

SO WHAT? THE BNP PARIBAS ANGLE

INDUSTRY OUTLOOK: ← →

- Reduce 2009E earnings by 56% due to rising NPL risk; however, we don't foresee First recap risk under worst case scenario.
- Remain cautious on TW banks due to worsening fundamentals. We are 20% lower than street for 08E.

Net Profit 08 TWD9.5b
..... (Unchanged)

Diff from Consensus... (20%)
Consensus (mean) TWD11.8b
Consensus (momentum) ↓

Target Price TWD15.30
..... (From TWD16.50)

Diff from Consensus.. (39%)
Consensus (median) TWD25.00
Consensus (momentum)..... ↑

Current Price TWD13.65
Upside/(Downside)..... 12.1%

BUY
(Unchanged)

Recs in the Market	
Positive	13
Neutral	2
Negative	2
Consensus (momentum).....	↓

Sources: Thomson One Analytics; Bloomberg; BNP Paribas estimates

- First FHC's line of defense under worst-case scenario: government's implicit support to pump in 11% equity.
- Share price already priced in to NPL's rise to 4% level and 15% book value erosion. Further downside limited to 10%.
- Accumulate when price drop further but do not chase. Cut TP to 15.30 based on 2009E P/BV 0.9x.

Above legal requirement for capital

Stress testing : no equity recap needed if NPL below 4%
Asset quality debate regarding First FHC prompted us to conduct recap simulation. Under our base case with 100bp credit cost, mid case with 200bp and worst case with 300bp stress testing, we believe that as long as First can control NPL ratio below 4% (or credit cost 200bp as our mid case), there is very low possibility that First will need to recapitalize its equity base in 2009. However, if Taiwan's economy is worse than expected and the NPL ratio hits 6% level (or credit cost 300bp as our worst case), First might need to raise equity capital as a precautionary measure. Taiwan's legal minimum is 8% for tier 1 and tier 2 capital ratio. But we set our "comfort zone" as 10% for stress testing. In our stress testing scenarios, we identified Taishin (2887 TT; REDUCE; TP: TWD4.8) as the worst affected bank; it will need fresh equity even in base case. E Sun (2884 TT; REDUCE; TP: TWD7.8) was the second worst affected bank as it barely passes the mid case scenario. This is inline with our prior call to stay away from smaller cap banks as capital becomes expensive to acquire under the current stress environment.

Preview of 3Q08 earnings : down 24% q-q and 53% y-y
We expect 3Q08 earnings to be around TWD2.0b (EPS: TWD 0.34), representing 24% q-q decrease due to lower interest income, Lehman provision and lower market-related income. We expect 4Q earnings to come in around TWD1.3b (EPS: TWD 0.20), representing another 38% q-q drop mainly due to provision increase and interest margin pressure. We have a relatively bearish stand on the overall Taiwan banking sector; our 2008 full year earnings is 20% below consensus.

Cautious on banking; accumulate selectively and slowly
We further cut 2009 earnings by 56% mainly to reflect the NPL pressure as we anticipate 08 as the beginning of NPL rising cycle combined with recession. We expect more NPL formation expected in 2009 rather than in 2008. However, we still believe First is a decent investment target as share price already factors in sharp rise in credit cost and book value erosion. First FHC now trades at 0.8x 2008E P/BV and 2008E P/E 9x. We derive our 12-month target price of TWD15.30 using SoTP valuation, which implies 0.9x 2009E P/BV and 2008E P/E 13x.

James Wu (886 2) 2175 7051
BNP Paribas Securities (Taiwan) Co Ltd
james.wu@asia.bnpparibas.com

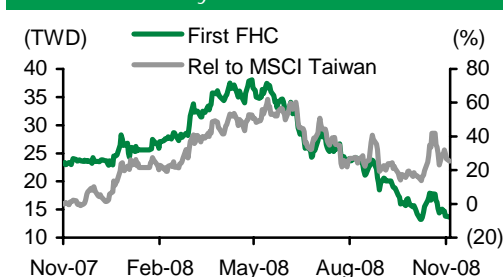
Jerry Yang (886 2) 2175 7063
BNP Paribas Securities (Taiwan) Co Ltd
jerry.yang@asia.bnpparibas.com

