



兆豐金控
Mega Holdings

4Q / 2010 (v.1)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 ARE INTERNAL PRELIMINARY RESULT. MEGA FHC EXPECTS TO FILE ITS AUDITED FINANCIAL STATEMENTS WITH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON OR BEFORE APRIL 30, 2011.

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Agenda



Operation Highlights



Financial Performance



Appendix

4Q/10 performance summary*

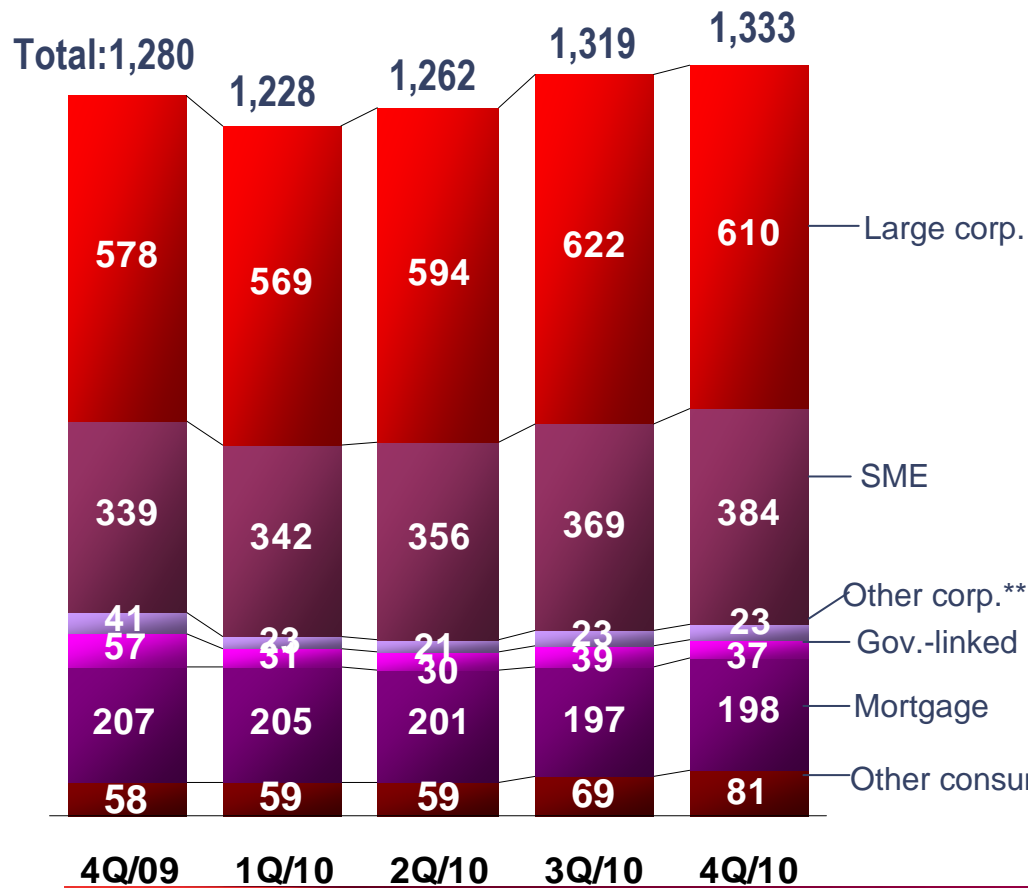
- ❖ 4Q/10 loan balance was up 1.1% QoQ and 4.1%YoY, due to strong corp. loan demand.
- ❖ ... especially in manufacturing, real estate and retail/wholesales industries.
- ❖ ... where domestic loan growth was 2.8%QoQ, as domestic loan demand picked up recently.
- ❖ 34bps annualized new NPL influx, low provision expense, 0.34% NPL and 227% coverage ratio on the bank level, suggesting benign asset quality.
- ❖ 2.1% QoQ deposit growth to sustain future loan growth; while LDR was maintained at 86%.
- ❖ Bank domestic spread and overseas spread remained flat in 4Q/10.
- ❖ Bank 4Q/10 NIM was down slightly by 3bps to 1.09%, due to higher loan growth in domestic lower yield products.
- ❖ WM fee was up 10% QoQ due to strong mutual fund sales.
- ❖ Group net fee revenue was flat YoY, as strong WM, FX and syndication fee growth were off-set by bills and brokerage fee declines.
- ❖ Group trading gain was down due to decline in derivatives trading gain.
- ❖ Low provision expense helped offsetting top line decline, which translated into 8% 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(9.35%), are all well above the requirements and industry peers.

* 1-4Q/2010 un-audited internal numbers, unless specified otherwise.

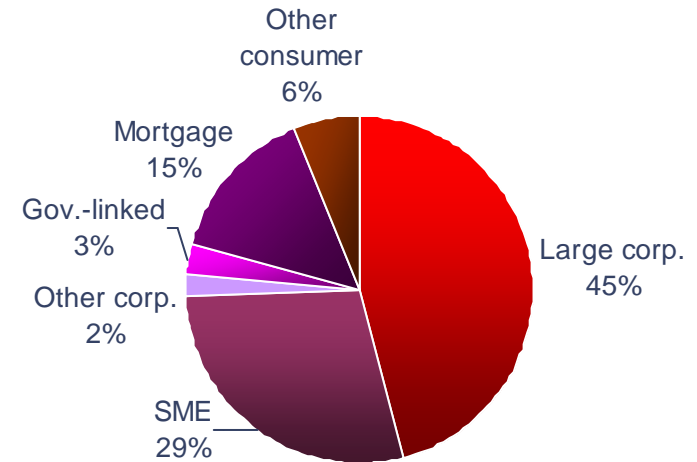
SME loan was up 13.3% YoY and up 4.1% QoQ, indicating strong corporate loan demand continued .

Mega Bank quarterly loan balance*

Unit: NT\$bn



Mega Bank 4Q/10 loan breakdown by customer



Highlights

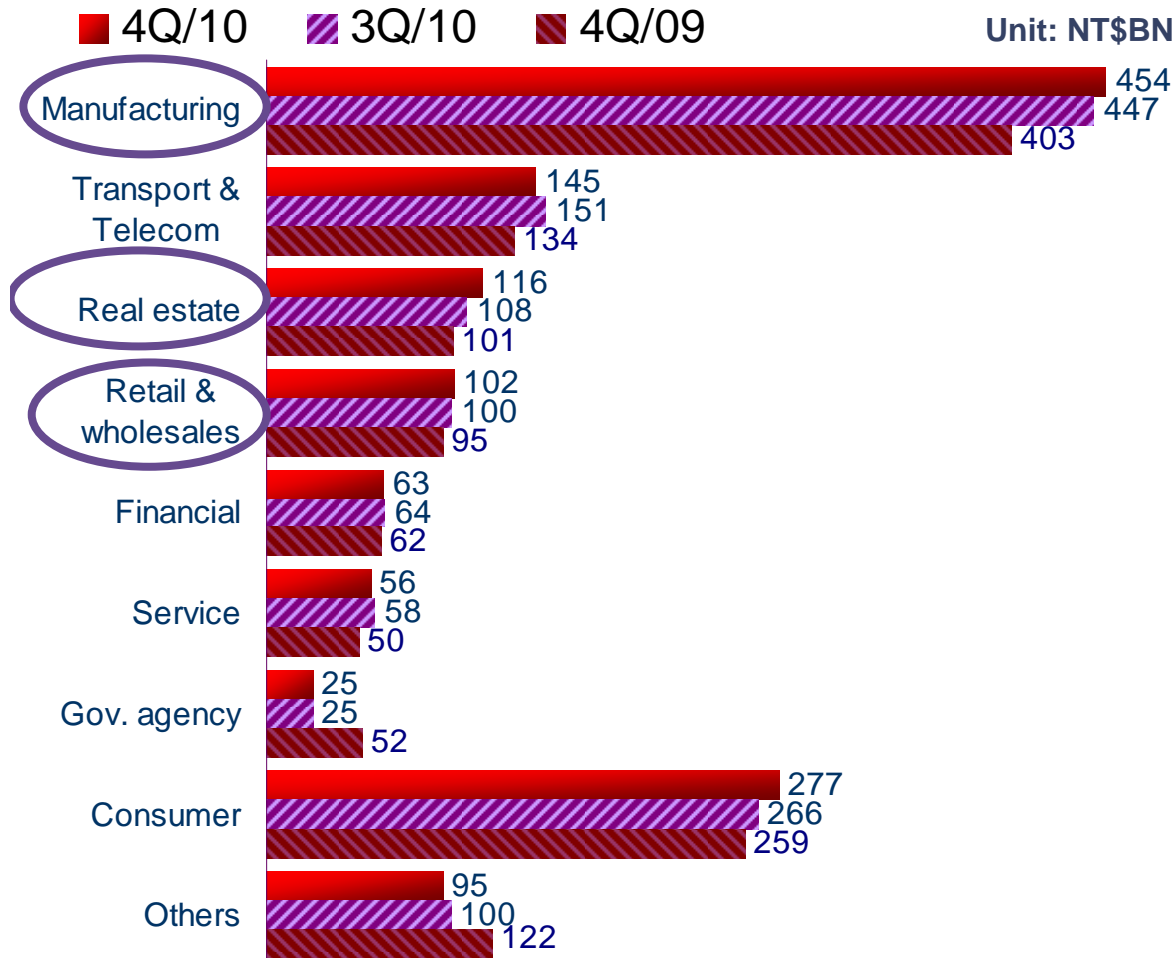
- ❖ Large corp. loan was up 5.5% YoY and SME loan was up 13.3% YoY and up 4.1% QoQ, indicating strong corp. loan demand.
- ❖ Mortgage loan balance remained flat due to tightening credit policies imposed by the regulators.
- ❖ Total loan was up 4.1% YoY; 1Q/10 slump was caused by several large repayments from the gov.-linked loan.

