



兆豐金控
Mega Holdings

4Q / 2009 (v.1)

Investor/Analyst Briefing



Agenda



Operation Highlights



Financial Performance

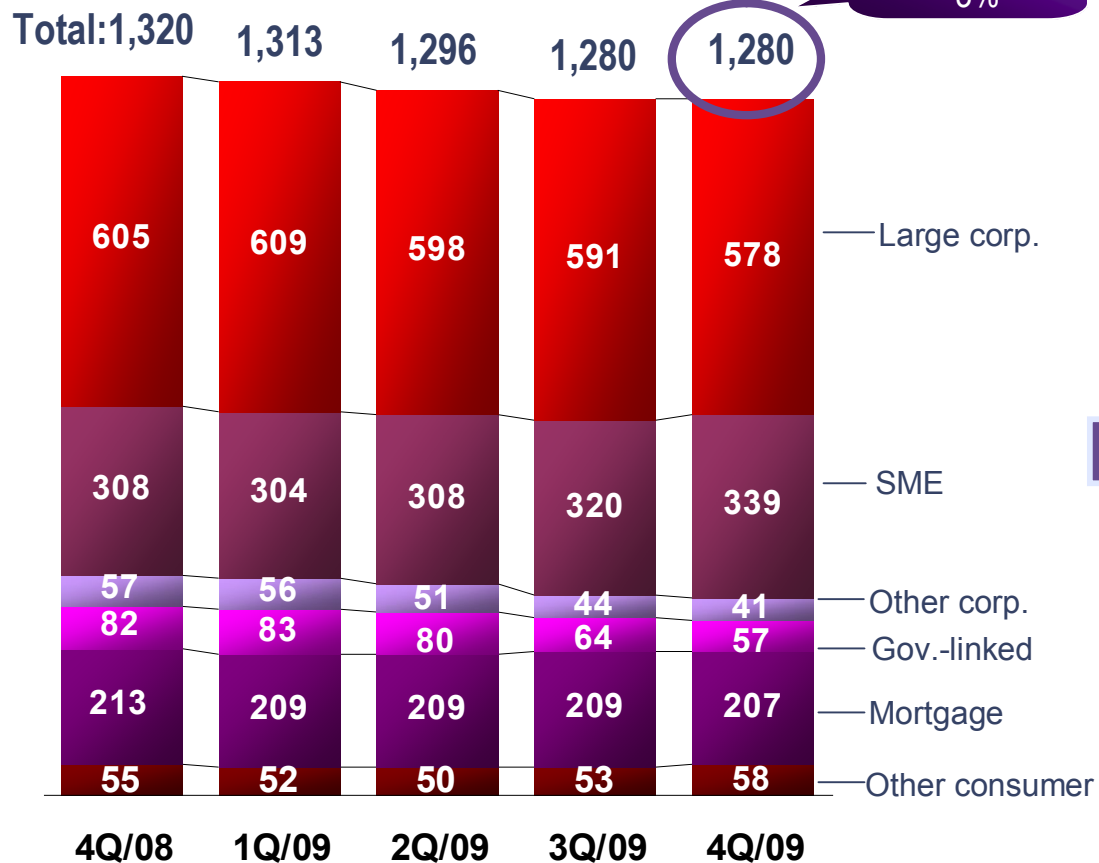


Appendix

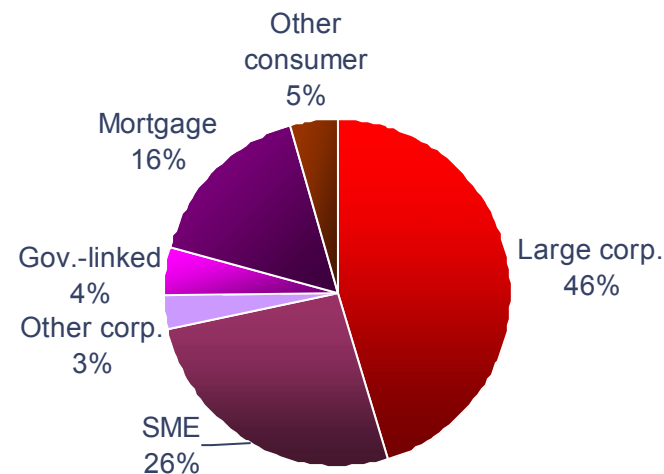
Overall loan contraction stabilized; while SME loan was up 6% QoQ in 4Q/09

Mega Bank quarterly loan balance*

Unit: NT\$bn



Mega Bank 4Q/09 loan breakdown by customer

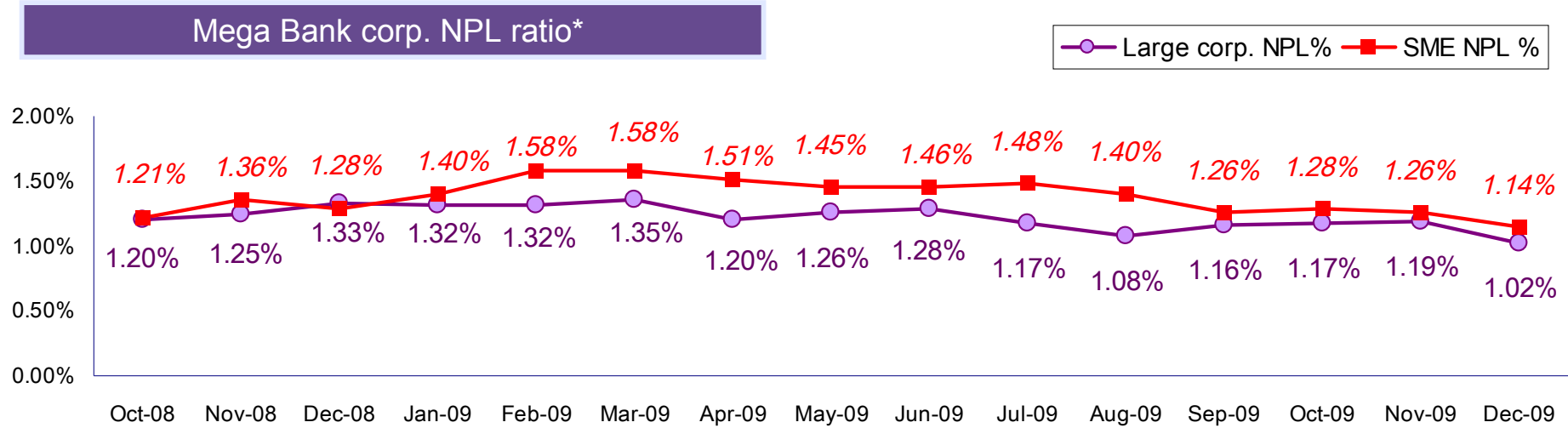


Highlights

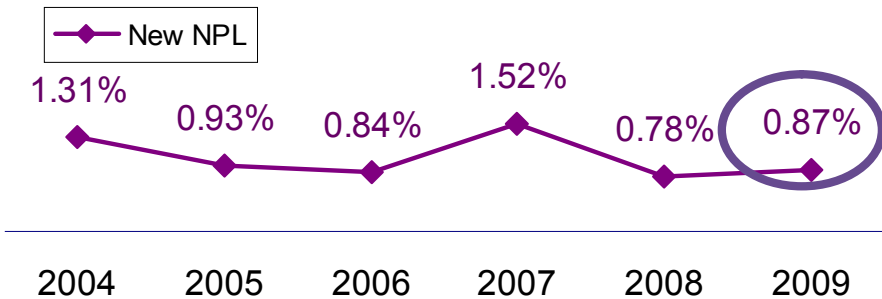
- ❖ SME loan picked up 6% QoQ, on back of the macro econ. improvement.
- ❖ Recently witnessed more mid/long-term loan demand from LCD, LED, notebook, property developer industries.
- ❖ Expecting slightly above GDP-growth-rate loan growth in 2010.

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

Corp. loan NPL ratios reached historical low



Mega Bank new NPL as % of total loan **



Highlights

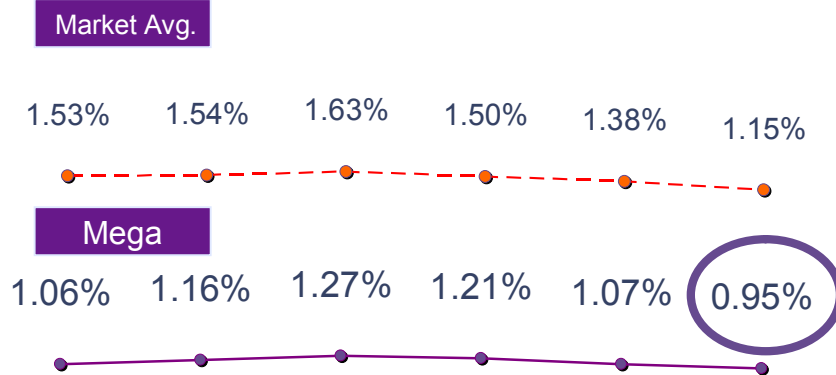
- ❖ Both large corp. & SME NPL ratios trended down in 4Q/09 due to much improved asset quality and aggressive write-off.
- ❖ New NPL ratio is low in 2009, despite weak macro condition and significant loan balance contraction.
- ❖ Asset quality deterioration concern is largely neutralized.

