



兆豐金控
Mega Holdings

4Q / 2011 (v.1)

Investor/Analyst Briefing



DISCLAIMER

THE FINANCIAL INFORMATION IN THIS PRESENTATION AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 ARE UN-AUDITED RESULT. MEGA FHC WILL FILE ITS AUDITED INTERIM FINANCIAL STATEMENTS THROUGH THE TAIWAN STOCK EXCHANGE MARKET OBSERVATION POST SYSTEM ON MARCH 31, 2012.

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

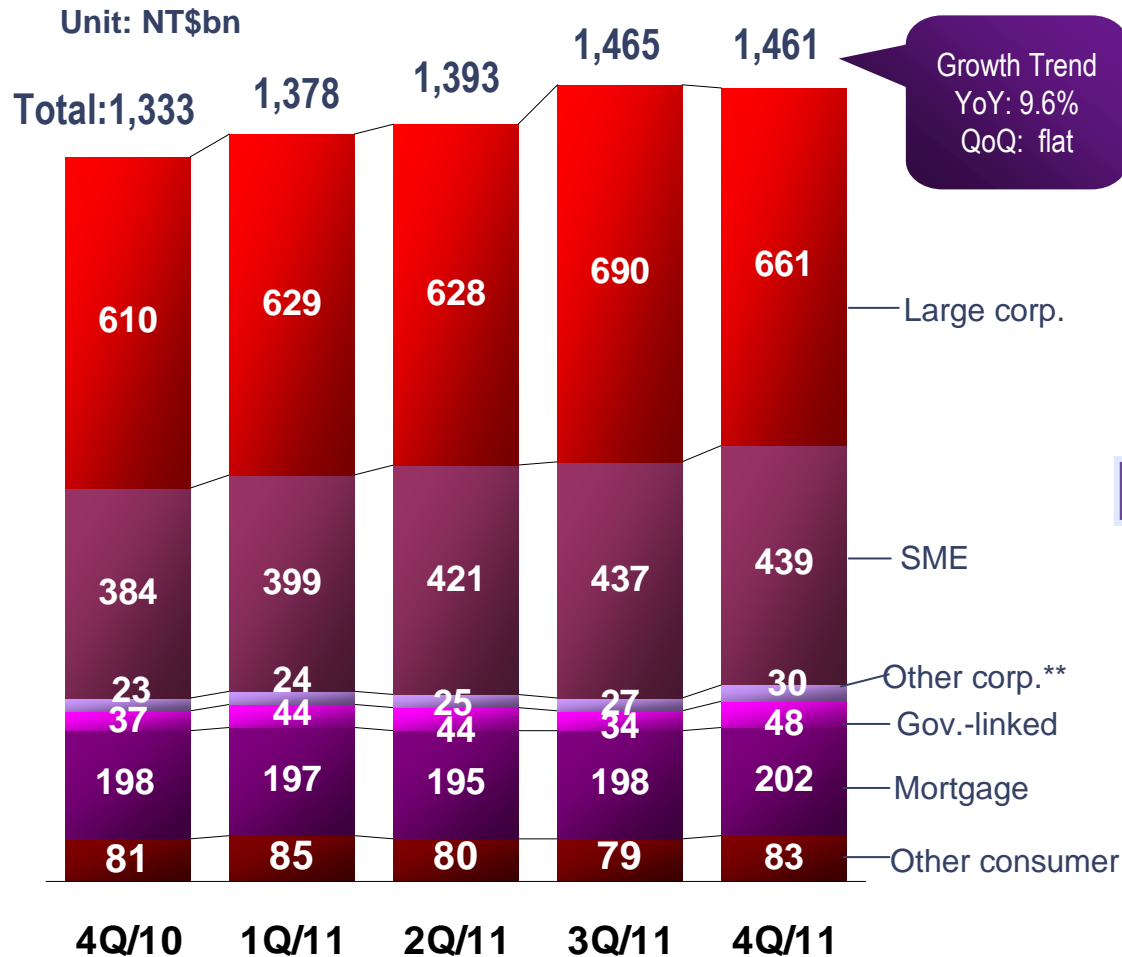
1-4Q/11 performance summary*

- ❖ 4Q/11 loan balance was flat QoQ but up 9.6%YoY, driven by corporate loan demand.
- ❖ ... particularly in real estate, retail/wholesales and financial industries.
- ❖ OBU loan posted 36% YoY growth; while overseas branch loan jumped 13% YoY.
- ❖ FCY loan advanced 21% YoY and extended to 39% of total loan.
- ❖ LLR / total loan ratio reached 1.05%; total NPL ratio maintained at 0.24% with 428% coverage ratio.
- ❖ Total deposit grew 2% YoY, which yielded 92% LDR; funding in general remained loose .
- ❖ Bank 4Q/11 NIM was up 2bps to 1.19% vs. 3Q/11, excluding the one-off gain.
- ❖ 1-4Q/11 group net fee revenue was down 8% YoY due to slower syndication loan and brokerage fees.
- ❖ 1-4Q/11 group net revenue was up 6% YoY; cost-to-income ratio kept at 47%.
- ❖ 1-4Q/11 bank net provision expense was 17bps(NT\$2,452m).
- ❖ 1-4Q/11 maintained respectable ROE (8.8%) and ROA (0.7%) numbers.
- ❖ No immediate capital raising plan due to strong bank tier-one capital ratio (9.24%).
- ❖ With 1-4Q/11 EPS \$1.57, similar dividend policy can be expected.
- ❖ Suzhou branch is grand opening in 1H/2012.

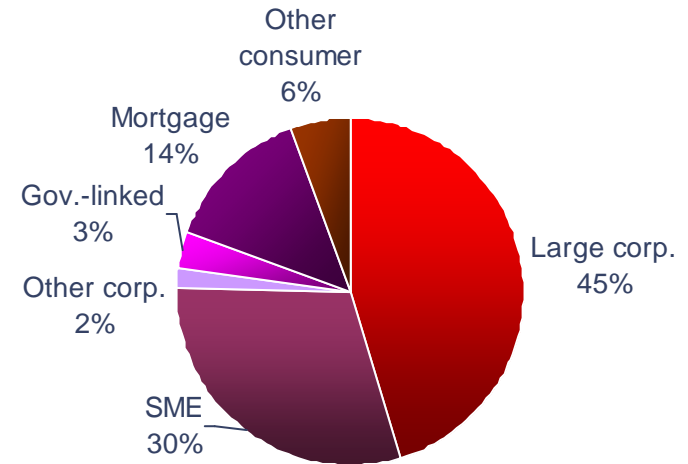
* 4Q/2011 un-audited internal numbers, unless specified otherwise.

Total loan jumped 9.6% YoY.

Mega Bank quarterly loan balance*



Mega Bank 4Q/11 loan breakdown by customer



Highlights

- ❖ Large corp. loan was up 8.4% YoY and down 4.2% QoQ, SME loan was up 14.3% YoY and up 0.5% QoQ.
- ❖ Total loan was up 9.6% YoY and flat 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.

...driven by real estate, retail & financial industries.

Mega Bank loan balance trend by industry*

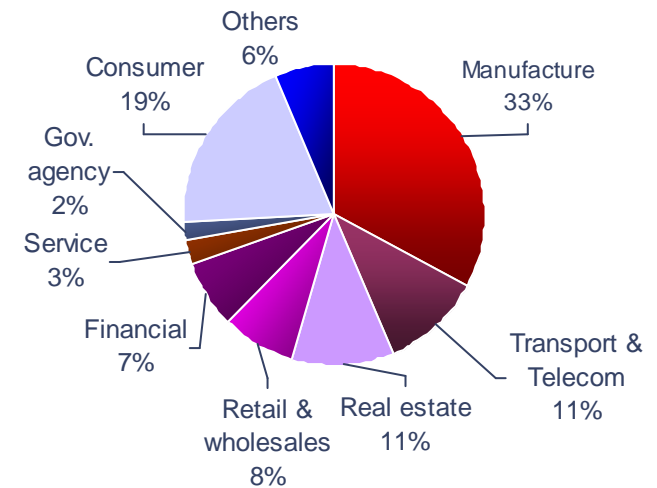
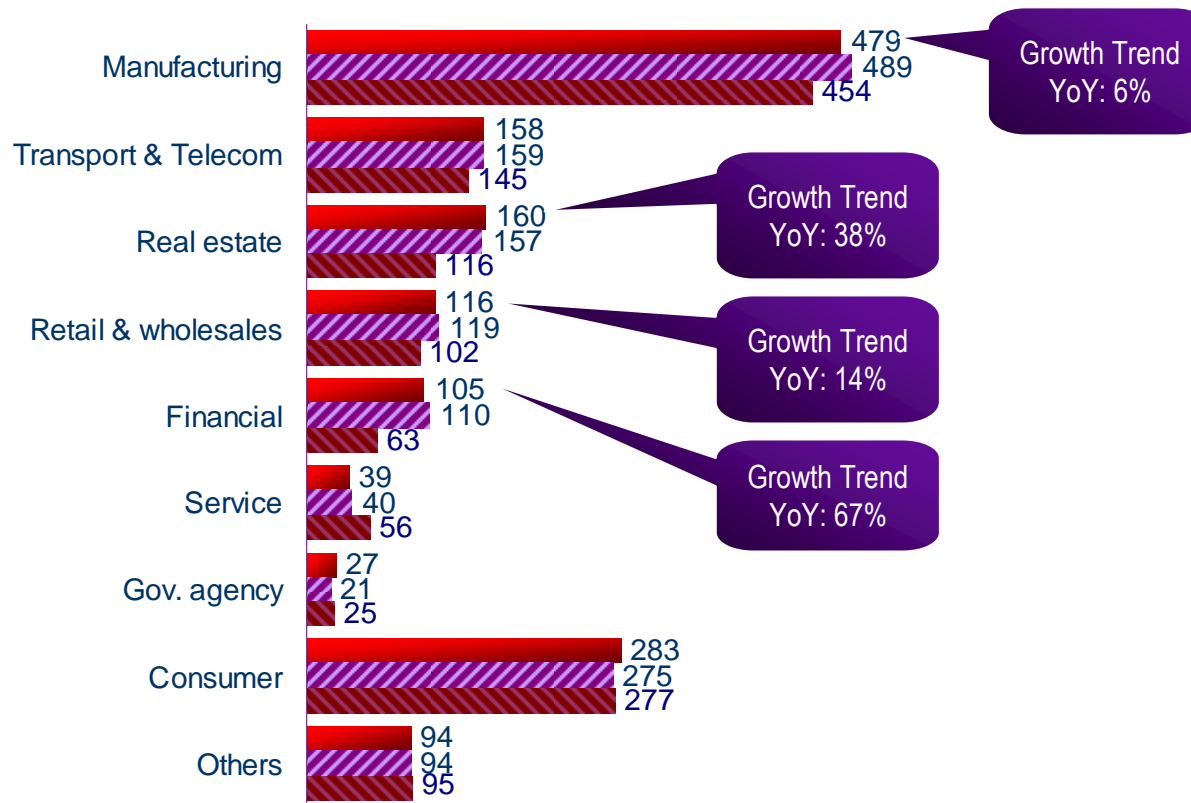
Mega Bank 4Q/11 loan breakdown by industry*

