



Mega Holdings

**2Q / 2014** (v.1)

**Investor/Analyst Briefing**



# DISCLAIMER

---

**THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE SIX MONTHS ENDED JUNE 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 AUG 31ST, 2014.**

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**



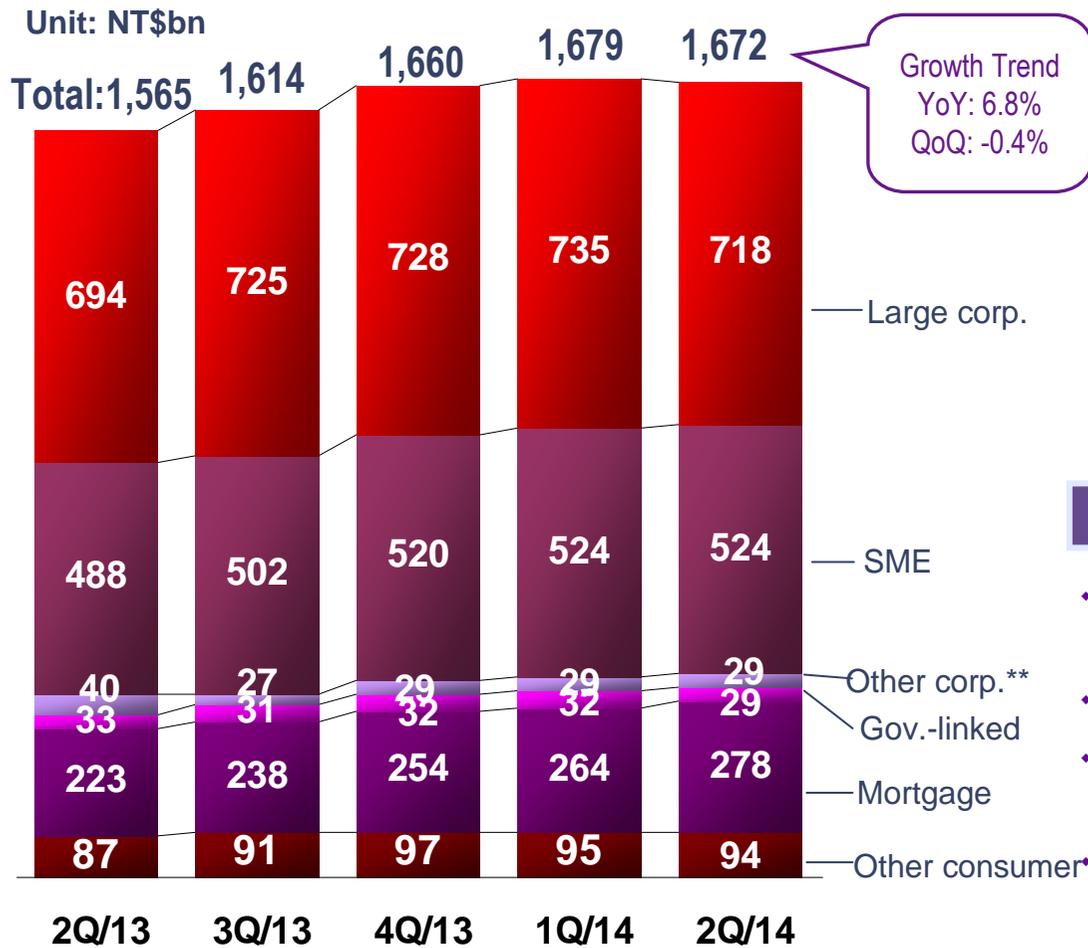
**Financial Performance**



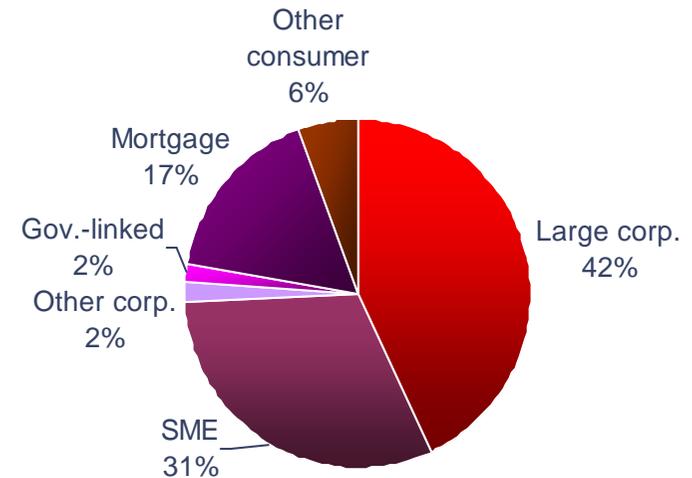
**Appendix**

# Total loan was up 6.8% YoY, driven by large corp., SME & mortgage loan growth

Mega Bank quarterly loan balance\*



Mega Bank 2Q/14 loan breakdown by customer



## Highlights

- ❖ Large corp. loan was up 6.8% YoY but down 2.3% QoQ.
- ❖ SME loan was up 7.4% YoY but flat QoQ.
- ❖ Mortgage loan was up 24.7% YoY and 5.3% QoQ.
- ❖ Total loan was up 6.8% YoY but down 0.4% QoQ.

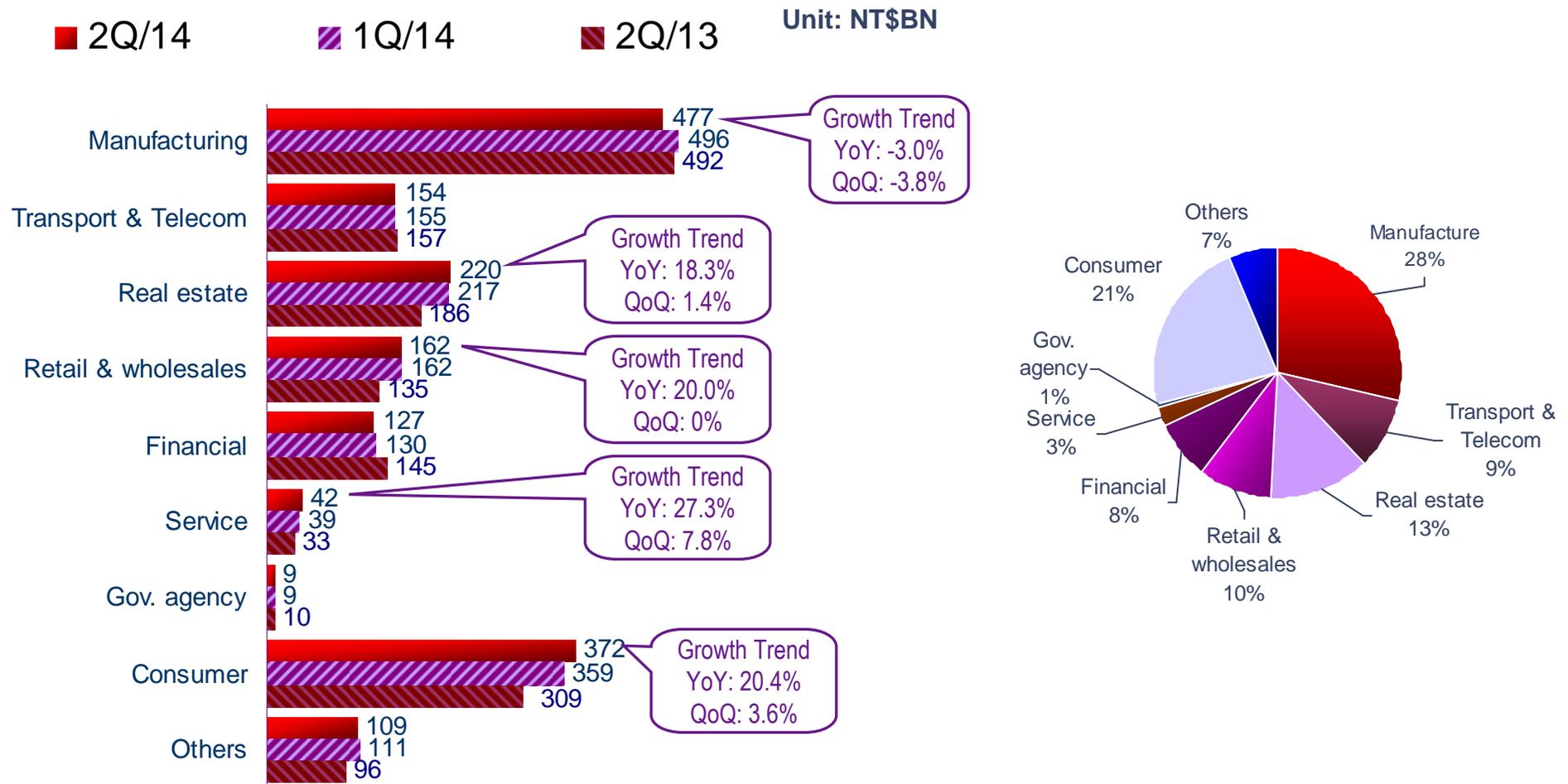
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# Real estate, service industry and consumer loan growth were major growth drivers

