



**Mega Holdings**

**3Q / 2015** (v.1)

**Investor/Analyst Briefing**

# DISCLAIMER

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**THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED SEP 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 NOV 30, 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**



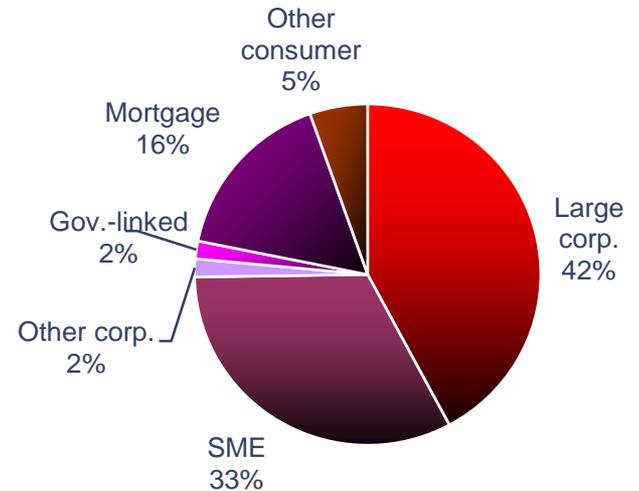
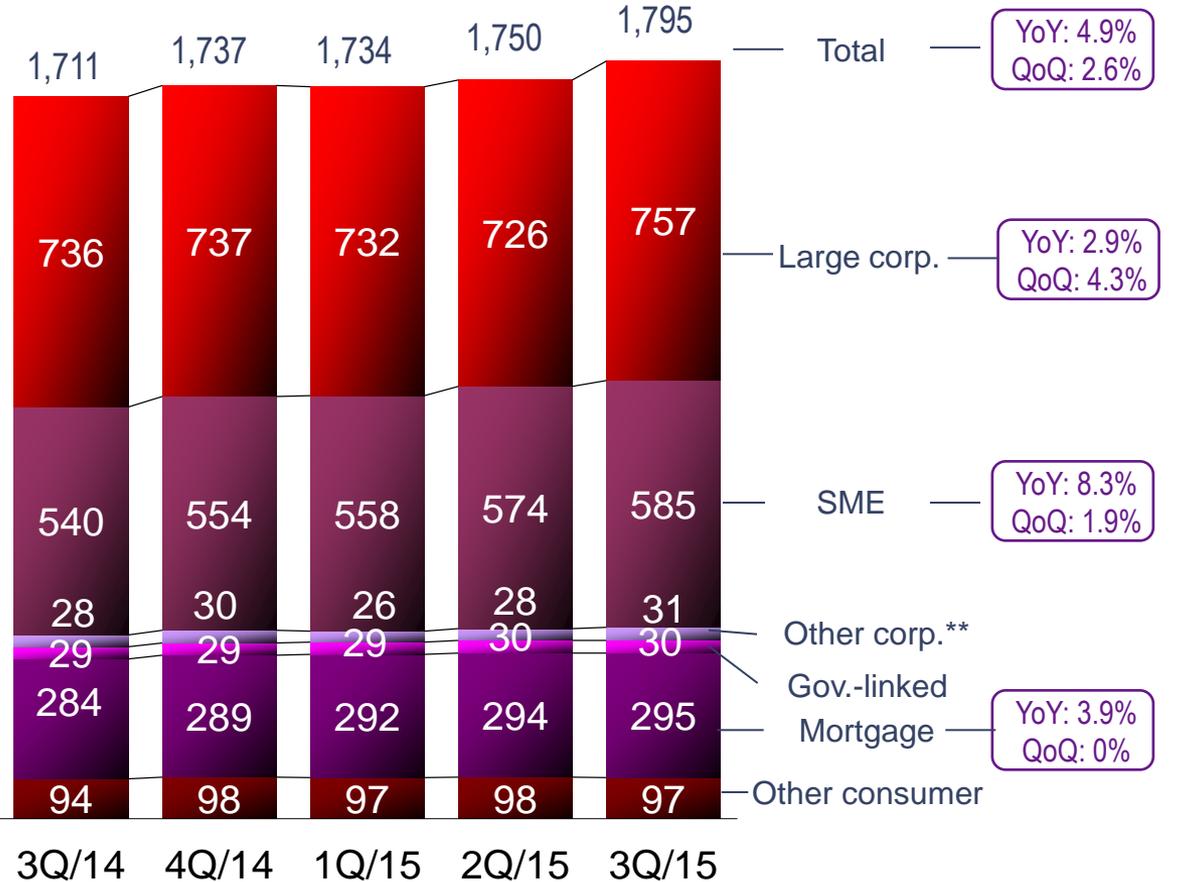
**Appendix**

# Large corp. loan demand improved, up 4.3% QoQ

Mega Bank quarterly loan balance\*

Mega Bank 3Q/15 loan breakdown by customer

Unit: NT\$bn

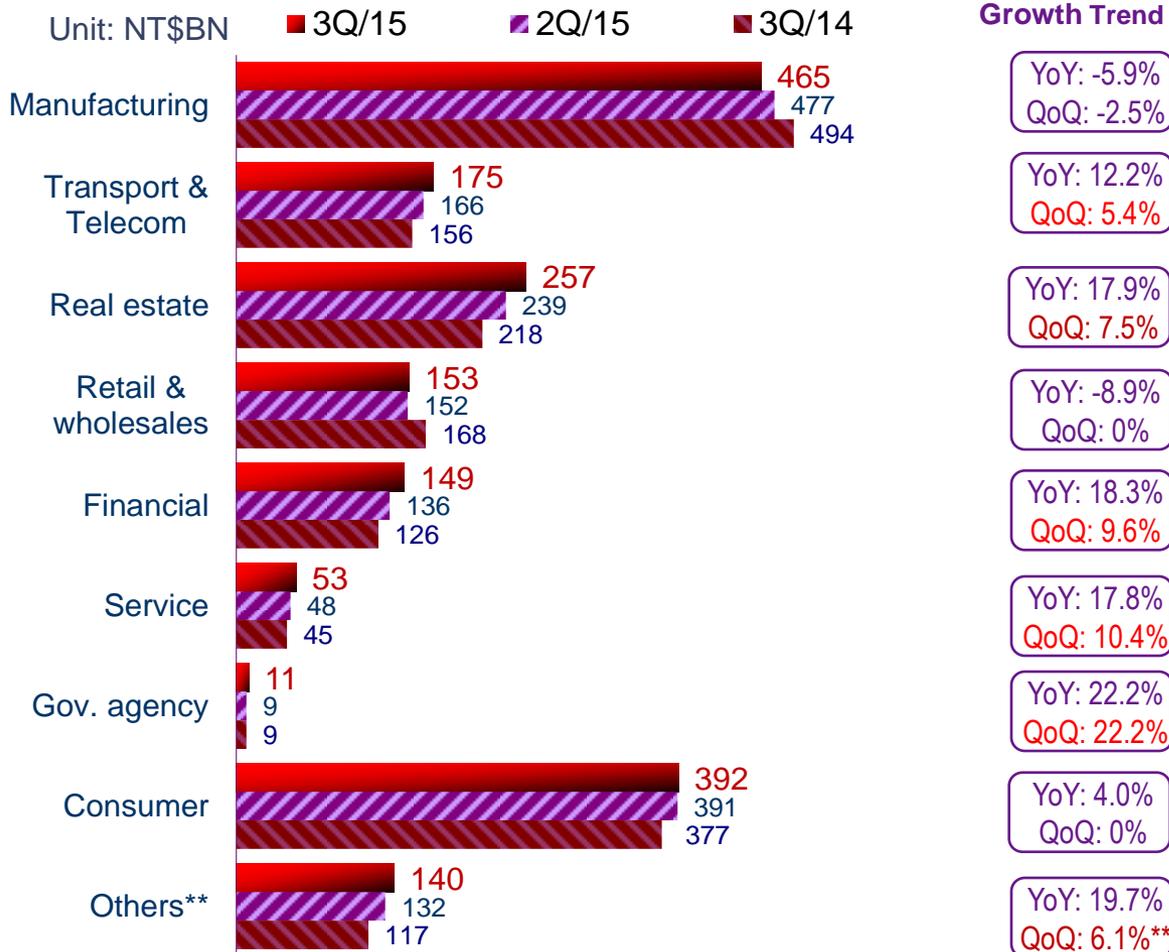


\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

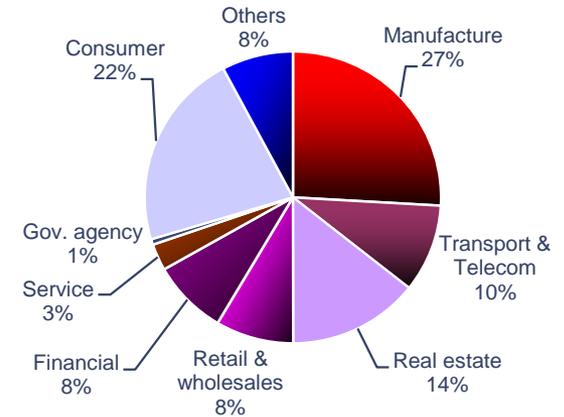
\*\* Includes Gov.-linked Non-Profit Organization and etc.

