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Mega Financial Holding Co., Ltd.

Annual Report 2013

Stock Code：2886

Mega Financial Holding Co., Ltd.

Annual Report 2013

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Credit Rating Agency

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

C O N T E N T S

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Letter to Shareholders

Letter to Shareholders

Yeou-Tsair Tsai, Chairman

The failure to resolve sovereign debt issues in developed economies and slow recovery in job market lead to a tepid growth in the global economy in early 2013. However, global economic activity turned robust in the second half of 2013. The economies of the US and China accelerated steadily, and the Euro Zone also appeared to be on its way to recovery. According to preliminary data from the IMF in April 2014, the global economy grew by 3.0% in 2013. Looking forward to 2014, the global economy is expected to accelerate further, with forecasted growth rate of 3.6%, the highest level in three years. As a result, developed nations such as the US and UK will grow firmly and regain their position as the economic growth centers. However, we still need to monitor whether the tapering of Quantitative Easing and subsequent interest rate movements in the US will impact international capital movements and the stability of financial markets, as well as the risks that may arise from the slowing of economic growth and structural changes in China.

In terms of the domestic economy, the lackluster performance in developed and emerging economies since 2013 created stiff headwinds for export expansion in Taiwan, and investment by corporations was feeble. Furthermore, since wages did not grow at all, the recovery in consumer spending was also quite limited. According to preliminary data released by the Directorate-General of Budget, Accounting and Statistics in February 2014, the economy grew by 2.11% in 2013. In 2014, as the economies in developed countries recover and domestic consumer spending improves, growth is expected to reach 2.82%. However, this would be the third year in a row when growth has been lower than the global average.

Even though the global economic environment uncertainty remains and the domestic economy has insufficient strength, the Company and its subsidiaries maintained their impressive top-line growth and profitability. In 2013, the Company's consolidated net income after tax was NT$22,495 million, representing 8.17% growth compared to 2012, while after-tax EPS was NT$1.96, making us a top performer among financial holding companies. The profits at many of our subsidiaries were also the best in their respective sectors. The operation results of the Company in 2013 are shown below.

Letter to Shareholders

1.1 Review of Business Operations in 2013

1.1.1 Global and Domestic Financial Environment

Since Q3 2013, the US economy has grown steadily, the Chinese economy has regained its strength and the economy in the Euro Zone has also recovered slightly. The global economy grew steadily with major economies as the main drivers. International institutions have mostly predicted that global economic growth in 2014 will be better than in 2013. However, there are two potential new systemic risks: The first is the impact on emerging economies of the tapering of Quantitative Easing in the US, and the second is the debt of local governments and shadow banking in China – both of which accounted for about 40% of GDP. These two factors will continue to affect future global economic recovery.

Kuang-Si Shiu, President

Given these factors, even as international economic growth gradually improves, uncertainties will persist. With the domestic economy growing tepidly and inflation still a non-issue, the Board of Directors of the Central Bank resolved on December 26, 2013 to keep Rediscount Rate, Rate on Accommodations with Collateral, and Rate on Accommodations without Collateral unchanged for 10 consecutive quarters since July 2011, in the hope of stabilizing consumer prices and financial markets, as well as stimulating economic growth.

1.1.2 Organization Integration

As of the end of 2013, the number of subsidiary companies, in which the Company has direct controlling interest, remains the same as they are in 2012. 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 scope of a Financial Holding Company shall be limited to investment in, and management of, its invested enterprise(s). In 2013, 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 2nd in Taiwan's syndicated loan market with 10.29% of market share. By the end of 2013, the corporate loans business captured the third position among local banks, with a market share of 7.51%. Loans extended to small and medium sized enterprises had a market share of 6.93%, ranked 6th among local banks.

Consumer banking and wealth management

Mega International Commercial Bank's consumer loans outstanding reaching NT$349.8 billion by the end of 2013, up 19.39% from the previous year. The Bank and other subsidiaries of the Company together generated NT$2.57 billion of wealth management fees income in 2013, growing by 4% from the previous year. Listed below is the average volume of its business:

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

Item / Year	2013	2012	Change (%)
Deposits	1,773,013	1,611,683	10.01
Bills discounted and loans	1,555,742	1,497,498	3.89
Corporate financing	1,245,054	1,211,097	2.80
Consumers financing (Note 2)	310,688	286,401	8.48
Foreign exchange (US$)	811,456	767,763	5.69
Securities purchased	360,086	263,867	36.46
Long-term equity investments	26,343	27,617	(4.61)
Credit card loans	1,421	1,587	(10.97)

Note : 1. All figures above are average monthly balance.
2. Consumers financing excludes credit card loans.

Asset quality

The non-performing loans outstanding at the end of 2013 amounted to NT$2,695 million, representing a non-performing loan ratio of 0.16%, lower than the overall average for Taiwanese domestic banks of 0.38% as disclosed by the FSC. The bank's bad debt coverage ratio was 794.4%, higher than the industry average 319.18%.

Mega Securities Co., Ltd. (MSC)

Mega Securities Co., Ltd. achieved a market share of 3.11% in securities brokerage, ranked 9th in the local securities market. The company issued 1,510 warrants in total with a total amount of NT$13.9 billion. The company's operating volume in 2013 is shown in the following table:

Item		2013	2012	Change (%)
Securities brokerge	Market share (%)	3.11	3.25	(4.31)
Equity underwriting	Number of initial public offering lead managed by MSC	2	4	(50.00)
	Number of subsequent public offering lead managed by MSC	8	6	33.33
Bond underwriting	Number of issues lead managed by MSC	2	1	100.00
	Amount of issues lead managed by MSC (NT$ billion)	2.5	5.0	(50.00)
New financial products	Number of warrants issued	1,510	1,206	25.21
	Amount of warrants issued (NT$ billion)	13.9	10.5	32.38

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 30.99% and 32.91%, respectively. Bills trading in secondary markets also ranked 1st, with a market share of 34.42%. Bond trading had a market share of 32.94%, also topped the industry. As shown in the table below, the company's business volume in underwriting and purchase of bills rose by 9.84%, while guaranteed issues of commercial paper grew by 6.48% in 2013. The company's operating volume in 2013 is shown as follows:

Units: NT$ million

Item	2013	2012	Change (%)
Underwriting and purchase of bills	2,060,701	1,876,115	9.84
Guaranteed issues of commercial paper	1,815,104	1,704,681	6.48
Dealing in bills	8,012,401	9,430,418	(15.04)
Dealing in bonds	5,744,470	4,838,912	18.71
Guaranteed issues of commercial paper outstanding	139,224	133,996	3.90
Payments for overdue credits	0	0	0
Percentage of payments for overdue credits (%)	0	0	0

Chung Kuo Insurance Co., Ltd.

Chung Kuo Insurance Company's direct written premiums grew by 6.74% to NT$6,320 million, in 2013, with inward reinsurance premiums down by 11.16%. The company's operating performance in 2013 is shown as follows:

Unit: NT$ million

Item	2013	2012	Change (%)
Direct written premiums	6,319,614	5,920,683	6.74
Inward reinsurance premiums	660,137	743,095	(11.16)
Total	6,979,751	6,663,778	4.74

Mega International Investment Trust Co., Ltd.

Unit: NT$ million

Item	2013	2012	Change (%)
Public funds under management	85,242	74,857	13.87
Private funds under management	84	73	15.07
Discretionary account	142	132	7.58
Total	85,468	75,062	13.86

Mega Asset Management Co., Ltd.

Unit: NT$ million

Item	2013	2012	Change (%)
Gains from disposal of NPL and the underlying collateral	675	768	(12.11)
Rental revenues	56	42	33.33
Other revenues	67	112	(40.18)
Total	798	922	(13.45)

Mega Venture Capital Co., Ltd.

Unit: NT$ million

Item	2013	2012	Change (%)
Drawdown of long term equity investment	292	157	85.99
Original cost of long term equity investment	906	924	(1.95)

Mega Life Insurance Agency Company Co., Ltd.

Unit: NT$ million

Item	2013	2012	Change (%)
Commission income	975	1,214	(19.69)

1.1.4 Budget Implementation

The Company

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

Item	Final accounting figure, 2013	Budget figure, 2013	Implemented (%)
Revenues	23,781,764	19,346,099	122.93
Expenses and losses	626,883	683,004	91.78
Net income before tax from continuing operations	23,154,881	18,663,095	124.07
Net income	22,489,232	18,057,000	124.55
Earnings per share	1.96	1.58	124.05

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 Co., Ltd.	21,922,745	17,991,860	121.85
Mega Securities Co., Ltd.	495,223	953,367	51.94
Mega Bills Finance Co., Ltd.	3,054,201	2,505,224	121.91
Chung Kuo Insurance Co., Ltd.	415,917	346,990	119.86
Mega Asset Management Co., Ltd.	630,783	475,904	132.54
Mega Life Insurance Agency Co., Ltd.	173,987	120,981	143.81
Mega Venture Capital Co., Ltd.	40,576	21,184	191.54
Mega International Investment Trust Co., Ltd.	126,941	110,567	114.81

Mega Securities' net income before tax achieved only 51.94% of its budget in 2013 primarily due to declines in brokerage fee income resulting from the shrinkage of trading volume in the stock market.

1.1.5 Financial Results

Consolidated net profit before tax of the Company and its subsidiaries in 2013 was NT$27,000,082 thousand, an increase of NT$1,725,886 thousand or 6.83% compared to 2012. The growth in consolidated net profit before tax is mainly due to increase in net interest income of NT$1,704,053 thousand and revenue other than interest of NT$1,489,698 thousand, while the operating expenses and bad debts expense on loans increased by NT$1,467,875 thousand. The growth in revenue other than interest is due to increase of service fee revenue and commissions, foreign exchange gain and realized gain on available-for-sale financial assets, offset by the decrease of income from sale of bad debts as well as gain from financial assets and liabilities at fair value through profit or loss. A breakdown of the financial results of the Company and its subsidiaries in 2013 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 Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries	27,000,082	22,494,569	1.96	40.89*	0.77	9.95
Mega FHC (Unconsolidated)	23,154,881	22,489,232	1.96	94.57	8.91	9.96
Mega International Commercial Bank Co., Ltd.	21,922,745	18,806,038	2.64	41.48*	0.72	9.96
Mega Securities Co., Ltd.	495,223	501,835	0.43	17.93	1.17	3.61
Mega Bills Finance Co., Ltd.	3,054,201	2,630,483	2.01	72.02*	1.20	8.11
Chung Kuo Insurance Co., Ltd.	415,917	296,352	0.99	6.69	1.97	5.94
Mega Asset Management Co., Ltd.	630,783	561,863	2.81	71.62	5.68	20.02
Mega Life Insurance Agency Co., Ltd.	173,987	144,273	72.14	65.60	44.47	70.98
Mega Venture Capital Co., Ltd.	40,576	41,532	0.42	71.45	5.70	5.71
Mega International Investment Trust Co., Ltd.	126,941	120,077	2.28	33.50	13.73	14.65

Note: 1.*Net income ratio = Net income after tax / Net revenue
2. Return on assets = Net income after tax / Average assets; Return on equity = Net income after tax / Average equity

1.1.6 Research and Development

The Company and its subsidiaries' research and development progress in 2013 are summarized as follows:

A. The Company

- Assessing the feasibility of merger or acquisition of other financial institutions

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
- Submitting periodical and non-periodical research reports on the development of the global economic and financial situations

C. Securities subsidiary

- Accomplished establishment of Mega Electronic Commercial Banking Systems for wealth management, integrating domestic Home Trading System for Securities, Futures, Options, Emerging Stocks and Hong Kong Stocks market
- Developing securities lending services
- Creating all-product sales teams and developing sub-brokerage services with all our resources

D. Bills subsidiary

- Underwriting unsecured commercial papers issued by large corporations as a lead manager
- Promoting RMB bond service
- Performing offshore foreign currency bond proprietary trading

E. Non-life insurance subsidiary

- Developing a total of 111 new insurance products in 2013, including 49 "Use and File" products, and 62 "Simple Prior Approval" products

F. Investment trust subsidiary

- Offering one overseas funds, namely, the Mega Emerging Markets High Yield Bond Fund

1.2 Business Plan for 2014

1.2.1 Operating Guidelines

- Improving our network worldwide to build a foundation for evolving into a regional financial institution in Asia.
- Enhancing cross-selling to create synergy.
- Concentrate & focus on our core business, to create the greatest value for our shareholders.
- Enhancing the risk management system and related information system
- Promoting efficient capital management, reducing tax burden and improving financial performance
- Strengthening information security of our group, and raise the ability to manage our information systems.
- Enhancing human resource management to increase organizational effectiveness.
- Strengthen relationships with institutional investors.
- Fulfilling the energy-saving and carbon emission reduction policy and enhancing group purchase to save administrative expenses.
- Engaging actively in social welfare activities to fulfill the corporate social responsibility and boost corporate image.
- Integrating the Group's fixed assets utilization to raise overall assets utilization efficiency.

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 2014 are as follows:

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

Business	Item	Budget for 2014
Banking	Average outstanding deposits	1,824,000
	Average outstanding loans	1,606,000
	Undertaking of foreign exchange	860,000
Bills Finance	Underwriting and purchase of bills	2,010,780
	Trading volume of bills and bonds	13,077,310
	Guaranteed issues of commercial paper average outstanding	138,000
Securities	Market share of brokerage	3.60%
Insurance	Premium Revenues	6,500

1.2.3 Major Operational Policies

Based on its solid foundation, the Group will evolve into a regional financial institution in Asia.

1.3 Future Development Strategies

- Envisioning the world with a focus on the Asia Pacific region
- Securing the competitive 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

(1) In October 2013, the FSC proclaimed the goal of “Asianization” for Taiwanese banks. The expectation is that, over the next three to five years, the government will promote one or two Taiwanese banks to become active players in Asia, serving Taiwanese businesses as benchmark regional banks in Asia. Domestic banks have continued setting up more business location overseas. After 23 new overseas locations for domestic banks were approved in 2012, about 20 new locations were approved in 2013, mostly in China and Southeast Asia. Aside from opening their own branches, some financial institutions also acquired equity stakes in banks in Cambodia and China. As such, business models are becoming more and more diversified.

(2) Since domestic banking units (DBU) of financial institutions were allowed to offer RMB services in February 2013, outstanding RMB deposit balance of Taiwanese banks has increased considerably. By the end of December 2013, outstanding RMB deposit balance of Taiwanese banks reached RMB 182.6 billion. Of this figure, the DBU outstanding deposit balance was as high as RMB 138.2 billion. The pace of balance accumulation in Taiwan was much faster than that in Hong Kong when RMB services were first introduced. This will help Taiwan become one of major RMB offshore centers.

Letter to Shareholders

1.5 Credit Ratings

As of the end of May 30, 2014, the Company and its subsidiaries retained the same credit rating as granted in 2013. 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. 24, 2013
	Moody's	A3	-	Stable	Aug. 2, 2013
Mega International Commercial Bank	Taiwan Ratings Corp.	twAA+	twA-1+	Stable	Oct. 24, 2013
	Moody's	A1	P-1	Stable	Aug. 1, 2013
	S & P	A	A-1	Stable	Oct. 24, 2013
	Fitch	AA(twn)	F1+(twn)	Stable	Feb. 5, 2013
		A-	F2	Stable	Feb. 5, 2013
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 16, 2013
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA-	twA-1+	Stable	Oct. 11, 2013
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA-	-	Stable	Oct. 28, 2013
	S & P	BBB+	-	Stable	Oct. 28, 2013

After the global financial crisis of 2008, regional integration among the world is accelerating and trade structure is changing. Economic growth in emerging nations dominated by China is slowing, while developed nations such as the US are growing remarkably. Because Taiwan failed to make further progress in participating regional economic integration and China is implementing import substitution that impacts Taiwanese industries, the mid to long-term outlook for the Taiwanese economy is still not optimistic. All industries are dramatically affected by changes in the external environment and seeking to transform themselves accordingly. In this context, regulators are proclaiming the goal of "creating regional benchmark banks in Asia" for financial institutions in Taiwan in the hope of breaking out of this difficult situation. The Company is seeking to become the most influential financial institution in Taiwan on its existing foundation so that it can "Expand from Taiwan and Embrace the World" and create a brighter future. We need your continued support and encouragement to realize this vision. It is our belief that the Company will continue to generate growth and become a benchmark among financial institutions in Taiwan.

Chairman of the Board

President

Company Profile

Company Profile

2.1 Date of Incorporation: February 4, 2002

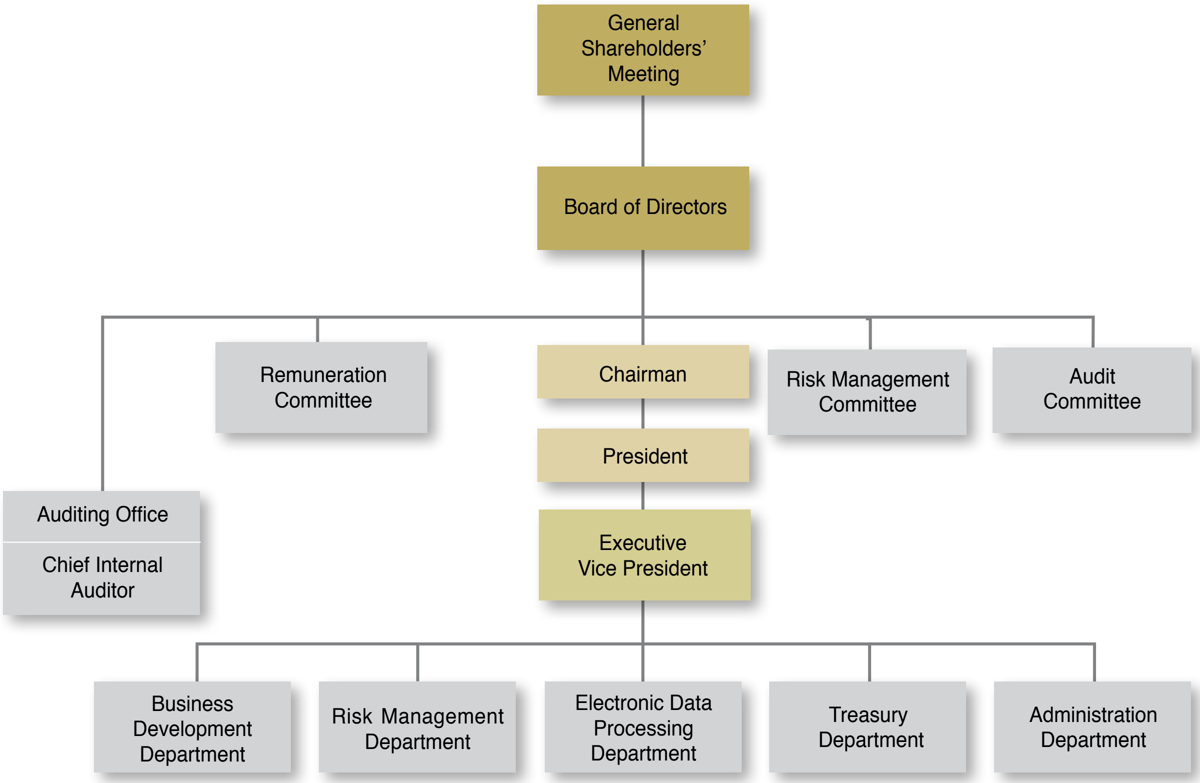
2.2 Company History

Date	Milestones
February 4, 2002	Founded by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through the exchange of shares, and simultaneously listed on the Taiwan Stock Exchange with the name of CTB Financial Holding Company (Code 2886)
August 22, 2002	Acquired a 100% equity stake in Chung Hsing Bills Finance Corporation (now renamed as Mega Bills Finance Co., Ltd.) and Barits Securities Corp. ("BS") through a share swap
November 7, 2002	Acquired a 28.01% equity stake in the International Commercial Bank of China ("ICBC", now renamed as Mega International Commercial Bank Co., Ltd.)
December 31, 2002	Acquired a 100% equity stake in both ICBC and Chung Kuo Insurance Co., Ltd. ("CKI") through a share swap, and change the the Company's name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd.
January 31, 2003	IS merged with BS and Chung Hsing Securities Corp., a subsidiary of Chung Hsing Bills Finance Corp., and renaming 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	The Board of Directors resolved to acquire 5% to 26% of stake of the Taiwan Business Bank.
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.
April 26, 2011	The Board of Directors resolved to issue exchangeable bonds to dispose the shareholding of Taiwan Business Bank.
September 5, 2012	Subscribed all 300 million shares of private placement offered by subsidiary Mega International Commercial Bank to improve its capital structure.
December 18, 2013	Subscribed all 600 million shares of private placement offered by subsidiary Mega International Commercial Bank to improve its capital structure.

Corporate Governance Report

3.1 Organization

3.1.1 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

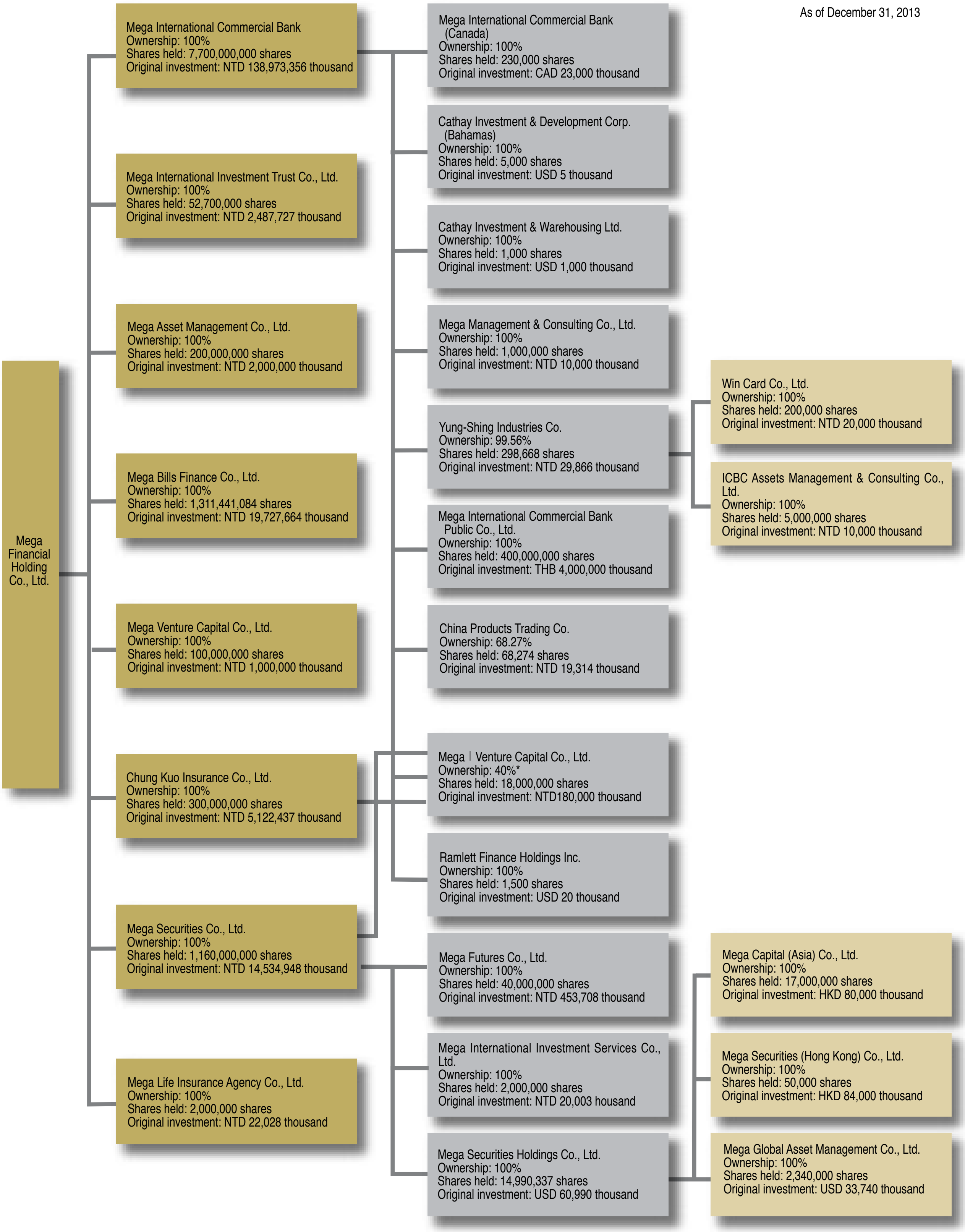
- Finance and accounting services including treasury, tax, financial and accounting management

Auditing Office

- Internal audit and process compliance

3.1.2 Affiliated Companies Chart

As of December 31, 2013



*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.

3.2 Directors and Management Team

3.2.1 Directors

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.)	06/15/2012	3	07/01/2010	1,126,151,609	9.98	1,143,043,883	9.18	202,000	0.001	0	0
Director	Kuang-Si Shiu (Representative of the Ministry of Finance, R.O.C.)	06/15/2012	3	07/15/2008	1,126,151,609	9.98	1,143,043,883	9.18	504,855	0.004	0	0
Director	Ching-Tsai Chen (Representative of the Ministry of Finance, R.O.C.)	06/15/2012	3	09/25/2008	1,126,151,609	9.98	1,143,043,883	9.18	0	0	0	0
Director	Ying-Wei Peng (Representative of the Ministry of Finance, R.O.C)	07/15/2012	2.92	07/15/2012	1,126,151,609	9.98	1,143,043,883	9.18	0	0	0	0
Director	Joanne Ling (Representative of the Ministry of Finance, R.O.C)	06/15/2012	3	06/15/2012	1,126,151,609	9.98	1,143,043,883	9.18	657	0.00	0	0
Director	Tzong-Yau Lin (Representative of the Ministry of Finance, R.O.C)	06/15/2012	3	02/20/2012	1,126,151,609	9.98	1,143,043,883	9.18	0	0	0	0
Director	Hung-Wen Chien (Representative of the Ministry of Finance, R.O.C.)	06/15/2012	3	06/15/2012	1,126,151,609	9.98	1,143,043,883	9.18	190,182	0.00	0	0

December 31, 2013

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 of the Int'l Commercial Bank of China, Chairman of 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 Stock Exchange Corporation, 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, Director of Taiwan Academy of Banking and Finance, Chairman of Financial Planning Association of Taiwan	None	None	None
Executive Vice President of Chiao Tung Bank, Executive Vice President of Mega Financial Holding Co., Ltd. MBA, Indiana University, Indiana, U.S.A.	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 The Int'l Commercial Bank of China Cultural and Educational Foundation, Director of Mega Charity Foundation, Supervisor of Trade-Van Information Services Co., Ltd.	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	Deputy Secretary-General, Executive Yuan, R.O.C. Managing Director of Small and Medium Enterprise Credit Guarantee Fund of Taiwan	None	None	None
Executive Secretary / Senior Officer, Legal Committee, Ministry of Finance, R.O.C. M.A. in Laws, National Chengchi University	Director-General, Department of Legal Affairs, Ministry of Finance, R.O.C. Director of Mega Int'l Commercial Bank Co., Ltd.,	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. Supervisor of BankTaiwan Insurance Brokers	None	None	None
Representative of New York Representative Office, Central Bank of the R.O.C., Deputy Director General, Department of Economic Research, Central Bank of the R.O.C. Ph. D. in Economics, University of Southern California, U.S.A.	Director General, Department of Economic Research, Central Bank of the R.O.C. Director of Taiwan Academy of Banking and Finance	None	None	None
Director of Taiwan Depository & Clearing Corporation, Director of Taiwan Stock Exchange Corporation, Chairman of Taiwan Securities Association EMBA program in Finance, National Taiwan University	Chairman of Mega Securities Co., Ltd., Chairman of Taiwan Integrated Shareholder Service Company, Chairman of Taiwan Securities Association, Director of GreTai Sercurities Market, Supervisor of Taiwan Depository & Clearing Corporation, Director of Mega Charity Foundation, Chairman of Ho Kao Shan Int'l Investment Co., Ltd., Director of Ho Tie Investment Co., Ltd., Director of Ho Tie Machinery Industrial Co., Ltd.	None	None	None

Title	Name	Date elected	Term (Years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement	
					Shares	%	Shares	%	Shares	%	Shares	%
Director	Yaw-Chung Liao (Representative of the Ministry of Finance, R.O.C.)	06/15/2012	3	06/15/2012	1,126,151,609	9.98	1,143,043,883	9.18	0	0	0	0
Director	Chien-Liang Chen (Representative of National Development Fund, Executive Yuan, R.O.C.)	12/01/2013	1.50	12/01/2013	689,434,244	6.11	759,770,852	6.10	0	0	0	0
Director	Philip Wen-chyi Ong (Representative of Chunghwa Post Co., Ltd.)	11/13/2013	1.42	11/13/2013	307,830,465	2.73	337,322,634	2.71	0	0	0	0
Director	Justin Jan-Lin Wei (Representative of Bank of Taiwan)	06/15/2012	3	06/15/2012	282,714,082	2.51	262,273,049	2.11	0	0	47,526,889	0.38
Director	Chung Hsiang Lin (Representative of the Labor Union of Mega International Commercial Bank Co., Ltd.)	06/15/2012	3	06/23/2009	1,831,672	0.016	2,825,886	0.02	195,757	0.001	0	0
Independent Director	Tsun-Siou Li	06/15/2012	3	06/15/2012	0	0	0	0	0	0	0	0
Independent Director	Shean-Bii Chiu	06/15/2012	3	06/15/2012	0	0	0	0	0	0	0	0
Independent Director	Chi-Hung Lin	06/15/2012	3	06/15/2012	0	0	0	0	0	0	0	0

Note:
1. National Development Fund, Executive Yuan, R.O.C. designated Mr. Chien-Liang Chen to replace Ms. Hiao-Hung Chen as its representative on December 1, 2013.
2. Chunghwa Post Co., Ltd. appointed Mr. Chang Wang to replace Ms. Jih-Chu Lee as its representative on August 9, 2013, and appointed Mr. Philip Wen-chyi Ong to replace Mr. Chang Wang on November 13, 2013.
3. Mr. Hung-Wen Chien retired from the Chairman of Mega Securities Co., Ltd. effective from May 1, 2014.

December 31, 2013

Experience & education	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
Director-General, Department 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., Director of CPC Corporation, Taiwan	None	None	None
Professor and Secretary General, National Chi Nan University Vice President, Commerce Development Research Institute Ph.D. in Economics, University of California, Los Angeles	Deputy Minister, National Development Council, Executive Yuan, R.O.C., Professor, Department of Economics, National Chi Nan University	None	None	None
Director, International Banking Division, Bureau of Monetary Affairs, Ministry of Finance, R.O.C., Counselor, Permanent Mission of Taiwan to the WTO (Geneva), Director, Taiwan's Financial Supervisory Commission, Office in New York, Representative (Ambassadorial ranking), Taipei Economic and Cultural Center in India MSc, Investment and Risk Management, Cass Business School, City University (London)	Chairman, Chunghwa Post Co., Ltd.	None	None	None
Senior Vice President and General Manager, Department of Treasury, Bank of Taiwan M.A. in Economics, Soochow University	Executive Vice President, Bank of Taiwan	None	None	None
Chairman of The Labor Union of Mega Int'l Commercial Bank Co., Ltd., Assistant Vice President of Mega Int'l Commercial Bank Co., Ltd., Chung Ho Branch B.A. in Business Administration, Soochow University	Vice President & Deputy General Manager, Chung Ho Branch of Mega Int'l Commercial Bank Co., Ltd., Chairman of the Employee Welfare Committee of Mega Int'l Commercial Bank Co., Ltd., Director of The Labor Union of Mega Int'l Commercial Bank Co., Ltd.	None	None	None
Visiting Professor, Hitotsubashi University, Japan Chairman, Department of Finance of National Taiwan University, Director of Securities and Futures Institute, Independent Director of First Financial Holding Co., Ltd. Ph.D. in Finance, University of California , Berkeley	Professor, Department of Finance, National Taiwan University, Director, Taiwan Futures Exchange Corporation	None	None	None
Chairman of Pension Fund Association, R.O.C., Chairman, Department of Finance of National Taiwan University Ph.D. in Finance, University of Washington (Seattle) U.S.A.	Professor, Department of Finance, National Taiwan University, Independent Director of Airmate (Cayman) International Co., Ltd. Independent Director of KD Holding Corporation	None	None	None
Associate Professor of Laws Department, Soochow Law School, Legal counsel of the Bankers Association of the Republic of China Ph.D. in Juridical Science, National Chengchi University	Managing Partner of Lin & Partners Attorneys at Law, Member of Advisory Board, Central Deposit Insurance Corporation, Director of Sen Yang Venture Capital Co., Ltd.	None	None	None

Major shareholders of the institutional shareholders

December 31, 2013

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 Co., Ltd.	Taiwan Financial Holding Co., Ltd. (100%)
Labor Union of Mega International Commercial Bank Co., Ltd.	N.A.

Major shareholders of the above major shareholders that are juridical persons

December 31, 2013

Name of Juridical Persons	Major Shareholders of the Juridical Persons
Taiwan Financial Holding Co., Ltd.	Ministry of Finance, R.O.C. (100%)

Professional Qualifications and Independence Analysis of Directors

December 31, 2013

Criteria / Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence criteria (Note 2)										Number of other public companies in which the Individual is concurrently serving as an Independent Director
	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 specialists 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 area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Yeou-Tsair Tsai	✓		✓	✓		✓	✓	✓		✓	✓	✓		0
Kuang-Si Shiu			✓			✓	✓	✓		✓	✓	✓		0
Ching-Tsai Chen	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Ying-Wei Peng			✓	✓		✓	✓			✓	✓	✓		0
Joanne Ling			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Tzong-Yau Lin			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chien-Liang Chen	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Philip Wen-chyi Ong			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Justin Jan-Lin Wei	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chung Hsiang Lin			✓		✓	✓	✓	✓	✓	✓	✓	✓		0

Criteria / Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence criteria (Note 2)										Number of other public companies in which the Individual is concurrently serving as an Independent Director
	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 specialists 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 area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Hung-Wen Chien				✓		✓	✓	✓	✓	✓	✓	✓		0
Yaw-Chung Liao	✓		✓	✓		✓	✓		✓	✓	✓	✓		0
Tsun-Siou Li	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shean-Bii Chiu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chi-Hung Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note : 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:

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

3.2.2 Management Team

Title	Name	Date effective	Shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement	
			Shares	%	Shares	%	Shares	%
President	Kuang-Si Shiu	07/24/2008	504,855	0.004	0	0	0	0
Executive Vice President	Jui-Yun Lin	09/08/2006	173,663	0.001	0	0	0	0
Executive Vice President	Chung-Hsing Chen	10/01/2010	114,000	0.001	0	0	0	0
Executive Vice President	Feng-Chi Ker	08/01/2013	119,493	0.001	0	0	0	0
Executive Vice President	Meei-Yeh Wei	01/01/2012	276,844	0.002	0	0	0	0

December 31, 2013

Experience & education	Other position	Managers who are spouses or within two degrees of kinship		
		Title	Name	Relation
Executive Vice President of Chiao Tung Bank, Executive Vice President of Mega Financial Holding Co., Ltd. MBA, Indiana University, Indiana, U.S.A.	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 The Int'l Commercial Bank of China Cultural and Educational Foundation, Director of Mega Charity Foundation, Supervisor of Trade-Van Information Services Co., Ltd.	None	None	None
Senior Vice President & General Manager of Chiao Tung Bank, Senior Vice President of Mega Financial Holding Co., Ltd. M.A. in Public Finance, Nat'l Chengchi University	Chairperson of Chung Kuo Insurance Co., Ltd., Chairperson and President of Mega Venture Capital Co., Ltd., Director of Mega Bills Finance Co., Ltd., Director of Taipei Financial Center Corp., Chair of Nuclear Energy Insurance Pool, R.O.C.	None	None	None
Senior Executive Vice President of Fuhwa Financial Holding Company and President of Fuhwa Commercial Bank Company, Chairman of BOOC Leasing International Co., Ltd., Vice President of Xinhua Finance Ltd. and Vice Chairman of Shanghai Far East Credit Rating Agency, President of Global Financial Services Co., Ltd. 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 Co., Ltd. B. A. in Banking and Insurance, Tamkang University	Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd., Director of Mega Asset Management Co., Ltd., Director of Financial eSolution Co., Ltd., Director of HanTech Venture Capital Corporation, Director of Taiwan Finance Co., Ltd. Director of Cathay Investment & Development Corp. (Bahamas)	None	None	None
Senior Vice President & General Manager of Mega Int'l Commercial Bank Co., Ltd. M.A. in Finance, National Taiwan University	Managing Director and Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd., Director of Mega Int'l Investment Trust Co., Ltd., Chairperson of Ramlett Finance Holdings Inc., Director of Mega Int'l Commercial Bank (Canada), Chairperson of Mega Int'l Commercial Bank Public Co., Ltd., Chairperson of Cathay Investment & Development Corp. (Bahamas), Chairperson of Mega I Venture Capital Co., Ltd., Director of ICBC Assets Management & Consulting Co., Ltd., Director of The Int'l Commercial Bank of China Cultural and Educational Foundation, Director of National Credit Card Center of R.O.C., Director of China Development Industrial Bank, Chairperson of Global Venture Capital Co., Ltd., Director of H&H Venture Capital Investment Corp., Chairperson of Cathay Investment & Warehousing Ltd.	None	None	None

Title	Name	Date effective	Shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement	
			Shares	%	Shares	%	Shares	%
Executive Vice President	Dan-Hun Lu (Note)	01/01/2012	127,741	0.001	0	0	0	0
Executive Vice President	Ying-Ying Chang	02/01/2013	135,792	0.001	0	0	0	0
Executive Vice President	Chii-Bang Wang	01/01/2012	231,496	0.002	0	0	0	0
Executive Vice President	Ming-Jye Chang	01/01/2012	1,125,515	0.009	161,123	0.001	0	0
. Chief Internal Auditor	Yung-Ming Chen	09/08/2006	55,205	0.000	0	0	0	0

Note: 1. Ms. Dan-Hun Lu was assigned to be the director of Mega International Commercial Bank Co., Ltd effective from February 25, 2014.
2. Mr. Ming-Jye Chang serves as the acting chairman of Mega Securities Co., Ltd. effective from May 1, 2014.

Experience & education	Other position	Managers who are spouses or within two degrees of kinship		
		Title	Name	Relation
Senior Vice President & General Manager of Chiao Tung Bank Co., Ltd., Senior Vice President & General Manager of Mega Int'l Commercial Bank Co., Ltd. M.A. in Public Finance, National Chengchi University	Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd., Supervisor of Mega Bills Finance Co., Ltd., Chairperson of Win Card Co., Ltd., Director of Mega Int'l Commercial Bank Public Co., Ltd., Director of Cathay Investment & Development Corp. (Bahamas), Director of Mega I Venture Capital Co., Ltd., Supervisor of Waterland Financial Holding Co., Ltd.	None	None	None
Chief Internal Auditor / Senior Vice President & General Manager of Mega Int'l Commercial Bank Co., Ltd. M.A. in Accounting, National Chengchi University	Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd., Chairperson of Mega Life Insurance Agency Co., Ltd., Director of Waterland Securities Co., Ltd., Director of Overseas Investment & Development Corp., Supervisor of Chung Kuo Insurance Co., Ltd., Supervisor of Yung-Shing Industries Co.. Ltd., Supervisor of China Products Trading Co., Ltd., Supervisor of ICBC Assets Management & Consulting Co., Ltd. Director of The Int'l Commercial Bank of China Cultural and Educational Foundation	None	None	None
Executive Vice President of Mega Int'l Commercial Bank Co., Ltd., President of Chairman of Mega Int'l Commercial Bank Public Co., Ltd., Executive Vice President of SinoPac Holdings and President of Far East National Bank B.A. in Int'l Trade, Tamkang University	President of Mega Bills Finance Co., Ltd., Supervisor of Mega Int'l Commercial Bank Co., Ltd., Director of Mega Charity Foundation	None	None	None
Vice President of Grand Cathay Securities Co., Ltd., Senior Executive Vice President of Mega Securities Co., Ltd. MBA, State University of New Jersey	Director and President of Mega Securities Co., Ltd., Director of Mega Securities Holdings Co., Ltd., Chairman of Mega Futures Co., Ltd., Supervisor of Trust Association, Director of Taiwan Private Equity Association	None	None	None
Senior Vice President & General Manager of Chiao Tung Bank Senior Vice President of Mega Financial Holding Co., Ltd., B.A. in Int'l Trade, National Taichung Institute of Technology	Supervisor of Mega International Commercial Bank Co., Ltd., Supervisor of Mega Asset Management Co., Ltd., Director of Taipei Financial Center Corp.	None	None	None

3.2.3 Remuneration of Directors, President, and Executive Vice Presidents

Remuneration of Directors

Title	Name	Compensations								Ratio of total remuneration (a+b+c+d) to net income (%)	
		Base compensation (a)		Severance pay (b)		Remuneration to directors (c)		Allowances (d)			
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities
Chairman	Ministry of Finance										
	Yeou-Tsair Tsai										
Director (Representative of Ministry of Finance)	Kuang-Si Shiu										
	Ching-Tsai Chen										
	Yaw-Chung Liao										
	Tzong-Yau Lin										
	Joanne Ling										
	Ying-Wei Peng										
	Hung-Wen Chien										
Director	National Development Fund										
	Hsiao-Hung Nancy Chen										
	Chien-Liang Chen										
Director	Chunghwa Post Co., Ltd.										
	Oliver Fang-Lai Yu										
	Jih-Chu Lee										
	Chang Wang										
	Philip Wen-chyi Ong										
Director	Bank of Taiwan										
	Justin Jan-Lin Wei										
Director	Labor Union of Mega Int'l Commercial Bank Co., Ltd.										
	Chung Hsiang Lin										
Independent Director	Tsun-Siou Li										
	Shean-Bii Chiu										
	Chi-Hung Lin										
Total		2,160	11,935	0	918	101,201	101,201	3,190	5,748	0.47	0.53

Note: 1. Mr. Chien-Liang Chen replaces Ms. Hsiao-Hung Nancy Chen as the representative of National Development Fund effective from December 1, 2013.
2. Mr. Oliver Fang-Lai Yu, representative of Chunghwa Post Co., Ltd. served as a director from January 1, 2013 to March 18, 2013;
Ms. Jih-Chu Lee, representative of Chunghwa Post Co., Ltd. served as a director from March 19, 2013 to August 8, 2013;
Mr. Chang Wang, representative of Chunghwa Post Co., Ltd. served as a director from August 9, 2019 to November 13, 2013;
3. Allowances (D) include payment for house rent, company cars. Compensation paid to company drivers by all consolidated entities totaled NT$1,245 thousand.
Salary, Bonuses, and Allowances (E) includes payment for allowances for company cars. Compensation paid to company drivers with a total of NT$996 thousand.
4. Bonus to Directors (C) and Profit Sharing-Employee Bonus (G) will be subject to approval of the Annual General Shareholders' Meeting on June 24, 2014.
5. The Company does not issue any employee stock options or new restricted employee shares.

Unit: NT$ thousands

Relevant remuneration received by directors who are also employees										New restricted employee shares		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	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	
				Cash	Stock	Cash	Stock							
0	8,083	0	907	0	0	260	0	0	0	0	0	0.47	0.57	1,029

Directors' Compensations and Remuneration

Bracket	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, Kuang-Si Shiu, Ching-Tsai Chen, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Hung-Wen Chien, Sheng-Chung Lin, Hsiao-Hung Nancy Chen Chien-Liang Chen, Oliver Fang-Lai Yu, Jih-Chu Lee, Chang Wang, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Tsun-Siou Li, Shean-Bii Chiu, Chi-Hung Lin	Kuang-Si Shiu, Ching-Tsai Chen, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Sheng-Chung Lin, Hsiao-Hung Nancy Chen, Chien-Liang Chen, Oliver Fang-Lai Yu, Jih-Chu Lee, Chang Wang, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Tsun-Siou Li, Shean-Bii Chiu, Chi-Hung Lin	Yeou-Tsair Tsai, Kuang-Si Shiu, Ching-Tsai Chen, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Hung-Wen Chien, Sheng-Chung Lin, Hsiao-Hung Nancy Chen, Chien-Liang Chen, Oliver Fang-Lai Yu, Jih-Chu Lee, Chang Wang, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Tsun-Siou Li, Shean-Bii Chiu, Chi-Hung Lin	Ching-Tsai Chen, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Hsiao-Hung Nancy Chen, Chien-Liang Chen, Oliver Fang-Lai Yu, Jih-Chu Lee, Chang Wang, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Tsun-Siou Li, Shean-Bii Chiu, Chi-Hung Lin
NT$2,000,000 ~ NT$5,000,000		Hung-Wen Chien		Hung-Wen Chien Chung- Hsiang Lin
NT$5,000,000 ~ NT$10,000,000	National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd. Labor Union of Mega International Commercial Bank	Yeou-Tsair Tsai National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd. Labor Union of Mega International Commercial Bank	National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd. Labor Union of Mega International Commercial Bank	Yeou-Tsair Tsai, Kuang-Si Shiu National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd. Labor Union of Mega International Commercial Bank
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	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance
Over NT$100,000,000				
Total	24	24	24	24

Compensation of President and Executive Vice Presidents

Unit: NT$ thousands

Title	Name	Salary (a)		Severance pay (b)		Bonuses and allowances (c)		Profit sharing- employee bonus (d)				Ratio of total compensation (a+b+c+d) to net income (%)		Exercisable employee stock options		New restricted employee shares		Compensation paid to the president and executive vice president from an invested company other than the company's subsidiary
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	
								Cash	Stock	Cash	Stock							
President	Kuang-Si Shiu																	
Executive Vice President	Jui-Yun Lin																	
Executive Vice President	Chung-Hsing Chen																	
Executive Vice President	Meei-Yeh Wei																	
Executive Vice President	Chao-Hsien Lai																	
Executive Vice President	Feng-Chi Ker																	
Executive Vice President	Jin-Fu Ma																	
Executive Vice President	Ying-Ying Chang																	
Executive Vice President	Dan-Hun Lu																	
Executive Vice President	Chii-Bang Wang																	
Executive Vice President	Ming-Jye Chang																	
Chief Internal Auditor	Yung-Ming Chen																	
Total		8,232	27,831	1,036	2,790	5,280	23,141	1,009	0	1,919	0	0.07	0.25	0	0	0	0	2,306

Note: 1. Ms. Ying-Ying Chang replaces Mr. Jin-Fu Ma as the Executive Vice President effective February 1, 2013 and Mr. Feng-Chi Ker replaces Mr. Chao-Hsien Lai from August 1, 2013.
2. Bonuses and allowances (c) include payment for house rent, company cars, compensation paid to company drivers by all consolidated entities totaled NT$9,777 thousand.
3. Profit sharing-employee bonus (d) is preliminary and subject to the approval by the Annual Shareholders' Meeting on June 24, 2014.
4. The Company does not issue any employee stock options or new restricted employee shares.

Compensation Paid to President and Executive Vice Presidents

Bracket	Name of President and Executive Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Kuang-Si Shiu, Meei-Yeh Wei, Dan-Hun Lu, Chao-Hsien Lai, Feng-Chi Ker, Jin-Fu Ma, Ying-Ying Chang, Chii-Bang Wang, Ming-Jye Chang	Jin-Fu Ma
NT$ 2,000,000 ~ NT$ 5,000,000	Chung-Hsing Chen	Chung-Hsing Chen , Chao-Hsien Lai, Feng-Chi Ker, Ying-Ying Chang, Ming-Jye Chang
NT$ 5,000,000 ~ NT$ 10,000,000	Jui-Yun Lin, Yung-Ming Chen	Kuang-Si Shiu, Jui-Yun Lin, Yung-Ming Chen, Dan-Hun Lu, Chii-Bang Wang, Meei-Yeh Wei
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	12	12

Employee Bonus of 2013 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 (%)
Executive Vice President	Jui-Yun Lin				
Executive Vice President	Chung-Hsing Chen				
Chief Internal Auditor	Yung-Ming Chen				
Total		0	1,008	1,008	0.0045%

Note: The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholder Meeting on June 24, 2014.

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

	2013	2012
The ratio of total remuneration paid to Directors, Supervisors, President and Executive Vice Presidents, relative to net income after tax, by the Company	0.54%	0.55%
The ratio of total remuneration paid to Directors, Supervisors, President and Executive Vice Presidents, relative to the consolidated net income after tax, by all companies in the consolidated financial statements	0.82%	0.84%

Total remuneration paid by the Company to its Directors, Supervisors and Executives as a percentage of net income after tax was 0.54% in 2013, compared with 0.55% in 2012. Total remuneration paid to Directors, Supervisors and Executives, by all consolidated entities, as a percentage of consolidated net income after tax declined to 0.82% from 0.84% in 2012.

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

(1) The policies, standards and composition of compensation

The compensation paid to Directors, Presidents and Executive Vice Presidents of the Company and its subsidiaries are detailed below:

a. Directors: The compensation paid to Directors includes the distribution of earnings (paid to institutional directors) and transportation expenses.

b. Independent directors: monthly payment and research stipend.

c. Chairman of the Board: salary, severance pay, bonuses and allowances including rent for housing or vehicles, fuel expenses.

d. President and Executive Vice Presidents: salary, severance pay, bonuses, employee profit sharing, allowances including rent for housing or vehicles, fuel expenses.

(2) The process of setting compensation levels

Remuneration to directors and executives is appropriated according to the Articles of Incorporation and the relevant bonus distribution guidelines, while the market remuneration level, the Company's financial performance, and future risks are taken into consideration. The proposal of annual bonuses distribution is subject to the approval of Remuneration Committee and the Board of Directors.

