Stock Code：2886

Mega Financial Holding Co., Ltd.

ANNUAL REPORT 2008

Website：http://www.megaholdings.com.tw

Spokesperson & Deputy Spokesperson

Spokesperson: Jui-Yun Lin, Executive Vice President

Email: jylin@megaholdings.com.tw

Deputy Spokesperson: Jui-Ying Tsai, Vice President & Head of Treasury Department

Email: jentsai@megaholdings.com.tw

Tel: +886-2-2357-8888

Share Registry Agency

Mega Securities Co., Ltd.

Address: 3F, No. 95, Jhongsiao E. Road, Sec. 2, Taipei 100, Taiwan

Tel: +886-2-3393-0898

Website: http://www.emega.com.tw

Credit Rating Agency

Taiwan Ratings Corp.

Address: 49F, No. 7, Shinyi Road, Sec. 5, Taipei 110, Taiwan

Tel: +886-2-8722-5800

Moody’s Taiwan Corp.

Address: 1813R,18F, No. 333, Keelung Road, Sec. 1, Taipei 110, Taiwan

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Auditor

PricewaterhouseCoopers

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Website: http://www.pwc.com/tw

C O N T E N T S

CONTENTS

Message to Shareholders

Message to Shareholders

Rong-Jou Wang, Chairman

The US subprime mortgage crisis spilled over quickly into other parts of the world in 2008, and the collapse of investment bank Lehman Brothers sent shock waves through global financial markets. The financial turmoil led to a full-blown credit crunch affecting the real economy. Many countries have faced adverse economic conditions as consumer demand plummeted, layoffs soared and exports plunged. Although governments across the globe have taken aggressive actions to restore economy, many sectors have been hard hit and the global economy is still on a long course to full recovery before health can be restored to the financial system. International forecasting institutions have continued to mark down economic forecasts for 2009. It is predicted that the world economic growth rate will be ranging from minus 0.5% to minus 2.2% in 2009, compared with more than 2% in 2008.

In Taiwan, the economy has also been hard hit by the turmoil in global financial markets. Wealth of the general public shrank, subsequently pulling down consumer spending. In addition, Taiwan posted a sharp decline in export orders due to sluggish world economic growth, hampering the entire export sector. According to statistics released by the Directorate-General of Budget, Accounting and Statistics (DGBAS) in February 2009, Taiwan reported an annual economic growth rate of 0.12% for 2008. The outlook for 2009 is still grim as the global slump deepens. The export sector will be affected considerably. Dismal economic figures, including rising unemployment rates, decreasing income and shrinking wealth, are likely to continue throughout 2009. There will be a further contraction in consumer spending. It is forecasted that Taiwan will post a negative growth rate of 2.97% in 2009.

Facing the adverse external environment, the Company has inevitably encountered its greatest difficulty since its inception as its subsidiaries in securities, non-life insurance and investment trust sectors all posted losses. In 2008, the Company reported a net income after tax of NT$295 million with an EPS of NT$0.03. The Company's business operations in 2008 are summarized as follows:

Review of Business Operations in 2008

Domestic and International Financial Environment

Due to worsened subprime mortgage crisis and a greater tightening in the credit market in 2008, the US Federal Reserve lowered the fed funds rate three times in the fourth quarter to alleviate the negative impact of financial market fluctuations on the US economy. In Taiwan, the domestic financial markets also went through turbulent times as a result of the collapse of Lehman Brothers. Taiwan's Central Bank lowered its rediscount rate seven times since June 27, 2008 to boost the economy. The Overnight Interbank Call Loan Rate fell from 2.105% in June to 0.872% in December, 2008. The exchange rate of TWD against USD showed a trend from appreciation to depreciation. The Taiwan's stock market rose to its peak of the year at 9,295.20 on May 19 and then slid downwards in sync with global stock markets to close at 4,591.22 at the end of 2008. The stock index lost 46% of its value in 2008, while the averaged stock trading value dropped by 21% over the same period.

Message to Shareholders

Organization integration

As of the end of 2008, the eight subsidiary companies in which the Company had a controlling interest were Mega International Commercial Bank, Mega Securities Co., Ltd., Mega Bills Finance Co., Chung Kuo Insurance Co., Ltd., Mega International Investment Trust Co., Ltd. (MITC), Mega Assets Management Co., Ltd., Mega Life Insurance Agency Co., Ltd., and Mega Venture Capital Co., Ltd. (formerly Mega CTB Venture Capital Co., Ltd.). There was no change in corporate organization from the year before. MITC becomes a wholly-owned subsidiary of the Company after MITC implemented a capital reduction to offset its accumulated losses in December 2008.

Kuang-Si Shin, President

Strengthening subsidiaries' business operations

In 2008, the subsidiaries of the Company continued to strengthen their business operations upon the current achievement. In corporate banking, Mega International Commercial Bank lead-managed syndicated loans worth US$2,514 million, ranked 3rd in Taiwan's syndicated loan market. By the end of 2008, the corporate loan business captured the fourth position among local banks, with a market share of 7.73%. Corporate loans to small and medium sized enterprises had a market share of 6.13%, ranked 7th among local banks. In consumer banking and wealth management, Mega International Commercial Bank had a residential mortgage loans outstanding reaching NT$204.9 billion by the end of 2008, down 1.56% from the previous year. The Group generated NT$1,574 million from wealth management fees income in 2008, a 22.88% decline from the previous year. Mega Bills Finance Co., Ltd. topped the industry in the issuance, and guarantee, of commercial paper, with a market share of 31.27% and 36.83% respectively. Its bills trading volume in secondary markets also held the first position, with a market share of 33.10%. Bond trading had a market share of 22.34%, also topped the industry.

Financial Results

The consolidated net income before tax in 2008 was NT$3,085,108 thousand, a decrease of NT$16,947,081 thousand or 84.60% from the year before. The net income after tax was NT$262,022 thousand, a decrease of NT$16,852,536 thousand or 98.47% from the year before. The decline was mainly attributable to fallout from the subprime mortgage crisis, the collapse of Lehman Brothers and the slump in stock markets in 2008. Revenues other than interest dropped 96.10% to NT$813,598 thousand from NT$20,853,288 thousand in 2007, as service fee revenue, commissions and foreign exchange gains declined dramatically, while loss on asset impairment increased. The consolidated return on assets (ROA) of the Company and its subsidiaries in 2008 was 0.01%, and the return on equity (ROE) was 0.14%. A breakdown of the financial results of the Company and its subsidiaries in 2008 is shown in the table below:

Unit: NT$ thousand, except EPS in NT$

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share	Net Income Ratio (%)	Return on Total Assets (%)	Return on Shareholders' Equity (%)
Mega FHC & Its Subsidiaries	3,085,108	262,022	0.02	0.84	0.01	0.14
Mega FHC (Unconsolidated)	171,101	294,519	0.03	32.44	0.14	0.16
Mega International Commercial Bank Co., Ltd.	5,851,946	3,421,919	0.53	12.53	0.17	2.33
Mega Securities Co., Ltd.	-2,463,534	-2,651,361	-2.01	-37.62	-4.57	-17.74
Mega Bills Finance Co., Ltd.	1,956,102	1,515,316	1.00	40.55	0.60	4.84
Chung Kuo Insurance Co., Ltd.	-430,236	-399,696	-1.33	-3.53	-2.85	-8.62
Mega Asset Management Co., Ltd.	358,872	274,304	1.37	47.03	3.05	11.50
Mega Life Insurance Agency Co., Ltd.	14,024	10,538	5.27	4.82	14.24	23.30
Mega Venture Capital Co., Ltd.	6,669	6,654	0.07	24.28	0.73	0.73
Mega International Investment Trust Co., Ltd.	-1,597,068	-1,586,866	-2,074.26	-678.26	-110.83	-227.64

*Net income ratio = Net income after tax / net revenue

Overview of Business Plan for 2009

Business Objectives

We strive to maintain stable profit and dominance in market so as to consolidate the Company's position as a leading financial institution in Taiwan. Our business objectives for 2009 are as follows:

Unit: millions of NT dollars, except foreign exchange-in millions US dollars

Business	Item	Budget for 2009
Banking	Average outstanding loans	1,307,442
	Undertaking of foreign exchange	629,898
	Average outstanding deposits	1,325,404
Bills Finance	Underwriting and purchasing bills	1,431,781
	Trading volume of bills and bonds	13,554,224
	Guaranteed issues of commercial paper average outstanding	110,000
Securities	Market share of brokerage	3.22%
Insurance	Combined Ratio	95.00%
	Retention Ratio	47.00%

Major Operating Policies

- Reinforcing the advantage of corporate banking, foreign exchange business, consumer banking and wealth management business
- Combining resources within the Group and reinforcing cross selling to enhance synergy
- Adding business units abroad to grasp business opportunities generated from overseas Taiwanese enterprises
- Expanding overseas deployment of assets while focusing on the Asia Pacific region
- Maintaining quality assets and reinforcing non-performing loan collection
- Strengthening risk management system, maintaining a optimal asset allocation, and enhancing effective utilization of capital

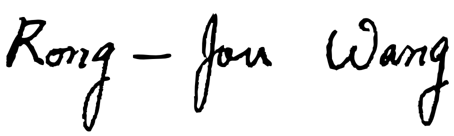
Credit Ratings

As of the end of 2008, the Company and its subsidiaries retained the same credit rating as granted in 2007, except outlook revision by Taiwan Ratings Corp. and Standard & Poor's. Set forth below are the summary of our credit ratings:

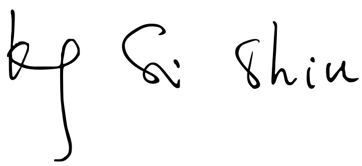
Company	Credit Rating Agency	Long-Term	Short-Term	Outlook	Date of Issuance
Mega Financial Holding Company	Taiwan Ratings Corp.	twAA	twA-1+	Negative	Sep. 25, 2008
	Moody's	A3	-	Stable	Dec. 2008
Mega International Commercial Bank	Taiwan Ratings Corp.	twAA+	twA-1+	Negative	Sep. 25, 2008
	Moody's	A1	P-1	Stable	Dec. 2008
	S & P	A	A-1	Negative	Sep. 25, 2008
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Negative	Sep. 25, 2008
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA-	twA-1+	Negative	Sep. 25, 2008
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA-	-	Negative	Sep. 25, 2008
	Moody's	A3/Aa2.tw	-	Stable	Oct. 16, 2008
	S & P	BBB+	-	Negative	Sep. 25, 2008

Outlook

The financial industry is undoubtedly going through perilous times as it is at the epicenter of the global financial turbulence. As countries continue to cut interest rates in the face of the global economic slump, the narrowing of interest spread will hamper the profitability of banks. Amid much uncertainty about the fallout from the recession, the Company will make effort to tap new resources and cut expenses and to manage and control risk. In addition, we will also explore new opportunities for development. We believe we will recover swiftly from the financial turmoil and expand business upon our strength.



Chairman of the Board



President

Company Profile

2.1 Historical Overview

Mega Financial Holding Company (the Company, formerly known as CTB Financial Holding Company) was formed by Chiao Tung Bank Co., Ltd. (“CTB”) and International Securities Co., Ltd. (“IS”) through the exchange of shares on February 4, 2002 and has since been listed and traded on the Taiwan Stock Exchange. On August 22, 2002, the Company acquired a 100% equity stake in Chung Hsing Bills Finance Corporation (now renamed as Mega Bills Finance Co, Ltd.) and Barits Securities Corp. (“BS”) through a share swap. On January 31, 2003, the two subsidiaries, IS and BS, were further combined with the sub-subsidiary, Chung Hsing Securities Corp., to become Barits International Securities Co., Ltd. (now known as Mega Securities Co., Ltd. (MSC)) The integration among the three subsidiaries was undertaken to consolidate the Company's securities businesses and further enhance its competitiveness.

To extend the Company's business domain in financial services, enlarge its economic scale, and to improve overall operating performance, the Company acquired a 100% equity stake in the International Commercial Bank of China (“ICBC”, now renamed as Mega International Commercial Bank Co., Ltd.) and Chung Kuo Insurance Co., Ltd. (“CKI”) through a share swap and changed the Company's name to Mega Financial Holding Company on December 31, 2002. In order to achieve resource sharing, the Central Securities Investment Trust Corporation, originally an investee of MSC, was upgraded to become the Company's direct subsidiary through cash purchase of controlling shares on May 29, 2003, and its name was changed into Mega Investment Trust Corp. (“MITC”) in July 2003. In response to a government initiative to lower NPL ratios and promote the specialization of financial institutions, the Company set up Mega Asset Management Co., Ltd. as its 7th subsidiary in December 2003.

To integrate distribution channels for bank assurance, the Company has upgraded Chung Yin Insurance Agency Company, originally a wholly-owned subsidiary of ICBC, to the Company’s direct subsidiary by acquiring its 100% shares in cash on September 23, 2005. The new subsidiary was then renamed Mega Life Insurance Agency Co., Ltd. The Company also established Mega CTB Venture Capital Co., Ltd. (now renamed as Mega Venture Capital Co., Ltd.) with issued capital of NT$1,000 million on December 13, 2005. The new subsidiary was set up to assist the Company in developing restructuring business, as well as to create higher profit and added value. After careful assessment of the Company’s business interests, the Board of Directors passed a resolution in the board meeting convened on December 16, 2005 to acquire 5 to 26 percent stake in the Taiwan Business Bank. By the end of December 2008, the Company held a 13.44% stake in the Taiwan Business Bank.

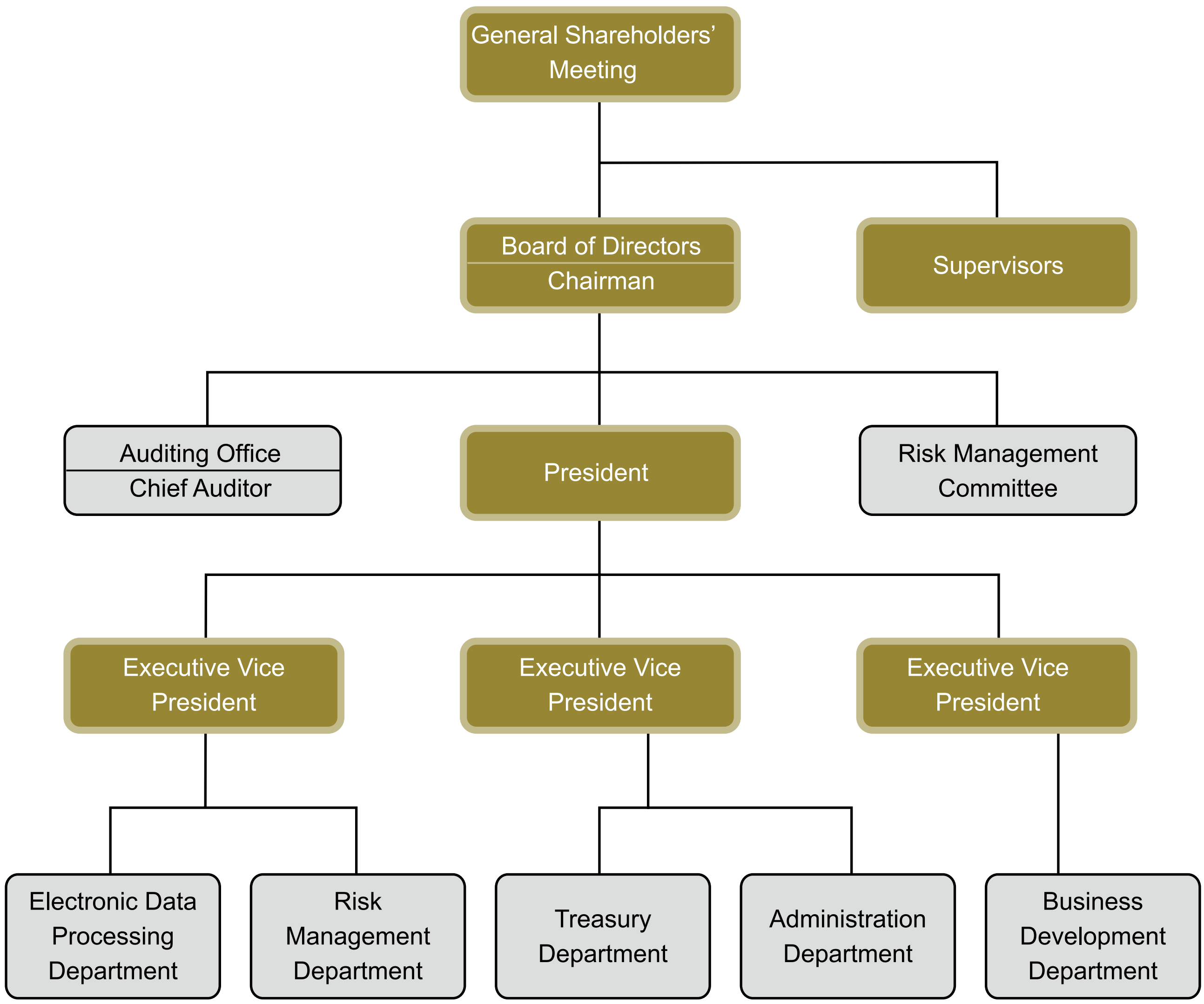
As part of its efforts to reinforce competitiveness and business strengths, the Company completed the integration of its bank subsidiaries in 2006. The two banking units, the International Commercial Bank of China (“ICBC”) and Chiao Tung Bank (“CTB”), were merged effective from August 21, 2006, renaming Mega International Commercial Bank Co., Ltd. (“MICB”). As at December 2008, MICB is Taiwan’s third largest bank in terms of assets. To build an integral corporate image for the Group as well as in response to business development, the Company renamed its subsidiaries in 2006 with the name “Mega”.

In September 2007, the Company’s two security investment trust subsidiaries, the International Investment Trust Co., Ltd. (IIT) and MITC, were merged and renamed the Mega International Investment Trust Co., Ltd. (MIIT). MIIT becomes a wholly-owned subsidiary of the Company after MIIT reduced issued capital to offset its accumulated losses resulting from structured notes in December 2008.

As of the end of 2008, the bank subsidiary MICB has 105 branches at home and 19 branches, 2 representative office abroad. Added to the bank network are its wholly-owned bank subsidiaries in Thailand and Canada, along with their branches, bringing the number of overseas outposts to 29 in total. The securities subsidiary MSC has a network of 4 overseas offices and 46 branch offices in Taiwan. The bills finance subsidiary of the Group has a total of 8 branch offices in large cities on the island. Besides its headquarters, the property insurance subsidiary runs 26 branches in Taiwan and 3 representative offices abroad. The Group totally has a network of 185 offices in Taiwan and 36 offices abroad. The total number of staff and capital issued reached 8,003 and NT$110,590 million, respectively, ranked second among the 15 domestic financial holding companies in terms of assets.

2.2 Organization

Organization Chart



Major Corporate Functions

Business Development Department

- Corporate planning, strategic investment
- Business strategy and development

Risk Management Department

- Risk management

Electronic Data Processing Department

- IT development and operation

Administration Department

- Human resources management and staff training
- Corporate legal affairs, documentation, procurement and public relations

Treasury Department

- Finance and accounting services including investor relations, treasury, tax, and financial and accounting management

Auditing Office

- Internal audit and process compliance

2.3 Major Shareholders

As of December 31, 2008

Name of Shareholder	Number of Common Shares	Percentage of Shares Ownership (%)
Ministry of Finance, ROC	1,104,070,205	9.98
National Development Fund, Executive Yuan, ROC	675,916,160	6.11
Chinatrust Financial Holding Co., Ltd.	591,623,000	5.35
Chinatrust Commercial Bank	552,438,000	5.00
Silchester International Investors International Value Equity Trust	310,760,000	2.81
Chunhwa Post Co., Ltd.	301,970,574	2.73
Bank of Taiwan	277,170,670	2.51
National Financial Stabilization Fund	265,195,000	2.40
Templeton Foreign Fund	167,743,000	1.52
Silchester International Investors International Value Equity Group Trust	163,227,000	1.48
Pou Chen Corporation	158,656,064	1.43
Total	4,568,769,673	41.32

Note: Shareholding of Chinatrust Financial Holding Co., Ltd. and Chinatrust Commercial Bank has been entrusted to Bank of Taiwan for disposal since April 20, 2009.

Corporate Governance Report

Corporate Governance Report

3.1 Directors & Supervisors

December 31, 2008

Position	Name	Date Elected (Assigned)	Term Expires	First Elected (Assigned)	Number of Shares	Principal Occupation
Chairman	Rong-Jou Wang Representative of the Ministry of Finance, ROC	07/15/2008	06/22/2009	07/15/2008	1,104,070,205	Chairman of Mega Financial Holding Co., Ltd. concurrently chairman of Mega International Commercial Bank Co., Ltd.
Director	Kuang-Si Shiu Representative of the Ministry of Finance, ROC	07/15/2008	06/22/2009	07/15/2008	1,104,070,205	President of Mega Financial Holding Co., Ltd., concurrently president of Mega International Commercial Bank Co., Ltd.
Director	Ching-Tsai Chen Representative of the Ministry of Finance, ROC	09/25/2008	06/22/2009	09/25/2008	1,104,070,205	Deputy Secretary-General, Executive Yuan, ROC
Director	Shi-Kuan Chen Representative of the Ministry of Finance, ROC	06/13/2008	06/22/2009	06/13/2008	1,104,070,205	Professor, National Taiwan University
Director	Albert Kwang-Chin Ting Representative of the Ministry of Finance, ROC	08/12/2008	06/22/2009	08/12/2008	1,104,070,205	Chairman, Gsharp Corporation
Director	Li-Chung Lee Representative of the Ministry of Finance, ROC	10/13/2008	06/22/2009	10/13/2008	1,104,070,205	Associate Professor, Asia University
Director	Yaw-Chung Liao Representative of National Development Fund, Executive Yuan, ROC	08/01/2007	06/22/2009	08/01/2007	675,916,160	Secretary-General, Council for Economic Planning and Development, Executive Yuan, ROC
Director	Justin Jan-Lin Wei Representative of Bank of Taiwan	07/12/2007	06/22/2009	07/12/2007	277,170,670	Executive Vice President, Bank of Taiwan
Director	Shen-Chih Cheng	06/23/2006	06/22/2009	02/04/ 2002	950,000	Supervisor of Formosa Sumco Technology Corporation
Director	Ho-Yuan Yen Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	591,623,000	Retired in 2006
Director	Hong-Hsu Wen Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	591,623,000	Senior Advisor, Chinatrust Commercial Bank
Director	Kuo-Huei Fang Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	591,623,000	Academic Dean, Asia University
Director	Webster Wei-Ping Kiang Representative of Chinatrust Financial Holding Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	591,623,000	Senior Advisor, Chinatrust Commercial Bank
Director	Yuan-Lang Lin Representative of Shun Tai Investments Corp.	09/18/2008	06/22/2009	09/18/2008	5,678,400	Chairman, Yue Yuen Educational Foundation, Pou Chen Group
Director	Cheng-Hsiung Chu	06/13/2008	06/22/2009	06/13/2008	0	Retired from National Tax Administration of Southern Taiwan Province as Director-General in 2007
Supervisor	Dun-Jin Luh Representative of the Ministry of Finance, ROC	08/31/2006	06/22/2009	08/31/2006	1,104,070,205	Deputy Minister, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC
Supervisor	Min-Yu Wu Representative of Chunghwa Post Co., Ltd.	04/10/2007	06/22/2009	04/10/2007	301,970,574	Chairman, Chunghwa Post Co., Ltd.
Supervisor	Chun-Ko Chen Representative of Chinatrust Insurance Brokers Co., Ltd.	06/23/2006	06/22/2009	06/23/2006	90,348,000	Director of Song Fu Investment Company
Supervisor	Hao-Erh Wei Representative of Ho Kao Shan Int'l investment Co.	06/23/2006	06/22/2009	06/23/2006	5,000,000	Chairman, Ho Kao Shan International Investment Company

Remarks: 1. No member of the Board of Directors has a spouse or relative within two degrees of consanguinity serving as a manager or director at the Company.
2. Mr. Ho-Yuan Yen, Mr. Hong-Hsu Wen, Mr. Kuo-Huei Fang, Mr. Webster Wei-Ping Kiang and Mr. Chun-Ko Chen resigned from the Board or supervisor on April 20, 2009.

Directors' Professional Qualifications and Independence Analysis

According to the relevant requirements set by Taiwan's Securities and Futures Bureau, the professional qualifications and independence status of the Company's Board members are listed in the table below.

December 31, 2008

Name	Qualifications (Note 1)			Independence Status (Note 2)										Number of Other Public Companies Concurrently Serving as an Independent Director
	A	B	C	1	2	3	4	5	6	7	8	9	10	
Rong-Jou Wang	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓		0
Kuang-Si Shiu			✓			✓	✓	✓		✓	✓	✓		0
Ching-Tsai Chen	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Shi-Kuan Chen	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		1
Albert Kwang-Chin Ting			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Li-Chung Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Yaw-Chung Liao	✓		✓	✓		✓	✓			✓	✓	✓		0
Justin Jan-Lin Wei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Shen-Chih Cheng			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Ho-Yuan Yen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Hong-Hsu Wen			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Kuo-Huei Fang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Webster Wei-Ping Kiang			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Yuan-Lang Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Cheng-Hsiung Chu			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	0
Dun-Jin Luh			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Min-Yu Wu			✓	✓		✓	✓		✓	✓	✓	✓		0
Chun-Ko Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Hao-Erh Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

Note1:
Directors or supervisors have met one of the following professional qualification requirements, together with at least five years work experience, please tick the appropriate corresponding boxes:

A. An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university.
B. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.
C. Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.

Note 2:
Directors or supervisors, during the two years before being elected and during the term of office, have been or be any of the following, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not been a person of any conditions defined in Article 30 of the Company Law; and
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2 Executive Officers

As of Dec. 31, 2008

Position	Name	Date Effective	Number of Shares	Number of Employee Stock Options
President	Kuang-Si Shiu	01/15/2008	0	None
Executive Vice President	Jui-Yun Lin	09/08/2006	51,591	None
Chief Auditor	Yung-Ming Chen	09/08/2006	185	None

Note: 1. The Company does not issue any employee stock options.
2. The date effective means the official date joining the management team.

3.3 Remuneration Of Directors, Supervisors, President and Executive Vice Presidents for 2008

The objective of the Company's remuneration policy for its directors, supervisors and executives is to attract, motivate and retain the qualified and expert individuals that the company needs in order to achieve its operational objectives. A balance between the interests of shareholders and executives is also emphasized in the remuneration policy. Remuneration for directors, supervisors and executives comprises two elements including fixed compensation and profits sharing. The Company may, in addition, provide other benefits such as transportation allowances, mobile phones, indemnity and insurance cover.

Total remuneration paid by the Company to its directors, supervisors and executives as a percentage of net income after tax was 7.40% in 2008, compared with 0.97% in 2007. Total remuneration paid to directors, supervisors and executives, by all consolidated entities, as a percentage of consolidated net income after tax was 27.97%, compared with 1.10% in 2007. The increase was mainly attributable to reduced net income resulting from the global financial crisis in 2008.

Remuneration of Directors
December 31, 2008

Item	Sub-Item	Paying Company	Amount
Directors' Remuneration	Compensation (A)	Mega Financial Holding Co., Ltd.	198
		All Consolidated Entities	8,065
	Pensions or Severance Payment (B)	Mega Financial Holding Co., Ltd.	949
		All Consolidated Entities	12,629
	Profits Sharing (C)	Mega Financial Holding Co., Ltd.	2,043
		All Consolidated Entities	2,043
	Business Administration Costs (D)	Mega Financial Holding Co., Ltd.	3,365
		All Consolidated Entities	7,984
Total Remuneration (A+B+C+D) as a % of 2008 Net Income		Mega Financial Holding Co., Ltd.	2.23%
		All Consolidated Entities	11.72%
Compensation Earned as Employee of the Company or of its Consolidated Entities	Salary, Bonus, Special Expenses, etc. (E)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	5,187
	Pensions or Severance Payment (F)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	286
	Profits Sharing (G)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
	Exercisable Employee Stock Options (H)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
Total Compensation (A+B+C+D+E+F+G+H) as a % of 2008 Net Income		Mega Financial Holding Co., Ltd.	2.23%
		All Consolidated Entities	13.81%
Any Compensation Paid to Directors by Invested Enterprises Other Than Subsidiaries			Yes

Note: 1. The Company does not issue any employee stock options.
2. Business Administration Costs include allowance for company cars, compensation paid to company drivers by all consolidated entities totaled NT$2,143 thousand.
3. The above-mentioned figures are preliminary and the proposed profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholder Meeting on June 19,2009.

Range of Remuneration to Directors

Remuneration Paid to the Company's Directors	Directors' Name			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From Mega Financial Holding Co. Ltd.	From All Consolidated Entities	From Mega Financial Holding Co., Ltd.	From All Consolidated Entities
Below NT$2,000,000	Mr. Rong-Jou Wang, Mr. Joseph Jye-Cherng Lu, Mr. Yeou-Tsair Tsai, Mr. Ray-Beam Dawn, Mr. Kuang-Si Shiu, Mr. Teng-Cheng Liu, Mr. Albert Kwang-Chin Ting, Ms.Shi-Kuan Chen, Ms.Mei-Ling Chen, Mr. Ching-Tsai Chen, Mr. Tain-Jy Chen, Mr. Chu-Wei Tseng, Mr. Li-Chung Lee, Mr. Yaw-Chung Liao, Mr. Justin Jan-Lin Wei, Ms.Pei-Chun Tsai, Mr. Yuan-Lang Lin, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen, Mr. Shen-Chih Cheng, Mr. Cheng-Hsiung Chu, Ministry of Finance, ROC, National Development Fund, Bank of Taiwan Shun Tai Investments Corp, Chinatrust Financial Holding Co. Ltd.	Mr. Ray-Beam Dawn, Mr. Kuang-Si Shiu, Mr. Teng-Cheng Liu, Mr. Albert Kwang-Chin Ting, Ms. Shi-Kuan Chen, Ms. Mei-Ling Chen, Mr. Ching-Tsai Chen, Mr. Tain-Jy Chen, Mr. Chu-Wei Tseng, Mr. Li-Chung Lee, Mr. Yaw-Chung Liao, Mr. Justin Jan-Lin Wei, Ms. Pei-Chun Tsai, Mr. Yuan-Lang Lin, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen, Mr. Shen-Chih Cheng, Mr. Cheng-Hsiung Chu, Ministry of Finance, ROC, National Development Fund, Bank of Taiwan Shun Tai Investments Corp, Chinatrust Financial Holding Co. Ltd.	Mr. Rong-Jou Wang, Mr. Joseph Jye-Cherng Lu, Mr. Yeou-Tsair Tsai, Mr. Ray-Beam Dawn, Mr. Kuang-Si Shiu, Mr. Teng-Cheng Liu, Mr. Albert Kwang-Chin Ting, Ms. Shi-Kuan Chen, Ms. Mei-Ling Chen, Mr. Ching-Tsai Chen, Mr. Tain-Jy Chen, Mr. Chu-Wei Tseng, Mr. Li-Chung Lee, Mr. Yaw-Chung Liao, Mr. Justin Jan-Lin Wei, Ms. Pei-Chun Tsai, Mr. Yuan-Lang Lin, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen, Mr. Shen-Chih Cheng, Mr. Cheng-Hsiung Chu, Ministry of Finance, ROC, National Development Fund, Bank of Taiwan Shun Tai Investments Corp, Chinatrust Financial Holding Co. Ltd.	Mr. Ray-Beam Dawn, Mr. Teng-Cheng Liu, Mr. Albert Kwang-Chin Ting, Ms. Shi-Kuan Chen, Ms. Mei-Ling Chen, Mr. Ching-Tsai Chen, Mr. Tain-Jy Chen, Mr. Chu-Wei Tseng, Mr. Li-Chung Lee, Mr. Yaw-Chung Liao, Mr. Justin Jan-Lin Wei, Ms. Pei-Chun Tsai, Mr. Yuan-Lang Lin, Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, Mr. Ho-Yuan Yen, Mr. Shen-Chih Cheng, Mr. Cheng-Hsiung Chu, Ministry of Finance, ROC, National Development Fund, Bank of Taiwan Shun Tai Investments Corp, Chinatrust Financial Holding Co. Ltd.
NT$2,000,000~ NT$5,000,000	-	Mr. Rong-Jou Wang, Mr. Joseph Jye-Cherng Lu	-	Mr. Rong-Jou Wang, Mr. Joseph Jye-Cherng Lu
NT$5,000,000~ NT$10,000,000	-	-	-	Mr. Kuang-Si Shiu
NT$10,000,000~ NT$15,000,000	-	Mr. Yeou-Tsair Tsai	-	Mr. Yeou-Tsair Tsai
NT$15,000,000~ NT$30,000,000	-	-	-	-
NT$30,000,000~ NT$50,000,000	-	-	-	-
NT$50,000,000~ NT$100,000,000	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	28	28	28	28

Note: The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholder Meeting on June 19, 2009.

Remuneration of Supervisors
December 31, 2008

Unit: NT$1,000

Item	Sub-Item	Paying Company	Amount or Ratio
Supervisors' Remuneration	Compensation (A)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
	Pensions or Severance Payment (B)	Mega Financial Holding Co., Ltd.	None
		All Consolidated Entities	None
	Profits Sharing (C)	Mega Financial Holding Co., Ltd.	607
		All Consolidated Entities	607
	Business Administration Costs (D)	Mega Financial Holding Co., Ltd.	1,129
		All Consolidated Entities	1,209
Total Remuneration (A+B+C+D) as a % of 2008 Net Income		Mega Financial Holding Co., Ltd.	0.59%
		All Consolidated Entities	0.69%
Any compensation paid to Supervisors by Invested Enterprises Other Than Subsidiaries			None

Note: The proposed profits sharing will be effective upon the approval of shareholders at the Annual Shareholder Meeting on June 19, 2009.

Range of Remuneration of Supervisors

Remuneration Paid to the Company's Supervisors	Supervisors' Name	
	Total Remuneration (A+B+C)	
	From Mega Financial Holding Co., Ltd.	From All Consolidated Entities
Below NT$2,000,000	Mr. Dun-Jin Luh, Ms. Lindy Chern, Mr. Min-Yu Wu, Mr. Hao-Erh Wei, Mr. Chun-Ko Chen, Ministry of Finance, Chunghwa Post Co., Ltd. Ho Kao Shan Int'l investment Co. Chinatrust Insurance Brokers Co., Ltd.	Mr. Dun-Jin Luh, Ms. Lindy Chern, Mr. Min-Yu Wu, Mr. Hao-Erh Wei, Mr. Chun-Ko Chen, Ministry of Finance, Chunghwa Post Co., Ltd. Ho Kao Shan Int'l investment Co. Chinatrust Insurance Brokers Co., Ltd.
NT$2,000,000~NT$5,000,000	-	-
NT$5,000,000~NT$10,000,000	-	-
NT$10,000,000~NT$15,000,000	-	-
NT$15,000,000~NT$30,000,000	-	-
NT$30,000,000~NT$50,000,000	-	-
NT$50,000,000~NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	9	9

Note: Ms. Lindy Chern resigned from supervisor effective Sep. 15, 2008.

Remuneration of President and Executive Vice Presidents
December 31, 2008

Unit: NT$1,000

Item	Paying Company		Amount
Salary (A)	Mega Financial Holding Co., Ltd.		7,954
	All Consolidated Entities		12,754
Pensions or severance payments (B)	Mega Financial Holding Co., Ltd.		1,011
	All Consolidated Entities		12,877
Bonus, Special Expenses (C)	Mega Financial Holding Co., Ltd.		4,484
	All Consolidated Entities		9,583
Employee Profit Sharing (D)	Mega Financial Holding Co., Ltd.	Cash Bonuses	54
		Stock Bonuses	None
	All Consolidated Entities	Cash Bonuses	54
		Stock Bonuses	None
Total Remuneration (A+B+C+D) as a % of 2008 Net Income	Mega Financial Holding Co., Ltd.		4.58
	All Consolidated Entities		13.46
Amount of Employee Stock Options	Mega Financial Holding Co., Ltd.		None
	All Consolidated Entities		None
Compensation from Invested Enterprises Other Than Subsidiaries			Yes

Note: The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholder Meeting on June 19, 2009.

Range of Remuneration to Executives

Remuneration Paid to the Company's President and Executive Vice Presidents	Name of President and Executive Vice Presidents	
	Total Remuneration (A+B+C)	
	From Mega Financial Holding Co., Ltd.	From All Consolidated Entities
Below NT$2,000,000	Mr. Kuang-Si Shiu, Mr. Ray-Beam Dawn, Mr. Yeou-Tsair Tsai	Mr. Ray-Beam Dawn
NT$2,000,000~NT$5,000,000	Mr. Simon C. Dzeng, Ms. Jui-Yun Lin, Mr.Yung-Ming Chen	Mr. Simon C. Dzeng, Ms. Jui-Yun Lin, Mr.Yung-Ming Chen
NT$5,000,000~NT$10,000,000	-	Mr. Kuang-Si Shiu
NT$10,000,000~NT$15,000,000	-	Mr. Yeou-Tsair Tsai
NT$15,000,000~NT$30,000,000	-	-
NT$30,000,000~NT$50,000,000	-	-
NT$50,000,000~NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	6	6

Note: 1. Mr. Yeou-Tsair Tsai resigned from the Company in Jan. 2008.
2. The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholder Meeting on June 19, 2009.
3. The Company does not issue any employee stock options.

3.4 Corporate Governance Operations

3.4.1 Board of Director Operations

The Board of Directors is responsible for setting the company's strategy and overseeing its implementation. It approves the operating budget, financial statements, profit distribution proposal, material contracts and transactions as well as the agenda of the Annual Shareholders Meeting. The Company's meetings for the Board of Directors and Supervisors have always recorded high attendance rates. In the case of absence of any director, the director may entrust his/her rights to a director who is present. All board meetings reached the quorum of two third of directors (10 directors, including proxies), with the supervisors also present. For detailed information on the board meeting attendance for individual director and supervisor of the Company, please log on to the Market Observation Post System.

Regular Board meeting is held once a month. There were 16 board meetings in 2008. The attendance of the individual directors and supervisors at these meetings is duly recorded, as follows:

As of Decemaber 31, 2008

Position	Name	Attendance in Person	Proxy Attendance	Attendance Rate (%)	Notes
Chairman	Rong-Jou Wang	9	0	100	Assume office on July 15, 2008
Ex-chairman	Joseph Jye-Cherng Lu	7	0	100	Resigned on July 15, 2008
Ex-Director	Ray-Beam Dawn	5	0	100	Resigned on June 9, 2008
Director	Kuang-Si Shiu	9	0	100	Assume office on July 15, 2008
Ex-Director	Teng-Cheng Liu	6	1	86	Resigned on July 11, 2008
Director	Albert Kwang-Chin Ting	6	0	86	Assume office on Aug. 12, 2008
Ex-Director	Tain-Jy Chen	2	0	40	Resigned on June 3, 2008
Ex-Director	Chu-Wei Tseng	4	1	50	Assume office on June 3, 2008 and resigned on Sep. 30, 2008
Director	Li-Chung Lee	2	0	67	Assume office on Oct. 13, 2008
Ex-Director	Mei-Ling Chen	6	0	46	Resigned on Sep. 25, 2008
Director	Ching-Tsai Chen	3	0	100	Assume office on Sep. 25, 2008
Director	Shi-Kuan Chen	8	2	80	Assume office on June 13, 2008
Director	Justin Jan-Lin Wei	16	0	100	Assume office on July 12, 2007
Director	Yaw-Chung Liao	13	1	81	Assume office on Aug. 1, 2007
Director	Cheng-Hsiung Chu	10	0	100	Assume office on Jun. 13, 2008
Director	Shen-Chih Cheng	9	4	56	Assume office on Jun, 23, 2006
Director	Ho-Yuan Yen	14	2	88	Assume office on Jun. 23, 2006
Director	Hong-Hsu Wen	4	12	25	Assume office on Jun. 23, 2006
Director	Kuo-Huei Fang	14	2	88	Assume office on Jun. 23, 2006
Director	Webster Wei-Ping Kiang	13	3	81	Assume office on Jun. 23, 2006
Ex-Director	Pei-Chun Tsai	4	5	36	Resigned on Sep. 18, 2008
Director	Yuan-Lang Lin	4	0	80	Assume office on Sep. 18, 2008
Ex-Supervisor	Lindy Chern	8	0	80	Resigned on Sept. 15, 2008
Supervisor	Dun-Jin Luh	15	0	94	Assume office on Aug. 31, 2006
Supervisor	Min-Yu Wu	14	0	88	Assume office on Apr. 10, 2007
Supervisor	Chun-Ko Chen	16	0	100	Assume office on Jun. 23, 2006
Supervisor	Hao-Erh Wei	14	0	88	Assume office on Jun. 23, 2006

Note: 1. Percentages (%) for individual attendance are based on the number of board meetings held while each respective board member or supervisor holds a seat and the number of meetings he or she attended in person.
2. In 2008, there were no written or otherwise recorded resolutions on which a director had a dissenting opinion or qualified opinion.

3.4.2 Status of Corporate Governance Operations, Deviations from Corporate Governance Best Practice Principles for the Financial Holding Company and Its Reasons

As a financial holding company (FHC), the Company is increasing its commitment to Corporate Governance Best-Practice Principles for Financial Holding Companies. Set forth below are the implementation status of our corporate governance, compared with the Corporate Governance Best-Practice Principles for Financial Holding Companies, promulgated by the Bankers Association of The Republic of China, and reasons for non-implementation.

Item	Implementation Status	Reason for Non-implementation
1. Shareholding Structure and Shareholders' Right:		
(1) Method of handling shareholder suggestions or complaints	The Company designated appropriate personnel to handle shareholders' suggestions, inquiries or complaints to protect shareholders' rights.	None
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	The major shareholders of the Company are institutional shareholders. The Company maintains a name list of major shareholders and a list of ultimate owners of these major shareholders.	None
(3) Risk management mechanism and firewall policy between the Company and its affiliates	The Company clearly defines different areas of authority and responsibility between itself and the subsidiaries concerning the management of staff, assets, and financial affairs in the following rules and policies: Rules for Monitoring Operations of the Subsidiaries, The Group Policy and Guidelines on Risk Management, and Group Firewall Policy Between The Company and Its subsidiaries. Most subsidiaries also established an independent risk management unit in charge of risk control of the respective subsidiary.	None
2. Composition and Responsibilities of the Board of Directors		
(1) Establishment of independent directors	There are currently no independent directors in the Company. The Company will set up independent directors strating from June 23, 2009 when next session of board starts.	The Company is not required to establish independent directors until June 2009 according to the Securities and Exchange Act.
(2) Regular evaluation of the external auditors' independence	The Company assesses the independence of its external auditor every year at the time of appointment.	None
3. Communication channels with stakeholders	Communication has been direct and thorough between the Company and its stakeholders, such as corresponding banks, creditors, employees, and clients. The stakeholder rights are duly respected.	None
4. Information Disclosure		
(1) Establishment of a corporate website to disclose information regarding the Company's financial, business and corporate governance status	The Company has set up a website to disclose financial and business information. Dedicated personnel are designated to maintain and update the website.	None
(2) Other information disclosure channels	Other methods of disclosure include: setting up an English website, designation of dedicated personnel responsible for collection and disclosure of the Company's information, full implementation of the spokesperson system, and disclosing the information of investor conference on the Company's website.	None

Item	Implementation Status	Reason for Non-implementation
5. Operations of audit Committee and other committees of the Board of Directors	No audit Committee has been established at the present time. The Company has set up a Risk Management Committee responsible for monitoring risk management for the Group.	Members of the audit committee should be composed of independent directors according to the Securities and Exchange Act.The Company has not established audit committee as it has no independent directors yet.

6. Explain the status of the Company's corporate governance, its deviation from the Corporate Governance Best-Practice Principles for Financial Holding Companies, and the reasons for the deviations.

(1) The status of corporate governance:

In addition to maintaining a sound organization and system, the Company, we also employed the following methods to enhance corporate governance:

- ✓ establishing "Procedures Governing The Board Meeting" and "Procedure for The Election of Directors and Supervisors"
- ✓ disclosing information concerning the financial status, business operation, and shareholding of insiders of the Company on the website as designated by the competent authority
- ✓ setting up Risk Management Department responsible for an effective risk management of the Group

(2) The deviation and the reasons for the deviation:

The Company's primary deviation from the Corporate Governance Best-Practice Principles for Financial Holding Companies is that the Company has yet to introduce independent directors and audit Committee. In accordance with Paragraph two, Article 181 of the Securities and Exchange Act, companies renewing board directors in 2006 are not applicable to the Article 14 -2 of the Securities and Exchange Act requiring setup of independent directors.

7. Implementation of social responsibility

(1) In its commitment to corporate social responsibility and contribution to the society, the Company has actively participated in a number of social and charity events. Besides sponsoring academic and arts events, the Company made donations to the Taipei Municipal Zhong-xiao Elementary School for the construction of the Graduation Memorial Wall. In response to the government's policies in the fight against global warming and reducing carbon emissions, the Company is committed to promoting an environmentally responsible workplace. Environmental protection and energy saving practices adopted by the Company include recycling printer cartridges, selling used computers, and reusing, recycling and disposing of package materials, etc.

(2) Also through the Mega Charity Foundation co-invested by the Group, the Company has participated in social welfare charity, and offered help to a number of disadvantaged groups. An employee volunteer team was established in 2007, comprising employees and their friends and families, to provide volunteer services to institutions for special education. They helped organize outdoor activities and assisted in feeding children with disabilities. In addition, the Foundation sponsored Taiwan Fund for Children and Families and other charity organizations in organizing public welfare activities. In 2008, the Foundation offered provisions and the funding for the constructions and renovations of a few institutions for the mentally challenged. The Foundation also provided subsidies for school meals for primary schools in remote areas, medical and funeral expenses for the disadvantaged patients, supplies and provisions for the indigenous communities in the mountainous areas.

8. Other information that would help understand the status of the Company's corporate governance:

(1) Continuing education for the directors and supervisors

The directors and supervisors of the Company possess knowledge, skills, and capacity necessary to carry out their responsibilities, and are also receiving continuing education. To enhance the competency of the Board of Directors, the Company periodically provides directors and supervisors with education opportunities, taken into consideration of both the demand of the directors and supervisors and the management strategy of the Company. For detailed information on the continuing education for individual director and supervisor of the Company, please log on to the Market Observation Post System of Taiwan Stock Exchange. (http://newmops.tse.com.tw).

(2) Implementation of risk management policy and risk-weighing standard:
In addition to fully compliance of government regulations, the Company aims to establish a risk management mechanism that conforms to international standards. Currently, the Company established the Policy and Guidelines on Risk Management for the Mega Financial Group, which clearly described the guidelines on credit risk, market risk, operational risk, legal risk, human resource risk, and emergency crisis management. On credit risk, the Company set up Guidelines on Credit Risk Management for the Mega Financial Group to avoid over-concentration of risk. The Guidelines requires that the credit risk exposure of the Group be divided into different categories by industries and types of clients, and be reviewed and reported on a regular basis. Up to the present time, no over-concentration of risk was observed. In addition, the Company has completed the Internal Rating Model Buildup project which is now in the implementation process undertaken by the Mega Bank. In the future, the Company will keep moving forward to the goal of the international best practices and the New Basel Accord, by building up the credit risk control mechanism based on the quantitative skills step by step. On market risk, the Company reviewed the current risk control reports of each subsidiary on a regular basis. In collaboration with concerning units, the Company has established related rules and regulations, and is also planning to set up an integrated risk management system to perfect its market risk management. On operational risk, the current objectives are to enhance internal control and build up an internal loss data mart. The Company established the Guidelines on Operational Risk Management for the Mega Financial Group to provide consistent directions for all subsidiaries in operational risk management.

(3) Consumer-and customer-protection policy, and its implementation:
The security measures adopted by the Company and its subsidiaries are pursuant to the Article 42 of the Financial Holding Company Act and the Article 18 and 23 of the Computer Processing Personal Privacy Law. The Company also set up strict measures, including Group Firewall Policy, to protect customer privacy. No disclosure, referral, or exchange of client data by the Company would be carried out without an agreement signed by or written consent from the client, in accordance with the Self-discipline for Financial Holding Company and Its Subsidiaries. In addition, the subsidiaries set up client hotlines to handle customer complaints in a timely manner.

(4) State of enforcement by directors of stakeholder resolutions for recusal:
In meetings of Board of Directors, directors withdraw for conflict of interests by neither participating in discussion nor exercising voting right, including voting as a proxy to other director. The 27th meeting of the third session of Board of Directors of the Company, held on June 17th, 2008, was convened for resolution regarding distribution of remuneration for directors and supervisors. In preventing potential conflicts of interest, Mr. Shen-Chih Cheng, the former Chairman of the Board, recused himself from the resolution. The resolution was passed after thorough discussions among all presenting Directors of the Board in the board meeting.

(5) Purchase of D&O insurance for the directors and supervisors of the Company:
The Company maintains D&O insurance for the directors and supervisors of the Company and its subsidiaries.

3.4.3 Major Resolutions of Shareholders' Meeting and Implementation Status

- As resolved in the Annual General Shareholders’ Meeting on June 13, 2008, the Company would pay cash dividends totaling NT$13,824,282,798, employee cash bonus totaling NT$21,400,000, and remuneration of directors and supervisors totaling NT$139,000,000. The cash dividends were distributed on August 29, 2008, and employee cash bonus and remuneration to directors and supervisors were also paid.
- The Annual General Shareholders’ Meeting on June 13, 2008 approved proposed amendments to the Company’s Articles of Incorporation. The changes were reported to the Financial Supervisory Commission for approval, and the registration of the changes was completed with the Ministry of Economic Affairs. Disclosure of the changes was posted on the Company’s website.
- At the Annual General Shareholders’ Meeting on June 13, 2008, two board seats were filled through a by-election. The shareholders also approved a proposal to lift non-competition restrictions on Mr. Joseph Jye-Cherng Lu and three other directors. According to relevant regulations, disclosure of the list of the elected directors and the removal of non-competition restrictions was posted on the Market Observation Post System of TSEC.

3.4.4 Major Resolutions of Board Meetings

- At the 21st meeting of the third session of Board of Directors on January 15, 2008, the Board approved the resignation of former chairman Shen-Chih Cheng and the nomination of Mr. Joseph Jye-Cherng Lu, a director representative of the Ministry of Finance, to be the new chairman. The Board also approved the appointment of Mr. Ray-Beam Dawn as the president.
- At the 23rd meeting of the third session of Board of Directors on March 18, 2008, the Board passed a proposal to hold the Company's 2008 General Shareholders' Meeting on June 13, 2008, and also approved proposed agenda for the meeting.
- At the 24th meeting of the third session of Board of Directors on April 22, 2008, the Board passed a proposal for the distribution of 2007 earnings. The Board passed amendments to the Company's Articles of Incorporation and the "Rules Governing Election of Directors and Supervisors". The Board also passed proposals to hold a by-election to fill two board seats and to lift non-competition restrictions on directors in the 2008 General Shareholders' Meeting.
- At the 26th meeting of the third session of Board of Directors on June 11, 2008, the Board approved the resignation of Mr. Ray-Beam Dawn, president and approved Mr. Simon C. Dzeng, executive vice president to be the acting president.
- At the 27th meeting of the third session of Board of Directors on June 17, 2008, the Board approved to set the ex-dividend date - August 12, 2008.
- At the 28th meeting of the third session of Board of Directors on July 15, 2008, the Board approved the nomination of Mr. Rong-Jou Wang, a director representative of the Ministry of Finance, to be the chairman and the appointment of Mr. Kuang-Si Shiu as the president.
- At the 33rd meeting of the third session of Board of Directors on September 24, 2008, the Board passed a proposal to assist the Company's subsidiary, Mega International Investment Trust Co., Ltd. to solve its liquidity need as a result of a heavy redemption pressure from investors of Mega Diamond Bond Fund.
- At the 35th meeting of the third session of Board of Directors on November 11, 2008, the Board passed a proposal for the issuance of unsecured subordinated bonds with a total amount not exceeding NT$ 8 billion.
- At the 36th meeting of the third session of Board of Directors on December 9, 2008, the Board passed a proposal for the full subscription of shares issued by the Company's subsidiary, Mega International Investment Trust Co., Ltd. for a cash capital increase of NT$1.4 billion.
- At the 39th meeting of the third session of Board of Directors on March 24, 2009, the Board passed a proposal to hold the 2009 General Shareholders' Meeting on June 19, 2009 and approved proposed agenda for the meeting. The Board also approved that the number of seats for the fourth session of Board of Directors would be 15 (including 3 seats for independent directors.)

3.4.5 Resignation and Termination of Employment of Persons Related to the Financial Statements

Title	Name	Elected Date	Resignation Date	Reason
Chairman	Shen-Chih Cheng	Feb. 4, 2002	Jan. 15, 2008	Personal career planning
Chairman	Joseph Jye-Cherng Lu	Jan. 15, 2008	July 15, 2008	The Ministry of Finance changed the representative of director
President	Yeou-Tsair Tsai	Mar. 21, 2006	Jan. 15, 2008	The Ministry of Finance changed the representative of director
President	Ray-Beam Dawn	Jan. 15, 2008	June. 11, 2008	The Ministry of Finance changed the representative of director

3.5 Information Regarding Independent Auditor

The Company's financial report for the first half of 2007 was audited by Ms. Lee, Hsiu-Ling and Mr. Yang, Wen-An of Ernst & Young, while the financial report for the second half of 2007 was audited by Ms. Lee, Hsiu-Ling and Mr. LI, Chang-Chou because Ms. Lee, Hsiu-Ling resigned from Ernst & Young, and joined PricewaterhouseCoopers effective from July 1, 2007. The non-audit fee paid to the independent auditors represents only 21.55% of the audit fee for 2008.

Unit: NT$

Accounting Firm	Name of CPA		Audit Fee	Non-Audit Fee					Audit Period	Note
				System Design	Company Registration	Human Sources	Others	Subtotal		
Pricewaterhouse-Coopers	LI, Chang-Chou	Lee, Hsiu-Ling	2,319,708	0	0	0	500,000	500,000	Jan. 1, 2008 - Dec. 31, 2008	Reviewing the documents required under corpoarate bond issusance

The Company's chairman, chief executive officer, chief financial officer, and managers in charge of its finance and accounting operations did not hold any positions within the Company's independent audit firm or its affiliates during 2008.

3.6 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Major Shareholders

Unit: Share

Title	Name	2008		As of 03/31/2009	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Rong-Jou Wang	0	0	0	0
Director, Supervisor	Ministry of Finance of the ROC	0	0	0	0
Director	The National Development Fund, Executive Yuan, ROC	0	0	0	675,810,261
Director	Bank of Taiwan	0	0	0	0
Director	Chinatrust Financial Holding Co., Ltd.	(54,170,000)	0	0	0
Director	Shun Tai Investments Corp.	0	0	0	0
Director	Shen-Chih Cheng	0	0	0	0
Director	Cheng-Hsiung Chu	0	0	0	0
Supervisor	Chunghwa Post Co., Ltd.	0	0	0	0
Supervisor	Chinatrust Insurance Brokers Co., Ltd.	0	0	0	0
Supervisor	Ho Kao Shan International Investment Company	4,000,000	4,200,000	0	0
President	Kuang-Si Shiu	50,000	0	0	0
Executive Vice President	Jui-Yun Lin	0	0	0	0
Executive Vice President	Chao-Hsien Lai	0	0	110,000	0
Executive Vice President	Dan-Hun Lu	4,942	0	0	0
Chief Auditor	Yung-Ming Chen	0	0	0	0

Note:1.The above-mentioned share transactions were executed on centralized securities exchange market, Taiwan Stock Exchange.
2. Mr. Chao-Hsien Lai and Ms. Dan-Hun Lu have become executive vice presidents of the Company since Jan.15, 2009.

Share Pledged Information

Name	Reasons for Pledge Changes	Date	Trading Counterpart	The relationship among trading counterparts and directors, supervisors, and those required to file shareholding pursuant to the Paragraph 3, Article 25 of the FHC Act	Shares	Pledge (Redeem) Amount
Ho Kao Shan Int'l Investment Company	Pledge	Oct. 28, 2008	Bank of Taiwan	Bank of Taiwan is one of directors of the Company	4,200,000	NTD40 million
The National Development Fund, Executive Yuan, ROC	Pledge	Jan. 17, 2009	Bank of Taiwan	Bank of Taiwan is one of directors of the Company	675,810,261	NTD100 billion*

*Note: Pledged assets include other securities held by the National Development Fund, Executive Yuan, ROC.

