

# **Cathay Life Insurance - Investment in Bank Mayapada**

---

January 2015



**國泰金控**

Cathay  
Financial Holdings

# Disclaimer

---

- ❑ This document is provided by Cathay Financial Holding Co., Ltd. (the "Company"). Except for the numbers and information included in the Company's financial statements, the information contained in this document has not been audited or reviewed by any accountant or independent expert. The Company makes no express or implied representations or warranties as to the fairness, accuracy, completeness, or correctness of such information or opinions. This document is provided as of the date herein and will not be updated to reflect any changes hereafter. The Company, its affiliates and their representatives do not accept any responsibility or liability for any damage caused by their negligence or any other reasons, nor do they accept responsibility or liability for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.
- ❑ This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to take place in the future based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.
- ❑ This document is not and cannot be construed as an offer to purchase or sell securities or other financial products or solicitation of an offer.
- ❑ This document may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.

# **Table of contents**

---

**1. Transaction summary**

**2. Transaction rationale**

**3. Introduction to Bank Mayapada**

**Appendix**

# Transaction summary

## Transaction structure

- ❑ Cathay Life will acquire a 40% stake in PT Bank Mayapada Internasional, Tbk ("Bank Mayapada") from selling shareholders:
  - Stage 1 : acquire 24.9% stake
  - Stage 2 : acquire 15.1% stake

## Consideration

- ❑ Total consideration is ~IDR3.52tn (~NT\$8.7bn), representing a P/B multiple of ~ 3.15x

## Timetable

- ❑ Closing of Stage 1 is subject to the approval from regulators in Taiwan. Closing for Stage 1 is expected by 1Q2015
- ❑ Closing of Stage 2 is subject to Fit and Proper Test as stipulated by the Indonesia Financial Services Authority ("OJK")

# Transaction rationale

## Transaction rationale

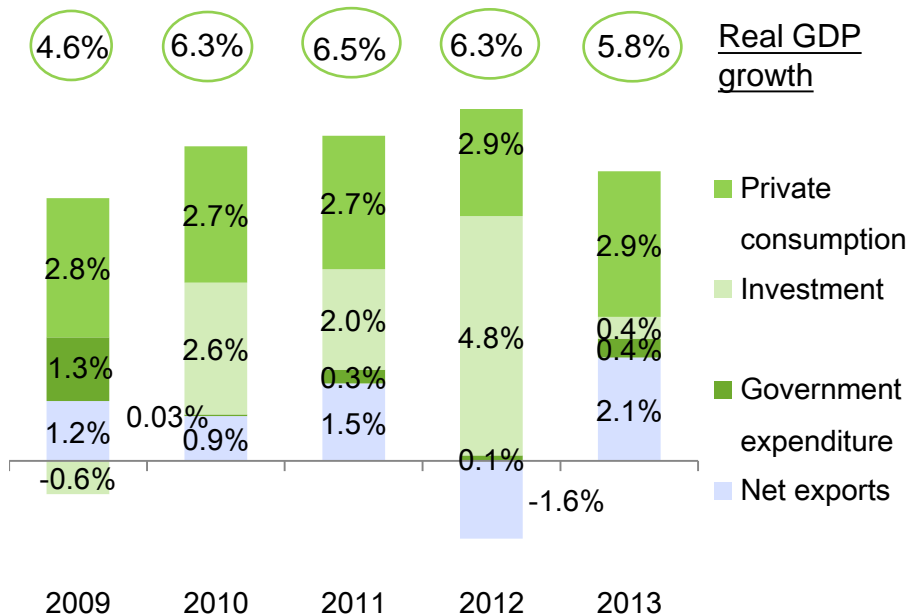
- ① **Participation in Indonesia's growth opportunity:** With a population of over 200 million and a young labor force, strong domestic demand is a key driver of the Indonesian economy. The banking sector also has strong fundamentals, with an increasing demand for financial services and above-average NIM relative to other markets in Asia.
- ② **Stable investment return:** Bank Mayapada is a bank with an average ROAE of 14.7% from 2011-2013. Our investment is expected to generate stable returns for Cathay Life.
- ③ **Expansion of regional banking platform:** As of 3Q2014, Bank Mayapada had 175 offices<sup>(1)</sup> in Indonesia, which complements the existing footprint of Cathay FHC and its subsidiaries("Cathay Group") in Greater China and Southeast Asia and expands our regional banking platform.
- ④ **Potential strategic cooperation :** Potential areas of cooperation with Cathay Group include trade finance, FX, treasury, retail banking, cross-selling, insurance and asset management.