* 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.

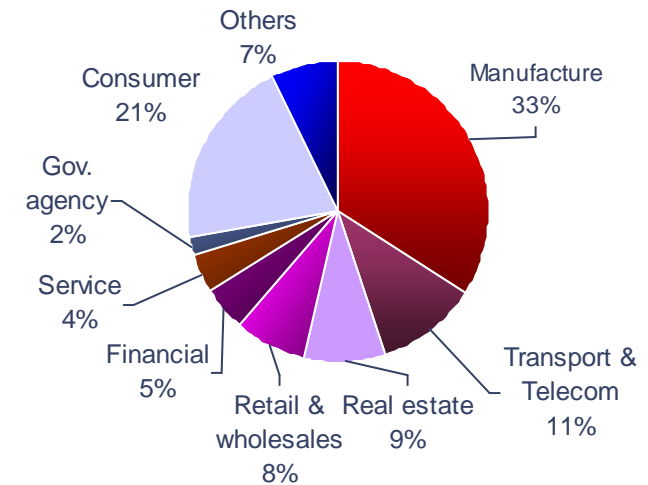
** Includes Gov.-linked Non-Profit Organization and etc.

Loan from manufacturing, real estate and retail/wholesales industries gained strength in 4Q/10.

Mega Bank loan balance trend by industry*



Mega Bank 4Q/10 loan breakdown by industry*



Highlights

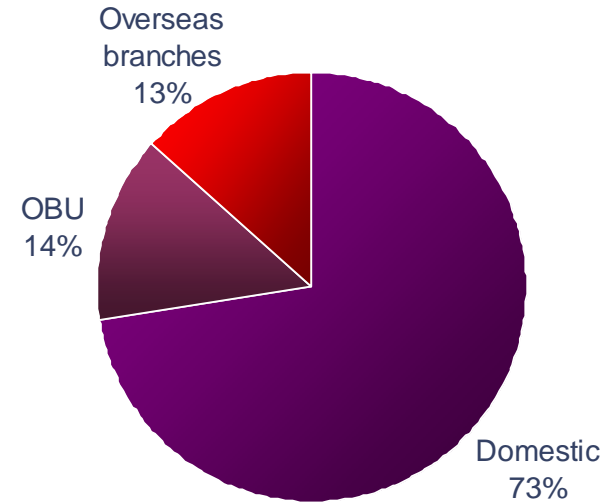
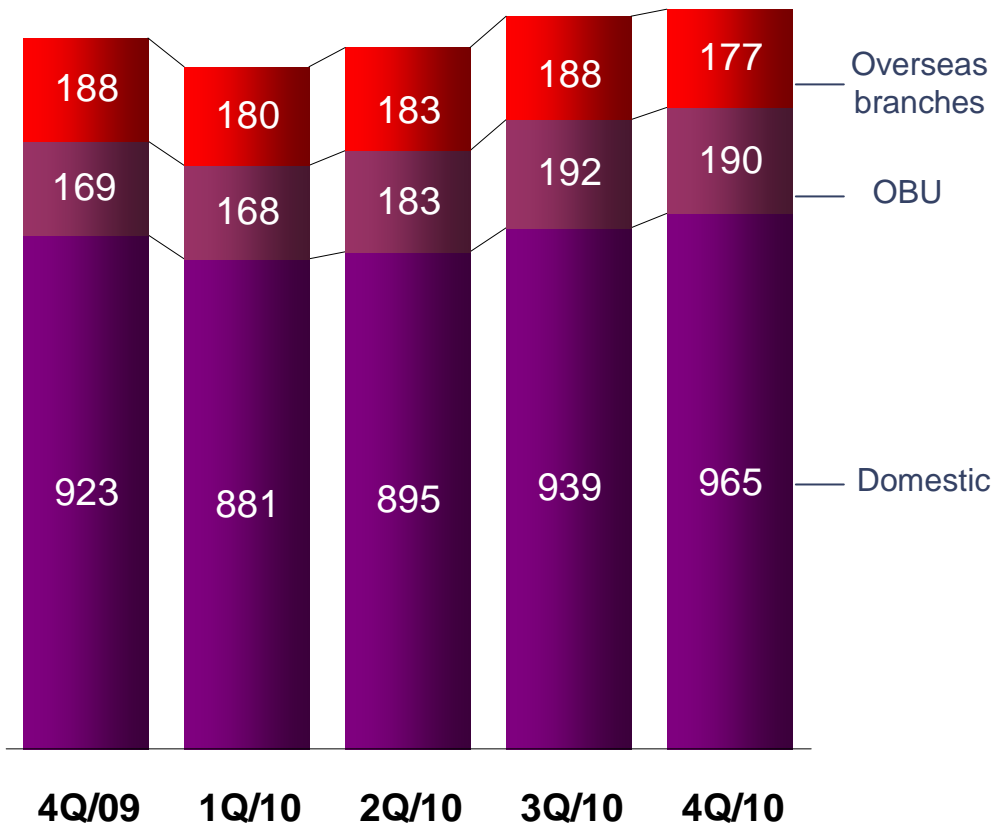
- ❖ Loan from manufacturing, real estate and retail/wholesales industries gained strength.

* 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 2.8% QoQ and 4.6% YoY, indicating continual loan demand in the domestic market.

Mega Bank 4Q/10 loan breakdown by regions *

Unit: NT\$bn



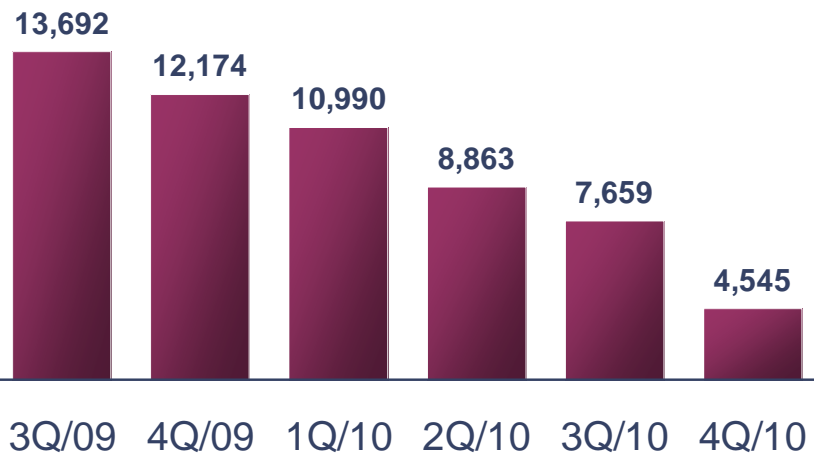
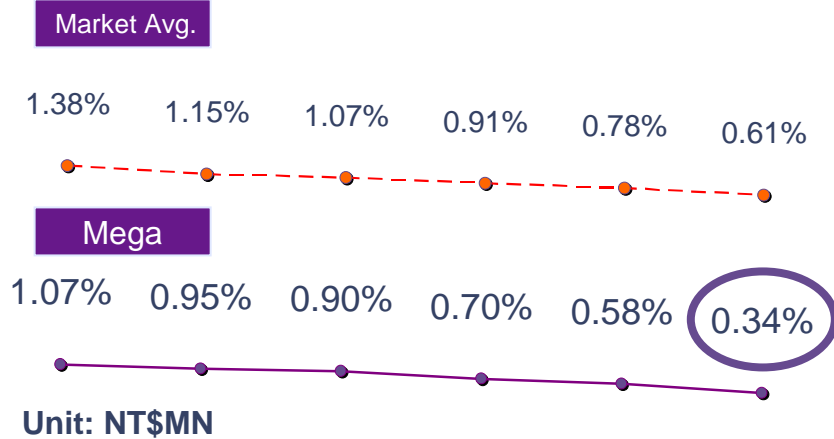
- ❖ Domestic loan was up 2.8% QoQ and 4.6% YoY, indicating continual loan demand in the domestic market.
- ❖ OBU loan was flat QoQ but was up 12.4% YoY.

