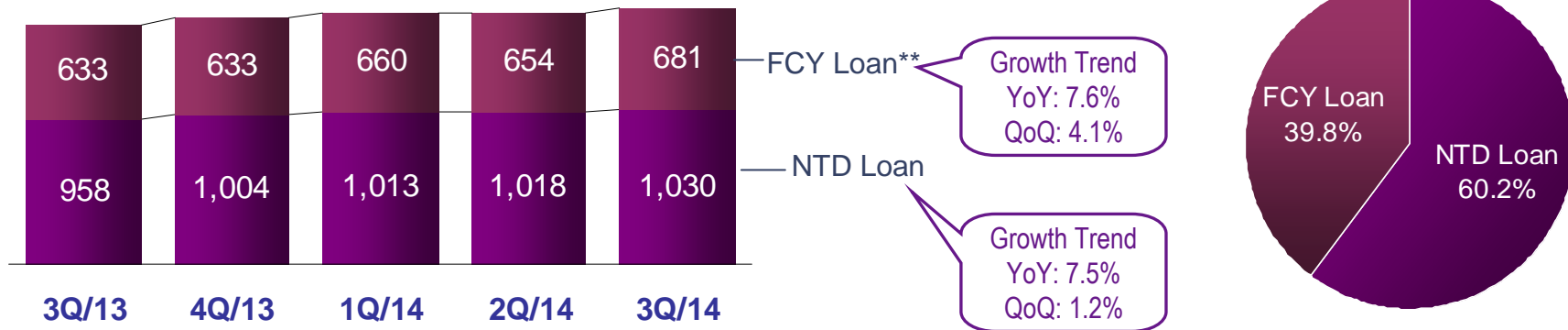
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

Foreign currency loan pushed up 4.1% QoQ; while USD loan jumped 7.8% QoQ

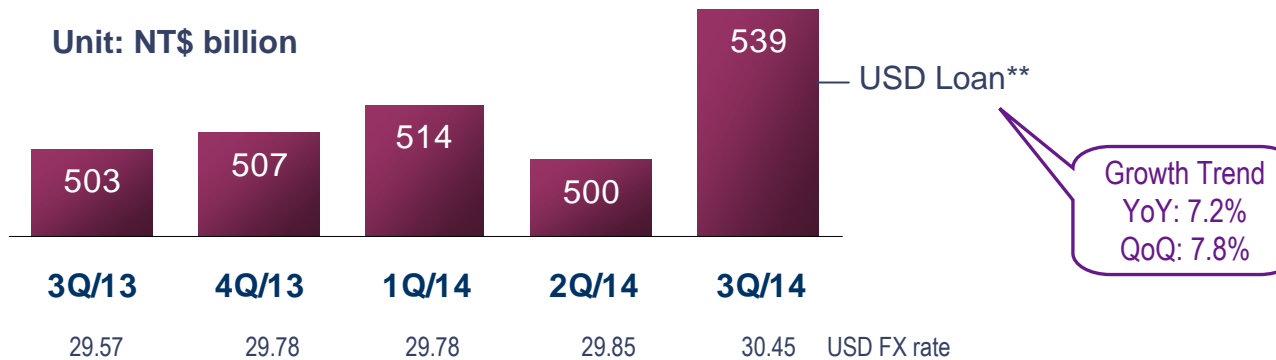
Mega Bank 3Q/14 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$ billion

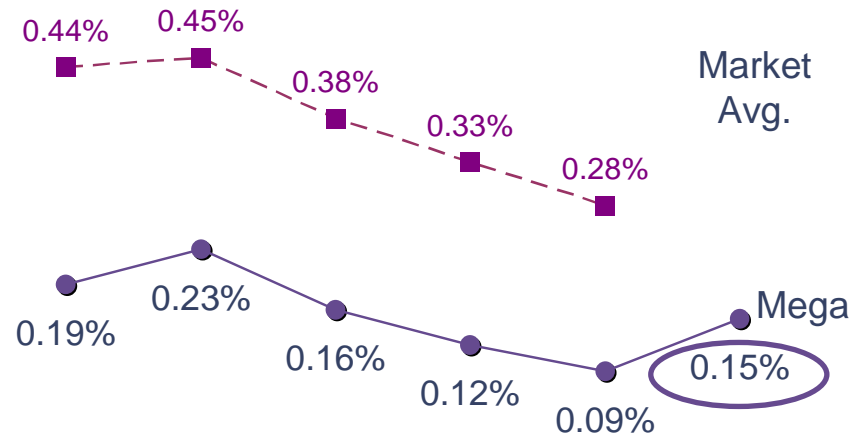


* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

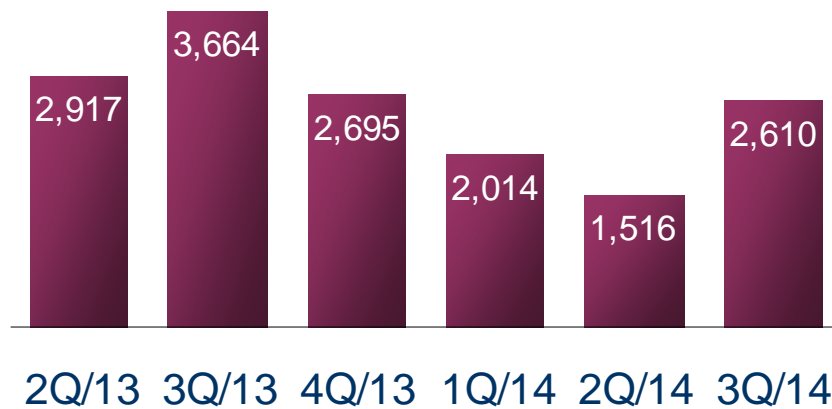
** Foreign currency and USD loans include OBU, overseas branch and some domestic branch loans.

Taiwan Polysilicon case recognized in 3Q/14 but expecting 100% provision by year end

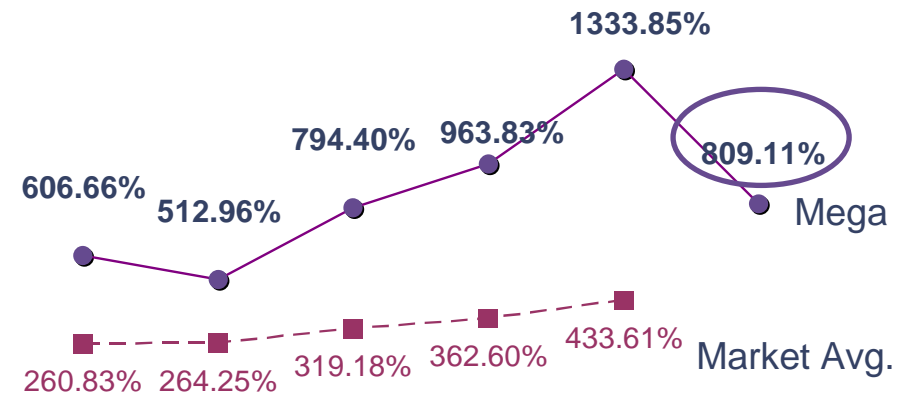
Mega Bank NPL balance & NPL ratio*



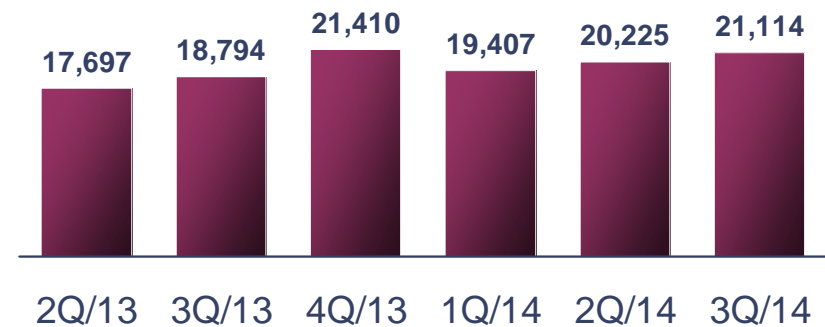
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



