



兆豐金控  
Mega Holdings

**3Q / 2007** (v.1)

## Investor Presentation

*Bridge the Gap, Reach the World*



# Agenda



**Operation Highlights**



**Financial Performance**



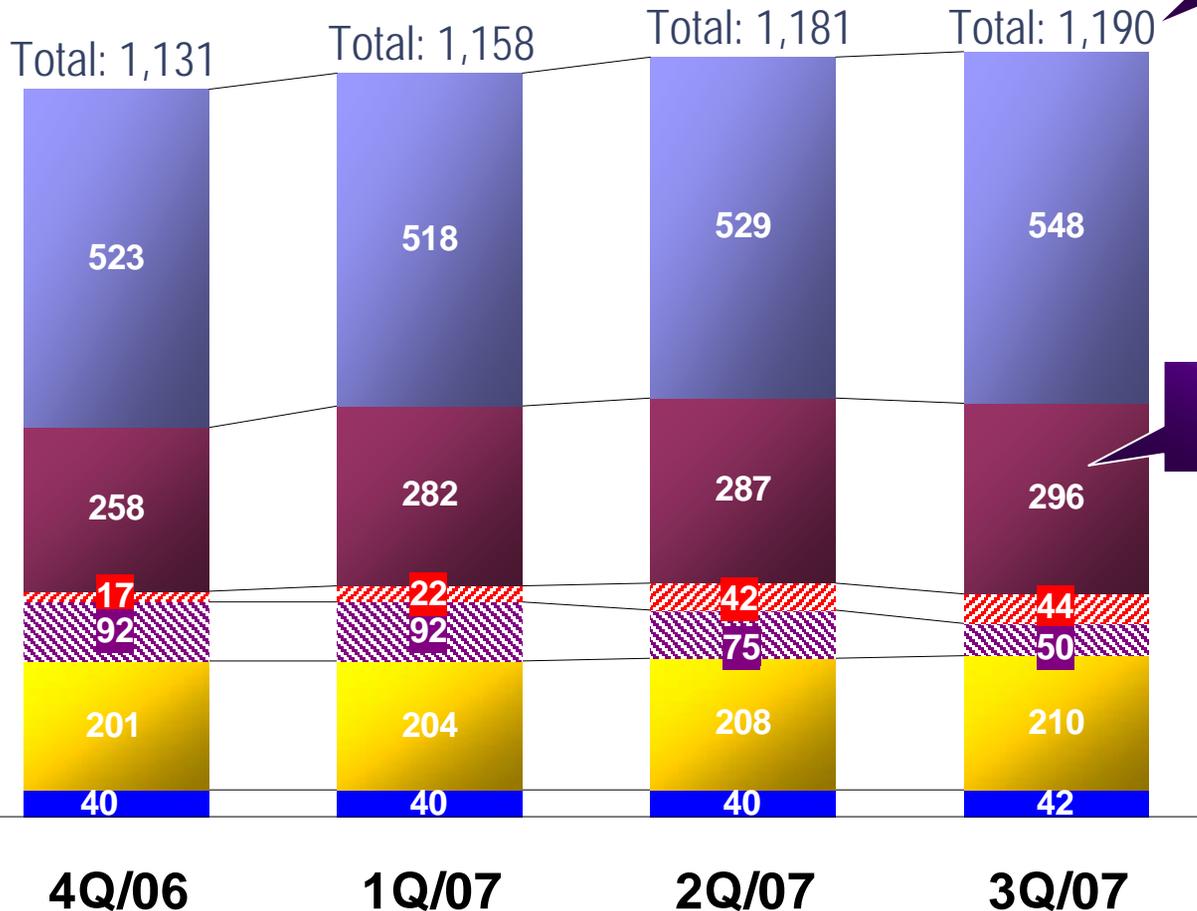
**Appendix**



# Strong SME loan growth

Mega Bank loan balance trend \*

Unit: NT\$bn



YTD growth:  
5.2%

YTD growth:  
14.7%

- Large corp.
- SME
- Other corp.
- Gov.-linked
- Mortgage
- Other consumer



# Loan mix changes to improve yield

Mega Bank loan mix trend \*

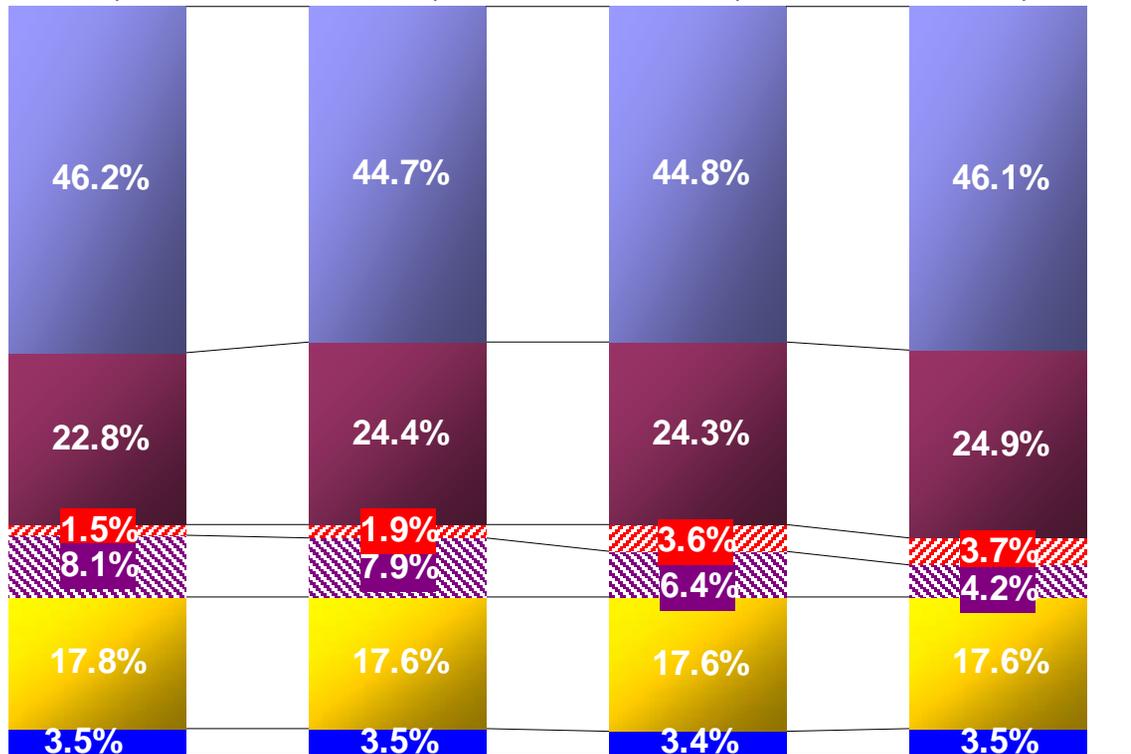
Unit: NT\$bn

Total: 1,131

Total: 1,158

Total: 1,181

Total: 1,190



- Large corp.
- SME
- ▨ Other corp.
- ▨ Gov.-linked
- Mortgage
- Other consumer

4Q/06

1Q/07

2Q/07

3Q/07

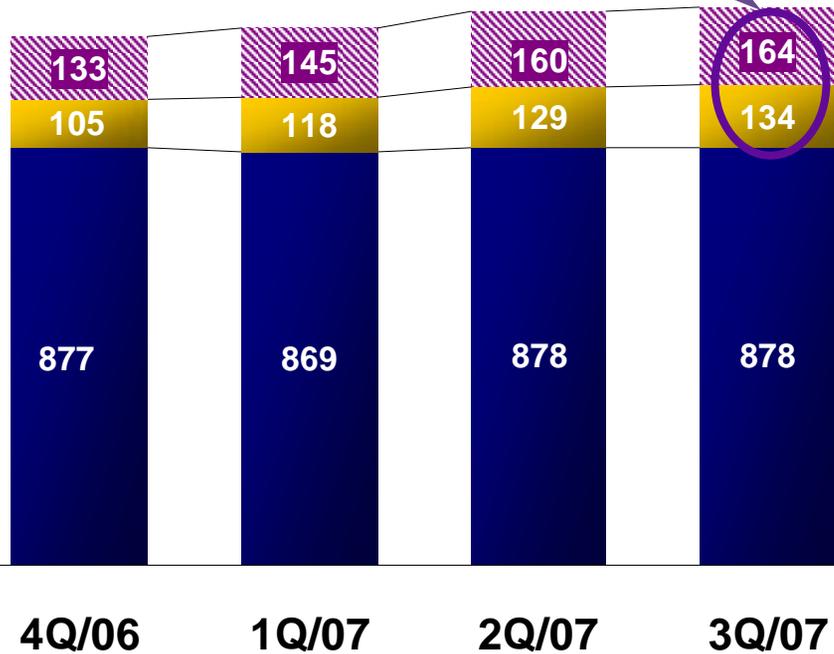


# Strong off-shore loan growth

Mega domestic & off-shore loan balance\*