Mega Bank loan balance trend by industry\*

Mega Bank 2Q/14 loan breakdown by industry\*

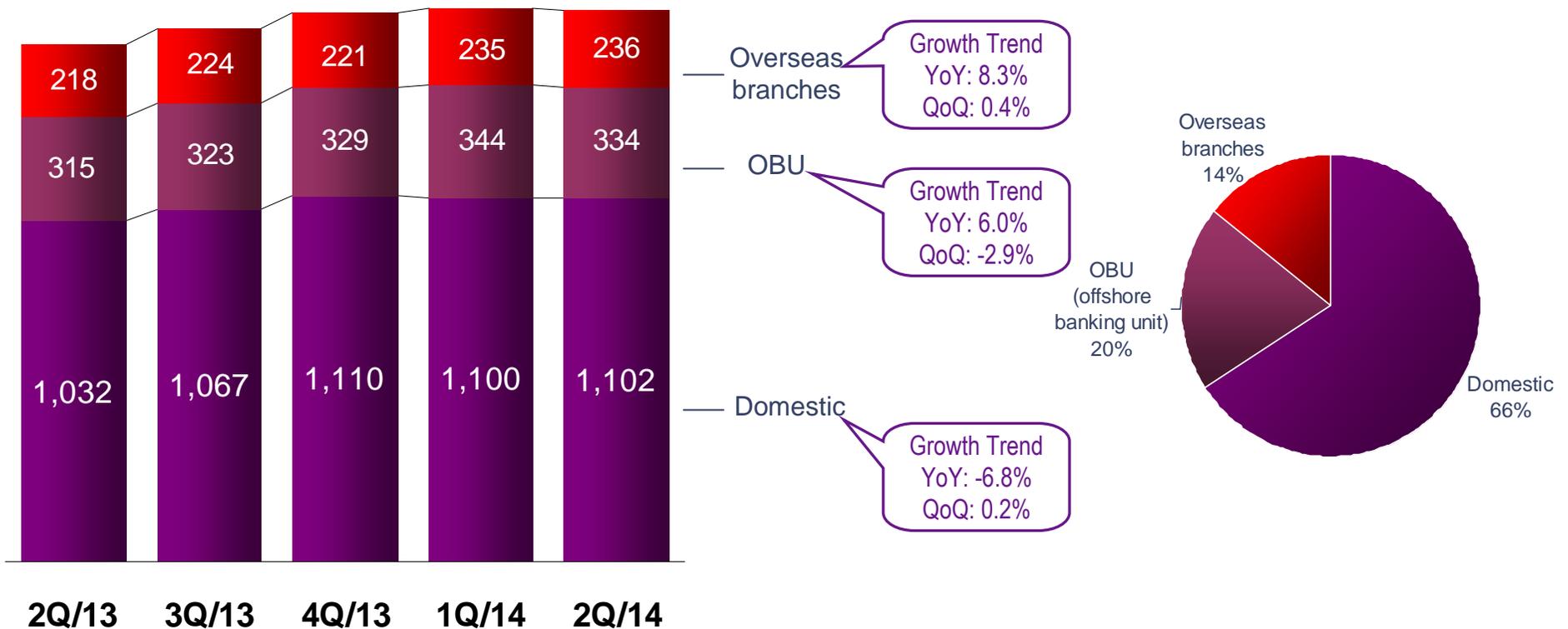


\* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

# Volume growth slowed in 2Q/14 to focus on margin improvement

Mega Bank 2Q/14 loan breakdown by regions \*

Unit: NT\$bn



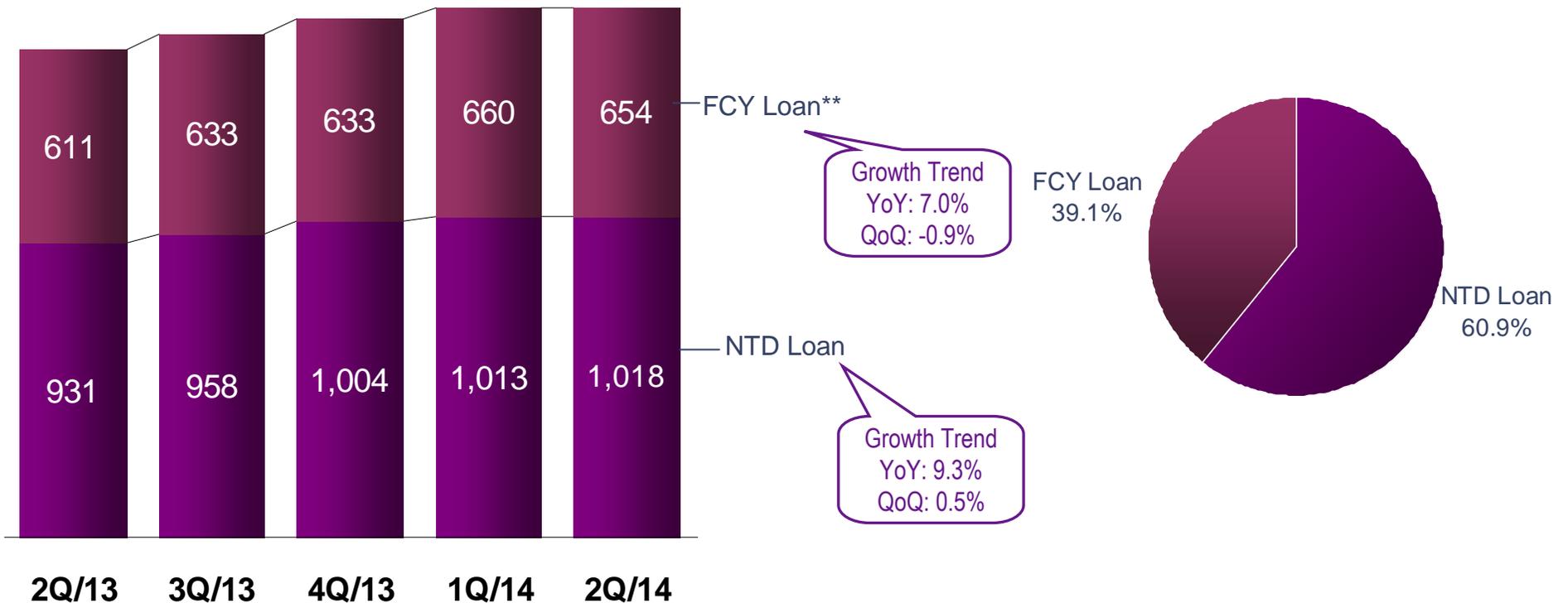
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# Both NTD/FCY loan remained flat in 2Q/14

Mega Bank 2Q/14 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.