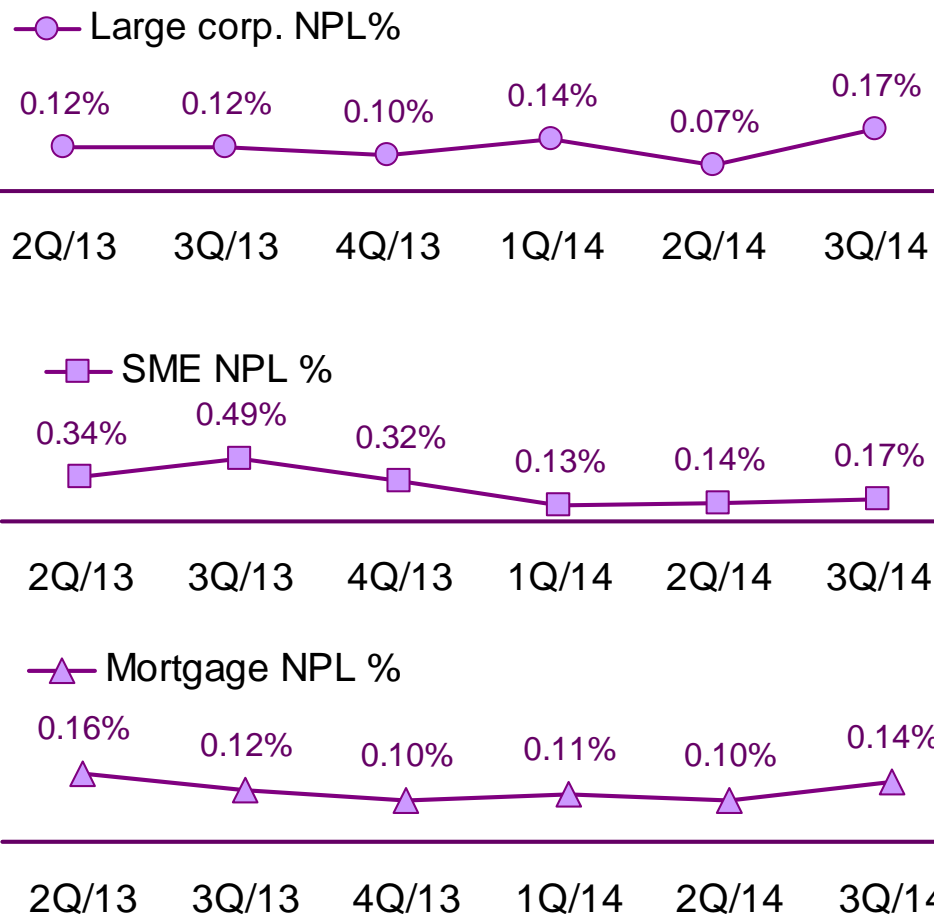
Taiwan Polysilicon exposure update

- Total exposure: NT\$1.1bn
- Provided 60% provision as of Oct/14.
- Expecting 100% provision by year end.

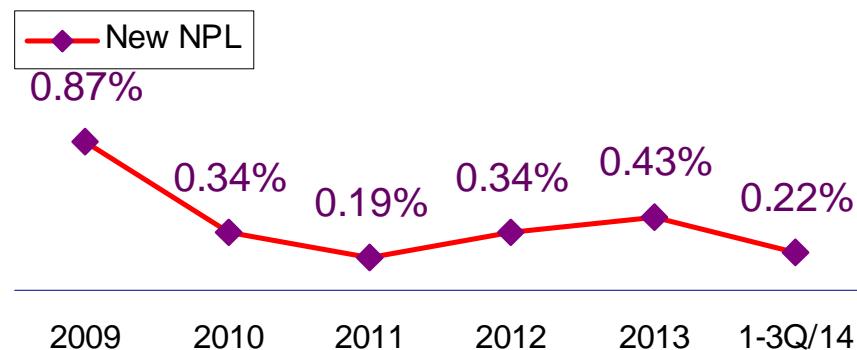
* 90 days standard

Asset quality remained strong

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



Recent Credit Risk Incidents Update:

- ❖ Taiwan Polysilicon: NT\$1.1bn, expecting 100% provision soon.
- ❖ Ultrasonic: No exposure
- ❖ Wintek: NT\$96 million

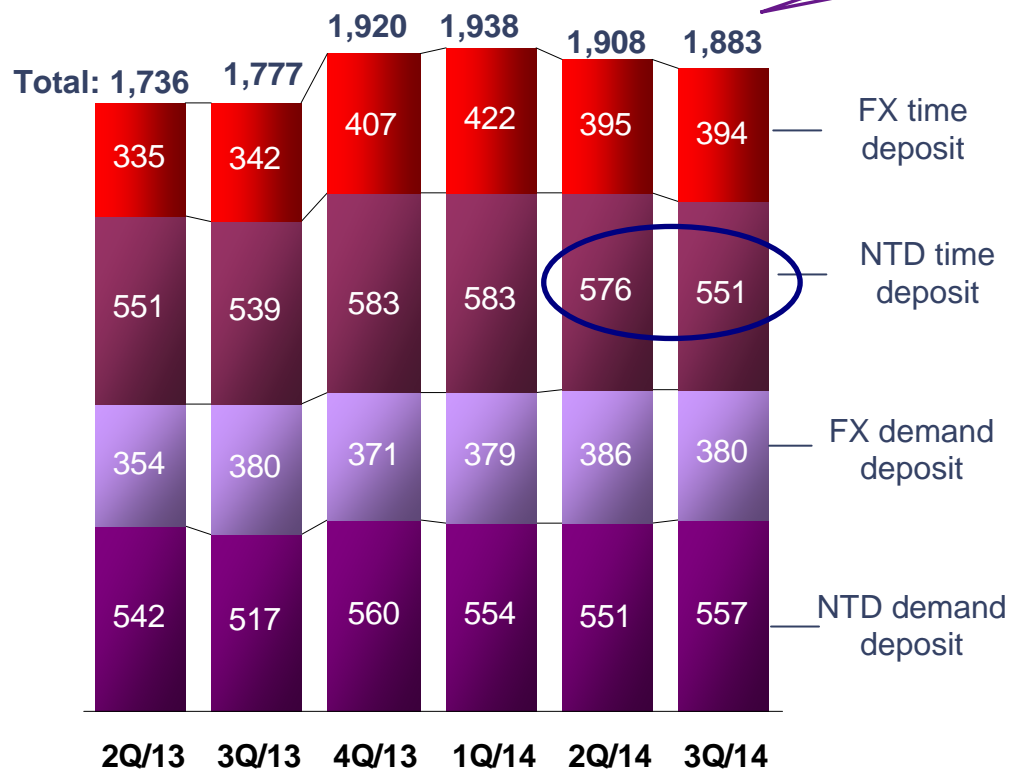
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

