



Mega Holdings

1Q / 2015 (v.1)

Investor/Analyst Briefing

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED MAR 31, 2015 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC WILL FILE ITS AUDITED FINANCIAL STATEMENTS THROUGH TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MAY 31, 2015.

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

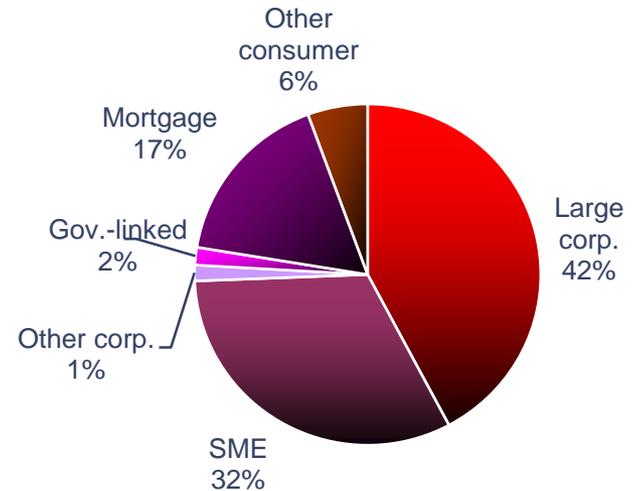
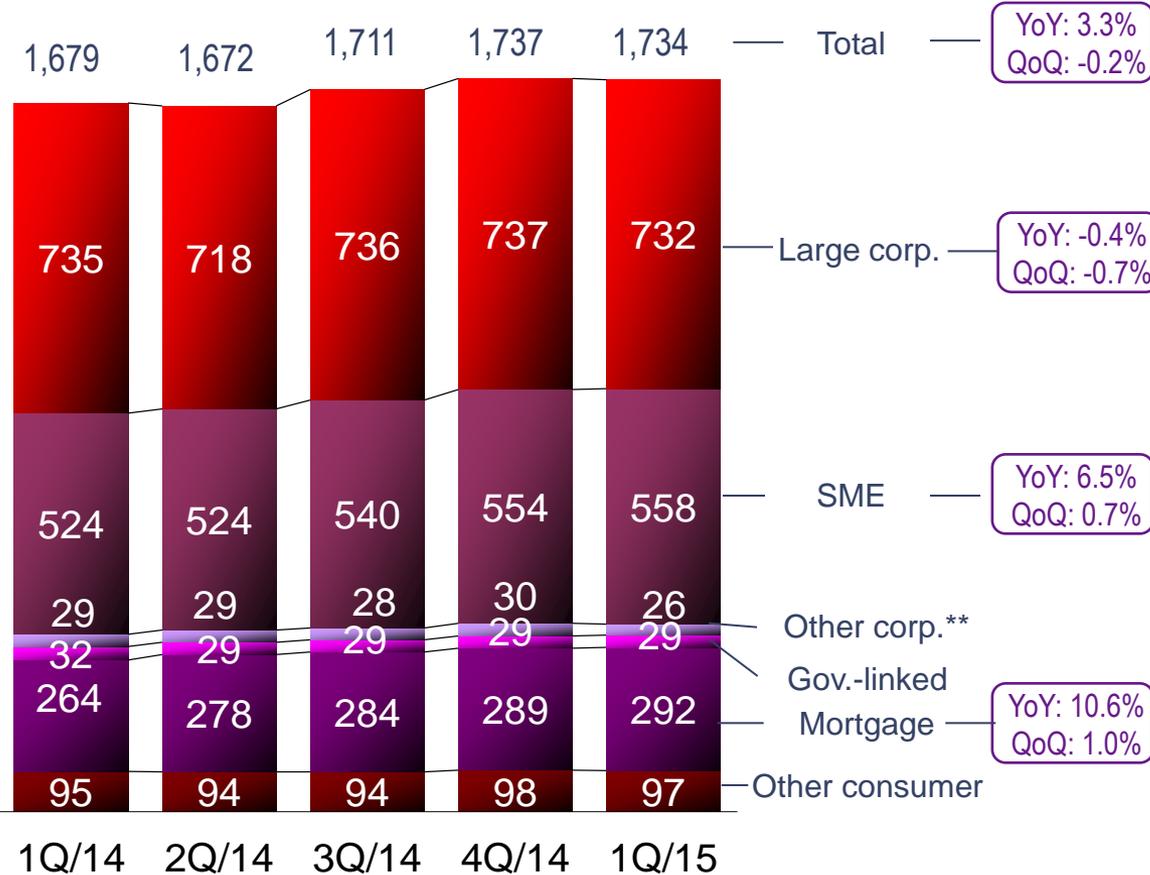
Total loan was up 3.3% YoY but flat QoQ

