



Mega Financial Holding Co., Ltd.

Annual Report 2010

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Mega Holdings

14, 16~20F, No. 123, Jhongsiao East Road,
Section 2, Taipei 100, Taiwan, R.O.C.

Tel : +886-2-2357-8888

Fax : +886-2-3393-8755

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Letter to Shareholders



A combination of strong economic growth in Asian emerging markets and the effectiveness of a series of stimulus plans launched by developed countries, the global economy for the year of 2010 have demonstrated gradual ongoing recovery from the financial crisis and liquidity contraction of 2008. Looking forward into 2011, the global economy is expected to continue on this upturn trend and in view of that, in the beginning of the year, many international forecasting institutions have revised their view on economic outlook for 2011 to reflect this. These are all clear signs that we are on the road to recovery. However, there are potential factors down the road which may impede the recovery path of the global economy. Developed countries, such as the United States, European Union, and Japan, are still coping with high unemployment rates, crisis of EU sovereign debt, rising inflation rates, rapid growth and big volume of capital inflows in emerging market, and the bubbles of real estate price, as well as the breakdown of supplier chain caused by the earthquakes in northeastern Japan. According to the forecast made by Global Insight in February 2011, the global GDP growth rates for 2010 and 2011 are estimated to stand at 4.1% and 3.7%, respectively. It is generally believed that the global economy growth may tend toward more increasing fluctuation.



Yeou-Tsair Tsai, Chairman

In Taiwan, the rapid economic recovery in the Asia Pacific region has contributed to a significant annual GDP real growth in 2010. In February 2011, the Directorate-General of Budget, Accounting, and Statistics (DGBAS), Executive Yuan, R.O.C. (Taiwan) released an estimation of GDP growth rate of 10.82% for 2010, a new record high since 1988. This shows that Taiwan has ridden out of the economic recession of 2009 which witnessed a negative economic growth rate of 1.93%. Looking forward into 2011, despite the likely economic slowdown caused by global economic uncertainties and the record high GDP growth rate in 2010, Taiwan is still expected to maintain a moderate economic growth due to increasing demand both domestically and abroad. According to a forecast made by DGBAS, Taiwan will see an economic growth rate of 4.92% and per capita, on both GDP and GNP, over US\$20,000 in 2011.

Benefiting from the high economic growth, the company and its subsidiaries have generated significant profits with our excellent business capabilities and good assets quality. In 2010, our consolidated net profit after tax reached NT\$15,150 million, an increase of 5.61% from 2009. An EPS of NT\$1.37 puts the company, among the peer group, as one of the best performance financial holding companies in Taiwan. The operation results of the Company and its subsidiaries in 2010 are shown below:

1.1 Review of Business Operations in 2010

1.1.1 Global and Domestic Financial Environment

In 2010, while some emerging countries have been raising the interest rates to cap inflation and to control the credit availability and capital mobility, many developed countries took a more conservative attitude toward a forecasted economic recovery. Therefore, the central banks of these developed countries have announced plans to maintain the existing policy in keeping the interest rates unchanged. In spite of this, the Taiwanese central bank has slowly raised market interest rates in light of the steady growth of Taiwanese economy. But owing to the concerns over growing consumer prices in 2011 and real estate price hikes, the Central Bank of Taiwan will likely only raise interest rates slightly and gradually to stabilize consumer prices and financial situation.



Kuang-Si Shiu, President

In 2010, the USD against the world's major currencies has turned to depreciation from appreciation. During the second half of 2010, owing to sluggish economic growth, high unemployment rate, and concerns over a potential deflation, the Fed decided to launch a second round of quantitative easing monetary policy, and redeem government bonds in order to bring down long term interest rates and to stimulate domestic demand. As a result, the USD continues to witness a trend of depreciation due to an increase of USD supply in the market. Since the beginning of 2010, the Taiwanese foreign exchange market has seen the trend of currency appreciation for NTD because of the continued foreign capital inflows, domestic economic recovery, and the positive export growth.

1.1.2 Organization Integration

As of the end of 2010, the number of subsidiary companies in which the Company has direct controlling interest, remains the same as they were in 2009. 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 2010, 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 ranked 3rd in Taiwan's syndicated loan market with 7.24% of market share. By the end of 2010, the corporate loans business captured the third position among local banks, with a market share of 7.88%. Loans extended to small and medium sized enterprises had a market share of 6.65%, ranked 7th among local banks.

Consumer banking and wealth management

Mega International Commercial Bank had a residential mortgage loans outstanding reaching NT\$189.3 billion by the end of 2010, down 4.72% from the previous year. The Group generated NT\$1,965 million of wealth management fees income in 2010, up 28.29% from the previous year. Listed below is the average volume of its business:

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

Item \ Year	2010	2009	Change (%)
Deposits	1,507,253	1,472,227	2.38
Loans	1,267,281	1,279,368	(0.94)
Foreign exchange (US\$)	675,766	536,885	25.87
Securities purchased	309,660	275,617	12.35
Long-term equity investments	28,202	29,263	(3.63)
Trust assets	266,709	289,389	(7.84)
Corporate financing	1,048,976	995,566	5.36
Consumers financing (Note)	269,047	256,085	5.06

Note: Consumers financing excludes credit card loans.

Asset Quality

The non-performing loans outstanding at the end of 2010 amounted to NT\$4,545 million, representing a non-performing loan ratio of 0.34%, lower than the overall average for Taiwanese domestic banks of 0.61% as disclosed by the FSC. The bank's bad debt coverage ratio was 227.14%, higher than the overall market average 158.07% as of the end of 2010.

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 28.29% and 33.49%, respectively. Bills trading in secondary markets also held the first position, with a market share of 34.12%. Bond trading had a market share of 32.63%, also topped the industry. As shown in the table below, the company's business volume in underwriting and purchase of bills rise 7.90%, while guaranteed issues of commercial paper grew 5.69% in 2010, due to an active market. The company's operating volume in 2010 is shown as follows:

Units: NT\$ million

Item	2010	2009	Change (%)
Underwriting and purchase of bills	1,727,995	1,601,426	7.90
Guaranteed issues of commercial paper	1,486,351	1,406,289	5.69
Dealing in bills	8,983,444	8,838,855	1.64
Dealing in bonds	7,254,244	6,473,364	12.06
Guaranteed issues of commercial paper outstanding	114,724	107,235	6.98
Payments for overdue credits	101	374	(72.99)
Percentage of payments for overdue credits (%)	0.09	0.38	(76.32)

Mega Securities Co., Ltd. (MSC)

Mega Securities Co., Ltd. achieved a market share of 3.53% in securities brokerage, ranked 10th in the local securities market. The company issued 718 warrants in total, ranked 9th in the market. The issue amount of warrants amounted to NT\$12 billion ranked 6th in the market. The company's operating volume in 2010 is shown in the following table:

	Item	2010	2009	Change (%)
Securities brokerage	Market share	3.53%	3.66%	(3.55)
Equity underwriting	Number of initial public offering lead managed by MSC	6 issues	4 issues	50.00
	Number of subsequent public offering lead managed by MSC	11 issues	7 issues	57.14
Bonds underwriting	Number of issues	3 issues	4 issues	(25.00)
	Amount	NT\$ 10.0 billion	NT\$ 10.0 billion	0.00
New financial products	Number of warrants issued	718 issues	375 issues	91.47
	Amount of warrants issued	NT\$ 12.0 billion	NT\$ 8.1 billion	48.15

Note: The ranking in 2010 includes 12 securities companies with a registered capital of over NT\$10 billion in Taiwan.

Chung Kuo Insurance Co., Ltd.

Chung Kuo Insurance Company's operating revenues reached NT\$10,948 million in 2010, declined 4.16% from 2009. Its direct written premiums fell 3.66% to NT\$5,270 million, in 2010, due to fierce market competition, with inward reinsurance premiums dropping 9.39%. The company's operating performance in 2010 is shown in the following table:



Unit: NT\$ million

Item	2010	2009	Change (%)
Direct written premiums	5,270	5,470	(3.66)
Inward reinsurance premiums	656	724	(9.39)

1.1.4 Budget Implementation

The Company

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

Item	Final accounting figure, 2010	Budget figure, 2010	Implemented (%)
Revenues	16,131,951	15,670,707	102.94
Expenses and losses	830,758	893,656	92.96
Net income before tax from continuing Operations	15,301,193	14,777,051	103.55
Net income	15,110,720	14,602,718	103.48
Earnings per share	1.37	1.32	103.79

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	13,451,339	13,023,304	103.29
Mega Securities Co., Ltd.	1,619,765	1,716,015	94.39
Mega Bills Finance Co., Ltd.	3,155,650	2,646,058	119.26
Chung Kuo Insurance Co., Ltd.	(81,061)	432,500	-
Mega Asset Management Co., Ltd.	500,476	463,036	108.09
Mega Life Insurance Agency Co., Ltd.	55,376	33,626	164.68
Mega Venture Capital Co., Ltd.	38,059	76,985	49.44
Mega International Investment Trust Co., Ltd.	253,197	106,806	237.06

Chung Kuo Insurance Co., Ltd. suffered a net loss before tax for NT\$ 81,061 thousand in 2010 as it experienced catastrophe losses from Fanabi Typhoon and several fire loss claims. Mega Venture Capital Co., Ltd. also failed to achieve its budgeted earning target because gains from disposal of securities investments were less than expected.

1.1.5 Financial Results

The consolidated net income before tax for 2010, of the Company and its subsidiaries, amounted to NT\$18,640 million, a decrease of NT\$416 million, or 2.19%, from the year before. The main reasons for the decline were reductions in net non-interest income of NT\$3,044 million, net interest income of NT\$1,412 million and bad debt and other expenses of NT\$4,039 million, respectively. In 2010, net interest income declined 5.33% from the preceding year to NT\$25,064 million as the interest rate spread narrowed in the second half of 2010. The net non-interest income also fell from the previous year mainly due to decrease in realized gain from disposal of financial assets and evaluation gain of financial assets. Furthermore,

the consolidated net income after tax for 2010, of the Company and its subsidiaries, reached NT\$15,150 million, an increase of NT\$805 million or 5.61% compared to the figure posted in 2009. The return on total asset improved slightly, in 2010, to 0.61% on a consolidated basis. The return on shareholders' equity fell to 7.62% on a consolidated basis, compared to 7.66% in 2009. A breakdown of the financial results of the Company and its subsidiaries in 2010 are 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	18,639,692	15,149,618	1.37	36.09	0.61	7.62
Mega FHC (Unconsolidated)	15,301,193	15,110,720	1.37	93.67	6.68	7.62
Mega International Commercial Bank Co., Ltd.	13,451,339	11,171,687	1.74	35.78	0.51	7.12
Mega Securities Co., Ltd.	1,619,765	1,397,330	1.20	29.13	3.11	9.54
Mega Bills Finance Co., Ltd.	3,155,650	2,654,897	2.02	62.26	1.28	8.12
Chung Kuo Insurance Co., Ltd.	(81,061)	(94,831)	(0.32)	(0.87)	(0.66)	(2.01)
Mega Asset Management Co., Ltd.	500,476	401,717	2.01	63.41	2.83	15.76
Mega Life Insurance Agency Co., Ltd.	55,376	45,960	22.98	12.38	42.06	70.80
Mega Venture Capital Co., Ltd.	38,059	36,287	0.36	10.02	3.70	3.75
Mega International Investment Trust Co., Ltd.	253,197	202,358	3.84	68.76	20.92	26.07

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 2010 is summarized as follows:

A. The Company

- Assessing the feasibility of entering the financial market in Mainland China
- Carrying out the IFRS Project – Phase 1: differences analysis

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
- Conducting research on building a Mortgage Credit Score system

C. Securities subsidiary

- Enhancing the functions of the e-transaction system for brokerage business (the new SFA functions are real-time settlement, profit and loss, and maintenance ratio calculators), the new introducing broker-dealer operating system for the futures subsidiary, and the wealth management front-desk system
- Building the asset swap options (ASO) trading system, the credit default swaps (CDS) system, and the bills broker-dealer transaction system



- Constructing a risk management system for discretionary accounts

D. Bills subsidiary

- Developing a system program simulating the effects of major business changes to capital adequacy ratio
- Launching the USD bills finance business
- Planning on the operations of the CB (EB) asset swap options business

E. Non-life insurance subsidiary

- Launching hospital daily indemnity medical insurance
- Launching medical malpractice liability insurance
- Launching the CKI hospital daily indemnity medical insurance
- Launching limited-coverage bumper to bumper collision damage insurance

F. Investment trust subsidiary

- Promoting the fixed amount periodic investment and smart cyclic investment
- Encouraging the use of e-transactions

1.2 Business Plan for 2011

1.2.1 Operating Guidelines

- Supervising the subsidiaries to generate the synergistic effect of cross selling
- Seeking merger and acquisition opportunities to enhance competitiveness
- Focusing efforts on corporate operations to maximize value for shareholders
- Strengthening risk management systems
- Enhancing operational effectiveness and optimizing financial performance
- Strengthening the Group's information management, promoting resource sharing, and lowering operating cost
- Enhancing HR management and organizational effectiveness
- Carrying out energy saving and carbon reduction policy, encouraging group purchase, and saving office expenses
- Participating actively in social charitable works, fulfilling our social responsibility, and boosting corporate image

1.2.2 Business Objectives

We strive to maintain stable profitability and leadership in the market so as to consolidate the Group's position as a leading financial institution in Taiwan. Our business objectives for 2011 are as follows:

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

Business	Item	Budget for 2011
Banking	Average outstanding deposits	1,546,171
	Average outstanding loans	1,365,979
	Undertaking of foreign exchange	716,400
Bills Finance	Underwriting and purchasing bills	1,674,209
	Trading volume of bills and bonds	15,052,085
	Guaranteed issues of commercial paper average outstanding	117,300
Securities	Market share of brokerage	3.80%
Insurance	Combined Ratio	97.80%
	Retention Ratio	48.85%

1.2.3 Major Operational Policies

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

1.3 Future Development Strategies

- Envisioning 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

The signing of the Economic Cooperation Framework Agreement (ECFA) and the Memorandum of Understanding (MOU) between Taiwan and China created a new business opportunity for the Taiwanese financial industry. Taiwanese businesses have been keen to plan to explore the Chinese market, although the agreement does not necessarily translate into substantive benefits in the short run. Mega International Commercial Bank, a bank subsidiary of the Group, signed a MOU on business cooperation with Bank of China as well as other Chinese banks to provide services to Taiwanese businesses in China. Additionally, the Group also obtained the approval from the Financial Supervisory Commission to set up a branch office in Suzhou, China on 27 January 2011, making the bank the first Taiwanese bank benefiting from the early harvest list of the cross-strait ECFA negotiation.



1.5 Credit Ratings

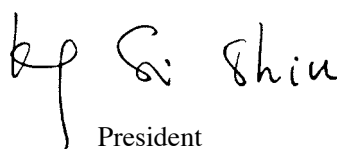
As of the end of 2010, the Company and its subsidiaries retained the same credit rating as granted in 2009, while the outlook on rating of Chung Kuo Insurance Co., Ltd. has been revised from negative to stable by Moody's. Set forth below are the summary of our credit ratings:

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, 2010
	Moody's	A3	-	Stable	Nov. 25, 2010
Mega International Commercial Bank	Taiwan Ratings Corp.	twAA+	twA-1+	Stable	Oct. 1, 2010
	Moody's	A1	P-1	Stable	Nov. 25, 2010
	S & P	A	A-1	Stable	Oct. 1, 2010
	Fitch	AA(twn)	F1+(twn)	Stable	Nov. 10, 2010
		A-	F2	Stable	Nov. 10, 2010
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 1, 2010
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA-	twA-1+	Stable	Oct. 1, 2010
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA-	-	Stable	Oct. 1, 2010
	Moody's	A3	-	Stable	Nov. 25, 2010
	S & P	BBB+	-	Stable	Oct. 1, 2010

In the next year, we expect to see a moderate growth of global economy. Yet there are still uncertainties such as high unemployment rates in the advanced countries, unresolved EU sovereign debt crisis, and concerns over asset bubbles in the emerging countries. Therefore, we are cautiously optimistic about the economic outlook. In the meanwhile, the year 2011 will be a key year for Taiwanese businesses after the signing of cross-strait ECFA. For Taiwanese financial institutions, the year 2011 will also be the most important year for exploring business opportunities in China. In its consistently enthusiastic and practical spirit, the Group will continue to supervise its subsidiaries to explore business, carry out exiting strategies, and maintain market position to create interests for all shareholders. We appreciate your continued support and encouragement.



Chairman of the Board



President

Company Profile



2.1 Date of Incorporation: February 4, 2002

2.2 Company History

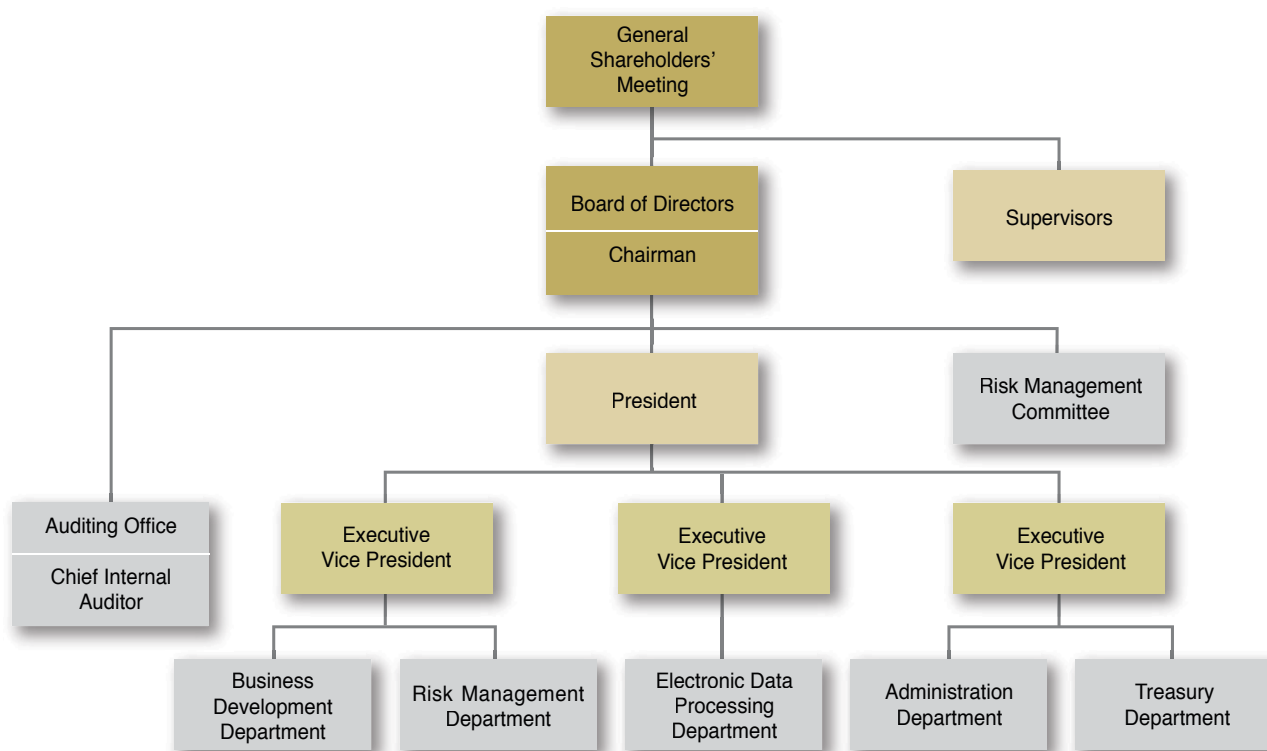
Date	Milestones
February 4, 2002	Founded by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through the exchange of shares, and simultaneously listed on the Taiwan Stock Exchange with the name of CTB Financial Holding Company (Code 2886)
August 22, 2002	Acquired a 100% 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 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 2010
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
- Institutional investor relations

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 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	Yeou-Tsair Tsai (Representative of the Ministry of Finance, R.O.C.)	07/01/2010	2	07/01/2010	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Kuang-Si Shiu (Representative of the Ministry of Finance, R.O.C.)	06/23/2009	3	07/15/2008	1,104,070,205	9.98	1,104,070,205	9.98	274,178	0	0	0
Director	Ming-Chung Tsegn (Representative of the Ministry of Finance, R.O.C.)	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, R.O.C.)	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, R.O.C.)	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, R.O.C.)	06/23/2009	3	08/31/2006	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Tzung-Ta Yen (Representative of the Ministry of Finance, R.O.C.)	06/25/2009	3	06/25/2009	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Fang-Yu Kuo (Representative of the Ministry of Finance, R.O.C.)	03/17/2011	1.26	03/17/2011	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, R.O.C.)	09/23/2009	2.75	09/23/2009	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0



April 29, 2011

Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
President of Taiwan Cooperative Bank, President / Chairman of the Mega Int'l Commercial Bank Co., Ltd., President of Mega Financial Holding Co., Ltd., Chairman of Mega Int'l Investment Trust Co., Ltd., Chairman of Bank SinoPac, Chief Executive Officer of SinoPac Holdings M.A. in Public Finance, National Chengchi University	Chairman of Mega Int'l Commercial Bank Co., Ltd., Director of Taiwan Futures Exchange, Director of Taipei Financial Center Corporation, Director of Taiwan Asset Management Corporation, Director of National Credit Card Center of R.O.C., Managing Director of The Bankers Association of The Republic of China, Chairman of Mega Charity Foundation, Director of The Int'l Commercial Bank of China Cultural and Educational Foundation, Supervisor of Taiwan Academy of Banking and Finance	None	None	None
Senior Executive Vice President of Chiao Tung Bank, Executive Vice President of Mega Financial Holding Co., Ltd. MBA, 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 Mega Int'l Investment Trust Co., Ltd., 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., Director of Mega Chairty Foundation, Director of The Int'l Commercial Bank of China Cultural and Educational Foundation, Supervisor of TRADE-VAN Information Services Co., Ltd.	None	None	None
President of Taiwan Cooperative Bank, Deputy Director General of Banking Bureau, Chief Secretary of Financial Supervisor Commission(FSC), Director General of Financial Examination Bureau, FSC M.A. in Public Policy Studies, National Chung Shin University Studying in Ph.D. Program, Graduate School of Business Administration, National Taipei University	Administrative Deputy Minister of Ministry of Finance, R.O.C. Managing Director of Mega Int'l Commercial Bank Co., Ltd. Director of Straits Exchange Foundation Director of China Aviation Development Foundation	None	None	None
Commissioner of Dept. of Economic Development, Taipei City Government Chief Executive Director of Taiwan WTO Center Chung-Hua Institution for Economic Research Vice Minister of the Ministry of Economic Affairs M.A. in Economics, National Taiwan University	Deputy Minister of the Ministry of Economic Affairs, R.O.C.	None	None	None
Deputy Minister, Directorate General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, R.O.C. M.A. in Accounting, National Chengchi University EMBA, National Taiwan University	Managing Director of Small and Medium Enterprise Credit Guarantee Fund of Taiwan Deputy Secretary-General, Executive Yuan, R.O.C.	None	None	None
Controller and Director, DGBAS, Executive Yuan, R.O.C. B.A. in Economics, Soochow University	Deputy Minister, DGBAS, Executive Yuan, R.O.C.	None	None	None
Deputy Director General, Dept. of Economic Research, Central Bank of the R.O.C. Ph. D. in Economics, Michigan State University, U.S.A.	Director General, Department of Economic Research, Central Bank of the R.O.C.	None	None	None
Counselor / Chief Secretary, Council of Labor Affairs, Executive Yuan, R.O.C. General Manager, Bureau of Labor Insurance Director General, Bureau of Employment & Vocational Training, Council of Labor Affairs, Executive Yuan, R.O.C. M.A. in Diplomacy, National Chenchi University	Deputy Minister, Council of Labor Affairs, Executive Yuan, R.O.C.	None	None	None
Deputy Director, National Treasury Agency, Ministry of Finance, R.O.C. M.A. in Public Finance, National Chengchi University	Director, National Treasury Agency, Ministry of Finance, R.O.C.	None	None	None

Corporate Governance Report

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	Ming-Hui Tang (Representative of the Ministry of Finance, R.O.C.)	03/01/2011	1.31	03/01/2011	1,104,070,205	9.98	1,104,070,205	9.98	0	0	0	0
Director	Shi-Kuan Chen (Representative of the Ministry of Finance, R.O.C.)	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	1,594,617	0.01	150,128	0	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, R.O.C.)	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, R.O.C.)	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	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	301,794,574	2.73	0	0	0	0

Note : The former chairman Rong-Jou Wang left office on July 01, 2010.



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Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
Executive Secretary of Taxation And Tariff Committee, Ministry of Finance, R.O.C. M.A. in Economics, National Chengchi University MBA, Western Illinois University, U.S.A.	Deputy Director-General, National Treasury Agency, Ministry of Finance, R.O.C.	None	None	None
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 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 Co., Ltd. B.A. in Business Administration, Soochow University	Vice President & Deputy General Manager of Mega Int'l Commercial Bank Co., Ltd., Chung Ho Branch Chairman of The Employee Welfare Committee of Mega Int'l Commercial Bank Co., Ltd. Supervisor of The National Federation of Bank Employees Unions	None	None	None
Director General, Kaohsiung National Tax Administration, Ministry of Finance, R.O.C. Director General, National Tax Administration of Central Taiwan Province, Ministry of Finance, R.O.C. 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.	Professor of Soochow University	None	None	None
Senior Executive Vice President of GreTai Securities Market Senior Executive Vice President of Taiwan Securities Central Depository Co., Ltd. President of Taiwan Stock Exchange Corp. Bachelor of Laws, Chinese Culture University	Independent Director of Mega Securities Co., Ltd. Independent Director of Ever Growing Group, Inc.	None	None	None
Director-General, Dept. of Overall Planning, Council for Economic Planning and Development, Executive Yuan, R.O.C. Ph. D. in Agricultural Economics, National Taiwan University	Counselor, Executive Yuan, R.O.C., Supervisor of Mega Int'l Commercial Bank Co., Ltd.	None	None	None
Director of Sectoral Planning Dept., Council for Economic Planning and Development, Executive Yuan, R.O.C., Executive Secretary of National Development Fund, Executive Yuan, R.O.C. M.S. in Agricultural Economics, National Taiwan University	Counselor, Council for Economic Planning and Development, Executive Yuan, R.O.C., Director of Vanguard Int'l Semiconductor Corp.	None	None	None
Chief Secretary, Ministry of Finance, R.O.C. Director-General, National Tax Administration of Northern Taiwan Province, Ministry of Finance, R.O.C. Director-General, Taipei National Tax Administration, Ministry of Finance, R.O.C. M.A. in Public Finance, National Chengchi University	Director-General, National Treasury Agency, Ministry of Finance, R.O.C.	None	None	None
Senior Vice President and General Manager, Dept. of Treasury, Bank of Taiwan M.A. in Economics, Soochow University	Executive Vice President, Bank of Taiwan Supervisor of Taiwan Futures Exchange	None	None	None
Director General of Civil Aeronautics Administration, Ministry of Transportation and Communications Administrative/Political Deputy Minister of Ministry of Transportation and Communications, Executive Yuan, R.O.C. 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

April 29, 2011

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Ministry of Finance, R.O.C.	N.A.
National Development Fund, Executive Yuan, R.O.C.	N.A.
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications, R.O.C. (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

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

Professional qualifications and independence analysis of directors and supervisors

April 29, 2011

Criteria 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	
Yeou-Tsair Tsai	√		√	√		√	√	√		√	√	√		0
Kuang-Si Shiu			√			√	√	√		√	√	√		0
Ming-Chung Tsegn			√	√		√	√			√	√	√		0
Sheng-Chung Lin			√	√		√	√			√	√	√		0
Ching-Tsai Chen	√	√	√	√	√	√	√		√	√	√	√		0
Dun-Jin Luh			√	√	√	√	√		√	√	√	√		0
Ming-Hui Tang	√		√	√		√	√		√	√	√	√		0
Hsi-Chin Huang			√	√	√	√	√		√	√	√	√		0
Fang-Yu Kuo			√	√		√	√		√	√	√	√		0
Shi-Kuan Chen	√		√	√		√	√	√		√	√	√		1
Tzung-Ta Yen	√		√	√	√	√	√		√	√	√	√		0
Chung-Hsiang Lin			√			√	√	√	√	√	√	√		0



Name \ Criteria	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 been 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, Supervisors, President, and Executive Vice Presidents

Remuneration of Directors

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)	
		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
Chairman	Ministry of Finance										
	Yeou-Tsair Tsai										
	Rong-Jou Wang										
Director (Representative of Ministry of Finance)	Kuang-Si Shiu										
	Ching-Tsai Chen										
	Shi-Kuan Chen										
	Albert Kwang-Chin Ting										
	Ming-Chung Tsegn										
	Sheng-Chung Lin										
	Tzung-Ta Yen										
	Wei-Ching Lue										
	Dun-Jin Luh										
	Hsi-Chin Huang										
	Director											Labor Union of Mega ICBC
Chung-Hsiang Lin											
Independent Director	Chun-Tien Cheng										
	Chun Mei Ma										
	Song-Chin Su										
Total		3,240	9,872	0	806	50,099	50,099	2,879	5,969	0.37	0.44

Note: 1. Mr. Rong-Jou Wang has been replaced by Mr. Yeou-Tsair Tsai as chairman of the Board since July 1, 2010.

2. Wei-Ching Lue and Mr. Albert Kwang-Chin Ting resigned from the Board on Dec. 30, 2010 and Mar. 7, 2011, respectively. Mr. Ming-Hui Tang and Mr. Fang-Yu Kuo serve as directors since Mar. 1, 2011 and Mar. 17, 2011, respectively.
3. Allowances (D) include payment for house rent and allowance for company cars. Compensation paid to company drivers by all consolidated entities totaled NT\$1,033 thousand.
4. 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\$960 thousand.
5. Severance Pay (B) includes payout amount for NT\$414 thousand and appropriated amount for NT\$392 thousand. Severance Pay (F) are appropriated amounts.
6. Bonus to Directors (C) and Profit Sharing- Employee Bonus (G) will be subject to approval of the Annual General Shareholders' Meeting on June 28, 2011.
7. The Company does not issue any employee stock options.



Unit: NT\$ thousands

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
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	
				Cash	Stock	Cash	Stock					
0	8,377	0	926	0	0	241	0	0	0	0.37	0.50	705

Corporate Governance Report

Bracket	Name of Directors		Name of Directors	
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	All Investee Companies	The company	All Investee Companies
Under NT\$ 2,000,000	Yeou-Tsair Tsai, Rong-Jou Wang, Kuang-Si Shiu, Ching-Tsai Chen, Shi-Kuan Chen, Albert Kwang-Chin Ting, Ming-Chung Tsegn, Sheng-Chung Lin, Tzung-Ta Yen, Wei-Ching Lue, Dun-Jin Luh, Hsi-Chin Huang, Chung-Hsiang Lin, Chun-Tien Chin Huang, Chung-Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chin Su	Ching-Tsai Chen, Shi-Kuan Chen, Albert Kwang-Chin Ting, Ming-Chung Tsegn, Sheng-Chung Lin, Tzung-Ta Yen, Wei-Ching Lue, Dun-Jin Luh, Hsi-Chin Huang, Chung-Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chin Su	Yeou-Tsair Tsai, Rong-Jou Wang, Kuang-Si Shiu, Ching-Tsai Chen, Shi-Kuan Chen, Albert Kwang-Chin Ting, Ming-Chung Tsegn, Sheng-Chung Lin, Tzung-Ta Yen, Wei-Ching Lue, Dun-Jin Luh, Hsi-Chin Huang, Chung-Hsiang Lin, Chun-Tien Chin Huang, Chung-Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chin Su	Ching-Tsai Chen, Shi-Kuan Chen, Albert Kwang-Chin Ting, Ming-Chung Tsegn, Sheng-Chung Lin, Tzung-Ta Yen, Wei-Ching Lue, Dun-Jin Luh, Hsi-Chin Huang, Chung-Hsiang Lin, Chun-Tien Cheng, Chun Mei Ma, Song-Chin Su
NT\$2,000,000 ~ NT\$5,000,000	Labor Union of Mega International Commercial Bank	Rong-Jou Wang, Kuang-Si Shiu, Labor Union of Mega International Commercial Bank	Labor Union of Mega International Commercial Bank	Rong-Jou Wang, Labor Union of Mega International Commercial Bank
NT\$5,000,000 ~ NT\$10,000,000		Yeou-Tsair Tsai		Yeou-Tsair Tsai, Kuang-Si Shiu
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000	Ministry of Finance, R.O.C.	Ministry of Finance, R.O.C.	Ministry of Finance, R.O.C.	Ministry of Finance, R.O.C.
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	18	18	18	18

Note: The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting on June 28, 2011.



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	National Development Fund	0	0	0	0	7,160	7,160	288	288	0.05	0.05	0
	Yaw-Chung Liao	0	0	0	0	0	0	96	96	0.00	0.00	0
	Kuo-Hui Hsiao	0	0	0	0	0	0	96	96	0.00	0.00	0
Supervisor	Chunghwa Post Co., Ltd.	0	0	0	0	10,739	10,739	720	720	0.08	0.08	0
	Oliver Fang-Lai Yu											
Supervisor	Bank of Taiwan											
	Justin Jan-Lin Wei											
	Joanne Ling											
Total		0	0	0	0	17,899	17,899	1,200	1,200	0.13	0.13	0

Note: Remuneration to supervisors is subject to approval of the Annual General Shareholders' Meeting on June 28, 2011.

Bracket	Name of Supervisors	
	Total of (A+B+C+D)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Yaw-Chung Liao, Kuo-Hui Hsiao, Oliver Fang-Lai Yu, Justin Jan-Lin Wei, Joanne Ling	Yaw-Chung Liao, Kuo-Hui Hsiao, Oliver Fang-Lai Yu, Justin Jan-Lin Wei, Joanne Ling
NT\$2,000,000 ~ NT\$5,000,000	Chunghwa Post Co., Ltd.	Chunghwa Post Co., Ltd.
NT\$5,000,000 ~ NT\$10,000,000	National Development Fund, Bank of Taiwan	National Development Fund, Bank of Taiwan
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	8	8

3.2.3 Management Team

Title	Name	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
			Shares	%	Shares	%	Shares	%
President	Kuang-Si Shiu	07/15/2008	274,178	0	0	0	0	0
Executive Vice President	Jui-Yun Lin	09/08/2006	51,591	0	0	0	0	0
Executive Vice President	Chung-Hsing Chen	10/01/2010	0	0	0	0	0	0
Executive Vice President	Dan-Hun Lu	01/15/2009	7,822	0	0	0	0	0
Chief Internal Auditor	Yung-Ming Chen	09/08/2006	185	0	0	0	0	0

Compensation of President

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
President	Kuang-Si Shiu						
Executive Vice President	Jui-Yun Lin						
Executive Vice President(Note1)	Chung-Hsing Chen						
Executive Vice President	Chao-Hsien Lai						
Executive Vice President	Dan-Hun Lu						
Chief Internal Auditor	Yung-Ming Chen						
		6,090	13,511	933	2,134	4,130	13,245

- Note: 1. Mr. Chung-Hsing Chen joined the Company in October 2010 and replaced Mr. Chao-Hsien Lai as Executive Vice President.
 2. Bonuses and Allowances (C) include payment for house rent, company cars. Compensation paid to company drivers by all consolidated entities totaled NT\$5,286 thousand.
 3. Severance Pay (B) are appropriated amounts.
 4. Profit Sharing-Employee Bonus (D) is preliminary and subject to the approval by shareholders at the Annual Shareholder Meeting on June 28, 2011.
 5. The Company does not issue any employee stock options.



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Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
		Title	Name	Relation
Senior Executive Vice President of Chiao Tung Bank, Executive Vice President of Mega Financial Holding Co., Ltd. MBA, 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 Mega Int'l Investment Trust Co., Ltd., 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., Director of Mega Chairty Foundation, Director of The Int'l Commercial Bank of China Cultural and Educational Foundation, Supervisor of TRADE-VAN Information Services Co., Ltd.	None	None	None
Senior Vice President of Mega Financial Holding Co., Ltd. Senior Vice President & General Manager of Chiao Tung Bank M.A. in Public Finance, Nat'l Chengchi University	Supervisor of Mega Int'l Commercial Bank Co., Ltd., Chairman and President of Mega Venture Capital Co., Ltd., Director of Mega Bills Finance Co., Ltd. Chairman of Chung Kuo Insurance Co., Ltd., Director of Taiwanpay Corp., Director of Taipei Financial Center Corp., Chief Secretary of Chung Hua Financial R&D Association	None	None	None
President of Global Financial Services Co., Ltd. Vice President of Xinhua Finance Ltd. Vice chairman of Shanghai Far East Credit Rating Agency Senior Executive Vice President of Fuhwa Commercial Bank Company, President of Fuhwa Financial Holding Company President & Chief Executive Officer, Taiwan Ratings Corporation SJD., LL.M., Southern Methodist University	Supervisor of Chung Kuo Insurance Co., Ltd., Supervisor of Mega Int'l Investment Trust Co., Ltd.	None	None	None
Senior Vice President & General Manager of Mega Int'l 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 Int'l Commercial Bank, Director of Cathay Investment & Development Corp. (Bahamas), Director of N.T.U. Innovation & Incubation Corp., Supervisor of Mega Bills Finance Co., Ltd., Chairman of Win Card Co., Ltd., Director of Mega I Venture Capital Co., Ltd.	None	None	None
Senior Vice President of Mega Financial Holding Co., Ltd., Senior Vice President & General Manager of Chiao Tung Bank B.A. in Int'l Trade, Nat'l Taichung Institute of Technology	Supervisor of Taiwan Business Bank, Director of Taipei Financial Center Corp.	None	None	None

and Executive Vice Presidents

Unit: NT\$ thousands

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	
Cash	Stock	Cash	Stock					
1.050	0	1.479	0	0.08	0.20	0	0	1.551



Bracket	Name of President and Executive Vice Presidents	
	The company	All Investee Companies
Under NT\$ 2,000,000	Kuang-Si Shiu, Chung-Hsing Chen, Chao-Hsien Lai, Dan-Hun Lu	Chung-Hsing Chen
NT\$2,000,000 ~ NT\$5,000,000		Chao-Hsien Lai
NT\$5,000,000 ~ NT\$10,000,000	Jui-Yun Lin , Yung-Ming Chen	Kuang-Si Shiu, Jui-Yun Lin, Dan-Hun Lu, Yung-Ming Chen
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	6	6

Employee Bonus of 2010 to Executive Vice Presidents

Unit: NT\$ thousands

Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income(%)
President	Kuang-Si Shiu				
Executive Vice President	Jui-Yun Lin				
Executive Vice President	Chung-Hsing Chen				
Executive Vice President	Chao-Hsien Lai				
Executive Vice President	Dan-Hun Lu				
Chief Internal Auditor	Yung-Ming Chen				
Total		0	1,050	1,050	0.01

Note: The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholder Meeting on June 28, 2011.

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 most recent two fiscal years to directors, supervisors, presidents 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
2010	87,518,773	125,493,727	0.58%	0.83%
2009	84,391,823	122,377,022	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 0.58% in 2010, compared with 0.59% in 2009. Total remuneration paid to



directors, supervisors and executives, by all consolidated entities, as a percentage of consolidated net income after tax also fell slightly to 0.83% from 0.85% in 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 meeting for discussion before being sent to the shareholders' meeting for resolution.

The remuneration paid to directors, supervisors and executives as a percentage of net income grew only 3.71% in 2010, while the net income after tax grew 5.61% compared to 2009. Meanwhile, the remuneration paid to directors, supervisors and executives as a percentage of the consolidated net income grew 2.26% in 2010, with consolidated net income rising 5.43% from the previous year.