Deposit was down slightly as NTD time deposit contracted

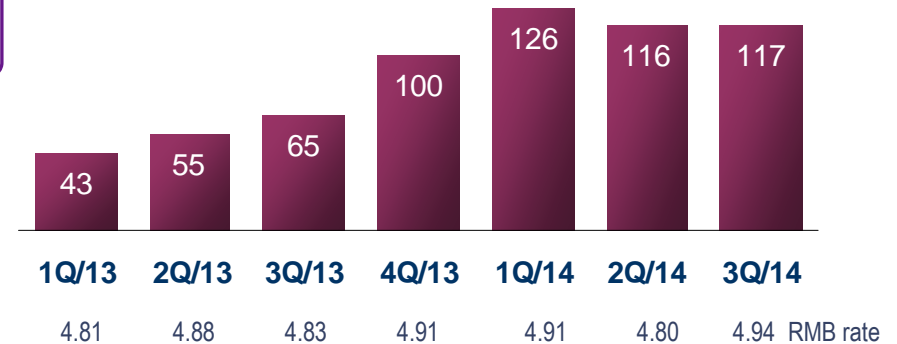
Mega Bank's deposit balance *

Unit:NT\$bn

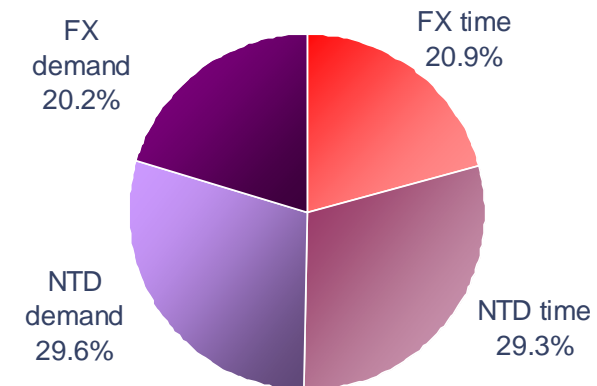


Mega Bank's RMB deposit**

Unit:NT\$bn



Mega Bank's 3Q/14 deposit breakdown

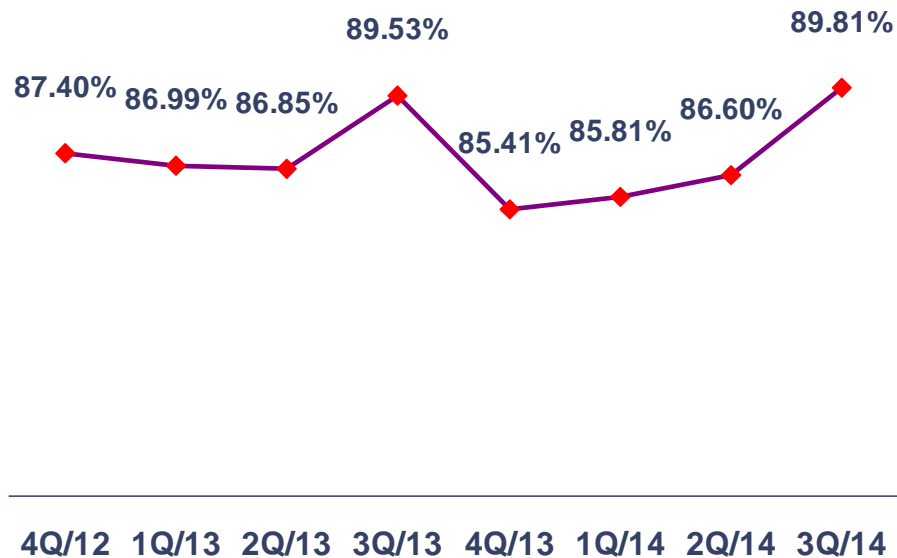


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

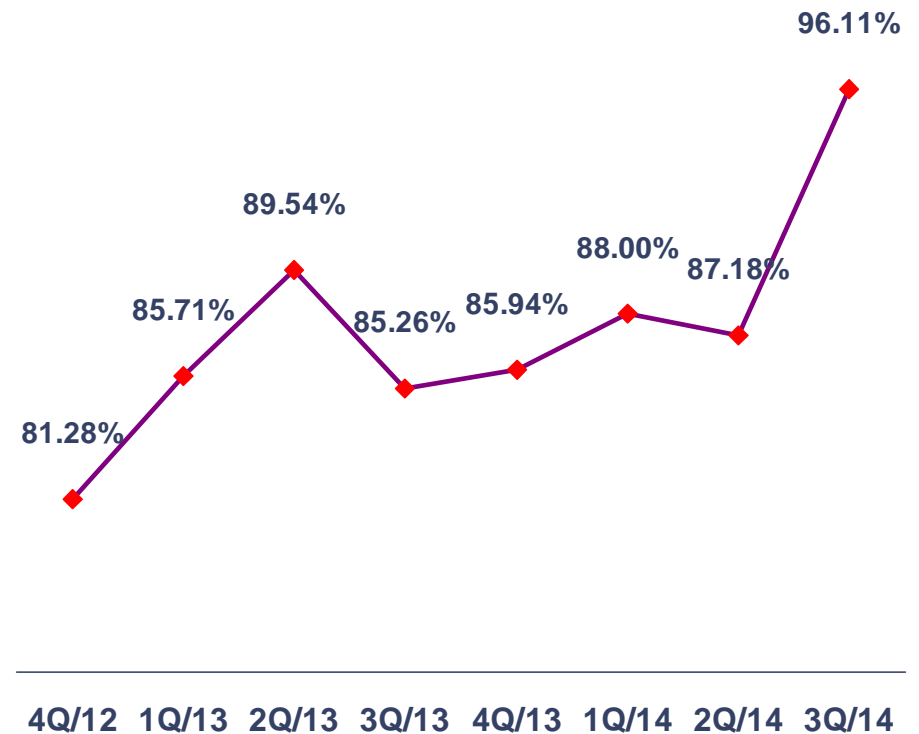
** Includes retail and corporate deposit but excludes due from central banks and banks

Total LDR and USD LDR were higher as USD loan was up 7.8% QoQ in 3Q/14

Mega Bank's total LDR*



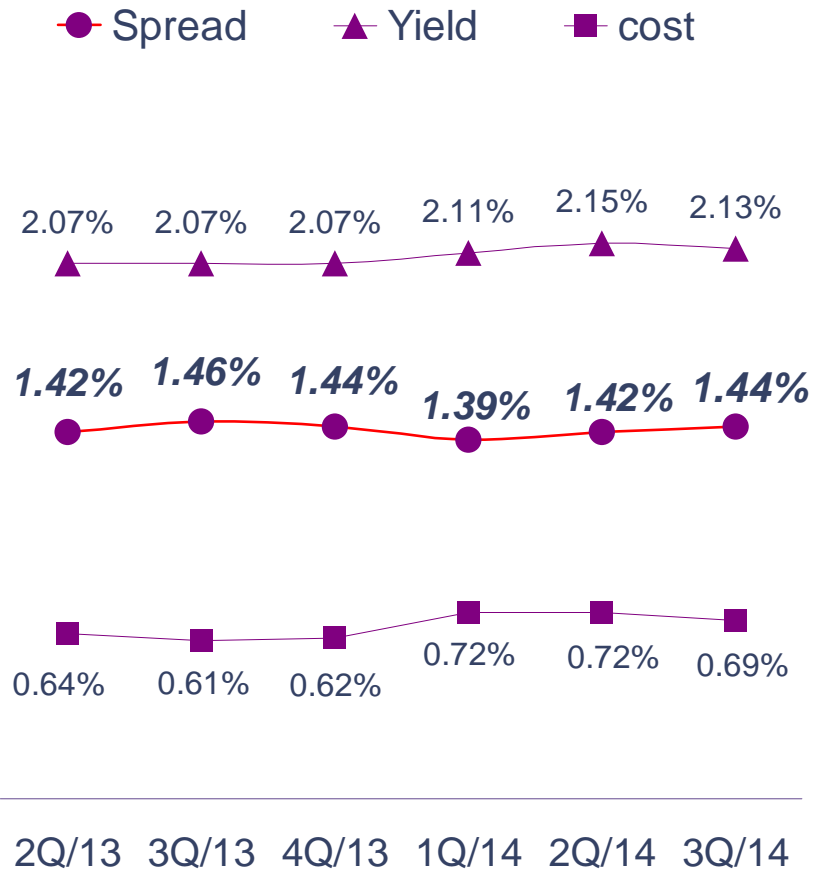
Mega Bank's USD LDR*



* LDR calculation is based on loan/deposit end balance

Overseas loan yield continued to improve; cost was down due to slower RMB deposit growth