(3) The correlation with business performance

	The Company	All companies in the consolidated financial statements
Annual growth ratio of net income after tax	4.44%	4.41%
Annual growth ratio of all remuneration paid to Directors, President and Executive Vice Presidents	3.41%	2.26%

The Company's net income after tax rose by 4.44% in 2013 from the previous year, while the remuneration paid to Directors, President and Executive Vice Presidents only grew by 3.41%. Meanwhile, the consolidated net income rose by 4.41% in 2013 from the previous year, while the remuneration paid to Directors, President and Executive Vice Presidents by all companies in the consolidated financial statements only increased by 2.26% after future risks are taken into consideration.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 12 (A) meetings of the Board of Directors were held in the previous period. Director attendance was as follows:

Date:12/31/2013

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Yeou-Tsair Tsai (Representative of Ministry of Finance)	12	0	100.00	
Director	Kuang-Si Shiu (Representative of Ministry of Finance)	12	0	100.00	
Independent director	Tsun-Siou Li	12	0	100.00	
Independent director	Shean-Bii Chiu	8	4	66.67	
Independent director	Chi-Hung Lin	10	2	83.33	
Director	Ching-Tsai Chen (Representative of Ministry of Finance)	10	2	83.33	
Director	Ying-Wei Peng (Representative of Ministry of Finance)	12	0	100.00	
Director	Joanne Ling (Representative of Ministry of Finance)	10	2	83.33	
Director	Tzong-Yau Lin (Representative of Ministry of Finance)	11	1	91.67	
Director	Hung-Wen Chien (Representative of Ministry of Finance)	11	1	91.67	
Director	Yaw-Chung Liao (Representative of Ministry of Finance)	10	2	83.33	
Director	Hsiao-Hung Chen (Representative of National Development Fund)	7	3	63.64	left office on Dec. 1, 2013
Director	Chien-Liang Chen (Representative of National Development Fund)	0	1	0.00	takes office on Dec. 1, 2013
Director	Oliver Fang-Lai Yu (Representative of Chunghwa Post Co., Ltd.)	2	0	100.00	left office on Mar. 19, 2013
Director	Jih-Chu Lee (Representative of Chunghwa Post Co., Ltd.)	5	0	100.00	took office on Mar. 19, 2013 and left office on Aug. 9, 2013
Director	Chang Wang (Representative of Chunghwa Post Co., Ltd.)	3	0	100.00	took office on Aug. 9, 2013 left office on Nov. 13, 2013
Director	Philip Wen-chyi Ong (Representative of Chunghwa Post Co., Ltd.)	2	0	100.00	takes office on Nov. 13, 2013
Director	Justin Jan-Lin Wei (Representative of Bank of Taiwan)	12	0	100.00	
Director	Chung-Hsiang Lin (Representative of Labor Union of Mega Int'l Commercial Bank)	12	0	100.00	

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 fifth term Board of Directors on April 23, 2013, the Board discussed a proposal to release the non-competition restriction imposed on directors and their representatives at the company to be submitted to the annual shareholders' meeting. Because Directors Jih-Chu Lee, Hung-Wen Chien and Shean-Bii Chiu were interested parties in this matter, they recused themselves from discussions and did not participate in the voting according to regulations.
   (2) At the 12th meeting of the fifth term Board of Directors on April 23, 2013, the Board discussed the performance of Chairman Hung-Wen Chien of Mega Securities Company. As Director Hung-Wen Chien is the interested party, he recused himself from discussions and did not participate in the voting according to regulations.
   (3) At the 19th meeting of the fifth term Board of Directors on November 26, 2013, the Board discussed participation of Mega Securities Company and BankTaiwan Securities Company in underwriting of the issue of new shares in our company to increase capital by cash in 2013. Because Director Hung-Wen Chien is Chairman of Mega Securities Company, Director Justin Jan-Lin Wei is Executive Vice President of Bank of Taiwan, they recused themselves from discussions and abstained from voting as required by regulations.
3. Measures taken to strengthen the functionality of the Board:
   The Company has established an Audit Committee as required by the Securities and Exchange Act on June 15, 2012. The committee meets at least once a quarter. It may also meet whenever need arises. In addition to the tasks defined in Article 14-4, Securities and Exchange Act, the duties that should be discharged by supervisors according to the Securities and Exchange Act, Company Act, and other relevant laws should be performed by the Audit Committee. 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 Audit Committee Meeting

The Company's Audit Committee held 7 (A) meetings in 2013, with the following attendance:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chair	Tsun-Siou Li	7	0	100.00	Elected on June 15, 2012
Member	Shean-Bii Chiu	7	0	100.00	Elected on June 15, 2012
Member	Chi-Hung Lin	6	1	85.71	Elected on June 15, 2012

Annotations:

1. There was no Securities and Exchange Act §14-5 resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2013.
2. There were no recusals of Independent Directors due to conflicts of interests in 2013.
3. Descriptions of the communications between the Independent Directors, the internal auditors, and the independent auditors in 2012 (e.g. the channels, items and/or results of the audits on the corporate finance and/or operations, etc.):
   (1) The Company's auditing office submits its annual audit plans to the audit committee for review every year. In addition, it submitted Financial Supervisory Commission's inspection reports and all internal audit reports to Independent Directors regularly or irregularly.
   (2) The deficiencies identified in internal audit reports, and the status of improvements thereof, are reported at each Audit Committee meeting. Internal audit officers at relevant subsidiaries also attended those meetings to explain the situations. Subsidiaries have always complied with Audit Committee's resolutions, such as reviewing the warning signals and stop loss levels of publicly traded securities as required by the Audit Committee.
   (3) Aside from communicating governance with independent auditors, Independent Directors also discuss the semi-annual and annual financial statements and other legally required issues (such as the risk management system on conglomerate by different levels, the appointment of independent auditors, amendment to the Procedures for Acquirement of Disposal of Assets and the implementation status of internal controls) with relevant personnel.

3.3.4 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. A dedicated IR officer is also in place to handle suggestions or inquiries from institutional investors. 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 Company tracks the shareholdings of directors, officers, and shareholders holding more than 1% of the outstanding shares of the Company from time to time.	None
(3) Risk management mechanism and "firewall" between the company and its affiliates	The Company clearly defines the right 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, Related Parties Transactions Guidelines, The Group Policy and Guidelines on Risk Management, and Group Firewall Policy Between The Company and Its Subsidiaries. Banking, insurance, bills finance and securities subsidiaries also established an independent risk management unit in charge of risk control.	None
2. Composition and responsibilities of the Board of Directors		
(1) Independent directors	The Company has elected three independent directors according to the Securities and Exchange Act and the relevant regulations promulgated by the government.	None
(2) Regular evaluation of CPAs' independence	In addition to recognizing whether the CPA is the related party under the Article 45 of the Financial Holding Company Act, The Company assesses the independence of its external auditor every year before submitting to the Audit Committee and Board for approval. The criteria of assessment is as follows: 1. No financial benefits between this Company and the external auditors. 2. No gifts given to the external auditors by this Company, its affiliated companies or directors. 3. External auditors not serving as directors, supervisors, or managerial officers of this Company or its affiliated entities. 4. Restrictions on hiring an employee or a former employee of the Company's independent auditor. 5. Restrictions on employment by independent auditor of former employees of this Group.	None
3. Communication channels with stakeholders	In additional to publishing the financial and business information as well as material information on the Market Observation Post System of Taiwan Stock Exchange, the Company's subsidiaries also operate a service hotline to answer enquiries from their customers. The investor contact information is available on the Company's website.	None

4. Information disclosure (1) Establishment of a corporate website to disclose information regarding the company's financial, business and corporate governance status	The Company has set up a website to disclose financial and business information, as well as corporate governance information. Dedicated personnel are designated to maintain and update the website.	None
(2) Other information disclosure channels	Other channels of disclosure include: setting up an English website, designation of dedicated personnel responsible for collection and disclosure of the Company's information, full implementation of the spokesperson system, and disclosing the information of investor conference on the Company's website.	None
5. Operations of the company's nomination committee, remuneration committee, or other committees of the Board of Directors	1. The Company has set up a Risk Management Committee which meets every two months to discuss the Group's risk management policy and monitor its risk position. 2. Effective from August 2011, a Remuneration Committee was established by the Company. It meets at least twice every year to set up and review the remuneration policy, standard, structure and compensation of Board of Directors and senior management. 3. The Company has established an Audit Committee as per the Securities and Exchange Act on June 15, 2012. The committee meets at least once a quarter or whenever it is necessary. In addition to the tasks defined in Article 14-4, Securities and Exchange Act, the duties that should be discharged by supervisors according to the Securities and Exchange Act, Company Act, and other laws may be performed by the Audit Committee.	None

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: No deviation.

7. Other information that would help understand the status of the company's corporate governance:

(1) Employee rights, employee wellness, investor relations, rights of stakeholders. Please see page 40-43 for Corporate Social Responsibilities and page 77 for Labor Relations.

(2) Directors' and supervisors' training records

To enhance the competency of the Board of Directors, the Company provides directors with education opportunities whenever there are relevant courses available. Detailed information on the continuing education for director of the Company are as follows:

Name	Date	Training Agency	Course	Training Hours
Yeou-Tsair Tsai	07/01/2013	Taiwan Academy of Banking and Finance	Key Role of the Board of Directors	3
	09/24/2013	Taiwan Academy of Banking and Finance	Trend of Infrastructure Project Financing	3
	11/28/2013	Financial Supervisory Committee	The 9th Taipei Corporate Governance Forum	3
Kuang-Si Shiu	07/01/2013	Taiwan Academy of Banking and Finance	Key Role of the Board of Directors	3
Tsun-Siou Li	05/14/2013	Securities & Futures Institute	Functions of Independent Directors	3
Shean-Bii Chiu	08/13/2013	Taiwan Corporate Governance Association	Functions of Independent Directors and Practices of Audit Committee	3
Chi-Hung Lin	05/14/2013	Securities & Futures Institute	Functions of Independent Directors	3
Ching-Tsai Chen	09/27/2013	Securities & Futures Institute	Criminal Legal Risk of Directors and Supervisors	3
Ying-Wei Peng	07/01/2013	Taiwan Academy of Banking and Finance	Key Role of the Board of Directors	3
Joanne Ling	09/17/2014	Taiwan Academy of Banking and Finance	Practices of Remuneration Committee	3
Tzong-Yau Lin	07/09/2013	Securities & Futures Institute	New Legal Risk Involved in Equity Investment	3
Hung-Wen Chien	10/31/2013	Taiwan Corporate Governance Association	Corporate Governance in Family Business and Small and Medium Sized Enterprises	3
Yaw-Chung Liao	10/01/2013	Securities & Futures Institute	How to Make Business Decision Based on Financial Information	3
Philip Wen-chyi Ong	07/26/2013	Securities & Futures Institute	Criminal Legal Risk of Directors and Supervisors	3
	08/07/2013	Securities & Futures Institute	Business Decision Making Based on Financial Information	3
	08/16/2013	Securities & Futures Institute	Development of Enterprise Corrupt and Anti-corrupt	3
	09/13/2013	Taiwan Corporate Governance Association	Competition for Transformation by Taiwanese Enterprises	3
	09/25/2013	Securities & Futures Institute	Regulation on Insiders Trading of Public Company	3
Justin Jan-Lin Wei	09/23/2013	Securities & Futures Institute	Business Ethics and Corporate Social Responsibility	3
Chung-Hsiang Lin	07/11/2013	Securities & Futures Institute	2013 Workshop on Equity Transfer by Insiders of Listed Companies and Legal Compliance	3

(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 Group's Policy and Guidelines on Risk Management, which clearly described the guidelines on management of credit risk, market risk, operational risk, legal compliance, human resource risk, and emergency crisis. On credit risk, the Company set up the Group's Guidelines on Credit Risk Management to avoid over-concentration of risk. The Guidelines requires that the credit risk exposure of the Group be divided into different categories by clients, industries as well as country, and be reviewed and reported on a regular basis. So far, the credit risks are not over-concentrated. On market risk, the Company examines the existing risk control statements of all subsidiaries on a regular basis and codifies relevant regulations with the subsidiaries concerned. The Company is also planning to establish an integrated risk management system in an effort to make the market risk management system more comprehensive. Additionally, the company has engaged professional consultants to gradually set up a quantitative credit and operational risk control mechanisms in line with international best practices and the new Basel Accord.

(4) Implementation of consumer and customer protection policy
Processing of personal information is managed according to requirements of the Personal Information Protection Act and Financial Holding Company Act. The Company's Guidelines for Client Data Processing and Protection and the Group's Firewall Policy are also followed. 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. Besides, the subsidiaries set up client hotlines to handle customer complaints in a timely manner.

(5) Purchase of Liability Insurance for Directors and Senior Officers
The Company has purchased Liability Insurance for Directors, Supervisors and Senior Officers of the Group with an insurance coverage of US$30 million.

(6) Donation to political parties, shareholders, and charity organizations
The Company does not make donations to political parties or stakeholders. In 2013, the Mega International Commercial Bank donated NT$16 million to the International Commercial Bank of China Civil and Education Foundation. The donation to Mega Charity Foundation, by Mega International Commercial Bank, Chung Kuo Insurance Company, Mega Bills Finance Company, Mega Securities Company, Mega Assets Management Company, and Mega International Investor Trust Company, amounted to NT$3 million in total. For donation to other charity organizations, please see Page 40-43 for Corporate Social Responsibilities.

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:
The Company's self corporate governance evaluation report has been disclosed on the Market Observation Post System of Taiwan Stock Exchange, the evaluation results, major deficiencies and improvements are stated as follows:
(1) The Company has not created a management succession plan: The management succession plan is still under study.
(2) Some of the Company's Directors serve as directors of other companies whose businesses are within the scope of the Company's business: The prohibition on the Board members from participation in competitive business has been released by the shareholders' meeting in accordance with the Company Act.
(3) The Company, in 2012, was reprimanded by the Competent Authority due to its failure to dispose of the shareholding in Taiwan Business Bank (TBB) within the required period: The Company's shareholding in TBB has been transferred to the trustee on April 16, 2013.
(4) The Company has not yet compiled a corporate social responsibility report and disclosed it on its website: The Company plans to publish such the first CSR report for 2013 and present it on the website in the second half of 2014.

3.3.5 Operation Status of the Remuneration Committee

A. Members of the Remuneration Committee

Title	Criteria / Name	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 Specialists 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 Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Independence Criteria (Note) 1	2	3	4	5	6	7	8	Number of Other Public Companies where the Members Serve as Member of Remuneration Committee
Chair	Shean-Bii Chiu	V		V	V	V	V	V	V	V	V	V	3
Member	Tsun-Siou Li	V		V	V	V	V	V	V	V	V	V	1
Member	Chi-Hung Lin	V	V	V	V	V	V	V	V	V	V	V	0

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

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

B. Remuneration Committee's Operation Status and Responsibility

(1) The Responsibility of Remuneration Committee is as follows:

(a)Prescribing and periodically reviewing the performance evaluation and remuneration system for directors and senior officers.

(b)Prescribing and periodically reviewing the salary and remuneration of directors and senior officers.

(2) The Company's Remuneration Committee has 3 members. The current Committee's term of office is from June 26, 2012 to June 14, 2015. In 2013, the Committee held 3 meetings with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chair	Tsun-Siou Li	3	0	100	
Member	Shean-Bii Chiu	3	0	100	
Member	Chi-Hung Lin	3	0	100	

Annotations:
1. If the Board of Directors declined to adopt, or modified, a recommendation of the Remuneration Committee, the date of the Board meeting, agenda item, resolutions made by the Board, and the Company's response to the opinions of the Remuneration Committee shall be clearly stated: None.
2. If members expressed objection or reservation that has been included in records or state in writing, the date of the meeting, agenda item, decisions made by the committee meeting, the opinions of members of the committee and the Company's response to the opinions of the Remuneration Committee shall be clearly stated: None.

3.3.6 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 implementation status.	Having set up its corporate social responsibility policy, the Company will continue to enhance the corporate governance, develop sustainable environment, maintain social benefit and strengthen information disclosure. The implementation result is reviewed on a regular basis.	None
(2) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.	The Company has formed a Corporate Social Responsibility Committee that is in charge of codifying corporate social responsibility policies. The Administration Department is in charge of planning tasks related to corporate social responsibility.	None
(3) The company organizes regular training and promotion on business ethics 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.	The Company holds social benefit activities regularly, promoting business ethics and corporate social responsibility to directors and employees in the occasion. Employee's integrity, team spirit, moral behaviors, etc. are part of the key performance indicators for employee job appraisal.	None
2. Fostering a sustainable environment (1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.	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%. Energy-efficient lighting fixtures are used as much as possible while replacing illumination equipment. High performance green building materials for its construction projects are used to save energy and reduce carbon emissions.	None
(2) The company establishes proper environmental management systems based on the characteristics of their industries.	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.	None
(3) The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.	The Company has dedicated the Administration Department to take care of environment management.	None
(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.	The Group's energy saving and carbon reduction measures include water flow restrictions, higher air conditioner temperature, and turning off certain elevators during off-peak hours, etc. The Group's energy saving and carbon reduction performance in terms of consumption of water, electricity, and gasoline of the subsidiaries of the Group are reviewed on a quarterly basis.	None
3. Preserving public welfare (1) The company complies with relevant labor regulations and respect in principles governing basic labor rights as agreed by the international community in terms of employee rights protection and non-discriminatory employment, as well as development status of appropriate management approach and procedures, and execution.	The Company has set up work rules specifying employee's rights pursuant to the provisions of the Labor Standards Law. An Employee Welfare Committee is in place to put into practice employee care and assistance. A pension plan is available to all employees. The hiring policies are in compliance with the Employment Services Act, without discrimination on the grounds of ethnicity, gender, or religion.	None

(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.	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. Regular health examinations are offered for employees.	None
(3) Status of the company's regular communication mechanism with employees, and notification to employees of operational changes that may cause major impacts in a reasonable manner.	Communications among the Company's various departments are made by oral, e-mail, meeting or paper transmission. Important information will be timely transmitted in written form to ensure completeness of information.	None
(4) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.	The Policy for Client Data Processing and Protection and customer contact information is published on the Company's website. The Company's subsidiaries also operate a service hotline to answer enquiries from their customers.	None
(5) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.	The company is doing its best to adopt environment friendly materials. Environmental protection is taken into account in its procurement of calendar every year.	None
(6) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	The Company has been actively participating in the following charity works: 1. holding international financial research forum 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	None
4. Enhancing information disclosure (1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility.	The information relating to the Company's corporate social responsibility is disclosed in the annual report. Relevant information is also disclosed in medias when the Company holds public interest activities.	None
(2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.	The Company plans to publish the first CSR report for 2013 and present it on the website in the second half of 2014.	None

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: No discrepancy.

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 CSR activities, and the status of implementation.):

Environmental Protection

(1) As part of its effort to protect environment and conserve energy, the Group periodically recycles waste carbon cartridges, auctions used PCs for recycling and re-treatment, and recycles and reuses packaging materials, etc.
(2) To promote carbon reduction, the Group encourages employees to use public transportation, promotes the sharing of corporate vehicles and walking short distances.
(3) The Chilin Building of Mega International Commercial Bank participated in the "Energy Saving Indication Project for Commercial Buildings in Taipei City in 2012." It passed the evaluation and obtained an Energy Saving Indication for Commercial Buildings in Taipei City for 2012 to 2014, from the Department of Economic Development, Taipei City.

Social Contribution

(1) Forums and Public Interest Lectures
- As part of its effort to conserve the medical resources, the Company sponsored the "Health Public Interest Lecture" which was held by Management Institute in Taipei to give the general public a basic understanding of health and healthcare.
- The bank subsidiary sponsored "The Taiwan Offshore RMB Forum," which was hosted by Euromoney. This forum's discussion topics include the development of a Renminbi market in Taiwan, offshore Renminbi financing markets, new-style assets and products priced in Renminbi, the development prospects of an offshore Renminbi center. Mr. Kuang-Si Shiu, President of this Company moderated the panel discussion on "The Rise of the RMB Formosa Bond Market". This event not only helped Taiwan develop a Renminbi offshore center but also boosted the bank's professional image, which is beneficial to underwriting of Formosa bonds in the future.

- The bank subsidiary donated funds to FONDATION SINO-FRANÇAISE POUR L'EDUCATION ET LA CULTURE to promote cultural, education, and artistic exchanges between Taiwan and France.
- To celebrate the 30th anniversary, Mega International Investment Trust Company hosted "The Masters' Forum" and invited Mr. Dan Fuss, vice chairman of Loomis, Sayles & Company, to give a presentation on "Bond Market Outlook." The company's also arranged for one of its executive vice presidents to engage in a summit discussion with Mr. Fuss over developments and trends in the bond market. The forum enhances the global view of our citizens and promotes the company's image.

(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 for four consecutive years from 2010 to 2013.
- The Company sponsored the "2013 Sunrise LPGA Taiwan Championship." The LPGA is the most high-profile female professional golf tour. Through media and television, the championship draws hundreds of millions of spectators and enhances the international recognition of the Company and country.

(3) Arts and Cultural Events

- The bank subsidiary sponsored the "2013 Mount Yu Starlight Concert" at the Luo Na Elementary School sports arena in Xinyi Township. The concert is the highest large international music event in terms of elevation in Taiwan. The bank has sponsored this event for two years in a row.
- To raise the level of art and culture in Taiwan and provide leisure activities for the general public, the bank subsidiary sponsored the "World Music Fair" on the outdoor stage of Daan Forest Park, Taipei.
- To support local cultural and creative industry and respond to government initiatives in promoting local arts and culture, the bank subsidiary invited "Shiukim Taiwanese Opera Troupe" and "Ming Hwa Yuan Arts and Cultural Group" to present five Taiwanese opera performances in northern, central, and southern Taiwan.
- The bank subsidiary sponsored the production of the first documentary film using aerial photography in Taiwan "Beyond Beauty: Taiwan from Above," by renowned photographer and director Chi Po-Lin. To promote environment protection, the Group also invited its clients and employees to watch the film by offering group tickets.
- The bank subsidiary invited Philharmonic Radio Taipei and Ya Te Chamber Orchestra to perform at Taixi Elementary School in Yunlin County and Changan Elementary School in Tainan City. The activity aims to bring beautiful music from around the world to schools in remote regions in an effort to help children in remote regions learn more about the culture and music of different nations.
- The bank subsidiary sponsored Julun Arts and Crafts Development Association's stage play "Unrequited Love in Peach Blossom Spring."
- The bank subsidiary supported Taiwan's cultural and creative industry by purchasing the public broadcasting rights of the film "Attabu" which was shown to heads of all business units in the bank's multimedia room.

Community Participation and Social Services

(1) Mega Charity Foundation regularly provides one-day-a-month volunteer services at the Catholic Nursing Home in Bali District, New Taipei City. By feeding and singing with the elderly, volunteers help the seniors enjoy life. In March and December 2013, volunteers put on a well received "Japanese dance" performance for the elderly.
(2) To provide a good learning environment, give back to society and build good community relations, the Company donated 14 air conditioners to Zhongxiao Elementary School in Taipei City.

Public Social Welfare

(1) To promote sports and respond to the government's call for demanding government unified invoices when making purchases, the Company sponsored the "2013 Government Unified Invoice Cup Running Event" in Kaohsiung with National Taxation Bureau of Kaohsiung, which collected and donated United Invoices lottery to four charity groups, including the Syin-Lu Social Welfare Foundation.
(2) The Company sponsored the "2013 Financial Industry Social Service and Care Fair" held by the "Taiwan Financial Services Roundtable," in Chiayi City and Hsinchu County, respectively. The event aims at the promoting financial literacy and cares for disadvantaged groups.
(3) The bank subsidiary sponsored the "2013 Chinese Professional Baseball League Mega Bank All-Star Home Run Competition" to support the sport of baseball in Taiwan. In the opening ceremony, the bank donated $300,000 to three charities - World Peace Foundation, Pingtung County Aboriginal Education Association, and Taiwan Rainbow Double Fortune. It also invited 1,200 children from remote areas to watch the homerun competition as well as the red and white star game the following day, free of charge.
(4) To promote charity and help those in need, the bank subsidiary sponsored blood donation drives twice a year.
(5) The bank subsidiary held "2013 Public Welfare Event" in July and August in the Formosan Aboriginal Culture Village. The event was divided into six stages for employees from northern, central, and southern regions. More than 6,000 employees and family members participated in this activity, enhancing cohesion in the bank. The event included donations to 10 public welfare groups in the hope that our good deed beget more good deeds, and that society can devote more resources to care for the disadvantaged. The corporate culture will become more kind and considerate as well.
(6) As a response to the "Charity Gifts Sales" promoted by the Ministry of the Interior, we purchased "hand-crafted soap gift boxes" from five charity institutions for marketing and public relations purposes.
(7) Mega Charity Foundation sponsored remote social welfare organizations that lack resources by donating Mid-Autumn Festival cash gifts.
(8) To help disadvantaged groups acquire basic protection, Mega Insurance provided "Micro Personal Injury Insurance", to which the municipal government or social welfare organizations can apply on behalf of those in need.

Mega Glory (1) From 2011 to 2013, the Company sponsored "LPGA Taiwan Championship" three years in a row. It also supported the project to promote baseball among good students from 2010 to 2013, by funding training expenses for elementary school and junior high school teams in Hsinchu City. For such action, the Company received the "2013 Silver Award for Athletic Sponsorship" from the Ministry of Education. (2) In 2013, Mega International Commercial Bank won the award for "the Best Commercial Bank in Taiwan" from International Finance Magazine. In addition, the bank received a special contribution award for the "Foreign Currency Clearing Platform – Domestic US Dollar Service" from Financial Information Service Co., Ltd. to honor its contribution to the creation of a US Dollar clearing platform in Taiwan. The platform increased the efficiency of US Dollar fund transfer within the Island and greatly enhanced the effectiveness of fund management for domestic financial institutions and their clients. (3) In 2013, Chung Kuo Insurance Company was recognized as having the best corporate image of the 10 largest property and casualty insurance companies in the "Survey of Purchases and Satisfaction with Property and Casualty Insurance by the Top 1,000 Corporations" conducted by Modern Insurance Magazine. The company was also designated the "Most Desirable Property and Casualty Insurance Company by Finance and Insurance Graduates" in a 2013 employment intention survey of finance and insurance department graduates nationwide conducted by Modern Insurance Education Foundation. Consumer Rights To ensure the confidentiality of customer data, the Company adopts protective measures as disclosed on company website, in accordance with the Personal Data Protection Law. All client data disclosure, transfer, or exchange is conducted in accordance with the Financial Holding Company Act. For protection of client rights and enhancement of service quality, customer complaint hotlines were set up by the Company and its bank subsidiary, insurance subsidiary, as well as bills finance subsidiary. Customer service hotlines were also available at the Company's security subsidiaries and securities investment trust subsidiaries. Human Rights The rights of our employees are protected in accordance with Labor Standards Law and other related rules and regulations. For more details, please refer to Labor Relations on page 77. 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 and company assets. 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's 2013 CSR report is going to be assured by a third party according to the principle of AA1000 and GRI 3.1.

3.3.7 Ethical Corporate Management and Approach Adopted

Item	Implementation status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1.Development of ethical corporate management policy and approach (1) Status of the company's clear statement of ethical corporate management in its internal policy and external documents, as well as the company's promise to execute ethical corporate management in the Board and management level.	The Company has set up Ethical Corporate Management Principles and the ethical corporate management policies. The Board and management often emphasize the importance of ethics in business operations and lead by example.	None
(2) Status of the company developing measures preventing unethical conduct and setup of operating procedures, behaviors guide and trainings	The Company's Ethical Corporate Management Principles clearly state that the following unethical behavior must be prohibited: taking and paying bribes, providing illegal political contributions, making inappropriate charity donations and providing or accepting unreasonable gifts, hospitality, or other benefits. The Principles also state that employees should report such occurrences to a direct supervisor. When an employee has a shared business interest with a counterparty, said employee should return or decline any benefits.	None

Item	Implementation status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(3) Status of the company's preventative measures against bribery and illegal political donations related to businesses more prone to unethical risks when designing programs against unethical behavior.	Our company has introduced accounting and internal control systems that clearly define accounting procedures and operation processes for all business activities. Stringent internal controls prevent the unethical behavior of employees. The Auditing Office also performs regular and random audits to ensure effective compliance with internal control processes. The Company has a “Service Guideline” that bans employees from receiving commissions, rewards, or other inappropriate benefit from counterparties of transactions, or clients of the Company, or its subsidiaries. Punishments have been codified for those who are found to be in breach of such ban. Additionally, the Company does not make political contributions.	None
2.Execution of ethical corporate management		
(1) Status of the company’s business activities that avoid dealings with parties who have unethical behavior track record. The business contract shall stipulate rules related to ethical conduct.	The Company has avoided transactions with companies tainted by unethical practices. Ethical practice clauses are included in the contracts we enter into.	None
(2) Operations of the department solely (or partially) responsible for promoting ethical corporate management, and supervision by the board	The Administration Department is responsible for establishment and promotion of the ethical corporate management ideas. Implementation status of Ethical Corporate Management Principles will be submitted to the board meeting.	None
(3) Status of the company developing policies that prevents conflict of interests and provides channels for appropriate statement	The Company has set up the “Procedure for Board of Directors Meetings” which stipulates that if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director may state his opinion and respond to questions at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director’s proxy to exercise voting rights on that matter. This rule has been well enforced and practiced.	None
(4) Operations of accounting system and internal control set up for the purpose of ethical corporate management, and auditing results of internal auditors	In order to enforce ethical business practices, the Company has established an effective accounting system, an internal control system, and an internal audit system. Additionally, to ensure adherence to the internal control system, aside from internal audits performed by the internal audit staff twice a year, each department performs a self review on the internal control system at least once a year. The results of such internal audits and self reviews show no violations of ethical business practices.	None

Item	Implementation status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
3. Status of reporting channels and penalty related to unethical corporate management, as well as the implementation status of the appeal system	The Company's external website clearly states the point of contact and telephone numbers of the Company and its subsidiaries for complaints and grievances. Additionally, the Company's Ethical Corporate Management Principles also requires that when employees encounter matters that run counter to ethical business practices they should report them to the auditing office, which will then verify the matter. When the report is determined to be true, the auditing office should take disciplinary action along with the business unit in charge according to company disciplinary regulations. The Company should also disclose the job title and name of the employee/ employees who committed the infraction, the day of the infraction, details of the infraction and action taken on the company's internal website.	None
4. Information Disclosure (1) Establishment of the company's website to disclosure information regarding the company's ethical corporate management status (2) Other information disclosure channels (e.g. setting up an English website, designating people to handle information collection and disclosure etc.)	The Company's Ethical Corporate Management Principles has been disclosed on the Company's website. The Company has set up an English website to disclose financial and business information, as well as corporate governance information. Dedicated personnel are designated to maintain and update the website.	None
5. If the Company has established Ethical Corporate Management Principles based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established Ethical Corporate Management Principles which follow the requirements of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".		
6. Other important information to facilitate better understanding of the Company's Ethical Corporate Management: (Status of the company promoting its determination and policy of ethical corporate management to its business counterparties, and inviting them to join trainings and discussions in how the company can further revise its ethical corporate management principles): Before commencing a business transaction, the Company takes into consideration the legal compliance records and reputation of the counterparties of transactions. We avoid transactions with businesses that have a history of unethical practices. Ethical practice clauses are included in the contracts we enter into.		

3.3.8 The Way for Searching the Company's Corporate Governance Principles and Related Guidelines

For the Company's rules of corporate governance, please log on to the following website:

http://www. megaholdings.com.tw/contents_1024/co_govern/regulations.asp

3.3.9 Other Important Information: None.

3.3.10 Execution of Internal Control System

A. Internal control system statement

Mega Financial Holding Co., Ltd.

Internal Control System Statement

To: Financial Supervisory Commission, R.O.C.

On behalf of Mega Financial Holding Co., Ltd., we hereby state that from January 1, 2013 to December 31, 2013, the Company has duly complied with the “Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Bank Enterprises” in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Director and the Audit Committee. After prudent evaluation, except for items listed in the schedule, the internal control and legal compliance systems of each department have been in effect during the year, this Statement will be included as the main content of the Company’s annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act will be involved.

Chairman: Yeou-Tsair Tsai

President: Kuang-Si Shiu

Executive Vice President
& Chief Internal Auditor: Yung-Ming Chen

Executive Vice President
& Compliance Officer: Chung-Hsing Chen

March 25, 2014

Internal Control Weaknesses and Improvement Plans

Record Date: December 31, 2013

Weakness	Improvement Plans	Completion Date
Mega International Commercial Bank Co., Ltd.		
1. Local employees at the Osaka Branch mixed counterfeit bills into cash on hand to misappropriate cash.	1. The branch has already counted cash on hand at the end of the business day twice a month on a random basis. The count is conducted confidentially. The keys to the gate of the safes are now kept with the Class A business managers. Any individual accessing the safes must be accompanied by a Class A business manager and register the entry and exit time and reason. 2. The branch performs employee interviews every three months to identify problems with employees and unusual circumstances with their lives. 3. The audit office has already reiterated that all business units worldwide have to conduct cash count to protect the safety of cash assets. 4. The bank has informed all business units worldwide to implement mandatory vacation policy and perform duty transfers for vacation. Employees on vacation are not allowed to handle business.	Improved
2. The bank did not fulfill the duty of oversight of the investments made by subsidiary Yung-Shing Industries Company.	1. The bank has reviewed the investments of all subsidiaries. Except for Yung-Shing Industries Company, no subsidiary engages in investments which are not in conformity with the company's purpose of establishment. The company sent a letter on June 17, 2013, asking affiliated firms to focus on core business and not make new investments or subscribe to share offerings with cash. 2. The company has urged Yung-Shing Industries Company to dispose of the Taiwan Depository Receipts it holds and all shares in Wisdom Marine International Inc. Other existing investments not related to the company's core business are being liquidated or will be sold when the opportunity arises.	The shareholding in Wisdom Marine International and Taiwan Depository Receipts has been disposed on July 16, 2013, while the other investments will be liquidated according to the disposal plan.
Chung Kuo Insurance Co., Ltd.		
1. While processing auto insurance claims in 2012, there was a claim for which a deductible was not withheld according to the insurance policy and then the company paid the full amount of the indemnification rather than the portion exceeding the deductible.	1. The company has already revised the method of displaying auto insurance deductibles in the computer system. In addition, the company automatically summonses the deductibles of insured parties from the computer system for car insurance claims when booking the unsettled balance. 2. Enhancing the education and training of corporate staff and implementing reviews to ensure missing deductibles that should be assumed by the insured party does not occur again.	Improved
2. In 2012, some of the application forms of the insurance policies sold by insurance agencies were not signed off and marked with the license number by sales persons at the insurance agencies.	The failure to sign-off by the insurance agent will be remedied by enhancing reviews of application form for insurance coverage to comply with relevant laws.	Improved

B. Report of Independent Auditor appointed to conduct special audit on the company's internal control system: None.

3.3.11 Major Malfeasant Cases and Operational Improprieties and Remedial Measures Adopted in the Past Two Years

A. Legal action involving executives or employees: None.

B. Fines imposed by FSC as a punishment for violating laws and regulations:

(1) Mega International Commercial Bank (MICB)

Hard drives that should have been destroyed by MICB were released to the used equipment market. The competent authority fined the bank NT$2,000,000 on June 7, 2012 for failure to establish and implement internal control measures. The improvements are as follows:

a. When replacing or scrapping computer equipment, domestic business units should format the hard drives before removing them. The business units should then send the hard drives along with a "Destroyed Hard Drive Submission Form" to the Information Office for demagnetizing and destruction to ensure the security of customer data.

b. The bank has already introduced terminal control and file encryption for portable storage media such as USB drives and DVDs to prevent data from being leaked.

c. Improve "Employee Confidentiality Training" and training on the "Personal Data Protection Act."

d. The company already has made "Employee Confidentiality Training" and "Control of the Scrapping and Replacement of Computers" part of internal audit work.

(2) Chung Kuo Insurance Company

While processing auto insurance claims in 2012, there was a claim for which a deductible was not withheld according to the insurance policy and the full amount of the indemnification rather than the portion exceeding the deductible was paid by the company. In addition, some of the application forms of the insurance policies sold by insurance agencies were not signed off and marked with the license number by sales persons at the insurance agencies. The FSC therefore fined the company NT$1,200,000 on May 3, 2013. The improvements are described on the Internal Control Weaknesses and Improvement Plans as shown above.

(3) Mega Securities Company

Some of the client's basic information was not filled out by a client in person during the account opening process at Mega Securities Company's Chungli branch. This situation was a violation of relevant laws governing futures trading. The FSC has fined the company NT$120,000 on March 6, 2012 for such breaches. The above deficiencies have been communicated to its employees and employees are required to follow those rules.

C. Admonishments issued by the FSC for serious operational improprieties

(1) Mega International Commercial Bank (MICB)

a. Mr. Huang and Mr. Wei, former bank tellers at MICB, misappropriated funds by changing accounting items. The FSC therefore issued a correction on March 26, 2013. The improvements are as follows:

- Control operational procedures within the system and provide exception statements the following day for review by a supervisor.
- Improve education and training of sales people at all levels.
- Auditing of "Unusual amounts of income or expenses" will be added to the self-review and audit undertaken by the Internal Audit Office.

b. The bank did not fulfill the duty of oversight of the investments made by subsidiary Yung-Shing Industries Company. The FSC therefore issued a correction on June 28, 2013. The improvements are described on the Internal Control Weaknesses and Improvement Plans as shown above.

(2) Mega International Investment Trust Company

a. As the financial data on which the company's stock analysis reports were based was not updated in a timely fashion, the FSC has issued a correction on February 4, 2013. The improvements are as follows:

- The company has already required fund managers and concerned employees to strictly follow the company's rules on investment analysis reports. Financial information contained in domestic investment analysis reports should be updated within a week of the legal announcement deadline for public companies to announce their financial statements. However, when there is a significant change that affects investment decisions, the report has to be updated as quickly as possible.
- Responsible supervisors are required to pay special attention to the accuracy of the updated analysis report and whether the reports are presented according to regulations.

b. There was a few instances that the fund manager of the Mega International First Fund acquired stocks which are on the watch list and the probation list promulgated by the Taiwan Stock Exchange. The FSC issued an admonishment indicating that the company's internal regulations lack control mechanisms to require evaluation the risk of a stock with significant short-term gains. The corrections are as follows:

- The company has explicitly required that fund managers are prohibited from investing in a stock that was removed from the watch list not more than 5 trading days or removed from the probation list not more than 15 trading days.
- The list of restricted investment objects is required to be reviewed by the supervisor concerned before putting in the computer system.

D. Any item committing penalty pursuant to Article 54 of the Financial Holding Company Act

The Financial Supervisory Commission has reprimanded the Company because it failed to dispose of its shareholding in Taiwan Business Bank (TBB) within the required period and did not draft a concrete plan to ensure the timely disposal of said shareholding. This fact was found to be a hindrance to prudent management. The Financial Supervisory Commission has reprimanded the Company according to Paragraph 1 of the Article 54 of the Financial Holding Company Act and, according to Paragraph 7 of the Article 54, banned The Company from applying for investments defined under Articles 36 and 37 of the same Act. If said stock holdings still have not been transferred to a trustee upon the expiration of the six month ban, said investment will continue to be banned until said stock holding is transferred to a trust. In order to comply with the Financial Supervisory Commission's regulations, the Company on April 16, 2013 has entered into a trust contract with Hua Nan Commercial Bank and transferred all its shareholdings in TBB to the trustee bank.

E. Disclosures of financial losses caused by corruptions by employees, major incidental cases or major breaches of security regulations with losses exceeding NT$50 million in individual and /or combined cases: None.

F. Other mandatory disclosures as instructed by the FSC: None.

3.3.12 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Important resolution of the annual shareholders' meeting held on June 21, 2013

(1) The meeting approved a cash dividend of $1.1 per share, director and supervisor compensation of NT$96,899,000, and an employee bonus of NT$10,240,000. The dividend was paid in September 2013, and the employee bonus and director and supervisor compensation have also been paid.

(2) The meeting also approved revisions of certain articles in the "Rules of Procedures for Shareholder Meetings." The amended articles have already been uploaded to the Market Observation Post System of the Taiwan Stock Exchange Corporation and the company's external website.

B. Important resolution of the Board meetings held in 2013

(1) The ninth meeting of the fifth term Board of Directors held on January 29, 2013 approved the reappointment of fourth term Directors and Supervisors at subsidiary Mega Asset Management Company, and the changing of CPAs to Mr. Chien-Hung Chou and Ms. Hsiu-Ling Lee from PWC, Taiwan for the 2012 financial statement audit.

(2) The tenth meeting of the fifth term Board of Directors held on February 26, 2013 approved the engagement with CPAs Mr. Chien-Hung Chou and Mr. King-Tse Huang from PWC, Taiwan to audit the 2013 financial statement of our company.

(3) The eleventh meeting of the fifth term Board of Directors held on March 26, 2013 approved the 2012 consolidated financial statements and convening of the 2013 General Shareholders' Meeting.

(4) The twelfth meeting of the fifth term Board of Directors held on April 23, 2013 approved the 2012 business report and earnings distribution.

(5) The thirteenth meeting of the fifth term Board of Directors held on May 28, 2013 approved the reappointment of the 21st term Directors and Supervisors at subsidiary Chung Kuo Insurance Company, and the appointment of the President of subsidiary Mega Life Insurance Agency Company.

(6) The fourteenth meeting of the fifth term Board of Directors held on June 25, 2013 approved the allotment of 2012 remuneration to directors and supervisors.

(7) The fifteenth meeting of the fifth term Board of Directors held on July 23, 2013 approved the renewal of "Liability Insurance Policies for Directors, Supervisors, and Key Employees."

(8) The sixteenth meeting of the fifth term Board of Directors held on August 27, 2013 approved the financial statement of the first half of 2013, and the issue of 1 billion shares of new stock for an injection of new capital at the Company.

(9) The eighteenth meeting of the fifth term Board of Directors held on October 22, 2013 approved a cash capital injection of NT$15 billion at subsidiary Mega International Commercial Bank by the Company.

(10) The nineteenth meeting of the fifth term Board of Directors held on November 26, 2013 approved the 2014 audit plan and 2013 Resolution Plan reguired by the Dodd-Frank Act.

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

3.3.14 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports: None.

3.3.15 Material Information Management Procedure

The Company has established Procedures for Material Information Management and Disclosure. All employees are required to comply with the procedures when they become aware of any potential material information and the disclosure thereof.

3.4 Information on Independent Auditor Fee

3.4.1 Audit Fees

Accounting Firm	Name of CPAs	Audit period	Remarks
PricewaterhouseCoopers, Taiwan (PWC)	Chien-Hung Chou King-Tse Huang	January 1, 2013 – December, 31, 2013	

Bracket \ Item		Audit fee	Non-audit fee	Total
1	Under NT$2,000,000		V	
2	NT$2,000,000 ~ NT$ 4,000,000	V		V
3	NT$4,000,000 ~ NT$ 6,000,000			
4	NT$6,000,000 ~ NT$ 8,000,000			
5	NT$8,000,000 ~ NT$10,000,000			
6	Over NT$10,000,000			

A. If the ratio of non-audit fee to audit fee is over one fourth, the accountant's fee shall be disclosed:

Unit: NT$

Accounting Firm	Name of CPA	Audit fee	Non-audit fee					Audit Period	Remarks
			System Design	Corporate Registration	Human Resources	Other	Subtotal		
Pricewaterhousecoopers, Taiwan	Chien-Hung Chou King-Tse Huang	2,535,000	0	0	0	338,000	338,000	1/1/2013 – 12/31/2013	FATCA consulting fee

Note: The Company's non-audit fee is below one fourth of the audit fee in 2013.

B. Change of accounting firm and the audit fee of the changing year is less than previous year, the amount of audit fee respectively and the reason of change shall be disclosed: None.

C. A decrease over 15% than previous year for audit fee, the amount, percentage and reason shall be disclosed: None.

3.5 Change of Independent Auditors

3.5.1 Replaced Independent Auditors

<table>
<tr><td>Date of change</td><td colspan="4">Approved by the Board of Directors on February 26, 2013</td></tr>
<tr><td>Reasons for changes & explanations</td><td colspan="4">Ms. Hsiu-Ling Lee was replaced by Mr. King-Tse Huang due to organization adjustment for administration in accounting firm</td></tr>
<tr><td rowspan="3">Services contract terminated by appointer or accountant / Not accepting continued appointment</td><td colspan="2">Party involved
Event</td><td>Accountant</td><td>Appointer</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>N.A.</td><td>N.A.</td></tr>
<tr><td colspan="2">Not accepting (continued) appointment</td><td>N.A.</td><td>N.A.</td></tr>
<tr><td>Unqualified opinions in auditing reports certified within the last two years and their reasons</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Any disagreement with the Company’s opinions</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Auditing scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td>V</td><td colspan="2"></td></tr>
<tr><td colspan="4">Reason: None</td></tr>
<tr><td>Other things disclosed (disclosure required by Articles 10.5.1.4 of this Guideline)</td><td colspan="4">N.A.</td></tr>
</table>

3.5.2 Succeeding Independent Auditors

Accounting firm	PricewaterhouseCoopers, Taiwan
CPA’s name	King-Tse Huang
Date of appoint	Approved by the Board of Directors on February 26, 2013
Consultations on accounting measures or principles concerning specific transactions or on likely opinions in financial statements	None
Written opinions by succeeding accountant on disagreements with outgoing accountant	None

3.6 The Company’s Responsible Persons did Not hold Any Position at the Accounting Firm or its Affiliated Enterprises during 2013.

3.7 Changes in Shareholding

3.7.1 Changes in Shareholding of Directors, Executives and Major Shareholders

Unit: Share

Title	Name	2013		As of Mar. 31, 2014	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Yeou-Tsair Tsai	202,000	0	0	0
Director	Ministry of Finance, R.O.C.	0	0	0	0
	The National Development Fund, Executive Yuan, R.O.C.	59,995,091	0	0	0
	Bank of Taiwan Co., Ltd.	19,340,436	0	0	0
	Chunghwa Post Co., Ltd.	24,874,713	0	0	
	Labor Union of Mega Int'l Commercial Bank	946,364	0	22,879	0
	Hung-Wen Chien	(958,307)	(1,100,656)	0	0
	Joanne Ling	0	0	0	0
	Chung Hsiang Lin	30,181	0	0	0
Independent Director	Tsun-Siou Li	0	0	0	0
	Shean-Bii Chiu	0	0	0	0
	Chi-Hung Lin	0	0	0	0
President	Kuang-Si Shiu	221,000	0	0	0
Executive Vice President	Jui-Yun Lin	120,252	0	0	0
	Chung-Hsing Chen	114,000	0	(114,000)	0
	Yung-Ming Chen	55,015	0	(55,000)	0
	Meei-Yeh Wei	130,639	0	0	0
	Dan-Hun Lu	119,644	0	0	0
	Feng-Chi, Ker	119,000	0	0	0
	Chii-Bang Wang	230,110	0	0	0
	Ming-Jye Chang	340,497	0	0	0
	Ying-Ying Chang	120,238	0	0	0

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

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

3.8 Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders

As of April 26, 2014

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. Sheng-Ford Chang)	1,143,043,883	9.18	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	None
National Development Fund, Executive Yuan, R.O.C. (Representative: Mr. Chung-Ming Kuan)	759,770,852	6.10	0	0	0	0	None	None	None
Fubon Life Insurance Co., Ltd. (Representative: Mr. Pen-Yuan Cheng)	409,931,937	3.29	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd. (Representative: Mr. Philip Wen-chyi Ong)	337,322,634	2.71	0	0	0	0	None	None	None
Bank of Taiwan Co., Ltd. (Representative: Ms. Jih-Chu Lee)	262,273,049	2.11	0	0	47,526,889	0.38	Ministry of Finance	Taiwan Financial Holding Co., Ltd. is wholly owned by the Ministry of Finance	None
Cathay Life Insurance Co., Ltd. (Representative: Mr. Hong-Tu Tsai)	246,400,339	1.98	0	0	0	0	None	None	None
China Life Insurance Co., Ltd. (Representative: Mr. Alan Wang)	246,019,344	1.98	0	0	0	0	None	None	None
Pou Chen Corporation (Representative: Mr. C. C. Tsai)	177,333,477	1.42	0	0	0	0	None	None	None
Government of Singapore Investment Co. Pte Ltd. (GIC) in Custody by Citibank	156,862,726	1.26	0	0	0	0	None	None	None
Vanguard Emerging Markets Stock Index Fund in Custody by Standard Chartered Bank	150,451,340	1.21	0	0	0	0	None	None	None

3.9 Long-term Investment Ownership

As of December 31, 2013

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.	7,700,000,000	100.00	0	0	7,700,000,000	100.00
Mega Securities Co., Ltd.	1,160,000,000	100.00	0	0	1,160,000,000	100.00
Mega Bills Finance Co., Ltd.	1,311,441,084	100.00	0	0	1,311,441,084	100.00
Chung Kuo Insurance Co., Ltd.	300,000,000	100.00	0	0	300,000,000	100.00
Mega Int'l Investment Trust Co., Ltd.	52,700,000	100.00	0	0	52,700,000	100.00
Mega Asset Management Co., Ltd.	200,000,000	100.00	0	0	200,000,000	100.00
Mega Life Insurance Agency Co., Ltd.	2,000,000	100.00	0	0	2,000,000	100.00
Mega Venture Capital Co., Ltd.	100,000,000	100.00	0	0	100,000,000	100.00
Taiwan Depository & Clearing Corp.	1,358,090	0.41	3,933,153	1.20	5,291,243	1.61
Taipei Financial Center Corp.	73,500,000	5.00	40,005,999	2.72	113,505,999	7.72
Taiwan Business Bank	612,001,613	12.01	989,806,937	19.43	1,601,808,550	31.44
China Products Trading Company	0	0	68,274	68.27	68,274	68.27
Mega I Venture Capital Co., Ltd.	0	0	33,000,000	73.33	33,000,000	73.33
Yung-Shing Industries Company	0	0	298,668	99.56	298,668	99.56
Win Card Co., Ltd.	0	0	200,000	100.00	200,000	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	2,340,000	100.00	2,340,000	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	14,990,337	100.00	14,990,337	100.00
Mega Capital (Asia) Co., Ltd.	0	0	17,000,000	100.00	17,000,000	100.00
Mega Securities (Hong Kong) Co., Ltd.	0	0	50,000	100.00	50,000	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	5,000,000	100.00	5,000,000	100.00
IP Fund Seven Ltd.	0	0	12,500,000	25.00	12,500,000	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	407,922	25.31	407,922	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 (Thai) Public Company Limited	0	0	1,515,000	25.25	1,515,000	25.25

Note : China Insurance Co. (SIAM), Ltd. changed the name to China Insurance (Thai) Public Company Limited

Capital Overview

4.1 Capital and Shares

4.1.1 Issued Shares

As of April 30, 2014

Month/ Year	Par value (NTD)	Authorized capital		Paid-in capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of capital	Other
Dec. 2013	10	14,000,000,000	140,000,000,000	12,449,823,983	124,498,239,830	Issuance of 1 billion shares of common stock for cash at NT$21.5 per share	Note

Note: The capital increase was approved by the letter No. 1020040445 dated October 14, 2013 issued by FSC.