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 the year 2010. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B / A)	Remarks
Chairman	Yeou-Tsair Tsai (Representative of Ministry of Finance)	7	0	100.00	assumed on Jul. 1, 2010
Chairman	Rong-Jou Wang (Representative of Ministry of Finance)	6	0	100.00	resigned on Jul. 1, 2010
Director	Kuang-Si Shiu (Representative of Ministry of Finance)	12	1	92.31	
Independent Director	Chun-Tien Cheng	13	0	100.00	
Independent Director	Chun Mei Ma	13	0	100.00	
Independent Director	Song-Chin Su	13	0	100.00	
Director	Ming-Chung Tsegn (Representative of Ministry of Finance)	7	6	53.85	
Director	Sheng-Chung Lin (Representative of Ministry of Finance)	8	5	61.54	
Director	Ching-Tsai Chen (Representative of Ministry of Finance)	8	3	61.54	
Director	Dun-Jin Luh (Representative of Ministry of Finance)	12	1	92.31	
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	Tzung-Ta Yen (Representative of Ministry of Finance)	11	1	84.62	
Director	Chung-Hsiang Lin (Representative of Labor Union of Mega ICBC)	13	0	100.00	
Director	Wei-Ching Lue (Representative of Ministry of Finance)	11	2	84.62	resigned on Dec. 30, 2010
Director	Hsi-Chin Huang (Representative of Ministry of Finance)	11	2	84.62	

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) At the 12th meeting of the fourth session of Board of Directors on April 28, 2010, the Board discussed the amendment to Articles of Incorporation of the Company. Since the amendment of Article 20 relates to the pension plan for Chairman of the Board, Mr. Rong-Jou Wang, the former Chairman of the Board, recused himself from the discussion and voting in accordance with relating rules.
 - (2) At the 12th meeting of the fourth session of Board of Directors on April 28, 2010, the Board discussed the amendment of Employee Bonus Scheme. Since the amendment relates to bonuses for Chairman of the Board and President of the Company, Mr. Rong-Jou Wang, the former Chairman of the Board, and Mr. Kuang-Si Shiu, President, recused themselves from the discussion and voting in accordance with related rules during the final decision session.
 - (3) At the 17th meeting of the fourth session of Board of Directors on August 24, 2010, the Board discussed the principles concerning distribution of bonus to the Directors and Supervisors of the Board in 2009. Three independent directors, Chun-Tien Cheng, Chun Mei Ma, Song-Chin Su, recused themselves from the discussion and voting in accordance with related rules as the matter relates to the distribution of bonus for independent directors. The Board decided to withdraw the case and discuss later.
 - (4) At the 18th meeting of the fourth session of Board of Directors on September 28, 2010, the Board discussed the principles concerning distribution of bonus to the Directors and Supervisors of the Board in 2009. Three independent directors, Chun-Tien Cheng, Chun Mei Ma, Song-Chin Su, recused themselves from the discussion and voting in accordance with related rules as the matter relates to the distribution of bonus for independent directors.
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 TSEC and the Company's website.

3.3.2 Supervisors

A total of 13 (A) Board meetings were held in the year 2010. Supervisor attendance was as follows:

Title	Name	Attendance in Person (B)	Attendance rate (%) (B / A)
Supervisor	Oliver Fang-Lai Yu (Representative of Chunghwa Post Co., Ltd.)	11	84.62
Supervisor	Joanne Ling (Representative of Bank of Taiwan)	12	92.31
Supervisor	Justin Jan-Lin Wei (Representative of Bank of Taiwan)	13	100.00
Supervisor	Yaw-Chung Liao (Representative of National Development Fund)	12	92.31
Supervisor	Kuo-Hui Hsiao (Representative of National Development Fund)	13	100.00

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 regularly and whenever necessary. Directors, Supervisors and the Audit Office also meet to review the weakness of the internal control every half year. Supervisors may also attend Board 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 10th meeting of the fourth session of Board of Directors on February 26, 2010, the Board discussed the amendment to Rules Governing Credit Risk Management for Mega Financial Holding Company. Joanne Ling, Supervisor, suggested changing "Ministry of Finance" to "The Financial Supervisory Commission, Executive Yuan or the competent authority" in Article VI, section 4, paragraph 1. The amendment was unanimously approved.



- (2) At the 10th meeting of the fourth session of Board of Directors on February 26, 2010, the Board discussed the changes to the mid-term and long-term financial goals for the subsidiaries of the Company. Yaw-Chung Liao, Supervisor, suggested removing maximum values of the positive indicators for financial goals. Oliver Fang-Lai Yu, Supervisor, advised that the department in charge review and revise the annual financial goals on an annual basis in order to ascertain the reasonableness of the mid-term and long-term financial goals. As advised by the supervisors, the Company has revised its financial goals, and will review the Group's mid-term and long-term financial goals on an annual basis.
- (3) At the 12th meeting of the fourth session of Board of Directors on April 28, 2010, the Board reviewed the Group's mid-term and long-term development strategy in 2009. Kuo-Hui Hsiao, Supervisor, suggested evaluating the reasonableness of the goals and revising the goals accordingly in due time as some operational goals have surpassed their mid-term targets for 2009. Yaw-Chung Liao, Supervisor, also suggested that the Board evaluates the reasonableness of the ROE goals once the interest expenses become no longer tax deductible. The Chairman decided that the department in charge shall take into considerations the aforementioned suggestions from the supervisors during reviews of operations in the future.
- (4) At the 14th meeting of the fourth session of Board of Directors on June 22, 2010, the Board reviewed the Company's preliminary financial statements as of May 2010. Yaw-Chung Liao, Supervisor, suggested that recommendations for solutions should also be presented alongside the questions raised in an audit report to enhance auditing function. The Board resolved that the audit report should contain recommendations for solutions in due time for issues concerning performance as advised by the supervisor in order to enhance auditing function.
- (5) At the 16th meeting of the fourth session of Board of Directors on July 27, 2010, the Board discussed the 2010 Voluntary Retirement and Severance Incentive Scheme to be implemented by Mega International Commercial Bank. Joanne Ling, Supervisor, suggested amending the eligibility priority in the Scheme. The Board resolved to make amendment to the Scheme according to the aforementioned suggestion made by the supervisor.

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. The investor contact information is available on the Company's website.	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 tracks the shareholdings of directors, officers, and shareholders holding more than 1% of the outstanding shares of the Company.	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. Banking, insurance and securities subsidiaries also established an independent risk management unit in charge of risk control of the respective subsidiary.	None

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<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) Independent Directors</p> <p>(2) Regular evaluation of CPAs' independence</p>	<p>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.</p> <p>The Company assesses the independence of its external auditor every year at the time of appointment.</p>	<p>None</p> <p>None</p>
<p>3. Communication channels with stakeholders</p>	<p>Communication between the Company and its stakeholders can be made through meeting, letter, telephone, facsimile and e-mail. The stakeholder rights are duly respected. The Company's subsidiaries also operate a service hotline to answer enquiries from their customers.</p>	<p>None</p>
<p>4. Information Disclosure</p> <p>(1) Establishment of a corporate website to disclose information regarding the Company's financial, business and corporate governance status</p> <p>(2) Other information disclosure channels</p>	<p>The Company has set up a website to disclose financial and business information. Dedicated personnel are designated to maintain and update the website.</p> <p>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.</p>	<p>None</p> <p>None</p>
<p>5. Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors</p>	<p>No Nomination Committee or Compensation Committee of the Board of Directors has been established at the present time. However, the Company has set up a Risk Management Committee responsible for monitoring risk management for the Group.</p>	<p>The Company will set up a Compensation Committee by the end of September 2011.</p>
<p>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.</p> <p>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. The Company will set up various committee of the Board step by step for future development and corporate governance.</p>		
<p>7. Other information that would help understand the status of the Company's corporate governance:</p> <p>(1) Employee rights, employee wellness, investor relations, rights of stakeholders</p> <p>The Company's human resources guidelines follow the standards of the Labor Standards Law 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.</p> <p>(2) Directors' and supervisors' training records</p> <p>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. (http://newmops.twse.com.tw).</p>		



(3) Implementation of risk management policies and risk evaluation measures

In addition to fully 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 and self-assessment system to collect operational risk event data and conduct self-assessment. The self-assessment system will be introduced to other subsidiaries gradually after taking into account industry characteristics.

(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-Processed Personal Data Protection 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 Corporate Social Responsibility

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1. Exercising Corporate Governance		
(1) The company declares its corporate social responsibility policy and examines the results of the implementation.	The business entities of the Group have been actively participating in charity works even though the corporate social responsibility policy of the Company has not yet been established.	None
(2) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.	The Administration Department has been designated to take charge of the evaluation, planning, and execution of the charity activities of the Company.	None
(3) The company organizes regular training on business ethics and promotion of matters for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	<p>The Company holds social charity events on a regular basis to promote corporate ethics and social responsibility to the Directors and Supervisors of the Board and the employees.</p> <p>The Company has set up rules governing rewards and punishment to enhance employee performance. The appraisal factors are integrity, team spirit, moral behaviors, etc.</p>	None

<p>2. Fostering a Sustainable Environment</p> <p>(1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment</p> <p>(2) The company establishes proper environmental management systems based on the characteristics of their industries</p> <p>(3) The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment</p> <p>(4) The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction</p>	<p>The Company sets two degree higher for the central air conditioner of the building (between 26 – 28 degree Celsius), and limits the total electricity output within 90%.</p> <p>The Company uses high performance green building materials for its construction projects to save energy and reduce carbon emissions.</p> <p>As a financial service provider, the Company ensures that its business operation is friendly to the environment, and promotes energy saving, carbon reduction and resource sorting.</p> <p>The Company has designated the Administration Dept. to take care of environment management.</p> <p>The Company reviews energy saving and carbon reduction performance for the use of water, electricity, and fuel of the subsidiaries of the Group on a quarterly basis.</p>	<p>None</p> <p>Since the Company mainly delivers financial products and services, the operations of the Company will not produce environmental pollution or noises that impact the natural environment. Therefore, the Company has not set up an environmental management system.</p> <p>None</p> <p>None</p>
<p>3. Preserving Public Welfare</p> <p>(1) The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures</p> <p>(2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis</p> <p>(3) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints</p> <p>(4) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility</p> <p>(5) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events</p>	<p>The Company's human resources guidelines follow the standards of the Labor Standards Law and other relevant regulations. An Employee Welfare Committee is in place to put into practice employee care and assistance. A pension plan is available to all employees.</p> <p>To provide safe and healthy work environments for its employees, the company focuses on prevention of accident and keeping a sanitary environment. Labor safety training and fire prevention training are held on a regular basis.</p> <p>The Company's subsidiaries operate a service hotline to answer enquiries from their customers. Customer contact information is published on the website of the Company and its subsidiaries.</p> <p>The company is doing its best to adopt environment friendly materials. Environmental protection is taken into account in its procurement of calendar every year.</p> <p>The Company has been actively participating in the following charity works:</p> <ol style="list-style-type: none"> 1. holding international academic conferences 2. sponsoring for the training of the school baseball teams 3. sponsoring the government to develop tourist industry 4. participating in the community and social services and providing volunteer service one day per month 	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>



<p>4. Enhancing Information Disclosure</p> <p>(1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility</p> <p>(2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy</p>	<p>The information relating to the Company's corporate social responsibility is disclosed in the annual report.</p> <p>The Company has not prepared any corporate social responsibility reports as yet.</p>	<p>None</p> <p>The company is planning to produce corporate social responsibility reports in due course.</p>
<p>5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has not established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".</p>		
<p>6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.): To fully assume its corporate social responsibility and make contribution to the society, the Group actively participated in charity works for the disadvantaged, and sponsored events such as international academic conferences and arts and cultural activities. During 2010, the Group had taken part in a wide range of activities listed below to fulfill its social responsibility.</p>		
<p><u>Environmental Protection</u></p>		
<p>(1) In serving its duty as a member of the society, the Group implemented measures it established for environmental protection and energy conservation. Measures taken are saving energy and electricity, periodically recycling waste carbon cartridges, auctioning used PCs for recycling and re-treatment, and recycling and reusing packaging materials, etc. Also in supporting government policy to save energy and reduce emissions, the Group pioneered in leading the society to jointly combat global warming by having all business offices of subsidiaries to shut off signage lights for one hour during 8-9 pm on the moon festival holiday.</p> <p>(2) To encourage our staff to protect the environment, the Group organized the 2010 Mega Financial Group Charity Walk, a mountain cleanup trip, for the staff of Mega Financial Group on 11 September 2010. A total of three thousand staff and their families participated in the event, which took place in the Natural Hiking Trail of the Tiger Mountain in Nankang, Taipei. This event also served as a donation campaign in support of the government policy to help the disadvantaged. Among the five beneficiaries of this donation campaign were charity groups such as Raising Children Medical Foundation and Children's Hearing Foundation.</p>		
<p><u>Social Services</u></p>		
<p>(1) International Academic Conferences In light of globalization and growing cross-Strait exchanges, the Group has been seeking to promote financial internationalization, and to enhance the global competitiveness of the financial industry in Taiwan. Part of this effort was to hold the Master Forum of 2010 on 26-27 April and 24 June 2010. This forum, co-hosted by the Group, the Economic Daily News, Gold Media Group, Chung-Hua Institution for Economic Research, and Asia University, invited Dr. Oliver E. Williamson, the 2009 Nobel Laureate in Economic Sciences, to share his research experience. Guest speakers from mainland China, CEOs of leading corporations in Taiwan, and internet elites were also invited to join the Forum. Donations were also made to sponsor the International Conference on Business Management of Financial Holding Companies hosted by Taiwan Academy of Banking and Finance and the 2010 TMAT Fall Advanced Education Workshop organized by Turnaround Management Association of Taiwan.</p> <p>(2) Sports Events In support of the government's Baseball Promotion Master Plan, the Group sponsored for the training of the school baseball teams of both Hsinchu Municipal Middle School and Elementary School for four consecutive years from 2010 to 2013.</p> <p>(3) Arts and Cultural Events In support of the government policy to develop tourist and cultural industries, the Group sponsored the Chiayi municipal government, National Cultural Association, and the Republic of China Centenary Foundation for the 2010 Taiwan Lantern Festival, large scale cultural activities to help foster local culture, and a wide range of the centennial anniversary celebrations, respectively. Additionally, the Group also sponsored the 2010 Taipei Flora Expo and Taipei Financial Center Corporation for the Taipei 101 Firework Show to raise visibility of the Group.</p>		
<p><u>Community Participation and Social Services</u></p>		
<p>Mega Charity Foundation was established in 2005 by the Group. The foundation started a one-day-a-month volunteer program to help feeding and accompanying mentally and physically disabled children at Yo An Home for the Disabled Children in Miaoli and Bali-Ai Hsin Home for Person with Disabilities, New Taipei City Government. In 2011, the foundation began serving the elderly at a Catholic Nursing Home in Bali, New Taipei City by accompanying them in doing leisure activities such as singing.</p>		
<p><u>Social Charity Work</u></p>		
<p>The social charity works of the Group were primarily carried out by two of its foundations, namely Mega Charity Foundation and the International Commercial Bank of China Cultural and Educational Foundation. In 2010, the social charity works carried out by the two foundations are listed below.</p>		

- Donated to Catholic St. Raphael Opportunity Center, Tainan for serving the physically and mentally disabled children
- Sponsored fifteen disadvantaged children in Taiwan Fund for Children and Family
- Helped the Wingspread Chorus to organize charitable concerts for its prison ministry
- Co-hosted charitable concerts with Taipei Rosy Clouds Educational Foundation at nursing homes and orphanages
- Donated to Taichung City Hondao Senior Citizen's Welfare Foundation for the 2010 Grandpa and Grandma Health and Fitness Show
- Sponsored the school lunch programs in nine high schools and vocational high schools for students from the disadvantaged families from remote areas in southern Taiwan that were affected by typhoon Morakot
- Donated to Zhi-Shan Foundation Taiwan for its children and youth projects
- Sponsored the Cultural and Educational Foundation for the Blind R.O.C. for hosting the 2010 Summer Charitable Concert for the Blind
- Subsidized medical or emergency fees for the disadvantaged families from remote areas referred by hospitals or government agencies
- Sponsored Kidsalve International Christian Care for Children at Risk in Taitung for building Nantou Home for Children
- Donated to a total of eleven charitable groups such as Taiwan Foundation for Rare Disorders
- Hosted charitable blood donation campaign within the Group

Consumer Rights

The Group ensures the confidentiality of customer data in accordance with the Computer-Processed Personal Data Protection Law. The protective measures are disclosed on company website. All client data disclosure, transfer, or exchange is conducted in accordance with the Financial Holding Company Act. At the same time, to protect client rights and enhance service quality, customer complaint hotlines were set up by its bank subsidiary, insurance subsidiary, and bills finance subsidiary. Customer service hotlines were also set up by the Group's securities subsidiary and securities investment subsidiaries.

Human Rights

The Group protects the human rights of our employees in accordance with Labor Standards Law and other related rules and regulations.

Safety and Health

The Group has been making efforts to prevent accidents and pollution, ensure effective use of resources, and protect employee safety and health. Measures taken include conducting fire drills, labor safety seminars and employee health checkups on a regular basis.

7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: The Company has not issued any corporate social responsibility reports.

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 Major Resolutions of Shareholders' Meeting and Board Meetings

Item	Date	Major resolutions
Shareholders' meeting	June 23, 2010	<ol style="list-style-type: none"> 1. Approval of the 2009 business report and financial statements 2. Approval of the distribution of 2009 retained earnings and employee profit sharing as well as remuneration to directors and supervisors 3. Approval of amendment to the Articles of Incorporation
Board meeting	Feb. 26, 2010	<ol style="list-style-type: none"> 1. Appointment of an independent director of Mega Bill Finance Co., Ltd. 2. Amendment to the Company's Regulations Governing Credit Risk Management
Board meeting	Mar. 23, 2010	<ol style="list-style-type: none"> 1. Approval of the 2009 financial statements 2. Approval of convening the general shareholders' meeting on June 23, 2010 and agenda of the meeting 3. Appointment of three independent directors of Mega International Commercial Bank Co., Ltd.



Board meeting	Apr. 28, 2010	<ol style="list-style-type: none"> 1. Approval of the 2009 business report 2. Approval of the distribution of 2009 retained earnings and employee profit sharing as well as remuneration to directors and supervisors 3. Approval of amendment to the Articles of Incorporation 4. Approval of the Internal Control System Statement 5. Amendment to the Fire Wall Policy Between the Company and its subsidiaries
Board meeting	July 1, 2010	<ol style="list-style-type: none"> 1. Election of Mr. Yeou-Tsair Tsai as the Chairman 2. Appointment of Mr. Yeou-Tsair Tsai as Chairman of the Mega International Commercial Bank
Board meeting	July 27, 2010	<ol style="list-style-type: none"> 1. Setting August 17, 2010 as the ex-dividend date 2. Approving the 2010 Voluntary Retirement and Severance Incentive Scheme of the Mega International Commercial Bank 3. Appointment of director and supervisor of the Mega Bills Finance Co., Ltd. and Mega International Investment Trust Co., Ltd., respectively
Board meeting	Aug. 24, 2010	<ol style="list-style-type: none"> 1. Approval of the first half of 2010 financial statements 2. Approval of renewal of Director and Officer Insurance 3. Adjustment of chairmen of the Mega Assets Management Co., Ltd. and Mega International Investment Trust Co., Ltd. 4. Appointment of director of Chung Kuo Insurance co., Ltd. and Mega International Investment Trust Co., Ltd.
Board meeting	Nov. 23, 2010	Appointment of Chairman of the Mega Life Insurance Agency Co., Ltd.
Board meeting	Dec. 28, 2010	Appointment of a director of the Mega International Investment Trust Co., Ltd.
Board meeting	Jan. 25, 2011	Appointment of CPA Li, Chang-Chou and Lee, Hsiu-Ling as auditors of the Company's 2011 financial reports
Board meeting	Mar. 22, 2011	<ol style="list-style-type: none"> 1. Approval of the 2010 financial statements 2. Approval of convening the general shareholders' meeting on June 28, 2011 and agenda of the meeting 3. Amendment to the Company's Investment Guidelines 4. Appointment of the president of the Chung Kuo Insurance Co., Ltd. 5. Appointment of directors and supervisors of the Company's subsidiaries
Board meeting	Apr. 26, 2011	<ol style="list-style-type: none"> 1. Approval of the 2010 business report 2. Approval of the distribution of 2010 retained earnings and employee profit sharing as well as remuneration to directors and supervisors 3. Approval of amendment to the Articles of Incorporation 4. Approval of the Internal Control System Statement

3.3.7 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.8 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

Title	Name	Date of Appointed	Date of Termination	Reasons for Resignation or Dismissal
Chairman	Rong-Jou Wang	Jul. 15, 1998	Jul. 1, 2010	Ministry of Finance changed its director representative.

Note: The former chairman Rong-Jou Wang resigned on Jul. 01, 2010.

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

Unit: Share

Title	Name	2010		As of Apr. 29, 2011	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman	Yeou-Tsair Tsai	0	0	0	0
Director	Ministry of Finance, R.O.C.	0	0	0	0
Director	Labor Union of Mega Int'l Commercial Bank	300,000	0	0	0
Supervisor	Bank of Taiwan	0	0	0	0
Supervisor	The National Development Fund, Executive Yuan, R.O.C.	0	(675,810,261)	0	0
Supervisor	Chunghwa Post Co., Ltd.	(173,000)	0	(3,000)	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	Dan-Hun Lu	0	0	0	0
Executive Vice President	Chung-Hsing Chen	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	Shares holding (%)	Shares Pledged (%)	Pledged Amount
The National Development Fund, Executive Yuan, R.O.C.	Redemption	Nov. 15, 2010	Bank of Taiwan	Bank of Taiwan is one of supervisors of the Company	675,810,261	6.11	0	0

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

As of Apr. 29, 2011

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	
Ministry of Finance, R.O.C. (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	-
Bank of Taiwan Trust Account (Representative: Ms. Susan S. Chang)	836,559,550	7.56	0	0	0	0	Bank of Taiwan	Trustee	-
National Development Fund, Executive Yuan, R.O.C. (Representative: Ms. Christina Y. Liu)	675,916,160	6.11	0	0	0	0	-	-	-
Chunghwa Post Co., Ltd. (Representative: Mr. Oliver Fang-Lai Yu)	301,794,574	2.73	0	0	0	0	-	-	-
Silchester International Investors International Value Equity Trust	278,822,000	2.52	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. is wholly owned by the Ministry of Finance	-
Pou Chen Corporation (Representative: Mr. C. C. Tsai)	158,656,064	1.43	0	0	0	0	-	-	-
Silchester International Investors International Value Equity Group Trust	145,755,000	1.32	0	0	0	0	-	-	-
Vanguard Emerging Markets Stock Index Fund	120,936,128	1.09	0	0	0	0	-	-	-
Shin Kong Life Insurance Co., Ltd. (Representative: Mr. T. C. Wu)	119,914,000	1.08	0	0	0	0	-	-	-

3.6 Information Regarding Independent Auditor

The Company's financial report for 2010 was audited by Mr. Li, Chang-Chou and Ms. Lee, Hsiu-Ling. The non-audit fee paid to the independent auditors represents 62.10% of the audit fee for 2010. 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	2,190,000	0	0	0	1,360,000	1,360,000	Jan. 1, 2010 ~ Dec. 31, 2010	1. Fees for filing application for recheck of tax assessed by the tax authorities 2. Consulting fee for introduction of IFRS 3. Fees for preparation of transfer pricing report

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 2010.

3.7 Long-term Investment Ownership

As of Dec. 31, 2010

Long-term Investment	Ownership by Mega FHC (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	3,584,470	1.20	4,821,601	1.61
Taipei Financial Center Corp.	73,500,000	5.00	40,009,999	2.72	113,509,999	7.72
Taiwan Business Bank	541,464,015	13.44	877,515,958	21.78	1,418,979,973	35.22
China Products Trading Company	0	0	68,274	68.27	68,274	68.27

Long-term Investment	Ownership by Mega FHC (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	39,000,000	65.00	39,000,000	65.00
Yung-Shing Industries Company	0	0	1,350,419	99.56	1,350,419	99.56
Win Card Co., Ltd.	0	0	500,000	100.00	500,000	100.00
Mega Management & Consulting Co., Ltd.	0	0	1,000,000	100.00	1,000,000	100.00
Mega Futures Co., Ltd.	0	0	40,000,000	100.00	40,000,000	100.00
Mega Global Asset Management Co., Ltd.	0	0	8,740,000	100.00	8,740,000	100.00
Mega International Investment Services Co., Ltd.	0	0	2,000,000	100.00	2,000,000	100.00
Mega Securities Holdings Co., Ltd.	0	0	25,990,337	100.00	25,990,337	100.00
Mega Capital (Asia) Co., Ltd.	0	0	80,000,000	100.00	80,000,000	100.00
Mega Securities (Hong Kong) Co., Ltd.	0	0	100,000	100.00	100,000	100.00
Mega International Asset Management Co., Ltd.	0	0	5,000,000	100.00	5,000,000	100.00
Mega International Commercial Bank (Canada)	0	0	230,000	100.00	230,000	100.00
Mega International Commercial Bank Public Co., Ltd.	0	0	400,000,000	100.00	400,000,000	100.00
Cathay Investment & Development Corp. (Bahamas)	0	0	5,000	100.00	5,000	100.00
Cathay Investment & Warehousing Ltd.	0	0	1,000	100.00	1,000	100.00
Ramlett Finance Holdings Inc.	0	0	1,500	100.00	1,500	100.00
ICBC Assets Management & Consulting Co., Ltd.	0	0	28,538,800	100.00	28,538,800	100.00
ICBCAMC Offshore Ltd.	0	0	1	100.00	1	100.00
ICBCAMC Offshore (Taiwan) II Ltd.	0	0	1	100.00	1	100.00
Junior Preference Share Company (Taiwan) II Ltd.	0	0	1	100.00	1	100.00
Junior Preference Share Company Ltd.	0	0	1	100.00	1	100.00
Mega Insurance Brokers (Hong Kong) Co., Ltd.	0	0	100,000	100.00	100,000	100.00
IP Fund Seven Ltd.	0	0	25,000,000	25.00	25,000,000	25.00
An Fang Co., Ltd.	0	0	900,000	30.00	900,000	30.00
Taiwan Finance Corporation	0	0	126,713,700	24.55	126,713,700	24.55
United Venture Capital Corp.	0	0	10,752,000	25.31	10,752,000	25.31
Everstrong Iron & Steel Foundry & Mfg Corp.	0	0	1,760,000	22.22	1,760,000	22.22
China Real Estate Management Co., Ltd.	0	0	9,000,000	20.00	9,000,000	20.00
China Insurance Co. (SIAM), Ltd.	0	0	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, 2010

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, 2010

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 Apr. 29, 2011

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	20	107	601	244,889	606	246,223
Shareholding (shares)	2,073,175,564	2,232,265,787	906,517,134	1,808,695,304	4,038,772,449	11,059,426,238
Holding Percentage (%)	18.75	20.18	8.20	16.35	36.52	100.00

4.1.4 Distribution Profile of Share Ownership

As of Apr. 29, 2011

Shareholder Ownership (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	95,524	32,107,352	0.29
1,000 ~ 5,000	92,494	221,840,793	2.01
5,001 ~ 10,000	27,251	207,195,693	1.87
10,001 ~ 15,000	9,357	114,945,500	1.04
15,001 ~ 20,000	6,041	109,011,011	0.99
20,001 ~ 30,000	5,306	132,556,824	1.20
30,001 ~ 40,000	2,559	89,915,127	0.81
40,001 ~ 50,000	1,803	83,308,752	0.75
50,001 ~ 100,000	3,162	226,540,745	2.05
100,001 ~ 200,000	1,383	192,954,580	1.74
200,001 ~ 400,000	561	154,559,607	1.40
400,001 ~ 600,000	173	85,148,967	0.77
600,001 ~ 800,000	92	64,337,641	0.58
800,001 ~ 1,000,000	70	64,011,379	0.58
1,000,001 ~ 1,200,000	44	48,461,511	0.44
1,200,001 ~ 1,400,000	36	46,914,522	0.42
1,400,001 ~ 1,600,000	27	40,571,512	0.37
1,600,000 ~ 1,800,000	29	49,335,456	0.45
1,800,000 ~ 2,000,000	23	43,783,884	0.40
Over 2,000,001	288	9,051,925,382	81.84
Total	246,223	11,059,426,238	100.00

4.1.5 List of Major Shareholders

As of April 29, 2011

Name of Shareholder	Number of Common Shares	Percentage of Voting Shares (%)
Ministry of Finance, R.O.C.	1,104,070,205	9.98
Trust Account of Bank of Taiwan	836,559,550	7.56
National Development Fund, Executive Yuan, R.O.C.	675,916,160	6.11
Chunghwa Post Co., Ltd.	301,794,574	2.73
Silchester International Investors International Value Equity Trust	278,822,000	2.52
Bank of Taiwan	277,170,670	2.51
Pou Chen Corporation	158,656,064	1.43
Silchester International Investors International Value Equity Group Trust	145,755,000	1.32
Vanguard Emerging Markets Stock Index Fund	120,936,128	1.09
Shin Kong Life Insurance Co., Ltd.	119,914,000	1.08

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

Unit: NT\$

Item \ Year		2010	2009	As of March 31, 2011
Market Price Per Share(Note 1)	High	22.80	21.60	23.80
	Low	16.00	8.60	20.50
	Average	19.17	15.61	22.33
Net Worth Per Share(Note 2)	Before Distribution	18.16	17.69	18.50
	After Distribution	(Note 6)	16.69	-
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	1.37	1.30	0.42
Dividends Per Share	Cash Dividends	1.00	0.25	(Note 6)
	Stock Dividends	-	-	-
	Cumulative Undistributed Dividends	-	-	-
Investment Return Analysis	PE Ratio (Note 3)	13.99	12.01	53.17
	Price-Dividend Ratio (Note 4)	19.17	62.44	-
	Cash Dividend Yield (%) (Note 5)	5.22%	1.60%	-

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 2010 profits will be submitted at the annual shareholders meeting on June 28, 2011.



4.1.7 Buyback of Treasury Stock: None.

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 2010 Profits

It is proposed to submit to the Company's Annual Shareholders' Meeting, to be held on June 28, 2011, for their approval of the distribution of NT\$9,953,483,614 cash dividends (\$0.90 per share), NT\$ 2,211,885,240 stock dividends (\$0.2 per share), NT\$10,892,000 cash as employee profit sharing, and NT\$67,998,000 remuneration for directors and supervisors. From January 1, 2008, the aforesaid profit sharing for directors, supervisors and employees has been accounted for as expenses. The earnings per share for 2010 is NT\$1.37. Set forth below are details of the proposed profit distribution for 2010 and distributed profit for 2009:

Unit: NT\$

Item	2010	2009
Cash Dividends to Common Shareholders	\$ 9,953,483,614	\$11,059,426,238
Stock Dividends to Common Shareholders	2,211,885,240	0
Remuneration for Directors and Supervisors	67,998,000	64,493,000
Employee Profit Sharing in Cash	10,892,000	20,637,000
Total	\$12,244,258,854	\$11,144,556,238

4.3 Corporate Bonds

Issue	2008-1 Domestic Unsecured Bond	2008- 2 Domestic Unsecured 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 A : 2.68% p.a.
	Tranche B: 90-day TWD BACP + 0.27% p.a.	Tranche B: 90-day TWD BACP + 0.22% p.a.
	Tranche C: 2.80% p.a.	Tranche C: 2.78% p.a.
Maturity	Tranche A & B: 3 years (due 10/25/2010) Tranche C: 5 years (due 10/25/2012)	Tranche A & B: 3 years (due 02/04/2011) Tranche C: 5 years (due 02/04/2013)
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\$300,000,000	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: None.

4.5 Employee Stock Options: None.

Operational Highlights



5.1 The Economic and Financial Environment in 2010

5.1.1 Economic situations

In 2010, the rapid economic recovery in the Asia Pacific region contributed to a significant annual growth in real GDP in Taiwan. In February 2011, the Directorate-General of Budget, Accounting, and Statistics (DGBAS), Executive Yuan, R.O.C. (Taiwan) released an estimation of 10.82% annual economic growth rate, a record high since 1988, in Taiwan in 2010. This shows that Taiwan has ridden out the economic downturn since the recession in 2009, which witnessed a -1.93% economic growth rate. Looking into 2011, Taiwan is expected to maintain a moderate economic growth because of increasing demand at home and abroad, despite an economic slowdown caused by global economic uncertainties and a high base effect in 2010. According to a forecast made by DGBAS, Taiwan is expected to see an economic growth rate of 4.92% and both per capita GDP and GNP of more than US\$20,000 in 2011.

5.1.2 Domestic financial situations

Foreign exchange

Since the beginning of 2010, the exchange rate of TWD against USD has shown an upward trend to appreciation due to continued foreign capital inflows, domestic economic upturn, export growth returned positive, and exporters selling foreign exchanges. As of the end of 2010, the NT dollars appreciated to NT\$31.642 against US dollars, compared to NT\$33.049 on December 31, 2009. That the trend of NT dollar's appreciation is expected to continue in 2011 will hopefully further tame the inflation rate marginally, but domestic prices will inevitably be affected by surging international commodity prices and a steady rebound of domestic economy. The DGBAS forecasts CPI will rise 2.1% in 2011, considerably higher than that in last year.

Interest rates

Because the sluggish jobs market inhibited US economic recovery, the Fed continued to maintain the second round of quantitative easing monetary policy and redeem US\$600 billion government bonds. And the Asian emerging markets will continue to see hot-money inflows in the long run. As a result, the NT Dollar will still face appreciation pressure. The Taiwanese central bank has slowly raised market interests in light of the steady growth of Taiwanese economy. But owing to the concerns over growing consumer prices and asset price hikes in 2011, the Taiwanese central bank will raise interest rates slightly and gradually to stabilize consumer prices and financial situation. In 2010, the central bank had raised the discount rate by 0.125% for three times, and consecutively auctioned a total of NT\$400 billion worth of 364-day negotiable certificates of deposit from April to July, which had equivalent effect of raising the deposit reserve ratio by 1.58%. Additionally, to cool down the overheated real estate market, the Taiwanese central bank also enacted the Regulations Governing the Extension of Housing Loans in Specific Areas and Land Loans by Financial Institutions.

5.1.3 Financial Industry

Non-performing loan ratio of domestic banks stood at 0.61% at the end of 2010, a significant drop from the previous year's 1.15%, while coverage ratio rose from 90.5% to 158.07% at the same time.

To take advantage of the fast economic recovery, total loans of domestic banks picked up 6.8% in 2010 from the year before, according to the statistics. By sectors, domestic banks' lending to government enterprises was NT\$791.9 billion, a lift of 7.9% from the year before; lending to individuals and private enterprises increased 7.3% to NT\$16,456 billion on the other hand. However, lending to government agencies was NT\$1,505 billion, a marginal increase of 0.9% compared to the year of 2010.

It is noteworthy that among consumer loans, house-purchasing loans stood at NT\$5,165 billion, 5.3% more than that of the previous year, and loans for construction surged 23.2% to NT\$1,289 billion, which indicating the enthusiasm for investment in real estates was growing.

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 investment income derived from its subsidiaries.

Revenue Breakdown

Unit: NT\$1,000

Item	Year	2010		2009	
		Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method		16,099,414	99.80	15,190,437	99.86
Other operating revenue		32,537	0.20	21,403	0.14
Total		16,131,951	100.00	15,211,840	100.00

Mega International Commercial Bank Co., Ltd.

The bank reported a pretax profit of NT\$ 13,451 million, an upsurge of 2.47% from the year before. The sound achievement was attributed to its sound assets quality and a significant decrease of provision for loan losses.

Breakdown of Net Operating Income

Unit: NT\$1,000

Item	Year	2010		2009	
		Amount	%	Amount	%
Net interest income		21,132,556	67.67	21,580,655	63.45
Non-interest income		10,094,765	32.33	12,429,325	36.55
Fee income – net		6,516,092	20.87	6,027,382	17.72
Gains on financial assets and liabilities at fair value through profit or loss		910,421	2.92	4,593,569	13.51
Realized gain on available-for-sale financial assets		658,709	2.11	524,771	1.54
Realized gains / losses on held-to-maturity financial assets		21,990	0.07	(179,844)	(0.53)
Investment income recognized by the equity method		353,463	1.13	328,996	0.97
Foreign exchange gain – net		2,076,669	6.65	1,672,057	4.92
Loss on asset impairment		(835,720)	(2.68)	(1,832,747)	(5.39)
Gains / losses on disposal of properties		(3,281)	(0.01)	1,038,458	3.05
Other losses		(3,007,951)	(9.63)	(108,939)	(0.32)
Other provisions		2,193,593	7.02	(1,044,399)	(3.07)
Gain on financial assets carried at cost		579,670	1.86	461,141	1.36
Other non-interest income – net		631,110	2.02	948,880	2.79
Net operating income		31,227,321	100.00	34,009,980	100.00



Mega Securities Co., Ltd.

In 2010, the volume of securities brokerage conducted by the company represents a market share of 3.53% or ranked 10th in the industry, compared with 3.66% or ranked 10 in 2009. The company reported a pretax profit of NT\$ 1,620 million, down 17.14% from the year before.

Revenue Breakdown

Unit: NT\$1,000

Item	Year	2010		2009	
		Amount	%	Amount	%
Brokerage fee income		2,001,957	41.73	2,196,731	37.61
Commission income from securities financing		245	0.00	-	-
Underwriting income		118,142	2.46	96,377	1.65
Gain on disposal of securities		581,285	12.12	1,606,709	27.51
Income from providing stock management services		32,110	0.67	28,633	0.49
Interest income		1,163,415	24.25	936,699	16.04
Dividend income		151,022	3.15	62,614	1.07
Gain on valuation of operating securities		-	-	359,058	6.15
Gain on short coverings for securities borrowings and bond purchased under resell agreement		-	-	4,573	0.08
Gain on valuation for securities borrowings and bond purchased under resell agreement		-	-	811	0.01
Gain on issuance of stock warrants		173,995	3.63	-	-
Futures commission income		61,002	1.27	61,763	1.06
Gain on derivative financial instruments - Futures		351,398	7.33	453,436	7.76
Gain on derivative financial instruments - OTC		32,584	0.68	-	-
Other operating income		129,947	2.71	33,371	0.57
Total		4,797,102	100.00	5,840,775	100.00

Mega Bills Finance Co., Ltd.

The company's net interest income amounted to NT\$2,838 million, down NT\$1,132 million or 28.51% from the year before, due to a dramatic decline in interest rate spread resulting from rise of short term interest rates.

Breakdown of Net Operating Income

Unit: NT\$1,000

Item	Year	2010		2009	
		Amount	%	Amount	%
Net interest income		2,838,161	66.56	3,969,761	76.63
Non-interest income		1,426,187	33.44	1,210,772	23.37
Fee income – net		795,646	18.66	946,727	18.27
Gains on financial assets and liabilities at fair value through profit or loss		221,564	5.19	(52,753)	(1.02)
Realized gain on available-for-sale financial assets		335,050	7.86	183,323	3.54
Loss on asset impairment		(169,957)	(3.99)	(42,223)	(0.81)
Other non-interest income – net		243,884	5.72	175,698	3.39
Net operating income		4,264,348	100.00	5,180,533	100.00

Chung Kuo Insurance Co., Ltd.

Total direct written premiums income for 2010 amounted to NT\$5,270 million, a drop of 3.65% compared to the NT\$5,470 million of 2009. Reinsurance premiums income for 2010 reached NT\$656 million, declining 9.41% from the NT\$724 million of 2009.

Revenue Breakdown

Unit: 1,000

Item \ Year	2010		2009	
	Amount	%	Amount	%
Fire insurance premiums	1,263,431	23.97	1,404,947	25.69
Marine cargo insurance premiums	348,672	6.62	332,473	6.08
Marine hull insurance premiums	523,557	9.94	525,269	9.60
Automobile insurance premiums	1,743,545	33.08	1,821,579	33.30
Aviation insurance premiums	193,968	3.68	159,885	2.92
Engineering insurance premiums	357,184	6.78	464,994	8.50
Accident insurance premiums	229,552	4.36	209,863	3.84
Other insurance premiums	610,105	11.57	550,701	10.07
Total direct written premiums income	5,270,014	100.00	5,469,711	100.00
Inward reinsurance premiums income	655,525	-	723,596	-
Total	5,925,539	-	6,193,307	-

Mega International Investment Trust Co., Ltd.

As of the end of 2010, the company's assets under management in mutual funds totaled NT\$68,245 million, up 8.03% from 2009. The size of money market fund increased by 6.31%, while equity funds grew by 17.57%.

Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2010		2009	
	Amount	%	Amount	%
Management fee from public issued funds	293,293	99.66	254,953	99.89
Management fee from private equity funds	126	0.04	209	0.08
Management fee from discretionary account	881	0.30	84	0.03
Total	294,300	100.00	255,246	100.00

Mega Asset Management Co., Ltd.

In 2010, the company purchased NPL through open bidding and negotiation a total of NT\$2,923 million, down 88.73% from 2009 due to shortage of supply in NPL market. The net proceeds from disposal of the purchased NPL amounted to NT\$573 million, generating a net income after tax of NT\$402 million in 2010.



Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2010		2009	
	Amount	%	Amount	%
Gain on disposal of NPL	572,793	88.81	843,634	93.03
Gain on sale of collaterals	1,134	0.18	59,007	6.50
Rental income	42	0.01	250	0.03
Other operating income	70,961	11.00	3,967	0.44
Total	644,930	100.00	906,858	100.00

Mega Venture Capital Co., Ltd.

In 2010, the company's revenue from disposal of long-term securities investment amounted to NT\$341 million, representing a growth of 25.31% from 2009. The net profit after tax reached NT\$36,287 thousand compared to NT\$32,699 thousand in 2009.

Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2010		2009	
	Amount	%	Amount	%
Revenue from disposal of long-term securities investment (Note)	341,427	94.32	255,259	95.19
Dividend income	19,872	5.49	12,839	4.79
Other operating income	682	0.19	45	0.02
Total	361,981	100.00	268,143	100.00

Note: Cost of long-term securities investment disposed amounted to NT\$293,634 thousand.

