



兆豐金控  
Mega Holdings

**3Q / 2008** (v.1)

## **Investor Presentation**



# Agenda

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**Operation Highlights**



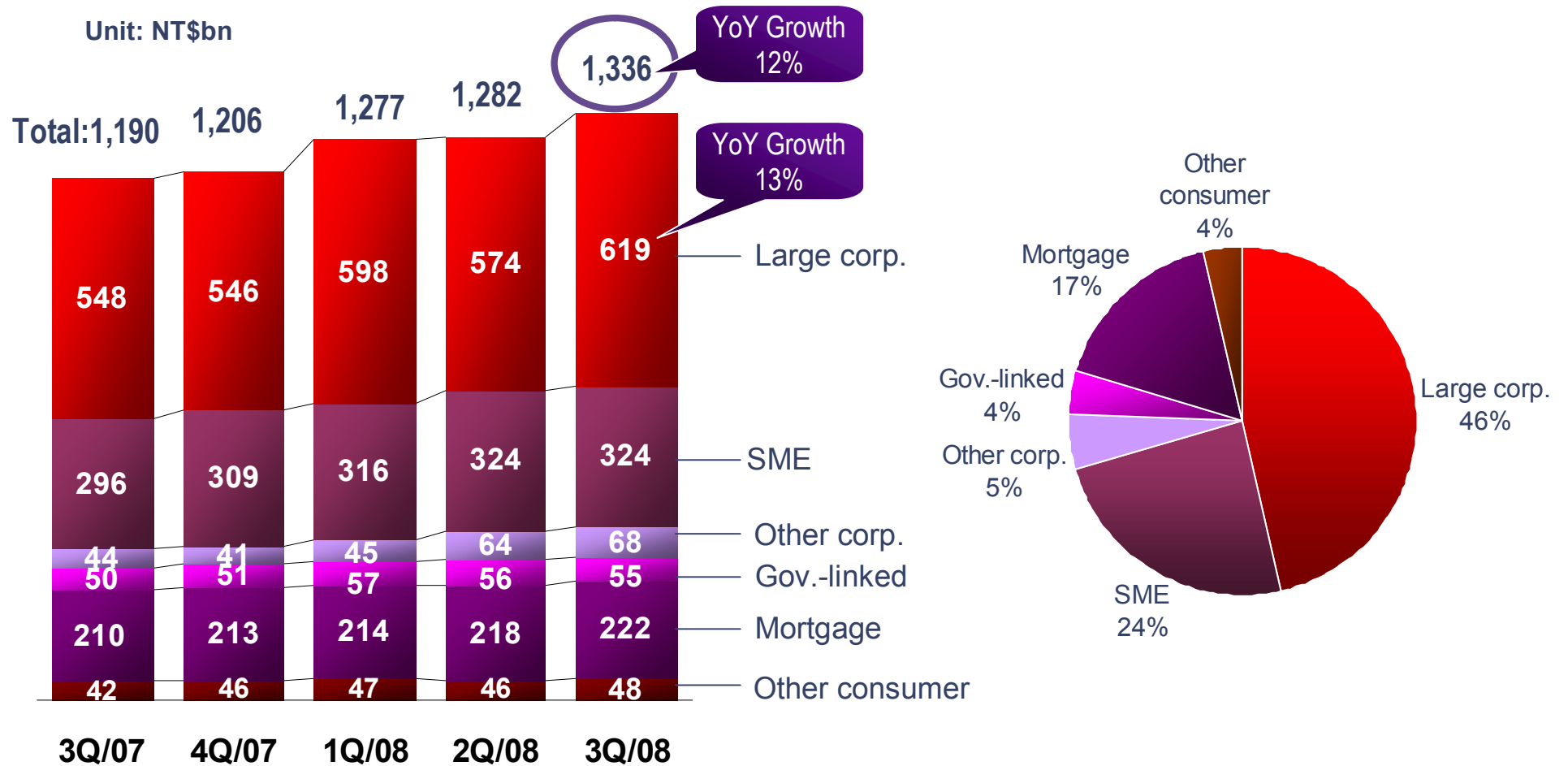
**Financial Performance**



**Appendix**

# Large corps loan grew as corps utilize more ST credit line and syndication loan; SME loan remained flat

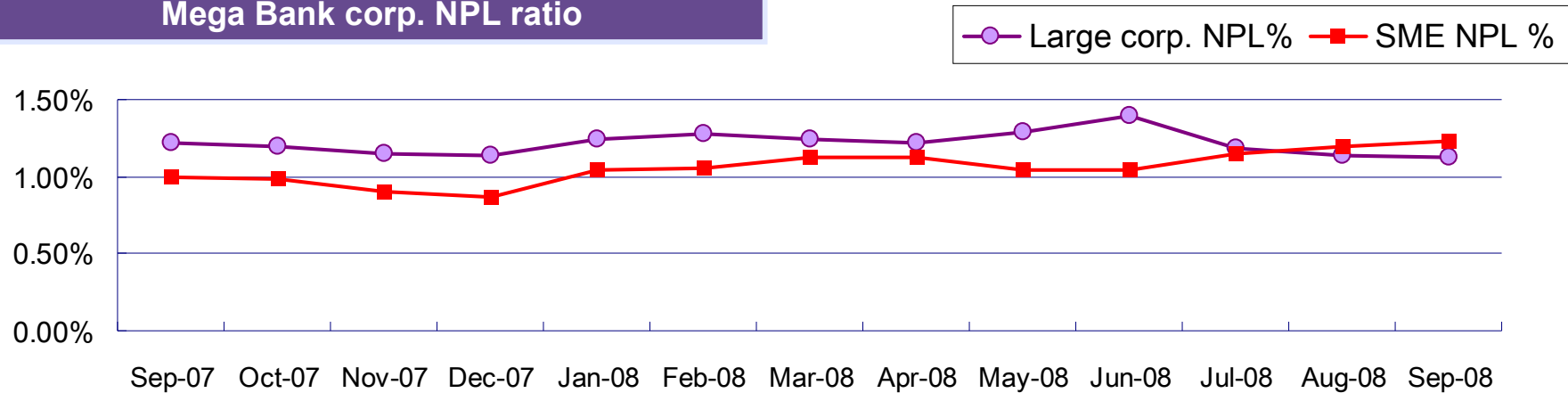
Mega Bank 3Q/08 loan breakdown by customer segment \*



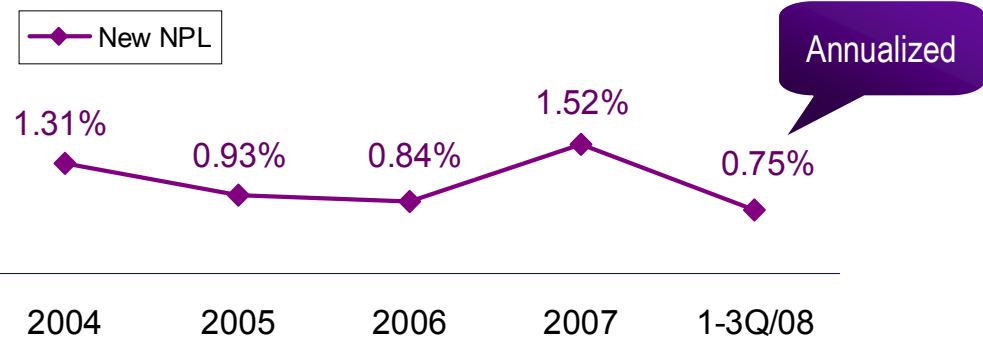
\* Mega Bank quarterly end balance, includes loan, factoring, A/R financing, L/C but excludes guarantee

