



兆豐金控
Mega Holdings

3Q / 2011 (v.1)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 ARE UN-AUDITED RESULT. MEGA FHC WILL FILE ITS UNAUDITED INTERIM FINANCIAL STATEMENTS , WHICH ARE REVIEWED BY ITS AUDITORS, THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON NOVEMBER 15, 2011.

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

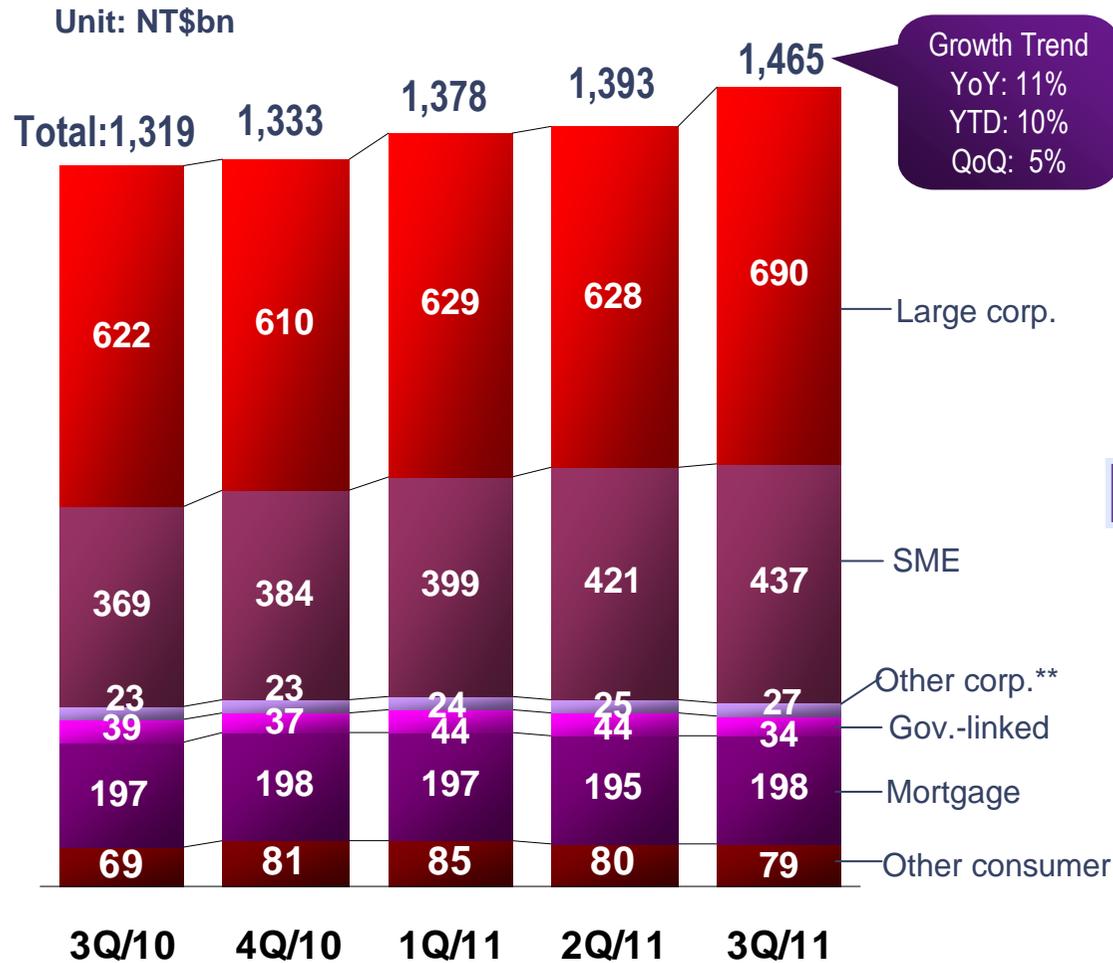
1-3Q/11 performance summary*

- ❖ 3Q/11 loan balance was up 5.2% QoQ and 11.1%YoY, driven by large corporate loan growth.
- ❖ Manufacturing, real estate and particularly retail/wholesales industries demonstrated solid loan demand.
- ❖ Offshore loans witnessed double digit QoQ loan growth (12~15%) in 3Q/11.
- ❖ Promos hit was manageable; NT\$2.9bn exposure were covered by 80% provision; total NPL ratio inched up to 0.40% with 227% coverage ratio.
- ❖ Bank LDR inched up to 92%, but funding in general remained loose .
- ❖ Bank 3Q/11 NIM was up 12bps to 1.27% or 2bps to 1.17% without the one-off gain.
- ❖ 1-3Q/11 WM gross fee was up 12% YoY due to strong bacassurance sales.
- ❖ 1-3Q/11 group net fee revenue was down 7% YoY due to slower syndication loan and brokerage fees.
- ❖ 1-3Q/11 group net revenue was up 5% YoY; cost-to-income ratio kept at 47%.
- ❖ 1-3Q/11 bank net provision expense was 2bps(NT\$266m), could be slightly higher for the full year due to newly implemented 1% minimum provision rule.
- ❖ 1-3Q/11 maintained respectable ROE (9.5%) and ROA (0.8%) numbers.
- ❖ No capital raising plan due to strong bank tier-one capital ratio (9.13%).

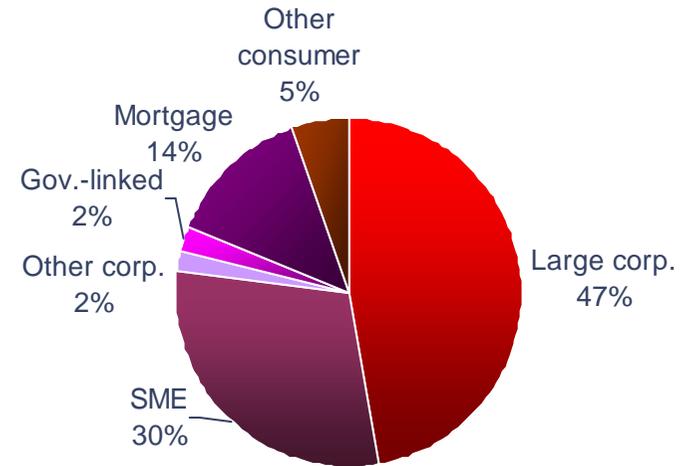
* 3Q/2011 un-audited internal numbers, unless specified otherwise.

Total loan jumped 5% QoQ.

Mega Bank quarterly loan balance*



Mega Bank 3Q/11 loan breakdown by customer



Highlights

- ❖ Large corp. loan was up 10.9% YoY and 9.9% QoQ, SME loan was up 18.4% YoY and up 3.8% QoQ.
- ❖ Total loan was up 11.1% YoY and 5.2% QoQ.
- ❖ Current key focus is to target medium and large size corporate clients, and tries to find the balance between risk and loan yield.

