



兆豐金控  
Mega Holdings

**1Q / 2008** (v.1)

# Investor Presentation



# Agenda

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**Operation Highlights**



**Financial Performance**

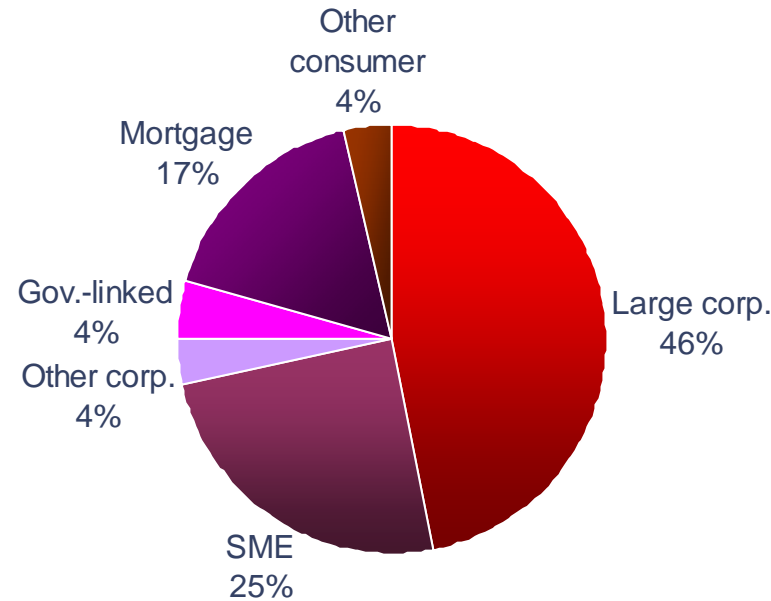
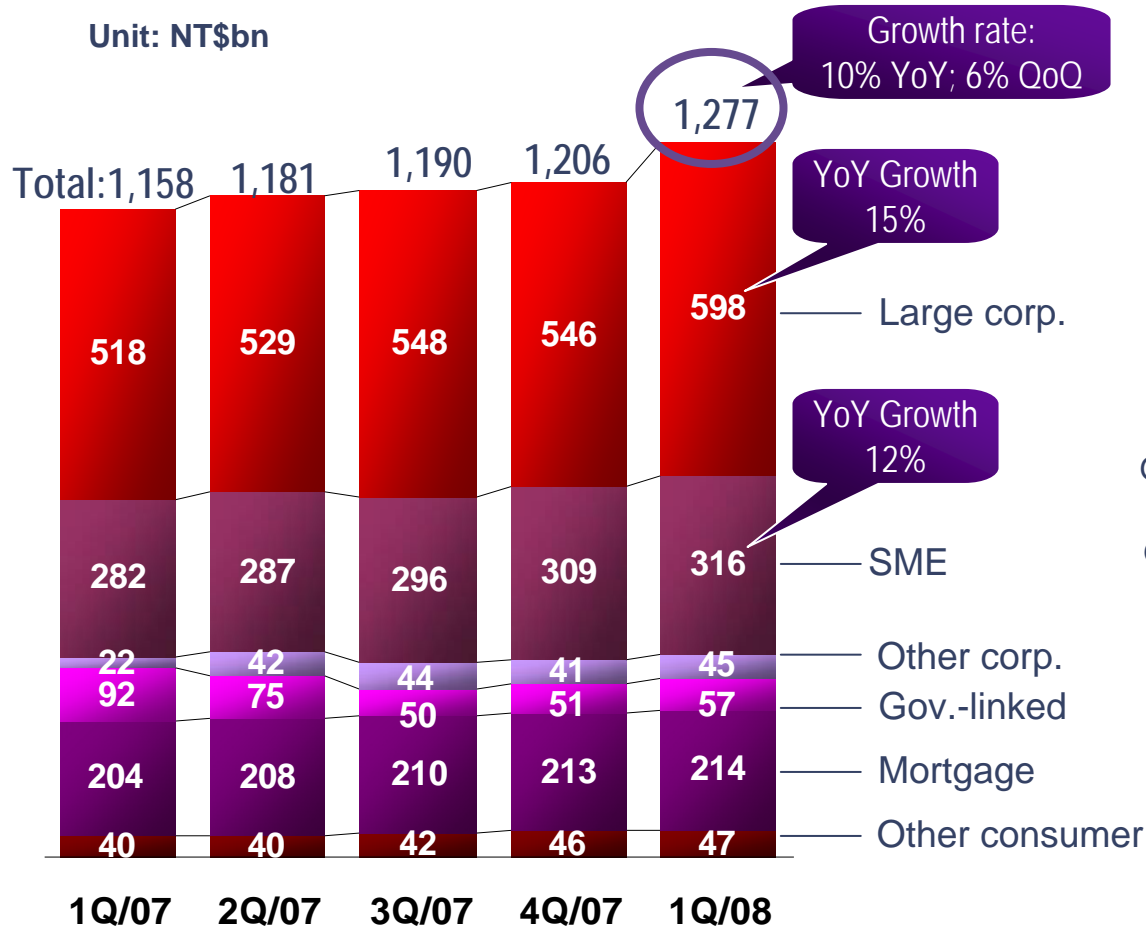


**Appendix**

# Stronger than expected corp. loan growth in 1Q/08

Mega Bank loan breakdown by customer segment \*

Unit: NT\$bn

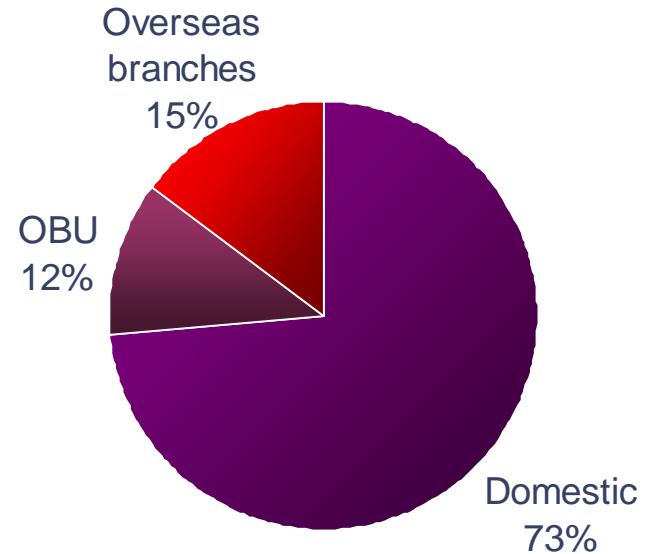
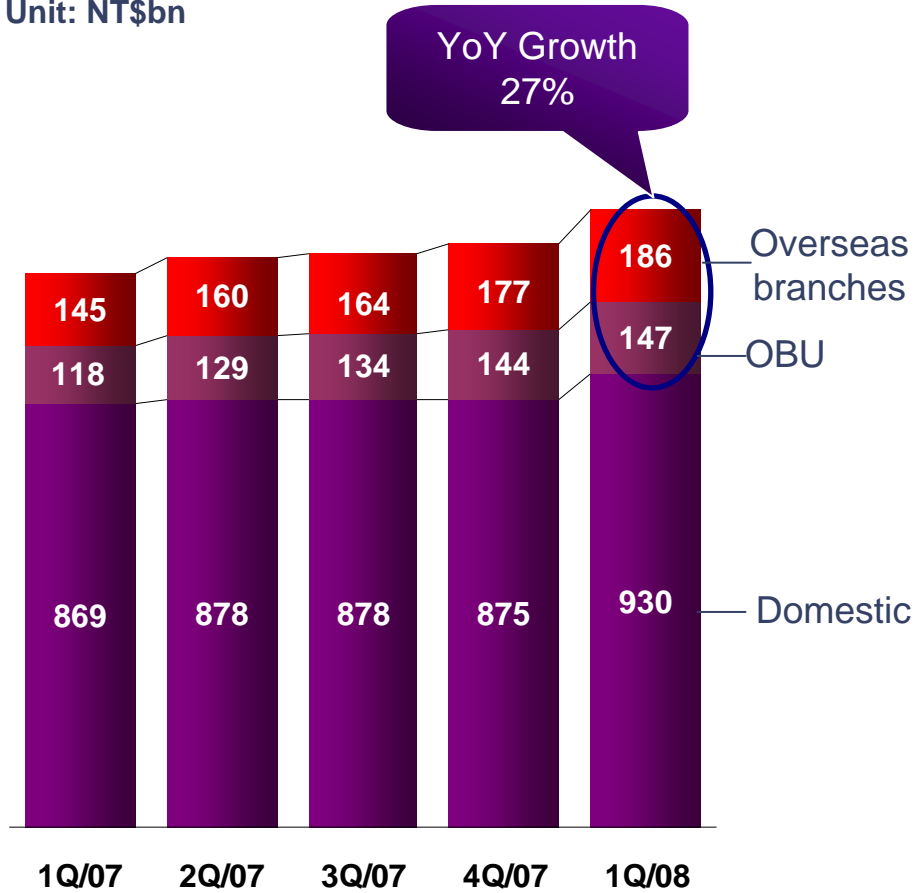