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

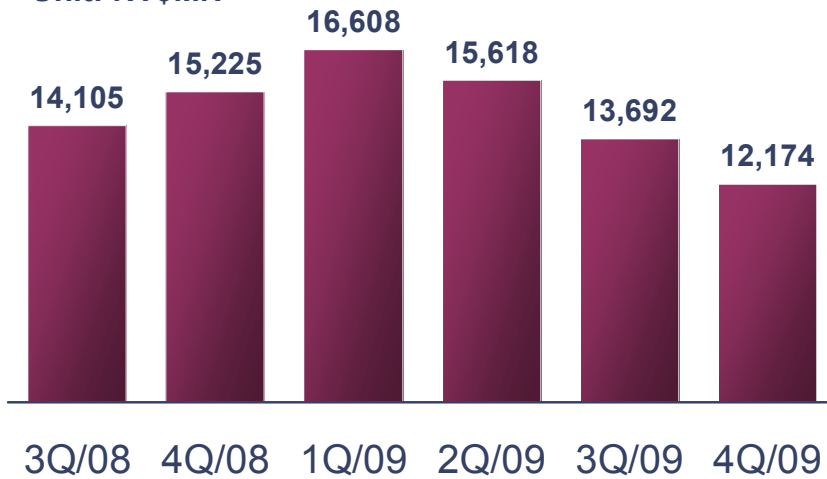
** New NPL / total loan. Mega Bank Internal number.

Asset quality improved continuously to stay ahead of the competitors

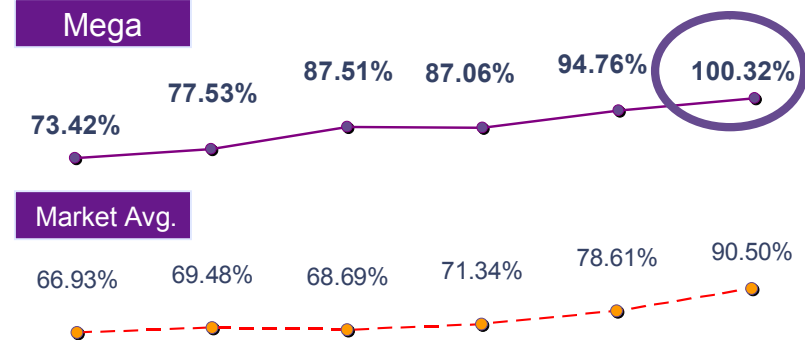
Mega Bank NPL balance & NPL ratio*



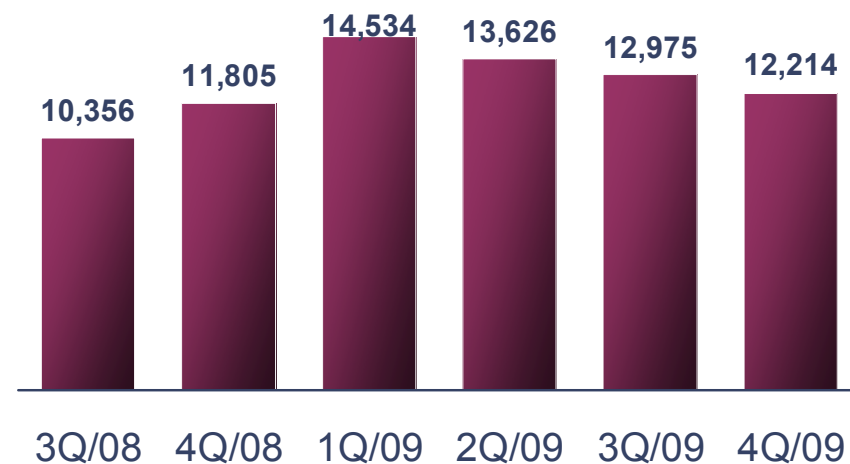
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio*



Unit: NT\$MN



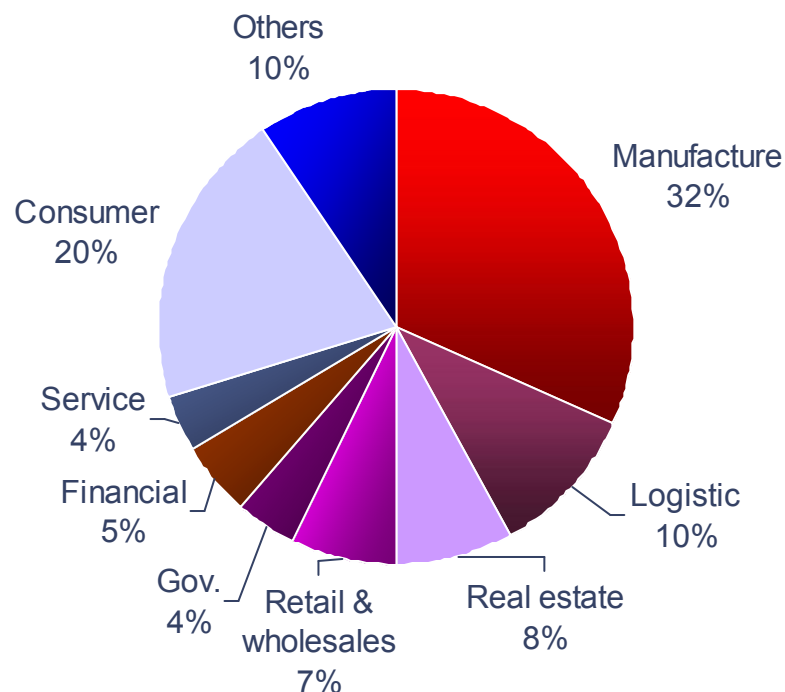
* 90 days standard

** market average source: Banking Bureau of Taiwan

Well diversified book among industries provided cushion for uncertainty ahead

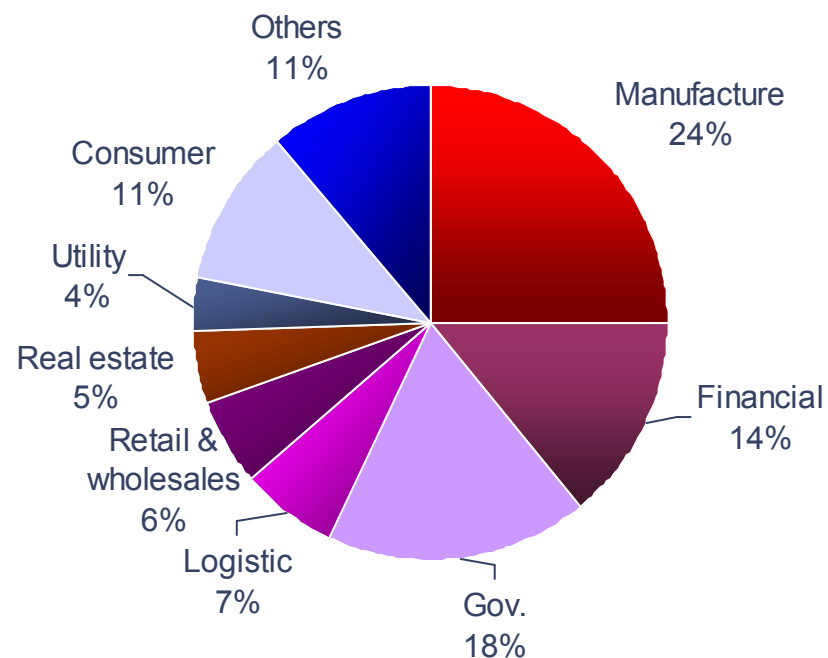
Mega Bank 4Q/09 loan breakdown by industry*