* 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.

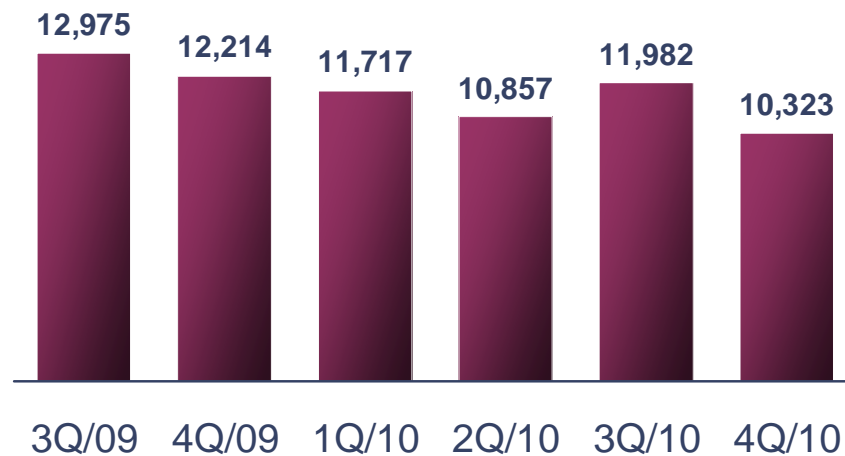
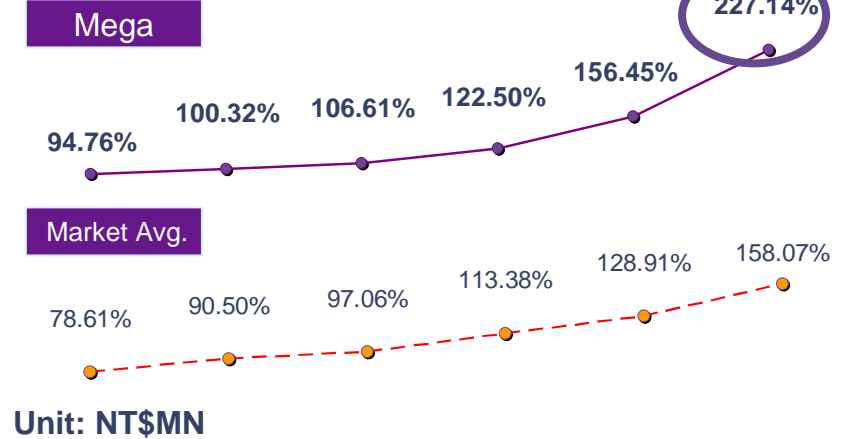
** OBU stands for Off-shore Banking Unit

Successfully achieved the <0.5% NPL ratio and >200% coverage ratio targets.

Mega Bank NPL balance & NPL ratio*



Mega Bank loan loss reserved and coverage ratio*

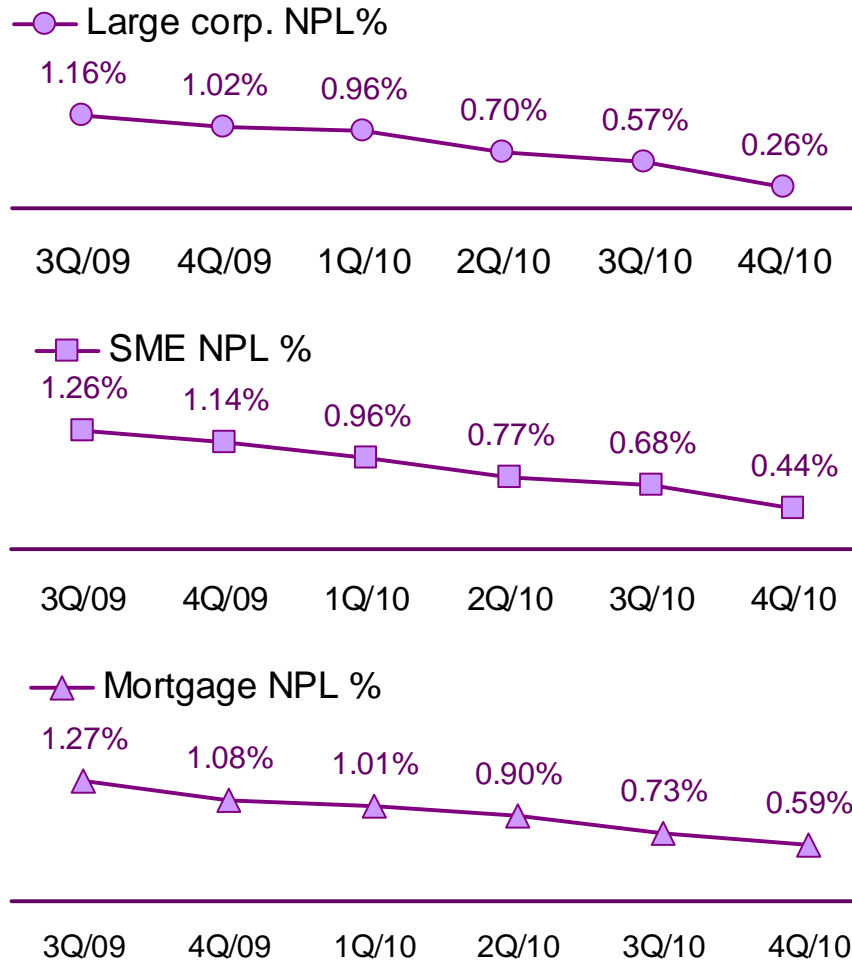


* 90 days standard

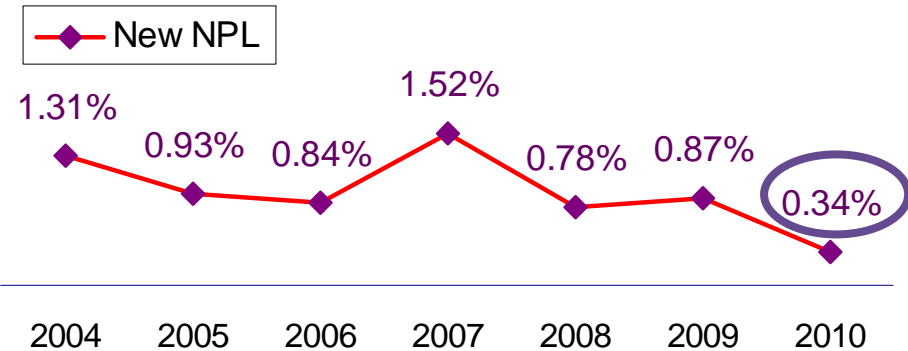
** market average source: Banking Bureau of Taiwan.

...as new NPL influx 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.
- ❖ 2010 NPL influx was only 34bps, which contributed low credit cost and strong asset quality figures.

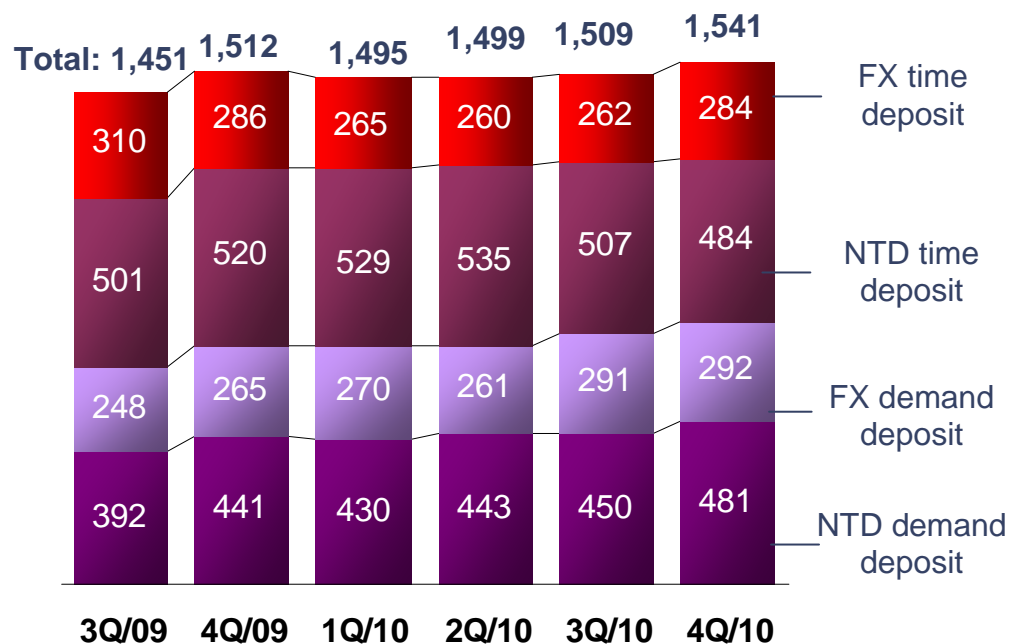
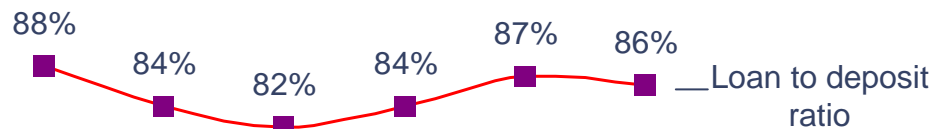
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