# NPL balance was down while LLR was up

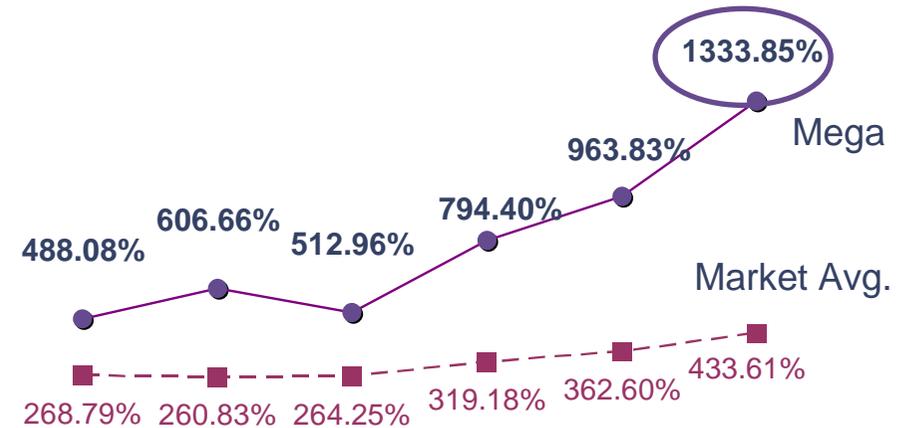
Mega Bank NPL balance & NPL ratio\*



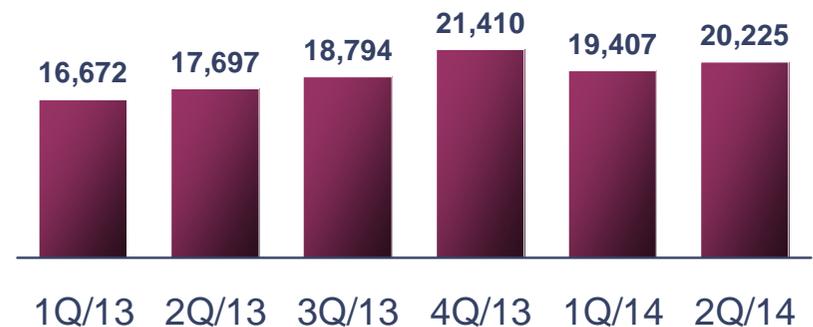
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



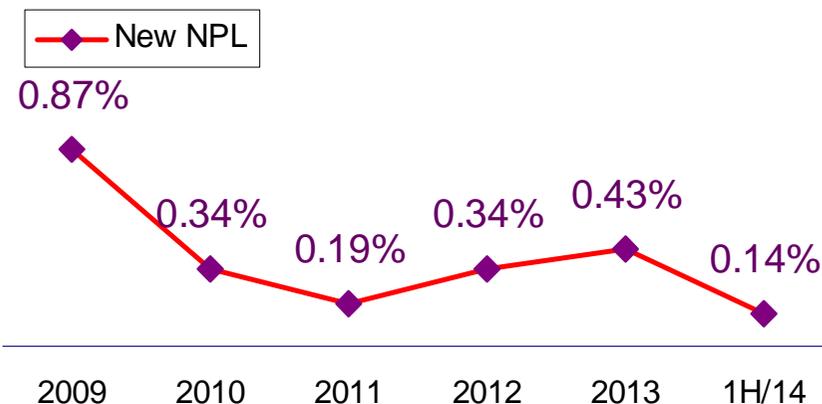
\* 90 days standard

# New NPL formation showed record low number

Mega Bank NPL ratio by customer \*



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



TMT Exposure update

- Total exposure: NT\$2.9bn
- Provided 60% provision in 1-3Q/2013.
- Booked NT\$0.32bn write back in Dec/2013.
- Booked NT\$0.65bn write back in Frb/2014.
- Whole case was closed and recovered in Feb/2014.

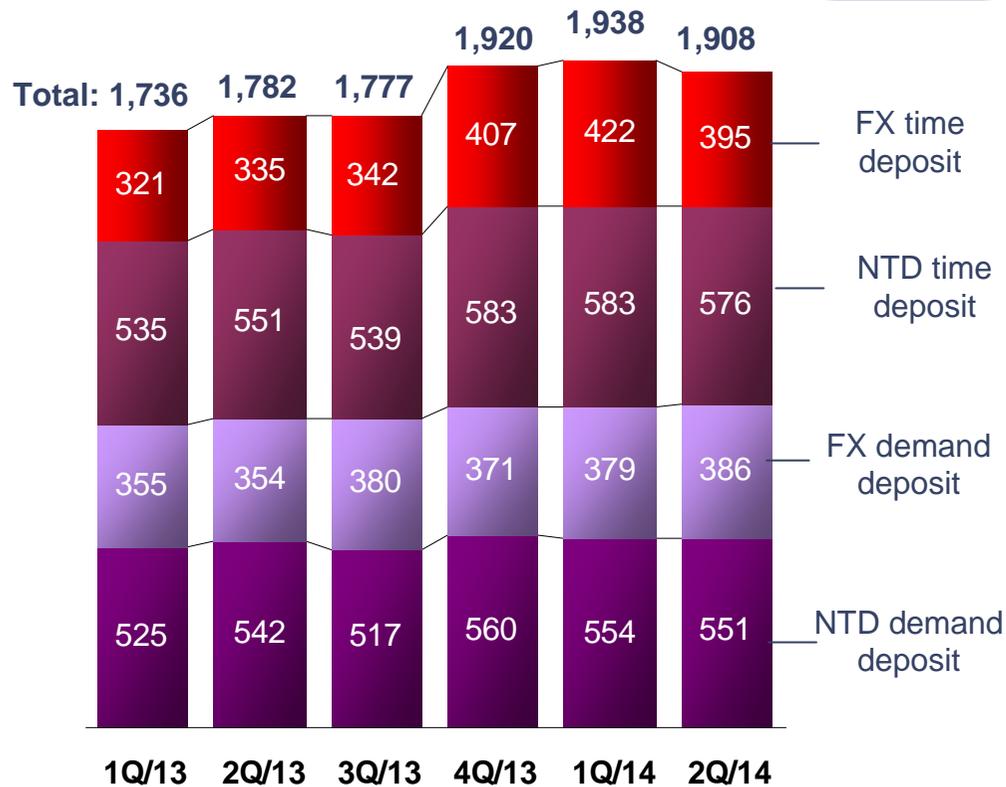
\* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