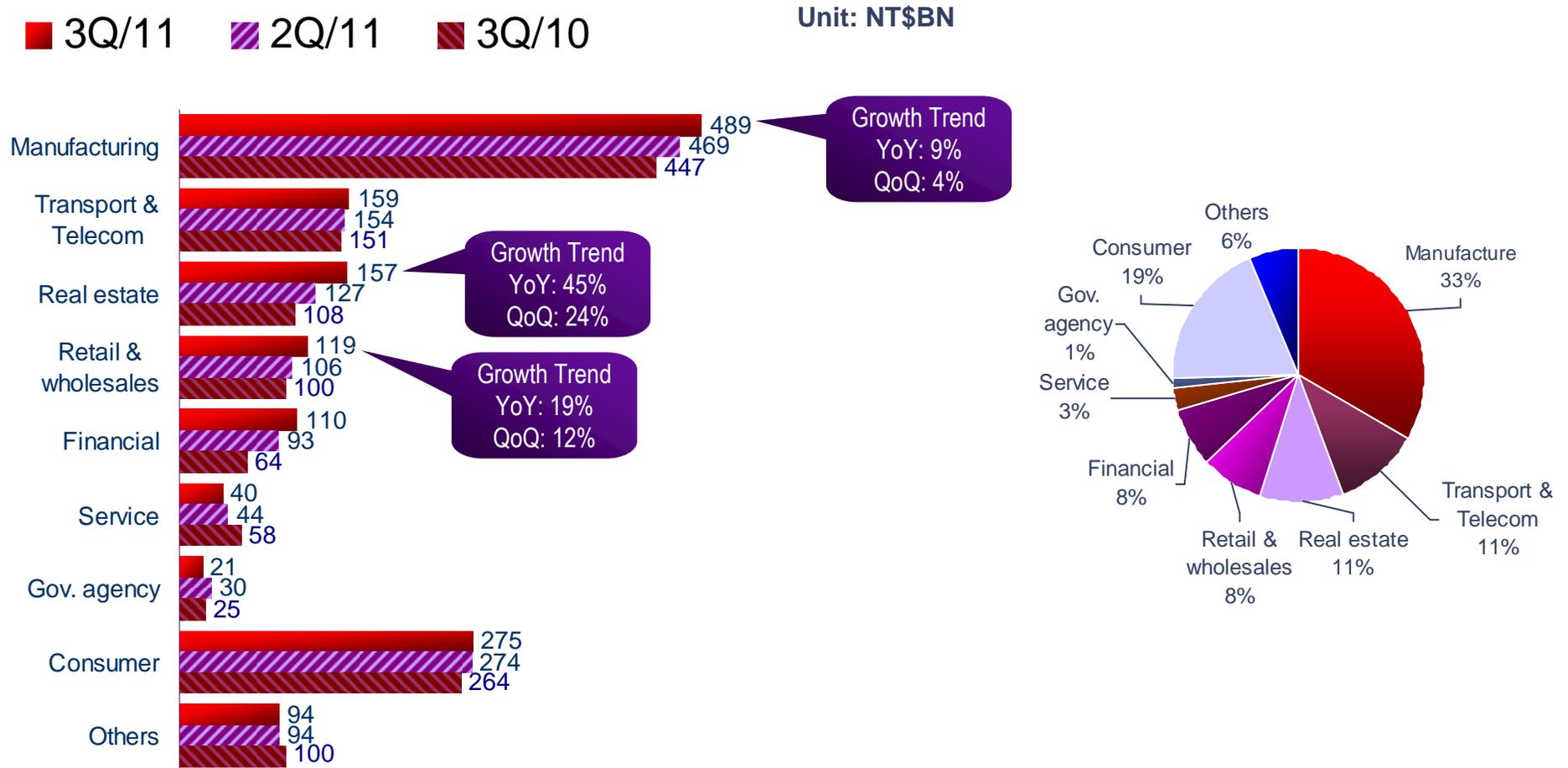
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

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

Retail/wholesales loan grew 12% QoQ.

Mega Bank loan balance trend by industry*

Mega Bank 3Q/11 loan breakdown by industry*

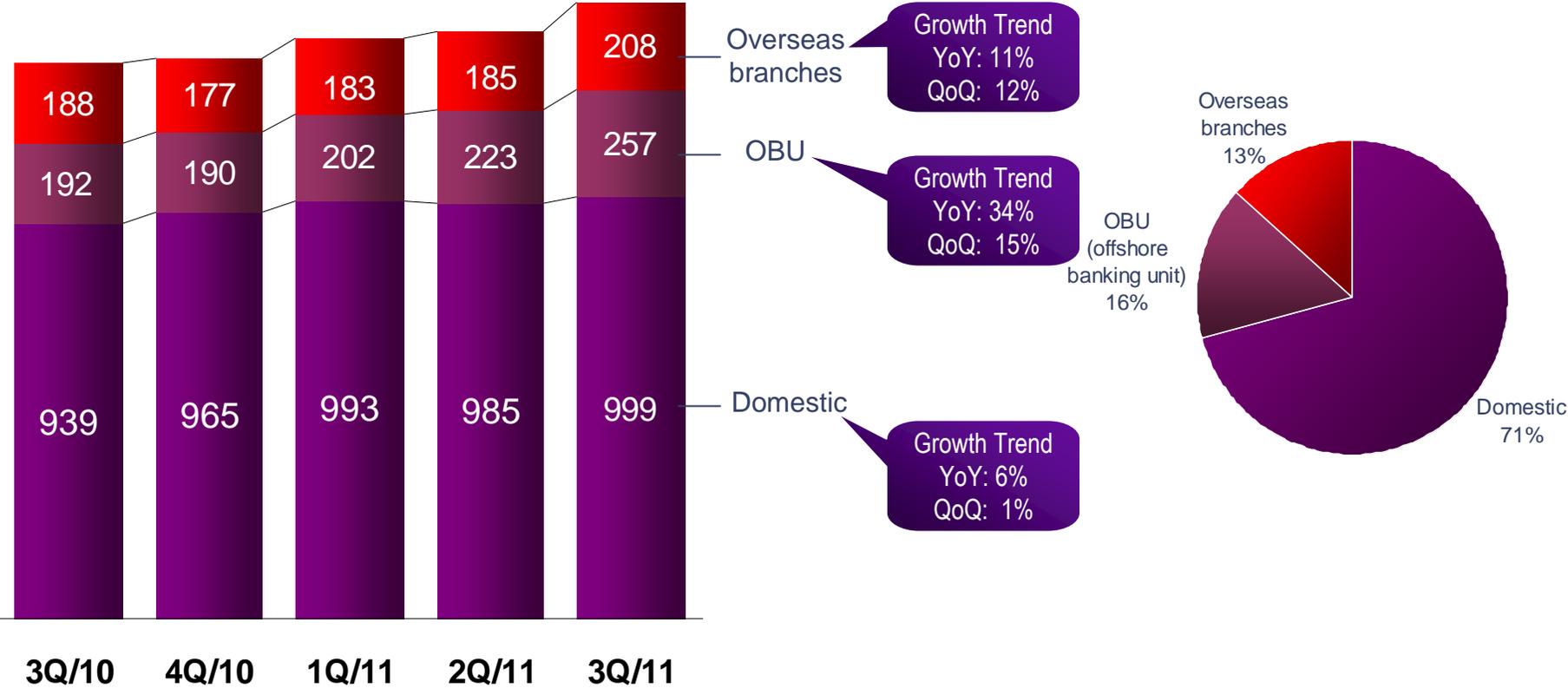


* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

Offshore loans enjoyed tremendous growth.

Mega Bank 3Q/11 loan breakdown by regions *

Unit: NT\$bn



* 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.

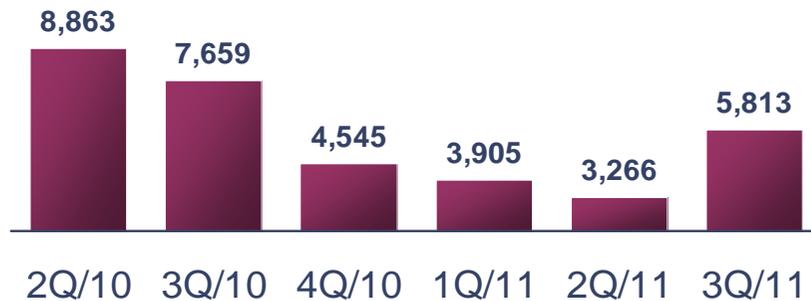
** OBU stands for Off-shore Banking Unit

Promos hit was manageable.