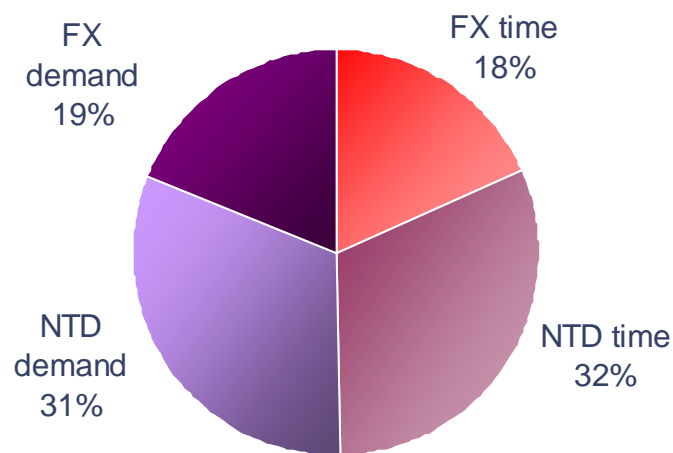
Deposit growth was 2.1% QoQ, to sustain future loan growth.

Mega Bank's LDR & deposit balance *

Unit: %; NT\$bn



Mega Bank's 4Q/10 deposit breakdown



- ❖ Deposit was up slightly by 2.1% QoQ to sustain future loan growth.
- ❖ Demand deposit % increased from 47% in 4Q/09 to 50% in 4Q/10.

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

Overall interest spread remained flat in 2010.

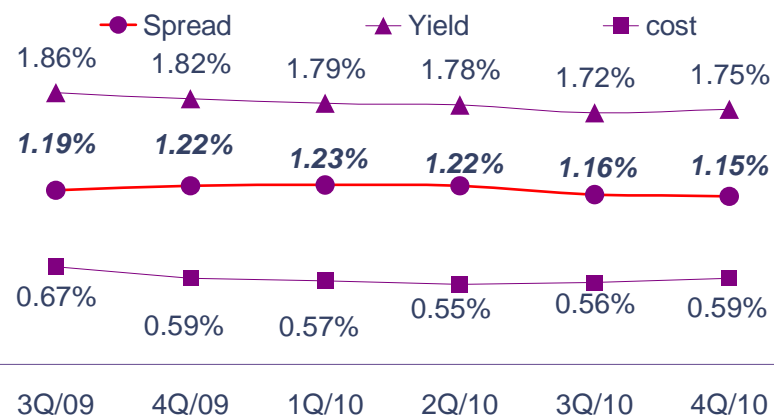
Mega Bank total loan interest spread



Mega Bank overseas loan interest spread*



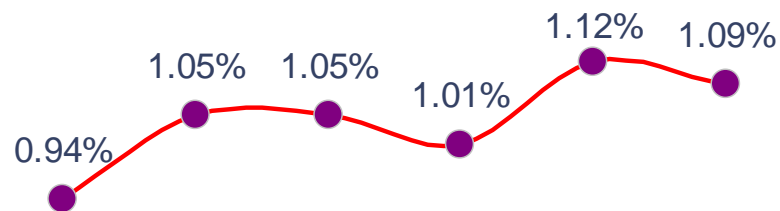
Mega Bank domestic loan interest spread



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

Bank 4Q/10 NIM was down slightly; however NII was in tact.

Mega Bank quarterly NIM & NII *



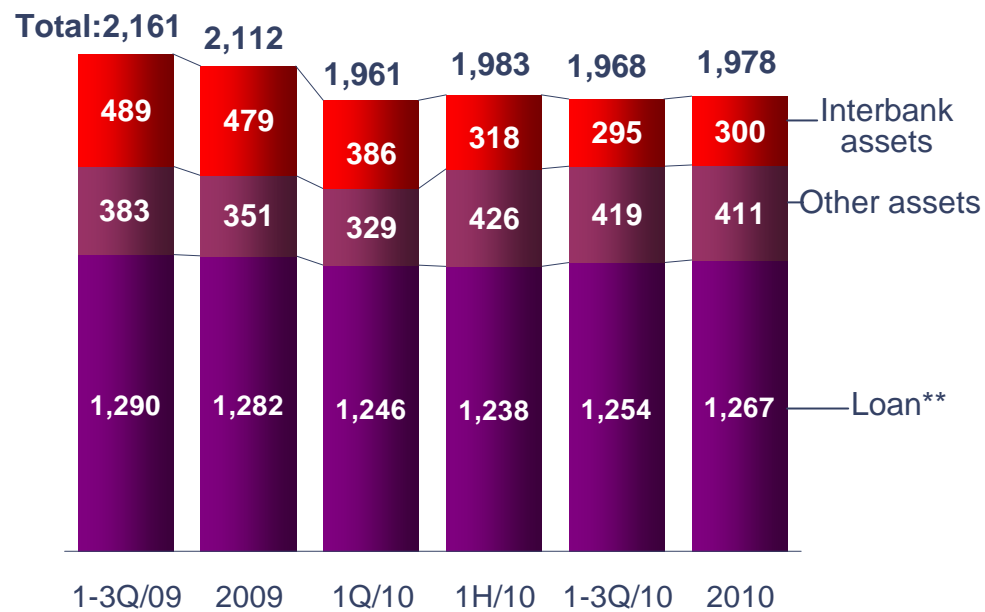
Mega Bank avg. interest-earning assets**

- ❖ Bank NIM was down slightly in 4Q/10; however NII was in tact.
- ❖ Most of the bank loan growth in 4Q/10 took place in the domestic market, which had little NIM improvement so far.

Unit: NT\$MN



Unit: NT\$BN



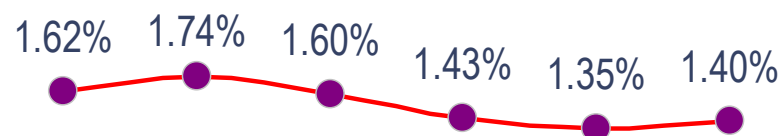
* NIM = annualized net interest income / average interest earning assets of that **quarter**; NII is quarterly net interest income; un-audited internal numbers.

** Average interest-earning asset balance during that **period**; loan does NOT include non-accrual loan; un-audited internal numbers.

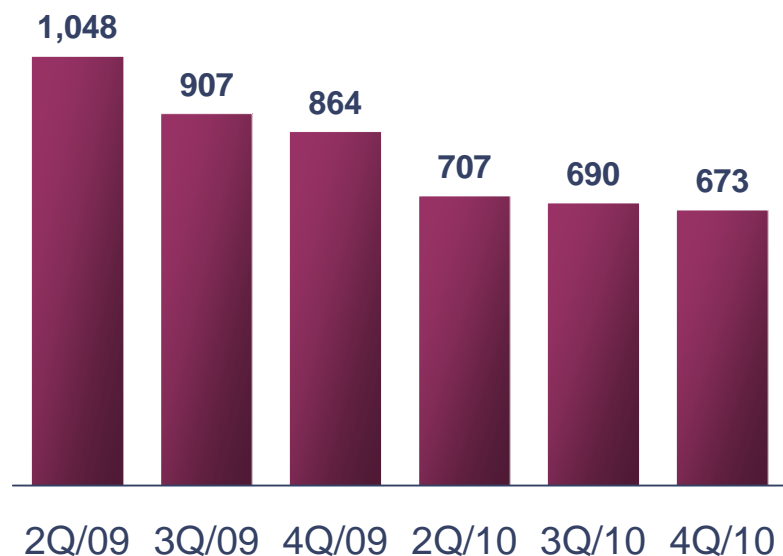


Bills NIM rebounded; group NIM was down due to slightly weaker bank NIM performance.