# Growth were seen across the board, except manufacturing

Mega Bank loan balance trend by industry\*



Mega Bank 3Q/15 loan breakdown by industry\*

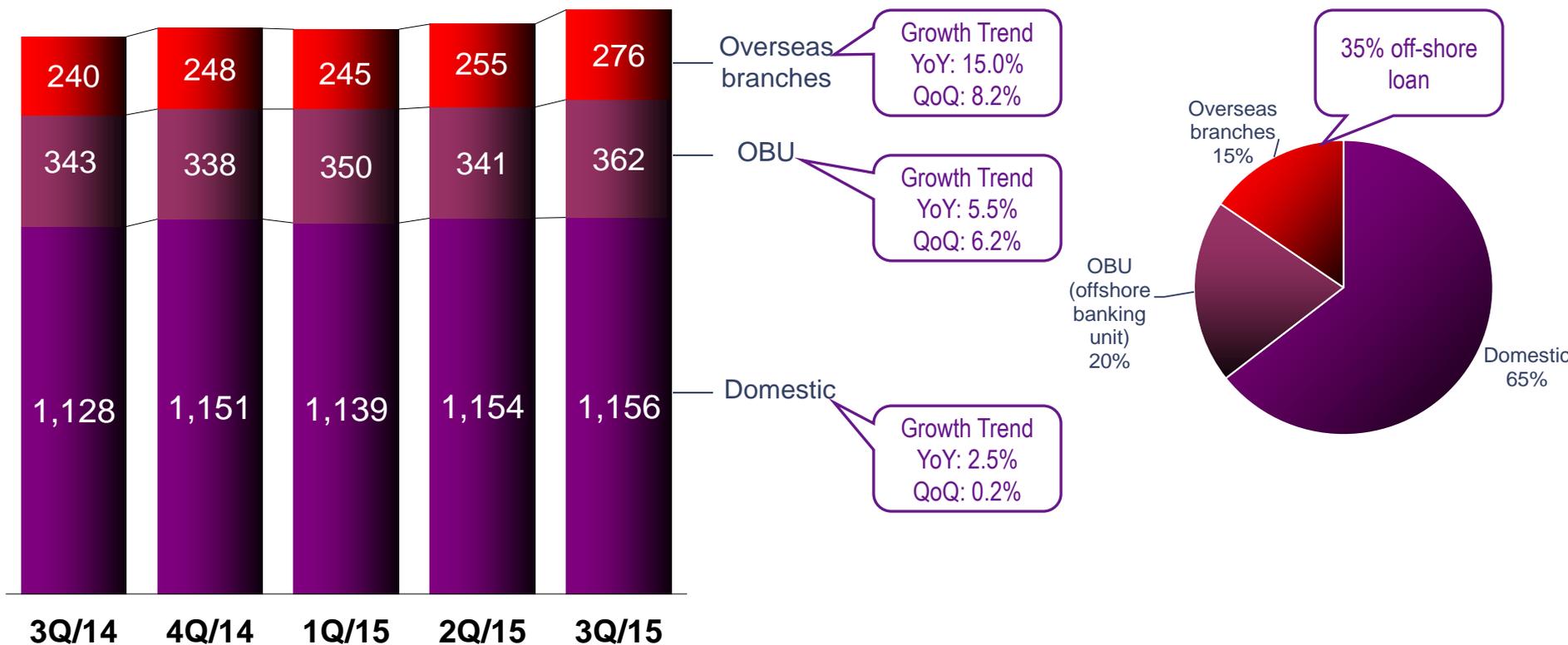


- \* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.
- \*\* Main growth driver for "Other Industry": hotel & restaurant industry

# Overseas branches loan was up 8.2% QoQ

Mega Bank 3Q/15 loan breakdown by regions \*

Unit: NT\$bn



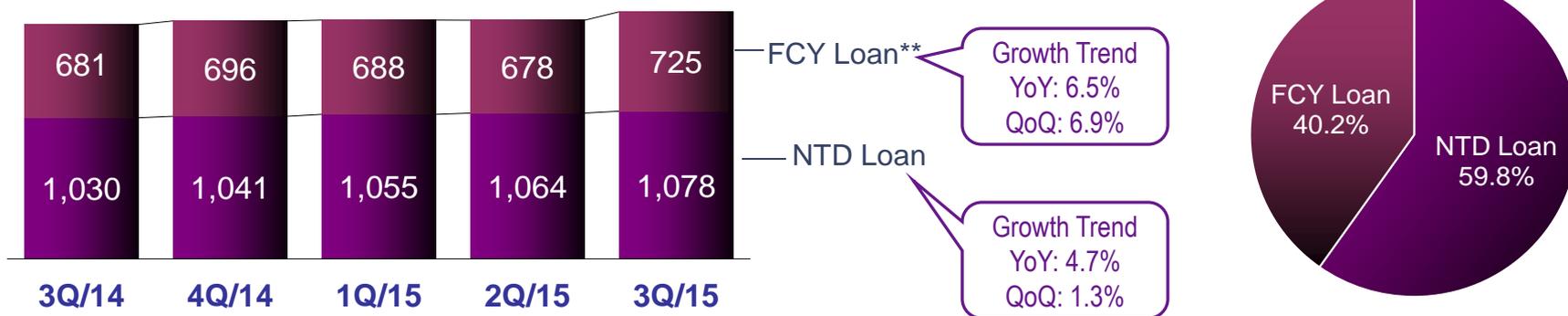
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# FCY loan was up 6.9% QoQ

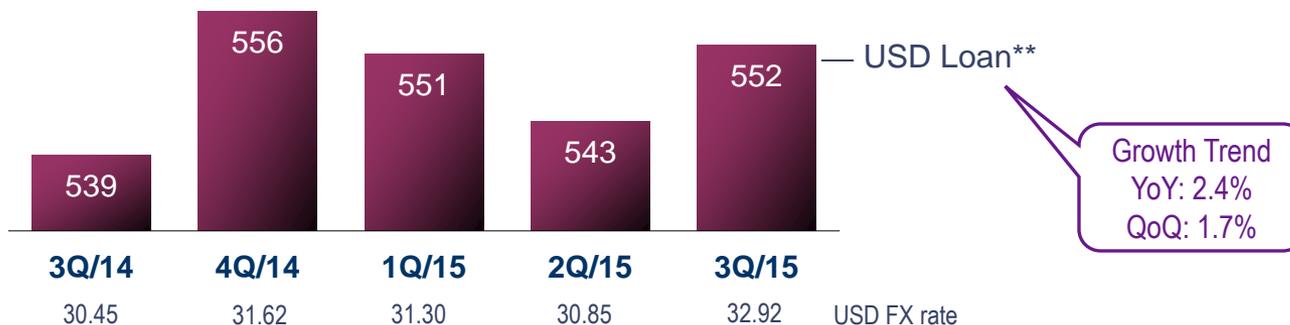
Mega Bank 3Q/15 loan breakdown by currency: NTD vs. foreign currency loan \*