3.7 Long-term Investment Ownership

As of Dec. 31, 2008; Unit: NT$

Long-term Investment	Ownership by Mega (1)		Direct/Indirect Ownership by Directors, Supervisors and Management(2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
Mega International Commercial Bank	6,410,987,838	100.00	0	0.00	6,410,987,838	100.00
Mega Securities Co., Ltd.	1,320,000,000	100.00	0	0.00	1,320,000,000	100.00
Mega Bills Finance Co., Ltd.	1,511,441,084	100.00	0	0.00	1,511,441,084	100.00
Chung Kuo Insurance Co., Ltd.	300,000,000	100.00	0	0.00	300,000,000	100.00
Mega Int'l Investment Trust Co., Ltd.	140,000,001	100.00	0	0.00	140,000,001	100.00
Mega Asset Management Co., Ltd.	200,000,000	100.00	0	0.00	200,000,000	100.00
Mega Life Insurance Agency Co., Ltd.	2,000,000	100.00	0	0.00	2,000,000	100.00
Mega Venture Capital Co., Ltd.	100,000,000	100.00	0	0.00	100,000,000	100.00
Mondex Taiwan Inc.	394,823	6.69	197,412	3.35	592,235	10.04
Taiwan Depository & Clearing Corp.	1,237,131	0.41	5,314,829	1.78	6,551,960	2.20
Taipei Financial Center Corp.	73,500,000	5.00	129,999,999	8.84	203,499,999	13.84
Taiwan Business Bank	520,638,476	13.44	870,951,116	22.48	1,391,589,592	35.92
China Products Trading Co.	0	0.00	68,274	68.27	68,274	68.27
Cathay Insurance Company, Inc.	0	0.00	432,321	86.46	432,321	86.46
CTB I Venture Capital Co., Ltd.	0	0.00	55,000,000	55.00	55,000,000	55.00
Yung-Shing Industries Co.	0	0.00	952,195	99.56	952,195	99.56
Win Card Co., Ltd.	0	0.00	500,000	100.00	500,000	100.00
CTB Financial Management & Consulting Co., Ltd.	0	0.00	1,000,000	100.00	1,000,000	100.00
Mega Futures Co., Ltd.	0	0.00	40,000,000	100.00	40,000,000	100.00
Mega Global Asset Management Co., Ltd.	0	0.00	3,740,000	100.00	3,740,000	100.00
Mega International Investment Services Co., Ltd.	0	0.00	10,000,000	100.00	10,000,000	100.00
Mega Securities Holdings Co., Ltd.	0	0.00	40,990,337	100.00	40,990,337	100.00
Mega Capital (Asia) Co., Ltd.	0	0.00	80,000,000	100.00	80,000,000	100.00
Mega Securities (Hong Kong) Co., Ltd.	0	0.00	100,000	100.00	100,000	100.00
Mega International Asset Management Co., Ltd.	0	0.00	15,000,000	100.00	15,000,000	100.00
Mega International Commercial Bank (Canada)	0	0.00	230,000	100.00	230,000	100.00
Mega International Commercial Bank Public Co., Ltd.	0	0.00	400,000,000	100.00	400,000,000	100.00
Cathay Investment & Development Corp. (Bahamas)	0	0.00	5,000	100.00	5,000	100.00
Cathay Investment & Warehousing Ltd.	0	0.00	1,000	100.00	1,000	100.00
Ramlett Finance Holdings Inc.	0	0.00	1,500	100.00	1,500	100.00
ICBC Assets Management & Consulting Co., Ltd.	0	0.00	26,100,000	100.00	26,100,000	100.00
ICBCAMC Offshore Limited	0	0.00	1	100.00	1	100.00
ICBCAMC Offshore (Taiwan) II Limited	0	0.00	1	100.00	1	100.00
Junior Preference Share Company (Taiwan) II Limited	0	0.00	1	100.00	1	100.00
Junior Preference Share Company Limited	0	0.00	1	100.00	1	100.00
Mega Insurance Brokers (Hong Kong) Co., Ltd.	0	0.00	100,000	100.00	100,000	100.00

Long-term Investment	Ownership by Mega (1)		Direct/Indirect Ownership by Directors, Supervisors and Management (2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
IP Fund Seven Ltd.	0	0.00	25,000,000	25.00	25,000,000	25.00
An Fang Co., Ltd.	0	0.00	750,000	25.00	750,000	25.00
Taiwan Finance Corporation	0	0.00	126,713,700	24.55	126,713,700	24.55
United Venture Capital Corp.	0	0.00	13,440,000	25.31	13,440,000	25.31
Everstrong Iron Steel & Foundry & Mfg Corp.	0	0.00	1,760,000	22.22	1,760,000	22.22
China Real Estate Management Co., Ltd.	0	0.00	9,000,000	20.00	9,000,000	20.00
China Insurance Co. (SIAM), Ltd.	0	0.00	1,515,000	25.25	1,515,000	25.25

Securities Issuance Disclosure

Securities Issuance Disclosure

4.1 Capital and Shares

4.1.1 Capitalization

As of Apr. 30, 2009

Month/Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Date of Approval by the Authority
July 2007	10	12,000,000,000	120,000,000,000	11,059,426,238	110,594,262,380	Cancellation of 110,023,000 treasury shares with par value of NT$1,100,230,000	June 28, 2007

4.1.2 Shares Issued

As of Apr. 30, 2009

Type of Stock	Authorized Share Capital			Remark
	Issued Shares (Note)	Unissued Shares	Total	
Common Stock	11,059,426,238	940,573,762	2,000,000,000	

Note: All the issued shares are listed on the Taiwan Stock Exchange.

4.1.3 Composition of Shareholders

As of Aug. 8, 2008

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institution & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	22	36	558	258,078	434	295,128
Shareholding	1,907,479,191	1,527,242,210	1,952,640,135	2,941,976,608	2,730,088,094	11,059,426,238
Holding Percentage (%)	17.25	13.81	17.65	26.60	24.69	100.00

4.1.4 Distribution Profile of Share Ownership

Par value per share: NT$10

As of Dec. 31, 2008

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	108,237	37,154,149	0.34
1,000 ~ 5,000	95,563	229,329,355	2.07
5,001 ~ 10,000	28,750	216,083,390	1.95
10,001 ~ 15,000	10,131	124,057,339	1.12
15,001 ~ 20,000	6,409	114,868,542	1.04
20,001 ~ 30,000	5,561	138,023,710	1.25
30,001 ~ 40,000	2,740	95,979,897	0.87
40,001 ~ 50,000	1,901	87,319,784	0.79
50,001 ~ 100,000	3,284	232,477,913	2.10
100,001 ~ 200,000	1,439	199,850,880	1.81
200,001 ~ 400,000	517	143,629,807	1.30
400,001 ~ 600,000	170	83,602,626	0.76
600,001 ~ 800,000	90	63,089,473	0.57
800,001 ~ 1,000,000	46	42,041,482	0.38
1,000,001 ~ 1,200,000	26	28,818,399	0.26
1,200,001 ~ 1,400,000	25	32,299,369	0.29
1,400,001 ~ 1,600,000	24	35,893,521	0.32
1,600,001 ~ 1,800,000	15	25,978,816	0.23
1,800,001 ~ 2,000,000	21	40,749,736	0.37
Over 2,000,001	209	9,088,178,050	82.18
Total	265,158	11,059,426,238	100.00

4.1.5 Shares Issued

Unit: NT$

Item	Year	2008	2007	As of March 31, 2009
Market Price Per Share (Note1)	High	27.50	24.70	12.85
	Low	7.82	19.00	8.60
	Average	18.98	21.22	10.53
Net Worth Per Share (Note 2)	Before Distribution	16.05	17.54	16.29
	After Distribution	(Note 6)	16.27	(Note 6)
Earnings Per Share	The Weighted Average of Outstanding Shares (Unit: shares)	11,059,426,238	11,059,426,238	11,059,426,238
	Earnings Per Share	0.03	1.54	0.33
Dividends Per Share	Cash Dividends	1.25	1.50	(Note 6)
	Stock Dividends	-	-	-
	Cumulative Undistributed Dividends	-	-	-
Investment Return Analysis	PE Ratio (Note 3)	632.67	13.78	31.91
	Price-Dividend Ratio (Note 4)	15.18	14.15	-
	Cash Dividend Yield (Note 5)	6.59%	7.07%	(Note 6)

Note:1. Average market price = trading value / trading volume
2. Net worth per share = net worth / total number of shares outstanding
3. PE ratio = average closing price / earnings per share
4. Price-dividend ratio =average closing price / cash dividends per share
5. Cash dividend yield = cash dividends per share / average closing price
6. The proposal for distribution of 2008 profits will be submitted at the annual shareholders meeting on June 19, 2009.

4.1.6 Dividend Policy

According to its Articles of Incorporation, the Company's dividend policy is described as follows:

After paying all taxes and covering its accumulated losses of the previous years in accordance with the laws, the Company shall set aside a legal reserve in accordance with the laws. Aside from the aforesaid legal reserve, the Company may set aside special reserve, in accordance with laws or its actual needs. The Company may also retain certain earnings.

The remainder (including a reversible special reserve according to laws) shall be distributed as follows: employees profit sharing between 0.02% and 0.16%, and remuneration of directors and supervisors not exceeding 1%. Any remaining balance of net earnings, including undistributed earnings from previous fiscal years, shall be distributed or retained in accordance with the Board of Directors' proposal, subject to resolutions of the Shareholders' Meeting.

In principle, at least 50% of the shareholders' dividends in the above paragraph shall be paid in cash, and the rest paid by stock dividend. The aforesaid employees' profit sharing shall be distributed in cash or stock subject to the approval of shareholders' meeting. The employees of affiliates of the Company may also be entitled to the employees' stock bonus, subject to the rules set forth by the Board of Directors.

4.2 Proposal to Distribute 2008 Profits

It is proposed to submit to the Company's Annual Shareholders Meeting, to be held on June 19th, 2009, for their approval of the distribution of NT$2,764,856,560 cash dividends ($0.25 per share), NT$424,000 cash as employee profit sharing, and NT$2,650,000 remuneration for directors and supervisors. Effective from January 1, 2008, the aforesaid profit sharing for directors, supervisors and employees has been accounted for as expenses. The earnings per share for 2008 is NT$0.03. Set forth below are details of the proposed profit distribution for 2008 and distributed profit for 2007:

Unit: NT$

Item	2008	2007
Cash Dividends to Common Shareholders	$2,764,856,560	$13,824,282,798
Remuneration for Directors and Supervisors	2,650,000	139,000,000
Employees' Profit Sharing in Cash	424,000	21,400,000
Total	$2,767,930,560	$13,984,682,798

4.3 Corporate Bonds

Unit: NT$

Issue	2008-1 Domestic Unsecured Bond	2008- 2 Domestic Unsecured Subordinated Bond
Issue Date	May 13, 2008	Dec. 26, 2008
Denomination	NT$1,000,000	NT$1,000,000
Issue/Transaction Place	Taiwan	Taiwan
Issue Price	Par	Par
Issue Amount	NT$5,750,000,000 (including Tranche A for NT$2,400,000,000, Tranche B for NT$1,250,000,000, Tranche C for NT$1,800,000,000 and Tranche D for NT$300,000,000)	NT$6,000,000,000
Coupon Rate	Tranche A: 2.58% p.a. Tranche B: 90-day TWD BACP + 0.20% p.a. Tranche C: 2.75% p.a. Tranche D: 90-day TWD BACP + 0.25% p.a	3.26% p.a.
Maturity	Tranche A & B: 3 years (due 05/13/2011) Tranche C & D: 5 years (due 05/13/2013)	7 years (due 12/26/2015)
Repayment Priority	Senior, unsubordinated	Subordinated
Guarantor	None	None
Trustee	Bank SinoPac	Taipei Fubon Commercial Bank
Underwriter	None	None
Certifying Attorney	Shing Tai Law Office	Shing Tai Law Office
Auditor	PricewaterhouseCoopers	PricewaterhouseCoopers
Repayment	Principal to be repaid in lump sum at maturity based on the face value	Principal to be repaid in lump sum at maturity based on the face value
Outstanding Principal	NT$5,750,000,000	NT$6,000,000,000
Redemption or Early Repayment Clause	None	None
Restriction Clause	None	If the Company's capital adequacy ratio is lower than the minimum requirements stipulated by the competent authorities due to payment of interest and repayment of principal of corporate bonds, the Company will cease payment of interest and principal until the ratio meets the stipulated requirements. (Interest is added, and interest and rollover of principal is calculated at coupon rate.)
Whether included in eligible capital	No	Yes
Credit Rating	Rated twAA by Taiwan Ratings Corp. on Apr. 09, 2008	Rated twA+ by Taiwan Ratings Corp. on Nov. 27, 2008

Issue	2007-1 Domestic Unsecured Bond	2007-1 Domestic Unsecured Bond
Issue Date	Oct. 25, 2007	Feb. 4, 2008
Denomination	NT$1,000,000	NT$1,000,000
Issue/Transaction Place	Taiwan	Taiwan
Issue Price	Par	Par
Issue Amount	NT$4,000,000,000 (including Tranche A for NT$3,000,000,000, Tranche B for NT$700,000,000 and Tranche C for NT$300,000,000)	NT$3,700,000,000 (including Tranche A for NT$1,300,000,000, Tranche B for NT$400,000,000 and Tranche C for NT$2,000,000,000)
Coupon Rate	Tranche A: 2.70% p.a.	Tranche A : 2.68% p.a.
	Tranche B: 90-day TWD BACP + 0.27% p.a.	Tranche B: 90-day TWD BACP + 0.22% p.a.
	Tranche C: 2.80% p.a.	Tranche C: 2.78% p.a.
Maturity	Tranche A & B: 3 years (due 10/25/2010) Tranche C: 5 years (due 10/25/2012)	Tranche A & B: 3 years (due 02/04/2011) Tranche C: 5 years (due 02/04/2013)
Bond Status	Senior, unsubordinated	Senior, unsubordinated
Guarantor	None	None
Trustee	Bank SinoPac	Bank SinoPac
Underwriter	None	None
Certifying Attorney	Fang-Gui Guo Law Office	Shing Tai Law Office
Auditor	PricewaterhouseCoopers	PricewaterhouseCoopers
Repayment	Principal to be repaid in lump sum at maturity based on the face value	Principal to be repaid in lump sum at maturity based on the face value
Outstanding Principal	NT$4,000,000,000	NT$3,700,000,000
Redemption or Early Repayment Clause	None	None
Restriction Clause	None	None
Whether included in eligible capital	No	No
Credit Rating	Rated twAA by Taiwan Ratings Corp. on Sep. 28, 2007	Rated twAA by Taiwan Ratings Corp. on Dec. 21, 2007

Operating Overview

5.1 The Economic and Financial Environment in 2008

5.1.1 Economic situations

In Taiwan, the economy has been hard hit by the turmoil in global financial and stock markets. Income of the general public shrank, subsequently pulling down consumer spending. Many industries were facing grim prospects due to sluggish world economic growth, and private sector investment continued to slow down. In addition, the growth of Taiwan's exports also declined considerably as the slump in industrialized economies spilled over quickly to emerging markets. In 2008, Taiwan reported an annual economic growth rate of 0.12%. Cumulatively in 2008, exports on customs basis grew 3.64% and imports grew 9.84%. Combined with trade in services and factoring out consumer prices, the export sector saw a negative growth rate of 0.17% and the import sector, a negative growth rate of 4.30%. Taiwan recorded a trade surplus of US$18.7 billion in 2008.

Looking forward into 2009, international institutions including the IMF and Global Insight have marked down considerably economic forecasts for 2009. It is predicted that developed economies (US, Europe and Japan, for example) will post negative growth rates, and emerging economies will see a considerable slowdown as well. The Taiwanese government has taken aggressive steps to cope with the fallout from the global recession, including boosting employment, stimulating consumer spending and expanding public sector investment. According to statistics released by the Directorate General of Budget, Accounting and Statistics (DGBAS) in February 2009, Taiwan posted a sharp decline in export orders due to the downturn in world economy. The export sector will be affected considerably. Dismal economic figures, including rising unemployment rates, decreasing income and shrinking wealth, are likely to continue throughout 2009. There will be a further contraction in consumeer spending. It is forecasted that Taiwan's annual growth rate will be negative 2.97% in 2009.

5.1.2 Financial environment

Interest Rates

Due to worsened subprime mortgage crisis and a greater tightening in the credit market in 2008, the US Federal Reserve lowered the fed funds rate three times in Q4 to alleviate the negative impact of financial market fluctuations on the US economy. In Taiwan, the domestic financial markets also went through turbulent times as a result of the collapse of Lehman Brothers. During the second half of 2008, Taiwan's Central Bank lowered its rediscount rate five times to ensure liquidity, leading to falling of the interbank call loan rate. The overnight interbank call-loan rate reached 0.492% by the end of 2008, compared with 2.083% one year before. Overall, the domestic money market remained easy.

Foreign Exchange Rates

The exchange rate of TWD against USD showed a trend from appreciation to depreciation, from TWD 30.354 in end June to TWD 32.86 at year end. In December 2008, the average exchange rate of TWD against USD reached NT$33.146, depreciating 2.25% from December 2007. The annual average exchange rate was NT$31.517, an appreciation of 4.03% from 2007.

Stock Market

The Taiwan's stock market rose to its peak of the year at 9,295.20 on May 19 and then slid downwards in sync with global stock markets to close at 4,591.22 at the end of 2008, the lowest point on the last trading day of the year since 2002. Cumulatively, the TAIEX dropped 3,900 points, or 46% in 2008. The average daily trading volume in the Taiwanese stock market reached NT$121.4 billion, a significant decline of 29% from NT$171.9 billion in 2007. Average outstanding balance of loans for margin trading also declined by 25% to NT$317.9 billion from NT$425.2 billion in 2007.

Financial Industry

Since the Financial Holding Company Act was promulgated in June 2001, there have been 15 financial holding companies in Taiwan, among which Taiwan Financial Holding Co., Ltd. was formally established on January 1, 2008. Except for Bank of Taiwan, the banking unit of Taiwan Financial Holding Company, each respective bank of other financial holding companies has a market share of less than 10%. The figure indicates that the banking operations of most financial holding companies in Taiwan are too small to achieve economic efficiency, and overbanking has led to declining profitability in Taiwan's banking sector.

Financial institutions in major industrialized countries have been hard hit by the global financial turmoil in 2008, consequently hampering Taiwan's private financial institutions' ability or willingness for merger and acquisition. Comparatively, Taiwan's state-controlled financial institutions have been in a better position to weather the crisis and will thus take a leading role in financial mergers and acquisitions in the future. The Taiwanese government has promised its continued commitment to carry out financial reforms and has also stressed that state-controlled financial institutions would take the initiative in pushing forward mergers and acquisitions. Through M&A, vulnerable financial institutions can be eliminated in the least harmful way.

The banking sector recognized huge losses from investment due to the global financial turmoil in 2008. As a result, bank earnings have eroded considerably. Although local banks in Taiwan have recorded a stable growth in revenues from banking business, overall earnings are yet to rise again.

In 2008, a number of foreign banks and private equity successfully acquired some small to medium-sized banks in Taiwan. Foreign financial institutions have expanded their operations in Taiwan, making financial service providers more diverse in Taiwan.

It is expected that Taiwan and Mainland China will sign a memorandum of understanding (MOU) on cross-strait banking and financial supervision in 2009. The MOU will allow Taiwan-based banks to set up branches in Mainland China and buy stakes in local banks. The MOU will present a big opportunity for Taiwanese banks to further their financial services to mainland-based Taiwanese companies.

5.2 Business Overview

Mega Financial Holding Company

According to Taiwan's Financial Holding Company Act, the business of a financial holding company shall be limited to investment in, and management of, its invested enterprise(s). Nearly all of its revenues are derived from subsidiaries. Due to losses of the Company's securities, non-life insurance and investment trust subsidiaries and a sharp decline in profit from the Company's banking, life insurance agency and venture capital subsidiaries, the Company's investment income amounted to NT$858,051 thousand in 2008, declining 95.07% from the previous year. As a result, the net income for 2008 fell to NT$294,519 thousand, or NT$0.03 per share, from NT$17,070,391 thousand, or NT$ 1.54 a share, in 2007.

Mega International Commercial Bank Co., Ltd.

Despite the unfavorable financial environments resulting from global financial crisis in 2008, the bank's deposits and loans were on the rise to reach NT$1,306 billion and NT$ 1,282 billion, respectively. In regard to foreign exchange business in which the bank specialized, the volume was US$609 billion, up 19.17% year on year. The bank's operating performance in 2008 is shown in the following table:

Units: NT$ million, except foreign exchange in US$ million

Item \ Year	2008	2007	Change (%)
Deposits	1,306,773	1,193,106	9.53
Loans	1,282,395	1,156,318	10.90
Foreign Exchange (US$)	609,179	511,187	19.17
Securities Purchased	216,298	188,877	14.52
Long-term Equity Investments	31,036	34,030	-8.80
Trust Assets	281,955	300,780	-6.26
Credit Card Loan	2,551	3,253	-21.58

Asset Quality

The non-performing loans outstanding at the end of 2008 amounted to NT$15,225 million, representing a non-performing loan ratio of 1.16%, lower than the overall average for Taiwanese domestic banks of 1.54% as disclosed by the FSC. The bank's bad debt coverage ratio was 77.53%, higher than the overall average for Taiwanese domestic banks of 69.48%.

Mega Securities Co., Ltd. (MSC)

In 2008, the volume of securities brokerage conducted by the company represents a market share of 3.16% or ranked 11th in the industry, compared with 3.07% or ranked 11 in 2007. The company issued 219 warrants in total, ranked 6th in the market, and issued NT$3,979 million worth of new structured products, ranked 12th in the market. The company's operating performance in 2008 is shown in the following table:

	Item	2008	2007	Change(%)
Securities Brokerage	Market share	3.16%	3.07%	0.09
Equity Underwriting	Companies under MSC's assistance in preparing application for listing on the stock exchange	13 companies	18 companies	-27.78
	Companies under MSC's assistance in preparing application for trading over the counter	18 companies	22 companies	-18.18
	Number of initial public offering lead managed by MSC	4 issues	5 issues	-20.00
	Number of subsequent public offering lead managed by MSC	2 issues	10 issues	-80.00
Bond Underwriting	Number of issues lead managed by MSC	3 issues	3 issues	0
	Issue amount of bonds lead managed by MSC	NT$ 12,650 million	NT$ 10,700 million	18.22
New Financial Products	Warrants	219 issues	83 issues	163.86
	Structured products	NT$ 3,979 million	NT$ 1,704 million	133.51

Note: The ranking includes 13 securities companies with a registered capital of over NT$10 billion in Taiwan.

Mega Bills Finance Co., Ltd.

The company's business volume in underwriting and purchasing of bills, guaranteed issues of commercial paper and dealing of bills in 2008 grew more than 10% in 2008, while business volume of the whole market declined. The company remained the market leader in the bills market and generated NT$1,515 million in net income after tax, ranked 1st in the industry. The company's operating performance in 2008 is shown as follows:

Units: NT$ million

Item	2008	2007	Change (%)
Underwriting and purchasing bills	1,776,022	1,545,507	14.92
Guaranteed issues of commercial paper	1,695,690	1,476,982	14.81
Dealing in bills	9,499,714	8,613,726	10.29
Dealing in bonds	6,500,765	11,328,508	-42.62
Guaranteed issues of commercial paper outstanding	120,209	126,906	-5.28
Payments for overdue credits	606	671	-9.69
Percentage of payments for overdue credits (%)	0.51	0.61	-16.39

Chung Kuo Insurance Co., Ltd.

● Direct written business

Total direct written premiums income for 2008 amounted to NT$5,979 million, a drop of NT$508 million or 7.83% compared with the NT$6,487 million of 2007.

● Inward reinsurance business

Reinsurance premiums income for 2008 reached NT$945 million, declining NT$74 million or 7.26% from the NT$1,019 million of 2007.

Mega International Investment Trust Co., Ltd.

As of the end of 2008, the company's assets under management in mutual funds totaled NT$31,729 million, a market share of 2.02%, ranked 18th among all 39 securities investment trust companies in Taiwan. The assets under management fell NT$28,345 million or 47.18% from 2007 as the size of bond fund shrank considerably.

Mega Asset Management Co., Ltd.

The domestic NPL market witnessed a fierce competition as the sales volume of NPL fell in 2008. As a result, the cost incurred in acquiring NPL was higher, and the company also faced more challenges in the disposal of NPL. In 2008, the company purchased NPL through open bidding and negotiation a total of NT$5,473 million, a decrease of NT$9,687 million, or 63.90% from 2007. The net proceeds from disposal of the purchased NPL amounted to NT$608 million, generating a net income after tax of NT$274 million in 2008.

Mega Venture Capital Co., Ltd.

The company recorded a net profit of NT$6.65 million for 2008, or NT$0.07 a share, from NT$33.48 million, or NT$0.33 a share, in 2007. As of December 31, 2008, the original investment cost of its portfolio amounted to NT$ 719 million, representing a growth of 67.60% from NT$429 million recorded in 2007.

Mega Life Insurance Agency Co., Ltd.

In 2008, the insurance commission income generated by the subsidiary amounted to NT$218 million, a decline of 48.10% from NT$420 million recorded in 2007.

5.3 Operating Policies in 2008

Accelerating organizational integration within the Group and reinforcing cross selling so as to pursue synergy

- To monitor and reinforce the integration and restructuring of the Group's subsidiaries and to continue strengthening the effectiveness of merged banking and investment trust units so as to enhance the value of merge
- To set up a customer-oriented organization, to enhance sales culture and sales techniques, and to reinforce cross-selling

Focusing on developing core business and maximizing shareholder value

- To network throughout the Asia-Pacific region and position ourselves globally, and to speed up globalizing our services so as to raise profits from overseas business
- To manage effectively and allocate strategically the Group's investment portfolio in order to generate maximum expected return with tolerable risk

Exploring merger and acquisition opportunities to enhance the Group's competitiveness and economic scale

- To acquire high-quality local financial institutions or holding companies in order to attain a market share of 10% in Taiwan
- To position ourselves globally to seek merger and acquisition opportunities in other countries

Enhancing financial performance and transparency

- To continue to research on the optimal capital structure of the Group and reinforce capital management so as to enhance the Group's financial performance
- To reinforce the integration, quality and timeliness of financial information disclosure

Lowering cost to boost operating performance

- To reinforce the Group's collective procurement and integrate the Group's resources so as to reduce administrative costs
- To continue optimizing human resource allocation and to carry through the flattening of organizational structure and downsizing so as to lower personnel costs
- To establish a performance-based remuneration system in order to motivate and retain top talents

Strengthening risk management practices and systems

- To supervise subsidiaries' risk control practices and to develop practices and tools for improving risk controll information disclosure
- To supervise subsidiaries' implementation and validation of internal credit risk rating system in conforming with Basel II
- To research on various risk management systems and projects

Strengthening the Group's information management and integrating information systems

- To set up specific policies and rules for strengthening the management of subsidiaries' information technology departments
- To integrate the Group's information systems and facilities so as to pursue synergy
- To continue developing and integrating the Group's internet resources so as to build a network for sharing resources

Financial Status, Operating Performance Analysis and Risk Management

6.1 Financial Status

Unconsolidated

Unit : NT$ thousands

Item \ Year	2008	2007	Difference	
			NT$	%
Cash and Cash Equivalents	1,276,998	146,510	1,130,488	771.61
Available for Sale Financial Assets	3,654,882	5,195,972	(1,541,090)	(29.66)
Receivables	4,368,517	4,976,822	(608,305)	(12.22)
Equity Investments Accounted for by the Equity Method	196,065,435	207,202,317	(11,136,882)	(5.37)
Property and Equipment	759,660	806,047	(46,387)	(5.75)
Other Financial Assets	762,046	762,046	0	0
Other Assets	152,512	168,629	(16,117)	(9.56)
Total Assets	207,040,050	219,258,343	(12,218,293)	(5.57)
Payables	10,071,386	9,259,187	812,199	8.77
Bonds Payable	19,450,000	4,000,000	15,450,000	386.25
Other Financial Liabilities	0	11,996,220	(11,996,220)	(100.00)
Other Liabilities	40,181	35,190	4,991	14.18
Total Liabilities	29,561,567	25,290,597	4,270,970	16.89
Capital Stock	110,594,262	110,594,262	0	0
Capital Surplus	43,426,403	45,182,901	(1,756,498)	(3.89)
Retained Earnings	20,349,144	34,039,308	(13,690,164)	(40.22)
Equity Adjustments	3,108,674	4,151,275	(1,042,601)	(25.12)
Total Stockholders' Equity	177,478,483	193,967,746	(16,489,263)	(8.50)

Analysis of deviation over 20%:

1. The increase in cash and cash equivalents was mainly due to issuance of unsecured subordinated bonds in Dec. 2008.
2. The decrease in available for sale of financial assets was mainly due to increase in loss from valuation adjustment on shareholding of Taiwan Business Bank.
3. Bonds payable increased as the Company issued unsecured bonds on May 13, 2008 and Dec. 26, 2008, respectively.
4. The decrease in other financial liabilities is mainly due to decrease in commercial papers payable and short term borrowing.
5. The decrease in retained earnings was largely due to decrease in net income for 2008.
6. The decrease in equity adjustments was mainly due to increase in unrealized losses on financial instruments.

6.2 Operational Results

Unconsolidated

Unit : NT$ thousands

Item	2008	2007	Difference	Change (%)
Investment Income from Equity Investments Accounted for by the Equity Method	858,051	17,395,529	(16,537,478)	(95.07)
Other Income	49,816	124,532	(74,716)	(60.00)
Operating Expenses	325,766	323,057	2,709	0.84
Other Expenses and Loss	411,000	438,223	(27,223)	(6.21)
Income Before Income Tax	171,101	16,758,781	(16,587,680)	(98.98)
Income after Income Tax	294,519	17,070,391	(16,775,872)	(98.27)
Net Income	294,519	17,070,391	(16,775,872)	(98.27)

Ratio change analysis:

1. Reduction in investment income recognized under the equity method was mainly attributable to losses of the Company's securities, non-life insurance and investment trust subsidiaries and a sharp decline in profit from the Company's banking, life insurance agency and venture capital subsidiaries in 2008.
2. Reduction in other income was mainly attributable to decline in gains on financial liabilities at fair value through profit or loss and in interest income.

6.3 Cash Flow

6.3.1 Analysis of cash flow for 2008

Unconsolidated

Year / Item	2008	2007	Change (%)
Cash Flow Ratio	492.77	90.01	447.46
Cash Flow Adequacy Ratio	78.22	84.74	(7.69)
Cash Re-Investment Ratio	-	-	-

Cause for major changes:

1. Rise in the cash flow ratio was primarily attributable to reduction in commercial paper payable and short-term borrowing in 2008.
2. Cash re-investment ratio was not applicable because net cash flows from operating activities less cash dividends was negative.

6.3.2 Liquidity Analysis for 2009

Unit : NT$ 1,000

Cash Balance (12/31/2008) (1)	Net Cash Provided by Operating Activities (2)	Net Cash Outflows (3)	Expected Cash Surplus (12/31/2009) (1)+(2)-(3)	Remedy for Cash Shortfall	
				Investment Plans	Financing Plan
83,327	1,125,595	1,108,922	100,000	N.A.	N.A.

Analysis of cash flow:

1. Operating Activities: net cash inflow mainly from investment income
2. Investing Activities: no major investments in 2009
3. Financing Activities: primarily for the payout of cash dividends

6.4 Investment Policies in 2008

- Adding locations to expand the Group's operations network through merger and acquisition and enlarging the economic scale
  - Banking sector: Through merger and acquisition, we target at state-owned and private banks that are complementary to our operations, so as to increase our market share to over 10%.
  - Securities sector: For the Company's securities brokerage business, we aim at increasing our market share to over 5% and entering top 5 securities brokers in Taiwan.
  - Life insurance sector: We aim at building strategic alliances with leading global life insurance companies, and ultimately establishing a joint-venture life insurance company.
- Studying domestic and global financial environment, current development of merger and acquisition, and directions for the Group's financial territory and future development. The study findings are used as reference for investment policies.

6.5 Review of Investment Performance

Mega International Commercial Bank Co., Ltd.

The bank's net income after tax in 2008 amounted to NT$3,421,919 thousand, a decrease of 75.61% from the previous year. The decline was mainly due to a sharp increase in loss on assets impairments and other losses, as the bank recognized huge losses on collateralized debt obligations and financial products in connection with Lehman Brothers in 2008. The bank will cut back on its securities investment amount, freeze its country risk premiums of 24 countries, and apply stricter criteria for credit granting, so as to reduce risk.

Mega Securities Co., Ltd.

The company reported a net loss of NT$2,651,361 thousand for the year 2008, compared with a profit of NT$1,408,709 thousand in the prior year. As the equity market experienced a sharp decline in the second half of 2008, the company suffered a substantial loss from equity trading in the domestic market and recognizing investment loss from its overseas subsidiaries. The company will minimize profit fluctuations by adjusting risk management mechanism, raising brokerage market share through merger and acquisition, together with establishment of a complete product line.

Mega Bills Finance Co., Ltd.

The company's net income after tax for 2008 amounted to NT$1,515,316 thousand, a decrease of 28.54% from the year before, as the company raised loan loss provisions to improve the quality of credit assets. The company will aim at raising the rate of drawing on guarantee facilities, enhancing bonds trading skills and developing new financial products, in order to increase sources of profit.

Chung Kuo Insurance Co., Ltd.

The company reported a loss net of NT$399,696 thousand for the year 2008, compared with a profit of NT$34,973 thousand for the year before. The loss was mainly attributed to large claims payout to China Steel Corporation and Taiwan Power Company, as well as less investment income than expected. To improve operating performance, the company will seek to increase profit in underwriting gains and gains on capital utilization.

Mega Assets Management Co., Ltd.

The company's net income after tax amounted to NT$274,304 thousand in 2008, a 11.36% decline compared to 2007, mainly due to a slowdown in disposing of assets as a result of the economic downturn in 2008. To increase sources of profit, the company will utilize its holding of NPL and real estate assets to launch real estate development project.

Mega Life Insurance Agency Co., Ltd.

The company posted net income after tax for NT$10,538 thousand in 2008, a 61.17% decrease from the prior year. The decrease was attributable to a sharp decline in sales of equity-linked insurance products and commission income as a result of the slump in stock markets in 2008 and stricter rules governing equity-linked insurance contracts imposed by the competent authorities in Taiwan. The company will make effort to expand business and increase commission income by introducing diversified products.

Mega Venture Capital Co., Ltd.

The company's net income after tax amounted to NT$6,654 thousand in 2008, an 80.13% drop from the year before, mainly due to the delay in disposal of shares and the unfavorable market conditions. The company will adjust investment strategies and monitor the quality of investment assets so as to increase profit.

Mega International Investment Trust Co., Ltd.

This company reported a net loss of NT$1,586,866 thousand in 2008, as the company suffered huge losses from the collapse of Lehman Brothers in 2008. After decreasing existing capital and injecting new capital to offset the accumulated losses, the company's assets under management have recovered to NT$31,729 million at the end of 2008 from the lowest level of NT$10,656 million in October 2008. To improve its operating performance, the company will seek to enlarge assets under management by reinforcing research quality and distribution channels.

Taiwan Business Bank

To be in conformity with GAAP, the bank recognized in advance all deferred loss of NT$2.243 billion from disposal of NPL in the previous years, instead of amortizing deferred NPL losses over 5 years. As a result, net income after tax fell to NT$93 million in 2008, a 91.80% decline compared to 2007. The NPL ratio for year-end 2008 was 2.25%, while the NPL provision coverage ratio stood at 41.09%, improving from 40.77% in the previous year.

6.6 Investment Plans for 2009

We will continue to evaluate and explore opportunities for merging with financial institutions that are complementary to our operations and can enhance synergy within the Group, so as to gain market share and become a regional financial institution that provides high quality services.

It is likely that Taiwan and Mainland China will sign a memorandum of understanding (MOU) on cross-strait banking and financial supervision in 2009. The MOU will allow financial institutions in Taiwan to set up branches in Mainland China and acquire stakes in local banks. Mega International Commercial Bank, the Company's banking subsidiary, will seek to develop business in Mainland China based on its current branch in Hong Kong and a new office in progress in Suzhou. Besides, in accordance with law, we will also consider partnering with large Mainland Chinese banks through strategic alliances or reciprocal stake holding, so as to establish a financial service network for the Greater China Area and explore business opportunities.

6.7 Risk Management

6.7.1 Organization Structure

As the highest authority and the policy-making body for the Company's risk management, the Board of Directors defines the duties and responsibilities concerning risk management and takes ultimate responsibility for the Group's risk management system and its effective operation. The Risk Management Committee, which reports to the Board, takes charge of formulating the policy and guidelines of risk management for the Group and evaluating various risks within the Group. The Risk Management Department, which reports to the President of the Company, is responsible for collecting, measuring, analyzing, monitoring, controlling, and reporting all risk information within the Group. Finally, the Auditing Office of the Board takes charge of evaluating the effectiveness of internal control systems and the efficiency of the Group's operations as well as making recommendations as it deems appropriate.

6.7.2 Risk Management Policy

The risk management policy for the Company and its subsidiaries aims to build a mechanism for identifying, monitoring and controlling risks emerging from various businesses and ensuring all operational risks are reduced to tolerable level in order to create maximum profits and returns on shareholders' equity. Also, seeking to establish a risk management mechanism that conforms to international standards, the Company has completed the Internal Rating Model Buildup project which is now in the implementation process undertaken by the Mega International Commercial Bank. In the future, the Company will keep moving forward to the goal of the international best practices and the New Basel Accord, by building up the credit risk control mechanism based on the quantitative skills step by step. Internal training sessions will also be held to develop risk management consciousness and foster such culture in the Group.

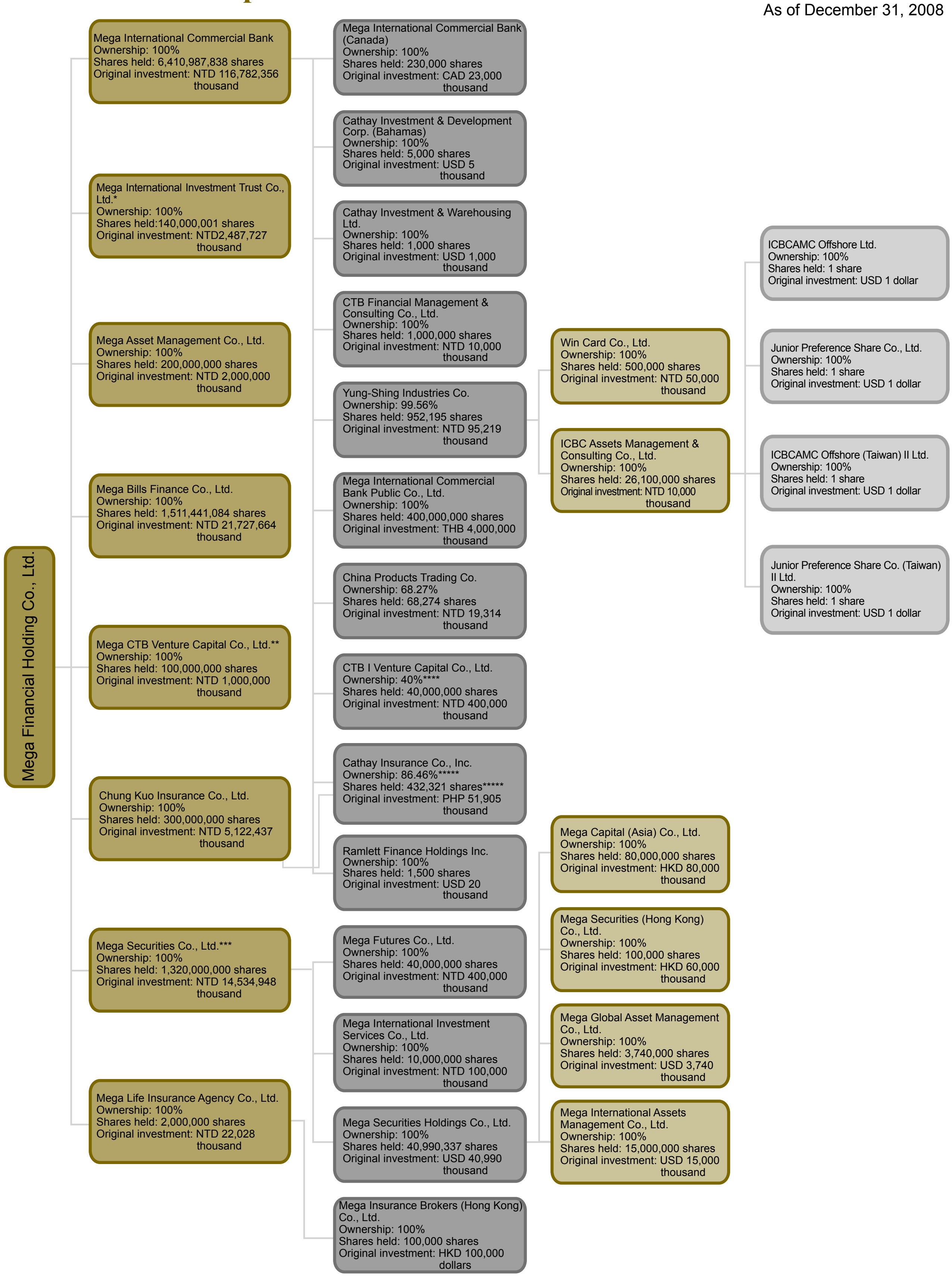
For more information about risk management, please refer to page 121 of this annual report.

Affiliates Information

Affiliates Information

7.1 Affiliated Companies Chart

As of December 31, 2008



* Mega International Investment Trust Co., Ltd. has reduced its issued capital to 52,700,000 shares since March 26, 2009.
** Mega CTB Venture Capital Co., Ltd. was renamed "Mega Venture Capital Co., Ltd." since April 7, 2009.
*** Mega Securities Co., Ltd. reduced its issued capital to 1,160,000,000 shares since April 13, 2009.
**** Mega International Commercial Bank, Mega Securities Co., Ltd. and Chung Kuo Insurance Co., Ltd. held 25%, 10% and 5% stake, respectively in CTB I Venture Capital Co., Ltd.
*****Chung Kuo Insurance Co., Ltd. and Mega International Commercial Bank held 56.09% and 30.37%, respectively in Cathay Insurance Company Inc..

7.2 Affiliated Companies

As of December 31, 2008; Expressed in thousands of dollars

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Mega International Commercial Bank Co., Ltd. (Formerly The International Commercial Bank of China Co., Ltd.)	12.17.1971	No. 100 Jilin Road, Taipei, Taiwan	NTD 64,109,878	Commercial banking & industrial banking business
Mega Securities Co., Ltd. (Formerly Barits International Securities Co., Ltd.)	10.19.1989	3F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 13,200,000	Brokerage, dealing and underwriting of securities
Mega Bills Finance Co., Ltd. (Formerly Chung Hsing Bills Finance Corp.)	05.03.1976	2~5F & 9~10F, No. 91 Hengyang Road, Taipei, Taiwan	NTD 15,114,411	Brokerage, dealing, underwriting, and guaranteeing of short-term debt instruments
Chung Kuo Insurance Co., Ltd.	11.01.1931	58 Sec. 1, Wuchang Street, Taipei, Taiwan	NTD 3,000,000	Non-life insurance
Mega International Investment Trust Co., Ltd. (Formerly International Investment Trust Co., Ltd.)	09.09.1983	7~8F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,400,000	Asset management
Mega Asset Management Co., Ltd.	12.05.2003	6F, No. 91 Hengyang Road, Taipei, Taiwan	NTD 2,000,000	NPL asset management
Mega Life Insurance Agency Co., Ltd	11.05.1996	5F, No. 100 Jilin Road, Taipei, Taiwan	NTD 20,000	Life Insurance Agency
Mega Venture Capital Co., Ltd	12.13.2005	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
CTB Financial Management & Consulting Co., Ltd.	01.16.2002	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 10,000	Asset management and investment consulting
CTB I Venture Capital Co., Ltd.	11.05.2003	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
Mega Futures Co., Ltd. (Formerly Barits International Futures Corp.)	08.30.1999	4F, No. 563, Sec. 4, Jhongsiao E. Road, Taipei, Taiwan	NTD 400,000	Brokerage of futures contracts
Mega International Investment Services Co., Ltd. (Formerly Barits International Investment Services Corp.)	12.10.1997	5F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 100,000	Securities investment advisory
Mega Securities Holdings Co., Ltd. (Formerly Barits Holdings Ltd.)	05.05.1997	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 40,990	Investment business
Mega Global Asset Management Co., Ltd. (Formerly Barits Global Asset Management Corp.)	07.16.1998	2F, Century Yard, P. O. Box 448 GT, Grand Cayman, Cayman Islands	USD 3,740	Brokerage of derivative products Brokerage and trading of bonds Assets management consulting
Mega Capital (Asia) Co., Ltd. (Formerly Barits Securities (Hong Kong) Ltd.)	05.23.1997	Room 2213-2214, 22F, No. 183, Queen's Road, Central, Cosco Tower, Sheung Wan, Hong Kong	HKD 80,000	Securities underwriting Investment consulting
Mega Securities (Hong Kong) Co., Ltd. (Formerly Barits Ho Chong Securities Co., Ltd.)	08.20.1992	Room 2213-2214, 22F, No. 183, Queen's Road, Central, Cosco Tower, Sheung Wan, Hong Kong	HKD 60,000	Securities trading Brokerage of futures contracts
Mega International Asset Management Co., Ltd. (Formerly Barits International Asset Management Corp.)	01.16.1998	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 15,000	Proprietary trading and brokerage of securities
China Products Trading Co.	12.29.1956	7F, No. 100 Jilin Road, Taipei, Taiwan	NTD 5,000	Harvesting, processing, transporting, and warehousing of agriculture products(stop running business since 1966)

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Yung-Shing Industries Co.	12.09.1950	7F, No. 100 Jilin Road, Taipei, Taiwan	NTD 95,644	International trading and agency service for electronic data processing, printing and packaging
Win Card Co., Ltd.	11.10.2000	4~7F, No. 99, Sec. 3 Jhongyang Road, San-chung City, Taipei Hsien, Taiwan	NTD 50,000	Business administration consulting, advertising, and management of past due accounts receivable
ICBC Assets Management & Consulting Co., Ltd.	02.13.2003	12F, No. 100 Jilin Road, Taipei, Taiwan	NTD 261,000	Asset management and investment consulting
ICBCAMC Offshore Ltd.	04.01.2003	Romasco Place, Wickhams Cay 1, P. O. Box 3140, Road Town, Tortola, British Virgin Islands	USD 0.001	Fund management
Junior Preference Share Co., Ltd.	04.01.2003	Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies	USD 0.001	Investment
ICBCAMC Offshore (Taiwan) II Ltd.	10.28.2003	Romasco Place, Wickhams Cay 1, P. O. Box 3140, Road Town, Tortola, British Virgin Islands	USD 0.001	Fund management
Junior Preference Share Co. (Taiwan) II Ltd.	10.28.2003	Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies	USD 0.001	Investment
Mega International Commercial Bank (Canada) (Formerly International Commercial Bank of Cathay)	12.01.1982	North York Madison Centre, 4950 Yonge Street, Suite 1002, Toronto, Ontario, M2N 6K1, Canada	CAD 23,000	Commercial banking
Mega International Commercial Bank Public Co., Ltd. (Formerly International Commercial Bank of China Public Co. Ltd.)	08.05.2005	36/12 P.S. Tower, Asoke, Sukhumvit 21 Road, Klongtoey-nua, Wattana, Bangkok 10110, Thailand	THB 4,000,000	Commercial banking
Cathay Investment & Warehousing Ltd.	11.01.1982	Calle 16 Colon Free Zone, Local No. 4, Edificio No 49, P. O. Box 4036 Colon Free Zone, Colon, Republic of Panama	USD 1,000	Warehousing of exported and imported merchandise, providing business information of international trades
Cathay Investment & Development Corp. (Bahamas)	07.15.1969	P. O. Box 3937 Nassau, Bahamas	USD 5	International investment and development
Ramlett Finance Holdings Inc.	01.13.1982	Calle 50 y Esquina Margarita A de Vallarino, Entrada Nuevo Campo Alegre, Edificio ICBC No. 74, Panama	USD 20	Investment of Real Estate
Cathay Insurance Co., Inc.	04.06.1960	10F, Tytana Plaza, Lorenzo Ruiz Binondo, Manila, Philippines	PHP 50,000	Non-life insurance
Mega Insurance Brokers (Hong Kong) Co., Limited.	10.02.2007	Suite 2208, 22/F, Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HKD 100	Life insurance brokerage

7.3 Operational Highlights of Affiliated Companies

As of December 31, 2008
Unit: NT$ thousand, except EPS in NT$

Company	Paid-in Capital	Total Assets	Total Liabilities	Stockholders' Equity	Operating Revenues (Net Revenue*)	Operating Income (Income before Income Tax*)	Net Income (After Tax)	Earnings Per Share (After Tax)
Mega International Commercial Bank	64,109,878	2,050,570,327	1,908,881,078	141,689,249	27,308,345*	5,851,946*	3,421,919	0.53
Mega Securities Co., Ltd.	13,200,000	49,648,244	36,514,269	13,133,975	7,046,845	(1,475,229)	(2,651,361)	(2.01)
Mega Bills Finance Co., Ltd.	15,114,411	261,196,311	227,875,508	33,320,803	3,736,934*	1,956,102*	1,515,316	1.00
Chung Kuo Insurance Co., Ltd.	3,000,000	13,989,096	9,798,105	4,190,991	11,309,830	(449,555)	(399,696)	(1.33)
Mega International Investment Trust Co., Ltd. (Formerly International Investment Trust Co., Ltd.).	1,400,000	1,771,303	1,176,757	594,546	233,961	43,863	(1,586,866)	(2,074.26)
Mega Asset Management Co., Ltd.	2,000,000	8,592,079	6,208,417	2,383,662	583,204	364,859	274,304	1.37
Mega Life Insurance Agency Co., Ltd.	20,000	54,966	16,690	38,276	218,494	14,262	10,538	5.27
Mega Venture Capital Co., Ltd.	1,000,000	805,782	1,830	803,952	27,400	(2,744)	6,654	0.07
CTB Financial Management & Consulting Co., Ltd.	10,000	72,572	6,801	65,771	63,120	42,530	34,109	34.11
CTB I Venture Capital Co., Ltd.	1,000,000	920,937	653	920,284	85,317	(6,080)	7,366	0.07
Mega Futures Co., Ltd.	400,000	2,062,469	1,617,830	444,639	303,214	(559)	23,514	0.44
Mega International Investment Services Co., Ltd.	100,000	112,479	5,958	106,521	16,485	(2,307)	11	0.0011
Mega Securities Holdings Co., Ltd.	1,287,408	477,207	1,471	475,736	7,643	(1,102,366)	(1,102,172)	(26.88)
Mega Global Asset Management Co., Ltd.	117,881	1,568,502	2,076,271	(507,769)	110,959	(649,087)	(652,779)	(174.53)
Mega Capital (Asia) Co., Ltd.	324,104	270,712	1,145	269,567	19,173	(82,797)	(82,531)	(1.02)
Mega Securities (Hong Kong) Co., Ltd.	243,078	1,211,970	983,494	228,476	99,127	(63,605)	(62,305)	(623.06)
Mega International Asset Management Co., Ltd.	471,004	1,917,401	1,761,717	155,684	97,996	(316,598)	(309,764)	(20.66)
China Products Trading Co.	5,000	86,899	13,730	73,169	2,272	1,473	771	7.71
Yung-Shing Industries Co.	95,644	1,370,356	522,769	847,587	226,731	7,338	73,693	77.05
Win Card Co., Ltd.	50,000	81,002	15,058	65,944	216,091	9,772	7,644	1.53
ICBC Assets Management & Consulting Co., Ltd.	261,000	420,728	175,130	245,598	6,303	(7,833)	27,074	1.03
ICBCAMC Offshore Ltd.	0	37,367	1,675	35,692	1,031	964	964	963,945
Junior Preference Share Co., Ltd.	0	293,257	0	293,257	54,555	54,555	54,555	54,555,088
ICBCAMC Offshore (Taiwan) II Ltd.	0	11,269	2,185	9,084	310	87	87	86,680
Junior Preference Share Co. (Taiwan) II Ltd.	0	3,482	65,548	(62,066)	(23,007)	(23,007)	(23,007)	(23,006,888)
Mega International Commercial Bank (Canada)	618,072	7,160,312	6,363,375	796,937	378,964*	134,565*	15,538	67.61
Mega International Commercial Bank Public Co., Ltd.	3,771,600	14,097,053	9,664,174	4,432,879	727,206*	570,236*	274,258	0.69
Cathay Investment & Warehousing Ltd.	32,774	93,155	39,877	53,278	17,187	6,422	4,596	4,595.75
Cathay Investment & Development Corp. (Bahamas)	164	795,090	86,498	708,592	18,904	(16,164)	(16,164)	(3,232)
Ramlett Finance Holdings Inc.	655	70,888	72,005	(1,117)	10,854	2,126	1,488	992.14
Cathay Insurance Co., Inc.	34,485	22,893	0	22,893	0	(2,237)	(2,237)	(4.47)
Mega Insurance Brokers (Hong Kong) Co., Ltd.	390	429	0	429	228	11	11	0.11

Financial Reports

8.1 Consolidated Financial Highlights

8.1.1 Condensed Consolidated Balance Sheet

Unit: NT$1,000

Item \ Year			Financial Information for Past 4 years 2008	2007	2006	2005	First Quarter of 2009
Cash and Cash Equivalents, due from the Central Bank and Call Loans to Banks			374,952,541	349,726,523	308,308,559	231,680,880	561,303,888
Financial Assets at Fair Value through Profit or Loss			198,444,433	210,393,327	245,932,121	284,101,246	184,034,518
Bills and Bonds Purchased Under Resell Agreements			1,729,297	4,765,687	5,365,413	3,753,812	1,859,610
Available-for-sale Financial Assets			232,069,590	255,517,877	275,375,623	225,722,081	250,864,917
Receivables			120,773,646	125,215,337	107,852,796	94,467,733	90,852,810
Loans			1,321,437,849	1,210,579,613	1,126,900,618	1,096,798,993	1,314,519,032
Held-to-Maturity Financial Assets			96,097,583	90,448,402	96,908,980	195,519,071	133,511,940
Equity Investments Accounted for by the Equity Method			2,545,633	2,582,607	3,053,116	2,927,419	2,588,287
Property and Equipment			24,902,825	23,749,051	24,610,375	25,069,750	23,593,483
Intangible Assets			67,982	384,682	291,861	97,345	84,710
Other Financial Assets			26,611,797	29,113,851	33,415,543	33,241,831	25,657,554
Other Assets			9,979,644	11,283,780	10,129,685	10,084,088	11,408,795
Total Assets			2,409,612,820	2,313,760,737	2,238,144,690	2,203,464,249	2,600,279,544
Due to the Central Bank and Financial Institutions			396,503,184	369,971,867	371,033,111	368,473,466	532,629,604
Deposits			1,316,769,564	1,232,608,275	1,071,926,588	1,041,334,172	1,410,947,042
Financial Liabilities at Fair Value through Profit or Loss			51,434,065	53,104,691	50,247,952	48,601,057	45,257,687
Bills And Bonds Sold Under Repurchase Agreements			248,491,993	246,995,517	315,710,030	308,175,153	234,891,488
Funds Borrowed From The Central Bank And Other Banks			53,185,187	42,997,399	56,438,426	76,587,680	53,521,490
Bonds Payable			54,349,347	33,215,871	43,527,894	56,230,910	54,190,967
Preferred Stock			0	0	0	0	0
Reserve for Operations and Liabilities			13,322,952	11,714,177	8,794,929	8,990,686	13,128,149
Other Financial Liabilities			12,117,937	51,360,441	34,917,757	20,654,894	11,544,137
Other Liabilities			85,404,208	77,141,077	85,123,993	82,363,799	63,475,726
Total Liabilities			2,231,578,437	2,119,109,315	2,037,720,680	2,011,411,817	2,419,586,290
Equity Attributable to Stockholders of the Company	Capital Stock		110,594,262	110,594,262	111,694,492	113,657,296	110,594,262
	Capital Surplus		43,426,403	45,182,901	45,631,626	46,404,318	43,426,403
	Retained Earnings	Before Distribution	20,349,144	34,039,308	34,611,369	36,304,259	23,982,487
		After Distribution	(Note 1)	20,054,625	17,850,859	18,960,967	(Note 1)
	Equity Adjustments		3,108,674	4,151,275	7,761,648	(5,242,276)	2,135,527
Minority Interest			555,900	683,676	724,875	928,835	554,575
Total Stockholders' Equity	Before Distribution		178,034,383	194,651,422	200,424,010	192,052,432	180,693,254
	After Distribution		(Note 1)	180,666,739	183,663,500	174,709,140	(Note 1)

Note 1: The earnings distribution for 2008 has not been resolved by the shareholders' meeting.

8.1.2 Condensed Consolidated Income Statement

Unit: NT$1,000 (except EPS in NT$)

Item \ Year		Financial Information for Past 4 years				First Quarter of 2009
		2008	2007	2006	2005	
Interest Income		30,523,536	26,295,736	23,769,919	26,655,680	7,261,153
Revenues Other Than Interest		813,598	20,853,288	23,312,547	21,254,500	5,359,050
Bad Debts Expense on Loans		8,361,560	6,671,664	9,451,091	3,324,477	2,935,046
Provisions for Insurance Reserve		287,055	67,383	155,636	23,998	170,812
Operating Expenses		19,603,411	20,377,788	20,477,664	19,288,229	4,821,010
Income before Income Tax From Continuing Operations		3,085,108	20,032,189	16,998,075	25,273,476	4,693,335
Consolidated Net Income Tax From Continuing Operations		262,022	17,114,558	14,937,000	22,453,205	3,634,966
Cumulative Effect of Changes in Accounting Principles (after tax)		0	0	1,148,103	22,985	0
Consolidated Net Income	Attributable to Stockholders of the Company	294,519	17,070,391	16,535,257	22,529,693	3,633,343
	Attributable to Minority interest	(32,497)	44,167	(450,154)	(53,503)	1,623
Earnings Per Share	Stockholders of the Company	0.02	1.54	1.50	2.09	0.33
	Minority Interest	0	0.01	(0.05)	0	0

8.1.3 Independent Auditors' Name and Opinion

Year	CPA	Opinion
2005	Mr. Lai, Chung-Hsi, Mr. Andrew Deng Ernst & Young, Taiwan	Unqualified Opinion
2006	Ms. Lee, Hsiu-Ling, Mr. Yang, Wen-An Ernst & Young, Taiwan	Modified Unqualified Opinion
2007	Ms. Lee, Hsiu-Ling, Mr. LI, Chang-Chou PricewaterhouseCoopers, Taiwan	Modified Unqualified Opinion
2008	Mr. LI, Chang-Chou, Ms. Lee, Hsiu-Ling PricewaterhouseCoopers, Taiwan	Modified Unqualified Opinion

8.1.4 Condensed Balance Sheet

Unit: NT$1,000

Item \ Year		Financial Information for Past 4years 2008	2007	2006	2005	First Quarter of 2009
Cash and Cash Equivalents		1,276,998	146,510	236,113	945,918	1,109,659
Financial Assets at Fair Value through Profit or Loss		0	0	0	0	0
Available-for-Sale Financial Assets		3,654,882	5,195,972	5,414,640	2,739,154	3,451,833
Receivables		4,368,517	4,976,822	4,041,817	3,779,228	4,798,630
Held-to-Maturity Financial Assets		0	0	0	0	0
Equity Investments Accounted for by The Equity Method		196,065,435	207,202,317	214,318,647	199,857,816	198,858,443
Property And Equipment		759,660	806,047	909,084	928,598	750,733
Intangible Assets		0	0	0	0	0
Other Financial Assets		762,046	762,046	762,046	1,847,112	762,046
Other Assets		152,512	168,629	111,941	119,363	147,463
Total Assets		207,040,050	219,258,343	225,794,288	210,217,189	209,878,807
Financial Liabilities at Fair Value through Profit or Loss		0	0	49,366	0	0
Payables		10,071,386	9,259,187	6,725,915	6,158,286	10,250,911
Bonds Payable		19,450,000	4,000,000	12,900,000	12,900,000	19,450,000
Preferred Stock		0	0	0	0	0
Other Financial Liabilities		0	11,996,220	6,378,981	0	0
Other Liabilities		40,181	35,190	40,891	35,306	39,217
Total Liabilities	Before Distribution	29,561,567	25,290,597	26,095,153	19,093,592	29,740,128
	After Distribution	(Note)	39,275,280	42,855,663	36,436,884	(Note)
Capital Stock		110,594,262	110,594,262	111,694,492	113,657,296	110,594,262
Capital Surplus		43,426,403	45,182,901	45,631,626	46,404,318	43,426,403
Retained Earnings	Before Distribution	20,349,144	34,039,308	34,611,369	36,304,259	23,982,487
	After Distribution	(Note)	20,054,625	17,850,859	18,960,967	(Note)
Equity Adjustments		3,108,674	4,151,275	7,761,648	(5,242,276)	2,135,527
Total Stockholders' Equity	Before Distribution	177,478,483	193,967,746	199,699,135	191,123,597	180,138,679
	After Distribution	(Note)	179,983,063	182,938,625	173,780,305	(Note)

Note : The earnings distribution for 2008 has not been resolved by the shareholders' meeting.

