



兆豐金控
Mega Holdings

1Q / 2011 (v.1)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2011 ARE UN-AUDITED RESULT, BUT REVIEWED BY THE CPA. MEGA FHC HAS FILED ITS FULL FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MAY 15TH, 2011.

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Agenda



Operation Highlights



Financial Performance



Appendix

1Q/11 performance summary*

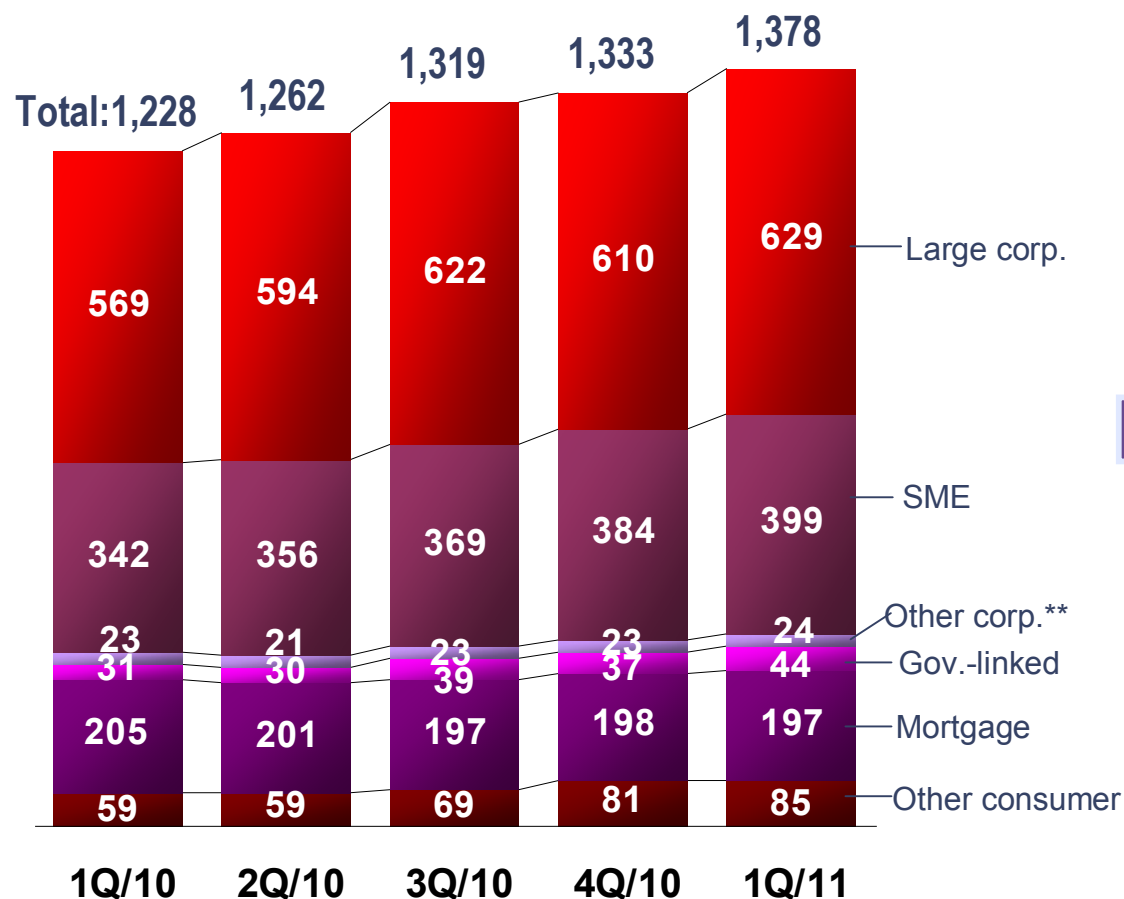
- ❖ 1Q/11 loan balance was up 3.4% QoQ and 12.2%YoY, due to strong corp. loan demand.
- ❖ ... especially in manufacturing industries, where corps expanding in TW, China and ASEAN continued to show strong financing needs.
- ❖ 16bps annualized new NPL influx, low provision expense, 0.28% NPL and 278% coverage ratio on the bank level, suggesting asset quality remained strong.
- ❖ Bank LDR moved up to 92%, but funding remained loose.
- ❖ Bank foreign currency loan spread moved up 5bps.
- ❖ Bank NIM was up 4bps to 1.13% vs. last quarter, due to favorable foreign currency loan NIM performance.
- ❖ WM gross fee was up 24% QoQ due to strong bacassurance sales.
- ❖ Group net fee revenue was down 10% YoY due to slower syndication loan, securities brokerage and CP guarantee fees.
- ❖ Group net revenue was up 14% YoY, cost-to-income ratio downed to 43%, bundled with low provision expense (annualized 12bps), to achieve 18% YoY bottom line growth and much improved 9.3% ROE.
- ❖ No capital raising plan in the short term as overall capital position, including bank tier-one capital(9.42%), are all well above the requirements and industry peers.

* 1Q/2011 un-audited internal numbers, unless specified otherwise.

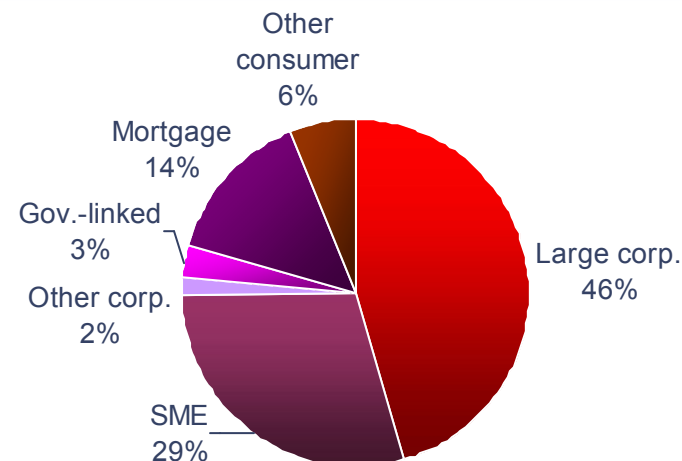
Total loan was up 12.2% YoY and 3.4% QoQ.

Mega Bank quarterly loan balance*

Unit: NT\$bn



Mega Bank 1Q/11 loan breakdown by customer



Highlights

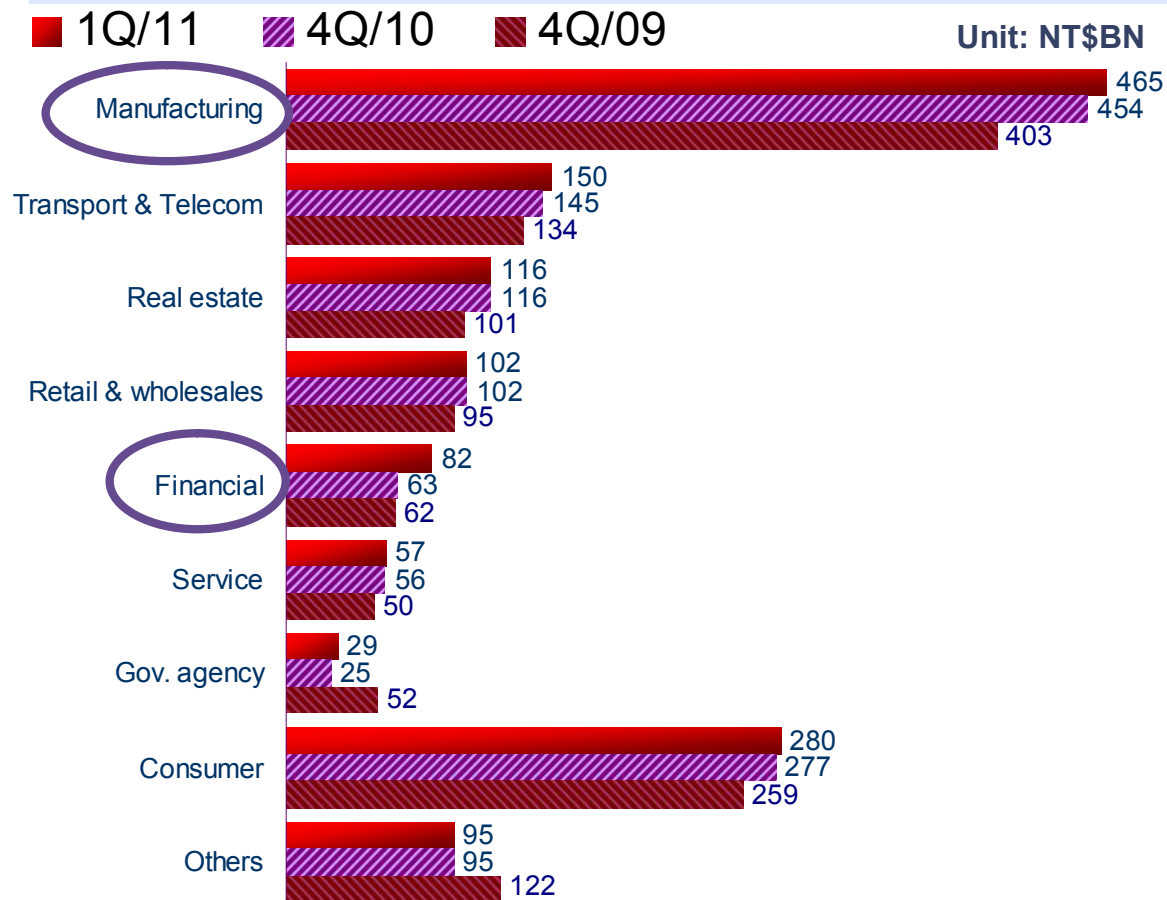
- ❖ Large corp. loan was up 10.5% YoY and 3.1% QoQ, SME loan was up 16.7% YoY and up 3.9% QoQ, indicating strong corp. loan demand.
- ❖ Mortgage loan balance remained flat due to tightening credit policies imposed by the regulators.
- ❖ Total loan was up 12.2% YoY and 3.4% QoQ.