Earnings Estimates And Valuation Ratios

YE Dec (TWD m)	2007	2008E	2009E	2010E
Operating profit	17,229	12,330	5,307	5,034
Reported net profit	12,550	9,544	4,023	3,788
Recurring net profit	12,550	9,544	4,023	3,788
Previous rec net profit	12,485	10,461	9,493	10,186
Chg from previous (%)	0.5	(8.8)	(57.6)	(62.8)
Recurring EPS (TWD)	2.06	1.55	0.65	0.61
Prev rec EPS (TWD)	2.05	1.70	1.54	1.65
Rec EPS growth (%)	15.4	(24.8)	(57.8)	(5.8)
Recurring P/E (x)	6.6	8.8	20.9	22.2
Dividend yield (%)	12.5	8.1	3.5	3.3
Price/book (x)	0.8	0.8	0.8	0.8
Price/tangible book (x)	0.8	0.8	0.8	0.8
ROA (%)	0.77	0.56	0.22	0.20
ROE (%)	12.1	9.2	3.9	3.6

Sources: First FHC; BNP Paribas estimates

Share Price Daily vs MSCI



Next results/event	February 2009
Market cap (USD m)	2,547
12m avg daily turnover (USD m)	36.7
Free float (%)	85
Major shareholder	MoF (15%)
12m high/low (TWD)	38.09/13.25
ADR (USD)	Nil
Avg daily turnover (USD m)	Nil
Discount/premium (%)	Nil
Disc/premium vs 52-wk avg (%)	Nil

Source: Datastream

NPL assumption is the major trigger point of stress testing. More and more investors are asking about recapitalization needs in 2009. We conducted the stress test below to check how much bad debt can First take without putting pressure on equity.

Legal framework: Taiwan Banking operation requires 8% BIS capital ratio (tier 1 plus tier 2 capital) to remain in business; not extremely demanding compared to regional standard. This is relatively low compared to Korea's 10% and that of other Asian countries. Under our stress testing, we use HIGHER than legal parameters (BIS higher than 10% and tier 1 higher than 7%). Please be aware of the different legal minimum to compare banks across the region.

As for Taiwan, we do not predict Taiwan regulators will impose tougher requirements now. We simply test our "comfort zone" against First FHC.

Quick highlights of our stress testing parameters:

- 1) **Current 2008 scenario:** 1) Taiwan NPL ratio remains low at 1.5% to 1.8% level. 2) Credit cost remains well below 100bp for the majority of banks. 3) Bank remains profitable in current environment.
- 2) **Base-case scenario in 2009:** 1) Taiwan NPL ratio rises to 2% to 2.5% level. 2) Credit cost rises to around 100bp for the majority of banks. 3) Bank remains profitable but y-y earnings might drop 30% to 50%.
- 3) **Mid-case scenario in 2009:** 1) Taiwan NPL ratio rises to 3% to 4% level. 2) Credit cost rises to around 200bp for the majority of banks. 3) Bank reports net loss and might need hybrid/debt capital to boost capital adequacy ratio.
- 4) **Worst-case scenario in 2009:** 1) Taiwan NPL ratio rises to 5% to 6% level. 2) Credit cost rises to around 300bp for the majority of banks. 3) Bank loses money and will need fresh equity capital. 4) Massive bank failure likely, forced consolidation or government bailout plan required.
- 5) **Waterfall capital structure:** We also assume that the sequence of capital raising would be sub debt first, hybrid capital second and equity capital as the last resort. As the impact to sub debt would be easier to manage, equity capital raising would have direct dilution effect combined with management control issues.

We believe that First will pass the capital test even under worst-case scenario with Taiwan government's implicit support for First FHC of TWD12b equity raising (11% equity dilution). But First could also face severe problems. Under worst-case scenario in 2009, First could report significant 2009 loss of around TWD23b and book value per share could drop by 35%. Market has already priced in the mid-case for First FHC as observed in the current share price movement.

We revise our earnings forecast in light of our conservative view, key changes include 1) Lower capital market related business income (i.e. wealth management, trading income, and non-interest income): we estimate it will decline 10% y-y for 2009E, 2) Higher NPL ratio: we estimate the overall NPL ratio will increase to 2.7%, and 3) Raise credit cost assumption: we increase our credit cost assumption to 140bp for 2009 from 80bp.

Investment risk

Prolonged global recession to drive up corporate default rate and continued tightening of bank lending. Forecast further 15% downside from current level under worst-case scenario if the major real estate developers or consumer mortgages start picking up default rates.

