



兆豐金控
Mega Holdings

3Q / 2010 (v.2)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 ARE INTERNAL PRELIMINARY RESULT. MEGA FHC HAS FILED ITS UNAUDITED INTERIM FINANCIAL STATEMENTS, WHICH ARE REVIEWED BY ITS AUDITORS, WITH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON NOVEMBER 15, 2010.

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

1-3Q/10 performance summary*

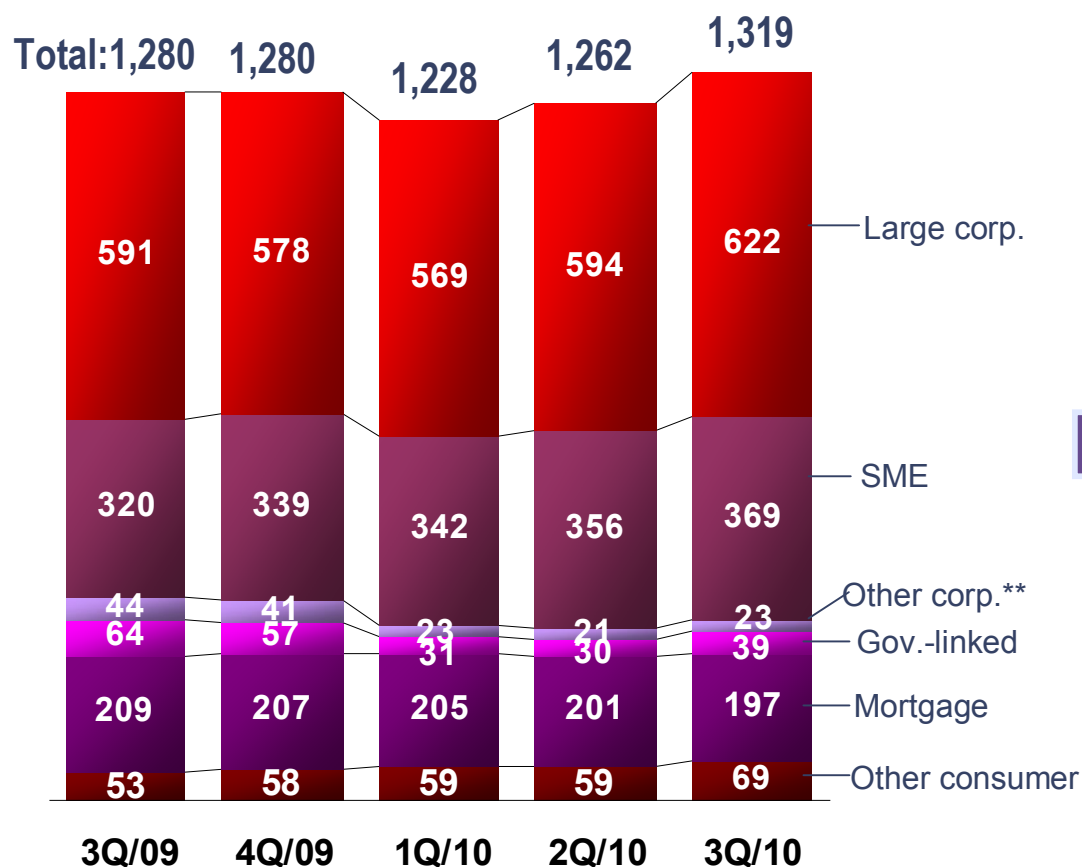
- ❖ 3Q/10 loan balance was up 4.5% QoQ, due to strong corp. loan demand.
- ❖ ... especially in manufacturing and transport industries.
- ❖ ... where growth were equally strong in domestic and OBU market, as domestic loan demand picked up recently.
- ❖ 39bps annualized new NPL influx, little provision expense, 0.58% NPL and 156% coverage ratio on the bank level, suggesting benign asset quality.
- ❖ Deposit growth stabilized; while LDR was up from 84% in Q2/10 to 87% in Q3/10.
- ❖ Bank domestic spread moved sideways; while overseas spread continued to widen.
- ❖ Bank 3Q/10 NIM was up 11bps to 1.12%, driven by strong non-NTD loan demand and NIM expansion.
- ❖ WM fee was up 34% YoY due to strong demand.
- ❖ Group net fee revenue was up 5% YoY, mainly due to strong WM, FX and syndication fee, but partly off-set by bills and brokerage fee declines.
- ❖ Group trading gain was down due to decline in equity, fixed income and derivatives trading gain.
- ❖ Low provision expense helped offsetting top line decline, which translated into 4% YoY bottom line growth and sustainable 8% ROE.
- ❖ No capital raising plan in the short term as overall capital position, including bank tier-one capital(9.5%), are all well above the requirements and industry peers.

* 1-3Q/2010 un-audited internal numbers, unless specified otherwise.

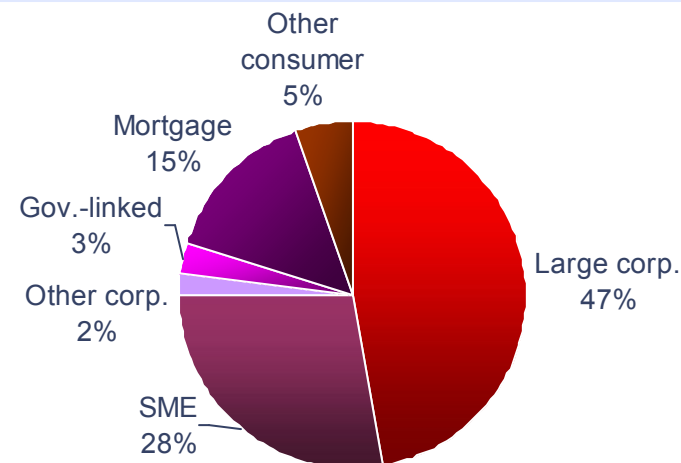
Both large corp. and SME loan growth continued to outperform others.

Mega Bank quarterly loan balance*

Unit: NT\$bn



Mega Bank 3Q/10 loan breakdown by customer



Highlights

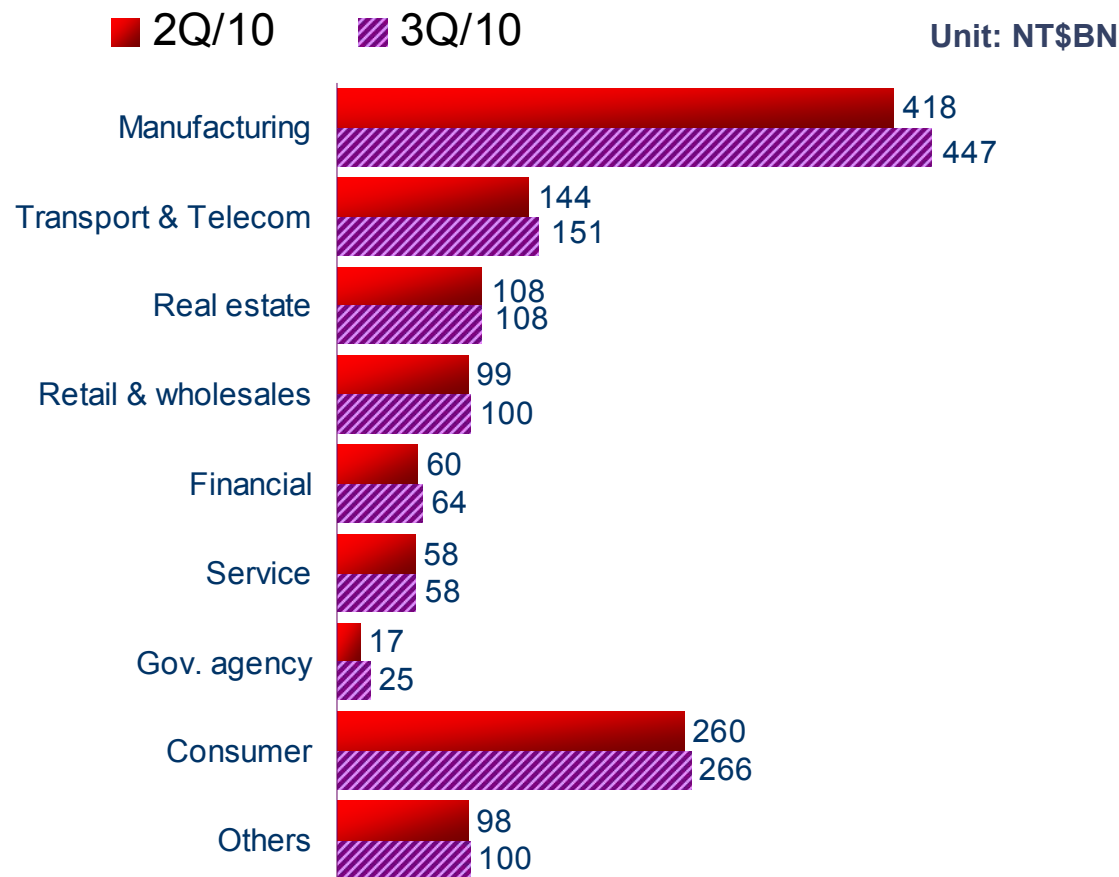
- ❖ Large corp. loan was up 4.7% QoQ and SME loan was up 3.7% QoQ, indicating strong demand from the corporate side.
- ❖ Mortgage balance declined 2% QoQ, due to Central Bank's initiatives on housing market.
- ❖ Recovering from the 1Q/10 slump, total loan balance was up 4.5% QoQ and 3.0% YoY.

