



兆豐金控  
Mega Holdings

**1Q / 2010** (v.1)

**Investor/Analyst Briefing**



# DISCLAIMER

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**THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2010 ARE INTERNAL PRELIMINARY RESULT. MEGA FHC EXPECTS TO FILE ITS UNAUDITED INTERIM FINANCIAL STATEMENTS, WHICH ARE TO BE REVIEWED BY ITS AUDITORS, WITH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON OR ABOUT MAY 15, 2010.**

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# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

# 1Q/10 performance summary

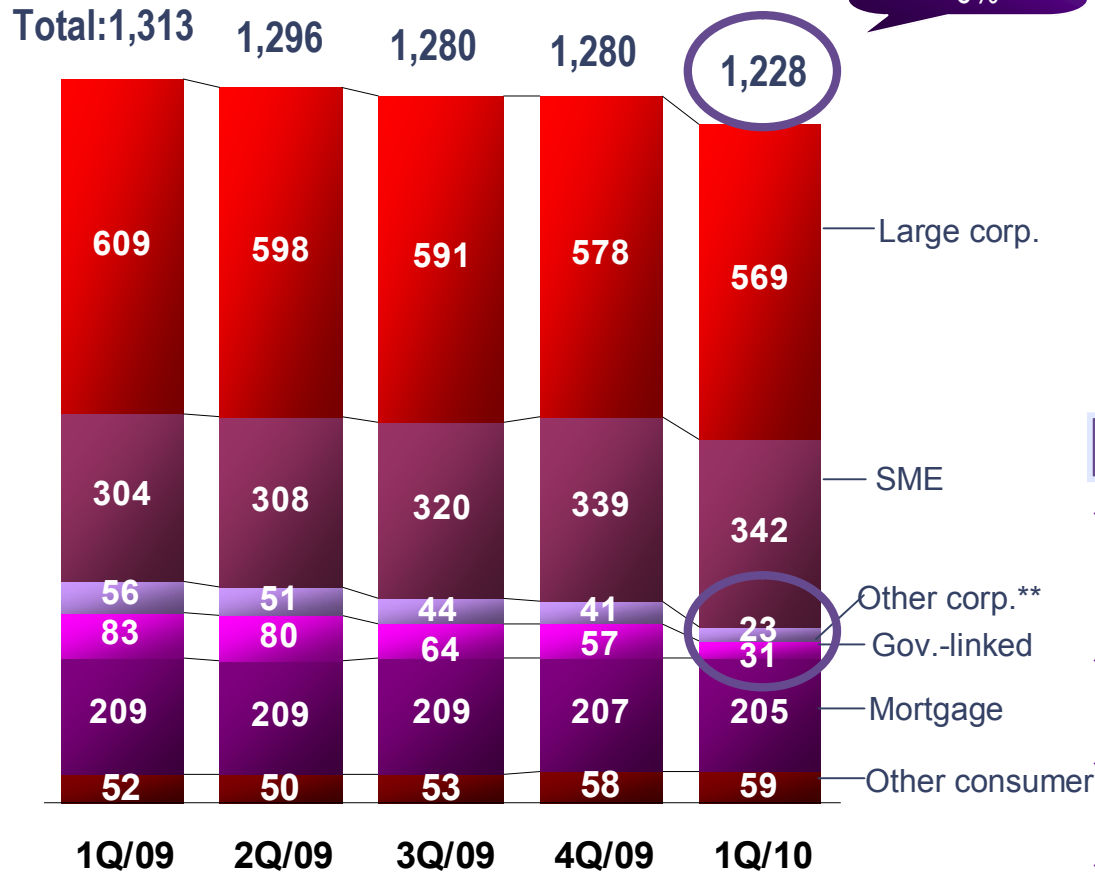
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- ❖ 1Q/10 loan balance contracted 6% YoY, mainly due to several large repayments from gov. agencies and gov-backed none-profit org.
- ❖ Deposit growth stabilized; while LDR still faced pressure.
- ❖ Bank NIM inched up slightly from 1.00% in 4Q/09 to 1.01% in 1Q/10.
- ❖ Group net fee revenue was up 45% YoY, mainly due to strong WM, FX and corp. loan fee.
- ❖ Group trading items softened slightly due to slower equity trading gain and one-off impairment charge.
- ❖ Mega Bank annualized 1Q/10 NPL influx was only 38bps, which contributed low credit cost of NT\$274M in 1Q/10, while maintaining 0.90% NPL ratio and 106% coverage ratio.
- ❖ No capital raising plan in the short term as overall capital position, including tier-one capital, are all well above the requirements and industry peers.
- ❖ Board has approved the NT\$1.00 cash dividend, which is subject to approval of AGM on 6/23, providing investors with dividend yield of 5~6%, consistence with past years.

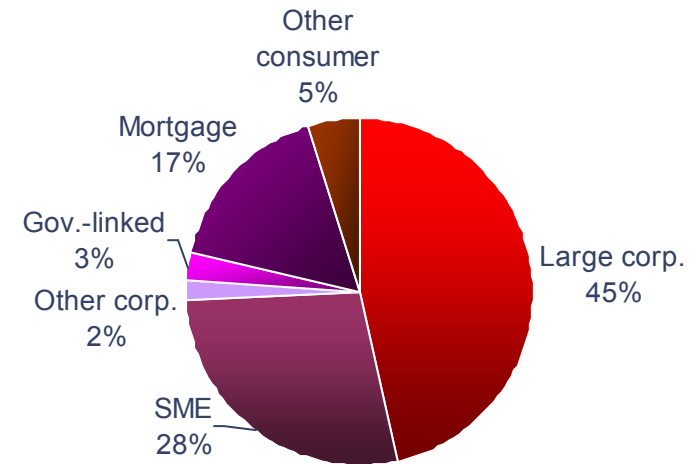
# Large repayments from gov.-linked loan dragged down the overall loan balance; SME loan growth momentum remained

Mega Bank quarterly loan balance\*

Unit: NT\$bn



Mega Bank 1Q/10 loan breakdown by customer



## Highlights

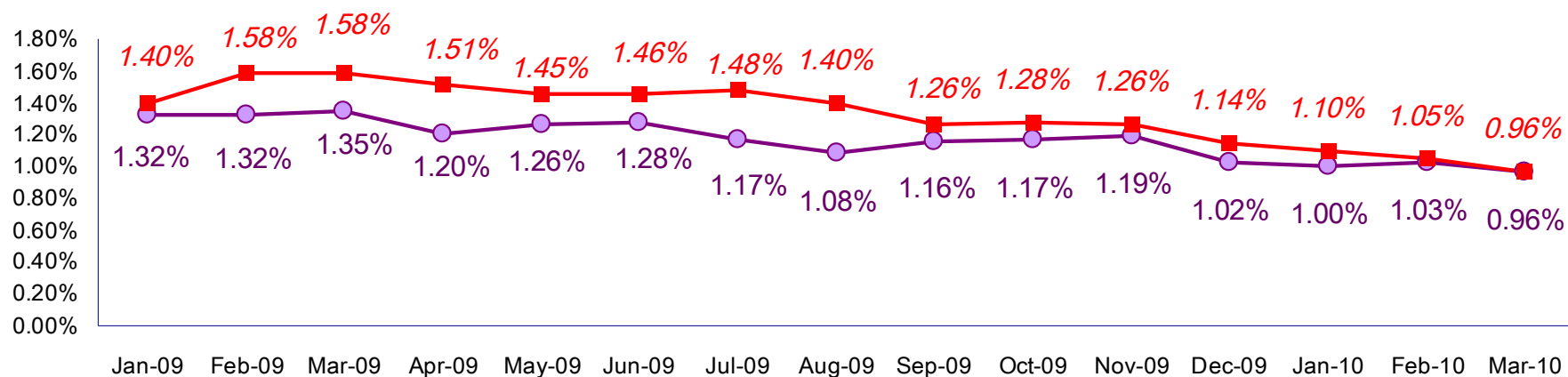
- ❖ Large repayments from gov. agencies and gov.-backed non-profit org. dragged down the gov.-linked and other corp. loan.
- ❖ Large corp. loan declined slightly as we were reluctant to cut price in some cases.
- ❖ SME loan growth is on track of expectation and target.
- ❖ Mortgage is likely to remain flat.

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

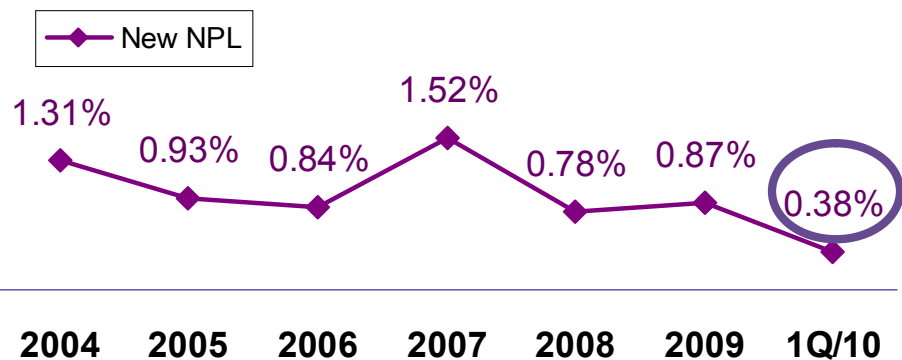
\*\* Includes Non-Profit Organization and etc.

