



**Mega Holdings**

**4Q / 2014** (v.1)

**Investor/Analyst Briefing**



# DISCLAIMER

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**THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED DEC 31TH, 2014 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC WILL FILE ITS AUDITED FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON APR 30TH, 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

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**Operation Highlights**



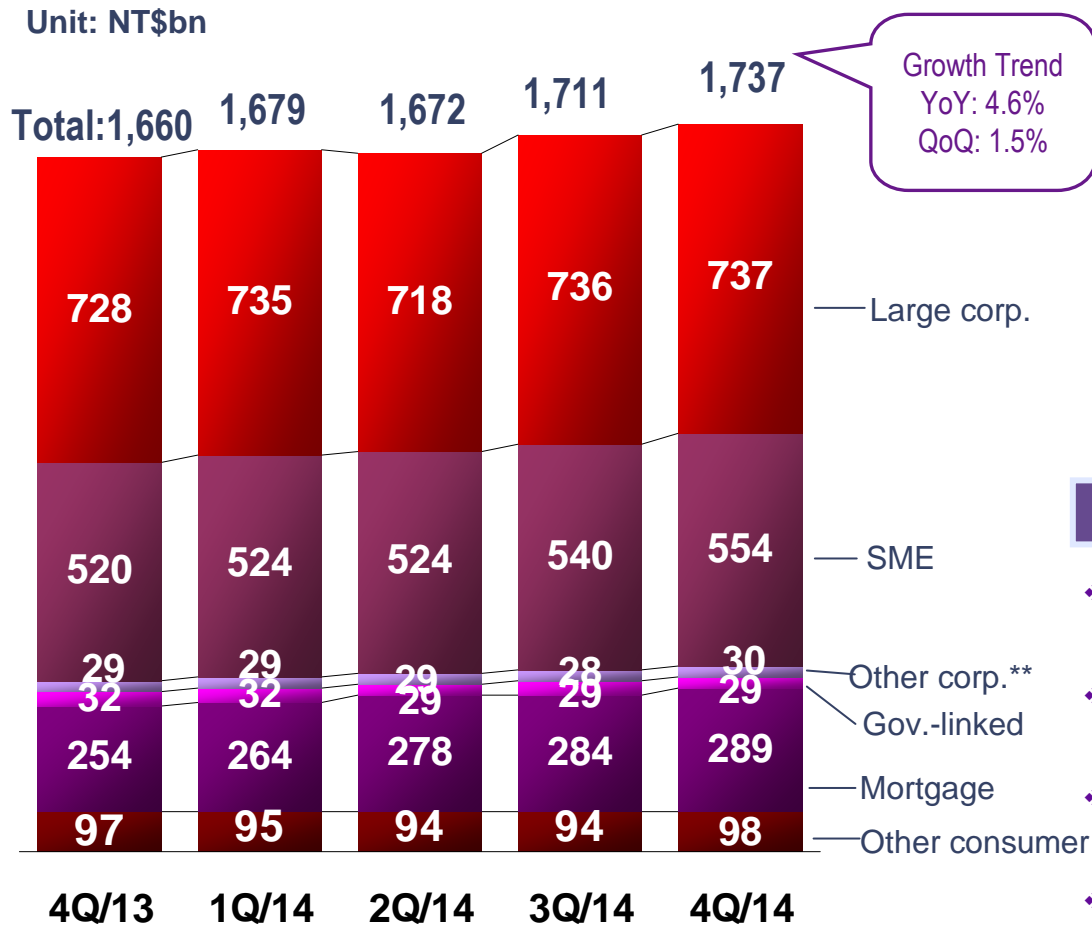
**Financial Performance**



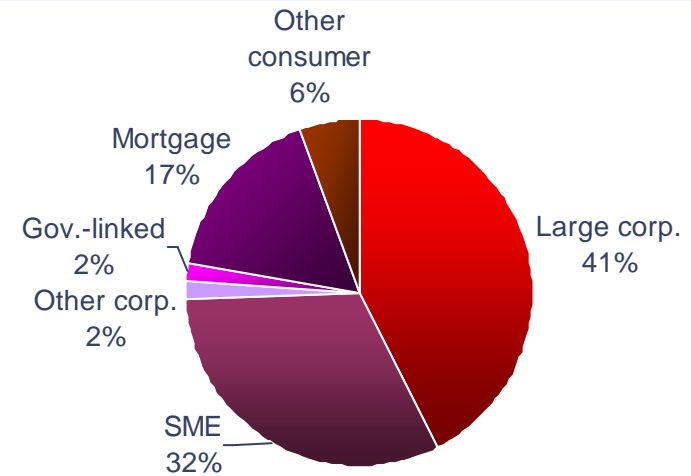
**Appendix**

# Total loan was up 4.6% YoY, driven by SME & mortgage loans

Mega Bank quarterly loan balance\*



Mega Bank 4Q/14 loan breakdown by customer



## Highlights

- ❖ Large corp. loan was up 1.2% YoY and 0.1% QoQ.
- ❖ SME loan was up 6.5% YoY and 2.6% QoQ.
- ❖ Mortgage loan was up 13.8% YoY and 1.8% QoQ.
- ❖ Total loan was up 4.6% YoY and 1.5% QoQ.

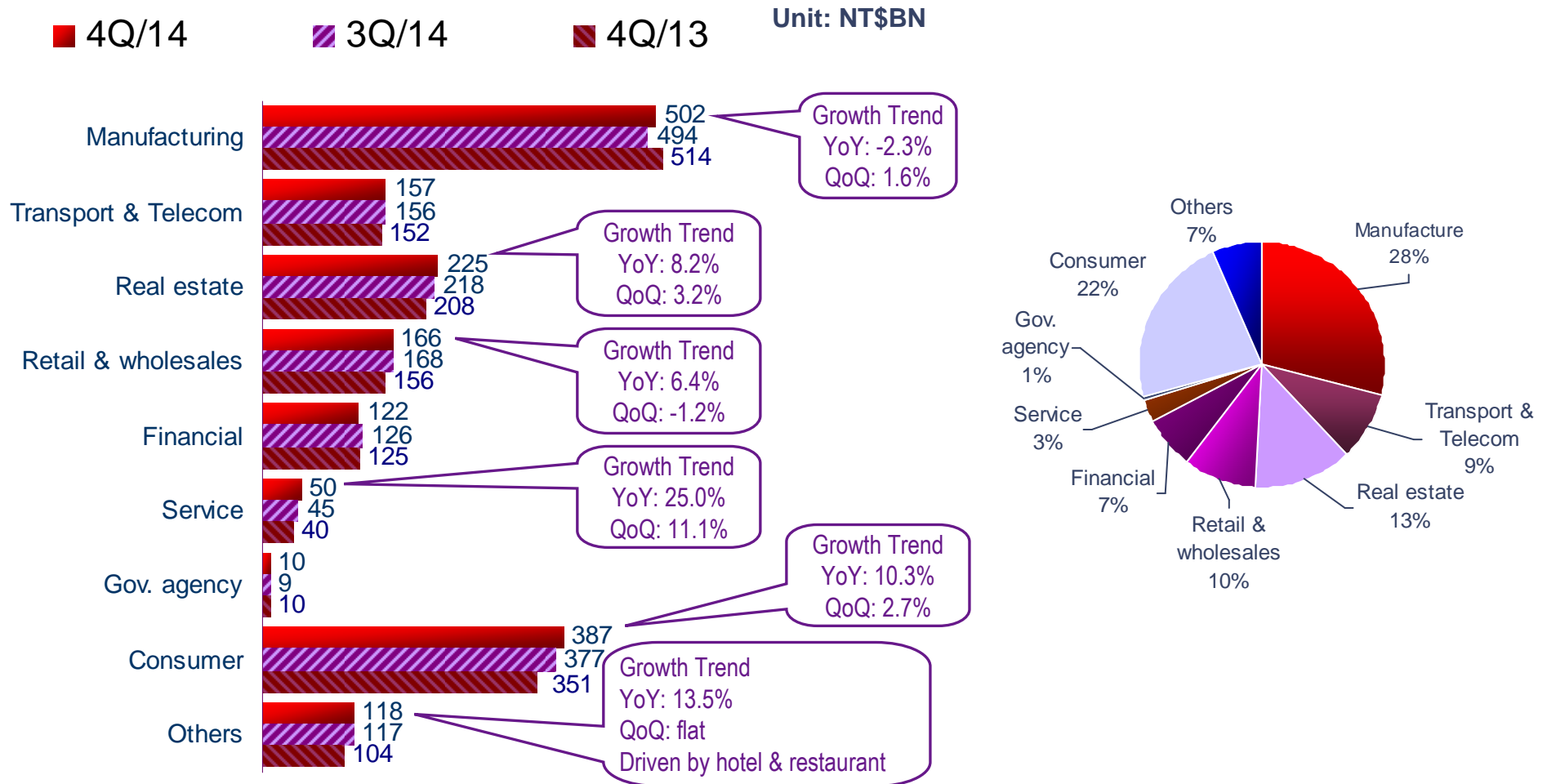
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# Real estate, retail/wholesales, service, mortgage & hospitality industries were the key growth drivers