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

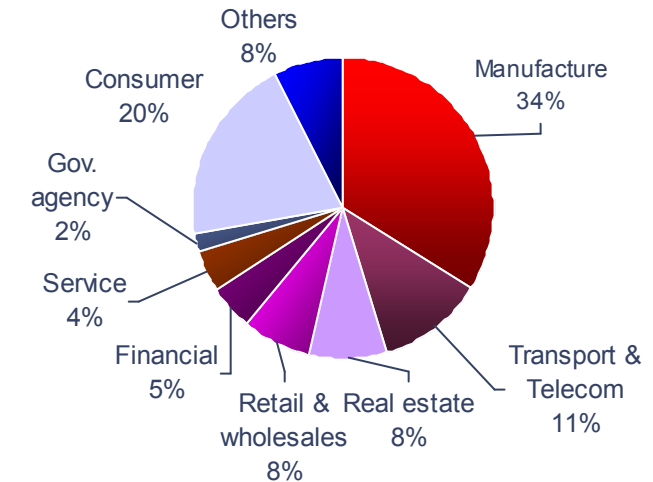
** Includes Gov-linked Non-Profit Organization and etc.

Manufacturing and transport loans showed stronger growth than others.

Mega Bank 3Q/10 vs. 2Q/10 loan balance by industry*



Mega Bank 3Q/10 loan breakdown by industry*



Highlights

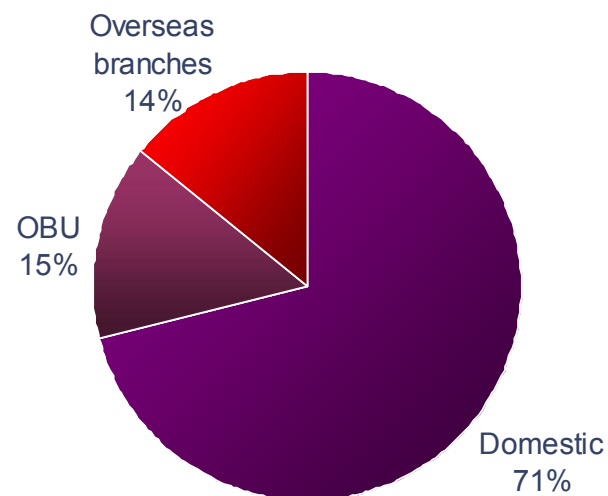
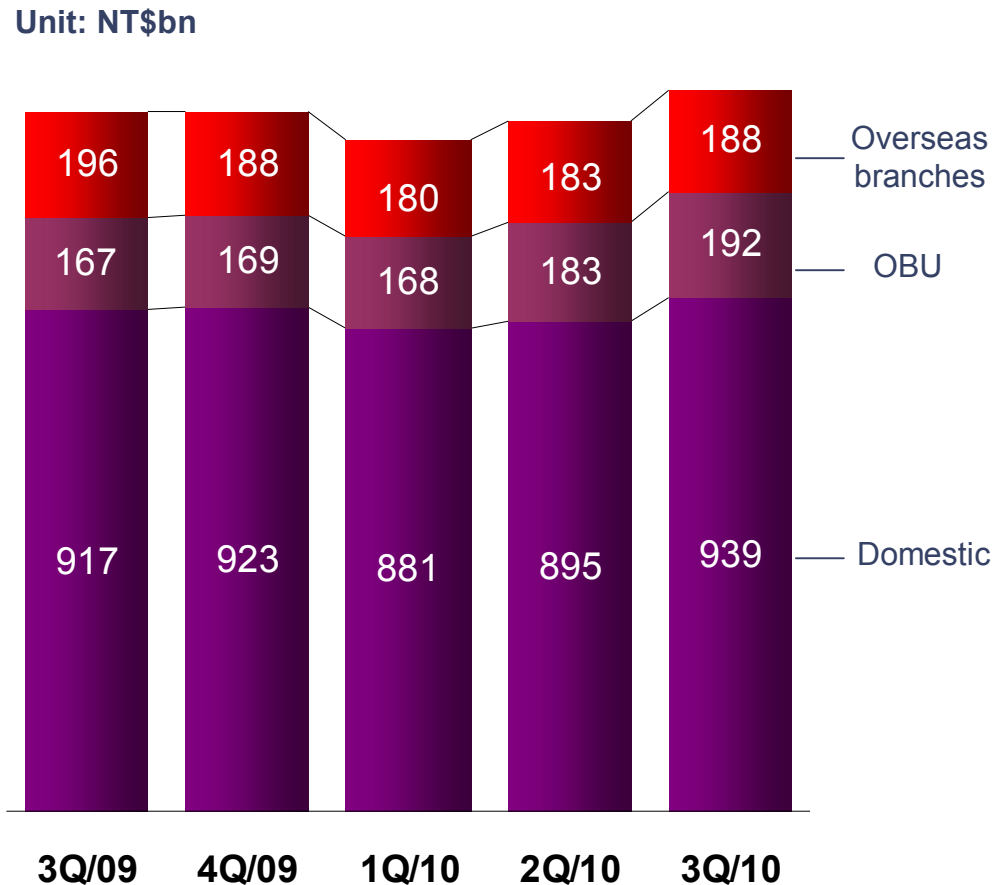
- ❖ Manufacturing loan was up 6.9% QoQ.
- ❖ Transport industry loan was up 4.9% QoQ.

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

Domestic loan was up 4.9% QoQ, biggest jump in recent quarters.

Mega Bank 3Q/10 loan breakdown by regions *

Unit: NT\$bn



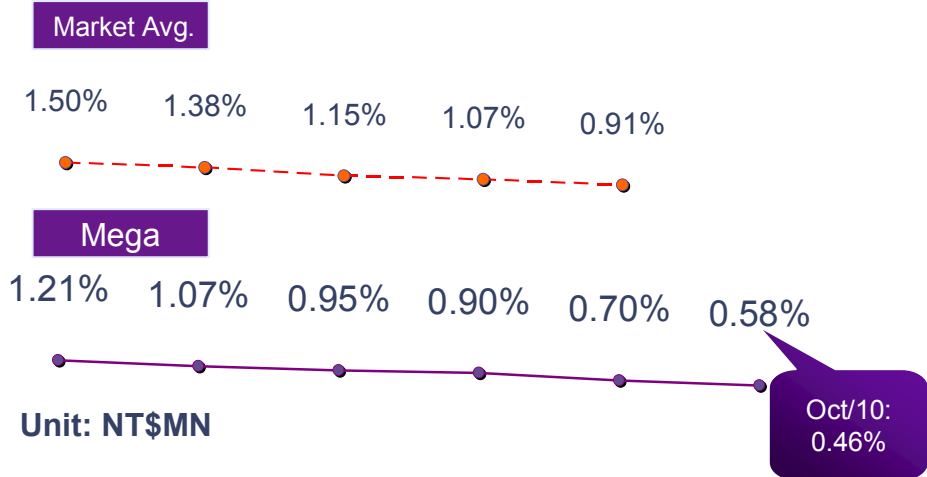
- ❖ OBU loan was up 4.9% QoQ and 15.0% YoY, as demand for non-NTD loan continued to outperform others.
- ❖ Domestic loan was up 4.9% QoQ and 2.4% YoY, biggest jump in recent quarters.

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

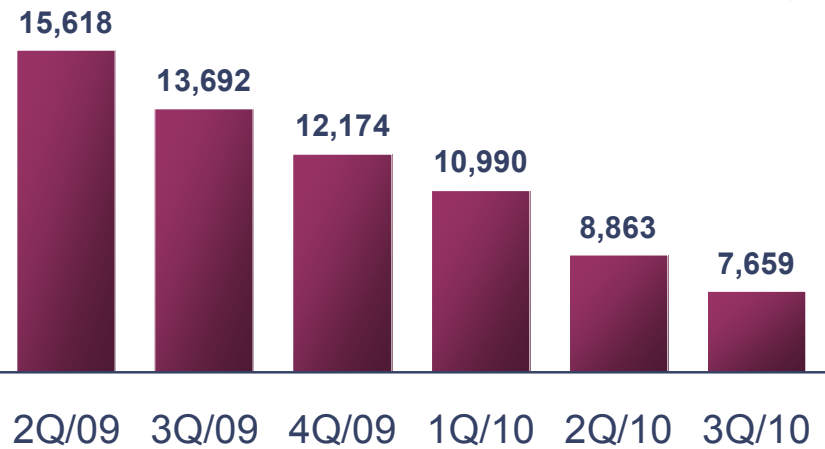
** OBU stands for Off-shore Banking Unit

Overall asset quality continued to improve.

