



兆豐金控
Mega Holdings

2Q / 2010 (v.1)

Investor/Analyst Briefing

DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2010 ARE AUDITED RESULT. FULL AUDITED INTERIM FINANCIAL STATEMENTS HAVE BE FILED WITH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM AS WELL.

These materials are not an offer for sale of securities in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

Agenda



Operation Highlights



Financial Performance



Appendix

1H/10 performance summary*

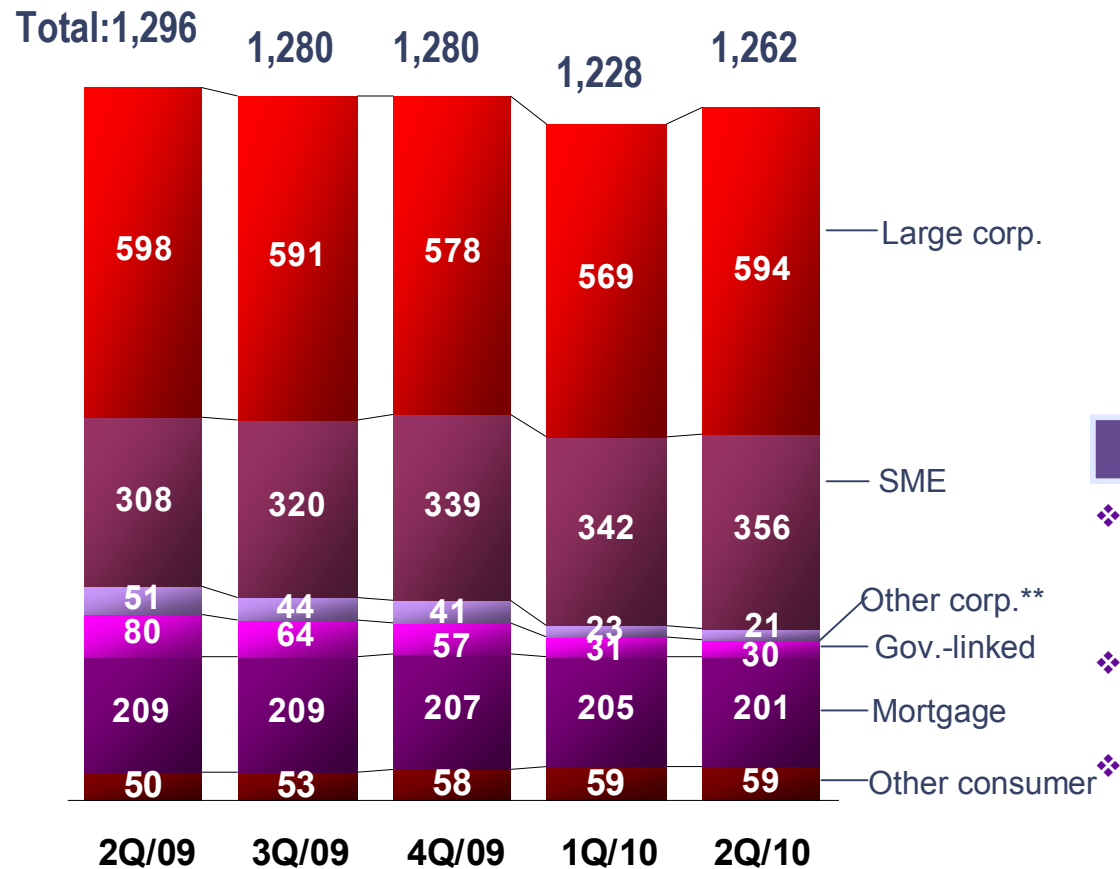
- ❖ 2Q/10 loan balance was up 2.8% QoQ, due to strong corp. loan demand.
- ❖ ... especially in manufacturing, transport and real estate industries.
- ❖ ... where some growth were seen domestically, but mostly in OBU, which was up 8.9% QoQ in 2Q/10.
- ❖ 32bps annualized new NPL influx, zero provision expense, 0.70% NPL and 123% coverage ratio on the bank level, suggesting benign asset quality.
- ❖ Deposit growth stabilized; while LDR was up from 82% to 84%.
- ❖ Bank domestic spread moved sideways; while overseas spread widen.
- ❖ Bank NIM was hovering around 1.00% level; no significant improvement on sight yet.
- ❖ WM fee was up 51% YoY and 31% QoQ due to strong demand.
- ❖ Group net fee revenue was up 14% YoY, mainly due to strong WM, FX and syndication fee.
- ❖ Group trading gain was down due to decline in equity, fixed income and derivatives trading gain.
- ❖ Zero provision expense helped offsetting top line decline, which translated into flat bottom line performance and sustainable 8% ROE.
- ❖ No capital raising plan in the short term as overall capital position, including tier-one capital(9.5%), are all well above the requirements and industry peers.

* 1H/2010 numbers, unless specified otherwise.

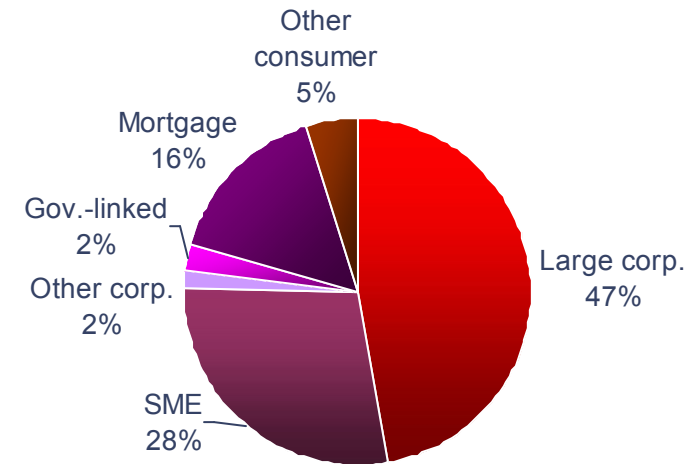
Both large corp. and SME loans were up 4% QoQ, indicating strong demand from the corporate customers.

Mega Bank quarterly loan balance*

Unit: NT\$bn



Mega Bank 2Q/10 loan breakdown by customer



Highlights

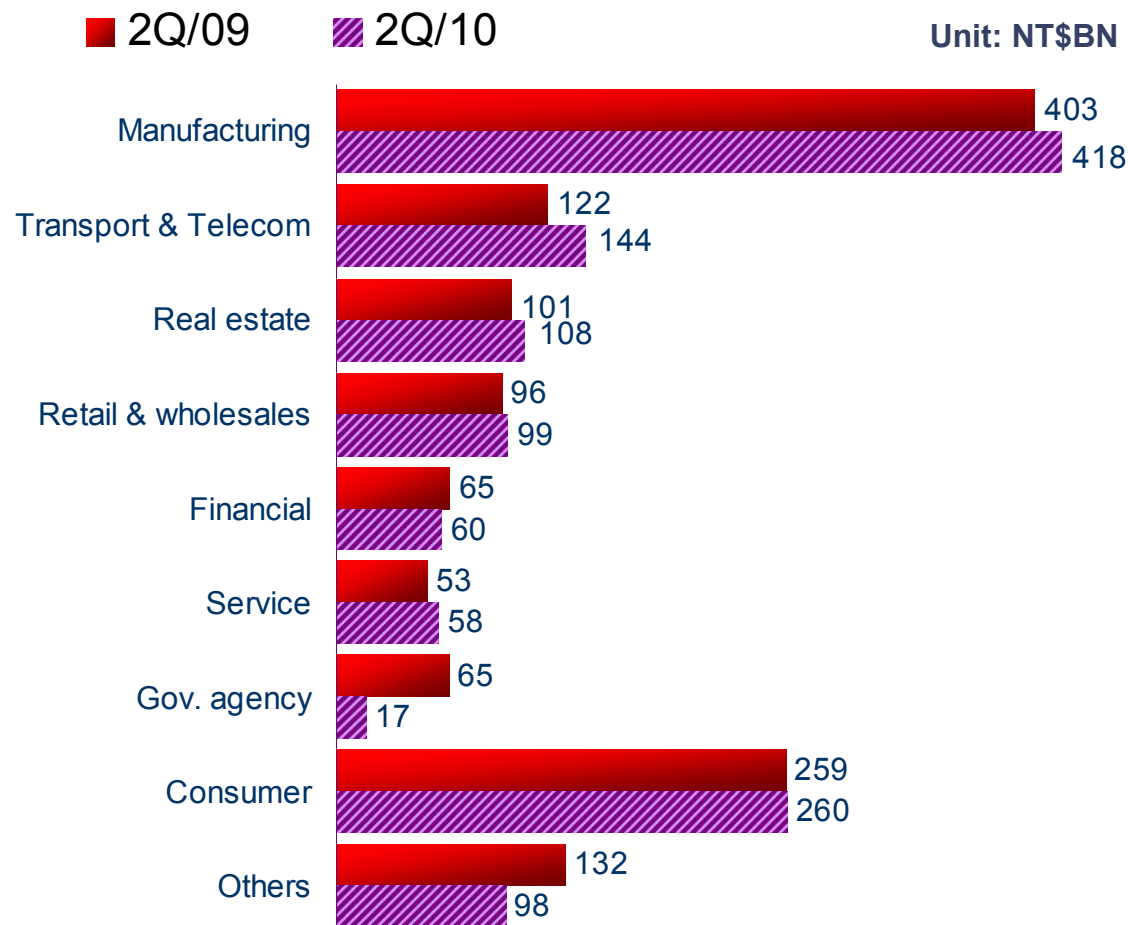
- ❖ Large corp. loan was up 4.4% QoQ and SME loan was up 4.1% QoQ, indicating strong demand from the corporate side.
- ❖ Mortgage balance declined due to Central Bank's initiatives on housing market.
- ❖ Recovering from the 1Q/10 slump, total loan balance was up 2.8% QoQ, reflecting normalized loan growth momentum for 2010.