8.1.5 Condensed Income Statement

Unit: NT$1,000

Item \ Year	Financial Information for Past 4 years 2008	2007	2006	2005	First Quarter of 2009
Investment Income from Equity Investments Accounted for by the Equity Method	858,051	17,395,529	16,472,132	22,383,083	3,563,106
Other Income	49,816	124,532	108,281	643,651	4,043
Investment Loss from Equity Investments Accounted for by the Equity Method	0	0	0	0	0
Total Operating Expenses	325,766	323,057	325,894	452,690	93,713
Other Expenses and Losses	411,000	438,223	404,528	427,729	132,352
Income Before Income Tax	171,101	16,758,781	15,849,991	22,146,315	3,341,084
Net Income	294,519	17,070,391	16,535,257	22,529,693	3,633,343
Earnings Per Share (before tax)	0.02	1.52	1.42	2.06	0.30
Earnings Per Share (after tax)	0.03	1.54	1.50	2.09	0.33

8.2 Financial Analysis

Unit: NT$1,000; %

Item		Financial Information for Past 4 years: 2008	2007	2006	2005	2004	First Quarter of 2009
Operating Ability	Total Assets Turnover	0.004	0.08	0.07	0.11	0.10	0.02
	Loans to Deposits Ratio of Bank (%)	100.95	99.27	106.71	83.73	86.70	89.29
	NPL Ratio of Bank Subsidiary (%)	1.16	1.00	0.88	0.50	0.77	1.27
	NPL Ratio of Bills Finance Subsidiary (%)	0.51	0.61	0.32	0.53	1.35	0.38
	Average Operating Revenue Per Employee of the Group	3,563	5,374	5,404	6,546	7,191	1,453
	Average Profit Per Employee	30	1,955	2,025	3,078	3,010	419
Profitability	Return on Assets (%)	0.28	7.82	7.27	10.81	10.81	1.79
	Return on Equity (%)	0.16	8.67	8.46	12.60	13.57	2.03
	Net Income Margin (%)	32.44	97.43	99.73	97.84	98.14	101.86
	Earnings Per Share (NT$)	0.03	1.54	1.50	2.09	2.22	0.33
Financial Structure (%)	Ratio of Liabilities to Assets	14.28	11.53	11.56	9.08	22.41	14.17
	Ratio of Liabilities to Net Worth	16.66	13.04	13.07	9.99	28.87	16.51
	FHC's Double Leverage Ratio	112.96	109.89	107.32	104.57	116.68	112.73
Leverage Ratio (%)	Operating Leverage Ratio	1.07	1.00	1.00	1.00	1.01	1.00
	FHC's Financial Leverage Ratio	3.39	1.03	1.03	1.02	1.02	1.04
Growth Rates (%)	Growth Rate of Assets	(5.57)	(2.89)	7.41	(1.95)	7.98	(4.70)
	Growth Rate of Profit	(98.98)	5.73	(28.43)	3.57	18.14	404.71
Cash Flows (%)	Cash Flow Ratio	492.77	90.01	198.36	193.85	34.00	-
	Cash Flow Adequacy Ratio	78.22	84.74	84.06	89.27	112.19	-
	Cash Flow For Operating to Cash Flow From Investing	NA	270.80	NA	637.11	445.72	-
Operating Scale (%)	Market Share of Assets	13.28	12.81	13.33	13.38	14.62	-
	Market Share of Net Worth	13.48	12.62	13.56	14.01	13.41	-
	Market Share of Deposits of Bank Subsidiary	5.09	5.08	4.50	3.46	3.38	-
	Market Share of Loans of Bank Subsidiary	6.49	6.20	6.06	2.90	2.74	-
Capital Adequacy Ratio (%)	Mega International Commercial Bank	11.20	10.54	10.34	10.93	10.82	-
	Mega Securities Co., Ltd.	292.77	285.20	261.36	277.26	273.23	-
	Mega Bills Finance Co., Ltd.	14.09	11.72	12.33	14.21	13.75	-
	Chung Kuo Insurance Co., Ltd.	584.88	927.56	1,080.43	934.31	1,168.98	-
	Mega Financial Group	117.96	108.99	110.57	119.46	108.42	-

Analysis of deviation over 20% for 2008:
1. The decrease in total assets turnover, average operating revenue per employee and average profit per employee is mainly attributable to decrease in investment income.
2. The decrease in ROA, ROE, net income margin and EPS is mainly due to plunge in net income.
3. Ratio of liabilities to assets increased mainly due to decrease of equity investments accounted for by the equity method.
4. Ratio of liabilities to net worth increased mainly due to decrease in retained earning resulting from decrease of net income.
5. The increase in financial leverage ratio is mainly attributable to higher interest expenses than net income before tax.
6. The growth rate of assets declined mainly due to decrease in equity investments accounted for by the equity method. The decline in growth rate of profit is mainly due to plunge of net income resulting from decrease of investment income.
7. The increase in cash flow ratio is mainly due to decrease in commercial paper payable and short term borrowing.
8. The increase in BIS ratio of Mega Bills Finance Co., Ltd. is mainly due to increase in eligible capital and decrease in risk assets. The decrease in BIS ratio of Chung Kuo Insurance Co., Ltd. is mainly due to decrease in eligible capital and increase in risk assets.

Note: Formulas of above financial analysis are as follows:

1. Operating Ability
   (1) Total Assets Turnover = Net Revenue/Total Assets
   (2) Loans to Deposits Ratio of Banks = Total Loans Outstanding/Total Deposits Outstanding
   (3) NPL Ratio = Non-Performing Loans/Total Loans Outstanding
   (4) Average Operating Revenue Per Employee of the Group = Net Revenue (Revenue) /Total Number of Group's Employee
   (5) Average Profit per Employee = Net Income/Total Number of the Group's Employee
2. Profitability
   (1) Return on Assets = [Net Income + Interest Expense × (1- Tax Rate)] / Average Total Assets
   (2) Return on Equity = Net Income/Average Shareholders' Equity
   (3) Net Income Margin = Net Income/Net Revenue
   (4) Earnings Per Share = (Net Income - Preferred Stock Dividend) /Weighted Average Number of Shares Outstanding
3. Financial Structure
   (1) Ratio of Liabilities to Assets = Total Liabilities/Total Assets
   (2) Ratio of Liabilities to Net Worth = Total Liabilities/Total Shareholders' Equity
   (3) Financial Holding Company's Double Leverage Ratio = Equity Investment Made Under Article 36, Paragraph 2 and Article 37 of Financial Holding Company Act/Total Shareholders' Equity
4. Leverage
   (1) Operating Leverage Ratio = (Net Sales - Variable Cost)/Net Income Before Tax
   (2) FHC's Financial Leverage Ratio = (Net Income Before Tax + Interest Expense) / Net Income Before Tax
5. Growth Rates
   (1) Growth Rate of Assets = (Total Assets - Total Assets of Previous Year)/Total Assets of Previous Year
   (2) Growth Rate of Profit = (Net Income Before Tax - Net Income Before Tax of Previous Year)/Net Income Before Tax of Previous Year
6. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / (Due to Other Banks and Overdrafts + Commercial Paper Payable + Financial Liabilities at Fair Value Through Profit or Loss + Bills and Bonds Sold Under Repurchase Agreements + Payables with Maturity within One Year)
   (2) Cash Flow Adequacy Ratio = Five-Year Sum of Cash From Operations/Five-Year Sum of Capital Expenditures and Cash Dividend
   (3) Cash Flow For Operating to Cash Flow From Investing = Net Cash Provided by Operating Activities/Net Cash Provided by Investing Activities
7. Operating Scale
   (1) Market Share of Assets = Total Assets/Total Assets of all Financial Holding Companies
   (2) Market Share of New Worth = New Worth/Total Net Worth of all Financial Holding Companies
   (3) Market Share of Deposits of Bank Subsidiary = Total Deposits Outstanding/Total Deposits of all Financial Institutions
   (4) Market Share of Loans of Bank Subsidiary = Total Loans Outstanding/Total Loans of all Financial Institutions
8. BIS Ratio
   (1) Subsidiary's Capital Adequacy Ratio = Capital Base / Risk Weighted Assets
   (2) Group Capital Adequacy Ratio = Group's Net Eligible Capital/Group's Statutory Capital Requirement

8.3 Report of Independent Auditors

Report of Independent Accountants

The Board of Directors and Stockholders

Mega Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of Mega Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mega Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with the "Guidelines for Preparation of Financial Reports by Financial Holding Companies", "Guidelines for Preparation of Financial Reports by Publicly Held Banks", "Guidelines for Preparation of Financial Reports by Publicly Held Bills Finance Companies", "Guidelines for Preparation of Financial Reports by Securities Firms", "Guidelines for Preparation of Financial Reports by Futures Commission Merchants", "Guidelines for Preparation of Financial Reports by Industry of Property and Casualty Insurance", "Guidelines for Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the financial statements, Mega Financial Holding Co., Ltd. and its subsidiaries reclassified certain financial assets at fair value through profit or loss to available-for-sale financial assets and held-to-maturity financial assets in accordance with the revised SFAS No. 34, "Financial Instruments: Recognition and Measurement" dated October 17, 2008.

The consolidated financial statements of Mega Financial Holding Co., Ltd. and its subsidiaries as of and for the year then ended December 31, 2008 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US$1:NT$32.774 as of December 31, 2008 solely for the convenience of the readers. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan

March 19, 2009

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

8.4 Consolidated Financial Statements

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2008		2007
ASSETS	NT$	US$ (Unaudited-Note 2)	NT$
Cash and cash equivalents (Notes 4 (1) and 5)	$271,765,325	$8,292,101	$99,997,070
Due from the Central Bank and call loans to banks (Notes 4 (2) and 5)	103,187,216	3,148,448	249,729,453
Financial assets at fair value through profit or loss (Notes 4 (3) and 6)	198,444,433	6,054,935	210,393,327
Bills and bonds purchased under resell agreements	1,729,297	52,764	4,765,687
Receivables, net (Note 4 (4))	120,773,646	3,685,044	125,215,337
Loans, net (Notes 4 (5) and 5)	1,321,437,849	40,319,700	1,210,579,613
Available-for-sale financial assets, net (Notes 4 (6) and 6)	232,069,590	7,080,905	255,517,877
Held-to-maturity financial assets, net (Notes 4 (7) and 6)	96,097,583	2,932,129	90,448,402
Equity investments accounted for by the equity method, net (Note 4 (8))	2,545,633	77,672	2,582,607
Other financial assets, net (Note 4 (9))	26,611,797	811,979	29,113,851
Real estate investments, net (Note 4 (10))	518,814	15,830	379,312
Property and equipment, net (Note 4 (11))	24,902,825	759,835	23,749,051
Intangible assets, net	67,982	2,074	384,682
Other assets, net (Notes 4 (12) and 6)	9,460,830	288,669	10,904,468
TOTAL ASSETS	$2,409,612,820	$73,522,085	$2,313,760,737

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 19, 2009.

LIABILITIES AND STOCKHOLDERS' EQUITY	2008 NT$	2008 US$ (Unaudited-Note 2)	2007 NT$
Due to the Central Bank and financial institutions (Notes 4 (13) and 5)	$396,503,184	$12,098,102	$369,971,867
Funds borrowed from the Central Bank and other banks (Note 4 (14))	53,185,187	1,622,786	42,997,399
Commercial paper payable, net (Note 4 (15))	1,656,547	50,544	23,732,467
Financial liabilities at fair value through profit or loss (Notes 4 (16) and 5)	51,434,065	1,569,356	53,104,691
Bills and bonds sold under repurchase agreements (Note 4 (17))	248,491,993	7,581,985	246,995,517
Payables (Notes 4 (18) and 5)	72,689,909	2,217,914	65,212,831
Deposits (Notes 4 (19) and 5)	1,316,769,564	40,177,261	1,232,608,275
Bonds payable (Note 4 (20))	54,349,347	1,658,307	33,215,871
Other loans (Note 4 (21))	4,435,062	135,323	18,898,300
Accrued pension liability (Note 4(22))	1,639,846	50,035	1,656,078
Reserve for operations and liabilities (Note 4 (23))			
Reserve for insurance	8,298,937	253,217	7,540,743
Other reserves	5,024,015	153,293	4,173,434
Other financial liabilities (Note 4 (24))	6,026,328	183,875	8,729,674
Other liabilities (Note 4 (25))	11,074,453	337,904	10,272,168
Total Liabilities	2,231,578,437	68,089,902	2,119,109,315
Stockholders' Equity			
Capital stock			
Common stock (Note 4 (26))	110,594,262	3,374,451	110,594,262
Capital surplus (Note 4 (27))	43,426,403	1,325,026	45,182,901
Retained earnings			
Legal reserve (Note 4(28))	15,325,187	467,602	13,618,148
Special reserve (Note 4(28))	354,967	10,831	354,967
Unappropriated retained earnings (Note 4(28))	4,668,990	142,460	20,066,193
Equity adjustments			
Unrealized revaluation increment	3,191,570	97,381	447,960
Cumulative translation adjustments	1,755,165	53,553	1,473,232
Unrealized gains or losses on financial instruments	(1,838,061)	(56,083)	2,250,169
Net loss not recognized as pension cost	-	-	(20,086)
Minority interest	555,900	16,962	683,676
Total Stockholders' Equity	178,034,383	5,432,183	194,651,422
Commitments and Contingent Liabilities (Note 7)			
Significant subsequent events (Note 9)			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,409,612,820	$73,522,085	$2,313,760,737

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	2008		2007
	NT$	US$ (Unaudited-Note 2)	NT$
Interest income (Note 5)	$70,303,288	$2,145,093	$71,209,366
Less: Interest expense (Note 5)	(39,779,752)	(1,213,759)	(44,913,630)
Interest income, net	30,523,536	931,334	26,295,736
Revenues other than interest, net			
Service fee revenue and commissions, net (Note 4(30))	8,374,977	255,537	9,344,336
Insurance revenue, net	1,089,766	33,251	1,166,545
(Loss) gain from financial assets and liabilities at fair value through profit or loss (Note 5)	(548,205)	(16,727)	4,679,116
Realized gain on available-for-sale financial assets, net	283,050	8,637	2,507,705
Realized gain on held-to-maturity financial assets, net	296	9	172
Investment income from equity investments accounted for by the equity method	120,749	3,684	190,338
Gain on real estate investments	22,463	685	22,113
Foreign exchange gain or loss	1,052,757	32,122	2,752,619
Loss on asset impairment (Notes 4(6) (9))	(4,933,657)	(150,536)	(2,122,754)
Gain on financial assets carried at cost, net	563,917	17,206	760,059
Bad debts and overdue accounts recovered	365,375	11,148	205,063
Other losses (Note 4(6))	(5,474,863)	(167,049)	-
Other reserves (Note 4(6))	(352,226)	(10,747)	(808,488)
Other revenue (loss) other than interest income (Note 5)	249,199	7,604	2,156,464
Net revenue	31,337,134	956,158	47,149,024
Bad debts expense on loans (Note 4(5))	(8,361,560)	(255,128)	(6,671,664)
Provisions for insurance reserve	(287,055)	(8,758)	(67,383)
Operating Expenses			
Personnel expenses (Note 4(31))	(12,227,086)	(373,073)	(12,881,152)
Depreciation and amortization (Note 4(31))	(1,138,241)	(34,730)	(1,180,244)
Other business and administrative expenses (Note 5)	(6,238,084)	(190,336)	(6,316,392)
Income before Income Tax	3,085,108	94,133	20,032,189
Income Tax Expense (Note 4 (32))	(2,823,086)	(86,138)	(2,917,631)
Consolidated Net Income	$262,022	$7,995	$17,114,558
Consolidated Net Income Attributable to:			
Stockholders of the Company	294,519	8,987	17,070,391
Minority interest	(32,497)	(992)	44,167
	$262,022	$7,995	$17,114,558

	2008				2007	
	NT$		US$ (Unaudited-Note 2)		NT$	
	Befor Taxes	After Taxes	Before Taxes	After Taxes	Before Taxes	After Taxes
Earnings per share (in dollars) (Note 4(33))						
Consolidated Basic Earnings Per Share attributable to:						
Stockholders of the Company	$0.28	$0.02	$0.009	$0.0007	$1.80	$1.54
Minority interest	-	-	-	-	0.01	0.01
	$0.28	$0.02	$0.009	$0.0007	$1.81	$1.55
Diluted earnings per share (in dollars) (Note 4(33))						
Consolidated Basic Earnings Per Share attributable to:	$0.28	$0.02	$0.009	$0.0007	$1.80	$1.54
Stockholders of the Company	-	-	-	-	0.01	0.01
Minority interest	$0.28	$0.02	$0.009	$0.0007	$1.81	$1.55

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 19, 2009.

Financial Reports

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings
For the year ended December 31, 2007					
Balance, January 1, 2007	$111,694,492	$45,631,626	$11,964,622	$354,967	$22,291,780
Earnings distribution for 2006					
Legal reserve	-	-	1,653,526	-	(1,653,526)
Cash dividends	-	-	-	-	(16,589,139)
Remunerations to directors and supervisors	-	-	-	-	(148,817)
Employee bonus	-	-	-	-	(22,554)
Treasury stocks retired	(1,100,230)	(449,183)	-	-	(881,942)
Adjustments in other stockholders' equity arising from long-term equity	-	458	-	-	-
Adjustments of unrealized gain or loss on available-for-sale financial assets from equity investments accounted for under the equity method	-	-	-	-	-
Adjustments of cumulative translation adjustments from equity investments accounted for under the equity method	-	-	-	-	-
Adjustments of net loss not recognized as pension cost from equity investments accounted for under the equity method	-	-	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Consolidated net income for 2007	-	-	-	-	17,070,391
Changes in minority interest	-	-	-	-	-
Balance, December 31, 2007	$110,594,262	$45,182,901	$13,618,148	$354,967	$20,066,193

(In Thousands of NT Dollars)

Unrealized Revaluation Increments	Cumulative Adjustments	Unrealized Gains or Losses on Financial Instruments	Treasury Stock	Net Loss Not Recognized as Pension Cost	Minority Interest	Total
$447,960	$779,965	$8,999,935	($2,431,355)	($34,857)	$724,875	$200,424,010
-	-	-	-	-	-	-
-	-	-	-	-	-	(16,589,139)
-	-	-	-	-	-	(148,817)
-	-	-	-	-	-	(22,554)
-	-	-	2,431,355	-	-	-
-	-	-	-	-	-	458
-	-	(6,531,098)	-	-	-	(6,531,098)
-	693,267	-	-	-	-	693,267
-	-	-	-	14,771	-	14,771
-	-	(218,668)	-	-	-	(218,668)
-	-	-	-	-	44,167	17,114,558
-	-	-	-	-	(85,366)	(85,366)
$447,960	$1,473,232	$2,250,169	$ -	($20,086)	$683,676	$194,651,422

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve
For the year ended December 31, 2008				
Balance, January 1, 2008	$110,594,262	$45,182,901	$13,618,148	$354,967
Earnings distribution for 2007				
Legal reserve	-	-	1,707,039	-
Cash dividends	-	-	-	-
Remunerations to directors and supervisors	-	-	-	-
Employee bonus	-	-	-	-
Accounts reclassified in accordance with the Explanatory Note (96) Ji-Mi-Zhi No. 344 of the Accounting Research and Development Foundation of the R.O.C.	-	(1,755,867)	-	-
Adjustments in other stockholders' equity arising from long-term equity	-	(631)	-	-
Adjustments of unrealized gain or loss on available-for-sale financial assets from equity investments accounted for under the equity method	-	-	-	-
Adjustments of asset valuation increments from equity investments accounted for under the equity method	-	-	-	-
Adjustments of cumulative translation adjustments from equity investments accounted for under the equity method	-	-	-	-
Adjustments of net loss not recognized as pension cost from equity investments accounted for under the equity method	-	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-
Consolidated net income for 2008	-	-	-	-
Changes in minority interest	-	-	-	-
Balance, December 31, 2008	$110,594,262	$43,426,403	$15,325,187	$354,967
For the year ended December 31, 2008 (Unaudited-Note 2)				
Balance, January 1, 2008	$3,374,451	$1,378,620	$415,517	$10,831
Earnings distribution for 2007				
Legal reserve	-	-	52,085	-
Cash dividends	-	-	-	-
Remunerations to directors and supervisors	-	-	-	-
Employee bonus	-	-	-	-
Accounts reclassified in accordance with the Explanatory Note (96) Ji-Mi-Zhi No. 344 of the Accounting Research and Development Foundation of the R.O.C.	-	(53,575)	-	-
Adjustments in other stockholders' equity arising from long-term equity	-	(19)	-	-
Adjustments of unrealized gain or loss on available-for-sale financial assets from equity investments accounted for under the equity method	-	-	-	-
Adjustments of asset valuation increments from equity investments accounted for under the equity method	-	-	-	-
Adjustments of cumulative translation adjustments from equity investments accounted for under the equity method	-	-	-	-
Adjustments of net loss not recognized as pension cost from equity investments accounted for under the equity method	-	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets		-	-	-
Consolidated net income for 2008	-	-	-	-
Changes in minority interest	-	-	-	-
Balance, December 31, 2008	$3,374,451	$1,325,026	$467,602	$10,831

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 19, 2009.

(In Thousands of NT Dollars)

Retained Earnings	Unrealized Revaluation Increments	Cumulative Adjustments	Unrealized Gains or Losses on Financial Instruments	Treasury Stock	Net Loss Not Recognized as Pension Cost	Minority Interest	Total
$20,066,193	$447,960	$1,473,232	$2,250,169	$ -	($20,086)	$683,676	$194,651,422
(1,707,039)	-	-	-	-	-	-	-
(13,824,283)	-	-	-	-	-	-	(13,824,283)
(139,000)	-	-	-	-	-	-	(139,000)
(21,400)	-	-	-	-	-	-	(21,400)
-	1,229,232	532,036	(5,401)	-	-	-	-
-	-	-	-	-	-	-	(631)
-	-	-	(2,541,739)	-	-	-	(2,541,739)
-	1,514,378	-	-	-	-	-	1,514,378
-	-	(250,103)	-	-	-	-	(250,103)
-	-	-	-	-	20,086	-	20,086
-	-	-	(1,541,090)	-	-	-	(1,541,090)
294,519	-	-	-	-	-	(32,497)	262,022
-	-	-	-	-	-	(95,279)	(95,279)
$4,668,990	$3,191,570	$1,755,165	($1,838,061)	$ -	$ -	$555,900	$178,034,383

(In Thousands of NT Dollars)

Retained Earnings	Unrealized Revaluation Increments	Cumulative Adjustments	Unrealized Gains or Losses on Financial Instruments	Treasury Stock	Net Loss Not Recognized as Pension Cost	Minority Interest	Total
$612,260	$13,668	$44,951	$68,657	$ -	($613)	$20,860	$5,939,202
(52,085)	-	-	-	-	-	-	-
(421,806)	-	-	-	-	-	-	(421,806)
(4,241)	-	-	-	-	-	-	(4,241)
(653)	-	-	-	-	-	-	(653)
-	37,506	16,233	(164)	-	-	-	-
-	-	-	-	-	-	-	(19)
-	-	-	(77,554)	-	-	-	(77,554)
-	46,207	-	-	-	-	-	46,207
-	-	(7,631)	-	-	-	-	(7,631)
-	-	-	-	-	613	-	613
-	-	-	(47,022)	-	-	-	(47,022)
8,985	-	-	-	-	-	(991)	7,994
-	-	-	-	-	-	(2,907)	(2,907)
$142,460	$97,381	$53,553	($56,083)	$ -	$ -	$16,962	$5,432,183

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the Years Ended December 31,		
	2008		2007
	NT$	US$ (Unaudited-Note 2)	NT$
Cash Flows from Operating Activities			
Consolidated net income	$294,519	$8,986	$17,070,391
Consolidated net (loss) income attributable to minority interest	(32,443)	(990)	44,167
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Provisions for loan losses	8,361,560	255,128	6,671,664
Income (loss) from equity investments recognized and cash dividends received under the equity method	127,018	3,876	(96,098)
Valuation loss (gain) from financial assets and liabilities	293,588	8,958	(127,586)
Net gain or loss on disposal of assets	8,383	256	(121,723)
Loss on asset impairment	4,933,657	150,536	2,122,754
Depreciation and amortization	1,143,644	34,895	1,191,132
Loss on scrapped assets	11,469	350	76
Other provisions	352,226	10,747	808,488
Provisions for insurance reserves	287,055	8,758	67,383
Changes in assets:			
Decrease in financial assets at fair value through profit or loss	13,398,771	408,823	35,969,941
Decrease in bills and bond investments under resell agreements	3,036,390	92,646	599,726
Decrease (increase) in receivables	1,859,111	56,725	(17,164,424)
Decrease in other financial assets	849,032	25,906	2,333,374
Net change in deferred income tax assets/liabilities	(505,575)	(15,426)	(375,843)
Decrease in other assets	1,363,322	41,598	504,130
Changes in liabilities:			
(Decrease) increase in financial liabilities at fair value through profit or loss	(3,414,091)	(104,171)	2,553,178
Increase (decrease) in payables	7,479,204	228,205	(11,021,345)
(Decrease) increase in accrued pension liability	(16,232)	(495)	32,499
Decrease in other financial liabilities	(2,703,346)	(82,485)	(1,016,255)
(Decrease) increase in other liabilities	(715,857)	(21,842)	1,364,763
Net cash provided by operating activities	36,411,405	1,110,984	41,410,392

	For the Years Ended December 31,		
	2008		2007
	NT$	US$ (Unaudited-Note 2)	NT$
Cash Flows from Investing Activities			
Decrease in due from the Central Bank and call loans to banks	$146,542,222	$4,471,295	$6,411,096
Increase in bills discounts and loans	(115,295,367)	(3,517,891)	(89,351,802)
(Increase) decrease in held-to-maturity financial assets	(6,027,200)	(183,902)	6,460,578
Decrease in available-for-sale financial assets	17,131,286	522,710	12,547,777
Increase in equity investments accounted for under the equity method	-	-	(100,000)
Increase in financial instruments carried at cost	(326,576)	(9,965)	(151,526)
Return of capital due to capital reduction of investee companies	-	-	220,000
Proceeds from sale of property and equipment	13,735	419	650,047
Acquisition of property and equipment	(576,501)	(17,590)	(676,337)
Acquisition of intangible assets	(24,660)	(752)	(6,613)
Increase in real estate investments	(144,238)	(4,401)	-
Net cash provided by (used in) investing activities	41,292,701	1,259,923	(63,996,780)
Cash Flows from Financing Activities			
Increase (decrease) in due to the Central Bank and financial institutions	26,531,317	809,523	(1,061,244)
Increase in deposits and remittances	84,161,289	2,567,929	160,681,687
Increase (decrease) in funds borrowed from the Central Bank and other banks	10,187,788	310,850	(13,441,027)
Increase (decrease) in bonds payable	21,133,476	644,825	(10,312,023)
Increase (decrease) in bills and bonds payable under repurchase agreements	1,496,476	45,660	(68,714,513)
(Decrease) increase in commercial paper payables, net	(22,075,920)	(673,580)	7,915,639
(Decrease) increase in other borrowings	(14,463,238)	(441,302)	9,543,300
Increase in refundable deposits	1,361,331	41,537	99,085
Appropriation of cash dividends, directors' and supervisors' remunerations and employee bonus	(13,984,683)	(426,701)	(15,312,687)
Decrease in minority interests	(95,333)	(2,909)	(85,366)
Net cash provided by financing activities	94,252,503	2,875,832	69,312,851
Effect of changes in foreign exchange rate	(188,354)	(5,748)	700,485
Net effect of consolidated subsidiaries	-		400,626
Net increase in cash and cash equivalents	171,768,255	5,240,991	47,827,574
Cash and cash equivalents, beginning of year	99,997,070	3,051,110	52,169,496
Cash and cash equivalents, end of year	$271,765,325	$8,292,101	$99,997,070
Supplemental information:			
Interest paid (excluding interest capitalized on properties and equipment)	$39,655,882	$1,209,980	$44,570,590
Income tax paid	$3,078,968	$93,045	$1,700,617
Non-cash Investing And Financial Activities			
Treasury stock retired	$ -	$ -	$2,431,355
Payable - corporate bonds within 1 year of maturity	$20,099,347	$613,271	$ -

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 19, 2009.

MEGA FINANCIAL HOLDING CO., LTD AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 AND 2007
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1. ORGANIZATION AND OPERATIONS

CTB Financial Holding Co., Ltd. was formed by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through a share swap on February 4, 2002 pursuant to the Financial Holding Company Act and other related laws. The Company's shares have been publicly traded on the Taiwan Stock Exchange since February 4, 2002. On August 22, 2002, the Company further acquired Chung Hsing Bills Finance Corporation and Barits Securities Co., Ltd. ("BS") (which later merged with IS on January 31, 2003, with IS being the surviving entity and was later renamed Barits International Securities Co., Ltd. ("BIS") as one of the subsidiaries of the Company through a second share swap. On December 31, 2002, the Company also acquired 100% equity stock in both The International Commercial Bank of China ("ICBC"), an investee of the Company originally accounted for by the equity method with a 28% equity interest, and Chung Kuo Insurance Co., Ltd. ("CKI") through a further share swap and changed its name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd. (the "Company"). During the period from 2003 to 2005, the Company had made investments in Mega Asset Management Co., Ltd. ("MAM"), Mega Investment Trust Co., Ltd. ("MITC"), Mega Life Insurance Agency Co., Ltd. ("MLIAC") and Mega CTB Venture Capital Co., Ltd. ("Mega CTB Venture Capital"). On May 23, 2006, International Investment Trust Co., Ltd. ("IIT") was acquired by the Company and ICBC through cash injection of capital.

In order to expand the economic scale of its business operations, two of the Company's subsidiaries, CTB and ICBC, entered into a merger agreement, effective from August 21, 2006, which is to be implemented by way of "absorption", with CTB being the dissolving bank and ICBC, later renamed Mega International Commercial Bank Co., Ltd. being the surviving bank. In addition, IIT and MITC entered into a merger agreement, with MITC as the dissolving company and IIT simultaneously renamed Mega International Investment Trust Co., Ltd., being the surviving company, effective from September 17, 2007.

In coordination with the Mega Financial Holding's group image as well as business development, all subsidiaries have been renamed as "Mega" in 2006. A comparison of the former company names and the new company names is as follows:

Former Company Names	New Company Names
Barits International Securities Co., Ltd.	Mega Securities Co., Ltd.
Chung Hsing Bills Finance Corporation	Mega Bills Finance Co., Ltd.
International Commercial Bank of China	Mega International Commercial Bank Co., Ltd.
Barits International Futures Co., Ltd.	Mega Futures Co., Ltd.
Barits International Investment Services Corporation	Mega International Investment Services Co., Ltd.
International Commercial Bank of Cathay (Canada)	Mega International Commercial Bank Co., Ltd. (Canada)
International Commercial Bank Of China Public Co., Ltd (Thailand)	Mega International Commercial Bank Public Co., Ltd.
Barits Holdings Limited	Mega Securities Holdings Co., Ltd.
Barits Ho Chong Securities Company Ltd.	Mega Securities (Hong Kong) Co., Ltd.
Barits International Asset Management Corporation	Mega International Asset Management Co., Ltd.
Barits Securities (Hong Kong) Ltd.	Mega Capital (Asia) Co., Ltd.
Barits Global Asset Management Ltd.	Mega Global Asset Management Co., Ltd.

The Company is mainly engaged in investment activities approved by the governing authorities and management of the investee companies. Background of the Company's subsidiaries is summarized below:

(1) CTB was established in Mainland China in 1907, five years before the founding of the Republic of China (ROC), and moved to ROC along with the central government of ROC in 1949. CTB resumed its operation in 1960 to continue its role of assisting the ROC government in implementing economic development programs. CTB's shares were publicly traded on the Taiwan Stock Exchange since September 1996 and the bank completed its privatization process in September 1999. On February 4, 2002, CTB became a wholly-owned subsidiary of the Company through share swap pursuant to the Financial Holding Company Act and was therefore delisted from the Taiwan Stock Exchange. As an industrial development bank, CTB is mainly engaged in extending medium- and long-term loans, equity and venture capital investments, international banking and trust related business. In line with the government's economic policy and economic development programs, CTB also assists major industries in developing strategies for improving the industrial infrastructure and promotes industrial development of ROC. As of August 21, 2006, CTB merged with ICBC and was dissolved after the merger.

(2) Mega Securities Co., Ltd. ("MS"; formerly International Securities Co., Ltd.) was incorporated on October 19, 1989, and became a wholly-owned subsidiary of the Company on February 4, 2002 through a share swap agreement. On October 31, 2002, MS' Board of Directors passed a resolution to merge with BS. On November 28, 2002, the merger was formally approved by the Securities and Futures Commission ("SFC") with the effective merger date set on January 31, 2003. International Securities Co., Ltd. is the surviving company after the merger and is subsequently renamed as Barits International Securities Co., Ltd. ("BIS"). On January 30, 2003, BIS further acquired all operations and properties of Chung Hsing Securities Corporation. Principal activities of MS include underwriting, brokerage and proprietary trading of securities, margin trading of securities and bills, issuance of stock warrants, brokerage of overseas securities, and futures dealing business.

(3) Mega Securities Holdings Co., Ltd. ("MHL"), registered in the British Virgin Islands, is 100% owned by MS with an investment amount of US$40,990 thousand. MHL is mainly involved in asset management and venture capital activities.

(4) Mega Futures Co., Ltd. ("MF") is 100% owned by MS with an investment amount of NT$400,000 thousand. MF is mainly engaged in brokerage of domestic and foreign futures trading, proprietary trading of domestic futures contracts, and settlement and consulting services for domestic futures trading.

(5) Mega Securities (Hong Kong) Co., Ltd., registered in Hong Kong, is 100% owned by MHL with an investment amount of HK$60,000 thousand dollars. Mega Securities (Hong Kong) Co., Ltd. is mainly engaged in brokerage of marketable securities.

(6) Mega International Asset Management Co., Ltd., registered in British Virgin Islands, is 100% owned by MHL with an investment amount of US$15,000 thousand dollars. Mega International Asset Management is mainly engaged in investment consulting services.

(7) Mega Capital (Asia) Co., Ltd., registered in Hong Kong, is 100% owned by MHL with an investment amount of HK$80,000 thousand dollars. Mega Capital (Asia) Co., Ltd. is mainly engaged in investment consulting services.

(8) Mega Global Asset Management Co., Ltd. registered in British Cayman Islands, is 100% owned by MHL with an investment amount of US$3,740 thousand dollars. Mega Global Asset Management Ltd. is mainly engaged in asset management services.

(9) Mega Bills Finance Co., Ltd. (MBF), established on May 3, 1976, became a wholly-owned subsidiary of the Company through a share swap agreement on August 22, 2002 and was delisted from the Taiwan Stock Exchange. MBF is mainly engaged in proprietary trading, brokerage and underwriting of short-term notes and bills and financial bonds, provision of guarantees for short-term notes and bills, arrangement of inter-bank call loans, corporate financial consulting and proprietary trading of government bonds and corporate bonds.

(10) Mega International Commercial Bank Co., Ltd. ("MICB") (formerly Bank of China), was restructured on December 17, 1971 in accordance with the Chinese commercial banking regulations. Shares were originally traded on the Taiwan Stock Exchange. On December 31, 2002, ICBC became a wholly-owned subsidiary of the Company through share swap and was delisted from the Taiwan Stock Exchange accordingly. On August 21, 2006, ICBC merged with CTB. MICB's major activities include foreign exchange and related operations, trade

finance and guarantees, trust related business and other commercial banking business related to international trade.

(11) Mega International Commercial Bank (Canada) ("MICB Canada"), a wholly-owned subsidiary of MICB, was established in Canada with a capital base of CAD$23,000 thousand. MICB Canada is mainly engaged in accepting deposits, extension of credits, negotiation of import/export bills, collections and foreign exchange related businesses.

(12) Yung Shing Industries Co. ("Yung Shing") is 99.56% owned by MICB with an investment amount of NT$95,219 thousand. The principal activities of Yung Shing include agency services for industrial and mining related businesses, import and export related businesses, services requested by customers (e.g. data processing, packaging and printing), editing, binding and copying of documents, and credit card agency services.

(13) Cathay Investment & Development Corporation (Bahamas) ("CIDC Bahamas"), registered in the Commonwealth of the Bahamas, is 100% owned by MICB with an investment amount of US$5 thousand. CIDC Bahamas is mainly engaged in international investment and development activities.

(14) Mega International Commercial Bank Public Co., Ltd. ("MICBPC"), a wholly-owned subsidiary of MICB, was established in Thailand in March 2005 with a capital base of 4 billion Thai baht. MICBPC is mainly engaged in accepting deposits, negotiation of import/export bills, collections and exchange of foreign currencies and extension of credits.

(15) Mega International Investment Trust Co., Ltd. ("MITC") (Formerly International Investment Trust Co., Ltd.) is a subsidiary of MICB, in which MICB's equity interest increased to 59.13% for the six-month period ended June 30, 2005. On May 23, 2006 and September 20, 2006 the Company and MICB participated in cash injection of capital for IIT and in turn achieved an equity interest of 97.76% together. IIT is primarily engaged in investment trust related businesses. Former Mega Investment Trust Co., Ltd. ("MITC") and International Investment Trust Co., Ltd. ("IIT") entered into a merger agreement, with MITC as the dissolving company and IIT, simultaneously renamed "Mega International Investment Trust Co., Ltd.", being the surviving company, effective from September 17, 2007. The equity interest then totaled to 96.31%. On November 26, 2008, MITC's stockholders resolved to reduce its capital by $591,415 thousand to offset loss and increased its capital by issuing new shares amounting to $1,400,000 thousand to improve its financial structure which was resolved by the Board of Directors on December 17, 2008, and effective from December 23, 2008 and December 30, 2008, respectively. The Company purchased the residual fragmentary shares after the capital reduction. The Company's total equity interest then totaled to 100%.

(16) Initially established by the Bank of China (predecessor of MICB) in November 1931, Chung Kuo Insurance Co., Ltd. (CKI) merged with the Insurance Department of the Central Trust of China, in February 1972 and became a direct investee company of the Ministry of Finance (MOF). CKI completed its privatization process on May 5, 1994 and became a wholly-owned subsidiary of the Company through share swap on December 31, 2002. CKI is primarily engaged in general insurance business.

(17) Mega Asset Management Co., Ltd. ("MAM") was established by the Company on December 5, 2003 with a capital base of NT$2 billion. MAM is primarily engaged in purchases, evaluations, auctions, and management of financial institutions' loan assets.

(18) CTB I Venture Capital Co., Ltd. ("CTB I Venture Capital") is 40% owned jointly by MICB, MS and CKI with a total investment amount of NT$400 million. CTB I Venture Capital is primarily engaged in venture capital activities. Although the Company's equity interest in CTB I Venture Capital is less than 50%, CTB I Venture Capital is regarded as a subsidiary in which the Company has control due to the Company's significant influence over its financial, operational and personnel policies.

(19) Mega CTB Venture Capital Co., Ltd. ("Mega CTB Venture Capital") was established by the Company on December 13, 2005 with an initial investment of NT$1 billion. Mega CTB Venture Capital is primarily engaged in venture capital investments as well as providing operational, managerial and consulting services.

(20) The number of employees of the Company and its subsidiaries was 8,795 and 8,733 as of December 31, 2008 and 2007, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in conformity with the "Guidelines for Preparation of Financial Reports by Financial Holding Companies", "Guidelines for Preparation of Financial Reports by Publicly Held Banks", "Guidelines for Preparation of Financial Reports by Publicly Held Bills Finance Companies", "Guidelines for Preparation of Financial Reports by Securities Firms", "Guidelines for Preparation of Financial Reports by Futures Commission Merchants", "Guidelines for Preparation of Financial Reports by Industry of Property and Casualty Insurance", "Guidelines for Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China. Due to the characteristics of the banking industry, its business cycle cannot be accurately defined. Hence, the accounts on the accompanying consolidated financial statements are not categorized into current and non-current items. Nevertheless, accounts are properly categorized according to the nature of each accounts, and sequenced by their liquidity.

The significant accounting policies of the Group are summarized below:

(1) Basis for preparation of consolidated financial statements

A. Beginning January 1, 2005, pursuant to the newly revised Statement of Financial Accounting Standards (SFAS) No.7, "Consolidated Financial Statements", the Company is required to consolidate accounts of the investee companies of which the Company directly or indirectly holds more than 50% of the common stocks, unless the Company considers that the individual total asset or total operating revenue of investees are immaterial. Under the revised SFAS No.7, the prior year financial statements are not required to be restated retroactively.

For investee companies of which the Company holds more than 50% of voting shares (including the Company and its subsidiaries' potential voting rights readily obtainable through execution and conversion) or which meet the requirements stipulated below, the Company is determined to have controlling interest over them and thus, a parent-subsidiary relationship is established. In this case, not only the equity method should be applied for the valuation of subsidiaries, but also the consolidated financial statements should be prepared.

(a) Under the agreements entered into by the Company with other investors, the equivalent voting shares of the investee held by the Company exceed 50%.

(b) Under the applicable regulations or agreements, the Company can control the investee's financial, operational and personnel policies.

(c) The Company has the right to employ or dismiss more than 50% of the members of the Board (or equivalent organization) in which the controlling power over the investee lies.

(d) The Company controls more than 50% of the voting rights in the investee's Board (or equivalent organization) in which the controlling power over the investee lies.

(e) The Company has controlling power in other matters.

B. All significant inter-company transactions and the respective balances have been eliminated from the consolidated financial statements. Please refer to Note 11 (4) for details.

C. The names of the subsidiaries that are included in the consolidated financial statements and the percentage of Company's ownership in each subsidiary are set forth below:

Investor	Subsidiary	Ownership (%) December 31, 2008	Ownership (%) December 31, 2007
The Company	MS	100.00	100.00
MS	MHL	100.00	100.00
MS	MF	100.00	100.00
MHL	Mega Securities (Hong Kong) Co., Ltd.	100.00	100.00
MHL	Mega International Asset Management Co., Ltd.	100.00	100.00
MHL	Mega Capital (Asia) Co., Ltd.	100.00	100.00
MHL	Mega Global Asset Management Co., Ltd.	100.00	100.00
The Company	MBF	100.00	100.00
The Company	MICB	100.00	100.00
MICB	MICB Canada	100.00	100.00
MICB	Yung Shing	99.56	95.22
MICB	CIDC Bahamas	100.00	100.00
MICB	MICBPC	100.00	100.00
The Company, MICB	MITC (formerly IIT) (Note)	100.00	96.31
The Company	CKI	100.00	100.00
The Company	MAM	100.00	100.00
MICB, MS and CKI	CTB I Venture Capital	40.00	40.00
The Company	Mega CTB Venture Capital	100.00	100.00

Note: Former Mega Investment Trust Co., Ltd. (“MITC”) and International Investment Trust Co., Ltd. (“IIT”) entered into a merger agreement, with MITC as the dissolving company and IIT, simultaneously renamed “Mega International Investment Trust Co., Ltd.”, being the surviving company, effective from September 17, 2007. The equity interest then totaled to 96.31%. On November 26, 2008, MITC’s stockholders resolved to reduce its capital by $591,415 thousand to offset loss and increased its capital by issuing new shares amounting to $1,400,000 thousand to improve its financial structure which was resolved by the Board of Directors on December 17, 2008, and effective from December 23, 2008 and December 30, 2008, respectively. The Company purchased the residual fragmentary shares after the capital reduction. The Company’s total equity interest then totaled to 100%.

D. Changes in the subsidiaries that are included in the consolidated financial statements as of December 31, 2008 and 2007: None.

E. Details of the Company’s subsidiaries that are not included in the consolidated financial statements are set forth below:

Investor	Subsidiary	Ownership (%) December 31, 2008	Ownership (%) December 31, 2007	Business Scope
The Company	Mega Life Insurance Agency Co., Ltd.	100.00	100.00	Insurance brokerage
MICB	CTB Financial Management & Consulting Co., Ltd.	100.00	100.00	Management consulting
MS	Mega International Investment Services Co., Ltd.	100.00	100.00	Securities investment consulting
MICB	Cathay Investment & Warehousing Ltd.	100.00	100.00	Storage and warehousing of imported commodities
MICB	China Products Trading Company	68.27	68.27	Transportation and storage of farming products and by-products, and investments in the related businesses
MICB	Ramlett Finance Holdings, Inc.	100.00	100.00	Real estate investments
MICB and CKI	Cathay Insurance Company Inc. (Philippine)	86.46	86.46	General insurance
Yung Shing	Win Card Co., Ltd.	100.00	100.00	Business management
Yung Shing	ICBC Assets Management & Consulting Co., Ltd.	100.00	100.00	Investment consulting

As the individual total asset or operating revenue amounts of the above subsidiaries are immaterial, the accounts of these subsidiaries are not included in the Company’s consolidated financial statements although the Company holds more than 50% equity interest in these subsidiaries.

F. The shares of CTB and IS held by the Company are accounted for in accordance with the rules stipulated by the Letter (90) Chi-Mi-Tze No. 182 of the Accounting Research and Development Foundation of the Republic of China (ARDF), which is summarized below:

Capital expenditure incurred by the Company to acquire equity interest in a financial institution through share swap is stated at the book value of the respective financial institution's assets less the book value of its liabilities. The par value of the new shares issued is recorded as common stock, and the amount in excess of the par value is recorded as capital surplus.

As ICBC was the Company's affiliate before joining the Company through share swap, its shares held by the Company are accounted for in accordance with the ARDF's Letter (91) Chi-Mi-Tze No. 202, which is summarized below:

The Company's equity investment in a financial institution is stated at the book value of the respective financial institution's net assets. When the book value of the financial institution's net assets exceeds the par value of the Company's issued shares, the excess is recorded as capital surplus. Conversely, when the net assets' book value is less than the par value of the Company's issued shares, the difference is accounted for by issuing new shares at a discount.

G. CHBF, BS and CKI were acquired by the Company through a share swap agreement. The business combination of the three subsidiaries was accounted for by the pooling-of-interests method in accordance with the rule tipulated in the ARDF's Letter (90) Chi-Mi-Tze No.079.

H. The merger of BIS and BS, in which BIS was the surviving entity, was accounted for in accordance with the rule stipulated in the ARDF's Letter (91) Chi-Mi-Tze No.244. Under the rule, the book value of BIS' long-term investments in BS was treated as the cost of the new shares issued for acquisition of BS.

I. Two of the 100% wholly-owned subsidiaries of the Company, ICBC and CTB, conducted a merger with ICBC being the acquiring firm and CTB being the targeted firm. ICBC was later renamed Mega International Commercial Bank. The merger of the two subsidiaries was in fact, an organizational restructuring implemented under mutual control of the group; therefore, neither the purchase method nor the pooling-of-interest method is appropriate. In pursuant to the rules stipulated in the ARDF's Letter (91) Chi-Mi-Tze No. 243, the Company's carrying value of long-term investments in CTB is recognized as the cost of issuing shares for acquiring ICBC. An assessment for impairment on the carrying value of long-term investment must be conducted and the impairment amount assessed should be recognized immediately as loss, if any.

J. Regarding MITC and IIT merger, wherein IIT became the surviving entity and renamed "Mega Investment Trust Co., Ltd.", the related accounting treatments for the Company's carrying value of long-term investments in MITC is recognized as the cost of issuing shares for acquiring IIT pursuant to the Explanatory Letter (91) Chi-Mi-Tze No. 244 of the ARDF.

K. If any financial institution which is originally one of the Company's affiliated companies subsequently becomes the Company's subsidiary through swap of all their outstanding shares, the new shares are issued at a discount when the book value of the respective financial institutions' net assets is less than the par value of the Company's issued shares. The cost of the swapped shares recorded by the respective financial institutions is based on the original book value of the swapped shares. The affiliated companies referred to above are defined as the financial institutions of which the Company holds more than 25% of the total voting shares or total capital, or in which the Company holds more than half of their directors' seats, either appointed or elected directly or indirectly. For the accounting of financial institutions and financial holding corporations which were non-affiliated companies under the original condition, the accounting principle stipulated in the SFAS No.25 "Business Combination-Accounting Treatment under Purchase Method" should be applied accordingly.

L. In accordance with Explanatory Note (96) No. 344, capital surplus originally included in susidiaries' stockholders' equity and in which related to assets and liabilities were reclassified to an adjustment account in the stockholders' equity when parent company recognized the capital surplus due to share swap. In subsequent periods, when subsidiaries derecognize the asset and liability accounts, the Company also should derecognize the corresponding adjustment account in the stockholders' equity.

(2) Foreign-currency transactions and translations

The Company and its subsidiaries maintain their accounts in their respective functional currencies. Foreign currency income and expenses are converted into New Taiwan Dollars (NT dollars or NT$) or their functional currency at the prevailing exchange rates at the end of each month. Foreign-currency denominated monetary financial assets or liabilities and other foreign-currency denominated assets or liabilities covered by the Statement of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement” and No. 36 “Financial Instruments : Disclosure and Presentation” are translated into NT dollars at the prevailing exchange rates at the end of each month. The resulting translation differences are recognized as gain or loss in the current period. However, for translation gains or losses associated with cash flow hedges, foreign net investment hedges and equity investments accounted for by the equity method, cumulative translation adjustments under stockholders’ equity is recognized.

Non-monetary financial assets or liabilities regulated by SFAS No. 34 and No. 36 measured at fair value in foreign currency are translated using the prevailing rates at the end of each month. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

(3) Cash and cash equivalents

Cash and cash equivalents include cash, unrestricted bank deposits, and short-term investments in highly liquid instruments, which can be readily converted into cash without significant penalty and of which the values will not be significantly affected by fluctuations in the interest rates. The abovementioned short-term investments include treasury bills, negotiable certificates of deposit and banker’s acceptances with maturity of three months or less.

(4) Financial assets and financial liabilities

The Group classified financial assets into categories such as, “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “held-to-maturity financial assets”, “debt investments with no active market” and “financial assets carried at cost”, in accordance with SFAS No. 34, “Regulations Governing the Preparation of Financial Reports by Financial Holding Company”, “Guidelines for Preparation of Financial Reports by Publicly Held Banks”, “Guidelines for Preparation of Financial Reports by Publicly Held Bills Finance Companies”, “Guidelines for Preparation of Financial Report by Securities Firms”, “Guidelines for Preparation of Financial Reports by Futures Commission Merchants”, “Guidelines for Preparation of Financial Reports by Industry of Property and Casualty Insurance” and “Guidelines For Preparation of Financial Reports by Securities Issuers”. On initial recognition, financial assets are measured at fair value. For financial assets which are not measured at fair value, transaction costs that are directly attributable to the acquisition or issuance of liability should be capitalized. Financial liabilities are classified as financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging purposes and financial liabilities carried at cost. Financial assets (or liabilities) designated as at fair value through profit or loss are composed of a group of financial assets, financial liabilities and others financial instruments under the administration of both the Company’s risk management policy and investment strategy.

For financial assets acquired or sold by the Group during regular-way trades, trade date accounting is adopted with the exception of stocks and mutual funds which adopt settlement date accounting. Regular-way trade is defined as an acquisition or sale of a financial asset with a time to the exchange of assets within the period generally accepted in the market or standardized by regulations.

A. Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss include financial assets or liabilities held for trading and financial assets or liabilities designated as at fair value through profit or loss at inception.

On subsequent measurement, these investments are reassessed at fair value and changes in fair value are recognized in current income or losses. Financial assets or liabilities designated at fair value through profit or loss are to eliminate or decrease inconsistency for an accounting measurement, which are initially recognized at fair value through profit or loss and recognized unrealized profit or loss in the current period. For non-derivatives or financial assets originally designated as at fair value through profit or loss at initial recognition, if their main purposes are no longer for sale in the short-term in subsequent periods, are subject to be reclassified as other types of financial assets in accordance with the revised Paragraph No. 104 of the SFAS No. 34 “Financial Instruments: Recognition and Measurement”.

B. Held-to-maturity financial assets

Investment in bonds with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets when the Group has the intention and ability to hold to maturity. Such investments are subsequently measured at amortized cost. Gains and losses are recognized in the income statement when the investments are derecognized, impaired, or amortized. The amortized cost is calculated as the cost (amount initially recognized) minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the cost and the maturity amount, and less any loss on impairment or unrecoverable amount. While determining cash flows associated with the financial instruments for calculating the effective interest rate, the Group takes into consideration the contract terms of financial instruments including transaction fees paid or received, premiums or discounts and transaction cost, etc.

C. Available-for-sale financial assets

Available-for-sale financial assets include assets that are available for sale and all other non-derivative financial assets that do not fit into any of the other categories of financial assets mentioned above. Available-for-sale assets are measured at fair value. All changes in fair value, except impairment losses and foreign exchange rate losses for monetary financial assets, are recognized directly in equity until the asset is derecognized. When the financial asset is derecognized, the cumulative gain or loss that was previously recognized in equity is recognized in profit or loss in the income statement.

D. Debt investments with no active market

Debt investments with no active market are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses are recognized when such investments are derecognized, impaired, or amortized.

E. Financial assets and liabilities carried at cost

In the case when the fair value of equity investments with no active market can be reliably measured, the valuation method should be adopted for estimating the fair value. When the fair value cannot be reliably measured, the equity investments are measured at their initial costs. The Group measures the cost of its non-monetary assets or liabilities denominated in foreign currencies originally carried at costs using the prevailing exchange rate at the trade date.

F. Derivative financial liabilities held for hedging purposes

Derivative financial liabilities held for hedging purposes refer to derivative financial liabilities that meet all hedge accounting criteria and are designated as effective hedging instruments. Such liabilities are measured at fair value.

The so-called fair value mentioned above refers to the closing market price on the balance sheet date for listed equity securities, the settlement price on the balance sheet date for derivative instruments with quoted price, the net asset value on the balance sheet date for open-ended mutual funds and the closing price or reference price on the balance sheet date for debt investments. For other financial instruments, the appropriate valuation method is applied for the estimation of their relative fair values.

(5) Bills and bonds purchased/ sold under resell/ repurchase agreements

Bonds and bills purchased under resell agreements refer to the actual payment made to the counterparty in transactions involving the purchase of securities, subject to an agreement by the purchaser to resell the securities. Such transaction is treated as margin trading. Bonds and bills sold under repurchase agreements refer to the actual receipts from the counterparty in transactions involving the sale of bonds and bills by one party, subject to an agreement by the seller to repurchase the securities. All related interest income or expenses are recognized on an accrual basis.

(6) Options

Transactions of TAIEX options, MOS and equity options are stated at the premiums on the option contracts. The Group's position in the option contracts is marked-to-market monthly and the movement in the option position is recorded under "options bought", "liability on options written" and "unrealized gain (loss) on option contracts".

For transactions involving bond options, the premium associated with bond options purchased (or sold) is used as the basis for recognition. The option contracts is then measured at fair value each month and the resulting changes in the carrying value is recorded under "Long options – bond options", "Short options – bond options" and "Gain or loss on valuation – bond options".

Upon exercise of the TAIEX Options, MOS and equity options, the difference between the spot price and the strike price is credited or charged to current income. On the balance sheet date, the difference between the closing price of the outstanding option contracts and their cost is also credited or charged to current income.

(7) Margin deposits for futures trading – own capital

Margin deposits are guarantee deposits paid for futures and options trading using the Group's own capital. The Group's position in the futures contracts is marked-to-market daily and the movement in the margin deposits is recorded under "margin deposits for futures trading – own capital" and "unrealized gain (loss) on futures contracts".

Upon settlement of the futures contracts or exercise of the option contracts, the difference between the spot price and the contracted price is credited or charged to current income. On the balance sheet date, the difference between the closing price of the outstanding contracts and the average price is also credited or charged to current income.

Fixed income instruments are recorded at costs initially and are under custody of the designated custodian institution as stipulated in the contract. Interest income is recognized on an accrual basis during holding period, discounts or premiums arising from acquisition are amortized on a systematic manner. Fixed income instruments are measured at fair value at the balance sheet date.