Unit: NT\$bn



Mega Bank USD Loan balance \*

Unit: NT\$ billion



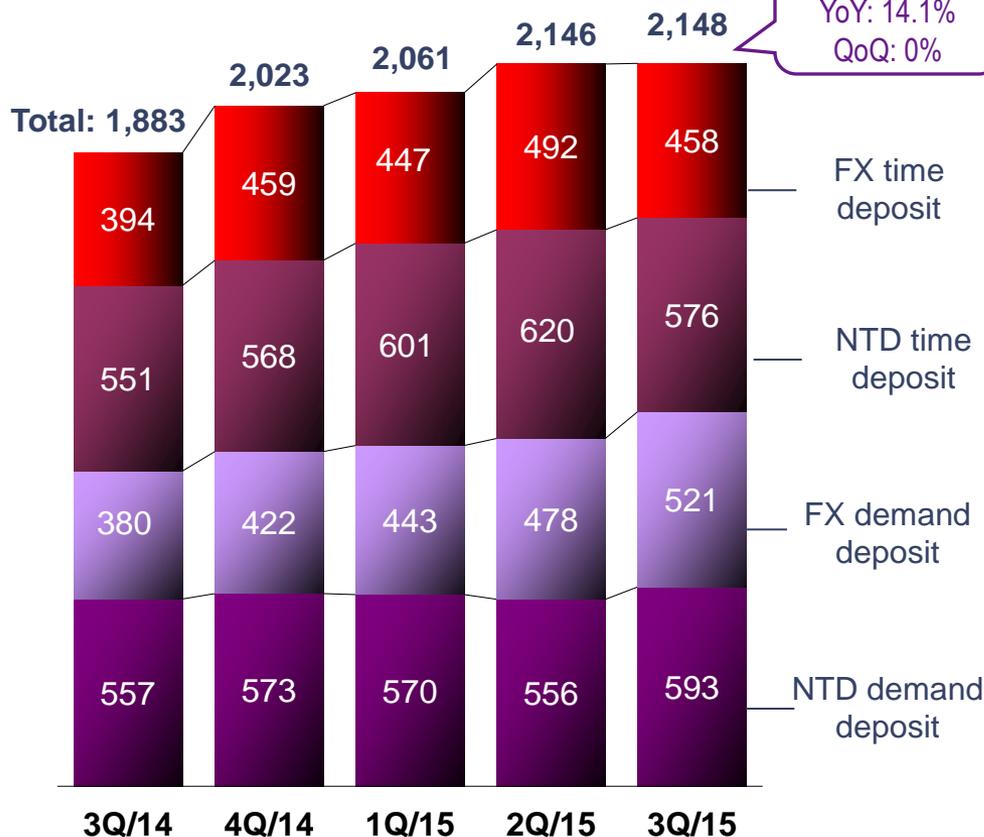
\* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

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

# Deposit growth decelerated; demand deposit increased

Mega Bank's deposit balance \*

Unit:NT\$bn



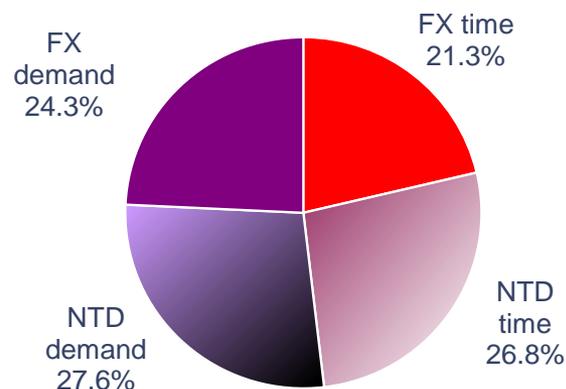
Mega Bank's RMB deposit\*\*

Unit:NT\$bn

Interbank Retail/Corp.



Mega Bank's 3Q/15 deposit breakdown

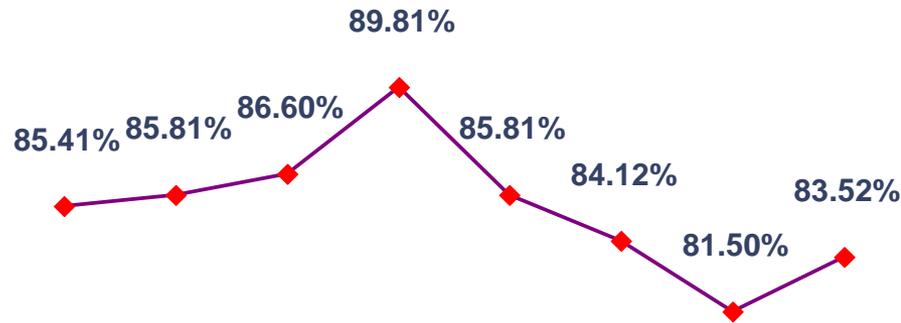


\* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

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

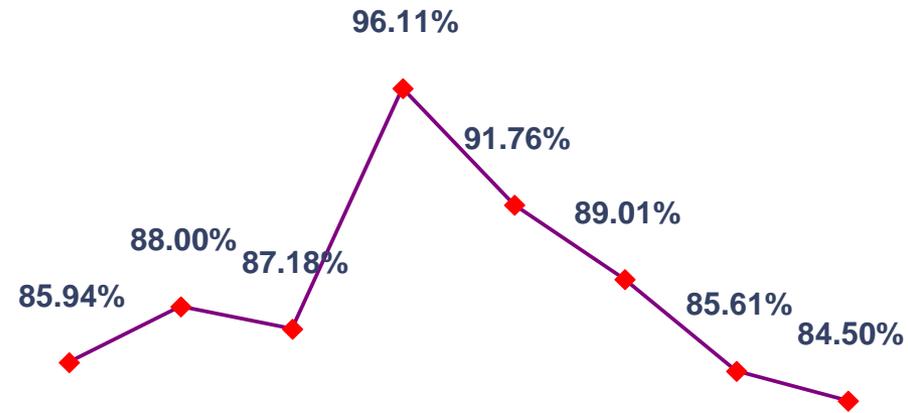
# LDR back to stabilized level

Mega Bank's total LDR\*



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

Mega Bank's USD LDR\*



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

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

# Loan spread was up 7bps due to overseas loan spread improvement

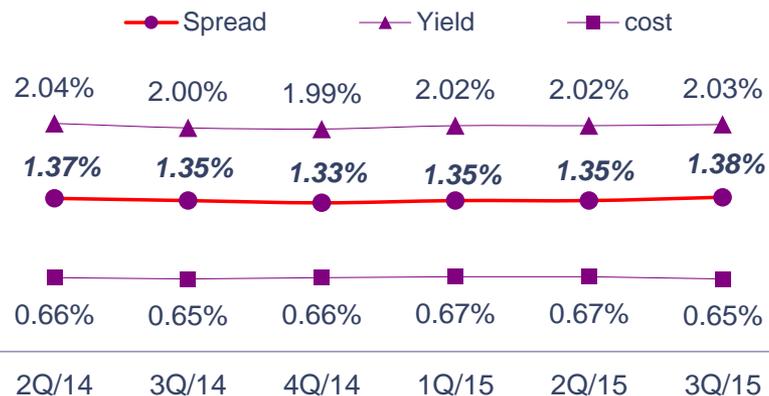
Mega Bank total loan interest spread\*



Mega Bank overseas loan interest spread\*



Mega Bank domestic loan interest spread\*

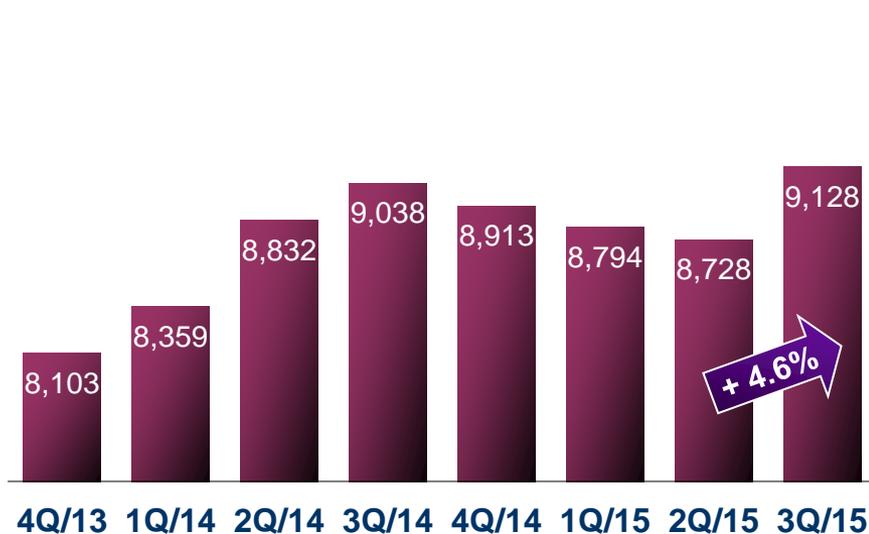


\* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers..