* 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.

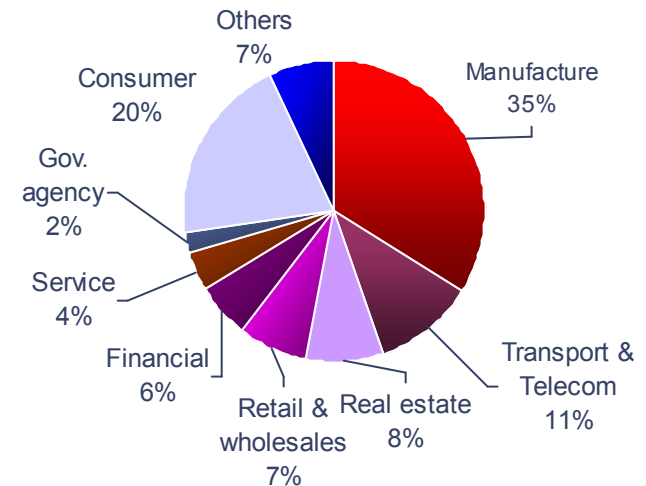
** Includes Gov.-linked Non-Profit Organization and etc.

Loan from manufacturing and financial industries gained strength in 1Q/11.

Mega Bank loan balance trend by industry*



Mega Bank 1Q/11 loan breakdown by industry*



Highlights

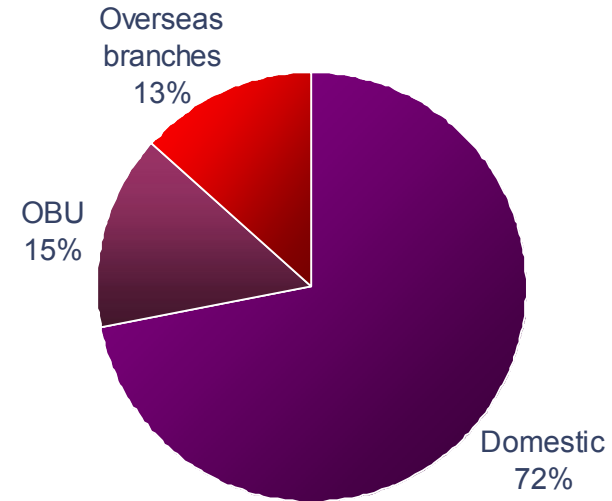
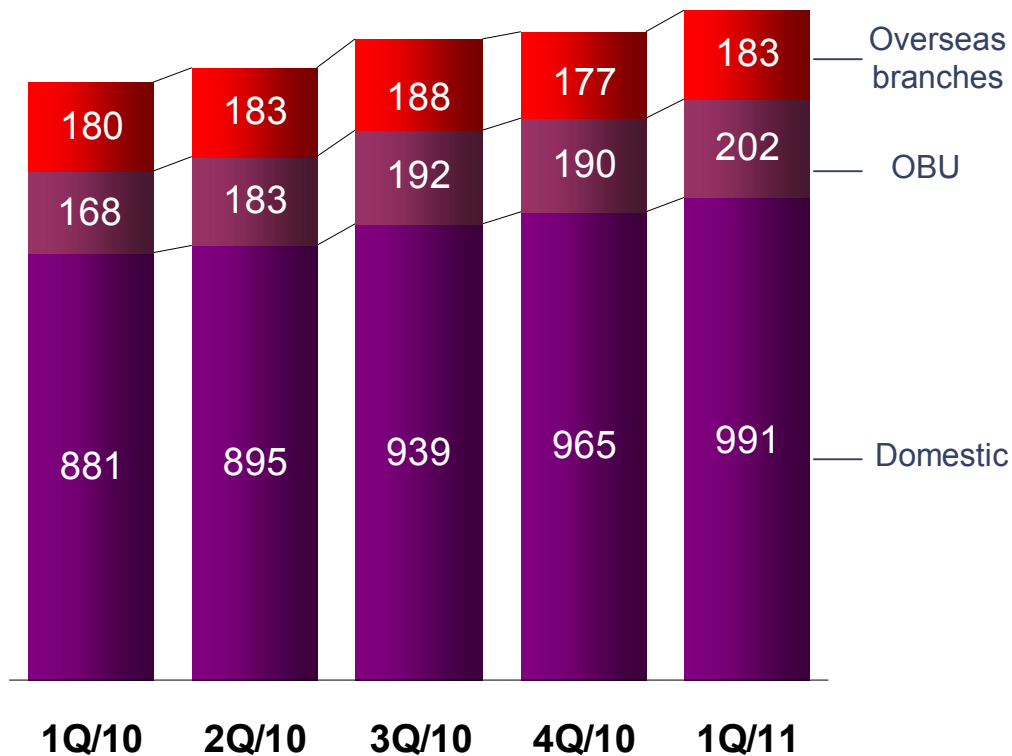
- ❖ Loan from manufacturing and financial industries gained strength.
- ❖ TW corps in China continue to invest in South-West and North-East regions, for manufacturing sites and channels; TW corps also invest heavily in ASEAN as well. These are the main loan growth drivers currently.

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

OBU loan was up 6.3% QoQ and 20.2% YoY, strongest quarterly growth in the last few quarters.

Mega Bank 1Q/11 loan breakdown by regions *

Unit: NT\$bn



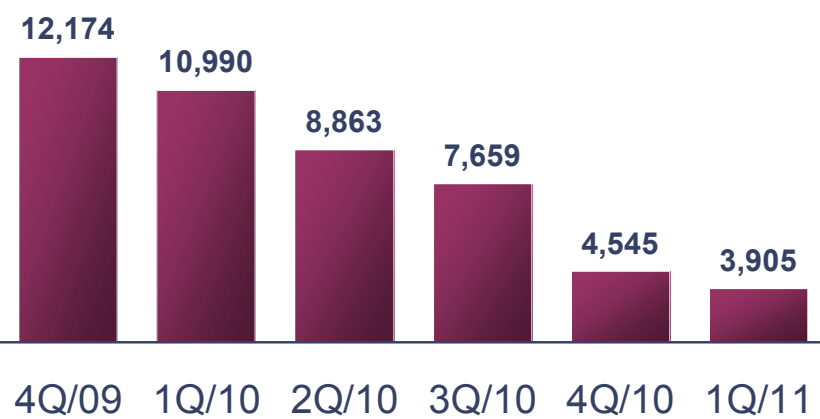
- ❖ Domestic loan was up 2.7% QoQ and 12.5% YoY, indicating continual loan demand in the domestic market.
- ❖ OBU loan was up 6.3% QoQ and 20.2% YoY, strongest quarterly growth in the last few quarters.

* 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.

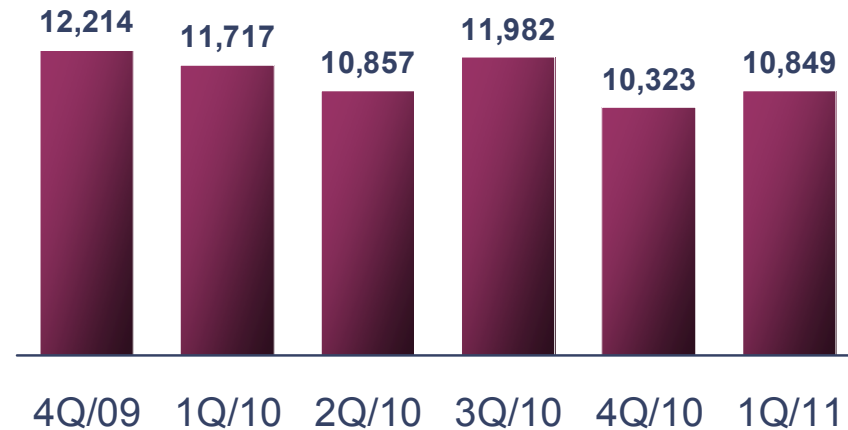
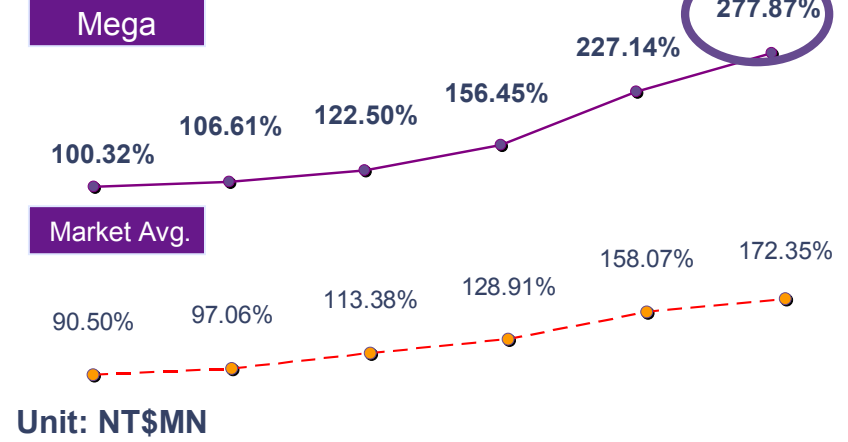
** OBU stands for Off-shore Banking Unit

NPL balance has reached historical low.

