



Mega Financial Holding Co., Ltd.

Annual Report 2009

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Mega Holdings

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# Letter to Shareholders



## Letter to Shareholders

Since the second half of 2009, global economy has seen an upturn owing to global trade recovery, restocking effects and economic stimulus projects. Yet global recovery still face risks, such as tightening credit conditions around the globe, lack of strong domestic demand, high unemployment rates and a still large output gap. International institutions analyzed that global economic growth would remain negative, between -2.2% and -0.8%, for the year 2009 before its upturn to between 2.4% and 3.9% for 2010.

As a result of global recession at the beginning of 2009, the Taiwanese domestic economy witnessed a negative domestic economic growth, a declined industrial productivity, weakening global trade, falling consumer prices, a depreciating New Taiwan Dollar and a rising unemployment rate. However, thanks to the steady upturn of global economy at the second half of the year, global trade has been gaining momentum each month, and manufacturers have been seeing a gradual growth of capacity utilization rate thanks to the expansion of industrial production. But in terms of its private consumption, Taiwan saw a weak consumption due to a limited improvement in the unemployment rate and slow income growth. According to the statistics released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. in February 2010, the domestic annual economic growth rate in 2009 declined by 1.87%. But the same forecast was cautiously optimistic for the Taiwanese economy in 2010, and predicted a growth rate of 4.72%.

As the economic situation improves, the Mega Financial Holding Company (the Company) once again demonstrated a strong performance in profitability and growth on its solid foundation. For the year 2009, the consolidated net income after tax for the Company amounted to NT\$14,345 million with an EPS of NT\$1.30. The figure represented a significant growth of 54 folds of the same period in 2008. The Company's business operations in 2009 are summarized as follows:

### 1.1 Business Operations in 2009

#### 1.1.1 Global and domestic financial environment

Since the second half of 2009, the global economy improved as stimulus measures began to show effects around the world. Stock markets across the globe soared amid turbulence after investor confidence



Rong-jou Wang, Chairman

and capital inflows restored. The US dollar had remained strong in the first quarter of 2009 until it depreciated in the second quarter of the same year. In response to the subprime crisis and the credit crunch in the US financial market, the Federal Reserve decided to maintain its fed funds target rate at a range between 0.00% and 0.25%. In Taiwan, in order to boost domestic demand, the Central Bank of the ROC (Taiwan) has maintained an appropriately easy monetary policy. The Bank cut the discount rate by 0.50% and 0.25% respectively in January and February of 2009, effectively guiding the market to lower its interest rates. The exchange rate of TWD against USD has shown a trend of appreciation except for the first quarter when it significantly depreciated. TAIEX has been rising on a monthly basis due to economic upturn from the bottom and the active international stock markets.



Kuang-Si Shin, President

### 1.1.2 Organization Integration

As of the end of 2009, the number of subsidiary companies, in which the Company has direct controlling interest, remains the same as they are in 2008. The subsidiary companies are Mega International Commercial Bank Co., Ltd., Mega Securities Co., Ltd., Mega Bills Finance Co., Ltd., Chung Kuo Insurance Co., Ltd., Mega International Investment Trust Co., Ltd., Mega Asset Management Co., Ltd., Mega Life Insurance Agency Co., Ltd., and Mega Venture Capital Co., Ltd.

### 1.1.3 Business Operations of the Subsidiaries

According to the Financial Holding Company Act, the business of a financial holding company shall be limited to investment in, and management of, its invested enterprise(s). In 2009, the subsidiaries of the Company continued to strengthen their business operations upon the current achievement. The operation results of our subsidiary companies are summarized as follows:

#### Mega International Commercial Bank

##### Corporate banking

Mega International Commercial Bank lead-managed syndicated loans worth US\$1,896 million, ranked 3rd in Taiwan's syndicated loan market. By the end of 2009, the corporate loans business captured the fifth position among local banks, with a market share of 8.21%. Loans extended to small and medium-sized enterprises had a market share of 6.72%, ranked 8th among local banks.

#### Consumer banking and wealth management

Mega International Commercial Bank had a residential mortgage loans outstanding reaching NT\$198.6 billion by the end of 2009, down 3.07% from the previous year. The Group generated NT\$1,364 million of wealth management fees income in 2009, a 13.34% decline from the previous year. Listed below is the average volume of its business:

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

Item \ Year	2009	2008	Change (%)
Deposits	1,472,227	1,306,773	12.66
Loans	1,279,368	1,282,395	-0.24
Foreign Exchange (US\$)	536,885	609,179	-11.87
Securities Purchased	275,617	216,298	27.42
Long-term Equity Investments	29,263	31,036	-5.71
Trust Assets	289,389	281,955	2.64
Corporate Financing	995,566	1,051,129	-5.29
Consumers Financing (Note)	256,085	264,968	-3.35

Note: Consumers financing excludes credit card loans.

#### Asset Quality

The non-performing loans outstanding at the end of 2009 amounted to NT\$12,174 million, representing a non-performing loan ratio of 0.95%, lower than the overall average for Taiwanese domestic banks of 1.15% as disclosed by the FSC. The bank's bad debt coverage ratio was 100.53%, higher than the overall market average 100.53%.

#### Mega Bills Finance Co., Ltd.

Mega Bills Finance Co., Ltd. topped the industry in the issuance, and guarantee, of commercial paper, with a market share of 29.94% and 31.22%, respectively. Bills trading in secondary markets also held the first position, with a market share of 36.36%. Bond trading had a market share of 28.76%, also topped the industry. The company's business volume in underwriting and purchase of bills, guaranteed issues of commercial paper fell 9.83% and 17.07% in 2009, respectively, due to market shrinkage. The company's operating volume is shown as follows:

Units: NT\$ million

Item	2009	2008	Change (%)
Underwriting and purchase of bills	1,601,426	1,776,022	-9.83
Guaranteed issues of commercial paper	1,406,289	1,695,690	-17.07
Dealing in bills	8,838,855	9,499,714	-6.96
Dealing in bonds	6,473,364	6,500,765	-0.42
Guaranteed issues of commercial paper outstanding	107,235	120,209	-10.79
Payments for overdue credits	374	606	-38.28
Percentage of payments for overdue credits (%)	0.38	0.51	-25.49



## Letter to Shareholders

### Mega Securities Co., Ltd. (MSC)

Mega Securities Co., Ltd. achieved a market share of 3.66% in securities brokerage, raking 10th in the local securities market. The company issued 375 warrants in total, ranked 9th in the market. The issue amount of warrants amounted to NT\$8.1 billion ranked 7th in the market. The company's operating volume in 2009 is shown in the following table:

	Item	2009	2008	Change (%)
Securities Brokerage	Market share (%)	3.66%	3.16%	15.82
Equity Underwriting	Number of Initial Public Offering lead managed by MSC	4 issues	4 issues	0.00
	Number of Subsequent Public Offering lead managed by MSC	7 issues	2 issues	250.00
Bonds Underwriting	Number of Issues	4 issues	3 issues	33.33
	Amount	NT\$10.0 billion	NT\$ 19.8 billion	-49.49
New Financial Products	Number of Warrants issued	375 issues	219 issues	71.23
	Amount of Warrants issued	NT\$8.1billion	NT\$ 4.0 billion	102.50

### Chung Kuo Insurance Co., Ltd.

Chung Kuo Insurance Company's marine hull insurance achieved a market share of 20.56%, raking 1st in the domestic market. The company's operating performance in 2009 is shown in the following table:

Unit: NT\$ million

Item	2009	2008	Change (%)
Direct written premiums	5,470	5,979	-8.51
Inward reinsurance premiums	724	945	-23.39

### 1.1.4 Budget Implementation

#### The Company

Unit: NT\$1,000, except EPS in NT\$

Item	Final accounting figure, 2009	Budget figure, 2009	Implemented (%)
Revenues	15,211,840	14,656,388	103.79
Expenses and losses	843,001	987,347	85.38
Net income before tax from continuing Operations	14,368,839	13,669,041	105.12
Net income	14,331,894	13,665,033	104.88
Earnings per share	1.30	1.24	104.84

#### The Company's Subsidiary

Unit: NT\$1,000

Name of subsidiary	Net income before tax - actual	Net income before tax - budget	Implemented (%)
Mega International Commercial Bank	13,127,617	13,011,494	100.89
Mega Securities Co., Ltd.	1,954,899	1,014,810	192.64
Mega Bills Finance Co., Ltd.	3,506,161	2,008,861	174.53
Chung Kuo Insurance Co., Ltd.	491,891	340,340	144.53
Mega Asset Management Co., Ltd.	531,187	369,380	143.81
Mega Life Insurance Agency Co., Ltd.	31,920	31,537	101.21
Mega Venture Capital Co., Ltd.	34,677	31,786	109.10
Mega International Investment Trust Co., Ltd.	92,264	34,278	269.16

### 1.1.5 Financial Results

The consolidated net income before tax for 2009, of the Company and its subsidiaries, amounted to NT\$19,056,187 thousand, an increase of NT\$15,971,079 thousand or 517.68% from the year before. The main reasons driving the growth were an increase in net non-interest income of NT\$19,143,003 thousand, and reduction in bad debts and other expenses of NT\$875,911 thousand, partly offset by decrease in net interest income of NT\$4,047,835 thousand. In 2009, the domestic interest rates continued their downward trend, consequently leading to a decrease in net interest income compared to 2008. The net non-interest income increased 2,352.88 % from the previous year due to increase in fee revenue and commission income, investment income and foreign exchange gains and a decline in asset impairment loss. Furthermore, the consolidated net income after tax for 2009, of the Company and its subsidiaries, reached NT\$14,344,870 thousand, an increase of NT\$14,082,848 thousand or 5,374.68% compared to the figure posted in 2008. The increase was mainly attributable to a gradual return to normalcy in financial markets, and the Company saw a steady growth of its profitability. A breakdown of the financial results of the Company and its subsidiaries in 2009 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	19,056,187	14,344,870	1.30	30.89*	0.58	7.66
Mega FHC (Unconsolidated)	14,368,839	14,331,895	1.30	94.22	6.64	7.68
Mega International Commercial Bank Co., Ltd.	13,127,617	10,664,124	1.66	31.36*	0.50	7.16
Mega Securities Co., Ltd.	1,954,899	1,239,192	1.07	20.74	2.66	8.96
Mega Bills Finance Co., Ltd.	3,506,161	2,858,622	2.00	55.18*	1.23	8.64
Chung Kuo Insurance Co., Ltd.	491,891	209,592	0.70	1.99	1.54	4.66
Mega Asset Management Co., Ltd.	531,187	383,443	1.92	42.73	3.14	15.64
Mega Life Insurance Agency Co., Ltd.	31,920	23,946	11.97	10.68	33.03	52.62
Mega Venture Capital Co., Ltd.	34,677	32,699	0.33	12.19	3.61	3.63
Mega International Investment Trust Co., Ltd.	92,264	67,703	1.28	26.52	5.15	10.67

Note: 1. \*Net income ratio = Net income after tax / Net revenue

2. Return on total assets = Net income after tax / Average total assets; Return on shareholders' equity = Net income after tax / Average shareholders' equity

### 1.1.6 Research and Development

The Company and its subsidiaries' research and development progress in 2009 is summarized as follows:

#### A. The Company

- Assessing the feasibility of entering the financial market in Mainland China
- Planning and establishing the Group's IT "Enterprise Architecture"

#### B. Bank subsidiary

- Publishing the Mega Bank Monthly, which includes monographs and articles covering the latest international and domestic economic and financial news and is made public periodically on the bank's website
- Presenting research reports periodically and whenever necessary on the latest developments of international and domestic economic and financial situations

#### C. Securities subsidiary

- Enhancing the functions of e-transactions for brokerage business (including linking individual stocks to Emega information retrieval system and related post-investment management functions), and adding new e-brokerage platforms – Fonestock B8 PDA and iPhone
- Establishing an interest rate swap option (swaption) system, foreign currency IRO system, foreign currency FRA system, transaction platform for securities borrowing and lending, and principal-guaranteed notes (PGN) transaction system
- Establishing BIS tools to support day-to-day statistical activities, RAROC setting up and a real-time monitoring system for department risk values

#### D. Bills subsidiary

- Continuing to participate in the Taiwan Bills Finance Association's planning and setting up the infrastructure for foreign currency denominated bills and bonds; a planning report has been sent to the competent authority for approval
- Planning for foreign currency denominated bonds and derivative products
- Establishing risk management application systems
- Developing calculation of risk capital requirements and setting up a risk management system in conformity with New Basel Capital Accord

#### E. Non-life insurance subsidiary

- Micro personal accident insurance
- Holiday accident injury rider and accident rider attached to personal liability insurance
- Automobile physical damage insurance type C – authorized driver rider attached to zero-deductible, bumper-to-bumper collision insurance

- Passenger accident injury in public transport premium rider attached to group accident insurance

#### F. Investment trust subsidiary

- Encouraging the use of e-transactions in line with promotion of periodic investment plans
- Developing small amount investment incentives and smart periodic investment schemes

## 1.2 Business Plan for 2010

### 1.2.1 Operating Guidelines

- Organizational restructuring within the Group and reinforcing cross selling to enhance synergy
- Focusing on developing core business and maximizing shareholder value
- Exploring merger and acquisition opportunities to enhance the Group's competitiveness and economic scale
- Enhancing financial performance and transparency
- Lowering cost to boost operating performance
- Strengthening risk management practices and systems
- Reinforcing the Group's information management and integrating the Group's information systems

### 1.2.2 Business Objectives

We strive to maintain stable profitability and leadership in the market so as to consolidate the Company's position as a leading financial institution in Taiwan. Our business objectives for 2010 are as follows:

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

Business	Item	Budget for 2010
Banking	Average outstanding deposits	1,497,653
	Average outstanding loans	1,358,563
	Undertaking of foreign exchange	563,700
Bills Finance	Underwriting and purchasing bills	1,414,526
	Trading volume of bills and bonds	12,667,102
	Guaranteed issues of commercial paper average outstanding	100,000
Securities	Market share of brokerage	3.80%
Insurance	Combined Ratio	95.00%
	Retention Ratio	47.50%

### 1.2.3 Major Operational Policies

Based on its solid foundation, the Company will secure corporate banking business, strengthen risk management, reinforce cross selling, and continue to further its global operations.

### 1.3 Future Development Strategies

- Eye on the world with a focus on the Asia Pacific region
- Securing the advantage of corporate banking and foreign exchange business
- Expanding consumer banking and wealth management business
- Reinforcing cross selling to enhance the Group's synergy
- Lowering cost to boost operating performance
- Enhancing capital utilization with effective capital allocation
- Integrating information systems and information sharing services
- Strengthening risk management practices and systems

### 1.4 Impact from External Competition, Rules and Regulations, and the Overall Operation Environment

In 2009, the global economy witnessed a gradual recovery from the financial turmoil. Financial institutions have begun to climb out of the mire, with some recovering faster and more strongly than others due to different levels of damage by the downturn. As a result, the financial service sector underwent a major reshuffle in terms of the ability to generate income and make a profit. As a lesson learned from the financial crisis, financial institutions recognized the importance of risk control and have opted for a more prudent, conservative approach to business development.

### 1.5 Credit Ratings

As of the end of 2009, the Company and its subsidiaries retained the same credit rating as granted in 2008, except outlook revision from negative to stable 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+	Stable	Oct. 1, 2009
	Moody's	A3	-	Stable	Dec. 2008
Mega International Commercial Bank	Taiwan Ratings Corp.	twAA+	twA-1+	Stable	Oct. 1, 2009
	Moody's	A1	P-1	Stable	Nov. 2009
	S & P	A	A-1	Stable	Oct. 1, 2009
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 1, 2009
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA-	twA-1+	Stable	Oct. 1, 2009
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA-	-	Stable	Oct. 1, 2009
	Moody's	A3/Aa2.tw	-	Negative	June 2, 2009
	S & P	BBB+	-	Stable	Oct. 1, 2009

The worst of the global recession has passed and a gradual recovery is in sight for the world economy in the coming year. However, it is still a thorny road ahead as problems of high unemployment, withdrawal of stimulus packages, risk of asset price bubbles, huge government deficits of countries around the world have remained, affecting the progress of economic recovery in the coming year. In addition, the domestic financial markets still see fierce competition, and a new wave of competition among domestic financial institutions seeking to grab market share in China following the MOU and ECFA signing. In the future, the Company will take one step at a time with a positive yet cautious attitude in striving to achieve its target goals, in order to merit the trust of our shareholders. Thank you for your ongoing support and encouragement.

*Rong-jou Wang*

Chairman of the Board

*by Si Shin*

President

# Company Profile

## Company Profile



### 2.1 Date of Incorporation: February 4, 2002

### 2.2 Company History

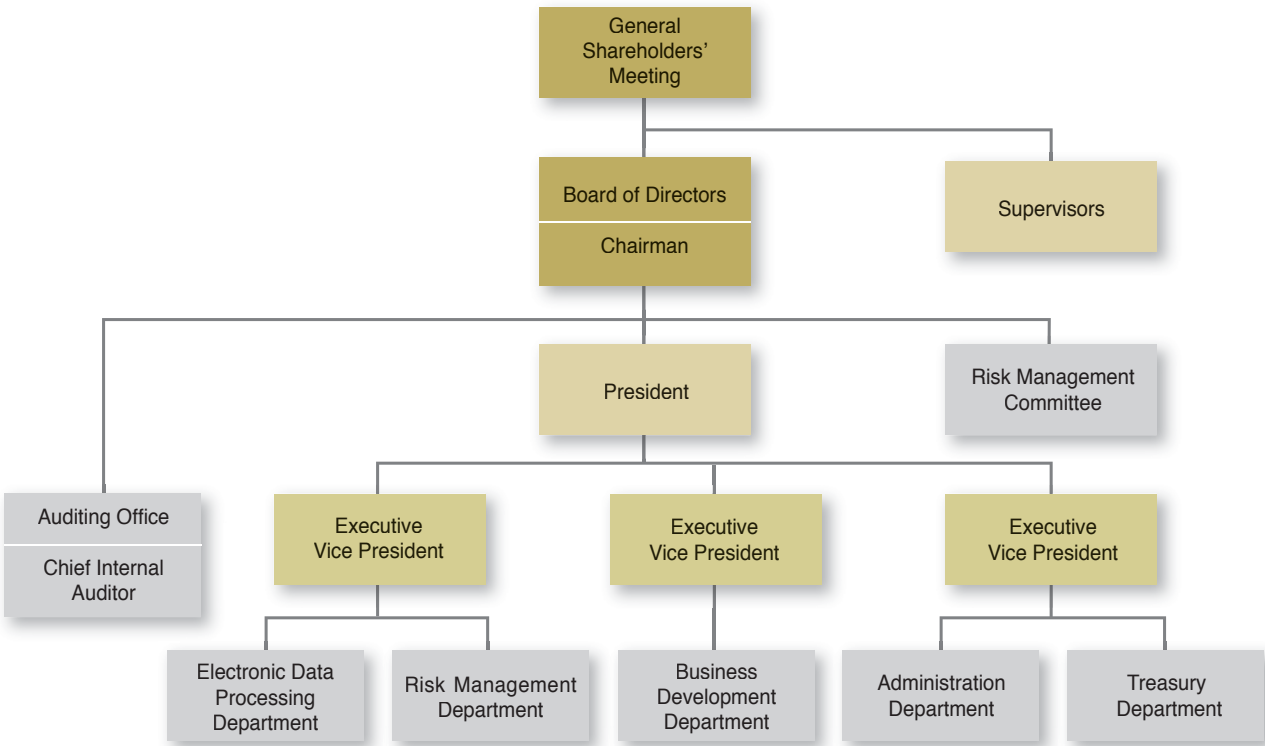
Date	Milestones
February 4, 2002	Founded by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through the exchange of shares, and simultaneously listed on the Taiwan Stock Exchange with the name of CTB Financial Holding Company (Code 2886)
August 22, 2002	Acquired a 100% 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
November 7, 2002	Acquired a 28.01% equity stake in the International Commercial Bank of China ("ICBC", now renamed as Mega International Commercial Bank Co., Ltd.)
December 31, 2002	Acquired a 100% equity stake in both ICBC and Chung Kuo Insurance Co., Ltd. ("CKI") through a share swap, and change the the Company's name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd.
January 31, 2003	IS merged with BS and Chung Hsing Securities Corp., a subsidiary of Chung Hsing Bills Finance Corp., and renamed Barits International Securities Co., Ltd. (now known as Mega Securities Co., Ltd. (MSC))
May 29, 2003	Upgraded the Central Securities Investment Trust Corporation (CSITC), originally an investee of MSC, to become the Company's direct subsidiary through cash purchase of controlling shares, and changed CSITC's name into Mega Investment Trust Corp. ("MITC")
December 5, 2003	Set up a wholly owned subsidiary - Mega Asset Management Co., Ltd., with an issued capital of NT\$2,000 million
September 23, 2005	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 and renamed it as Mega Life Insurance Agency Co., Ltd.
December 13, 2005	Established a wholly owned subsidiary - Mega CTB Venture Capital Co., Ltd., (now renamed as Mega Venture Capital Co., Ltd.) with an issued capital of NT\$1,000 million
December 16, 2005	Resolved to acquire 5% to 26% of stake of the Taiwan Business Bank, and held 13.44% of shares of the bank by the end of 2009
May 23, 2006	Subscribed new shares of International Investment Trust Co., Ltd. (IIT) in which ICBC originally owned 59.13% equity interest, and achieved a combined equity interest of 97.76% with ICBC
July – August, 2006	All direct subsidiaries were renamed "Mega", except the English name of insurance subsidiary - Chung Kuo Insurance Co., Ltd.
August 21, 2006	The two banking units, the International Commercial Bank of China ("ICBC") and Chiao Tung Bank ("CTB"), were merged, with ICBC as the surviving company renamed Mega International Commercial Bank
September 17, 2007	The two security investment trust subsidiaries, IIT and MITC, were merged, with IIT as the surviving company renamed Mega International Investment Trust Co., Ltd.
December 30, 2008	Mega International Investment Trust Co., Ltd. (MIIT) becomes a wholly owned subsidiary of the Company, after the reduction and increase of capital by MIIT to offset loss
April 7, 2009	Mega CTB Venture Capital Co., Ltd. was renamed as Mega Venture Capital Co., Ltd.



Corporate Governance Report

3.1 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

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%	Shares	%
Chairman	Rong-Jou Wang Representative of the Ministry of Finance, ROC	06/23/2009	3	07/15/2008	1,104,070,205	9.98	1,104,070,205	9.98	270,000	0.00	0	0
Director	Kuang-Si Shiu Representative of the Ministry of Finance, ROC	06/23/2009	3	07/15/2008	1,104,070,205	9.98	1,104,070,205	9.98	274,178	0.00	0	0
Director	Ming-Chung Tse Representative of the Ministry of Finance, ROC	06/23/2009	3	06/23/2009	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Sheng-Chung Lin Representative of the Ministry of Finance, ROC	06/23/2009	3	06/23/2009	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Ching-Tsai Chen Representative of the Ministry of Finance, ROC	06/23/2009	3	09/25/2008	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Dun-Jin Luh Representative of the Ministry of Finance, ROC	06/23/2009	3	08/31/2006	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Tzeng-Ta Yen Representative of the Ministry of Finance, ROC	06/23/2009	3	06/25/2009	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Wei-Ching Lue Representative of the Ministry of Finance, ROC	09/23/2009	2.75	09/23/2009	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Hsi-Chin Huang Representative of the Ministry of Finance, ROC	09/23/2009	2.75	09/23/2009	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Albert Kwang-Chin Ting Representative of the Ministry of Finance, ROC	06/23/2009	3	08/12/2008	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0

December 31, 2009

Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
Vice Chairman & President of Yuanta Commercial Bank, Chairman of Taiwan Asset Management Corp., Chairman of Taiwan Business Bank, Chairman of the Central Trust of China, Administrative Deputy Minister of Ministry of Finance, ROC Master of Laws, National Chung-Hsing University	Chairman of Mega Int'l Commercial Bank Co., Ltd., Director of Taiwan Stock Exchange Corp., Director of Taiwan Futures Exchange Corp., Managing Director of The Bankers Association of The ROC, Chairman of the Bankers Association of Taipei, Chairman of Mega Charity Foundation, Chairman of Chung Hua Financial R&D Association	None	None	None
Senior Executive Vice President of Chiao Tung Bank MBA of Indiana University, Indiana, U.S.A.	President of Mega Financial Holding Co., Ltd., Managing Director and President of Mega Int'l Commercial Bank Co., Ltd., Chairman of Mega Int'l Commercial Bank (Canada), Director of ICBC Assets Management & Consulting Co., Ltd., Director of Mega Int'l Commercial Bank Public Co., Ltd., Director of Taiwan Finance Corp., Director of Financial Information Service Co., Ltd.	None	None	None
Director General of Financial Examination Bureau, Chief Secretary of Financial Supervisor Commission (FSC), Deputy Director General of Banking Bureau, FSC, President of Taiwan Cooperative Bank Master of Public Studies, National Chung Hsing University	Administrative Deputy Minister of Ministry of Finance, Managing Director of Mega Int'l Commercial Bank, Co., Ltd., Director of Straits Exchange Foundation, Director of Taiwan External Trade Development Council, Director of China Aviation Development Foundation	None	None	None
Vice Minister of the Ministry of Economic Affairs, Chief Executive Director of Taiwan WTO Center, Chung-Hua Institution for Economic Research, Commissioner of Dept. of Economic Development, Taipei City Government M.A. in Economics, National Taiwan University	Deputy Minister of the Ministry of Economic Affairs	None	None	None
Deputy Minister, Directorate General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, ROC M.A. in Accounting, National Chengchi University EMBA of National Taiwan University	Deputy Secretary-General, Executive Yuan, ROC	None	None	None
Director, Bureau of Statistics, DGBAS Director, Bureau of Census, DGBAS B.A. in Economics, Soochow University	Deputy Minister, DGBAS, Executive Yuan, ROC	None	None	None
Deputy Director General, Dept. of Economic Research, Central Bank of the ROC Ph.D. in Economics, Michigan State University, U.S.A.	Director General, Department of Economic Research, Central Bank of the ROC	None	None	None
Deputy Director, Taipei Disbursement Office, Ministry of Finance, ROC Master of Land Economics, National Chengchi University	Deputy Director-General, National Treasury Agency, Ministry of Finance, ROC Director of Central Deposit Insurance Corp.	None	None	None
Deputy Director, National Treasury Agency, Ministry of Finance, ROC M.A. in Public Finance, National Chengchi University	Director, National Treasury Agency, Ministry of Finance, ROC	None	None	None
Vice President of Morgan Stanley Ph.D. in Business Administration, MIT Sloan School of Management, U.S.A.	Chairman of CX Technology Corp., Chairman of Freshfields Resort Hotel, Director of Phu Hung Securities Corp., Chairman of Alexander Leed Risk Services, Inc.	None	None	None

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%	Shares	%
Director	Shi-Kuan Chen Representative of the Ministry of Finance, ROC	06/23/2009	3	06/13/2008	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Chung Hsiang Lin Representative of the Labor Union of Mega International Commercial Bank	06/23/2009	3	06/23/2009	1,394,617	0.01	1,294,617	0.01	150,128	0.00	0	0
Independent Director	Chun-Tien Cheng	06/23/2009	3	06/23/2009	0	0	0	0	0	0	0	0
Independent Director	Chun Mei Ma	06/23/2009	3	06/23/2009	0	0	0	0	0	0	0	0
Independent Director	Song-Chin Su	06/23/2009	3	06/23/2009	0	0	0	0	0	0	0	0
Supervisor	Yaw-Chung Liao Representative of National Development Fund, Executive Yuan, ROC	06/23/2009	3	08/01/2007	675,916,160	6.11	675,916,160	6.11	0	0	0	0
Supervisor	Kuo-Hui Hsiao Representative of National Development Fund, Executive Yuan, ROC	06/23/2009	3	06/23/2009	675,916,160	6.11	675,916,160	6.11	0	0	0	0
Supervisor	Joanne Ling Representative of Bank of Taiwan	06/23/2009	3	06/23/2009	277,170,670	2.51	277,170,670	2.51	636	0.00	0	0
Supervisor	Justin Jan-Lin Wei Representative of Bank of Taiwan	06/23/2009	3	07/12/2007	277,170,670	2.51	277,170,670	2.51	0	0	0	0
Supervisor	Oliver Fang-Lai Yu Representative of Chunghwa Post Co., Ltd.	06/23/2009	3	06/23/2009	301,970,574	2.73	301,970,574	2.73	0	0	0	0

December 31, 2009

Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
Chairman, Dept. of Int'l Business, National Taiwan University Ph.D. in Economics, Yale University, U.S.A.	Professor, Dept. of Int'l Business of National Taiwan University, Director of Taiwan Stock Exchange Corp., Director of Taiwan Tobacco and Liquor Corp., Independent Director of Bestec Power electronics Co., Ltd.	None	None	None
Chairman of The Labor Union of Mega Int'l Commercial Bank, Director of China Products Trading Co. B.A. in Business Administration, Soochow University	Assistant Vice President, Mega Int'l Commercial Bank, Chung Ho Branch, Chairman of The Employee Welfare Committee of Mega International Commercial Bank, Supervisor of the National Federation of Bank Employees Unions	None	None	None
Director General, National Tax Administration of Central Taiwan Province, Ministry of Finance, ROC MBA, National Sun Yat-Sen University	Independent Director of Mega Bills Finance Co., Ltd.	None	None	None
Dean of Business School, Soochow University MBA (Accounting) , Graduate School of Business, Northrop University, U.S.A.	Vice President and Professor of Soochow University	None	None	None
President of Taiwan Stock Exchange Corp, Senior Executive Vice President of Taiwan Securities Central Depository Co., Ltd. Bachelor of Laws, Chinese Culture University	Independent Director of Mega Securities Co., Ltd.	None	None	None
Director-General, Dept. of Overall Planning, Council for Economic Planning and Development, Executive Yuan, ROC Ph.D. in Agricultural Economics, National Taiwan University	Counselor, Executive Yuan, ROC, Supervisor of Mega Int'l Commercial Bank	None	None	None
Director of Sectoral Planning Dept., Council for Economic Planning and Development, Executive Yuan, ROC M.S. in Agricultural Economics, National Taiwan University	Counselor, Council of Economic Planning and Development, Executive Yuan, ROC, Director of Vanguard Int'l Semiconductor Corp., Executive Secretary, National Development Fund	None	None	None
Chief Secretary, Ministry of Finance, ROC Director-General, National Tax Administration of Northern Taiwan Province, Ministry of Finance, ROC M.A. in Public Finance, National Chengchi University	Director-General, Taipei National Tax Administration, Ministry of Finance, ROC	None	None	None
Senior Vice President and General Manager of Dept. of Treasury, Bank of Taiwan Master of Economics, Soochow University	Executive Vice President, Bank of Taiwan	None	None	None
Political Deputy Minister of Ministry of Transportation & Communications, Director General of Civil Aeronautics Administration, Ministry of Transportation & Communications MBA, Institute of Management Science, National Chiao Tung University	Chairman of Chunghwa Post Co., Ltd.	None	None	None

# Corporate Governance Report

## Major shareholders of the institutional shareholders

December 31, 2009

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Ministry of Finance, ROC	N.A.
National Development Fund, Executive Yuan, ROC	N.A.
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications, ROC (100%)
Bank of Taiwan	Taiwan Financial Holding Company (100%)
Labor Union of Mega International Commercial Bank	N.A.

## Major shareholders of the major shareholders that are juridical persons

December 31, 2009

Name of Juridical Persons	Major Shareholders of the Juridical Persons
Ministry of Transportation and Communications, ROC	N.A.
Taiwan Financial Holding Company	Ministry of Finance, ROC (100%)

## Professional qualifications and independence analysis of directors and supervisors

December 31, 2009

Name	Qualifications (Note 1)			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is 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
Ming-Chung Tsegn			√	√		√	√			√	√	√		0
Sheng-Chung Lin			√	√		√	√			√	√	√		0
Ching-Tsai Chen	√	√	√	√	√	√	√		√	√	√	√		0
Dun-Jin Luh			√	√	√	√	√		√	√	√	√		0
Wei-Ching Lue			√	√		√	√			√	√	√		0
Hsi-Chin Huang			√	√	√	√	√		√	√	√	√		0
Albert Kwang-Chin Ting			√	√	√	√	√	√	√	√	√	√		0
Shi-Kuan Chen	√		√	√		√	√	√		√	√	√		1
Tzung-Ta Yen	√		√	√	√	√	√		√	√	√	√		0
Chung Hsiang Lin			√			√	√	√	√	√	√	√		0

Name	Qualifications (Note 1)			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	A	B	C	1	2	3	4	5	6	7	8	9	10	
Chun-Tien Cheng			√	√	√	√	√	√	√	√	√	√	√	1
Chun Mei Ma	√	√	√	√	√	√	√	√	√	√	√	√	√	0
Song-Chin Su			√	√	√	√	√	√	√	√	√	√	√	1
Yaw-Chung Liao	√		√	√		√	√			√	√	√		0
Kuo-Hui Hsiao			√	√	√	√	√		√	√	√	√		0
Joanne Ling			√	√	√	√	√		√	√	√	√		0
Justin Jan-Lin Wei	√		√	√	√	√	√		√	√	√	√		0
Oliver Fang-Lai Yu			√	√	√	√	√		√	√	√	√		0

Note 1: Please tick the corresponding boxes if directors or supervisors meet one of the following professional qualification requirements, together with at least five years work experience:

- 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.
- A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company.
- Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company.

Note 2: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office:

- Not an employee of the Company or any of its affiliates.
- 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.
- 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.
- 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.
- 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.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- 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.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- Not a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.



3.2.2 Remuneration of Directors and Supervisors

Remuneration of Directors

Unit: NT\$ thousands																								
Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)				Exercisable Employee Stock Options (H)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Chairman	Ministry of Finance																							
	Rong-Jou Wang																							
Director (Representative of Ministry of Finance)	Kuang-Si Shiu																							
	Ming-Chung Tsegn																							
	Sheng-Chung Lin																							
	Ching-Tsai Chen																							
	Shi-Kuan Chen																							
	Albert Kwang-Chin Ting																							
	Tzung-Ta Yen																							
	Dun-Jin Luh																							
	Wei-Ching Lue																							
	Hsi-Chin Huang																							
	Jui-Yun Lin																							
	Li-Chung Lee																							
Director	National Development Fund																							
Yaw-Chung Liao																								
Director	Bank of Taiwan																							
Justin Jan-Lin Wei																								
Director	Shun Tai Investments Corp.																							
Yuan-Lang Lin																								
Director	Chinatrust FHC																							
	Webster Wei-Ping Kiang																							
	Kuo-Huei Fang																							
	Hong-Hsu Wen																							
Ho-Yuan Yen																								
Director	Shen-Chih Cheng																							
Director	Cheng-Hsiung Chu																							
Director	Labor Union of Mega ICBC																							
	Chung-Hsiang Lin																							
Independent Director	Chun-Tien Cheng																							
	Chun Mei Ma																							
	Song-Chin Su																							
Total		0	6,114	0	828	50,361	50,361	4,935	7,945	0.39	0.45	1,226	8,979	113	1,034	223	0	501	0	0	0	0.40	0.53	1,234

Note: 1. Mr. Webster Wei-Ping Kiang, Mr. Kuo-Huei Fang, Mr. Hong-Hsu Wen, and Mr. Ho-Yuan Yen resigned from the Board on Apr. 20, 2009.

2. Mr. Yaw-Chung Liao, Mr. Justin Jan-Lin Wei, Mr. Yuan-Lang Lin, Mr. Shen-Chih Cheng, and Mr. Cheng-Hsiung Chu resigned from the Board as directors effective June 23, 2009. Mr. Chun-Tien Cheng, Ms. Chun Mei Ma, and Mr. Song-Chin Su serve as independent directors since June 23, 2009.

3. Ms. Jui-Yun Lin served as director from June 23, 2009 to Sep. 22, 2009. Mr. Li-Chung Lee was replaced by Mr. Hsi-Chin Huang as director effective Sep. 23, 2009.

4. Allowances (D) include payment for house rent and allowance for company cars. Compensation paid to company drivers by all consolidated entities totaled NT\$882 thousand.

5. Salary, Bonuses, and Allowances (E) includes payment for house rent and allowances for company cars. Compensation paid to company drivers by all consolidated entities amounted to NT\$1,085 thousand.

6. Both Severance Pay (B) and Severance Pay (F) are appropriated amounts.

7. Bonus to Directors (C) and Profit Sharing-Employee Bonus (G) will be subject to approval of the Annual Shareholders' Meeting on June 23, 2010.

8. The Company does not issue any employee stock options.

Bracket	Name of Directors		Name of Directors	
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Rong-Jou Wang, Kuang-Si Shiu, Ching-Tsai Chen, Ming-Chung Tsegn, Sheng-Chung Lin, Shi-Kuan Chen, Albert Kwang-Chin Ting, Tzung-Ta Yen, Jui-Yun Lin, Wei-Ching Lue, Hsi-Chin Huang, Dun-Jin Luh, Li-Chung Liao, Justin Jan-Lin Wei, Yaw-Chung Liao, Justin Jan-Lin Wei, Webster Wei-Lin, Webster Wei-Ping Kiang, Kuo-Huei Fang, Ho-Yuan Yen, Shen-Chih Cheng, Cheng-Hsiung Chu, Chung Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chun Su, National Development Fund, Bank of Taiwan, Shun Tai Investments Corp., Labor Union of Mega Int'l Commercial Bank	Kuang-Si Shiu, Ching-Tsai Chen, Ming-Chung Tsegn, Sheng-Chung Lin, Shi-Kuan Chen, Albert Kwang-Chin Ting, Tzung-Ta Yen, Jui-Yun Lin, Wei-Ching Lue, Hsi-Chin Huang, Dun-Jin Luh, Li-Chung Liao, Justin Jan-Lin Wei, Webster Wei-Lin, Webster Wei-Ping Kiang, Kuo-Huei Fang, Ho-Yuan Yen, Shen-Chih Cheng, Cheng-Hsiung Chu, Chung Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chun Su, National Development Fund, Bank of Taiwan, Shun Tai Investments Corp., Labor Union of Mega Int'l Commercial Bank	Rong-Jou Wang, Kuang-Si Shiu, Ching-Tsai Chen, Ming-Chung Tsegn, Sheng-Chung Lin, Shi-Kuan Chen, Albert Kwang-Chin Ting, Tzung-Ta Yen, Jui-Yun Lin, Wei-Ching Lue, Hsi-Chin Huang, Dun-Jin Luh, Li-Chung Liao, Justin Jan-Lin Wei, Webster Wei-Lin, Webster Wei-Ping Kiang, Kuo-Huei Fang, Ho-Yuan Yen, Shen-Chih Cheng, Cheng-Hsiung Chu, Chung Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chun Su, National Development Fund, Bank of Taiwan, Shun Tai Investments Corp., Labor Union of Mega Int'l Commercial Bank	Ching-Tsai Chen, Ming-Chung Tsegn, Sheng-Chung Lin, Shi-Kuan Chen, Albert Kwang-Chin Ting, Tzung-Ta Yen, Jui-Yun Lin, Wei-Ching Lue, Hsi-Chin Huang, Dun-Jin Luh, Li-Chung Liao, Justin Jan-Lin Wei, Webster Wei-Lin, Webster Wei-Ping Kiang, Kuo-Huei Fang, Ho-Yuan Yen, Shen-Chih Cheng, Cheng-Hsiung Chu, Chung Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chun Su, National Development Fund, Bank of Taiwan, Shun Tai Investments Corp., Labor Union of Mega Int'l Commercial Bank
	Chinatrust FHC	Chinatrust FHC	Chinatrust FHC	Chinatrust FHC
		Rong-Jou Wang		Rong-Jou Wang, Kuang-Si Shiu
	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance
Over NT\$100,000,000				
Total	32	32	32	32

Note: The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders' Meeting on June 23, 2010.

Remuneration of Supervisors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to supervisors from an invested company other than the company's subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Supervisor	Ministry of Finance											
	Dun-Jin Luh											
Supervisor	National Development Fund	0	0	0	0	3,417	3,417	150	150	0.0249	0.0249	None
	Yaw-Chung Liao	0	0	0	0	0	0	50	50	0.0003	0.0003	None
	Kuo-Hui Hsiao	0	0	0	0	0	0	50	50	0.0003	0.0003	None
Supervisor	Chunghwa Post Co., Ltd.											
	Min-Yu Wu											
	Oliver Fang-Lai Yu											
Supervisor	Bank of Taiwan											
	Justin Jan-Lin Wei											
	Joanne Ling											
Supervisor	Ho Kao Shan Int'l Investment Co.											
	Hao-Erh Wei											
Supervisor	Chinatrust Insurance Brokers Co., Ltd.											
	Chun-Ko Chen											
Total		0	0	0	0	14,132	14,132	1,043	1,043	0.11	0.11	None

- Note: 1. Mr. Chun-Ko Chen resigned as supervisor on Apr. 20, 2009.  
2. Mr. Dun-Jin Luh has transferred to serve as director since June 23, 2009.  
3. Mr. Min-Yu Wu was replaced by Mr. Oliver Fang-Lai Yu on June 23, 2009.  
4. Mr. Yaw-Chung Liao, Mr. Kuo-Hui Hsiao, Mr. Justin Jan-Lin Wei, and Ms. Joanne Ling served as supervisor since June 23, 2009.  
5. Remuneration to supervisors is subject to approval of the Annual Shareholders' Meeting on June 23, 2010.

Bracket	Name of Supervisors	
	Total of (A+B+C+D)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Dun-Jin Luh, Yaw-Chung Liao, Kuo-Hui Hsiao , Min-Yu Wu, Oliver Fang-Lai Yu, Justin Jan-Lin Wei, Joanne Ling, Hao-Erh Wei, Chun-Ko Chen, Ministry of Finance, Ho Kao Shan Int'l Investment Co., Chinatrust Insurance Brokers Co., Ltd.	Dun-Jin Luh, Yaw-Chung Liao, Kuo-Hui Hsiao , Min-Yu Wu, Oliver Fang-Lai Yu, Justin Jan-Lin Wei, Joanne Ling, Hao-Erh Wei, Chun-Ko Chen, Ministry of Finance, Ho Kao Shan Int'l Investment Co., Chinatrust Insurance Brokers Co., Ltd.
NT\$2,000,000 ~ NT\$5,000,000	National Development Fund, Chunghwa Post Co., Ltd., Bank of Taiwan	National Development Fund, Chunghwa Post Co., Ltd., Bank of Taiwan
NT\$5,000,000 ~ NT\$10,000,000	0	0
NT\$10,000,000 ~ NT\$15,000,000	0	0
NT\$15,000,000 ~ NT\$30,000,000	0	0
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	15	15

## 3.2.3 Management Team

December 31, 2009

Title	Name	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Kuang-Si Shiu	07/15/2008	274,178	0.00	0	0	0	0	Executive Vice President of Chiao Tung Bank MBA of Indiana University, Indiana, U.S.A.	Director of Mega Financial Holding Co., Ltd., Managing Director and President of Mega International Commercial Bank Co., Ltd., Director of Mega International Investment Trust Co., Ltd., Chairman of Mega International Commercial Bank (Canada), Director of ICBC Assets Management & Consulting Co., Ltd., Director of Mega International Commercial Bank Public Co., Ltd., Director of Taiwan Finance Corp., Director of Financial Information Service Co., Ltd.	None	None	None
Executive Vice President	Jui-Yun Lin	09/08/2006	51,591	0.00	0	0	0	0	Senior Vice President of Mega Financial Holding Co., Ltd., Senior Vice President & General Manager of Chiao Tung Bank M.A. in Public Finance, National Chengchi University	Supervisor of Mega International Commercial Bank, Chairman and President of Mega Venture Capital Co., Ltd., Director of Mega Bills Finance Co., Ltd. Acting Chairman of Chung Kuo Insurance Co., Ltd. Resident Supervisor of Taiwan Business Bank, Director of TaiwanPay Corp., Director of Taipei Financial Center Corp., Chief Secretary of Chung Hua Financial R&D Association	None	None	None
Executive Vice President	Chao-Hsien Lai	01/15/2009	127,154	0.00	0	0	0	0	Senior Vice President & General Manager of Mega International Commercial Bank M.S., Arthur D. Little Management Education Institute	Senior Executive Vice President of Mega International Commercial Bank, Director of Mega Bills Finance Co., Ltd., Director of Mega Asset Management Co., Ltd., Director of China Development Financial Holding Corp., Director of Overseas Investment & Communications Inc., Director of Silicon-Power Computer & Communications Inc.	None	None	None
Executive Vice President	Dan-Hun Lu	01/15/2009	7,822	0.00	0	0	0	0	Senior Vice President & General Manager of Mega International Commercial Bank, Senior Vice President & General Manager of Chiao Tung Bank M.A. in Public Finance, National Chengchi University	Senior Executive Vice President of Mega International Commercial Bank, Director of Cathay Investment & Development Corp. (Bahamas), Director of N.T.U. Innovation & Incubation Corp., Supervisor of Mega Bills Finance Co., Ltd., Director of Win Card Co., Ltd., Supervisor of China Real Estate Management Co., Ltd.	None	None	None
Chief Internal Auditor	Yung-Ming Chen	09/08/2006	185	0.00	0	0	0	0	Senior Vice President of Mega Financial Holding Co., Ltd., Senior Vice President & General Manager of Chiao Tung Bank B.A. in International Trade, National Taichung Institute of Technology	Supervisor of Taiwan Business Bank, Director of Taipei Financial Center Corp., Supervisor of Mega International Investment Trust Co., Ltd.	None	None	None

## Compensation of President and Executive Vice Presidents

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing-Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock					
President	Kuang-Si Shiu								0	2,409	0	0.09	0.22	0	0	1.63
Executive Vice President	Jui-Yun Lin															
Executive Vice President	Chao-Hsien Lai															
Executive Vice President	Dan-Hun Lu															
Chief Internal Auditor	Yung-Ming Chen															
		5,448	13,400	906	2,108	4,217	13,523	1,787	0	2,409	0	0.09	0.22	0	0	1.63

Note: 1. The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholders' Meeting on June 23, 2010.

