



兆豐金控  
Mega Holdings

**3Q / 2009** (v.1)

**Investor/Analyst Briefing**



# Agenda

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**Operation Highlights**



**Financial Performance**

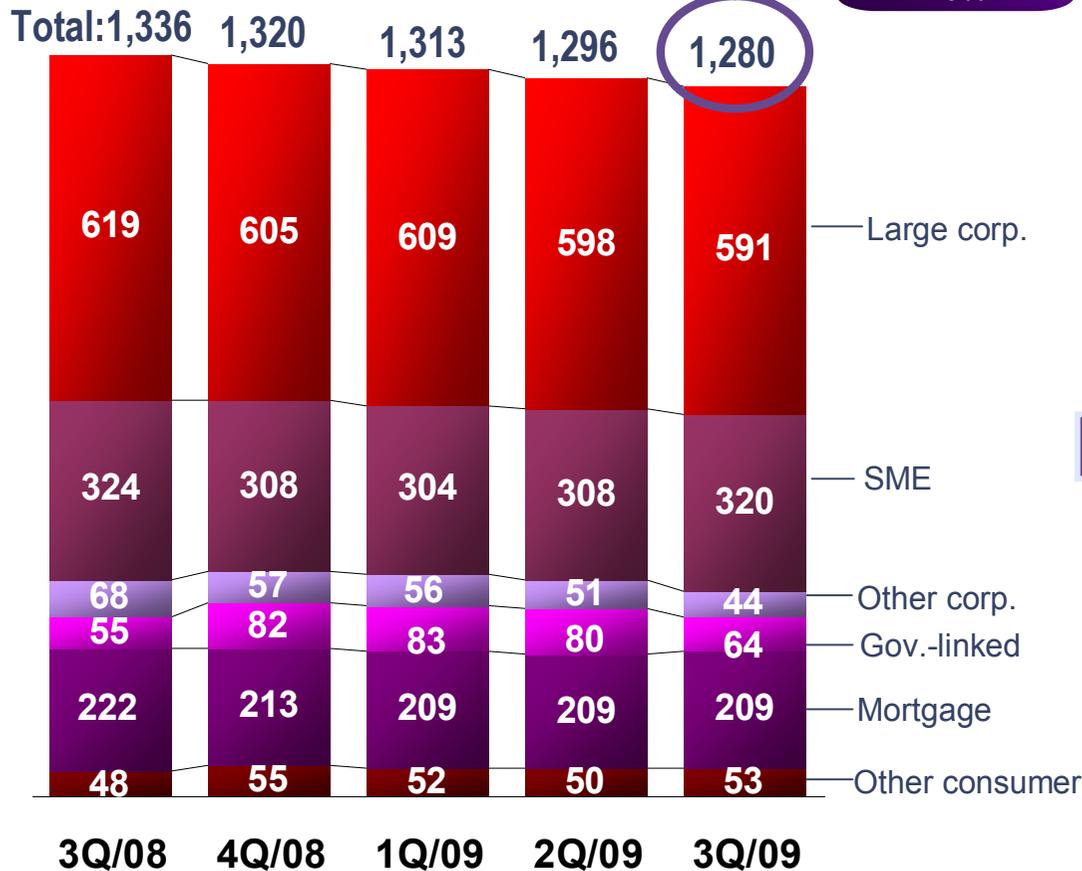


**Appendix**

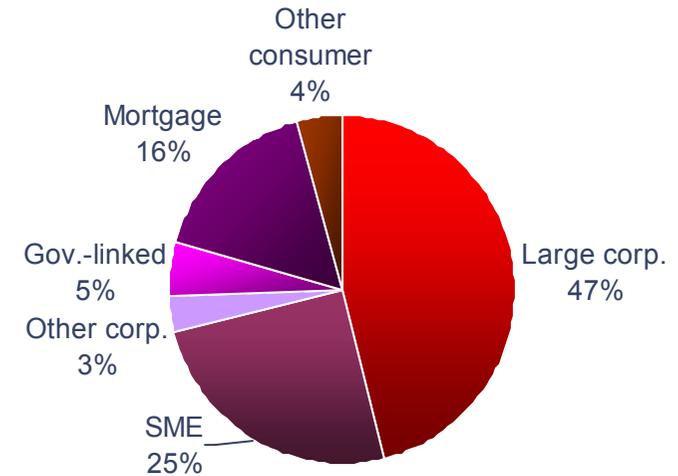
# SME loan is up 4% QoQ in 3Q/09; Gov. loan is down due to large repayment.

Mega Bank loan balance\*

Unit: NT\$bn



Mega Bank 3Q/09 loan breakdown by customer

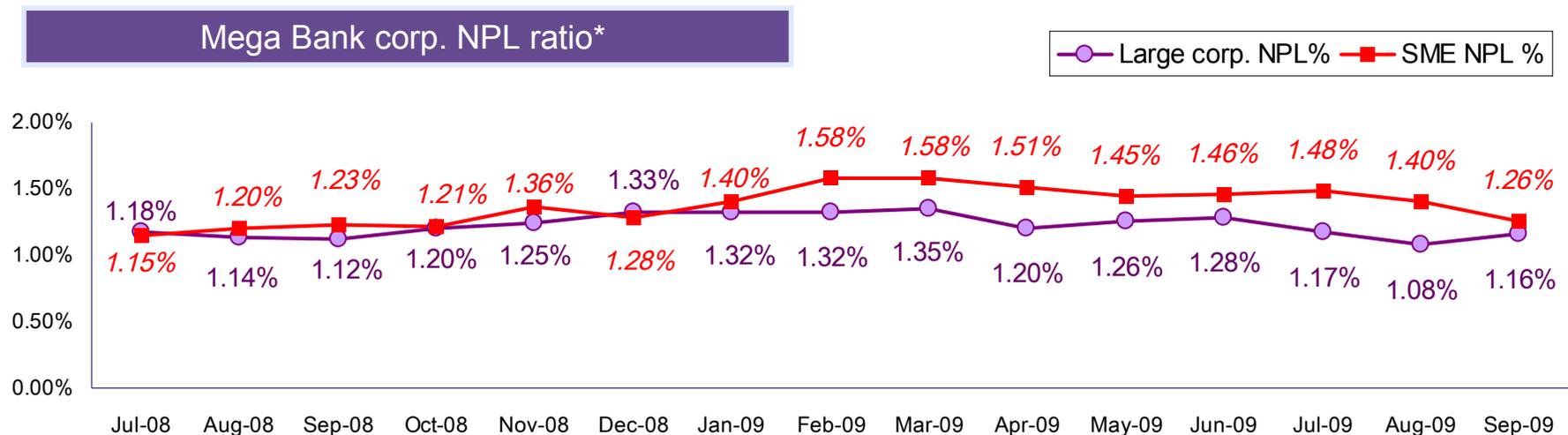


## Highlights

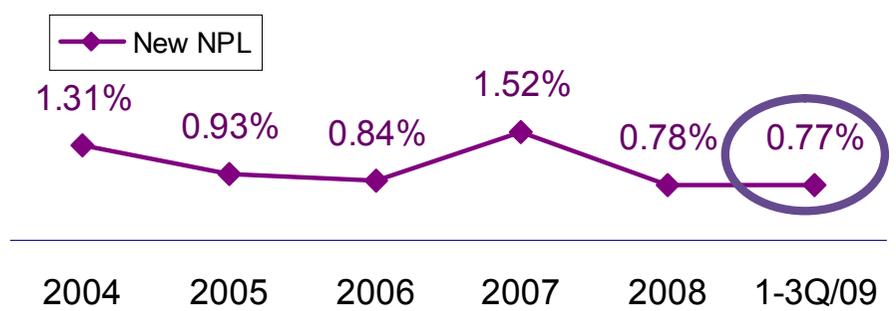
- ❖ Gov.-linked loan is down due to larger than expected loan repayment from gov. agency loan.
- ❖ SME loan growth picked up in 3Q/09, with QoQ growth of 4%.
- ❖ Expect flat loan growth in mortgage loan.

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

# New NPL formation is significantly lower in 3Q/09



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



Highlights

- ❖ Both large corp. & SME NPL ratios trended down in 3Q/09.
- ❖ New NPL ratio trended down further in 3Q/09.
- ❖ Asset quality deterioration concern is eased up.

