



兆豐金控  
Mega Holdings

**1Q / 2009** (v.1)

**Investor Presentation**



# Agenda

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**Operation Highlights**



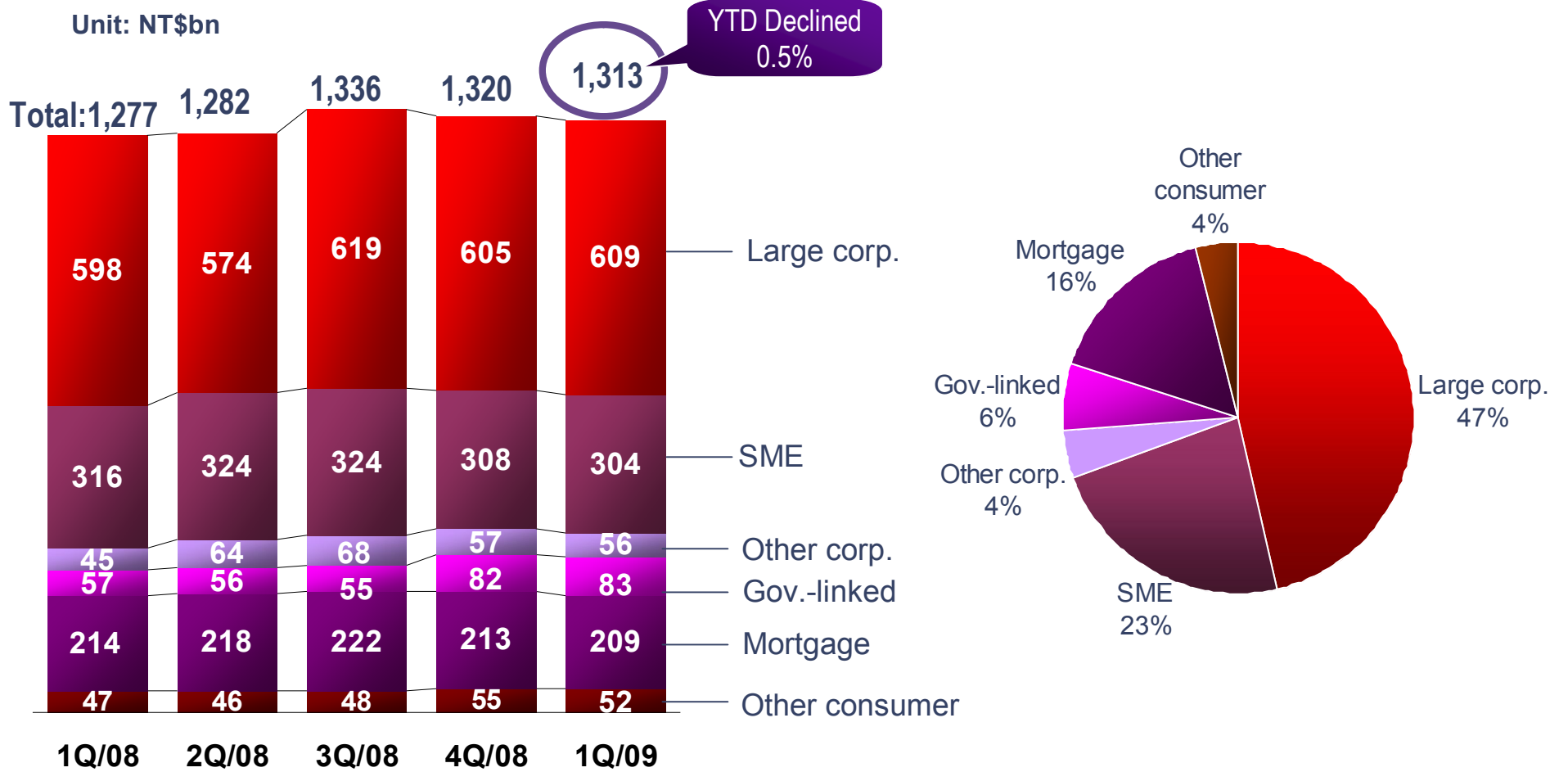
**Financial Performance**



**Appendix**

# Flat overall loan balance in 1Q/09 vs. last year

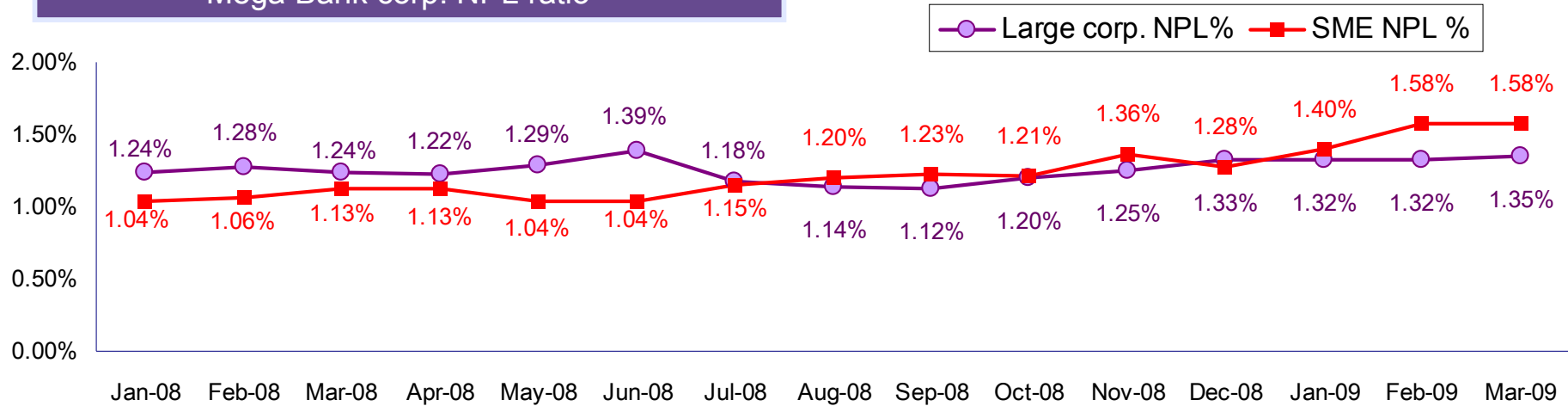
Mega Bank loan breakdown by customer segment \*



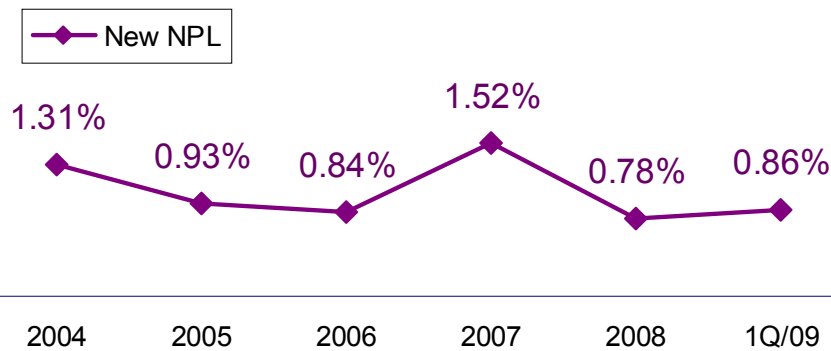
\* Mega Bank quarterly end balance, includes loan, factoring, A/R financing, L/C but excludes guarantee

# SME NPL ratio was up, while large corp. NPL remained flat

Mega Bank corp. NPL ratio\*



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



- ❖ Large corp. NPL ratio remained stable.
- ❖ SME NPL ratio was up in 1Q/09, but partly due to SME loan contraction.
- ❖ New NPL ratio is in line with 5 yrs average.
- ❖ However, we expect slower loan growth ahead and higher loan rate mark-up charged to the customers, to reflect higher credit risk due to global econ. slow down.