Mega Bank loan balance trend by industry\*

Mega Bank 4Q/14 loan breakdown by industry\*

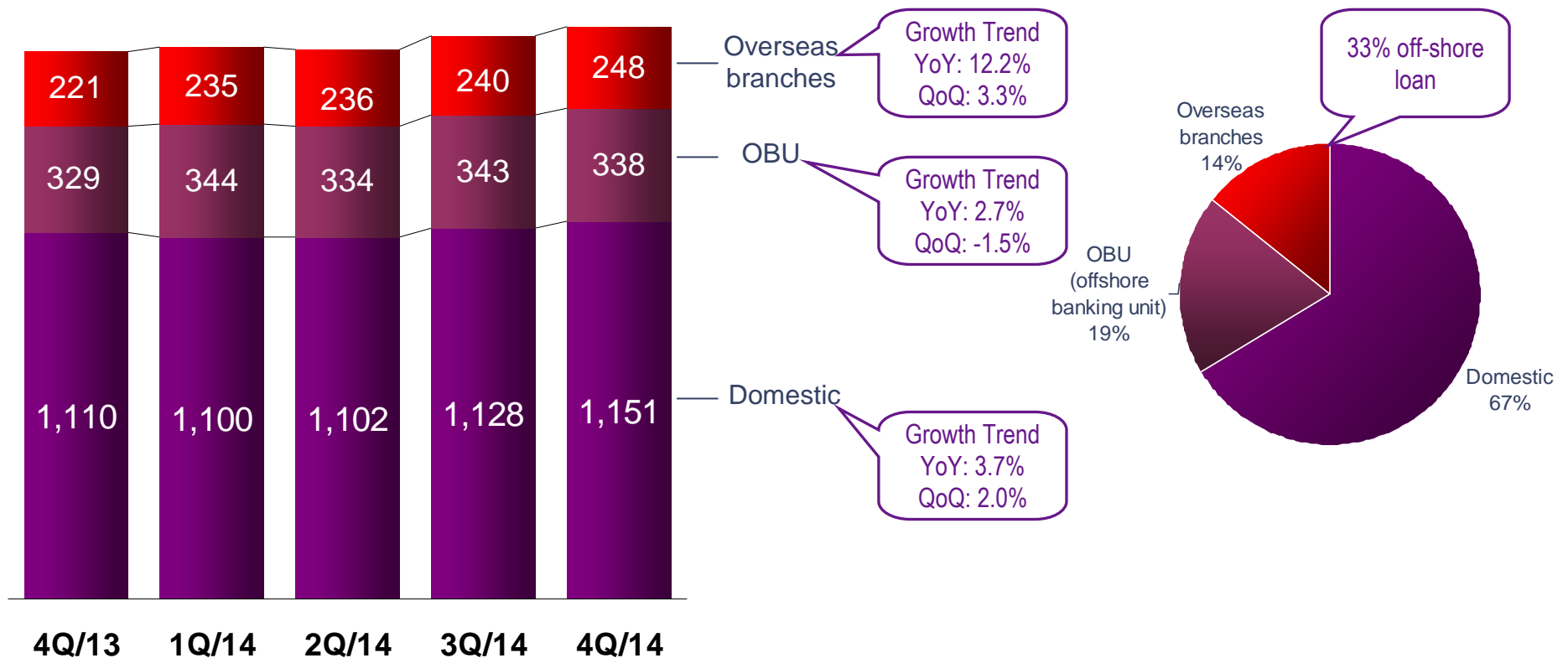


\* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

# SE Asia & China branches helped pushed the overseas branches loan higher

Mega Bank 4Q/14 loan breakdown by regions \*

Unit: NT\$bn



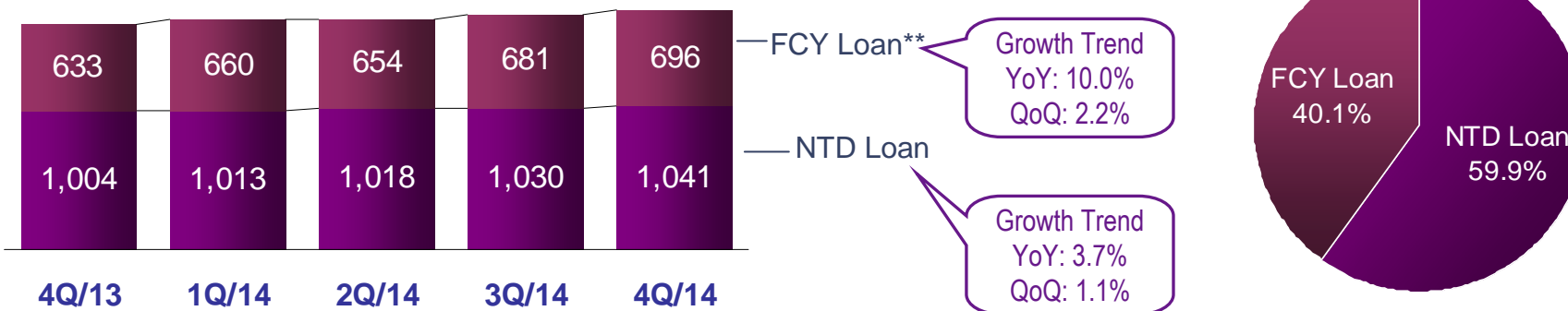
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# FCY loan was up 2.2% QoQ and 10.0% YoY

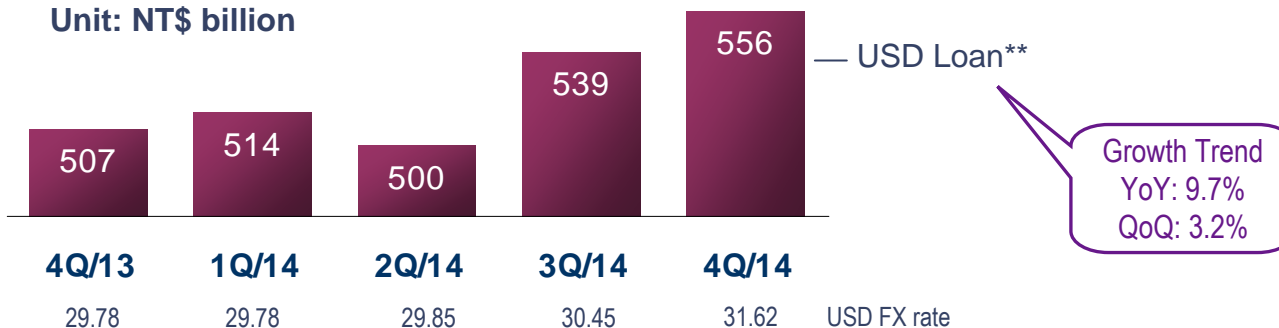
Mega Bank 4Q/14 loan breakdown by currency: NTD vs. foreign currency loan \*

Unit: NT\$bn



Mega Bank USD Loan balance\*

Unit: NT\$ billion

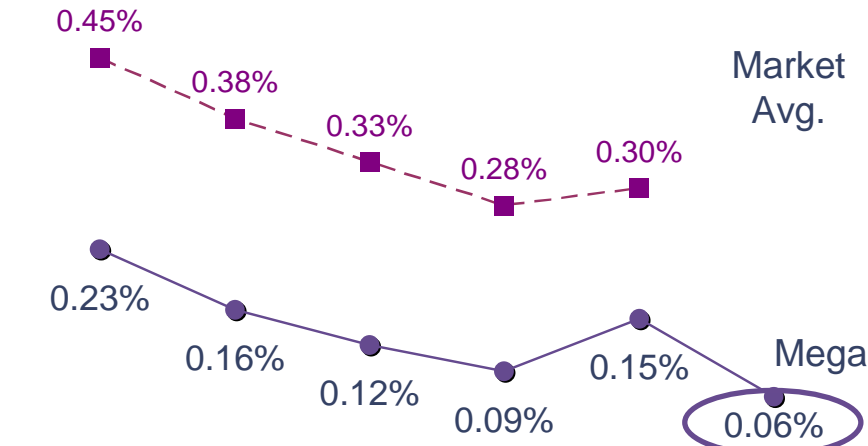


\* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

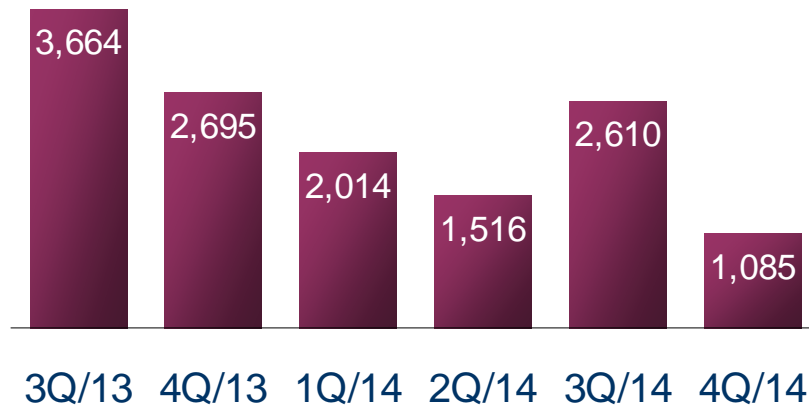
\*\* Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

# NPL was down; coverage was up

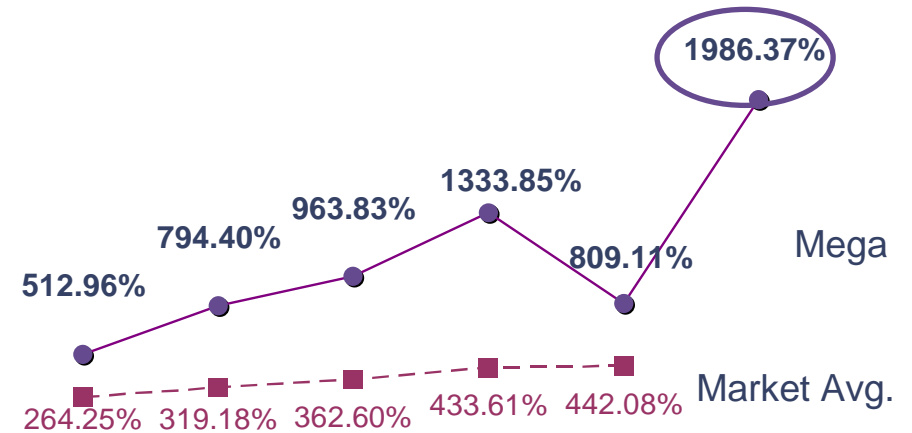
Mega Bank NPL balance & NPL ratio\*



Unit: NT\$MN

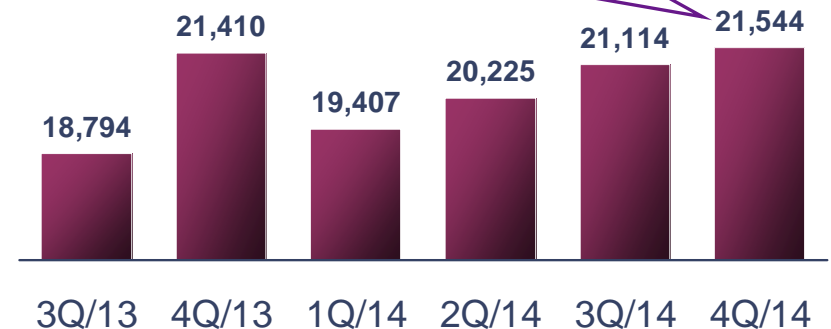


Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN

Taiwan Polysilicon exposure update  
 • Total exposure: NT\$1.1bn  
 • 100% provision & write-off as of 4Q/14