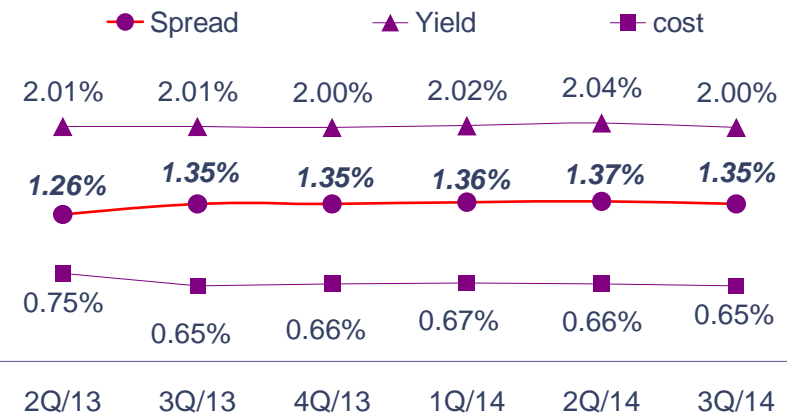
Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*



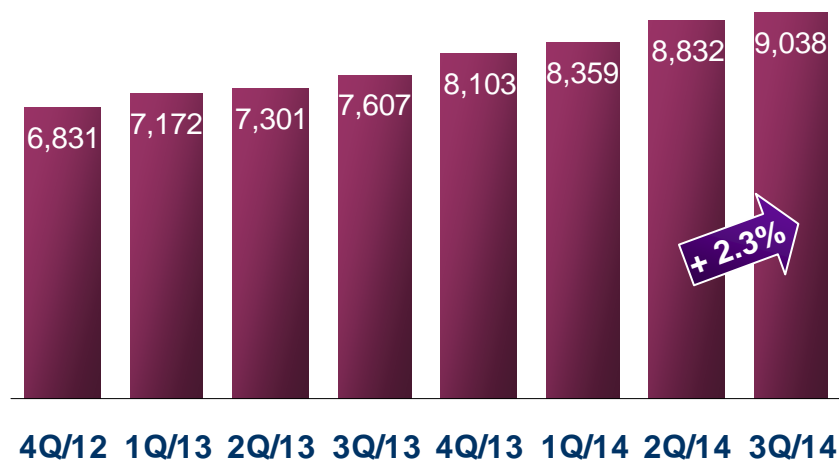
* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

** 3Q/13~3Q/14 RMB deposit (approx. 6.2% 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.

NII was up 2.3% QoQ; while interest earning assets shot up 4.9% QoQ...

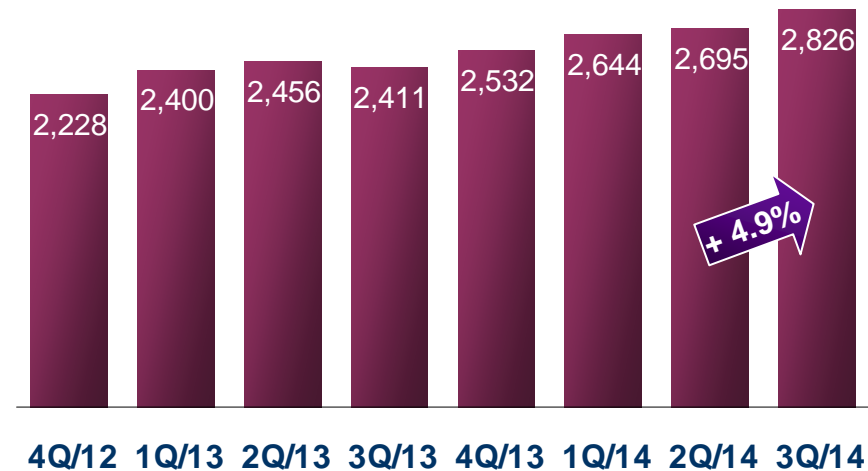
Mega Bank quarterly NII

Unit: NT\$ million



Mega Bank quarterly interest earning assets

Unit: NT\$ billion

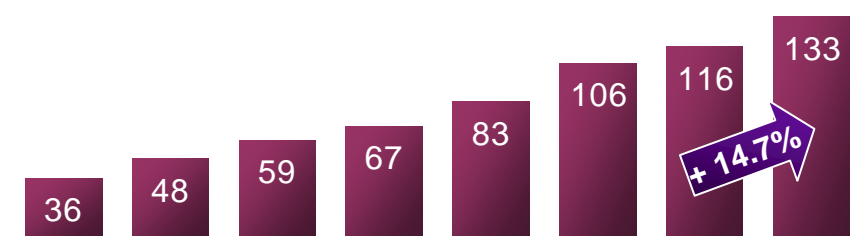


- ❖ Mega Bank's quarterly net interest income continued to extend higher and was up 2.3% QoQ.
- ❖ Mega Bank's quarterly average interest earning assets was up 4.9% QoQ and whopping 17.2% YoY.

...mainly due to doubling USD Due from Banks Assets...

Mega Bank RMB Due from Banks Assets*

Unit: NT\$ billion

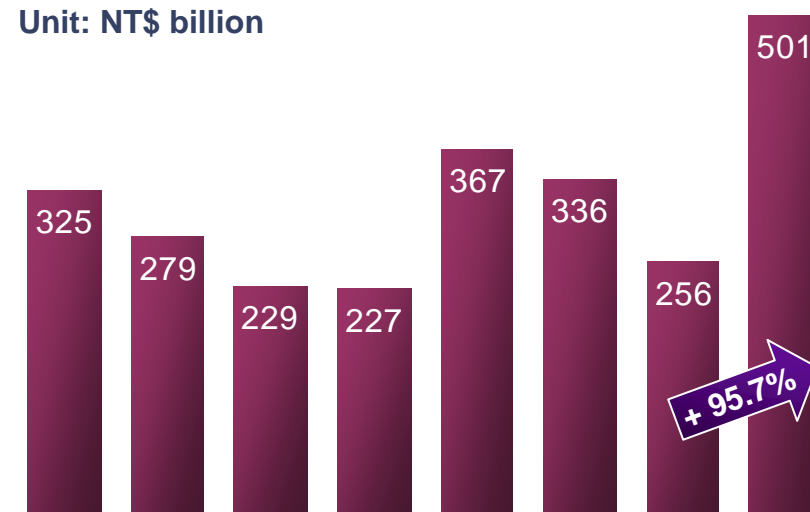


4Q/12 1Q/13 2Q/13 3Q/13 4Q/13 1Q/14 2Q/14 3Q/14

4.66 4.81 4.88 4.83 4.91 4.91 4.80 4.94 RMB rate

Mega Bank USD Due from Banks Assets*

Unit: NT\$ billion



4Q/12 1Q/13 2Q/13 3Q/13 4Q/13 1Q/14 2Q/14 3Q/14

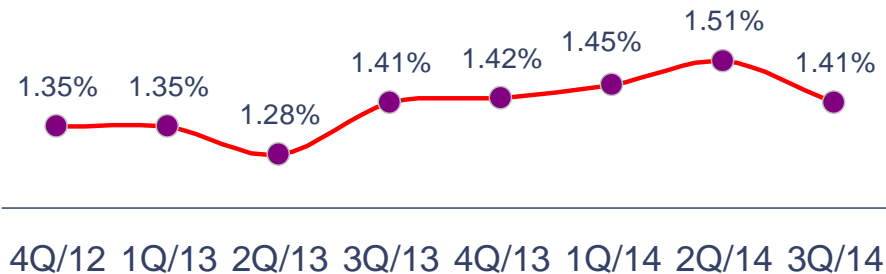
29.04 29.87 29.98 29.57 29.78 29.78 29.85 30.45 USD rate

- ❖ Mega Bank's RMB due from banks assets continued to grow at steady pace and was up 14.7% QoQ.
- ❖ ... while USD Due from Banks Assets jumped 95.7% QoQ due to stronger than expected demand.
- ❖ USD due from banks assets usually have significantly lower yield compared with other interest earning assets; as a result...