* Mega Bank quarterly end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

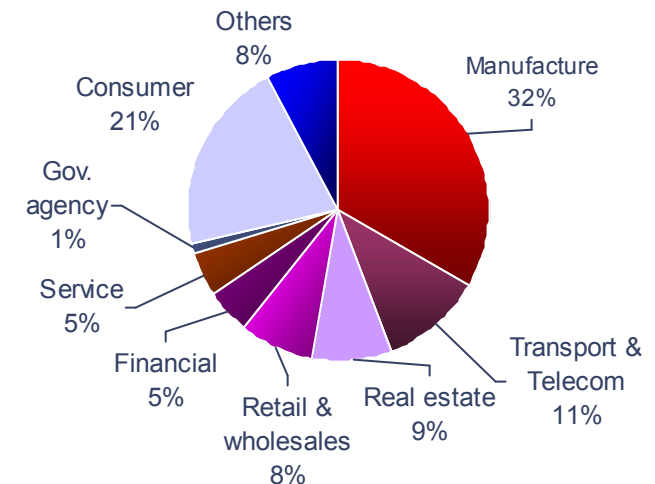
** Includes Gov.-linked Non-Profit Organization and etc.

Manufacturing, transport and real estate loans gained ground YoY, but off-set by decline from Gov. agency loan.

Mega Bank 2Q/10 vs. 2Q/09 loan balance by industry*



Mega Bank 2Q/10 loan breakdown by industry*



Highlights

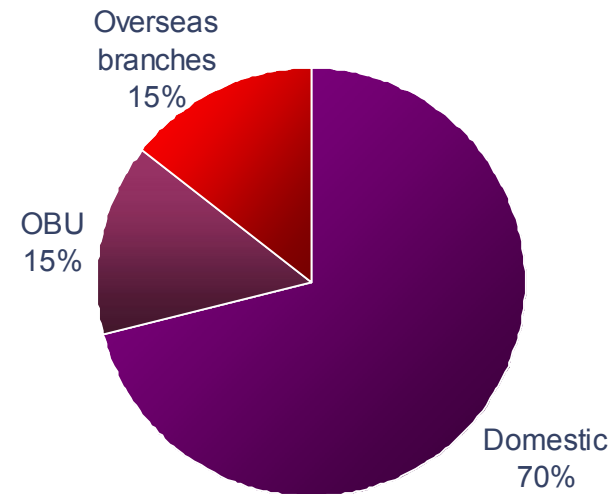
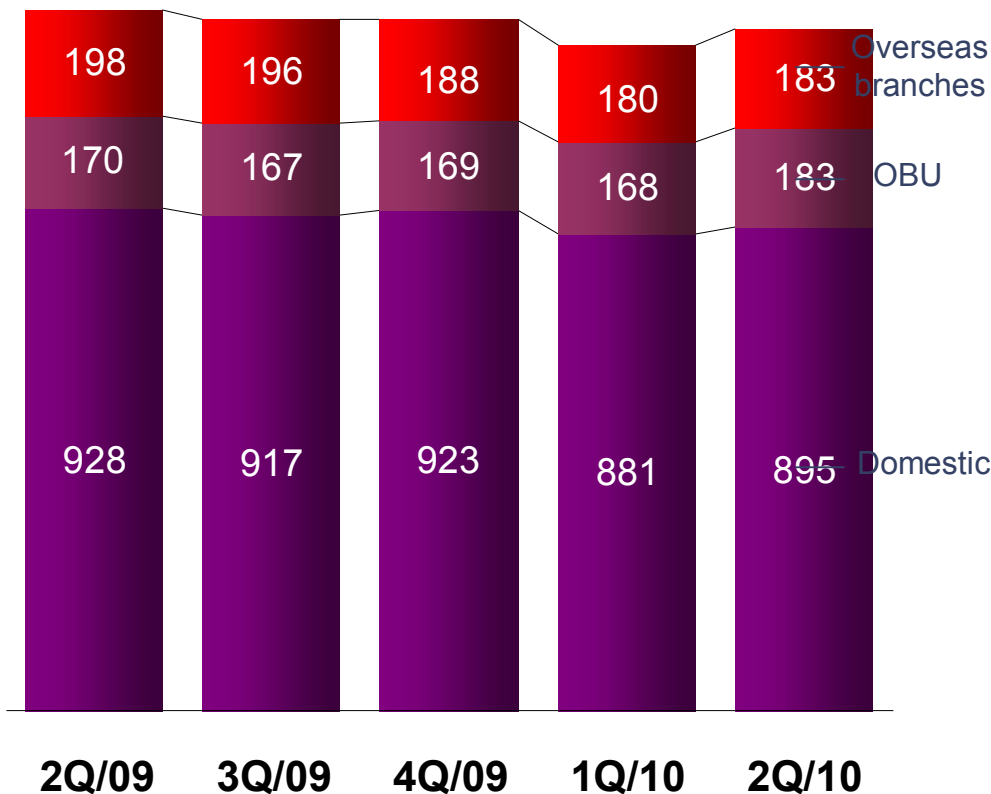
- ❖ Most industries showed strong loan growth YoY.
- ❖ Transport industry loan was up due to strong demand from the airline and shipping companies.
- ❖ ...however, growths were off-set by decline from Gov. agency loan.

* Mega Bank only, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

OBU loan was up 8.9% QoQ; while domestic loan showed sign of recovering.

Mega Bank 2Q/10 loan breakdown by regions *

Unit: NT\$bn



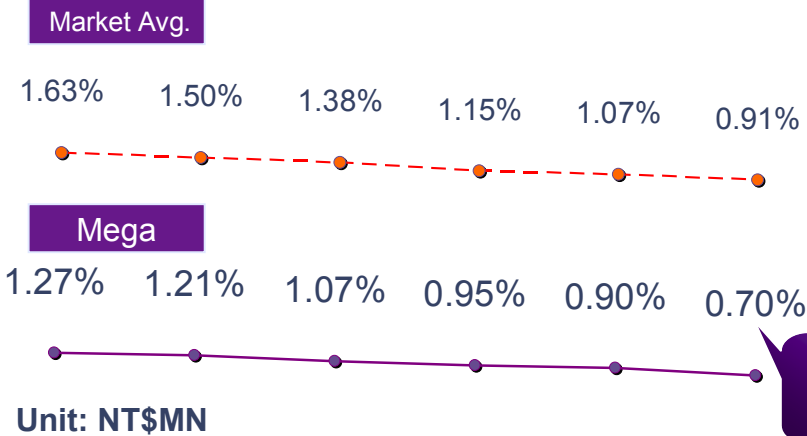
- ❖ OBU loan was up 8.9% QoQ and 7.6% YoY, as demand for non-NTD loan has improved significantly recently.
- ❖ Domestic loan was up 1.5% QoQ, showing sign of recovering.

* Mega Bank quarterly end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

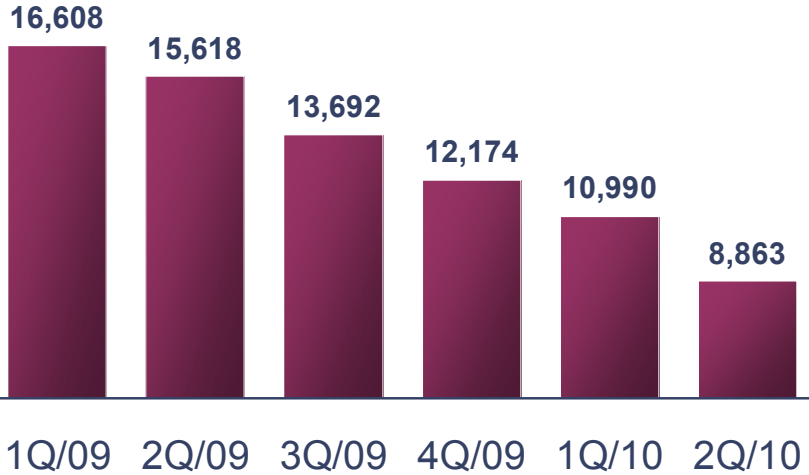
** OBU stands for Off-shore Banking Unit

Overall asset quality continued to improve.