# Deposit growth paused as RMB deposit growth slowed

## Mega Bank's deposit balance \*

Unit:NT\$bn

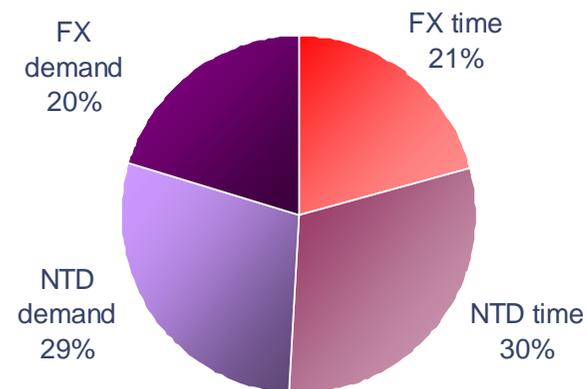


Growth Trend  
YoY: 7.1%  
QoQ: -1.5%

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



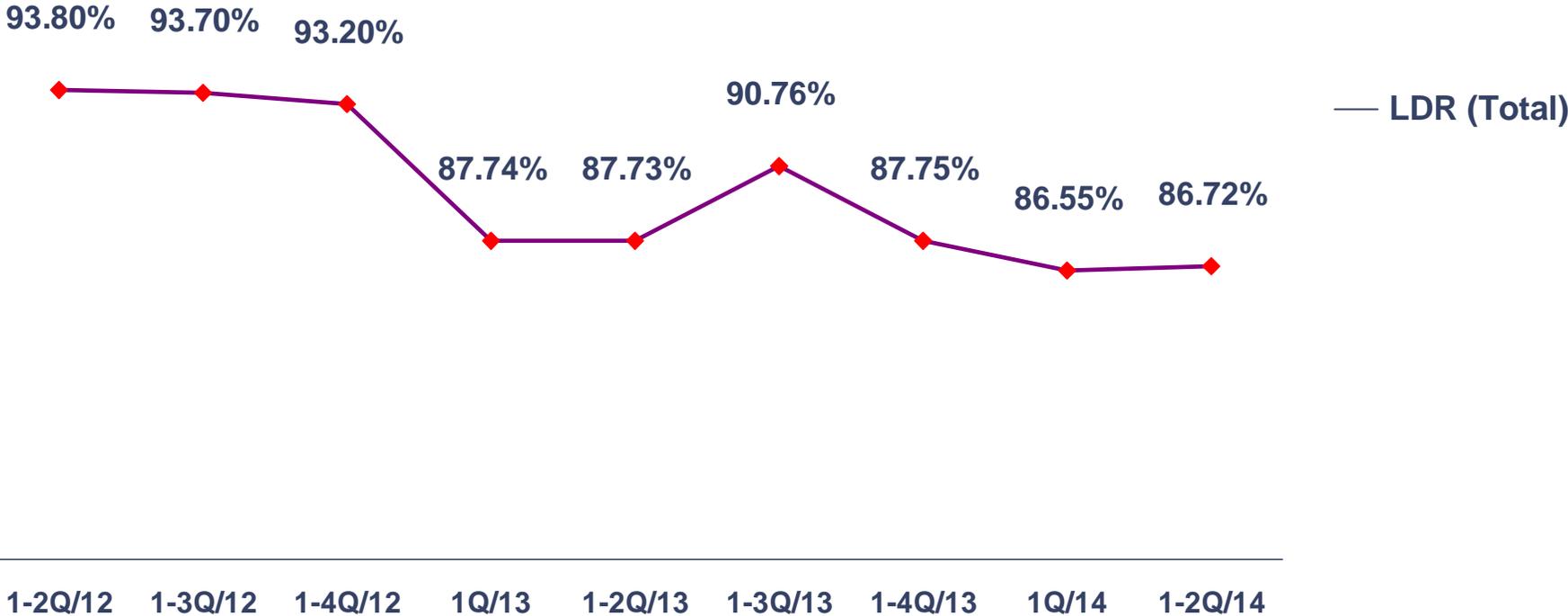
## Mega Bank's 2Q/14 deposit breakdown



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

# LDR remained stable

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



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

# Loan spread was up as overseas loan spread climbed back up

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/13~2Q/14 RMB deposit (approx. 6% 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.

