

# **Investor/Analyst Briefing**

## **1Q / 2017**



**Mega Holdings**

# DISCLAIMER

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**THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED MAR 31, 2017 ARE UN-AUDITED NUMBERS UNLESS SPECIFIED OTHERWISE. MEGA FHC WILL FILE ITS AUDITED FINANCIAL STATEMENTS THROUGH TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MAY 31, 2017.**

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

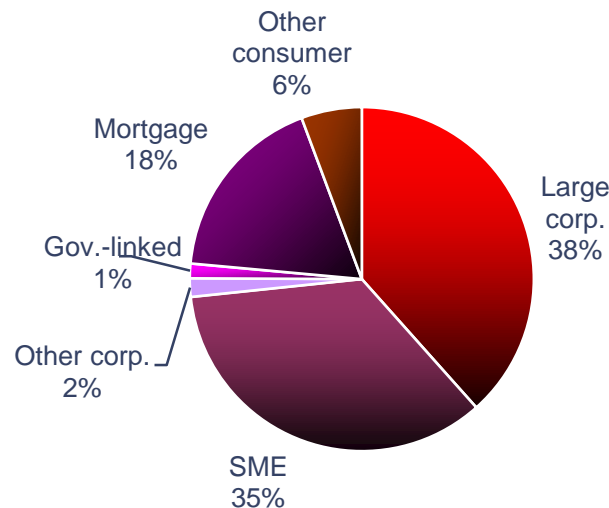
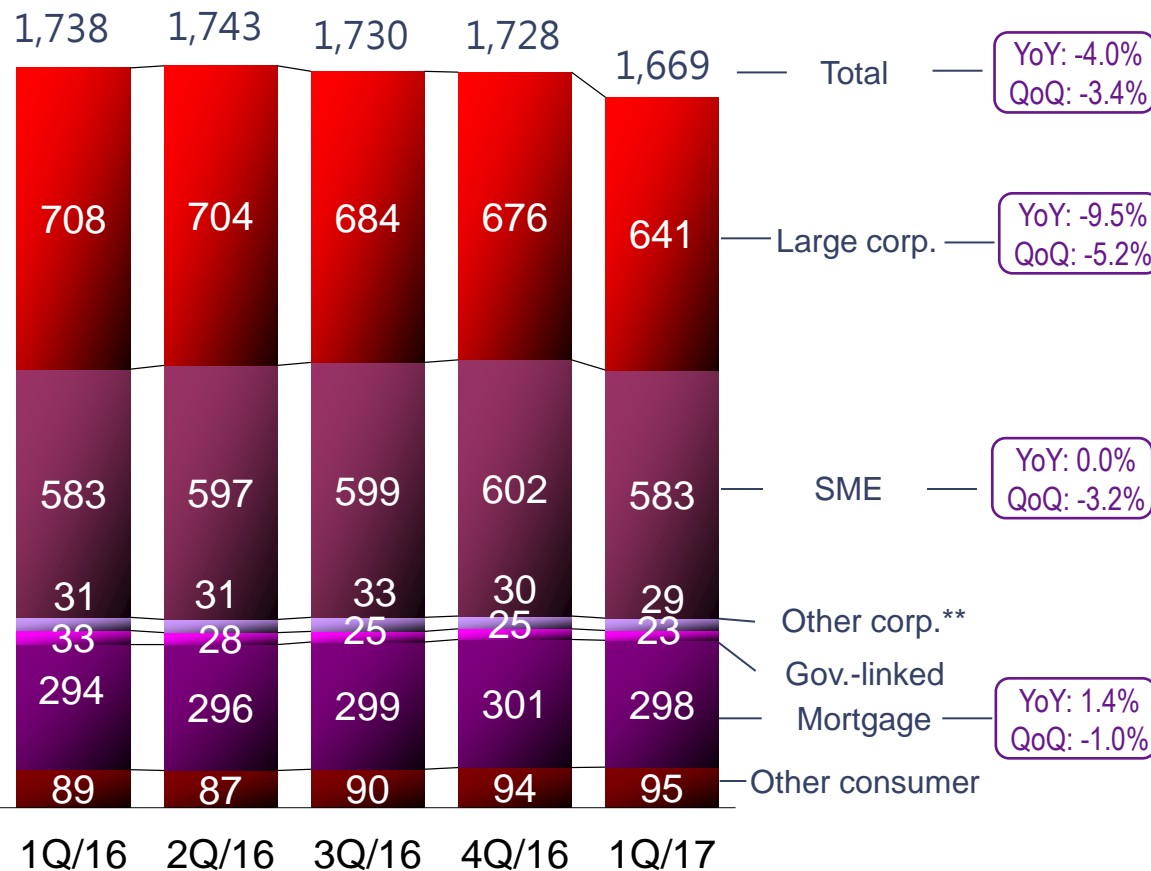
# Loan contracted due to tighter internal risk mgmt.