Mega Life Insurance Agency Co., Ltd.

In 2010, the insurance commission income generated by the subsidiary amounted to NT\$371 million, an increase of 65.64% from NT\$224 million recorded in 2009.

Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2010		2009	
	Amount	%	Amount	%
Commission income - traditional policy	353,472	95.18	141,646	56.20
Commission income - investment policy	17,914	4.82	82,571	43.80
Total	371,386	100.00	224,217	100.00

5.3 Operating Policies in 2011

1. Supervising subsidiaries to create synergistic effects through cross selling

- (1) To foster cross selling culture within the Group and enhance the profit contribution of cross selling
- (2) To share the resources of the Group and increase customers' share of wallet

2. Seeking merger and acquisition opportunities to raise competitiveness

- (1) To accelerate globalization of the Group and raise profits from overseas operations
- (2) To employ a global strategy and seek merger and acquisition opportunities in other countries

3. Focusing on management to maximize shareholder value

- (1) To accelerate internationalization of the Group and raise profits from overseas business
- (2) To enter the Chinese market and deploy our services in the special economic zones developed according to China's Twelfth Five-Year economic Development Plan
- (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. Strengthening risk management system

- (1) To improve the compilation, analysis, and monitoring of the risk profile of the Group
- (2) To supervise the rules and regulations and the operations of the risk management of the subsidiaries
- (3) To set up and maintain the cross-subsidiary risk management information integration platform and to gradually reinforce the Group's risk management information system
- (4) To supervise the establishment of all risk management mechanisms for subsidiaries to enhance risk management of the Group

5. Enhancing operation efficiency and optimizing financial performance

- (1) To foster accounting standards in line with the International Financial Reporting Standards and to enhance operation and management efficiency
- (2) To strengthen core capital and to plan for an optimal capital structure
- (3) To enhance profitable niches to optimize our financial performance
- (4) To improve our disclosure of financial information to enhance transparency in financial information

6. Reinforcing information management for the Group and promoting resource sharing to reduce operation cost

- (1) To build an information sharing platform to enhance collaborative capability of the Group
- (2) To integrate, upgrade, and renew our information equipments to improve the overall infrastructure of the Group
- (3) To strengthen information securities governance system to gain customer trust

7. Strengthening human resource management and improving organizational effectiveness

- (1) To continue to optimize human resource allocation and streamline human resource to reduce HR cost



- (2) To set up compensation committee focusing on performance oriented compensation system pursuant to the revision of Securities and Exchange Act
- (3) To enhance professional education and training for employees to develop professional and international talents

8. Others

- (1) To implement policies to conserve energy and reduce carbon emissions through carrying out group purchase that reduce office expenses
- (2) To actively participate in social charitable works in fulfilling social responsibility and boosting corporate image

5.4 Human Resources

Item \ Year		2010	2009
Number of Employees	Mega FHC	52	51
	Mega Int'l Commercial Bank	5,032	5,105
	Mega Bills Finance	222	222
	Mega Securities	1,558	1,563
	Chung Kuo Insurance	709	704
	Mega Int'l Investment Trust	88	82
	Mega Asset Management	29	32
	Mega Life Insurance Agency	18	15
	Total	7,708	7,774
Average Age	Mega FHC	45.20	44.00
	Mega Int'l Commercial Bank	42.23	41.76
	Mega Bills Finance	41.04	40.36
	Mega Securities	38.00	37.43
	Chung Kuo Insurance	40.23	39.78
	Mega Int'l Investment Trust	40.05	38.77
	Mega Asset Management	39.00	38.00
	Mega Life Insurance Agency	38.65	39.07
Average Years of Services	Mega FHC	6.93	6.23
	Mega Int'l Commercial Bank	16.41	15.92
	Mega Bills Finance	13.26	12.66
	Mega Securities	6.88	6.27
	Chung Kuo Insurance	10.35	10.02
	Mega Int'l Investment Trust	7.69	7.57
	Mega Asset Management	5.00	4.50
	Mega Life Insurance Agency	3.70	3.75

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 03/31/2011 (Note 1)
		2010	2009	2008	2007	2006	
Cash and cash equivalents, due from the Central Bank and call loans to banks		398,186,065	404,879,166	374,952,541	349,726,523	308,308,559	215,765,950
Financial assets at fair value through profit or loss		162,320,183	127,525,330	198,444,433	210,393,327	245,932,121	156,873,367
Bills and bonds purchased under resell agreements		1,783,691	796,095	1,729,297	4,765,687	5,365,413	2,416,770
Available-for-sale financial assets		185,898,407	233,016,512	232,069,590	255,517,877	275,375,623	178,186,435
Receivables		147,486,410	121,305,198	120,773,646	125,215,337	107,852,796	134,373,701
Loans		1,336,834,541	1,281,835,254	1,321,437,849	1,210,579,613	1,126,900,618	1,382,619,676
Held-to-maturity financial assets		217,839,872	263,152,861	96,097,583	90,448,402	96,908,980	201,243,268
Equity investments accounted for by the equity method		2,574,762	2,727,944	2,545,633	2,582,607	3,053,116	2,599,121
Property and equipment		21,139,449	23,176,304	24,786,243	23,749,051	24,610,375	21,032,051
Intangible assets		236,768	323,719	94,703	384,682	291,861	243,193
Other financial assets		23,460,086	24,870,737	26,611,797	29,113,851	33,415,543	24,117,189
Other assets		11,947,689	13,922,463	10,069,505	11,283,780	10,129,685	16,714,394
Total assets		2,509,707,923	2,497,531,583	2,409,612,820	2,313,760,737	2,238,144,690	2,336,185,115
Due to the Central Bank and financial institutions		322,704,165	410,577,424	396,503,184	369,971,867	371,033,111	194,699,336
Deposits		1,558,573,139	1,484,004,073	1,316,769,564	1,232,608,275	1,071,926,588	1,523,393,299
Financial liabilities at fair value through profit or loss		30,019,921	35,384,545	51,434,065	53,104,691	50,247,952	23,502,395
Bills and bonds sold under repurchase agreements		181,816,680	171,365,526	248,491,993	246,995,517	315,710,030	171,210,701
Funds borrowed from the Central Bank and other banks		38,568,640	43,320,303	53,185,187	42,997,399	56,438,426	42,347,653
Bonds payable		53,050,000	50,153,000	54,349,347	33,215,871	43,527,894	51,350,000
Reserve for operations and liabilities		14,177,110	14,024,884	13,322,952	11,714,177	8,794,929	14,166,597
Other financial liabilities		27,388,095	23,032,634	12,117,937	51,360,441	34,917,757	32,429,665
Other liabilities		82,169,447	69,373,699	85,404,208	77,141,077	85,123,993	78,094,164
Total liabilities		2,308,467,197	2,301,236,088	2,231,578,437	2,119,109,315	2,037,720,680	2,131,193,810
Equity attributable to stockholders of the Company	Capital stock	110,594,262	110,594,262	110,594,262	110,594,262	111,694,492	110,594,262
	Capital surplus	43,426,403	43,426,403	43,426,403	45,182,901	45,631,626	43,426,403
	Retained earnings	Before distribution	35,967,476	31,916,182	20,349,144	34,039,308	34,611,369
		After distribution	Note 2	20,856,756	17,584,288	17,850,859	Note 2
	Equity adjustments	10,882,979	9,717,733	3,108,674	4,151,275	7,761,648	9,462,848
Minority interest		369,606	640,915	555,900	683,676	724,875	369,114
Total stockholders' equity	Before distribution	201,240,726	196,295,495	178,034,383	194,651,422	200,424,010	204,991,305
	After distribution	Note 2	185,236,069	175,269,527	180,666,739	183,663,500	Note 2

Note 1: The financial statements as of March 31, 2011 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 2010 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					First Quarter of 2011 (Note)
		2010	2009	2008	2007	2006	
Interest income, net		25,063,829	26,475,701	30,523,536	26,295,736	23,769,919	6,495,412
Revenues other than interest, net		16,913,011	19,956,601	813,598	20,853,288	23,312,547	4,818,675
Bad debts expense on loans		2,233,788	7,305,574	8,361,560	6,671,664	9,451,091	387,606
Provisions for insurance reserve		110,318	22,302	287,055	67,383	155,636	54,078
Operating expenses		20,993,042	20,048,239	19,603,411	20,377,788	20,477,664	4,865,936
Income from continuing operations-before tax		18,639,692	19,056,187	3,085,108	20,032,189	16,998,075	6,006,467
Consolidated net income from continuing operations-after tax		15,149,618	14,344,870	262,022	17,114,558	14,937,000	4,696,200
Income from discontinued departments		0	0	0	0	0	0
Extraordinary gain or loss		0	0	0	0	0	0
Cumulative effect of changes in accounting principles (after tax)		0	0	0	0	1,148,103	0
Consolidated net income	Attributable to stockholders of the Company	15,110,720	14,331,894	294,519	17,070,391	16,535,257	4,693,079
	Attributable to minority interest	38,898	12,976	(32,497)	44,167	(450,154)	3,121
Earnings per share	Stockholders of the Company	1.37	1.30	0.02	1.54	1.50	0.42
	Minority interest	0	0	0	0.01	(0.05)	0

Note : The financial statements as of March 31, 2011 have been reviewed by Mr. Li, Chang-Chou, Ms. Lee, Hsiu-Ling of PricewaterhouseCoopers with a standard unqualified review report.

6.1.3 Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Auditing Opinion
2010	PricewaterhouseCoopers, Taiwan	Li, Chang-Chou, Lee, Hsiu-Ling	Unqualified 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



6.1.4 Condensed Balance Sheet

Unconsolidated

Unit: NT\$1,000

Item	Year	Five-Year Financial Summary					Financial data of 03/31/2011 (Note 1)
		2010	2009	2008	2007	2006	
Cash and cash equivalents, due from the Central Bank and call loans to banks		2,689,068	3,973,949	1,276,998	146,510	236,113	1,200,073
Available-for-sale financial assets		7,147,325	4,326,506	3,654,882	5,195,972	5,414,640	6,335,129
Receivables		2,182,939	2,109,325	4,368,517	4,976,822	4,041,817	1,480,192
Equity investments accounted for by the equity method		214,061,392	212,270,268	196,065,435	207,202,317	214,318,647	219,080,409
Property and equipment		702,490	727,187	759,660	806,047	909,084	798,553
Other financial assets		762,046	762,046	762,046	762,046	762,046	762,046
Other assets		200,888	264,016	152,512	168,629	111,941	96,045
Total assets		227,746,148	224,433,297	207,040,050	219,258,343	225,794,288	229,752,447
Financial liabilities at fair value through profit or loss		0	0	0	0	49,366	0
Payables		11,083,061	9,289,859	10,071,386	9,259,187	6,725,915	11,038,473
Bonds payable		15,750,000	19,450,000	19,450,000	4,000,000	12,900,000	14,050,000
Other financial liabilities		0	0	0	11,996,220	6,378,981	0
Other liabilities		41,967	38,858	40,181	35,190	40,891	41,783
Total liabilities	Before distribution	26,875,028	28,778,717	29,561,567	25,290,597	26,095,153	25,130,256
	After distribution	Note 2	39,838,143	32,326,423	39,275,280	42,855,663	Note 2
Capital stock		110,594,262	110,594,262	110,594,262	110,594,262	111,694,492	110,594,262
Capital surplus		43,426,403	43,426,403	43,426,403	45,182,901	45,631,626	43,426,403
Retained earnings	Before distribution	35,967,476	31,916,182	20,349,144	34,039,308	34,611,369	41,138,678
	After distribution	Note 2	20,856,756	17,584,288	20,054,625	17,850,859	Note 2
Minority interest		10,882,979	9,717,733	3,108,674	4,151,275	7,761,648	9,462,848
Total stockholders' Equity	Before distribution	200,871,120	195,654,580	177,478,483	193,967,746	199,699,135	204,622,191
	After distribution	Note 2	184,595,154	174,713,627	179,983,063	182,938,625	Note 2

Note 1: The financial statements as of March 31, 2011 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 2010 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 2011 (Note)
		2010	2009	2008	2007	2006	
Investment income from equity investments accounted for by the equity method		16,099,414	15,190,437	858,051	17,395,529	16,472,132	5,148,827
Other income		32,537	21,403	49,816	124,532	108,281	3,617
Operating expenses		339,879	328,786	325,766	323,057	325,894	82,503
Other expenses and losses		490,879	514,215	411,000	438,223	404,528	98,333
Income before income tax		15,301,193	14,368,839	171,101	16,758,781	15,849,991	4,971,608
Net income		15,110,720	14,331,894	294,519	17,070,391	16,535,257	4,693,079
Earnings per share (before tax)		1.38	1.30	0.02	1.52	1.42	0.45
Earnings per share (after tax)		1.37	1.30	0.03	1.54	1.50	0.42

Note: The financial statements as of March 31, 2011 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		Five-year Financial Analysis					First Quarter of 2011
		2010	2009	2008	2007	2006	
Operating Ability	Total Assets Turnover	0.07	0.07	0.004	0.08	0.07	0.02
	Loans to Deposits Ratio of Bank Subsidiary (%)	86.70	87.27	100.95	99.27	106.71	91.84
	NPL Ratio of Bank Subsidiary (%)	0.34	0.95	1.16	1.00	0.88	0.28
	NPL Ratio of Bills Finance Subsidiary (%)	0.09	0.38	0.51	0.61	0.32	0.07
	Average Operating Revenue Per Employee of the Group	5,003	5,443	3,563	5,374	5,404	1,326
	Average Profit Per Employee	1,805	1,681	30	1,955	2,025	550
Profitability	Return on Assets (%)	6.86	6.82	0.28	7.82	7.27	2.09
	Return on Equity (%)	7.62	7.68	0.16	8.67	8.46	2.31
	Net Income Margin (%)	93.67	94.22	32.44	97.43	99.73	91.08
	Earnings Per Share (NT\$)	1.37	1.30	0.03	1.54	1.50	0.42
Financial Structure (%)	Ratio of Liabilities to Assets	11.80	12.82	14.28	11.53	11.56	10.94
	Ratio of Liabilities to Net Worth	13.38	14.71	16.66	13.04	13.07	12.28
	FHC's Double Leverage Ratio	110.50	111.09	112.96	109.89	107.32	110.53
Leverage Ratio (%)	Operating Leverage Ratio	1.00	1.00	1.07	1.00	1.00	1.00
	FHC's Financial Leverage Ratio	1.03	1.04	3.39	1.03	1.03	1.02
Growth Rates (%)	Growth Rate of Assets	1.48	8.40	(5.57)	(2.89)	7.41	1.01
	Growth Rate of Profit	6.49	8,297.87	(98.98)	5.73	(28.43)	24.86
Cash Flow (%)	Cash Flow Ratio	581.84	215.68	492.77	90.01	198.36	-
	Cash Flow Adequacy Ratio	91.62	79.92	78.22	84.74	84.06	-
	Cash Flow For Operating to Cash Flow From Investing	NA	173.42	NA	270.80	NA	-
Operating Scale (%)	Market Share of Assets	10.48	10.72	11.57	12.81	13.33	-
	Market Share of Net Worth	10.61	10.79	11.50	12.62	13.56	-
	Market Share of Deposits of Bank Subsidiary	5.32	5.36	5.09	5.08	4.50	-
	Market Share of Loans of Bank Subsidiary	6.16	6.32	6.49	6.20	6.06	-
Capital of Adequacy Ratio (%)	Mega International Commercial Bank	11.26	11.73	11.20	10.54	10.34	-
	Mega Securities Co., Ltd.	364.29	314.34	292.77	285.20	261.36	-
	Mega Bills Finance Co., Ltd.	16.22	16.88	14.09	11.72	12.33	-
	Chung Kuo Insurance Co., Ltd.	570.01	661.61	584.88	927.56	1,080.43	-

Analysis of financial ratio change in the last two years:

1. The NPL ratio of Mega International Commercial Bank and Mega Bills Finance Co., Ltd. declined by 64.21% and 76.32% respectively due to write-off of bad debts.
2. The growth rate of assets and growth rate of profit in 2009 increased significantly due to surge of net income resulting from increase of investment income. Both growth rates increase slightly in 2010 as there are not much increase in assets and net income in 2010.
3. The cash flow ratio rose by 169.77% in 2010 due to increase 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, 2010 and 2009, 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 Audit 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 consolidated 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 consolidated 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, 2010 and 2009, 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 ended December 31, 2010 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US\$1:NT\$29.86 as of December 31, 2010 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 14, 2011

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.

Financial Information

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(Expressed in Thousands of Dollars)

ASSETS	2010		2009
	NT\$	US\$	NT\$
Cash and cash equivalents (Notes 4 (1) and 5)	\$ 271,737,992	\$ 9,100,402	\$ 314,204,440
Due from the Central Bank and call loans to banks (Note 4 (2))	126,448,073	4,234,698	90,674,726
Financial assets at fair value through profit or loss (Notes 4 (3) and 6)	162,320,183	5,436,041	127,525,330
Bills and bonds purchased under resale agreements	1,783,691	59,735	796,095
Receivables, net (Notes 4 (4) and 6)	147,486,410	4,939,264	121,305,198
Bills discounted and loans, net (Notes 4 (5) and 5)	1,336,834,541	44,770,078	1,281,835,254
Available-for-sale financial assets, net (Notes 4 (7) and 6)	185,898,407	6,225,667	233,016,512
Held-to-maturity financial assets, net (Notes 4 (8) and 6)	217,839,872	7,295,374	263,152,861
Equity investments accounted for by the equity method, net (Note 4 (9))	2,574,762	86,228	2,727,944
Other financial assets, net (Notes 4 (10) and 6)	23,460,086	785,669	24,870,737
Real estate investments, net (Note 4 (11) and 6)	468,997	15,707	514,113
Property and equipment, net (Notes 4 (12) and 6)	21,139,449	707,952	23,176,304
Intangible assets, net	236,768	7,929	323,719
Other assets, net (Notes 4 (13) and 6)	11,478,692	384,416	13,408,350
TOTAL ASSETS	\$ 2,509,707,923	\$ 84,049,160	\$ 2,497,531,583

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



LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009
	NT\$	US\$	NT\$
Due to the Central Bank and financial institutions (Notes 4 (14) and 5)	\$ 322,704,165	\$ 10,807,239	\$ 410,577,424
Funds borrowed from the Central Bank and other banks (Note 4 (15))	38,568,640	1,291,649	43,320,303
Commercial paper payable, net (Note 4 (16))	8,862,396	296,798	7,105,666
Financial liabilities at fair value through profit or loss (Notes 4 (17)	30,019,921	1,005,356	35,384,545
Bills and bonds sold under repurchase agreements (Note 4 (18))	181,816,680	6,088,971	171,365,526
Payables (Notes 4 (19) and 5)	71,412,873	2,391,590	57,498,958
Deposits and remittances (Notes 4 (20) and 5)	1,558,573,139	52,196,020	1,484,004,073
Bonds payable (Note 4 (21))	53,050,000	1,776,624	50,153,000
Other loans (Note 4 (22) and 6)	11,168,000	374,012	11,266,600
Accrued pension liability (Note 4 (23))	1,805,559	60,467	1,955,840
Reserve for operations and liabilities (Note 4 (24))			
Reserve for insurance	9,209,879	308,435	7,288,236
Other reserves	4,967,231	166,351	6,736,648
Other financial liabilities (Note 4 (25))	7,357,699	246,407	4,660,368
Other liabilities (Note 4 (12),(26))	8,951,015	299,766	9,918,901
Total Liabilities	2,308,467,197	77,309,685	2,301,236,088
Stockholders' Equity			
Capital stock			
Common stock (Note 4 (27))	110,594,262	3,703,760	110,594,262
Capital surplus (Note 4 (28))	43,426,403	1,454,334	43,426,403
Retained earnings (Note 4 (29))			
Legal reserve	16,787,828	562,218	15,354,639
Special reserve	354,967	11,888	354,967
Unappropriated retained earnings	18,824,681	630,431	16,206,576
Equity adjustments			
Unrealized revaluation increment	2,319,945	77,694	2,319,945
Cumulative translation adjustments	829,397	27,776	1,598,513
Unrealized gains or losses on financial instruments	7,733,637	258,996	5,799,275
Minority interest	369,606	12,378	640,915
Total Stockholders' Equity	201,240,726	6,739,475	196,295,495
Commitments and Contingent Liabilities (Note 7)			
Significant Subsequent Events (Note 9)			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,509,707,923	\$ 84,049,160	\$ 2,497,531,583

Financial Information

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010				2009	
	NT\$		US\$		NT\$	
Interest income (Note 5)	\$	36,120,844		1,209,673	\$	41,466,789
Less: Interest expense (Note 5 )	(	11,057,015 )	(	370,295 )	(	14,991,088)
Interest income, net		25,063,829		839,378		26,475,701
Revenues other than interest income, net						
Service fee revenue and commissions, net (Note (4) 30 and (5))		9,543,624		319,612		9,539,248
Insurance revenue, net		1,137,297		38,088		1,359,971
Gain from financial assets and liabilities at fair value through profit or loss		1,997,917		66,909		4,727,713
Realized gain on available-for-sale financial assets, net		1,247,843		41,790		2,070,532
Realized gain (loss) on held-to-maturity financial assets, net		21,990		736	(	179,844)
Investment income from equity investments accounted for by the equity method		183,496		6,145		185,015
Gain on real estate investments		1,953		65		2,016
Foreign exchange gain		2,021,343		67,694		1,954,631
(Loss) gain on disposal of assets	(	3,137 )	(	105)		1,030,363
Loss on asset impairment (Notes 4 (34 ) )	(	1,081,420 )	(	36,216 )	(	1,993,320)
Gain on financial assets carried at cost, net		579,677		19,413		462,158
Bad debts and overdue accounts recovered, net		200,801		6,725		55,551
Other losses (Note 4 (7 ) )	(	3,007,951 )	(	100,735 )	(	108,939)
Other reserves (Note 4 (7))		2,193,593		73,463	(	1,044,399)
Other revenue other than interest income, net		1,875,985		62,826		1,895,905
Net revenue		41,976,840		1,405,788		46,432,302
Bad debts expense on loans (Note 4 (6 ) )	(	2,233,788 )	(	74,809 )	(	7,305,574)
Provisions for insurance reserves	(	110,318 )	(	3,695 )	(	22,302)
Operating Expenses						
Personnel expenses (Note 4 (31 ) )	(	14,468,002 )	(	484,528 )	(	13,117,071)
Depreciation and amortization expenses (Note 4 (31 ) )	(	885,980 )	(	29,671 )	(	1,008,874)
Other business and administrative expenses (Note 5 )	(	5,639,060 )	(	188,849 )	(	5,922,294)
Income before Income Tax from Operating Unit		18,639,692		624,236		19,056,187
Income Tax Expense (Note 4 (32 ) )	(	3,490,074 )	(	116,881 )	(	4,711,317)
Consolidated Net Income	\$	15,149,618	\$	507,355	\$	14,344,870
Consolidated Net Income Attributable to:						
Stockholders of the Company	\$	15,110,720	\$	506,052	\$	14,331,894
Minority interest		38,898		1,303		12,976
	\$	15,149,618	\$	507,355	\$	14,344,870
	Before Taxes	After Taxes	Before Taxes	After Taxes	Before Taxes	After Taxes
Basic earnings per share (in dollars) (Note 4 (33))						
Consolidated net income	\$ 1.69	\$ 1.37	\$ 0.06	\$ 0.05	\$ 1.72	\$ 1.30
Diluted earnings per share (in dollars) (Note 4 (33))						
Consolidated net income	\$ 1.69	\$ 1.37	\$ 0.06	\$ 0.05	\$ 1.72	\$ 1.30

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



MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
 (Expressed in Thousands of Dollars)

	2010		2009
	NT\$	US\$	NT\$
Cash Flows from Operating Activities			
Consolidated net income attributable to stockholders of the company	\$ 15,110,720	\$ 506,052	\$ 14,331,894
Consolidated net income attributable to minority interest	38,898	1,303	12,976
Adjustments to reconcile consolidated net income to net cash (used in) provided by operating activities:			
Bad debts expense on loans	2,233,788	74,809	7,305,574
Investment income from equity investments accounted for by the equity method	(183,496)	(6,145)	(185,015)
Cash dividends distributed by equity investments accounted for by the equity method	129,034	4,321	79,897
Valuation gain from financial assets and liabilities	(1,100,922)	(36,870)	(1,016,728)
Loss (gain) on disposal of assets	3,137	105	(1,030,363)
Loss on asset impairment	1,081,420	36,216	1,993,320
Depreciation and amortization expenses	885,980	29,671	1,008,874
Loss on scrapped assets	304	10	25,666
Other reserves	(2,193,593)	(73,463)	1,044,399
Provisions for insurance reserves	110,318	3,695	22,302
Changes in assets and liabilities:			
(Increase) decrease in financial assets at fair value through profit or loss	(33,693,931)	(1,128,397)	71,399,131
(Increase) decrease in bills and bonds purchased under resale agreements	(987,596)	(33,074)	933,202
Increase in receivables	(27,696,254)	(927,537)	(1,856,857)
Increase in other financial assets	(675,996)	(22,639)	(398,770)
Net change in deferred income tax assets/liabilities	774,095	25,924	(202,526)
Decrease (increase) in other assets	1,778,714	59,568	(3,857,515)
Decrease in financial liabilities at fair value through profit or loss	(5,364,624)	(179,659)	(16,049,520)
Increase (decrease) in payables	13,913,915	465,972	(15,193,611)
(Decrease) increase in accrued pension liability	(150,281)	(5,033)	314,545
Decrease in other financial liabilities	(2,108,100)	(70,599)	(1,990,772)
Decrease in other liabilities	(967,886)	(32,414)	(1,556,979)
Net cash (used in) provided by operating activities	(39,062,356)	(1,308,184)	55,133,124
Cash Flows from Investing Activities			
(Increase) decrease in due from the Central Bank and call loans to banks	(\$ 35,773,419)	(\$ 1,198,038)	\$ 12,512,619
(Increase) decrease in bills discounted and loans	(52,661,996)	(1,763,630)	33,738,531
Decrease (increase) in held-to-maturity financial assets	45,337,820	1,518,346	(166,631,168)
Decrease in available-for-sale financial assets	49,985,619	1,673,999	6,738,181
Decrease in financial instruments carried at cost	329,260	11,027	299,194
Proceeds from capital reduction on equity investments accounted for by the equity method	206,880	6,929	-
Proceeds from sale of property and equipment	15,744	527	936,003
Acquisition of property and equipment	(675,612)	(22,626)	(399,424)
Acquisition of intangible assets	(4,121)	(138)	(5,238)
Net cash provided by (used in) investing activities	6,760,175	226,396	(112,811,302)
Cash Flows from Financing Activities			
(Decrease) increase in due to the Central Bank and financial institutions	(87,873,259)	(2,942,842)	14,074,240
Increase in deposits and remittances	79,374,497	2,658,222	167,859,321
Decrease in funds borrowed from the Central Bank and other banks	(4,751,663)	(159,131)	(9,864,884)
Increase (decrease) in bonds payable	2,897,000	97,019	(4,196,347)
Increase (decrease) in bills and bonds sold under repurchase agreements	10,451,154	350,005	(77,126,467)
Increase in commercial paper payables	1,756,730	58,832	5,449,110
(Decrease) increase in other loans	(98,600)	(3,302)	6,831,547
Appropriation of cash dividends	(11,059,426)	(370,376)	(2,764,856)
(Decrease) increase in minority interests	(271,309)	(9,086)	85,015
Net cash (used in) provided by financing activities	(9,574,876)	(320,659)	100,346,679
Effect of changes in foreign exchange rate	(589,391)	(19,738)	(229,386)
Net (decrease) increase in cash and cash equivalents	(42,466,448)	(1,422,185)	42,439,115
Cash and cash equivalents, beginning of year	314,204,440	10,522,587	271,765,325
Cash and cash equivalents, end of year	\$ 271,737,992	\$ 9,100,402	\$ 314,204,440
Supplemental cash flow information:			
Interest paid	\$ 12,005,945	\$ 402,075	\$ 18,042,311
Income tax paid	\$ 4,384,807	\$ 146,846	\$ 4,071,237
Non-cash Investing And Financing Activities			
Bonds payable within 1 year	\$ 12,125,261	\$ 406,070	\$ 14,583,314

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

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Common Stock	Capital Surplus
<u>For the year ended December 31, 2009</u> (Expressed in Thousands of New Taiwan Dollars)		
Balance, January 1, 2009	\$ 110,594,262	\$ 43,426,403
Earnings distribution for 2008 (Note)		
Legal reserve	-	-
Cash dividends	-	-
Adjustments in other stockholders' equity arising from equity investments accounted for by the equity method		
Changes in asset revaluation increments	-	-
Changes in unrealized gains or losses on available-for-sale financial assets	-	-
Changes in cumulative translation adjustments	-	-
Consolidated net income for the year ended December 31, 2009	-	-
Changes in unrealized gains or losses 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>For the year ended December 31, 2010</u> (Expressed in Thousands of New Taiwan Dollars)		
Balance, January 1, 2010	\$ 110,594,262	\$ 43,426,403
Earnings distribution for 2009 (Note)		
Legal reserve	-	-
Cash dividends	-	-
Adjustments in other stockholders' equity arising from equity investments accounted for by the equity method		
Changes in unrealized gains or losses on available-for-sale financial assets	-	-
Changes in cumulative translation adjustments	-	-
Consolidated net income for the year ended December 31, 2010	-	-
Changes in unrealized gains or losses on available-for-sale financial assets	-	-
Changes in minority interest	-	-
Balance, December 31, 2010	<u>\$ 110,594,262</u>	<u>\$ 43,426,403</u>
<u>For the year ended December 31, 2010</u> (Expressed in Thousands of US Dollars)		
Balance, January 1, 2010	\$ 3,703,760	\$ 1,454,334
Earnings distribution for 2009 (Note)		
Legal reserve	-	-
Cash dividends	-	-
Adjustments in other stockholders' equity arising from equity investments accounted for by the equity method		
Changes in unrealized gains or losses on available-for-sale financial assets	-	-
Changes in cumulative translation adjustments	-	-
Consolidated net income for the year ended December 31, 2010	-	-
Changes in unrealized gains or losses on available-for-sale financial assets	-	-
Changes in minority interest	-	-
Balance, December 31, 2010	<u>\$ 3,703,760</u>	<u>\$ 1,454,334</u>

Note1 : For the years ended December 31, 2009 and 2008, bonuses to directors and supervisors were NT\$64,493 thousand and NT\$2,650 thousand, respectively, and bonuses to employees were NT\$20,637 thousand and NT\$424 thousand, respectively, which were deducted from the consolidated statements of income.

Note2 : For the years ended December 31, 2009 and 2008, bonuses to directors and supervisors were US\$2,160 thousand and US\$82 thousand, respectively, and bonuses to employees were US\$691 thousand and US\$13 thousand, respectively, which were deducted from the consolidated statements of income.

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



Retained Earnings			Unrealized Revaluation Increments	Cumulative Translation Adjustments	Unrealized Gains or Losses on Financial Instruments	Minority Interest	Total
Legal Reserve	Special Reserve	Unappropriated Retained Earnings					
\$ 15,325,187	\$ 354,967	\$ 4,668,990	\$ 3,191,570	\$ 1,755,165	(\$ 1,838,061)	\$ 555,900	\$ 178,034,383
29,452	-	(29,452)	-	-	-	-	-
-	-	(2,764,856)	-	-	-	-	(2,764,856)
-	-	-	(871,625)	-	-	-	(871,625)
-	-	-	-	-	6,965,712	-	6,965,712
-	-	-	-	(156,652)	-	-	(156,652)
-	-	14,331,894	-	-	-	12,976	14,344,870
-	-	-	-	-	671,624	-	671,624
-	-	-	-	-	-	72,039	72,039
<u>\$ 15,354,639</u>	<u>\$ 354,967</u>	<u>\$ 16,206,576</u>	<u>\$ 2,319,945</u>	<u>\$ 1,598,513</u>	<u>\$ 5,799,275</u>	<u>\$ 640,915</u>	<u>\$ 196,295,495</u>
\$ 15,354,639	\$ 354,967	\$ 16,206,576	\$ 2,319,945	\$ 1,598,513	\$ 5,799,275	\$ 640,915	\$ 196,295,495
1,433,189	-	(1,433,189)	-	-	-	-	-
-	-	(11,059,426)	-	-	-	-	(11,059,426)
-	-	-	-	-	(886,457)	-	(886,457)
-	-	-	-	(769,116)	-	-	(769,116)
-	-	15,110,720	-	-	-	38,898	15,149,618
-	-	-	-	-	2,820,819	-	2,820,819
-	-	-	-	-	-	(310,207)	(310,207)
<u>\$ 16,787,828</u>	<u>\$ 354,967</u>	<u>\$ 18,824,681</u>	<u>\$ 2,319,945</u>	<u>\$ 829,397</u>	<u>\$ 7,733,637</u>	<u>\$ 369,606</u>	<u>201,240,726</u>
\$ 514,221	\$ 11,888	\$ 542,752	\$ 77,694	\$ 53,533	\$ 194,215	\$ 21,464	\$ 6,573,861
47,997	-	(47,997)	-	-	-	-	-
-	-	(370,376)	-	-	-	-	(370,376)
-	-	-	-	-	(29,687)	-	(29,687)
-	-	-	-	(25,757)	-	-	(25,757)
-	-	506,052	-	-	-	1,303	507,355
-	-	-	-	-	94,468	-	94,468
-	-	-	-	-	-	(10,389)	(10,389)
<u>\$ 562,218</u>	<u>\$ 11,888</u>	<u>\$ 630,431</u>	<u>\$ 77,694</u>	<u>\$ 27,776</u>	<u>\$ 258,996</u>	<u>\$ 12,378</u>	<u>\$ 6,739,475</u>

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(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\$15,000 thousand dollars. Mega International Asset Management is mainly engaged in investment consulting services.
- (7) Mega Capital (Asia) Co., Ltd., registered in Hong Kong, is 100% owned by MHL with an investment amount of HK\$80,000 thousand dollars. Mega Capital (Asia) Co., Ltd. is mainly engaged in investment consulting services.
- (8) Mega Global Asset Management Co., Ltd. registered in British Cayman Islands, is 100% owned by MHL with an investment amount of US\$33,740 thousand dollars. Mega Global Asset Management Ltd. is mainly engaged in asset management services.
- (9) Mega Bills Finance Co., Ltd. (MBF), established on May 3, 1976, became a wholly-owned subsidiary of the Company through a share swap agreement on August 22, 2002 and was delisted from the Taiwan Stock Exchange. MBF is mainly engaged in proprietary trading, brokerage and underwriting of short-term notes and bills and financial bonds, provision of guarantees for short-term notes and bills, arrangement of inter-bank call loans, corporate financial consulting and proprietary trading of government bonds and corporate bonds.
- (10) Mega International Commercial Bank Co., Ltd. ("MICB") (formerly Bank of China), was restructured on December 17, 1971 in accordance with the Chinese commercial banking regulations. Shares were originally traded on the Taiwan Stock Exchange. On December 31, 2002, ICBC became a wholly-owned subsidiary of the Company through share swap and was delisted from the Taiwan Stock Exchange accordingly. On August 21, 2006, ICBC merged with CTB. MICB's major activities include foreign exchange and related operations, trade finance and guarantees, trust related business and other commercial banking business related to international trade.
- (11) Mega International Commercial Bank (Canada) ("MICB Canada"), a wholly-owned subsidiary of MICB, was established in Canada with a capital base of CAD\$23,000 thousand. MICB Canada is mainly engaged in accepting deposits, extension of credits, negotiation of import/export bills, collections and foreign exchange related businesses.
- (12) Yung Shing Industries Co. ("Yung Shing") is 99.56% owned by MICB with an investment amount of NT\$95,644 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) ("CIBC Bahamas"), registered in the Commonwealth of the Bahamas, is 100% owned by MICB with an investment amount of US\$5 thousand. CIBC 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”) 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 8,391 and 8,531 as of December 31, 2010 and 2009, 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:

Investor	Subsidiary	Ownership (%)	
		December 31, 2010	December 31, 2009
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	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	40.00	40.00
The Company	Mega Venture Capital	100.00	100.00

D. Changes in the subsidiaries that are included in the consolidated financial statements as of December 31, 2010 and 2009: 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, 2010	December 31, 2009	
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. (Philippines)	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 New Taiwan Dollars and their respective functional currencies, respectively. 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 Guidelines for Preparation of Financial Reports by Publicly Listed Bills Finance Companies", "Regulations Guidelines the Preparation of Financial Report by Securities Firms", "Regulations Guidelines the Preparation of Financial Reports by Futures Commission Merchants", "Regulations Guidelines 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 income statement when the investments are derecognized, impaired, or amortized. The amortized cost is calculated as the cost (amount initially recognized) minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the cost and the maturity amount, and less any loss on impairment or unrecoverable amount. While determining cash flows associated with the financial instruments for calculating the effective interest rate, the Group takes into consideration the contract terms of financial instruments including transaction fees paid or received, premiums or discounts and transaction cost, etc.

C. Available-for-sale financial assets

Available-for-sale financial assets include assets that are available for sale and all other non-derivative financial assets that do not fit into any of the other categories of financial assets mentioned above. Available-for-sale financial 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 an 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 involving 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 bill 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 companies, of which the Company holds more than 20% of the voting shares or over which the Company can exercise significant influence, are accounted for by the equity method. However, effective from January 1, 2006, the principles stated in SFAS No. 1 “Conceptual Framework for Financial Accounting and Preparation of Financial Statement”, No. 5 “Accounting for Long-Term Equity Investments”, No. 25 “Business Combination – Purchase-Price Accounting” is applied for the accounting for difference between the initial investments and the net worth of the respective investee companies. Pursuant to the procedures for the allocation of acquisition cost as stated in SFAS No. 25, an analysis is performed on such differences and such differences attributable to goodwill are no longer amortized.
- B. Unrealized gains (losses) resulting from the downstream transactions with the investees accounted for under the equity method are eliminated based on the Company's percentage of shareholding. Where the Company has controlling power over the investees, the unrealized gains (losses) are fully eliminated and are recognized only upon realization.
- C. Unrealized gains (losses) resulting from the upstream transactions with the investees accounted for by the equity method are eliminated based on the Company's percentage of shareholding.
- D. The impairment in the long-term equity investments accounted for by the equity method is accounted for in accordance with 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 as stated in 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 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 and 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”.

In pursuant of Jin-Guan-Zheng-Zi No.09900738571 and Jin-Guan-Zheng-Qi-Zi No. 10000002891 of the Financial Supervisory Commission, trading loss reserve as of December 31, 2010 that have been set aside by securities firms and futures firms shall be transferred as special reserve from January 13, 2011. The special reserve shall not be used other than for covering the losses of the company, or when the special reserve reaches 50% of the amount of paid-in capital, half of it may be used for capitalization.

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.

In pursuant of Jin-Guan-Zheng-Zi No.09900738571 and Jin-Guan-Zheng-Qi-Zi No. 10000002891 of the Financial Supervisory Commission, default loss reserve as of December 31, 2010 that have been set aside by securities firms and futures firms shall be transferred as special reserve from January 13, 2011. The special reserve shall not be used other than for covering the losses of the company, or when the special reserve reaches 50% of the amount of paid-in capital, half of it may be used for capitalization.

(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 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 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 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 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 \times 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 EITF 96-052 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 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 2010 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, 2010 of US\$1:NT\$29.86. 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

None.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Due from banks	\$ 250,188,431	\$ 8,378,715	\$ 294,258,277
Checks for clearance	1,172,410	39,264	1,146,884
Cash on hand	11,933,013	399,632	11,776,231
Bank deposits	7,179,441	240,437	5,712,514
Cash equivalents (Note)	1,234,640	41,348	1,281,027
Petty cash	30,057	1,006	29,507
Total	<u>\$ 271,737,992</u>	<u>\$ 9,100,402</u>	<u>\$ 314,204,440</u>

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

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

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Call loans to banks	\$ 68,989,089	\$ 2,310,418	\$ 36,989,087
Reserve for deposits-category A	20,465,959	685,397	13,918,753
Reserve for deposits-category B	29,389,539	984,245	28,523,542
Reserve for deposits-foreign currency	281,903	9,441	443,621
Due from Central Bank-general deposits	7,322,073	245,213	10,800,285
Less: Allowance for bad debts	(490)	(16)	(562)
Total	<u>\$ 126,448,073</u>	<u>\$ 4,234,698</u>	<u>\$ 90,674,726</u>

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, 2010		December 31, 2009
	NT\$	US\$	NT\$
Financial assets held for trading, net	\$ 130,525,111	\$ 4,371,236	\$ 103,647,962
Financial assets designated as at fair value through profit or loss, net	<u>31,795,072</u>	<u>1,064,805</u>	<u>23,877,368</u>
Total	<u>\$ 162,320,183</u>	<u>\$ 5,436,041</u>	<u>\$ 127,525,330</u>



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

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Stocks	\$ 4,795,252	\$ 160,591	\$ 1,732,963
Commercial papers	87,458,516	2,928,952	65,714,508
Treasury bills	497,923	16,675	-
Bankers' acceptances	64,092	2,146	14,973
Foreign currency bills	86,505	2,897	-
Beneficiary certificates	590,299	19,769	791,597
Negotiable certificates of time deposit	20,001,299	669,836	18,000,492
Corporate bonds	9,666,545	323,729	8,561,167
Government bonds	1,774,295	59,421	1,716,008
Financial bonds	864,891	28,965	1,730,492
Other bonds	1,471,400	49,277	1,949,505
Derivative financial instruments	3,254,094	108,978	3,436,257
Total	<u>\$ 130,525,111</u>	<u>\$ 4,371,236</u>	<u>\$ 103,647,962</u>

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

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Corporate bonds	\$ 18,014,143	\$ 603,287	\$ 10,466,885
Government bonds	2,031,839	68,046	2,822,468
Financial bonds	8,492,706	284,417	7,130,874
Beneficiary securities	-	-	159,610
Derivative financial instruments	3,256,384	109,055	3,297,531
Total	<u>\$ 31,795,072</u>	<u>\$ 1,046,805</u>	<u>\$ 23,877,368</u>

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, 2010 and 2009.