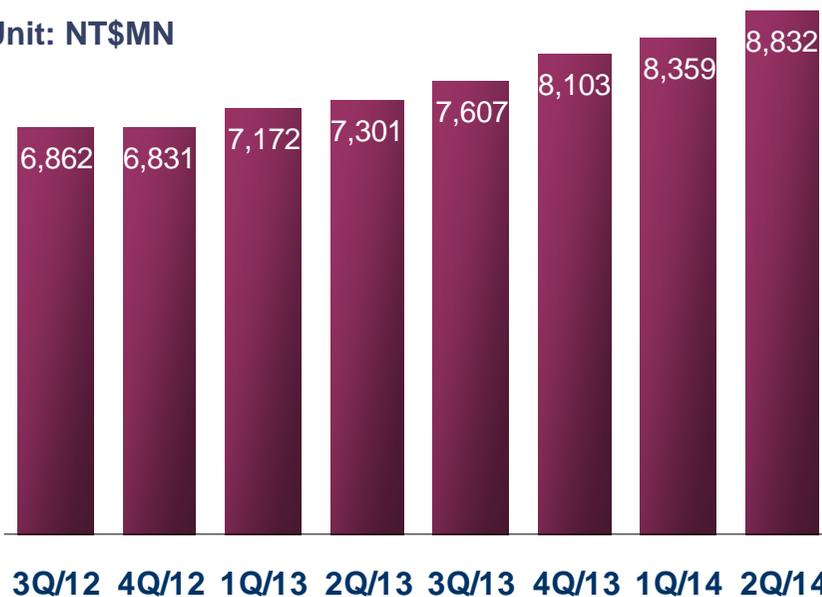


# NIM was up 4bps QoQ as FCY NIM jumped higher

Mega Bank quarterly NIM & NII \*



Unit: NT\$MN



Mega Bank quarterly NTD NIM\*



Mega Bank quarterly foreign currency NIM\*

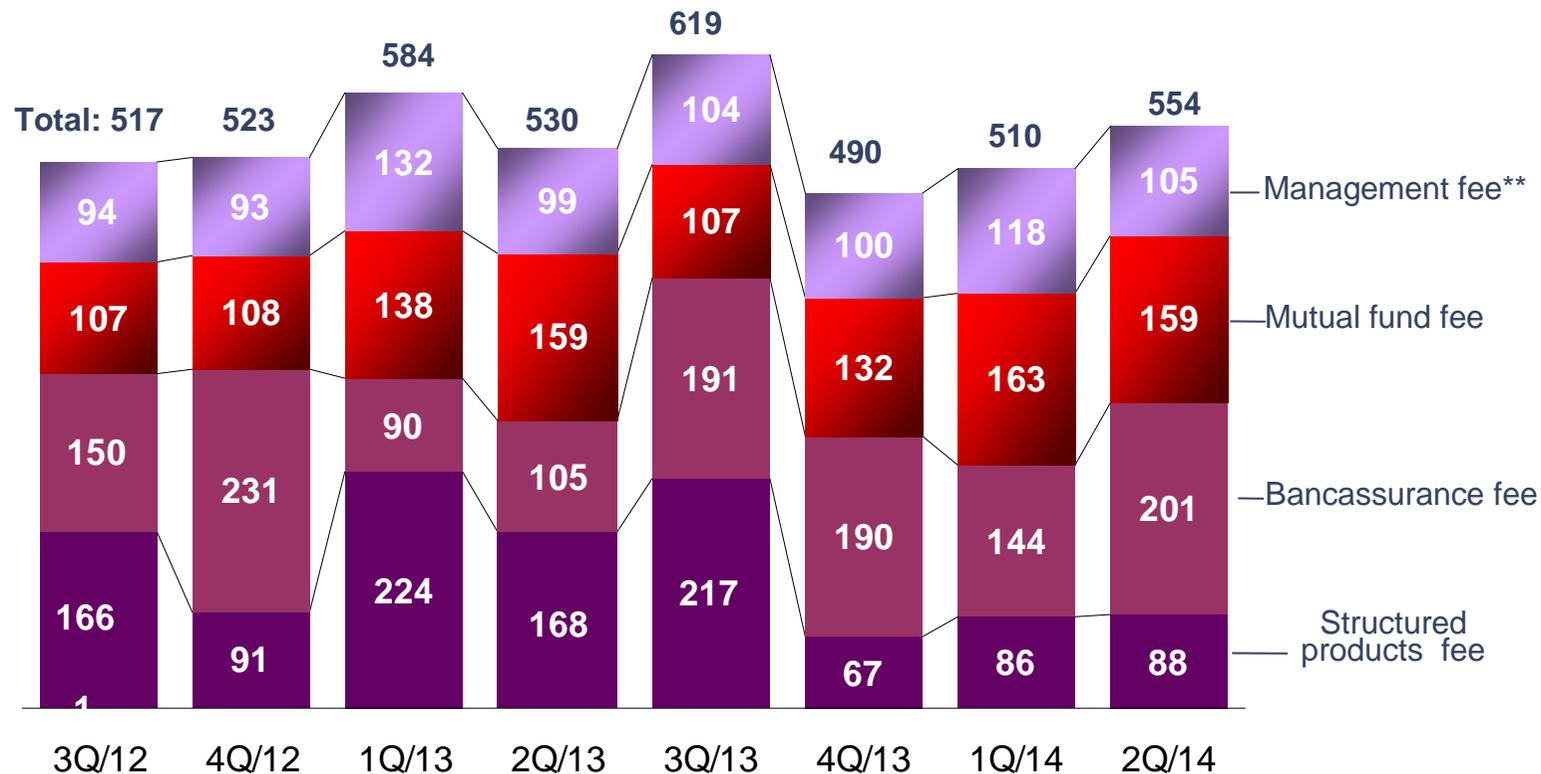


\* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

# Steady WM fee income trend with improved bancassurance fee

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

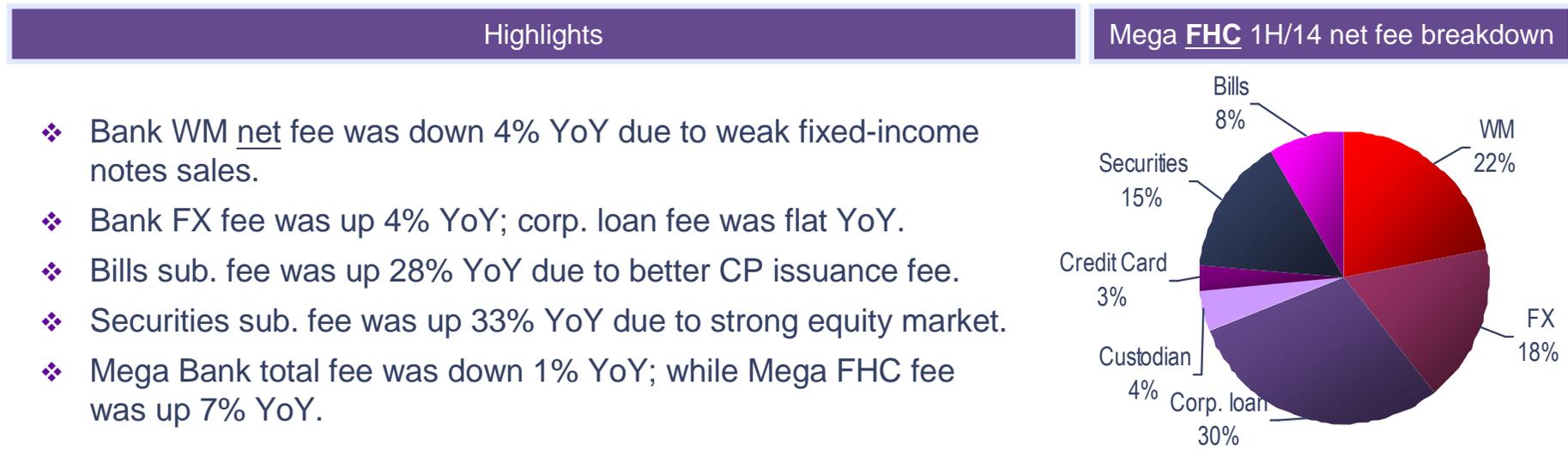
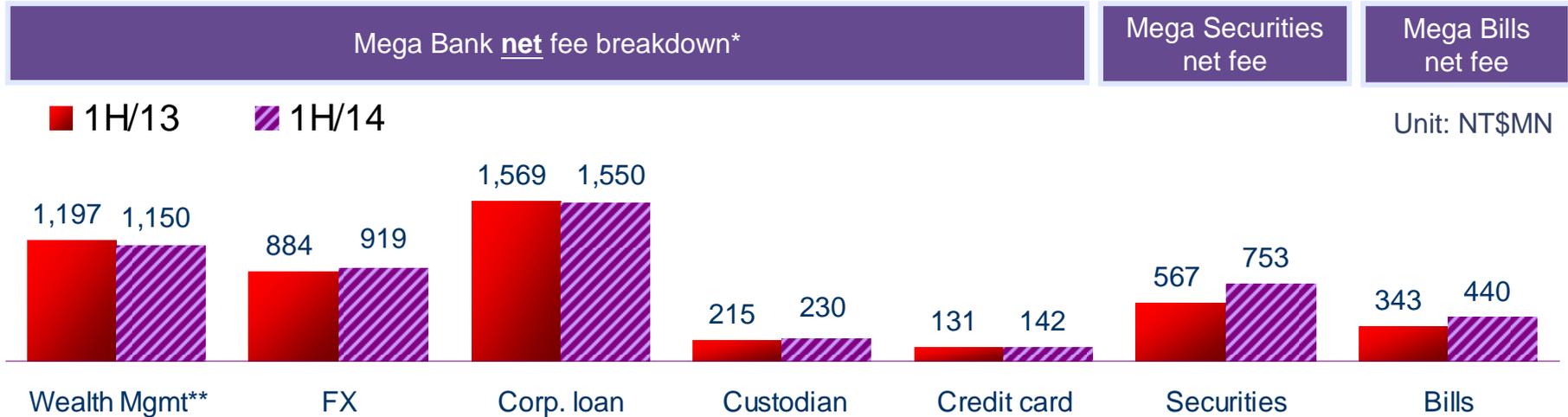
Unit: NT\$MN



\* 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.

