



Mega Holdings

**2Q / 2013** (v.1)

**Investor/Analyst Briefing**



# DISCLAIMER

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**THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE TWELVE MONTHS ENDED JUN. 30, 2013 ARE UN-AUDITED NUMBERS. MEGA FHC HAS FILED ITS AUDITED INTERIM FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON AUG. 30TH, 2013.**

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

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**Operation Highlights**



**Financial Performance**

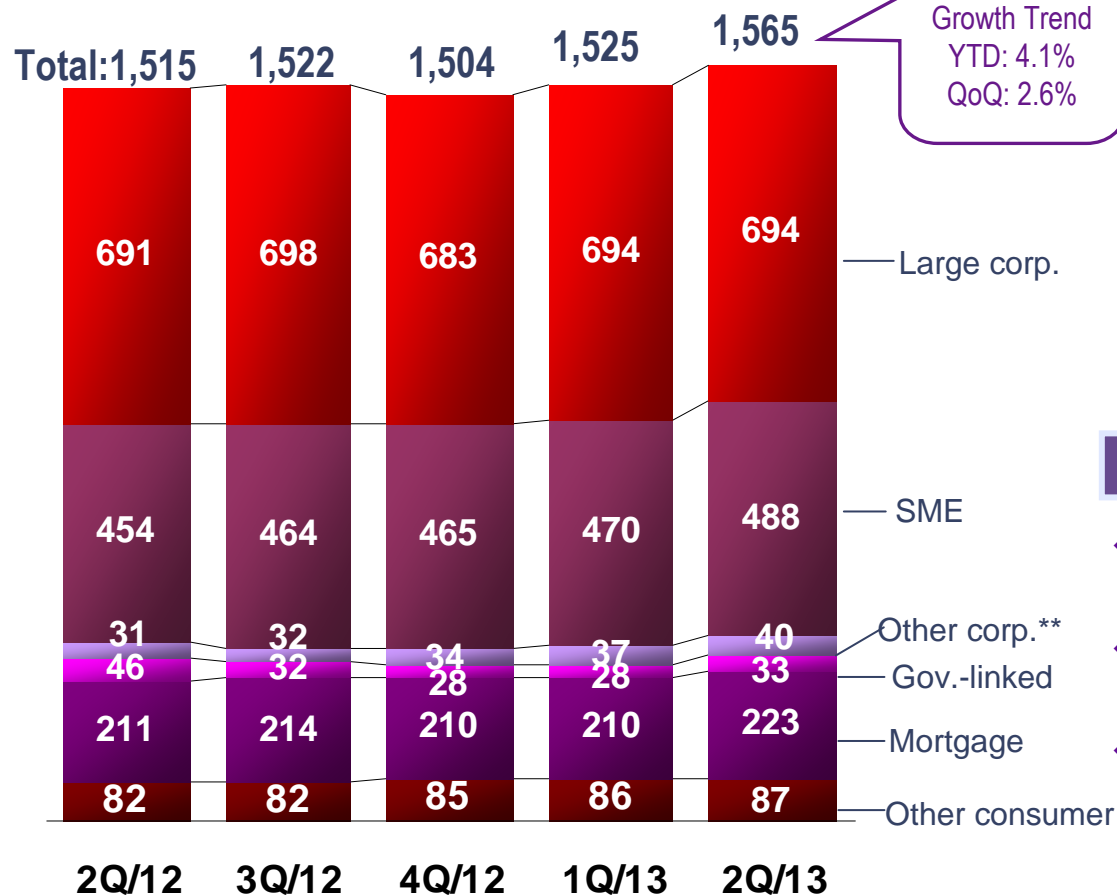


**Appendix**

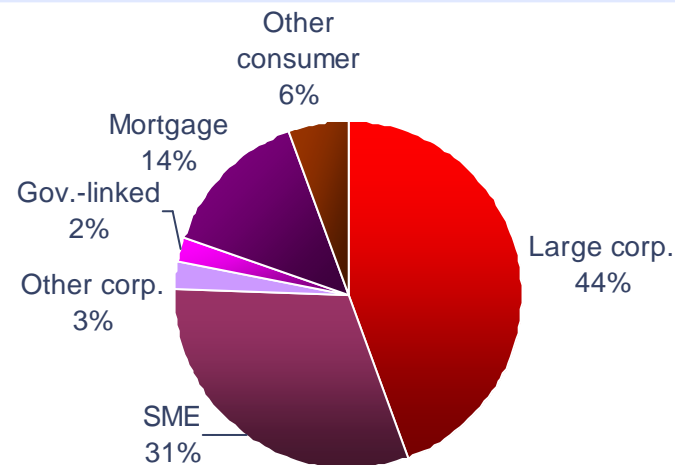
# Total loan was up 4% YTD due to SME loan demand.

Mega Bank quarterly loan balance\*

Unit: NT\$bn



Mega Bank 2Q/13 loan breakdown by customer



## Highlights

- ❖ SME loan was up 7.5% YoY and 3.8% QoQ.
- ❖ Mortgage loan was up 5.7% YoY and 6.2% QoQ.
- ❖ Total loan was up 3.3% YoY and 2.6% QoQ.

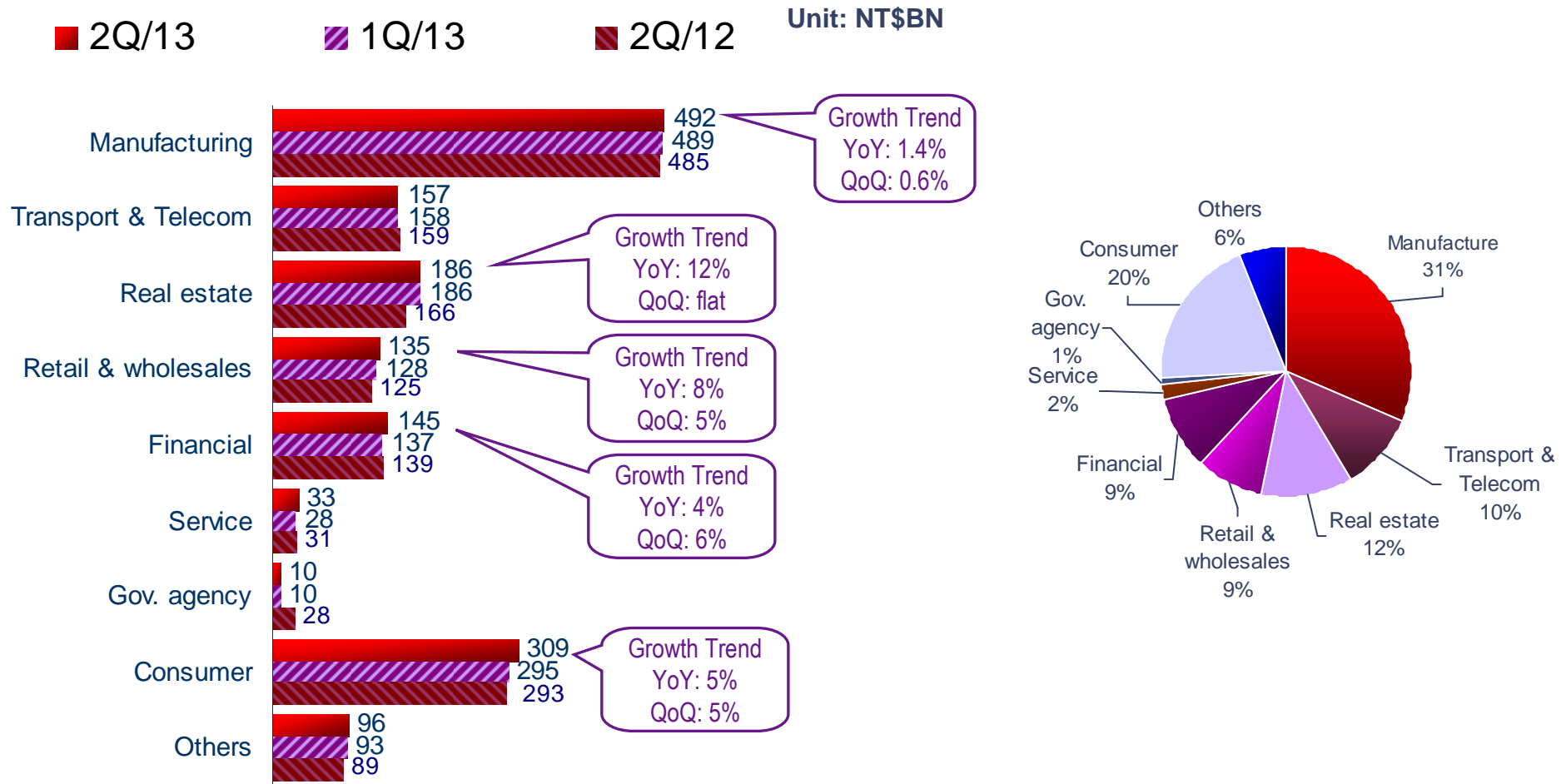
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# Non-manufacturing loan dominated the growth.