Note(1): Including branches, sub-branches, cash offices and functional offices

# Transaction rationale-① Participation in Indonesia's growth opportunity

- With a population of over 200 million and a young labor force, strong domestic demand is a key driver of the Indonesian economy. The banking sector also has strong fundamentals, with an increasing demand for financial services and above-average NIM relative to other markets in Asia.

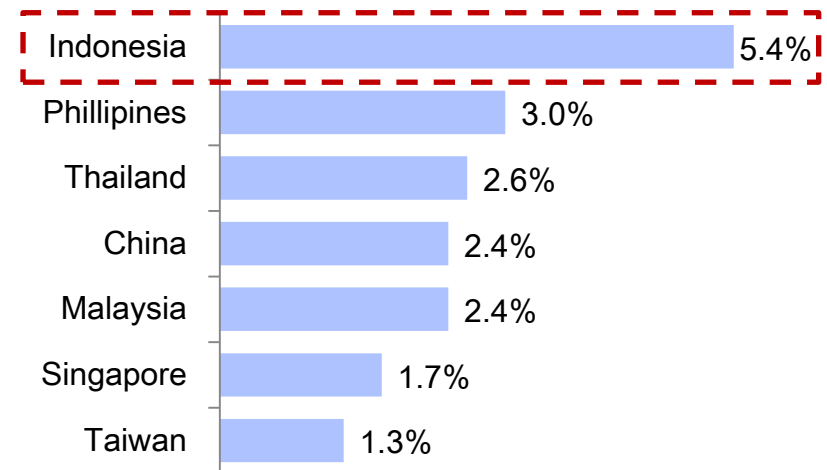
## Economic growth drivers in Indonesia



Source: Indonesia National Statistic Bureau

## NIM in selected Asian countries<sup>(1)</sup>

Timing : 2013



Note(1): Top 10 listed banks for China, Top 6 listed banks for Malaysia, Top 3 listed banks for Singapore, and Top 9 listed banks for Taiwan

Source: OJK, BPI, Bank of Thailand, Company filings

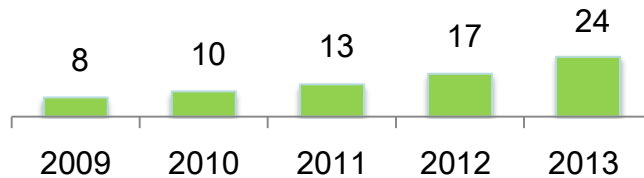
# Transaction rationale-② Stable investment return

- Bank Mayapada's business is growing rapidly with total assets growing at a CAGR of 36% over the past 3 years, which is higher than the industry average. From 2011- 2013, Bank Mayapada had an average ROAE of 14.7% and it is expected to generate stable returns for Cathay Life.

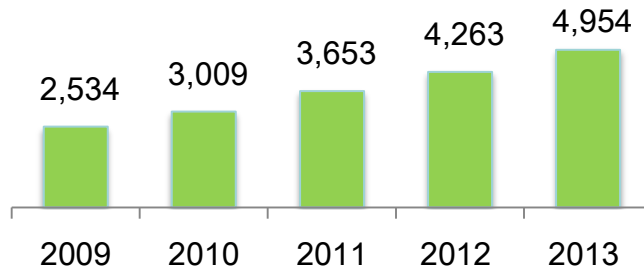
## Total assets

Unit : IDR Tn

Bank Mayapada  
(2011-2013  
CAGR=36%)