# FX, brokerage and bills fee were up



\* 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**

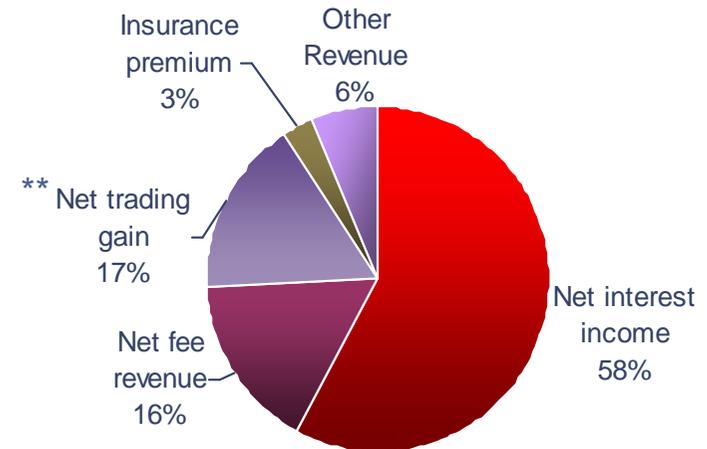
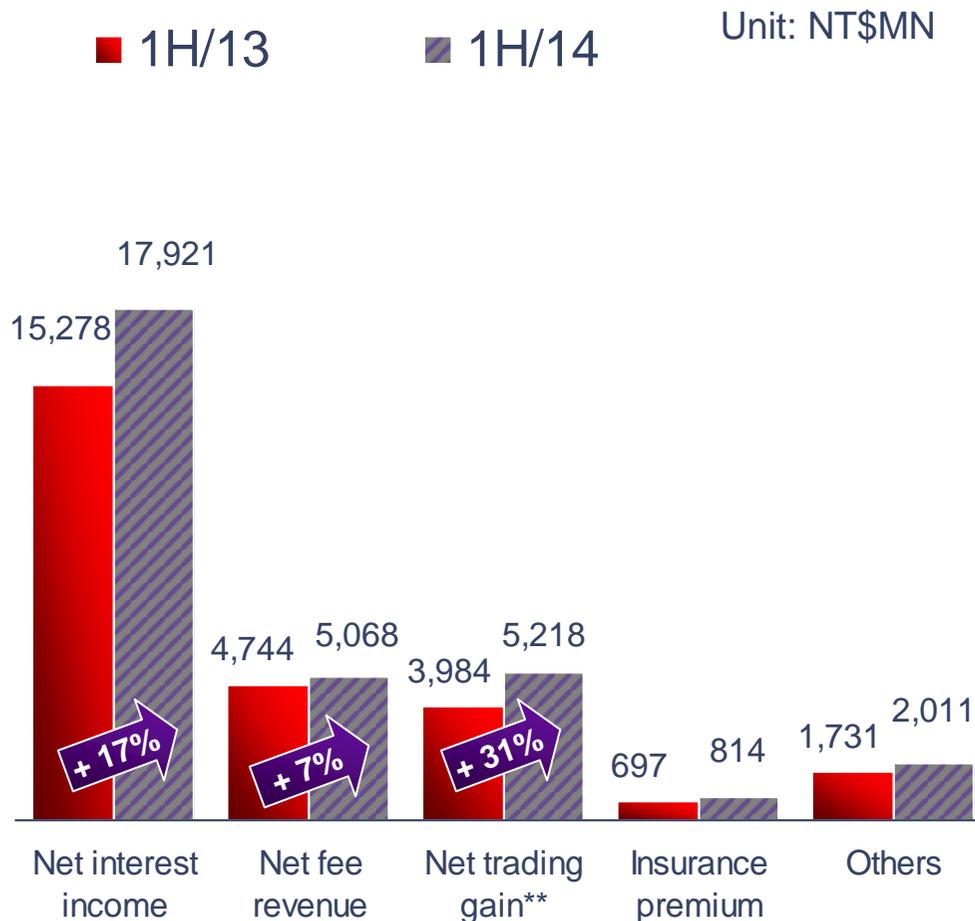


**Appendix**

# Group net revenue was up 17% YoY, due to strong NII, fee and trading gain

Mega Group consolidated net revenue \*

Mega Group 1H/2014 net revenue breakdown



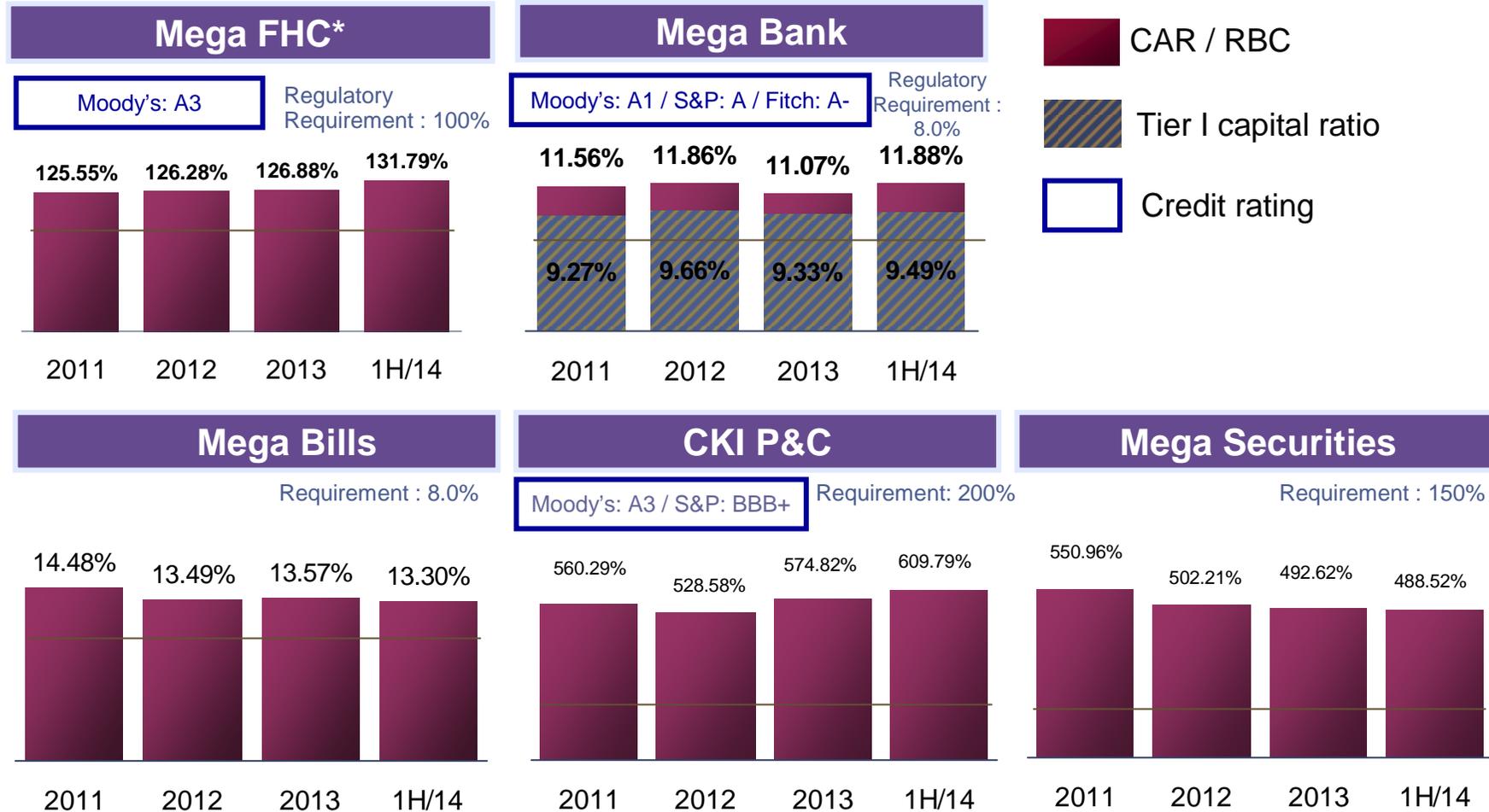
## Highlights

- ❖ Group net revenue was up 17% YoY due to favorable NII, fee and trading gain.
- ❖ NII was up 17% 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 31% 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\*\*