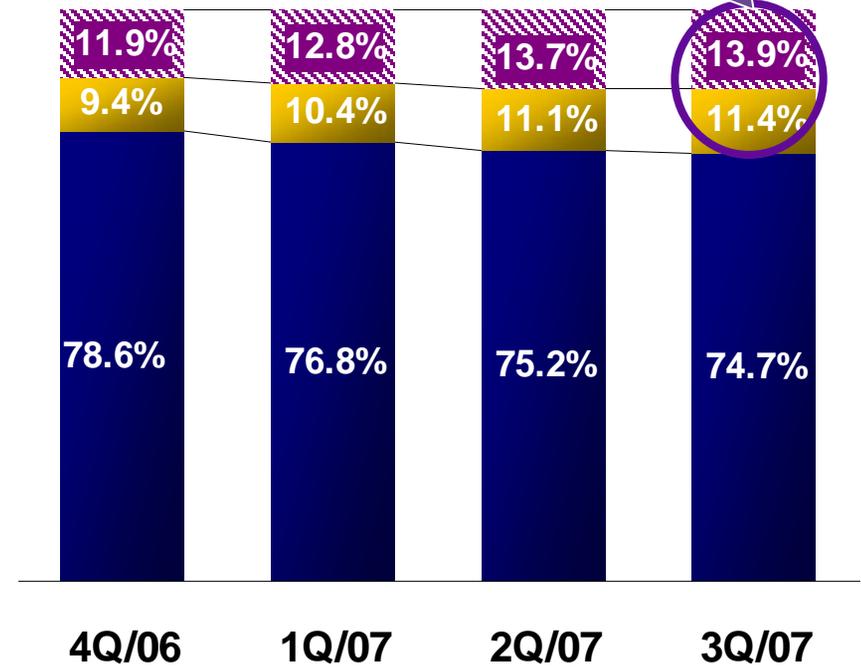
Unit: NT\$bn

■ Domestic ■ OBU ■ Overseas branches



Mega domestic & off-shore loan mix

■ Domestic ■ OBU ■ Overseas branches

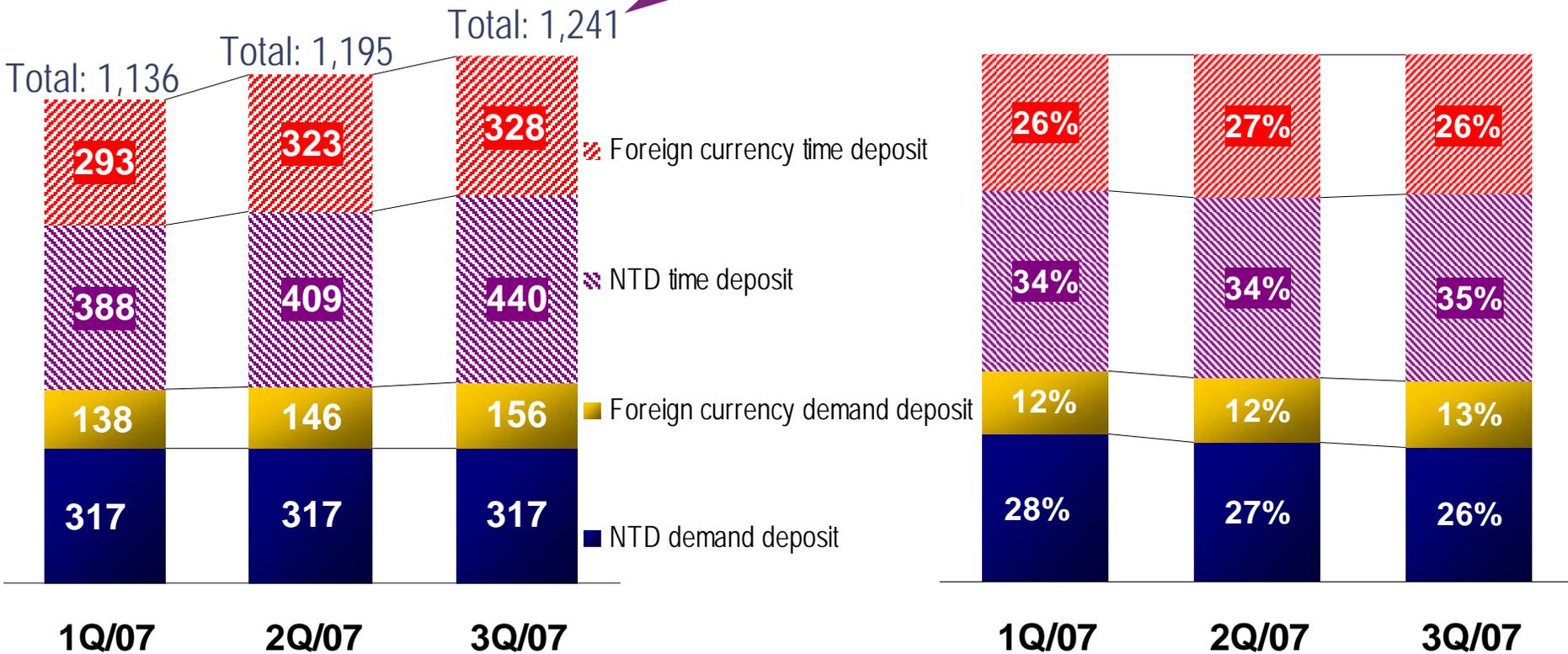


# Strong foreign currency deposit growth

## Mega Bank deposit balance and mix

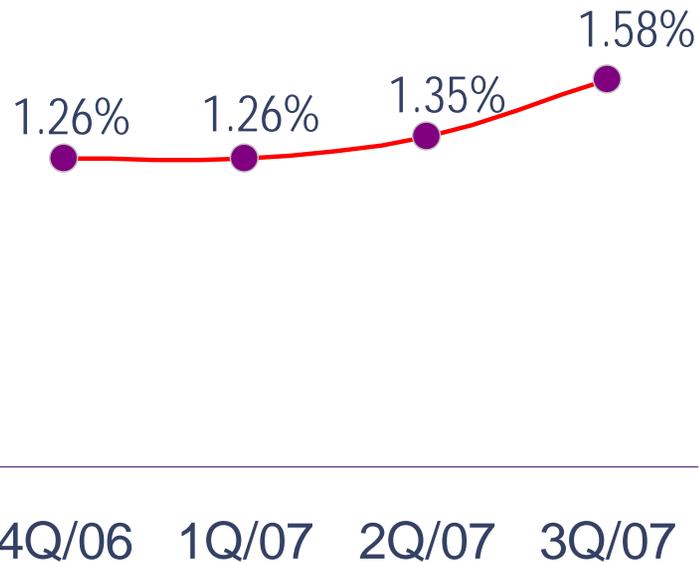
Unit: NT\$bn

YTD growth: 11.2%

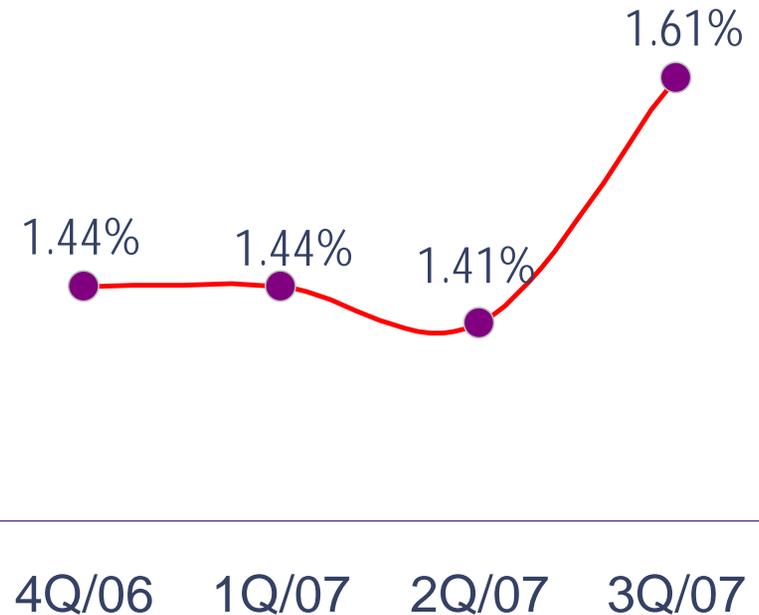


# Much improved NIM and interest spread

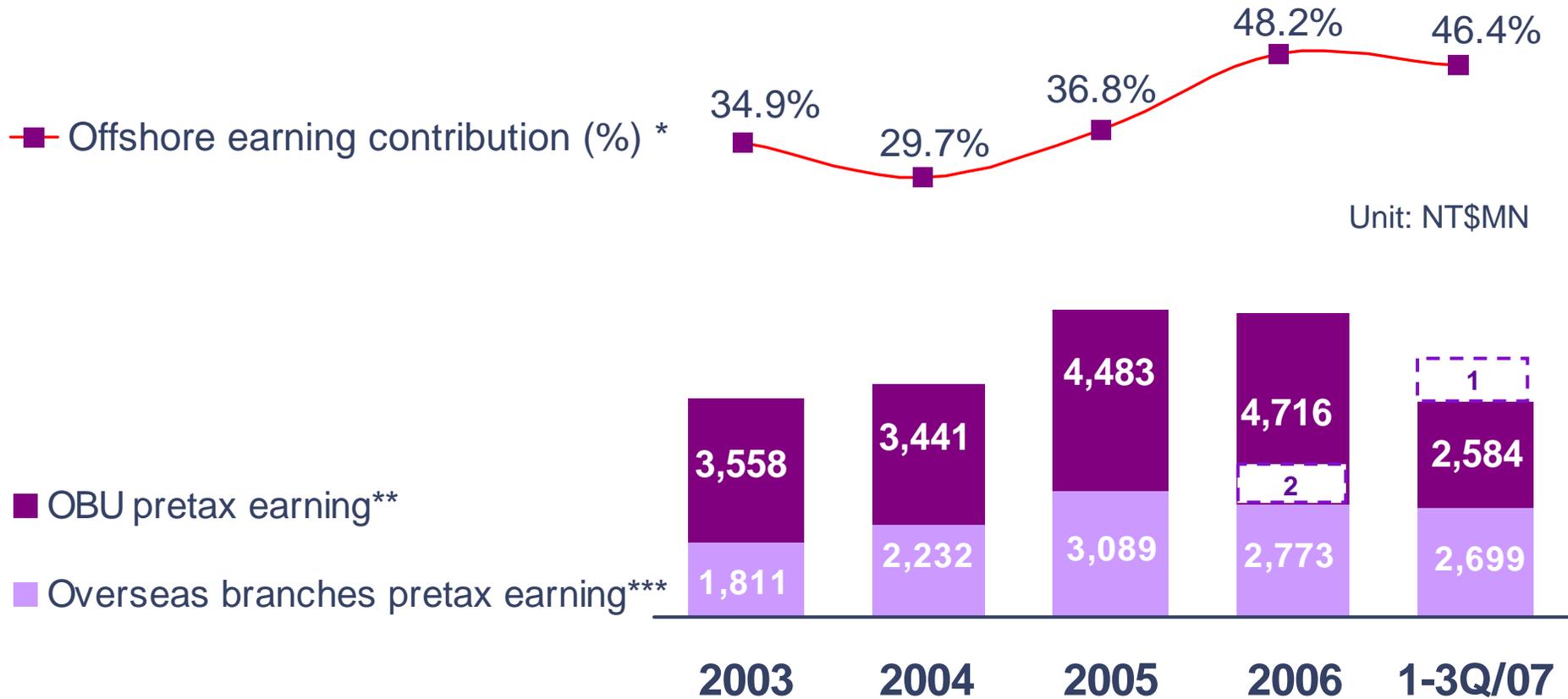
Mega Bank net interest margin \*



Mega Bank loan interest spread



# OBU and overseas bank branches earning growth continues



1. 2007 OBU earning was down due to Yahsin ECB provision of NT\$696 million
2. 2006 OBU earning includes one-time gain of NT\$0.7 billion due to Article 34 adoption