# 1Q/10 NPL influx is only 38bps, lowest in 7 years.

Mega Bank corp. NPL ratio\*



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



Highlights

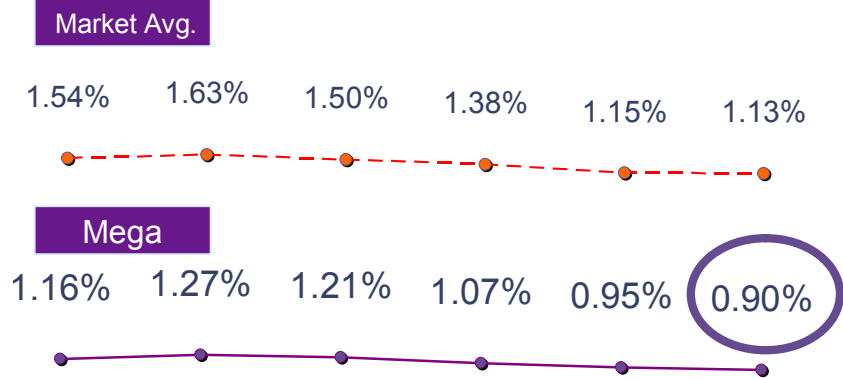
- ❖ Both large corp. & SME NPL ratios continued to trend down further.
- ❖ Annualized 1Q/10 NPL influx was only 38bps, which contributed low credit cost in 1Q/10.
- ❖ Asset quality deterioration concern is largely neutralized.

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

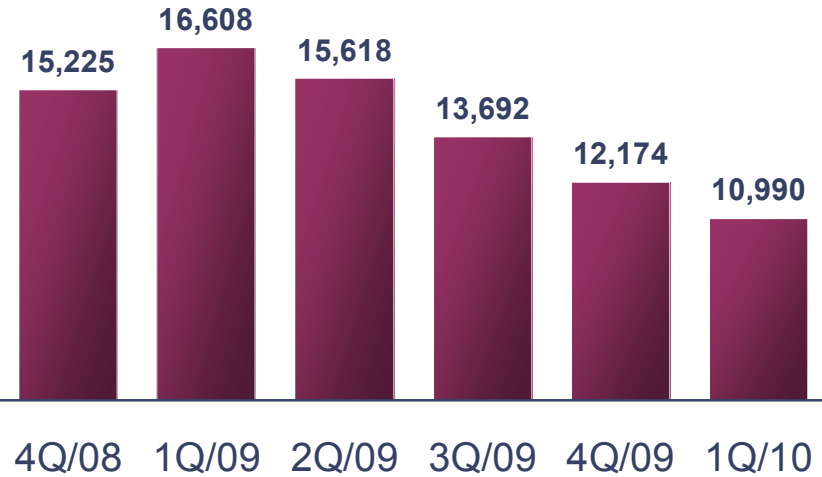
\*\* New NPL / total loan. Mega Bank Internal number.

# Overall asset quality continued to improve

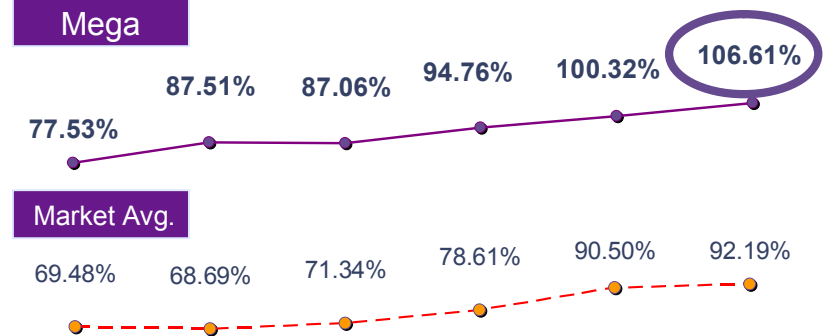
Mega Bank NPL balance & NPL ratio\*



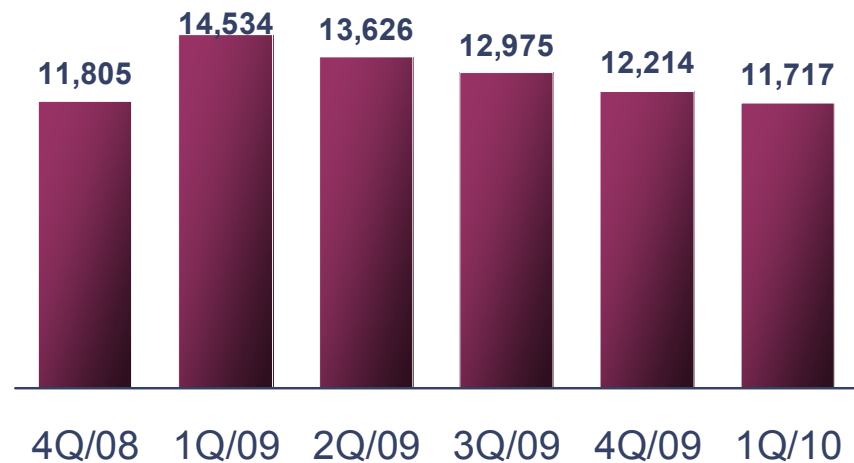
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio\*



Unit: NT\$MN



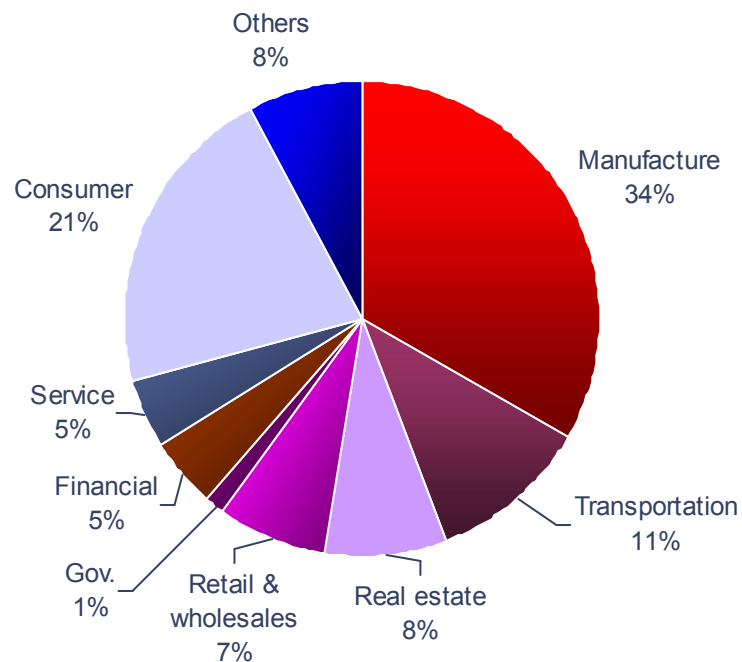
\* 90 days standard

\*\* market average source: Banking Bureau of Taiwan; 1Q/10 data not available yet, Feb/10 data was used instead.

# Well diversified book among industries provided cushion for uncertainty ahead

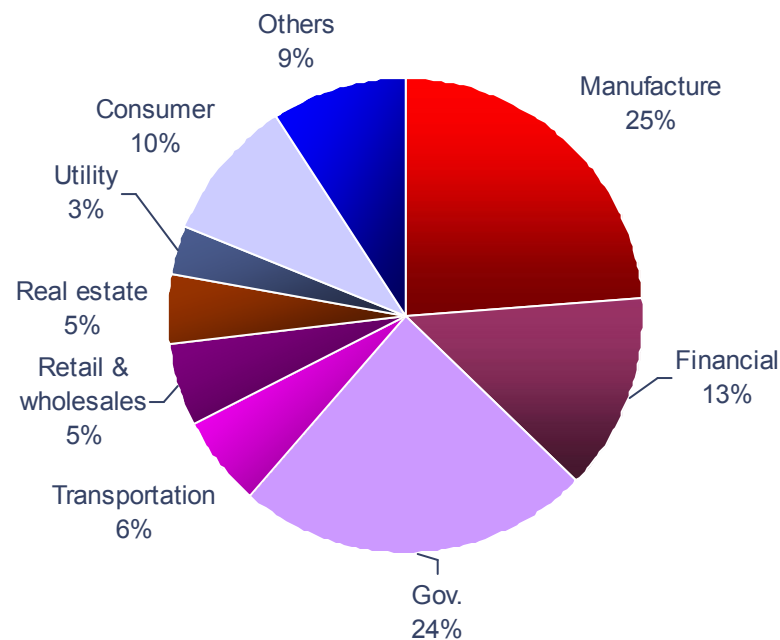
Mega Bank 1Q/10 loan breakdown by industry\*