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

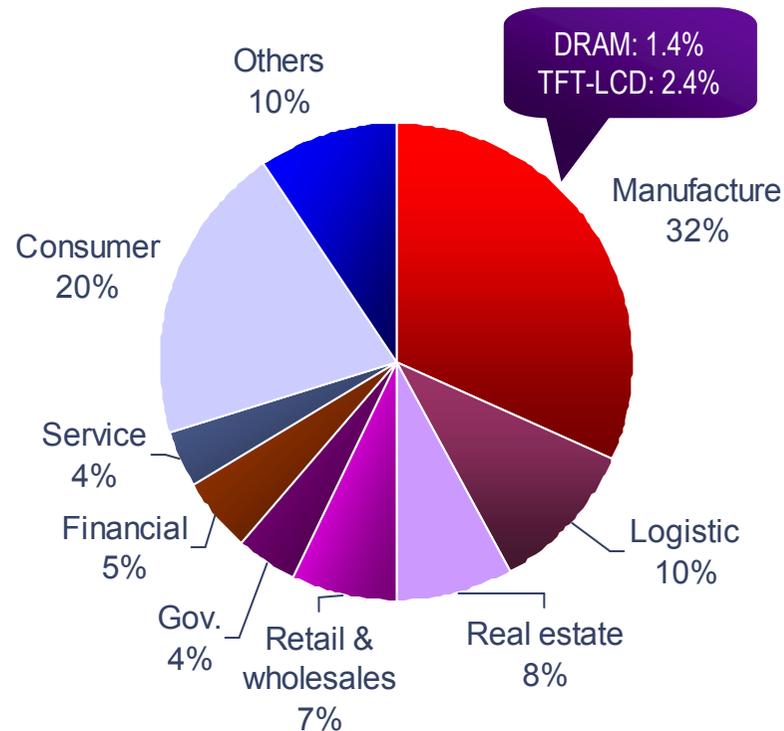
\*\* Mega Bank Internal number, does not include credit card revolving balance, 1H/2009 number is annualized



# Well diversified loan book provides cushion for uncertainty ahead

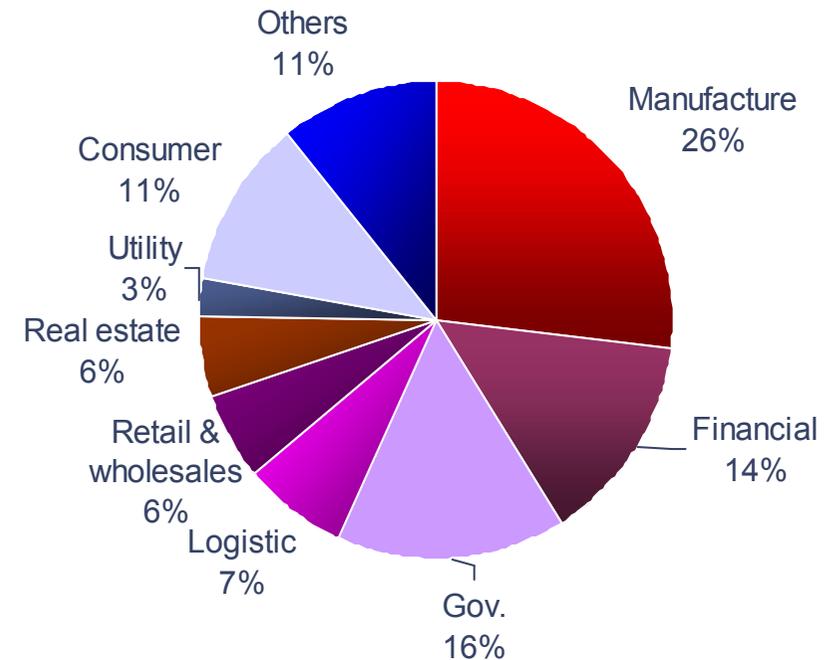
Mega Bank 3Q/09 loan breakdown by industry\*

Total: NT\$1,278BN



Mega group 3Q/09 credit exposure breakdown by industry\*\*

Total: NT\$2,314BN



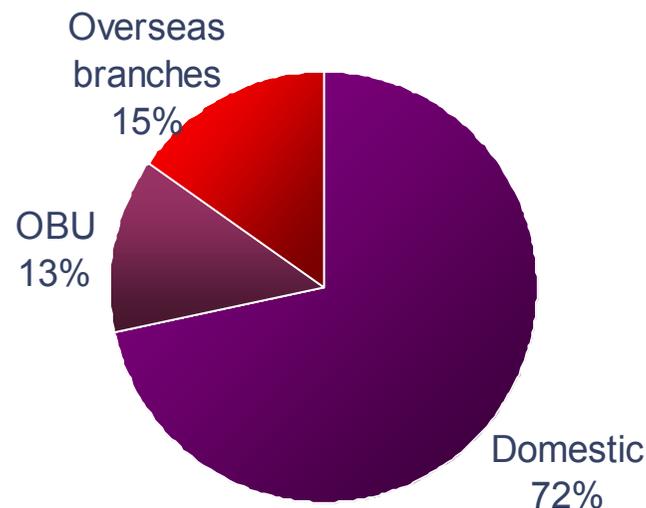
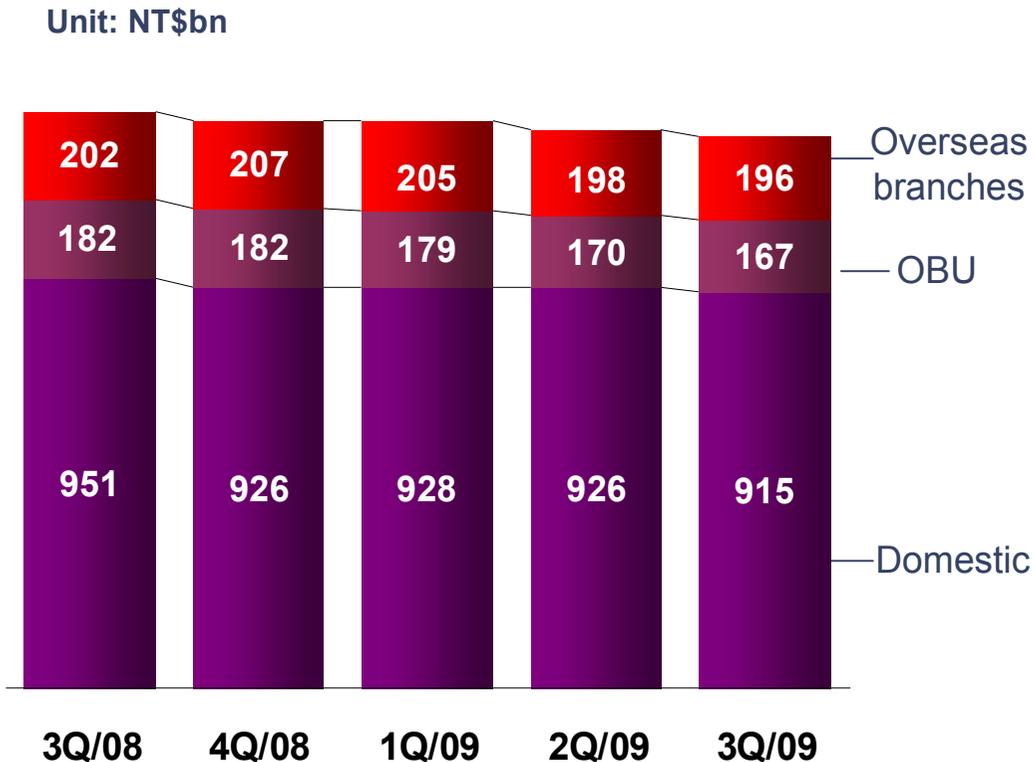
\* Mega Bank only includes loan, factoring, A/R financing, L/C but excludes guarantee

\*\* Includes bank, bills, securities & insurance subsidiaries; includes loan, guarantee, all financial assets and inter-banking assets.