\* 90 days standard

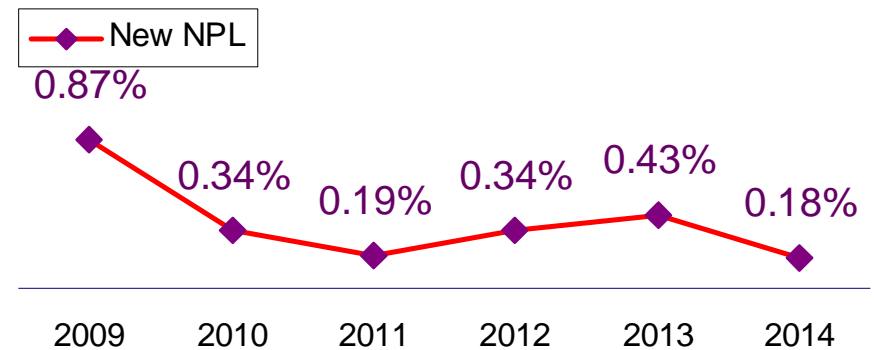


# Asset quality remained strong

Mega Bank NPL ratio by customer \*



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



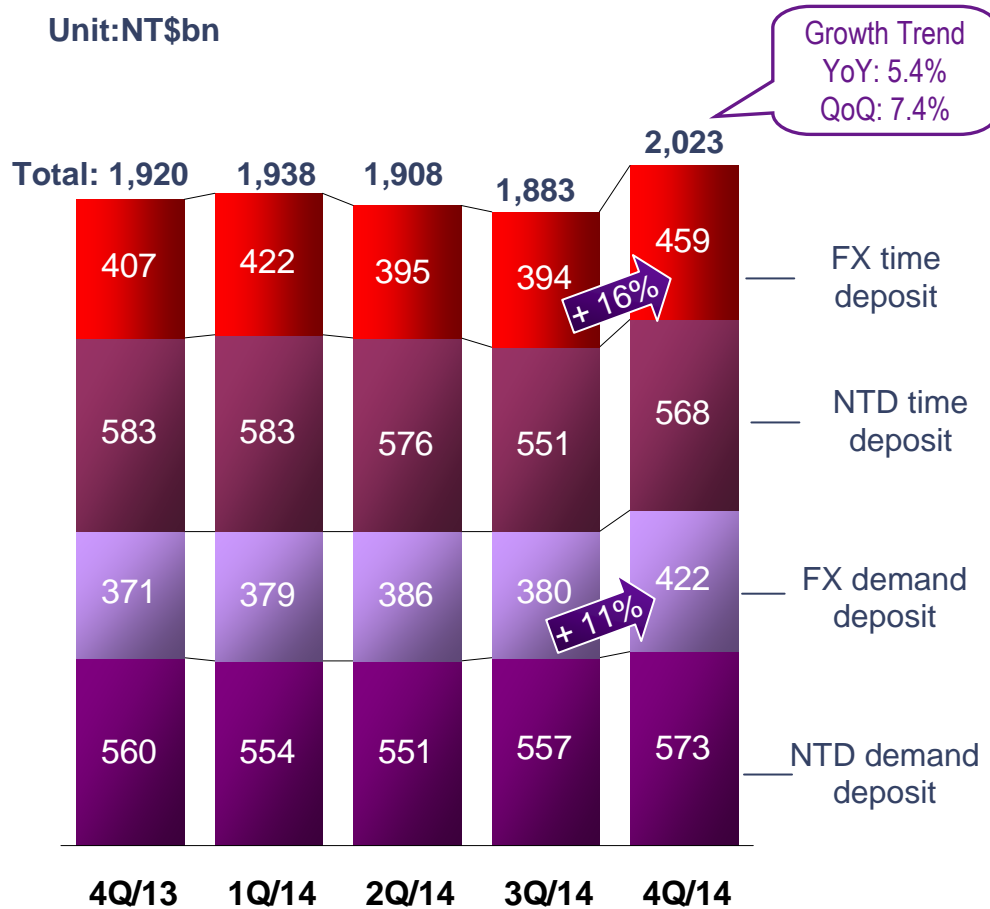
\* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

# Demonstrating strong FX deposit franchise to fund loan demand

Mega Bank's deposit balance \*

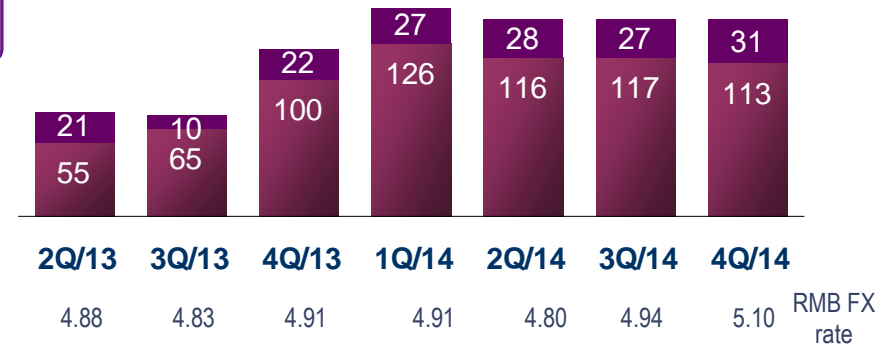
Unit:NT\$bn



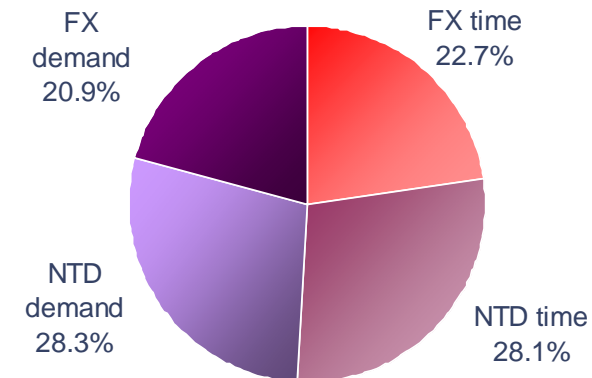
Mega Bank's RMB deposit\*\*

Unit:NT\$bn

Interbank Retail/Corp.



Mega Bank's 4Q/14 deposit breakdown

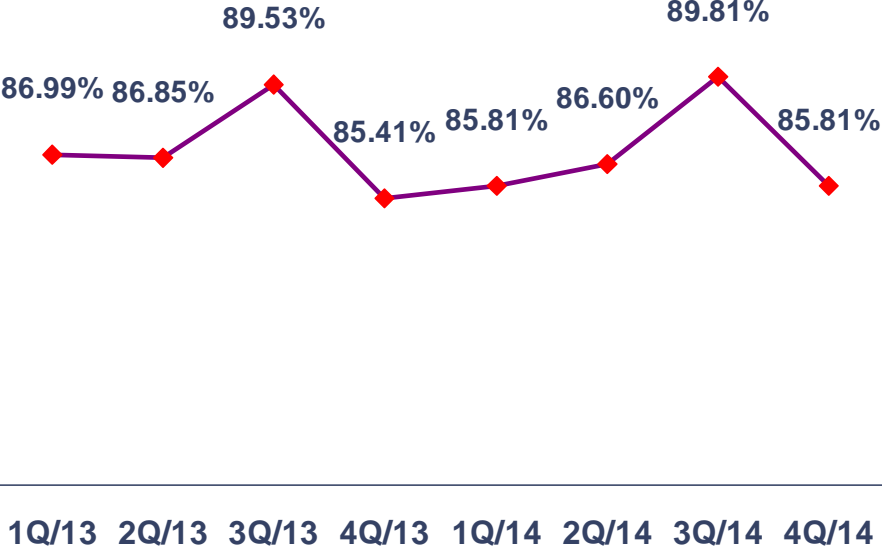


\* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

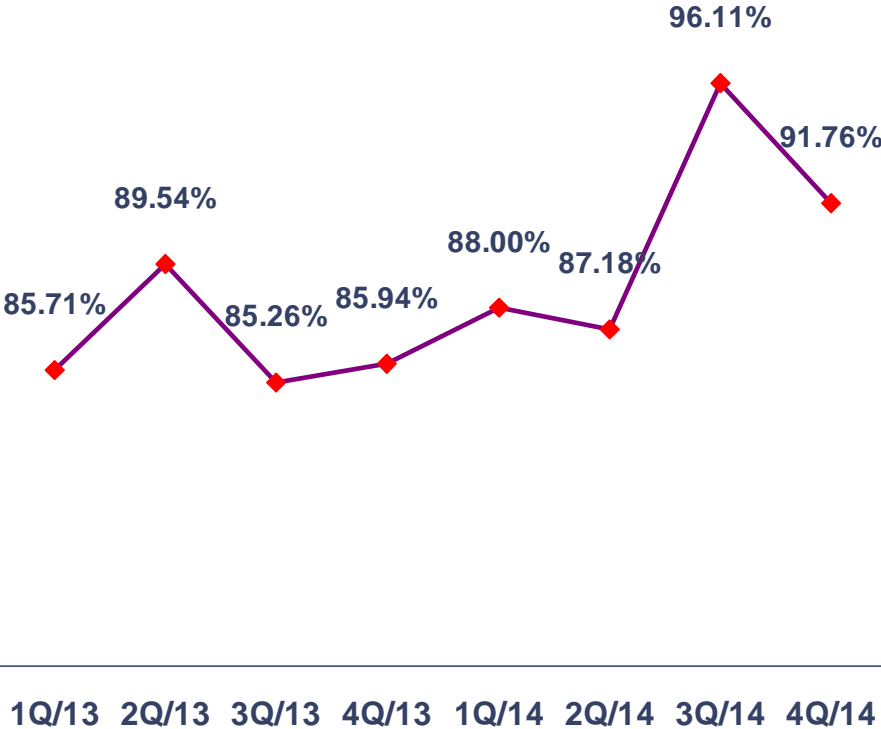
\*\* Includes retail and corporate deposit but excludes due from central banks and banks

