



Mega Holdings

2Q / 2015 (v.1)

Investor/Analyst Briefing

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED Jun 30, 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 AUG 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

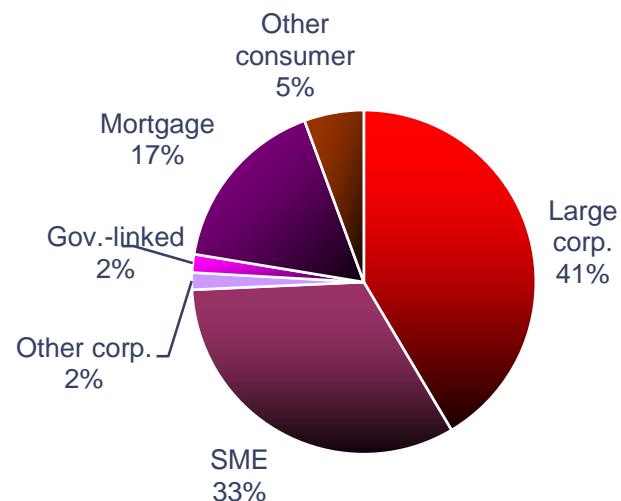
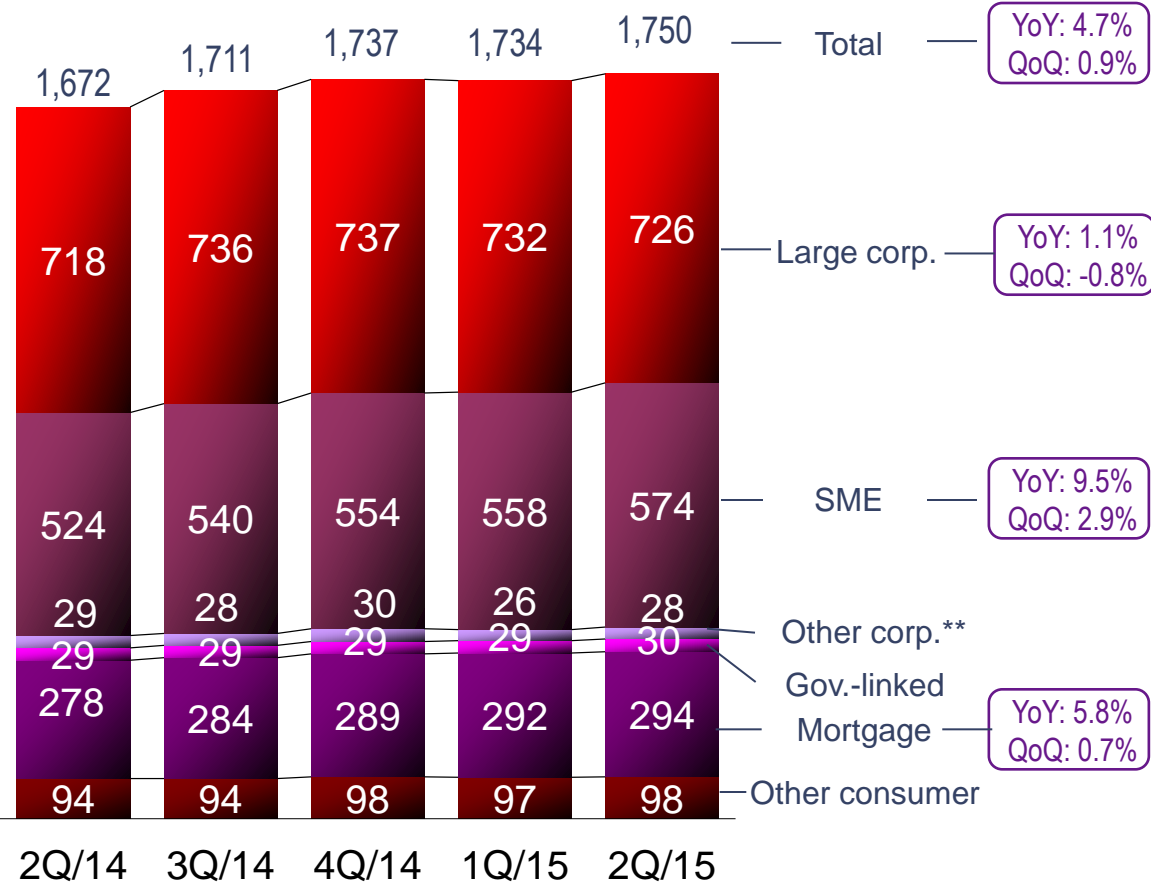
Total loan was up 4.7% YoY and 0.9% QoQ

Mega Bank quarterly loan balance*

Mega Bank 2Q/15 loan breakdown by customer

Unit: NT\$bn

Growth Trend

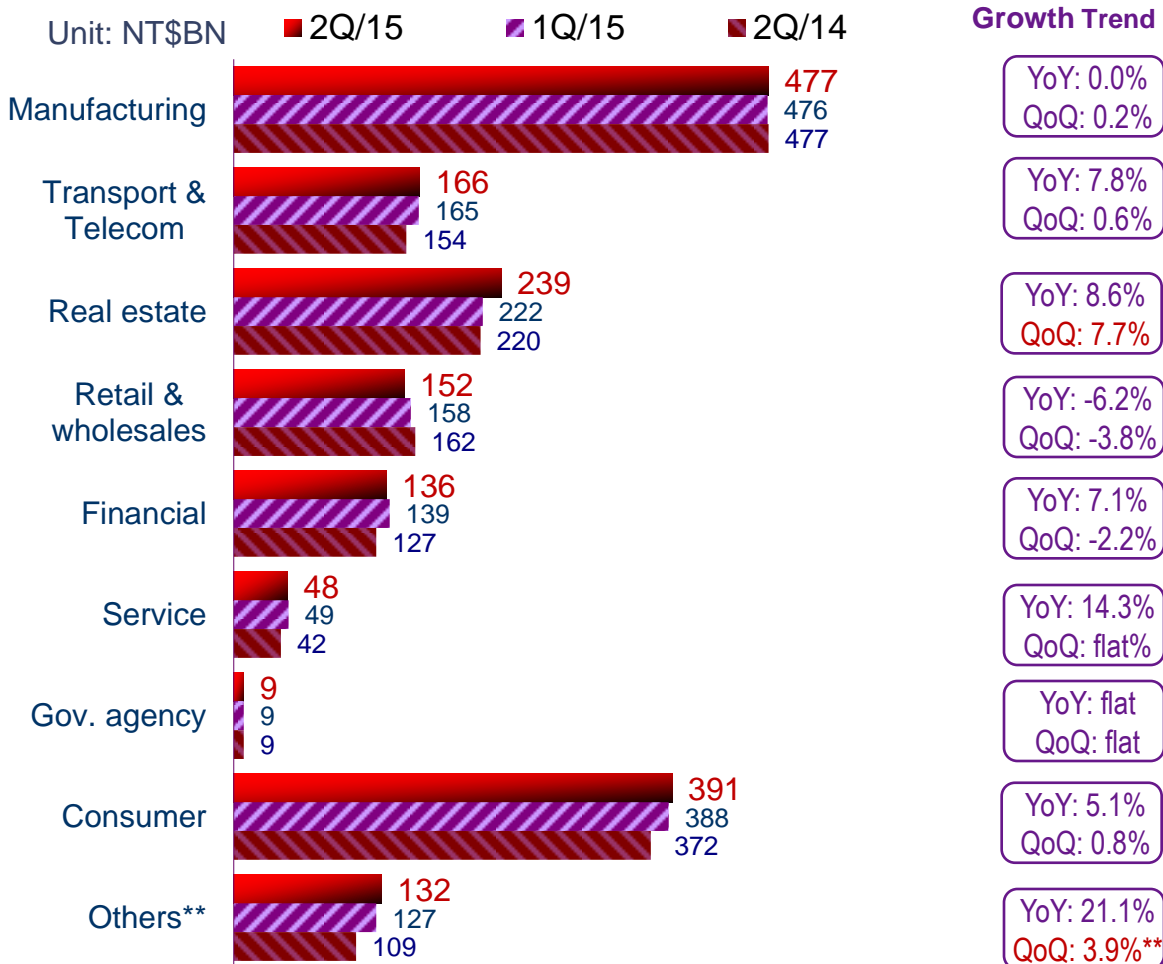


* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

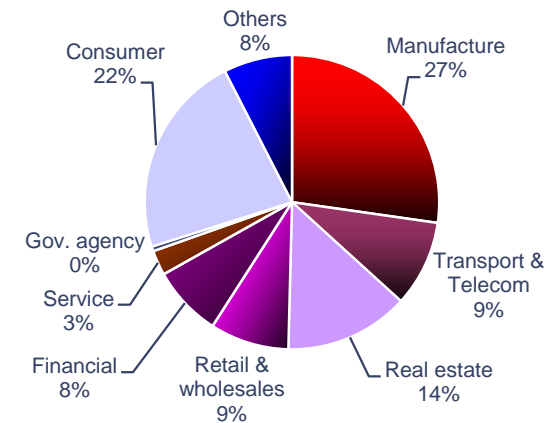
** Includes Gov-linked Non-Profit Organization and etc.