# Both domestic and overseas loan growth have been weak year-to-date

Mega Bank 3Q/09 loan breakdown by regions \*

Unit: NT\$bn



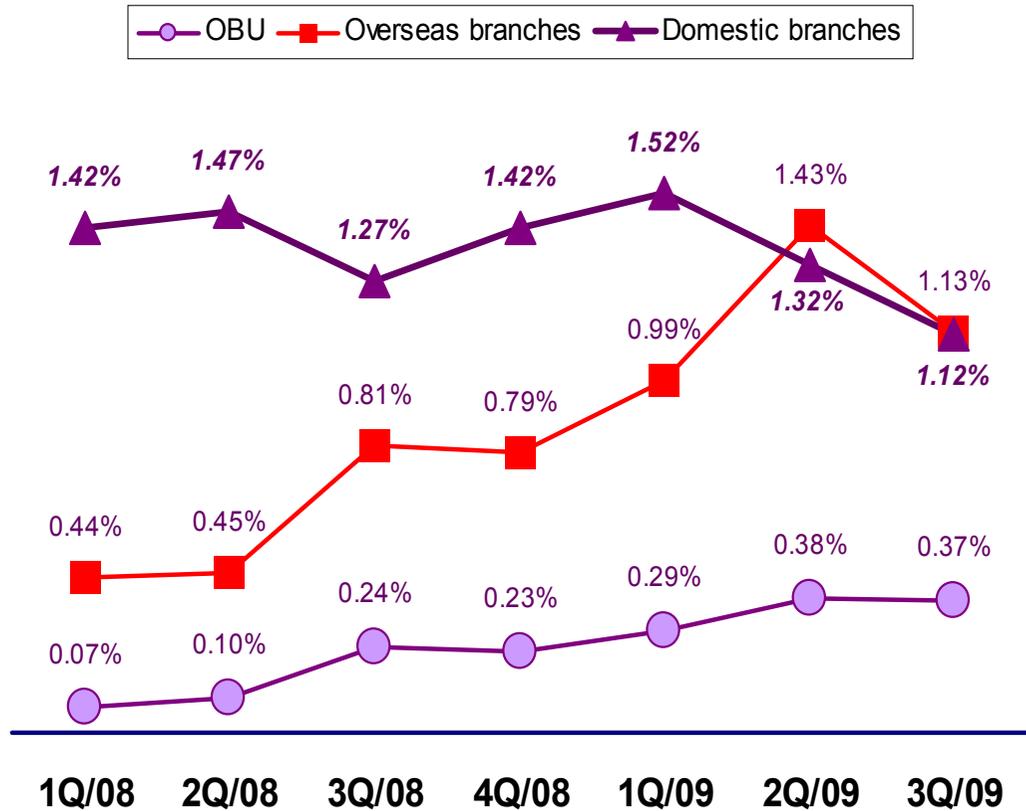
- ❖ All overseas / OBU loans are corp loans, mainly Taiwanese corps.
- ❖ No US consumer / mortgage loans.
- ❖ Most OBU customers have large parent companies in TW, which often acted as guarantor.

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

\*\* OBU stands for Off Shore Banking unit

# Overseas branches NPL ratio is down significantly

Mega Bank NPL ratio by regions

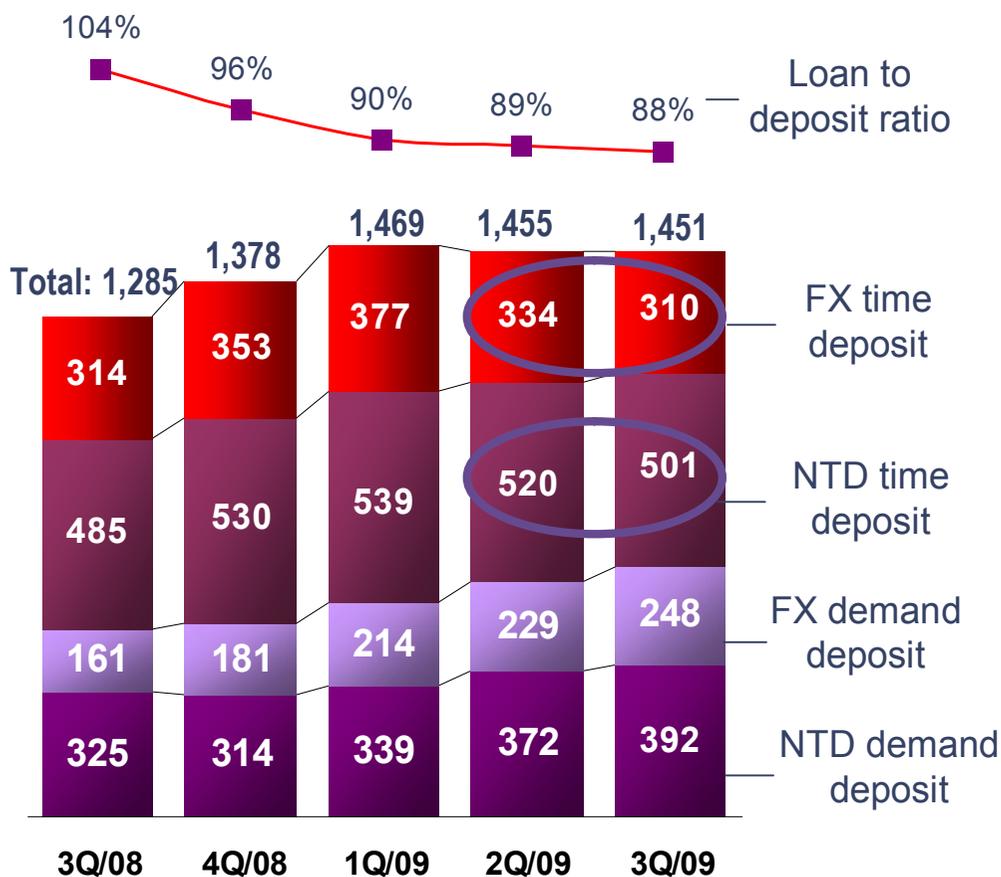


- ❖ Domestic branches & overseas branches NPL ratios are down significantly due to aggressive write-off.
- ❖ Mega do NOT have consumer and property developer loan exposure in US market.

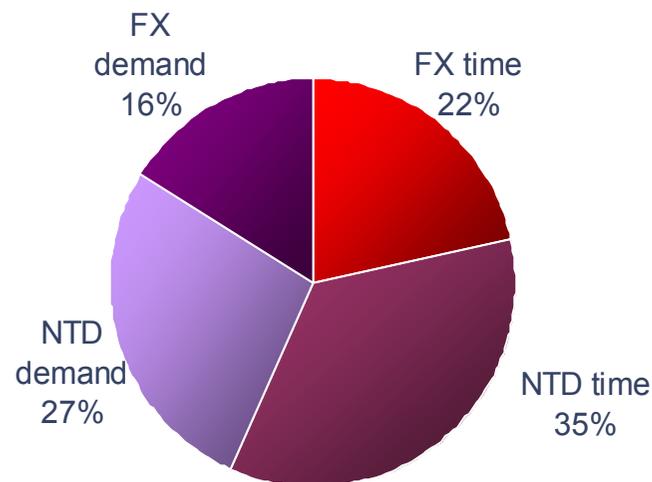
# Time deposit balance trended down further in 3Q/09, which should help to improve the overall NIM going forward

Mega Bank's LDR & deposit balance \*

Unit: %; NT\$bn



Mega Bank's 3Q/09 deposit breakdown



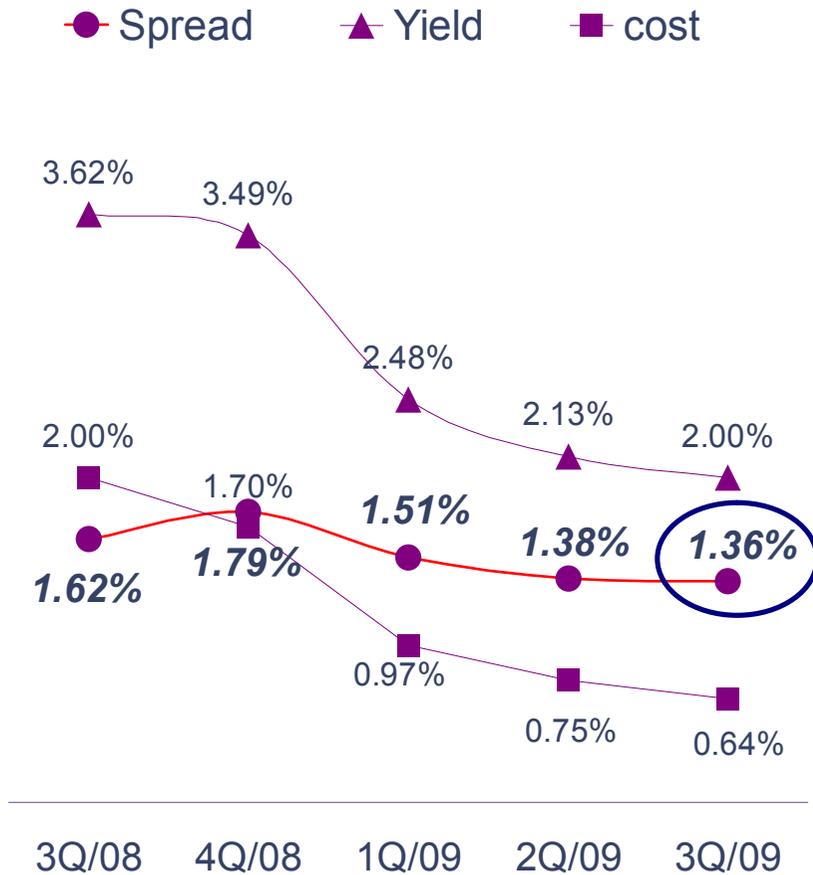
- ❖ Mega is generally operated with excess funding structure.
- ❖ Besides regular deposit, other funding sources include, Central Bank's FX deposit (NT\$488b), Chunghwa Post re-deposit (NT\$54b), bank debenture & CP (NT\$33b) and inter-bank funding when needed.\*\*

\* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit

\*\* As of end of 1H/09; Post re-deposit is mainly used for Gov. sponsored project finance, such as Taiwan High Speed Railway & etc.

# Mega Bank loan interest spread stabilized in 3Q/09

## Mega Bank total loan interest spread



## Mega overseas loan interest spread\*



## Mega domestic loan interest spread



\* Includes overseas branches and OBU loan

# Mega Bank NIM contraction narrowed; low-yield interbank assets growth stabilized.

Mega Bank NIM & NII \*



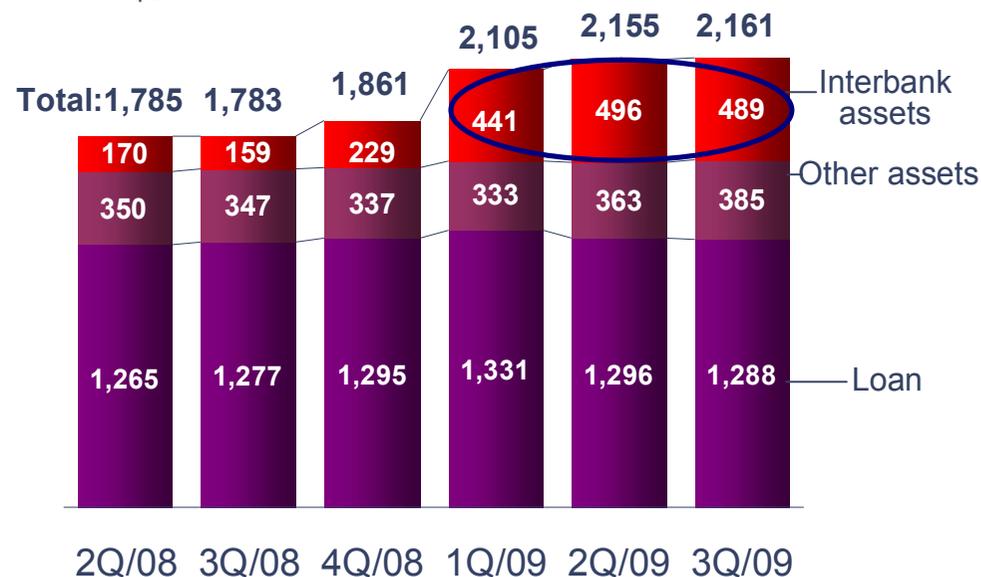
Unit: NT\$MN



Mega Bank interest earning assets

- ❖ As one of CBC's major agents on managing its foreign reserve, CBC deposited NT\$400+BN in Mega Bank NY branch, which were mostly placed in interbank market with low yield, which effecting our overall NIM.
- ❖ Interbank assets growth stabilized in 3Q/09.

Unit: NT\$BN

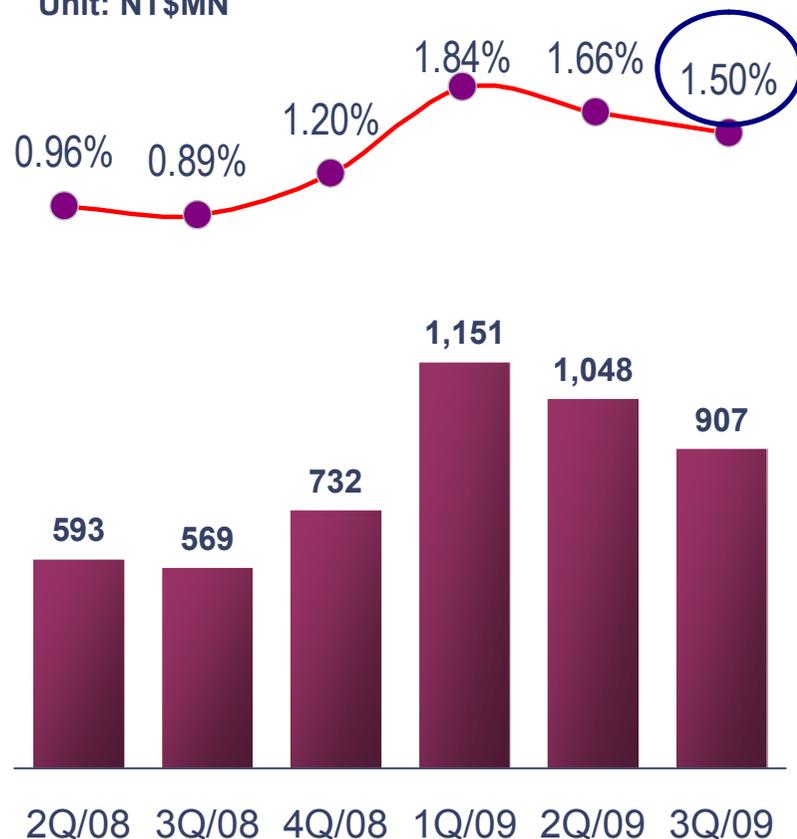


\* Mega Bank internal un-audited numbers; NIM = Net interest income / average interest earning assets; NIM is quarterly annualized number; NII is quarterly net interest income