# LDR came down due to successful USD deposit growth

Mega Bank's total LDR\*



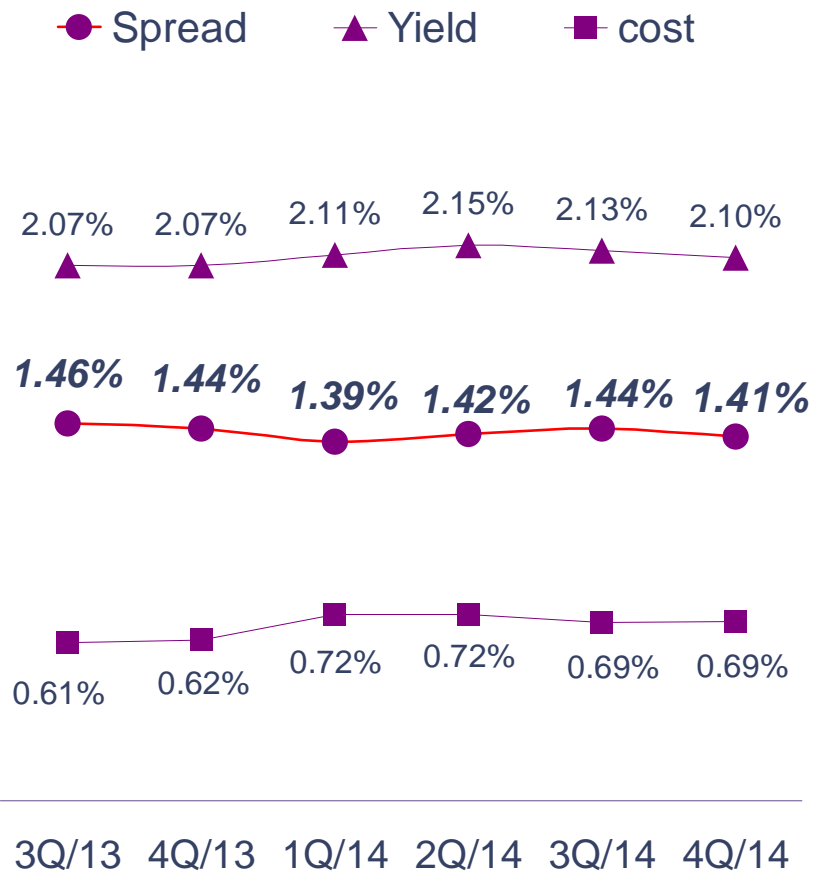
Mega Bank's USD LDR\*



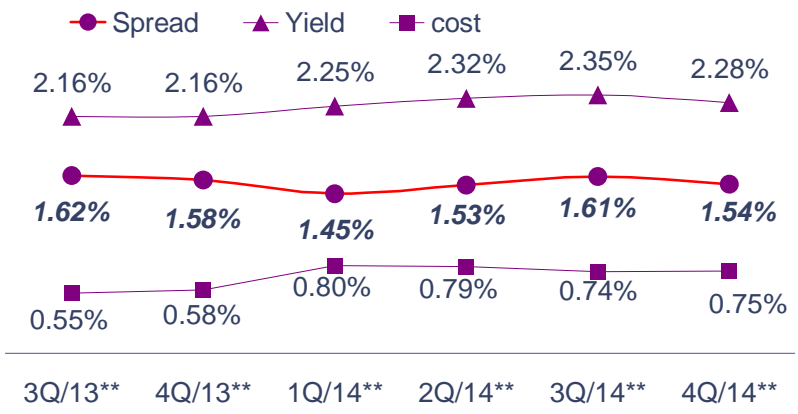
\* LDR calculation is based on loan/deposit end balance

# Loan spread remained stable

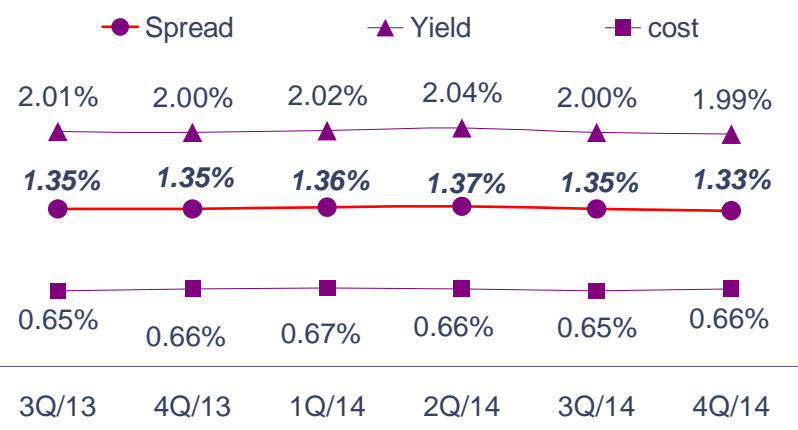
Mega Bank total loan interest spread\*



Mega Bank overseas loan interest spread\*



Mega Bank domestic loan interest spread\*



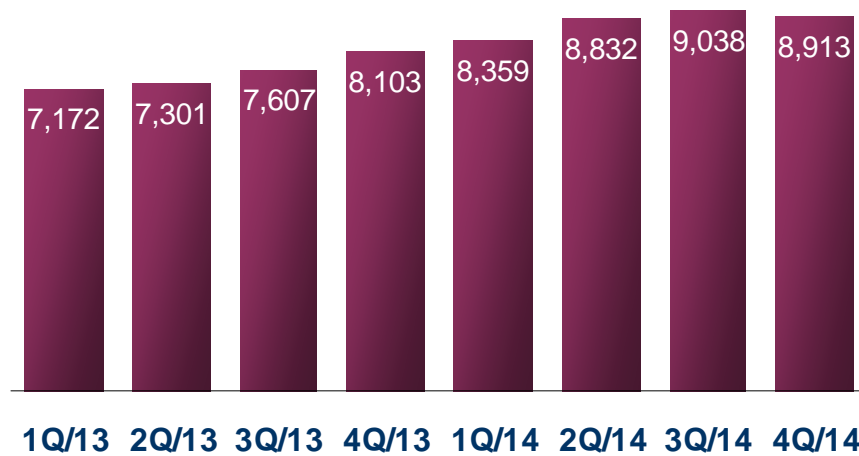
\* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers.  
 \*\* 3Q/13-4Q/14 RMB deposit (approx. 6% of total deposit now) surged and pushed the overseas deposit cost higher; however RMB deposits were mostly placed in inter-banking market with favorable yield, which did not contribute to the loan yield number.



# Interest earning assets was up 6.1% QoQ

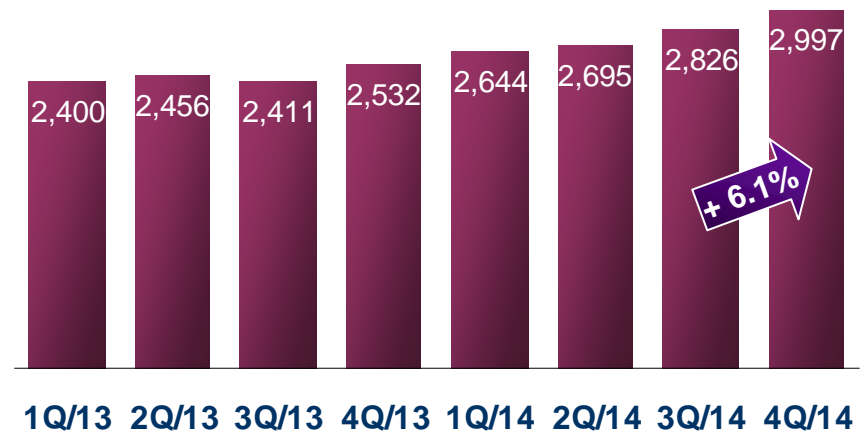
Mega Bank quarterly NII\*

Unit: NT\$ million



Mega Bank quarterly interest earning assets\*\*

Unit: NT\$ billion



❖ Mega Bank's quarterly average interest earning assets continued to push up higher by 6.1% QoQ.