Total: NT\$1,228BN



Mega Group 1Q/10 credit exposure breakdown by industry\*\*

Total: NT\$2,669BN



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

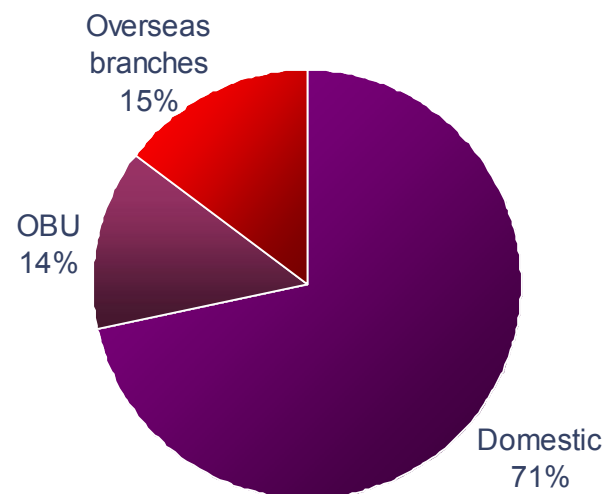
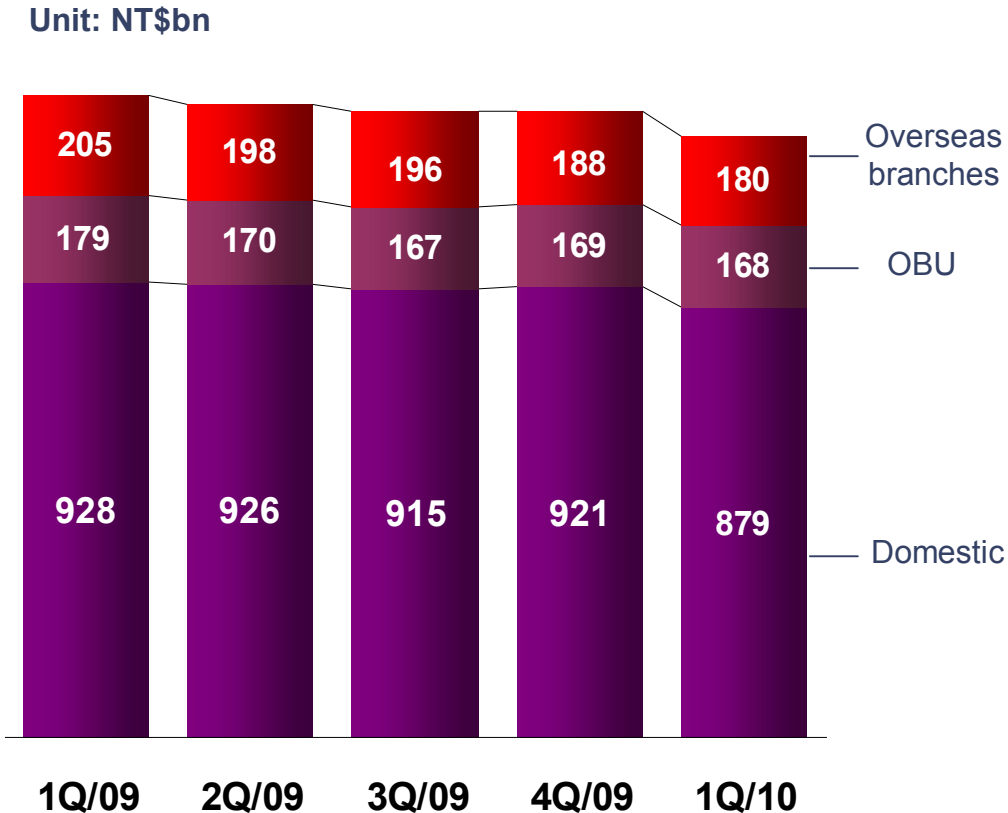
\*\* Includes all subsidiaries; includes loan, all financial assets and inter-banking assets, and off-balance sheet items such as guarantee and L/C.



# Domestic loan balance declined due to large repayment from gov. agencies and gov-linked enterprises.

Mega Bank 1Q/10 loan breakdown by regions \*

Unit: NT\$bn



❖ OBU/overseas branches loan balance were flat in 1Q/10; domestic loan balance was under pressure due to several large repayments from gov. agencies and gov.-linked enterprises.

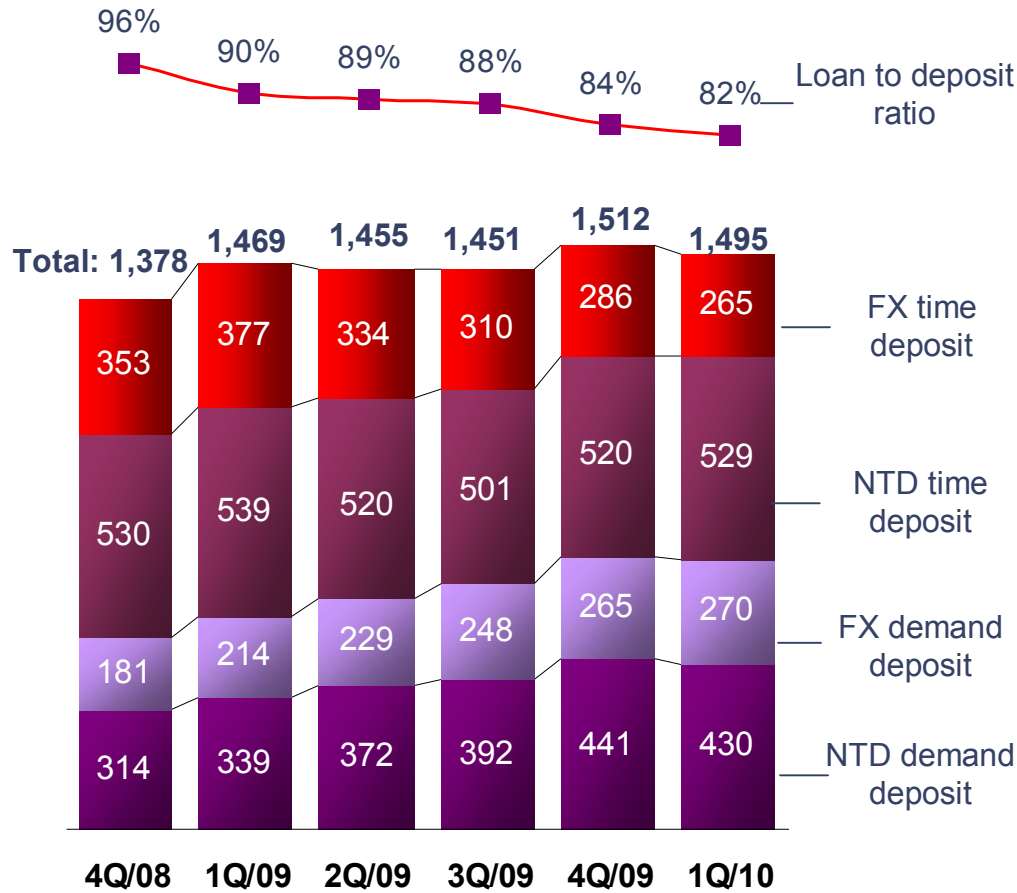
\* Mega Bank quarterly average balance, includes loan, factoring, A/R financing, L/C but excludes guarantee

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

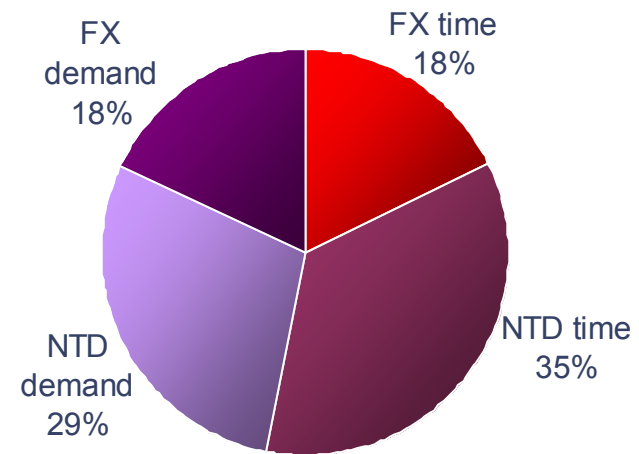
# Deposit growth stabilized in 1Q/10; while LDR still faced pressure.