As of April 30, 2014

Type of stock	Authorized capital			Remark
	Issued shares (Note)	Unissued shares	Total	
Common stock	12,449,823,983	1,550,176,017	14,000,000,000	Note

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

4.1.2 Ownership and Distribution of Shares

As of April 26, 2014

Type of shareholders	Government agencies	Financial institutions	Other juridical persons	Domestic natural persons	Foreign institutions & natural persons	Total
Number of shareholders	13	205	630	273,503	818	275,169
Shareholding (shares)	2,405,751,297	2,254,231,312	962,228,468	2,178,030,699	4,649,582,207	12,449,823,983
Percentage (%)	19.32	18.11	7.73	17.49	37.35	100.00

4.1.3 Distribution Profile of Share Ownership

Par value per share: NT$10 As of April 26, 2014

Shareholder ownership (Unit: Share)	Number of shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	99,175	29,105,591	0.23
1,000 ~ 5,000	103,862	240,112,776	1.93
5,001 ~ 10,000	30,866	219,726,101	1.76
10,001 ~ 15,000	14,810	176,646,341	1.42
15,001 ~ 20,000	6,835	119,718,965	0.96
20,001 ~ 30,000	7,075	169,755,061	1.36
30,001 ~ 40,000	3,212	110,706,973	0.89
40,001 ~ 50,000	1,953	87,931,614	0.71
50,001 ~ 100,000	3,947	272,084,466	2.19
100,001 ~ 200,000	1,779	239,236,218	1.92
200,001 ~ 400,000	703	188,380,953	1.51
400,001 ~ 600,000	235	114,877,054	0.92
600,001 ~ 800,000	120	83,670,845	0.67
800,001 ~ 1,000,000	78	69,671,060	0.56
1,000,001 ~ 1,200,000	58	63,521,226	0.51
1,200,001 ~ 1,400,000	47	60,545,236	0.49
1,400,001 ~ 1,600,000	34	51,340,267	0.41
1,600,001 ~ 1,800,000	14	23,727,516	0.19
1,800,001 ~ 2,000,000	31	58,971,155	0.47
Over 2,000,001	335	10,070,094,565	80.90
Total	275,169	12,449,823,983	100.00

4.1.4 Major Shareholders

As of April 26, 2014

Name of shareholder	Number of common shares	Percentage of voting shares (%)
Ministry of Finance, R.O.C.	1,143,043,883	9.18
National Development Fund, Executive Yuan, R.O.C.	759,770,852	6.10
Fubon Life Insurance Co., Ltd.	409,931,937	3.29
Chunghwa Post Co., Ltd.	337,322,634	2.71
Bank of Taiwan Co., Ltd.	309,799,938	2.49
Cathay Life Insurance Co., Ltd.	246,400,339	1.98
China Life Insurance Co., Ltd.	246,019,344	1.98
Pou Chen Corporation	177,333,477	1.42
Government of Singapore Investment Co. Pte Ltd. (GIC) in custody by Citibank	156,862,726	1.26
Vanguard emerging markets stock index fund in custody by Standard Chartered Bank	150,451,340	1.21

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

Unit: NT$

Item / Year			2013	2012	As of March 31, 2014
Market price per share (Note 1)	High		25.90	24.50	25.45
	Low		22.00	18.95	22.60
	Average		24.05	21.92	23.99
Net worth per share (Note 2)	Before distribution		19.39	18.67	20.14
	After distribution		(Note 6)	17.57	None
Earnings per share	The weighted average of outstanding shares (in thousands of shares)		11,493,660	11,449,824	12,449,824
	Earnings per share	Before adjustment	1.96	1.91	0.65
		After adjustment	1.96	1.88	None
Dividends per share	Cash dividends		1.11	1.10	(Note 6)
	Stock dividends	Earnings	None	None	None
		Capital surplus	None	None	None
	Cumulative undistributed dividends		None	None	None
Investment return analysis	PE ratio (Note 3)		12.27	11.66	36.91
	Price-dividend ratio (Note 4)		21.67	19.93	None
	Cash dividend yield (%) (Note 5)		4.62%	5.02%	None

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 2013 profits will be submitted at the annual shareholders' meeting on June 24, 2014.

4.1.6 Dividend Policy and Implementation Status

A. 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) shall be distributed as follows: employee profit sharing between 0.02% and 0.16%, and remuneration of directors 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. At least 50% of the shareholders' dividends shall be paid in cash, and the rest paid by stock dividend. However, the percentage of cash dividend and stock dividend may be adjusted by resolution at a shareholders' meeting.

B. Proposed Distribution of 2013 Profits

It is proposed to submit to the Company's Annual Shareholders' Meeting, to be held on June 24, 2014, for its approval of the distribution of NT$13,819,304,621 cash dividends (NT$1.11 per share), NT$10,150,000 cash as employee profit sharing, and NTD101,201,000 remuneration for directors. The proposed cash dividends account for 40.04% of the 2013 distributable earnings for NT$34,517,989,106, or 68.28% of the net balance of net income after tax in 2013 deducting 10% legal reserve.

4.1.7 Impact to 2013 Business Performance and EPS of Stock Dividend Distribution:

The Company will not distribute any stock dividend for 2013 earnings.

4.1.8 Employee Profit Sharing and Remunerations for Directors

A. Employee profit sharing and remunerations for directors as prescribed by the Company's Articles of Incorporation

Please refer to 4.1.6 A. Dividend Policy

B. The accounting assumptions for employee profit sharing and remunerations to directors for the year 2013

The Company's 2013 earnings distribution proposal is expected to submit to the shareholders' meeting on June 24, 2014. The proposed employees' profit sharing and remunerations to directors are NT$10,150,000 and NT$101,201,000, respectively. The remunerations to directors is appropriated at the ratio of 0.5% stipulated in the Company's Articles of Incorporation, based on NT$20,240,309,811, the net balance of net income after tax for NT$22,489,233,123 in 2013 deducting 10% legal reserve. The employees' profit sharing is appropriated at the ratio of 0.0501% based on the said amount of NT$20,240,309,811.

C. Information on proposal of employee profit sharing approved by the Board

The proposed employees profit sharing amounts to NT$10,150,000, decreasing NT$96,685 compared to the expenses recognized in 2013 due to estimate difference. The proposed remunerations to directors amounts to NT$101,201,000, an increase of NT$73, 836 compared to the expenses for NT$101,127,164 recognized in 2013 due to CPA's adjustment of 2013 earnings. These differences will be recognized as profit or loss in 2014 should the earnings distribution proposal be approved by the shareholders' meeting.

D. Distribution of earnings for the year 2012 as employee profit sharing and remunerations for directors

With respect to the earnings distribution for the year 2012, the actual distribution of employee profit sharing and remunerations for directors is the same as the original distribution proposal approved by the Board of Directors and shareholders' meeting. Remunerations to directors amounted to NT$96,899,000, increasing NT$95,952 compared to the booking amount of NT$96,803,048 due to CPA's adjustment of 2012 earnings. The employee profit sharing amounted to NT$10,240,000 decreasing NT$20,736,975 compared to the booking amount of NT$30,976,975 due to employees' profit sharing percentage adjustment. The differences have been treated as changes in accounting estimates and recognized in 2013 as profit or loss.

4.1.9 Buyback of Company Shares

The Company did not undertake any buyback of treasury shares during the most recent fiscal year and up to the date of publication of this annual report.

4.2 Issuance of Corporate Bonds

Issue	2008-2 Domestic Unsecured Subordinated Bond	2011-1 Exchangeable Bond
Issue date	December 26, 2008	July 11, 2011
Denomination	NT$1,000,000	NT$100,000
Issue/Transaction place	Taiwan	Taiwan
Issue price	Par	102% of the nominal amount
Issue amount (Nominal amount)	NT$6,000,000,000	NT$6,000,000,000
Coupon rate	3.26% p.a.	0%
Maturity	7 years (due 12/26/2015)	2.5 years（due January 11, 2014）
Repayment priority	Subordinated	Senior, unsubordinated
Guarantor	None	None
Trustee	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank
Underwriter	None	KGI Securities Co., Ltd.
Certifying attorney	Shing Tai Law Office	Chung-Chieh Wei Law Office
Auditor	PricewaterhouseCoopers, Taiwan	PricewaterhouseCoopers, Taiwan
Repayment	Principal to be repaid in lump sum at maturity based on the face value	Unless previously purchased and cancelled, redeemed or exchanged, the bonds will be redeemed in cash at 100% of the principal amount at the maturity date.

Issue		2008-2 Domestic Unsecured Subordinated Bond	2011-1 Exchangeable Bond
Outstanding principal		NT$6,000,000,000	NTD6,000,000,000
Redemption at the option of the issuer		None	a) From October 12, 2011 to December 2, 2013, if the closing price of TBB common stocks exceeds 30% of the exchange price in continuous 30 business days, the Company may redeem the bonds at principal amount in the terms of exchange by cash within 30 business days. b) From October 12, 2011(the first day after bonds issued for 3 months) to December 2, 2013 (40 days before maturity), the Company may redeem the bonds at principal amount in the terms of exchange by cash if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.
Restriction clause		Note	None
Whether Included in eligible capital		Yes	No
Credit rating		Rated twA+ by Taiwan Ratings Corp. on November 27, 2008	Rated twAA by Taiwan Ratings Corp. on May 17, 2011
Other rights of bondholders	Amount of converted or exchanged common shares, DRs or other securities	None	None
	Terms of issuance and exchange (or conversion)	Not Applicable	Please refer to the note of the Company's financial statements of 2013
Dilution effect and other adverse effects on existing shareholders		None	None
Custodian of the underlying securities		None	Taiwan Depository & Clearing Corporation

Note: 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 will be accumulated, and interest and rollover of principal is calculated at coupon rate.)

Information of the Exchangeable Bonds

Unit: NT$

Bond category		2011-1 Exchangeable bonds				
Item \ Year		Issue date (July 11, 2011)	December 31, 2011	December 31, 2012	March 31, 2013	March 31, 2014
Number of underlying common shares held		541,464,015	565,829,895	588,463,090	612,001,613	612,001,613
Exchange price		13.00	12.40	11.60	11.60	Note
Market price of the exchangeable bonds	Highest	102.00	102.00	100.90	100.40	
	Lowest	101.00	97.00	97.40	98.85	
	Average	101.20	99.86	99.13	99.67	
Issue date		July 11, 2011				
Underlying securities		Common Shares of Taiwan Business Bank				

Note: The exchangeable bonds have been repaid on January 11, 2014.

4.3 Preferred Stock: None.

4.4 Issuance of Depositary Receipts: None.

4.5 Employee Stock Options: None.

4.6 New Restricted Employee Shares: None.

4.7 Mergers with or Acquisitions of Other Financial Institutions: None.

4.8 Capital Utilization Plans and Execution Status

The Company's previous financing plans through issuance of securities have already been implemented with expected effect. The Company issued 1 billion shares of new common stock through cash injection on December 16, 2013 at NT$21.5 per share (Par value of NT$10). Cash of NT$21.5 billion was thus raised. The share issue plan was executed in Q4 2013, and its effect was shown. The plan and execution are as follows:

1. Utilization of proceeds: Reinvesting NT$15 billion in Mega International Commercial Bank and increasing working capital of NT$6.5 billion
2. Total funds required for this plan: NT$21.5 billion
3. Funding Source: Raising NT$21.5 billion through capital increase against cash injection
4. Plans, progress of proceeds utilization and execution status:

Unit: NT$1,000

Item	Proposed completed date		Proposed utilization progress of proceed			
			Year 2013			
			Q1	Q2	Q3	Q4
Investment in Mega International Commercial Bank	Q4 of 2013	Proposed	0	0	0	15,000,000
		Actual	0	0	0	15,000,000
Substantiating working capital	Q4 of 2013	Proposed	0	0	0	6,500,000
		Actual	0	0	0	6,500,000

5. Execution Effect:
   The capital injection to Mega International Commercial Bank improves its capital adequacy ratio as well as financial structure, and facilitates its business growth. Increases of the Company's working capital improve the Group's capital adequacy ratio and reduce the double leverage ratio.

Operational Overview

Operational Overview

5.1 Business Overview

Mega Financial Holding Company

According to Taiwan's Financial Holding Company Act, the business of a financial holding company shall be limited to investment in, and management of, its invested enterprise(s). Business scope of the Company's subsidiaries includes banking, securities, bills finance, property and casualty insurance, asset management, venture capital, securities investment trust, insurance agency. Nearly all of the Company's revenues are derived from subsidiaries.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method	23,768,937	99.95	22,661,062	99.73
Other operating revenue	12,827	0.05	60,374	0.27
Total	23,781,764	100.00	22,721,436	100.00

Mega International Commercial Bank Co., Ltd.

The bank's business scope includes commercial banking, consumer banking, wealth management, investment banking and other services as approved by the competent authority. In 2013, its net revenue amounted to NT$45,332,789 thousand, an upsurge of 2.91% from the year before. Net interest income grew by 6.12%, while the revenue other than interest income declined by 2.66% mainly due to reduction in the gain on sale of non-performing loans.

Breakdown of Net Revenue

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Net interest income	29,636,478	65.38	27,926,730	63.39
Revenue other than interest income, net	15,696,311	34.62	16,125,533	36.61
Fee income – net	8,029,742	17.71	6,620,871	15.03
Gains on financial assets and liabilities at fair value through profit or loss	1,283,136	2.83	2,562,027	5.82
Realized gain on available-for-sale financial assets	1,290,950	2.85	1,288,352	2.92
Share of other comprehensive income of associates and joint ventures accounted for under equity method	537,862	1.19	488,349	1.11
Foreign exchange gain – net	2,873,751	6.34	2,329,488	5.29
Loss on asset impairment	(319,209)	(0.70)	(483,955)	(1.10)
Other revenue other than interest income	903,105	1.99	1,059,672	2.41
Gain on financial assets carried at cost	633,053	1.40	780,303	1.77
Gain on sale of non-performing loans	463,921	1.02	1,480,426	3.36
Net revenue	45,332,789	100.00	44,052,263	100.00

Mega Securities Co., Ltd. (MSC)

MSC is engaged in securities brokerage, underwriting, and proprietary trading. In 2013, the company's brokerage fee income amounted to NT$1,133,597 thousand, declining by 4.00% compared to the year before mainly due to reduction in stock market trading volume. Its gains on valuation of trading securities amounted to NT$208,232 thousand, an increase of 338.19% compared to the year 2012.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Brokerage fee income	1,133,597	40.50	1,180,836	51.21
Fee income from margin loans	53	0.00	76	0.00
Commission income from securities financing	2,760	0.10	23	0.00
Underwriting income	92,897	3.32	113,594	4.93
Gain on disposal of trading securities	136,503	4.88	(109,215)	(4.74)
Income from providing stock registrar services	36,364	1.30	34,941	1.52
Interest income	831,025	29.69	821,218	35.62
Dividend income	111,082	3.97	52,952	2.30
Gains on valuation of trading securities	208,232	7.44	47,521	2.06
Gain on covering on securities lending and bond purchased under resale agreement	6,686	0.24	(12,490)	(0.54)
Gain on valuation for securities lending and bond purchased under resale agreement	(3,763)	(0.13)	(6,319)	(0.27)
Gain on issuance of stock warrants	165,635	5.92	170,444	7.39
Futures commission income	41,622	1.49	46,580	2.02
Gain on derivative financial instruments - Futures	(8,688)	(0.31)	(4,551)	(0.20)
Gain on derivative financial instruments - OTC	10,140	0.36	(31,392)	(1.36)
Management fee income	131	0.00	240	0.01
Other operating income	34,424	1.23	1,148	0.05
Total	2,798,700	100.00	2,305,606	100.00

Mega Bills Finance Co., Ltd.

The company is engaged in brokerage, dealing, underwriting and guarantee of short-term debt instruments. In 2013, the company's revenues from the bills business surged by 12.77% from the previous year, while revenues from bonds fell by 10.78% due to large amounts of government bonds with higher coupon rates repaid in 2013. Other revenues slumped by 83.64% from the year before as the company had dramatic gains on disposal of NPL in 2012.

Breakdown of Net Revenue

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Bills business	2,366,377	49.50	2,098,326	38.22
Bonds business	1,699,490	35.55	1,904,912	34.70
Equity investments	533,423	11.16	381,093	6.94
Others	180,813	3.79	1,105,269	20.14
Total revenue	4,780,103	100.00	5,489,600	100.00

Chung Kuo Insurance Co., Ltd.

The company is a property and casualty insurer. Its total direct written premium income for 2013 amounted to NT$6,319,614 thousand, up 6.74% compared to 2012. Inward reinsurance premium income of the company for 2013 reached NT$660,137 thousand, a reduction of 11.16% from the year before.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Fire insurance premium	1,614,487	25.55	1,523,122	(25.73)
Marine cargo insurance premium	272,958	4.32	269,317	4.55
Marine hull insurance premium	451,299	7.14	471,491	7.96
Automobile insurance premium	2,340,169	37.03	2,109,252	35.63
Aviation insurance premium	127,717	2.02	145,836	2.46
Engineering insurance premium	458,334	7.25	440,788	7.44
Accident insurance premium	418,244	6.62	370,238	6.25
Health insurance	9,493	0.15	3,495	0.06
Other insurance premium	626,913	9.92	587,144	9.92
Total direct written premium income	6,319,614	100.00	5,920,683	100.00
Inward reinsurance premium income	660,137	-	743,095	-
Total	6,979,751	-	6,663,778	-

Mega International Investment Trust Co., Ltd.

The company provides investment management services to institutions and individuals through the various Mega mutual funds. As of the end of 2013, the company's assets under management amounted to NT$85.47 billion, ranking 8th among the 38 securities investment trust companies. Its management fee income amounted to NT$ 320,762 thousand in 2013, a decrease of 2.13% compared to 2012.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Public issued funds	319,050	99.47	326,566	99.64
Private equity funds	149	0.04	144	0.04
Discretionary account	1,563	0.49	1,038	0.32
Total	320,762	100.00	327,748	100.00

Mega Asset Management Co., Ltd.

The company is primarily engaged in purchases, evaluations, auctions and management of financial institutions' loan assets. In 2013, the net proceeds from disposal of the purchased NPL and gain on sale of collaterals amounted to NT$674,906 thousand, a decrease of 12.23% compared with the previous year, while rental income grew by 33.98% from 2012.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Net proceeds from disposal of purchased NPL and Gain on sale of collaterals	674,906	84.57	768,912	83.41
Rental income	56,004	7.02	41,800	4.53
Other operating income	67,093	8.41	111,223	12.06
Total	798,003	100.00	921,935	100.00

Mega Life Insurance Agency Co., Ltd.

The company provides life insurance agency services through the network of Mega International Commercial Bank and Mega Securities Company. In 2013, the insurance commission income generated by the company amounted to NT$975,238 thousand, a reduction of 19.67% from NT$1,213,988 thousand recorded in 2012.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Commission income - traditional policies	926,130	94.96	1,186,599	97.74
Commission income - investment policies	49,108	5.04	27,389	2.26
Total	975,238	100.00	1,213,988	100.00

Mega Venture Capital Co., Ltd.

The company is engaged in venture capital investment as well as providing operational, managerial and consulting services. In 2013, the company's revenue from disposal of long-term securities investment reached NT$349,845 thousand, surging by 129.61% from 2012. Its revenue amounted to NT$363,533 thousand, an increase of 115.59% from 2012.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2013		2012	
	Amount	%	Amount	%
Revenue from disposal of long-term securities investment	349,845	96.23	152,363	90.36
Dividend income	13,236	3.64	15,397	9.13
Other operating income	452	0.13	863	0.51
Total	363,533	100.00	168,623	100.00

5.1.2 Operating Policies in 2014

The Company

1. Strengthening cross selling to create synergy within our group

(1) To maintain current client relations and raise renewal rate of products and services

(2) To enhance resource integration and broaden client penetration for the Group products

2. Focusing on core competency to maximize shareholders value

(1) To accelerate internationalization process and raise the proportion of overseas profits

(2) To continue to increase our presence in Mainland China and South East Asia

(3) To effectively manage and build up a strategic investment portfolio, and maximize profits with minimal risk

3. Strengthening risk management system and related information system

(1) To enhance the analysis and monitoring of the Group's consolidated risk profile, and provide the risk early warning in a timely fashion

(2) To integrate our subsidiaries' risk management information platforms and enhance the Group's risk management information system

(3) To supervise our subsidiaries' establishment of the risk management mechanisms in an effort to enhance the effectiveness of the Group's risk management

(4) To supervise all subsidiaries to take measures to strengthen capital and liquidity to meet the requirement of BASEL III

4. Promoting efficient capital management, reducing tax burden and improving financial performance

(1) To strengthen our core capital and to plan for an optimal capital scale

(2) To supervise the compliance of the US Foreign Account Tax Compliance Act by each subsidiary to reduce taxation risks

(3) To take advantage of the profit niche and raise financial performance

(4) To enhance disclosure of financial information and increase transparency on financial information

5. Reinforcing information security and enhancing system operational capability

(1) To strengthen information security management and fulfill the responsibility of protecting information assets

(2) To renew information systems and enhance system operational capability

6. Strengthening human resource management and improving organizational effectiveness

(1) To streamline human resource and to implement performance-oriented compensation system

(2) To intensify employees training and develop professional talents

(3) To continue evaluating and adjusting the organizational structure and enhance operational effectiveness

7. Fortifying relationships with institutional investors

(1) To strengthen ties with investors and establish a sound relationship based on mutual trust

(2) To respond to investors' suggestions in a timely manner and take investors' suggestions into consideration for strategy making

(3) To hold or participate in institutional investment conferences to enhance investor recognition

8. Others

(1) To conserve energy and reduce carbon emissions, carry out group purchase and reduce administration expenses

(2) To actively participate in social charitable works to fulfill social responsibility and boost corporate image

(3) To make overall arrangement on the Group's property in order to raise overall assets utilization efficiency

Banking Subsidiary

1. Grasping the changes in the development of the world economy and capitalizing on the competitive edge in the field of international finance

(1) To capitalize on its professional capabilities in international finance to boost the profit momentum by taking the business opportunities generated by the recovery of the US and European economies

(2) To expand business contacts with financial institutions in Mainland China in an effort to become a main offshore RMB bank in response to the gradual liberalization of cross strait financial operations

(3) To seize the opportunities generated by the financial liberalization of emerging markets in Asia by continued expansion of the overseas network and increasing depth and width of international market penetration of the bank

2. Conducting dynamic asset and liability management with an equal emphasis on liquidity, security and profitability

(1) To continually adjust income structure, grasp the movement of major corporate customers' cash flow, expand interest spread and increase fee income

(2) To strengthen capital cost calculation and risk pricing mechanisms to increase the income from loans, and continue the improvement of deposit structures to reduce costs

(3) To strictly control country risks and existing exposure, regularly conduct liquidity stress testing to ensure asset quality and liquidity

3. Enhancing market segmentation strategies in the wealth management business

(1) To provide professional investors with offshore structured products such as interest rate/foreign exchange linked products, customized multi-currency fixed-income bonds and other high-profit investment products

(2) To enhance client-oriented wealth management services and increase customer loyalty though the organization of symposia for the introduction of financial trends and new products

(3) To reinforce consulting services, along with an exclusive and dedicated customer service system (A/O Code), in wealth management business, in an effort to gradually introduce private banking operations with a focus on high net worth clients

(4) To provide complete professional training packages for wealth management personnel who are encouraged to acquire "Associate Financial Planner" and "Certified Financial Planner" (CFP) licenses with the goal of strengthening the cultivation of professional talent in the field of wealth management

4. Establishing a compliance framework and enhancing the risk control structure

(1) To enhance on-the-job training on personal data protection, supervise the compliance of relevant regulations by staff members and strict audit the implementation status, followed by constant corrections and improvements

(2) To enhance training on regulations governing the prevention of money laundering and carry out the internal self-inspection system followed by a active follow-up on improvement of the deficiencies

(3) To closely observe the general direction of the real estate sector and the real estate price trends through the registration system of real estate transaction prices, and grant mortgage loans, land and construction financing services on a selective basis to reduce the market risks arising from housing price fluctuations

(4) To establish a credit risk rating and stress test model that conforms to the characteristics of the bank, computing the various types of risk exposure and incorporating into the risk management mechanism, in line with the implementation schedule of the New Basel Capital Accord

5. Utilizing the new technologies of information applications to accelerate the development of e-banking operations

(1) To expand the global e-banking platform by adding customer service channels and enhancing the service quality, aiming to expand client bases and strengthen the bank's competitive edge

(2) To enhance the e-banking functions to enable clients to precisely catch the capital flow directions in real-time fashion, and gradually approach the goal of full digitization of financial services

(3) To actively participate in the preparations for third party payment in e-commerce markets and strengthen the bank's competitive edge in Internet finance through strategic alliances with good Internet operators

(4) To make use of the bank's financial databases to detect potential business opportunities and hidden risks by using new technologies such as cloud computing and big data applications in line with development trends in the field of information processing

5.1.3 Industry Overview

A. Global and Domestic Financial Environment

Since Q3 2013, the US economy has grown steadily, the Chinese economy has regained its strength and the economy in the Euro Zone has also recovered slightly. The global economy grew steadily with major economies as the main drivers. International institutions have mostly predicted that global economic growth in 2014 will be better than in 2013. However, there are two potential new systemic risks: The first is the impact on emerging economies of the tapering of Quantitative Easing in the US, and the second is the uncertainty of the fiscal problems in the US and Europe. These two factors will continue to affect future global economic recovery.

Given these factors, even as international economic growth gradually improves, uncertainties will persist. With the domestic economy growing tepidly and inflation still a non-issue, the Board of Directors of the Central Bank resolved on December 26, 2013 to keep Rediscount Rate, Rate on Accommodations with Collateral, and Rate on Accommodations without Collateral unchanged for 10 consecutive quarters since July 2011, in the hope of stabilizing consumer prices and financial markets, as well as stimulating economic growth.

The exchange rate between the New Taiwan Dollar and the US Dollar exhibited a general downward trend on the domestic foreign exchange market in 2013. The average exchange rate for the whole year was NT$29.770 to US$1, which represents a 0.53% depreciation compared to 2012. As far as the money market is concerned, the average annual growth rate of M1b and M2 was 7.27% and 4.78%, respectively, which represents an increase over the previous year. The average overnight interbank call-loan rate for the financial sector was 0.386%, which is slightly lower than in the previous year. Market liquidity conditions remain relaxed in general. As for the stock market, the TAIEX for 2013 was 8,093 points, which represents a rise by 611 points or 8.17% compared to 2012. The total trading value for 2013 was NT$18.94 trillion, which is NT$1.3 trillion or 6.41% less than in the previous year.

B. Industry Overview of the Company and its Subsidiary

Financial Holding Company Industry

1. Since the enactment of the Financial Holding Company Act in July 2001, there have been fifteen financial holding corporations listed on the Taiwan Stock Exchange Corporation (TSEC) or the Gre Tai Securities Market (GTSM) and one wholly state-owned financial holding corporation. The market share of every bank under financial holding corporations accounts for less than 10%, showing that local banks are still relatively small in size and lack of economies of scale. As a consequence, overbanking is likely to hinder the development of the industry.
2. The Financial Supervisory Commission announced the goal of Asianization for domestic banks in October 2013 in the hope of prompting 1-2 domestic banks to be active in the Asian market, provide services for Taiwanese businesses, and transform into bellwether regional banks in Asia in 3-5 years.
3. Spontaneous mergers still occur in the private financial business based on corporate enlargement and competitiveness requirements. Major mergers of financial institutions in 2013 included the acquisition of Hexing Securities by Sinopac Securities, Taiwan Life and Tokyo Star Bank by CTBC Financial Holding Company, and Cosmos Commercial Bank by China Development Financial Holding Corporation.
4. The competent authorities have already lifted restrictions on RMB deposits, loans, and remittance services for banks' Domestic Banking Units in February 2013. The liberalization aims to promote cross-strait economic and trade activities, financial cooperation and development. Through utilization of RMB in settlement of cross-strait economic and trade activities, the flexibility of funds transfer by manufacturers is increased. Banks are encouraged to promote cross-border trade settlement in RMB to create win-win business opportunities for manufacturers and banks.
5. In order to continue to provide services for Taiwanese enterprises operating overseas, financial institutions have established operations not only in China, but also in Southeast Asia such as Thailand, Vietnam, Cambodia, and Indonesia, etc. Financial institutions with global vision aiming to become regional financial institutions have been actively expanding their network in the region.

Banking Industry

1. The pretax earnings of domestic banks in 2013 amounted to NT$257.6 billion, setting a new record for the fourth consecutive year. In addition, domestic banks have accelerated bad debt provisioning to meet the supervision requirements of a bad debt reserve coverage ratio of at least 1% for Class 1 normal loans. The non-performing loan ratio of domestic banks was 0.38% in December 2013 and the coverage ratio of allowances for bad debt was 319.18%. Asset quality continued to improve.
2. Domestic banks also continued to step up the pace in expansion of overseas network. In 2012 and 2013, domestic banks were granted permission to establish 23 and 20 overseas branches/representative offices, primarily in China and Southeast Asia. Besides the establishment of branches, financial institutions also acquired equity stakes in Cambodia and China based banks. This indicates a gradual diversification of business models.
3. Since the lifting of restrictions on RMB services for banks' Domestic Banking Units (DBU) in February 2013, RMB deposits outstanding of domestic banks have increased significantly to a total of RMB 182.6 billion by the end of 2013, with DBU deposits reached RMB 138.2 billion. Compared to the initial liberalization of RMB services in Hong Kong, RMB deposits outstanding increase at a much faster pace which in turn facilitates Taiwan to develop into a major offshore RMB center.
4. A total of 9 issues of RMB bonds were issued in Taiwan in 2013, four issues of which were issued by China-based banks with a total issue amount of RMB 6.7 billion. Several domestic banks served as the lead underwriters on these bond issues, increasing the variety of RMB services.
5. A large number of financial institutions increased their capital in 2013, which not only strengthened the capital structure but also greatly enhanced their capacity to expand services.

5.1.4 Research and Development

The Company

A. R&D Achievements in the Past Two Years

The Company's R&D expenses incurred in 2012 and 2013 are NT$1,596 thousand and NT$1,372 thousand, respectively. The expenses were incurred from consulting, establishment and services project as well as staff training. The achievements of R&D are as follows:

- Evaluation of the feasibility of merger or acquisition with other financial institutions
- Establishment of FATCA (Foreign Account Tax Compliance Act) project teams in charge of impact assessment, design planning and establishment of the compliance procedures
- Introduction of the corporate social responsibility systems to get in sync with international best practices
- Establishment of VaR (Value at risk) management systems for financial instruments - equity and interest rate instruments
- Establishment of self-evaluation of the operational risk mechanism in the Group
- Development of an IFRS 7 financial risk reporting system
- Establishment of a query system for shareholding ratios in investee companies

B. R&D Projects for the Future

1. Evaluation of the feasibility of merger or acquisition with other financial institutions
2. Continued adoption of corporate social responsibility systems
3. Continued establishment of VaR (Value at risk) management systems for financial instruments - equity and interest rate instruments
4. Continued development of an IFRS 7 financial risk reporting system
5. Continued enhancement of the reporting systems on credit risk limit control
6. The estimated R&D expenses including personnel training and project service expenses in 2014 is NT$1,600 thousand.

Banking Subsidiary

A. R&D Achievements in the Past Two Years

The bank's R&D expenses incurred in 2012 and 2013 are NT$1,154 thousand and NT$1,372 thousand, respectively. The expenses were incurred mainly from purchase of professional publications, electronic data base, and publication of Mega Bank Monthly. The achievements of R&D are as follows:

- 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
- Submitting periodical and non-periodical research reports on the development of the global and domestic economic and financial situations.

B. R&D Projects for the Future

The bank will closely monitored ongoing development of the global and domestic economic and financial situations, and submit research reports for top management' reference or publishing on the bank's publications. The estimated R&D expenses in 2014 is NT$2,800 thousand.

5.1.5 Long-term and Short-term Business Development Plans

The Company

A. Short-term Business Development Plans

To ensure sustainable operations of the Group as a whole, enhance a competitive edge in core business areas, integrate and develop deeply the operations of subsidiaries, and strengthen resources sharing, the Company has set up a short-term operating plans and long-term development strategies of the group. All subsidiaries are required to formulate execution plans in line with the long-term development strategies as a guide for the operations of all subsidiaries. A description of the short-term operational development plan is the same as 2014 annual operating plan as shown on page 68 of this annual report.

B. Long-term Business Development Plans

The long-term development plans of the Company will be achieved through the enhancement of niche operations and the utilization of the Group's competitive advantage, an internal focus on a continued integration of the overlapping operations of subsidiaries, and an external focus on evaluation of suitable acquisition targets for expansion of business domain. In addition, the international operations will be strengthened. This encompasses the Group vision, medium- and long-term development strategies, and operational objectives as specified below:

1. Our Group vision is to become a best financial service partner of our clients.
2. Medium- and long-term development strategy

   Please refer to 1.3 Future Development Strategies on page 11 of this annual report.

3. Operational Objectives

   (1) Business Targets

Banking subsidiary	Market Share of Lending: 8%
	Market Share of OBU and Overseas Branches Earnings: 25%
	Ratio of Consumer Lending: 25%
	Ratio of Small- and Medium-sized Enterprises Lending: 25%
	Ratio of Risk-free Fee Income and Commission Income: 30%
Bills finance subsidiary	Market Share of Bills Underwriting Volume: ranking top 1
	Market Share of Bills Trading Volume: ranking top 1
	Market Share of Bond Trading Volume: ranking top 1
Property & casualty insurance subsidiary	Combined Ratio: below 95%
	Retention Ratio: over 50%
Securities subsidiary	Brokerage Market Share: 3.5%
	Domestic Ranking of Equity and Bonds Underwriting in terms of number of issues or issue amount: among the top 5

(2) Financial Targets

The Company	ROE: over 12%
	Capital Adequacy Ratio: over 105%
	Double Leverage Ratio: under 115%
Banking subsidiary	ROE: over 12%
	Cost / Income Ratio: under 40%
	NPL Ratio: under 1%
	Coverage Ratio: over 100%
	Capital Adequacy Ratio: over 10%
	Tier 1 Capital Ratio: over 8%
Bills finance subsidiary	ROE: over 7%
	Capital Adequacy Ratio: over 10%
Property & casualty insurance subsidiary	ROE: over 10%
	Capital Adequacy Ratio: over 500%
Securities subsidiary	ROE: over 10%
	Capital Adequacy Ratio: over 220%
Securities investment trust subsidiary	ROE: over 25%
Asset management subsidiary	ROE: over 15%
Life insurance agency subsidiary	ROE: over 80%
Venture capital subsidiary	ROE: over 20%

Banking Subsidiary

A. Short-term Business Development Plans

1. Developing exclusive wealth management products offered in the bank's offshore banking unit (OBU) in combination with the bank's competitive advantage in OBU operations to seize business opportunities arising from the lift of the restrictions on OBU's wealth management services by the competent authority
2. Strengthening the investment and trading operations in the RMB financial market to increase its RMB financial assets
3. Capitalizing on the competitive advantage of the bank in foreign exchange to enhance the services of Treasury Marketing Units (TMU) and the profitability of TMU
4. Strengthening the online and mobile banking wealth management platforms to enhance the convenience of financial investments by clients as well as the ratio of automated wealth management operations
5. Expanding Global e-Banking Mobile Services in line with the latest technological development trends
6. Promoting domestic third-party payment services to seize business opportunities in domestic e-commerce cash flows
7. Establishing cross-border payment and receipt services for online transactions between China and Taiwan to assist clients in the development of cross-strait business

B. Long-term Business Development Plans

1. Enhancing information system functions, developing system processing platforms for such trust services with standardized operating procedures and contracts as personal money trusts, real estate transaction proceeds trusts and property trusts for civil servants, to expand personal trust services and increase fee income
2. Developing consumer finance by focusing on the high-net-worth client in connection with the corporate financing, and enhancing customized wealth management products to build up client loyalty
3. Participating the financial PSP-TSM platform to provide clients with diversified mobile payment services
4. Developing cross-border operations between China and Taiwan and cooperating with third-party payment service providers in China in B2C and B2B operations
5. Continually expanding connection bases and transaction functions of the Global E-banking Network to maintain the competitive advantage and leadership position

5.2 Effect of Cross Selling

1. In 2013, Chung Kuo Insurance Company achieved insurance premium revenues of NT$551 million through cross selling with other subsidiaries, representing an 11.56% increase over the figures posted in 2012. The premium revenues from cross selling accounted for 9.76% of the domestic written premiums, increasing from 9.37% in 2012.
2. In 2013, mutual funds under management by Mega International Investment Trust Company through cross selling by other subsidiaries reached NT$35.3 billion, representing a 22.53% increase over the figures posted in 2012. This accounted for 41.75% of AUM, compared to 36.33% in 2012.
3. As of the end of 2013, the number of valid credit cards issued by Mega International Commercial Bank is 527,000, of which 35,000 cards were issued through cross selling by other subsidiaries, an increase of 31,000 cards or 14.71% from 2012. The number of valid credit cards issued through cross selling accounted for 6.71% of all valid credit cards, compared to 5.81% in 2012.
4. Mega International Commercial Bank served as a main settlement bank for securities transactions in 33 branches of Mega Securities Company. The deposits outstanding in securities transaction account amounted to NT$22 billion by the end of 2013.
5. In 2013, Mega Bills Finance Company acted as an underwriter for a total of NT$17.2 billion of commercial papers guaranteed by Mega International Commercial Bank.

5.3 Market and Operations Overview

The Company

There are sixteen financial holding companies in Taiwan. The market share of each bank under the financial holding companies accounts for less than 10%, showing that local banks are still relatively small in size and lack of economies of scale. In order to increase market share, reduce operating expenses and expand business scope, financial holding companies will accelerate mergers with financial institutions. Banks that have not yet joined financial holding companies face the constant enlargement of such companies and an increasingly competitive environment caused by cross-sector sales. To avoid being marginalized, they may form their own or join the ranks of existing financial holding companies or form strategic alliances with other financial institutions, which in turn results in mergers of domestic financial institutions.

Banking Industry

A. Future Market Supply and Demand

(1) As far as corporate financing is concerned, domestic banks' loans outstanding grew by 5.61%, higher than the economic growth, by the end of 2013 compared to the previous year mainly due to the considerable growth in foreign currency loans and lending to small- and medium-sized enterprises. Primary drive for the growth came from increased lending to the private sector. To boost capital utilization efficiency, domestic banks focus on businesses that offered relatively high interest spreads, such as loans to small- and medium-sized enterprises, as well as international and domestic syndicated loans.

(2) As far as consumer loans are concerned, housing loans account for over 80% of all consumer loans granted by domestic banks. Mortgage loan performance is the primary factor affecting the volume of consumer loans granted by domestic banks. At the end of December 2013, housing loans outstanding amounted to NT$5,646.8 billion, which represents an increase of NT$226.4 billion or 4.18% compared to the end of 2012. Construction loan outstanding reached NT$1,494.6 billion, increasing by NT$26.9 billion or 1.83% from the previous year. The growth rate was significantly lower than in the previous year.

(3) A total of 35.95 million credit cards were in circulation in Taiwan as of the end of 2013, which represents a 5.49% increase over the previous year. Revolving credit balances dropped by 10.16% to NT$118.5 billion. This clearly indicates a continued contraction of consumer finance market.

B. Positive and Negative Factors Influencing Banks' Future Operations

Positive Factors

- The competent authorities are concerned about cutthroat competition between banks, which in turn leads to comparatively low interest rates on loans. This will be beneficial to the establishment of an interest rate mechanism for the loan market and increased profitability of banks.
- A rapid accumulation of RMB deposits is beneficial to the expansion of revenue sources.
- Domestic banks' branches in China have initiated RMB operations on a large scale in quick succession and sub-branches and second branches are also rapidly established. It is therefore expected that the profit growth momentum will gradually strengthen.
- Restrictions on OBU wealth management services have been lifted in an effort to promote Free Economic Pilot Zones, which will be beneficial to OBU wealth management services and bring in increased fee income.

Negative Factors

- The continued sluggish growth of the domestic economy led to the slowed down in growth of investments by local manufacturers, conservative consumption patterns. The real estate market is also showing signs of slowing down which is likely to restrict the growth of bank loans.
- A bottleneck has emerged in the industrial development of Taiwan, which is likely to have adverse impact on the growth of exports and the volume of trade financing.
- Several banks still fail to meet the supervision requirements of a loan coverage ratio of at least 1% for Class 1 normal loans, which in turn restricts the potential profitability of local banks.
- The competition in the banking sector is still fierce, which makes it difficult to greatly increase interest spreads.

5.4 Human Resources

Item	Year	2013	2012
Number of Employees	Mega FHC	51	52
	Mega Int'l Commercial Bank	5,381	5,308
	Mega Bills Finance	224	224
	Mega Securities	1,539	1,522
	Chung Kuo Insurance	724	735
	Mega Int'l Investment Trust	87	88
	Mega Asset Management	29	29
	Mega Life Insurance Agency	20	21
	Total	8,055	7,979
Average Age	Mega FHC	48.01	47.05
	Mega Int'l Commercial Bank	42.76	42.56
	Mega Bills Finance	42.40	42.14
	Mega Securities	40.00	40.00
	Chung Kuo Insurance	40.70	40.70
	Mega Int'l Investment Trust	42.26	41.37
	Mega Asset Management	41.00	41.00
	Mega Life Insurance Agency	39.73	39.13
Average Years of Services	Mega FHC	9.93	8.94
	Mega Int'l Commercial Bank	16.90	16.68
	Mega Bills Finance	14.66	14.28
	Mega Securities	8.75	8.40
	Chung Kuo Insurance	10.30	10.45
	Mega Int'l Investment Trust	9.20	8.52
	Mega Asset Management	7.30	7.00
	Mega Life Insurance Agency	5.28	4.26

5.5 Labor Relations

5.5.1 Work Environments, Protection of Employee's Safety and Employee's Benefits

The Company not only insures its staff for labor insurance, national health insurance, and group insurance but has also established an Employee Welfare Committee in charge of employee welfare. The Company's employee welfare measures include marriage and funeral subsidies, consolation payments for injuries, diseases, or hospital stays, culture and recreation activities. Protective measures in respect of work environments and personal safety include visitor entry and exit registration and controls, daily cleaning of office environments by designated personnel. The Company also implements regular maintenance of fire extinguishers and monthly inspections of sprinkler systems, stairway lighting, and emergency escape equipment. Qualified fire protection companies are commissioned to report the state of fire equipment at year end. These reports are reviewed and approved by competent authorities. Fire drills for staff members are organized on a semiannual basis and work environments are sterilized in 2-month intervals.

5.5.2 Pension Scheme

To enable retirees to lead a stable life, staff retirement policies have been formulated in accordance with the Labor Standards Act and work rules and regulations. Staff pension contributions are appropriated on a monthly basis and a Supervisory Committee of Workers' Retirement Funds has been established. In line with the new labor pension system implemented in force since July 1, 2005, the Company deposits monthly pension contributions into personal accounts for employees who select the new system or have joined the Company after July 1, 2005.

5.5.3 Employee Training

As for staff training and on-the-job education organized by the group, a subsidy system for the acquisition of licenses has been established, and personnel are dispatched to training organizations to attend training programs every year. The Company also organizes its own training programs such as training for newly inducted staff, professional training, language and computer training.

5.5.4 Employee's Behavior and Ethical Principles

The Company has formulated work rules and a service code in accordance with the Labor Standards Act and relevant decrees. Employees must abide by all rules and regulations and work procedures specified by the Company, be faithful in the performance of their duties, and comply with the orders and instructions of their superiors. The superiors, on the other hand, are required to guide employees in a kind manner and evaluate them in a conscientious fashion. A clear distinction shall be made between public and private matters, and all staff member shall exercise restraint in words and actions, abide by high moral standards, protect the reputation of the Company, and discard bad habits. Interaction between coworkers should be characterized by harmony and mutual respect. All staff members shall abide by the Labor Safety and Health Act and relevant Company rules and regulations to maintain the safety and hygiene of office spaces and their surrounding environments as well as prevent theft, fires, and other natural disasters. Employees shall observe self discipline and the professional ethics of the Company.

5.5.5 Employer-employee negotiations:

The subsidiary Mega International Commercial Bank and its labor union have signed collective agreements to regulate all labor conditions.

5.6 Important Contracts: None.

Financial Information

Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

A. ROC GAAP

Unit: NT$1,000

Item \ Year			2012	2011	2010	2009
Cash and cash equivalents, due from the Central Bank and call loans to banks			464,418,701	503,392,393	398,186,065	404,879,166
Financial assets at fair value through profit or loss			184,569,250	188,869,552	162,320,183	127,525,330
Bills and bonds purchased under resell agreements			2,282,053	1,460,685	1,783,691	796,095
Available-for-sale financial assets			220,625,591	161,432,963	185,898,407	233,016,512
Receivables			125,593,058	107,160,487	147,486,410	121,305,198
Bills discounted and loans			1,502,490,860	1,462,054,154	1,336,834,541	1,281,835,254
Held-to-maturity financial assets			160,776,041	131,290,215	217,839,872	263,152,861
Equity investments accounted for by the equity method			2,667,896	2,548,394	2,574,762	2,727,944
Property and equipment			22,705,148	21,416,577	21,139,449	23,176,304
Intangible assets			312,225	297,150	236,768	323,719
Other financial assets			21,884,597	22,873,366	23,460,086	24,870,737
Other assets			17,623,275	15,605,999	11,947,689	13,922,463
Total assets			2,725,948,695	2,618,401,935	2,509,707,923	2,497,531,583
Due to the Central Bank and financial institutions			358,982,635	367,548,678	322,704,165	410,577,424
Funds borrowed from the Central Bank and other banks			60,548,901	71,873,400	38,568,640	43,320,303
Financial liabilities at fair value through profit or loss			14,676,886	21,312,632	30,019,921	35,384,545
Bills and bonds sold under repurchase agreements			187,481,840	199,581,332	181,816,680	171,365,526
Deposits and remittances			1,718,208,745	1,588,560,967	1,558,573,139	1,484,004,073
Bonds payable			62,449,668	61,401,059	53,050,000	50,153,000
Preferred stock liabilities			0	0	0	0
Reserve for operations and liabilities			14,882,122	13,610,468	14,177,110	14,024,884
Other financial liabilities			18,254,554	19,798,841	27,388,095	23,032,634
Other liabilities			76,378,660	71,535,832	82,169,447	69,373,699
Total liabilities			2,511,864,011	2,415,223,209	2,308,467,197	2,301,236,088
Equity attributable to stockholders of the Company	Equity adjustments	Before distribution	114,498,240	112,806,148	110,594,262	110,594,262
		After distribution	114,498,240	114,498,240	112,806,148	110,594,262
	Capital surplus		43,425,270	43,426,403	43,426,403	43,426,403
	Retained earnings	Before distribution	52,212,649	41,960,123	35,967,476	31,916,182
		After distribution	39,617,843	30,679,508	23,802,107	20,856,756
	Equity adjustments		3,648,744	4,688,712	10,882,979	9,717,733
Minority interest			299,781	297,340	369,606	640,915
Total stockholders' equity	Before distribution		214,084,684	203,178,726	201,240,726	196,295,495
	After distribution		201,489,878	193,590,203	191,287,243	185,236,069

Note The earnings distribution for 2012 has not been resolved by the shareholders' meeting.

B. IFRS

Unit: NT$1,000

Item \ Year		2013	2012	March 31, 2014
Cash and cash equivalents, due from the Central Bank and call loans to banks		551,247,431	458,490,129	536,094,790
Financial assets at fair value through profit or loss		195,800,759	184,716,442	171,631,541
Available-for-sale financial assets		272,943,633	223,271,043	279,259,657
Derivative financial assets for hedge		0	0	0
Bills and bonds purchased under resell agreements		2,585,345	2,282,052	4,999,898
Receivables, net		184,587,941	122,685,220	192,484,042
Current income tax assets		921,969	953,192	1,054,167
Assets held for sale, net		2,576	0	2,636
Bills discounted and loans		1,654,577,193	1,502,700,861	1,676,473,655
Reinsurance contract assets		3,293,937	3,301,550	3,406,909
Held-to-maturity financial assets		184,411,233	161,253,982	182,148,942
Equity investments accounted for by the equity method		2,697,551	2,966,843	2,738,229
Restricted assets		0	0	0
Other financial assets, net		23,430,204	27,629,411	23,874,201
Property and equipment, net		22,150,245	22,331,091	22,073,126
Investment property, net		2,059,428	2,101,127	2,316,858
Intangible assets, net		318,046	303,612	290,650
Deferred income tax assets, net		3,785,582	3,098,020	3,675,863
Other assets		8,810,740	8,884,722	5,474,997
Total assets		3,113,623,813	2,726,969,297	3,108,000,161
Due to the Central Bank and financial institutions		490,935,730	328,810,493	454,796,269
Funds borrowed from the Central Bank and financial institutions		32,330,245	84,826,943	39,520,263
Financial liabilities at fair value through profit or loss		14,856,685	14,676,886	13,392,511
Derivative financial liability for hedge		0	0	0
Bills and bonds sold under repurchase agreements		219,651,334	187,481,840	213,505,058
Commercial paper payable		4,393,653	1,880,597	6,402,777
Payables		66,105,983	59,583,525	66,942,173
Current income tax liability		5,522,518	5,993,633	6,165,448
Liability directly related to assets held for sale		0	0	0
Deposits and remittances		1,933,722,541	1,717,989,498	1,951,001,552
Bonds payable		55,898,677	62,449,668	54,800,000
Other borrowings		5,509,213	6,541,000	7,240,301
Preferred stock liabilities		0	0	0
Other financial liabilities		10,094,610	11,728,176	10,908,961
Provisions for liabilities		22,414,786	22,045,319	22,861,881
Deferred income tax liability		2,051,201	1,694,706	2,068,215
Other liabilities		8,544,561	10,786,252	7,521,400
Total liabilities	Before distribution	2,872,031,737	2,516,488,536	2,857,126,809
	After distribution	Note 2	2,529,083,342	Note 2
Attributable to equity of parent company		241,405,536	210,199,694	250,678,491
Capital stock		124,498,240	114,498,240	124,498,240
Capital surplus		55,271,623	43,425,270	55,271,623
Retained earnings	Before distribution	61,534,835	52,097,039	69,577,414
	After distribution	Note 2	39,502,233	Note 2
Other equity		100,838	179,145	1,331,214
Treasury stock		0	0	0
Non-controlling interest		186,540	281,067	194,861
Total Equity	Before distribution	241,592,076	210,480,761	250,873,352
	After distribution	Note 2	197,885,955	Note 2

Note:1. The financial statements as of March 31, 2014 are reviewed by independent auditor of PricewaterhouseCoopers with a standard unqualified review report.

2. The earnings distribution for 2013 has not been resolved by the shareholders' meeting.

6.1.2 Condensed Unconsolidated Balance Sheet

A. ROC GAAP

Unit: NT$1,000

Item	Year	2012	2011	2010	2009
Cash and cash equivalents		77,293	4,276,849	2,689,068	3,973,949
Financial liabilities at fair value through profit or loss		0	0	0	0
Available-for-sale financial assets		5,143,167	5,279,193	7,147,325	4,326,506
Receivables		857,471	715,141	2,182,939	2,109,325
Held-to-maturity financial assets		0	0	0	0
Equity investments accounted for by the equity method		235,347,057	218,167,682	214,061,392	212,270,268
Property and equipment		783,919	784,065	702,490	727,187
Intangible assets		0	0	0	0
Other financial assets		758,193	762,046	762,046	762,046
Other assets		14,611	19,173	200,888	264,016
Total assets		242,981,711	230,004,149	227,746,148	224,433,297
Financial liabilities at fair value through profit or loss		1,200	0	0	0
Payables		13,094,955	10,778,190	11,083,061	9,289,859
Bonds payable		16,049,668	16,301,059	15,750,000	19,450,000
Preferred stock liabilities		0	0	0	0
Other financial liabilities		0	0	0	0
Other liabilities		50,985	43,514	41,967	38,858
Total liabilities	Before distribution	29,196,808	27,122,763	26,875,028	28,778,717
	After distribution	41,791,614	36,711,286	36,828,511	39,838,143
Capital stock	Before distribution	114,498,240	112,806,148	110,594,262	110,594,262
	After distribution	114,498,240	114,498,240	112,806,148	110,594,262
Capital surplus		43,425,270	43,426,403	43,426,403	43,426,403
Retained earnings	Before distribution	52,212,649	41,960,123	35,967,476	31,916,182
	After distribution	39,617,843	30,679,508	23,802,107	20,856,756
Equity adjustments		3,648,744	4,688,712	10,882,979	9,717,733
Total stockholders' Equity	Before distribution	213,784,903	202,881,386	200,871,120	195,654,580
	After distribution	201,190,097	193,292,863	190,917,637	184,595,154

B. IFRS

Unit: NT$1,000

Item / Year		2013	2012	March 31, 2014
Cash and cash equivalents		1,044,333	77,292	18,645
Financial assets at fair value through profit or loss		0	0	0
Available-for-sale financial assets		5,550,855	5,143,167	5,501,894
Receivables, net		0	158	0
Current income tax assets		630,319	857,313	630,319
Held-to-maturity financial assets		0	0	0
Equity investments accounted for by the equity method, net		256,786,037	231,773,613	266,259,036
Other financial assets, net		758,293	758,293	758,293
Property and equipment, net		771,442	783,919	767,628
Intangible assets, net		0	0	0
Deferred income tax assets, net		7,737	7,737	7,737
Other assets		8,507	8,012	7,476
Total assets		265,557,523	239,409,504	273,951,028
Financial liabilities at fair value through profit or loss		0	1,200	0
Bills and bonds sold under repurchase agreements		0	0	0
Commercial paper payable		0	881,079	3,719,111
Payables		11,975,327	10,841,536	12,050,616
Current income tax liability		121,298	1,376,534	1,446,054
Bonds payable		11,998,677	16,049,668	6,000,000
Preferred stock liabilities		0	0	0
Other financial liabilities		0	0	0
Reserve for liabilities		52,431	56,510	53,365
Deferred income tax liability		2,168	1,026	2,168
Other liabilities		2,086	2,257	1,223
Total liabilities	Before distribution	24,151,987	29,209,810	23,272,537
	After distribution	Note 2	41,804,616	Note 2
Capital stock		124,498,240	114,498,240	124,498,240
Capital surplus		55,271,623	43,425,270	55,271,623
Retained earnings	Before distribution	61,534,835	52,097,039	69,577,414
	After distribution	Note 2	39,502,233	Note 2
Other equity		100,838	179,145	1,331,214
Treasury stock		0	0	0
Total Equity	Before distribution	241,405,536	210,199,694	250,678,491
	After distribution	Note 2	197,604,888	Note 2

Note: 1. The financial statements as of March 31, 2014 are reviewed by independent auditor of PricewaterhouseCoopers with a standard unqualified review report.