Mega Bank NPL balance & NPL ratio*



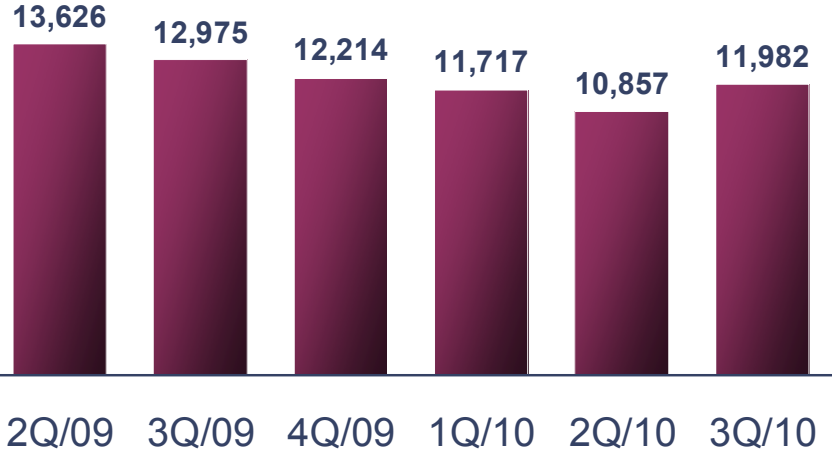
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio*



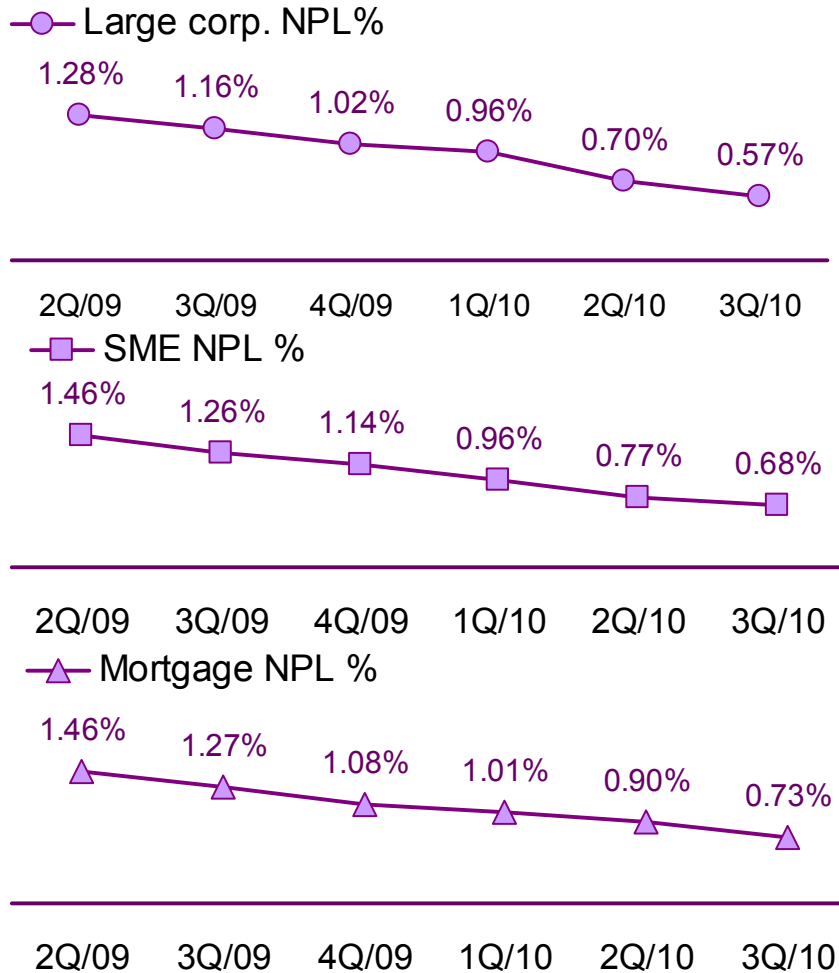
Unit: NT\$MN



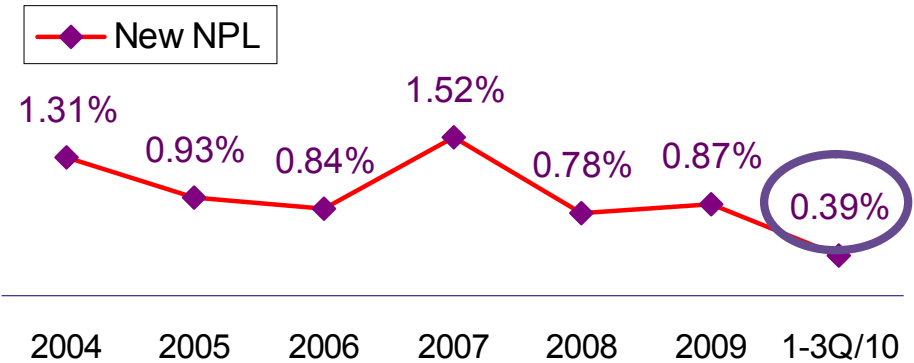
* 90 days standard
 ** market average source: Banking Bureau of Taiwan.

...as new NPL influx has remained 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 1-3Q/10 NPL influx was only 39bps, which contributed low credit cost.
- ❖ Mortgage NPL ratio trended down further, despite Mortgage loan balance decline.

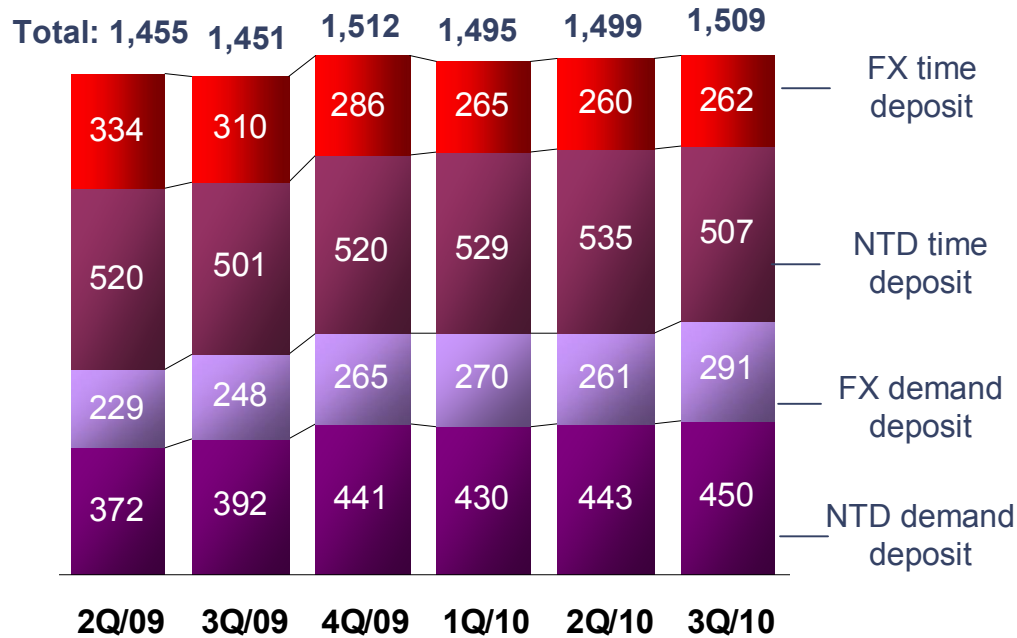
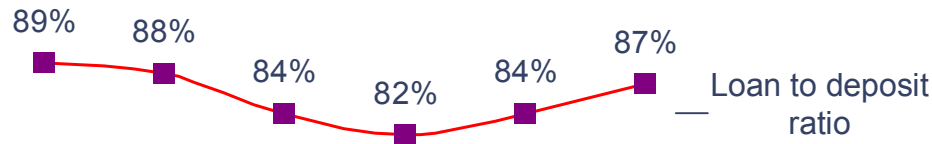
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

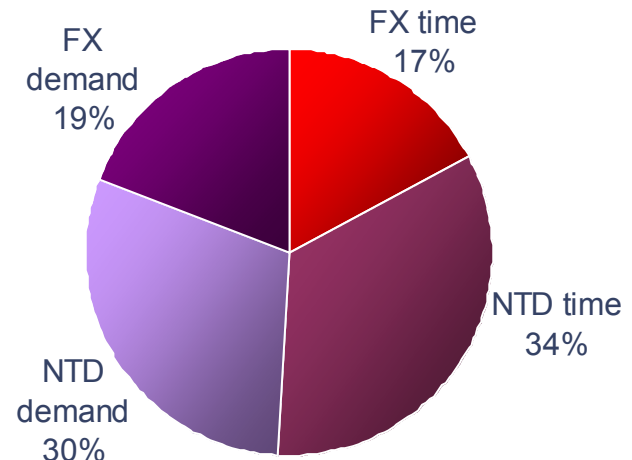
Deposit growth stabilized; while LDR climbed higher.