Commercial banks  
(2011-2013  
CAGR=16%)



Source: OJK, Company filings

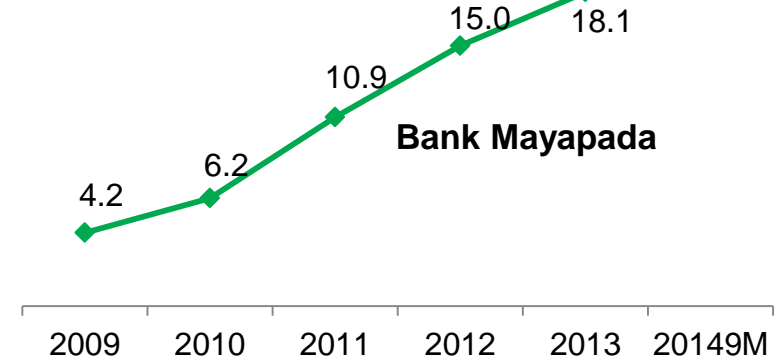
## ROAE

Unit : %

### Commercial banks



### Bank Mayapada

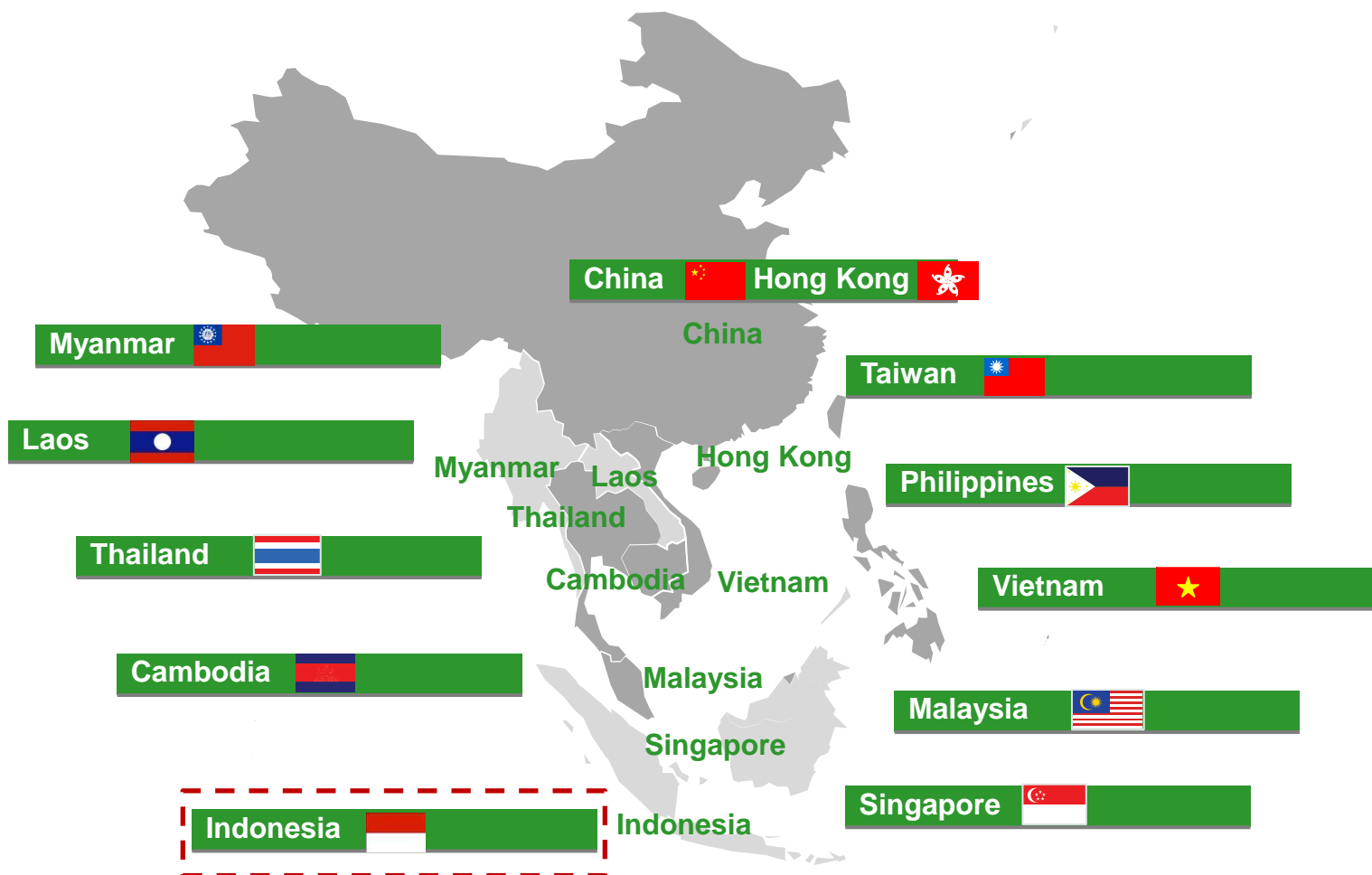


Note(1): Annualized

Source: OJK, Company filings

# Transaction rationale-③ Expansion of regional banking platform

- As of 3Q2014, Bank Mayapada had 175 offices<sup>(1)</sup> in Indonesia, which complements Cathay Group's existing footprint in Greater China and Southeast Asia and expands our regional banking platform.