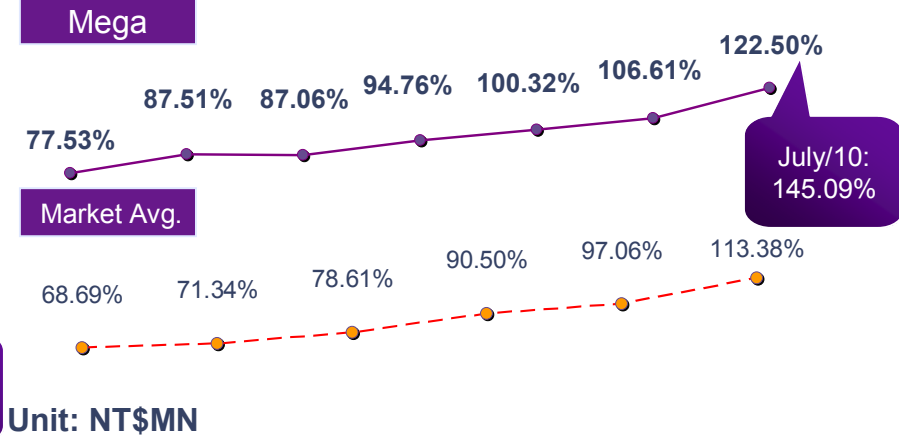
Mega Bank NPL balance & NPL ratio*



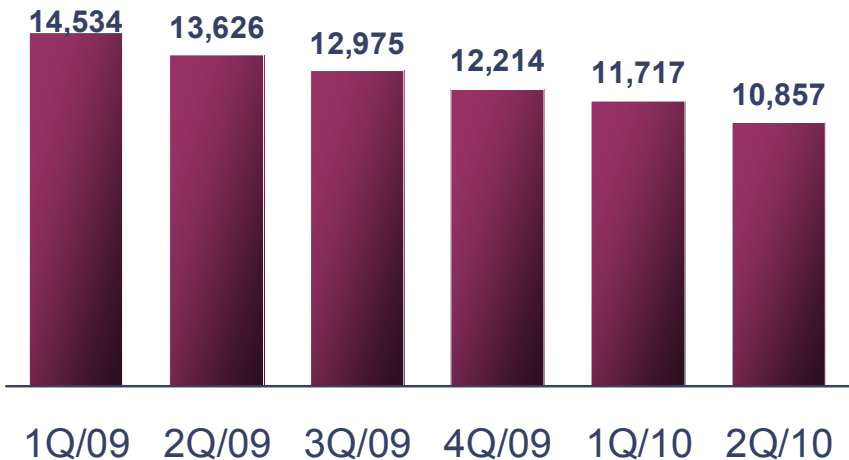
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio*



Unit: NT\$MN

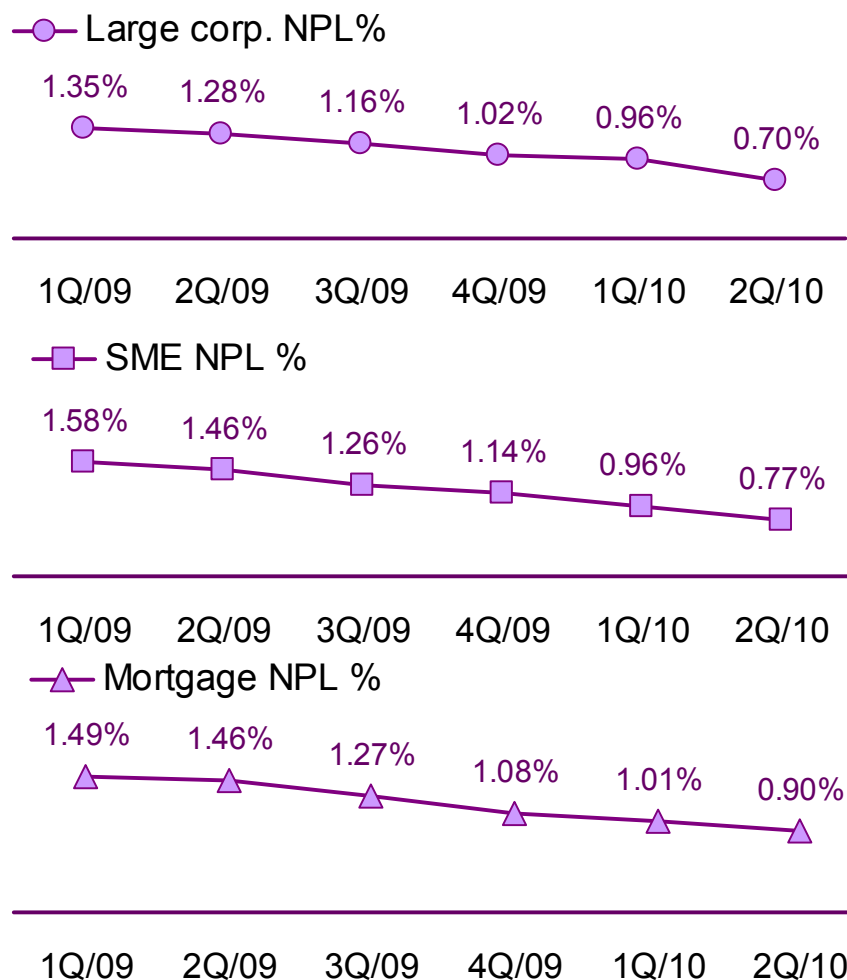


* 90 days standard

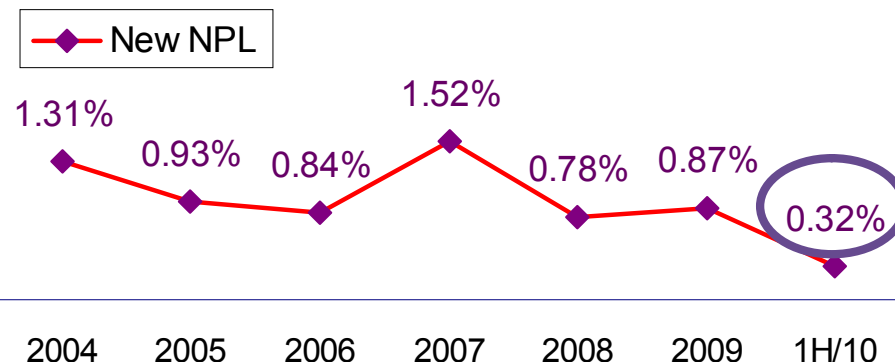
** market average source: Banking Bureau of Taiwan.

...as new NPL influx has reached recent historical low.

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



Highlights

- ❖ Large corp., SME & Mortgage NPL ratios continued to trend down further.
- ❖ Annualized 1H/10 NPL influx was only 32bps, which contributed low credit cost in the 1H/10.
- ❖ Tougher credit requirement and credit check on the mortgage customer is likely to further strengthen the credit quality of the mortgage product.

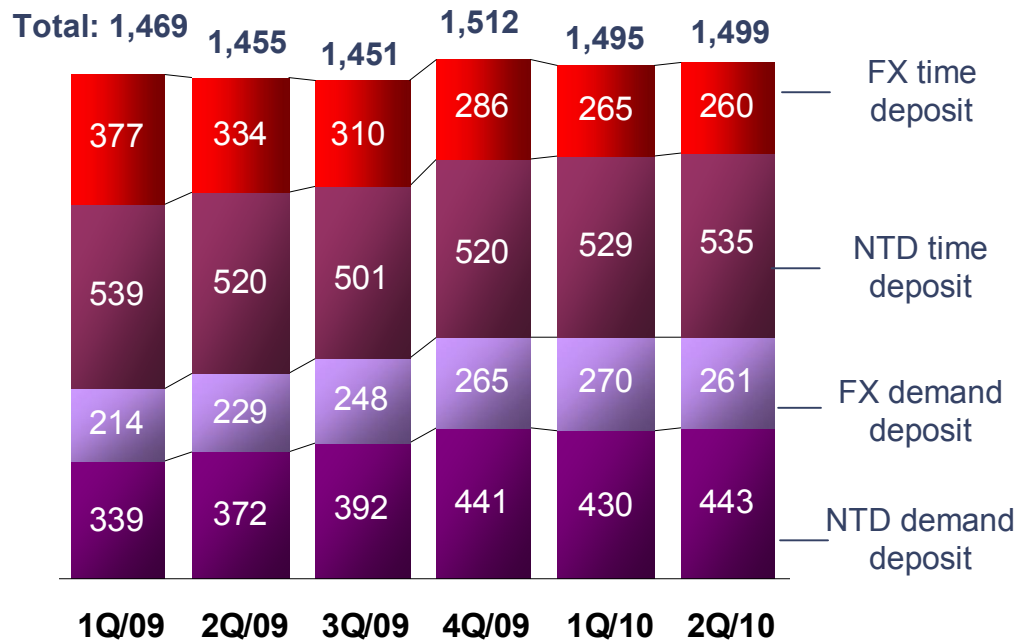
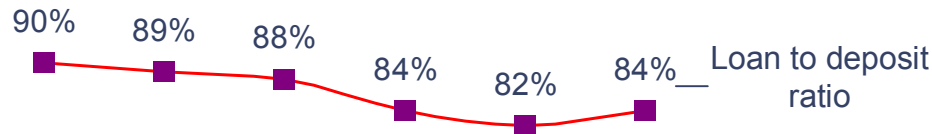
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

** Annualized new NPL balance / total loan. Mega Bank Internal number.

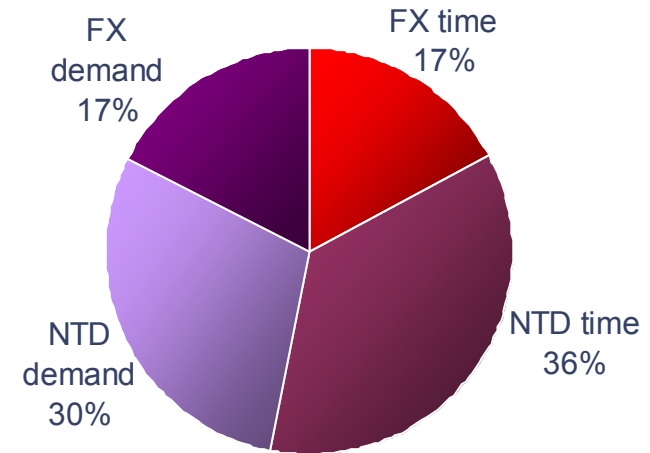
Deposit growth stabilized; while LDR was up slightly.