Mega Bank's LDR & deposit balance \*

Unit: %; NT\$bn



Mega Bank's 1Q/10 deposit breakdown

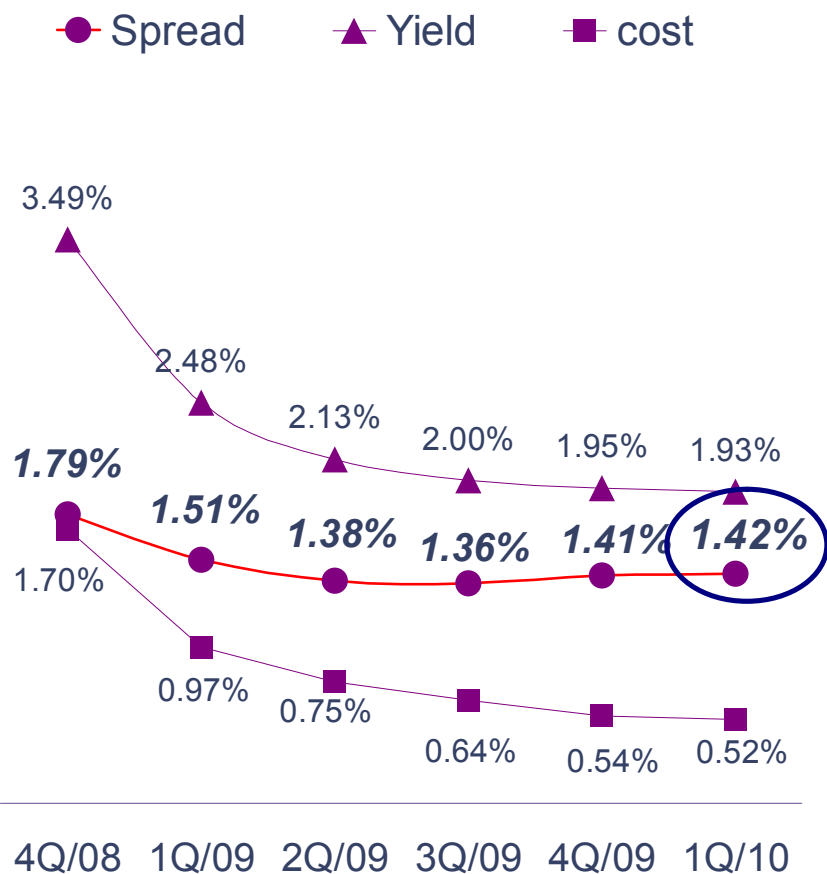


- ❖ Deposit growth stabilized in 1Q/10, but loan-to-deposit ratio still faced pressure.
- ❖ Will continue to initiate several measures, includes lowering the large sum deposit limit from NT\$5MN to NT\$3MN to further deter deposit growth.

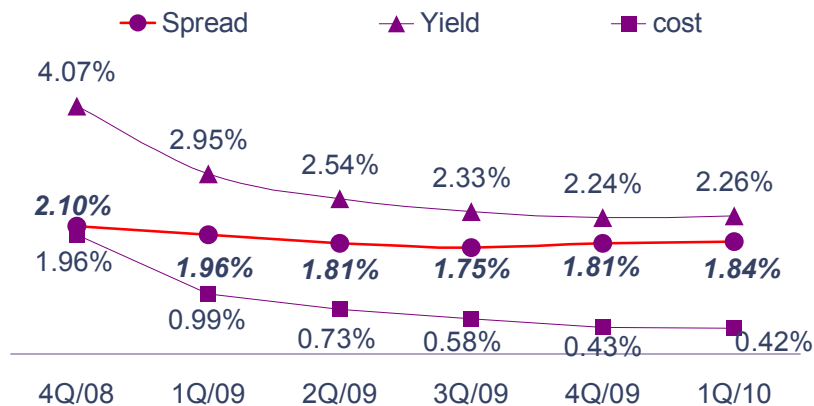
\* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit

# Mega Bank loan interest spread continued to pick up in both overseas and domestic loans

Mega Bank total loan interest spread



Mega Bank overseas loan interest spread\*



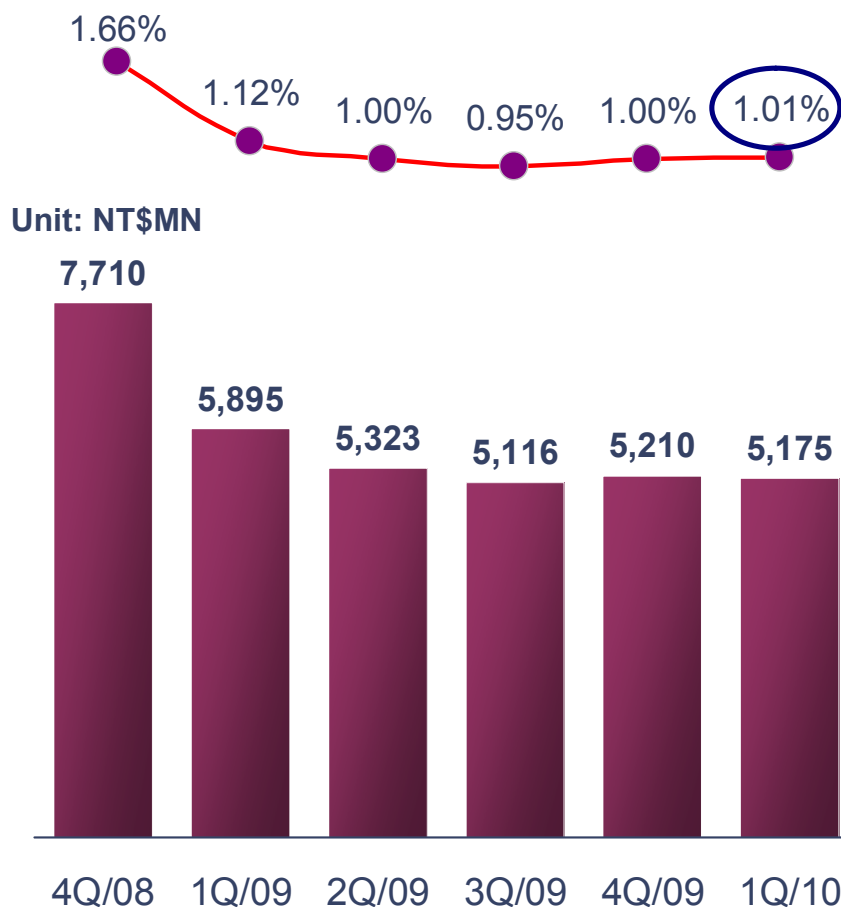
Mega Bank domestic loan interest spread



\* Includes overseas branches and OBU loan

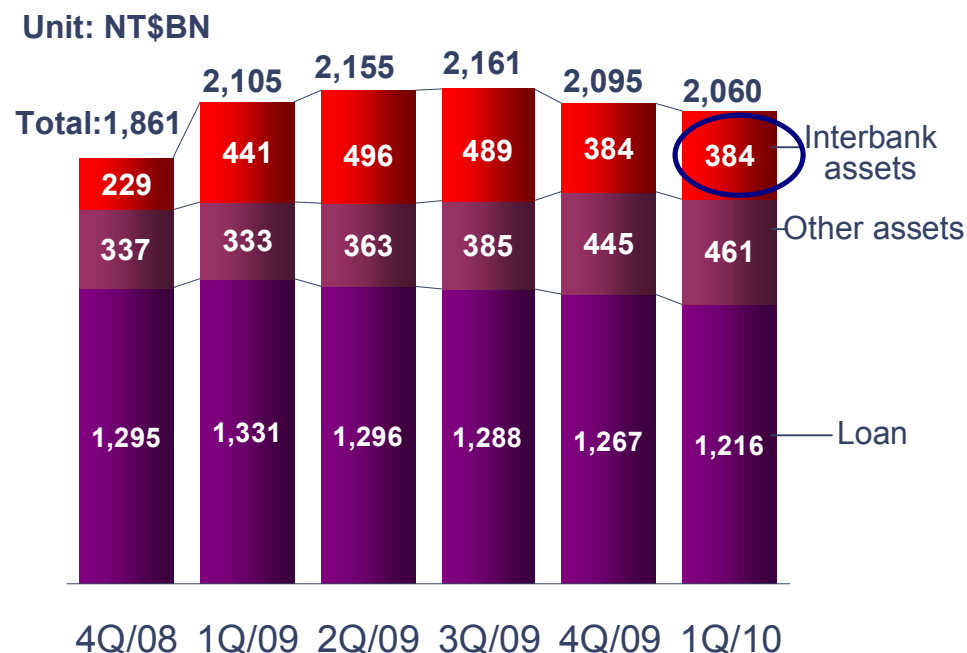
# Mega Bank NIM inched up; low-yield interbank assets growth stabilized.