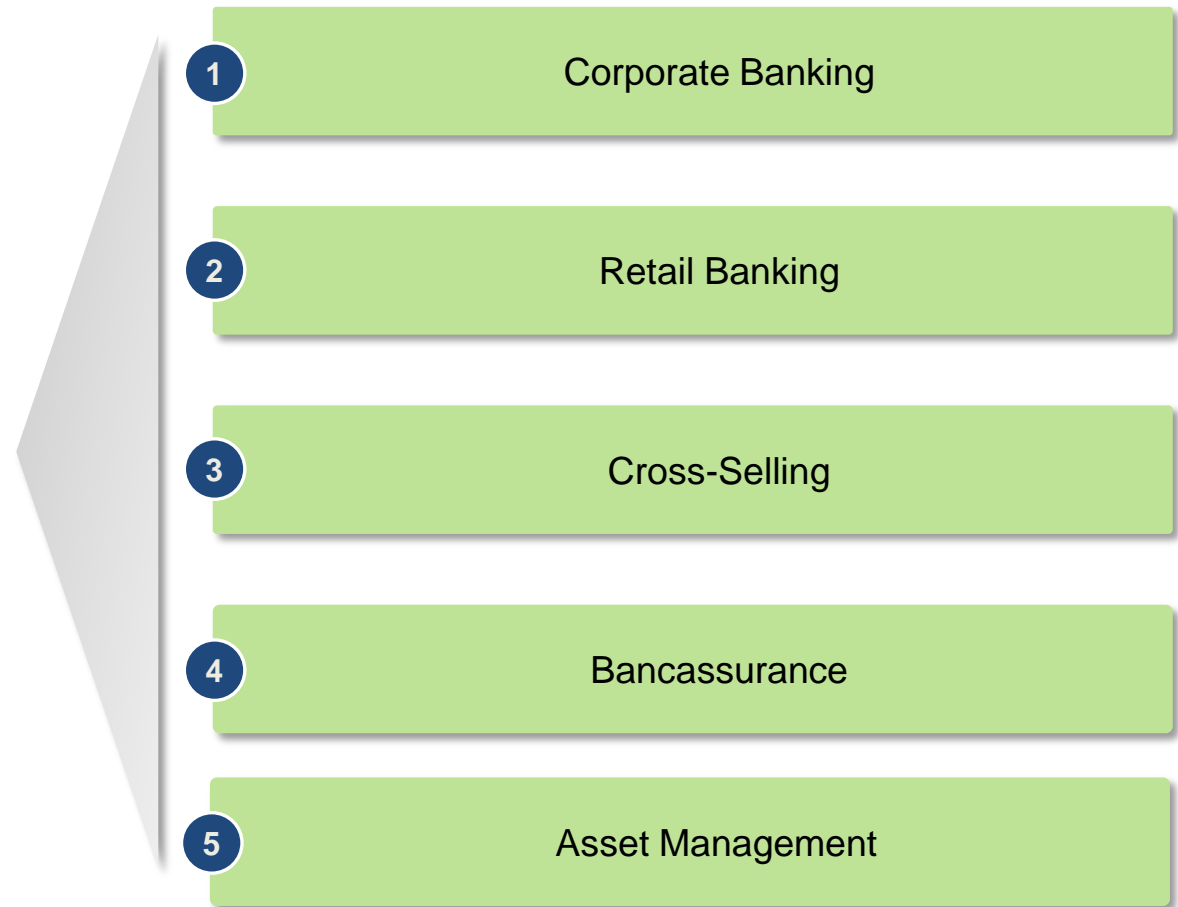


Note(1): Including branches, sub-branches, cash offices and functional offices



# Transaction rationale-④ Potential strategic cooperation

- Potential areas of cooperation with Cathay Group include trade finance, FX, treasury, retail banking, cross-selling, insurance and asset management.



# Bank Mayapada's profile

## Overview

- **A mid-sized bank with a full banking license:** Headquartered in Jakarta, Bank Mayapada is a listed commercial bank with business covering corporate and retail banking as well as FX services. As of 3Q2014, it had total assets of ~US\$2.5bn<sup>(1)</sup> which ranks #31 among Indonesia's 120 banks. It has a market cap of US\$554mn (as of 2 January 2015) and over 2,000 employees.
- **Long and established track record:** Founded in 1989 by Dato' Sri. Prof. Dr. Tahir, the Chairman of Mayapada Group. Mayapada Group is a well-known conglomerate in Indonesia owned by the Tahir family, and currently has businesses in a broad range of sectors, including retail, financial, healthcare, real estate and media.

## Business focus

- **Corporate banking-centric business model with further room to cooperate in the retail banking segment:** Corporate lending accounts for majority of Bank Mayapada's loan portfolio. Further growth and business potential in retail banking and wealth management can be expected especially as Indonesia's GDP per capita grows.