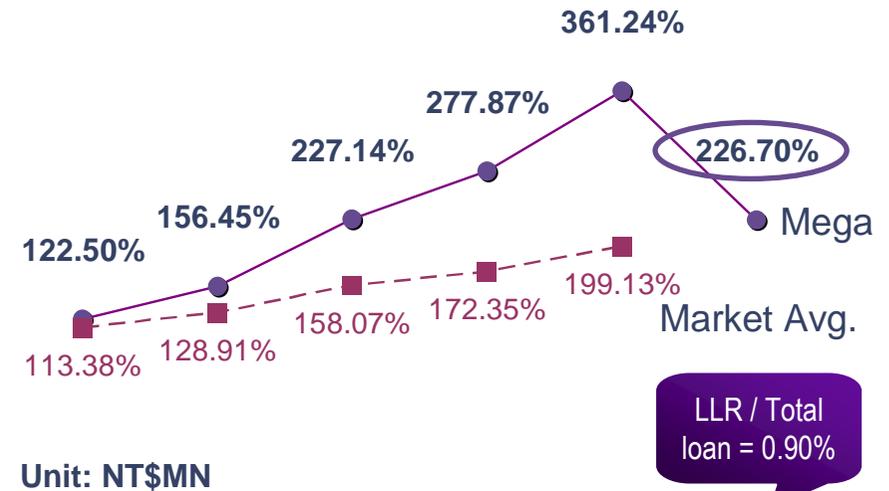
Mega Bank NPL balance & NPL ratio*



Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio*



Unit: NT\$MN



* 90 days standard

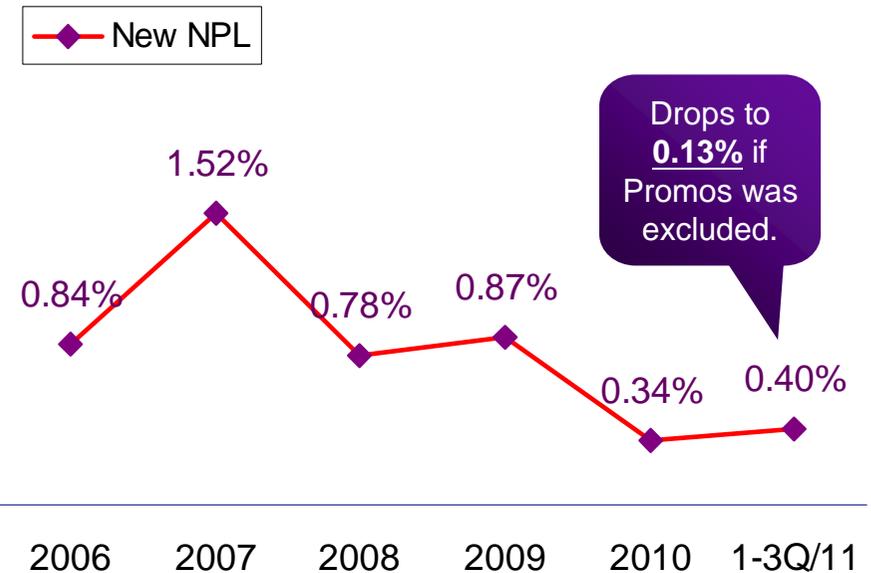
** market average source: Banking Bureau of Taiwan.

Promos was the cause of NPL influx increases.

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



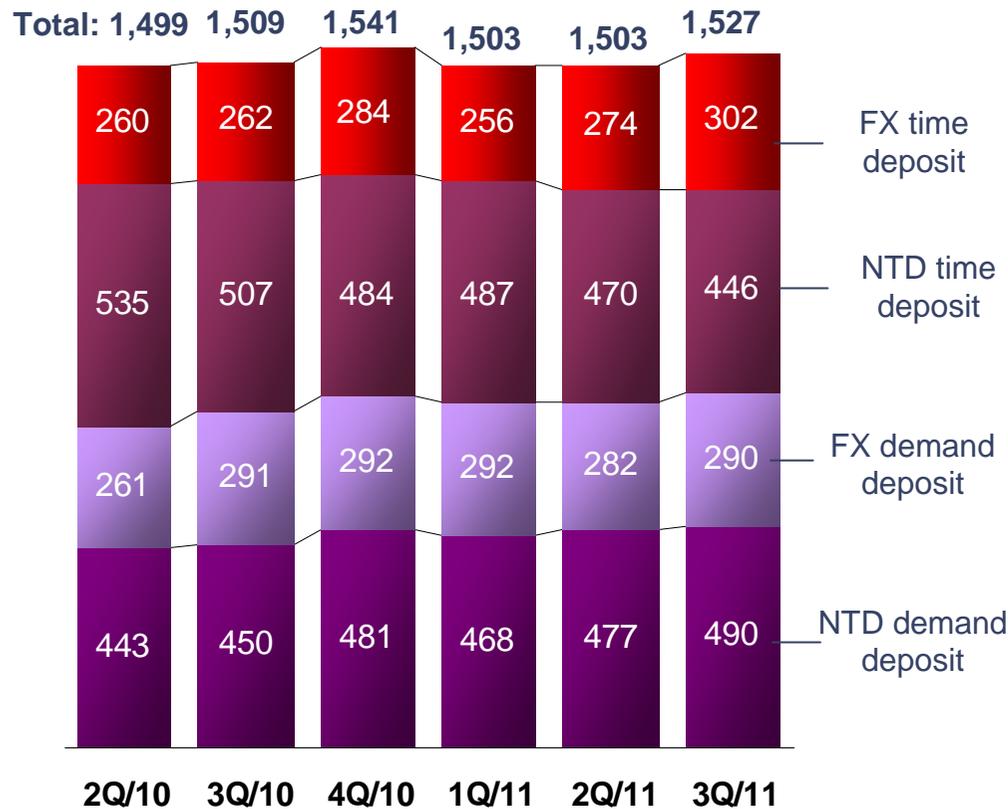
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

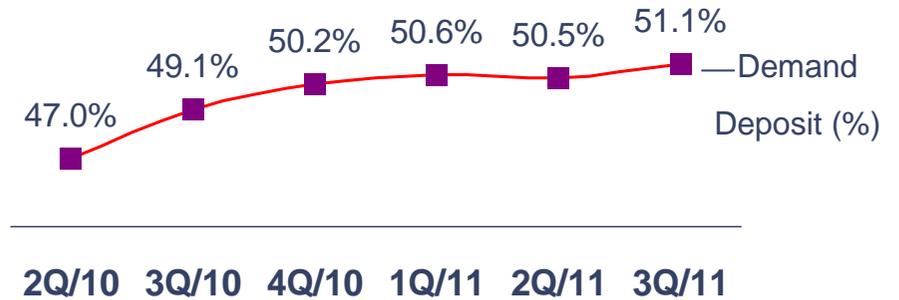
Demand deposit position improved significantly.

Mega Bank's deposit balance *

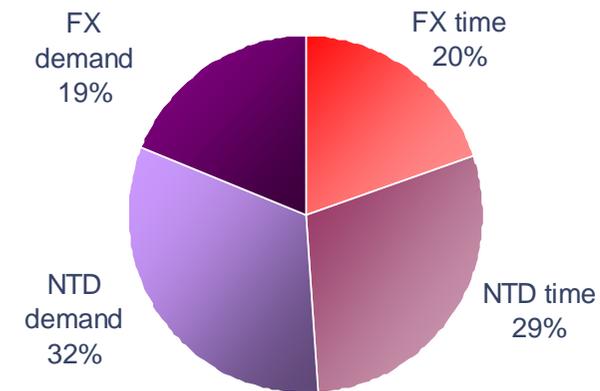
Unit:NT\$bn



Mega Bank's demand deposit trend (%)