Exhibit 1: Scenario Analysis For Capital Adequacy Test – Potential Equity Dilution

Taiwan banks	BBG code	% dilution from recap		
		Base (%)	Mid (%)	Worst (%)
First Bank	2891 TT	0	0	11
Taishin Bank	2887 TT	3	7	10
E Sun Bank	2884 TT	0	6	12
Mega Bank	2886 TT	0	0	0
Chinatrust Bank	2891 TT	0	0	0

Source: BNP Paribas estimates

Exhibit 2: Quarterly Net Profit Breakdown By Subsidiary

Year-end 31 Dec	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08
Net profit (TWD m)														
First Bank	10,219	2,611	1,816	3,185	3,306	10,918	2,701	3,064	3,644	2,616	12,026	3,530	3,418	2,074
First Taisec Sec	88	190	(127)	17	144	224	224	321	482	72	1,100	(68)	27	(182)
NITC	127	77	129	171	227	605	50	101	166	234	551	41	78	102
Others	3,741	(26)	(706)	(154)	(199)	(1,085)	(20)	(992)	125	(240)	(1,128)	(52)	(791)	79
First FHC	14,175	2,851	1,113	3,219	3,479	10,662	2,955	2,494	4,418	2,683	12,550	3,451	2,731	2,073

As % of total net income (%)

First Bank	72	92	163	99	95	102	91	123	82	98	96	102	125	100
First Taisec Sec.	1	7	(11)	1	4	2	8	13	11	3	9	(2)	1	(9)
NITC	1	3	12	5	7	6	2	4	4	9	4	1	3	5
Others	26	(1)	(63)	(5)	(6)	(10)	(1)	(40)	3	(9)	(9)	(2)	(29)	4
First FHC	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Sources: First FHC; BNP Paribas estimates

Exhibit 3: Total Equity Breakdown By Subsidiary

Year-end 31 Dec	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08
Total equity (TWD m)														
First Bank	77	84	82	85	87	87	89	85	89	90	90	94	90	90
First Taisec Sec.	6	6	6	6	6	6	6	6	7	7	7	7	7	7
NITC	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Others	8	8	6	5	7	7	7	7	8	8	8	8	4	4
First FHC	91	99	94	97	101	101	104	100	104	106	106	110	102	102

As % of total equity (%)	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08
First Bank	84	85	87	88	86	86	86	85	85	85	85	85	88	88
First Taisec Sec.	6	6	6	6	6	6	6	6	7	7	7	6	7	7
NITC	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Others	9	8	6	6	7	7	7	7	7	8	8	8	4	4
First FHC	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Sources: First FHC; BNP Paribas estimates

Exhibit 4: First FHC Capital Adequacy Test under Different Scenarios

	Jun-08	Sep-08	At the end of 2009					
	Current	Current	- Base case 110bp -		- Credit cost 200bp -		- Credit cost 300bp -	
	(TWD b)	(TWD b)	Before	After recap	Before	After recap	Before	After recap
			(TWD b)	(TWD b)	(TWD b)	(TWD b)	(TWD b)	(TWD b)
1) Capital adequacy stress test								
Tier 1								
Paid in capital	57	57	57	58	57	58	57	69
Hybrid	0	0	0	0	0	9	0	9
Retained earnings	23	25	29	29	18	18	6	6
Other Adj	(5)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Total tier I capital	75	78	81	82	70	80	59	80
Tier 2								
Subordinated debt	28	28	28	28	28	28	28	28
Other	11	10	10	10	10	10	10	10
Total tier II Capital	40	38	38	38	38	38	38	38
Total BIS capital	115	116	119	120	108	118	97	118
Risk weighted assets	1,066	1,053	1,138	1,138	1,138	1,138	1,138	1,138
BIS capital adequacy ratio (%)	10.8	11.0	10.5	10.6	9.5	10.4	8.5	10.3
Tier 1 ratio (%)	7.0	7.4	7.1	7.2	6.2	7.1	5.2	7.0
Tier 2 ratio (%)	3.7	3.6	3.3	3.3	3.3	3.3	3.3	3.3

2) Additional capital need to be injected?