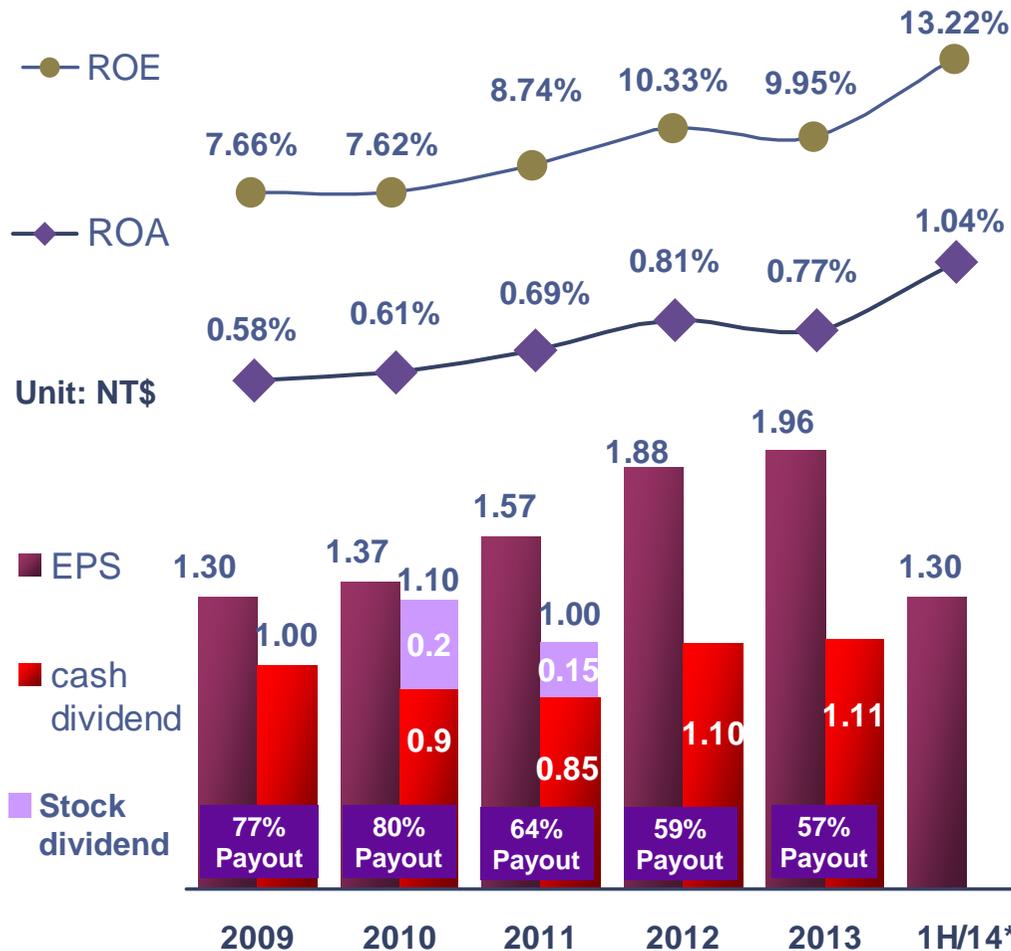


\* FHC CAR is calculated based on net investments in subsidiaries

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

# Record high ROE and stable cash dividend

## 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.

\* 1H/14 are audited numbers; ROE & ROA are annualized numbers.

# 1H/2014 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	1H/2014*	1H/2013	YoY	2013
Net interest income	17,921	15,278	17%	31,276
Net fee revenue	5,068	4,744	7%	9,789
Insurance premium	814	697	17%	1,480
Gain from fin. assets at fair value thru P&L	2,855	719	297%	3,622
Available for sales asset gain	1,013	1,521	-33%	2,124
Equity method investment gain	47	60	-22%	204
FX spread gain	1,388	1,901	-27%	2,948
Asset impairment loss (write-back)	-85	-218	-61%	-333
NPL asset sales gain	1,196	865	38%	1,704
Other non-interest revenue (net)	815	867	-6%	2,194
Operating net revenue	31,032	26,434	17%	55,008
Operating expense	-11,092	-10,347	7%	-22,916
Pre-provision operating profit	19,940	16,087	24%	32,092
Provision expense on loan	-662	-1,480	-55%	-5,276
Reserved on insurance	65	161	-60%	184
Pretax profit	19,343	14,768	31%	27,000
Tax	-3,217	-2,853	13%	-4,506
Minority shareholder interest	9	-2	-	-5
Net profit	16,135	11,913	35%	22,489
EPS (NT\$)	1.30	1.04	25%	1.96

Cost-to-income  
ratio: 36%

\* Audited numbers.

# 1H/2014 Mega FHC consolidated balance sheet\*

NT\$MN	1H/2014*	1H/2013	YoY	2013	YTD
<b>Assets:</b>					
Cash and due from banks	463,865	385,355	20%	551,247	-16%
Bills and bonds under RP agreement	5,641	6,925	-19%	2,585	118%
Fin. assets at fair value through P&L	175,726	195,343	-10%	195,801	-10%
AFS financial assets	276,349	260,135	6%	272,944	1%
HTM financial assets	178,963	166,295	8%	184,411	-3%
Other financial assets	20,700	28,035	-26%	23,430	-12%
A/R, net	203,644	137,550	48%	184,588	10%
Loan, net	1,668,969	1,563,463	7%	1,654,577	1%
Equity method LT investments, net	2,680	2,737	-2%	2,698	-1%
Land, premises and equipments, net	24,352	24,424	0%	24,210	1%
Others	12,974	16,048	-19%	17,133	-24%
<b>Total assets</b>	<b>3,033,863</b>	<b>2,786,310</b>	<b>9%</b>	<b>3,113,624</b>	<b>-3%</b>
<b>Liabilities</b>					
Due to banks	415,607	372,463	12%	523,266	-21%
Deposits	1,915,959	1,790,831	7%	1,933,723	-1%
CP & Bond payable	69,087	62,132	11%	60,293	15%
Bills & bonds sold under repurchase agreement	233,201	206,809	13%	219,651	6%
Other liabilities	153,784	144,912	6%	135,099	14%
<b>Total liabilities</b>	<b>2,787,638</b>	<b>2,577,147</b>	<b>8%</b>	<b>2,872,032</b>	<b>-3%</b>
Capital stock (common stock)	124,498	114,498	9%	124,498	0%
Capital surplus	55,274	43,425	27%	55,272	0%
Retain earning	63,851	51,414	24%	61,535	4%
Equity adjustment items	2,419	-460	-	101	-
Minority shareholder interest	183	286	-36%	186	-2%
<b>Total stockholders' equity</b>	<b>246,225</b>	<b>209,164</b>	<b>18%</b>	<b>241,592</b>	<b>2%</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,033,863</b>	<b>2,786,310</b>	<b>9%</b>	<b>3,113,624</b>	<b>-3%</b>
Book value per share (NT\$)	19.76	18.24	8%	19.39	2%

\* Audited numbers.