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

E. As of December 31, 2010 and 2009, the above financial assets used as underlying assets for repurchase agreements held by MBF were \$87,629,203 thousand (US\$2,934,669 thousand) and \$59,375,740 thousand, respectively.

F. As of December 31, 2010 and 2009, the above financial assets used as underlying assets for repurchase agreements held by MS were \$9,521,055 thousand (US\$318,856 thousand) and \$11,292,277 thousand, respectively.

(4) Receivables, net

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Accounts receivable	\$ 97,639,229	\$ 3,269,901	\$ 74,605,817
Notes receivable	110,013	3,684	104,816
Tax refundable	893,626	29,927	263,307
Accrued income	551,426	18,467	482,167
Interest receivable	5,129,498	171,785	5,655,224
Acceptances receivable	11,499,099	385,100	11,695,102
Insurance receivable	633,993	21,232	539,141
Indemnity refundable on reinsurance	2,853,767	95,572	1,646,551
Due from reinsurers and ceding companies	29,488	988	115,366
Reinsurance receivables	113,105	3,788	120,757
Margin loans receivable	18,913,763	633,415	15,388,377
Recovery of accounts receivable	2,325,475	77,879	2,627,066
Purchase of obligor receivable	6,808,293	228,007	9,154,449
Purchase of assets for acting as an assignee	1,377,602	46,135	1,377,602
Other receivables	1,395,800	46,745	2,063,702
Total	150,274,177	5,032,625	125,839,444
Less: Allowance for bad debts	(2,787,767)	(93,361)	(4,534,246)
Receivables, net	\$ 147,486,410	\$ 4,939,264	\$ 121,305,198

Please refer to Note 6 for details of the aforementioned receivables provided as collateral as of December 31, 2010 and 2009.

(5) Bills discounted and loans, net

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Import / export bills negotiated	\$ 16,320,760	\$ 546,576	\$ 13,587,552
Bills and notes discounted	70,608	2,365	171,288
Short-term loans	261,750,728	8,765,932	208,591,164
Short-term secured loans	143,805,025	4,815,975	140,509,575
Overdrafts	286,422	9,592	355,612
Secured overdrafts	1,092,124	36,575	1,107,839
Medium-term loans	261,768,955	8,766,542	290,647,084
Medium-term secured loans	254,958,068	8,538,448	213,385,257
Long-term loans	46,932,124	1,571,739	118,898,214
Long-term secured loans	356,264,215	11,931,153	296,318,359
Loans transferred to non-accrual loans	4,196,148	140,527	10,767,600
Total	1,347,445,177	45,125,424	1,294,339,544
Less: Allowance for bad debts – bills discounted and loans, overdrafts	(10,610,636)	(355,346)	(12,504,290)
Loans, net	\$ 1,336,834,541	\$ 44,770,078	\$ 1,281,835,254

A. For the years ended December 31, 2010 and 2009, 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, 2010 and 2009, MICB's balances of bills and loans for which interest revenue was no longer accrued amounted to NT\$4,196,148 thousand (US\$140,527 thousand) and NT\$10,767,600 thousand, respectively. The unrecognized interest revenue on the above bills and loans amounted to NT\$170,492 thousand (US\$5,710 thousand) and NT\$296,645 thousand for the years ended December 31, 2010 and 2009, respectively.



(6) Movements in allowance for credit losses

MICB, MBF and indirect subsidiaries have 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 30, 2010 and 2009 were as follows:

January 1, 2010 to December 31, 2010	NT\$			US\$		
	Specific Risk	General Risk	Total	Specific Risk	General Risk	Total
Balance, January 1, 2010	\$ 8,449,020	\$ 12,672,794	\$ 21,121,814	\$ 282,954	\$ 424,407	\$ 707,361
Provisions	155,444	2,078,344	2,233,788	5,206	69,603	74,809
Write-off-net	(7,172,818)	(896,136)	(8,068,954)	(240,215)	(30,011)	(270,226)
Recovery of written-off credits	3,611,479	151,768	3,763,247	120,947	5,083	126,030
Effects of exchange rate changes and others	182,480	(1,153,324)	(970,844)	6,112	(38,625)	(32,513)
Balance, December 31, 2010	\$ 5,225,605	\$ 12,853,446	\$ 18,079,051	\$ 175,004	\$ 430,457	\$ 605,461

January 1, 2009 to December 31, 2009	NT\$		
	Specific Risk	General Risk	Total
Balance, January 1, 2009	\$ 6,999,591	\$ 12,932,969	\$ 19,932,560
Provisions	7,113,042	192,532	7,305,574
Write-off-net	(8,117,202)	(915,382)	(9,032,584)
Recovery of written-off credits	2,356,876	149,842	2,506,718
Effects of exchange rate changes and others	(96,713)	312,833	409,546
Balance, December 31, 2009	\$ 8,449,020	\$ 12,672,794	\$ 21,121,814

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, 2010		December 31, 2009
	NT\$	US\$	NT\$
Government bonds	\$ 87,513,788	\$ 2,930,803	\$ 106,431,826
Financial bonds	30,815,549	1,032,001	39,535,833
Corporate bonds	29,273,949	980,373	33,670,614
Certificates of time deposit	605,842	20,289	295,817
Stocks	23,502,975	787,106	21,282,170
Beneficiary securities	5,179,917	173,474	9,117,545
Beneficiary certificates	2,444,237	81,857	2,363,646
Commercial papers	6,333,138	212,094	19,427,529
Treasury bills	229,012	7,670	891,532
Total	\$ 185,898,407	\$ 6,225,667	\$ 233,016,512

A. Please refer to Note 4(34) for details of the recognized impairment loss for the years ended December 31, 2010 and 2009, 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\$4,285,605 thousand (US\$143,523 thousand) and NT\$3,384,082 thousand as of December 31, 2010 and 2009, 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\$73,786,257 thousand (US\$2,471,074 thousand) and NT\$89,843,933 thousand as of December 31, 2010 and 2009, respectively.

D. In 2010 and 2009, MICB purchased the credit impaired assets in the amount of US\$99,617 and US\$0 thousand, respectively, 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”; and recognized losses amounting to NT\$3,007,951 and NT\$0 thousand for the years ended December 31, 2010 and 2009, respectively, that were listed under “other losses”.

“Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” has reached maturity and has been cleaned up on June 21, 2010. As a result, all the loss reserve amounting \$2,515,127 thousand has been reversed. “First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2” has early been settled on December 18, 2009, and MICB purchased the remaining assets amounting to US\$15 thousand and NT\$29,805 thousand.

E. 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\$219,053 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, 2010 and 2009 was as follows:

	December 31, 2010		December 31, 2009	
	Carrying value / fair value		Carrying value / fair value	
	NT\$	US\$	NT\$	
Bonds	\$ 420,360	\$ 14,078	\$ 1,626,441	
Beneficiary certificates	-	-	96,632	
Total	\$ 420,360	\$ 14,078	\$ 1,723,073	

(2) Movements on fair value of the reclassified assets for the years ended December 31, 2010 and 2009 were as follows:

	December 31, 2010				December 31, 2009	
	Recognized in profit and loss	Recognized as adjustments in equity	Recognized in profit and loss	Recognized as adjustments in equity	Recognized in profit and loss	Recognized as adjustments in equity
	NT\$	NT\$	US\$	US\$	NT\$	NT\$
Bonds	\$ -	\$ 13,019	\$ -	\$ 436	\$ -	\$ 10,470
Beneficiary certificates	-	-	-	-	-	(44,101)
Total	\$ -	\$ 13,019	\$ -	\$ 436	\$ -	(\$ 33,631)

(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\$
July 1 ~ December 31, 2008	(\$ 240,751)	(\$ 8,063)
January 1 ~ December 31, 2009	(33,631)	(1,126)
January 1 ~ December 31, 2010	13,019	436
Total	(\$ 261,363)	(\$ 8,753)

F. 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. As of December 31, 2009, the balance of Lehman Brothers Group was NT\$393,732 thousand and the accumulated impairment loss was NT\$340,290 thousand. As of December 31, 2010, the invested bonds have been sold and the impairment loss for the years ended December 31, 2010 and 2009 was both NT\$0.

G. MICB holds financial debentures issued by several banks of Iceland. Some of the banks were taken over by Iceland’s government and the amount invested may no longer be recovered. As of December 31, 2009, the balance was NT\$231,196, and the accumulated impairment loss was NT\$215,108. As of December 31, 2010, the invested bonds have been sold and the impairment loss for the years ended December 31, 2010 and 2009 was both NT\$0.

H. Please refer to Note 6 for details of the aforementioned available-for-sale financial assets provided as collateral as of December 31, 2010 and 2009.

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

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Certificate of time deposit by Central Bank	\$ 203,000,000	\$ 6,798,392	\$ 241,900,000
Financial bonds	12,279,110	411,223	17,556,139
Government bonds	2,191,666	73,398	2,818,478
Corporate bonds	369,096	12,361	667,644
Beneficial securities	-	-	210,600
Total	\$ 217,839,872	\$ 7,295,374	\$ 263,152,861

A. Please refer to Note 6 for details of the aforementioned held-to-maturity financial assets pledged as collateral as of December 31, 2010 and 2009.

B. MICB invested in certain bonds issued by Lehman Brothers Group. Due to the bankruptcy of Lehman Brothers Group, the amount invested may no longer be recovered. As of December 31, 2009, MICB's balance amounts to NT\$552,635 thousand, and MICB has recognized an accumulated impairment loss of NT\$469,642 thousand. As of December 31, 2010, the invested bonds have been sold. The recognized impairment loss for the years ended December 31, 2010 and 2009 were NT\$0 thousand and NT\$67,531 thousand, respectively.

C. MICB holds financial debentures issued by several banks of Iceland. Some of the banks were taken over by Iceland's government and the amount invested may no longer be recovered. The transaction statement balance was NT\$230,749 (US\$7,728 thousand) and the accumulated impairment loss was NT\$226,039 (US\$7,570 thousand) as of December 31, 2009. As of December 31, 2010, the debentures have matured and were transferred to receivables. The recognized impairment loss for the years ended December 31, 2010 and 2009 was both NT\$0.

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

Investee Company	December 31, 2010			December 31, 2009	
	NT\$	US\$	Percentage of Shareholding	NT\$	Percentage of Shareholding
Mega Management Consulting Corporation	\$ 79,711	\$ 2,670	100.00	\$ 73,830	100.00
Mega International Investment Services Co., Ltd.	31,423	1,052	100.00	111,251	100.00
Mega Life Insurance Agency Co., Ltd.	77,104	2,582	100.00	52,732	100.00
Win Card Co., Ltd.	70,061	2,346	100.00	66,940	100.00
Cathay Investment & Warehousing Ltd.	95,970	3,214	100.00	106,459	100.00
ICBC Assets management & consulting Co., Ltd.	286,670	9,600	100.00	322,548	100.00
Ramlett Finance Holdings Inc.	-	-	100.00	-	100.00
Cathay Insurance Co., Inc. (Philippines) (Note)	8,063	270	86.46	8,486	86.46
China Products Trading Company	41,164	1,379	68.27	62,868	68.27
United Venture Corporation	44,507	1,491	25.31	80,806	25.31
China Products Trading Company (Thailand)	38,019	1,273	25.25	35,738	25.25
IP Fundseven limited	223,975	7,501	25.00	216,701	25.00
An Feng Enterprise Co., Ltd.	12,091	405	25.00	12,396	25.00
Taiwan Bills Finance Corporation	1,400,552	46,904	24.55	1,416,477	24.55
Everstrong Iron & Foundry & Mfg. Corporation	38,809	1,300	22.22	33,843	22.22
China Real Estate Management Co., Ltd.	126,643	4,241	20.00	126,869	20.00
Total	\$ 2,574,762	\$ 86,228		\$ 2,727,944	

Note: Cathay Insurance Co., Inc. (Philippines) is undergoing liquidation procedures.

A. The capital surplus arising from changes in capital surplus of investees accounted for by the equity method were both \$379,097 thousand (US\$12,696 thousand) as of December 31, 2010 and 2009, respectively.

B. As of December 31, 2010 and 2009, equity investments accounted for by the equity method were not pledged as collateral.

C. Please refer to Note 4(34) for details of the impairment loss recognized for the years ended December 31, 2010 and 2009.

(10) Other financial assets, net

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Financial assets carried at cost	\$ 22,944,406	\$ 768,399	\$ 23,430,612
Debt investments with no active market	-	-	157,228
Restricted assets-certificate of deposit	246,200	8,245	485,730
Margin deposits from client	1,712,435	57,349	1,584,007
Futures margin deposits	10,455	350	42,602
Remittance purchased	25,391	850	27,766
Non-accrual loans transferred from accounts other than loans	807,075	27,028	1,075,233
Others	49,301	1,652	75,963
Subtotal	25,795,263	863,873	26,879,141
Less: Accumulated impairment – Financial assets carried at cost	(1,839,450)	(61,602)	(1,482,504)
Accumulated impairment – Debt investments with no active market	-	-	(43,369)
Allowance for bad debts – Non-accrual loans transferred from accounts other than loans	(495,727)	(16,602)	(482,276)
Less: Accumulated impairment – Remittance purchased	-	-	(255)
Subtotal	(2,335,177)	(78,204)	(2,008,404)
Net	\$ 23,460,086	\$ 785,669	\$ 24,870,737

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, 2010 and 2009.

B. Please refer to Note 6 for details of the above other financial assets provided as collateral.

(11) Real estate investments, net

	December 31, 2010					
	Cost		Accumulated depreciation		Balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$ 166,065	\$ 5,561	\$ -	\$ -	\$ 166,065	\$ 5,561
Buildings and equipment	230,448	7,718	(71,754)	(2,403)	158,694	5,315
Prepayments for land and buildings	144,238	4,831	-	-	144,238	4,831
Real estate investments, net	\$ 540,751	\$ 18,110	(\$ 71,754)	(\$ 2,403)	\$ 468,997	\$ 15,707

	December 31, 2009					
	Cost		Accumulated depreciation		Balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$ 179,691	\$ -	\$ -	\$ -	\$ 179,691	\$ -
Buildings and equipment	277,795	(87,611)			190,184	
Prepayments for land and buildings	144,238	-			144,238	
Real estate investments, net	\$ 601,724	(\$ 87,611)			\$ 514,113	

Please refer to Note 6 for details of the above real estate investments provided as collateral as of December 31, 2010 and 2009.



(12) Property and equipment, net

	December 31, 2010				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
(In Thousands of NT Dollars)					
Land	\$ 10,692,475	\$ 3,140,048	\$ -	(\$ 825,867)	\$ 13,006,656
Buildings and structures	12,404,012	37,015	(5,535,325)	(47,540)	6,858,162
Machinery and computers	4,331,217	-	(3,470,566)	-	860,651
Office equipment	26,577	-	(22,841)	-	3,736
Transportation equipment	220,765	-	(181,597)	-	39,168
Miscellaneous equipment	1,604,223	-	(1,303,893)	-	300,330
Leasehold improvements	233,422	-	(170,835)	-	62,587
Subtotal	29,512,691	3,177,063	(10,685,057)	(873,407)	21,131,290
Prepayments for equipment	8,159	-	-	-	8,159
Total	\$ 29,520,850	\$ 3,177,063	(\$ 10,685,057)	(\$ 873,407)	\$ 21,139,449

	December 31, 2010				
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Impairment	Net Book Value
(In Thousands of US Dollars)					
Land	\$ 358,087	\$ 105,159	\$ -	(\$ 27,658)	\$ 435,588
Buildings and structures	415,406	1,240	(185,376)	(1,593)	229,677
Machinery and computers	145,051	-	(116,228)	-	28,823
Office equipment	890	-	(765)	-	125
Transportation equipment	7,393	-	(6,081)	-	1,312
Miscellaneous equipment	53,725	-	(43,667)	-	10,058
Leasehold improvements	7,817	-	(5,721)	-	2,096
Subtotal	988,369	106,399	(357,838)	(29,251)	707,679
Prepayments for equipment	273	-	-	-	273
Total	\$ 988,642	\$ 106,399	(\$ 357,838)	(\$ 29,251)	\$ 707,952

	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

A. MICB and its indirect subsidiaries revalued the land and other property and equipment based on related government regulations. As of December 31, 2010 and 2009, the revaluation increment for land and other property and equipment amounted to NT\$3,177,063 thousand (US\$106,399 thousand) and NT\$3,669,172 thousand, respectively, and were recorded under “property and equipment”. Reserve for land revaluation increment tax amounted to NT\$901,355 thousand (US\$30,186 thousand) 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, 2010 and 2009.

C. Please refer to Note 4(34) for the details of the recognized impairment loss for the years ended December 31, 2010 and 2009.

(13) Other assets

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Prepayments	\$ 2,643,282	\$ 88,522	\$ 4,123,105
Refundable deposits	2,638,419	88,360	1,987,078
Restricted assets	20,696	693	683,523
Guarantee deposits held for operation and funds for security settlements	1,419,441	47,536	1,369,078
Deferred income tax assets	1,458,156	48,833	2,232,251
Other deferred assets	187,678	6,285	170,366
Idle assets, net	1,055,097	35,335	86,355
Debit items for securities consignment trading	111,316	3,728	215,510
Foreclosed properties	265,013	8,875	520,624
Rental assets, net	705,371	23,623	370,692
Temporary payments	946,151	31,686	939,616
Others	28,072	940	710,152
Total	\$ 11,478,692	\$ 384,416	\$ 13,408,350

A. As of December 31, 2010, and 2009, MITC has set aside impairment loss from cash reserves for securitization amounting to \$435,620 thousand (US\$14,589 thousand) and \$797,962 thousand, respectively.

B. Please refer to Note 6 for details of the above other assets provided as collateral as of December 31, 2010 and 2009.

(14) Due to the Central Bank and financial institutions

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Due to the Central Bank and Due to banks	\$ 270,365,588	\$ 9,054,440	\$ 311,993,513
Due to Chunghwa Post	6,849,088	229,373	48,773,005
Overdrafts on banks	2,784,377	93,248	3,729,163
Call loans from banks	31,985,932	1,071,197	31,884,785
Short-term borrowing	10,719,180	358,981	14,196,958
Total	\$ 322,704,165	\$ 10,807,239	\$ 410,577,424

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

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Funds borrowed from the Central Bank	\$ 9,800,940	\$ 328,230	\$ 11,833,151
Other funds borrowed from the Central Bank	28,767,700	963,419	31,487,152
Total	\$ 38,568,640	\$ 1,291,649	\$ 43,320,303



(16) Commercial papers payable, net

	Guarantee organization	December 31, 2010		December 31, 2009
		NT\$	US\$	NT\$
Commercial papers of domestic	China Bills Finance Corp.	\$ 1,800,000	\$ 60,281	\$ 1,720,000
"	Taching Bill Finance Co., Ltd.	700,000	23,443	300,000
"	Taiwan Cooperative Bank Co., Ltd.	100,000	3,349	70,000
"	Taishin Bills Finance Corp.	1,310,000	43,871	1,120,000
"	Dah Chung Bills Finance Corp.	250,000	8,372	200,000
"	International Bills Finance Corp.	1,100,000	36,839	793,000
"	Taiwan Bills Finance Corp.	360,000	12,056	180,000
"	Mega Bills Finance Co., Ltd.	280,000	9,377	340,000
"	Grand Bills Finance Corp.	1,370,000	45,881	1,260,000
"	TC Bank Co., Ltd.	435,000	14,568	95,000
"	Huanan Bills Finance Corp.	400,000	13,396	-
"	Shin Kong Commercial Bank Co., Ltd.	260,000	8,707	-
"	Yuantan Commercial Bank	500,000	16,745	-
"	Far Eastern International Bank	-	-	915,000
"	Entie Commercial Bank	-	-	115,000
Total		8,865,000	296,885	7,108,000
Less: Unamortized discount		(2,604)	(87)	(2,334)
Net		\$ 8,862,396	\$ 296,798	\$ 7,105,666

As of December 31, 2010 and 2009, none of the aforementioned commercial papers payable was provided for guarantees, and the interest rates ranged from 0.30% to 0.65% and 0.10% to 2.31% for the years ended December 31, 2010 and 2009, respectively.

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

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Financial liabilities held for trading	\$ 2,874,431	\$ 96,264	\$ 4,176,879
Financial liabilities designated as at fair value through profit or loss	27,145,490	909,092	31,207,666
Total	\$ 30,019,921	\$ 1,005,356	\$ 35,384,545

Please refer to Note 10 for details for the contract information of derivatives as of December 31, 2010 and 2009.

(18) Bills and bonds sold under repurchase agreements

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Commercial papers	\$ 84,435,083	\$ 2,827,699	\$ 59,006,036
Government bonds	75,703,546	2,535,283	83,491,815
Financial bonds	2,424,500	81,196	3,958,139
Corporate bonds	18,552,722	621,324	22,498,142
Others	700,829	23,469	2,411,394
Total	\$ 181,816,680	\$ 6,088,971	\$ 171,365,526

Financial Information

(19) Payables

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Accounts payable	\$ 22,365,788	\$ 749,022	\$ 9,977,779
Accrued expenses	4,387,278	146,928	3,587,392
Interest payable	2,114,811	70,824	3,051,884
Taxes payable	4,364,073	146,151	4,298,513
Dividends payable	14,519,915	486,266	13,362,865
Acceptances	11,650,286	390,164	12,013,063
Collections for others	1,735,206	58,111	1,199,464
Commissions payable	142,987	4,789	143,252
Due from other insurers	264,382	8,854	162,265
Payables on reinsurance operations	474,096	15,877	411,716
Payables on proceeds from short sales	1,622,731	54,345	2,086,370
Margin loans from other securities lenders	1,875,140	62,798	2,380,248
Customer's purchase payable	491,886	16,473	427,087
Futures trader's equity	1,691,939	56,662	1,564,423
Other payables	3,712,355	124,326	2,832,637
Total	\$ 71,412,873	\$ 2,391,590	\$ 57,498,958

(20) Deposits

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Checking account deposits	\$ 28,337,364	\$ 949,008	\$ 27,587,114
Demand deposits	481,338,660	16,119,848	398,138,613
Time deposits	537,644,059	18,005,494	558,531,479
Savings deposits	498,057,281	16,679,748	489,636,618
Remittances	13,195,775	441,922	10,110,249
Total	\$ 1,558,573,139	\$ 52,196,020	\$ 1,484,004,073

(21) Bonds payable

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Financial bonds, net	\$ 34,800,000	\$ 1,165,439	\$ 27,703,000
Domestic unsecured corporate bonds	18,250,000	611,185	22,450,000
Total	\$ 53,050,000	\$ 1,776,624	\$ 50,153,000

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 as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds	Mega Financial Holding Co., Ltd. Second domestic unsecured corporate bonds
Date of issuance	October 25, 2007	February 4, 2008
Face value	NT\$1 million	NT\$ 1 million
Place of issuance	Taiwan, R.O.C.	Taiwan, R.O.C.
Issue price	100%	100%
Principal amount	NT\$4,000,000 thousand	NT\$3,700,000 thousand
Interest rate	Bond A: 2.7%	Bond A: 2.68%
	Bond B: floating rate + 0.27% (Note)	Bond B: floating rate + 0.22% (Note)
	Bond C: 2.8%	Bond C: 2.78%
Period	Bonds A and B: 3 years	Bonds A and B: 3 years
	Bond C: 5 years	Bond C: 5 years
Priority of claims	Senior	Senior
Guarantor	None	None
Trustee	Bank SinoPac	Bank SinoPac
Underwriter	None	None
Lawyer	Fang-Gui, Guo Law Office	Shintai Law Office
Certified public accountant	PricewaterhouseCoopers	PricewaterhouseCoopers
Method of 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\$300,000 thousand	NT\$3,700,000 thousand
Clauses on redemption and early repayment	None	None
Restricted clauses	None	None
Use of proceeds	Loan repayment	Loan repayment

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

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 as follows:

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds	Mega Financial Holding Co., Ltd. Second domestic unsecured corporate bonds
Date of issuance	May 13, 2008	December 26, 2008
Face value	NT\$ 1 million	NT\$ 1 million
Place of issuance	Taiwan, R.O.C.	Taiwan, R.O.C.
Issue price	100%	100%
Principal amount	NT\$5,750,000 thousand	NT\$6,000,000 thousand
Interest rate	Bond A: 2.58%	3.26%
	Bond B: floating rate + 0.20% (Note)	
	Bond C: 2.75%	
	Bond C: floating rate + 0.25% (Note)	
Period	Bond A and B : 3 years	7 years
	Bond C and D : 5 years	
Priority of claims	Senior	Subordinate
Guarantor	None	None

Type of the bonds issued	Mega Financial Holding Co., Ltd. First domestic unsecured corporate bonds	Mega Financial Holding Co., Ltd. Second domestic unsecured corporate bonds
Trustee	Bank SinoPac	Fubon Commercial Bank Co., Ltd.
Underwriter	None	None
Lawyer	Shintai Law Office	Shintai Law Office
Certified public accountant	PricewaterhouseCoopers	PricewaterhouseCoopers
Method of 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\$5,700,000 thousand	NT\$6,000,000 thousand
Clauses on redemption and early repayment	None	None
Restricted clauses	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.)
Use of proceeds	Loan repayment	To enhance capital structure and increase group capital adequacy ratio (proceeds are used for loan repayment and operating capital)

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

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, 2010 (NTD)	December 31, 2010 (USD)	December 31, 2009 (NTD)	Remark
93-6 Development Financial bond	2004.06.29-2010.01.29	2.70%	2,200,000	-	-	2,200,000	Interest is paid yearly. The principal is repaid at maturity.
93-107 Development Financial bond	2004.10.12-2010.04.12	2.85%	500,000	-	-	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	150,703	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	167,448	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	10,047	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	13,396	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	200,938	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	10,047	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	Interest is paid yearly. The principal is repaid at maturity.

Name of bond	Issuing period	Interest rate	Total issued amount	December 31, 2010 (NTD)	December 31, 2010 (USD)	December 31, 2009 (NTD)	Remark
97-8 Development Financial bond	2008.09.29-2015.09.29	3.00%	1,600,000	1,600,000	53,583	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	214,334	6,400,000	Interest is paid yearly. The principal is repaid at maturity.
99-1 Development Financial bond	2010.12.24-2017.12.24	1.53%	10,300,000	10,300,000	344,943	-	Interest is paid yearly. The principal is repaid at maturity.
Others				-	-	3,000	Maturity but not yet collected
				<u>\$ 34,800,000</u>	<u>\$ 1,165,439</u>	<u>\$ 27,703,000</u>	

D. In February 2010, MS issued its first domestic unsecured corporate bonds for the 2009 fiscal year with a total amount of NT\$ 2.5 billion. The terms on the corporate bonds are as follows;

December 31, 2010

Name of the corporate bonds issued	First unsecured corporate bonds issued by Mega Securities Co., Ltd. in 2009
Date of issuance	February 24, 2010
Face value	NT\$1 million
Place of issuance	Taiwan, R.O.C.
Issue price	NT\$1 million
Principal amount	NT\$2.5 billion
Interest rate	1.45%
Period	3 years
	Maturity date for Bonds
	February 14, 2013
Guarantor	None
Trustee	Bank SinoPac
Underwriter	None
Lawyer	Shintai Law Office
Certified public accountant	PricewaterhouseCoopers
Method of repayment	Principal to be repaid in lump sum at maturity
Outstanding principal	NT\$2.5 billion
Clauses on redemption and early repayment	None
Restricted clauses	None

(22) Other loans

Nature of Loans	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Credit loans	\$ 8,010,000	\$ 268,252	\$ 7,545,100
Secured loans	3,158,000	105,760	3,721,500
Total	<u>\$ 11,168,000</u>	<u>\$ 374,012</u>	<u>\$ 11,266,600</u>

A. For the years ended December 31, 2010 and 2009, the interest rates ranged from 0.60% to 1.59% and 0.57% to 2.50%, 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,		
	2010		2009
	NT\$	US\$	NT\$
Service cost	\$ 672,582	\$ 22,524	\$ 655,291
Interest cost	348,874	11,684	341,383
Expected return on plan assets	(216,582)	(7,253)	(221,622)
Amortization on unrealized net transition obligation	182,800	6,122	141,926
Unrecognized service cost in prior period	2,228	74	2,228
Unrecognized pension gain or loss	-	-	(110)
Net pension cost	<u>\$ 989,902</u>	<u>\$ 33,151</u>	<u>\$ 919,096</u>

	For the years ended December 31,		
	2010		2009
	NT\$	US\$	NT\$
Expected return on plan assets:	(\$ 140,861)	(\$ 4,717)	(\$ 57,715)
Actual return on plan assets	(75,721)	(2,536)	(163,907)
(Loss) gain on plan assets	<u>(\$ 216,582)</u>	<u>(\$ 7,253)</u>	<u>(\$ 221,622)</u>

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

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Benefit obligation:			
Vested benefit obligation	\$ 8,181,134	\$ 273,983	\$ 7,765,778
Non-vested benefit obligation	2,784,214	93,242	2,672,293
Accumulated benefit obligation	10,965,348	367,225	10,438,071
Effect of future salary increments	3,902,509	130,694	3,753,661
Projected benefit obligation	14,867,857	497,919	14,191,732
Fair value of plan assets	(9,273,063)	(310,551)	(8,611,927)
Funded status	5,594,794	187,368	5,579,805
Unrealized net transaction obligation	(164,004)	(5,492)	(183,992)
Unamortized service cost in prior year	(77,072)	(2,581)	(96,116)
Unamortized gain or loss on pension	(3,609,620)	(120,885)	(3,418,448)
Unrecognized gain or loss on pension	(124,615)	(4,173)	(65,421)
Prepaid pension	1,237	41	1,155
Unfunded accrued pension liabilities	184,839	6,189	138,857
Accrued pension liabilities	<u>\$ 1,805,559</u>	<u>\$ 60,467</u>	<u>\$ 1,955,840</u>

C. Actuarial assumptions

	December 31, 2010	December 31, 2009
Discount rate	2.00% ~ 2.50%	2.25% ~ 2.50%
Expected rate of return on plan assets	2.00% ~ 3.00%	2.00% ~ 3.00%
Rate of compensation increase	2.00% ~ 2.50%	2.00% ~ 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, 2010 and 2009 were \$162,012 thousand (US\$5,426 thousand) and \$143,158 thousand, respectively.

(24) Reserves for operations and liabilities

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Reserves for insurance business	\$ 9,209,879	\$ 308,435	\$ 7,288,236
Reserves for guarantee liabilities	4,382,855	146,780	6,053,472
Reserves for default losses	235,353	7,882	229,402
Reserves for securities trading losses	300,902	10,077	403,155
Other reserves	48,121	1,612	50,619
Total	\$ 14,177,110	\$ 474,786	\$ 14,024,884

(25) Other financial liabilities

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Structured deposits	\$ 4,064,309	\$ 136,112	\$ 624,812
Appropriated loan fund	\$ 3,291,093	\$ 110,218	\$ 4,035,556
Appropriations for loans	18	1	-
Others	2,279	76	-
Total	\$ 7,357,699	\$ 246,407	\$ 4,660,368

(26) Other liabilities

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Advance receipt	\$ 1,539,872	\$ 51,570	\$ 1,551,143
Receipts under custody	183,738	6,153	334,818
Temporary receipts and suspense accounts	2,642,236	88,487	2,907,017
Land increment duty reserves	901,355	30,186	901,355
Refundable deposits	2,983,394	99,913	3,086,375
Other liabilities to be settled	383,525	12,844	416,543
Accounts under custody	121,434	4,067	170,709
Deferred revenue	162,093	5,428	200,135
Others	33,368	1,118	350,806
Total	\$ 8,951,015	\$ 299,766	\$ 9,918,901

(27) Capital stock

As of December 31, 2010 and 2009, 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, 2010		December 31, 2009
	NT\$	US\$	NT\$
Consolidation surplus arising from share conversion	\$ 43,047,306	\$ 1,441,638	\$ 43,047,306
Changes in additional paid-in capital of investees accounted for by the equity method	379,097	12,696	379,097
	<u>\$ 43,426,403</u>	<u>\$ 1,454,334</u>	<u>\$ 43,426,403</u>

B. As per the rule stipulated by the Explanatory Letter Tai-Tsai-Jen Ruling (6) No.0910003413 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 in accordance with 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 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 2009 earnings was resolved by the Board of Directors and approved by the stockholders on April 28, 2010 and June 23, 2010, respectively. 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. Details of the earnings appropriation are set forth below:

	Appropriated Amount				Dividend Per Share (in dollars)			
	2010		2009		2010		2009	
	NT\$	US\$	NT\$		NT\$	US\$	NT\$	
Cash dividends – cash	\$ 11,059,426	\$ 370,376	\$ 2,764,856		\$ 1.00	\$ 0.03	\$ 0.25	
Remuneration to directors and supervisors	64,493	2,160	2,650					
Cash bonus to employees	20,637	691	424					

- E. Information on the appropriation of the Company's 2009 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 2009 earnings is the same as described above. Due to movement in ratio of bonus to employees and remuneration to directors and supervisors, the difference of NT\$677 thousand between the Company's 2009 cash bonus to employees and remuneration to directors and supervisors as resolved by the stockholders and the amounts recognized in the 2009 financial statements was booked in the financial statements for the year ended December 31, 2010.
- F. The Group recognized the estimated costs of NT\$381,083 thousand (US\$12,762 thousand) and NT\$491,447 thousand for employees' bonuses for the years ended December 31, 2010 and 2009, 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, 2010 and 2009.

(30) Service fee and commission income

	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Service fee and commission income	\$ 11,263,900	\$ 377,224	\$ 11,290,543
Service fee and commission expense	(1,720,276)	(57,612)	(1,751,295)
Total	\$ 9,543,624	\$ 319,612	\$ 9,539,248

(31) Personnel expenses, depreciation and amortization

Expenses relating to personnel, depreciation and amortization summarized by function for the years ended December 31, 2010 and 2009 were as follows:

	For the year ended December 31, 2010				For the year ended December 31, 2009		
	Operating Costs	Operating Expenses	Total	US\$	Operating Costs	Operating Expenses	Total
	NT\$	NT\$	NT\$		NT\$	NT\$	NT\$
Personnel expenses							
Salaries and wages	\$ -	\$ 12,091,153	\$ 12,091,153	\$ 404,928	\$ -	\$ 10,939,125	\$ 10,939,125
Labor and health insurance	-	649,943	649,943	21,766	-	614,521	614,521
Pension	-	1,294,792	1,294,792	43,362	-	1,078,554	1,078,554
Others	-	432,114	432,114	14,472	-	484,871	484,871
Total	\$ -	\$ 14,468,002	\$ 14,468,002	\$ 484,528	\$ -	\$ 13,117,071	\$ 13,117,071
Depreciation	\$ 4,086	\$ 832,321	\$ 836,407	\$ 28,011	\$ 4,816	\$ 933,069	\$ 937,885
Amortization	\$ -	\$ 53,659	\$ 53,659	\$ 1,797	\$ -	\$ 75,805	\$ 75,805

(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, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Income tax at the statutory tax rate	\$ 3,168,748	\$ 106,120	\$ 4,764,037
Tax effect of permanent differences	(616,559)	(20,648)	(4,013,433)
Effect of filing consolidated income tax returns	-	-	654,354
Effects on change in tax rates	269,962	9,041	437,376
10% tax on unappropriated earnings	249,724	8,363	279
Net change in deferred income tax assets	(801,860)	(26,854)	375,639
Prepaid and withholding taxes	(1,211,462)	(40,571)	(1,112,744)
Income tax payable	1,058,553	35,451	1,105,508
Separate income tax	70,547	2,363	458,381
Net change in deferred income tax assets	772,454	25,869	(202,526)
Prepaid and withholding taxes	1,211,462	40,571	1,112,744
Income tax paid by foreign branches and over (under) provision of prior year's income tax	377,058	12,627	2,237,210
Income tax expense	\$ 3,490,074	\$ 116,881	\$ 4,711,317

B. Deferred income taxes as of December 31 2010 and 2009 consisted of deferred income tax assets and liabilities as follows:

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
(A) Total deferred income tax assets	\$ 4,861,669	\$ 162,815	\$ 4,717,002
(B) Total deferred income tax liabilities	(\$ 2,911,802)	(\$ 97,515)	(\$ 1,889,356)
(C) Valuation allowance for deferred income tax assets	(\$ 491,711)	(\$ 16,467)	(\$ 595,395)
(D) Temporary differences resulting in deferred income tax assets and liabilities :			
Pension expenses	\$ 1,690,068	\$ 56,600	\$ 1,593,149
Unrealized foreign exchange gains	(864,736)	(28,960)	(1,022,400)
Miscellaneous reserves	247,885	8,302	388,589
Allowance for doubtful accounts	2,547,970	85,331	3,732,005
Provision for impairment losses	463,315	15,516	224,060
Provision for investments losses	4,143,352	138,759	5,851,584
Foreign investees recognized under equity method	(2,018,166)	(67,588)	(1,808,193)
Net changes in deferred income tax assets incurred by foreign branches	2,117,729	70,922	1,806,748
Unrealized gains on financial instruments	(14,039,062)	(470,163)	(6,365,348)
Unrealized losses on financial instruments	14,099,526	472,188	6,285,014
Unrealized expense and loss from structured notes securitization	1,346,084	45,080	1,646,974
Loss carryforwards	-	-	14,771
Others	1,735,854	58,133	1,072,478



C. Imputation tax credit

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Balance of imputation tax credit	\$ 681,197	\$ 22,813	\$ 1,810,338
		2009	2008
Actual tax credit rate for individual stockholders (Note)		13.68%	47.34%

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, 2010		December 31, 2009
	NT\$	US\$	NT\$
1998 and onwards	\$ 18,824,681	\$ 630,431	\$ 16,206,576

E. Assessment of income tax returns

- (a) As of December 31, 2010, the Company's income tax returns through 2005 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, a decrease in tax refundable of \$220,588 thousand was assessed on the Company's 2004 income tax return and an additional tax of \$856,968 was levied on the Company's 2005 income tax return as consolidated tax return was adopted. The Company did not agree with the NTA's assessment and had filed a tax appeal. The appeal for 2002 income tax return was rejected by the NTA; the Company had filed an administrative litigation. The appeal for 2003 and 2004 income tax return are still pending. The Company will also file for another tax appeal for 2005 income tax return.
- (b) As of December 31, 2010, MICB's income tax returns through 2005 have been examined by the NTA. MICB did not agree with the NTA's assessment for 2003 to 2005 income tax returns and the Company has filed for a tax appeal for review of 2003 and 2004 income tax returns on behalf of MICB and will file for another tax appeal for review of 2005 income tax returns.
- (c) As of December 31, 2010, MS' income tax returns through 2005 have been examined by the NTA. MS did not agree with the NTA's assessment for 2003 to 2005 income tax returns and the Company has filed for a tax appeal for review of 2003 and 2004 income tax returns on behalf of MS and will file for another tax appeal for review of 2005 income tax returns. An additional income tax of NT\$137,118 thousand was levied by the NTA for 2000, 2001 and 2002 income tax returns. MS did not agree with the assessments and filed for administrative remedy.
- (d) As of December 31, 2010, MBF's income tax returns through 2005 have been examined by the NTA. Based on the NTA's reassessment.
- (e) As of December 31, 2010, CKI's income tax returns through 2005 have been assessed by the NTA. CKI did not agree with the abovementioned assessment; the Company had filed an appeal for review of 2003 and 2004 income tax returns and will file an appeal for review of 2005 income tax returns on behalf of CKI. In addition, for commissions paid to insurance agent and brokerage during 2001~2007, CKI has accrued additional income tax expense of \$138,016 thousand.
- (f) As of December 31, 2010, MAM's income tax returns through 2005 have been assessed by the NTA.
- (g) As of December 31, 2010, MITC's income tax returns through 2008 have been assessed by the NTA.
- (h) As of December 31, 2010, 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, 2010	For the year ended December 31, 2009
Weighted-average number of shares outstanding	11,059,426	11,059,426

(In thousands of dollars)	For the year ended December 31, 2010				For the year ended December 31, 2009	
	Pre-tax		After-tax		Pre-tax	After-tax
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Consolidated net income	\$ 18,639,692	\$ 624,236	\$ 15,149,618	\$ 507,355	\$ 19,056,187	\$ 14,344,870
Consolidated net income attributed to:						
Stockholders of the Company			\$ 15,110,720	\$ 506,052		\$ 14,331,894
Minority interest			38,898	1,303		12,976
			\$ 15,149,618	\$ 507,355		\$ 14,344,870

(In dollars)	For the year ended December 31, 2010				For the year ended December 31, 2009	
	Pre-tax		After-tax		Pre-tax	After-tax
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Basic earnings per share						
Consolidated net income	\$ 1.69	\$ 0.06	\$ 1.37	\$ 0.05	\$ 1.72	\$ 1.30

(In dollars)	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Consolidated after-tax basic earnings per share attributed to:			
Stockholders of the Company	\$ 1.37	\$ 0.05	\$ 1.30
Minority interest	-	-	-
	\$ 1.37	\$ 0.05	\$ 1.30

B. Diluted earnings per share

(In thousands of shares)	For the year ended December 31, 2010	For the year ended December 31, 2009
Weighted-average number of shares outstanding	11,060,423	11,062,529

(In thousands of dollars)	For the year ended December 31, 2010				For the year ended December 31, 2009	
	Pre-tax		After-tax		Pre-tax	After-tax
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Consolidated net income	\$ 18,639,692	\$ 624,236	\$ 15,149,618	\$ 507,355	\$ 19,056,187	\$ 14,344,870
Consolidated net income attributed to:						
Stockholders of the Company			\$ 15,110,720	\$ 506,052		\$ 14,331,894
Minority interest			38,898	1,303		12,976
			\$ 15,149,618	\$ 507,355		\$ 14,344,870

(In dollars)	For the year ended December 31, 2010				For the year ended December 31, 2009	
	Pre-tax		After-tax		Pre-tax	After-tax
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Diluted earnings per share						
Consolidated net income	\$ 1.69	\$ 0.06	\$ 1.37	\$ 0.05	\$ 1.72	\$ 1.30

(In dollars)	For the year ended December 31, 2010		For the year ended December 31, 2009	
	NT\$	US\$	NT\$	
Consolidated after-tax basic earnings per share attributed to:				
Stockholders of the Company	\$ 1.37	\$ 0.05	\$ 1.30	
Minority interest	-	-	-	
	\$ 1.37	\$ 0.05	\$ 1.30	

(34) Asset impairment loss

	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Available-for-sale financial assets	\$ -	\$ -	\$ 238,085
Held-to-maturity financial assets	-	-	112,590
Equity investments accounted for by the equity method	-	-	5,500
Financial assets carried at cost	723,947	24,245	1,422,471
Property and equipment	439,404	14,715	196,642
Other assets	-	-	5,315
Recovered gain from available-for-sale financial assets	(57,650)	(1,931)	-
Recovered gain from held-to-maturity financial assets	(24,831)	(832)	-
Impairment loss on idle assets	550	19	12,717
	\$ 1,081,420	\$ 36,216	\$ 1,993,320

(a) Impairment losses of NT\$723,947 thousand (US\$24,245 thousand) and NT\$1,422,471 thousand for financial asset carried at cost were recognized by MICB, MB, Mega Venture Capital and Mega I Venture Capital for the years ended December 31, 2010 and 2009, respectively, due to investees continually operating at a loss.