Mega Bank's LDR & deposit balance *

Unit: %; NT\$bn



Mega Bank's 2Q/10 deposit breakdown

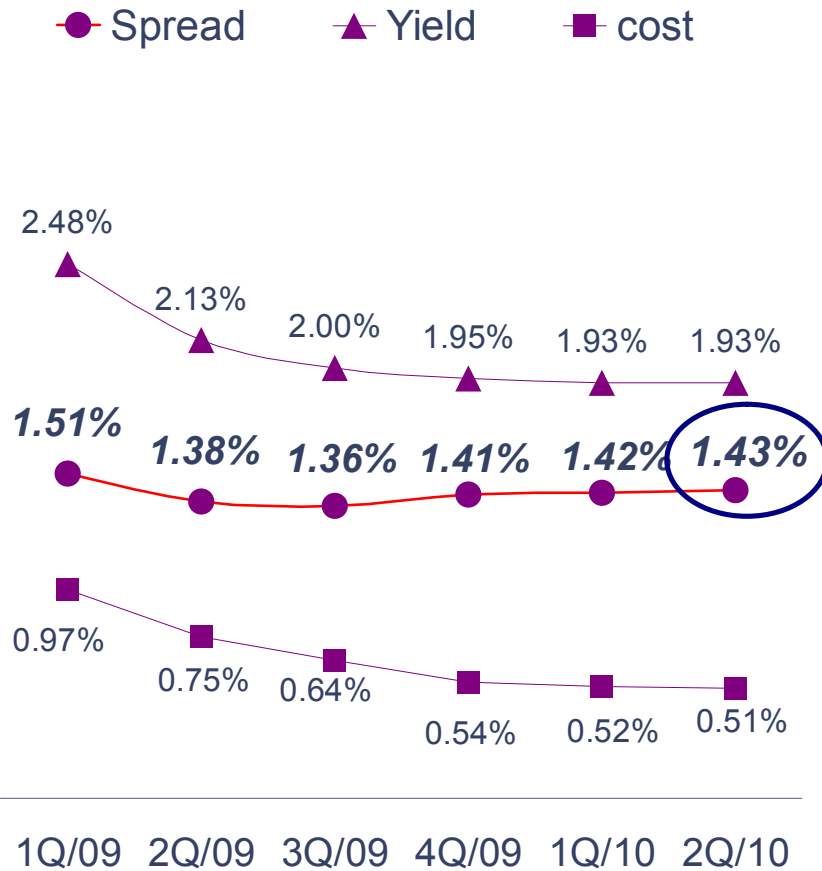


- ❖ LDR was up due to stronger loan growth in 2Q/10.
- ❖ Deposit growth stabilized; however excess liquidity was still an issue.

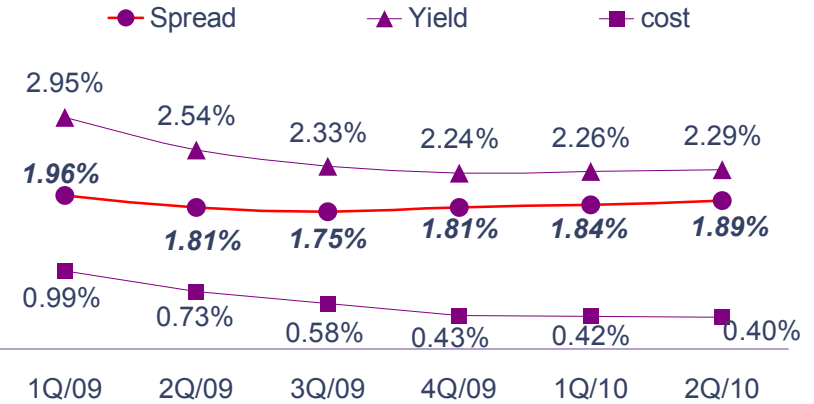
* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit

Domestic spread moved sideways, while overseas spread widened.

Mega Bank total loan interest spread



Mega Bank overseas loan interest spread*



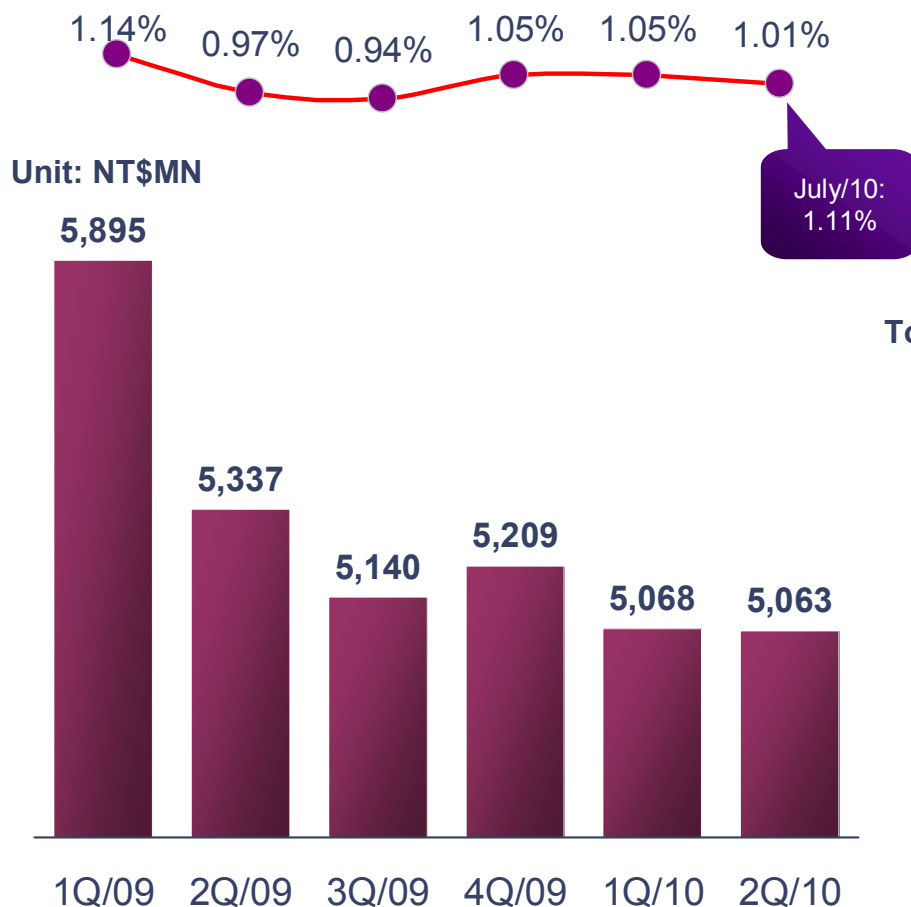
Mega Bank domestic loan interest spread



* Includes overseas branches and OBU loan

Mega Bank NIM expansion trend stalled; however, July/2010 number was encouraging.