# Mega Bills NIM & NII trended down QoQ but up YoY

**Mega Bills NIM & NII \***

Unit: NT\$MN



**Mega Bank + Mega Bills NIM & NII \***

Unit: NT\$MN

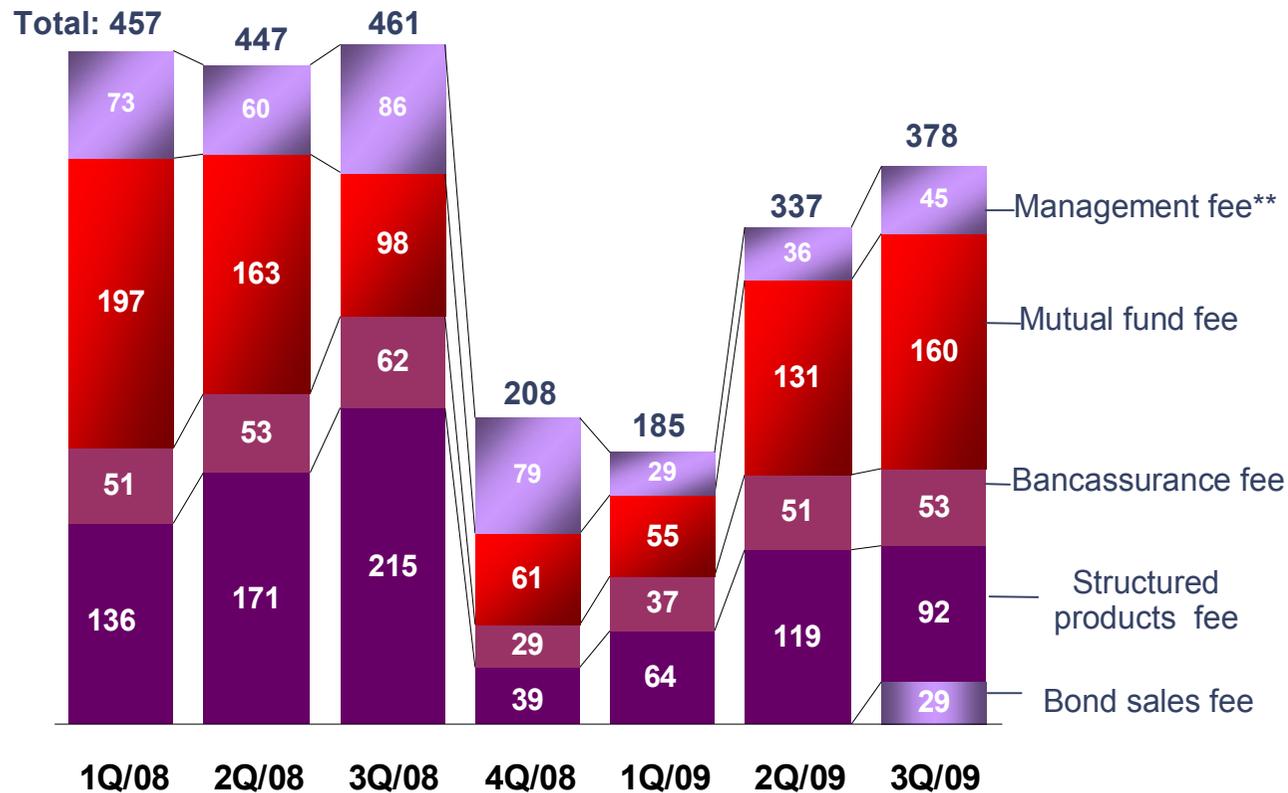


\* Mega Bank & Bills internal un-audited numbers; NIM = Net interest income / average interest earning assets; NIM is quarterly annualized number; NII is quarterly net interest income

# WM fee is up QoQ due to improved market condition and new fee income from bond sales

Mega Bank wealth management net fee income breakdown by product \*

Unit: NT\$MN



- ❖ Mutual fund fee increased as market condition improves.
- ❖ Structured products fee is likely to remain slow due to tougher regulatory requirement and oversight.
- ❖ New item: Mega Bank has underwritten foreign currency bank debentures of tier-one global banks and distributed to WM customers.

\* Mega Bank internal data only

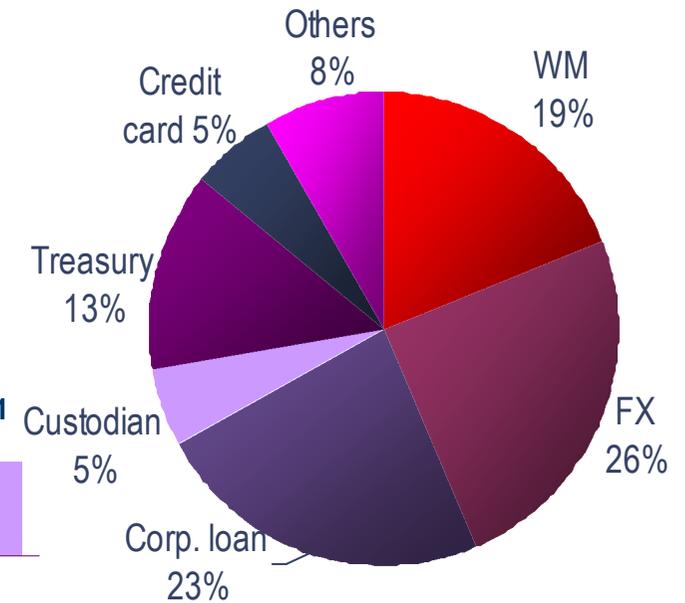
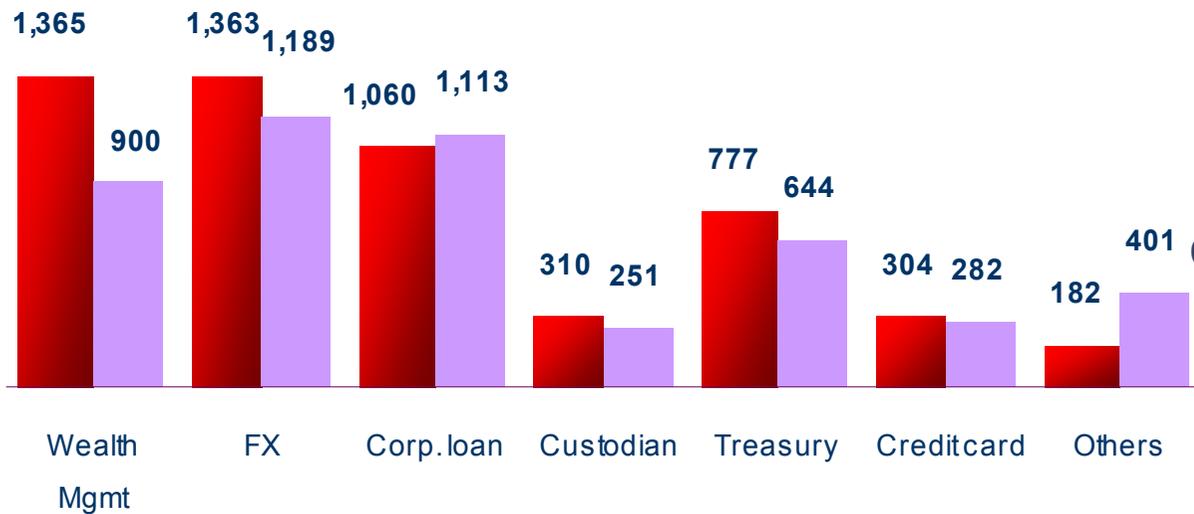
\*\* Management fee of trust account derived from wealth management product sales

... while other fee stayed relatively flat vs. last year

Mega Bank 1~3Q/2009 gross fee income breakdown

Unit: NT\$MN

■ 1-3Q/08      ■ 1-3Q/09

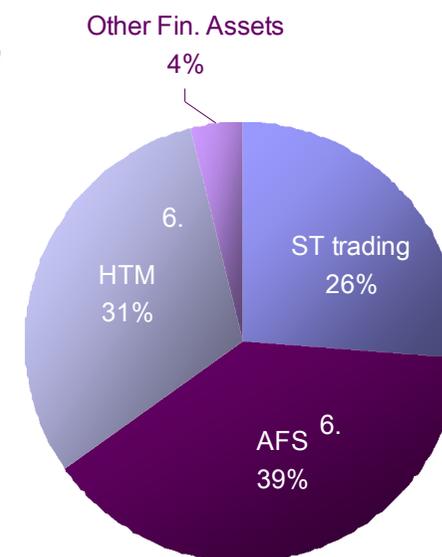
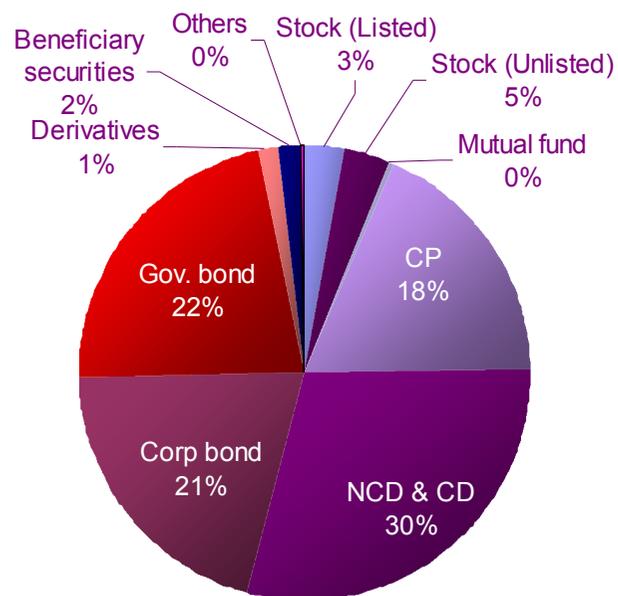


# Relatively conservative investment portfolio mix

Mega FHC consolidated financial assets breakdown 1

Unit: NT\$B

	1H/09	1H/08
Stock (Listed) 2	17	20
Stock (Un-listed) 3	22	23
Mutual fund	2	4
CP	116	82
NCD & CD	187	138
Corp bond 4	131	133
Gov. bond 5	139	140
Derivatives	8	2
Beneficiary securities	11	17
Others	2	3
<b>Total</b>	<b>635</b>	<b>562</b>