Mega Bills NIM & NII *



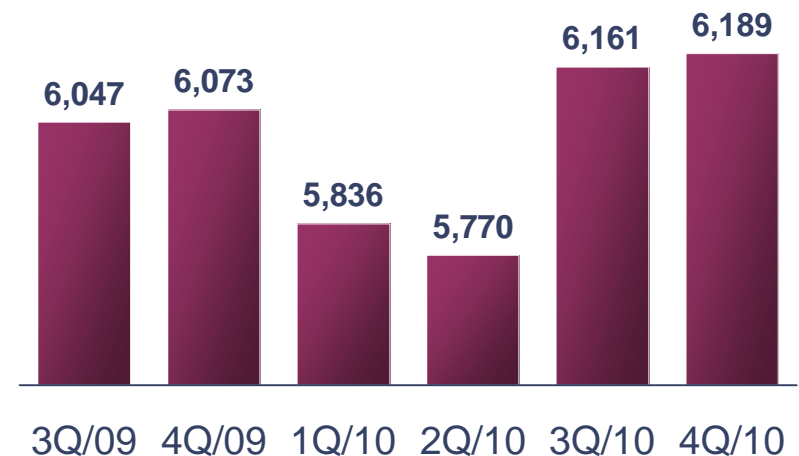
Unit: NT\$MN



Mega Bank + Mega Bills NIM & NII *



Unit: NT\$MN

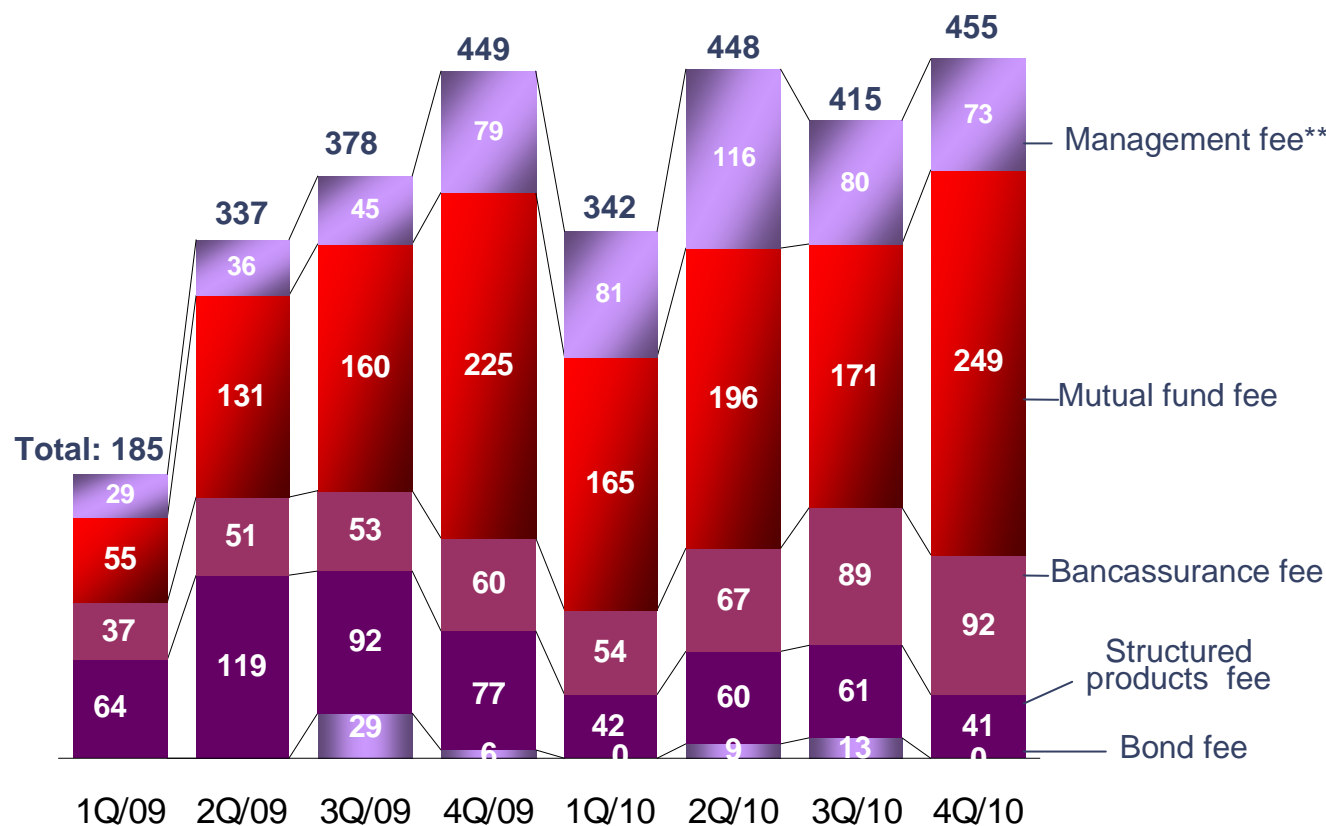


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

WM fee was up 10% QoQ and 23% YoY, driven by stronger mutual fund and bancassurance fee.

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

Unit: NT\$MN



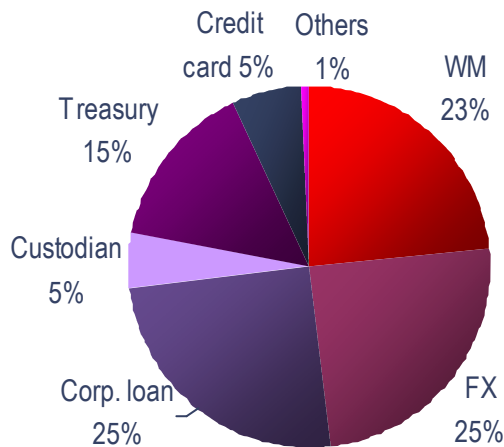
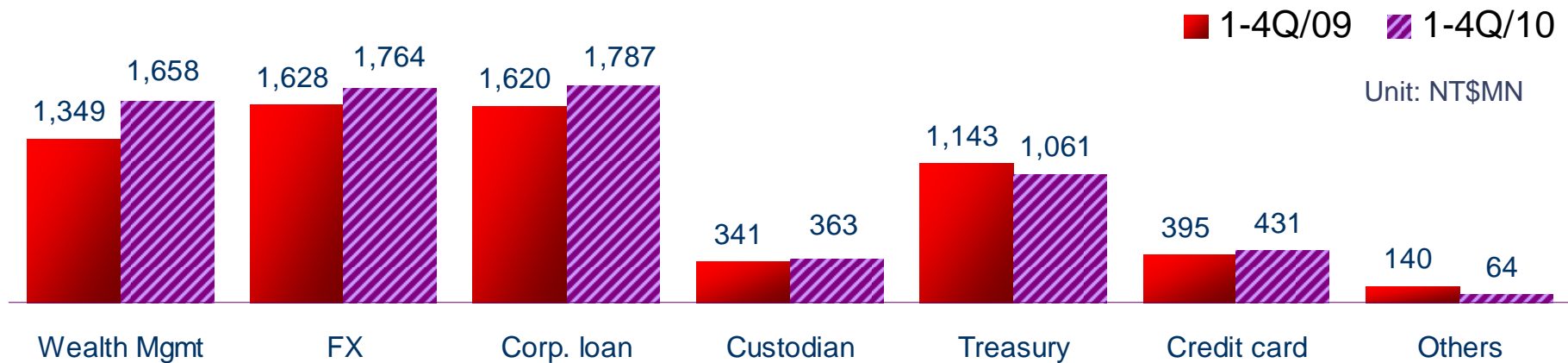
- ❖ Wealth mgmt fee was up 10% QoQ and 23% YoY.
- ❖ Bancassurance fee continued to climb higher; while mutual fund fee jumped higher with 46% QoQ and 36% YoY growth.
- ❖ Expects to increase the number of financial consultant from 200 to 250 this year.

* Mega Bank internal data

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

Major fee items showed solid growth from the same period last year.

Mega Bank 1-4Q/09 vs. 1-4Q/10 gross fee revenue breakdown



Highlights

- ❖ WM fee was up 23% YoY due to recovery of product demand.
- ❖ FX fee picked up 8% YoY due to recovery from corp. FX transaction.
- ❖ Corp. loan fee jumped 10% higher YoY due to strong syndication loan fee.