Mega Bank quarterly loan balance*

Mega Bank 1Q/15 loan breakdown by customer

Unit: NT\$bn

Growth Trend

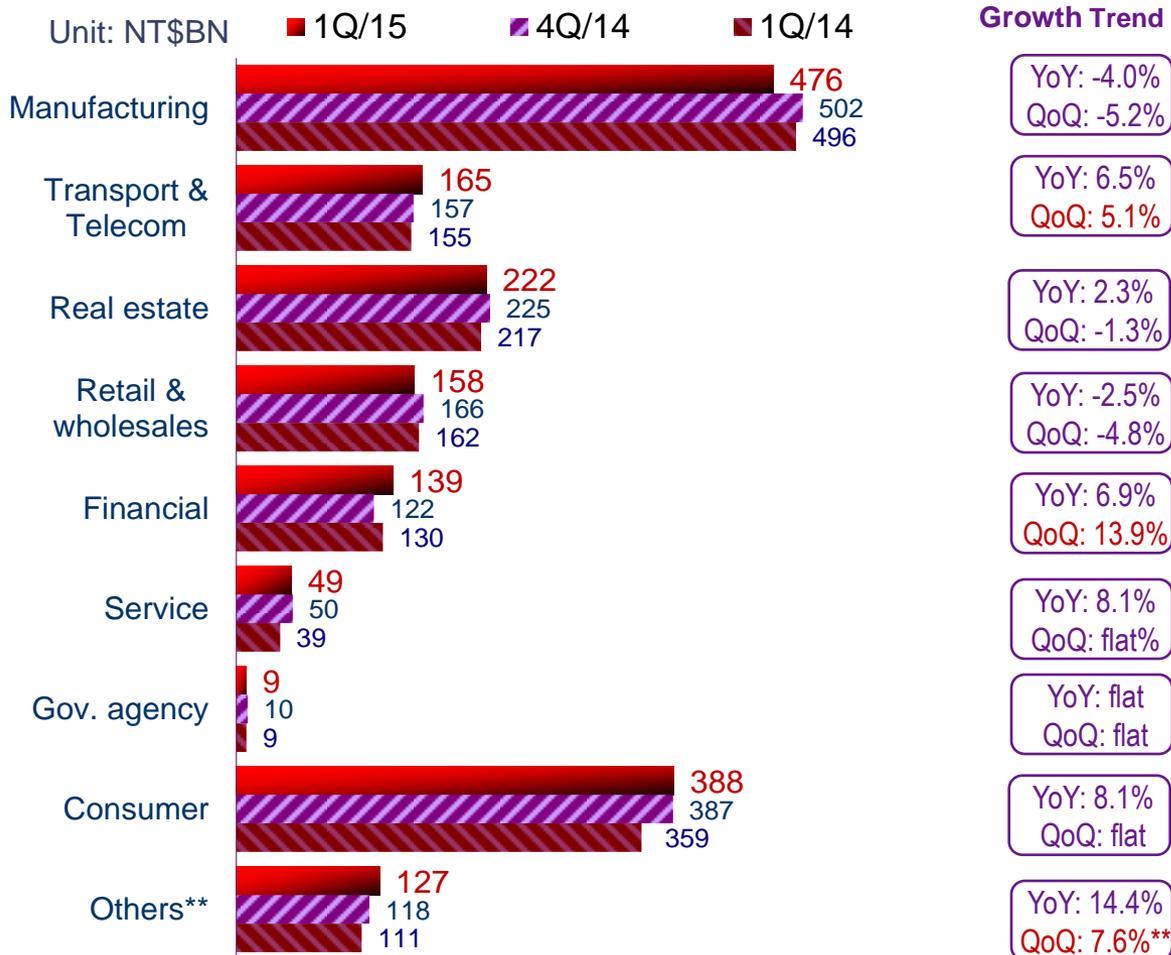


* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

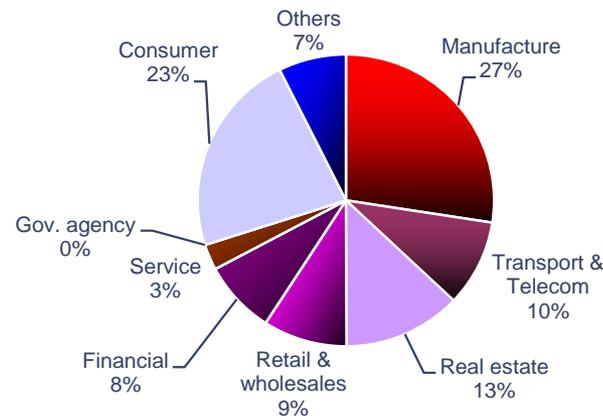
** Includes Gov-linked Non-Profit Organization and etc.

Transport/Telco, Financial, Hotel/Restaurant loan growth helped offsetting the declines from others

Mega Bank loan balance trend by industry*



Mega Bank 1Q/15 loan breakdown by industry*

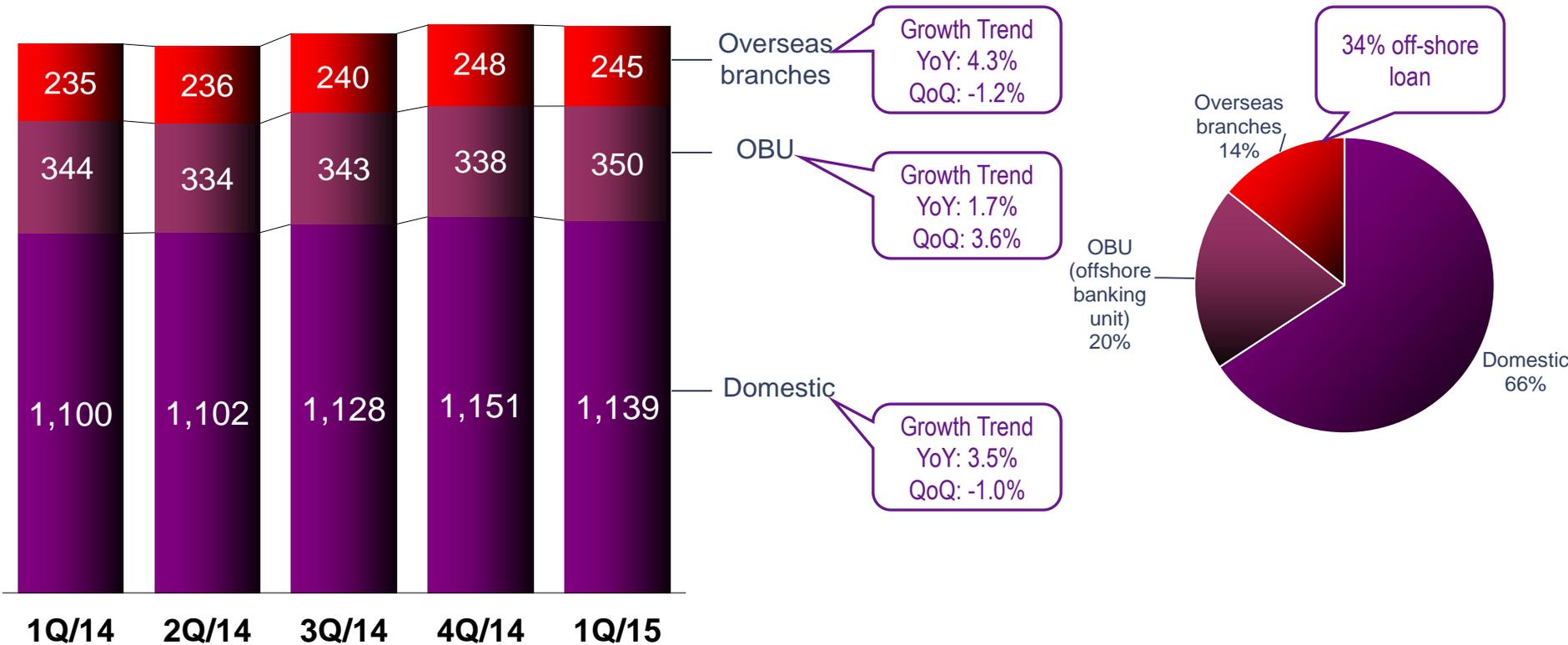


- * Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.
- ** Main growth driver for "Other Industry": hotel & restaurant industry

OBU loan was up 3.6% QoQ

Mega Bank 1Q/15 loan breakdown by regions *

Unit: NT\$bn



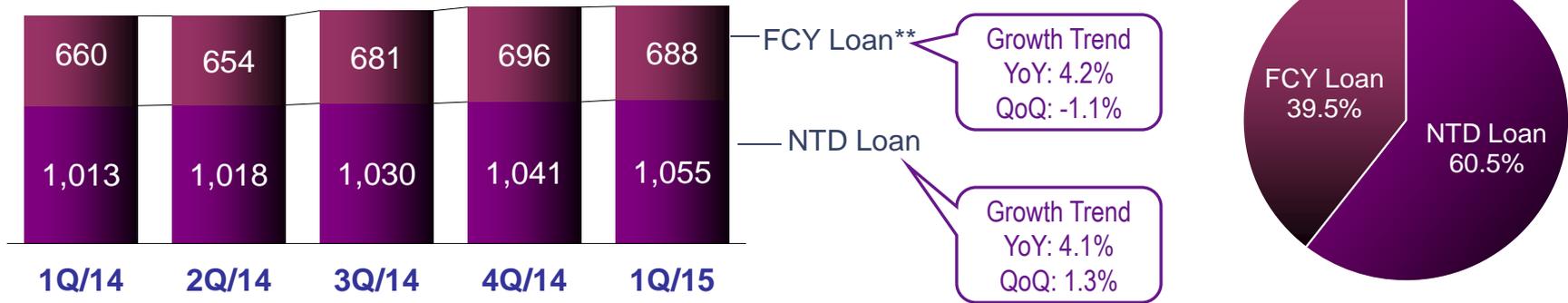
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

NTD loan growth helped offsetting declines from FCY loan

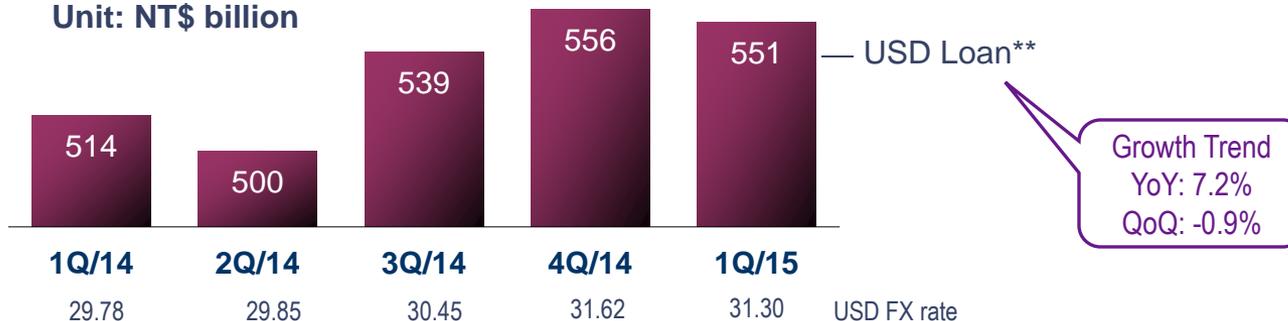
Mega Bank 1Q/15 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance *

Unit: NT\$ billion



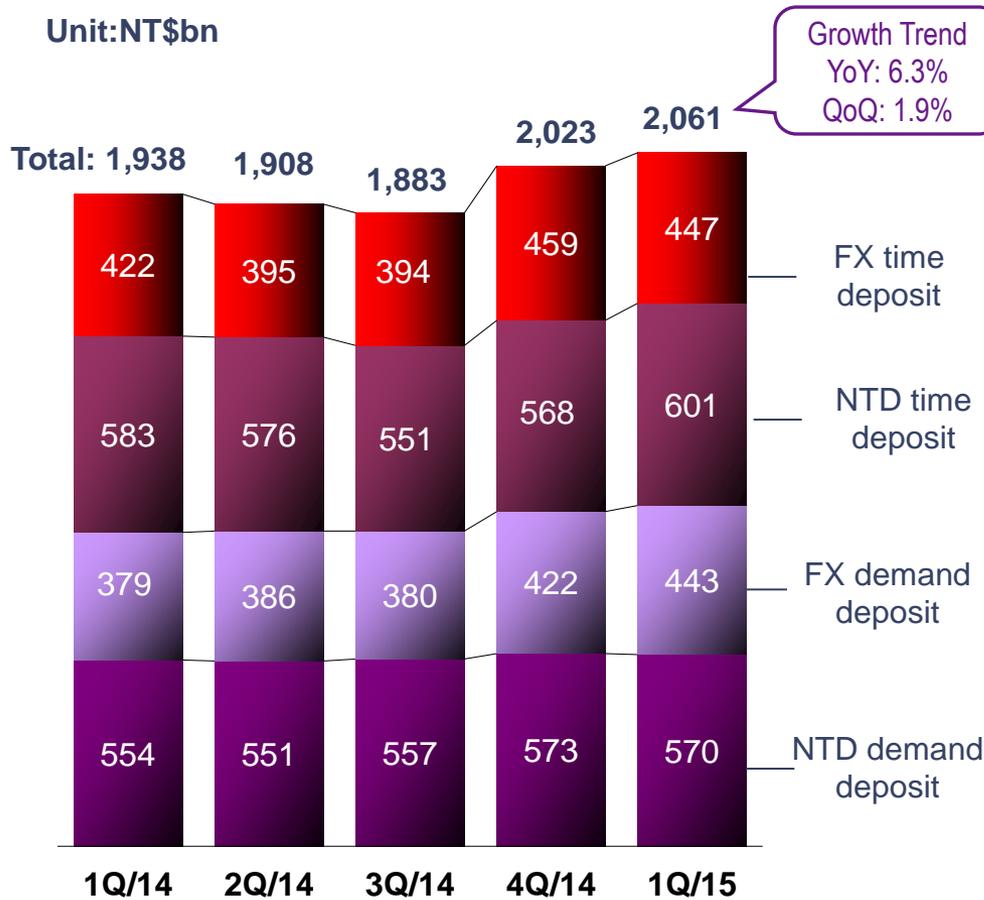
* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

Deposit was up 1.9% QoQ and 6.3% YoY

Mega Bank's deposit balance *

Unit:NT\$bn

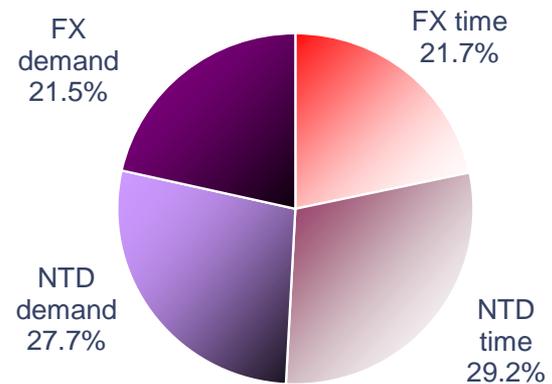


Mega Bank's RMB deposit**

Unit:NT\$bn



Mega Bank's 1Q/15 deposit breakdown



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

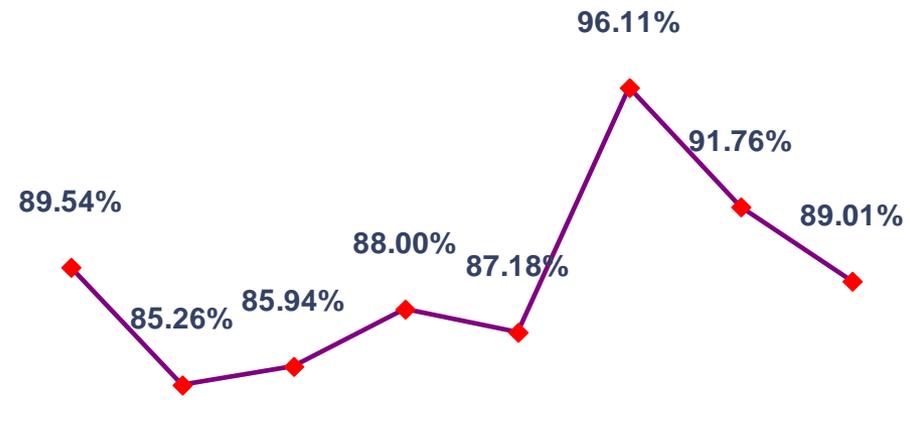
** Includes retail and corporate deposit but excludes due from central banks and banks

LDR was down as USD LDR came down further

Mega Bank's total LDR*



Mega Bank's USD LDR*



2Q/13 3Q/13 4Q/13 1Q/14 2Q/14 3Q/14 4Q/14 1Q/15

2Q/13 3Q/13 4Q/13 1Q/14 2Q/14 3Q/14 4Q/14 1Q/15

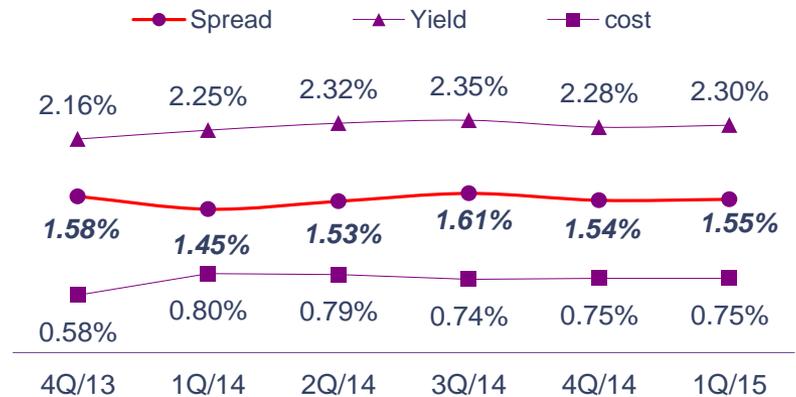
* LDR calculation is based on loan/deposit end balance

Loan spread remained stable despite NIM pressure

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..

Interest earning assets was up 6.4% QoQ

Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion



- ❖ NII remained relatively stable
- ❖ Interest earning assets continued to push up higher by 6.4% QoQ, 20.7% YoY.