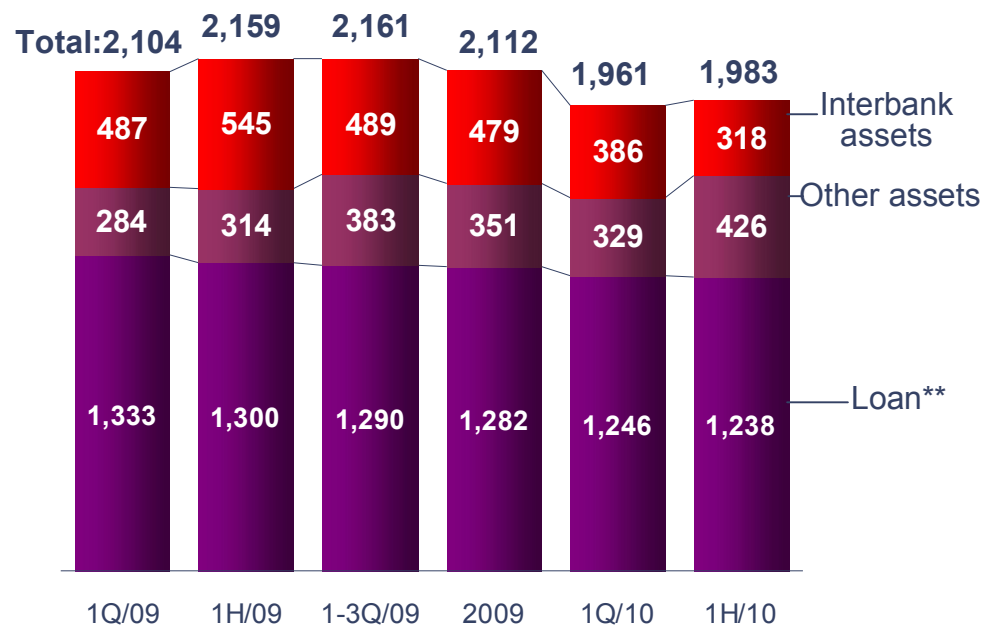
Mega Bank quarterly NIM & NII *



Mega Bank avg. interest-earning assets**

❖ Lower yield interbank asset size has trimmed down further, while higher yield loan balance has inched up, which should be favorable for NIM expansion going forward.

Unit: NT\$BN

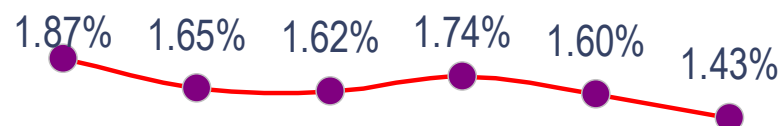


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income.

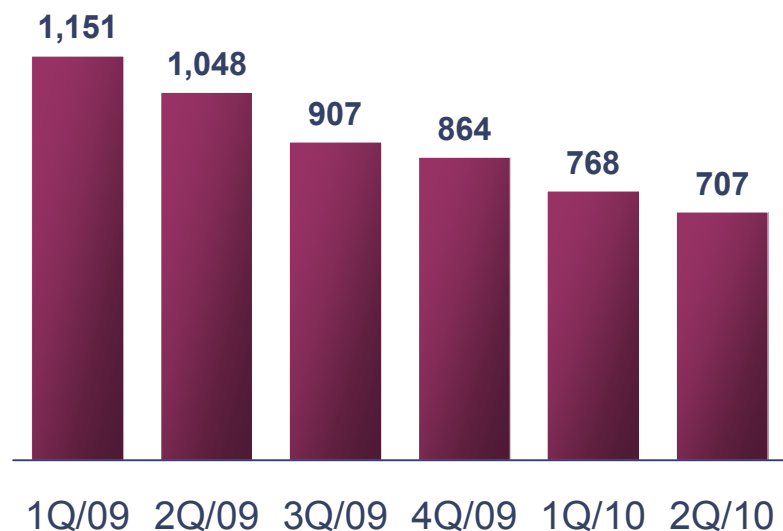
** Average balance during that period; loan does NOT include non-accrual loan.

Bills NIM still faced pressure.

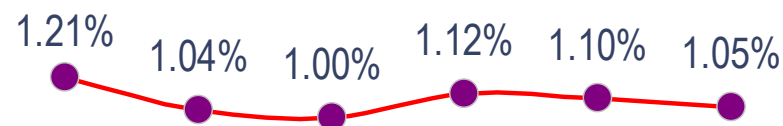
Mega Bills NIM & NII *



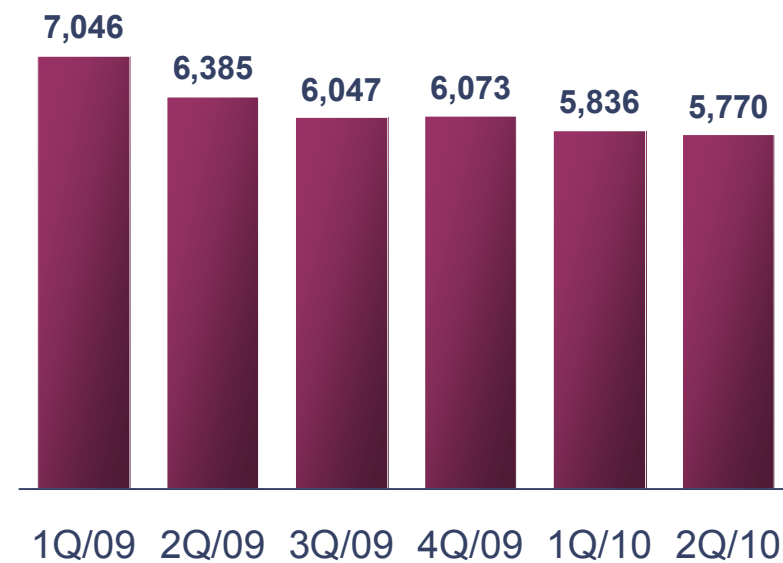
Unit: NT\$MN



Mega Bank + Mega Bills NIM & NII *



Unit: NT\$MN

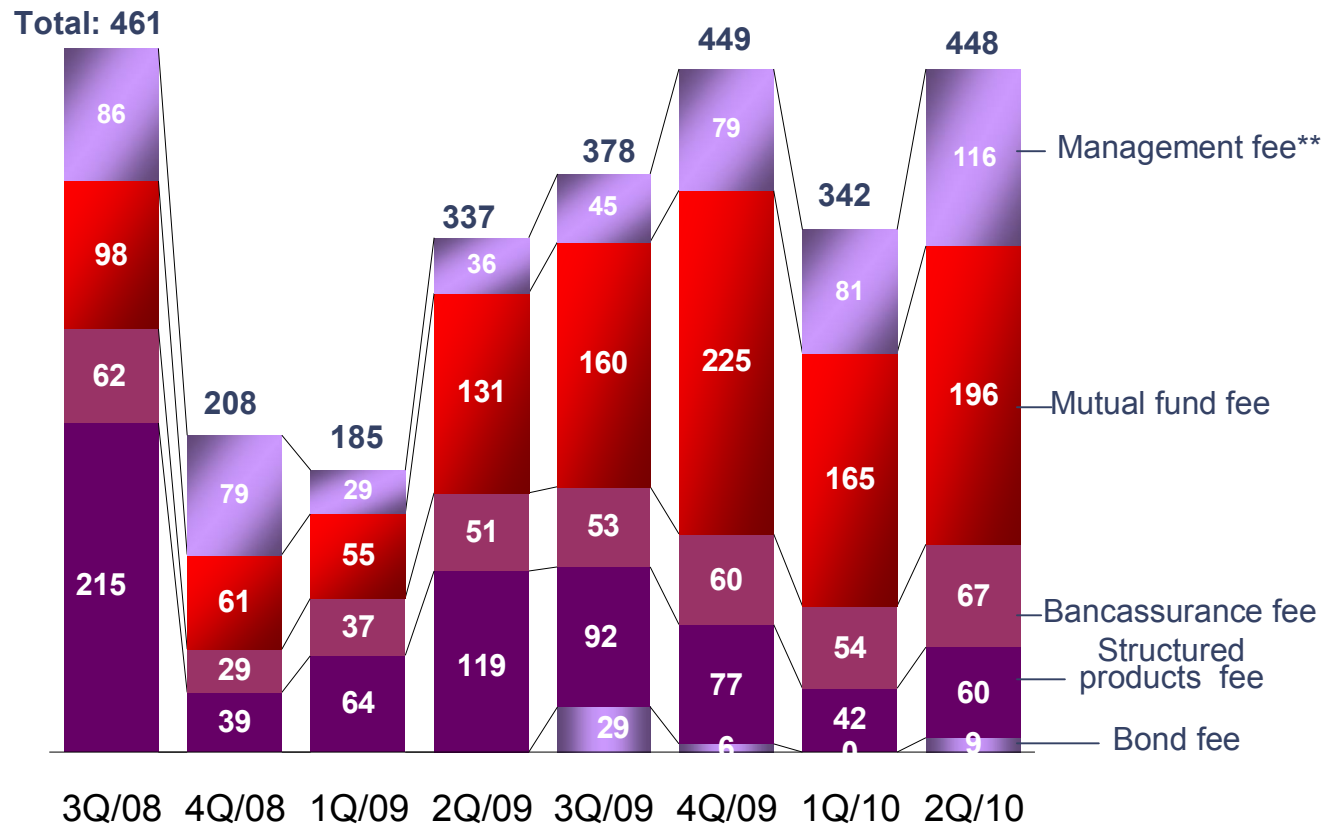


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income.

WM fee was up 51% YoY and up 31% QoQ.