## Network

- **Offices<sup>(2)</sup> are mainly located in Java:** As of 3Q2014, Bank Mayapada had a total of 175 offices in Indonesia, 80% of which are located in major cities in Java.

## Operating performance

- **Performance and business growth:** From 2011 to 2013, the average loan and deposit growth rates were 43% and 38%, respectively. The average NIM reached 5.8%. The NPL ratio has declined from 2.5% in 2011 to 0.83% in 3Q2014. The ROAE from 2011-2013 has averaged 14.7%.

Note(1): Based on 1USD=IDR12,667 as of 2014/12/17

Note(2): Including branches, sub-branches, cash offices and functional offices

Source: Company filings

# Bank Mayapada's recent operational performance

	2011	2012	2013	2014Q3
<b>Total Asset (IDR Bn)</b>	12,951	17,167	24,016	31,783
<b>Total Loan (IDR Bn)</b>	8,758	12,216	17,684	22,897
<b>Net Income (IDR Bn)</b>	171	263	385	377
<b>NIM (%)</b>	5.8	6.0	5.7	4.6
<b>NPL Ratio (%)</b>	2.52	3.02	1.04	0.83
<b>Cost Income Ratio (%)</b>	60.0	52.3	50.1	50.5
<b>ROAA (%)</b>	1.5	1.7	1.9	1.8 <sup>(1)</sup>
<b>ROAE (%)</b>	10.9	15.0	18.1	19.3 <sup>(1)</sup>
<b>CAR (%)</b>	14.7	10.9	14.1	11.5
<b>EPS (IDR)</b>	55.4	85.2	110.8	144.5 <sup>(1)</sup>