# Corp NPL and new NPL ratio show little sign of asset quality deterioration

Mega Bank corp. NPL ratio



Mega Bank new NPL as % of total loan \*



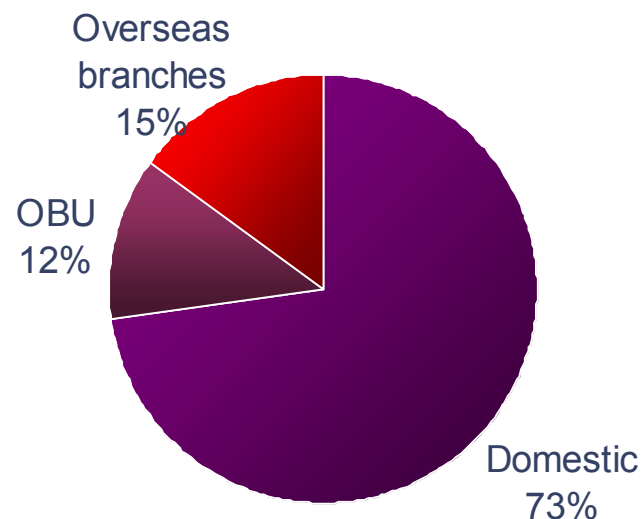
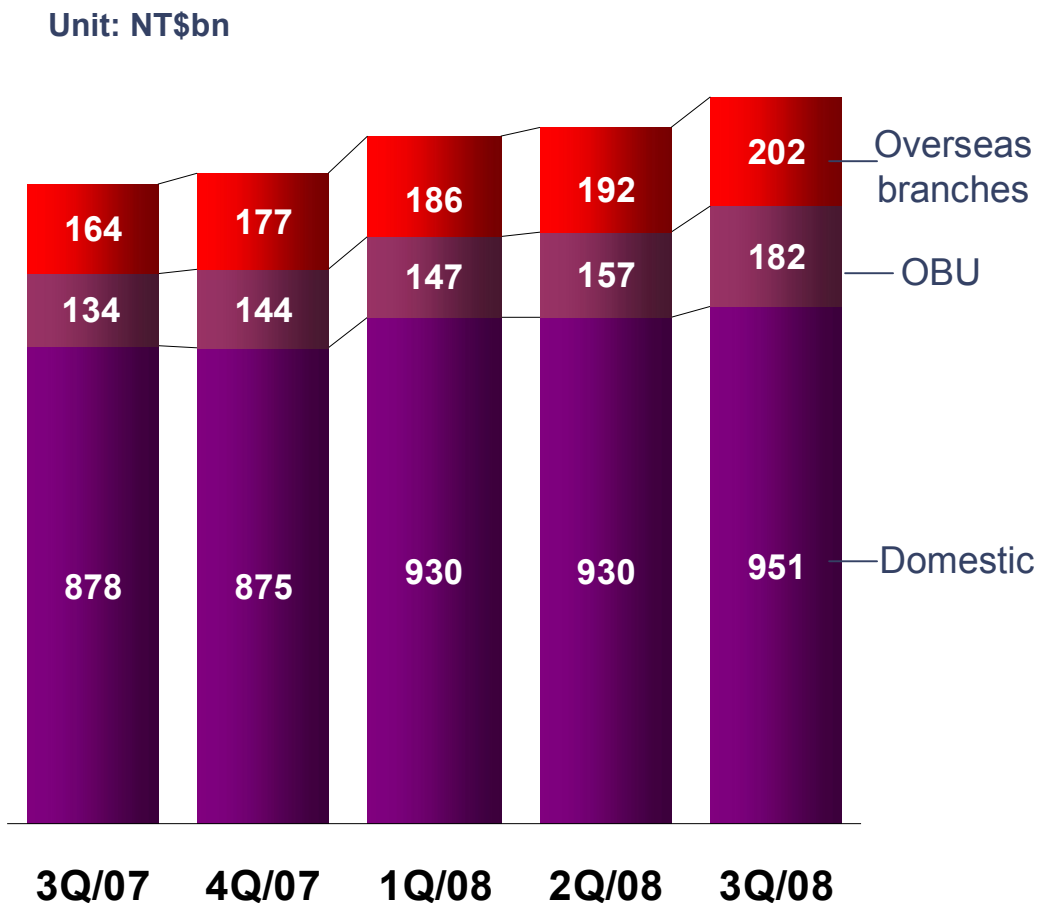
- ❖ Corp NPL ratio remains stable.
- ❖ New NPL ratio is at the lowest in the last 5 years.
- ❖ However, we expect slower loan growth ahead and higher loan rate mark-up to reflect higher credit risk due to global econ. slow down.

\* Mega Bank Internal number, does not include credit card revolving balance; 1-3Q/08 number is annualized number

# OBU customers are mainly TW corps with high quality parent companies in Taiwan

Mega Bank 3Q/08 loan breakdown by region \*

Unit: NT\$bn



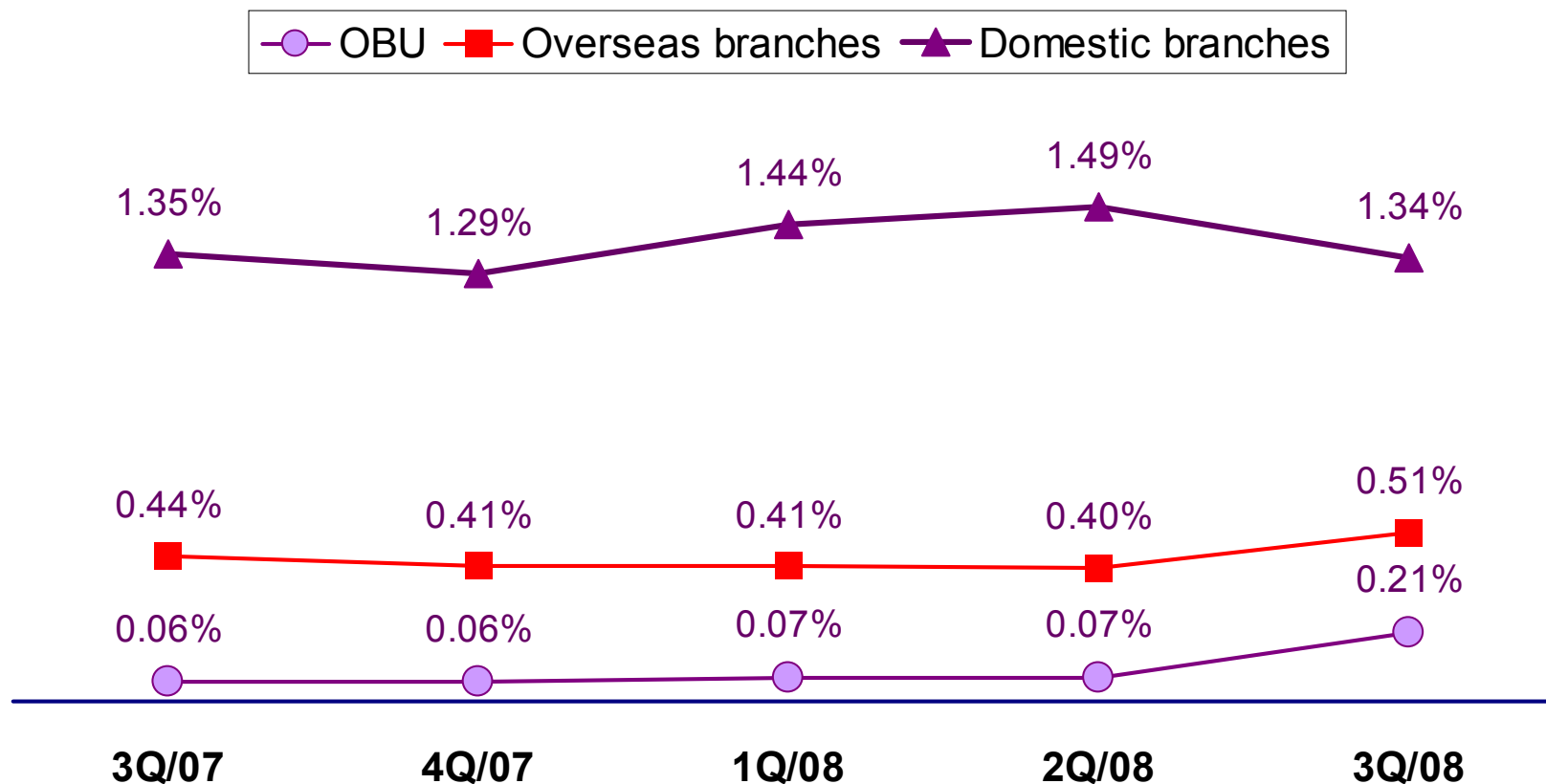
- ❖ All overseas / OBU loans are corp loans, mainly Taiwanese corps.
- ❖ No consumer / mortgage loans.
- ❖ Most OBU customers have parent companies in TW, which acted as guarantor.
- ❖ Recent growth was driven by large corps tap into ST credit line and syndication loans to beef up cash position amid tight credit market.