Mega Bank quarterly loan balance\*

Mega Bank 1Q/17 loan breakdown by customer

Unit: NT\$bn

Growth Trend

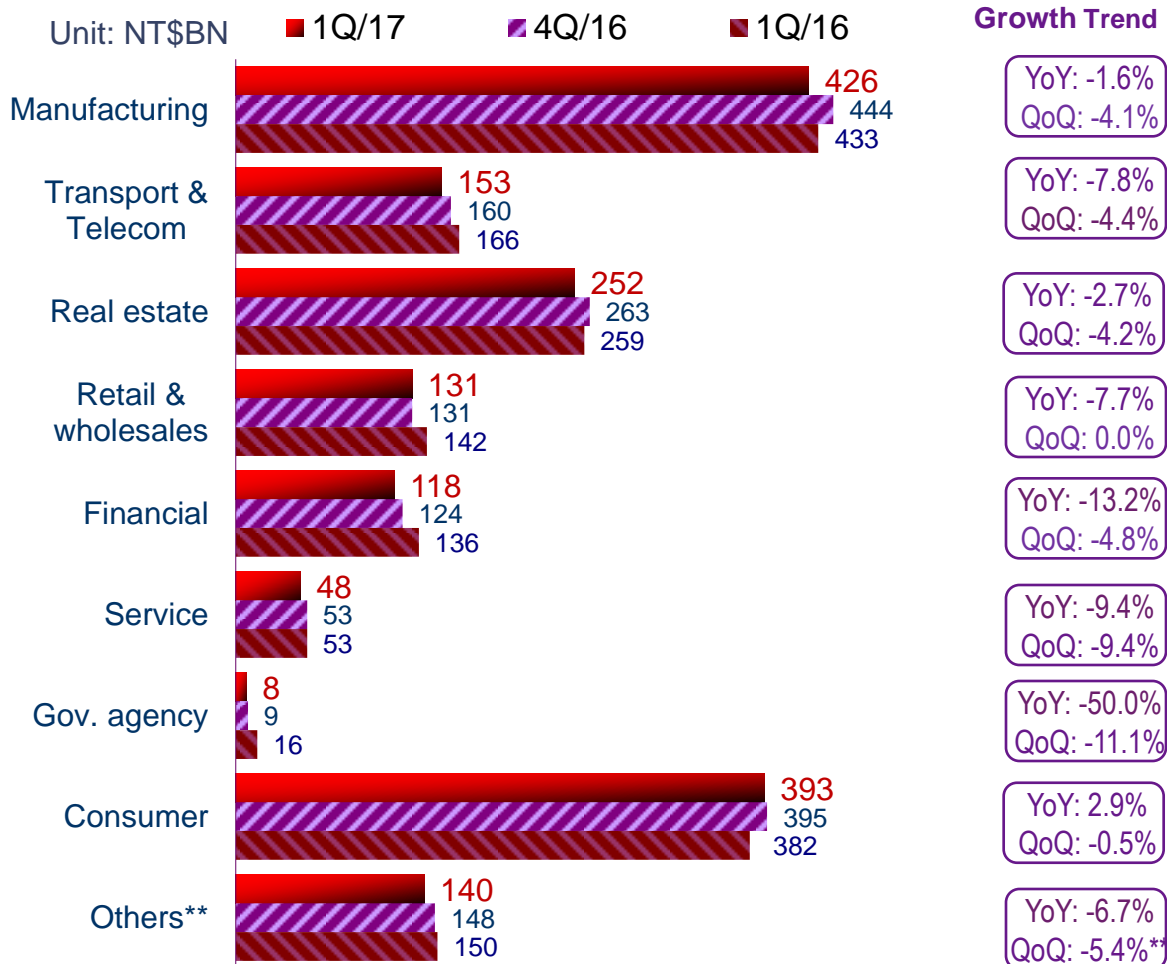


\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

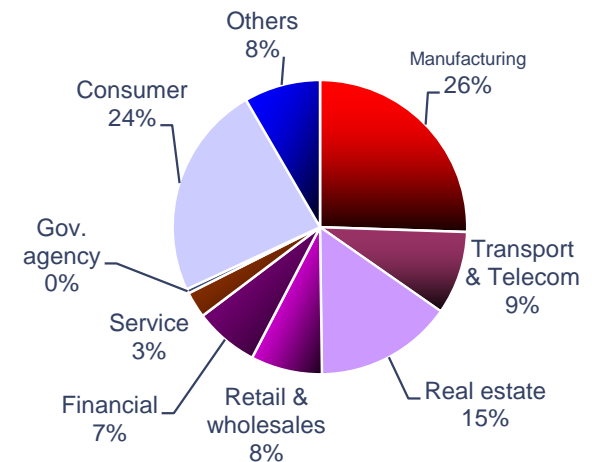
\*\* Includes Gov-linked Non-Profit Organization and etc.

# Tighter credit control across all industries

Mega Bank loan balance trend by industry\*



Mega Bank 1Q/17 loan breakdown by industry\*

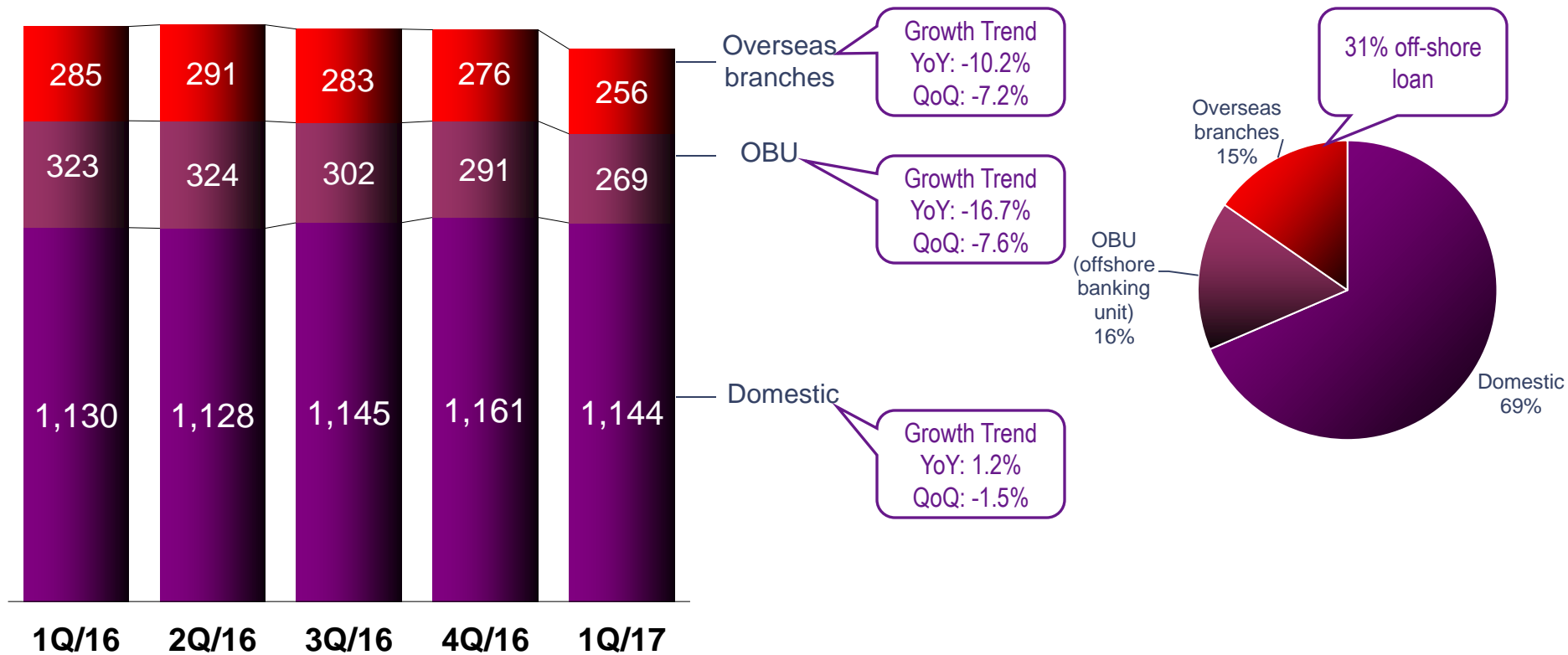


- \* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.
- \*\* Main growth driver for "Other Industry": leisure (hotel & restaurant) industry

# Domestic loan contracted less

Mega Bank 1Q/17 loan breakdown by regions \*

Unit: NT\$bn



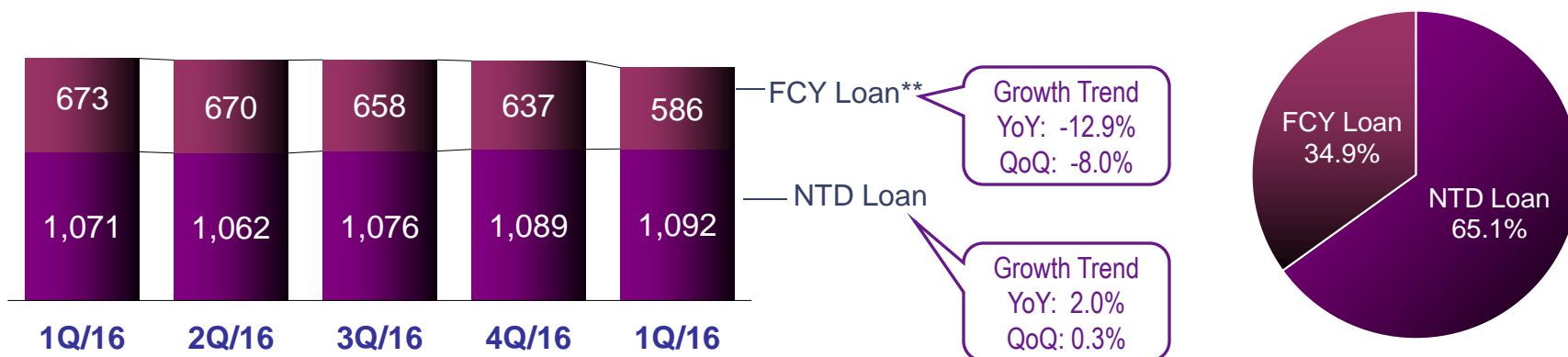
\* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

# NTD loan growth outperformed others slightly

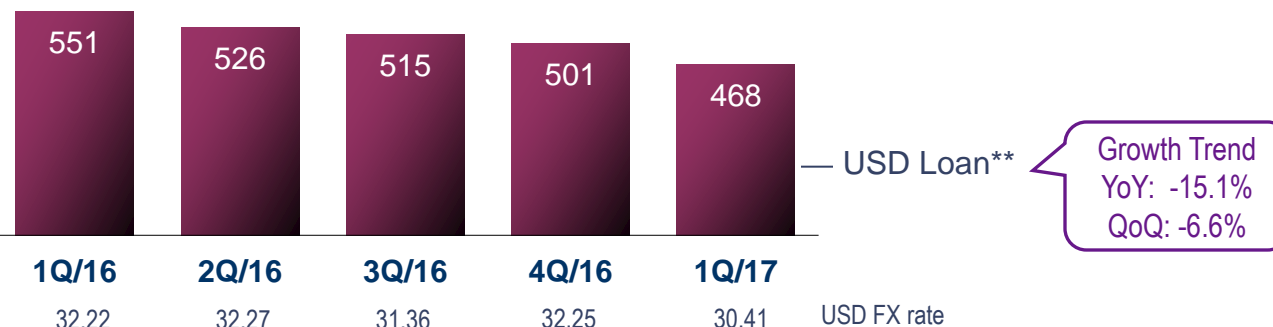
Mega Bank 1Q/17 loan breakdown by currency: NTD vs. foreign currency loan \*

