



Mega Holdings

**1Q / 2012** (v.1)

**Investor/Analyst Briefing**



# DISCLAIMER

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**THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2012 ARE UN-AUDITED RESULT. MEGA FHC HAS FILED ITS AUDITED INTERIM FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MAY 15, 2012.**

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# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

# 1Q/2012 performance summary\*

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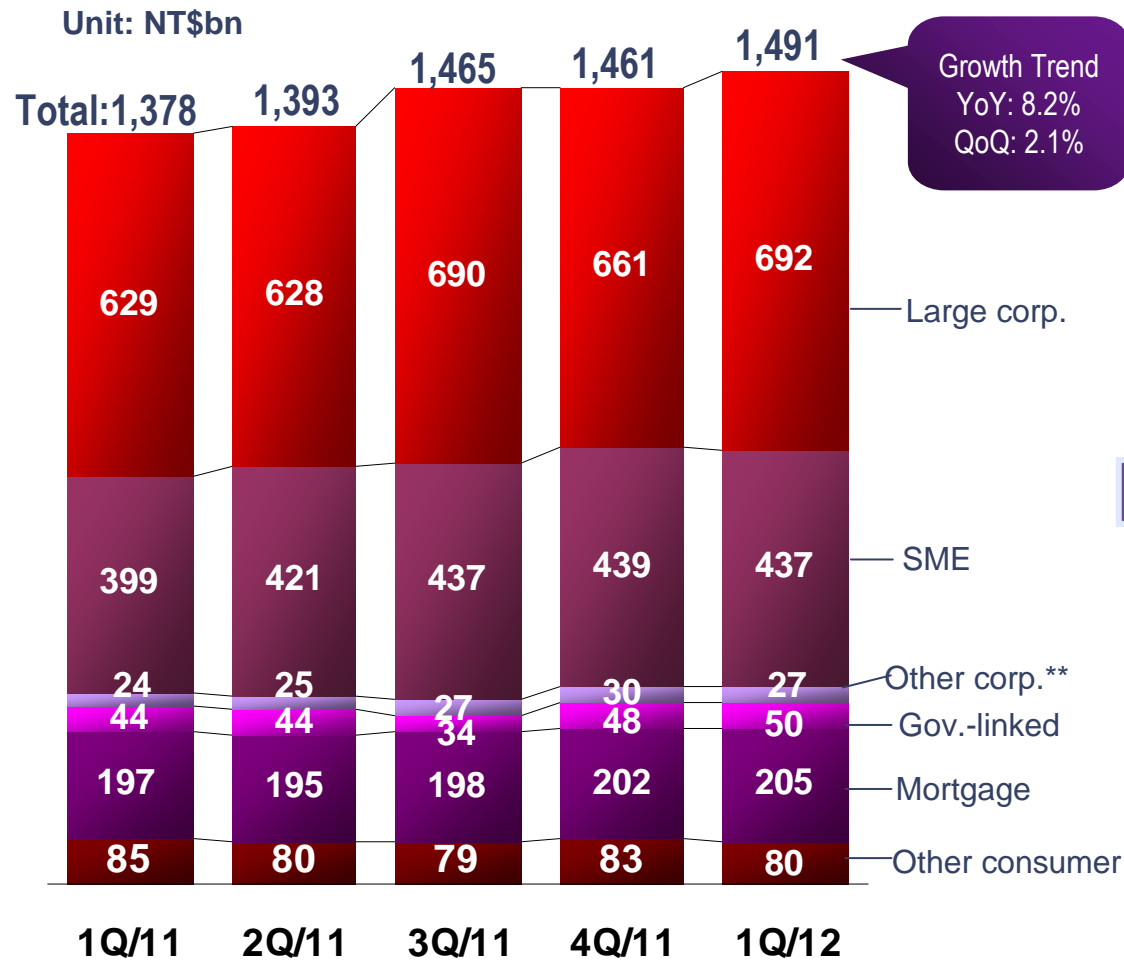
- ❖ Total loan was up 2% QoQ and 8% YoY, driven by large corporate loan demand.
- ❖ ... in traditional manufacturing, real estate, retail/wholesales and financial industries.
- ❖ OBU/overseas branches loan were flat; while domestic loan was up 3% QoQ and 4% YoY.
- ❖ Similarly FCY loan was little changed; while NTD loan was up 4% QoQ and 7% YoY.
- ❖ LLR / total loan ratio stood at 1.04%; NPL ratio improved slightly to 0.20% with 527% coverage ratio.
- ❖ ...as annualized new NPL formation was only 0.09%.
- ❖ Total deposit growth picked up 6% YoY, which yielded 94% LDR.
- ❖ Bank 1Q/12 NIM was up 3bps to 1.22% vs. 4Q/11, improved for 5 consecutive quarters.
- ❖ Bank fee was up 7% YoY, driven by strong syndication loan fee and bancassurance fee.
- ❖ FHC fee was flat as bank fee growth were off-set by the brokerage fee decline.
- ❖ FHC net revenue was up 18% YoY, driven by strong NII and trading gain.
- ❖ FHC cost-to-income ratio was down to 37%.
- ❖ Bank annualized net provision expense was 11bps(NT\$419m).
- ❖ 1Q/12 yielded respectable ROE (12.8%) and ROA (1.06%) numbers.
- ❖ Bank tier-one capital ratio maintained at 9.27%.
- ❖ 2011 dividend policy: \$0.85 in cash and \$0.15 in stock.
- ❖ Suzhou branch is expected to open in 1H/2012.

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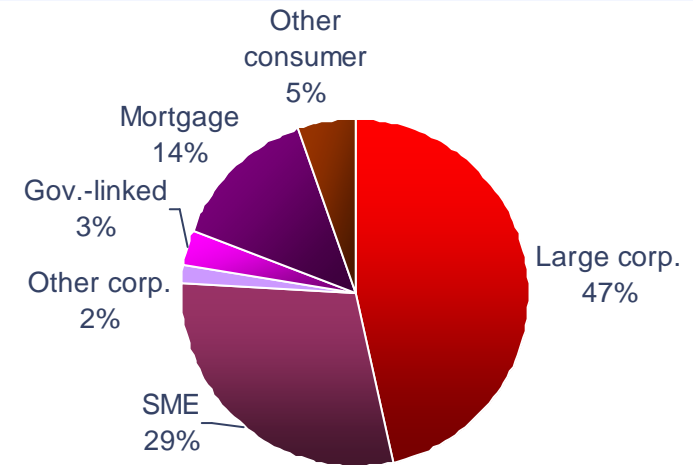
\* 1Q/2012 un-audited internal numbers, unless specified otherwise.

# Loan growth was led by large corp. lending.

Mega Bank quarterly loan balance\*



Mega Bank 1Q/12 loan breakdown by customer



## Highlights

- ❖ Large corp. loan was up 10.0% YoY and 4.7% QoQ, SME loan was up 9.5% YoY but flat QoQ.
- ❖ Total loan was up 8.2% YoY and 2.1% QoQ.
- ❖ Large corp. loan demand remained healthy; however, SME loan stayed flat for 3 consecutive quarters, amid tougher macro environment.

\* 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.

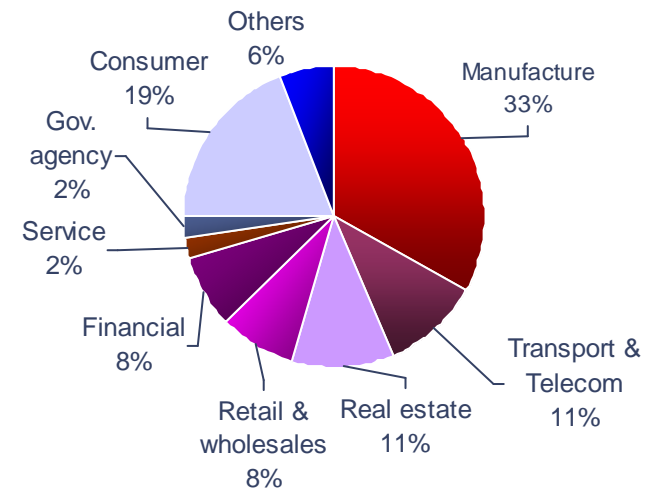
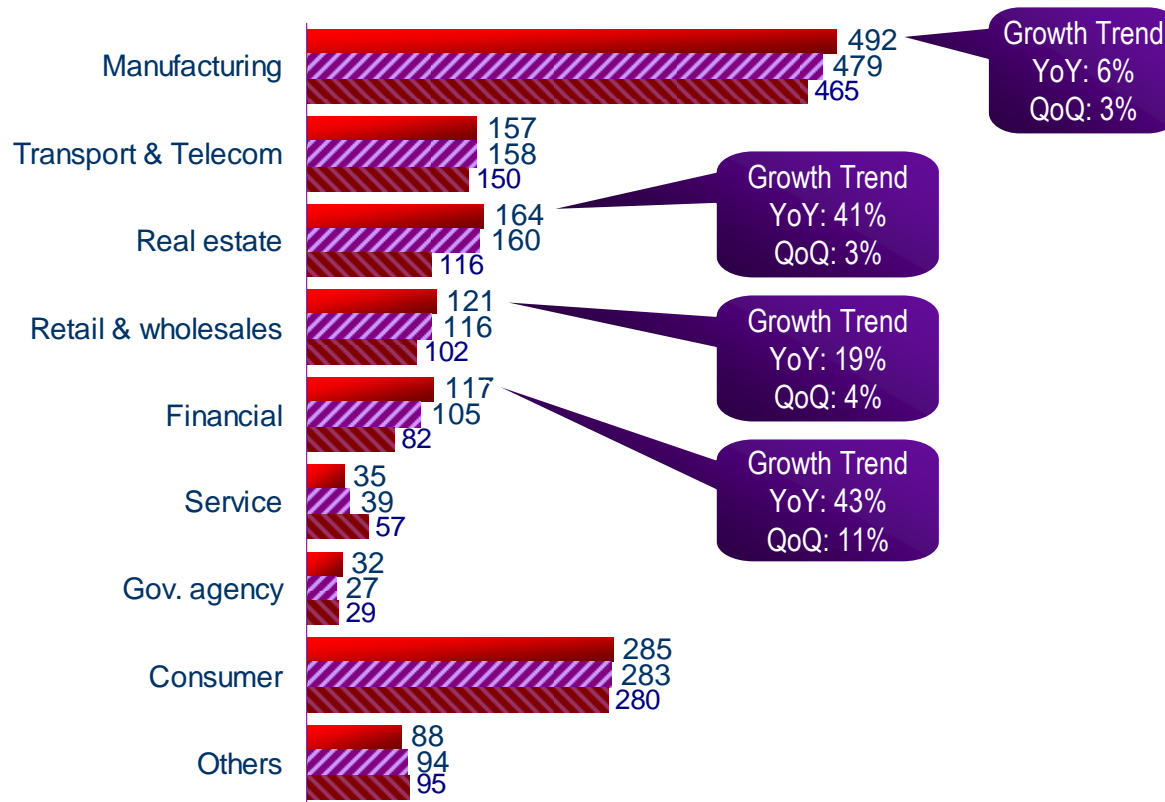
# Non-manufacturing related growth continued.