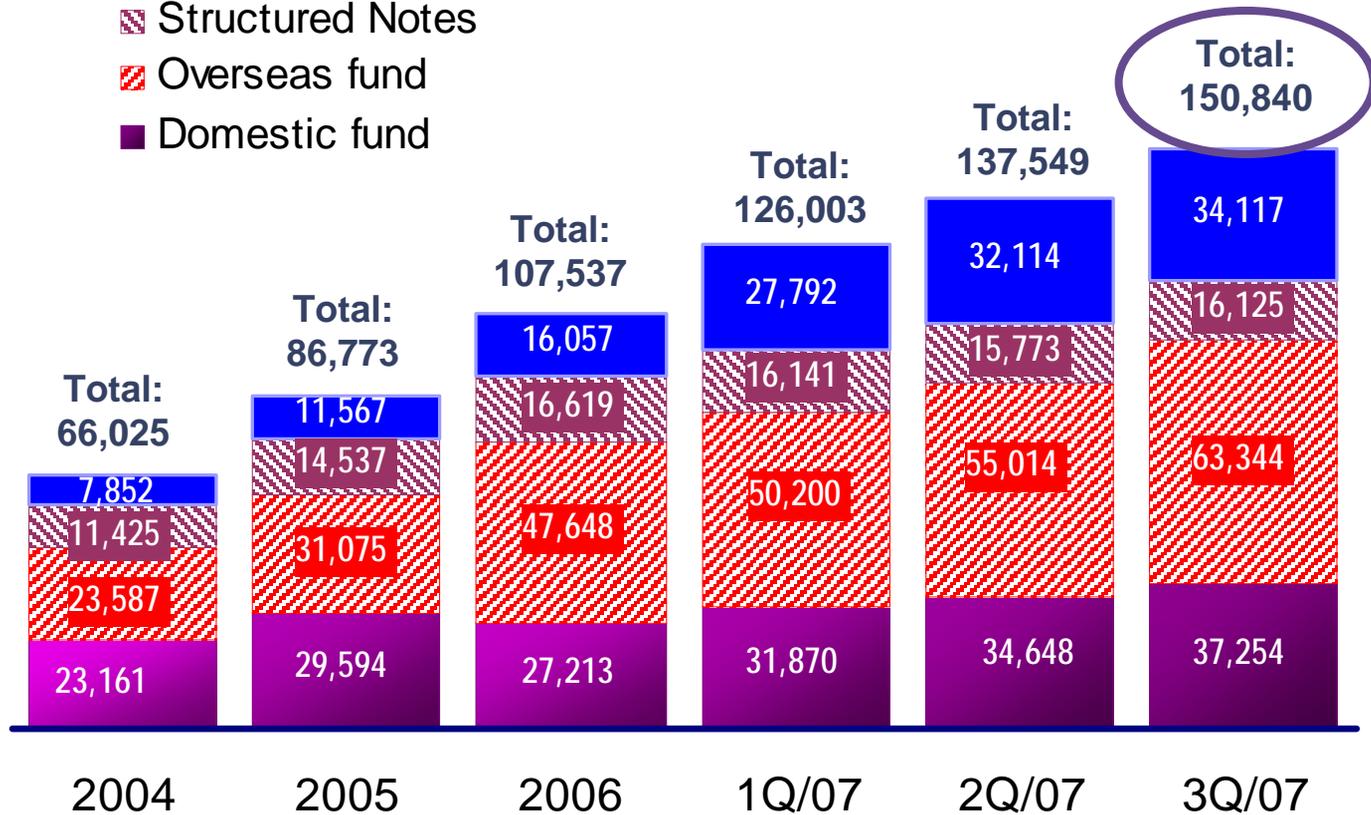


# Strong Wealth Mgmt AUM growth

Wealth management AUM trend

Unit: NT\$MN

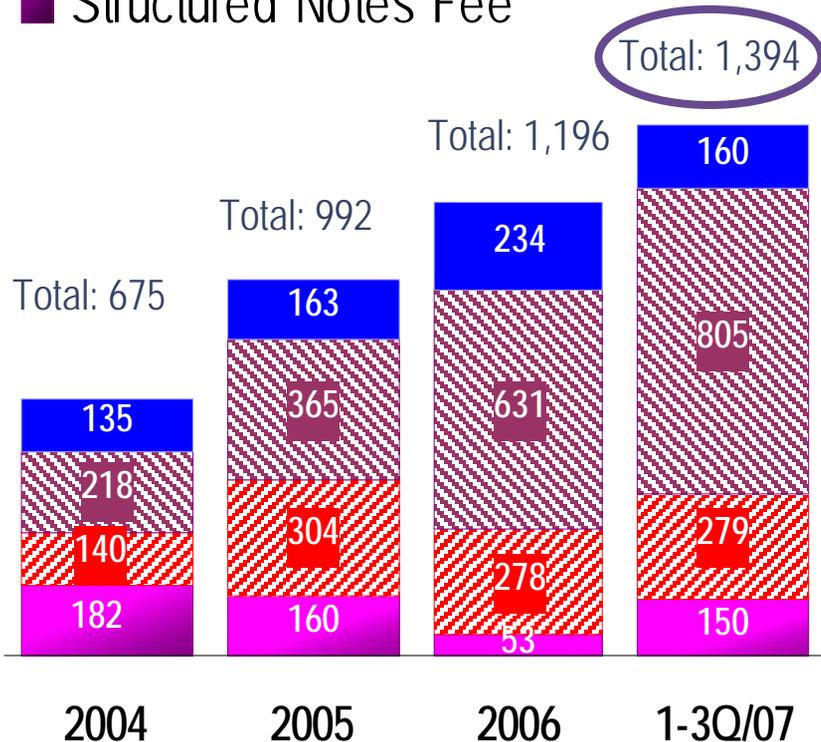
- Bancassurance
- ▨ Structured Notes
- ▨ Overseas fund
- Domestic fund



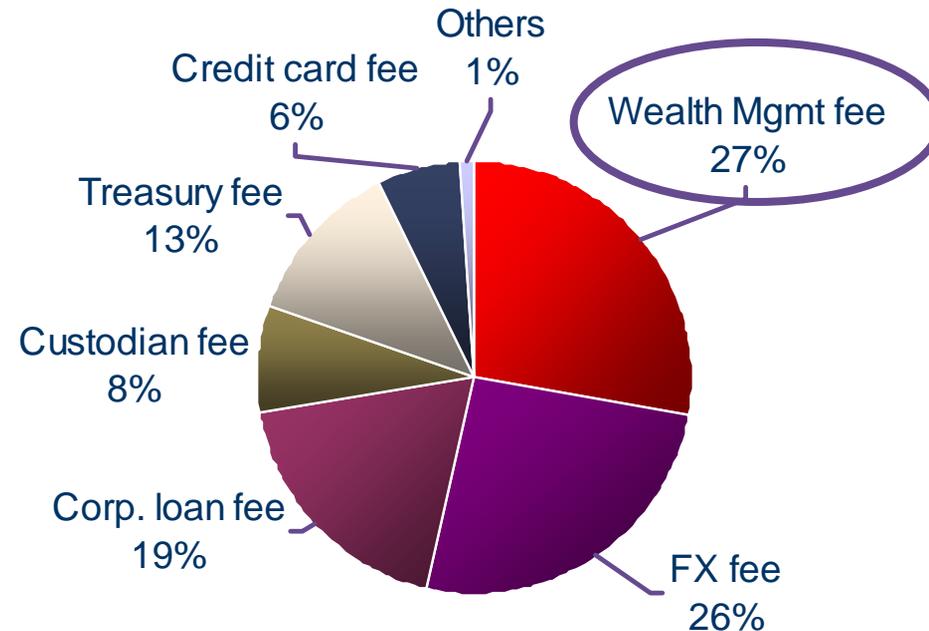
# WM fee reached record high in 1-3Q/07

Wealth management net fee income trend\*

- Management Fee\*\*
  - ▨ Mutual Fund Fee
  - ▧ Bancassurance Fee
  - Structured Notes Fee
- Unit: NT\$MN



1-3Q/07 Mega Bank fee income breakdown\*\*\*



\* Mega Bank internal data only

\*\* Management fee of trust account derived from wealth management products

\*\*\* Mega Bank internal data based on 1-3Q/07 un-audited financials

# Continue to build up WM channels and FC team

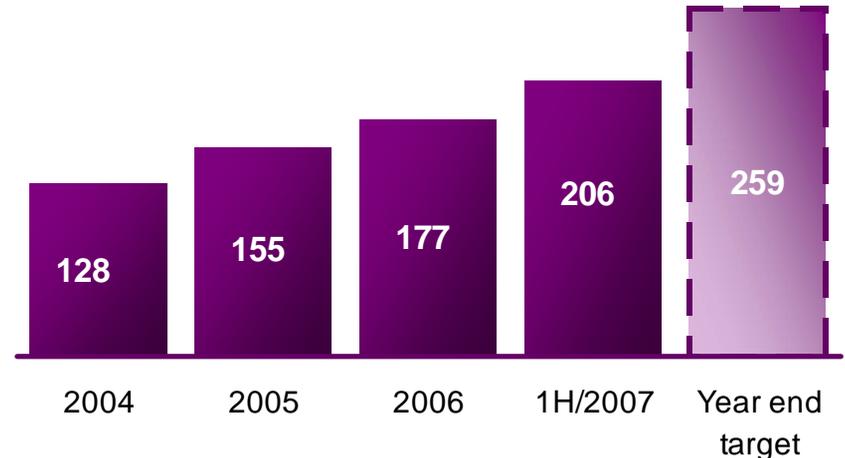
## 6 Wealth Mgmt VIP centers



## WM channel strategy



## Numbers of WM financial consultant



# Agenda



**Operation Highlights**



**Financial Performance**



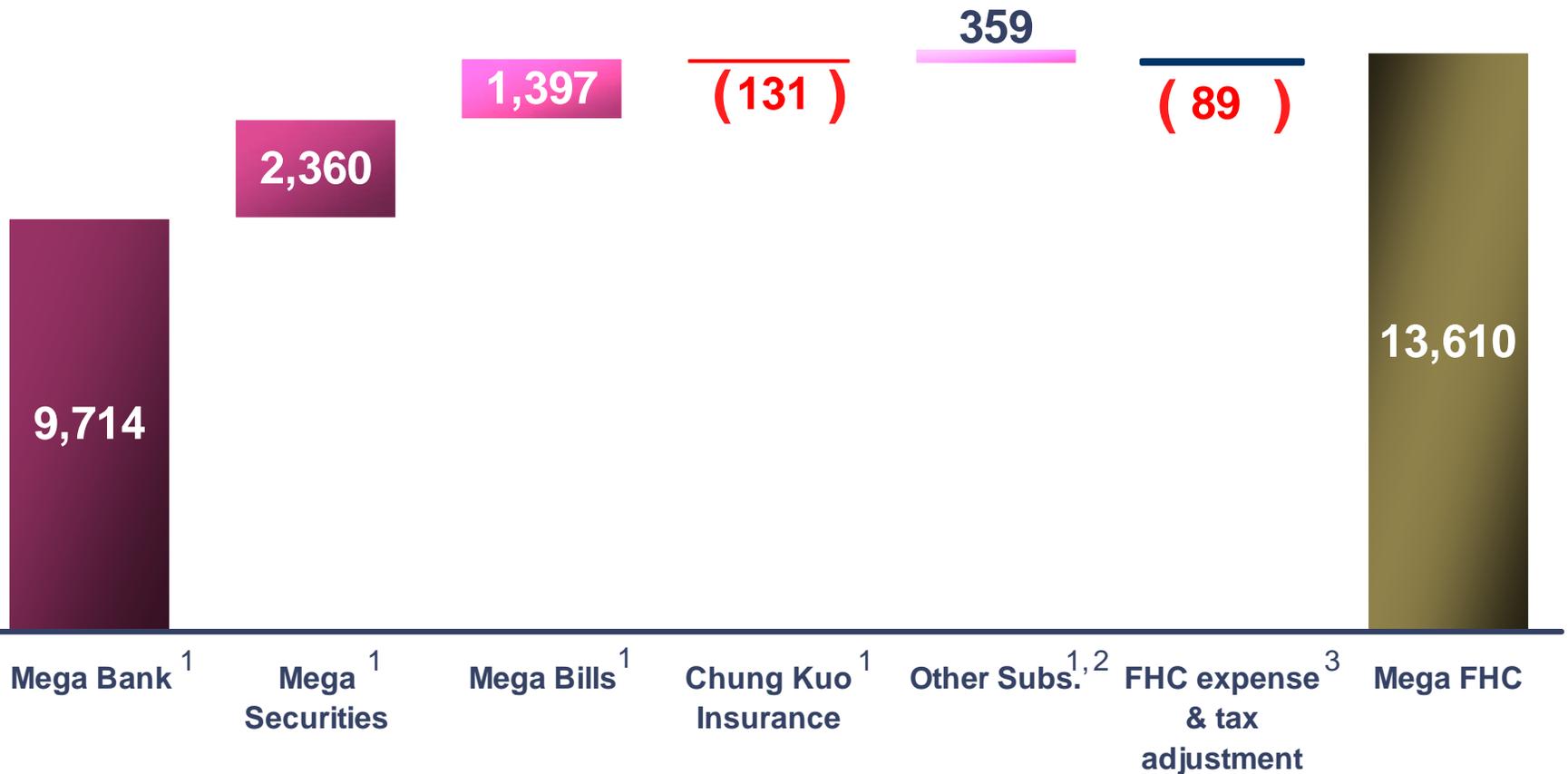
**Appendix**



# 1~3Q/2007 earning breakdown by subsidiaries

1~3Q/07 earning contribution by sub.