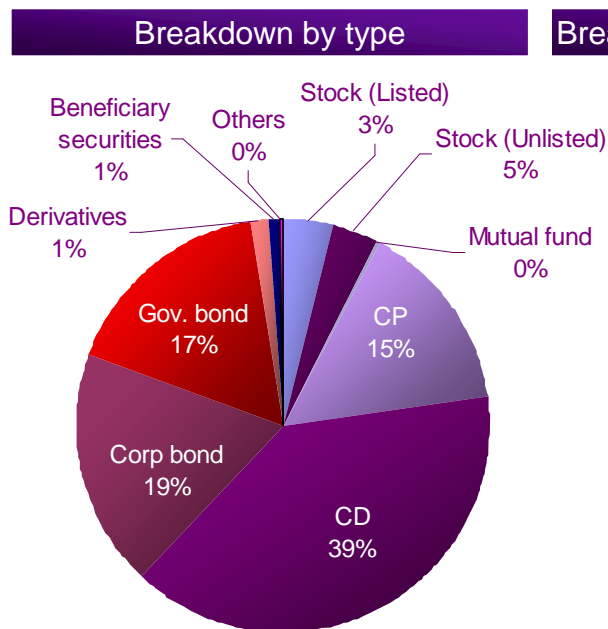
* Mega Bank internal data

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

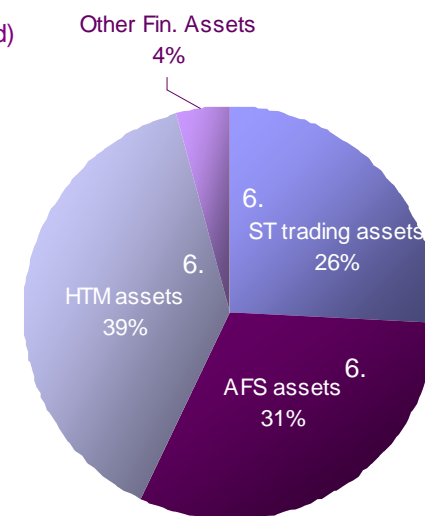
Mega Group 1-3Q/10 consolidated financial assets breakdown ¹

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. 1H/10 are audited numbers.
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

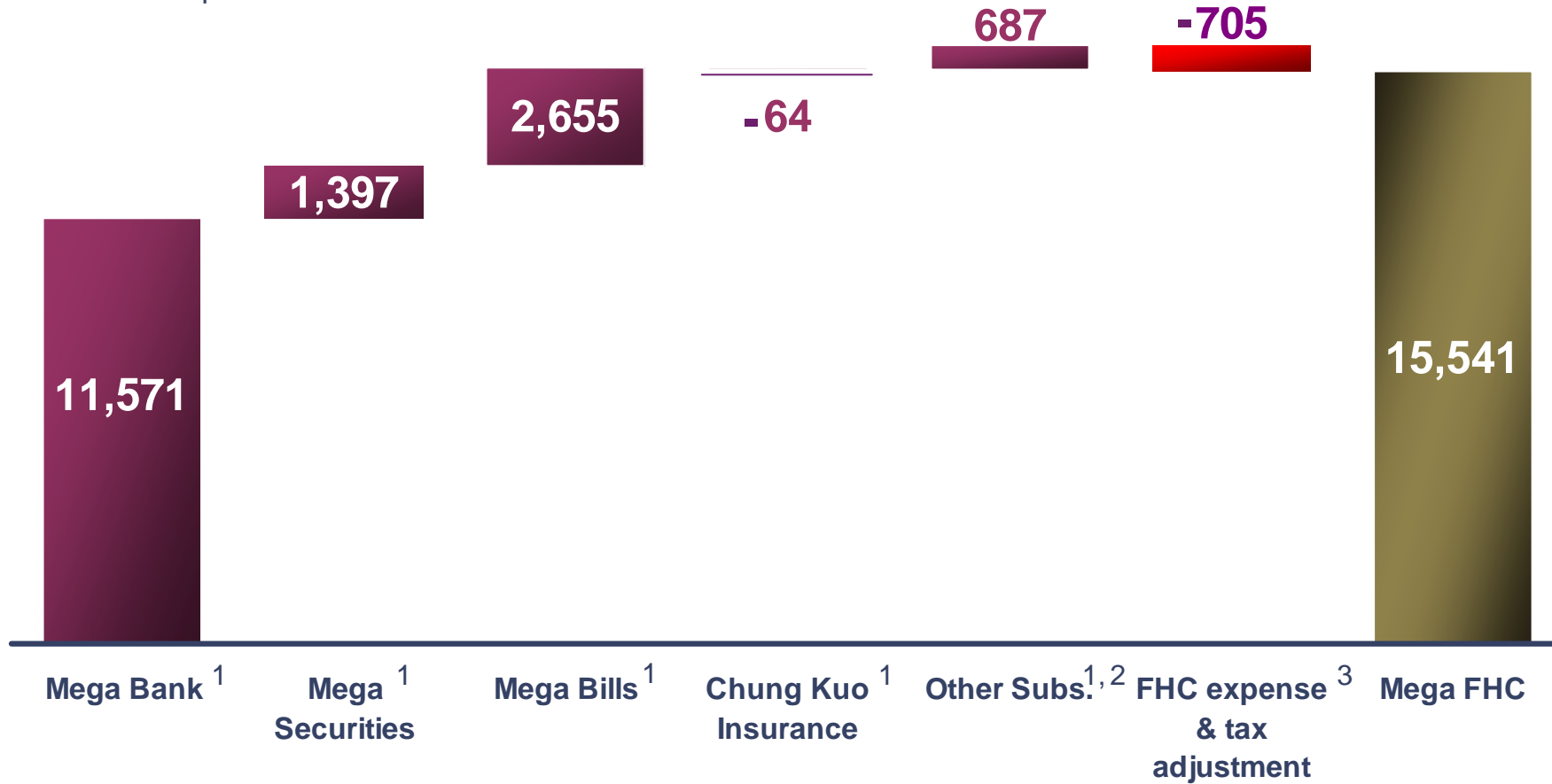


Appendix

CKI earning was down due to several large claims in 2010.

1-4Q/10 earning contribution by subsidiary

Unit: NT\$MN



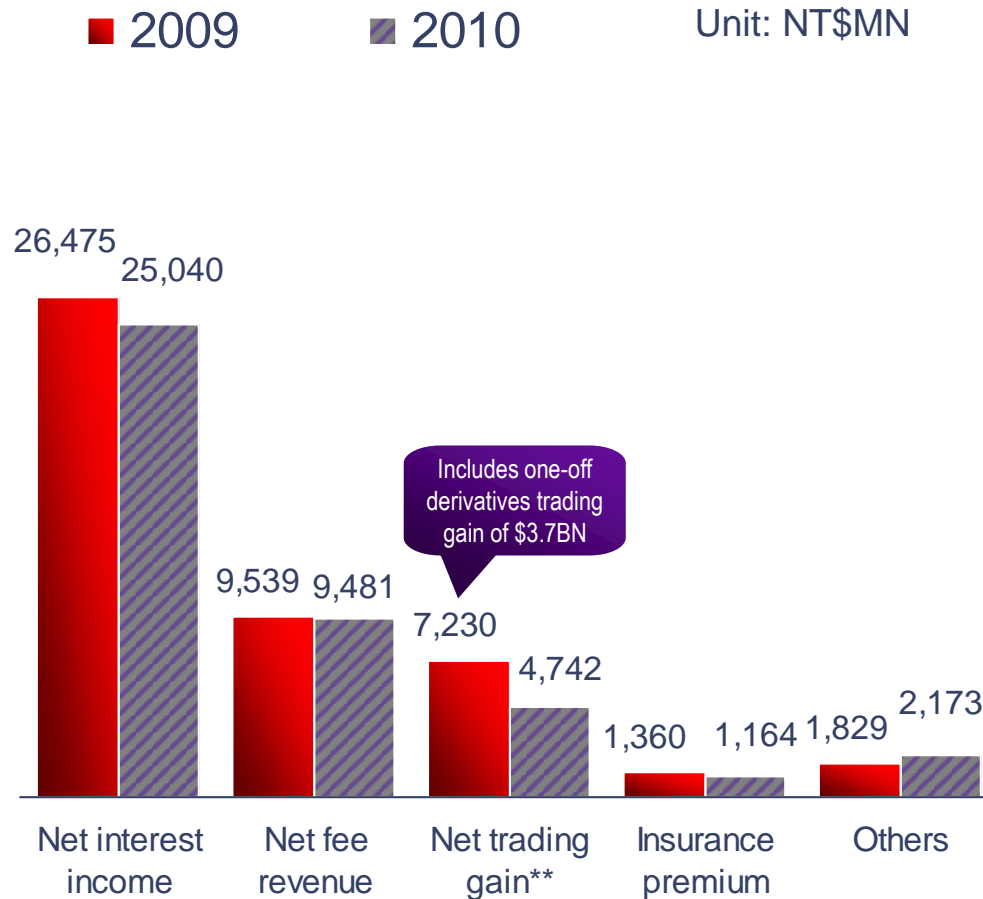
1. Un-audited subsidiary earning

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

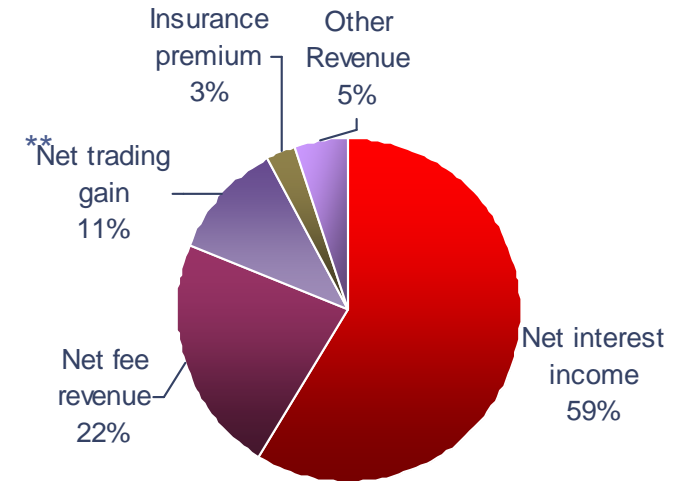
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

Top-line declined by 8% YoY due to lackluster NII and trading gain performance.