Mega Bank loan balance trend by industry\*

Mega Bank 2Q/13 loan breakdown by industry\*

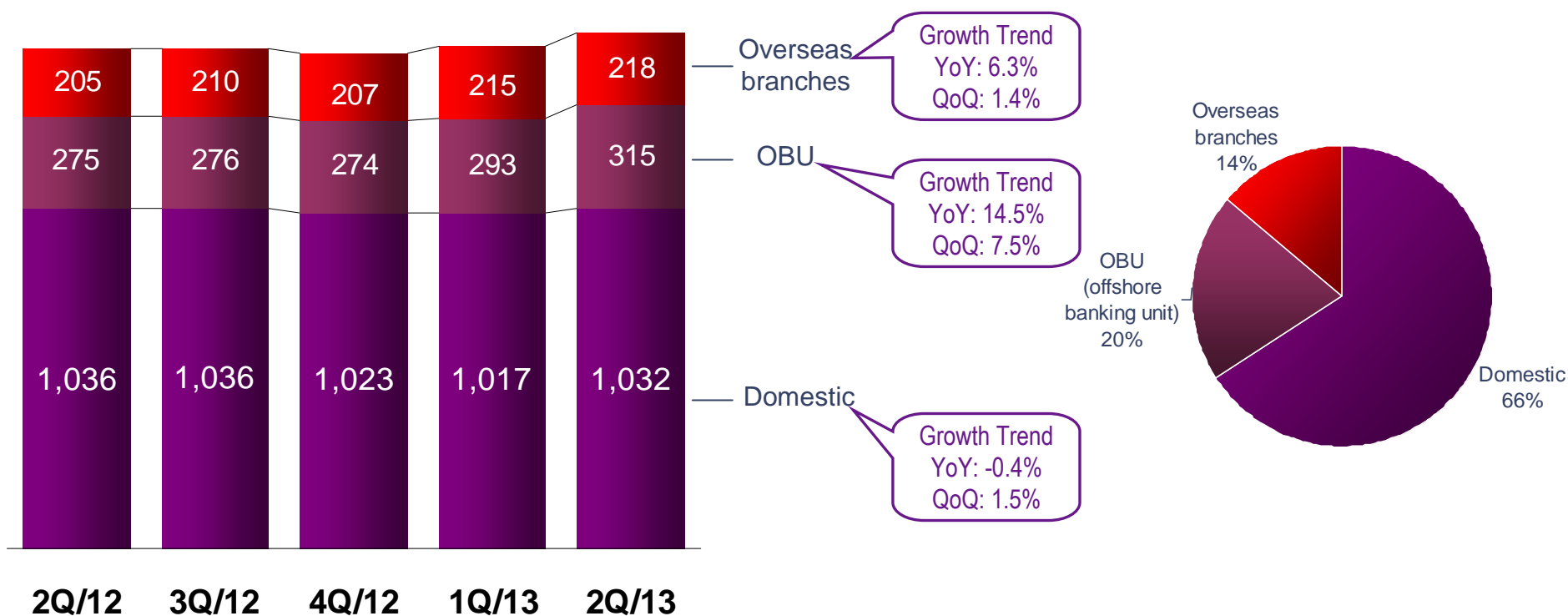


\* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

# OBU loan was up 7.5% QoQ.

Mega Bank 2Q/13 loan breakdown by regions \*

Unit: NT\$bn



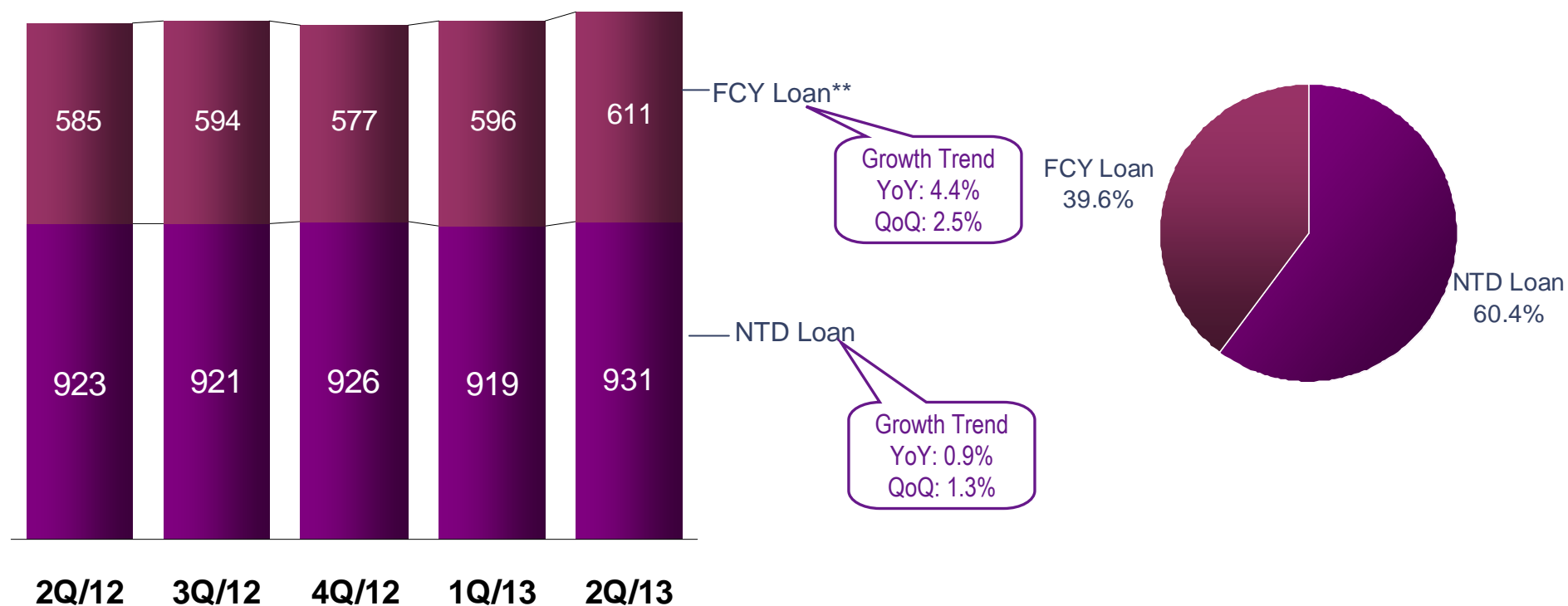
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# FCY loan jumped 2.5% QoQ.