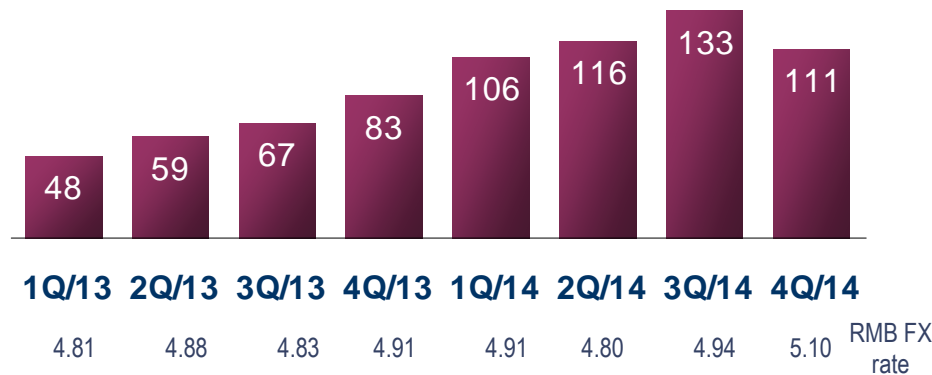
\* Stand-alone un-audited P&L NII

\*\* Quarterly average interest earning assets

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

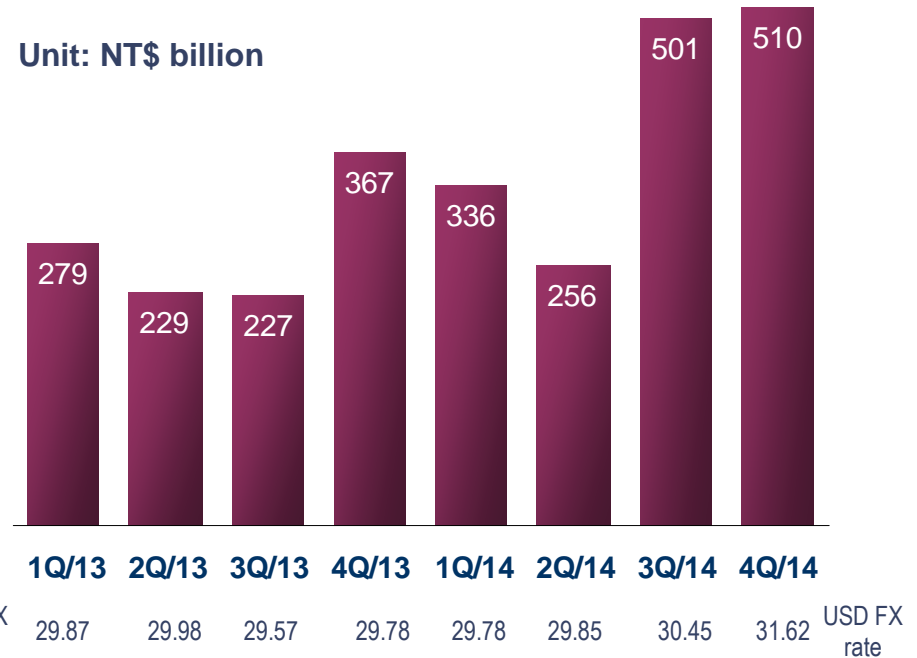
Mega Bank RMB inter-banks assets\*

Unit: NT\$ billion



Mega Bank USD inter-banks assets\*

Unit: NT\$ billion

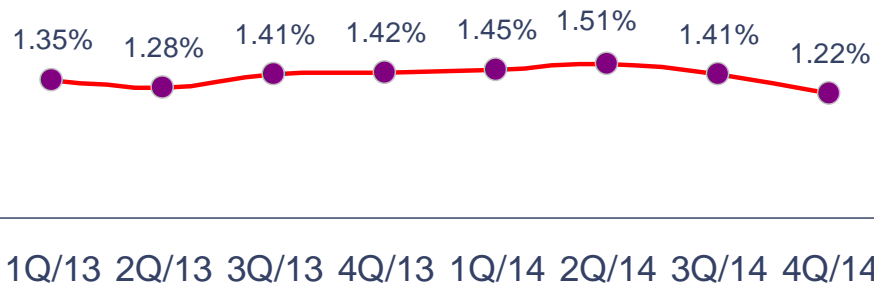


- ❖ Mega Bank's RMB inter-banks assets remained stable.
- ❖ ... while USD inter-banks assets remained high and continued to extend higher 1.8% QoQ.
- ❖ ... although USD inter-banks assets tend to have lower risk weighting & capital-consumption, require little operating expense and help pushed the NII and earning higher; but nonetheless, they do have significantly lower yield compared with other interest earning assets; as a result...

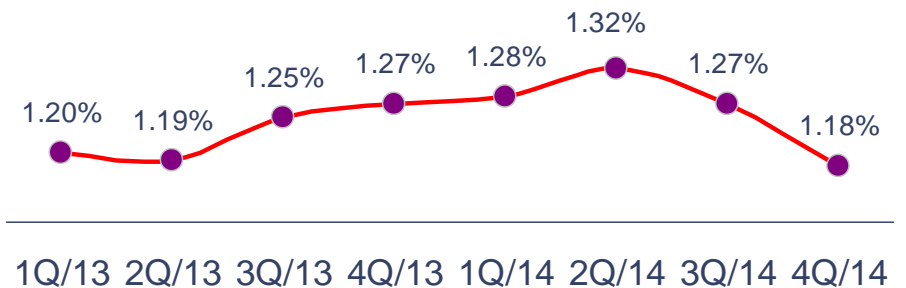
\* Average end balance of that quarter; includes due from central banks, due from banks, cash and cash equivalence

# ...FCY NIM contracted; however, NTD NIM and FCY loan yield remained stable

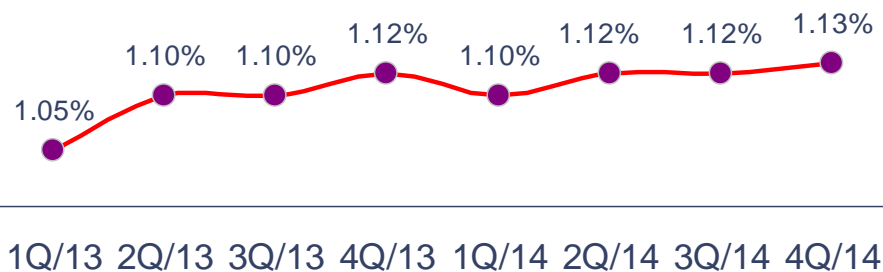
**Mega Bank quarterly FCY NIM\***



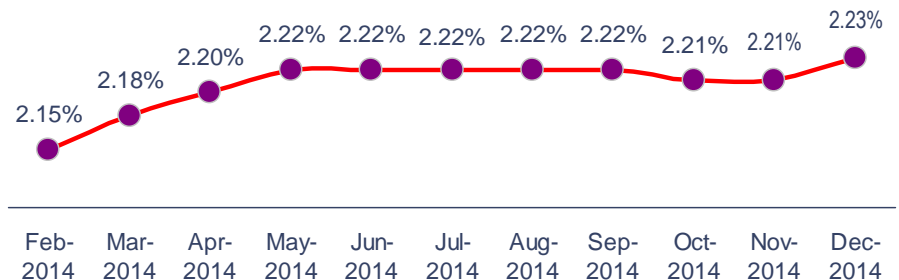
**Mega Bank quarterly Total NIM\***



**Mega Bank quarterly NTD NIM\***



**Mega Bank monthly FCY Loan Yield**

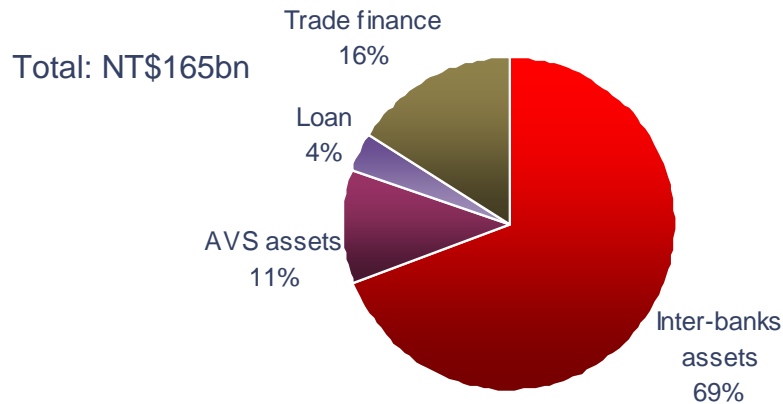


- ❖ ...stronger than expected USD inter-banks assets growth, which tend to have lower yield, has pushed down FCY NIM and total NIM further;...
- ❖ ...however, NTD NIM and FCY loan yield remained stable.

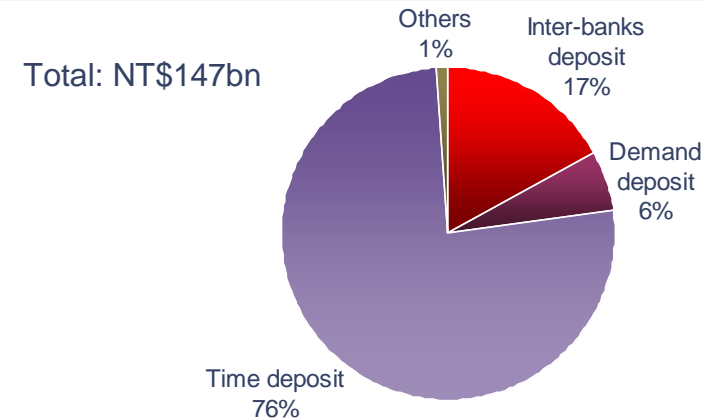
\* NIM = annualized net interest income / average interest earning assets of that quarter.