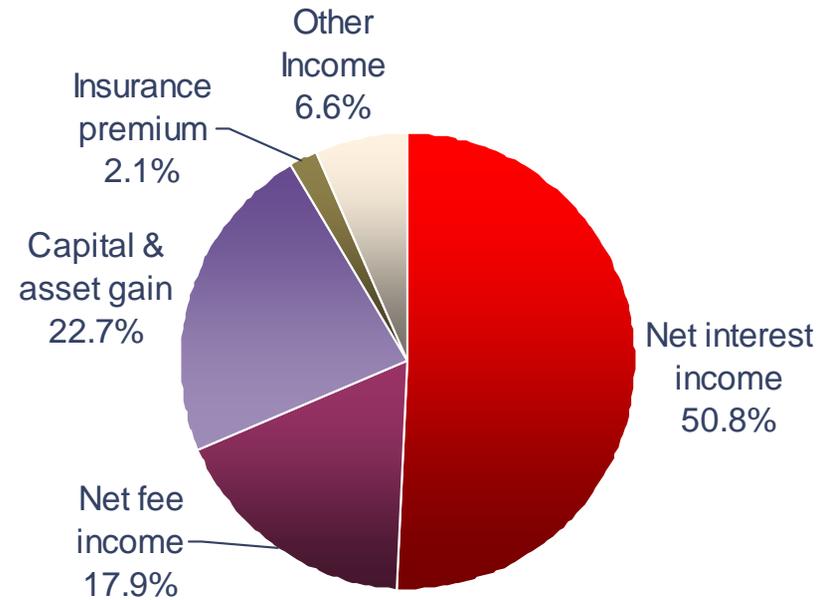
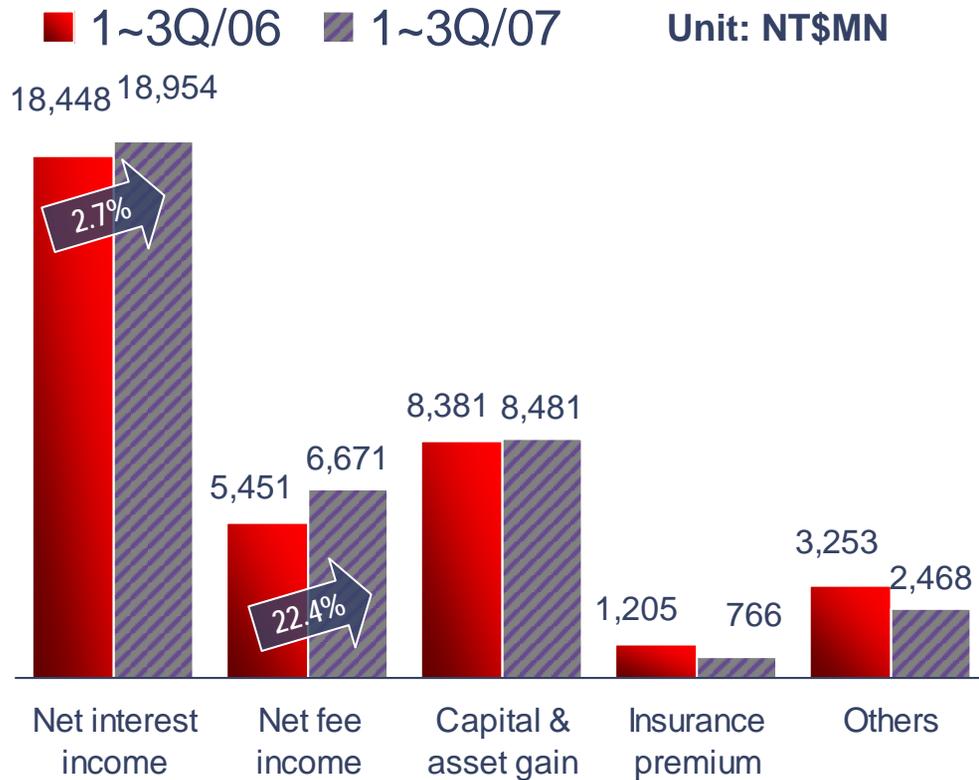
Unit: NT\$MN