Mega Bank's LDR & deposit balance *

Unit: %; NT\$bn



Mega Bank's 3Q/10 deposit breakdown

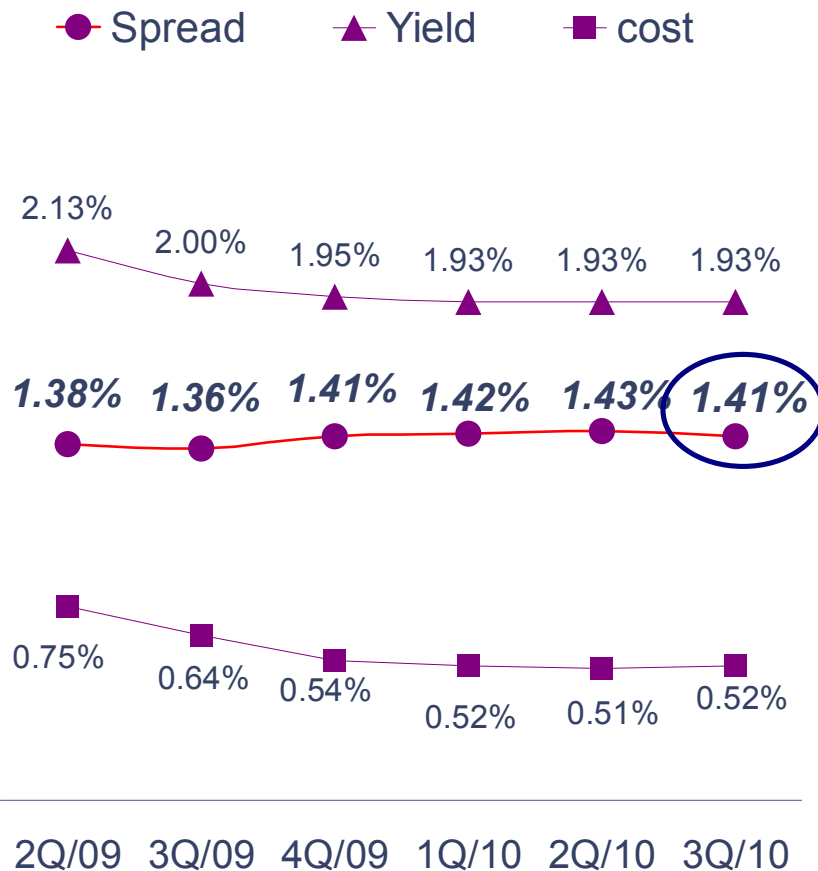


- ❖ LDR climbed higher due to stronger loan growth.
- ❖ Deposit growth stabilized; while demand deposit % increased from 47% in 2Q/10 to 49% in 3Q/10.

* Excludes interbank deposit, Central Bank deposit & Chunghwa Post re-deposit ; un-audited numbers.

Domestic spread moved sideways, while overseas spread widened.

Mega Bank total loan interest spread



Mega Bank overseas loan interest spread*



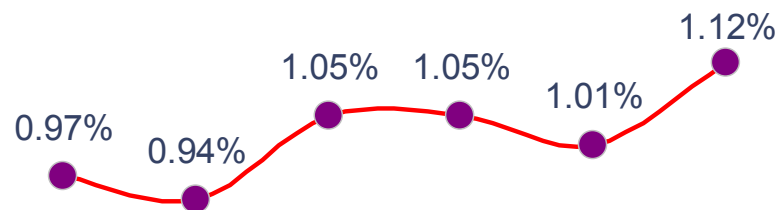
Mega Bank domestic loan interest spread



* Includes overseas branches and OBU loan; un-audited internal numbers.

Bank NIM was up 11bps in 3Q/10 to 1.12%, due to stronger non-NTD loan growth and NIM expansion.

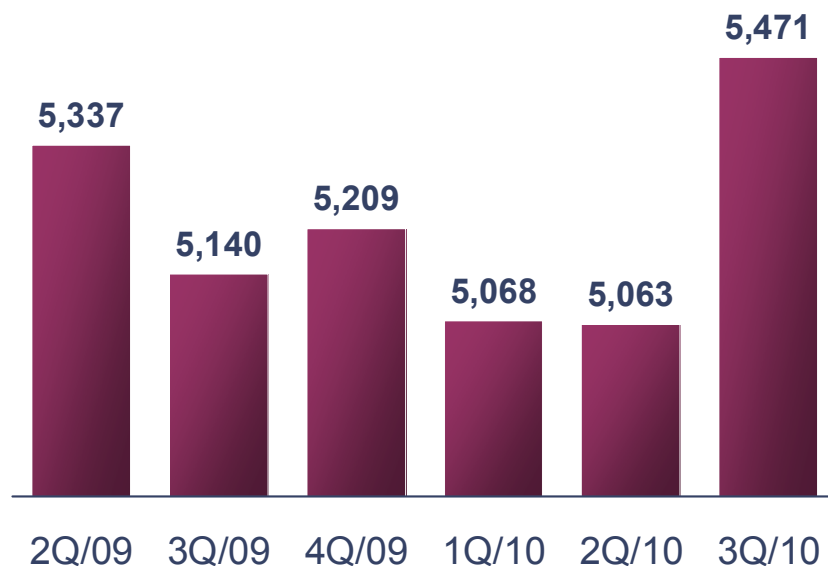
Mega Bank quarterly NIM & NII *



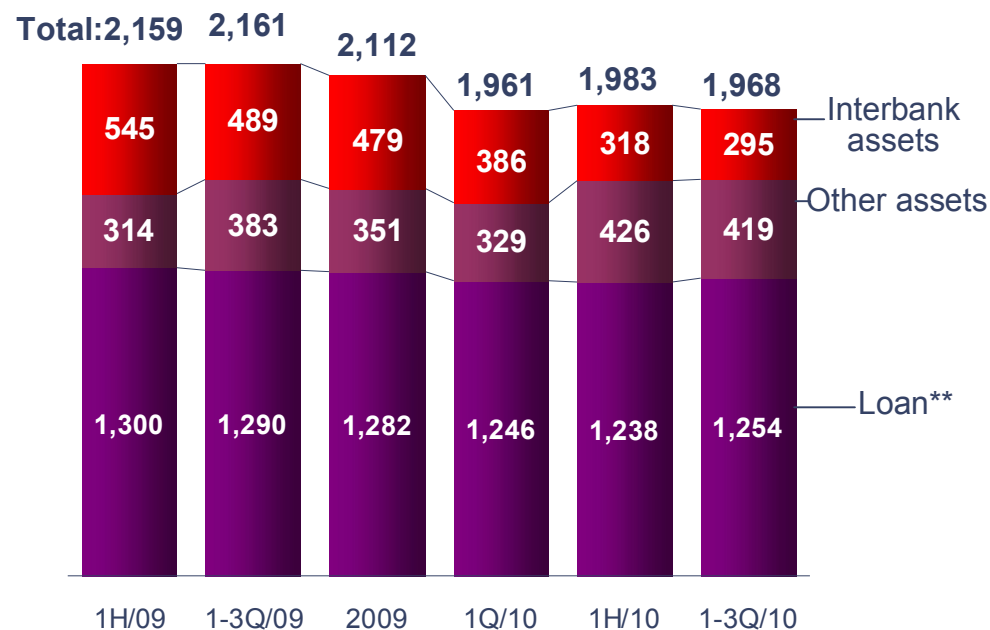
Mega Bank avg. interest-earning assets**

- ❖ NIM expanded in 3Q/10, due to stronger non-NTD loan growth, as idle assets placed in lower-yield products were switched to higher-yield loan, causing non-NTD assets NIM to expand.
- ❖ Non-NTD assets account for 41% of total interest earning assets.

Unit: NT\$MN



Unit: NT\$BN

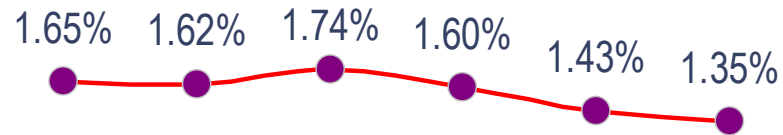


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income. Un-audited internal numbers.