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

Unit: NT\$MN



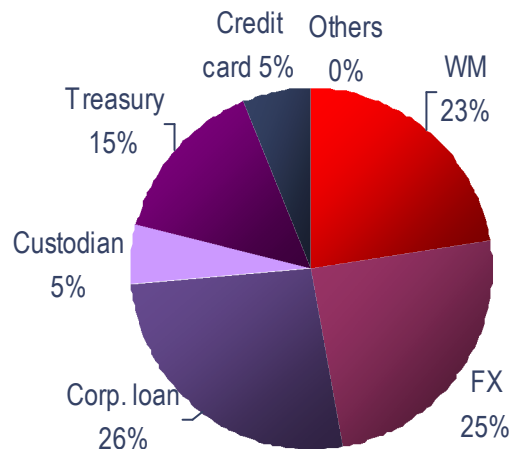
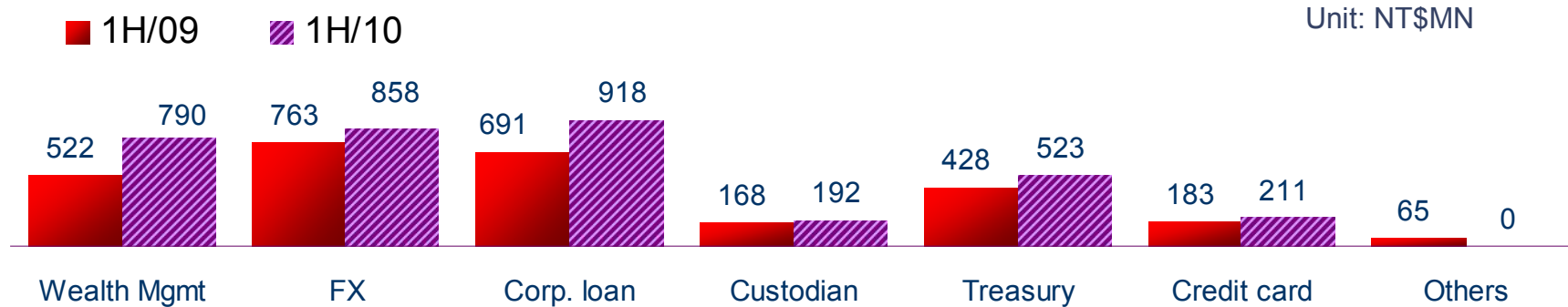
- ❖ Wealth mgmt fee was up 51% YoY, and up 31% QoQ, despite relatively weak global equity market.
- ❖ All product lines generated solid fee growth as product demands were strong.
- ❖ Wealth mgmt will continue to be the only key focus area for Mega in consumer banking service; corporate banking resource still provides lots of attractive cross-selling opportunities.

* Mega Bank internal data

** Fund mgmt fee profit sharing and trust account mgmt fee.

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

Mega Bank 1H/09 vs. 1H/10 gross fee revenue breakdown



Highlights

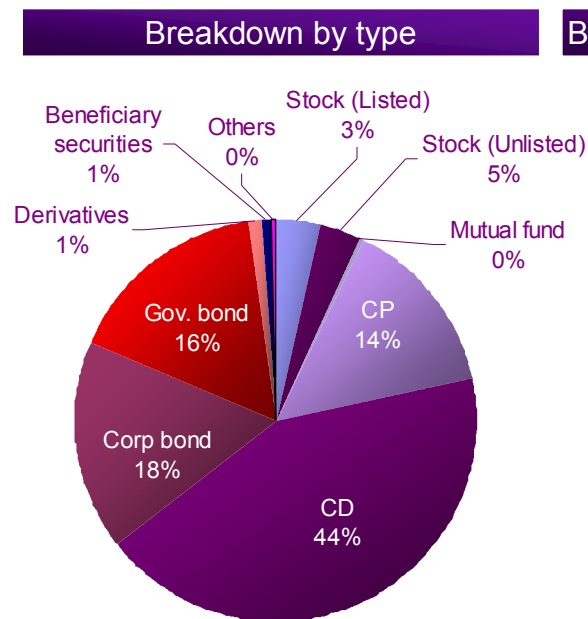
- ❖ WM fee was up 51% YoY due to recovery of product demand.
- ❖ FX fee picked up 12% YoY due to recovery from corp. FX transaction.
- ❖ Corp. loan fee jumped 33% higher YoY due to strong syndication loan fee.
- ❖ Treasury fee grew 22% YoY due to strong derivative products sales.

Central Bank certificate deposit position surged to mitigate excess deposit issue

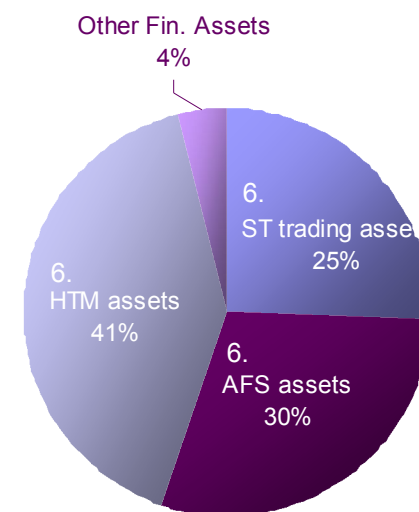
Mega Group 1H/10 consolidated financial assets breakdown 1

Unit: NT\$BN

	1H/10	1H/09
Stock (Listed) ²	22	17
Stock (Un-listed) ³	21	22
Mutual fund	2	2
Commercial papers	91	116
Certificate of deposit	271	187
Corporate bond ⁴	106	123
Government bond ⁵	104	139
Derivatives	7	15
Beneficiary securities	5	11
Others	2	3
Total	631	635



Breakdown by accounting treatment



1. Source: sum of Fin. asset at fair value thru P&L, available for sale, hold to maturity and other financial assets from 1H/10 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. 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



Operation Highlights



Financial Performance

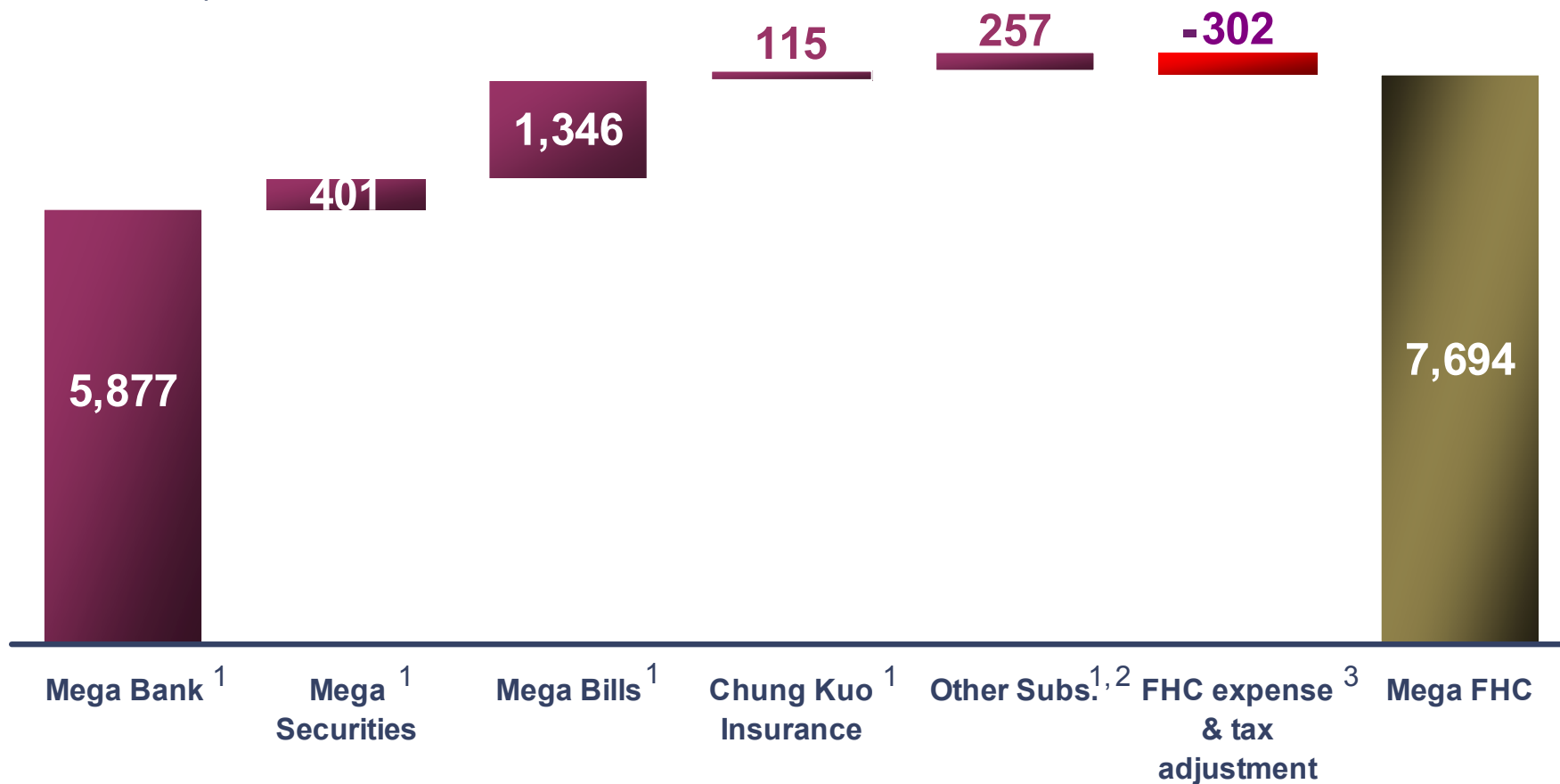


Appendix

All subs earnings were in line with the expectation.