Mega Bank loan balance trend by industry\*

Mega Bank 1Q/12 loan breakdown by industry\*

■ 1Q/12   ■ 4Q/11   ■ 1Q/11

Unit: NT\$BN

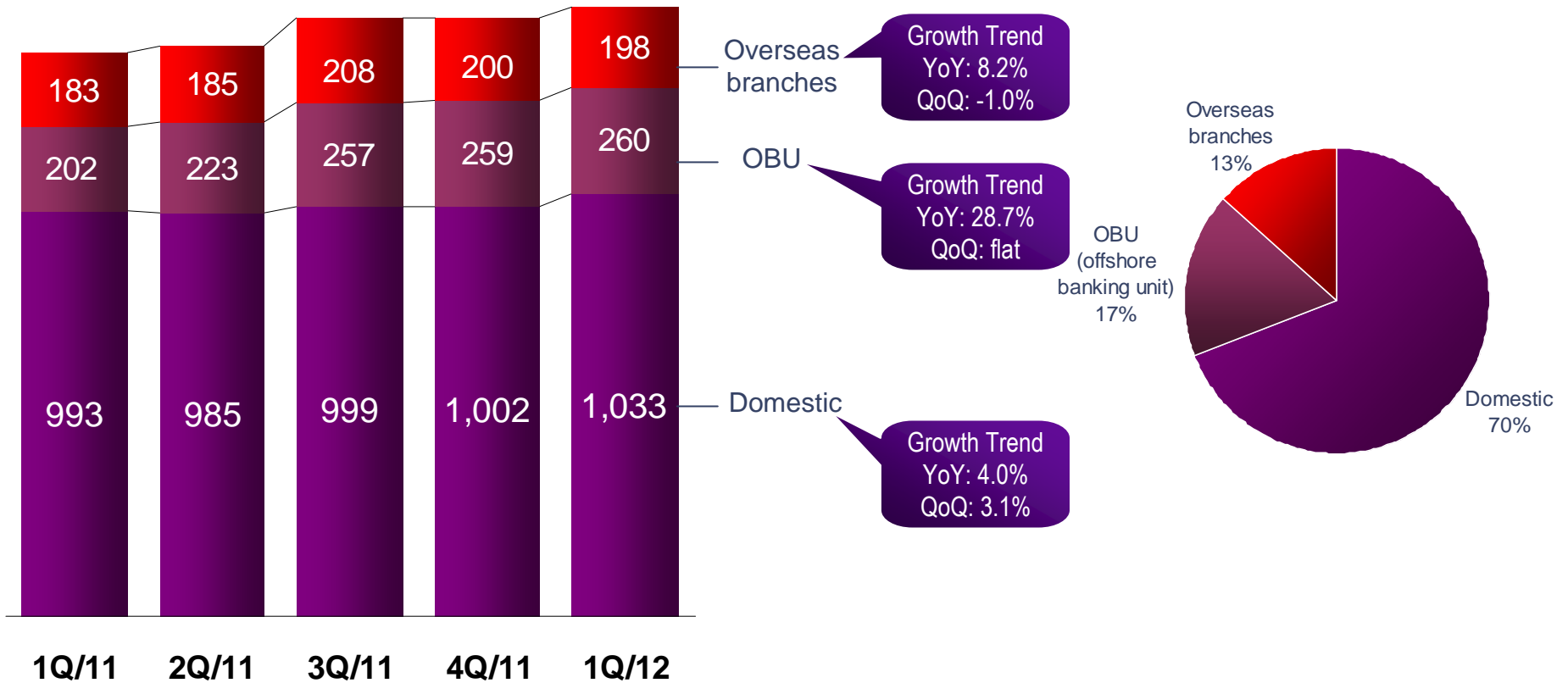


\* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

# Domestic loan contributed the growth this time.

Mega Bank 1Q/12 loan breakdown by regions \*

Unit: NT\$bn



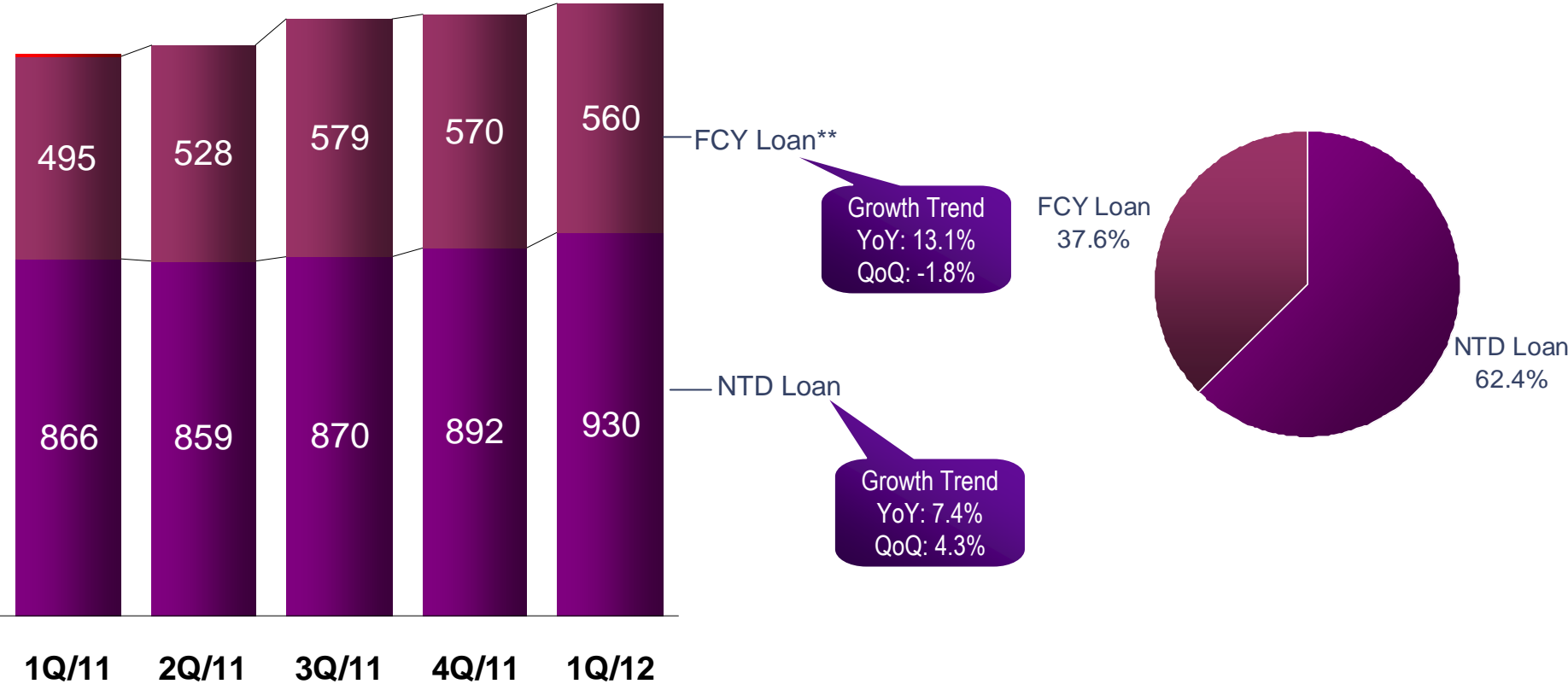
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

\*\* OBU stands for Off-shore Banking Unit

# NTD loan growth picked up.

Mega Bank 1Q/12 loan breakdown by currency: NTD vs. foreign currency loan \*

Unit: NT\$bn

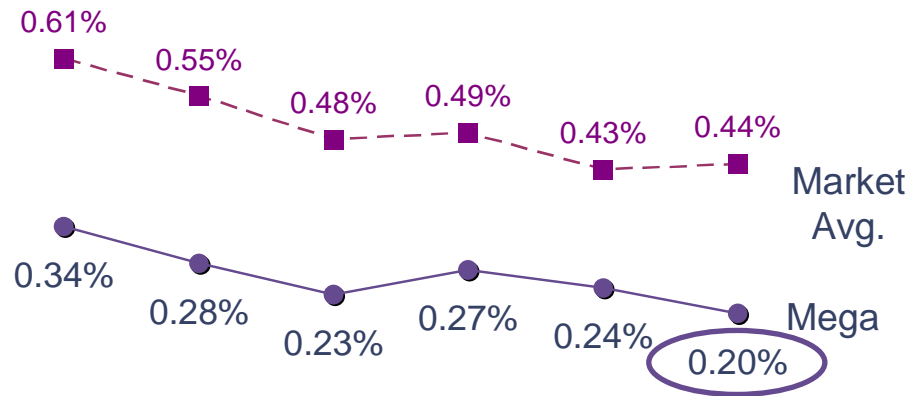


\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee. Foreign currency loan includes OBU, overseas branch and some domestic branch loan.