Mega Bank NPL balance & NPL ratio*



Mega Bank loan loss reserved and coverage ratio*

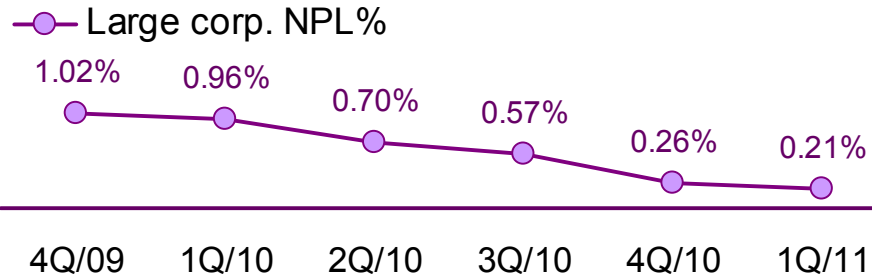


* 90 days standard

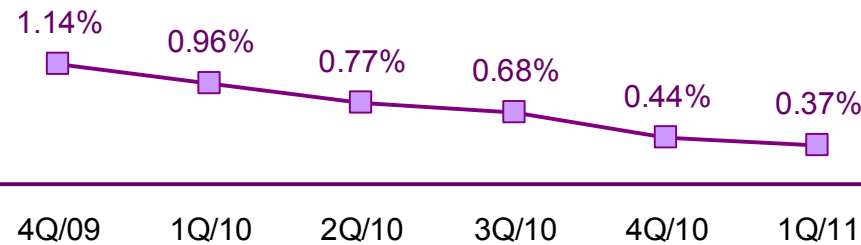
** market average source: Banking Bureau of Taiwan.

...as new NPL influx remained low.

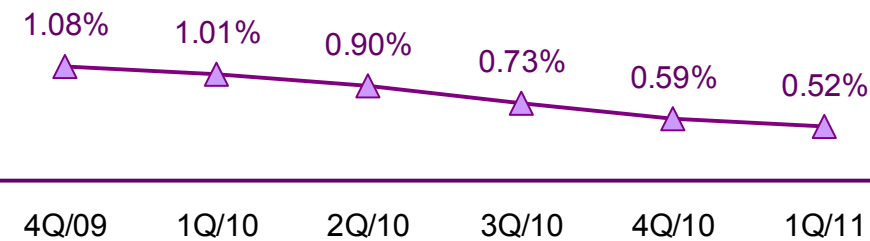
Mega Bank NPL ratio by customer *



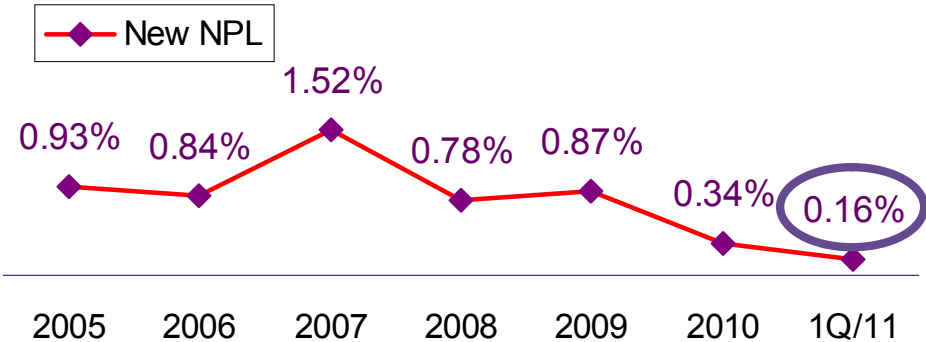
SME NPL %



Mortgage NPL %



Mega Bank new NPL as % of total loan **



Highlights

- ❖ Large corp., SME & Mortgage NPL ratios continued to trend down further.
- ❖ Annualized 1Q/11 NPL influx was only 16bps, which contributed low credit cost and strong asset quality figures.

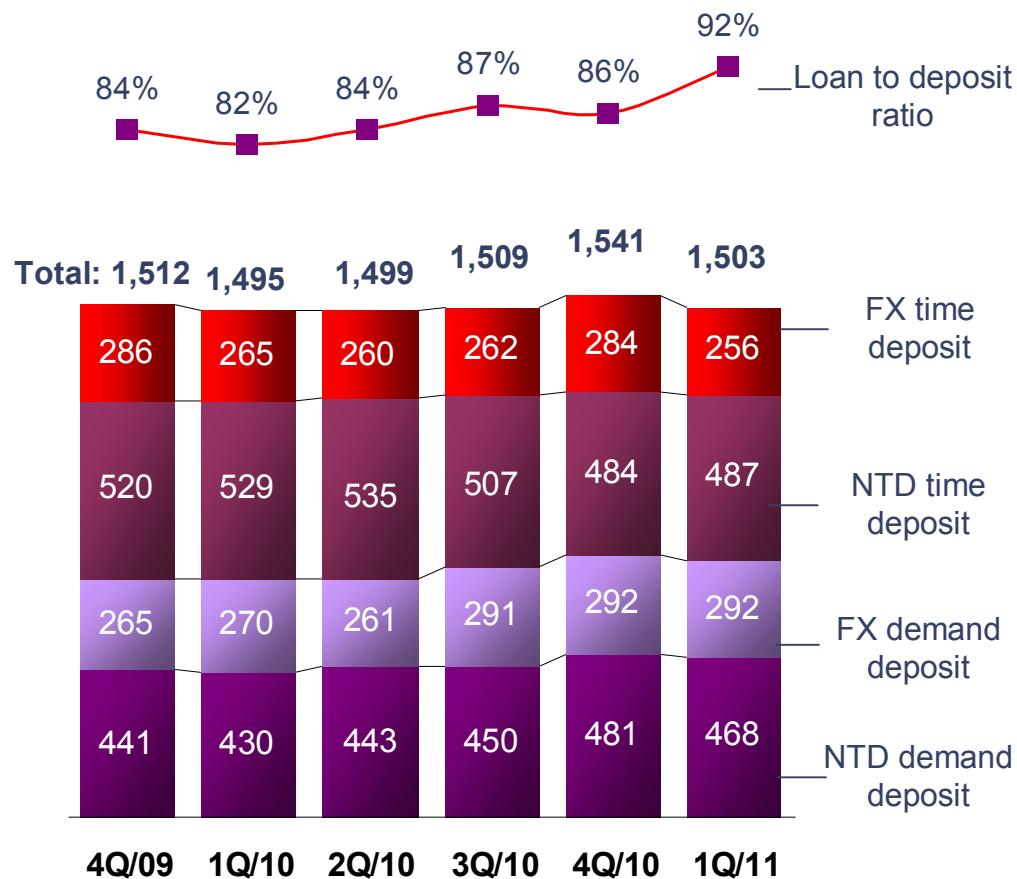
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

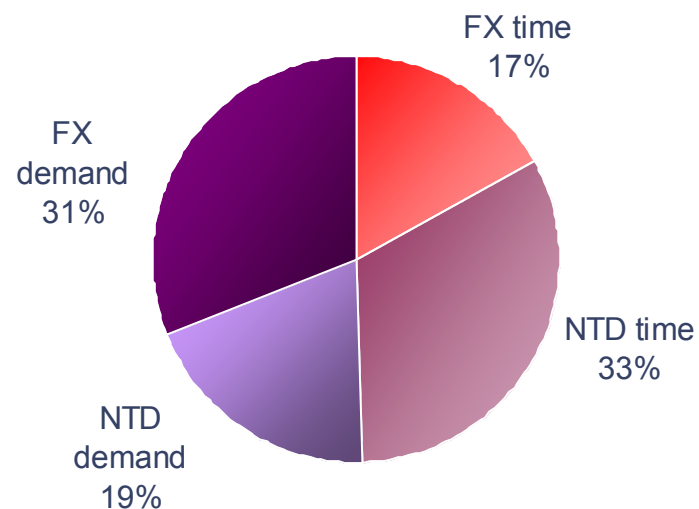
Strong loan growth pushed the LDR higher; but funding remained to be loose.

Mega Bank's LDR & deposit balance *

Unit: %; NT\$bn



Mega Bank's 1Q/11 deposit breakdown



❖ Mega has central bank deposit and Postal Service deposit, as well as bank debentures, which are not included in LDR calculation; higher LDR should not limit our growth.

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

Foreign currency loan spread was up 5bps.

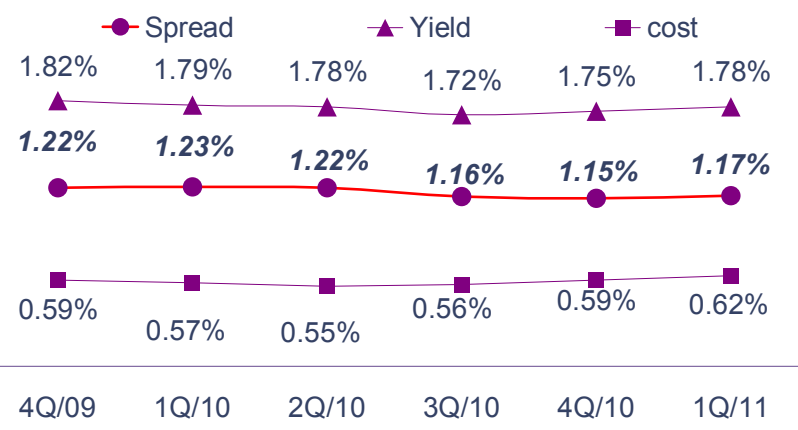
Mega Bank total loan interest spread



Mega Bank foreign currency loan interest spread*



Mega Bank NTD loan interest spread

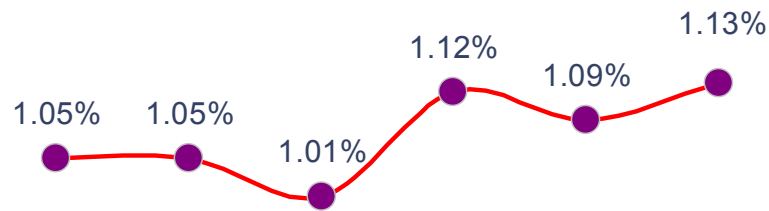


* Includes overseas branches and OBU loan; un-audited internal numbers.