Unit: NT\$bn



Mega Bank USD Loan balance\*

Unit: NT\$ billion

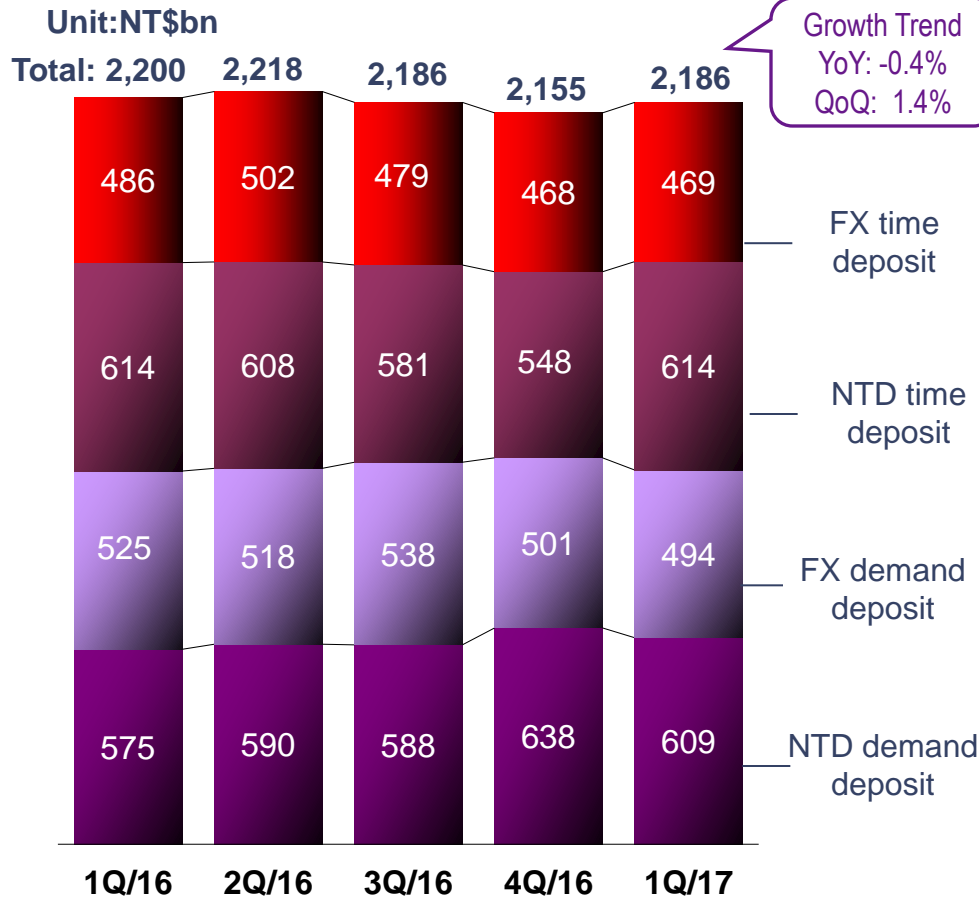


\* Mega Bank quarterly un-audited average balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee.

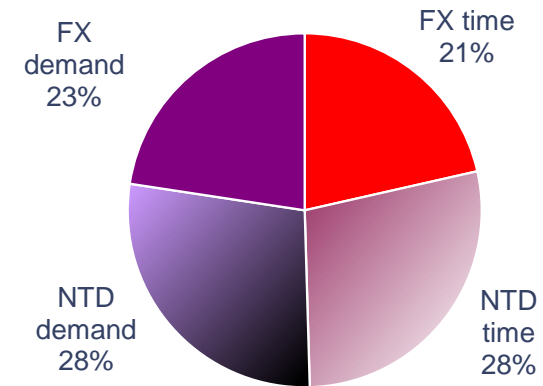
\*\* Foreign currency and USD loans include OBU, overseas branched and some domestic branched loans.

# Aggressively taking NTD retail deposit to strengthen retail banking business

Mega Bank's deposit balance \*



Mega Bank's 1Q/17 deposit breakdown



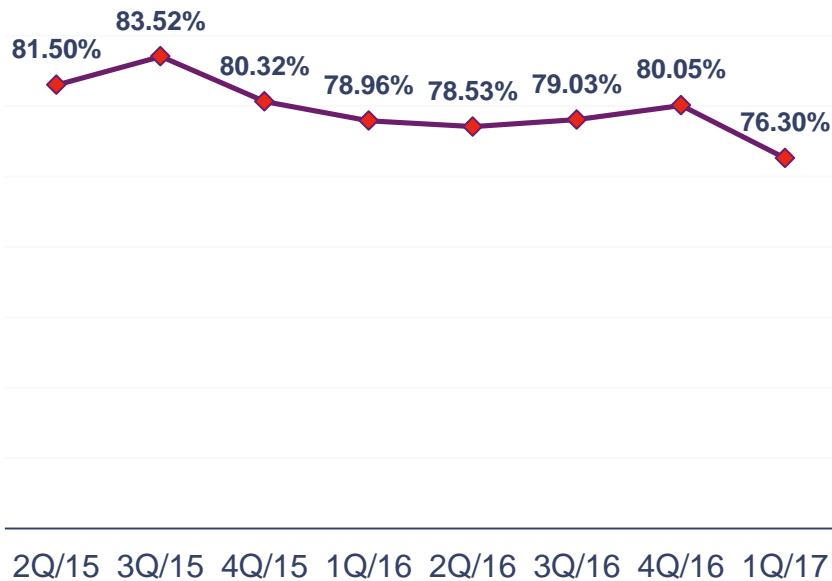
\* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