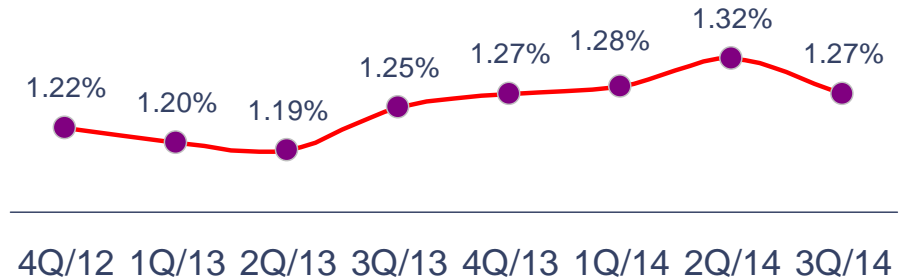
* End balance of that quarter; includes due from central banks, due from banks, cash and cash equivalence

...which put a damper on FCY and total NIM; however, FCY loan yield remained intact

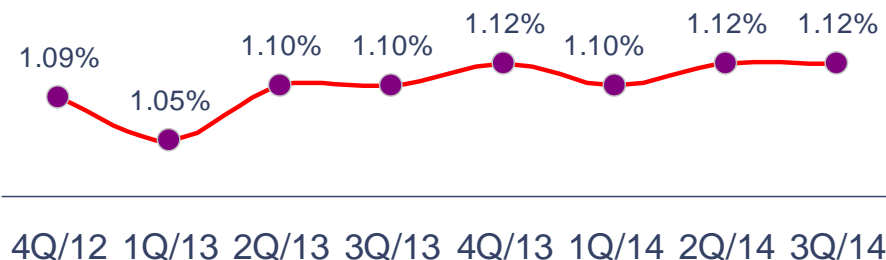
Mega Bank quarterly FCY NIM*



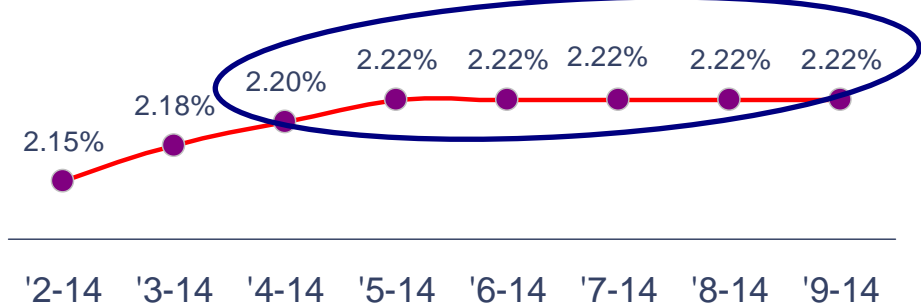
Mega Bank quarterly Total NIM*



Mega Bank quarterly NTD NIM*



Mega Bank monthly FCY Loan Yield



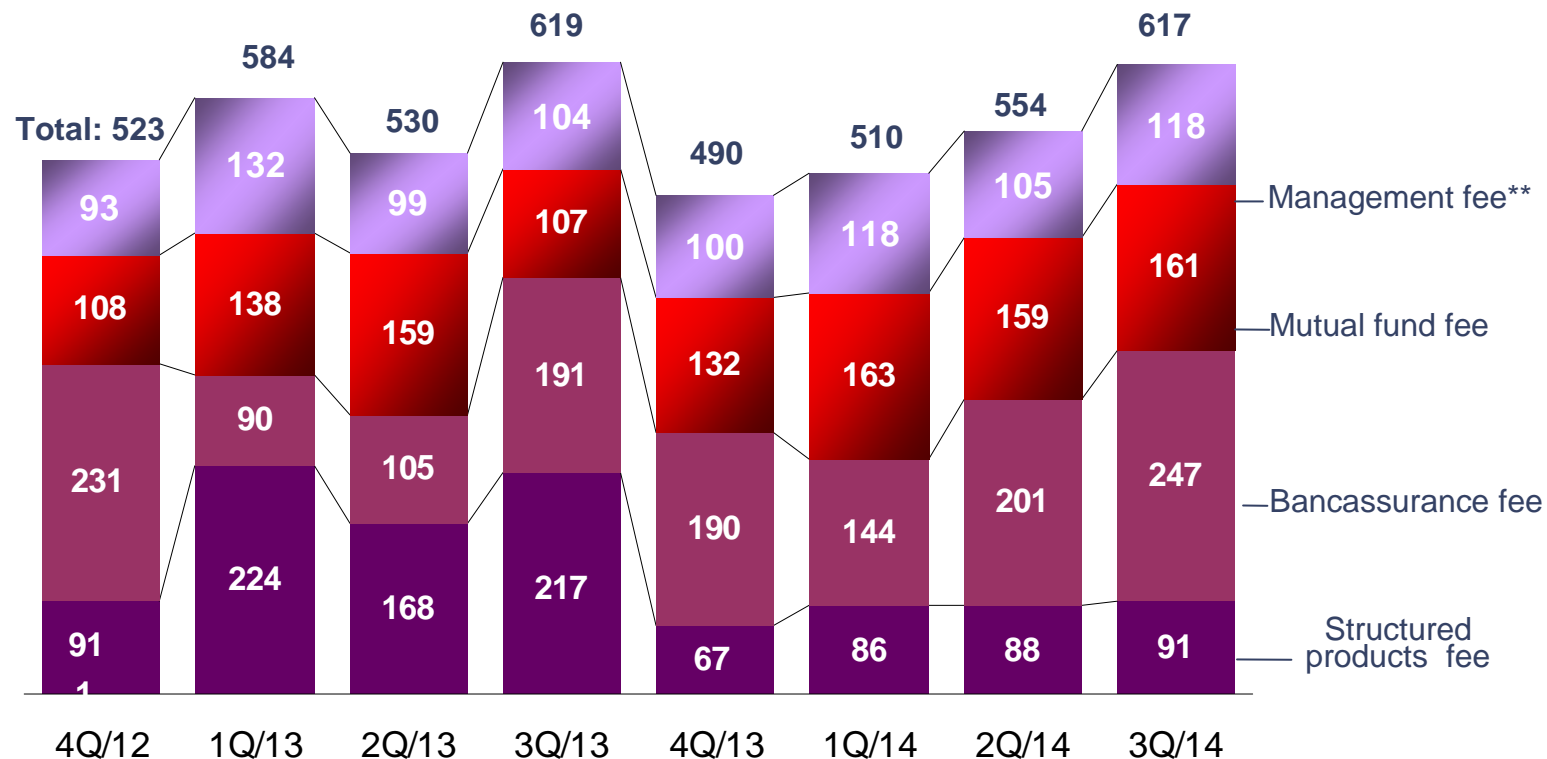
- ❖ ...stronger than expected USD due from banks assets demand has put a damper on foreign currency net interest margin (FCY NIM) and total net interest margin (NIM);...
- ❖ ...however, NTD NIM and foreign currency loan yield remained intact.