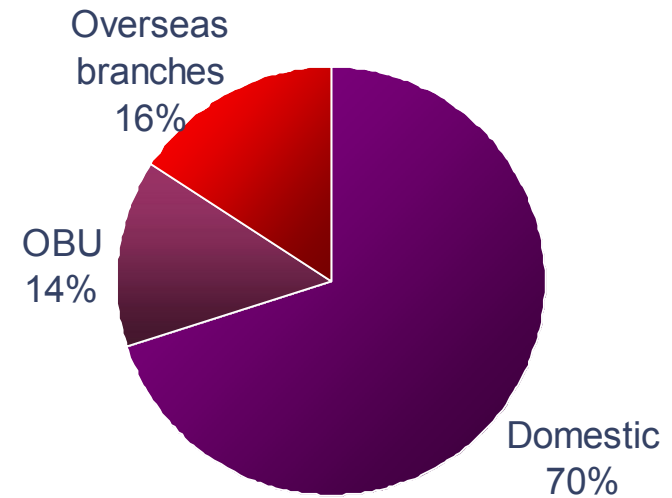
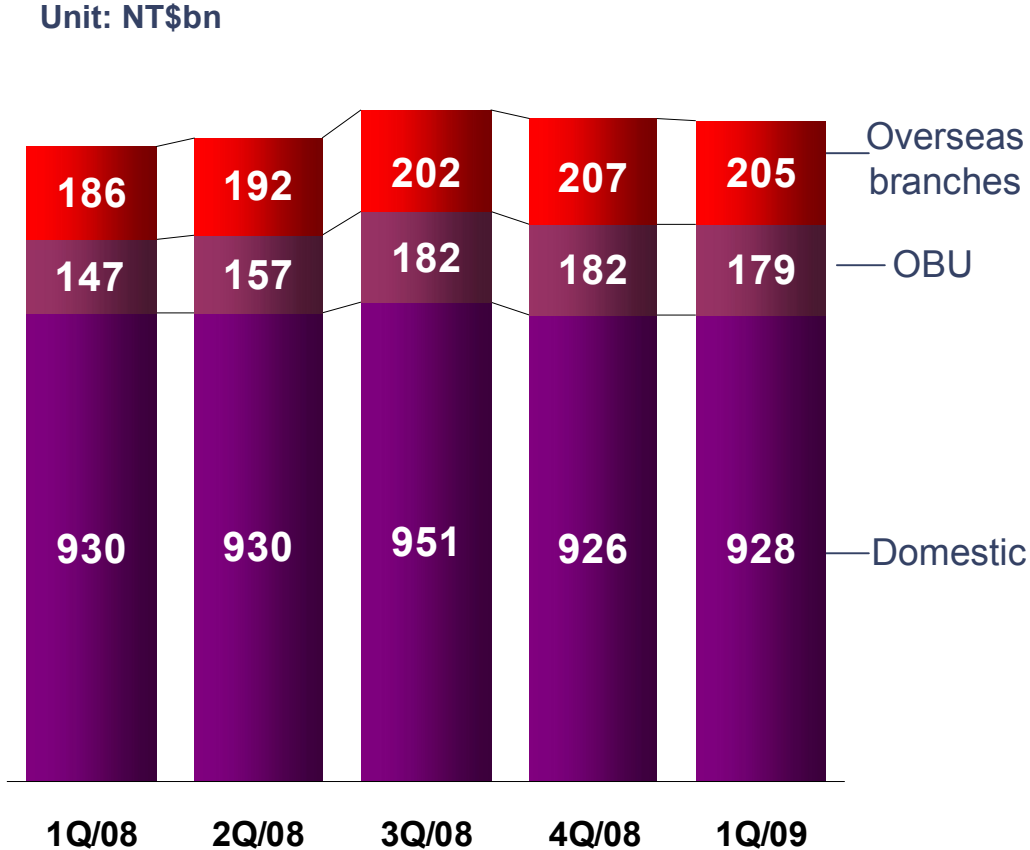
\* Exclude gov. loan, gov-linked corp. loan and other corp. loan

\*\* Mega Bank Internal number, does not include credit card revolving balance, 1Q/2009 number is annualized

# OBU and overseas loan were flat for 3 consecutive quarters

Mega Bank loan breakdown by region \*

Unit: NT\$bn



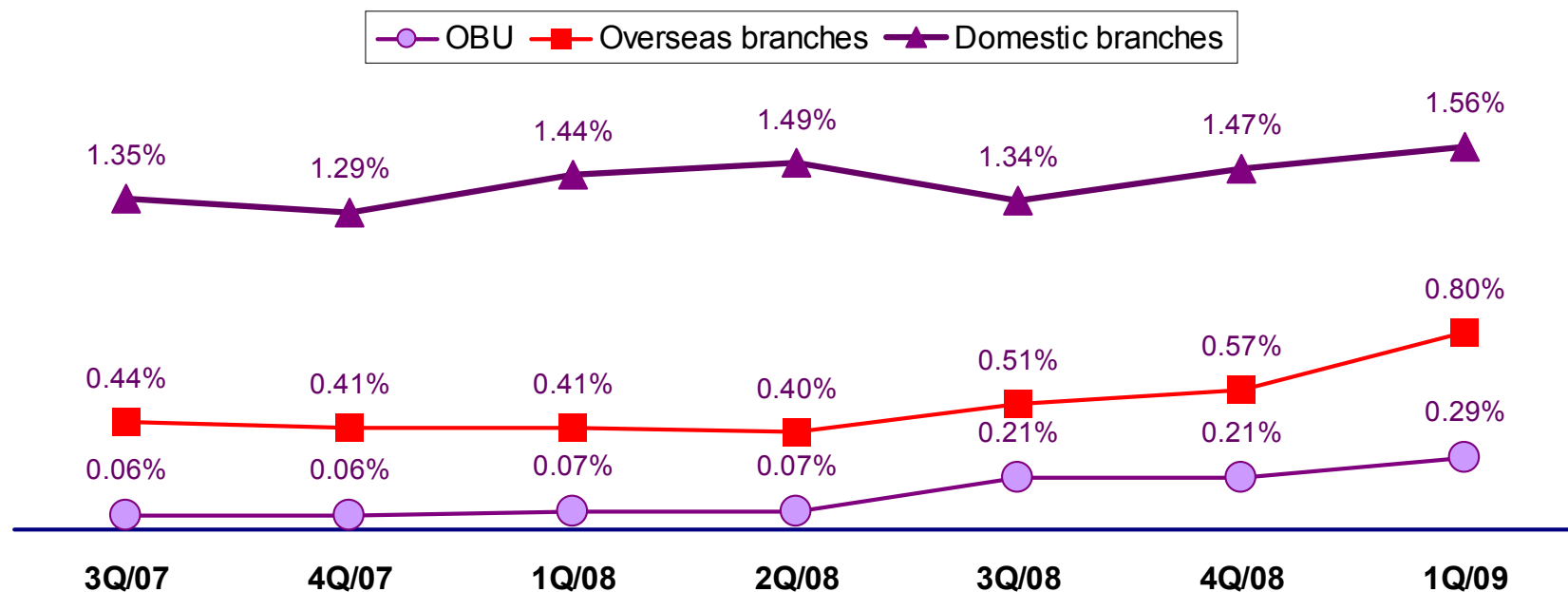
- ❖ All overseas / OBU loans are corp loans, mainly Taiwanese corps.
- ❖ No consumer / mortgage loans.
- ❖ Most OBU customers have parent companies in TW, which acted as guarantor.

\* Mega Bank quarterly average balance, includes loan, factoring, A/R financing, L/C but excludes guarantee