Total: NT\$1,278BN



Mega Group 4Q/09 credit exposure breakdown by industry**

Total: NT\$2,439BN



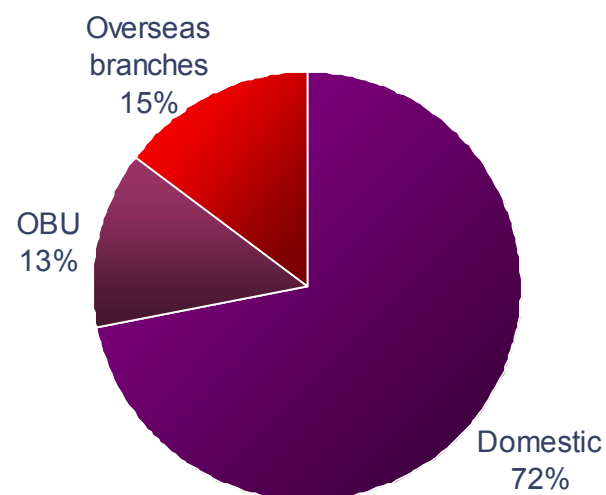
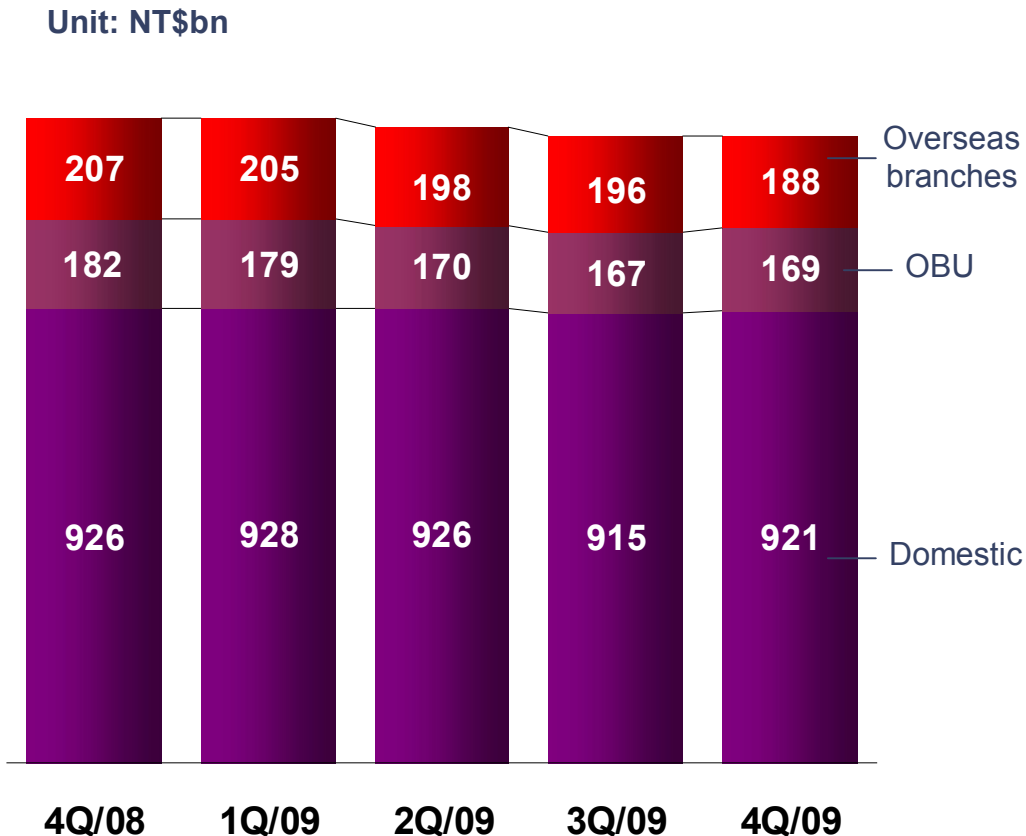
* Mega Bank only includes loan, factoring, A/R financing, L/C but excludes guarantee

** Includes all subsidiaries; includes loan, guarantee, all financial assets and inter-banking assets.

Domestic loan balance was up 7% QoQ in 4Q/09

Mega Bank 4Q/09 loan breakdown by regions *

Unit: NT\$bn



- ❖ OBU/overseas branches loan balance contracted significantly in 2009 due to asset quality concern and weak demand.
- ❖ Domestic loan balance was up 7% QoQ in 4Q/09, reflecting improved loan demand in domestic market.

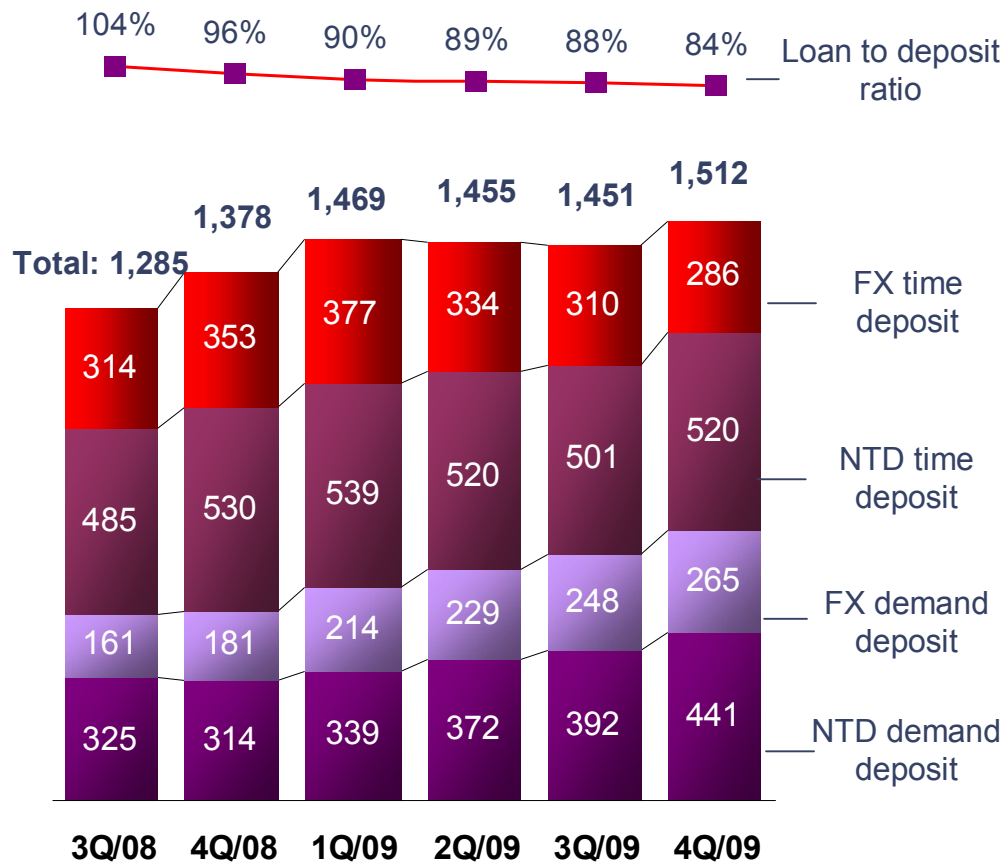
* Mega Bank quarterly average balance, includes loan, factoring, A/R financing, L/C but excludes guarantee

** OBU stands for Off-Shore Banking Unit

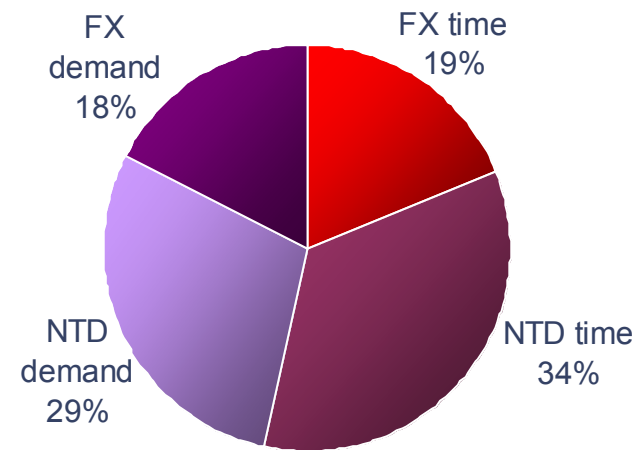
Demand deposit continued to grow, which should be benefiting the NIM expansion going forward.