# Net interest income was up 4.6% QoQ

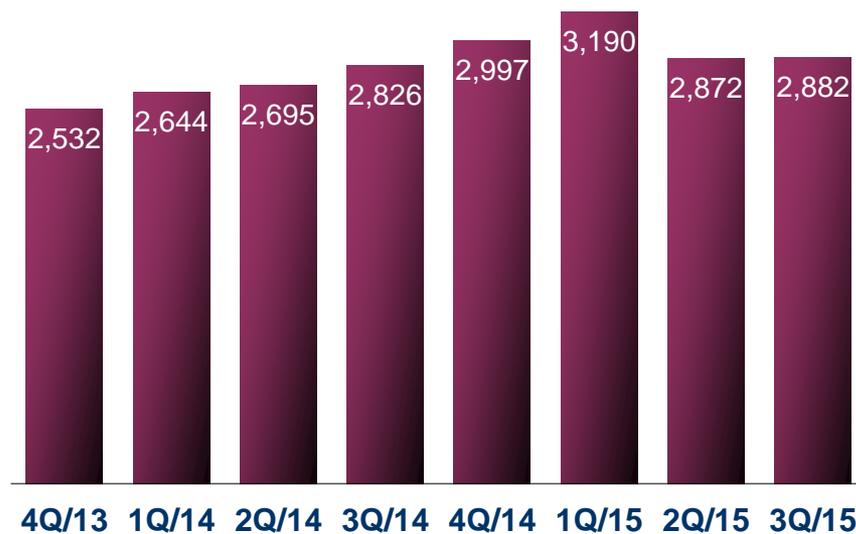
## Mega Bank quarterly NII\*

Unit: NT\$ million



## Mega Bank quarterly interest earning assets\*\*

Unit: NT\$ billion



- ❖ Net interest income (NII) was up 4.6% QoQ.
- ❖ Interest earning assets stabilized.

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

\*\* Quarterly average interest earning assets

# Lower-yield USD inter-banks assets declined further

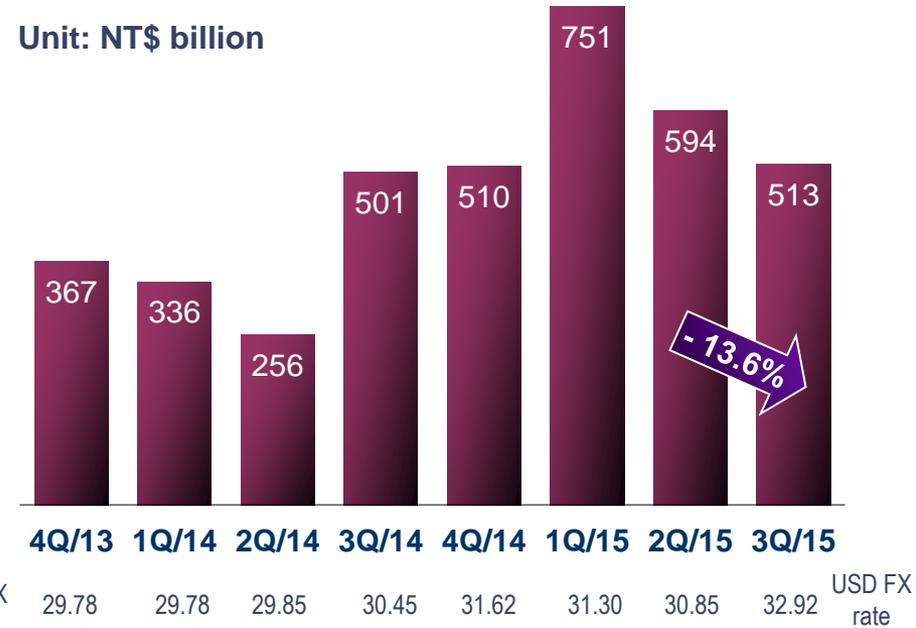
Mega Bank RMB inter-banks assets\*

Unit: NT\$ billion



Mega Bank USD inter-banks assets\*

Unit: NT\$ billion

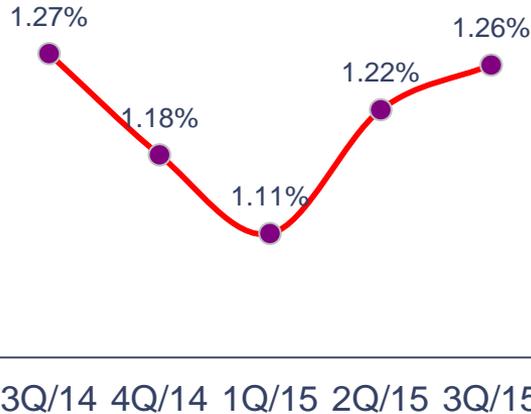


❖ Lower-yield USD inter-banks assets declined 13.6% QoQ in 3Q/2015

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

# Total NIM was up 4bps QoQ

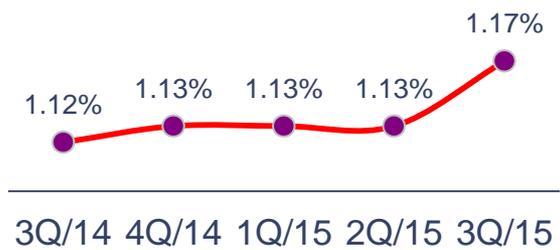
**Mega Bank quarterly Total NIM\***



**Mega Bank quarterly FCY NIM\***



**Mega Bank quarterly NTD NIM\***



**Mega Bank monthly USD NIM**



**Mega Bank monthly RMB NIM**

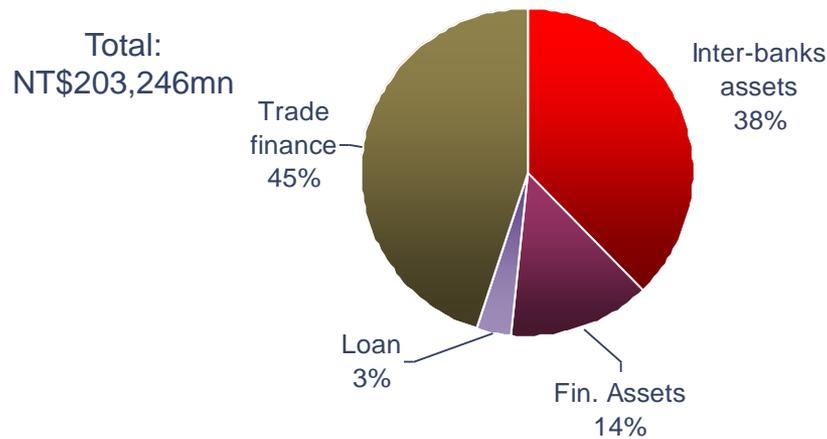


❖ NIM improved across the board, except RMB.

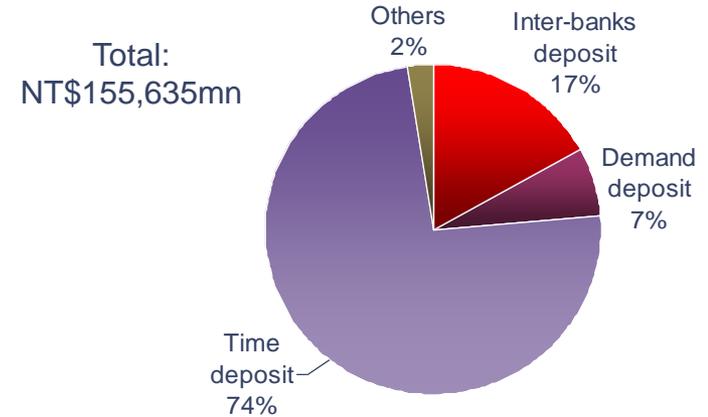
\* NIM = annualized net interest income / average interest earning assets of that quarter.