Real estate industry loan demand improved in 2Q/15

Mega Bank loan balance trend by industry*



Mega Bank 2Q/15 loan breakdown by industry*

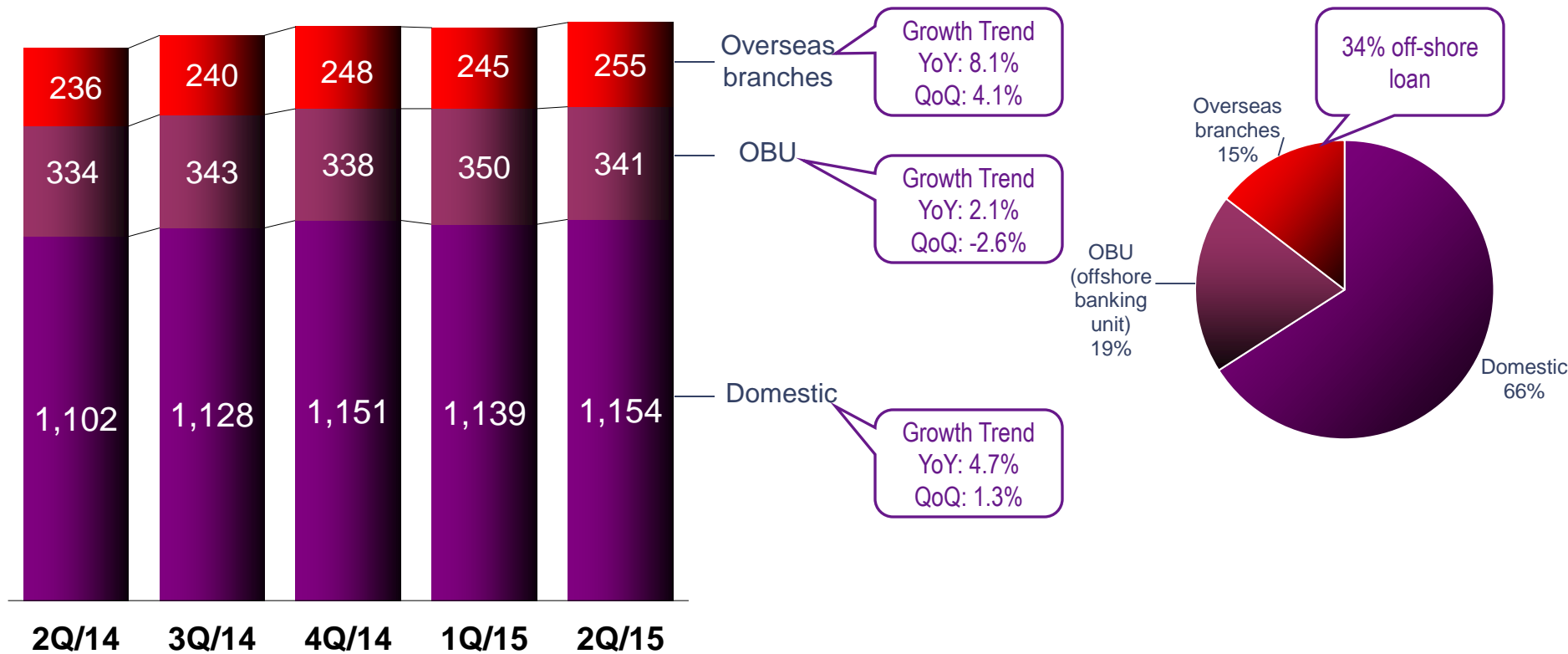


- * Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.
- ** Main growth driver for "Other Industry": hotel & restaurant industry

Overseas branches loan was up 4.1% QoQ

Mega Bank 2Q/15 loan breakdown by regions *

Unit: NT\$bn



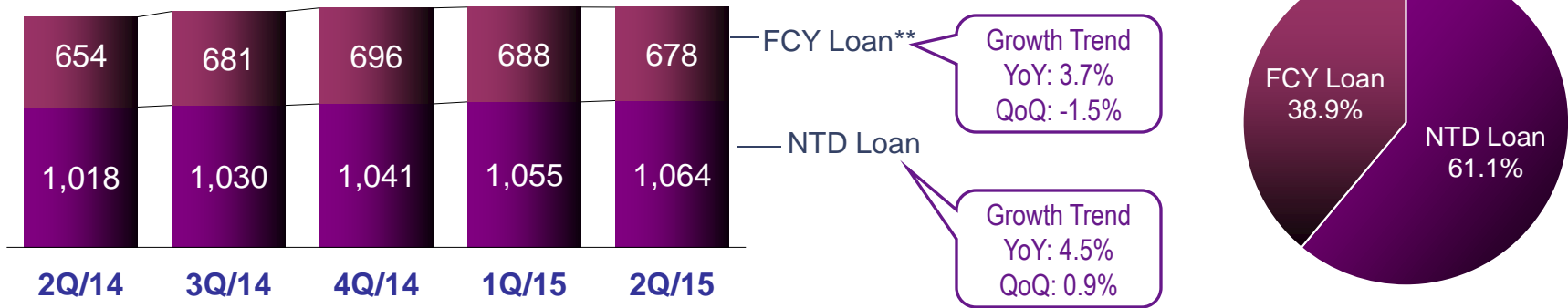
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

NTD loan growth helped offsetting declines from FCY loan

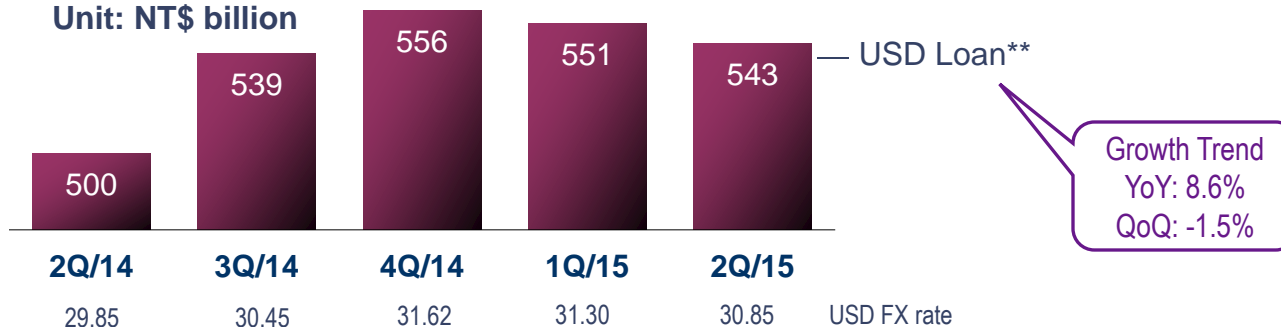
Mega Bank 2Q/15 loan breakdown by currency: NTD vs. foreign currency loan *