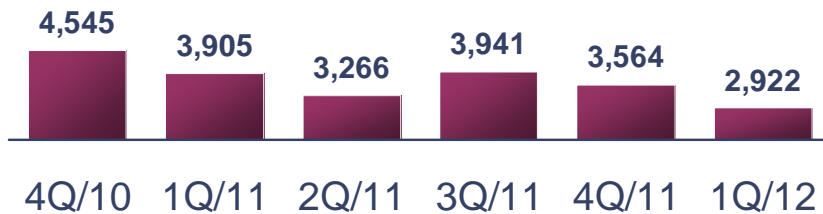


# Asset quality remained intact.

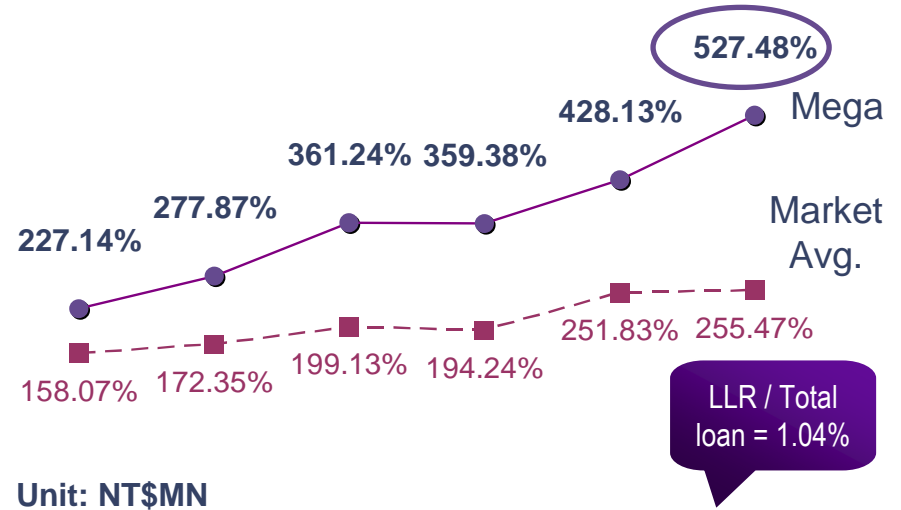
Mega Bank NPL balance & NPL ratio\*



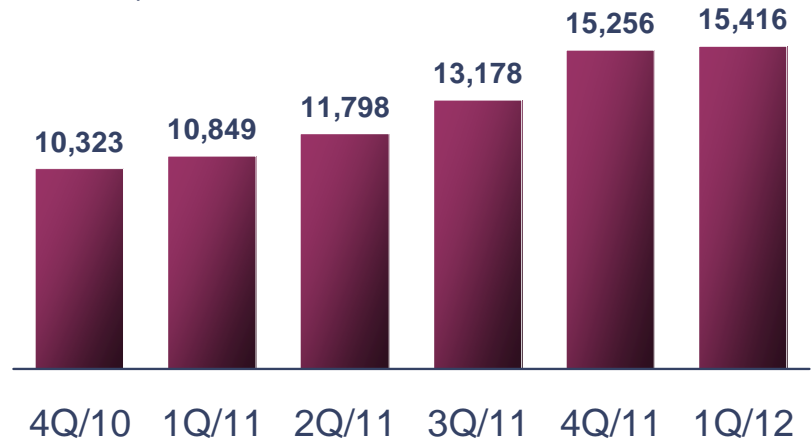
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN

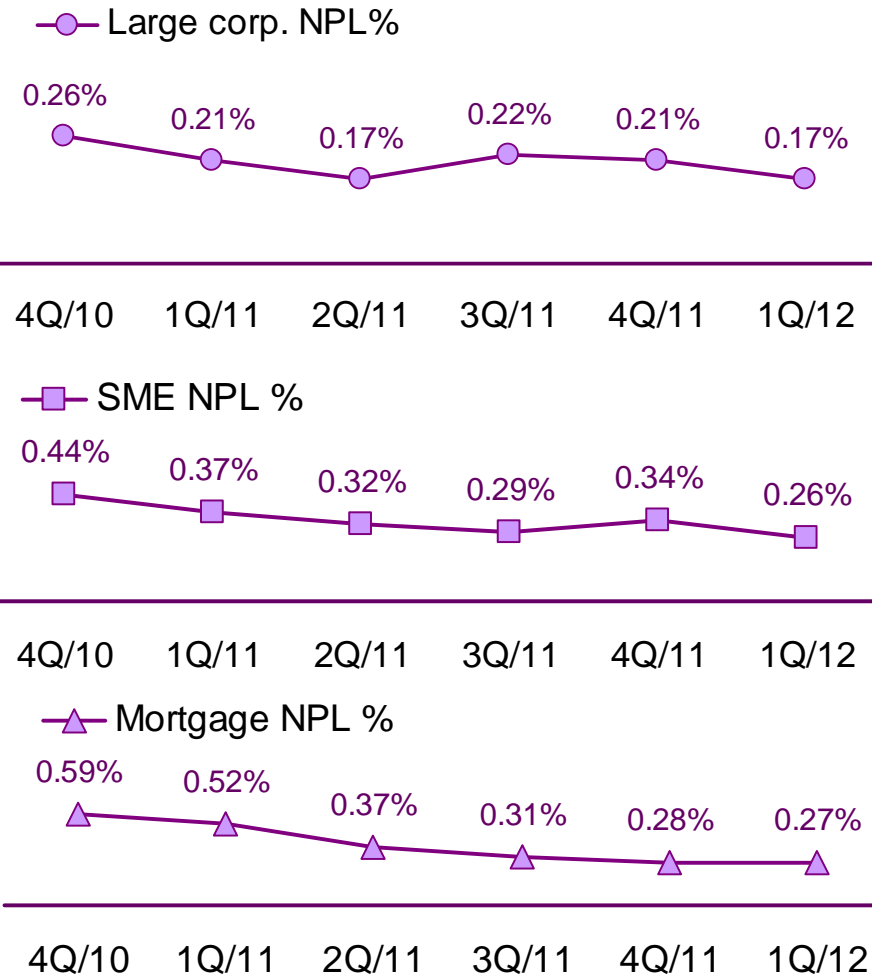


LLR / Total loan = 1.04%

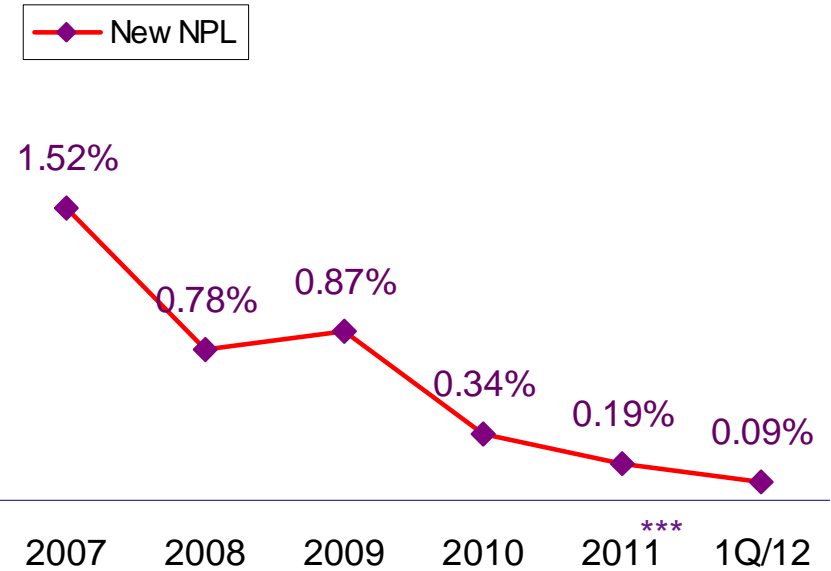
\* 90 days standard

# New NPL influx was down to 0.09%.

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.

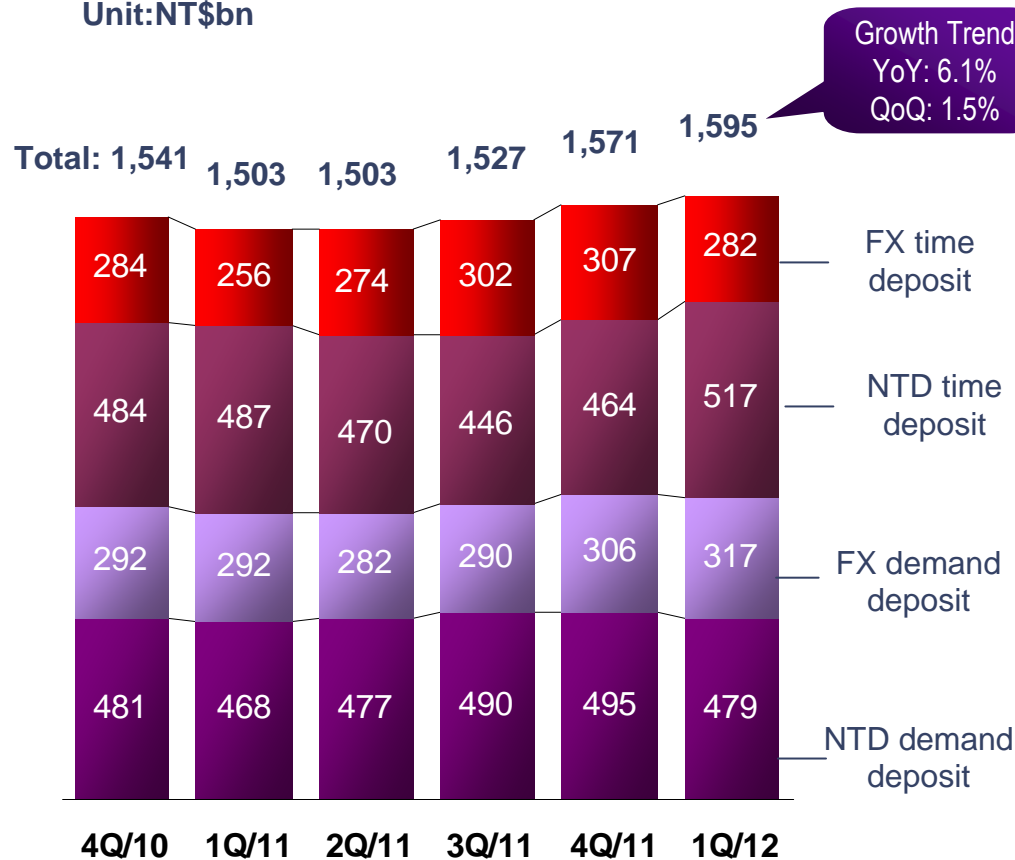
\*\* Annualized new NPL balance / total loan. Mega Bank Internal number.

\*\*\* Promos exposure(NT\$2.9bn) was initially classified as new NPL influx in 3Q/11 but was deducted from NPL when entered into restructuring program.