■ 4Q/11

▨ 3Q/11

▩ 4Q/10

Unit: NT\$BN

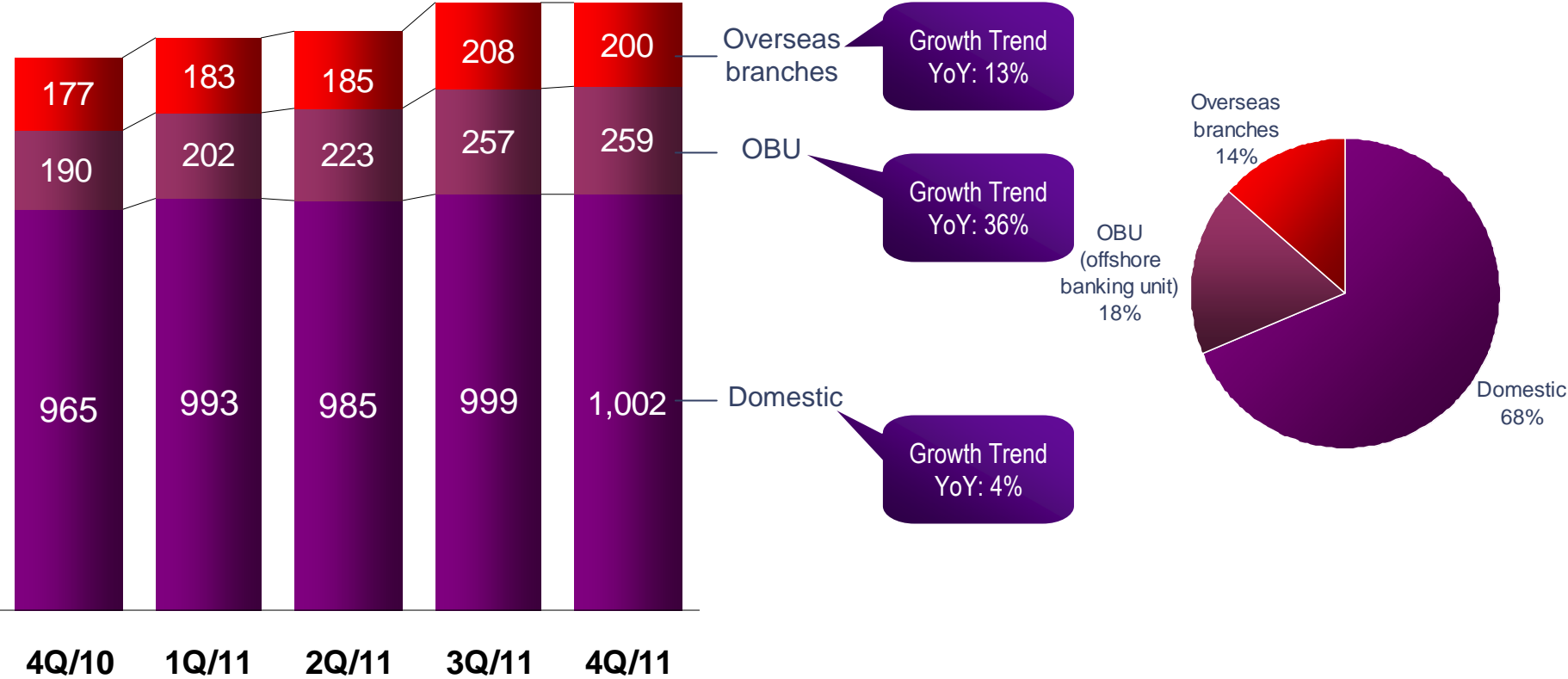


* Mega Bank un-audited numbers, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

Offshore loan outperformed domestic loan.

Mega Bank 4Q/11 loan breakdown by regions *

Unit: NT\$bn



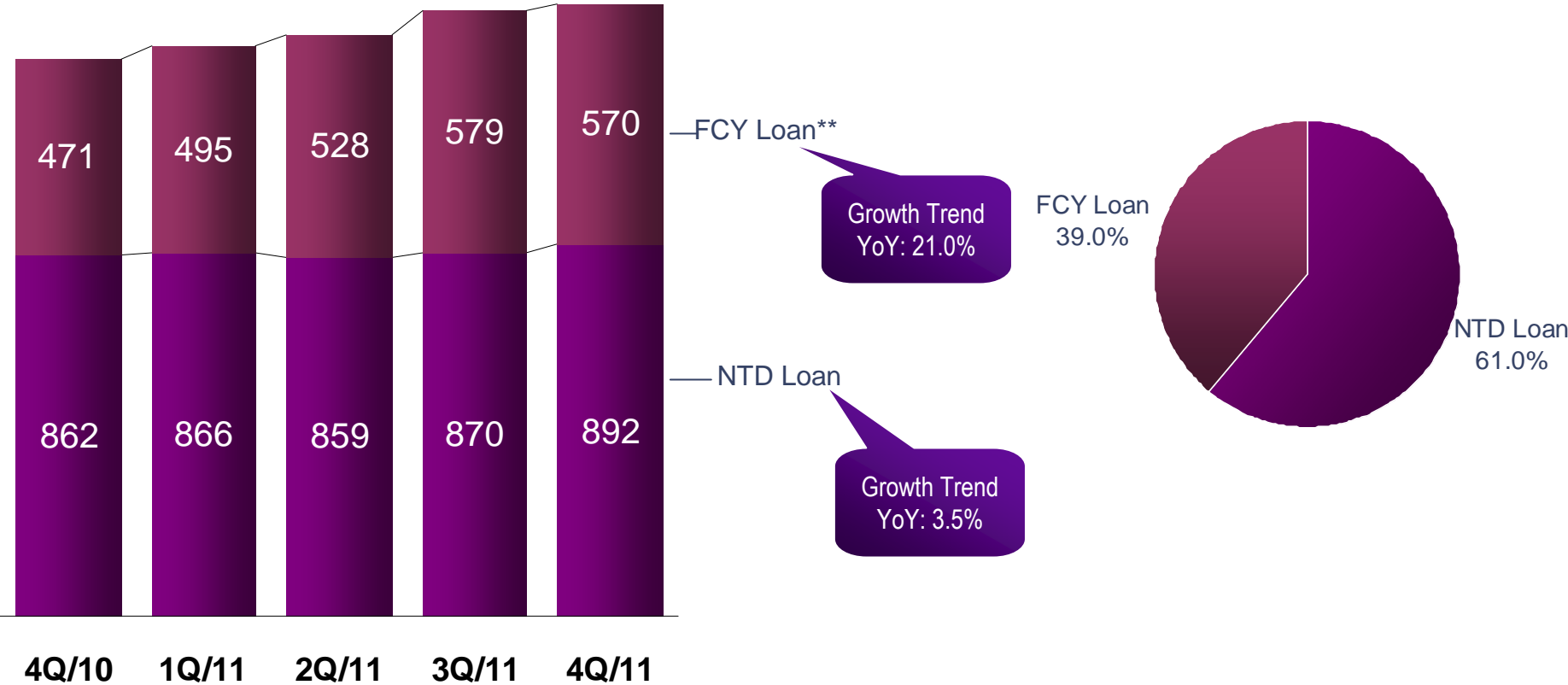
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, credit card revolving and non-accrual loan but excludes guarantee.

** OBU stands for Off-shore Banking Unit

FCY loan extended to 39% of total loan.

Mega Bank 4Q/11 loan breakdown by currency: NTD vs. foreign currency loan *

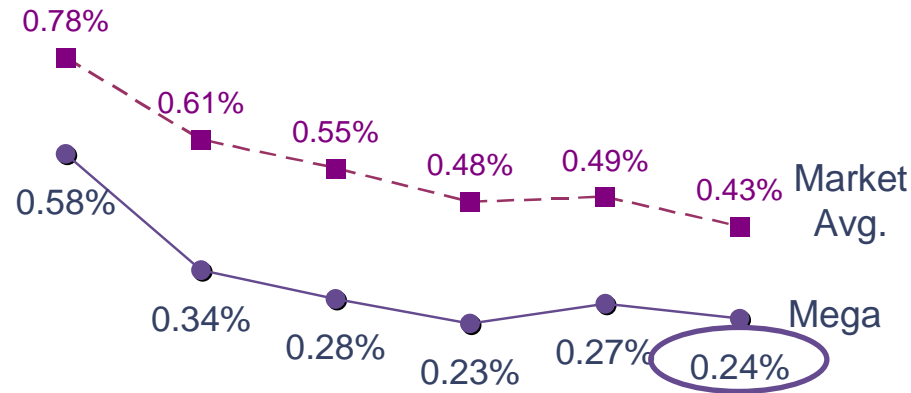
Unit: NT\$bn



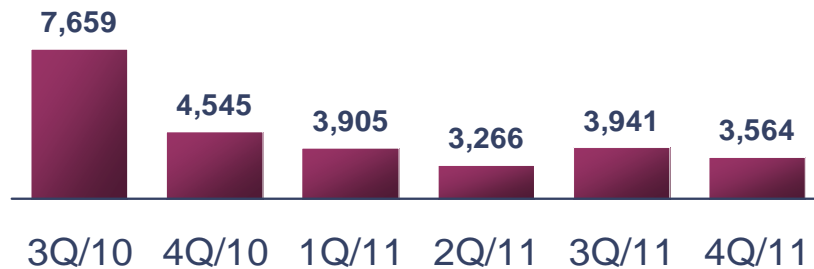
* Mega Bank quarterly un-audited end balance, includes loan, factoring, A/R financing, L/C, and non-accrual loan but excludes credit card & guarantee. Foreign currency loan includes OBU, overseas branch and some domestic branch loan.