Mega Bank's LDR & deposit balance *

Unit: %; NT\$bn



Mega Bank's 4Q/09 deposit breakdown

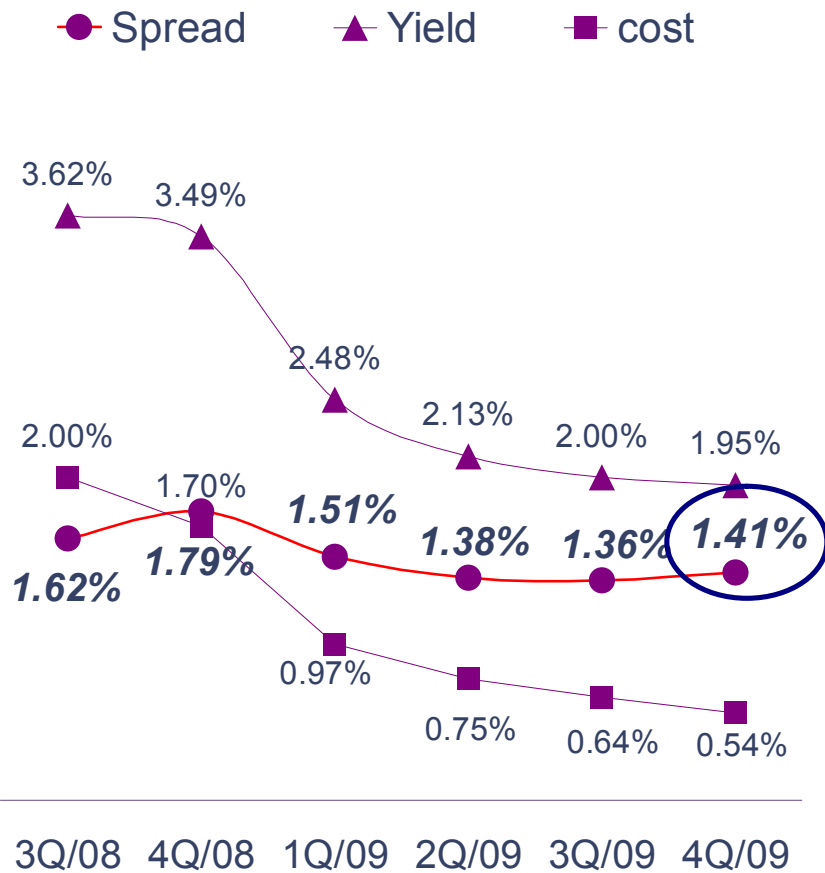


- ❖ Demand deposit continued to grow, which should be benefiting NIM expansion going forward.
- ❖ Deposit cost re-pricing should be coming to an end in 1Q/2010.

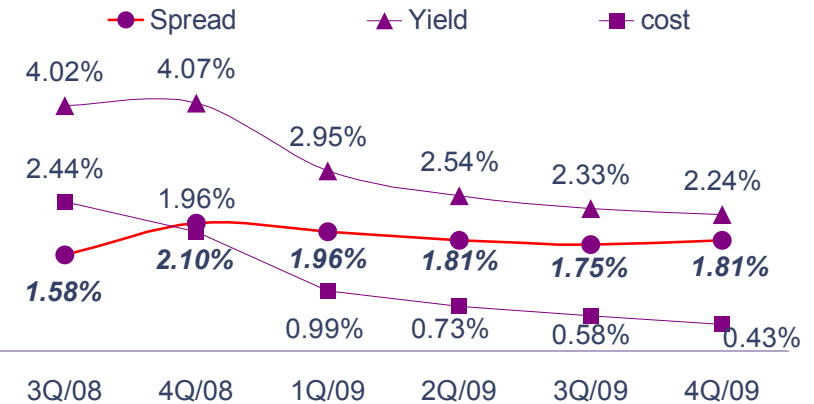
* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit

Mega Bank loan interest spread picked up in both overseas and domestic loans

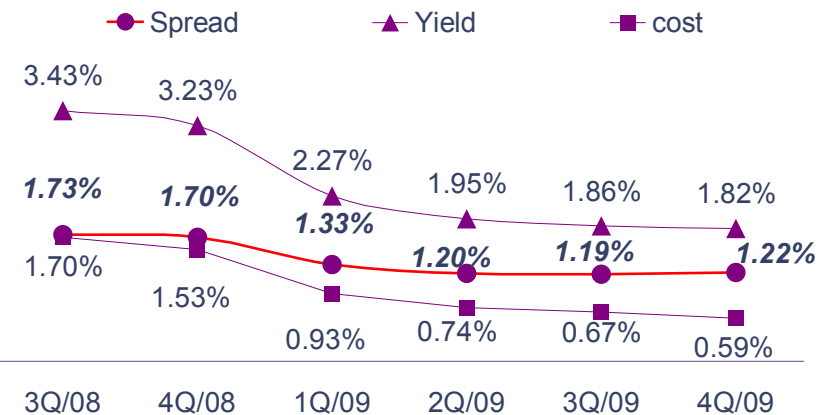
Mega Bank total loan interest spread



Mega Bank overseas loan interest spread*



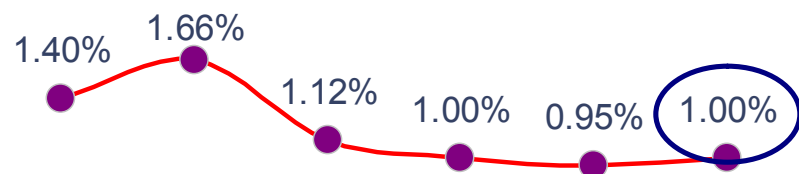
Mega Bank domestic loan interest spread



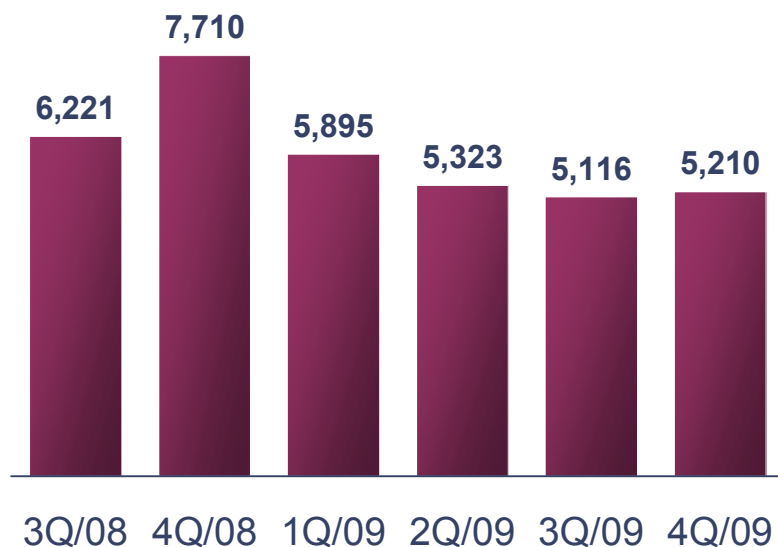
* Includes overseas branches and OBU loan

Mega Bank NIM picked up; low-yield interbank assets growth stabilized.