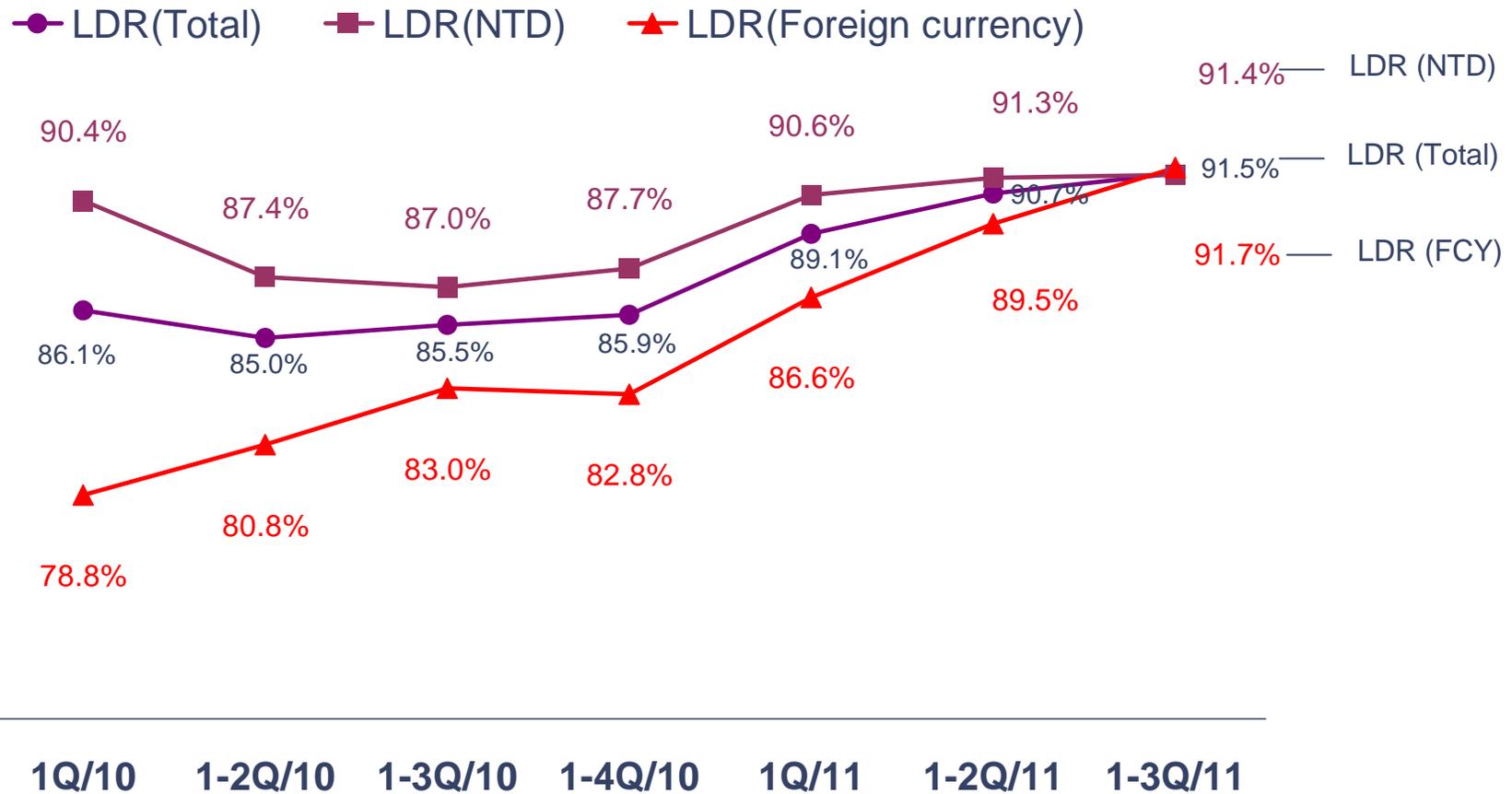
Mega Bank's 3Q/11 deposit breakdown



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

Funding remained loose despite higher LDR.

Mega Bank's loan to deposit ratio (LDR) trend*



* LDR calculation is based on average loan/deposit balance of that period; foreign currency loan includes OBU, overseas branches and some domestic loans.

Interest spread saw minor improvement.

Mega Bank total loan interest spread



Bank NIM inched up, even w/out the one-off.

Mega Bank quarterly NIM & NII *



Unit: NT\$MN



Mega Bank quarterly NTD NIM*



Mega Bank quarterly foreign currency NIM*



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

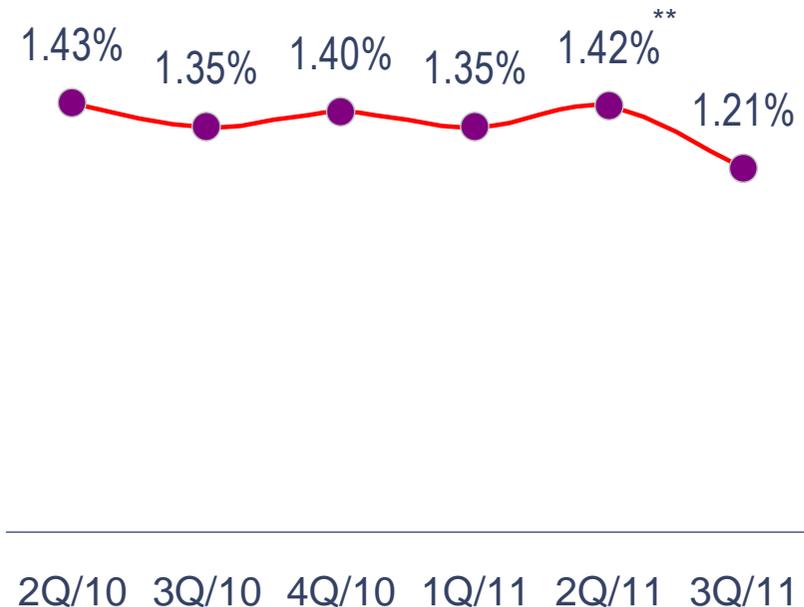
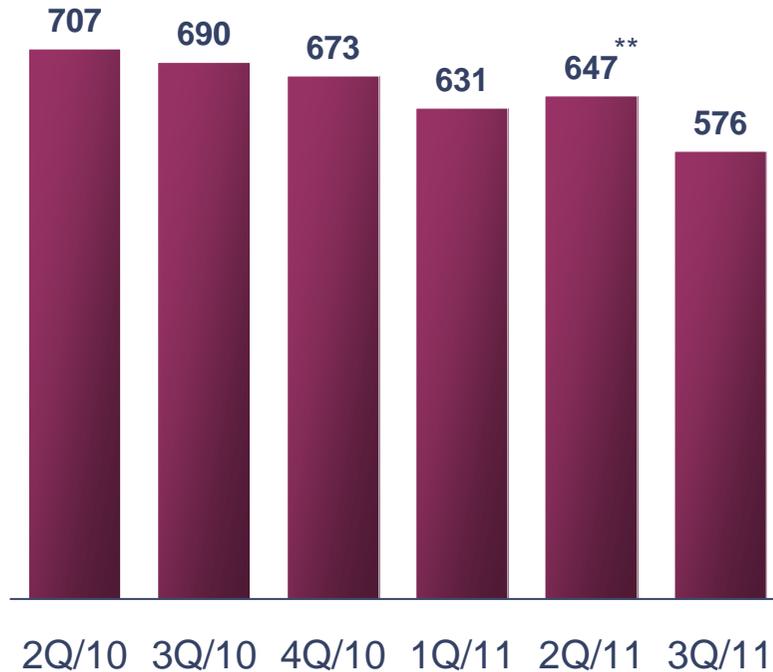
** 3Q/11 number includes approximately NT\$0.5bn (10 bps) one-time interest income from NPLs recovery.

Bills NIM was down due to higher RP funding cost.