# Mega FHC consolidated net revenue breakdown

1~3Q/06 & 1~3Q/07 net revenue \*

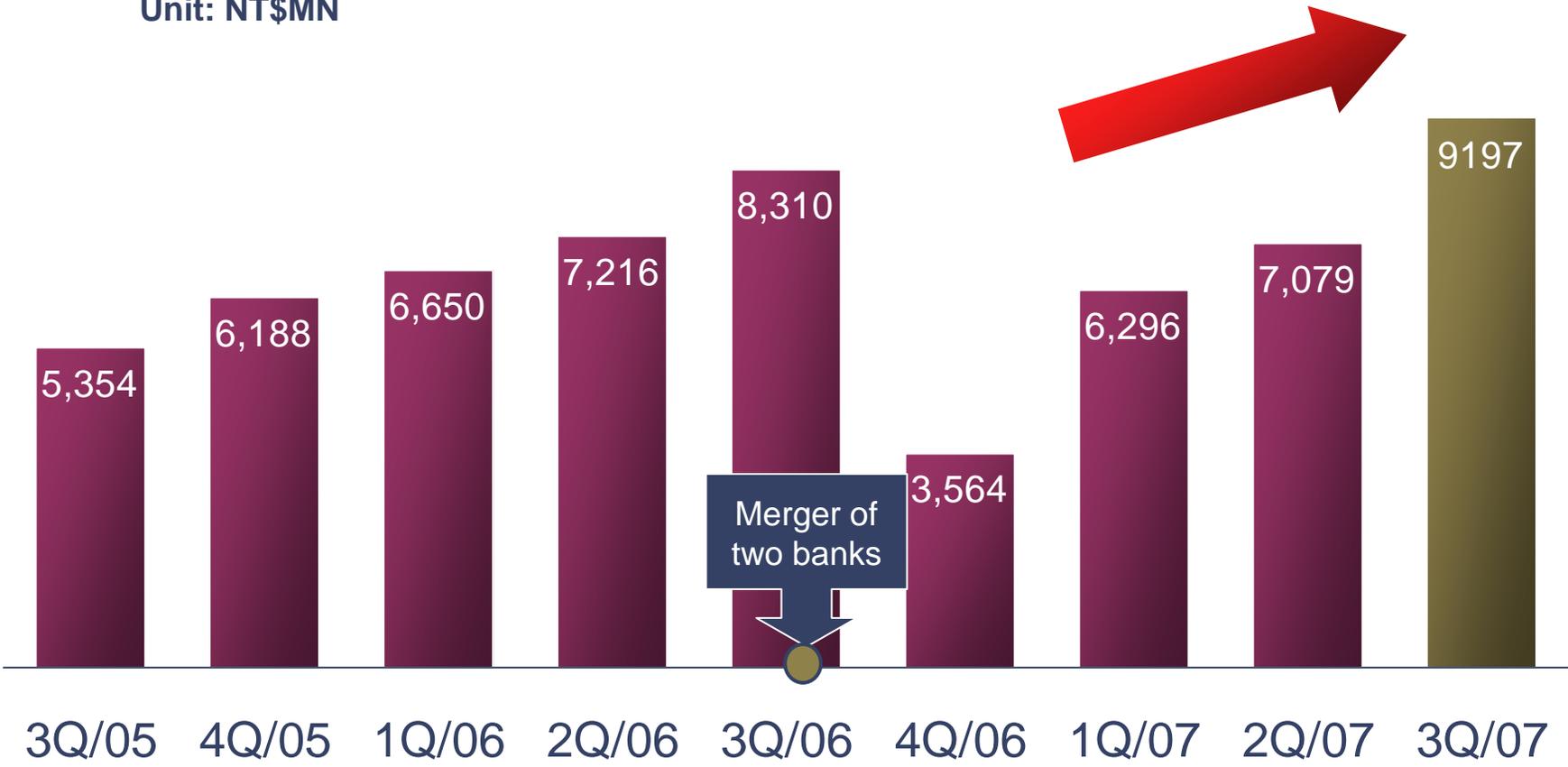
1~3Q/07 net revenue breakdown



# PPOP rebounded to normalized level

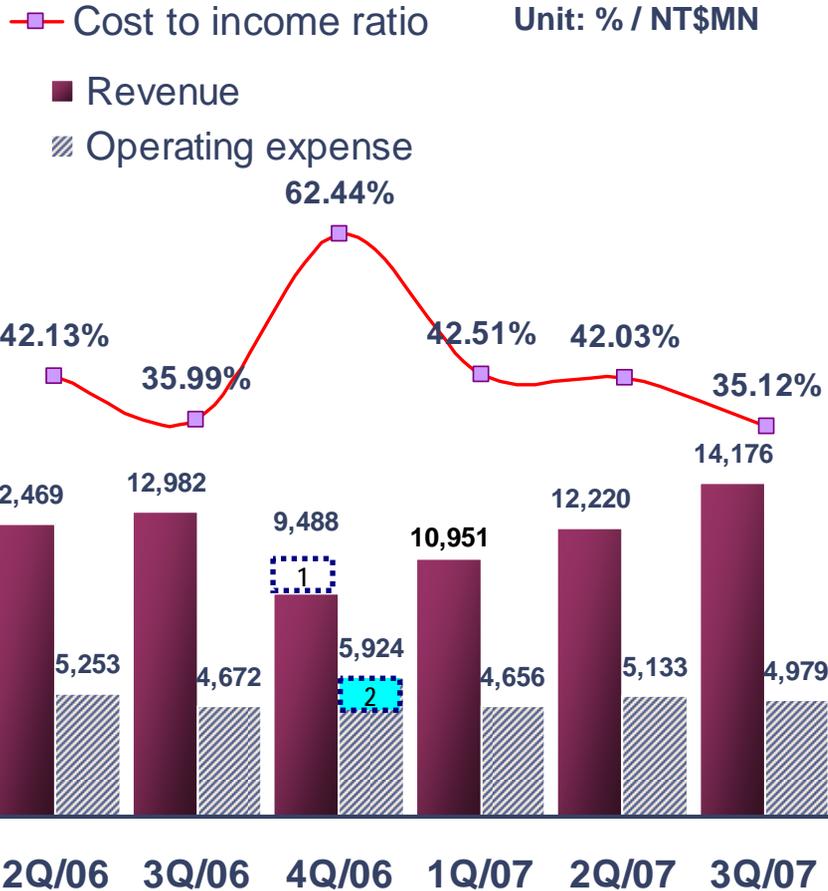
Mega FHC consolidated pre-provision operating profit