\* Mega Bank quarterly end balance, includes loan, factoring, A/R financing, L/C but excludes guarantee

# Off-shore loan grew 27% YoY

Mega Bank 1Q/08 loan breakdown by region \*

Unit: NT\$bn



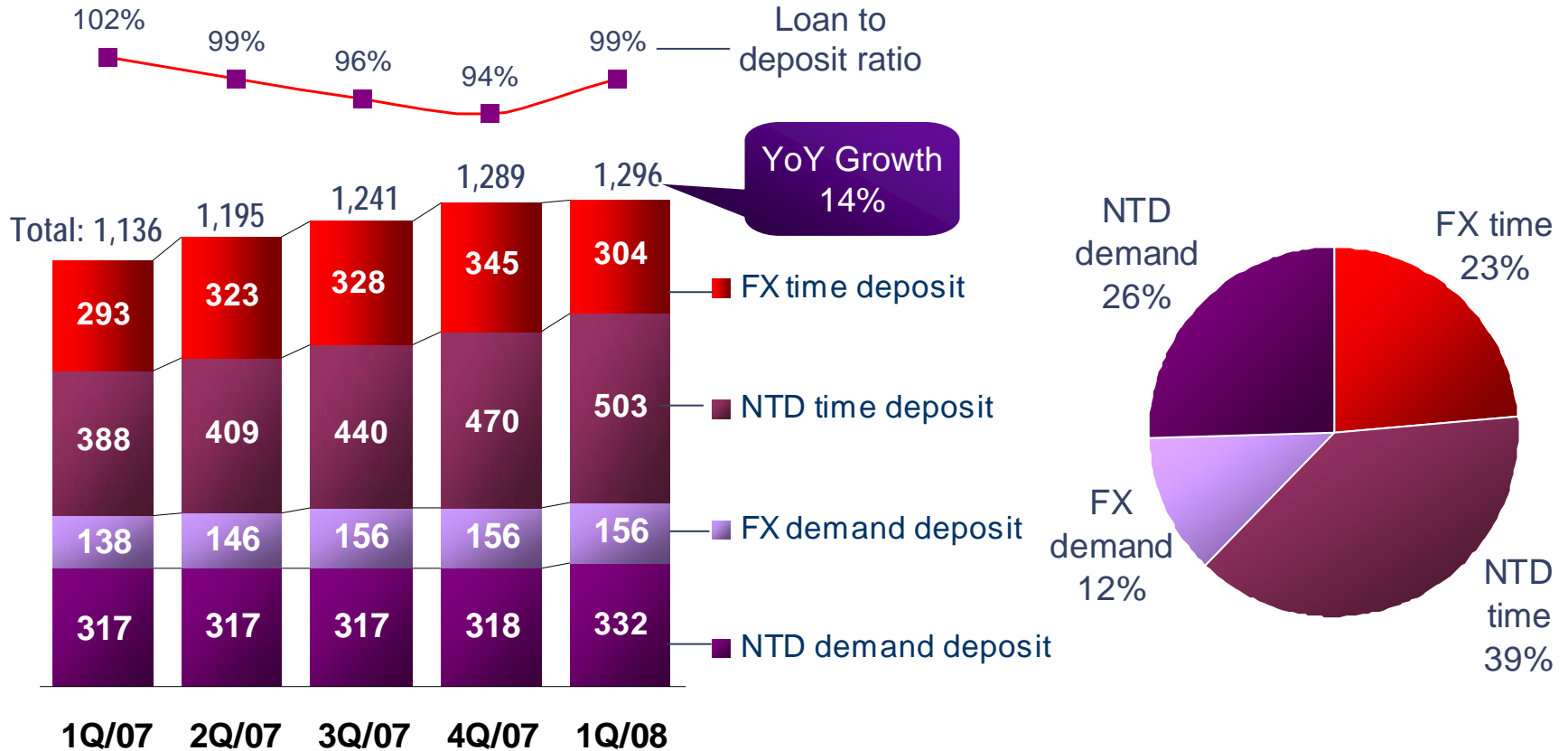
\* Mega Bank quarterly average balance, includes loan, factoring, A/R financing, L/C but excludes guarantee