\*\* OBU stands for Off Shore Banking unit

# OBU and overseas NPL ratios were up but remained relatively low compared with domestic NPL ratio

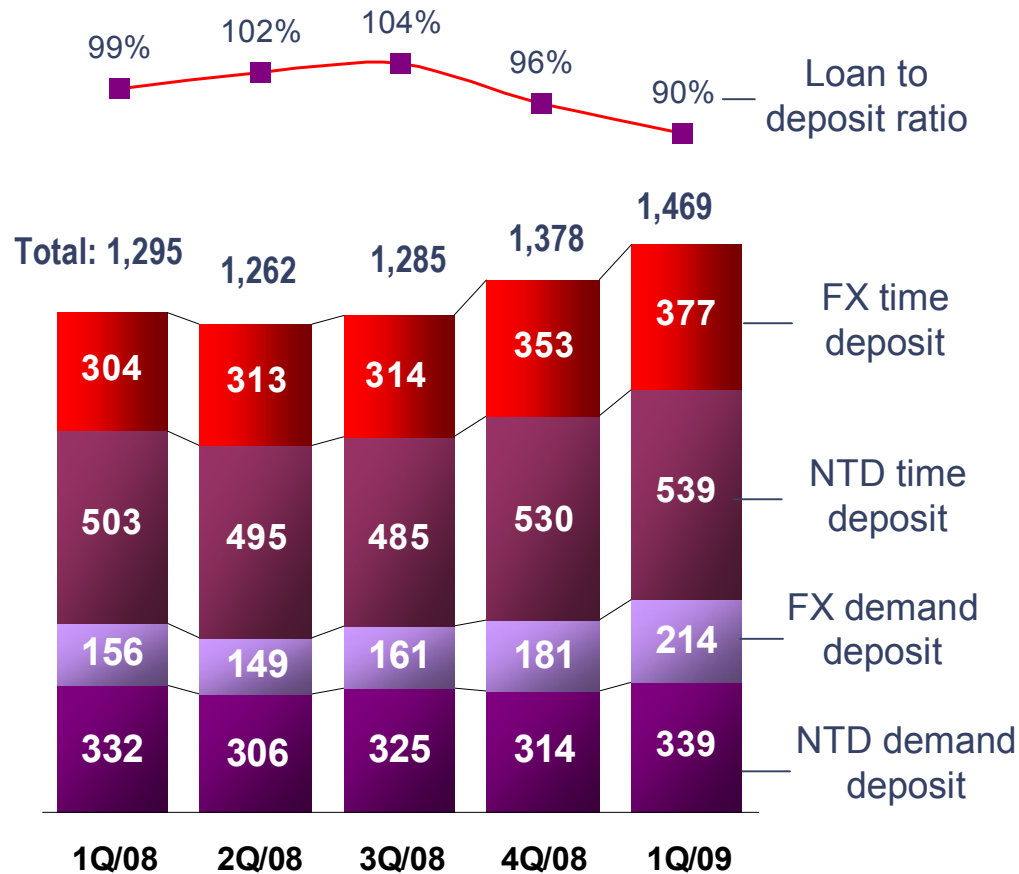
Mega Bank NPL ratio by regions



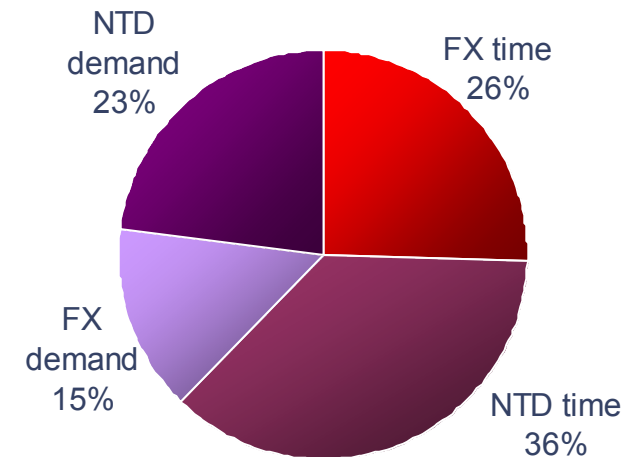
# Lowered LDR due to increased in time deposits

## Mega Bank's LDR & deposit balance

Unit: %; NT\$bn



## Mega Bank's deposit breakdown



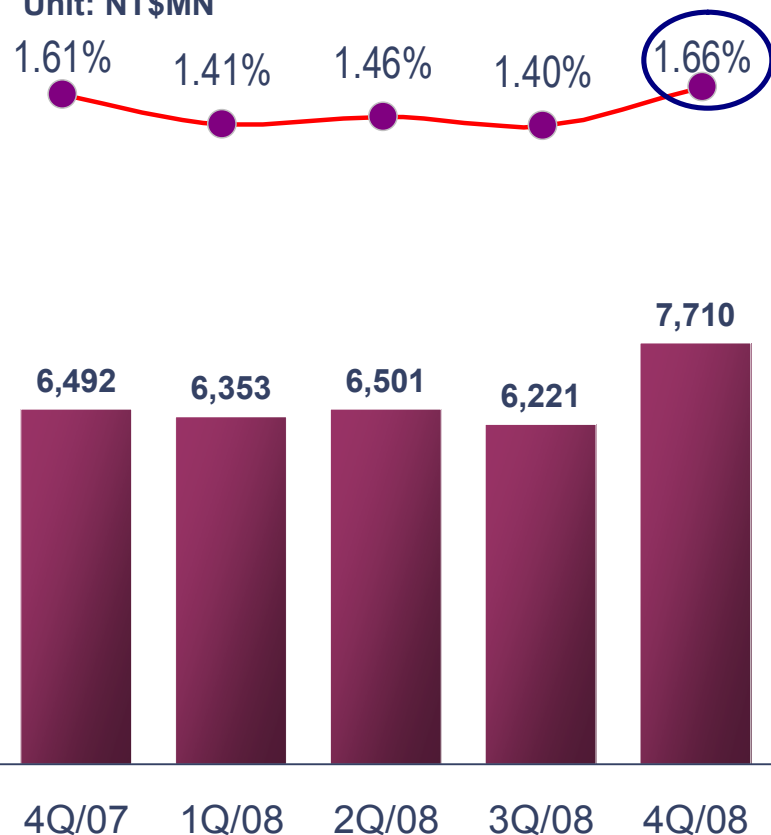
- ❖ Mega is generally operated with excess funding structure.
- ❖ Besides deposit, other funding sources include, Central Bank's large FX deposit (NT\$309b), Chungwa Post re-deposit (NT\$75b), bank debenture & CP (NT\$32b) and inter-bank funding when needed.\*

\* As of end of 4Q/08; Post re-deposit is mainly used for gov. sponsored project finance, such as Taiwan High Speed Railway & etc.