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

Mega Bank 1-4Q/14 RMB interest earning assets\*

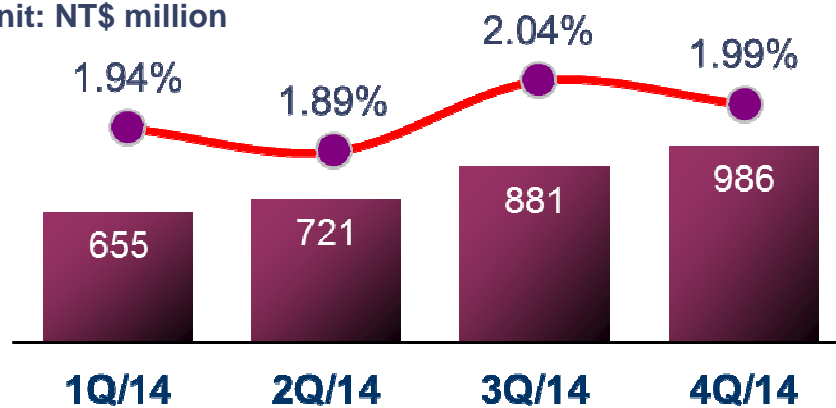


Mega Bank 1-4Q/14 RMB interest bearing liabilities\*



Mega Bank RMB NIM & NII

Unit: NT\$ million



Highlights

- ❖ RMB funding sources and asset deployments are much diversified now.
- ❖ NII continued to grow rapidly.
- ❖ **NIM remained stable despite PBOC rate cuts and easing policy.**
- ❖ RMB business is still an attractive and profitable business.

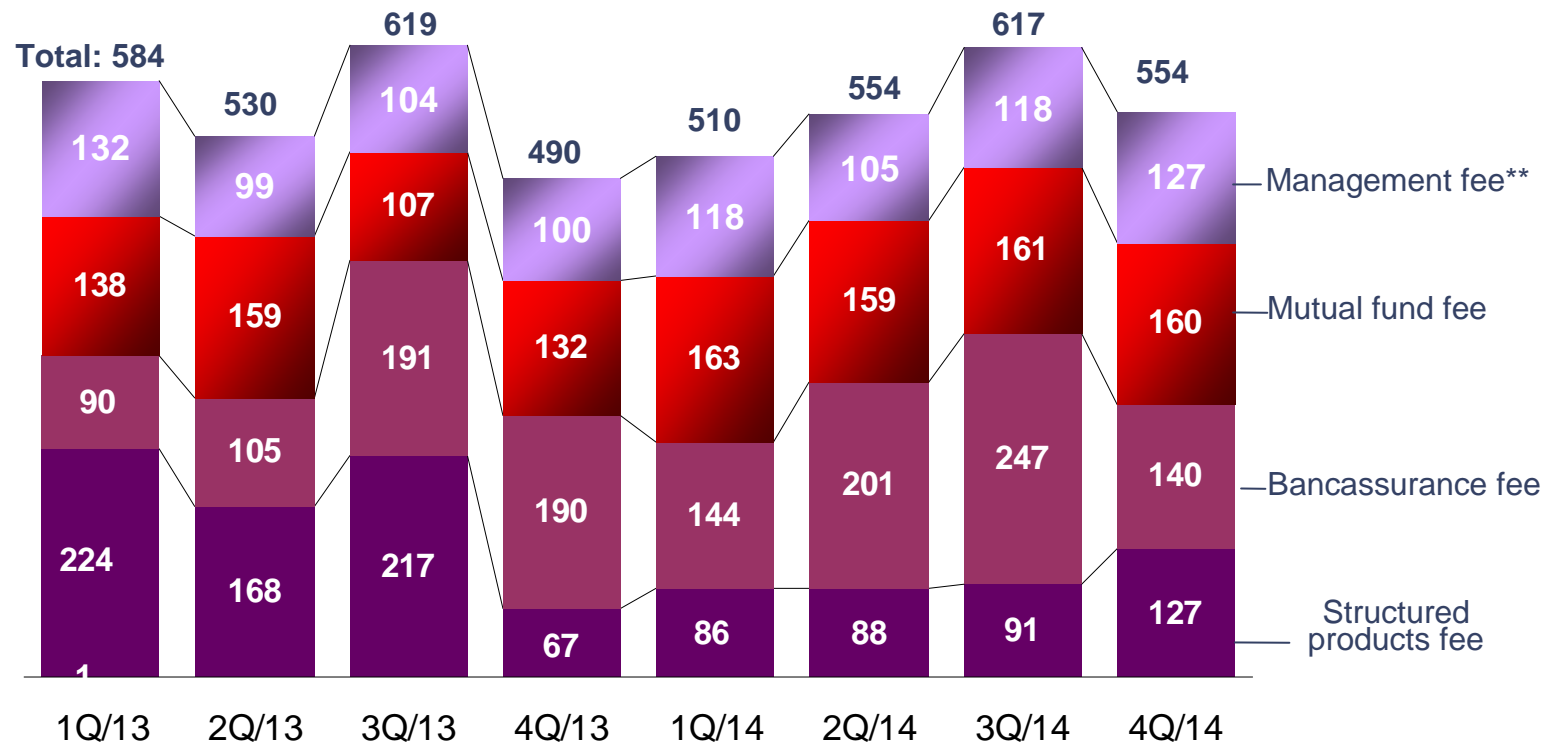
\* Daily average balance of that period



# WM fee stalled as less discontinue-product sales on bancassurance biz

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

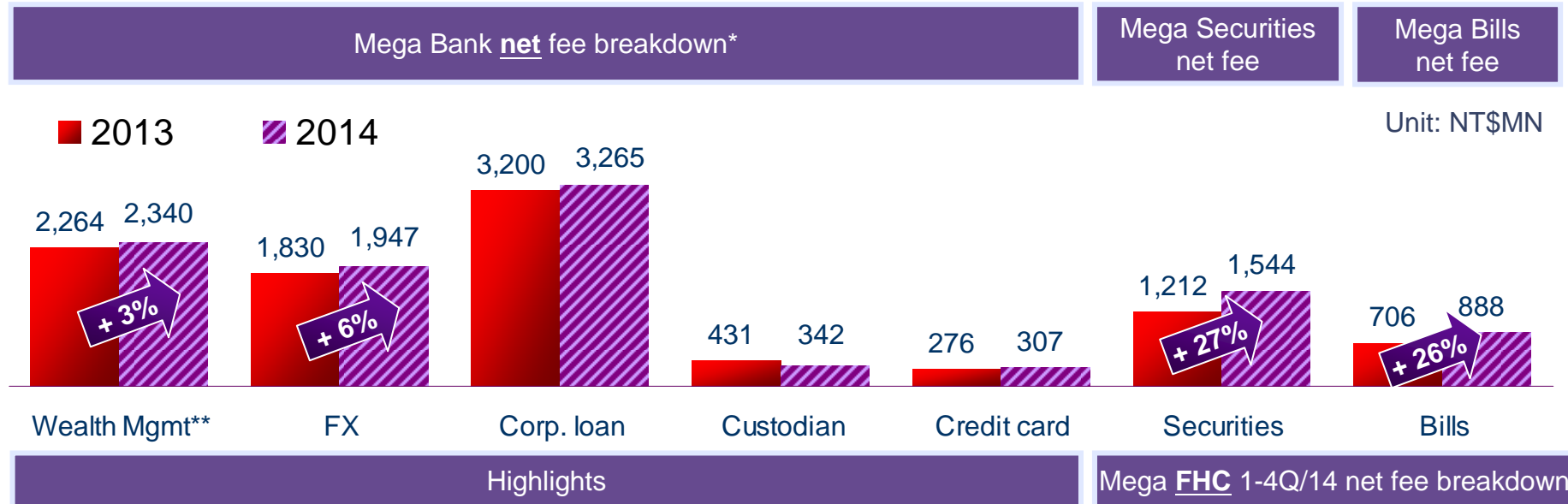
Unit: NT\$MN



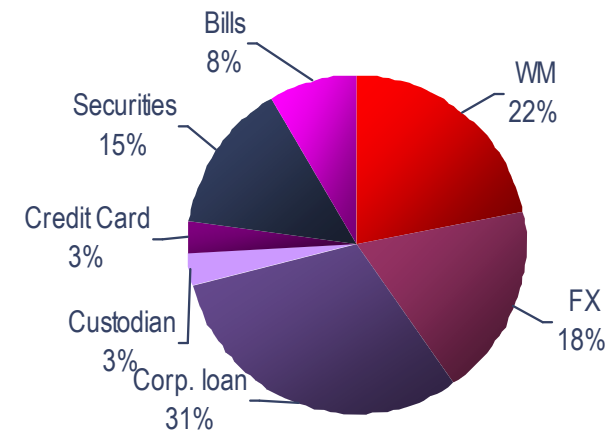
\* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

\*\* Profit sharing scheme of fund mgmt fee and trust account mgmt fee.

# FX, brokerage and bills fee helped pushing group fee income higher by 6% YoY



- ❖ Bank WM net fee was up 3% YoY due to strong bancassurance sales.
- ❖ Bank FX fee was up 6% YoY; corp. loan fee was flat YoY.
- ❖ Securities sub. fee was up 27% YoY due to strong equity market.
- ❖ Bills sub. fee was up 26% YoY due to better CP issuance fee.
- ❖ Mega Bank total fee was flat YoY; while Mega FHC fee was up 6% YoY.