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

Bancassurance fee was up 23% QoQ, which pushed WM fee higher

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

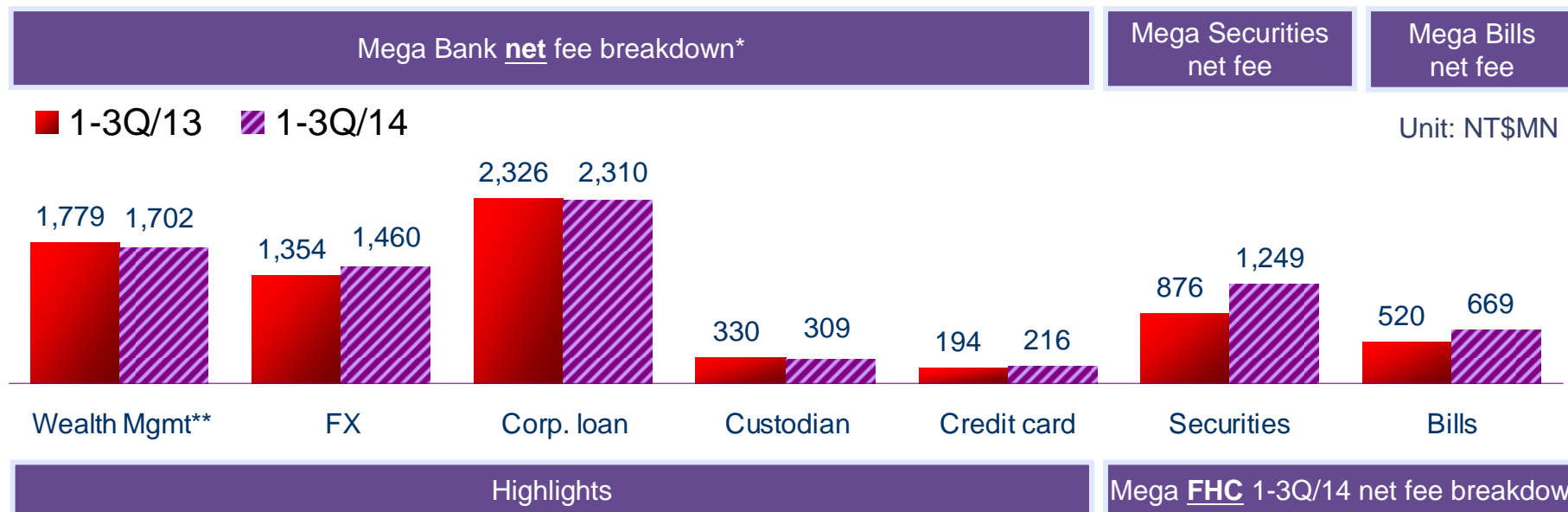
Unit: NT\$MN



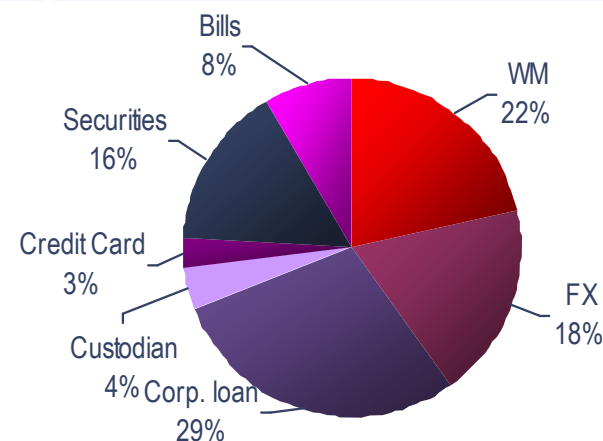
* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

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

FX, brokerage and bills fee helped pushing group fee income higher by 7% YoY



- ❖ Bank WM net fee was down 4% YoY due to weak fixed-income notes sales.
- ❖ Bank FX fee was up 8% YoY; corp. loan fee was flat YoY.
- ❖ Securities sub. fee was up 43% YoY due to strong equity market.
- ❖ Bills sub. fee was up 29% YoY due to better CP issuance fee.
- ❖ Mega Bank total fee was flat YoY; while Mega FHC fee was up 7% 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

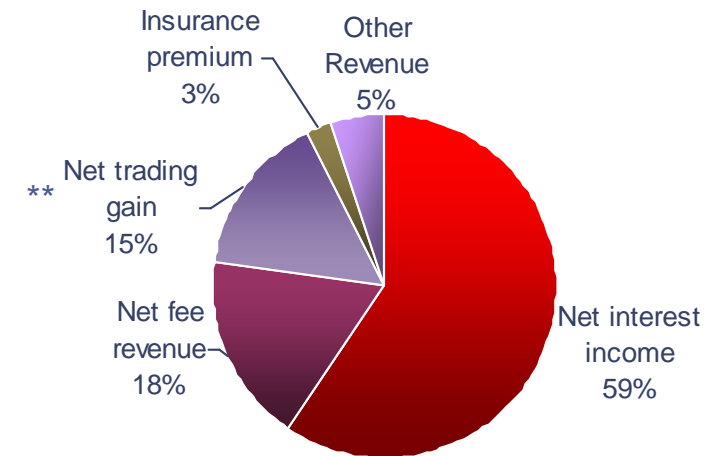
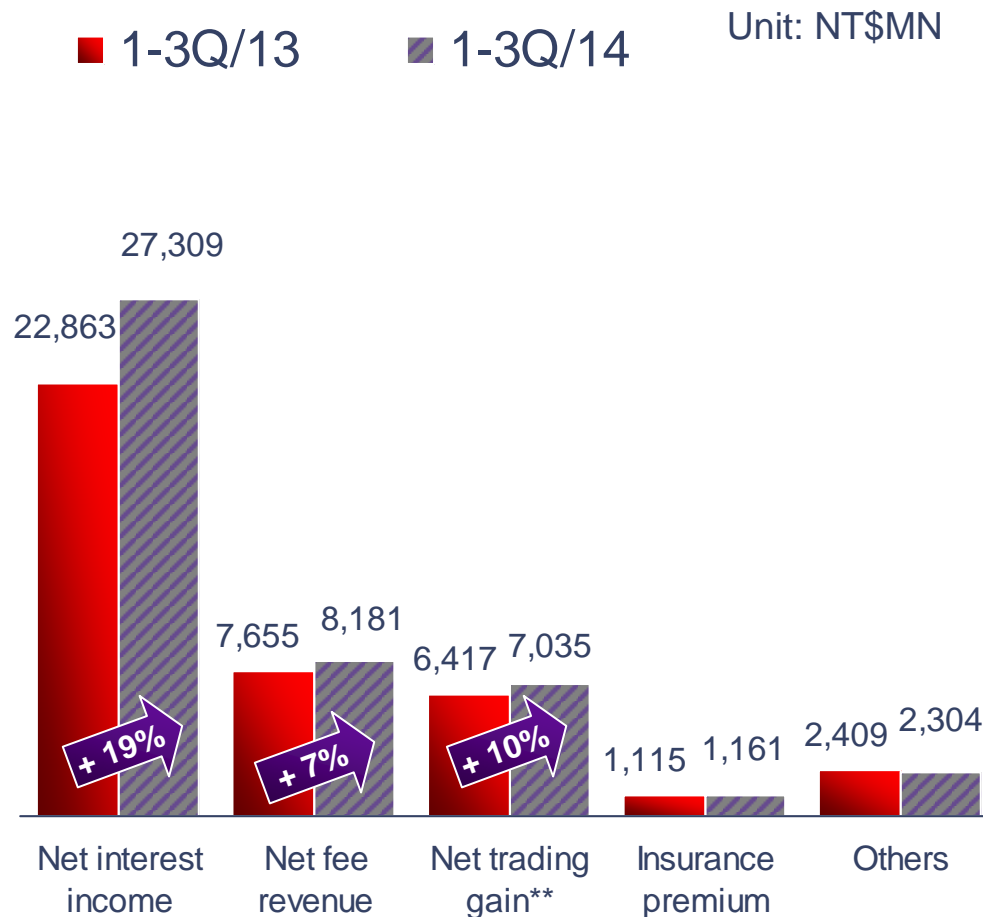