Mega Bank quarterly NIM & NII *



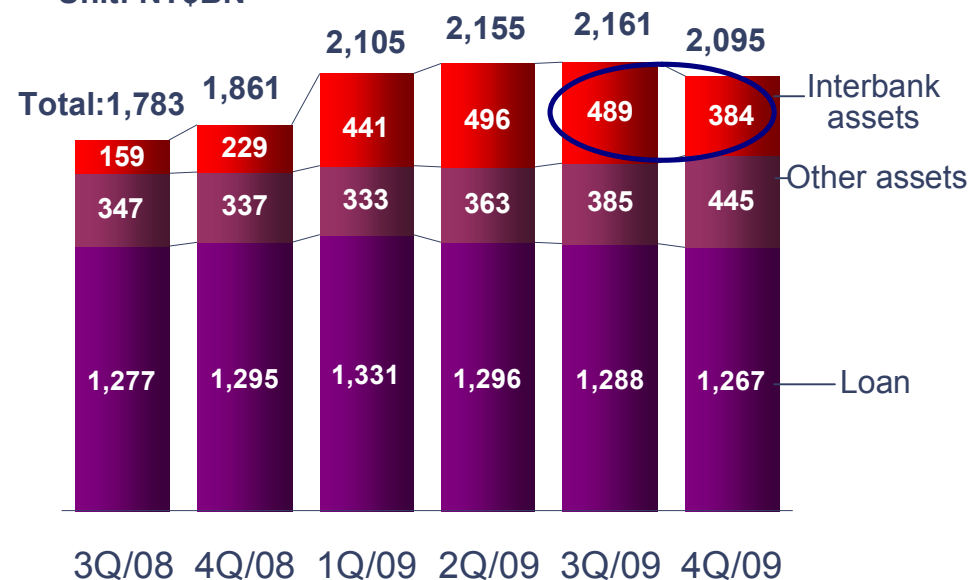
Unit: NT\$MN



Mega Bank interest-earning assets*

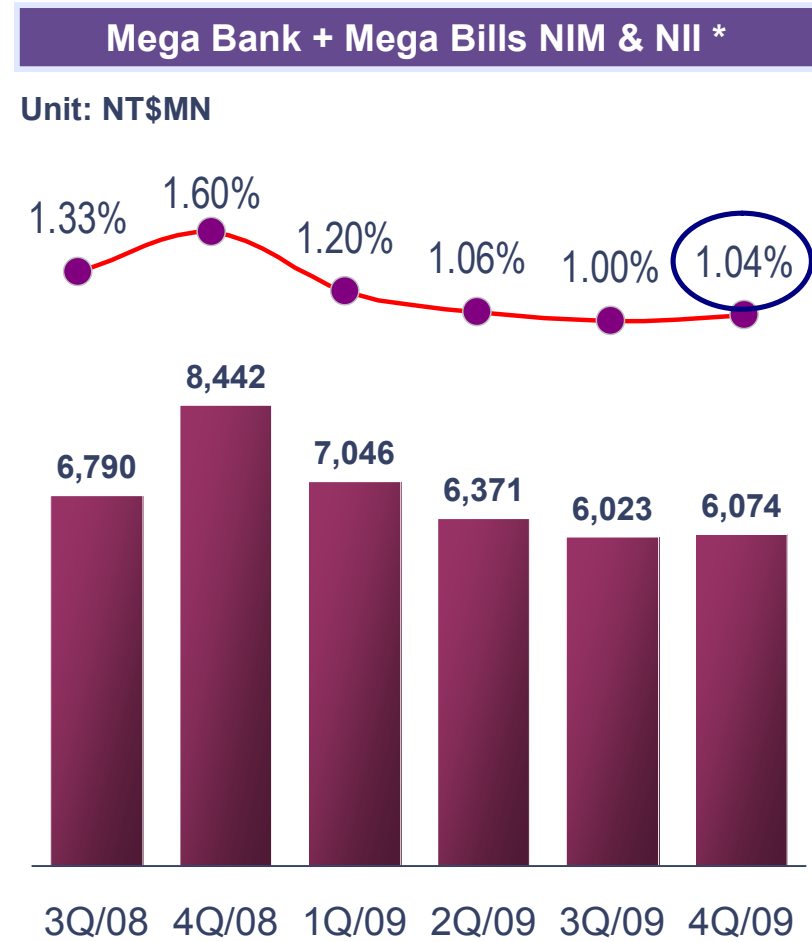
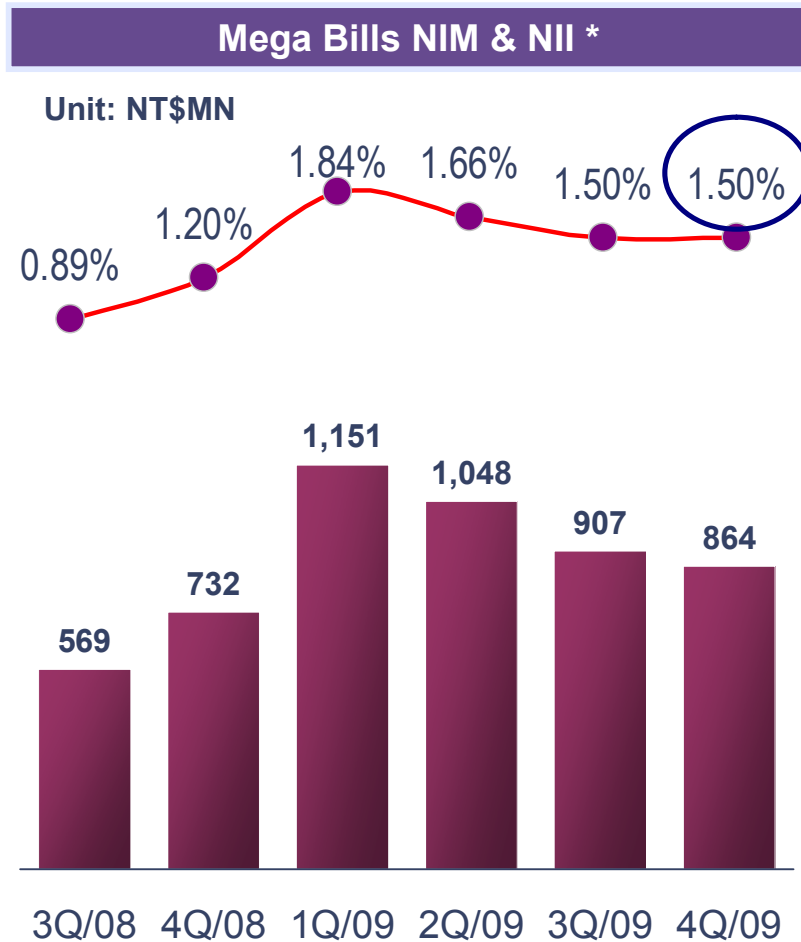
- ❖ Central Bank deposited USD deposits in Mega Bank NY branch, which were mostly placed in interbank market with low yield, which effecting our overall NIM.
- ❖ Interbank assets growth stabilized recently, which should be favorable to NIM recovery.

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 stabilized while group NIM picked up

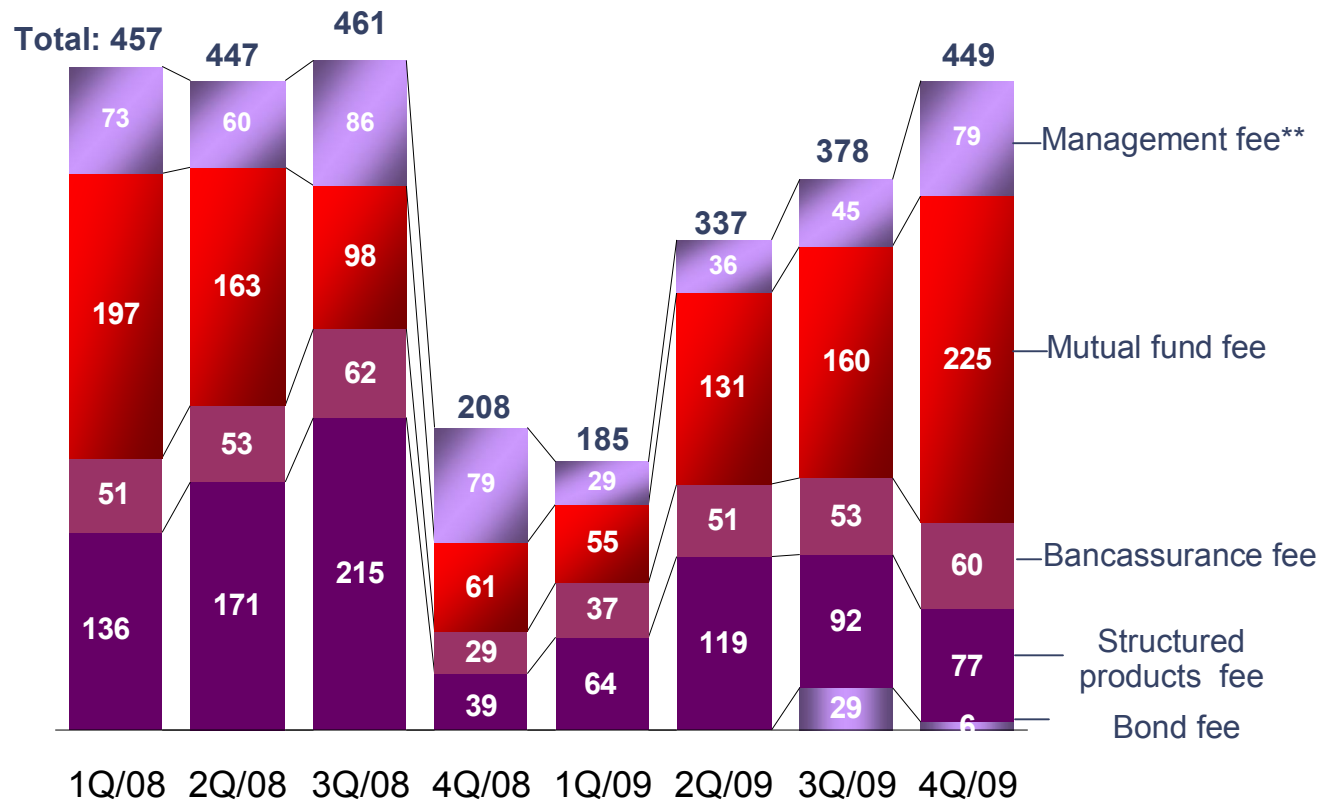


* Mega Bank & Bills internal un-audited numbers; NIM = Net interest income / average interest earning assets; NIM is quarterly annualized number; NII is quarterly net interest income