LLR / total loan ratio reached 1.05%.

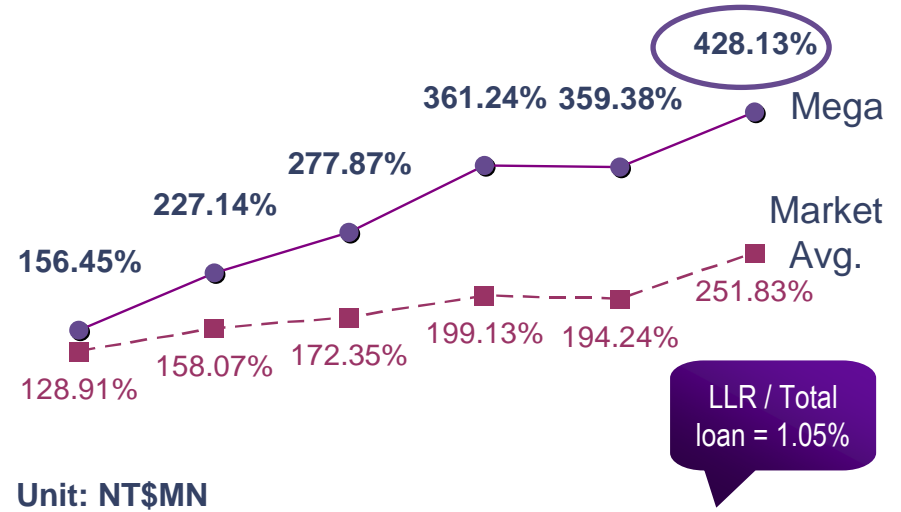
Mega Bank NPL balance & NPL ratio*



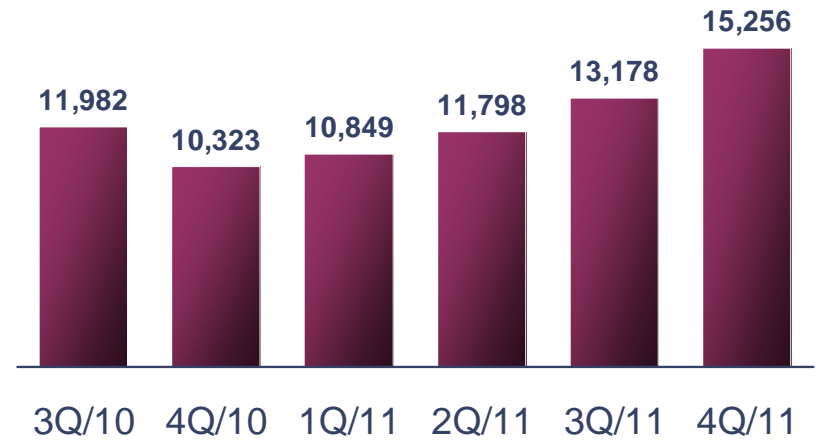
Unit: NT\$MN



Mega Bank loan loss reserved and coverage ratio*



Unit: NT\$MN



LLR / Total loan = 1.05%

* 90 days standard

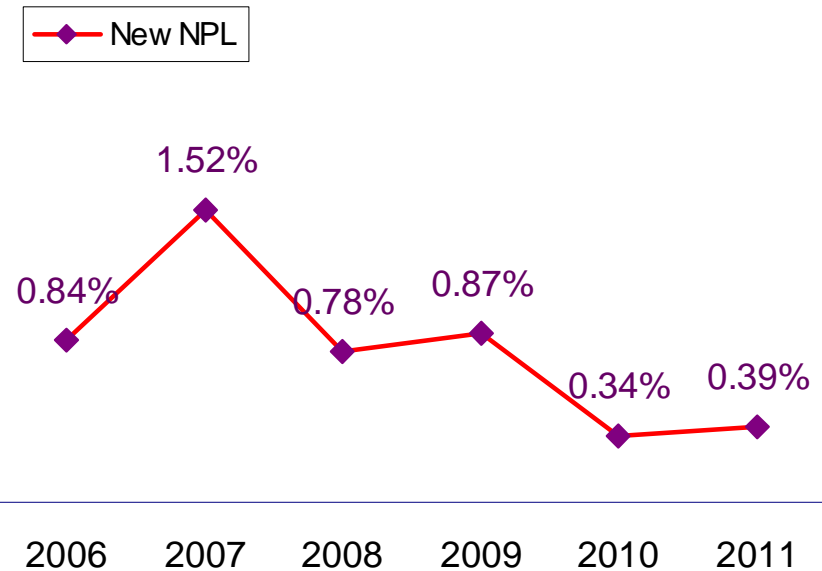
** 3Q/11 & 4Q/11 number excludes Promos exposure.

NPL ratio trend remained stable.

Mega Bank NPL ratio by customer *



Mega Bank new NPL as % of total loan **



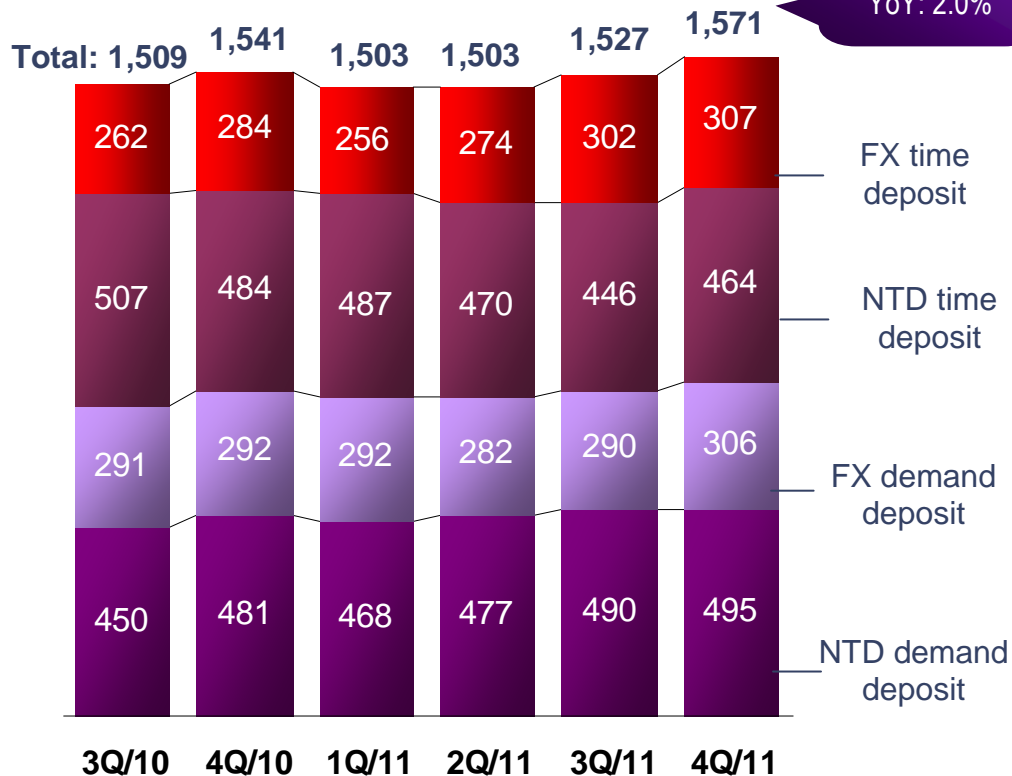
* Excludes gov. loan, gov-linked corp. loan and other corp. loan, which all have 0% NPL.

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

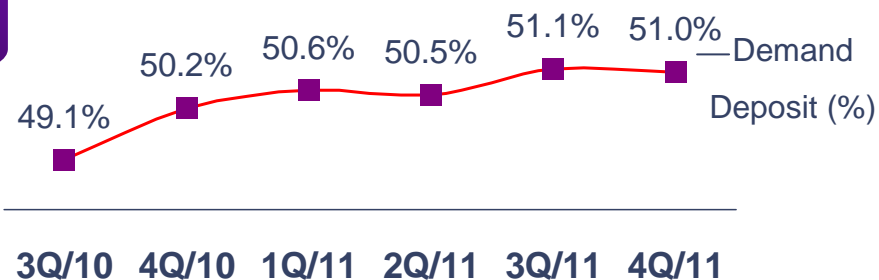
Total deposit grew 2% YoY.