(b) Impairment losses of NT\$439,404 thousand (US\$14,715 thousand) and NT\$196,642 thousand were recognized by MICB and MS for the years ended December 31, 2010 and 2009, respectively. This was because the recoverable amount was lower than the carrying amount in the assessment of land and buildings.

- (c) The gain from price recovery of \$57,650 thousand (US\$1,931 thousand) of MICB for the year ended December 31, 2010 was from the sale of bonds classified as available-for-sale financial assets; impairment loss of available-for-sale financial assets of \$238,085 thousand for the year ended December 31, 2009 was recognized because the bonds held by MICB were assessed to be unrecoverable.
- (d) The gain from price recovery of \$24,831 thousand (US\$832 thousand) of MICB for the year ended December 31, 2010 was from the sale of bonds classified as held-to-maturity financial assets; impairment loss of held-to-maturity financial assets of \$112,590 thousand for the year ended December 31, 2009 was recognized because the bonds held by MICB were assessed to be unrecoverable.
- (e) Impairment losses of NT\$550 thousand (US\$18 thousand) and NT\$12,717 thousand were recognized by MS for the years ended December 31, 2010 and 2009, respectively. This was because the recoverable amount was lower than the carrying amount in the assessment of idle assets.
- (f) The impairment loss of \$5,500 thousand of CKI for the year ended December 31, 2009 was because of the loss from continuing operations of the investee accounted for under equity method.
- (g) Impairment losses of NT\$5,315 thousand was recognized by MICB for the year ended December 31, 2009. This was because the recoverable amount was lower than the carrying amount in the assessment of foreclosed properties

5. RELATED PARTY TRANSACTIONS

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

Names of the related parties	Relationship with the Company
Chunghwa Post Co., Ltd. (Chunghwa Post)	Supervisor of the Company (Note 1)
Bank of Taiwan (BOT)	Supervisor of the Company
Chinatrust Financial Holding Co., Ltd. (CFHC)	Director of the Company (resigned on April 20, 2009) (Note 2)
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. (Note 3)
Alexander Leed Risk Services, Inc. (Alexander Leed Risk Services)	Alexander Leed's director is also the director of the Company
Chinatrust Commercial Bank (CCB)	Subsidiary of the Company's former director
Chinatrust Securities Co., Ltd. (CSC)	Subsidiary of the Company's former director
Other related parties	The Company's directors, supervisors, managers, their relatives, associated companies and substantial related parties

Note 1: Chunghwa Post Co., Ltd. was formerly the Company's director and subsequently became the Company's supervisor starting June 19, 2009 as resolved at the Company's shareholders' meeting.

Note 2: 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 director. Therefore, Chinatrust Commercial Bank Co., Ltd. and its affiliated entities were no longer considered the Bank's related parties. Major transactions and balances with Chinatrust Commercial Bank Co., Ltd. and its affiliated entities were disclosed until April 19, 2009 in Note 5(2).

Note 3: CKI's director is also the former director of Hoan Insurance Agency Co., Ltd. The Company reassigned the director on August 25, 2009; therefore, Hoan was no longer considered a related party from August 25, 2009.

(2) Significant transactions and balances with related parties

Related party transactions with an amount exceeding \$100 million (US\$3.3 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, 2010		December 31, 2009
	NT\$	US\$	NT\$
Others (individual amounts accounting for less than 10% of the total amount)	\$ 49,911,559	\$ 1,671,519	\$ 56,314,352



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, 2010		December 31, 2009
	NT\$	US\$	NT\$
Others (individual amounts accounting for less than 10% of the total amount)	\$ 109,533,570	\$ 3,668,237	\$ 82,859,669

C. Bank deposits

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
BOT	\$ 559,831	\$ 18,749	\$ 301,659

D. Refundable deposits

	Collaterals	December 31, 2010		December 31, 2009
		NT\$	US\$	NT\$
BOT	Available-for-sale financial assets-government bonds	\$ 108,455	\$ 3,632	\$ 111,898

E. Purchase of securities and bonds

	2010		2009
	NT\$	US\$	NT\$
Chunghwa Post	\$ 4,490,836	\$ 150,396	\$ 954,024
CCB (Note)	-	-	1,171,959
Total	\$ 4,490,836	\$ 150,396	\$ 2,125,983

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.

F. Sales of securities and bonds

	2010		2009
	NT\$	US\$	NT\$
Chunghwa Post	\$ 52,241,356	\$ 1,749,543	\$ 127,282,688
BOT	23,768,209	795,988	\$ 24,282,319
CCB (Note)	-	-	14,996,158
Total	\$ 76,009,565	\$ 2,545,531	\$ 166,561,165

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.

G. Transactions with other financial institutions

(a) Due from banks/call loans to banks

	December 31, 2010			December 31, 2009		
	NT\$	% of the Account	US\$	NT\$	% of the Account	
Chunghwa Post	\$ 7,102,539	2.20	\$ 237,861	\$ 48,924,218	11.92	

(b) Overdraft on banks

	December 31, 2010			December 31, 2009		
	NT\$	% of the Account	US\$	NT\$	% of the Account	
BOT	\$ 197,000	0.05	\$ 6,597	\$ 86,000	0.02	

H. Commercial paper payable

Institutions of guarantee or acceptance	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
TFC	\$ 360,000	\$ 12,056	\$ 180,000

I. Collaterals

Collaterals	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
BOT Available-for-sale financial assets – government bonds	\$ 4,173,409	\$ 139,766	\$ 4,531,330

J. Service fee revenues

	2010			2009	
	NT\$	% of the Account	US\$	NT\$	% of the Account
Mega Life Insurance Agency	\$ 250,352	2.62	\$ 8,384	\$ 168,695	1.77

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

K. Derivative transactions

For the year ended December 31, 2010 : None.

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	New Taiwan Dollar Interest rate swaps	March 23, 2004 ~ April 17, 2015	\$ 9,260,000	\$ -	Financial assets at fair value through profit or loss	(Note)
CCB	Interest rate swaps	May 27, 2005 ~ March 1, 2011	2,100,000	7,330	Financial assets at fair value through profit or loss	(Note)
CCB	Interest rate swaps	November 9, 2004 ~ September 6, 2010	1,500,000	(3,034)	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.

L. Loans

December 31, 2010

(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	17	\$ 12,446	\$ 10,225	V	-	None	None
Home mortgage loans	55	\$ 381,466	\$ 319,786	V	-	Real estate	None
Other loans	2	\$ 349,990	\$ 326,810	V	-	Real estate	None

December 31, 2010

(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	17	\$ 417	\$ 342	V	-	None	None
Home mortgage loans	55	\$ 12,775	\$ 10,710	V	-	Real estate	None
Other loans	2	\$ 11,721	\$ 10,945	V	-	Real estate	None

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

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

	For the years ended December 31,			
	2010		2009	
	NT\$	US\$	NT\$	
Salaries	\$ 161,360	\$ 5,404	\$ 168,893	
Bonus	49,697	1,664	37,518	
Business expenses	27,626	925	26,931	
Earnings distribution	74,708	2,502	67,697	
	<u>\$ 313,391</u>	<u>\$ 10,495</u>	<u>\$ 301,039</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 vehicles provided.

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

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

N. Guarantees: None.

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

P. Related party transactions of derivative financial instruments:

(a) Available-for-sale financial assets

	December 31, 2010			December 31, 2009	
	NT\$	% of the Account	US\$	NT\$	% of the Account
Funds managed by MITC	\$ -	-	\$ -	\$ 366,896	0.16

Q. Others

(a) The insurance coverage provided by CKI for Hoan Insurance Agency Co., Ltd.'s premiums received under custody was NT\$0 thousand and NT\$502,606 thousand for the years ended December 31, 2010 and 2009, respectively, and the associated commission expense and brokerage expenses were NT\$0 thousand and NT\$97,891 thousand, respectively. As of December 31, 2010 and 2009, premiums receivable from the above transactions amounted to NT\$0 thousand and NT\$23,668 thousand, respectively, and commissions payable amounted to NT\$0 thousand and NT\$42,332 thousand, respectively.

(b) MICB has been outsourcing its credit card operations to Win Card since 2001. The operational costs incurred for the years ended December 31, 2010 and 2009, were NT\$165,918 thousand (US\$5,557 thousand) and NT\$172,569 thousand, respectively.

6. PLEDGED ASSETS

Asset	Carrying amount		
	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Financial assets at fair value through profit or loss	\$ 18,509,507	\$ 619,876	\$ 11,016,465
Purchase of obligor receivable	4,413,126	147,794	3,511,932
Available-for-sale financial assets	19,266,144	645,216	26,095,469
Held-to-maturity financial assets	16,026,615	536,725	16,099,461
Other financial assets	245,000	8,205	485,730
Property and equipment, net	2,684,563	89,905	2,770,508
Real estate investment	129,900	4,350	-
Other assets	689,969	23,107	411,417
Total	\$ 61,964,824	\$ 2,075,178	\$ 60,390,982

7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Subsidiaries-MICB

(a) As of December 31, 2010 and 2009, MICB's commitments and contingent liabilities were as follows:

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Irrevocable arranged financing limit	\$ 131,417,784	\$ 4,401,131	\$ 101,671,107
Securities sold under repurchase agreement	4,286,445	143,552	3,384,414
Securities purchased under resale agreement	663,214	22,211	-
Credit card line commitments	45,913,631	1,537,630	52,867,335
Guarantees issued	240,449,681	8,052,568	171,231,607
Accrued guarantees issued	700	24	93,200
Letters of credit	92,571,617	3,100,188	82,584,742
Customers' securities under custody	174,679,118	5,849,937	230,717,618
Properties under custody	577,824	19,351	459,395
Guarantee received	92,545,265	3,099,306	80,359,427
Collections for customers	138,328,551	4,632,570	144,156,590
Agency loans payable	3,905,242	130,785	4,767,109
Travelers' checks consigned-in	2,076,646	69,546	2,155,130
Payables on gold consigned-in	21,326	714	24,926
Gold coins consigned-in	510	17	456
Payables on consignments-in	3,407	114	4,207
Agent for government bonds	108,888,000	3,646,618	119,995,200
Short-dated securities under custody	52,121,266	1,745,521	55,488,243
Investments for customers	265,016	8,875	265,016
Trust liability	413,875,764	13,860,541	453,632,668
Certified notes paid	9,800,941	328,230	12,987,664
Total	\$ 1,512,391,948	\$ 50,649,429	\$ 1,516,846,054

(b) MICB has entered into several operating lease agreements for its branch offices. As of December 31, 2010, 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\$
2011	\$ 447,716	\$ 14,994
2012	327,863	10,980
2013	234,089	7,840
2014	81,707	2,736
2015 and onwards	46,081	1,543
Total	\$ 1,137,456	\$ 38,093

(2) 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) MS has entered into several operating lease agreements for its branch offices. As of December 31, 2010, 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\$
2011	\$ 90,036	\$ 3,015
2012	64,081	2,146
2013	27,162	910
2014	11,817	396
2015 and onwards	448	15
Total	\$ 193,544	\$ 6,482

- (c) Honex International Holdings Company Limited ("Honex"), was sponsored to be listed in the Stock of Exchange of Hong Kong Limited by one of the subsidiaries of Mega Securities Holdings Co., Ltd., Mega Capital (Asia) Company Limited. However, the listed documents involve false information, which violates the Securities and Futures Ordinance. On 31 March, 2010, the trading in shares of Honex was suspended by the Commission of Securities and Futures of Hong Kong and Honex's assets were frozen by the request of the court.

As of the issuance date the financial statements, the Mega Capital (Asia) Co., Ltd. has not been the target of accusation or prosecution, and has not been notified of any responsibility of the investor's losses. The result of the case remains unknown.

(3) The subsidiaries-MBF

As of December 31, 2010 and 2009, MBF's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Bills and bonds sold under repurchase agreements	\$ 170,163,470	\$ 5,698,710	\$ 159,606,041
Guarantees for commercial papers	114,477,300	3,833,801	98,766,300

(4) 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.

(5) 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 1.7% 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 :

In pursuant of Jin-Guan-Zheng-Zi No.09900738571 and Jin-Guan-Zheng-Qi-Zi No. 10000002891 of the Financial Supervisory Commission, trading loss reserve and default loss reserve as of December 31, 2010 that have been set aside by securities businesses shall be transferred as special reserve starting from January 13, 2011. The special reserve shall not be used other than covering for the losses of the company, or when the special reserve reaches 50% of the amount of paid-in capital, half of it may be used for capitalization.

10. OTHERS

(1) Presentation of financial statements :

Certain accounts of the 2009 consolidated financial statements have been reclassified to conform to the presentation of the 2010 consolidated financial statements.

(2) Financial instruments information:

A. Fair Value

	December 31, 2010				December 31, 2009	
	NT\$		US\$		NT\$	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments						
Assets						
Cash and cash equivalents	\$ 271,737,992	\$ 271,737,992	\$ 9,100,402	\$ 9,100,402	\$ 314,204,440	\$ 314,204,440
Due from the Central Bank and call loans to banks	126,448,073	126,448,073	4,234,698	4,234,698	90,674,726	90,674,726
Financial assets held for trading						
Stocks	4,795,252	4,795,252	160,591	160,591	1,732,963	1,732,963
Commercial papers	87,458,516	87,458,516	2,928,952	2,928,952	65,714,508	65,714,508
Treasury bills	497,923	497,923	16,675	16,675	-	-
Bankers' acceptances	64,092	64,092	2,146	2,146	14,973	14,973
Foreign currency bills	86,505	86,505	2,897	2,897	-	-
Beneficiary certificates	590,299	590,299	19,769	19,769	791,597	791,597
Negotiable certificates of time deposit	20,001,299	20,001,299	669,836	669,836	18,000,492	18,000,492
Corporate bonds	9,666,545	9,666,545	323,729	323,729	8,561,167	8,561,167
Government bonds	1,774,295	1,774,295	59,421	59,421	1,716,008	1,716,008
Financial bonds	864,891	864,891	28,965	28,965	1,730,492	1,730,492
Other bonds	1,471,400	1,471,400	49,277	49,277	1,949,505	1,949,505

	December 31, 2010				December 31, 2009	
	NT\$		US\$		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	\$ 18,014,143	\$ 18,014,143	\$ 603,287	\$ 603,287	\$ 5,646,920	\$ 5,646,920
Governments bonds	2,031,839	2,031,839	68,046	68,046	2,822,468	2,822,468
Financial bonds	8,492,706	8,492,706	284,417	284,417	11,950,839	11,950,839
Beneficiary securities	-	-	-	-	159,610	159,610
Bills and bonds purchased under resale agreements	1,783,691	1,783,691	59,735	59,735	796,095	796,095
Receivables – net	147,486,410	147,486,410	4,939,264	4,939,264	121,305,198	121,305,198
Bills discounted and loans – net	1,336,834,541	1,336,834,541	44,770,078	44,770,078	1,281,835,254	1,281,835,254
Available-for-sale financial assets						
Stocks	23,502,975	23,502,975	787,106	787,106	21,282,170	21,282,170
Commercial papers	6,333,138	6,333,138	212,094	212,094	19,427,529	19,427,529
Governments bonds	87,513,788	87,513,788	2,930,803	2,930,803	106,431,826	106,431,826
Corporate bonds	29,273,949	29,273,949	980,373	980,373	33,670,614	33,670,614
Beneficiary certificates	2,444,237	2,444,237	81,857	81,857	2,363,646	2,363,646
Beneficiary securities	5,179,917	5,179,917	173,474	173,474	9,117,545	9,117,545
Certificate of time deposits	605,842	605,842	20,289	20,289	295,817	295,817
Financial bonds	30,815,549	30,815,549	1,032,001	1,032,001	39,535,833	39,535,833
Treasury bills	229,012	229,012	7,670	7,670	891,532	891,532
Held-to-maturity financial assets	217,839,872	217,839,872	7,295,374	7,295,374	263,152,861	263,152,861
Other financial assets	23,460,086	23,460,086	785,669	785,669	24,870,737	24,870,737
Liabilities						
Due to the Central Bank and financial institutions	322,704,165	322,704,165	10,807,239	10,807,239	410,577,424	410,577,424
Funds borrowed from the Central Bank and other banks	38,568,640	38,568,640	1,291,649	1,291,649	43,320,303	43,320,303
Financial liabilities at fair value through profit or loss	30,019,921	30,019,921	1,005,356	1,005,356	35,384,545	35,384,545
Bills and bonds sold under repurchased agreements	181,816,680	181,816,680	6,089,971	6,089,971	171,365,526	171,365,526
Commercial papers payable, net	8,862,396	8,862,396	296,798	296,798	7,105,666	7,105,666
Payables	71,412,873	71,412,873	2,391,590	2,391,590	57,498,958	57,498,958
Deposits and remittances	1,558,573,139	1,558,573,139	52,196,020	52,196,020	1,484,004,073	1,484,004,073
Bonds payable	53,050,000	53,050,000	1,776,624	1,776,624	50,153,000	50,153,000
Other borrowings	11,168,000	11,168,000	374,012	374,012	11,266,600	11,266,600
Other financial liabilities	7,357,699	7,357,699	246,407	246,407	4,660,368	4,660,368
Non-hedging derivative financial instruments						
Forward contracts	53,196,640	671,513	1,781,535	(22,489)	39,896,798	(194,421)
Interest rate swap contracts	183,828,657	1,554,079	6,156,352	52,046	173,548,243	994,473
Cross currency contracts	104,126,687	(2,234,609)	3,487,163	(74,836)	176,139,670	(916,118)
Asset swap contracts	7,279,150	(510,000)	243,776	(17,080)	5,983,461	(68,029)
Options	21,301,722	(2,608,357)	713,387	(87,353)	16,885,449	(582,475)
Credit default swaps	737,500	(915,841)	24,699	(30,671)	1,608,800	(23,275)
Currency swaps	483,687,177	380,036	16,198,499	12,727	527,122,919	592,798
Futures trading margin	166,634	166,634	5,581	5,581	208,497	208,497

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 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, payables, remittances, funds borrowed from the Central Bank and other banks and other financial liabilities.
- (b) If there is active market quoted price for 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 the market price. Valuation methods can be adopted should there be no market price for reference. The estimation and assumption the Company adopts from the valuation methods are in line with the information of the estimation and assumption when market participants price financial products, and the information should be obtainable by the Company. The discount rate adopted by the Company represents the substantial conditions and rate of return of financial assets of the same features, and the conditions and features include credit standing of the debtors, remaining time of the use of fixed interest rate by contract, remaining time for principal payment and currency.
- (c) For held-to-maturity, available-for-sale and other financial assets, the fair value of investments is determined by reference to the closing price at the balance sheet date for listed shares and depositary receipts, the quoted price at the balance sheet date for bonds, and valuation techniques for financial instruments with no active markets.
- (d) Bills discounted and loans, bills and bonds sold under repurchase agreements, commercial papers payable, 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.
- (e) Financial assets measured at cost, composed of unlisted stocks or those not actively traded in the market and whose fair values cannot be reliably estimated, are measured at cost in compliance with the statements of financial accounting standards.

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, 2010				December 31, 2009	
	Quoted market prices		Amount determined by a valuation technique		Quoted market prices	Amount determined by a valuation technique
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Non-derivative financial instruments						
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 217,737,992	\$ 9,100,402	\$ -	\$ 314,204,440
Due from the Central Bank and call loans to banks	-	-	126,448,073	4,234,698	-	90,674,726
Financial assets held for trading						
Stocks	4,795,252	160,591	-	-	1,732,963	-
Commercial papers	-	-	87,458,516	2,928,952	-	65,714,508
Bankers' acceptances	-	-	64,092	2,146	-	14,973
Foreign currency bills	-	-	86,505	2,897	-	-
Beneficiary certificates	590,299	19,769	-	-	791,597	-
Negotiable certificates of time deposit	-	-	20,001,299	669,836	-	18,000,492
Corporate bonds	-	-	9,666,545	323,729	-	8,561,167
Government bonds	1,774,295	59,421	-	-	1,716,008	-
Financial bonds	-	-	864,891	28,965	-	1,730,492
Other bonds	-	-	1,471,400	49,277	-	1,949,505
Financial assets designated at fair value through profit or loss						
Corporate bonds	-	-	18,014,143	603,287	-	5,646,920
Governments bonds	2,031,839	68,046	-	-	2,822,468	-
Financial bonds	-	-	8,492,706	284,417	-	11,950,839
Beneficiary securities	-	-	-	-	-	159,610



	December 31, 2010				December 31, 2009	
	Quoted market prices		Amount determined by a valuation technique		Quoted market prices	Amount determined by a valuation technique
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Bills and bonds purchased under resale agreements	-	-	1,783,691	59,735	-	796,095
Receivables-net	-	-	147,486,410	4,939,264	-	121,305,198
Bills discounted and loans-net	-	-	1,336,834,541	44,770,078	-	1,281,835,254
Available-for-sale financial assets						
Stocks	23,502,975	787,106	-	-	21,282,170	-
Commercial papers	-	-	6,333,138	212,094	-	19,427,529
Governments bonds	87,513,788	2,930,803	-	-	106,431,826	-
Corporate bonds	-	-	29,273,949	980,373	-	33,670,614
Beneficiary certificates	2,444,237	81,857	-	-	2,363,646	-
Beneficiary securities	-	-	5,179,917	173,474	-	9,117,545
Certificate of time deposits	-	-	605,842	20,289	-	295,817
Financial bonds	-	-	30,815,549	1,032,001	-	39,535,833
Treasury bills	-	-	229,012	7,670	-	891,532
Held-to-maturity financial assets	-	-	217,839,872	7,295,374	-	263,152,861
Other financial assets	-	-	23,460,086	785,669	-	24,870,737
Liabilities						
Due to the Central Bank and financial institutions	-	-	322,704,165	10,807,239	-	410,577,424
Funds borrowed from the Central Bank and other banks	-	-	38,568,641	1,291,649	-	43,320,303
Financial liabilities at fair value through profit or loss	-	-	30,019,921	1,005,356	-	35,384,545
Bills and bonds sold under repurchased agreements	-	-	181,816,680	6,088,971	-	171,365,526
Commercial papers payable, net	-	-	8,862,396	296,798	-	7,105,666
Payables	-	-	71,412,873	2,391,590	-	57,498,958
Deposits and remittances	-	-	1,558,573,139	52,196,020	-	1,484,004,073
Bonds payable	-	-	53,050,000	1,776,624	-	50,153,000
Other borrowings	-	-	11,168,000	374,012	-	11,266,600
Other financial liabilities	-	-	7,357,699	246,407	-	4,660,368
Derivative financial instruments						
Assets						
Financial assets held for trading	-	-	3,254,094	108,978	-	3,436,257
Financial assets designated at fair value through profit or loss	-	-	3,256,384	109,055	-	3,297,531
Liabilities						
Financial liabilities held for trading	-	-	2,548,619	85,352	-	3,758,315
Financial liabilities designated at fair value through profit or loss	-	-	7,812,771	261,647	-	2,964,023

- D. Net loss determined by a valuation technique arising from derivative financial instruments at fair value through profit or loss for the years ended December 31, 2010 and 2009 amounted to \$862,153 thousand (US\$28,873 thousand) and \$772,829 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, 2010 and 2009 amounted to \$33,261,906 thousand (US\$1,113,929 thousand) and \$38,259,498 thousand, respectively.
- F. The adjustment in equity arising from available-for-sale financial assets for the years ended December 31, 2010 and 2009 amounted to Dr.\$909,466 thousand (US\$30,458 thousand) and Cr.\$6,621,591, 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 sensitive assets 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 assets 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 characteristics 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 MICB’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. MICB has not transacted with one single customer or entered into one single transaction which would expose the Bank to concentration risk. However, MICB 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 MICB are as follows:

Financial assets	December 31, 2010				December 31, 2009	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Financial assets at fair value through profit or loss	\$ 34,977,627	\$ 1,171,387	\$ 34,989,853	\$ 1,171,797	\$ 25,133,337	\$ 25,155,681
Available-for-sale financial assets	83,419,111	2,793,674	83,419,111	2,793,674	114,052,971	114,052,971
Bills discounted and loans	1,336,834,541	44,770,078	1,336,834,541	44,770,078	1,281,835,254	1,281,835,254
Held-to-maturity financial assets	217,320,776	7,277,990	217,320,776	7,277,990	262,702,860	262,702,860
Off-balance sheet commitments and guarantees	3,282,692,049	109,936,104	3,282,692,049	109,936,104	2,537,123,242	2,537,123,242
Total	\$ 4,955,244,104	\$ 165,949,233	\$ 4,955,256,330	\$ 165,949,643	\$ 4,220,847,664	\$ 4,220,870,008



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

- iii. MICB 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, 2010 and 2009, collaterals secured approximately 56.29% and 50.74%, respectively, of total loans (excluding overdue loans). When a borrower defaults, MICB and indirect banks would enforce the foreclosure of the collaterals and guarantees to lower MICB's credit risk. As disclosing the maximum credit risk exposure amount, MICB would not consider the fair value of collaterals. However, MICB and indirect banks are likely exposed to industry concentration risk. MICB's and indirect banks' information on industry concentration of credit risk is as follows:

Industry type	December 31, 2010				December 31, 2009	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Manufacturing	\$ 501,534,412	\$ 16,796,196	\$ 501,534,412	\$ 16,796,196	\$ 452,958,307	\$ 452,958,307
Financial institution, insurer, real estate and leasing	194,426,107	6,511,256	194,426,107	6,511,256	185,354,597	185,354,597
Government institution	25,268,254	846,224	25,268,254	846,224	43,657,581	43,657,581
Individuals	289,400,664	9,691,918	289,400,664	9,691,918	264,592,682	264,592,682
Others (Note)	589,600,782	19,745,505	589,600,782	19,745,505	529,244,625	529,244,625
Total	<u>\$ 1,600,230,219</u>	<u>\$ 53,591,099</u>	<u>\$ 1,600,230,219</u>	<u>\$ 53,591,099</u>	<u>\$ 1,475,807,792</u>	<u>\$ 1,475,807,792</u>
Geographic region						
Domestic	\$ 1,201,513,114	\$ 40,238,215	\$ 1,201,513,114	\$ 40,238,215	\$ 1,104,353,310	\$ 1,104,353,310
North America	52,761,479	1,766,962	52,761,479	1,766,962	61,781,691	61,781,691
Others (Note)	345,955,626	11,585,922	345,955,626	11,585,922	309,672,791	309,672,791
Total (Note)	<u>\$ 1,600,230,219</u>	<u>\$ 53,591,099</u>	<u>\$ 1,600,230,219</u>	<u>\$ 53,591,099</u>	<u>\$ 1,475,807,792</u>	<u>\$ 1,475,807,792</u>

Note : Loans according to government policy are inclusive.

Contract amounts of significant credit risk concentration are as follows:

December 31, 2010			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	Formosa Plastics Group – Petroleum and Coal Products Manufacturing	\$ 69,464,705	44.04
2	Taiwan High Speed Rail – Railway Transportation	66,759,269	42.32
3	CHIMEI Group –LED Panels and Spare Parts Manufacturing	28,897,096	18.32
4	China Steel Group – Steelmaking	24,765,876	15.70
5	Far Eastern Group –General and Other Merchandise Retailing	19,404,184	12.30
6	BENQ Group – LED Panels and Spare Parts Manufacturing	16,490,566	10.45
7	YU FENG Group – Other Articles Rental and Leasing	14,392,844	9.12
8	Taiwan Cement Group – Cement Manufacturing	13,341,368	8.46
9	Acer Group –Computer Peripherals Manufacturing	11,999,046	7.61
10	E United Group-Iron Rolling and Extruding	11,825,291	7.50

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 – Railway Transportation	\$ 65,994,942	42.24
2	Formosa Plastics Group – Petroleum and Coal Products Manufacturing	61,701,899	39.49
3	China Steel Group – Steelmaking	26,142,575	16.73
4	Far Eastern Group – General and Other Merchandise Retailing	19,113,158	12.23
5	CHIMEI Group – LED Panels and Spare Parts Manufacturing	15,805,165	10.12
6	BENQ Group – LED Panels and Spare Parts Manufacturing	14,450,664	9.25
7	YU FENG Group – Other Articles Rental and Leasing	13,874,503	8.88
8	Foxconn Group – Computer Communication and Audio and Video Electronic Products Manufacturing	12,863,657	8.23
9	Uni-President Group – Real Estate Operation	12,284,240	7.86
10	Ta Tung Group – Computer Communication and Audio and Video Electronic Products Manufacturing	11,049,694	7.07

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, 2010		December 31, 2009	
Amount of credit extensions to interested parties	\$	86,790,698	\$	85,458,200	
Ratio of credit extensions to interested parties (%)		5.26%		5.67%	
Ratio of credit extensions secured by stocks (%)		1.67%		1.74%	
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount)	Industry	Ratio	Industry	Ratio	
	Manufacturing	36.52%	Manufacturing	35.40%	
	Transportation and Storage	8.73%	Transportation and Storage	9.01%	
	Real estate	7.95%	Real estate	7.23%	

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 MICB 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, 2010
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	\$ 126,548,563	\$ 126,548,073	\$ -	\$ -	\$ -	\$ -	\$ 126,548,563	\$ 126,548,073
Financial assets at fair value through profit or loss (Note)	5,373,486	5,373,486	22,966,590	22,966,590	198,612	198,612	28,538,688	28,538,688
Bills and bonds purchased under resale agreements	895,012	895,012	-	-	-	-	895,012	895,012
Bills discounted and loans	423,325,667	421,061,170	516,727,023	512,315,397	407,392,487	403,457,974	1,347,445,177	1,336,834,541
Available-for-sale financial assets (Note)	27,907,186	27,907,186	41,032,328	41,029,328	2,165,727	2,165,727	71,105,241	71,102,241
Held-to-maturity financial assets	208,335,370	208,335,370	8,958,988	8,958,988	26,418	26,418	217,320,776	217,320,776
Other financial assets (Note)	25,391	25,391	-	-	685,843	208,827	711,234	234,218
Total Assets	792,410,675	790,145,688	589,684,929	585,270,303	410,469,087	406,057,558	1,792,564,691	1,781,473,549
Liabilities								
Due to the Central Bank and financial institutions	318,907,166	318,907,166	-	-	-	-	318,907,166	318,907,166
Funds borrowed from Central Bank and other banks	38,568,641	38,568,641	-	-	-	-	38,568,641	38,568,641
Financial liabilities at fair value through profit or loss (Note)	5,621,611	5,621,611	13,711,108	13,711,108	-	-	19,332,719	19,332,719
Bills and bonds sold under repurchase agreements	4,285,605	4,285,605	-	-	-	-	4,285,605	4,285,605
Time deposit	753,162,328	753,162,328	15,228,163	15,228,163	-	-	768,390,491	768,390,491
Bonds payable	4,800,000	4,800,000	30,000,000	30,000,000	-	-	34,800,000	34,800,000
Other financial liabilities	7,355,420	7,355,420	-	-	-	-	7,355,420	7,355,420
Total Liabilities	1,132,700,771	1,132,700,771	58,939,271	58,939,271	-	-	1,191,640,042	1,191,640,042
Net liquidity gap	(\$ 340,290,096)	(\$ 342,555,083)	\$ 530,745,658	\$ 526,331,032	\$ 410,469,087	\$ 406,057,558	\$ 600,924,649	\$ 589,833,507

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

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2010
Unit : thousands of US 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	\$ 4,238,063	\$ 4,238,046	\$ -	\$ -	\$ -	\$ -	\$ 4,238,063	\$ 4,238,046
Financial assets at fair value through profit or loss (Note)	179,956	179,956	769,142	769,142	6,651	6,651	955,749	955,749
Bills and bonds purchased under resale agreements	29,974	29,974	-	-	-	-	29,974	29,974
Bills discounted and loans	14,177,015	14,101,178	17,304,991	17,157,247	13,643,419	13,511,654	45,125,425	44,770,079
Available-for-sale financial assets (Note)	934,601	934,601	1,374,157	1,374,057	72,529	72,529	2,381,287	2,381,187
Held-to-maturity financial assets	6,977,072	6,977,072	300,033	300,033	885	885	7,277,990	7,277,990
Other financial assets (Note)	850	850	-	-	22,969	6,994	23,819	7,844
Total Assets	26,537,531	26,461,677	19,748,323	19,600,479	13,746,453	13,598,713	60,032,307	59,660,869
Liabilities								
Due to the Central Bank and financial institutions	10,680,079	10,680,079	-	-	-	-	10,680,079	10,680,079
Funds borrowed from Central Bank and other banks	1,291,649	1,291,649	-	-	-	-	1,291,649	1,291,649
Financial liabilities at fair value through profit or loss (Note)	188,266	188,266	459,180	459,180	-	-	647,446	647,446
Bills and bonds sold under repurchase agreements	143,523	143,523	-	-	-	-	143,523	143,523
Time deposit	25,223,119	25,223,119	509,985	509,985	-	-	25,733,104	25,733,104
Bonds payable	160,750	160,750	1,004,689	1,004,689	-	-	1,165,439	1,165,439
Other financial liabilities	246,330	246,330	-	-	-	-	246,330	246,330
Total Liabilities	37,933,716	37,933,716	1,973,854	1,973,854	-	-	39,907,570	39,907,570
Net liquidity gap	(\$ 11,396,185)	(\$ 11,472,039)	\$ 17,774,469	\$ 17,626,625	\$ 13,746,453	\$ 13,598,713	\$ 20,124,737	\$ 19,753,299

(Note) Exclusive of stocks, depositary receipt, 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 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)	175,072	175,072	-	-	639,119	323,514	814,191	498,586
Total Assets	753,624,781	751,747,300	587,051,384	583,092,551	429,835,362	422,851,220	1,770,511,527	1,757,691,071
Liabilities								
Due to the Central Bank and financial institutions	404,991,424	404,991,424	-	-	-	-	404,991,424	404,991,424
Funds borrowed from Central Bank and other banks	43,320,303	43,320,303	-	-	-	-	43,320,303	43,320,303
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	749,185,612	749,185,612	19,204,879	19,204,879	-	-	768,390,491	768,390,491
Bonds payable	2,703,000	2,703,000	25,000,000	25,000,000	-	-	27,703,000	27,703,000
Other financial liabilities	4,660,368	4,660,368	-	-	-	-	4,660,368	4,660,368
Total Liabilities	1,217,125,130	1,217,125,130	63,568,181	63,568,181	-	-	1,280,693,311	1,280,693,311
Net liquidity gap	(\$ 463,500,349)	(\$ 465,377,830)	\$ 523,483,203	\$ 519,524,370	\$ 429,835,362	\$ 422,851,220	\$ 489,818,216	\$ 476,997,760

(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 MICB, and MICB enters into interest rate swap contracts to manage the risk.

As of December 31, 2010, 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 have inherent risk of early redemption by the bond issuers, coupled with the liquidity risk (large difference between the buying and selling prices) and the interest rate risk, the hedging strategy would become complicated and inefficient if convertible corporate bonds are used as hedge instruments. Therefore, convertible bonds will not be used as the primary hedge instruments unless the underlying securities of the stock warrants issued show volatile price movements, and the terms on the convertible bonds and their liquidity meet the risk hedging requirements of MS.

5) Amount and timing of expected future cash flows

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

6) Accounting policies

Please refer to Note 2(19) for details.

7) Fair values and carrying values

The stock warrants issued by MS are all American-style warrants with the contract periods ranging from six months to one year, starting from the date on which the warrants are listed in the market. The warrants can be settled by either cash or delivery of securities at MS' discretion. Details of the stock warrants outstanding as of December 31, 2010 and 2009 are set forth below. (please refer to page 77~100 of the consolidated financial statements.)