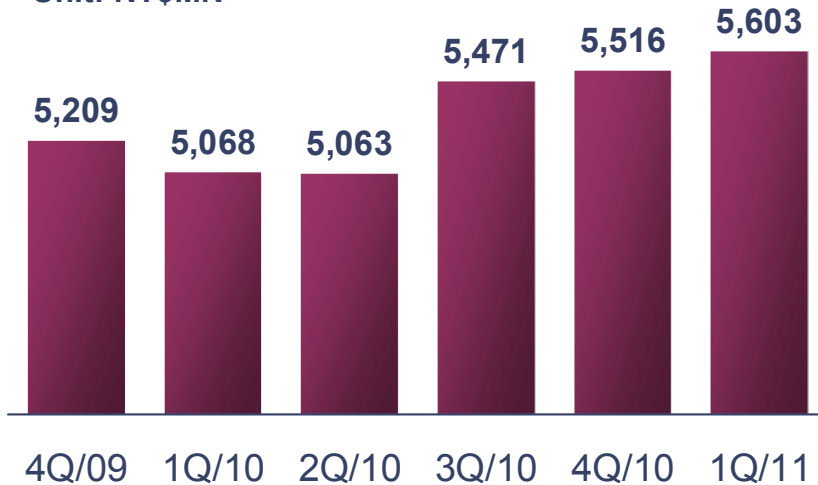


Bank 1Q/11 NIM was up 4bps QoQ, driven by better foreign currency loan NIM performance.

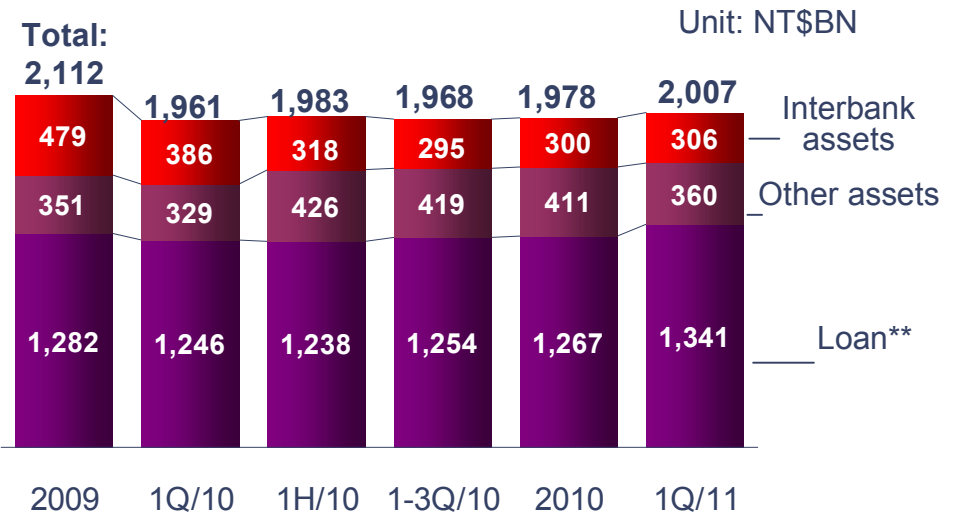
Mega Bank quarterly NIM & NII *



Unit: NT\$MN



Mega Bank avg. interest-earning assets**



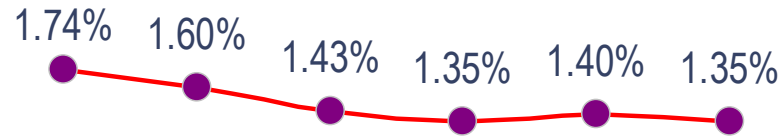
- ❖ Mega Bank 1Q/11 NIM was up 4bps QoQ, mainly due to better foreign currency loan NIM performance; NTD loan NIM improved slightly only, due to continual competition.
- ❖ **April/2011 NIM was 1.15%**, suggesting NIM improvement trend was in line with the expectation.

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

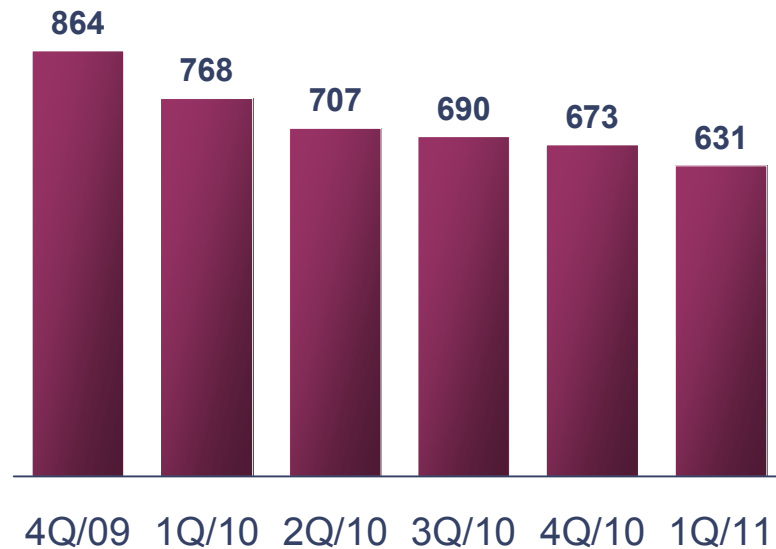
** Average interest-earning asset balance during that **period**; loan does NOT include non-accrual loan; un-audited internal numbers.

Bills NIM faced pressure due to rate hike and competition.