\*\* OBU stands for Off Shore Banking unit

# Continuous FX deposit growth to fulfill the FX funding need

Mega Bank 1Q/08 LDR & deposit breakdown

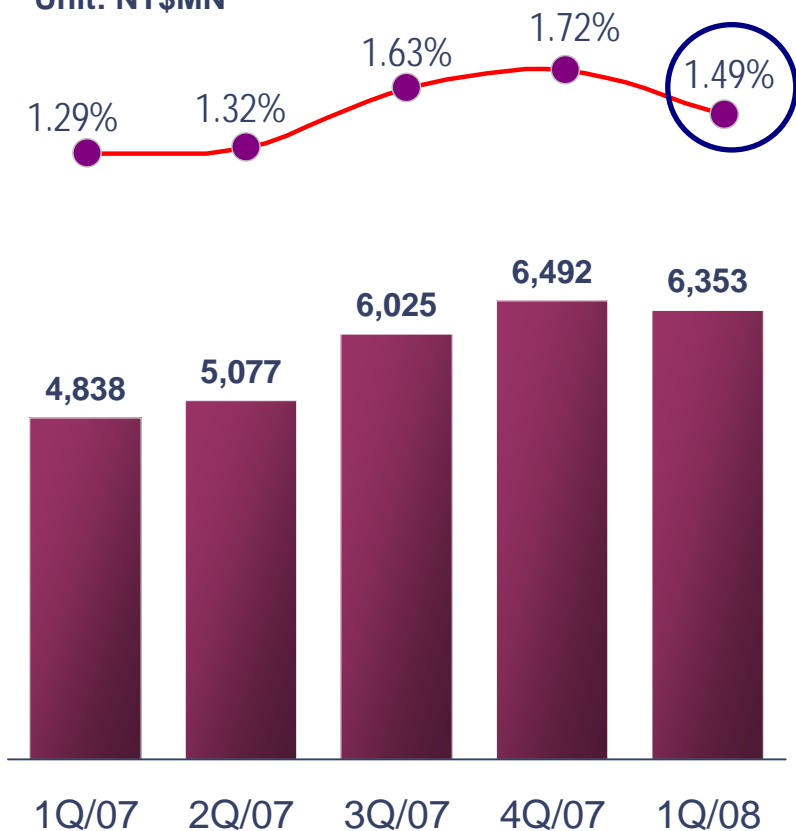
Unit: %; NT\$bn



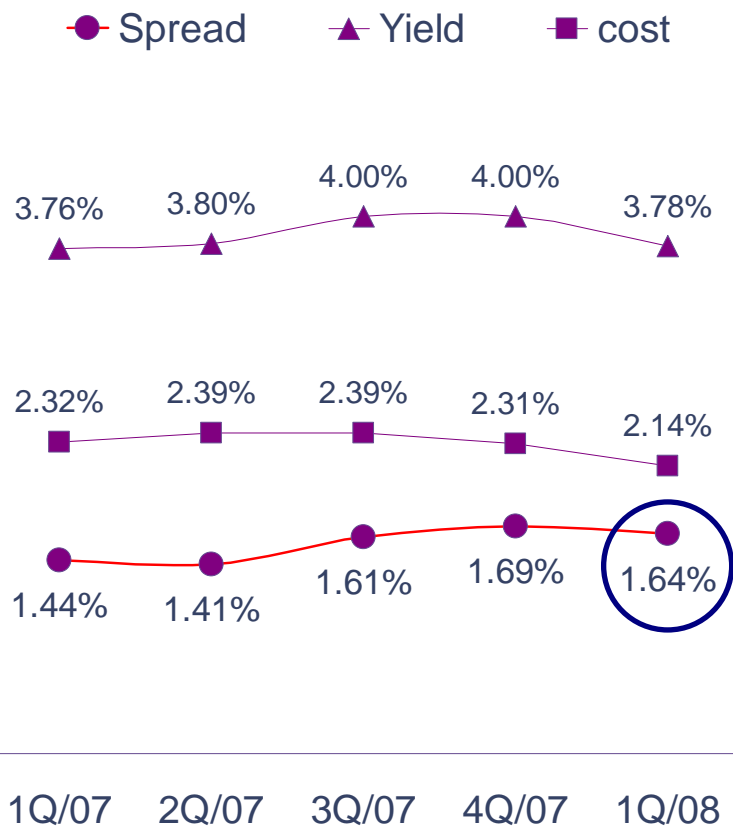
# NIM is under pressure due to lower USD assets yield & dramatic increases in large corp. loan, while spread is intact

Mega Bank NIM & NII \*

Unit: NT\$MN

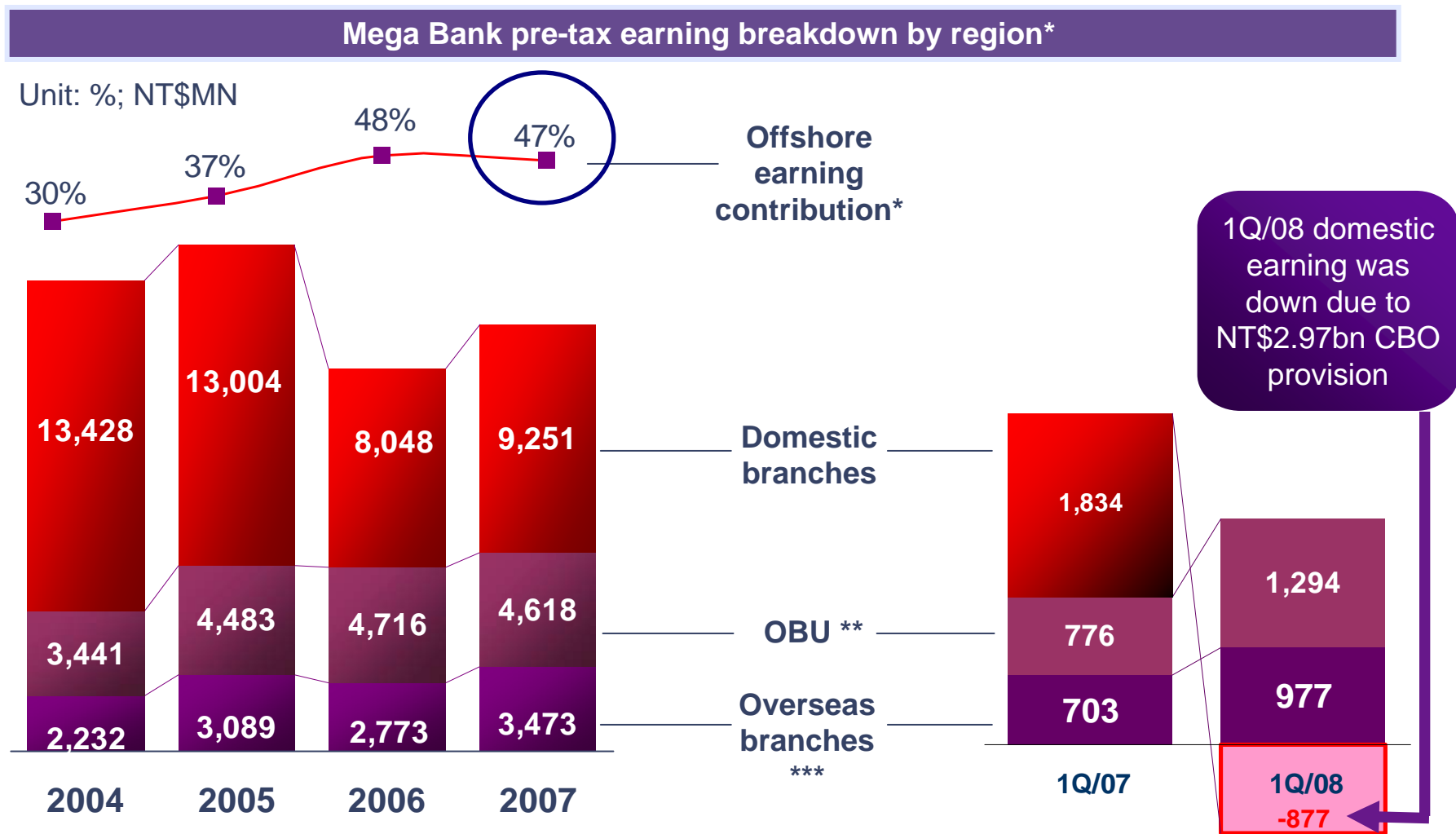


Mega Bank loan interest spread\*



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

# OBU and overseas bank branches earning growth continues



\* Mega Bank internal un-audited data; Offshore earning = (Overseas branches + OBU pre-tax earning) / bank pre-tax earning

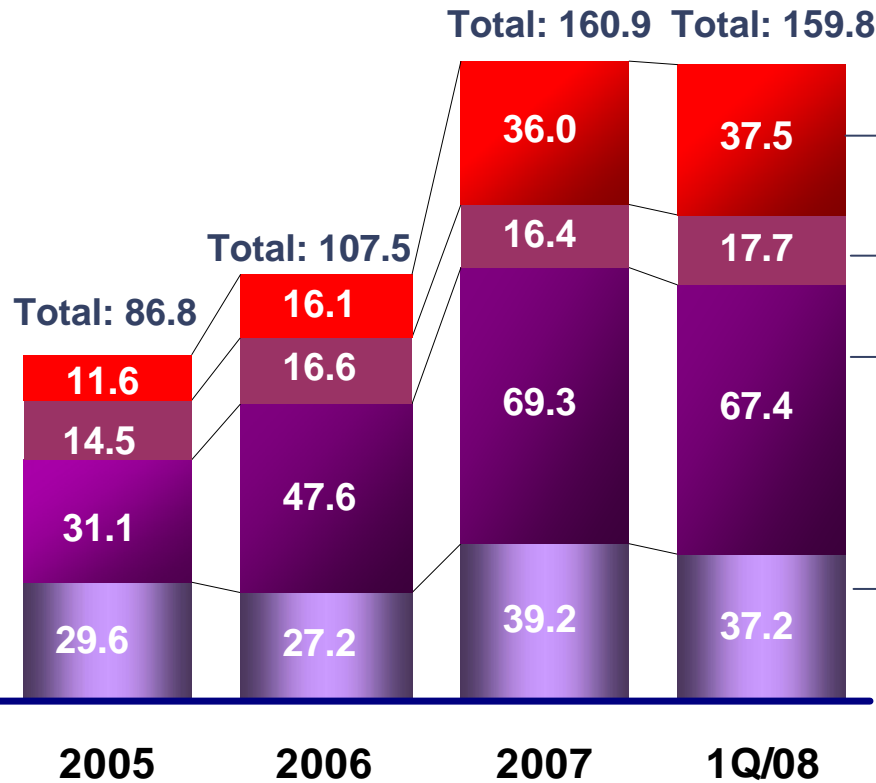
\*\* OBU stands for Off-Shore Banking Unit

\*\*\* Oversea branches include Thailand and Canada bank subsidiaries; currency exchange rate as of end of Apr/08