\* 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 ratio is up slightly but remains relatively low compared with domestic loan

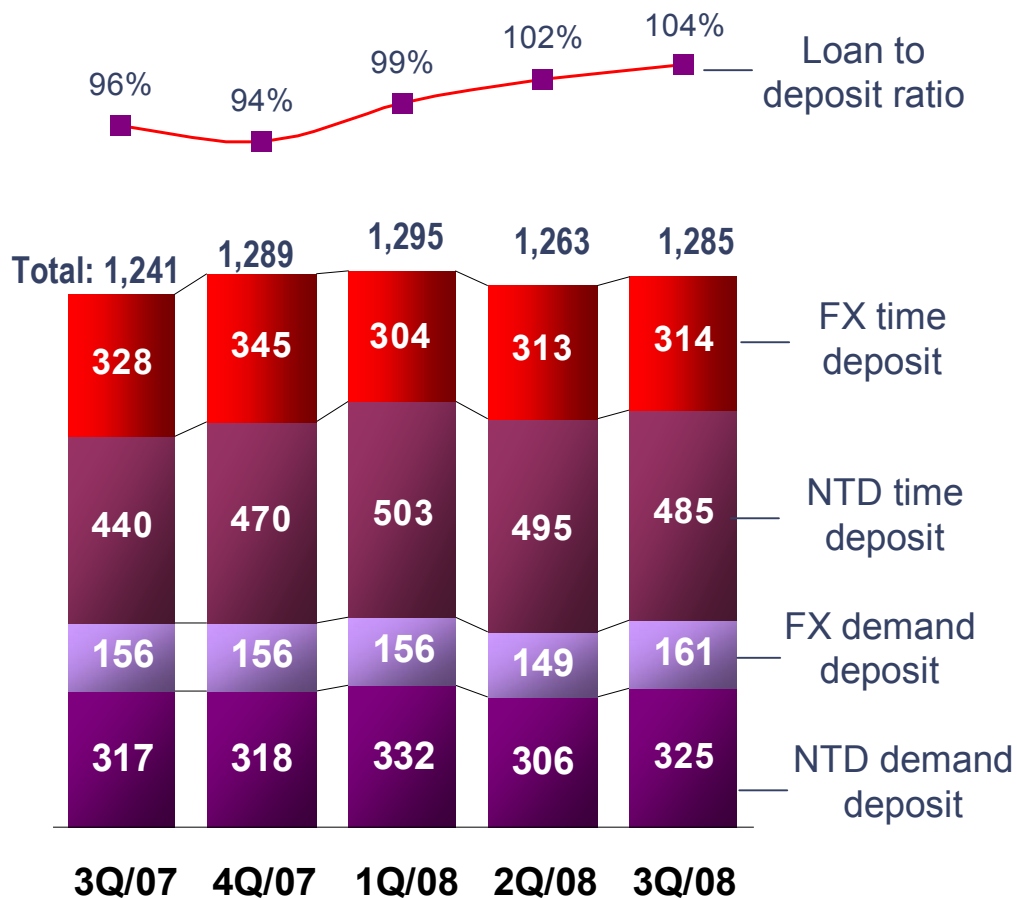
Mega Bank NPL ratio by regions



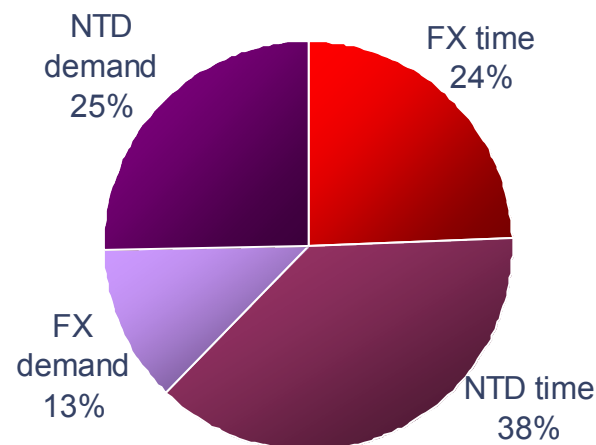
# Unique funding structure, which yields higher actual LDR; Other funding includes CBC deposit, Post re-deposit & debt

Mega Bank's LDR & deposit balance

Unit: %; NT\$bn



Mega Bank's deposit breakdown

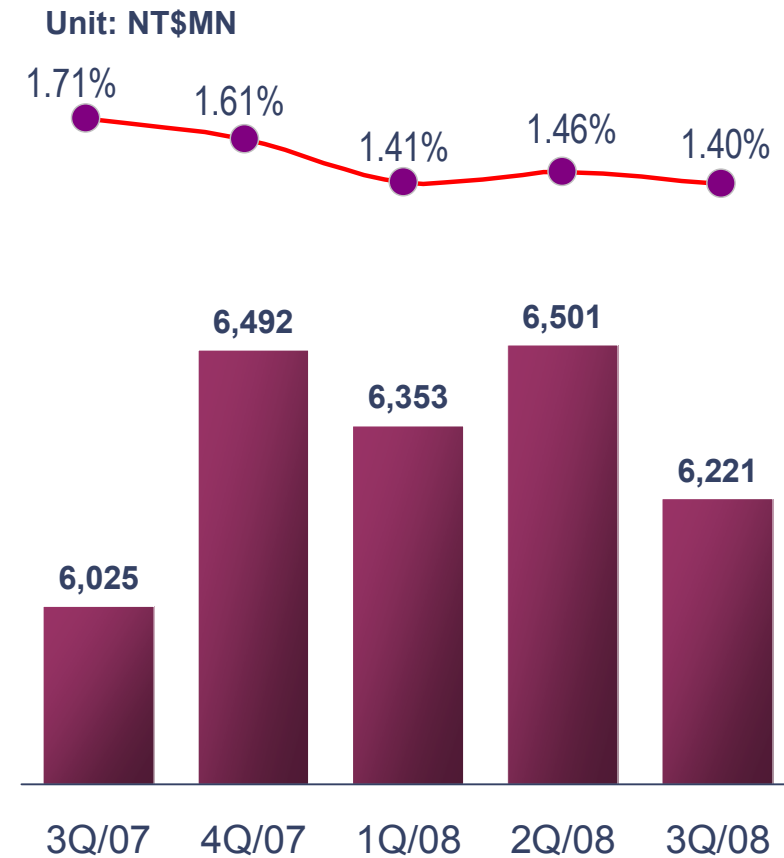


- ❖ Mega is generally operated with excess funding.
- ❖ Besides deposit, other funding sources include, Central Bank's large FX deposit (NT\$301b), Chungwa Post re-deposit (NT\$75b), bank debenture & CP (NT\$32b) and inter-bank funding when needed.\*

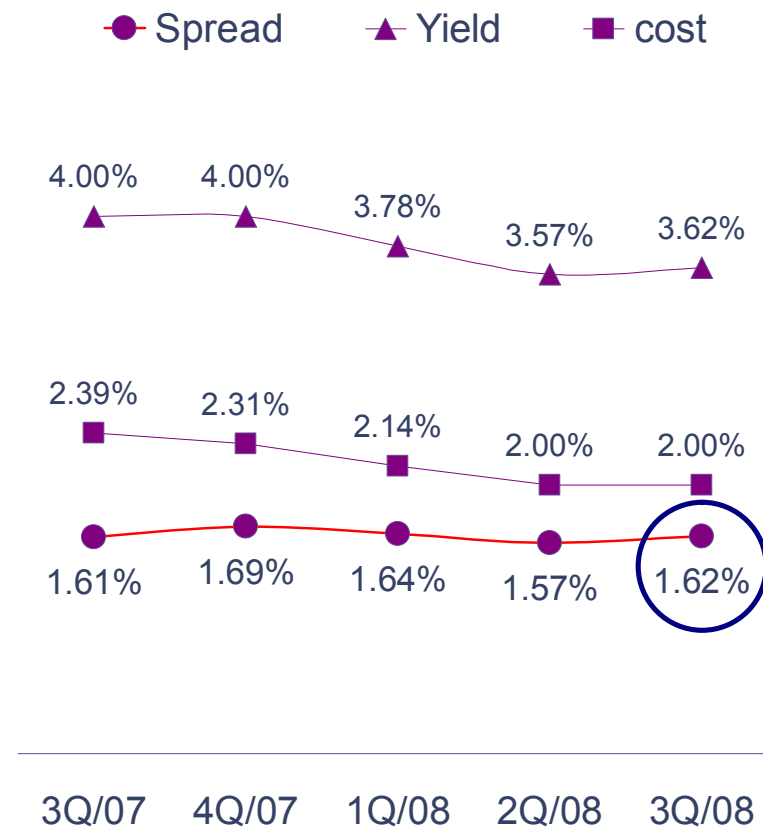
\* As of end of 3Q/08; Post re-deposit is mainly used for gov. sponsored project finance, such as Taiwan High Speed Railway & etc.