Mega Group consolidated net revenue *



Mega Group 2010 net revenue breakdown



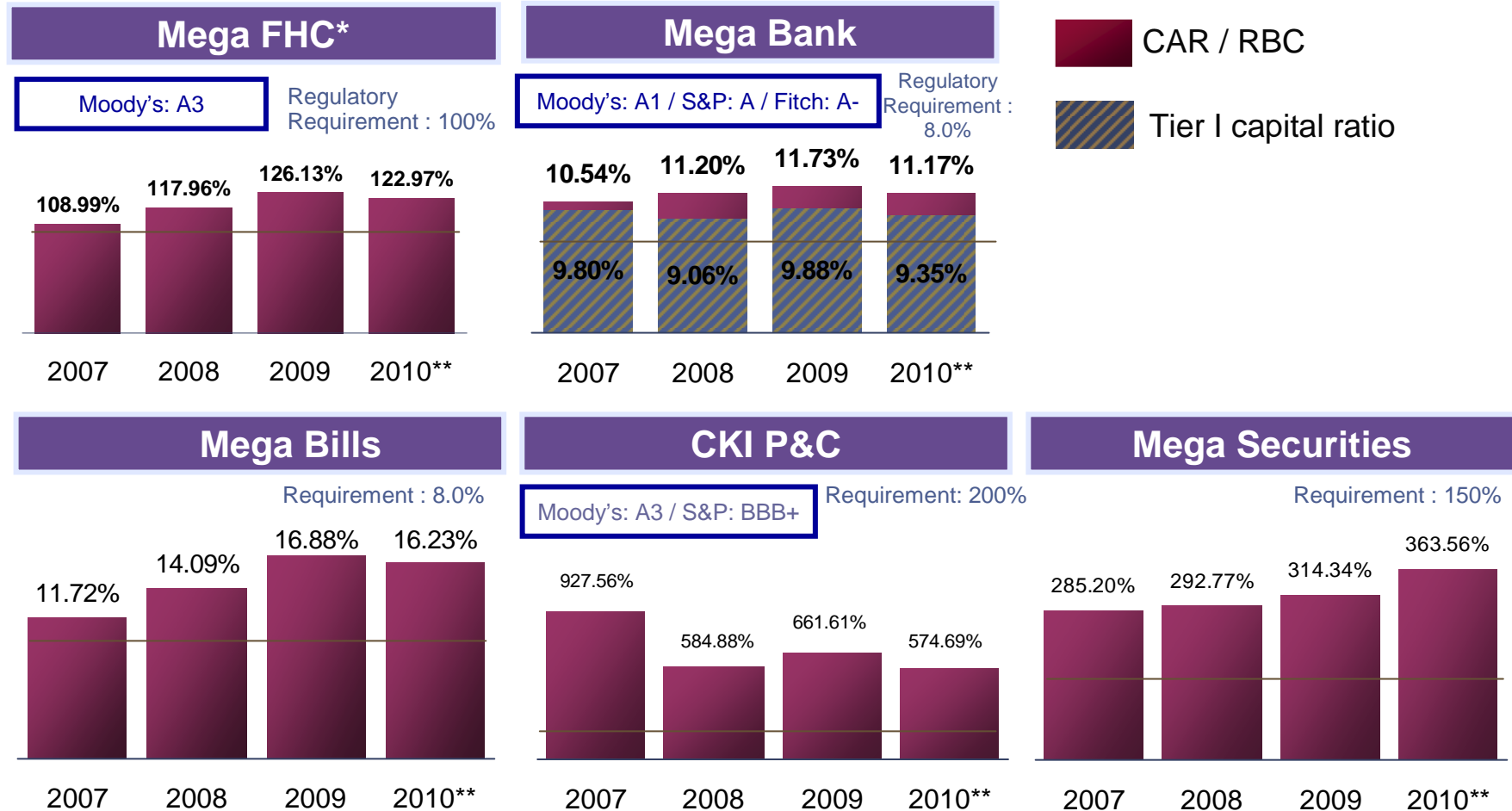
Highlights

- ❖ Group NII declined slightly due to NIM contraction and one-off large repayments from gov. loan in 1Q/2010.
- ❖ Group net fee revenue experienced strong growth in WM, FX and syndication loan fees, but off-set by brokerage and bills fee declines.
- ❖ Trading gain was down due to weaker derivatives trading gain.

* 2010 are un-audited figures, while 2009 are 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).

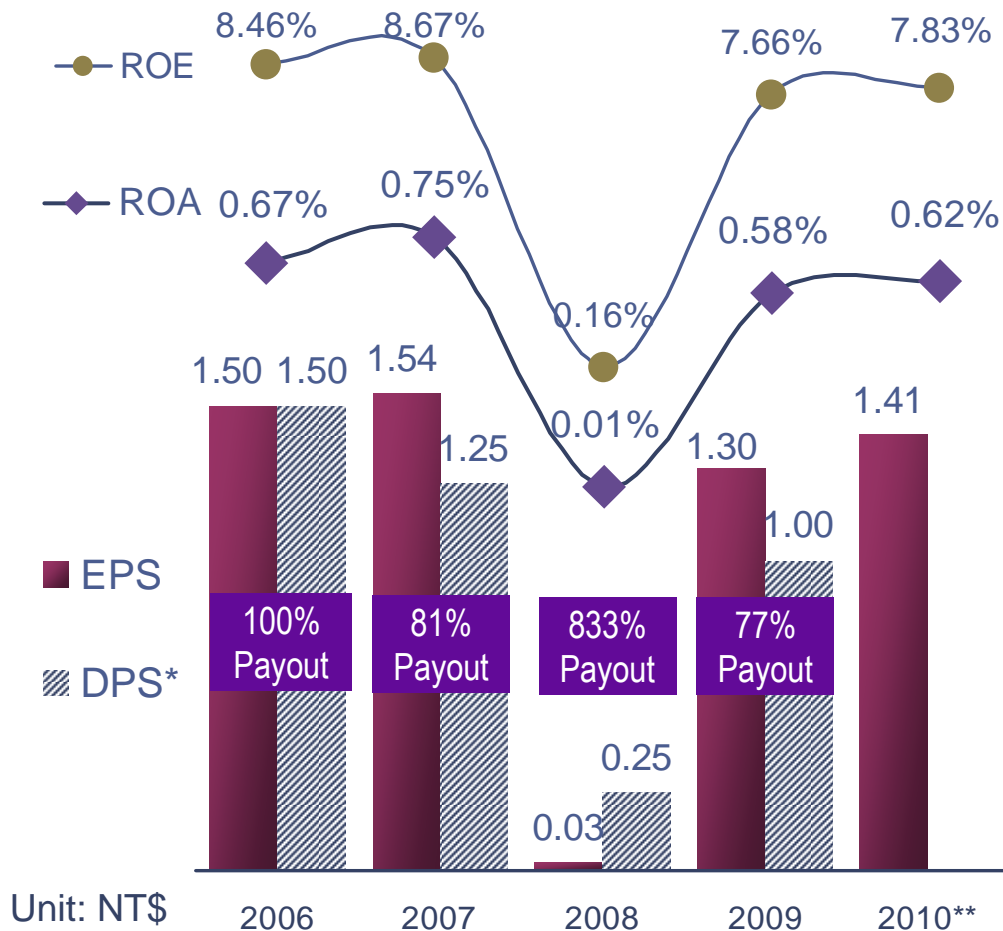
No capital issuance plan in the short term as overall capital position is well above the requirement



* Net of investments in subsidiaries
 ** 2010 numbers are un-audited.

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.

Recent development & strategic considerations

Global franchise with Asia focus

- ❖ Mega Bank has **27 overseas branches** in 16 diff. countries, enjoying leading position among local peers.
- ❖ **Abu-Dhabi rep. office** was approved in Oct/2010.
- ❖ Mega Bank will continue to grow organically in Thailand, Vietnam, Cambodia and possibly other ASEAN countries.
- ❖ **Global E-Banking**: online banking platform for corp. clients, linking TW, HK, Singapore, Tokyo, NY, Amsterdam, Ho Chi Min City branches, expecting to add Bangkok and Suzhou branches soon.