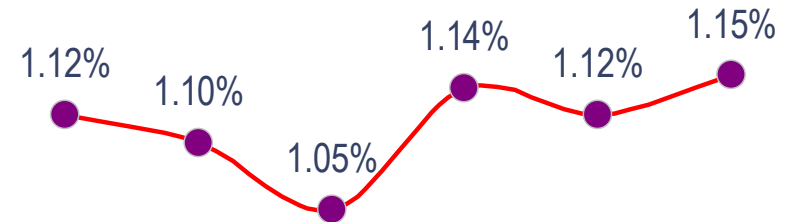
Mega Bills NIM & NII *



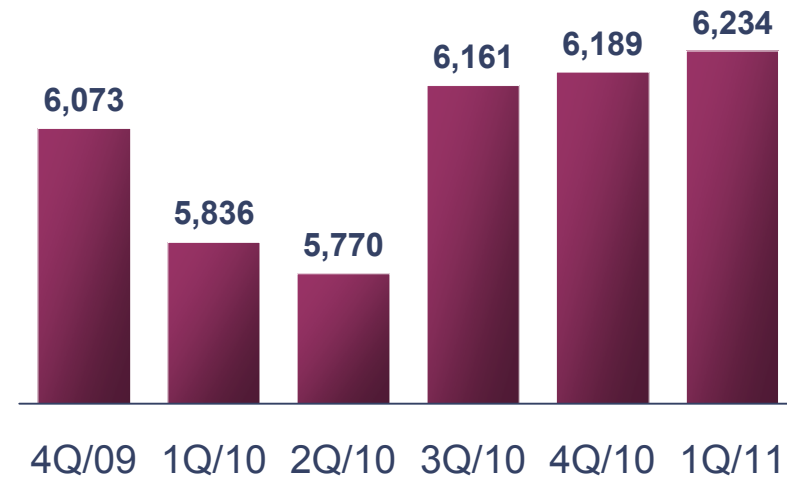
Unit: NT\$MN



Mega Bank + Mega Bills NIM & NII *



Unit: NT\$MN

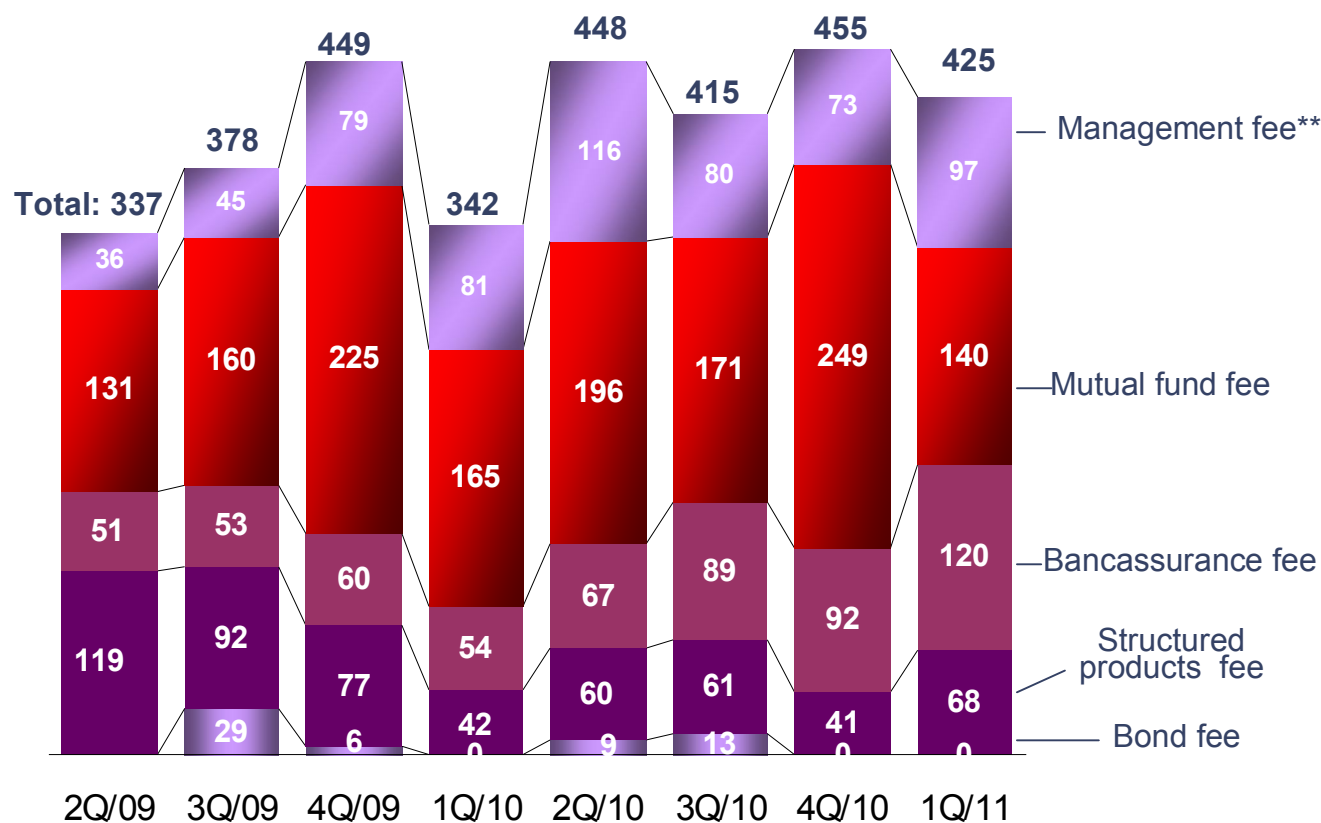


* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

WM fee was down 7% QoQ but up 24% YoY, driven by stronger bancassurance and structured products fees.

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

Unit: NT\$MN

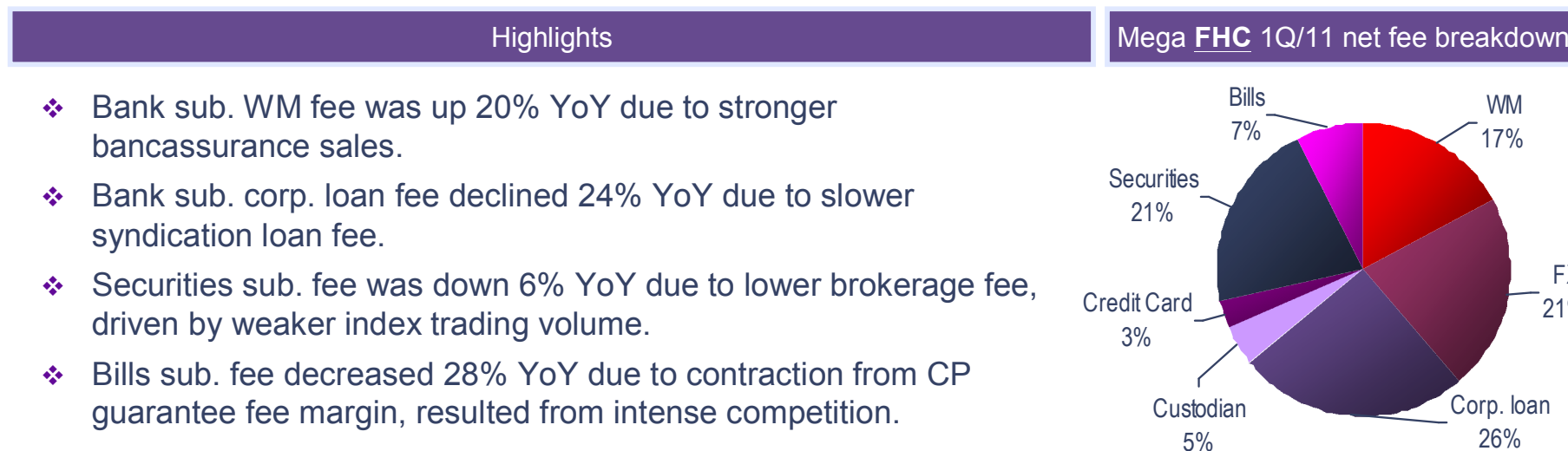
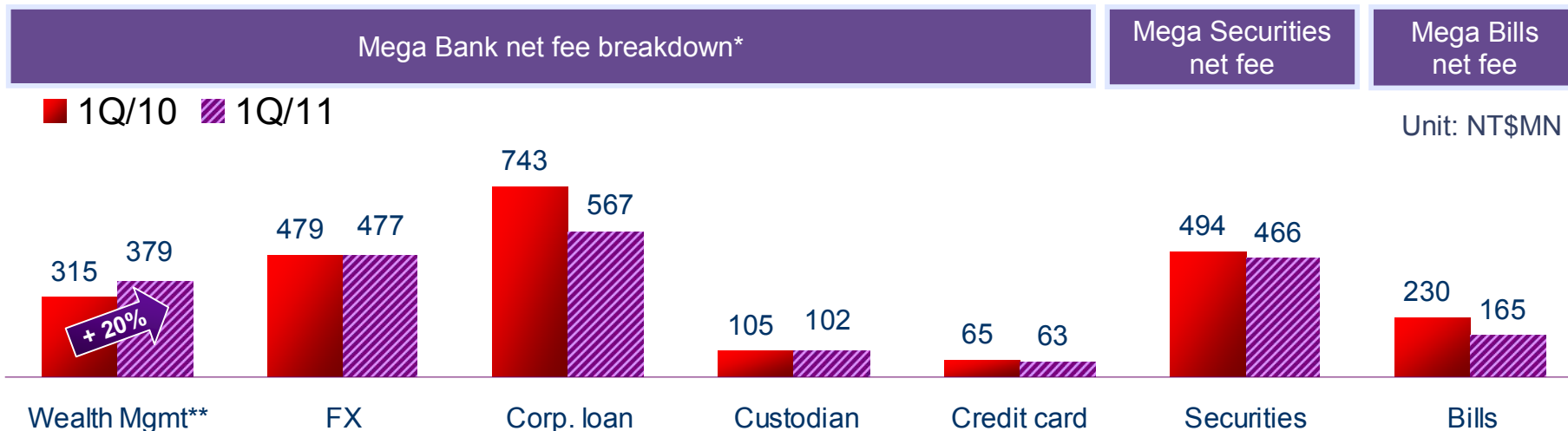


- ❖ Wealth mgmt fee was down 7% QoQ but up 24% YoY, driven by stronger bancassurance and structured products fees.
- ❖ Bancassurance fee continued to increase 30% QoQ and 121% YoY.

* Mega Bank internal data; gross wealth mgmt fee, NOT net wealth mgmt fee.

** Profit sharing scheme of fund mgmt fee and trust account mgmt fee.

Fee revenue was down due to slower syndication loan, securities brokerage and CP guarantee fees.



* Internal data; within WM fee, fee reimbursed by insurance agent Co. is booked as other revenue in P&L; as a result, total net fee combined here will be slightly more than the net fee figure shown in P&L.

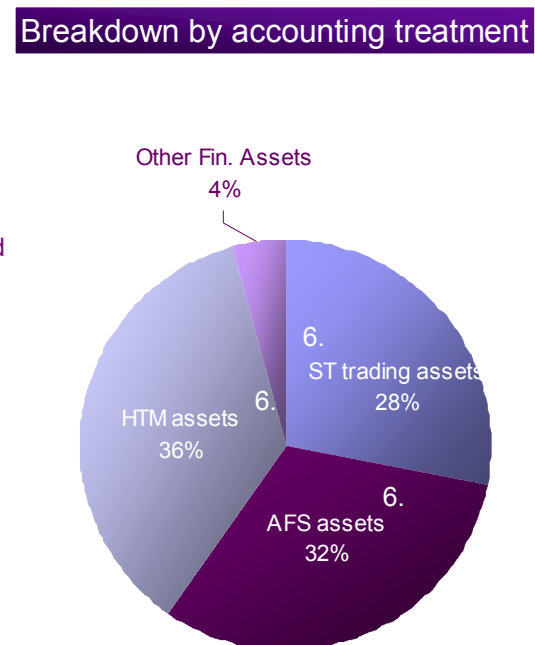
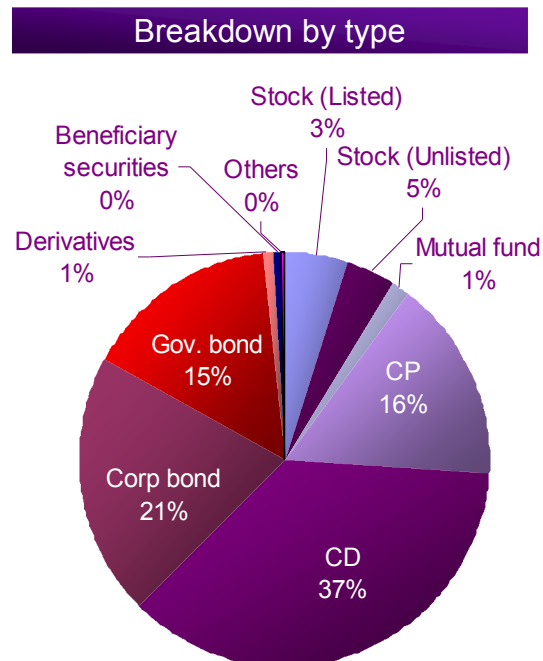
** Net wealth mgmt fee, which is slightly different from gross wealth mgmt fee from last page.