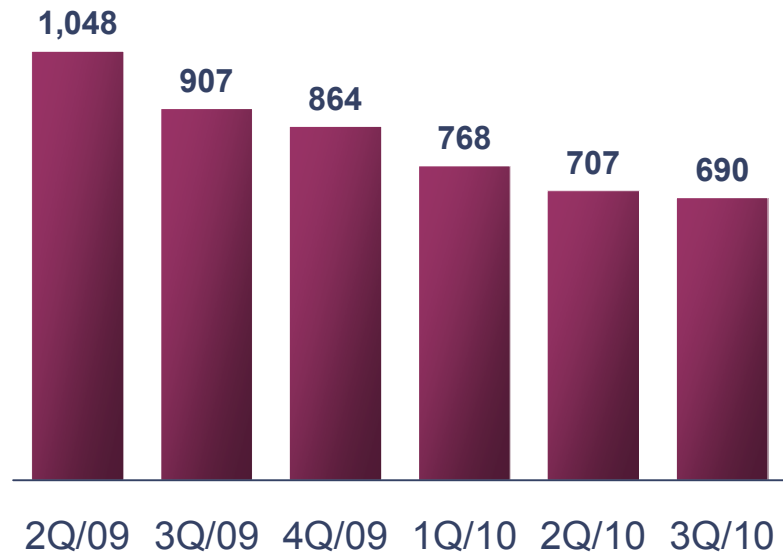
12 ** Average balance during that period; loan does NOT include non-accrual loan. Un-audited internal numbers.

Bills NIM compression narrowed; group NIM was up due to stronger bank NIM expansion.

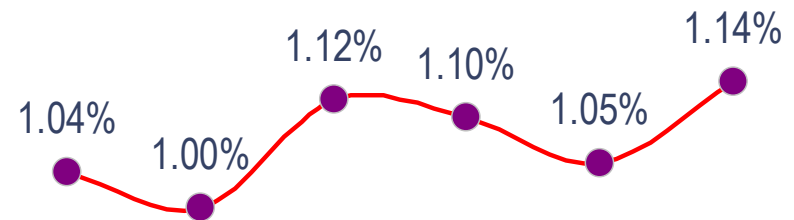
Mega Bills NIM & NII *



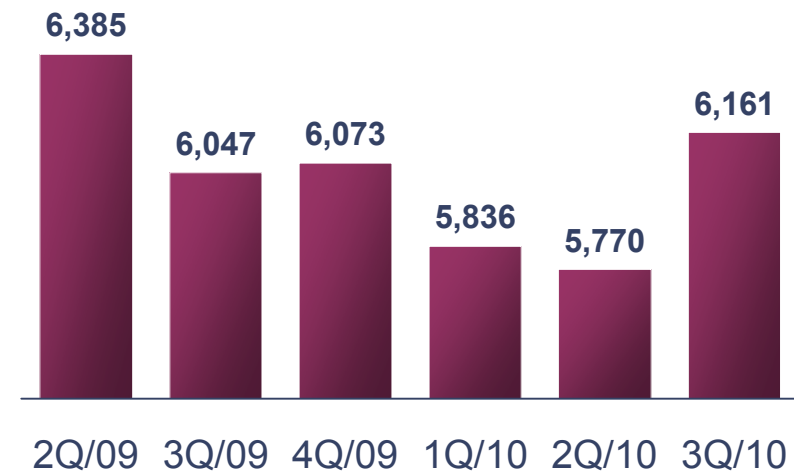
Unit: NT\$MN



Mega Bank + Mega Bills NIM & NII *



Unit: NT\$MN

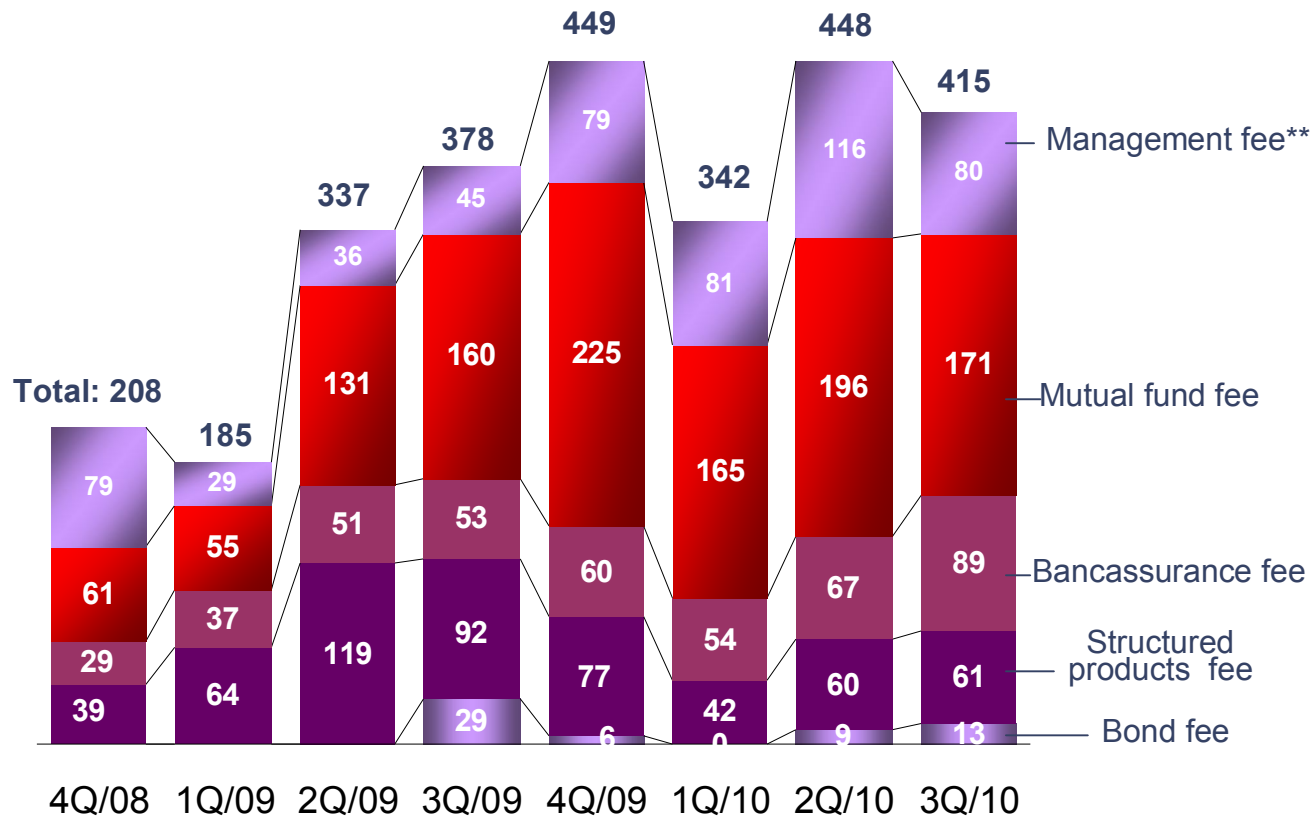


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

WM fee was up 34% YoY.

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

Unit: NT\$MN



- ❖ Wealth mgmt fee was up 34% YoY, but declined slightly QoQ.
- ❖ Bancassurance fee continued to climb higher, proved the marketing focus on bancassurance this year was materializing.
- ❖ 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

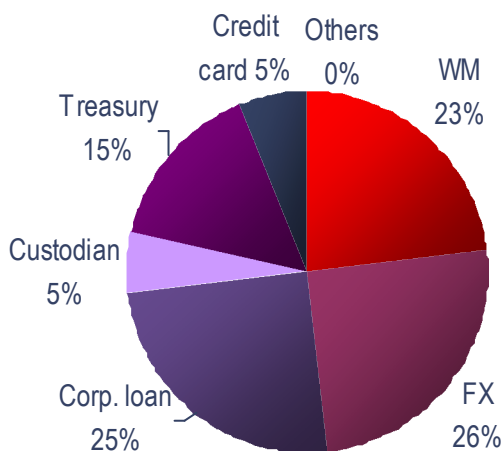
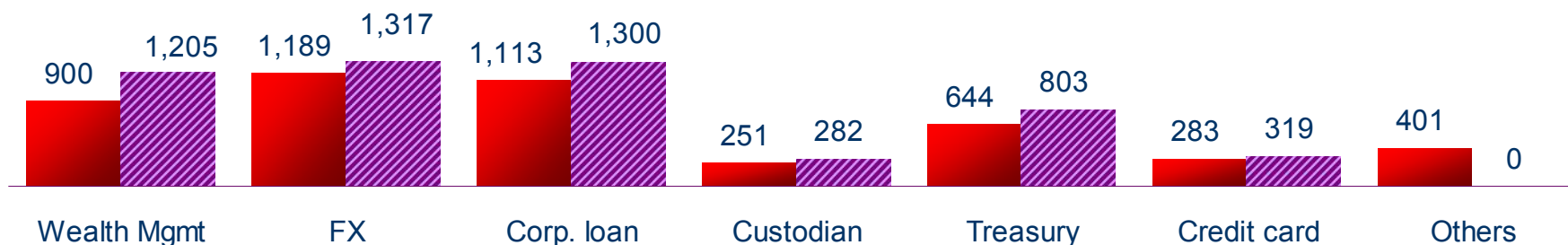
** Fund mgmt fee profit sharing and trust account mgmt fee.