Unit: NT\$bn



Mega Bank USD Loan balance*

Unit: NT\$ billion



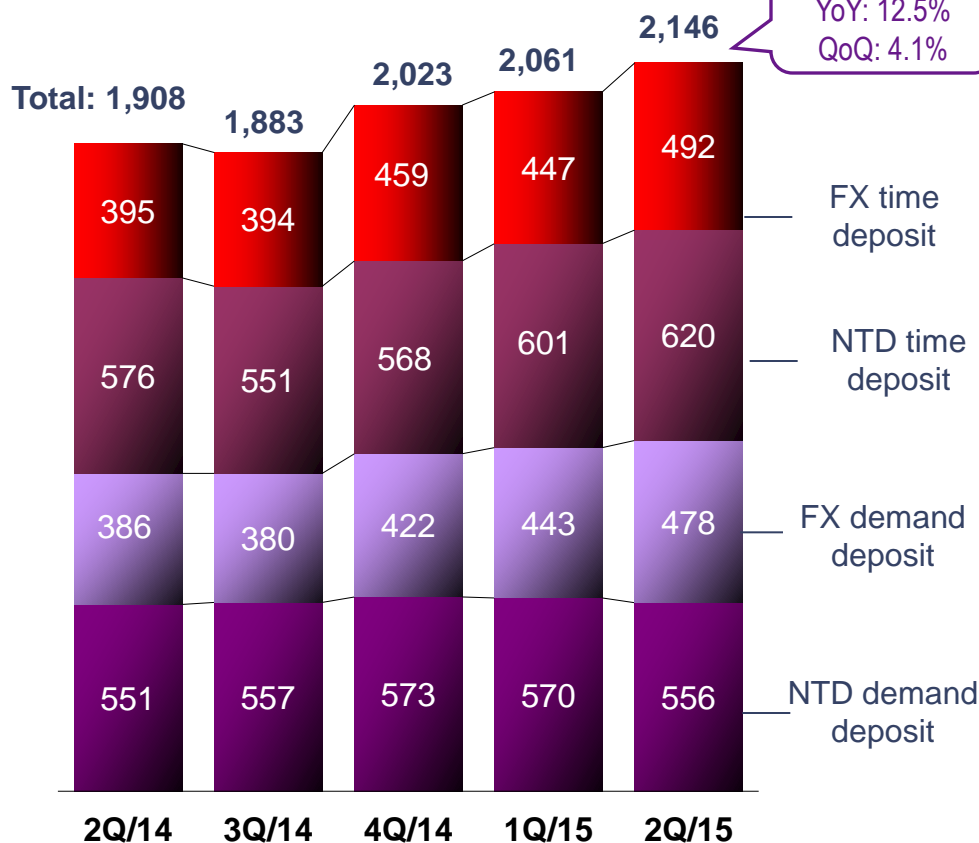
* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

Deposit was up 4.1% QoQ and 12.5% YoY

Mega Bank's deposit balance *

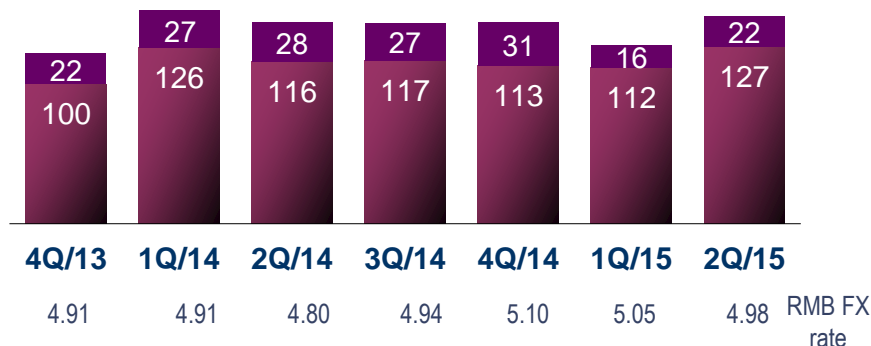
Unit:NT\$bn



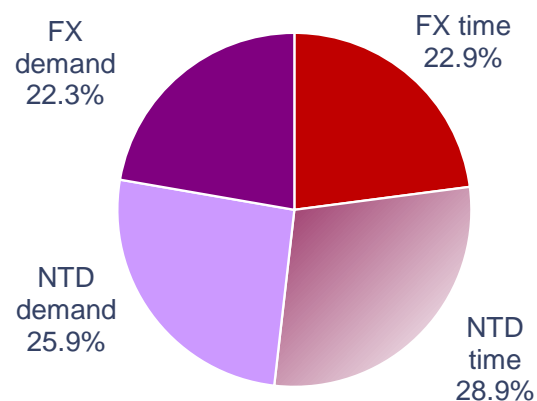
Mega Bank's RMB deposit**

Unit:NT\$bn

Interbank Retail/Corp.



Mega Bank's 2Q/15 deposit breakdown

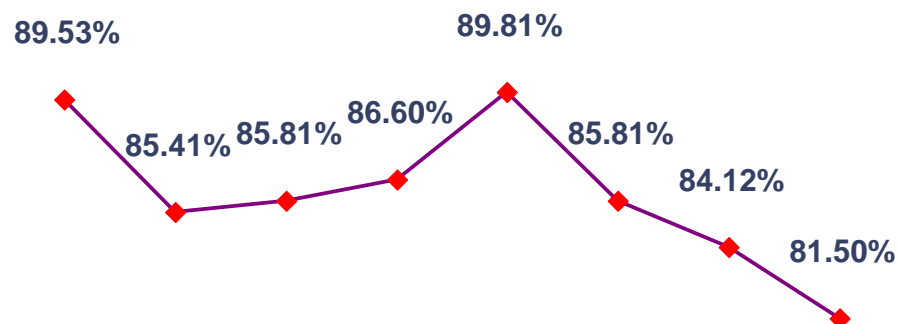


* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

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

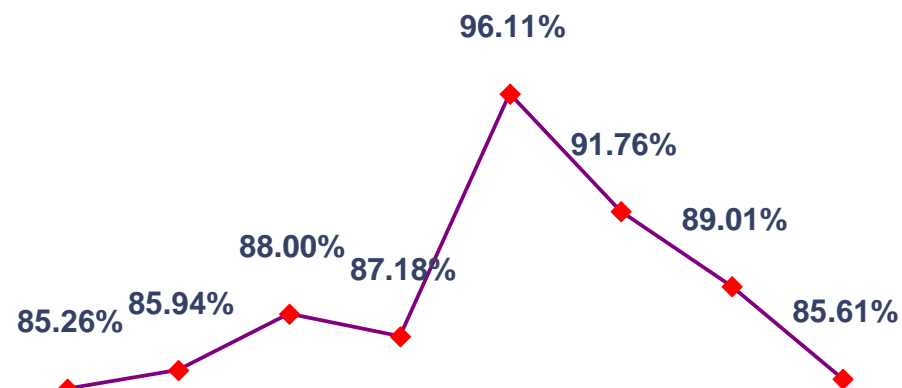
... which pushed down LDR further

Mega Bank's total LDR*



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

Mega Bank's USD LDR*



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

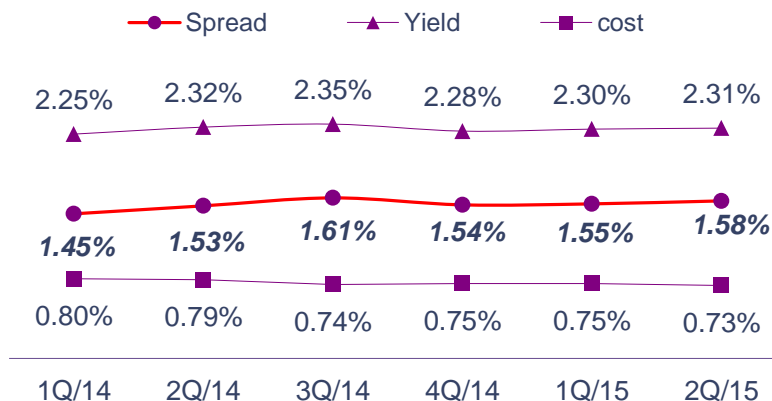
* LDR calculation is based on loan/deposit end balance

Overseas loan spread saw minor improvement

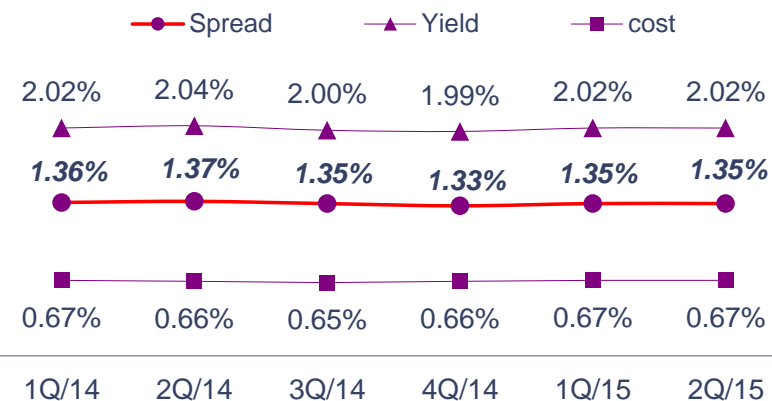
Mega Bank total loan interest spread*



Mega Bank overseas loan interest spread*



Mega Bank domestic loan interest spread*

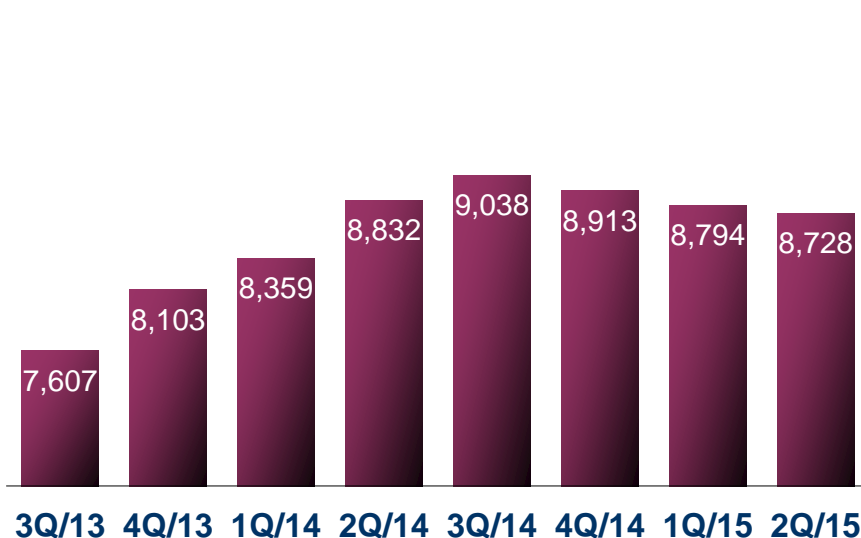


* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers..