Mega Bank's deposit balance *

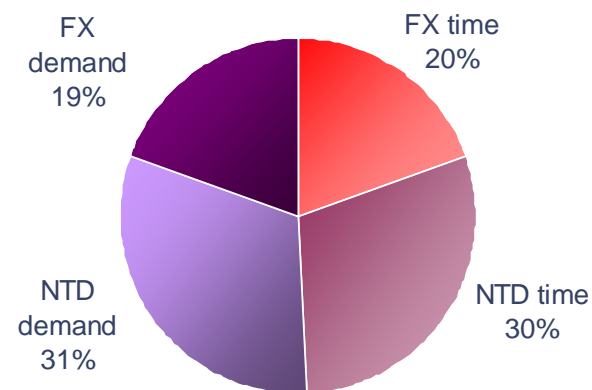
Unit:NT\$bn



Mega Bank's demand deposit trend (%)



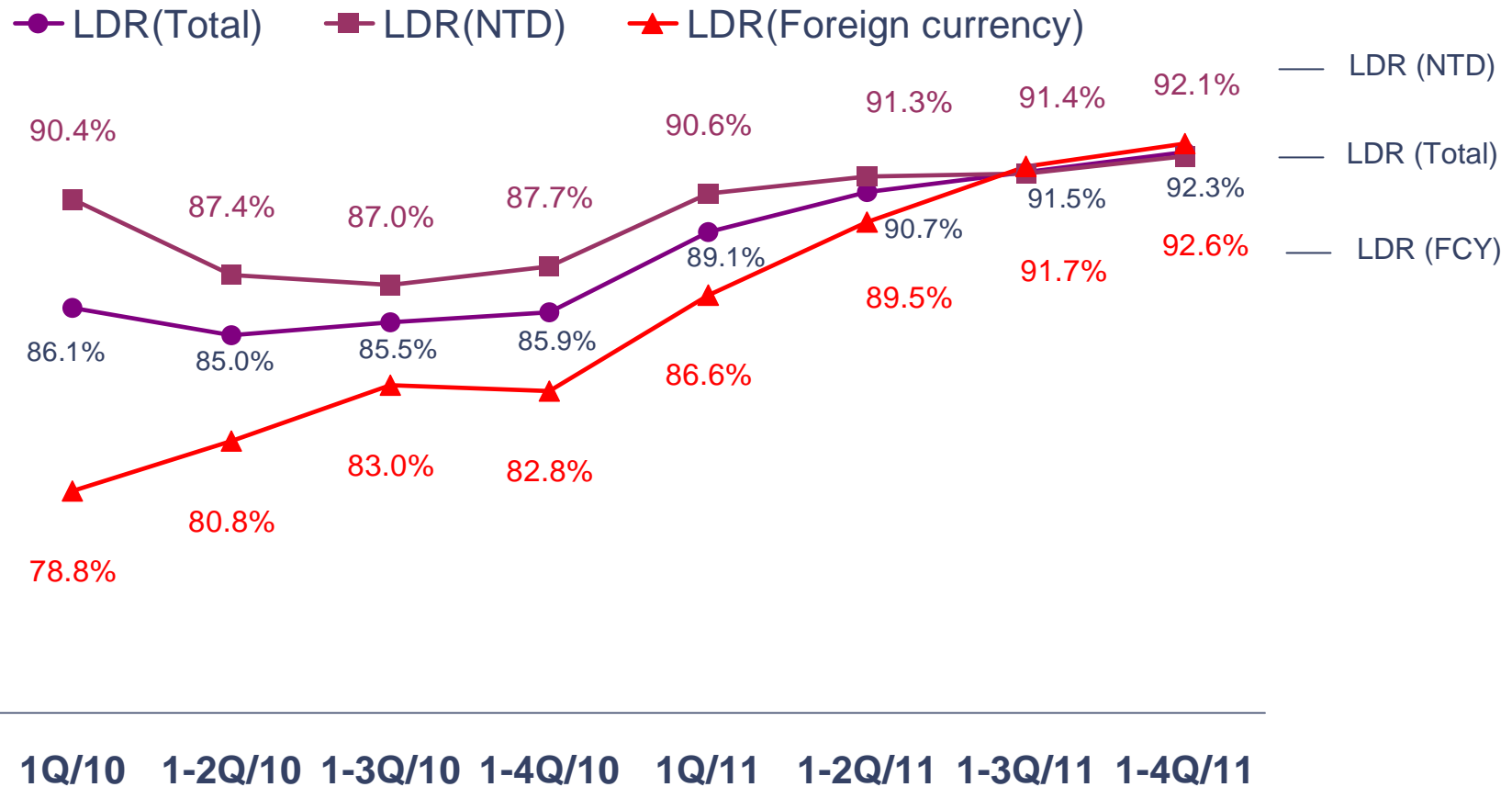
Mega Bank's 4Q/11 deposit breakdown



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

Funding remained loose despite higher LDR.

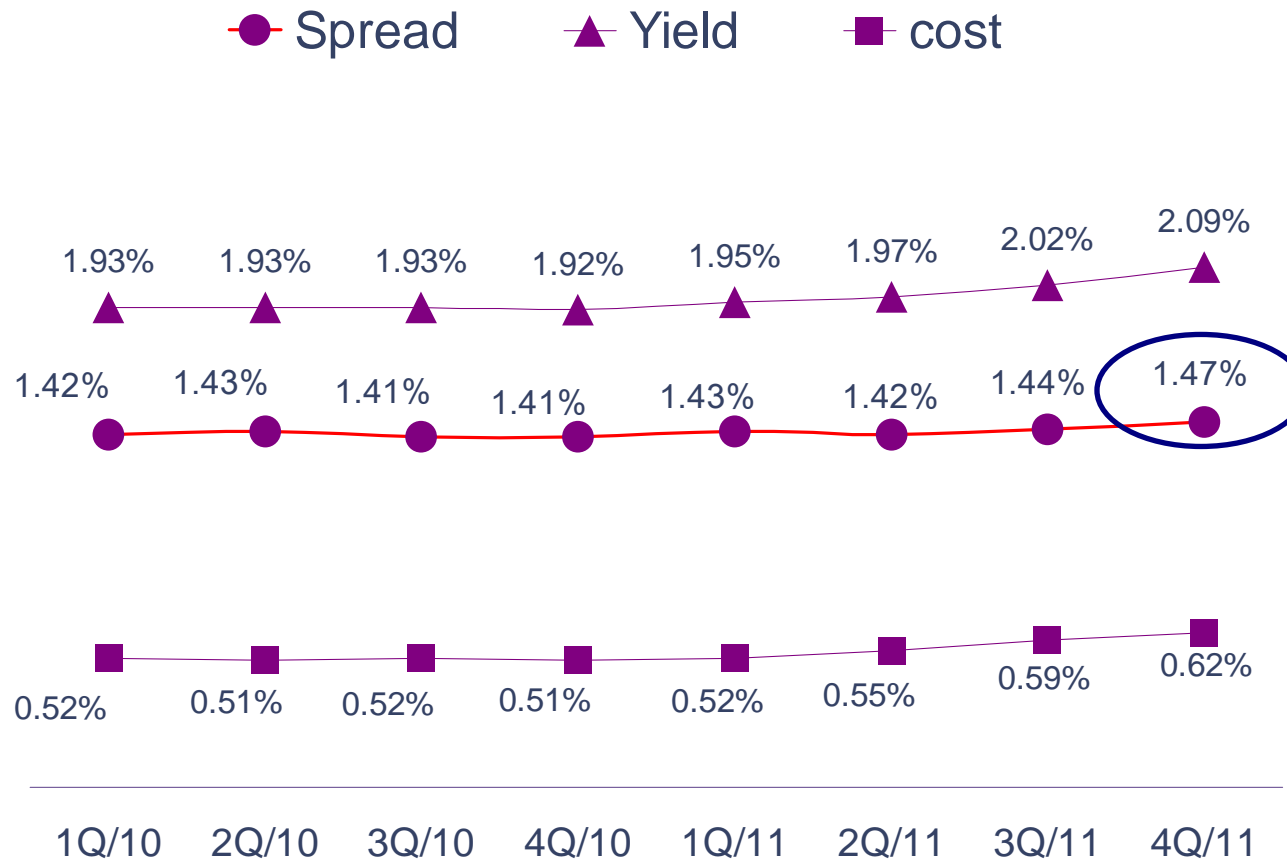
Mega Bank's loan to deposit ratio (LDR) trend*



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

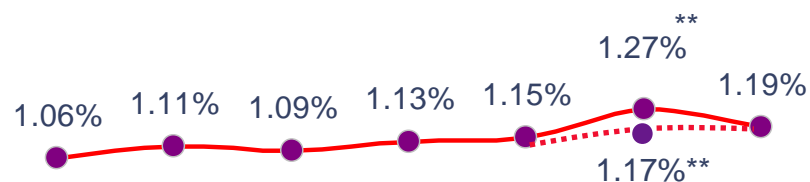
Interest spread saw minor improvement.

Mega Bank total loan interest spread

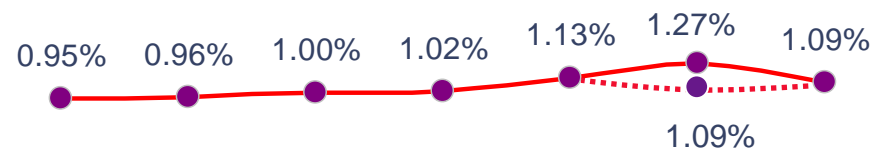


Bank NIM inched up, even w/out the one-off.