Appendix

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

Mega Group consolidated net revenue *

Mega Group 1-3Q/2014 net revenue breakdown



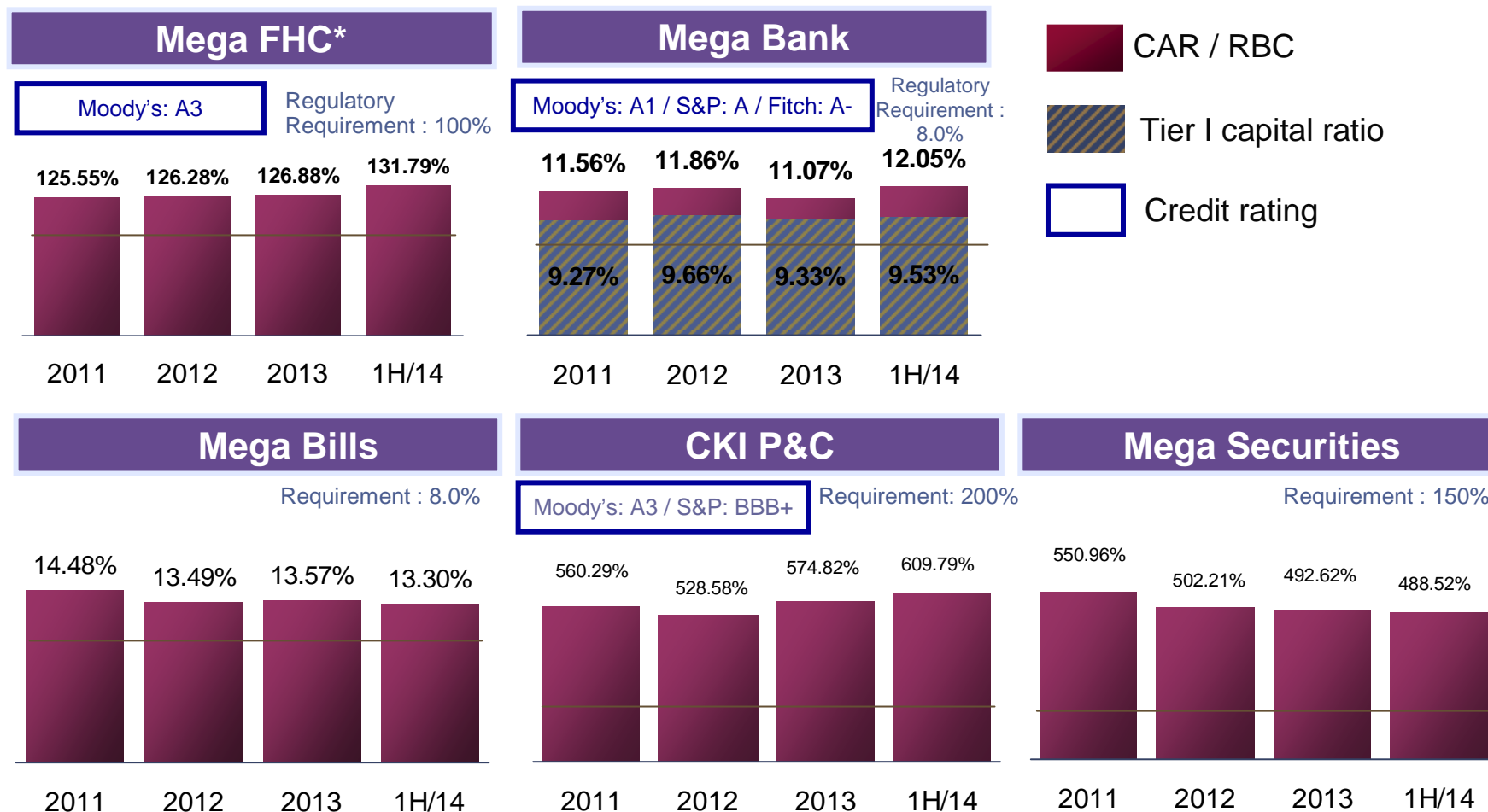
Highlights

- ❖ Group net revenue was up 14% YoY due to favorable NII, fee and trading gain.
- ❖ NII was up 19% 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 up 10% YoY due to strong convertible bond disposal gain.

* 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).

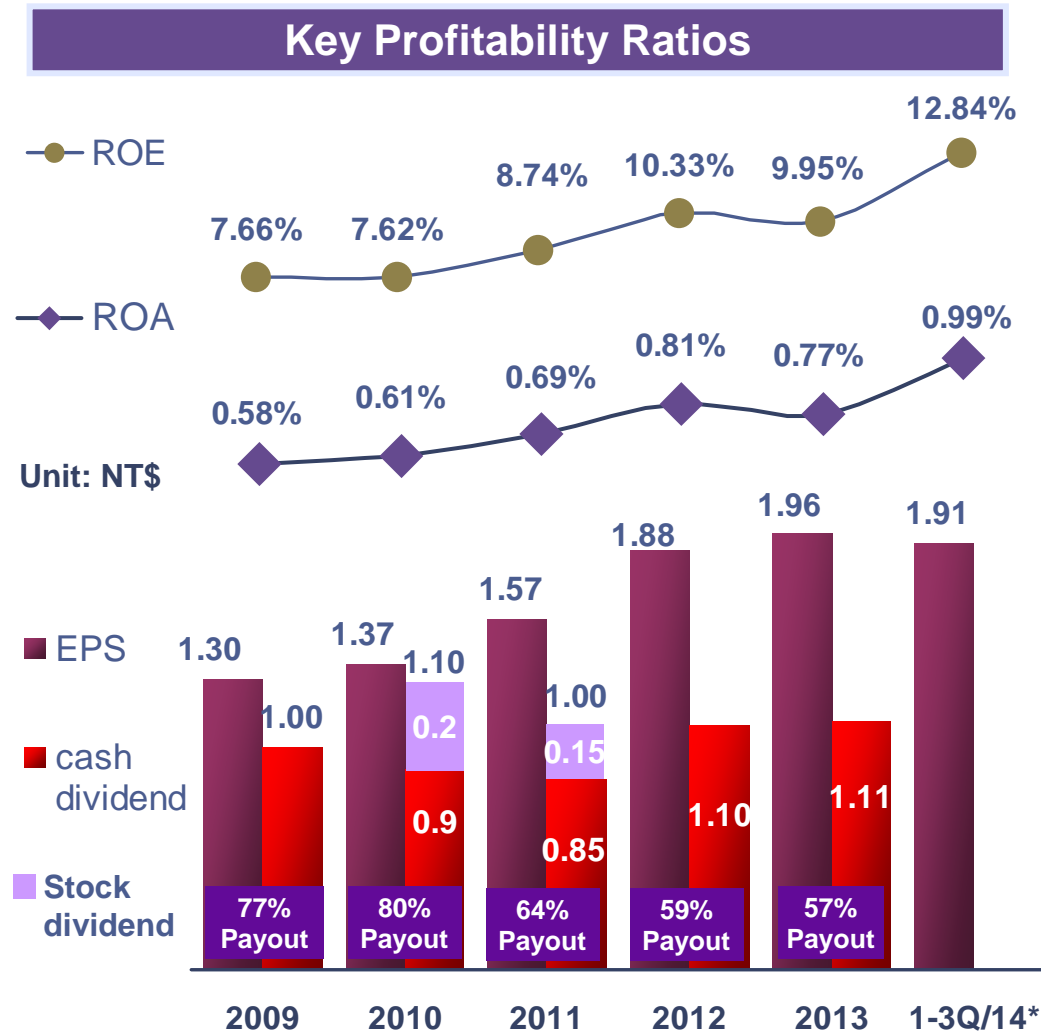
Well-capitalized for Basel III requirements**



* FHC CAR is calculated based on net investments in subsidiaries

** 1H/14 are audited BASEL III numbers.

Record high ROE and stable cash dividend



❖ 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/14 are audited numbers; ROE & ROA are annualized numbers.