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

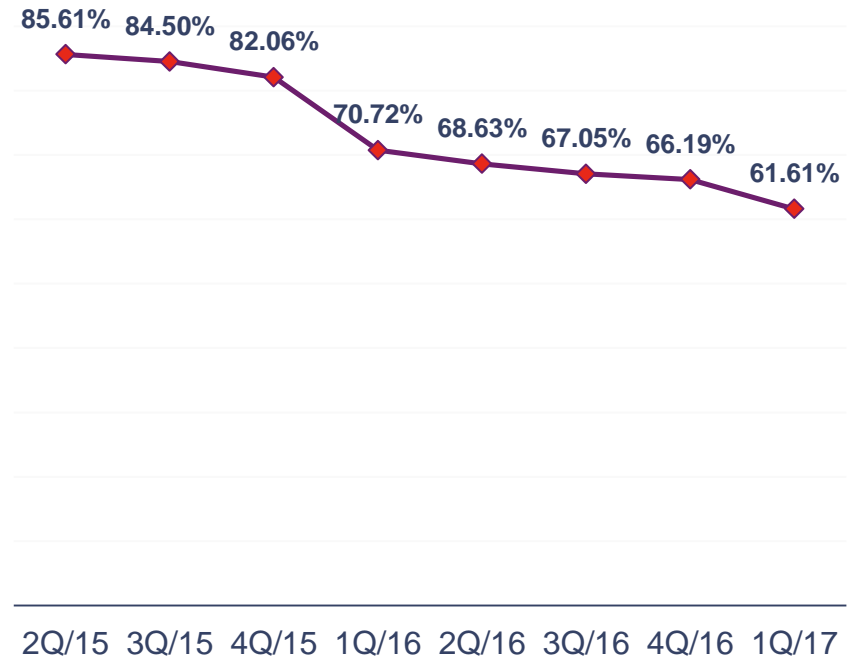


# LDR remained low

Mega Bank's total LDR\*



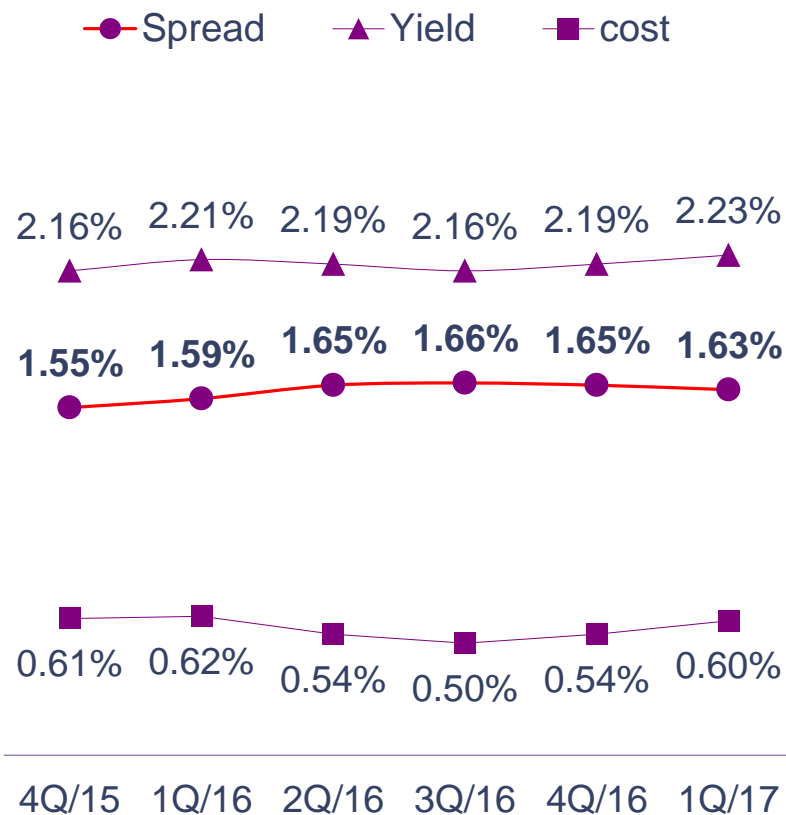
Mega Bank's USD LDR\*



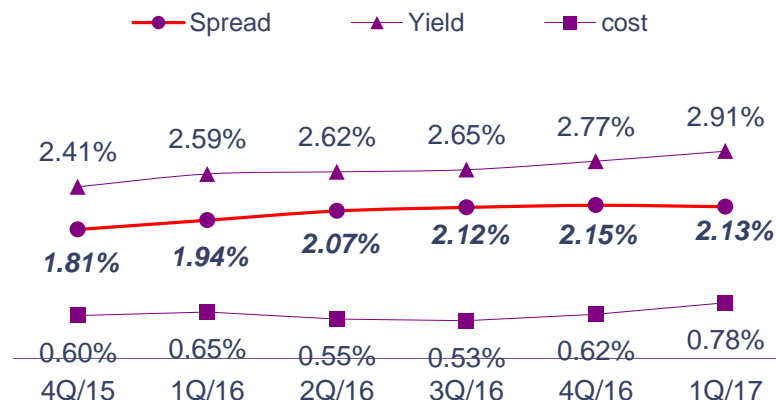
\* LDR calculation is based on loan/deposit end balance

# Loan interest spread saw little changes

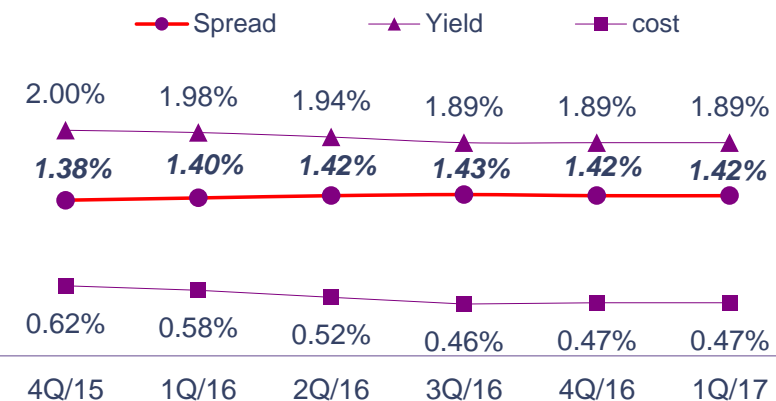
Mega Bank total loan interest spread\*



Mega Bank overseas loan interest spread\*



Mega Bank domestic loan interest spread\*

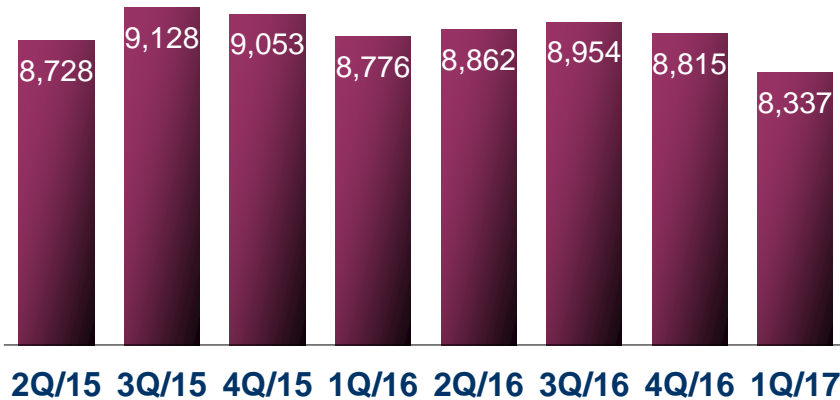


\* Overseas loan includes overseas branches and OBU loan; un-audited internal numbers..