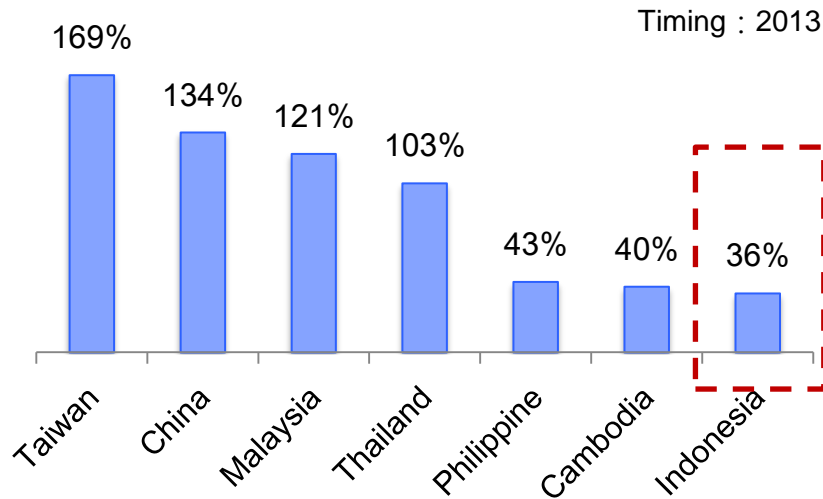
Note(1): annualized

Source: Company filings

# Appendix: Overview of Indonesia banking sector

## Loan penetration in selected Asian countries

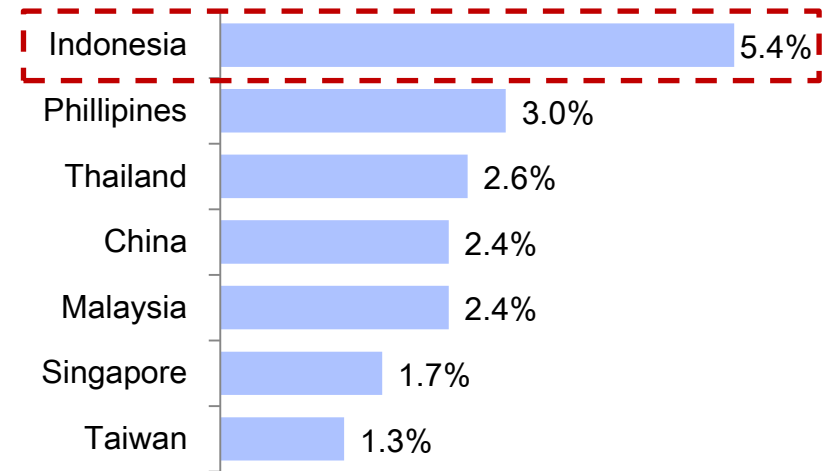
Loan penetration rate = Loan balance /GDP



Source : IMF, central banks(Cambodia data is as of 2012)

## NIM in selected Asian countries<sup>(1)</sup>

Timing : 2013



Note(1): Top 10 listed banks for China, Top 6 listed banks for Malaysia, Top 3 listed banks for Singapore, and Top 9 listed banks for Taiwan

Source: OJK, BPI, Bank of Thailand, Company filings

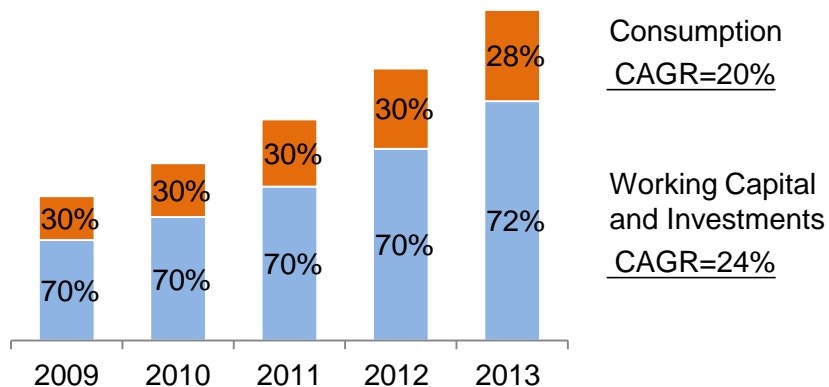
- Low loan penetration rate provides upside potential:** Indonesia has a loan penetration rate of ~36%, which is relatively low as compared to other countries in Asia. We expect overall demand for loans to increase as a result of the Indonesian government's efforts to upgrade industry and increase wages.
- Highly attractive NIM:** The NIM for Indonesian banks has averaged 5.4% which is higher than other Asian countries.