# Robust bancassurance & structured note product sales

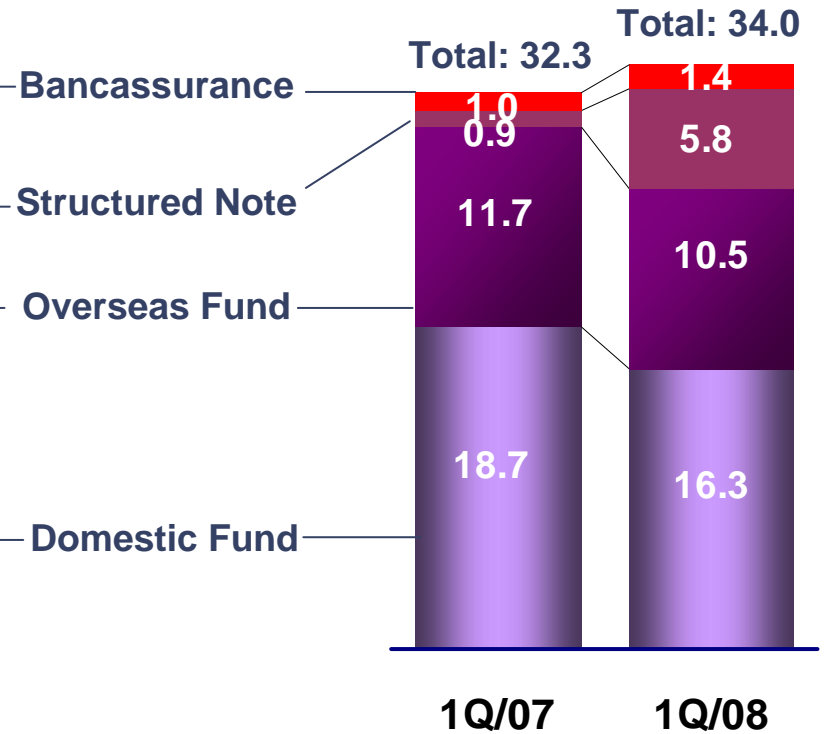
## Mega wealth management AUM

Unit: NT\$BN



## Mega wealth management sales

Unit: NT\$BN

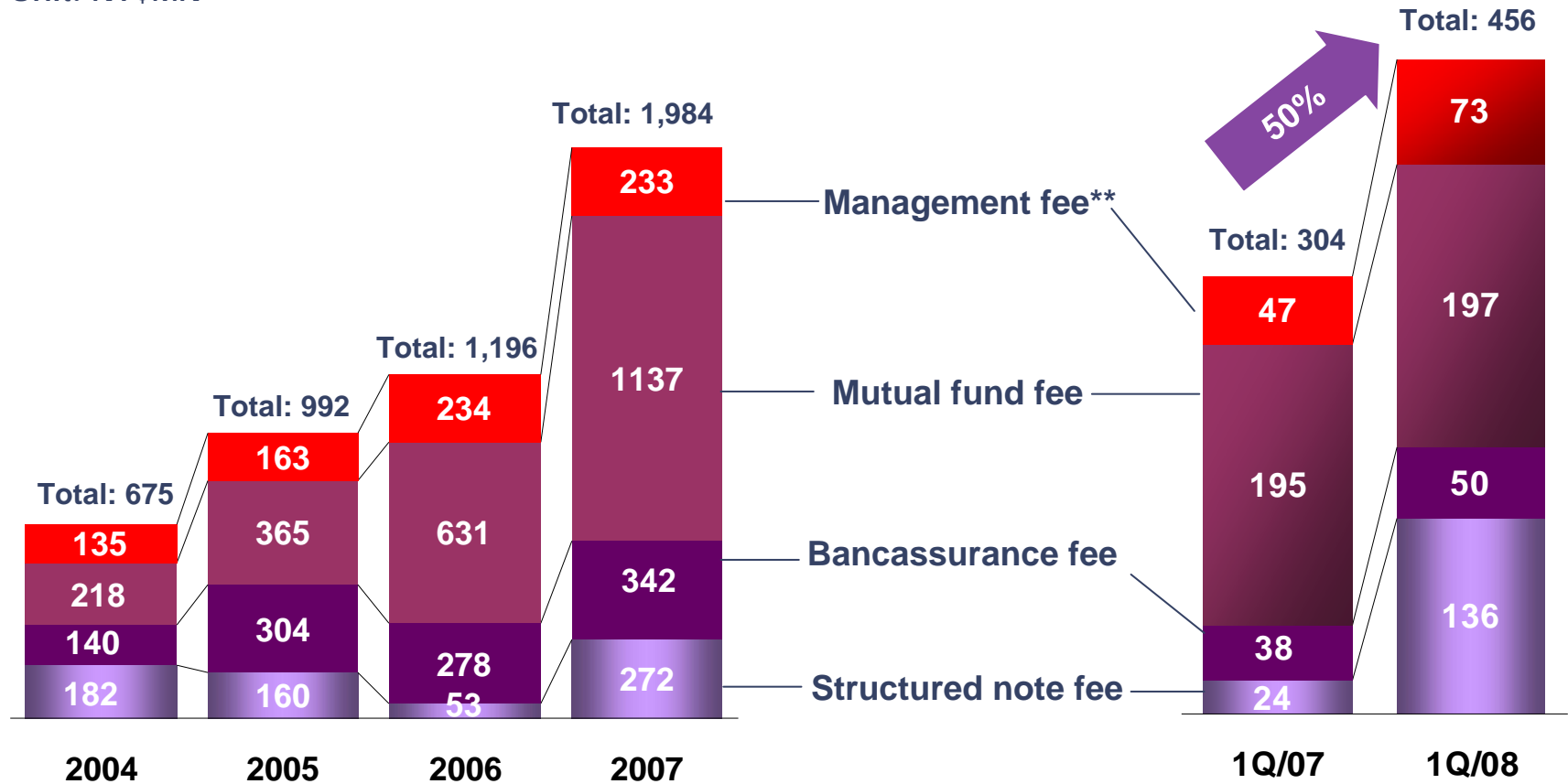




# ... boosting WM fee despite slow global equity market

Mega wealth management net fee income breakdown by product \*

Unit: NT\$MN



\* Mega Bank internal data only

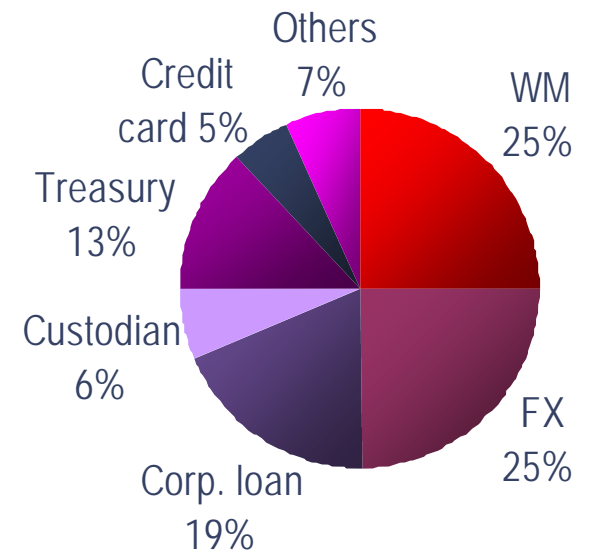
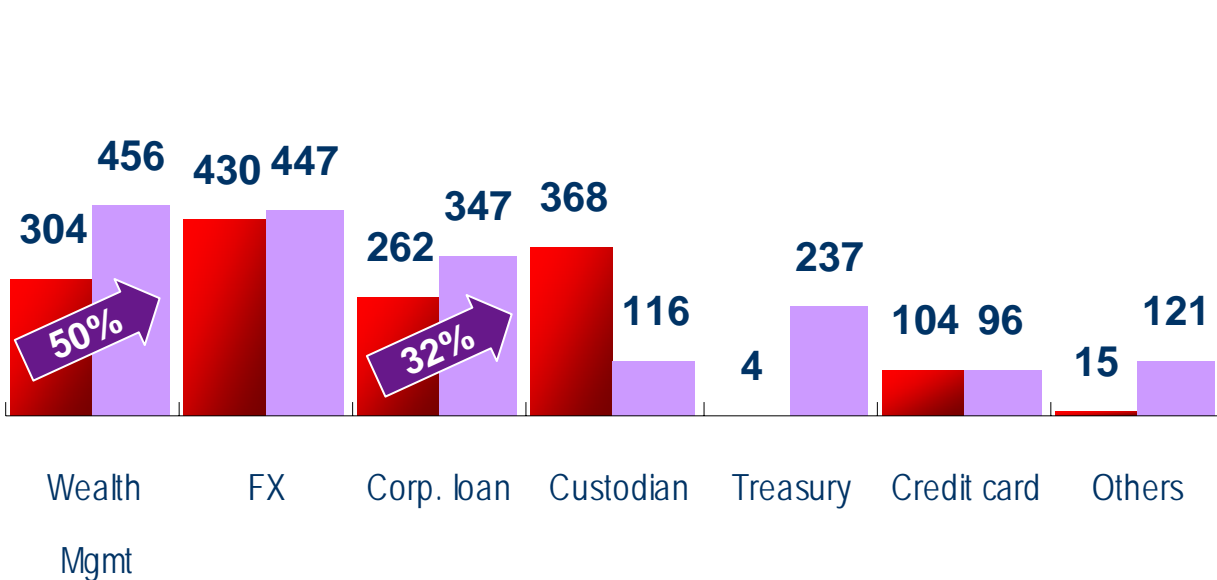
\*\* Management fee of trust account derived from wealth management product sales