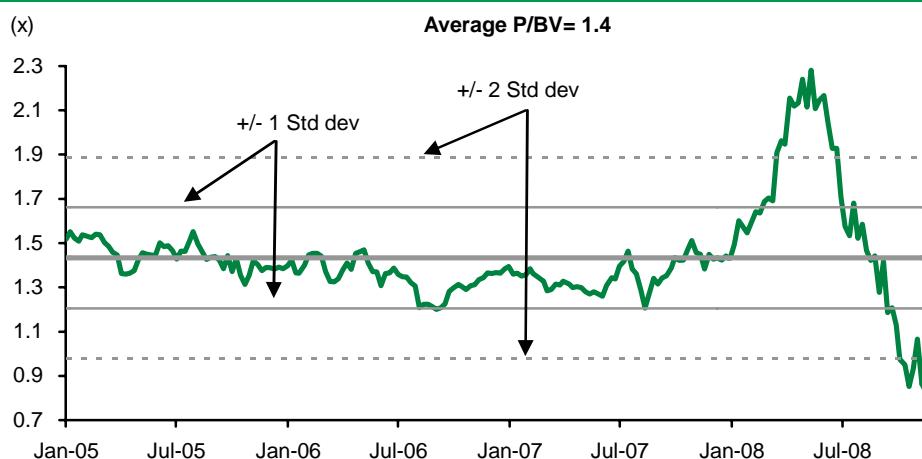
1) BIS >= 10% Total capital	TRUE	TRUE	TRUE	TRUE	5	TRUE	17	TRUE
2) Tier 1 >= 7%	TRUE	TRUE	TRUE	TRUE	9	TRUE	21	TRUE

3) Recapitalization limit and funding need

	Limit	Recap	Limit	Recap	Limit	Recap
1) Sub-debt <= 50% of Tier 1	13	—	12	—	12	—
2) Hybrid <= 15 % of Tier 1	12	—	11	9	9	9
3) Rights issuance (Equity)		—		—		12