2. The Company does not issue any employee stock options.

# Corporate Governance Report

Bracket	Name of President and Executive Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Kuang-Si Shiu, Chao-Hsien Lai, Dan-Hun Lu	0
NT\$2,000,000 ~ NT\$5,000,000	0	0
NT\$5,000,000 ~ NT\$10,000,000	Jui-Yun Lin, Yung-Ming Chen	Kuang-Si Shiu, Chao-Hsien Lai, Dan-Hun Lu, Jui-Yun Lin, Yung-Ming Chen
NT\$10,000,000 ~ NT\$15,000,000	0	0
NT\$15,000,000 ~ NT\$30,000,000	0	0
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	5	5

## 3.2.4 Remuneration for Directors, Supervisors, Presidents and Executive Vice Presidents

A. The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the last two fiscal years to directors, supervisors, president and executive vice presidents of the Company, to the net income

Year	Total remuneration paid to directors, supervisors, president and executive vice presidents		Ratio of total remuneration paid to directors, supervisors, president and executive vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2008	21,793,898	73,276,792	7.40%	27.97%
2009	84,391,823	122,444,832	0.59%	0.85%

Total remuneration paid by the Company to its directors, supervisors and executives as a percentage of net income after tax was 0.59% in 2009, compared with 7.40% in 2008. Total remuneration paid to directors, supervisors and executives, by all consolidated entities, as a percentage of consolidated net income after tax was 0.85%, compared with 27.97% in 2008. The sharp decline in remuneration as a percentage of net income was mainly attributable to the increase in net income of 2009.

B. Remuneration policies, the procedures for determining remuneration, and the correlation with business performance

Remuneration to directors, supervisors and executives is appropriated according to the Articles of Incorporation and the business performance of the company in the year, while the market average is taken into consideration. The annual earning distribution proposal shall be submitted to the board of directors for discussion before being sent to the shareholders' meeting for resolution.

The Company's net income after tax in 2009 grew approximately 47 times from the year before. However, the remuneration paid to directors, supervisors and executives grew only 2.87 times in 2009. Meanwhile, the remuneration paid to directors, supervisors and executives by all consolidated entities grew 0.67 times in 2009 compared to 2008. The growth in remuneration is reasonable compared to the significant rise in operating performance.

## 3.3 Implementation of Corporate Governance

### 3.3.1 Board of Directors

A total of 13 (A) meetings of the board of directors were held in 2009. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B / A)	Remarks
Chairman	Rong-Jou Wang (Representative of Ministry of Finance )	13	0	100.00	
Director	Kuang-Si Shiu (Representative of Ministry of Finance )	12	1	92.31	
Director	Li-Chung Lee (Representative of Ministry of Finance )	9	0	100.00	left office on Sep. 23, 2009
Director	Ching-Tsai Chen (Representative of Ministry of Finance )	11	0	84.62	
Director	Shi-Kuan Chen (Representative of Ministry of Finance )	12	1	92.31	
Director	Albert Kwang-Chin Ting (Representative of Ministry of Finance )	10	2	76.92	
Director	Yaw-Chung Liao ( Representative of National Development Fund)	4	1	80.00	transferred from Director to supervisor on June 23, 2009
Director	Justin Jan-Lin Wei ( Representative of Bank of Taiwan)	5	0	100.00	transferred from Director to supervisor on June 23, 2009
Director	Cheng-Hsiung Chu	5	0	100.00	left office on June 23, 2009
Director	Shen-Chih Cheng	0	5	0.00	left office on June 23, 2009
Director	Ho-Yuan Yen ( Representative of Chinatrust Financial Holding Co. Ltd.)	3	0	100.00	left office on Apr. 20, 2009
Director	Hong-Hsu Wen ( Representative of Chinatrust Financial Holding Co. Ltd.)	2	1	66.67	left office on Apr. 20, 2009
Director	Kuo-Huei Fang ( Representative of Chinatrust Financial Holding Co. Ltd.)	3	0	100.00	left office on Apr. 20, 2009
Director	Webster Wei-Ping Kiang ( Representative of Chinatrust Financial Holding Co. Ltd.)	3	0	100.00	left office on Apr. 20, 2009
Director	Yuan-Lang Lin ( Representative of Shun Tai Investments Corp.)	5	0	100.00	left office on June. 23, 2009
Director	Dun-Jin Luh ( Representative of Ministry of Finance )	6	2	75.00	takes office on June 23, 2009
Independent Director	Chun-Tien Cheng	8	0	100.00	takes office on June 23, 2009
Independent Director	Chun Mei Ma	8	0	100.00	takes office on June 23, 2009
Independent Director	Song-Chin Su	8	0	100.00	takes office on June 23, 2009
Director	Ming-Chung Tsegn ( Representative of Ministry of Finance )	5	3	62.50	takes office on June 23, 2009
Director	Sheng-Chung Lin ( Representative of Ministry of Finance )	4	2	50.00	takes office on June 23, 2009
Director	Tzung-Ta Yen ( Representative of Ministry of Finance )	6	1	85.71	takes office on June 25, 2009
Director	Chung-Hsiang Lin ( Representative of Labor Union of Mega International Commercial Bank )	7	1	87.50	takes office on June 23, 2009
Director	Jui-Yun Lin ( Representative of Ministry of Finance )	4	0	100.00	June 23, 2009 ~ Sep. 22, 2009
Director	Wei-Ching Lue ( Representative of Ministry of Finance )	4	0	100.00	takes office on Sep. 23, 2009
Director	Hsi-Chin Huang ( Representative of Ministry of Finance )	4	0	100.00	takes office on Sep. 23, 2009

Note: Percentages (%) for individual attendance are based on the number of board meetings held while each respective board member holds a seat and the number of meetings he or she attended in person.



Other mentionable items:				
1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None.				
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:				
(1) The 37th meeting of the third session of Board of Directors on January 15, 2009 was convened for a resolution regarding the Company's application to Taishin International Bank for a credit line, for short-term loan for NT\$2 billion, and for trading derivative financial products for NT\$300 million, respectively. To avoid a conflict of interest, Mr. Kuang-Si Shiu, Director, recused himself from the resolution since his spouse was the bank's related party. The resolution was adopted after a thorough discussion among other directors present at the meeting.				
(2) The 1st meeting of the fourth session of Board of Directors on June 23, 2009 was convened for a resolution concerning the renewal of appointment of Mr. Kuang-Si Shiu as the Company's president as well as for a resolution regarding independent directors' remuneration criteria. To avoid conflicts of interest, Mr. Shiu and the three independent directors recused themselves from the resolutions. The resolutions were adopted after a thorough discussion among the chair and other directors present at the meeting.				
(3) The 3rd meeting of the fourth session of Board of Directors on August 25, 2009 was convened for a resolution concerning the re-appointment of the eighth session of board of directors and supervisors for the Company's subsidiary, Mega Securities Co., Ltd. To avoid a personal conflict of interest, Mr. Song-Chin Su, Independent Director, recused himself from the resolution. The resolution was adopted after a thorough discussion among the chair and other directors present at the meeting.				
3. Measures taken to strengthen the functionality of the Board:				
To enhance information transparency, the Company will on its own initiative disclose matters concerning the rights of its shareholders besides statutory information disclosure. Also the Company will actively participate in institutional investor conferences. Presentations delivered at the conferences will be posted on the Market Observation Post System of TWSE and the Company's website. To strengthen the capacity of Board of Directors, three seats of independent directors were elected during the re-election of directors and supervisors in June 2009.				

3.3.2 Supervisors

A total of 13 (A) Board meetings were held in the year 2009. Supervisor attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B / A )
Supervisor	Yaw-Chung Liao (Representative of National Development Fund)	6	75.00	takes office on June 23, 2009
Supervisor	Kuo-Hui Hsiao (Representative of National Development Fund)	7	87.50	takes office on June 23, 2009
Supervisor	Justin Jan-Lin Wei (Representative of Bank of Taiwan)	8	100.00	takes office on June 23, 2009
Supervisor	Joanne Ling (Representative of Bank of Taiwan)	8	100.00	takes office on June 23, 2009
Supervisor	Oliver Fang-Lai Yu (Representative of Chunghwa Post Co., Ltd.)	8	100.00	takes office on June 23, 2009
Supervisor	Dun-Jin Luh (Representative of Ministry of Finance )	3	60.00	transferred to director from supervisor on June 23, 2009
Supervisor	Min-Yu Wu (Representative of Chunghwa Post Co., Ltd.)	3	60.00	left office on June 23, 2009
Supervisor	Chun-Ko Chen (Representative of Chinatrust Insurance Brokers Co., Ltd.)	3	100.00	left office on Apr. 20, 2009
Supervisor	Hao-Erh Wei (Representative of Ho Kao Shan Int'l investment Co.)	2	40.00	left office on June 23, 2009
Other mentionable items:				
1. Composition and responsibilities of supervisors:				
(1) Communications between supervisors and the Company's employees and shareholders: Communication between employees and shareholders can be made in writing or by telephone, fax, e-mail or other ways at any time.				
(2) Communications between supervisors and the Company's Chief Internal Auditor and CPA:				
The Company's Auditing Office submits internal audit reports to supervisors on a regular basis and whenever necessary. Supervisors may also attend Board of Directors meetings to monitor the Company's financial and operational status and implementation of internal audits as well as to communicate with directors, Chief Internal Auditor and managements on proposals and operating strategies. The Company's CPA also attends Board of Directors meetings on a regular basis to report to directors and supervisors on the results of financial statements and implementation of internal control. The Company has accepted the request of directors and supervisors to enhance the disclosure of financial statements.				

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified:		
(1) At the 39th meeting of the third session of Board of Directors on March 24, 2009, a proposal to hold the 2009 annual general shareholders' meeting was discussed. Mr. Chun-Ko Chen, Supervisor, proposed to change the date of the meeting to June 19, 2009 in order to facilitate a smooth meeting. It was resolved that the date of the 2009 general shareholders' meeting was changed to June 19, 2009 subject to the approval of the competent authority.		
(2) At the 40th meeting of the third session of Board of Directors on April 28, 2009, a disposal proposal on the Company's shareholding of Taiwan Business Bank was discussed. Mr. Dun-Jin Luh, Supervisor, believed that unloading shares over a three-year period should be sufficient and thus suggested that the Company closely watch Taiwan Business Bank's operation performance during the period so as to determine a timely disposal. The performance of investee companies has been submitted to the meeting of Board of Directors on an annual basis. To ensure a timely disposal, the Company established a task force to dispose stake in Taiwan Business Bank. The task force convenes meetings on a regular basis.		
(3) At the second meeting of the fourth session of Board of Directors on July 14, 2009, Ms. Joanne Ling, Supervisor, raised an extemporary motion requesting to provide information about Corporate Governance training programs. Following the suggestion, the Company would provide relevant information to directors and supervisors via e-mail whenever necessary.		
(4) At the fourth meeting of the fourth session of Board of Directors on September 22, 2009, the Company's IFRS project was discussed. Mr. Yaw-Chung Liao, Supervisor, proposed that the Company establish a task force headed by an executive vice president or the president in order to reinforce IFRS implementation. The Company establishes a task force headed by Ms. Jui-Yun Lin, Executive Vice President, accordingly.		
(5) At the sixth meeting of the fourth session of Board of Directors on October 27, 2009, the Company's financial performance was reported. Mr. Fang-Lai Yu, Supervisor, and Mr. Yaw-Chung Liao, Supervisor, suggested that the Company's financial goals should include basic numbers and adjustment items, and those annual objectives should be reviewed and modified on a quarterly basis. The meeting resolved that financial performance goals should be set with reference to the aforesaid suggestions, be reviewed from time to time, and be evaluated semi-annually to determine if any modification of the goals is necessary.		

3.3.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for Financial Holding Companies”

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	Deviations From “Corporate Governance Best-Practice Principles for Financial Holding Companies” and reasons
1. Shareholding Structure and Shareholders' Rights		
(1) Method of handling shareholder suggestions or complaints	The Company has designated appropriate personnel to handle shareholder 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” 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) Independent Directors	The Company has elected three independent directors in 2009 shareholders' meeting according to the Securities and Exchange Act and the Company's Article of Incorporation.	None
(2) Regular evaluation of CPAs' 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
5. Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	The Company has set up a Risk Management Committee responsible for monitoring risk management for the Group. No Nomination Committee, Compensation Committee, or other committees of the Board of Directors has been established at the present time.	The Company is still in the process of assessing the timing of setting up various committees under the board.
6. Explain the status of the Company's corporate governance, its deviations 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 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 Audit Committee, Nomination Committee, Compensation Committee, or other committees of the Board of Directors. Having introducing of independent directors in June 2009, the Company will set up various committee of the Board step by step for future development and corporate governance.	
7. Other information that would help understand the status of the Company's corporate governance:	(1) Employee rights, employee wellness, investor relations, rights of stakeholders The Company's human resources guidelines follow the standards of the Labor Standards Act and other relevant regulations. An Employee Welfare Committee is in place to put into practice employee care and assistance. As for investor relations, the Company appoints a dedicated team to answer investor's questions and attend investor conference from time to time. The time, location and presentation of investor conferences are posted on the Company's website and the Market Observation Post System of Taiwan Stock Exchange. The Company maintains open channels of communications with stakeholders. Stakeholders' legal rights are fully respected. Should their legal rights be violated, the company will take responsibility and deal with the problem properly. (2) Directors' and supervisors' training records To enhance the competency of the Board of Directors, the Company provides directors and supervisors with education opportunities whenever there are relevant courses available. 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. ( <a href="http://newmops.twse.com.tw">http://newmops.twse.com.tw</a> ).	

(3) Implementation of risk management policies and risk evaluation measures In addition to full compliance of government regulations, the Company aims at establishing 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 management of credit risk, market risk, operational risk, liquidity risk, legal compliance, human resource risk, and emergency crisis. 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, clients as well as country, 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 International Commercial Bank and Mega Bills Finance Co., Ltd. In the future, the Company will keep moving forward to the goal of the New Basel Accord, by building up the credit risk control mechanism based on quantitative approach. On market risk, the Company collects and reviews the market risk position of the Group as a whole on a regular basis. Subsidiaries of the Company are encouraged to set up an advanced risk management system in conformity with best market practice. On operational risk, the Company periodically collects operational risk event data to build up an internal loss data mart. Mega International Commercial Bank has established an electronic reporting system to collect operational risk event data. The establishment of a self-assessment system is underway, which will be introduced to other subsidiaries gradually.
(4) Implementation of Consumer-and customer-protection policy Processing of personal data is managed according to requirements of the Article 42 of the Financial Holding Company Act and the Article 18, 23 of the Computer Processing Personal Privacy Law. The Company also set up Group Firewall Policy and measures for client data protection. 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 relevant statutory requirements in force. In addition, the subsidiaries set up client hotlines to handle customer complaints in a timely manner.
(5) Purchase of D&O insurance for the directors and supervisors of the Company The Company has purchased D&O insurance for its directors and supervisors since year 2004.
8. If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: None

3.3.4 Social Responsibility

Environmental Protection

In its commitment to corporate social responsibility, the Company has adopted a number of environmental protection and energy saving measures and practices, including conserving power, recycling printer cartridges on a regular basis, selling used computers, and reusing, recycling and disposing of package materials. Also in response to the government's policies in conserving energy and reducing carbon emissions, and to fulfill its corporate social responsibility in the fight against global warming, the outdoor signboards of the Company and its subsidiaries were turned off for one hour from 8 pm to 9 pm on the Mid-Autumn Festival. The Company also encouraged its employees to follow the "10 No-Regret Ways to Save Energy & Reduce Carbon Emissions" pledges promoted by Taiwan's EPA.

Community participation

To maintain good relations with neighbors and support community events, the Company has made donations to Taipei Muncpal Zhong-xiao Elementary School for the construction of its Graduation Memorial Wall since 2006. The Company also sponsored Meihua Neighborhood in organizing a religious festival in honor of the Heavenly Empress of the Sea.

Social Contributions

To boost local tourism, the Company sponsored Hualien County Houshan Development Association in organizing "Pacific International Sightseeing Festival 2009". The Company also participated in the following exchange activities:

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- (1) Academic exchange: The Company assisted Taiwan Stock Exchange Corporation in organizing “Training Programs for Youth and Students” and sponsored a number of organizations for their academic events, including “2009 International Conference of Taiwan Finance Association” held by Taiwan Finance Association, “Advanced Education Workshop Fall 2009” held by Turnaround Management Association of Taiwan (TMAT), and “The 15th Cross-Strait Finance Symposium” held by Taipei Foundation of Finance.
- (2) Cross-strait exchange of the financial sector: In 2009, the Company assisted the Chung Hua Financial R&D Association in organizing visits to Taiwan by delegations from Shenzhen Venture Capital Association and the Association of Shenzhen Domestic Banks. Also the Company received a delegation from Suzhou Industrial Park in 2009.

## Social services

After Mega Charity Foundation ended its one-day-a-month volunteer program at an institution for the mentally challenged in Miaoli in 2008, the Foundation selected another public institution in Bali, Taipei County and continued its one-day-a-month volunteer program to help feeding and playing with children with mental and physical disabilities.

## Social welfare and charity

Typhoon Morakot that hit Taiwan on August 8, 2009 caused widespread flooding and devastation across Southern Taiwan. The Company supported the relief efforts by donating NT\$21 million and also encouraged the Group’s employees to donate one day’s income to help victims rebuild their homes. Besides, in commemoration of the tenth anniversary of the 921 Earthquake, the Company sponsored the Relief Foundation with NT\$2 million in organizing commemorative events. Also through the Mega Charity Foundation co-invested by the Group, the Company participated in a number of social charity events.

## Consumer rights

Customer privacy is handled in accordance with the Computer Processing Personal Privacy Law. Disclosure, Referral and exchange of client data are handled in accordance with the Financial Holding Company Act.

## Human rights

Employee rights are handled in accordance with Taiwan’s Labor Standards Act and other relevant regulations.

## Safety and health

The Company focuses on accident prevention, pollution prevention, effective use of resources, employee safety and health, and protection of corporate assets. The implementation measures include conducting fire drills, labor safety seminars and employee health checkups on a regular basis.

## 3.3.5 Corporate Governance Guidelines and Regulations

The Company has not established corporate governance principles based on “Corporate Governance Best-Practice Principles for Financial Holding Companies”. For other guidelines in connection with corporate governance, please refer to the Company’s website at <http://www.megaholdings.com.tw> and Market Observation Post System of Taiwan Stock Exchange at (<http://newmops.twse.com.tw>).

## 3.3.6 Other Important Information Regarding Corporate Governance

None.

## 3.3.7 Internal Control System

Please refer to page 34 of the Chinese annual report.

## 3.3.8 Major Resolutions of Shareholders’ Meeting and Board Meetings

Item	Date	Major resolutions
Shareholders' meeting	June 19, 2009	1. Approval of the 2008 business report and financial statements. 2. Approval of the distribution of 2008 retained earnings and employee profit sharing as well as remuneration to directors and supervisors. 3. Approval of amendment to the Articles of Incorporation. 4. Re-election of 15 directors and 5 supervisors and approval of release directors from non-competition restrictions.
Board meeting	Jan.15, 2009	1. Appointment of Mr. Chao-Hsien Lai and Ms. Dan-Hun Lu, Executive Vice President of Mega International Commercial Bank to serve concurrently as the Executive Vice President of the Company. 2. Approval of the 2009 financial budget.
Board meeting	Mar. 24, 2009	1. Approval of the 2008 business report and financial statements. 2. Approval of convening the general shareholders’ meeting on June 19, 2009 and the agenda of meeting. 3. Approval of re-election of directors and supervisors in the shareholders’ meeting.
Board meeting	Apr. 28, 2009	1. Approval of the distribution of 2008 retained earnings and employee profit sharing as well as remuneration to directors and supervisors. 2. Approval of amendment to the Articles of Incorporation. 3. Appointment of Ms. Jui-Ying Tsai as the chief accounting officer.
Board meeting	June 23, 2009	1. Election of Mr. Rong-Jou Wang as the Chairman and appointment of Mr. Kuang-Si Shiu as the President. 2. Approval of the remuneration of independent directors.
Board meeting	Dec. 28, 2009	1. Approval of the 2010 financial budget. 2. Appointment of Acting Chairman and Acting President of Chung Kuo Insurance Company

## 3.3.9 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None.



### 3.3.10 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

Title	Name	Date of Appointed	Date of Termination	Reasons for Resignation or Dismissal
Chief Accounting Officer	Jui-Yun Lin	Feb. 4, 1992	Apr. 28, 2009	Job adjustment

### 3.4 Changes in Shareholding of Directors, Supervisors, Executives and Major Shareholders

Unit: Share

Title	Name	2009		As of Apr. 30, 2010	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Rong-Jou Wang	0	0	0	0
Director	Ministry of Finance, ROC	0	0	0	0
Director	Labor Union of Mega Int'l Commercial Bank	0	0	100,000	0
Supervisor	Bank of Taiwan	0	0	0	0
Supervisor	The National Development Fund, Executive Yuan, ROC	0	675,810,261	0	0
Supervisor	Chunghwa Post Co., Ltd.	0	0	0	0
Independent Director	Chun-Tien Cheng	0	0	0	0
Independent Director	Chun Mei Ma	0	0	0	0
Independent Director	Song-Chin Su	0	0	0	0
President	Kuang-Si Shiu	0	0	0	0
Executive Vice President	Jui-Yun Lin	0	0	0	0
Executive Vice President	Chao-Hsien Lai	110,000	0	0	0
Executive Vice President	Dan-Hun Lu	0	0	0	0
Chief Internal Auditor	Yung-Ming Chen	0	0	0	0

Note: The above-mentioned share transactions were executed on the centralized securities exchange market, Taiwan Stock Exchange.

#### 3.4.1 Shares Trading with Related Parties: N.A.

#### 3.4.2 Shares Pledge with Related Parties

Name	Reason of Pledge	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Pledged Amount
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 includes other securities held by the National Development Fund, Executive Yuan, ROC

### 3.5 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

December 31, 2009

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Bank of Taiwan Trust Account (Representative: Ms. Susan S. Chang)	1,235,143,077	11.17	0	0	0	0	Bank of Taiwan	Trustee	-
Ministry of Finance, ROC (Representative: Mr. Sush-Der Lee)	1,104,070,205	9.98	0	0	0	0	Bank of Taiwan, a wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.	Taiwan Financial Holding Co., Ltd. is wholly-owned by Ministry of Finance	-
National Development Fund, Executive Yuan, ROC (Representative: Mr. Hsung-hsiung Tsai)	675,916,160	6.11	0	0	0	0	-	-	-
Chunghwa Post Co., Ltd. (Representative: Mr. Oliver Fang-Lai Yu)	301,970,574	2.73	0	0	0	0	-	-	-
Silchester International Investors International Value Equity Trust	289,406,000	2.62	0	0	0	0	-	-	-
Bank of Taiwan (Representative: Ms. Susan S. Chang)	277,170,670	2.51	0	0	0	0	Ministry of Finance	Taiwan Financial Holding Co., Ltd. was wholly owned by the Ministry of Finance	-
National Financial Stabilization Fund (Representative: Mr. Eric Li-luan Chu)	265,195,000	2.40	0	0	0	0	-	-	-
Pou Chen Corporation (Representative: Mr. C. C. Tsai)	158,656,064	1.43	0	0	0	0	Barits Development Corporation	Subsidiary	-
Silchester International Investors International Value Equity Group Trust	144,505,000	1.31	0	0	0	0	-	-	-
Barits Development Corporation (Representative: Mr. C. C. Tsai)	107,835,454	0.98	0	0	0	0	Pou Chen Corporation	Parent Company	-



### 3.6 Information Regarding Independent Auditor

The Company's financial report for 2009 was audited by Mr. Li, Chang-Chou and Ms. Lee, Hsiu-Ling. The non-audit fee paid to the independent auditors represents only 7.69% of the audit fee for 2009. Set forth below are the details of audit fee and non-audit fee:

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	2,314,107	0	0	0	178,000	178,000	Jan. 1, 2009 ~ Dec. 31, 2009	Fees for filing application for recheck of tax assessed by the tax authorities

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 2009.

### 3.7 Long-term Investment Ownership

As of Dec. 31, 2009

Investee Companies	Ownership by Mega (1)		Direct / Indirect Ownership by Directors, Supervisors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Mega International Commercial Bank Co., Ltd.	6,410,987,838	100.00	0	0.00	6,410,987,838	100.00
Mega Securities Co., Ltd.	1,160,000,000	100.00	0	0.00	1,160,000,000	100.00
Mega Bills Finance Co., Ltd.	1,311,441,084	100.00	0	0.00	1,311,441,084	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.	52,700,000	100.00	0	0.00	52,700,000	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
TaiwanPay Corporation	394,823	6.69	197,412	3.35	592,235	10.04
Taiwan Depository & Clearing Corp.	1,237,131	0.41	3,584,552	1.20	4,821,683	1.62
Taipei Financial Center Corp.	73,500,000	5.00	39,999,999	2.72	113,499,999	7.72
Taiwan Business Bank	520,638,476	13.44	844,417,116	21.80	1,365,055,592	35.24
China Products Trading Company	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

Investee Companies	Ownership by Mega (1)		Direct / Indirect Ownership by Directors, Supervisors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Mega I Venture Capital Co., Ltd.	0	0.00	55,000,000	55.00	55,000,000	55.00
Yung-Shing Industries Company	0	0.00	1,350,424	99.56	1,350,424	99.56
Win Card Co., Ltd.	0	0.00	500,000	100.00	500,000	100.00
Mega 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	8,740,000	100.00	8,740,000	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	25,990,337	100.00	25,990,337	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	5,000,000	100.00	5,000,000	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	28,538,800	100.00	28,538,800	100.00
ICBCAMC Offshore Ltd.	0	0.00	1	100.00	1	100.00
ICBCAMC Offshore (Taiwan) II Ltd.	0	0.00	1	100.00	1	100.00
Junior Preference Share Company (Taiwan) II Ltd.	0	0.00	1	100.00	1	100.00
Junior Preference Share Company Ltd.	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
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

# Capital Overview

## Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Issued Shares

As of Dec. 31, 2009

Month/ Year	Par value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Other
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	

#### 4.1.2 Type of Stock

As of Dec. 31, 2009

Type of Stock	Authorized Share Capital			Remark
	Issued Shares (Note)	Unissued Shares	Total	
Common Stock	11,059,426,238	940,573,762	12,000,000,000	Note

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

#### 4.1.3 Status of Shareholders

As of Aug. 7, 2009

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	22	33	587	263,474	464	264,580
Shareholding (shares)	2,299,189,773	2,057,683,012	1,343,455,921	1,943,087,439	3,416,010,093	11,059,426,238
Holding Percentage (%)	20.79	18.61	12.15	17.57	30.88	100.00

#### 4.1.4 List of Major Shareholders

As of December 31, 2009

Name of Shareholder	Number of Common Shares	Percentage of Voting Shares (%)
Trust Account of Bank of Taiwan	1,235,143,077	11.17
Ministry of Finance, ROC	1,104,070,205	9.98
National Development Fund, Executive Yuan, ROC	675,916,160	6.11
Chunhwa Post Co., Ltd.	301,970,574	2.73
Silchester International Investors International Value Equity Trust	289,406,000	2.62
Bank of Taiwan	277,170,670	2.51
National Financial Stabilization Fund	265,195,000	2.40
Pou Chen Corporation	158,656,064	1.43
Silchester International Investors International Value Equity Group Trust	144,505,000	1.31
Barits Development Corporation	107,835,454	0.98
Total	4,559,868,204	41.24

## 4.1.5 Distribution Profile of Share Ownership

Par value per share: NT\$10		As of Dec. 31, 2009	
Shareholder Ownership (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	102,296	34,855,582	0.32
1,000 ~ 5,000	103,725	253,292,572	2.29
5,001 ~ 10,000	32,176	247,470,766	2.23
10,001 ~ 15,000	10,887	134,406,683	1.21
15,001 ~ 20,000	7,474	135,980,421	1.22
20,001 ~ 30,000	6,206	155,723,808	1.41
30,001 ~ 40,000	3,038	107,289,476	0.97
40,001 ~ 50,000	2,223	102,918,737	0.93
50,001 ~ 100,000	3,783	271,162,816	2.45
100,001 ~ 200,000	1,606	225,244,616	2.04
200,001 ~ 800,000	895	331,353,854	3.00
800,001 ~ 1,400,000	132	135,397,346	1.23
1,400,001 ~ 2,000,000	57	96,470,335	0.88
Over 2,000,001	221	8,827,859,226	79.82
Total	274,719	11,059,426,238	100.00

## 4.1.6 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$				
Item	Year	2009	2008	As of March 31, 2010
Market Price Per Share( Note 1 )	High	21.60	27.50	19.15
	Low	8.60	7.82	16.45
	Average	15.61	18.98	18.04
Net Worth Per Share( Note 2 )	Before Distribution	17.69	16.05	17.97
	After Distribution	( Note 6 )	15.80	-
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	1.30	0.03	0.36
Dividends Per Share	Cash Dividends	0.25	1.25	( Note 6 )
	Stock Dividends	-	-	-
	Cumulative Undistributed Dividends	-	-	-
Investment Return Analysis	PE Ratio( Note 3 )	12.01	632.67	50.11
	Price-Dividend Ratio( Note 4 )	62.44	15.18	-
	Cash Dividend Yield ( % )( Note 5 )	1.60	6.59	-

- 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 2009 profits will be submitted at the annual shareholders meeting on June 23, 2010.

## 4.1.7 Buyback of Treasury Stock: N.A.

## 4.2 Dividend Policy and Implementation Status

### 4.2.1 Dividend Policy

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

After paying all taxes and offsetting its accumulated losses of prior 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: employee profit sharing between 0.02% and 0.16%, and remuneration of directors and supervisors not exceeding 0.5%. 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 Annual 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 employee profit sharing shall be distributed in cash or stock subject to the approval of shareholders' meeting. The employees of subsidiaries of the Company may also be entitled to the employee stock bonus, subject to the rules set forth by the Board of Directors.

### 4.2.2 Proposed Distribution of 2009 Profits

It is proposed to submit to the Company's Annual Shareholders' Meeting, to be held on June 23, 2010, for their approval of the distribution of NT\$11,059,426,238 cash dividends (\$1.00 per share), NT\$20,637,000 cash as employee profit sharing, and NT\$64,493,000 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 2009 is NT\$1.30. Set forth below are details of the proposed profit distribution for 2009 and distributed profit for 2008:

Unit: NT\$		
Item	2009	2008
Cash Dividends to Common Shareholders	\$11,059,426,238	\$2,764,856,560
Remuneration for Directors and Supervisors	64,493,000	2,650,000
Employee Profit Sharing in Cash	20,637,000	424,000
Total	\$11,144,556,238	\$2,767,930,560

The actual distribution of employee bonus and remuneration to directors and supervisors for year 2008 is the same as those proposed by the Board of Directors.

## 4.3 Corporate Bonds

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 (Note)	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

Note: 90-day TWD BACP 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 tranche B and D.

Issue	2007- 1 Domestic Unsecured Bond	2007- 2 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 (Note)	Tranche A: 2.70% p.a. Tranche B: 90-day TWD BACP + 0.27% p.a. Tranche C: 2.80% p.a.	Tranche A : 2.68% p.a. Tranche B: 90-day TWD BACP + 0.22% 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)
Repayment Priority	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

Note: 90-day TWD BACP 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 tranche B .

## 4.4 Preferred Stock: N.A.

## 4.5 Employee Stock Options: N.A.



# Operational Highlights



## Operational Highlights

### 5.1 The Economic and Financial Environment in 2009

#### 5.1.1 Economic situations

With the steady upturn of global economy, global trade has been gaining momentum, and manufacturers have been seeing a gradual growth of capacity utilization rate thanks to the expansion of industrial production. But in terms of its private consumption, Taiwan saw a weak consumption due to a little improvement in the unemployment rate and slow income growth. According to the statistics released by the Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan in February 2010, the domestic annual economic growth rate in 2009 declined by 1.87%. The DGBAS' forecast of Taiwan's annual growth rate for 2010 is 4.72%.

Looking into the future, though the worst of the domestic economic slump has passed, private investment has remained cautious. Also it is worthy to pay attention to the potential impact on private consumption of elevated unemployment rate. However, the outlook for the Taiwanese economy in the near future is cautiously optimistic as the government will continue to carry out its economic stimulus measures, and boost employment.

#### 5.1.2 Financial environment

##### Interest rates

Since the beginning of the global financial turmoil in Q4 2008, there had been a continuous influx of overseas investment funds into Taiwan. Also bank lending had tightened due to the economic downturn. As a result, the domestic banking system saw a growing liquidity. The overnight interbank call loan rate and commercial paper interest rate hit record low at 0.097% and 0.16% in May and June 2009 respectively. Money market rates rebounded slightly as the Central Bank absorbed excess liquidity in the banking system by actively issuing certificates of deposit (CDs).

##### Foreign exchange rates

In 2009, the exchange rate of TWD against USD has shown a trend of appreciation except for the first quarter when it significantly depreciated. In December 2009, the average exchange rate of TWD against USD reached NT\$32.28, an appreciation of 2.69% from the same month in 2008.

##### Stock market

In 2009, the domestic stock market has been rising month by month due to the economic upturn from the bottom and the active trading of international stock markets. From March 2009 to the end of the year, TAIEX rose nearly 80% thanks to large capital inflows and improvement in cross-strait relations. The average daily trading volumes of the stock exchange and the OTC market reached NT\$119.3 billion and NT\$21.6 billion, respectively. In 2009, domestic securities companies as a whole posted a substantial improvement in profits from securities brokerage and proprietary trading, compared with the previous year.

##### Financial industry

Overall earnings of the domestic banking sector in 2009 recovered from the low level seen during the global financial turmoil in 2008. Yet bank lending had remained relatively stagnant given the still weak

domestic economy, and interest spread had remained record low. As a result, pre-tax earnings of domestic banks as a whole reached NT\$83.9 billion in 2009. Though this figure outperformed those over the last five years, it was far less than the 2004 level of over NT\$150 billion.

A number of foreign banks and private equity funds succeeded in merging small and medium-sized domestic banks and had completed the acquisition integration process to gradually expand their operations in Taiwan. By the end of 2009, a total of 20 foreign institutions had invested in 13 domestic financial holding companies or banks. With more open policies on cross-strait financial services, Mainland Chinese banking institutions will speed up their deployment in Taiwan, which will contribute to a more diverse participation in Taiwan's banking system. Meanwhile, the domestic financial market will see more intense competition as a result of the growing number of competitors.

“The Memorandum of Understanding (MOU) on Cross-strait Financial Supervision Cooperation” was signed in November 2009, which has become effective January 16, 2010. The MOU has opened up a new chapter for cross-strait financial cooperation, enabling a direct and normal exchange of financial services across the Taiwan Strait. The MOU allows Taiwan-based banking institutions to set up branches in Mainland China and vice versa. It is expected that after market entry requirements are specified following the signing of the ECFA, banking institutions on the two sides will accelerate their entry to each other's market. It will facilitate Taiwan's financial institutions to tap into the large pool of mainland-based Taiwanese companies, expand the financial markets and enhance the profitability of banks.

## 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). Business scope of the Company's subsidiaries includes banking, securities, bills finance, property and casualty insurance, asset management, venture capital, securities investment trust, insurance agency. Nearly all of the Company's revenues are derived from subsidiaries.

#### Revenue Breakdown

Unit: NT\$1,000

Item	2009		2008	
	Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method	15,190,437	99.86	858,051	94.51
Other operating revenue	21,403	0.14	49,816	5.49
Total	15,211,840	100.00	907,867	100.00

### Mega International Commercial Bank Co., Ltd.

The bank reported a pretax profit of NT\$13.13 billion, an upsurge of 124% from the year before. The sound achievement was generated from its solid corporate banking, consumer banking businesses, the good assets quality and successful financial management.

## Breakdown of Net Operating Income

Unit: NT\$1,000

Item	2009		2008	
	Amount	%	Amount	%
Net interest income	21,580,655	63.45	26,779,009	97.95
Non-interest income	12,429,325	36.55	559,606	2.05
Fee income – net	6,027,382	17.72	6,140,582	22.46
Gains on financial assets and liabilities at fair value through profit or loss	4,593,569	13.51	1,695,172	6.20
Realized gain on available-for-sale financial assets	524,771	1.54	143,715	0.53
Realized gains / losses on held-to-maturity financial assets	( 179,844)	( 0.53)	296	0.00
Investment income recognized by the equity method	328,996	0.97	176,919	0.65
Foreign exchange gain – net	1,672,057	4.92	1,299,688	4.76
Loss on asset impairment	( 1,832,747)	( 5.39)	( 4,506,306)	( 16.48)
Gains / losses on disposal of properties	1,038,458	3.05	( 8,494)	( 0.03)
Other losses	( 108,939)	( 0.32)	( 5,474,863)	( 20.03)
Other provisions	( 1,044,399)	( 3.07)	( 321,956)	( 1.18)
Gain on financial assets carried at cost	461,141	1.36	563,654	2.06
Other non-interest income – net	948,880	2.79	851,199	3.11
Net operating income	34,009,980	100.00	27,338,615	100.00

### Mega Securities Co., Ltd. (MSC)

In 2009, the volume of securities brokerage conducted by the company represents a market share of 3.66% or ranked 10th in the industry, compared with 3.16% or ranked 11 in 2008. The company issued 375 stock warrants in total, ranked 9th in the market. The issue amount of warrants amounted to NT\$8.1 billion ranked 7th in the market.

#### Revenue Breakdown

Unit: NT\$1,000

Item	2009		2008	
	Amount	%	Amount	%
Brokerage fee income	2,196,731	36.76	1,623,760	23.04
Commission income from securities financing	0	0	6,494	0.09
Underwriting income	96,377	1.61	47,527	0.67
Gain on disposal of securities	1,606,709	26.88	116,129	1.65
Income from providing stock management services	28,633	0.48	27,425	0.39
Interest income	936,699	15.67	1,459,413	20.71
Dividend income	62,613	1.05	148,132	2.10
Gain on valuation of operating securities	359,058	6.01	0	0
Gain on short coverings for securities borrowings and bond purchased under resell agreement	7,838	0.13	19,134	0.27
Gain on valuation for securities borrowings and bond purchased under resell agreement	811	0.01	5	0
Gain on issuance of stock warrants	0	0	136,881	1.94
Futures commission income	61,449	1.03	64,838	0.92
Gain on derivative financial instruments - Futures	453,436	7.59	880,587	12.50
Gain on derivative financial instruments - OTC	132,418	2.22	2,459,676	34.91
Other operating income	33,371	0.56	56,844	0.81
Total	5,976,143	100.00	7,046,845	100.00

## Mega Bills Finance Co., Ltd.

The company's net interest income amounted to NT\$3,969,761 thousand, up NT\$1,502,315 thousand or 60.89% from the year before. The increase was attributed to the dramatically widened interest rate spread resulting from sharp decline of short term interest rates.

### Breakdown of Net Operating Income

Unit: NT\$1,000

Item \ Year	2009		2008	
	Amount	%	Amount	%
Net interest income	3,969,761	76.63	2,467,446	66.03
Non-Interest Income	1,210,772	23.37	1,269,488	33.97
Fee income – net	946,727	18.27	535,703	14.34
Gains on financial assets and liabilities at fair value through profit or loss	( 52,753)	( 1.02)	493,447	13.20
Realized gain on available-for-sale financial assets	183,323	3.54	41,156	1.10
Loss on asset impairment	( 42,223)	( 0.81)	( 30,891)	( 0.83)
Other non-interest income – net	175,698	3.39	230,073	6.16
Net operating income	5,180,533	100.00	3,736,934	100.00

## Chung Kuo Insurance Co., Ltd.

Total direct written premiums income for 2009 amounted to NT\$5,469,711 thousand, a drop of NT\$509,573 thousand or 8.52% compared to the NT\$5,979,284 thousand in 2008. Reinsurance premiums income for 2009 reached NT\$723,596 thousand, declining NT\$221,880 thousand or 23.47% from the NT\$945,476 thousand in 2008.

### Revenue Breakdown

Unit: 1,000

Item \ Year	2009 Premiums Income		2008 Premiums Income	
	Amount	%	Amount	%
Fire insurance premiums	1,404,947	25.69	1,605,257	26.85
Marine cargo insurance premiums	332,473	6.08	523,570	8.76
Marine hull insurance premiums	525,269	9.60	507,218	8.48
Automobile insurance premiums	1,821,579	33.30	1,975,427	33.04
Aviation insurance premiums	159,885	2.92	157,075	2.63
Engineering insurance premiums	464,994	8.50	391,067	6.54
Accident insurance premiums	209,863	3.84	204,133	3.41
Other insurance premiums	550,701	10.07	615,537	10.29
Total direct written premiums income	5,469,711	100.00	5,979,284	100.00
Inward reinsurance premiums income	723,596	-	945,476	-
Total	6,193,307	-	6,924,760	-

## Mega International Investment Trust Co., Ltd.

As of the end of 2009, the company's assets under management in mutual funds totaled NT\$63,340 million, up NT\$30,920 million or 95.37% from 2008 as the size of bond fund increased considerably resulting from the lower interest rate.

### Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2009		2008	
	Amount	%	Amount	%
Management fee from public issued funds	254,953	99.89	232,058	99.19
Management fee from private equity funds	209	0.08	1,383	0.59
Management fee from discretionary account	84	0.03	520	0.22
Total	255,246	100.00	233,961	100.00

## Mega Asset Management Co., Ltd.

In 2009, the company purchased NPL through open bidding and negotiation a total of NT\$25,928 million, an increase of NT\$20,455 million, or 373.74% from 2008. The net proceeds from disposal of the purchased NPL and collaterals amounted to NT\$902,642 thousand, generating a net income after tax of NT\$383,443 thousand in 2009.

### Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2009		2008	
	Amount	%	Amount	%
Gain on disposal of NPL and Gain on sale of collaterals	902,642	99.53	592,433	97.37
Rental income	250	0.03	1,741	0.29
Other operating income	3,966	0.44	14,286	2.34
Total	906,858	100.00	608,460	100.00

## Mega Venture Capital Co., Ltd.

The company recorded a net profit after tax of NT\$32,699 thousand for 2009, or NT\$0.33 a share, from NT\$6,654 thousand, or NT\$0.07 a share, in 2008. As of December 31, 2009, the original investment cost of its portfolio amounted to NT\$ 901 million, representing a growth of 25.31% from NT\$719 million recorded in 2009.

### Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2009		2008	
	Amount	%	Amount	%
Revenue from disposal of long-term securities investment (Note)	255,259	95.20	15,995	58.37
Dividend income	12,839	4.79	11,211	40.92
Other operating income	45	0.01	194	0.71
Total	268,143	100.00	27,400	100.00

Note: Cost of long-term securities investment disposed amounted to NT\$204,506 thousand.

## Mega Life Insurance Agency Co., Ltd.

In 2009, the insurance commission income generated by the subsidiary amounted to NT\$224,217 thousand, an increase of 2.62% from NT\$218,494 thousand recorded in 2008.



## Revenue Breakdown

Unit: NT\$1,000

Item	Year	2009		2008	
		Amount	%	Amount	%
Commission income - traditional policy		141,646	63.17	122,785	56.20
Commission income - investment policy		82,571	36.83	95,709	43.80
Total		224,217	100.00	218,494	100.00

## 5.3 Operating Policies in 2010

### 1. Supervising subsidiaries to reinforce cross selling and maximize synergy

- (1) To foster cross selling culture within the Group and strengthen the spirit of teamwork
- (2) To integrate the Group's resources so as to raise the number of the Group's products held by each customer
- (3) To enhance the contribution of cross selling to net income

### 2. Exploring merger and acquisition opportunities to enhance competitiveness

- (1) To continue to pursue opportunities to acquire high-quality domestic banking institutions or financial holding companies
- (2) To position ourselves globally to seek merger and acquisition opportunities in other countries

### 3. Focusing on developing core business and maximizing shareholder value

- (1) To speed up globalizing our services so as to raise profits from overseas business
- (2) To enter the Chinese market and deploy our services in four major economic zones where there is a large pool of mainland-based Taiwanese companies
- (3) To maintain effective management and strategic allocation of the Group's investment portfolio in order to maximize expected return subject to a minimum level of risk

### 4. Enhancing financial performance and transparency

- (1) To continue to research on the optimal capital structure so as to enhance the Group's financial performance
- (2) To reinforce the quality and timeliness of financial disclosure
- (3) To actively prepare for the implementation of International Financial Reporting Standards (IFRS) in line with the government's policies

### 5. Reinforcing human resource management and lowering personnel cost

- (1) To continue optimizing human resource allocation and to carry through the flattening of organizational structure and downsizing
- (2) To establish a performance-based remuneration system in order to motivate and retain top talents
- (3) To implement employee professional education and training so as to cultivate professional and international talents

### 6. Strengthening risk management practices and systems

- (1) To strengthen the compilation, analysis and monitoring of the Group's overall risk
- (2) To supervise subsidiaries' risk control systems and practices
- (3) To supervise the banking subsidiary's implementation and validation of internal credit risk rating system in conforming with Basel II

### 7. Strengthening the Group's information management and integrating the Group's information systems

- (1) To upgrade equipment and facilities so as to reinforce information security governance system
- (2) To resolve the ROC Year 100 computer problem in information systems

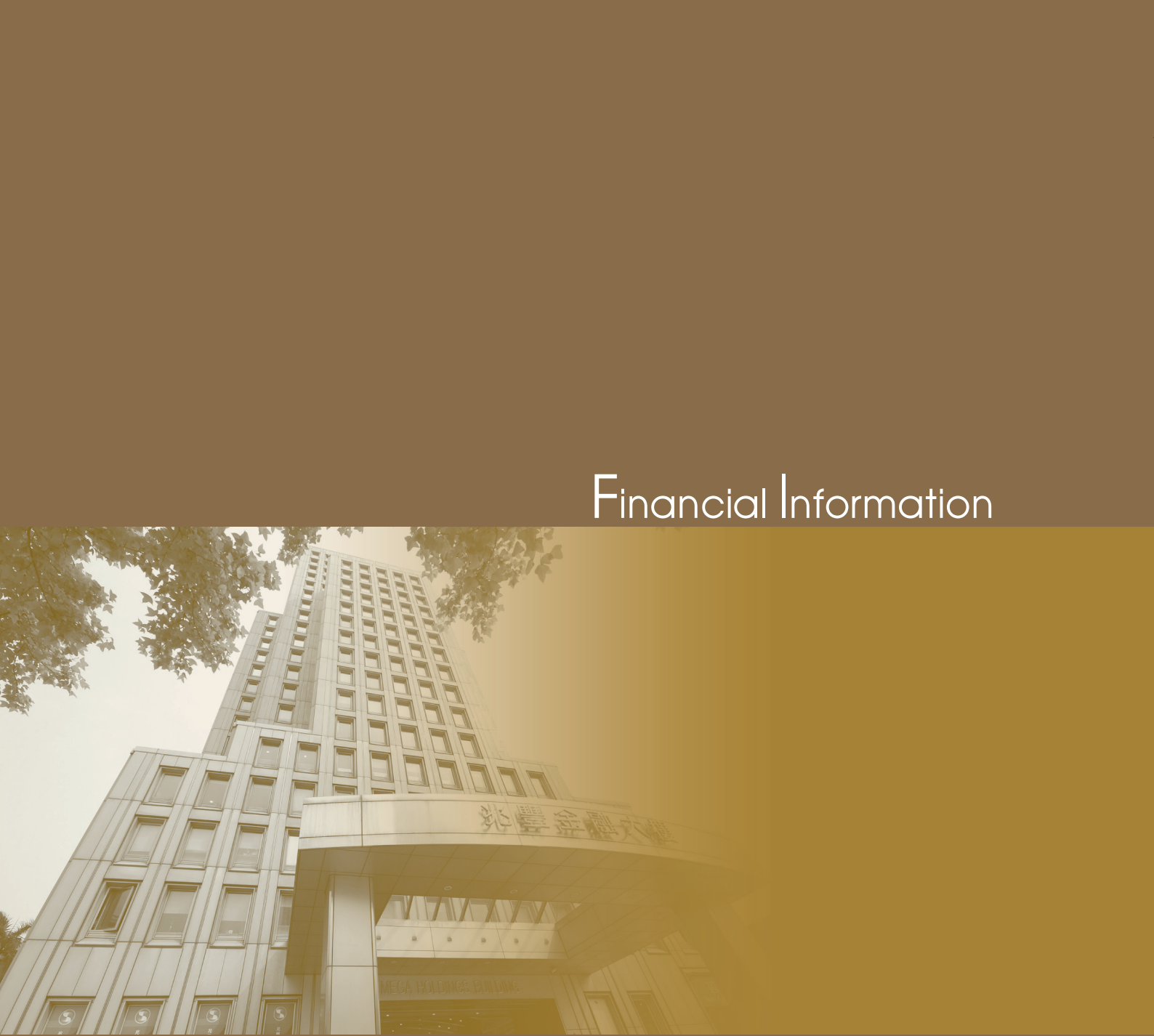
### 8. Others

- (1) To reinforce the Group's collective procurement so as to save administrative costs
- (2) To participate in charity and social services so as to boost our corporate image

## 5.4 Human Resources

Item		Year	2009	2008
Number of Employees	Mega Financial Holding		51	52
	Mega International Commercial Bank		5,105	5,169
	Mega Bills Finance		222	225
	Mega Securities		1,563	1,651
	Chung Kuo Insurance		704	719
	Mega International Investment Trust		82	96
	Mega Asset Management		32	33
	Mega Life Insurance Agency		15	15
	Total		7,774	7,960
Average Age	Mega Financial Holding		44.00	43.00
	Mega International Commercial Bank		41.76	40.80
	Mega Bills Finance		40.36	39.49
	Mega Securities		37.43	36.05
	Chung Kuo Insurance		39.78	38.91
	Mega International Investment Trust		38.77	37.57
	Mega Asset Management		38.00	37.00
	Mega Life Insurance Agency		39.07	38.06
Average Years of Services	Mega Financial Holding		6.23	5.26
	Mega International Commercial Bank		15.92	14.97
	Mega Bills Finance		12.66	12.04
	Mega Securities		6.27	5.21
	Chung Kuo Insurance		10.02	9.26
	Mega International Investment Trust		7.57	6.18
	Mega Asset Management		4.50	3.40
	Mega Life Insurance Agency		3.75	2.73





Financial Information

Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

							Unit: NT\$1,000
Item	Year	Five-Year Financial Summary					Financial data of 03/31/2010 ( Note 1 )
		2009	2008	2007	2006	2005	
Cash and cash equivalents, due from the Central Bank and call loans to banks		404,879,166	374,952,541	349,726,523	308,308,559	231,680,880	405,424,819
Financial assets at fair value through profit or loss		127,525,330	198,444,433	210,393,327	245,932,121	284,101,246	151,415,689
Bills and bonds purchased under resell agreements		796,095	1,729,297	4,765,687	5,365,413	3,753,812	99,505
Available-for-sale financial assets		233,016,512	232,069,590	255,517,877	275,375,623	225,722,081	216,945,951
Receivables		121,355,347	120,773,646	125,215,337	107,852,796	94,467,733	125,777,172
Loans		1,281,835,254	1,321,437,849	1,210,579,613	1,126,900,618	1,096,798,993	1,231,440,364
Held-to-maturity financial assets		263,152,861	96,097,583	90,448,402	96,908,980	195,519,071	269,014,231
Equity investments accounted for by the equity method		2,727,944	2,545,633	2,582,607	3,053,116	2,927,419	2,733,185
Property and equipment		23,176,304	24,786,243	23,749,051	24,610,375	25,069,750	22,024,059
Intangible assets		323,719	94,703	384,682	291,861	97,345	282,480
Other financial assets		24,820,588	26,611,797	29,113,851	33,415,543	33,241,831	24,071,227
Other assets		13,922,463	10,069,505	11,283,780	10,129,685	10,084,088	12,928,773
Total assets		2,497,531,583	2,409,612,820	2,313,760,737	2,238,144,690	2,203,464,249	2,462,157,455
Due to the Central Bank and financial institutions		396,380,466	396,503,184	369,971,867	371,033,111	368,473,466	365,000,444
Deposits		1,484,628,885	1,316,769,564	1,232,608,275	1,071,926,588	1,041,334,172	1,474,165,587
Financial liabilities at fair value through profit or loss		35,384,545	51,434,065	53,104,691	50,247,952	48,601,057	30,515,633
Bills and bonds sold under repurchase agreements		171,365,526	248,491,993	246,995,517	315,710,030	308,175,153	186,634,242
Funds borrowed from the Central Bank and other banks		57,517,261	53,185,187	42,997,399	56,438,426	76,587,680	48,689,859
Bonds payable		50,153,000	54,349,347	33,215,871	43,527,894	56,230,910	50,450,000
Preferred stock		0	0	0	0	0	0
Reserve for operations and liabilities		14,024,884	13,322,952	11,714,177	8,794,929	8,990,686	14,233,211
Other financial liabilities		22,407,822	12,117,937	51,360,441	34,917,757	20,654,894	25,416,026
Other liabilities		69,373,699	85,404,208	77,141,077	85,123,993	82,363,799	67,712,636
Total liabilities		2,301,236,088	2,231,578,437	2,119,109,315	2,037,720,680	2,011,411,817	2,262,817,638
Equity attributable to stockholders of the Company	Capital stock	110,594,262	110,594,262	110,594,262	111,694,492	113,657,296	110,594,262
	Capital surplus	43,426,403	43,426,403	45,182,901	45,631,626	46,404,318	43,426,403
	Retained earnings	Before distribution	31,916,182	20,349,144	34,039,308	34,611,369	36,304,259
		After distribution	Note 2	17,584,288	20,054,625	17,850,859	18,960,967
	Equity adjustments	9,717,733	3,108,674	4,151,275	7,761,648	( 5,242,276 )	8,779,321
Minority interest		640,915	555,900	683,676	724,875	928,835	642,562
Total stockholders' equity	Before distribution	196,295,495	178,034,383	194,651,422	200,424,010	192,052,432	199,339,817
	After distribution	Note 2	175,269,527	180,666,739	183,663,500	174,709,140	Note 2

Note 1: The financial statements as of March 31, 2010 have been reviewed by Mr. LI, Chang-Chou, Ms. Lee, Hsiu-Ling of PricewaterhouseCoopers with a standard unqualified review report.

Note 2: The earnings distribution for 2009 has not been resolved by the shareholders' meeting.

6.1.2 Condensed Consolidated Income Statement

Unit: NT\$1,000 (except EPS in NT\$)						
Item	Year	Five-Year Financial Summary				
		2009	2008	2007	2006	2005
Interest income, net		26,475,701	30,523,536	26,295,736	23,769,919	26,655,680
Revenues other than interest, net		19,956,601	813,598	20,853,288	23,312,547	21,254,500
Bad debts expense on loans		7,305,574	8,361,560	6,671,664	9,451,091	3,324,477
Provisions for insurance reserve		22,302	287,055	67,383	155,636	23,998
Operating expenses		20,048,239	19,603,411	20,377,788	20,477,664	19,288,229
Income from continuing operations-before tax		19,056,187	3,085,108	20,032,189	16,998,075	25,273,476
Consolidated net income from continuing operations-after tax		14,344,870	262,022	17,114,558	14,937,000	22,453,205
Income from discontinued departments		0	0	0	0	0
Extraordinary gain or loss		0	0	0	0	0
Cumulative effect of changes in accounting principles ( after tax )		0	0	0	1,148,103	22,985
Consolidated net income	Attributable to stockholders of the Company	14,331,894	294,519	17,070,391	16,535,257	22,529,693
	Attributable to minority interest	12,976	( 32,497 )	44,167	( 450,154 )	( 53,503 )
Earnings per share	Stockholders of the Company	1.30	0.02	1.54	1.50	2.09
	Minority interest	0	0	0.01	( 0.05 )	0

Note 1: The financial statements as of March 31, 2010 have been reviewed by Mr. Li, Chang-Chou, Ms. Lee, Hsiu-Ling of PricewaterhouseCoopers with a standard unqualified review report.

Note 2: The earnings distribution for 2009 has not been resolved by the shareholders' meeting.

6.1.3 Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Auditing Opinion
2009	PricewaterhouseCoopers Taiwan	Li, Chang-Chou, Lee, Hsiu-Ling	Modified Unqualified Opinion
2008	PricewaterhouseCoopers Taiwan	Li, Chang-Chou, Lee, Hsiu-Ling	Modified Unqualified Opinion
2007	PricewaterhouseCoopers Taiwan	Lee, Hsiu-Ling, Li, Chang-Chou	Modified Unqualified Opinion
2006	Ernst & Young, Taiwan	Lee, Hsiu-Ling, Yang, Wen-An	Modified Unqualified Opinion
2005	Ernst & Young, Taiwan	Lai, Chung-Hsi, Andrew Deng	Unqualified Opinion

6.1.4 Condensed Balance Sheet

Unconsolidated Unit: NT\$1,000						
Item	Year	Five-Year Financial Summary				
		2009	2008	2007	2006	2005
Cash and cash equivalents, due from the Central Bank and call loans to banks		3,973,949	1,276,998	146,510	236,113	945,918
Financial assets at fair value through profit or loss		0	0	0	0	0
Available-for-sale financial assets		4,326,506	3,654,882	5,195,972	5,414,640	2,739,154
Receivables		2,109,325	4,368,517	4,976,822	4,041,817	3,779,228
Held-to-maturity financial assets		0	0	0	0	0
Equity investments accounted for by the equity method		212,270,268	196,065,435	207,202,317	214,318,647	199,857,816
Property and equipment		727,187	759,660	806,047	909,084	928,598
Intangible assets		0	0	0	0	0
Other financial assets		762,046	762,046	762,046	762,046	1,847,112
Other assets		264,016	152,512	168,629	111,941	119,363
Total assets		224,433,297	207,040,050	219,258,343	225,794,288	210,217,189
Financial liabilities at fair value through profit or loss		0	0	0	49,366	0
Payables		9,289,859	10,071,386	9,259,187	6,725,915	6,158,286
Bonds payable		19,450,000	19,450,000	4,000,000	12,900,000	12,900,000
Preferred stock		0	0	0	0	0
Other financial liabilities		0	0	11,996,220	6,378,981	0
Other liabilities		38,858	40,181	35,190	40,891	35,306
Total liabilities	Before distribution	28,778,717	29,561,567	25,290,597	26,095,153	19,093,592
	After distribution	Note 2	32,326,423	39,275,280	42,855,663	36,436,884
Capital stock		110,594,262	110,594,262	110,594,262	111,694,492	113,657,296
Capital surplus		43,426,403	43,426,403	45,182,901	45,631,626	46,404,318
Retained earnings	Before distribution	31,916,182	20,349,144	34,039,308	34,611,369	36,304,259
	After distribution	Note 2	17,584,288	20,054,625	17,850,859	18,960,967
Minority interest		9,717,733	3,108,674	4,151,275	7,761,648	( 5,242,276 )
Total stockholders' Equity	Before distribution	195,654,580	177,478,483	193,967,746	199,699,135	191,123,597
	After distribution	Note 2	174,713,627	179,983,063	182,938,625	173,780,305

Note 1: The financial statements as of March 31, 2010 have been reviewed by Mr. Li, Chang-Chou, Ms. Lee, Hsiu-Ling of PricewaterhouseCoopers with a standard unqualified review report.

Note 2: The earnings distribution for 2009 has not been resolved by the shareholders' meeting.

6.1.5 Condensed Income Statement

Unconsolidated				Unit: NT\$1,000 ( except EPS in NT\$ )		
Item \ Year	Five-Year Financial Summary					First Quarter of 2010 ( Note )
	2009	2008	2007	2006	2005	
Investment income from equity investments accounted for by the equity method	15,190,437	858,051	17,395,529	16,472,132	22,383,083	4,181,102
Other Income	21,403	49,816	124,532	108,281	643,651	3,587
Investment loss from equity investments accounted for by the equity method	0	0	0	0	0	0
Operating expenses	328,786	325,766	323,057	325,894	452,690	78,121
Other expenses and losses	514,215	411,000	438,223	404,528	427,729	124,764
Income before income tax	14,368,839	171,101	16,758,781	15,849,991	22,146,315	3,981,804
Net income	14,331,894	294,519	17,070,391	16,535,257	22,529,693	3,981,087
Earnings per share ( before tax )	1.30	0.02	1.52	1.42	2.06	0.36
Earnings per share ( after tax )	1.30	0.03	1.54	1.50	2.09	0.36

Note: The financial statements as of March 31, 2010 have been reviewed by Mr. LI, Chang-Chou, Ms. Lee, Hsiu-Ling of PricewaterhouseCoopers with a standard unqualified review report.

6.2 Five-Year Financial Analysis

Unit: NT\$1,000; %							
Item	Year	Five-year Financial Analysis					First Quarter of 2010
		2009	2008	2007	2006	2005	
Operating Ability	Total Assets Turnover	0.07	0.004	0.08	0.07	0.11	0.02
	Loans to Deposits Ratio of Bank Subsidiary ( % )	87.27	100.95	99.27	106.71	83.73	82.01
	NPL Ratio of Bank Subsidiary ( % )	0.95	1.16	1.00	0.88	0.50	0.90
	NPL Ratio of Bills Finance Subsidiary ( % )	0.38	0.51	0.61	0.32	0.53	0.18
	Average Operating Revenue Per Employee of the Group	5,443	3,563	5,374	5,404	6,546	1,378
	Average Profit Per Employee	1,681	30	1,955	2,025	3,078	458
Profitability	Return on Assets ( % )	6.82	0.28	7.82	7.27	10.81	1.80
	Return on Equity ( % )	7.68	0.16	8.67	8.46	12.60	2.02
	Net Income Margin ( % )	94.22	32.44	97.43	99.73	97.84	95.13
	Earnings Per Share ( NT\$ )	1.30	0.03	1.54	1.50	2.09	0.36
Financial Structure ( % )	Ratio of Liabilities to Assets	12.82	14.28	11.53	11.56	9.08	12.65
	Ratio of Liabilities to Net Worth	14.71	16.66	13.04	13.07	9.99	14.48
	FHC's Double Leverage Ratio	111.09	112.96	109.89	107.32	104.57	111.02
Leverage Ratio ( % )	Operating Leverage Ratio	1.00	1.07	1.00	1.00	1.00	1.00
	FHC's Financial Leverage Ratio	1.04	3.39	1.03	1.03	1.02	1.03
Growth Rates ( % )	Growth Rate of Assets	8.40	( 5.57 )	( 2.89 )	7.41	( 1.95 )	8.38
	Growth Rate of Profit	8,297.87	( 98.98 )	5.73	( 28.43 )	3.57	19.18
Cash Flow ( % )	Cash Flow Ratio	215.68	492.77	90.01	198.36	193.85	-
	Cash Flow Adequacy Ratio	79.92	78.22	84.74	84.06	89.27	-
	Cash Flow For Operating to Cash Flow From Investing	173.42	NA	270.80	NA	637.11	-
Operating Scale ( % )	Market Share of Assets	12.21	13.28	12.81	13.33	13.38	-
	Market Share of Net Worth	12.51	13.48	12.62	13.56	14.01	-
	Market Share of Deposits of Bank Subsidiary	5.36	5.09	5.08	4.50	3.47	-
	Market Share of Loans of Bank Subsidiary	6.32	6.49	6.20	6.06	3.72	-
Capital of Adequacy Ratio ( % )	Mega International Commercial Bank	11.73	11.20	10.54	10.34	10.93	-
	Mega Securities Co., Ltd.	314.34	292.77	285.20	261.36	277.26	-
	Mega Bills Finance Co., Ltd.	16.88	14.09	11.72	12.33	14.21	-
	Chung Kuo Insurance Co., Ltd.	661.61	584.88	927.56	1,080.43	934.31	-
Analysis of financial ratio change in the last two years:							
1. The increase in total assets turnover, average operating revenue per employee and average profit per employee is mainly attributable to increase in investment income derived from subsidiaries. The decrease in NPL ratio of Mega Bills Finance Co., Ltd. is due to write-off of bad debts.							
2. The increase in ROA, ROE, net income margin and EPS is mainly due to surge in net income.							
3. The decrease in financial leverage ratio is mainly attributable to increase of net income before tax.							
4. The rise in growth rate of assets is mainly due to increase in equity investments. The increase in growth rate of profit is mainly due to surge of net income resulting from increase of investment income.							
5. The decrease in cash flow ratio is mainly due to reduction of net cash inflow from operating activities.							



Formulas of the above financial analysis are as follows:

1. Operating Ability

- (1) Total Assets Turnover = Net Revenue / Total Assets
- (2) Loans to Deposits Ratio of Banks Subsidiary = 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  $\times$  ( 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 Paragraph 2 of Article 36 and Article 37 of Financial Holding Company Act / New Worth

4. Leverage

- (1) Operating Leverage Ratio = ( Net Sales - Variable Cost ) / Net Income Before Tax
- (2) Financial Leverage Ratio = ( 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

6.3 Consolidated Financial Statements

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, 2009 and 2008, 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, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks", "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", "Regulations Governing the Preparation of Financial Reports by Industry of Property and Casualty Insurance", "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

The consolidated financial statements of Mega Financial Holding Co., Ltd. and its subsidiaries as of and for the year then ended December 31, 2009 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US\$1:NT\$32.176 as of December 31, 2009 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.

March 16, 2010 *PricewaterhouseCoopers, Taiwan*

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.



( Expressed in Thousands of Dollars )

The accompanying notes are an integral part of these consolidated financial statements.  
See audit report of independent accountants dated March 16, 2010.

## Financial Information

## Financial Information

## MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(Expressed in Thousands of Dollars, Except Earnings Per Share Amounts)

	2009		2008	
	NT\$	US\$ (Unaudited-Note 2)	NT\$	
Interest income ( Note 5 )	\$ 41,466,789	\$ 1,288,749	\$ 70,303,288	
Less: Interest expense ( Note 5 )	( 14,991,088 )	( 465,909 )	( 39,779,752 )	
Interest income, net	26,475,701	822,840	30,523,536	
Revenues other than interest, net				
Service fee revenue and commissions, net ( Note 30 )	9,539,248	296,471	8,374,977	
Insurance revenue, net	1,359,971	42,267	1,089,766	
Gain ( loss ) from financial assets and liabilities at fair value through profit or loss ( Note 5 )	4,727,713	146,933	( 548,205 )	
Realized gain on available-for-sale financial assets, net	2,070,532	64,350	283,050	
Realized ( loss ) gain on held-to-maturity financial assets, net	( 179,844 )	( 5,589 )	296	
Investment income from equity investments accounted for by the equity method	185,015	5,750	120,749	
Gain on real estate investments	2,016	63	22,463	
Foreign exchange gain	1,954,631	60,748	1,052,757	
Gain on disposal of assets	1,030,363	32,023	334,937	
Loss on asset impairment ( Notes 4 ( 9 ) and ( 34 ) )	( 1,993,320 )	( 61,951 )	( 4,933,657 )	
Gain on financial assets carried at cost, net	462,158	14,363	563,917	
Bad debts and overdue accounts recovered, net	55,551	1,726	365,375	
Other losses ( Note 4 ( 7 ) )	( 108,939 )	( 3,386 )	( 5,474,863 )	
Other reserves ( Note 4 ( 7 ) )	( 1,044,399 )	( 32,459 )	( 352,226 )	
Other revenue ( loss ) other than interest income ( Note 5 )	1,895,905	58,923	( 85,738 )	
Net revenue	46,432,302	1,443,072	31,337,134	
Bad debts expense on loans ( Note 4 ( 6 ) )	( 7,305,574 )	( 227,051 )	( 8,361,560 )	
Provisions for insurance reserve	( 22,302 )	( 693 )	( 287,055 )	
Operating Expenses				
Personnel expenses ( Note 4 ( 31 ) )	( 13,117,071 )	( 407,666 )	( 12,227,086 )	
Depreciation and amortization ( Note 4 ( 31 ) )	( 1,008,874 )	( 31,355 )	( 1,138,241 )	
Other business and administrative expenses ( Note 5 )	( 5,922,294 )	( 184,059 )	( 6,238,084 )	
Income before Income Tax	19,056,187	592,248	3,085,108	
Income Tax Expense ( Note 4 ( 32 ) )	( 4,711,317 )	( 146,423 )	( 2,823,086 )	
Consolidated Net Income	\$ 14,344,870	\$ 445,825	\$ 262,022	
Consolidated Net Income Attributable to:				
Stockholders of the Company	\$ 14,331,894	\$ 445,422	\$ 294,519	
Minority interest	12,976	403	( 32,497 )	
	\$ 14,344,870	\$ 445,825	\$ 262,022	
	Before Taxes	After Taxes	Before Taxes	After Taxes
Earnings per share (in dollars) ( Note 4 ( 33 ) )				
Consolidated net income	\$ 1.72	\$ 1.30	\$ 0.05	\$ 0.04
Diluted earnings per share (in dollars) ( Note 4 ( 33 ) )				
Consolidated net income	\$ 1.72	\$ 1.30	\$ 0.05	\$ 0.04

The accompanying notes are an integral part of these consolidated financial statements.

See audit report of independent accountants dated March 16, 2010.

## MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(Expressed in Thousands of Dollars)

	2009		2008	
	NT\$	US\$ (Unaudited-Note 2)	NT\$	
Cash Flows from Operating Activities				
Consolidated net income	\$ 14,331,894	\$ 445,422	\$ 294,519	
Consolidated net income attributable to minority interest	12,976	403	( 32,497 )	
Adjustments to reconcile consolidated net income to net cash provided by operating activities:				
Provisions for loan losses	7,305,574	227,051	8,361,560	
Investment income from equity investments accounted for by the equity method	( 185,015 )	( 5,750 )	( 120,749 )	
Cash dividends distributed by equity investments accounted for by the equity method	79,897	2,483	247,767	
Valuation ( gain ) loss from financial assets and liabilities	( 1,016,728 )	( 31,599 )	293,588	
Gain from disposal of assets, net	( 1,030,363 )	( 32,023 )	( 334,937 )	
Loss on asset impairment	1,933,320	61,951	4,933,657	
Depreciation and amortization	1,008,874	31,335	1,138,241	
Loss on scrapped assets	25,666	798	11,469	
Provisions for various reserves	1,044,399	32,459	352,226	
Provisions for insurance reserves	22,302	693	287,055	
Changes in assets and liabilities:				
Decrease in financial assets at fair value through profit or loss	71,399,131	2,219,018	13,398,771	
Decrease in bills and bonds purchased under resale agreements	933,202	29,003	3,036,390	
( Increase ) decrease in receivables	( 1,856,857 )	( 57,710 )	1,859,111	
( Increase ) decrease in other financial assets	( 398,770 )	( 12,394 )	849,032	
Net change in deferred income tax assets / liabilities	( 202,526 )	( 6,294 )	( 505,575 )	
( Increase ) decrease in other assets	( 3,857,515 )	( 119,888 )	1,363,322	
Decrease in financial liabilities at fair value through profit or loss	( 16,049,520 )	( 498,804 )	( 3,414,091 )	
( Decrease ) increase in payables	( 15,193,611 )	( 472,203 )	7,479,204	
Increase ( decrease ) in accrued pension liability	314,545	9,776	( 16,232 )	
Decrease in other financial liabilities	( 1,990,772 )	( 61,871 )	( 2,703,346 )	
Decrease in other liabilities	( 1,556,979 )	( 48,390 )	( 715,857 )	
Net cash provided by operating activities	55,133,124	1,713,486	36,062,628	
Cash Flows from Investing Activities				
Decrease in due from the Central Bank and call loans to banks	12,512,619	388,880	146,542,222	
Decrease ( increase ) in bills discounted and loans	33,738,531	1,048,562	( 115,295,367 )	
Increase in held-to-maturity financial assets	( 166,631,168 )	( 5,178,741 )	( 6,027,200 )	
Decrease in available-for-sale financial assets	6,738,181	209,416	17,131,286	
Decrease ( increase ) in financial instruments carried at cost	299,194	9,299	( 326,576 )	
Proceeds from sale of property and equipment	936,003	29,090	362,458	
Acquisition of property and equipment	( 399,424 )	( 12,414 )	( 576,501 )	
Acquisition of intangible assets	( 5,238 )	( 163 )	( 24,660 )	
Increase in real estate investments	-	-	( 144,238 )	
Net cash ( used in ) provided by investing activities	( 112,811,302 )	( 3,506,070 )	41,641,424	
Cash Flows from Financing Activities				
( Decrease ) increase in due to the Central Bank and financial institutions	( 122,718 )	( 3,814 )	26,531,317	
Increase in deposits and remittances	167,859,321	5,216,911	84,161,289	
Increase in funds borrowed from the Central Bank and other banks	4,332,074	134,637	10,187,788	
( Decrease ) increase in bonds payable	( 4,196,347 )	( 130,419 )	21,133,476	
( Decrease ) increase in bills and bonds sold under repurchase agreements	( 77,126,467 )	( 2,397,018 )	1,496,476	
Increase ( decrease ) in commercial paper payables	5,449,110	169,353	( 22,075,920 )	
Increase ( decrease ) in other borrowings	6,831,547	212,318	( 14,463,238 )	
Increase in refundable deposits	-	-	1,361,331	
Appropriation of cash dividends	( 2,764,856 )	( 85,929 )	( 13,824,283 )	
Appropriation of directors' and supervisors' remunerations and employee bonus	-	-	( 160,400 )	
Increase ( decrease ) in minority interests	85,015	2,642	( 127,776 )	
Net cash provided by financing activities	100,346,679	3,118,681	94,220,060	
Effect of changes in foreign exchange rate	( 229,386 )	( 7,129 )	( 155,857 )	
Net increase in cash and cash equivalents	42,439,115	1,318,968	171,768,255	
Cash and cash equivalents, beginning of year	271,765,325	8,446,212	99,997,070	
Cash and cash equivalents, end of year	\$ 314,204,440	\$ 9,765,180	\$ 271,765,325	
Supplemental information:				
Interest paid	\$ 18,042,311	\$ 560,738	\$ 39,655,882	
Income tax paid	\$ 4,071,237	\$ 126,530	\$ 3,078,968	
Non-cash Investing And Financing Activities				
Payables - corporate bonds within 1 year of maturity	\$ 14,583,314	\$ 453,236	\$ 20,099,347	

The accompanying notes are an integral part of these consolidated financial statements.

See audit report of independent accountants dated March 16, 2010.

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings		
			Legal Reserve	Special Reserve	Unappropriated Earnings
<u>For the year ended December 31, 2008</u>					
Balance, January 1, 2008	\$110,594,262	\$ 45,182,901	\$ 13,618,148	\$ 354,967	\$ 20,066,193
Earnings distribution for 2007					
Legal reserve	-	-	1,707,039	-	( 1,707,039)
Cash dividends	-	-	-	-	( 13,824,283)
Remunerations to directors and supervisors	-	-	-	-	( 139,000)
Employee bonus	-	-	-	-	( 21,400)
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					
Changes in capital surplus	-	( 631)	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in asset valuation increments	-	-	-	-	-
Change in cumulative translation adjustments	-	-	-	-	-
Change in unrealized loss on accrued pension cost	-	-	-	-	-
Consolidated net income for the year ended December 31, 2008	-	-	-	-	294,519
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in minority interest	-	-	-	-	-
Balance, December 31, 2008	<u>\$110,594,262</u>	<u>\$ 43,426,403</u>	<u>\$ 15,325,187</u>	<u>\$ 354,967</u>	<u>\$ 4,668,990</u>
<u>For the year ended December 31, 2009</u>					
Balance, January 1, 2009	\$110,594,262	\$ 43,426,403	\$ 15,325,187	\$ 354,967	\$ 4,668,990
Earnings distribution for 2008 (Note)					
Legal reserve	-	-	29,452	-	( 29,452)
Cash dividends	-	-	-	-	( 2,764,856)
Adjustments in other stockholders' equity arising from long-term equity					
Changes in asset valuation increments	-	-	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in cumulative translation adjustments	-	-	-	-	-
Consolidated net income for the year ended December 31, 2009	-	-	-	-	14,331,894
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in minority interest	-	-	-	-	-
Balance, December 31, 2009	<u>\$110,594,262</u>	<u>\$ 43,426,403</u>	<u>\$ 15,354,639</u>	<u>\$ 354,967</u>	<u>\$ 16,206,576</u>
<u>For the year ended December 31, 2009 ( Unaudited-Note 2 )</u>					
Balance, January 1, 2009	\$ 3,437,166	\$ 1,349,652	\$ 476,293	\$ 11,032	\$ 145,107
Earnings distribution for 2008 (Note)					
Legal reserve	-	-	915	-	( 915)
Cash dividends	-	-	-	-	( 85,929)
Adjustments in other stockholders' equity arising from long-term equity					
Changes in asset valuation increments	-	-	-	-	-
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in cumulative translation adjustments	-	-	-	-	-
Consolidated net income for the year ended December 31, 2009	-	-	-	-	445,422
Changes in unrealized profit or loss on available-for-sale financial assets	-	-	-	-	-
Changes in minority interest	-	-	-	-	-
Balance, December 31, 2009	<u>\$ 3,437,166</u>	<u>\$ 1,349,652</u>	<u>\$ 477,208</u>	<u>\$ 11,032</u>	<u>\$ 503,685</u>

Note 1: Remunerations to directors and supervisors amounting to NT\$2,650 thousand and employee bonuses amounting to NT\$424 thousand had been deducted.

Note 2: Remunerations to directors and supervisors amounting to US\$82 and employee bonuses amounting to US\$13 had been deducted.

The accompanying notes are an integral part of these consolidated financial statements.

See audit report of independent accountants dated March 16, 2010.

Unrealized Revaluation Increments	Cumulative Translation Adjustments	Unrealized Gains or Losses on Financial Instruments	Net Loss Not Recognized as Pension Cost	Minority Interest	Total
\$ 447,960	\$ 1,473,232	\$ 2,250,169	(\$ 20,086)	\$ 683,676	\$ 194,651,422
-	-	-	-	-	-
-	-	-	-	-	( 13,824,283)
-	-	-	-	-	( 139,000)
-	-	-	-	-	( 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
-	-	-	-	( 32,497)	262,022
-	-	( 1,541,090)	-	-	( 1,541,090)
-	-	-	-	( 95,279)	( 95,279)
<u>\$ 3,191,570</u>	<u>\$ 1,755,165</u>	<u>(\$ 1,838,061)</u>	<u>\$ -</u>	<u>\$ 555,900</u>	<u>\$ 178,034,383</u>
\$ 3,191,570	\$ 1,755,165	(\$ 1,838,061)	\$ -	\$ 555,900	\$ 178,034,383
-	-	-	-	-	-
-	-	-	-	-	( 2,764,856)
( 871,625)	-	-	-	-	( 871,625)
-	-	6,965,712	-	-	6,965,712
-	( 156,652)	-	-	-	( 156,652)
-	-	-	-	12,976	14,344,870
-	-	671,624	-	-	671,624
-	-	-	-	72,039	72,039
<u>\$ 2,319,945</u>	<u>\$ 1,598,513</u>	<u>\$ 5,799,275</u>	<u>\$ -</u>	<u>\$ 640,915</u>	<u>\$ 196,295,495</u>
\$ 99,191	\$ 54,549	(\$ 57,125)	\$ -	\$ 17,277	\$ 5,533,142
-	-	-	-	-	-
-	-	-	-	-	( 85,929)
( 27,089)	-	-	-	-	( 27,089)
-	-	216,488	-	-	216,488
-	( 4,869)	-	-	-	( 4,869)
-	-	-	-	403	445,825
-	-	20,873	-	-	20,873
-	-	-	-	2,239	2,239
<u>\$ 72,102</u>	<u>\$ 49,680</u>	<u>\$ 180,236</u>	<u>\$ -</u>	<u>\$ 19,919</u>	<u>\$ 6,100,680</u>

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(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.
CTB I Venture Capital Co., Ltd.	Mega I Venture Capital Co., Ltd.
Mega CTB Venture Capital Co., Ltd.	Mega Venture Capital Co., Ltd.
CTB Financial Management & Consulting Co., Ltd.	Mega Management Consulting Corporation

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.

On March 2, 2009, the Board of Directors (acting on behalf of the stockholders) resolved to decrease its capital by \$1,600,000 thousand to reduce its accumulated deficit, effective March 27, 2009. The reduction in capital had been approved by the competent authority on March 24, 2009. The related registration of the capital reduction has been completed.

(3) Mega Securities Holdings Co., Ltd. (“MHL”), registered in the British Virgin Islands, is 100% owned by MS with an investment amount of US\$25,845 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\$4,943 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\$4,943 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\$95,644 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%.

On February 20, 2009, the Board of Directors ( acting on behalf of the stockholders) resolved to decrease its capital by \$873,000 thousand to reduce its accumulated deficit, effective February 27, 2009. The ratio of capital reduction was 62.36%.

(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) Mega I Venture Capital Co., Ltd. (“Mega I Venture Capital”) (formerly CTB I Venture Capital Co., Ltd.) is 40% owned jointly by MICB, MS and CKI with a total investment amount of NT\$400 million. Mega I Venture Capital is primarily engaged in venture capital activities. Although the Company’s equity interest in Mega I Venture Capital is less than 50%, Mega 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 Venture Capital Co., Ltd. (“Mega Venture Capital”) (formerly Mega CTB Venture Capital Co., Ltd.) 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 8,531 and 8,795 as of December 31, 2009 and 2008, 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 “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Publicly Held Banks”, “Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Industry of Property and Casualty Insurance”, “Regulations Governing the 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 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:

		Ownership (%)	
		December 31, 2009	December 31, 2008
Investor	Subsidiary		
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	99.56
MICB	CIDC Bahamas	100.00	100.00
MICB	MICBPC	100.00	100.00
The Company	MITC (formerly IIT) (Note)	100.00	100.00
The Company	CKI	100.00	100.00
The Company	MAM	100.00	100.00
MICB, MS and CKI	Mega I Venture Capital (formerly CTB I Venture Capital)	40.00	40.00
The Company	Mega Venture Capital (formerly 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. 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, 2009 and 2008: None.

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

Investor	Subsidiary	Ownership (%)		Business Scope
		December 31, 2009	December 31, 2008	
The Company	Mega Life Insurance Agency Co., Ltd.	100.00	100.00	Insurance brokerage
MICB	Mega Management Consulting Corporation	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 stipulated 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 subsidiaries’ 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”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Publicly Listed Bills Finance Companies”, “Regulations Governing the Preparation of Financial Report by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports for the Non-life Insurance Companies” and “Regulations Governing the 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 Group’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 statement of income 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 statement of income.

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 resale / repurchase agreements

Bonds and bills purchased under resale 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 futures options are stated at the premiums on the option contracts. The Group’s position in the option contracts is marked-to-market daily 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 contract is then measured at fair value each month and the resulting changes in the carrying value are recorded under “bond options” and “gain or loss on valuation – bond options”.

Upon exercise of the futures and bond 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 variation in the margin deposits is recorded under “margin deposits for futures trading – own capital”, “unrealized gain (loss) on futures contracts” and “gain (loss) on option 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.

(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 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 Statements” 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 by 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 equipment 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 improvements	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

Pursuant to SFAS No. 35, the Group 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 Group 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 Group 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 Group 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 Group 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.

( 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 a sale.
  - When the transfer of a financial asset does not qualify as a loss of contractual rights, then such transfer of asset is recognized as a 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 statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss 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

- 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. Effective from January 1, 2008, pursuant to the “Guidelines Governing the Preparation of Financial Reports by Property Insurance Companies”, reinsurance contracts are shown in total amounts, unearned premiums in which amount paid to reinsurance contracts are listed under prepaid account.

## 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 Governing the Preparation of Financial Reports by Property Insurance Companies”, 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.

## E. Unqualified reinsurance reserve

The unqualified reinsurance 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; the unqualified reinsurance reserve should be disclosed in notes to the financial statements, effective from January 1, 2009.

## (21) Reserves for liabilities and losses

Reserves for liabilities and losses are mainly provided for guarantee liabilities, trading losses and default losses.

### A. Reserve for guarantees

Reserves for guarantees are determined based on the estimated losses arising from default possibility of the ending balances of tariff duties, commodity tax and performance status.

### B. Reserve for securities trading losses

As required by the “Rules Governing the Administration of Securities Firms” and “Regulations Governing Futures Commission Merchants”, a securities firm should set aside 10% of the excess of monthly gains over losses from trading securities as the reserves for securities trading losses while engaging in proprietary trading business. Such reserves can only be used to offset losses over gains arising from the aforesaid securities trading. The reserves must be provided until the accumulated reserve balances reach NT\$200 million pursuant to the “Rules Governing the Administration of Securities Firms” and “Regulations Governing Futures Commission Merchants”.

### C. Reserve for default

As required by Article 12 of the “Rules Governing Securities Firms”, a securities firm should allocate 0.0028% of the amounts of monthly securities consignment trading as the reserves for losses from default, and such reserves are recorded as other liabilities. The reserves should only be used for recovering the losses caused by default on such consignment trading or for other purposes as approved by the SFB. When the accumulated reserve balances reach NT\$200 million, no further reserve provision is required.