# NIM is down due to lower interest-earning investment yield; while loan interest spread improves

**Mega Bank NIM & NII \***



**Mega Bank loan interest spread\***



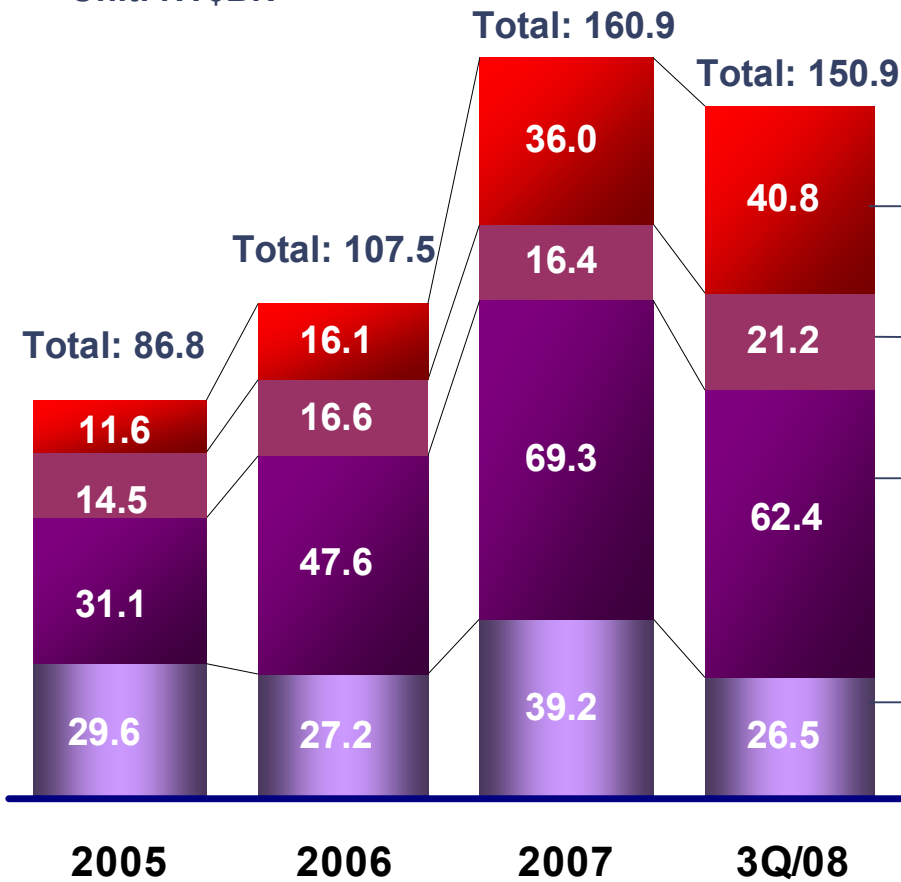
\* Mega Bank internal numbers; NIM (Net interest margin) = Net interest income / average interest earning assets;  
NII is net interest income