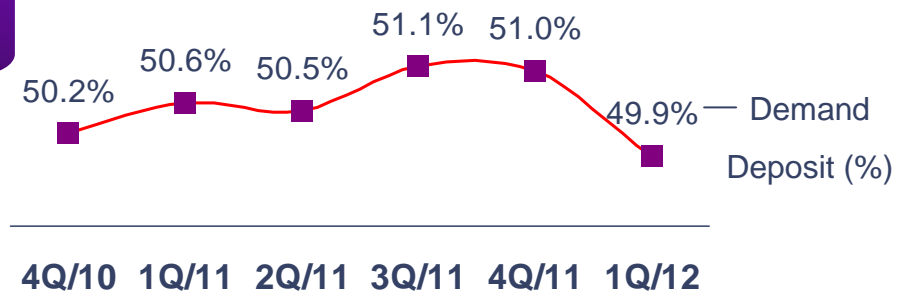
# Deposit growth picked up.

## Mega Bank's deposit balance \*

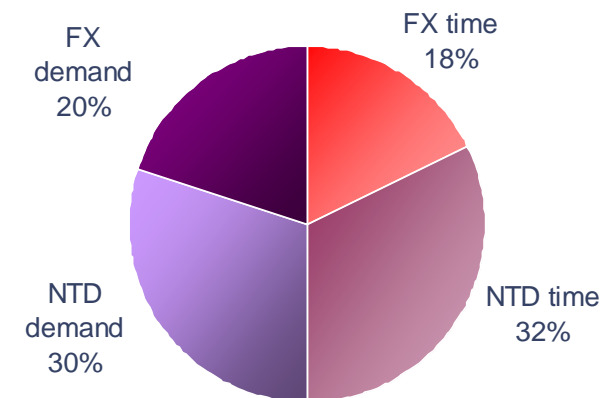
Unit:NT\$bn



## Mega Bank's demand deposit trend (%)



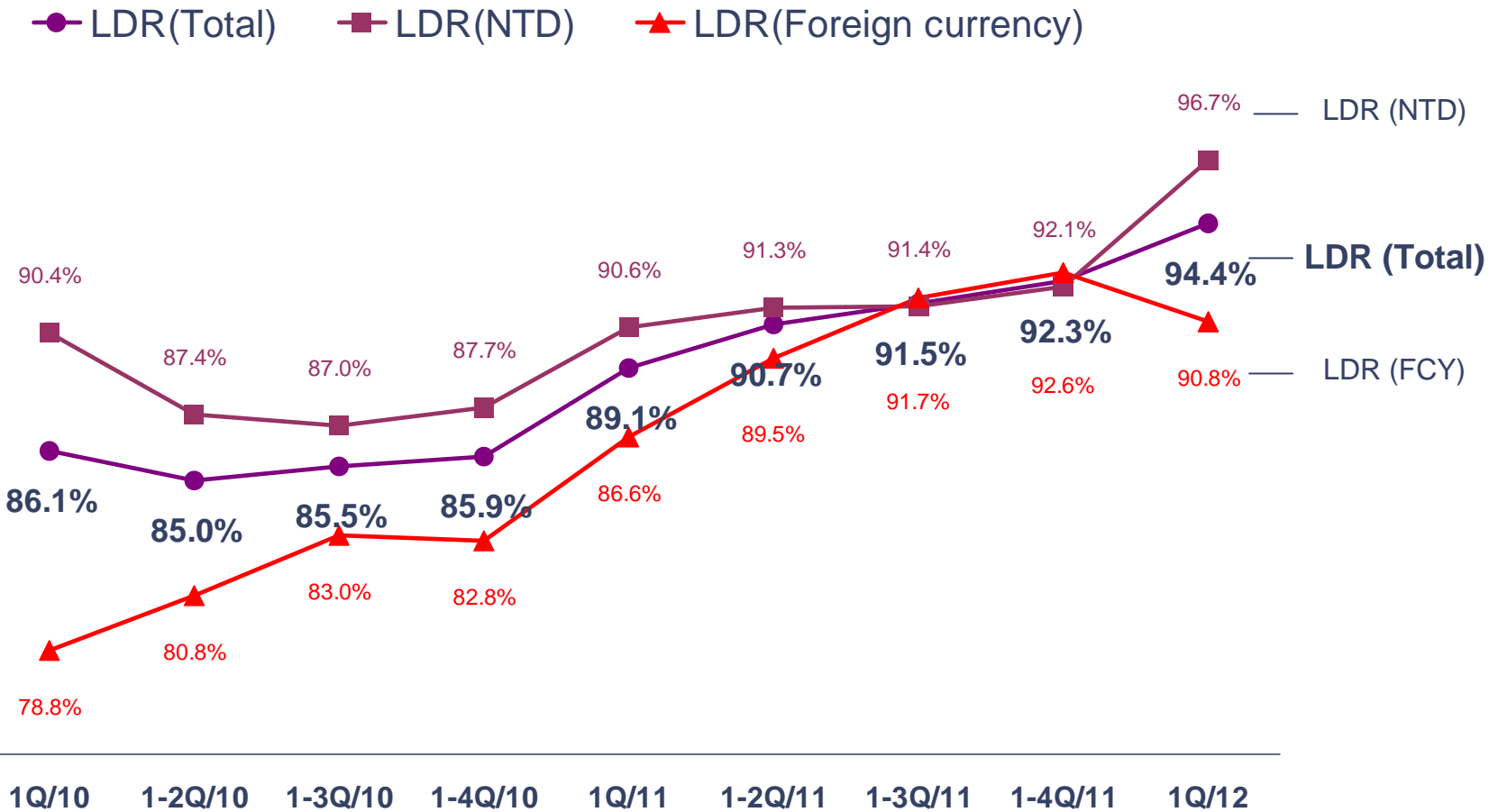
## Mega Bank's 1Q/12 deposit breakdown



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

# FCY LDR was down while NTD LDR was up.

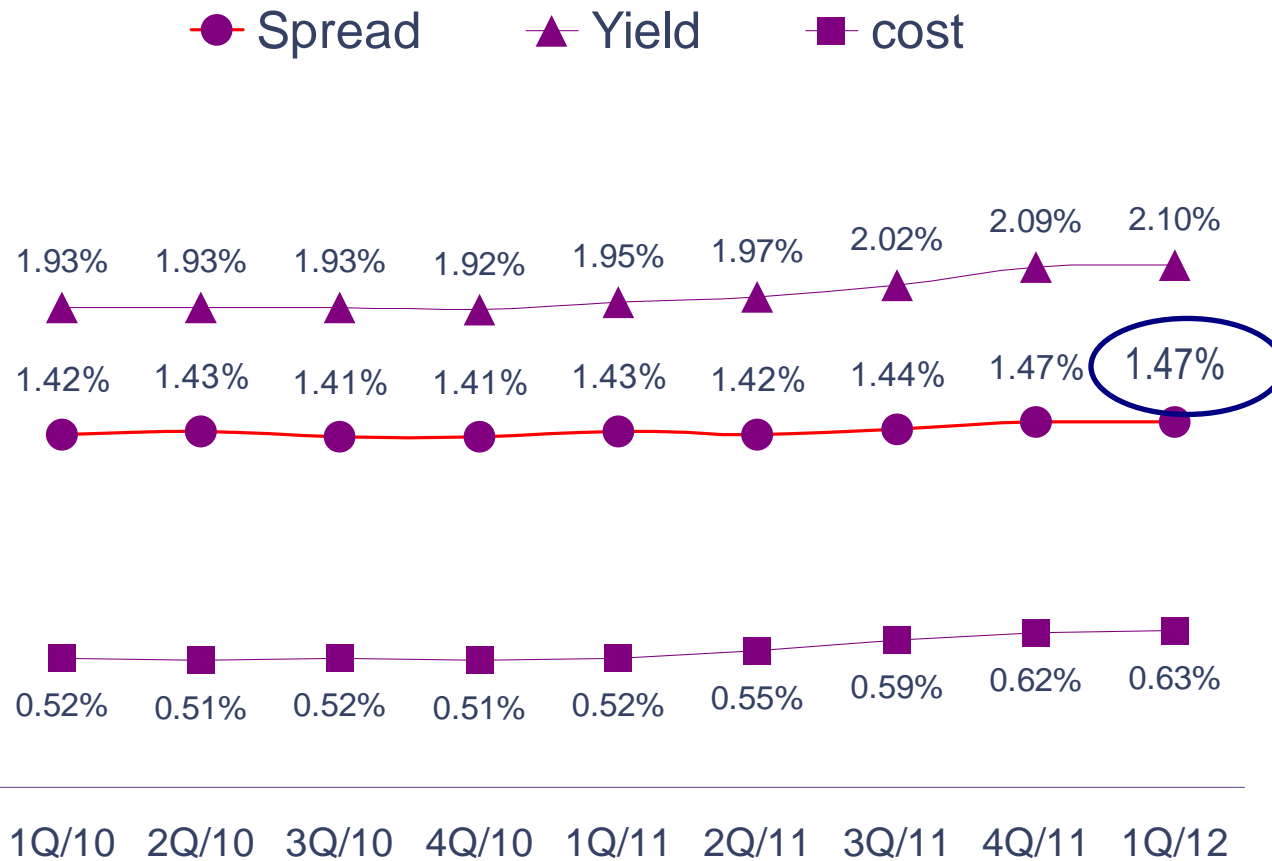
Mega Bank's loan to deposit ratio (LDR) trend\*



\* LDR calculation is based on average loan/deposit balance of that period; foreign currency loan includes OBU, overseas branches and some domestic loans.

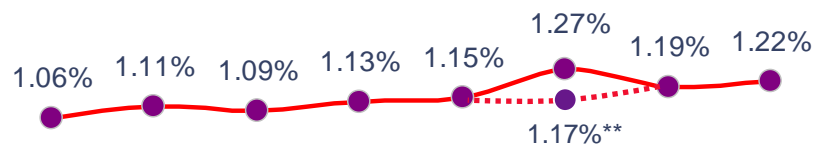
# Interest spread remained flat.