Unit: NT\$MN

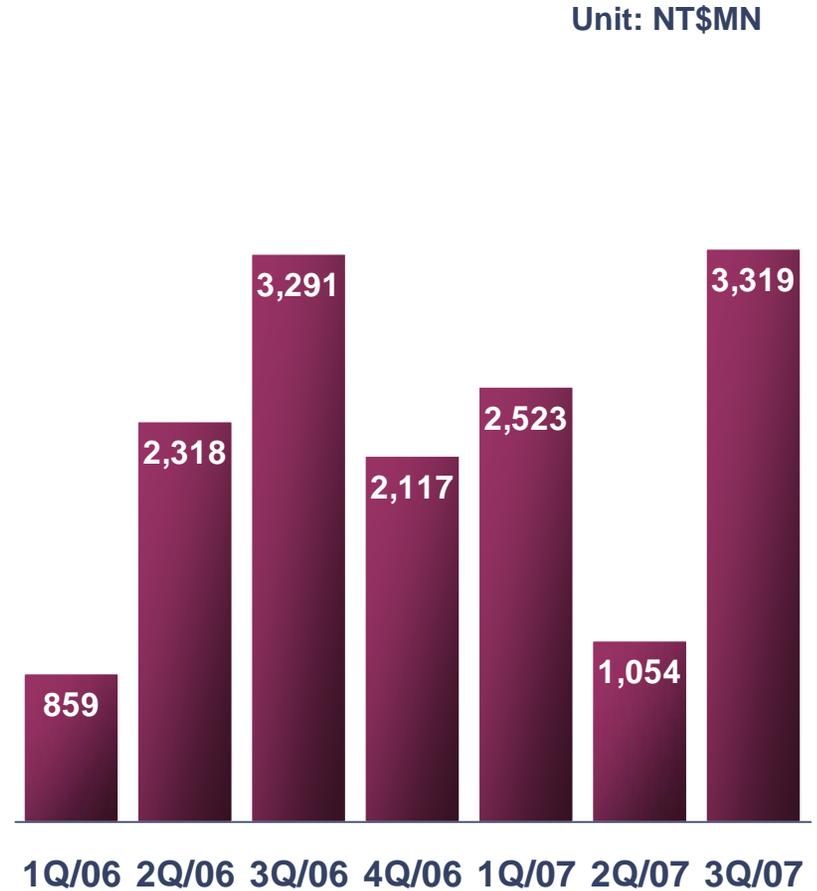


# Improved cost to income ratio

## FHC consolidated cost to income numbers

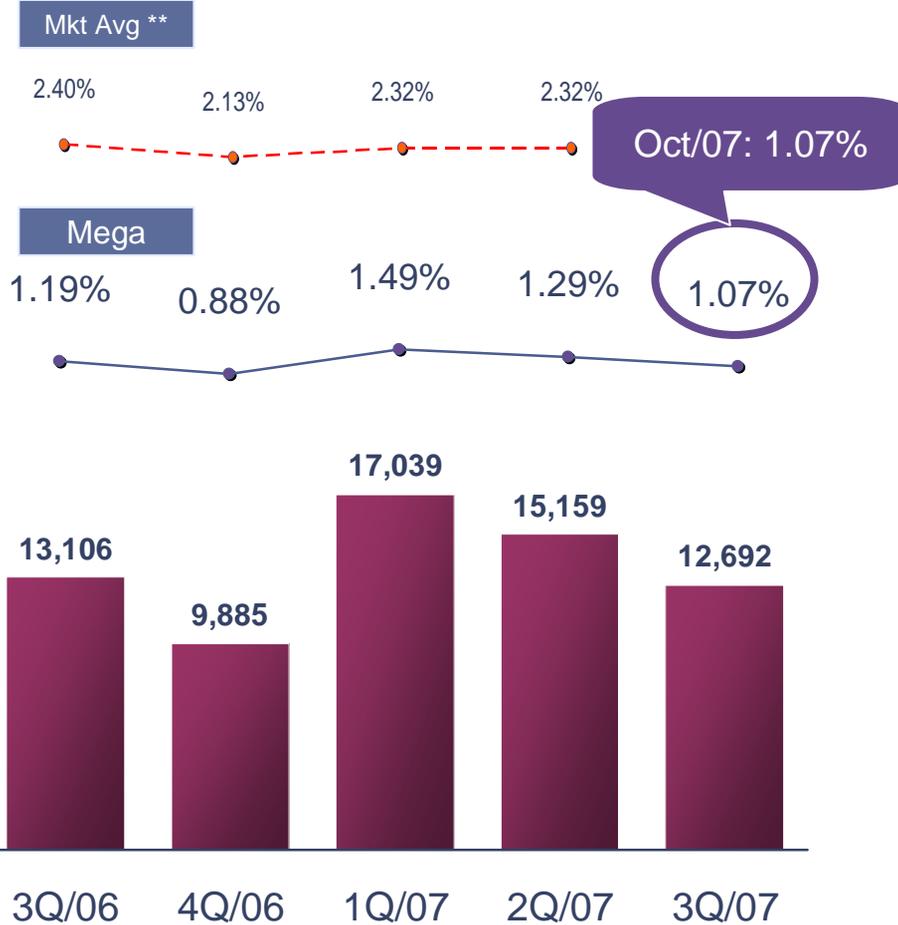


## FHC consolidated provision expense

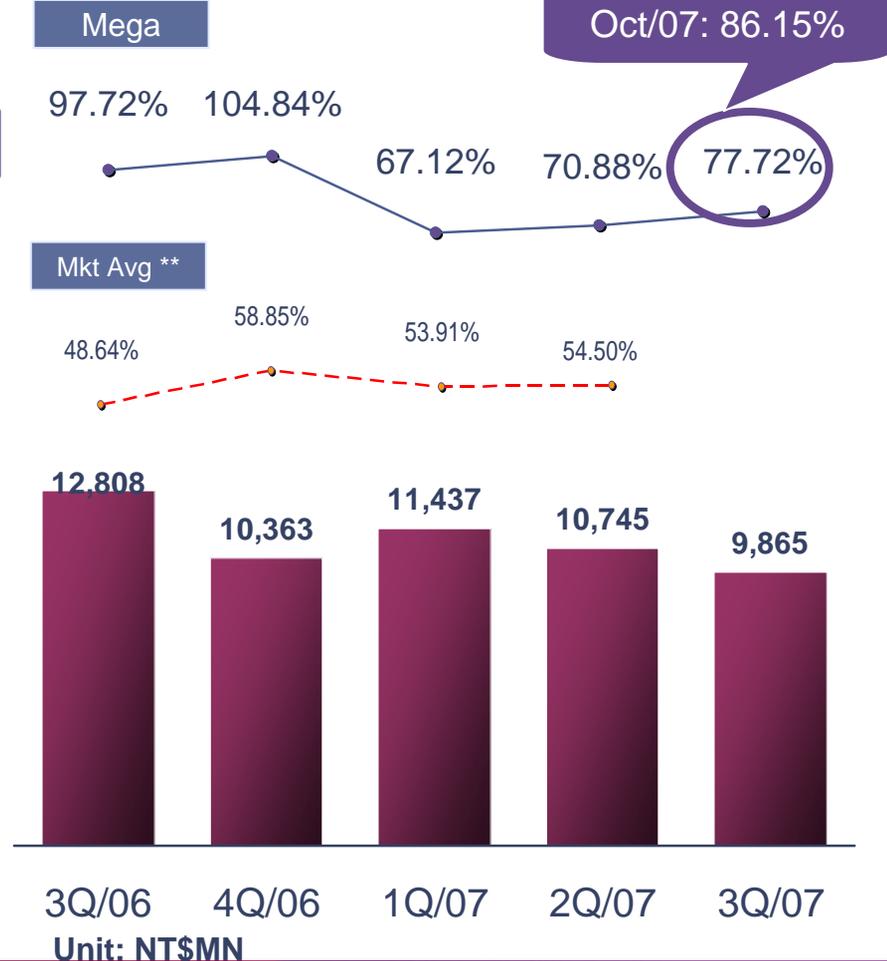


# Superior asset quality among peers

## NPL balance & NPL ratio\*



## Loan loss reserved and coverage ratio\*

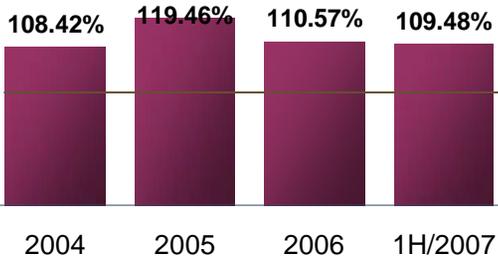


# Conservative balance sheet position

## Mega FHC\*

Moody's: Baa1

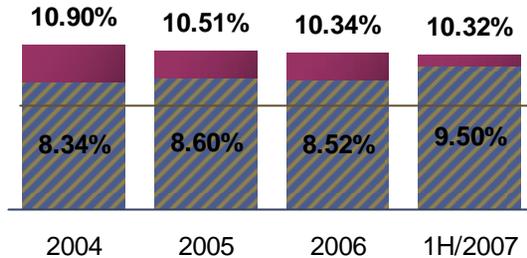
Regulatory Requirement : 100%



## Mega Bank\*\*

Moody's: A1 / S&P: A

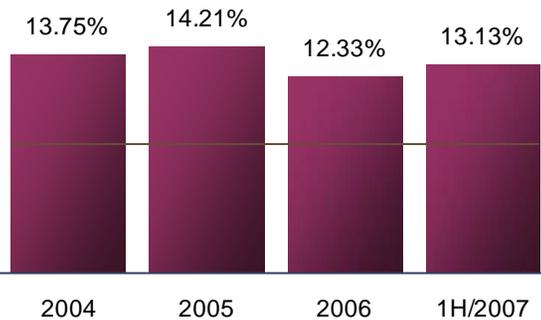
Regulatory Requirement : 8.0%



BASEL II implementation fully reflected

## Mega Bills

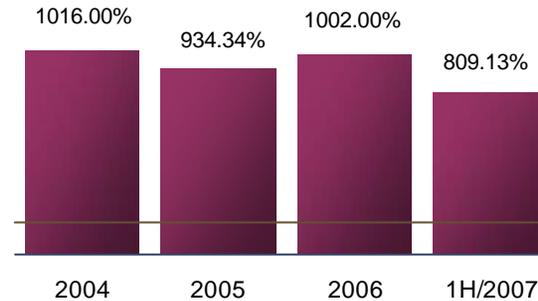