Mega Bank quarterly NIM & NII *

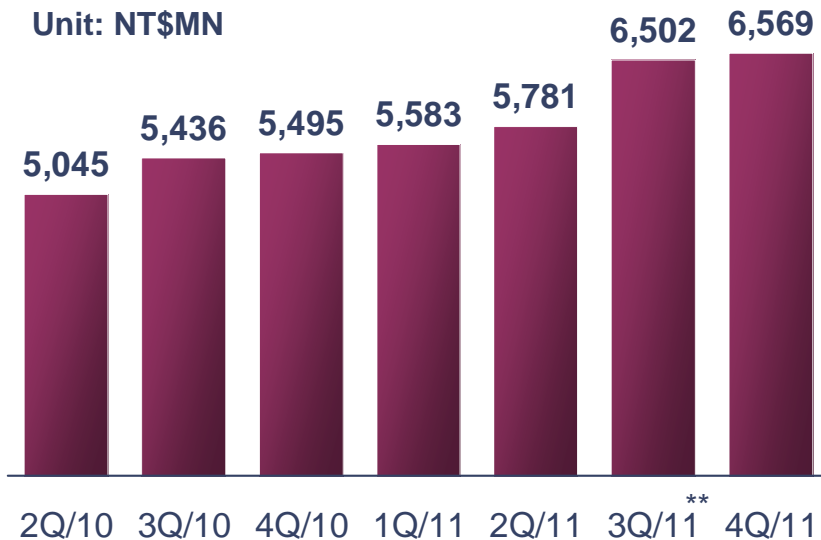


Mega Bank quarterly NTD NIM*

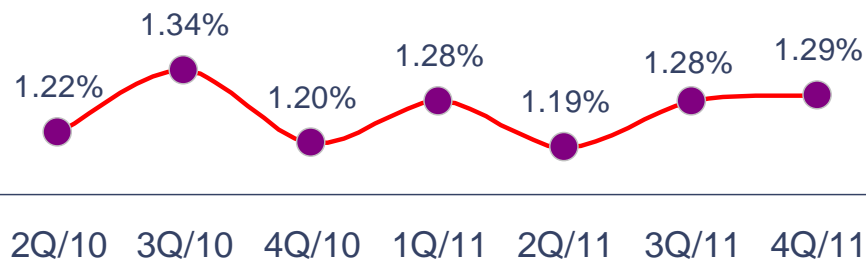


2Q/10 3Q/10 4Q/10 1Q/11 2Q/11 3Q/11 4Q/11

Unit: NT\$MN



Mega Bank quarterly foreign currency NIM*



2Q/10 3Q/10 4Q/10 1Q/11 2Q/11 3Q/11 4Q/11

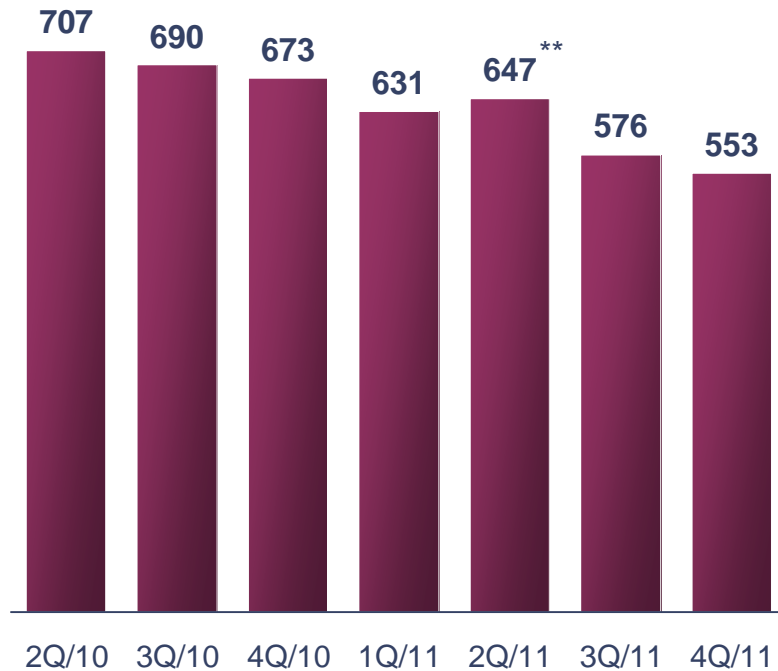
* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

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

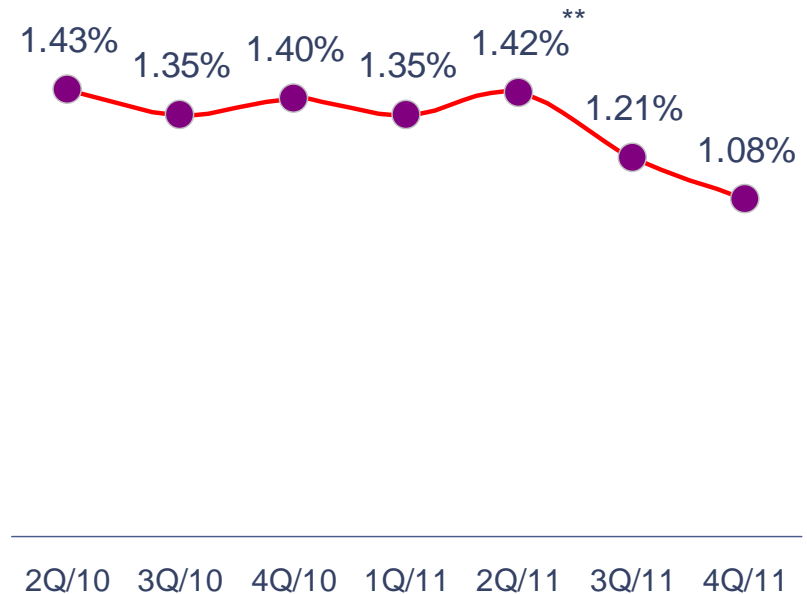
Bills NIM was down due to higher RP funding cost.

Mega Bills NII *

Unit: NT\$MN



Mega Bills NIM*



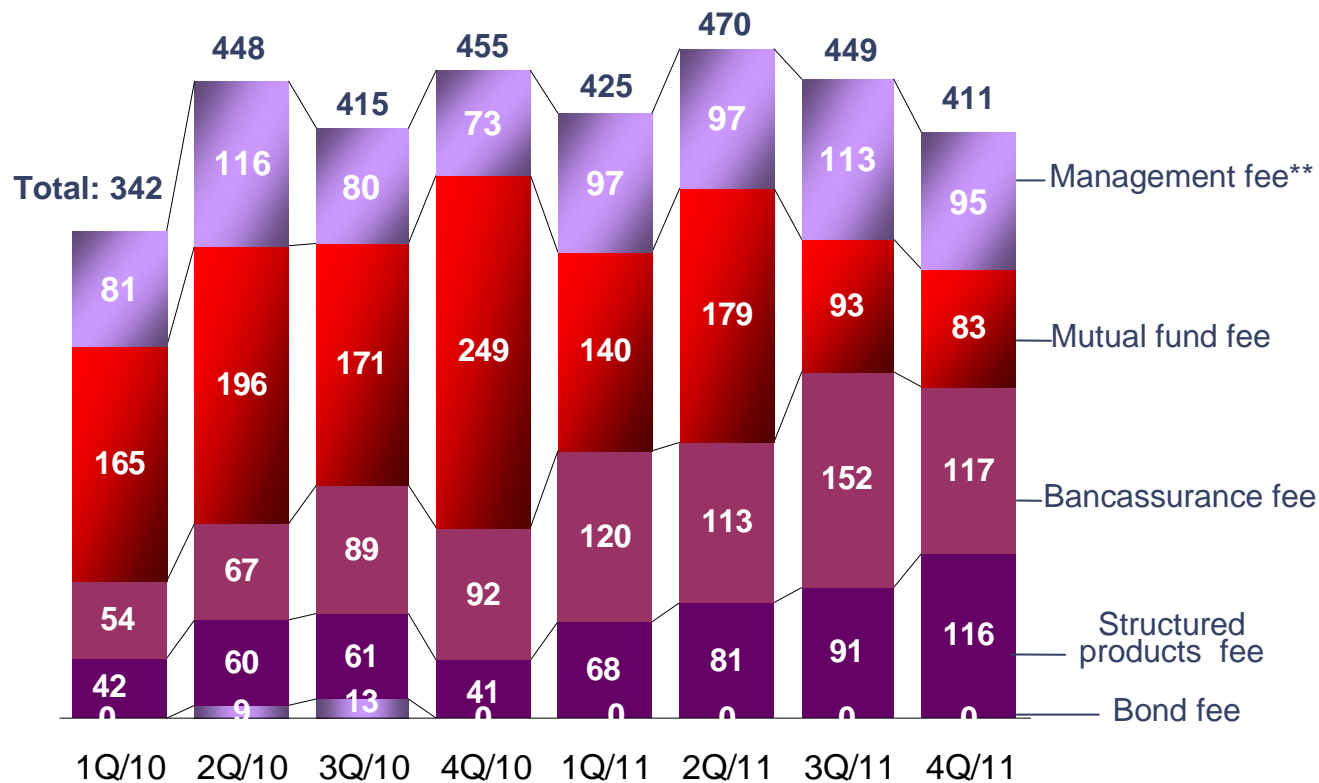
* NIM = annualized net interest income / average interest earning assets of that quarter; NII is quarterly net interest income; un-audited internal numbers.

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

Structured products fee was the only bright spot.

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

Unit: NT\$MN

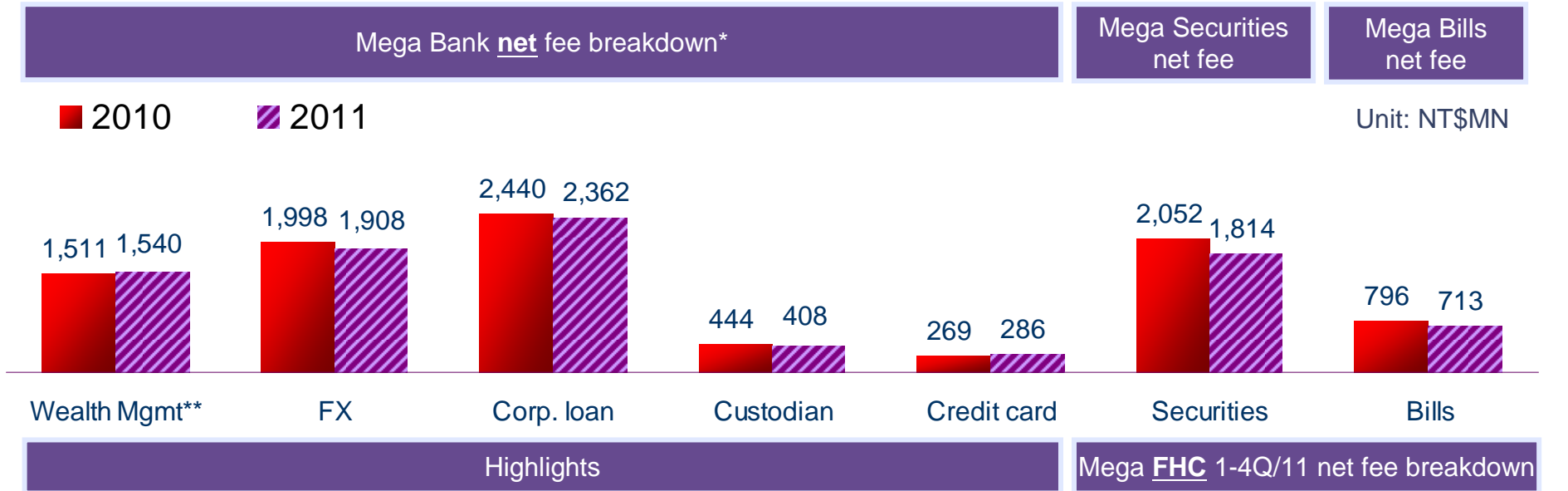


❖ Wealth mgmt gross fee was down 8% QoQ but up 6% YoY, driven by stronger bancassurance and structured products fees.

* 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 net fee was up 2% YoY due to better bancassurance sales.
- ❖ Bank sub. corp. loan fee was down 3% 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 12% 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 FHC P&L.