Mega Bank total loan interest spread

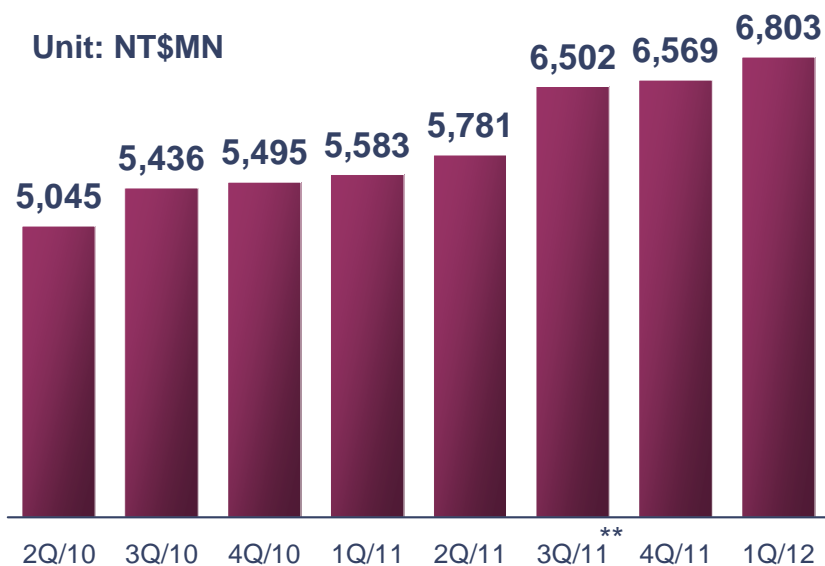


# Bank NIM was up for 5 consecutive quarters.

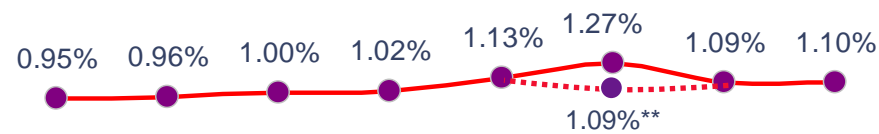
Mega Bank quarterly NIM & NII \*



Unit: NT\$MN

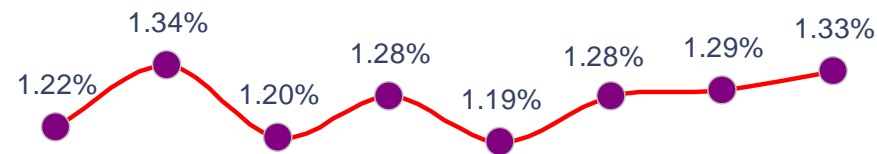


Mega Bank quarterly NTD NIM\*



2Q/10 3Q/10 4Q/10 1Q/11 2Q/11 3Q/11 4Q/11 1Q/12

Mega Bank quarterly foreign currency NIM\*



2Q/10 3Q/10 4Q/10 1Q/11 2Q/11 3Q/11 4Q/11 1Q/12

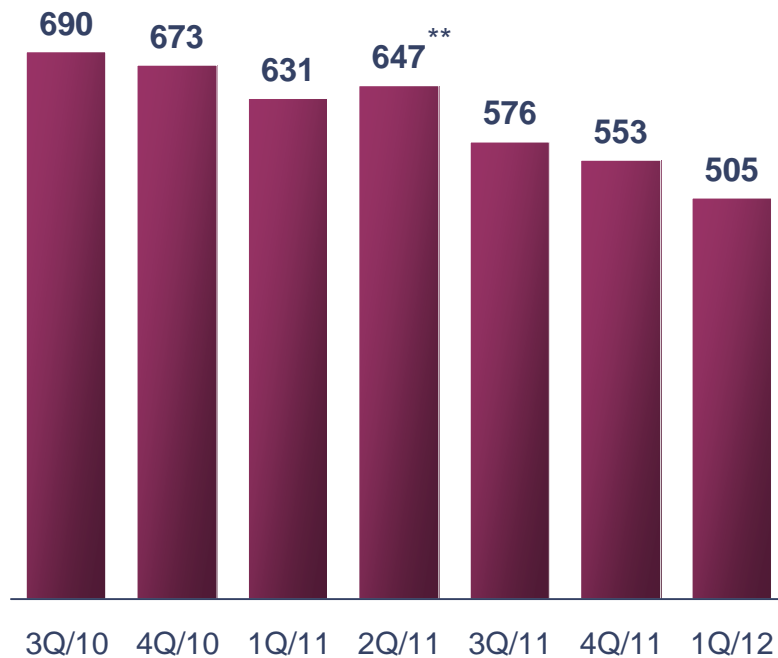
\* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

\*\* 3Q/11 number includes approximately NT\$0.5bn (10 bps) one-time interest income from NPLs recovery.

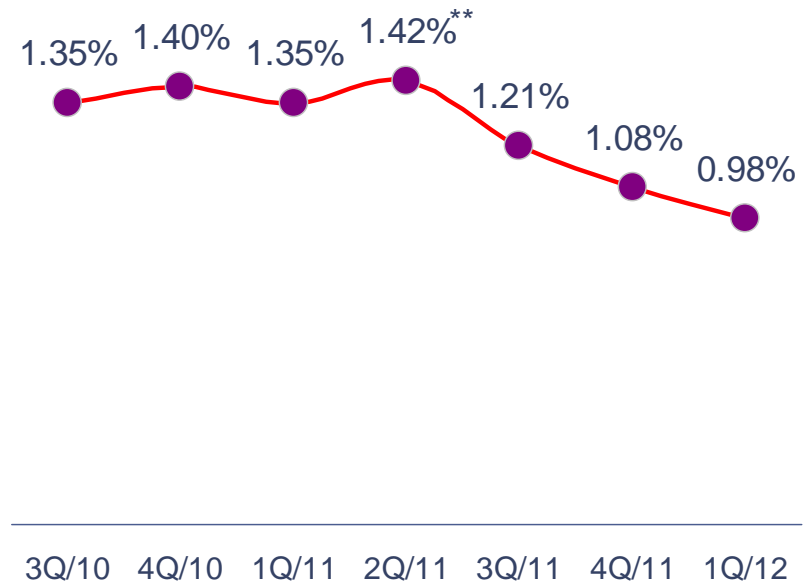
# Bills NIM was down due to higher RP funding cost.

Mega Bills NII \*

Unit: NT\$MN



Mega Bills NIM\*



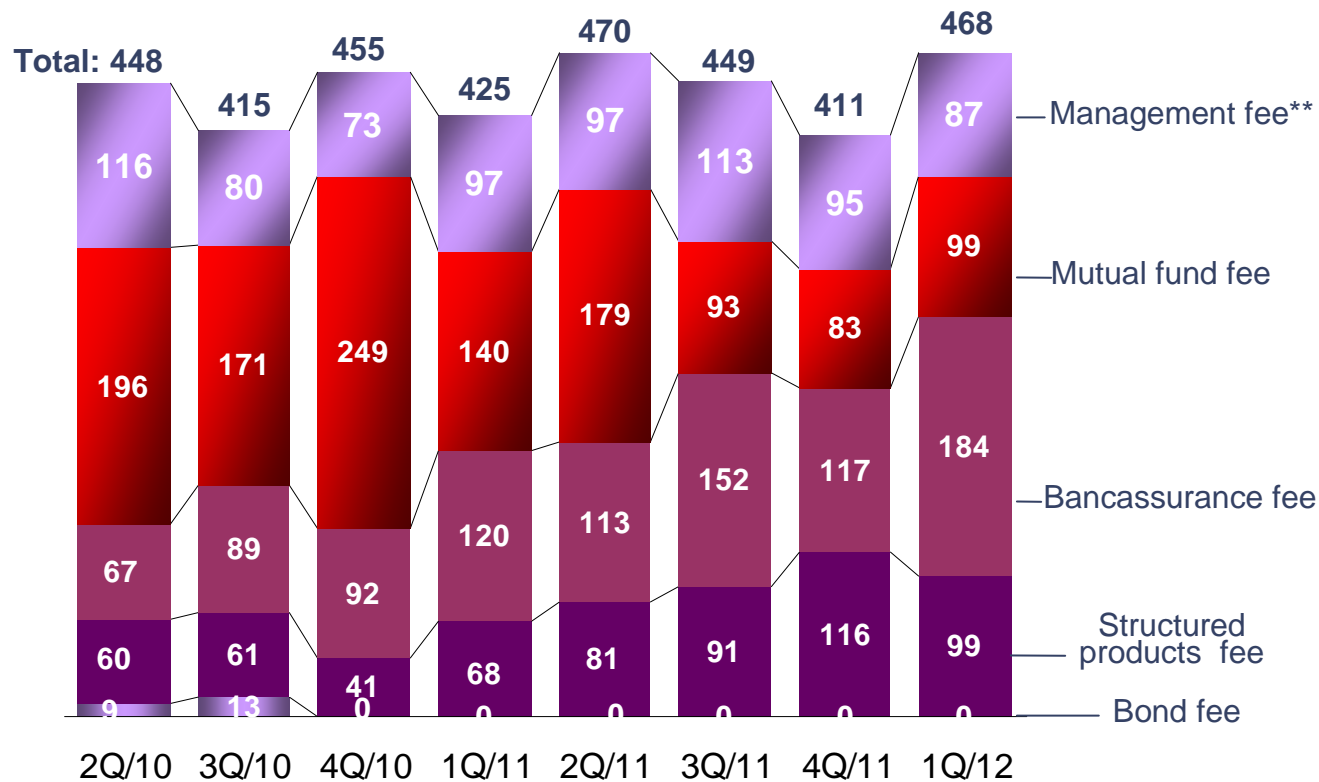
\* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

\*\* 2Q/11 number includes one-time interest income from NPLs recovery.