# RMB assets was up 3.5% QoQ; while RMB NII was up 10.3% QoQ

Mega Bank 1-3Q/15 RMB interest earning assets\*

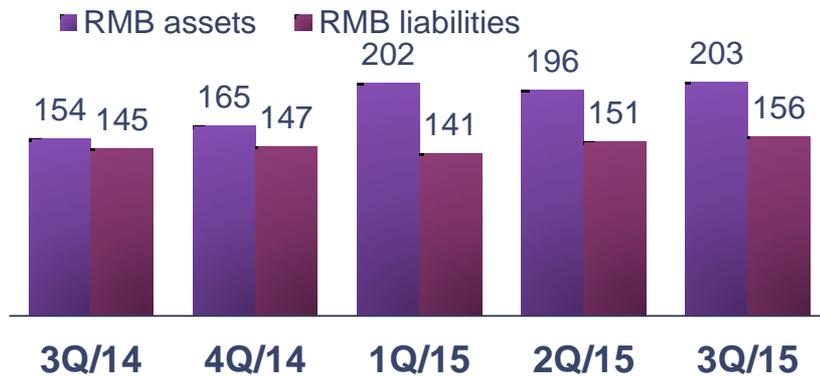


Mega Bank 1-3Q/15 RMB interest bearing liabilities\*



Mega Bank RMB assets & liabilities\*

Unit: NT\$bn



Mega Bank RMB NIM & NII\*\*

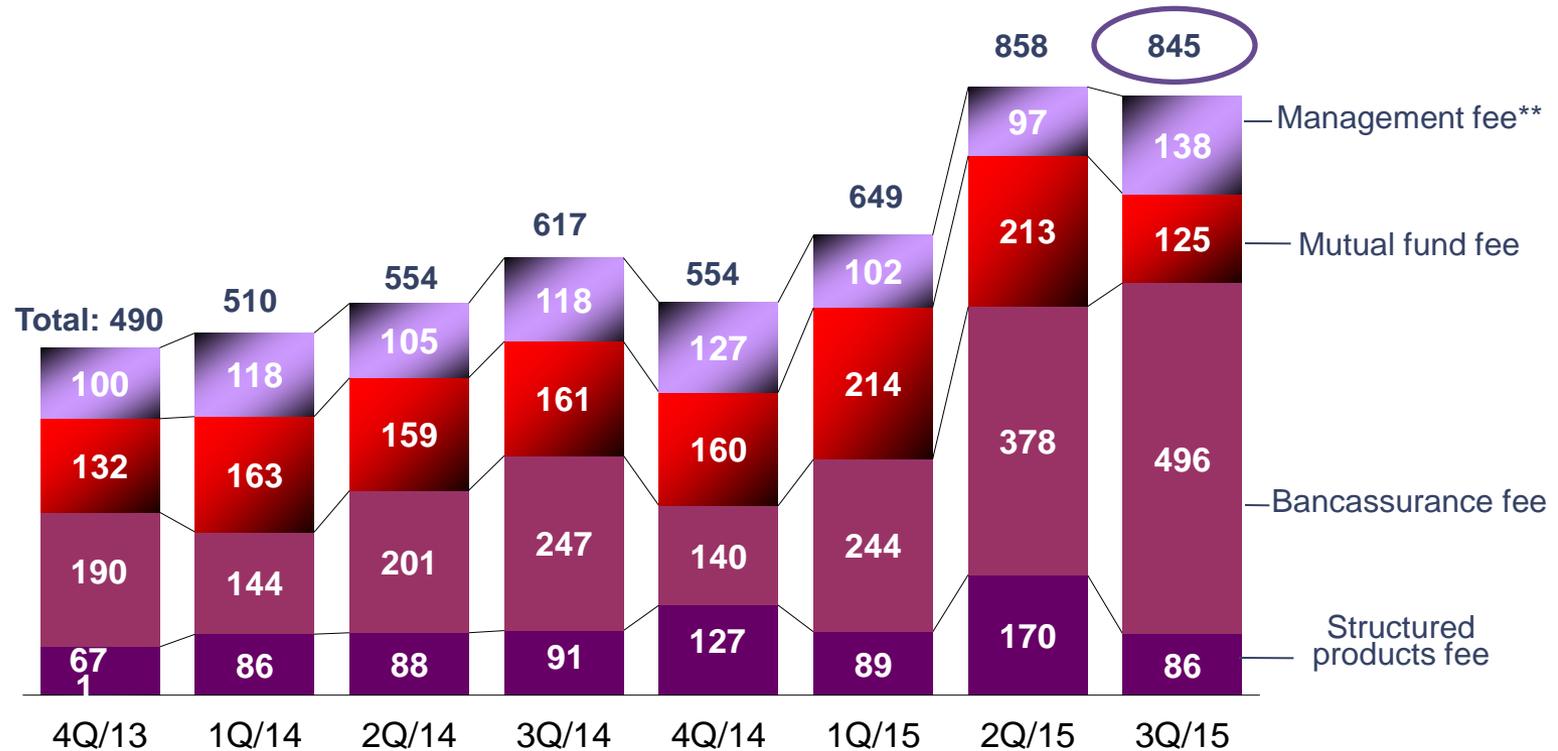


- \* Daily average balance of that period
- \*\* NII: net interest income; NIM: net interest margin

# Mutual fund sales fee was down; but bancassurance fee was up 31.2% QoQ

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 6% YoY, driven by WM and corp. loan fee growth

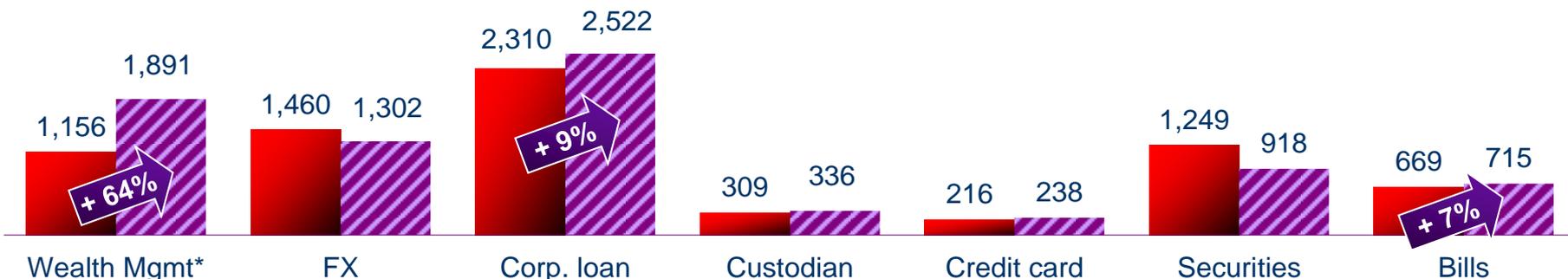
Mega Bank net fee breakdown

Mega Securities net fee

Mega Bills net fee

■ 1-3Q/14 ■ 1-3Q/15

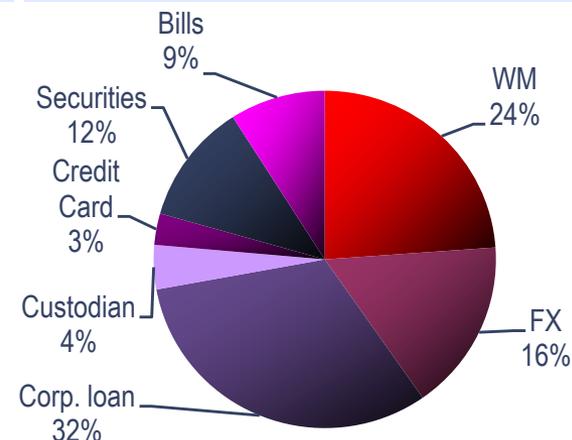
Unit: NT\$MN



Highlights

- ❖ Bank WM net fee was up 64% YoY due to strong bancassurance sales fee.
- ❖ Bank corp. loan fee was up 9% YoY, driven by syndication loan fee.
- ❖ Securities sub. fee was down 27% YoY due to poor equity market trading volume.
- ❖ Bills sub. fee was up 7% YoY due to better CP issuance fee.