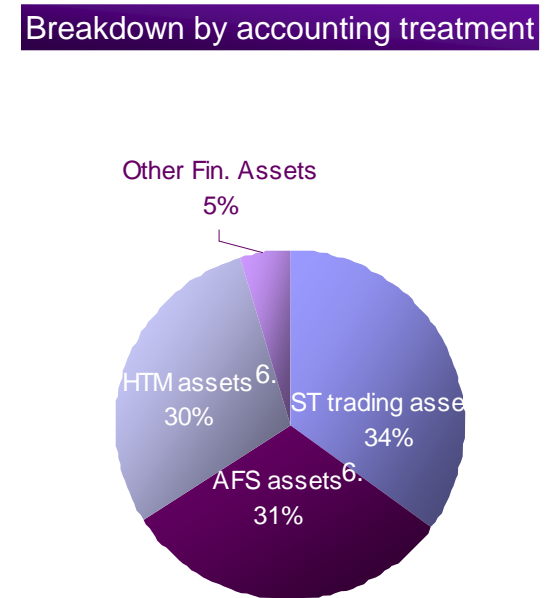
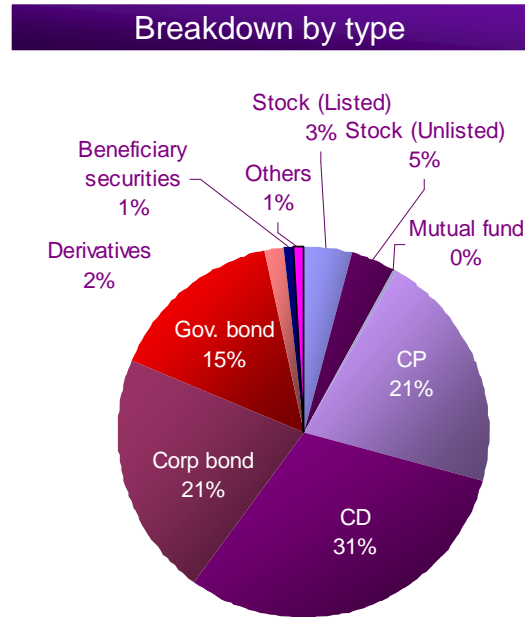
** Net wealth mgmt fee.

Conservative and diversified investment portfolio.

Mega Group 1-3Q/11 consolidated financial assets breakdown ¹

Unit: NT\$BN

	1-3Q/11	1-3Q/10	2010
Stock (Listed) ²	21	23	28
Stock (Un-listed) ³	21	21	21
Mutual fund	1	2	3
Commercial papers	108	89	94
Certificate of deposit	160	231	224
Corporate bond ⁴	111	110	111
Government bond ⁵	80	100	94
Derivatives	8	7	7
Beneficiary securities	4	6	5
Others	5	1	2
Total	519	590	589



1. 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 1-3Q/11 audited consolidated financial statement.
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

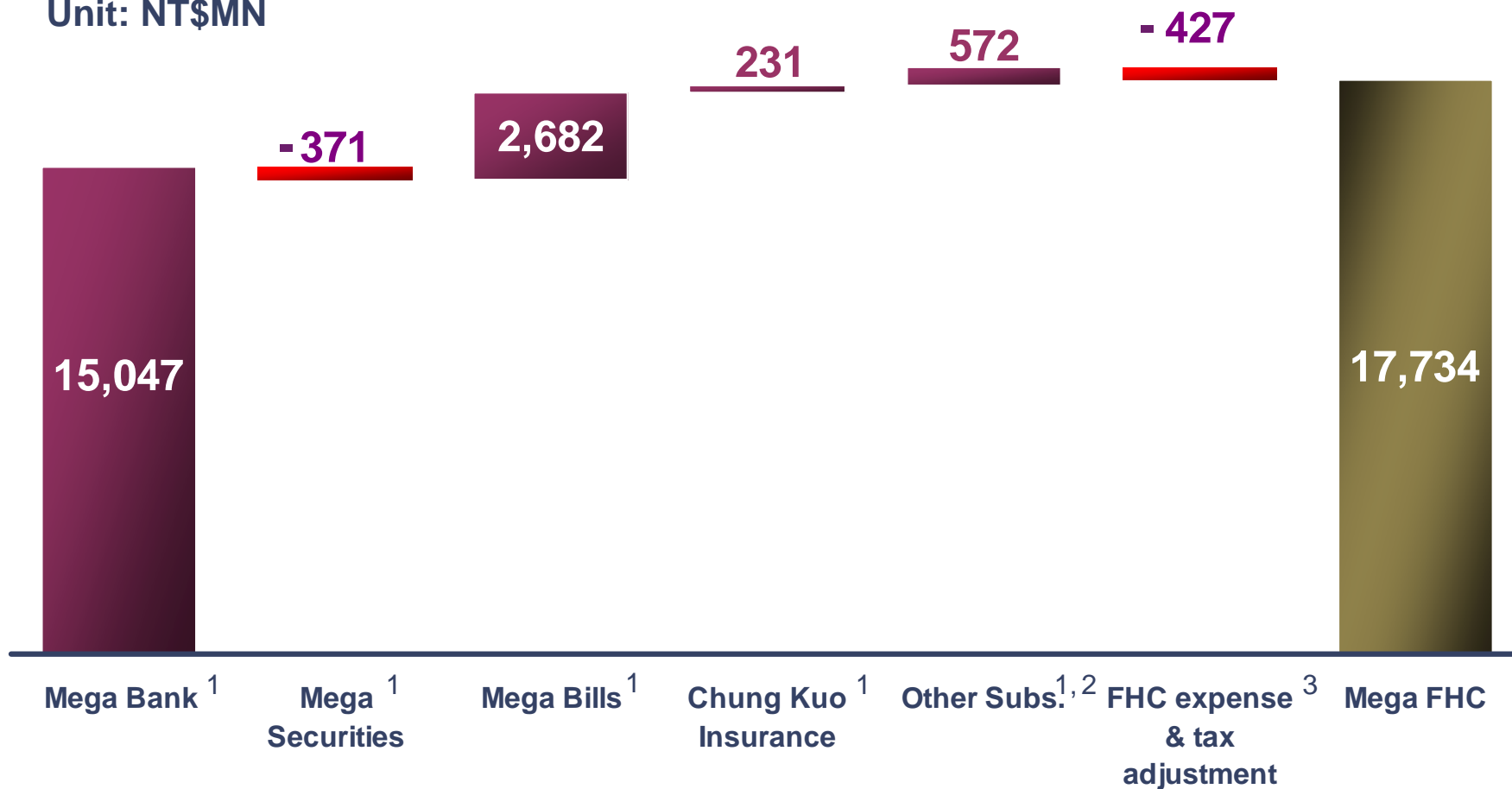


Appendix

Most subs posted strong earnings in 1-4Q/11.

1-4Q/11 earning contribution by subsidiary

Unit: NT\$MN



1. Un-audited subsidiary earning

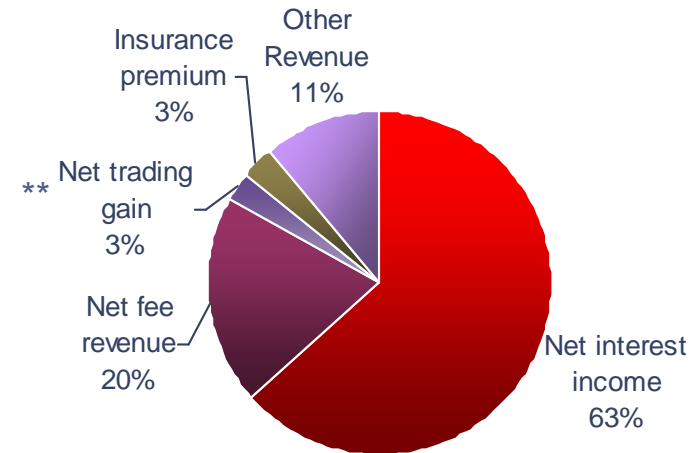
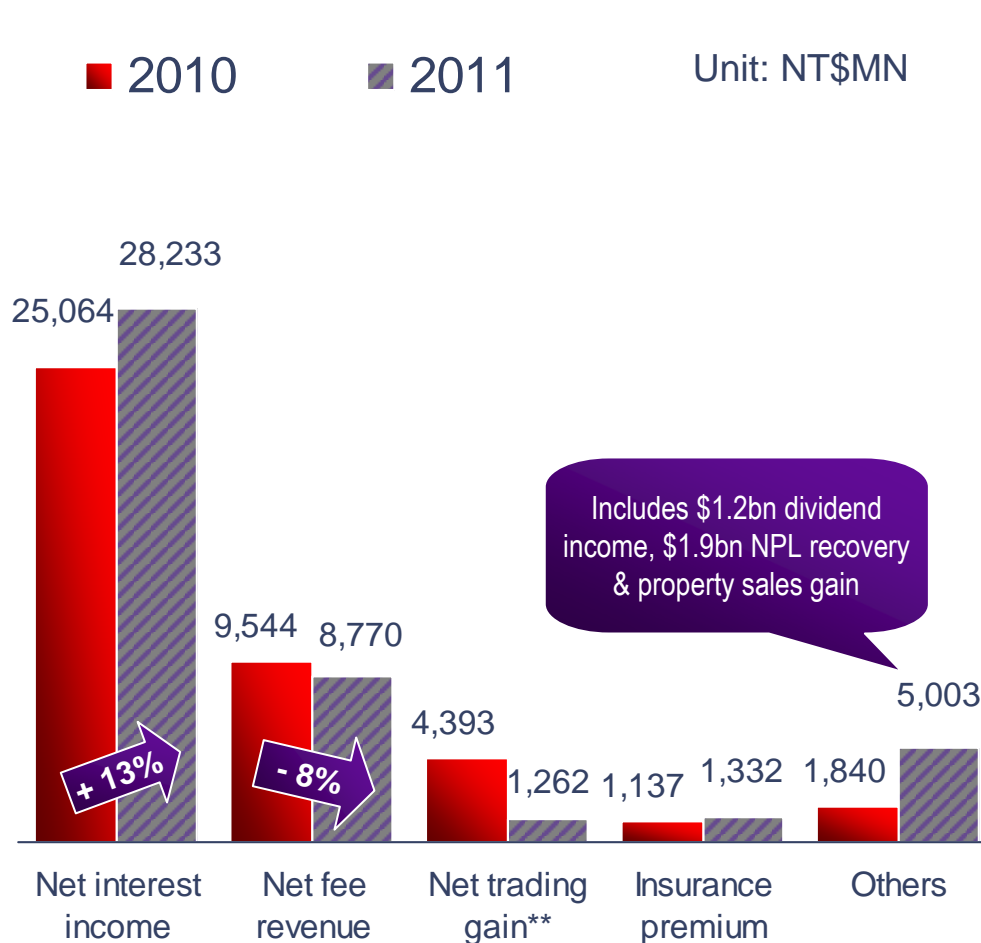
2. Include Mega Int'l Investment Trust, Mega AMC, Mega Life Insurance Agent, Mega VC

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

Group net revenue was up 6% YoY.