1H/10 earning contribution by subsidiary

Unit: NT\$MN



1. Audited subsidiary earning

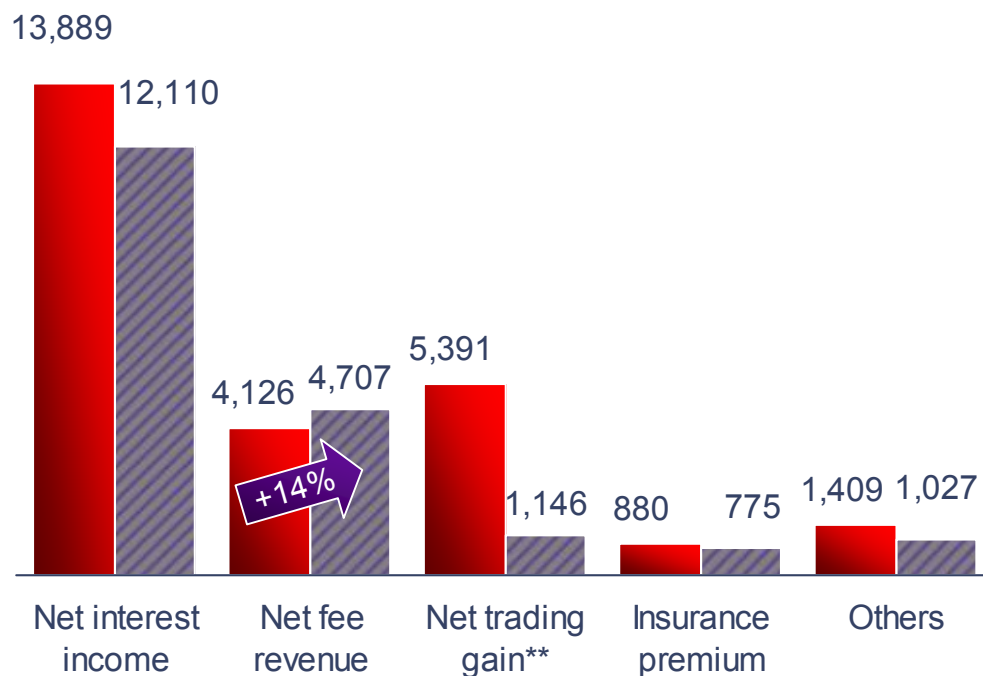
2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega VC

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

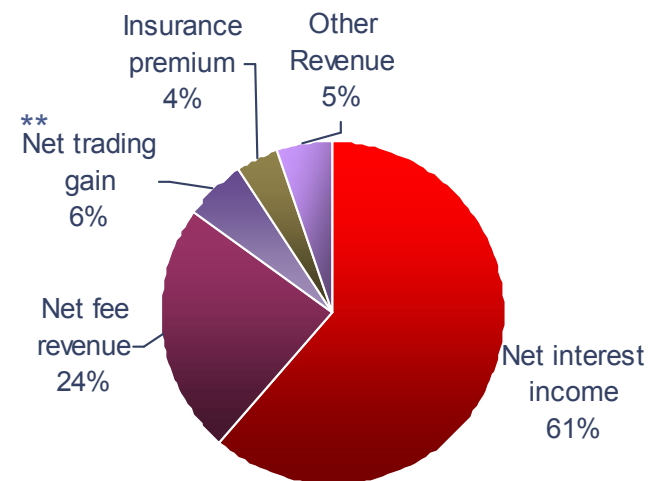
Top-line growth was difficult, due to lackluster NII and trading gain performance.

Mega Group consolidated net revenue *

■ 1H/09 ■ 1H/10 Unit: NT\$MN



Mega Group 1H/10 net revenue breakdown



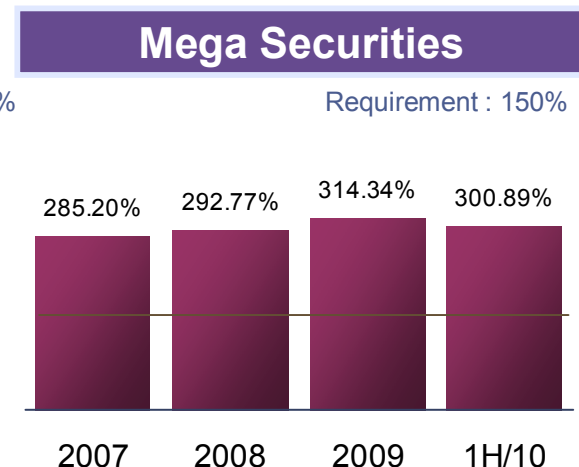
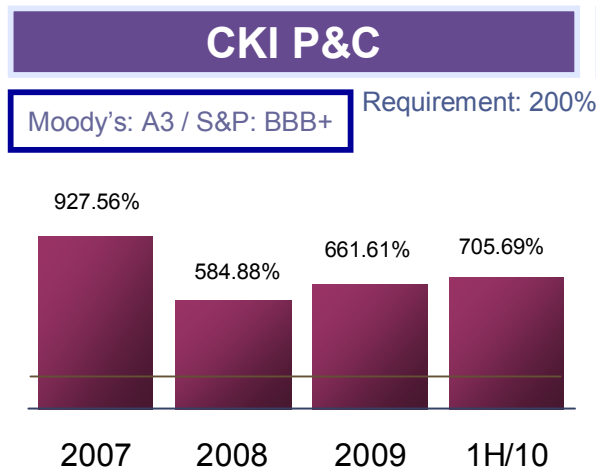
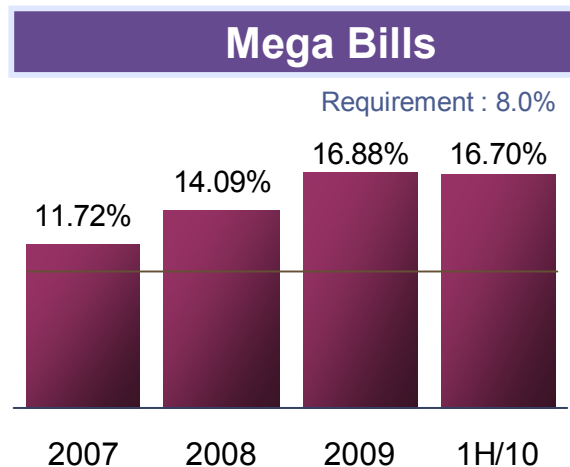
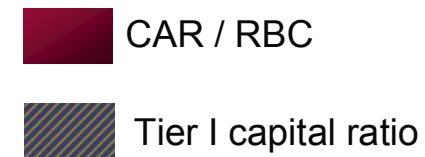
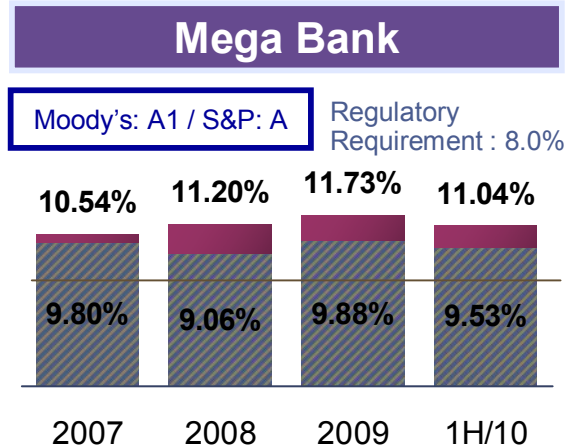
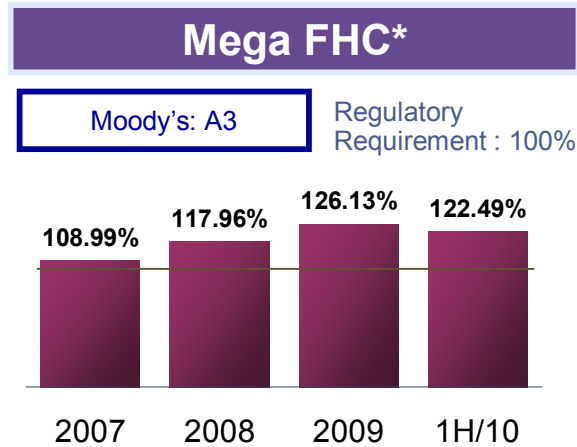
Highlights

- ❖ Group net interest revenue declined due to loan balance and NIM contraction.
- ❖ Group net fee revenue was up by 14% YoY, driven by strong growth in WM, FX and syndication loan fees.
- ❖ Trading gain was down due to, slower equity, fixed income and derivatives trading gain.

* Audited figures.

** Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

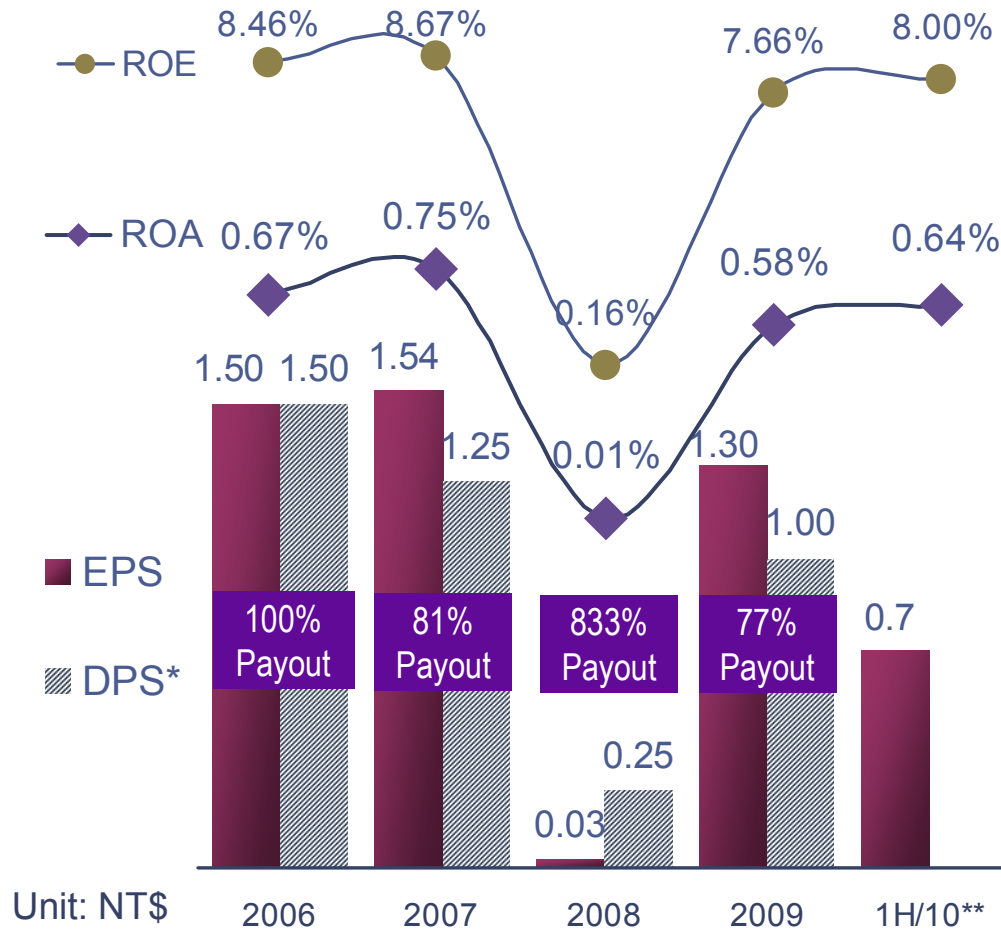
No capital issuance plan in the short term as overall capital position is well above the requirement



* 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.

* DPS are all distributed in cash form

** Audited number.

Recent development & strategic considerations

Asia Pacific market

- ❖ **Thailand's 4th outlet**, Ban Pong branch opened in May/2010, further strengthening our corp. banking service to Taiwan corp. clients locally, and continuously showing our strong ambition in dominating the leading position in Asia Pacific market among Taiwanese peers.
- ❖ In the future, Mega Bank will continue to look for organic growth opportunities in Thailand, Vietnam and Cambodia.

Eye on China market

- ❖ Under ECFA, Mega Bank Suzhou rep. office will be qualified for **branch upgrade in Oct/2010**, subject to approval of regulators from both sides.
- ❖ Potentially forming business alliance with Chinese banks, to secure low cost of RMB funding and to expand business opportunities.
- ❖ Mega Securities has rep. offices in Beijing, Shanghai & Shenzhen.
- ❖ Chuang Kuo Insurance (CKI) has rep. office in Shanghai.

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\$11.2**, adjusted for dividend received this year.
- ❖ Integration/M&A is no longer a consideration.
- ❖ Mega 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, without significantly influencing its share price .

Opportunities in FX settlement business

- ❖ Obtained an exclusive US Dollar domestic settlement license in Taiwan market for 5 years.
- ❖ Both Mega Bank and Bank of Taiwan were awarded with exclusive **RMB cash settlement licenses** in Taiwan market recently, a milestone for our Greater China business.

* Portugal, Italy, Greece and Spain

1H/10 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1H/2010*	1H/2009*	YoY	2009*
Net interest income	12,110	13,889	-13%	26,475
Net fee revenue	4,707	4,126	14%	9,539
Insurance premium	775	880	-12%	1,360
Gain from fin. assets at fair value thru P&L	894	2,894	-69%	4,728
Available for sales asset gain	349	1,391	-75%	2,071
Hold to maturity asset gain	22	0	-	-180
Equity method investment gain	72	39	85%	185
Property investment gain	1	12	-92%	2
FX gain (spread)	634	746	-15%	1,955
Asset impairment	-249	-722	-66%	-1,993
Cost method investment gain	0	0	-	462
Other non-interest revenue, net	450	2,440	-82%	1,829
Operating net revenue	19,765	25,695	-23%	46,432
Operating expense	-10,191	-9,856	3%	-20,048
Pre-provision operating profit	9,574	15,839	-40%	26,384
Provision expense on loan	12	-5,094	-100%	-7,306
Reserved on insurance	-27	-148	-82%	-22
Pretax profit	9,559	10,597	-10%	19,056
Tax	-1,829	-2,546	-28%	-4,711
Minority shareholder interest	36	6	500%	-13
Net profit	7,694	8,046	-4%	14,332
EPS (NT\$)	0.70	0.73	-4%	1.30

Includes US subprime RMBS related impairment charge of NT\$0.2BN and other loss of NT\$0.8BN

* Audited numbers.

1H/10 Mega FHC consolidated balance sheet*

NT\$MN	1H/10*	1H/09*	YoY	2009*	YTD
Assets:					
Cash and due from banks	218,891	602,393	-64%	404,879	-46%
Bills and bonds under RP agreement	808	986	-18%	796	2%
Fin. assets at fair value through P&L	161,109	166,402	-3%	127,525	26%
AFS financial assets	187,520	249,823	-25%	233,017	-20%
HTM financial assets	259,258	194,539	33%	263,153	-1%
Other financial assets	24,197	25,355	-5%	24,821	-3%
A/R, net	141,236	91,373	55%	121,355	16%
Loan, net	1,265,297	1,297,234	-2%	1,281,835	-1%
Equity method LT investments, net	2,684	2,582	4%	2,728	-2%
Land, premises and equipments, net	22,107	23,565	-6%	23,690	-7%
Others	10,204	12,099	-16%	13,732	-26%
Total assets	2,293,311	2,666,352	-14%	2,497,531	-8%
Liabilities					
Due to banks	241,549	656,487	-63%	453,897	-47%
Deposits	1,488,661	1,410,272	6%	1,484,629	0%
CP & Bond payable	55,372	57,644	-4%	57,259	-3%
Bills & bonds sold under repurchase agreement	176,647	207,714	-15%	171,366	3%
Other liabilities	140,773	148,540	-5%	134,087	5%
Total liabilities	2,103,002	2,480,657	-15%	2,301,236	-9%
Capital stock (common stock)	110,594	110,594	0%	110,594	0%
Capital surplus	43,426	43,426	0%	43,426	0%
Retain earning	28,551	25,631	11%	31,917	-11%
Equity adjustment items	7,118	5,487	30%	9,718	-27%
Minority shareholder interest	620	557	11%	641	-3%
Total stockholders' equity	190,309	185,695	2%	196,295	-3%
Total liabilities and stockholders' equity	2,293,311	2,666,352	-14%	2,497,531	-8%
Book value per share (NT\$)	17.21	16.79	2%	17.75	-3%

* Audited numbers.

Agenda



Operation Highlights



Financial Performance



Appendix

Well established size and scale to win

1H/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	2,293	1,975	46	219	14	0.9	14	0.07	0.9
Equity	190	151	14	31	5	0.7	2.4	0.05	0.9
Net Profit	7.7	5.9	0.4	1.3	0.1	0.04	0.2	0.02	0.006
Domestic Offices	194	106	46	9	27	3	1	1	1
Overseas Offices**	38	31	4	0	3	0	0	0	0

* Audited numbers

** Overseas offices include rep. offices. and branches

Our Corporate Strategy



Suzhou rep. office will be qualified for branch upgrade in Oct/2010.

Bridge the gap, reach the world



- Thailand Ban Pong branch opened in May/2010.
- Suzhou rep. office will be qualified for branch upgrade in Oct/2010.

* 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 1H/2010
Unit: NT\$MN
USD:NTD=1:32.209

Mega Group								
	Original Gross Balance	Loss & impairment realized						
		On 2007 income statement	On 2008 income statement	On 2009 income statement	On 1H/2010 income statement	On 1H/2010 balance sheet	Total	As % of total gross balance
US sub-prime RMBS ¹	11,474	320	7,311	2,160	1,057	394	11,242	98%

1. This is total sub-prime asset balance.