# NII / interest earning assets were down due to tighter risk control

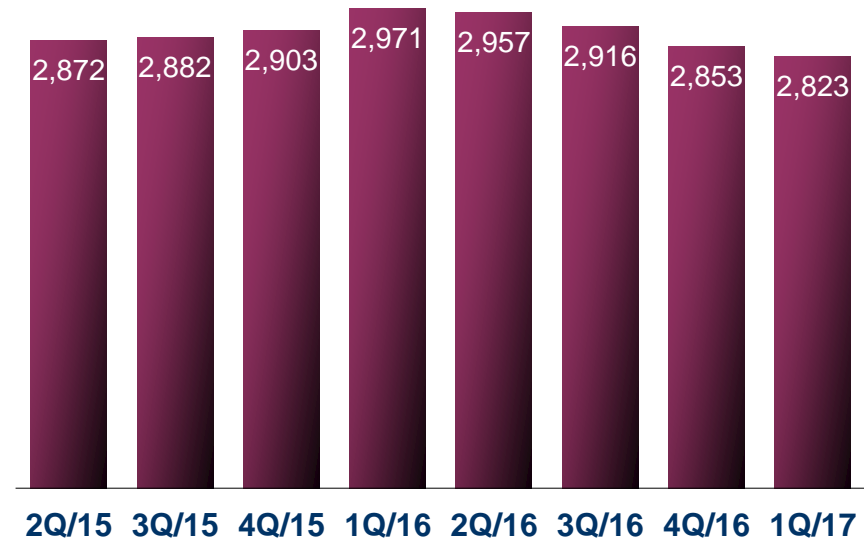
## Mega Bank quarterly NII\*

Unit: NT\$ million



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

Unit: NT\$ billion

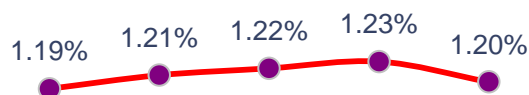


\* Stand-alone un-audited P&L net interest income

\*\* Quarterly average interest earning assets

# NTD NIM inched up; FCY NIM was under pressure

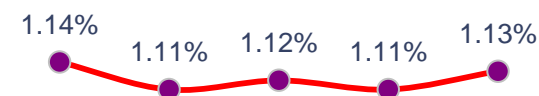
Mega Bank quarterly **Total NIM\***



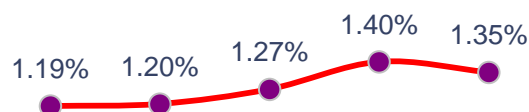
Mega Bank quarterly **FCY NIM\***



Mega Bank quarterly **NTD NIM\***

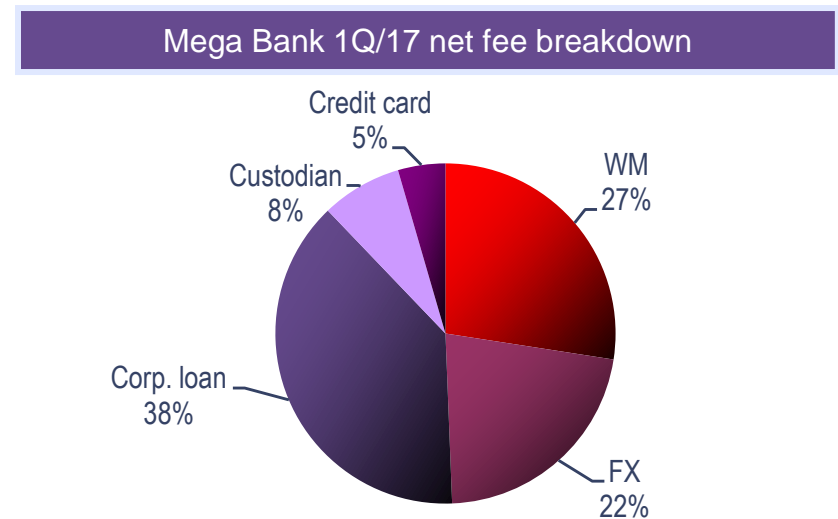
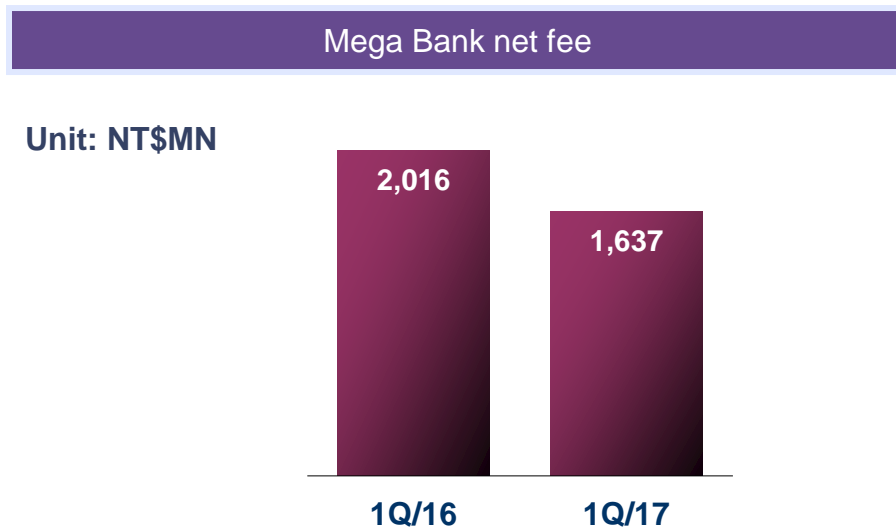
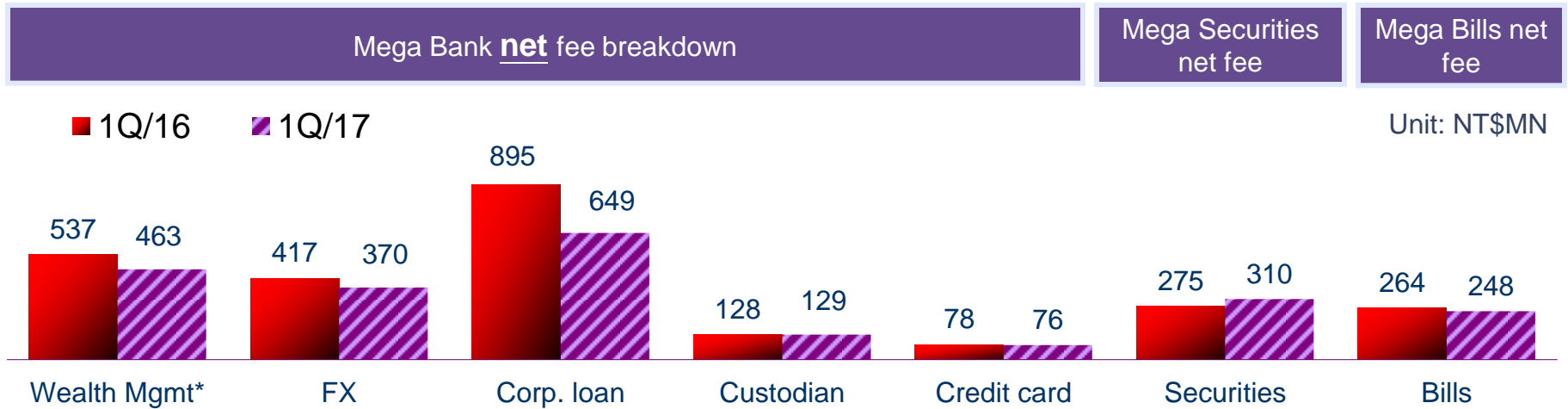


Mega Bank monthly **USD NIM\***



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

# Bank fee was down due to softer syndication loan fee

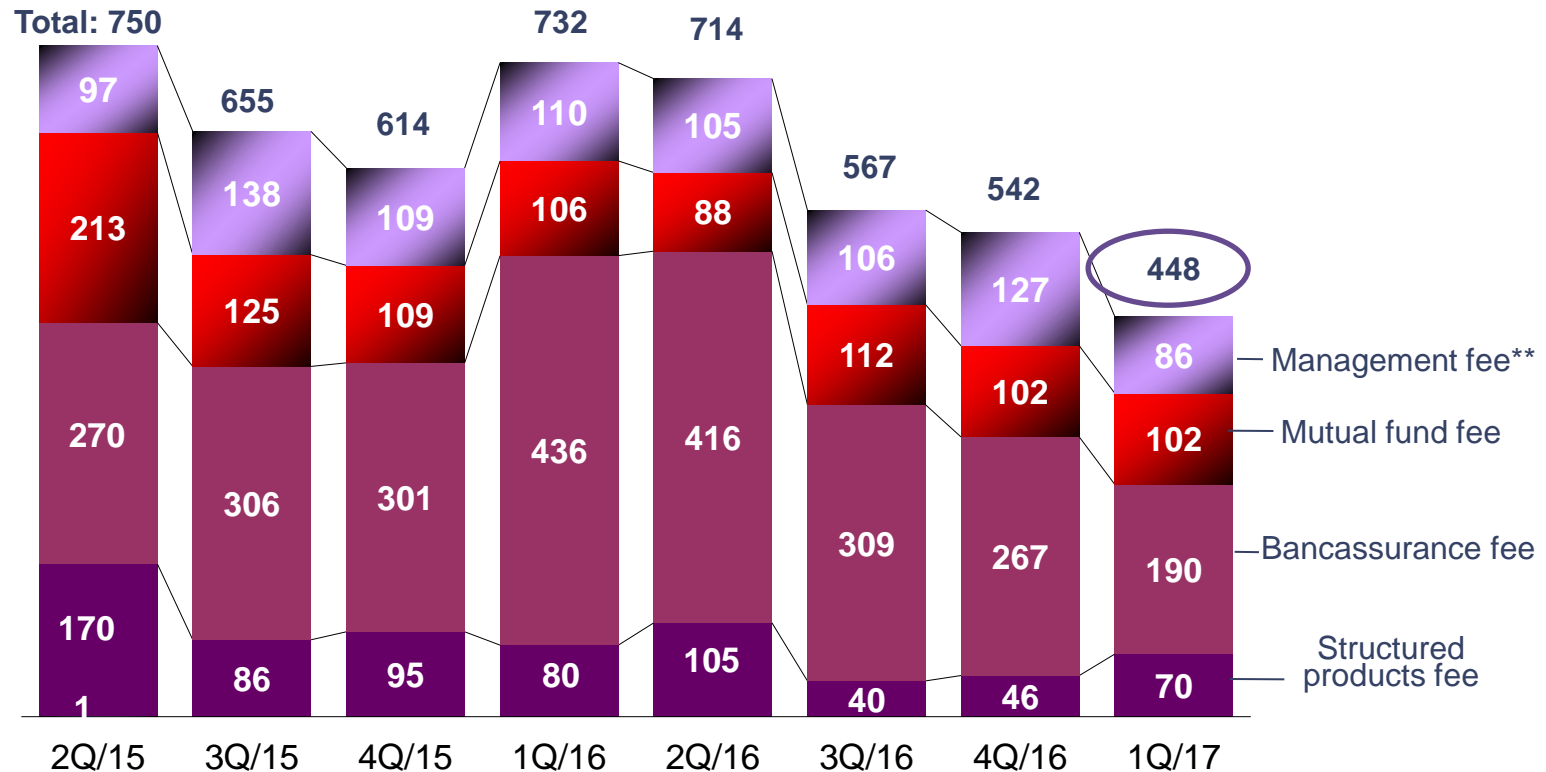


\* Net wealth mgmt fee, deducting all the cost associated with product sales, excluding fee allocated to Mega life insurance agent and Mega SITE.