# Strong WM & corp. banking related fee income

Mega Bank 1Q/2008 gross fee income breakdown

Unit: NT\$MN

■ 1Q/07    ■ 1Q/08



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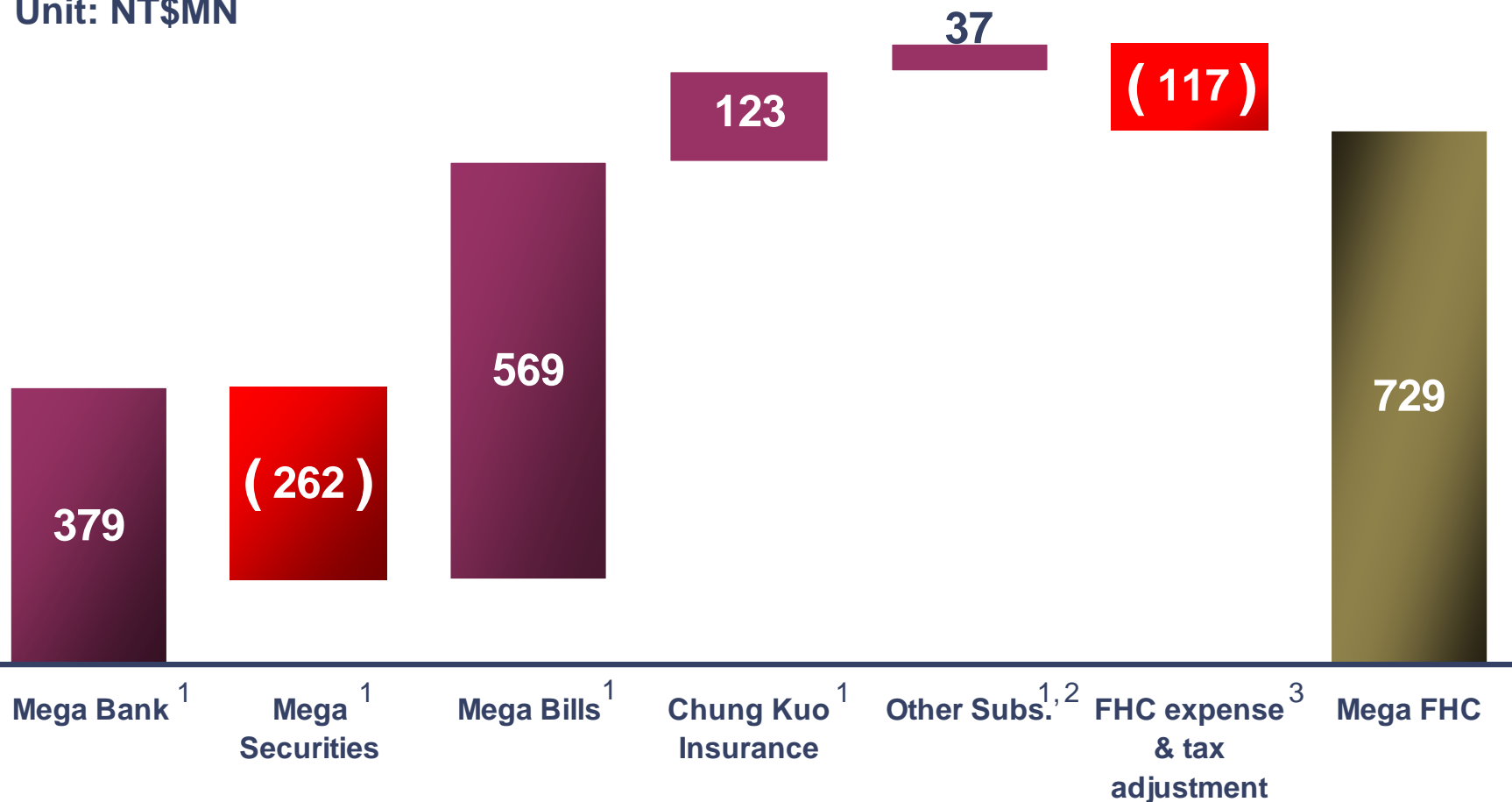


**Appendix**

# 1Q/2008 earning breakdown by subsidiaries

1Q/08 earning contribution by sub.

Unit: NT\$MN



1. Audited subsidiary earning deducts employee bonus and inter-subsidiaries adjustments; includes CBO related provisions

2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega CTB VC

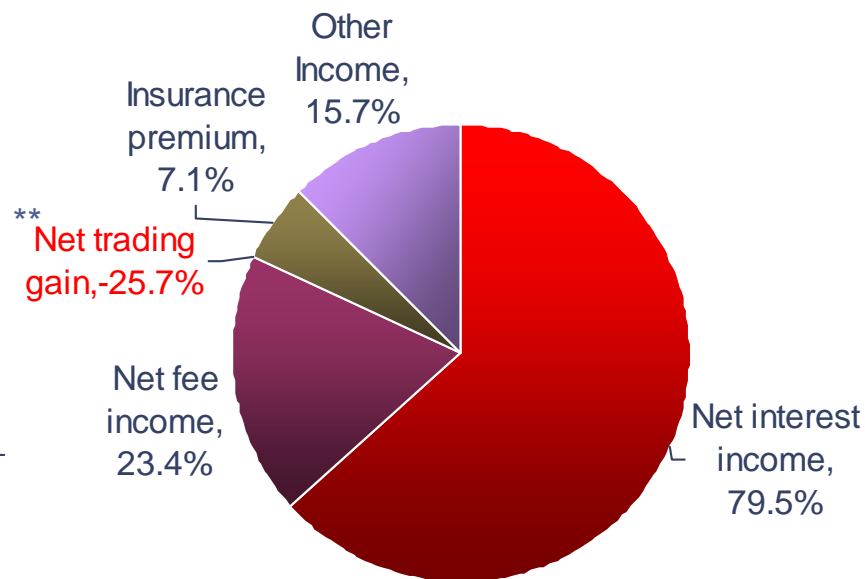
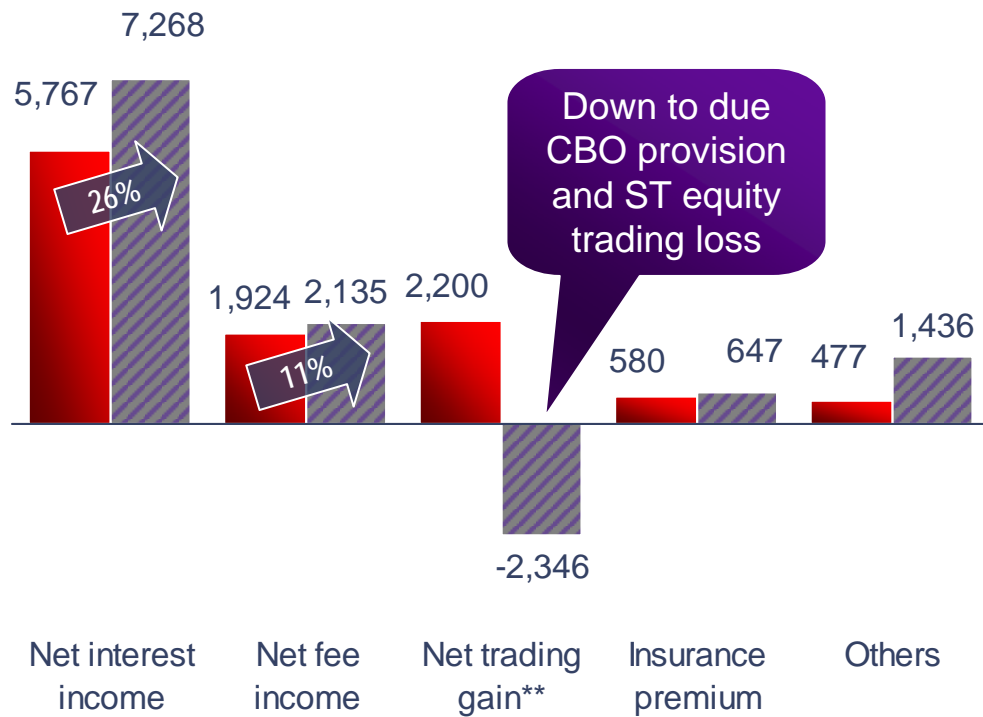
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