1. Source: sum of ST trading, available for sale, hold to maturity and other financial assets from 1H/09 audited 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 business from Mega Bills.
6. HTM: hold to maturity; AFS: available for sales

# Agenda

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**Operation Highlights**



**Financial Performance**

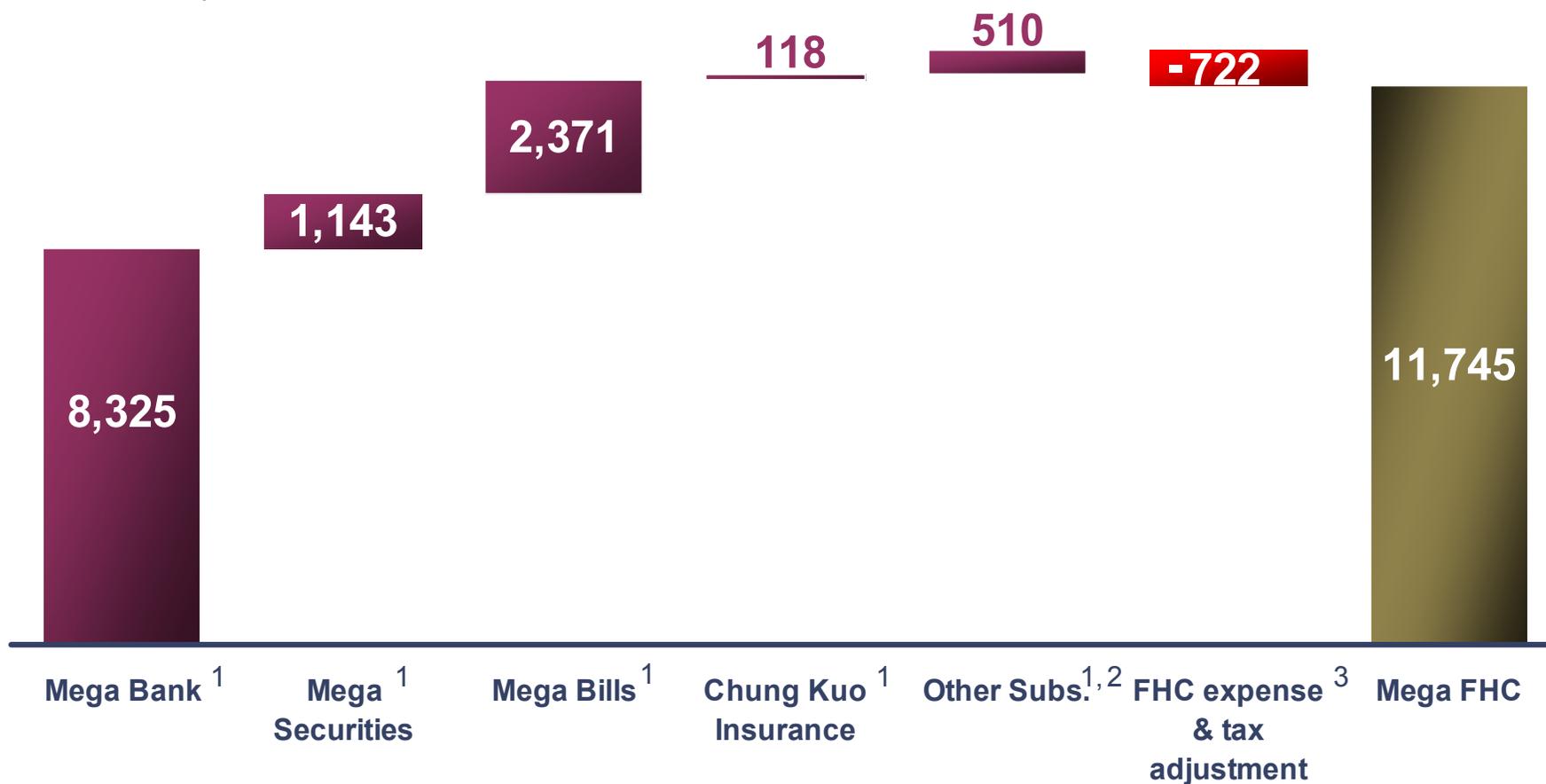


**Appendix**

# Bills sub. has outperformed this year due to stronger NII

1~3Q/09 earning contribution by sub.

Unit: NT\$MN



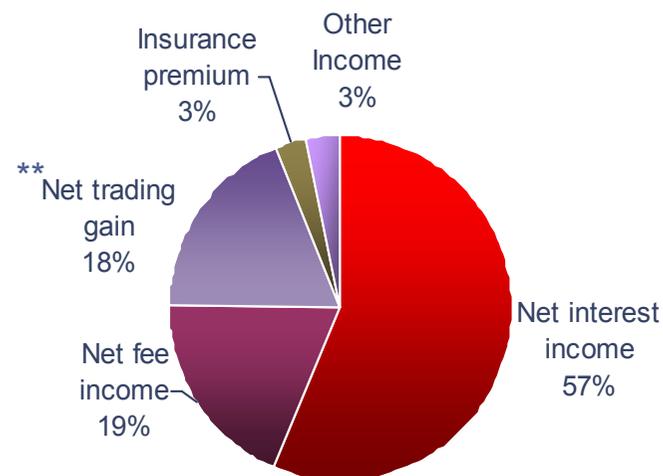
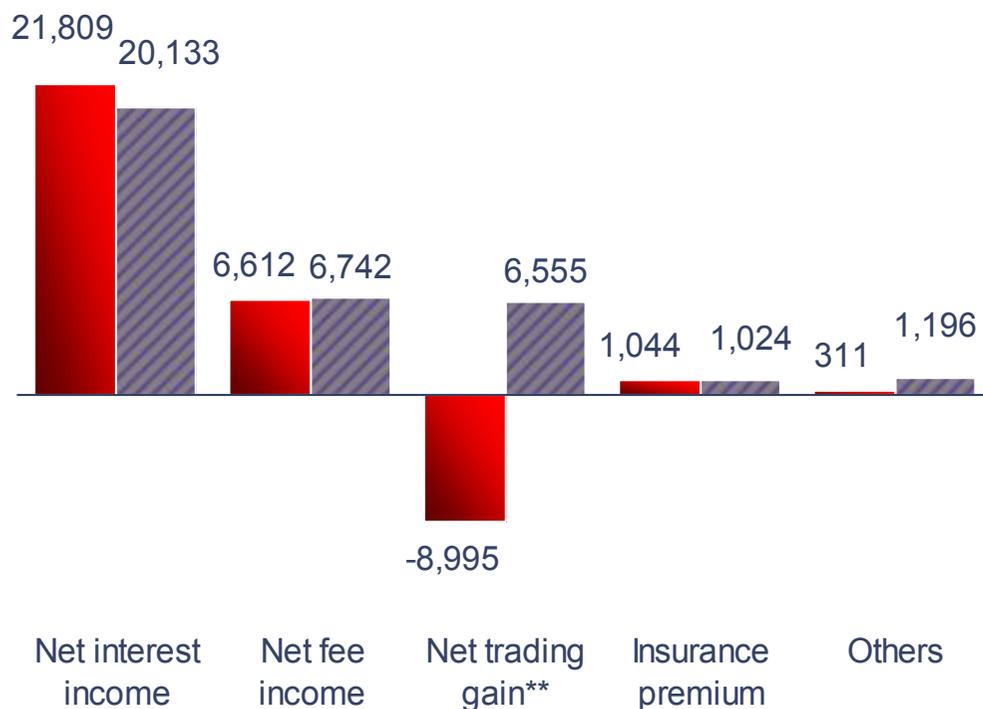
1. Un-audited subsidiary earning deducts employee bonus and inter-subsidiaries adjustments
2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega VC
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

# Stable top line YoY performance

Mega FHC consolidated net revenue \*

Mega FHC 1~3Q/09 net revenue breakdown

■ 1~3Q/08 ■ 1~3Q/09 Unit: NT\$MN



## Highlights

- ❖ Group net interest income declined only by 8% thanks to Mega Bills' higher interest income from RP business.
- ❖ Group net fee income was up by 2% due to strong CP issuance fee and securities brokerage fee.
- ❖ Group trading gains were back to normalized level, after last year's one-off write off.