1-3Q/2014 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1-3Q/2014*	1-3Q/2013	YoY	2013
Net interest income	27,309	22,863	19%	31,276
Net fee revenue	8,181	7,655	7%	9,789
Insurance premium	1,161	1,115	4%	1,480
Gain from fin. assets at fair value thru P&L	3,461	2,238	55%	3,622
Available for sales asset gain	1,708	2,038	-16%	2,124
Equity method investment gain	88	87	1%	204
FX spread gain	2,072	2,340	-11%	2,948
Asset impairment loss (write-back)	-294	-286	3%	-333
NPL asset sales gain	1,254	1,443	-13%	1,704
Other non-interest revenue (net)	1,050	966	9%	2,194
Operating net revenue	45,990	40,459	14%	55,008
Operating expense	-16,829	-15,769	7%	-22,916
Pre-provision operating profit	29,161	24,690	18%	32,092
Provision expense on loan	-1,164	-2,796	-58%	-5,276
Reserved on insurance	74	123	-40%	184
Pretax profit	28,071	22,017	27%	27,000
Tax	-4,263	-3,804	12%	-4,506
Minority shareholder interest	19	-10	-	-5
Net profit	23,827	18,203	31%	22,489
EPS (NT\$)	1.91	1.59	20%	1.96

Cost-to-income
ratio: 37%

* Audited numbers.

1-3Q/2014 Mega FHC consolidated balance sheet*

NT\$MN	1-3Q/2014*	1-3Q/2013	YoY	2013	YTD
Assets:					
Cash and due from banks	734,569	384,589	91%	551,247	33%
Bills and bonds under RP agreement	7,483	4,764	57%	2,585	189%
Fin. assets at fair value through P&L	176,664	180,164	-2%	195,801	-10%
AFS financial assets	282,930	223,848	26%	272,944	4%
HTM financial assets	164,044	180,063	-9%	184,411	-11%
Other financial assets	20,677	25,568	-19%	23,430	-12%
A/R, net	200,991	168,396	19%	184,588	9%
Loan, net	1,708,199	1,612,028	6%	1,654,577	3%
Equity method LT investments, net	2,664	2,644	1%	2,698	-1%
Land, premises and equipments, net	23,959	24,324	-2%	24,210	-1%
Others	13,567	15,741	-14%	17,133	-21%
Total assets	3,335,747	2,822,129	18%	3,113,624	7%
Liabilities					
Due to banks	727,563	388,846	87%	523,266	39%
Deposits	1,897,642	1,798,251	6%	1,933,723	-2%
CP & Bond payable	69,896	62,624	12%	60,293	16%
Bills & bonds sold under repurchase agreement	233,706	197,576	18%	219,651	6%
Other liabilities	153,869	159,214	-3%	135,099	14%
Total liabilities	3,082,676	2,606,511	18%	2,872,032	7%
Capital stock (common stock)	124,498	114,498	9%	124,498	0%
Capital surplus	55,274	43,425	27%	55,272	0%
Retain earning	71,542	57,705	24%	61,535	16%
Equity adjustment items	1,599	-299	-	101	-
Minority shareholder interest	157	288	-45%	186	-16%
Total stockholders' equity	253,070	215,618	17%	241,592	5%
Total liabilities and stockholders' equity	3,335,746	2,822,129	18%	3,113,624	7%
Book value per share (NT\$)	20.31	18.81	8%	19.39	5%

* Audited numbers.

1-3Q/2014 Mega Bank P&L statement*

<i>NT\$MN, except per share data</i>	1-3Q/2014*	1-3Q/2013*	YoY	2013
Net interest income	26,292	22,087	19%	30,217
Net fee revenue	6,039	6,045	0%	8,103
Gain from fin. assets at fair value thru P&L	1,557	556	-	1,294
Available for sales asset gain	1,161	1,231	-6%	1,291
Equity method investment gain	80	90	-11%	210
FX spread gain	2,077	2,338	-11%	2,917
Asset impairment loss (write-back)	-216	-303	-	-319
Cost method investment gain	0	0	-	633
NPL disposal gain	703	146	-	464
Asset sales gain (net)	0	0	-	439
Other non-interest revenue (net)	934	897	4%	514
Operating net revenue	38,627	33,087	17%	45,763
Operating expense	-13,043	-12,448	5%	-18,309
Pre-provision operating profit	25,584	20,639	24%	27,454
Provision expense on loan	-1,709	-3,035	-44%	-5,454
Pretax profit	23,875	17,604	36%	22,000
Tax	-3,390	-2,573	32%	-3,194
Net profit	20,485	15,031	36%	18,806
EPS (NT\$)	2.66	2.12	25%	2.64

Cost-to-income
ratio is 34%

* Audited numbers.

1-3Q/2014 Mega Bank balance sheet*

NT\$MN	1-3Q/2014*	1-3Q/2013*	YoY	2013	YTD
Assets:					
Cash and due from banks	729,775	378,665	93%	546,393	34%
Bills and bonds under RP agreement	4,344	6,065	-28%	5,452	-20%
Fin. assets at fair value through P&L	38,330	47,414	-19%	44,481	-14%
AFS financial assets	193,193	138,729	39%	184,450	5%
HTM financial assets	162,378	178,388	-9%	182,739	-11%
Other financial assets	13,540	13,853	-2%	13,289	2%
A/R, net	168,254	145,197	16%	159,597	5%
Loan, net	1,708,199	1,612,028	6%	1,654,703	3%
Equity method LT investments, net	2,737	2,764	-1%	2,784	-2%
Land, premises and equipments, net	15,027	15,282	-2%	15,194	-1%
Others (net)	7,044	9,011	-22%	10,630	-34%
Total assets	3,042,821	2,547,396	19%	2,819,712	8%
Liabilities					
Due to banks	720,694	369,131	95%	504,207	43%
Deposits	1,901,912	1,800,616	6%	1,932,772	-2%
CP & Bond payable	50,900	43,900	16%	43,900	16%
Bills & bonds sold under repurchase agreement	58,535	40,602	44%	46,532	26%
Other liabilities	98,638	111,105	-11%	91,773	7%
Total liabilities	2,830,679	2,365,354	20%	2,619,184	8%
Capital stock (common stock)	77,000	71,000	8%	77,000	0%
Capital surplus	46,502	37,261	25%	46,499	0%
Retain earning	87,029	74,410	17%	77,364	12%
Equity adjustment items	1,611	-628	-357%	-335	-581%
Total stockholders' equity	212,142	182,043	17%	200,528	6%
Total liabilities and stockholders' equity	3,042,821	2,547,397	19%	2,819,712	8%
Book value per share (NT\$)	27.55	25.64	7%	26.04	6%

* Audited numbers.

Agenda



Operation Highlights



Financial Performance



Appendix

13 branches and rep. offices in SE Asia

Mega Bank's Overseas Franchise



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