# Appendix: Overview of Indonesia banking sector (con't)

## Loan by types of use

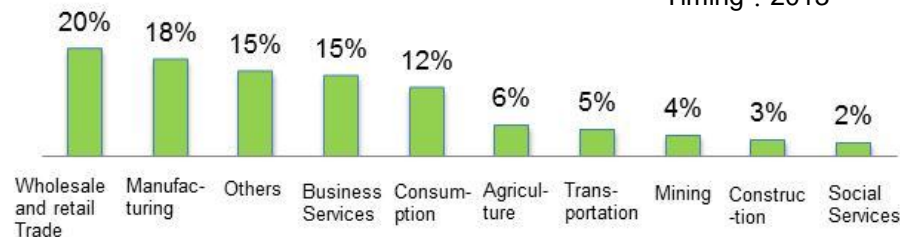
Unit : IDR Tn

1,438 1,766 2,200 2,708 3,293 09-13 CAGR=23%



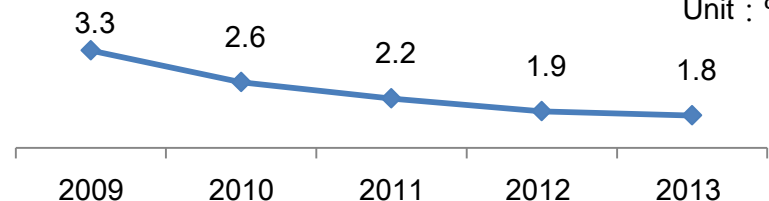
## Loan by sector

Timing : 2013



## NPL ratio

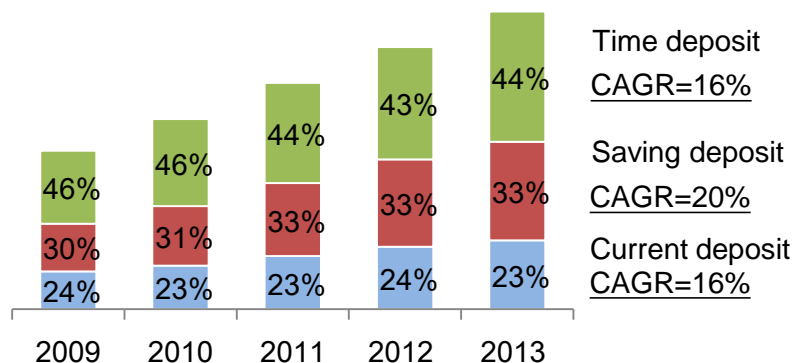
Unit : %



## Deposit by type

Unit : IDR Tn

1,951 2,339 2,785 3,225 3,664 09-13 CAGR=17%

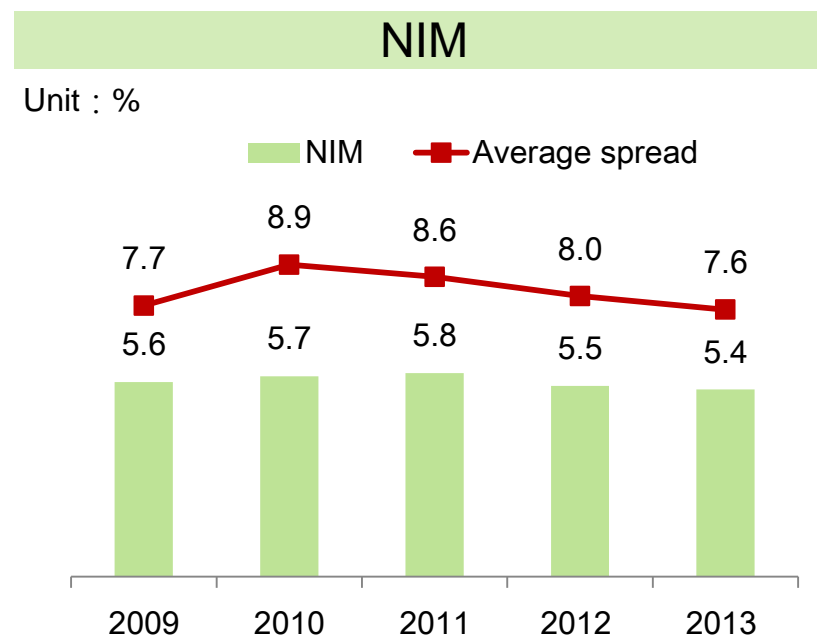
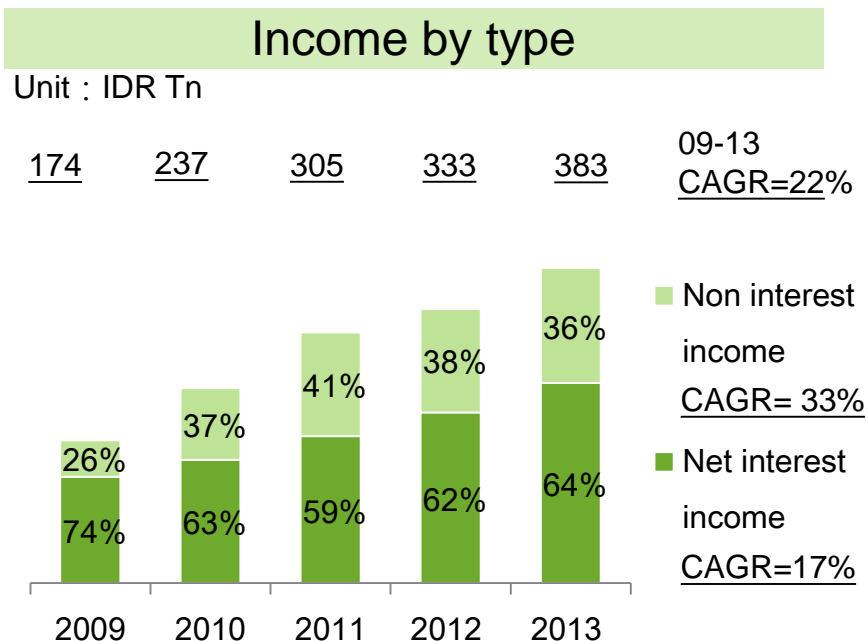


- **Loan growth is stable, NPL ratios continue to improve:** total loans reached IDR3,293tn (~US\$260bn<sup>(1)</sup>) in 2013. Approximately 70% of total loans are used for corporate and business lending, mainly covering sectors in wholesale and retail trade, and manufacturing. NPL ratios have declined to 1.8%, showing continued improvement in asset quality.
- **Time deposit ratio over 40%:** Total deposits reached IDR3,664tn (~US\$289bn<sup>(1)</sup>) in 2013. Time deposits accounted for 44% of the total deposits in 2013, down from 46% in 2009.

Note(1): Based on 1USD = IDR12,667 as of 2014/12/17

Source: OJK

# Appendix: Overview of Indonesia banking sector (con't)



- Net interest income is the main source of income** : Net interest income and non-interest income account for 64% and 36% of total income, respectively. Non-interest income has been growing rapidly in recent years as a result of increased fee-based revenue from wealth management and loan arranging.
- Average NIM of over 5%:** Interest spreads have narrowed due to a low interest rate environment. However banking sector NIMs continue to be over 5%.

Source: OJK

---

**Thank You**