Mega Bank quarterly NIM & NII \*



Mega Bank interest-earning assets\*

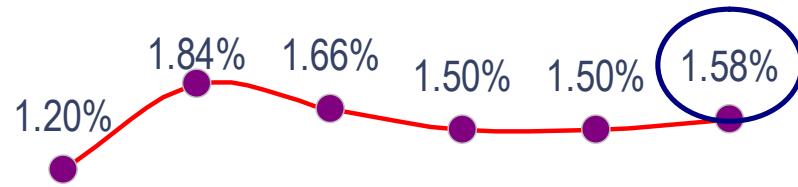
- ❖ Central Bank deposited USD deposits in Mega Bank NY branch, which were mostly placed in interbank market with low yield, which effecting our overall NIM.
- ❖ Interbank assets growth stabilized recently, which should be favorable to NIM recovery.



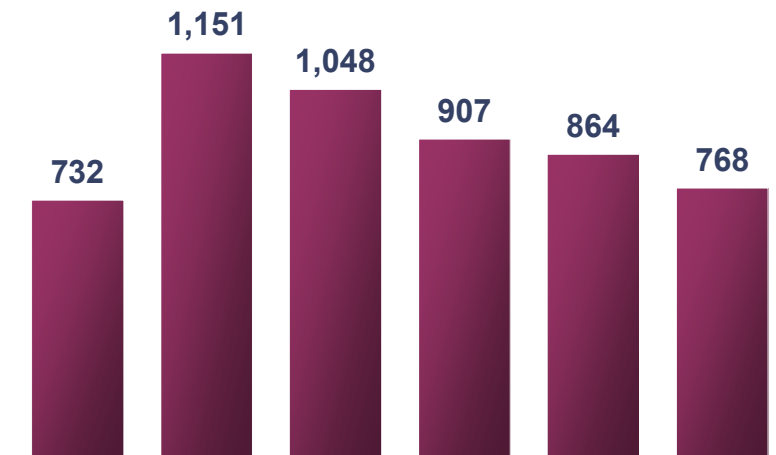
\* Mega Bank internal un-audited numbers; NIM = Net interest income / average interest earning assets; NIM is quarterly annualized number; NII is quarterly net interest income

# Mega Bills NIM stabilized while group NIM picked up

Mega Bills NIM & NII \*

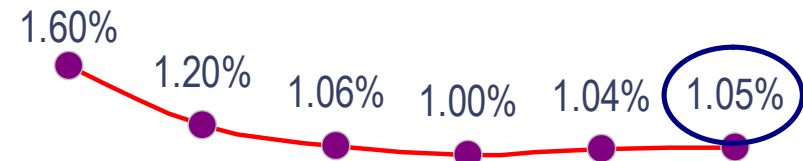


Unit: NT\$MN

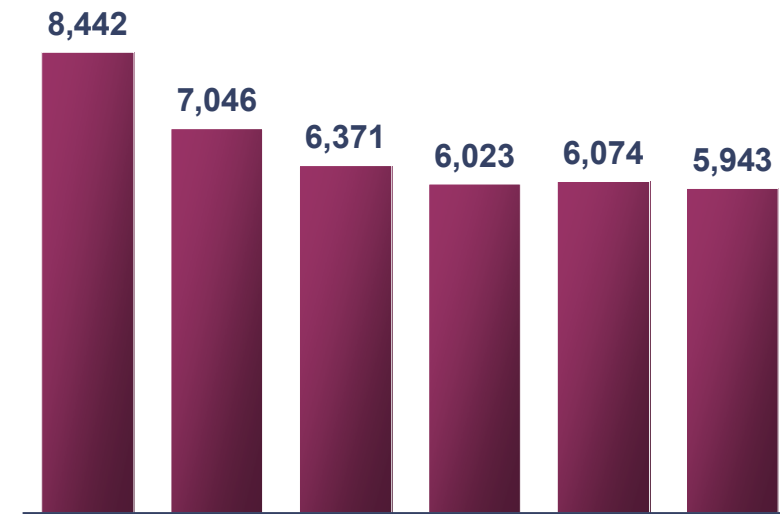


4Q/08 1Q/09 2Q/09 3Q/09 4Q/09 1Q/10

Mega Bank + Mega Bills NIM & NII \*



Unit: NT\$MN



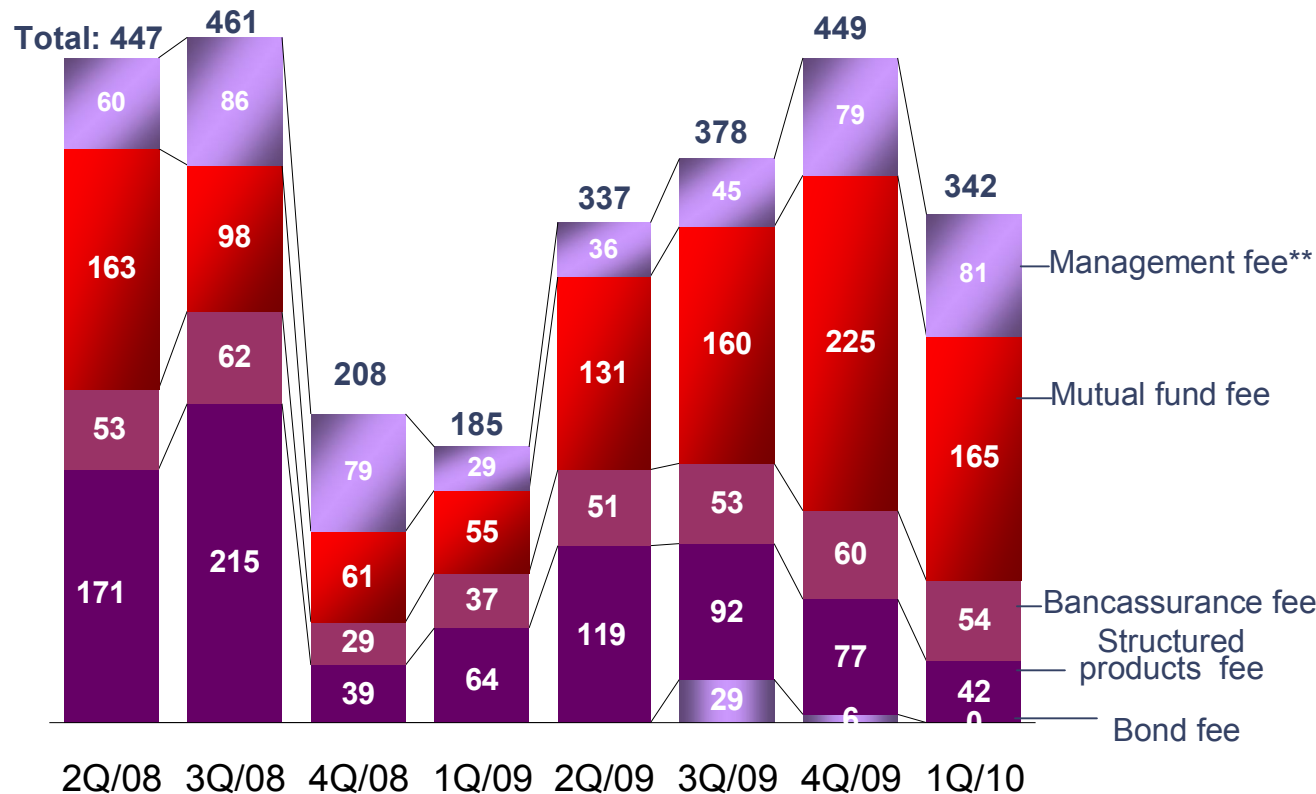
4Q/08 1Q/09 2Q/09 3Q/09 4Q/09 1Q/10

\* 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 1Q/10 fee income improved significantly compared with the same period last year.