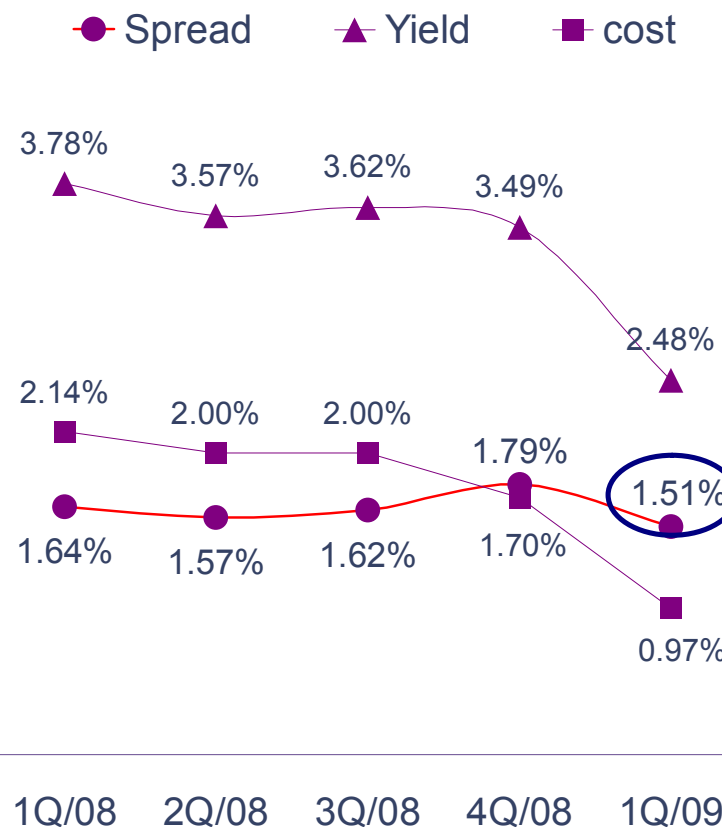
# Spread is down due to rate cut

**Mega Bank NIM & NII \***

Unit: NT\$MN



**Mega Bank loan interest spread\***



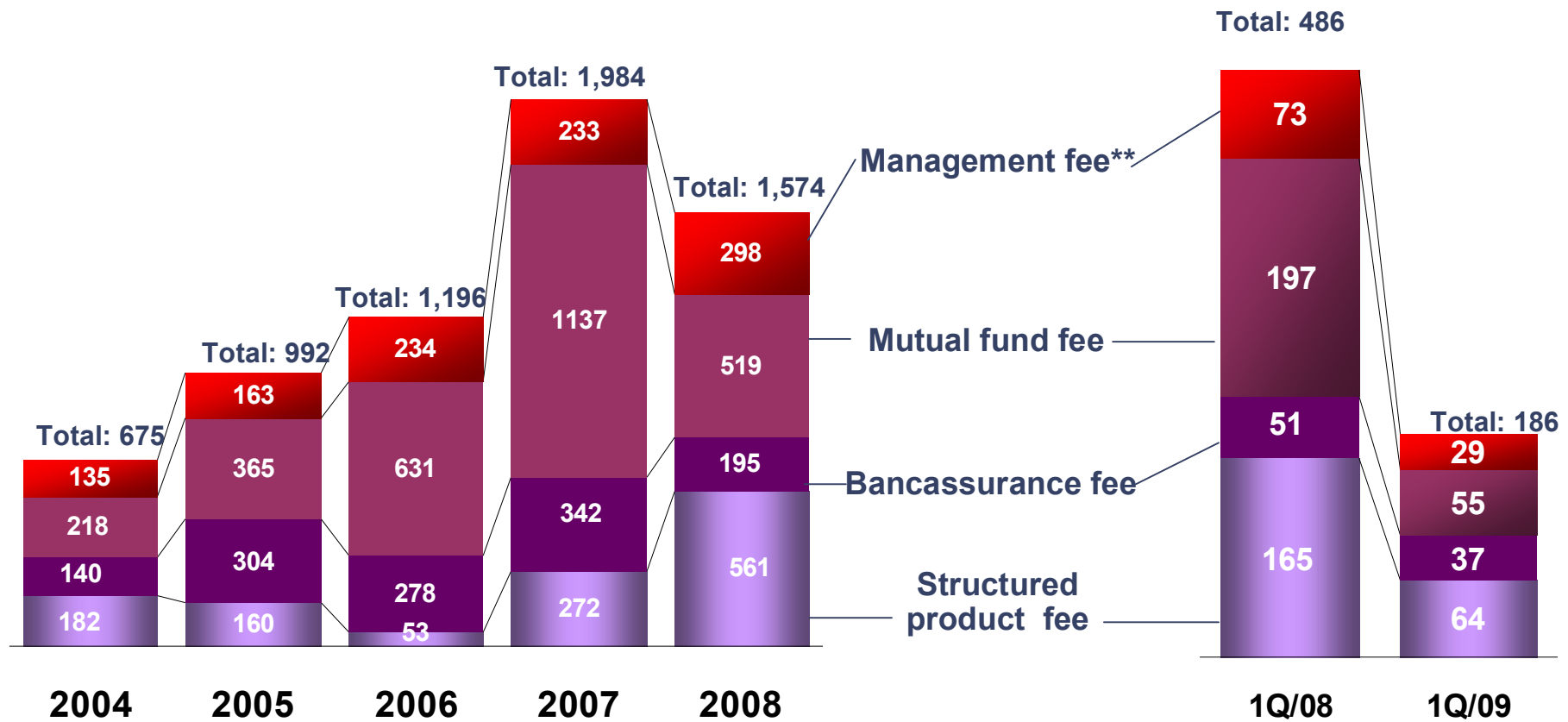
\* Mega Bank internal numbers; NIM (Net interest margin) = Net interest income / average interest earning assets; NII is net interest income



# WM fee declined due to poor product demand

Mega wealth management net fee income breakdown by product \*

Unit: NT\$MN



\* Mega Bank internal data only

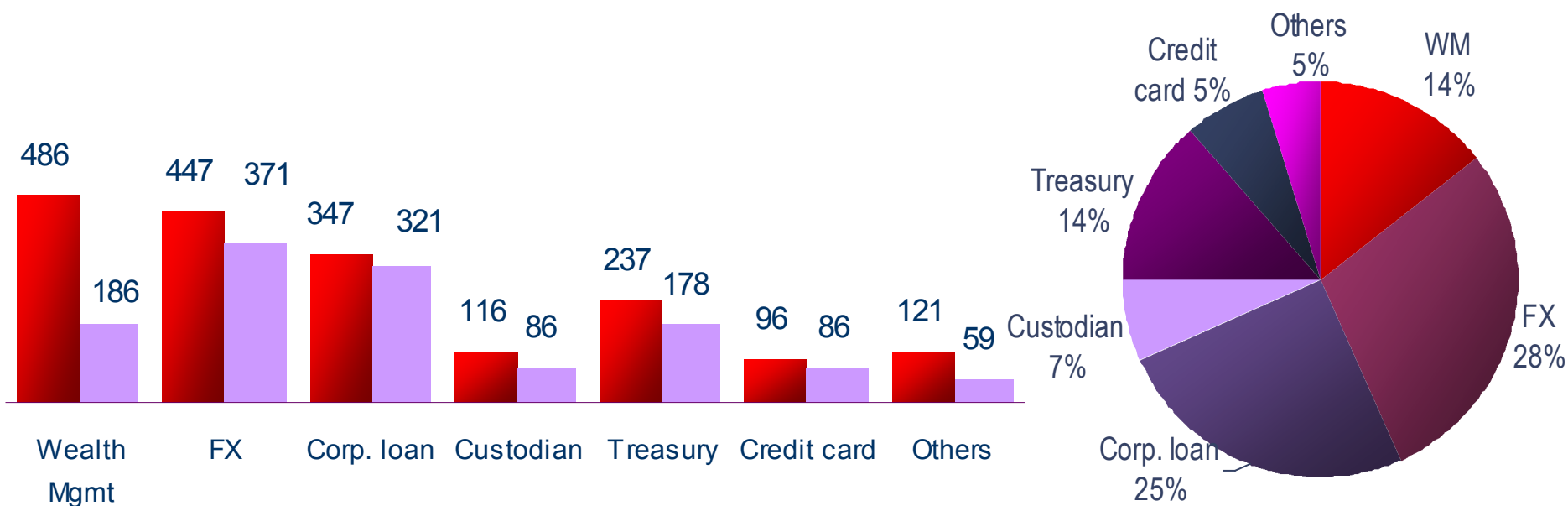
\*\* Management fee of trust account derived from wealth management product sales

# Fee income items were still under pressured

Mega Bank 1Q /2009 gross fee income breakdown

Unit: NT\$MN

■ 1Q/08    ■ 1Q/09

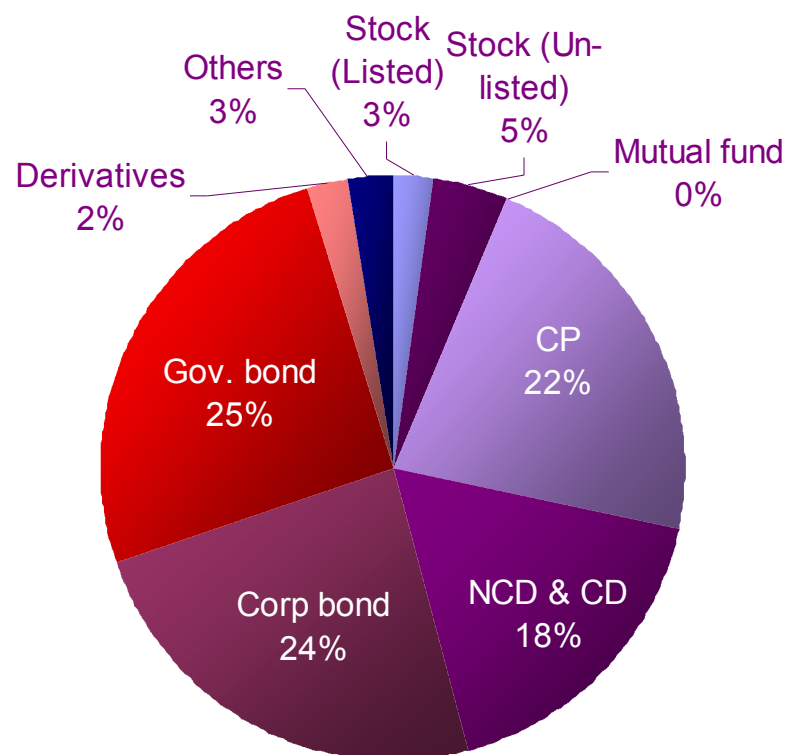


## Relatively conservative investment portfolio mix

### Mega FHC financial assets breakdown <sup>1</sup>

Unit: NT\$B

	4Q/08	4Q/07
Stock (Listed) <sup>2</sup>	12	22
Stock (Un-listed) <sup>3</sup>	23	25
Mutual fund	1	5
CP	121	86
NCD & CD	97	128
Corp bond <sup>4</sup>	132	141
Gov. bond <sup>5</sup>	142	159
Derivatives	12	3
Others	14	19
<b>Total</b>	<b>554</b>	<b>588</b>



1. Source: sum of short-term, available for sale, hold to maturity and other financial assets from 1-4Q/08 unaudited financial statement.
2. Mostly Taiwan listed equity.
3. VC investment of Taiwan un-listed companies.
4. Mostly AAA & AA rating bonds of domestic and global corps.
5. Mainly Taiwan Gov. bonds, part of RP operation from Mega Bills.