Mega Bank 2Q/13 loan breakdown by currency: NTD vs. foreign currency loan \*

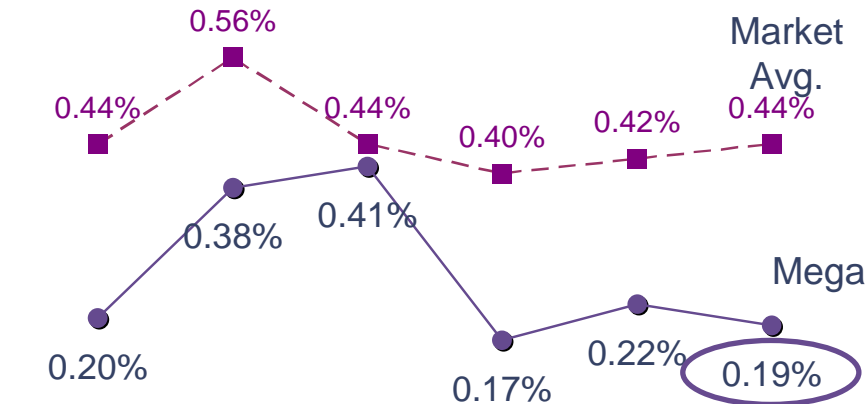
Unit: NT\$bn



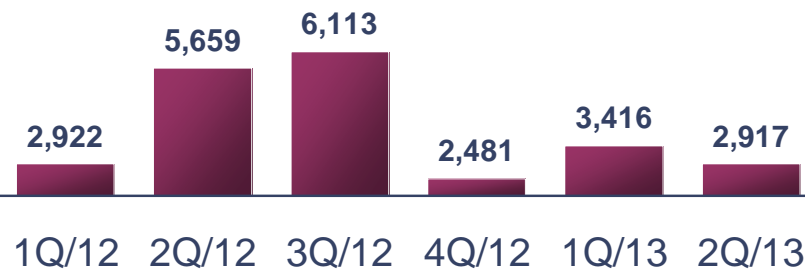
\* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.  
Foreign currency loan includes OBU, overseas branch and some domestic branch loan.

# Increased general provision pushed LLR higher.

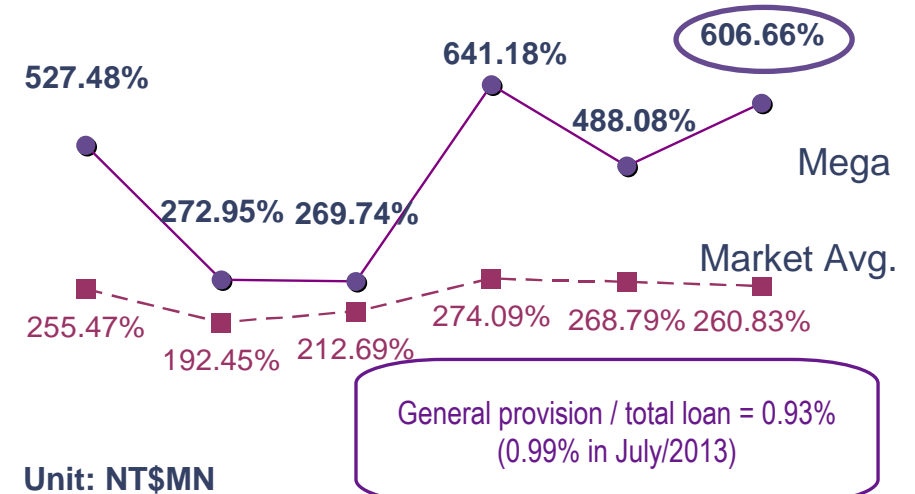
Mega Bank NPL balance & NPL ratio\*



Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



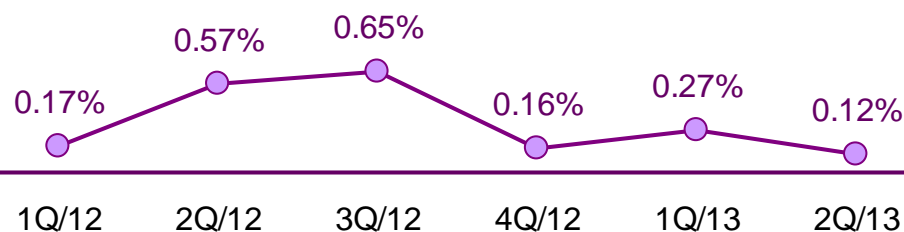
\* 90 days standard



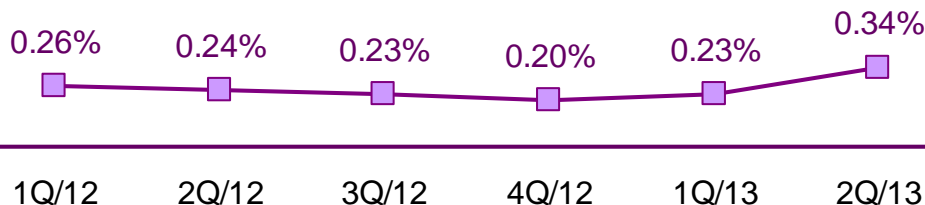
# New NPL was up due to TMT exposure but provision and write-off took place simultaneously.

Mega Bank NPL ratio by customer \*

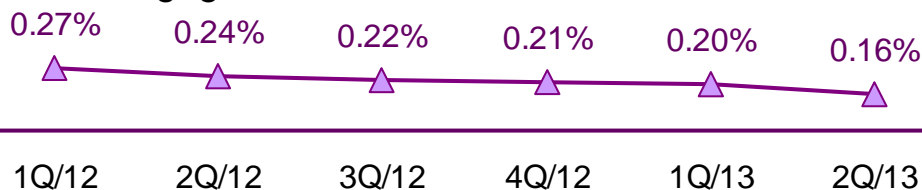
—●— Large corp. NPL%



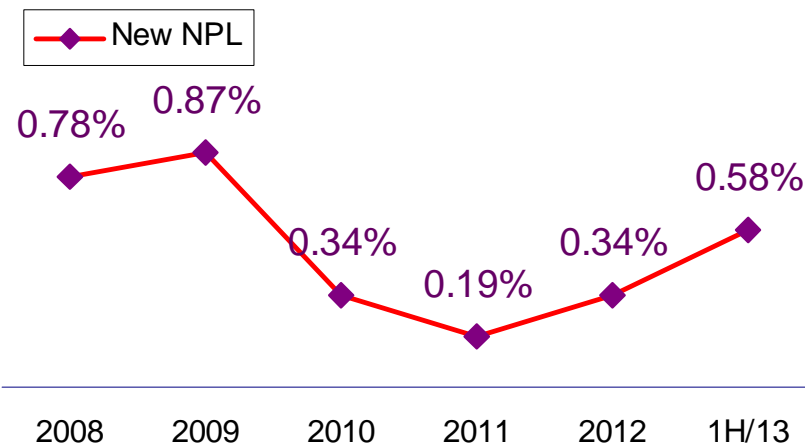
—■— SME NPL %



—▲— Mortgage NPL %



Mega Bank new NPL as % of total loan \*\*



- Annualized number
- Includes TMT exposure
- Mega has provided 58% provision on TMT exposure (NT\$2.9bn)

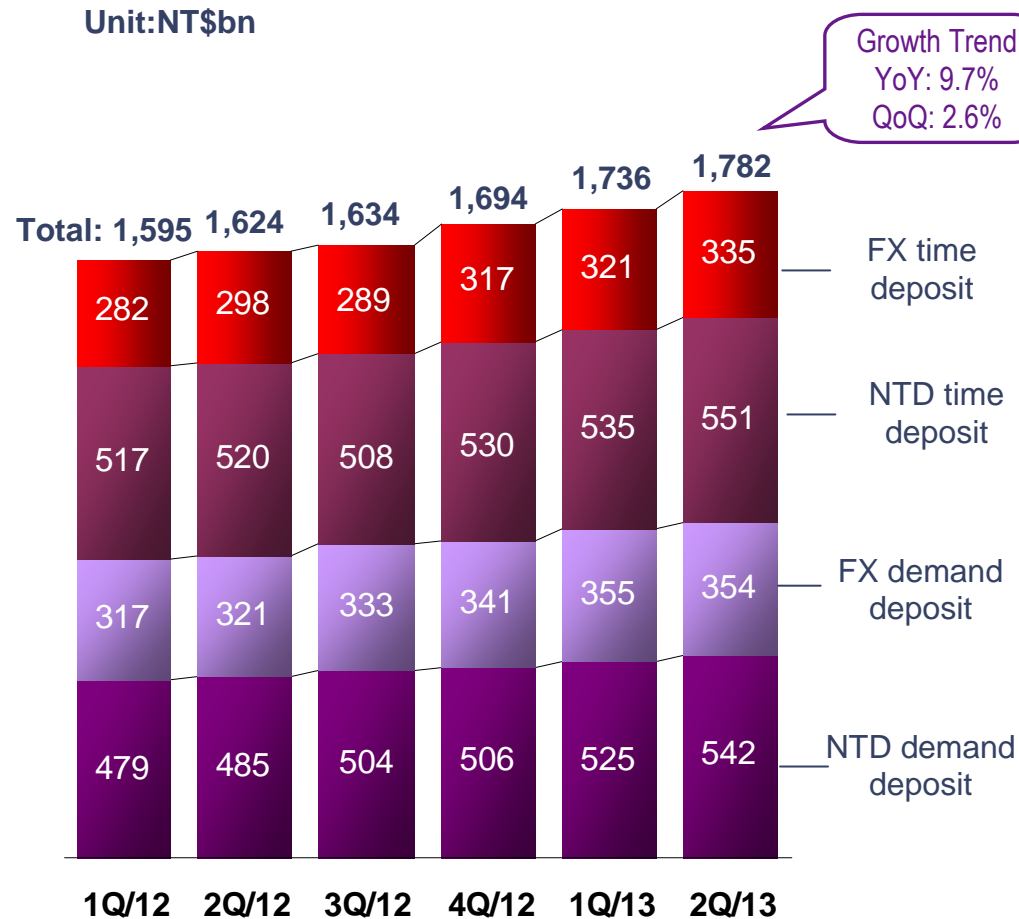
\* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