Mega Bills NII *

Mega Bills NIM*

Unit: NT\$MN



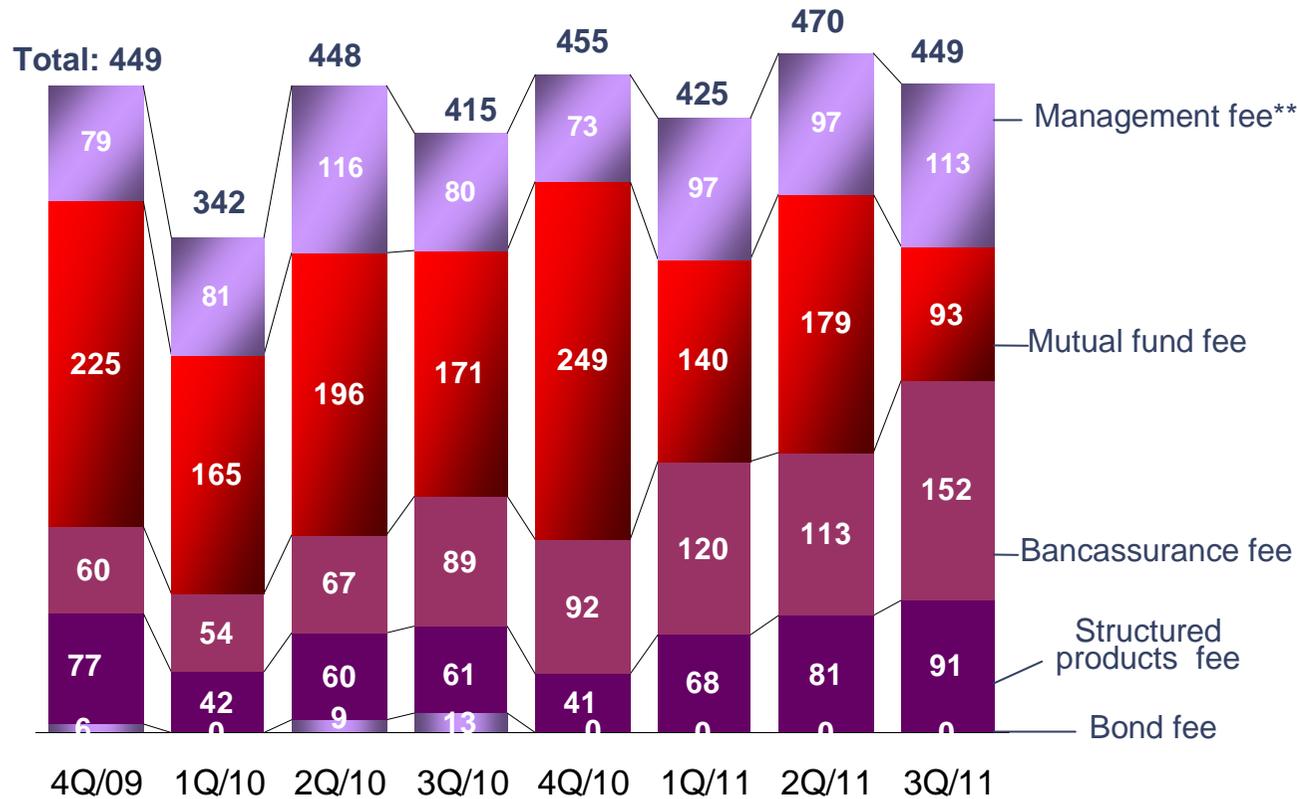
* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

** 2Q/11 number includes one-time interest income from NPLs recovery.

Bancassurance fee saw continuous growth.

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

Unit: NT\$MN

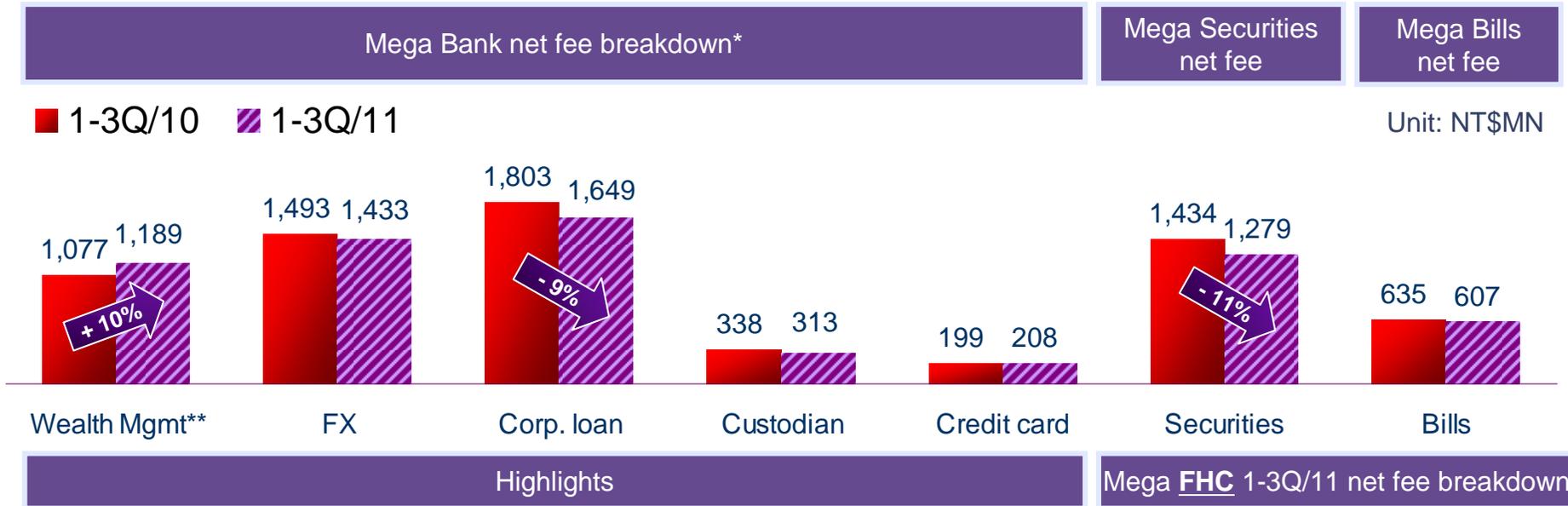


❖ Wealth mgmt fee was down 4% QoQ but up 12% YoY, driven by stronger bancassurance and structured products fees.

* 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.

Overall fee income growth remained difficult.



- ❖ Bank sub. WM fee was up 10% YoY due to stronger bancassurance sales.
- ❖ Bank sub. corp. loan fee was down 9% YoY due to declined in syndication loan fee; a result of targeting better loan yield instead of gaining market shares.
- ❖ Securities sub. fee was down 11% YoY due to poor domestic equity market trading volume.

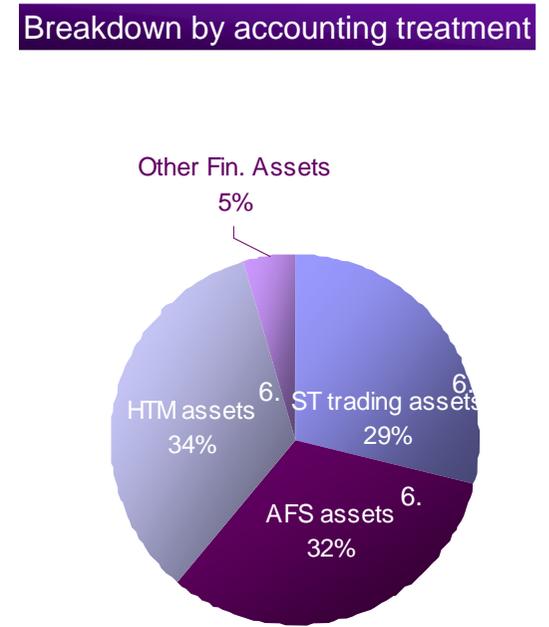
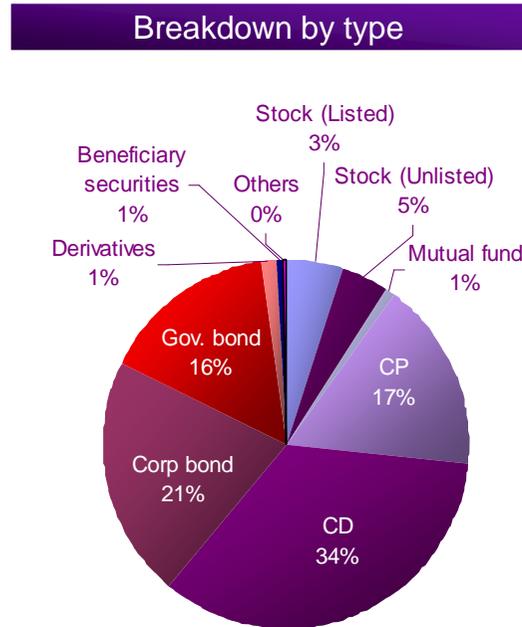
* Internal data; within WM fee, fee reimbursed by insurance agent is booked as other revenue in P&L; as a result, total net fee combined here are slightly more than the net fee figure shown in P&L.

** Net wealth mgmt fee.

Conservative and diversified investment portfolio.