2. The earnings distribution for 2013 has not been resolved by the shareholders' meeting.

6.1.3 Condensed Consolidated Income Statement

A. ROC GAAP

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

Item \ Year		2012	2011	2010	2009
Interest income, net		30,552,003	28,279,104	25,063,829	26,475,701
Revenues other than interest, net		20,708,337	17,457,071	16,913,011	19,956,601
Bad debts expense on loans		(4,533,347)	(3,714,335)	(2,233,788)	(7,305,574)
Provisions for insurance reserve		13,025	67,136	(110,318)	(22,302)
Operating expenses		(20,904,341)	(20,973,472)	(20,993,042)	(20,048,239)
Income from continuing operations - before tax		25,835,677	21,115,504	18,639,692	19,056,187
Consolidated net income from continuing operations – after tax		21,543,614	17,685,682	15,149,618	14,344,870
Income from discontinued departments (after tax)		0	0	0	0
Extraordinary gain or loss (after tax)		0	0	0	0
Cumulative effect of changes in accounting principles (after tax)		0	0	0	0
Consolidated net income	Attributable to stockholders of the Company	21,533,141	17,679,892	15,110,720	14,331,894
	Attributable to minority interest	10,473	5,790	38,898	12,976
Earnings per share	Stockholders of the Company	1.88	1.54	1.34	1.30
	Minority interest	0	0	0	0

B. IFRS

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

Item \ Year	2013	2012	Q1 2014
Interest income	46,533,690	43,400,003	13,425,175
Less: interest expenses	(15,257,564)	(13,827,930)	(4,718,190)
Interest income, net	31,276,126	29,572,073	8,706,985
Revenues other than interest, net	23,732,342	22,242,644	6,431,729
Net revenue	55,008,468	51,814,717	15,138,714
Bad debts expense on loans and provisions for guarantee granted	(5,276,424)	(4,341,908)	(141,186)
Net change of insurance liability reserve	183,695	(48,919)	(3,814)
Operating expenses	(22,915,657)	(22,149,694)	(5,572,777)
Income from continuing operations - before tax	27,000,082	25,274,196	9,420,937
Income tax (expenses) benefits	(4,505,513)	(4,479,088)	(1,378,476)
Net income from continuing operations – after tax	22,494,569	20,795,108	8,042,461
Income from discontinued departments	0	0	0
Net income (loss)	22,494,569	20,795,108	8,042,461
Current other comprehensive net income (net of tax)	(535,261)	(2,084,775)	1,238,815
Current total comprehensive net income	21,959,308	18,710,333	9,281,276
Net income attributed to the stockholders of the Company	22,489,232	20,784,648	8,042,579
Net income attributable to non-controlling interest	5,337	10,460	(118)
Comprehensive income attributable to parent company	21,954,295	18,713,009	9,272,955
Comprehensive income attributable to non-controlling interest	5,013	(2,676)	8,321
Earnings per share	1.96	1.82	0.65

Note: The financial statements as of March 31, 2014 are reviewed by independent auditor of PriceWaterhouseCoopers with a standard unqualified review report.

6.1.4 Condensed Unconsolidated Income Statement

A. ROC GAAP

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

Item / Year	2012	2011	2010	2009
Investment income from equity investments accounted for by the equity method	22,661,062	18,111,631	16,099,414	15,190,437
Other Income	60,374	290,135	32,523	21,403
Operating expenses	(349,077)	(352,549)	(339,879)	(328,786)
Other expenses and losses	(363,292)	(364,912)	(490,865)	(514,215)
Income before income tax	22,009,067	17,684,305	15,301,193	14,368,839
Net income	21,533,141	17,679,892	15,110,720	14,331,894
Earnings per share (before tax)	1.92	1.54	1.36	1.30
Earnings per share (after tax)	1.88	1.54	1.36	1.30

B. IFRS

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

Item / Year	2013	2012	Q1 2014
Investment income from equity investments accounted for by the equity method	23,768,937	21,911,931	8,193,663
Other revenues	12,827	60,376	599
Operating expenses	(336,698)	(348,438)	(95,642)
Other expenses (loss)	(290,185)	(363,294)	(55,939)
Net income from continuing operations – after tax	23,154,881	21,260,575	8,042,681
Income tax (expenses) benefits	(665,649)	(475,927)	(102)
Net income (loss)	22,489,232	20,784,648	8,042,579
Current other comprehensive net income (net of tax)	(534,937)	(2,071,639)	1,230,376
Current total comprehensive net income	21,954,295	18,713,009	9,272,955
Earnings per share	1.96	1.82	0.65

Note: The financial statements of March 31, 2014 have been reviewed by CPA, Chien-Hung Chou and King-Tse Huang of PricewaterhouseCoopers with a standard unqualified review report.

6.1.5 Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Auditing Opinion
2013	PricewaterhouseCoopers, Taiwan	Chien-Hung Chou, King-Tse Huang	Unqualified Opinion
2012	PricewaterhouseCoopers, Taiwan	Chien-Hung Chou, Hsiu-Ling Lee	Unqualified Opinion
2011	PricewaterhouseCoopers, Taiwan	Chang-Chou Li, Hsiu-Ling Lee	Unqualified Opinion
2010	PricewaterhouseCoopers, Taiwan	Chang-Chou Li, Hsiu-Ling Lee	Unqualified Opinion
2009	PricewaterhouseCoopers, Taiwan	Chang-Chou Li, Hsiu-Ling Lee	Modified Unqualified Opinion

6.2 Five-Year Financial Analysis

Consolidated

Unit: NT$1,000; %

Item	Year	2013	2012	Q1 2014
Operating Ability	Total assets turnover	0.02	0.02	0.005
	Loans to deposits ratio of bank subsidiary (%)	86.87	89.23	87.10
	NPL ratio of bank subsidiary (%)	0.18	0.18	0.13
	NPL ratio of bills finance subsidiary (%)	0.00	0.00	0.00
	Average operating revenue per employee of the Group	6,410	6,192	-
	Average profit per employee	2,621	2,485	-
Profitability	Return on total assets (%)	1.20	1.21	0.38
	Return on equity (%)	9.95	10.10	3.27
	Net income margin (%)	40.89	40.13	53.13
	Earnings per share (NT$)	1.96	1.82	0.65
Financial Structure (%)	Ratio of liabilities to assets	92.24	92.28	91.93
	Ratio of liabilities to net worth	1,188.79	1,195.59	1,138.87
	FHC's double leverage ratio	108.98	113.07	108.71
Leverage Ratio (%)	Operating leverage ratio	1.22	1.20	1.03
	FHC's financial leverage ratio	1.01	1.02	1.01
Growth Rates (%)	Growth rate of assets	14.18	3.74	14.23
	Growth rate of profit	6.83	-	30.81
Cash Flow (%)	Cash flow ratio	14.60	(1.57)	-
	Cash flow adequacy ratio	277.03	130.12	-
	Cash flow for operating to cash flow from investing	NA	472.08	-
Operating Scale (%)	Market share of assets	8.08	7.67	-
	Market share of net worth	9.22	8.67	-
	Market share of deposits of bank subsidiary	-	-	-
	Market Share of loans of bank subsidiary	-	-	-
Capital of Adequacy Ratio (%)	Mega International Commercial Bank	11.07	-	-
	Mega Securities Co., Ltd.	492.62	-	-
	Mega Bills Finance Co., Ltd.	13.57	-	-
	Chung Kuo Insurance Co., Ltd.	574.82	-	-
	Group Capital Adequacy Ratio	126.88	-	

Analysis of financial ratio change in the last two years:

1. The growth rate of assets rose by 279.14% mainly due to increase of discounted bills and loans as well as available-for-sale financial assets.
2. The cash flow ratio grew by 1,029.94% primarily because of increase of net cash provided by operating activities.
3. The cash flow adequacy ratio rose by 112.90% mainly owing to increase of five-year sum of net cash from operations.

Unconsolidated

Unit: NT$1,000; %

Item	Year	2013	2012	Q1 2014
Operating Ability	Total assets turnover	0.09	0.09	0.03
	Loans to deposits ratio of bank subsidiary (%)	86.50	88.80	86.67
	NPL ratio of bank subsidiary (%)	0.16	0.17	0.12
	NPL ratio of bills finance subsidiary (%)	0.00	0.00	0.00
	Average operating revenue per employee of the Group	466,309	422,544	-
	Average profit per employee	440,965	399,705	-
Profitability	Return on total assets (%)	9.00	9.02	3.00
	Return on equity (%)	9.96	10.11	3.27
	Net income margin (%)	94.57	94.59	98.15
	Earnings per share (NT$)	1.96	1.82	0.65
Financial Structure (%)	Ratio of liabilities to assets	9.09	12.20	8.50
	Ratio of liabilities to net worth	10.00	13.90	9.28
	FHC's double leverage ratio	108.98	113.07	108.71
Leverage Ratio (%)	Operating leverage ratio	1.00	1.00	1.01
	FHC's financial leverage ratio	1.01	1.02	1.01
Growth Rates (%)	Growth rate of assets	10.92	4.90	10.87
	Growth rate of profit	8.91	-	30.00
Cash Flow (%)	Cash flow ratio	3,865.15	441.67	-
	Cash flow adequacy ratio	113.70	112.53	-
	Cash flow for operating to cash flow from investing	NA	NA	-
Operating Scale (%)	Market share of assets	9.41	9.20	-
	Market share of net worth	9.67	9.12	-
	Market share of deposits of bank subsidiary	5.80	5.41	5.77
	Market Share of loans of bank subsidiary	6.44	6.17	6.36

Analysis of financial ratio change in the last two years:

1. The ratio of liabilities to assets dropped by 25.49% mainly due to increase of equity investments accounted for by the equity method and repayment of corporate bonds.
2. The ratio of liabilities to net worth declined by 28.06% because of repayment of corporate bonds and increase of capital stock.
3. The growth rate of assets rose by 122.86% as equity investments accounted for by the equity method increased.
4. The cash flow ratio grew by 775.12%, thanks to reduction of payables and commercial paper payable.

Formulas of the above financial analysis are as follows:

1. Operating Ability

(1) Total assets turnover = Net revenue / Average total assets

(2) Loans to deposits ratio of bank subsidiary = Total loans outstanding / Total deposits outstanding

(3) NPL ratio = Non-performing loans / Total loans outstanding

(4) Average operating revenue per employee = Net revenue / Total number of employee

(5) Average profit per employee = Net income / Total number of employee

2. Profitability

(1) Return on total assets = 〔Net income + Interest expense ×(1- Tax Rate)〕/ Average total assets

(2) Return on equity = Net income / Average equity

(3) Net income margin = Net income / Net revenue

(4) Earnings per share = (Net income attributed to the stockholders of the Company - 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 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 of financial holding company = (Net income before tax + Interest expense) / Net income before tax

5. Growth Rates

(1) Growth rate of assets = (Total assets - Total assets of previous year) / Total assets of previous year

(2) Growth rate of profit = (Net income before tax - Net income before tax of previous year) / Net income before tax of previous year

6. Cash Flow

(1) Cash flow ratio = Net cash provided by operating activities /(Due to other banks and overdrafts + Commercial paper payable + Financial liabilities at fair value through profit or loss + Bills and bonds sold under repurchase agreements + Payables with maturity within one year)

(2) Cash flow adequacy ratio = Five-year sum of net 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

To 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 (collectively the "Mega Group") as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Mega Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mega Group as of December 31, 2013, December 31, 2012, and January 1, 2012 and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Public 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 Enterprises Engaging in Insurance", "Regulations Governing the Preparation of Financial Reports by Securities Issuers" ,"Regulations Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission(FSC).

March 26, 2014. 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 audit 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.

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in Thousands of Dollars)

ASSETS	Notes	December 31, 2013 NT$	December 31, 2013 US$	December 31, 2012 NT$	January 1, 2012 NT$
ASSETS					
Cash and cash equivalents	6(1)	$ 367,990,287	$ 12,359,036	$ 313,428,092	$ 323,103,740
Due from the Central Bank and call loans to banks	6(2)	183,257,144	6,154,732	145,062,037	180,399,521
Financial assets at fair value through profit or loss	6(3)	195,800,759	6,576,012	184,716,442	189,200,685
Available-for-sale financial assets, net	6(7) and 12	272,943,633	9,166,873	223,271,043	164,382,740
Bills and bonds purchased under resale agreements		2,585,345	86,829	2,282,052	1,360,685
Receivables, net	6(4)(5)	184,587,941	6,199,427	122,685,220	107,559,026
Current income tax assets		921,969	30,965	953,192	520,739
Non-current assets held for sale		2,576	87	-	-
Bills discounted and loans, net	6(5)	1,654,577,193	55,569,343	1,502,700,861	1,462,333,154
Reinsurance contract assets, net	6(6)(23)	3,293,937	110,628	3,301,550	3,609,063
Held-to-maturity financial assets, net	6(8) and 12	184,411,233	6,193,492	161,253,982	131,836,405
Equity investments accounted for by the equity method, net	6(9)	2,697,551	90,598	2,966,843	3,168,355
Other financial assets, net	6(5)(10) and 12	23,430,204	786,909	27,629,411	26,334,755
Investment property, net	6(11) and 12	2,059,428	69,166	2,101,127	1,531,587
Property and equipment, net	6(12) and 12	22,150,245	743,921	22,331,091	22,550,177
Intangible assets, net		318,046	10,682	303,612	292,358
Deferred income tax assets	6(38)	3,785,582	127,140	3,098,020	2,717,434
Other assets, net	6(13) and 12	8,810,740	295,911	8,884,722	7,767,194
TOTAL ASSETS		$ 3,113,623,813	$ 104,571,751	$ 2,726,969,297	$ 2,628,667,618

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

(Exchange rate of NT$29.775 to US$1:00 at December 31, 2013)

LIABILITIES AND EQUITY	Notes	December 31, 2013 NT$	December 31, 2013 US$	December 31, 2012 NT$	January 1, 2012 NT$
LIABILITIES					
Due to the Central Bank and financial institutions	6(14) and 11	$ 490,935,730	$ 16,488,186	$ 328,810,493	$ 359,080,007
Funds borrowed from the Central Bank and other banks	6(15)	32,330,245	1,085,819	84,826,943	80,342,071
Financial liabilities at fair value through profit or loss	6(16)	14,856,685	498,965	14,676,886	21,312,632
Bills and bonds sold under repurchase agreements	6(17)	219,651,334	7,377,039	187,481,840	202,112,777
Commercial paper payable, net	6(18) and 11	4,393,653	147,562	1,880,597	1,749,387
Payables	6(19)	66,105,983	2,220,184	59,583,525	56,831,304
Current income tax liabilities		5,522,518	185,475	5,993,633	5,048,197
Deposits and remittances	6(20) and 11	1,933,722,541	64,944,502	1,717,989,498	1,588,688,108
Bonds payable	6(21)	55,898,677	1,877,370	62,449,668	61,401,059
Other loans	6(22) and 12	5,509,213	185,028	6,541,000	5,429,400
Provisions for liabilities	6(23)	22,414,786	752,806	22,045,319	18,717,804
Other financial liabilities	6(24)	10,094,610	339,030	11,728,176	14,524,222
Deferred income tax liabilities		2,051,201	68,890	1,694,706	1,879,418
Other liabilities	6(25)	8,544,561	286,970	10,786,252	10,179,452
Total Liabilities		2,872,031,737	96,457,826	2,516,488,536	2,427,295,838
Equity					
Equity attributable to owners of parent					
Share capital					
Common stock	6(26)	124,498,240	4,181,301	114,498,240	112,806,148
Capital surplus	6(26)	55,271,623	1,856,310	43,425,270	43,426,403
Retained earnings					
Legal reserve	6(26)	22,220,204	746,271	20,066,890	18,298,900
Special reserve	6(26)	2,547,719	85,566	2,569,119	2,766,584
Inappropriate retained earnings	6(27)	36,766,912	1,234,825	29,461,030	22,828,132
Other equity interest	6(28)				
Other equity interest		100,838	3,387	179,145	956,830
Non-controlling interest		186,540	6,265	281,067	288,783
Total Equity		241,592,076	8,113,925	210,480,761	201,371,780
TOTAL LIABILITIES AND EQUITY		$ 3,113,623,813	$ 104,571,751	$ 2,726,969,297	$ 2,628,667,618

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

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)
(Exchange rate of NT$29.775 to US$1:00 at December 31, 2013)

	For the Years Ended December 31,		
	2013		2012
	NT$	US$	NT$
Interest income	$ 46,533,690	$ 1,562,844	$ 43,400,003
Less: Interest expense	(15,257,564)	(512,429)	(13,827,930)
Interest income, net	31,276,126	1,050,415	29,572,073
Revenues other than interest, net			
Service fee revenue and commissions, net	9,789,911	328,796	9,146,669
Insurance revenue, net	1,480,026	49,707	1,264,879
Financial assets and liabilities at fair value through profit or loss	3,622,163	121,651	4,246,210
Realized gain on available-for-sale financial assets, net	2,123,657	71,323	1,816,338
Foreign exchange gain	2,947,572	98,995	2,376,717
Share of profit of associates and joint ventures accounted for under equity method	203,681	6,841	175,310
Loss on asset impairment	(333,187)	(11,190)	(505,927)
Other revenue other than interest income	2,194,331	73,697	1,733,775
Revenue on disposal of non-performing loans	1,704,188	57,236	1,988,673
Net revenue	55,008,468	1,847,471	51,814,717
Bad debts expense and provisions for insurance reserve	(5,276,424)	(177,210)	(4,341,908)
Reversal of (provisions for) insurance reserve	183,695	6,169	(48,919)
Operating expenses			
Employee benefit expense	(15,689,350)	(526,930)	(15,179,079)
Depreciation and amortization	(739,528)	(24,837)	(768,122)
Other business and administrative expenses	(6,486,779)	(217,860)	(6,202,493)
Income before Income Tax	27,000,082	906,803	25,274,196
Income Tax Expense	(4,505,513)	(151,319)	(4,479,088)
Profit for the year	22,494,569	755,484	20,795,108
Other comprehensive income			
Cumulative translation differences of foreign operations	40,248	1,352	(933,796)
Unrealized gain on valuation of available-for-sale financial assets	(94,537)	(3,175)	167,575
Actuarial gain (loss) on defined benefit plan	(550,157)	(18,477)	(1,558,981)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(24,342)	(818)	(24,600)
Income tax relating to the components of other comprehensive income	93,527	3,141	265,027
Total other comprehensive income(after Income Tax)	(535,261)	(17,977)	(2,084,775)
Total comprehensive income	$ 21,959,308	$ 737,507	$ 18,710,333
Profit (loss), attributable to:			
Owners of parent	$ 22,489,232	$ 755,306	$ 20,784,648
Non-controlling interests	5,337	179	10,460
	$ 22,494,569	$ 755,485	$ 20,795,108
Comprehensive income attributable to:			
Owners of parent	$ 21,954,295	$ 737,340	$ 18,713,009
Non-controlling interests	5,013	168	(2,676)
	$ 21,959,308	$ 737,508	$ 18,710,332
Earnings per share			
Basic earnings per share (in dollars)	$ 1.96	$ 0.07	$ 1.82
Diluted earnings per share (in dollars)	$ 1.96	$ 0.07	$ 1.82

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

(EXPRESSED IN THOUSANDS OF DOLLARS)
(Exchange rate of NT$29.775 to US$1:00 at December 31, 2013)

	For the Years Ended December 31,		
	2013		2012
	NT$	US$	NT$
Cash Flows from Operating Activities			
Profit before tax	$ 27,000,082	$ 906,804	$ 25,274,196
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation	701,988	23,576	733,566
Amortization	37,540	1,261	34,556
Bad debts expense and provisions for insurance reserve	5,276,424	177,210	4,341,908
Interest expense	15,468,578	519,516	14,093,018
Interest income	(48,619,411)	(1,632,894)	(45,561,978)
Dividend income	(219,419)	(7,369)	(149,237)
Net change in insurance reserve	(112,327)	(3,773)	(32,244)
Share based payment transaction	346,353	11,632	-
Loss on financial asset impairment	333,187	11,190	505,927
Loss on disposal of property and equipment	(36,302)	(1,219)	(24,596)
Loss (gain) on disposal of investment property	51	2	(139)
Share of profit of associates accounted for under equity method	(203,681)	(6,841)	(175,310)
Changes in assets/liabilities relating to operating activities			
(Increase) decrease in due from Central Bank and call loans to other banks	(38,195,107)	(1,282,791)	35,337,484
(Decrease) increase in financial assets at fair value through profit or loss	(11,084,317)	(372,269)	4,484,243
Increase in available-for-sale financial assets	(49,848,233)	(1,674,164)	(58,767,778)
Increase in receivables	(60,155,809)	(2,020,346)	(15,655,538)
Increase in assets held to sale	(2,576)	(87)	-
Increase in bills discounted and loans	(158,402,839)	(5,319,995)	(44,775,500)
Decrease in reinsurance contract assets	7,613	256	307,513
Increase in held-to-maturity financial assets	(23,157,251)	(777,741)	(29,417,577)
Decrease (increase) in other financial assets	3,845,982	129,168	(1,774,950)
Decrease (increase) in other assets	73,760	2,477	(1,074,447)
Increase (decrease) in due to the Central Bank and financial institutions	162,125,237	5,445,012	(30,269,514)
Increase (decrease) in financial liabilities at fair value through profit or loss	179,799	6,039	(6,635,746)
Increase (decrease) in bills and bonds purchased under resale agreements	32,169,494	1,080,420	(14,630,937)
Increase in payables	5,320,507	178,690	1,745,409
Increase in deposits and remittances	215,733,043	7,245,442	129,301,390
(Decrease) increase in reserve of guarantee	(8,005)	(269)	1,423,987
Increase in liabilities reserve for employee benefits	45,263	1,520	556,192
Decrease in provisions for liabilities	(1,633,566)	(54,864)	(2,796,046)
(Decrease) increase in other liabilities	(2,241,691)	(75,288)	(606,800)
Cash provided by (used in) operations	74,744,367	2,510,305	(32,995,348)
Interest received	47,942,040	1,610,144	46,180,282
Cash dividend received	459,744	15,441	454,201
Interest paid	(15,427,301)	(518,129)	(13,937,359)
Income tax paid	(5,276,472)	(177,211)	(4,531,403)
Net cash provided by (used in) operating activities	102,442,378	3,440,550	(4,829,627)
Cash Flows from Investing Activities			
Acquisition of property and equipment	(51,809)	(1,740)	(88,966)
Proceeds from disposal of property and equipment	214,431	7,202	58,064
Acquisition of investment property	(457,437)	(15,363)	(458,725)
Proceeds from disposal of investment property	(2,324)	(78)	(847,205)
Acquisition of intangible assets	2,488	84	4,237
Proceeds from reduction of capital of investee accounted for under the equity method	277,772	9,329	309,551
Net cash used in investing activities	(16,879)	(566)	(1,023,044)
Cash Flows from Financing Activities			
Decrease (increase) in due to the Central Bank and financial institutions	(52,496,698)	(1,763,113)	4,484,872
Increase in commercial papers payable	2,513,000	84,400	132,000
(Decrease) increase in bonds payable	(6,600,000)	(221,662)	1,000,000
(Decrease) increase in other loans	(1,031,787)	(34,653)	1,111,600
Change in non-controlling interest by capital reduction of subsidiary	(90,000)	(3,023)	-
Payment of cash dividends	(11,394,773)	(382,696)	(8,696,287)
Proceeds from issuance of common stock	21,500,000	722,082	-
Net cash used in financing activities	(47,600,258)	(1,598,665)	(1,967,815)
Effect of exchange rate changes on cash and cash equivalents	40,247	1,352	(933,795)
Net increase (decrease) in cash and cash equivalents	54,865,488	1,842,671	(8,754,281)
Cash and cash equivalents at beginning of year	315,710,144	10,603,195	324,464,425
Cash and cash equivalents at end of year	$ 370,575,632	$ 12,445,866	$ 315,710,144
Cash and cash equivalents composition :			
Cash and cash equivalents as shown in the balance sheet	$ 367,990,287	$ 12,359,036	$ 313,428,092
Investments in bills and bonds under resale agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	2,585,345	86,829	2,282,052
Cash and cash equivalents at end of year	$ 370,575,632	$ 12,445,865	$ 315,710,144

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 EQUITY

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital	
	Share capital common stock	Capital Surplus
For the year ended December 31, 2012		
Balance, January 1, 2012	$ 112,806,148	$ 43,426,403
Earnings distribution for 2011 (Note)		
Legal reserve	-	-
Cash dividends	-	-
Stock dividends distributable	1,692,092	-
Capital surplus	-	(1,133)
Appropriation for special reserve	-	-
Offsetting bad debt reversed from special reserve	-	-
Disposal of land transferred as special reserve	-	-
Profit for the year	-	-
Other comprehensive income for the year	-	-
Balance, December 31, 2012	$ 114,498,240	$ 43,425,270
For the year ended December 31, 2013		
Balance, January 1, 2013	$ 114,498,240	$ 43,425,270
Earnings distribution for 2012 (Note)		
Legal reserve	-	-
Cash dividends	-	-
Disposal of land transferred as special reserve	-	-
Profit for the year	-	-
Other comprehensive income for the year	-	-
Issuance of common stock	10,000,000	11,500,000
Share based payment transactions	-	346,353
Change in non-controlling interest by capital reduction of subsidiary	-	-
Balance, December 31, 2013	$ 124,498,240	$ 55,271,623
(EXPRESSED IN THOUSANDS OF US DOLLARS)		
For the year ended December 31, 2013		
Balance, January 1, 2013	$ 3,845,449	$ 1,458,448
Earnings distribution for 2012	-	-
Legal reserve	-	-
Cash dividends	-	-
Disposal of land transferred as special reserve	-	-
Profit for the year	-	-
Other comprehensive income for the year	-	-
Issuance of common stock	335,852	386,230
Share based payment transaction	-	11,632
Change in non-controlling interest by capital reduction of subsidiary	-	-
Balance, December 31, 2013	$ 4,181,301	$ 1,856,310

Note : Remunerations to directors and supervisors amounting to $79,559 and $96,899 thousand (US $3,254 thousand) and employee bonuses amounting to $10,186 and $10,240 thousand (US$ 343 thousand) for 2011 and 2012 have been deducted from the consolidated statements of comprehensive income.

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

(EXCHANG RATE OF NT$29.775 TO US$1:00 AT DECEMBER 31,2013)

Equity attributable to owners of the parent							
Retained Earnings			Other equity interestl				
Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total
$ 18,298,900	$ 2,766,584	$ 22,828,132	$ -	$ 956,830	$ 201,082,997	$ 288,783	$ 201,371,780
1,767,990	-	(1,767,990)	-	-	-	-	-
-	-	(9,588,523)	-	-	(9,588,523)	(5,040)	(9,593,563)
-	-	(1,692,092)	-	-	-	-	-
-	-	-	-	-	(1,133)	-	(1,133)
-	(190,793)	190,793	-	-	-	-	-
-	(6,656)	-	-	-	(6,656)	-	(6,656)
-	(16)	16	-	-	-	-	-
-	-	20,784,648	-	-	20,784,648	10,460	20,795,108
-	-	(1,293,954)	(944,493)	166,808	(2,071,639)	(13,136)	(2,084,775)
$ 20,066,890	$ 2,569,119	$ 29,461,030	($ 944,493)	$ 1,123,638	($ 210,199,694)	$ 281,067	$ 210,480,761
$ 20,066,890	$ 2,569,119	$ 29,461,030	($ 944,493)	$ 1,123,638	$ 210,199,694	$ 281,067	$ 210,480,761
2,153,314	-	(2,153,314)	-	-	-	-	-
-	-	(12,594,806)	-	-	(12,594,806)	(9,540)	(12,604,346)
-	(21,400)	21,400	-	-	-	-	-
-	-	22,489,232	-	-	22,489,232	5,337	22,494,569
-	-	(456,630)	43,114	(121,421)	(543,937)	(324)	(535,261)
-	-	-	-	-	21,500,000	-	21,500,000
-	-	-	-	-	346,353	-	346,353
-	-	-	-	-	-	(90,000)	(90,000)
$ 22,220,204	$ 2,547,719	$ 36,766,912	($ 901,379)	$ 1,002,217	$ 241,405,536	$ 186,540	$ 241,592,076
$ 673,951	$ 86,284	$ 989,455	($ 31,721)	$ 37,738	$ 7,059,604	$ 9,440	$ 7,069,044
-	-	-	-	-	-	-	-
72,320	-	(72,320)	-	-	-	-	-
-	-	(422,999)	-	-	(422,999)	(320)	(423,319)
-	(718)	719	-	-	1	-	1
-	-	755,306	-	-	755,306	179	755,485
-	-	(15,336)	1,448	(4,078)	(17,966)	(11)	(17,977)
-	-	-	-	-	722,082	-	722,082
-	-	-	-	-	11,632	-	11,632
-	-	-	-	-	-	(3,023)	(3,023)
$ 746,271	$ 85,566	$ 1,234,825	($ 30,273)	$ 33,660	$ 8,107,660	$ 6,265	$ 8,113,925

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1. ORGANIZATION AND OPERATIONS

CTB Financial Holding Co., Ltd. was incorporated as company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.), and 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.

The number of employees of the Company and its subsidiaries (collectively referred herein as the "Group ") was 8,581 and 8,368 as of December 31, 2013 and 2012, respectively.

The Company is mainly engaged in investment activities approved by the governing authorities and management of the investee companies.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 25, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company and its subsidiaries.

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009. The recognition and measurement of financial assets of the consolidated financial statements will be impacted if the Group started to adopt IFRS 9.

B. The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognized in other comprehensive income should not be reclassified to profit or loss when such assets are derecognized.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

A. The following are the new standards and amendments issued by IASB that are effective but not yet endorsed by the FSC and have not been adopted by the Group:

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparers received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognizing the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	After issuing by November 19, 2013, it was optional to adopt immediately any version issued by IASB, and no compulsory effective date.
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognize related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes - recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11,'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013
IFRS 12,'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27,'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28,'Investments in associates and joint ventures'(as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service costs will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return on plan assets, excluding net interest expense, is recognized in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarifies criterion that an entity 'currently has a legally enforceable right to set off the recognized amounts' and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit of loss instead of consolidating them.	January 1, 2014
Improvements to IFRSs 2009-2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognized in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being notated complies with specified criteria.	January 1, 2014
IFRS 9 "Financial assets: hedge accounting"	IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity.	November 19, 2013 (Not mandatory)
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13,IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS40.	July 1, 2014

B. The Group is assessing the potential impact of the new standards and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in these consolidated financial statements are set out below. These accounting policies set out below have been consistently applied to all the periods presented in consolidated financial statements, unless otherwise stated.

(1) Compliance statement

A. The accompanying consolidated financial statements of the Group are the first consolidated financial statements prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Financial Reports by Public 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 Enterprises Engaging in Insurance", "Regulations Governing the Preparation of Financial Reports by Securities Issuers" , and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

B. In the preparation of the balance sheet of January 1, 2012 (the Group's date of transition to IFRSs), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 19 for the impact of transitioning from R.O.C. GAAP to the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the "IFRSs") on the Group's financial position, operating results and cash flows.

(2) Basis for preparation

A. The consolidated financial statement consists of the consolidated balance sheet, consolidated statement of comprehensive income (showing components of profit or loss and components of other comprehensive income.), and consolidated statement of changes in equity and consolidated statement of cash flows and the related notes.

B. Except for financial assets and financial liabilities (including derivative instruments) at fair value, defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized prior period's service cost, less present value of defined benefit obligation, recognized actuarial insurance liabilities, reinsurance reserve assets according to the laws and regulations of insurance industry, these consolidated financial statements have been prepared under the historical cost convention.

C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis for preparation of consolidated financial statements

A. The Group prepares the consolidated financial statements by aggregating the Company's and its subsidiaries' assets, liabilities, revenues and gains, and expenses and losses accounts, which have been eliminated versus owners' equity during the consolidation. In addition, the Group's financial statements are prepared in the same reporting period. The accounts on the accompanying consolidated financial statements are not categorized into current and non-current items. The related accounts are properly categorized according to the nature of each accounts, and sequenced by their liquidity.

B. 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 (%)			Remark
		December 31, 2013	December 31, 2012	January 1, 2012	
The Company	Mega International Commercial Bank Co., Ltd ("MICB")	100.00	100.00	100.00	Note(1)
The Company	Mega Securities Co., Ltd ("MS")	100.00	100.00	100.00	Note(2)
The Company	Mega Bills Finance Co., Ltd ("MBF")	100.00	100.00	100.00	Note(3)
The Company	Mega International Investment Trust Co., Ltd ("MITC")	100.00	100.00	100.00	Note(4)
The Company	Chung Kuo Insurance Co., Ltd ("CKI")	100.00	100.00	100.00	Note(5)
The Company	Mega Asset Management Co., Ltd ("MAM")	100.00	100.00	100.00	Note(6)
The Company	Mega Venture Capital	100.00	100.00	100.00	Note(7)
The Company	Mega Life Insurance Agency Co., Ltd.	100.00	100.00	100.00	Note(8)

Investor	Subsidiary	Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Remark
MICB	Mega International Commercial Bank (Canada) (“MICB Canada”)	100.00	100.00	100.00	Note(9)
MICB	Mega International Commercial Bank Public Co., Ltd (“MICBPC”)	100.00	100.00	100.00	Note(10)
MS	Mega Securities Holding Co., Ltd (“MHL”)	100.00	100.00	100.00	Note(11)
MS	Mega Futures Co., Ltd (“MF”)	100.00	100.00	100.00	Note(12)
MS	MAM International Investment	100.00	100.00	100.00	Note(13)
MHL	Mega Securities (Hong Kong) Co., Ltd.	100.00	100.00	100.00	Note(14)
MHL	Mega International Asset Management Co., Ltd.	-	-	100.00	Note(15)
MHL	Mega Capital (Asia) Co., Ltd.	100.00	100.00	100.00	Note(16)
MHL	Mega Global Asset Management Co., Ltd.	100.00	100.00	100.00	Note(17)
MICB, MS and CKI	Mega I Venture Capital	100.00	100.00	100.00	Note(18)

(1) MICB 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.

(2) Principal activities of MS include underwriting, brokerage and proprietary trading of securities, margin trading of securities and bills, issuance of stock warrants, brokerage of overseas securities, and futures dealing business.

(3) 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.

(4) MITC is primarily engaged in investment trust related businesses.

(5) CKI is primarily engaged in general insurance business.

(6) MAM is primarily engaged in purchases, evaluations, auctions, and management of financial institutions’ loan assets.

(7) Mega CTB Venture Capital is primarily engaged in venture capital investments as well as providing operational, managerial and consulting services.

(8) Mega Life Insurance Agency Co., Ltd. is primarily engaged in the business of life insurance agency.

(9) MICB Canada is mainly engaged in accepting deposits, extension of credits, negotiation of import/export bills, collections and foreign exchange related businesses.

(10) MICBCPC is mainly engaged in accepting deposits, negotiation of import/export bills, collections and exchange of foreign currencies and extension of credits.

(11) MHL is mainly involved in asset management and venture capital activities.

(12) Mega Futures Co., Ltd. (“MMF is mainly engaged in brokerage of domestic and foreign futures trading, and settlement and consulting services for domestic futures trading.

(13) Mega International Asset Management Co., Ltd. is 100% owned by MS, and is mainly engaged in investment consulting services.

(14) Mega Securities (Hong Kong) Co., Ltd., registered in Hong Kong, is 100% owned by MHL, and is mainly engaged in brokerage of marketing securities.

(15) Mega International Asset Management Co., Ltd., registered in British Virgin Islands, is 100% owned by MHL, and is mainly engaged in investment consulting services. Starting from August 25, 2011, it has been dissolved by the approval of Mega Securities’ Board of Directors to simplify the investment structure and decrease operating cost. With the approval from competent authorities dated February 9, 2012, Mega International Asset Management Co., Ltd., ceased all operations and initiated the liquidation process which was acknowledged by the authorities in its registered place, British Virgin Islands on May 2, 2012.

(16) Mega Capital (Asia) Co., Ltd., registered in Hong Kong, is 100% owned by MHL, and is mainly engaged in investment consulting services.

(17) Mega Global Asset Management Co., Ltd. registered in British Cayman Islands, is 100% owned by MHL, and is mainly engaged in asset management services.

(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 $180 million. Mega I Venture Capital is primarily engaged in venture capital activities and it 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.

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

Investor	Subsidiary	Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Business Activities
MICB	Cathay Investment & Development Corporation (Bahamas)	100.00	100.00	100.00	International investment and development activities
MICB	Mega Management Consulting Corporation	100.00	100.00	100.00	Management consulting
MICB	Cathay Investment & Warehousing Ltd.	100.00	100.00	100.00	Storage and warehousing of imported commodities
MICB	Ramlett Finance Holdings Inc.	100.00	100.00	100.00	Real estate investments
MICB	Yung Shing Industries Co.	99.56	99.56	99.56	Agency services for industrial and mining related businesses, import and export related businesses, services requested by customers
MICB	China Products Trading Company	68.27	68.27	68.27	Transportation and storage of farming products and by-products, and investments in the related businesses
MICB & CKI	Cathay Insurance Company Inc. (Philippines)	-	-	86.46	General insurance
MICB	Win Card Co., Ltd.	100.00	100.00	100.00	Business management
MICB	ICBC Assets Management & Consulting Co., Ltd.	100.00	100.00	100.00	Investment consulting

As the individual total assets 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. The investments of certain subsidiaries are accounted for under equity method.

D. Subsidiaries are all entities of which the Company holds directly or indirectly more than 50% of the total voting shares and over which the Company has controlling power and the Company has the power to govern the financial and operating policies where the Company may gain profit from the activities of the subsidiaries. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Company controls another entity.

E. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company and its subsidiaries are eliminated from the consolidated financial statements, unless there is evidence showing that the values of the assets transferred within the Company and its subsidiaries have been impaired and inter-company unrealized gains or losses have been eliminated.

F. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

G. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

H. Transactions and events under similar situation should adopt consistent accounting policies and valuation method in preparing consolidated financial statements. If the accounting policies of the subsidiaries are different from the accounting policies used in the consolidated financial statements, adjustments will be made in relation to the financial statements of the subsidiaries to ensure the consistency between accounting policies of the affiliated entities and those used in the consolidated financial statements.

I. When the Group loses control of a subsidiary, the Group premeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(4) Foreign-currency translations

A. Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiaries' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

B. Transactions and balances

The transactions denominated in foreign currency or to be settled in foreign currency are translated into a functional currency at the spot exchange rate between the functional currency and the underlying foreign currency on the date of the transaction.

Foreign currency monetary items should be reported using the closing rate (market exchange rate) at the date of each balance sheet. When multiple exchange rates are available for use, they should be reported using the rate that would be used to settle the future cash flows of the foreign currency transactions or balances at the measurement date. Foreign currency non-monetary items measured at historical cost should be reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period, with one exception. The exception is that exchange differences associated with the gains or losses of the parts of effective hedges of cash flow hedges or hedges of net investments in foreign operations are recognized in other comprehensive income.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

C. Entities in consolidated financial statements

The operating results and financial position of all the Company's and its subsidiaries' entities in the consolidated financial statements that have a functional currency (which is not the currency of a hyperinflationary economy) different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities presented are translated at the Company's and its subsidiaries' closing exchange rate at the date of that balance sheet;

(B) The profit and loss presented is translated by the average exchange rate in the period (except for the situation that the exchange rate on the trade date shall be adopted when the exchange rate fluctuate rapidly); and

(C) All resulting exchange differences are recognized in other comprehensive income.

The translation differences arising from above processes are recognized as 'Cumulative translation differences of foreign operations' under equity items.

(5) Cash and cash equivalents

"Cash and cash equivalents" in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash include cash and cash equivalents shown in the consolidated balance sheet, investments in bills and bonds under resale agreements satisfying the definition of cash and cash equivalents in IAS 7 as approved by FSC.

(6) Bills and bonds under repurchase or resale agreements

The transactions of bills and bonds with a condition of repurchase agreement or resell agreement are accounted for under the financing method. The interest expense and interest income are recognized as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

(7) Financial assets or liabilities

The financial assets and liabilities of the Group including derivatives are recognized in the consolidated balance sheet and are properly classified in accordance with IFRSs as endorsed by FSC.

A. Financial assets

The International Financial Reporting Standards as endorsed by the Financial Supervisory Commission apply to the entire Group's financial assets, which are classified into four categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets.

(A) A regular way purchase or sale

Financial assets that are purchased or sold on a regular way purchase or sale basis should be recognized and derecognized using trade date accounting or settlement date accounting. The uniform accounting principles should be applied in the accounting for purchase and sale of financial assets of the same type. All the Group's financial assets are accounted for using trade date accounting.

(B) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

There are two types of loans and receivables: one is originated by the Group; the other is not originated by the Group. Loans and receivables originated by the entity refer to the direct provision by the Group of money, merchandise or services to debtors, and loans and receivables not originated by the Group are loans and receivables other than those originated by the Group.

Loans and receivables are initially recognized at fair value, which includes the price of transaction, significant costs of transaction, significant handling fees paid or received, discount and premium, etc., and subsequently measured using the effective interest method. However if the effect of discount is insignificant, following the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and "Regulations Governing the Preparation of Financial Reports by Public Banks", loans and receivables can be measured at initial amount.

Interest accruing on loans and receivables is recognized as 'interest revenue'. An impairment loss is recognized when there is an objective evidence of impairment on loans and receivables. Allowance for impairment is a deduction to carrying amount of loans and receivables, which is under the 'allowance for bad debts and reserve for guarantee liabilities' account.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling or repurchasing or gaining profit in the short-term, or if they are derivative instruments. These financial assets are initially recognized at fair value.

Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

a. They eliminate or significantly reduce a measurement or recognition inconsistency such as measurement of financial assets or liabilities or recognition of related gain or loss on different bases; or

b. Their performance is evaluated on a fair value basis; or

c. Hybrid (combined) instruments including embedded derivative instruments.

Any changes in fair value of financial assets at fair value through profit or loss and financial assets designated as at fair value through profit or loss on initial recognition are recognized under the 'gain/loss on financial assets and liabilities at fair value through profit or loss' account in the consolidated statement of comprehensive income.

(D) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables, designated as available-for-sale financial assets and those that are designated as at fair value through profit or loss on initial recognition by subsidiaries. Interest accruing on held-to-maturity financial assets is recognized as 'interest revenue'. An impairment loss is recognized when there is an objective evidence of impairment on financial assets. Impairment loss is a deduction to carrying amount of financial assets, which is recognized under the 'impairment loss on financial assets' account.

(E) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not classified in held-to-maturity financial assets, financial assets at fair value through profit or loss and loans and receivables. Financial assets and liabilities that are attributed to equity and debt investments on initial recognition are assessed at fair value. Transaction costs which are attributable to the acquisition should be capitalized.

An impairment loss is recognized when there is an objective evidence of impairment. If financial assets have not been derecognized, accumulated impairment loss related to the financial assets that was previously recognized in other comprehensive income shall be reclassified to profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Any subsequent increases in fair value of an investment in an equity instrument are recognized in other comprehensive income. If the impairment loss of bond investments decreases with objective evidence indicating that an impairment loss has been incurred after the impairment is recognized, the impairment amount is reversed and recognized in current profit and loss.

Equity instruments with no quoted price in an active market are initially recognized at fair value plus acquisition or issuance cost. The fair value can be reasonably estimated when the following criteria are met at the balance sheet date: (a) the variability in the range of reasonable fair value estimate is not significant for that equity instrument; or (b) probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

(F) Other financial assets

Other financial assets include investments in debt instruments without active market, overdue receivables not from lending, bill of exchange negotiated and financial assets measured at cost.

a. Debt investments with no active market

Investments in debt instruments without active market are initially recognized at fair value on the trade date plus transaction costs of acquisition or issuance. Disposal gain or loss is recognized when derecognized. Bond investments without active market are measured at amortized cost using the effective interest method.

b. Financial assets carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

c. Purchase of obligor receivable

Purchase of obligor receivable refers to the cost of acquisition of creditor's right that is non-performing loan of financial institutions acquired by the Group but not collected yet less total price and other expenses paid for the acquisition. Related gain or loss on obligor receivable is recognized based on relevant regulations. Purchase of claim receivable is measured at amortized cost using effective interest rate based on intention of holding or at fair value through profit or loss.

(G) Margin loans, short sale stock loans and securities borrowed

For handling margin trading of securities business, margin loans extended to stock investors are recorded as "marginal receivables" under ("Receivables, net") and the stocks purchased by the borrowers are held by the Company as collateral. The collateral is recorded in the memorandum account and is returned to the borrowers when the loans are repaid.

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

Loans borrowed by the Company from other securities lenders when the Company has insufficient fund to conduct margin trading are recorded as "margin loans from other securities lenders" under ("Payables"), and the stocks purchased by the borrowers are held as collateral.

When the Company has insufficient stocks to conduct short selling, the guarantee deposits and collateral paid for the stocks borrowed from other securities lenders are recorded as "deposits paid to other securities lenders" under ("Receivables, net"). The proceeds from short sales are then paid to the securities lenders as additional guarantees and are respectively recorded as "payables on proceeds from short sales" under ("Payables") and "refinancing guarantees receivable" under ("Receivables, net").

B. Financial liabilities

Financial liabilities held by the Group comprise financial liabilities at fair value through profit or loss (including financial liabilities designated as at fair value through profit or loss on initial recognition) and financial liabilities measured at amortized cost.

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

This category includes financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition.

A financial liability shall classify as held for trading, if it is incurred principally for the purpose of repurchasing it in the near term; or on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative is also classified as held for trading, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument. Financial liability held for trading also includes the obligations of delivery of financial assets borrowed by the seller. Above financial liability is shown as "financial liability at fair value through profit or loss" in the consolidated balance sheet.

Any changes in fair value of financial liabilities at fair value through profit or loss and financial liabilities designated as at fair value through profit or loss on initial recognition are recognized under the 'gain/loss on financial assets and liabilities at fair value through profit or loss' account in the consolidated statement of comprehensive income.

(B) Financial liabilities measured at amortized cost

Liabilities not classified as financial liabilities at fair value through profit or loss and financial guarantee contracts are all included in financial liabilities carried at amortized cost.

C. Determination of fair value

Fair value and level information of financial instruments are provided in Note 7.

D. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

(A) The contractual rights to receive cash flows from the financial asset expire.

(B) The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

(C) The contractual rights to receive cash flows from the financial asset have been transferred;

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

In case of securities lending or borrowing by the Group or provision of bonds or stocks as security for Repo trading, the Group does not derecognize the financial asset, because substantially all risks and rewards of ownership of the financial asset are still retained in the Group.

(8) Reclassifying financial assets

Reclassification of the non-derivative financial assets is in accordance with IAS 39 as endorsed by the FSC.

(9) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when (A) there is a legally enforceable right to offset the recognized amounts and (B) there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(10) Loans and receivables-evaluation, provision and reversal of impairment losses

A. The Group would presume that a financial asset or a group of financial assets is impaired and recognize the impairment losses only if there is objective evidence that a financial asset or a group of financial assets is impaired as a result of a loss event that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(I) Cases that meet the self-made evaluation items of the Group.

C. The assessment methods of impairment on loans and receivables are based on two categories: individual and collective assessments. Individual assessments are classified as different groups based on whether there is objective evidence of significant impairment of the asset or whether the individual asset has to be specially supervised. If no objective evidence of impairment exists for an individually assessed financial asset, the asset will be classified into a group of financial assets with similar credit risk characteristics for collective assessments.

D. After assessed impairment of loans and receivables, the Group recognizes' impairment loss measured as the difference between the asset's carrying amount and the present value of estimated future cash flows of credit enhancement factors discounted at the asset's original effective interest rate. The credit enhancement factors include financial guarantee and net of collateral. If, in a subsequent period, the amount of the impairment loss decreased and such decrease is objectively related to an event occurred after the impairment was recognized, the amount of impairment loss recognized previously shall be reserved by adjusting allowance for doubtful debts. The reversal shall not cause a carrying amount of the financial asset exceeds the amortized cost of the period before recognition of the impairment loss. The amount of the reversal shall be recognized in profit or loss.

E. The above processes of assessment followed the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans that was adopted by FSC, and MICB applied for specified business for dealing with the credit assets and recognizing the guarantee liabilities were compliant with FSC Letter No. 10110008250.

(11) Derivatives

Derivatives are initially recognized at fair value at the contract date and subsequently measured by fair value. The fair value includes the public quotation in an active market or the latest trade price (e.g., Exchange-traded options), and evaluation techniques such as cash flow discounting model or option pricing model (e.g., Swap contract and foreign exchange contracts). All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Hybrid contract refers to financial instruments of the embedded derivatives. Economic characteristics and risks of the embedded derivatives and the economic characteristics of the main contract should be examined for the embedded derivatives. If the two are not closely correlated and the main contract is not a financial asset or liability at fair value through profit and loss, the main contract and embedded derivatives should be respectively recognized unless the overall hybrid contract is designated as assets or liabilities at fair value through profit and loss. The embedded derivatives are the financial assets or liabilities at fair value through profit and loss.

(12) Investments accounted for under the equity method

The Group's investments accounted for under the equity method refer to the investments in associates.

An associate is an entity over which the investor has significant influence, including non-profit organization, but excluding subsidiary and joint venture. Significant influence means the power to participate in the financial and operating policy decisions of the investee but not control them or jointly control them. Accounting policies of associates shall be in agreement with those adopted by the Group for similar transactions and events under similar circumstances.

The operating results and assets and liabilities of associates are included in the consolidated financial statements under the equity method. Investment in an associate is initially recognized at cost. And carrying amount of the investment is changed by the Group's share of its associate's post-acquisition profits or losses, which is recognized in the investor's profit or loss. Receipt of profit distribution from the associate would reduce the carrying amount of the investment. When change in the investee's other comprehensive income cause movement in the Group's share of its associates, adjustment shall be made against the carrying amount of the investment.