# Mutual funds sales is down, while demand for principal protection structured note increases

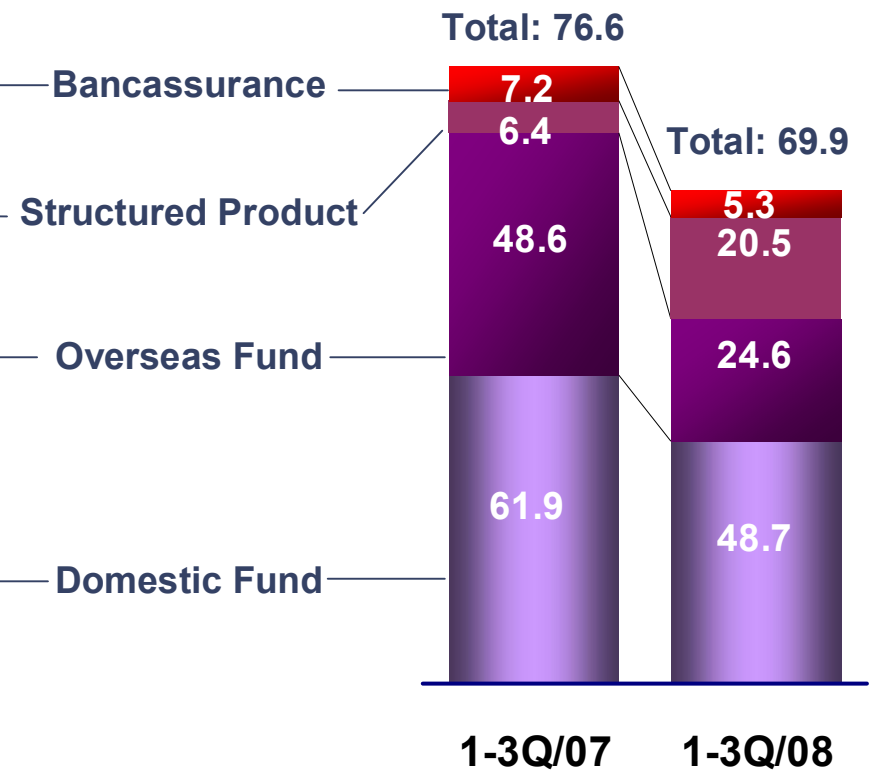
**Mega wealth management AUM**

Unit: NT\$BN



**Mega wealth management sales**

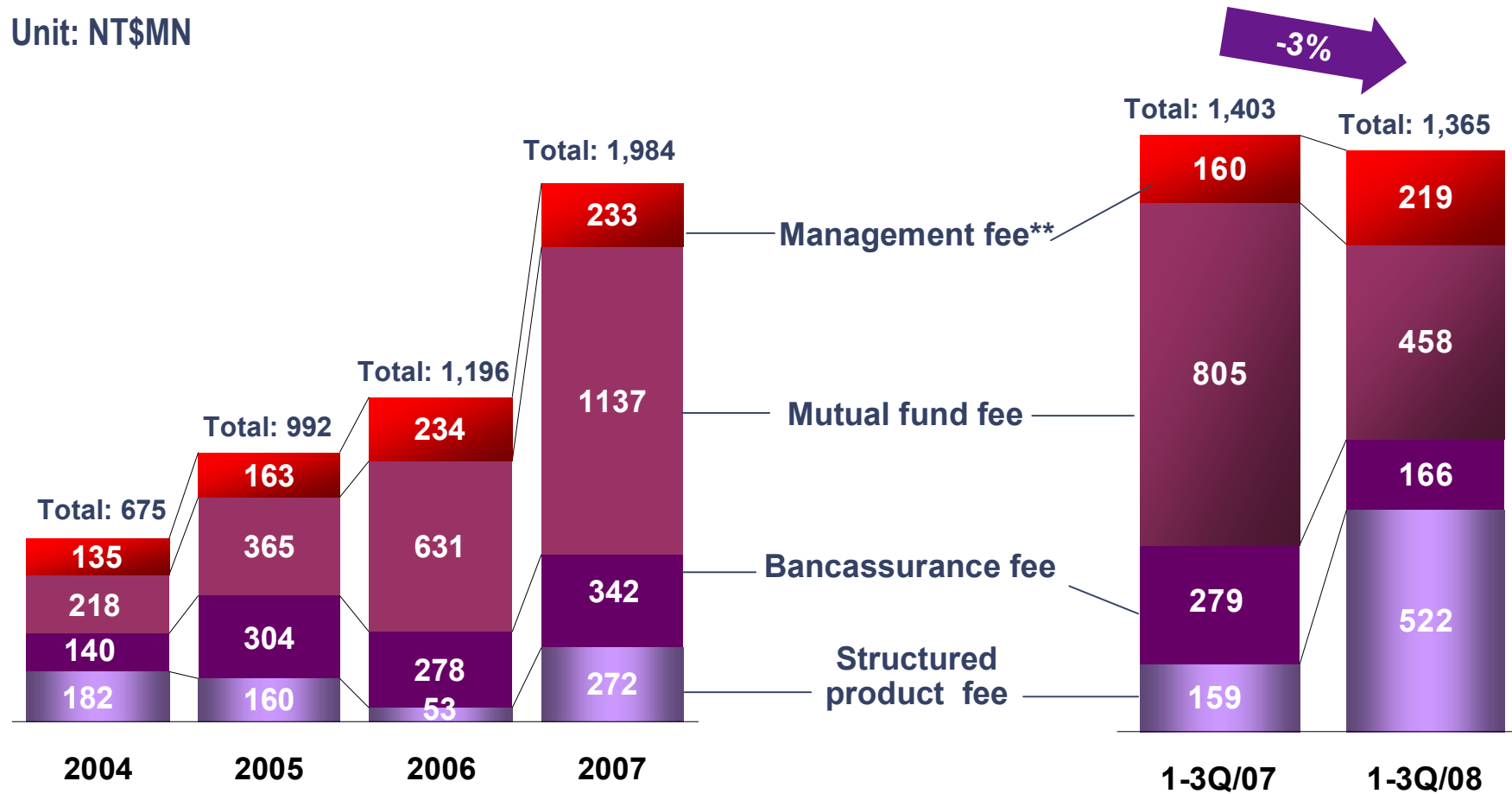
Unit: NT\$BN



# ... helped to maintain WM fee despite slow global equity market

Mega wealth management net fee income breakdown by product \*

Unit: NT\$MN



\* Mega Bank internal data only

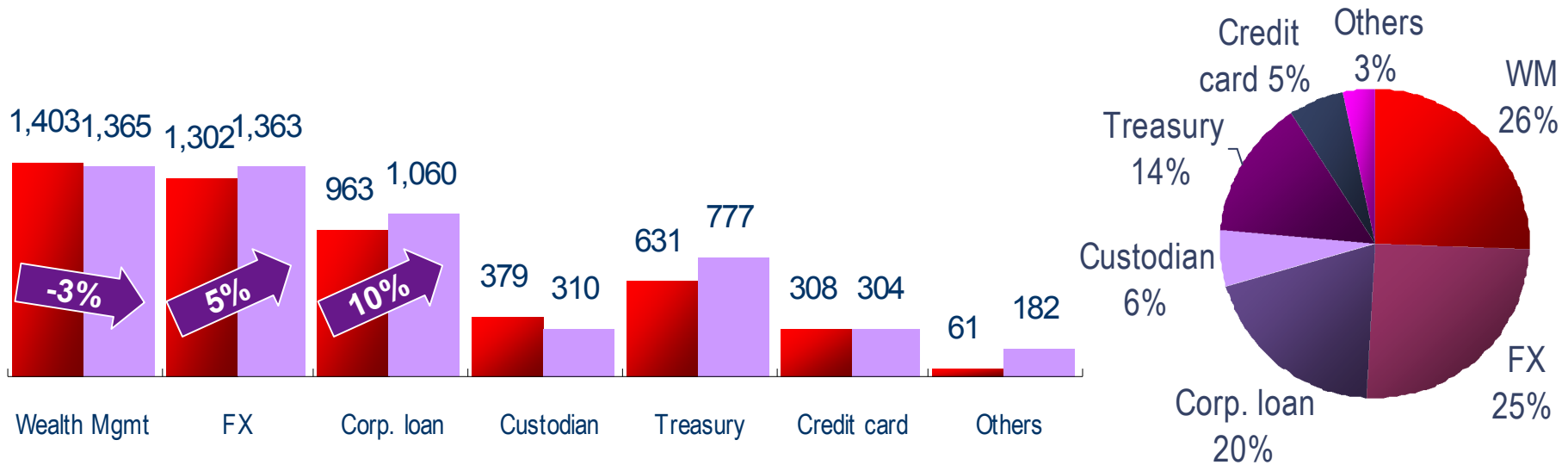
\*\* Management fee of trust account derived from wealth management product sales

# Strong FX & corp. banking related fee income

Mega Bank 1-3Q /2008 gross fee income breakdown

Unit: NT\$MN

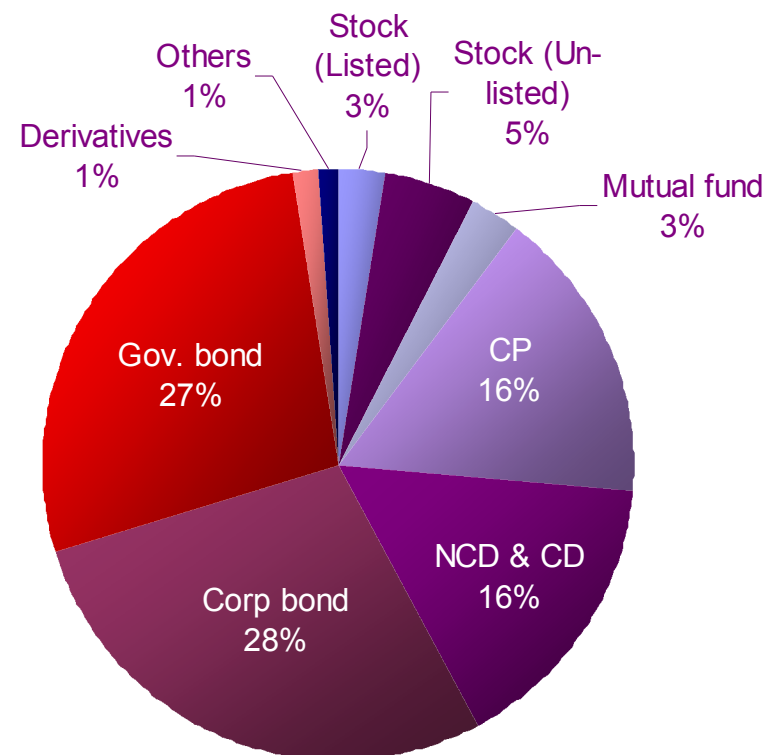
■ 1-3Q/07    ■ 1-3Q/08



# Relatively conservative investment portfolio mix

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

	3Q/08	3Q/07
Stock (Listed) <sup>2</sup>	13	28
Stock (Un-listed) <sup>3</sup>	24	26
Mutual fund	15	24
CP	81	90
NCD & CD	79	78
Corp bond <sup>4</sup>	141	142
Gov. bond <sup>5</sup>	137	165
Derivatives	7	3
Others	5	8
<b>Total</b>	<b>502</b>	<b>564</b>



Note:

1. Source: sum of short-term, available for sale & hold to maturity financial assets from 1-3Q/08 audited B/S.
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**

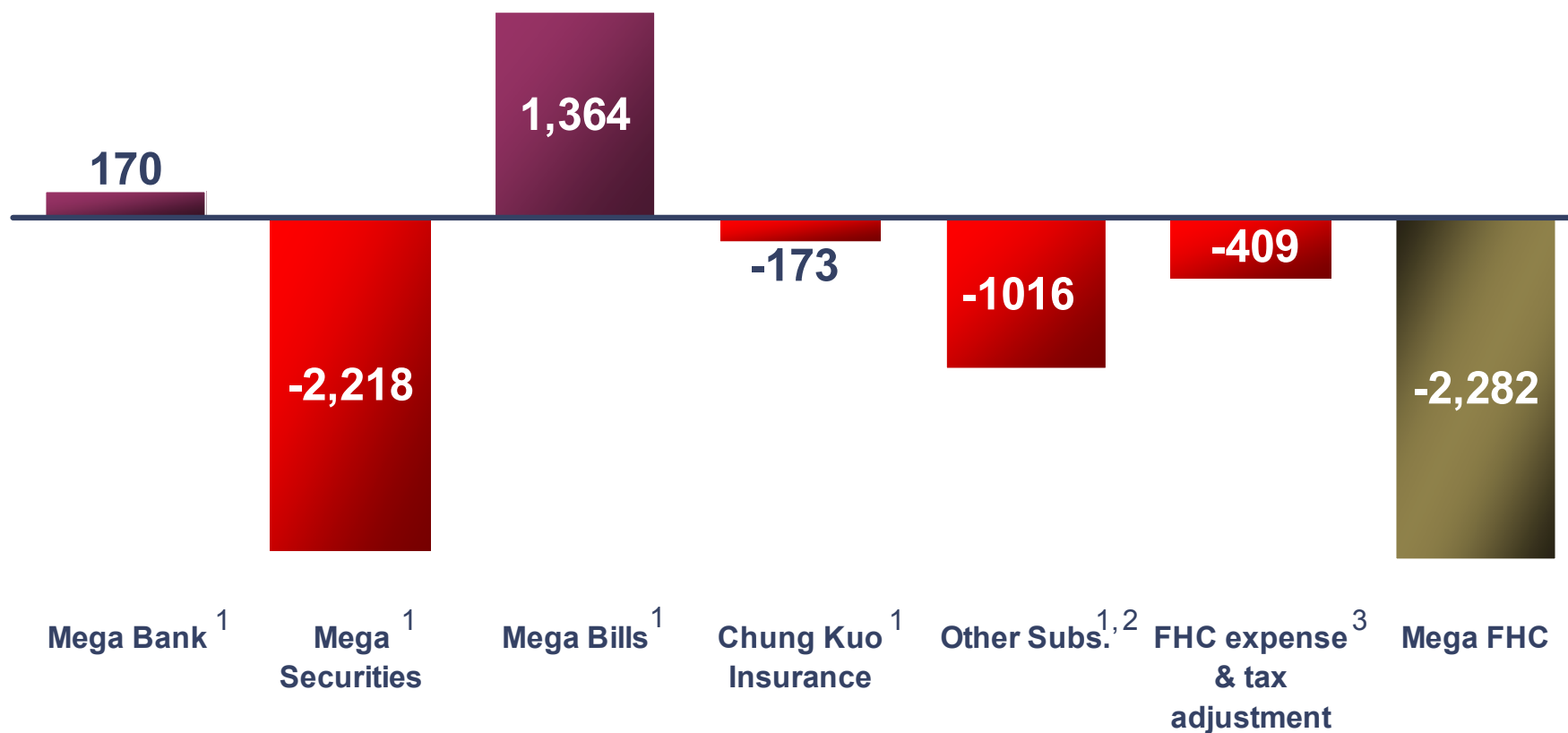


**Appendix**

# 1-3Q/2008 earning breakdown by subsidiaries

1-3Q/08 earning contribution by sub.