# Deposit growth continued.

## Mega Bank's deposit balance \*

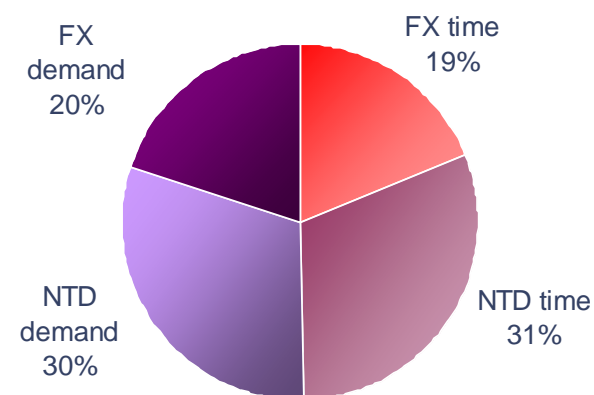
Unit:NT\$bn



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



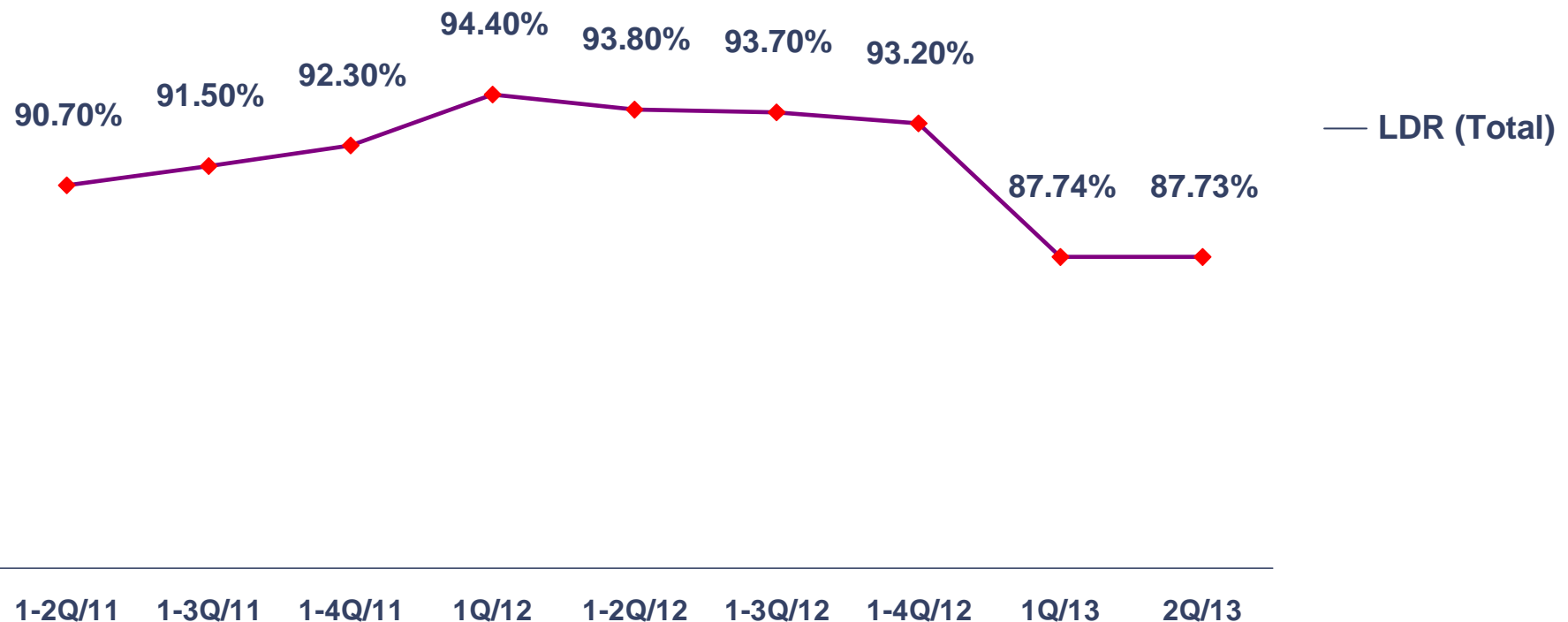
## Mega Bank's 2Q/13 deposit breakdown



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

# Total LDR remained low as deposit growth continued.

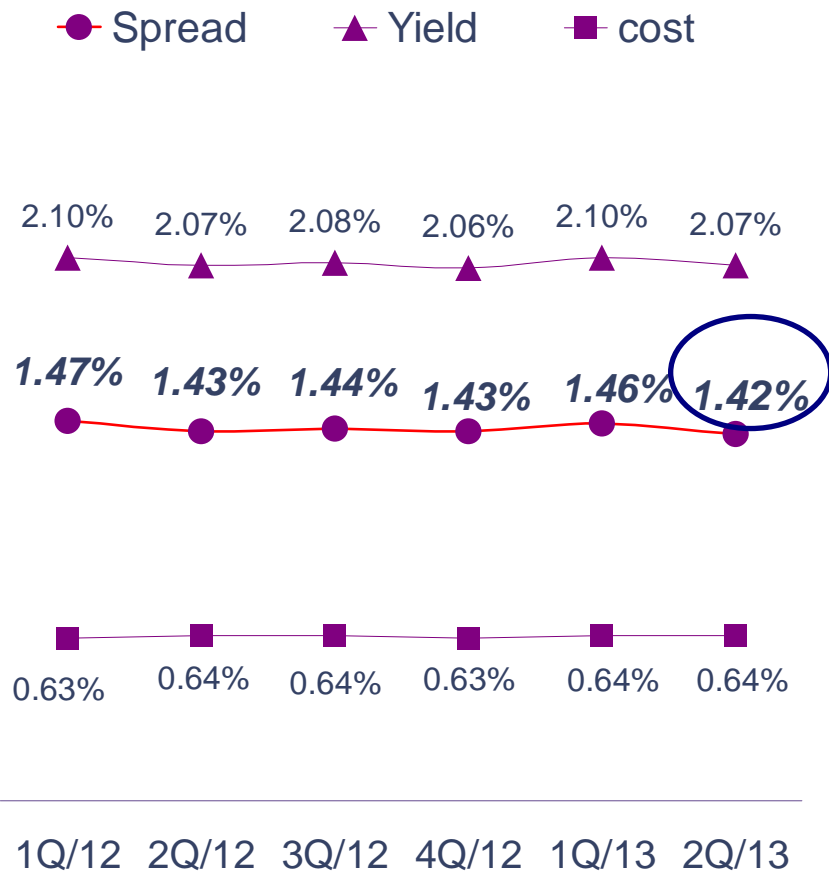
Mega Bank's loan to deposit ratio (LDR) trend\*



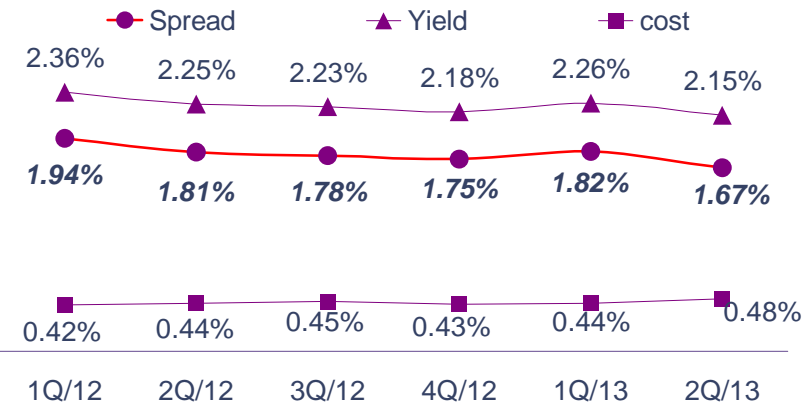
\* LDR calculation is based on average loan/deposit balance of that period.