## (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. In accordance with the Explanatory Note (96) No. 0000000304 of the Accounting Research and Development Foundation of the R.O.C., subordinated beneficiary securities retained by the originator represent the originator retains rights and has not lost control. Given that almost all original investments become uncollectible due to factors other than credit deterioration of obligor (eg. effects for undertaking risks of overall securitization beneficiary securities), the subordinated beneficiary securities should be classified as “available-for-sale

financial assets” or “financial assets at fair value through profit or loss”.

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 (A).

In accordance with the Explanatory Note (90) Tai-Cai-Zheng (1) Zhi No. 170010 promulgated 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) 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. Adjustment of deferred tax liability or asset for enacted change in tax rate measured by the balance sheet date is recognized as tax benefit or expense in the statement of income for the period.

- 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.
- 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.

( 28 ) 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.

( 29 ) 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 of the fixed income securities is amortized by the cost 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 of the fixed income securities is amortized by the cost 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.

Investments in fixed income securities as required by the contract are measured at cost upon acquisition and should be delivered to designated custodian institutions according to the contract. Interest income is to be recognized on an accrual basis for the period to maturity, premiums or discounts are to be amortized systematically upon acquisition and fair value measurement is to be applied on the valuation date.

( 30 ) 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 to 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 resale 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.

C. Expenses are recognized as incurred.

( 31 ) 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.

( 32 ) 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.

( 33 ) 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.

( 34 ) 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.

( 35 ) 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 2009 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, 2009 of US\$1:NT\$32.176. 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\$1,787 thousand) and earnings per share decreased by NT\$0.0052 (dollar) (US\$0.00016 dollar) for the 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, beneficiary certificates and bonds 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, total consolidated net income increased by NT\$214,992 thousand (US\$6,682 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, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Due from banks	\$ 294,258,277	\$ 9,145,272	\$ 248,656,661
Checks for clearance	1,146,884	35,644	1,115,077
Cash on hand	11,776,231	365,994	11,462,602
Bank deposits	5,712,514	177,540	6,873,361
Cash equivalents ( Note )	1,281,027	39,813	3,617,559
Petty cash	29,507	917	40,065
Total	\$ 314,204,440	\$ 9,765,180	\$ 271,765,325

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

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

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Bank overdrafts	\$ -	\$ -	\$ 4
Call loans to banks	36,989,087	1,149,586	49,919,044
Reserve for deposits-category A	13,918,753	432,582	18,987,449
Reserve for deposits-category B	28,523,542	886,485	23,393,520
Reserve for deposits-foreign currency	443,621	13,787	87,669
Due from Central Bank	10,800,285	335,663	10,800,290
Less: Allowance for bad debts	( 562 )	( 17 )	( 760 )
Total	\$ 90,674,726	\$ 2,818,086	\$ 103,187,216

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, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Financial assets held for trading, net	\$ 103,647,962	\$ 3,221,282	\$ 163,164,533
Financial assets designated as at fair value through profit or loss, net	23,877,368	742,086	35,279,900
Total	\$ 127,525,330	\$ 3,963,368	\$ 198,444,433

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

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Stocks	\$ 1,732,963	\$ 53,859	\$ 465,805
Commercial papers	65,714,508	2,042,345	110,391,394
Beneficiary certificates	791,597	24,602	260,920
Negotiable certificates of time deposit	18,000,492	559,438	15,001,687
Corporate bonds	8,561,167	266,073	12,460,760
Government bonds	1,716,008	53,332	7,823,179
Financial bonds	1,730,492	53,782	3,376,231
Other bonds	1,949,505	60,589	3,559,610
Derivative financial instruments	3,436,257	106,796	9,755,483
Others	14,973	465	69,464
Total	\$ 103,647,962	\$ 3,221,281	\$ 163,164,533

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

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Corporate bonds	\$ 5,646,920	\$ 175,501	\$ 12,575,262
Government bonds	2,822,468	87,720	6,830,570
Financial bonds	11,950,839	371,421	13,625,202
Beneficiary securities	159,610	4,961	-
Derivative financial instruments	3,297,531	102,484	2,248,866
Total	\$ 23,877,368	\$ 742,087	\$ 35,279,900

C. 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, 2009 and 2008.

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

E. As of December 31, 2009 and 2008, the above financial assets used as underlying assets for repurchase agreements held by MBF were \$59,375,740 thousand (US\$1,845,342 thousand) and \$97,820,557 thousand, respectively.

F. As of December 31, 2009 and 2008, the above financial assets used as underlying assets for repurchase agreements held by MS were \$11,292,277 thousand (US\$350,953 thousand) and \$24,841,160 thousand, respectively.

(4) Receivables, net

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Accounts receivable	\$ 74,690,599	\$ 2,321,314	\$ 88,429,685
Notes receivable	104,816	3,258	258,267
Tax refundable	263,307	8,183	1,790,602
Accrued income	482,167	14,985	198,788
Interest receivable	5,655,224	175,759	8,564,045
Acceptances receivable	11,695,102	363,473	8,591,793
Insurance receivable	539,141	16,756	538,169
Indemnity refundable on reinsurance	1,646,551	51,173	1,866,132
Due from reinsurers and ceding companies	115,366	3,585	43,622
Reinsurance receivables	120,757	3,753	138,002
Margin loans receivable	15,388,377	478,256	6,950,998
Recovery of accounts receivable	2,627,066	81,647	941,543
Purchase of obligor receivable	9,154,449	284,512	6,128,800
Purchase of assets for acting as an assignee	1,377,602	42,815	-
Other receivables	2,063,702	64,138	353,973
Total	125,924,226	3,913,607	124,794,419
Less: Allowance for bad debts	( 4,568,879 )	( 141,996 )	( 4,020,773 )
Receivables, net	\$ 121,355,347	\$ 3,771,611	\$ 120,773,646

Please refer to Note 6 for details of the aforementioned receivables provided as collateral as of December 31, 2009 and 2008.

(5) Bills discounted and loans, net

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Import/Export bills negotiated	\$ 13,587,552	\$ 422,288	\$ 14,425,380
Bills and notes discounted	171,288	5,324	108,876
Short-term loans	208,591,164	6,482,818	200,566,883
Short-term secured overdrafts	140,509,575	4,366,906	132,271,638
Overdrafts	355,612	11,052	568,748
Secured overdrafts	1,107,839	34,431	740,101
Medium-term loans	290,647,084	9,033,040	334,871,687
Medium-term secured loans	213,385,257	6,631,814	214,069,605
Long-term loans	118,898,214	3,695,245	125,905,186
Long-term secured loans	296,318,359	9,209,298	297,162,696
Loans transferred to non-accrual loans	10,767,600	334,647	12,762,914
Total	1,294,339,544	40,226,863	1,333,453,714
Less: Allowance for bad debts – bills discounted and loans, overdrafts	( 12,504,290 )	( 388,622 )	( 12,015,865 )
Loans, net	\$ 1,281,835,254	\$ 39,838,241	\$ 1,321,437,849

- A. For the years ended December 31, 2009 and 2008, 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, 2009 and 2008, MICB's balances of bills and loans for which interest revenue was no longer accrued amounted to NT\$10,767,600 thousand ( US\$334,647 thousand) and NT\$12,762,914 thousand, respectively. The unrecognized interest revenue on the

above bills and loans amounted to NT\$296,645 thousand ( US\$9,219 thousand) and NT\$465,266 thousand for the years ended December 31, 2009 and 2008, respectively.

(6) Movements in allowance for credit losses

MICB, MBF and indirect subsidiaries had revalued the allowance for bills discounted and loans, non-accrual loans, call loans to banks, receivables and bills purchased by considering unrecoverable risks for the specific loans and inherent risks for the overall loan portfolio. Movements in allowance for credit losses for the years ended December 31, 2009 and 2008 were as follows:

January 1, 2009 to December 31, 2009	NT\$			US\$ ( Unaudited-Note 2 )		
	Specific Risk	General Risk	Total	Specific Risk	General Risk	Total
Balance, January 1, 2009	\$ 6,999,591	\$ 12,932,969	\$ 19,932,560	\$ 217,541	\$ 401,944	\$ 619,485
Provisions	7,113,042	192,532	7,305,574	221,067	5,984	227,051
Write-off-net	( 8,117,202 )	( 915,382 )	( 9,032,584 )	( 252,275 )	( 28,449 )	( 280,724 )
Recovery of written-off credits	2,356,876	149,842	2,506,718	73,249	4,657	77,906
Effects of exchange rate changes and others	96,713	312,833	409,546	3,006	9,722	12,728
Balance, December 31, 2009	\$ 8,449,020	\$ 12,672,794	\$ 21,121,814	\$ 262,588	\$ 393,858	\$ 656,446

January 1, 2008 to December 31, 2008	NT\$		
	Specific Risk	General Risk	Total
Balance, January 1, 2008	\$ 4,627,891	\$ 8,919,814	\$ 13,547,705
Provisions	3,690,127	4,671,433	8,361,560
Write-off-net	( 3,015,635 )	( 858,282 )	( 3,873,917 )
Recovery of written-off credits	1,725,659	165,815	1,891,474
Effects of exchange rate changes and others	( 28,451 )	34,189	5,738
Balance, December 31, 2008	\$ 6,999,591	\$ 12,932,969	\$ 19,932,560

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

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

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Government bonds	\$ 106,431,826	\$ 3,307,801	\$ 124,295,360
Financial bonds	39,535,833	1,228,737	32,548,303
Corporate bonds	33,670,614	1,046,451	37,663,007
Certificates of time deposit	295,817	9,194	2,396,485
Stocks	21,282,170	661,430	11,798,993
Beneficiary securities	9,117,545	283,365	11,757,863
Beneficiary certificates	2,363,646	73,460	808,440
Commercial papers	19,427,529	603,789	10,551,441
Treasury bills	891,532	27,708	249,698
Total	\$ 233,016,512	\$ 7,241,935	\$ 232,069,590

- A. Please refer to Note 4 (34) for details of the recognized impairment loss for the years ended December 31, 2009 and 2008, 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\$3,384,082 thousand ( US\$105,174 thousand) and NT\$11,239,752 thousand as of December 31, 2009 and 2008, respectively ( Recorded as bills and bonds sold under repurchase agreements ).
- C. MBF has available-for-sale financial assets which consists of bonds and bills sold under repurchase agreements amounting to NT\$89,843,933 thousand ( US\$2,792,265 thousand) and NT\$105,751,260 thousand as of December 31, 2009 and 2008, 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 on December 21, 2005 and July 13, 2006, 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.

E. 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”.

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 as of and for the year ended December 31, 2008 and the Bank evaluated asset pools of “Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” by using market value, and the estimated loss amounted to NT\$1,039,998 thousand as of and for the year ended December 31, 2009, which were recorded under “other provisions”.

F. Information regarding “Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” is set forth as follows:

“Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” 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, 2009, no default occurred in the asset pool. The special purpose trust reserve is sufficient for the cash flow model required by the special purpose trust; no actual loss has been incurred. The senior beneficiary securities issued by the “Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” expect to mature on June 21, 2010. As of December 31, 2009, the senior beneficiary securities were rated “twA-3” by Taiwan Ratings Corporation.

G. Reserve for loss provided for Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” is as follows:

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 for credit observation. Due to being a credit impaired asset put and clean up put provider, the Bank set aside reserve for loss amounting to NT\$2,640,761 thousand dated 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”. In 2008, the Bank purchased impaired assets based on the abovementioned agreements that resulted in losses amounting to NT\$3 billion, recorded under “other losses”.

H. Information regarding “First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2” is set forth as follows:

“First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2” has been settled in advance on December 18, 2009.

I. Reserve for loss provided for “First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2” is as follows:

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. To maintain the credit rating of “twA-3” as the senior beneficiary securities was revolving 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” in January 2008. 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 year ended December 31, 2008.

In August 2009, the credit rating of senior beneficiary securities issued by “First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2” was downgraded and placed on the list under credit observation. In accordance with the “Trust Agreement” and “Credit Impaired Asset Put and Clean Up Put Agreement”, the Bank purchased the credit impaired assets in the amount of US\$3,600 thousand dollars and recognized loss in the amount of NT\$108,939 thousand, recorded under “other losses” in September 2009. The credit impaired asset and New Taiwan dollar-denominated bonds purchased by the Bank have gradually matured since February 2008 matured on after another, causing the size of asset pools reduced sharply, and the purpose of securitization for resolving issue from structured bonds of MITC has almost completed; therefore, the Bank settled the case in advance in December 2009 and purchased the remaining assets amounting US\$15 thousand and NT\$29,805 thousand.

J. 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\$203,285 thousand) for the period from July 1 to 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, 2009 and 2008 was as follows:

	December 31, 2009		December 31, 2008	
	Carrying value / fair value		Carrying value / fair value	
	NT\$	US\$ ( Unaudited-Note2)	NT\$	
Bonds	\$ 1,626,441	\$ 50,548	\$ 3,575,945	
Beneficiary certificates	96,632	3,003	290,114	
Total	\$ 1,723,073	\$ 53,551	\$ 3,866,059	

(2) Movements on fair value of the reclassified assets for the years ended December 31, 2009 and 2008 were as follows:

	For the year ended December 31, 2009	
	Recognized in profit and loss	Recognized as adjustments in equity
	NT\$	
Stocks listed on TSE or OTC	\$ -	\$ -
Bonds	-	10,470
Beneficiary certificates	- (	44,101)
Total	\$ -	(\$ 33,631)

	For the year ended December 31, 2009	
	Recognized in profit and loss	Recognized as adjustments in equity
	US\$ ( Unaudited-Note 2 )	
Stocks listed on TSE or OTC	\$ -	\$ -
Bonds	-	325
Beneficiary certificates	- (	1,370)
Total	\$ -	(\$ 1,045)

	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	\$ -
Bonds	69,352 (	105,670)
Beneficiary certificates	46,505 (	135,081)
Total	\$ 169,714	(\$ 240,751)

(3) If the above reclassified assets were not reclassified as available-for-sale financial assets for the period from July 1 to December 31, 2008, fair value of the reclassified assets would have been as follows:

	NT\$		US\$( Unaudited-Note 2 )	
July 1 ~ December 31, 2008	(\$	240,751)	(\$	7,482)
January 1 ~ December 31, 2009	(	33,631)	(	1,045)
Total	(\$	274,382)	(\$	8,527)

K. 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. The accumulated impairment loss was NT\$481,479 ( US\$14,964 thousand) ( of which \$141,189 thousand was recorded under provision for credit loss-receivables) as of December 31, 2009 and impairment loss for the year ended December 31, 2009 was NT\$0.

L. MICB holds financial debentures issued by several banks of Iceland. Some of the banks were taken over by Iceland government in 2008 and the amount invested may no longer be recovered. The accumulated impairment loss was NT\$215,108 ( US\$6,685 thousand) as of December 31, 2009 and impairment loss for the year ended December 31, 2009 was NT\$0.

M. Please refer to Notes 5 and 6 for details of the aforementioned available-for-sale financial assets provided as collateral as of December 31, 2009 and 2008.

( 8 ) Held-to-maturity financial assets, net

	December 31, 2009		December 31, 2008	
	NT\$	US\$( Unaudited-Note 2 )	NT\$	
Certificate of time deposit by Central Bank	\$ 241,900,000	\$ 7,518,026	\$ 78,600,000	
Financial bonds	17,556,139	545,628	13,579,445	
Government bonds	2,818,478	87,596	2,478,359	
Corporate bonds	667,644	20,750	966,987	
Beneficial securities	210,600	6,545	210,600	
Certificates of deposits	-	-	262,192	
Total	\$ 263,152,861	\$ 8,178,545	\$ 96,097,583	

A. Please refer to Note 6 for details of the aforementioned held-to-maturity financial assets pledged as collateral as of December 31, 2009 and 2008.

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. The accumulated impairment loss was NT\$469,642 ( US\$14,596 thousand) as of December 31, 2009 and impairment loss for the year ended December 31, 2009 was NT\$67,531 ( US\$2,099 thousand ).

C. The Bank holds financial debentures issued by several banks of Iceland. Some of the banks were taken over by Iceland government and the amount invested may no longer be recovered. The accumulated impairment loss was NT\$428,807 ( US\$13,327 thousand) ( of which \$209,139 thousand was recorded under provision for credit loss-receivables) as of December 31, 2009 and impairment loss for the year ended December 31, 2009 was NT\$0.

D. As there is no quoted market price for the bonds, MICB 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\$536,700 thousand ( US\$16,680 thousand) for the year ended December 31, 2009 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, 2009 was as follows:

	December 31, 2009	
	Carrying value / fair value	
	NT\$	US\$( Unaudited-Note 2 )
Bonds	\$ 570,955	\$ 17,745

(2) As of December 31, 2009, the discounted amortized amount of the above reclassified assets was \$34,255 thousand ( US\$1,065 thousand ).

E. Mega International Asset Management Co., Ltd. and Mega Global Asset Management Co., Ltd. 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 on July 1, 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, 2009 was as follows:

	December 31, 2009		December 31, 2008	
	Carrying value / fair value		Carrying value / fair value	
	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	
Corporate bonds	\$ -	\$ -	\$ 223,536	
Financial bonds	-	-	56,778	
Total	\$ -	\$ -	\$ 280,314	

( 2 ) Movements on fair value of the reclassified assets for the year ended December 31, 2009 were as follows:

	Recognized in profit and loss	
	NT\$	US\$( Unaudited-Note 2 )
Corporate bonds	\$ 4,884	\$ 152

If the above reclassified assets were not reclassified as available-for-sale financial assets for the period from July 1, 2008 to December 31, 2009, fair value of the reclassified assets would have been as follows:

	NT\$		US\$( Unaudited-Note 2 )	
July 1 ~ December 31, 2008	(\$	56,354)	(\$	1,751)
January 1 ~ December 31, 2009		4,884		152
Total	(\$	51,470)	(\$	1,599)

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

Investee Company	December 31, 2009			December 31, 2008	
	NT\$	US\$ ( Unaudited-Note 2 )	Percentage of Shareholding	NT\$	Percentage of Shareholding
Mega Management Consulting Corporation ( Note )	\$ 73,830	\$ 2,294	100.00	\$ 65,771	100.00
Mega International Investment Services Co., Ltd.	111,251	3,458	100.00	106,521	100.00
Mega Life Insurance Agency Co., Ltd.	52,732	1,639	100.00	38,276	100.00
Win Card Co., Ltd.	66,940	2,080	100.00	65,944	100.00
Cathay Investment & Warehousing Ltd.	106,459	3,309	100.00	53,337	100.00
ICBC Assets management & consulting Co., Ltd.	322,548	10,024	100.00	245,598	100.00
Ramlett Finance Holdings Inc.	-	-	100.00	-	100.00
Cathay Insurance Co., Inc. ( Philippines )	8,486	264	86.46	16,121	86.46
China Products Trading Company	62,868	1,954	68.27	65,030	68.27
United Venture Corporation	80,806	2,511	25.31	81,381	25.31
China Products Trading Company ( Thailand )	35,738	1,111	25.25	33,131	25.25
IP fundseven limited	216,701	6,735	25.00	212,454	25.00
An Feng Enterprise Co., Ltd.	12,396	385	25.00	12,072	25.00
Taiwan Bills Finance Corporation	1,416,477	44,023	24.55	1,398,271	24.55
Everstrong Iron & Foundry & Mfg. Corporation	33,843	1,052	22.22	34,984	22.22
China Real Estate Management Co., Ltd.	126,869	3,943	20.00	116,742	20.00
Total	\$ 2,727,944	\$ 84,782		\$ 2,545,633	

Note: CTB Financial Management & Consulting Co., Ltd. was renamed as Mega Management Consulting Corporation starting May 25, 2009.

- A. The above listed investments and the related income accounted for by the equity method were 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, 2009 and 2008 accounted for 0.02% and 0.01% of the total consolidated assets, respectively. For the years ended December 31, 2009 and 2008, investment income recognized from these investments accounted for 0.45% and 0.82% 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. The capital surplus arising from changes in capital surplus of investees accounted for by the equity method were \$379,097 thousand (US\$11,782 thousand) and \$379,097 thousand as of December 31, 2009 and 2008, respectively.
- C. As of December 31, 2009 and 2008, equity investments accounted for by the equity method were not pledged as collateral.
- D. Please refer to Note 4 (34) for details of impairment loss recognized for the year ended December 31, 2009.

## (10) Other financial assets, net

	December 31, 2009		December 31, 2008	
	NT\$	US\$ (Unaudited-Note 2)	NT\$	
Financial assets carried at cost	\$ 23,430,612	\$ 728,202	\$ 23,971,604	
Debt investments with no active market	157,228	4,887	1,170,739	
Restricted assets-certificate of deposit	485,730	15,096	633,863	
Margin deposits from client	1,584,007	49,229	1,570,369	
Futures margin deposits	42,602	1,324	15,261	
Remittance purchased	27,766	863	35,382	
Non-accrual loans transferred from accounts other than loans	990,451	30,782	1,774,719	
Others	75,963	2,361	82,206	
Subtotal	26,794,359	832,744	29,254,143	
Less: Accumulated impairment—Financial assets carried at cost	( 1,482,504)	( 46,126)	( 1,344,949)	
Accumulated impairment—Debt investments with no active market	( 43,369)	( 1,348)	( 177,149)	
Allowance for bad debts—Non-accrual loans transferred from accounts other than loans	( 447,643)	( 13,912)	( 1,120,247)	
Allowance for bad debts—Bills purchased	( 255)	( 8)	( 1)	
Subtotal	( 1,973,771)	( 61,343)	( 2,642,346)	
Net	\$ 24,820,588	\$ 771,401	\$ 26,611,797	

- A. Please refer to Note 4 (34) for the amounts of impairment loss recognized by the Group due to investees operating at a loss over an extended period of time for the years ended December 31, 2009 and 2008.
- B. Please refer to Note 6 for details of the above other financial assets provided as collateral as of December 31, 2009 and 2008.

## (11) Real estate investments, net

	December 31, 2009					
	Cost		Accumulated depreciation		Balance	
	NT\$	US\$ (Unaudited - Note 2)	NT\$	US\$ (Unaudited - Note 2)	NT\$	US\$ (Unaudited - Note 2)
Land	\$ 179,691	\$ 5,585	\$ -	\$ -	\$ 179,691	\$ 5,585
Buildings and equipment	277,795	8,633	( 87,611)	( 2,723)	190,184	5,910
Prepayments for land and buildings	144,238	4,483	-	-	144,238	4,483
Real estate investments, net	\$ 601,724	\$ 18,701	( \$ 87,611)	( \$ 2,723)	\$ 514,113	\$ 15,978

	December 31, 2008		
	Cost	Accumulated depreciation	Balance
Land	\$ 179,691	\$ -	\$ 179,691
Buildings and equipment	277,795	( \$ 82,910)	194,885
Prepayments for land and buildings	144,238	-	144,238
Real estate investments, net	\$ 601,724	( \$ 82,910)	\$ 518,814

The abovementioned real estate investments are not pledged as collateral as of December 31, 2009 and 2008.

## (12) Property and equipment, net

	December 31, 2009				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
(In Thousands of NT Dollars)					
Land	\$ 11,355,689	\$ 3,632,157	\$ -	( \$ 553,007)	\$ 14,434,839
Buildings and structures	12,821,295	37,015	( 5,414,001)	-	7,444,309
Machinery and computers	4,819,554	-	( 3,958,770)	-	860,784
Office equipment	27,957	-	( 23,415)	-	4,542
Transportation equipment	242,793	-	( 199,949)	-	42,844
Miscellaneous equipment	1,566,286	-	( 1,266,019)	-	300,267
Leasehold improvements	230,343	-	( 149,072)	-	81,271
Subtotal	31,063,917	3,669,172	( 11,011,226)	( 553,007)	23,168,856
Prepayments for equipment	7,448	-	-	-	7,448
Total	\$ 31,071,365	\$ 3,669,172	( \$ 11,011,226)	( \$ 553,007)	\$ 23,176,304

	December 31, 2009				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
(In Thousands of US Dollars, Unaudited - Note 2)					
Land	\$ 352,924	\$ 112,884	\$ -	( \$ 17,187)	\$ 448,621
Buildings and structures	398,474	1,150	( 168,262)	-	231,362
Machinery and computers	149,787	-	( 123,035)	-	26,752
Office equipment	869	-	( 728)	-	141
Transportation equipment	7,546	-	( 6,214)	-	1,332
Miscellaneous equipment	48,679	-	( 39,346)	-	9,333
Leasehold improvements	7,159	-	( 4,633)	-	2,526
Subtotal	965,438	114,034	( 342,218)	( 17,187)	720,067
Prepayments for equipment	231	-	-	-	231
Total	\$ 965,669	\$ 114,034	( \$ 342,218)	( \$ 17,187)	\$ 720,298

	December 31, 2008				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
( In Thousands of NT Dollars )					
Land	\$ 11,361,395	\$ 4,452,147	\$ -	(\$ 356,365)	\$ 15,457,177
Buildings and structures	12,836,468	47,863	( 5,149,270)	-	7,735,061
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	31,009,233	4,500,010	( 10,371,069)	( 356,365)	24,781,809
Prepayments for equipment	4,434	-	-	-	4,434
Total	\$ 31,013,667	\$ 4,500,010	(\$ 10,371,069)	(\$ 356,365)	\$ 24,786,243

- A. MICB and its subsidiaries revalued the land and other property and equipment based on related government regulations. As of December 31, 2009 and 2008, the revaluation increments for land and other property and equipment amounted to NT\$3,669,172 thousand (US\$114,034 thousand) and NT\$4,500,010 thousand, respectively, and were recorded under “property and equipment”. Reserve for land revaluation increment tax amounted to NT\$901,355 thousand (US\$28,013 thousand) and NT\$1,177,140 thousand for the years ended December 31, 2009 and 2008, 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, 2009 and 2008.
- C. Please refer to Note 4 (34) for the details of the recognized impairment loss for the years ended December 31, 2009 and 2008.

( 13 ) Other assets

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Prepayments	\$ 4,123,105	\$ 128,142	\$ 2,394,812
Refundable deposits	1,987,078	61,757	926,401
Restricted assets	683,523	21,243	521,461
Guarantee deposits held for operation and funds for security settlements	1,369,078	42,550	1,341,535
Deferred income tax assets	2,232,251	69,376	2,029,725
Other deferred assets	170,366	5,295	52,181
Idle assets, net	86,355	2,684	99,071
Clients' position-debit	215,510	6,698	-
Foreclosed properties	520,624	16,180	704,002
Rental assets, net	370,692	11,521	363,929
Temporary payments	939,616	29,202	697,650
Others	710,152	22,071	419,924
Total	\$ 13,408,350	\$ 416,719	\$ 9,550,691

- A. As of December 31, 2009 and 2008, MITC ( formerly IIT ) has set aside impairment loss from cash reserves for securitization amounting to \$797,962 thousand ( US\$24,800 thousand ) and \$877,962 thousand, respectively.
- B. Please refer to Note 6 for details of the above other assets provided as collateral as of December 31, 2009 and 2008.

( 14 ) Due to the Central Bank and financial institutions

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Due to the Central Bank and Due to banks	\$ 311,993,513	\$ 9,696,467	\$ 275,771,655
Due to Chunghwa Post	48,773,005	1,515,819	75,261,706
Overdrafts on banks	3,729,163	115,899	551,259
Call loans from banks	31,884,785	990,949	44,918,564
Total	\$ 396,380,466	\$ 12,319,134	\$ 396,503,184

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

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Funds borrowed from the Central Bank	\$ 11,833,151	\$ 367,763	\$ 13,360,458
Other funds borrowed from the Central Bank	31,487,152	978,592	30,821,946
Funds borrowed from other banks	14,196,958	441,228	9,002,783
Total	\$ 57,517,261	\$ 1,787,583	\$ 53,185,187

( 16 ) Commercial papers payable, net

	Guarantee organization	December 31, 2009		December 31, 2008
		NT\$	US\$ ( Unaudited-Note 2 )	NT\$
Commercial papers of domestic	China Bills Finance Corp.	\$ 1,720,000	\$ 53,456	\$ 460,000
"	Taching Bill Finance Co., Ltd.	300,000	9,324	200,000
"	Taiwan Cooperative Bank Co., Ltd.	70,000	2,175	50,000
"	Far Eastern International Bank, sales department	915,000	28,437	-
"	Taishin Bills Finance Corp.	1,120,000	34,808	-
"	Dah Chung Bills Finance Corp.	200,000	6,216	-
"	International Bills Finance Corp.	793,000	24,646	-
"	Taiwan Bills Finance Corp.	180,000	5,594	-
"	Mega Bills Finance Co., Ltd.	340,000	10,567	-
"	Grand Bills Finance Corp.	1,260,000	39,160	-
"	Entie Commercial Bank Co., Ltd.	115,000	3,574	-
"	Tachong Commercial Bank Co., Ltd.	95,000	2,953	-
"	Fubon Commercial Bank Co., Ltd.	-	-	400,000
"	Shin Kong Commercial Bank Co., Ltd.	-	-	300,000
"	Chinatrust Commercial Bank	-	-	250,000
Total		7,108,000	220,910	1,660,000
Less: Unamortized discount		( 2,334 )	( 73 )	( 3,453 )
Net		\$ 7,105,666	\$ 220,837	\$ 1,656,547

As of December 31, 2009 and 2008, none of the aforementioned commercial papers payable was provided for guarantees, and the interest rate ranged from 0.10% to 2.31% and 1.20% to 2.43% for the years ended December 31, 2009 and 2008, respectively.



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

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Financial liabilities held for trading	\$ 4,176,879	\$ 129,814	\$ 6,148,336
Financial liabilities designated as at fair value through profit or loss	31,207,666	969,905	45,285,729
Total	\$ 35,384,545	\$ 1,099,719	\$ 51,434,065

Please refer to Note 10 for details for the contract information of derivatives as of December 31, 2009 and 2008.

( 18 ) Bills and bonds sold under repurchase agreements

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Commercial paper	\$ 59,006,036	\$ 1,833,852	\$ 94,817,698
Government bonds	83,491,815	2,594,848	109,716,617
Financial bonds	3,958,139	123,015	7,659,296
Corporate bonds	22,498,142	699,221	34,822,685
Others	2,411,394	74,944	1,475,697
Total	\$ 171,365,526	\$ 5,325,880	\$ 248,491,993

( 19 ) Payables

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Accounts payable	\$ 9,977,779	\$ 310,100	\$ 30,024,625
Accrued expenses	3,587,392	111,493	2,877,660
Interest payable	3,051,884	94,850	6,096,109
Taxes payable	4,298,513	133,594	3,513,460
Dividends payable	13,362,865	415,305	13,141,153
Acceptances	12,013,063	373,355	9,155,159
Collections for others	1,199,464	37,278	1,028,661
Commissions payable	143,252	4,452	149,840
Due from other insurers	162,265	5,043	288,039
Payables on reinsurance operations	411,716	12,796	589,948
Margin loans from other securities lenders	2,086,370	64,842	839,203
Payables on proceeds from short sales	2,380,248	73,976	935,344
Customer's purchase payable	427,087	13,273	415,753
Futures trader's equity	1,564,423	48,621	1,545,417
Other payables	2,832,637	88,036	2,089,538
Total	\$ 57,498,958	\$ 1,787,014	\$ 72,689,909

( 20 ) Deposits

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Checking account deposits	\$ 27,587,114	\$ 857,382	\$ 23,044,412
Demand deposits	398,138,613	12,373,776	272,895,350
Time deposits	559,156,291	17,378,055	598,524,144
Savings deposits	489,636,618	15,217,448	418,397,988
Remittances	10,110,249	314,217	3,907,670
Total	\$ 1,484,628,885	\$ 46,140,878	\$ 1,316,769,564

( 21 ) Bonds payable

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Financial bonds, net	\$ 27,703,000	\$ 860,983	\$ 29,899,347
Domestic unsecured corporate bonds	22,450,000	697,725	24,450,000
Total	\$ 50,153,000	\$ 1,558,708	\$ 54,349,347

A. The Company issued its first domestic unsecured corporate bonds in October 2007 with a total amount of NT\$4,000,000 thousand and second domestic unsecured corporate bonds in February 2008 with a total amount of NT\$3,700,000 thousand. The terms on corporate bonds are described on page 45 of this annual report.

B. The Company issued its first domestic unsecured corporate bonds in May 2008 with a total amount of NT\$5,750,000 thousand and second domestic unsecured corporate bonds in December 2008 with a total amount of NT\$6,000,000 thousand. The terms on corporate bonds are described on page 44 of this annual report.

C. Financial bonds issued by MICB were as follows:

( in thousands of dollars )

Name of bond	Issuing period	Interest rate	Total issued amount	December 31, 2009 ( NTD )	December 31, 2009 ( USD ) ( Unaudited -Note 2 )	December 31, 2008 ( NTD )	Remark
16-20 Development Financial bond	2002.01.08-2009.01.08	3.50%	720,000	-	-	80,000	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	3.00%	140,000	-	-	23,333	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	3.13%	600,000	-	-	54,546	Interest is paid yearly. The principal is repaid upon 24 months. 1 / 11 of the principal is repaid at every 6 months.
16-34 Development Financial bond	2002.04.12-2009.04.12	3.38%	330,000	-	-	36,668	Interest is paid yearly. The principal is repaid upon 36 months. 1 / 9 of the principal is repaid at every 12 months.
19-6 Development Financial bond	2004.11.26-2009.11.26	2.35%	500,000	-	-	500,000	Interest is paid yearly. The principal is repaid at maturity.
19-7 Development Financial bond	2004.11.26-2009.11.26	2.35%	500,000	-	-	500,000	Interest is paid yearly. The principal is repaid at maturity.
19-8 Development Financial bond	2004.11.26-2009.11.26	2.35%	500,000	-	-	500,000	Interest is paid yearly. The principal is repaid at maturity.
19-9 Development Financial bond	2004.11.26-2009.11.26	2.35%	500,000	-	-	500,000	Interest is paid yearly. The principal is repaid at maturity.
93-6 Development Financial bond	2004.06.29-2010.01.29	2.70%	2,200,000	2,200,000	68,374	2,200,000	Interest is paid yearly. The principal is repaid at maturity.

Name of bond	Issuing period	Interest rate	Total issued amount	December 31, 2009 (NTD )	December 31, 2009 (USD) (Unaudited -Note 2)	December 31, 2008 (NTD )	Remark
93-107 Development Financial bond	2004.10.12-2010.04.12	2.85%	500,000	500,000	15,539	500,000	Interest is paid yearly. The principal is repaid at maturity.
93-207 Development Financial bond	2004.10.12-2011.04.12	3.00%	4,500,000	4,500,000	139,856	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	155,395	5,000,000	Interest is paid yearly. The principal is repaid at maturity.
96-3 Development Financial bond	2007.12.28-2014.12.28	2.99%	300,000	300,000	9,324	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	12,432	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	186,474	6,000,000	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	9,324	300,000	Interest is paid yearly. The principal is repaid at maturity.
97-7 Development Financial bond	2008.09.29-2010.09.29	2.50%	500,000	500,000	15,540	500,000	Interest is paid yearly. The principal is repaid at maturity.
97-8 Development Financial bond	2008.09.29-2015.09.29	3.00%	1,600,000	1,600,000	49,727	1,600,000	Interest is paid yearly. The principal is repaid at maturity.
97-9 Development Financial bond	2008.12.23-2015.12.23	3.00%	6,400,000	6,400,000	198,906	6,400,000	Interest is paid yearly. The principal is repaid at maturity.
Others				3,000	93	4,800	Maturity but not yet collected
				\$ 27,703,000	\$ 860,984	\$ 29,899,347	

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

( 22 ) Other loans

Nature of Loans	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Credit loans	\$ 7,545,100	\$ 234,494	\$ 3,130,000
Secured loans	3,721,500	115,661	1,305,062
Total	\$ 11,266,600	\$ 350,155	\$ 4,435,062

A. For the years ended December 31, 2009 and 2008, the interest rates ranged from 0.57% to 2.50% and 1.79% to 5.49%, respectively.

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

( 23 ) Accrued pension liabilities

A. Net pension cost comprises of the following:

	For the years ended December 31,		
	2009		2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Service cost	\$ 655,291	\$ 20,366	\$ 647,129
Interest cost	341,383	10,610	340,535
Expected return on plan assets	( 221,622)	( 6,888)	( 221,042)
Unrealized amortization on net transition obligation	141,926	4,411	118,254
Unrecognized service cost in prior period	2,228	69	2,604
Unrecognized pension gain or loss	( 110)	( 3)	( 83)
Net pension cost	\$ 919,096	\$ 28,565	\$ 887,397

	For the years ended December 31,		
	2009		2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Expected return on plan assets:	(\$ 57,715)	(\$ 1,794)	(\$ 268,027)
Actual return on plan assets	( 163,907)	( 5,094)	( 46,985)
( Loss) gain on plan assets	(\$ 221,622)	\$ 6,888	(\$ 221,042)

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

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Benefit obligation:			
Vested benefit obligation	\$ 7,765,778	\$ 241,353	\$ 6,579,266
Non-vested benefit obligation	2,672,293	83,052	2,685,579
Accumulated benefit obligation	10,438,071	324,405	9,264,845
Effect of future salary increments	3,753,661	116,660	3,512,357
Projected benefit obligation	14,191,732	441,065	12,777,202
Fair value of plan assets	( 8,611,927)	( 267,651)	( 8,065,549)
Funded status	5,579,805	173,414	4,711,653
Unrealized net transaction obligation	( 183,992)	( 5,718)	( 207,558)
Unamortized service cost in prior year	( 96,116)	( 2,987)	( 128,377)
Unamortized gain or loss on pension	( 3,418,448)	( 106,242)	( 2,679,507)
Unrecognized gain or loss on pension	( 65,421)	( 2,033)	( 57,379)
Prepaid pension	1,155	36	-
Unfunded accrued pension liabilities	138,857	4,316	1,014
Accrued pension liabilities	\$ 1,955,840	\$ 60,786	\$ 1,639,846

## C. Actuarial assumptions

	December 31, 2009	December 31, 2008
Discount rate	2.25% ~ 2.50%	2.50%
Expected rate of return on plan assets	2.00% ~ 3.00%	2.00% ~ 2.25%
Rate of compensation increase	2.00% ~ 2.50%	2.50%

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 lump sum. The pension costs under the defined contribution pension plan for the years ended December 31, 2009 and 2008 were \$143,158 (US\$4,449 thousand) and \$150,886, respectively.

## (24) Reserves for operations and liabilities

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Reserves for insurance business	\$ 7,288,236	\$ 226,512	\$ 8,298,937
Reserves for guarantee liabilities	6,053,472	188,136	4,444,597
Reserves for default losses	229,402	7,130	223,614
Reserves for securities trading losses	403,155	12,530	293,939
Other reserves	50,619	1,573	61,865
Total	\$ 14,024,884	\$ 435,880	\$ 13,322,952

## (25) Other financial liabilities

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Appropriated loan fund	\$ 4,035,556	\$ 125,421	\$ 5,943,610
Appropriations for loans	-	-	2,853
Others	-	-	79,865
Total	\$ 4,035,556	\$ 125,421	\$ 6,026,328

## (26) Other liabilities

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Advance receipt	\$ 1,551,143	\$ 48,208	\$ 1,393,859
Receipts under custody	334,818	10,406	155,831
Temporary receipts and suspense accounts	2,907,017	90,347	3,324,533
Land increment duty reserves	901,355	28,013	1,177,140
Refundable deposits	3,086,375	95,922	3,637,540
Other liabilities to be settled	416,543	12,946	413,393
Accounts under custody	170,709	5,306	177,493
Deferred revenue	200,135	6,220	213,539
Others	350,806	10,903	581,125
Total	\$ 9,918,901	\$ 308,271	\$ 11,074,453

## (27) Capital stock

As of December 31, 2009 and 2008, the Company’s authorized capital was NT\$120 billion and the Company’s issued capital was NT\$110,594,262 thousand consisting of 11,059,426 thousand shares with a par value of NT\$10 per share.

## (28) 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, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Consolidation surplus arising from share conversion	\$ 43,047,306	\$ 1,337,870	\$ 43,047,306
Changes in additional paid-in capital of investees accounted for by the equity method	379,097	11,782	379,097
	\$ 43,426,403	\$ 1,349,652	\$ 43,426,403

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 subsidiaries’ 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.

## (29) Appropriation of earnings and dividend policy

A. According to the Company’s Articles of Incorporation, 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 0.5% (as revised and approved by the stockholders on June 19, 2009, formerly was 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 be submitted to the Regular 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 first be 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 2008 earnings was resolved by the Board of Directors and approved by the stockholders on April 28, 2009 and June 19, 2009, respectively. Appropriation of the 2007 earnings was resolved by the Board of Directors and approved by the stockholders on April 22, 2008 and June 17, 2008, respectively. Details of the earnings appropriation are set forth below:

	Appropriated Amount			Dividend Per Share (in dollars)		
	2008		2007	2008		2007
	NT\$	US\$(Unaudited-Note 2)	NT\$	NT\$	US\$(Unaudited-Note 2)	NT\$
Cash dividends – cash	\$ 2,764,856	\$ 85,929	\$ 13,824,283	\$ 0.25	\$ 0.008	\$ 1.25
Remuneration to directors and supervisors	2,650	82	139,000			
Cash bonus to employees	424	13	21,400			

E. Information on the appropriation of the Company's 2008 earnings as approved by the Board of Directors and during the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. The actual appropriation of the Company's 2008 earnings is the same as described above. The difference between the Company's 2008 cash bonus to employees and remuneration to directors and supervisors as resolved by the stockholders and the amounts recognized in the 2008 financial statements was booked in the financial statements for the year ended December 31, 2009.

F. The Group recognized the estimated costs of NT\$491,447 thousand (US\$15,274 thousand) and NT\$57,493 thousand for employees' bonuses for the years ended December 31, 2009 and 2008, respectively 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 were recognized as operating expense for the years ended December 31, 2009 and 2008.