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

Mega Bank 1-3Q/09 vs. 1-3Q/10 gross fee revenue breakdown

■ 1-3Q/09 ▨ 1-3Q/10

Unit: NT\$MN



Highlights

- ❖ WM fee was up 34% YoY due to recovery of product demand.
- ❖ FX fee picked up 11% YoY due to recovery from corp. FX transaction.
- ❖ Corp. loan fee jumped 17% higher YoY due to strong syndication loan fee.
- ❖ Treasury fee grew 25% YoY due to strong derivative products sales.

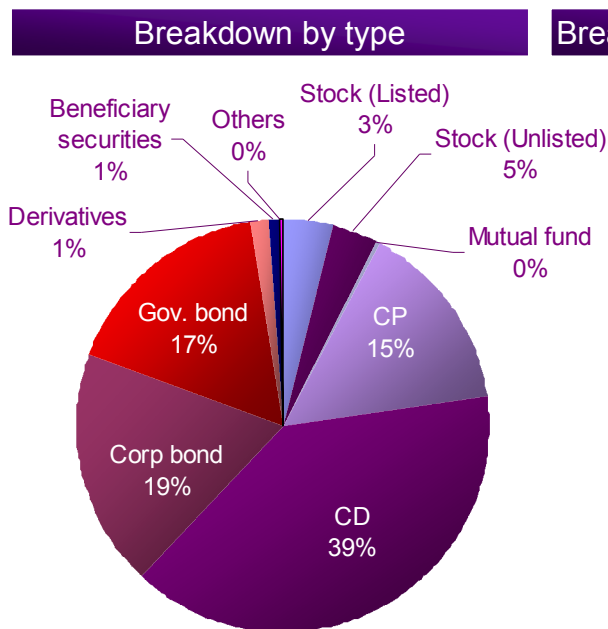
* Mega Bank internal data

Central Bank certificate deposit position came down as excess deposit pressure eased.

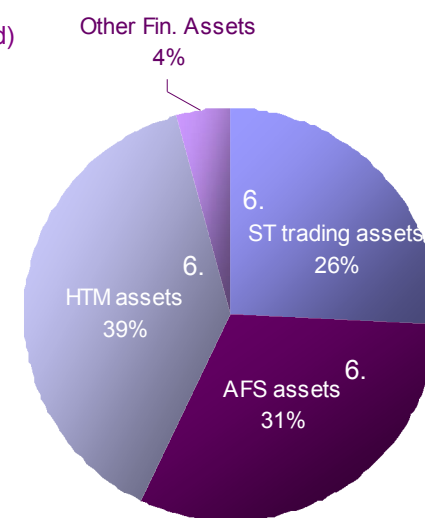
Mega Group 1-3Q/10 consolidated financial assets breakdown 1

Unit: NT\$BN

	1-3Q/10	1-3Q/09	1H/10
Stock (Listed) 2	23	21	22
Stock (Un-listed) 3	21	23	21
Mutual fund	2	3	2
Commercial papers	89	90	91
Certificate of deposit	231	202	271
Corporate bond 4	110	128	106
Government bond 5	100	129	104
Derivatives	7	8	7
Beneficiary securities	6	10	5
Others	1	0	2
Total	590	614	631



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 1-3Q/10 Mega FHC consolidated financial statement, which is reviewed by the CPA.
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

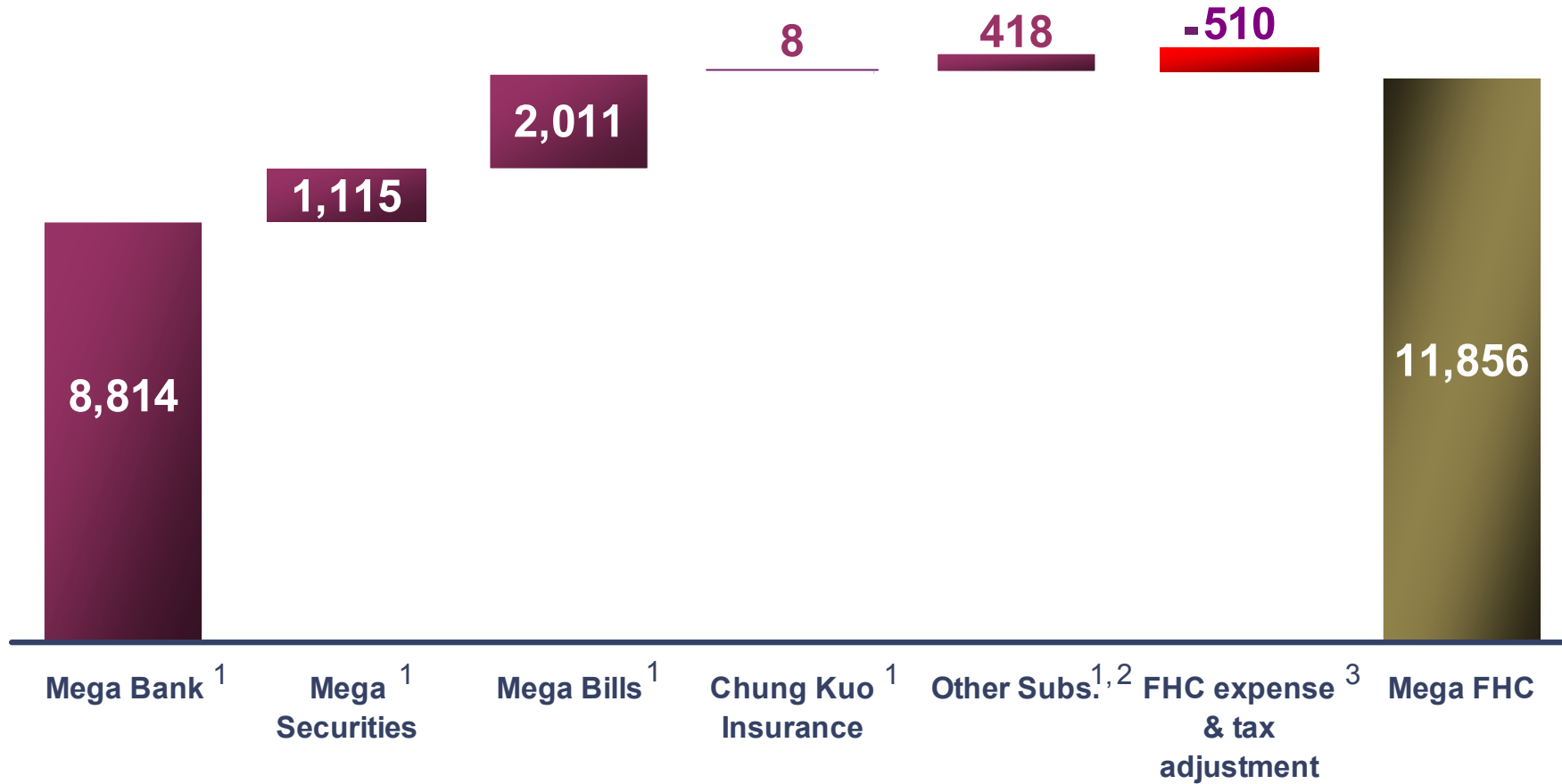


Appendix

CKI earning was down due to several large claims this year.

1-3Q/10 earning contribution by subsidiary

Unit: NT\$MN



1. Un-audited subsidiary earning but reviewed by the CPA

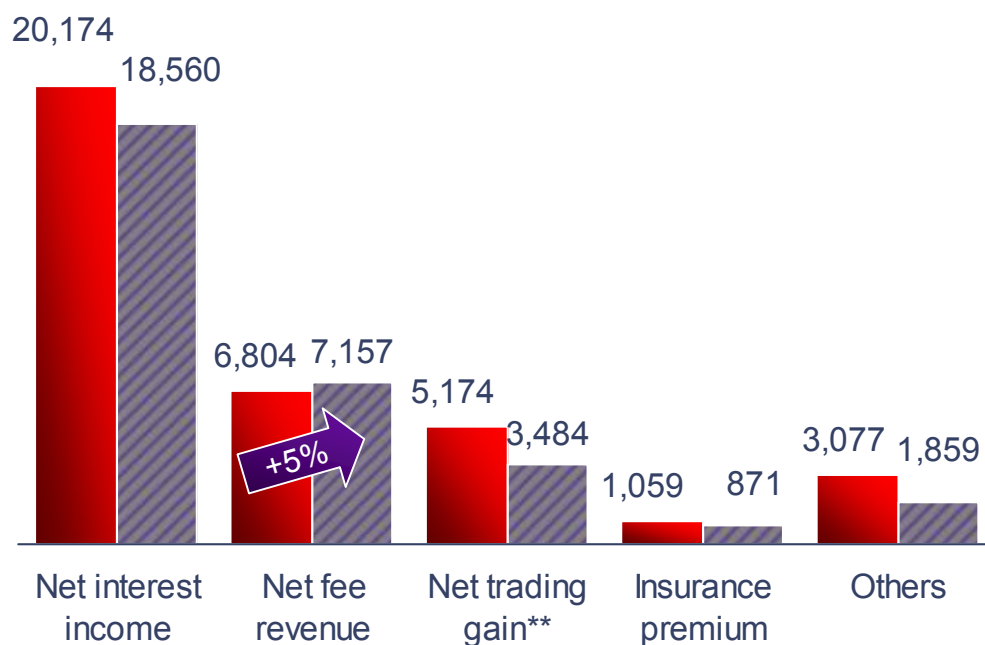
2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega VC