# Bancassurance fee growth continued.

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

Unit: NT\$MN



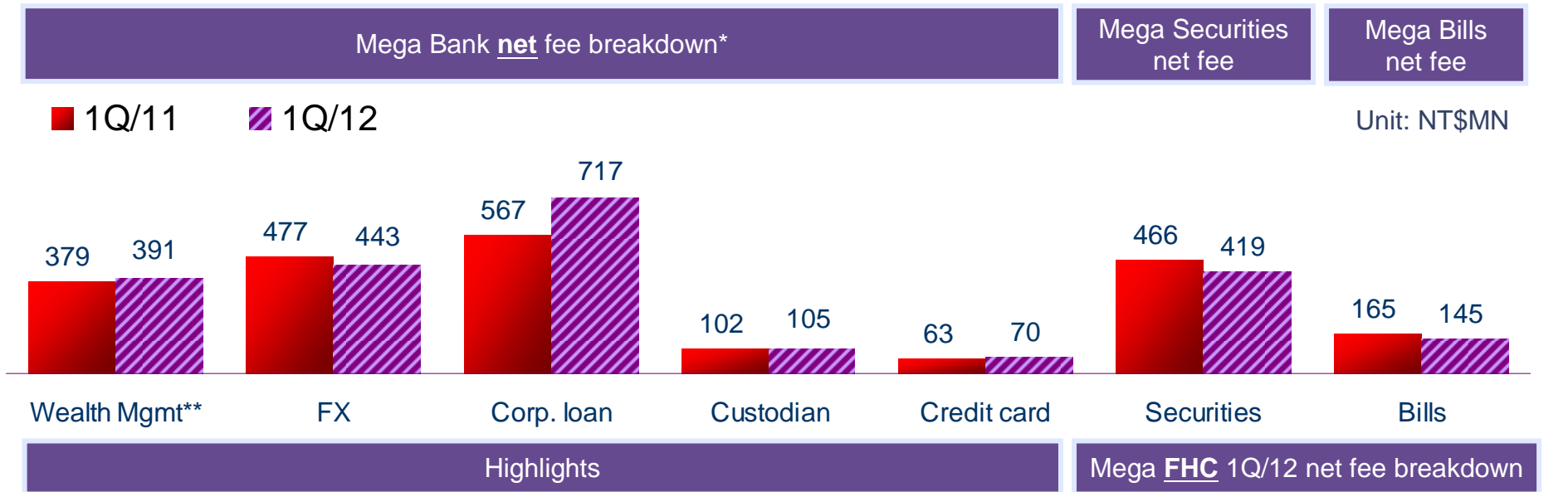
- ❖ Wealth mgmt gross fee was up 14% QoQ and 10% YoY, driven by strong bancassurance fee.
- ❖ Bancassurance fee was up 57% QoQ and 53% YoY.

\* 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.



# Fee was boosted by WM and syndication loan fee.



\* 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

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**Operation Highlights**



**Financial Performance**



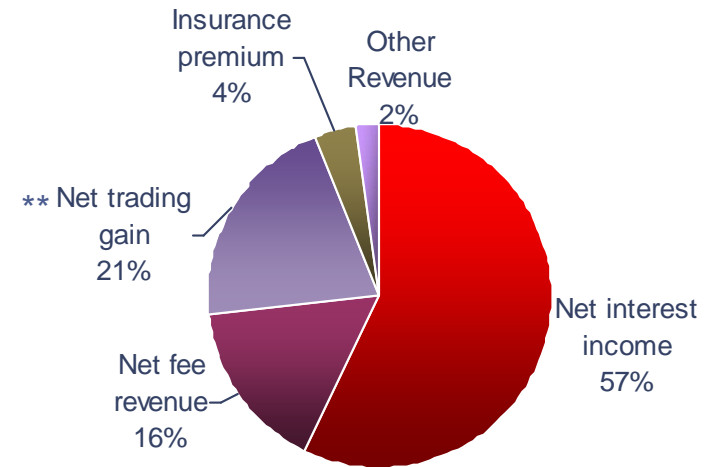
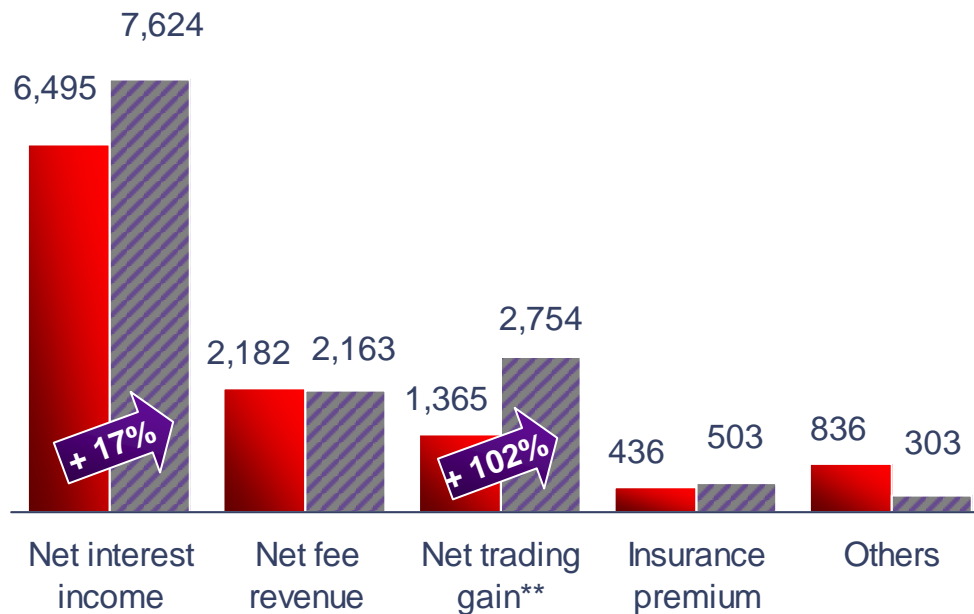
**Appendix**

# Group net revenue was up 18% YoY.

Mega Group consolidated net revenue \*

Mega Group 1Q/2012 net revenue breakdown

■ 1Q/11    ■ 1Q/12    Unit: NT\$MN



## Highlights

- ❖ Group net revenue was up 18% YoY due to strong NII and trading gain.
- ❖ NII was up 17% YoY due to improved NIM and stronger loan growth.
- ❖ Fee revenue was flat as bank fee growth was off-set by brokerage fee decline.
- ❖ Trading gain was up 1X due to equity trading gain and FX spread gain.

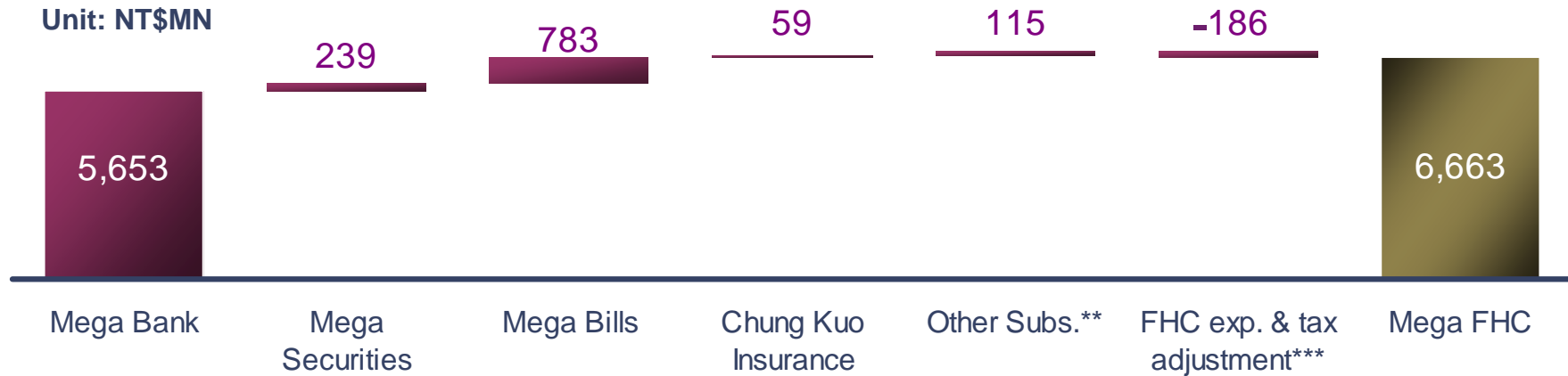
\* Un-audited figures.

\*\* 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).

# Quarterly earning reached recent high.

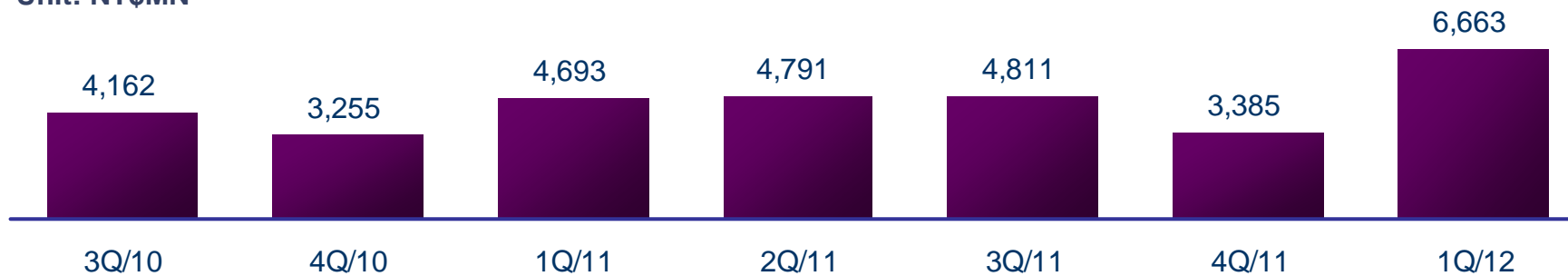
## 1Q/12 earning contribution by subsidiary\*