When the Group's share of losses in an associate exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred statutory obligations or made payments on behalf of the associate. The "interest in an associate" is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate.

Use of the equity method should cease from the date that the Group loses significant influence over the associate.

(13) Property and equipment

The property and equipment of the Group are recognized on the basis of the historical cost less accumulated depreciation. Historical cost includes all costs directly attributable to the acquisition of the assets. Such assets are subsequently measured using the cost model.

If the future economic benefit generated from subsequent expenses of the asset can be measured reliably and is very likely to flow into the Group, the subsequent expenses of property and equipment may be individually recognized as an asset or included in the carrying amount of the asset. The carrying amount of the replaced part is derecognized.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets till residual value.

Item	Years
Buildings and structures	3~60
Equipment	3~20
Leasehold improvements	3~10

(14) Investment property

The properties held by the Group, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land leased out in a form of operating lease.

Part of the property may be held by the Group and the remaining will be used to generate rental income or capital appreciation. If the property held by the Group can be sold individually, then the accounting treatment should be made respectively. IAS 16 as endorsed by the FSC applies to the self-use property, and property used to generate rental income or capital appreciation or both is applicable for investment property set out in IAS 40 as endorsed by the FSC. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.

When the future economic benefit related to the investment property is highly likely to flow into the Group and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized as incurred in the consolidated statement of comprehensive income.

Investment property is subsequently measured using the cost model. Depreciated cost is used to calculate depreciation expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(15) Foreclosed properties

Foreclosed properties are stated at the lower of its carrying amount or fair value less costs to sell at the end of period.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Provisions for liabilities, contingent liabilities and contingent assets

A. When all the following criteria are met, the Group shall recognize a provision:

(A) A present obligation (legal or constructive) as a result of a past event;

(B) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(C) The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

B. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Group did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

C. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

D. Valuation basis for various insurance liabilities

Insurance liabilities of subsidiaries are dealt with following the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing Reserve for Compulsory Automobile Liability Insurance and Related Administration", "Regulations Governing Various Reserves for Nuclear Power Insurance", "Regulations Governing Risk Dispersing Mechanism for Residential Earthquake Insurance", "Regulations Governing Reserves for the Members of the Enhance Residential Earthquake Insurance Joint Institute", "Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon/flood Insurance" and

"Regulations Governing Reserve for Natural Disaster by Property Insurance Industry" of regulatory authorities, and shall be certified by actuary authorized by the Financial Supervisory Commission.

Except for the provision of reserves for one-year group life accident insurance which is the higher of actual insurance premium or insurance premium calculated based on the Tai-Cai-Bao Letter No. 852367814, other insurance liabilities are provided based on the following bases:

(A) Unearned premium reserve

Unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period, unless otherwise provided by laws or regulations, it is determined by actuary according to various risk characteristics.

(B) Claims reserve

Claims reserves are provided based on claim experience and expenses of various insurance types and are calculated with methods based on actuarial principles. Reserves are provided for Claims Reported but Not Paid and Claims Incurred but Not Reported. For Reported but Not Paid Claims, a reserve has been provided on a per-policy-claim-report basis for each type of insurance.

(C) Special reserve

Special reserves for retained businesses include "Significant Peril Special Reserve" and "Risk Variation Special Reserve". Except for compulsory automobile liability insurance, nuclear power insurance, residential earthquake insurance and commercial earthquake insurance and typhoon/flood insurance that have another regulations requiring reserves for them to be recognized in 'liabilities', the additional special reserve provision for each year calculated less income tax is listed as special reserve under equity. The deficiency less income tax for each year shall be written off or recovered using special reserves under equity.

(D) Deficiency reserve

Potential claims and expenses are estimated for effective contracts yet to mature or covered risks yet to terminate in the coverage period. The estimated amount, including the premium deficiency reserve based on the difference between claim reserves/expenses, and unearned premium reserve and the expected premium income shall be recognized.

(E) Liability adequacy reserve

In accordance with IFRS 4, 'Insurance Contracts' and the regulations of The Actuarial Institute Of The Republic Of China, liability adequacy test is performed using the gross premium valuation based on all contracts of the Company as a whole. At the end of the reporting period, liability adequacy reserve is provided for all deficiency in net carrying amount and recognized in profit or loss, through comparison between the net carrying amounts of insurance liabilities less deferred acquisition cost and related intangible assets and the present value of estimated future cash flows of insurance contracts.

(F) Unqualified reinsurance reserve

Unqualified reinsurance reserves of received and ceded reinsurance business under ceded reinsurance and other risk assumption mechanism on the ceded date or balance sheet date shall be reserved and disclosed in the notes to the financial statements.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which was calculated and provided based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(18) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group initially recognizes financial guarantee contracts at fair value on the date of issuance. The Group charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

Subsequently, the Group should measure the financial guarantee contract issued at the higher of:

A. the amount determined in accordance with IAS 37; and

B. The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18, "Revenue".

The best estimate of the liability amount of a financial guarantee contract requires management to exercise their judgment combined with historical loss data based on the similar transaction experiences.

The increase in liabilities due to financial guarantee contract is recognized in "bad debt expenses and reserve for guarantee liabilities".

The Group assesses the possible loss on credit assets within and off balance sheets in accordance with "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt", and provides adequate reserve for guarantee liabilities.

(19) Employee benefits

A. Short-term employee benefits

The Group should recognize the undiscounted amount of the short-term benefits expected to be paid in the future as expenses in the period when the employees render service.

B. Employee preferential savings

The Group provides preferential interest rate for employees, including flat referential savings for current employees and flat preferential saving for retired employees and current employees. The difference gap compared to market interest rate is deemed as employee benefits.

According to “Regulation Governing the Preparation of Financial Statements by Public Banks”, the preferential monthly interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest rate and the market interest rate is recognized under “employee benefit expense”. According to Article 28 of “Regulation Governing the Preparation of Financial Statements by Public Banks”, the excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognized in accordance with IAS 19, Defined Benefit Plan, as endorsed by FSC. Relevant past service costs will be recognized immediately in the period incurred. However, various parameters should be in compliance with the competent authority if indicated otherwise. Any resulting actuarial gains and losses should be recognized in other comprehensive income in the period incurred. Please refer to Note 6 (23) 2 for more information.

C. Termination benefits

Termination benefit is paid to the employees who are eligible for retirement and terminated or voluntarily dismiss in exchange of termination benefit. The Group has made promises in the formal detailed employment termination plan which is irrevocable, and shall recognize liabilities when providing termination benefit to employees who voluntarily resign as a result of encouragement. Termination benefit paid 12 months after the financial reporting date should be discounted.

D. Post-employment benefit

The pension plan of the Group includes both Defined Benefit Plan and Defined Contribution Plan. In addition, defined contribution plan is adopted for employees working overseas according to the local regulations.

(A) Defined contribution plans

The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid pension assets are recognized to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using market yields at the balance sheet date on high-quality corporate bonds with a currency and term consistent with the currency and term of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses market yields on government bonds (at the balance sheet date) instead.

b. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

c. Past service costs are recognized immediately in profit or loss if vested immediately; if not, the past service costs are amortized on a straight-line basis over the vesting period.

d. Pension cost for an interim period is calculated on the basis from the beginning to the end of current period by using the actuarially determined pension cost rate at the end of the prior financial year. If there is any significant market movement, contraction, settlement, or other significant once-off event after the end of the prior financial year, adjustment shall be made accordingly, and related information is disclosed in compliance with above-mentioned policies.

E. Employees’ bonus and directors’ and supervisors’ remuneration

Employees’ bonus and directors’ and supervisors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees’ bonus and directors’ and supervisors’ remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders’ meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(20) Revenue and expense

Income and expense of the Group are recognized as incurred. Expense consists of employee benefit expense, depreciation and amortization expense and other business and administration expenses. Dividend revenues are recognized within 'Revenues other than interest, net' in the consolidated statement of comprehensive income when the right to receive dividends is assured.

A. Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expenses generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the consolidated statement of comprehensive income.

B. Service fee income and expense are recognized upon the completion of services of loans or other services; service fee earned from performing significant items shall be recognized upon the completion of the service, such as syndication loan service fee received from sponsor, service fee income and expense of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period. When determining whether the agreed rate of interest should be adjusted to effective interest rate for interest-earning loans and receivables, the loans and receivables may be measured by the initial amounts if the effects on discount are insignificant according to the "Regulation Governing the Preparation of Financial Reports by Public Banks" and "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies".

C. Income and expense of insurance business

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. Claims of direct coverage are recognized based on claims (including claim expenses) applied and paid during the period. Please refer to Note 4 (22) for related details of provision for liabilities.

(21) Classification of insurance contracts

A. In accordance with IFRS 4, 'Insurance Contracts', subsidiaries classify insurance products issued. An insurance contract is a "contract" under which one party (the insurer) accepts significant insurance risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance contract defined above can be applied to original insurance contract and reinsurance contract. For the Group, significant insurance risk refers to that the Group has to pay significantly additional compensation when any insured event occurs.

B. All direct insurance contracts issued or reinsurance contracts taken by subsidiaries during the financial statements period are insurance contracts.

(22) Reinsurance

A. Revenues and expenses of inward and outward reinsurance business are recognized on the date the bills are received. Appropriate methods should be adopted in estimating payments and income arising from unrecognized reinsurance expense, such as revenues and expenses of reinsurance commission, revenues or expenses of reinsurance surcharge fee, and amortized claim and payment of reinsurance, etc., should all be recognized. Other relevant profit and loss of reinsurance are not deferrable.

B. With the classification of reinsurance contract, the Group assesses the agreements under the deposit accounting given that the objective insurance risks of reinsurance agreements are not transferred to the reinsured.

C. The Group evaluates whether privilege of reinsured is impaired or non-collectable on a regular basis and offers specifically the alternatives such as reinsurance reserve assets, reinsurance claims and payment receivables, reinsurance transaction receivables and outward insurance responsibility reserve fund. When objective evidence indicates that such option being exercised after the initial recognition will possibly lead to the Group being unable to collect all receivables on the contract, and the impact of the receivables from reinsured can be reliably measured with regard to the aforementioned event. The provision for accumulated loss will be recognized if the receivables do not exceed reinsurance reserve asset at book value. Recognition should be appropriately made according to the amount for amortizable claim, payment of reinsurance, reinsurance transaction receivables and non-collectable outward reinsurance reserve fund.

(23) Income tax

A. Current income tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where the Group operates and generates taxable income. Except that the transactions or other matters are directly recognized in other comprehensive income or equity, and that related income taxes in the period are recognized in other comprehensive income or directly derecognized from equity, all the others should be recognized as income or expense as recorded as gain and loss in the period.

B. Deferred income tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amount and temporary differences of assets and liabilities included in the consolidated balance sheet are calculated through liability method and recognized as deferred income tax. The temporary difference of the Group mainly occurs due to the setting aside and transferring of depreciation of property and equipment, valuation of certain financial instruments (including derivatives), and reserve for pension and other post-employment benefits. Deductible temporary difference within the scope that is probable to offset taxable income is recognized as deferred income tax.

Temporary difference related to investment in the subsidiaries, branches and affiliated entities are recognized as deferred income tax liabilities. However, when the Group is capable of controlling the time length required to reverse the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future, the temporary difference is not recognized.

The land revaluation appraisal occurring due to the revaluation assessment in line with relevant regulations, deemed as taxable temporary difference, is recognized as deferred income tax liabilities.

If the future taxable income is probable to provide as unused loss carry forwards or deferred income tax credit which can be realized in the future, the proportion of realization is deemed as deferred income tax assets.

Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

Certain transactions of the Group are recognized in other comprehensive income, such as change in unrealized gain and loss of available-for-sale financial assets and hedging transaction of cash flow. The tax effects on these kinds of transactions are also recognized in other comprehensive income.

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(24) Share capital and dividends

Net of incremental costs directly attributable to the issuance of new shares will be removed from equity after related income tax expenses is eliminated. Dividends on ordinary shares are recognized in equity in the year in which they are approved by the shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance. They are not recognized and only disclosed as subsequent event in the notes if the dividend declaration date is later than the consolidated balance sheet date.

(25) Operating segments

Information of operating segments of the Group is reported in the same method as the internal management report provided to the Chief Operating Decision-Maker (CODM). The CODM is in charge of allocating resources to operating segments and evaluating their performance.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. These judgements affect the results of the financial reporting.

The assumptions and estimates made by the Group are the best assumptions and estimates under the IFRSs. Assumptions and estimates are continually evaluated and adjusted based on historical experience and other factors including projections of the future. Management's critical judgements in applying the Group's accounting policies that have significant impact on the consolidated financial statements are outlined below:

A. Financial instruments (including derivative instruments) valuation

If there is no quoted market price available in an active market for financial instruments, a valuation technique will be adopted to measure the fair value. If there are observable data of similar financial instruments in the market, then the fair value of the underlying financial instruments is estimated by reference to the observable data; otherwise, the fair value is estimated using the appropriate pricing models which are commonly used in the market. The assumptions used in the pricing models should refer to the observable data in the market. However, when those data are not observable from the market and/or the assumptions used in the pricing models are more subjective, the fair value of the financial instruments may be estimated based on historical data or other information. The pricing models used by the Group are all evaluated and tested periodically to ensure the outputs may reflect the actual data and market prices. The primary assumptions used in determining the fair values of financial instruments are provided in Note 7. The management believes the pricing models and assumptions used have appropriately determined the fair values of financial instruments.

B. Loan loss impairment

The Group's impairment evaluations are in compliance with the regulations of regulatory authorities. The Group evaluates cash flows and impairment amounts, through model analysis and individual case assessment, on a monthly basis based on several factors, such as nature of client risk and security coverage. The Group recognizes impairment loss whenever there is observable evidence showing that impairment has occurred. This evidence includes repayment status of debtor, event that would cause delinquency in payments, and any significantly unfavorable changes in national or local economic circumstance. Future cash flows are estimated primarily based on the length of overdue time, the status of debtors, security coverage, guarantee of external institution and historical experiences. The incidence of impairment and subsequent collectability rate used in impairment evaluations are estimated based on the types of products and historical data. The Group reviews the assumptions and inputs used in impairment evaluations periodically to ensure they are all reasonable.

C. Post-employment benefit

The present value of post-employment benefit obligations are estimated based on several assumptions. Any changes in those assumptions will affect the carrying amounts of post-employment benefit obligations.

The assumptions used to determine net pension cost (revenue) comprise the discount rate. The Group determines the appropriate discount rate at the end of each year, and uses the discount rate in calculating the present value of future cash out of post-employment benefit obligations. The discount rate is chosen by reference to the rate of high-quality corporate bonds where the currency and maturity date of high-quality corporate bonds are in agreement with those of post-employment benefit obligations.

D. Insurance liabilities

The critical accounting estimates and assumptions used for subsidiaries' primary insurance contracts comprise liabilities of reserve for claims and assets of reserve for claims transferred to reinsurer.

Reserve for claims is estimated based on the nature and extent of insurance risks, claim development mode, historical data, etc. and using the actuarial method used worldwide. The actuarial method is included in the insurance specification. The reserve for claims that are reported but not paid is estimated by each case and the remaining is the reserve for claims not reported.

Among the assets of reserve for claims transferred to reinsurer, the refund of claims that are reported but not paid is estimated based on individual reinsurance terms, and the refund of claims that are not reported is estimated based on the difference between the reserve for unpaid claims for original insurance and reinsurance and the reserve for unpaid claims for retained insurance business.

E. Income tax

The Group has to pay income taxes in different countries. The estimates of income taxes payable in all these countries include the considerations of many transactions and calculations. The Group may recognize additional income tax liabilities for some tax issues when necessary. Any difference between final income taxes payable and initially recognized income taxes payable will affect the amounts of current income taxes and deferred income taxes.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	
	NT$	US$
Cash on hand and petty cash	$ 14,331,145	$ 481,315
Bank deposits	5,930,879	199,190
Cash equivalents	1,097,470	36,859
Checks for clearance	2,064,396	69,333
Due from banks	344,566,397	11,572,339
Total	$ 367,990,287	$ 12,359,036

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Cash on hand and petty cash	$	13,459,563	$	14,062,931
Bank deposits		5,830,025		8,667,131
Cash equivalents		1,842,979		983,442
Checks for clearance		838,855		1,007,914
Due from banks		291,456,670		298,382,322
Total	$	313,428,092	$	323,103,740

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

	December 31, 2013			
	NT$		US$	
Reserve for deposits-category A	$	19,192,096	$	644,571
Reserve for deposits-category B		35,270,994		1,184,584
Reserve for deposits- general		5,700,282		191,445
Call loans to banks and bank overdrafts		37,456,280		1,257,978
Reserve for deposits- foreign currency		490,698		16,480
Import and export loans from banks		81,916,206		2,751,174
Participate in interbank financing with risk		3,230,588		108,500
Total	$	183,257,144	$	6,154,732

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Reserve for deposits-category A	$	20,360,016	$	19,326,520
Reserve for deposits-category B		31,919,840		31,243,615
Reserve for deposits- general		5,700,275		5,552,885
Call loans to banks and bank overdrafts		48,819,987		43,702,118
Reserve for deposits- foreign currency		470,583		330,950
Import and export loans from banks		13,042,150		80,243,433
Participate in interbank financing with risk		24,749,186		-
Total	$	145,062,037	$	180,399,521

As required by relevant laws, the reserves for deposits are calculated at required reserve ratios based on the monthly average balances of various deposit accounts. Reserve for deposits - category B cannot be used except upon the monthly adjustment of the reserve.

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

	December 31, 2013			
	NT$		US$	
Financial assets held for trading				
Stocks	$	6,474,129	$	217,435
Commercial papers		99,688,236		3,348,052
Treasury bills		495,532		16,642
Beneficiary certificates		228,230		7,665
Negotiable Certificate of deposit		28,099,561		943,730
Bonds		52,101,810		1,749,851
Derivative instruments		4,895,299		164,410
Other securities		643,371		21,608
Subtotal		192,626,168		6,469,393
Financial assets designated as at fair value through profit or loss				
Convertible corporate bond asset swaps		3,174,591		106,619
Total	$	195,800,759	$	6,576,012

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Financial assets held for trading				
Stocks	$	4,421,122	$	5,485,054
Commercial papers		93,373,493		96,933,021
Treasury bills		8,549,546		16,092,461
Beneficiary certificates		-		-
Negotiable Certificate of deposit		22,788,609		17,853,217
Bonds		48,078,731		43,610,037
Derivative instruments		4,418,589		6,330,113
Other securities		220,295		72,763
Subtotal		181,850,385		186,376,666
Financial assets designated as at fair value through profit or loss				
Convertible corporate bond asset swaps		2,866,057		2,824,019
Total	$	184,716,442	$	189,200,685

A. Realized and unrealized gain or loss on financial assets and liabilities held for trading and financial assets and liabilities designated as at fair value through profit or loss amounted to $3,622,163 thousand (US$121,651 thousand), and $4,246,210 thousand for the years ended December 31, 2013 and 2012, respectively.

B. Financial instruments were designated as at fair value through profit or loss for the purpose of eliminating recognition inconsistency.

C. Please refer to Note 12 for details of the aforementioned financial assets provided as collaterals as of December 31, 2013, December 31, 2012 and January 1, 2012.

D. As of December 31, 2013, December 31, 2012 and January 1, 2012, the above financial assets used as underlying assets for repurchase agreements held by MBF were $110,490,803 thousand (US$3,710,858 thousand), $97,082,867 thousand and $111,774,301 thousand, respectively.

(4) Receivables, net

	December 31, 2013			
	NT$		US$	
Accounts receivable	$	6,840,860	$	229,752
Factoring receivable		69,336,768		2,328,691
Notes receivable		84,590		2,841
Accrued income and interest		6,141,851		206,275
Acceptances receivable		11,341,730		380,915
Insurance receivable		819,361		27,518
Margin loans receivable		11,389,103		382,506
Recovery of accounts receivable		36,001		1,209
Purchase of obligor receivable for acting as assignee		46,256		1,553
Purchase of assets for acting as assignee		950,000		31,906
Credit card receivables		3,995,541		134,191
Usance outright receivable		63,149,254		2,120,882
Other receivables		11,524,378		387,049
Total		185,655,693		6,235,288
Less: Allowance for bad debts	(	1,067,752)	(	35,861)
Receivables, net	$	184,587,941	$	6,199,427

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Accounts receivable	$	4,720,562	$	5,173,202
Factoring receivable		67,166,000		59,331,468
Notes receivable		154,056		118,749
Accrued income and interest		5,437,904		5,979,984
Acceptances receivable		12,520,718		10,714,404
Insurance receivable		742,161		749,248
Margin loans receivable		9,941,396		10,956,697
Recovery of accounts receivable		960,383		2,127,124
Purchase of obligor receivable for acting as assignee		994,414		1,079,364
Purchase of assets for acting as assignee		950,000		1,000,000
Credit card receivables		4,100,745		4,292,469
Usance outright receivable		13,871,743		204,335
Other receivables		3,567,097		8,039,377
Total		125,127,179		109,766,421
Less: Allowance for bad debts	(	2,441,959)	(	2,207,395)
Receivables, net	$	122,685,220	$	107,559,026

(5) Bills discounted and loans, net

	December 31, 2013			
	NT$		US$	
Import/export bills negotiated	$	20,543,348	$	689,953
Bills and notes discounted		18,288		614
Short-term loans		462,928,362		15,547,552
Overdrafts		1,797,601		60,373
Medium-term loans		698,836,700		23,470,586
Long-term loans		489,432,634		16,437,704
Loans transferred to non-accrual loans		2,791,291		93,746
Total		1,676,348,224		56,300,528
Less: Allowance for bad debts	(	21,771,031)	(	731,185)
Loans, net	$	1,654,577,193	$	55,569,343

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Import/export bills negotiated	$	16,250,164	$	16,935,835
Bills and notes discounted		64,083		88,048
Short-term loans		416,447,693		418,901,154
Overdrafts		1,070,405		1,569,706
Medium-term loans		640,631,193		613,451,521
Long-term loans		442,600,305		424,265,722
Loans transferred to non-accrual loans		2,067,927		2,890,659
Total		1,519,131,770		1,478,102,645
Less: Allowance for bad debts	(	16,430,909)	(	15,769,491)
Loans, net	$	1,502,700,861	$	1,462,333,154

A. Movements in allowance for credit losses

Information as to the evaluations of impairment of the Group's loans and receivables as of December 31, 2013, December 31, 2012 and January 1, 2012 was as follows:

(A) Loans:

Item		December 31, 2013			
		Loans (NT$)	Loans (US$)	Allowance for credit losses (NT$)	Allowance for credit losses (US$)
With existing objective evidence of individual impairment	Individual assessment	$ 32,872,359	$ 1,104,025	$ 4,844,321	$ 162,698
	Group assessment	753	25	19	1
Without existing objective evidence of individual impairment	Group assessment	1,643,475,112	55,196,478	16,926,691	568,486

Item		December 31, 2012	
		Loans (NT$)	Allowance for credit losses (NT$)
With existing objective evidence of individual impairment	Individual assessment	$ 16,120,268	$ 6,594,812
	Group assessment	394	3
Without existing objective evidence of individual impairment	Group assessment	1,503,011,108	9,836,094

Item		January 1, 2012	
		Loans (NT$)	Allowance for credit losses (NT$)
With existing objective evidence of individual impairment	Individual assessment	$ 35,868,205	$ 8,203,751
	Group assessment	325	3
Without existing objective evidence of individual impairment	Group assessment	1,442,234,115	7,565,737

(B) Receivables:

Item		December 31, 2013			
		Loans (NT$)	Loans (US$)	Allowance for credit losses (NT$)	Allowance for credit losses (US$)
With existing objective evidence of individual impairment	Individual assessment	$ 364,584	$ 12,245	$ 41,195	$ 1,384
	Group assessment	356,994	11,990	42,052	1,412
Without existing objective evidence of individual impairment	Group assessment	184,934,115	6,211,053	984,505	33,065

Item		December 31, 2012	
		Loans (NT$)	Allowance for credit losses (NT$)
With existing objective evidence of individual impairment	Individual assessment	$ 1,281,540	$ 1,266,100
	Group assessment	434,578	57,357
Without existing objective evidence of individual impairment	Group assessment	123,411,061	1,118,502

Item		January 1, 2012 Loans (NT$)	Allowance for credit losses (NT$)
With existing objective evidence of individual impairment	Individual assessment	$ 1,761,324	$ 1,730,182
	Group assessment	487,945	44,496
Without existing objective evidence of individual impairment	Group assessment	107,517,152	432,717

Before each financial reporting date, the Group considers asset quality in respect of bills discounted and loans, accounts receivable, non-accrual loans transferred from other accounts, and remittance acquired in the period in order to set aside appropriate allowance for bad debts. Please refer to Note8 (3) for detailed policies of credit risk management. For the years ended December 31, 2013 and 2012, details of recognized allowance for bad debts and relevant movement are as follows:

	For the year ended December 31, 2013 NT$				
	Accounts receivable	Bills discounted and loans	Non-accrual loans transferred from other accounts	Remittance acquired	Total
Balance, January1	$ 2,441,959	$ 16,430,909	$ 181,345	$ 205	$ 19,054,418
Provision (Reversal)	(830,067)	6,528,887	(63,009)	243	5,636,054
Write-off-net	(146,846)	(3,609,539)	(104,972)	-	(3,861,357)
Recovery of written-off credits	116,105	2,476,998	-	-	2,593,103
Effects of exchange rate changes and others	(513,399)	(56,224)	-	-	(569,623)
Balance, December 31	$ 1,067,752	$ 21,771,031	$ 13,364	$ 448	$ 22,852,595

	For the year ended December 31, 2013 US$				
	Accounts receivable	Bills discounted and loans	Non-accrual loans transferred from other accounts	Remittance acquired	Total
Balance, January1	$ 82,014	$ 551,836	$ 6,091	$ 7	$ 639,948
Provision (Reversal)	(27,878)	219,274	(2,116)	8	189,288
Write-off-net	(4,932)	(121,227)	(3,526)	-	(129,685)
Recovery of written-off credits	3,899	83,191	-	-	87,090
Effects of exchange rate changes and others	(17,243)	(1,888)	-	-	(19,131)
Balance, December 31	$ 35,860	$ 731,186	$ 449	$ 15	$ 767,510

	For the year ended December 31, 2012 NT$				
	Accounts receivable	Bills discounted and loans	Non-accrual loans transferred from other accounts	Remittance acquired	Total
Balance, January1	$ 2,207,395	$ 15,769,491	$ 455,700	$ 449	$ 18,433,035
Provision (Reversal)	735,870	2,431,681	(255,758)	(244)	2,911,549
Write-off-net	(660,315)	(4,028,441)	(578)	-	(4,689,334)
Recovery of written-off credits	193,174	2,482,564	-	-	2,675,738
Effects of exchange rate changes and others	(34,165)	(224,386)	(18,019)	-	(276,570)
Balance, December 31	$ 2,441,959	$ 16,430,909	$ 181,345	$ 205	$ 19,054,418

(6) Reinsurance contract assets-net

A. Details are as follows:

	December 31, 2013	
	NT$	US$
Reinsurance claims and payment receivables	$ 335,575	$ 11,270
Reinsurance transaction receivables	153,899	5,169
Overdue receivables	13,296	447
Less: Allowance for bad debts	(11,489)	(386)
Subtotal	491,281	16,500
Ceded unearned premium reserve	1,391,562	46,736
Ceded claim reserve	1,411,094	47,392
Ceded premium deficiency reserve	-	-
Subtotal	2,802,656	94,128
Total	$ 3,293,937	$ 110,628

	December 31, 2012	January 1, 2012
	NT$	NT$
Reinsurance claims and payment receivables	$ 395,959	$ 470,910
Reinsurance transaction receivables	150,719	130,825
Overdue reinsurance claims and payment receivables	-	10
Overdue reinsurance transaction receivables	14,761	20,734
Less: Allowance for bad debts	(8,057)	(10,372)
Subtotal	553,382	612,107
Ceded unearned premium reserve	1,259,026	1,344,551
Ceded claim reserve	1,489,132	1,652,405
Ceded premium deficiency reserve	10	-
Subtotal	2,748,168	2,996,956
Total	$ 3,301,550	$ 3,609,063

B. Changes in allowance for bad debts of reinsurance contract assets are as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012
	Group provision		Group provision
	NT$	US$	NT$
Balance, January 1	$ 8,057	$ 271	$ 10,372
Net provision	3,419	115	(2,292)
Foreign currency translation adjustments	13	-	(23)
Balance, December 31	$ 11,489	$ 386	$ 8,057

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

	December 31, 2013	
	NT$	US$
Stocks	$ 20,837,066	$ 699,817
Commercial papers	64,916,633	2,180,240
Bonds	176,209,280	5,918,028
Beneficiary certificates	7,955,485	267,187
Beneficiary securities	787,938	26,463
Certificate of deposit	2,006,475	67,388
Other securities	230,756	7,750
Total	$ 272,943,633	$ 9,166,873

	December 31, 2012	January 1, 2012
	NT$	NT$
Stocks	$ 19,679,299	$ 19,043,534
Commercial papers	49,577,214	6,175,555
Bonds	147,997,497	133,191,835
Beneficiary certificates	457,152	288,561
Beneficiary securities	3,755,322	3,731,128
Certificate of deposit	545,232	617,701
Other securities	1,259,327	1,334,426
Total	$ 223,271,043	$ 164,382,740

A. MICB has available-for-sale financial assets which consist of bonds and bills sold under repurchase agreements amounting to $102,354,653 thousand (US$3,437,604 thousand), $72,589,710 thousand and $71,488,212 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

B. The Company issued the initial unsecured exchangeable corporate bonds as resolved at the Board meeting on May 12, 2011. After such bonds were issued, the Company set aside available-for-sale financial assets held initially- equivalent to 537,932 thousand shares of common stocks of TBB with the Taiwan Depository & Clearing Corporation as the underlying exchanges in support of the exchangeable corporate bonds when needed. In addition, the Company entered into a trust agreement with Hua Nan Commercial Bank, Ltd. on April 16, 2013 in which aforesaid stocks will be fully entrusted. Please refer to Note 6 (21) for details of issuance of the exchangeable corporate bonds.

C. Please refer to Note 12 for details of the aforementioned financial assets provided as collateral as of December 31, 2013, December 31, 2012 and January 1, 2012.

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

	December 31, 2013	
	NT$	US$
Certificate of time deposit by Central Bank	$ 161,850,000	$ 5,435,768
Financial bonds	16,291,795	547,164
Government bonds	3,861,289	129,682
Corporate bonds	2,408,149	80,878
Total	$ 184,411,233	$ 6,193,492

	December 31, 2012	January 1, 2012
	NT$	NT$
Certificate of time deposit by Central Bank	$ 141,300,000	$ 118,200,000
Financial bonds	13,128,901	10,892,494
Government bonds	3,989,422	2,346,216
Corporate bonds	2,835,659	397,695
Total	$ 161,253,982	$ 131,836,405

A. Please refer to Note 12 for details of the aforementioned financial assets pledged as collateral as of December 31, 2013, December 31, 2012 and January 1, 2012.

B. MICB has held-to-maturity financial assets which consist of bonds and bills sold under repurchase agreements amounting to $433,486 thousand (US$14,559 thousand), $0 thousand, and $1,986,117 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

(9) Investments accounted for under the equity method, net

A. Details of the investments accounted for under the equity method:

	December 31, 2013		
Investee Company	NT$	US$	Percentage of Shareholding
Cathay Investment & Development Corporation (Bahamas)	$ 51,202	$ 1,720	100.00
Mega Management Consulting Corporation	65,326	2,194	100.00
Cathay Investment & Warehousing Ltd.	58,691	1,971	100.00
Ramlett Finance Holdings Inc.	805	27	100.00
Yung Shing Industries Co.	639,718	21,485	99.56
China Products Trading Company	27,500	924	68.27
United Venture Corporation (Note)	1,444	48	25.31
China Insurance Co., (Siam) Ltd.	16,395	551	25.25
IP Fundseven Limited	102,339	3,437	25.00
An Feng Enterprise Co., Ltd.	11,931	401	25.00
Taiwan Bills Finance Corporation	1,489,482	50,024	24.55
Ever strong Iron & Foundry & Mfg. Corporation	41,713	1,401	22.22
China Real Estate Management Co., Ltd.	191,005	6,415	20.00
Total	$ 2,697,551	$ 90,598	

	December 31, 2012		January 1, 2012	
Investee Company	NT$	Percentage of Shareholding	NT$	Percentage of Shareholding
Cathay Investment & Development Corporation (Bahamas)	$ 50,089	100.00	$ 292,508	100.00
Mega Management Consulting Corporation	62,541	100.00	55,578	100.00
Cathay Investment & Warehousing Ltd.	89,749	100.00	96,414	100.00
Ramlett Finance Holdings Inc.	-	100.00	-	100.00
Yung Shing Industries Co.	819,245	99.56	834,947	99.56
China Products Trading Company	34,460	68.27	37,047	68.27
Cathay Insurance Company Inc. (Philippines)	-	-	3,735	86.46
United Venture Corporation (Note)	32,832	25.31	26,081	25.31
China Products Trading Company (Thailand)	14,067	25.25	31,942	25.25
IP Funds even Limited	168,495	25.00	226,248	25.00
An Feng Enterprise Co., Ltd.	11,930	25.00	11,803	25.00
Taiwan Bills Finance Corporation	1,406,164	24.55	1,390,834	24.55
Ever strong Iron & Foundry & Mfg. Corporation	42,262	22.22	39,509	22.22
China Real Estate Management Co., Ltd.	235,009	20.00	121,709	20.00
Total	$ 2,966,843		$ 3,168,355	

Note: Since the investee had incurred long-term operating losses, shareholders resolved to dissolve the investee in 2013. At present, the investee is undertaking liquidation procedures.

B. The Group's share of profit/ (loss) of its associates accounted for under the equity method amounted to $203,681 thousand (US$6,841 thousand) and $175,310 thousand, for the years ended December 31, 2013 and 2012, respectively.

C. The shares of associates and joint ventures the Group owns have no quoted market price available in an active market. There is no significant restriction on fund transfers from the associates to their shareholders, i.e. distribution of cash dividends, repayment of loans or money advanced.

(10) Other financial assets, net

	December 31, 2013	
	NT$	US$
Remittance purchased	$ 26,477	$ 889
Purchase of obligor receivable	3,526,755	118,447
Debt investments with no active market	4,425,893	148,645
Equity investments carried at cost	12,656,141	425,060
Non-accrual loans transferred from accounts other than loans	22,545	757
Restricted assets	900,100	30,230
Margin deposits from client	1,534,161	51,525
Others	1,720,200	57,773
Subtotal	24,812,272	833,326
Less: Allowance for bad debts-Remittance purchased	(448)	(15)
Allowance for bad debts-Non-accrual loans transferred from accounts other than loans	(13,364)	(449)
Accumulated impairment-Equity investments carried at cost	(1,368,256)	(45,953)
Total	$ 23,430,204	$ 786,909

	December 31, 2012	January 1, 2012
	NT$	NT$
Remittance purchased	$ 24,335	$ 83,953
Purchase of obligor receivable	6,601,526	5,095,937
Debt investments with no active market	4,000,000	4,000,000
Equity investments carried at cost	14,158,688	14,234,055
Non-accrual loans transferred from accounts other than loans	302,680	726,694
Restricted assets	900,100	420,371
Margin deposits from client	1,896,428	1,899,729
Others	1,465,258	1,590,662
Subtotal	29,349,015	28,051,401
Less: Allowance for bad debts-Remittance purchased	(205)	(449)
Allowance for bad debts-Non-accrual loans transferred from accounts other than loans	(181,345)	(455,700)
Accumulated impairment-Equity investments carried at cost	(1,538,054)	(1,260,497)
Total	$ 27,629,411	$ 26,334,755

A. As unlisted shares the Group owns have no quoted market price available in an active market and cannot be measured reliably, they are measured at cost.

B. The methods and assumptions used to estimate fair value of debt instruments without active market are provided in Note 7(3).

C. As of December 31, 2013, December 31, 2012, and January 1, 2012, for the aforesaid financial assets pledged as collaterals, please refer to Note 12.

(11) Investment property, net

January 1, 2013	Land and land improvements	Buildings and structures	Total
		NT$	
Cost	$ 1,437,662	$ 879,035	$ 2,316,697
Accumulated depreciation and impairment	(47,793)	(172,777)	(215,570)
	1,394,869	706,258	2,101,127
For the year ended December 31, 2013			
Additions	929	1,395	2,324
Disposals	(160,297)	(81,173)	(241,470)
Reversal of impairment	37,905	23,288	61,193
Transfers	128,937	18,027	146,964
Depreciation	-	(10,679)	(10,679)
Foreign exchange differences	-	(31)	(31)
December 31, 2013	$ 1,402,343	$ 657,085	$ 2,059,428
December 31, 2013			
Cost	$ 1,407,191	$ 828,009	$ 2,235,200
Accumulated depreciation and impairment	(4,848)	(170,924)	(175,772)
	$ 1,402,343	$ 657,085	$ 2,059,428

January 1, 2013	Land and land improvements	Buildings and structures	Total
		US$	
Cost	$ 48,284	$ 29,523	$ 77,807
Accumulated depreciation and impairment	(1,437)	(5,803)	(7,240)
	46,847	23,720	70,567
For the year ended December 31, 2013			
Additions	31	47	78
Disposals	(5,383)	(2,726)	(8,109)
Reversal of impairment	1,273	782	2,055
Transfers	4,330	605	4,935
Depreciation	-	(359)	(359)
Foreign exchange differences	-	(1)	(1)
December 31, 2013	$ 47,098	$ 22,068	$ 69,166
December 31, 2013			
Cost	$ 47,261	$ 27,809	$ 75,070
Accumulated depreciation and impairment	(163)	(5,741)	(5,904)
	$ 47,098	$ 22,068	$ 69,166

January 1, 2012	Land and land improvements	Buildings and structures	Total
		NT$	
Cost	$ 1,166,795	$ 527,096	$ 1,693,891
Accumulated depreciation and impairment	(28,137)	(134,167)	(162,304)
	1,138,658	392,929	1,531,587
For the year ended December 31, 2012			
Additions	446,683	400,522	847,205
Disposals	(199,564)	(85,391)	(284,955)
Reversal of impairment	6,141	4,800	10,941
Transfers	2,951	(444)	2,507
Depreciation	-	(6,166)	(6,166)
Foreign exchange differences	-	8	8
December 31, 2012	$ 1,394,869	$ 706,258	$ 2,101,127
December 31, 2012			
Cost	$ 1,437,662	$ 879,035	$ 2,316,697
Accumulated depreciation and impairment	(42,793)	(172,777)	(215,570)
	$ 1,394,869	$ 706,258	$ 2,101,127

A. The fair value of the investment property held by the Group as of December 31, 2013, December 31, 2012 and January 1, 2012 was $4,399,928 thousand (US$147,773 thousand), $4,731,575 thousand and $4,398,541 thousand, respectively according to the result of valuation by an independent valuation expert using comprehensive consideration of comparison method, income approach, and cost approach. In addition, a portion of investment property was valued according to the result of internal valuation, which was made by choosing investments in neighboring regions shown in the public website of Department of Land Administration, M.O.I. and calculating the average actual transaction price of the investments at the end of each financial reporting period last year.

B. Rental income from the lease of the investment property for the years ended December 31, 2013 and 2012 was $244,360 thousand (US$8,207 thousand), and $240,051 thousand, respectively.

C. As of December 31, 2013, December 31, 2012 and January 1, 2012, for the aforesaid investment property pledged as collaterals, please refer to Note 12.

(12) Property and equipment, net

A. Details of property and equipment are as follows:

January 1, 2013	Land and land improvements	Building	Equipment	Leasehold improvements	Prepayments for equipment	Total
	NT$					
Cost	$15,074,279	$ 12,971,429	$ 6,116,805	$ 249,961	$ 20,489	$ 34,432,963
Accumulated depreciation and impairment	(592,261)	(6,147,325)	(5,175,634)	(186,652)	-	(12,101,872)
Total	$14,482,018	$ 6,824,104	$ 941,171	$ 63,309	$ 20,489	$ 22,331,091
For the year ended December 31, 2013						
At January 1, 2013	$14,482,018	$ 6,824,104	$ 941,171	$ 63,309	$ 20,489	$ 22,331,091
Additions	21,550	48,290	304,421	11,053	72,123	457,437
Disposals	-	(1,022)	(493)	(1,025)	-	(2,540)
Transfers	-	(25,102)	52,916	10,603	(59,764)	(21,347)
Depreciation	-	(247,414)	(418,595)	(25,300)	-	(691,309)
Reversal of impairment	86,832	7,298	-	-	-	94,130
Foreign exchange differences	470	(15,499)	(2,320)	132	-	(17,217)
December 31, 2013	$14,590,870	$ 6,590,655	$ 877,100	$ 58,772	$ 32,848	$ 22,150,245
December 31, 2013						
Cost	$15,096,299	$12,617,615	$ 6,192,014	$ 257,312	$ 32,848	$ 34,196,088
Accumulated depreciation and impairment	(505,429)	(6,026,960)	(5,314,914)	(198,540)	-	(12,045,843)
	$14,590,870	$ 6,590,655	$ 877,100	$ 58,772	$ 32,848	$ 22,150,245

January 1, 2013	Land and land improvements	Building	Equipment	Leasehold improvements	Prepayments for equipment	Total
	US$					
Cost	$ 506,273	$ 435,648	$ 205,434	$ 8,395	$ 688	$ 1,156,438
Accumulated depreciation and impairment	(19,891)	(206,459)	(173,825)	(6,269)	-	(406,444)
Total	$ 486,382	$ 229,189	$ 31,609	$ 2,126	$ 688	$ 749,994
For the year ended December 31, 2013						
At January 1, 2013	$ 486,382	$ 229,189	$ 31,609	$ 2,126	$ 688	$ 749,994
Additions	724	1,622	10,224	371	2,422	15,363
Disposals	-	(34)	(16)	(34)	-	(84)
Transfers	-	(843)	1,777	356	(2,007)	(717)
Depreciation	-	(8,309)	(14,059)	(850)	-	(23,218)
Reversal of impairment	2,916	245	-	-	-	3,161
Foreign exchange differences	16	(520)	(78)	4	-	(578)
December 31, 2013	$ 490,038	$ 221,350	$ 29,457	$ 1,973	$ 1,103	$743,921
December 31, 2013						
Cost	$ 507,013	$ 423,766	$ 207,960	$ 8,641	$ 1,103	$ 1,148,483
Accumulated depreciation and impairment	(16,975)	(202,416)	(178,503)	(6,668)	-	(404,562)
	$ 490,038	$ 221,350	$ 29,457	$ 1,973	$ 1,103	$ 743,921

January 1, 2012	Land and land improvements	Building	Equipment	Leasehold improvements	Prepayments for equipment	Total
	NT$					
Cost	$ 15,024,396	$ 12,881,493	$ 6,147,212	$ 244,997	$ 42,133	$ 34,340,231
Accumulated depreciation and impairment	(626,294)	(5,920,923)	(5,007,496)	(177,432)	-	(11,732,145)
Total	$ 14,398,102	$ 6,960,570	$ 1,139,716	$ 67,565	$ 42,133	$ 22,608,086
For the year ended December 31, 2012						
At January 1, 2012	$ 14,398,102	$ 6,960,570	$ 1,139,716	$ 67,565	$ 42,133	$ 22,608,086
Additions	37,958	148,824	234,918	8,339	28,686	458,725
Disposals	-	(57)	(440)	(2,672)	-	(3,169)
Transfers	14,210	7,310	(2,291)	15,325	(50,330)	(15,776)
Depreciation	-	(277,685)	(424,715)	(25,000)	-	(727,400)
Impairment loss (reversal of impairment)	34,033	(3,915)	-	-	-	30,118
Foreign exchange differences	(2,285)	(10,943)	(6,017)	(248)	-	(19,493)
December 31, 2012	$ 14,482,018	$ 6,824,104	$ 941,171	$ 63,309	$ 20,489	$ 22,331,091
December 31, 2012						
Cost	$ 15,074,279	$ 12,971,429	$ 6,116,805	$ 249,961	$ 20,489	$ 34,432,963
Accumulated depreciation and impairment	(592,261)	(6,147,325)	(5,175,634)	(186,652)	-	(12,101,872)
Total	$ 14,482,018	$ 6,824,104	$ 941,171	$ 63,309	$ 20,489	$ 22,331,091

Note: Please refer to Note 12 for details of the property and equipment pledged as collateral as of December 31, 2013, December 31, 2012 and January 1, 2012.

(13) Other assets, net

	December 31, 2013	
	NT$	US$
Prepayments	$ 6,019,035	$ 202,150
Refundable deposits	1,010,673	33,944
Guarantee deposits held for operation and funds for security settlements	1,213,682	40,762
Temporary payments	461,564	15,502
Foreclosed properties	23,602	793
Others	82,184	2,760
Total	$ 8,810,740	$ 295,911

	December 31, 2012	January 1, 2012
	NT$	NT$
Prepayments	$ 6,050,951	$ 3,014,114
Refundable deposits	884,701	2,350,783
Guarantee deposits held for operation and funds for security settlements	1,274,663	1,441,136
Temporary payments	-	785,735
Foreclosed properties	580,224	28,489
Others	94,183	146,937
Total	$ 8,884,722	$ 7,767,194

(14) Due to the Central Bank and financial institutions

	December 31, 2013	
	NT$	US$
Call loans from banks	$ 404,334,538	$ 13,579,665
Due to Chunghwa Post	2,912,531	97,818
Overdrafts on banks	4,187,454	140,637
Due to the financial institutions	59,559,703	2,000,326
Due to the Central Bank	19,941,504	669,740
Total	$ 490,935,730	$ 16,488,186

	December 31, 2012	January 1, 2012
	NT$	NT$
Call loans from banks	$ 50,610,375	$ 63,832,328
Due to Chunghwa Post	4,459,521	3,824,875
Overdrafts on banks	2,877,754	246,888
Due to the financial institutions	18,406,073	23,043,860
Due to the Central Bank	252,456,770	268,132,056
Total	$ 328,810,493	$ 359,080,007

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

	December 31, 2013	
	NT$	US$
Funds borrowed from the Central Bank	$ 7,376,822	$ 247,752
Other funds borrowed from the Central Bank	2,024,700	68,000
Call loan from other banks	22,928,723	770,067
Total	$ 32,330,245	$ 1,085,819

	December 31, 2012	January 1, 2012
	NT$	NT$
Funds borrowed from the Central Bank	$ 7,712,106	$ 8,988,504
Other funds borrowed from the Central Bank	52,836,795	62,884,896
Call loan from other banks	24,278,042	8,468,671
Total	$ 84,826,943	$ 80,342,071

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

	December 31, 2013	
	NT$	US$
Financial liabilities held for trading		
Derivative instruments	$ 8,237,102	$ 276,645
Financial liabilities held for trading	472,740	15,877
	8,709,842	292,522
Financial liabilities designated as at fair value through profit or loss		
Bonds	6,146,843	206,443
Total	$ 14,856,685	$ 498,965

	December 31, 2012	January 1, 2012
	NT$	NT$
Financial liabilities held for trading		
Derivative instruments	$ 6,928,057	$ 7,645,294
Financial liabilities held for trading	279,260	61,098
	7,207,317	7,706,392
Financial liabilities designated as at fair value through profit or loss		
Bonds	7,469,569	13,606,240
Total	$ 14,676,886	$ 21,312,632

Financial liability designated at fair value through profit or loss by the Group is for the purpose of eliminating recognition inconsistency.

(17) Bills and bonds sold under repurchase agreements

	December 31, 2013	
	NT$	US$
Short-term bills	$ 91,490,697	$ 3,072,736
Bonds	128,110,637	4,302,624
Others	50,000	1,679
Total	$ 219,651,334	$ 7,377,039

	December 31, 2012	January 1, 2012
	NT$	NT$
Short-term bills	$ 96,874,944	$ 108,501,554
Bonds	90,592,955	93,129,918
Others	13,941	481,305
Total	$ 187,481,840	$ 202,112,777

(18) Commercial papers payable, net

	December 31, 2013	
	NT$	US$
Domestic commercial papers	$ 4,395,000	$ 147,607
Less: Unamortized discount	(1,347)	(45)
Net	$ 4,393,653	$ 147,562

	December 31, 2012	January 1, 2012
	NT$	NT$
Domestic commercial papers	$ 1,882,000	$ 1,750,000
Less: Unamortized discount	(1,403)	(613)
Net	$ 1,880,597	$ 1,749,387

As of December 31, 2013, December 31, 2012 and January 1, 2012, none of the aforementioned commercial papers payable was provided for guarantees, and the interest rate ranged from 0.62% to 0.98%, 0.79% to 1.11% and 0.77% to 0.90%, respectively.

(19) Payables

	December 31, 2013	
	NT$	US$
Accounts payable	$ 11,489,377	$ 385,873
Settlement amounts payable	8,776,395	294,757
Accrued expenses	5,160,869	173,329
Interest payable	2,584,198	86,791
Dividends payable	17,573,519	590,211
Acceptances	11,551,879	387,972
Collections for others	1,293,095	43,429
Commissions payable	130,897	4,396
Due from other insurers	1,025,867	34,454
Payables on proceeds from short sales	1,408,056	47,290
Margin loans from other securities lenders	1,748,644	58,729
Other payables	3,363,187	112,953
Total	$ 66,105,983	$ 2,220,184

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Accounts payable	$	9,830,163	$	10,117,695
Settlement amounts payable		5,850,133		5,146,168
Accrued expenses		4,784,412		4,729,966
Interest payable		2,592,035		2,484,204
Dividends payable		16,363,946		15,450,329
Acceptances		12,586,871		10,934,044
Collections for others		1,378,504		1,097,501
Commissions payable		117,873		132,356
Due from other insurers		968,189		951,221
Payables on proceeds from short sales		1,578,638		1,917,298
Margin loans from other securities lenders		1,896,160		2,224,071
Other payables		1,636,601		1,646,451
Total	$	59,583,525	$	56,831,304

(20) Deposits and remittances

	December 31, 2013			
	NT$		US$	
Checking account deposits	$	30,656,222	$	1,029,596
Demand deposits		547,102,885		18,374,572
Time deposits		764,188,935		25,665,456
Demand savings deposits		356,183,658		11,962,507
Time savings deposits		226,414,135		7,604,169
Negotiable certificates of deposits		1,830,000		61,461
Remittances		7,346,706		246,741
Total	$	1,933,722,541	$	64,944,502

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Checking account deposits	$	31,742,251	$	32,086,543
Demand deposits		487,429,876		453,718,739
Time deposits		635,715,148		568,759,540
Demand savings deposits		332,084,300		320,095,042
Time savings deposits		212,409,665		203,411,896
Negotiable certificates of deposits		1,710,800		1,410,000
Remittances		16,897,458		9,206,348
Total	$	1,717,989,498	$	1,588,688,108

(21) Bonds payable

	December 31, 2013			
	NT$		US$	
Domestic unsecured corporate bonds	$	6,000,000	$	201,511
Unsecured exchangeable corporate bonds		6,000,000		201,511
Less: exchangeable corporate bond discount	(	1,323)	(	44)
Subtotal		11,998,677		402,978
Financial bonds, net		43,900,000		1,474,392
Total	$	55,898,677	$	1,877,370

	December 31, 2012		January 1, 2012	
	NT$		NT$	
Domestic unsecured corporate bonds	$	12,600,000	$	12,900,000
Unsecured exchangeable corporate bonds		6,000,000		6,000,000
Less: exchangeable corporate bond discount	(	50,332)	(	98,941)
Subtotal		18,549,668		18,801,059
Financial bonds, net		43,900,000		42,600,000
Total	$	62,449,668	$	61,401,059

A. Domestic unsecured corporate bonds were as follows:

The Company:

Name of bond	Issuing period	Interest rate	Total issued amount (NT$)	December 31, 2013 (NT$)	December 31, 2013 (US$)
First domestic unsecured corporate bonds-Bond C (Note 2)	2007.10.25- 2012.10.25	2.8%	$ 300,000	$ -	$ -
Second domestic unsecured corporate bonds-Bond C (Note 2)	2008.02.04- 2013.02.04	2.78%	2,000,000	-	-
First domestic unsecured corporate bonds-Bond C (Note 2)	2008.05.13- 2013.05.13	2.75%	1,800,000	-	-
First domestic unsecured corporate bonds-Bond D (Note 3)	2008.05.13- 2013.05.13	Floating rate (Note 1)	300,000	-	-
Second domestic unsecured corporate bonds-Subordinate (Note 2)	2008.12.26- 2015.12.26	3.26%	6,000,000	6,000,000	201,511
Total				$ 6,000,000	$ 201,511

Name of bond	Issuing period	Interest rate	Total issued amount (NT$)	December 31, 2012 (NT$)	January 1, 2012 (NT$)
First domestic unsecured corporate bonds-Bond C (Note 2)	2007.10.25- 2012.10.25	2.8%	$ 300,000	$ -	$ 300,000
Second domestic unsecured corporate bonds-Bond C (Note 2)	2008.02.04- 2013.02.04	2.78%	2,000,000	2,000,000	2,000,000
First domestic unsecured corporate bonds-Bond C (Note 2)	2008.05.13- 2013.05.13	2.75%	1,800,000	1,800,000	1,800,000
First domestic unsecured corporate bonds-Bond D (Note 3)	2008.05.13- 2013.05.13	Floating rate (Note 1)	300,000	300,000	300,000
Second domestic unsecured corporate bonds-Subordinate (Note 2)	2008.12.26- 2015.12.26	3.26%	6,000,000	6,000,000	6,000,0000
Total				$ 10,100,000	$ 10,400,0000

Note 1: Floating rate (Note 4) + 0.25%. (Note 4)
Note 2: Interest is paid yearly, the principal is repaid at maturity.
Note 3: Interest is paid quarterly, the principal is repaid at maturity.
Note 4: Floating rate is based on the fixing rate of 90 day TWD BACP based on page 6165 screenshot of Thomson Reuters at 11 a.m.