CP, CD and bond positions came down as excess deposit pressure eased.

Mega Group 1Q/11 consolidated financial assets breakdown 1

Unit: NT\$BN

	1Q/11	1Q/10	2010
Stock (Listed) 2	28	23	28
Stock (Un-listed) 3	22	21	21
Mutual fund	7	2	3
Commercial papers	89	103	94
Certificate of deposit	205	269	224
Corporate bond 4	115	119	111
Government bond 5	86	107	94
Derivatives	6	6	7
Beneficiary securities	2	8	5
Others	2	2	2
Total	561	661	589



1. Source: sum of Fin. asset at fair value thru P&L, available for sale, hold to maturity and other financial assets from 1Q/11 vs. 1Q/10 Mega FHC consolidated financial statement, which is reviewed by the CPA only. 2010 are audited numbers.
2. Mostly Taiwan listed equity investment.
3. Long term equity investment of Taiwanese 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

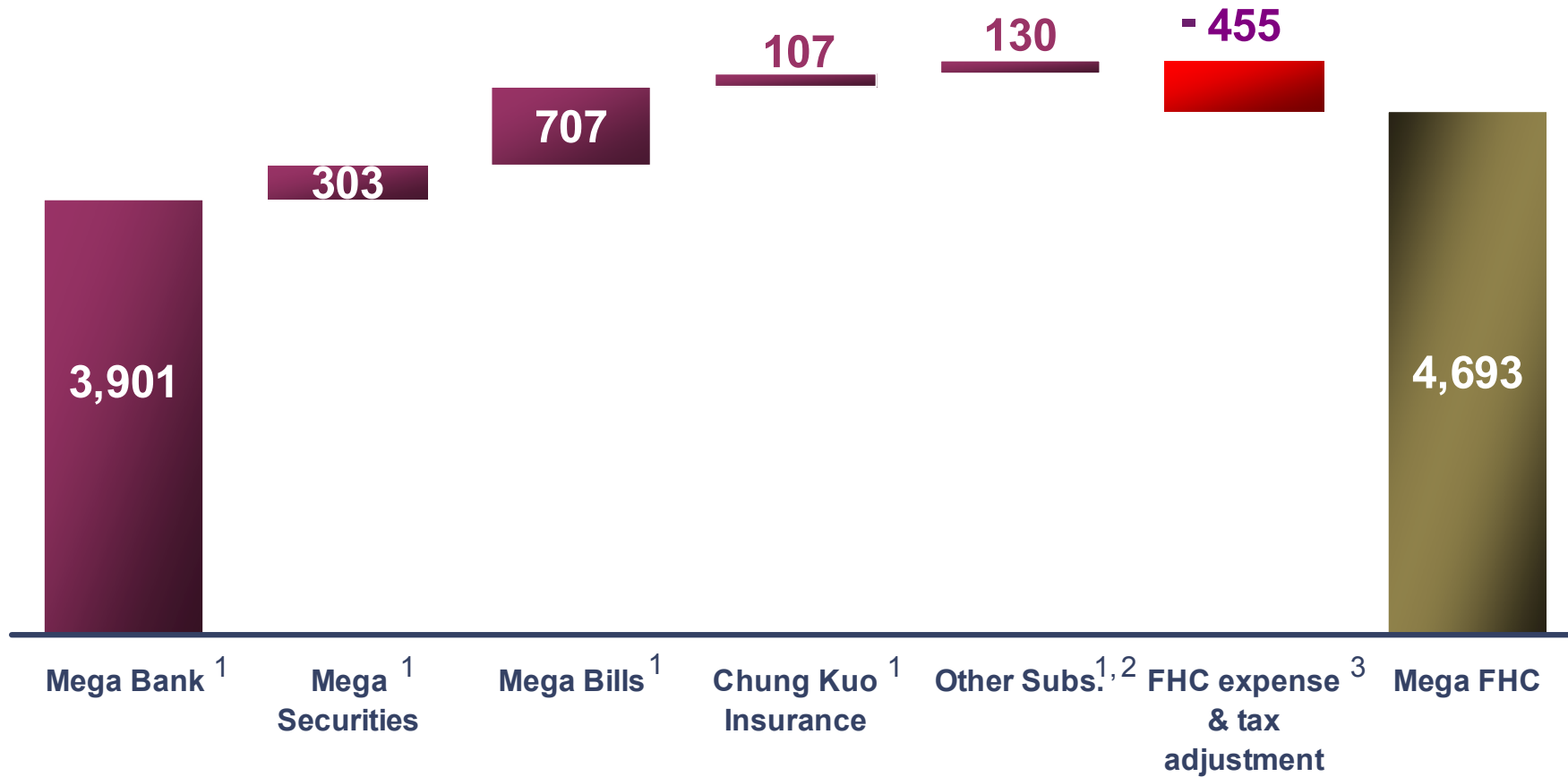


Appendix

All subs posted strong earnings in 1Q/11.

1Q/11 earning contribution by subsidiary

Unit: NT\$MN



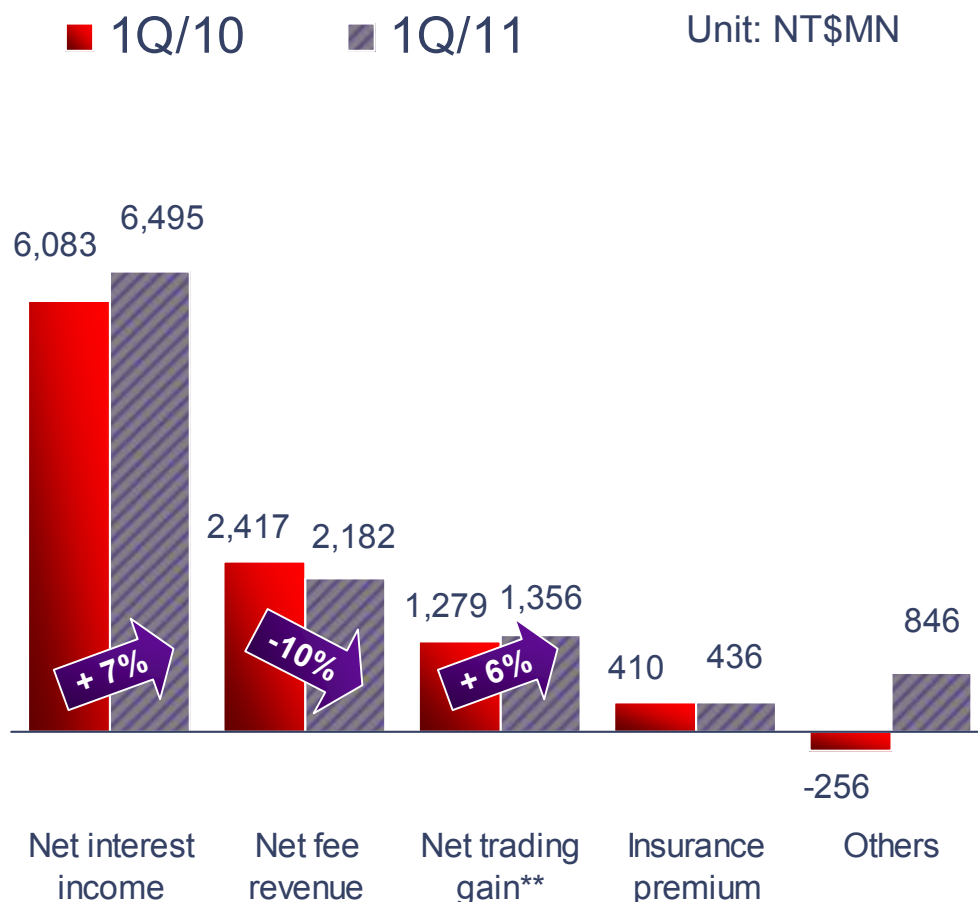
1. Un-audited subsidiary earning

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

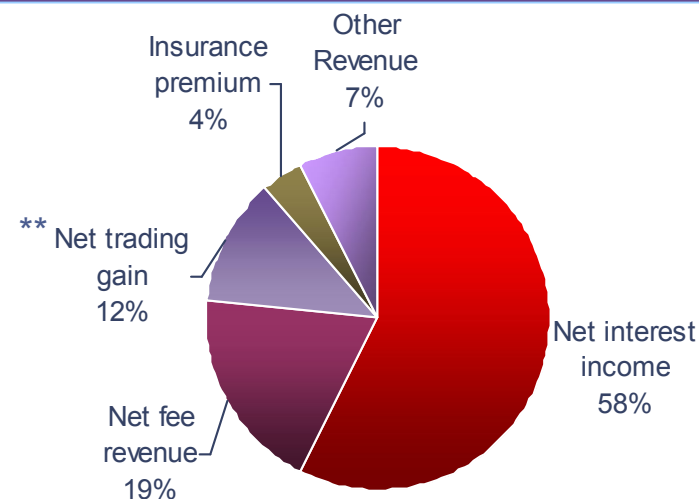
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

Top-line was up by 14% YoY due to improved NII.