# Agenda

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**Operation Highlights**



**Financial Performance**

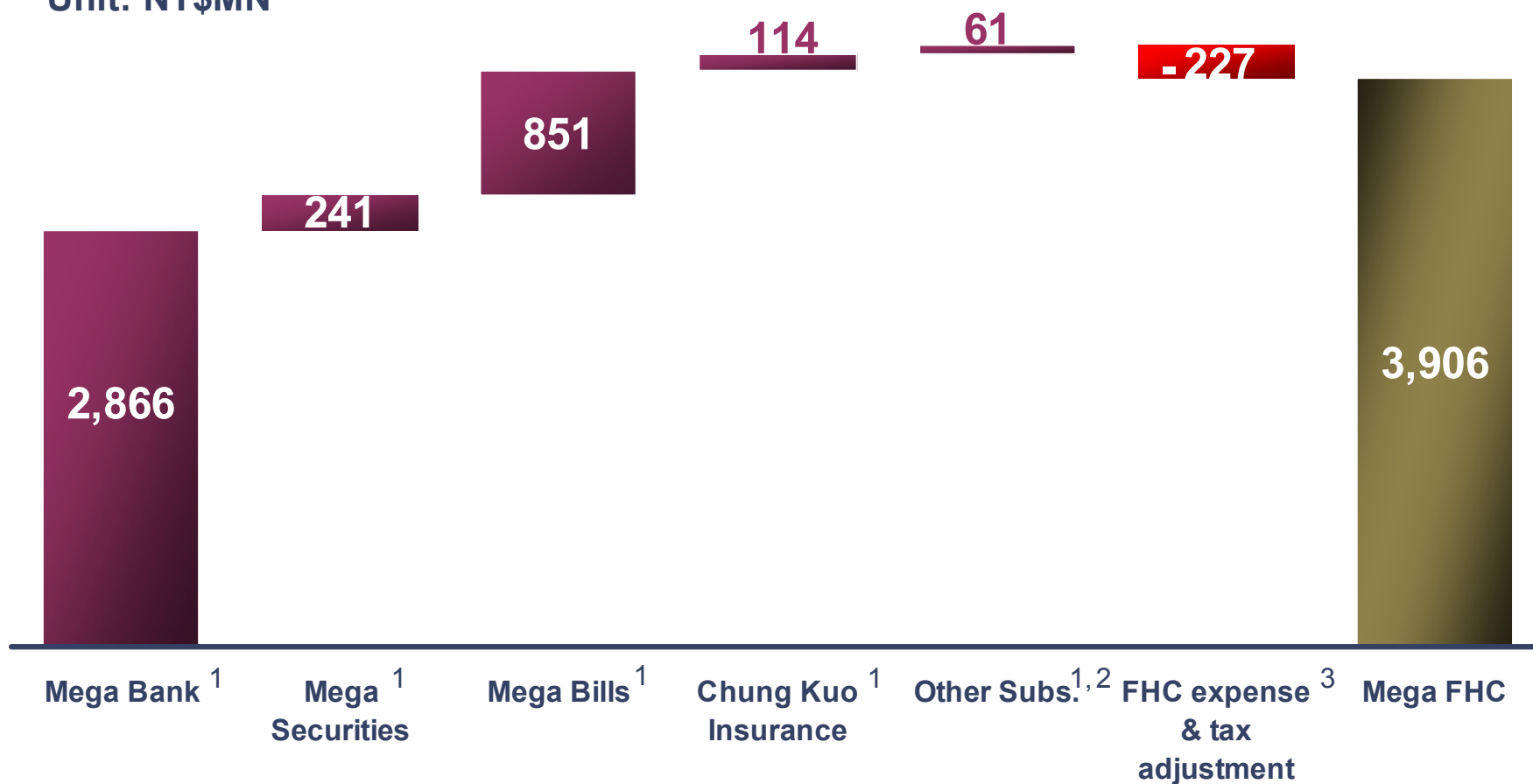


**Appendix**

# Bills sub. has outperformed this year due to rate cut

1Q/09 earning contribution by sub.

Unit: NT\$MN



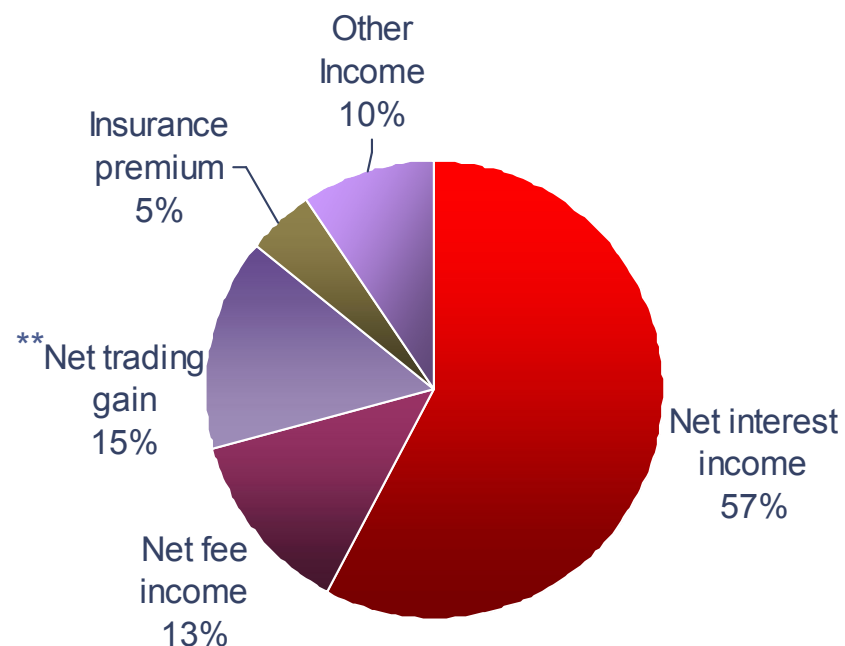
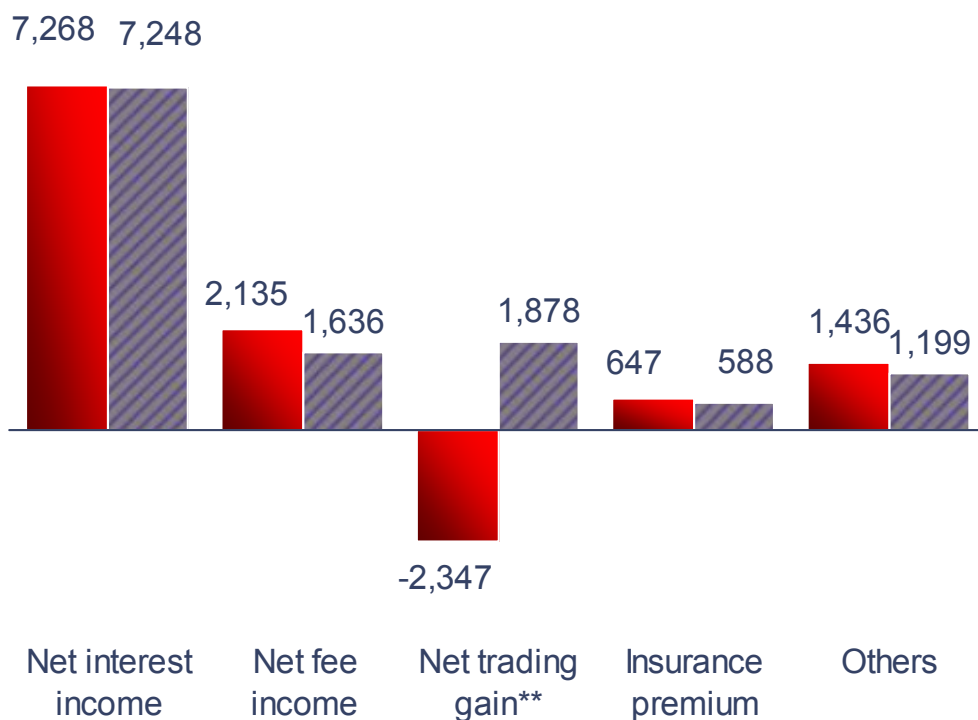
1. Un-audited subsidiary earning deducts employee bonus and inter-subsidiaries adjustments
2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega VC
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