Unit: NT\$MN



## Mega FHC quarterly after-tax earning trend

Unit: NT\$MN



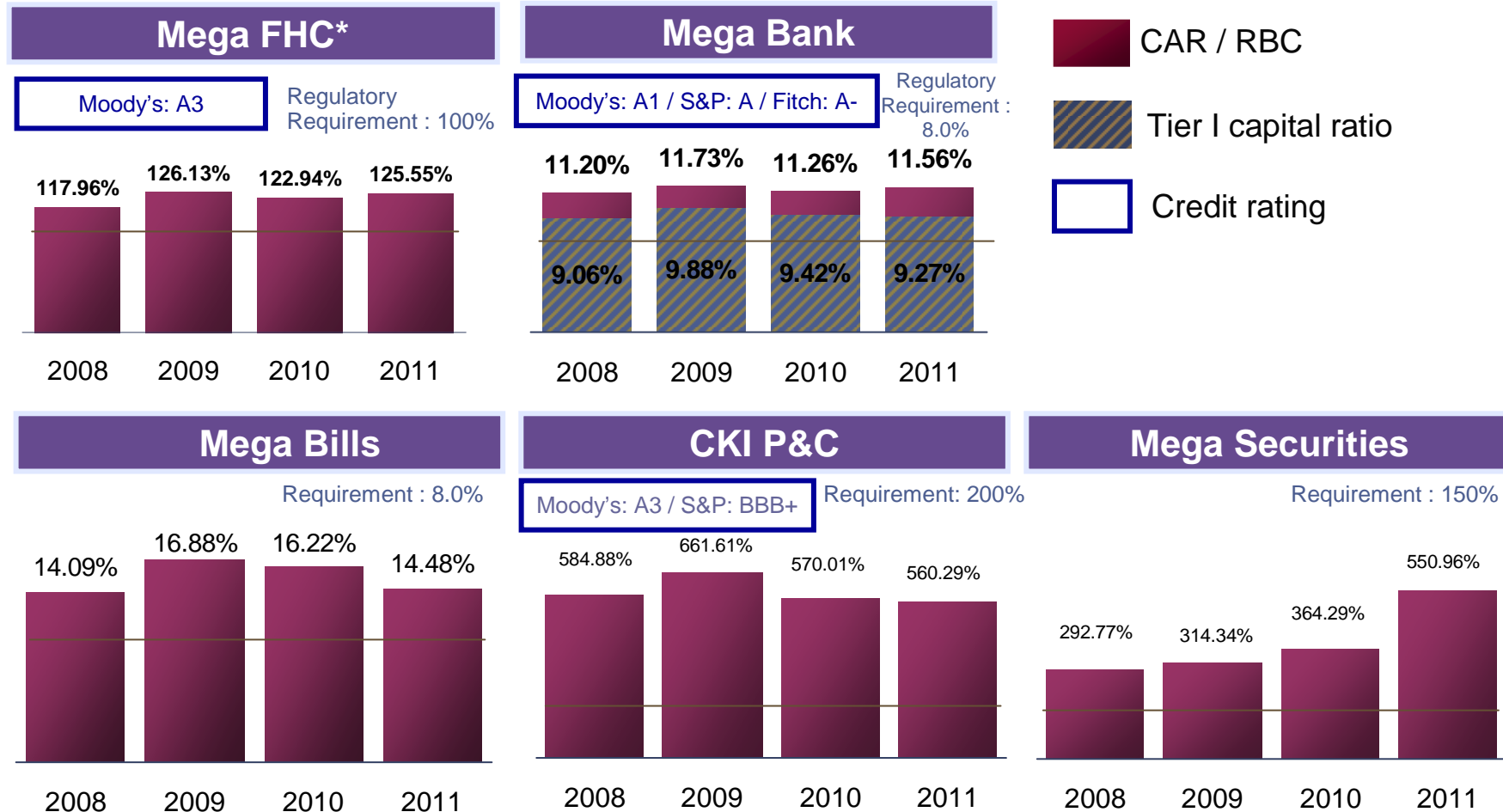
\* Un-audited earning

\*\* Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega VC

\*\*\* FHC expense plus tax & other adjustments of compiling FHC consolidated statement

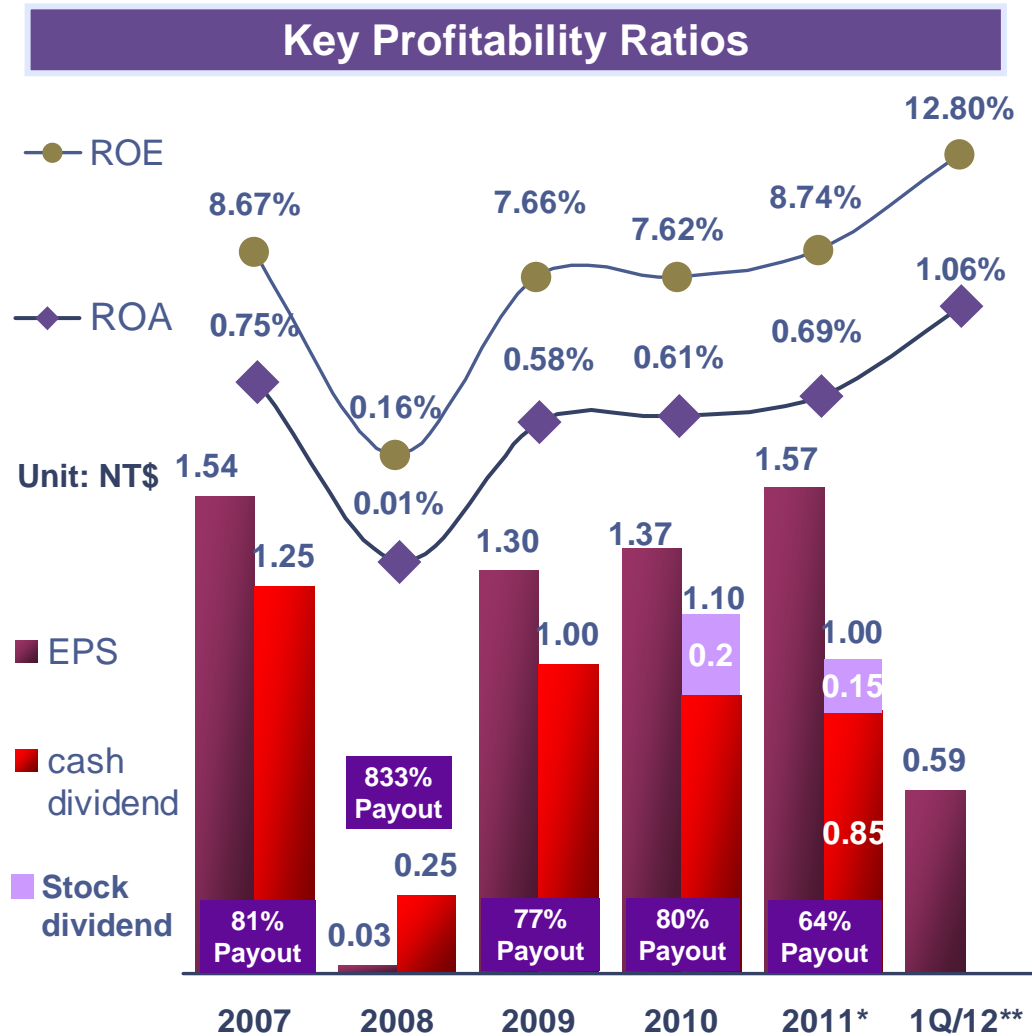


# Well-capitalized for Basel III requirements



\* FHC CAR is calculated based on net investments in subsidiaries

# Strong profitability and attractive dividend policy



- ❖ 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.

\* 2011 dividend distribution is subject to AGM approval in June.

\*\* 1Q/12 ROE and ROA numbers are annualized.

# Recent strategic considerations

## Asia focus

- ❖ Mega Bank obtained its first branch in Cambodia in 3Q/11. Mega Bank now has **28 overseas branches** in 15 diff. countries.
- ❖ Mega Bank will continue to explore growth opportunities in Thailand, Vietnam, Cambodia, Indonesia and other ASEAN countries.
- ❖ Global E-Banking: online banking platform for corp. clients, linking TW, HK, Singapore, Tokyo, NY, Amsterdam, Ho Chi Min City and **Bangkok branches**, expecting to add Suzhou branch soon.

## China Initiatives

- ❖ Mega Bank **Suzhou** rep. office **branch upgrade** was approved by CBRC of China, grand-opening in 1H/12.
- ❖ Mega Bank's long term strategy is to operate a wholly owned subsidiary in China.
- ❖ Mega Bank has signed MOU with Bank of China, Bank of Communication, Agricultural Bank of China and **Shanghai Pudong Development Bank** recently to cooperate on syndication loan, A/R finance, HR training and risk mgmt.
- ❖ Mega Securities has signed MOU with Nan Jing Securities.

## FX settlement

- ❖ An exclusive USD domestic settlement license in Taiwan market for 5 years.
- ❖ Both Mega Bank and Bank of Taiwan were awarded with exclusive **RMB cash settlement licenses** in TW.
- ❖ Pending on further cross-strait negotiations, Mega is expected to be benefited from further RMB full settlement license.

# 1Q/2012 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	1Q/2012*	1Q/2011*	YoY	2011*
Net interest income	7,624	6,495	17%	28,279
Net fee revenue	2,163	2,182	-1%	8,797
Insurance premium	503	436	15%	1,313
Gain from fin. assets at fair value thru P&L	1,200	347	246%	-653
Available for sales asset gain	806	576	40%	1,328
Hold to maturity asset gain	-	-	-	9
Equity method investment gain	23	25	-8%	152
Property investment gain	-	-	-	2
FX spread gain	724	380	91%	1,515
Asset impairment loss (write-back)	-	-	-	-196
Cost method investment gain	-	37	-	734
NPL write-back (net)	3	186	-98%	2,486
Asset sales gain	-	-	-	1,002
Other non-interest revenue (net)	300	650	-54%	983
Operating net revenue	13,346	11,314	18%	45,751
Operating expense	-4,986	-4,866	2%	-20,988
Pre-provision operating profit	8,360	6,448	30%	24,763
Provision expense on loan	-418	-388	8%	-3,714
Reserved on insurance	-162	-54	-	67
Pretax profit	7,780	6,006	30%	21,116
Tax	-1,116	-1,310	-15%	-3,430
Minority shareholder interest	-2	-3	-	-6
Net profit	6,663	4,693	42%	17,680
EPS (NT\$)	0.59	0.42	40%	1.57

Cost-to-income  
ratio: 37%

\* 1Q/2012 are un-audited numbers.