8) Supplementary disclosures

Gain (loss) arising from stock warrant transactions for the years ended December 31, 2010 and 2009 are set forth below.

a) Valuation gain (loss)

	Valuation gain (loss)				Financial Statement Account		
	For the year ended December 31, 2010		For the year ended December 31, 2009				
	NT\$	US\$	NT\$				
Gain on variation in value of liability on issuance of stock warrants	\$	6,729,514	\$	225,369	\$	1,689,535	Gain on issuance of stock warrants
Loss on variation in value of issuance of stock warrants issued	(	5,611,660 )	(	187,932 )	(	5,626,751)	Loss on issuance of stock warrants
Valuation gain on repurchase of stock warrants issued		879,950		29,469		725,043	Gain on issuance of stock warrants
Valuation loss on repurchase of stock warrants issued		369,614		12,378	(	508,126)	Loss on issuance of stock warrants
Securities held for risk hedging	(	24 )	(	1)		15,301	Valuation adjustments on securities held for operations
Payables –securities borrowed – hedging	(	432 )	(	14)		38	Valuation loss on securities borrowed and bonds purchased under resale agreements
Loss on futures contract - hedge	(	281 )	(	9)		-	Loss on derivative financial instruments-futures

b) Gain (loss) on sale

	Valuation gain (loss)				Financial Statement Account
	For the year ended December 31, 2010		For the year ended December 31, 2009		
	NT\$	US\$	NT\$		
Gain on resale of the stock warrants repurchased	\$ 769,878	\$ 25,783	\$ 229,307	Gain on issuance of stock warrants	
Loss on resale of the stock warrants repurchased	(1,985,534)	(66,495)	(407,960)	Loss on issuance of stock warrants	
Securities held for risk hedging	4,427	148	84,042	Loss on sale of securities-hedging	
Payables –securities borrowed – hedging	(12,160)	(407)	3	Valuation loss on securities borrowed and bonds purchased under resale agreements	
Repurchase of payable lending-hedge	519	17	-	Profit from sale of securities - hedge	
Gain on futures contract - hedge	5,778	194	-	Gain on derivative financial instruments-futures	
Loss on futures contract - hedge	(11,608)	(389)	-	Gain on derivative financial instruments- futures	
Loss on options trading - hedge	(348)	(12)	-	Gain on derivative financial instruments- options	

c) Gain (loss) at maturity

	Valuation gain (loss)				Financial Statement Account
	For the year ended December 31, 2010		For the year ended December 31, 2009		
	NT\$	US\$	NT\$		
Gain on early execution of stock warrants	\$ 3,070	\$ 103	\$ 45,028	Gain on issuance of stock warrants	
Gain on unexercised expired stock warrants	7,125	239	1,663	Gain on issuance of stock warrants	
Maturity gain – repurchase of re-issued call warrants	4,050,352	135,645	4,705,266	Gain on issuance of stock warrants	
Maturity loss – repurchase of re-issued call warrants	(5,038,314)	(168,731)	(868,117)	Loss on issuance of stock warrants	

(b) Derivative financial instruments – futures and options

i. Futures contracts and options

a) MS has been engaged in proprietary trading of futures contracts since December 2003. Details of the futures contracts outstanding as of December 31, 2010 and 2009 are set forth below:

Unit: In thousand of NT dollars

December 31, 2010						
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	55	(\$ 24,433)	(\$ 24,714)	hedging
	Taiwan Index Futures	Buyer	8	14,235	14,379	Non-hedging
	Taiwan Micro Index Futures	Buyer	2	895	899	Non-hedging
Option contract	Taiwan Index Futures Options – Call option	Buyer	72	398	1,433	Non-hedging
	Taiwan Index Futures Options – Call option	Seller	72	(214)	(209)	Non-hedging
	Taiwan Index Futures Options – Put option	Buyer	414	1,196	101	Non-hedging



Unit : In thousand of US dollars

December 31, 2010						
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	55	(\$ 818)	(\$ 828)	hedging
	Taiwan Index Futures	Buyer	8	477	482	Non-hedging
	Taiwan Micro Index Futures	Buyer	2	30	30	Non-hedging
Option contract	Taiwan Index Futures Options – Call option	Buyer	72	13	48	Non-hedging
	Taiwan Index Futures Options – Call option	Seller	72	(7)	(7)	Non-hedging
	Taiwan Index Futures Options – Put option	Buyer	414	40	3	Non-hedging

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

b) For the years ended December 31, 2010 and 2009, gains and losses from subsidiaries' engaging in futures contracts and options are as follows :

For the year ended December 31, 2010				
	Realized gains (losses)	Valuation gains (losses)	(Unit : thousand of NT dollars) Total	
Gains on futures contracts	\$ 109,558	\$ 144	\$	109,702
Losses on futures contracts	(132,628)	(281 )	(	132,909)
Gains on option trading	242,892	-		242,892
Losses on option trading	(237,606)	(5,010 )	(	242,616)
	<u>\$ 17,784</u>	<u>(\$ 5,147)</u>	<u>(\$</u>	<u>22,931)</u>

For the year ended December 31, 2010				
	Realized gains (losses)	Valuation gains (losses)	(Unit : thousand of US dollars) Total	
Gains on futures contracts	\$ 3,669	\$ 5	\$	3,674
Losses on futures contracts	(4,442)	(9 )	(	4,451)
Gains on option trading	8,134	-		8,134
Losses on option trading	(7,957)	(168 )	(	8,125)
	<u>(\$ 596)</u>	<u>(\$ 172)</u>	<u>(\$</u>	<u>768)</u>

Gains and losses on futures contracts included non-operating gains and loss on futures contracts amounted to NT\$8 thousand and

NT\$58 thousand, respectively; gains and losses on options contracts included non-operating gains and loss on options contracts amounted to NT\$1,188 thousand and NT\$1,544 thousand, respectively.

	For the year ended December 31, 2009		
	Realized gains (losses)	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)
	<u>\$ 5,129</u>	<u>\$ 5,548</u>	<u>\$ 10,677</u>

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.

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, 2010 and 2009 are set forth below:

December 31, 2010

None.

December 31, 2009

Transaction	Contract Amount / Premiums Paid	Fair Value
Purchase of 2010 Central Government Bond A-1 Call Options	(\$ 27)	\$ 25

2) The MS's (loss) profit arising from trading of bond options for the years ended December 31, 2010 and 2009 resulted in (loss) income of (NT\$591) thousand (US\$20 thousand) and NT\$1,601 thousand, respectively, and is recorded under "Gain (Loss) 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 indirect subsidiaries are all exchange-traded and can be settled at expiration without default. Therefore, no significant credit risk is expected to arise. Transactions matching the bond options are all assessed to ensure credit status before entering transactions, and MS conducts regular appraisals to reduce credit risks.

iv. Market price risk

The major risk associated with the futures and option trading undertaken by MS and its indirect 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, 2010 and 2009 are set forth below:

December 31, 2010						
Item	Notional principal		Fair value		Nature	Risk hedging
	NT\$	US\$	NT\$	US\$		
Cross currency swap (assets)	\$ 65,090,000	\$ 2,179,839	\$ 1,483,111	\$ 49,669	For trading purpose	None
Cross currency swap (liabilities)	65,525,000	2,194,407	(1,509,276)	(50,545)	For trading purpose	None

December 31, 2009						
Item	Notional principal (NT\$)		Fair value (NT\$)		Nature	Risk hedging
Cross currency swap (assets)	\$ 62,820,000		\$ 1,806,916		For trading purpose	None
Cross currency swap (liabilities)	63,720,000	(	1,869,960)		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, 2010:

	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate swaps	(\$ 33,201)	(\$ 1,112)	\$ 36,878	\$ 1,235	\$ 3,677	\$ 123

For the year ended December 31, 2009:

	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT\$		NT\$		NT\$	
Interest rate swaps	(\$ 40,417)		\$ 6,650		(\$ 33,767)	

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, 2010 and 2009 are as follows:

December 31, 2010

Financial Instrument	Notional Principal / Contract Amount		Fair Value	
	NT\$	US\$	NT\$	US\$
Sale of American call options	(\$ 25,785)	(\$ 864)	(\$ 32,478)	(\$ 1,088)

December 31, 2009

Financial Instrument	Notional Principal / Contract Amount	Fair Value
	NT\$	NT\$
Sale of American call options	\$ 16,277	\$ 64,534

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, 2010:

	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Asset swap-options	(\$ 22,595)	(\$ 757)	\$ 41,564	\$ 1,392	\$ 18,969	\$ 635

For the year ended December 31, 2009:

	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Asset swap-options	(\$ 17,423)	(\$ 73,906)	(\$ 91,329)			

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

(e) Derivative financial instruments - structured financial instruments

- 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, 2010 and 2009 are set forth below:

December 31, 2010:

Transaction	Contract Principal	Cost of Fixed Income Securities	Market Price of Fixed Income Securities	Option Cost	Option Value
(In Thousands of NT Dollars)					
PGN	\$ 2,280	\$ 2,279	\$ 2,279	\$ 25	\$ 15

December 31, 2009: None.

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, 2010 and 2009 are set forth below:

	For the year ended December 31, 2010					
	Realized Loss		Valuation Gain		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
ELN	\$ 1,608	\$ 54	(\$ 10)	\$ -	\$ 1,598	\$ 54

	For the year ended December 31, 2009		
	Realized Loss		Total
	NT\$	NT\$	NT\$
PGN	(\$ 410)	\$ -	(\$ 410)
ELN	(756)	-	(756)
	(\$ 1,166)	\$ -	(\$ 1,166)

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, 2010 and 2009 are as follows:

December 31, 2010:

	Number of financing shares (In thousand of shares)	Market price	
		NT\$	US\$
Margin loans given to customers and are collateralized by the securities that the customers purchase	997,301	\$ 32,718,689	\$ 1,095,736
Securities lent to customer to sell short	46,164	2,084,809	69,819

December 31, 2009:

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

C. MBF

(a) Derivative financial instruments – futures and options

i. As of December 31, 2010 and 2009, MBF holds uncovered positions of futures and options as below:

Unit: In thousand of NT\$ dollars

December 31, 2010						
Item	Type of transaction	Uncover position		Notional principal		Fair value
		Buyer / Seller	Number of Contracts	(NT\$)		
Futures contract	Taiwan Index Futures	Buyer	2	\$ 3,559	\$	3,559

December 31, 2010: None.

Futures trading that MBF engages is share price index futures. As of December 31, 2010 and 2009, the margin deposits in the futures account were \$10,455 thousand and \$42,602 thousand, respectively, which the excess margin deposits were \$10,327 thousand and \$42,602 thousand, respectively.

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, 2010					
	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
(Loss) gain on futures contracts	(\$ 1,034)	(\$ 35)	\$ 36	\$ 1	(\$ 998)	(\$ 34)
(Loss) gain on option contracts	687	23	(1,637)	(55)	(950)	(32)
	<u>(\$ 347)</u>	<u>(\$ 12)</u>	<u>(\$ 1,601)</u>	<u>(\$ 54)</u>	<u>(\$ 1,948)</u>	<u>(\$ 66)</u>

	For the year ended December 31, 2009					
	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
(Loss) gain on futures contracts	(\$ 3,798)	\$ -	(\$ 3,798)		(\$ 3,798)	
(Loss) gain on option contracts	(\$ 3,002)	1,637	(\$ 1,365)		(\$ 1,365)	
	<u>(\$ 6,800)</u>	<u>\$ 1,637</u>	<u>(\$ 5,163)</u>		<u>(\$ 5,163)</u>	

iii. Credit risk

The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. MBF trades securities and bills at securities exchange market. The counterparties of MBF are all well-known banks and bills companies with good credit ratings. 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, 2010 and 2009 are set forth below:

Item	December 31, 2010			
	Notional principal		Fair value	
	NT\$	US\$	NT\$	US\$
Cross currency swap	\$ 2,600,000	\$ 87,073	\$ 9,237	\$ 309

Item	December 31, 2009	
	Notional principal (NT\$)	Fair value (NT\$)
Cross currency swap (assets)	\$ 7,300,000	\$ 74,157
Cross currency swap (liabilities)	122,250	2,940
	<u>\$ 7,422,250</u>	<u>\$ 77,097</u>

ii. Gains (losses) on the interest rate swaps for the years ended December 31, 2010 and 2009 are set forth below:

	For the year ended December 31, 2010					
	Realized Gain (Loss)		Valuation Gain (Loss)		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate swap	\$ 106	(\$ 4)	(\$ 60)	\$ 2	\$ 46	(\$ 2)

	For the year ended December 31, 2009		
	Realized Gain (Loss)		Total
	NT\$	NT\$	NT\$
Interest rate swap	(\$ 4,191)	\$ 7,310	\$ 3,119

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) Derivative financial instruments - Cross currency swaps

i. As of December 31, 2010 and 2009, MBF did not hold any uncovered positions of cross currency swaps.

ii. Gains (losses) on the cross currency swaps for the year ended December 31, 2010 are set forth below:

	For the year ended December 31, 2010					
	Realized Gain(Loss)		Valuation Gain (Loss)		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate swap	(\$ 191)	(\$ 6)	\$ -	\$ -	(\$ 191)	(\$ 6)

	For the year ended December 31, 2009		
	Realized Gain (Loss)		Total
	NT\$	NT\$	NT\$
Interest rate swap	\$ -	\$ -	\$ -

(d) Credit risk

i. The credit risk pertains to the risk that the counterparties may default at expiration of the contracts. 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, 2010 and 2009, the off-balance sheet contract amount for the guarantees of commercial papers subject to potential credit risks is NT\$259,285 million (US\$8,683 million) and NT\$246,294 million, respectively. (The contract amount which has been drawn upon amounted to NT\$114,477 million (US\$3,834 million) and NT\$98,766 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, 2010 and 2009, the percentage of guarantees with collaterals is 52% and 59 %, respectively. Collaterals provided normally include real estate properties, circulating securities or other properties, etc. In the event of customer defaults, the MBF assumes rights on such collaterals.

v. For all financial instruments held by the MBF, the maximum credit exposures are as follows:

Financial assets	December 31, 2010				December 31, 2009	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Financial assets at fair value through profit or loss	\$ 112,685,775	\$ 3,773,804	\$ 112,685,775	\$ 3,773,804	\$ 85,843,648	\$ 85,843,648
Bills and bonds purchased under resale agreements	529,800	17,743	529,800	17,743	-	-
Receivables	2,101,018	70,362	2,101,018	70,362	2,208,658	2,208,658
Available-for-sale financial assets	91,189,051	3,053,887	91,189,051	3,053,887	109,370,356	109,370,356
Held-to-maturity financial assets	250,000	8,372	250,000	8,372	450,000	450,000
Other financial assets	693,381	23,221	693,381	23,221	1,284,921	1,284,921
Off-balance sheet guarantees	114,477,300	3,833,801	114,477,300	3,833,801	98,766,300	98,766,300
Total	<u>\$ 321,926,325</u>	<u>\$ 10,781,190</u>	<u>\$ 321,926,325</u>	<u>\$ 10,781,190</u>	<u>\$ 297,923,883</u>	<u>\$ 297,923,883</u>

The credit exposure amounts stated above are for those with positive fair value as of the balance sheet date and those contracts with off-balance sheet commitments and guarantees. The disclosed maximum credit exposures did not take fair value of collateral into account.

vi. Information on concentrations of assets, liabilities and off-balance sheet items.

There will be a significant concentration of credit risk when the counterparty of the financial instruments is highly concentrated in a single customer or a group of counterparties who engage mostly in similar business activities with similar economic nature, and such business activities make their abilities to fulfill the contractual obligations influenced similarly by the economic affairs or other situations. MBF does not engage in transactions that are concentrated significantly in a single customer or counterparty. However, significant credit risk concentrations (including on and off-balance sheet items) for provision of guarantees for commercial papers are as follows:

	December 31, 2010				December 31, 2009	
	Carrying value		Maximum risk exposure amount		Carrying value	Maximum risk exposure amount
	NT\$	US\$	NT\$	US\$	NT\$	NT\$
Financial & insurance	\$ 40,456,834	\$ 1,354,884	\$ 40,456,834	\$ 1,354,884	\$ 30,439,340	\$ 30,439,340
Manufacturing	30,608,970	1,025,083	30,608,970	1,025,083	30,469,910	30,469,910
Real estate	20,748,600	694,863	20,748,600	694,863	17,932,600	17,932,600
Wholesale & retail	7,720,204	258,547	7,720,204	258,547	6,481,900	6,481,900
Services	5,181,800	173,537	5,181,800	173,537	4,810,700	4,810,700
Others – less than 5% of balance of guarantees at period end	9,862,589	330,294	9,862,589	330,294	9,005,389	9,005,389
Total	<u>\$ 114,578,997</u>	<u>\$ 3,837,208</u>	<u>\$ 114,578,997</u>	<u>\$ 3,837,208</u>	<u>\$ 99,139,839</u>	<u>\$ 99,139,839</u>

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

1) Overview of main business

Item	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$
Total guarantees and endorsement for short-term bills	\$ 114,477,300	\$ 3,833,801	\$ 98,766,300
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment) (Note)	3.80	3.80	3.35
Total bills and bonds sold under repurchase agreements	170,163,470	5,698,710	159,606,041
Bills and bonds sold under repurchase agreements / Net amount (after deducting final accounts allotment) (Note)	5.65	5.65	5.41

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

(Expressed In Thousands of New Taiwan Dollars, %)

	December 31, 2010		December 31, 2009	
Amount of credit extensions to interested parties	\$	230,000	\$	340,000
Ratio of credit extensions to interested parties (%) (Note 1)		0.20		0.34
Ratio of credit extensions secured by stocks (%) (Note 2)		19.60		18.86
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount) (Note 3)	Industry	Ratio (%)	Industry	Ratio (%)
	Manufacturing	35.31	Manufacturing	30.73
	Financial & Insurance	26.71	Financial & Insurance	30.70
	Real estate	18.11	Real estate	18.09

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.

3) 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, 2010 and 2009 are as follows:

	For the year ended December 31,			
	2010		2009	
	NT\$	US\$	NT\$	
Beginning balance	\$ 3,039,239	\$ 101,783	\$ 2,776,424	
Provisions	345,695	11,577	843,888	
Write-off	(481,558)	(16,127)	(581,073)	
Ending balance	\$ 2,903,376	\$ 97,233	\$ 3,039,239	

(e) 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.

(f) Liquidity risk

- i. The operating capital of MBF is sufficient to meet cash flows for all contractual obligations; therefore, there is no liquidity risk regarding inability to raise capital to meet existing contractual obligations.
- ii. Since the derivative financial instruments possessed by MBF are primarily associated with major foreign currency contracts, the liquidity risk is low for the possibility of inability to sell such instruments at reasonable price in the market.
- iii. 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, 2010								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	\$ 86,194,563	\$ 19,145,529	\$ 3,439,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,779,480
Foreign currency bills	29,094	29,065	10,146	-	-	-	-	-	68,305
Fixed rate commercial paper	-	60	12,290	-	-	-	-	-	12,350
Bond investments – government bonds	-	-	-	-	-	20,679	-	-	20,679
Bond investments – international financial bonds	-	374,395	-	-	-	-	-	-	374,395
Bond investments – convertible corporate bonds	-	-	-	576,546	49,990	-	340,464	-	967,000
Convertible corporate bond asset swaps	-	95,038	735,014	863,011	498,442	-	-	-	2,191,505
Derivatives – interest rate swaps	5,340	3,897	-	-	-	-	-	-	9,237
Bill and bonds purchased under resale agreement	529,800	-	-	-	-	-	-	-	529,800
Available-for-sale financial assets									
Bond investments – government bonds	2,197,492	666,247	6,900,503	21,126,661	14,539,901	10,491,571	8,755,042	9,946,753	74,624,170
Bond investments – financial bonds	-	-	180,824	-	-	-	-	919,631	1,100,455
Bond investments – international financial bonds	-	-	-	29,327	-	-	-	-	29,327
Bond investments – corporate bonds	300,208	-	4,299,174	3,547,042	2,023,322	1,021,465	1,218,684	-	12,409,895
Bond investments – international corporate bonds	-	-	-	-	145,239	-	-	-	145,239
Held-to-maturity financial assets	-	-	-	250,000	-	-	-	-	250,000
Total assets	\$ 89,256,497	\$ 20,314,231	\$ 15,577,339	\$ 26,392,587	\$ 17,256,894	\$ 11,533,715	\$ 10,314,190	\$ 10,866,384	\$ 201,511,837
Liabilities									
Financial liabilities at fair value through profit or loss									
Derivatives – interest rate swaps	-	(2,837)	(7,293)	-	-	-	-	-	(10,130)
Bills and bonds sold under repurchase agreements	(154,820,706)	(14,040,752)	(1,302,012)	-	-	-	-	-	(170,163,470)
Total liabilities	(154,820,706)	(14,043,589)	(1,309,305)	-	-	-	-	-	(170,173,600)
Net Liquidity Gap	(\$ 65,564,209)	\$ 6,270,642	\$ 14,268,034	\$ 26,392,587	\$ 17,256,894	\$ 11,533,715	\$ 10,314,190	\$ 10,866,384	\$ 31,338,237



(In Thousand of US Dollars)

	December 31, 2010								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
Investment in bills	\$ 2,886,623	\$ 641,176	\$ 115,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,642,983
Foreign currency bills	974	973	340	-	-	-	-	-	2,287
Fixed rate commercial paper	-	2	412	-	-	-	-	-	414
Bond investments – government bonds	-	-	-	-	-	693	-	-	693
Bond investments – international financial bonds	-	12,538	-	-	-	-	-	-	12,538
Bond investments – convertible corporate bonds	-	-	-	19,308	1,674	-	11,402	-	32,384
Convertible corporate bond asset swaps	-	3,183	24,615	28,902	16,693	-	-	-	73,393
Derivatives – interest rate swaps	179	131	-	-	-	-	-	-	310
Bill and bonds purchased under resale agreement	17,743	-	-	-	-	-	-	-	17,743
Available-for-sale financial assets									
Bond investments – government bonds	73,593	22,312	231,095	707,524	486,936	351,359	293,203	333,113	2,499,135
Bond investments – financial bonds	-	-	6,056	-	-	-	-	30,798	36,854
Bond investments – international financial bonds	-	-	-	982	-	-	-	-	982
Bond investments – corporate bonds	10,054	-	143,978	118,789	67,760	34,208	40,813	-	415,602
Bond investments – international corporate bonds	-	-	-	-	4,864	-	-	-	4,864
Held-to-maturity financial assets	-	-	-	8,372	-	-	-	-	8,372
Total assets	\$ 2,989,166	\$ 680,315	\$ 521,680	\$ 883,877	\$ 577,927	\$ 386,260	\$ 345,418	\$ 363,911	\$ 6,748,554
Liabilities									
Financial liabilities at fair value through profit or loss									
Derivatives – interest rate swaps	- (95)	(244)	-	-	-	-	-	- (339)	
Bills and bonds sold under repurchase agreements	(5,184,886)	(470,219)	(43,605)	-	-	-	-	- (5,698,710)	
Total liabilities	(5,184,886)	(470,314)	(43,849)	-	-	-	-	- (5,699,049)	
Net Liquidity Gap	(\$ 2,195,720)	\$ 210,001	\$ 477,812	\$ 883,877	\$ 577,927	\$ 386,260	\$ 345,418	\$ 363,911	\$ 1,049,505



(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
Assets									
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
Available-for-sale financial assets									
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
Liabilities									
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

iv. Additional disclosure in accordance with Regulations Governing the Reparation of Financial Reports by Publicly Held Bills Financial Companies

December 31, 2010

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	86,224	19,174	3,263	187	-
	Bonds	2,498	1,041	3,335	8,397	76,841
	Bank deposits	736	-	-	200	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resale agreements	530	-	-	-	-
	Total	89,988	20,215	6,598	8,784	76,841
Sources of Capital	Loans borrowed	3,897	-	-	-	-
	Bills and bonds sold under repurchase agreements	154,821	14,041	1,302	-	-
	Own capital	-	-	-	-	32,535
	Total	158,718	14,041	1,302	-	32,535
Net Flow of Capital		(68,730)	6,174	57,260	8,784	44,306
Accumulated Net Flow of Capital		(68,730)	(62,556)	(57,260)	(48,476)	(4,170)

December 31, 2010

Unit : In Millions of US dollars

		1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	2,888	642	109	6	-
	Bonds	84	35	112	281	2,573
	Bank deposits	25	-	-	7	-
	Loans extended	-	-	-	-	-
	Bills and bonds purchased under resale agreements	17	-	-	-	-
	Total	3,014	677	221	294	2,573
Sources of Capital	Loans borrowed	131	-	-	-	-
	Bills and bonds sold under repurchase agreements	5,185	470	44	-	-
	Own capital	-	-	-	-	1,090
	Total	5,316	470	44	-	1,090
Net Flow of Capital		(2,302)	207	177	294	1,483
Accumulated Net Flow of Capital		(2,302)	(2,095)	(1,918)	(1,623)	(140)

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)

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

1) As of December 31, 2010 and 2009, 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, 2010								
	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
<u>Assets</u>									
Financial assets at fair value through profit or loss									
International financial bonds with floating rate	\$ -	\$ 374,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374,395
Derivatives - interest rate swaps	3,123	6,114	-	-	-	-	-	-	9,237
Total assets	\$ 3,123	\$ 380,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,632
<u>Liabilities</u>									
Financial liabilities at fair value through profit or loss									
Derivatives - interest rate swaps	(7,293)	(2,837)	-	-	-	-	-	-	(10,130)
Total liabilities	(7,293)	(2,837)	-	-	-	-	-	-	(10,130)
Total	(\$ 4,170)	\$ 377,672	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,502

(In Thousand of US Dollars)

(in Millions of US Dollars)

	December 31, 2010								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets									
Financial assets at fair value through profit or loss									
International financial bonds with floating rate	\$ -	\$ 12,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,538
Derivatives - interest rate swaps	105	205	-	-	-	-	-	-	310
Total assets	\$ 105	\$ 12,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,848
Liabilities									
Financial liabilities at fair value through profit or loss									
Derivatives - interest rate swaps	(244)	(95)	-	-	-	-	-	-	(339)
Total liabilities	(244)	(95)	-	-	-	-	-	-	(339)
Total	(\$ 139)	\$ 12,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,509



(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
Assets									
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
Total assets	\$ 615,476	\$ 867,349	\$ 1,779,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,262,345
Liabilities									
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)
Total	\$ 571,468	\$ 836,367	\$ 1,779,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,187,355

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

Items of financial assets	December 31, 2010	December 31, 2009
Available-for-sale financial assets		
Bond investments - government bonds	0.4971%~2.1731%	0.1126%~2.1772%
Bond investments - financial bonds	2.0160%~2.9334%	1.8525%~3.0000%
Bond investments - international financial bonds	-	101.035 (using 100 dollars as base)
Bond investments - foreign currency bills	2.4411%	-
Bond investments - corporate bonds	0.6619%~2.1335%	1.7000%~6.0333%
Bond investments - foreign currency corporate bonds	2.8773%	-
Held-to-maturity financial assets		
Bond investments - financial bonds	-	2.3000%~3.2500%
Bond investments - corporate bonds	3.4000%	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, 2010				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums (4)=(1)+(2)-(3)
Compulsory insurance	\$ 393,280	\$ 99,490	\$ 113,568	\$ 379,202
Non-compulsory insurance	4,876,733	556,036	2,713,243	2,719,526
Total	\$ 5,270,013	\$ 655,526	\$ 2,826,811	\$ 3,098,728

Expressed in thousands of NT dollars

For the year ended December 31, 2010			
Type	Provision of reserve for unearned premiums (5)	Reserve released for unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	\$ 160,660	\$ 165,909	\$ 384,451
Non-compulsory insurance	1,546,819	1,546,710	2,719,417
Total	\$ 1,707,479	\$ 1,712,619	\$ 3,103,868

Expressed in thousands of US dollars

For the year ended December 31, 2010				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums (4)=(1)+(2)-(3)
Compulsory insurance	\$ 13,170	\$ 3,332	\$ 3,803	\$ 12,699
Non-compulsory insurance	163,320	18,621	90,865	91,076
Total	\$ 176,490	\$ 21,953	\$ 94,668	\$ 103,775



Expressed in thousands of US 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	\$ 5,380	\$ 5,556	\$ 12,875
Non-compulsory insurance	51,802	51,798	91,072
Total	\$ 57,182	\$ 57,354	\$ 103,947

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

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

Expressed in thousands of NT dollars

For the year ended December 31, 2010				
Type	Claims incurred (1)	Reinsurance Claims incurred (2)	Claims recovered from reinsurers (3)	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	\$ 270,093	\$ 109,109	\$ 107,009	\$ 272,193
Non-compulsory insurance	3,525,456	264,254	2,169,046	1,620,664
Total	\$ 3,795,549	\$ 373,363	\$ 2,276,055	\$ 1,892,857

Expressed in thousands of US dollars

For the year ended December 31, 2010				
Type	Claims incurred (1)	Reinsurance Claims incurred (2)	Claims recovered from reinsurers (3)	Net claims (4)=(1)+(2)-(3)
Compulsory insurance	\$ 9,045	\$ 3,654	\$ 3,583	\$ 9,116
Non-compulsory insurance	118,066	8,850	72,641	54,275
Total	\$ 127,111	\$ 12,504	\$ 76,224	\$ 63,391

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

(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, 2010					
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	\$ 110,436	\$ 96,613	(\$ 110,436)	\$ 96,613	
Reserve for catastrophic losses	266,742	-	(26,887)	239,855	
Reserve for outstanding losses	32,790	65,071	(32,790)	65,071	
Total	\$ 409,968	\$ 161,684	(\$ 170,113)	\$ 401,539	

For the year ended December 31, 2010					
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	\$ 55,473	\$ 64,047	(\$ 55,473)	\$ 64,047	
Reserve for catastrophic losses	262,517	35,610	-	298,127	
Reserve for outstanding losses	4,605	10,621	(4,605)	10,621	
Total	\$ 322,595	\$ 110,278	(\$ 60,078)	\$ 372,795	

Expressed in thousands of US dollars

For the year ended December 31, 2010					
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	\$ 3,699	\$ 3,235	(\$ 3,699)	\$ 3,235	
Reserve for catastrophic losses	8,933	-	(900)	8,033	
Reserve for outstanding losses	1,098	2,179	(1,098)	2,179	
Total	\$ 13,730	\$ 5,414	(\$ 5,697)	\$ 13,447	

For the year ended December 31, 2010					
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	\$ 1,858	\$ 2,145	(\$ 1,858)	\$ 2,145	
Reserve for catastrophic losses	8,792	1,192	-	9,984	
Reserve for outstanding losses	154	356	(154)	356	
Total	\$ 10,804	\$ 3,693	(\$ 2,012)	\$ 12,485	

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	<u>\$ 277,910</u>	<u>\$ 97,208</u>	<u>(\$ 56,485)</u>	<u>\$ 318,633</u>

(i) Net premiums:

For the years ended December 31, 2010 and 2009, net premiums of the respective insurances are as follows

	For the years ended December 31		
	2010		2009
	NT\$	US\$	NT\$
General fire insurance	\$ 1,000,000	\$ 33,490	\$ 700,000
Fire & allied perils insurance	1,000,000	33,490	700,000
Marine cargo insurance	200,000	6,698	200,000
Marine hull insurance	200,000	6,698	200,000
Fishing vessel insurance	50,000	1,674	50,000
Aviation insurance	USD10,000	10,000	USD10,000
Engineering insurance	1,000,000	33,490	700,000
Money insurance	120,000	4,019	120,000
Motor physical damage insurance	6,000	201	6,000
Motor third party liability insurance	60,000	2,009	60,000
Motor passengers liability insurance	75,000	2,512	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	6,698	200,000
Fidelity bond insurance	50,000	1,674	50,000
Engineering bond insurance	200,000	6,698	200,000
Bankers' bond insurance	500,000	16,745	500,000
Other insurance	200,000	6,698	200,000
Other credit and bond insurance	120,000	4,019	120,000
Nuclear energy insurance	200,000	6,698	200,000
Group accident insurance	20,000	670	20,000
Personal accident insurance	20,000	670	20,000
Travel accident insurance	20,000	670	20,000

(j) Unqualified reinsurance reserve

- i. 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
Aon Taiwan Ltd.	Fire & allied perils insurance
Marsh Ltd. Taiwan Branch	Fire & allied perils insurance
Howden Insurance Brokers Ltd. Taiwan Branch	Fire & allied perils insurance
Century International Insurance Broker Co., Ltd.	Fire & allied perils insurance
Elite Risk Services Ltd.	Fire & allied perils insurance
Lian Yu Insurance Broker Co., Ltd.	Fire & allied perils insurance(Note)

Note: CKI has terminated its transactions with the reinsurance agent who does not meet the requirements in February, 2010.

- ii. The unqualified reinsurance expense was NT\$133,284 thousand (US\$ 446 thousand) and \$203,300 thousand for the years ended December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the unqualified reinsurance reserve comprises unearned premium reserve and claims recoverable from reinsurers. Details are set forth as below:

	December 31, 2010		December 31, 2009	
	NT\$	US\$	NT\$	
Unearned premium reserve	\$ 66,642	\$ 2,232	\$ 101,650	
Claims recoverable from reinsurers	-	-	29	

E. MITC

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

(a) Market risk

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

(b) Credit risk

Based on MITC's credit policy, MITC assesses collectability of receivables on a periodic basis and performs confirmation procedures. For receivables-related parties, as debtors are with good credit standing, 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 the 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, and rent receivable.

(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	\$ 5,760,000	\$ -	\$ -	\$ 5,760,000
Short-term bills payable	2,774,584	-	-	2,774,584



Expressed in thousands of US dollars

	Within 1 year	1 ~ 2 years	Over 2 years	Total
Short-term loans	\$ 192,900	\$ -	\$ -	\$ 192,900
Short-term bills payable	92,920	-	-	92,920

ii. Floating interest rate

Expressed in thousands of NT dollars

	Within 1 year	1 ~ 2 years	Over 2 years	Total
Bank deposits	\$ 29,067	\$ -	\$ -	\$ 29,067
Restricted assets – current	-	-	20,596	20,596
Long-term loans	-	733,500	344,500	1,078,000

Expressed in thousands of US dollars

	Within 1 year	1 ~ 2 years	Over 2 years	Total
Bank deposits	\$ 973	\$ -	\$ -	\$ 973
Restricted assets – current	-	-	690	690
Long-term loans	-	24,565	11,537	36,102

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 receivable 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 rate 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 rate methods in issuance of loans to manage such interest rate risks. In addition, the Company also engages in interest rate swaps to enhance the effectiveness of interest rate management.

Foreign exchange risk

The Company holds financial assets denominated in foreign currencies, values of these investments fluctuate due to changes in foreign exchange rate. The Company controls the market risk by management limits and a stop loss mechanism on the positions undertaken.

Credit risk

The financial instruments acquired or issued by the Company are subject to risk of financial loss resulting from the failure of a customer or counterparty to settle their contractual obligations when they fall due.

Liquidity risk

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

B. The subsidiaries

(a) MICB

The risk management policies and practices and major exposure of risk conditions of the credit risk, market risk, business risk, and liquidity risk are as follows:

MICB's Board of Directors has the ultimate approval right in risk management and has ultimate responsibility for MICB'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, responsible for setting up pricing models and valuation systems for 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 monitoring 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 MICB's short-term, medium-term and long-term targets, drive risk management of MICB, hold risk control meetings on a quarterly basis (amended 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 Group's operating units, to set up accurate risk management objectives, management mechanism and segregation of duties, to ensure operation risk is within the tolerable limits, and to maximize the Bank's earnings and stockholders' profits. The 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 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, MICB 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.

MICB 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. MICB 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, MICB 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

MICB's risk management targets of the year are approved by the Board. The progress is evaluated based on the bi-monthly economic statistics, financial results of MICB and risk exposure situations to reinforce risk management of MICB. Moreover, in accordance with regulatory institutions, MICB 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, MICB will separately set the credit limit of the individual clients, 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

MICB'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 summaries are prepared to analyze positions, profit or loss, sensitivity risk indicators analysis and stress test of financial products held by MICB for management reviews.

b) Principles in measuring and controlling

MICB's market risk reports include 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 MICB'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 from 2009, sub-systems of FX transactions, call loans system, currency exchange rate options and foreign currency denominated bond are completed and others are expected to be completed in the middle of 2011. 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.

MICB 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.

MICB sets up self-assessment mechanism of operation risk at MICB level, in order to strengthen identification and evaluation of operation risk and improve current control mechanism.

b) Principles in measuring and controlling

MICB 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.

MICB 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 MICB, 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 the control the liquidity risk. The risk management department reports to the Board of Directors periodically.

b) Principles of measuring and controlling

MICB 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 certificates of time deposit of Central Bank, treasury bills, financial bonds, government bonds with repurchase agreement, corporate bonds, commercial papers, bankers' acceptance and beneficiary certificates. MICB diversifies its investments to reduce its operation risk.

v. Country risk

a) Procedure of risk management

The Planning Department reports to the Board of Directors for establishment of guidelines governing country risk, and prepares monthly "Table of risk limits to individual countries and each level" to inspect risk limits to be submitted 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 repay debts of individual countries, MICB takes 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 indirect 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 indirect 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 indirect 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 indirect 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 indirect 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 indirect 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 indirect 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' risk as a whole, MS established specialized risk management committee primarily responsible for the allocation of MS' 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' management standards as well as the management of other operating risks.

MS and its indirect 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 indirect subsidiaries' risk management organization structure and is responsible for authorizing MS and its indirect 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 indirect 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 indirect subsidiaries' administrator is seeking for business development with the comprehension of MS and its indirect 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) CKI

Non-derivative financial instruments held by 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..

(e) 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. Variations in market interest rates fluctuate the 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.