Unit: NT\$MN

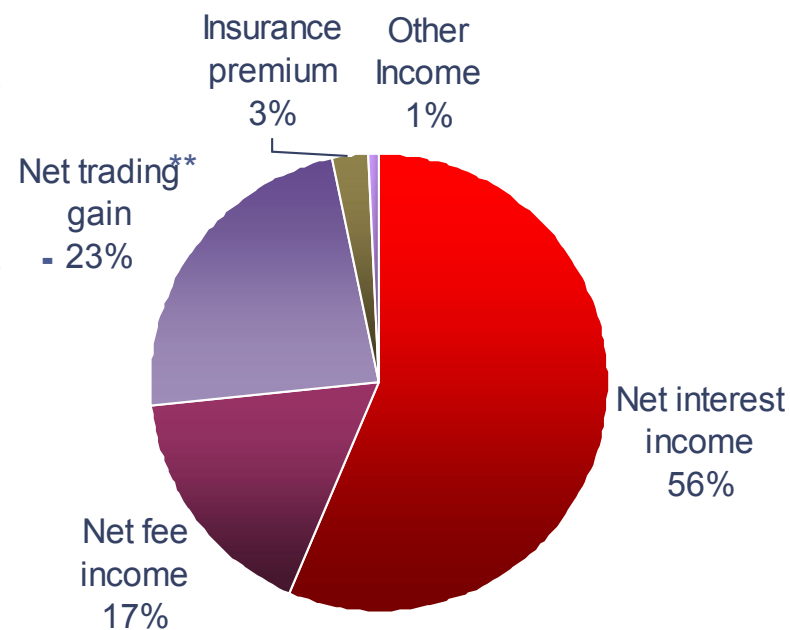
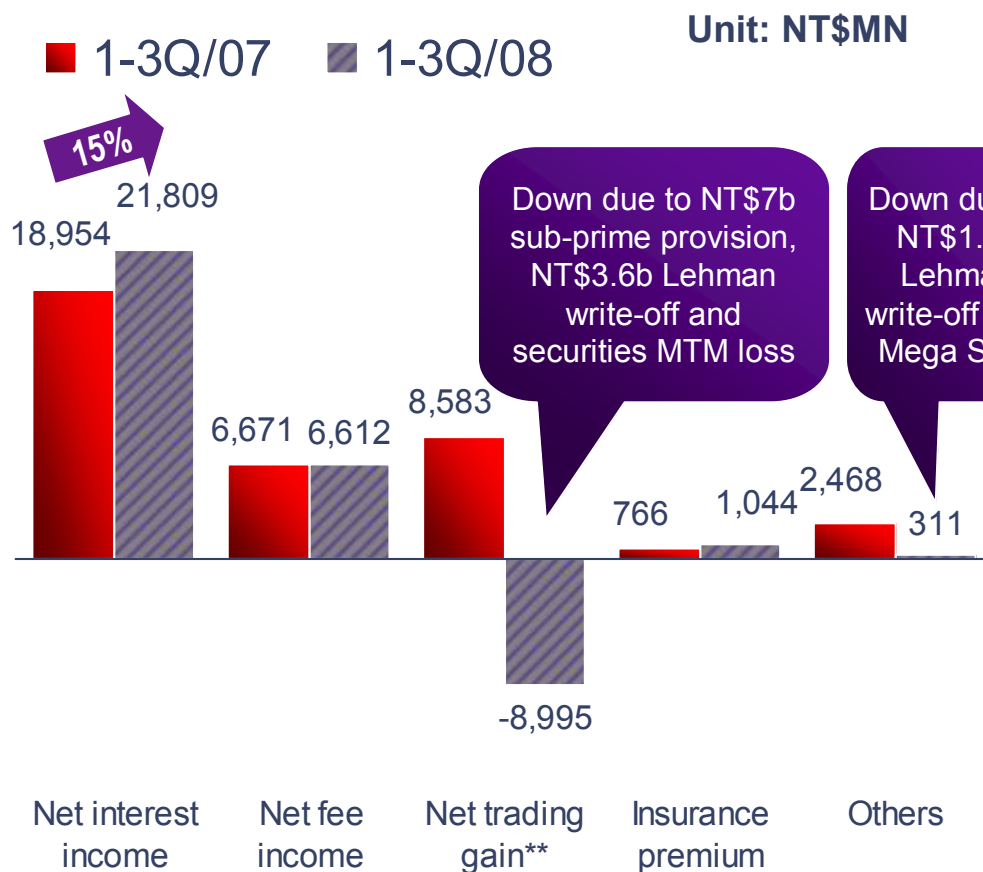


1. Audited subsidiary earning deducts employee bonus and inter-subsidiaries adjustments
2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega CTB VC
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

# Interest income is up 15% YoY; fee income is flat

Mega FHC net revenue \*

Mega FHC net revenue breakdown



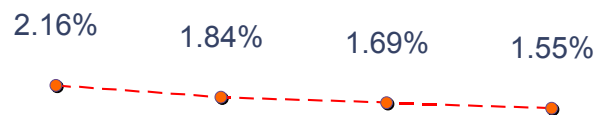
\* All are audited figures

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

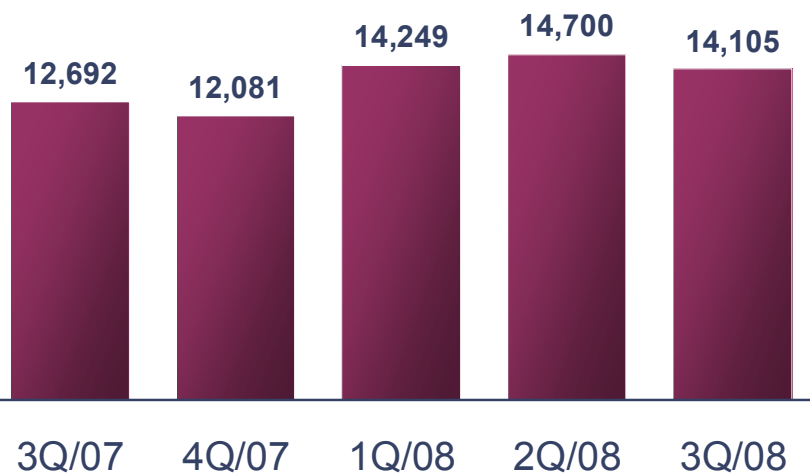
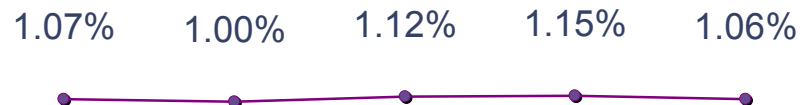
# Relatively stable asset quality so far

### Mega NPL balance & NPL ratio\*

Market Avg.



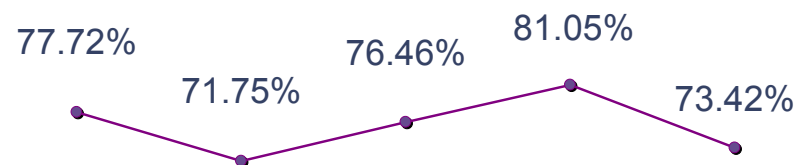
Mega



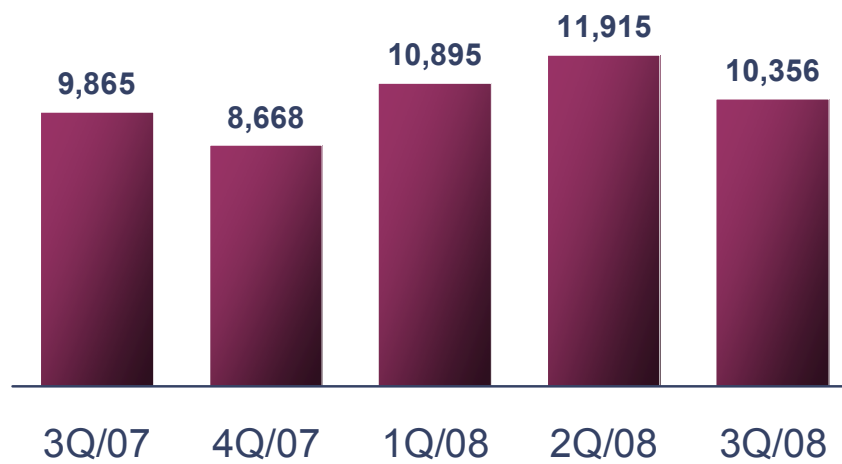
Unit: NT\$MN

### Mega Loan loss reserved and coverage ratio\*

Mega



Market Avg.