Interest earning assets was down 10.0% QoQ

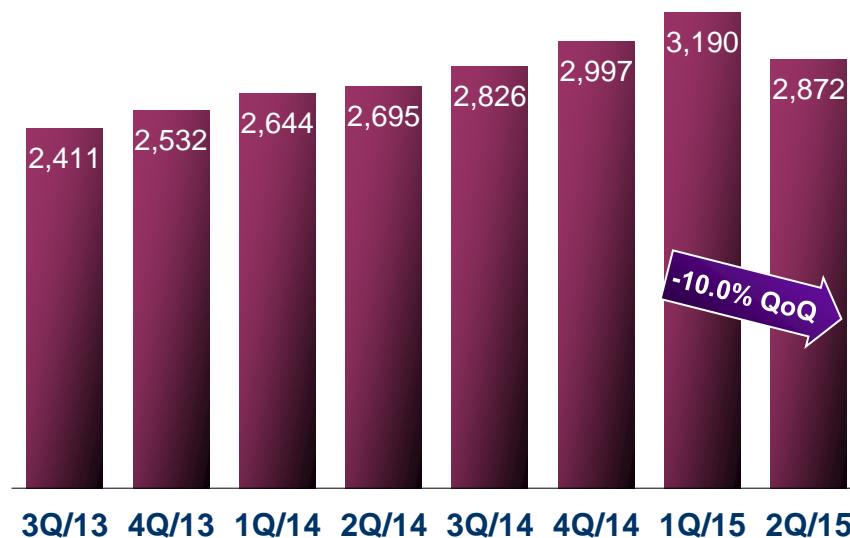
Mega Bank quarterly NII*

Unit: NT\$ million



Mega Bank quarterly interest earning assets**

Unit: NT\$ billion



- ❖ Net interest income (NII) remained relatively stable
- ❖ Interest earning assets was down 10.0% QoQ

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

** Quarterly average interest earning assets

... driven by significant declines of lower-yield USD inter-banks assets

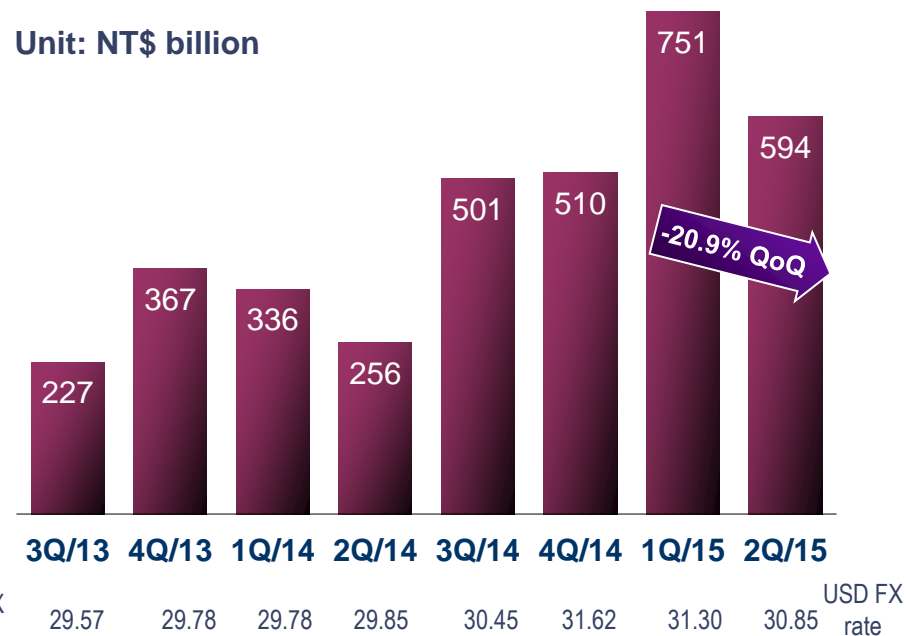
Mega Bank RMB inter-banks assets*

Unit: NT\$ billion



Mega Bank USD inter-banks assets*

Unit: NT\$ billion

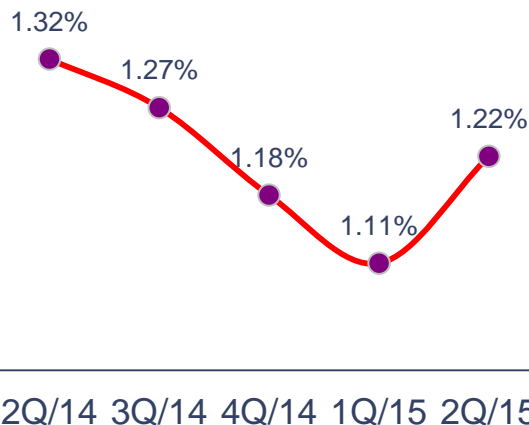


❖ Lower-yield USD inter-banks assets declined 20.9% QoQ in 2Q/2015

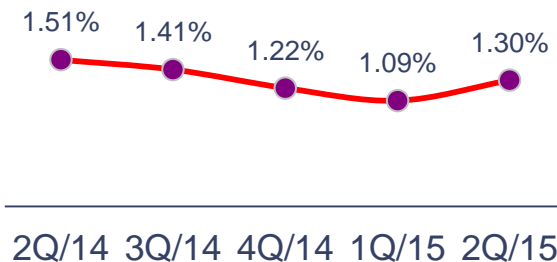
* Average end balance of that quarter; includes due from central banks, due from banks, cash and cash equivalence

...as a result, total NIM was up 11bps QoQ

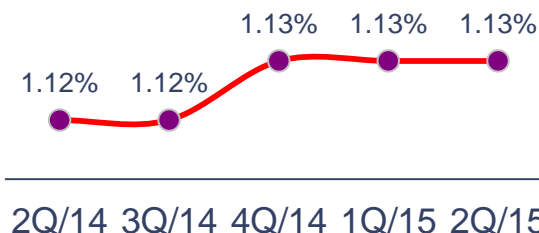
Mega Bank quarterly Total NIM*



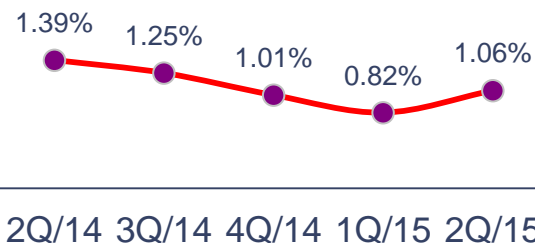
Mega Bank quarterly FCY NIM*



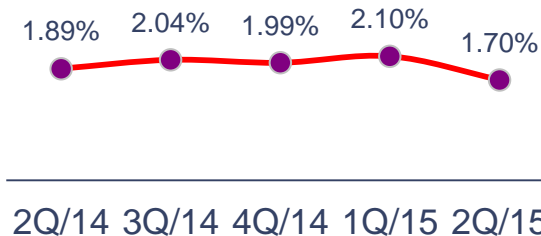
Mega Bank quarterly NTD NIM*



Mega Bank monthly USD NIM



Mega Bank monthly RMB NIM

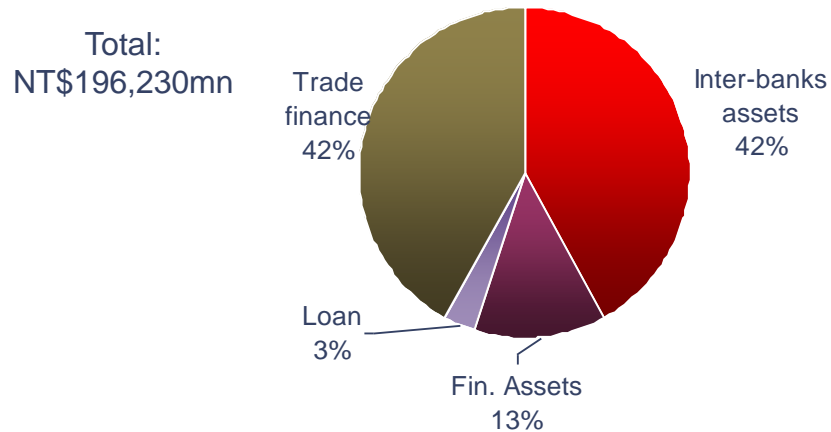


- ❖ ...significant declines of lower-yield USD inter-banks assets, lead to USD, FCY and total NIM improvement.