# Interest income held up due to strong bills finance operation

Mega FHC net revenue \*

Mega FHC 1Q/09 net revenue breakdown

■ 1Q/08 ■ 1Q/09 Unit: NT\$MN

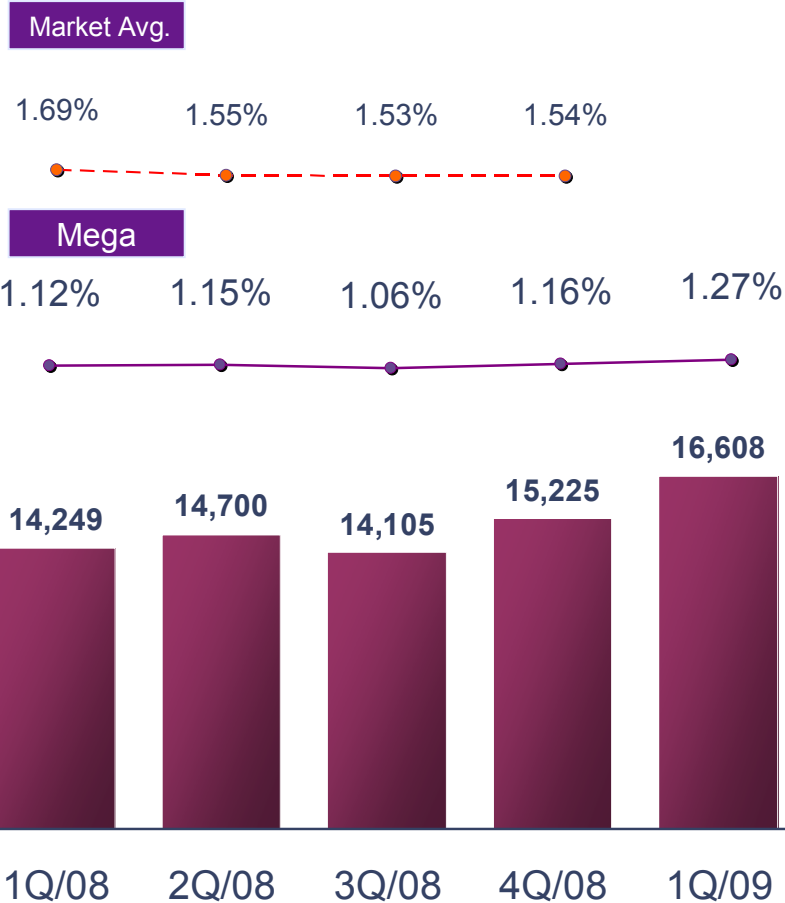


\* 1Q/08 are audited figures; 1Q/09 are un-audited figures

\*\* Net trading gain includes short-term, AFS, HTM, equity method assets, property, FX trading gain & asset impairment loss