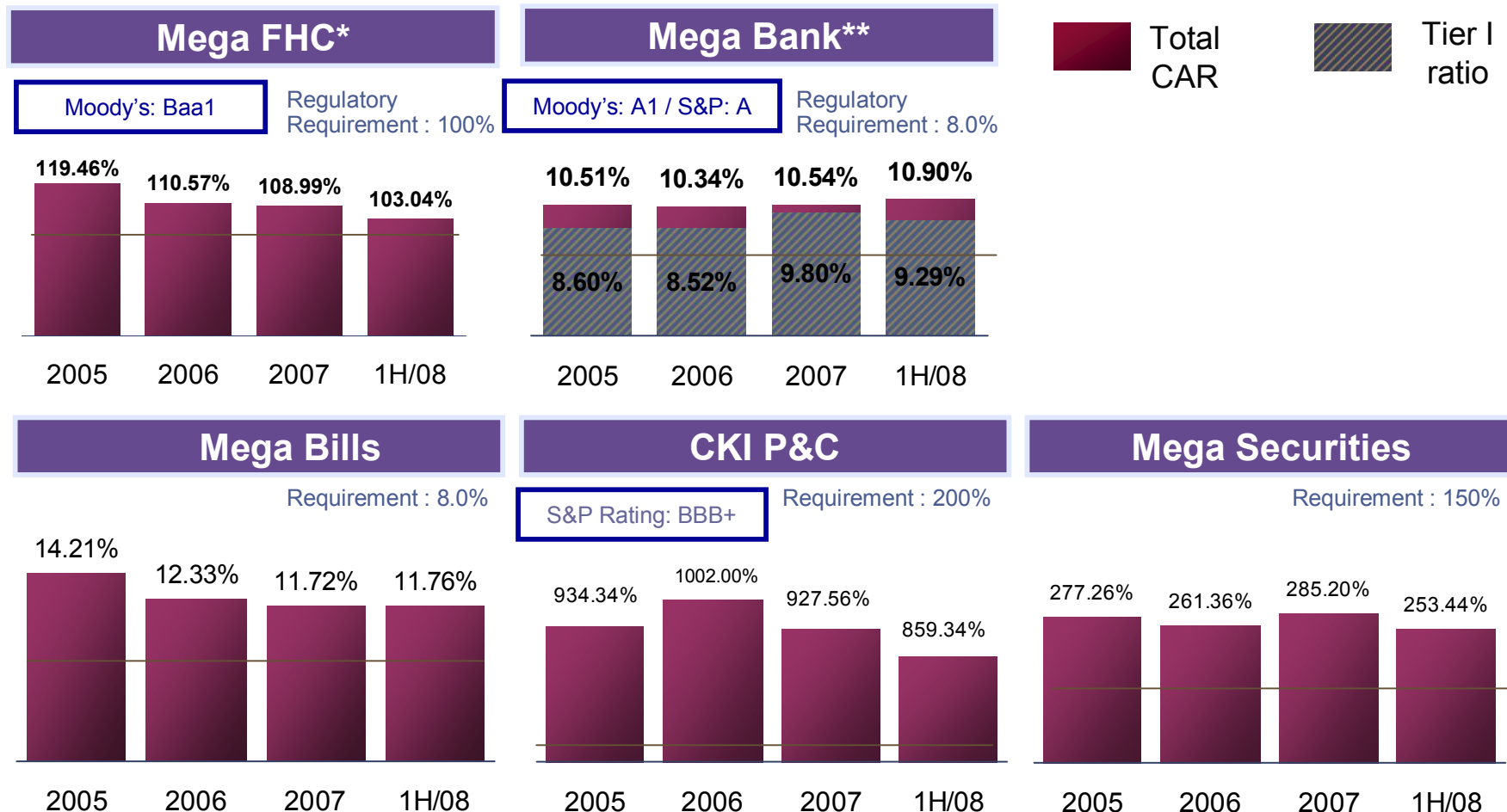
Unit: NT\$MN

\* 90 days standard

\*\* market average: Banking Bureau of Taiwan

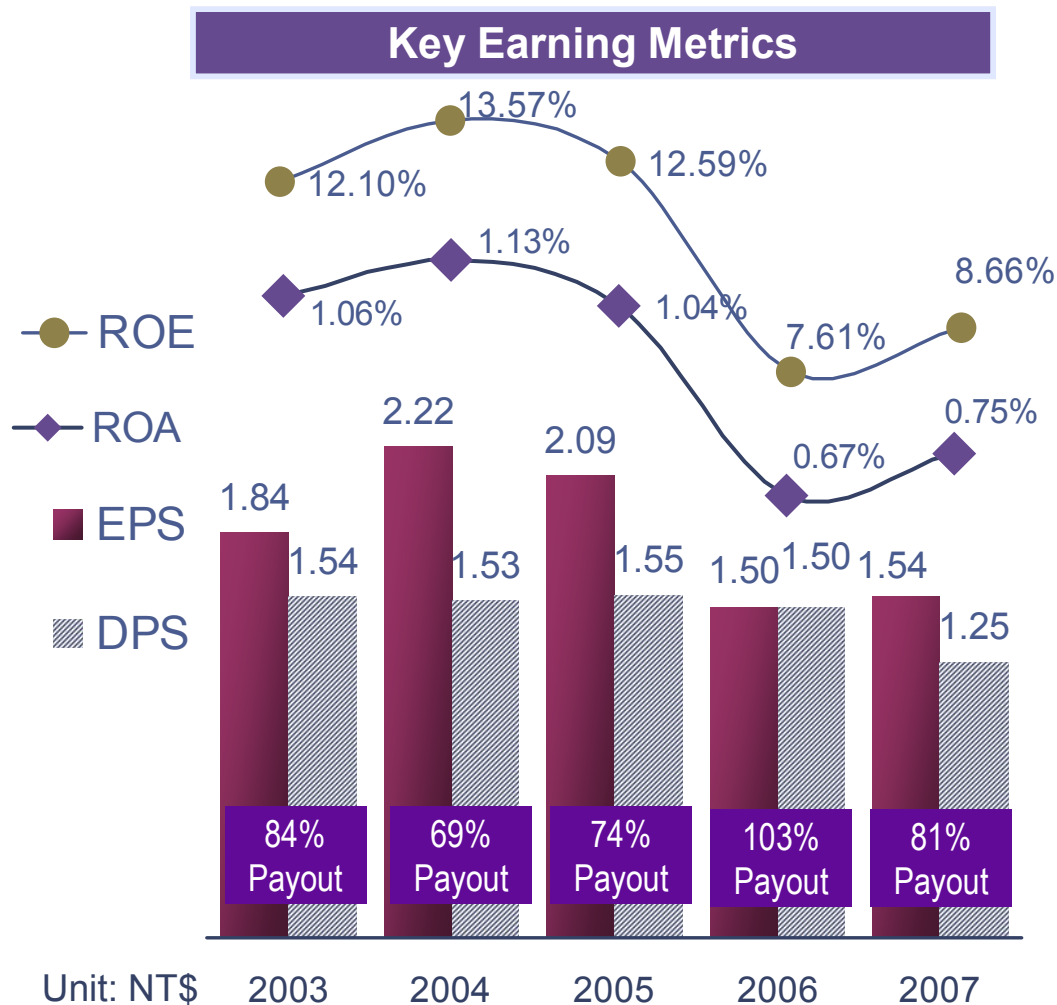


# Expect to issue sub-debt on FHC and bank level by year end to maintain optimal CAR



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

# Focus on providing consistent yields for investors



- ❖ Mid-term ROE target of 10~12%
- ❖ Mid-term ROA target of >1%
- ❖ To increase our ROE and prevent over-inflated capital base
  - ◆ 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 5% ~ 9% in the last 5 years.