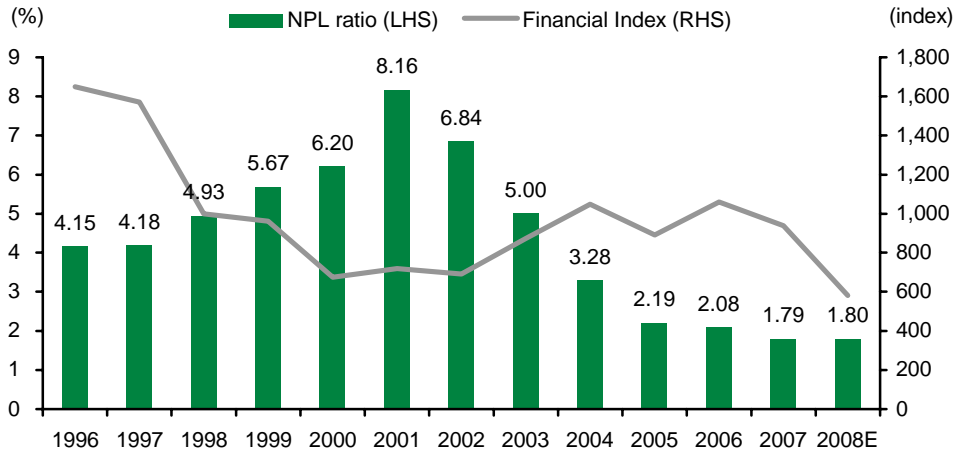
Source: BNP Paribas estimates

Exhibit 5: First FHC (2892 TT) 12 Month Forward P/BV Band Chart



Sources: TEJ; BNP Paribas estimates

Exhibit 6: Taiwan NPL Ratio & Financial Index Comparison



Sources: TEJ; BNP Paribas estimates

FINANCIAL STATEMENTS

First FHC

Profit and Loss (TWD m)					
Year Ending December	2006A	2007A	2008E	2009E	2010E
Interest income	43,293	49,212	46,121	48,222	51,147
Interest expense	(22,576)	(26,709)	(25,216)	(26,676)	(28,422)
Net interest income	20,716	22,503	20,905	21,545	22,726
Net fees & commission	6,166	8,778	8,042	7,429	6,880
Foreign exchange trading income	-	-	-	-	-
Securities trading income	3,450	4,260	3,161	2,911	2,622
Dividend income	-	-	-	-	-
Other income	4,581	3,756	2,218	2,340	2,388
Non interest income	14,197	16,794	13,421	12,680	11,890
Total income	34,913	39,297	34,326	34,225	34,615
Staff costs	(10,711)	(11,205)	(11,478)	(11,836)	(12,205)
Other operating costs	(4,590)	(4,802)	(4,919)	(5,072)	(5,231)
Operating costs	(15,301)	(16,007)	(16,397)	(16,908)	(17,436)
Pre provision operating profit	19,612	23,290	17,929	17,317	17,179
Provisions for bad and doubtful debts	(4,736)	(6,062)	(5,599)	(12,010)	(12,146)
Other provisions	-	-	-	-	-
Operating profit	14,876	17,229	12,330	5,307	5,034
Recurring non operating income	(671)	(593)	(20)	(72)	(103)
Associates	-	-	-	-	-
Goodwill amortisation	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	14,205	16,636	12,310	5,235	4,930
Tax	(3,544)	(4,086)	(2,766)	(1,212)	(1,143)
Profit after tax	10,662	12,550	9,544	4,023	3,788
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	10,662	12,550	9,544	4,023	3,788
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	10,662	12,550	9,544	4,023	3,788
Per share (TWD)					
Recurring EPS *	1.79	2.06	1.55	0.65	0.61
Reported EPS	1.79	2.06	1.55	0.65	0.61
DPS	1.00	1.70	1.10	0.47	0.45
Growth					
Net interest income (%)	2.1	8.6	(7.1)	3.1	5.5
Non interest income (%)	64.4	18.3	(20.1)	(5.5)	(6.2)
Pre provision operating profit (%)	44.7	18.8	(23.0)	(3.4)	(0.8)
Operating profit (%)	61.2	15.8	(28.4)	(57.0)	(5.2)
Reported net profit (%)	(23.8)	17.7	(24.0)	(57.8)	(5.8)
Recurring EPS (%)	21.0	15.4	(24.8)	(57.8)	(5.8)
Reported EPS (%)	(25.6)	15.4	(24.8)	(57.8)	(5.8)
Income breakdown					
Net interest income (%)	59.3	57.3	60.9	63.0	65.7
Net fees & commission (%)	17.7	22.3	23.4	21.7	19.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	9.9	10.8	9.2	8.5	7.6
Dividend income (%)	-	-	-	-	-
Other income (%)	13.1	9.6	6.5	6.8	6.9
Operating performance					
Gross interest yield (%)	3.38	3.99	3.50	3.45	3.47
Cost of funds (%)	1.65	1.90	1.71	1.71	1.74
Net interest spread (%)	1.74	2.09	1.79	1.74	1.73
Net interest margin (%)	1.62	1.82	1.59	1.54	1.54
Cost/income (%)	43.8	40.7	47.8	49.4	50.4
Cost/assets (%)	0.98	0.98	0.96	0.95	0.93
Effective tax rate (%)	24.9	24.6	22.5	23.2	23.2
Dividend payout on recurring profit (%)	56.0	82.5	71.1	72.6	72.8
ROE (%)	11.1	12.1	9.2	3.9	3.6
ROE - COE (%)	1.7	2.8	(0.2)	(5.4)	(5.7)
ROA (%)	0.68	0.77	0.56	0.22	0.20
RORWA (%)	1.13	1.21	0.89	0.36	0.32
* Pre exceptional, pre-goodwill and fully diluted					

NIM has been rising since it bottomed out in 2Q07. We expect First FHC to take advantage of the rising interest-rate trend