# 1H/2014 Mega Bank P&L statement\*

<i>NT\$MN, except per share data</i>	1H/2014*	1H/2013*	YoY	2013
Net interest income	17,254	14,480	19%	30,217
Net fee revenue	3,971	4,002	-1%	8,103
Gain from fin. assets at fair value thru P&L	1,507	-44	-	1,294
Available for sales asset gain	638	897	-29%	1,291
Equity method investment gain	44	61	-28%	210
FX spread gain	1,411	1,879	-25%	2,917
Asset impairment loss (write-back)	-69	-239	-	-319
Cost method investment gain	0	0	-	633
NPL disposal gain	703	44	-	464
Asset sales gain (net)	0	0	-	439
Other non-interest revenue (net)	420	572	-27%	514
Operating net revenue	25,879	21,652	20%	45,763
Operating expense	-8,586	-8,228	4%	-18,309
Pre-provision operating profit	17,293	13,424	29%	27,454
Provision expense on loan	-1,144	-1,612	-29%	-5,454
Pretax profit	16,149	11,812	37%	22,000
Tax	-2,291	-1,744	31%	-3,194
Net profit	13,858	10,068	38%	18,806
EPS (NT\$)	1.80	1.42	27%	2.64

Cost-to-income ratio is 33%

\* Audited numbers.

# 1H/2014 Mega Bank balance sheet\*

NT\$MN	1H/2014*	1H/2013*	YoY	2013	YTD
<b>Assets:</b>					
Cash and due from banks	459,763	379,885	21%	546,393	-16%
Bills and bonds under RP agreement	4,375	8,753	-50%	5,452	-20%
Fin. assets at fair value through P&L	38,409	46,847	-18%	44,481	-14%
AFS financial assets	183,209	177,541	3%	184,450	-1%
HTM financial assets	177,292	164,557	8%	182,739	-3%
Other financial assets	13,376	14,275	-6%	13,289	1%
A/R, net	170,349	113,906	50%	159,597	7%
Loan, net	1,668,969	1,563,463	7%	1,654,703	1%
Equity method LT investments, net	2,725	2,857	-5%	2,784	-2%
Land, premises and equipments, net	15,076	15,374	-2%	15,194	-1%
Others (net)	6,557	9,360	-30%	10,630	-38%
<b>Total assets</b>	<b>2,740,100</b>	<b>2,496,818</b>	<b>10%</b>	<b>2,819,712</b>	<b>-3%</b>
<b>Liabilities</b>					
Due to banks	408,958	357,038	15%	504,207	-19%
Deposits	1,927,259	1,800,155	7%	1,932,772	0%
CP & Bond payable	55,900	43,900	27%	43,900	27%
Bills & bonds sold under repurchase agreement	57,904	33,175	75%	46,532	24%
Other liabilities	84,186	85,841	-2%	91,773	-8%
<b>Total liabilities</b>	<b>2,534,207</b>	<b>2,320,109</b>	<b>9%</b>	<b>2,619,184</b>	<b>-3%</b>
Capital stock (common stock)	77,000	71,000	8%	77,000	0%
Capital surplus	46,502	37,261	25%	46,499	0%
Retain earning	80,403	69,446	16%	77,364	4%
Equity adjustment items	1,988	-998	-299%	-335	-693%
<b>Total stockholders' equity</b>	<b>205,893</b>	<b>176,709</b>	<b>17%</b>	<b>200,528</b>	<b>3%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,740,100</b>	<b>2,496,818</b>	<b>10%</b>	<b>2,819,712</b>	<b>-3%</b>
Book value per share (NT\$)	26.74	24.89	7%	26.04	3%

\* Audited numbers.

# Agenda

---



**Operation Highlights**

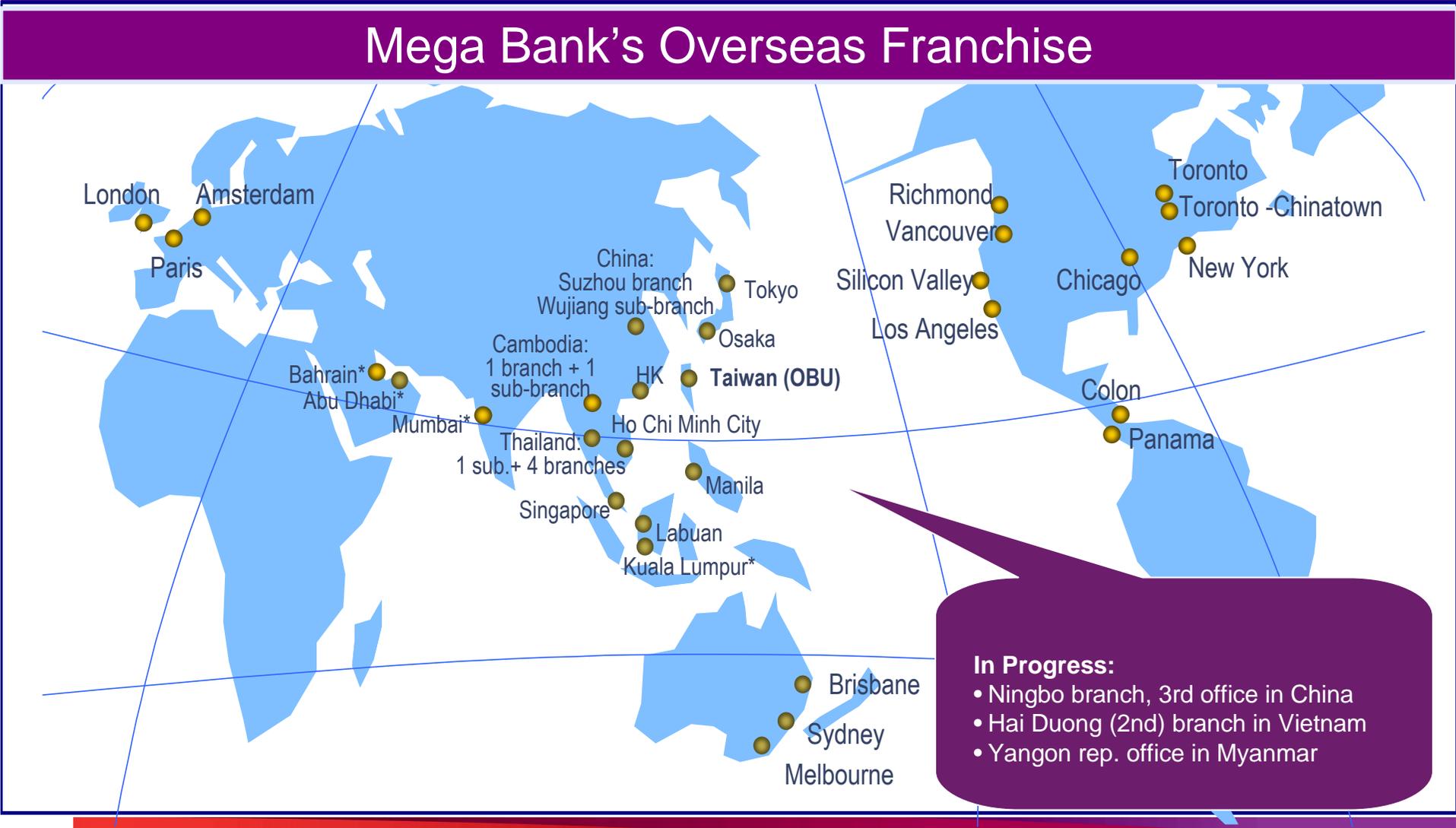


**Financial Performance**



**Appendix**

# Most internationalized local bank.



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