## (30) Service fee and commission income

	December 31, 2009		December 31, 2008
	NT\$	US\$(Unaudited-Note 2)	NT\$
Service fee and commission income	\$ 11,290,543	\$ 350,900	\$ 10,312,971
Service fee and commission expense	( 1,751,295)	( 54,429)	( 1,937,994)
Total	\$ 9,539,248	\$ 296,471	\$ 8,374,977

## (31) Personnel expenses, depreciation and amortization

Expenses relating to personnel, depreciation and amortization summarized by function for the years ended December 31, 2009 and 2008 were as follows:

	For the year ended December 31, 2009				For the year ended December 31, 2008			
	Operating Costs	Operating Expenses	Total	US\$	Operating Costs	Operating Expenses	Total	US\$
	NT\$	NT\$	NT\$	(Unaudited-Note 2)	NT\$	NT\$	NT\$	(Unaudited-Note 2)
Personnel expenses								
Salaries and wages	\$ -	\$ 10,939,125	\$ 10,939,125	\$ 339,978	\$ -	\$ 9,687,166	\$ 9,687,166	
Labor and health insurance	-	614,521	614,521	19,099	-	588,132	588,132	
Pension	-	1,078,554	1,078,554	33,520	-	1,119,381	1,119,381	
Others	-	484,871	484,871	15,069	-	832,407	832,407	
Total	\$ -	\$ 13,117,071	\$ 13,117,071	\$ 407,666	\$ -	\$ 12,227,086	\$ 12,227,086	
Depreciation	\$ 4,816	\$ 933,885	\$ 937,885	\$ 29,149	\$ 5,293	\$ 1,030,686	\$ 1,035,979	
Amortization	\$ -	\$ 75,805	\$ 75,805	\$ 2,356	\$ 110	\$ 107,555	\$ 107,665	

## (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 comprise the following:

Item	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$(Unaudited-Note 2)	NT\$
Income tax at the statutory tax rate	\$ 4,764,037	\$ 148,061	\$ 771,267
Tax effect of permanent differences	( 4,013,433)	( 124,734)	215,474
Effect of filing consolidated income tax returns	654,354	20,337	470,307
Tax effect of tax law amendment	437,376	13,593	-
10% tax on unappropriated earnings	279	9	138,417
Net change in deferred income tax assets	375,639	11,675	805,192
Prepaid and withholding taxes	( 1,112,744)	( 34,583)	( 1,010,911)
Income tax payable	1,105,508	34,358	1,389,746
Separate income tax	458,381	14,246	605,171
Net change in deferred income tax assets	( 202,526)	( 6,294)	( 805,192)
Tax effect of valuation allowance	-	-	299,615
Prepaid and withholding taxes	1,112,744	34,583	1,010,911
Income tax paid by foreign branches and over (under) provision of prior year's income tax	2,237,210	69,530	322,835
Income tax expense	\$ 4,711,317	\$ 146,423	\$ 2,823,086

B. Deferred income taxes as of December 31 2009 and 2008 consisted of deferred income tax assets and liabilities, as follows:

	December 31, 2009		December 31, 2008
	NT\$	US\$(Unaudited-Note 2)	NT\$
(A) Total deferred income tax assets	\$ 4,717,002	\$ 146,600	\$ 4,676,166
(B) Total deferred income tax liabilities	( \$ 1,889,356)	( \$ 58,720)	( \$ 2,192,703)
(C) Valuation allowance for deferred income tax assets	( \$ 595,395)	( \$ 18,504)	( \$ 453,738)
(D) Temporary differences resulting in deferred income tax assets and liabilities :			
Organization costs	\$ -	\$ -	\$ 60
Pension expenses	1,593,149	49,514	1,408,951
Unrealized FX losses	( 1,022,400)	( 31,775)	( 803,447)
Miscellaneous reserves	388,589	12,077	242,726
Allowance for doubtful accounts	3,732,005	115,987	2,025,732
Difference between financial reports and tax return on depreciation ratio of property and equipment	-	-	942,609
Provision for impairment losses	224,060	6,964	141,640
Provision for investments losses	5,851,584	181,862	4,011,022
Foreign investees accounted for by the profit or loss method	( 1,808,193)	( 56,197)	( 1,605,732)
Net changes in deferred income tax assets incurred by foreign branches	1,806,748	56,152	2,991,460
Unrealized gains on financial instruments	( 6,365,348)	( 197,829)	( 6,011,287)
Unrealized losses on financial instruments	6,285,014	195,332	4,038,327
Unrealized expense and loss from structured notes securitization	1,646,974	51,186	953,644
Loss carryforwards	14,771	459	316,473
Others	1,072,478	33,332	1,281,674



C. Imputation tax credit

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Balance of imputation tax credit	\$ 2,012,738	\$ 62,554	\$ 430,961
Actual tax credit rate for individual stockholders ( Note )	2008		2007
	47.34%		8.33%

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

Stockholders' account balance of imputation tax credit as of the dividend distribution date
Cumulative unappropriated retained earnings recorded in the books (including capital surplus 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, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
1998 and onwards	\$ 16,206,576	\$ 503,685	\$ 4,668,990

E. Assessment of income tax returns

- (a) As of December 31, 2009, the Company's income tax returns through 2004 had been examined by the National Tax Authority (NTA). However, an additional tax of NT\$5,129 thousand was levied on the Company's 2002 income tax return, a decrease in tax refundable of \$201,174 thousand was assessed on the Company's 2003 income tax return and a decrease in tax refundable of \$220,588 thousand was assessed on the Company's 2004 income tax return 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) As of December 31, 2009, MICB's income tax returns through 2004 have been examined by the NTA. As of December 31, 2009, in connection with such examinations, the MICB disagreed with the assessments and appealed to the tax authorities for 2003 and 2004.
- (c) As of December 31, 2009, MS' income tax returns through 2004 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 was assessed by the NTA to pay additional taxes of NT\$88,097 thousand for 2001, 2002 and 2003. MS did not agree with the assessments and filed tax appeals on its tax returns. MS and the Company's consolidated income tax returns through 2003 and 2004 have been examined by the NTA and an additional income taxes of NT\$761,480 thousand were levied by the NTA. MS did not agree with the assessments and filed tax appeals on its tax returns for 2003 and 2004. For conservatism purposes, MS had recognized the income tax expense relating to the above increase in tax amounts payable.
- (d) As of December 31, 2009, MBF's income tax returns through 2004 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 actual amount filed by MBF for withholding taxes on interest income from bonds pertaining to former purchasers based on the unassessed income tax returns for 2005~2007 amounted to NT\$1,533,242 thousand.
- (e) As of December 31, 2009, CKI's income tax returns through 2004 have been assessed by the NTA. For commissions paid to insurance agent and brokerage during 2001~2007, CKI estimated incurred income tax expense of \$138,106 thousand as qualification certificates of commission receivers meet the requirements of the Income Tax Act.
- (f) As of December 31, 2009, MAM's income tax returns through 2004 have been assessed by the NTA.
- (g) As of December 31, 2009, Mega I Venture Capital's (formerly CTB I) income tax returns through 2007 have been assessed by the NTA.
- (h) As of December 31, 2009, MITC's (formerly IIT) income tax returns through 2005 have been assessed by the NTA.
- (i) As of December 31, 2009, Mega Venture Capital's (formerly Mega CTB Venture Capital) 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, 2009	For the year ended December 31, 2008
Weighted-average number of shares outstanding	11,059,426	11,059,426

( In thousands of dollars )	For the year ended December 31, 2009				For the year ended December 31, 2008	
	Pre-tax		After-tax		Pre-tax	After-tax
	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	NT\$
Consolidated net income	\$ 19,056,187	\$ 592,248	\$ 14,344,870	\$ 445,825	\$ 3,085,108	\$ 262,022
Consolidated net income attributed to:						
Stockholders of the Company			\$ 14,331,894	\$ 445,422		\$ 294,519
Minority interest			12,976	403	( 32,497 )	
			\$ 14,344,870	\$ 445,825		\$ 262,022

( In dollars )	For the year ended December 31, 2009				For the year ended December 31, 2008	
	Pre-tax		After-tax		Pre-tax	After-tax
	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	NT\$
Basic earnings per share						
Consolidated net income	\$ 1.72	\$ 0.05	\$ 1.30	\$ 0.04	\$ 0.28	\$ 0.02

( In dollars )	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Consolidated after-tax basic earnings per share attributed to:			
Stockholders of the Company	\$ 1.30	\$ 0.04	\$ 0.02
Minority interest	-	-	-
	\$ 1.30	\$ 0.04	\$ 0.02

B. Diluted earnings per share

( In thousands of shares )	For the year ended December 31, 2009	For the year ended December 31, 2008
Weighted-average number of shares outstanding	11,063,824	11,060,074

( In thousands of dollars )	For the year ended December 31, 2009				For the year ended December 31, 2008	
	Pre-tax		After-tax		Pre-tax	After-tax
	US\$		US\$			
	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )	NT\$	NT\$
Consolidated net income	\$ 19,056,187	\$ 592,248	\$ 14,344,870	\$ 445,825	\$ 3,085,108	\$ 262,022
Consolidated net income attributed to:						
Stockholders of the Company			\$ 14,331,894	\$ 445,422		\$ 294,519
Minority interest			12,976	403		( 32,497 )
			\$ 14,344,870	\$ 445,825		\$ 262,022

( In dollars )	For the year ended December 31, 2009				For the year ended December 31, 2008	
	Pre-tax		After-tax		Pre-tax	After-tax
	US\$		US\$			
	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )	NT\$	NT\$
Diluted earnings per share						
Consolidated net income	\$ 1.72	\$ 0.05	\$ 1.30	\$ 0.04	\$ 0.28	\$ 0.02

( In dollars )	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Consolidated after-tax basic earnings per share attributed to:			
Stockholders of the Company	\$ 1.30	\$ 0.04	\$ 0.02
Minority interest	-	-	-
	\$ 1.30	\$ 0.04	\$ 0.02

( 34 ) Asset impairment loss

	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Available-for-sale financial assets	\$ 238,085	\$ 7,400	\$ 2,384,280
Held-to-maturity financial assets	112,590	3,499	861,290
Equity investments accounted for by the equity method	5,500	171	-
Financial assets carried at cost	1,422,471	44,209	1,142,703
Property and equipment	196,642	6,112	200,973
Other assets	5,315	165	-
Recovery gain from impairment loss on bond investments with no active market	-	-	( 302 )
Impairment loss on goodwill	-	-	344,175
Impairment loss on idle assets	12,717	395	538
	\$ 1,993,320	\$ 61,951	\$ 4,933,657

5. RELATED PARTY TRANSACTIONS

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

Related Parties	Relationship with the Company
Chunghwa Post Co., Ltd. ( Chunghwa Post )	Supervisor of the Company ( Note 2 )
Bank of Taiwan ( BOT )	Supervisor of the Company
Chinatrust Financial Holding Co., Ltd. ( CFHC )	Director of the Company ( resigned on April 20, 2009 ) ( Note 1 )
Mega Life Insurance Agency Co., Ltd. ( MLIAC )	Subsidiary of the Company
Mega International Securities Investment Consulting Co., Ltd. ( MISIC )	Indirect 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 former director
Chinatrust Securities Co., Ltd. ( CSC )	Subsidiary of the Company's former director
Chinatrust Bills Finance Corporation ( CBFC ) ( Had merged with CCB on April 26, 2008 )	Subsidiary of the Company's former 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
Mega Wan Pao 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

Note 1: Chinatrust Commercial Bank Co., Ltd. and its affiliated entities were directors of Mega Financial Holdings Co., Ltd. until April 20, 2009. Since April 20, 2009, Chinatrust Commercial Bank Co., Ltd. and its affiliated entities entrusted shares of Mega Financial Holdings Co., Ltd. held by them to a designated trust account with Bank of Taiwan, which released Chinatrust Commercial Bank Co., Ltd. and its affiliated entities from being the Board of Directors. Therefore, Chinatrust Commercial Bank Co., Ltd. and its affiliated entities were no longer the Bank's related parties. Major transactions and balance with Chinatrust Commercial Bank Co., Ltd. and its affiliated entities were disclosed until April 19, 2009 in Note 5(2).

Note 2: Chunghwa Post Co., Ltd. was formerly the Company's director and subsequently become the Company's supervisor starting June 19, 2009 as resolved at the Company's shareholders' meeting.

( 2 ) Significant transactions and balances with related parties

Related party transactions with an amount exceeding \$100 million ( US\$3.1 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, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Others ( individual amounts accounting for less than 10% of the total amount )	\$ 56,314,352	\$ 1,750,197	\$ 42,960,099

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, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Others ( individual amounts accounting for less than 10% of the total amount )	\$ 82,859,669	\$ 2,575,201	\$ 116,412,087

## C. Bank deposits

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
BOT	\$ 301,659	\$ 9,375	\$ 140,854
CCB ( Note )	-	-	201,951
	<u>\$ 301,659</u>	<u>\$ 9,375</u>	<u>\$ 342,805</u>

Note: As stated in Note 5(1), CCB is no longer the Company's related party since April 20, 2009.

## D. Refundable deposits

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
<b>Collaterals</b>			
BOT Available-for-sale financial assets - government bonds	\$ 111,898	\$ 3,478	\$ 114,887
CCB ( Note ) Time deposits	-	-	295,000
	<u>\$ 111,898</u>	<u>\$ 3,478</u>	<u>\$ 409,887</u>

Note: As stated in Note 5(1), CCB is no longer the Company's related party since April 20, 2009.

## E. Purchase of securities and bonds

	2009		2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
CCB ( Note )	\$ 1,171,959	\$ 36,423	\$ 3,522,035
Chunghwa Post	954,024	29,650	149,631
	<u>\$ 2,125,983</u>	<u>\$ 66,073</u>	<u>\$ 3,671,666</u>

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

Note: As stated in Note 5(1), CCB is no longer the Company's related party since April 20, 2009; therefore, only the transaction amounts from January 1, 2009 to April 19, 2009 were disclosed.

## F. Sales of securities and bonds

	2009		2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Chunghwa Post	\$ 127,282,688	\$ 3,955,827	\$ 103,396,474
BOT	24,282,319	754,672	33,740,427
CCB ( Note )	14,996,158	466,066	76,004,850
CFHC ( Note )	-	-	4,122,885
Total	<u>\$ 166,561,165</u>	<u>\$ 5,176,565</u>	<u>\$ 217,264,636</u>

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

Note: As stated in Note 5(1), CCB is no longer the Company's related party since April 20, 2009; therefore, only the transaction amounts from January 1, 2009 to April 19, 2009 were disclosed.

## G. Securities and bonds with repurchase / resale agreement

	2009		2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
BOT	\$ -	\$ -	\$ 298,262
CSC ( Note )	-	-	209,511
Other ( individual amounts accounting for less than 10% of the total amount )	12,154	378	116,810
Total	<u>\$ 12,154</u>	<u>\$ 378</u>	<u>\$ 624,583</u>

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

Note: As stated in Note 5(1), CSC is no longer the Company's related party since April 20, 2009.

## H. Transactions with other financial institutions

### ( a ) Due from banks / call loans to banks

	December 31, 2009			December 31, 2008	
	NT\$	% of the Account	US\$( Unaudited-Note 2 )	NT\$	% of the Account
BOT	<u>\$ 7,993</u>	<u>0.01</u>	<u>\$ 248</u>	<u>\$ 7,307</u>	<u>0.01</u>

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

	December 31, 2009			December 31, 2008	
	NT\$	% of the Account	US\$( Unaudited-Note 2 )	NT\$	% of the Account
Chunghwa Post	\$ 48,924,218	12.00	\$ 1,520,519	\$ 75,370,246	19.01
CCB ( Note )	-	-	-	799,889	0.20
Total	<u>\$ 48,924,218</u>	<u>12.00</u>	<u>\$ 1,520,519</u>	<u>\$ 76,170,135</u>	<u>19.21</u>

Note: As stated in Note 5(1), CCB is no longer the Company's related party since April 20, 2009.

### ( c ) Overdraft on banks

	December 31, 2009			December 31, 2008	
	NT\$	% of the Account	US\$( Unaudited-Note 2 )	NT\$	% of the Account
BOT	<u>\$ 86,000</u>	<u>0.02</u>	<u>\$ 2,673</u>	<u>\$ 459,000</u>	<u>0.12</u>

## I. Commercial paper payable

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
<b>Institutions of guarantee or acceptance</b>			
TFC	\$ 180,000	\$ 5,594	\$ 250,000
CCB ( Note )	-	-	460,000
Total	<u>\$ 180,000</u>	<u>\$ 5,594</u>	<u>\$ 710,000</u>

Note: As stated in Note 5(1), CCB is no longer the Company's related party since April 20, 2009.

## J. Collaterals

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
<b>Collaterals</b>			
BOT Restricted assets - certificates of time deposit	\$ -	\$ -	\$ 50,000
Available-for-sale financial assets – government bonds	4,531,330	140,830	3,567,706
Available-for-sale financial assets – financial bonds	-	-	656,367
Financial assets at fair value through profit or loss- financial bonds	-	-	296,180
Total	<u>\$ 4,531,330</u>	<u>\$ 140,830</u>	<u>\$ 4,570,253</u>

## K. Refundable deposits

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
<b>Collaterals</b>			
BOT Available-for-sale financial assets - government bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,887</u>

L. Asset transactions

( a ) Purchases

	Acquired cost		
	2009		2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Mega Diamond Bond Fund	\$ -	\$ -	\$ 110,182
Mega Secured Value Fund	-	-	12,000
	\$ -	\$ -	\$ 122,182

( b ) Disposal

For the year ended December 31, 2009: None

	2008		
	Acquired cost	Disposal proceeds	Disposal ( loss ) gain
Mega Secured Value Fund	\$ 30,000	\$ 29,119	( \$ 881 )
Mega Diamond Bond Fund	110,182	110,239	57
Mega Asian Balanced Fund	12,000	12,427	427
Mega Asia Bond Fund	50,000	49,098	( 902 )
Mega Wan Pao Fund	110,000	110,182	182
Total	\$ 312,182	\$ 311,065	( \$ 1,117 )

( c ) As Mega Diamond Bond Fund managed by MITC held bonds of Lehman Brothers indirectly in 2008, in order to maintain financial market order and safeguard investors' safety of assets, MITC entrusted MICB to purchase Asset-Backed Commercial Papers (ABCP) amounting to NT\$1.878 billion on behalf of Mega Diamond Bond Fund. In addition, MICB purchased ABCP, government bonds, corporate bonds and financial bonds amounting to NT\$13.2 billion in the 4th quarter of 2008.

M. Service fee revenues

	2009			2008	
	NT\$	% of the Account	US\$ ( Unaudited-Note 2 )	NT\$	% of the Account
Mega Life Insurance Agency	\$ 153,620	1.65	\$ 4,774	\$ 196,755	2.35

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

N. Derivative transactions

For the year ended December 31, 2009						
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
CCB	Interest rate swaps	May 27, 2005 ~ March 1, 2011	( Note )	( Note )	Financial assets at fair value through profit or loss	( Note )
CCB	Foreign currency interest rate swaps	March 23, 2004 ~ April 17, 2015	( Note )	( Note )	Financial assets at fair value through profit or loss	( Note )
CCB	Interest rate swaps	November 9, 2004 ~ September 6, 2010	( Note )	( Note )	Financial liabilities at fair value through profit or loss	( Note )

Note: As stated in Note 5( 1 ), CCB is no longer the Company's related party since April 20, 2009.

For the year ended 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
CCB	Interest rate swaps	May 27, 2005 ~ March 1, 2011	\$ 2,100,000	\$ 24,517	Financial assets at fair value through profit or loss	\$31,534
CCB	Interest rate swaps	March 23, 2004 ~ April 17, 2015	12,090,000	( 147,954 )	Financial assets at fair value through profit or loss	( 147,954 )
CCB	Cross currency swaps	July 16, 2004~ July 16, 2009	500,000	2,046	Financial assets at fair value through profit or loss	2,046
CCB	Interest rate swaps	November 29, 2004 ~ September 6, 2010	1,500,000	13,804	Financial liabilities at fair value through profit or loss	( 9,735 )

O. Loans

December 31, 2009

( 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	\$ 12,921	\$ 11,758	V	-	None	None
Home mortgage loans	48	\$ 343,213	\$ 310,612	V	-	Real estate	None
Other loans	1	\$ 333,000	\$ 319,000	V	-	Real estate	None

December 31, 2009

( Expressed in thousands of USD 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	\$ 402	\$ 365	V	-	None	None
Home mortgage loans	48	\$ 10,667	\$ 9,654	V	-	Real estate	None
Other loans	1	\$ 10,349	\$ 9,914	V	-	Real estate	None

December 31, 2008

( 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	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

P. Guarantees: None.

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

R. Related party transactions of derivative financial instruments:

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

	December 31, 2009			December 31, 2008	
	NT\$	% of the Account	US\$ ( Unaudited-Note 2 )	NT\$	% of the Account
Financial bonds issued by CCB ( Note )	\$ -	-	\$ -	\$ 1,520,734	0.77



## (b) Available-for-sale financial assets

	December 31, 2009			December 31, 2008	
	NT\$	% of the Account	US\$ ( Unaudited-Note 2 )	NT\$	% of the Account
Financial bonds issued by CCB (Note)	\$ -	-	\$ -	\$ 335,624	0.14
Funds managed by MITC	366,896	0.16	11,403	-	-
	<u>\$ 366,896</u>	<u>0.16</u>	<u>\$ 11,403</u>	<u>\$ 335,624</u>	<u>0.14</u>

## (c) Other financial assets

	December 31, 2009			December 31, 2008	
	NT\$	% of the Account	US\$ ( Unaudited-Note 2 )	NT\$	% of the Account
Beneficiary certificates issued by CCB (Note)	\$ -	-	\$ -	\$ 395,590	1.49

Note: As stated in Note 5( 1 ), CCB is no longer the Company's related party since April 20, 2009.

## S. Information on remunerations to the Company's directors, supervisors, general managers and vice general managers:

	For the years ended December 31,			
	2009		2008	
	NT\$	US\$ ( Unaudited -Note 2 )	NT\$	
Salaries	\$ 168,893	\$ 5,249	\$ 225,635	
Bonus	37,518	1,166	85,051	
Business expenses	26,931	837	28,837	
Earnings distribution	67,697	2,104	19,792	
	<u>\$ 301,039</u>	<u>\$ 9,356</u>	<u>\$ 359,315</u>	

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

(b) Bonus represents bonuses and rewards.

(c) Business expenses represent transportation expense, extraneous charges, subsidies and housing benefits and rehires provided.

(d) Earnings distribution represents estimated remunerations to be paid to supervisors and directors and bonuses to be paid to employees in 2009.

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

## T. Others

(a) The insurance coverage provided by CKI for Hoan Insurance Agency Co., Ltd.'s premiums received under custody was NT\$504,705 thousand (US\$15,686 thousand) and NT\$574,715 thousand for the years ended December 31, 2009 and 2008, respectively, and the associated commission expense and brokerage expenses were NT\$112,192 thousand (US\$3,487 thousand) and NT\$161,980 thousand, respectively. As of December 31, 2009 and 2008, premiums receivable from the above transactions amounted to NT\$23,668 thousand (US\$736 thousand) and NT\$33,318 thousand, respectively, and commissions payable amounted to NT\$42,332 thousand (US\$1,316 thousand) and NT\$64,279 thousand, respectively.

(b) MS has been outsourcing its investment consulting services to Mega International Investment Services Co., Ltd. The service expenses incurred for the years ended December 31, 2009 and 2008 were NT\$15,732 thousand (US\$489 thousand) and NT\$16,560 thousand, respectively.

(c) MICB has been outsourcing its credit card operations to Win Card since 2001. The operational costs incurred for the years ended December 31, 2009 and 2008 were NT\$172,569 thousand (US\$5,363 thousand) and NT\$208,798 thousand, respectively.

## 6. PLEDGED ASSETS

Asset	Carrying amount		
	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Financial assets at fair value through profit or loss	\$ 11,016,465	\$ 342,381	\$ 9,610,469
Purchase of obligor receivable	3,511,932	109,148	1,628,995
Available-for-sale financial assets	26,095,469	811,023	23,992,882
Held-to-maturity financial assets	16,099,461	500,356	16,125,343
Other financial assets	485,730	15,096	427,361
Property and equipment, net	2,770,508	86,105	2,892,777
Other assets	411,417	12,786	633,863
Total	<u>\$ 60,390,982</u>	<u>\$ 1,876,895</u>	<u>\$ 55,311,690</u>

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

### (1) The Company

(a) As of December 31, 2009, the Company had no commitments and contingent liabilities.

(b) 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, and the accrued amount on the above expenditures was NT\$2,190 thousand.

### (2) The subsidiaries-MICB

(a) As of December 31, 2009 and 2008, MICB's commitments and contingent liabilities were as follows:

	December 31, 2009		December 31, 2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
Loan commitments	\$ 1,121,948,295	\$ 34,869,104	\$ 854,375,000
Securities sold under repurchase agreement	3,384,414	105,184	11,248,556
Securities purchased under resale agreement	-	-	1,705,861
Credit card line commitments	52,867,335	1,643,067	47,399,797
Guarantees issued	171,324,807	5,324,615	157,053,829
Letters of credit	82,584,742	2,566,657	66,016,349
Customers' securities under custody	230,717,618	7,170,488	230,539,879
Properties under custody	459,395	14,278	391,511
Guarantee received	80,359,427	2,497,496	103,510,941
Collections for customers	144,156,590	4,480,252	187,381,971
Agency loans payable	4,767,109	148,157	5,664,705
Travelers' checks consigned-in	2,155,130	66,979	2,289,960
Payables on gold consigned-in	25,382	789	29,009
Payables on consignments-in	4,207	131	4,867
Agent for government bonds	119,995,200	3,729,339	210,182,278
Short-dated securities under custody	55,488,243	1,724,523	45,034,345
Investments for customers	265,016	8,236	265,016
Trust liability	453,632,668	14,098,479	449,003,733
Certified notes paid	12,987,664	403,644	14,349,527
Total	<u>\$ 2,537,123,242</u>	<u>\$ 78,851,419</u>	<u>\$ 2,386,447,134</u>

- (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\$128,092 thousand (shown as other assets). Rentals for the next five years are as follows:

Year	Amount	
	NT\$	US\$ (Unaudited-Note 2)
2010	\$ 532,869	\$ 16,561
2011	245,636	7,634
2012	177,890	5,529
2013	102,563	3,188
2014 and onwards	51,358	1,596
Total	\$ 1,110,316	\$ 34,508

### (3) The subsidiaries-MS

- (a) MS has entered into proxy delivery agreements with several securities firms. 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 proxy for the securities firms.
- (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.

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 the 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 the Taiwan High Court and the Court ruled that the Company was liable for all charges on May 20, 2009 pursuant to Tai-Shang-Zi No.777 of 2009. MS requested LKCC 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 deposits amounting to NT\$19,000 thousand to the Court, which was recorded under "other assets- guarantee deposits paid".

- (c) MS and its subsidiaries have entered into several operating lease agreements for its branch offices. As of December 31 2009, the annual minimum rents payable (excluding the adjustments for the consumer price index) for the next five years were as follows:

Year	Amount	
	NT\$	US\$ (Unaudited-Note 2)
2010	\$ 90,496	\$ 2,813
2011	65,838	2,046
2012	51,196	1,591
2013	11,817	367
2014 and onwards	448	14
Total	\$ 219,795	\$ 6,831

### (4) The subsidiaries-MBF

- (a) As of December 31, 2009 and 2008, MBF's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2009		December 31, 2008	
	NT\$	US\$ (Unaudited-Note 2)	NT\$	
Bills and bonds sold under repurchase agreements	\$ 159,606,041	\$ 4,960,407	\$ 215,025,089	
Guarantees for commercial papers	98,766,300	3,069,564	117,945,700	

- (b) As of December 31, 2009, 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)
January 1, 2010 ~ December 31, 2010	\$ 46,568	\$ 1,446
January 1, 2011 ~ December 31, 2011	756	24
January 1, 2012 ~ December 31, 2012	756	24
January 1, 2013 ~ December 31, 2013	756	24
Total	\$ 48,836	\$ 1,518

### (5) The subsidiaries-CKI

- (a) As of December 31, 2009, 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, 2009, 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)
2010	\$ 7,798	\$ 242
After 2010	1,568	49
Total	\$ 9,366	\$ 291

### (6) The subsidiaries-MAM

Details of the assets rented by MAM under operating lease as of December 31, 2009 are set forth below:

Lessor	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	NT\$ 535	US\$ 17	NT\$ 6,420	US\$ 200		
Pro Leasing & Rental	Cars for business use	January 31, 2007-January 30, 2010	46	1	46	1		
Easy Rent Ltd.	"	February 20, 2009-June 30, 2012	48	1	1,434	45		
Total					NT\$ 7,900	US\$ 246		

### (7) The subsidiaries-MITC

Details of the assets rented by MITC under operating lease as of December 31, 2009 are set forth below:

Lessor	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\$ 924	US\$ 28	Monthly	2010	NT\$ 11,086	US\$ 345
						2011	11,086	345
						2012	6,467	200
							NT\$ 28,639	US\$ 890

### (8) The subsidiaries- Mega Venture Capital

Mega Management Consulting Corporation acts as an agent to deal with management, investment, assignment and re-investment of all assets on behalf of Mega I Venture and conduct enterprise operation, management and consultation service for Mega I Venture's investee companies. In accordance with the contract, Mega I Venture should pay 2% per annum of the total issued capital as management fee which is payable quarterly to Mega Management Consulting Corporation. 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- Mega I Venture

Mega Management Consulting Corporation acts as an agent to deal with management, investment, assignment and re-investment of all assets on behalf of Mega Venture Capital and conduct enterprise operation, management and consultation service for Mega Venture Capital’s investee companies. In accordance with the contract, Mega 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 Mega Management Consulting Corporation. 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 subsidiaries :

MS issued 2009 first unsecured corporate bonds in February 4, 2010 in the amount of \$2,500,000 thousand with coupon rate of 1.45%. The period is from February 4, 2010 to February 4, 2013. The corporate bonds are issued at par. Principal will be repaid in lump sum at maturity.

10. OTHERS

( 1 ) Presentation of financial statements :

Certain accounts of the 2008 consolidated financial statements have been reclassified to conform to the presentation of the 2009 consolidated financial statements.

( 2 ) Financial instruments information:

A. Fair Value

	December 31, 2009				December 31, 2008	
	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	\$ 314,204,440	\$ 314,204,440	\$ 9,765,180	\$ 9,765,180	\$ 271,765,325	\$ 271,765,325
Due from the Central Bank and call loans to banks	90,674,726	90,674,726	2,818,086	2,818,086	103,187,216	103,187,216
Financial assets held for trading						
Stocks	1,732,963	1,732,963	53,859	53,859	465,805	465,805
Commercial papers	65,714,508	65,714,508	2,042,345	2,042,345	110,391,394	110,391,394
Beneficiary certificates	791,597	791,597	24,602	24,602	260,920	260,920
Negotiable certificates of time deposit	18,000,492	18,000,492	559,438	559,438	15,001,687	15,001,687
Corporate bonds	8,561,167	8,561,167	266,073	266,073	12,460,760	12,460,760
Government bonds	1,716,008	1,716,008	53,332	53,332	7,823,179	7,823,179
Financial bonds	1,730,492	1,730,492	53,782	53,782	3,376,231	3,376,231
Other bonds	1,949,505	1,949,505	60,589	60,589	3,559,610	3,559,610
Bankers' acceptances	14,973	14,973	465	465	69,464	69,464

	December 31, 2009				December 31, 2008	
	NT\$		US\$ ( Unaudited-Note 2 )		NT\$	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments						
Financial assets designated at fair value through profit or loss						
Corporate bonds	\$ 5,646,920	\$ 5,646,920	\$ 175,501	\$ 175,501	\$ 12,575,262	\$ 12,575,262
Governments bonds	2,822,468	2,822,468	87,720	87,720	6,830,570	6,830,570
Financial bonds	11,950,839	11,950,839	3,771,421	3,771,421	13,625,202	13,625,202
Beneficiary securities	159,610	159,610	4,961	4,961	-	-
Bills and bonds purchased under resale agreements	796,095	796,095	24,742	24,742	1,729,297	1,729,297
Receivables — net	121,355,347	121,355,347	377,161	377,161	120,773,646	120,773,646
Bills discounted and loans — net	1,281,835,254	1,281,835,254	39,838,241	39,838,241	1,321,437,849	1,321,437,849
Available-for-sale financial assets						
Stocks	21,282,170	21,282,170	661,430	661,430	11,798,993	11,798,993
Commercial papers	19,427,529	19,427,529	603,789	603,789	10,551,441	10,551,441
Governments bonds	106,431,826	106,431,826	3,307,801	3,307,801	124,295,360	124,295,360
Corporate bonds	33,670,614	33,670,614	1,046,451	1,046,451	37,663,007	37,663,007
Beneficiary certificates	2,363,646	2,363,646	73,460	73,460	808,440	808,440
Beneficiary securities	9,117,545	9,117,545	283,365	283,365	11,757,863	11,757,863
Certificate of time deposits	295,817	295,817	9,194	9,194	2,396,485	2,396,485
Financial bonds	39,535,833	39,535,833	1,228,737	1,228,737	32,548,303	32,548,303
Treasury bills	891,532	891,532	27,708	27,708	249,698	249,698
Held-to-maturity financial assets	263,152,861	263,152,861	8,178,545	8,178,545	96,097,583	96,097,583
Other financial assets	24,820,588	24,820,588	771,401	771,401	26,611,797	26,611,797
Liabilities						
Due to the Central Bank and financial institutions	( 396,380,466 )	( 396,380,466 )	( 12,319,134 )	( 12,319,134 )	( 396,503,184 )	( 396,503,184 )
Funds borrowed from the Central Bank and other banks	( 57,517,261 )	( 57,517,261 )	( 1,787,583 )	( 1,787,583 )	( 53,185,187 )	( 53,185,187 )
Financial liabilities at fair value through profit or loss						
Bonds purchased under resale agreements - margin financing	( 263,449 )	( 263,449 )	( 8,188 )	( 8,188 )	-	-
Payables - securities borrowed	( 1,674 )	( 1,674 )	( 52 )	( 52 )	-	-
Financial assets designated at fair value through profit or loss	( 28,243,643 )	( 28,243,643 )	( 877,786 )	( 877,786 )	( 44,120,922 )	( 44,120,922 )
Bills and bonds sold under repurchased agreements	( 171,365,526 )	( 171,365,526 )	( 5,325,880 )	( 5,325,880 )	( 248,491,993 )	( 248,491,993 )
Commercial papers payable, net	( 7,105,666 )	( 7,105,666 )	( 220,837 )	( 220,837 )	( 1,656,547 )	( 1,656,547 )
Payables	( 57,498,958 )	( 57,498,958 )	( 1,787,014 )	( 1,787,014 )	( 72,689,909 )	( 72,689,909 )
Deposits and remittances	( 1,484,628,885 )	( 1,484,628,885 )	( 46,140,878 )	( 46,140,878 )	( 1,316,769,564 )	( 1,316,769,564 )
Bonds payable	( 50,153,000 )	( 50,153,000 )	( 1,558,708 )	( 1,558,708 )	( 54,349,347 )	( 54,349,347 )
Other borrowings	( 11,266,600 )	( 11,266,600 )	( 350,155 )	( 350,155 )	( 4,435,062 )	( 4,435,062 )
Other financial liabilities	( 4,035,556 )	( 4,035,556 )	( 125,421 )	( 125,421 )	( 6,026,328 )	( 6,026,328 )

	December 31, 2009				December 31, 2008	
	NT\$		US\$ ( Unaudited-Note 2 )		NT\$	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments						
Forward contracts	\$ 39,896,798	( \$ 194,421 )	\$ 1,239,955	( \$ 6,042 )	\$ 154,490,222	\$ 2,316,042
Interest rate swap contracts	173,548,243	994,473	5,393,717	30,907	333,279,191	1,436,067
Cross currency contracts	176,139,670	( 916,118 )	5,474,256	( 28,472 )	66,252,408	( 1,073,330 )
Asset swap contracts	5,983,461	( 68,029 )	185,960	( 2,114 )	11,999,178	2,822,353
Options	16,885,449	( 582,475 )	524,784	( 18,103 )	22,061,679	( 929,443 )
Credit default swaps	1,608,800	( 23,275 )	50,000	( 723 )	1,638,700	( 168,311 )
Currency swaps	527,122,919	592,798	16,382,488	18,424	291,338,239	5,661
Futures trading margin	208,497	208,497	6,480	6,480	282,571	282,571
PGN products	-	-	-	-	80,000	( 404 )

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, bills and bonds purchased under resale agreements, receivables, due to the Central Bank and financial institutions, funds borrowed from the Central Bank and other banks, 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 discounted and loans, bills and bonds sold under repurchase agreements, commercial paper payables, deposits and bonds payable 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, 2009				December 31, 2008	
	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	\$ -	\$ -	\$ 314,204,440	\$ 9,765,180	\$ -	\$ 271,765,325
Due from the Central Bank and call loans to banks	-	-	90,674,726	2,818,086	-	103,187,216
Financial assets held for trading						
Stocks	1,732,963	53,859	-	-	465,805	-
Commercial papers	-	-	65,714,508	2,042,345	-	110,391,394
Beneficiary certificates	791,597	24,602	-	-	260,920	-
Negotiable certificates of time deposit	-	-	18,000,492	559,438	-	15,001,687
Corporate bonds ( including convertible corporate bonds )	-	-	8,561,167	266,073	-	12,460,760

	December 31, 2009				December 31, 2008	
	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\$
Government bonds	\$ 1,716,008	\$ 53,332	\$ -	\$ -	\$ 7,823,179	\$ -
Financial bonds	-	-	1,730,492	53,782	-	3,376,231
Other bonds	-	-	1,949,505	60,589	-	3,559,610
Bankers' acceptances	-	-	14,973	465	-	69,464
Financial assets designated at fair value through profit or loss						
Corporate bonds	-	-	5,646,920	175,501	-	12,575,262
Governments bonds	2,822,468	87,720	-	-	6,830,570	-
Financial bonds	-	-	11,950,839	371,421	-	13,625,202
Beneficiary securities	-	-	159,610	4,961	-	-
Bills and bonds purchased under resale agreements	-	-	796,095	24,742	-	1,729,297
Receivables – net	-	-	121,355,347	3,771,611	-	120,773,646
Loans – net	-	-	1,281,835,254	39,838,241	-	1,321,437,849
Available-for-sale financial assets						
Stocks	21,282,170	661,430	-	-	11,798,993	-
Commercial papers	-	-	19,427,529	603,789	-	10,551,441
Governments bonds	106,431,826	3,307,801	-	-	124,295,360	-
Corporate bonds	-	-	33,670,614	1,046,451	-	37,663,007
Beneficiary certificates	2,363,646	73,460	-	-	808,440	-
Beneficiary securities	-	-	9,117,545	283,365	-	11,757,863
Certificate of time deposits	-	-	295,817	9,194	-	2,396,485
Financial bonds	-	-	39,535,833	1,228,737	-	32,548,303
Treasury bills	-	-	891,532	27,708	-	249,698
Held-to-maturity financial assets	-	-	263,152,861	8,178,545	-	96,097,583
Other financial assets	-	-	24,820,588	771,401	-	26,611,797
Liabilities						
Due to the Central Bank and financial institution	-	-	( 396,380,466 )	( 12,319,134 )	-	( 396,503,184 )
Funds borrowed from the Central Bank and other banks	-	-	( 57,517,261 )	( 1,787,583 )	-	( 53,185,187 )
Financial liabilities at fair value through profit or loss						
Bonds purchased under resale agreements - margin financing	-	-	( 263,449 )	( 8,188 )	-	-
Payables - securities borrowed	-	-	( 1,674 )	( 52 )	-	-
Financial liabilities designated at fair value through profit or loss	-	-	( 28,243,643 )	( 877,786 )	-	( 44,120,922 )
Bills and bonds sold under repurchase agreements	-	-	( 171,365,526 )	( 5,325,880 )	-	( 248,491,993 )
Commercial paper payables, net	-	-	( 7,105,666 )	( 220,837 )	-	( 1,656,547 )
Payables	-	-	( 57,498,958 )	( 1,787,014 )	-	( 72,689,909 )
Deposits and remittances	-	-	( 1,484,628,885 )	( 46,140,878 )	-	( 1,316,769,564 )
Bonds payable	-	-	( 50,153,000 )	( 1,558,708 )	-	( 54,349,347 )
Other borrowings	-	-	( 11,266,600 )	( 350,155 )	-	( 4,435,062 )
Other financial liabilities	-	-	( 4,035,556 )	( 125,421 )	-	( 6,026,328 )



	December 31, 2009				December 31, 2008	
	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\$
<b>Derivative financial instruments</b>						
<b>Assets</b>						
Financial assets held for trading	\$ -	\$ -	\$ 3,436,257	\$ 106,796	\$ -	\$ 9,755,483
Financial assets designated at fair value through profit or loss	-	-	3,297,531	102,484	-	2,248,866
<b>Liabilities</b>						
Financial liabilities held for trading	-	-	3,758,315	116,805	-	6,148,336
Financial liabilities designated at fair value through profit or loss	-	-	2,964,023	92,119	-	1,164,807

- D. Net loss arising from derivative financial instruments at fair value through profit or loss for the years ended December 31, 2009 and 2008 amounted to \$772,829 thousand ( US\$24,019 thousand ) and \$160,027 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, 2009 and 2008 amounted to \$38,259,498 thousand ( US\$1,189,069 thousand ) and \$64,539,179 thousand, respectively.
- F. The adjustment in equity arising from available-for-sale financial assets for the years ended December 31, 2009 and 2008 amounted to Cr.\$6,621,591 thousand ( US\$205,793 thousand ) and Dr.\$3,962,707, 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, 2009				December 31, 2008	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	NT\$
<b>Financial assets</b>						
Financial assets at fair value through profit or loss	\$ 25,133,337	\$ 781,121	\$ 25,155,681	\$ 781,815	\$ 40,201,797	\$ 42,843,263
Available-for-sale financial assets	114,052,971	3,544,660	114,052,971	3,544,660	101,842,361	101,842,361
Bills discounted and loans	1,281,835,254	39,838,241	1,281,835,254	39,838,241	1,321,437,849	1,321,437,849
Held-to-maturity financial assets	262,702,860	8,164,559	262,702,860	8,164,559	95,058,926	95,058,926
Off-balance sheet commitments and guarantees	2,537,123,242	78,851,419	2,537,123,242	78,851,419	2,386,447,134	2,386,447,134
Total	\$ 4,220,847,664	\$ 131,180,000	\$ 4,220,870,008	\$ 131,180,694	\$ 3,944,988,067	\$ 3,947,629,533

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

- iii. The Bank and its subsidiaries strictly assess 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, 2009 and 2008, collaterals secured approximately 50.74% and 48.78%, 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, 2009				December 31, 2008	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	NT\$
<b>Industry type</b>						
Manufacturing	\$ 452,958,307	\$ 14,077,521	\$ 452,958,307	\$ 14,077,521	\$ 493,363,786	\$ 493,363,786
Financial institution, insurer, real estate and leasing	185,354,597	5,760,648	185,354,597	5,760,648	187,008,248	187,008,248
Government institution	43,657,581	1,356,837	43,657,581	1,356,837	61,442,342	61,442,342
Individuals	264,592,682	8,223,293	264,592,682	8,223,293	266,746,879	266,746,879
Others ( Note 2 )	529,244,625	16,448,428	529,244,625	16,448,428	491,577,185	491,577,185
Total	\$ 1,475,807,792	\$ 45,866,727	\$ 1,475,807,792	\$ 45,866,727	\$ 1,500,138,440	\$ 1,500,138,440
<b>Geographic region</b>						
Domestic	\$ 1,104,353,310	\$ 34,322,269	\$ 1,104,353,310	\$ 34,322,269	\$ 1,093,393,421	\$ 1,093,393,421
North America	61,781,691	1,920,117	61,781,691	1,920,117	70,346,256	70,346,256
Others ( Note 2 )	309,672,791	9,624,341	309,672,791	9,624,341	336,398,763	336,398,763
Total	\$ 1,475,807,792	\$ 45,866,727	\$ 1,475,807,792	\$ 45,866,727	\$ 1,500,138,440	\$ 1,500,138,440

Note 1 : The above figures include loans ( excluding overdue loans – factoring without recourse ), guarantees and acceptances.

Note 2: Loans according to government policy are inclusive.



Contract amounts of significant credit risk concentration are as follows:

December 31, 2009			
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	Taiwan High Speed Rail - Transportation and Storage	\$ 65,994,942	33.62
2	Formosa Plastics Group – Non-metallic Manufacturing	61,701,899	31.43
3	China Steel Group – Other Metal Manufacturing	26,142,575	13.32
4	Far Eastern Group – Non-metallic Manufacturing	19,113,158	9.74
5	CHIMEI Group – Optoelectronic Materials and Semi-conductors Manufacturing	15,805,165	8.05
6	BENQ Group – Optoelectronic Materials and Semi-conductors Manufacturing	14,450,664	7.36
7	YU FENG Group – Real Estate	13,874,503	7.07
8	Foxconn Group – Commuters, Communication Equipment and Audio and Video Electronic Products Manufacturing	12,863,657	6.55
9	Uni-President Group – Food Manufacturing	12,284,240	6.26
10	Tatung Group – Commuters, Communication Equipment and Audio and Video Electronic Products Manufacturing	11,049,694	5.63

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	Taiwan High Speed Rail - Transportation and Storage	\$ 67,271,240	37.79
2	Formosa Plastics Group – Non-metallic Manufacturing	63,613,010	35.73
3	China Steel Group – Other Metal Manufacturing	20,919,534	11.75
4	CHIMEI Group – Optoelectronic Materials and Semi-conductors Manufacturing	18,542,689	10.42
5	BENQ Group – Optoelectronic Materials and Semi-conductors Manufacturing	15,076,928	8.47
6	Uni-President Group – Food Manufacturing	11,901,761	6.69
7	YU FENG Group – Real Estate	11,730,693	6.59
8	Far Eastern Group – Non-metallic Manufacturing	11,264,578	6.33
9	Taiwan Cement Group - Non-metallic Manufacturing	10,316,158	5.79
10	Powerchip Semiconductor Corp - Optoelectronic Materials and Semi-conductors Manufacturing	9,698,490	5.45

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of the enterprise group should be categorized and listed in total, and disclosed by “code” plus “industry type” ( for example, company ( or group ) A – Liquid Crystal Panel and Components Manufacturing ). If it is an enterprise group, industry type of maximum exposure of the enterprise group should be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

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, 2009		December 31, 2008	
Amount of credit extensions to interested parties	\$	85,458,200	\$	86,738,710
Ratio of credit extensions to interested parties ( % )		5.67		5.72
Ratio of credit extensions secured by stocks ( % )		1.74		2.01
	Industry	Ratio	Industry	Ratio
Industry concentration ( % ) ( Top 3 industries with highest ratio of credit extension amount )	Manufacturing	35.40%	Manufacturing	33.67%
	Transportation and Storage	9.01%	Transportation and Storage	8.78%
	Real estate	7.23%	Real estate	7.24%

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.