Eye on China market

- ❖ Mega Bank Suzhou rep. office is applying for **branch upgrade**, which is approved by FSC of Taiwan, and pending approval from CBRC of China.
- ❖ Mega Bank has signed MOU with **Bank of China** and with **Bank of Communication** soon, to cooperate on syndication loan, A/R finance, HR training and risk mgmt.
- ❖ Mega Securities has signed MOU with **Nan Jing Securities**, to cooperate on HR training, advisory biz and new product R&D.

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**.
- ❖ Integration/M&A is not a consideration at the moment.
- ❖ 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, which began in Dec/2010.
- ❖ Both Mega Bank and Bank of Taiwan were awarded with exclusive **RMB cash settlement licenses** in Taiwan market, which began in Oct/2010; in the future, upon further cross-strait deregulation, RMB full settlement license and RMB deposit/direct remittance biz can be expected, to fulfill the FX needs of Import/Export, investment and remittance from individual/corporate.

1-4Q/10 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	2010*	2009*	YoY	2009*
Net interest income	25,040	26,475	-5%	26,475
Net fee revenue	9,481	9,539	-1%	9,539
Insurance premium	1,164	1,360	-14%	1,360
Gain from fin. assets at fair value thru P&L	1,726	4,728	-63%	4,728
Available for sales asset gain	1,183	2,071	-43%	2,071
Hold to maturity asset gain	22	-180	-	-180
Equity method investment gain	113	185	-39%	185
Property investment gain	25	2	1150%	2
FX spread gain	2,085	1,955	7%	1,955
Asset impairment loss	-412	-1,993	-	-1,993
Cost method investment gain	-	462	-	462
Other non-interest revenue (net)	2,173	1,829	19%	1,829
Operating net revenue	42,600	46,432	-8%	46,432
Operating expense	-20,973	-20,048	5%	-20,048
Pre-provision operating profit	21,627	26,384	-18%	26,384
Provision expense on loan	-2,478	-7,306	-66%	-7,306
Reserved on insurance	-110	-22	400%	-22
Pretax profit	19,039	19,056	0%	19,056
Tax	-3,453	-4,711	-27%	-4,711
Minority shareholder interest	-45	-13	246%	-13
Net profit	15,541	14,332	8%	14,332
EPS (NT\$)	1.41	1.30	8%	1.30

Includes one-off derivatives trading gain of \$3.7BN

* 2010 are un-audited numbers; 2009 are audited numbers.

1-4Q/10 Mega FHC consolidated balance sheet*

NT\$MN	2010*	2009*	YoY	2009*	YTD
Assets:					
Cash and due from banks	397,243	404,879	-2%	404,879	-2%
Bills and bonds under RP agreement	2,325	796	192%	796	192%
Fin. assets at fair value through P&L	163,732	127,525	28%	127,525	28%
AFS financial assets	186,297	233,017	-20%	233,017	-20%
HTM financial assets	217,839	263,153	-17%	263,153	-17%
Other financial assets	20,239	24,821	-18%	24,821	-18%
A/R, net	148,504	121,355	22%	121,355	22%
Loan, net	1,339,453	1,281,835	4%	1,281,835	4%
Equity method LT investments, net	2,001	2,728	-27%	2,728	-27%
Land, premises and equipments, net	21,925	23,690	-7%	23,690	-7%
Others	7,065	13,732	-49%	13,732	-49%
Total assets	2,506,623	2,497,531	0%	2,497,531	0%
Liabilities					
Due to banks	361,003	453,897	-20%	453,897	-20%
Deposits	1,549,703	1,484,629	4%	1,484,629	4%
CP & Bond payable	61,913	57,259	8%	57,259	8%
Bills & bonds sold under repurchase agreement	181,796	171,366	6%	171,366	6%
Other liabilities	150,542	134,087	12%	134,087	12%
Total liabilities	2,304,957	2,301,236	0%	2,301,236	0%
Capital stock (common stock)	110,594	110,594	0%	110,594	0%
Capital surplus	43,425	43,426	0%	43,426	0%
Retain earning	36,398	31,917	14%	31,917	14%
Equity adjustment items	10,872	9,718	12%	9,718	12%
Minority shareholder interest	377	641	-41%	641	-41%
Total stockholders' equity	201,666	196,295	3%	196,295	3%
Total liabilities and stockholders' equity	2,506,623	2,497,531	0%	2,497,531	0%
Book value per share (NT\$)	18.20	17.75	3%	17.75	3%

* 2010 are un-audited numbers; 2009 are audited numbers.

1-4Q/10 Mega Bank consolidated P&L statement*

<i>NT\$MN, except per share data</i>	2010*	2009*	YoY	2009*
Net interest income	21,118	21,581	-2%	21,581
Net fee revenue	6,516	6,027	8%	6,027
Gain from fin. assets at fair value thru P&L	923	4,594	-80%	4,594
Available for sales asset gain	381	525	-27%	525
Hold to maturity asset gain	67	-180	-	-180
Equity method investment gain	354	329	8%	329
Property investment gain	0	1,038	-100%	1,038
FX spread gain	2,151	1,672	29%	1,672
Asset impairment loss	0	-1,834	-	-1,834
Cost method investment gain	-279	461	-	461
Other non-interest revenue (net)	573	-204	-381%	-204
Operating net revenue	31,804	34,009	-6%	34,009
Operating expense	-15,842	-14,494	9%	-14,494
Pre-provision operating profit	15,962	19,515	-18%	19,515
Provision expense on loan	-2,129	-6,389	-67%	-6,389
Pretax profit	13,833	13,126	5%	13,126
Tax	-2,262	-2,463	-8%	-2,463
Net profit	11,571	10,663	9%	10,663
EPS (NT\$)	1.80	1.66	8%	1.66

Includes one-off derivatives trading gain of \$3.7BN

* 2010 are un-audited numbers; 2009 are audited numbers.

1-4Q/10 Mega Bank consolidated balance sheet*

NT\$MN	2010*	2009*	YoY	2009*	YTD
Assets:					
Cash and due from banks	389,841	396,371	-2%	396,371	-2%
Bills and bonds under RP agreement	895	-	-	-	-
Fin. assets at fair value through P&L	34,965	25,130	39%	25,130	39%
AFS financial assets	83,419	113,745	-27%	113,745	-27%
HTM financial assets	217,321	261,919	-17%	261,919	-17%
Other financial assets	18,090	19,129	-5%	19,129	-5%
A/R, net	110,387	85,850	29%	85,850	29%
Loan, net	1,339,453	1,264,905	6%	1,264,905	6%
Equity method LT investments, net	2,582	9,268	-72%	9,268	-72%
Land, premises and equipments, net	14,422	14,804	-3%	14,804	-3%
Others (net)	-2,702	6,564	-141%	6,564	-141%
Total assets	2,208,673	2,197,685	0%	2,197,685	0%
Liabilities					
Due to banks	357,206	447,099	-20%	447,099	-20%
Deposits	1,551,127	1,473,470	5%	1,473,470	5%
CP & Bond payable	34,800	27,703	26%	27,703	26%
Bills & bonds sold under repurchase agreement	4,285	3,384	27%	3,384	27%
Other liabilities	103,116	89,783	15%	89,783	15%
Total liabilities	2,050,534	2,041,439	0%	2,041,439	0%
Capital stock (common stock)	64,110	64,110	0%	64,110	0%
Capital surplus	33,070	33,070	0%	33,070	0%
Retain earning	55,110	52,835	4%	52,835	4%
Equity adjustment items	5,849	6,231	-6%	6,231	-6%
Total stockholders' equity	158,139	156,246	1%	156,246	1%
Total liabilities and stockholders' equity	2,208,673	2,197,685	0%	2,197,685	0%
Book value per share (NT\$)	24.67	24.37	1%	24.37	1%

* 2010 are un-audited numbers; 2009 are audited numbers.

Agenda



Operation Highlights



Financial Performance



Appendix

Well established size and scale to win

1-4Q/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	2,507	2,203	46	212	15	1	13	0.1	1
Equity	201	158	15	33	5	0.8	2.4	0.06	1
After-tax earning	15.5	11.6	1.4	2.7	-	0.2	0.4	0.05	0.04
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

Revenue Enhancement	Eye on the world with a focus in the Asia Pacific region, and <u>potentially China market</u>
	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

Bank Suzhou rep. office is in the process of branch upgrade.

Mega Bank's Overseas Franchise



- Suzhou rep. office is in the process of branch upgrade.
- Abu Dhabi rep. office was approved in Oct/2010 and to be open shortly.

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

** Pending approval for bank branch / rep. office