Mega Group consolidated net revenue *



Mega Group 1Q/2011 net revenue breakdown



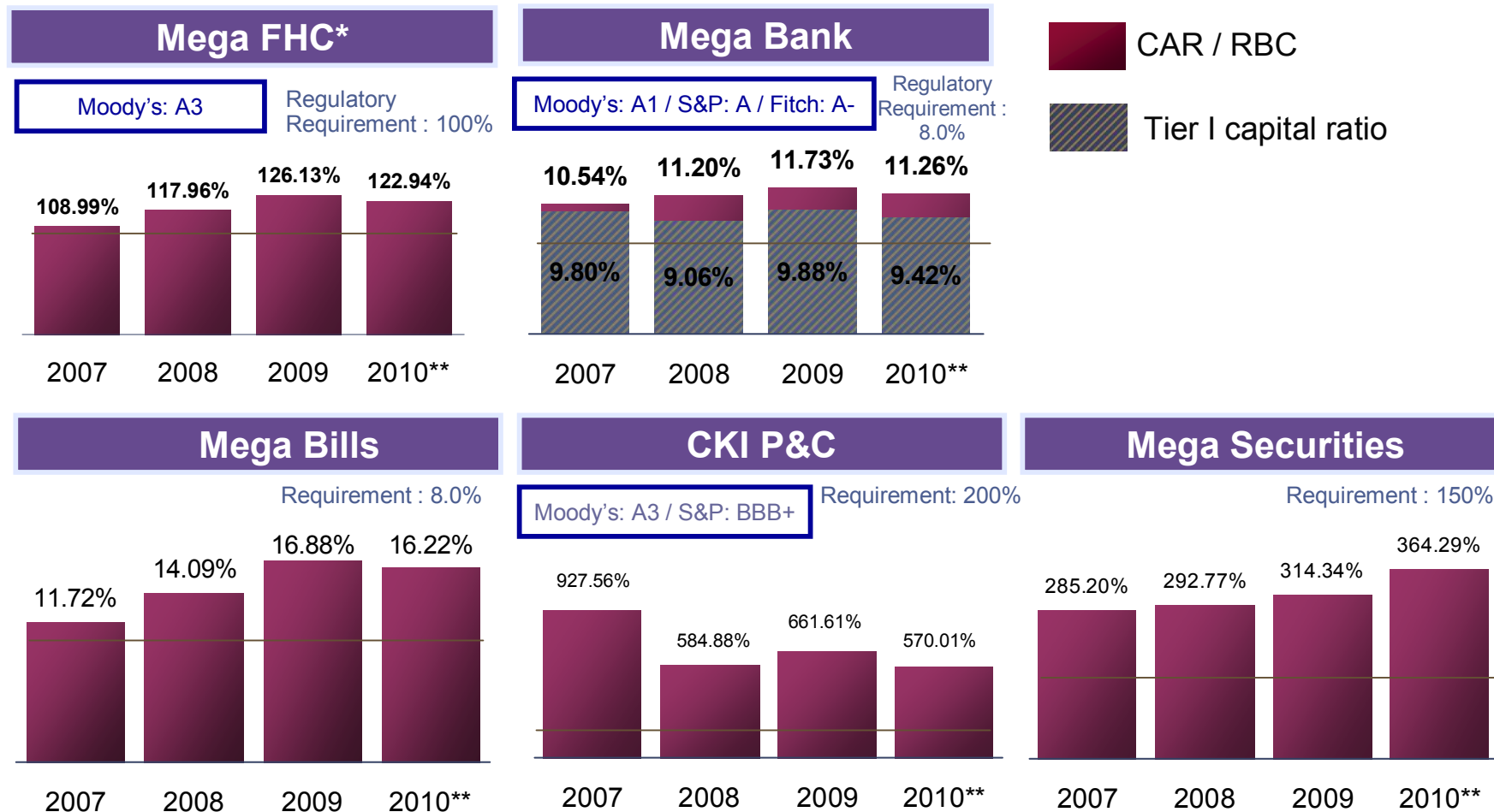
Highlights

- ❖ Group net revenue was up 14% YoY due to strong NII performance.
- ❖ NII was up due to improved NIM and stronger loan growth.
- ❖ Fee revenue was down 10% due to slower syndication loan, securities brokerage and CP guarantee fees.

* Un-audited figures but reviewed by 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).

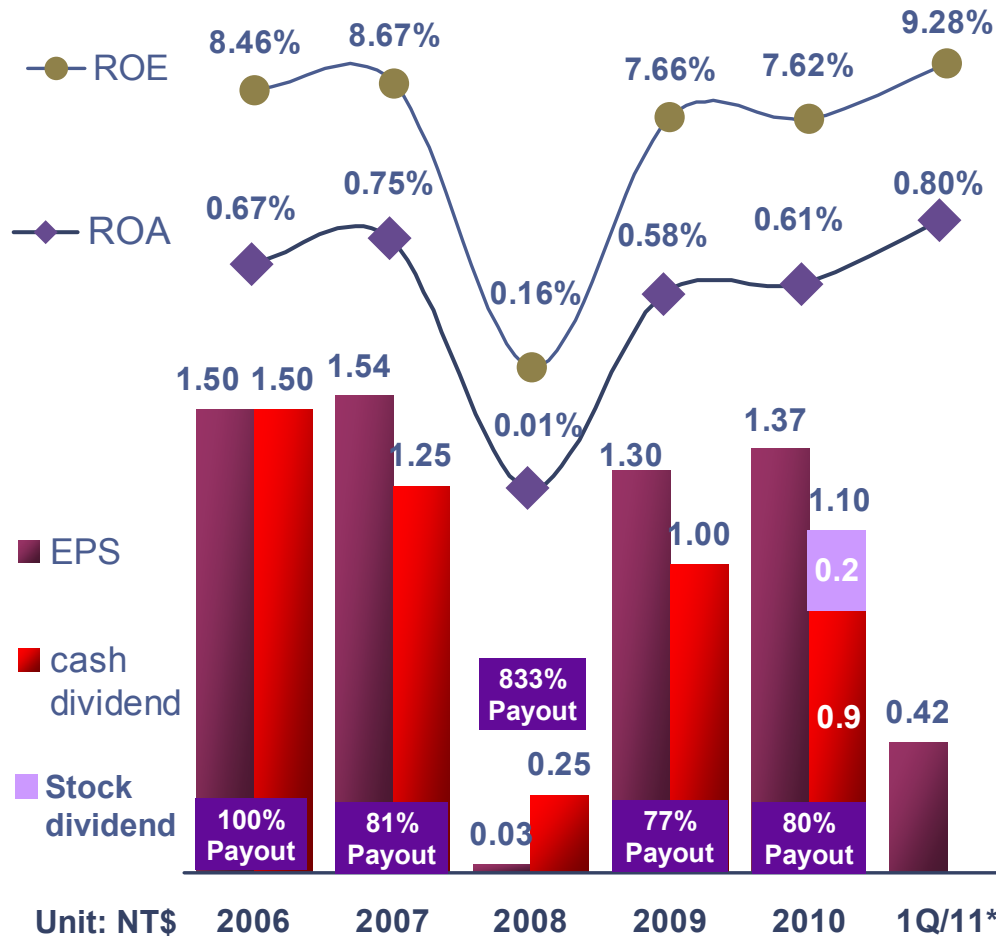
No capital issuance plan in the short term as overall capital position is well above the requirement



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

ROE & ROA continued to improve.

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 mostly 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.
 - ◆ 2010 dividend policy: the board has decided to pay NT\$0.9 cash and NT\$0.2 stock dividends, which to be approved by shareholders in June/2011.

* 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.
- ❖ Mega Bank will continue to grow organically, and possibly in-organically in Thailand, Vietnam, Cambodia, Indonesia and other ASEAN countries targeting TW corps.
- ❖ **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.

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**.
- ❖ **Mega will issue Exchangeable Bond (EB)** to divest all shares when successfully converted; the deal is expected to be completed by June/2011 .

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, Bank of Communication and Agricultural Bank of China (in the process)**, 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.

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.

1Q/11 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2011*	1Q/2010*	YoY	2010*
Net interest income	6,495	6,083	7%	25,064
Net fee revenue	2,182	2,417	-10%	9,544
Insurance premium	436	410	6%	1,137
Gain from fin. assets at fair value thru P&L	347	608	-43%	1,998
Available for sales asset gain	576	408	41%	1,248
Hold to maturity asset gain	-	-	-	22
Equity method investment gain	25	41	-39%	183
Property investment gain	-15	1	-	2
FX spread gain	386	388	-1%	2,021
Asset impairment loss	-	-170	-	-1,081
Cost method investment gain	37	3	1133%	580
NPL write-back (net)	186	91	104%	201
Other non-interest revenue (net)	660	-347	-	1,059
Operating net revenue	11,314	9,933	14%	41,977
Operating expense	-4,866	-4,735	3%	-20,993
Pre-provision operating profit	6,448	5,198	24%	20,984
Provision expense on loan	-388	-514	-25%	-2,234
Reserved on insurance	-54	77	-	-110
Pretax profit	6,006	4,761	26%	18,640
Tax	-1,310	-780	68%	-3,490
Minority shareholder interest	-3	0	-	-39
Net profit	4,693	3,981	18%	15,111
EPS (NT\$)	0.42	0.36	17%	1.37

Cost-to-income ratio is 43%

* 1Q/11 vs. 1Q/10 are un-audited numbers, but reviewed by CPA; 2010 are audited numbers.