# Increases in NII & fee offset the CBO provision impact

1Q/07 vs. 1Q/08 net revenue \*

1Q/2008 net revenue breakdown

■ 1Q/07    ■ 1Q/08    Unit: NT\$MN

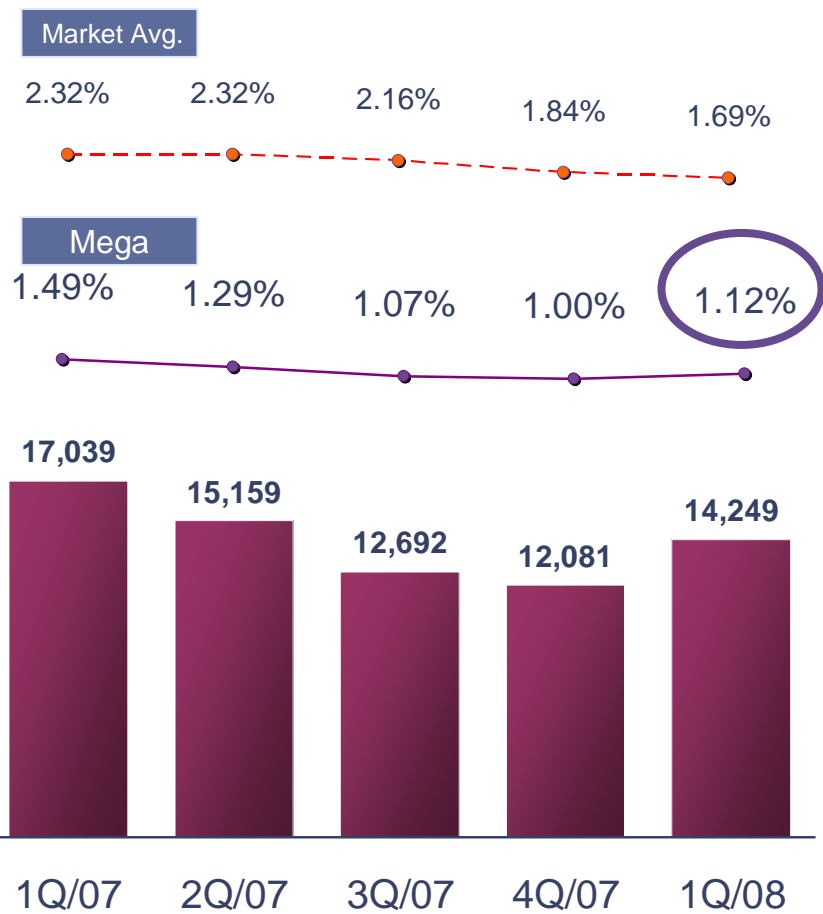


\* Audited figures

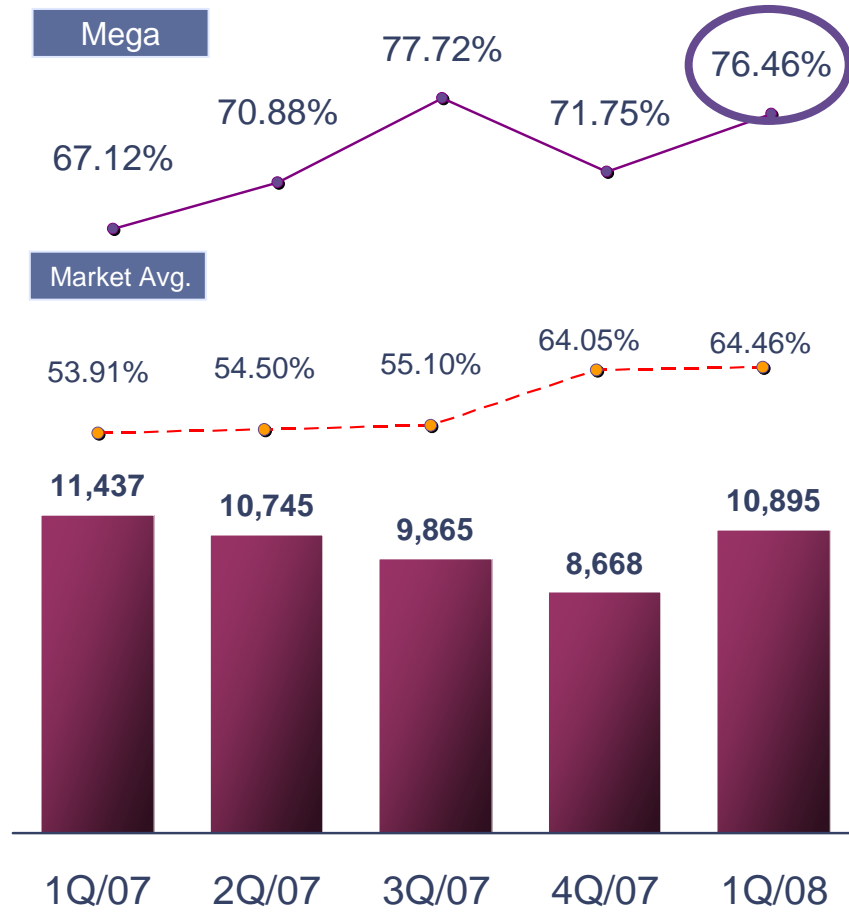
\*\* Net trading gain includes short-term, AFS, HTM, equity method assets, property, FX trading gain & asset impairment loss