# Spread was down due to overseas loan spread decline.

Mega Bank total loan interest spread\*



Mega Bank overseas loan interest spread\*



Mega Bank domestic loan interest spread\*



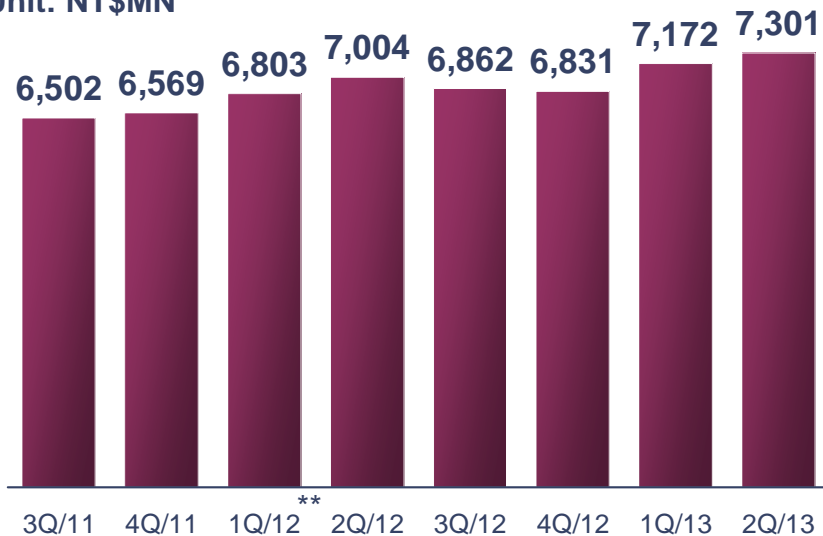
\* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.

# Total NIM was down slightly.

Mega Bank quarterly NIM & NII \*



Unit: NT\$MN



Mega Bank quarterly NTD NIM\*



Mega Bank quarterly foreign currency NIM\*



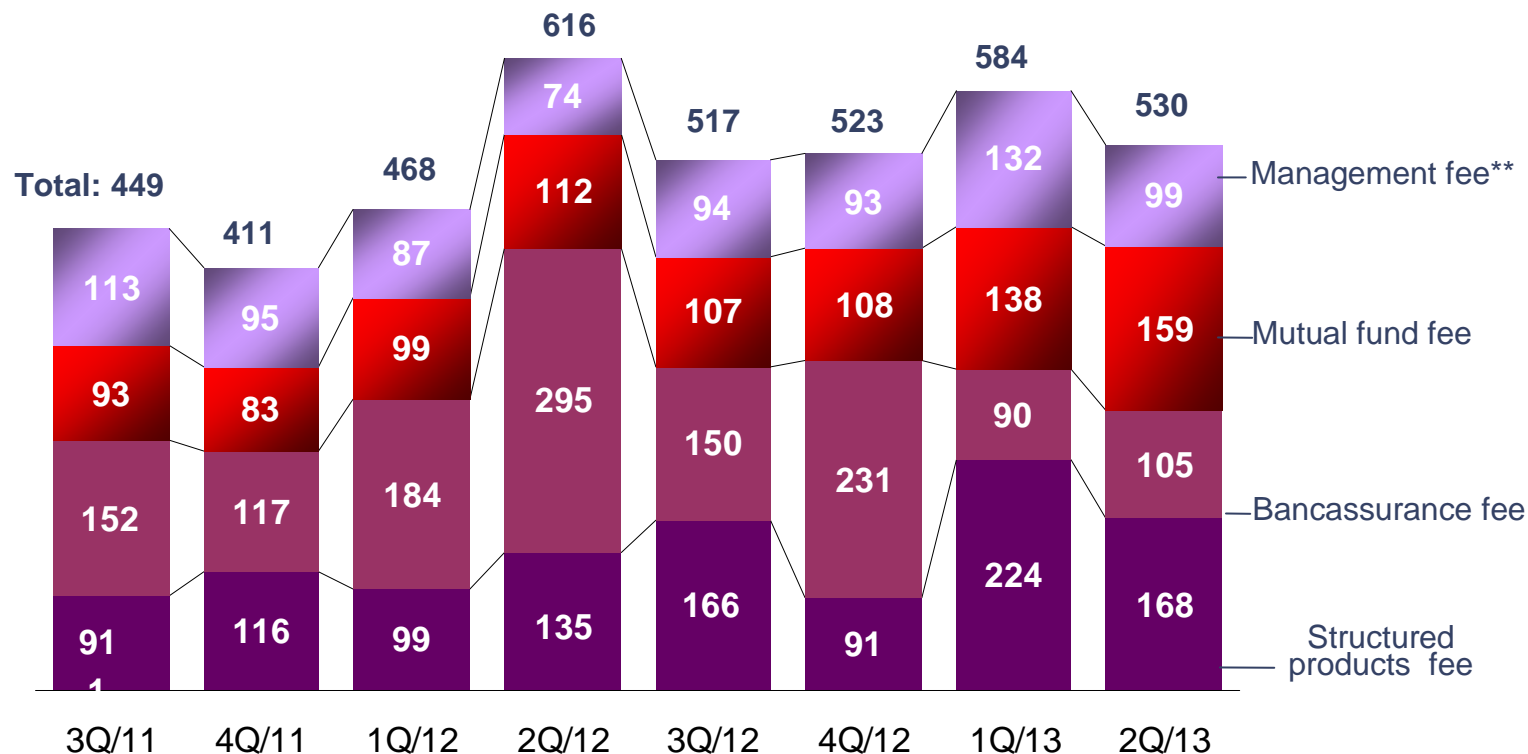
\* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