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Name of bond (Note 4)	Issuing period	Interest rate	Total issued amount (NT$)	December 31, 2013 (NT$)	December 31, 2013 (US$)	December 31, 2012 (NT$)	January 1, 2012 (NT$)
First domestic unsecured corporate bonds	2010.02.24- 2013.02.14	1.45%	$ 2,500,000	$ -	$ -	$ 2,500,000	$ 2,500,000

Note 4: The interest of the bond is paid yearly, and the principal is repaid at maturity.

B. Unsecured exchangeable corporate bonds were as follows:

The Company

Name of bond (Note 4)	Issuing period	Interest rate	Total issued amount (NT$)	December 31, 2013 (NT$)	December 31, 2013 (US$)	December 31, 2012 (NT$)	January 1, 2012 (NT$)
First domestic unsecured exchangeable corporate bonds	2011.07.11- 2014.01.11	0%	$ 6,000,000	$ 5,998,677	$ 201,467	$ 5,949,668	$ 5,901,059

Note: The main issue policy and exchange procedure of the swap bonds are as follows:

i. Collateral:

The exchangeable bonds are unsecured bonds. In the event that issue of secured exchangeable corporation bond or private equity over the same underlying securities, common stocks of Taiwan Business Bank (hereinafter referred to as TBB), collateral rights of the same degree or foreclosed asset under same priority should be pledged in accordance with the classification of secured exchangeable corporate bond.

ii. Term and date of repayment:

The Company shall repay 100% of principal amount of the bonds by cash at maturity. Except for those being redeemed, exchanged, purchased and cancelled.

iii. Underlying securities :

Please refer to Note 6(7) for TBB common stocks held by the Company.

iv. Exchange period:

Other than the below mentioned periods, the bondholders may exercise the right to exchange their bond for TBB common shares at any time on and after October 12, 2011 (the first day after bonds being issued for 3 months) to January 1, 2014 (10 days before maturity): 15 business days prior to the date of stock dividends stop transferring date, cash dividends or cash capital increase dividend stop transferring date to the right distributed date. Effective date of capital decreases proceedings to one day prior to preference share transaction date. And other periods temporarily cease TBB common stocks from transferring pursuant to regulations.

v. Exchange price and adjustment

With the effective date of exchange price set on July 1, 2011, choose any average amount of the closing market prices on one business day, three business days or five business days prior to the effective date. Based on the benchmark price and multiply by 118.72% (rounded to one decimal place). If there is any ex-right or ex-dividend being executed before effective date, the closing market price of exchangeable prices adopted should be accounted as price after ex-right or ex-dividend at inception. In the event of ex-right or ex-dividend being executed before the actual issue date or after price being determined, the exchange price should be adjusted by the formula. Pursuant to the above method, the effective price, $10.95 dollars per share was determined at the average closing market price of TTB common stocks on one business day prior to effective date. As of December 31, 2013, December 31, 2012, January 1, 2012, the exchange price of the bond was $11.2, $11.6 and $12.4 dollars per share, respectively.

vi. Redemption of the exchangeable bond

a) From October 12, 2011 to December 2, 2013, if the closing price of TBB common stocks exceeds 30% of the exchange price in continuous 30 business days, the Company may redeem the bonds at principal amount in the terms of exchange by cash within 30 business days.

b) From October 12, 2011(the first day after bonds issued for 3 months) to December 2, 2013 (40 days before maturity), the Company may redeem the bonds at principal amount in the terms of exchange by cash if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

vii. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company did not repurchase any exchangeable corporation bonds from Gre Tai Securities, nor did any bondholders exercise the option.

viii. The Unsecured exchangeable corporate bonds were expired by January 11, 2014, and the principal was totally repaid by cash.

C. Financial bonds issued by MICB were as follows:

Name of bond (Note 5)	Issuing period	Interest rate	Total issued amount (NT$)	December 31, 2013 (NT$)	December 31, 2013 (US$)	December 31, 2012 (NT$)	January 1, 2012 (NT$)
96-1 Development Financial bond	2007.09.27-2014.09.27	(Note 1)	$ 5,000,000	$ 5,000,000	$ 167,926	$ 5,000,000	$ 5,000,000
96-3 Development Financial bond	2007.12.28-2014.12.28	2.99%	300,000	300,000	10,076	300,000	300,000
96-4 Development Financial bond	2007.12.28-2014.12.28	(Note 2)	400,000	400,000	13,434	400,000	400,000
97-4 Development Financial bond	2008.06.26-2015.06.26	(Note 3)	6,000,000	6,000,000	201,511	6,000,000	6,000,000
97-8 Development Financial bond	2008.09.29-2015.09.29	3.00%	1,600,000	1,600,000	53,736	1,600,000	1,600,000
97-9 Development Financial bond	2008.12.23-2015.12.23	3.00%	6,400,000	6,400,000	214,945	6,400,000	6,400,000
99-1 Development Financial bond	2010.12.24-2017.12.24	1.53%	10,300,000	10,300,000	345,928	10,300,000	10,300,000
100-1 Development Financial bond	2011.04.15-2018.04.15	1.65%	4,700,000	4,700,000	157,851	4,700,000	4,700,000
100-2 Development Financial bond	2011.11.24-2018.11.24	1.62%	7,900,000	7,900,000	265,323	7,900,000	7,900,000
101-1 Development Financial bond	2012.05.28-2019.05.18	1.48%	1,300,000	1,300,000	43,662	1,300,000	-
Total				$ 43,900,000	$ 1,474,392	$ 43,900,000	$ 42,600,000

Note 1: Floating rate (Note 4) + 0.34%

Note 2: Floating rate (Note 4) + 0.40%

Note 3: Floating rate (Note 4) + 0.43%

Note 4: Floating rate is based on the fixing rate of 90 day TWD BACP based on page 6165 screenshot of Thomson Reuters at 11 a.m.

Note 5: The interests of the bonds were paid yearly, the principals were repaid at maturity.

(22) Other loans

	December 31, 2013	
	NT$	US$
Credit loans	$ 5,089,338	$ 170,926
Secured loans	419,875	14,102
Total	$ 5,509,213	$ 185,028

	December 31, 2012	January 1, 2012
	NT$	NT$
Credit loans	$ 4,487,000	$ 5,405,000
Secured loans	2,054,000	24,400
Total	$ 6,541,000	$ 5,429,400

As of December 31, 2013, December 31, 2012 and January 1, 2012, the interest rates ranged from 1.02% to 2.30%, 1.06% to 1.19% and 0.69% to 1.82%, respectively.

Please refer to Note 12 for details of some assets provided as collaterals for the aforementioned loans.

(23) Reserves for liabilities

	December 31, 2013	
	NT$	US$
Insurance liabilities	$ 8,157,828	$ 273,983
Liabilities reserve for employee benefits	7,734,718	259,772
Reserve for guarantee liabilities	6,522,240	219,051
Total	$ 22,414,786	$ 752,806

	December 31, 2012	January 1, 2012
	NT$	NT$
Insurance liabilities	$ 8,270,155	$ 8,302,399
Liabilities reserve for employee benefits	7,200,650	5,382,680
Reserve for guarantee liabilities	6,574,514	5,032,725
Total	$ 22,045,319	$ 18,717,804

A. Details of reserves for insurance liabilities as of December 31, 2013, December 31, 2012 and January 1, 2012 are as follows:

	December 31, 2013	
	NT$	US$
Reserve for unearned premiums	$ 3,393,575	$ 113,974
Reserve for outstanding losses	3,068,474	103,055
Reserve for catastrophic losses	1,695,779	56,954
Deficiency reserve	-	-
Total	$ 8,157,828	$ 273,983

	December 31, 2012	January 1, 2012
	NT$	NT$
Reserve for unearned premiums	$ 3,244,159	$ 3,161,758
Reserve for outstanding losses	3,255,179	3,274,733
Reserve for catastrophic losses	1,770,277	1,865,908
Deficiency reserve	540	-
Total	$ 8,270,155	$ 8,302,399

(A) Changes in unearned premium reserve and ceded unearned premium reserve are as follows:

	For the year ended December 31, 2013		
	NT$		
	Total	Ceded	Net
Balance, January 1	$ 3,244,159	$ 1,259,025	$ 1,985,134
Provision	3,393,575	1,391,562	2,002,013
Recovery	(3,244,159)	(1,259,026)	(1,985,133)
Balance, December 31	$ 3,393,575	$ 1,391,561	$ 2,002,014

	For the year ended December 31, 2013		
	US$		
	Total	Ceded	Net
Balance, January 1	$ 108,956	$ 42,285	$ 66,671
Provision	113,974	46,736	67,238
Recovery	(108,956)	(42,285)	(66,671)
Balance, December 31	$ 113,974	$ 46,736	$ 67,238

	For the year ended December 31, 2012		
	NT$		
	Total	Ceded	Net
Balance, January 1	$ 3,161,758	$ 1,344,551	$ 1,817,207
Provision	3,244,159	1,259,026	1,985,133
Recovery	(3,161,758)	(1,344,551)	(1,817,207)
Balance, December 31	$ 3,244,159	$ 1,259,026	$ 1,985,133

(B) Details of claims reserve, as well as changes in claims reserve and ceded claims reserve are as follows:

a. Details of claims reserve:

	December 31, 2013	
	NT$	US$
Claims reported but not paid	$ 2,509,847	$ 84,294
Claims incurred but not reported	558,627	18,761
	$ 3,068,474	$ 103,055

	December 31, 2012	January 1, 2012
	NT$	NT$
Claims reported but not paid	$ 2,735,253	$ 2,859,338
Claims incurred but not reported	519,926	415,395
	$ 3,255,179	$ 3,274,733

b. Changes in claims reserve and ceded claims reserve are as follows:

	For the year ended December 31, 2013		
	NT$		
	Total	Ceded	Net
Balance, January 1	$ 3,255,179	$ 1,489,132	$ 1,766,047
Provision	3,068,474	1,411,094	1,657,380
Recovery	(3,255,179)	(1,489,132)	(1,766,047)
Balance, December 31	$ 3,068,474	$ 1,411,094	$ 1,657,380

	For the year ended December 31, 2013		
	US$		
	Total	Ceded	Net
Balance, January 1	$ 109,326	$ 50,013	$ 59,313
Provision	103,055	47,392	55,663
Recovery	(109,326)	(50,013)	(59,313)
Balance, December 31	$ 103,055	$ 47,392	$ 55,663

	For the year ended December 31, 2012		
	US$		
	Total	Ceded	Net
Balance, January 1	$ 3,274,733	$ 1,652,405	$ 1,622,328
Provision	3,255,179	1,489,132	1,766,047
Recovery	(3,274,432)	(1,652,405)	(1,622,027)
Foreign currency translation adjustments	(301)	-	(301)
Balance, December 31	$ 3,255,179	$ 1,489,132	$ 1,766,047

(C) Changes in special reserve are as follows:

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Balance, January 1	$ 1,770,277	$ 59,455	$ 1,865,908
Provision	15,301	514	12,310
Recovery	(89,799)	(3,015)	(107,941)
Balance, December 31	$ 1,695,779	$ 56,954	$ 1,770,277

(D) Changes in ceded premium deficiency reserve and premium deficiency reserve are as follows:

	For the year ended December 31, 2013		
	NT$		
	Total	Ceded	Net
Balance, January 1	$ 540	$ 10	$ 530
Recovery	(540)	(10)	(530)
Balance, December 31	$ -	$ -	$ -

	For the year ended December 31, 2013		
	US$		
	Total	Ceded	Net
Balance, January 1	$ 18	$ -	$ 18
Recovery	(18)	-	(18)
Balance, December 31	$ -	$ -	$ -

	For the year ended December 31, 2012		
	NT$		
	Total	Ceded	Net
Balance, January 1	$ -	$ -	$ -
Recovery	540	10	530
Balance, December 31	$ 540	$ 10	$ 530

B. Liabilities reserve for employee benefits are as follows:

	December 31, 2013	
	NT$	US$
Recognized in consolidated balance sheet:		
- Defined benefit plans	$ 5,132,469	$ 172,375
- Employee preferential savings plans	2,602,249	87,397
Total	$ 7,734,718	$ 259,772

	December 31, 2012	January 1, 2012
	NT$	NT$
Recognized in consolidated balance sheet:		
- Defined benefit plans	$ 4,719,016	$ 3,257,237
- Employee preferential savings plans	2,481,634	2,125,443
Total	$ 7,200,650	$ 5,382,680

(A) Defined contribution plans

Effective July 1, 2005, the Group 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 Group 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, 2013 and 2012 were $169,411 thousand (US$5,690 thousand) and $167,180 thousand, respectively.

(B) Defined benefit plans

a. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 10% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were $661,225 thousand (US$22,207 thousand) and $690,047 thousand, respectively. As of December 31, 2013 and 2012, the balance of employee retirement fund account deposited with Bank of Taiwan was $10,520,466 thousand and $10,274,915 thousand, respectively.

The Group expects to contribute $582,392 thousand for defined benefit plan within a year after the financial period-end.

b. The amounts recognized in the balance sheet are determined as follows:

	December 31, 2013	
	NT$	US$
Present value of funded obligations	$ 15,981,229	$ 536,733
Fair value of plan assets	(10,483,162)	(352,079)
	5,498,067	184,654
Unrecognized past service cost	(365,598)	(12,279)
Net liability in the balance sheet	$ 5,132,469	$ 172,375

	December 31, 2012	January 1, 2012
	NT$	NT$
Present value of funded obligations	$ 15,369,496	$ 13,735,967
Fair value of plan assets	(10,260,873)	(10,049,494)
	5,108,623	3,686,473
Unrecognized past service cost	(389,607)	(429,236)
Net liability in the balance sheet	$ 4,719,016	$ 3,257,237

c. Changes in present value of funded obligations are as follows:

	2013		2012
	NT$	US$	NT$
At January 1	$ 15,374,831	516,367	$ 13,737,034
Current service cost	571,860	19,206	577,162
Interest expense	204,177	6,857	293,156
Actuarial profit	547,579	18,391	1,433,520
Foreign exchange difference	536	18	-
Benefits paid	(717,754)	(24,106)	(666,041)
At December 31	$ 15,981,229	$ 536,733	$ 15,374,831

d. Changes in fair value of plan assets are as follows:

	2013		2012
	NT$	US$	NT$
At January 1	$ 10,274,915	$ 345,085	$ 10,057,547
Expected return on plan assets	139,824	4,696	223,094
Actuarial profit and loss	(7,708)	(259)	(121,812)
Employer contributions	782,805	26,291	714,618
Employee contributions	-	-	169
Benefits paid	(669,370)	(22,481)	(598,701)
At December 31	$ 10,520,466	$ 353,332	$ 10,274,915

e. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

f. Amounts of expenses recognized in comprehensive income statements are as follows:

	2013		2012
	NT$	US$	NT$
Current service cost	$ 571,860	$ 19,206	$ 577,162
Interest cost	204,177	6,857	293,156
Expected return on plan assets	(139,824)	(4,696)	(223,094)
Actuarial profit and loss	3,066	103	3,066
Current pension costs	$ 639,279	$ 21,470	$ 650,290

The pension costs above were recognized as administrative expenses in the statements of comprehensive income.

g. Amounts recognized under other comprehensive income are as follows:

	2013		2012
	NT$	US$	NT$
Recognition for current period	($ 550,157)	($ 18,477)	($ 1,558,981)
Accumulated amount	($ 2,109,138)	($ 70,836)	($ 1,558,981)

h. The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate	1.60%~1.88%	1.17%~1.51%
Future salary increases	1.16%~2.00%	1.16%~2.00%
Expected return on plan assets	1.16%~1.90%	1.17%~2.00%

Assumptions regarding future mortality rate for 2013 and 2012 are set based on the 5th and 4th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises, respectively.

i. Historical information of experience adjustments was as follows:

	2013		2012
	NT$	US$	NT$
Present value of defined benefit obligation	$ 15,981,229	$ 536,733	$ 15,315,870
Fair value of plan assets	(10,520,466)	(353,332)	(10,274,915)
Deficit in the plan	$ 5,460,763	$ 183,401	$ 5,040,955
Experience adjustments on plan liabilities	$ 373,557	$ 12,546	$ 247,167
Experience adjustments on plan assets	($ 10,233)	($ 344)	($ 126,866)

(C) Subsidiary-Mega International Commercial Bank's payment obligations of fixed-amount preferential savings for retired employees and current employees after retirement are in compliance with the internal "Rules Governing Pension Preferential Savings of Staff of Mega International Commercial Banks". The excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be accounted for in accordance with IAS 19, 'Employee Benefits'.

a. Adjustment of assets and liabilities recognized in the consolidated balance sheets, present value of defined benefit obligation, and fair value of plan assets are as follows:

	2013		2012
	NT$	US$	NT$
Present value of defined benefit obligation	$ 2,602,249	$ 87,397	$ 2,481,634
Less: Fair value of plan assets	-	-	-
Net liability in the balance sheet	$ 2,602,249	$ 87,397	$ 2,481,634

b. Actuarial assumptions

	2013	2012
Discount rate for employee preferential interest savings	4.00%	4.00%
Return rate on capital deposited	2.00%	2.00%
Annual decreasing ratio for account balance	1.00%	1.00%
Probability of change in preferential savings system in the future	50.00%	50.00%

C. Reserve for guarantee liabilities

The Group sets aside appropriate reserve for guarantee liabilities based on the guarantee reserve assessed. Changes in provided (reversed) guarantee reserve for the years ended December 31, 2013 and 2012 are as follows:

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Balance, January 1	$ 6,574,514	$ 220,807	$ 5,032,725
(Reversal) Provision	(16,885)	(567)	1,539,746
Offsetting	(41,144)	(1,382)	-
Effects of exchange rate changes and others	5,755	193	2,043
Balance, December 31	$ 6,522,240	$ 219,051	$ 6,574,514

(24) Other financial liabilities

	December 31, 2013	
	NT$	US$
Structured instruments	$ 6,975,981	$ 234,290
Appropriated loan fund	1,599,433	53,717
Futures traders' equity	1,519,196	51,023
Total	$ 10,094,610	$ 339,030

	December 31, 2012	January 1, 2012
	NT$	NT$
Structured instruments	$ 7,808,823	$ 9,983,049
Appropriated loan fund	2,024,132	2,636,999
Appropriations for loans	2	6
Futures traders' equity	1,895,219	1,904,168
Total	$ 11,728,176	$ 14,524,222

(25) Other liabilities

	December 31, 2013	
	NT$	US$
Deposits received	$ 2,896,564	$ 97,282
Advance receipt	2,567,458	86,228
Receipts under custody from customers' security subscription	241,776	8,120
Temporary receipts and suspense accounts	1,749,052	58,742
Others	1,089,711	36,598
Total	$ 8,544,561	$ 286,970

	December 31, 2012	January 1, 2012
	NT$	NT$
Deposits received	$ 3,464,124	$ 3,002,035
Advance receipt	2,106,126	2,042,604
Temporary receipts and suspense accounts	4,217,478	4,366,730
Others	998,524	768,083
Total	$ 10,786,252	$ 10,179,452

(26) Equity

A. Common stock

(A) As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's authorized capital was $140 billion, $120 billion, and $120 billion, respectively. The Company's issued capital was $124,498,240 thousand (US$4,181,301 thousand), $114,498,240 thousand and $112,806,418 thousand and consisting of 124,498,240 thousand shares, 11,449,824 thousand shares and 11,280,615 thousand shares, respectively, with a par value of $10 per share.

(B) The Company transferred earnings to increase capital by issuing new stocks amounting to $1,692,092 thousand (recognized as "stock dividends distributable") equivalent to 169,209 thousand shares as resolved by the stockholders at their stockholders' meeting dated June 15, 2012. The capital increase has been approved by Jin-Guan-Zeng-Fa-Zi Letter No. 1010031536 dated July 23, 2012 and became effective on August 14, 2012. After the capital was increased, the paid-in capital amounted to $114,498,240 thousand equivalent to 11,449,824 thousand shares.

(C) In accordance with the resolution adopted by the Board of Directors on August 27, 2013, the Company issued common stock accounting to 1,000,000 thousand shares by cash, at $21.5 (in dollars) per share. Additionally, in accordance with the Company Act Article 267 I, the Company should reserve 10% of the issued common stock for employees and specific persons. The Company fully collected the cash infusion of $21,500,000, comprising of $10,000,000 in common stock and $11,500,000 in capital surplus, the effective date of which was December 16, 2013. It was approved and deemed effective by Jin-Guan-Zheng-Fa-Zi Letter No. 1020040445 dated October 14, 2013 and the capital change was approved and deemed effective by the Ministry of Economic Affairs on December 25, 2013.

B. 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, 2013	
	NT$	US$
Consolidation surplus arising from share conversion	$ 43,047,306	$ 1,445,754
Changes in additional paid-in capital of investees accounted for by the equity method	377,964	12,694
Capital increase by cash – Additional paid-in capital	11,500,000	386,230
Share-based payment (Note)	346,353	11,632
	$ 55,271,623	$ 1,856,310

	December 31, 2012	January 1, 2012
	NT$	NT$
Consolidation surplus arising from share conversion	$ 43,047,306	$ 43,047,306
Changes in additional paid-in capital of investees accounted for by the equity method	377,964	379,097
	$ 43,425,270	$ 43,426,403

(B) As of December 31, 2013, the capital reserve of the Company provided by undistributed earnings of MICB (formerly CTB and ICBC) before conversion has amounted to $3,265,237 thousand (US$109,664 thousand). The portion was not used for cash dividends, capital increase or any other purposes for year ended December 31, 2013.

(C) Share-based payment :

The Company increased cash capital in 2013. Pursuant to Article 267-1 of the R.O.C. Company Act, the Company shall reserve 10% of the total new shares issued for cash capital increase for the Group's employee preemption.

a. As of December 31, 2013, the Group's share-based payment was as follows:

Type of agreement	Grant date	Grant quantity (thousand shares)	Vesting conditions
The shares from capital increase by cash reserved for employees	2013/11/1	100,000	Vesting immediately

b. The capital surplus from share-based payment was $346,353.

C. Legal reserve and special reserve

(A) Legal reserve

The legal reserve is to be used exclusively to offset any deficit or to increase capital by issuing new shares or to distribute cash dividends to original shareholders in proportion to the number of shares being held by each of them and is not to be used for any other purposes. For the legal reserve to be used for issuing new shares or distributing cash dividends, only the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or released. As of December 31, 2013, December 31, 2012 and January 1, 2012, the legal reserve of the Company was $22,220,204 thousand (US$746,271 thousand), $20,066,890 thousand and $18,298,900 thousand, respectively.

(B) Special reserve

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.

In accordance with Gin-Guan-Zheng-Fa letter No. 1010012865 of FSC dated on April 6, 2012, upon the first-time adoption for IFRSs, equivalent amounts of special reserve with regard to the unrealized revaluation increment under the equity and cumulative translation adjustment (gains) transferred to retained earnings should be set aside. For the said special reserve, reversal of distributed earnings shall be based on the proportion of the original ratio of special reserve provision in the subsequent use, disposal or reclassification for the related assets. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land. If the assets are investment property other than land, the amounts are reversed over the use period and should be reversed by amortized balance upon disposal. As of December 31, 2013, December 31, 2012 and January 1, 2012, the special reserve of the Company were $2,547,719 thousand (US$85,566 thousand), $2,569,119 thousand and $2,766,584 thousand, respectively.

(27) 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 remuneration to Directors, and (3) the remaining earnings plus prior year's accumulated inappropriate earnings are subject to the Board of Directors' decision to propose a distribution plan and to be submitted for approval of the stockholders at the stockholders' meeting. Employee bonus is distributed by cash. For distribution of dividends and bonus, cash dividends shall account for at least 50% of the total dividends distributed and the remaining will be accounted for as stock dividends. Employee bonus distribution follows the regulations authorized by the Board of Directors.

B. Appropriation of the 2012 earnings was resolved by the Board of Directors and approved by the stockholders on April 23, 2012 and June 21, 2012, respectively. Appropriation of the 2011 earnings was resolved by the Board of Directors and approved by the stockholders on April 24, 2012 and June 15, 2012, respectively. Details of the earnings appropriation for 2012 and 2011 are set forth below:

	Appropriated Amount			Dividend Per Share (in dollars)		
	2012		2011	2012		2011
	NT$	US$	NT$	NT$	US$	NT$
Dividends – cash	$ 12,594,806	$ 422,999	$ 9,588,523	$ 1.10	$ 0.04	$ 0.85
Dividends – stock	-	-	1,692,092	-	-	0.15

C. Information on the appropriation of the Company's 2012 earnings as approved by the Board of Directors and during the stockholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. The actual appropriation of the Company's 2012 earnings is the same as described above. Due to changes in ratio of bonus to employees and remuneration to directors and supervisors, the difference of $20,641 thousand (US$693 thousand) between the Company's 2012 cash bonus to employees and remuneration to directors and supervisors as resolved by the stockholders and the amounts recognized in the 2012 financial statements was recognized in the financial statements for the year ended December 31, 2013.

D. The Group recognized the estimated costs of $526,178 thousand (US$17,672 thousand) and $627,925 thousand for employees' bonuses and remuneration to directors and supervisors for the years ended December 31, 2013 and 2012, 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, 2013 and 2012.

(28) Other equity items (owners of the parent)

	Exchange differences on translation of foreign financial statements	Unrealized gain on available-for-sale financial assets	Total
		NT$	
At January 1, 2013	($ 944,493)	$ 1,123,638	$ 179,145
Available-for-sale financial assets -Evaluation adjustment in the period	-	(94,213)	(94,213)
Translation gain and loss on the financial statements of foreign operating entities in the period	40,248	-	40,248
Share of the other comprehensive income of associates accounted for using the equity method in the period	2,866	(27,208)	(24,342)
At December 31, 2013, net	($ 901,379)	$ 1,002,217	$ 100,838

	Exchange differences on translation of foreign financial statements	Unrealized gain on available-for-sale financial assets	Total
		US$	
At January 1, 2013	($ 31,721)	$ 37,738	$ 6,017
Available-for-sale financial assets	-	(3,164)	(3,164)
- Evaluation adjustment in the period			
Translation gain and loss on the financial statements of foreign operating entities in the period	1,352	-	1,352
Share of the other comprehensive income of associates accounted for using the equity method in the period	96	(914)	(818)
At December 31, 2013, net	($ 30,273)	$ 33,660	$ 3,387

	Exchange differences on translation of foreign financial statements	Unrealized gain on available-for-sale financial assets	Total
		NT$	
At January 1, 2012	$ -	$ 956,830	$ 956,830
Available-for-sale financial assets	-	180,711	180,711
- Evaluation adjustment in the period			
Translation gain and loss on the financial statements of foreign operating entities in the period	(933,796)	-	(933,796)
Share of the other comprehensive income of associates accounted for using the equity method in the period	(10,697)	(13,903)	(24,600)
At December 31, 2012, net	($ 944,493)	$ 1,123,638	$ 179,145

(29) Interest income, net

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Interest income			
Interest income of bills discounted and loans	$ 32,954,155	$ 1,106,773	$ 32,006,249
Interest income of deposits and call loans from the other banks	3,285,087	110,330	4,101,049
Interest income of securities investment	4,532,540	152,226	3,571,612
Other interest income	5,761,908	193,515	3,721,093
Subtotal	46,533,690	1,562,844	43,400,003
Interest expense			
Interest expense of deposits	(10,756,126)	(361,247)	(9,410,160)
Interest expense of interbank overdraft and call loans	(1,958,459)	(65,775)	(1,888,230)
Interest expense of issuance of bills and bonds	(1,086,403)	(36,487)	(1,120,224)
Interest expense of bonds payable under repurchase agreements	(744,102)	(24,991)	(1,263,370)
Other interest expense	(712,474)	(23,929)	(145,946)
Subtotal	(15,257,564)	(512,429)	(13,827,930)
Total	$ 31,276,126	$ 1,050,415	$ 29,572,073

(30) Service fee and commission income

	For the years ended December 31, 2013 NT$	2013 US$	2012 NT$
Service fee income			
Service fee income from export and import business	$ 724,574	$ 24,335	$ 754,380
T/T service fee income	1,015,402	34,103	1,013,928
Loans service fee income	1,806,518	60,672	1,470,716
Guarantee service fee income	1,333,960	44,801	1,270,968
Brokerage fee income	1,371,292	46,055	1,487,599
Service fee income of trust and ancillary business	1,933,738	64,945	1,611,030
Agency service fee income	1,333,499	44,786	1,578,181
Reinsurance commission income	478,456	16,069	483,643
Other commission income	975,238	32,754	1,213,988
Other service fee income	923,544	31,017	1,046,718
Subtotal	11,896,221	399,537	11,931,151
Service fee expense			
Insurance commission expense	(882,372)	(29,635)	(841,401)
Agency service fee expense	(510,952)	(17,160)	(479,557)
Brokerage handling fee expense	(107,107)	(3,597)	(113,200)
Other commission expense	(207,943)	(6,984)	(995,812)
Other service fee expense	(397,936)	(13,365)	(354,512)
Subtotal	(2,106,310)	(70,741)	(2,784,482)
Service fee and income, net	$ 9,789,911	$ 328,796	$ 9,146,669

The Group provides custody, trust, and investment management and consultation service to the third party, and therefore the Group is involved with the exercise of planning, managing and trading decision of financial instruments. In relation to the management and exercise of trust fund and portfolio for brokerage, the Group records and prepares the financial statements independently for internal management purposes, which are not included in the financial statements of the Group.

(31) Financial assets or financial liabilities at fair value through profit or loss

	For the years ended December 31, 2013 NT$	2013 US$	2012 NT$
Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss			
Short-term notes and bills	$ 369,398	$ 12,406	$ 202,078
Bonds	45,818	1,539	78,107
Stocks	449,502	15,096	(704)
Derivative instruments	(296,272)	(9,950)	943,566
Beneficiary certificates	6,689	225	(585)
Asset swap	2,471	83	158
Credit default swap	(14,359)	(482)	(7,496)
Others	11,980	402	7,575
Subtotal	575,227	19,319	1,222,699
Valuation gains and losses on financial assets and liabilities at fair value through profit or loss			
Short-term notes and bills	(2,539)	(85)	14,448
Bonds	1,462,429	49,116	1,982,757
Stocks	219,490	7,372	136,500
Derivative instruments	(662,352)	(22,245)	(1,257,727)
Beneficiary certificates	(2,771)	(93)	4,367
Asset swap	(889)	(30)	(2,767)
Others	(60,559)	(2,034)	99,809
Subtotal	952,809	32,001	977,387
Interest income on financial assets at fair value through profit or loss	2,085,721	70,049	2,161,975
Interest expense on financial liabilities at fair value through profit or loss	(211,014)	(7,087)	(265,088)
Dividend and bonus from financial assets at fair value through profit or loss	219,420	7,369	149,237
Total	$ 3,622,163	$ 121,651	$ 4,246,210

(32) Realized gain on available-for-sale financial assets, net

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Income from dividend and bonus	$ 423,999	$ 14,240	$ 328,046
Bonds	161,944	5,439	62,556
Stocks	1,466,231	49,243	1,427,982
Others	71,483	2,401	(2,246)
Total	$ 2,123,657	$ 71,323	$ 1,816,338

(33) Impairment of assets

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Impairment loss on financial assets measured at cost	$ 353,225	$ 11,863	$ 480,294
Impairment loss (reversal gain) on investment property	(79,227)	(2,661)	(237)
Reversal gain on available-for-sale financial assets	(35,366)	(1,188)	(11,011)
Reversal gain on property and equipment	94,555	3,176	36,881
Total	$ 333,187	$ 11,190	$ 505,927

(34) Revenues other than interest, net

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Gains on financial assets measured at cost	$ 645,477	$ 21,678	$ 785,423
Gain on rental, net	274,032	9,203	201,342
Gain on real estate investment	40,714	1,367	60,196
Advisory income	384,698	12,920	435,256
Gain on sales of property	440,409	14,791	2,975
Others	409,001	13,738	248,583
Total	$ 2,194,331	$ 73,697	$ 1,733,775

(35) Employee benefit expense

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Wages and salaries	$ 12,184,795	$ 409,229	$ 11,741,043
Labor and health insurance fees	823,152	27,646	753,638
Pensions costs	830,636	27,897	857,227
Others personnel expenses	1,850,767	62,158	1,827,171
Total	$ 15,689,350	$ 526,930	$ 15,179,079

(36) Depreciation and amortization

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Depreciation	$ 701,988	$ 23,576	$ 733,566
Amortization	37,540	1,261	34,556
Total	$ 739,528	$ 24,837	$ 768,122

(37) Other business and administrative expenses

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Computer science expense	$ 3,007	$ 101	$ 69,544
Repair fee	46,818	1,573	42,548
Insurance expenses	1,650,287	55,425	1,472,160
Office supplies and printing expenses	1,246,630	41,868	1,291,068
Other operating expenses	3,540,037	118,893	3,327,173
Total	$ 6,486,779	$ 217,860	$ 6,202,493

(38) Income taxes

A. The income taxes comprise the following:

(A)The income taxes comprise the following:

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Current tax			
Current tax on profits for the period	$ 3,904,291	$ 131,126	$ 4,122,383
Income tax of overseas branches and adjustments for over provisions of prior years' income tax expense	160,060	5,376	193,588
Separate income tax	200	7	53
Additional 10% tax levied on undistributed earnings	678,502	22,788	463,129
Total current tax	4,743,053	159,297	4,779,153
Deferred income tax:			
Origination and reversal of temporary differences	(237,540)	(7,978)	(300,065)
Income tax expense	$ 4,505,513	$ 151,319	$ 4,479,088

(B)The income tax credit relating to components of other comprehensive income was as follows:

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Actuarial gains and losses to determine benefit obligations	$ 93,527	$ 3,141	$ 265,027

B. Differences between accounting income and taxable income are reconciled as follows:

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Income tax from pre-tax income calculated at statutory tax rate	$ 5,223,721	$ 175,440	$ 5,884,501
Effects of items not recognized under relevant regulations	(94,950)	(3,189)	59,973
Additional 10% tax levied on undistributed earnings	678,502	22,788	463,129
Income tax of overseas subsidiaries and branches and adjustments in respect of prior years	160,060	5,376	197,359
Effects of income tax exemption and adjustment of other income	(1,461,820)	(49,096)	(2,125,874)
Income tax expense	$ 4,505,513	$ 151,319	$ 4,479,088

C. Imputation tax credit

	December 31, 2013	
	NT$	US$
Balance of imputation tax credit	$ 2,489,548	$ 83,612

	December 31, 2012	January 1, 2012
	NT$	NT$
Balance of imputation tax credit	$ 1,748,228	$ 1,272,375

	2013	2012	2011
Estimated (actual) tax credit rate for individual stockholders (Note)	6.56%	16.03%	16.55%

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

In 2013, the actual creditable tax rate was not available. As a result, an estimate was disclosed; in 2012 and 2011, actual result was disclosed as the actual creditable tax rate became available.

D. Inappropriate retained earnings:

	December 31, 2013	
	NT$	US$
Earnings generated in and after 1998	$ 36,766,912	$ 1,234,825

	December 31, 2012	January 1, 2012
	NT$	NT$
Earnings generated in and after 1998	$ 29,461,030	$ 22,828,132

E. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	NT$			
Temporary differences:				
Deferred tax assets				
Over the credit loss expense limit	$ 623,460	$ 655,753	$ -	$ 1,279,213
Over the limit of reserve for guarantee liabilities	180,658	51,901	-	232,559
Unpaid liabilities reserve for employee benefits	779,734	(177,143)	99,083	701,674
Post employment benefit obligations	362,115	(648)	-	361,467
Overseas branches and subsidiaries	218,157	38,157	-	256,314
Investment loss	611,035	7,881	-	618,916
Others	322,861	12,578	-	335,439
	$ 3,098,020	$ 588,479	$ 99,083	$ 3,785,582

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	US$			
Temporary differences:				
Deferred tax assets				
Over the credit loss expense limit	$ 20,939	$ 22,024	$ -	$ 42,963
Over the limit of reserve for guarantee liabilities	6,067	1,743	-	7,810
Unpaid liabilities reserve for employee benefits	26,188	(5,949)	3,328	23,567
Post employment benefit obligations	12,162	(22)	-	12,140
Overseas branches and subsidiaries	7,327	1,281	-	8,608
Investment loss	20,522	265	-	20,787
Others	10,843	422	-	11,265
	$ 104,048	$ 19,764	$ 3,328	$ 127,140

	For the year ended December 31, 2012			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	NT$			
Temporary differences:				
Deferred tax assets				
Over the credit loss expense limit	$ 513,816	$ 109,644	$ -	$ 623,460
Over the limit of reserve for guarantee liabilities	-	180,658	-	180,658
Unpaid liabilities reserve for employee benefits	526,622	13,249	264,356	804,227
Post employment benefit obligations	362,115	-	-	362,115
Overseas branches and subsidiaries	287,989	(69,832)	-	218,157
Investment loss	678,005	(66,970)	-	611,035
Others	348,887	(50,725)	206	298,368
	$ 2,717,434	$ 116,024	$ 264,562	$ 3,098,020

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	NT$			
Temporary differences:				
Deferred tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized foreign exchange gain	(164,161)	(287,766)	-	(451,927)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(414,878)	(55,284)	-	(470,162)
Others	(62,367)	(7,889)	-	(75,812)
	($ 1,694,706)	($ 350,939)	($ 5,556)	($ 2,051,201)

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	US$			
Temporary differences:				
Deferred tax liabilities				
Land value increment tax	($ 35,375)	$ -	$ -	($ 35,375)
Unrealized foreign exchange gain	(5,513)	(9,665)	-	(15,178)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(13,934)	(1,857)	-	(15,791)
Others	(2,095)	(265)	(186)	(2,546)
	($ 56,917)	($ 11,787)	($ 186)	($ 68,890)

	For the year ended December 31, 2012			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	NT$			
Temporary differences:				
Deferred tax liabilities				
Land value increment tax	($ 1,053,321)	$ 21	$ -	($ 1,053,321)
Unrealized foreign exchange gain	(180,383)	16,222	-	(164,161)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(365,551)	(49,327)	-	(414,878)
Others	(280,163)	217,125	671	(62,367)
	($ 1,879,418)	$ 184,041	$ 671	($ 1,694,706)

F. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2013	
	NT$	US$
Deductible temporary difference	$ -	$ -

	December 31, 2012	January 1, 2012
	NT$	NT$
Deductible temporary difference	$ -	$ -

G. Assessment of income tax returns

(a) The Company's profit-seeking enterprise income tax return through 2007 has been assessed by the Tax Authority. The Company disagreed with the 2002 to 2005 and 2007 results and has filed for administrative remedy. The administration litigation in 2002, which has been rejected by the highest court, is seeking a constitutional interpretation. The re-examination for 2003 has been rejected by the Tax Authority and is in the process of administrative petition. Re-examinations for 2004、2005 and 2007 have been filed. Based on conservatism principle, the above tax amount had been included in the consolidated financial statements.

(b) As of December 31, 2013, MICB's income tax returns through 2007 have been examined by the NTA. Mega Bank did not agree with the assessment of 2004 to 2005 and the Company filed an appeal for reinvestigation of 2004 and 2005 income tax returns on behalf of MICB. For conservatism purposes, the Company had recognized the income tax expense relating to the additional income tax payable.

(c) MS's income tax returns through 2007 were assessed by the Tax Authority. With respect to the income tax returns of MS for the fiscal years from 2003 to 2005 and 2007, MS did not agree with the Tax Authority's assessment and had filed for a tax appeal for the income tax returns for 2003 and re-examinations for the income tax returns for 2004, 2005, and 2007. For conservatism purposes, the Company had recognized the income tax expense relating to the additional income tax payable.

(d) As of December 31, 2013, CKI, MBF, MAM , Mega Venture Capital and Mega Life Insurance Agency Co., Ltd. 's income tax returns through 2007 have been examined by the NTA.

(e) MBF's, MAM's, Mega Venture Capital's and MLIAC's income tax returns through 2008 have been assessed by the NTA.

(39) Earnings per share (EPS)

A. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Weighted-average number of shares outstanding (In thousands of shares)	11,493,660	386,017	11,449,824
Profit attributable to ordinary shareholders of the Company	$ 22,489,232	$ 755,306	$ 20,784,648
Basic earnings per share (In dollars)	$ 1.96	$ 0.07	$ 1.82

B. Diluted earnings per share

Diluted earnings per share is calculated by adjusting the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Weighted-average number of shares outstanding (In thousands of shares)	11,494,068	386,031	11,451,195
Profit attributable to ordinary shareholders of the Company	$ 22,489,232	$ 755,306	$ 20,784,648
Basic earnings per share (In dollars)	$ 1.96	$ 0.07	$ 1.82

7. Fair value and level information of financial instruments

(1) Overview

Fair value is the amount for which an asset could be exchanged or a liability can be settled between parties in an arm's length transaction. Financial instruments are initially recognized by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognized by amortized cost or cost. If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value. If the market in which financial instruments traded is not active, the Group then adopts valuation technique or takes reference to Bloomberg or the fair value of financial instrument from counterparties.

(2) Fair value information of financial instruments

Except for those listed in the table below, the carrying amount of some of the Group's financial instruments (e.g. cash and cash equivalents, due from Central Bank and call loans to other banks, receivables, loans discounted, refundable deposits, deposits from the Central Bank and banks, due to Central Bank and other banks, bills and bonds under repurchase agreements, payables, deposits and remittances, bonds payable, other financial liabilities and guarantee deposits) is approximate to their fair value. (Please refer to Note 7 (4)). The fair value information of financial instruments measured at fair value is provided in Note 7(5).

	December 31, 2013			
	NT$		US$	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-to-maturity financial assets, net	$ 184,411,233	$ 184,476,945	$ 6,193,492	$ 6,195,699
Other financial assets - debts investment without active market	$ 4,251,063	$ 4,250,633	$ 142,773	$ 142,758

	December 31, 2012		January 1, 2012	
	NT$		US$	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-to-maturity financial assets, net	$ 161,253,982	$ 161,408,810	$ 131,836,405	$ 131,706,329
Other financial assets - debts investment without active market	$ 4,000,000	$ 4,000,000	$ 4,000,000	$ 4,000,000

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

If the market quotation from Stock Exchange Corporation, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If financial instruments do not satisfy the criteria above, they are regarded as not having active market. In general, significant price variance between the purchase price and selling price, significantly increasing price variance or extremely low trading volume are all indicators of an inactive market.

If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value, usually the fair value is measured using the market price, interest rate, foreign exchange central parity rate shown in Reuters quotation system, partially using the quoted prices from Bloomberg, OTC, or counterparties, and the basis for valuation is maintained consistently. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value. Fair value measured by a valuation technique is usually estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information (such as yield rate curves from OTC, average interest rate of commercial papers from Reuters) available on the balance sheet date.

When assessing non-standardized financial instruments with lower complexity, derivative financial instruments such as debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts, options, the Group uses valuation techniques and models which are extensively used by the market to estimate their fair value. The parameters used in the valuation model for these kinds of financial instruments usually use the observable information as the input.

For more complicated financial instruments, such as debt instruments with embedded derivative instruments or securitization products, the Group develops its own valuation models to estimate fair value by reference to the valuation techniques and methods which are extensively used by the same trade. Parts of parameters used in these valuation models are not observable from the market; they must be estimated by using some assumptions.

The Group uses its own credit spread to measure the fair value of derivative financial liabilities and financial liabilities designated at fair value through profit or loss. When the Group's credit spread increases and value of liabilities declines, gain is recognized; when the Group's credit spread declines and value of liabilities increases, loss is recognized.

A. NTD Central Government Bond: the yield rates across different contract length and one-hundred price bulletined by Over-The-Counter (hereinafter OTC) are used.

B. NTD corporate bonds, financial debentures, government bonds, bond-type beneficiary securities and designated financial debentures issued by the Group: the present value of future estimated cash flows is calculated by using the yield rate curve from OTC.

C. NTD short-term bills and NTD bill-type beneficiary securities: the present value of future estimated cash flows of NTD and USD short-term bills is calculated by using average interest rate of commercial papers and TAIFX3 central parity rate from Reuters, respectively.

D. Foreign securities: quoted prices from Bloomberg or counterparties are adopted.

E. Listed stock:The closing price being listed in TSE is adopted.

F. Unlisted stock and domestic/foreign partnership-type fund: If the objective recently has representative trading, its trading price might be the best estimate of its fair value. If the objective has comparable listed trades, its fair value can be estimated by using appropriate market method, such as P/E method, P/B method, EV/EBIT method or EBITDA×EV method, taking into account the operation condition of the comparable listed companies, most recent one month trading information and its liquidity. And if the objective has no comparable instruments or its fair value cannot be estimated using market method, other valuation technique, such as net assets method or income approach, is used to estimate its fair value.

G. Funds:Net fund value is adopted.

H. Derivative financial instruments:

(A) Foreign exchange forward contract, currency swaps, forward rate agreement, interest rate swaps and cross currency swaps: the discounting future cash flow is adopted.

(B) Options: Black-Scholes model is mainly adopted for valuation.

(C) Some structured derivative financial instruments are valued by using BGM model.

(D) Some foreign-currency derivatives are valued by using the quoted prices from Bloomberg or counterparties.

(4) Fair value of financial instruments not measured at fair value through profit or loss

A. In relation to cash and cash equivalents, investments in bills and bonds under resale agreements, due from the Central Bank and call loans to banks, receivables, restricted assets, refundable deposits, due to the Central Bank and financial institutions, funds borrowed from the Central Bank and other banks, bills and bonds payable under repurchase agreements, payables and stock deposits, the book value of the financial instruments which have a short maturity period will be considered as their fair value. While the maturities are quite close or the future payment or receipt is close to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.

B. Interest rates of subsidiaries' bills discounted and loans (including non-performing loans) are generally based on the benchmark interest rate plus or minus certain adjustment to reflect the market interest rate. Thus, their fair values are based on the book value after adjustments of estimated recoverability. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

C. When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.

D. The fair values of deposits and remittances are represented by their book values.

E. The coupon rate of convertible bonds and bank debentures issued by the Group is equivalent to market interest rate; therefore, fair value estimated based on the present value of future cash flows is equivalent to book value.

F. For other financial assets - other investments in debt instruments without active market: If information about quoted market price from transaction or market maker is available, recent transaction price and quoted market price will be a basis to estimate the fair value. If no quoted market price is available for reference, valuation technique will be adopted. The fair value shall be estimated using discounted value of cash flows based on the assumptions and estimates used in the assessment.

(5) Level information of financial instruments at fair value

A. Three definitions of the Group's financial instruments at fair value

(A) Level 1

If the market for the financial instrument is active, the fair value of the financial instrument is represented by the quoted prices of the same instruments. An active market refers to a market that meets all of the following conditions:(A) the goods traded in the market are homogeneous; (B) willing sellers and buyers can be found at the same time; (C) the price information is available to the public. The Group's investment in listed stock, DTR, beneficiary certificates, popular Taiwan government bonds and the derivatives with a quoted price in an active market, are deemed as Level 1.

(B)Level 2

Observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. introduced by prices) observable inputs obtained from an active market. The Group's investments in non-popular government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments and corporate bonds issued by the Group belong to this category.

(C)Level 3

The inputs adopted to measure fair value at this level are not based on available data from the markets (non-observable inputs, e.g. option pricing model using history volatility rate, because history volatility rate cannot represent the expectation value of market participants for future volatility rate). The Group's investments in some derivative instruments and equity instruments without active market belong to this category.