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

Unit: NT\$MN



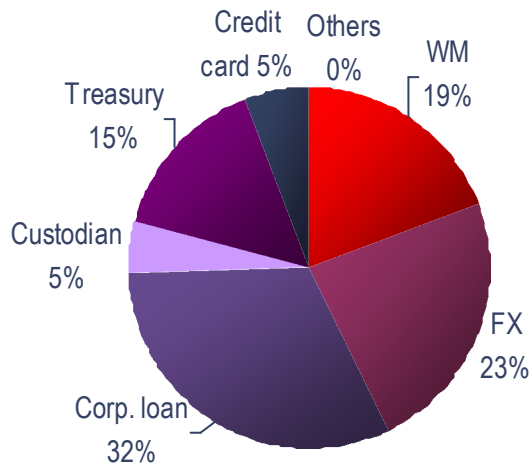
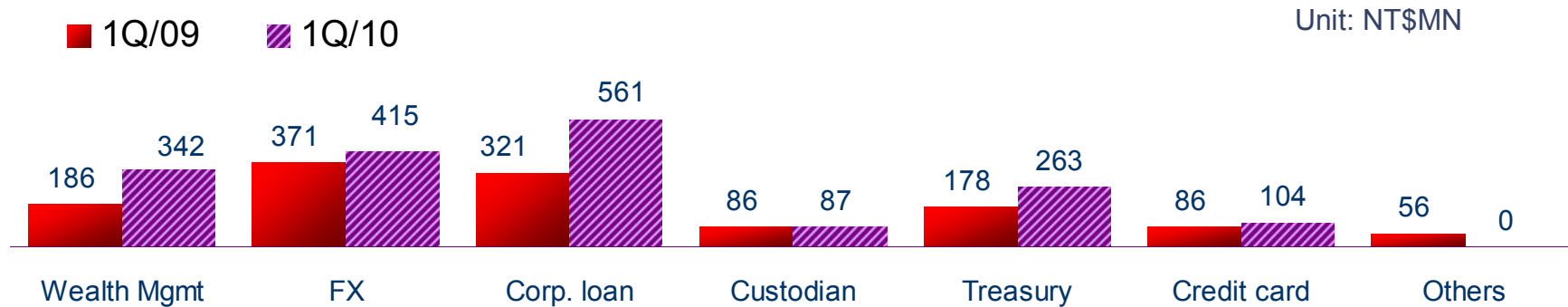
- ❖ Wealth mgmt quarterly net fee income improved significantly compared with the same period last year.
- ❖ Structured products fee income is likely to remain slow due to tougher regulatory requirement and oversight.
- ❖ Bancassurance will be the key focus area in 2010.

\* Mega Bank internal data

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

# All fee items showed strong recovery from the same period last year.

## Mega Bank 1Q/09 vs. 1Q/10 gross fee income breakdown



## Highlights

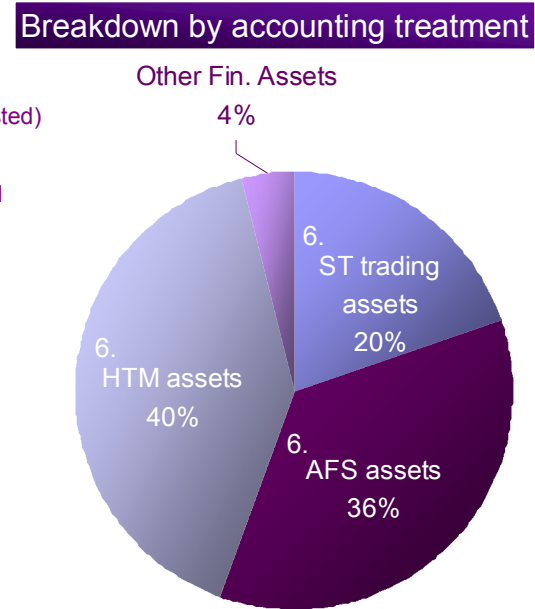
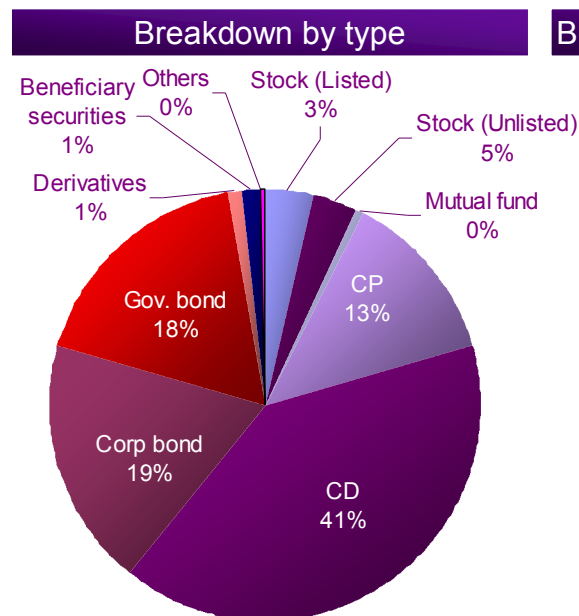
- ❖ WM fee doubled due to recovery of product demand.
- ❖ FX fee picked up due to recovery from corp. activities
- ❖ Corp. loan fee jumped higher due to strong syndication loan fee.
- ❖ Treasury fee grew due to strong derivative products sales.

# Central Bank certificate deposit position surged to mitigate excess deposit issue

## Mega Group 1~4Q/09 consolidated financial assets breakdown 1

Unit: NT\$BN

	2009	2008
Stock (Listed) 2	23	12
Stock (Un-listed) 3	22	23
Mutual fund	3	1
Commercial papers	85	121
Certificate of deposit	261	96
Corporate bond 4	121	131
Government bond 5	115	142
Derivatives	7	12
Beneficiary securities	9	12
Others	2	2
<b>Total</b>	<b>648</b>	<b>552</b>



1. Source: sum of Fin. asset at fair value thru P&L, available for sale, hold to maturity and other financial assets from 1~4Q/09 Mega FHC consolidated unaudited 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. bonds and bank debentures.
5. Mainly Taiwan Gov. bonds, part of RP business from Mega Bills.
6. ST trading assets: Fin. asset at fair value thru P&L; HTM assets: hold to maturity assets; AFS assets: available for sales assets.