WM quarterly fee was back to Pre-Crisis level thanks to strong mutual fund sales

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

Unit: NT\$MN



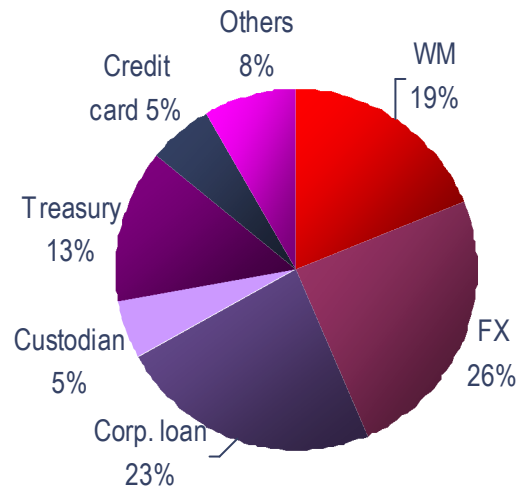
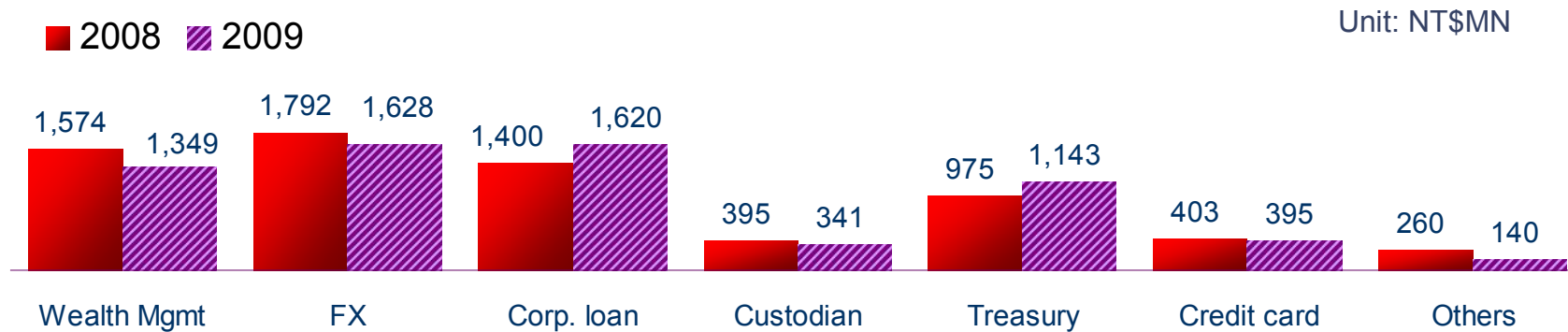
- ❖ Wealth mgmt quarterly fee was back to Pre-Global Financial Crisis level.
- ❖ Mutual fund fee has surpassed Pre-Crisis level.
- ❖ Structured products fee is likely to remain slow due to tougher regulatory requirement and oversight.
- ❖ Bancassurance will be the key focus area in 2010.

* Mega Bank internal data

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

... while other fee items improved significantly across the board

Mega Bank 2008 vs. 2009 gross fee income breakdown



Highlights

- ❖ Wealth mgmt and FX fees were down mainly due to weak macro economic condition last year but experienced strong recovery in 2H/2009. Similar trend can be expected going forward.
- ❖ Corp. loan fee picked up mainly due to strong syndication loan demand in 2H/2009.
- ❖ Treasury fee grew due to strong derivative products sales.

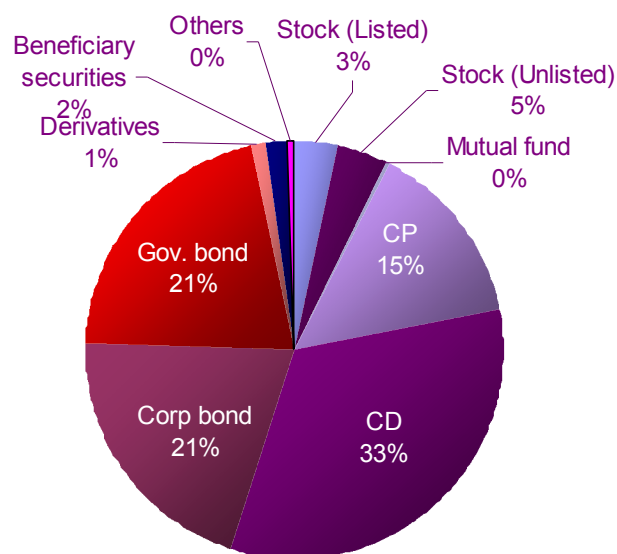
Central Bank certificate deposit position surged to mitigate excess deposit issue

Mega Group 3Q/09 consolidated financial assets breakdown 1

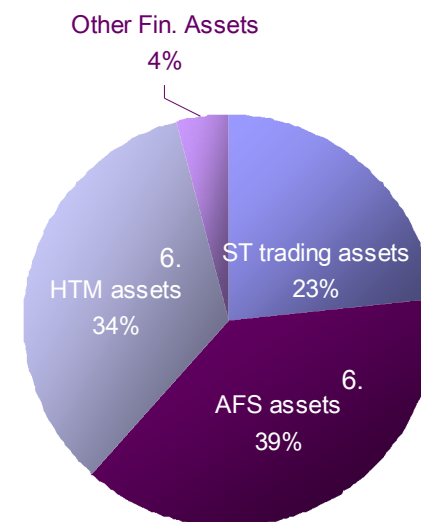
Unit: NT\$BN

	1~3Q/09	1~3Q/08
Stock (Listed) 2	21	13
Stock (Un-listed) 3	23	24
Mutual fund	2	1
Commercial papers	90	81
Certificate of deposit	203	81
Corporate bond 4	128	142
Government bond 5	129	137
Derivatives	8	7
Beneficiary securities	10	16
Others	3	3
Total	617	505

Breakdown by type



Breakdown by accounting treatment



1. Source: sum of ST trading, available for sale, hold to maturity and other financial assets from 1~3Q/09 Mega FHC consolidated audited financial statement.
2. Mostly Taiwan listed equity investment.
3. Long term VC investment of Taiwan un-listed companies, part of the unique VC investment from Mega Bank.
4. Domestic and global corps. bond
5. Mainly Taiwan Gov. bonds, part of RP business from Mega Bills.
6. HTM assets: hold to maturity assets; AFS assets: available for sales assets

Agenda



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Financial Performance

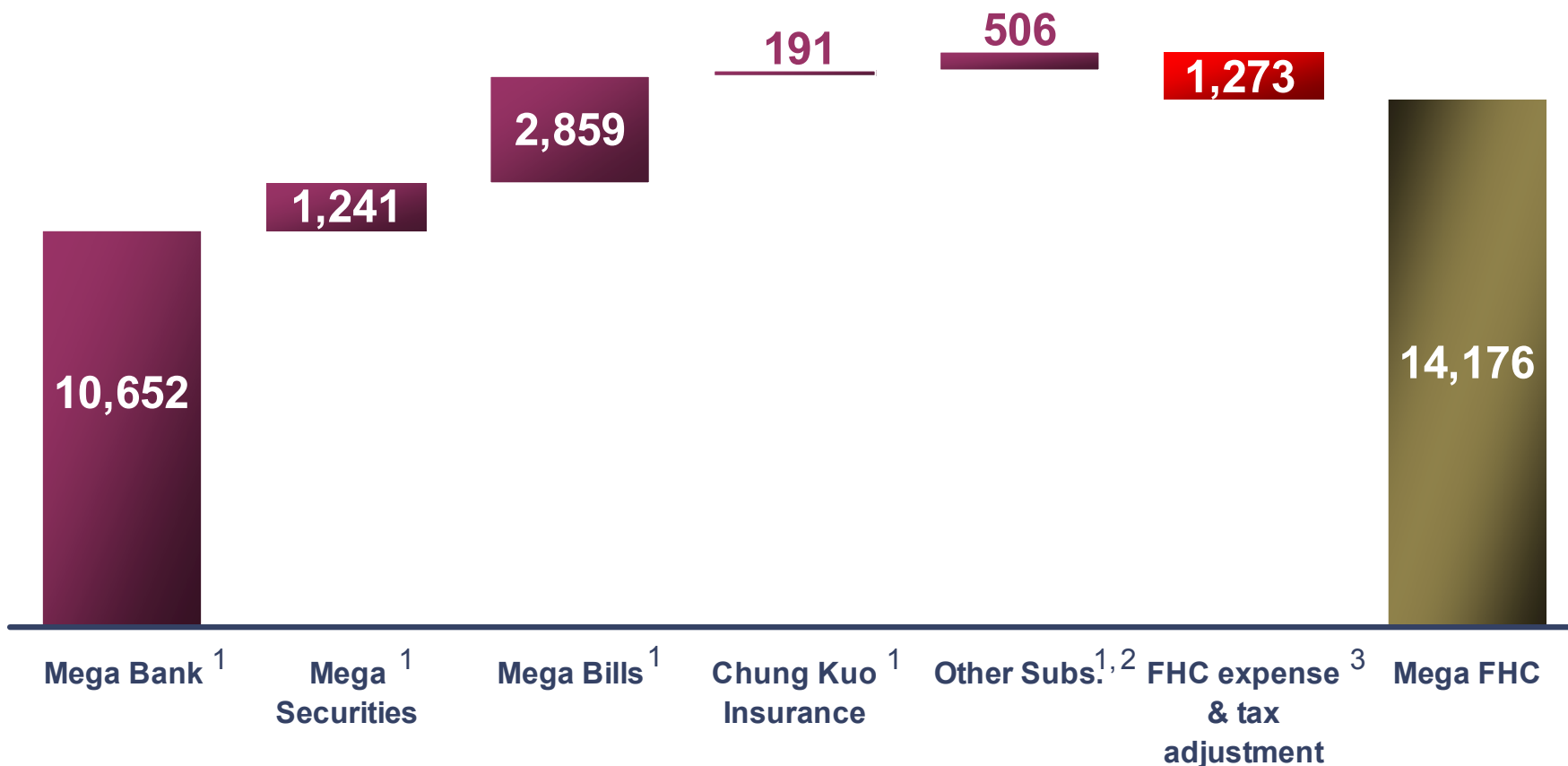


Appendix

Bills sub. has outperformed due wider spread on gov. bond portfolio; while other subs. generated solid earnings.