B. Information of fair value hierarchy of financial instruments

(NT$)

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Investment in bills	$ 128,283,329	$ -	$ 128,283,329	$ -
Investment in stocks	6,474,129	6,343,978	104,026	26,125
Investment in bonds	52,101,810	6,623,067	45,478,743	-
Others	871,601	871,601	-	-
Assets designated to be measured at fair value at initial recognition	3,174,591	-	3,174,591	-
Available-for-sale financial assets				
Investment in bills	66,923,108	4,034,285	62,888,823	-
Investment in stocks	20,837,066	19,379,787	1,457,279	-
Investment in bonds	176,209,280	17,906,274	158,303,006	-
Others	8,974,179	7,862,726	1,111,453	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(472,740)	(472,740)	-	-
Financial liabilities designated as at fair value through profit or loss	(6,146,843)	-	(6,146,843)	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,895,299	128,341	4,066,233	700,725
Liabilities				
Financial liabilities at fair value through profit or loss	(8,237,102)	-	(7,070,880)	(1,166,222)
Total	$ 453,887,707	$ 62,677,319	$ 391,649,760	($ 439,372)

(US$)

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Investment in bills	$ 4,308,424	$ -	$ 4,308,424	$ -
Investment in stocks	217,435	213,064	3,494	877
Investment in bonds	1,749,851	222,437	1,527,414	-
Others	29,273	29,273	-	-
Assets designated to be measured at fair value at initial recognition	106,619	-	106,619	-
Available-for-sale financial assets				
Investment in bills	2,247,627	135,492	2,112,135	-

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Investment in stocks	699,817	650,874	48,943	-
Investment in bonds	5,918,028	601,386	5,316,642	-
Others	301,399	264,071	37,328	-
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities held for trading	(15,877)	(15,877)	-	-
Financial liabilities designated as at fair value through profit or loss	(206,443)	-	(206,443)	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	164,409	4,310	136,565	23,534
Liabilities				
Financial liabilities at fair value through profit or loss	(276,645)	-	(237,477)	(39,168)
Total	$ 15,243,917	$ 2,105,030	$ 13,153,644	($ 14,757)

(NT$)

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Investment in bills	$124,711,648	$ -	$ 124,711,648	$ -
Investment in stocks	4,421,122	4,314,133	85,451	21,538
Investment in bonds	48,078,731	6,285,920	41,792,811	-
Others	220,295	220,295	-	-
Assets designated to be measured at fair value at initial recognition	2,866,057	-	2,866,057	-
Available-for-sale financial assets				
Investment in stocks	19,679,299	18,420,661	1,258,638	-
Investment in bonds	147,997,497	14,599,792	133,397,705	-
Others	55,594,247	6,117,577	49,476,670	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(279,260)	(277,403)	(1,857)	-
Financial liabilities designated as at fair value through profit or loss	(7,469,569)	-	(7,469,569)	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,418,589	185,344	3,603,922	629,323
Liabilities				
Financial liabilities at fair value through profit or loss	(6,928,057)	-	(6,003,695)	(924,362)
Total	$393,310,599	$ 49,866,319	$ 343,717,781	($ 273,501)

(NT$)

	January 1, 2012			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Investment in bills	$ 130,878,699	$ -	$ 130,878,699	$ -
Investment in stocks	5,485,054	5,319,168	40,746	125,140
Investment in bonds	43,610,037	5,998,643	37,611,394	-
Others	72,763	72,763	-	-
Assets designated to be measured at fair value at initial recognition	2,824,019	-	2,824,019	-
Available-for-sale financial assets				
Investment in stocks	19,043,534	16,091,503	2,952,031	-
Investment in bonds	133,191,835	14,537,904	118,653,931	-
Others	12,147,371	5,838,014	6,309,357	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(61,098)	(61,098)	-	-
Financial liabilities designated as at fair value through profit or loss	(13,606,240)	-	(13,606,240)	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	6,330,113	116,603	5,488,989	724,521
Liabilities				
Financial liabilities at fair value through profit or loss	(7,645,294)	-	(7,261,683)	(383,611)
Total	$ 332,270,793	$ 47,913,500	$ 283,891,243	$ 466,050

C. Movements of financial assets and liabilities classified into Level 3 of fair value are as follows:

(A) Movements of financial assets classified into Level 3 of fair value are as follows:

For the year ended December 31, 2013

(NT$)

		Valuation gain or loss		Addition		Reduction		
	January 1, 2013	Recognized as gain (loss)	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred to Level 3	December 31, 2013
Non-derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets held for trading	$ 21,538	($ 1,169)	$ -	$ 57,844	$ 14,202	($ 42,623)	($ 23,667)	$26,125
Derivative financial instruments								
Financial assets at fair value through profit or loss	629,323	71,128	-	12,274	-	(12,000)	-	700,725
Total	$ 650,861	$ 69,959	$ -	$ 70,118	$ 14,202	($ 54,623)	($ 23,667)	$ 726,850

(US$)

		Valuation gain or loss		Addition		Reduction		
	January 1, 2013	Recognized as gain (loss)	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred to Level 3	December 31, 2013
Non-derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets held for trading	$ 723	($ 39)	$ -	$ 1,943	$ 477	($ 1,432)	($ 795)	$ 877
Derivative financial instruments								
Financial assets at fair value through profit or loss	21,136	2,389	-	412	-	(403)	-	23,534
Total	$ 21,859	$ 2,350	$ -	$ 2,355	$ 477	($ 1,835)	($ 795)	$ 24,411

For the year ended December 31, 2012

(NT$)

		Valuation gain or loss		Addition		Reduction		
	January 1, 2012	Recognized as gain (loss)	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred to Level 3	December 31, 2012
Non-derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets held for trading	$ 125,140	$ 38,128	$ -	$ 57,913	$ 7,808	($ 101,420)	($ 106,031)	$ 21,538
Derivative financial instruments								
Financial assets at fair value through profit or loss	724,521	(95,532)	-	9,296	-	(8,962)	-	629,323
Total	$ 849,661	($ 57,404)	$ -	$ 67,209	$ 7,808	($ 110,382)	($ 106,031)	$ 650,861

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

For the year ended December 31, 2013

(NT$)

		Valuation gain or loss		Addition		Reduction		
	January 1, 2013	Recognized as gain (loss)	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred to Level 3	December 31, 2013
Liabilities								
Financial liabilities at fair value through profit or loss	($ 924,363)	($ 241,859)	$ -	$ 22	$ -	($ 22)	$ -	($ 1,166,222)

(US$)

		Valuation gain or loss		Addition		Reduction		
	January 1, 2013	Recognized as gain (loss)	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred to Level 3	December 31, 2013
Liabilities								
Financial liabilities at fair value through profit or loss	($ 31,045)	($ 8,123)	$ -	$ -	$ -	$ -	$ -	($ 39,168)

For the year ended December 31, 2012

(NT$)

		Valuation gain or loss		Addition		Reduction		
	January 1, 2012	Recognized as gain (loss)	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred to Level 3	December 31, 2012
Liabilities								
Financial liabilities at fair value through profit or loss	($ 383,611)	($ 540,752)	$ -	$ -	$ -	$ -	$ -	($ 924,363)

(C) The transfer between Level 1 and Level 2:

With regard to the financial instruments held by the Group, no transfers between Level 1 and Level 2 have occurred during the period.

(D) The measure of fair value for Level 3, the sensitivity analysis for the reasonable alternative hypothesis of the fair value

The Group's measure of the fair value of financial instruments was reasonable, if valuating by different model or parameters, it would obtain another result. For Level 3, if the parameters of valuation varied up or down by 10%, the effect on profit would be shown as follows:

	Changing in the fair value recognized in the current profit or loss			
	Favorable changes		Unfavorable changes	
December 31, 2013	NT$	US$	NT$	US$
Derivative financial assets and liabilities	$ 12,093	$ 406	($ 12,093)	($ 406)

	Changing in the fair value recognized in the current profit or loss	
December 31, 2012	Favorable changes	Unfavorable changes
Derivative financial assets and liabilities	$ 11,215	($ 11,215)

	Changing in the fair value recognized in the current profit or loss	
January 1, 2012	Favorable changes	Unfavorable changes
Derivative financial assets and liabilities	$ 29,189	($ 29,189)

The favorable changes and unfavorable changes meant the fluctuation of fair value, and the fair value was calculated by the unobservable parameters in different levels, if the fair value of financial instrument was affected by one of the above parameters, the favorable changes and unfavorable changes would not consider the correlation and variability in the table.

8. The management objectives and policies of financial risks

(1) Overview

The Group earns profits mainly from lending, financial instruments trading, investments, brokerage, financial planning, assets management and insurance businesses. The Group is supposed to bear and manage any risks from these business activities. These risks include credit risk, market risk, operating risk and liquidity risk. Among those risks, credit risk, market risk and liquidity risk have greatest impact.

The Group regards any potential factors that might negatively affect earnings and reputation as risks. To maintain steady profits and good reputation and avoid losses from incidental events, the Group's risk management policies focus on prevention and reduction of anticipated business risks and increase of capital in response to future anticipated risks. In order to meet the solid operating requirements by the competent authorities, depositors and other stakeholders for management objectives for risks, business risks are controlled within the tolerable scope.

(2) The organization framework of risk management

The Company has established risk management policies and guidelines and whole risk tolerance of the Group. Subsidiaries therefore follow the Company's instructions in setting risk management organization, policies, objectives, regulations, internal control procedures, risk monitor mechanism and risk limits, and report to the Company on risk management issues. Therefore, overall risk management structure and reporting systems of the Group is completely established.

The Board of Directors is the highest decision-making unit of the Group's risk management and is responsible for establishment and effective operation of the risk management system. The system includes risk management policies, standards and guidelines, organization structure, risk preference, internal control system and management of significant business cases. Under the Board of Directors, the risk management committee is established. The risk management committee is responsible for examination and monitor of risk management. The Company and significant subsidiaries all have risk management unit, being a part of the risk management committee and responsible for supervising the establishment of risk management mechanism, risk limits allocation, risk monitor and reporting.

Under the management, several committees and other administrative units are established. They are responsible for risk review and control of credits, investments, trading and assets/liabilities management businesses.

Administrative unit of each subsidiary is responsible for identifying the possible risks of businesses, establishing internal control procedures and regulations, measuring risk degrees regularly and adopting responding measures for any negative effects.

Business units follow operating guidance and report to the management units directly. Risk management unit is responsible for monitoring of overall risk positions and concentration, and summarizing relevant details before reporting to the management or Board of Directors.

Auditing office examines the operations of business and administration units regularly or irregularly to ensure the three risk management defense lines operate normally.

The Company has assigned personnel to sit on the Board of Directors of each subsidiary to monitor the governance of each subsidiary.

(3) Credit risk

A. The source and definition of credit risk

Credit risk pertains to the risk of loss that the borrowers, issuers or counterparties might default on contracts due to deterioration in their financial position or other factors.

The Group is exposed to credit risk mainly on businesses of corporate and individual loans, guarantees, trade financing, interbank deposits and call loans and securities investments.

Credit risk is the primary risk of the Group's capital charge.

B. Credit risk management policies

The objectives of the Group's credit risk management are to maintain stable assets allocation strategy, careful lending policy and excellent assets quality to secure assets and earnings. The Group's risk management department is responsible for supervision of the Group's credit risk and regularly submits summary report to the Board of Directors and the management.

The management mechanism of subsidiaries for credit risk includes:

The establishment of assets/liabilities, risk management, lending and investment committees which adopt responding measures to market environment, changes in industry, and capital limits, and review relevant regulations and cases of significant lending and investments.

Setting careful prior review procedures for lending and criteria of handling subsequent matters, regular post-lending follow-up, understanding of clients' operation and capital outflows, and increase in the frequency of review on clients with higher risk.

Classifying credit ratings based on clients' probability of default or behavior scoring with management put in practice.

Controlling concentration of credit risk by setting credit limits for individuals, corporate groups, industries, areas, and different types of collaterals.

Setting credit risk limits by reference to external ratings and prospects with attention to changes in market credit spread and risk concentration of counterparties.

Establishing the pre-warning list of credit and reporting system.

Assessing assets quality regularly and setting aside sufficient reserve for losses.

Setting the management unit and the audit committee of the creditor's right for accelerating collection of non-performing loans.

The procedures for credit risk management of the Group and related measurement approaches are outlined below:

(A) Credit extensions

Classification of credit assets and internal risk ratings are as follows:

a. Classification of credit assets

Corporate credit risk is measured by using the borrower's default probability model with logistic regression analysis in which financial and non-financial factors are incorporated, which predicts the default probability of borrower within the next year. Besides, the extent of risk is measured by using credit rating table and taking into account the characteristics and scale of business. Lending examination and post management are dealt with based on clients' credit rating. Individual borrowers are grouped into different risk levels and managed by using application scoring and behavior scoring cards. Back-testing is conducted on internal models regularly; those models are subject to adjustments when necessary. Clients' credit ratings are reviewed annually and subject to adjustments when there is significant change in their credit ratings.

b. Internal risk rating:

The internal rating for lending is classified as excellent, satisfactory, fair and weaker, which corresponds to the Standard & Poor rating as follows:

Internal risk rating	Excellent	Satisfactory	Fair	Weaker
Corresponding to S&P	AAA~BBB-	BB+~ BB-	B+	B and below

(B) Interbank deposits and call loans

Before trading with other banks, the Group assesses their credit by reference to their ratings offered by external rating agencies, their assets and scales of owners' equity and their country risks, and therefore set credit risk limits for each of them. The Group monitors changes in market prices of the financial instruments issued by those banks and CDS quoted prices daily to keep attention to their risk.

(C) Bonds and derivative instruments

The limits of bonds purchased by the Group are set by considering the credit rating of bond issuers or guarantors (ex. S&P, Moody's, Fitch, Taiwan ratings or Fitch Taiwan), which needs to meet the minimum rating set by the Board of Directors, and country risk at the application, share price of issuers, changes in CDS quoted prices, earnings, market condition, and capital utilization status of the applying unit.

Subsidiaries have set trading units and overall total risk limit for non-hedging derivative instruments, and use positive trading contract evaluation as the basis for calculating credit risk and add the limit to the total credit risk limit for monitoring.

(D) Asset quality

The Group has set the minimum requirements and examination procedures for the quality of financial assets of each type, and controls risk concentration of assets portfolios of each type based on the risk limit of each type. The Group also monitors the changes in assets quality regularly during the duration of the assets and takes measures to maintain their quality. According to the policies and regulations, reserve for losses is provided adequately for those assets to actually reflect and safeguard the value of owners' equity.

(E) Impairment of financial assets and provision for reserves

Each subsidiary assesses at each balance sheet date whether a financial asset is impaired. If there is objective evidence that an event that occurred after the initial recognition of the asset has an impact on the future cash flows of the financial asset, the impairment loss on the financial asset should be recognized.

The objective evidence of an impairment loss is as follows:

Significant financial difficulty of the issuer or debtor;

The issuer or debtor has breached the contract;

The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession;

It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

The disappearance of an active market for that financial asset because of financial difficulties; or

Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Group, including:

Adverse changes in the payment status of borrowers in the Group; or

Adverse changes in national or local economic conditions that correlate with defaults on the assets in the Group.

Financial assets that are not impaired are included in the Group of financial assets sharing similar credit risk characteristics for group assessment. Financial assets that are assessed individually with impairment recognized need not be included in the Group assessment.

The amount of the impairment loss is the difference between the financial assets' book value and the estimated future cash flow discounted using the original effective interest rate. The present value of estimated future cash flows must reflect the cash flows that might be generated from collaterals less acquisition or selling cost regarding the collateral.

Financial assets through group assessment are grouped based on similar credit risk characteristics, such as types of assets, industry and collaterals. Such credit risk characteristics represent the ability of the debtors to pay all the amounts at maturities according to the contract term, which is related to future cash flows of group of financial assets. The future cash flows of group of financial assets for group assessment are estimated based on historical impairment experience, reflecting the change in observable data for each period, and the estimation of the future cash flows should move in the same direction. The Group reviews the assumptions and methods for estimation of the future cash flows regularly.

(F) Policies of loan loss provision and guarantee reserve

For loan loss provision and guarantee reserve, the subsidiaries have established the regulations for assets assessment and loss reserve. According to the regulations of the Financial Supervisory Commission for banks, bills companies and insurance companies, all assets in balance sheets and off balance sheets are classified as five categories. For credit assets on balance sheets and off balance sheets, in addition to normal credit assets which shall be classified as "Category One", the remaining unsound credit assets that required special attention shall be evaluated based on the status of the creditor's right, loan collaterals and the length of time overdue, and classified as "Category Two". Assets that are substandard shall be classified as "Category Three". Assets that are doubtful shall be classified as "Category Four", and assets for which there is loss shall be classified as "Category Five". "Category Two" to "Category Five" shall be assessed individually for possible loss and set aside sufficient loss provision. And loss provision shall be also set aside for "Category One" proportionately in accordance with regulations by competent authorities.

MICB regularly reviews and continuously monitors credit asset quality in order to ensure adequacy of allowance for doubtful accounts at the end of each financial reporting year.

C. Policies of hedging and mitigation of credit risk

To reduce credit risk, the Group adopts the following policies:

(A) Obtaining collaterals and guarantors

Subsidiaries have established regulations on collateral management, mortgage loan line setting, scope of collaterals, collateral valuation, collateral management and disposal. Besides, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or the debtor's deposits can be used to offset its liabilities to mitigate credit risks.

(B) Loan limit control

To avoid extreme credit risk concentration, subsidiaries established policies for control of credit risk concentration and set up credit extension limit for a single individual, a single group, a single industry, a single area/country, and single collateral.

(C) Net settlement agreement

The Group has net settlement agreements with some counterparties. If the counterparty defaults, all transactions with the counterparty will be terminated and be settled by net amount to further reduce credit risk.

(D) The maximum exposure to credit risk

The maximum exposure to credit risk of financial asset was presented by book amount in the balance sheet, and the guarantee and letters of credit and irrevocable commitments off balance sheet calculated the maximum exposure to credit risk by the credit limit.

Unit : thousands of dollars

	December 31, 2013	
	NT$	US$
Government organization	$ 85,210,737	$ 2,861,822
Finance, investment and insurance	51,519,949	1,730,309
Corporate and commercial	401,552,308	13,486,224
Personal	53,187,580	1,786,317
Others	1,766,266	59,320
Total	$ 593,236,840	$ 19,923,992

	December 31, 2012	January 1, 2012
	NT$	NT$
Government organization	$ 10,242,733	$ 124,926,839
Finance, investment and insurance	50,687,961	49,672,336
Corporate and commercial	414,818,887	410,865,229
Personal	49,248,808	55,554,221
Others	1,968,115	2,367,100
Total	$ 526,966,504	$ 643,385,725

(E) Credit risk concentration

Extreme credit risk concentration will enhance risk degree, such as large amount of risk exposure concentrated on one credit product, one client, or minor clients, or a group of clients in same industry or with similar business or in same area or with same risk characteristics. When adverse economic changes occur, a financial institution may incur a significant loss.

To avoid extreme credit risk concentration, the Group has regulated credit limit and management rules for single client, single business group and large amount of risk exposure. Subsidiaries have to monitor and control the credit risk concentration within the limit. Status of credit risk concentration must be shown in the regular risk report by industry, area/country, collateral and other forms.

a. Loans and credit commitments of the Group are shown below by industry:

Unit: In thousands of NT Dollars

		Loans and credit commitments						
		December 31, 2013			December 31, 2012		January 1, 2012	
		Amount (NT$)	Amount (US$)	Percentage (%)	Amount (NT$)	Percentage (%)	Amount (NT$)	Percentage (%)
Individuals	Individuals	$ 404,268,675	$ 13,577,453	17.81%	$ 343,651,763	16.80%	$ 338,116,568	15.94%
Corporation	Government institution	93,992,450	3,156,757	4.14%	19,608,115	0.96%	151,772,068	7.15%
	Financial institution, investment and incurrence	195,389,073	6,562,185	8.61%	186,829,210	9.13%	157,832,918	7.44%
	Enterprise and commerce	1,562,318,289	52,470,807	68.84%	1,481,108,647	72.39%	1,457,019,579	68.68%
	- Manufacturing	659,323,999	22,143,543	29.05%	631,704,370	30.87%	641,530,954	30.24%
	- Electricity and gas supply	131,204,121	4,406,520	5.78%	150,189,739	7.34%	155,970,473	7.35%
	- Wholesale and retail	196,828,622	6,610,533	8.67%	167,254,374	8.17%	154,721,301	7.29%
	- Transportation and storage	164,556,964	5,526,682	7.25%	171,785,090	8.40%	172,285,988	8.12%
	- Real estate	266,498,231	8,950,402	11.74%	228,173,773	11.15%	192,684,668	9.08%
	- Others	143,906,352	4,833,127	6.35%	132,001,301	6.45%	139,826,195	6.59%
	Others	13,616,577	457,316	0.60%	14,900,539	0.73%	16,747,237	0.79%
Total		$ 2,269,585,064	$ 76,224,519	100.00%	$2,046,098,274	100.00%	$2,121,488,370	100.00%

b. Loans and credit commitments of the Group are shown below by location:

Unit: In thousands of NT Dollars

	Loans and credit commitments						
	December 31, 2013			December 31, 2012		January 1, 2012	
	Amount(NT$)	Amount(US$)	Percentage (%)	Amount(NT$)	Percentage (%)	Amount(NT$)	Percentage (%)
ROC	$ 1,803,450,346	$ 60,569,281	79.46%	$ 1,651,091,269	80.69%	$ 1,744,228,258	82.22%
Asia	289,949,694	9,738,025	12.78%	222,562,695	10.88%	201,363,824	9.49%
North America	59,188,578	1,987,862	2.61%	57,640,683	2.82%	57,486,603	2.71%
Others	116,996,446	3,929,352	5.15%	114,803,627	5.61%	118,409,685	5.58%
Total	$ 2,269,585,064	$ 76,224,519	100.00%	$ 2,046,098,274	100.00%	$ 2,121,488,370	100.00%

c. Loans and credit commitments of the Group are shown below by collaterals:

Unit: In thousands of NT Dollars

	Loans and credit commitments			Loans and credit commitments		Loans and credit commitments	
	December 31, 2013			December 31, 2012		January 1, 2012	
	Amount		Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
	NT$	US$		NT$		NT$	
Unsecured	$ 950,992,516	$ 31,939,295	41.90%	$ 721,369,157	35.26%	$ 804,220,735	37.91%
Secured							
- Secured by stocks	155,008,882	5,206,008	6.83%	56,141,927	2.74%	178,838,905	8.43%
- Secured by bonds	118,890,191	3,992,954	5.24%	110,254,527	5.39%	118,145,506	5.57%
- Secured by real estate	730,890,356	24,547,115	32.20%	659,361,782	32.23%	596,277,363	28.11%
- Others	313,803,119	10,539,148	13.83%	498,970,881	24.38%	424,005,861	19.98%
Total	$ 2,269,585,064	$ 76,224,519	100.00%	$ 2,046,098,274	100.00%	$ 2,121,488,370	100.00%

(F) Financial assets credit quality and analysis of past due and impairment

a.The Group's financial assets credit quality and analysis of past due and impairment

Unit: In thousands of NT Dollars

December 31, 2013	Neither past due nor impaired						Past due but not impaired						Impaired	Reserve for losses	Net amount
	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal			
Maximum credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 229,879,835	$ 87,169,363	$ 48,956,347	$ 1,360,199	$ 625,863	$ 367,991,607	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,320	$ 367,990,287
Due from Central Bank and call loans to banks	67,783,997	94,977,415	17,681,983	430,540	2,383,209	183,257,144	-	-	-	-	-	-	-	-	183,257,144
Financial assets at fair value through profit or loss															
- Debt instruments	90,144,942	54,767,641	27,020,331	8,201,400	3,919,155	184,053,469	-	-	-	-	-	-	-	-	184,053,469
- Derivative financial instruments	725,012	2,246,521	51,694	63	1,872,010	4,895,300						-	-	-	4,895,300
Available-for-sale financial assets -Debt instruments	123,031,735	106,227,904	12,565,142	674,145	1,762,008	244,260,934	-	-	-	-	-	-	-	-	244,260,934
Bills and bonds purchased under resale agreements	2,585,345	-	-	-	-	2,585,345	-	-	-	-	-	-	-	-	2,585,345
Receivables	30,601,362	14,153,381	7,805,141	1,108,107	131,182,792	184,850,783	-	-	-	17,690	4,744	22,434	782,475	1,067,751	184,587,941
Bills discounted and loans	417,205,296	439,294,191	184,595,893	72,013,803	530,365,930	1,643,475,113					-	-	32,873,111	21,771,031	1,654,577,193
Available-for-sale financial assets-Debt instruments	3,305,426	-	-	-	-	3,305,426	-	-	-	-	-	-	-	11,489	3,293,937
Held-to-maturity financial assets-Debt instruments	168,863,410	13,502,900	1,238,167	57,951	748,805	184,411,233	-	-	-	-	-	-	-	-	184,411,233
Other assets	4,626,806	4,680,558	-	-	11,564,165	20,871,529	-	-	-	-	-	-	5,787	13,887	20,863,429
Total	$1,138,753,166	$ 817,019,874	$ 299,914,698	$ 83,846,208	$ 684,423,937	$3,023,957,883	$ -	$ -	$ -	$ 17,690	$ 4,744	$ 22,434	$ 33,661,373	$ 22,865,478	$3,034,776,212

Unit: In thousands of US Dollars

December 31, 2013	Neither past due nor impaired						Past due but not impaired						Impaired	Reserve for losses	Net amount
	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal			
Maximum credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 7,720,565	$ 2,927,602	$ 1,644,210	$ 45,683	$ 21,020	$ 12,359,080	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 44	$ 12,359,036
Due from Central Bank and call loans to banks	2,276,541	3,189,838	593,853	14,460	80,041	6,154,733	-	-	-	-	-	-	-	-	6,154,733
Financial assets at fair value through profit or loss															
- Debt instruments	3,027,538	1,839,383	907,484	275,446	131,626	6,181,477	-	-	-	-	-	-	-	-	6,181,477
- Derivative financial instruments	24,350	75,450	1,736	2	62,872	164,410						-	-	-	164,410
Available-for-sale financial assets -Debt instruments	4,132,048	3,567,688	422,003	22,641	59,177	8,203,557	-	-	-	-	-	-	-	-	8,203,557
Bills and bonds purchased under resale agreements	86,829	-	-	-	-	86,829	-	-	-	-	-	-	-	-	86,829
Receivables	1,027,754	475,344	262,137	37,216	4,405,803	6,208,254	-	-	-	594	159	753	26,280	35,861	6,199,427
Bills discounted and loans	14,011,933	14,753,793	6,199,694	2,418,600	17,812,458	55,196,478				-	-	-	11,104,051	731,185	55,569,343
Available-for-sale financial assets-Debt instruments	111,013	-	-	-	-	111,013	-	-	-	-	-	-	-	386	110,628
Held-to-maturity financial assets-Debt instruments	5,671,315	453,498	41,584	1,946	25,149	6,193,492	-	-	-	-	-	-	-	-	6,193,492
Other assets	155,392	157,198	-	-	388,385	700,975	-	-	-	-	-	-	194	466	700,703
Total	$ 38,245,278	$ 27,439,794	$ 10,072,701	$ 2,815,994	$ 22,986,531	$ 101,560,298	$ -	$ -	$ -	$ 594	$ 159	$ 753	$ 1,130,525	$ 767,942	$ 101,923,634

Unit: In thousands of NT Dollars

December 31, 2012	Neither past due nor impaired						Past due but not impaired						Impaired	Reserve for losses	Net amount
	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal			
Maximum credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 206,437,383	$ 41,422,202	$ 13,508,528	$ 15,518,622	$ 36,542,539	$ 313,429,274	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,182	$ 313,428,092
Due from Central Bank and call loans to banks	53,623,916	62,971,908	21,588,363	2,657,377	4,220,473	145,062,037	-	-	-	-	-	-	-	-	145,062,037
Financial assets at fair value through profit or loss															
- Debt instruments	93,144,737	48,652,705	20,190,496	3,893,525	9,788,930	175,670,393	-	-	-	-	-	-	-	-	175,670,393
- Derivative financial instruments	462,973	1,398,614	204,054	-	2,352,009	4,417,650	-	-	-	-	-	-	-	-	4,418,589
Available-for-sale financial assets -Debt instruments	99,902,765	92,344,860	5,578,123	308,566	4,484,143	202,618,457	-	-	-	-	-	-	-	-	202,618,457
Bills and bonds purchased under resale agreements	194,992	49,974	1,987,139	-	49,948	2,282,052	-	-	-	-	-	-			2,282,052
Receivables	10,265,382	21,565,010	6,006,026	534,857	84,909,064	123,280,339	-	-	-	401	130,321	130,722	1,716,118	2,441,959	122,685,220
Bills discounted and loans	353,602,481	393,221,601	132,526,977	95,187,822	528,452,792	1,502,991,673	-	-	-	-	19,435	19,435	16,120,662	16,430,909	1,502,700,861
Available-for-sale financial assets- Debt instruments	3,309,607	-	-	-	-	3,309,607	-	-	-	-	-	-	-	8,057	3,301,550
Held-to-maturity financial assets-Debt instruments	147,895,613	11,506,942	1,219,160	65,723	566,544	161,253,982	-	-	-	-	-	-	-	-	161,253,982
Other assets	3,196,767	5,159,924	-	346	15,070,410	23,427,447	-	-	-	-	-	-	292,371	181,550	23,538,268
Total	$ 972,036,616	$ 678,293,740	$ 202,808,866	$ 118,166,838	$ 686,436,852	$2,657,742,911	$ -	$ -	$ -	$ 401	$ 149,756	$ 150,157	$ 18,129,151	$ 19,063,657	$2,656,959,501

Unit: In thousands of NT Dollars

January 1, 2012	Neither past due nor impaired						Past due but not impaired						Impaired	Reserve for losses	Net amount
	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal	Excellent	Satisfactory	Fair	Weaker	No rating	Subtotal			
Maximum credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 284,656,442	$ 31,872,221	$ 3,340,093	$ 814,479	$ 2,421,210	$ 323,104,445	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 705	$ 323,103,740
Due from Central Bank and call loans to banks	55,798,407	103,239,630	13,954,928	2,024,235	5,382,380	180,399,580	-	-	-	-	-	-	-	59	180,399,521
Financial assets at fair value through profit or loss															
- Debt instruments	91,312,486	57,524,919	15,085,960	4,802,415	8,598,700	177,324,480	-	-	-	-	-	-	-	-	177,324,480
- Derivative financial instruments	1,331,437	979,046	222,544	388	3,796,604	6,330,019	-	-	-	-	-	-	-	-	6,330,113
Available-for-sale financial assets -Debt instruments	105,285,604	32,123,473	2,767,944	393,521	4,179,655	144,750,197	-	-	-	-	-	-	-	-	144,750,197
Bills and bonds purchased under resale agreements	586,123	525,000	149,562	-	100,000	1,360,685	-	-	-	-	-	-	-	-	1,360,685
Receivables	16,661,521	22,990,008	2,670,599	934,647	64,259,145	107,515,920	-	-	-	-	1,232	1,232	2,249,269	2,207,395	107,559,026
Bills discounted and loans	351,739,591	286,769,501	149,860,111	142,553,490	511,256,008	1,442,178,701	-	-	-	-	55,414	55,414	33,868,530	15,769,491	1,460,333,154
Available-for-sale financial assets-Debt instruments	3,619,435	-	-	-	-	3,619,435	-	-	-	-	-	-	-	10,372	3,609,063
Held-to-maturity financial assets-Debt instruments	124,366,886	6,401,217	893,293	-	175,009	131,836,405	-	-	-	-	-	-	-	-	131,836,405
Other assets	9,128,811	991,535	443	4,000,707	5,098,226	19,219,722	-	-	-	-	-	-	629,906	456,149	19,393,479
Total	$1,044,486,743	$ 543,416,550	$ 188,945,477	$ 155,523,882	$ 605,266,937	$2,537,639,589	$ -	$ -	$ -	$ -	$ 56,646	$ 56,646	$ 36,747,705	$ 18,444,171	$2,555,999,863

b. The Group's ageing analysis of financial assets that were past due but not impaired

Financial assets might be past due but not impaired due to borrower's processing delay or other administrative reasons. According to subsidiaries' internal management rules for assets assessment, financial assets which are past due within 90 days are not regarded as impaired unless there is objective evidence that the financial assets are impaired. There are very few conditions where financial assets are past due over 90 days but not impaired.

	December 31, 2013				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Margin deposits from clients	$ 4,702	$ 17,690	$ -	$ 42	$ 22,434
Bills discounted and loans					
- Enterprise and commerce	$ -	$ -	$ -	$ -	$ -
- Individuals	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -

Unit: In thousands of US Dollars

	December 31, 2013				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Margin deposits from clients	$ 158	$ 594	$ -	$ 1	$ 753
Bills discounted and loans					
- Enterprise and commerce	$ -	$ -	$ -	$ -	$ -
- Individuals	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -

Unit: In thousands of NT dollars

	December 31, 2012				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Margin deposits from clients	$ 1,219	$ 179	$ 150	$ 129,174	$ 130,722
Bills discounted and loans					
- Enterprise and commerce	$ -	$ 6,754	$ -	$ 11,747	$ 18,501
- Individuals	77	-	-	857	934
Total	$ 77	$ 6,754	$ -	$ 12,604	$ 19,435

Unit: In thousands of NT dollars

	January 1, 2012				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Margin deposits from clients	$ 916	$ 316	$ -	$ -	$ 1,232
Bills discounted and loans					
- Enterprise and commerce	$ -	$ 37,078	$ -	$ 14,242	$ 51,320
- Individuals	2,822	-	-	1,272	4,094
Total	$ 2,822	$ 37,078	$ -	$ 15,514	$ 55,414

c. The Group's provisions for doubtful accounts analysis of impaired loans

Unit: In thousands of NT Dollars

	December 31, 2013									(NT$)
	Loans					Provisions for doubtful accounts				
	Not impaired		Impaired							Provisions for doubtful accounts/ impaired Loans %
	Individual assessment	Group assessment	Individual assessment	Group assessment	Total	Individual assessment	Group assessment	Total	Loans net amount	
ROC	$ -	$ 1,207,326,759	$ 27,958,566	$ 753	$1,235,286,078	$ 4,075,358	$ 12,365,334	$ 16,440,692	$1,218,845,386	58.80
Asia	-	274,459,639	1,343,253	-	275,802,892	243,437	2,880,004	3,123,441	272,679,452	232.53
North America	-	54,195,793	1,236,913	-	55,432,706	185,377	579,742	765,119	54,667,588	61.86
Others	-	107,492,921	2,333,627	-	109,826,548	340,149	1,101,630	1,441,779	108,384,767	61.78
Total	$ -	$ 1,643,475,112	$ 32,872,359	$ 753	$1,676,348,224	$ 4,844,321	$ 16,926,710	$ 21,771,031	$1,654,577,193	66.23

	December 31, 2013									(US$)
	Loans					Provisions for doubtful accounts				
	Not impaired		Impaired							Provisions for doubtful accounts/ impaired Loans %
	Individual assessment	Group assessment	Individual assessment	Group assessment	Total	Individual assessment	Group assessment	Total	Loans net amount	
ROC	$ -	$ 40,548,338	$ 938,995	$ 25	$ 41,487,358	$ 136,872	$ 415,292	$ 552,164	$ 40,935,193	58.80
Asia	-	9,217,788	45,113	-	9,262,901	8,176	96,726	104,901	9,158,000	232.53
North America	-	1,820,178	41,542	-	1,861,720	6,226	19,471	25,697	1,836,023	61.86
Others	-	3,610,174	78,375	-	3,688,549	11,424	36,998	48,422	3,640,127	61.78
Total	$ -	$ 55,196,478	$ 1,104,025	$ 25	$ 56,300,528	$ 162,698	$ 568,487	$ 731,185	$ 55,569,343	66.23

Unit: In thousands of NT Dollars

	December 31, 2012									(NT$)
	Loans					Provisions for doubtful accounts				
	Not impaired		Impaired							Provisions for doubtful accounts/ impaired Loans %
	Individual assessment	Group assessment	Individual assessment	Group assessment	Total	Individual assessment	Group assessment	Total	Loans net amount	
ROC	$ -	$ 1,139,902,286	$ 10,078,733	$ 394	$1,149,981,413	$ 4,403,614	$ 7,365,361	$ 11,768,975	$1,138,212,438	116.77
Asia	-	206,733,387	2,093,758	-	208,827,145	749,207	1,435,080	2,184,287	206,642,858	104.32
North America	-	53,661,452	933,734	-	54,595,186	339,158	384,421	723,579	53,871,606	77.49
Others	-	102,713,983	3,014,043	-	105,728,026	1,102,833	651,235	1,754,068	103,973,957	58.20
Total	$ -	$ 1,503,011,108	$ 16,120,268	$ 394	$1,519,131,770	$ 6,594,812	$ 9,836,097	$ 16,430,909	$1,502,700,861	101.92

	Janusar 1, 2012									(NT$)
	Loans					Provisions for doubtful accounts				
	Not impaired		Impaired							Provisions for doubtful accounts/ impaired Loans %
	Individual assessment	Group assessment	Individual assessment	Group assessment	Total	Individual assessment	Group assessment	Total	Loans net amount	
ROC	$ -	$ 1,094,628,618	$ 30,691,752	$ 325	$1,125,320,695	$ 6,184,073	$ 5,749,389	$ 11,933,462	$1,113,387,232	58.88
Asia	-	185,012,255	2,239,105	-	187,251,360	896,465	974,216	1,870,681	185,380,680	83.55
North America	-	52,765,336	1,120,146	-	53,885,482	431,105	279,823	710,928	53,174,553	63.47
Others	-	109,827,906	1,817,202	-	111,645,108	692,108	562,312	1,254,420	110,390,689	69.03
Total	$ -	$ 1,442,234,115	$ 35,868,205	$ 325	$1,478,102,645	$ 8,203,751	$ 7,565,740	$ 15,769,491	$1,462,333,154	43.96

(G) Foreclosed properties management policy

As of December 31, 2013, December 31, 2012 and January 1, 2012, other assets in the consolidated balance sheet include foreclosed properties' book value of MICB totaling $23,602, $0 thousand and $28,489 thousand, respectively. Foreclosed properties are both land and buildings. To lower the amount of creditors' rights, foreclosed properties will be sold. According to the regulations of competent authorities, foreclosed properties of the bank shall be sold within two years.

(H) Supplementary information in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks"

a. MICB's asset quality of non-performing loans and overdue accounts

Unit: In thousands of NT Dollars, %

			December 31, 2013				
			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		1,832,464	623,497,812	0.29%	8,566,539	467.49%
	Unsecured loans		785,819	701,769,317	0.11%	9,474,157	1205.64%
Consumer banking	Residential mortgage loans (Note 4)		261,803	254,470,087	0.10%	2,715,806	1037.35%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		2,288	10,968,657	0.02%	115,912	5066.08%
	Others (Note 6)	Secured loans	36,000	85,233,828	0.04%	888,215	2467.26%
		Unsecured loans	20,108	408,523	4.92%	10,402	51.73%
Gross loan business			2,938,482	1,676,348,224	0.18%	21,771,031	740.89%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			9,205	3,962,419	0.23%	69,569	755.77%
Without recourse factoring (Note 7)			-	69,336,768	-	688,171	100.00%

Unit: In thousands of US Dollars, %

			December 31, 2013				
			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		61,544	20,940,313	0.29%	287,709	467.49%
	Unsecured loans		26,392	23,569,079	0.11%	318,192	1205.64%
Consumer banking	Residential mortgage loans (Note 4)		8,793	8,546,434	0.10%	91,211	1037.35%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		77	368,385	0.02%	3,893	5066.08%
	Others (Note 6)	Secured loans	1,209	2,862,597	0.04%	29,831	2467.26%
		Unsecured loans	675	13,720	4.92%	349	51.73%
Gross loan business			98,690	56,300,528	0.18%	731,185	740.89%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			309	133,079	0.23%	2,336	755.77%
Without recourse factoring (Note 7)			-	2,328,691	-	23,112	100.00%

Unit: In thousands of NT Dollars, %

			December 31, 2012				
			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		687,167	576,924,538	0.12%	7,360,572	1071.15%
	Unsecured loans		1,531,665	647,804,276	0.24%	6,940,567	453.14%
Consumer banking	Residential mortgage loans (Note 4)		429,993	210,169,969	0.20%	1,557,366	362.18%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		11,310	11,063,644	0.10%	78,455	693.68%
	Others (Note 6)	Secured loans	26,322	72,644,859	0.04%	488,063	1854.20%
		Unsecured loans	23,805	524,484	4.54%	5,886	24.73%
Gross loan business			2,710,262	1,519,131,770	0.18%	16,430,909	606.25%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			10,263	4,109,795	0.25%	87,254	850.18%
Without recourse factoring (Note 7)			-	67,166,000	-	651,042	100.00%

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.

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

Unit: In thousands of NT Dollars

	December 31, 2013	
	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)	$ 72	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	520	4,522
Total	$ 592	$ 4,522

Unit: In thousands of US Dollars

	December 31, 2013	
	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)	$ 2	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	17	152
Total	$ 19	$ 152

Unit: In thousands of NT Dollars

	December 31, 2012	
	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)	$ 101	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	584	4,763
Total	$ 685	$ 4,763

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.

c. Contract amounts of significant credit risk concentration of MICB

Unit: In thousands of NT Dollars, %

Year	December 31, 2013			
		Total outstanding loan amount (Note 3)		Total outstanding loan amount / net worth of the current year (%)
Ranking (Note 1)	Name of Enterprise Group (Note 2)	NT$	US$	
1	A Corporation– Railway Transportation	66,114,824	2,220,481	32.91%
2	B Group – Sea Transportation	49,052,575	1,647,442	24.42%
3	C Group –LED Panels and Spare Parts Manufacturing	30,106,092	1,011,120	14.99%
4	D Group –General and Other Merchandise Retailing	26,821,440	900,804	13.35%

Year	December 31, 2013			
		Total outstanding loan amount (Note 3)		Total outstanding loan amount / net worth of the current year (%)
Ranking (Note 1)	Name of Enterprise Group (Note 2)	NT$	US$	
5	E Group –Steel and smelting	22,043,071	740,321	10.97%
6	F Group –Unclassified other financial agency	22,013,826	739,339	10.96%
7	G Group –Iron Rolling and Extruding	14,247,185	478,495	7.09%
8	H Group – Sea Transportation	13,610,786	457,121	6.78%
9	I Group –Unclassified other financial agency	13,463,781	452,184	6.70%
10	J Group – LED Panels and Spare Parts Manufacturing	13,376,209	449,243	6.66%

Unit: In thousands of NT Dollars, %

Year	December 31, 2012		
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	A Corporation– Railway Transportation	66,687,127	37.69%
2	B Group – Sea Transportation	60,934,715	34.44%
3	C Group –LED Panels and Spare Parts Manufacturing	33,162,150	18.74%
4	D Group –Steel and smelting	27,696,239	15.65%
5	E Group –General and Other Merchandise Retailing	20,898,857	11.81%
6	F Group –Investment consultation	20,306,382	11.48%
7	G Group –LED Panels and Spare Parts Manufacturing	17,519,821	9.90%
8	H Group –Tire manufacturing	15,821,251	8.94%
9	I Group –Property leading	15,253,169	8.62%
10	J Group –Iron Rolling and Extruding	14,536,901	8.22%

Note: (a) 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 would be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

(b) Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

(c) 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.

d. Supplementary information in accordance with the Regulations

(a) The quality of assets

Item	December 31, 2013		December 31, 2012
	NT$	US$	NT$
Guarantees in arrear and guaranteed credits overdue for longer than three months	$ 77,000	$ 2,586	$ -
Overdue credits (non-accrual loans are inclusive) (Note)	-	-	-
Loans under surveillance	354,000	11,889	357,000
Overdue receivables	-	-	-
Ratio of overdue credits (%) (Note)	-	-	-
Ratio of overdue credits plus ratio of loans under surveillance (%)	0.25	0.25	0.25
Provision for bad debts and guarantees as required by regulations	2,896,849	97,291	2,835,952
Provision for bad debts and guarantees actually reserved	3,018,804	101,387	2,999,660

Note : Items follow ”Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt”.

(b) Overview of main business

Item	December 31, 2013 NT$		December 31, 2013 US$		December 31, 2012 NT$	
Total guarantees and endorsement for short-term bills	$	142,710,000	$	4,792,947	$	141,622,600
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment) (Note)		4.75		4.75		4.73
Total bills and bonds sold under repurchase agreements		163,869,634		5,503,598		159,376,775
Bills and bonds sold under repurchase agreements / Net amount (after deducting final accounts allotment) (Note)		5.45		5.45		5.32

(c) Credit risk concentration

Item	December 31, 2013		December 31, 2012	
Amount of credit extensions to interested parties	$ -		$ 545,000	
Ratio of credit extensions to interested parties (%)(Note 1)	-		0.38	
Ratio of credit extensions secured by stocks (%)(Note 2)	20.05		17.62	
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount) (Note 3)	Industry	Ratio (%)	Industry	Ratio (%)
	Manufacturing	30.95	Manufacturing	30.21
	Financial & Insurance	26.84	Financial & Insurance	30.04
	Real estate	21.94	Real estate	18.05

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

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

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

(4) Liquidity risk

A. Definition and sources of liquidity risk

The Group defines liquidity risk as the risk of financial loss to the Group arising from default by any companies of financial instruments on the payment obligations. For example, the companies are default on payment obligations, such as withdrawals paid to depositors and loans repayment. Or, the company is unable to obtain funds within a certain period at reasonable cost in response to increased demand for assets.

B. Procedures for liquidity risk management and measurement of liquidity risk

The Group is mainly engaged in industry related to finance. Therefore, the management for capital liquidity is very important to the Group. The objectives for liquidity risk management are to maintain reasonable liquidity based on business development plans, ensure capability of daily payment obligations and meet business growth requirements with adequate high-liquid assets and capability of raising funds from others in case of emergency.

The financial department of the Group is responsible for daily capital liquidity management. According to the limits authorized by the Board of Directors, the Group monitors the indexes of liquidity risk, executes capital procurement trading and reports the conditions of capital liquidity to the management. The Group also reports the liquidity risk control to the capital review committee, assets/liabilities and risk management committee and Board of Directors regularly, and performs regular liquidity stress-testing to ensure sufficient capital to meet the funding requirements for increase in assets and payment obligations.

The Group daily performs intensive control over capital sources and the period for fund gaps and liquidity risk management. Future cash flows are estimated based on the financial liability contracts due date and expected cash collection date of financial assets. The Group also takes into account the extent of practical utilization of capital in contingent liabilities such as use of loan limits, guarantees and commitments. The period for fund gaps management includes one day, one week and one month.

Assets to be used to pay obligations and loan commitments include cash, due from Central Bank and call loans to other banks, bank deposits, and collection of loans. The Group can also use repo trade and sale of bonds and bills in response of unexpected cash outflows.

The liquidity management policies of the Group include:

(A) Maintain the ability to perform all payment obligations immediately.

(B) Maintain solid assets/liabilities structure to ensure medium and long-term liquidity safety.

(C) Diversify capital sources and absorb stable core depositors to avoid depending on certain large-sum depositors or minor borrowers.

(D) Avoid potential unknown loss risk which will increase capital cost and capital procurement pressure.

(E) Conduct due date management to ensure that cash inflow is greater than cash outflow in short term.

(F) Keep liquidity ratio regulated by the supervision authority.

(G) Keep legal ratio for high-quality, high-liquidity assets.

(H) Aware of the liquidity, safety and diversity of financial instruments.

(I) The Group has capital emergency plans, which are reviewed regularly.

(J) The overseas branches of the Group must obey the regulations of ROC and the local supervisory authorities. They will be punished for violation of these regulations.

C. Maturity date analysis for financial assets and liabilities held for liquidity risk management

The table below lists analysis for cash inflow and outflow of the financial assets and liabilities held by the Group for liquidity risk management of primary currency based on the remaining period at the financial reporting date to the contractual maturity date. The definition of primary currency is: held assets or liabilities denominated in certain currency accounts for 5% or above of consolidated total assets or liabilities. As of December 31, 2013, for the Group, only NTD and USD met the definition of primary currency, and assets (liabilities) in NTD and USD accounts for 90% of consolidated total assets (liabilities) and no other currency assets (liabilities) accounts for more than 5% of consolidated total assets (liabilities) (since such other currency assets have little liquidity risk, they are not disclosed). The amounts in the table are undiscounted contract cash flows. Short-term transactions with uncertain maturity are all classified in "1-30 days". All credit default swaps are presented in gross amount. The Group pays and collects amounts to/from credit protection sellers or purchasers regularly, and pays credit protection purchasers in a lump sum when credit risk event occurs.

(A) The Group's analysis for capital maturity gaps-NTD

(Please refer to P.104-107 of the Consolidated Financial Statements.)

(B) Structure analysis for maturity of derivative financial assets and liabilities (Settled by gross amount)

(Please refer to P.108-109 of the Consolidated Financial Statements.)

(C) Structure Analysis for maturity of derivative financial assets and liabilities-NTD

(Please refer to P.110-111 of the Consolidated Financial Statements)

(D) Analysis for maturity leasing contractual commitments

(Please refer to P.112 of the Consolidated Financial Statements)

D. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

(A) Maturity analysis of NTD financial instruments of subsidiary-Mega International Commercial Bank

(Please refer to P.113 of the Consolidated Financial Statements)

(B) Maturity analysis of USD financial instruments of subsidiary-Mega International Commercial Bank

(Please refer to P.113 of the Consolidated Financial Statements)

(C) Maturity analysis of USD financial instruments of subsidiary-overseas branches

(Please refer to P.114 of the Consolidated Financial Statements)

E. Supplementary information in accordance with the Regulations

(Please refer to P.115 of the Consolidated Financial Statements)

(5) Market risk

A. Definition of market risk

The Group has market risk on changes in fair value and estimated cash flows of financial instruments arising from fluctuations in interest rate, foreign exchange rate, credit spread, stock price, bond price and financial product price. Trading book and non-trading book both generate market risk.

The Group's trading book operation is mainly for the requirement of its own trading or for supporting clients' investment and hedge, which are accounted for interest rate, foreign exchange rate, equity and credit instruments, including positions of derivative and non-derivative instruments. Non-trading book operation is mainly for assets/liabilities management requirement, such as stock, bond and bill investments.

B. Objective of market risk management

The objective of the Group's market risk management is to confine the risks to the tolerable scopes to avoid the impact of fluctuations of interest rate, foreign exchange rate and financial instrument price on values of future profit and assets/liabilities.

C. Market risk management policies and procedures

The Board of Directors decided the risk tolerant limits and then allocates position limits, Value-at-Risk limits, sensitivity limits, loss limits to each business unit and product line based on budgets and utilization of capital. Market risk management comprises trading book control and non-trading book control. Trading book operation mainly pertains to the positions held by bills and securities firms due to market making. Policies for financial instrument trading of bank are based on back-to-back operation principle. Non-trading book is based on held-to-maturity principle and adopts hedging measures.

D. Procedures for market risk management

Each entity of the Group manages finance independently. Each subsidiary has set organization structure and rules on market risk management based on the Company's guiding principle and each subsidiary's own business nature. The Board of Directors is the highest decision unit for market risk tolerant limits and authorizes certain committee/management to be in charge of obeying the policies and put into operation. The certain committee/management sets trading strategies within total risk limits, trading scopes and limits of money market, capital market, foreign exchange market and derivatives and sets business goals based on business policies, domestic and foreign economic situations, future market interest rates, foreign exchange rates and prices trends. The management monitors the positions of bills and bonds, stocks and derivatives, VaR, sensitivity limits and loss limits, performs sensitivity analysis and valuation test, gives reports to the Risk Management Committee and Board of Directors regularly about the risk management operations and daily reports the financial positions to the Finance Control Department. The Risk Management Department of the Company reviews market risk management operations of subsidiaries regularly.

E. Methods of risk measurement (market risk valuation technique)

Each business unit is responsible for identifying the risk factors of each product and the Risk Management Department is responsible for verification of those factors. The Group adopts sensitivity analysis (PV01、Delta、Vega、Gamma) and VaR method to measure market risk and conducts stress test monthly.

Bank, securities, bills and property insurance subsidiaries adopt VaR models to assess the risk of investment portfolios (including financial assets and liabilities designated at fair value through profit or loss) and assess the market risk of holding positions based on the assumptions of several changes in market conditions and maximum expected loss.

Value at risk estimates possible losses of the existing positions resulted from the unfavorable market changes based on statistical method. Subsidiaries calculate their tolerable "Maximum potential loss" by using 99% confidence interval; therefore, there is still 1% probability that actual loss might be greater than VaR estimation. Assuming the least holding duration is ten day, they assess the VaR of their own positions through historical simulation method and based on the fluctuations in foreign exchange rates, interest rates, prices or indexes for the past one year. The actual calculation results are used to monitor and test regularly the accuracy of parameters and assumptions used in the calculation. The evaluation method above cannot prevent the losses caused by excessive market fluctuations.