Mega Group 1H/11 consolidated financial assets breakdown 1

Unit: NT\$BN	1H/11	1H/10	2010
Stock (Listed) 2	27	22	28
Stock (Un-listed) 3	22	21	21
Mutual fund	4	5	3
Commercial papers	87	91	94
Certificate of deposit	182	271	224
Corporate bond 4	112	106	111
Government bond 5	82	104	94
Derivatives	6	7	7
Beneficiary securities	3	2	5
Others	2	2	2
Total	528	631	589



- Source: sum of Fin. asset at fair value thru P&L, available for sale, hold to maturity and other financial assets, based on Mega FHC 1H/11 audited consolidated financial statement.
- Mostly Taiwan listed equity investment.
- Long term equity investment of Taiwanese un-listed companies, part of the unique VC investment from Mega Bank.
- Domestic and global corps. bonds and bank debentures.
- Mainly Taiwan Gov. bonds, part of RP business from Mega Bills.
- 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

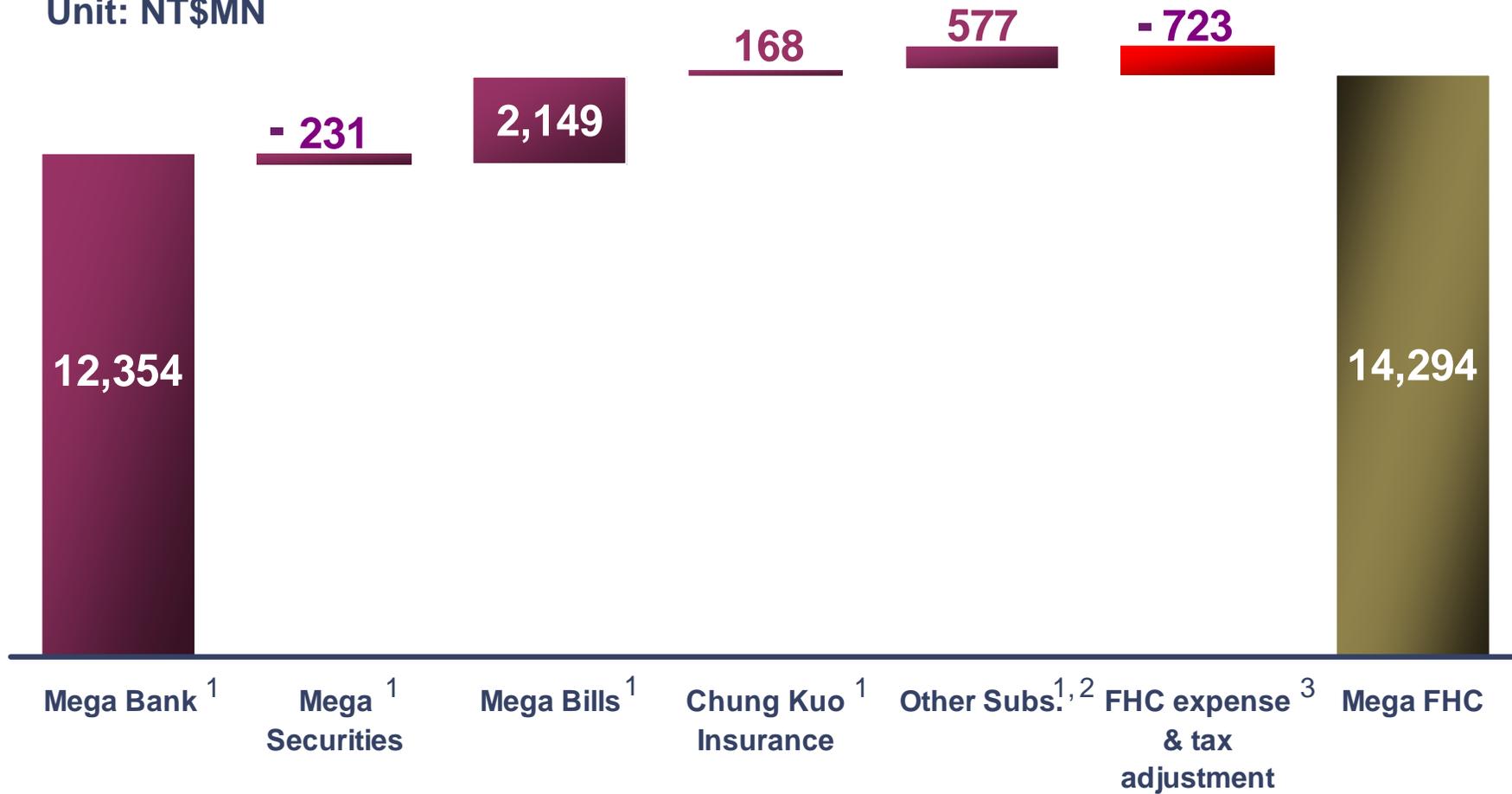


Appendix

Most subs posted strong earnings in 1-3Q/11.

1-3Q/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

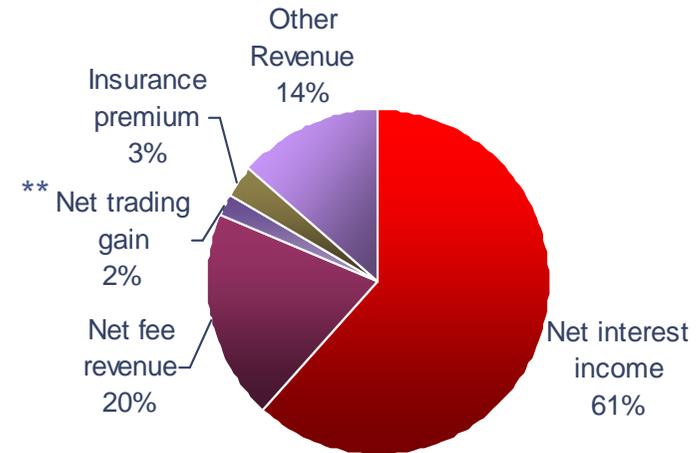
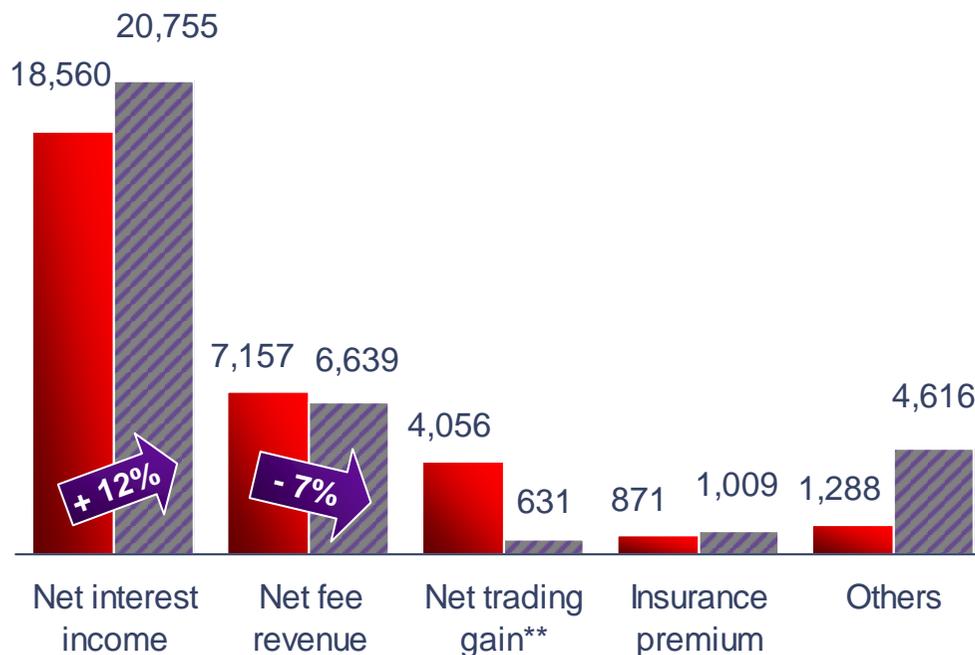
3. FHC expense plus tax & other adjustments of compiling FHC consolidated statement

Group net revenue was up 5% YoY.