Requirement : 8.0%



## CKI P&C

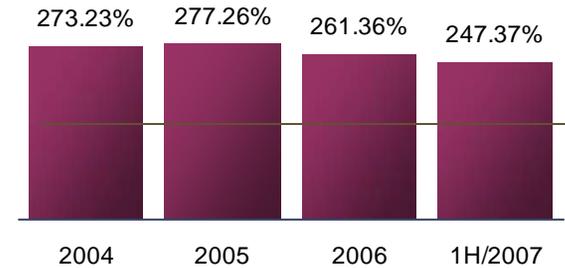
S&P Rating: BBB+

Requirement : 200%



## Mega Securities

Requirement : 150%



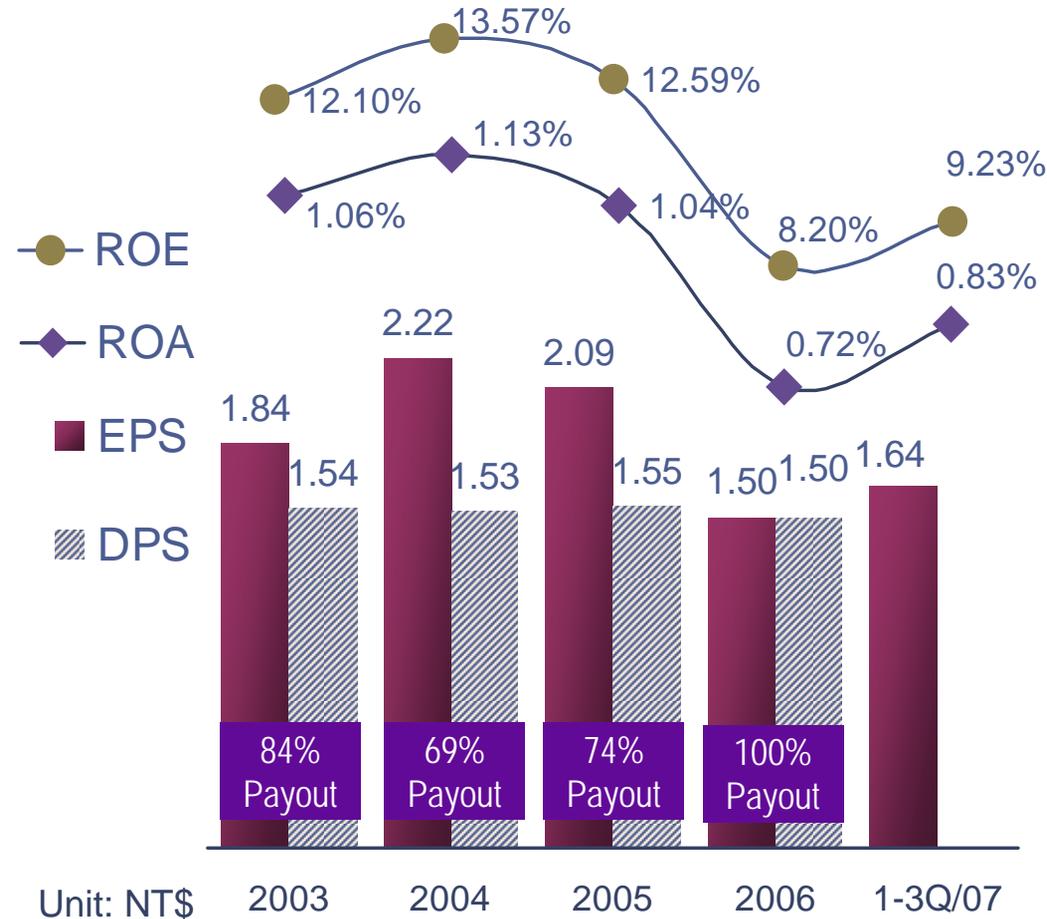
Total CAR

Tier I\*



# Focus on providing consistent yields for investors

## Key Earning Metrics



- ❖ To increase our ROE and prevent over-inflated capital base, we have paid 100% cash dividend in the last 4 years.
  - ◆ Payout ratio of 70% ~100%
  - ◆ Dividend policy is to pay 50% or more in cash. However, we've paid all cash dividend in the last 4 years.
  - ◆ Dividend yields of 7% ~9% in the last 4 years.
  - ◆ Voted one of the Best Commitment to Strong Dividend companies in 2006 by FinanceAsia magazine.