Mega Group consolidated net revenue *

Mega Group 1-4Q/2011 net revenue breakdown



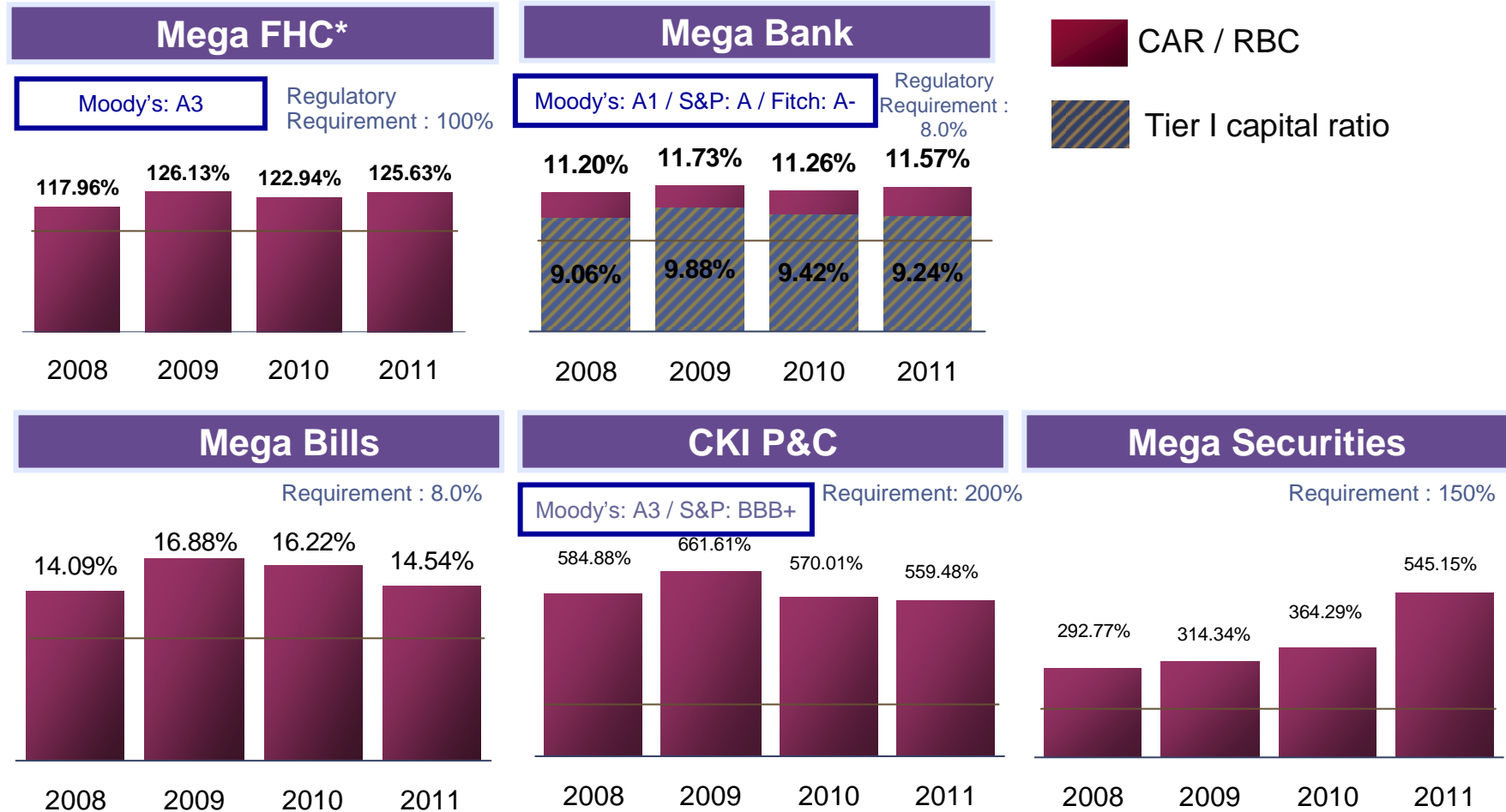
Highlights

- ❖ Group net revenue was up 6% YoY due to strong NII performance.
- ❖ NII was up 13% YoY due to improved NIM and stronger loan growth.
- ❖ Fee revenue was down 8% due to slower syndication loan and securities brokerage fees.

* Un-audited figures.

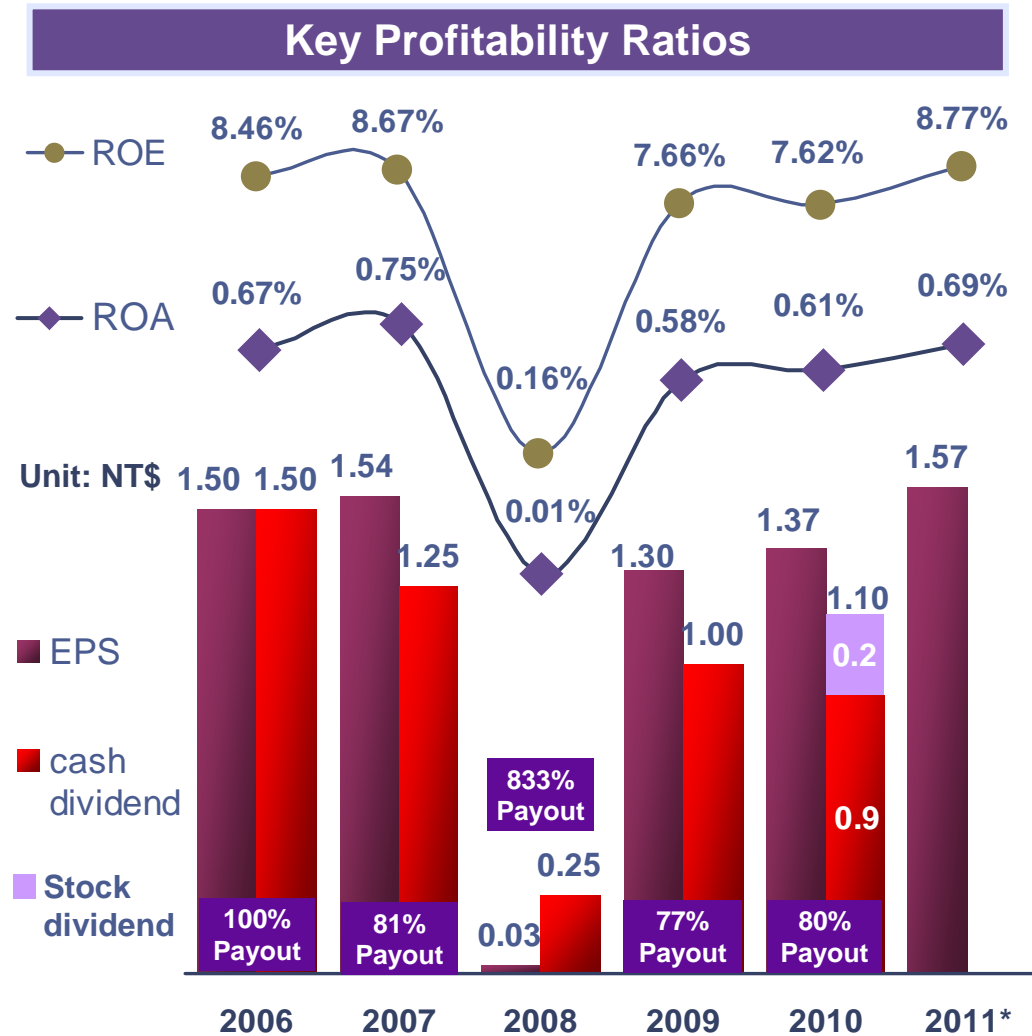
** Net trading gain includes short-term assets, AFS assets, HTM assets, equity method assets, property and FX service derived trading gain, and minus (add) asset impairment loss (write back).

Well-capitalized for Basel III requirements



* Net of investments in subsidiaries
 ** 2011 numbers are un-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.

* 2011 are Un-audited numbers.

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 and **Bangkok branches**, expecting to add Suzhou branch soon.

China Initiatives

- ❖ Mega Bank **Suzhou** rep. office **branch upgrade** was approved by CBRC of China, grand-opening in 1H/12.
- ❖ 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, Agricultural Bank of China and **Shanghai Pudong Development Bank** recently 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.

2011 Mega FHC consolidated P&L statement*

<i>NT\$MN, except per share data</i>	2011*	2010*	YoY	2010*
Net interest income	28,233	25,064	13%	25,064
Net fee revenue	8,770	9,544	-8%	9,544
Insurance premium	1,332	1,137	17%	1,137
Gain from fin. assets at fair value thru P&L	-1,316	1,998	-	1,998
Available for sales asset gain	1,159	1,248	-7%	1,248
Hold to maturity asset gain	9	22	-59%	22
Equity method investment gain	-11	183	-	183
Property investment gain	25	2	1150%	2
FX spread gain	1,469	2,021	-27%	2,021
Asset impairment loss (write-back)	-73	-1,081	-	-1,081
Other non-interest revenue (net)	5,003	1,840	172%	1,840
Operating net revenue	44,600	41,977	6%	41,977
Operating expense	-21,023	-20,993	0%	-20,993
Pre-provision operating profit	23,577	20,984	12%	20,984
Provision expense on loan	-2,415	-2,234	8%	-2,234
Reserved on insurance	57	-110	-152%	-110
Pretax profit	21,219	18,640	14%	18,640
Tax	-3,478	-3,490	0%	-3,490
Minority shareholder interest	-7	-39	-	-39
Net profit	17,734	15,111	17%	15,111
EPS (NT\$)	1.57	1.37	15%	1.37

Includes \$1.2bn dividend income, \$1.9bn NPL recovery & property sales gain

Cost-to-income ratio: 47%

* 2011 are un-audited numbers.