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

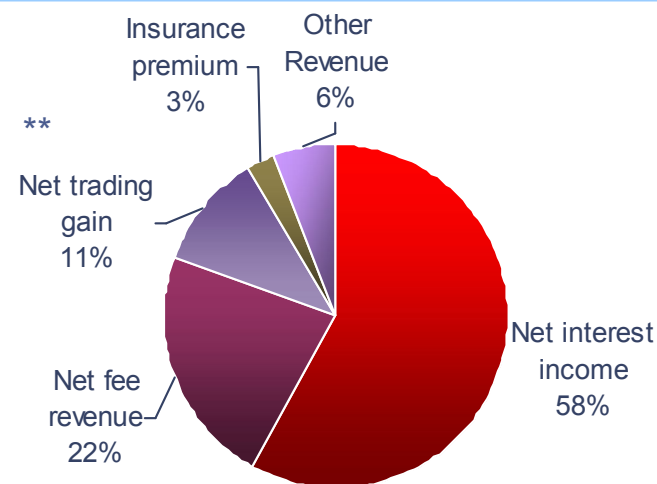
Top-line growth was difficult, due to lackluster NII and trading gain performance.

Mega Group consolidated net revenue *

■ 1-3Q/09 ■ 1-3Q/10 Unit: NT\$MN



Mega Group 1-3Q/10 net revenue breakdown



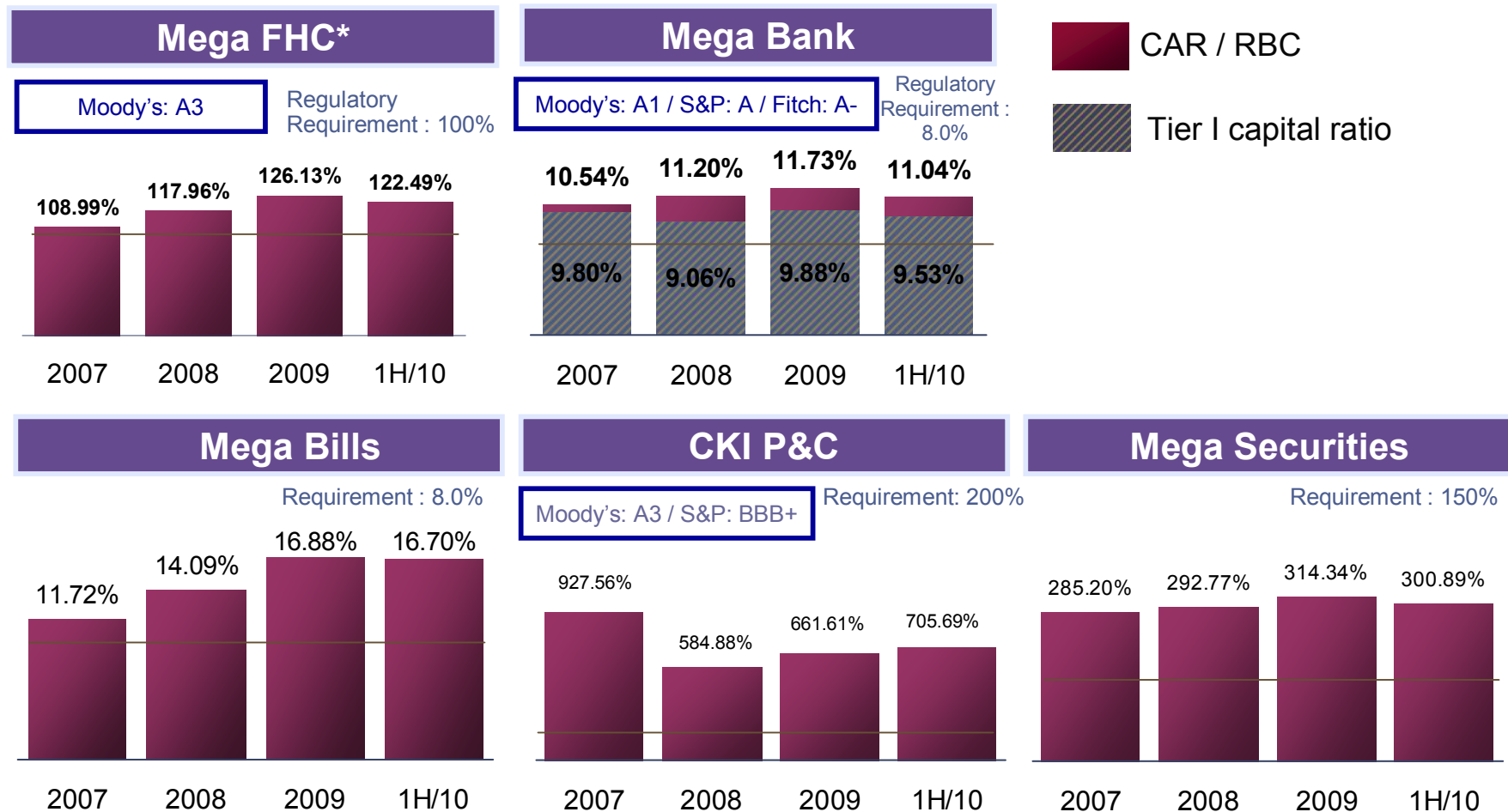
Highlights

- ❖ Group net interest revenue declined due to NIM contraction.
- ❖ Group net fee revenue was up by 5% YoY, driven by strong growth in WM, FX and syndication loan fees, but partly off-set by brokerage and bills fee declines.
- ❖ Trading gain was down due to, slower equity, fixed income and derivatives trading gain.

* 1-3Q/10 are un-audited figures but reviewed by the CPA.

** 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).

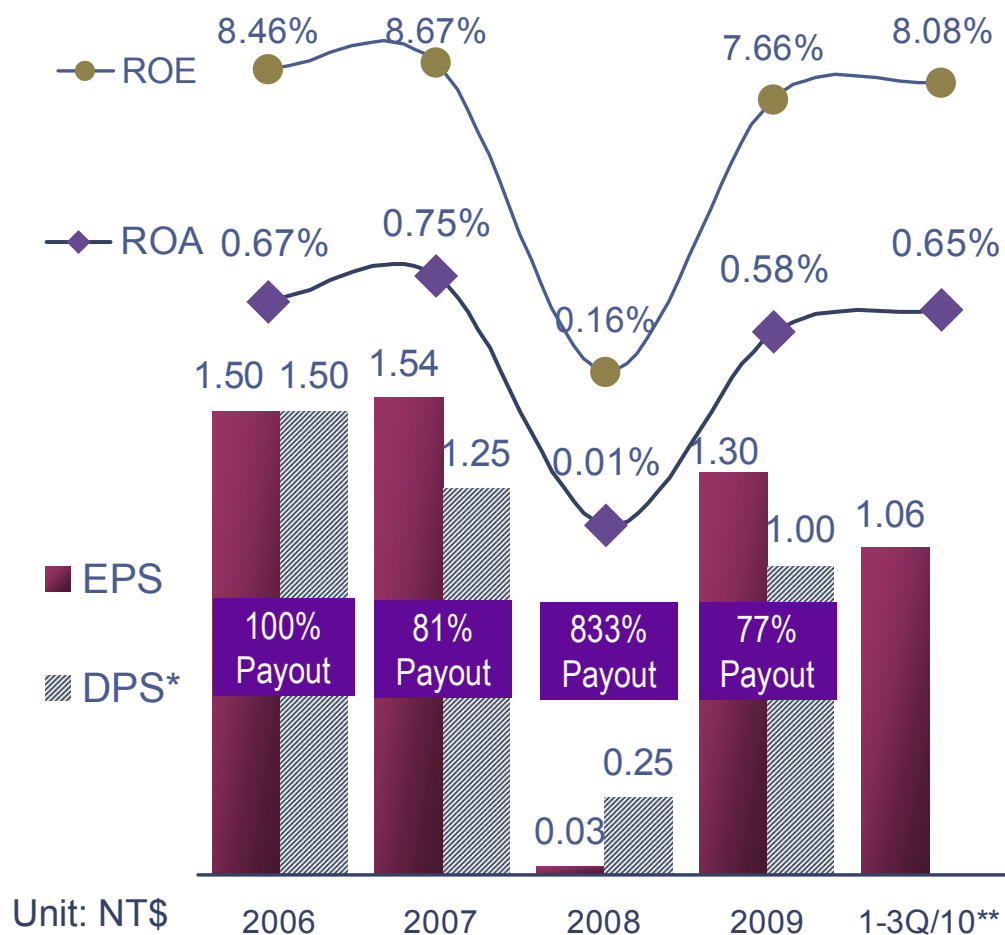
No capital issuance plan in the short term as overall capital position is well above the requirement



* 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

** Un-audited number but reviewed by the CPA.

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.
- ❖ **Abu-Dhabi rep. office** was approved in Oct/2010.
- ❖ In the future, Mega Bank will continue to look for organic growth opportunities in Thailand, Vietnam and Cambodia, where our Taiwanese corporate customers are located.