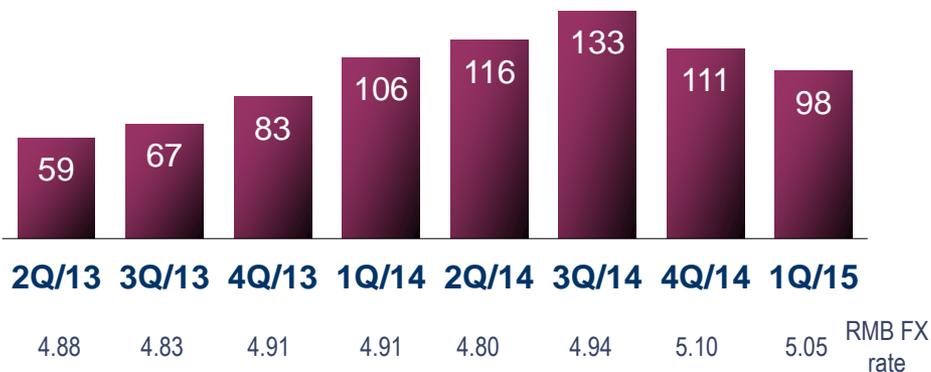
* Stand-alone un-audited P&L net interest income

** Quarterly average interest earning assets

...mainly due to low-yield USD inter-banks assets growth...

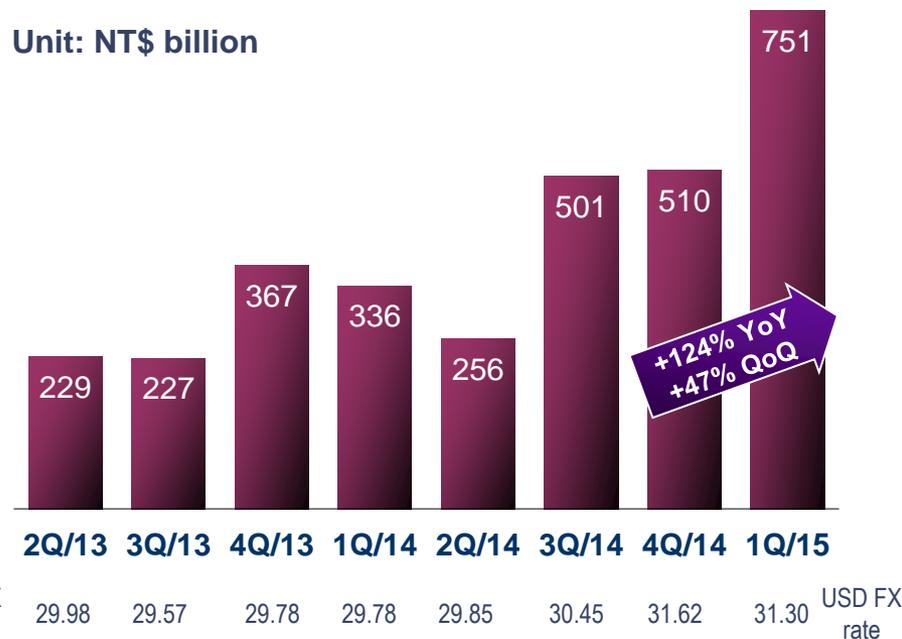
Mega Bank RMB inter-banks assets*

Unit: NT\$ billion



Mega Bank USD inter-banks assets*

Unit: NT\$ billion

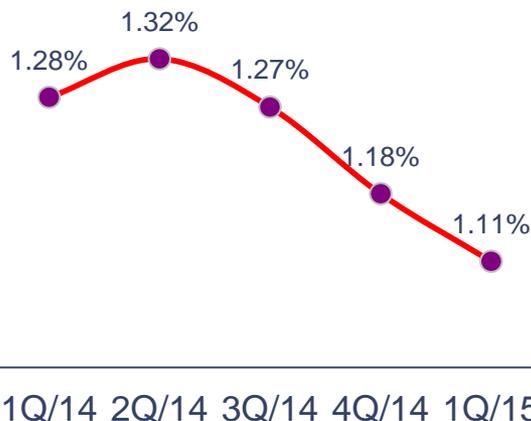


- ❖ RMB inter-banks assets was down, as RMB trade finance demand increased (page 14).
- ❖ ... but USD inter-banks assets jumped higher 47% QoQ, 124% YoY.
- ❖ USD inter-banks assets have advantage of low risk weighting, capital-consumption & operating expense, which will push NII and earning higher; but they do have significantly lower yield compared with other interest earning assets; as a result...

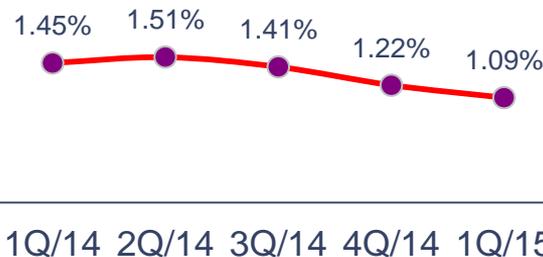
* Average end balance of that quarter; includes due from central banks, due from banks, cash and cash equivalence

...as a result, USD NIM contracted; however, NTD NIM remained stable, RMB NIM jumped higher

Mega Bank quarterly Total NIM*



Mega Bank quarterly FCY NIM*



Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM



Mega Bank monthly RMB NIM



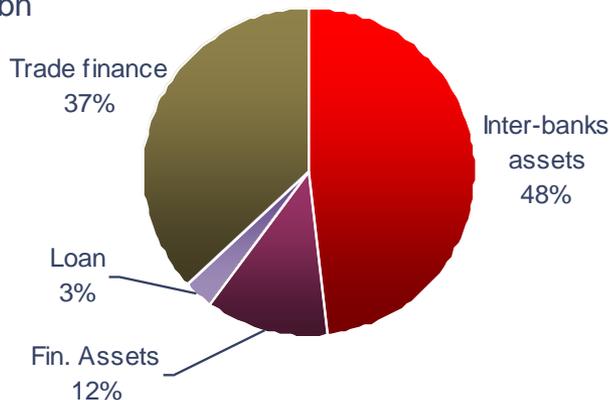
- ❖ ...significant growth in USD inter-banks assets, which tend to have lower yield, lead to USD, FCY and total NIM contraction.
- ❖ ...however, NTD NIM remained stable; RMB NIM, on the other hand, jumped higher.

* NIM = annualized net interest income / average interest earning assets of that quarter.

RMB biz is still very profitable despite PBOC rate cuts and easing policy

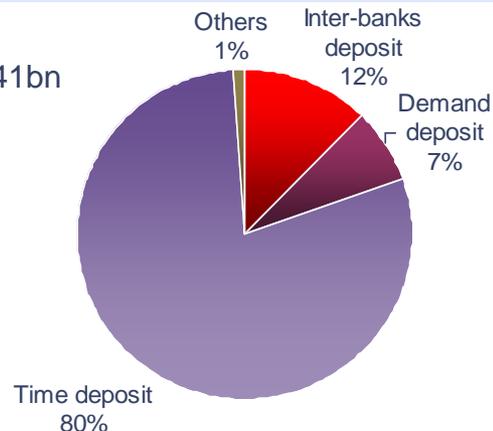
Mega Bank 1Q/15 RMB interest earning assets*

Total: NT\$202bn



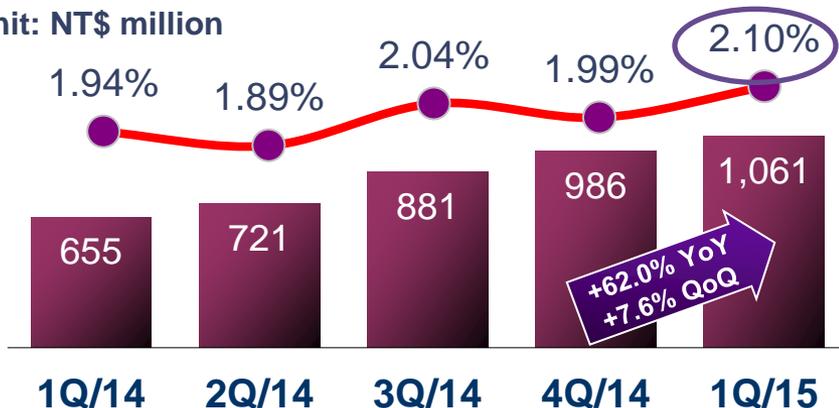
Mega Bank 1Q/15 RMB interest bearing liabilities*