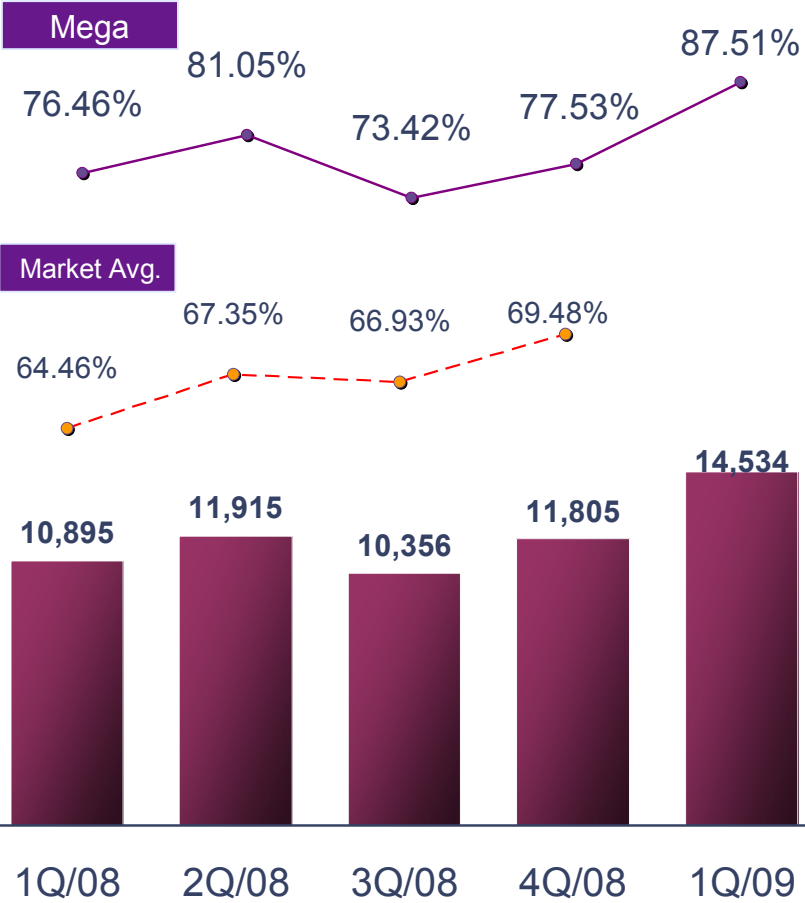
# Increased LLR to ensure asset quality

Mega NPL balance & NPL ratio\*



Unit: NT\$MN

Mega Loan loss reserved and coverage ratio\*

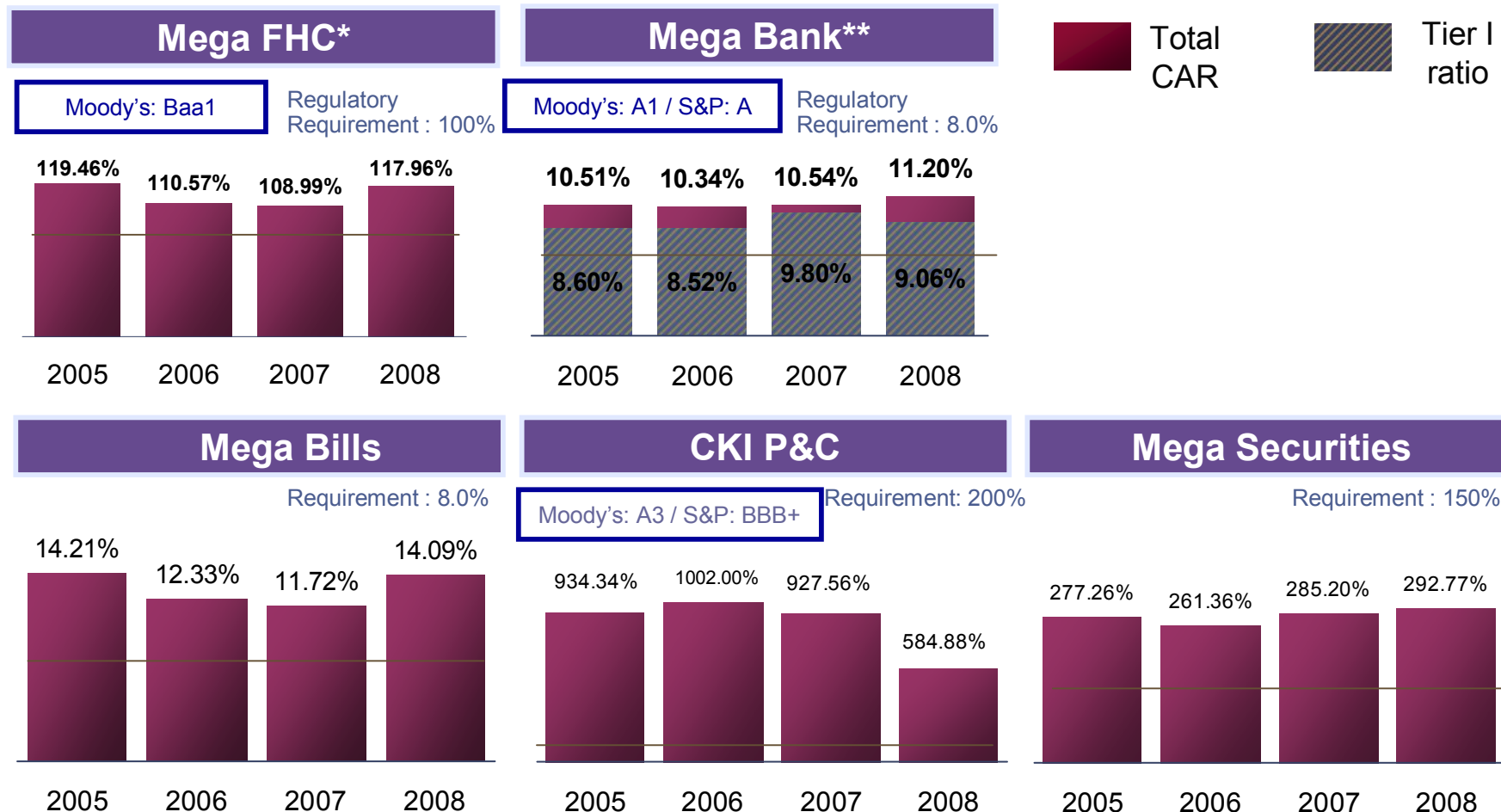


Unit: NT\$MN

\* 90 days standard

\*\* market average: Banking Bureau of Taiwan

# Sub-debt issuance & regulation changes have significantly increased the FHC and bank CAR

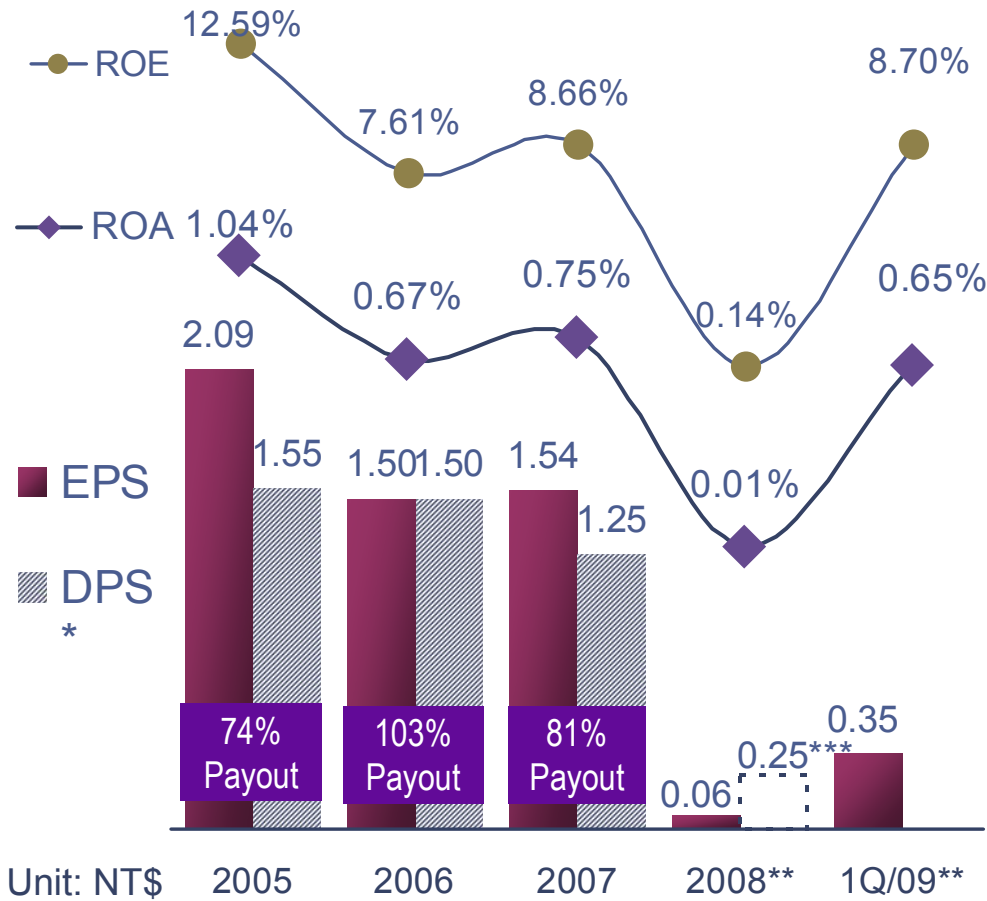


\* Net of investments in subsidiaries  
 \*\* 2005 and prior numbers are ICBC and CTB historical numbers combined  
 \*\*\*2008 numbers are un-audited numbers



# ROE & ROA rebounded to normalized level

## Key Earning Metrics



- ❖ 2008 numbers fell due to one-off provision from investment book.
- ❖ Mid-term ROE target of 10~12%
- ❖ Mid-term ROA target of >1%
- ❖ To increase our ROE and prevent over-inflated capital base, we are...
  - ◆ Committed to pay out >70%
  - ◆ and pay >50% in cash. However, we've paid all cash dividend in the past years.

\* DPS are all distributed in cash form

\*\* 2008 and 1Q/09 numbers are un-audited; 1Q/09 ROE & ROA are annualized.

\*\*\* 2008 DPS is not confirmed and is subject to the approval of the board and AGM.

# 1Q/09 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	1Q/09*	1Q/08*	YoY	2008*
Net interest income	7,248	7,268	0%	30,524
Net fee income	1,636	2,135	-23%	8,375
Insurance premium	588	647	-9%	1,090
ST Trading gain	1,653	-7,099	-	-548
Available for sales asset gain	60	276	-78%	283
Hold to maturity asset gain	0	0	0%	0
Equity method investment gain	27	50	-46%	121
Property investment gain	2	7	-71%	22
FX gain (spread)	279	8,068	-97%	1,053
Asset impairment	-143	-3,649	-96%	-4,934
Cost method investment gain	0	0	-	564
Bad debt write-back	0	41	-100%	365
Other loss	0	0	0%	-5,475
Other provision	0	0	-	-352
Other non-interest income	1,199	1,395	-14%	249
<b>Operating income</b>	<b>12,549</b>	<b>9,139</b>	<b>37%</b>	<b>31,337</b>
Operating expense	-5,073	-4,962	2%	-19,603
Pre-provision operating profit	7,476	4,177	79%	11,734
Provision expense on loan	-2,918	-2,440	20%	-8,362
Reserved on insurance	-169	-216	-22%	-287
Pretax profit	4,389	1,523	188%	3,085
Tax	-481	-794	-39%	-2,823
Minority shareholder interest	-2	-4	-50%	-32
<b>Net profit</b>	<b>3,906</b>	<b>725</b>	<b>439%</b>	<b>295</b>
<b>EPS (NT\$)</b>	<b>0.35</b>	<b>0.07</b>	<b>400%</b>	<b>0.02</b>

\* 1Q/08 are audited numbers; 1Q/09 & 2008 are un-audited numbers

# 1Q/09 Mega FHC consolidated balance sheet\*

NT\$MN	1Q/09*	1Q/08*	YoY	2008*	YTD
<b>Assets:</b>					
Cash and due from banks	559,760	283,535	97%	374,953	49%
Bills and bonds under RP agreement	14,011	3,728	276%	1,729	710%
Fin. assets at fair value through P&L	185,362	198,031	-6%	198,444	-7%
AFS financial assets	251,031	242,345	4%	232,070	8%
HTM financial assets	133,029	126,685	5%	96,098	38%
Other financial assets	23,067	29,270	-21%	26,612	-13%
A/R, net	94,427	136,237	-31%	120,774	-22%
Loan, net	1,314,518	1,278,909	3%	1,321,438	-1%
Equity method LT investments, net	2,022	2,624	-23%	2,546	-21%
Land, premises and equipments, net	24,314	23,776	2%	25,422	-4%
Others	21,397	10,557	103%	9,529	125%
<b>Total assets</b>	<b>2,622,938</b>	<b>2,335,697</b>	<b>12%</b>	<b>2,409,613</b>	<b>9%</b>
<b>Liabilities</b>					
Due to banks	585,530	416,936	40%	449,688	30%
Deposits	1,404,911	1,236,864	14%	1,316,770	7%
CP & Bond payable	55,085	53,664	3%	56,006	-2%
Bills & bonds sold under repurchase agreement	246,363	251,802	-2%	248,492	-1%
Other liabilities	149,504	180,534	-17%	160,622	-7%
<b>Total liabilities</b>	<b>2,441,393</b>	<b>2,139,800</b>	<b>14%</b>	<b>2,231,578</b>	<b>9%</b>
<b>Total stockholders' equity</b>	<b>181,545</b>	<b>195,897</b>	<b>-7%</b>	<b>178,034</b>	<b>2%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,622,938</b>	<b>2,335,697</b>	<b>12%</b>	<b>2,409,613</b>	<b>9%</b>