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 .

Eye on China market

- ❖ Under ECFA, Mega Bank Suzhou rep. office is now qualified for **branch upgrade starting 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.

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, which will begin operation in 4Q/2010.

1-3Q/10 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1-3Q/2010*	1-3Q/2009*	YoY	2009*
Net interest income	18,560	20,174	-8%	26,475
Net fee revenue	7,157	6,805	5%	9,539
Insurance premium	871	1,059	-18%	1,360
Gain from fin. assets at fair value thru P&L	2,155	5,285	-59%	4,728
Available for sales asset gain	995	954	4%	2,071
Hold to maturity asset gain	22	-132	-	-180
Equity method investment gain	100	58	72%	185
Property investment gain	2	2	0%	2
FX spread gain	1,113	1,364	-18%	1,955
Asset sale gain	281	1,038	-73%	-
Asset impairment loss	-331	-892	-	-1,993
Other loss	-3,046	-110	-	-
Other provision (write-back)	2,194	-1,355	-	-
Cost method investment gain	0	0	-	462
Other non-interest revenue (net)	1,859	2,037	-9%	1,829
Operating net revenue	31,932	36,288	-12%	46,432
Operating expense	-15,299	-14,804	3%	-20,048
Pre-provision operating profit	16,633	21,484	-23%	26,384
Provision expense on loan	-1,898	-6,249	-70%	-7,306
Reserved on insurance	-85	-100	-15%	-22
Pretax profit	14,651	15,135	-3%	19,056
Tax	-2,747	-3,760	-27%	-4,711
Minority shareholder interest	48	17	182%	-13
Net profit	11,856	11,359	4%	14,332
EPS (NT\$)	1.08	1.03	5%	1.30

* 1-3Q/10 are un-audited numbers but reviewed by the CPA. Others are audited numbers

1-3Q/10 Mega FHC consolidated balance sheet*

NT\$MN	1-3Q/10*	1-3Q/09*	YoY	2009*	YTD
Assets:					
Cash and due from banks	226,841	533,783	-58%	404,879	-44%
Bills and bonds under RP agreement	2,289	2,137	7%	796	188%
Fin. assets at fair value through P&L	153,082	144,388	6%	127,525	20%
AFS financial assets	184,157	235,229	-22%	233,017	-21%
HTM financial assets	228,667	209,361	9%	263,153	-13%
Other financial assets	23,781	26,256	-9%	24,821	-4%
A/R, net	158,360	96,859	63%	121,355	30%
Loan, net	1,321,772	1,282,221	3%	1,281,835	3%
Equity method LT investments, net	2,619	2,540	3%	2,728	-4%
Land, premises and equipments, net	22,116	23,806	-7%	23,690	-7%
Others	10,729	13,418	-20%	13,732	-22%
Total assets	2,334,412	2,569,997	-9%	2,497,531	-7%
Liabilities					
Due to banks	265,854	571,287	-53%	453,897	-41%
Deposits	1,507,483	1,412,825	7%	1,484,629	2%
CP & Bond payable	57,408	58,380	-2%	57,259	0%
Bills & bonds sold under repurchase agreement	166,338	186,020	-11%	171,366	-3%
Other liabilities	140,582	149,274	-6%	134,087	5%
Total liabilities	2,137,665	2,377,786	-10%	2,301,236	-7%
Capital stock (common stock)	110,594	110,594	0%	110,594	0%
Capital surplus	43,426	43,426	0%	43,426	0%
Retain earning	32,713	28,943	13%	31,917	2%
Equity adjustment items	9,387	8,664	8%	9,718	-3%
Minority shareholder interest	627	584	7%	641	-2%
Total stockholders' equity	196,747	192,211	2%	196,295	0%
Total liabilities and stockholders' equity	2,334,412	2,569,997	-9%	2,497,531	-7%
Book value per share (NT\$)	17.79	17.38	2%	17.75	0%

* 1-3Q/10 are un-audited numbers but reviewed by the CPA. Others are audited numbers

Agenda



Operation Highlights



Financial Performance



Appendix

Well established size and scale to win

1-3Q/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	2,334	2,024	50	205	15	1	13	0.09	1
Equity	197	155	14	32	5	0.8	2.4	0.06	1
After-tax earning	11.9	8.8	1.1	2.0	-	0.1	0.2	0.03	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 but reviewed by the CPA

** Overseas offices include rep. offices. and branches



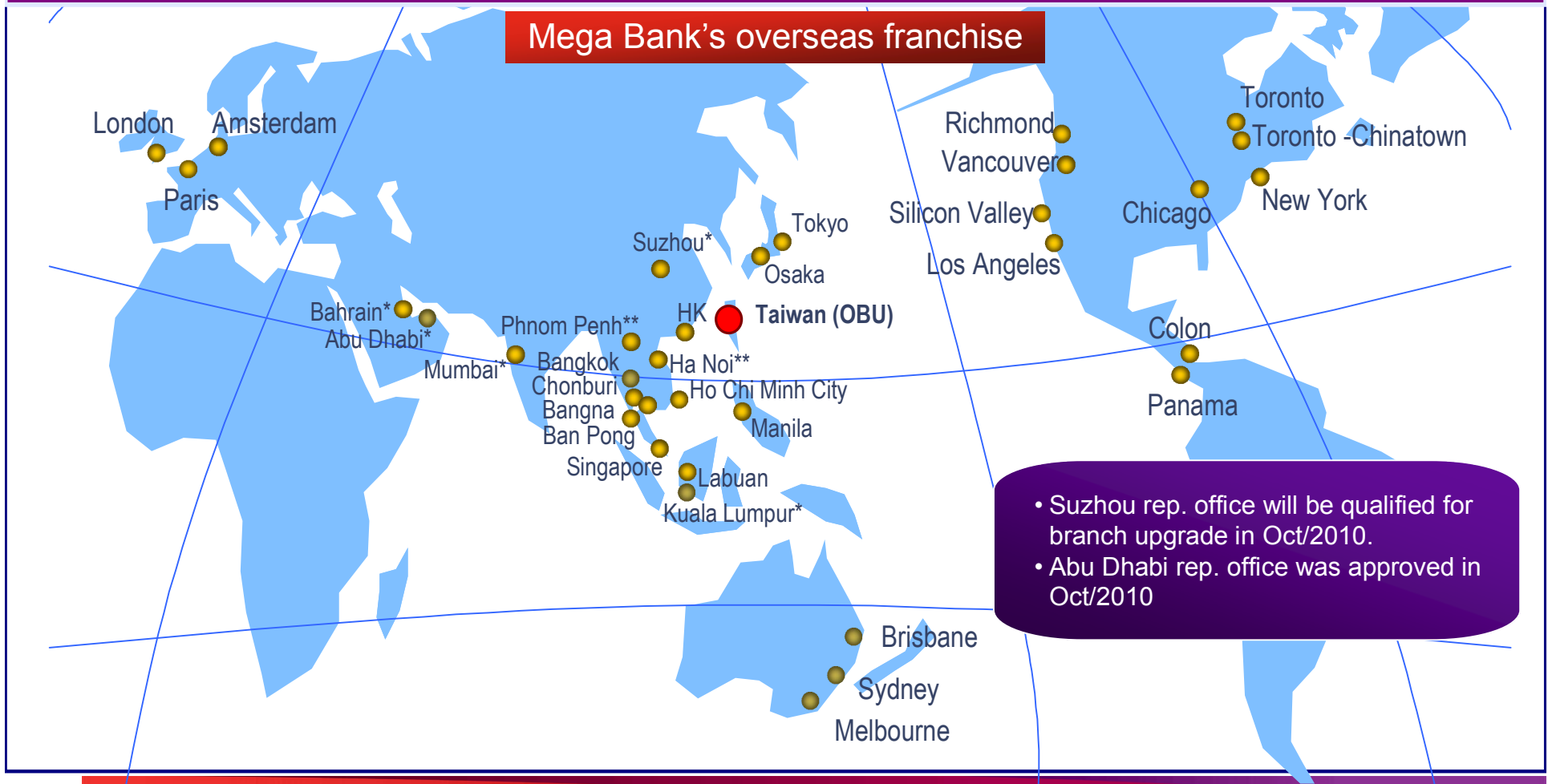
Our Corporate Strategy



Bank Suzhou rep. office is now qualified for branch upgrade starting Oct/2010.

Bridge the gap, reach the world

Mega Bank's overseas franchise



- Suzhou rep. office will be qualified for branch upgrade in Oct/2010.
- Abu Dhabi rep. office was approved in Oct/2010

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

** Pending approval for bank branch / rep. office