Total: NT\$141bn



Mega Bank RMB NIM & NII**

Unit: NT\$ million



Highlights

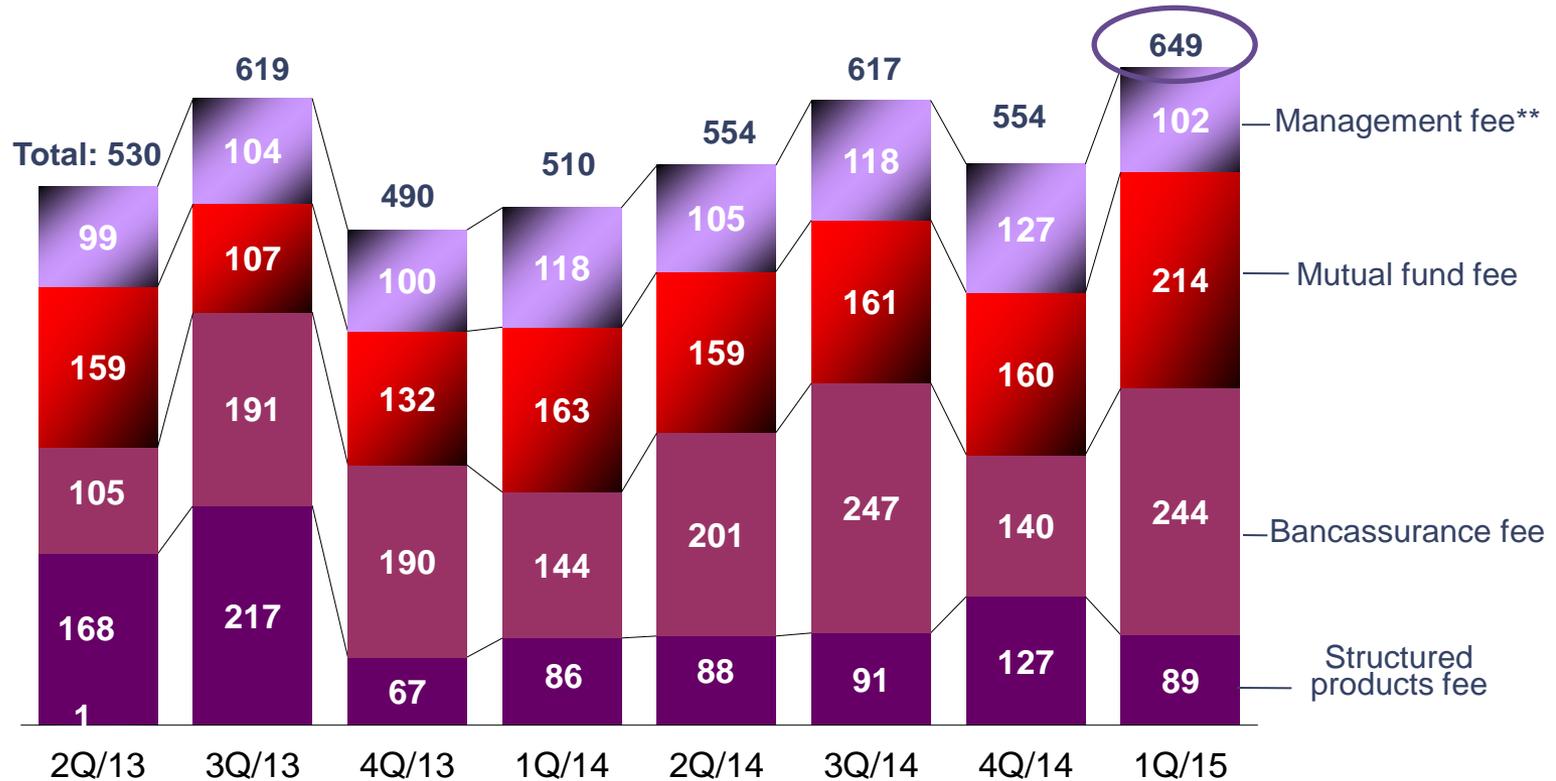
- ❖ RMB trade finance was up 180.3% QoQ
- ❖ RMB NII** was up 7.6% QoQ and 62.0% YoY .
- ❖ **RMB NIM was up 11bps despite PBOC rate cuts and easing policy.**
- ❖ RMB business is still an attractive and profitable business.

* Daily average balance of that period
** NII: net interest income; NIM: net interest margin

WM fee jumped 17% QoQ & 27% YoY, due to strong fund sales fee and bancassurance fee

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.

WM, Corp. loan and bills fee were up

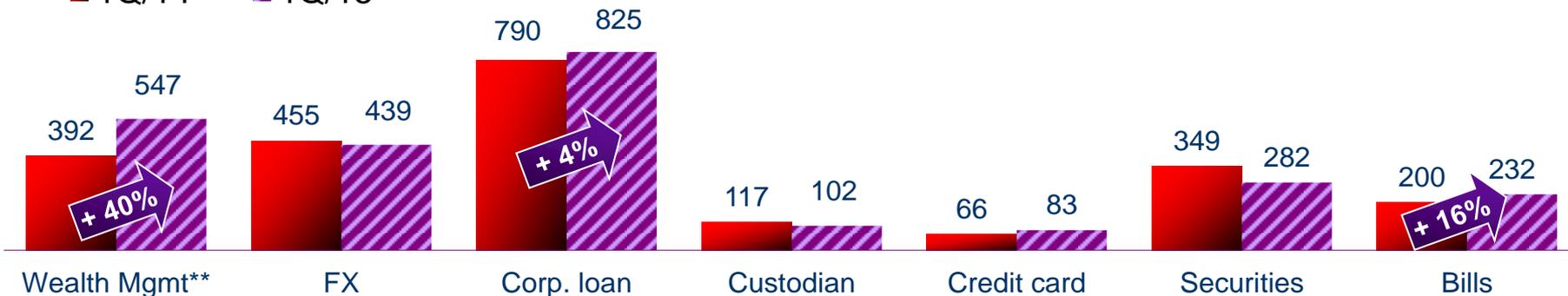
Mega Bank net fee breakdown*

Mega Securities net fee

Mega Bills net fee

■ 1Q/14 ▨ 1Q/15

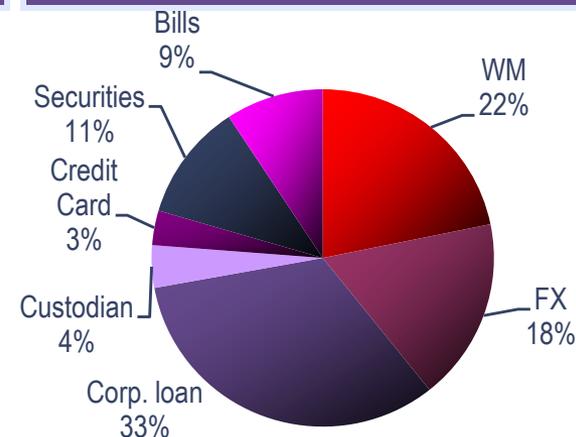
Unit: NT\$MN



Highlights

- ❖ Bank WM net fee was up 40% YoY due to strong mutual fund and bancassurance sales.
- ❖ Bank corp. loan fee was up 4% YoY.
- ❖ Securities sub. fee was down 19% YoY due to lighter equity market trading volume.
- ❖ Bills sub. fee was up 16% YoY due to better CP issuance fee.