1~4Q/09 earning contribution by subsidiary

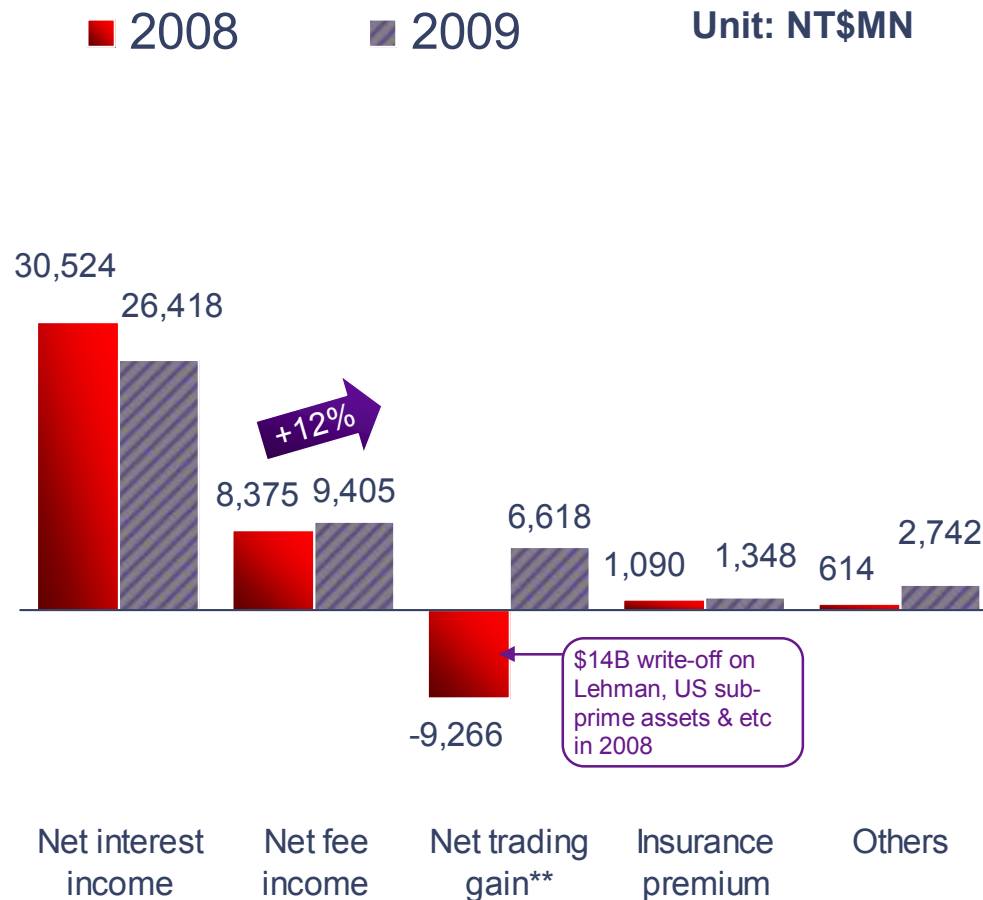
Unit: NT\$MN



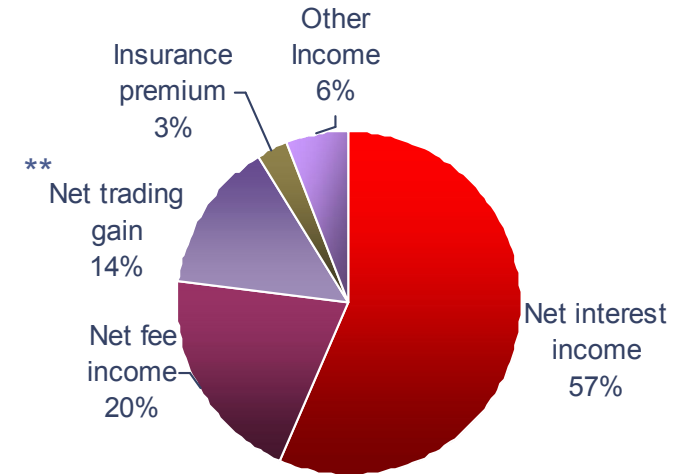
1. Un-audited subsidiary earning deducts employee bonus and inter-subsidiaries adjustments
 2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega VC
 3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

Group fee income was up 12% YoY despite weak macro econ. condition

Mega Group consolidated net revenue *



Mega Group 1~4Q/09 net revenue breakdown



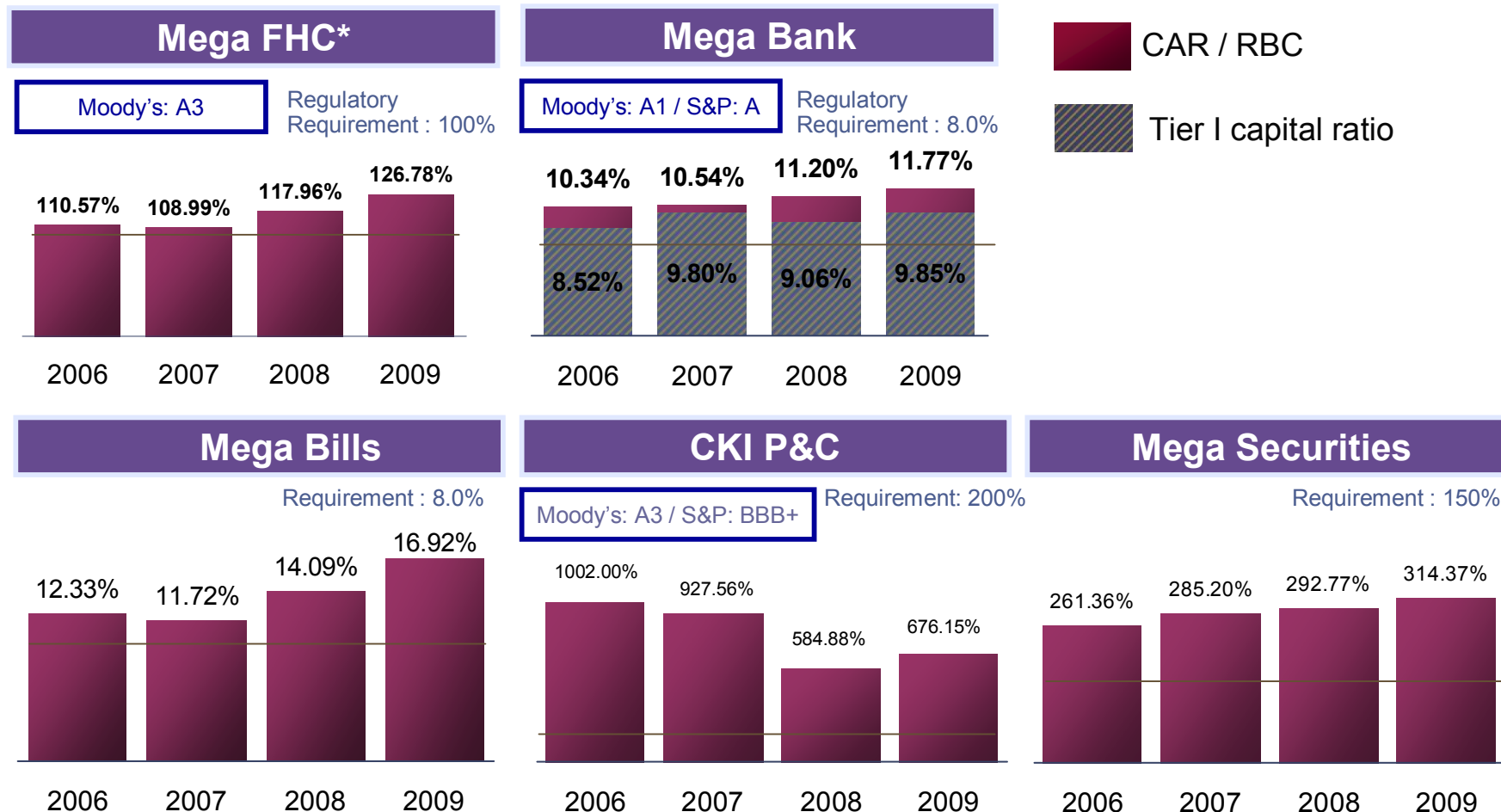
Highlights

- ❖ Group net interest income declined not as severe thanks to strong contribution from bills.
- ❖ Group net fee income was up by 12% YoY due to strong CP issuance fee, securities brokerage fee and syndication loan fee.
- ❖ Group trading gains were back to normalized level, after one-off write-off in 2008.