( c ) Liquidity risk

The capital and working capital of the subsidiaries and its indirect subsidiaries were sufficient to execute all the obligation of contracts and had no liquidity risk. The possibility of the derivative financial instruments held by the subsidiaries and its indirect subsidiaries 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 subsidiaries and its indirect subsidiaries 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, 2009  
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 to banks	\$90,675,288	\$90,674,726	\$ -	\$ -	\$ -	\$ -	\$90,675,288	\$90,674,726
Financial assets at fair value through profit or loss ( Note )	2,588,144	2,588,144	17,584,135	17,584,135	417,627	417,627	20,589,906	20,589,906
Bills discounted and loans	364,323,030	362,446,111	504,032,340	500,073,507	425,984,173	419,315,636	1,294,339,543	1,281,835,254
Available-for-sale financial assets ( Note )	48,104,478	48,104,478	50,494,494	50,494,494	2,790,767	2,790,767	101,389,739	101,389,739
Held-to-maturity financial assets	247,758,769	247,758,769	14,940,415	14,940,415	3,676	3,676	262,702,860	262,702,860
Other financial assets ( Note )	141,625	141,370	-	-	544,337	273,365	685,962	414,735
Total Assets	753,591,334	751,713,598	587,051,384	583,092,551	429,740,580	422,801,071	1,770,383,298	1,757,607,220
Liabilities								
Due to the Central Bank and financial institutions	390,794,466	390,794,466	-	-	-	-	390,794,466	390,794,466
Funds borrowed from Central Bank and other banks	57,517,261	57,517,261	-	-	-	-	57,517,261	57,517,261
Financial liabilities at fair value through profit or loss ( Note )	8,880,341	8,880,341	19,363,302	19,363,302	-	-	28,243,643	28,243,643
Bills and bonds sold under repurchase agreements	3,384,082	3,384,082	-	-	-	-	3,384,082	3,384,082
Time deposit	749,164,661	749,164,661	19,204,879	19,204,879	-	-	768,369,540	768,369,540
Bonds payable	2,703,000	2,703,000	25,000,000	25,000,000	-	-	27,703,000	27,703,000
Other financial liabilities	4,035,556	4,035,556	-	-	-	-	4,035,556	4,035,556
Total Liabilities	1,216,479,367	1,216,479,367	63,568,181	63,568,181	-	-	1,280,047,548	1,280,047,548
Net liquidity gap	(\$462,888,033)	(\$464,765,769)	\$523,483,203	\$519,524,370	\$429,740,580	\$ 422,801,071	\$ 490,335,750	\$ 477,559,672

( 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, 2009  
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 to banks	\$ 2,818,103	\$ 2,818,086	\$ -	\$ -	\$ -	\$ -	\$ 2,818,103	\$ 2,818,086
Financial assets at fair value through profit or loss ( Note )	80,437	80,437	546,498	546,498	12,980	12,980	639,915	639,915
Bills discounted and loans	11,322,819	11,264,486	15,664,854	15,541,817	13,239,190	13,031,938	40,226,863	39,838,241
Available-for-sale financial assets ( Note )	1,495,042	1,495,042	1,569,322	1,569,322	86,734	86,734	3,151,098	3,151,098
Held-to-maturity financial assets	7,700,111	7,700,111	464,334	464,334	114	114	8,164,559	8,164,559
Other financial assets ( Note )	4,402	4,394	-	-	16,917	8,496	21,319	12,890
Total Assets	23,420,914	23,362,556	18,245,008	18,121,971	13,355,935	13,140,262	55,021,857	54,624,789
Liabilities								
Due to the Central Bank and financial institutions	12,145,526	12,145,526	-	-	-	-	12,145,526	12,145,526
Funds borrowed from Central Bank and other banks	1,787,583	1,787,583	-	-	-	-	1,787,583	1,787,583
Financial liabilities at fair value through profit or loss ( Note )	275,993	275,993	601,793	601,793	-	-	877,786	877,786
Bills and bonds sold under repurchase agreements	105,174	105,174	-	-	-	-	105,174	105,174
Time deposit	23,283,337	23,283,337	596,870	596,870	-	-	23,880,207	23,880,207
Bonds payable	84,007	84,007	776,977	776,977	-	-	860,984	860,984
Other financial liabilities	125,421	125,421	-	-	-	-	125,421	125,421
Total Liabilities	37,807,041	37,807,041	1,975,640	1,975,640	-	-	39,782,681	39,782,681
Net liquidity gap	( \$ 14,386,127 )	( \$ 14,444,485 )	\$ 16,269,368	\$ 16,146,331	\$ 13,355,935	\$ 13,140,262	\$ 15,239,176	\$ 14,842,108

( 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 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 to 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	34,405,338	34,405,338
Bills and bonds purchased 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	549,651,321	545,094,321	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	48,234,613	48,234,613	9,761,053	9,761,053	95,026,459	95,026,459
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 )	35,382	35,382	993,590	993,590	781,434	51,478	1,810,406	1,080,450
Total Assets	584,722,908	582,869,513	632,914,317	628,357,317	447,007,999	440,672,573	1,664,645,224	1,651,899,403
Liabilities								
Due to the Central Bank and financial institutions	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 sold under repurchase agreements	11,239,752	11,239,752	-	-	-	-	11,239,752	11,239,752
Time deposits	787,968,702	787,968,702	34,299,133	34,299,133	-	-	822,267,835	822,267,835
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	( \$ 679,827,968 )	( \$ 681,681,363 )	\$ 542,911,503	\$ 538,354,503	\$ 447,007,999	\$ 440,672,573	\$ 310,091,534	\$ 297,345,713

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

( d ) 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, 2009, 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. For details of the stock warrants outstanding as of December 31, 2009 and 2008, please refer to page 84~97 of the consolidated financial statements.

## 8 ) Supplementary disclosures

Gain ( loss ) arising from stock warrant transactions for the years ended December 31, 2009 and 2008 are set forth below.

### a ) Valuation gain ( loss )

	Valuation gain ( loss )			Financial Statement Account
	For the year ended December 31, 2009		For the year ended December 31, 2008	
	NT\$	US\$ ( Unaudited-Note2 )	NT\$	
Gain on variation in value of liability on issuance of stock warrants	\$ 1,689,535	\$ 52,509	\$ 3,358,773	Gain on issuance of stock warrants
Loss on variation in value of issuance of stock warrants issued	( 5,626,751 )	( 174,874 )	( 112,609 )	Loss on issuance of stock warrants
Valuation gain on repurchase of stock warrants issued	725,043	22,534	379,097	Gain on issuance of stock warrants
Valuation loss on repurchase of stock warrants issued	( 508,126 )	( 15,792 )	-	Loss on issuance of stock warrants
Securities held for risk hedging	15,301	476	6,335	Valuation adjustments on securities held for operations
Payables –securities borrowed – hedging	38	1	-	Valuation gain on securities borrowed and bonds purchased under resale agreements

### b ) Gain ( loss ) on sale

	Valuation gain ( loss )			Financial Statement Account
	For the year ended December 31, 2009		For the year ended December 31, 2008	
	NT\$	US\$ ( Unaudited-Note2 )	NT\$	
Gain on resale of the stock warrants repurchased	\$229,307	\$7,127	\$228,893	Gain on issuance of stock warrants
Loss on resale of the stock warrants repurchased	( 407,960 )	( 12,679 )	( 1,324,283 )	Loss on issuance of stock warrants
Securities held for risk hedging	84,042	2,612	( 131,276 )	Loss on sale of securities –hedging
Payables –securities borrowed – hedging	3	-	-	Recovery gain from securities borrowed and bonds purchased under resale agreements

### c ) Gain ( loss ) at maturity

	Valuation gain ( loss )			Financial Statement Account
	For the year ended December 31, 2009		For the year ended December 31, 2008	
	NT\$	US\$ ( Unaudited-Note2 )	NT\$	
Gain on early execution of stock warrants	\$ 45,028	\$ 1,399	\$ 8,597	Gain on issuance of stock warrants
Gain on unexercised expired stock warrants	1,663	52	6,098	Gain on issuance of stock warrants
Maturity gain – repurchase of re-issued call warrants	4,705,266	146,235	45,208	Gain on issuance of stock warrants
Maturity loss – repurchase of re-issued call warrants	( 868,117 )	( 26,980 )	( 2,499,840 )	Loss on issuance of stock warrants

### ( b ) Derivative financial instruments – futures and options

#### i. Futures

MS has been engaged in proprietary trading of futures contracts since December 2003. Details of the futures contracts outstanding as of December 31, 2009 and 2008 are set forth below :

Unit : In thousand of NT dollars

		December 31, 2009				
Item	Type of transaction	Uncover position		Contract amount or paid ( collected ) premium	Fair value	Note
		Buyer / seller	Number of contracts			
Futures contract	Taiwan Micro Index Futures	Seller	7	( \$ 2,865 )	( \$ 2,870 )	Non-hedging
	Financial Futures	Buyer	4	3,572	3,644	Non-hedging
	Taiwan Index Futures	Seller	29	( 47,547 )	( 47,566 )	Non-hedging
	Non-Financial and Electron Index	Buyer	3	2,801	2,845	Non-hedging
	MIMEX MSCI Taiwan Stock Index Futures	Seller	15	( 14,167 )	( 14,254 )	Non-hedging
Option contract	Taiwan Index Futures Options – Call option	Buyer	1,011	6,117	13,421	Non-hedging
	Taiwan Index Futures Options – Call option	Seller	280	( 485 )	( 507 )	Non-hedging
	Taiwan Index Futures Options – Put option	Buyer	1,004	6,271	3,382	Non-hedging
	Taiwan Index Futures Options – Put option	Seller	581	( 916 )	( 353 )	Non-hedging



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

December 31, 2009						
Item	Type of transaction	Uncover position		Contract amount or paid ( collected ) premium	Fair value	Note
		Buyer / seller	Number of contracts			
Futures contract	Taiwan Micro Index Futures	Seller	7	( \$ 89 )	( \$ 89 )	Non-hedging
	Financial Futures	Buyer	4	111	113	Non-hedging
	Taiwan Index Futures	Seller	29	( 1,478 )	( 1,478 )	Non-hedging
	Non-Financial and Electron Index	Buyer	3	87	88	Non-hedging
	MIMEX MSCI Taiwan Stock Index Futures	Seller	15	( 440 )	( 443 )	Non-hedging
Option contract	Taiwan Index Futures Options – Call option	Buyer	1,011	190	417	Non-hedging
	Taiwan Index Futures Options – Call option	Seller	280	( 15 )	( 16 )	Non-hedging
	Taiwan Index Futures Options – Put option	Buyer	1,004	195	105	Non-hedging
	Taiwan Index Futures Options – Put option	Seller	581	( 28 )	( 11 )	Non-hedging

Unit : In thousand of NT dollars

December 31, 2008						
Item	Type of transaction	Uncover position		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	Stock 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
	Stock 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

For the years ended December 31, 2009 and 2008, gains and losses from subsidiaries' engaging in futures contracts and options are as follows :

For the year ended December 31, 2009			
	Realized gains ( losses )		( Unit : thousand of NT dollars )
	Valuation gains ( losses )		Total
Gains on futures contracts	\$ 245,003	\$ -	\$ 245,003
Losses on futures contracts	( 185,993 )	( 701 )	( 186,694 )
Gains on option trading	212,302	6,249	218,551
Losses on option trading	( 266,183 )	-	( 266,183 )
	\$ 5,129	\$ 5,548	\$ 10,677

For the year ended December 31, 2009			
	Realized gains ( losses )		( Unit : thousand of US dollars, Unaudited-Note 2 )
	Valuation gains ( losses )		Total
Gains on futures contracts	\$ 7,614	\$ -	\$ 7,614
Losses on futures contracts	( 5,780 )	( 22 )	( 5,802 )
Gains on option trading	6,598	194	6,792
Losses on option trading	( 8,273 )	-	( 8,273 )
	\$ 159	\$ 172	\$ 331

Gains and losses on futures contracts included non-operating gains and loss on futures contracts amounted to NT\$5,752 thousand and NT\$5,322 thousand, respectively; gains and losses on options contracts included non-operating gains and loss on options contracts amounted to NT\$4,366 thousand and NT\$3,016 thousand, respectively.

For the year ended December 31, 2008			
	Realized gains ( losses )		( Unit : thousand of NT dollars )
	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

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, 2009 and 2008 are set forth below:

December 31, 2009

Transaction	Contract Amount / Premiums Paid		Fair Value	
	US\$		US\$	
	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )
Purchase of 2009 Central Government Bond A-1 Put Options	\$ 27	\$ 1	\$ 25	\$ 1

December 31, 2008

Transaction	Contract Amount / Premiums Paid		Fair Value	
	US\$		US\$	
Purchase of 2008 Central Government Bond A-4 Put Options	\$ 86	\$ 13		
Purchase of 2008 Central Government Bond A-6 Call Options	459	156		

2 ) The MS's ( loss ) profit arising from trading of bond options for the years ended December 31, 2009 and 2008 were with income of NT\$1,601 thousand ( US\$50 thousand ) and loss of NT\$10,021 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 and its subsidiaries 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 and its subsidiaries 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, 2009 and 2008 are set forth below:

December 31, 2009						
Item	Notional principal		Fair value		Nature	Risk hedging
	NT\$	US\$	NT\$	US\$		
		( Unaudited-Note 2 )		( Unaudited-Note 2 )		
Cross currency swap ( assets )	\$ 62,820,000	\$ 1,952,387	\$ 1,806,916	\$ 56,157	For trading purpose	None
Cross currency swap ( liabilities )	63,720,000	1,980,358	( 1,869,960 )	( 58,117 )	For trading purpose	None

December 31, 2008						
Item	Notional principal (NT\$)		Fair value (NT\$)		Nature	Risk hedging
Cross currency swap ( assets )	\$	67,420,000	\$	2,510,651	For trading purpose	None
Cross currency swap ( liabilities )		69,520,000	(	2,580,344 )	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, 2009:

	Realized Gain ( Loss )		Valuation Gain ( Loss )		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
		( Unaudited-Note 2 )		( Unaudited-Note 2 )		( Unaudited-Note 2 )
Interest rate swaps	( \$ 40,417 )	( \$ 1,256 )	\$ 6,650	\$ 207	( \$ 33,767 )	( \$ 1,049 )

For the year ended December 31, 2008:

	Realized Gain ( Loss )		Valuation Gain ( Loss )		Total	
	NT\$		NT\$		NT\$	
Interest rate swaps	( \$	5,614 )	( \$	60,392 )	( \$	66,006 )

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, 2009 and 2008 are as follows:

December 31, 2009

Financial Instrument	Notional Principal / Contract Amount		Fair Value	
	NT\$	US\$	NT\$	US\$
		( Unaudited-Note 2 )		( Unaudited-Note 2 )
Sale of American call options	\$ 16,277	( \$ 506 )	( \$ 64,534 )	( \$ 2,006 )

December 31, 2008

Financial Instrument	Notional Principal / Contract Amount		Fair Value	
	NT\$		NT\$	
Sale of American call options	\$	36,953	\$	11,305

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 the 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, 2009:

	Realized Gain ( Loss )		Valuation Gain ( Loss )		Total	
	US\$		US\$		US\$	
	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )
Asset swap-options	( \$ 17,423 )	( \$ 541 )	( \$ 73,906 )	( \$ 2,297 )	( \$ 91,329 )	( \$ 2,838 )

For the year ended December 31, 2008:

	Realized Gain ( Loss )		Valuation Gain ( Loss )		Total	
	NT\$		NT\$		NT\$	
Asset swap-options	\$ 83,208		( \$ 28,429 )		\$ 54,779	

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

( c ) 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, 2009 and 2008 are set forth below:

December 31, 2009: None.

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

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, 2009 and 2008 are set forth below:

	For the year ended December 31, 2009					
	Realized Gain ( Loss )		Valuation Gain		Total	
	US\$		US\$		US\$	
	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )
PGN	( \$ 410 )	( \$ 13 )	\$ -	\$ -	( \$ 410 )	( \$ 13 )
ELN	( 756 )	( 23 )	-	-	( 756 )	( 23 )
	( \$ 1,166 )	( \$ 36 )	\$ -	\$ -	( \$ 1,166 )	( \$ 36 )

	For the year ended December 31, 2008					
	Realized Gain ( Loss )		Valuation Gain		Total	
	NT\$		NT\$		NT\$	
PGN	\$ 3,377	( \$ 253 )	\$ 3,124			
ELN	1,147	( 518 )	629			
	\$ 4,524	( \$ 771 )	\$ 3,753			

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, 2009 and 2008 are as follows:

December 31, 2009:

	Number of financing shares ( In thousand of shares )	Market price	
		NT\$	US\$ ( Unaudited-Note 2 )
Margin loans given to customers and are collateralized by the securities that the customers purchase	896,598	\$ 28,663,975	\$ 890,850
Securities lent to customer to sell short	57,408	2,671,318	83,022

December 31, 2008:

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

### C. MBF

( a ) Derivative financial instruments – futures and options

i. As of December 31, 2009 and 2008, 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, 2009 and 2008 are set forth below:

	For the year ended December 31, 2009					
	Realized Gain( Loss )		Valuation Gain ( Loss )		Total	
	US\$		US\$		US\$	
	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )
( Loss ) gain on futures contracts	( \$ 3,798 )	( \$ 118 )	\$ -	\$ -	( \$ 3,798 )	( \$ 118 )
( Loss ) gain on option contracts	( 3,002 )	( 93 )	1,637	51	( 1,365 )	( 42 )
	( \$ 6,800 )	( \$ 211 )	\$ 1,637	\$ 51	( \$ 5,163 )	( \$ 160 )

	For the year ended December 31, 2008					
	Realized Gain ( Loss )		Valuation Gain ( Loss )		Total	
	NT\$		NT\$		NT\$	
( Loss ) gain on futures contracts	\$ 9,353	\$ -	\$ 9,353			
( Loss ) gain on option contracts	1,039	-	1,039			
	\$ 10,392	\$ -	\$ 10,392			

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 securities companies with good credit ratings. The option contracts entered into by MBF 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, MBF 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. Details of the interest rate swap contracts outstanding as of December 31, 2009 and 2008 are set forth below : None
- ii. Gains ( losses ) on the interest rate swaps for the years ended December 31, 2009 and 2008 are set forth below:

	For the year ended December 31, 2009					
	Realized Gain( Loss )		Valuation Gain ( Loss )		Total	
	US\$		US\$		US\$	
	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )	NT\$	( Unaudited-Note 2 )
Interest rate swap	( \$ 4,191 )	( \$ 130 )	\$ 7,310	\$ 227	\$ 3,119	\$ 97

	For the year ended December 31, 2008		
	Realized Gain ( Loss )		Total
	NT\$		NT\$
Interest rate swap	( \$ 16,062 )	\$ 30,482	\$ 14,420

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 securities 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 a 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, 2009 and 2008, the off-balance sheet contract amount for the guarantees of commercial papers subject to potential credit risks is NT\$246,294 million ( US\$7,655 million ) and NT\$244,232 million, respectively. ( The contract amount which has been drawn upon amounted to NT\$98,766 million ( US\$3,070 million ) and NT\$117,946 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, 2009 and 2008, the percentage of guarantees with collaterals is 59% and 51% 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 Listed Bills Finance Companies”.

1 ) Asset quality

UNIT: In Thousands of Dollars, %

Item	December 31, 2009		December 31, 2008
	US\$		
	NT\$	( Unaudited-Note 2 )	NT\$
Guarantees in arrear and guaranteed credits overdue for longer than three months	\$ -	\$ -	\$ 30,500
Overdue credits ( non-accrual loans are inclusive )	373,539	11,609	606,350
Loans under surveillance	860,000	26,728	1,225,000
Overdue receivables	373,539	11,609	577,350
Ratio of overdue credits ( % ) ( Note )	0.38	0.38	0.51
Ratio of overdue credits plus ratio of loans under surveillance ( % )	1.24	1.24	1.54
Provision for bad debts and guarantees as required by regulation	2,795,771	86,890	2,480,919
Provision for bad debts and guarantees actually reserved	3,039,239	94,457	2,776,424

Note : Ratio of overdue credits = overdue credits ( including overdue receivables, receivables and bills receivable ) ÷ ( outstanding guaranteed credits + payments for guarantee credits ).

2 ) Overview of main business

Item	December 31, 2009		December 31, 2008
	US\$		
	NT\$	( Unaudited-Note 2 )	NT\$
Total guarantees and endorsement for short-term bills	\$ 98,776,630	\$ 3,069,885	\$ 117,945,700
Guarantees and endorsement for short-term bills / Net amount ( after deducting final accounts allotment ) ( Note )	3.35	3.35	4.36
Total bills and bonds sold under repurchase agreements	159,606,041	4,960,407	215,025,089
Bills and bonds sold under repurchase agreements / Net amount ( after deducting final accounts allotment ) ( Note )	5.41	5.41	7.95

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 amounts, and total liabilities shall not exceed fourteen times of net amounts. The abovementioned business engaged by subsidiaries is in compliance with regulations.

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

( Expressed In Thousands of New Taiwan Dollars, % )

	December 31, 2009		December 31, 2008	
Amount of credit extensions to interested parties	\$ 340,000		\$ -	
Ratio of credit extensions to interested parties ( % ) ( Note 1 )	0.34		-	
Ratio of credit extensions secured by stocks ( % ) ( Note 2 )	18.86		14.72	
Industry concentration ( % ) ( Top 3 industries with highest ratio of credit extension amount ) ( Note 3 )	Industry	Ratio ( % )	Industry	Ratio ( % )
	Manufacturing	30.73	Manufacturing	35.17
	Financial & Insurance	30.70	Financial & Insurance	28.01
	Real estate	18.09	Real estate	15.82

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 amounts 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.



## 4 ) Policy of reserve for losses and movements of allowance for credit losses

MBF had revalued the allowance and reserves for bills receivable, accounts receivable, overdue loans, and commercial papers by considering unrecoverable risks. Movements in allowance for credit losses for the years ended December 31, 2009 and 2008 are as follows:

	For the year ended December 31,			
	2009		2008	
	NT\$	US\$( Unaudited-Note 2 )	NT\$	
Beginning balance	\$ 2,776,424	\$ 86,289	\$ 1,851,971	
Provisions	843,888	26,227	1,027,965	
Write-off	( 581,073 )	( 18,059 )	( 103,512 )	
Ending balance	\$ 3,039,239	\$ 94,457	\$ 2,776,424	

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

	December 31, 2009			December 31, 2008		
	Amount			Amount		
	NT\$	US\$( Unaudited-Note 2 )	%	NT\$	%	
Manufacturing	\$ 30,470	\$ 947	30.73	\$ 41,708	35.17	
Financial & Insurance	30,439	946	30.70	33,213	28.01	
Real estate	17,933	557	18.09	18,756	15.82	
Wholesale & retail	6,482	201	6.54	7,991	6.74	
Services	4,811	150	4.85	5,509	4.65	
Others	9,005	280	9.09	11,406	9.61	
Total	\$ 99,140	\$ 3,081	100.00	\$ 118,583	100.00	

## ( d ) Market risk

i. 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.

ii. "Information should be disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies is as follows:

### 1) Average value and average interest rates of interest-earning assets and interest-bearing liabilities

	For the year ended December 31, 2009			
	Average value		Average rate ( % )	
	NT\$	US\$( Unaudited-Note 2 )		
Asset				
Cash and cash equivalents	\$ 1,053,449	\$ 32,740		0.17
Financial assets at fair value through profit or loss	110,347,047	3,429,483		1.06
Bills and bonds purchased under resale agreements	10,415,285	323,697		0.27
Available-for-sale financial assets	108,603,489	3,375,295		2.99
Held-to-maturity financial assets	378,767	11,772		3.05
Liabilities				
Call loans and overdrafts from banks	8,166,381	253,803		0.23
Bills and bonds sold under repurchase agreements	199,008,429	6,184,996		0.25

	For the year ended December 31, 2008	
	Average value	Average rate ( % )
Asset		
Cash and cash equivalents	\$ 955,747	1.15
Call loans to banks	1,639	2.07
Financial assets at fair value through profit or loss	103,410,772	2.50
Bills and bonds purchased under resale agreements	16,482,505	1.81
Available-for-sale financial assets	122,204,094	2.93
Held-to-maturity financial assets	200,000	3.67
Liabilities		
Call loans and overdrafts from banks	5,182,585	2.03
Bills and bonds sold under repurchase agreements	213,121,702	1.82
Corporate bonds payable	2,375,683	1.48

Bills and bonds purchased under resale agreements include head office accounts.

### 2) Sensitivity analysis of interest rate for assets and liabilities

December 31, 2009

( Expressed in Thousands of New Taiwan Dollars, % )

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	82,667	12,570	10,260	88,910	194,407
Interest-rate-sensitive liabilities	162,475	2,657	60	32,836	198,028
Interest-rate-sensitive gap	( 79,808 )	9,913	10,200	56,074	( 3,621 )
Total stockholders' equity					32,836
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities ( % )					98.17
Ratio of interest-rate-sensitive gap to stockholders' equity ( % )					( 11.03 )

( Expressed in Thousands of US Dollars, % ) ( Unaudited-Note 2 )

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	2,569	391	319	2,763	6,042
Interest-rate-sensitive liabilities	5,049	83	2	1,020	6,154
Interest-rate-sensitive gap	( 2,480 )	308	317	1,743	( 112 )
Total stockholders' equity					1,021
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities ( % )					98.17
Ratio of interest-rate-sensitive gap to stockholders' equity ( % )					( 11.03 )

### Sensitivity analysis of interest rate for assets and liabilities

December 31, 2008

( Expressed in Thousands of New Taiwan Dollars, % )

Items	1~90 days	91~180 days	181 days ~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-sensitive gap	( 93,911 )	3,015	6,870	80,007	( 4,019 )
Total stockholders' equity					33,321
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities ( % )					98.44
Ratio of interest-rate-sensitive gap to stockholders' equity ( % )					( 12.06 )

Note 1: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates.

Note 2: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities.

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets — interest-rate-sensitive liabilities.

## (c) Liquidity risk

- 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.
- 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.
- MBF's fundamental management policy is to match the maturity date and interest rate on assets and liabilities and control cap arising from any mismatch. Due to uncertainty of terms and variety of types, maturity date and interest rate on assets and liabilities usually cannot fully match up, such mismatch may result to either potential gain or loss. As of December 31, 2009 and 2008, the carrying amounts of financial assets and financial liabilities are classified according to their time-to-maturity as follows:

(In Thousand of NT Dollars)

	December 31, 2009								
	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
<b>Assets</b>									
Financial assets at fair value through profit or loss									
Investment in bills	\$ 59,232,710	\$ 20,679,834	\$ 3,776,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$83,688,815
Fixed rate commercial paper	-	-	5,741	35,417	-	-	-	-	41,158
Bond investments – government bonds	-	-	-	-	-	-	20,886	-	20,886
Bond investments – international financial bonds	-	-	-	374,395	-	-	-	-	374,395
Bond investments – convertible corporate bonds	-	-	11,696	-	220,784	-	39,405	-	271,885
Convertible corporate bond asset swaps	-	130,032	631,922	418,018	55,429	-	-	-	1,235,401
Derivatives – interest rate swaps	2,271	7,137	20,735	44,014	-	-	-	-	74,157
Derivatives – stock price index options	2,270	670	-	-	-	-	-	-	2,940
<b>Available-for-sale financial assets</b>									
Bond investments - government bonds	193,212	-	11,232,499	11,224,335	21,993,607	14,696,393	10,580,369	19,000,940	88,921,355
Bond investments –financial bonds	178,973	1,500,945	1,669,151	-	-	-	-	-	3,349,069
Bond investments – international financial bonds	-	-	1,313,455	-	-	-	-	-	1,313,455
Bond investments – corporate bonds	-	-	4,270,499	3,828,674	2,038,732	1,660,214	979,747	923,148	13,701,014
Held-to-maturity financial assets	-	200,000	-	-	250,000	-	-	-	450,000
Total assets	\$ 59,609,436	\$ 22,518,618	\$ 22,931,969	\$ 15,924,853	\$ 24,558,552	\$ 16,356,607	\$ 11,620,407	\$ 19,924,088	\$193,444,530
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss									
Derivatives – interest rate swaps	-	- ( 40,855)	( 34,135)	-	-	-	-	-	( 74,990)
Bills and bonds sold under repurchase agreements	( 132,787,186)	( 24,101,631)	( 2,717,224)	-	-	-	-	-	( 159,606,041)
Total liabilities	( 132,787,186)	( 24,101,631)	( 2,758,079)	( 34,135)	-	-	-	-	( 159,681,031)
Net Liquidity Gap	(\$ 73,177,750)	(\$ 1,583,013)	\$ 20,173,890	\$ 15,890,718	\$ 24,558,552	\$ 16,356,607	\$ 11,620,407	\$ 19,924,088	\$ 33,763,499

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

	December 31, 2009								
	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
<b>Assets</b>									
Financial assets at fair value through profit or loss									
Investment in bills	\$ 1,840,897	\$ 642,710	\$ 117,363	-	\$ -	\$ -	\$ -	\$ -	\$ 2,600,970
Fixed rate commercial paper	-	-	178	1,101	-	-	-	-	1,279
Bond investments – government bonds	-	-	-	-	-	-	649	-	649
Bond investments – international financial bonds	-	-	-	11,636	-	-	-	-	11,636
Bond investments – convertible corporate bonds	-	-	363	-	6,862	-	1,224	-	8,449
Convertible corporate bond asset swaps	-	4,041	19,640	12,992	1,722	-	-	-	38,395
Derivatives – interest rate swaps	71	222	644	1,368	-	-	-	-	2,305
Derivatives – stock price index options	71	21	-	-	-	-	-	-	92
<b>Available-for-sale financial assets</b>									
Bond investments - government bonds	6,005	-	349,096	348,842	683,541	456,750	328,828	590,531	2,763,593
Bond investments –financial bonds	5,562	46,648	51,876	-	-	-	-	-	104,086
Bond investments – international financial bonds	-	-	40,821	-	-	-	-	-	40,821
Bond investments – corporate bonds	-	-	132,723	118,991	63,362	51,598	30,450	28,691	425,815
Held-to-maturity financial assets	-	6,215	-	-	7,770	-	-	-	13,985
Total assets	\$ 1,852,606	\$ 699,857	\$ 712,704	\$ 494,930	\$ 763,257	\$ 508,348	\$ 361,151	\$ 619,222	\$ 6,012,075
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss									
Derivatives – interest rate swaps	-	- ( 1,270)	( 1,061)	-	-	-	-	-	(2,331)
Bills and bonds sold under repurchase agreements	( 4,126,902)	( 749,056)	( 84,448)	-	-	-	-	-	( 4,960,406)
Total liabilities	( 4,126,902)	( 749,056)	( 85,718)	( 1,061)	-	-	-	-	( 4,962,737)
Net Liquidity Gap	(\$ 2,274,296)	(\$ 49,199)	\$ 626,986	\$ 493,869	\$ 763,257	\$ 508,348	\$ 361,151	\$ 619,222	\$ 1,049,338

(In Thousand 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
<b>Assets</b>									
Financial assets at fair value through profit or loss									
Investment in bills	\$62,940,733	\$57,382,703	\$5,041,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$125,365,360
Fixed rate commercial paper	-	27	19,831	24,494	52,833	-	-	-	97,185
Bond investments –government bonds	100,074	-	-	-	-	-	467,277	53,420	620,771
Bond Investments –financial bonds	-	296,180	-	-	-	-	-	-	296,180
Bond Investments – convertible 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 Investments -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 Investments –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	\$ 64,614,258	\$ 58,645,062	\$ 16,268,487	\$ 21,486,908	\$ 15,845,568	\$ 24,434,132	\$ 16,826,440	\$ 33,944,818	\$252,065,673
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss									
Derivatives – interest rate swaps	-	-	( 9,093)	( 67,709)	( 42,214)	-	-	-	( 119,016)
Bills and bonds sold under repurchase agreements	( 174,602,720)	( 34,610,021)	( 5,821,348)	-	-	-	-	-	( 215,025,089)
Total liabilities	( 174,602,720)	( 34,610,021)	( 5,821,441)	( 67,709)	( 42,214)	-	-	-	( 215,144,105)
Net Liquidity Gap	(\$109,988,462)	\$ 24,035,041	\$ 10,447,046	\$ 21,419,199	\$ 15,803,354	\$ 24,434,132	\$ 16,826,440	\$ 33,944,818	\$ 36,921,568

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

December 31, 2009

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	59,233	20,680	3,776	-	-
	Bonds	372	1,701	8,794	9,860	88,910
	Bank deposits	681	-	-	400	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resale agreements	-	-	-	-	-
	Total	60,286	22,381	12,570	10,260	88,910
Sources of Capital	Loans borrowed	5,586	-	-	-	-
	Bills and bonds sold under repurchase agreements	132,787	24,102	2,657	60	-
	Own capital	-	-	-	-	32,836
	Total	138,373	24,102	2,657	60	32,836
Net Flow of Capital		( 78,087)	( 1,721)	9,913	10,200	56,074
Accumulated Net Flow of Capital		( 78,087)	( 79,808)	( 69,895)	( 59,695)	( 3,621)

December 31, 2009

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	1,841	643	118	-	-
	Bonds	12	53	273	306	2,763
	Bank deposits	21	-	-	12	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resale agreements	-	-	-	-	-
	Total	1,874	696	391	318	2,763
Sources of Capital	Loans borrowed	174	-	-	-	-
	Bills and bonds sold under repurchase agreements	4,127	749	83	2	-
	Own capital	-	-	-	-	1,020
	Total	4,301	749	83	2	1,020
Net Flow of Capital		( 2,427)	( 53)	308	316	1,743
Accumulated Net Flow of Capital		( 2,427)	( 2,480)	( 2,172)	( 1,855)	( 113)

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 resale 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)

(f) Cash flow risk and fair value risk associated with movements in interest rates

- As of December 31, 2009 and 2008, 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. The following table shows the interest rate risk of the subsidiary, and 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:

(In Thousand of NT Dollars)

	December 31, 2009								
	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
<b>Assets</b>									
Financial assets at fair value through profit or loss									
International financial bonds with floating rate	\$ -	\$ 374,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374,395
Derivatives - interest rate swaps	20,655	42,954	10,548	-	-	-	-	-	74,157
Available-for-sale financial assets									
Financial bonds with floating rate	178,973	300,000	-	-	-	-	-	-	478,973
International financial bonds with floating rate	-	-	1,313,455	-	-	-	-	-	1,313,455
Corporate bonds with floating rate	415,848	-	455,517	-	-	-	-	-	871,365
Held-to-maturity financial assets									
Financial bonds with floating rate	-	150,000	-	-	-	-	-	-	150,000
<b>Total assets</b>	<b>\$ 615,476</b>	<b>\$ 867,349</b>	<b>\$ 1,779,520</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,262,345</b>
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss									
Derivatives - interest rate swaps	( 44,008)	( 30,982)	-	-	-	-	-	-	( 74,990)
Total liabilities	( 44,008)	( 30,982)	-	-	-	-	-	-	( 74,990)
<b>Total</b>	<b>\$ 571,468</b>	<b>\$ 836,367</b>	<b>\$ 1,779,520</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,187,355</b>

(In Thousand of US dollars, Unaudited-Note 2)

	December 31, 2009								
	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
<b>Assets</b>									
Financial assets at fair value through profit or loss									
International financial bonds with floating rate	\$ -	\$ 11,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,636
Derivatives - interest rate swaps	642	1,335	328	-	-	-	-	-	2,305
Available-for-sale financial assets									
Financial bonds with floating rate	5,562	9,324	-	-	-	-	-	-	14,886
International financial bonds with floating rate	-	-	40,821	-	-	-	-	-	40,821
Corporate bonds with floating rate	12,924	-	14,157	-	-	-	-	-	27,081
Held-to-maturity financial assets									
Financial bonds with floating rate	-	4,662	-	-	-	-	-	-	4,662
<b>Total assets</b>	<b>\$ 19,128</b>	<b>\$ 26,957</b>	<b>\$ 55,306</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 101,391</b>
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss									
Derivatives - interest rate swaps	( 1,368)	( 963)	-	-	-	-	-	-	( 2,331)
Total liabilities	( 1,368)	( 963)	-	-	-	-	-	-	( 2,331)
<b>Total</b>	<b>\$ 17,760</b>	<b>\$ 25,994</b>	<b>\$ 55,306</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,060</b>

(In Thousand 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
<b>Assets</b>									
Financial assets at fair value through profit or loss									
Financial bonds with floating rate	\$ 296,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 296,180
Derivatives - interest rate swaps	23,532	71,906	15,435	-	-	-	-	-	110,873
Available-for-sale financial assets									
Financial bonds with floating rate	178,974	756,492	506,162	-	-	-	-	-	1,441,628
Corporate bonds with floating rate	1,083,723	289,500	489,871	-	-	-	-	-	1,863,094
Held-to-maturity financial assets									
Financial bonds with floating rate	-	150,000	-	-	-	-	-	-	150,000
<b>Total assets</b>	<b>\$ 1,582,409</b>	<b>\$ 1,267,898</b>	<b>\$ 1,011,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,861,775</b>
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss									
Derivatives - interest rate swaps	( 77,115)	( 41,901)	-	-	-	-	-	-	( 119,016)
Total liabilities	( 77,115)	( 41,901)	-	-	-	-	-	-	( 119,016)
<b>Total</b>	<b>\$ 1,505,294</b>	<b>\$ 1,225,997</b>	<b>\$ 1,011,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,742,759</b>

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

Items of financial assets	December 31, 2009	December 31, 2008
Available-for-sale financial assets		
Bond investments - government bonds	0.1126%~2.1772%	0.9544%~2.0026%
Bond investments - financial bonds	1.8525%~3.0000%	2.0000%~3.0500%
Bond investments - international financial bonds	101.035 (using 100 dollars as base)	-
Bond investments - corporate bonds	1.7000%~6.0333%	1.8800%~3.3500%
Held-to-maturity financial assets		
Bond investments-financial bonds	2.3000%~3.2500%	3.2500%~3.9000%
Bond investments-corporate bonds	3.4000%	-

## 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. CKI undertakes derivative financial instruments such as interest rate swaps to hedge cash flow risk and fair value risk arising from fluctuations in interest rates. To mitigate interest rate risk, CKI also closely monitors interest rate trends and sets a stop-loss amount on the derivatives undertaken.

### (b) Foreign exchange rate risks:

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. 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. In addition, CKI also adopts the method of maintaining a basket of various foreign currencies in order to hedge foreign exchange rate risks.

(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 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

For the year ended December 31, 2009				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums (4)=(1)+(2)-(3)
Compulsory insurance	\$ 380,336	\$ 102,186	\$ 121,759	\$ 360,763
Non-compulsory insurance	5,089,375	621,410	3,094,557	2,616,228
Total	\$ 5,469,711	\$ 723,596	\$ 3,216,316	\$ 2,976,991

Expressed in thousands of NT dollars

For the year ended December 31, 2009			
Type	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	\$ 165,909	\$ 179,081	\$ 373,935
Non-compulsory insurance	1,557,569	1,647,200	2,705,859
Total	\$ 1,723,478	\$ 1,826,281	\$ 3,079,794

Expressed in thousands of US dollars, Unaudited-Note 2

For the year ended December 31, 2009				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums (4)=(1)+(2)-(3)
Compulsory insurance	\$ 11,820	\$ 3,176	\$ 3,784	\$ 11,212
Non-compulsory insurance	158,173	19,313	96,176	81,310
Total	\$ 169,993	\$ 22,489	\$ 99,960	\$ 92,522

Expressed in thousands of US dollars, Unaudited-Note 2

For the year ended December 31, 2009			
Type	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	\$ 5,156	\$ 5,566	\$ 11,622
Non-compulsory insurance	48,408	51,193	84,095
Total	\$ 53,564	\$ 56,759	\$ 95,717

Expressed in thousands of NT dollars

For the year ended December 31, 2008				
Type	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

For the year ended December 31, 2008			
Type	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

(g) Details of calculation of net claims are as follows:

Expressed in thousands of NT dollars

For the year ended December 31, 2009				
Type	Claims incurred (1)	Reinsurance Claims incurred (2)	Claims recovered from reinsurers (3)	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	\$ 249,233	\$ 86,032	\$ 98,602	\$ 236,663
Non-compulsory insurance	2,171,337	252,000	1,084,563	1,338,774
Total	\$ 2,420,570	\$ 338,032	\$ 1,183,165	\$ 1,575,437

Expressed in thousands of US dollars, Unaudited-Note 2

For the year ended December 31, 2009				
Type	Claims incurred (1)	Reinsurance Claims incurred (2)	Claims recovered from reinsurers (3)	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	\$ 7,746	\$ 2,674	\$ 3,065	\$ 7,355
Non-compulsory insurance	67,483	7,832	33,707	41,608
Total	\$ 75,229	\$ 10,506	\$ 36,772	\$ 48,963

Expressed in thousands of NT dollars

For the year ended December 31, 2008				
Type	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

(h) Details of balance, provisions and reserve released for unearned premiums are as follows:

Expressed in thousands of NT dollars

For the year ended December 31, 2009				
Compulsory automobile liability insurance for car	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	\$ 123,191	\$ 110,436	\$ 123,191	\$ 110,436
Reserve for catastrophic losses	242,379	24,363	-	266,742
Reserve for outstanding losses	2,471	2,336	2,471	2,336
Total	\$ 368,041	\$ 137,135	\$ 125,662	\$ 379,514

For the year ended December 31, 2009				
Compulsory automobile liability insurance for motorcycle	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	\$ 55,889	\$ 55,473	\$ 55,889	\$ 55,473
Reserve for catastrophic losses	221,425	41,092	-	262,517
Reserve for outstanding losses	596	643	596	643
Total	\$ 277,910	\$ 97,208	\$ 56,485	\$ 318,633

Expressed in thousands of US dollars, Unaudited-Note 2

For the year ended December 31, 2009				
Compulsory automobile liability insurance for car	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	\$ 3,829	\$ 3,432	\$ 3,829	\$ 3,432
Reserve for catastrophic losses	7,533	757	-	8,290
Reserve for outstanding losses	77	73	77	73
Total	\$ 11,439	\$ 4,262	\$ 3,906	\$ 11,795

For the year ended December 31, 2009				
Compulsory automobile liability insurance for motorcycle	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	\$ 1,737	\$ 1,724	\$ 1,737	\$ 1,724
Reserve for catastrophic losses	6,882	1,277	-	8,159
Reserve for outstanding losses	19	20	19	20
Total	\$ 8,638	\$ 3,021	\$ 1,756	\$ 9,903

Expressed in thousands of NT dollars

For the year ended December 31, 2008				
Compulsory automobile liability insurance for car	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	2,488	2,471	2,488	2,471
Total	\$ 293,139	\$ 201,345	\$ 126,443	\$ 368,041

For the year ended December 31, 2008				
Compulsory automobile liability insurance for motorcycle	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	\$ 47,469	\$ 55,889	\$ 47,469	\$ 55,889
Reserve for catastrophic losses	175,470	45,955	-	221,425
Reserve for outstanding losses	554	596	554	596
Total	\$ 223,493	\$ 102,440	\$ 48,023	\$ 277,910

(i) Net premiums:

For the years ended December 31, 2009 and 2008, net premiums of the respective insurances are as follows:

	For the years ended December 31		
	2009		2008
	NT\$	US\$( Unaudited-Note 2 )	NT\$
General fire insurance	\$ 700,000	\$ 21,755	\$ 700,000
Fire & allied perils insurance	700,000	21,755	700,000
Marine cargo insurance	200,000	6,216	200,000
Marine hull insurance	200,000	6,216	200,000
Fishing vessel insurance	50,000	1,554	50,000
Aviation insurance	USD10,000	10,000	USD10,000
Engineering insurance	700,000	21,755	700,000
Money insurance	120,000	3,729	120,000
Motor physical damage insurance	6,000	186	6,000
Motor third party liability insurance	60,000	1,865	60,000
Motor passengers liability insurance	75,000	2,331	75,000
Compulsory automobile liability insurance for motorcycle	All retained	All retained	All retained
Car driver injury insurance	All retained	All retained	All retained
Driver injury insurance	All retained	All retained	All retained
Liability insurance	200,000	6,216	200,000
Fidelity bond insurance	50,000	1,554	50,000
Engineering bond insurance	200,000	6,216	200,000
Bankers' bond insurance	500,000	15,540	500,000
Other insurance	200,000	6,216	200,000
Other credit and bond insurance	120,000	3,729	120,000
Nuclear energy insurance	200,000	6,216	200,000
Group accident insurance	20,000	622	20,000
Personal accident insurance	20,000	622	20,000
Travel accident insurance	20,000	622	20,000

(j) Unqualified reinsurance reserve:

CKI entered into outward reinsurance contracts with Sunbright Ins. Pte. Ltd. and Walsun Insurance, respectively. The scope of the reinsurance contracts is the same as the reinsurance contracts of CKI.