\* DPS are all distributed in cash form

# 1-3Q/08 Mega FHC consolidated P&L statement

<i>NT\$MN, except per share data</i>	1-3Q/08*	1-3Q/07*	YoY	2007*
Net interest income	21,809	18,954	15%	26,296
Net fee income	6,612	6,671	-1%	9,327
Insurance premium	1,044	766	36%	1,167
ST Trading gain	-3,212	5,383	-160%	4,545
Available for sales asset gain	492	2,163	-77%	2,508
Hold to maturity asset gain	0	0	0%	0
Equity method investment gain	90	180	-50%	190
Property investment gain	17	258	-93%	22
FX gain (spread)	2,533	1,701	49%	2,753
Asset impairment	-3,303	-1,102	200%	-2,123
Other provision	-5,612	0	0%	0
Other income	311	2,468	-87%	2,250
Operating income	20,781	37,442	-44%	46,935
Operating expense	-15,226	-14,870	2%	-20,235
Pre-provision operating profit	5,555	22,572	-75%	26,700
Provision expense on loan	-5,492	-6,897	-20%	-6,601
Reserved on insurance	-341	-228	50%	-67
Pretax profit	-279	15,448	-102%	20,032
Tax	-2,045	-1,838	11%	-2,918
Minority shareholder interest	-41	36	-214%	44
Net profit	-2,282	13,574	-117%	17,070
EPS (NT\$)	-0.21	1.23	-117%	1.54

Include \$7b subprime,  
\$4.7b Lehman write-off  
& securities MTM loss

\* all are audited numbers

# 1-3Q/08 Mega FHC consolidated balance sheet

NT\$MN	1-3Q/08	1-3Q/07	YoY	2007*	YTD
<b>Assets:</b>					
Cash and due from banks	322,754	231,972	39%	349,728	-8%
Bills and bonds under RP agreement	4,342	6,689	-35%	4,766	-9%
Fin. assets at fair value through P&L	164,965	206,439	-20%	210,393	-22%
AFS financial assets	224,074	294,009	-24%	255,518	-12%
HTM financial assets	85,897	30,541	181%	90,448	-5%
Other financial assets	29,425	34,051	-14%	29,113	1%
A/R, net	127,012	124,386	2%	123,959	2%
Loan, net	1,340,802	1,191,997	12%	1,210,580	11%
Equity method LT investments, net	2,505	2,498	0%	2,583	-3%
Land, premises and equipments, net	25,531	24,694	3%	24,233	5%
Others	9,189	10,736	-14%	9,515	-3%
<b>Total assets</b>	<b>2,336,497</b>	<b>2,158,013</b>	<b>8%</b>	<b>2,310,834</b>	<b>1%</b>
<b>Liabilities</b>					
Due to banks	478,501	258,706	85%	412,969	16%
Deposits	1,230,752	1,180,667	4%	1,232,608	0%
CP & Bond payable	55,307	62,499	-12%	56,948	-3%
Bills & bonds sold under repurchase agreement	211,169	268,778	-21%	246,996	-15%
Other liabilities	187,077	194,407	-4%	166,662	12%
<b>Total liabilities</b>	<b>2,162,806</b>	<b>1,965,057</b>	<b>10%</b>	<b>2,116,183</b>	<b>2%</b>
<b>Total stockholders' equity</b>	<b>173,691</b>	<b>192,956</b>	<b>-10%</b>	<b>194,651</b>	<b>-11%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,336,497</b>	<b>2,158,013</b>	<b>8%</b>	<b>2,310,834</b>	<b>1%</b>

\* All are audited numbers

# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

# Well established size and scale to win

1-3Q/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	2,023	53	215	14	0.9	9	0.05	1
Equity	174	139	14	30	5	-0.7	2	0.04	1
Net Profit	-2.3	0.4	-2.2	1.1	-0.2	-1.5	0.3	0.01	0.008
Domestic Offices	194	106	46	9	27	3	1	1	1
Overseas Offices***	35	28	4	0	3	0	0	0	0

\* Audited numbers

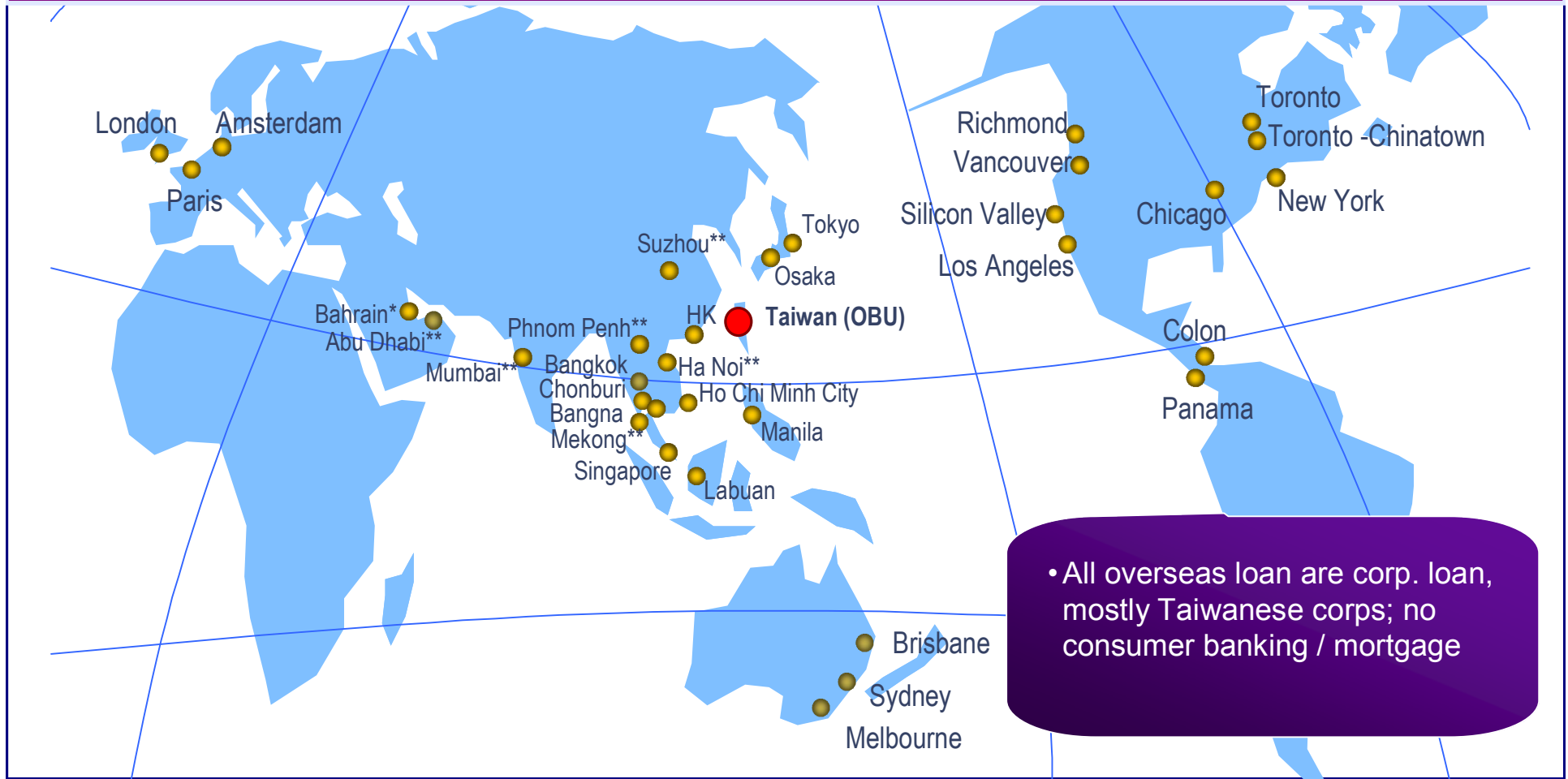
\*\* Mega FHC owns 63.52%; Mega Bank owns 32.79%

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



# Mega Bank's Global Franchise

*Bridge the gap, reach the world*



• All overseas loan are corp. loan, mostly Taiwanese corps; no consumer banking / mortgage

\* Bahrain is a rep. office

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

# Provision & write-off realized on RMBS/ Lehman/ WaMu/ Iceland

As of end of 3Q/2008  
Unit: NT\$MN  
USD:NTD=1:32.277

Mega Group						
Securities Type	Original Gross Balance	Provision and Write-off Realized				
		On 1~3Q/08 balance sheet	On 1~4Q/07 income statement	On 1~3Q/08 income statement	Total	As % of total gross balance
US sub-prime RMBS <sup>1</sup>	12,050	222	1,241	6,985	8,448	70%
Lehman Exposure <sup>2</sup>	5,379	-	-	4,701	4,701	87%
WaMu Exposure <sup>3</sup>	512	-	-	244	244	48%
Iceland Exposure <sup>4</sup>	1,596	-	-	-	-	-

1. which are either directly held or within structured CBO/ABCP. This is total sub-prime asset balance.
2. includes NT\$2b bonds, NT\$2b securitized products, and NT\$1b derivatives products.
3. all bonds exposure.
4. includes NT\$1b bonds and NT\$0.6b syndication loan exposure; currently NO delinquency on interest payments.