Mega Group consolidated net revenue *

Mega Group 1-3Q/2011 net revenue breakdown

■ 1-3Q/10 ■ 1-3Q/11 Unit: NT\$MN



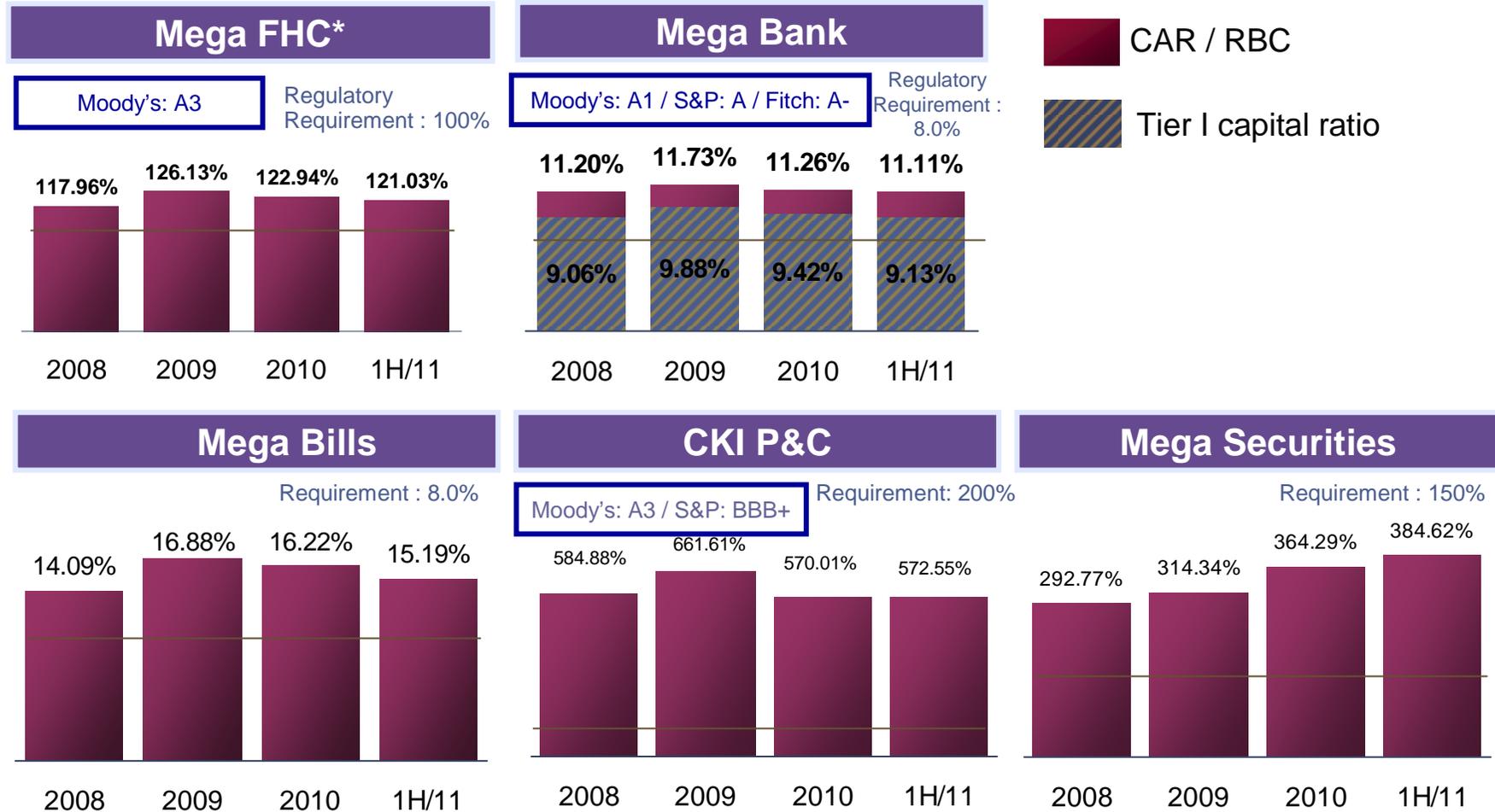
Highlights

- ❖ Group net revenue was up 5% YoY due to strong NII performance.
- ❖ NII was up due to improved NIM and stronger loan growth.
- ❖ Fee revenue was down 7% due to slower syndication loan and securities brokerage fees.

* Un-audited figures.

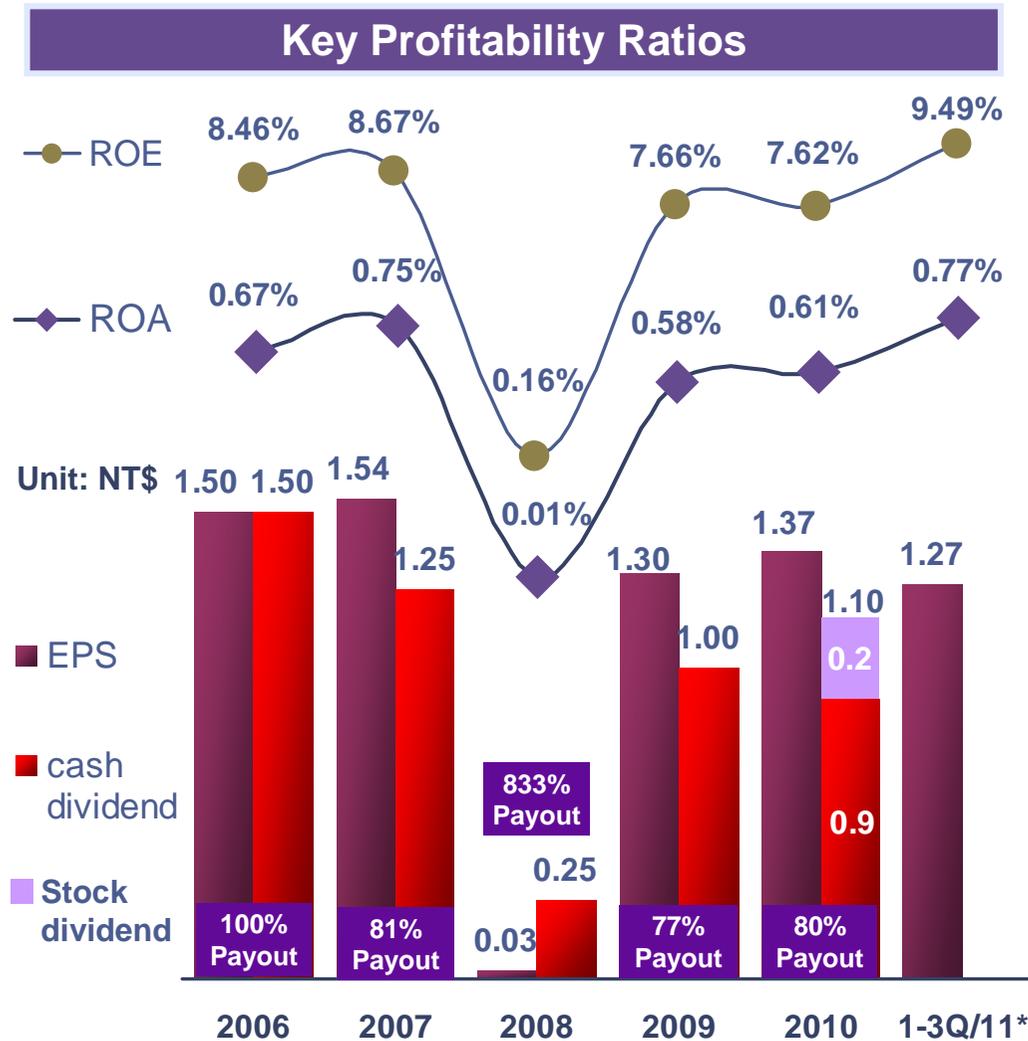
** Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

Well-capitalized for Basel III requirements



* Net of investments in subsidiaries
 ** 1H/11 numbers are audited.

Strong profitability and attractive dividend policy



- ❖ Mid-term ROE target of 10~12%
- ❖ Mid-term ROA target of >1%
- ❖ To prevent over-inflated capital base as well as to maintain sufficient capital for future growth, our dividend policy is:
 - ◆ pay-out ratio >70%
 - ◆ pay >50% in cash.
 - ◆ paid mostly in cash in last 5 years.

* Un-audited number.

Recent strategic considerations

Asia focus

- ❖ Mega Bank obtained its first branch in Cambodia in 3Q/11. Mega Bank now has **28 overseas branches** in 17 diff. countries.
- ❖ Mega Bank will continue to explore growth opportunities in Thailand, Vietnam, Cambodia, Indonesia and 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.