(8) Margin trading of securities

A. Margin loans extended to stock investors are recorded as "marginal receivables" and the stocks purchased by the borrowers are held by MS as collateral. The collateral is recorded in the memorandum account and is returned to the borrowers when the loans are repaid.

B. Guarantee deposits received from stock investors on short sales are recorded as "margin deposits on short sales". The proceeds from short sales (less the securities transaction tax and service charges) are held by MS as guarantee deposits which are recorded as "payables on proceeds from short sales". The stocks lent to the customers are recorded in the memorandum account. When the stocks are returned to MS, the margin deposits and proceeds from the short sales are returned to the customers accordingly.

C. Loans borrowed by MS from other securities lenders when MS has insufficient fund to conduct margin trading are recorded as "margin loans from other securities lenders". When MS has insufficient stocks to conduct short selling, the guarantee deposits paid for the stocks borrowed from other securities lenders are recorded as "deposits paid to other securities lenders". The proceeds from short sales are then paid to the securities lenders as additional guarantees and are recorded as "refinancing guarantees receivable".

(9) Allowances for probable losses

A. Allowances for probable losses are provided for due from call loans to bank, receivables, bills discounted and loans based on a review of its collectibility on the balance sheet date.

B. In accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Non-accrual Loans, and Bad Debts", reserves set aside for probable loan losses are based on the estimation of potential unrecoverable exposures, net of collateral. A significant degree of management discretion is used in the estimation process, which includes the assessment of the borrower's ability to pay and of the value of the underlying collateral.

C. Balances of uncollectible accounts are written-off against allowance for probable losses only upon the approval by the Board of Directors.

(10) Bills discounted and loans

A. Bills discounted and loans are recorded at the basis of outstanding principal amounts. Any unsettled bills discounted and loans upon maturity are to be reclassified to non-accrual loans along with the associated amount of accrued interest previously recorded within six months from the date of the maturity. In addition, interest receivable should no longer be accrued.

B. Non-accrual loans transferred from loans should be recorded under bills discounted and loans. For other non-accrual loans transferred from accounts other than loans, such as guarantees, acceptances and receivables on factoring should be recorded under "other financial assets".

(11) Equity investments accounted for by the equity method

A. Investments in the companies, of which the Company holds more than 20% of the voting shares or over which the Company can exercise significant influence, are accounted for by the equity method. However, effective from January 1, 2006, the principles stated in SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statement, No. 5 "Accounting for Long-Term Equity Investments", No. 25 "Business Combination – Purchase-Price Accounting" is applied for the accounting for difference between the initial investments and the net worth of the respective investee companies. Pursuant to the procedures for the allocation of acquisition cost stated in the SFAS No. 25 an analysis is performed on such differences and such differences attributable to goodwill are no longer amortized.

B. Unrealized gains (losses) resulting from the downstream transactions with the investees accounted for under the equity method are eliminated based on the Company's percentage of shareholding. Where the Company has controlling power over the investees, the unrealized gains (losses) are fully eliminated and are recognized only upon realization.

C. Unrealized gains (losses) resulting from the upstream transactions with the investees accounted for by the equity method are eliminated based on the Company's percentage of shareholding.

D. The impairment in the long-term equity investments accounted for by the equity method is accounted for in accordance with the SFAS No.35, "Accounting for Asset Impairment".

E. The cost on disposal of equity investments is calculated using the weighted-average method.

(12) Capital expenditure

When the economic benefit generated from the expenditure is limited to the current period or when no economic benefit is expected, the expenditures shall be expensed in the current period. When the economic benefit generated from the expenditure is related to future years, the expenditures shall be capitalized unless the amount of expenditure is immaterial, in which case, the expenditure shall be recognized as current expense regardless of the length of the economic benefit.

(13) Valuation and depreciation of properties and equipment

A. Except for land, all properties and equipments are depreciated on a straight-line basis according to their value after revaluation increment. Major improvements and renewals are capitalized as cost, and repairs and maintenance are expensed as incurred. Relevant promulgated principles should be applied if impairment exists. Upon sale or disposal of properties and equipment, the related cost, revaluation increment, accumulated depreciation and accumulated impairment loss are written-off, and any gain or loss is credited or charged to non-interest income.

B. When an impairment loss on a specified asset is identified, the related depreciation is recalculated based on the adjusted value over the estimated useful lives. The residual value of a property or equipment that is still in use at the end of the original estimated useful life is depreciated using the straight-line method over its revised estimated useful life. The estimated economic service life of properties and equipment are set forth below:

Buildings	35 ~ 60 years
Machinery and equipment	3 ~ 15 years
Office equipment	3 ~ 15 years
Computer equipment	3 ~ 6 years
Transportation equipment	1 ~ 12 years
Other equipment	1 ~ 11 years
Leasehold improvement	1 ~ 15 years

(14) Intangible assets

A. Goodwill

Pursuant to the procedures for the allocation of acquisition cost stated in the SFAS No. 25 “Business Combination – Purchase-Price Accounting”, an analysis is performed on differences between the initial investments and the net worth of the respective investee companies, and such differences attributable to goodwill are no longer amortized. Impairment loss of goodwill recognized in prior years is not recoverable. In subsequent periods, the impairment test on goodwill is performed on a yearly basis in accordance with the SFAS No.35, “Accounting for Asset Impairment”.

B. Computer software expenditures

Computer software expenditures are stated at cost and amortized over the estimated life of 3 to 5 years using the straight-line method.

(15) Asset impairment

A. Pursuant to SFAS No. 35, the Company assesses indicators for impairment for all its assets within the scope of SFAS No. 35 on each balance sheet date. If impairment indicators exist, the Company shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit (“CGU”) and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use. For previously recognized losses, the Company shall assess, on each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company is required to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

B. Impairment loss (reversal) is classified as non-operating losses/ (income).

(16) Derecognition of financial assets and liabilities

A. Financial assets

All or part of a financial asset is derecognized when the contractual rights of the asset expire. When all or part of a financial asset is transferred and contractual rights of the asset is given up, the cash flow received from the clearing house within a certain limit is treated as sale.

When the transfer of financial asset does not qualify as lost of contractual rights, then such transfer of asset is recognized as guaranteed loan. Reacquiring rights of such assets will no longer be accounted for as derivative financial assets.

B. Financial liabilities

All or part of a financial liability is derecognized when the obligation specified in the contract binding the financial liability is either discharged, cancelled or expired.

Where there has been an exchange between an existing borrower of debt instruments and the Company with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, then the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss from extinguishment of the original financial liability is recognized in the statement of income.

(17) Impairment of financial assets

The Group is required to assess at each balance sheet date whether there is any objective evidence of impairment. Impairment calculation and recognition for financial assets with different valuation models is as follows:

A. Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount equal to the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit but rather as adjustments in equity. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

B. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost is incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment is recognized in profit or loss.

C. Financial assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of loss is recorded as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market’s rate of return for a similar financial asset. Such impairment loss cannot be reversed.

(18) Bonds payable

When issuing corporate bonds, issuing prices are recognized based on issuing terms. Premiums and discounts on corporate bonds payable are valuation accounts and shall be classified as additions to or reductions of corporate bonds payable. Bonds shall be amortized during the period of bond circulation and recorded as an adjustment in interest expense.

(19) Liability on issuance of stock warrants/repurchase of stock warrants issued

Issuance of stock warrants and its subsequent valuation are accounted for by the fair value method and are recorded as “liability on issuance of stock warrants”. For the warrants that are issued under repurchase agreements, the repurchase amount is recorded under “repurchase of stock warrants issued” which is a contra account of “liability on issuance of stock warrants”. At expiration of the stock warrants, the amount of the unexercised warrants is reversed after being revalued by the fair value method. A gain on the unexercised expired stock warrants is recognized accordingly.

(20) Reserves for insurance

The basis for recognizing reserves for insurance as pursuant to the “Regulations on Setting Reserves for Insurance Industry” (RSRII) promulgated by the Department of Insurance is set forth below:

A. Unearned premium reserve

Unearned premium reserves are provided as required by the Insurance Law, RSRII and other related regulations.

The amounts provided and recovered by the actuaries are recognized as expense and revenue for the current period, respectively.

B. Special reserve

The special reserve is set aside in accordance with the Insurance Law and other related regulations. The provision amount reviewed by the actuaries and the amount of the reserve reversed are charged and credited to current income, respectively, according to the insurance category.

C. Claims reserve

The claims reserve shall be administered in accordance with the provisions of the Insurance Act, "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", and related official directives. For retained business, the outstanding claims portion shall be estimated in accordance with actual pertinent information on a case-by-case basis, with reversals to be made upon the closing of accounts in the following year, and provision is to be made based on actual information at the closing of accounts in the current year. Effective from January 1, 2008, pursuant to the "Guidelines For Preparation of Financial Reports by Industry of Property and Casualty Insurance ", reinsurance contracts are shown in total amounts, claims recoverable from reinsurers (including claims in the course of settlement and incurred but not reported) are listed under claims recoverable from reinsurers – net.

D. Deficiency reserve

The deficiency reserve shall be administered in accordance with the provisions of the "Insurance Act", "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", and related official directives; and the amounts, as estimated by an actuary, of reserve appropriations and reversals shall be separately entered as cost or income for the current year.

(21) Reserves for liabilities and losses

Reserves for liabilities and losses are mainly provided for guarantee liabilities and trading losses. Reserve for guarantee liabilities is estimated at 1% of the ending balance of guarantee accounts but the amount of such reserve cannot exceed the total guarantee commissions received for the current year. Pursuant to the "Rules Governing the Administration of Securities Firms" (RGASF), 10% of the excess of gains on proprietary trading of securities over its losses must be set aside as reserve for trading losses on a monthly basis until the cumulative balance of such reserve reaches NT$200 million. Such reserve can only be used to offset the excess of securities trading losses over gains. As required by the SFC, securities firms are also required to set aside an amount equal to 0.28% of the monthly brokerage trading volume as reserve for default losses until the balance of such reserve reaches NT$200 million. Such reserve can only be used to offset default losses or other losses as approved by the SFC.

(22) Financial asset securitization

A. Under the "Financial Assets Securitization Act", MICB securitized part of its enterprise loans and transferred those loans to the special purpose trustee in return for the issuance of the related beneficiary certificates. Having surrendered the control of contractual rights on the loans and transferred to a special purpose trustee, MICB derecognized all the enterprise loans and recorded gain or loss accordingly, except for subordinated beneficiary certificates retained for credit enhancement which were reclassified as other financial assets instead.

B. The gain or loss on the sale of the loans is the difference between the proceeds and carrying amount of the loans. The abovementioned carrying amount of the loans should be allocated in proportion to the fair values of the part retained and the part sold on the date of sale. Since quotes are not available for loans and retained interests, MICB estimates fair value at the present value of expected cash flows, using management's key assumptions on credit losses and discount rates commensurate to the risks involved.

C. The interest income on the subordinated beneficial securities held by MICB is recognized upon its receipt from the trustees.

(23) Pensions

A. Pensions are accounted for in accordance with SFAS No. 18, "Accounting for Pensions". Minimum accrued pension liability and net pension cost are recognized based on actuarial calculations. Prior service costs and pension gain (loss) are amortized on a straight-line basis over the average remaining service years of the employees.

B. The ROC Labor Pension Act (the “Act”), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Company shall make monthly contributions to the employees’ individual pension accounts based on 6% of the employees’ monthly wages. If the retirement plan is a defined contribution pension plan, the contributions are based on an accrual basis and are recognized as pension costs in the current period.

(24) **Capital surplus**

A. Pursuant to the Company Law, capital surplus arising from share issue premium and donations can be capitalized based on a stockholders’ resolution. However, according to the SFC regulations, capital surplus arising from share issue premium generated by cash injection is allowed to be capitalized only once a year and is subject to a specified limit. In addition, capitalization is prohibited in the year when the cash is injected.

B. As per the rule stipulated by the SFC, capital surplus arising from share swap between financial institutions can be appropriated as cash dividends and capitalized in the year of the share swap according to Section 4 of Article 47 of the Financial Holding Company Act, if the capital surplus arises from the unappropriated earnings generated prior to share swap. In addition, the capitalization amount is not subject to the limit stipulated in Article 8 of the Securities and Exchange Law.

(25) **Legal reserve**

Pursuant to the Company Law, 10% of the Company’s after-tax net income in the current year must be appropriated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can be used to offset deficits but cannot be used for the purpose of cash dividend distributions.

(26) **Special reserve**

If there are any negative stockholders’ equity items recorded by the Company, such as unrealized losses on declines in market value of long-term equity investments and cumulative translation adjustments, the Company is required to set aside a special reserve with an amount equal to the total amount of the negative items but not exceeding the limits listed below before the earnings are appropriated.

A. The special reserve set aside for the negative stockholders’ items which occur in the current year should not exceed the sum of after-tax net income generated in that year plus the unappropriated retained earnings accumulated for previous years.

B. The special reserve set aside for the negative stockholders’ items which occur in previous years should not exceed the amount of the unappropriated retained earnings accumulated for previous years less the amount of special reserve set aside in (1).

In accordance with the regulation stipulated by the SFC, the Company is required to set aside a special reserve with an amount equal to the excess of the book value of the Company’s shares held by its subsidiaries over their market value, and the reserve cannot be appropriated. If the market value recovers in the future, the special reserve can be reversed by the recovered amount in proportion to the percentage of shareholding.

(27) **Treasury stock**

Costs incurred on the stock buyback are debited to “treasury stock”. The book value of the treasury stock is computed based on the weighted-average book value of the common stock and preferred stock purchased, and is computed separately depending on the reasons for the buyback. When treasury stock is retired, “treasury stock” is credited, and “capital surplus – share issue premium” and “common stock” are debited according to the ratio of retiring treasury stock to total issued stock. Where the book value of the retiring treasury stock exceeds the sum of its par value and share issue premium, the difference is debited to capital surplus arising from treasury stock of the same kind. If the capital surplus is insufficient to cover the difference, retained earnings are debited for the remaining amount. Where the book value of the retiring treasury stock is less than the sum of its par value and share issue premium, the difference is credited to the capital surplus arising from treasury stock of the same kind. When the securities holders exercise the right of conversion by returning the treasury stock, it should be recorded at the book value of the securities converted, and the book value of the securities converted is considered as the disposal price of the treasury stock.

(28) **Income taxes**

A. Inter-period and intra-period income taxes are allocated in accordance with the SFAS No. 22, "Accounting for Income Taxes". Income tax effects arising from taxable temporary differences are recognized as deferred income tax liabilities. Income tax effects arising from deductible temporary differences, loss carryforwards and income tax credits are recognized as deferred income tax assets, and a valuation allowance is provided based on the expected realizability of the deferred income tax assets.

B. In accordance with the "Basic Income Tax Regulation" effective from January 1, 2006, the current income tax recognized is the higher of the basic tax calculated according to such regulation and the income tax assessed by standards of the National Tax Administration. The realization of deferred tax assets is evaluated and a valuation allowance is recognized accordingly.

C .Income tax credits are accounted for in accordance with the SFAS No. 12, "Accounting for Income Tax Credits". Recognition of income tax credits arising from acquisitions of equipment and technology is deferred, whereas those arising from research and development, staff training and equity investments are recognized in the current period. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense when the tax is levied.

D. Pursuant to Article 49 of the Financial Holding Company Act and the relevant provisions of the Income Tax Law, the tax returns of the Company's domestic subsidiaries can be filed jointly with the Company if the Company holds more than 90% of the outstanding shares of these subsidiaries and the holding period exceeds twelve months. Under the joint tax return scheme, only the subsidiaries' returns on corporate income tax and the 10% tax surcharge on surplus retained earnings can be filed jointly with the Company. Other tax matters shall be handled separately by the Company and its domestic subsidiaries.

(29) **Earnings per share**

A. Earnings per share are computed in accordance with the SFAS No. 24, "Earnings Per Share". Basic earnings per share are computed for the simple capital structure, and basic and diluted earnings per share are computed for the complex capital structure. Basic earnings per share are computed by dividing the net income (loss) attributed to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing the net income (loss) attributed to common stockholders, taking into account the dilutive effects of dividends and interest expense on potential common shares and other income and expenses arising from conversion of the convertible bonds, by the weighted-average number of common shares outstanding plus the weighted-average number of potential common shares to be converted from the convertible bonds.

B. Any capital increase through cash injection is incorporated in the calculation on a weighted-average basis according to the circulation period. Where there is capitalization of retained earnings or capital surplus, basic earnings per share for prior and current years are adjusted retroactively.

C. The decrease in the number of outstanding shares resulting from buyback of treasury stock is accounted for on a weighted-average basis.

(30) **Derivative financial instruments**

A. The Group entered into various derivative contracts, including forward currency contracts, cross-currency swaps and interest rate swaps, etc. Such derivative financial instruments are initially recognized at fair value on the date when a derivative contract is entered into and subsequently measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to income if a derivative instrument in a fair value hedge is terminated or the hedge designation removed for the period.

B. Convertible bond asset swaps

The underlying assets of the convertible bond asset swaps are the convertible bonds underwritten by MS or those held by MS for proprietary trading. Premiums paid for the options bought are classified as assets and the balance of the premiums upon exercise of the options are treated as the cost of the convertible bonds acquired. Premiums received on the options written are classified as liabilities, and the options are marked-to-market on the balance sheet date. The resultant gain (loss) is credited or charged to current income.

C. Structured financial instruments

The structured financial instruments issued by MS include equity-linked notes (ELN) and principal-guaranteed notes (PGN).

The equity-linked notes (ELN) issued by MS comprise fixed income securities and options. The fixed income securities are classified as liabilities whereas the options are classified as assets. The amount received from the counterparty on the contract date is the present value of the contract principal amount discounted by the estimated discount rate less the balance of the option premiums. The interest expense implied in the fixed income securities is amortized by the effective interest method or the straight-line method during the contract period and is recorded as gain (loss) on ELN. The options are valued by the fair value method on the balance sheet date and the resultant gain or loss is recognized in the current period.

The principal-guaranteed notes (PGN) issued by MS comprise fixed income securities and options. They are both classified as liabilities and are listed separately in the financial statements. The present value of the fixed income securities is the product of the contract notional amount and the principal-guaranteed rate (contract notional amount × principal-guaranteed rate), discounted by the estimated interest rate. The interest expense implied in the fixed income securities is amortized by the effective interest method or the straight-line method during the contract period and is recorded as gain (loss) on PGN. The options are valued by the fair value method. That is, the value of the options equals the contract notional amount less the value of the fixed income securities and the resulting gain or loss is recognized in the income for the period. The fair value of options should be determined either as the market price of instruments with equivalent terms for trading or the amount calculated using the option-pricing model.

Acquisition of the fixed income securities is initially stated at cost and subsequently restated by the lower of cost or market value method on the valuation date. These securities are required to be kept by the custodians as specified in the contract.

(31) Recognition of interest income, service fees and financial income

A. Bank subsidiaries

Interest income for loans is recognized on an accrual basis except for loans classified as non-accrual loans. The accrual of income from non-accrual loans is discontinued and subsequent interest receipts are credited to income upon collection. In accordance with the regulations established by the Ministry of Finance, interest income arising from emergency loans and renewal of agreements is recorded as deferred revenue and subsequently recognized as income upon interest receipts. Service fee income is recognized when the services are rendered.

B. Securities subsidiaries

Interest income and expenses arising from margin trading of securities, bonds sold under repurchase agreements and those purchased under resell agreements, and interest-bearing securities are recorded under the respective accounts in the statement of income. Financial income or expenses derived from activities other than those mentioned above are recorded as non-operating income or expenses.

(32) Premiums income and acquisition cost of insurance policies

The premiums income derived from underwriting business is recognized in the year when the respective policies are issued. The associated expenses such as commissions, agency cost and service charges are recognized accordingly. Income and expenses derived from received and ceded reinsurance business are recorded on the date on which the bills are received. The associated expenses and income such as reinsurance commission expenses/income and reinsurance service charges/fee income are also recorded accordingly. In line with the matching principle, the unearned premium reserve, special reserve, claim reserve and deficiency reserve set aside for received and ceded reinsurance business are incorporated into the respective reserves set aside for underwriting business.

(33) Contingent losses

At the balance sheet date, if an asset is considered to be impaired or liability has been incurred, such loss is recorded as contingent losses for the current year where the amount of loss can be reasonably estimated. When the amount of the loss cannot be reasonably estimated or when it is probable that loss has been incurred, the obligation is disclosed as a contingent liability in the notes to the financial statements.

(34) Employees' bonuses and directors' and supervisors' remuneration

Pursuant to EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal obligation or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year.

(35) Use of estimates

In preparing the consolidated financial statements in conformity with generally accepted accounting principles in the R.O.C., the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues, costs of revenues, and expenses during the reporting period. Therefore, actual results could differ from those estimates.

(36) Convenience translation into US dollars

The Company and its subsidiaries maintain their accounting records and prepare their financial statements in New Taiwan dollars. The United States dollar amounts disclosed in the 2008 consolidated financial statements are presented solely for the convenience of the readers and were translated into US dollars using the exchange rate prevailing at December 31, 2008 of US$1:NT$32.774. Such translation amounts are not in compliance with generally accepted accounting principles in the Republic of China and should not be construed as representation that the New Taiwan dollar amounts represent, or have been or could be converted into United States dollars at that or any other rate.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Effective from January 1, 2008, the Group adopted EITF2007-052 "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", prescribed by the R.O.C. Accounting Research and Development Foundation. As a result of the adoption of EITF2007-052, total consolidated net income after tax decreased by NT$57,493 thousand (US$1,754 thousand) and earnings per share decreased by NT$0.0052 (dollar) (US$0.0002 dollar) for year ended December 31, 2008.

(2) During the period from July 1, 2008 to December 31, 2008, the Group reclassified certain stocks listed on TSE or OTC originally classified as at fair value through profit or loss to available-for-sale financial assets and held-to-maturity financial assets in accordance with the amended Paragraph 104 of SFAS No. 34. As a result of such change in accounting principle, net income increased by NT$214,992 thousand (US$6,560 thousand) and earnings per share increased by $0.0194 (dollar) (US$0.0006 dollar) for the year ended December 31, 2008 .

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Due from banks	$248,656,661	$7,587,010	$79,347,123
Checks for clearance	1,115,077	34,023	991,498
Cash on hand	11,462,602	349,747	10,509,877
Bank deposits	6,873,361	209,720	7,862,044
Cash equivalents (Note)	3,617,559	110,379	1,234,072
Petty cash	40,065	1,222	52,456
Total	$271,765,325	$8,292,101	$99,997,070

Note: Includes short-term bills and bond investments with maturities less then three months held by subsidiaries other than MICB and MBF.

(2) Due from the Central Bank and call loans to banks

	December 31, 2008		December 31, 2007
	NT$	US$(Unaudited-Note 2)	NT$
Due to banks	$ 4	$ -	$ 493
Call loans to banks	49,919,044	1,523,130	203,581,873
Reserve for deposits-category A	18,987,449	579,345	9,257,892
Reserve for deposits-category B	23,393,520	713,783	21,692,591
Reserve for deposits-foreign currency	87,669	2,675	8,685,437
Due from Central Bank	10,800,290	329,538	6,511,810
Less: Allowance for bad debts	(760)	(23)	(643)
Total	$103,187,216	$3,148,448	$249,729,453

As required by relevant laws, the reserves for deposits are calculated at prescribed rates on the average balances of various deposit accounts. The reserve for deposits - category A and foreign currency deposits accounts are non-interest bearing and call on demand. Reserve for deposits - category B earns interest but its use is restricted under relevant regulations.

(3) Financial assets at fair value through profit or loss

	December 31, 2008		December 31, 2007
	NT$	US$(Unaudited-Note 2)	NT$
Financial assets held for trading, net	$163,164,533	$4,978,475	$129,337,518
Financial assets designated as at fair value through profit or loss, net	35,279,900	1,076,460	81,055,809
Total	$198,444,433	$6,054,935	$210,393,327

A. Financial assets held for trading are listed as follows:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Stocks	$465,805	$14,213	$6,244,100
Commercial papers	110,391,394	3,368,261	81,370,935
Beneficiary certificates	260,920	7,961	2,366,343
Negotiable certificates of time deposit	15,001,687	457,731	5,127,248
Corporate bonds	12,460,760	380,203	24,344,760
Government bonds	7,823,179	238,701	1,468,165
Financial bonds	3,376,231	103,016	2,371,582
Other bonds	3,559,610	108,611	4,850,401
Derivative financial instruments	9,755,483	297,659	1,012,795
Others	69,464	2,119	181,189
Total	$163,164,533	$4,978,475	$129,337,518

B. Financial assets designated as at fair value through profit or loss are listed as follows:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Stocks	$ -	$ -	$ 2,839
Corporate bonds	12,575,262	383,696	20,392,313
Government bonds	6,830,570	208,414	7,823,105
Financial bonds	13,625,202	415,732	11,244,013
Derivative financial instruments	2,248,866	68,618	1,502,719
Certificates of time deposit	-	-	40,090,820
Total	$35,279,900	$1,076,460	$81,055,809

Please refer to Note 6 for details of the aforementioned financial assets at fair value through profit or loss provided as collaterals as of December 31, 2008 and 2007.

Please refer to Note 10 for the details of the derivatives contracts information.

As of December 31, 2008 and 2007, the above financial assets used as underlying assets for repurchase agreements held by MBF were $97,820,557 thousand (US$2,984,700 thousand) and $75,598,377 thousand, respectively.

As of December 31, 2008 and 2007, the above financial assets used as underlying assets for repurchase agreements held by MS were $24,841,160 thousand (US$757,953 thousand) and $24,044,543 thousand, respectively.

(4) Receivables, net

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Accounts receivable	$88,429,685	$2,698,166	$70,920,278
Notes receivable	258,267	7,880	-
Tax refundable	1,790,602	54,635	2,243,455
Accrued income	198,788	6,065	159,134
Interest receivable	8,564,045	261,306	9,786,698
Acceptances receivable	8,591,793	262,153	12,300,295
Insurance receivable	538,169	16,421	664,841
Indemnity refundable on reinsurance	1,866,132	56,939	462,782
Marginal receivables	6,950,998	212,089	19,707,735
Financing margin deposits receivable	941,543	28,728	1,553,245
Recovery of accounts receivable	6,128,800	187,002	6,738,880
Other receivables	535,597	16,342	2,513,003
Total	124,794,419	3,807,726	127,050,346
Less: Allowance for bad debts	(4,020,773)	(122,682)	(1,835,009)
Receivables, net	$120,773,646	$3,685,044	$125,215,337

Please refer to Note 6 for details of the aforementioned receivables provided as collateral as of December 31, 2008 and 2007.

(5) Loans, net

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Import/Export bills negotiated	$14,425,380	$440,147	$17,086,493
Bills and notes discounted	108,876	3,322	156,111
Short-term loans	200,566,883	6,119,695	200,278,793
Short-term secured overdrafts	132,271,638	4,035,871	118,651,496
Overdrafts	568,748	17,353	493,823
Secured loans	740,101	22,582	736,342
Medium-term loans	334,871,687	10,217,602	245,081,671
Medium-term secured loans	214,069,605	6,531,690	208,515,684
Long-term loans	125,905,186	3,841,618	125,018,742
Long-term secured loans	297,162,696	9,067,026	293,349,754
Loans transferred to non-accrual loans	12,762,914	389,422	10,121,680
Total	1,333,453,714	40,686,328	1,219,490,589
Less:Allowance for bad debts	(12,015,865)	(366,628)	(8,910,976)
Loans, net	$1,321,437,849	$40,319,700	$1,210,579,613

A. For the years ended December 31, 2008 and 2007, the subsidiary, MICB, had not written-off bills discounted and loans without initiating any legal proceedings to collect such bills discounted and loans.

B. As of December 31, 2008 and 2007, MICB's balances of bills and loans for which interest revenue was no longer accrued amounted to NT$12,762,914 thousand (US$389,422 thousand) and NT$10,121,680 thousand, respectively. The unrecognized interest revenue on the above bills and loans amounted to NT$465,266 thousand (US$14,196 thousand) and NT$470,746 thousand for the years ended December 31, 2008 and 2007, respectively.

C. The changes in allowance for probable losses on bills and loans of MICB are summarized as follows:

	NT$			US$ (Unaudited-Note 2)		
January 1, 2007 to December 31, 2008	Specific Risk	General Risk	Total	Specific Risk	General Risk	Total
Balance, January 1, 2008	$3,911,493	$10,520,771	$14,432,264	$119,347	$321,010	$440,357
Provisions	2,918,475	5,443,085	8,361,560	89,048	166,080	255,128
Write-off-net	(2,907,231)	(904,359)	(3,811,590)	(88,705)	(27,594)	(116,299)
Recovery of written-off credits	1,725,615	165,815	1,891,430	52,652	5,059	57,711
Other provisions	-	352,226	352,226	-	10,747	10,747
Effects of exchange rate changes and others	(30,734)	(59,874)	(90,608)	(937)	(1,827)	(2,764)
Balance, December 31, 2008	$ 5,617,618	$15,517,664	$21,135,282	$171,405	$473,475	$644,880

	NT$		
January 1, 2007 to December 31, 2007	Specific Risk	General Risk	Total
Balance, January 1, 2007	$3,804,096	$13,097,662	$16,901,758
Provisions	8,387,622	(1,715,958)	6,671,664
Write-off-net	(10,297,679)	(1,891,987)	(12,189,666)
Recovery of written-off credits	2,072,779	204,418	2,277,197
Other provisions	-	806,598	806,598
Effects of exchange rate changes and others	(55,325)	20,038	(35,287)
Balance, December 31, 2007	$3,911,493	$10,520,771	$14,432,264

MICB's financial statements included provisions for probable credit losses and guarantee losses based on information available to the Bank, including defaults to the extent they can be determined or estimated.

(6) Available-for-sale financial assets, net

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Government bonds	$124,295,360	$3,792,499	$146,957,625
Financial bonds	32,548,303	993,114	24,138,317
Corporate bonds	37,663,007	1,149,173	41,051,595
Certificates of time deposit	2,396,485	73,121	5,198,706
Stocks	11,798,993	360,011	15,255,599
Beneficiary securities	11,757,863	358,756	16,282,717
Beneficiary certificates	808,440	24,667	2,153,706
Commercial papers	10,551,441	321,945	4,300,516
Treasury bills	249,698	7,619	179,096
Total	$232,069,590	$7,080,905	$255,517,877

A. The Company's subsidiaries recognized impairment loss in the amount of NT$2,384,280 thousand (US$72,749 thousand) and NT$569,395 thousand for the years ended December 31, 2008 and 2007, respectively.

B. MICB has financial assets at fair value through profit or loss and available-for-sale financial assets which consists of bonds and bills sold under repurchase agreements amounting to NT$11,239,752 thousand (US$342,947 thousand) and NT$14,505,960 thousand as of December 31, 2008 and 2007, respectively. (Recorded as bills and bonds payable under repurchase agreements)

C. MBF has available-for-sale financial assets which consists of bonds and bills sold under repurchase agreements amounting to NT$105,751,260 thousand (US$3,226,682 thousand) and NT$117,768,115 thousand as of December 31, 2008 and 2007, respectively.

D. MICB invested in subordinated beneficiary securities of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd. Collateralized Bond Obligation Special Purpose Trust 2006-2" amounting to NT$1,685,279 thousand and NT$384,870 thousand, respectively, and the expected maturity dates are June 21, 2010 and April 13, 2011, respectively. The Mega International Commercial Bank reclassified the aforesaid subordinated beneficiary securities from "other financial assets – non active market" to "available-for-sale financial assets" in accordance with the Explanatory Note (96) No. 0000000304 of the Accounting Research and Development Foundation of the R.O.C. dated November 19, 2007.

MICB also acts as a credit impaired asset put and clean up put provider of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd. Collateralized Bond Obligation Special Purpose Trust 2006-2". When the credit rating of senior beneficiary securities (assets backed commercial paper) will not be at least "twA-3", the rating institution will send "Credit Impaired Asset Notice", and then the Bank should purchase the credit impaired assets in order to maintain the rating of senior beneficiary securities not lower than "twA-3".

Both securitized trust assets are New Taiwan dollar-denominated bonds and U.S. residential mortgage backed securities. Special purpose trusts are rated by Taiwan Ratings Corporation and U.S. residential mortgage backed securities are rated by Standard & Poor's. As of December 31, 2008, no default occurred in the asset pool. The special purpose trust reserve is sufficient for the cash flow model required by special purpose trust; no actual loss has been incurred.

As of December 31, 2008, the credit rating of senior beneficiary securities issued by "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd. Collateralized Bond Obligation Special Purpose Trust 2006-2" were both confirmed to be "twA-3" and had been removed from the list under credit observation.

As of December 31, 2007, the credit rating of partial U.S. residential mortgage backed securities amounting to US$33,207 thousand dollars of the "First Commercial Bank Co., Ltd. Collateralized Bond Obligation Special Purpose Trust 2006-2" was downgraded by Standard & Poor's. To maintain the credit rating of "twA-3" as the senior beneficiary securities was revolving and issued on January 14, 2008, the Bank purchased the credit impaired assets in the amount of US$33,207 thousand dollars in accordance with the "Trust Agreement" and "Credit Impaired Asset Put and Clean Up Put Agreement". The Bank set aside reserve for loss amounting to NT$806,598 thousand at the end of 2007.

In February 2008, the credit rating of partial U.S. residential mortgage backed securities amounting to US$92,809 thousand dollars of the "First Commercial Bank Co., Ltd. Collateralized Bond Obligation Special Purpose Trust 2006-2" was downgraded by Standard & Poor's. The Bank purchased the credit impaired assets in the amount of US$92,809 thousand dollars in accordance with the "Trust Agreement" and "Credit Impaired Asset Put and Clean Up Put Agreement". The Bank set aside reserve for loss amounting to NT$2.4 billion during the first quarter of 2008.

On July 25, 2008, the credit rating of senior beneficiary securities issued by "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" was downgraded to twA-3 and placed on the list under credit observation. Due to being a credit impaired asset put and clean up put provider, the Bank set aside a reserve for loss amounting to NT$2,640,761 thousand on June 30, 2008.

In September 2008, the Bank purchased the credit impaired assets in the amount of US$80,999 thousand dollars in accordance with the "Trust Agreement" and "Credit Impaired Asset Put and Clean Up Put Agreement" of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1".

E. For the year ended December 31, 2008, MICB purchased impaired assets based on the abovementioned agreements that resulted in losses amounting to NT$5,474,863 thousand (US$167,049 thousand) which was recorded under “other losses”. Additionally, the Bank evaluated asset pools of ”Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” and “First Commercial Bank Co., Ltd. Collateralized Bond Obligation Special Purpose Trust 2006-2” by using market value, and the estimated loss amounted to NT$350,201 thousand (US$10,685 thousand) was recorded under “other reserves”.

F. MICB reclassified stocks listed on TSE or OTC, beneficiary certificates and bonds originally classified as at fair value through profit or loss to available-for-sale financial assets amounting to NT$6,540,913 thousand (US$199,576 thousand) for the year ended December 31, 2008 in accordance with the amended Paragraph 104 of SFAS No. 34. Relevant information was as follows:

(1) Fair value information regarding the reclassified assets that have not been derecognized from the balance sheet as of December 31, 2008 was as follows:

	December 31, 2008	
	Carrying value / fair value	
	NT$	US$ (Unaudited-Note 2)
Stocks listed on TSE or OTC	$3,575,945	$109,109
Beneficiary certificates	290,114	8,852
Total	$3,866,059	$117,961

(2) Movements on fair value of the reclassified assets for the period from July 1, 2008 to December 31, 2008 were as follows:

	For the year ended December 31, 2008	
	Recognized in profit and loss	Recognized as adjustments in equity
	NT$	
Stocks listed on TSE or OTC	$53,857	$ -
Beneficiary certificates	46,505	(135,081)
Bonds	69,352	(105,670)
Total	$169,714	($240,751)

	January 1, 2008 to December 31, 2008	
	Recognized in profit and loss	Recognized as adjustments in equity
	US$ (Unaudited-Note 2)	
Stocks listed on TSE or OTC	$1,643	$ -
Beneficiary certificates	1,419	(4,122)
Bonds	2,116	(3,224)
Total	$5,178	($7,346)

G. MICB invested in bonds issued by Lehman Brothers Group in 2008. Due to the bankruptcy of Lehman Brothers Group, the amount invested may no longer be recovered. Hence, the Bank recognized an impairment loss of $472,053 thousand (US$14,403 thousand).

H. MICB holds financial debentures issued by several banks of Iceland. Some of the banks were taken over by Iceland government in 2008. As the amount invested may no longer be recovered, the Bank recognized an impairment loss of $224,030 thousand (US$6,836 thousand).

I. Please refer to Note 6 for details of the aforementioned available-for-sale financial assets provided as collateral as of December 31, 2008 and 2007.

(7) **Held-to-maturity financial assets, net**

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Financial bonds	$13,579,445	$414,336	$9,969,272
Beneficial securities	210,600	6,426	210,600
Certificate of time deposit by Central Bank	78,600,000	2,398,242	76,410,000
Government bonds	2,478,359	75,620	2,686,501
Corporate bonds	966,987	29,505	1,172,029
Certificates of deposits	262,192	8,000	-
Total	$96,097,583	$2,932,129	$90,448,402

A. Please refer to Note 6 for details of the aforementioned held-to-maturity financial assets pledged as collateral as of December 31, 2008 and 2007.

B. The Bank invested in bonds issued by Lehman Brothers Group in 2008. Due to the bankruptcy of Lehman Brothers Group, the amount invested may no longer be recovered. Hence, the Bank recognized an impairment loss of $397,568 thousand (US$12,131 thousand).

C. The Bank holds financial debentures issued by several banks of Iceland. Some of the banks were taken over by Iceland government. As the amount invested may no longer be recovered, the Bank recognized an impairment loss of $463,719 thousand (US$14,149 thousand).

D. MS reclassified corporate bonds and financial bonds originally classified as at fair value through profit or loss to held-to-maturity financial assets amounting to NT$280,314 thousand (US$8,553 thousand) for the year ended December 31, 2008 in accordance with the amended Paragraph 104 of SFAS No. 34. Relevant information was as follows:

(1) Fair value information regarding the reclassified assets that have not been derecognized from the balance sheet as of December 31, 2008 was as follows:

	December 31, 2008	
	Carrying value / fair value	
	NT$	US$ (Unaudited-Note 2)
Corporate bonds	$223,536	$6,821
Financial bonds	56,778	1,732
Total	$280,314	$8,553

(2) As of December 31, 2008, the discounted amortized amount of the above reclassified assets was $1,121 thousand (US$34 thousand).

(8) Equity investments accounted for by the equity method, net

	December 31, 2008			December 31, 2007	
	NT$	US$ (Unaudited -Note 2)	Percentage of Shareholding	NT$	Percentage of Shareholding
CTB Financial Management & Consulting Co., Ltd.	$65,771	$2,007	100.00	$76,838	100.00
Mega International Investment Services Co., Ltd.	106,521	3,250	100.00	106,510	100.00
Mega Life Insurance Agency Co., Ltd.	38,276	1,168	100.00	52,166	100.00
Win Card Co., Ltd.	65,944	2,012	100.00	68,991	100.00
Cathay Investment & Warehousing Ltd.	53,337	1,627	100.00	48,007	100.00
ICBC Assets management & consulting Co., LTD.	245,598	7,494	100.00	288,428	100.00
Ramlett Finance Holdings Inc.	-	-	100.00	-	100.00
China Products Trading Company	65,030	1,984	68.27	65,757	68.27
Cathay Insurance Co., Inc, (Philippine)	16,121	492	86.46	13,659	56.09
IP fundseven limited	212,454	6,482	25.00	235,557	25.00
An Feng Enterprise Co., Ltd.	12,072	368	25.00	11,260	25.00
Taiwan Bills Finance Corporation	1,398,271	42,664	24.55	1,270,335	24.55
United Venture Corporation	81,381	2,483	25.31	191,982	25.31
Everstrong Iron & Foundry & Mfg. Corporation	34,984	1,068	22.22	32,468	22.22
China Real Estate Management Co., Ltd.	116,742	3,562	20.00	120,649	20.00
China Products Trading Company (Thailand)	33,131	1,011	25.25	-	-
Total	$2,545,633	$77,672		$2,582,607	

A. The above listed investments and the related income accounted for by the equity method were partially recognized based on the investees' audited financial statements. For those equity investments income recognized based on the investee's unaudited financial statements, the balances of these investments as of December 31, 2008 and 2007 accounted for 0.0075% and 0.0060% of the total consolidated assets, respectively. For the years ended December 31, 2008 and 2007, investment income recognized from these investments accounted for 0.8214% and 0.0410% of the total consolidated net revenues, respectively. Hence, the Group considered there will be no significant impact if those financial statements have been audited.

B. As of December 31, 2008 and 2007, the capital surplus arising from changes in capital surplus of investees accounted for under the equity method were $379,097 thousand (US$11,567 thousand) and $31,307 thousand as of December 31, 2008 and 2007, respectively.

C. As of December 31, 2008 and 2007, equity investments accounted for by the equity method were not pledged as collateral.

(9) Other financial assets, net

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Financial assets carried at cost	$23,971,604	$731,421	$26,525,767
Debt investments with no active market	1,170,739	35,722	1,723,430
Restricted assets-certificate of deposit	633,863	19,340	681,200
Margin deposits from client	1,570,369	47,915	1,452,846
Futures margin deposits	15,261	466	17,935
Remittance purchased	35,382	1,080	46,550
Non-accrual loans transferred from accounts other than loans	1,774,719	54,150	1,294,995
Others	82,206	2,508	1,000
Subtotal	29,254,143	892,602	31,743,723
Less:Accumulated impairment-Financial assets carried at cost	(1,344,949)	(41,037)	(1,900,929)
Accumulated impairment-Debt investments with no active market	(177,149)	(5,405)	(177,149)
Allowance for bad debts-Non-accrual loans transferred from accounts other than loans	(1,120,247)	(34,181)	(551,788)
Allowance for bad debts-Remittance purchased	(1)	-	(6)
Subtotal	(2,642,346)	(80,623)	(2,629,872)
Net	$26,611,797	$811,979	$29,113,851

A. For the years ended December 31, 2008 and 2007, the amounts of impairment loss recognized by the Company due to investees operating at a loss over an extended period of time were NT$1,142,703 thousand (US$34,866 thousand) and NT$1,512,964 thousand, respectively.

B. Please refer to Note 6 for details of the above other financial assets provided as collateral as of December 31, 2008 and 2007.

C. Of the beneficiary securities balance disclosed above, NT$1,070,000 thousand (matured and fully paid on December 18, 2007) were subordinated debentures issued by MICB. In December 16, 2004, MICB sold part of its enterprise loans under securitization transactions. MICB entrusted these loans to the special purpose trustee - The Hong Kong and Shanghai Banking Corporation Limited, Taipei Branch (HSBC, Taipei Branch) for issuing beneficiary certificates. The investors of the subordinated certificates have a right over any remaining interest paid after fixed interest has been paid to the holders of the senior certificates in accordance with the principal amount. When the debtors fail to pay on schedule, the investors and HSBC, Taipei Branch have no recourse to the other assets of MICB. Due to the holders of subordinated certificates having a lower priority claim than the holders of senior certificates on the assets of the trust, the value of the subordinated certificates is subject to credit, prepayment and interest rate risks on the transferred financial assets.

(a) The terms and key economic assumptions used in measuring retained interests were as follows:

(Unit: NT thousand dollars)

Terms	Enterprise Loans under Securitization
Date of issuance	December 16, 2004
Maturity date	December 18, 2007
Carrying amount of enterprise loans	NT $5,350,000
Gain (loss) on securitization	$ -

	Senior		
Series of certificates	First Tranche	Second Tranche	Subordinated
Principal amount	NT$3,424,000	NT$856,000	NT$1,070,000
Annual interest	Floating interest rate plus 0.4%	Floating interest rate plus 1.0%	-

Key assumptions used in measuring retained interests	December 31, 2007
Prepayment rate	0%
Expected weighted-average life	3 years
Expected credit losses (June 30, 2007)	0%
Discounted rate for residual cash flows (June 30, 2007)	0.000%

(b) Cash flows:

Proceeds from new securitizations amounted to NT$4,280,000 thousand.

(10) Real estate investments, net

	December 31, 2008					
	Cost		Accumulated depreciation		Balance	
	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)
Land	$179,691	$5,483	$ -	$ -	$179,691	$5,483
Buildings and equipment	277,796	8,476	(82,911)	(2,530)	194,885	5,946
Prepayments for land and building	144,238	4,401	-	-	144,238	4,401
Real estate investments, net	$601,725	$18,360	($82,911)	($2,530)	$518,814	$15,830

	December 31, 2007		
	Cost	Accumulated depreciation	Balance
Land	$179,691	$ -	$179,691
Buildings and equipment	277,795	(78,174)	199,621
Real estate investments, net	$457,486	($78,174)	$379,312

The abovementioned real estate investments are not pledged as collateral as of December 31, 2008 and 2007.

(11) Property and equipment, net

	December 31, 2008				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In Thousands of NT Dollars)				
Land	$11,448,118	$4,452,147	$ -	($356,365)	$15,543,900
Buildings and structures	12,876,998	47,863	(5,159,941)	-	7,764,920
Machinery and computers	4,678,645	-	(3,670,509)	-	1,008,136
Office equipment	27,576	-	(20,517)	-	7,059
Transportation equipment	257,739	-	(200,518)	-	57,221
Miscellaneous equipment	1,610,589	-	(1,211,250)	-	399,339
Leasehold improvements	236,821	-	(119,005)	-	117,816
Subtotal	31,136,486	4,500,010	(10,381,740)	(356,365)	24,898,391
Prepayments for equipment	4,434	-	-	-	4,434
Total	$31,140,920	$4,500,010	($10,381,740)	($356,365)	$24,902,825

	December 31, 2008				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In Thousands of US Dollars, Unaudited-Note 2)				
Land	$349,305	$135,844	$ -	($10,873)	$474,276
Buildings and structures	392,903	1,460	(157,440)	-	236,923
Machinery and computers	142,755	-	(111,995)	-	30,760
Office equipment	841	-	(626)	-	215
Transportation equipment	7,864	-	(6,118)	-	1,746
Miscellaneous equipment	49,143	-	(36,958)	-	12,185
Leasehold improvements	7,226	-	(3,631)	-	3,595
Subtotal	950,036	137,304	(316,768)	(10,873)	759,700
Prepayments for equipment	135	-	-	-	135
Total	$950,171	$137,304	($316,768)	($10,873)	$759,835

	December 31, 2007				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In Thousands of NT Dollars)				
Land	$11,441,020	$2,602,459	$	($155,393)	$13,888,086
Buildings and structures	12,867,603	47,863	(4,857,853)	-	8,057,613
Machinery and computers	4,512,345	-	(3,321,081)	-	1,191,264
Office equipment	29,246	-	(19,611)	-	9,635
Transportation equipment	275,392	-	(200,970)	-	74,422
Miscellaneous equipment	1,545,213	-	(1,155,599)	-	389,614
Leasehold improvements	189,800	-	(82,700)	-	107,100
Subtotal	30,860,619	2,650,322	(9,637,814)	(155,393)	23,717,734
Prepayments for equipment	31,317	-	-	-	31,317
Total	$30,891,936	$2,650,322	($9,637,814)	($155,393)	$23,749,051

A. MICB revalued the land and other property and equipment based on related government regulations. As of December 31, 2008 and 2007, the revaluation increments for land and other property and equipment amounted to NT$4,500,010 thousand (US$137,304 thousand) and NT$2,650,321 thousand, respectively, and were recorded under "property and equipment". Reserve for land revaluation increment tax amounted to NT$1,177,140 thousand (US$35,917 thousand) and NT$915,128 thousand for the years ended December 31, 2008 and 2007, and was recorded under "other liabilities".

B. Please refer to Note 6 for details of the property and equipment pledged as collateral as of December 31, 2008 and 2007.

(12) Other assets

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Prepayments	$2,394,812	$73,070	$3,820,745
Refundable deposits	926,401	28,266	1,359,961
Restricted assets	521,461	15,911	54,946
Guarantee deposits held for operation and funds for security settlements	1,341,535	40,933	1,324,411
Deferred income tax assets	2,029,725	61,931	1,524,148
Other deferred assets	78,902	2,407	146,439
Idle assets, net	99,071	3,023	-
Clients' position-debit	-	-	277,368
Foreclosed properties	704,002	21,481	574,242
Rental assets, net	247,347	7,547	333,795
Temporary payments	697,650	21,287	550,767
Others	419,924	12,813	937,646
Total	$9,460,830	$288,669	$10,904,468

A. As of December 31, 2008 and 2007, MITC (formerly IIT) has set aside impairment loss from cash reserves for securitization amounting to $877,962 thousand (US$26,788 thousand) and $766,208 thousand, respectively.

B. Please refer to Note 6 for details of the above other assets provided as collateral as of December 31, 2008 and 2007.

(13) Due to the Central Bank and financial institutions

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Due to the Central Bank	$266,137,342	$8,120,380	$254,569,232
Due to banks	9,634,313	293,962	20,416,238
Overdrafts on banks	551,259	16,820	101,419
Call loans from banks	44,918,564	1,370,555	17,381,911
Due to Chunghwa Post	75,261,706	2,296,385	77,503,067
Total	$396,503,184	$12,098,102	$369,971,867

(14) Funds borrowed from the Central Bank and other banks

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Funds borrowed from the Central Bank	$13,360,458	$407,654	$12,962,739
Other funds borrowed from the Central Bank	30,821,946	940,439	13,448,376
Funds borrowed from other banks	9,002,783	274,693	16,586,284
Total	$53,185,187	$1,622,786	$42,997,399

(15) Commercial papers payable, net

	Guarantee organization	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$
Domestic Commercial papers	China Bills Finance Corp.	$460,000	$14,035	$1,335,000
"	Fubon Commercial Bank Co., Ltd.	400,000	12,205	-
"	Shin Kong Commercial Bank Co., Ltd.	300,000	9,154	-
"	Chinatrust Commercial Bank Co., Ltd.	250,000	7,628	-
"	Taching Bill Finance Co., Ltd.	200,000	6,102	1,330,000
"	Taiwan Cooperative Bank Co., Ltd.	50,000	1,526	-
"	Shanghai Commercial Bank	-	-	200,000
"	Taishin Bills Finance Corp.	-	-	2,015,000
"	Chinatrust Bills Finance Co., Ltd.	-	-	250,000
"	International Bills Finance Corp.	-	-	3,620,000
"	Taiwan Bills Finance Corp.	-	-	200,000
"	Mega Bills Finance Co., Ltd.	-	-	1,300,000
	Grand Bills Finance Corp.	-	-	1,700,000
	Hwa Nan Bills Finance Co., Ltd.	-	-	360,000
Foreign commercial papers		-	-	11,436,815
Total		1,660,000	50,650	23,746,815
Less: Unamortized discount		(3,453)	(106)	(14,348)
Net		$1,656,547	$50,544	$23,732,467

As of December 31, 2008 and 2007, none of the aforementioned commercial papers payable was provided for guarantees, and the interest rate ranged from 1.200% to 2.430% and 1.662% to 2.570% for the years ended December 31, 2008 and 2007, respectively.

(16) Financial liabilities at fair value through profit or loss

	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$
Financial liabilities held for trading	$6,148,336	$187,598	$1,616,805
Financial liabilities designated as at fair value through profit or loss	45,285,729	1,381,758	51,487,886
Total	$51,434,065	$1,569,356	$53,104,691

Please refer to Note 10 for details for the contrast information of derivatives as of December 31,2008 and 2007.

(17) Bills and bonds sold under repurchase agreements

	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$
Bankers' acceptances	$ -	$ -	$166,013
Commercial paper	94,817,698	2,893,077	77,513,877
Negotiable certificates of deposits	-	-	29,185
Government bonds	109,716,617	3,347,672	121,643,157
Financial bonds	7,659,296	233,700	5,828,749
Corporate bonds	34,822,685	1,062,510	34,490,466
Others	1,475,697	45,026	7,324,070
Total	$248,491,993	$7,581,985	$246,995,517

(18) Payables

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Accounts payable	$30,024,625	$916,111	$17,420,815
Accrued expenses	2,877,660	87,803	3,844,382
Interest payable	6,096,109	186,004	6,681,476
Taxes payable	3,513,460	107,203	3,484,785
Dividends payable	13,141,153	400,963	11,915,317
Acceptances	9,155,159	279,342	12,745,936
Collections for others	1,028,661	31,386	994,511
Commissions payable	149,840	4,572	126,945
Due from other insurers	288,039	8,789	274,685
Payables on reinsurance operations	589,948	18,000	570,299
Payables on proceeds from short sales	839,203	25,606	968,162
Margin loans from other securities lenders	935,344	28,539	1,094,425
Customer's purchase payable	415,753	12,686	92,855
Futures trader's equity	1,545,417	47,154	1,318,604
Other payables	2,089,538	63,756	3,679,634
Total	$72,689,909	$2,217,914	$65,212,831

(19) Deposits

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Checking account deposits	$23,044,412	$703,131	$24,026,222
Demand deposits	272,895,350	8,326,580	267,395,465
Time deposits	598,524,144	18,262,163	534,000,682
Savings deposits	418,397,988	12,766,156	394,556,676
Remittances	3,907,670	119,231	12,629,230
Total	$1,316,769,564	$40,177,261	$1,232,608,275

(20) Bonds payable

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Financial bonds, net	$29,899,347	$912,289	$19,215,871
Domestic unsecured corporate bonds	24,450,000	746,018	14,000,000
Total	$54,349,347	$1,658,307	$33,215,871

A. The Company issued its first domestic unsecured corporate bonds in December 2002 with a total amount of NT$15,000,000 thousand and the principal to be repaid at maturity. In December 2007, the Company redeemed these bonds upon its maturity. The terms on corporate bonds are as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds
Date of issuance	December 16, 2002 ~ December 25, 2002
Face value	NT$5 million
Place of issuance	Taiwan, R.O.C.
Issue price	100%
Principal amount	NT$15,000,000 thousand
Interest rate	Bond A-1: 2.95%
	Bond A-2: 2.9286%
	Bond B: Average interest rate on two-year time deposits + 0.25%
	Bond C: Average interest rate on one-year time deposits + 0.25%
	Bond D: 5.45% - floating rate A (Note 2), but not less than 0%
	Bond E-1: 3.85% for first year; 4.90% - floating rate B from second to fifth year, but not less than 0%
	Bond E-2: 3.75% for first year; 4.65% - floating rate B for second and third years, but not less than 0%; floating rate B + 0.4% for fourth and fifth years, but not exceeding 3%
Period	Bonds A-1, A-2, B, D, E-1 and E-2: 5 years (Maturity)
	Bond C: 3 years (Maturity)
Guarantor	None
Trustee	Trust Department of Chinatrust Commercial Bank
Underwriter	None
Lawyer	Shintai Law Office
Certified public accountant	Ernst & Young
Method of repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	-
Clauses on redemption and early repayment	None
Restricted clauses	None
Use of proceeds	Investments

Average interest rate on time deposits: Average of the fixed board rates on time deposits offered by Chang Hwa Commercial Bank, First Commercial Bank, Hua Nan Commercial Bank and Bank of Taiwan on the date on which the interest rates are set for Bonds B and C.

Floating rate A: USD 6-month LIBOR appearing on Thomson Reuters Page No.3750 at 11:00 am of London time on the date on which the interest rate is set for Bond D.

Floating rate B: Interest rate appearing on Thomson Reuters Page No.6165 for the 90-day promissory notes at 11:00 am of the date on which the interest rates are set for Bonds E-1 and E-2.

B. The Company issued its first domestic unsecured corporate bonds in October 2007 with a total amount of NT$4,000,000 thousand. The terms on corporate bonds are as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds
Date of issuance	October 25, 2007
Face value	NT$1 million
Place of issuance	Taiwan, R.O.C.
Issue price	100%
Principal amount	NT$4,000,000 thousand
Interest rate	Bond A: 2.7%
	Bond B: floating rate + 0.27% (Note)
	Bond C: 2.8%
Period	Bonds A and B: 3 years
	Bond C: 5 years
Guarantor	None
Trustee	Bank SinoPac
Underwriter	None
Lawyer	Fang-Gui, Guo Law Office
Certified public accountant	PricewaterhouseCoopers
Method of repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	NT$4,000,000 thousand
Clauses on redemption and early repayment	None
Restricted clauses	None
Use of proceeds	Loan repayment

Note: Floating rate B: 90 day TWD BACP 90-days rate appearing on Thomson Reuters Page No.6165 at 11:00 am of Taipei time on the date on which the interest rate is set for Bond B.

C. The Company issued its second domestic unsecured corporate bonds in February 2008 with a total amount of NT$3,700,000 thousand. The terms on corporate bonds are as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. Second domestic unsecured corporate bonds
Date of issuance	February 4, 2008
Face value	NT$ 1 million
Place of issuance	Taiwan, R.O.C.
Issue price	100%
Principal amount	NT$3,700,000 thousand
Interest rate	Bond A: 2.68%
	Bond B: floating rate + 0.22% (Note)
	Bond C: 2.78%
Period	Bond A and B: 3 years
	Bond C: 5 years
Guarantor	None
Trustee	Bank SinoPac
Underwriter	None
Lawyer	Shintai Law Office
Certified public accountant	PricewaterhouseCoopers
Method of repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	NT$3,700,000 thousand
Clauses on redemption and early repayment	None
Restricted clauses	None
Use of proceeds	Loan repayment

Note: Floating rate B: 90 day TWD BACP 90-days rate appearing on Thomson Reuters Page No.6165 at 11:00 am of Taipei time on the date on which the interest rate is set for Bond B.