(5) Capital adequacy ratio

A. Capital adequacy ratio of the Company and its subsidiaries

Mega Financial Holding Co., Ltd. And Its Subsidiaries

Capital Adequacy Ratio

December 31, 2010

	Ownership percentage held by the Company		Eligible capital			Minimum capital	
			NT\$	US\$		NT\$	US\$
The Company	100%		\$ 205,586,157	\$ 6,885,002		\$ 224,011,818	\$ 7,502,070
MICB	100%		170,133,377	5,697,702		120,898,741	4,048,853
MS	100%		10,756,667	360,236		4,429,224	148,333
MBF	100%		29,002,098	971,269		14,306,754	479,128
CKI	100%		5,295,844	177,356		1,858,158	62,229
MITC	100%		877,613	29,391		538,218	18,025
MAM	100%		2,576,850	86,298		6,288,203	210,589
Mega Life Insurance Agency	100%		77,102	2,582		64,243	2,151
Mega Venture Capital	100%		939,984	31,480		475,694	15,931
Deduction item			(230,007,936)	(7,702,878)		(214,061,392)	(7,168,834)
Subtotal		(A)	\$ 195,237,756	\$ 6,538,438	(B)	\$ 158,809,661	\$ 5,318,475
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)					(C)	122.94%	

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\$			NT\$	
The Company	100%		\$201,512,477			\$220,053,938	
MICB	100%		168,190,006			114,693,509	
MS	100%		10,279,856			4,905,425	
MBF	100%		27,479,317			13,022,308	
CKI	100%		5,451,254			1,647,884	
MITC	100%		675,019			428,910	
MAM	100%		2,520,305			7,905,926	
Mega Life Insurance Agency	100%		52,732			45,022	
Mega Venture Capital	100%		997,177			503,934	
Deduction item			(226,787,330)			(212,270,268)	
Subtotal		(A)	\$ 190,370,813		(B)	150,936,588	
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)					(C)	126.13%	

B. As of December 31, 2010, the financial holding's net eligible capital

Mega Financial Holding Co., Ltd. And Its Subsidiaries
Financial Holding's Net Eligible Capital
December 31, 2010

	NT\$	US\$
Common stocks	\$ 110,594,262	\$ 3,703,760
Unaccumulated preferred stocks which meet tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-	-
Other preferred stocks and subordinated debts	4,800,000	160,750
Capital collected in advance	-	-
Additional paid-in capital	43,426,403	1,454,333
Legal reserve	16,787,828	562,218
Special reserve	354,967	11,888
Accumulated earnings	18,824,681	630,431
Equity adjustments number	10,882,979	364,467
Less : goodwill	-	-
deferred assets	84,963	2,845
treasury stocks	-	-
Total net eligible capital	\$ 205,586,157	\$ 6,885,002

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

	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	15,354,639
Special reserve	354,967
Accumulated earnings	16,206,576
Equity adjustments number	9,717,733
Less : goodwill	-
deferred assets	142,103
treasury stocks	-
Total net eligible capital	\$ 201,512,477

(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, 2010:

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)	\$ 225,111	111.83
Taiwan Power Company	103,539	51.44
Ministry of Finance, R.O.C	88,887	44.16
Taiwan High Speed Rail Corporation	73,389	36.46
CPC Corporation, Taiwan	39,450	19.60
Chi Mei Optoelectronics Corporation	24,138	11.99
Formosa Petrochemical Corporation	17,624	8.76
Yu Feng P/L & Yuan Chieh P/L	12,457	6.19
AU Optronics Corp.	9,274	4.61
Dragon Steel Corporation	9,014	4.48
Tpg Newbridge Taishin Holdings III. Ltd.	9,000	4.47
China Steel Corporation	8,850	4.40
China Airlines, Ltd.	8,342	4.14
E. Sun Financial Holding Company, Ltd.	7,258	3.61
Tpg Newbridge Taishin Holdings VI., Ltd.	7,000	3.48
Taiwan Semiconductor Manufacturing Co., Ltd.	6,255	3.11
Morgan Stanley Formosa Holdings	6,168	3.06
Inotera Memories, Inc.	6,078	3.02
Chinatrust Financial Holding Company Ltd.	6,065	3.01
Hsinchu Science Park Operating Fund 402 Account	5,600	2.78
Citigroup Inc. New York	5,488	2.73
Components Investment Holdings Ltd.	5,374	2.67
Far Eastern Department Stores Ltd.	5,339	2.65
Nanya Technology Corporation	5,332	2.65
Yang Ming (Liberia)	5,078	2.52
Bureau of High Speed Rail, MOTC	5,000	2.48
Rsea Engineering Corp.	4,876	2.42
Formosa Plastics Corp. USA	4,861	2.41
Hon Hai Precision Co., Ltd.	4,777	2.37
Asia Cement Corporation	4,596	2.28
Far Eastern New Century Corporation	4,585	2.28
Chimei Corporation	4,553	2.26
Fu Chuang Development Corporation	4,200	2.09
Mr./ Miss Lin	4,200	2.09
Nan Ya Plastics Corporation	4,112	2.04
Formosa Chemicals & Fibre Corporation	4,090	2.03
Yuanlih Development Co., Ltd.	3,993	1.98
J-M MFG. Co. Inc. & PW Eagle Inc.	3,974	1.97
Yieh United Steel Corp.	3,962	1.97
Kaohsiung Rapid Transit Corporation	3,884	1.93
Tatung Co., Ltd.	3,733	1.85

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
Lloyds Tsb Bank Plc. London	3,659	1.82
Yieh Phui Enterprise Co., Ltd.	3,650	1.81
Cheng Shin Rubber Ind., Co., Ltd.	3,463	1.72
The Republic Of Paraguay	3,426	1.70
Southern Taiwan Science Park Administration	3,400	1.69
CSBC Corporation, Taiwan	3,307	1.64
Jong Shyn Shipbuilding Co., Ltd.	3,272	1.63
FPMC Intelligence Marine Corp.	3,129	1.55
Chunghwa Picture Tubes, Ltd.	3,120	1.55
Prince Housing & Development Corp.	3,115	1.55
BNP Paribas Bank Taipei Branch	3,101	1.54
Ever Power Ipp Co., Ltd.	3,075	1.53
Powerchip Technology Corporation	3,027	1.50
The Export-Import Bank Of Korea	3,002	1.49
<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	82,155	40.81
Mr./ Miss Feng	73,396	36.46
Mr./ Miss Hsiang	39,456	19.60
Mr./ Miss Wang	33,781	16.78
Mr./ Miss Chou	24,536	12.19
Mr./ Miss Hsu	24,429	12.14
Mr./ Miss Tuan	24,295	12.07
Mr./ Miss Hsiung	11,351	5.64
Mr./ Miss Chang	10,479	5.21
Mr./ Miss Chen	9,781	4.86
Mr./ Miss Li	9,771	4.85
Mr./ Miss Chen	9,318	4.63
Mr./ Miss Wu	8,850	4.40
Mr./ Miss Lin	8,397	4.17
Mr./ Miss Ko	8,342	4.14
Mr./ Miss Li	8,342	4.14
Mr./ Miss Lin	8,193	4.07
Mr./ Miss Lan	7,371	3.66
Mr./ Miss Hsu	6,303	3.13
Mr./ Miss Chen	6,295	3.13
Mr./ Miss Chin	6,267	3.11
Mr./ Miss Ceng	4,832	2.40
Mr./ Miss Lin	4,633	2.30
Mr./ Miss Wu	4,551	2.26
Mr./ Miss Chuang	4,313	2.14
Mr./ Miss Li	4,213	2.09
Mr./ Miss Wei	4,016	2.00
Mr./ Miss Huang	3,993	1.98



Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
Mr./ Miss Wei	3,955	1.97
Mr./ Miss Tsai	3,922	1.95
Mr./ Miss Huang	3,911	1.94
Mr./ Miss Cheng	3,820	1.90
Mr./ Miss Tung	3,492	1.73
Mr./ Miss Cheng	3,315	1.65
Mr./ Miss Wei	3,244	1.61
Mr./ Miss Chan	3,158	1.57
Mr./ Miss Chan	3,138	1.56
Mr./ Miss Huang	3,109	1.54
Mr./ Miss Chen	3,108	1.54
Mr./ Miss Chuang	3,104	1.54
Mr./ Miss Chan	3,095	1.54
Mr./ Miss Miao	3,067	1.52
Mr./ Miss Liu	3,053	1.52
Mr./ Miss Wei	3,052	1.52
Mr./ Miss Hsu	3,026	1.50
3. Same affiliated enterprises		
KKPC Corporation	42,015	20.87
CPC Corporation, Taiwan	39,660	19.70
Pan-International Industrial Corp.	32,921	16.35
China Steel Corporation	30,899	15.35
Foxconn Technology Co., Ltd.	29,399	14.61
Ampower Technology Co., Ltd.	29,062	14.44
Chimei Innolux Corporation	27,319	13.57
TPO Displays Hong Kong Ltd.	24,843	12.34
Toptech Trading Limited	24,294	12.07
Mai Liao Industry Park	23,375	11.61
Oriental Petrochemical Corporation	20,777	10.32
FPMC Harmony Marine Corp.	19,042	9.46
FPMC Fortune Marine Corp.	18,922	9.40
Dragon steel corporation	18,332	9.11
Brave One Maritime S.A.	18,115	9.00
Formosa Petrochemical Corp	17,880	8.88
Formosa Oil (Asia Pacific) Corporation	17,810	8.85
Nanya Technology Corporation	17,191	8.54
Nan Ya Plastics Corporation	17,049	8.47
Ya Li Precast Prestressed Concrete	16,650	8.27
Tpg Newbridge Taishin Holdings Vi.,Ltd.	16,000	7.95
President Tokyo Corporation	13,837	6.87
President Tokyo Renting Corporation	13,787	6.85
Yuan Ding Investment Corp.	13,483	6.70
Kaohsiung Rapid Transit Corporation	12,867	6.39
Uni-Home Tech Corp.	12,539	6.23

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
Qisda Corporation	12,531	6.23
Taiwan Cement Corp.	12,305	6.11
Lian Hui Development Corporation	11,651	5.79
Inotera Memories, Inc.	11,410	5.67
Chung Hung Steel	11,249	5.59
Raydium Semi-conductor Corporation	11,165	5.55
Prince Housing & Development Corp.	11,908	5.51
Daxin Materials Corp.	10,826	5.38
Yang Ming Marine Transport Corp.	10,661	5.30
AU Optronics Corp.	10,483	5.21
Hanway Arena Development Co., Ltd.	10,355	5.14
Yieh Hsing Enterprise Co., Ltd.	10,162	5.05
C.S. Aluminium Corporation	10,109	5.02
CSE Transport Corporation	10,017	4.98
AFPD PTE., Ltd.	9,842	4.89
Lextar Electronics Corp.	9,752	4.84
China Steel Structure Co., Ltd.	9,734	4.84
China Prosperity Development Corp.	9,700	4.82
Tatung Co.	9,666	4.80
Cando Corporation	9,611	4.77
SiPix Technology, Inc.	9,424	4.68
Azotek Co., Ltd.	9,412	4.68
Hon Hai Precision Ind. Co., Ltd.	9,398	4.67
China Steel Machinery Corporation	9,339	4.64
CTCI Corporation	9,317	4.63
China Steel Global Trading Corporation	9,218	4.58
CHC Resources Corporation	9,041	4.49
China Steel Chemical Corporation	9,024	4.48
Far Eastern New Century Corporation	8,974	4.46
China Ecotek Corp.	8,871	4.41
InfoChamp System Corporation	8,864	4.40
Foxconn International Holdings Ltd.	8,760	4.35
Elite International Corp.	8,735	4.34
Kuang Ming Shipping Corporation	8,705	4.32
China Airlines Ltd.	8,547	4.25
Mandarin Airlines Ltd.	8,547	4.25
Kaohsiung Airport Catering Co., Ltd.	8,342	4.14
Lian Ci Development Corp.	8,313	4.13
Pacific SOGO Co., Ltd.	8,156	4.05
Formosa Chemicals & Fibre Corporation	8,019	3.98
Uni-President Enterprises Corp.	7,922	3.94
Asiazone Co. Limited	7,779	3.86
Foxconn Far East Ltd.	7,727	3.84
Wisdom Marine Lines S.A.	7,641	3.80



Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
Asia Cement Corporation	7,543	3.75
Dong Lien Maritime S.A. Panama	7,338	3.65
AMIS Wisdom S.A.	7,291	3.62
President International Development Corporation	7,270	3.61
Yang Ming (Liberia) Corp.	7,268	3.61
FEDP (Holding) Limited	7,178	3.57
Chunghwa Picture Tubes, Ltd	7,134	3.54
Morgan Stanley Formosa Holdings (Cayman)	6,991	3.47
Morgan Stanley Apollo Holdings (Cayman)	6,991	3.47
Yuyuan Investment Co., Ltd.	6,939	3.45
Far Eastern Department Stores Ltd.	6,873	3.41
Federal Pescadores S.A. Panama	6,659	3.31
Yieh Corp.	6,512	3.24
Taiwan Semiconductor Manufacturing Co., Ltd	6,422	3.19
Xintec Inc.	6,415	3.19
Far Eastern Construction. Co. LTD.	6,354	3.16
Cheng Shin Rubber Ind., Co., Ltd.	6,297	3.13
Asia Cement (China) Holdings Corp.	6,277	3.12
Global Unichip Corp.	6,259	3.11
Vanguard International Semiconductor Corporation	6,257	3.11
Acer Incorporated	6,215	3.09
Pegatron Corporation	6,153	3.06
Chimei Corporation	6,121	3.04
Yieh Phui Enterprise Co., Ltd.	6,100	3.03
Bai Ding Investment Ltd.	5,889	2.93
Chi Mei Materials Technology Corp.	5,872	2.92
Far Asia-Pacific Development Co., Ltd.	5,858	2.91
Quanta International Ltd.	5,851	2.91
Yieh United Steel Corp.	5,832	2.90
Far Eastern AI MAI Co., Ltd.	5,789	2.88
Far Eastern General Contractor Inc.	5,679	2.82
Maxxis International (Thailand) Co. Ltd.	5,646	2.80
Emmt Systems Corporation	5,605	2.78
E&C Engineering Corporation	5,538	2.75
Oriental Union Chemical Corporation	5,364	2.66
Quanta Computer Inc.	5,323	2.64
Chi Lin Technology Co., Ltd.	5,287	2.63
President Chain Store Corporation	5,271	2.62
Der Chien Investment Corp.	5,271	2.62
Wistron Corporation	5,254	2.61
Chiahui Power Corporation	5,246	2.61
Da Rung Environmental Co., Ltd.	5,236	2.60
Tatung Electronics (S)PTE. Ltd.	5,149	2.56
G-Tech Optoelectronics Corporation	5,050	2.51

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
Fitipower Integrated Technology Inc.	5,050	2.51
Rong Gong Industrial Corporation	5,034	2.50
Formosa Chemicals Industries (Ningbo) Lim	4,975	2.47
Chi Mei Lighting Technology Corporation	4,802	2.39
CTCI Overseas Corporation Ltd.	4,954	2.46
Advanced Control & Systems Inc.	4,936	2.45
Vigor Pescadores S.A. Panama	4,931	2.45
Mitac International Corp.	4,926	2.45
Asia Investment Corporation	4,896	2.43
Ensky Technology PTE Ltd.	4,781	2.38
Shih Wei Navigation Co., Ltd	4,756	2.36
Sinopac Financial Holdings Company Limited	4,713	2.34
Sincere Navigation Corporation	4,691	2.33
Dragontech Group	4,533	2.25
Betacera Inc.	4,514	2.24
Leading Energy Corp.	4,502	2.24
Nan Ya Synthetic Leather (Nantong) Co., Ltd.	4,466	2.22
CTCI Machinery Corporation	4,394	2.18
Nan Ya Co-Generation Plant (Nantong) Co.	4,378	2.17
Hong Jing Environment Company	4,372	2.17
Ho-Ping Power Company	4,235	2.10
Pfg Fiber Glass Corporation	4,182	2.08
Novatek Microelectronics Corp.	4,156	2.06
Kao Ming Container Terminal Corp.	4,145	2.06
MiTAC Information Technology Corp.	4,137	2.06
President Securities Corp.	4,117	2.05
Shan Chih Asset Development Co., Ltd.	4,103	2.04
Changs Ascending Enterprise Co., Ltd.	4,092	2.03
De Chan Automobile trading Co., Ltd	4,075	2.02
Green Energy Technology Inc.	4,049	2.01
Yuanta Financial Holdings	4,010	1.99
Evergreen Marine Corp. (Taiwan) Ltd.	4,000	1.99
CTCI Arabia Ltd.	3,992	1.98
Xin-guang-hua Co., Ltd.	3,973	1.97
Well Pescadores S.A. Panama	3,949	1.96
Mickey Regent Inc.	3,945	1.96
Fortune Energy Corporation	3,912	1.94
Forward Electronics Co., Ltd.	3,892	1.93
Kuender Co., Ltd.	3,853	1.91
Tatung Technology Inc.	3,835	1.91
Tatung Fine Chemicals Co.	3,816	1.90
Tatung Consumer Products (Taiwan) Co., Ltd.	3,793	1.88
Cheng Shin Rubber (VN) Ind. Co., Ltd.	3,773	1.87
Taiwan Telecommunication Industry Company	3,771	1.87



Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the Company (%)
Apollo Solar Energy Co.,Ltd.	3,768	1.87
Fina Finance & Trading Co.,Ltd.	3,702	1.84
Bestcom Infotech Corp.	3,690	1.83
Central Investment Holding Co., Ltd.	3,683	1.83
Yuanta Securities Co., Ltd	3,678	1.83
Formosa Taffeta Co.,Ltd	3,638	1.81
Formosa Advanced Technologies Co., Ltd.	3,628	1.80
Powerchip Technology Corporation	3,538	1.76
RESI Resource Engineering Services Inc.	3,534	1.76
San Yueh Textile Co., Ltd.	3,509	1.74
Nanlien International Corporation	3,490	1.73
Cowin Worldwide Corporation	3,480	1.73
Hung Ching Development & Construction Co., Ltd.	3,478	1.73
San-Ching Engineering Co., Ltd.	3,444	1.71
Maxchip Electronics Corp.	3,434	1.71
Bright Pescadores S.A. Panama	3,430	1.70
Piotek Computer (Suzhou) Co., Ltd.	3,425	1.70
Tecom Co., Ltd.	3,417	1.70
Walsin Lihwa Corporation	3,376	1.68
Jong Shyn Shipbuilding Co., Ltd.	3,370	1.67
Teco Electric & Machinery Co., Ltd.	3,350	1.66
Baycom Opto-Electronics Technology Co., Ltd.	3,329	1.65
Wistron NeWeb Corporation	3,309	1.64
Chinese Maritime Transport Ltd.	3,307	1.64
Mitac Inc.	3,305	1.64
Wistron Optronics (Kunshan) Co., Ltd.	3,267	1.62
Inventec Corporation	3,261	1.62
TCC International Ltd.	3,245	1.61
ProMOS Technologies Inc.	3,244	1.61
Cal-Comp Electronics (Thailand) Public	3,210	1.59
SinoPac Leasing Co.	3,203	1.59
YFY Packaging Inc.	3,172	1.58
Far EasTone Telecommunications Co., Ltd.	3,150	1.56
Uni Airways Corporation	3,165	1.57
Wei Chuan Foods Corp.	3,164	1.57
Zentel Electronic Corporation	3,127	1.55
Yuen Foong Yu Paper Mfg.Co., Ltd.	3,115	1.55
CTCI Chemicals Corporation	3,100	1.54
Dream-Mall Co., Ltd	3,076	1.53
Chailease Consumer Finance Co., Ltd.	3,067	1.52
Ding Shuai Development Corporation	3,063	1.52
eMemory Technology Inc.	3,031	1.51
Wistron Optronics Corporation	3,002	1.49

(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 gradually taking place in the Company's subsidiaries. Apportionment of revenues, costs, expenses, gains and losses.

E. Apportionment of revenues, costs, expenses, gains and losses

(a) For the year ended December 31, 2010:

The promotion bonus paid to other subsidiaries by MITC, MBF and MICB amounted to NT\$17,630 thousand (US\$590 thousand), NT\$860 thousand (US\$29 thousand) and NT\$1,160 thousand (US\$39 thousand), respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by NT\$317,310 thousand (US\$10,627 thousand) for CKI; NT\$10,310 thousand (US\$345 thousand) for MICB; \$72,940 thousand (US\$2,443 thousand) for MITC; and NT\$14,210 thousand (US\$476 thousand) for MBF.

(b) 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, NT\$1,260 thousand and NT\$790 thousand, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by NT\$271,330 thousand for CKI; NT\$5,090 thousand for MICB; \$60,490 thousand for MITC; and NT\$15,870 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, 2010
(Expressed in Thousands of NT Dollars)

Items	Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other division	Consolidation
Interest income, net		\$ 21,633,647	\$ 84,047	\$ 2,840,867	\$ 1,047,724	(\$ 542,456)	\$ 25,063,829
Revenues other than interest, net		9,947,427	692,055	1,595,192	3,286,854	1,391,483	16,913,011
Net revenue		31,581,074	776,102	4,436,059	4,334,578	849,027	41,976,840
Bad debt expense		(1,888,092)	-	(345,696)	-	-	(2,233,788)
Provisions for the reserve for insurance		-	(110,318)	-	-	-	(110,318)
Operational expenses		(16,018,986)	(837,396)	(712,849)	(2,729,013)	(694,798)	(20,993,042)
Income before Income Tax from Continuing Operations		13,673,996	(171,612)	3,377,514	1,605,565	154,229	18,639,692
Income tax expense		(2,398,150)	(13,770)	(500,754)	(229,284)	(348,116)	(3,490,074)
Consolidated Net Income from Continuing Operations		\$ 11,275,846	(\$ 185,382)	\$ 2,876,760	\$ 1,376,281	(\$ 193,887)	\$ 15,149,618

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, 2010
(Expressed in Thousands of US Dollars)

Items	Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other division	Consolidation
Interest income, net		\$ 724,503	\$ 2,815	\$ 95,139	\$ 35,088	(\$ 18,167)	\$ 839,378
Revenues other than interest, net		333,136	23,177	53,422	110,075	46,600	566,410
Net revenue		1,057,639	25,992	148,561	145,163	28,433	1,405,788
Bad debt expense		(63,232)	-	(11,577)	-	-	(74,809)
Provisions for the reserve for insurance		-	(3,695)	-	-	-	(3,695)
Operational expenses		(536,470)	(28,044)	(23,873)	(91,393)	(23,269)	(703,049)
Income before Income Tax from Continuing Operations		457,937	(5,747)	113,111	53,770	5,164	624,235
Income tax expense		(80,313)	(461)	(16,770)	(7,679)	(11,658)	(116,881)
Consolidated Net Income from Continuing Operations		\$ 377,624	(\$ 6,208)	\$ 96,341	\$ 46,091	(\$ 6,494)	\$ 507,354

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 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

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

MEGA FINANCIAL HOLDING CO., LTD.
BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

	December 31, 2010		December 31, 2009		December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Cash and cash equivalents	\$ 2,689,068	\$ 90,056	\$ 3,973,949	Payables	\$ 11,083,061	\$ 371,167	\$ 9,289,859
Receivables, net	2,182,939	73,106	2,109,325	Bonds payable	15,750,000	527,461	19,450,000
Available-for-sale financial assets, net	7,147,325	239,361	4,326,506	Accrued pension liability	36,779	1,232	32,868
Equity investments accounted for by the equity method, net	214,061,392	7,168,834	212,270,268	Other liabilities	5,188	175	5,990
Financial assets carried at cost	762,046	25,521	762,046	Total Liabilities	26,875,028	900,035	28,778,717
Property and equipment, net	702,490	23,526	727,187	Stockholders' Equity			
Other assets, net	119,298	3,995	129,610	Common stock	110,594,262	3,703,760	110,594,262
Deferred tax assets, net	81,590	2,733	134,406	Capital surplus	43,426,403	1,454,334	43,426,403
				Retained earnings			
				Legal reserve	16,787,828	562,218	15,354,639
				Special reserve	354,967	11,888	354,967
				Unappropriated retained earnings	18,824,681	630,431	16,206,576
				Equity adjustments			
				Unrealized revaluation increments	2,319,945	77,694	2,319,945
				Cumulative translation adjustments	829,397	27,776	1,598,513
				Unrealized gains on financial instruments	7,733,637	258,996	5,799,275
				Total Stockholders' Equity	200,871,120	6,727,097	195,654,580
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$ 227,746,148	\$ 7,627,132	\$ 224,433,297		\$ 227,746,148	\$ 7,627,132	\$ 224,433,297



MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF INCOME
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

	For the year ended December 31, 2010		For the year ended December 31, 2009	
	NT\$	US\$	NT\$	
Revenues				
Interest income	\$ 19,063	\$ 638	\$ 4,983	
Investment income from equity investments accounted for by the equity method	16,099,414	539,163	15,190,437	
Other revenue except for interest income	13,474	452	16,420	
Total revenue	16,131,951	540,253	15,211,840	
Expenses and losses				
Interest expense	(490,865)	(16,439)	(514,206)	
Foreign exchange loss	(14)	-	(9)	
Personnel expenses	(219,824)	(7,362)	(201,717)	
Depreciation and amortization	(39,355)	(1,318)	(51,603)	
Other business and administrative expenses	(80,700)	(2,703)	(75,466)	
Total expenses and losses	(830,758)	(27,822)	(843,001)	
Income before Income Tax from Continuing Unit	15,301,193	512,431	14,368,839	
Income tax expense Benefit	(190,473)	(6,379)	(36,945)	
Net Income	\$ 15,110,720	\$ 506,052	\$ 14,331,894	
Basic Earnings Per Share (in dollars)	Before Taxes	After Taxes	Before Taxes	After Taxes
Net Income	\$1.38	\$1.37	\$0.05	\$0.05
Diluted Earnings Per Share (in dollars)	Before Taxes	After Taxes	Before Taxes	After Taxes
Net Income	\$1.38	\$1.37	\$0.05	\$0.05

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Cash and cash equivalents	\$ 261,308,888	\$ 8,751,135	\$ 305,966,509	Due to the Central Bank and financial institutions	\$ 305,502,542	\$ 10,231,163	\$ 389,582,216
Due from the Central Bank and call loans to banks, net	125,172,379	4,191,975	90,403,913	Funds borrowed from the Central Bank and other banks	49,287,821	1,650,630	57,517,261
Financial assets at fair value through profit or loss, net	34,961,402	1,170,844	25,129,708	Financial liabilities at fair value through profit or loss	27,759,086	929,641	32,930,365
Bills and bonds purchased under resale agreements	895,012	29,974	-	Bills and bonds sold under repurchase agreements	4,285,605	143,523	3,384,082
Receivables, net	109,403,855	3,663,893	85,800,321	Payables	52,098,850	1,744,771	39,989,175
Bills discounted and loans, net	1,319,719,641	44,196,907	1,264,904,835	Deposits and remittances	1,547,309,354	51,818,800	1,472,845,116
Available-for-sale financial assets, net	83,199,684	2,786,326	113,744,529	Financial bonds payable	34,800,000	1,165,439	27,703,000
Held-to-maturity financial assets, net	216,526,320	7,251,384	261,919,439	Accrued pension liabilities	1,354,976	45,378	1,541,227
Equity investments accounted for by the equity method, net	9,302,766	311,546	9,268,167	Other financial liabilities	7,355,420	246,330	4,660,368
Other financial assets, net	17,970,339	601,820	19,179,101	Other liabilities	9,770,669	327,216	11,286,102
Property and equipment, net	13,165,572	440,910	14,803,951	Total Liabilities	2,039,524,323	68,302,891	2,041,438,912
Other assets, net	5,646,383	189,095	6,564,319	Stockholders' equity			
				Capital stock	64,109,878	2,147,015	64,109,878
				Capital surplus	33,070,028	1,107,503	33,070,028
				Retained earnings	54,710,620	1,832,238	52,834,864
				Equity adjustments	5,857,392	196,162	6,231,110
				Total Stockholders' Equity	157,747,918	5,282,918	156,245,880
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,197,272,241	\$ 73,585,809	\$2,197,684,792
TOTAL ASSETS	\$2,197,272,241	\$ 73,585,809	\$2,197,684,792				



MEGA SECURITIES CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Current assets	\$ 39,908,878	\$ 1,336,533	\$ 36,964,735	Current liabilities	\$ 28,533,262	\$ 955,568	\$ 28,619,399
Funds and investments	1,496,230	50,108	1,746,276	Long-term liabilities	2,500,000	83,724	-
Property and equipment	2,584,181	86,543	2,978,869	Other liabilities	280,685	9,400	528,172
Intangible assets	27,505	921	32,060	Total liabilities	31,313,947	1,048,692	29,147,571
Other assets	1,981,012	66,344	1,767,912				
Debit items for securities consignment trading, net	83,337	2,791	174,907	Stockholders' equity			
				Capital stock	11,600,000	388,480	11,600,000
				Capital surplus	906,255	30,350	906,255
				Retained earnings	2,426,522	81,263	1,887,592
				Equity adjustments	(165,581)	(5,545)	123,341
				Total Stockholders' Equity	14,767,196	494,548	14,517,188
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$ 46,081,143	\$ 1,543,240	\$ 43,664,759		\$ 46,081,143	\$ 1,543,240	\$ 43,664,759

MEGA BILLS FINANCE CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Cash and cash equivalents	\$ 736,833	\$ 24,676	\$ 681,894	Due to the Central Bank and financial institutions	\$ 3,897,000	\$ 130,509	\$ 5,586,000
Financial assets at fair value through profit or loss	112,685,775	3,773,804	85,843,648	Financial liabilities at fair value through profit or loss	10,130	339	74,990
Bill and bonds purchased under resale agreements	529,800	17,743	-	Bills and bonds sold under repurchase agreements	170,163,470	5,698,710	159,606,041
Receivables, net	2,101,018	70,362	2,208,658	Payables	1,243,823	41,655	1,328,258
Available-for-sale financial assets, net	91,189,051	3,053,887	109,370,356	Accrued pension liabilities	166,141	5,564	129,619
Held-to-maturity financial assets, net	250,000	8,372	450,000	Other liabilities	3,171,216	106,203	3,302,266
Other financial assets, net	693,381	23,221	1,284,921	Total Liabilities	178,651,780	5,982,980	170,027,174
Property and equipment	2,945,800	98,654	2,967,869				
Intangible assets, net	309	10	2,064	Stockholders' equity			
Other assets, net	55,134	1,846	53,841	Capital stock	13,114,411	439,197	13,114,411
				Capital surplus	312,823	10,476	312,823
				Retained earnings	14,917,082	499,567	14,229,347
				Equity adjustments	4,191,005	140,355	5,179,496
				Total Stockholders' Equity	32,535,321	1,089,595	32,836,077
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$211,187,101	\$ 7,072,575	\$202,863,251		\$211,187,101	\$ 7,072,575	\$202,863,251

CHUNG KUO INSURANCE CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Current assets	\$ 12,709,247	\$ 425,628	\$10,413,510	Current liabilities	\$ 1,306,559	\$ 43,756	\$ 963,213
Funds and investments	986,444	33,036	1,161,369	Long-term liabilities	159,894	5,355	161,088
Property and equipment	908,076	30,411	883,134	Operation and liabilities reserve	9,209,879	308,435	7,288,236
Intangible assets	15,865	531	15,545	Other liabilities	13,760	461	14,929
Other assets	708,893	23,740	762,834	Total liabilities	10,690,092	358,007	8,427,466
				Stockholders' equity			
				Capital stock	3,000,000	100,469	3,000,000
				Capital surplus	1,058,461	35,447	1,058,461
				Retained earnings	546,620	18,306	776,451
				Equity adjustments	33,352	1,117	(25,986)
				Total Stockholders' Equity	4,638,433	155,339	4,808,926
TOTAL ASSETS	\$15,328,525	\$ 513,346	\$13,236,392	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$15,328,525	\$ 513,346	\$13,236,392

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Current assets	\$ 493,695	\$ 16,533	\$ 311,246	Current liabilities	\$ 189,841	\$ 6,358	\$ 112,568
Property and equipment	5,880	197	8,102	Other liabilities	8,982	301	70,233
Intangible assets	-	-	67	Total liabilities	198,823	6,659	182,801
Other assets	576,861	19,319	538,405	Stockholders' equity			
				Capital stock	527,000	17,649	527,000
				Capital surplus	336	11	336
				Retained earnings	348,598	11,674	146,240
				Equity adjustments	1,679	56	1,443
				Total Stockholders' Equity	877,613	29,390	675,019
TOTAL ASSETS	\$ 1,076,436	\$ 36,049	\$ 857,820	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,076,436	\$ 36,049	\$ 857,820



MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Current assets	\$ 11,671,227	\$ 390,865	\$ 14,999,690	Current liabilities	\$ 8,716,916	\$ 291,926	\$10,270,299
Funds and investments	144,238	4,830	144,238	Long-term liabilities	1,078,000	36,102	2,291,500
Property and equipment	1,550	52	3,068	Other liabilities	204,640	6,853	729,747
Intangible assets	934	32	656	Total liabilities	9,999,556	334,881	13,291,546
Other assets	758,457	25,400	664,199				
				Stockholders' equity			
				Capital stock	2,000,000	66,979	2,000,000
				Retained earnings	576,850	19,319	520,305
				Total Stockholders' Equity	2,576,850	86,298	2,520,305
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$ 12,576,406	\$ 421,179	\$ 15,811,851		\$12,576,406	\$ 421,179	\$15,811,851

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Current assets	\$ 125,481	\$ 4,202	\$ 87,213	Current liabilities	\$ 51,384	\$ 1,721	\$ 37,312
Funds and investments	371	12	419	Total liabilities	51,384	1,721	37,312
Property and equipment	855	29	749				
Other assets	1,779	60	1,662	Stockholders' equity			
				Capital stock	20,000	670	20,000
				Retained earnings	57,146	1,913	32,737
				Equity adjustments	(44)	(1)	(6)
				Total Stockholders' Equity	77,102	2,582	52,731
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$ 128,486	\$ 4,303	\$ 90,043		\$ 128,486	\$ 4,303	\$ 90,043

MEGA VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Thousands of Dollars)

Items	December 31, 2010		December 31, 2009	Items	December 31, 2010		December 31, 2009
	NT\$	US\$	NT\$		NT\$	US\$	NT\$
Assets				Liabilities			
Current assets	\$ 189,486	\$ 6,346	\$ 229,945	Current liabilities	\$ 11,404	\$ 382	\$ 10,690
Funds and investments	761,902	25,516	777,922	Total liabilities	11,404	382	10,690
				Stockholders' equity			
				Capital stock	1,000,000	33,490	1,000,000
				Retained earnings	43,526	1,458	36,739
				Equity adjustments	(103,542)	(3,468)	(39,562)
				Total Stockholders' Equity	939,984	31,480	997,177
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$ 951,388	\$ 31,862	\$ 1,007,867		\$ 951,388	\$ 31,862	\$ 1,007,867

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Interest income, net	\$ 21,132,556	\$ 707,721	\$ 21,580,655
Revenues other than interest, net	10,094,765	338,070	12,429,325
Net revenue	31,227,321	1,045,791	34,009,980
Bad debts expense on loans	(1,927,657)	(64,557)	(6,388,508)
Operating Expenses	(15,848,325)	(530,754)	(14,493,855)
Income before Income Tax	\$ 13,451,339	\$ 450,480	\$ 13,127,617
Net Income	\$ 11,171,687	\$ 374,136	\$ 10,664,124
Earnings Per Share (Pre-tax)	\$ 2.10	\$ 0.07	\$ 2.05
Earnings Per Share (After-tax)	\$ 1.74	\$ 0.06	\$ 1.66



MEGA SECURITIES CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Revenues	\$ 4,953,625	\$ 165,895	\$ 6,033,367
Expenses	(3,333,860)	(111,650)	(4,078,468)
Income before Income Tax	\$ 1,619,765	\$ 54,245	\$ 1,954,899
Net Income	\$ 1,397,330	\$ 46,796	\$ 1,239,192
Earnings Per Share (Pre-tax)	\$ 1.40	\$ 0.05	\$ 1.69
Earnings Per Share (After-tax)	\$ 1.20	\$ 0.04	\$ 1.07

MEGA BILLS FINANCE CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Interest income, net	\$ 2,838,161	\$ 95,049	\$ 3,969,761
Revenues other than interest, net	1,426,187	47,762	1,210,772
Net revenue	4,264,348	142,811	5,180,533
Provision for various reserves	(345,695)	(11,577)	(843,888)
Operating Expenses	(763,003)	(25,552)	(830,484)
Income before Income Tax	\$ 3,155,650	\$ 105,682	\$ 3,506,161
Net Income	\$ 2,654,897	\$ 88,911	\$ 2,858,622
Earnings Per Share (Pre-tax)	\$ 2.41	\$ 0.08	\$ 2.45
Earnings Per Share (After-tax)	\$ 2.02	\$ 0.07	\$ 2.00

CHUNG KUO INSURANCE CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Operating Revenues	\$ 10,947,658	\$ 366,633	\$ 10,510,228
Operating Costs	(10,204,294)	(341,738)	(9,147,078)
Gross operating profit	743,364	24,895	1,363,150
Operating Expenses	(825,742)	(27,654)	(865,858)
Non-Operating Revenues and Gains	14,976	502	11,631
Non-Operating Expenses and Losses	(13,659)	(458)	(17,032)
Income (loss) before Income Tax	(\$ 81,061)	(\$ 2,715)	\$ 491,891
Net income (loss)	(\$ 94,831)	(\$ 3,176)	\$ 209,592
Earnings (Loss) Per Share (Pre-tax)	(\$ 0.27)	(\$ 0.01)	\$ 1.64
Earnings (Loss) Per Share (After-tax)	(\$ 0.32)	(\$ 0.01)	\$ 0.70

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Operating Revenues	\$ 294,300	\$ 9,856	\$ 255,246
Operating Expenses	(196,447)	(6,579)	(169,203)
Net operating income	97,853	3,277	86,043
Non-Operating Revenues and Gains	155,364	5,203	13,813
Non-Operating Expenses and Losses	(20)	(1)	(7,592)
Income (loss) before Income Tax	\$ 253,197	\$ 8,479	\$ 92,264
Net Income	\$ 202,358	\$ 6,777	\$ 67,703
Earnings Per Share (Pre-tax)	\$ 4.80	\$ 0.16	\$ 1.75
Earnings Per Share (After-tax)	\$ 3.84	\$ 0.13	\$ 1.28

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Operating Revenues	\$ 633,548	\$ 21,217	\$ 897,370
Operating Expenses	(149,034)	(4,991)	(320,289)
Net operating income	484,514	16,226	577,081
Non-Operating Revenues and Gains	103,702	3,473	34,111
Non-Operating Expenses and Losses	(87,740)	(2,938)	(80,005)
Income before Income Tax	\$ 500,476	\$ 16,761	\$ 531,187
Net Income	\$ 401,717	\$ 13,453	\$ 383,443
Earnings Per Share (Pre-tax)	\$ 2.50	\$ 0.08	\$ 2.66
Earnings Per Share (After-tax)	\$ 2.01	\$ 0.07	\$ 1.92

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Operating Revenues	\$ 371,386	\$ 12,438	\$ 224,217
Operating Costs	(302,588)	(10,134)	(181,364)
Gross operating profit	68,798	2,304	42,853
Operating Expenses	(17,607)	(590)	(16,953)
Non-Operating Revenues and Gains	4,203	141	6,063
Non-Operating Expenses and Losses	(18)	(1)	(43)
Income before Income Tax	\$ 55,376	\$ 1,854	\$ 31,920
Net Income	\$ 45,960	\$ 1,539	\$ 23,946
Earnings Per Share (Pre-tax)	\$ 27.69	\$ 0.93	\$ 15.96
Earnings Per Share (After-tax)	\$ 22.98	\$ 0.77	\$ 11.97

MEGA VENTURE CAPITAL CO., LTD.
CONDENSED INCOME STATEMENTS
For the years ended December 31, 2010 and 2009
(Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	For the year ended December 31, 2010		For the year ended December 31, 2009
	NT\$	US\$	NT\$
Operating Revenues	\$ 361,981	\$ 12,123	\$ 268,143
Operating Costs	(293,634)	(9,834)	(204,506)
Gross operating profit	68,347	2,289	63,637
Operating Expenses	(30,422)	(1,019)	(29,985)
Non-Operating Revenues and Gains	134	5	1,025
Income before Income Tax	\$ 38,059	\$ 1,275	\$ 34,677
Net Income	\$ 36,287	\$ 1,215	\$ 32,699
Earnings Per Share (Pre-tax)	\$ 0.38	\$ 0.01	\$ 0.35
Earnings Per Share (After-tax)	\$ 0.36	\$ 0.01	\$ 0.33

(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	
		For the year ended December 31, 2010	For the year ended December 31, 2009
Return on assets	Pre-tax	6.77	6.66
	After tax	6.68	6.64
Return on equity	Pre-tax	7.72	7.70
	After tax	7.62	7.68
Net profit margin		93.67	94.22

UNIT : %

Items		MEGA FINANCIAL HOLDING CO., LTD AND ITS SUBSIDIARIES	
		For the year ended December 31, 2010	For the year ended December 31, 2009
Return on assets	Pre-tax	0.74	0.78
	After tax	0.61	0.58
Return on equity	Pre-tax	9.38	10.18
	After tax	7.62	7.66
Net profit margin		36.09	30.89

(b) Subsidiaries:

UNIT : %

Items		MICB	
		For the year ended December 31, 2010	For the year ended December 31, 2009
Return on assets	Pre-tax	0.61	0.62
	After tax	0.51	0.50
Return on equity	Pre-tax	8.57	8.81
	After tax	7.12	7.16
Net profit margin		35.78	31.36

UNIT : %

Items		MBF	
		For the year ended December 31, 2010	For the year ended December 31, 2009
Return on assets	Pre-tax	1.52	1.51
	After tax	1.28	1.23
Return on equity	Pre-tax	9.65	10.60
	After tax	8.12	8.64
Net profit margin		62.26	55.18

UNIT : %

Items		MS	
		For the year ended December 31, 2010	For the year ended December 31, 2009
Return on assets	Pre-tax	3.61	4.19
	After tax	3.11	2.66
Return on equity	Pre-tax	11.06	14.14
	After tax	9.54	8.96
Net profit margin		29.13	21.22

UNIT : %

Items		CKI	
		For the year ended December 31, 2010	For the year ended December 31, 2009
Return on assets	Pre-tax	(0.57)	3.61
	After tax	(0.66)	1.54
Return on equity	Pre-tax	(1.72)	10.93
	After tax	(2.01)	4.66
Net profit margin		(0.87)	1.99

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 ÷ Net revenues

(4) Net income (loss) pre-tax / after-tax refers to the income (loss) for the years ended December 31, 2010 and 2009.

B. Asset quality

(a) MICB

Non-performing loans and overdue accounts

Unit : thousands of New Taiwan dollars, %

Unit: thousands of New Taiwan dollars, %

Month / Year Business / Items		December 31, 2010					
		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	\$ 1,092,143	\$ 484,392,232	0.23%	\$ -	-	
	Unsecured loans	2,165,150	568,522,218	0.38%	-	-	
Consumer banking	Residential mortgage loans (Note 4)	1,179,934	198,875,840	0.59%	-	-	
	Cash card services	-	-	-	-	-	
	Small amount of credit loans (Note 5)	66,401	12,398,442	0.54%	-	-	
	Others (Note 6)	Secured loans	41,007	65,460,160	0.06%	-	-
		Unsecured loans	244	477,541	0.05%	-	-
Gross loan business		4,544,879	1,330,126,433	0.34%	10,406,792	228.98%	
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio	
Credit card services		20,954	4,154,998	0.50%	79,131	377.64%	
Without recourse factoring (Note 7)		261,335	87,419,330	0.30%	361,088	138.17%	

Unit : thousands of US dollars, %

Unit: thousands of US dollars, %

Month / Year Business / Items		December 31, 2010					
		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	\$ 36,575	\$ 16,222,111	0.23%	\$ -	-	
	Unsecured loans	72,510	19,039,592	0.38%	-	-	
Consumer banking	Residential mortgage loans (Note 4)	39,516	6,660,276	0.59%	-	-	
	Cash card services	-	-	-	-	-	
	Small amount of credit loans (Note 5)	2,224	415,219	0.54%	-	-	
	Others (Note 6)	Secured loans	1,373	2,192,236	0.06%	-	-
		Unsecured loans	8	15,993	0.05%	-	-
Gross loan business		152,206	44,545,427	0.34%	348,519	228.98%	
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio	
Credit card services		702	139,149	0.50%	2,650	377.64%	
Without recourse factoring (Note 7)		8,752	2,927,640	0.30%	12,093	138.17%	

Unit: thousands of New Taiwan dollars, %

Business / Items		Month / Year	December 31, 2009				
		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%	

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

Unit: thousands of NT dollars

	December 31, 2010		December 31, 2009	
	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)	\$ 215	\$ -	\$ 273	\$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	\$ 354	\$ 5,836	\$ 133	\$ 6,147
Total	\$ 569	\$ 5,836	\$ 406	\$ 6,147



Unit: thousands of US dollars

	December 31, 2010	
	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)	\$ 7	\$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	12	195
Total	19	195

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, 2010		December 31, 2009
	NT\$	US\$	NT\$
Guarantees in arrear and guaranteed credits overdue for longer than three months	\$ 870	\$ 29	\$ -
Overdue credits (non-accrual loans are inclusive)	100,827	3,377	373,539
Loans under surveillance	646,900	21,664	860,000
Overdue receivables	100,827	3,377	373,539
Ratio of overdue credits (%) (Note)	0.09	0.09	0.38
Ratio of overdue credits plus ratio of loans under surveillance (%)	0.65	0.65	1.24
Provision for bad debts and guarantees as required by regulation	2,674,543	89,569	2,795,771
Provision for bad debts and guarantees actually reserved	2,903,376	97,233	3,039,239

Note 1: Loan overdue refers to loans that lack guarantees and endorsements for over three month after repayment date, or within three months but the principal and subordinate debtors have been charged with legal action or have disposed collaterals.