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

# Mutual fund and fixed income note sales fee helped offset the decline from bancassurance fee.

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

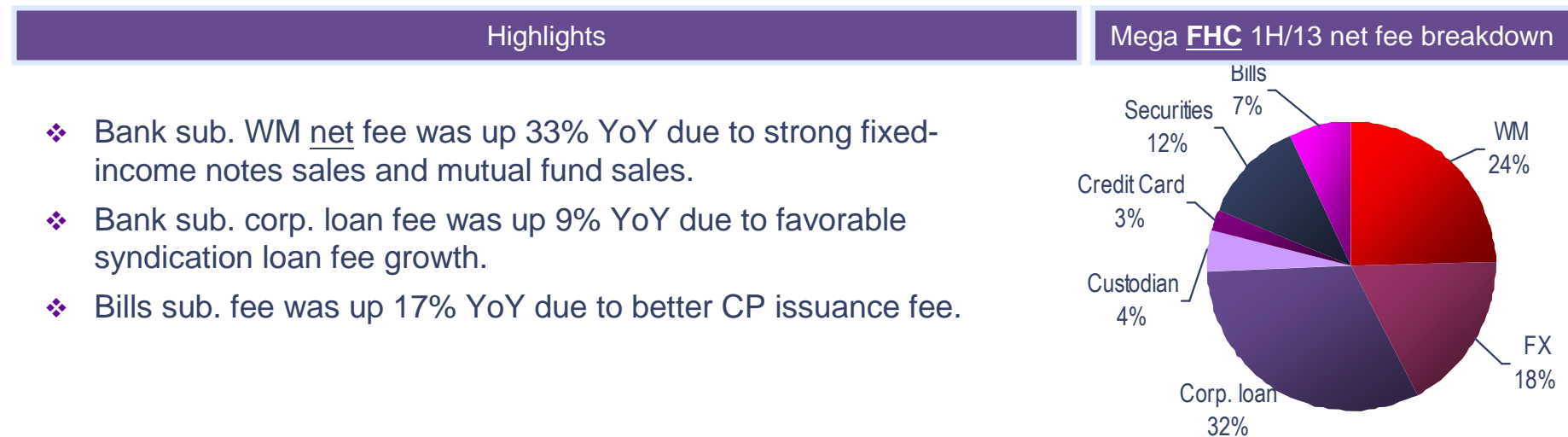
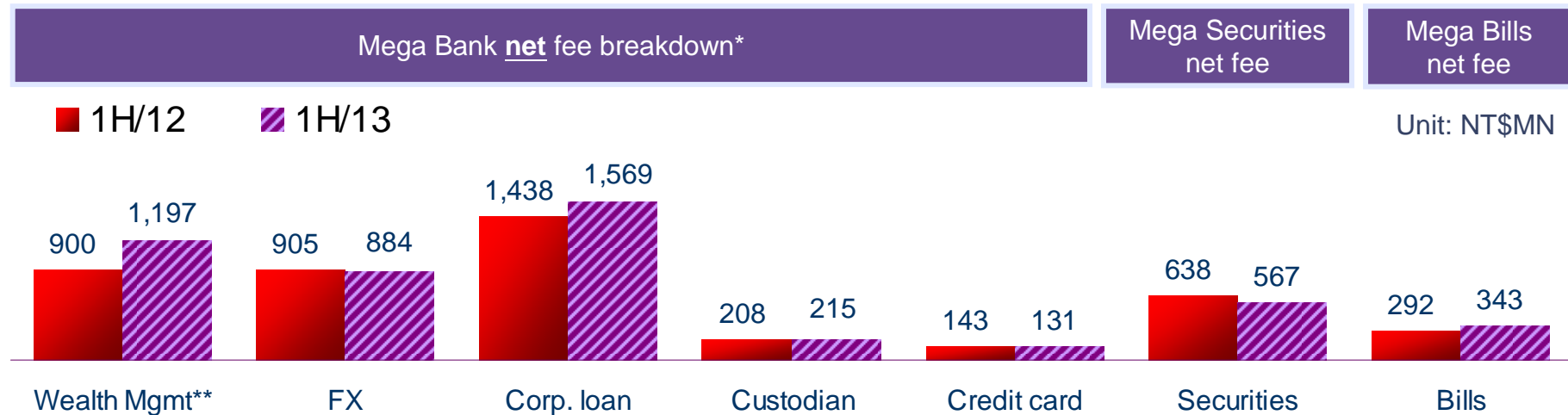
Unit: NT\$MN



\* 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.

# Bank 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 3% YoY.

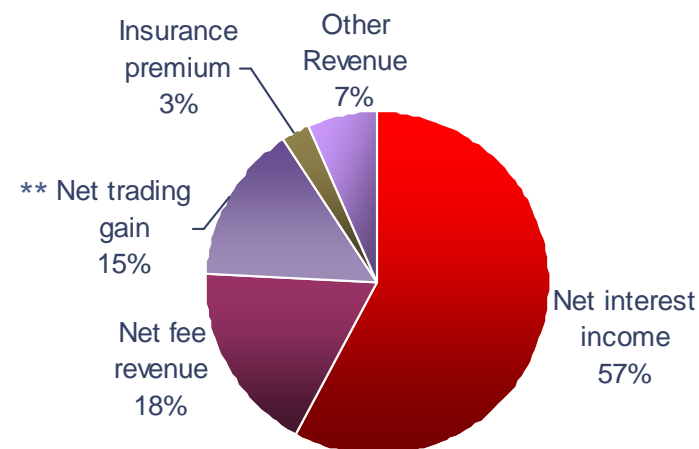
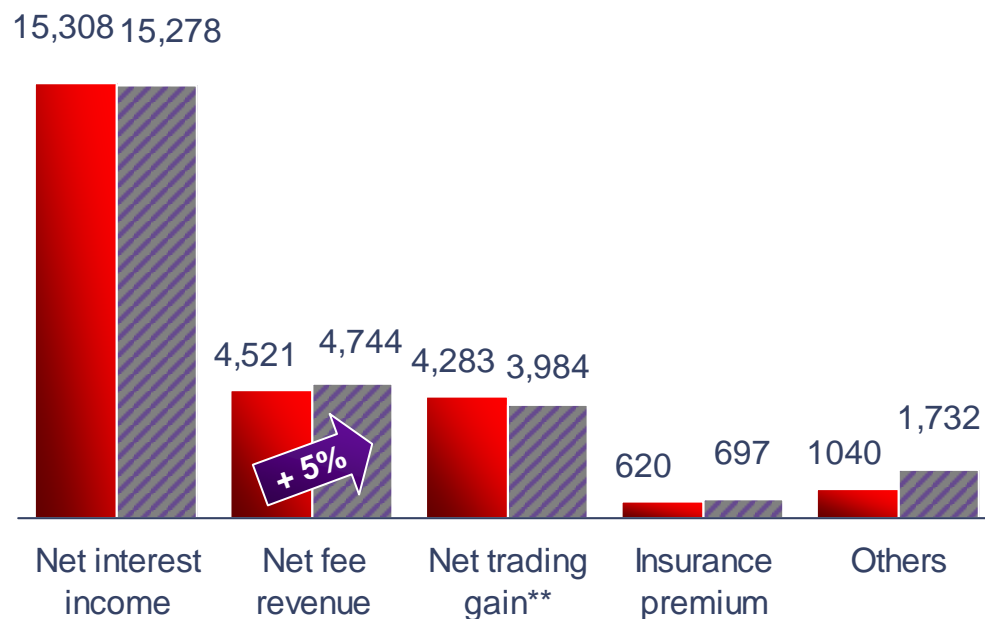
Mega Group consolidated net revenue \*