# WM fee was dragged by weakness in bancassurance fee

Mega Bank wealth management gross fee breakdown\*

Unit: NT\$MN



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

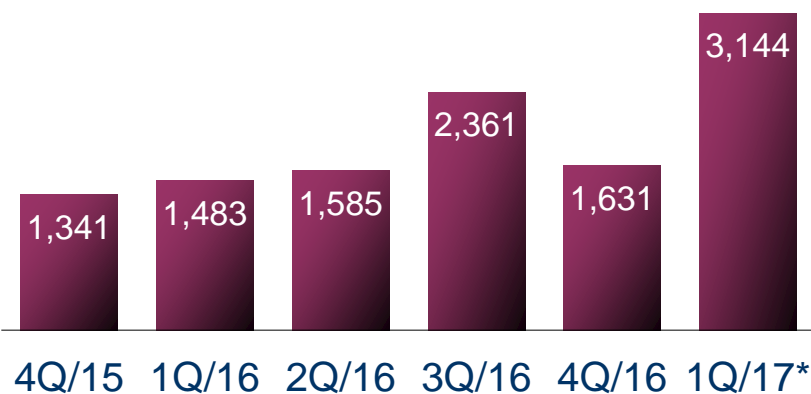
\*\* Profit sharing scheme of fund mgmt fee and trust account mgmt fee.

# NPL ratio remained low; reserved climbed higher

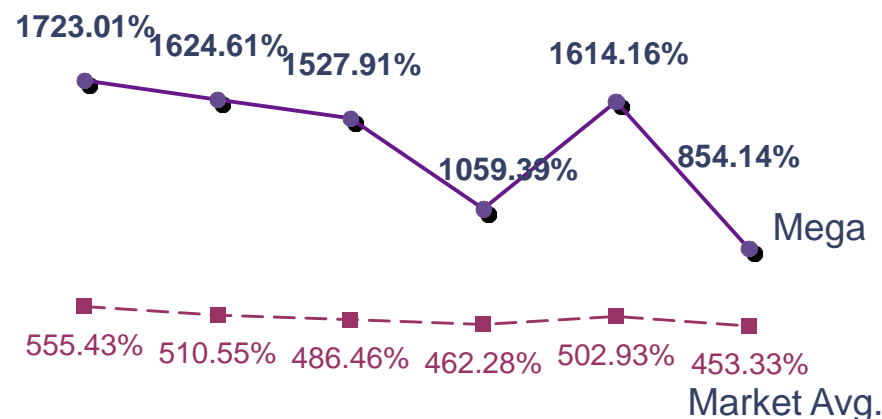
Mega Bank NPL balance & NPL ratio\*



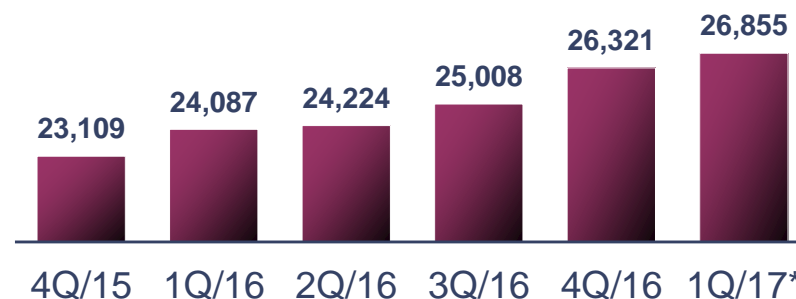
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio



Unit: NT\$MN



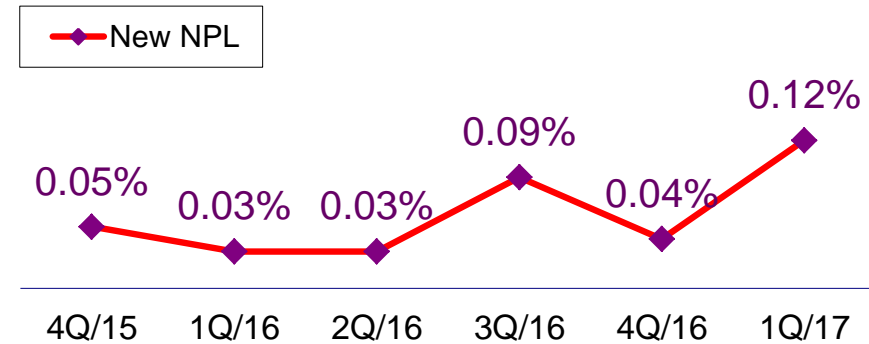
\* 1Q/17 number includes TransAsia Airline NPL NT\$1.5bn

# Asset quality was benign across all types of customer

Mega Bank NPL ratio by customer \*



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



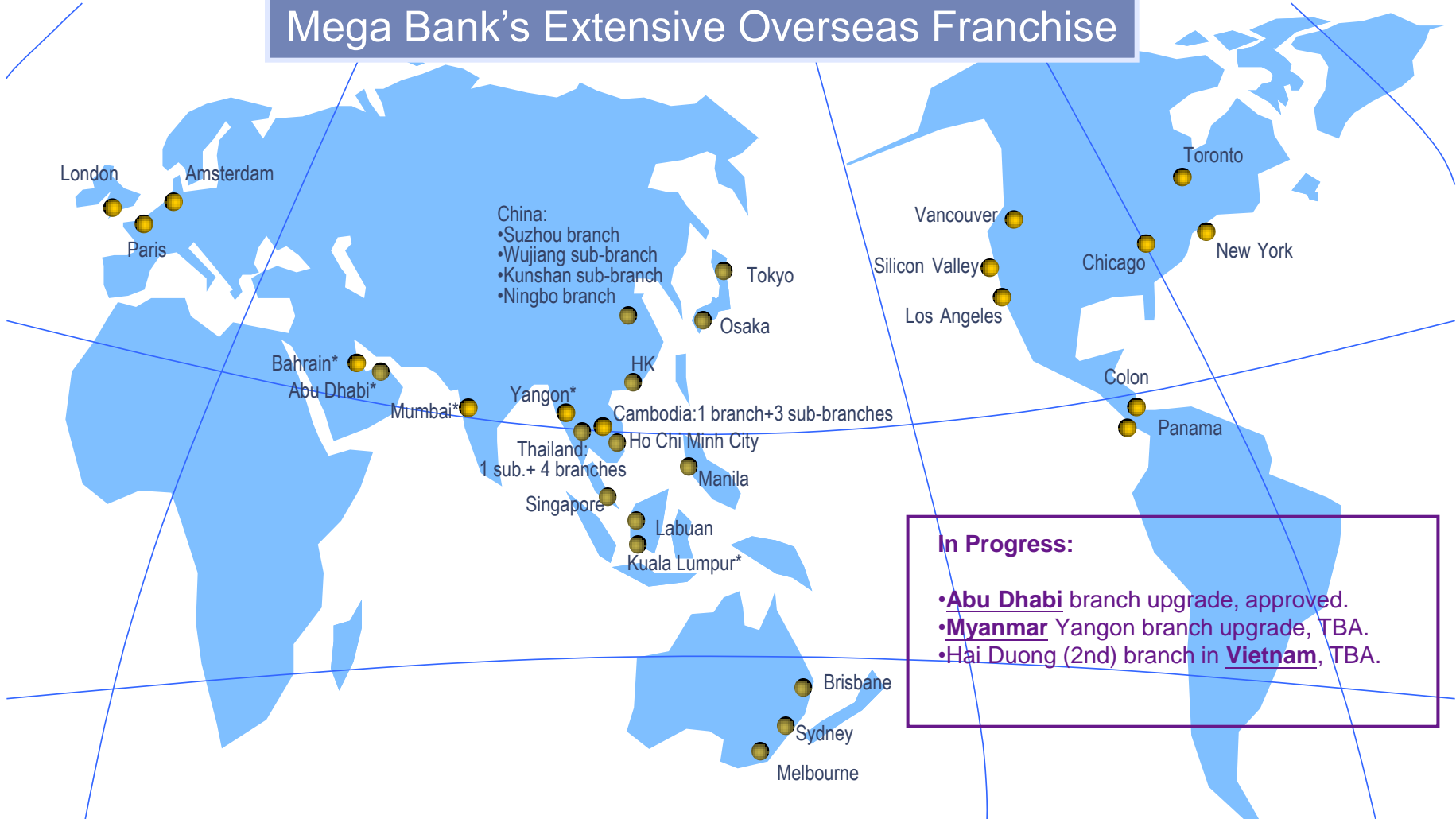
\* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

\*\* Annualized new NPL balance / total loan. Mega Bank Internal number. 1Q/17 number includes TransAsia Airline NPL NT\$1.5bn.