1Q/11 Mega FHC consolidated balance sheet*

NT\$MN	1Q/2011*	1Q/2010*	YoY	2010*	YTD
Assets:					
Cash and due from banks	215,766	405,425	-47%	398,186	-46%
Bills and bonds under RP agreement	2,417	100	2317%	1,784	35%
Fin. assets at fair value through P&L	156,873	151,416	4%	162,320	-3%
AFS financial assets	178,186	216,946	-18%	185,898	-4%
HTM financial assets	201,243	269,014	-25%	217,840	-8%
Other financial assets	24,117	24,037	0%	23,460	3%
A/R, net	134,374	124,618	8%	147,486	-9%
Loan, net	1,382,620	1,231,440	12%	1,336,835	3%
Equity method LT investments, net	2,599	2,733	-5%	2,575	1%
Land, premises and equipments, net	21,500	22,512	-4%	21,608	0%
Others	16,490	13,922	18%	11,715	41%
Total assets	2,336,185	2,462,163	-5%	2,509,708	-7%
Liabilities					
Due to banks	237,047	413,690	-43%	361,273	-34%
Deposits	1,523,393	1,474,166	3%	1,558,573	-2%
CP & Bond payable	62,357	57,464	9%	61,912	1%
Bills & bonds sold under repurchase agreement	171,211	186,634	-8%	181,817	-6%
Other liabilities	137,186	130,869	5%	144,892	-5%
Total liabilities	2,131,194	2,262,823	-6%	2,308,467	-8%
Capital stock (common stock)	110,594	110,594	0%	110,594	0%
Capital surplus	43,426	43,426	0%	43,426	0%
Retain earning	41,139	35,897	15%	35,967	14%
Equity adjustment items	9,463	8,779	8%	10,883	-13%
Minority shareholder interest	369	643	-43%	370	0%
Total stockholders' equity	204,991	199,340	3%	201,241	2%
Total liabilities and stockholders' equity	2,336,185	2,462,163	-5%	2,509,708	-7%
Book value per share (NT\$)	18.54	18.02	3%	18.20	2%

* 1Q/11 vs. 1Q/10 are un-audited numbers, but reviewed by CPA; 2010 are audited numbers.

1Q/11 Mega Bank consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1Q/2011*	1Q/2010*	YoY	2010*
Net interest income	5,568	5,068	10%	21,133
Net fee revenue	1,491	1,623	-8%	6,516
Gain from fin. assets at fair value thru P&L	203	460	-56%	910
Available for sales asset gain	523	99	428%	659
Hold to maturity asset gain	-	-	-	22
Equity method investment gain	71	88	-19%	353
FX spread gain	388	433	-10%	2,077
Asset impairment loss	-	-	-	-836
Cost method investment gain	37	5	640%	580
Other non-interest revenue (net)	405	-483	-	-186
Operating net revenue	8,684	7,293	19%	31,227
Operating expense	-3,678	-3,563	3%	-15,848
Pre-provision operating profit	5,006	3,730	34%	15,379
Provision expense on loan	-364	-387	-6%	-1,928
Pretax profit	4,642	3,344	39%	13,451
Tax	-741	-489	52%	-2,280
Net profit	3,901	2,855	37%	11,172
EPS (NT\$)	0.61	0.45	36%	1.74

Cost-to-income ratio is 42%

* 1Q/11 vs. 1Q/10 are un-audited numbers, but reviewed by CPA; 2010 are audited numbers.

1Q/11 Mega Bank consolidated balance sheet*

NT\$MN	1Q/2011*	1Q/2010*	YoY	2010*	YTD
Assets:					
Cash and due from banks	203,945	396,834	-49%	386,481	-47%
Bills and bonds under RP agreement	241	-	-	895	-73%
Fin. assets at fair value through P&L	37,202	25,666	45%	34,961	6%
AFS financial assets	80,061	105,581	-24%	83,200	-4%
HTM financial assets	200,118	267,940	-25%	216,526	-8%
Other financial assets	18,283	18,411	-1%	17,971	2%
A/R, net	98,219	90,831	8%	109,404	-10%
Loan, net	1,365,024	1,214,429	12%	1,319,720	3%
Equity method LT investments, net	9,303	9,421	-1%	9,303	0%
Land, premises and equipments, net	13,009	13,663	-5%	13,166	-1%
Others (net)	7,670	6,721	14%	5,646	36%
Total assets	2,033,076	2,149,496	-5%	2,197,272	-7%
Liabilities					
Due to banks	224,992	408,686	-45%	354,790	-37%
Deposits	1,512,232	1,462,916	3%	1,547,309	-2%
CP & Bond payable	34,800	25,500	36%	34,800	0%
Bills & bonds sold under repurchase agreement	8,900	2,364	276%	4,286	108%
Other liabilities	90,566	91,008	0%	98,339	-8%
Total liabilities	1,871,490	1,990,474	-6%	2,039,524	-8%
Capital stock (common stock)	64,110	64,110	0%	64,110	0%
Capital surplus	33,070	33,070	0%	33,070	0%
Retain earning	58,691	55,690	5%	54,711	7%
Equity adjustment items	5,714	6,153	-7%	5,857	-2%
Total stockholders' equity	161,586	159,022	2%	157,748	2%
Total liabilities and stockholders' equity	2,033,076	2,149,496	-5%	2,197,272	-7%
Book value per share (NT\$)	25.20	24.80	2%	24.61	2%

* 1Q/11 vs. 1Q/10 are un-audited numbers, but reviewed by CPA; 2010 are audited numbers.

Agenda



Operation Highlights



Financial Performance



Appendix

Well established size and scale to win

1Q/2011*
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	2,327	2,036	48	200	15	1	12	0.1	1
Equity	205	162	15	33	5	0.9	2.7	0.09	0.9
After-tax earning	4.7	3.9	0.3	0.7	0.1	0.02	0.08	0.01	0.01
Domestic Offices	194	108	46	9	27	3	1	1	1
Overseas Offices**	38	31	4	0	3	0	0	0	0

* Un-audited numbers

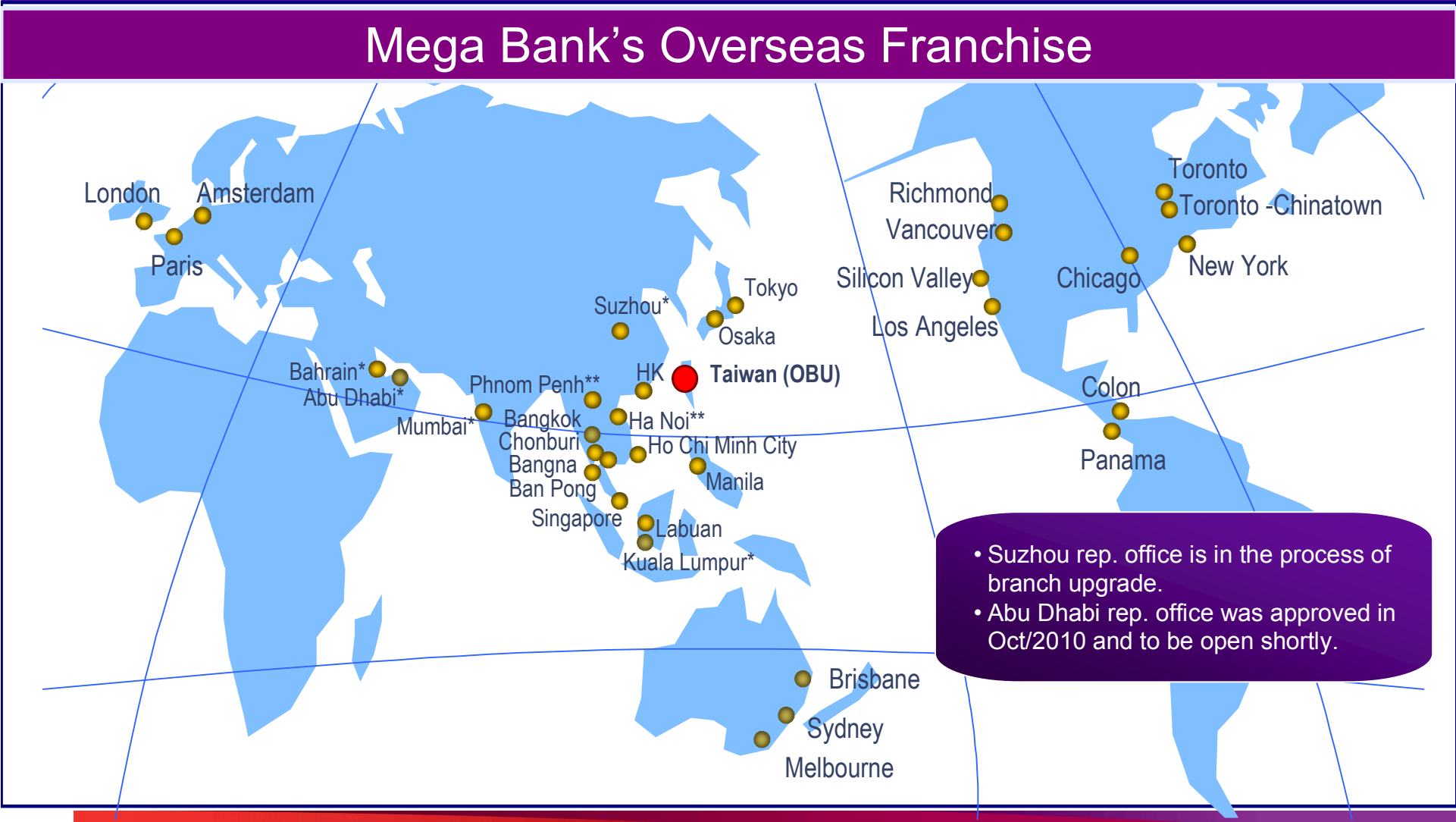
** Overseas offices include rep. offices. and branches



Our Corporate Strategy



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



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

** Pending approval for bank branch / rep. office