Mega Group 1H/2013 net revenue breakdown

■ 1H/12

■ 1H/13

Unit: NT\$MN



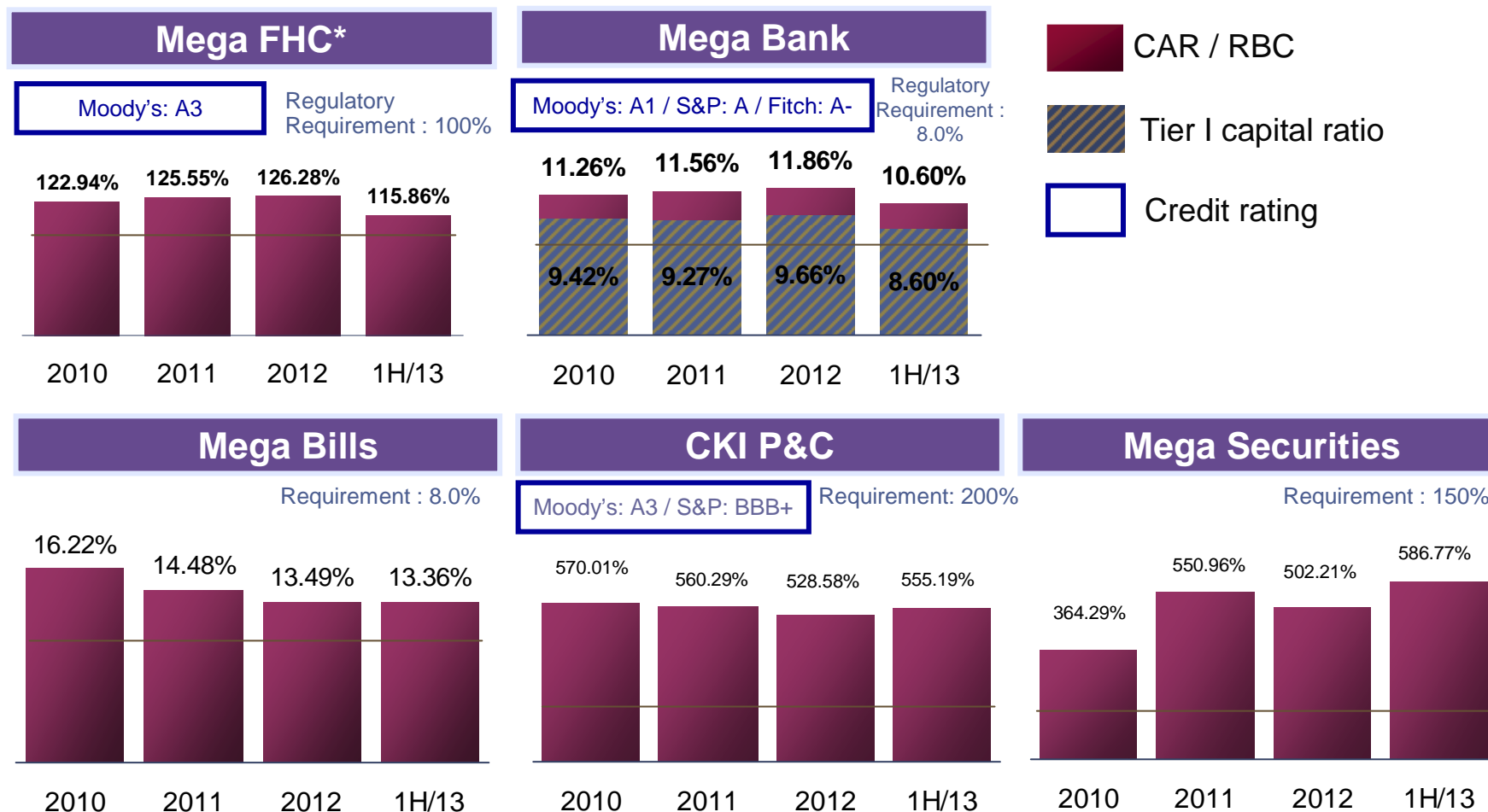
## Highlights

- ❖ Group net revenue was up 3% YoY due net fee growth.
- ❖ NII was flat due to pressure from NIM.
- ❖ Fee revenue was up 5% due to strong bank fee growth.
- ❖ Trading gain was flat as strong FX spread income helped offsetting the slow down in fixed income trading 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).

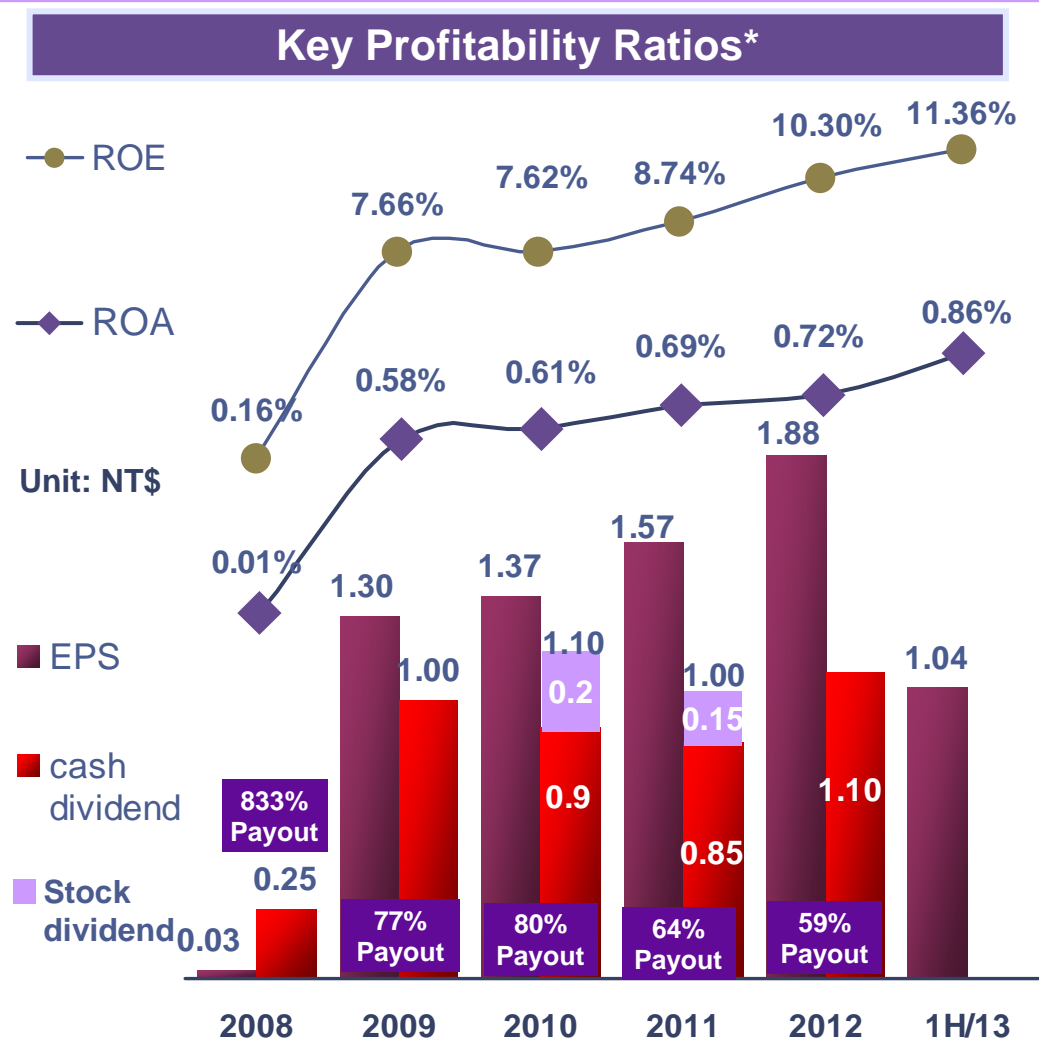
# Well-capitalized for Basel III requirements\*\*



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

\*\* 1H/2013 is Un-audited BASEL III numbers.

# 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.

# 1H/2013 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	1H/2013*	1H/2012*	YoY	2012*
Net interest income	15,278	15,308	0%	30,552
Net fee revenue	4,744	4,521	5%	8,504
Insurance premium	697	620	12%	1,442
Gain from fin. assets at fair value thru P&L	719	1,944	-63%	2,340
Available for sales asset gain	1,521	1,265	20%	1,845
Equity method investment gain	60	35	71%	306
FX spread gain	1,901	1,124	69%	2,409
Asset impairment loss (write-back)	-218	-86	-	-505
Cost method investment gain	-	-	-	779
NPL write-back (net)	865	465	-	923
NPL asset sales gain	-	-	-	1,306
Other non-interest revenue (net)	867	575	51%	1,364
Operating net revenue	26,434	25,771	3%	51,263
Operating expense	-10,347	-10,206	1%	-20,904
Pre-provision operating profit	16,087	15,565	3%	30,359
Provision expense on loan	-1,480	-111	1233%	-4,535
Reserved on insurance	161	-30	-	13
Pretax profit	14,768	15,424	-4%	25,837
Tax	-2,853	-2,808	2%	-4,292
Minority shareholder interest	-2	-7	-	-11
Net profit	11,914	12,617	-6%	21,534
EPS (NT\$)	1.04	1.10	-5%	1.88

Cost-to-income  
ratio: 39%

\* Un-audited numbers.

# 1H/2013 Mega FHC consolidated balance sheet\*

NT\$MN	1H/2013*	1H2012*	YoY	2012*	YTD
<b>Assets:</b>					
Cash and due from banks	385,355	359,366	7%	461,452	-16%
Bills and bonds under RP agreement	6,925	1,318	425%	4,724	47%
Fin. assets at fair value through P&L	195,343	180,077	8%	184,569	6%
AFS financial assets	260,135	166,581	56%	220,626	18%
HTM financial assets	166,295	161,867	3%	160,776	3%
Other financial assets	28,035	27,480	2%	22,801	23%
A/R, net	137,550	115,803	19%	125,373	10%
Loan, net	1,563,463	1,516,260	3%	1,502,646	4%
Equity method LT investments, net	2,737	3,188	-14%	2,668	3%
Land, premises and equipments, net	24,424	24,450	0%	23,038	6%
Others	16,049	12,730	26%	16,613	-3%
<b>Total assets</b>	<b>2,786,311</b>	<b>2,569,120</b>	<b>8%</b>	<b>2,725,286</b>	<b>2%</b>
<b>Liabilities</b>					
Due to banks	372,463	332,417	12%	419,532	-11%
Deposits	1,790,831	1,641,666	9%	1,718,209	4%
CP & Bond payable	62,132	64,935	-4%	64,330	-3%
Bills & bonds sold under repurchase agreement	206,809	185,312	12%	186,957	11%
Other liabilities	144,912	141,529	2%	122,174	19%
<b>Total liabilities</b>	<b>2,577,147</b>	<b>2,365,859</b>	<b>9%</b>	<b>2,511,202</b>	<b>3%</b>
Capital stock (common stock)	114,498	114,498	0%	114,498	0%
Capital surplus	43,425	43,425	0%	43,425	0%
Retain earning	51,414	45,223	14%	52,214	-2%
Equity adjustment items	(461)	(173)	166%	3,647	-113%
Minority shareholder interest	286	287	0%	300	-5%
<b>Total stockholders' equity</b>	<b>209,163</b>	<b>203,260</b>	<b>3%</b>	<b>214,085</b>	<b>-2%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,786,311</b>	<b>2,569,120</b>	<b>8%</b>	<b>2,725,286</b>	<b>2%</b>
Book value per share (NT\$)	18.24	17.73	3%	18.67	-2%

\* Un-audited numbers.