China Initiatives

- ❖ Mega Bank Suzhou rep. office is applying for **branch upgrade**, which is pending approval from CBRC of China.
- ❖ Mega Bank's long term strategy is to operate a wholly owned subsidiary in China.
- ❖ Mega Bank has signed MOU with **Bank of China, Bank of Communication and Agricultural Bank of China**, to cooperate on syndication loan, A/R finance, HR training and risk mgmt.
- ❖ Mega Securities has signed MOU with **Nan Jing Securities**.

FX settlement

- ❖ An exclusive USD 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 TW.
- ❖ Pending on further cross-strait negotiations, Mega is expected to be benefited from further RMB full settlement license.

1-3Q/11 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1-3Q/2011*	1-3Q/2010*	YoY	2010*
Net interest income	20,755	18,560	12%	25,064
Net fee revenue	6,639	7,157	-7%	9,544
Insurance premium	1,009	871	16%	1,137
Gain from fin. assets at fair value thru P&L	-1,163	2,155	-	1,998
Available for sales asset gain	1,212	995	22%	1,248
Hold to maturity asset gain	33	22	50%	22
Equity method investment gain	109	100	9%	183
Property investment gain	19	2	850%	2
FX spread gain	431	1,113	-61%	2,021
Asset impairment loss (write-back)	-10	-331	-	-1,081
Other non-interest revenue (net)	4,616	1,288	258%	1,840
Operating net revenue	33,650	31,932	5%	41,977
Operating expense	-15,808	-15,299	3%	-20,993
Pre-provision operating profit	17,842	16,633	7%	20,984
Provision expense on loan	-208	-1,898	-89%	-2,234
Reserved on insurance	-37	-85	-56%	-110
Pretax profit	17,597	14,651	20%	18,640
Tax	-3,293	-2,747	20%	-3,490
Minority shareholder interest	-10	-48	-	-39
Net profit	14,294	11,856	21%	15,111
EPS (NT\$)	1.27	1.08	18%	1.37

Cost-to-income
ratio: 47%

* 1-3Q/11 are un-audited numbers.

1-3Q/11 Mega FHC consolidated balance sheet*

NT\$MN	1-3Q/2011*	1-3Q/2010*	YoY	2010*	YTD
Assets:					
Cash and due from banks	299,260	226,841	32%	398,186	-25%
Bills and bonds under RP agreement	5,232	2,289	129%	1,784	193%
Fin. assets at fair value through P&L	183,992	153,082	20%	162,320	13%
AFS financial assets	159,534	184,157	-13%	185,898	-14%
HTM financial assets	153,135	228,667	-33%	217,840	-30%
Other financial assets	20,600	23,781	-13%	23,460	-12%
A/R, net	119,495	158,360	-25%	147,486	-19%
Loan, net	1,468,754	1,321,772	11%	1,336,835	10%
Equity method LT investments, net	2,351	2,619	-10%	2,575	-9%
Land, premises and equipments, net	21,507	22,116	-3%	21,608	0%
Others	15,698	10,729	46%	11,715	34%
Total assets	2,449,558	2,334,412	5%	2,509,708	-2%
Liabilities					
Due to banks	320,120	265,854	20%	361,273	-11%
Deposits	1,534,713	1,507,483	2%	1,558,573	-2%
CP & Bond payable	56,712	57,408	-1%	61,912	-8%
Bills & bonds sold under repurchase agreement	185,554	166,338	12%	181,817	2%
Other liabilities	152,085	140,582	8%	144,892	5%
Total liabilities	2,249,184	2,137,665	5%	2,308,467	-3%
Capital stock (common stock)	112,806	110,594	2%	110,594	2%
Capital surplus	43,426	43,426	0%	43,426	0%
Retain earning	38,574	32,712	18%	35,967	7%
Equity adjustment items	5,255	9,387	-44%	10,883	-52%
Minority shareholder interest	313	627	-50%	370	-15%
Total stockholders' equity	200,374	196,747	2%	201,241	0%
Total liabilities and stockholders' equity	2,449,558	2,334,412	5%	2,509,708	-2%
Book value per share (NT\$)	17.73	17.73	0%	18.20	-3%

* 1-3Q/11 are un-audited numbers.

1-3Q/11 Mega Bank consolidated P&L statement*

<i>NT\$MN, except per share data</i>	1-3Q/2011*	1-3Q/2010*	YoY	2010*
Net interest income	17,990	15,620	15%	21,133
Net fee revenue	4,490	4,839	-7%	6,516
Gain from fin. assets at fair value thru P&L	-249	1,268	-120%	910
Available for sales asset gain	590	443	33%	659
Hold to maturity asset gain	33	22	50%	22
Equity method investment gain	261	269	-3%	353
FX spread gain	520	1,147	-55%	2,077
Asset impairment loss	0	-125	-	-836
Cost method investment gain	31	562	-94%	580
Other non-interest revenue (net)	3,920	-374	-	-186
Operating net revenue	27,585	23,671	17%	31,227
Operating expense	-12,896	-11,434	13%	-15,848
Pre-provision operating profit	14,689	12,237	20%	15,379
Provision expense on loan	-266	-1,628	-84%	-1,928
Pretax profit	14,423	10,609	36%	13,451
Tax	-2,069	-1,795	15%	-2,280
Net profit	12,354	8,814	40%	11,172
EPS (NT\$)	1.82	1.37	33%	1.74

Cost-to-income
ratio is 47%

* 1-3Q/11 are un-audited numbers.

1-3Q/11 Mega Bank consolidated balance sheet*

NT\$MN	1-3Q/2011*	1-3Q/2010*	YoY	2010*	YTD
Assets:					
Cash and due from banks	296,084	214,535	38%	386,481	-23%
Bills and bonds under RP agreement	507	245	-	895	-43%
Fin. assets at fair value through P&L	41,926	31,384	34%	34,961	20%
AFS financial assets	72,221	82,717	-13%	83,200	-13%
HTM financial assets	152,793	227,490	-33%	216,526	-29%
Other financial assets	18,404	18,204	1%	17,971	2%
A/R, net	84,240	117,348	-28%	109,404	-23%
Loan, net	1,468,754	1,304,538	13%	1,319,720	11%
Equity method LT investments, net	2,406	9,547	-75%	9,303	-74%
Land, premises and equipments, net	13,951	13,674	2%	13,166	6%
Others (net)	6,531	4,644	41%	5,646	16%
Total assets	2,157,817	2,024,328	7%	2,197,272	-2%
Liabilities					
Due to banks	312,131	254,301	23%	354,790	-12%
Deposits	1,536,022	1,495,254	3%	1,547,309	-1%
CP & Bond payable	34,700	24,500	42%	34,800	0%
Bills & bonds sold under repurchase agreement	13,361	2,148	522%	4,286	212%
Other liabilities	100,694	92,670	9%	98,339	2%
Total liabilities	1,996,908	1,868,873	7%	2,039,524	-2%
Capital stock (common stock)	68,000	64,110	6%	64,110	6%
Capital surplus	33,070	33,070	0%	33,070	0%
Retain earning	56,566	52,353	8%	54,711	3%
Equity adjustment items	3,269	5,922	-45%	5,857	-44%
Total stockholders' equity	160,905	155,455	4%	157,748	2%
Total liabilities and stockholders' equity	2,157,817	2,024,328	7%	2,197,272	-2%
Book value per share (NT\$)	23.66	24.25	-2%	24.61	-4%

* 1-3Q/11 are un-audited numbers.

Agenda



Operation Highlights



Financial Performance



Appendix

Well established size and scale

1-3Q/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	2,450	2,143	42	216	15	0.8	11	0.1	0.8
Equity	200	161	14	32	5	0.8	2.6	0.1	0.8
After-tax earning	14.3	12.4	(0.2)	2.1	0.2	0.09	0.39	0.06	0.03
Domestic Offices	194	108	46	9	27	1	1	1	1
Overseas Offices**	40	33	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 potentially China market

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

Most internationalized local bank.

Mega Bank's Overseas Franchise



- Phnom Penh branch opened on Sept. 30th.
- 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