# Maintaining low NPL ratio while increasing coverage ratio

## NPL balance & NPL ratio\*



## Loan loss reserved and coverage ratio\*



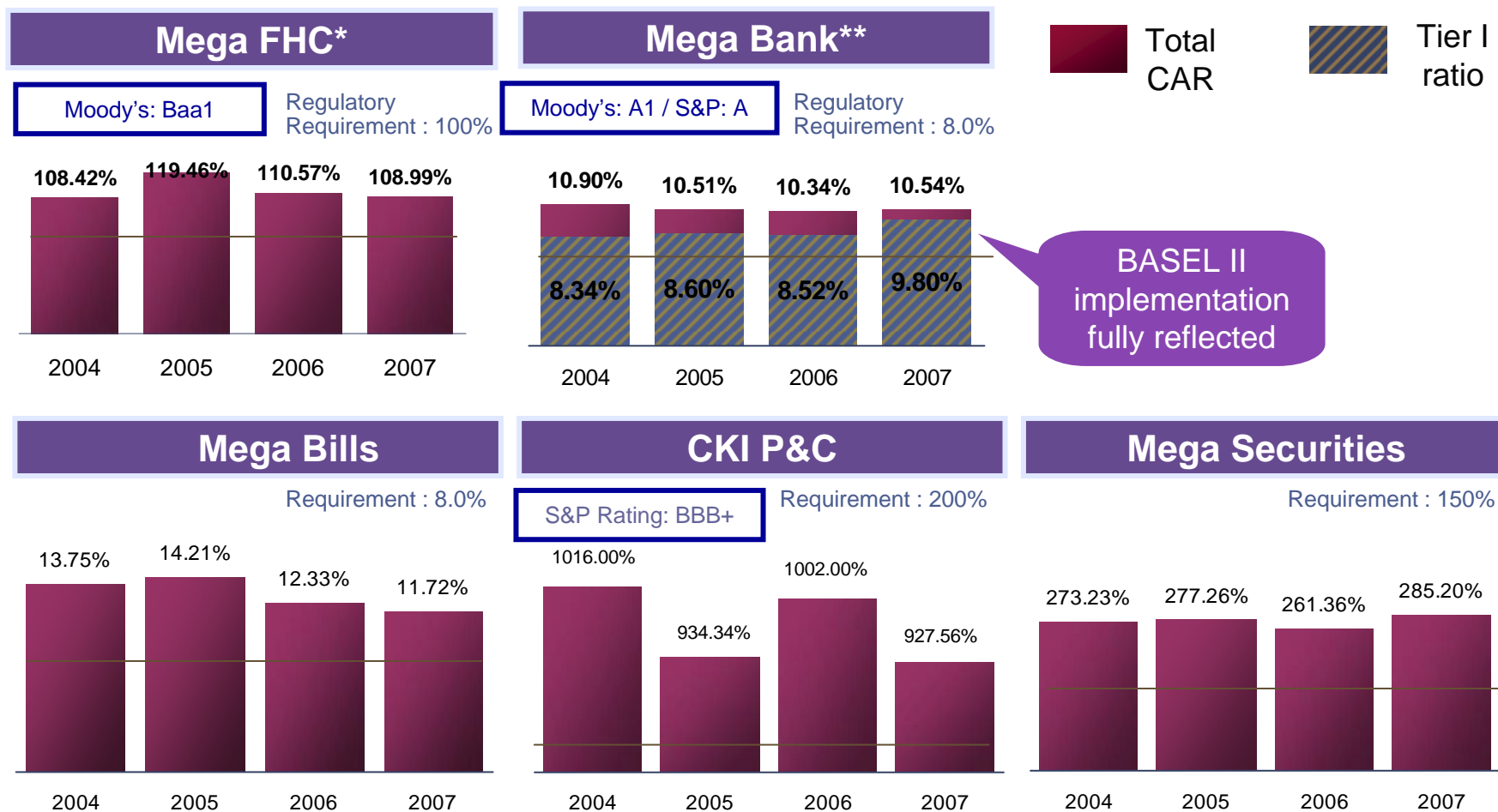
Unit: NT\$MN

Unit: NT\$MN

\* 90 days standard

\*\* market average: Banking Bureau of Taiwan

# Conservative balance sheet position

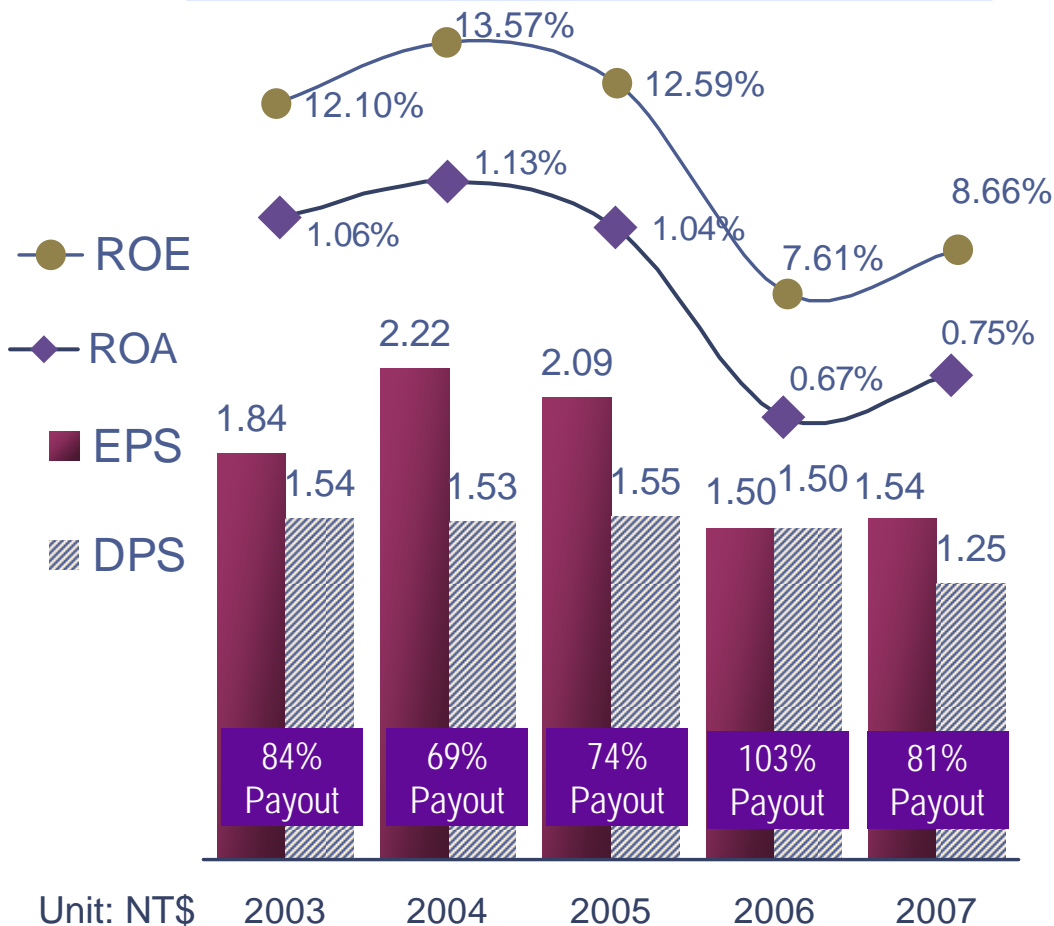


\* Net of investments in subsidiaries

\*\*2005 and prior numbers are ICBC and CTB historical numbers combined

# Focus on providing consistent yields for investors

## Key Earning Metrics



- ❖ Mid-term ROE target of 10~12%
- ❖ Mid-term ROA target of >1%
- ❖ To increase our ROE and prevent over-inflated capital base, we have paid 100% cash dividend in the last 4 years.
  - ◆ Committed to pay out >70%
  - ◆ 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.