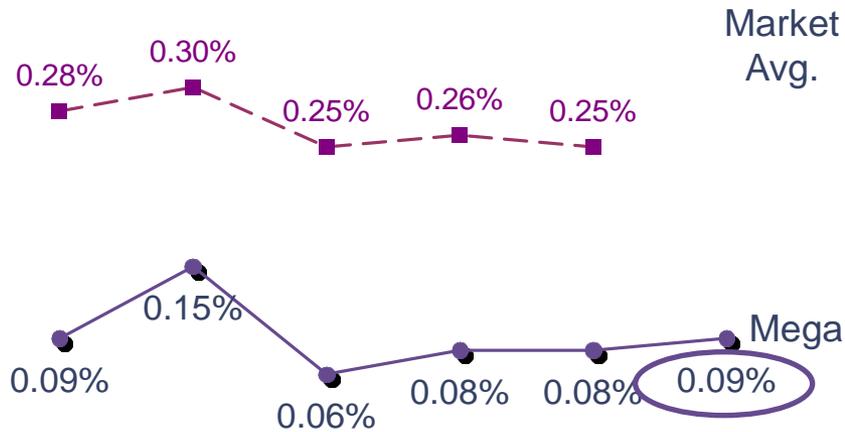
Mega FHC 1-3Q/15 net fee breakdown



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

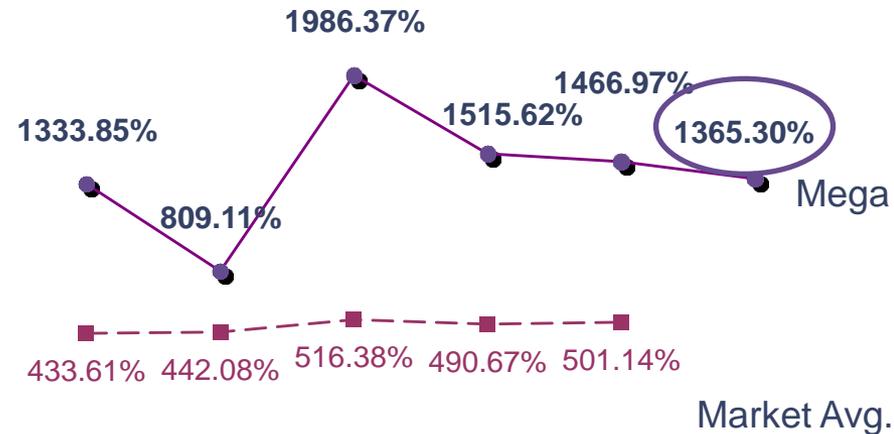
# Asset quality remained strong

Mega Bank NPL balance & NPL ratio\*

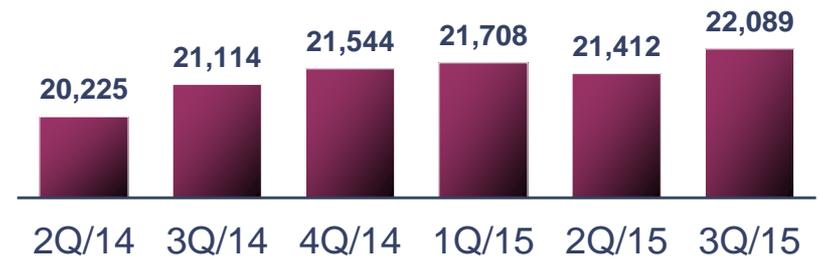


Unit: NT\$MN

Mega Bank loan loss reserved and coverage ratio



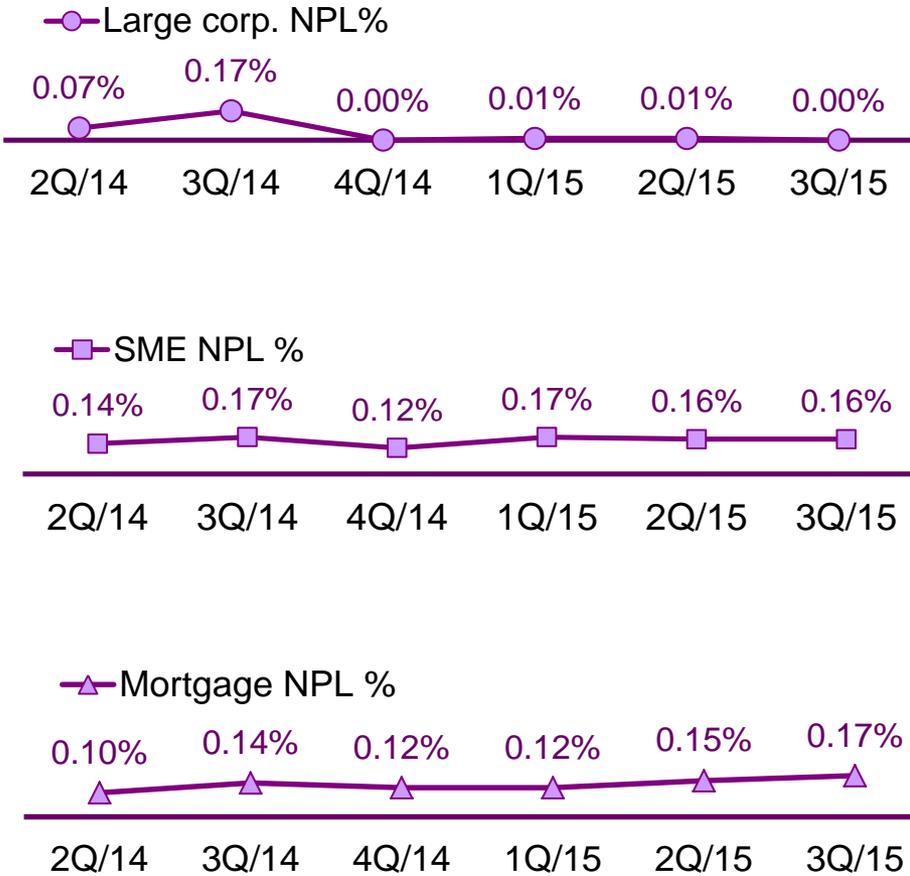
Unit: NT\$MN



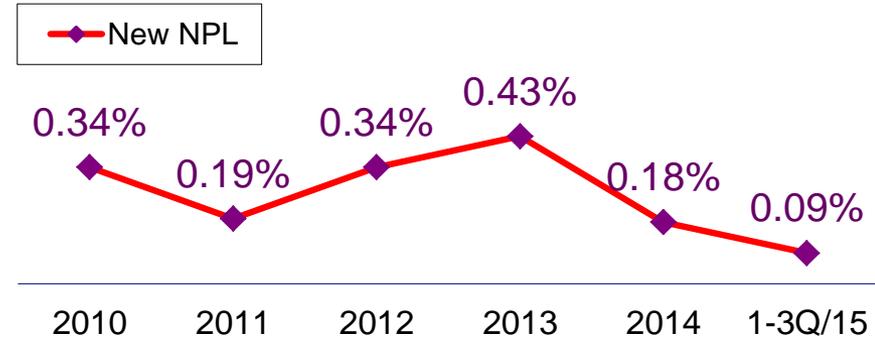
\* 90 days standard

# 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

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**Operation Highlights**



**Financial Performance**

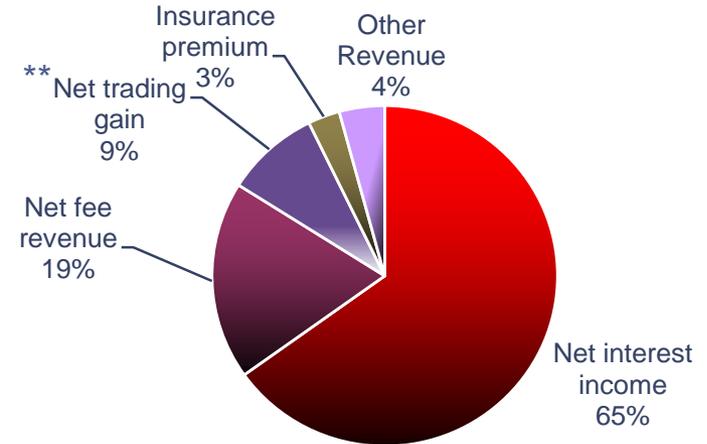
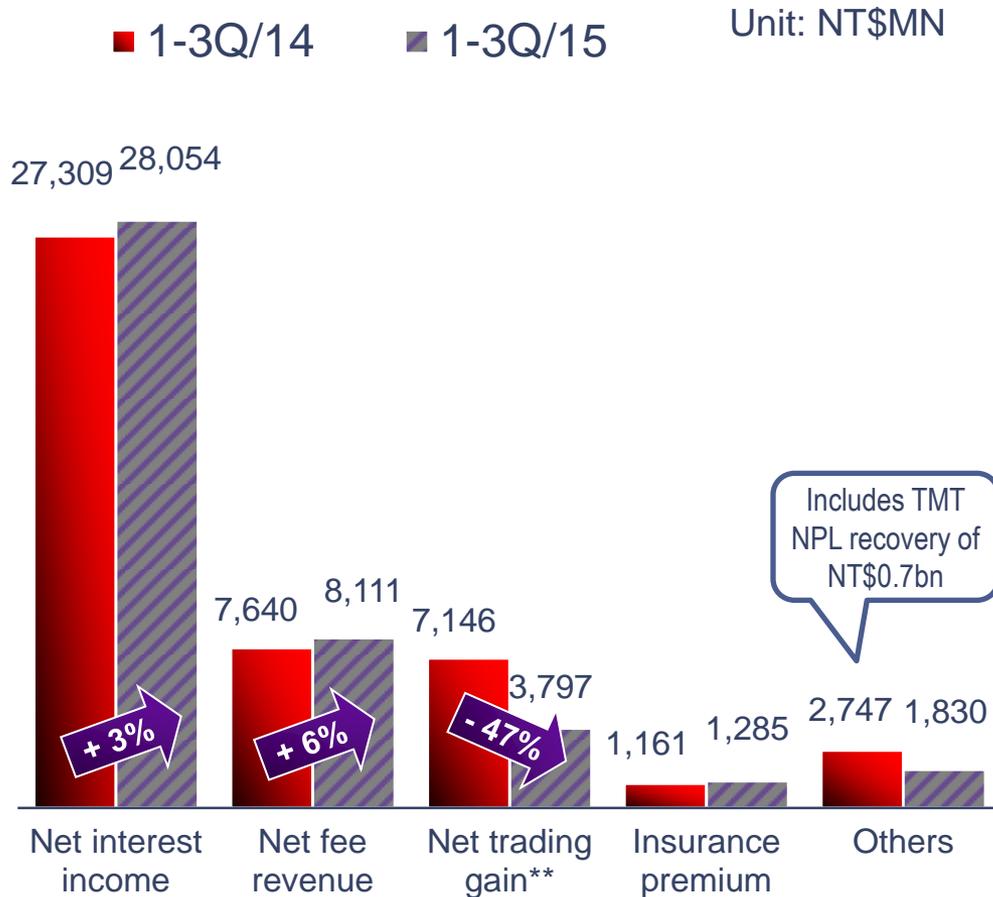