2011 Mega FHC consolidated balance sheet*

NT\$MN	2011*	2010*	YoY	2010*	YTD
Assets:					
Cash and due from banks	498,313	398,186	25%	398,186	25%
Bills and bonds under RP agreement	1,011	1,784	-43%	1,784	-43%
Fin. assets at fair value through P&L	190,766	162,320	18%	162,320	18%
AFS financial assets	161,831	185,898	-13%	185,898	-13%
HTM financial assets	131,459	217,840	-40%	217,840	-40%
Other financial assets	19,831	23,460	-15%	23,460	-15%
A/R, net	107,392	147,486	-27%	147,486	-27%
Loan, net	1,462,450	1,336,835	9%	1,336,835	9%
Equity method LT investments, net	2,465	2,575	-4%	2,575	-4%
Land, premises and equipments, net	21,811	21,608	1%	21,608	1%
Others	21,579	11,715	84%	11,715	84%
Total assets	2,618,908	2,509,708	4%	2,509,708	4%
Liabilities					
Due to banks	439,139	361,273	22%	361,273	22%
Deposits	1,579,727	1,558,573	1%	1,558,573	1%
CP & Bond payable	63,250	61,912	2%	61,912	2%
Bills & bonds sold under repurchase agreement	199,581	181,817	10%	181,817	10%
Other liabilities	133,978	144,892	-8%	144,892	-8%
Total liabilities	2,415,675	2,308,467	5%	2,308,467	5%
Capital stock (common stock)	112,806	110,594	2%	110,594	2%
Capital surplus	43,426	43,426	0%	43,426	0%
Retain earning	42,014	35,967	17%	35,967	17%
Equity adjustment items	4,688	10,883	-57%	10,883	-57%
Minority shareholder interest	299	370	-19%	370	-19%
Total stockholders' equity	203,233	201,241	1%	201,241	1%
Total liabilities and stockholders' equity	2,618,908	2,509,708	4%	2,509,708	4%
Book value per share (NT\$)	17.99	18.20	-1%	18.20	-1%

* 2011 are un-audited numbers.

2011 Mega Bank P&L statement*

<i>NT\$MN, except per share data</i>	2011*	2010	YoY	2010
Net interest income	24,627	21,133	17%	21,133
Net fee revenue	6,100	6,516	-6%	6,516
Gain from fin. assets at fair value thru P&L	-305	910	-	910
Available for sales asset gain	438	659	-34%	659
Hold to maturity asset gain	9	22	-59%	22
Equity method investment gain	183	353	-48%	353
FX spread gain	1,515	2,077	-27%	2,077
Asset impairment loss (write-back)	255	-836	-	-836
Cost method investment gain	-195	580	-134%	580
Other non-interest revenue (net)	4,220	-186	-	-186
Operating net revenue	36,846	31,227	18%	31,227
Operating expense	-16,834	-15,848	6%	-15,848
Pre-provision operating profit	20,012	15,379	30%	15,379
Provision expense on loan	-2,452	-1,928	27%	-1,928
Pretax profit	17,560	13,451	31%	13,451
Tax	-2,513	-2,280	10%	-2,280
Net profit	15,047	11,172	35%	11,172
EPS (NT\$)	2.21	1.74	27%	1.74

Includes \$1.2bn dividend income, \$1.9bn NPL recovery & property sales gain

Cost-to-income ratio is 46%

* 2011 are un-audited numbers.

2011 Mega Bank balance sheet*

NT\$MN	2011*	2010	YoY	2010	YTD
Assets:					
Cash and due from banks	490,415	386,481	27%	386,481	27%
Bills and bonds under RP agreement	-	895	-	895	-100%
Fin. assets at fair value through P&L	41,810	34,961	20%	34,961	20%
AFS financial assets	71,270	83,200	-14%	83,200	-14%
HTM financial assets	130,949	216,526	-40%	216,526	-40%
Other financial assets	17,770	17,971	-1%	17,971	-1%
A/R, net	81,767	109,404	-25%	109,404	-25%
Loan, net	1,462,450	1,319,720	11%	1,319,720	11%
Equity method LT investments, net	2,493	9,303	-73%	9,303	-73%
Land, premises and equipments, net	14,177	13,166	8%	13,166	8%
Others (net)	8,986	5,646	59%	5,646	59%
Total assets	2,322,087	2,197,272	6%	2,197,272	6%
Liabilities					
Due to banks	436,723	354,790	23%	354,790	23%
Deposits	1,580,708	1,547,309	2%	1,547,309	2%
CP & Bond payable	42,600	34,800	22%	34,800	22%
Bills & bonds sold under repurchase agreement	7,339	4,286	71%	4,286	71%
Other liabilities	91,678	98,339	-7%	98,339	-7%
Total liabilities	2,159,048	2,039,524	6%	2,039,524	6%
Capital stock (common stock)	68,000	64,110	6%	64,110	6%
Capital surplus	33,070	33,070	0%	33,070	0%
Retain earning	59,260	54,711	8%	54,711	8%
Equity adjustment items	2,706	5,857	-54%	5,857	-54%
Total stockholders' equity	163,036	157,748	3%	157,748	3%
Total liabilities and stockholders' equity	2,322,087	2,197,272	6%	2,197,272	6%
Book value per share (NT\$)	23.98	24.61	-3%	24.61	-3%

* 2011 are un-audited numbers.

Agenda



Operation Highlights



Financial Performance



Appendix

Well established size and scale

1-4Q/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	2,619	2,322	37	193	15	0.9	11	0.2	0.7
Equity	203	163	14	33	5	0.8	2.6	0.1	0.7
After-tax earning	17.7	15.0	(0.37)	2.7	0.2	0.12	0.43	0.09	(0.07)
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

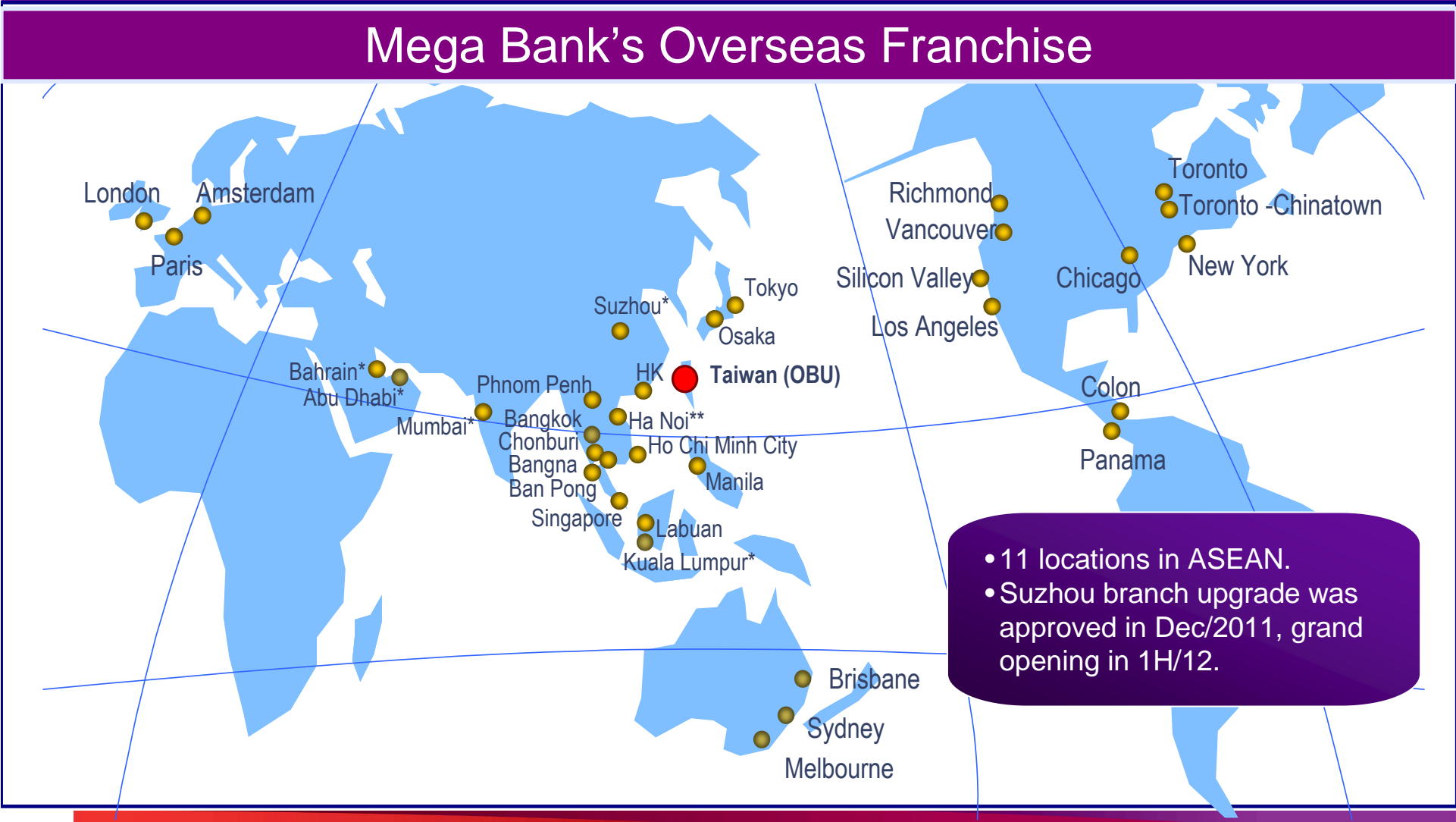
Enhancing capital utilization with effective capital allocation

Sys. integration

Integrating information systems and information sharing services

Strengthening risk management system

Most internationalized local bank.



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

** Pending approval for bank branch / rep. office