\* 1Q/08 are audited numbers; 1Q/09 & 2008 are un-audited numbers

# 1-4Q/08 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	2008*	2007*	YoY	2007*
Net interest income	30,524	26,296	16%	26,296
Net fee income	8,375	9,344	-10%	9,344
Insurance premium	1,090	1,167	-7%	1,167
ST Trading gain	-548	4,679	-112%	4,679
Available for sales asset gain	283	2,508	-89%	2,508
Hold to maturity asset gain	0	0	0%	0
Equity method investment gain	121	190	-36%	190
Property investment gain	22	22	0%	22
FX gain (spread)	1,053	2,753	-62%	2,753
Asset impairment	-4,934	-2,123	132%	-2,123
Cost method investment gain	564	760	-26%	760
Bad debt write-back	365	205	78%	205
Other loss	-5,475	0	0%	0
Other provision	-352	-808	-56%	-808
Other non-interest income	249	2,156	-88%	2,156
Operating income	31,337	47,149	-34%	47,149
Operating expense	-19,603	-20,378	-4%	-20,378
Pre-provision operating profit	11,734	26,771	-56%	26,771
Provision expense on loan	-8,362	-6,672	25%	-6,672
Reserved on insurance	-287	-67	328%	-67
Pretax profit	3,085	20,032	-85%	20,032
Tax	-2,823	-2,918	-3%	-2,918
Minority shareholder interest	-32	44	-173%	44
Net profit	295	17,070	-98%	17,070
EPS (NT\$)	0.02	1.54	-99%	1.54

\* 2007 are audited numbers; 2008 are un-audited numbers

# 1-4Q/08 Mega FHC consolidated balance sheet\*

<i>NT\$MN</i>	2008*	2007*	YoY	2007*	YTD
<b>Assets:</b>					
Cash and due from banks	374,953	349,727	7%	349,727	7%
Bills and bonds under RP agreement	1,729	4,766	-64%	4,766	-64%
Fin. assets at fair value through P&L	198,444	210,393	-6%	210,393	-6%
AFS financial assets	232,070	255,518	-9%	255,518	-9%
HTM financial assets	96,098	90,448	6%	90,448	6%
Other financial assets	26,612	29,114	-9%	29,114	-9%
A/R, net	120,774	125,215	-4%	125,215	-4%
Loan, net	1,321,438	1,210,580	9%	1,210,580	9%
Equity method LT investments, net	2,546	2,583	-1%	2,583	-1%
Land, premises and equipments, net	25,422	24,128	5%	24,128	5%
Others	9,529	11,289	-16%	11,289	-16%
<b>Total assets</b>	<b>2,409,613</b>	<b>2,313,761</b>	<b>4%</b>	<b>2,313,761</b>	<b>4%</b>
<b>Liabilities</b>					
Due to banks	449,688	412,969	9%	412,969	9%
Deposits	1,316,770	1,232,608	7%	1,232,608	7%
CP & Bond payable	56,006	56,951	-2%	56,951	-2%
Bills & bonds sold under repurchase agreement	248,492	246,996	1%	246,996	1%
Other liabilities	160,622	169,585	-5%	169,585	-5%
<b>Total liabilities</b>	<b>2,231,578</b>	<b>2,119,109</b>	<b>5%</b>	<b>2,119,109</b>	<b>5%</b>
<b>Total stockholders' equity</b>	<b>178,034</b>	<b>194,651</b>	<b>-9%</b>	<b>194,651</b>	<b>-9%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,409,613</b>	<b>2,313,761</b>	<b>4%</b>	<b>2,313,761</b>	<b>4%</b>

\* 2007 are audited numbers; 2008 are un-audited numbers

# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

## Well established size and scale to win

1Q/2009\*  
NT\$ Billion

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

	100%	100%	100%	100%	100%	100%	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 Venture Capital
Assets	2,410	2,255	44	269	15	1	9	0.05	0.8
Equity	182	144	13	34	4	0.6	2	0.04	0.8
Net Profit	3.9	2.9	0.2	0.9	0.1	0.009	0.05	0.002	0.004
Domestic Offices	195	107	46	9	27	3	1	1	1
Overseas Offices**	36	29	4	0	3	0	0	0	0

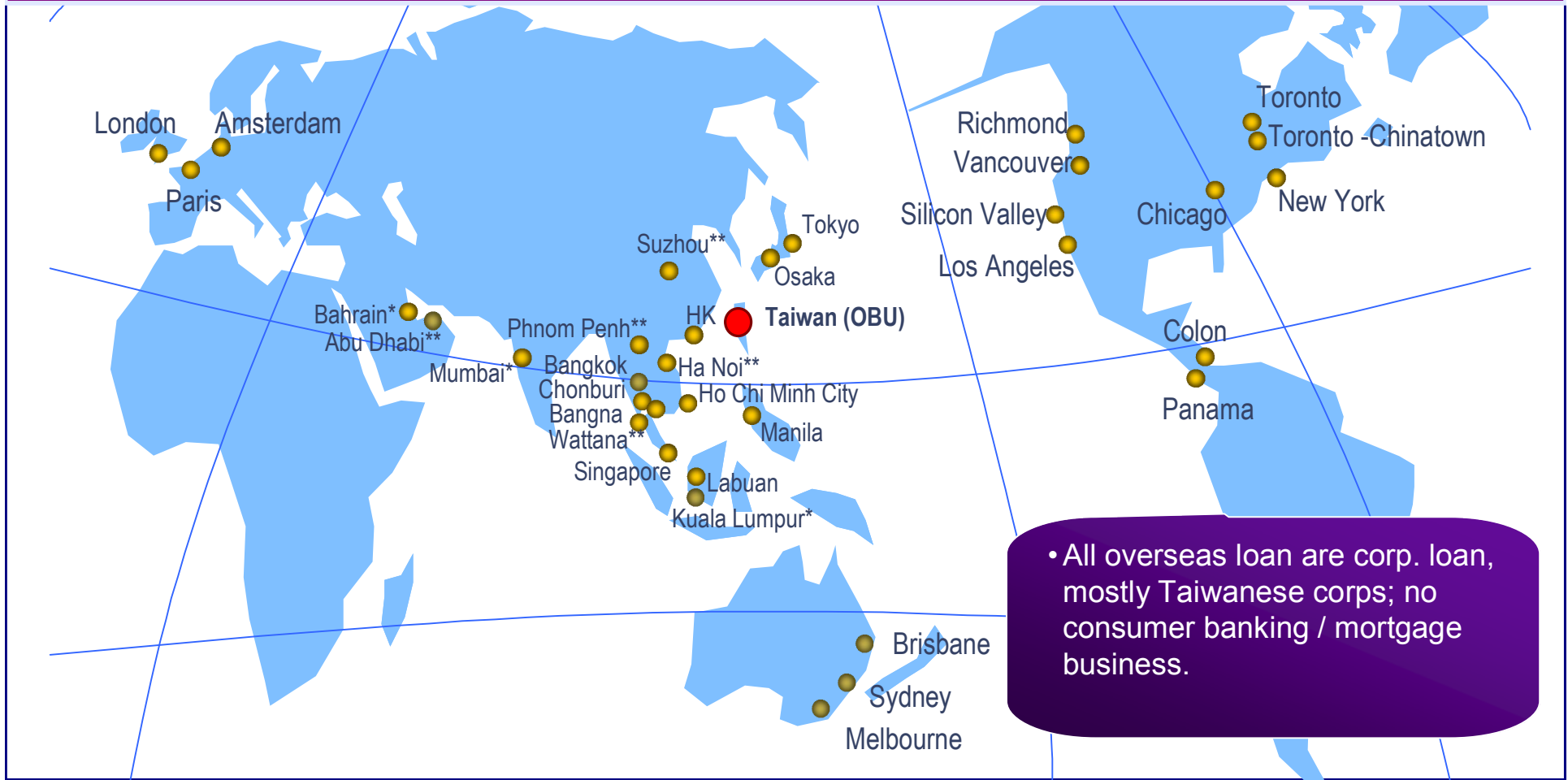
\* Un-audited numbers

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



# Mega Bank's Global Franchise

*Bridge the gap, reach the world*



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

\*\* Pending approval for bank branch / rep. office



# Provision realized on U.S. sub-prime RMBS

As of end of 1Q/2009  
 Unit: NT\$MN  
 USD:NTD=1:34.019

Mega Group						
Securities Type	Original Gross Balance	Provision Realized				
		On 1Q/09 balance sheet	On 07 & 08 income statement	On 1Q/09 income statement	Total	As % of total gross balance
US sub-prime RMBS <sup>1</sup>	11,925	612	8,107	291	9,010	76%

1. which are either directly held or within structured CBO/ABCP. This is total sub-prime asset balance.