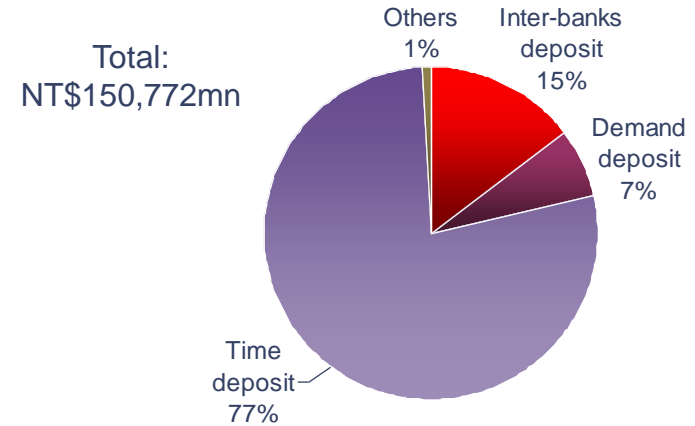
* NIM = annualized net interest income / average interest earning assets of that quarter.

RMB NIM was down; but July/2015 number showed sign of recovery

Mega Bank 2Q/15 RMB interest earning assets*

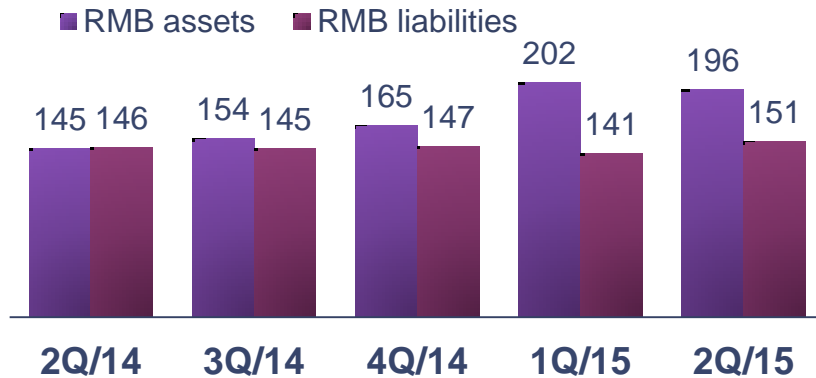


Mega Bank 2Q/15 RMB interest bearing liabilities*

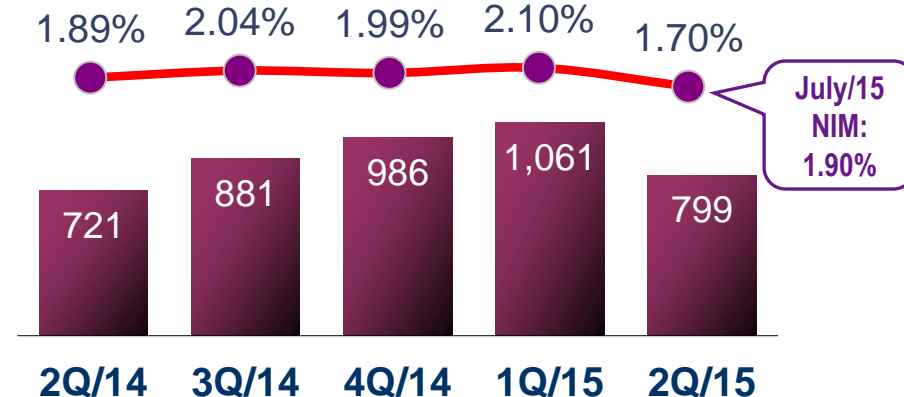


Mega Bank RMB assets & liabilities*

Unit: NT\$bn



Mega Bank RMB NIM & NII**

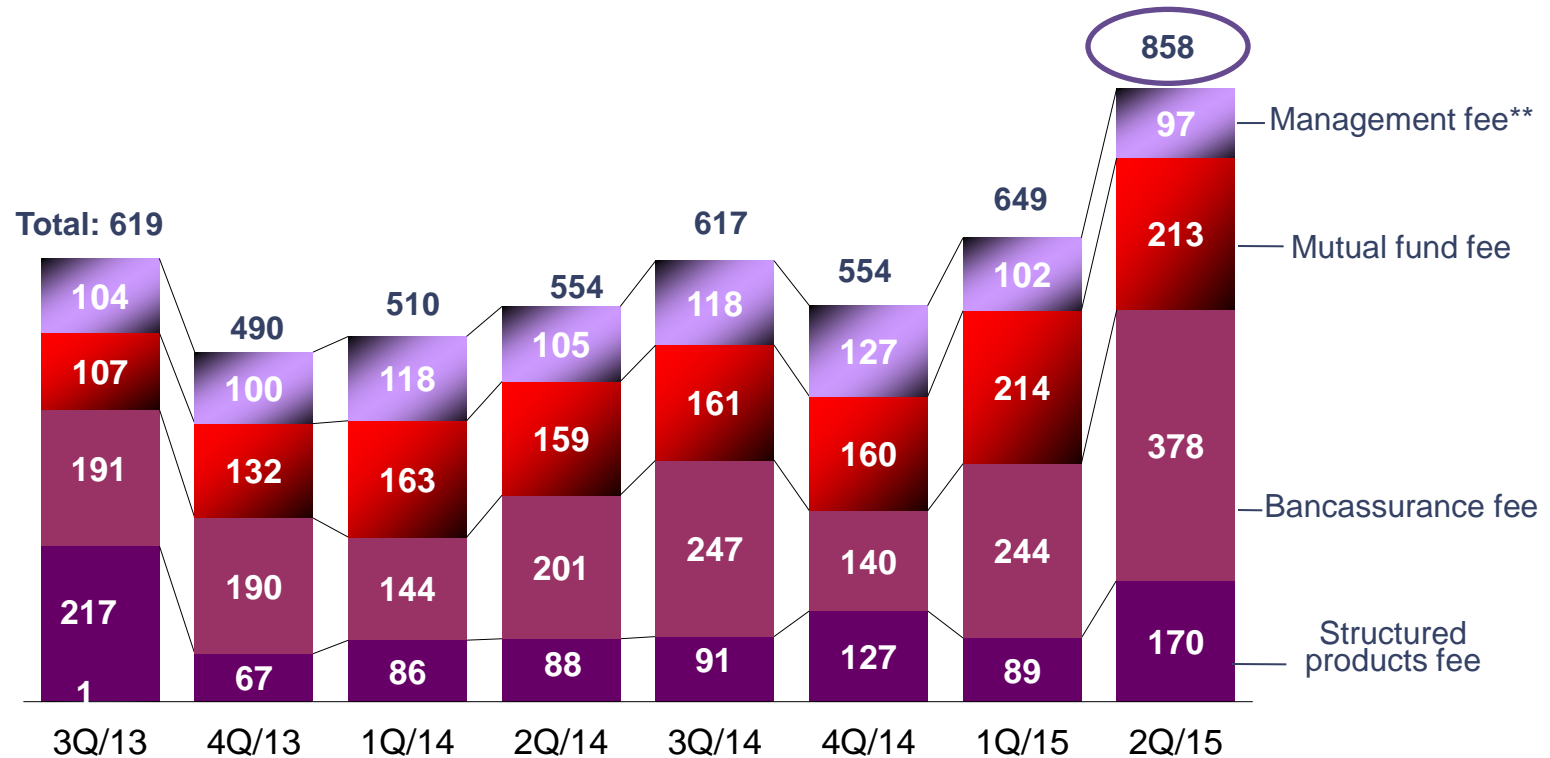


- * Daily average balance of that period
- ** NII: net interest income; NIM: net interest margin

WM fee jumped 32% QoQ, driven by strong bancassurance and structured products fee

Mega Bank wealth management gross fee breakdown*

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 up 7% YoY, driven by WM and corp. loan fee growth