Mega FHC 1Q/15 net fee breakdown

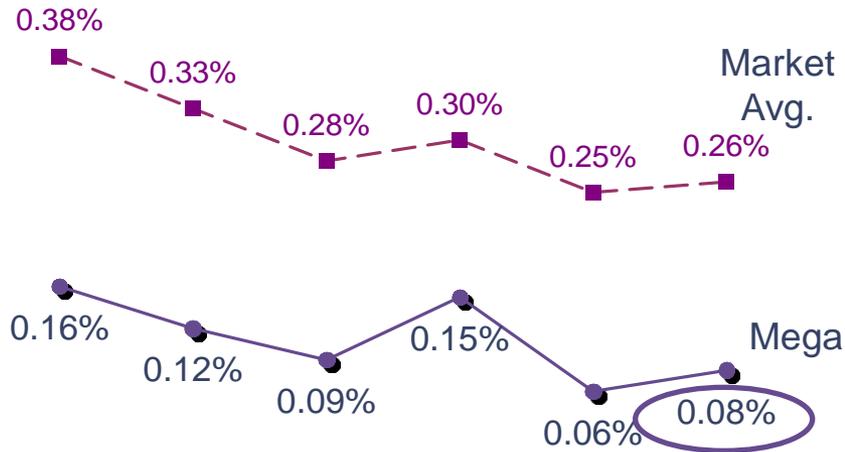


* Internal data; within WM fee, fee reimbursed by insurance agent is booked as other revenue in P&L; as a result, total net fee combined here is slightly more than the net fee figure shown in FHC P&L.

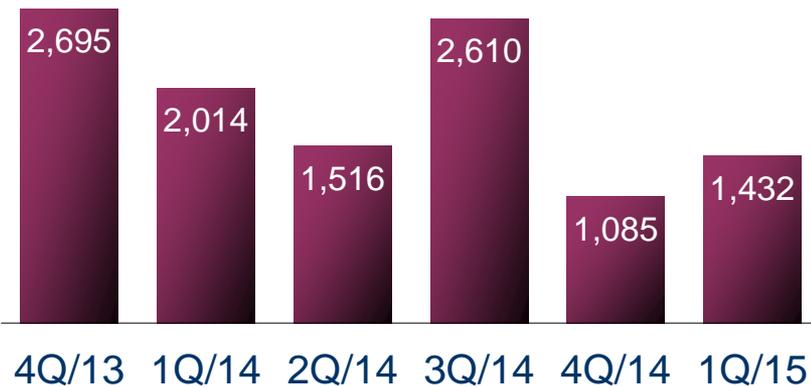
** Net wealth mgmt fee.

NPL was down; coverage was up

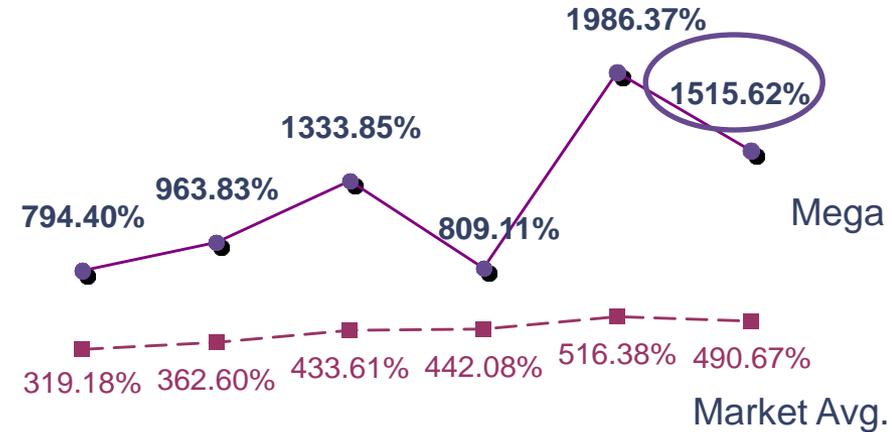
Mega Bank NPL balance & NPL ratio*



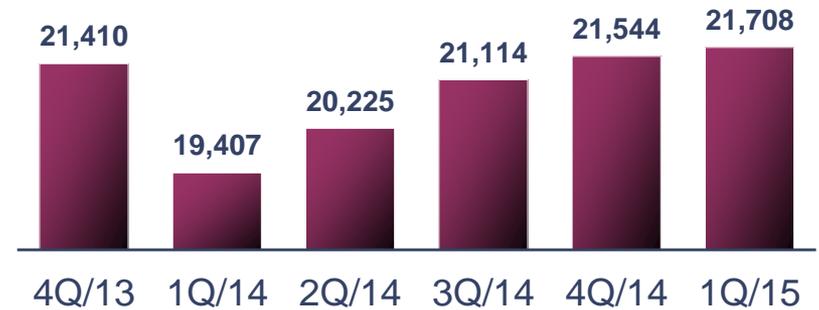
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



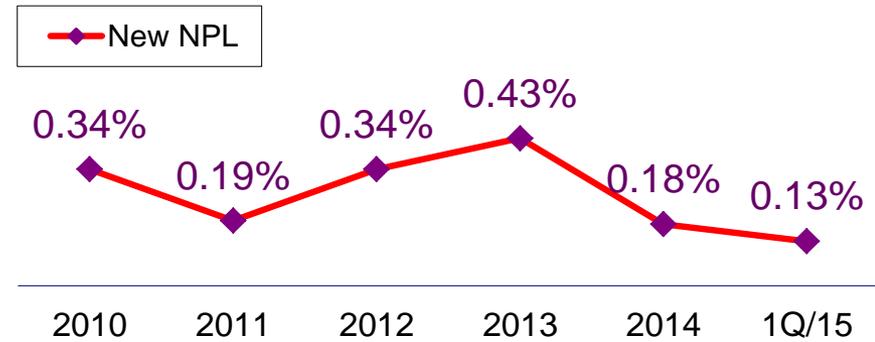
* 90 days standard

Asset quality remained strong

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



* 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.

Agenda



Operation Highlights



Financial Performance

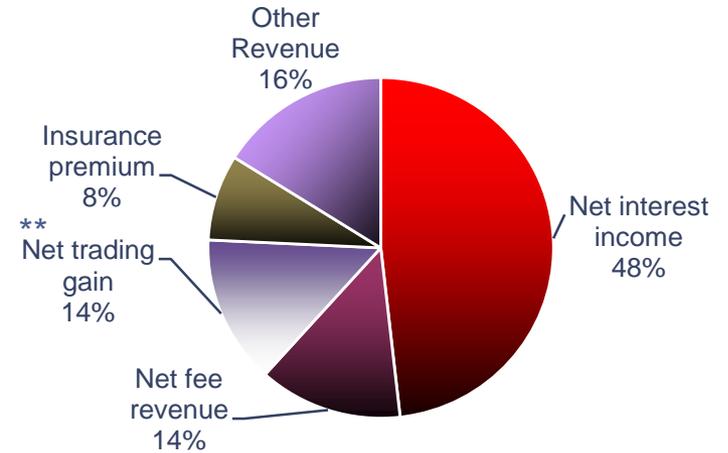
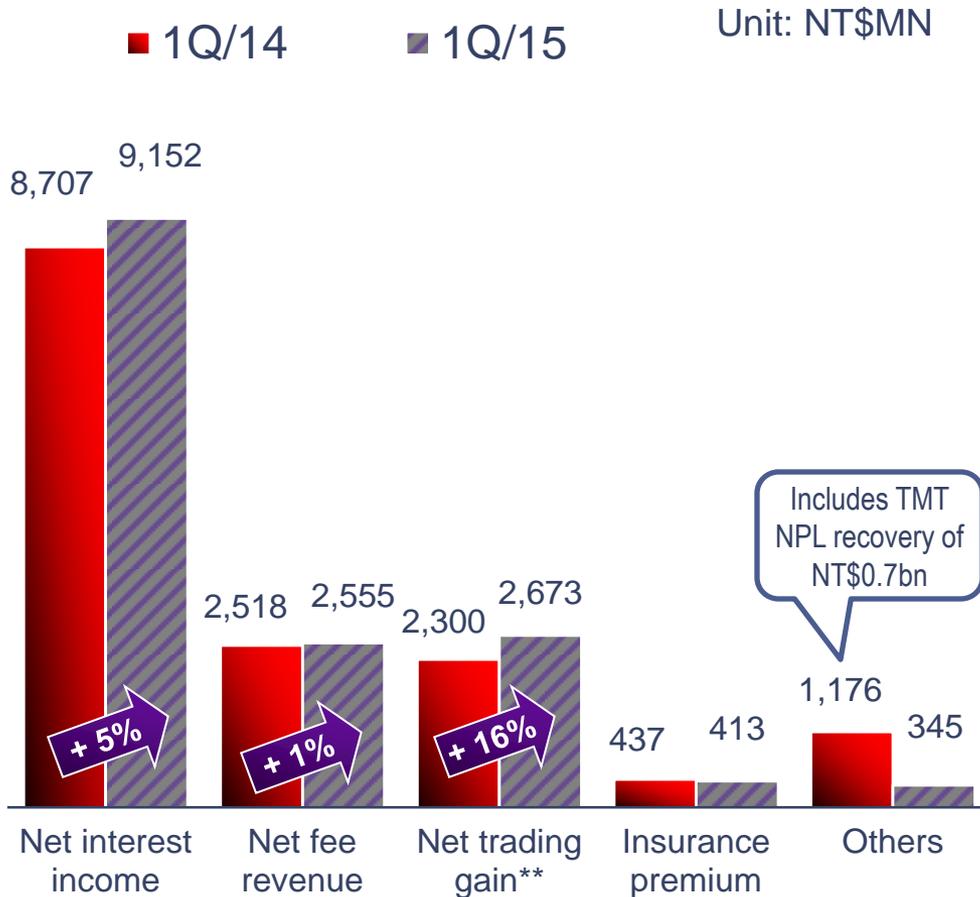