\* 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**

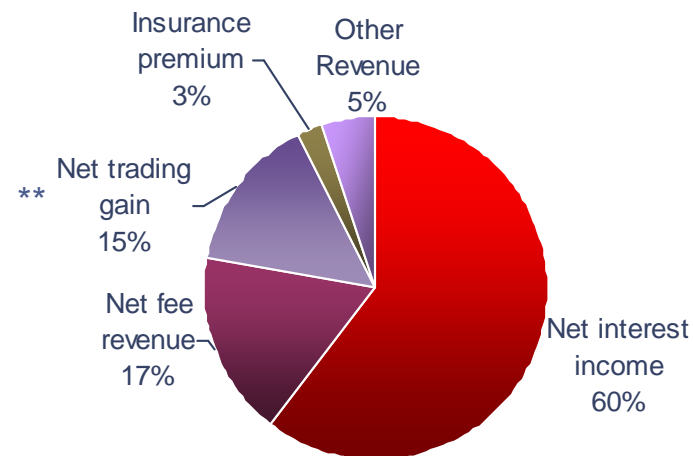
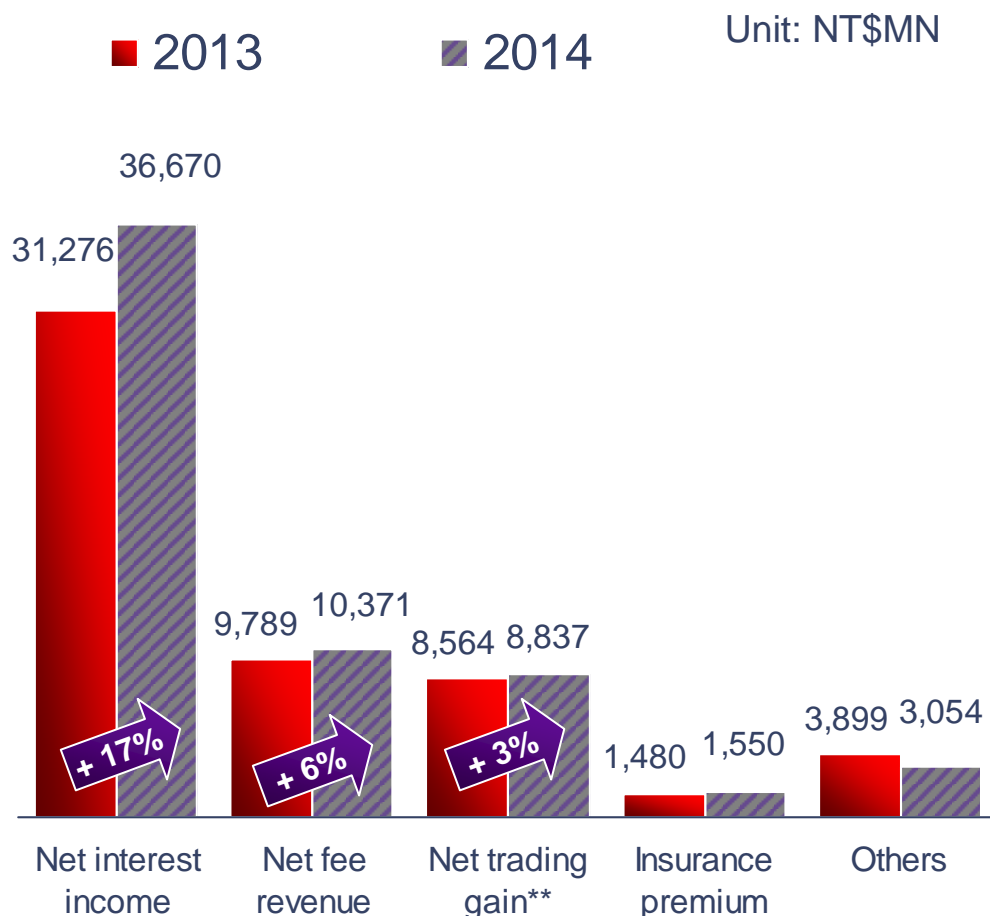


**Appendix**

# Group net revenue was up 10% YoY, due to strong NII and fee

Mega Group consolidated net revenue \*

Mega Group 1-4Q/2014 net revenue breakdown



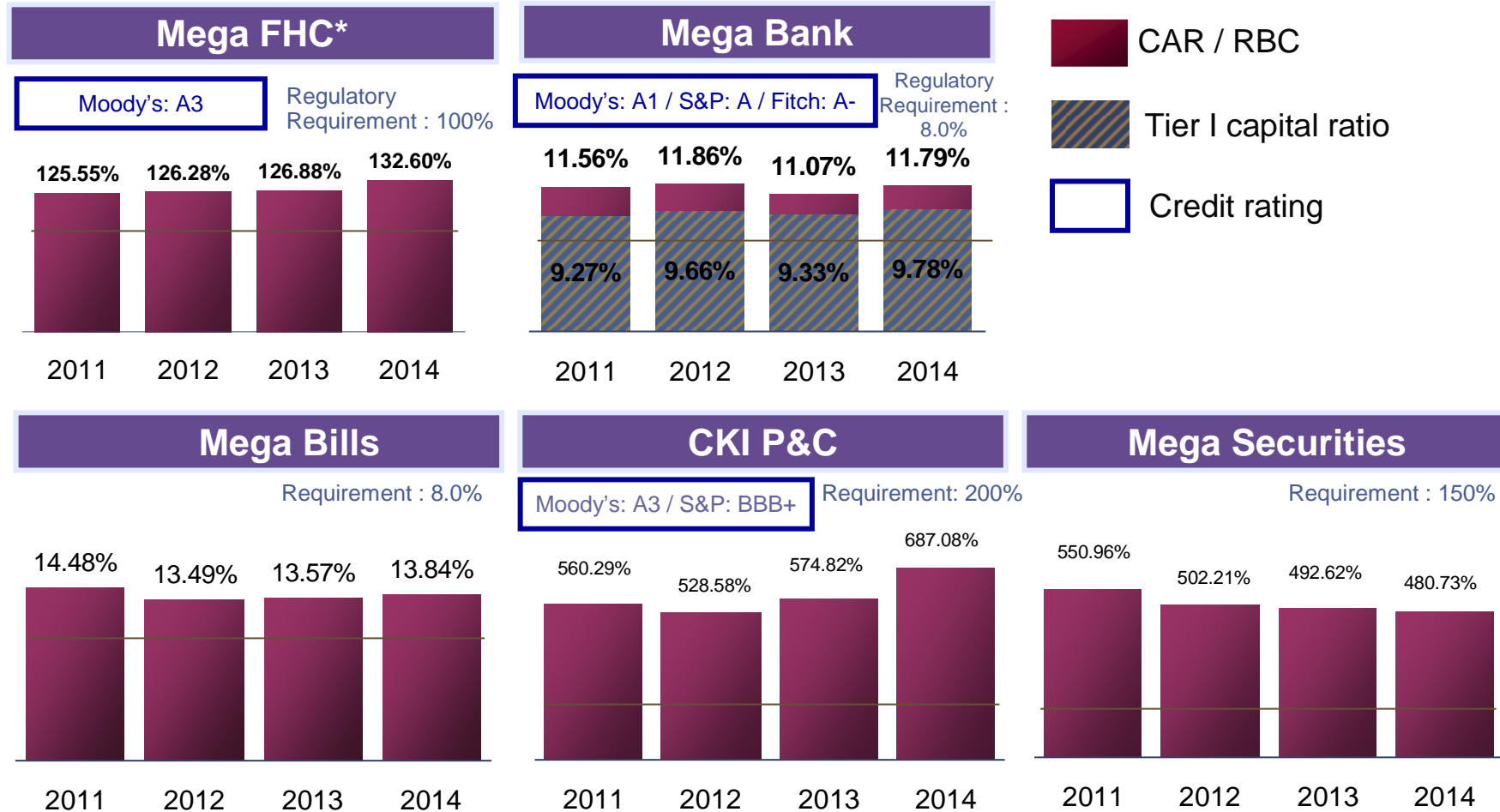
## Highlights

- ❖ Group net revenue was up 10% 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 6% YoY due to strong FX, bills underwriting and securities brokerage fee.
- ❖ Trading gain was up 3% YoY due to strong convertible bond 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

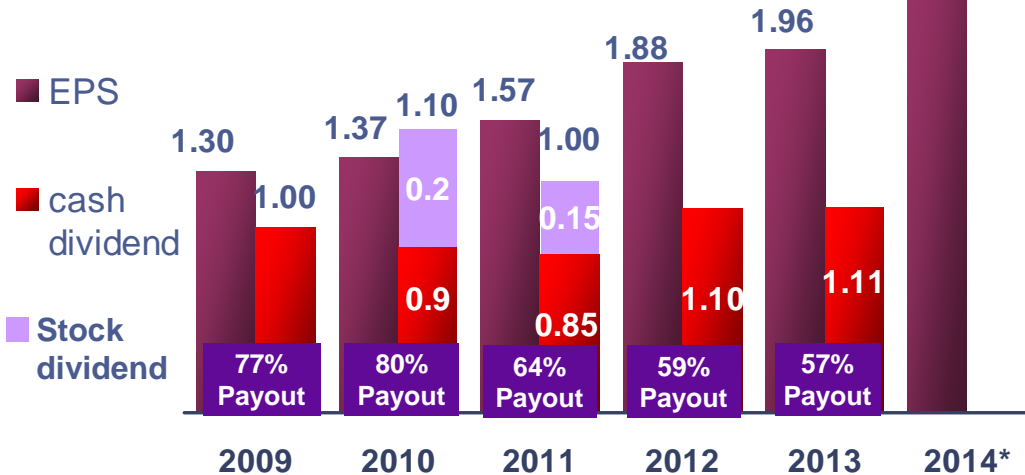
\*\* 2014 are un-audited BASEL III numbers.

# Record high ROE and attractive cash dividend

## Key Profitability Ratios



Unit: NT\$



❖ 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.

\* 2014 are un-audited numbers; ROE & ROA are annualized numbers.