Mega Bank net fee breakdown

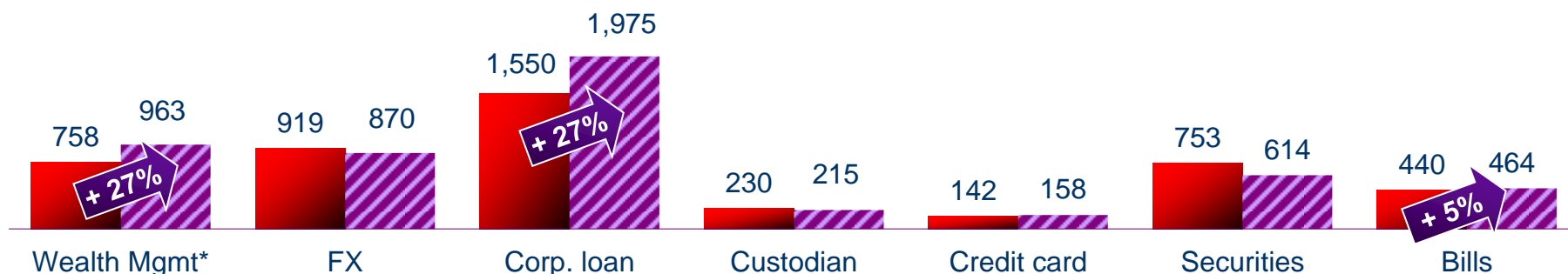
Mega Securities net fee

Mega Bills net fee

■ 1H/14

■ 1H/15

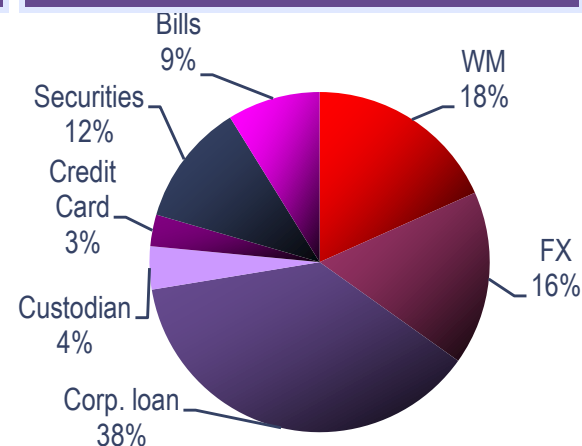
Unit: NT\$MN



Highlights

- ❖ Bank WM net fee was up 27% YoY due to strong bancassurance and structure products sales fee.
- ❖ Bank corp. loan fee was up 27% YoY, driven by syndication loan fee.
- ❖ Securities sub. fee was down 18% YoY due to poor equity market trading volume.
- ❖ Bills sub. fee was up 5% YoY due to better CP issuance fee.

Mega FHC 1H/15 net fee breakdown



* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

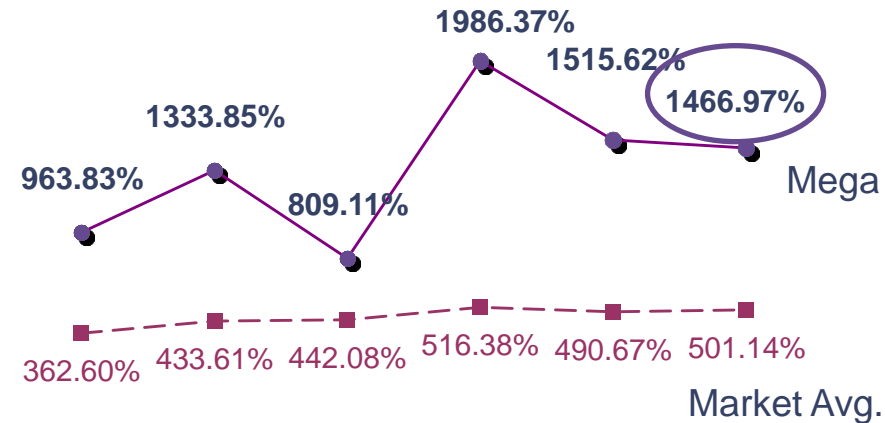
Asset quality remained strong

Mega Bank NPL balance & NPL ratio*

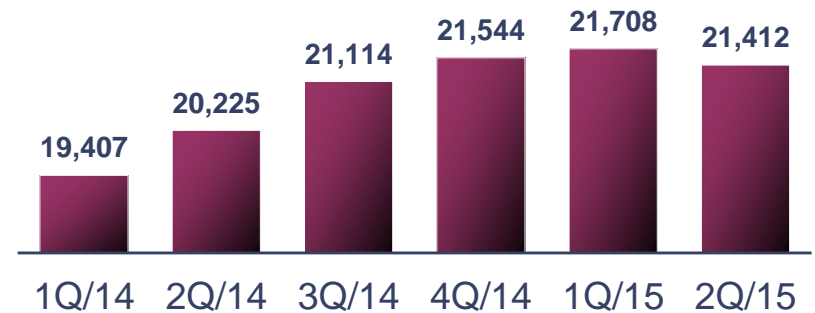
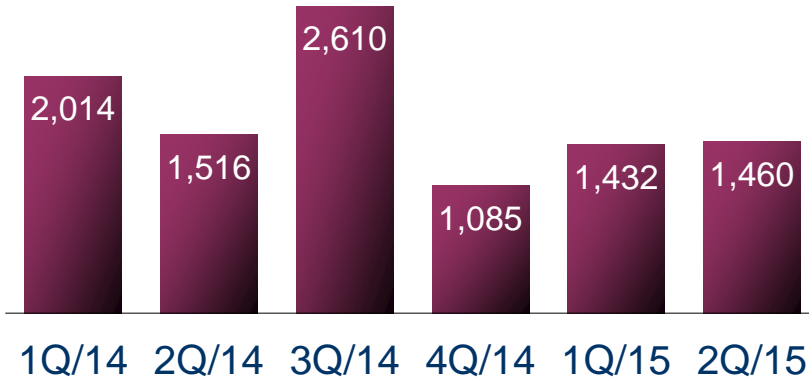