# Agenda

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**Operation Highlights**



**Financial Performance**

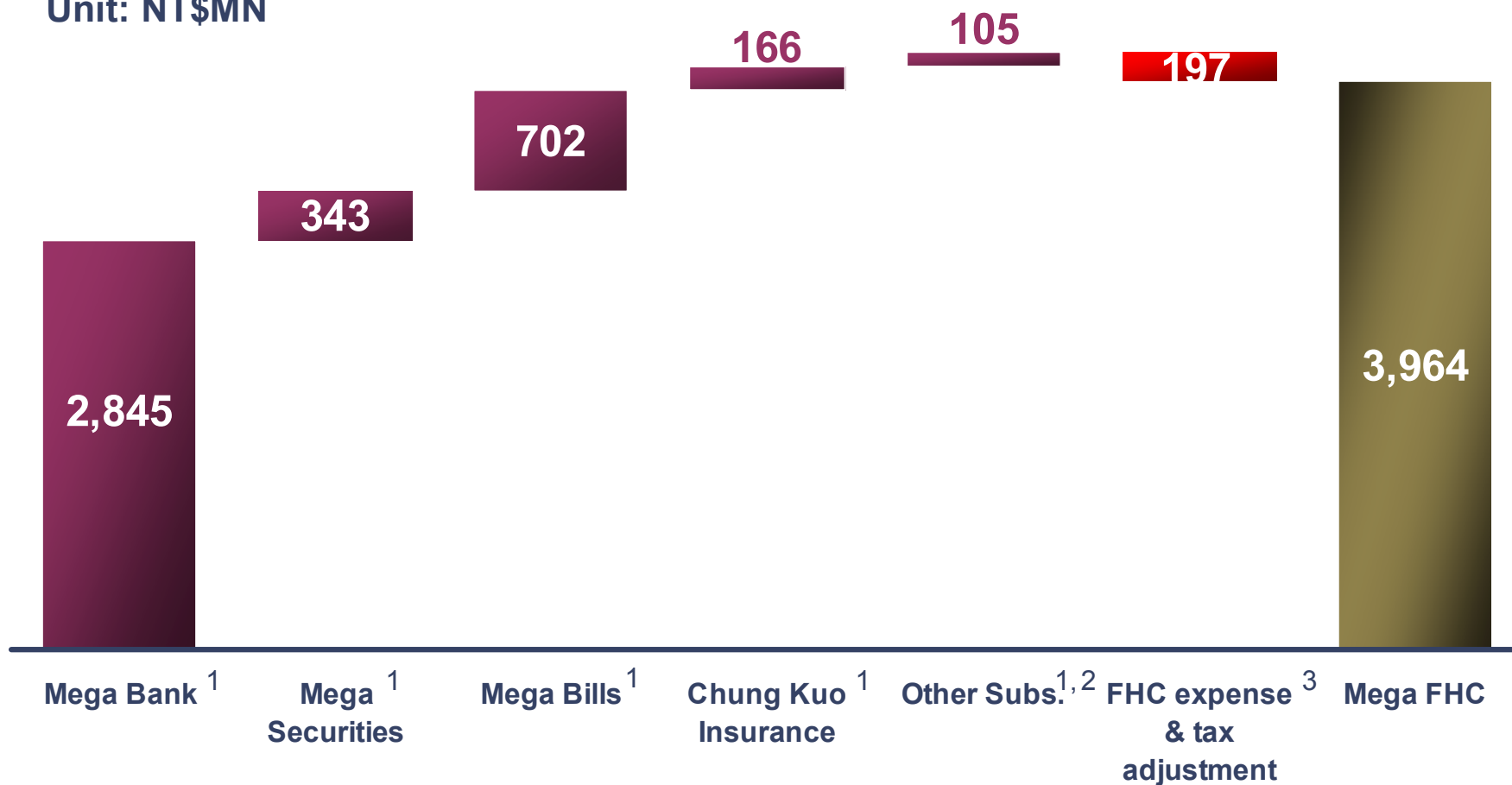


**Appendix**

# All subs earnings are in line with the expectation.

## 1Q/10 earning contribution by subsidiary

Unit: NT\$MN



1. Un-audited subsidiary earning

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

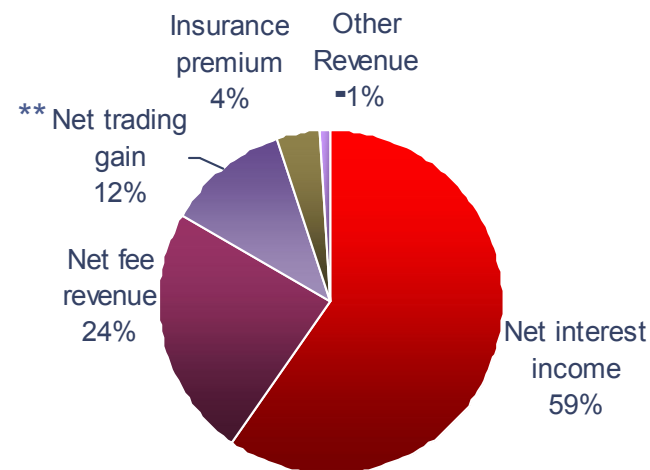
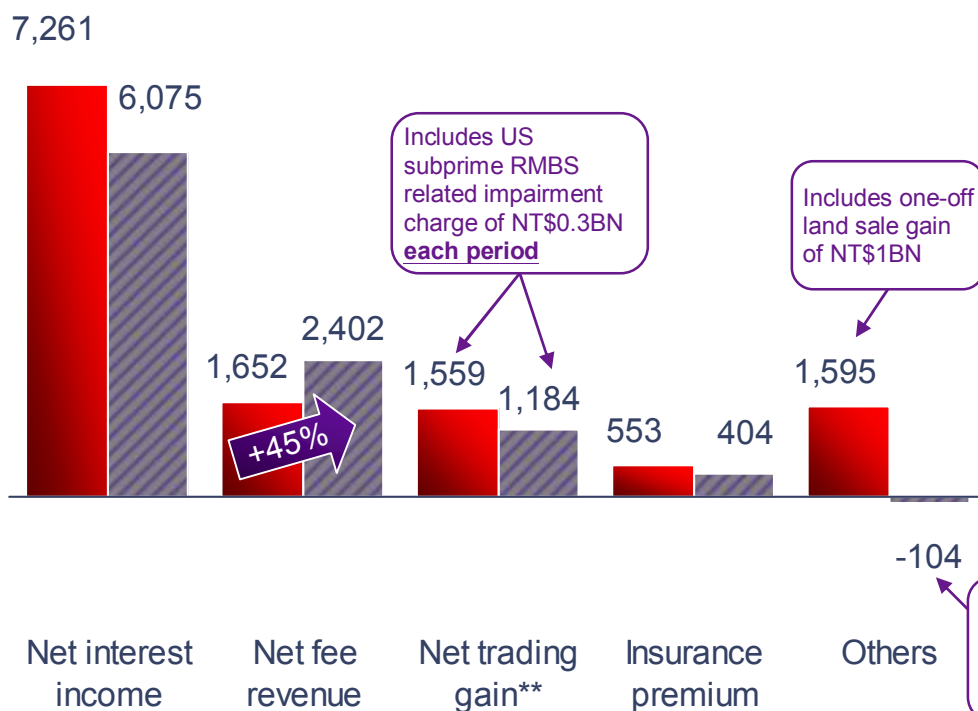
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

# Group fee revenue was up 45% YoY, while interest income still faced pressure.

Mega Group consolidated net revenue \*

Mega Group 1Q/10 net revenue breakdown

■ 1Q/09 ■ 1Q/10 Unit: NT\$MN



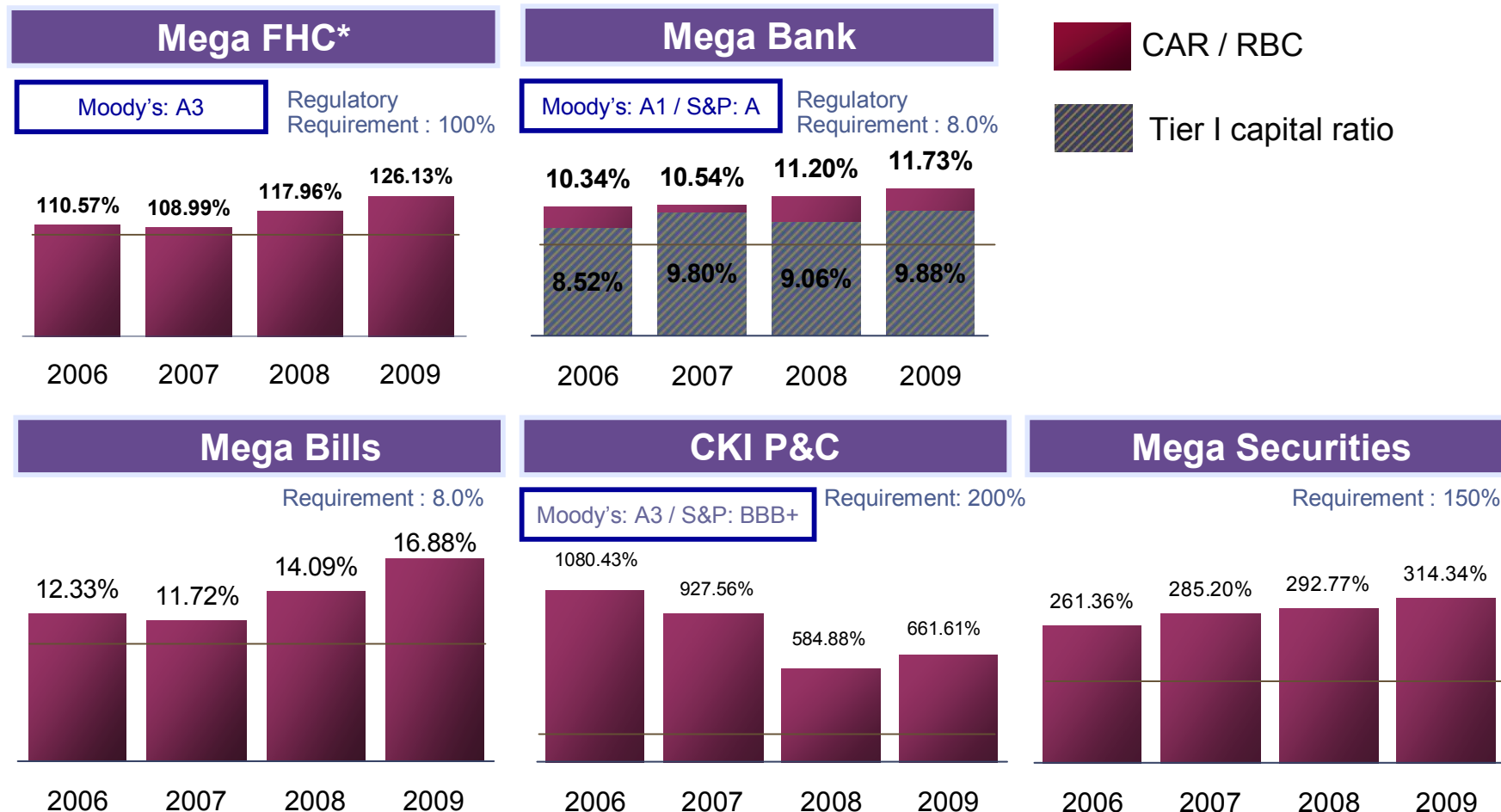
## Highlights

- ❖ Group net interest income declined due to loan balance and NIM contraction.
- ❖ Group net fee revenue was up by 45% YoY, driven by strong growth from all fee items.

\* 1Q/10 are un-audited figures; 1Q/09 are audited figures.