# 1Q/2012 Mega FHC consolidated balance sheet\*

NT\$MN	1Q2012*	1Q/2011*	YoY	2011*	YTD
<b>Assets:</b>					
Cash and due from banks	519,221	215,766	141%	498,313	4%
Bills and bonds under RP agreement	3,655	2,417	51%	1,011	262%
Fin. assets at fair value through P&L	185,143	156,873	18%	190,766	-3%
AFS financial assets	165,789	178,186	-7%	161,831	2%
HTM financial assets	150,890	201,243	-25%	131,459	15%
Other financial assets	23,455	24,117	-3%	19,831	18%
A/R, net	97,721	134,374	-27%	107,392	-9%
Loan, net	1,491,066	1,382,620	8%	1,462,450	2%
Equity method LT investments, net	2,565	2,599	-1%	2,465	4%
Land, premises and equipments, net	23,139	21,500	8%	21,811	6%
Others	13,841	16,489	-16%	21,579	-36%
<b>Total assets</b>	<b>2,676,484</b>	<b>2,336,185</b>	<b>15%</b>	<b>2,618,908</b>	<b>2%</b>
<b>Liabilities</b>					
Due to banks	472,788	237,047	99%	439,139	8%
Deposits	1,609,522	1,523,393	6%	1,579,727	2%
CP & Bond payable	66,096	62,357	6%	63,250	4%
Bills & bonds sold under repurchase agreement	184,907	171,211	8%	199,581	-7%
Other liabilities	131,779	137,186	-4%	133,978	-2%
<b>Total liabilities</b>	<b>2,465,092</b>	<b>2,131,194</b>	<b>16%</b>	<b>2,415,675</b>	<b>2%</b>
Capital stock (common stock)	112,806	110,594	2%	112,806	0%
Capital surplus	43,426	43,426	0%	43,426	0%
Retain earning	48,623	41,139	18%	42,014	16%
Equity adjustment items	6,217	9,463	-34%	4,688	33%
Minority shareholder interest	319	369	-14%	299	7%
<b>Total stockholders' equity</b>	<b>211,391</b>	<b>204,991</b>	<b>3%</b>	<b>203,233</b>	<b>4%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,676,484</b>	<b>2,336,185</b>	<b>15%</b>	<b>2,618,908</b>	<b>2%</b>
Book value per share (NT\$)	18.71	18.54	1%	17.99	4%

\* 1Q/2012 are un-audited numbers.

# 1Q/2012 Mega Bank P&L statement\*

<i>NT\$MN, except per share data</i>	1Q/2012*	1Q/2011	YoY	2011*
Net interest income	6,840	5,568	23%	24,662
Net fee revenue	1,592	1,491	7%	6,106
Gain from fin. assets at fair value thru P&L	996	203	391%	-179
Available for sales asset gain	462	523	-12%	896
Hold to maturity asset gain	-	-	-	9
Equity method investment gain	78	71	10%	214
FX spread gain	669	388	72%	1,509
Asset impairment loss (write-back)	-	-	-	-89
Cost method investment gain	-	37	-	734
NPL write-back (net)	-	210	-	1,404
Asset sales gain	-	-	-	1,006
Other non-interest revenue (net)	175	195	-10%	740
Operating net revenue	10,811	8,684	24%	37,011
Operating expense	-3,829	-3,678	4%	-16,143
Pre-provision operating profit	6,982	5,006	39%	20,868
Provision expense on loan	-419	-364	15%	-3,398
Pretax profit	6,562	4,642	41%	17,470
Tax	-909	-741	23%	-2,462
Net profit	5,653	3,901	45%	15,008
EPS (NT\$)	0.83	0.57	46%	2.21

Cost-to-income  
ratio is 35%

\* 1Q/2012 are un-audited numbers.

# 1Q/2012 Mega Bank balance sheet\*

NT\$MN	1Q/2012*	1Q/2011	YoY	2011	YTD
<b>Assets:</b>					
Cash and due from banks	512,467	203,945	151%	490,415	4%
Bills and bonds under RP agreement	959	241	-	-	-
Fin. assets at fair value through P&L	40,951	37,202	10%	41,810	-2%
AFS financial assets	85,122	80,061	6%	71,270	19%
HTM financial assets	149,231	200,118	-25%	130,949	14%
Other financial assets	17,882	18,283	-2%	17,770	1%
A/R, net	70,760	98,219	-28%	81,767	-13%
Loan, net	1,471,950	1,365,024	8%	1,462,450	1%
Equity method LT investments, net	9,293	9,303	0%	2,493	273%
Land, premises and equipments, net	14,736	13,009	13%	14,177	4%
Others (net)	6,469	7,670	-16%	8,986	-28%
<b>Total assets</b>	<b>2,379,819</b>	<b>2,033,076</b>	<b>17%</b>	<b>2,322,087</b>	<b>2%</b>
<b>Liabilities</b>					
Due to banks	465,523	224,992	107%	436,723	7%
Deposits	1,599,570	1,512,232	6%	1,580,708	1%
CP & Bond payable	42,600	34,800	22%	42,600	0%
Bills & bonds sold under repurchase agreement	10,921	8,900	23%	7,339	49%
Other liabilities	90,475	90,566	0%	91,678	-1%
<b>Total liabilities</b>	<b>2,209,089</b>	<b>1,871,490</b>	<b>18%</b>	<b>2,159,048</b>	<b>2%</b>
Capital stock (common stock)	68,000	64,110	6%	68,000	0%
Capital surplus	33,070	33,070	0%	33,070	0%
Retain earning	64,873	58,691	11%	59,260	9%
Equity adjustment items	4,787	5,714	-16%	2,706	77%
<b>Total stockholders' equity</b>	<b>170,730</b>	<b>161,586</b>	<b>6%</b>	<b>163,036</b>	<b>5%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,379,819</b>	<b>2,033,076</b>	<b>17%</b>	<b>2,322,087</b>	<b>2%</b>
Book value per share (NT\$)	25.11	25.20	0%	23.98	5%

\* 1Q/2012 are un-audited numbers.

# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

# Well established size and scale

1Q/2012\*  
NT\$ Billion

## Mega Financial Holding Co. (TAIEX.2886)

	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Mega FHC	Mega Bank	Mega Securities	Mega Bills	Chung Kuo Insurance (P&C)	Mega Int'l Investment Trust	Mega AMC	Mega Life Insurance Agency	Mega Venture Capital
Assets	2,676	2,380	38	211	15	0.9	10	0.2	0.8
Equity	211	171	14	33	5	0.8	2.7	0.1	0.6
After-tax earning	6.6	5.7	0.2	0.8	0.06	0.03	0.06	0.02	0.01
Domestic Offices	194	108	46	9	27	1	1	1	1
Overseas Offices**	40	33	4	0	3	0	0	0	0

\* Un-audited numbers

\*\* Overseas offices include rep. offices. and branches

# Our corporate strategy

## Revenue Enhancement

Eye on the world with a focus in the Asia Pacific region, and potentially China market

Reinforcing the advantage of corporate banking and foreign exchange business

Expanding consumer banking and wealth management business

Reinforcing cross selling to enhance the group's synergy

## Cost Savings

Lowering costs and enhancing operating performance

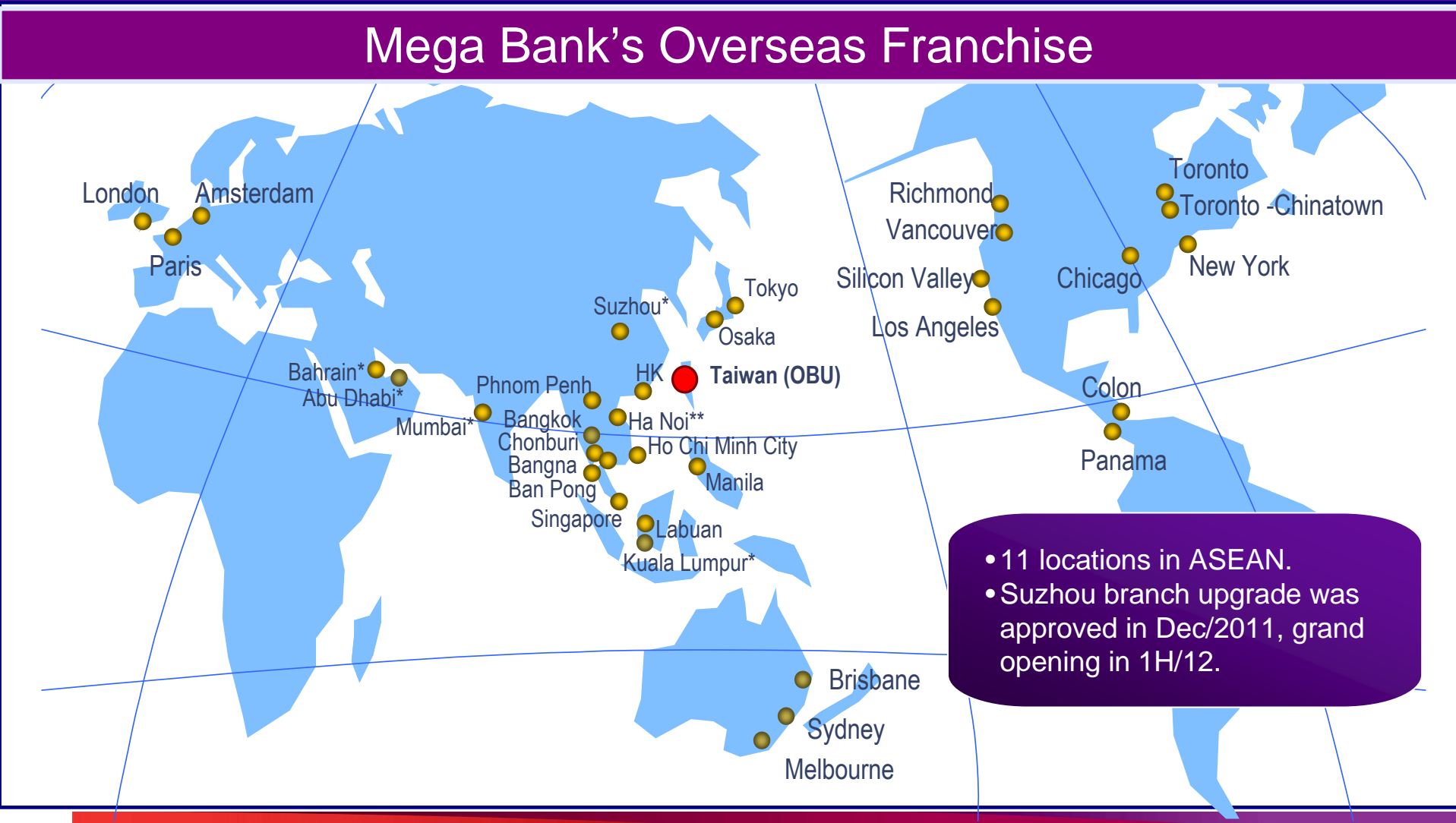
Enhancing capital utilization with effective capital allocation

## Sys. integration

Integrating information systems and information sharing services

Strengthening risk management system

# Most internationalized local bank.



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

\*\* Pending approval for bank branch / rep. office