Unit: NT\$MN

Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



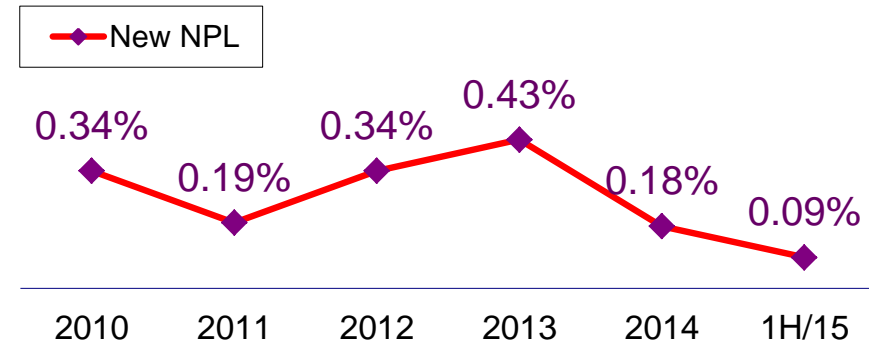
* 90 days standard

New NPL hit new low

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



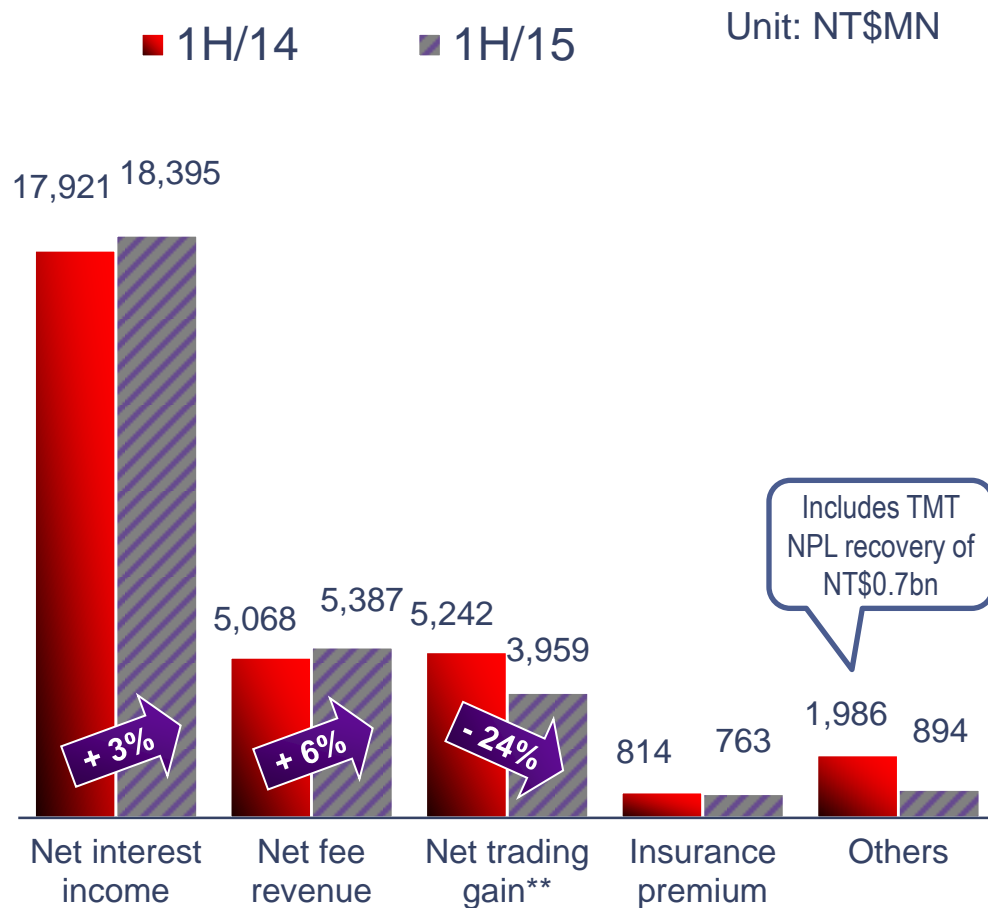
Financial Performance



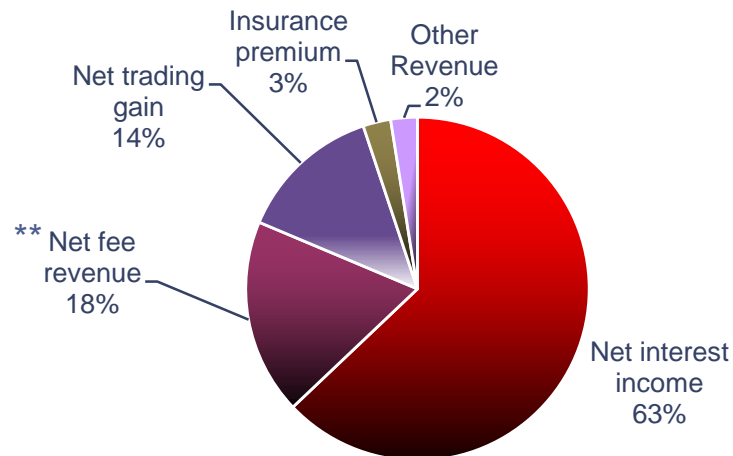
Appendix

NII was up 3% YoY; fee was up 6% YoY

Mega Group consolidated net revenue *



Mega Group 1H/2015 net revenue breakdown



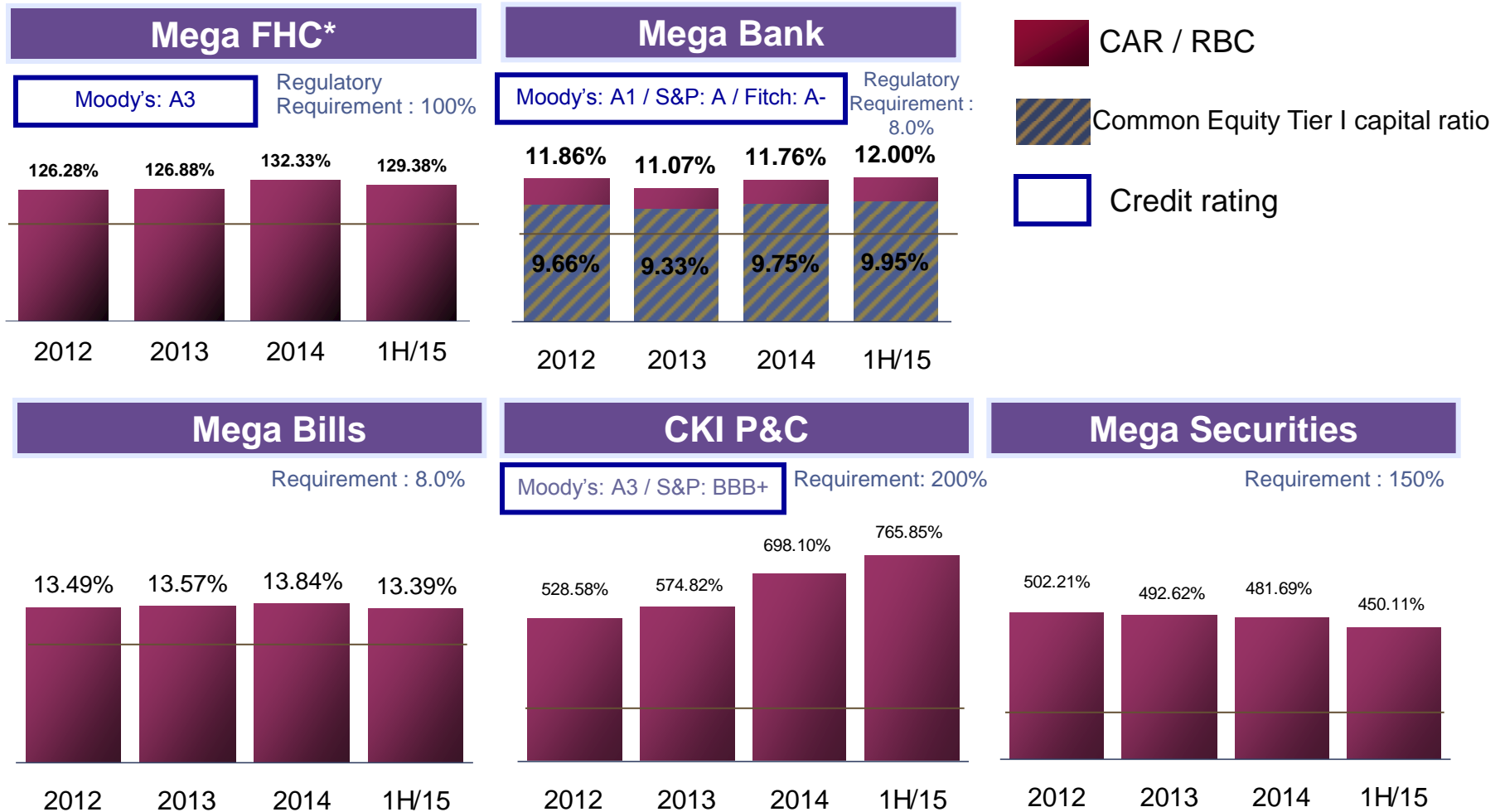
Highlights

- ❖ NII was up 3% YoY due to mild loan growth.
- ❖ Fee revenue was up 6% YoY due to strong WM and bills fee.
- ❖ Trading gain was down 24% YoY due to equity and convertible bond position mark-to-market losses.