Appendix

NII was up 5% YoY; trading gain was up 16% YoY

Mega Group consolidated net revenue *

Mega Group 1Q/2015 net revenue breakdown



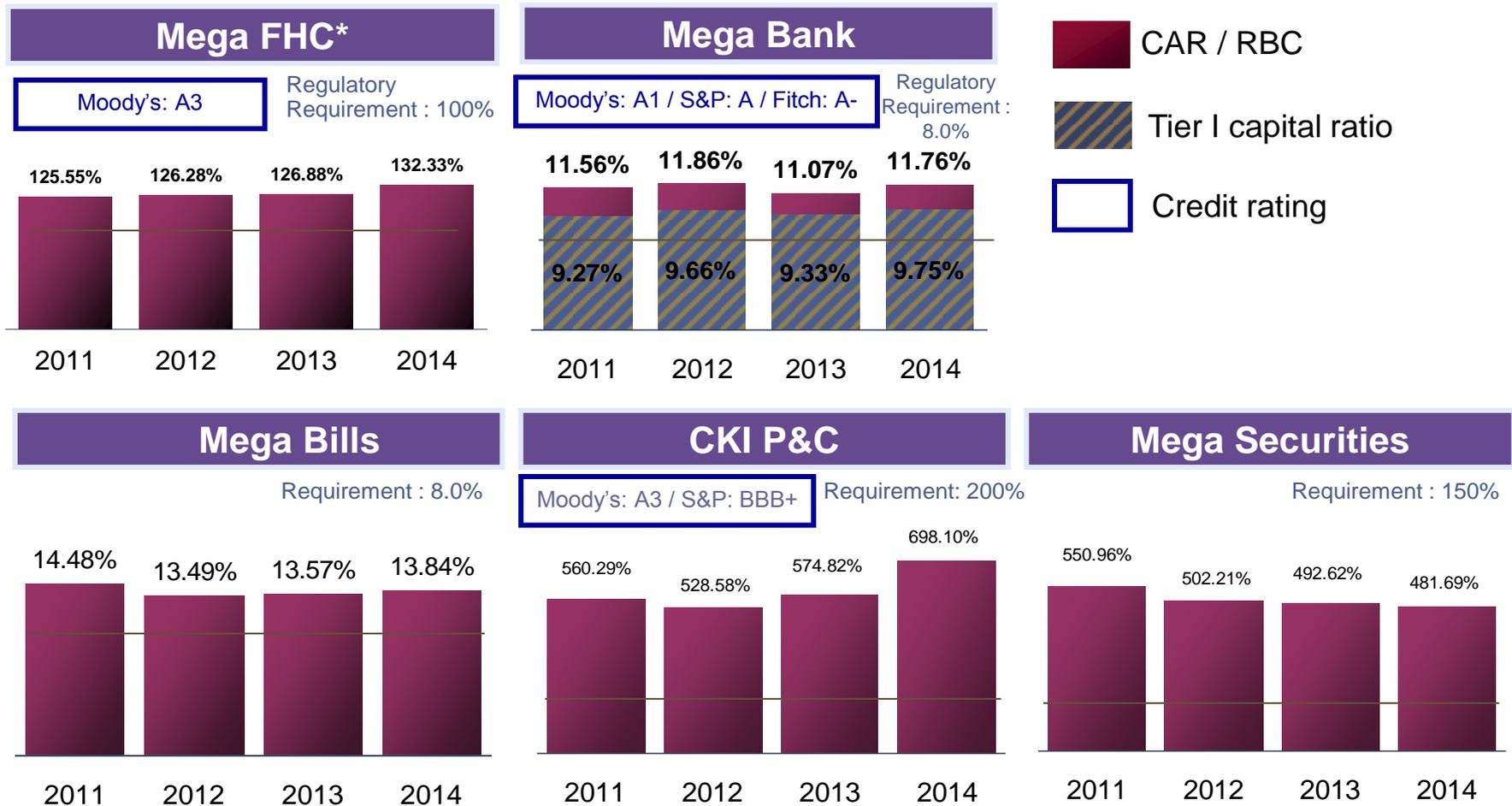
Highlights

- ❖ NII was up 5% YoY due to asset growth.
- ❖ Fee revenue was up 1% YoY due to strong WM and bills fee.
- ❖ Trading gain was up 16% YoY due to property 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**

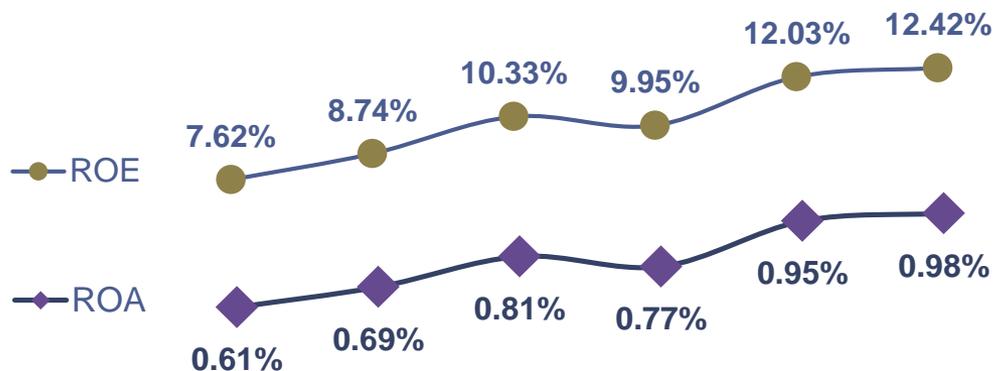


* FHC CAR is calculated based on net investments in subsidiaries

** 2014 are audited BASEL III numbers.

Record high ROE and expecting 5% div. yield

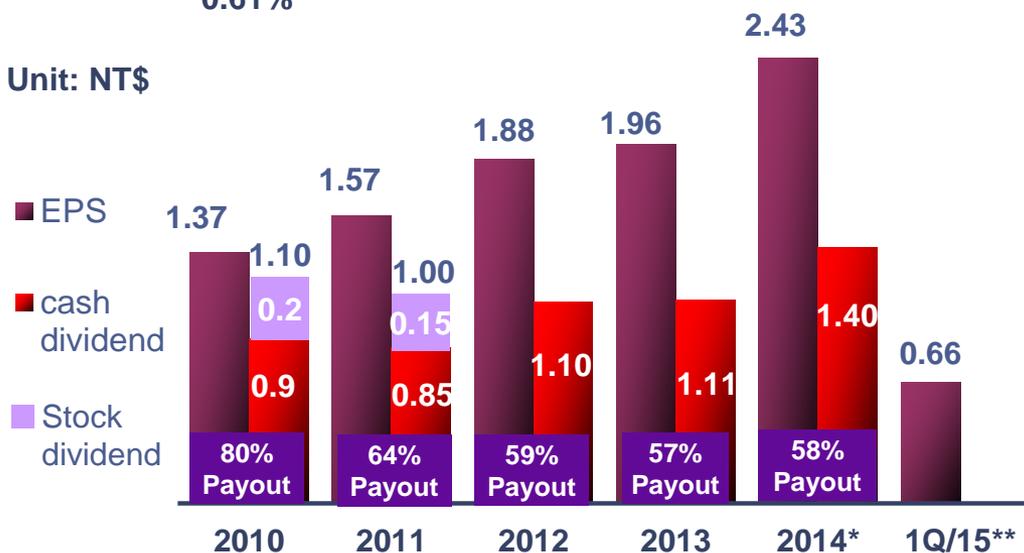
Key Profitability Ratios



❖ 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.