\* DPS are all distributed in cash form



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**Financial Performance**



**Appendix**

# 1Q/08 Mega FHC consolidated P&L statement

<i>NT\$MN, except per share data</i>	1Q/08*	1Q/07*	YoY	2007*
Net interest income	7,268	5,767	26%	26,296
Net fee income	2,135	1,924	11%	9,327
Insurance premium	647	580	12%	1,167
ST Trading gain	-7,098	3,329	-313%	4,545
Available for sales asset gain	276	222	24%	2,508
Hold to maturity asset gain	0	0	0%	0
Equity method investment gain	50	100	-50%	190
Property investment gain	7	44	-84%	22
FX gain (spread)	8,068	-1,095	-837%	2,753
Asset impairment	-3,649	-400	812%	-2,123
Other income	1,436	477	201%	2,250
Operating income	9,140	10,948	-17%	46,935
Operating expense	-4,962	-4,653	7%	-20,235
Pre-provision operating profit	4,178	6,295	-34%	26,700
Provision expense on loan	-2,440	-2,523	-3%	-6,601
Reserved on insurance	-216	-251	-14%	-67
Pretax profit	1,522	3,521	-57%	20,032
Tax	-794	-650	22%	-2,918
Net profit	729	2,872	-75%	17,114
EPS (NT\$)	0.07	0.26	-73%	1.54

\* 1Q/08 & 1Q/07 numbers are audited numbers

# 1Q/08 Mega FHC consolidated balance sheet

NT\$MN	1Q/08*	1Q/07*	YoY	2007*	YTD
<b>Assets:</b>					
Cash and due from banks	283,535	138,978	104%	349,728	-19%
Securities, net	600,059	650,084	-8%	590,241	2%
A/R, net	136,237	120,263	13%	123,959	10%
Loan, net	1,278,909	1,144,671	12%	1,210,580	6%
Equity method LT investments, net	2,624	3,235	-19%	2,583	2%
Land, premises and equipments, net	23,776	24,851	-4%	24,233	-2%
Others	10,557	11,949	-12%	9,515	11%
<b>Total assets</b>	<b>2,335,697</b>	<b>2,094,029</b>	<b>12%</b>	<b>2,310,834</b>	<b>1%</b>
<b>Liabilities</b>					
Due to banks	416,936	253,155	65%	412,969	1%
Deposits	1,236,864	1,091,806	13%	1,232,608	0%
Bond payable	36,758	42,810	-14%	33,216	11%
Bills & bonds sold under repurchase agreement	251,802	320,318	-21%	246,996	2%
Other liabilities	197,440	182,821	8%	190,394	4%
<b>Total liabilities</b>	<b>2,139,800</b>	<b>1,890,910</b>	<b>13%</b>	<b>2,116,183</b>	<b>1%</b>
<b>Total stockholders' equity</b>	<b>195,897</b>	<b>203,119</b>	<b>-4%</b>	<b>194,651</b>	<b>1%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,335,697</b>	<b>2,091,029</b>	<b>12%</b>	<b>2,310,834</b>	<b>1%</b>

\* Above are audited numbers

# Well established size and scale to win

1Q/2008\*  
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	2,336	1,964	73	244	14	1	9	0.07	1
Equity	196	152	16	31	5	0.8	2	0.05	1
Net Profit	0.7	0.4	-0.3	0.4	0.1	0.02	0.03	0	0
Domestic Offices	193	105	46	9	27	3	1	1	1
Overseas Offices***	35	28	4	0	3	0	0	0	0

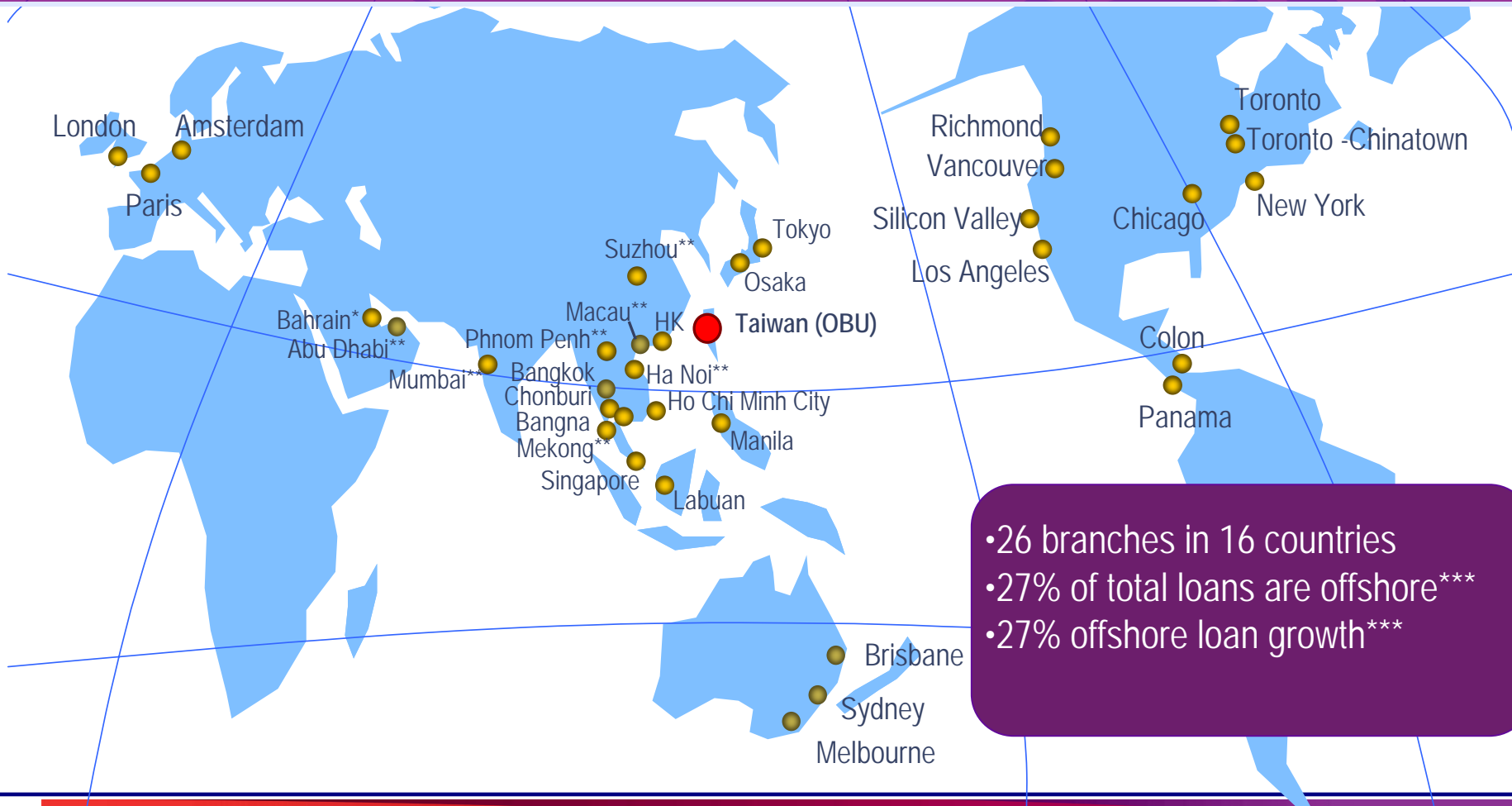
\* Audited numbers

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

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

# Mega Bank's Global Franchise

*Bridge the gap, reach the world*



- 26 branches in 16 countries
- 27% of total loans are offshore\*\*\*
- 27% offshore loan growth\*\*\*

\* Bahrain is a rep. office

\*\* Pending approval or preparing to apply bank branch / rep. office

\*\*\* As of end of 1Q/2008; offshore business includes OBU and overseas bank branches

# Mega's US subprime exposure and provision realized

## Mega US Subprime Exposure

As of end of 1Q/2008  
Unit: NT\$MN

Securities Type	Mega Group							
	Total balance	Underlying assets		Provision realized				
		Subprime exposure	Others ***	1Q/08 balance sheet	4Q/07 income statement	1Q/08 income statement	Total	% of subprime exposure
ABCP*	10,559	5,749	4,810	0	(806)	(2,878)	(3,684)	38%
RMBS**	3,841	3,841	0					
RMBS/CMO	1,494	1,494	0	(292)	(317)	(93)	(702)	47%
CDO	352	0	352	0	0	0	0	-
PPN	921	0	921	(172)		0	(172)	-
<b>Total</b>	<b>17,167</b>	<b>11,084</b>	<b>6,083</b>	<b>(464)</b>	<b>(1,123)</b>	<b>(2,971)</b>	<b>(4,558)</b>	<b>41%</b>

\* Which include only Calyon 2005-1 CBO & First Commercial Bank 2006-2 CBO, which were underwritten by Mega Bank

\*\* Above ABCP's underlying RMBS, which were bought out by Mega Bank to take necessary provision due to downgrade

\*\*\* ABCP's other underlying assets are all "blue chips" Taiwanese corp. structured bonds, such as UMC, Taipei Fubon Bank, President Group, Pou Chen Group and etc.