Insurance company / insurance agent	Type of outward reinsurance contract
Sunbright Ins. Pte. Ltd.	Construction insurance
Walsun Insurance	Construction insurance

The unqualified reinsurance expense was NT\$5,391 thousand for the year ended December 31, 2009. As of December 31, 2009, the unqualified reinsurance reserve comprises unearned premium reserve of NT\$2,695 thousand and claims recoverable from reinsurers of NT\$29 thousand.

E. MITC

Accounts receivable : management fees and sales fees receivable and other receivables ( including related parties )

( a ) Market risk

All receivables of MITC mature within 1 year; hence, no significant market risk is expected.

( b ) Credit risk

The MITC's credit policy should be assessed and confirmed procedures. For receivables- related parties, as debtors are with good credit, no significant credit risk is expected.

( c ) Liquidity risk

All receivables of MITC mature within 1 year; hence, no significant liquidity risk is expected.

( d ) Cash flow risk associated with movement in interest rates

All receivables of MITC mature within 1 year; hence, there is no cash flow risk associated with movement in interest rates.

F. MAM

Financial instruments held by MAM mainly include cash and cash equivalents, short-term loans, short-term bills payable and long-term loans, etc. MAM takes advantage of such financial instruments to adjust for the demand for operating capitals. In addition, MAM also holds other financial assets and liabilities, such as obligor receivables purchased and payables incurred as a result of operating activities.

( a ) Cash flow risk associated with movements in interest rates

The following table shows the interest rate risk of MAM, and is presented by the book value of financial instruments and is classified by the earlier of the expected maturity date:

i Fixed interest rate

Expressed in thousands of NT dollars				
	Within 1 year	1 ~ 2 years	Over 2 years	Total
Short-term loans	\$ 6,773,000	\$ -	\$ -	\$ 6,773,000
Short-term bills payable	3,207,567	-	-	3,207,567

Expressed in thousands of US dollars, Unaudited-Note 2				
	Within 1 year	1 ~ 2 years	Over 2 years	Total
Short-term loans	\$ 210,499	\$ -	\$ -	\$ 210,499
Short-term bills payable	99,688	-	-	99,688

ii Floating interest rate

Expressed in thousands of NT dollars				
	Within 1 year	1 ~ 2 years	Over 2 years	Total
Bank deposits	\$ 24,164	\$ -	\$ -	\$ 24,164
Restricted assets – current	-	-	36,766	36,766
Long-term loans	-	-	2,291,500	2,291,500

Expressed in thousands of US dollars, Unaudited-Note 2				
	Within 1 year	1 ~ 2 years	Over 2 years	Total
Bank deposits	\$ 751	\$ -	\$ -	\$ 751
Restricted assets – current	-	-	1,143	1,143
Long-term loans	-	-	71,218	71,218

Interests of financial instruments with floating interest rate are repriced within 1 year; interests of financial instruments with fixed interest rate are fixed until maturity. Other financial instruments excluded from the above table are financial instruments with no interests, as they do not have interest rate risk, they are excluded from the above table.

( b ) Credit risk

Transactions are conducted only with approved counterparties with good credit conditions. According to MAM's policy, MAM assesses the credit standing of the counterparty before entering into transactions and assesses collectibility of receivables and notes receivables on a periodic basis, and thereafter a payment due date is assigned for each counterparty according to assessments on their relative credit standings. Therefore, there is no doubtful account.

( c ) Liquidity risk

MAM achieves the objectives of effective use of capital and stabilization of capital by adjusting capital through the use of cash and cash equivalents, bank loans and short-term bills payable, etc. The operating capital of the Company is sufficient in meeting capital on demand; therefore, no significant liquidity risk is expected to occur.

( 4 ) Risk management and hedging strategy

A. The Company

Non-derivative financial assets and liabilities 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, operation 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 Assets & Liabilities Management Committee, Loan Committee, Problem Loan Committee, Investment Committee, Fund Management Committee, Product & Regulation Committee, Wealth Management Committee, Offshore Structured Products Committee, Personal Appraisal Committee, Occupational Safety & Health Committee and Trust Assets Screening 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, takes 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. In terms of credit risk, Credit Management Department is responsible for risk management of credit business, management of large amount of money and risk exposure of related parties, credit policy and to draft relevant Articles; Card Service Center is in charge

of risk management of credit card business and to draft relevant Articles; Investment Department manages risk management of investment business and to draft relevant Articles; Treasury 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 and evaluation of corporate banking clients and to draft relevant Articles. For market risk and liquidity risk, risk management is carried out by Financial Management Service Center, 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. Planning Department manages country risk and sets up limit and relevant Articles for country risk. 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 of the Bank, hold risk control meetings on a quarterly basis (amended to on a bimonthly basis), 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 Bank'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 procedure of risk management and principles of measuring and controlling regarding credit risk, market risk, operation risk, liquidity risk and country risk 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 MICB 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 at least once a year, 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 Treasury Department and Financial Service Center. The Risk Management Department then summarizes and reports to the Risk Management Committee of Mega Financial Holdings and Board of Directors for approval.

The Financial Service Center 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 middle of 2010. 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 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 sets up self-assessment mechanism to measure the exposure of operation risk and reinforce controls on items that are likely to happen and with high effects.

The Bank reports operation risk loss events, compliance with laws and regulations, auditing and self-assessment to the 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 Financial Service Center is in charge of preparing weekly reports which are submitted to the fund management committee on semi-monthly basis in order to 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 providing 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.

v. Country risk

a ) Procedure of risk management

Planning Department reports to the Board of directors for establishment of guideline governing country risk, and prepares monthly "table of risk limits to individual countries and each level" to inspect risk limits and submit to management. The Planning Department also reports the usage and exposure of country risk limits on a quarterly basis and then Risk Management Department reports to the Board of Directors.

b ) Principles of measuring and controlling

For the political stability, economic development, credit condition and ability to pay back debts of individual countries, take the latest Country Ceilings for Foreign Currency published by Moody's Investors Services, actual usage of allocated country risk limits and other information as references for setting up country risk limits of individual countries and each level and summarizing creditor's rights of individual countries on a monthly basis, in order to avoid risk concentration on a specific country.

(b) MS

i. Market risk

MS and its subsidiaries' 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 and its subsidiaries' potential credit risk mainly arises from financial instruments including cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivable, 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 and its subsidiaries assess 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 and its subsidiaries 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 and its subsidiaries perform 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 and its subsidiaries 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 and its subsidiaries' 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 and its subsidiaries' 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 and its subsidiaries' risk as a whole, MS and its subsidiaries established specialized risk management committee primarily responsible for the allocation of MS and its subsidiaries' 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 and its subsidiaries' management standards as well as the management of other operating risks.

MS and its subsidiaries' risk management organization structure include the Board of Directors and risk management section. The Board of Directors is the highest instruction unit of MS and its subsidiaries' risk management organization structure and is responsible for authorizing MS and its subsidiaries' 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 and its subsidiaries' risk management policy is established in order to manage the risk of the Group as a whole effectively and to pursue the optimum balance of risk compensation for ensuring that MS and its subsidiaries' administrator is seeking for business development with the comprehension of MS and its subsidiaries' 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.

(c) 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.

(d) MITC

Derivative financial instruments held by MITC mainly include cash and cash equivalents, bonds purchased under resale agreements, available-for sale financial assets and bonds investments with no active market. MITC 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 receivables incurred as a result of operating activities.

The primary risks of MITC’s financial instruments are market risk, credit risk, liquidity risks and cash flow risk associated with interest rate variations.

i. Market risk

Market risks arise from variation in market interest rates. Variation in market interest rates fluctuates fair value of bond investments. Limits on positions and stop-loss of the financial instruments held by MITC are properly controlled.

ii. Credit risk

MITC has no significant credit risk concentration.

iii. Liquidity risk

The operating capital of MITC 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.

iv. Cash flow risk associated with interest rate variations

MITC has no short-term and long-term loans; therefore, there is no cash flow risk associated with interest rate variations.

(e) 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 insurance receivables, intercourse guarantees receivable and intercourse guarantees payables incurred as a result of operating activities.

The primary risks of CKI’s financial instruments are cash flow risk associated with interest rate 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, 2009

	Ownership percentage held by the Company		Eligible capital			Minimum capital	
			NT\$	US\$ ( Unaudited -Note 2 )		NT\$	US\$ ( Unaudited-Note 2 )
The Company	100%		\$201,512,477	\$6,262,819		\$220,053,938	\$6,839,071
MICB	100%		168,190,006	5,227,188		114,693,509	3,564,567
MS	100%		10,279,856	319,488		4,905,425	152,456
MBF	100%		27,479,317	854,032		13,022,308	404,721
CKI	100%		5,451,254	169,420		1,647,884	51,215
MITC	100%		675,019	20,979		428,910	13,330
MAM	100%		2,520,305	78,329		7,905,926	245,709
Mega Life Insurance Agency	100%		52,732	1,639		45,022	1,399
Mega Venture Capital	100%		997,177	30,991		503,934	15,662
Deduction item			( 226,787,330 )	( 7,048,338 )		( 212,270,268 )	( 6,597,162 )
Subtotal		( A )	\$ 190,370,813	\$ 5,916,547	( B )	\$ 150,936,588	\$ 4,690,968
Capital adequacy ratio of the Consolidated Company ( C )=( A )÷( B )					( C )	126.13%	

Mega Financial Holding Co., Ltd. And Its Subsidiaries  
Capital Adequacy Ratio  
December 31, 2008

	Ownership percentage held by the Company		Eligible capital (NT\$)		Minimum capital (NT\$)
The Company	100%		\$ 183,461,613		\$ 203,955,580
MICB	100%		160,538,286		114,641,892
MS	100%		8,475,763		4,342,560
MBF	100%		27,761,307		15,760,688
CKI	100%		5,174,291		1,769,366
MITC	100%		594,546		884,305
MAM	100%		2,383,663		4,296,040
Mega Life Insurance Agency	100%		38,276		27,483
Mega Venture Capital	100%		803,952		402,891
Deduction item			( 212,277,289 )		( 196,065,435 )
Subtotal		( A )	\$ 176,954,408	( B )	\$ 150,015,370
Capital adequacy ratio of the Consolidated Company ( C )=( A )÷( B )				( C )	117.96%



B. As of December 31, 2009, the financial holding’s net eligible capital

Mega Financial Holding Co., Ltd. And Its Subsidiaries  
Financial Holding’s Net Eligible Capital  
December 31, 2009

	NT\$	US\$ ( Unaudited–Note 2 )
Common stocks	\$ 110,594,262	\$ 3,437,166
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	186,474
Capital collected in advance	-	-
Additional paid-in capital	43,426,403	1,349,652
Legal reserve	15,354,639	477,208
Special reserve	354,967	11,032
Accumulated earnings	16,206,576	503,685
Equity adjustments	9,717,733	302,018
Less : goodwill	-	-
deferred assets	142,103	4,416
treasury stocks	-	-
Total net eligible capital	\$ 201,512,477	\$ 6,262,819

Mega Financial Holding Co., Ltd. And Its Subsidiaries  
Financial Holding’s Net Eligible Capital  
December 31, 2008

	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	6,000,000
Capital collected in advance	-
Additional paid-in capital	43,426,403
Legal reserve	15,325,187
Special reserve	354,967
Accumulated earnings	4,668,990
Equity adjustments	3,108,674
Less : goodwill	-
deferred assets	16,870
treasury stocks	-
Total net eligible capital	\$ 183,461,613

( 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" as of December 31, 2009:

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company ( % )
1. Same natural or juridical person		
Central Bank of the Republic of China ( Taiwan )	\$ 259,903	132.96
Ministry of Finance, R.O.C.	103,511	52.95
Taiwan High Speed Rail Corporation	72,595	37.14
Taiwan Power Company	66,648	34.10
National Financial Stabilization Fund	27,403	14.02
CPC Corporation, Taiwan	23,265	11.90
Formosa Petrochemical Corporation	17,661	9.04
AU Optronics Corp.	12,028	6.15
Yu Feng P/L & Yuan Chieh P/L	11,977	6.13
Chi Mei Optoelectronics Corp.	11,815	6.04
Dragon Steel Corp.	9,195	4.70
TPG Newbridge Taishin Holdings III, LTD.	9,000	4.60
Asia Cement Corp.	7,743	3.96
China Airlines, Ltd.	7,638	3.91
Formosa Chemicals & Fibre Corporation	7,321	3.75
Tpg Newbridge Taishin Holdings Vi,.Ltd.	7,000	3.58
Yang Ming ( Liberia ) Corp.	6,771	3.46
Calyon, Taipei Branch 2005-1 bonds	6,411	3.28
Chinatrust Financial Holdings Co., Ltd.	6,295	3.22
Morgan Stanley Formosa Holdings ( Cayman )	6,168	3.16
Formosa Plastics Corp. USA	6,027	3.08
Components Investment Holdings Ltd.	5,794	2.96
Foxconn Electronics Inc.	5,640	2.89
Powerchip Semiconductor Corp.	5,127	2.62
China Steel	5,122	2.62
RSEA Engineering Corp.	4,875	2.49
CSBC Corporation, Taiwan	4,843	2.48
E. Sun Financial Holdings Co., Ltd.	4,820	2.47
Chi Mei Corporation	4,584	2.35
BNP Paribas	4,578	2.34
J-M Mfg. Co. Inc. & PW Eagle Inc.	4,531	2.32
Iniotera Memories Corporation	4,509	2.31
Nanya Technology Corporation	4,489	2.30
Fu Chuang Development Corporation	4,200	2.15
Mr./ Miss Lin	4,200	2.15
The Republic of Paraguay	4,152	2.12
Tatung Co., Ltd.	4,152	2.12
Nan Ya Plastics Corporation	4,115	2.11
Southern Taiwan Science Park	3,900	2.00
Yieh Phui Enterprise Co., Ltd.	3,857	1.97
Kaohsiung Rapid Transit Corporation	3,826	1.96
Far Eastern Department Stores Ltd.	3,812	1.95

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
Yieh United Steel Corporation	3,715	1.90
Yuan Ding Company Limited	3,582	1.83
AWI Finance (B.V.I.) Co., Ltd.	3,513	1.80
Farglory Land Development Co., Ltd.	3,409	1.74
Far Eastern New Century Corporation	3,334	1.71
Innolux Corporation	3,330	1.70
Formosa Plastics Corporation	3,327	1.70
Nordic Europe Investment Bank	3,280	1.68
Jong Shyn Ship Building Co., Ltd.	3,265	1.67
Foxconn Far East Ltd.	3,218	1.65
<u>2. Principal, his /her spouse, blood relatives within the second degree and enterprises in which the principal or his/her spouse is the responsible person</u>		
Mr./ Miss Lin	82,250	42.08
Mr./ Miss Feng	72,603	37.14
Mr./ Miss Xiang	23,271	11.91
Mr./ Miss Ge	10,853	5.55
Mr./ Miss Li	9,904	5.07
Mr./ Miss Chang	9,714	4.97
Mr./ Miss Lin	9,020	4.61
Mr./ Miss Huang	8,435	4.32
Mr./ Miss Chao	8,185	4.19
Mr./ Miss Xu	8,053	4.12
Mr./ Miss Guo	7,639	3.91
Mr./ Miss Li	7,639	3.91
Mr./ Miss Lin	6,989	3.58
Mr./ Miss Huang	5,326	2.72
Mr./ Miss Wu	5,122	2.62
Mr./ Miss Chen	4,852	2.48
Mr./ Miss Cai	4,341	2.22
Mr./ Miss Zhao	4,018	2.06
Mr./ Miss Li	3,959	2.03
Mr./ Miss Zhou	3,540	1.81
Mr./ Miss Duan	3,438	1.76
Mr./ Miss Yang	3,338	1.71
Mr./ Miss Xie	3,028	1.55
<u>3. Same affiliated enterprises</u>		
Walsin Lihwa Corporation	75,390	38.57
Mai Liao Industry Park	35,270	18.04

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
KKPC Corporation	33,729	17.26
Asia Cement Corp.	31,127	15.92
China Steel Corporation	26,081	13.34
Chi Mei Materials Technology Corp.	19,412	9.93
Hong Fa Semiconductor Corp.	19,235	9.84
TPG Newbridge Taishin Holdings III, Ltd.	16,000	8.19
President Tokyo Corporation	14,538	7.44
Hon Hai Precision Co., Ltd.	14,069	7.20
Formosa Chemicals & Fiber Corporation	12,025	6.15
Taiwan Cement Corporation	11,851	6.06
Yang Ming Marine Transport Corporation	11,678	5.97
Lian Hui Development Corporation	11,616	5.94
Tatung Co., Ltd.	9,963	5.10
TPO Displays Corp.	9,761	4.99
Rexchip Electronics Corp.	7,911	4.05
China Airlines Ltd.	7,872	4.03
E-Sun Commercial Bank Ltd.	7,132	3.65
Morgan Stanley Formosa Holdings (Cayman)	6,985	3.57
AWI Finance (B.V.I.) Co., Ltd.	6,598	3.38
Transformer Maritime S.A. Panama	6,000	3.07
Farglory Land Development Co., Ltd.	5,610	2.87
Fubon Land Development Co., Ltd.	5,448	2.79
Wisdom Marine Lines S.A.	4,844	2.48
Evergreen Marine Corp.	4,658	2.38
AG Neovo Corporation	4,564	2.33
Sincere Navigation Corporation	4,333	2.22
Maxxis International (Thailand) Co., Ltd.	4,188	2.14
ChipMOS Technologies (Bermuda) Ltd.	3,993	2.04
Central Investment Holding Co., Ltd.	3,953	2.02
De Chan Automobile trading Co., Ltd.	3,847	1.97
YFY Packaging Inc.	3,763	1.93
China Petrochemical Development Corporation	3,736	1.91
NexPower Technology Corp.	3,716	1.90
Jong Shyn Ship Building Co., Ltd.	3,392	1.74
AUSTeK Computer Inc.	3,327	1.70
Da Yu International Technology Corporation	3,326	1.70
Reliance Communications Ltd.	3,179	1.63
SinoPac Leasing Co., Ltd.	3,055	1.56



(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:

None.

(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, 2009:

The promotion bonus paid to other subsidiaries by MITC, MBF and MICB amounted to NT\$15,660 thousand (US\$487 thousand), NT\$1,260 thousand (US\$39 thousand) and NT\$790 thousand (US\$25 thousand), respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by NT\$271,330 thousand (US\$8,433 thousand) for CKI; NT\$5,090 thousand (US\$158 thousand) for MICB; \$60,490 thousand (US\$1,880 thousand) for MITC; and NT\$15,870 thousand (US\$493 thousand) for MBF.

(b) 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, NT\$1,420 thousand and NT\$120 thousand, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by NT\$246,270 thousand for CKI; NT\$5,660 thousand for MICB; \$45,070 thousand for MITC; and NT\$4,930 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, 2009  
(Expressed in Thousands of NT Dollars)

Items	Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other division	Consolidation
Interest income, net		\$ 22,093,405	\$ 122,146	\$ 3,965,577	\$ 844,061	(\$ 549,488)	\$ 26,475,701
Revenues other than interest, net		12,363,590	1,175,831	1,097,856	4,032,164	1,287,160	19,956,601
Net revenue		34,456,995	1,297,977	5,063,433	4,876,225	737,672	46,432,302
Bad debt expense	( 6,461,686)	-	( 843,888)	-	-	-	( 7,305,574)
Provisions for the reserve for insurance	- ( 22,302)	-	-	-	-	-	( 22,302)
Operational expenses	( 14,657,279)	( 847,138)	( 785,484)	( 2,920,774)	( 837,564)	( 20,048,239)	
Income before Income Tax from Continuing Operations		13,338,030	428,537	3,434,061	1,955,451	( 99,892)	19,056,187
Income tax expense	( 2,548,703)	( 282,299)	( 647,539)	( 726,560)	( 506,216)	( 4,711,317)	
Consolidated Net Income from Continuing Operations		\$ 10,789,327	\$ 146,238	\$ 2,786,522	\$ 1,228,891	(\$ 606,108)	\$ 14,344,870

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, 2009  
(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		\$ 686,642	\$ 3,796	\$ 123,246	\$ 26,233	(\$ 17,077)	\$ 822,840
Revenues other than interest, net		384,249	36,544	34,120	125,316	40,003	620,232
Net revenue		1,070,891	40,340	157,366	151,549	22,926	1,443,072
Bad debt expense	( 200,824)	-	( 26,227)	-	-	-	( 227,051)
Provisions for the reserve for insurance	- ( 693)	-	-	-	-	-	( 693)
Operational expenses	( 455,534)	( 26,328)	( 24,412)	( 90,775)	( 26,031)	( 623,080)	
Income before Income Tax from Continuing Operations		414,533	13,319	106,727	60,774	( 3,105)	592,248
Income tax expense	( 79,211)	( 8,774)	( 20,125)	( 22,581)	( 15,732)	( 146,423)	
Consolidated Net Income from Continuing Operations		\$ 335,322	\$ 4,545	\$ 86,602	\$ 38,193	(\$ 18,837)	\$ 445,825

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 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	( 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.

(13) Financial statements of the Company and condensed financial statements of its subsidiaries:

MEGA FINANCIAL HOLDING CO., LTD.  
BALANCE SHEETS  
December 31, 2009 and 2008  
(Expressed in Thousands of Dollars)

	December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008	
	US\$				US\$			
	NT\$	(Unaudited-Note 2)	NT\$		NT\$	(Unaudited-Note 2)	NT\$	
<b>Assets</b>				<b>Liabilities</b>				
Cash and cash equivalents	\$ 3,973,949	\$ 123,507	\$ 1,276,998	Payables	\$ 9,289,859	\$ 288,720	\$ 10,071,386	
Receivables, net	2,109,325	65,556	4,368,517	Bonds payable	19,450,000	604,488	19,450,000	
Available-for-sale financial assets, net	4,326,506	134,464	3,654,882	Accrued pension liability	32,868	1,022	34,034	
Equity investments accounted for by the equity method, net	212,270,268	6,597,161	196,065,435	Other liabilities	5,990	186	6,147	
Financial assets carried at cost	762,046	23,684	762,046	Total Liabilities	28,778,717	894,416	29,561,567	
Property and equipment, net	727,187	22,600	759,660	<b>Stockholders' Equity</b>				
Other assets, net	129,610	4,028	147,684	Common stock	110,594,262	3,437,166	110,594,262	
Deferred tax assets, net	134,406	4,177	4,828	Capital surplus	43,426,403	1,349,652	43,426,403	
				Retained earnings	15,354,639	477,208	15,325,187	
				Legal reserve	354,967	11,032	354,967	
				Special reserve	16,206,576	503,685	4,668,990	
				Unappropriated retained earnings				
				Equity adjustments				
				Land revaluation increment	2,319,945	72,102	3,191,570	
				Cumulative translation adjustments	1,598,513	49,680	1,755,165	
				Unrealized gains on financial instruments	5,799,275	180,236	( 1,838,061)	
				Total Stockholders' Equity	195,654,580	6,080,761	177,478,483	
				<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>TOTAL ASSETS</b>	<b>\$ 224,433,297</b>	<b>\$ 6,975,177</b>	<b>\$ 207,040,050</b>		<b>\$ 224,433,297</b>	<b>\$ 6,975,177</b>	<b>\$ 207,040,050</b>	

MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF INCOME  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

	For the year ended December 31, 2009		For the year ended December 31, 2008	
	NT\$	US\$ (Unaudited-Note 2)	NT\$	
<b>Revenues</b>				
Interest income	\$ 4,983	\$ 155	\$ 36,762	
Investment income from equity investments accounted for by the equity method	15,190,437	472,105	858,051	
Other revenue except for interest income	16,420	510	13,054	
Total revenue	15,211,840	472,770	907,867	
<b>Expenses and losses</b>				
Interest expense	( 514,206)	( 15,981)	( 409,325)	
Service fee expense	-	-	( 827)	
Foreign exchange loss	( 9)	-	( 848)	
Personnel expenses	( 201,717)	( 6,269)	( 131,459)	
Depreciation and amortization	( 51,603)	( 1,604)	( 61,748)	
Other business and administrative expenses	( 75,466)	( 2,346)	( 132,559)	
Total expenses and losses	( 843,001)	( 26,200)	( 736,766)	
Income before Income Tax from Continuing Operations	14,368,839	446,570	171,101	
Income Tax (Expense) Benefit	( 36,945)	( 1,148)	123,418	
Net Income	\$ 14,331,894	\$ 445,422	\$ 294,519	
<b>Basic Earnings Per Share (in dollars)</b>	<b>Before Taxes</b>	<b>After Taxes</b>	<b>Before Taxes</b>	<b>After Taxes</b>
Net Income from Continuing Operations	\$ 1.30	\$ 1.30	\$ 0.02	\$ 0.03
<b>Basic Earnings Per Share (in dollars)</b>	<b>Before Taxes</b>	<b>After Taxes</b>	<b>Before Taxes</b>	<b>After Taxes</b>
Net Income from Continuing Operations	\$ 1.30	\$ 1.30	\$ 0.02	\$ 0.03

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. CONDENSED BALANCE SHEETS December 31, 2009 and 2008 ( Expressed in Thousands of Dollars )							
December 31, 2009			December 31, 2008	December 31, 2009			December 31, 2008
	US\$ ( Unaudited-Note 2 )				US\$ ( Unaudited-Note 2 )		
Items	NT\$		NT\$	Items	NT\$		NT\$
Assets				Liabilities			
Cash and cash equivalents	\$ 305,966,509	\$ 9,509,153	\$ 260,540,022	Due to the Central Bank and financial institutions	\$ 389,582,216	\$ 12,107,851	\$ 385,328,571
Due from the Central Bank and call loans to banks, net	90,403,913	2,809,669	103,069,179	Funds borrowed from the Central Bank and other banks	57,517,261	1,787,583	53,185,187
Financial assets at fair value through profit or loss, net	25,129,708	781,008	40,099,319	Financial liabilities at fair value through profit or loss	32,930,365	1,023,445	48,544,695
Bills and bonds purchased under resale agreements	-	-	1,703,165	Bills and bonds sold under repurchase agreements	3,384,082	105,174	11,239,752
Receivables, net	85,850,470	2,668,152	95,679,862	Payables	39,989,175	1,242,826	54,850,792
Bills discounted and loans, net	1,264,904,835	39,312,060	1,303,532,614	Deposits and remittances	1,473,469,928	45,794,068	1,306,722,745
Available-for-sale financial assets, net	113,744,529	3,535,074	101,441,676	Financial bonds payable	27,703,000	860,983	29,899,347
Held-to-maturity financial assets, net	261,919,439	8,140,211	94,257,827	Accrued pension liabilities	1,541,227	47,900	1,218,320
Equity investments accounted for by the equity method, net	9,268,167	288,046	9,042,433	Other financial liabilities	4,035,556	125,421	5,946,463
Other financial assets, net	19,128,952	594,510	21,168,785	Other liabilities	11,286,102	350,762	11,945,206
Property and equipment, net	14,803,951	460,093	16,189,414	Total Liabilities	2,041,438,912	63,446,013	1,908,881,078
Other assets, net	6,564,319	204,013	3,846,031	Stockholders' equity			
				Capital stock	64,109,878	1,992,475	64,109,878
				Capital surplus	33,070,028	1,027,786	33,070,028
				Retained earnings	52,834,864	1,642,058	43,773,487
				Equity adjustments	6,231,110	193,657	735,856
				Total Stockholders' Equity	156,245,880	4,855,976	141,689,249
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$2,197,684,792	\$ 68,301,989	\$2,050,570,327		\$2,197,684,792	\$ 68,301,989	\$2,050,570,327

MEGA SECURITIES CO., LTD. CONDENSED BALANCE SHEETS December 31, 2009 and 2008 ( Expressed in Thousands of Dollars )							
December 31, 2009			December 31, 2008	December 31, 2009			December 31, 2008
Items	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	Items	NT\$	US\$ ( Unaudited-Note 2 )	NT\$
<u>Assets</u>				<u>Liabilities</u>			
Current assets	\$ 36,964,735	\$ 1,148,829	\$ 43,300,292	Current liabilities	\$ 28,619,399	\$ 889,464	\$ 33,065,938
Funds and investments	1,746,276	54,273	1,538,797	Long-term liabilities	-	-	3,000,000
Property and equipment	2,978,869	92,581	3,097,749	Other liabilities	528,172	16,415	314,702
Intangible assets	32,060	996	41,830	Credit items for securities			
Other assets	1,767,912	54,945	1,669,576	consignment trading, net	-	-	133,629
Debit items for securities				Total liabilities	29,147,571	905,879	36,514,269
consignment trading, net	174,907	5,436	-				
				<u>Stockholders' equity</u>			
				Capital stock	11,600,000	360,517	13,200,000
				Capital surplus	906,255	28,166	906,255
				Retained earnings			
				( accumulated deficit )	1,887,592	58,665	( 951,600 )
				Equity adjustments	123,341	3,833	( 20,680 )
				Total Stockholders' Equity	14,517,188	451,181	13,133,975
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$ 43,664,759	\$ 1,357,060	\$ 49,648,244		\$ 43,664,759	\$ 1,357,060	\$ 49,648,244

MEGA BILLS FINANCE CO., LTD. CONDENSED BALANCE SHEETS December 31, 2009 and 2008 ( Expressed in Thousands of Dollars )							
December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008	
Items	NT\$	US\$ ( Unaudited-Note 2 )	NT\$	Items	NT\$	US\$ ( Unaudited-Note 2 )	NT\$
Assets				Liabilities			
Cash and cash equivalents	\$ 681,894	\$ 21,193	\$ 629,350	Due to the Central Bank and financial institutions	\$ 5,586,000	\$ 173,608	\$ 8,609,000
Financial assets at fair value through profit or loss	85,843,648	2,667,940	129,302,575	Financial liabilities at fair value through profit or loss	74,990	2,331	119,016
Receivables, net	2,208,658	68,643	3,543,749	Bills and bonds sold under repurchase agreements	159,606,041	4,960,406	215,025,089
Available-for-sale financial assets, net	109,370,356	3,399,128	122,763,214	Payables	1,328,258	41,281	952,516
Held-to-maturity financial assets, net	450,000	13,986	200,000	Accrued pension liabilities	-	-	137,180
Other financial assets, net	1,284,921	39,934	1,595,562	Other liabilities	3,431,885	106,660	3,032,707
Property and equipment	2,967,869	92,239	2,933,257	Total Liabilities	170,027,174	5,284,286	227,875,508
Other assets, net	55,905	1,737	168,604				
				Stockholders' equity			
				Capital stock	13,114,411	407,583	15,114,411
				Capital surplus	312,823	9,722	312,823
				Retained earnings	14,229,347	442,235	12,428,734
				Equity adjustments	5,179,496	160,974	5,464,835
				Total Stockholders' Equity	32,836,077	1,020,514	33,320,803
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$202,863,251	\$ 6,304,800	\$261,196,311		\$202,863,251	\$ 6,304,800	\$ 261,196,311

CHUNG KUO INSURANCE CO., LTD.  
CONDENSED BALANCE SHEETS  
December 31, 2009 and 2008  
(Expressed in Thousands of Dollars)

Items	December 31, 2009			Items	December 31, 2008		
	December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$		NT\$	US\$ (Unaudited-Note 2)	NT\$
<b>Assets</b>				<b>Liabilities</b>			
Current assets	\$ 9,766,853	\$ 303,545	\$10,379,059	Current liabilities	\$ 963,213	\$ 29,936	\$ 1,326,182
Funds and investments	1,161,369	36,094	1,298,126	Long-term liabilities	161,088	5,006	156,565
Property and equipment	883,134	27,447	908,309	Operation and liabilities reserve	7,288,236	226,512	8,298,937
Intangible assets	15,545	483	18,176	Other liabilities	14,929	464	16,421
Other assets	1,409,491	43,806	1,385,426	Total liabilities	8,427,466	261,918	9,798,105
				<b>Stockholders' equity</b>			
				Capital stock	3,000,000	93,237	3,000,000
				Capital surplus	1,058,461	32,896	1,058,461
				Retained earnings	776,451	24,131	566,859
				Equity adjustments	( 25,986)	( 807)	( 434,329)
				Total Stockholders' Equity	4,808,926	149,457	4,190,991
				<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
TOTAL ASSETS	\$13,236,392	\$ 411,375	\$13,989,096		\$13,236,392	\$ 411,375	\$13,989,096

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.  
CONDENSED BALANCE SHEETS  
December 31, 2009 and 2008  
(Expressed in Thousands of Dollars)

Items	December 31, 2009			Items	December 31, 2008		
	December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$		NT\$	US\$ (Unaudited-Note 2)	NT\$
<b>Assets</b>				<b>Liabilities</b>			
Current assets	\$ 311,246	\$ 9,673	\$ 1,217,548	Current liabilities	\$ 112,568	\$ 3,498	\$ 1,088,008
Property and equipment	8,102	252	11,264	Other liabilities	70,233	2,183	88,749
Intangible assets	67	2	133	Total liabilities	182,801	5,681	1,176,757
Other assets	538,405	16,733	542,358	<b>Stockholders' equity</b>			
				Capital stock	527,000	16,379	1,400,000
				Capital surplus	336	10	108,551
				Retained earnings (accumulated deficit)	146,240	4,545	( 902,678)
				Equity adjustments	1,443	45	( 11,327)
				Total Stockholders' Equity	675,019	20,979	594,546
				<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
TOTAL ASSETS	\$ 857,820	\$ 26,660	\$ 1,771,303		\$ 857,820	\$ 26,660	\$ 1,771,303

MEGA ASSET MANAGEMENT CO., LTD.  
CONDENSED BALANCE SHEETS  
December 31, 2009 and 2008  
(Expressed in Thousands of Dollars)

Items	December 31, 2009			Items	December 31, 2008		
	December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$		NT\$	US\$ (Unaudited-Note 2)	NT\$
<b>Assets</b>				<b>Liabilities</b>			
Current assets	\$ 14,999,690	\$ 466,176	\$ 8,253,501	Current liabilities	\$10,270,299	\$ 319,191	\$ 6,011,093
Funds and investments	144,238	4,483	144,238	Long-term liabilities	2,291,500	71,218	-
Property and equipment	3,068	96	6,230	Other liabilities	729,747	22,680	197,324
Intangible assets	656	20	1,263	Total liabilities	13,291,546	413,089	6,208,417
Other assets	664,199	20,643	186,847	<b>Stockholders' equity</b>			
				Capital stock	2,000,000	62,158	2,000,000
				Retained earnings	520,305	16,171	383,662
				Total Stockholders' Equity	2,520,305	78,329	2,383,662
				<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
TOTAL ASSETS	\$ 15,811,851	\$ 491,418	\$ 8,592,079		\$15,811,851	\$ 491,418	\$ 8,592,079

MEGA INSURANCE AGENCY CO., LTD.  
CONDENSED BALANCE SHEETS  
December 31, 2009 and 2008  
(Expressed in Thousands of Dollars)

Items	December 31, 2009			Items	December 31, 2008		
	December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$		NT\$	US\$ (Unaudited-Note 2)	NT\$
<b>Assets</b>				<b>Liabilities</b>			
Current assets	\$ 87,213	\$ 2,710	\$ 50,789	Current liabilities	\$ 37,312	\$ 1,159	\$ 16,690
Funds and investments	419	13	429	Total liabilities	37,312	1,159	16,690
Property and equipment	749	23	994	<b>Stockholders' equity</b>			
Other assets	1,662	52	2,754	Capital stock	20,000	622	20,000
				Retained earnings	32,737	1,017	18,276
				Equity adjustments	( 6)	( -)	-
				Total Stockholders' Equity	52,731	1,639	38,276
				<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
TOTAL ASSETS	\$ 90,043	\$ 2,798	\$ 54,966		\$ 90,043	\$ 2,798	\$ 54,966



MEGA VENTURE CAPITAL CO., LTD.  
CONDENSED BALANCE SHEETS  
December 31, 2009 and 2008  
(Expressed in Thousands of Dollars)

Items	December 31, 2009			Items	December 31, 2008		
	December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$		NT\$	US\$ (Unaudited-Note 2)	NT\$
<b>Assets</b>				<b>Liabilities</b>			
Current assets	\$ 229,945	\$ 7,146	\$ 293,059	Current liabilities	\$ 10,690	\$ 332	\$ 1,830
Funds and investments	777,922	24,177	512,723	Total liabilities	10,690	332	1,830
				<b>Stockholders' equity</b>			
				Capital stock	1,000,000	31,079	1,000,000
				Retained earnings	36,739	1,142	10,040
				Equity adjustments	( 39,562)	( 1,230)	( 206,088)
				Total Stockholders' Equity	997,177	30,991	803,952
				<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>TOTAL ASSETS</b>	<b>\$ 1,007,867</b>	<b>\$ 31,323</b>	<b>\$ 805,782</b>		<b>\$ 1,007,867</b>	<b>\$ 31,323</b>	<b>\$ 805,782</b>

MEGA VENTURE CAPITAL CO., LTD.  
CONDENSED BALANCE SHEETS  
December 31, 2009 and 2008  
(Expressed in Thousands of Dollars)

Items	December 31, 2009			Items	December 31, 2008		
	December 31, 2009		December 31, 2008		December 31, 2009		December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$		NT\$	US\$ (Unaudited-Note 2)	NT\$
<b>Assets</b>				<b>Liabilities</b>			
Current assets	\$ 441,016	\$ 13,706	\$ 408,231	Current liabilities	\$ 4,759	\$ 148	\$ 653
Funds and investments	625,128	19,429	512,706	Total liabilities	4,759	148	653
				<b>Stockholders' equity</b>			
				Capital stock	1,000,000	31,079	1,000,000
				Retained earnings	44,300	1,377	28,895
				Equity adjustments	17,085	531	( 108,611)
				Total Stockholders' Equity	1,061,385	32,987	920,284
				<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>TOTAL ASSETS</b>	<b>\$ 1,066,144</b>	<b>\$ 33,135</b>	<b>\$ 920,937</b>		<b>\$ 1,066,144</b>	<b>\$ 33,135</b>	<b>\$ 920,937</b>

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Interest income, net	\$ 21,580,655	\$ 670,706	\$ 26,779,009
Revenues other than interest, net	12,429,325	386,292	559,606
Net revenue	34,009,980	1,056,998	27,338,615
Bad debts expense on loans	( 6,388,508)	( 198,549)	( 7,315,386)
Operating Expenses	( 14,493,855)	( 450,455)	( 14,171,283)
Income before Income Tax	\$ 13,127,617	\$ 407,994	\$ 5,851,946
Net Income	\$ 10,664,124	\$ 331,431	\$ 3,421,919
Earnings Per Share (pre-tax)	\$ 2.05	\$ 0.0637	\$ 0.91
Earnings Per Share (after-tax)	\$ 1.66	\$ 0.0516	\$ 0.53

MEGA SECURITIES CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Revenues	\$ 6,168,735	\$ 191,718	\$ 7,255,025
Expenses	( 4,213,836)	( 130,962)	( 9,718,559)
Income before Income Tax	\$ 1,954,899	\$ 60,756	( \$ 2,463,534)
Net Income	\$ 1,239,192	\$ 38,513	( \$ 2,651,361)
Earnings Per Share (pre-tax)	\$ 1.69	\$ 0.0525	( \$ 2.12)
Earnings Per Share (after-tax)	\$ 1.07	\$ 0.0333	( \$ 2.29)

MEGA BILLS FINANCE CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Interest income, net	\$ 3,969,761	\$ 123,376	\$ 2,467,446
Revenues other than interest, net	1,210,772	37,630	1,269,488
Net revenue	5,180,533	161,006	3,736,934
Provision for various reserves	( 843,888)	( 26,227)	( 1,027,965)
Operating Expenses	( 830,484)	( 25,811)	( 752,867)
Income before Income Tax	\$ 3,506,161	\$ 108,968	\$ 1,956,102
Net Income	\$ 2,858,622	\$ 88,843	\$ 1,515,316
Earnings Per Share (pre-tax)	\$ 2.45	\$ 0.0761	\$ 1.29
Earnings Per Share (after-tax)	\$ 2.00	\$ 0.0622	\$ 1.00

CHUNG KUO INSURANCE CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Operating Revenues	\$ 10,510,228	\$ 326,648	\$ 11,309,830
Operating Costs	( 9,147,078)	( 284,283)	( 10,915,928)
Gross operating profit	1,363,150	42,365	393,902
Operating Expenses	( 865,858)	( 26,910)	( 843,457)
Non-Operating Revenues and Gains	11,631	361	22,592
Non-Operating Expenses and Losses	( 17,032)	( 529)	( 3,273)
Income (loss) before Income Tax	\$ 491,891	\$ 15,287	(\$ 430,236)
Net income (loss)	\$ 209,592	\$ 6,514	(\$ 399,696)
Earnings (Loss) Per Share (pre-tax)	\$ 1.64	\$ 0.0510	(\$ 1.43)
Earnings (Loss) Per Share (after-tax)	\$ 0.70	\$ 0.0218	(\$ 1.33)

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Operating Revenues	\$ 255,246	\$ 7,933	\$ 233,961
Operating Expenses	( 169,203)	( 5,259)	( 190,098)
Net operating income	86,043	2,674	43,863
Non-Operating Revenues and Gains	13,813	429	16,096
Non-Operating Expenses and Losses	( 7,592)	( 236)	( 1,657,027)
Income (loss) before Income Tax	\$ 92,264	\$ 2,867	(\$ 1,597,068)
Net Income (loss)	\$ 67,703	\$ 2,104	(\$ 1,586,866)
Earnings (Loss) Per Share (pre-tax)	\$ 1.75	\$ 0.0544	(\$ 11.41)
Earnings (Loss) Per Share (after-tax)	\$ 1.28	\$ 0.0398	(\$ 11.33)

MEGA ASSET MANAGEMENT CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Operating Revenues	\$ 897,370	\$ 27,889	\$ 583,204
Operating Expenses	( 320,289)	( 9,954)	( 218,345)
Net operating income	577,081	17,935	364,859
Non-Operating Revenues and Gains	34,111	1,060	146,259
Non-Operating Expenses and Losses	( 80,005)	( 2,486)	( 152,246)
Income before Income Tax	\$ 531,187	\$ 16,509	\$ 358,872
Net Income	\$ 383,443	\$ 11,917	\$ 274,304
Earnings Per Share (pre-tax)	\$ 2.66	\$ 0.0827	\$ 1.79
Earnings Per Share (after-tax)	\$ 1.92	\$ 0.0597	\$ 1.37

MEGA INSURANCE AGENCY CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Operating Revenues	\$ 224,217	\$ 6,969	\$ 218,494
Operating Costs	( 181,364)	( 5,637)	( 188,310)
Gross operating profit	42,853	1,332	30,184
Operating Expenses	( 16,953)	( 527)	( 15,922)
Non-Operating Revenues and Gains	6,063	188	1,219
Non-Operating Expenses and Losses	( 43)	( 1)	( 1,457)
Income before Income Tax	\$ 31,920	\$ 992	\$ 14,024
Net Income	\$ 23,946	\$ 744	\$ 10,538
Earnings Per Share (pre-tax)	\$ 15.96	\$ 0.4960	\$ 7.01
Earnings Per Share (after-tax)	\$ 11.97	\$ 0.3720	\$ 5.27

MEGA VENTURE CAPITAL CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Operating Revenues	\$ 268,143	\$ 8,334	\$ 27,400
Operating Costs	( 204,506)	( 6,356)	( 7,731)
Gross operating profit	63,637	1,978	19,669
Operating Expenses	( 29,985)	( 932)	( 22,413)
Non-Operating Revenues and Gains	1,025	32	9,413
Income before Income Tax	\$ 34,677	\$ 1,078	\$ 6,669
Net Income	\$ 32,699	\$ 1,016	\$ 6,654
Earnings Per Share (pre-tax)	\$ 0.35	\$ 0.0109	\$ 0.07
Earnings Per Share (after-tax)	\$ 0.33	\$ 0.0103	\$ 0.07

MEGA I VENTURE CAPITAL CO., LTD.  
CONDENSED INCOME STATEMENTS  
For the years ended December 31, 2009 and 2008  
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2009		For the year ended December 31, 2008
	NT\$	US\$ (Unaudited-Note 2)	NT\$
Operating Revenue	\$ 249,652	\$ 7,759	\$ 85,317
Operating Costs	( 204,024)	( 6,341)	( 70,583)
Gross operating profit	45,628	1,418	14,734
Operating Expense	( 24,037)	( 747)	( 20,813)
Non-operating revenue and income	1,620	50	14,717
Income before Income Tax	\$ 23,211	\$ 721	\$ 8,638
Net Income	\$ 21,406	\$ 665	\$ 7,366
Earnings Per Share (Pre-tax)	\$ 0.23	\$ 0.0071	\$ 0.09
Earnings Per Share (after-tax)	\$ 0.21	\$ 0.0065	\$ 0.07

(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, 2009	December 31, 2008
Return on assets	Pre-tax	6.66	0.08
	After tax	6.64	0.14
Return on equity	Pre-tax	7.70	0.09
	After tax	7.68	0.16
Net profit margin		94.22	32.44

UNIT: %

Items		MEGA FINANCIAL HOLDING CO., LTD AND ITS SUBSIDIARIES	
		December 31, 2009	December 31, 2008
Return on assets	Pre-tax	0.78	0.13
	After tax	0.58	0.01
Return on equity	Pre-tax	10.18	1.66
	After tax	7.66	0.14
Net profit margin		30.89	0.84

(b) Subsidiaries:

UNIT: %

Items		MICB	
		December 31, 2009	December 31, 2008
Return on assets	Pre-tax	0.62	0.29
	After tax	0.50	0.17
Return on equity	Pre-tax	8.81	3.98
	After tax	7.16	2.33
Net profit margin		31.36	12.52

UNIT: %

Items		MBF	
		December 31, 2009	December 31, 2008
Return on assets	Pre-tax	1.51	0.77
	After tax	1.23	0.60
Return on equity	Pre-tax	10.60	6.24
	After tax	8.64	4.84
Net profit margin		55.18	40.55

UNIT: %

Items		MS	
		December 31, 2009	December 31, 2008
Return on assets	Pre-tax	4.17	( 4.24)
	After tax	2.66	( 4.57)
Return on equity	Pre-tax	14.14	( 16.48)
	After tax	8.96	( 17.74)
Net profit margin		20.74	( 36.55)

UNIT: %

Items		CKI	
		December 31, 2009	December 31, 2008
Return on assets	Pre-tax	3.61	( 3.07)
	After tax	1.54	( 2.85)
Return on equity	Pre-tax	10.93	( 9.28)
	After tax	4.66	( 8.62)
Net profit margin		1.99	( 3.53)

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, 2009 and 2008.