D. The Company issued its first domestic unsecured corporate bonds in May 2008 with a total amount of NT$5,750,000 thousand. The terms on corporate bonds are as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds
Date of issuance	May 13, 2008
Face value	NT$ 1 million
Place of issuance	Taiwan, R.O.C.
Issue price	100%
Principal amount	NT$5,750,000 thousand
Interest rate	Bond A: 2.58%
	Bond B: floating rate + 0.20% (Note)
	Bond C: 2.75%
	Bond D: floating rate + 0.25% (Note)
Period	Bond A and B: 3 years
	Bond C and D: 5 years
Guarantor	None
Trustee	Bank SinoPac
Underwriter	None
Lawyer	Shintai Law Office
Certified public accountant	PricewaterhouseCoopers
Method of repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	NT$5,700,000 thousand
Clauses on redemption and early repayment	None
Restricted clauses	None
Use of proceeds	Loan repayment

Note: Floating rate B and D: 90 day TWD BACP 90-days rate appearing on Thomson Reuters Page No.6165 at 11:00 am of Taipei time on the date on which the interest rate is set for Bonds B and D.

E. The Company issued its second domestic unsecured corporate bonds in December 2008 with a total amount of NT$6,000,000 thousand. The terms on corporate bonds are as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. Second domestic unsecured corporate bonds
Date of issuance	December 26, 2008
Face value	NT$ 1 million
Place of issuance	Taiwan, R.O.C.
Issue price	100%
Principal amount	NT$6,000,000 thousand
Interest rate	3.26%
Period	7 years
Priority order	Subordinated
Trustee	Fubon Commercial Bank Co., Ltd.
Underwriter	None
Lawyer	Shintai Law Office
Certified public accountant	PricewaterhouseCoopers
Method of repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	NT$6,000,000 thousand
Clauses on redemption and early repayment	None
Restricted clauses	If the Company's capital adequacy ratio is lower than the minimum requirements stipulated by the competent authorities due to payment of interest and repayment of principal of corporate bonds, the Company will cease payment of interest and principal until the ratio meets the stipulated requirements. (Interest is added, and interest and rollover of principal is calculated at coupon rate.)
Use of proceeds	Loan repayment

F. Financial bonds issued by MICB were as follows:

(in thousands of dollars)

Name of bond	Issue period	Interest rate	Total issued amount	December 31, 2008 (NTD)	December 31, 2008(USD) (Unaudited -Note 2)	December 31, 2007 (NTD)	Remark
16-2 Development Financial bond	2001.06.22-2008.06.22	3.920%	$600,000	$ -	$ -	$75,000	Interest is paid yearly. The principal is repaid upon 42 months. 1/8 of the principal is repaid at every 6 months.
16-12 Development Financial bond	2001.11.12-2008.11.12	2.760%	400,000	-	-	66,667	Interest is paid yearly. The principal is repaid upon 24 months. 1/6 of the principal is repaid at every 12 months.
16-20 Development Financial bond	2002.01.08-2009.01.08	3.500%	720,000	80,000	2,441	240,000	Interest is paid yearly. The principal is repaid upon 36 months. 1/9 of the principal is repaid at every 6 months.
16-28 Development Financial bond	2002.02.18-2009.02.18	3.000%	140,000	23,333	712	46,667	Interest is paid yearly. The principal is repaid upon 24 months. 1/6 of the principal is repaid at every 12 months.
16-29 Development Financial bond	2002.02.18-2009.02.18	3.130%	600,000	54,546	1,664	163,637	Interest is paid yearly. The principal is repaid upon 24 months. 1/11 of the principal is repaid at every 6 months.

Name of bond	Issue period	Interest rate	Total issued amount	December 31, 2008 (NTD)	December 31, 2008(USD) (Unaudited -Note 2)	December 31, 2007 (NTD)	Remark
16-34 Development Financial bond	2002.04.12-2009.04.12	3.380%	330,000	36,668	1,119	110,000	Interest is paid yearly. The principal is repaid upon 36 months. 1/9 of the principal is repaid at every 12 months.
18-106 Development Financial bond	2003.09.17-2008.09.17	Floating rate	3,600,000	-	-	3,600,000	Interest is paid quarterly. The principal is repaid at maturity.
19-6 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,256	500,000	Interest is paid yearly. The principal is repaid at maturity.
19-7 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,256	500,000	Interest is paid yearly. The principal is repaid at maturity.
19-8 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,256	500,000	Interest is paid yearly. The principal is repaid at maturity.
19-9 Development Financial bond	2004.11.26-2009.11.26	2.350%	500,000	500,000	15,256	500,000	Interest is paid yearly. The principal is repaid at maturity.
93-6 Development Financial bond	2004.06.29-2010.01.29	2.700%	2,200,000	2,200,000	67,126	2,200,000	Interest is paid yearly. The principal is repaid at maturity.
93-107 Development Financial bond	2004.10.12-2011.04.12	2.850%	500,000	500,000	15,256	500,000	Interest is paid yearly. The principal is repaid at maturity.
93-207 Development Financial bond	2004.10.12-2010.04.12	3.000%	4,500,000	4,500,000	137,304	4,500,000	Interest is paid yearly. The principal is repaid at maturity.
96-1 Development Financial bond	2007.09.27-2014.09.27	Floating rate	5,000,000	5,000,000	152,260	5,000,000	Interest is paid yearly. The principal is repaid at maturity.
96-3 Development Financial bond	2007.12.28-2014.12.28	2.990%	300,000	300,000	9,154	300,000	Interest is paid yearly. The principal is repaid at maturity.
96-4 Development Financial bond	2007.12.28-2014.12.28	Floating rate	400,000	400,000	12,205	400,000	Interest is paid yearly. The principal is repaid at maturity.
97-4 Development Financial bond	2008.06.26-2015.06.26	Floating rate	6,000,000	6,000,000	183,072	-	Interest is paid yearly. The principal is repaid at maturity.
97-6 Development Financial bond	2008.06.26-2011.06.26	Floating rate	300,000	300,000	9,154	-	Interest is paid yearly. The principal is repaid at maturity.
97-7 Development Financial bond	2008.09.29-2010.09.29	2.500%	500,000	500,000	15,256	-	Interest is paid yearly. The principal is repaid at maturity.
97-8 Development Financial bond	2008.09.29-2015.09.29	3.000%	1,600,000	1,600,000	48,819	-	Interest is paid yearly. The principal is repaid at maturity.
97-9 Development Financial bond	2008.12.23-2015.12.23	3.000%	6,400,000	6,400,000	195,277	-	Interest is paid yearly. The principal is repaid at maturity.
Others				4,800	146	13,900	Maturity but not yet collected
				$29,899,347	$912,289	$19,215,871	

G. In June 2003, MBF issued its first unsecured corporate bonds totaling NT$5 billion, the principal was repaid at June 30, 2008. Details are as follows:

Bonds	Trustee	Issue Period	Interest Rate	Principal Amount	December 31, 2008		September 31,2007	Method of Interest Payment	Method of Principal Repayment
First unsecured corporate bonds	Bank SinoPac	Jun. 17, 2003 ~ Jun. 30, 2008	1.48%	NT$5,000,000	NT$ -	US$ -	NT$5,000,000	Simple interest payable semi-annually	Principal to be repaid in lump sum at maturity

H. In October 2006, MS issued its first domestic unsecured corporate bonds for the 2006 fiscal year with a total amount of NT$ 2 billion and the principal to be repaid at maturity.

I. In June 2007, MS issued its first domestic unsecured corporate bonds for the 2007 fiscal year with a total amount of NT$ 3 billion and the principal to be repaid at maturity. Details are as follows :

	December 31, 2008	
Name of the corporate bonds issued	First unsecured corporate bonds issued by Mega Securities Co., Ltd. in 2006	First unsecured corporate bonds issued by Mega Securities Co., Ltd. in 2007
Date of issuance	October 19, 2006	June 22, 2007
Face value	NT$1 million	NT$1 million
Place of issuance	Taiwan, R.O.C.	Taiwan, R.O.C.
Issue price	NT$1 million	NT$1 million
Principal amount	NT$2 billion	NT$3 billion
Interest rate	2.06%	2.13%
Period	3 years Maturity date for Bonds October 19, 2009	3 years Maturity date for Bonds June 22, 2010
Guarantor	None	None
Trustee	Taishin Bank Trust Department	Taishin Bank Trust Department
Underwriter	None	None
Lawyer	Shintai Law Office	Shintai Law Office
Certified public accountant	Ernst & Young	Ernst & Young
Method of repayment	Principal to be repaid in lump sum at maturity	Principal to be repaid in lump sum at maturity
Outstanding principal	NT$2 billion	NT$3 billion
Clauses on redemption and early repayment	None	None
Restricted clauses	None	None

(21) Other loans

	December 31, 2008		December 31, 2007
Nature of Loans	NT$	US$ (Unaudited-Note 2)	NT$
Credit loans	$3,130,000	$95,503	$9,785,000
Secured loans	1,305,062	39,820	9,113,300
Total	$4,435,062	$135,323	$18,898,300

A. For the years ended December 31,2008 and 2007, the interest rates ranged from 1.788% to 5.49% and 1.59% to 3.45%,respectively.

B. Please refer to Note 6 for details of the aforementioned other loans provides as collateral.

Financial Reports

(22) Accrued Pension Liabilities

A. Net pension cost comprises the following:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Service cost	$647,129	$19,745	$553,305
Interest cost	340,535	10,390	235,554
Expected return on plan assets	(221,042)	(6,744)	(167,725)
Unrealized amortization on net transition obligation	118,254	3,608	59,708
Unrecognized service cost in prior period	2,604	80	2,604
Unrecognized pension gain or loss	(83)	(3)	(344)
Net pension cost	$887,397	$27,076	$683,102

B. Funded status of the pension plan and reconciliation of accrual pension liabilities are as follows:

	December 31, 2008		December 31, 2007
Benefit obligation:	NT$	US$ (Unaudited-Note 2)	NT$
Vested benefit obligation	$6,579,266	$200,747	$5,894,880
Non-vested benefit obligation	2,685,579	81,942	2,502,621
Accumulated benefit obligation	9,264,845	282,689	8,397,501
Effect of future salary increments	3,512,357	107,169	3,191,399
Projected benefit obligation	12,777,202	389,858	11,588,900
Fair value of plan assets	(8,065,549)	(246,096)	(7,304,167)
Funded status	4,711,653	143,762	4,284,733
Unrealized net transaction obligation	(207,558)	(6,333)	(230,892)
Unamortized service cost in prior year	(128,377)	(3,917)	(156,311)
Unamortized gain or loss on pension	(2,679,507)	(81,757)	(2,196,799)
Unrecognized gain or loss on pension	(57,379)	(1,751)	(106,389)
Minimum pension liabilities should be recognized	1,014	31	61,736
Accrued pension liabilities	$1,639,846	$50,035	$1,656,078

C. Actuarial assumptions

	December 31, 2008	December 31, 2007
Discount rate	2.50%	3.00%
Expected rate of return on plan assets	2.00% ~ 2.25%	2.00% ~ 3.00%
Rate of compensation increase	2.50%	2.50% ~ 3.00%

D. Effective July 1, 2005, the Company has established a funded defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees’ individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lumpsum. The pension costs under the defined contribution pension plan for the years ended December 31, 2008 and 2007 were $150,866 (US$4,603 thousand) and $138,560, respectively.

(23) Reserves for operations and liabilities

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Reserve for insurance business	$8,298,937	$253,217	$7,540,743
Reserves for guarantee liabilities	4,444,597	135,613	3,578,435
Reserves for default losses	223,614	6,823	217,911
Reserves for securities trading losses	293,939	8,969	283,184
Other reserves	61,865	1,888	93,904
Total	$13,322,952	$406,510	$11,714,177

(24) Other financial liabilities

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Appropriated loan fund	$5,943,610	$181,351	$8,549,274
Appropriations for loans	2,853	87	110,195
Others	79,865	2,437	70,205
Total	$6,026,328	$183,875	$8,729,674

(25) Other liabilities

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Advance receipt	$1,393,859	$42,529	$2,596,311
Receipts under custody	155,831	4,755	251,650
Temporary receipts and suspense accounts	3,324,533	101,438	3,413,300
Land increment duty reserves	1,177,140	35,917	915,128
Refundable deposits	3,637,540	110,989	2,276,205
Other liabilities to be settled	413,393	12,613	418,682
Accounts under custody	177,493	5,416	188,618
Deferred revenue	213,539	6,516	177,839
Others	581,125	17,731	34,435
Total	$11,074,453	$337,904	$10,272,168

(26) Capital stock

A. As of December 31, 2008 and 2007, the Company's authorized capital was NT$120 billion of common stock with a par value of NT$10 per share.

B. The Board of Directors of the Company resolved on May 15, 2007 to retire 110,023 thousands shares of treasury stocks with July 17, 2007 as the date for capital reduction. The Financial Supervisory Commission (FSC) Executive Yuan has issued a letter, Jin-Kuan-Yin-(6)-Zi-No. 09600225350 authorizing the aforementioned capital reduction. As of December 31, 2008, the Company's issued capital was NT$110,594,262 thousand which was divided into 11,059,426 thousand shares of common stock.

(27) Capital surplus

A. The capital surplus of the Company consisted of consolidation premium from share exchange and accumulated adjustments on paid-in capital from investments under equity method.

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Consolidation surplus arising from share conversion	$43,047,306	$1,313,459	$45,151,594
Changes in additional paid-in capital of investees accounted for under the equity method	379,097	11,567	31,307
	43,426,403	$1,325,026	$45,182,901

B. As per the rule stipulated by the Explanatory Letter Tai-Tsai-Jen Ruling (6) No.091000413 of the SFC, capital surplus arising from share exchange which comes from the original financial institution's undistributed earnings can either be distributed as cash dividends or capitalized in the year of the share exchange according to Section 4 of Article 47 of the Financial Holding Company Act. However, the amount to be capitalized should not exceed the specific percentage of capital surplus stated in Article 8 of the Securities and Exchange Law.

C. In accordance with Explanatory Note (96) No. 344, capital surplus originally included in susidiaries' stockholders' equity and in which related to assets and liabilities were reclassified to an adjustment account in the stockholders' equity when parent company recognized the capital surplus due to share swap. In subsequent periods, when subsidiaries derecognize the asset and liability accounts, the Company also should derecognize the corresponding adjustment account in the stockholders' equity.

(28) Appropriation of earnings and dividend policy

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating loss, and the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings (including reversible special reserve) are then distributed as follows: (1) 0.02% to 0.16% as bonuses to employees (2) not more than 1% as remuneration to Directors and Supervisors, and (3) the remaining earnings plus prior year's accumulated unappropriated earnings are subject to the Board of Directors' decision to propose a distribution plan and to submit to the Ordinary Stockholders' Meeting.

Cash dividends should exceed 50% of the total distributed amount, and the remainder will be in the form of stock dividends. Bonus to employees range from 0.02% to 0.16% of the total distributed amount and can be distributed in the form of cash or stocks based on the stockholders' resolution. Employees of the affiliated companies may be entitled to the Company's stock bonus at the Board's discretion.

B. Legal reserve can be only used to recover accumulated deficits or to increase capital stock and shall not be used for any other purposes. It is permitted that the legal reserve is used to increase capital stock if the balance of the legal reserve has reached fifty percent of the issued capital stock, and then only half of the legal reserve can be capitalized.

C. Under Article 41-1 of the Securities and Exchange Act, special reserve can be used to recover accumulated deficits and under Article 239 of Company Law of the R.O.C., a company shall not use the capital reserve to recover its capital loss, unless the surplus reserve is insufficient to recover such loss. However, the annual net income after income taxes should be first used to recover accumulated deficits, and the remaining amount should then be set aside as special reserve. The remaining earnings are then distributed to stockholders.

D. Appropriation of the 2007 and 2006 earnings was resolved by the Board of Directors on April 22, 2008 and April 27, 2007, respectively, and by the stockholders on June 17, 2008 and June 15, 2007, respectively. Details of the earnings appropriation are set forth below:

	Appropriated Amount			Dividend Per Share (in dollars)		
	2007		2006	2007		2006
	NT$	US$ (Unaudited-Note 2)	NT$	NT$	US$ (Unaudited-Note 2)	NT$
Cash dividends – cash	$13,824,283	$421,806	$16,589,139	$1.25	$0.04	$1.50
Remuneration to directors and supervisors	139,000	4,241	148,817			
Cash bonus to employees	21,400	653	22,554			

E. With respect to the appropriation of the 2007 and 2006 earnings, after taking bonus to employees and remunerations to directors and supervisors into account, expected earnings per share after tax were decreased from NT$1.54 dollars to NT$1.53 dollars and from NT$1.50 dollars to NT$1.48 dollars, respectively.

	2007	2006
Net profit after tax	$17,070,391	$ 16,535,257
Cash dividends to employees	(21,400)	(22,554)
Remunerations to directors and supervisors	(139,000)	(148,817)
	$16,909,991	$16,363,886
Weighted-average outstanding shares (in thousand shares)	11,059,426	11,059,426
Expected earnings per share (in dollars)	$1.53	$1.48

F. Information on the appropriation of the Company's 2007 earnings as approved by the Board of Directors and during the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

G. The Group recognized the estimated costs of NT$57,493 thousand (US$1,754 thousand) for employees' bonuses for the year ended December 31, 2008 which, after taking net earnings after tax and legal reserve into account, is based on the ratio stipulated in the Company's Articles of Incorporation and past experience, and recognized as operating expense for the year ended December 31, 2008.

(29) Treasury stock

For the year ended December 31, 2008: Not applicable.

	For the year ended December 31, 2007							
	Beginning balance		Increase		Decrease		Ending balance	
Reasons for stock buyback	Number of shares	NT$	Number of shares	NT$	Number of shares	NT$	Number of shares	NT$
Shares of the Company held by itself								
Shares bought back to be reissued to employees	110,023	$2,431,355	-	$ -	110,023	($2,431,355)	-	$ -

A. For the purpose of reissuing the Company's shares to its employees, the Company purchased a total of 110,023 thousand shares of its issued stock in April and May 2004 in accordance with Section 1 of Article 28-2 of the Securities and Exchange Law. The above treasury stock is required to be reissued to the Company's employees within three years from the date on which the treasury stock was purchased. The shares which are not reissued to the employees before the end of the three-year period are treated as the unissued shares of the Company and should be retired accordingly. The treasury stock of 110,023 thousand shares the Company bought back has been approved by the Banking Bureau, Financial Supervisory Commission, Executive Yuan as capital reduction, effective July 17, 2007, please refer to Note 4(26) for details. As of December 31, 2008, the Company did not hold any treasury stocks.

B. Treasury stock of the Company is prohibited from being pledged as collateral and is not entitled to dividends and voting rights.

(30) Service fee and commission income

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Service fee and commission income	$10,312,971	$314,669	$11,288,398
Service fee and commission expense	(1,937,994)	(59,132)	(1,944,062)
Total	$8,374,977	$255,537	$9,344,336

(31) Personnel expenses, depreciation and amortization

Expenses relating to personnel, depreciation and amortization summarized by function for the years ended December 31, 2008 and 2007 were as follows:

	For the year ended December 31, 2008				For the year ended December 31, 2007		
	Operating Costs	Operating Expenses	Total	US$ (Unaudited	Operating Costs	Operating Expenses	Total
	NT$	NT$	NT$	-Note 2)	NT$	NT$	NT$
Personnel expenses							
Salaries and wages	$ -	$9,687,166	$9,687,166	$295,575	$ -	$10,646,014	$10,646,014
Labor and health insurance	-	588,132	588,132	17,945	-	545,065	545,065
Pension	-	1,119,381	1,119,381	34,155	-	840,851	840,851
Others	-	832,407	832,407	25,398	-	849,222	849,222
Total	$ -	$12,227,086	$12,227,086	$373,073	$ -	$12,881,152	$12,881,152
Depreciation	$5,293	$1,030,686	$1,035,979	$31,610	$9,308	$1,059,490	$1,068,798
Amortization	$110	$107,555	$107,665	$3,285	$1,580	$120,754	$122,334

(32) Income taxes

The income taxes of the Group is computed in accordance with SFAS No. 22, “Accounting for Income Taxes” on an individual basis. However, their annual returns on corporate income tax and the 10% tax surcharge on surplus retained earnings are filed jointly under Article 49 of the Financial Holding Company Act and the relevant provisions of the Income Tax Law. The receipts (disbursements) arising from the joint tax return scheme are recorded as “other receivables (payables)”, and adjustments are made on a reasonable, systematic, and consistent basis to the current year’s deferred income tax assets (liabilities) or income tax refundable (payable) based on the above amount of receipts (disbursements). The amount recorded under “other receivables (payables)” is eliminated from the consolidated financial statements.

A. The income taxes compise the following:

Item	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$
Income tax at the statutory tax rate	$771,267	$23,533	$4,998,047
Tax effect of permanent differences	215,474	6,575	(3,464,079)
Effect of filing consolidated income tax returns	470,307	14,350	339,560
10% tax on unappropaiated earnings	138,417	4,223	688
Net change in deferred income tax assets	805,192	24,568	(128,111)
Prepaid and withholding taxes	(1,010,911)	(30,845)	(766,859)
Income tax payable	1,389,746	42,404	979,246
Separate income tax	605,171	18,465	624,137
Net change in deferred income tax assets	(805,192)	(24,568)	128,111
Tax effect of valuation allowance	299,615	9,142	57,726
Prepaid and withholding taxes	1,010,911	30,845	766,859
Income tax paid by foreign branches and over(under) provision of prior year's income tax	322,835	9,850	361,552
Income tax expense	$2,823,086	$86,138	$2,917,631

B. Deferred income taxes as of December 31, 2008 and 2007 consisted of deferred income tax assets - net (shown as other assets), as follows:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$
(A) Total deferred income tax assets	$ 4,676,166	$142,679	$4,298,787
(B) Total deferred income tax liabilities	($2,192,703)	(66,904)	($2,620,516)
(C) Valuation allowance for deferred income tax assets	($453,738)	(13,844)	($154,123)
(D) Temporary differences resulting in deferred income tax assets and liabilities :			
Organization costs	$60	$2	$198
Pension expenses	1,408,951	42,990	1,425,860
Unrealized FX gains (losses)	(803,447)	(24,515)	(2,942,387)
Miscellaneous reserves	242,726	7,406	4,979,645
Allowance for doubtful accounts	2,025,732	61,809	2,085,908
Difference between financial reports and tax return on depreciation ratio of property and equipment	942,609	28,761	204
Provision for impairment losses	141,640	4,322	311,492
Foreign investees accounted for under the profit or loss method	(1,605,732)	(48,994)	(1,308,179)
Net changes in deferred income tax assets incurred by foreign branches	2,991,460	91,275	1,003,604
Unrealized gains on financial instruments	(6,011,287)	(183,416)	(6,231,497)
Unrealized losses on financial instruments	4,038,327	123,218	5,109,227
Investment losses	4,011,022	122,384	-
Others	2,551,791	77,860	2,279,009
	$9,933,852	$303,102	$6,713,084

C. Imputation tax credit

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$
Balance of imputation tax credit	$ 430,961	$13,149	$342,081

	2007	2006
Actual tax credit rate for individual stockholders	8.33%	8.97%

The tax credit rate for individual stockholders is computed as follows:

$$\frac{\text{Stockholder's account balance of imputation tax credit as of the dividend distribution date}}{\text{Cumulative unappropriated retained earnings recorded in the books(including capital surpls arising from the subsidiaries' unappropriated earnings for 1998 and the years between 1998 and the share swap)}}$$

The abovementioned balance of imputation on tax credit and tax credit rate for individual stockholders are from the Company's information.

D. Unappropriated retained earnings

	December 31, 2008		December 31, 2007
	NT$	US$(Unaudited-Note 2)	NT$
1998 and onwards	$4,668,990	$142,460	$20,066,193

E. Assessment of income tax returns

(a) As of December 31, 2008, the Company's income tax returns through 2002 had been examined by the National Tax Authority (NTA). However, an additional tax of NT$5,129 thousand was levied on the Company as the NTA reduced the amounts of interest and operating expenses filed by the Company. The Company did not agree with the NTA's assessment and had filed a tax appeal. As of the date the financial statements were issued, the appeal was still under review.

(b) MICB's income tax returns through 2002 have been examined by the NTA. In connection with such examinations, the MICB disagreed with the assessment and appealed to the tax authorities for 1998 and 2000.

(c) MS' income tax returns through 2002 have been examined by the NTA. Additional income taxes of NT$144,635 thousand were levied by the NTA for 1999, 2000, 2001 and 2002. Barits International Securities Co., Ltd's was assessed by the NTA to pay additional taxes of NT$103,327 thousand for 2001, 2002 and 2003. MS did not agree with the assessments and filed tax appeals on its tax returns. Under the convention of conservatism, MS had recognized the income tax expenses relating to the above increase in tax amounts payable.

(d) As of December 31, 2008, MBF's income tax returns through 2002 have been examined by the NTA. Based on the NTA's reassessment, 60% of the withholding taxes that had been paid by MBF would be refunded. The provision set aside by MBF for withholding taxes on interest income from bonds pertaining to former purchasers based on the unassessed income tax returns amounted to NT$2,426,065 thousand (US$74,024 thousand).

(e) CKI's income tax returns through 2002 have been assessed by the NTA.

(f) MAM's income tax returns through 2003 have been assessed by the NTA.

(g) CTB I Venture's income tax returns through 2006 have been assessed by the NTA.

(h) MITC (formerly IIT) and Mega CTB Venture Capital's income tax returns through 2005 have been assessed by the NTA.

(33) Earnings per share (EPS)

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which take into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of SFAS No. 24, "Earnings per Share".

A. Basic earnings per share

(In thousands of shares)	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Weighted-average number of shares outstanding	11,059 426	11,059 426

	For the year ended December 31, 2008				For the year ended December 31, 2007	
	Pre-tax		After-tax		Pre-tax	After-tax
(In thousands of dollars)	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)	NT$	NT$
Consolidated net income	$3,085,108	$94,133	$262,022	$7,995	$2,032,189	$17,114,558
Consolidated net income attributed to:			$294,519	$8,987		$17,070,391
Stockholders of the Company			(32,497)	(992)		44,167
Minority interest			$262,022	$7,995		$17,114,558

	For the year ended December 31, 2008				For the year ended December 31, 2007	
	Pre-tax		After-tax		Pre-tax	After-tax
(In dollars)	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)	NT$	NT$
Basic earnings per share						
Consolidated net income	$0.28	$0.009	$0.02	$0.0007	$1.81	$1.55

	December 31, 2008		December 31, 2007
(In dollars)	NT$	US$ (Unaudited-Note 2)	NT$
Consolidated after-tax basic earnings per share attributed to:			
Stockholders of the Company	$0.02	$0.0007	$1.54
Minority interest	-	-	0.01
	$0.02	$0.0007	$1.55

B. Diluted earnings per share

(In thousands of shares)	For the Year Ended December 31, 2008
Weighted-average number of shares outstanding	11,059,426

	For the year ended December 31, 2008			
	Pre-tax		After-tax	
(In thousands of dollars)	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)
Consolidated net income	$3,085,108	$94,133	$262,022	$7,995
Consolidated net income attributed to:				
Stockholders of the Company			$294,519	$8,987
Minority interest			(32,497)	(992)
			$262,022	$7,995
Basic earnings per share (In dollars)				
Consolidated net income	$0.28	$0.009	$0.02	$0.0007

	December 31, 2008	
(In dollars)	NT$	US$ (Unaudited-Note 2)
Consolidated after-tax basic earnings per share attributed to:		
Stockholders of the Company	$0.02	$0.0007
Minority interest	-	-
	$0.02	$0.0007

5. RELATED PARTY TRANSACTIONS

(1) Names of the related parties and their relationship with the Company

Related Party	Relationship with the Company
Chunghwa Post Co., Ltd. (Chunghwa Post)	Director of the Company
Bank of Taiwan (BOT)	Director of the Company
Chinatrust Financial Holding Co., Ltd. (CFHC)	Director of the Company
Mega Life Insurance Agency Co., Ltd. (MLIAC)	Subsidiary of the Company
Mega International Securities Investment Consulting Co., Ltd. (MISIC)	Subsidiary of the Company
Win Card Co., Ltd. (Win Card)	Indirect subsidiary of the Company
Taiwan Bills Finance Corporation (TFC)	MICB is the director of TFC
Hoan Insurance Agency Co., Ltd. (Hoan)	CKI's director is also the director of Hoan.
Chinatrust Commercial Bank (CCB)	Subsidiary of the Company's director
Chinatrust Securities Co., Ltd. (CSC)	Subsidiary of the Company's director
Chinatrust Asset Management Company (CAMC)	Subsidiary of the Company's director
Chinatrust Bills Finance Corporation (CBFC) (Had merged with CCB on April 26, 2008)	Subsidiary of the Company's director
Mega Asian Balanced Fund	Funds managed by Mega International Investment Trust
Mega Diamond Bond Fund	Funds managed by Mega International Investment Trust
Mega Secured Value Fund	Funds managed by Mega International Investment Trust
Mega Asia Bond Fund	Funds managed by Mega International Investment Trust
The Wan Pao Fund	Funds managed by Mega International Investment Trust
Mega Selection Fund	Funds managed by Mega International Investment Trust
Other related parties	The Company's directors, supervisors, managers, their relatives, associated companies and substantial related parties

(2) Significant transactions and balances with related parties

Related party transactions with an amount exceeding $100 million (US$3.05 million) are set forth below.

A. Deposits

Details of the related parties' deposits placed with MICB and recorded under "deposits and remittances" are as follows:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Others (individual amounts accounting for less than 10% of the total amount)	$42,960,099	$1,310,798	$49,098,435

B. Credits extended

Details of the credits extended to the related parties by MICB and recorded under "bills ,discounts and loans" are as follows:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Others (individual amounts accounting for less than 10% of the total amount)	$116,412,087	$3,551,965	$108,891,720

C. Bank deposits

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
BOT	$120,142	$3,666	$312,839
CCB	15,403	470	16,139
	$135,545	$4,136	$328,978

D. Business Guarantee Bond

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
CCB	$295,000	$9,001	$305,000

The amount represents business guarantee bond that MS deposited in CCB.

E. Purchase of securities and bonds

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
CCB	$3,532,035	$107,769	$62,712,564
Chunghwa Post	149,631	4,566	448,346
BOT	-	-	249,531
Total	$3,681,666	$112,335	$63,410,441

Terms and conditions on the above transactions are not materially different from those with non-related parties.

F. Sales of securities and bonds

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Chunghwa Post	$103,396,474	$3,154,832	$255,873,593
CCB	76,004,850	2,319,059	110,598,925
BOT	33,740,427	1,029,488	28,980,959
CFHC	4,122,885	125,798	9,287,361
Total	$217,264,636	$6,629,177	$404,740,838

Terms and conditions on the above transactions are not materially different from those with non-related parties.

G. Securities and bonds with repurchase/ resale agreement

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
CSC	$209,511	$6,393	$52,950
BOT	298,262	9,100	-
MISIC	-	-	25,022
Other (individual amounts accounting for less than 10% of the total amount)	116,810	3,564	599,605
Total	$624,583	$19,057	$677,577

Terms and conditions on the above transactions are not materially different from those with non-related parties.

H. Transactions with other financial institutions

(a) Due from banks/call loans to banks

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited-Note 2)	NT$	% of theAccount
BOT	$7,307	0.01	$223	$323,283	0.13

(b) Due to other banks/call loans from banks

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited-Note 2)	NT$	% of the Account
Chunghwa Post	$75,370,246	19.00	$2,299,696	$77,677,955	21.00
CCB	799,889	0.20	24,406	103,023	0.03
Total	$76,170,135	19.20	$2,324,102	$77,780,978	21.03

(c) Overdraft on banks

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited-Note 2)	NT$	% of the Account
BOT	$459,000	0.12	$14,005	$ -	-

I. Commercial paper payable

Institutions of Guarantee or acceptance	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$
CCB	$460,000	$14,036	$250,000
TFC	250,000	7,628	200,000
Total	$710,000	$21,664	450,000

J.Other borrowing

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited -Note 2)	NT$	% of the Account
BOT	$ -	-	$ -	$323,283	1.85

K. Collaterals

	Collaterals	December 31, 2008		December 31, 2007
		NT$	US$ (Unaudited -Note 2)	NT$
BOT	Restricted assets - certificates of time deposit	$50,000	$1,526	$200,000
	Available-for-sale financial assets - government bonds	3,567,706	108,858	2,897,800
	Available-for-sale financial assets – financial bonds	656,367	20,027	-
	Financial assets at fair value through profit or loss- financial bonds	296,180	9,037	-
	Financial assets at fair value through profit or loss- negotiable certificates of deposits	-	-	1,514,762
	Total	$4,570,253	$139,448	$4,612,562

L. Refundable deposits

	Collaterals	December 31, 2008		December 31, 2007
		NT$	US$ (Unaudited -Note 2)	NT$
BOT	Available-for-sale financial assets - government bonds	$114,887	$3,505	$110,427

M. Asset transactions

(a) Purchases

	Acquired cost		
	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$
Mega Diamond Bond Fund	$110,182	$3,362	$ -
Mega Secured Value Fund	12,000	366	-
Mega Asia Bond Fund	-	-	50,000
The Wan Pao Fund	-	-	110,000
Mega Asian Balanced Fund	-	-	30,000
	$122,182	$3,728	$190,000

(b) Disposal

	December 31, 2008					
	Acquired cost		Disposal proceeds		Disposal (loss) gain	
	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)
Mega Asian Balanced Fund	$30,000	$915	$29,119	$888	($881)	($27)
Mega Diamond Bond Fund	110,182	3,362	110,239	3,364	57	2
Mega Secured Value Fund	12,000	366	12,427	379	427	13
Mega Asia Bond Fund	50,000	1,526	49,098	1,498	(902)	(28)
The Wan Pao Fund	110,000	3,356	110,182	3,362	182	6
Total	$312,182	$9,525	$311,065	$9,491	($1,117)	($34)

	December 31, 2007		
	Acquired cost	Disposal proceeds	Disposal (loss) gain
Mega Selection Fund	$10,000	$10,437	$437
The Wan Pao Fund	70,000	70,012	12
Total	$80,000	$80,449	$449

Financial Reports

(c) Mega Investment Trust Co., Ltd. ("MITC") entrusted Lehman Brothers Holdings Inc. ("Lehman Brothers") to deal with structured notes securitization, in order to have Asset-Backed Commercial Papers (ABCP) issued successfully, Mega Diamond Bond Fund managed by MITC purchased beneficiary securities amounting to NT$1,878,400 thousand (US$57,314 thousand), among which assets denominated in foreign currency were long-term and medium-term bonds of Lehman Brothers amounting to NT$1,000,000 thousand (US$30,512 thousand). However, Lehman Brother went bankrupt on September 15, 2008, causing a panic among investors resulting in the redemption of almost all bonds. In response to cash demand for the fund redemption, Mega Diamond Bond Fund managed by MITC must dispose fund assets immediately, resulting in asset disposal losses on the fund. According to the policy related to disposal of structured notes stipulated by the competent authority, MITC had reported to and obtained approval from the competent authority, MITC absorbed relevant losses derived from this event, approximately totaling to NT$1,581,000 thousand (US$48,239 thousand), recorded under "other non-interest income (loss)".

Besides, MICB purchased ABCP, government bonds, corporate bonds and financial bonds amounting to NT$13.2 billion (US$402,758 thousand) in year 2008.

N. Service fee revenues

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited -Note 2)	NT$	% of the Account
Mega Life Insurance Agency	$196,755	2.35	$6,003	$326,434	3.49

The above amount represents service fee revenues earned from acting as an agent for Mega Life Insurance Agency.

O. Derivative transactions

December 31, 2008						
Name of the related parties	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Balance on balance sheet: Item	Balance on balance sheet: Balance
CCB	Foreign currency interest rate swaps	March 23, 2004 ~ April 17, 2015	$15,155,000	($147,954)	Financial assets held for trading purpose	($147,954)
	Cross currency	July 16, 2004 ~ July 16, 2009	500,000	2,046	Financial assets held for trading purpose	2,046

December 31, 2007						
Name of the related parties	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Balance on balance sheet: Item	Balance on balance sheet: Balance
CCB	Foreign currency interest rate swaps	November 20, 2003 ~ March 31, 2014	$15,000,000	($66,136)	Financial assets held for trading purpose	($66,136)
	Cross currency	July 16, 2004 ~ July 16 2009	500,000	(5,732)	Financial assets held for trading purpose	(5,732)
	Interest rate swaps	December 16, 2002~ December 25, 2007	$ 3,400,000	($ 389)	Valuation adjustment on financial liabilities held for trading purpose – interest rate swaps	$ -

P. Loans

December 31, 2008 (Expressed in thousands of NTD dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status: Normal loans	Default status: Overdue accounts	Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
Consumer loans for employees	18	11,750	9,649	V	-	None	None
Home mortgage loans	56	333,798	300,139	V	-	Real estate	None
Other loans	1	282,000	259,000	V	-	Real estate	None

December 31, 2007 (Expressed in thousands of NTD dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	19	11,742	10,189	V	-	None	None
Home mortgage loans	50	249,519	223,902	V	-	Real estate	None
Other loans	2	139,000	114,000	V	-	Real estate	None

Q. Guarantees: None.

R. Disposal of non-performing loans for related party: None.

S. Related party transactions of derivative financial instruments: None.

(a) Financial assets designated at fair value through profit or loss

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited-Note 2)	NT$	% of the Account
Financial bonds issued by CCB	$1,520,734	0.77%	$46,401	$ -	-
Bills issued by CBFC	-	-	-	980,620	0.47%

(b) Available-for-sale financial assets

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited-Note 2)	NT$	% of the Account
Financial bonds issued by CCB	$335,624	0.14%	$10,241	$ -	-
Bills issued by CBFC	-	-	-	200,619	0.08%

(c) Other financial assets

	December 31, 2008			December 31, 2007	
	NT$	% of the Account	US$ (Unaudited-Note 2)	NT$	% of the Account
Beneficiary certificates issued by CCB	$395,590	1.49%	$12,070	$816,345	2.80%

T. Information on remunerations to the Company's directors, supervisors, general managers and vice general manager:

	For the years ended December 31,		
	2008		2007
	NT$	US$ (Unaudited -Note 2)	NT$
Salaries	$225,635	$6,885	$257,479
Bonus	85,051	2,595	95,339
Business expenses	28,837	880	28,751
Earnings distribution	19,792	604	156,213
	$359,315	$10,964	$537,782

(a) Salaries represent salary, extra pay for duty, pension and severance pay.

(b) Bonus represents bonus and reward.

(c) Business expenses represent transportation expense, extraneous charges, subsidies and dormitory and car provided.

(d) Earnings distribution represents estimated remunerations to be paid to supervisors and directors and bonus to be paid to employees in 2008.

(e) Please refer to the Company's Annual Report for relevant information.

U.Others

(a) The insurance coverage provided by CKI for Hoan Insurance Agency Co., Ltd.'s premiums received under custody was NT$574,715 thousand (US$17,536 thousand) and NT$694,665 thousand for the years ended December 31, 2008 and 2007, respectively, and the associated commission expense and brokerage expenses were NT$161,980 thousand (US$4,942 thousand) and NT$175,298 thousand, respectively. As of December 31, 2008 and 2007, premiums receivable from the above transactions amounted to NT$33,318 thousand (US$1,017 thousand) and NT$57,202 thousand, respectively, and commissions payable amounted to NT$64,276 thousand (US$1,961 thousand) and NT$45,125 thousand, respectively.

(b) For the years ended December 31, 2008 and 2007, MS incurred service fees of NT$16,560 thousand (US$505 thousand) and NT$16,920 thousand for both domestic and international investment consulting services entrusted to Mega International Investment Services Co., Ltd.

(c) MICB has been outsourcing its credit card operations to Win Card since 2001. The operational costs incurred for the years ended December 31, 2008 and 2007 were NT$208,798 thousand (US$6,371 thousand) and NT$233,093 thousand, respectively.

6. PLEDGED ASSETS

	Carrying amount		
	December 31, 2008		December 31, 2007
Asset	NT$	US$ (Unaudited-Note 2)	NT$
Financial assets at fair value through profit or loss	$9,610,469	$293,235	$4,124,763
Available-for-sale financial assets	23,992,882	732,071	22,371,087
Loans receivable purchased	1,628,995	49,704	4,578,514
Held-to-maturity financial assets	16,125,343	492,016	15,145,078
Property and equipment, net	2,892,777	88,264	3,146,982
Other financial assets	427,361	13,040	528,406
Other assets	633,863	9,340	681,200
Total	$55,311,690	$1,687,670	$50,576,030

7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Company

As of December 31, 2008, the total amount of the contracts entered into by the Company for the set up of information system, was NT$6,940 thousand (US$212 thousand), and the accrued amount on the above expenditures was NT$2,190 thousand (US$67 thousand).

(2) The subsidiaries-MICB

(a) As of December 31, 2008 and 2007, MICB's commitments and contingent liabilities were as follows:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Loan commitments	$854,375,000	$26,068,682	$767,760,942
Securities sold under repurchase agreement	11,248,556	343,216	14,476,121
Securities purchased under resell agreement	1,705,861	52,049	1,736,024
Credit card line commitments	47,399,797	1,446,262	53,180,868
Guarantees issued	157,053,829	4,792,025	160,571,451
Letters of credit	66,016,349	2,014,290	77,498,324
Customers' securities under custody	230,539,879	7,034,231	452,130,840
Properties under custody	391,511	11,946	277,207
Guarantee received	103,510,941	3,158,325	77,371,263
Collections for customers	187,381,971	5,717,397	333,981,119
Agency loans payable	5,664,705	172,841	6,834,036
Travelers' checks consigned-in	2,289,960	69,871	2,603,503
Payables on gold consigned-in	29,009	885	32,299
Payables on consignments-in	4,867	149	5,760
Agent for government bonds	210,182,278	6,413,080	289,952,166
Short-dated securities under custody	45,034,345	1,374,088	41,463,892
Investments for customers	265,016	8,086	346,307
Trust liability	449,003,733	13,699,998	334,967,444
Certified notes paid	14,349,527	437,833	13,838,334
Total	$2,386,447,134	$72,815,254	$2,629,027,900

(b) For premises occupied by its branches, the Bank has renewable lease agreements expiring on various dates up to December 2023. Rentals are payable monthly, quarterly or semiannually. Refundable deposits on these leases totaled NT$134,044 thousand (shown as other assets). Rentals for the next five years are as follows:

	Amount	
Year	NT$	US$ (Unaudited-Note 2)
2009	$481,888	$14,703
2010	416,907	12,721
2011	230,178	7,023
2012	164,108	5,007
2013 and onwards	99,847	3,047
Total	$1,392,928	$42,501

(c)Please refer to Note 4(6).

(3) The subsidiaries-MS

(a) MS has entered into proxy delivery agreements with Grand Cathay Securities and Fubon Securities. Under these agreements, Grand Cathay Securities and Fubon Securities agree to be MS' first and second proxies. If MS is unable to fulfill its obligations to the Taiwan Stock Exchange, the proxies must act upon the said obligations. MS has reciprocated by agreeing to act as the first or second proxy for Grand Cathay Securities and Fubon Securities.

(b) Two of MS' former brokers conducted a fraudulent transaction in November 1994 and embezzled NT$56,823 thousand from Lu-Kang Credit Cooperative (LKCC) by taking advantage of LKCC's operational flaws when it was dealing with the settlement of the above transaction. LKCC claimed that they had to pay the NT$56,823 thousand in advance for MS and thus, cancelled MS' NT$60 million time deposit placed with LKCC without MS' consent and deducted NT$56,823 thousand from the cancelled deposit. MS filed a lawsuit against LKCC for the return of the NT$56,823 thousand as well as execution of provisional seizure of the properties of the said securities brokers' joint guarantors.

The subsidiary requested LuGang Credit Cooperative to refund the amount of NT$56,823 thousand and the imputed interests of NT$23,751, recorded under "other assets-other receivables." For executing the provisional seizure, the subsidiary pledged time deposit amounting to NT$19,000 thousand to the Court, which was recorded under "other assets- guarantee deposits paid".

Per the ruling stated in Docket #14 of Designation appellate 3, the Taichung Branch of the Taiwan High Court has ruled against the Company for all charges. MS filed an appeal to Taiwan Supreme Court Taichung Branch on May 20, 2005 and the judgment was returned to the court for new trial on August 24, 2006.The Court ruled that the Company was liable for all charges on July 22, 2008 pursuant to Jin-Shang-Geng-(4)-Zi No.5 of 2006. MS has filed an appeal to Taiwan Supreme Court Taichung Branch which is still pending. The amount of bad debts estimated and recognized by the Company according to their legal consultant amounted to NT$40,287 thousand.

(c) MS and its subsidiaries have entered into several operating lease agreements for its branch offices. As of December 31 2008, the annual minimum rents payable (excluding the adjustments for the consumer price index) for the next five years were as follows:

	Amount	
Year	NT$	US$ (Unaudited-Note 2)
2009	$82,747	$2,525
2010	34,969	1,067
2011	18,131	553
2012	12,955	395
2013 and onwards	2,375	73
Total	$151,177	$4,613

(d) As of December 31, 2008 and 2007, the checks written by MS and pledged to the Taiwan Stock Exchange as guarantee deposits for settlement of securities transactions amounted to NT$30,000 thousand (US$915 thousand).

(e) MS' 1999, 2000, 2001 and 2002 income tax returns have been assessed by the NTA. However, MS did not agree with the NTA's assessments and has filed tax appeals.

(f) As of December 31, 2008, the Bank provided letters of guarantee amounting to $235,000 thousand to the Taiwan Stock Exchange Corporation for performance guarantee of warrants issuance.

(4)The subsidiaries-MBF

(a) As of December 31, 2008 and 2007, MBF's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$
Bills and bonds sold under repurchase agreements	$215,025,089	$6,560,844	$203,409,282
Guarantees for commercial papers	117,945,700	3,598,758	109,110,000

(b) As of December 31, 2007, the expected future rent expense to be incurred for the long-term lease signed by MBF for renting office space is presented as follows:

Year	Amount	
	NT$	US$ (Unaudited-Note 2)
2009	$45,422	$1,386
2010	44,258	1,350
Total	$89,680	$2,736

(5) The subsidiaries-CKI

(a) As of December 31, 2008, CKI issued letters of credit as a result of conducting re-insurance business, the unused amounts of which were USD $76 thousand dollars.

(b) As of December 31, 2008 and 2007, the expected future rent expense to be incurred for the several building leases signed by CKI for business use is presented as follows:

Year	Amount	
	NT$	US$ (Unaudited-Note 2)
2009	$6,759	$206
After 2010	3,462	106
Total	$10,221	$312

(6) The subsidiaries-MAM

(a) Details of the assets rented by MAM under operating lease as of December 31, 2008 are set forth below:

Lesser	Leasehold Asset	Lease Period	Rent per Month		Accrued Rent for the Following Years	
MICB	6F., No.91, Hengyang Rd., Taipei	April 1 , 2006-December 31, 2010	NT535	US$ 17	NT$12,841	US$392
Pro Leasing & Rental	Cars for business use	January 31, 2007-January 30, 2010	46	1	592	18
Easyrent Ltd.		January 20, 2007-February 19, 2009	63	2	95	3
Total					NT$13,528	US$413

(b) MAM entered into a building presale agreement totaling to NT$215,000 thousand (US$6,560 thousand) in April 2008. As of December 31, 2008, MAM paid NT$145,000 thousand (US$4,424 thousand) for down payment of the contract (recorded as investments in real estate) and the residual NT$70,000 thousand (US$2,136 thousand) will be paid by installment according to the completion status of the building.

(7) The subsidiaries-MITC

(a) In July 1999, JiaCheng Guo, MITC's former chairman and general manager, and TingCai Guo, the former director of the Credit Cooperative of Tongang, were allegedly involved in misappropriating time deposits in the amount of $220,000 thousand deposited in the Credit Cooperative of Tongang and the assets under MITC's four funds amounting to approximately $430,000 thousand. Taiwan Pingtung District Court has filed criminal procedures against JiaCheng Guo, TingCai Guo, ShuQing Xu (head accountant of the Credit Cooperative of Tongang) supervisor of the Credit Cooperative of Tongang, related managers and responsible personnel. Taiwan High Court Kaohsiung Branch Court ruled that, except for JiaCheng Guo, other defendants were sentenced to 1 year and 2 months to 12 years. However, the defendants had filed for an appeal.

(b) MITC's former chairman and general manager - JiaCheng Guo and personnel of the Credit Cooperative of Tongang were allegedly involved in misappropriating time deposits deposited in the Credit Cooperative of Tongang and pledged the time deposits for borrowings which results in contingent borrowings in the amount of $195,000 thousand. According to information provided by the Credit Cooperative of Tongang, the interests accrued from the above borrowings were fully paid until May 1999; since June 1999, the interest payments have been suspended. The interest rate ranged from 7.25%~7.9%. In January 2000, upon maturity, the pledged time deposits amounting to $195,000 thousand were compensated with the contingent borrowings. The estimated interests accrued approximated $1,853 thousand from June 1999 to January 2000. In order to secure the collectibility of the borrowings, the credit bank collected $1,230 thousand, the interest income accrued from time deposits of $195,000 thousand, to compensate the borrowing; the residuals were deducted from the demand accounts. MITC contended that the above matters are to be clarified in the court decision.

(c) Details of the assets rented by MITC under operating lease as of December 31, 2008 are set forth below:

Lesser	Leasehold Asset	Lease Period	Rent per Month		Payment	Year	Accrued Rent for the Following Years	
MICB	7&8F., No.91, Hengyang Rd., Taipei	August 1, 2007 ~July 31, 2012	NT$892	US$ 27	Monthly	2009	NT$10,708	US$327
						2010	10,708	327
						2011	10,708	327
						2012	6,246	191
Total							NT$38,370	US$1,172

(d) As of December 31, 2008, the assets rented under the operating leases were as follows: As Mega Diamond Bond Fund managed by MITC indirectly held and handled Lehman Brothers' matters, Mega Diamond Bond Fund consigned MICB to purchase ABCP amounting to $1,878,000 thousand (US$57,302 thousand) of Mega Diamond Bond Fund at fair value, and which MITC promised to compensate MICB's any loss incurred from purchasing the abovementioned beneficiary certificates (losses from disposal of ABCP and relevant capital cost for purchasing ABCP are also inclusive.). As of December 31, 2008, relevant losses approximate NT1,580,763 thousand (US$48,232 thousand), recorded under other non-interest income (loss)".

(e) The bond funds including structured notes managed by MITC (formerly IIT), in order to secure fund beneficiary's equity, MICB and Lehman Brothers act as arrangers and manage cash flow issues of the structured notes via securitization. Lehman Brothers is in charge of securitization issues while MICB acts as secured institution or reserve provision institution. As of December 31, 2008, MICB had set aside cash reserve amounting to NT$883,715 thousand (US$ 26,964 thousand) (recorded as refundable deposits) under special purpose trust, this is to ensure the entrusted institution meets cash flows requirements for repayments and distribution obligations (secured amounts are up to NT$1,078,343 thousand (US$32,902 thousand)). For securitization parts of MICB, MITC not only provided cash reserve amounting to NT$160,000 thousand (US$4,882 thousand) to the entrusted institution, but also promised to compensate costs of purchasing subordinate beneficiary certificates and losses incurred from being purchase institution for impaired assets, the losses are up to NT$417,559 thousand (US$12,741 thousand).

(8) The subsidiaries- CTB I Venture

CTB Financial Management & Consulting Co., Ltd. acts as an agent to deal with management, investment, assignment and re-investment of all assets on behalf of CTB I Venture and conduct enterprise operation, management and consultation service for CTB I Venture's investee companies. In accordance with the contract, CTB I Venture should pay 2% per annum of the total issued capital as management fee which is payable quarterly to CTB Financial Management & Consulting Co., Ltd. At the end of every fiscal year, 20% of net income calculated based on the terms of contracts are paid as performance-based bonus which is payable within 15 days of the completion of general shareholders' meeting.

(9) The subsidiaries- CTB Venture Capital

CTB Financial Management & Consulting Co., Ltd. acts as an agent to deal with management, investment, assignment and re-investment of all assets on behalf of CTB Venture Capital and conduct enterprise operation, management and consultation service for CTB Venture Capital's investee companies. In accordance with the contract, CTB Venture Capital should pay 2% per annum of average of beginning year and ending year of the total issued capital stock as management fee which is payable quarterly to CTB Financial Management & Consulting Co., Ltd. At the end of every fiscal year, 20% of net income calculated based on the terms of contracts are paid as performance-based bonus which is payable within 15 days of the completion of general shareholders' meeting.

8. SIGNIFICANT DISASTER LOSS

(1) The Company: None.
(2) The subsidiaries: None.

9. SIGNIFICANT SUBSEQUENT EVENTS

(1) The Company: None.
(2) The subsidiary: None.

10. OTHER

(1) Presentation of financial statements

Certain accounts of the 2007 consolidated financial statements have been reclassified to conform to the presentation of the 2008 consolidated financial statements.

(2) Financial instruments information:

A. Fair Value

	December 31, 2008				December 31, 2007	
	NT$		US$ (Unaudited-Note 2)		NT$	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments						
Assets						
Cash and cash equivalents	$271,765,325	$271,765,325	$8,292,101	$8,292,101	$99,997,070	$99,997,070
Due from the Central Bank and call loans to banks	103,187,216	103,187,216	3,148,448	3,148,448	249,729,453	249,729,453
Financial assets held for trading						
Stocks	465,805	465,805	14,213	14,213	6,244,100	6,244,100
Commercial papers	110,391,394	110,391,394	3,368,261	3,368,261	81,370,935	81,370,935
Beneficiary certificates	260,920	260,920	7,961	7,961	2,366,343	2,366,343
Negotiable certificates of time deposit	15,001,687	15,001,687	457,731	457,731	5,127,248	5,127,248
Corporate bonds (including negotiable corporate bonds)	12,460,760	12,460,760	380,203	380,203	24,344,760	24,344,760
Government bonds	7,823,179	7,823,179	238,701	238,701	1,468,165	1,468,165
Financial bonds	3,376,231	3,376,231	103,016	103,016	2,371,582	2,371,582
Other bonds	3,559,610	3,559,610	108,611	108,611	4,850,401	4,850,401
Acceptance bills	69,464	69,464	2,119	2,119	-	-

	December 31, 2008				December 31, 2007	
	NT$		US$ (Unaudited-Note 2)		NT$	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets designated at fair value through profit or loss						
Stocks	-	-	-	-	2,839	2,839
Corporate bonds	12,575,262	12,575,262	383,696	383,696	20,392,313	20,392,313
Governments bonds	6,830,570	6,830,570	208,414	208,414	7,823,105	7,823,105
Financial bonds	13,625,202	13,625,202	415,732	415,732	11,244,013	11,244,013
Certificate of deposits	-	-	-	-	40,090,820	40,090,820
Securities purchased under resale agreements	1,729,297	1,729,297	52,764	52,764	4,765,687	4,765,687
Receivables－net	120,773,646	120,773,646	3,685,044	3,685,044	125,215,337	125,215,337
Loans－net	1,321,437,849	1,321,437,849	40,319,700	40,319,700	1,210,579,613	1,210,579,613
Available-for-sale financial assets						
Stocks	11,798,993	11,798,993	360,011	360,011	15,255,599	15,255,599
Commercial papers	10,551,441	10,551,441	321,945	321,945	4,300,516	4,300,516
Governments bonds	124,295,360	124,295,360	3,792,499	3,792,499	146,957,625	146,957,625
Corporate bonds	37,663,007	37,663,007	1,149,173	1,149,173	41,051,595	41,051,595
Beneficiary certificates	808,440	808,440	24,667	24,667	2,153,706	2,153,706
Beneficiary securities	11,757,863	11,757,863	358,756	358,756	16,282,717	16,282,717
Certificate of deposits	2,396,485	2,396,485	73,121	73,121	5,198,706	5,198,706
Financial bonds	32,548,303	32,548,303	993,114	993,114	24,138,317	24,138,317
Treasury bills	249,698	249,698	7,619	7,619	179,096	179,096
Held-to-maturity financial assets	96,097,583	96,097,583	2,932,129	2,932,129	90,448,402	90,448,402
Other financial assets	26,611,797	26,611,797	811,979	811,979	29,113,851	29,113,851
Liabilities						
Due to the Central Bank and commercial banks	($396,503,184)	($396,503,184)	($12,098,102)	($12,098,102)	($369,971,867)	($369,971,867)
Borrowed Funds	(53,185,187)	(53,185,187)	(1,622,786)	(1,622,786)	(42,997,399)	(42,997,399)
Financial liabilities designated at fair value through profit or loss	(44,120,922)	(44,120,922)	(1,347,451)	(1,347,451)	(49,323,996)	(49,323,996)
Securities sold under repurchased agreements	(248,491,993)	(248,491,993)	(7,581,985)	(7,581,985)	(246,995,517)	(246,995,517)
Commercial papers payable- net	(1,656,547)	(1,656,547)	(50,544)	(50,544)	(23,732,467)	(23,732,467)
Payables	(72,689,909)	(72,689,909)	(2,217,914)	(2,217,914)	(65,212,831)	(65,212,831)
Deposits	(1,316,769,564)	(1,316,769,564)	(40,177,261)	(40,177,261)	(1,232,608,275)	(1,232,608,275)
Bonds payable	(54,349,347)	(54,349,347)	(1,658,307)	(1,658,307)	(33,215,871)	(33,215,871)
Other borrowings	(4,435,062)	(4,435,062)	(135,323)	(135,323)	(18,898,300)	(18,898,300)
Other financial liabilities	(6,026,328)	(6,026,328)	(183,875)	(183,875)	(8,729,674)	(8,729,674)
Non-hedging derivative financial instruments						
Forward contracts	$154,490,222	$2,316,042	$4,713,804	$70,667	$167,255,320	($41,038)
Interest rate swap contracts	333,279,191	1,436,067	10,169,012	43,817	307,947,045	(301,467)
Cross currency contracts	66,252,408	(1,073,330)	2,021,493	(32,749)	116,496,964	(161,916)
Asset swap contracts	11,999,178	2,822,353	366,119	86,116	9,544,803	2,863,479
Options	22,061,679	(929,443)	673,146	(28,359)	31,384,388	(186,347)
Credit default swaps	1,638,700	(168,311)	50,000	(5,136)	2,241,396	(86,101)
Currency swaps	291,338,239	5,661	8,889,310	173	119,253,870	(375,790)
Futures trading margin	282,571	282,571	8,622	8,622	282,440	282,440
Structured products	-	-	-	-	11,348,000	(76,689)
PGN products	80,000	(404)	2,441	(12)	65,000	(123)

B. The assumptions and methods adopted by the Group to estimate the fair values of the above financial instruments are summarized below.