# 39 offices in 20 countries; 15 offices in SE Asia

## Mega Bank's Extensive Overseas Franchise



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

# Agenda

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## Operation Highlights



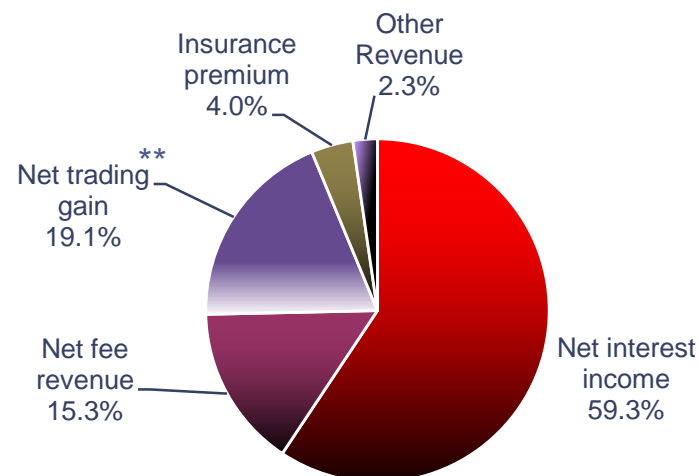
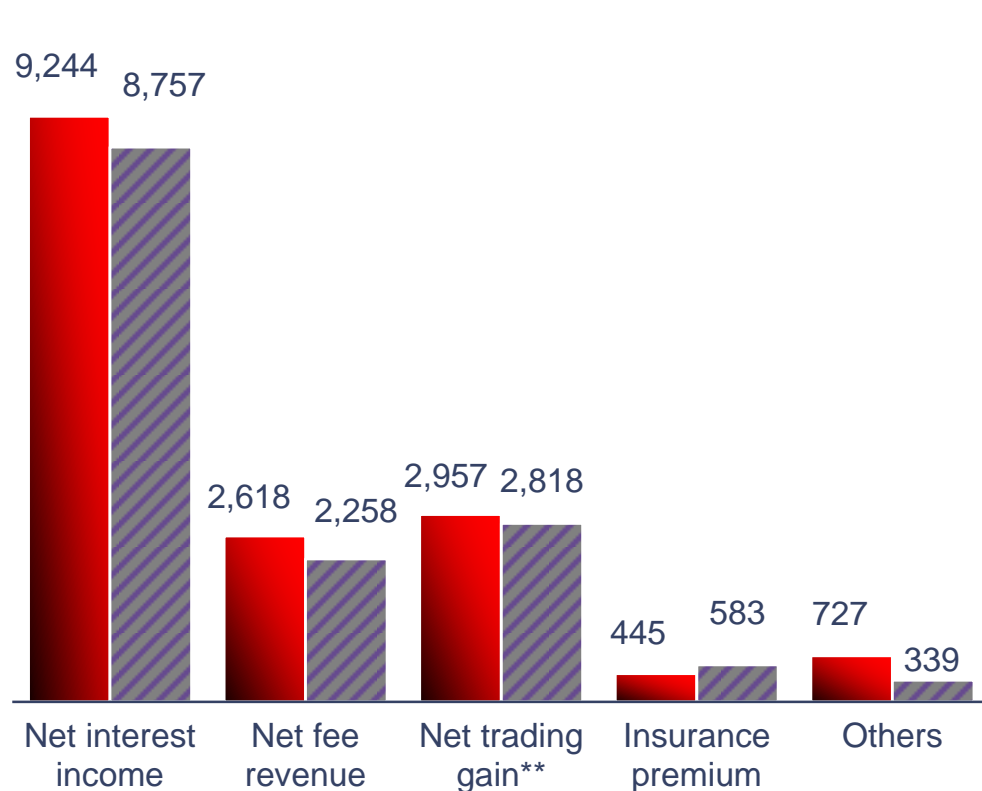
## Financial Performance

# Core earning stayed intact

Mega Group consolidated net revenue \*

Mega Group 1Q/2017 net revenue breakdown

■ 1Q/16 ■ 1Q/17 Unit: NT\$MN



\* Un-audited figures.

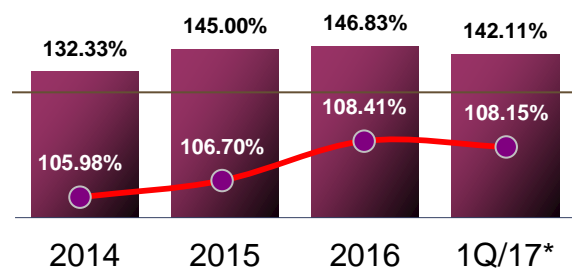
\*\* Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

# Strong tier-1 capital ratio of 12.98%

## Mega FHC

Moody's: A3

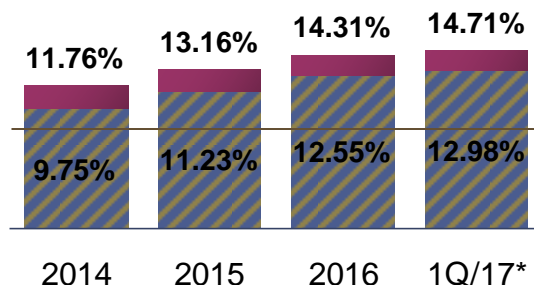
Regulatory Requirement : 100%



## Mega Bank

Moody's: A1 / S&P: A / Fitch: A-

Regulatory Requirement : 8.0%



CAR / RBC

Common Equity Tier I capital ratio

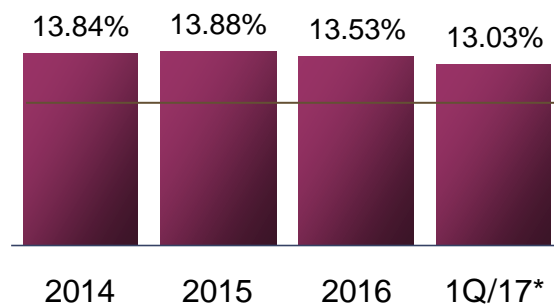
Credit rating

Double leverage ratio

Regulatory requirement

## Mega Bills

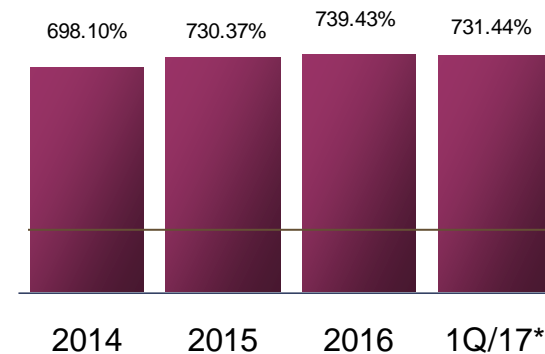
Requirement : 8.0%



## CKI P&C

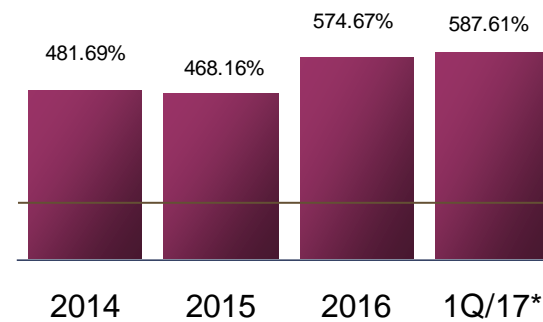
Moody's: A3 / S&P: BBB+

Requirement: 200%



## Mega Securities

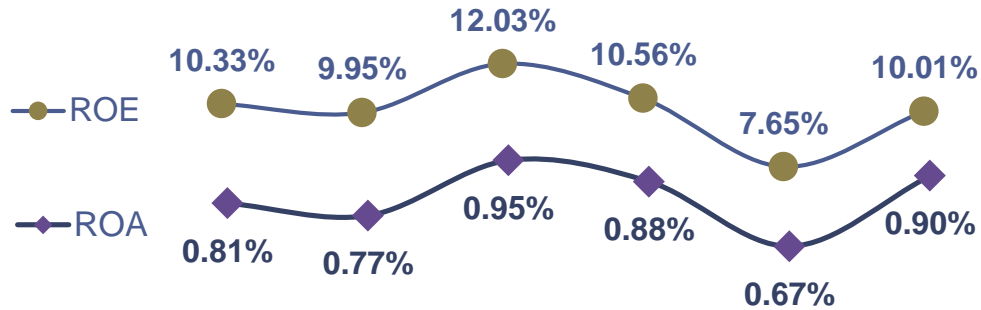
Requirement : 150%



\* 1Q/17 are un-audited numbers.