**Appendix**

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

Mega Group consolidated net revenue \*

Mega Group 1-3Q/2015 net revenue breakdown



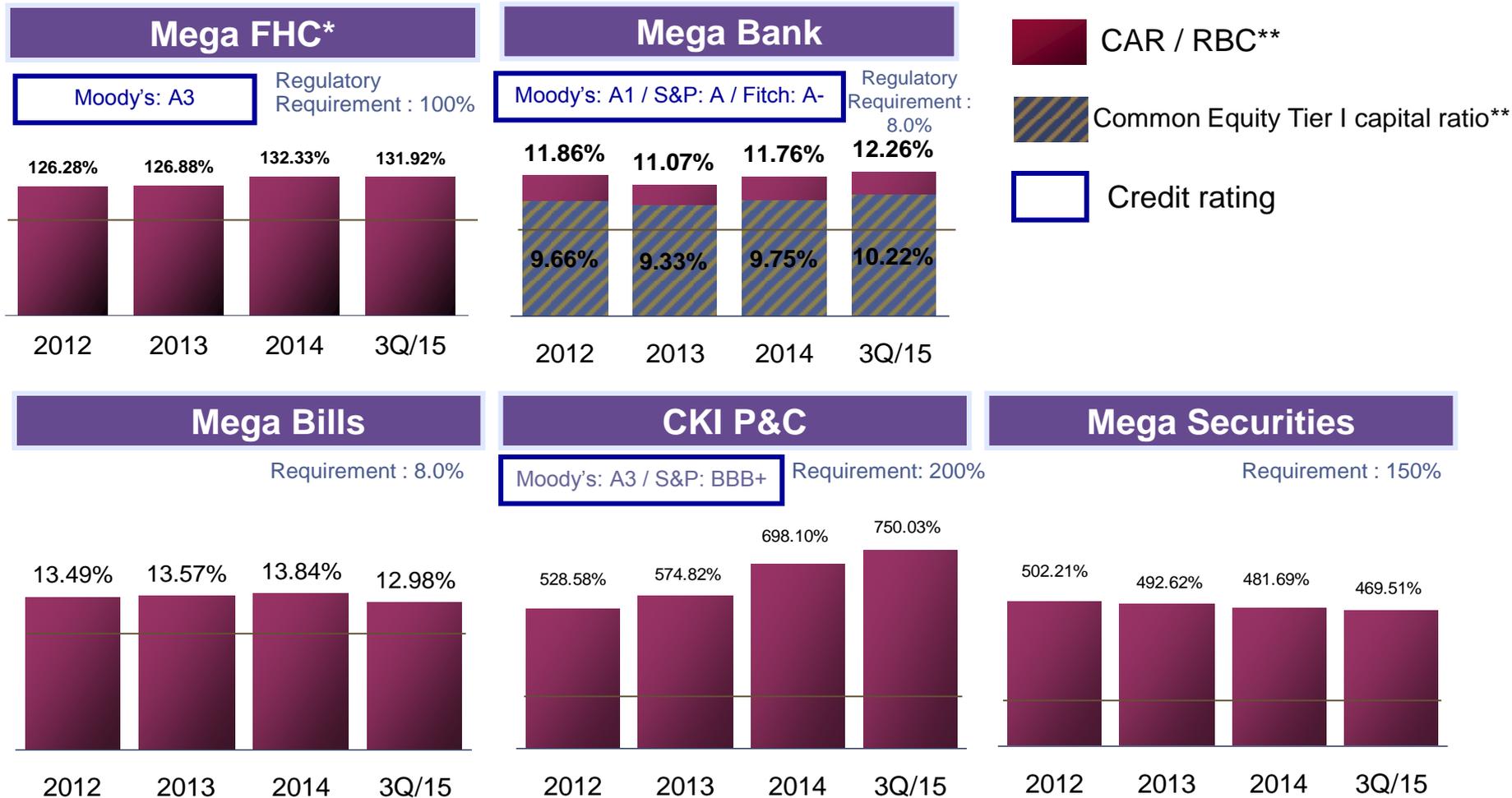
## Highlights

- ❖ NII was up 3% YoY due to loan growth and NIM improvement .
- ❖ Fee revenue was up 6% YoY due to strong WM and syndication loan fee.
- ❖ Trading gain was down 47% YoY due to domestic equity and domestic 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\*\*

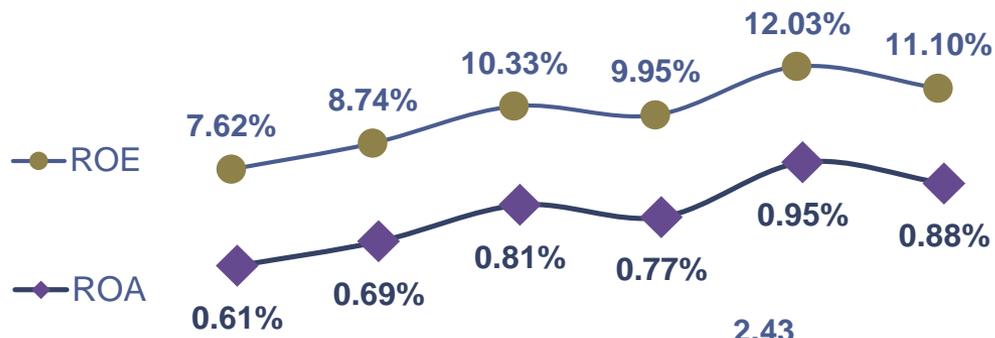


\* FHC CAR is calculated based on net investments in subsidiaries

\*\* 3Q/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\$



\* 1-3Q/15 are un-audited numbers; ROE & ROA are annualized numbers.