Note 2: 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, 2010

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	\$1,496,857,266	\$ 467,027,631	\$ 103,525,413	\$ 90,477,976	\$ 158,225,078	\$ 677,601,168
Primary funds outflow upon maturity	1,603,222,573	313,093,471	209,934,275	154,447,153	213,350,800	712,396,874
Gap	(106,365,307)	153,934,160	(106,408,862)	(63,969,177)	(55,125,722)	(34,795,706)

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, 2010

Unit: In Thousands of US 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	\$ 50,129,178	\$ 15,640,577	\$ 3,467,027	\$ 3,030,073	\$ 5,298,897	\$ 22,692,604
Primary funds outflow upon maturity	53,691,312	10,485,381	7,030,619	5,172,376	7,145,037	23,857,899
Gap	(3,562,134)	5,155,196	(3,563,592)	(2,142,303)	(1,846,140)	(1,165,295)

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, 2010

Unit: In Thousands of US 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	\$ 23,729,484	\$ 7,469,831	\$ 4,668,931	\$ 3,499,122	\$ 2,608,185	\$ 5,483,415
Primary funds outflow upon maturity	23,949,735	13,921,596	2,464,581	1,442,066	1,916,949	4,204,543
Gap	(220,251)	(6,451,765)	2,204,350	2,057,056	691,236	1,278,872

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, 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 Dollar, %

	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.

D. Interest rate sensitivity analysis on assets and liabilities

(a) MICB

Interest rate sensitivity analysis on assets and liabilities (NT Dollars) December 31, 2010

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	\$ 488,075,251	\$ 601,370,042	\$ 24,976,015	\$ 23,511,621	\$ 1,137,932,929
Interest rate sensitive liabilities	465,624,184	481,987,169	30,002,532	36,423,081	1,014,036,966
Interest rate sensitive gap	22,451,067	119,382,873	(5,026,517)	(12,911,460)	123,895,963
Net worth					157,747,918
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					112.22%
Ratio of interest rate sensitivity gap to net worth					78.54%

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 (NT Dollars)
December 31, 2010

Unit: In Thousands of US Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 16,345,454	\$ 20,139,653	\$ 836,437	\$ 787,395	\$ 38,108,939
Interest rate sensitive liabilities	15,593,576	16,141,566	1,004,773	1,219,795	33,959,710
Interest rate sensitive gap	751,878	3,998,087	(168,336)	(432,400)	4,149,229
Net worth					5,282,918
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					112.22%
Ratio of interest rate sensitivity gap to net worth					78.54%

- 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, 2010

Unit: In Thousands of US Dollars, %

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 23,551,085	\$ 769,583	\$ 198,255	\$ 927,464	\$ 25,446,387
Interest rate sensitive liabilities	24,903,323	830,904	689,820	997	26,425,044
Interest rate sensitive gap	(1,352,238)	(61,321)	(491,565)	926,467	(978,657)
Net worth					5,347,387
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					96.30%
Ratio of interest rate sensitivity gap to net worth					-18.30%

- 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, 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, %

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).

(b) MBF

Interest rate sensitivity analysis on assets and liabilities (NT Dollars) December 31, 2010

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	\$ 110,202,423	\$ 6,597,874	\$ 8,784,465	\$ 76,841,471	\$ 202,426,233
Interest rate sensitive liabilities	172,758,458	1,302,012	-	-	174,060,470
Interest rate sensitive gap	(62,556,035)	5,295,862	8,784,465	76,841,471	28,365,763
Net worth					32,535,321
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					116.30%
Ratio of interest rate sensitivity gap to net worth					87.18%

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	\$ 82,666,749	\$ 12,570,569	\$ 10,259,924	\$ 88,910,076	\$ 194,407,318
Interest rate sensitive liabilities	162,474,817	2,657,687	59,537	-	165,192,041
Interest rate sensitive gap	(79,808,068)	9,912,882	10,200,387	88,910,076	29,215,277
Net worth					32,836,077
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					117.69%
Ratio of interest rate sensitivity gap to net worth					88.97%

- 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,				
	2010			2009	
	Average amount (NT\$)	Average amount (US\$)	Average interest rate (%)	Average amount (NT\$)	Average interest rate (%)
Assets					
Due from banks (including call loans to banks)	\$ 246,657,237	\$ 8,260,457	0.47	\$427,938,526	0.53
Due from the Central Bank	53,818,385	1,802,357	0.41	51,324,486	0.44
Financial assets held for trading purposes	268,143	8,980	8.74	623,050	4.50
Financial assets at fair value through profit or loss	22,389,850	749,828	2.38	26,947,407	1.66
Bills and bonds purchased under resale agreements	250,702	8,396	0.39	864,133	1.64
Available-for-sale financial assets	83,230,713	2,787,365	2.18	115,559,999	1.80
Receivables – credit card transaction with circulating interests	2,018,016	67,583	16.01	2,326,547	15.64
Receivables on factoring	52,203,989	1,748,292	0.84	26,779,740	1.04
Bills discounts and loans	1,267,280,790	42,440,750	1.93	1,279,368,230	2.14
Held-to-maturity financial assets	249,607,071	8,359,246	0.72	179,480,107	0.81
Other debt investments	74,088	2,481	7.44	326,607	6.56
Bills purchased	39,177	1,312	4.24	35,375	6.18
Liabilities					
Due to the Central Bank	188,252,446	6,304,503	0.26	363,842,014	0.27
Due to other banks	77,843,598	2,606,952	0.96	96,256,377	0.93
Demand deposits	436,927,720	14,632,543	0.07	357,599,428	0.07
Demand saving deposits	288,283,806	9,654,515	0.35	242,562,473	0.38
Time deposits	548,564,625	18,371,220	0.64	594,202,423	0.90
Time saving deposits	200,696,556	6,721,251	1.25	211,587,554	1.57
Negotiable certificate of deposits	1,795,845	60,142	0.13	2,176,747	0.63
Financial liabilities at fair value through profit or loss	21,639,952	724,714	1.98	34,343,228	2.23
Bonds and bills sold under repurchase agreements	3,031,431	101,521	0.18	5,320,358	0.19
Funds borrowed from the Central Bank and other banks	48,539,116	1,625,556	0.43	52,170,203	0.74
Financial bonds payable	25,399,806	850,630	2.01	29,531,847	2.15

(b) MBF

	For the years ended December 31,				
	2010			2009	
	Average amount (NT\$)	Average amount (US\$)	Average interest rate (%)	Average amount (NT\$)	Average interest rate (%)
Assets					
Cash and cash equivalents	\$ 1,036,805	\$ 34,722	0.16	\$ 1,053,449	0.17
Financial assets at fair value through profit or loss	105,510,126	3,533,494	0.68	110,347,047	1.06
Bills and bonds purchased under resale agreements	278,479	9,326	0.37	10,415,285	0.27
Available-for-sale financial assets	90,662,363	3,036,248	2.88	108,603,489	2.99
Held-to-maturity financial assets	282,329	9,455	3.31	378,767	3.05
Liabilities					
Due to banks	6,702,079	224,450	0.43	8,166,381	0.23
Bonds and bills sold under repurchase agreements	166,583,192	5,578,808	0.29	199,008,429	0.25

Bonds and bills purchased under resale and repurchase agreements include head office accounts for 2009.

F. Net position for major foreign currency transactions

MICB

	December 31, 2010		December 31, 2009	
	Currency (Long/Short)	NT\$ (in thousands)	Currency (Long/Short)	NT\$ (in thousands)
Net position for major foreign currency transactions (Market Risk)	THB (Long)	\$ 4,992,683	THB (Long)	\$ 4,756,258
	USD (Long)	2,619,052	EUR (Long)	2,439,781
	AUD (Long)	2,146,480	USD (Long)	2,217,730
	EUR (Long)	1,949,559	AUD (Long)	1,633,434
	CAD (Long)	951,377	CAD (Long)	948,968

Note 1 : The major foreign currencies are the top 5 currencies by position, which is expressed in New Taiwan dollars after exchange rate conversion.

Note 2 : Net position represents an absolute value of each currency.

The NT dollar exchange rates against U.S. dollars of December 31, 2009 and 2010 were 1 : 30.18 and 1 : 29.50, respectively. As of December 31, 2009 and 2010, net U.S. currency position was USD\$2,439,781 thousand and USD\$2,619,052 thousand, respectively.

G. Extraordinary Items : (Please refer to page 183-184 of the Consolidated 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 185-187 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 188 of the Consolidated Financial Statements)
- B. Acquisition individual real estate, at costs or prices of at least NT\$300 million or 10% of the issued capital: None.
- C. 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:

Creditor	Counterparty	Relationship	Balance as at December 31, 2010	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
MICB	MITC	Affiliate controlled by Mega Financial Holdings	\$ 616,918	Not applicable for financial industry	\$ 616,918	Negotiated actively with MITC for repayment	\$ 616,918	-

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

MICB

(a) Summary of selling non-performing loans

December 31, 2010

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
2010.08.11	Merrill Lynch Investment Managers	Corporate lending	\$ -	\$ 48,977	\$ 48,977	None	None
2010.08.16	Bank of America, N.A.	Corporate lending	-	140,055	140,055	None	None
2010.09.07	Deutsche Bank, London Branch	Corporate lending	-	24,337	24,337	None	None
2010.12.08	Goldmans Sachs	Corporate lending	-	49,187	49,187	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.

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.

(2) Information on the investees :

A. Supplementary disclosure regarding investee companies: (Please refer to page 190-195 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. Information on financial derivative transactions: None.

D. Acquisition or disposal of individual real estate, at costs or prices of at least NT\$300 million or 10% of the issued capital: None.

E. Allowance for service fees to related parties amounting to at least NT\$5 million: None.

F. Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: None.

G. Sale of non-performing loans : None.

H. 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.

I. Other significant transactions which may affect the decisions of users of financial reports: None.

J. Funds lent to others: None.

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES-Mega Securities Co., Ltd.
Endorsement/Guarantees Provided
For the year ended December 31, 2010
(Expressed in Thousands of New Taiwan Dollars/ Expressed in Dollars of Foreign currency)

No. (Note 1)	Endorsement / Guarantee Provider	Counterparty		Limits on Endorsement / Guarantee Amounts (Note 3 (2))	Maximum Balance for the Period	Ending Balance	Endorsement / Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement / Guarantee to Net Asset Value of the Latest Financial Statement (Note 4)	Maximum Endorsement / Guarantee Amounts Allowable (Note 3(1))
		Name	Nature of Relationships (Note 2)						
1	Mega Securities Holdings Ltd.	Mega Securities (Hong kong) Co., Ltd.	2	\$ 274,040	\$ 149,920 (HKD 40,000)	\$ 149,920 (HKD 40,000)	-	27.35%	\$ 548,080
					\$ 149,920	\$ 149,920			

Note 1 : The numeric numbers assigned for Mega Securities CO., LTD. and subsidiaries endorsement is in accordance to the following rules:

- (1) 0 for endorsement issuer.
- (2) Subsidiaries are numbered in sequence from 1.

Note 2 : The counterparties of endorsement / guarantees provided are classified into the following six groups.

- (1) Companies that establish business relationships.
- (2) Subsidiaries of which the Company directly hold more than 50% of the common shares.
- (3) Investee companies of which the Company and its subsidiaries together hold more than 50% of common shares.
- (4) Parent companies of which the Company directly holds or its subsidiaries indirectly hold more than 50% of common shares.
- (5) Companies that are obligated to mutual endorsement/ guarantee agreement based on contract to jobs.
- (6) Companies that are obligated to provide endorsement/ guarantees proportional to relative shareholdings due to mutual investment relationships.

Note 3 : Pursuant to the rules stipulated in Mega Securities CO., LTD. "Supervision Management Procedures for Subsidiaries", the subsidiaries are required to follow the Company's procedures in providing endorsement / guarantees.

- (1) The amount of endorsement / guarantees provided by the Company should not exceed 20% of the Company's net worth.
- (2) The amount of endorsement / guarantees provided to each individual overseas subsidiary should not exceed 50% of the Company's net worth.
The net worth for the year ended December 31, 2010 is \$548,080 thousand × 50% = \$274,040 thousand.
The ratio accumulated amount of endorsement / guarantee to net asset value of the latest financial statement = \$149,920 thousand / net worth for the year ended December 31, 2010 of \$548,080 thousand = 27.35%.

K. Securities held at the end of period : (Please refer to page 198-205 of the Consolidated Financial Statements)

(3) Information on investments in Mainland China:

A. The Company: None.

B. Subsidiaries: (Please refer to page 206-207 of the Consolidated Financial Statements)

(4) Significant transactions between parent company and subsidiaries

(Please refer to page 208-211 of the Consolidated Financial Statements)

12. Disclosure of financial information by segments

1. Financial information by business segments:

Unit: In Thousands of NT Dollars, %

Items	For the year ended December 31, 2010					
	Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	\$ 41,414,649	\$ 4,484,065	\$ 4,942,406	\$ 776,102	\$ 1,416,633	\$ 53,033,855
General expense						(23,337,148)
Interest expense						(11,057,015)
Income before income taxes						\$ 18,639,692
Asset attributable to specific departments	\$2,210,078,060	\$ 47,326,295	\$ 209,496,390	\$ 14,924,463	\$ 25,307,953	\$ 2,507,133,161
Equity investments accounted for by the equity method						2,574,762
Total assets						\$ 2,509,707,923

Unit: In Thousands of US Dollars, %

Items	For the year ended December 31, 2010					
	Bank Department	Securities Department	Bills Department	Insurance Department	Other Department	Total
Revenues from non-affiliated parties	\$ 1,386,961	\$ 150,170	\$ 165,519	\$ 25,991	\$ 47,442	\$ 1,776,083
General expense						(781,552)
Interest expense						(370,295)
Income before income taxes						\$ 624,236
Asset attributable to specific departments	\$ 74,014,670	\$ 1,584,939	\$ 7,015,954	\$ 499,815	\$ 847,554	\$ 83,962,932
Equity investments accounted for by the equity method						86,228
Total assets						\$ 84,049,160

Unit: In Thousands of NT Dollars, %

Items	For the year ended December 31, 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 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



2. Financial information by geographic area

Unit: In Thousands of NT Dollars, %

	For the year ended December 31, 2010				
	Domestic (including OBU)	North America	Other Overseas Operating Departments	Adjustment and elimination	Total
Revenue from customers outside the Company and its subsidiaries	\$ 44,461,745	\$ 2,325,370	\$ 6,246,740	\$ -	\$ 53,033,855
Revenue from customers in the Company and its subsidiaries	40,061,231	97,819	563,300	(40,722,350)	-
Total revenue	\$ 84,522,976	\$ 2,423,189	\$ 6,810,040	(\$ 40,722,350)	\$ 53,033,855
Profit or loss	\$ 16,466,449	\$ 1,100,554	\$ 1,072,689	\$ -	\$ 18,639,692
Asset attributable to specific departments	\$ 1,974,853,974	\$ 302,873,069	\$ 231,980,880	\$ -	\$ 2,509,707,923

Unit: In Thousands of US Dollars, %

	For the year ended December 31, 2010				
	Domestic (including OBU)	North America	Other Overseas Operating Departments	Adjustment and elimination	Total
Revenue from customers outside the Company and its subsidiaries	\$ 1,489,007	\$ 77,876	\$ 209,201	\$ -	\$ 1,776,084
Revenue from customers in the Company and its subsidiaries	1,341,635	3,276	18,865	(1,363,776)	-
Total revenue	\$ 2,830,642	\$ 81,152	\$ 228,066	(\$ 1,363,776)	\$ 1,776,084
Profit or loss	\$ 551,455	\$ 36,857	\$ 35,924	\$ -	\$ 624,236
Asset attributable to specific departments	\$ 66,137,106	\$ 10,143,103	\$ 7,768,951	\$ -	\$ 84,049,160

Unit: In Thousands of NT Dollars, %

	For the year ended December 31, 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	\$ 115,797,864	\$ -	\$ 2,497,531,583

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, 2010.

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 215-216 of the Consolidated Financial Statements)

14. THE PROSPECTIVE RISK FOR FUTURES TRADING:

(Please refer to page 217 of the Consolidated Financial Statements)



Review of Financial Conditions,
Operating Results,
and Risk Management



Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unconsolidated

Unit: NT\$1,000

Item \ Year	2010	2009	Difference	
			Amount	%
Cash and Cash Equivalents	2,689,068	3,973,949	(1,284,881)	(32.33)
Available for Sale Financial Assets	7,147,325	4,326,506	2,820,819	65.20
Receivables	2,182,939	2,109,325	73,614	3.49
Equity Investments Accounted for by the Equity Method	214,061,392	212,270,268	1,791,124	0.84
Property and Equipment	702,490	727,187	(24,697)	(3.40)
Other Financial Assets	762,046	762,046	0	0
Other Assets	200,888	264,016	(63,128)	(23.91)
Total Assets	227,746,148	224,433,297	3,312,851	1.48
Payables	11,083,061	9,289,859	1,793,202	19.30
Bonds Payable	15,750,000	19,450,000	(3,700,000)	(19.02)
Other Liabilities	41,967	38,858	3,109	8.00
Total Liabilities	26,875,028	28,778,717	(1,903,689)	(6.61)
Capital Stock	110,594,262	110,594,262	0	0
Capital Surplus	43,426,403	43,426,403	0	0
Retained Earnings	35,967,476	31,916,182	4,051,294	12.69
Equity Adjustments	10,882,979	9,717,733	1,165,246	11.99
Total Stockholders' Equity	200,871,120	195,654,580	5,216,540	2.67

Analysis of changes in financial ratios:

1. The increase in cash and cash equivalents was mainly due to repayment of corporate bonds due in 2010.
2. The increase in Available for Sale Financial Assets was mainly due to recovered gain from Available for Sale Financial Assets-Taiwan Business Bank.
3. The decrease in other assets was mainly due to decline in deferred income tax assets.

7.2 Analysis of Operational Results

Unconsolidated

Unit: NT\$1,000

Item \ Year	2010	2009	Difference	
			Amount	%
Investment Income from Equity Investments Accounted for by the Equity Method	16,099,414	15,190,437	908,977	5.98
Other Income	32,537	21,403	11,134	52.02
Operating Expenses	339,879	328,786	11,093	3.37
Other Expenses and Losses	490,879	514,215	(23,336)	(4.54)
Income Before Income Tax from Continuing Operations	15,301,193	14,368,839	932,354	6.49
Income After Income Tax from Continuing Operations	15,110,720	14,331,894	778,826	5.43
Net Income	15,110,720	14,331,894	778,826	5.43

Analysis of changes in financial ratios: Increase in other income was largely attributed to rise in interest income.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2010

Unconsolidated

Item \ Year	2010	2009	Variance (%)
Cash Flow Ratio (%)	581.84	215.68	169.77
Cash Flow Adequacy Ratio (%)	91.62	79.92	14.64
Cash Reinvestment Ratio (%)	218.29	59.70	265.64

Analysis of financial ratio change:

1. Decline in the cash flow ratio was primarily attributable to reduction in net cash provided by operating activities.
2. Cash reinvestment ratio grew was due to increase in net cash flows from operations, deducting cash dividends paid.

7.3.2 Cash Flow Analysis for 2011

Unit: NT\$1,000

Expected 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
1,040,000	10,292,704	11,232,704	100,000	N.A.	N.A.

Analysis of Cash Flow:

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

7.4 Investment Policies in 2010

- 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.

In 2010, the company posted a net profit after tax of NT\$11,171,687 thousand, a growth of 4.76% from 2009. The main factors contributing to the profit growth were a stabilized international financial market, a recovery in asset value, a reduction in bad debts and provisions, and an optimized risk management system.

Mega Securities Co., Ltd.

In 2010, the company recorded a net profit after tax of NT\$1,397,330 thousand, an increase of 12.76% from 2009. With the global economic recovery and the continued growth in the stock market after the financial tsunami, the company has seen a growth in both the underwriting income and interest income.

Mega Bills Finance Co., Ltd.

In 2010, the company posted a net profit after tax of NT\$2,654,897 thousand, a drop of 7.13% from 2009. The company's bills business has seen a decline in the net income mainly because of the fierce market competition and the fact that the Central Bank raised interest rates and resulted in a narrowing interest spread. The bond business of the company has also seen a decrease in net income since some high yield bonds were repaid at their maturity and the cost of bond RP/RS transactions rose with the Central Bank raising interest rates. For the bond business, the company plans to widen interest spread and increase income by extending its niche client base within legal limits and increasing issuance in the primary bills market. The company also seeks to tighten control on cost of bond RP/RS transactions, and buy back bonds as opportunities arise in the market in a timely manner to increase bond yield. Additionally, the company will accelerate the pace of NPL disposal and recovery.

Chung Kuo Insurance Co., Ltd.

In 2010, the company posted a loss after tax of NT\$94,831 thousand mainly because Typhoon Fanapi and the fire incidents in Formosa Petrochemical Corporation, Nanya Technology Corporation, and ETANSI resulted in a loss in the underwriting profit. The company will focus on the research and development of new insurance products, ensure underwriting profit, increase financial returns, control operating cost, and strengthen internal control and risk management to enhance its overall operation performance.

Mega Asset Management Co., Ltd.

In 2010, the company recorded a net profit after tax of NT\$401,717 thousand, an increase of 4.77% from 2009, mainly due to an aggressive sell-off NPLs and the higher prices for NPLs.

Mega Life Insurance Agency Co., Ltd.

In 2010, the company recorded a net profit after tax of NT\$45,960 thousand, an increase of 91.93% from 2009, mainly because the company actively participated in exploring business opportunities, increased commission income, and reduced operation expenses.

Mega Venture Capital Co., Ltd.

In 2010, the company posted a net profit after tax of NT\$36,287 thousand, a growth of 10.97% from 2009, mainly due to the fact that the company carried out an aggressive investment plan and a sound disposal of stock which increased the proceeds and dividend income.

Mega International Investment Trust Co., Ltd.

In 2010, the company posted a net profit after tax of NT\$202,358 thousand, an increase of 198.89% from 2009. The two main growth factors were a reversal of provision for loss resulting from the Lehman Brothers incident and an increase in management fee income due to an enlarged fund scale, which is attributed to a good performance of mutual funds and aggressive business expansion.

Taipei Financial Center Corporation

In 2010, the company recorded a net profit after tax of NT\$285 million, a turn to profit from a net loss after tax of NT\$179 million in 2009. The main reasons for a turn from loss to profit were an increase in revenue of NT\$1,988 million, a reduction in operating expenses of NT\$27 million, and a drop in net non-operational income and expenses of NT\$90 million. In 2010, the Taipei 101 Shopping Mall achieved 121.47% of its annual revenue budget. And the Taipei 101 Office Tower has also seen a growth from 2009 in its occupancy rate, rent collection rate, and average monthly rental fees.

Taiwanpay Corporation

In 2010, the company posted a net profit after tax of NT\$212 thousand, a turn to profit from a net loss after tax of NT\$5,433 thousand in 2009, mainly due to a reduction in operating cost. The company's operating loss was reduced to NT\$862 thousand as a result of a decline in operating expenses of NT\$3,230 thousand. Additionally, unrealized gains on investment of four bond funds contributed to the net non-operating income and expense of NT\$1,074 thousand. In January 2010, the company appointed a new president to focus on expense reduction and business transformation to ensure a sustainable management.

Taiwan Depository & Clearing Corporation

In 2010, the company recorded a net profit after tax of NT\$1,605 million, an increase of 16.98% from a net profit after tax of NT\$1,372 million in 2009, mainly due to an increase of income from bill/bond clearing and deposit services of NT\$39 million, a reduction in operating expenses of NT\$35 million, and a drop in income tax expense of NT\$131 million.

Taiwan Business Bank

In 2010, the bank posted a net profit before tax of NT\$2,374 million, a growth of 46.91% from a net profit before tax of NT\$1,616 million in 2009, mainly due to a drop in operating cost (not including provisions) of NT\$1,761 million and an increase in provisions of NT\$461 million despite a decline in operating revenue of NT\$461 million. In September 2010, the bank increased capital by earnings recapitalization, and distributed a stock dividend of NT\$0.4 per share. The bank's share capital was raised from NT\$38,736 million to NT\$40,285 million.

7.6 Investment Plans for 2011

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. Besides, We will continue to evaluate the feasibility and opportunity of entering China's financial market.



7.7 Analysis of Risk Management

7.7.1 Risk Management Structure

As the highest authority and the policy-making body for the Group's risk management, the Board of Directors of the Company takes ultimate responsibility for the Group's risk management system and its effective operation. The Risk Management Committee, which reports to the Board and meets once every two months, takes charge of formulating the Group's risk management policy, and supervising the operation of the risk management mechanisms of its subsidiaries. The Risk Management Department 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.

The bank, bills, securities, insurance and asset management subsidiaries of the Company have set up Risk Management Committees responsible for overseeing risk management objectives and execution. All subsidiaries have had risk management departments in place to perform their risk management tasks. In addition, the internal audit departments verify the effectiveness of the risk management mechanism on a periodic basis.

7.7.2 Risk Management Policy

The purposes of our risk management policy are to build mechanisms for identifying, evaluating, responding to, supervising, and controlling risks arising from various businesses and to carry out consistent approaches to evaluate and manage all risks to ensure that the management team of the Company is well-informed regarding the Group's overall risk profile. Additionally, the policy aims to ensure the capital adequacy of our subsidiaries to pursue rationalized risk and reward.

7.7.3 Risk Management Tasks

The Company has set out mid- and long-term risk management goals for the Group, and has established a risk management strategy in line with Basel II as required by the competent authority. The major tasks of risk management are to set and monitor the annual risk management targets and early warning indicators for the Group; to enhance horizontal interaction among subsidiaries for the risk management practices; to encourage the implementation of advanced risk management tools and approaches; to supervise the subsidiaries building their risk management systems; to establish and amend the policy, regulations and limits of risk management for the Group; to review risk management rules and regulations; and to monitor capital adequacy, business risk exposure, and the risk concentrations of the subsidiaries. The Company's risk management tasks are described as follows:

1. Credit risk: supervising all subsidiaries developing credit risk management systems. Mega International Commercial Bank (MICB) is currently developing and maintaining the Internal Rating Model for Corporate Banking, the Mortgage Credit Score System, the Behavior Score System, and the Enforced Model Control Mechanism and has also completed the Client Credit Risk Clustering Enquiry System and Credit Risk Meta Analysis System. Main tasks performed by other subsidiaries are managing risk concentration and limits, setting early warning criteria, building monitoring mechanisms, strengthening computerized risk report processes, screening credit risks with models, and establishing counterparty management mechanism.

2. Market risk: carrying out research and development for the advanced market risk management tools, and improving data collection, analysis, and report of all risk positions within the Group. In addition to Summit, the financial transaction information system currently being developed by MICB, the Company's subsidiaries also manage market risks primarily by strengthening market risk management standards, analyzing and assessing domestic and global economic situations, monitoring risk limits of various financial products, and creating and submitting control reports on a daily basis.
3. Operational risk: continue supervising the subsidiaries developing operational risk management mechanisms. MICB has completed a loss event reporting system to manage operational risks. Through the real-time reporting system, the Bank is able to develop measures for improvement, and build up self assessment mechanism to identify and analyze the operational risk exposure and also to improve the control and management mechanism. The Company has also required other subsidiaries to conduct self assessment and to record loss events so that the operational risk management of the Group may be systematic and consistent.
4. Liquidity risk: monitoring liquidity risk position according to the risk management goals and risk limits; carrying out stress testing on a periodic basis; producing cash flow gap reports for reviews by the top management; and setting up mechanism for capital contingency management.
5. Other risk management tasks:

Building and maintaining inter-subsidiary risk management information systems, such as the credit rating enquiry system that provides the internal credit rating results for related subsidiaries. Other information platforms of the Group are Default Securities Settlement and Financial Highlights, and the Listed Company Watch List system.

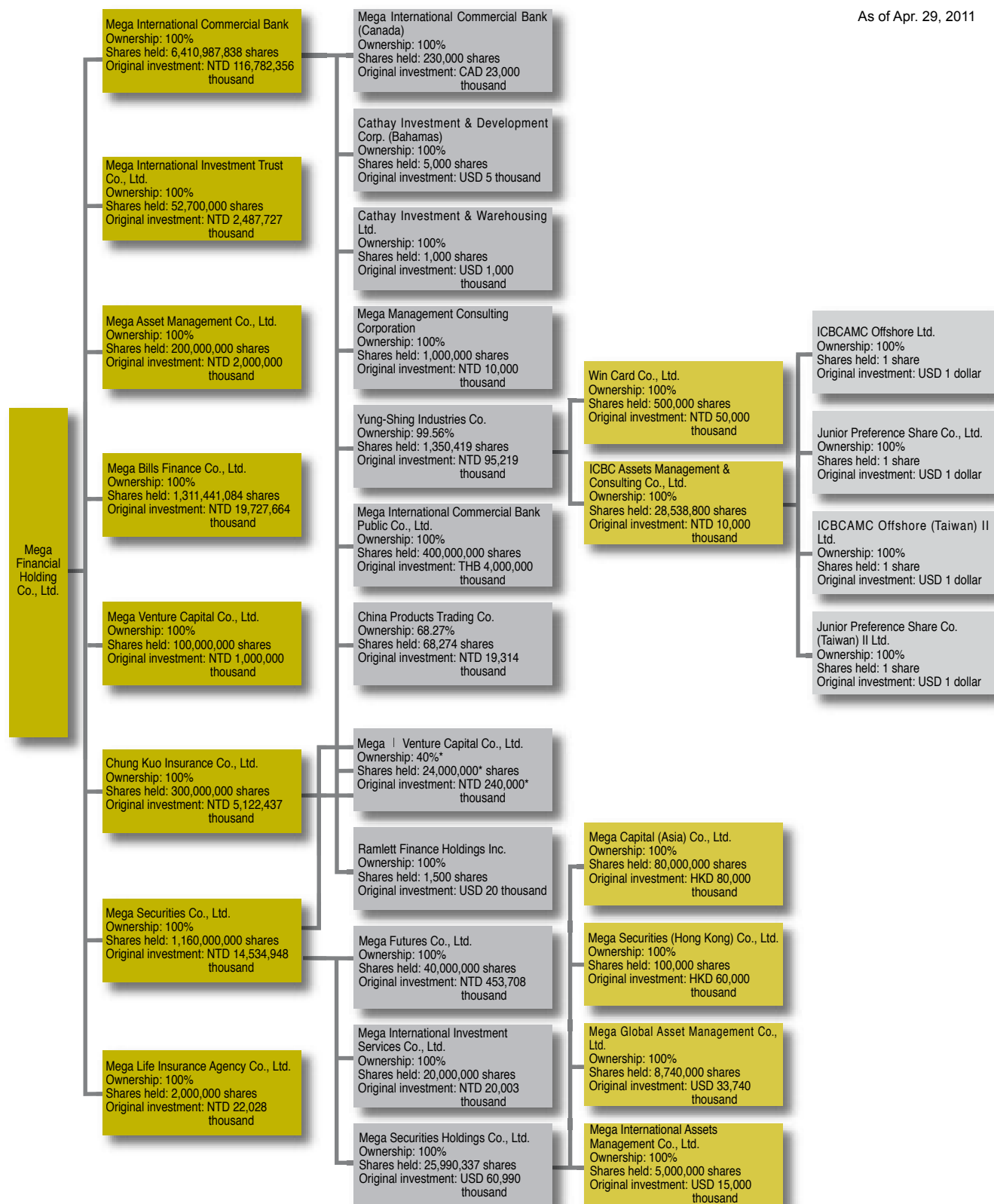
- Continue collecting and analyzing risk management information, such as improving credit risk management report and its automation; collecting and reporting loss information of operational risk of all subsidiaries on a monthly basis; and producing consolidated asset evaluation and capital adequacy reports of the Group on a quarterly basis.
- Following up and reporting of the Group's risk management cases and major risk events.
- Enhancing communication and cooperation among the Company, its subsidiaries and the auditing units to examine the operational risk management mechanisms.
- Developing a response plan to ensure Basel III compliance in capital requirements to reduce future operation impact.

Special Disclosure



8.1 Affiliated Companies Chart

As of Apr. 29, 2011



*Mega International Commercial Bank, Mega Securities Co., Ltd. and Chung Kuo Insurance Co., Ltd. held 25%, 10% and 5% stake, respectively in Mega I Venture Capital Co., Ltd.

**Cathay Insurance Company, Inc. was dissolved on May. 6, 2010

***Mega Insurance Brokers (Hong Kong) Co., Ltd. was dissolved on Feb. 25, 2011



8.2 Summary of Affiliated Companies

December 31, 2010
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.	08.09.1983	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 600,000	Venture capital investment
Mega Futures Co., Ltd.	07.29.1999	4F, No. 563, Sec. 4, Jhongsiao E. Road, Taipei, Taiwan	NTD 400,000	Futures brokerage business Futures Advisory Enterprises Securities Introducing Broker Other business approved by the Financial Supervisory Commission
Mega International Investment Services Co., Ltd.	12.10.1997	10F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 20,000	Securities investment advisory
Mega Securities Holdings Co., Ltd.	05.05.1997	Rooms 2201-07, 22/F, Cosco Tower, #183 Queen's Road Central, Hong Kong	USD 25,990	Investment Holding Business
Mega Global Asset Management Co., Ltd.	07.16.1998	Rooms 2206, 22/F, Cosco Tower, #183 Queen's Road Central, Hong Kong	USD 8,740	Investment related business
Mega Capital (Asia) Co., Ltd.	05.23.1997	Rooms 2213-14, 22/F, Cosco Tower, #183 Queen's Road Central, Hong Kong	HKD 80,000	Provide services in corporate finance, and investment advice on securities
Mega Securities (Hong Kong) Co., Ltd.	08.20.1992	Rooms 2201-07, 22/F, Cosco Tower, #183 Queen's Road Central, Hong Kong	HKD 60,000	Provide services in dealing in securities, futures contracts, and investment advice in securities
Mega International Asset Management Co., Ltd.	01.16.1998	Rooms 2201-02, 22/F, Cosco Tower, #183 Queen's Road Central, Hong Kong	USD 5,000	Investment related business

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, Chongyang Rd., Sanchong Dist., New Taipei City 24145, Taiwan, R.O.C	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 1	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, Panama	USD 20	Investment of Real Estate

Note: 1. Mega International Commercial Bank, Mega Securities Co., Ltd. and Chung Kuo Insurance Co., Ltd. held 25%, 10% and 5% stake, respectively in Mega I Venture Capital Co., Ltd.

Note: 2. Cathay Insurance Company, Inc. was dissolved on May 6, 2010.

Note: 3. Mega Insurance Brokers (Hong Kong) Co., Ltd. was dissolved on Feb. 25, 2011.



8.3 Operational Highlights of Affiliated Companies

As of December 31, 2010
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	2,197,272,241	2,039,524,323	157,747,918	31,227,321*	13,451,339*	11,171,687	1.74
Mega Securities Co., Ltd.	11,600,000	46,081,143	31,313,947	14,767,196	4,797,102	1,579,321	1,397,330	1.20
Mega Bills Finance Co., Ltd.	13,114,411	211,187,101	178,651,780	32,535,321	4,264,348*	3,155,650*	2,654,897	2.02
Chung Kuo Insurance Co., Ltd.	3,000,000	15,328,525	10,690,092	4,638,433	10,947,658	(82,378)	(94,831)	(0.32)
Mega International Investment Trust Co., Ltd.	527,000	1,076,436	198,823	877,613	294,300	97,853	202,358	3.84
Mega Asset Management Co., Ltd.	2,000,000	12,576,406	9,999,556	2,576,850	633,548	484,514	401,717	2.01
Mega Life Insurance Agency Co., Ltd.	20,000	128,486	51,384	77,102	371,386	51,191	45,960	22.98
Mega Venture Capital Co., Ltd.	1,000,000	951,388	11,404	939,984	361,981	37,925	36,287	0.36
Mega Management & Consulting Co., Ltd.	10,000	95,925	13,466	82,459	78,983	53,021	45,629	45.63
Mega I Venture Capital Co., Ltd.	600,000	631,248	21,965	609,283	345,167	69,514	64,556	1.07
Mega Futures Co., Ltd.	400,000	2,227,064	1,769,585	457,479	298,089	17,420	21,738	0.54
Mega International Investment Services Co., Ltd.	20,000	37,516	6,093	31,423	18,664	259	172	0.02
Mega Securities Holdings Co., Ltd.	753,634	549,290	1,209	548,081	42	(67,412)	(67,412)	(2.59)
Mega Capital (Asia) Co., Ltd.	299,840	280,985	1,936	279,049	4,623	(35,247)	(35,602)	(0.45)
Mega Global Asset Management Co., Ltd.	254,854	59,703	251	59,452	323,041	315,960	6,812	0.20
Mega Securities (Hong Kong) Co., Ltd.	224,880	1,190,058	1,091,027	99,031	65,975	(59,058)	(58,984)	(589.82)
Mega International Asset Management Co., Ltd.	144,148	100,825	1,114	99,711	82,484	19,464	22,960	4.58
China Products Trading Co.	5,000	62,828	21,667	41,161	1,949	1,128	871	8.71
Yung-Shing Industries Co.	135,644	1,494,598	576,121	917,478	200,584	3,172	37,668	27.77
Win Card Co., Ltd.	50,000	86,489	16,428	70,061	168,717	11,959	10,209	20.42
ICBC Assets Management & Consulting Co., Ltd.	285,388	352,046	65,356	286,690	8,239	(1,881)	7,442	0.26
ICBCAMC Offshore Ltd.	0.0295	33,912	1,507	32,405	312	(327)	(327)	(327,411.97)
Junior Preference Share Co., Ltd.	0.0295	266,109	0	266,109	85	652	652	651,961.57
ICBCAMC Offshore (Taiwan) II Ltd.	0.0295	10,022	1,967	8,055	42	(54)	(54)	(53,756.08)
Junior Preference Share Co. (Taiwan) II Ltd.	0.0295	44,198	59,000	(14,802)	(11,808)	(11,809)	(11,809)	(11,808,754.93)

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 (Canada)	678,771	6,974,848	5,988,062	986,786	222,139*	229,004*	76,183	331.10
Mega International Commercial Bank Public Co., Ltd.	3,915,200	16,030,285	11,086,290	4,943,995	515,479*	458,053*	170,384	0.43
Cathay Investment & Warehousing Ltd.	29,500	103,040	8,514	94,526	4,467	(2,208)	(2,208)	(2,207.63)
Cathay Investment & Development Corp. (Bahamas)	148	284,262	0	284,262	4,122	656	656	131.10
Ramlett Finance Holdings Inc.	590	61,770	63,947	(2,177)	9,812	228	160	106.38
Mega Insurance Brokers (Hong Kong) Co., Ltd.	391	0	0	0	0	0	0	0

Note: 1. Cathay Insurance Company, Inc. was dissolved on May 6, 2010.

2. Mega Insurance Brokers (Hong Kong) Co., Ltd. was dissolved on Feb. 25, 2011.

3. 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.

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

Balance Sheet Items	Income Statement Items	Company Name
USD1=NTD29.5000	USD1=NTD31.4547	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 & Warehousing Limited, and Ramlett Finance Holdings Inc.
CAD1=NTD29.5118	CAD1=NTD30.3759	Mega International Commercial Bank (Canada)
THB1=NTD0.9788	THB1=NTD0.9927	Mega International Commercial Bank Public Co., Ltd.
HKD1=NTD3.7480	HKD1=NTD4.0540	Mega Securities Holdings Co., Ltd., Mega Global Asset Management Co., Ltd., Mega Capital (Asia) Co., Ltd., Mega Securities (Hong Kong) Co., Ltd., and Mega International Asset Management Co., Ltd.



Spokesperson

Jui-Yun Lin, Executive Vice President

Email: jylin@megaholdings.com.tw

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

Deputy Spokesperson

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

Email: jentsai@megaholdings.com.tw

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

Headquarters

Mega Financial Holding Co., Ltd.

Address: 14, 16-20F, No. 123, Jhongsiao East Road, Section 2,
Taipei 100, Taiwan, R.O.C.

Tel: +886-2-2357-8888

Fax: +886-2-3393-8755

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

Stock Transfer Agent

Mega Securities Co., Ltd.

Address: 1F, No. 95, Jhongsiao E. Road, Sec. 2, Taipei 100, Taiwan

Tel: +886-2-3393-0898

Website: <http://www.mega.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 Hong Kong Limited

Address: 24/F One Pacific Place, 88 Queensway, Admiralty, Hong Kong

Tel: +1-212-553-0300

Auditors

PricewaterhouseCoopers Taiwan

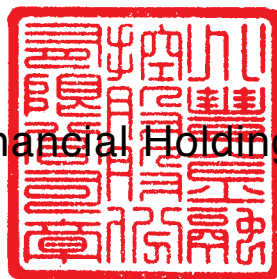
Address: 27F, No. 333, Keelung Road, Sec. 1, Taipei 110, Taiwan

Tel: +886-2-2729-6666

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



Mega Financial Holding Co., Ltd.



Chairman

A black ink handwritten signature, consisting of a series of fluid, connected strokes.