# Attractive dividend policy

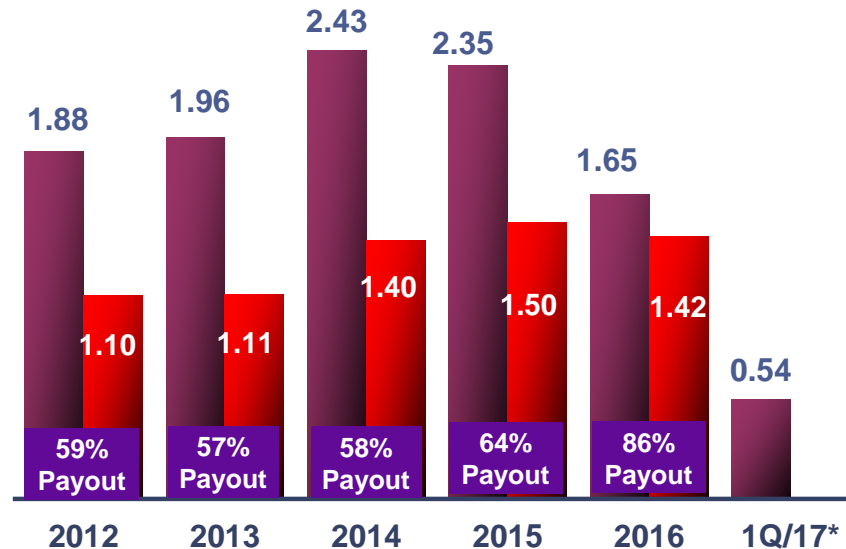
## Key Profitability Ratios



Unit: NT\$

■ EPS

■ Cash dividend



■ Cash div. yield\*\*



❖ 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.

\* 1Q/17 are un-audited numbers; ROE & ROA are annualized numbers.

\*\* Cash dividend yield = cash dividend / last trading day share price of that year

# 1Q/2017 Mega FHC consolidated P&L statement

<i>NT\$MN, except per share data</i>	<b>1Q/2017*</b>	<b>1Q/2016</b>	<b>YoY</b>
Net interest income	8,757	9,244	-5%
Net fee revenue	2,258	2,618	-14%
Insurance premium	583	445	31%
Gain from fin. assets at fair value thru P&L	2,475	1,501	65%
Available for sales asset gain	487	728	-33%
Equity method investment gain	44	91	-52%
FX spread gain	-98	733	-
Asset impairment loss (write-back)	-97	-99	-2%
Property gain	7	3	133%
Other non-interest revenue (net)	339	727	-53%
Operating net revenue	14,755	15,991	-8%
Operating expense	-6,110	-5,876	4%
Pre-provision operating profit	8,645	10,115	-15%
Provision expense on loan	-464	-1,195	-61%
Reserved on insurance	-23	-97	-
Pretax profit	8,158	8,823	-8%
Tax	-755	-1,176	-36%
Minority shareholder interest	0	7	-
Net profit	7,403	7,654	-3%
EPS (NT\$)	0.54	0.56	-4%

\* Un-audited consolidated numbers.

# 1Q/2017 Mega FHC consolidated balance sheet

NT\$MN	1Q/2017*	1Q/2016	YoY
Assets:			
Cash and due from banks	626,683	692,986	-10%
Bills and bonds under RP agreement	4,796	13,065	-63%
Fin. assets at fair value through P&L	187,814	185,326	1%
AFS financial assets	371,054	369,227	0%
HTM financial assets	292,068	231,570	26%
Other financial assets	13,879	17,008	-18%
A/R, net	80,562	129,903	-38%
Loan, net	1,656,249	1,728,415	-4%
Equity method LT investments, net	3,154	3,190	-1%
Land, premises and equipments, net	23,518	23,309	1%
Others	19,817	17,145	16%
Total assets	3,279,594	3,411,144	-4%
Liabilities			
Due to banks	338,384	480,651	-30%
Deposits	2,198,036	2,217,151	-1%
CP & Bond payable	58,863	58,586	0%
Bills & bonds sold under repurchase agreement	236,700	201,979	17%
Other liabilities	147,940	151,046	-2%
Total liabilities	2,979,923	3,109,413	-4%
Capital stock (common stock)	135,998	135,998	0%
Capital surplus	68,194	68,194	0%
Retain earning	97,362	96,026	1%
Equity adjustment items	-1,925	1,461	-
Minority shareholder interest	42	53	-21%
Total stockholders' equity	299,671	301,732	-1%
Total liabilities and stockholders' equity	3,279,594	3,411,145	-4%
Book value per share (NT\$)	22.03	22.19	-1%

\* Un-audited consolidated numbers.

# 1Q/2017 Mega Bank consolidated P&L statement

<i>NT\$MN, except per share data</i>	<b>1Q/2017*</b>	<b>1Q/2016</b>	<b>YoY</b>
Net interest income	8,337	8,776	-5%
Net fee revenue	1,654	2,034	-19%
Gain from fin. assets at fair value thru P&L	1,941	1,102	76%
Available for sales asset gain	416	568	-27%
Equity method investment gain	41	91	-55%
FX spread gain	56	739	-92%
Asset impairment loss (write-back)	-97	-99	-2%
Other non-interest revenue (net)	118	285	-59%
Operating net revenue	12,466	13,496	-8%
Operating expense	-5,019	-4,785	5%
Pre-provision operating profit	7,447	8,711	-15%
Provision expense on loan	-479	-1,195	-60%
Pretax profit	6,968	7,516	-7%
Tax	-625	-990	-37%
Net profit	6,343	6,526	-3%
EPS (NT\$)	0.74	0.76	-3%

\* Audited consolidated numbers



# 1Q/2017 Mega Bank consolidated balance sheet

NT\$MN	1Q/2017*	1Q/2016	YoY
Assets:			
Cash and due from banks	619,566	689,190	-10%
Bills and bonds under RP agreement	4,103	20,342	-80%
Fin. assets at fair value through P&L	45,123	50,954	-11%
AFS financial assets	218,271	232,166	-6%
HTM financial assets	290,362	229,761	26%
Other financial assets	9,504	10,031	-5%
A/R, net	49,576	95,465	-48%
Loan, net	1,655,494	1,728,415	-4%
Equity method LT investments, net	3,076	3,118	-1%
Land, premises and equipments, net	15,128	15,099	0%
Others (net)	8,333	7,429	12%
Total assets	2,918,536	3,081,970	-5%
Liabilities			
Due to banks	323,935	465,054	-30%
Deposits	2,205,790	2,219,232	-1%
CP & Bond payable	36,200	36,200	0%
Bills & bonds sold under repurchase agreement	480	680	-29%
Other liabilities	88,845	101,263	-12%
Total liabilities	2,655,250	2,822,429	-6%
Capital stock (common stock)	85,362	85,362	0%
Capital surplus	62,220	62,220	0%
Retain earning	117,787	112,208	5%
Equity adjustment items	(2,083)	(249)	-
Total stockholders' equity	263,286	259,541	1%
Total liabilities and stockholders' equity	2,918,536	3,081,970	-5%
Book value per share (NT\$)	30.84	30.40	1%

\* Audited consolidated numbers.