# Agenda



**Operation Highlights**



**Financial Performance**



**Appendix**



# 1~3Q/07 Mega FHC Audited P&L Statement

*NT\$K, except per share data*

	1~3Q/07	1~3Q/06	YoY
Net interest income	18,954,361	18,448,080	2.74%
Net fee income	6,670,714	5,451,115	22.37%
Insurance premium	766,006	1,204,712	-36.42%
ST Trading gain	5,280,925	5,469,544	-3.45%
Available for sales asset gain	2,163,101	2,750,856	-21.37%
Hold to maturity asset gain	173	3,802	-95.45%
Equity method investment gain	179,738	62,966	185.45%
Property investment gain	257,608	195,759	31.59%
FX gain (spread)	1,701,277	868,508	95.89%
Asset impairment	-1,102,206	-970,653	13.55%
Other income	2,467,717	3,253,178	-24.14%
Operating income	37,339,414	36,737,867	1.64%
Operating expense	-14,767,359	-14,562,500	1.41%
Pre-provision operating profit	22,572,055	22,175,367	1.79%
Provision expense on loan	-6,896,536	-6,467,876	6.63%
Reserved on insurance	-227,503	-241,896	-5.95%
Pretax profit	15,448,016	15,465,595	-0.11%
Adjustment for ROC GAAP changes*	0	1,148,103	-100.00%
Tax	-1,837,881	-2,274,364	-19.19%
Net profit	13,610,135	14,339,334	-5.09%
EPS (NT\$)	1.23	1.30	-5.38%



# Well established size and scale to win

1~3Q/2007\*  
NT\$ Billion

## Mega Financial Holding Co. (TAIEX.2886)

	100%	100%	100%	100%	96.31%	100%	100%	100%	
	Mega FHC	Mega Bank	Mega Securities	Mega Bills	Chung Kuo Insurance (P&C)	Mega Int'l Investment Trust**	Mega AMC	Mega Life Insurance Agency	Mega CTB Venture Capital
Assets	2,154.2	1,779.2	73.3	248.6	12.0	1.1	10.0	0.06	1.1
Equity	193.0	150.4	17.7	28.5	5.0	0.8	2.4	0.05	1.1
Net Profit	13.6	10.0	2.4	1.4	0.1	0.06	0.3	0.02	0.01
Domestic Offices	195	107	45	9	27	3	1	1	1
Overseas Offices***	34	28	4	0	2	0	0	0	0



\* Audited numbers

\*\* Mega FHC owns 63.52%; Mega Bank owns 32.79%

\*\*\* Overseas offices include rep. offices. and branches

# Mega CDO/ CBO/ sub-prime exposure disclosure (1)

## Mega CDO/CBO/SubPrime Exposure

As of 7/31/2007

Unit: NT\$ million

NTD/USD exchange rate: 32.82

	Securities Types	Amount	Underlying assets		Subprime vintage	CBO credit rating	Underlying assets credit rating					Accounting Method
			Subprime RMBS	Others*			AAA	AA	A	BBB+ and below	N/A	
Bank	Calyon 2005-1 CBO	5,759	3,496	2,263	2004~2005	twA-2	23.0%	11.5%	11.7%	49.0%	4.8%	No active mkt/AFS
	FCB 2006-2 CBO	2,578	1,557	1,021	Early 2006	twA-2	18.7%	12.3%	31.6%	37.3%	0.0%	No active mkt/AFS
	RMBS	1,389	1,389	-	mostly 2005	-	0.0%	0.0%	61.1%	38.9%	0.0%	Available for sales
	PPN	1,017	202	815	mostly 2005	-	100%	0.0%	0.0%	0.0%	0.0%	Available for sales
Bills	Calyon 2005-1 CBO	4,773	2,907	1,866	2004~2005	twA-2	23.0%	11.5%	11.8%	49.2%	4.8%	No active mkt/AFS
Securities	RMBS	579	51	528	-	-	14.2%	17.0%	36.6%	32.2%	0.0%	Available for sales
Total		16,095	9,602	6,493	2004~2006	-	24.9%	10.1%	19.3%	42.6%	3.1%	

\* Within Calyon & FCB CBO, other than subprime RMBS position, other assets are mostly Taiwan corp. structured bonds, which includes UMC, Ex-In Bank, Hwa Nan Bank, TaipeiFubon Bank, Bank SinoPac, President Group, Pou Chen Group and etc.



# Mega CDO/ CBO/ sub-prime exposure disclosure (2)

## Key Facts & Analysis

1. Calyon 2005-1 CBO was underwritten by Mega Bank, with total issued size of NT\$10,532M, which includes NT\$8,636M Senior ABCP, NT\$105M Mezzanine Certificate B, NT\$105M Mezzanine Certificate C, and NT\$1,685M Equity Tranche. Mega Bills retained NT\$4,773M Senior ABCP, while Mega Bank retained all others, totaled NT\$5,759M. CBO's underlying assets included NT\$6,403M US sub-prime RMBS and NT\$4,129M Taiwan corp. structured bonds. (approximately 60.7% RMBS & 39.3% structured bonds split) The purpose of this CBO issuance was to provide liquidity for Taiwan corp. structured bonds held by International Investment Trust (IIT), subsidiary of Mega FHC now.
2. FCB (First Commercial Bank) 2006-2 CBO was underwritten by Mega Bank, with total issued size of NT\$7,546M, which includes NT\$7,161M Senior ABCP, and NT\$385M Equity Tranche. NT\$4,968M Senior ABCP were sold to other domestic financial institutions, while Mega Bank retained all others, totaled NT\$2,578M. CBO's underlying assets included NT\$4,613M US sub-prime RMBS and NT\$2,933M Taiwan corp. structured bonds. (approximately 60.4% RMBS & 39.6% structured bonds split) Similarly the purpose of this CBO issuance was to provide liquidity for bonds position held by IIT.
3. Within FCB 2006-2 CBO, there are 19 RMBS, 4 recently got down-graded, of which 3 became non-investment grade, totaled NT\$809 million. After negotiating with Taiwan Rating Company, we decided to provide NT\$250 million credit line (off-balance sheet item) as credit enhancement to maintain CBO's twA-2 rating. Credit line will only be drawn when a default is occurred (no default as of now) to compensate for the future cash flow losses, meaning credit line issuance has no P/L impact now.



# Mega CDO/ CBO/ sub-prime exposure disclosure (3)

## Key Facts & Analysis (cont.)

4. Equity tranche of our CBO are classified as “No Active Market” securities, while Senior ABCP & Mezzanine Certificate are classified as “Available for Sales” securities using dividend discount model for valuation. No marked to market loss is recognized and no asset impairment test is needed for now.
5. Direct holding of RMBS and PPN (Principal Protection Note) positions are classified as “Available for Sales” securities; total marked to market loss of NT\$453M is reflected in the shareholder’s equity of balance sheet. No actual or realized losses have been recognized in the P&L.
6. All direct RMBS holding & CBO underlying assets RMBS in our portfolio have normal interest and principal payments with no default occurred. The RMBS market value changes, resulted from the recent turmoil, are caused by poor liquidity and lost of confidence in the market. Current price does not truly reflect the underlying asset value. By observing our RMBS underlying properties’ location, loan-to-value ratio, individual borrower’s credit score and etc, the likelihood of facing actual losses in the future is minimal.
7. After discussing with our CPA, there is no asset impairment test needed now. Regulator is unlikely to force us to liquidate our CBO/RMBS position and take the P&L hit, as they have first hand knowledge of our exposure from day one ever since the origination of these securities.