* 2009 are un-audited figures; 2008 are audited figures.

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

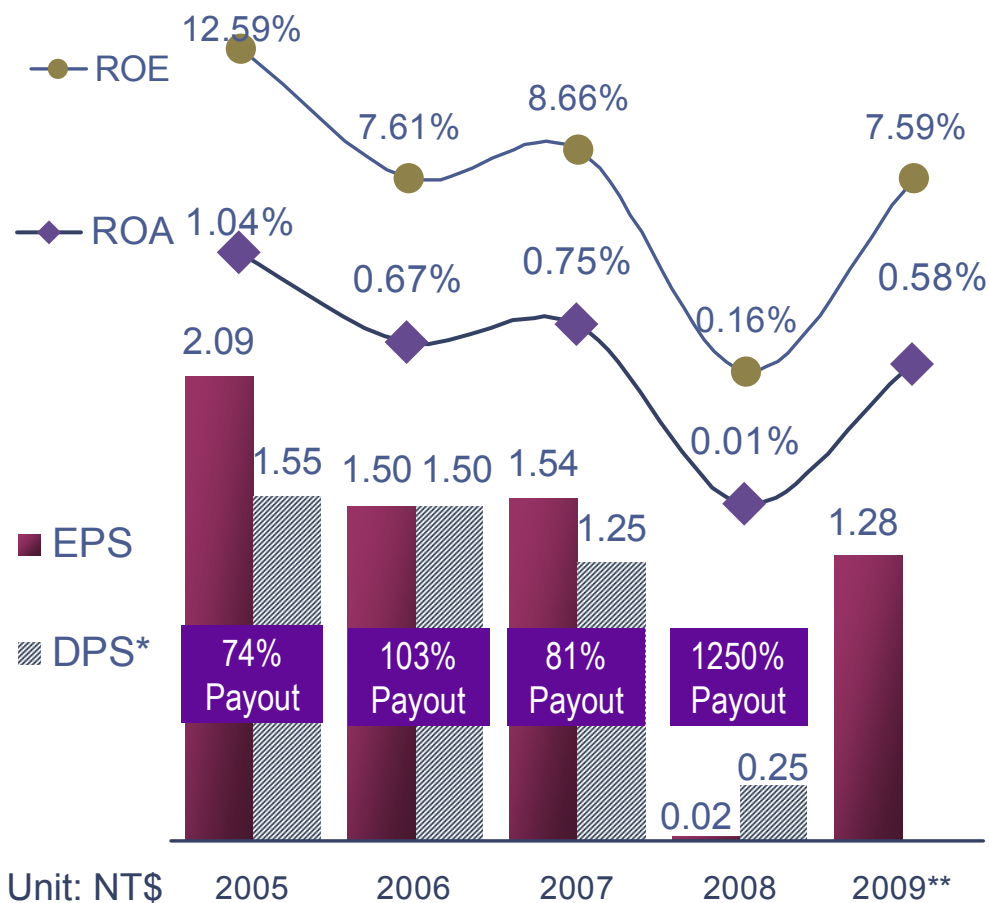
No fund issuance plan in the short term as overall capital position is well above requirement**



* Net of investments in subsidiaries
** 2009 numbers are un-audited internal figures

ROE & ROA rebounded to normalized level

Key Profitability Ratios



- ❖ 2009 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.
 - ◆ We've given investors 5~7% dividend yield in the past years, except in 2008 during the global financial crisis.

* DPS are all distributed in cash form

** 2009 numbers are un-audited

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 stakes by the end of June/2012, either 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 the capital to FHC.
- ❖ Proceed will be used for repayment of debt and/or investment in China market in the future.

Eye on the China market

- ❖ Mega Bank Suzhou rep. office is in operation in 4Q/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, includes setting up branches, subsidiaries, or investing 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.

2009 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	2009*	2008*	YoY	2008*
Net interest income	26,418	30,524	-13%	30,524
Net fee income	9,405	8,375	12%	8,375
Insurance premium	1,348	1,090	24%	1,090
ST Trading gain	5,785	-548	-	-548
Available for sales asset gain	803	283	184%	283
Hold to maturity asset gain	-180	0	0%	0
Equity method investment gain	104	121	-14%	121
Property investment gain	25	22	14%	22
FX gain (spread)	1,961	1,053	86%	1,053
Asset impairment	-1,880	-4,934	-62%	-4,934
Cost method investment gain	0	564	-	564
Bad debt write-back	0	365	-100%	365
Other loss	0	-5,475	-	-5,475
Other provision	0	-352	-	-352
Other non-interest income	2,742	249	1001%	249
Operating income	46,531	31,337	48%	31,337
Operating expense	-20,346	-19,603	4%	-19,603
Pre-provision operating profit	26,185	11,734	123%	11,734
Provision expense on loan	-7,416	-8,362	-11%	-8,362
Reserved on insurance	-29	-287	-90%	-287
Pretax profit	18,740	3,085	-	3,085
Tax	-4,547	-2,823	61%	-2,823
Minority shareholder interest	17	-32	-	-32
Net profit	14,176	295	-	295
EPS (NT\$)	1.28	0.02	-	0.02

US sub-prime assets write-off

\$14B write-off on Lehman, US sub-prime assets & etc

* 2009 are un-audited numbers; 2008 are audited numbers.

2009 Mega FHC consolidated balance sheet*

NT\$MN	2009*	2008*	YoY	2008*	YTD
Assets:					
Cash and due from banks	404,247	374,953	8%	374,953	8%
Bills and bonds under RP agreement	1,479	1,729	-14%	1,729	-14%
Fin. assets at fair value through P&L	128,352	198,444	-35%	198,444	-35%
AFS financial assets	233,475	232,070	1%	232,070	1%
HTM financial assets	263,150	96,098	174%	96,098	174%
Other financial assets	21,646	26,612	-19%	26,612	-19%
A/R, net	120,787	120,774	0%	120,774	0%
Loan, net	1,282,272	1,321,438	-3%	1,321,438	-3%
Equity method LT investments, net	2,500	2,546	-2%	2,546	-2%
Land, premises and equipments, net	23,603	25,422	-7%	25,422	-7%
Others	17,765	9,529	86%	9,529	86%
Total assets	2,499,276	2,409,613	4%	2,409,613	4%
Liabilities					
Due to banks	453,635	449,688	1%	449,688	1%
Deposits	1,474,852	1,316,770	12%	1,316,770	12%
CP & Bond payable	54,295	56,006	-3%	56,006	-3%
Bills & bonds sold under repurchase agreement	171,365	248,492	-31%	248,492	-31%
Other liabilities	149,013	160,622	-7%	160,622	-7%
Total liabilities	2,303,160	2,231,578	3%	2,231,578	3%
Total stockholders' equity	196,116	178,034	10%	178,034	10%
Total liabilities and stockholders' equity	2,499,276	2,409,613	4%	2,409,613	4%

* 2009 are un-audited numbers; 2008 are audited numbers.

Agenda



Operation Highlights



Financial Performance



Appendix

Well established size and scale to win

1~4Q/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	2,499	2,200	44	203	13	0.9	16	0.09	1.0
Equity	195	156	15	33	5	0.7	2.5	0.05	1.0
Net Profit	14.2	10.7	1.2	2.9	0.2	0.07	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 internal numbers

** Overseas offices include rep. offices. and branches



Our Corporate Strategy

Revenue Enhancement	Eye on the world with a focus on the Asia Pacific region
	Reinforcing the advantage of corporate banking and foreign exchange business
	Expanding consumer banking and wealth management business
	Reinforcing cross selling to enhance the group's synergy
Cost Savings	Lowering costs and enhancing operating performance
	Enhancing capital utilization with effective capital allocation
Sys. integration	Integrating information systems and information sharing services
	Strengthening risk management system

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

Provision for US sub-prime assets has come to an end

As of end of 1~4Q/2009
 Unit: NT\$MN
 USD:NTD=1:32.24

Mega Group						
Securities Type	Original Gross Balance	Provision Realized				
		On 1~4Q/09 balance sheet	On 2007 & 2008 income statement	On 1~4Q/09 income statement	Total	As % of total gross balance
US sub-prime RMBS ¹	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.