Unit: NT\$



* 2014 dividend payment needs to be approved by AGM in Jun/2015

** 1Q/15 are un-audited numbers; ROE & ROA are annualized numbers.

1Q/2015 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2015*	1Q/2014	YoY	2014
Net interest income	9,152	8,707	5%	36,674
Net fee revenue	2,555	2,518	1%	11,121
Insurance premium	413	437	-5%	1,529
Gain from fin. assets at fair value thru P&L	888	1,024	-13%	3,826
Available for sales asset gain	742	383	94%	1,812
Equity method investment gain	54	27	100%	152
FX spread gain	458	879	-48%	3,283
Asset impairment loss (write-back)	-1	-13	-92%	-374
Property gain	532	-	-	-
NPL recovery gain	-	825	-	1,298
Other non-interest revenue (net)	345	351	-2%	1,183
Operating net revenue	15,138	15,138	0%	60,504
Operating expense	-6,178	-5,573	11%	-23,795
Pre-provision operating profit	8,960	9,565	-6%	36,709
Provision expense on loan	365	-141	-359%	-1,588
Reserved on insurance	43	-4	-	208
Pretax profit	9,368	9,420	-1%	35,329
Tax	-1,162	-1,378	-16%	-5,089
Minority shareholder interest	-1	0	-	19
Net profit	8,205	8,042	2%	30,259
EPS (NT\$)	0.66	0.65	2%	2.43

TMT NPL
recovery
NT\$0.7bn

Cost-to-income
ratio: 40.8%

* Un-audited consolidated P&L.

1Q/2015 Mega FHC consolidated balance sheet*

NT\$MN	1Q/2015*	1Q/2014	YoY	2014	YTD
Assets:					
Cash and due from banks	770,750	536,095	44%	635,381	21%
Bills and bonds under RP agreement	6,915	5,000	38%	11,874	-42%
Fin. assets at fair value through P&L	174,363	171,632	2%	181,367	-4%
AFS financial assets	297,085	279,260	6%	280,699	6%
HTM financial assets	165,159	182,149	-9%	163,997	1%
Other financial assets	20,105	23,874	-16%	20,269	-1%
A/R, net	209,856	192,484	9%	201,279	4%
Loan, net	1,731,452	1,676,474	3%	1,734,481	0%
Equity method LT investments, net	2,849	2,738	4%	2,663	7%
Land, premises and equipments, net	23,435	24,390	-4%	24,162	-3%
Others	22,708	13,904	63%	18,764	21%
Total assets	3,424,677	3,108,000	10%	3,274,936	5%
Liabilities					
Due to banks	671,719	494,317	36%	528,530	27%
Deposits	2,070,633	1,951,002	6%	2,035,625	2%
CP & Bond payable	72,059	61,203	18%	71,563	1%
Bills & bonds sold under repurchase agreement	184,471	213,505	-14%	222,507	-17%
Other liabilities	158,070	137,100	15%	155,643	2%
Total liabilities	3,156,952	2,857,127	10%	3,013,868	5%
Capital stock (common stock)	124,498	124,498	0%	124,498	0%
Capital surplus	55,269	55,272	0%	55,274	0%
Retain earning	85,814	69,577	23%	77,856	10%
Equity adjustment items	1,982	1,331	-	3,277	-
Minority shareholder interest	163	195	-16%	162	1%
Total stockholders' equity	267,726	250,873	7%	261,067	3%
Total liabilities and stockholders' equity	3,424,678	3,108,000	10%	3,274,935	5%
Book value per share (NT\$)	21.49	20.14	7%	20.96	3%

* Un-audited consolidated balance sheet.

1Q/2015 Mega Bank P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2015*	1Q/2014	YoY	2014
Net interest income	8,794	8,375	5%	35,292
Net fee revenue	2,049	1,993	3%	7,521
Gain from fin. assets at fair value thru P&L	154	312	-51%	1,370
Available for sales asset gain	360	183	97%	1,277
Equity method investment gain	54	27	100%	114
FX spread gain	483	921	-48%	3,239
Asset impairment loss (write-back)	0	-13	-	-217
NPL disposal gain	58	700	-	-
Other non-interest revenue (net)	105	170	-38%	2,540
Operating net revenue	12,057	12,668	-5%	51,136
Operating expense	-4,649	-4,392	6%	-18,659
Pre-provision operating profit	7,408	8,276	-10%	32,477
Provision expense on loan	354	-506	-	-2,249
Pretax profit	7,762	7,770	0%	30,228
Tax	-1,109	-1,103	1%	-4,293
Net profit	6,653	6,667	0%	25,935
EPS (NT\$)	0.86	0.87	-1%	3.37

TMT NPL recovery

Cost-to-income ratio is 39%

* Un-audited consolidated P&L.

1Q/2015 Mega Bank balance sheet*

NT\$MN	1Q/2015*	1Q/2014	YoY	2014	YTD
Assets:					
Cash and due from banks	762,005	530,304	44%	630,105	21%
Bills and bonds under RP agreement	6,858	5,110	34%	5,850	17%
Fin. assets at fair value through P&L	41,116	41,299	0%	43,697	-6%
AFS financial assets	198,865	188,913	5%	187,345	6%
HTM financial assets	163,501	180,476	-9%	162,084	1%
Other financial assets	13,561	13,535	0%	13,651	-1%
A/R, net	176,974	165,308	7%	171,054	3%
Loan, net	1,731,452	1,676,474	3%	1,734,481	0%
Equity method LT investments, net	2,887	2,826	2%	2,733	6%
Land, premises and equipments, net	15,142	15,128	0%	15,174	0%
Others (net)	13,360	7,327	82%	10,712	25%
Total assets	3,125,721	2,826,700	11%	2,976,886	5%
Liabilities					
Due to banks	651,738	474,288	37%	515,603	26%
Deposits	2,078,530	1,953,631	6%	2,037,885	2%
CP & Bond payable	50,200	48,800	3%	50,200	0%
Bills & bonds sold under repurchase agreement	20,879	54,896	-62%	50,190	-58%
Other liabilities	100,596	86,255	17%	104,332	-4%
Total liabilities	2,901,943	2,617,870	11%	2,758,210	5%
Capital stock (common stock)	77,000	77,000	0%	77,000	0%
Capital surplus	46,496	46,499	0%	46,502	0%
Retain earning	98,876	84,372	17%	92,465	7%
Equity adjustment items	1,406	959	47%	2,708	-48%
Total stockholders' equity	223,778	208,830	7%	218,675	2%
Total liabilities and stockholders' equity	3,125,721	2,826,700	11%	2,976,885	5%
Book value per share (NT\$)	29.06	27.12	7%	28.40	2%

* Un-audited consolidated balance sheet.

Agenda



Operation Highlights



Financial Performance



Appendix

14 bank branches and rep. offices in SE Asia

Mega Bank's Overseas Franchise



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