* 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**

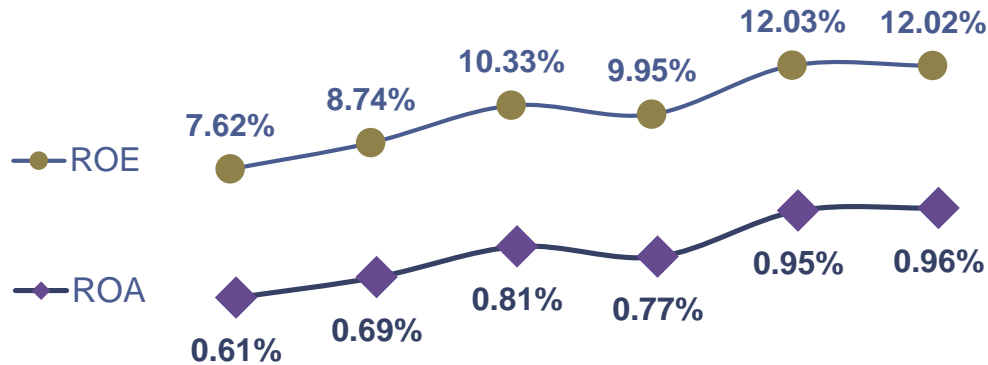


* FHC CAR is calculated based on net investments in subsidiaries

** 1H/15 are un-audited BASEL III numbers.

Consistent profitability and attractive dividend policy

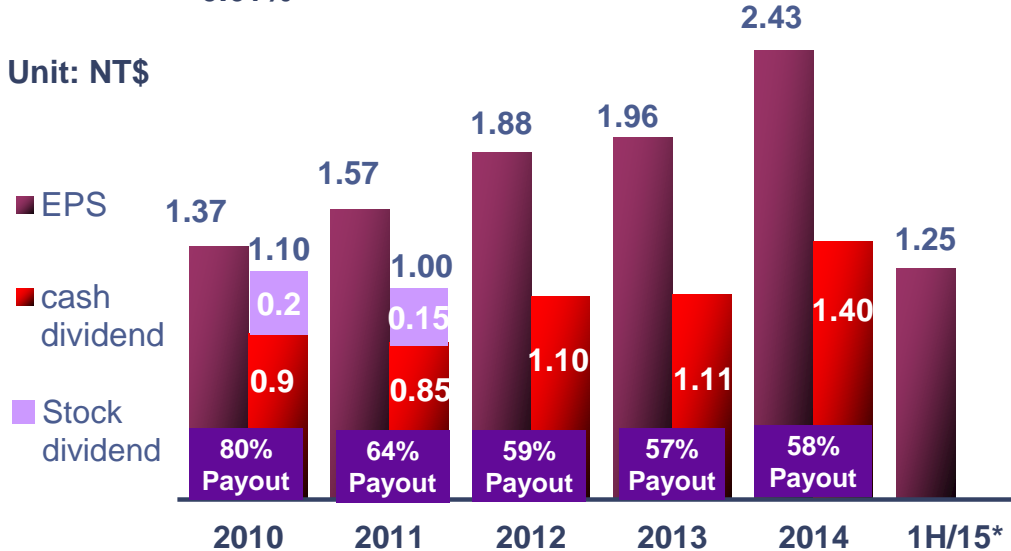
Key Profitability Ratios



❖ 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.

Unit: NT\$



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

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

<i>NT\$MN, except per share data</i>	1H/2015*	1H/2014	YoY	2014
Net interest income	18,395	17,921	3%	36,674
Net fee revenue	5,387	5,068	6%	11,121
Insurance premium	763	814	-6%	1,529
Gain from fin. assets at fair value thru P&L	1,481	2,855	-48%	3,826
Available for sales asset gain	1,093	1,013	8%	1,812
Equity method investment gain	154	47	228%	152
FX spread gain	986	1,388	-29%	3,283
Asset impairment loss (write-back)	-265	-85	212%	-374
Property gain	510	24	-	-
NPL recovery gain	162	1,196	-	1,298
Other non-interest revenue (net)	732	790	-7%	1,183
Operating net revenue	29,398	31,031	-5%	60,504
Operating expense	-11,948	-11,080	8%	-23,795
Pre-provision operating profit	17,450	19,951	-13%	36,709
Provision expense on loan	1,917	-662	-390%	-1,588
Reserved on insurance	113	64	-	208
Pretax profit	19,480	19,353	1%	35,329
Tax	-4,027	-3,219	25%	-5,089
Minority shareholder interest	66	9	-	19
Net profit	15,519	16,143	-4%	30,259
EPS (NT\$)	1.25	1.30	-4%	2.43

Cost-to-income ratio:
40.6%; includes
\$0.22bn donation to
Hua-Long Textile
employee

TMT NPL
recovery
\$0.7bn

Includes Hua-Long
Textile recovery of
\$0.99bn +
Powerchip recovery of
\$0.64bn

* Un-audited consolidated P&L.

1H/2015 Mega FHC consolidated balance sheet*

NT\$MN	1H/2015*	1H/2014	YoY	2014	YTD
Assets:					
Cash and due from banks	478,613	463,865	3%	635,381	-25%
Bills and bonds under RP agreement	5,157	5,641	-9%	11,874	-57%
Fin. assets at fair value through P&L	173,345	175,726	-1%	181,367	-4%
AFS financial assets	312,596	276,349	13%	280,699	11%
HTM financial assets	174,098	178,963	-3%	163,997	6%
Other financial assets	20,815	20,700	1%	20,269	3%
A/R, net	221,799	203,644	9%	201,279	10%
Loan, net	1,751,864	1,668,969	5%	1,734,481	1%
Equity method LT investments, net	2,948	2,680	10%	2,663	11%
Land, premises and equipments, net	23,339	24,352	-4%	24,162	-3%
Others	12,268	13,034	-6%	18,764	-35%
Total assets	3,176,842	3,033,923	5%	3,274,936	-3%
Liabilities					
Due to banks	362,221	415,606	-13%	528,530	-31%
Deposits	2,157,860	1,915,959	13%	2,035,625	6%
CP & Bond payable	62,102	69,087	-10%	71,563	-13%
Bills & bonds sold under repurchase agreement	180,551	233,201	-23%	222,507	-19%
Other liabilities	158,124	154,139	3%	155,643	2%
Total liabilities	2,920,858	2,787,992	5%	3,013,868	-3%
Capital stock (common stock)	124,498	124,498	0%	124,498	0%
Capital surplus	55,269	55,274	0%	55,274	0%
Retain earning	75,696	63,557	19%	77,856	-3%
Equity adjustment items	364	2,419	-	3,277	-
Minority shareholder interest	158	183	-14%	162	-2%
Total stockholders' equity	255,985	245,931	4%	261,067	-2%
Total liabilities and stockholders' equity	3,176,843	3,033,923	5%	3,274,935	-3%
Book value per share (NT\$)	20.55	19.74	4%	20.96	-2%

* Un-audited consolidated balance sheet.

1H/2015 Mega Bank P&L statement*

<i>NT\$MN, except per share data</i>	1H/2015*	1H/2014	YoY	2014
Net interest income	17,645	17,254	2%	35,292
Net fee revenue	4,255	3,971	7%	7,521
Gain from fin. assets at fair value thru P&L	243	1,507	-84%	1,370
Available for sales asset gain	766	638	20%	1,277
Equity method investment gain	134	44	205%	114
FX spread gain	1,015	411	-28%	3,239
Asset impairment loss (write-back)	-265	-69	-	-217
NPL disposal gain	0	703	-	-
Other non-interest revenue (net)	497	421	18%	2,540
Operating net revenue	24,290	25,880	-6%	51,136
Operating expense	-9,531	-8,586	11%	-18,659
Pre-provision operating profit	14,759	17,294	-15%	32,477
Provision expense on loan	2,059	-1,144	-	-2,249
Pretax profit	16,818	16,150	4%	30,228
Tax	-3,016	-2,291	32%	-4,293
Net profit	13,802	13,859	0%	25,935
EPS (NT\$)	1.78	1.80	-1%	3.37

Cost-to-income ratio:
39.2%; includes
\$0.22bn donation to
Hua-Long Textile
employee

TMT NPL
recovery

Includes Hua-Long
Textile recovery of
\$0.99bn +
Powerchip recovery of
\$0.64bn

* Un-audited consolidated P&L.

1H/2015 Mega Bank balance sheet*

NT\$MN	1H/2015*	1H/2014	YoY	2014	YTD
Assets:					
Cash and due from banks	475,252	459,763	3%	630,105	-25%
Bills and bonds under RP agreement	7,811	4,375	79%	5,850	34%
Fin. assets at fair value through P&L	39,937	38,409	4%	43,697	-9%
AFS financial assets	209,309	183,209	14%	187,345	12%
HTM financial assets	172,442	177,292	-3%	162,084	6%
Other financial assets	13,493	13,376	1%	13,651	-1%
A/R, net	189,602	170,349	11%	171,054	11%
Loan, net	1,746,387	1,668,969	5%	1,734,481	1%
Equity method LT investments, net	2,918	2,725	7%	2,733	7%
Land, premises and equipments, net	15,127	15,076	0%	15,174	0%
Others (net)	7,040	6,557	7%	10,712	-34%
Total assets	2,879,318	2,740,100	5%	2,976,886	-3%
Liabilities					
Due to banks	342,819	408,958	-16%	515,603	-34%
Deposits	2,160,264	1,927,259	12%	2,037,885	6%
CP & Bond payable	44,200	55,900	-21%	50,200	-12%
Bills & bonds sold under repurchase agreement	12,293	57,904	-79%	50,190	-76%
Other liabilities	92,686	84,185	10%	104,332	-11%
Total liabilities	2,652,262	2,534,206	5%	2,758,210	-4%
Capital stock (common stock)	80,000	77,000	4%	77,000	4%
Capital surplus	52,019	46,502	12%	46,502	12%
Retain earning	94,937	80,403	18%	92,465	3%
Equity adjustment items	101	1,988	-95%	2,708	-96%
Total stockholders' equity	227,057	205,893	10%	218,675	4%
Total liabilities and stockholders' equity	2,879,319	2,740,099	5%	2,976,885	-3%
Book value per share (NT\$)	28.38	26.74	6%	28.40	0%

* Un-audited consolidated balance sheet.

Agenda



Operation Highlights



Financial Performance



Appendix

39 offices in 19 countries; 15 offices in SE Asia

Mega Bank's Overseas Franchise



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