(a) The fair values of short-term financial instruments are approximated using their carrying value. Since they are either short term in nature and the estimated future receipts or payments are closely related to their carrying value, it is reasonable that their fair value to be determined based on their carrying value. This method applies to cash and cash equivalents, due from the Central Bank and call loans to banks, bonds and bills purchased under resell agreements, receivables, due to Central Bank and commercial banks, borrowed funds, payables, deposits, other borrowings and other financial liabilities.

(b) Among financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and other financial assets, the fair value of investments is determined by reference to the close price at the balance sheet date for listed shares and depositary receipts, net asset value for open-ended funds, the quoted price at the balance sheet date for bonds, the clearing value, quoted price or value defined by model theory for derivative financial instruments, and valuation techniques for financial instruments with no active market.

(c) Bills and loans, securities sold under agreements to repurchase, commercial paper payables, deposits and bonds issued are financial assets and liabilities with mainly floating interests. Thus, their carrying values are deemed to be equivalent to their fair values.

(d) Since financial assets carried at cost are composed of unlisted stocks or those not actively traded in the market and whose fair values cannot be reliably estimated, they are measured at cost in compliance with the statements of financial accounting standards.

The fair values of partial financial instruments and non-financial instruments are not required to be disclosed, the total fair values of the above table do not represent total fair values of the Group.

C. The fair values of financial assets and liabilities either determined using public quoted prices in the active market or estimated using valuation methods are as follows:

	December 31, 2008				December 31, 2007	
	Quoted market prices		Amount determined by a valuation technique		Quoted market prices	Amount determined by a valuation technique
	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)	NT$	NT$
Non-derivative financial instruments						
Assets						
Cash and cash equivalents	$ -	$ -	$271,765,325	$8,292,101	$ -	$99,997,070
Due from the Central Bank and call loans to banks	-	-	103,187,216	3,148,448	-	249,729,453
Financial assets held for trading						
Stocks	465,805	14,213	-	-	6,244,100	-
Commercial papers	-	-	110,391,394	3,368,261	-	81,370,935
Beneficiary certificates	-	-	260,920	7,961	-	2,366,343
Negotiable certificates of time deposit	-	-	15,001,687	457,731	-	5,127,248
Corporate bonds (including negotiable corporate bonds)	-	-	12,460,760	380,203	-	24,344,760
Government bonds	7,823,179	238,701	-	-	1,468,165	-
Financial bonds	-	-	3,376,231	103,016	-	2,371,582
Other bonds	-	-	3,559,610	108,611	-	4,850,401
Financial assets designated at fair value through profit or loss						
Stocks	-	-	-	-	2,839	-
Corporate bonds	-	-	12,575,262	383,696	-	20,392,313
Governments bonds	6,830,570	208,414	-	-	7,823,105	-

Financial Reports

	December 31, 2008				December 31, 2007	
	Quoted market prices		Amount determined by a valuation technique		Quoted market prices	Amount determined by a valuation technique
	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)	NT$	NT$
Financial bonds	-	-	13,625,202	415,732	-	11,244,013
Certificate of deposits	-	-	-	-	-	40,090,820
Bonds and bills purchased under resell agreements	-	-	1,729,297	52,764	-	4,765,687
Receivables－net	-	-	120,773,646	3,685,044	-	125,215,337
Loans－net	-	-	1,321,437,849	40,319,700	-	1,210,579,613
Available-for-sale financial assets						
Stocks	11,798,993	360,011	-	-	15,255,599	-
Commercial papers	-	-	10,551,441	321,945	-	4,300,516
Governments bonds	124,295,360	3,792,499	-	-	146,957,625	-
Corporate bonds	-	-	37,663,007	1,149,173	-	41,051,595
Beneficiary certificates	808,440	24,667	-	-	2,153,706	-
Beneficiary securities	-	-	11,757,863	358,756	-	16,282,717
Acceptance bills	-	-	2,396,485	73,121	-	5,198,706
Financial bonds	-	-	32,548,303	993,114	-	24,138,317
Treasury bills	-	-	249,698	7,619	-	179,096
Held-to-maturity financial assets	-	-	96,097,583	2,932,129	-	90,448,402
Other financial assets	-	-	26,611,797	811,979	-	29,113,851
Liabilities						
Due to the Central Bank and commercial banks	-	-	(396,503,184)	(12,098,102)	-	(369,971,867)
Borrowed Funds	-	-	(53,185,187)	(1,622,786)	-	(42,997,399)
Financial Liabilities at fair value through profit or loss	-	-	(44,120,922)	(1,347,451)	-	(49,323,996)
Securities sold under agreements to repurchase	-	-	(248,491,993)	(7,581,985)	-	(246,995,517)
Commercial paper payables, net	-	-	(1,656,547)	(50,544)	-	(23,732,467)
Payables	-	-	(72,689,909)	(2,217,914)	-	(65,212,831)
Deposits	-	-	(1,316,769,564)	(40,177,261)	-	(1,232,608,275)
Bonds payable	-	-	(54,349,347)	(1,658,307)	-	(33,215,871)
Other borrowings	-	-	(4,435,062)	(135,323)	-	(18,898,300)
Other financial liabilities	-	-	(6,026,328)	(183,875)		(8,729,674)
Derivative financial instruments						
Assets						
Financial assets held for trading	$ -	$ -	$9,755,483	$297,659	$ -	$1,012,795
Financial assets designated at fair value through profit or loss	-	-	2,248,866	68,617	-	1,502,719
Liabilities						
Financial liabilities held for trading	-	-	6,148,336	187,598	-	1,616,805
Financial liabilities designated at fair value through profit or loss	-	-	1,164,807	35,541	-	2,163,890

D. Net loss arising from derivative financial instruments at fair value through profit for the years ended December 31, 2008 and 2007 amounted to $160,027 thousand (US$4,883 thousand) and $5,521,243 thousand, respectively.

E. The interest income arising from other than financial assets at fair value through profit or loss for the years ended December 31, 2008 and 2007 amounted to $64,539,179 thousand (US$1,969,219 thousand) and $67,540,554 thousand, respectively.

F. The adjustment in equity arising from available-for-sale financial assets for the years ended December 31, 2008 and 2007 amounted to $3,962,707 thousand (US$120,910 thousand) and $6,740,574, respectively.

(3) INFORMATION ON FINANCIAL RISK

A. MICB

(a) Market risk

Except for fund dispatching, deposit pricing and long-term/medium-term capital funding and usage, the Bank controls market risk, manages indicators of interest rate sensitivity asset and liabilities and market risk exposure limits through the treasury department. Regarding the foreign exchange market, foreign currency market, capital market and derivative transactions and so on, the Bank sets regulations on the transaction range and amount, assesses the limitation of the position and estimation of management risk index. Also, sets limitations on daily amount, overnight amount, counterparties amount and stop loss points for the dealing room and dealers. The foreign branches set limitation for foreign exchange which is controlled daily, and monthly reports are presented to the management for reference. The transactions have set limitations and are periodically accrued as unrealized profit or loss, and reports are prepared for management and Board of Directors review.

To measure the risk weighted assets in accordance with the standards set by the authorities.

The interest rate risk is measured based on the “Interest-rate sensitivity gap” and the “Interest rate sensitivity asset and liabilities ratio” and so on, so that the interest rate risk can be maintained within the suitable range. As for the exchange rate and investments in quoted securities exposure amount, the daily estimation of profit or loss is based on the market price and the stop loss point in order to make sure it is within the range, acceptable for risk control.

Derivatives on trading book with hedge or non-hedge transaction characteristic are evaluated on a semi-monthly and weekly basis.

(b) Credit risk

i. Credit risk represents the risk of loss that the Bank would incur if the counterparty fails to perform the Bank’s contractual obligations.

The concentrations of credit risk exist when the counterparty to financial instrument transactions are either concentrated in certain individuals or group of individuals engaged in similar activities or having activities in the same region, which would impair their ability to meet contractual obligations under negative economic or other conditions. The Bank has not transacted with one single customer or entered into one single transaction which would expose the Bank into concentration risk. However, the Bank is likely exposed to industry concentration risk.

For credit cards, no collateral is required, but the credit status of each cardholder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit.

ii. The maximum credit risk exposure amounts of financial instruments held by the Bank are as follows:

	December 31, 2008				December 31, 2007	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
Financial assets	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited -Note 2)	NT$	NT$
Financial assets at fair value through profit or loss	$40,201,797	$1,226,637	$42,843,533	$1,307,242	$84,905,748	$86,848,050
Available-for-sale financial assets	101,842,091	3,107,405	101,842,091	3,107,405	103,654,258	103,654,258
Bills discounted and loans	1,321,437,849	40,319,700	1,321,437,849	40,319,700	1,210,579,613	1,210,579,613
Held-to-maturity financial assets	95,058,926	2,900,437	95,058,926	2,900,437	90,248,402	90,248,402
Off-balance sheet commitments and guarantees	2,386,447,134	72,815,254	2,386,447,134	72,815,254	2,629,027,900	2,629,027,900
Total	$3,944,987,797	$120,369,433	$3,947,629,533	$120,450,038	$4,118,415,921	$4,120,358,223

The amounts summarized above are valued from financial instruments with positive fair value and off-balance sheet commitments and guarantees.

iii. The Bank and indirect banks strictly assesses and evaluate each credit application for loan facility, guarantee and letters of credit. Collaterals, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the result of the credit worthiness evaluation. As of December 31, 2008 and 2007, collaterals secured approximately 48.78% and 51.37%, respectively, of total loans (excluding overdue loans). When a borrower defaults, the Bank and indirect banks would enforce the foreclosure of the collaterals and guarantees to lower the Bank's credit risk. As disclosing the maximum credit risk exposure amount, the Bank would not consider the fair value of collaterals. However, the Bank and indirect banks are likely exposed to industry concentration risk. The Bank's and indirect banks' information on industry concentration of credit risk is as follows:

	December 31, 2008				December 31, 2007	
	Carrying value		Maximum risk exposure mount		Carrying value	Maximum risk exposure amount
Industry type	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)	NT$	NT$
Manufacturing	$493,363,786	$15,053,512	$493,363,786	$15,053,512	$440,094,841	$440,094,841
Financial institution, insurer, real estate and leasing	187,008,248	5,705,994	187,008,248	5,705,994	200,936,331	200,936,331
Government institution	61,442,342	1,874,728	61,442,342	1,874,728	29,102,378	29,102,378
Individuals	266,746,879	8,138,978	266,746,879	8,138,978	258,148,329	258,148,329
Others	491,577,185	14,998,999	491,577,185	14,998,999	464,080,456	464,080,456
Total	$1,500,138,440	$45,772,211	$1,500,138,440	$45,772,211	$1,392,362,335	$1,392,362,335
Geographic region						
Domestic	$1,093,393,421	$33,361,610	$1,093,393,421	$33,361,610	$1,188,514,315	$1,188,514,315
North America	70,346,256	2,146,405	70,346,256	2,146,405	62,058,111	62,058,111
Others	336,398,763	10,264,196	336,398,763	10,264,196	141,789,909	141,789,909
Total	$1,500,138,440	$45,772,211	$1,500,138,440	$45,772,211	$1,392,362,335	$1,392,362,335

Note: The above figures include loans (excluding overdue loans – factoring without recourse), guarantees and acceptances.
Contract amounts of significant credit risk concentration are as follows:

December 31, 2008			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	Formosa Plastics Group	$51,348,824	36.24%
2	CHIMEI Group	19,131,809	13.50%
3	BENQ Group	15,430,473	10.89%
4	China Steel Group	12,538,316	8.85%
5	Uni-President Group	11,900,402	8.40%
6	Acer Group	11,507,181	8.12%
7	Far Eastern Group	11,260,175	7.95%
8	E-United Group	10,077,798	7.11%
9	Taiwan Cement Group	10,053,965	7.10%
10	Powerchip Semiconductor Corp.	9,906,004	6.99%

December 31, 2007			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	Formosa Plastics Group	$49,369,886	32.38%
2	BENQ Group	20,888,282	13.70%
3	Far Eastern Group	16,053,053	10.53%
4	CHIMEI Group	15,463,029	10.14%
5	Shin Kong Group	10,572,324	6.93%
6	Taiwan Cement Group	10,386,663	6.81%
7	Uni-President Group	10,186,244	6.68%
8	Ta Tung Group	9,520,800	6.24%
9	China Steel Group	8,732,980	5.73%
10	China Airlines Group	8,249,085	5.41%

Note 1: Ranking the top ten enterprise groups other than government and government enterprises according to their total outstanding loan amount.
Note 2: Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.
Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptance receivable and guarantees.

Profile of concentration of credit risk and credit extensions of interested parties

	December 31, 2008		December 31, 2007	
Amount of credit extensions to interested parties	$ 86,738,710		$89,594,879	
Ratio of credit extensions to interested parties (%)	5.72		6.65	
Ratio of credit extensions secured by stocks (%)	2.01		3.29	
	Industry	Ratio	Industry	Ratio
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount)	Manufacturing	33.67%	Manufacturing	34.60%
	Transportation and telecommunication industry	8.78%	Transportation and telecommunication industry	9.36%
	Wholesale and retail sales industry	7.24%	Wholesale and retail sales industry	7.73%

Note 1: Total amount of credit extensions include loans, bills discounted, acceptances receivable, guarantees receivable, and advance accounts for factoring receivable.
Note 2: The ratio of credit extensions to interested parties = the amount of credit extensions to interested parties / the total amount of all credit extensions.
Note 3: The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amounts of all credit extensions.

iv. Liquidity risk

The capital and working capital of the Bank were sufficient to execute all the obligation of contracts and had no liquidity risk. The possibility of the derivative financial instruments held by the Bank being unable to liquidate quickly with minimal loss in value is low.

The management policy of the Bank is to match the contractual maturity profile and interest rate of its assets and liabilities. As a result of the uncertainty, the maturities and interest rates of assets and liabilities usually do not fully match. The gap may result in potential gain or loss. The Bank applied the appropriate grouping of assets and liabilities.

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2008
Unit: thousands of New Taiwan dollars

	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call loans from banks	$103,187,216	$103,187,216	$ -	$ -	$ -	$ -	$103,187,216	$103,187,216
Financial assets at fair value through profit or loss (Note)	13,401,883	13,401,883	19,884,040	19,884,040	409,385	409,385	33,695,308	33,695,308
Investments in bills and bonds under resale agreements	1,703,165	1,703,165	-	-	-	-	1,703,165	1,703,165
Bills discounted and loans	348,681,628	346,828,233	548,941,291	544,384,291	435,830,795	430,225,325	1,333,453,714	1,321,437,849
Available-for-sale financial assets (Note)	37,030,793	37,030,793	48,944,643	48,944,643	9,761,053	9,761,053	95,736,489	95,736,489
Held-to-maturity financial assets	80,682,841	80,682,841	14,150,753	14,150,753	225,332	225,332	95,058,926	95,058,926
Other financial assets (Note)	816,814	86,859	993,590	993,590	-	-	1,810,404	1,080,449
Total Assets	585,504,340	582,920,990	632,914,317	628,357,317	446,226,565	440,621,095	1,664,645,222	1,651,899,402
Liabilities								
Due to the Central Bank and commercial banks	387,894,184	387,894,184	-	-	-	-	387,894,184	387,894,184
Funds borrowed from Central Bank and other banks	53,185,187	53,185,187	-	-	-	-	53,185,187	53,185,187
Financial liabilities at fair value through profit or loss (Note)	16,117,241	16,117,241	28,003,681	28,003,681	-	-	44,120,922	44,120,922
Bills and bonds payable under repurchase agreements	11,239,752	11,239,752	-	-	-	-	11,239,752	11,239,752
Time deposit	787,968,702	787,968,702	34,299,133	34,299,133	-	-	822,267,835	822,267,835
Financial bonds payable	2,199,347	2,199,347	27,700,000	27,700,000	-	-	29,899,347	29,899,347
Other financial liabilities	5,946,463	5,946,463	-	-	-	-	5,946,463	5,946,463
Total Liabilities	1,264,550,876	1,264,550,876	90,002,814	90,002,814	-	-	1,354,553,690	1,354,553,690
Net liquidity gap	($679,046,536)	($681,629,886)	$542,911,503	$538,354,503	$446,226,565	$440,621,095	$310,091,532	$297,345,712

(Note) Exclusive of stocks, beneficiary certificates and derivatives.

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2008
Unit: thousands of US dollars (Unaudited-Note 2)

	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call loans from banks	$3,148,447	$3,148,447	$ -	$ -	$ -	$ -	$3,148,447	$3,148,447
Financial assets at fair value through profit or loss (Note)	408,918	408,918	606,702	606,702	12,491	12,491	1,028,111	1,028,111
Investments in bills and bonds under resale agreements	51,967	51,967	-	-	-	-	51,967	51,967
Bills discounted and loans	10,638,971	10,582,420	16,749,292	16,610,249	13,298,065	13,127,031	40,686,328	40,319,700
Available-for-sale financial assets (Note)	1,129,883	1,129,883	1,493,399	1,493,399	297,829	297,829	2,921,111	2,921,111
Held-to-maturity financial assets	2,461,794	2,461,794	431,768	431,768	6,875	6,875	2,900,437	2,900,437
Other financial assets (Note)	24,923	2,650	30,317	30,317	-	-	55,240	32,967
Total Assets	17,864,903	17,786,079	19,311,478	19,172,435	13,615,260	13,444,226	50,791,641	50,402,740
Liabilities								
Due to the Central Bank and commercial banks	11,835,424	11,835,424	-	-	-	-	11,835,424	11,835,424
Funds borrowed from Central Bank and other banks	1,622,786	1,622,786	-	-	-	-	1,622,786	1,622,786
Financial liabilities at fair value through profit or loss (Note)	491,769	491,769	854,448	854,448	-	-	1,346,217	1,346,217
Bills and bonds payable under repurchase agreements	342,947	342,947	-	-	-	-	342,947	342,947
Time deposit	24,042,494	24,042,494	1,046,535	1,046,535	-	-	25,089,029	25,089,029
Financial bonds payable	67,106	67,106	845,182	845,182	-	-	912,288	912,288
Other financial liabilities	181,438	181,438	-	-	-	-	181,438	181,438
Total Liabilities	38,583,964	38,583,964	2,746,165	2,746,165	-	-	41,330,129	41,330,129
Net liquidity gap	($20,719,061)	($20,797,885)	$16,565,313	$16,426,270	$13,615,260	$13,444,226	$9,461,512	$9,072,611

(Note) Exclusive of stocks, beneficiary certificates and derivatives.

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2007
Unit: thousands of New Taiwan dollars

	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call loans from banks	$249,729,452	$249,729,452	$ -	$ -	$ -	$ -	$249,729,452	$249,729,452
Financial assets at fair value through profit or loss (Note)	50,217,250	50,217,250	28,927,689	28,927,689	1,694,296	1,694,296	80,839,235	80,839,235
Investments in bills and bonds under resale agreements	1,729,123	1,729,123	-	-	-	-	1,729,123	1,729,123
Bills discounted and loans	337,403,058	335,836,805	453,597,355	450,808,120	428,490,176	423,934,688	1,219,490,589	1,210,579,613
Available-for-sale financial assets (Note)	37,420,663	37,420,663	47,922,452	47,922,452	8,009,912	8,009,912	93,353,027	93,353,027
Held-to-maturity financial assets	79,533,674	79,533,674	9,695,241	9,695,241	1,019,487	1,019,487	90,248,402	90,248,402
Other financial assets (Note)	514,906	351,852	1,416,345	1,416,345	-	-	1,931,251	1,769,197
Total Assets	756,548,126	754,818,819	541,559,082	538,769,847	439,213,871	434,658,383	1,737,321,079	1,728,248,049
Liabilities								
Due to the Central Bank and commercial banks	364,581,867	364,581,867	-	-	-	-	364,581,867	364,581,867
Funds borrowed from Central Bank and other banks	42,997,399	42,997,399	-	-	-	-	42,997,399	42,997,399
Financial liabilities at fair value through profit or loss (Note)	11,858,095	11,858,095	37,465,901	37,465,901	-	-	49,323,996	49,323,996
Bills and bonds payable under repurchase agreements	4,505,960	14,505,960	-	-	-	-	14,505,960	14,505,960
Time deposits	654,710,080	654,710,080	18,628,420	18,628,420	-	-	673,338,500	673,338,500
Financial bonds payable	3,755,567	3,755,567	15,460,304	15,460,304	-	-	19,215,871	19,215,871
Other financial liabilities	20,096,284	20,096,284	-	-	-	-	20,096,284	20,096,284
Total Liabilities	1,112,505,252	1,112,505,252	71,554,625	71,554,625	-	-	1,184,059,877	1,184,059,877
Net liquidity gap	($355,958,126)	($357,686,433)	$470,004,457	$467,215,222	$439,213,871	$434,658,383	$553,260,202	$544,187,172

(Note) Exclusive of stocks, beneficiary certificates and derivatives.

v. Cash flow risk and fair value risk of interest rate fluctuation

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest rate. The risk is considered to be material to the Bank, and the Bank enters into interest rate swap contracts to manage the risk. As of December 31, 2008, expected repricing and maturity dates of interest-bearing financial instruments are not affected by dates of related contracts. The interest rate risk of subsidiaries is presented by the book value of financial assets and financial liabilities and is classified by the earlier of the expected repricing date or expected maturity date.

B. MS

(a) Derivative financial instruments

i. Stock warrants

1) Please see 7) below for details of stock warrants issued by MS.

2) The purpose of issuing derivative financial instruments is to generate reasonable profits by controlling the risk within a tolerable limit.

3) Credit risk

As proceeds from the stock warrants issued by MS have all been received, there is no credit risk.

4) Market risk

MS is a short position for the stock warrants issued, which is in reverse to the investors' position. As the investors may exercise their option rights before expiration of the contracts because of the fluctuations in the underlying securities' fair values, MS's position is exposed to market risk. To reduce the uncertainty, MS mainly adopts delta and vega risk hedging strategies which are summarized below.

a) Delta risk hedging strategy

(i) Hedge instruments

The hedge instruments are mainly the underlying securities and are supplemented by the title certificates of the underlying securities.

(ii) Risk hedging strategy

The dynamic hedging method is adopted by referring to the delta risk value calculated using MS' risk model. Under this method, when the values of the underlying securities fluctuate, MS will trade the underlying securities or the title certificates of those securities to maintain its position in gains (losses) on the stock warrants being neutral to the delta risk.

b) Vega risk hedging strategy

(i) Hedge instruments

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities (including the warrants issued by MS) and are supplemented by the convertible bonds issued by the companies of the underlying securities.

(ii) Risk hedging strategy

The strategy adopted in vega hedge is primarily through buying the significantly underpriced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by MS. As convertible bonds inherent the risk of early redemption by the bond issuers, coupled with the liquidity risk (large difference between the buying and selling prices) and the interest rate risk, the hedging strategy would become complicated and inefficient if convertible corporate bonds are used as hedge instruments. Therefore, convertible bonds will not be used as the primary hedge instruments unless the underlying securities of the stock warrants issued show volatile price movements, and the terms on the convertible bonds and their liquidity meet the risk hedging requirements of MS.

5) Amount and timing of expected future cash flows

When the options on the stock warrants are exercised by the warrant holders, MS can opt to settle the contracts by cash or by delivery of the underlying securities. As a result, cash inflows or outflows will occur, respectively. The amount and timing of the cash flows depend on the amount of the stock warrants exercised by the warrant holders and the exercise date.

6) Accounting policies

Please refer to Note 2(19) for details.

7) Fair values and carrying values

The stock warrants issued by MS are all American-style warrants with the contract periods ranging from six months to one year, starting from the date on which the warrants are listed in the market. The warrants can be settled by either cash or delivery of securities at MS' discretion. Details of the stock warrants outstanding as of December 31, 2008 and 2007 are set forth below.

December 31, 2008

		Liability on stock warrants issued			
Warrants	Underlying Securities	Issue Amount	Variation Value	FairValue	No. of Units (in thousands)
Mega AA	Taiwan Semiconductor Manufacturing Co., Ltd. (Common shares)	$22,440	($22,240)	$200	20,000
Mega AB	Chi Mei Optoelectronics Corporation (Common shares)	27,000	(26,800)	200	20,000
Mega AC	AU Optronics Corp. (Common shares)	22,240	(14,240)	8,000	20,000
Mega AD	Yageo Corporation (Common shares)	10,880	(7,680)	3,200	20,000
Mega AE	HTC Corporation (Common shares)	16,260	(15,860)	400	20,000
Mega AF	TECO Electric & Machinery Co., Ltd. (Common shares)	18,860	(18,660)	200	20,000
Mega AG	Asia Optical Co., Inc. (Common shares)	15,860	(13,460)	2,400	20,000

Financial Reports

Warrants	Underlying Securities	Liability on stock warrants issued: Issue Amount	Variation Value	FairValue	No. of Units (in thousands)
Mega AH	Ruentex Industries Limited (Common shares)	11,660	(9,660)	2,000	20,000
Mega AJ	Everlight Electronics Co., Ltd. (Common shares)	19,840	(19,240)	600	20,000
Mega AK	Epistar Corporation (Common shares)	15,860	(13,460)	2,400	20,000
Mega AL	Evergreen International Storage & Transport (Common shares)	13,260	(6,660)	6,600	20,000
Mega AM	United Microelectronics Corp. (Common shares)	26,420	(25,020)	1,400	20,000
Mega AN	Shinkong Synthetic Fiber Corporation (Common shares)	13,460	(12,460)	1,000	20,000
Mega AP	HTC Corporation (Common shares)	120,620	(118,420)	2,200	20,000
Mega AQ	ASUSTEK Computer Inc. (Common shares)	23,240	(23,040)	200	20,000
Mega AR	Taishin Financial Holding Co., Ltd. (Common shares)	19,260	(13,660)	5,600	20,000
Mega AS	ZINWELL Corporation (Common shares)	21,040	(17,040)	4,000	20,000
Mega AT	Tatung Co. (Common shares)	18,860	4,340	23,200	20,000
Mega AU	ZyXEL Communications Corp. (Common shares)	15,460	4,340	19,800	20,000
Mega AV	Evergreen International Storage and Transport Corporation (Common shares)	33,760	(9,360)	24,400	20,000
Mega AW	Hon Hai Precision Ind. Co., Ltd. (Common shares)	15,260	7,140	22,400	20,000
Mega AX	Foxconn Technology. Co., Ltd. (Common shares)	23,240	18,760	42,000	20,000
Mega AY	Catcher Technology Co., Ltd. (Common shares)	19,460	2,740	22,200	20,000
Mega AZ	Goldsun Group (Common shares)	32,180	3,820	36,000	20,000
Mega BA	Evergreen Group (Common shares)	21,840	(6,840)	15,000	20,000
Mega BB	Yang Ming Marine Transport Corp. (Common shares)	15,460	(3,660)	11,800	20,000
Mega BC	MiTAC Technology Corporation (Common shares)	15,260	340	15,600	20,000
Mega BD	Compal Electronics Inc. (Common shares)	12,660	(5,660)	7,000	20,000
Mega BE	Inventec Corporation (Common shares)	17,260	(3,260)	14,000	20,000
Mega BF	ASUSTEK Computer Inc. (Common shares)	16,660	(1,260)	15,400	20,000
Mega BG	Wintek Corporation (Common shares)	11,280	1,320	12,600	20,000
Mega BH	U-Ming Marine Transportation Corp. (Common shares)	23,040	(4,640)	18,400	20,000
Mega BJ	Ruentex Industies Limited (Common shares)	13,860	(1,060)	12,800	20,000
Mega BK	Novatech Microelectronics Corp. (Common shares)	10,880	(3,280)	7,600	20,000
Mega BL	Unimicron Corporation (Common shares)	9,680	320	10,000	20,000
Mega BM	Innolux Display Corp. (Common shares)	16,460	740	17,200	20,000
Mega BN	Gintech Energy Corporation (Common shares)	27,800	6,000	33,800	20,000
Mega BP	WPG Holdings (Common shares)	25,220	3,780	29,000	20,000

Warrants	Underlying Securities	Liability on stock warrants issued			
		Issue Amount	Variation Value	FairValue	No. of Units (in thousands)
Mega BQ	HannStar Display Corporation (Common shares)	13,060	8,540	21,600	20,000
Mega BR	China Steel (Common shares)	8,480	1,120	9,600	20,000
Mega BS	AU Optronics Corp. (Common shares)	14,660	940	15,600	20,000
Mega BT	Chi Mei Optoelectronics (Common shares)	12,660	9,340	22,000	20,000
Mega BU	Walsin Lihwa Corporation (Common shares)	12,060	(660)	11,400	20,000
Mega BV	Nankang Rubber Tire Corp. (Common shares)	21,840	(10,440)	11,400	20,000
Mega BW	Micro-Star International Co.,Ltd. (Common shares)	26,220	180	26,400	20,000
Mega BX	Asia Optical Co., Inc. (Common shares)	12,060	2,940	15,000	20,000
Mega BY	Faraday Technology Corporation (Common shares)	22,840	(1,240)	21,600	20,000
Mega BZ	Far Eastone Telecommunication Co., Ltd. (Common shares)	10,280	2,920	13,200	20,000
Mega CA	Taiwan Cooperative Bank (Common shares)	23,620	(2,220)	21,400	20,000
Mega CB	Radiant Opto-Electronics Corporation (Common shares)	14,260	(3,260)	11,000	20,000
Mega CC	Chung Hung Steel (Common shares)	13,460	3,540	17,000	20,000
Mega CD	Universal Scientific Industrial Co., Ltd. (Common shares)	15,660	1,940	17,600	20,000
Mega CE	China Development Financial Holding Corporation (Common shares)	12,060	1,340	13,400	20,000
Mega CF	Winstron Corporation (Common shares)	16,860	2,540	19,400	20,000
Mega CG	Formosa Plastics Corporation (Common shares)	22,640	-	22,640	20,000
Mega CH	China Petrochemical Development Corporation (Common shares)	11,080	-	11,080	20,000
Mega CJ	Far Eastern Textile Ltd. (Common shares)	15,660	-	15,660	20,000
Mega CK	Qisda Corporation (Common shares)	10,880	-	10,880	20,000
Mega CL	Clevo Co. (Common shares)	10,880	-	10,880	20,000
Mega CM	Giga-Byte Technology Co., Ltd. (Common shares)	9,080	-	9,080	20,000
Mega CN	Quanta Computer Inc. (Common shares)	18,660	-	18,660	20,000
Mega CP	Unimicron Corporation (Common shares)	10,680	-	10,680	20,000
Mega CQ	China Life. (Common shares)	21,640	-	21,640	20,000
Mega CR	SinoPac Financial Holdings Co., Ltd. (Common shares)	10,880	-	10,880	20,000
Mega CS	Kinsus Interconnect Technology Corp. (Common shares)	11,280	-	11,280	20,000
Mega CT	Gemtek Technology Co., Ltd. (Common shares)	27,600	-	27,600	20,000
Mega M1	CMC Magnetics Corporation (Common shares)	13,660	(13,460)	200	20,000
Mega M2	Wintek Corporation (Common shares)	13,660	(11,860)	1,800	20,000
Mega M3	China Petrochemical Development Corporation (Common shares)	7,480	(5,480)	2,000	20,000

Warrants	Underlying Securities	Liability on stock warrants issued: Issue Amount	Variation Value	FairValue	No. of Units (in thousands)
Mega M4	Micro-Star International Co.,Ltd. (Common shares)	7,480	(6,280)	1,200	20,000
Mega M5	Tatung Co. (Common shares)	12,460	(12,260)	200	20,000
Mega M6	AMTRAN Technology Co.,Ltd. (Common shares)	11,280	(11,080)	200	20,000
Mega M7	Ability Enterprise Co., Ltd. (Common shares)	10,480	(10,080)	400	20,000
Mega M8	Hon Hai Precision Ind. Co., Ltd. (Common shares)	31,580	(31,380)	200	20,000
Mega M9	Walsin Lihwa Corporation (Common shares)	12,860	(12,660)	200	20,000
Mega N1	Altek Corporation (Common shares)	11,460	(11,260)	200	20,000
Mega N2	Synnex Technology International Corp. (Common shares)	17,660	(17,260)	400	20,000
Mega N3	Shin Kong Financial Holding Co.,Ltd. (Common shares)	10,280	(9,880)	400	20,000
Mega N4	Yuanta Financial Holdings (Common shares)	19,460	(18,860)	600	20,000
Mega N5	AU Optronics Corp. (Common shares)	36,340	(35,740)	600	20,000
Mega N6	Goldsun Development & Construction Co.,Ltd. (Common shares)	9,880	(9,680)	200	20,000
Mega N7	Innolux Display Corporation (Common shares)	17,060	(16,860)	200	20,000
Mega N8	Taiwan Tea Corporation(Common shares)	11,660	(9,060)	2,600	20,000
Mega N9	Chinatrust Financial Holding Company Ltd. (Common shares)	9,680	(9,480)	200	20,000
Mega PX	Chipbond Technology Corporation (Common shares)	8,864	(8,784)	80	8,000
Mega PY	Wafer Works Corp. (Common shares)	12,460	(12,410)	50	5,000
Mega PZ	Taiwan Surface Mounting Technology Corp. (Common shares)	7,270	(5,670)	1,600	5,000
Mega QA	Systex Corporation (Common shares)	7,520	(6,520)	1,000	5,000
Mega QB	Etron Technology, Inc. (Common shares)	7,420	(7,370)	50	5,000
Mega QC	Sino American Silicon Products Inc. (Common shares)	12,160	(11,160)	1,000	5,000
Mega QD	Solar Technology Inc. (Common shares)	5,325	(3,025)	2,300	5,000
Mega QE	Ardentec Corp. (Common shares)	8,864	(2,944)	5,920	8,000
Mega QF	Sino American Silicon Products Inc. (Common shares)	12,616	184	12,800	8,000
Mega QG	Wafer Works Corp. (Common shares)	7,720	(4,320)	3,400	5,000
Mega QH	Coretronic Corp. (Common shares)	6,975	425	7,400	5,000
Mega QJ	Simplo Technology Co., Ltd. (Common shares)	11,024	(2,224)	8,800	8,000
Mega QK	Motech Industrial Inc. (Common shares)	9,504	2,336	11,840	8,000
Mega QL	Taiwan Surface Mounting Technology Corp. (Common shares)	9,265	385	9,650	5,000
	Total	$1,636,227	($659,177)	$977,050	

December 31, 2007

Warrants	Underlying Securities	Liability on stock warrants issued: Issue Amount	Variation Value	Fair Value	No. of Units (in thousands)
Mega 54	Elite Semiconductor Memory Technology Inc. (Common shares)	$26,020	($25,820)	$200	20,000
Mega 55	Fubon Financial (Common shares)	11,100	(10,850)	250	25,000
Mega 56	Clevo Co. (Common shares)	16,835	(14,838)	1,997	20,000
Mega 57	Micro-Star International Co., Ltd. (Common shares)	59,117	(49,131)	9,986	20,000
Mega 58	China Petrochemical Development Corp. (Common shares)	24,620	(24,420)	200	20,000
Mega 59	New Fibers Textile Corp. (Common shares)	38,540	(38,340)	200	20,000
Mega 60	Phihong Technology Co., Ltd. (Common shares)	20,640	(20,440)	200	20,000
Mega 61	Merida (Common shares)	23,440	(23,240)	200	20,000
Mega 62	Giant bicycles (Common shares)	24,420	(22,420)	2,000	20,000
Mega 63	Formosa Taffeta Co., Ltd. (Common shares)	30,180	(29,980)	200	20,000
Mega 64	Senao International Co., Ltd. (Common shares)	13,260	(13,060)	200	20,000
Mega 65	Chroma Ate Inc. (Common shares)	17,660	(17,460)	200	20,000
Mega 66	Siliconware Precision Industries Co., Ltd. (Common shares)	17,260	(17,060)	200	20,000
Mega 67	Taishin Financial Holding Co., Ltd. (Common shares)	9,080	(8,880)	200	20,000
Mega 68	Forhouse Corporation (Common shares)	26,620	(26,420)	200	20,000
Mega 69	Gemtek Technology Co., Ltd. (Common shares)	22,240	(22,040)	200	20,000
Mega 70	Jess-Link Products Co., Ltd. (Common shares)	84,040	(83,840)	200	20,000
Mega 71	Radium Life Tech. Co., Ltd. (Common shares)	34,360	(34,160)	200	20,000
Mega 72	EVA Airways Corp. (Common shares)	24,420	(19,620)	4,800	20,000
Mega 73	China Metal Products (Common shares)	17,260	(17,060)	200	20,000
Mega 74	Holtek Semiconductor Inc. (Common shares)	20,240	(20,040)	200	20,000
Mega 75	Hon Hai Technology (Common shares)	46,880	(46,480)	400	20,000
Mega 76	China Man-made Fiber Corporation. (Common shares)	14,060	(11,460)	2,600	20,000
Mega 77	Chung Hsin Electric & Machinery Mfg. Corp. Ltd. (Common shares)	38,340	(38,140)	200	20,000
Mega 78	Giga-Byte Technology Co., Ltd. (Common shares)	17,060	(16,660)	400	20,000
Mega 79	Yulon Motor (Common shares)	16,060	(15,860)	200	20,000
Mega 80	Lite-on IT Corp. (Common shares)	15,860	(13,860)	2,000	20,000
Mega 81	China Life. (Common shares)	21,840	(18,440)	3,400	20,000
Mega 82	Tong Yang Industry Co., Ltd. (Common shares)	18,660	(18,260)	400	20,000
Mega 83	TXC Corporation. (Common shares)	18,260	(18,060)	200	20,000
Mega 84	China Man-made Fiber Corporation. (Common shares)	26,220	(25,620)	600	20,000
Mega 85	Evergreen Marine Co., Ltd. (Common shares)	22,040	(1,640)	20,400	20,000

Warrants	Underlying Securities	Liability on stock warrants issued: Issue Amount	Variation Value	Fair Value	No. of Units (in thousands)
Mega 86	Lien Hwa Industrial Corp. (Common shares)	16,260	(12,460)	3,800	20,000
Mega 87	Yien Phui Enterprise Co.(Common shares)	7,480	(7,080)	400	20,000
Mega 88	ECS Elite Group (Common shares)	26,020	(25,620)	400	20,000
Mega 89	Tyntek Corporation (Common shares)	30,780	(29,780)	1,000	20,000
Mega 90	Advantech Co., Ltd.(Common shares)	23,820	(22,820)	1,000	20,000
Mega 91	Thye Ming Industrial Co., Ltd.(Common shares)	19,460	(19,060)	400	20,000
Mega 92	Novatech Microelectronics Corp.(Common shares)	39,340	(36,540)	2,800	20,000
Mega 93	Shin Kong Financial Holdings Co., Ltd. (Common shares)	30,520	(29,720)	800	40,000
Mega 94	UMC (Common shares)	31,980	(21,980)	10,000	20,000
Mega 95	Cheng Loong Corp. (Common shares)	26,020	(21,820)	4,200	20,000
Mega 96	Quanta Computer Inc.(Common shares)	24,820	(19,420)	5,400	20,000
Mega 97	Walsin Lihwa (Common shares)	31,380	(28,180)	3,200	20,000
Mega 98	AURORA (Common shares)	18,260	(14,460)	3,800	20,000
Mega 99	ASE Inc.(Common shares)	18,260	(14,260)	4,000	20,000
Mega A1	TSMC Limited (Common shares)	19,460	(12,460)	7,000	20,000
Mega A2	Unitech Print Circuit Board Corp.(Common shares)	16,860	(11,260)	5,600	20,000
Mega A3	Oriental Union Chemical Corporation (Common shares)	23,040	(3,640)	19,400	20,000
Mega A4	Phoenix Precious Technology Corporation (Common shares)	18,460	(13,060)	5,400	20,000
Mega A5	AVer Media (Common shares)	18,460	(7,260)	11,200	20,000
Mega A6	Yang Ming Marine Transport Corp. (Common shares)	11,860	7,140	19,000	20,000
Mega A7	Inventec Appliances Corp. (Common shares)	17,060	2,140	19,200	20,000
Mega A8	CMC Magnetics Corporation (Common shares)	6,280	(480)	5,800	20,000
Mega A9	Giantplus Technology Co., Ltd. (Common shares)	16,660	(2,460)	14,200	20,000
Mega B1	Nanya Technology Corporation (Common shares)	10,920	(1,320)	9,600	30,000
Mega B2	He Chun Tang (Common shares)	10,080	(1,880)	8,200	20,000
Mega B3	Delta Electronics Inc. (Common shares)	26,420	-	26,420	20,000
Mega B4	Solomon Group (Common shares)	29,400	-	29,400	20,000
Mega B5	Eternal (Common shares)	14,860	-	14,860	20,000
Mega B6	China Petrochemical Development Corporation (Common shares)	28,000	-	28,000	20,000
Mega B7	Altek Corporation (Common shares)	18,260	-	18,260	20,000
Mega R7	TECO Image Systems Co., Ltd. (Common shares)	12,210	(12,110)	100	10,000
Mega R8	Vanguard International Semiconductor Corporation (Common shares)	14,900	(14,800)	100	10,000
Mega R9	IBASE Technology Inc. (Common shares)	12,410	(12,310)	100	10,000

Financial Reports

Warrants	Underlying Securities	Liability on stock warrants issued			
		Issue Amount	Variation Value	Fair Value	No. of Units (in thousands)
Mega S1	WonTen Technology Co., Ltd. (Common shares)	11,860	(11,660)	200	20,000
Mega S2	Genesys Logic,Inc. (Common shares)	11,024	(10,944)	80	8,000
Mega S3	MJC Probe Inc. (Common shares)	14,768	(14,688)	80	8,000
Mega S4	Topoint Technology Co., Ltd. (Common shares)	9,862	(9,787)	75	7,466
Mega S5	Rich Development Inc. (Common shares)	14,060	(13,860)	200	20,000
Mega S6	Chaun Choung Technology Corp. (Common shares)	11,536	(11,466)	70	7,000
Mega S7	Asian Information Technology Group (Common shares)	13,010	(12,910)	100	10,000
Mega S8	Chenfull International Co., Ltd. (Common shares)	17,805	(17,505)	300	7,500
Mega S9	Jiin Ming Industry Co., Ltd. (Common shares)	19,060	(18,860)	200	20,000
Mega T1	Etron Technology, Inc. (Common shares)	15,460	(15,260)	200	20,000
Mega T2	DynaColor, Inc. (Common shares)	19,470	(19,370)	100	10,000
Mega T3	Powerchip Semiconductor Corp. (Common shares)	16,460	(16,260)	200	20,000
Mega T4	Kenmos Technology Co., Ltd. (Common shares)	18,170	(18,070)	100	10,000
Mega T5	Advanced International Multitech Co., Ltd. (Common shares)	24,285	(24,135)	150	15,000
Mega T6	Everskill Technology Corp. (Common shares)	12,460	(12,060)	400	20,000
Mega T7	ITEQ Corporation (Common shares)	23,440	(21,640)	1,800	20,000
Mega T8	Yeh-Chiang Technology Corp. (Common shares)	20,240	(17,840)	2,400	20,000
Mega T9	Chipbond Technology Corp. (Common shares)	15,480	(10,830)	4,650	15,000
Mega U1	Vanguard International Semiconductor Corporation (Common shares)	7,410	(4,110)	3,300	15,000
Mega U2	IC Plus Corp. (Common shares)	20,700	(10,800)	9,900	15,000
Mega U3	Taiwan Oasis Technology Co., Ltd. (Common shares)	6,300	1,190	7,490	7,000
Mega U4	YoungTek Electronics Corp. (Common shares)	6,775	1,025	7,800	5,000
Mega U5	Sea Sonic Electronics Co., Ltd. (Common shares)	13,455	4,045	17,500	5,000
Mega U6	Powerchip Semiconductor Corp. (Common shares)	10,220	5,180	15,400	10,000
Mega U7	Etron Technology, Inc. (Common shares)	12,795	1,605	14,400	15,000
Mega U8	Guang Jing Technology Corp.(Common shares)	15,190	3,210	18,400	10,000
Mega U9	Chi Cheng Enterprise Co., Ltd (Common shares)	15,090	-	15,090	10,000
Mega V1	Taiwan Power Company, Ltd. (Common shares)	11,620	-	11,620	10,000
	Total	$1,894,637	($1,426,360)	$468,278	

The liability on stock warrants of the above Mega CG~CH, CJ~CN and CP~CT had been approved for issuance but the number of units were insufficient. As of December 31, 2008, NT$53,836 was to be placed.

The liability on stock warrants of the above Mega B3~B7, Mega U9 and Mega V1 had been approved for issuance but the number of units were insufficient. As of December 31, 2007, NT$42,690 was to be placed.

8) Supplementary disclosures

Gain (loss) arising from "liability on stock warrants issued", "repurchase of stock warrants issued" and "securities held for risk hedging" for the years ended December 31, 2008 and 2007 are set forth below.

a) Valuation gain (loss)

	Valuation gain (loss)			
	For the year ended December 31, 2008		For the year ended December 31, 2007	Financial Statement Account
	NT$	US$ (Unaudited-Note 2)	NT$	
Gain on variation in value of liability on issuance of stock warrants	$3,358,773	$102,483	$2,126,874	Gain on issuance of stock warrants
Loss on variation in value of issuance of stock warrants issued	(112,609)	(3,436)	(529,037)	Loss on issuance of stock warrants
Valuation gain on repurchase of stock warrants issued	379,097	11,567	22,818	Gain on issuance of stock warrants
Valuation loss on repurchase of stock warrants issued	-	-	(804,789)	Loss on issuance of stock warrants
Securities held for risk hedging	6,335	193	(57,188)	Valuation adjustments on securities held for operations

b) Gain (loss) on sale

	Valuation gain (loss)			
	For the year ended December 31, 2008		For the year ended December 31, 2007	Financial Statement Account
	NT$	US$ (Unaudited-Note 2)	NT$	
Gain on resell of the stock warrants repurchased	$228,893	$6,984	$496,569	Gain on issuance of stock warrants
Loss on resell of the stock warrants repurchased	(1,324,283)	(40,407)	(925,613)	Loss on issuance of stock warrants
Securities held for risk hedging	(131,276)	(4,005)	(347,978)	Loss on sale of securities –hedging

c) Gain (loss) at maturity

	Valuation gain (loss)			
	For the year ended December 31, 2008		For the year ended December 31, 2007	Financial Statement Account
	NT$	US$ (Unaudited-Note 2)	NT$	
Gain on early execution of stock warrants	$8,597	$262	$36,900	Gain on issuance of stock warrants
Gain on unexercised expired stock warrants	6,098	186	4,770	Gain on issuance of stock warrants
Maturity gains – repurchase of re-issued call warrants	42,155	1,286	392,475	Gain on issuance of stock warrants
Maturity losses – repurchase of re-issued call warrants	(2,499,840)	(76,275)	(214,135)	Loss on insurance of stock warrants

(b) Derivative financial instruments – futures and options

i. Futures

a) MS has been engaged in proprietary trading of futures contracts since December 2003. Details of the futures contracts outstanding as of December 31, 2008 and 2007 are set forth below:

Unit: In thousand of NT dollars

Item	Type of transaction	Uncovered position		December 31, 2008 Contract amount or paid (collected) premium	Fair value	Note
		Buyer / seller	Number of contracts			
Futures contract	Taiwan Index Futures	Buyer	120	$109,152	$109,152	Non-hedging
	Financial Futures	Buyer	60	35,858	35,784	Non-hedging
	Electron Futures	Buyer	30	19,999	20,778	Non-hedging
Option contract	Uni President options– Call option	Buyer	2	11	12	Non-hedging
	OTC Option – Call option	Seller	10	(34)	(53)	Non-hedging
	OTC Option – Call option	Buyer	30	83	111	Non-hedging
	Electron Option – Call option	Buyer	11	60	29	Non-hedging
	Non-Financial and Electron Option – Call option	Buyer	85	450	131	Non-hedging
	Non-Financial and Electron Option – Call option	Seller	45	(201)	(168)	Non-hedging
	Taiwan Index Futures Options – Call option	Seller	1,044	(8,117)	(8,877)	Non-hedging
	Taiwan Index Futures Options – Call option	Buyer	60	370	410	Non-hedging
	Uni President options– Put option	Buyer	2	12	10	Non-hedging
	OTC Option – Put option	Buyer	10	49	20	Non-hedging
	Non-Financial and Electron Option – Put option	Seller	50	(197)	(147)	Non-hedging
	Non-Financial and Electron Option – Put option	Buyer	70	395	287	Non-hedging
	Taiwan Index Futures Options – Put option	Buyer	1,086	2,653	2,154	Non-hedging
	Taiwan Index Futures Options – Put option	Seller	370	(1,492)	(1,170)	Non-hedging

Unit: In thousand of US dollars (Unaudited-Note 2)

Item	Type of transaction	Uncovered position		December 31, 2008 Contract amount or paid (collected) premium	Fair value	Note
		Buyer / seller	Number of contracts			
Futures contract	Taiwan Index Futures	Buyer	120	$3,330	$3,330	Non-hedging
	Financial Futures	Buyer	60	1,094	1,092	Non-hedging
	Electron Futures	Buyer	30	610	634	Non-hedging
Option contract	Uni President options– Call option	Buyer	2	-	-	Non-hedging
	OTC Option – Call option	Seller	10	(1)	(2)	Non-hedging
	OTC Option – Call option	Buyer	30	3	3	Non-hedging
	Electron Option – Call option	Buyer	11	2	1	Non-hedging
	Non-Financial and Electron Option – Call option	Buyer	85	14	4	Non-hedging
	Non-Financial and Electron Option – Call option	Seller	45	(6)	(5)	Non-hedging
	Taiwan Index Futures Options – Call option	Seller	1,044	(248)	(271)	Non-hedging
	Taiwan Index Futures Options – Call option	Buyer	60	11	13	Non-hedging
	Uni President options– Put option	Buyer	2	-	-	Non-hedging
	OTC Option – Put option	Buyer	10	1	1	Non-hedging
	Non-Financial and Electron Option – Put option	Seller	50	(6)	(4)	Non-hedging
	Non-Financial and Electron Option – Put option	Buyer	70	12	9	Non-hedging
	Taiwan Index Futures Options – Put option	Buyer	1,086	81	66	Non-hedging
	Taiwan Index Futures Options – Put option	Seller	370	(46)	(36)	Non-hedging

Unit: In thousand of NT dollars

Item	Type of transaction	December 31, 2007 Uncovered position Buyer / seller	Number of contracts	Contract amount or paid (collected) premium	Fair value	Note
Futures contract	Financial Futures	Buyer	128	$115,338	$120,294	Non-hedging
	Taiwan Index Futures	Buyer	20	33,124	33,932	Non-hedging
Option contract	Taiwan Index Futures Options – Call option	Buyer	471	1,440	1,656	Non-hedging
	Taiwan Index Futures Options – Call option	Seller	1,168	(3,367)	(4,266)	Non-hedging
	Nanya Stock Options – Call option	Buyer	2	28	30	Non-hedging
	MSCI Taiwan Index Option – Put option	Buyer	10	49	22	Non-hedging
	MSCI Taiwan Index Option – Put option	Seller	10	(66)	(140)	Non-hedging
	Taiwan Index Futures Options – Put option	Buyer	165	584	298	Non-hedging
	Taiwan Index Futures Options – Put option	Seller	294	(1,270)	(668)	Non-hedging

b) For the years ended December 31, 2008 and 2007, gains and losses from subsidiaries' engaging in futures contracts and options are as follows:

	For the year ended December 31, 2008		(Unit: thousand of NT dollars)
	Realized gains (losses)	Valuation gains (losses)	Total
Gains on futures contracts	$351,197	$ -	$351,197
Losses on futures contracts	(364,417)	(5,061)	(369,478)
Gains on option trading	548,828	-	548,828
Losses on option trading	(451,821)	(820)	(452,641)
	$83,787	($5,881)	$77,906

	For the year ended December 31, 2008		(Unit: thousand of US dollars, Unaudited-Note 2)
	Realized gains (losses)	Valuation gains (losses)	Total
Gains on futures contracts	$10,716	$ -	$10,716
Losses on futures contracts	(11,119)	(154)	(11,273)
Gains on option trading	16,746	-	16,746
Losses on option trading	(13,786)	(25)	(13,811)
	$2,557	($179)	$2,378

Gains and losses on futures contracts included non-operating gains and loss on futures contracts amounted to NT$1,210 thousand and NT$663 thousand, respectively; gains and losses on options contracts included non-operating gains and loss on options contracts amounted to NT$238 thousand and NT$84 thousand, respectively.

	For the year ended December 31, 2007		
	Realized gains (losses)	Valuation gains (losses)	Total
Gains on futures contracts	$182,328	$7,311	$189,639
Losses on futures contracts	(283,569)	-	(283,569)
Gains on option trading	183,055	-	183,055
Losses on option trading	(325,069)	(1,158)	(326,227)
	($243,255)	$6,153	($237,102)

ii. Bond options

1) MS has been engaged in trading of bond options since March 2005. Details of the bond option contracts outstanding as of December 31, 2008 and 2007 are set forth below:

December 31, 2008

Transaction	Contract Amount/ Premiums Paid		Fair Value	
	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)
Purchase of 2008 Central Government Bond A-4 Put Options	$86	$3	$13	$ -
Purchase of 2008 Central Government Bond A-6 Call Options	459	14	156	5

December 31, 2007

Transaction	Contract Amount/Premiums Paid	Fair Value
Purchase of 2007 Central Government Bond A-6 Call Options	$408	$422
Sale of 2007 Central Government Bond A-6 Call Options	(159)	(172)

2) The MS's (loss) profit arising from trading of bond options for the years ended December 31, 2008 and 2007 were with income of NT$10,021 thousand (US$306 thousand) and loss of (NT$243 thousand), respectively and is recorded under "(Loss) Gain on derivative financial instruments - OTC".

iii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The option contracts entered into by MS are all exchange-traded and can be settled at expiration without default. Therefore, no significant credit risk is expected to arise.

iv. Market price risk

The major risk associated with the futures and option trading undertaken by MS is the market risk arising from the fluctuations in the market prices of the underlying securities. Losses will be incurred if market index prices and the prices of the underlying securities move in opposite directions. To control the risk within a tolerable limit, a stop-loss mechanism has been established.

Pursuant to the Letter (87) Tai-Tsai-Tseng (2) No.01761 issued by the SFC, securities firms are allowed to undertake futures trading for risk hedging purpose with the approval from the SFC if risk hedging is deemed necessary for the marketable securities held for proprietary trading and underwriting. However, the total market value of the securities firm's position in the outstanding futures contracts cannot exceed the total market value of the spot securities held on hand nor can it exceed 20% of the securities firm's net worth. Hence, market risk is assessed to be remote.

v. Liquidity risk

As premiums are paid before futures and option contracts are bought, no funding requirement is expected. In addition, the options written and the outstanding futures contracts can be settled at reasonable prices. Therefore, liquidity risk is assessed to be remote.

vi. Amount and timing of future cash flows

To hedge the risk arising from proprietary trading of stocks, MS has entered into TAIEX Index Futures and TAIEX Index Option contracts. Margin deposits are paid before the transactions take effect. MS's position in the outstanding futures contracts is marked–to-market daily, and its working capital is assessed to be adequate to support the margin calls. Hence, no cash flow risk or significant cash requirements are expected.

(c) Derivative financial instruments - interest rate swaps

i. MS has been undertaking interest rate swap contracts for risk hedging and trading purposes. Details of the interest rate swap contracts outstanding as of December 31, 2008 and 2007 are set forth below:

	December 31, 2008					
	Notional principal		Fair value			
Item	NT$	US$ (Unaudited -Note 2)	NT$	US$ (Unaudited -Note 2)	Nature	Risk hedging
Cross currency swap (assets)	$67,420,000	$2,057,118	$2,510,651	$76,605	For trading purpose	None
Cross currency swap (liabilities)	69,520,000	2,121,194	(2,580,344)	(78,731)	For trading purpose	None

	December 31, 2007			
Item	Notional principal (NT$)	Fair value (NT$)	Nature	Risk hedging
Cross currency swap (assets)	$57,200,000	$252,801	For trading purpose	None
Cross currency swap (liabilities)	56,600,000	(262,102)	For trading purpose	None

ii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The counterparties of MS are all well-known banks, bills companies and securities companies with good credit ratings. Thus, the credit risk is assessed to be remote.

iii. Market risk

The market risk arises from the fluctuations in interest rates. The interest rate swaps are undertaken by MS to hedge the interest rate risk arising from net assets. Thus, the market risk is offset against each other. MS mainly utilizes interest rate swaps when an increase in interest rates is expected. When the interest rate moves in an unfavorable direction, the loss can be controlled within a tolerable limit. As a result, no significant market risk is expected.

iv. Amount and timing of expected future cash flows

Upon settlement of the contracts, the amount of the notional principal multiplied by the interest rate differential is received or paid. As the amount settled is insignificant and the notional principal is not settled, no significant cash requirement is expected.

v. Gain (loss) on derivative financial instruments arising from interest rate swap is as follows:

For the year ended December 31, 2008:

	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)
Interest rate swaps	($5,614)	($171)	($60,392)	($1,843)	($66,006)	($2,014)

For the year ended December 31, 2007:

	Realized Gain (Loss)	Valuation Gain (Loss)	Total
	NT$	NT$	NT$
Interest rate swaps	($8,686)	($15,183)	($23,869)

The MS's profit (loss) arising from interest rate swaps is recorded under "Gain (loss) on derivative financial instruments-OTC".