B. Asset quality

(a) MICB

Non-performing loans and overdue accounts

Unit: thousands of New Taiwan dollars, %

Month / Year			December 31, 2009				
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		\$ 2,552,853	\$ 392,052,049	0.65%	\$ -	-
	Unsecured loans		7,224,814	623,807,577	1.16%	-	-
Consumer banking	Residential mortgage loans ( Note 4 )		2,215,185	207,004,644	1.07%	-	-
	Cash card services		-	-	-	-	-
	Small amount of credit loans ( Note 5 )		101,115	10,000,257	1.01%	-	-
	Others ( Note 6 )	Secured loans	79,099	44,002,907	0.18%	-	-
		Unsecured loans	1,378	276,033	0.50%	-	-
Gross loan business			12,174,444	1,277,143,467	0.95%	12,238,632	100.53%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			41,631	4,304,464	0.97%	70,774	170.00%
Without recourse factoring ( Note 7 )			67,558	62,708,005	0.11%	300,321	444.54%

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%	11,804,650	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%

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 spouses) 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.

Total amount of non-performing loans or overdue receivables exempted from reporting to the competent authority

	December 31, 2009		December 31, 2008	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	\$ 273	\$ -	\$ 1,024	\$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	\$ 133	\$ 6,147	\$ -	\$ 2,976
Total	\$ 406	\$ 6,147	\$ 1,024	\$ 2,976

Note 1: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of the FSC dated April 25, 2006.

Note 2: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with 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, 2009		December 31, 2008
	NT\$	US\$ (Unaudited)	NT\$
Guarantees in arrear and guaranteed credits overdue for longer than three months	\$ -	\$ -	\$ 30,500
Overdue credits (non-accrued loans are inclusive)	373,539	11,609	606,350
Loans under surveillance	860,000	26,728	1,225,000
Overdue receivables	373,539	11,609	577,350
Ratio of overdue credits (%) (Note)	0.38	0.0118	0.51
Ratio of overdue credits plus ratio of loans under surveillance (%)	1.24	0.0385	1.54
Provision for bad debts and guarantees as required by regulation	2,795,771	86,890	2,480,919
Provision for bad debts and guarantees actually reserved	3,039,239	94,457	2,776,424

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, 2009

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	\$ 1,574,965,993	\$ 523,275,492	\$ 100,581,485	\$ 82,862,256	\$ 169,449,864	\$ 698,796,896
Primary funds outflow upon maturity	1,649,549,392	328,391,436	182,309,213	173,837,005	231,379,081	733,632,657
Gap	( 74,583,399)	194,884,056	( 81,727,728)	( 90,974,749)	( 61,929,217)	( 34,835,761)

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, 2009						
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	\$ 21,466,924	\$ 5,981,102	\$ 2,915,333	\$ 3,429,264	\$ 3,648,891	\$ 5,492,334
Primary funds outflow upon maturity	21,505,767	12,513,533	2,578,801	2,496,609	2,409,311	1,507,513
Gap	( 38,843 )	( 6,532,431 )	336,532	932,655	1,239,580	3,984,821

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, 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.

D. Interest rate sensitivity analysis on assets and liabilities

( a ) MICB

Interest rate sensitivity analysis on assets and liabilities ( NT Dollars ) December 31, 2009					
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	\$ 536,913,205	\$572,852,683	\$ 36,375,198	\$ 40,838,015	\$ 1,186,979,101
Interest rate sensitive liabilities	475,194,700	461,337,356	47,957,612	33,569,471	1,018,059,139
Interest rate sensitive gap	61,718,505	111,515,327	( 11,582,414 )	7,268,544	168,919,962
Net worth					156,245,880
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					116.59%
Ratio of interest rate sensitivity gap to net worth					108.11%

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, 2009					
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	\$ 20,863,092	\$ 938,605	\$ 88,767	\$ 241,117	\$ 22,131,581
Interest rate sensitive liabilities	22,971,663	848,476	590,239	310	24,410,688
Interest rate sensitive gap	( 2,108,571 )	90,129	( 501,472 )	240,807	( 2,279,107 )
Net worth					4,855,976
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					90.66%
Ratio of interest rate sensitivity gap to net worth					-46.93%

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, 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 sensitive gap	336,235,593	( 294,135,243 )	( 54,793,630 )	142,764,526	130,071,246
Net worth					141,689,249
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, % ( 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 sensitive gap	( 1,499,355)	( 293,957)	( 537,195)	784,753	( 1,545,754)
Net worth					4,323,221
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).

## (b) MBF

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)  
December 31, 2009

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	\$ 82,667	\$ 12,570	\$ 10,260	\$ 88,910	\$ 194,407
Interest rate sensitive liabilities	162,475	2,657	60	32,836	198,028
Interest rate sensitive gap	( 79,808)	9,913	10,200	56,074	( 3,621)
Net worth					32,836
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					98.17%
Ratio of interest rate sensitivity gap to net worth					-11.03%

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 sensitive 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%

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).

E. Average amount and average interest rates of interest-earning assets and interest-bearing liabilities

## (a) MICB

	For the years ended December 31,				
	2009			2008	
	Average amount (NT\$)	Average amount (US\$) (Unaudited-Note 2)	Average interest rate (%)	Average amount (NT\$)	Average interest rate (%)
<b>Assets</b>					
Due from banks (including call loans to banks)	\$ 427,938,526	\$ 13,299,929	0.53	\$ 228,709,643	2.14
Due from the Central Bank	51,324,486	1,595,117	0.44	46,413,315	2.29
Financial assets held for trading purposes	623,050	19,364	4.50	1,152,462	5.63
Financial assets at fair value through profit or loss	26,947,407	837,500	1.66	48,079,467	2.93
Bills and bonds purchased under resale agreements	864,133	26,856	1.64	1,663,939	3.63
Available-for-sale financial assets	115,559,999	3,591,497	1.80	94,445,258	3.28
Receivables – credit card transaction with circulating interests	2,326,547	72,307	15.64	2,585,493	18.16
Receivables on factoring	26,779,740	832,289	1.04	35,451,672	2.84
Bills discounts and loans	1,279,368,230	39,761,569	2.14	1,282,394,987	3.62
Held-to-maturity financial assets	179,480,107	5,578,074	0.81	105,489,658	2.61
Other debt investments	326,607	10,151	6.56	1,468,718	5.66
Bills purchased	35,375	1,099	6.18	48,367	6.50
<b>Liabilities</b>					
Due to the Central Bank	363,842,014	11,307,870	0.27	232,964,467	1.73
Due to other banks	96,256,377	2,991,558	0.93	131,306,470	2.41
Demand deposits	357,599,428	11,113,856	0.07	276,806,316	0.53
Demand saving deposits	242,562,473	7,538,615	0.38	196,882,501	0.72
Time deposits	594,202,423	18,467,256	0.90	554,117,290	2.78
Time saving deposits	211,587,554	6,575,943	1.57	199,442,488	2.65
Negotiable certificate of deposits	2,176,747	67,651	0.63	3,471,389	2.83
Financial liabilities at fair value through profit or loss	34,343,228	1,067,355	2.23	49,722,296	2.04
Bonds and bills sold under repurchase agreements	5,320,358	165,352	0.19	18,714,270	1.74
Funds borrowed from the Central Bank and other banks	52,170,203	1,621,401	0.74	37,378,750	3.14
Financial bonds payable	29,531,847	917,822	2.15	21,739,519	2.73
Commercial paper payable – net	-	-	-	8,282,649	7.62

## (b) MBF

	For the years ended December 31,				
	2009			2008	
	Average amount (NT\$)	Average amount (US\$) (Unaudited-Note 2)	Average interest rate (%)	Average amount (NT\$)	Average interest rate (%)
<b>Assets</b>					
Cash and cash equivalents	\$ 1,053,449	\$ 32,740	0.17	\$ 955,747	1.15
Call loans to banks	-	-	-	1,639	2.07
Financial assets at fair value through profit or loss	110,347,047	3,429,483	1.06	103,410,772	2.50
Bills and bonds purchased under resale agreements	10,415,285	323,697	0.27	16,482,505	1.81
Available-for-sale financial assets	108,603,489	3,375,295	2.99	122,204,094	2.93
Held-to-maturity financial assets	378,767	11,772	3.05	200,000	3.67
<b>Liabilities</b>					
Due to banks	8,166,381	253,803	0.23	5,182,585	2.03
Bonds and bills sold under repurchase agreements	199,008,429	6,184,996	0.25	213,121,702	1.82
Corporate bonds payable	-	-	-	2,375,683	1.48

F. Net position for major foreign currency transactions

MICB

Net position for major foreign currency transactions ( Market Risk )	December 31, 2009		December 31, 2008	
	Currency	NT\$(in thousands )	Currency	NT\$(in thousands )
	THB	\$ 4,756,258	THB	\$ 4,452,364
	EUR	2,439,781	USD	4,101,077
	USD	2,217,730	EUR	2,321,180
	AUD	1,633,434	AUD	978,276
	CAD	948,968	CAD	837,542

G. Extraordinary Items : ( Please refer to page 175 of the Consolidteed Financial Statements )

(15)In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet and trust property list are as follows :

( Please refer to page 177 of the Consolidated Financial Statements )

11. Additional Disclosures

The information to be disclosed for investees were prepared based on the audited financial statements of the investees and the transactions between and among subsidiaries has been eliminated during the consolidation. The disclosed information below is for your reference.

( 1 ) 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 page 180 of the Consolidtd Financial Statements )

B. Acquisition or disposal of individual real estate, at costs or prices of at least NT\$300 million or 10% of the issued capital :

Property disposed of by	Property	Date of disposal	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the Company	Reason for disposal	Basis or reference used in setting the price	Other commitments
MICB	Warehouse and land located in Xin Zhuang	2009.1.19	1968.7.1	\$ 161,855	\$ 1,215,092	Fully collected	\$1,053,237	Yuan-Hao Wu and Yao-Tang Xu	None	Disposal of idle assets	Public auction	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, 2009	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
MICB	MITC	Jointly controlled by Mega Financial Holdings	\$ 798,179	Not applicable for financial industry	\$ 798,179	Negotiated actively with MITC for repayment	-	-

E. Information on selling non-performing loans of subsidiaries :

MICB

( a ) Summary of selling non-performing loans

December 31, 2009							
Transaction date	Counterparty	Contents of right of claim	Carrying value ( Note 1 )	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Company
2009.07.09	Jing Li Asset Management Co., Ltd.	General long-term secured loan	\$ -	\$ 42,937	\$ 42,937	None	None
2009.10.15	Taishin Asset Management Co., Ltd.	Financing-secured loans	\$ -	\$ 243,800	\$ 243,800	None	None

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 page 183~188 of the Consolidated Financial Statements )

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 : None.

J. Endorsement/guarantee provided : ( Please refer to page 189~190 of the Consolidated Financial Statements )

K. Securities held at the end of period : ( Please refer to page 191~197 of the Consolidated Financial Statements )

L. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 10% of the Company's paid-in capital and derivative instrument transactions during the year ended December 31, 2009 : 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 page 198~199 of the Consolidated Financial Statements )

( 4 ) Significant transactions between parent company and subsidiaries : ( Please refer to page 200~204 of the Consolidated Financial Statements )

12. Disclosure of financial information by segments

1. Financial information by business segments:

Items	2009					
	Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	\$ 48,236,802	\$ 5,058,612	\$ 5,516,898	\$ 1,297,977	\$ 1,313,101	\$ 61,423,390
General expense						( 27,376,115)
Interest expense						( 14,991,088)
Income from before income taxes						\$ 19,056,187
Asset attributable to specific departments	\$2,209,302,115	\$ 45,244,035	\$ 202,352,245	\$ 12,662,929	\$ 25,242,315	\$ 2,494,803,639
Equity investments accounted for by the equity method						2,727,944
Total assets						\$ 2,497,531,583

UNIT : In Thousands of US Dollars, % ( Unaudited-Note 2 )

Items	2009					
	Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	\$ 1,499,154	\$ 157,217	\$ 171,460	\$ 40,340	\$ 40,810	\$ 1,908,981
General expense						( 850,824)
Interest expense						( 465,909)
Income before income taxes						\$ 592,248
Asset attributable to specific departments	\$ 68,663,044	\$ 1,406,142	\$ 6,288,919	\$ 393,552	\$ 784,508	\$ 77,536,165
Equity investments accounted for by the equity method						84,782
Total assets						\$ 77,620,947

Items	2008					
	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
Equity investments accounted for by the equity method						2,545,633
Total assets						\$ 2,409,612,820

2. Financial information by geographic area

	2009				
	Domestic (including OBU)	North America	Other Overseas Operating Departments	Adjustment and elimination	Total
Revenue from customers outside the Company and its subsidiaries	\$ 51,764,703	\$ 3,181,487	\$ 6,477,200	\$ -	\$ 61,423,390
Revenue from customers in the Company and its subsidiaries	33,134,424	99,408	580,453	( 33,814,285)	-
Total revenue	\$ 84,899,127	\$ 3,280,895	\$ 7,057,653	(\$ 33,814,285)	\$ 61,423,390
Profit or loss	\$ 17,503,303	\$ 499,194	\$ 1,053,690	\$ -	\$ 19,056,187
Asset attributable to specific departments	\$2,048,519,958	\$ 333,213,761	\$ 113,069,920	\$ -	\$2,494,803,639

UNIT : In Thousands of US Dollars, % ( Unaudited-Note 2 )

	2009				
	Domestic (including OBU)	North America	Other Overseas Operating Departments	Adjustment and elimination	Total
Revenue from customers outside the Company and its subsidiaries	\$ 1,608,798	\$ 98,878	\$ 201,305	\$ -	\$ 1,908,981
Revenue from customers in the Company and its subsidiaries	1,029,787	3,089	18,040	( 1,050,916)	-
Total revenue	\$ 2,638,585	\$ 101,967	\$ 219,345	(\$ 1,050,916)	\$ 1,908,981
Profit or loss	\$543,986	\$ 15,514	\$ 32,748	\$ -	\$ 592,248
Asset attributable to specific departments	\$ 63,666,085	\$ 10,355,972	\$ 3,514,108	\$ -	\$ 77,536,165

	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

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, 2009.

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:

( Please refer to page 208~209 of the Consolidated Financial Statements )

14. The prospective risk for futures trading:

( Please refer to page 210 of the Consolidated Financial Statements )





# Review of Financial Conditions, Operating Results, and Risk Management

## 7.1 Analysis of Financial Status

### Unconsolidated

Unit: NT\$1,000

Item	Year	2009	2008	Difference	
				Amount	%
Cash and Cash Equivalents		3,973,949	1,276,998	2,696,951	211.19
Available for Sale Financial Assets		4,326,506	3,654,882	671,624	18.38
Receivables		2,109,325	4,368,517	( 2,259,192)	( 51.72)
Equity Investments Accounted for by the Equity Method		212,270,268	196,065,435	16,204,833	8.27
Property and Equipment		727,187	759,660	( 32,473)	( 4.27)
Other Financial Assets		762,046	762,046	0	0
Other Assets		264,016	152,512	111,504	73.11
Total Assets		224,433,297	207,040,050	17,393,247	8.40
Financial Liabilities at Fair Value Through Profit or Loss		0	0	0	0
Payables		9,289,859	10,071,386	( 781,527)	( 7.76)
Bonds Payable		19,450,000	19,450,000	0	0
Other Financial Liabilities		0	0	0	0
Other Liabilities		38,858	40,181	( 1,323)	( 3.29)
Total Liabilities		28,778,717	29,561,567	( 782,850)	( 2.65)
Capital Stock		110,594,262	110,594,262	0	0
Capital Surplus		43,426,403	43,426,403	0	0
Retained Earnings		31,916,182	20,349,144	11,567,038	56.84
Equity Adjustments		9,717,733	3,108,674	6,609,059	212.60
Total Stockholders' Equity		195,654,580	177,478,483	18,176,097	10.24

Analysis of changes in financial ratios:

1. The increase in cash and cash equivalents was mainly due to capital reduction, by Mega Bills Finance Co., Ltd., which returned NTD 2 billion to the Company.
2. The decrease in receivables was mainly due to decrease in tax return receivable.
3. The increase in other assets was mainly due to increase in deferred income tax assets.
4. Retained earnings increased because of increase in net income for 2009.
5. The surge in equity adjustments was mainly due to increase in unrealized gain from financial products.

7.2 Analysis of Operational Results

Unconsolidated					Unit: NT\$1,000	
Item	Year	2009	2008	Difference		
				Amount	%	
Investment Income from Equity Investments Accounted for by the Equity Method		15,190,437	858,051	14,332,386	1,670.34	
Other Income		21,403	49,816	( 28,413)	( 57.04)	
Operating Expenses		328,786	325,766	3,020	0.93	
Other Expenses and Loss		514,215	411,000	103,215	25.11	
Income Before Income Tax from continuing operations		14,368,839	171,101	14,197,738	8,297.87	
Income After Income Tax from continuing operations		14,331,894	294,519	14,037,375	4,766.20	
Net Income		14,331,894	294,519	14,037,375	4,766.20	

- Analysis of changes in financial ratios:
- 1. Increase in investment income recognized under the equity method was mainly derived from the Company's banking, securities, bills finance, non-life insurance, asset management, life insurance agency, and venture capital subsidiaries, partly offset by a decline in profit from the Company's investment trust subsidiaries in 2009.
  - 2. Reduction in other income was mainly attributable to decline in interest income.
  - 3. Increase in other expenses and loss was mainly due to increase in interest expenses and personnel expenses.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2009

Unconsolidated			
Item \ Year	2009	2008	Variance (%)
Cash Flow Ratio (%)	215.68	492.77	( 56.23)
Cash Flow Adequacy Ratio (%)	79.92	78.22	2.17
Cash Reinvestment Ratio (%)	59.70	-	-

- Analysis of financial ratio change:
- 1. Decline in the cash flow ratio was primarily attributable to reduction in cash dividend derived from subsidiaries.
  - 2. Cash reinvestment ratio turned to positive because net cash flows from operating activities is more than cash dividends.

7.3.2 Cash Flow Analysis for 2010

Unit: NT\$1,000					
Cash and Cash Equivalents (12 / 31 / 2009) (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (12 / 31 / 2010) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
80,282	14,816,281	14,796,563	100,000	N.A.	N.A.

- Analysis of Cash Flow:
- 1. Operating Activities: net cash inflow mainly from investment income
  - 2. Investing Activities: mainly for procurement of property and equipment, intangible assets, and other deferred assets
  - 3. Financing Activities: primarily for repayment of bond and the payout of cash dividends

7.4 Investment Policies in 2009

- Expanding the Group's operations network through merger and acquisition and enlarging the economic scale
  - Banking sector: We target at state-owned and private banks specializing in consumer banking which is complementary to our business.
  - Securities sector: We aim at increasing our market share of securities brokerage over 5% and entering Top 5 securities brokers in Taiwan.
  - Life insurance sector: We aim at domestic life insurance companies to expand the Group's business scope.
- Continually studying domestic and global financial environment, current development of merger and acquisition, and directions for the Group's future development. The study findings are used as reference for investment policies.
- Keeping an eye on the easing of restriction on access to China's financial market, and evaluating the feasibility as well as opportunity of entering China's financial market

7.5 Review of Investment Performance

Mega International Commercial Bank Co., Ltd.

The bank's net income after tax in 2009 amounted to NT\$10,664,124 thousand, an increase of 211.64% from the previous year when the bank recognized huge losses on collateralized debt obligations. The sharp increase in 2009 net income was due to a steady upturn in the international financial markets and recovery of the value of financial assets. A flexible financial operations complemented by an optimal risk management system also contributed to the good achievements.

Mega Securities Co., Ltd.

The company reported a net income after tax of NT\$1,239,192 thousand in 2009, a successful turnaround from a net loss in the prior year. The turnaround was largely attributed to the gradual recovery of financial markets from the financial crisis. The company benefited from uptrend in the domestic equity market with brokerage commission income increased by 35.29% to NT\$2,196,731 thousand and gains on disposal of securities by 1,283.56% to NT\$1,606,709 thousand.

Mega Bills Finance Co., Ltd.

The company's net income after tax for 2009 amounted to NT\$2,858,622 thousand, an 88.65% growth from the year before. The increase was attributable to record-low interest rates in the money market in 2009 and a steep fall in funding costs of RP transactions. The company also vigorously promotes CP2 issuance by its clients while managing credit risks effectively.

## Chung Kuo Insurance Co., Ltd.

The company posted a net income after tax of NT\$209,592 thousand in 2009, a successful turnaround from a net loss in the year before, mainly due to an increase in gains on disposal of securities as well as gains on underwriting.

## Mega Asset Management Co., Ltd.

The company's net income after tax amounted to NT\$383,443 thousand, a 39.79% increase from the prior year, mainly due to active disposal of NPLs and raising sales prices. Besides, the profit growth was also attributable to a reduction in interest expense as a result of continuous interest rate cut by the government to revitalize the economy.

## Mega Life Insurance Agency Co., Ltd.

The company posted a net income after tax of NT\$23,946 thousand in 2009, an increase of 127.23% compared to 2008. The sharp increase was attributable to vigorous business expansion, increase in commission income, and the adoption of cost-saving measures.

## Mega Venture Capital Co., Ltd.

The company's net income after tax amounted to NT\$32,699 thousand in 2009, a 391.42% growth from the year before. The growth was mainly due to active investments and timely disposal of shares when invested companies become listed and traded on Taiwan Stock Exchange (TWSE) or GreTai Securities Market (GTSM). Gains from securities trading also contributed to the earning growth.

## Mega International Investment Trust Co., Ltd.

The company posted a net income after tax of NT\$67,703 thousand in 2009, a successful turnaround from a net loss after tax in the year before. As the domestic equity and bond markets improved in 2009, the company took the opportunity to promote distribution of mutual funds. Its assets under management amounted to NT\$63,340 million at the end of 2009, an increase of 95.37% or NT\$30,920 million from a year before, resulting in increase in net income in 2009.

## Taiwan Business Bank

The bank's net income after tax amounted to NT\$1,432 million in 2009, an increase of NT\$94 million from NT\$1,338 million in the prior year. In 2008, the bank recognized in advance all deferred losses of NT\$2,243 million from disposal of NPL in the previous years, instead of amortizing deferred NPL losses over 5 years, resulting in a sharp decline in the bank's net income for the year 2008. The bank's income in 2009 was therefore not cut down by the mandatory amortization.

## Taipei Financial Center Corporation

The company reported a net loss after tax of NT\$179 million in 2009, improving from loss of NT\$928 million in the prior year, mainly attributable to a decrease in interest expense of NT\$470 million. The company's net loss was due to less-than-expected office occupancies. The company has adopted improvement measures to raise office occupancy rates and rents, operating revenue of Taipei 101 Shopping Mall.

## Taiwanpay Corporation

The company's net loss after tax amounted to NT\$5,433 thousand in 2009, compared to a net loss of NT\$1,949 thousand in the year before. The loss was primarily due to a sharp decline in its major business of chip sales as well as an increase in R&D expenses. The company will vigorously cut its expenses and transform its business in order to turn the company around.

## Taiwan Depository & Clearing Corporation

The company posted a net income after tax of NT\$1,372 million in 2009, an increase of 25.41% from NT\$1,094 million in 2008. The increase in net income was attributable to an increase in the stock market trading volume in 2009, compared to 2008.

## 7.6 Investment Plans for 2010

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.

The Financial Supervisory Commission (FSC) has signed three memorandums of understanding (MOUs), with Chinese authorities, on cross-strait banking and financial supervision effective from January 16, 2010. The FSC has also announced the amendment to the "Regulations Governing Approvals of Banks to Engage in Financial Activities Between the Taiwan Area and the Mainland Area" allowing Taiwanese financial institutions to set up a presence in mainland China, and mainland China's financial institutions to set up a presence in Taiwan. The Company will evaluate the feasibility of each opportunity of developing business in Mainland China.

## 7.7 Analysis of Risk Management

### 7.7.1 Risk Management 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.

### 7.7.2 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 the tolerable level in order to create maximum profits and returns on shareholders' equity.



The Company has set up its mid- and long-term goal of risk management and the associated strategy based on the Government's requirements, with major tasks including setting / monitoring the Group's annual risk management targets and warning indicators, enhancing horizontal interaction among subsidiaries for the risk management practices, promoting the implementation process of advanced risk management tools and information system, formulating the Group's risk management policy and bylaws, monitoring subsidiaries' exposures and capital adequacy ratio and etc. Other major risk management tasks are as follows:

1. Credit risk: monitoring the process of the Company's Internal Rating Model Buildup project, now undertaken by the Mega International Commercial Bank for the subsequent implementation practices, and keeping moving forward to the goal of the international best practices and the New Basel Accord, by improving the credit risk control mechanism.
2. Market risk: the Mega International Commercial Bank is now implementing the trading system with advanced market risk tools and the Company has been enhancing the data collection, analysis and reporting process of the Group's risk positions.
3. Operational risk: in addition to the process of operational risk data collection, the Mega International Commercial Bank has installed its proprietary operational risk reporting system and is now implementing the self assessment system, both of which are used to identify and assess the exposures of operational risk and further improve the current internal control mechanism.

### 7.7.3 Methods of risk evaluation and risk exposure information

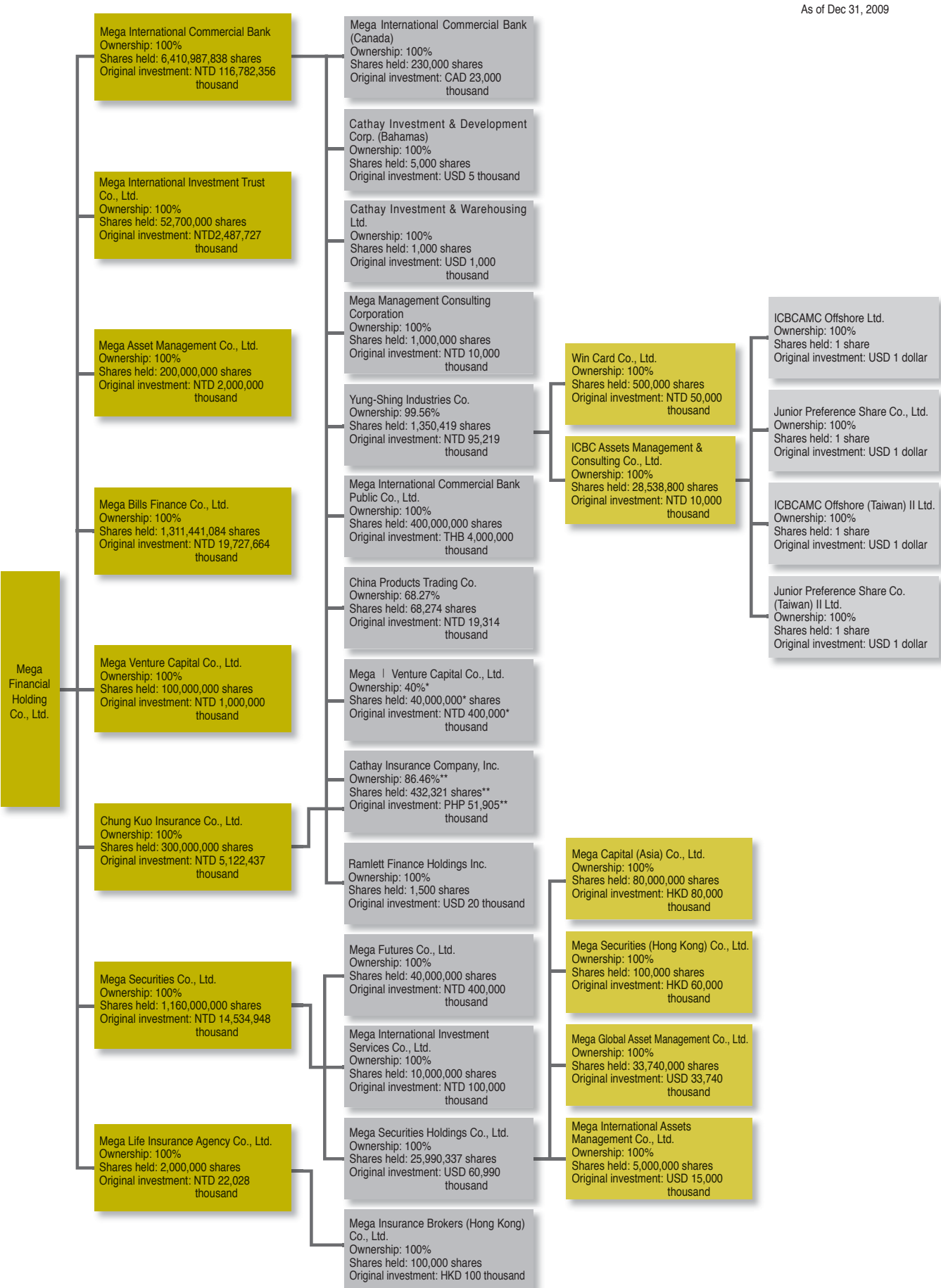
Please refer to page 118~152 of this Annual Report.

## Special Disclosure





8.1 Affiliated Companies Chart



8.2 Summary of Affiliated Companies

December 31, 2009  
Expressed in thousands of dollars

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Mega International Commercial Bank Co., Ltd.	12.17.1971	No. 100 Jilin Road, Taipei, Taiwan	NTD 64,109,878	Commercial banking & industrial banking business
Mega Securities Co., Ltd.	10.19.1989	3F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 11,600,000	Brokerage, dealing and underwriting of securities
Mega Bills Finance Co., Ltd.	05.20.1976	2~5F, No. 91 Hengyang Road, Taipei, Taiwan	NTD 13,114,411	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.	09.09.1983	7~8F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 527,000	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. (Formerly Mega CTB Venture Capital Co., Ltd.)	12.13.2005	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
Mega Management & Consulting Co., Ltd. (Formerly CTB Financial Management & Consulting Co., Ltd.)	01.16.2002	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 10,000	Asset management and investment consulting
Mega I Venture Capital Co., Ltd. (Formerly 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.	07.29.1999	4F, No. 563, Sec. 4, Jhongsiao E. Road, Taipei, Taiwan	NTD 400,000	Brokerage of futures contracts
Mega International Investment Services Co., Ltd.	12.10.1997	5F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 100,000	Securities investment advisory
Mega Securities Holdings Co., Ltd.	05.05.1997	Room 2201-2207, 22F, No. 183, Queen's Road, Central, Cosco Tower, Sheung Wan, Hong Kong	USD 25,990	Investment business
Mega Global Asset Management Co., Ltd.	07.16.1998	Room 2206, 22F, No. 183, Queen's Road, Central, Cosco Tower, Sheung Wan, Hong Kong	USD 33,740	Brokerage of derivative products Brokerage and trading of bonds Assets management consulting
Mega Capital (Asia) Co., 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.	08.20.1992	Room 2201-2207, 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.	01.16.1998	Room 2201-2202, 22F, No. 183, Queen's Road, Central, Cosco Tower, Sheung Wan, Hong Kong	USD 5,000	Proprietary trading and brokerage of securities

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
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)
Yung-Shing Industries Co.	12.09.1950	7F, No. 100 Jilin Road, Taipei, Taiwan	NTD 135,644	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	3F, No. 100 Jilin Road, Taipei, Taiwan	NTD 285,388	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)	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.	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	AVE. Santa Isabel Y Calle 16, Colon Free Zone, 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	Post Office 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, P.O. Box 0832-01598, Panama City, Republic of 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., Ltd.	10.02.2007	Suite 2208, 22/F, Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HKD 100	Insurance Brokerage

8.3 Operational Highlights of Affiliated Companies

As of December 31, 2009  
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	2,197,684,792	2,041,438,912	156,245,880	34,009,980*	13,127,617*	10,664,124	1.66
Mega Securities Co., Ltd.	11,600,000	43,664,759	29,147,571	14,517,188	5,976,143	2,323,571	1,239,192	1.07
Mega Bills Finance Co., Ltd.	13,114,411	202,863,251	170,027,174	32,836,077	5,180,533*	3,506,161*	2,858,622	2.00
Chung Kuo Insurance Co., Ltd.	3,000,000	13,236,392	8,427,466	4,808,926	10,510,228	497,292	209,592	0.70
Mega International Investment Trust Co., Ltd.	527,000	857,820	182,801	675,019	255,246	86,043	67,703	1.28
Mega Asset Management Co., Ltd.	2,000,000	15,811,851	13,291,546	2,520,305	897,370	577,081	383,443	1.92
Mega Life Insurance Agency Co., Ltd.	20,000	90,043	37,312	52,731	224,217	25,900	23,946	11.97
Mega Venture Capital Co., Ltd.	1,000,000	1,007,867	10,690	997,177	268,143	33,652	32,699	0.33
Mega Management & Consulting Co., Ltd.	10,000	87,423	13,593	73,830	72,021	49,645	38,059	38.06
Mega I Venture Capital Co., Ltd.	1,000,000	1,066,144	4,758	1,061,386	249,652	21,592	21,406	0.21
Mega Futures Co., Ltd.	400,000	2,092,251	1,638,700	453,551	289,709	14,650	25,207	0.63
Mega International Investment Services Co., Ltd.	100,000	116,917	5,666	111,251	19,242	3,701	4,729	0.47
Mega Securities Holdings Co., Ltd.	829,641	677,212	363	676,849	632	( 469,853)	( 469,454)	( 18.07)
Mega Capital (Asia) Co., Ltd	330,080	371,287	27,860	343,427	194,132	71,211	71,149	0.89
Mega Global Asset Management Co., Ltd.	1,083,063	587,426	526,060	61,366	99,271	( 395,021)	( 400,064)	( 11.85)
Mega Securities (Hong Kong) Co., Ltd.	247,560	1,398,263	1,229,213	169,050	90,123	( 65,732)	( 65,725)	( 657.26)
Mega International Asset Management Co., Ltd.	158,686	615,684	527,252	88,432	118,098	( 106,781)	( 74,522)	( 14.91)
China Products Trading Co.	5,000	84,882	14,878	70,004	2,384	1,582	1,129	11.29
Yung-Shing Industries Co.	135,644	1,509,355	581,204	928,152	213,741	5,231	28,661	21.13
Win Card Co., Ltd.	50,000	83,135	16,195	66,940	174,533	10,110	7,876	1.58
ICBC Assets Management & Consulting Co., Ltd.	285,388	403,915	81,367	322,548	5,640	3,274	5,790	0.20
ICBCAMC Offshore Ltd.	0.032176	191,768	156,089	35,679	842	655	655	654,794.30
Junior Preference Share Co., Ltd.	0.032176	308,804	0	308,804	( 67)	( 67)	( 67)	( 67,112.99)

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)
ICBCAMC Offshore (Taiwan) II Ltd.	0.032176	10,986	2,145	8,841	126	( 79)	( 79)	( 78,975.97)
Junior Preference Share Co. (Taiwan) II Ltd.	0.032176	51,594	64,352	( 12,758)	( 3,565)	( 3,565)	( 3,565)	(3,564,915.80)
Mega International Commercial Bank (Canada)	703,469	7,637,377	6,694,484	942,893	234,836*	135,018*	14,795	64.24
Mega International Commercial Bank Public Co., Ltd.	3,858,000	13,823,440	9,117,219	4,706,221	558,406*	476,866*	171,224	0.43
Cathay Investment & Warehousing Ltd.	32,176	115,581	9,122	106,459	69,711	55,840	55,840	55,839.80
Cathay Investment & Development Corp. (Bahamas)	161	375,066	65,625	309,441	7,732	( 35,039)	( 35,039)	( 7,007.70)
Ramlett Finance Holdings Inc.	644	68,147	70,685	( 2,538)	10,854	27	( 125)	( 83.21)
Cathay Insurance Co., Inc. (Manila)	34,785	23,402	2,888	20,514	0	( 2,586)	( 2,586)	( 5.17)
Mega Insurance Brokers (Hong Kong) Co., Ltd.	391	433	0	433	284	( 4)	( 4)	( 0.04)

Note: 1. Par value of common stock of Mega Securities Holdings Co., Ltd., Mega Global Asset Management Co., Ltd., and Mega International Asset Management Co., Ltd. is US\$1 per share. Par value of common stock of Mega Capital (Asia) Co., Ltd. and Mega Securities (Hong Kong) Co., Ltd. are HK\$1 and HK\$600, respectively. Par value of common share of Yung-Shing Industries Co. is NT\$100 per share.

2. Foreign exchange rates applied by the affiliated companies are as follows:

Balance Sheet Items	Income Statement Items	Company Name
USD1=NTD32.176	USD1=NTD33.0105	ICBCAMC Offshore Limited, Junior Preference Share Company Limited, ICBCAMC Offshore (Taiwan) II Limited, Junior Preference Share Company (Taiwan) II Limited, Cathay Investment & Warehousing Limited, Cathay Investment & Development Cop. (Bahamas) and Ramlett Finance Holdings Inc.
CAD1=NTD30.5856	CAD1=NTD29.0675	Mega International Commercial Bank (Canada)
PHP1=NTD0.6957	PHP1=NTD0.6903	Cathay Insurance Company, Inc.
THB1=NTD0.9645	THB1=NTD0.9613	Mega International Commercial Bank Public Co., Ltd.
HKD1=NTD4.2627	HKD1=NTD4.2420	Mega Insurance Brokers (Hong Kong) Co., Ltd.
HKD1=NTD4.1260	HKD1=NTD4.2613	Mega Securities Holdings Co., Ltd., Mega Global Asset Management Co., Ltd., Mega Capital (Asia) Co., Ltd. and Mega Securities (Hong Kong) Co., Ltd. Mega International Asset Management Co., Ltd.



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## Spokesperson

Jui-Yun Lin, Executive Vice President

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Tel: +886-2-2357-8888 ext.116

## Deputy Spokesperson

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

Email: [jentsai@megaholdings.com.tw](mailto:jentsai@megaholdings.com.tw)

Tel: +886-2-2357-8888 ext. 500

## Headquarters

Mega Financial Holding Co., Ltd.

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Fax: +886-2-3393-8755

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

## Stock Transfer Agent

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 Investors Service, Inc.

Address: 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, U.S.A.

Tel: +1-212-553-0300

## Auditors

PricewaterhouseCoopers Taiwan

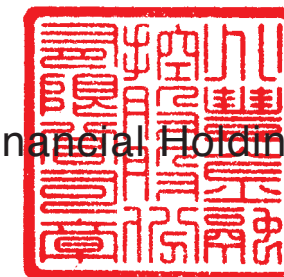
Address: 27F, No. 333, Keelung Road, Sec. 1, Taipei 110, Taiwan

Tel: +886-2-2729-6666

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



Mega Financial Holding Co., Ltd.



Chairman

*Rong-jou Wang*