\* Un-audited figures

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

# NPL ratio is down; while coverage ratio is up

## Mega NPL balance & NPL ratio\*

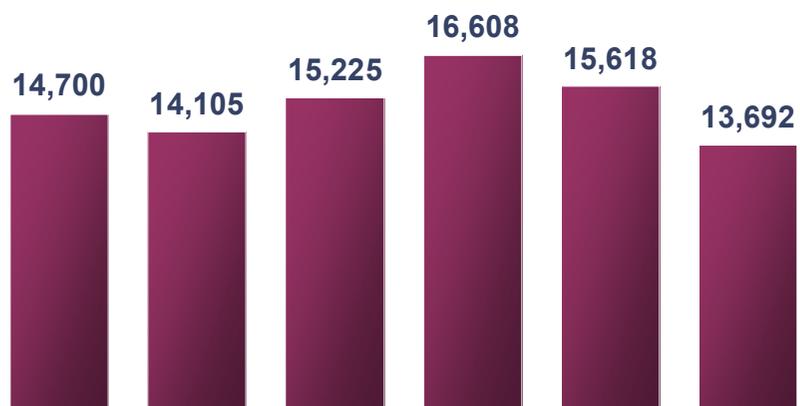
### Market Avg.

1.55% 1.53% 1.54% 1.63% 1.50%



### Mega

1.15% 1.06% 1.16% 1.27% 1.21% 1.07%



2Q/08 3Q/08 4Q/08 1Q/09 2Q/09 3Q/09

Unit: NT\$MN

## Mega Loan loss reserved and coverage ratio\*

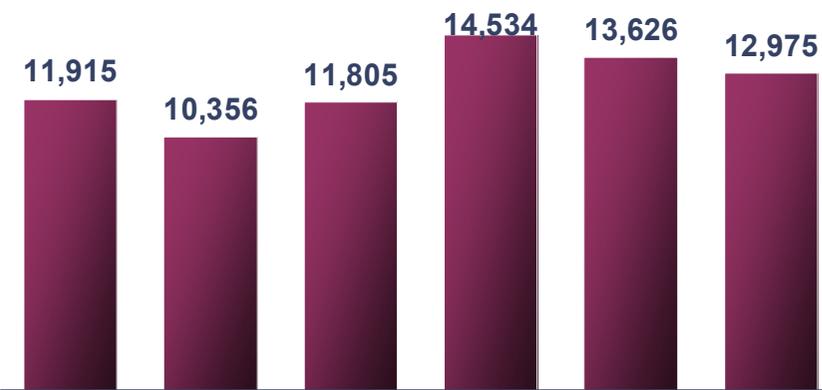
### Mega

81.05% 73.42% 77.53% 87.51% 87.06% 94.76%



### Market Avg.

67.35% 66.93% 69.48% 68.69% 71.34%



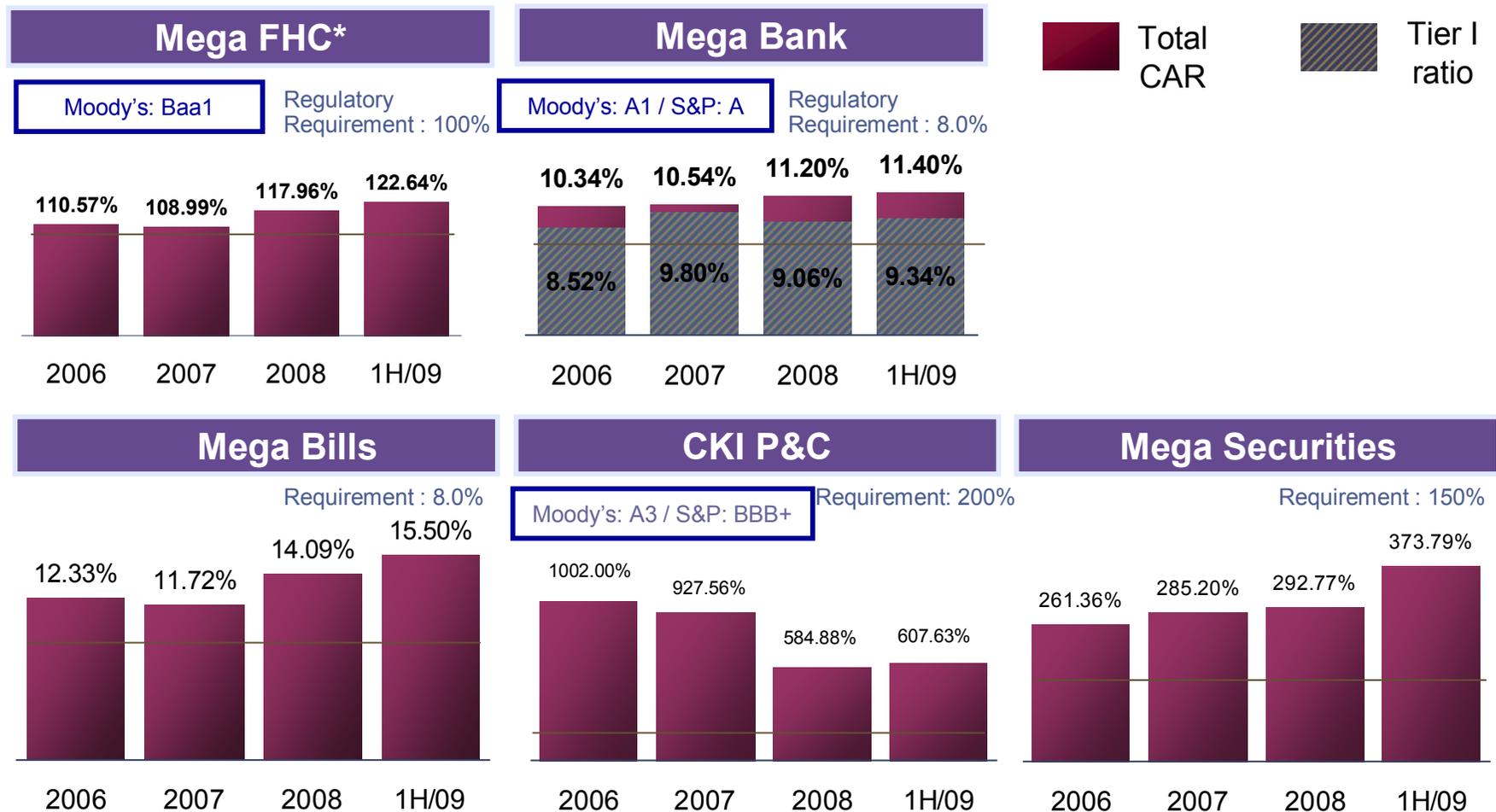
2Q/08 3Q/08 4Q/08 1Q/09 2Q/09 3Q/09

Unit: NT\$MN

\* 90 days standard

\*\* market average: Banking Bureau of Taiwan

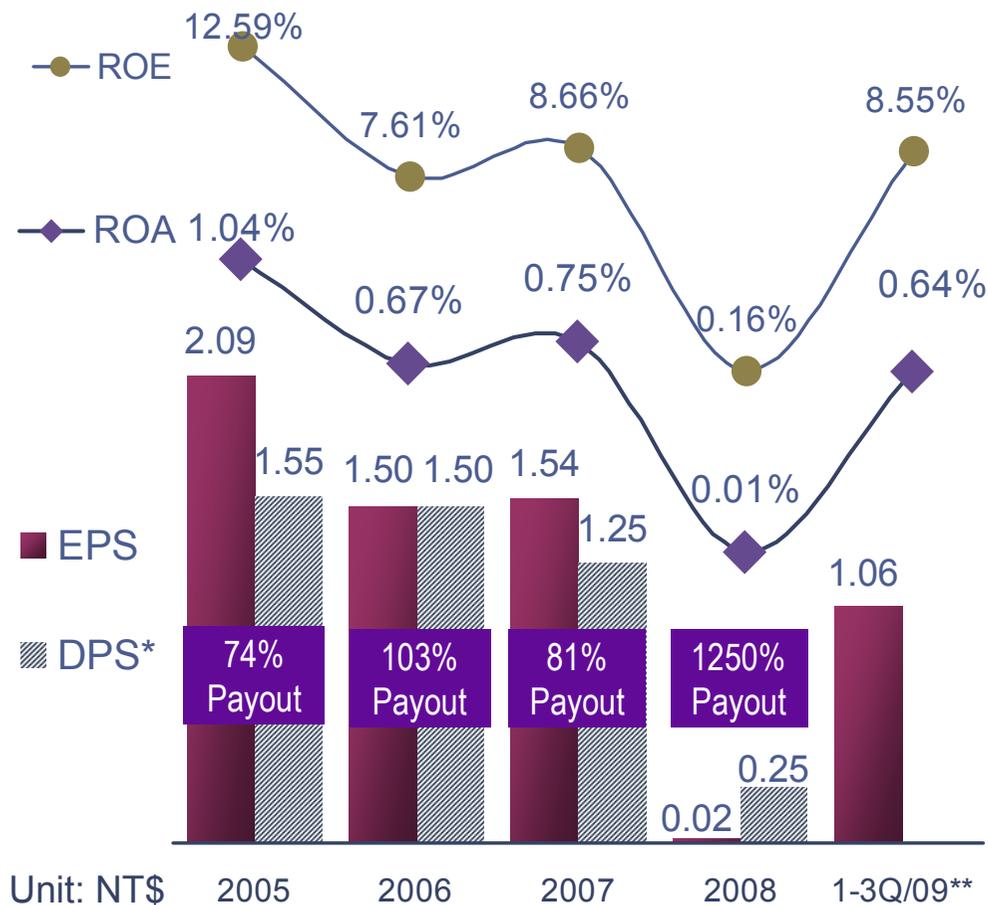
# No fund issuance plan in the short term as overall capital position is well above requirement