Sources: First FHC; BNP Paribas estimates

Balance Sheet (TWD m)					
Year Ending December	2006A	2007A	2008E	2009E	2010E
Gross customer loans	981,455	1,081,350	1,113,752	1,147,125	1,181,500
Total provisions	(8,322)	(9,041)	(9,139)	(16,397)	(20,016)
Interest in suspense	-	-	-	-	-
Net customer loans	973,134	1,072,310	1,104,613	1,130,729	1,161,484
Bank loans	-	-	-	-	-
Government securities	90,493	82,349	104,832	123,167	143,261
Trading securities	72,735	67,877	84,514	98,774	114,228
Investment securities	-	-	-	-	-
Cash & equivalents	69,661	63,672	80,640	94,488	109,645
Other interest earning assets	-	-	-	-	-
Tangible fixed assets	24,528	24,800	25,568	26,847	27,423
Associates	318,508	294,945	300,900	309,967	319,307
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	49,548	47,601	45,079	47,663	46,148
Total assets	1,598,607	1,653,553	1,746,147	1,831,633	1,921,497
Customer deposits	1,253,588	1,288,597	1,365,913	1,434,208	1,505,919
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	126,738	153,297	162,208	170,403	179,080
Non interest bearing liabilities	117,095	105,555	115,767	123,661	132,106
Hybrid capital	-	-	-	-	-
Total liabilities	1,497,422	1,547,449	1,643,887	1,728,272	1,817,105
Share capital	101,185	106,104	102,259	103,361	104,392
Reserves	-	-	-	-	-
Total equity	101,185	106,104	102,259	103,361	104,392
Minority interests	-	-	-	-	-
Total liabilities & equity	1,598,607	1,653,553	1,746,147	1,831,633	1,921,497
Supplementary items					
Risk weighted assets (RWA)	1,023,115	1,057,126	1,085,443	1,138,099	1,233,898
Average interest earning assets	1,279,113	1,233,724	1,317,762	1,398,331	1,475,107
Average interest bearing liabilities	1,369,304	1,404,946	1,478,631	1,559,772	1,637,990
Tier 1 capital	87,125	84,742	85,208	84,743	88,058
Total capital	87,446	86,582	87,147	93,940	100,874
Gross non performing loans (NPL)	15,406	16,234	17,243	30,937	37,766
Per share (TWD)					
Book value per share	16.94	17.42	16.59	16.77	16.94
Tangible book value per share	16.94	17.42	16.59	16.77	16.94
Growth					
Gross customer loans (%)	8.5	10.2	3.0	3.0	3.0
Average interest earning assets (%)	(4.6)	(3.5)	6.8	6.1	5.5
Total assets (%)	4.8	3.4	5.6	4.9	4.9
Risk weighted assets (%)	18.1	3.3	2.7	4.9	8.4
Customer deposits (%)	5.6	2.8	6.0	5.0	5.0
Leverage & capital measures					
Customer loans/deposits (%)	77.6	83.2	80.9	78.8	77.1
Equity/assets (%)	6.3	6.4	5.9	5.6	5.4
Tangible equity/assets (%)	6.3	6.4	5.9	5.6	5.4
RWA/assets (%)	64.0	63.9	62.2	62.1	64.2
Tier 1 CAR (%)	8.5	8.0	7.9	7.4	7.1
Total CAR (%)	8.5	8.2	8.0	8.3	8.2
Asset quality					
Change in NPL (%)	(0.5)	5.4	6.2	79.4	22.1
NPL/gross loans (%)	1.6	1.5	1.5	2.7	3.2
Total provisions/gross loans (%)	0.8	0.8	0.8	1.4	1.7
Total provisions/NPL (%)	54.0	55.7	53.0	53.0	53.0
Valuation					
Recurring P/E (x) *	7.6	6.6	8.8	20.9	22.2
Recurring P/E @ target price (x) *	8.6	7.4	9.9	23.4	24.9
Reported P/E (x)	7.6	6.6	8.8	20.9	22.2
Dividend yield (%)	7.3	12.5	8.1	3.5	3.3
Price/book (x)	0.8	0.8	0.8	0.8	0.8
Price/tangible book (x)	0.8	0.8	0.8	0.8	0.8
Price/tangible book @ target price (x)	0.9	0.9	0.9	0.9	0.9

Growth momentum sustained

Sources: First FHC; BNP Paribas estimates

DISCLAIMERS & DISCLOSURES

This report was produced by a member company of the BNP Paribas Group ("Group"). This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set out herein.

The information contained in this report has been obtained from public sources believed to be reliable and the opinions contained herein are expressions of belief based on such information. No representation or warranty, express or implied, is made that such information or opinions is accurate, complete or verified and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification or taken in substitution for the exercise of judgement by the recipient. All opinions contained herein constitute the views of the analyst(s) named in this report, they are subject to change without notice and are not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Any reference to past performance should not be taken as an indication of future performance. No member company of the Group accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal views of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed herein.

This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities and advising on securities. This report is being distributed in the United Kingdom by BNP Paribas London Branch to persons who are not private customers as defined under U.K. securities regulations. BNP Paribas London Branch, a branch of BNP Paribas, is regulated by the Financial Services Authority for the conduct of its designated investment business in the U.K. This report is being distributed in the United States by BNP Paribas Securities (Asia) Limited and is intended for distribution in the United States only to "major institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major institutional investors receiving this report should effect transactions in securities discussed in the report through BNP Paribas Securities Corp. BNP Paribas Securities Corp. is a member of the New York Stock Exchange, the National Association of Securities Dealers and the Securities Investor Protection Corporation. Reproduction, distribution or publication of this report in any other places or to persons to whom such distribution or publication is not permitted under the applicable laws or regulations of such places is strictly prohibited.

Information on Taiwan listed stocks is distributed in Taiwan by BNP Paribas Securities (Taiwan) Co., Ltd.

Distribution or publication of this report in any other places to persons which are not permitted under the applicable laws or regulations of such places is strictly prohibited.

Recommendation structure

All share prices are as at market close on 24 November 2008 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

© 2008 BNP Paribas Group