# 1H/2013 Mega Bank P&L statement\*

<i>NT\$MN, except per share data</i>	1H/2013*	1H/2012	YoY	2012*
Net interest income	14,480	14,342	1%	27,536
Net fee revenue	4,002	3,629	10%	6,619
Gain from fin. assets at fair value thru P&L	-44	1,459	-	1,944
Available for sales asset gain	897	912	-2%	1,015
Equity method investment gain	61	32	91%	486
Dividend income	0	-	-	1,056
FX spread gain	1,879	1,130	66%	2,324
Asset impairment loss (write-back)	-239	-88	-	45
Cost method investment gain	-	-	-	-425
NPL write-back (net)	44	827	-	-
Other non-interest revenue (net)	571	327	75%	2,515
Operating net revenue	21,652	22,567	-4%	43,115
Operating expense	-8,228	-8,085	2%	-16,352
Pre-provision operating profit	13,424	14,482	-7%	26,763
Provision expense on loan	-1,612	-235	586%	-4,187
Pretax profit	11,812	14,247	-17%	22,576
Tax	-1,744	-2,101	-17%	-3,243
Net profit	10,068	12,146	-17%	19,333
EPS (NT\$)	1.42	1.79	-21%	2.80

Cost-to-income  
ratio is 38%

\* Un-audited numbers.

# 1H/2013 Mega Bank balance sheet\*

NT\$MN	1H/2013*	1H/2012*	YoY	2012*	YTD
Assets:					
Cash and due from banks	379,884	357,542	6%	461,122	-18%
Bills and bonds under RP agreement	8,753	499	-	-	-
Fin. assets at fair value through P&L	46,847	41,515	13%	40,774	15%
AFS financial assets	177,541	80,228	121%	131,162	35%
HTM financial assets	164,557	160,178	3%	159,208	3%
Other financial assets	14,275	15,227	-6%	17,062	-16%
A/R, net	113,906	93,256	22%	102,351	11%
Loan, net	1,563,463	1,516,260	3%	1,504,898	4%
Equity method LT investments, net	2,857	3,350	-15%	2,572	11%
Land, premises and equipments, net	15,496	15,481	0%	15,525	0%
Others (net)	9,239	5,703	62%	11,273	-18%
Total assets	2,496,818	2,289,239	9%	2,445,947	2%
Liabilities					
Due to banks	357,038	328,550	9%	398,633	-10%
Deposits	1,800,155	1,644,404	9%	1,702,444	6%
CP & Bond payable	43,900	43,900	0%	43,900	0%
Bills & bonds sold under repurchase agreement	33,175	14,139	135%	17,364	91%
Other liabilities	85,841	94,239	-9%	102,291	-16%
Total liabilities	2,320,109	2,125,232	9%	2,264,632	2%
Capital stock (common stock)	71,000	68,000	4%	71,000	0%
Capital surplus	37,261	33,070	13%	37,261	0%
Retain earning	69,446	64,103	8%	69,237	0%
Equity adjustment items	(998)	(1,167)	-14%	3,817	-126%
Total stockholders' equity	176,709	164,006	8%	181,315	-3%
Total liabilities and stockholders' equity	2,496,818	2,289,238	9%	2,445,947	2%
Book value per share (NT\$)	24.89	24.12	3%	25.54	-3%

\* Un-audited numbers.

# Agenda

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**Operation Highlights**



**Financial Performance**

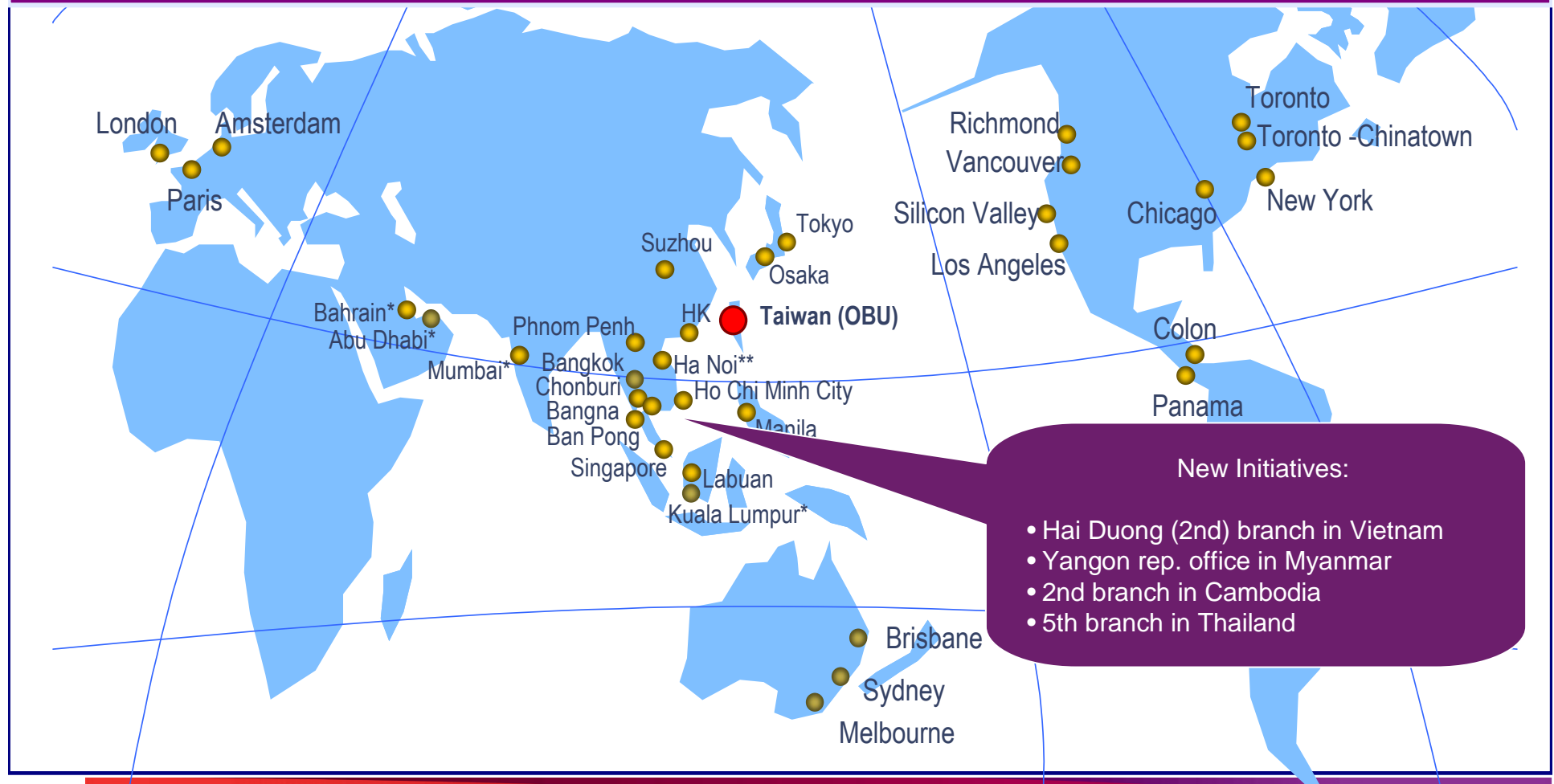


**Appendix**



# Most internationalized local bank.

## Mega Bank's Overseas Franchise



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

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