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

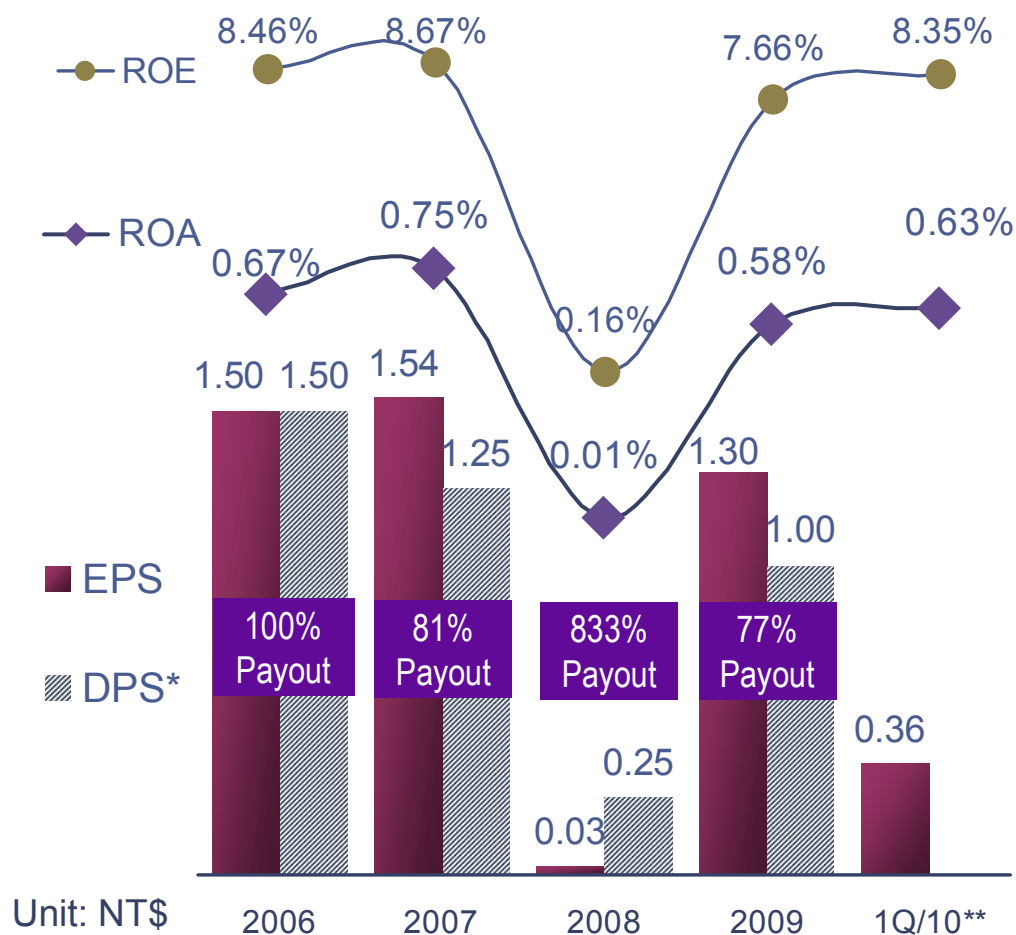
# No fund issuance plan in the short term as overall capital position is well above requirement\*\*



\* Net of investments in subsidiaries

# ROE & ROA continued to inch up.

## Key Profitability Ratios



- ❖ 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.
- ❖ 2009 cash dividend of NT\$1.00 has been approved by the board and is subject to AGM approval on 6/23.

\* DPS are all distributed in cash form

\*\* 1Q/10 numbers are audited.

# Recent development & strategic considerations

## Asset related to global incidents

- ❖ Total PIGS\* exposures are NT\$1.2BN, which are mostly syndication loans to big corps, in utility and power industries, which are currently all performing loans with no asset quality concern.
- ❖ Mega do NOT have government bonds exposure of PIGS.

## Eye on China market

- ❖ Mega Bank Suzhou rep. office: launching IT system planning and implementation project, in hopes of upgrading to a branch soon, which is subject to ECFA's actual terms.
- ❖ Mega Securities has rep. offices in Beijing, Shanghai & Shenzhen.
- ❖ Chuang Kuo Insurance (CKI) has rep. office in Shanghai.
- ❖ "Greater China Financial Market Expansion Team" at FHC level: continuously looks for ways and options of entering China market.

## Taiwan Business Bank stake

- ❖ Mega owns 13.44% shares of Taiwan Business Bank.
- ❖ Booked at cost of NT\$6.08BN as AFS assets, with per share cost of NT\$11.6.
- ❖ 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 private placement, open market and/or after-market block trade, preferably at or above cost .

## 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.

\* Portugal, Italy, Greece and Spain

# 1Q/10 Mega FHC consolidated P&L statement\*

<i>NT\$MN, except per share data</i>	1Q/2010*	1Q/2009*	YoY	2009*
Net interest income	6,075	7,261	-16%	26,475
Net fee revenue	2,402	1,652	45%	9,539
Insurance premium	404	553	-27%	1,360
Gain from fin. assets at fair value thru P&L	622	1,644	-62%	4,728
Available for sales asset gain	308	42	633%	2,071
Hold to maturity asset gain	0	0	-	-180
Equity method investment gain	24	23	4%	185
Property investment gain	7	7	0%	2
FX gain (spread)	384	266	44%	1,955
Asset impairment	-161	-423	-62%	-1,993
Cost method investment gain	0	0	-	462
Other non-interest revenue, net	-104	1,595	-107%	1,829
Operating net revenue	9,961	12,620	-21%	46,432
Operating expense	-5,015	-4,821	4%	-20,048
Pre-provision operating profit	4,946	7,799	-37%	26,384
Provision expense on loan	-274	-2,935	-91%	-7,306
Reserved on insurance	80	-171	-147%	-22
Pretax profit	4,752	4,693	1%	19,056
Tax	-788	-1,058	-26%	-4,711
Minority shareholder interest	0	-2	-100%	-13
Net profit	3,964	3,635	9%	14,332
EPS (NT\$)	0.36	0.33	9%	1.30

Includes US subprime RMBS related impairment charge of NT\$0.3BN and other loss of NT\$0.3BN

Includes US subprime RMBS related impairment charge of total NT\$0.3BN

Includes one-off land sale gain of NT\$1BN

\* 1Q/10 are un-audited numbers; 1Q/09 and 2009 are audited numbers.

# 1Q/10 Mega FHC consolidated balance sheet\*

NT\$MN	1Q/10*	1Q/09*	YoY	2009*	YTD
<b>Assets:</b>					
Cash and due from banks	402,398	561,304	-28%	404,879	-1%
Bills and bonds under RP agreement	831	1,860	-55%	796	4%
Fin. assets at fair value through P&L	152,311	184,035	-17%	127,525	19%
AFS financial assets	217,343	250,865	-13%	233,017	-7%
HTM financial assets	269,014	133,512	101%	263,153	2%
Other financial assets	20,626	25,658	-20%	24,821	-17%
A/R, net	126,709	90,853	39%	121,355	4%
Loan, net	1,231,439	1,314,519	-6%	1,281,835	-4%
Equity method LT investments, net	2,526	2,588	-2%	2,728	-7%
Land, premises and equipments, net	22,424	24,111	-7%	23,690	-5%
Others	15,270	10,976	39%	13,732	11%
<b>Total assets</b>	<b>2,460,891</b>	<b>2,600,280</b>	<b>-5%</b>	<b>2,497,531</b>	<b>-1%</b>
<b>Liabilities</b>					
Due to banks	410,726	586,151	-30%	453,897	-10%
Deposits	1,470,678	1,410,947	4%	1,484,629	-1%
CP & Bond payable	54,464	57,085	-5%	57,259	-5%
Bills & bonds sold under repurchase agreement	186,633	234,891	-21%	171,366	9%
Other liabilities	139,090	130,512	7%	134,087	4%
<b>Total liabilities</b>	<b>2,261,591</b>	<b>2,419,586</b>	<b>-7%</b>	<b>2,301,236</b>	<b>-2%</b>
Capital stock (common stock)	110,594	110,594	0%	110,594	0%
Capital surplus	43,426	43,426	0%	43,426	0%
Retain earning	35,880	23,982	50%	31,917	12%
Equity adjustment items	8,758	2,135	310%	9,718	-10%
Minority shareholder interest	642	555	16%	641	0%
<b>Total stockholders' equity</b>	<b>199,300</b>	<b>180,693</b>	<b>10%</b>	<b>196,295</b>	<b>2%</b>
<b>Total liabilities and stockholders' equity</b>	<b>2,460,891</b>	<b>2,600,280</b>	<b>-5%</b>	<b>2,497,531</b>	<b>-1%</b>
Book value per share (NT\$)	18.02	16.34	10%	17.75	2%

\* 1Q/10 are un-audited numbers; 1Q/09 and 2009 are audited numbers.



# Agenda

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**Operation Highlights**



**Financial Performance**



**Appendix**

## Well established size and scale to win

1Q/2010\*  
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	2,461	2,152	46	218	13	0.9	14	0.09	1.0
Equity	199	159	15	33	5	0.7	2.6	0.06	1.0
Net Profit	4.0	2.8	0.3	0.7	0.2	0.02	0.07	0.01	0.004
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



# 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 1Q/2010  
Unit: NT\$MN  
USD:NTD=1:31.773

Mega Group								
	Original Gross Balance	Loss & impairment realized						As % of total gross balance
		On 2007 income statement	On 2008 income statement	On 2009 income statement	On 1Q/2010 income statement	On 1Q/2010 balance sheet	Total	
US sub-prime RMBS <sup>1</sup>	11,629	414	7,311	2,160	598	481	10,964	94%

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