\* Net of investments in subsidiaries

# ROE & ROA rebounded to normalized level

## Key Profitability Ratios



- ❖ 1-3Q/09 numbers recovered significantly from last year's slump.
- ❖ Mid-term ROE target of 10~12%
- ❖ Mid-term ROA target of >1%
- ❖ To increase our ROE and prevent over-inflated capital base, our dividend policy is:
  - ◆ pay-out ratio >70%
  - ◆ pay >50% in cash. However, we've paid 100% cash dividend in the past years.

\* DPS are all distributed in cash form

\*\* 1-3Q/09 numbers are un-audited; 1-3Q/09 ROE & ROA are annualized.

# Recent development & strategic considerations

## Taiwan Business Bank stake

- ❖ Mega owns 13.44% shares of Taiwan Business Bank.
- ❖ Booked at cost of NT\$6.08BN as AFS assets.
- ❖ Integration/M&A is no longer a consideration.
- ❖ Mega board has approved the divestment plan on Apr/09.
- ❖ Will divest all by the end of June/2012 through placement, open market and/or after market block trade.

## Capital re-allocation practice

- ❖ Mega Bills has completed NT\$2BN capital reduction in July/09 and up-streamed to FHC.
- ❖ Proceed will be used for repayment of debt and/or investment in China market in the future.

## Eye on China market

- ❖ Mega Bank Suzhou rep. office application recently approved by the China regulator; rep. office expects to open by the end of 2009.
- ❖ Mega Securities has rep. offices in Beijing, Shanghai & Shenzhen.
- ❖ Chuang Kuo Insurance (CKI) has rep. office in Shanghai.
- ❖ Set up "Greater China Financial Market Expansion Team" at holding level, to study our best model to expand financial domain in China, including set up branches, subsidiaries, or invest in local financial institutions.

## Opportunities in FX settlement business

- ❖ Obtained an exclusive US Dollar domestic settlement license in Taiwan market for 5 years.
- ❖ Will try to apply for RMB settlement license when regulations are allowed.

# 1~3Q/09 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	1~3Q/09*	1~3Q/08*	YoY	2008*
Net interest income	20,133	21,809	-8%	30,524
Net fee income	6,742	6,612	2%	8,375
Insurance premium	1,024	1,044	-2%	1,090
ST Trading gain	5,269	-3,212	-	-548
Available for sales asset gain	858	492	74%	283
Hold to maturity asset gain	-132	0	0%	0
Equity method investment gain	15	90	-83%	121
Property investment gain	18	17	6%	22
FX gain (spread)	1,357	2,533	-46%	1,053
Asset impairment	-830	-3,303	-75%	-4,934
Cost method investment gain	0	0	-	564
Bad debt write-back	0	287	-100%	365
Other loss	0	-5,612	-	-5,475
Other provision	0	0	-	-352
Other non-interest income	1,196	24	4883%	249
<b>Operating income</b>	<b>35,650</b>	<b>20,781</b>	<b>72%</b>	<b>31,337</b>
Operating expense	-15,312	-15,226	1%	-19,603
Pre-provision operating profit	20,338	5,555	266%	11,734
Provision expense on loan	-5,401	-5,492	-2%	-8,362
Reserved on insurance	-99	-341	-71%	-287
Pretax profit	14,838	-278	-	3,085
Tax	-3,076	-2,045	50%	-2,823
Minority shareholder interest	17	-41	-	-32
<b>Net profit</b>	<b>11,745</b>	<b>-2,282</b>	<b>-</b>	<b>295</b>
<b>EPS (NT\$)</b>	<b>1.06</b>	<b>-0.21</b>	<b>-</b>	<b>0.02</b>

\* 1~3Q/2009 are un-audited numbers; 1~3Q/2008 & 2008 are audited numbers.

# 1~3Q/09 Mega FHC consolidated balance sheet\*

NT\$MN	1~3Q/09*	1~3Q/08*	YoY	2008*	YTD
<b>Assets:</b>					
Cash and due from banks	532,673	322,754	65%	374,953	42%
Bills and bonds under RP agreement	16,263	4,342	275%	1,729	841%
Fin. assets at fair value through P&L	145,474	164,965	-12%	198,444	-27%
AFS financial assets	235,501	224,074	5%	232,070	1%
HTM financial assets	208,879	85,897	143%	96,098	117%
Other financial assets	22,896	29,425	-22%	26,612	-14%
A/R, net	95,430	127,012	-25%	120,774	-21%
Loan, net	1,282,220	1,340,802	-4%	1,321,438	-3%
Equity method LT investments, net	2,391	2,505	-5%	2,546	-6%
Land, premises and equipments, net	23,720	25,531	-7%	25,422	-7%
Others	21,582	9,190	135%	9,529	126%
<b>Total assets</b>	<b>2,587,029</b>	<b>2,336,497</b>	<b>11%</b>	<b>2,409,613</b>	<b>7%</b>
<b>Liabilities</b>					
Due to banks	570,764	478,501	19%	449,688	27%
Deposits	1,408,483	1,230,752	14%	1,316,770	7%
CP & Bond payable	53,380	55,307	-3%	56,006	-5%
Bills & bonds sold under repurchase agreement	195,431	211,169	-7%	248,492	-21%
Other liabilities	166,307	187,077	-11%	160,622	4%
<b>Total liabilities</b>	<b>2,394,365</b>	<b>2,162,806</b>	<b>11%</b>	<b>2,231,578</b>	<b>7%</b>
<b>Total stockholders' equity</b>	<b>192,664</b>	<b>173,691</b>	<b>11%</b>	<b>178,034</b>	<b>8%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,587,029</b>	<b>2,336,497</b>	<b>11%</b>	<b>2,409,613</b>	<b>7%</b>

\* 1~3Q/2009 are un-audited numbers; 1~3Q/2008 & 2008 are audited numbers.

# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

## Well established size and scale to win

1~3Q/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	2,587	2,255	48	227	14	0.9	14	0.07	0.9
Equity	193	152	14	33	5	0.6	3	0.04	0.9
Net Profit	11.7	8.3	1.1	2.4	0.1	0.04	0.4	0.02	0.03
Domestic Offices	194	106	46	9	27	3	1	1	1
Overseas Offices**	38	31	4	0	3	0	0	0	0

\* Un-audited numbers

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



# Our Corporate Strategy



# Suzhou rep. office and 4th Thailand branch were approved

*Bridge the gap, reach the world*



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

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

# 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

\* All are audited numbers

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

NT\$MN	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>

\* All are audited numbers

# Provision for US sub-prime assets is coming to an end

As of end of 1~3Q/2009  
 Unit: NT\$MN  
 USD:NTD=1:32.24

Mega Group						
Securities Type	Original Gross Balance	Provision Realized				
		On 1~3Q/09 balance sheet	On 2007 & 2008 income statement	On 1~3Q/09 income statement	Total	As % of total gross balance
US sub-prime RMBS <sup>1</sup>	11,799	421	8,159	1,847	10,427	88%

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

NT\$1.4B provision was taken in 3Q/09