# 1-3Q/2015 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	1-3Q/2015*	1-3Q/2014	YoY	2014
Net interest income	28,054	27,309	3%	36,674
Net fee revenue	8,111	7,640	6%	11,121
Insurance premium	1,285	1,161	11%	1,529
Gain from fin. assets at fair value thru P&L	-376	3,461	-111%	3,826
Available for sales asset gain	1,393	1,708	-18%	1,812
Equity method investment gain	204	95	115%	152
FX spread gain	2,478	2,071	20%	3,283
Asset impairment loss (write-back)	-416	-229	82%	-374
Property gain	514	40	-	-
NPL recovery gain			-	1,298
Other non-interest revenue (net)	1,830	2,747	-33%	1,183
Operating net revenue	43,077	46,003	-6%	60,504
Operating expense	-17,845	-16,715	7%	-23,795
Pre-provision operating profit	25,232	29,288	-14%	36,709
Provision expense on loan	1,257	-1,301	-197%	-1,588
Reserved on insurance	8	74	-	208
Pretax profit	26,497	28,061	-6%	35,329
Tax	-4,870	-4,269	14%	-5,089
Minority shareholder interest	122	19	-	19
Net profit	21,749	23,811	-9%	30,259
EPS (NT\$)	1.75	1.91	-8%	2.43

Cost-to-income ratio: 41.4%; includes \$0.22bn donation to Hua-Long Textile employee and additional \$0.8bn biz tax vs. last year \*\*

TMT NPL recovery \$0.7bn

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

\* Un-audited consolidated P&L.

\*\* Business tax was increased from 2% to 5% starting July/2014

# 1-3Q/2015 Mega FHC consolidated balance sheet\*

NT\$MN	1-3Q/2015*	1-3Q/2014	YoY	2014	YTD
<b>Assets:</b>					
Cash and due from banks	528,642	734,569	-28%	635,381	-17%
Bills and bonds under RP agreement	8,324	7,483	11%	11,874	-30%
Fin. assets at fair value through P&L	182,103	176,664	3%	181,367	0%
AFS financial assets	321,487	282,930	14%	280,699	15%
HTM financial assets	190,421	164,044	16%	163,997	16%
Other financial assets	17,241	20,677	-17%	20,269	-15%
A/R, net	221,612	200,991	10%	201,279	10%
Loan, net	1,789,937	1,708,199	5%	1,734,481	3%
Equity method LT investments, net	2,917	2,664	9%	2,663	10%
Land, premises and equipments, net	23,343	23,959	-3%	24,162	-3%
Others	16,029	13,567	18%	18,764	-15%
<b>Total assets</b>	<b>3,302,056</b>	<b>3,335,747</b>	<b>-1%</b>	<b>3,274,936</b>	<b>1%</b>
<b>Liabilities</b>					
Due to banks	464,155	727,563	-36%	528,530	-12%
Deposits	2,166,326	1,897,642	14%	2,035,625	6%
CP & Bond payable	66,834	69,896	-4%	71,563	-7%
Bills & bonds sold under repurchase agreement	173,821	233,706	-26%	222,507	-22%
Other liabilities	169,181	153,869	10%	155,643	9%
<b>Total liabilities</b>	<b>3,040,317</b>	<b>3,082,676</b>	<b>-1%</b>	<b>3,013,868</b>	<b>1%</b>
Capital stock (common stock)	124,498	124,498	0%	124,498	0%
Capital surplus	55,269	55,274	0%	55,274	0%
Retain earning	81,927	71,542	15%	77,856	5%
Equity adjustment items	-96	1,599	-	3,277	-
Minority shareholder interest	141	157	-10%	162	-13%
<b>Total stockholders' equity</b>	<b>261,739</b>	<b>253,070</b>	<b>3%</b>	<b>261,067</b>	<b>0%</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,302,056</b>	<b>3,335,746</b>	<b>-1%</b>	<b>3,274,935</b>	<b>1%</b>
Book value per share (NT\$)	21.02	20.33	3%	20.96	0%

\* Un-audited consolidated balance sheet.

# 1-3Q/2015 Mega Bank P&L statement\*

<i>NT\$MN, except per share data</i>	1-3Q/2015*	1-3Q/2014	YoY	2014
Net interest income	26,914	26,292	2%	35,292
Net fee revenue	6,375	6,039	6%	7,521
Gain from fin. assets at fair value thru P&L	-1,949	1,557	-225%	1,370
Available for sales asset gain	1,129	161	-3%	1,277
Equity method investment gain	154	80	93%	114
FX spread gain	2,398	077	15%	3,239
Asset impairment loss (write-back)	-416	-216	-	-217
NPL disposal gain	0	703	-	-
Other non-interest revenue (net)	1,141	934	22%	2,540
Operating net revenue	35,746	38,627	-7%	51,136
Operating expense	-14,225	-13,044	9%	-18,659
Pre-provision operating profit	21,521	25,583	-16%	32,477
Provision expense on loan	1,464	-1,709	-	-2,249
Pretax profit	22,985	23,874	-4%	30,228
Tax	-3,865	-3,390	14%	-4,293
Net profit	19,120	20,484	-7%	25,935
EPS (NT\$)	2.44	2.66	-8%	3.37

Cost-to-income ratio: 39.8%; includes \$0.22bn donation to Hua-Long Textile employee and additional \$0.8bn biz tax vs. last year \*\*

TMT NPL recovery

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

\* Un-audited consolidated P&L.

\*\* Business tax was increased from 2% to 5% starting July/2014

# 1-3Q/2015 Mega Bank balance sheet\*

NT\$MN	1-3Q/2015*	1-3Q/2014	YoY	2014	YTD
Assets:					
Cash and due from banks	520,661	729,775	-29%	630,105	-17%
Bills and bonds under RP agreement	11,744	4,344	170%	5,850	101%
Fin. assets at fair value through P&L	44,132	38,330	15%	43,697	1%
AFS financial assets	216,784	193,193	12%	187,345	16%
HTM financial assets	188,668	162,378	16%	162,084	16%
Other financial assets	10,159	13,540	-25%	13,651	-26%
A/R, net	194,679	168,254	16%	171,054	14%
Loan, net	1,789,937	1,708,199	5%	1,734,481	3%
Equity method LT investments, net	2,877	2,737	5%	2,733	5%
Land, premises and equipments, net	15,100	15,027	0%	15,174	0%
Others (net)	8,856	7,044	26%	10,712	-17%
<b>Total assets</b>	<b>3,003,597</b>	<b>3,042,821</b>	<b>-1%</b>	<b>2,976,886</b>	<b>1%</b>
Liabilities					
Due to banks	434,107	720,694	-40%	515,603	-16%
Deposits	2,168,212	1,901,912	14%	2,037,885	6%
CP & Bond payable	42,600	50,900	-16%	50,200	-15%
Bills & bonds sold under repurchase agreement	7,884	58,535	-87%	50,190	-84%
Other liabilities	118,649	98,638	20%	104,332	14%
<b>Total liabilities</b>	<b>2,771,452</b>	<b>2,830,679</b>	<b>-2%</b>	<b>2,758,210</b>	<b>0%</b>
Capital stock (common stock)	80,000	77,000	4%	77,000	4%
Capital surplus	52,019	46,502	12%	46,502	12%
Retain earning	100,255	87,029	15%	92,465	8%
Equity adjustment items	(129)	1,611	-108%	2,708	-105%
<b>Total stockholders' equity</b>	<b>232,145</b>	<b>212,142</b>	<b>9%</b>	<b>218,675</b>	<b>6%</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,003,597</b>	<b>3,042,821</b>	<b>-1%</b>	<b>2,976,885</b>	<b>1%</b>
Book value per share (NT\$)	29.02	27.55	5%	28.40	2%

\* Un-audited consolidated balance sheet.

# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

# 38 offices in 19 countries; 15 offices in SE Asia

## Mega Bank's Overseas Franchise



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