# 1-4Q/2014 Mega FHC consolidated P&L statement\*

| <i>NT\$MN, except per share data</i>         | 2014*   | 2013    | YoY  | 2013    |
|--|---------|---------|------|---------|
| Net interest income                          | 36,670  | 31,276  | 17%  | 31,276  |
| Net fee revenue                              | 10,371  | 9,789   | 6%   | 9,789   |
| Insurance premium                            | 1,550   | 1,480   | 5%   | 1,480   |
| Gain from fin. assets at fair value thru P&L | 3,826   | 3,622   | 6%   | 3,622   |
| Available for sales asset gain               | 1,812   | 2,124   | -15% | 2,124   |
| Equity method investment gain                | 127     | 204     | -38% | 204     |
| FX spread gain                               | 3,285   | 2,948   | 11%  | 2,948   |
| Asset impairment loss (write-back)           | -374    | -333    | 12%  | -333    |
| Property gain                                | 161     | -       | -    | -       |
| Other non-interest revenue (net)             | 3,054   | 3,898   | -22% | 3,898   |
| Operating net revenue                        | 60,482  | 55,008  | 10%  | 55,008  |
| Operating expense                            | -23,778 | -22,916 | 4%   | -22,916 |
| Pre-provision operating profit               | 36,704  | 32,092  | 14%  | 32,092  |
| Provision expense on loan                    | -1,588  | -5,276  | -70% | -5,276  |
| Reserved on insurance                        | 197     | 184     | 7%   | 184     |
| Pretax profit                                | 35,313  | 27,000  | 31%  | 27,000  |
| Tax  | -5,114  | -4,506  | 13%  | -4,506  |
| Minority shareholder interest                | 19      | -5      | -    | -5      |
| Net profit                                   | 30,218  | 22,489  | 34%  | 22,489  |
| EPS (NT\$)                                   | 2.43    | 1.96    | 24%  | 1.96    |

Cost-to-income  
ratio: 39%

\* Un-audited consolidated P&L.

# 1-4Q/2014 Mega FHC consolidated balance sheet\*

| NT\$MN  | 2014*            | 2013             | YoY       | 2013             | YTD       |
|---|------------------|------------------|-----------|------------------|-----------|
| <b>Assets:</b>                                    |                  |                  |           |                  |           |
| Cash and due from banks                           | 635,381          | 551,247          | 15%       | 551,247          | 15%       |
| Bills and bonds under RP agreement                | 11,874           | 2,585            | 359%      | 2,585            | 359%      |
| Fin. assets at fair value through P&L             | 181,367          | 195,801          | -7%       | 195,801          | -7%       |
| AFS financial assets                              | 280,699          | 272,944          | 3%        | 272,944          | 3%        |
| HTM financial assets                              | 163,997          | 184,411          | -11%      | 184,411          | -11%      |
| Other financial assets                            | 20,269           | 23,430           | -13%      | 23,430           | -13%      |
| A/R, net  | 201,279          | 184,588          | 9%        | 184,588          | 9%        |
| Loan, net   | 1,734,481        | 1,654,577        | 5%        | 1,654,577        | 5%        |
| Equity method LT investments, net                 | 2,663            | 2,698            | -1%       | 2,698            | -1%       |
| Land, premises and equipments, net                | 24,162           | 24,210           | 0%        | 24,210           | 0%        |
| Others  | 18,764           | 17,133           | 10%       | 17,133           | 10%       |
| <b>Total assets</b>                               | <b>3,274,936</b> | <b>3,113,624</b> | <b>5%</b> | <b>3,113,624</b> | <b>5%</b> |
| <b>Liabilities</b>                                |                  |                  |           |                  |           |
| Due to banks                                      | 528,530          | 523,266          | 1%        | 523,266          | 1%        |
| Deposits  | 2,035,625        | 1,933,723        | 5%        | 1,933,723        | 5%        |
| CP & Bond payable                                 | 71,563           | 60,293           | 19%       | 60,293           | 19%       |
| Bills & bonds sold under repurchase agreement     | 222,507          | 219,651          | 1%        | 219,651          | 1%        |
| Other liabilities                                 | 155,643          | 135,099          | 15%       | 135,099          | 15%       |
| <b>Total liabilities</b>                          | <b>3,013,868</b> | <b>2,872,032</b> | <b>5%</b> | <b>2,872,032</b> | <b>5%</b> |
| Capital stock (common stock)                      | 124,498          | 124,498          | 0%        | 124,498          | 0%        |
| Capital surplus                                   | 55,274           | 55,272           | 0%        | 55,272           | 0%        |
| Retain earning                                    | 77,856           | 61,535           | 27%       | 61,535           | 27%       |
| Equity adjustment items                           | 3,277            | 101              | -         | 101              | -         |
| Minority shareholder interest                     | 162              | 186              | -13%      | 186              | -13%      |
| <b>Total stockholders' equity</b>                 | <b>261,067</b>   | <b>241,592</b>   | <b>8%</b> | <b>241,592</b>   | <b>8%</b> |
| <b>Total liabilities and stockholders' equity</b> | <b>3,274,935</b> | <b>3,113,624</b> | <b>5%</b> | <b>3,113,624</b> | <b>5%</b> |
| Book value per share (NT\$)                       | 20.96            | 19.39            | 8%        | 19.39            | 8%        |

\* Un-audited consolidated balance sheet.





# 1-4Q/2014 Mega Bank P&L statement\*

| <i>NT\$MN, except per share data</i>         | 2014*   | 2013    | YoY  | 2013    |
|--|---------|---------|------|---------|
| Net interest income                          | 35,292  | 30,217  | 17%  | 30,217  |
| Net fee revenue                              | 7,521   | 8,103   | -7%  | 8,103   |
| Gain from fin. assets at fair value thru P&L | 1,370   | 1,294   | 6%   | 1,294   |
| Available for sales asset gain               | 1,277   | 1,291   | -1%  | 1,291   |
| Equity method investment gain                | 114     | 210     | -46% | 210     |
| FX spread gain                               | 3,239   | 2,917   | 11%  | 2,917   |
| Asset impairment loss (write-back)           | -217    | -319    | -    | -319    |
| Cost method investment gain                  | -       | 633     | -    | 633     |
| NPL disposal gain                            | -       | 464     | -    | 464     |
| Asset sales gain (net)                       | -       | 439     | -    | 439     |
| Other non-interest revenue (net)             | 2,540   | 514     | 394% | 514     |
| Operating net revenue                        | 51,136  | 45,763  | 12%  | 45,763  |
| Operating expense                            | -18,659 | -18,309 | 2%   | -18,309 |
| Pre-provision operating profit               | 32,477  | 27,454  | 18%  | 27,454  |
| Provision expense on loan                    | -2,249  | -5,454  | -59% | -5,454  |
| Pretax profit                                | 30,228  | 22,000  | 37%  | 22,000  |
| Tax  | -4,293  | -3,194  | 34%  | -3,194  |
| Net profit                                   | 25,935  | 18,806  | 38%  | 18,806  |
| EPS (NT\$)                                   | 3.37    | 2.64    | 28%  | 2.64    |

Cost-to-income ratio is 36%

\* Un-audited consolidated P&L.

# 1-4Q/2014 Mega Bank balance sheet\*

| NT\$MN  | 2014*            | 2013             | YoY       | 2013             | YTD       |
|---|------------------|------------------|-----------|------------------|-----------|
| <b>Assets:</b>                                    |                  |                  |           |                  |           |
| Cash and due from banks                           | 630,105          | 546,393          | 15%       | 546,393          | 15%       |
| Bills and bonds under RP agreement                | 5,850            | 5,452            | 7%        | 5,452            | 7%        |
| Fin. assets at fair value through P&L             | 43,697           | 44,481           | -2%       | 44,481           | -2%       |
| AFS financial assets                              | 187,345          | 184,450          | 2%        | 184,450          | 2%        |
| HTM financial assets                              | 162,084          | 182,739          | -11%      | 182,739          | -11%      |
| Other financial assets                            | 13,651           | 13,289           | 3%        | 13,289           | 3%        |
| A/R, net  | 171,054          | 159,597          | 7%        | 159,597          | 7%        |
| Loan, net   | 1,734,481        | 1,654,703        | 5%        | 1,654,703        | 5%        |
| Equity method LT investments, net                 | 2,733            | 2,784            | -2%       | 2,784            | -2%       |
| Land, premises and equipments, net                | 15,174           | 15,194           | 0%        | 15,194           | 0%        |
| Others (net)                                      | 10,712           | 10,630           | 1%        | 10,630           | 1%        |
| <b>Total assets</b>                               | <b>2,976,886</b> | <b>2,819,712</b> | <b>6%</b> | <b>2,819,712</b> | <b>6%</b> |
| <b>Liabilities</b>                                |                  |                  |           |                  |           |
| Due to banks                                      | 515,603          | 504,207          | 2%        | 504,207          | 2%        |
| Deposits  | 2,037,885        | 1,932,772        | 5%        | 1,932,772        | 5%        |
| CP & Bond payable                                 | 50,200           | 43,900           | 14%       | 43,900           | 14%       |
| Bills & bonds sold under repurchase agreement     | 50,190           | 46,532           | 8%        | 46,532           | 8%        |
| Other liabilities                                 | 104,332          | 91,773           | 14%       | 91,773           | 14%       |
| <b>Total liabilities</b>                          | <b>2,758,210</b> | <b>2,619,184</b> | <b>5%</b> | <b>2,619,184</b> | <b>5%</b> |
| Capital stock (common stock)                      | 77,000           | 77,000           | 0%        | 77,000           | 0%        |
| Capital surplus                                   | 46,502           | 46,499           | 0%        | 46,499           | 0%        |
| Retain earning                                    | 92,465           | 77,364           | 20%       | 77,364           | 20%       |
| Equity adjustment items                           | 2,708            | -335             | -908%     | -335             | -908%     |
| <b>Total stockholders' equity</b>                 | <b>218,675</b>   | <b>200,528</b>   | <b>9%</b> | <b>200,528</b>   | <b>9%</b> |
| <b>Total liabilities and stockholders' equity</b> | <b>2,976,885</b> | <b>2,819,712</b> | <b>6%</b> | <b>2,819,712</b> | <b>6%</b> |
| Book value per share (NT\$)                       | 28.40            | 26.04            | 9%        | 26.04            | 9%        |

\* Un-audited consolidated balance sheet.

# Agenda

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**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