(d) Derivative financial instruments - asset swaps

i. As MS has underwritten convertible bonds on a firm commitment basis, it has entered into convertible bond asset swap option contracts to enhance the liquidity of the remaining convertible bonds held on hand and thereby, reduce the risk of its position in the convertible bonds.

ii. Details of the asset swap-option contracts undertaken by MS as of December 31, 2008 and 2007 are as follows:

December 31, 2008

Financial Instrument	Notional Principal/ Contract Amount		Fair Value	
	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)
Sale of American call options	$36,953	$1,128	$11,305	$345

December 31, 2007

Financial Instrument	Notional Principal/ Contract Amount	Fair Value
	NT$	NT$
Sale of American call options	$164,681	$110,604

iii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The quantitative information of MS' right to buy or obligation to sell convertible bonds are entered into the information system of the GreTai Securities Market (the over-the-counter market) on the contract date and settlement of the asset swap option contracts is conducted through Taiwan Depository and Clearing Corporation. Hence, no significant credit risk is expected.

iv. Market price risk

When MS exercises its right to buy or perform its obligation to sell convertible bonds, the related prices are quoted in accordance with the rules specified in the contracts. Therefore, market risk is assessed to be remote.

v. Amount and timing of expected future cash flows

MS's working capital is assessed to be adequate to support the periodic payment of the specified interest on the asset swap transaction during the contract period. Hence, no significant funding risk is expected.

vi. Gain (loss) on the convertible bond asset swaps are as follows:

For the year ended December 31, 2008:

	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)
Asset swap-options	$83,208	$2,539	($28,429)	($867)	$54,779	$1,672

For the year ended December 31, 2007:

	Realized Gain (Loss)	Valuation Gain (Loss)	Total
	NT$	NT$	NT$
Asset swap-options	($305,684)	$214,528	($91,156)
Asset swap – interest rate swaps contract value	4,400	(902)	3,498
	($301,284)	$213,626	($87,658)

The MS's profit (loss) arising from trading of asset swaps is recorded under "Gain (loss) on derivative financial instruments-OTC".

(e) Derivative financial instruments - structured financial instruments

i. MS obtained the approval from the governing authority in July 2003 to issue structured financial products denominated in New Taiwan dollars, which include equity-linked notes (ELN) and principal-guaranteed notes (PGN). Details of the outstanding contracts of the structured financial instruments as of December 31, 2008 and 2007 are set forth below:

December 31, 2008

Transaction	Contract Principal	Cost of Fixed Income Securities	Market Price of Fixed Income Securities	Option Cost	Option Value
				(In Thousands of NT Dollars)	
PGN	$80,000	$79,627	$79,865	$373	$404

Transaction	Contract Principal	Cost of Fixed Income Securities	Market Price of Fixed Income Securities	Option Cost	Option Value
			(In Thousands of US Dollars, Unaudited-Note 2)		
PGN	$2,441	$2,430	$2,437	$11	$12

December 31, 2007

Transaction	Contract Principal	Cost of Fixed Income Securities	Market Price of Fixed Income Securities	Option Cost	Option Value
				(In Thousands of NT Dollars)	
PGN	$6,674	$6,308	$5,312	$1,017	$537
ELN	$65,000	$64,882	$64,893	$118	$123

ii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. As payments for the structured financial instruments are collected from the investors on the contract date and placed in an exclusive account at the custodian institution, no significant credit risk is expected.

iii. Market risk

Payments received from the investors for the structured financial instruments on the contract date are utilized in accordance with the terms and conditions specified in the contract. As the prices of the underlying securities and the fixed income securities invested using the payments from the investors can be referred to the public quoted market prices, market risk is assessed to be remote.

iv. Amount and timing of expected cash flows

Payments received from the investors for the structured financial instruments on the contract date are placed in an exclusive account at the custodian institution, which are separated from MS's own assets. The terms and conditions on utilization of the investors' payments are specified in the contract, including the proportion to be invested in fixed income securities. Therefore, no significant cash requirements are expected at expiration of the contract.

v. Gains (losses) on the structured financial instruments for the years ended December 31, 2008 and 2007 are set forth below:

	For the year ended December 31, 2008					
	Realized Loss		Valuation Gain		Total	
	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)
PGN	$3,377	$103	($253)	($8)	$3,124	$95
ELN	1,147	35	(518)	(16)	629	19
	$4,524	$138	($771)	($24)	$3,753	$114

	For the year ended December 31, 2007		
	Realized Loss	Valuation Gain	Total
	NT$	NT$	NT$
PGN	$2,838	($113)	$2,725
ELN	(857)	632	(225)
	$1,981	$519	$2,500

The MS's profit (loss) arising from trading of structured financial instruments is recorded under "Gain (loss) on derivative financial instruments-OTC".

vi. Subsidiaries engage in margin loans and stock loans business. Margin loans given to customers and are collateralized by the securities that the customers purchase and securities lent to customers to sell short as of December 31, 2008 and 2007 are as follows:

December 31, 2008

	Number of financing shares (In thousand of shares)	Market price NT$	Market price US$ (Unaudited-Note 2)
Margin loans given to customers and are collateralized by the securities that the customers purchase	699,502	$14,901,827	$454,684
Securities lent to customer to sell short	34,968	924,064	28,195

December 31, 2007

	Number of financing shares (In thousand of shares)	Market price NT$
Margin loans given to customers and are collateralized by the securities that the customers purchase	1,043,716	$29,717,747
Securities lent to customer to sell short	21,086	1,122,484

C. MBF

(a) Derivative financial instruments – futures and options

i. As of December 31, 2008 and 2007, MBF did not hold any uncovered positions of futures and options.

ii. Gains (losses) on the structured financial instruments for the years ended December 31, 2008 and 2007 are set forth below:

	For the year ended December 31, 2008					
	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)
(Loss) gain on futures contracts	$9,353	$285	$ -	$ -	$9,353	$285
(Loss) gain on option contracts	1,039	32	-	-	1,039	32
	$10,392	$317	$ -	$ -	$10,392	$317

	For the year ended December 31, 2007		
	Realized Gain (Loss)	Valuation Gain (Loss)	Total
	NT$	NT$	NT$
(Loss) gain on futures contracts	($29,578)	($4,051)	($33,629)
(Loss) gain on option contracts	(1,915)	-	(1,915)
	($31,493)	($4,051)	($35,544)

iii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The option contracts entered into by MS are all exchange-traded and can be settled at expiration without default. Therefore, no significant credit risk is expected to arise.

iv. Market risk

The major risk associated with the futures and option trading undertaken by MBF is the market risk arising from the fluctuations in the market prices of the underlying securities. Losses will be incurred if market index prices and the prices of the underlying securities move in opposite directions. To control the risk within a tolerable limit, a stop-loss mechanism has been established.

v. Liquidity risk

As premiums are paid before futures and option contracts are bought, no funding requirement is expected. In addition, the options written and the outstanding futures contracts can be settled at reasonable prices. Therefore, liquidity risk is assessed to be remote.

vi. Amount and timing of future cash flows

To hedge the risk arising from proprietary trading of stocks, MS has entered into TAIEX Index Futures and TAIEX Index Option contracts. Margin deposits are paid before the transactions take effect. MS's position in the outstanding futures contracts is marked-to-market daily, and its working capital is assessed to be adequate to support the margin calls. Hence, no cash flow risk or significant cash requirements are expected.

(b) Derivative financial instruments - interest rate swaps

i. Please refer to Note 10 of details of the interest rate swap contracts outstanding as of December 31, 2008 and 2007.

ii. Gains (losses) on the interest rate swaps for the years ended December 31, 2008 and 2007 are set forth below:

	For the year ended December 31, 2008					
	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)	NT$	US$ (Unaudited-Note 2)
Interest rate swap	($16,062)	($490)	$30,482	$930	$14,420	$440

	For the year ended December 31, 2007		
	Realized Gain (Loss)	Valuation Gain (Loss)	Total
	NT$	NT$	NT$
interest rate swap	($16,000)	$7,641	$9,019

iii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. The counterparties of MBF are all well-known banks and bills companies with good credit ratings. Thus, the credit risk is assessed to be remote.

iv. Market risk

The market risk arises from the fluctuations in interest rates. When the interest rate moves in an unfavorable direction, the loss can be controlled within a tolerable limit. As a result, no significant market risk is expected.

v. Amount and timing of expected future cash flows

Upon settlement of the contracts, the amount of the notional principal multiplied by the interest rate differential is received or paid. As the amount settled is insignificant and the notional principal is not settled, no significant cash requirement is expected.

(c) Credit risk

i. One of the primary operations of MBF is providing guarantees for the issuance of commercial papers. Such guarantees agreement normally comes with 1 year expiration period. The range of contract period for commercial papers is normally from 10 days to 180 days and the expiration dates are not concentrated on the same day.

ii. As of December 31, 2008 and 2007, the off-balance sheet contract amount for the guarantees of commercial papers subject to potential credit risks is NT$244,232 million (US$7,452 million) and NT$261,659 million, respectively. (The contract amount which has been drawn upon amounted to NT$117,946 million (US$3,599 million) and NT$109,110 million, respectively.)

iii. Since MBF is only subject to payments in the event of default on the issuer of commercial papers in such guarantee contracts, the contract amount for such financial instruments does not represent the expected future cash outflow. In fact, the demand for future cash flow is less than the contract amount. When the guaranteed amount had been drawn upon and the underlying collateral or other collaterals has completely lost its values, the amount of credit risk exposure will equal to the contract amount which is the maximum potential loss.

iv. In granting guarantees for the issuance of commercial papers, MBF undertakes strict credit assessment and also demands appropriate collaterals from the customers as necessary. As of December 31, 2008 and 2007, the percentage of guarantees with collaterals is 51% and 64% respectively. Collaterals provided normally include real estate properties, circulating securities or other properties, etc. In the event of customer defaults, the Company assumes rights on such collaterals.

v. The following information is disclosed in accordance with “Guidelines for Preparation of Financial Reports by Publicly Held Bills Finance Companies”.

1) Overview of main business

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Total guarantees and endorsement for short-term bills	$117,945,700	$3,598,758	$109,110,000
Guarantees and endorsement for short-term bills / Net worth(after deducting final accounts allotment) (Note)	4.36	4.36	3.62
Total bills and bonds payable under repurchase agreements	215,025,089	6,560,844	203,409,282
Bills and bonds payable under repurchase agreements / Net worth (after deducting final accounts allotment) (Note)	7.95	7.95	6.75

Note: According to current laws and regulations, total guarantees and endorsement for short-term bills held by bills finance companies shall not exceed eight times of net worth, and total liabilities shall not exceed fourteen times of net worth.

The abovementioned business engaged by subsidiaries is in compliance with regulations.

2) Profile of concentration of credit risk and credit extensions of interested parties

(Expressed In Thousands of New Taiwan Dollars, %)

	December 31,			
	2008		2007	
Amount of credit extensions to interested parties	$ -		$90,000	
Ratio of credit extensions to interested parties (%) (Note 1)	-		0.08	
Ratio of credit extensions secured by stocks (%) (Note 2)	14.72		18.86	
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount)	Industry	Ratio (%)	Industry	Ratio (%)
	Financial & Insurance	35.17	Financial & Insurance	32.91
	Manufacturing	28.01	Manufacturing	26.68
	Real estate & Leasing	15.82	Real estate and leasing	19.36

Note 1: The ratio of credit extensions to interested parties = the amount of credit extensions to interested parties / the total amount of all credit extensions.

Note 2: The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amount of all credit extensions.

Note 3: Total amount of credit extensions include loans, bills discounted, acceptances receivable, guarantees receivable, and advance accounts for factoring receivable.

3) Policy of reserve for losses and movements of allowance for credit losses

MBF had revalued the allowance and reserves for bills receivables, accounts receivables, overdue loans, and commercial papers by considering unrecoverable risks. Movements in allowance for credit losses for the years ended December 31, 2008 and 2007 are as follows:

	For the years ended December 31,		
	2008		2007
	NT$	US$ (Unaudited-Note 2)	NT$
Beginning balance	$1,851,971	$56,507	$2,333,972
Provisions	1,027,965	31,365	74,252
Write-off	(103,512)	(3,158)	(556,253)
Ending balance	$2,776,424	$84,714	$1,851,971

4) Significant credit risk concentration for provision of guarantees for commercial papers are as follows:

	December 31, 2008			December 31, 2007	
	Amount			Amount	
	NT$	US$ (Unaudited -Note 2)	%	NT$	%
Manufacturing	$41,708	$1,273	35.17	$29,397	26.68
Financial & Insurance	33,213	1,013	28.01	36,252	32.91
Real estate & Leasing	18,756	572	15.82	21,333	19.36
Wholesale & retail	7,991	244	6.74	7,420	6.73
Services	5,509	168	4.65	4,889	4.44
Others	11,406	348	9.61	10,880	9.88
Total	$118,583	$3,618	100.00	$110,171	100.00

(d) Market risk

Market risk is the risk of potential decrease in values due to changes in interest rate. Fluctuations in market interest rates results in changes in the fair value of debt investments. The market interest rate risks associated with financial instruments held by MBF is appropriately managed within specified quota and limit for potential losses.

(e) Liquidity risk

i. The operating capital of MBF is sufficient to meet cash flows for all contractual obligations; therefore, there is no liquidity risk regarding inability to raise capital to meet existing contractual obligations.

ii. Since the derivative financial instruments possessed by MBF are primarily associated with major foreign currency contracts, the liquidity risk is low for the possibility of inability to sell such instruments at reasonable price in the market.

iii.Source and utilization of capital

December 31, 2008 Unit: In Millions of NT dollars

		1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	62,941	57,383	4,860	181	-
	Bonds	1,673	885	2,459	8,147	113,328
	Time deposits	1,029	-	-	50	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resell agreements	-	-	-	-	-
	Total	65,643	58,268	7,319	8,378	113,328
Sources of Capital	Loans borrowed	8,609	-	-	-	-
	Bills and bonds sold under repurchased agreements	174,603	34,610	4,304	1,508	-
	Own capital	-	-	-	-	33,321
	Total	183,212	34,610	4,304	1,508	33,321
Net Flow of Capital		(117,569)	23,658	3,015	6,870	80,007
Accumulated Net Flow of Capital		(117,569)	(93,911)	(90,896)	(84,026)	(4,019)

December 31, 2008 — Unit: In Millions of US dollars, Unaudited-Note 2

		1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	1,920	1,751	148	6	-
	Bonds	51	27	75	249	3,458
	Time deposits	31	-	-	2	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resell agreements	-	-	-	-	-
	Total	2,002	1,778	223	257	3,458
Sources of Capital	Loans borrowed	263	-	-	-	-
	Bills and bonds sold under repurchased agreements	5,327	1,056	131	46	-
	Own capital	-	-	-	-	1,017
	Total	5,590	1,056	131	46	1,017
Net Flow of Capital		(3,588)	722	92	211	2,441
Accumulated Net Flow of Capital		(3,588)	(2,866)	(2,774)	(2,563)	(123)

December 31, 2007 — Unit: In Millions of NT dollars

		1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	48,777	26,878	7,273	3,751	-
	Bonds	10,249	500	2,963	8,848	126,524
	Time deposits	400	-	-	200	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resell agreements	-	-	-	-	-
	Total	59,426	27,378	10,236	12,799	126,524
Sources of Capital	Loans borrowed	5,390	-	4,500	500	-
	Bills and bonds sold under repurchased agreements	175,392	23,516	3,558	943	-
	Own capital	-	-	-	-	29,325
	Total	180,782	23,516	8,058	1,443	29,325
Net Flow of Capital		(121,356)	3,862	2,178	11,356	97,199
Accumulated Net Flow of Capital		(121,356)	(117,494)	(115,316)	(103,960)	(6,761)

iv. Cash flow risk and fair value risk associated with movements in interest rates

Subsidiary holds floating interest-earning assets and floating interest-bearing liabilities, future cash flow of such assets and liabilities may fluctuate and result in risk due to market interest rate.

1) As of December 31, 2008 and 2007, the carrying amounts of financial assets and financial liabilities are classified according to their time-to-maturity as follows:

(In Thousands of NT Dollars)

	December 31, 2008								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	$62,940,732	$57,382,703	$5,041,925	$ -	$ -	$ -	$ -	$ -	$125,365,360
Fixed rate commercial paper	-	27	19,831	24,494	52,833	-	-	-	97,185
Bond Investments –government bonds	100,074	-	-	-	-	-	467,673	53,394	621,141
Bond Investments –financial bonds	-	296,180	-	-	-	-	-	-	296,180
Bond Investments –corporate bonds	-	-	64,124	9,445	22,832	30,073	1,369	-	127,843
Convertible corporate bond asset swaps	-	80,246	1,129,399	1,269,170	5,432	-	-	-	2,484,247
Derivatives – interest rate swaps	-	509	1,587	57,370	51,407	-	-	-	110,873
Available-for-sale financial assets									
Bond Investment -government bonds	105,384	100,403	6,034,859	12,339,733	11,464,728	22,365,198	14,707,283	32,614,296	99,731,884
Bond Investment –financial bonds	-	495,494	2,489,541	3,373,683	-		-	-	6,358,718
Bond Investments –corporate bonds	1,468,067	289,500	1,487,222	4,213,013	4,248,336	2,038,861	1,650,511	1,277,102	16,672,612
Held-to-maturity financial assets	-	-	-	200,000	-	-	-	-	200,000
Total assets	$64,614,257	$58,645,062	$16,268,488	$21,486,908	$15,845,568	$24,434,132	$16,826,836	$33,944,792	$252,066,043

(In Thousands of NT Dollars)

	December 31, 2008								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Liabilities									
Financial liabilities at fair value through profit or loss									
Derivatives – interest rate swaps	-	-	(9,093)	(67,709)	(42,214)	-	-	-	(119,016)
Bills and bonds payable under repurchase agreements	(174,602,720)	(34,610,021)	(5,812,348)	-	-	-	-	-	(215,025,089)
Total liabilities	(174,602,720)	(34,610,021)	(5,821,441)	(67,709)	(42,214)	-	-	-	(215,144,105)
Duration Gap	($109,988,463)	$24,035,041	$10,447,047	$21,419,199	$15,803,354	$24,434,132	$16,826,836	$33,944,792	$36,921,938

Financial Reports

(In Thousands of US Dollars)(Unaudited-Note 2)

	December 31, 2008								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	$1,920,447	$1,750,861	$153,839	$ -	$ -	$ -	$ -	$ -	$3,825,147
Fixed rate commercial paper	-	1	605	747	1,612	-	-	-	2,965
Bond Investments –government bonds	3,053	-	-	-	-	-	14,270	1,629	18,952
Bond Investments –financial bonds	-	9,037	-	-	-	-	-	-	9,037
Bond Investments –corporate bonds	-	-	1,957	288	697	918	42	-	3,902
Convertible corporate bond asset swaps	-	2,448	34,460	38,725	166	-	-	-	75,799
Derivatives – interest rate swaps	-	16	48	1,750	1,569	-	-	-	3,383
Available-for-sale financial assets									
Bond Investment -government bonds	3,215	3,063	184,136	376,510	349,812	682,407	448,748	995,127	3,043,018
Bond Investment –financial bonds	-	15,119	75,961	102,938	-	-	-	-	194,018
Bond Investments –corporate bonds	44,794	8,833	45,378	128,547	129,625	62,210	50,360	38,967	508,714
Held-to-maturity financial assets	-	-	-	6,102	-	-	-	-	6,102
Total assets	$1,971,509	$1,789,378	$496,384	$655,607	$483,481	$745,535	$513,420	$1,035,723	$7,691,037
Liabilities									
Financial liabilities at fair value through profit or loss	-	-	(277)	(2,066)	(1,288)	-	-	-	(3,631)
Derivatives – interest rate swaps	(5,327,477)	(1,056,021)	(177,347)	-	-	-	-	-	(6,560,845)
Bills and bonds payable under repurchase agreements	(5,327,477)	(1,056,021)	(177,624)	(2,066)	(1,288)	-	-	-	(6,564,476)
Total liabilities	($3,355,968)	$733,357	$318,760	$653,541	$482,193	$745,535	$513,420	$1,035,723	$1,126,561

(In Thousands of NT Dollars)

	December 31, 2007								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	$49,704,881	$25,975,332	$10,998,885	$ -	$ -	$ -	$ -	$ -	$86,679,098
Fixed rate commercial paper	-	-	-	273	-	-	-	-	273
Bond Investments –government bonds	-	-	-	-	-	-	-	4	4
Bond Investments –financial bonds	-	-	1,082,598	-	-	-	-	-	1,082,598
Bond Investments –corporate bonds	-	-	-	219,479	27,196	2,258	-	-	248,933
Convertible corporate bond asset swaps	-	-	663,913	1,417,916	781,650	-	-	-	2,863,479
Derivatives – interest rate swaps	-	-	1,698	5,212	25,992	13,949	-	-	46,851
Available-for-sale financial assets									
Bond Investment -government bonds	10,080,377	-	2,981,945	10,966,761	15,097,695	11,494,685	22,047,828	43,820,263	116,489,554
Bond Investment –financial bonds	168,339	500,000	1,453,274	2,987,803	3,399,262	-	-	-	8,508,678
Bond Investments –corporate bonds	-	-	6,291,732	4,146,300	4,211,024	1,492,151	2,024,947	1,524,679	19,690,833
Held-to-maturity financial assets	-	-	-	-	200,000	-	-	-	200,000
Total assets	$59,953,597	$26,475,332	$23,474,045	$19,743,744	$23,742,819	$13,003,043	$24,072,775	$45,344,946	$235,810,301

Financial Reports

	December 31, 2007								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Liabilities									
Financial liabilities at fair value through profit or loss									
Fixed rate commercial paper	-	(80)	(229)	(29,051)	(22,341)	(24,988)	-	-	(76,689)
Derivatives – interest rate swaps	-	-	(3,695)	(8,445)	(41,282)	(32,054)	-	-	(85,476)
Bills and bonds payable under repurchase agreements	(175,392,052)	(23,515,555)	(4,501,675)	-	-	-	-	-	(203,409,282)
Corporate bonds payable	-	-	(5,000,000)	-	-	-	-	-	(5,000,000)
Total liabilities	(175,392,052)	(23,515,635)	(9,505,599)	(37,496)	(63,623)	(57,042)	-	-	(208,571,447)
Duration Gap	($115,438,455)	$2,959,697	$13,968,446	$19,706,248	$23,679,196	$12,946,001	$24,072,775	$45,344,946	$27,238,854

2) Market interest rate (Excluding financial assets held for trading)

Items of financial assets	December 31, 2008	December 31, 2007
Available-for-sale financial assets		
Bond Investments-government bonds	0.9544%~2.0026%	1.8521%-2.9726%
Bond Investments -financial bonds	2.0000%~3.0500%	2.0000%-3.0500%
Bond Investments -corporate bonds	1.8800%~3.3500%	1.8500%-3.3500%
Held-to-maturity financial assets		
Bond Investments-financial bonds	3.2500%~3.9000%	3.2500%-3.6500%

D. CKI

CKI holds various types of financial instruments. The goal of risk management of CKI is to achieve optimal asset allocation position, maintain proper liquidity position, and manage all market risk centralized by considering the economic environment, competition condition and impact on market value risk. In order to achieve this goal as well as effectively control and measure market risk, credit risk and liquidity risk, CKI's financial risks and control strategies are as follows:

(a) Interest rate risk:

The interest-rate-linked financial products held by CKI are mainly fixed interest rate products and they have no significant interest rate risks. However, the fair value of bonds would change due to fluctuations in market interest rate.

(b) Foreign exchange rate risks:

CKI observes and researches factors affecting trends of exchange rates including both domestic and international economic environment and interests on a periodic basis. CKI analyzes the variability of New Taiwan dollars in response to foreign exchange rates. The foreign currency quotas of CKI's utilization of operating capital primarily include time deposits and funds denominated in foreign currencies with strong international influence. In addition, CKI also adopts the method of maintaining a basket of various foreign currencies in order to hedge foreign exchange rate risks. As a result, changes in foreign exchange rates have no significant influence on CKI.

(c) Price risks:

CKI sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk. CKI is exposed to equity securities price risk because of investments held by CKI, but CKI sets stop-loss amount of derivatives to reduce its market risk.

(d) Credit risks:

Financial instruments held by CKI are exposed to potential loss due to failure of counterparties in meeting obligations when they come due. CKI utilizes capital in compliance to Insurance Law No.146 and related regulations, companies with equivalent credit ratings or issuance and guarantees from reputable financial institutions must be obtained and confirmed prior to entering every transaction for investments. In addition, the amounts of transactions as cumulated by each counterparty are bound to strict restrictions established by laws. As a result, CKI should have no significant credit risks.

(e) Liquidity risks:

CKI's operating capital is adequate in meeting demand for cash outflows, thus there is no liquidity risk regarding inability to raise capital for meeting contractual obligations. CKI's investments in bonds are traded in active markets; therefore, these financial assets are expected to be sold in the market at prices relevant to their fair values.

(f) Details of calculation of gross premiums are as follows:

Expressed in thousands of NT dollars

Type	For the year ended December 31, 2008			
	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums (4)=(1)+(2)-(3)
Compulsory insurance	$398,523	$113,312	$134,004	$377,831
Non-compulsory insurance	5,580,761	832,163	3,508,546	2,904,378
Total	$5,979,284	$945,475	$3,642,550	$3,282,209

Expressed in thousands of NT dollars

Type	For the year ended December 31, 2008		
	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	$179,081	$171,424	$370,174
Non-compulsory insurance	1,625,801	1,681,809	2,960,386
Total	$1,804,882	$1,853,233	$3,330,560

Expressed in thousands of US dollars, Unaudited-Note 2

Type	For the year ended December 31, 2008			
	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums (4)=(1)+(2)-(3)
Compulsory insurance	$12,160	$3,457	$4,089	$11,528
Non-compulsory insurance	170,280	25,391	107,053	88,618
Total	$182,440	$28,848	$111,142	$100,146

Expressed in thousands of US dollars, Unaudited-Note 2

Type	For the year ended December 31, 2008		
	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	$5,464	$5,230	$11,294
Non-compulsory insurance	49,606	51,315	90,327
Total	$55,070	$56,545	$101,621

Expressed in thousands of NT dollars

Type	For the year ended December 31, 2007			
	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums (4)=(1)+(2)-(3)
Compulsory insurance	$369,600	$113,804	$126,745	$356,659
Non-compulsory insurance	6,117,486	905,678	3,937,659	3,085,505
Total	$6,487,086	$1,019,482	$4,064,404	$3,442,164

Expressed in thousands of NT dollars

Type	For the year ended December 31, 2007		
	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	$171,424	$171,662	$356,897
Non-compulsory insurance	1,698,582	1,733,546	3,120,469
Total	$1,870,006	$1,905,208	$3,477,366

(g) Details of calculation of net claims are as follows:

Expressed in thousands of NT dollars

Type	For the year ended December 31, 2008 Claims incurred (1)	Reinsurance Claims incurred (2)	Claims recovered from reinsurers (3)	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	$225,007	$58,631	$89,542	$194,096
Non-compulsory insurance	2,930,539	343,253	1,328,636	1,945,156
Total	$3,155,546	$401,884	$1,418,178	$2,139,252

Expressed in thousands of US dollars, Unaudited-Note 2

Type	For the year ended December 31, 2008 Claims incurred (1)	Reinsurance Claims incurred (2)	Claims recovered from reinsurers (3)	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	$6,865	$1,789	$2,732	$5,922
Non-compulsory insurance	89,417	10,473	40,539	59,351
Total	$96,282	$12,262	$43,271	$65,273

Expressed in thousands of NT dollars

Type	For the year ended December 31, 2007 Claims incurred (1)	Reinsurance Claims incurred (2)	Claims recovered from reinsurers (3)	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	$268,258	$115,961	$112,035	$272,184
Non-compulsory insurance	3,195,125	471,315	1,741,898	1,924,542
Total	$3,463,383	$587,276	$1,853,933	$2,196,726

(h) Details of balance, provisions and reserve released for unearned premiums are as follows:

Expressed in thousands of NT dollars

Compulsory automobile liability insurance for car	For the year ended December 31, 2008 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$123,955	$123,191	$123,955	$123,191
Reserve for catastrophic losses	166,696	75,683	-	242,379
Reserve for outstanding losses	59,130	33,885	59,130	33,885
Total	$349,781	$232,759	$183,085	$399,455

Compulsory automobile liability insurance for motorcycle	For the year ended December 31, 2008 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$47,468	$55,890	$47,468	$55,890
Reserve for catastrophic losses	175,470	45,955	-	221,425
Reserve for outstanding losses	8,802	2,733	8,802	2,733
Total	$231,740	$104,578	$56,270	$280,048

Expressed in thousands of US dollars, Unaudited-Note 2

Compulsory automobile liability insurance for car	For the year ended December 31, 2008 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$3,782	$3,759	$3,782	$3,759
Reserve for catastrophic losses	5,086	2,309	-	7,395
Reserve for outstanding losses	1,804	1,034	1,804	1,034
Total	$10,672	$7,102	$5,586	$12,188

Compulsory automobile liability insurance for motorcycle	For the year ended December 31, 2008 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$1,448	$1,705	$1,448	$1,705
Reserve for catastrophic losses	5,354	1,402	-	6,756
Reserve for outstanding losses	269	83	269	83
Total	$7,071	$3,190	$1,717	$8,544

Expressed in thousands of NT dollars

Compulsory automobile liability insurance for car	For the year ended December 31, 2008 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$124,822	$123,955	$124,822	$123,955
Reserve for outstanding losses	156,689	18,382	8,375	166,696
Reserve for catastrophic losses	45,346	59,130	45,346	59,130
Total	$326,857	$201,467	$178,543	$349,781

Compulsory automobile liability insurance for motorcycle	For the year ended December 31, 2007 Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$46,841	$47,468	$46,841	$47,468
Reserve for catastrophic losses	146,252	29,218	-	175,470
Reserve for outstanding losses	8,415	8,802	8,415	8,802
Total	$201,508	$85,488	$55,256	$231,740

(l) Net premiums:

For the years ended December 31, 2008 and 2007, net premiums of the respective insurances are as follows:

	For the years ended December 31, 2008		2007
	NT$	US$ (Unaudited -Note 2)	NT$
General fire insurance	$700,000	$21,358	$700,000
Fire & allied perils insurance	700,000	21,358	700,000
Marine cargo insurance	200,000	6,102	200,000
Marine hull insurance	200,000	6,102	USD7,000
Fishing vessel insurance	50,000	1,526	60,000
Aviation insurance	USD10,000	10,000	USD10,000
Engineering insurance	700,000	21,358	620,000
Money insurance	120,000	3,661	120,000
Motor Physical Damage Insurance	6,000	183	6,000
Motor third party liability insurance	60,000	1,831	60,000
Motor passengers liability insurance	75,000	2,288	75,000
Compulsory automobile liability insurance for car and motorcycle	All retained	All retained	All retained
Driver injury insurance	All retained	All retained	All retained
Liability insurance	200,000	6,102	200,000
Fidelity bond insurance	50,000	1,526	20,000
Engineering bond insurance	200,000	6,102	200,000
Bankers' bond insurance	500,000	15,256	500,000
Other insurance	200,000	6,102	200,000
Other credit and bond insurance	120,000	3,661	120,000
Nuclear energy insurance	200,000	6,102	200,000
Alien labor broker's loan bond insurance	60,000	1,831	60,000
Personal accident insurance	20,000	610	65,000

(4) Risk management and hedging strategy

A. The Company

Non-derivative financial instruments held by the Company mainly includes cash and cash equivalents, bonds and bills sold under repurchase agreements, short-term loans, commercial papers payable and bond payable, etc. The Company takes advantage of such financial instruments to adjust for the demand for operating capitals. In addition, the Company also holds other financial assets and liabilities, such as receivables and payables incurred as a result of operating activities.

The primary risks of the Company's financial instruments are cash flow risk associated with interest rates variations, credit risks and liquidity risks. The risk management policies approved by the Board of Directors are as follows:

Cash flow risks associated with interest rate variations

The Company's major exposure to cash flow risk associated with interest rate variations comes primarily from corporate bonds payable with floating interest. The Company adopts a combination of fixed interest and floating interest rates methods in issuance of loans to manage such interest rate risks. In addition, the Company also engages in interest rate swaps to enhance the effectiveness of interest rate management.

Foreign exchange risk

The Company holds financial assets denominated in foreign currencies, values of these investments fluctuate due to changes in foreign exchange rate. The Company controls the market risk by management limits and a stop loss mechanism on the positions undertaken.

Credit risk

The financial instruments acquired or issued by the Company are subject to risk of financial loss resulting from the failure of a customer or counterparty to settle their contractual obligations when they fall due.

Liquidity risk

The Company achieves the objectives of effective use of capital and stabilization of capital by adjusting capital through the use of cash and cash equivalents, commercial paper payable, bank loans and bonds payable, etc. The operating capital of the Company is sufficient in meeting capital on demand; therefore, no significant liquidity risk is expected to occur.

B. The subsidiaries

(a) MICB

The risk management policies and practices and major exposure of risk conditions of the credit risk, market risk, business risk, and liquidity risk are as follows:

The Bank's Board of Directors has the ultimate approval right in risk management and has ultimate responsibility for the Bank's risk strategies and ensures the function works. The Loan Committee, Problem Loan Committee, Investment Committee, Fund Management Committee, Assets & Liabilities Management Committee and Personal Appraisal Committee subordinated under the President are responsible for reviewing relevant risk proposals. In addition, a disaster (risk) emergency team convened by the President for the purpose of disaster or other contingent events, take appropriate actions to minimize losses, end disaster/risk and restore normal business operations.

Risk management is controlled by each individual department of head office according to its authorization and responsibility. For example: in terms of credit risk, Corporate Banking Department is responsible for risk management of corporate banking business, management of large amount of money and risk exposure of related parties, credit policy and to draft relevant Articles; Retail Banking Department is in charge of risk management of consumer financing, wealth management and credit card business and to draft relevant Articles; Direct Investment Department manages risk management of investment business and to draft relevant Articles; Investment Banking Department presides over risk management of investment banking, financial assets and real estate securitization and to draft relevant Articles; Credit Department takes care of credit checking, analysis evaluation of corporate banking clients and to draft relevant Articles. For market risk, risk management is carried out by Treasury Department, accounting for setting up pricing model and valuation system of financial instruments and to draft relevant Articles. For operation risk, losses may be incurred from internal operation, personnel, system or external events; therefore, Risk Management Department is responsible for execution performance of each department. In addition, Risk Management Department is also in charge to set up the Bank's short-term, medium-term and long-term targets, drive risk management implementation of the Bank, summarize risk controls and report to the Board of Directors and Risk Management Committee of Mega Financial Holdings regularly.

Risk management policy is established to identify, evaluate, monitor, report and respond to financial risks in the Group's operating units, to set up accurate risk management objectives, management mechanism and segregation of duties, to ensure operation risk is within the tolerable limits, and to maximize the Bank's earnings and stockholders' profits. The policies of the risk management by functions are as follows:

i. Credit risk

a) Procedure of risk management

The promotion of credit and investment business of the Bank is in accordance with the bank laws and other related regulations; moreover, risk management targets identified by each business supervisor units are sent to the risk control department and reported to the risk control committee of Mega Financial Holdings and Board of Directors for approval. In addition, the Bank conveys risk tolerant limits and maintains sound credit risk management organizations and standards through stipulating credit and investment Articles.

As a result of the implementation of Basel II, the Bank is developing various credit risk component models and valuation systems, adopting Internal Ratings Based Approach which links to probability of default, and using quantifiable analysis tools to predict customers' probability of default, loss given default and so on. This also enhances the current credit rating system and then strengthens monitoring of credit risk.

The Bank should ensure that credit checking and examination have been done before engaging loan and investment business and also designates credit amount, provides responsibilities according to levels to shorten operating procedures, and require periodic monitoring while engaging the business. The Bank also should set up a reporting system and have timely reports if any unusual event or significant accident occurs.

Establishment of a unit mainly responsible for the overdue loan management in order to solve credit management problems and to seek the recovery of obligations. In order to execute this strategy, the Bank sets regulations for procedures to evaluate asset rewards for dealing with recovery of non-performing loans, outsourcing of loans receivable as a base for managing doubtful credits and overdue loans.

b) Principles of measuring and controlling

The Bank's goals of credit risk management are set from downward sloping to upward sloping annually and then presented to the Board of Directors for approval. In order to strengthen the risk management, the evaluation of conducting circumstances is in accordance with the economic and financial conditions. Moreover, in accordance with regulatory institutions, the Bank is required to disclose the information of credit risk through its financial reports and website.

In order to control the group and industry risk and avoid excess concentration risk, the Bank will separately set the credit limit of the group and industry based on the industry condition, perspective and credit risk, and report to the management unit regarding the condition of complying with the bank laws, regulations stipulated by the authorities and internal credit rules to set the credit limits and balances monthly.

In order to strengthen the understanding of the client's credit, reviews should be conducted periodically. For those that have high risk or abnormalities, the frequency of their reviews will be increased. Analysis and reviews will be made annually and the reports will be sent to the management.

Analysis and investigation should be conducted periodically, especially operation, capital inflow/outflow and business plan execution and problem solving. Analysis and investigation will be made annually and the reports will be sent to the management.

Abnormal notification system: When operating units determine that a client's operations are abnormal, facing financial difficulties, or experience some unexpected events, the business supervisor will report this to the management, and information will be sent to the Mega Financial Holdings by the risk management department, in order for them to understand the circumstances so that they are able to take proper actions.

Appraisal of assets: Accrue possible losses or impairment of assets, investments, other assets, or contingent assets based on the experience of bad debts, reserves, other historical losses, the current overdue loan rate, recovery conditions, supervisory regulations, generally accepted accounting principles and so on.

ii. Market risk

a) Procedure of risk management

The Bank's market risk management objectives are set up by each business unit. The Risk Management Department then summarizes and reports to the Risk Management Committee of Mega Financial Holdings and Board of Directors for approval. Position limits are set up depending on each operating business when it is necessary, are examined by Planning Department and then are approved by Board of Directors.

The Treasury Department not only prepares daily market risk portions and profit or loss statements, but also summarizes investment performance of marketable securities and reports to Board of Directors regularly. Risk Management Department summarizes and analyzes financial information prepared by the Treasury Department on a daily basis and pays attention to market changes when it is closer to stop loss limits. Monthly summary are prepared to analyze positions, profit or loss, sensitivity risk indicators analysis and stress test of financial products held by the Bank for management reviews.

b) Principles in measuring and controlling

The Bank's market risk reports including positions and profit or loss evaluation of exchange rate, interest rate and equity securities products. All transactions should follow amount limits and stop loss policy and submit for supervisors to be approved in accordance with the Bank's Articles. As long as transactions meet stop loss limits, the transactions should be revoked immediately, if not, the transaction unit should explain reasons and follow-up plans for management approval and report to the Board of Directors on a quarterly basis.

Non-hedging positions of derivative financial products are evaluated on daily market price while hedging positions are evaluated twice a month.

The Bank started to set up the SUMMIT information system starting from 2008. FX transactions, call loans system and currency exchange rate options are completed and others are expected to be completed by the end of 2009. Upon completion, the system provides on-spot credit limit control, profit or loss evaluation, sensitivity risk indicators analysis, stress test and risk value calculation and so on.

iii. Operation risk

a) Procedure of risk management

Prior to the release of new products, new business and establishment of new foreign operations, risk identification and evaluation, law compliance analysis and information operation system planning should be performed.

The Bank institutes business management Articles and operating guidance which are embedded in computer system for personnel on-spot search, as business support. Self-assessment is conducted to understand business controls and modify weaknesses. In accordance with eight industries and seven loss events of Basel II, report and gather operation risk loss events.

The Bank sets up self-assessment mechanism of operation risk at the Bank level, in order to strengthen identification and evaluation of operation risk and improve current control mechanism.

b) Principles in measuring and controlling

The Bank reports operation risk loss events, compliance with laws and regulations, auditing and self-assessment to Board of Directors regularly.

Operation risk loss events report, compliance with laws and regulations and auditing system cover all departments of the Bank, self-assessments are conducted by Occupational Safety & Health Committee, Data Processing & Information Department, domestic and foreign branches and subsidiaries.

Each department discovers weaknesses via the aforesaid management mechanism, each weakness will be discussed and improved and followed-up by its management.

iv. Liquidity risk

a) Procedure of risk management

There is an upper limit to control the amount of cash flow shortage for daily NTD and foreign currency. Also, the treasury department is in charge of preparing weekly reports which are submitted to the fund management committee on semi-monthly basis in order to the control the liquidity risk. The risk management department reports to the Board of Directors periodically.

b) Principles of measuring and controlling

The Bank sets up limits of liquidity gap by periods and periodically prepares liquidity gap tables for monitoring liquidity risk and considers seasonal and short-term factors in order to effectively control capital flows.

In terms of fund management, in addition to provide sufficient legal reserves, the Bank invests in government bonds, negotiable certificate of time deposits of Central Bank, treasury bills, financial bonds, government bonds with repurchase agreement, corporate bonds, commercial paper, bankers' acceptance and beneficiary certificates. The Bank diversifies its investments to reduce its operation risk.

(a) MS

i. Market risk

MS's investments in fixed income and equity securities are measured at the fair value of the quoted market price. Market price risks arise from variation in market prices that correspond to changes in market risk factors, such as stock prices, interest rates, exchange rates, etc. The management functions in place dealing with market risk not only include establishing limits on positions, notional principal, stop – loss, risk tolerance, but also include adopting quantification model and other sensitivity indices to assess market risk. The validity of such models has been verified on a periodic basis and the risk limits has been monitored and analyzed on a daily basis.

ii. Credit risk

MS's potential credit risk mainly arises from financial instruments including cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivables, and receivables from margin trading of securities. MS's cash is placed with different financial institutions in order to minimize exposure to risk of cash deficit in each financial institution (to diversify and avoid concentration risks). In addition, the financial institutions selected by MS to place cash with are all publicly listed companies in excellent business positions. Regarding the counterparties in which corporate bonds and short-term bills, also categorized as cash equivalents, are invested, their excellent credit standings have been previously assured in order to minimize the credit risk.

MS assesses the credit standing of the counterparty before entering into transactions and such assessment is to be held on a periodic basis thereafter for minimizing credit risk. A trading limit is assigned for each counterparty according to internal assessments on their relative credit standings prior to the trading. Generally speaking, with the effort MS puts into continuously monitoring credit risk control measures and assessing the credit standings, there should be no contingency regarding concentration of credit risk.

iii. Liquidity risk

The operating capital of MS is sufficient to meet cash flows for all contractual obligations; therefore, there is no liquidity risk regarding inability to raise capital to meet existing contractual obligations. In order to control liquidity risk effectively, MS performs capital maturity gap on a daily basis to avoid the occurrence of emergency situations.

All investments in equity securities, such as outstanding or unsettled futures contracts and options, equity certificates, etc. held by MS are subject to prompt delivery of cash at reasonable prices in the market; therefore, the liquidity risk is assessed to be minimum.

Cash flows associated with investments in fixed income securities, such as convertible corporate bond swaps and interest rate swaps, etc., are interest receipts or payments calculated by the product of notional principal and the difference in the interest rates. Since amounts of such interest receipts or payments are not material and there are no cash inflows or outflows of notional principal, the liquidity risk undertaken is also minimized.

iv. Cash flow risk associated with interest rate variations

MS's short-term and long-term loans are fixed interest obligations; therefore, changes in market interest will neither affect the effective interest rate on such loans nor will it result in fluctuations in the expected future cash flows.

Most of MS's bond investments have fixed interest rates; therefore, changes in market interest will not result in fluctuations in the expected future cash flows. The effects on cash flows for other non-fixed interest investments are considered relatively immaterial.

v. Risk management organization structure and policy

In order to effectively manage MS's risk as a whole, MS established specialized risk management committee primarily responsible for the allocation of MS's assets, standard setting for risk management targets, re-adjusting and early warning procedures, monitoring the implementation of risk management system on a continuing basis, examining the proposals from various departments regarding MS's management standards as well as the management of other operating risks.

MS's risk management organization structure includes the Board of Directors and risk management section. The Board of Directors is the highest instruction unit of MS's risk management organization structure and is responsible for authorizing MS's level of acceptance for risks as well as ensuring the management team's awareness of risks and its mutual integration to operating decisions resolved. The risk management section, authorized by the risk management committee, is responsible for the comprehensive programming, implementing and tracking of various risk management system.

MS's risk management policy is established in order to manage the risk of the Company as a whole effectively and to pursue the optimum balance of risk compensation for ensuring that MS's administrator is seeking for business development with the comprehension of MS's risk as a priority.

vi. Concentration of credit risk information

The concentration of credit risk exist when the counterparties in the trading of financial instruments are concentrated in a small number of counterparties; or when the counterparties in the trading of financial instruments are not concentrated in a small number of counterparties, but a majority of counterparties do engage in similar business activities and possess similar economic characteristics which will result in economic factors or other circumstances having similar influence on the counterparties' ability to meet obligations. The counterparties in the trading of financial instruments are not concentrated.

(b) MBF

Other than complying with the laws and regulations, the purpose of risk management for MBF is to ensure operating risks are under control and maintaining proper capital adequacy ratio, pursuant to sustainable development. In order to achieve this goal, MBF's risk management mechanism is set up via a system and culture followed by the Board of Directors, management and all staff, to safeguard MBF's assets and ensure asset and financial quality. The effective mechanism is also to identify, measure, monitor, report and respond to the levels of risk, setting up a controlling and organized manner of risk management and allocation of responsibility.

MBF's Board of Directors has the ultimate approval right in risk management. Major management risk items that include the company-wide risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. Under the Board of Directors, there is a risk management committee, which is responsible to supervise market risk, credit risk and operating risk. Besides, Audit Committee supervises and controls the implementation status of operating risk management policy. In order to effectively manage overall risks and integrate associated information of risk, define risk evaluation techniques and sum up risk positions, business segment is responsible for implementing the risk management strategy of MBF.

MBF's risk management procedures are divided into establishment of risk policy and process of implementation status, setting up proper internal control system and management procedures against potential risks, building up limits of authority toward the entry of electronic files and evaluate potential negative impacts arising from associated risks.

Financial instruments held by MBF have high level of risk-factor (interest rate, foreign exchange rate and price changes). MBF reduces or avoids liquidity risk or risk of changes in fair value by using individual or combination hedging tools. MBF also reviews and adjusts limits of trading risks according to the changes of economic and financial situations and operating perspectives, to ensure data measured from associated risks and procedures conform to established policies, internal control and operating process.

(c) CKI

Non-derivative financial instruments held by the CKI mainly include cash and cash equivalents, financial assets – both current & non-current. CKI utilizes the advantages of such financial instruments to adjust for the flow of operating capitals. In addition, CKI also holds other financial assets and liabilities, such as notes and premiums receivables, cliams payable,due from (to) reinsurers and ceding party as well as reinsurance premiums receible (payables) as a result of operating activities.

The primary risks of CKI's financial instruments are cash flow risk associated with interest rates variations, foreign exchange rate risk, commodity price risk, credit risk and liquidity risks.

(5) Capital adequacy ratio

A. Capital adequacy ratio of the Company

Mega Financial Holding Co., Ltd. And Its Subsidiaries Capital Adequacy Ratio December 31, 2008							
	Ownership percentage held by the Company		Eligible capital			Minimum capital	
			NT$	US$ (Unaudited -Note 2)		NT$	US$ (Unaudited –Note 2)
The Company	100%		$183,461,613	$5,597,779		$203,955,580	$6,223,091
MICB	100%		160,538,286	4,898,343		114,641,892	3,497,952
MS	100%		8,475,763	258,612		4,342,560	132,500
MBF	100%		27,761,307	847,053		15,760,688	480,890
CKI	100%		5,174,291	157,878		1,769,366	53,987
MITC	100%		594,546	18,141		884,305	26,982
MAM	100%		2,383,663	72,730		4,296,040	131,081
Mega Life Insurance Agency	100%		38,276	1,168		27,483	839
Mega CTB Venture Capital	100%		803,952	24,530		402,891	12,293
Deduction item			(212,277,289)	(6,477,003)		(196,065,435)	(5,982,347)
Subtotal		(A)	$176,954,408	$5,399,231	(B)	$150,015,370	$4,577,268
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)					(C)		117.96%

Mega Financial Holding Co., Ltd. And Its Subsidiaries Capital Adequacy Ratio December 31, 2007					
	Ownership percentage held by the Company		Eligible capital		Minimum capital
			NT$		NT$
The Company	100%		$ 193,910,412		$ 216,829,905
MICB	100%		149,572,529		113,505,086
MS	100%		10,891,975		5,728,577
MBF	100%		24,624,172		16,805,554
CKI	100%		5,530,398		1,192,460
MITC	63.52%		507,947		340,914
MAM	100%		2,388,441		4,709,961
Mega Life Insurance Agency	100%		52,166		46,540
Mega CTB Venture Capital	100%		1,018,528		514,686
Deduction item			(222,314,746)		(207,202,317)
Subtotal		(A)	$166,181,822	(B)	$152,471,366
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)				(C)	108.99%

B. As of December 31, 2008, the financial holding's net eligible capital

Mega Financial Holding Co., Ltd. And Its Subsidiaries Financial Holding's Net Eligible Capital December 31, 2008		
	NT$	US$ (Unaudited–Note 2)
Common stocks	$110,594,262	$3,374,451
Unaccumulated preferred stocks which meet tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-	-
Other preferred stocks and subordinated debts	6,000,000	183,072
Capital collected in advance	-	-
Additional paid-in capital	43,426,403	1,325,026
Legal reserve	15,325,187	467,602
Special reserve	354,967	10,831
Accumulated earnings	4,668,990	142,460
Equity adjustments number	3,108,674	94,852
Less: goodwill	-	-
deferred assets	16,870	515
treasury stocks	-	-
Total net eligible capital	$183,461,613	$5,597,779

Mega Financial Holding Co., Ltd. And Its Subsidiaries Financial Holding's Net Eligible Capital December 31, 2007	
	NT$
Common stocks	$110,594,262
Unaccumulated preferred stocks which meet tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Additional paid-in capital	45,182,901
Legal reserve	13,618,148
Special reserve	354,967
Accumulated earnings	20,066,193
Equity adjustments	4,151,275
Less: goodwill	-
deferred assets	57,334
treasury stocks	-
Total net eligible capital	$193,910,412

(6) Disclosures of total amounts or ratios with respect to credit extensions, endorsements, or other transactions undertaken by a financial holding company and its subsidiaries for the same individual, the same related individual, or the same affiliated enterprises in accordance with Article 46 of the "Financial Holding Company Act"

Expressed in millions of NT dollars

Name	Relationship (Note 5)	Total of business credit, endorsements, or other transactions	Percentage of net worth of the Company (%)
Taiwan High Speed Rail Corporation	1	$71,935	0.40
Taiwan Power Company	1	33,238	0.19
Formosa Petrochemical Corporation	1	21,863	0.12
CPC Corporation, Taiwan	1	14,854	0.08
Chi Mei Optoelectronics Corp.	1	14,675	0.08
AU Optronics Corp.	1	11,278	0.06
YU FENG P/L & YUAN CHIEH P/L	1	9,361	0.05
TPG Newbridge Taishin Holdings Ⅲ, LTD.	1	9,000	0.05
Nan Ya Plastics Corporation	1	7,900	0.04
Formosa Chemicals & Fibre Corporation	1	7,580	0.04
Central Bank of the Republic of China (Taiwan)	1	7,579	0.04
China Airlines, Ltd.	1	7,441	0.04
Asia Cement Corp.	1	7,017	0.04
TPG Newbridge Taishin Holdings VI,.Ltd.	1	7,000	0.04
Powerchip Semiconductor Corp.	1	6,282	0.04
Morgan Stanley Formosa Holdings	1	6,168	0.03
Chi Mei Corporation	1	6,061	0.03
CSBC Corporation, Taiwan	1	5,938	0.03
Formosa Plastic Corporation	1	5,834	0.03
Inotera Memories, Inc.	1	5,557	0.03
Nanya Technology Corporation	1	5,370	0.03
E. SUN Commercial Bank Ltd.	1	5,322	0.03
Yangming (Liberia) Co.	1	5,143	0.03
Components Investment Co.	1	5,097	0.03
E. SUN Financial Holding Co., Ltd.	1	4,561	0.03
Kaohsiung Rapid Transit Corporation	1	4,537	0.03
Farglory Land Development Co., Ltd.	1	4,512	0.03
TPO Displays Corp.	1	4,502	0.03
The Republic of Paraguay	1	4,294	0.02
AWI Finance (B.V.I) Co.	1	4,190	0.02
Calyon, Taipei Branch 2005-1 bonds	1	4,111	0.02
Tatung Co., Ltd.	1	4,066	0.02
RSEA Engineering Corp.	1	4,027	0.02
Yieh United Steel Corporation	1	3,973	0.02

Name	Relationship (Note 5)	Total of business credit, endorsements, or other transactions	Percentage of net worth of the Company (%)
Chinatrust Commercial Bank Co., Ltd.	1	3,839	0.02
Qisda Corporation	1	3,792	0.02
Precious Jade Construction Corp.	1	3,679	0.02
Chung Hung Steel	1	3,625	0.02
Fubon Commercial Bank Co., Ltd.	1	3,513	0.02
Dragon Steel Corp.	1	3,462	0.02
China Steel	1	3,329	0.02
Taiwan Cement Corporation	1	3,322	0.02
CTCI Corporation	1	3,297	0.02
Taiwan Semiconductor Manufacturing Company Limited	1	3,270	0.02
Chuanghwa Picture Tubes, Ltd.	1	3,208	0.02
China Petrochemical Development Corporation	1	3,109	0.02
Foxconn Far East Ltd.	1	3,025	0.02
Mr./ Miss Xu and his/her related party	6	82,015	0.46
Mr./ Miss Huang and his/her related party	6	11,764	0.07
Mr./ Miss Lin and his/her related party	6	9,464	0.05
Mr./ Miss Li and his/her related party	6	8,542	0.05
Mr./ Miss Lin and his/her related party	6	8,539	0.05
Mr./ Miss Ge and his/her related party	6	7,442	0.04
Mr./ Miss Li and his/her related party	6	7,442	0.04
Mr./ Miss Li and his/her related party	6	7,341	0.04
Mr./ Miss Chen and his/her related party	6	7,093	0.04
Mr./ Miss Zheng and his/her related party	6	5,947	0.03
Mr./ Miss Pan and his/her related party	6	5,942	0.03
Mr./ Miss Chen and his/her related party	6	5,930	0.03
Mr./ Miss Zhao and his/her related party	6	5,552	0.03
Mr./ Miss Wu and his/her related party	6	5,250	0.03
Mr./ Miss Gu and his/her related party	6	5,188	0.03
Mr./ Miss Ye and his/her related party	6	4,336	0.02
Mr./ Miss Chen and his/her related party	6	4,088	0.02
Mr./ Miss Chen and his/her related party	6	3,952	0.02
Mr./ Miss Zheng and his/her related party	6	3,931	0.02
Mr./ Miss Xie and his/her related party	6	3,830	0.02
Mr./ Miss Liu and his/her related party	6	3,629	0.02
Mr./ Miss Zhang and his/her related party	6	3,625	0.02
Mr./ Miss Xu and his/her related party	6	3,524	0.02
Mr./ Miss Guo and his/her related party	6	3,489	0.02
Mr./ Miss Wu and his/her related party	6	3,333	0.02
Mr./ Miss Chen and his/her related party	6	3,302	0.02
Mr./ Miss Jin and his/her related party	6	3,284	0.02
Mr./ Miss Tsai and his/her related party	6	3,174	0.02
Mai Liao Harbor and its related parties	6	43,602	0.25
Investa Far Eastern Petrochemicals Co., Ltd. and its related parties	6	27,260	0.15
Chi Lin Technology Co., Ltd. and its related parties	6	22,550	0.13
TPO Display Corp. and its related parties	6	22,010	0.12
KKPC and its related parties	6	21,684	0.12
China Steel Corporation and its related parties	6	19,180	0.11
Hong Fa Semiconductor Corp. and its related parties	6	19,096	0.11
TPG Newbridge Taishin Holdings III, Ltd. and its related parties	6	16,000	0.09
Hwa Ya Power Corp. and its related parties	6	14,391	0.08
Taiwan Cement Corporation and its related parties	6	13,367	0.08
Lian Hui Development Corp. and its related parties	6	10,410	0.06

Name	Relationship (Note 5)	Total of business credit, endorsements, or other transactions	Percentage of net worth of the Company (%)
E. SUN Financial Holdings Co., Ltd. and its related parties	6	9,882	0.06
Rexchip Electronics Corporation and its related parties	6	8,984	0.05
Yang Ming Marine Transport Corporation and its related parties	6	8,155	0.05
Tatung Co., Ltd. and its related parties	6	7,859	0.04
China Airlines Ltd. and its related parties	6	7,739	0.04
ChipMOS Technologies (Bermuda) Ltd. and its related parties	6	7,372	0.04
Guang Yan Leasing Corp. and its related parties	6	7,353	0.04
Farglory Life and its related parties	6	7,348	0.04
Morgan Stanley Formosa Holdings and its related parties	6	6,937	0.04
Chinatrust Commercial Bank and its related parties	6	5,665	0.03
Techview International Technology Inc. and its related parties	6	5,381	0.03
Prince Housing & Development Corp. and its related parties	6	5,218	0.03
Uni Air Corp. and its related parties	6	5,083	0.03
Ensky Technology Pte Ltd.	6	4,742	0.03
Sincere Navigation Corporation and its related parties	6	4,621	0.03
Central Investment Holding Co., Ltd. and its related parties	6	4,527	0.03
China Petrochemical Development Corporation and its related parties	6	4,205	0.02
Yuen Foong Yu Paper Manufacturing Co., Ltd. and its related parties	6	4,143	0.02
De Chan Automobile trading Co., Ltd and its related parties	6	4,020	0.02
Ding Zhen Construction Co., Ltd. and its related parties	6	3,908	0.02
Jia Shin Food Chemical Fiber Corp. and its related parties	6	3,864	0.02
Fubon Land Development Company and its related parties	6	3,804	0.02
Taiwan Semiconductor Manufacturing Company Limited and its related parties	6	3,800	0.02
Fubon Finanical Holdings Co., Ltd. and its related parties	6	3,720	0.02
Dairen Chemical Corp. and its related parties	6	3,645	0.02
Rich Development Co., Ltd. and its related parties	6	3,564	0.02
ASUSTek Computer Inc. and its related parties	6	3,347	0.02
Sunrise Golf and Country Club and its related parties	6	3,187	0.02
HannStar Display Corporation and its related parties	6	3,123	0.02
San Ching Engineering Corp. and its related parties	6	3,025	0.02

Note 1: The above table represents the financial holding company's subsidiaries' provision of business credit or endorsements to, or other transactions with, the same individual, the same related party, or the same affiliated company. It discloses transactions that reached the lower of 5% of the net worth of the financial holding company or three billion New Taiwan dollars.

Note 2: Business credit refers to loans, discounts, overdrafts, acceptances, guarantees and other business activities certified by the government authorities.

Note 3: Endorsement refers to a bills company's endorsement or guarantee.

Note 4: Other transactions mean the following transactions with the same individual, the same related party, or the same affiliated company:

(a) Investing in marketable security issued by related parties.

(b) Purchasing real estate or other assets from related parties.

(c) Selling marketable securities, real estate or other assets to related parties.

(d) Entering into contracts to pay money or provide services.

(e) Being agents, brokers or other that would receive commissions or service charges from the financial holding company or its subsidiaries.

(f) Doing the aforementioned transactions with a third party which has a conflict of interest with related parties, or transactions with a third party involving related parties.

(g) The scope of calculation of the transaction amount does not include negotiable certificate of deposits issued by subsidiaries.

(h) The scope of calculation of the transaction amount does not include bills and bonds payable under repurchase agreement.

Note 5:Relationship and code

1 A person (The Company)

2 Individuals within the second degree

3 A person is enterprise's superintendent

4 A person's spouse is enterprise's superintendent

5 Former company's affiliated enterprises (including controlling company, subsidiary company and investee company)

6 Other (other company) "the same individual, the same related party, or the same affiliated company."

(7) Significant impact arising from changes in government laws and regulations:

None.

(8) Information for discontinued operations:

None.

(9) Major operating assets or liabilities transferred from (or to) other financial institutions:

MS

On December 6, 2007, the Company's subsidiary entered into contracts with Fullong Securities Co., Ltd., Yuanlin Branch (non-related party) for the purchase of the operating rights of securities brokerage business and related properties amounting to NT$12,000 thousand. The payment was made and the assignment was also completed on January 31, 2008.

A. Brief introduction of transferor

Fullong Securities Co., Ltd., Yuanlin Branch was established in November 1992. Main business is brokerages and proprietary trading of marketable securities at the securities exchange markets.

B. Reason for assignment of operating rights

In order to expand operating scale, strengthen brokerage business and promote the competitiveness of brokerage business.

C. Reference

(a) Operating rights and property shall transfer ownership in accordance with the "Procedures for Merger or Assignment of Operations of Securities Firms" stipulated by Taiwan Stock Exchange.

(b) Once the contract is effective, both parties shall conduct all related assignment procedures to relevant authorities in accordance with the "Securities and Exchange Act", "Company Act", "Business Mergers and Acquisitions Law" and "Business Tax Act".

D. Effective date:

Both parties agreed that this assignment will be effective from January 28, 2008. The assignment had been approved by Financial Supervisory Commission, Executive Yuan on January 9, 2008.

(10) Information on the apportionment of the revenues, costs, expenses, gains and losses arising from the transactions between the Company and its subsidiaries, joint promotion of businesses, and sharing of information, operating facilities or premises.

A. Transactions between the Company and its subsidiaries

Please refer to Note 5.

B. Joint promotion of businesses

In order to create synergies within the group and provide customers financial services in all aspects, the Company has continuously established other financial consulting service centers (including banking services, securities trading services, and insurance services) in its subsidiaries and simultaneously promoted service business in banking, securities and insurances areas.

C. Sharing of information

Under the Financial Holding Company Act, Computer-Process Personal Data Protection Law and the related regulations stipulated by the Ministry of Finance, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the group or exchanged between the subsidiaries for the purpose of cross-selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are bound to use the information for the specified purposes only. In addition, the Company is required to publish its "Measures for Protection of Customers' Information" at its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

D. Sharing of operating facilities or premises

To provide one-stop-shopping services, MICB set up a securities desk and an insurance desk within its financial consulting center on April 2, 2003, which is engaged in the cross-selling of MS and CKI's products, respectively. In addition, the Company had obtained the authorization to set up industry specialized desk in its business premises, and the set up had been taking place in the Company's subsidiaries one after another.

E. Apportionment of revenues, costs, expenses, gains and losses

(a) For the year ended December 31, 2008:

The promotion bonus paid to other subsidiaries by MITC, MBF and MICB amounted to NT$11,250 thousand (US$343 thousand), NT$1,420 thousand (US$43 thousand) and NT$120 thousand (US$4 thousand), respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by NT$246,270 thousand (US$7,514 thousand) for CKI; NT$5,660 thousand (US$173 thousand) for MICB; $45,070 thousand (US$1,375 thousand) for MITC; and NT$4,930 thousand (US$150 thousand) for MBF.

(b) For the year ended December 31, 2007:

The promotion bonus paid to other subsidiaries by MITC, MBF and MICB amounted to NT$17,440 thousand, NT$1,450 thousand and NT$0.4 thousand, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by NT$269,410 thousand for CKI; NT$9,400 thousand for MICB; NT$63,320 thousand for MITC and NT$5,500 thousand for MBF.

(11) Information for private placement securities:

None

(12) Financial information by business segments

Financial information by business segments
For the year ended December 31, 2008
(Expressed in Thousands of NT Dollars)

Items \ Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other division	Consolidation
Interest income, net	$27,424,394	$212,729	$2,467,274	$902,809	($483,670)	$30,523,536
Revenues other than interest, net	622,551	423,211	1,454,978	(728,109)	(959,033)	813,598
Net revenue	28,046,945	635,940	3,922,252	174,700	(1,442,703)	31,337,134
Bad debt expense on loans	(7,333,595)	-	(1,027,965)	-	-	(8,361,560)
Provisions for the reserve for insurance	-	(287,055)	-	-	-	(287,055)
Operational expenses	(14,338,168)	(857,279)	(705,928)	(2,661,303)	(1,040,733)	(19,603,411)
Income before Income Tax from Continuing Operations	6,375,182	(508,394)	2,188,359	(2,486,603)	(2,483,436)	3,085,108
Income tax expense	(2,558,129)	30,540	(440,786)	(199,791)	345,080	(2,823,086)
Consolidated Net Income from Continuing Operations	$3,817,053	($477,854)	$1,747,573	($2,686,394)	($2,138,356)	$262,022

Note: Amounts eliminated in the consolidated financial statements among the Company and its subsidiaries.

Financial information by business segments
For the year ended December 31, 2008
(Expressed in Thousands of US Dollars)(Unaudited, Note 2)

Items \ Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other division	Consolidation
Interest income, net	$836,773	$6,491	$75,282	$27,547	($14,758)	$931,335
Revenues other than interest, net	18,995	12,913	44,394	(22,216)	(29,262)	24,824
Net revenue	855,768	19,404	119,676	5,331	(44,020)	956,159
Bad debt expense on loans	(223,762)	-	(31,365)	-	-	(255,127)
Provisions for the reserve for insurance	-	(8,759)	-	-	-	(8,759)
Operational expenses	(437,486)	(26,157)	(21,540)	(81,202)	(31,755)	(598,140)
Income before Income Tax from Continuing Operations	194,520	(15,512)	66,771	(75,871)	(75,775)	94,133
Income tax expense	(78,054)	932	(13,449)	(6,096)	10,529	(86,138)
Consolidated Net Income from Continuing Operations	$116,466	($14,580)	$53,322	($81,967)	($65,246)	$7,995

Note: Amounts eliminated in the consolidated financial statements among the Company and its subsidiaries.

Financial information by business segments
For the year ended December 31, 2007
(Expressed in Thousands of NT Dollars)

Items \ Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other division	Consolidation
Interest income, net	$23,137,412	$168,491	$2,525,065	$ 972,221	($507,453)	$26,295,736
Revenues other than interest, net	14,427,959	611,752	729,549	3,791,834	1,292,194	20,853,288
Net revenue	37,565,371	780,243	3,254,614	4,764,055	784,741	47,149,024
Bad debt expense on loans	(6,597,413)	-	(74,251)	-	-	(6,671,664)
Provisions for the reserve for insurance	-	(67,383)	-	-	-	(67,383)
Operational expenses	(14,693,875)	(789,921)	(609,595)	(3,146,773)	(1,137,624)	(20,377,788)
Income before Income Tax from Continuing Operations	16,274,083	(77,061)	2,570,768	1,617,282	(352,883)	20,032,189
Income tax expense	(2,409,425)	38,556	(444,648)	(254,344)	152,230	(2,917,631)
Consolidated Net Income from Continuing Operations	$13,864,658	($38,505)	$2,126,120	$1,362,938	($200,653)	$17,114,558

Note: Amounts eliminated in the consolidated financial statements among the Company and its subsidiaries.

(13) **Financial statements of the Company and condensed financial statements of its subsidiaries:**

MEGA FINANCIAL HOLDING CO., LTD.
BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

ASSETS	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$	LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$
Assets				Liabilities			
Cash and cash equivalents	$1,276,998	$38,964	$ 146,510	Commercial paper payable	$ -	$ -	$3,946,220
Receivables, net	4,368,517	133,292	4,976,822	Payables	10,071,386	307,298	9,259,187
				Bonds payable	19,450,000	593,458	4,000,000
Available-for-sale financial assets, net	3,654,882	111,518	5,195,972	Short-term borrowings	-	-	8,050,000
Equity investments accounted for by the equity method, net	196,065,435	5,982,347	207,202,317	Accrued pension liability	34,034	1,038	27,413
				Other liabilities	6,147	188	7,777
Financial assets carried at cost	762,046	23,251	762,046	Total Liabilities	29,561,567	901,982	25,290,597
Property and equipment, net	759,660	23,179	806,047				
Other assets, net	147,684	4,506	164,374	Stockholders' Equity			
Deferred tax assets, net	4,828	147	4,255	Common stock	110,594,262	3,374,451	110,594,262
				Capital surplus	43,426,403	1,325,026	45,182,901
				Retained earnings			
				Legal reserve	15,325,187	467,602	13,618,148
				Special reserve	354,967	10,831	354,967
				Unappropriated retained earnings	4,668,990	142,460	20,066,193
				Equity adjustments			
				Land revaluation increment	3,191,570	97,381	447,960
				Cumulative translation adjustments	1,755,165	53,554	1,473,232
				Unrealized gains on financial instruments	(1,838,061)	(56,083)	2,250,169
				Net loss not recognized as pension cost	-	-	(20,086)
				Total Stockholders' Equity	177,478,483	5,415,222	193,967,746
TOTAL ASSETS	$207,040,050	$6,317,204	$219,258,343	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$207,040,050	$6,317,204	$219,258,343

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF INCOME
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Revenues			
Interest income	$36,762	$1,122	$62,011
Gains on financial liabilities at fair value through profit or loss	-	-	49,366
Investment income from equity investments accounted for by the equity method	858,051	26,181	17,395,529
Foreign exchange gain	-	-	537
Other revenue except for interest income	13,054	398	12,618
Total revenue	907,867	27,701	17,520,061
Expenses and losses			
Interest expense	(409,325)	(12,489)	(436,093)
Service fee expense	(827)	(25)	(2,130)
Foreign exchange loss	(848)	(26)	-
Personnel expenses	(131,459)	(4,011)	(128,443)
Depreciation and amortization	(61,748)	(1,884)	(71,407)
Other business and administrative expenses	(132,559)	(4,045)	(123,207)
Total expenses and losses	(736,766)	(22,480)	(761,280)
Income before Income Tax from Continuing Operations	171,101	5,221	16,758,781
Income Tax Benefit	123,418	3,766	311,610
Net Income	$294,519	$8,987	$17,070,391

Basic Earnings Per Share (in dollars)	Before Taxes	After Taxes	Before Taxes	After Taxes
Net Income from Continuing Operations	$0.02	$0.03	$1.52	$1.54
Diluted Earnings Per Shares (in dollars)	-	-	-	-
Net Income from Continuing Operations	$0.02	$0.03	$1.52	$1.54

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

Items	December 31, 2008		December 31, 2007	Items	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$		NT$	US$ (Unaudited -Note 2)	NT$
Assets				Liabilities			
Cash and cash equivalents	$260,540,022	$7,949,595	$89,717,998	Due to the Central Bank and financial institutions	$385,328,571	$11,757,142	$363,190,298
Due from the Central Bank and call loans to banks	103,069,179	3,144,846	249,394,299	Funds borrowed from the Central Bank and other banks	53,185,187	1,622,786	42,997,399
Financial assets at fair value through profit or loss, net	40,099,319	1,223,510	84,905,748	Financial liabilities at fairvalue through profit or loss	48,544,695	1,481,195	52,226,998
Bills and bonds purchased under resell agreements	1,703,165	51,967	1,729,123	Bills and bonds sold under repurchase agreements	11,239,752	342,947	14,452,936
Receivables, net	95,679,862	2,919,383	82,462,038	Payables	54,850,792	1,673,607	47,576,485
Loans and advances to customers, net	1,303,532,614	39,773,376	1,194,304,385	Deposits and remittances	1,306,722,745	39,870,713	1,224,295,833
Available-for-sale financial assets, net	101,441,676	3,095,188	103,132,834	Financial bonds payable	29,899,346	912,289	19,215,871
Held-to-maturity financial assets, net	94,257,827	2,875,994	89,413,152	Accrued pension liabilities	1,218,320	37,173	1,204,178
Equity investments accounted for by the equity method, net	9,042,433	275,903	9,298,635	Other financial liabilities	5,946,463	181,439	18,650,884
Other financial assets, net	21,168,785	645,902	23,957,245	Other liabilities	11,945,207	364,472	11,192,909
Property and equipment, net	16,189,414	493,971	14,887,155	Total Liabilities	1,908,881,078	58,243,763	1,795,003,791
Other assets, net	3,846,031	117,349	4,258,721	Stockholders'equity			
				Capital stock	64,109,878	1,956,120	64,109,878
				Capital surplus	33,070,028	1,009,033	33,070,660
				Retained earnings	43,773,487	1,335,616	49,946,398
				Equity adjustments	735,856	22,452	5,330,606
				Total Stockholders' Equity	141,689,249	4,323,221	152,457,542
TOTAL ASSETS	$2,050,570,327	$62,566,984	$1,947,461,333	TOTAL LIABILITIES AND SOCKHOLDERS' EQUITY	$2,050,570,327	$62,566,984	$1,947,461,333

Financial Reports

MEGA SECURITIES CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007

(Expressed in Thousands of Dollars)

Items	December 31, 2008		December 31, 2007	Items	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$		NT$	US$ (Unaudited -Note 2)	NT$
Assets				Liabilities			
Current assets	$43,300,292	$1,321,178	$58,534,129	Current liabilities	$33,065,938	$1,008,908	$44,447,092
Funds and investments	1,538,797	46,952	2,758,430	Long-term liabilities	3,000,000	91,536	5,000,000
Property and equipment, net	3,097,749	94,518	3,159,591	Other liabilities	314,702	9,602	281,844
Intangible assets	25,094	766	14,660	Credit items for securities consignment trading	133,629	4,077	-
Other assets	1,686,312	51,453	1,653,585	Total liabilities	36,514,269	1,114,123	49,728,936
Debit items for securities consignment trading	-	-	367,654	Stockholders' equity			
				Capital stock	13,200,000	402,758	13,200,000
				Capital surplus	906,255	27,652	906,255
				Retained earnings	(951,600)	(29,035)	2,688,150
				Equity adjustments	(20,680)	(631)	(35,292)
				Total Stockholders' Equity	13,133,975	400,744	16,759,113
TOTAL ASSETS	$49,648,244	$1,514,867	$66,488,049	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$49,648,244	$1,514,867	$66,488,049

MEGA BILLS FINANCE CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007

(Expressed in Thousands of Dollars)

Items	December 31, 2008		December 31, 2007	Items	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$		NT$	US$ (Unaudited-Note 2)	NT$
Assets				Liabilities			
Cash and cash equivalents	$629,350	$19,203	$386,602	Due to the Central Bank and financial institutions	$8,609,000	$262,678	$5,390,000
Financial assets at fair value through profit or loss	129,302,575	3,945,279	90,953,726	Financial liabilities at fair value through profit or loss	119,016	3,631	162,165
Receivables, net	3,543,749	108,127	4,767,886	Bills and bonds sold under repurchase agreements	215,025,089	6,560,844	203,409,282
Available-for-sale financial assets, net	122,763,214	3,745,750	144,689,065	Payables	952,516	29,063	654,725
Held-to-maturity financial assets, net	200,000	6,102	200,000	Corporate bonds payable	-	-	5,000,000
Other financial assets, net	1,595,562	48,684	1,900,045	Accrued pension liability	137,180	4,186	167,321
Property and equipment, net	2,993,257	91,330	3,024,870	Other liabilities	3,032,707	92,534	2,072,928
Other assets, net	168,604	5,145	259,401	Total Liabilities	227,875,508	6,952,936	216,856,421
				Stockholders' equity			
				Capital stock	15,114,411	461,171	15,114,411
				Capital surplus	312,823	9,545	312,823
				Retained earnings	12,428,734	379,225	12,408,658
				Equity adjustments	5,464,835	166,743	1,489,282
				Total Stockholders' Equity	33,320,803	1,016,684	29,325,174
TOTAL ASSETS	$261,196,311	$7,969,620	$246,181,595	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$261,196,311	$7,969,620	$246,181,595

CHUNG KUO INSURANCE CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

Items	December 31, 2008		December 31, 2007	Items	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$		NT$	US$ (Unaudited-Note 2)	NT$
Assets				Liabilities			
Current assets	$10,367,763	$316,341	$11,183,780	Current liabilities	$1,326,182	$40,464	$1,221,904
Funds and investments	1,309,422	39,953	686,979	Long-term liabilities	156,565	4,777	159,192
Property and equipment, net	908,309	27,714	907,297	Operation and liabilities reserve	8,298,937	253,217	7,540,743
				Other liabilities	16,421	501	21,502
Intangible assets	18,185	555	29,326	Total liabilities	9,798,105	298,959	8,943,341
Other assets	1,385,417	42,272	1,218,421				
				Stockholders' equity			
				Capital stock	3,000,000	91,536	3,000,000
				Capital surplus	1,058,461	32,296	1,058,461
				Retained earnings	566,859	17,296	997,304
				Equity adjustments	(434,329)	(13,252)	26,697
				Total Stockholders' Equity	4,190,991	127,876	5,082,462
TOTAL ASSETS	$13,989,096	$426,835	$14,025,803	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$13,989,096	$426,835	$14,025,803

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

Items	December 31, 2008		December 31, 2007	Items	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$		NT$	US$ (Unaudited-Note 2)	NT$
Assets				Liabilities			
Current assets	$1,217,548	$37,150	$518,140	Current liabilities	$1,088,008	$33,197	$254,386
				Other liabilities	88,749	2,708	38,318
Property and equipment, net	127,846	3,901	132,050	Total liabilities	1,176,757	35,905	292,704
Other assets	425,909	12,995	442,177				
				Stockholders' equity			
				Capital stock	1,400,000	42,717	591,415
				Capital surplus	108,551	3,312	108,551
				Retained earnings	(902,678)	(27,542)	104,952
				Equity adjustments	(11,327)	(346)	(5,255)
				Total Stockholders' Equity	594,546	18,141	799,663
TOTAL ASSETS	$1,771,303	$54,046	$1,092,367	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,771,303	$54,046	$1,092,367

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

Items	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$	Items	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$
Assets				Liabilities			
Current assets	$8,253,501	$251,831	$9,242,613	Current liabilities	$6,011,093	$183,410	$5,429,930
Fund and investments	144,238	4,401	-	Long-term liabilities	-	-	1,483,000
				Other liabilities	197,324	6,021	118,551
Property and equipment, net	6,230	190	64,099	Total liabilities	6,208,417	189,431	7,031,481
Intangible assets	1,263	39	2,693				
Other assets	186,847	5,701	110,517				
				Stockholders' equity			
				Capital stock	2,000,000	61,024	2,000,000
				Retained earnings	383,662	11,707	388,441
				Total Stockholders' Equity	2,383,662	72,731	2,388,441
TOTAL ASSETS	$8,592,079	$262,162	$9,419,922	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$8,592,079	$262,162	$9,419,922

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

Items	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$	Items	December 31, 2008 NT$	December 31, 2008 US$ (Unaudited-Note 2)	December 31, 2007 NT$
Assets				Liabilities			
Current assets	$50,789	$1,550	$88,242	Current liabilities	$16,690	$509	$40,913
Fund and investments	429	13	-	Total liabilities	16,690	509	40,913
Property and equipment, net	994	30	1,315	Stockholders' equity			
Other assets	2,754	84	3,522	Capital stock	20,000	610	20,000
				Retained earnings	18,276	558	32,166
				Total Stockholders' Equity	38,276	1,168	52,166
TOTAL ASSETS	$54,966	$1,677	$93,079	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$54,966	$1,677	$93,079

MEGA CTB VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

Items	December 31, 2008		December 31, 2007	Items	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$		NT$	US$ (Unaudited-Note 2)	NT$
Assets				Liabilities			
Current assets	$293,059	$8,942	$614,431	Current liabilities	$1,830	$56	$10,843
Funds and investments	512,723	15,644	414,940	Total liabilities	1,830	56	10,843
				Stockholders' equity			
				Capital stock	1,000,000	30,512	1,000,000
				Retained earnings	10,040	306	32,389
				Equity adjustments	(206,088)	(6,288)	(13,861)
				Total Stockholders' Equity	803,952	24,530	1,018,528
TOTAL ASSETS	$805,782	$24,586	$1,029,371	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$805,782	$24,586	$1,029,371

CTB I VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of Dollars)

Items	December 31, 2008		December 31, 2007	Items	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$		NT$	US$ (Unaudited-Note 2)	NT$
Assets				Liabilities			
Current assets	$408,231	$12,456	$676,661	Current liabilities	$653	$20	$19,485
Funds and investments	512,706	15,644	426,004	Total liabilities	653	20	19,485
				Stockholders' equity			
				Capital stock	1,000,000	30,512	1,000,000
				Retained earnings	28,895	882	84,535
				Equity adjustments	(108,611)	(3,314)	(1,355)
				Total Stockholders' Equity	920,284	28,080	1,083,180
TOTAL ASSETS	$920,937	$28,100	$1,102,665	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$920,937	$28,100	$1,102,665

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Interest income, net	$26,779,009	$817,081	$22,431,529
Revenues other than interest,net	529,336	16,151	14,995,710
Net revenue	27,308,345	833,232	37,427,239
Bad debts expense on loans	(7,285,116)	(222,283)	(6,522,998)
Operating Expenses	(14,171,283)	(432,394)	(14,599,001)
Income before Income Tax	$5,851,946	$178,555	16,305,240
Net Income	$3,421,919	$104,410	14,030,952
Earnings Per Share (Pre-tax)	$0.91	$0.0278	$2.54
Earnings Per Share (after-tax)	$0.53	$0.0162	$2.19

MEGA SECURITIES CO., LTD.
CONDENSED INCOME STATEMENTS
For the Years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Revenues	$7,255,025	$221,365	$7,814,148
Expenses	(9,718,559)	(296,533)	(6,155,371)
Income before Income Tax	($2,463,534)	($75,168)	$1,658,777
Net Income	($2,651,361)	($80,898)	$1,408,709
Loss Per Share (Pre-tax)	($1.87)	($0.0571)	$1.26
Loss Per Share (after-tax)	($2.01)	($0.0613)	$1.07

MEGA BILLS FINANCE CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Interest income, net	$2,467,446	$75,287	$2,524,662
Revenues other than interest, net	1,269,488	38,734	776,002
Net revenue	3,736,934	114,021	3,300,664
Provision for various reserve	(1,027,965)	(31,365)	(74,252)
Operating Expenses	(752,867)	(22,971)	(661,380)
Income before Income Tax	$1,956,102	$59,685	$2,565,032
Net Income	$1,515,316	$46,235	$2,120,384
Earnings Per Share (Pre-tax)	$1.29	$0.0394	$1.46
Earnings Per Share (after-tax)	$1.00	$0.0305	$1.20

CHUNG KUO INSURANCE CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$(Unaudited-Note2)	NT$
Operating Revenues	$11,309,830	$345,085	$12,700,426
Operating Costs	(10,900,121)	(332,584)	(11,918,959)
Gross operating profit	409,709	12,501	781,467
Operating Expenses	(859,264)	(26,218)	(823,272)
Non-Operating Revenues and Gains	22,592	689	45,239
Non-Operating Expenses and Losses	(3,273)	(100)	(7,017)
(Loss) Income before Income Tax	($430,236)	($13,128)	($3,583)
Net income	($399,696)	($12,196)	$34,973
Loss Per Share (Pre-tax)	($1.43)	($0.0436)	($0.10)
Loss Per Share (after-tax)	($1.33)	($0.0406)	$1.20

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Operating Revenues	$233,961	$7,138	$347,335
Operating Expenses	(190,098)	(5,800)	(244,595)
Net operating income	43,863	1,338	102,740
Non-Operating Revenues and Gains	16,096	491	19,163
Non-Operating Expenses and Losses	(1,657,027)	(50,559)	(51,665)
Income (Loss) before Income Tax	($1,597,068)	($48,730)	$70,238
Net Income (Loss)	($1,586,866)	($48,418)	$25,256
Earnings(Loss) Per Share (Pre-tax)	($2,087.59)	($63.70)	Note
Earnings(Loss)Per Share (after-tax)	($2,074.26)	($63.29)	Note

Note: As MITC reduced capital to one share on December 23, 2008, earnings per share pre-tax and after-tax after retrospective adjustment were NT$70,238 thousand and NT$25,256 thousand, respectively.

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Operating Revenues	$583,204	$17,795	$724,414
Operating Expenses	(218,345)	(6,662)	(229,637)
Net operating income	364,859	11,133	494,777
Non-Operating Revenues and Gains	146,259	4,462	60,877
Non-Operating Expenses and Losses	(152,246)	(4,645)	(140,796)
Income before Income Tax	$358,872	$10,950	$414,858
Net Income	$274,304	$8,370	$309,444
Earnings Per Share (Pre-tax)	$1.79	$0.0546	$2.07
Earnings Per Share (after-tax)	$1.37	$0.0418	$1.55

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Operating Revenues	$218,494	$6,667	$420,083
Operating Costs	(188,310)	(5,746)	(360,396)
Gross operating profit	30,184	921	59,687
Operating Expenses	(15,922)	(486)	(24,396)
Non-Operating Revenues and Gains	1,219	37	885
Non-Operating Expenses and Losses	(1,457)	(44)	-
Income before Income Tax	$14,024	$428	$36,176
Net Income	$10,538	$322	$27,142
Earnings Per Share (Pre-tax)	$7.01	$0.2139	$18.09
Earnings Per Share (after-tax)	$5.27	$0.1608	$13.57

MEGA CTB VENTURE CAPITAL CO., LTD.
CONDENSED INCOME STATEMENT
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Operating Revenues	$27,400	$836	$98,892
Operating Costs	(7,731)	(236)	(44,630)
Gross operating profit	19,669	600	54,262
Operating Expenses	(22,413)	(684)	(29,821)
Non-Operating Revenues and Gains	9,413	287	12,077
Income before Income Tax	$6,669	$203	$36,518
Net Income	$6,654	$203	$33,481
Earnings Per Share (Pre-tax)	$0.07	$0.0021	$0.37
Earnings Per Share (after-tax)	$0.07	$0.0021	$0.33

CTB I VENTURE CAPITAL CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2008 and 2007
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2008		For the year ended December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Operating Revenue	$85,317	$2,603	$228,005
Operating Costs	(70,583)	(2,154)	(131,352)
Gross operating profit	14,734	449	96,653
Operating Expense	(20,813)	(635)	(34,196)
Non-operating revenue and income	14,717	449	13,969
Income before Income Tax	$8,638	$263	$76,426
Net Income	$7,366	$225	$69,758
Earnings Per Share (Pre-tax)	$0.09	$0.0028	$0.76
Earnings Per Share (after-tax)	$0.07	$0.0021	$0.70

(14) Profitability, asset quality, management information, and liquidity and market risk sensitivity of the company and subsidiaries:

A. Profitability

(a) The Company:

UNIT：%

Items		MEGA FINANCIAL HOLDING CO., LTD	
		December 31, 2008	December 31, 2007
Return on assets	Pre-tax	0.08	7.53
	After tax	0.14	7.67
Return on equity	Pre-tax	0.09	8.51
	After tax	0.16	8.67
Net profit margin		32.44	97.43

UNIT：%

Items		MEGA FINANCIAL HOLDING CO., LTD AND ITS SUBSIDIARIES	
		December 31, 2008	December 31, 2007
Return on assets	Pre-tax	0.13	0.88
	After tax	0.01	0.75
Return on equity	Pre-tax	1.66	10.14
	After tax	0.14	8.66
Net profit margin		0.84	36.30

(b)Subsidiaries:

UNIT：%

Items		MICB	
		December 31, 2008	December 31, 2007
Return on assets	Pre-tax	0.29	0.87
	After tax	0.17	0.75
Return on equity	Pre-tax	3.98	10.78
	After tax	2.33	9.28
Net profit margin		12.53	37.49

UNIT：%

Items		MBF	
		December 31, 2008	December 31, 2007
Return on assets	Pre-tax	0.77	0.92
	After tax	0.60	0.76
Return on equity	Pre-tax	6.24	7.60
	After tax	4.84	6.28
Net profit margin		40.55	64.24

UNIT：%

Items		MS	
		December 31, 2008	December 31, 2007
Return on assets	Pre-tax	(4.24)	2.36
	After tax	(4.57)	2.00
Return on equity	Pre-tax	(16.48)	9.88
	After tax	(17.74)	8.39
Net profit margin		(37.62)	18.55

UNIT：%

Items		CKI	
		December 31, 2008	December 31, 2007
Return on assets	Pre-tax	(3.07)	(0.03)
	After tax	(2.85)	0.27
Return on equity	Pre-tax	(9.28)	(0.07)
	After tax	(8.62)	0.67
Net profit margin		(3.53)	4.48

Note:(1) Return on assets = Income (loss) before income tax ÷ Average total assets

(2) Return on equity = Income (loss) before income tax ÷ Average stockholders' equity

(3) Net profit margin = Net income (loss) after income tax ÷ Operating revenues

(4) Net income (loss) pre-tax / after-tax refers to the income (loss) for the years ended December 31, 2008 and 2007.

B. Asset quality

(a) MICB

Non-performing loans and overdue accounts

Unit: thousands of New Taiwan dollars, %

Month / Year			December 31, 2008				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$6,001,821	$397,222,697	1.51%	$ -	-
	Unsecured loans		5,949,927	654,110,102	0.91%	-	-
Consumer banking	Residential mortgage loans (Note 4)		2,772,409	213,595,523	1.30%	-	-
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		406,459	8,866,532	4.58%	-	-
	Others (Note 6)	Secured loans	92,897	41,327,006	0.22%	-	-
		Unsecured loans	1,437	215,404	0.67%	-	-
Gross loan business			15,224,950	1,315,337,264	1.16%	11,804,648	77.53%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$78,471	$4,795,718	1.64%	$126,043	160.62%
Without recourse factoring (Note 7)			764	52,636,589	0.00%	684	89.53%
Total balance is not listed under non- performing loans as debt negotiated and paid back based on the contracts.							1,023
Total balance is not listed under accounts receivable as debt negotiated and paid back based on the contracts.							2,976

Unit: thousands of New Taiwan dollars, %

Month / Year			December 31, 2007				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$5,807,568	$396,109,874	1.47%	$ -	-
	Unsecured loans		3,065,759	555,199,102	0.55%	-	-
Consumer banking	Residential mortgage loans (Note 4)		2,913,814	211,872,508	1.38%	-	-
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		177,425	10,764,783	1.65%	-	
	Others (Note 6)	Secured loans	112,175	29,629,493	0.38%	-	
		Unsecured loans	4,054	341,013	1.19%	-	-
Gross loan business			12,080,795	1,203,916,773	1.00%	8,668,115	71.75%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$103,919	$5,597,759	1.86%	$219,087	210.82%
Without recourse factoring			7,150	51,381,729	0.01%	162,631	2,274.56%
Total balance is not listed under non- performing loans as debt negotiated and paid back based on the contracts.							3,549
Total balance is not listed under accounts receivable as debt negotiated and paid back based on the contracts.							-

Note 1: The amount recognized as non-performing loans is in accordance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in accordance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for doubtful accounts for accounts receivable of credit cards/ overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouse's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 094000494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

Note 8: Total balance that is not listed under non-performing loans as debt negotiated and paid back based on the contract and total balance that is not listed under account receivable as debt negotiated and paid back based on the contract are disclosed in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of the FSC dated April 25, 2006 and the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008.

(b) MBF

UNIT:In Thousands of Dollars, %

Items╲Year	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited)	NT$
Guarantees in arrear and guaranteed credits overdue for longer than three months	$30,500	$931	$390,000
Overdue credits	606,350	18,501	671,238
Loans under surveillance	1,225,000	37,377	1,237,100
Overdue receivables	577,350	17,616	663,538
Ratio of overdue credits (%) (Note)	0.51	0.51	0.61
Ratio of overdue credits plus ratio of loans under surveillance (%)	1.54	1.54	1.73
Provision for bad debts and guarantees as required by regulation	2,480,919	75,698	1,711,200
Provision for bad debts and guarantees actually reserved	2,776,424	84,714	1,851,971

Note: Ratio of overdue credits = overdue credits (including overdue receivables, receivables and bills receivable) ÷(outstanding guaranteed credits + payments for guarantee credits)

C. Structure analysis of time to maturity

MICB

NTD structure analysis of time to maturity

December 31, 2008

UNIT:In Thousands of NT Dollars, %

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days–1 year	Over 1 year
Primary funds inflow upon maturity	$1,321,790,773	$244,254,750	$109,087,850	$89,029,366	$138,389,944	$741,028,863
Primary funds outflow upon maturity	1,413,261,388	245,567,134	196,785,284	136,452,715	187,471,279	646,984,976
Gap	(91,470,615)	(1,312,384)	(87,697,434)	(47,423,349)	(49,081,335)	94,043,887

The amount in the above table only includes New Taiwan dollar denominated assets and liabilities of the head office and domestic branch office.

USD structure analysis of time to maturity

December 31, 2008

UNIT:In Thousands of US Dollars, % (Unaudited-Note 2)

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days–1 year	Over 1 year
Primary funds inflow upon maturity	$18,315,054	$3,854,615	$3,985,505	$1,868,752	$1,997,354	$ 6,608,828
Primary funds outflow upon maturity	18,126,277	8,413,071	4,038,522	2,398,603	1,929,335	1,346,746
Gap	188,777	(4,558,456)	(53,017)	(529,851)	68,019	5,262,082

Notes: 1. The above amounts included only US dollars amounts by the head office, domestic and foreign branches, and the OBU branch.

2. If overseas assets exceed 10% of total assets, supplementary information shall be disclosed.

NTD structure analysis of time to maturity

December 31, 2007

UNIT;In Thousands of NT Dollars, %

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days–1 year	Over 1 year
Primary funds inflow upon maturity	$1,270,255,816	$244,482,643	$65,233,399	$123,979,833	$142,837,793	$693,722,148
Primary funds outflow upon maturity	1,374,729,955	193,547,060	188,040,206	333,703,960	358,979,606	300,459,123
Gap	(104,474,139)	50,935,583	(122,806,807)	(209,724,127)	(216,141,813)	393,263,025

The amount in the above table only includes New Taiwan dollar denominated assets and liabilities of the head office and domestic branch office.

USD structure analysis of time to maturity

December 31, 2007

UNIT:In Thousands of US Dollars, % (Unaudited-Note 2)

	Total	Remaining Balance before Maturity				
		1-30 days	31-90 days	91-180 days	181 days–1 year	Over 1 year
Primary funds inflow upon maturity	$8,698,676	$3,461,673	$439,421	$597,058	$1,100,115	$3,100,409
Primary funds outflow upon maturity	11,909,276	5,547,235	1,703,823	1,604,774	2,014,085	1,039,359
Gap	(3,210,600)	(2,085,562)	(1,264,402)	(1,007,716)	(913,970)	2,061,050

Notes: 1. The above amounts included only US dollars amounts by the head office, domestic and foreign branches, and the OBU branch.

2. If overseas assets exceed 10% of total assets, supplementary information shall be disclosed.

D. Interest rate sensitivity analysis on assets and liabilities

(a) MICB

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2008

UNIT:In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$811,664,189	$43,423,323	$17,351,902	$190,550,898	$1,062,990,312
Interest rate sensitive liabilities	475,428,596	337,558,566	72,145,532	47,786,372	932,919,066
Interest rate sensitivity gap	336,235,593	(294,135,243)	(54,793,630)	142,764,526	130,071,246
Net worth					141,692,978
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					113.94%
Ratio of interest rate sensitivity gap to net worth					91.80%

Notes: 1. The above amounts included only New Taiwan dollar amounts by the onshore branches of the Company (i.e. excluding foreign currency).

2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

3. Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities

4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in New Taiwan dollars)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2008

UNIT:In Thousands of US Dollars, %n (Unaudited-Note 2)

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$19,722,630	$591,599	$75,801	$ 784,753	$21,174,783
Interest rate sensitive liabilities	21,221,985	885,556	612,996	-	22,720,537
Interest rate sensitivity gap	(1,499,355)	(293,957)	(537,195)	784,753	(1,545,754)
Net worth					4,323,335
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					93.20%
Ratio of interest rate sensitivity gap to net worth					-35.75%

Notes:1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.

2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

3. Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities

4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in US dollars).

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2007

UNIT:In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$915,637,014	$36,847,002	$15,954,111	$88,494,626	$1,056,932,753
Interest rate sensitive liabilities	458,470,394	336,803,135	42,368,177	30,404,275	868,045,981
Interest rate sensitivity gap	457,166,620	(299,956,133)	(26,414,066)	58,090,351	188,886,772
Net worth					152,461,108
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					121.76%
Ratio of interest rate sensitivity gap to net worth					123.89%

Notes: 1. The above amounts included only New Taiwan dollar amounts by the onshore branches of the Company (i.e. excluding foreign currency).

2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

3. Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities

4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in New Taiwan dollars)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2007

UNIT:In Thousands of US Dollars, % (Unaudited-Note 2)

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$15,323,632	$457,964	$902,752	$2,527,980	$19,212,328
Interest rate sensitive liabilities	15,136,056	4,725,152	859,014	468,706	21,188,928
Interest rate sensitivity gap	187,576	(4,267,188)	43,738	2,059,274	(1,976,600)
Net worth					4,693,422
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					90.67%
Ratio of interest rate sensitivity gap to net worth					-42.11%

Notes: 1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.

2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

3. Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities

4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in US dollars).

(b)MBF

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2008

UNIT:In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$123,911	$7,319	$8,378	$113,328	$252,936
Interest rate sensitive liabilities	217,822	4,304	1,508	33,321	256,955
Interest rate sensitivity gap	(93,911)	3,015	6,870	80,007	(4,019)
Net worth					33,321
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					98.44%
Ratio of interest rate sensitivity gap to net worth					-12.06%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2007

UNIT:In Thousands of NT Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$86,804	$10,236	$12,799	$126,524	$236,363
Interest rate sensitive liabilities	204,298	8,058	1,443	29,325	243,124
Interest rate sensitivity gap	(117,494)	2,178	11,356	97,199	(6,761)
Net worth					29,325
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					97.22%
Ratio of interest rate sensitivity gap to net worth					-23.06%

Notes: 1. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

2. Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities

3. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in New Taiwan dollars).

Financial Reports

E. Average amount and average interest rates of interest-earning assets and interest-bearing liabilities

(a) MICB

	For the years ended December 31,				
	2008			2007	
	Average amount (NT$)	Average amount (US$) (Unaudited -Note 2)	Average interest rate(%)	Average amount (NT$)	Average interest rate(%)
Assets					
Due from banks (including call loans to banks)	$228,709,643	$6,978,387	2.14	$143,281,518	5.11
Due from the Central Bank	46,413,315	1,416,163	2.29	35,755,360	1.07
Financial assets held for trading purposes	1,152,462	35,164	5.63	1,170,625	7.29
Financial assets at fair value through profit or loss	48,079,467	1,467,000	2.93	59,535,757	2.67
Bonds and bills purchased under resell agreements	1,663,939	50,770	3.63	2,268,499	4.49
Available-for-sale financial assets	94,445,258	2,881,713	3.28	98,449,830	3.28
Receivables – credit card transaction with circulating interests	2,585,493	78,889	18.16	3,811,806	16.22
Receivables on factoring	35,451,672	1,081,701	2.84	25,229,739	3.96
Bills discounts and loans	1,295,247,642	39,520,585	3.62	1,167,270,500	3.89
Held-to-maturity financial assets	105,489,658	3,218,700	2.61	68,284,386	2.56
Other debt investments	1,468,718	44,814	5.66	4,696,402	3.83
Bills purchased	48,367	1,476	6.50	76,555	6.01
Liabilities					
Due to the Central Bank	232,964,467	7,108,210	1.73	111,250,157	4.53
Due to other banks	131,306,470	4,006,422	2.41	108,652,610	2.63
Demand deposits	276,806,316	8,445,912	0.53	260,462,926	0.96
Demand saving deposits	196,882,501	6,007,277	0.72	201,686,746	0.77
Time deposits	554,117,290	16,907,222	2.78	463,142,806	3.80
Time saving deposits	199,442,488	6,085,387	2.65	193,337,475	2.42
Negotiable certificate of deposits	3,471,389	105,919	2.83	3,244,399	1.30
Financial liabilities at fair value through profit or loss	49,722,296	1,517,126	2.04	48,151,918	1.24
Bonds and bills payable under repurchase agreements	18,714,270	571,010	1.74	31,247,261	1.68
Funds borrowed from the Central Bank and other banks	37,378,750	1,140,500	3.14	43,824,502	5.26
Financial bonds payable	21,739,519	663,316	2.73	17,756,595	2.31
Commercial paper payable – net	8,282,649	252,720	7.62	9,680,043	6.70

(b) MBF

	For the years ended December 31,				
	2008			2007	
	Average Amount (NT$)	Average Amount (US$) (Unaudited -Note 2)	Average Interest Rate (%)	Average Amount (NT$)	Average Interest Rate (%)
Assets					
Cash and cash equivalents	$955,747	$29,162	1.15	$1,023,177	1.19
Call loans to banks	1,639	50	2.07	90,055	1.78
Financial assets at fair value through profit or loss	103,410,772	3,155,269	2.50	113,582,129	2.20
Bonds and bills purchased under resell agreements	16,482,505	502,914	1.81	16,480,632	1.81
Available-for-sale financial assets	122,204,094	3,728,690	2.93	147,621,357	2.81
Held-to-maturity financial assets	200,000	6,102	3.67	315,616	2.97
Liabilities					
Due to banks	5,182,585	158,131	2.03	7,001,118	2.10
Bonds and bills payable under repurchase agreements	213,121,702	6,502,768	1.82	243,285,644	1.76
Corporate bonds payable	2,375,683	72,487	1.48	5,000,000	1.48

F. Net position for major foreign currency transactions

MICB

	December 31, 2008		December 31, 2007	
	Currency	NT$ (in thousands)	Currency	NT$ (in thousands)
Net position for major foreign currency transactions (Market Risk)	THB	$4,452,364	THB	$4,262,279
	USD	4,101,077	USD	3,661,686
	EUR	2,321,180	EUR	2,263,241
	CAD	837,542	CAD	1,004,898
	AUD	978,276	AUD	778,809

G. Extraordinary Items:omission

(a) MICB

December 31, 2008

	Cases and amounts
Directors or employees prosecuted due to violating of laws and regulations in relation to the operations in the latest year.	None
Fine due to the non-compliance with of laws and regulations in the latest year	None
Shortcoming and negligence rectified by the Ministry of Finance in the latest year	None
Incurred losses over NT$50 million individually or in aggregate due to employee fraud or major incidental violations of rules provided in the "Notices to Financial Institutions about Safeguarding" in the latest year.	On June 2, 2008, certain criminals entered the Colon Free Zone Branch and robbed the vault of approximately USD$2,580 thousand. The Colon Free Zone Branch has claimed loss incurred from the insurance company.
Others	None

(a) MBF

December 31, 2008

	Cases and amounts
Directors or employees prosecuted due to violating of laws and regulations in relation to the operations in the latest year.	None
Fine due to the non-compliance with of laws and regulations in the latest year	None
Shortcoming and negligence rectified by the Ministry of Finance in the latest year	None
Incurred losses over NT$50 million individually or in aggregate due to employee fraud or major incidental violations of rules provided in the "Notices to Financial Institutions about Safeguarding" in the latest year.	None
Others	None

(15) The investment details of trust assets:

As of December 31, 2008 and 2007, in accordance with Article 17 of Trust Business Law, the investment details of trust assets are listed as follows:

A. Balance Sheet of trust accounts

	December 31, 2008		December 31, 2007		December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited -Note 2)	NT$		NT$	US$ (Unaudited -Note 2)	NT$
Trust Assets				Trust Liabilities			
Bank deposits	$4,862,840	$148,375	$3,917,084	Trust capital			
Short-term investments				Pecuniary trust	$266,786,420	$8,140,185	$295,830,780
Mutual funds	126,313,870	3,854,088	158,858,358				
Bonds	65,853,989	2,009,336	66,059,858				
Stocks	39,191,308	1,195,805	32,142,424				
Short-term bills	176,044	5,371	-	Pecuniary creditors' right and its collateral right trust	404,760	12,350	-
Real estate	58,032,263	1,770,680	49,807,399	Securities trust	16,904,360	515,786	11,574,481
Movable property	37,074	1,131	44,844	Real estate trust	34,269,698	1,045,637	27,562,183
Customers' securities under custody	130,638,495	3,986,041	-	Customers' securities under custody	130,638,495	3,986,040	-
Others	23,897,850	729,171	24,137,477				
Total trust assets	$449,003,733	$13,699,998	$334,967,444	Total trust liabilities	$449,003,733	$13,699,998	$334,967,444

B. Income Statement of Trust Accounts

	For The Years Ended December 31,		
	2008		2007
	NT$	US$ (Unaudited-Note 2)	NT$
Trust income:			
Interest income	$36,406	$1,111	$28,464
Rental income	1,523,537	46,486	1,306,261
Cash dividend income	1,927	59	924
Other income	37,439	1,142	36,809
Unrealized capital gain	22,037	672	54,243
Unrealized exchange gain	63,551	1,939	-
Realized capital gain	52,076	1,589	107,707
Exchange gain	6,570	200	75,812
Total trust income	1,743,543	53,198	1,610,220
Trust income:			
Management expenses	(66,087)	(2,017)	(61,712)
Duty expenses	(15,345)	(468)	(11,850)
Other operating expenses	(500,075)	(15,258)	(371,015)
Loss on disposal of assets	(5)	-	(117)
Unrealized capital loss	(37,177)	(1,134)	(761)
Realized capital loss	(272,093)	(8,302)	(28,158)
Exchange loss	(90,358)	(2,757)	(1,189)
Realized exchange loss	(104,518)	(3,189)	(88,506)
Total trust expenses	(1,085,658)	(33,125)	(563,308)
Net income before income tax (Net investment income)	657,885	20,073	1,046,912
Income tax expense	(310)	(9)	(244)
Net income after income tax	$657,575	$20,064	$1,046,668

C. Schedule of investment for trust business

	December 31, 2008		December 31, 2007
	NT$	US$ (Unaudited-Note 2)	NT$
Short-term investments:			
Mutual funds	$126,313,870	$3,854,088	$158,858,358
Bonds	65,853,989	2,009,336	66,059,858
Stocks	39,191,308	1,195,805	32,142,424
Short-term bills	176,044	5,371	49,807,399
Real estate	58,032,263	1,770,680	44,844
Movable properties	37,074	1,131	44,844
Other assets	23,897,850	729,171	24,137,477
	$313,502,398	$9,565,582	$331,095,204

11. Additional Disclosures

The information to be disclosed for investees was prepared based on the audited financial statements of the investees and the transactions between and among subsidiaries have been eliminated during the consolidation. The disclosed information below is for your reference.

Significant transaction information:

A. Marketable securities acquired or disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: please refer to consolidated financial statements P.168.

B. Acquisition or disposal of individual real estate, at costs or prices of at least NT$300 million or 10% of the issued capital: None.

C. Allowance for service fees to related parties amounting to at least NT$5 million: None.

D. Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital:

Creditor	Counterparty	Relationship	Balance as at December 31, 2008	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Mega Financial Holdings	MICB	The Company's subsidiary	$2,064,813	-	$ -	-	$ -	$ -
	MS	The Company's subsidiary	303,737	-	-	-	-	-

E. Information on selling non-performing loans of subsidiaries

MICB

(a) Summary of selling non-performing loans

December 31, 2008

Transaction date	Counterparty	Contents of right of claim	Carrying value (Note1)	Selling price	Gain (Loss) from disposal	Attached conditions	Relationship with the Company
January 30, 2008	NEO FUTURO CO., LTD.	Receivables – no rights of recourse	$ -	$702	$702	None	Non-related party
December 16,2008	Mars 911 E-Commerce Co., Ltd	Short – term secured loans, short – term credit loans	$2,590	$117,617	$115,027	None	Non-related party

Note 1: Carrying value is the difference of initial claim amount minus allowance for doubtful accounts.

(b) Single-run of sales of non-performing loans with an amount exceeding NT$ 1,000 million (excluding sales of non-performing loans to related parties): None.

F. Information on categories of securitization of assets of subsidiaries applied for and approved in accordance to both financial asset securitization rule and real estate securitization regulations: None.

G. Other significant transactions which may affect the decisions of users of financial reports: None.

(2) Information on the investees :

A. Supplementary disclosure regarding investee companies: please refer to consolidated financial statements P.171~176.

B. Marketable securities acquired or disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: None.

C. Acquisition or disposal of individual real estate, at costs or prices of at least NT$300 million or 10% of the issued capital: None.

D. Allowance for service fees to related parties amounting to at least NT$5 million: None.

E. Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital: None.

F. Sale of non-performing loans : None.

G. Information on categories of securitization of assets of subsidiaries applied for and approved in accordance to both financial asset securitization rule and real estate securitization regulations: None.

H. Other significant transactions which may affect the decisions of users of financial reports: None.

I. Funds lent to others: please refer to consolidated financial statements P.177.

J. Endorsement/guarantee provided: please refer to consolidated financial statements P.178~179.

K. Securities held at the end of period: please refer to consolidated financial statements P.180~188.

L. Cumulative purchases or sales of the same marketable securities up to NT$300 million dollars or 10% of issued capital stocks: None.

M. Information of derivative instrument transactions: Please refer to Note 10 for details.

(3) Information on investments in Mainland China:

A. The Company: None.

B. Subsidiaries: please refer to consolidated financial statements P.189~190.

(4) Significant transactions between parent company and subsidiaries. (eliminated during the consolidation) : please refer to consolidated financial statements P.191~195.

12. Disclosure of financial information by segments

(1) Financial information by business segments:

	2008					
Items	Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	$63,015,274	$1,047,754	$7,316,792	$636,058	($898,992)	$71,116,886
General expense						(28,252,026)
Interest expense						(39,779,752)
Income before income taxes						$3,085,108
Asset attributable to specific departments	$2,061,597,322	$53,614,715	$259,471,496	$13,413,885	$18,969,769	$2,407,067,187
Long-term equity investments accounted for under the equity method						2,545,633
Total assets						$2,409,612,820

UNIT：In Thousands of US Dollars, % (Unaudited-Note 2)

	2008					
Items	Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	$1,922,721	$ 31,969	$223,250	$19,407	($27,430)	$2,169,917
General expense						(862,025)
Interest expense						(1,213,759)
Income before income taxes						$94,133
Asset attributable to specific departments	$62,903,440	$1,635,892	$7,916,992	$409,284	$578,805	$73,444,413
Long-term equity investments accounted for under the equity method						77,672
Total assets						$73,522,085

Items	2007 Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	$76,862,095	$5,937,881	$7,152,841	$773,219	$1,336,618	$92,062,654
General expense						(27,116,835)
Interest expense						(44,913,630)
Income before income taxes						$20,032,189
Asset attributable to specific departments	$1,958,595,527	$73,658,863	$244,451,047	$13,633,823	$20,838,870	$2,311,178,130
Long-term equity investments accounted for under the equity method						2,582,607
Total assets						2,313,760,737

(2) Financial information by geographic area

	2008 Domestic (including OBU)	North America	Other overseas operating Departments	Adjustment and elimination	Total
Revenue from customers outside the Company and its subsidiaries	$55,826,798	$6,632,533	$8,657,555	$ -	$71,116,886
Revenue from customers in the Company and its subsidiaries	49,817,240	218,821	2,026,744	(52,062,805)	-
Total revenue	$105,644,038	$6,851,354	$10,684,299	($52,062,805)	$71,116,886
Profit or loss	$2,586,716	$642,680	($144,288)	$ -	$3,085,108
Asset attributable to specific departments	$1,904,101,636	$296,020,680	$206,944,871	$ -	$2,407,067,187

UNIT:In Thousands of US Dollars, % (Unaudited-Note 2)

	2008 Domestic (including OBU)	North America	Other overseas operating Departments	Adjustment and elimination	Total
Revenue from customers outside the Company and its subsidiaries	$1,703,387	$202,371	$264,159	$ -	$2,169,917
Revenue from customers in the Company and its subsidiaries	1,520,023	6,677	61,840	(1,588,540)	-
Total revenue	$3,223,410	209,048	$325,999	($1,588,540)	$2,169,917
Profit or loss	$78,926	19,610	($4,403)	$ -	$94,133
Asset attributable to specific departments	$58,097,933	$9,032,180	$6,314,300	$ -	$73,444,413

	2007 Domestic (including OBU)	North America	Other overseas operating Departments	Adjustment and write-off	Total
Revenue from customers outside the Company and its subsidiaries	$73,204,608	$8,474,713	$10,383,333	$ -	$92,062,654
Revenue from customers in the Company and its subsidiaries	62,969,080	68,472	1,667,546	(64,705,098)	-
Total revenue	$136,173,688	$8,543,185	$12,050,879	($64,705,098)	$92,062,654
Profit or loss	$16,946,690	$582,597	$2,502,902	$ -	$20,032,189
Asset attributable to specific departments	$1,819,795,730	$291,521,088	$199,861,312	$ -	$2,311,178,130

(3) Export sales by geographic area

The Company and its subsidiaries have no export sales.

(4) Information on major customers

The Company and its subsidiaries have no customer accounting for more than 10% of the Company's operating revenues for the year ended December 31, 2008.

13. MS and MF engaged in futures business and shall meet the requirements of relevant futures transactions regulations. Financial ratio and enforcement of MS and MF are as follows:

The table below is prepared according to: “Regulations Governing Futures Commission Merchants”

(1) MS

Article	Calculation formula	2008		2007		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders’ equity / (Total liability − futures trader’s equity − reserve for trading losses − reserve for breach of contract losses)	1,008,673 / 12,497	80.71	959,521 / 6,572	146.00	≧ 1	Meets the requirements
17	Current assets / Current liabilities	976,173 / 12,395	78.76	914,367 / 6,470	141.32	≧ 1	Meets the requirements
22	Stockholders’ equity / Minimum paid-in capital	1,008,673 / 400,000	252.17%	959,521 / 400,000	239.88%	≧ 60% ≧ 40%	Meets the requirements
22	Adjusted net capital / Total amount of customer margins required for the open positions of futures traders	1,000,352 / 17,048	5,867.86%	920,021 / 12,445	7,392.70%	≧ 20% ≧ 15%	Meets the requirements

(2) MF

Article	Calculation formula	2008		2007		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders’ equity / (Total liability − futures trader’s equity − reserve for trading losses − reserve for breach of contract losses)	444,639 / 48,799	9.11	574,485 / 32,944	17.44	≧ 1	Meets the requirements
17	Current assets / Current liabilities	1,883,702 / 1,583,550	1.19	1,752,199 / 1,340,231	1.31	≧ 1	Meets the requirements
22	Stockholders’ equity / Minimum paid-in capital	444,639 / 400,000	111.16%	574,485 / 600,000	95.75%	≧ 60% ≧ 40%	Meets the requirements
22	Adjusted net capital / Total amount of customer margins required for the open positions of futures traders	404,335 / 190,485	212.27%	551,519 / 151,762	363.41%	≧ 20% ≧ 15%	Meets the requirements

14. THE PROSPECTIVE RISK FOR FUTURES TRADING

Brokerage department of MF, which is under the consignment of futures’ traders, conducts brokerage services pursuant to the laws and regulations. Uncovered positions are daily adjusted by mark-to-market price of Taiwan Futures Exchange. If margin call is lower than certain level, additional margin calls are requested to maintain limits of guarantee deposits. The Company controls credit risk by constantly monitoring the balance of performance bonds based on market price of positions held by each client, regulations of Taiwan Stock Exchange and the Company to minimize the risk.

Futures’ trading and futures option trading are with high financial leverage risk. When MS and MF purchase options, the maximum loss arising from fluctuation on futures index is limited to the paid premium; hence, market price risk is insignificant. When MS and MF sell options, market price risk is the fluctuation of TAIEX Index Option contracts. Futures department of MS and MF have established relevant risk control mechanism and set up stop-loss limits, in order to monitor changes on positions held and their prices. When there is significant fluctuation on futures price, MS and MF will conversely purchase options or TAIEX Index Futures to manage the market price risk, and loss incurred would be controlled.

Mega Financial Holding Co., Ltd.

Chairman Rong-Jou Wang

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