The Group currently monitors market risk using sensitivity analysis.

F. Policies and procedures of trading-book risk management

Subsidiaries daily monitor trading-book positions, changes in risk exposures, and various risk limits, including trading rooms, traders and product line risk limits.

If trading-book financial instruments have market price, the valuation of those instruments is conducted at least one time daily using the independent source and available information. If using model valuation, the assumptions and parameters used in the model are reviewed regularly.

Risk measurement methods include VaR and sensitivity analysis.

The Group conducts stress test on the positions of its interest rate, stock and foreign exchange rate products on the assumptions of the monthly change in interest rate, securities market index and foreign exchange rate by 0.1%, 15% and 3%, respectively, and reports to the risk control meeting.

G. Trading-book interest rate risk management

Trading-book interest rate risk refers to the financial loss of the decline in values of interest rate products held due to unfavorable changes in interest rates, including securities and derivatives with interest.

Except for dealers, the Group's interest rate products are traded mainly for hedging.

The trading group screens the credits and financial positions of issuers and selects investment objectives by judging interest rate trend and a variety of country risks and based on the authorized minimum investment criteria. Subsidiaries set trading-book trading limits and stop-loss limits (including trading rooms, traders, trading products, and counterparties, daily and overnight limits) based on business strategies and market conditions, and measure monthly the extent of impact of interest rate risk on investment portfolios using PV01 value.

H. Non-trading-book interest rate risk management

Non-trading book interest rate risk mainly comes from the unmatched maturity dates of assets and liabilities or price resetting dates, and inconsistent changes in base interest rates for assets and liabilities. The Group's interest rate risk mainly comes from the unmatched periods of interest-rate sensitive assets and liabilities of bank and bills subsidiaries.

As the Group has interest-rate sensitive gaps, market interest rate fluctuations have good or bad impacts on the Group's earnings and cash flows.

The Group manages non-trading book interest rate risk by using reprising gap analysis. The interest-rate reprising gap analysis is to estimate the difference between the assets and liabilities with interest bearing that are to be due near or reprised within a certain period and measure the impact of interest rate change on net interest revenue. The analysis assumes assets and liabilities structure remain unchanged and there are parallel movements of interest rate curves, and excludes the customer behavior, basis risk, option characteristics of early repayment of bonds. The Group calculates the change in net interest revenue for this year and also monitors the percentage of change in net interest revenue to the projection of net interest revenue for this year.

The Group monthly analyzes and monitors interest rate risk positions limits and various interest rate risk management indexes. If any risk management index exceeds limit, the Group will adopt responding measures and report the analysis and monitoring results to the Risk Management Committee.

I. Foreign exchange risk management

Foreign exchange risk refers to the losses caused by the exchange of two different currencies at different times. The Group's foreign exchange risk mainly comes from its derivative instruments business such as spot foreign exchange, forward foreign exchange and foreign exchange options. The foreign exchange trading of the bank subsidiaries is mainly for offsetting customers' positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, subsidiaries have set trading limits and stop-loss limits for trading rooms and traders and also set the annual maximum loss limits to control the losses within the tolerable scopes.

J. The Group's foreign exchange risk gaps

UNIT：In thousands of NT Dollars, %

	December 31, 2013		
	USD	AUD	RMB
Assets			
Cash and cash equivalents	$ 272,775,837	$ 742,974	$ 64,965,732
Due from the Central Bank and call loans to banks	95,138,413	798,007	18,589,400
Financial assets at fair value through profit or loss	35,264,571	203,401	1,075,688
Available-for-sale financial assets	30,465,920	32,522,068	18,987,380
Receivables	131,254,004	1,153,669	13,139,174
Reinsurance contract assets	2,576	-	-
Bills discounted and loans	506,763,584	38,970,850	6,330,993
Held-to-maturity financial assets	14,656,422	623,875	2,991,539
Equity investments accounted for by the equity method, net	110,697	-	-
Other financial assets	559,292	217	60,504
Property and equipment, net	276,942	40,197	2,259
Intangible assets, net	497	898	1,270
Other assets	4,011,479	4,431	9,954
Total assets	$ 1,091,280,234	$ 75,060,587	$ 126,153,893
Liabilities			
Due to the Central Bank and financial institutions	$ 373,206,503	$ 5,829,257	$ 21,524,316
Funds borrowed from the Central Bank and other banks	30,491,932	-	-
Financial liabilities at fair value through profit or loss	6,259,382	34,592	12,030
Bills and bonds sold under repurchased agreements	24,183,186	21,927,708	6,490
Payables	12,382,394	200,404	742,256
Deposits and remittances	589,644,035	28,037,823	99,937,827
Other borrowings	409,213	-	-
Provisions for liabilities	458,930	7,291	-
Other financial liabilities	3,180,514	1,368,167	1,085,971
Other liabilities	(4,503,619)	81,465	315,376
Total liabilities	$ 1,035,712,470	$ 57,486,707	$ 123,624,266
On-balance sheet foreign exchange gap	$ 55,567,764	$ 17,573,880	$ 2,529,627
Off-balance sheet commitments	$ 63,308,625	$ 1,259,923	$ 57,566

UNIT：In thousands of NT Dollars, %

	December 31, 2012					
	USD		AUD		Total	
Assets						
Cash and cash equivalents	$	255,556,424	$	1,470,253	$	28,392,885
Due from the Central Bank and call loans to banks		71,174,931		1,145,988		7,268,619
Financial assets at fair value through profit or loss		32,278,972		327,795		363
Available-for-sale financial assets		26,362,874		24,455,318		1,379,045
Bills and bonds purchased under resale agreements		242,239		-		-
Receivables		82,178,327		980,762		3,828,097
Bills discounted and loans		440,261,099		44,419,058		438,046
Held-to-maturity financial assets		11,237,134		597,523		2,972,361
Other financial assets		730,639		228		6,120
Other assets		2,978,315		19,881		6,712
Total assets		923,000,954		73,416,806		44,292,248
Liabilities						
Due to the Central Bank and financial institutions	$	270,763,453	$	10,620,081	$	1,660,391
Funds borrowed from the Central Bank and other banks		65,002,942		-		-
Financial liabilities at fair value through profit or loss		5,173,382		63,748		368
Bills and bonds sold under repurchased agreements		3,045,076		13,523,792		-
Payables		11,161,988		152,023		231,168
Deposits and remittances		551,853,001		17,499,809		34,934,633
Other financial liabilities		5,740,187		506,658		149,276
Other liabilities		1,671,806		87,703		136,563
Total liabilities	$	914,411,835	$	42,453,814	$	37,112,399
On-balance sheet foreign exchange gap	$	8,589,119	$	30,962,992	$	7,179,849
Off-balance sheet commitments	$	59,530,852	$	3,214,784	$	6,113

UNIT：In thousands of NT Dollars, %

	January 1, 2012					
	USD		AUD		RMB	
Assets						
Cash and cash equivalents	$	265,597,411	$	654,577	$	2,522,225
Due from the Central Bank and call loans to banks		101,831,806		126,424		95,881
Financial assets at fair value through profit or loss		28,069,881		1,340,326		1,218
Available-for-sale financial assets		21,930,044		12,276,113		391,545
Bills and bonds purchased under resale agreements		249,562		-		-
Receivables		59,744,684		2,981,101		4,337,125
Bills discounted and loans		398,982,370		49,680,445		78,897,334
Held-to-maturity financial assets		8,772,792		602,726		587,765
Other financial assets		987,587		37		33,804
Other assets		1,017,952		2,996		36,802
Total assets		887,184,089		67,664,745		86,903,699
Liabilities						
Due to the Central Bank and financial institutions	$	293,739,060	$	19,189,022	$	19,033,148
Funds borrowed from the Central Bank and other banks		57,304,781		-		22,986,400
Financial liabilities at fair value through profit or loss		4,385,636		242,227		802
Bills and bonds sold under repurchased agreements		8,845,679		-		-
Payables		10,334,124		346,806		3,389,468
Deposits and remittances		512,571,665		19,546,292		19,586,195
Other financial liabilities		6,089,371		1,510,885		114,194
Other liabilities		28,004		113,603		69,898
Total liabilities	$	893,298,320	$	40,948,835	$	65,180,105
On-balance sheet foreign exchange gap	($	6,114,231)	$	26,715,910	$	21,723,594
Off-balance sheet commitments	$	71,756,409	$	2,148,862	$	8,824,730

K. Equity securities risk management

(A) The Company's equity securities market risk comprises the risk of individual equity security coming from the security's market price changes and the general market risk coming from overall equity securities market price changes.

(B) For equity securities risk management, the Company has set trading strategies for three categories of positions: (a) positions held for selling and earning capital gain in short-term; (b) positions held for earning dividends; and (c) positions held for earning capital gains reflecting stock price for good prospect industry or long-term good profitability, and set annual loss limits to the tolerable scopes.

(C) Related control measures include: daily market price valuation to control loss limits, monthly stress-testing to calculate possible losses on the Group's investment portfolios, measurement of the extent of the impact of systematic risk on investment portfolios using β value, and reporting to the Risk Management Committee quarterly.

L. Sensitivity Analysis

Sensitivity analysis of the Group's financial instruments (including trading book and non-trading book):

December 31, 2013 UNIT：In thousands of NT Dollars, %

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 3%.	($ 240,627)	($ 706,523)
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 3%	240,627	706,523
Interest rate risk	Major increases in interest rates 25BPS	(173,725)	(794,358)
Interest rate risk	Major decline in interest rates 25BPS	173,725	794,358
Equity securities risk	TAIEX declined by 2%.	(43,522)	(118,457)
Equity securities risk	TAIEX increased by 2%	43,522	118,457

December 31, 2012

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 3%.	($ 131,842)	($ 694,475)
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 3%.	131,842	694,475
Interest rate risk	Major increases in interest rates 25BPS	(168,451)	(760,546)
Interest rate risk	Major decline in interest rates 25BPS	168,451	760,546
Equity securities risk	TAIEX declined by 2%.	(41,771)	(127,934)
Equity securities risk	TAIEX increased by 2%.	41,771	127,934

January 1, 2012

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 3%.	($ 107,549)	($ 554,575)
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 3%.	107,549	554,575
Interest rate risk	Major increases in interest rates 25BPS	(178,163)	(687,744)
Interest rate risk	Major decline in interest rates 25BPS	178,163	687,744
Equity securities risk	TAIEX declined by 2%.	(20,090)	(99,764)
Equity securities risk	TAIEX increased by 2%	20,090	99,764

M. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2013 UNIT：In thousands of NT Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	523,002,524	752,373,403	18,207,982	21,276,038	1,314,859,947
Interest rate sensitive liabilities	539,494,842	568,874,894	40,857,951	40,588,406	1,189,816,093
Interest rate sensitive gap	(16,492,318)	183,498,509	(22,649,969)	(19,312,368)	125,043,854
Net worth					200,869,125
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					110.51%
Ratio of interest rate sensitivity gap to net worth					62.25%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2012 UNIT：In thousands of NT Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	473,863,401	680,228,420	6,569,522	21,077,653	1,181,738,996
Interest rate sensitive liabilities	477,265,508	516,371,224	36,925,477	44,285,855	1,074,848,064
Interest rate sensitive gap	(3,402,107)	163,857,196	(30,355,955)	(23,208,202)	106,890,932
Net worth					176,928,107
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					109.94%
Ratio of interest rate sensitivity gap to net worth					60.41%

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, 2013 UNIT：In thousands of US Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	32,405,519	974,278	945,611	763,712	35,089,120
Interest rate sensitive liabilities	31,479,662	1,226,189	934,005	10,300	33,650,156
Interest rate sensitive gap	925,857	(251,911)	11,606	753,412	1,438,964
Net worth					6,746,234
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					104.28%
Ratio of interest rate sensitivity gap to net worth					21.33%

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2012 UNIT：In thousands of US Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	29,084,516	740,916	339,508	514,052	30,678,992
Interest rate sensitive liabilities	28,010,741	1,105,073	789,745	300	29,905,859
Interest rate sensitive gap	1,073,775	(364,157)	(450,237)	513,752	773,133
Net worth					6,093,615
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					102.59%
Ratio of interest rate sensitivity gap to net worth					12.69%

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 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 US dollars).

N. Disclosure requirements in the “Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies”

(A) The information of interest rate sensitivity

Interest rate sensitivity analysis on assets and liabilities of MBF

December 31, 2013 UNIT：In thousands of NT Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	127,677,266	8,443,953	9,773,875	68,557,322	214,452,416
Interest rate sensitivity liabilities	183,399,596	1,491,344	237,694	-	185,128,634
Interest-rate sensitivity gap	(55,722,330)	6,952,609	9,536,181	68,557,322	29,323,782
Net worth					32,117,512
Interest rate sensitivity assets and liabilities ratio					115.84
Interest rate sensitivity gap and net worth ratio					91.30

Unit: In thousands of US Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	4,288,069	283,592	328,258	2,302,513	7,202,432
Interest rate sensitivity liabilities	6,159,516	50,087	7,983	-	6,217,586
Interest-rate sensitivity gap	(1,871,447)	233,505	320,275	2,302,513	984,846
Net worth					1,078,674
Interest rate sensitivity assets and liabilities ratio					115.84
Interest rate sensitivity gap and net w0rth ratio					91.30

December 31, 2012 UNIT：In thousands of NT Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	118,128,935	17,537,408	8,180,348	65,796,921	209,643,612
Interest rate sensitivity liabilities	177,966,379	2,236,308	35,088	-	180,237,775
Interest-rate sensitivity gap	(59,837,444)	15,301,100	8,145,260	65,796,921	29,405,837
Net worth					32,716,059
Interest rate sensitivity assets and liabilities ratio					116.32
Interest rate sensitivity gap and net worth ratio					89.88

Note 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.

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

Note 3: Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities

(B) Average amount and average interest rates of interest-earning assets and interest-bearing liabilities of MBF

	For the year ended December 31, 2013		
	Average amount (NT$)	Average amount (US$)	Average interest rate(%)
Assets			
Cash and cash equivalents (Note)	$ 1,410,526	47,373	0.50
Financial assets at fair value through profit or loss	126,109,160	4,235,404	1.06
Bonds and bills purchased under resale agreements	1,988,602	66,788	0.63
Available-for-sale financial assets	73,379,774	2,464,476	2.00
Held-to-maturity financial assets	500,000	16,793	2.04
Liabilities			
Interbank call loans and overdrafts	18,390,808	617,659	0.47
Bonds and bills sold under repurchase agreements	157,206,596	5,279,819	0.62

	For the year ended December 31, 2012	
	Average amount (NT$)	Average amount (NT$)
Assets		
Cash and cash equivalents (Note)	$ 1,267,849	0.59
Call loans to bank	84,153	0.70
Financial assets at fair value through profit or loss	128,598,559	1.07
Available-for-sale financial assets	74,988,336	2.39
Held-to-maturity financial assets	521,858	2.23
Liabilities		
Interbank call loans and overdrafts	13,190,497	0.68
Bonds and bills sold under repurchase agreements	164,692,531	0.68

Note: Cash and cash equivalents comprise restricted assets-Certificate of Deposit.

9. Insurance risk management

In order to effectively recognize, measure and monitor the risks the subsidiary is exposed to and ensure that the risks are within a coverable range, to balance risks and rewards reasonably, to maximize the value of equity and to maintain the adequacy of self-owned capital and repayment ability to secure the company's operation, the subsidiary established a risk management committee under the Board of Directors and a risk control department independent from business units as well as risk control policy and procedures. Insurance risks and financial risks will be explained below.

(1) Insurance risk, measurement and corresponding risk management

Insurance risks are the risks to overpay expected claims due to insufficient estimate of the frequency, degree of impact and uncertainty of time of the insured incidents, and such uncertain elements including natural disaster, catastrophe risks, legal changes and litigation, which might occur randomly. The subsidiary primarily covers automobile insurance, fire insurance, accident insurance and flood insurance, and the risk management methods are stated as follows:

A. Automobile insurance

The automobile insurance mainly covers automobile insurance businesses, and the risks primarily resulting from accident losses due to the behavior of the insured; therefore, the subsidiary selects clients of good quality through careful underwriting standards and practice, the amount of each policy is small and covered insurance is spread all over the country; the insurance is not concentrated on a specific location or on people of certain age group or occupation. However, the accumulative risks as a whole are still large, the subsidiary signs reinsurance contracts for automobile insurance when claims of various insurance exceed retention amount.

B. Fire insurance

The fire insurance mainly covers commercial fire insurance businesses, and the targets include manufacturing factories, losses due to machines and operation interruption. The insurance primarily covers fire or explosion resulting from machine abandonment, machine damage or human behavior, and risks concentrate on industrial parks, and petrochemical or heavy industries. Also, the insurance additionally covers typhoon, flood and earthquake, which elevates the overall degree of risks covered; therefore, the subsidiary excludes high risk clients through strict underwriting policy. The subsidiary disperses risks through fire reinsurance contract, over-insurance per risk unit reinsurance contract, over-insurance for catastrophe losses reinsurance contract or coinsurance. Also, the subsidiary assesses the relation between the scope of insurance cases and premium consideration; those with lower risks are self-retained, and facultative reinsurance arrangement will be adopted for the rest.

C. Incident insurance

The incident insurance mainly covers engineering insurance businesses, targeting non-renewal contracts, including contractor's all risk insurance, installation all risk insurance and carrying forward various all risk insurance, including risks resulting from typhoons (due to Taiwan's geographic location), floods and earthquakes. The subsidiary disperses risks through reinsurance contract and coinsurance with the Engineering Insurance Association; if the subsidiary is unable to disperse risks through the abovementioned methods, the relations between actual risk and premium consideration is considered, and those with lower risks are self-retained, while facultative reinsurance arrangement are adopted for the rest. Also, the subsidiary examines business performance and accumulated value of natural disasters; observes if there is any abnormal situation from loss rates and performance results for the insurer as reference. The maximum self-retention amount is revised each year after assessing market situation, business characteristics and previous year's performance result. For large and concentrated losses from natural disasters such as typhoons or earthquakes, foreign department will transfer self-retained risk above certain amount to be covered by reinsurers, and control risk through setting claim limit of self-retained risks.

D. Marine insurance

Marine insurance includes cargo transportation, hull insurance and fishing vessel insurance, primarily covering risks resulting from hull or cargo damage from accidents, which does not generate risk concentration problems. However, the accumulative risks as a whole are still large, the subsidiary selects quality businesses through strict underwriting policy and makes facultative reinsurance arrangement when claims of various insurance exceed retention amount based on insurance types and targets, e.g. hull insurance contracts. For cargo transportation insurance, the subsidiary disperses risks through surplus reinsurance contract and quota share reinsurance. When there are businesses that cannot be covered by reinsurance contracts or special risks, facultative reinsurance arrangement or coinsurance are adopted.

(2) Insurance risk concentration

The subsidiary covering fire insurance and engineering insurance will result in a higher risk concentration in location and in industry; risks are dispersed through reinsurance ceding. As of December 31, 2013, December 31, 2012 and January 1, 2012, through effective policies' premium income (fire insurance and engineering insurance) and self-retained premium, insurance risk concentration situation are as follows:

Type	December 31, 2013				December 31, 2012	
	Premium Income	Self-retained Premium	Premium Income	Self-retained Premium	Premium Income	Self-retained Premium
	NT$	NT$	US$	US$	NT$	NT$
Fire insurance	752,010	219,178	25,256	7,361	790,234	296,856
Engineering insurance	471,869	217,469	15,848	7,304	457,705	205,794

(3) Sensitivity analysis of insurance risk

The subsidiary assesses claim reserves through loss development model and estimated loss rate for various insurance types. Due to some uncertainties including changes in external environment (e.g. changes in regulations or legal ruling), trends or payment methods, which changes loss development model and estimated loss rate that could affect the estimation of claim reserves. The subsidiary performs sensitivity test on estimated loss rate as of December 31, 2013 and 2012. The results are as follows:

Type	December 31, 2013			
	Final loss rate increases 5%		Final loss rate decreases 5%	
	Total increase of claim reserves held before reinsurance	Total increase of claim reserves held after reinsurance	Total increase of claim reserves held before reinsurance	Total increase of claim reserves held after reinsurance
Fire Insurance	$ 53,939	$ 14,746	$ 53,939	$ 14,746
Marine Insurance	37,918	11,277	37,918	11,277
Automobile Insurance	123,319	97,752	123,319	97,752
Accident Insurance	99,951	38,703	99,951	38,703
Injury Insurance	20,017	16,414	20,017	16,414
Offshore Branches	6,372	6,372	6,372	6,372

The sensitivity test adopts self-retained maturity premium as basis and calculates the effects of 5% increase or decrease of final loss rate to the subsidiary's income and losses.

Type	December 31, 2012			
	Final loss rate increases 5%		Final loss rate decreases 5%	
	Total increase of claim reserves held before reinsurance	Total increase of claim reserves held after reinsurance	Total increase of claim reserves held before reinsurance	Total increase of claim reserves held after reinsurance
Fire Insurance	$ 54,701	$ 17,185	$ 54,701	$ 17,185
Marine Insurance	38,394	10,538	38,394	10,538
Automobile Insurance	112,389	89,276	112,389	89,276
Accident Insurance	99,794	33,932	99,794	33,932
Injury Insurance	16,844	13,532	16,844	13,352
Offshore Branches	6,947	6,939	6,947	6,939

The sensitivity test adopts self-retained maturity premium as basis and calculates the effects of 5% increase or decrease of final loss rate to the subsidiary's income and losses.

(4) As of December 31, 2013, December 31, 2012 and January 1, 2012, the subsidiary's claim development trend is as follows:

A. Accumulative claim amounts (Before reinsurancing)

(Unit: In thousands of NT Dollars)

Year of Accident	December 31, 2013									
	Day of evaluation									
	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.12.31	Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
2009 and before	16,995,559	16,922,138	16,945,220	16,872,422	16,779,521	16,779,521	16,316,303	463,218		
2010		3,609,724	3,515,512	3,347,358	3,324,839	3,324,839	3,189,121	135,717		
2011			1,824,491	2,069,938	2,051,385	2,051,385	1,881,723	169,663		
2012				2,281,266	2,591,177	2,591,177	2,020,604	570,573		
2013 (1/1-12/31)					1,973,722	1,973,722	1,183,135	790,587		
Total						26,720,644	24,590,886	2,129,758	938,716	3,068,474

Financial Information

December 31, 2012										
	Day of evaluation									
Year of Accident	2008.12.31	2009.12.31	2010.12.31	2011.12.31	2012.12.31	Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
2008 and before	14,847,471	14,879,430	14,736,603	14,776,279	14,704,261	14,704,261	13,302,771	1,401,490		
2009		2,116,129	2,185,536	2,168,941	2,168,161	2,168,161	1,878,474	289,687		
2010			3,609,724	3,515,512	3,347,358	3,347,358	3,265,875	81,483		
2011				1,824,491	2,069,938	2,069,938	1,794,192	275,746		
2012					2,281,266	2,281,266	2,033,322	247,944		
Total						24,570,984	22,274,634	2,296,350	958,829	3,255,179

(Unit: In thousands of NT Dollars)

January 1, 2012										
	Day of evaluation									
Year of Accident	2007.12.31	2008.12.31	2009.12.31	2010.12.31	2011.12.31	Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
2007 and before	11,915,751	12,235,404	12,282,665	12,128,180	12,060,708	12,060,708	11,769,086	291,622		
2008		2,612,067	2,596,765	2,608,422	2,715,571	2,715,571	2,397,129	318,442		
2009			2,116,129	2,185,536	2,168,941	2,168,941	1,997,613	171,328		
2010				3,609,724	3,515,512	3,515,512	2,528,552	986,959		
2011					1,824,491	1,824,491	1,025,418	799,073		
Total						22,285,223	19,717,798	2,567,424	707,308	3,274,733

Note: Claim reserves for compulsory private automobile liability insurance, compulsory commercial automobile liability insurance, compulsory motorcycle liability insurance, credit insurance, nuclear energy insurance, government sponsored earthquake insurance and health insurance are provided in accordance with related regulations; therefore, the loss development triangle of direct businesses does not include the abovementioned insurance types. Claim reserves on account are estimated based on current available data; however, the final result might differ from initial estimation value due to subsequent developments.

B. Accumulative claim amounts (After reinsurancing)

(Unit: In thousands of NT Dollars)

December 31, 2013										
	Day of evaluation									
Year of Accident	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.12.31	Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
2009 and before	11,128,997	11,313,365	11,316,457	11,323,314	11,279,527	11,279,527	11,052,369	227,158		
2010		1,397,312	1,626,786	1,678,008	1,665,534,816	1,665,535	1,610,402	55,133		
2011			1,114,786	1,466,969	1,526,449,935	1,526,450	1,387,624	138,826		
2012				1,346,822	1,664,765,589	1,664,766	1,405,463	259,303		
2013					1,322,491,269	1,322,491	853,793	468,698		
Total						17,458,769	16,309,651	1,149,118	508,262	1,657,380

(Unit: In thousands of NT Dollars)

January 1, 2012										
	Day of evaluation									
Year of Accident	2008.12.31	2009.12.31	2010.12.31	2011.12.31	2012.12.31	Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
2008 and before	9,831,697	9,955,956	10,053,152	10,000,214	10,001,568	10,001,568	9,776,870	224,698		
2009		1,173,040	1,260,213	1,316,242	1,321,746	1,321,746	1,259,642	62,104		
2010			1,397,312	1,626,786	1,678,008	1,678,008	1,478,769	199,239		
2011				1,114,786	1,466,969	1,466,969	1,207,147	259,822		
2012					1,346,822	1,346,822	847,717	499,105		
Total						15,815,113	14,570,145	1,244,968	521,079	1,766,047

(Unit: In thousands of NT Dollars)

January 1, 2012										
	Day of evaluation									
Year of Accident	2007.12.31	2008.12.31	2009.12.31	2010.12.31	2011.12.31	Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
2007 and before	7,910,791	8,209,872	8,248,505	8,320,360	8,272,264	8,272,264	8,133,883	138,381		
2008		1,621,825	1,707,451	1,732,793	1,727,950	1,727,950	1,620,425	107,525		
2009			1,173,040	1,260,213	1,316,242	1,316,242	1,212,282	103,960		
2010				1,397,312	1,626,786	1,626,786	1,264,480	362,306		
2011					1,114,786	1,114,786	661,348	453,438		
Total						14,058,028	12,892,418	1,165,610	456,718	1,622,328

Note: Claim reserves for compulsory private automobile liability insurance, compulsory commercial automobile liability insurance, compulsory motorcycle liability insurance, credit insurance, nuclear energy insurance, government sponsored earthquake insurance and health insurance are provided in accordance with related regulations; therefore, the loss development triangle of direct businesses does not include the abovementioned insurance types. Claim reserves on account are estimated based on current available data; however, the final result might differ from initial estimation value due to subsequent developments.

(5) Credit risk, liquidity risk and market risk of insurance contracts

A. Credit risk

Credit risk mainly comes from the condition when the reinsurers of the Group's reinsurance business fail to fulfill their obligations and thus premiums, claims or other expenses may not be recovered from reinsurers. To control this risk, subsidiaries would consider diversifying reinsurers to eliminate credit risk concentration and would carefully select reinsurers according to the Group's reinsurance risk management policy. The reinsurance contracts would require using net payment way to pay reinsurance premiums, which have excluded receivables or recoverable amounts, to mitigate credit risk.

After the reinsurance business was classified, subsidiaries review the credit rating of reinsurers regularly according to the reinsurance risk management policy. If the credit rating of reinsurer is downgraded and this reinsurance has met the criteria of not qualifying for reinsurance as specified in the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", subsidiaries shall disclose the amount of reserve for unqualified reinsurance according to relevant regulations.

B. Liquidity risk

Liquidity risk of insurance contract occurs when the Group is unable to realize assets immediately or acquires adequate capital and thus it fails to fulfill payment obligations for insurance. To control this risk, subsidiaries conduct maturity analysis of insurance contracts regularly and examine the matching of assets and liabilities. Future actual payment amounts will differ by the difference between actual experience and expected experience.

(Unit: In thousands of NT Dollars)

December 31, 2013	Book value	Below 1 year	From 1 year to 5 years
		NT$	
Indemnity	$ 3,068,474	$ 2,440,355	$ 628,119

December 31, 2013	Book value	Below 1 year	From 1 year to 5 years
		US$	
Indemnity	$ 103,055	$ 81,960	$ 21,096

December 31, 2012	Book value	Below 1 year	From 1 year to 5 years
		NT$	
Indemnity	$ 3,255,179	$ 2,574,539	$ 680,640

January 1, 2012	Book value	Below 1 year	From 1 year to 5 years
		NT$	
Indemnity	$ 3,274,733	$ 2,560,283	$ 714,450

C. Market risk

Subsidiaries provide reserve for each type of insurance liability in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and relevant laws. Except for the reserve for unearned premiums for long-term fire insurance that is provided based on the insurance reserve provision coefficient table published by the competent authority, other reserves are provided without discounting, which are therefore not affected by market interest rate fluctuations.

(6) Disclosures in "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises"

A. Details of calculation of gross premiums are as follows:

For the year ended December 31, 2013				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
	NT$			
Compulsory insurance	$ 408,041	$ 100,421	$ 113,747	$ 394,715
Non-compulsory insurance	5,911,573	559,717	3,143,846	3,327,444
Total	$ 6,319,614	$ 660,138	$ 3,257,593	$ 3,722,159

For the year ended December 31, 2013			
Type	Provision of reserve for Unearned premiums (5)	Reserve released for Unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
	NT$		
Compulsory insurance	$ 160,082	$ 164,109	$ 398,742
Non-compulsory insurance	1,841,931	1,821,024	3,306,537
Total	$ 2,002,013	$ 1,985,133	$ 3,705,279

For the year ended December 31, 2013				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
	US$			
Compulsory insurance	$ 13,704	$ 3,373	$ 3,820	$ 13,257
Non-compulsory insurance	198,541	18,798	105,587	111,753
Total	$ 212,245	$ 22,171	$ 109,407	$ 125,009

For the year ended December 31, 2013			
Type	Provision of reserve for Unearned premiums (5)	Reserve released for Unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
	US$		
Compulsory insurance	$ 5,376	$ 5,512	$ 13,393
Non-compulsory insurance	61,862	61,160	111,050
Total	$ 67,238	$ 66,671	$ 124,443

For the year ended December 31, 2012				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
	NT$			
Compulsory insurance	$ 409,283	$ 99,764	$ 114,820	$ 394,227
Non-compulsory insurance	5,511,399	643,332	2,952,985	3,201,746
Total	$ 5,920,682	$ 743,096	$ 3,067,805	$ 3,595,973

Type	For the year ended December 31, 2012		
	Provision of reserve for Unearned premiums (5)	Reserve released for Unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
	NT$		
Compulsory insurance	$ 164,109	$ 167,757	$ 397,875
Non-compulsory insurance	1,821,024	1,649,450	3,030,172
Total	$ 1,985,133	$ 1,817,207	$ 3,428,047

B. Details of calculation of net claims are as follows:

Type	For the year ended December 31, 2013			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
	NT$			
Compulsory insurance	$ 365,080	$ 114,395	$ 144,750	$ 334,725
Non-compulsory insurance	2,320,603	344,970	837,770	1,827,803
Total	$ 2,685,683	$ 459,365	$ 982,520	$ 2,162,528

Type	For the year ended December 31, 2013			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
	US$			
Compulsory insurance	$ 12,261	$ 3,842	$ 4,861	$ 11,242
Non-compulsory insurance	77,938	11,586	28,137	61,387
Total	$ 90,199	$ 15,428	$ 32,998	$ 72,629

Type	For the year ended December 31, 2012			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
	NT$			
Compulsory insurance	$ 399,651	$ 109,811	$ 157,088	$ 352,374
Non-compulsory insurance	2,543,326	388,937	1,190,533	1,741,730
Total	$ 2,942,977	$ 498,748	$ 1,347,621	$ 2,094,104

C. Details of balance, provisions and reserve released for unearned premiums are as follows:

Compulsory automobile liability insurance for car	For the year ended December 31, 2013			
	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
	NT$			
Reserve for unearned premiums	$ 143,837	$ 147,375	($ 143,837)	$ 147,375
Reserve for catastrophic losses	80,002	-	(81,095)	(1,093)
Reserve for outstanding losses (Note)	131,376	149,902	(131,376)	149,902
Total	$ 355,215	$ 297,277	($ 356,308)	$ 296,184

Compulsory automobile liability insurance for motorcycle	For the year ended December 31, 2013			
	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
	NT$			
Reserve for unearned premiums	$ 88,438	$ 77,935	($ 88,438)	$ 77,935
Reserve for catastrophic losses	347,450	15,300	-	362,750
Reserve for outstanding losses (Note)	21,415	22,757	(21,415)	22,757
Total	$ 457,303	$ 115,992	($ 109,853)	$ 463,442

For the year ended December 31, 2013				
Compulsory automobile liability insurance for car	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
		US$		
Reserve for unearned premiums	$ 4,831	$ 4,950	($ 4,831)	$ 4,950
Reserve for catastrophic losses	2,687	-	(2,724)	(37)
Reserve for outstanding losses (Note)	4,412	5,034	(4,412)	5,034
Total	$ 11,930	$ 9,984	($ 11,967)	$ 9,947

For the year ended December 31, 2013				
Compulsory automobile liability insurance for motorcycle	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
		US$		
Reserve for unearned premiums	$ 2,970	$ 2,617	($ 2,970)	$ 2,617
Reserve for catastrophic losses	11,669	514	-	12,183
Reserve for outstanding losses (Note)	719	764	(719)	764
Total	$ 15,358	$ 3,895	($ 3,689)	$ 15,564

For the year ended December 31, 2012				
Compulsory automobile liability insurance for car	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
		NT$		
Reserve for unearned premiums	$ 141,136	$ 143,837	($ 141,136)	$ 143,837
Reserve for catastrophic losses	187,943	-	(107,941)	80,002
Reserve for outstanding losses (Note)	95,814	131,376	(95,814)	131,376
Total	$ 424,893	$ 275,213	($ 344,891)	$ 355,215

For the year ended December 31, 2012				
Compulsory automobile liability insurance for motorcycle	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
		NT$		
Reserve for unearned premiums	$ 98,866	$ 88,438	($ 98,866)	$ 88,438
Reserve for catastrophic losses	335,140	12,310	-	347,450
Reserve for outstanding losses (Note)	16,598	21,415	(16,598)	21,415
Total	$ 450,604	$ 122,163	($ 115,464)	$ 457,303

Note: Including claims on reported but not paid and incurred but not reported.

D. Details of assets and liabilities for compulsory automobile liability insurance are as follows:

	December 31, 2013		December 31, 2012	January 1, 2012
	NT$	US$	NT$	NT$
Assets				
Cash and bank deposits	$ 565,258	$ 18,984	$ 622,766	$ 694,210
Premiums receivable	39,580	1,329	41,607	38,391
Claims recoverable from Reinsurers	35,936	1,207	36,273	44,310
Due from Reinsurers and Ceding Companies	16,691	561	16,419	15,165
Ceded unearned premium reserve	65,228	2,191	68,166	72,245
Ceded claims reserve	54,626	1,835	46,687	32,295
Temporary payments	249	8	118	874
Total	$ 777,568	$ 26,115	$ 832,036	$ 897,490
Liabilities				
Due to Reinsurers and Ceding Companies	$ 17,583	$ 591	$ 18,854	$ 18,813
Unearned premium reserve	225,310	7,567	232,275	240,002
Reserve for Outstanding Losses	172,658	5,799	152,790	112,413
Reserve for Catastrophic Losses	361,657	12,146	427,453	523,083
Temporary receipts	360	12	664	3,179
Total	$ 777,568	$ 26,115	$ 832,036	$ 897,490

E. Details of costs and revenues relating to compulsory automobile liability insurance:

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Operating revenues			
Direct written premiums	$ 284,366	$ 9,550	$ 287,051
Reinsurance premiums	100,421	3,373	99,763
Less: Reinsurance premiums ceded	(113,747)	(3,820)	(114,820)
Net change in reserve for unearned premiums	4,027	135	3,648
Net premiums written	275,067	9,238	275,642
Interest income	5,792	195	7,088
Total	$ 280,859	$ 9,433	$ 282,730
Operating costs			
Claims incurred	$ 479,475	$ 16,103	$ 509,462
Less: Claims recovered from reinsurers	(144,750)	(4,861)	(157,088)
Net claims	334,725	11,242	352,374
Net change in reserve for claims	11,929	401	25,986
Net change in special reserve	(65,795)	(2,210)	(95,630)
Total	$ 280,859	$ 9,433	$ 282,730

F. Net premiums

For the years ended December 31, 2013 and 2012, net premiums of the respective insurances are as follows.

	For the years ended December 31,		
	2013		2012
Items	NT$	US$	NT$
General fire insurance	$ 1,100,000	$ 36,944	$ 1,000,000
Fire & allied perils insurance	1,100,000	36,944	1,000,000
Marine cargo insurance	200,000	6,717	200,000
Marine hull insurance	200,000	6,717	200,000
Fishing vessel insurance	50,000	1,679	50,000
Aviation insurance	USD10,000	10,000	USD10,000
Engineering insurance	1,000,000	33,585	1,000,000
Money insurance	400,000	13,434	300,000
Motor physical damage insurance	6,500	218	6,500
Motor third party liability insurance	75,000	2,519	75,000
Motor passengers liability insurance	75,000	2,519	75,000
Compulsory automobile liability insurance for motorcycle	2,200	74	All retained
Car driver injury insurance	30,000	1,008	All retained
Driver injury insurance	2,200	74	All retained
Liability insurance	200,000	6,717	200,000
Fidelity bond insurance	50,000	1,679	50,000
Engineering bond insurance	200,000	6,717	200,000
Bankers' bond insurance	500,000	16,793	500,000
Other insurance	200,000	6,717	200,000
Other credit and bond insurance	120,000	4,030	120,000
Nuclear energy insurance	300,000	10,076	300,000
Group accident insurance	20,000	672	20,000
Personal accident insurance	20,000	672	20,000
Travel accident insurance	20,000	672	20,000

G. Qualified reinsurance reserve

(A) The summarized content in respect of ineligible reinsurance contract and related explanation for each insurance type are as follows:

The subsidiary entered into outward reinsurance contracts with Sun bright Ins. Pte. Ltd. and Walsun Insurance. The scope of the reinsurance contracts is the same as the reinsurance contracts of the subsidiary.

Insurance company/ insurance agent	Type of outward reinsurance contract
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
Formosa Marine & Insurance Service., Inc	Fire & allied perils insurance
Willson RE	Hull insurance

(B) The unqualified reinsurance expense was $107,068 thousand (US$3,596 thousand) and $136,383 for the years ended December 31, 2013 and 2012, respectively.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the unqualified reinsurance reserves are unearned premium reserve. Details are set forth as below:

	December 31, 2013		December 31, 2012	January 1, 2012
	NT$	US$	NT$	NT$
Unearned premium reserve	$ 53,534	$ 1,798	$ 68,192	$ 85,830
Reported but not paid ceded reserve	21,905	736	2,735	-
Claims recoverable from reinsurers	2,077	70	-	-

10. Capital management

(1) Objective of capital management

A. The Group's qualifying self-owned capital should meet the regulatory requirements and meet the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Group. The calculation and provision of qualifying self-owned capital and regulated capital shall follow the regulations of the competent authority.

B. In order to have adequate capital to take various risks, the Group shall assesses the required capital with consideration of the risk portfolio it faces and the risk characteristics, and manages risk through capital allocation to realize optimum utilization of capital allocation.

(2) Capital management procedures

A. Following the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies" of the Financial Supervisory Commission, the Group calculates capital adequacy ratio on a consolidated basis and reports this information regularly.

B. The calculation of capital adequacy ratio of subsidiaries shall follow the regulations of regulatory authorities; if without regulations, capital adequacy ratio is computed as net of qualifying self-own capital divided by regulated capital.

(3) 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, 2013

Unit: In thousands of NT Dollars

	Ownership percentage held by the Company		Eligible capital		Minimum capital
The Company	100.00%		$ 242,590,672		$ 263,868,007
MICB	100.00%		222,652,005		160,970,192
MS	100.00%		11,690,673		3,559,719
MBF	100.00%		28,705,412		16,926,762
CKI	100.00%		5,852,753		2,036,362
MITC	100.00%		836,890		447,541
MAM	100.00%		2,811,036		4,294,875
Mega Life Insurance Agency	100.00%		204,809		165,023
Mega Venture Capital	100.00%		789,111		394,809
Deduction item			(267,600,474)		(256,786,037)
Subtotal		(A)	$ 248,532,887	(B)	$ 195,877,253
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)				(C)	126.88%

December 31, 2012

	Ownership percentage held by the Company		Eligible capital		Minimum capital
The Company	100.00%		$ 216,178,338		$ 242,267,534
MICB	100.00%		206,137,155		140,071,287
MS	100.00%		10,894,139		3,096,672
MBF	100.00%		28,584,534		16,956,243
CKI	100.00%		5,204,402		2,095,062
MITC	100.00%		806,130		426,646
MAM	100.00%		2,879,702		5,634,870
Mega Life Insurance Agency	100.00%		202,164		159,344
Mega Venture Capital	100.00%		718,117		359,689
Deduction item			(251,547,789)		(235,347,057)
Subtotal		(A)	$ 220,056,892	(B)	$ 175,720,290
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)				(C)	125.23%

B. As of December 31, 2013 and 2012, the financial holding's net eligible capital

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

Item	December 31, 2013	December 31, 2012
Common stocks	$ 124,498,240	$ 114,498,240
Unaccumulated preferred stocks which meet tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-	-
Other preferred stocks and subordinated debts	1,200,000	2,400,000
Capital collected in advance	-	-
Additional paid-in capital	55,271,623	43,425,270
Legal reserve	22,220,204	20,066,890
Special reserve	2,547,719	833,091
Accumulated earnings	36,766,912	31,312,668
Equity adjustment number	100,838	3,648,744
Less: goodwill	5,925	-
deferred assets	8,939	6,565
treasury stocks	-	-
Total net eligible capital	$ 242,590,672	$ 216,178,338

11. RELATED PARTY TRANSACTIONS

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

Names of 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 (Note 1)
Yung Shing Industries Co.	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
Taiwan Business Bank (TBB)	The Company is TBB's corporate supervisor (Note 2)
Taiwan Integrated Shareholder Service Company (Taiwan Integrated Shareholder)	Taiwan Integrated Shareholder's chairman is also the chairman of MS
International Bills Finance Corporation (IBF)	The Company's subsidiary is the supervisor of IBF's parent (Waterland Financial Holdings)
Other related parties	The Company's and subsidiary's directors, supervisors, managers, their relatives, associated companies and related parties in substance

Note 1: Chunghwa Post and BOT were the supervisors of the Company; however, under the resolution of the stockholders' meeting of the Company, they are nominated as directors starting from September 15, 2012.

Note 2: The Company was the corporate supervisor of the Taiwan Business Bank which shall no longer be the related party of the Company after its resignation on May 25, 2012.

(2) Significant transactions and balances with related parties

A. Deposits

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

	December 31, 2013	
	NT$	US$
Others (individual amounts accounting for less than 10% of the total amount)	$ 7,713,290	$ 259,053

	December 31, 2012	January 1, 2012
	NT$	NT$
Others (individual amounts accounting for less than 10% of the total amount)	$ 7,500,662	$ 56,618,054

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, 2013	
	NT$	US$
Others (individual amounts accounting for less than 10% of the total amount)	$ 160,428	$ 5,388

	December 31, 2012	January 1, 2012
	NT$	NT$
Others (individual amounts accounting for less than 10% of the total amount)	$ 258,519	$ 130,152,081

C. Bank deposits

	December 31, 2013		December 31, 2012	January 1, 2012
	NT$	US$	NT$	NT$
Chunghwa Post	$ 2,913,531	$ 97,852	$ 8,130	$ 4,822
BOT	40,352	1,355	320,982	545,511
Total	$ 2,953,883	$ 99,207	$ 329,112	$ 615,836

D. Refundable deposits

		December 31, 2013	
	Collaterals	NT$	US$
BOT	Available-for-sale financial assets - government bonds	$ 96,051	$ 3,226

		December 31, 2012	January 1, 2012
	Collaterals	NT$	NT$
BOT	Available-for-sale financial assets - government bonds	$ 100,446	$ 104,593

E. Purchases of securities and bonds

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Chunghwa Post	$ 49,991	$ 1,679	$ 451,389

F. Sales of securities and bonds

	For the years ended December 31,		
	NT$	US$	NT$
BOT	$ 141,362,479	$ 4,747,690	$ 99,005,880
Chunghwa Post	23,206,243	779,387	52,481,692
Total	$ 164,568,722	$ 5,527,077	$ 151,487,572

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

G. Securities and bonds with repurchase/ resale agreement

	December 31, 2013		December 31, 2012	January 1, 2012
	NT$	US$	NT$	NT$
BOT	$ 509,568	$ 17,114	$ 1,646,212	$ 574,597
Others	10,000	336	15,527	5,006
Total	$ 519,568	$ 17,450	$ 1,661,739	$ 579,603

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

H. Transactions with other financial institutions

(A) Due from banks/call loans to banks

	December 31, 2013		December 31, 2012	January 1, 2012
	NT$	US$	NT$	NT$
BOT	$ 720,000	$ 24,181	$ 720,000	$ -
Others	151,174	5,077	10,778	21,603
Total	$ 871,174	$ 29,258	$ 730,778	$ 21,603

(B) Overdraft on banks

	December 31, 2013		December 31, 2012	January 1, 2012
	NT$	US$	NT$	NT$
Chunghwa Post	$ 2,792,531	$ 93,788	$ 4,459,521	$ 3,824,875
BOT	4,973,660	167,041	3,251,750	66,000
Total	$ 7,766,191	$ 260,829	$ 7,711,271	$ 3,890,875

I. Commercial paper payable

Institutions of guarantee or acceptance	December 31, 2013		December 31, 2012	January 1, 2012
	NT$	US$	NT$	NT$
TFC	$ 500,000	$ 16,793	$ 200,000	$ -
IBF	100,000	3,359	-	-
Total	$ 600,000	$ 20,152	$ 200,000	$ -

J. Collaterals

	Collaterals	December 31, 2013	
		NT$	US$
BOT	Financial assets at fair value through profit or loss - convertible certificates of deposits	$ 700,855	$ 23,538
	Available-for-sale financial assets –bonds	2,022,441	67,924
	Total	$ 2,723,296	$ 91,462

	Collaterals	December 31, 2012	January 1, 2012
		NT$	NT$
BOT	Financial assets at fair value through profit or loss - convertible certificates of deposits	$ -	$ 4,129,971
	Available-for-sale financial assets –bonds	4,064,578	-
	Total	$ 4,064,578	$ 4,129,971

K. Loans

December 31, 2013

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status: Normal loans	Default status: Overdue accounts	Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
Consumer loans for employees	16	$ 10,576	$ 9,947	V		None	None
Home mortgage loans	68	$ 535,447	$ 511,057	V		Real estate	None
Other loans	2	$ 271,511	$ 121,511	V		Real estate	None

December 31, 2012

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status: Normal loans	Default status: Overdue accounts	Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
Consumer loans for employees	12	$ 8,107	$ 6,478	V		None	None
Home mortgage loans	58	$ 474,521	$ 399,386	V		Real estate	None
Other loans	1	$ 285,000	$ 210,000	V		Real estate	None

January 1, 2012

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status: Normal loans	Default status: Overdue accounts	Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
Consumer loans for employees	14	$ 9,492	$ 6,467	V		None	None
Home mortgage loans	49	$ 407,656	$ 302,191	V		Real estate	None
Other loans	1	$ 339,810	$ 287,000	V		Real estate	None

L. Interest revenue

	For the years ended December 31,				
	2013			2012	
	NT$	US$	% of the Account	NT$	% of the Account
BOT	$ 445	$ 15	-	$ 2,948	0.01
IBF	853	29	-	2,780	0.01
TBB(Note)	-	-	-	95	-
Total	$ 1,298	$ 44	-	$ 5,823	0.02

Note: As stated in Note 11(1), TBB is no longer the Company's related party starting from May 25, 2012.

M. Interest expense

	For the years ended December 31,				
	2013			2012	
	NT$	US$	% of the Account	NT$	% of the Account
BOT	$ 17,400	$ 584	0.11	$ 4,152	0.03
Chunghwa Post	6,365	214	0.04	16,873	0.12
Total	$ 23,765	$ 798	0.15	$ 21,025	0.15

N. Income and losses of financial assets and liabilities measured at fair value through profit or loss

	For the years ended December 31,				
	2013			2012	
	NT$	US$	% of the Account	NT$	% of the Account
BOT	$ 5,960	$ 200	0.16	$ 2,840	0.07
Chunghwa Post	38,777	1,302	1.07	4,927	0.12
Total	$ 44,737	$ 1,502	1.23	$ 7,767	0.19

O. Information on remunerations to the Company's key management:

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Salaries and other short-term employee benefits	$ 290,773	$ 9,766	$ 291,743
Post-employment benefits	15,759	529	5,758
Total	$ 306,532	$ 10,295	$ 297,501

P. Guarantees: None.

Q. Disposal of non-performing loans for related party

(A) MICB

The Bank held an auction on July 20, 2012 for the non-performing loans, and signed a contract amounting to $58,438 thousand with Mega Asset on July 15, 2013. The following table shows the details of non-performing loans:

Loan component			Loan amount (Note 1)	Carrying amount (Note 2)	Allocation of sale price (Note 3)
Corporate	Secured		$ 326,967	$ -	$ 58,159
	Unsecured		40,000	-	433
Individual	Secured	Mortgage loan	-	-	-
		Auto loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	-	-	-
		Micro credit loan	-	-	-
		Others	-	-	-
Total			$ 366,967	$ -	$ 58,592

Note: The service fee of $154 paid to Taiwan Financial Asset Service Corporation has not been deducted from the selling price of $58,592.

The Bank held an auction on May 8, 2012 for the non-performing loans, and signed a contract amounting to $828,511 thousand with Mega Asset on May 15, 2012. As of December 31, 2012, all receivables have been collected. The following table shows the details of non-performing loans:

Loan component			Loan amount (Note 1)	Carrying amount (Note 2)	Allocation of sale price (Note 3)
Corporate	Secured		$ 644,179	$ -	$ 592,697
	Unsecured		250,375	-	235,814
Individual	Secured	Mortgage loan	-	-	-
		Auto loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	-	-	-
		Micro credit loan	-	-	-
		Others	-	-	-
Total			$ 894,554	$ -	$ 828,511

Note: The service fee of $1,911 paid to Taiwan Financial Asset Service Corporation has not been deducted from the selling price of $828,511.

Note 1: The loan amount is the amount that a buyer may claim from the creditor, including the sum of balance of disposal on non-performing loan (the carrying amount before the deduction of allowance of doubtful debt) and written-off bad debt.

Note 2 : The carrying amount is the balance of the original loan amount after deduction of allowance of doubtful debt.

Note 3 : The sale price, $828,511 thousand (US$27,826 thousand) is the value before deduction of other necessary expenses. In addition, relevant gains and losses on the transaction have been eliminated in the consolidated financial statements.

(B) MBF

The subsidiary, MBF, entered into a contract amounting to $802,264 thousand for selling the non-performing loans (the underlying loan is $2,468,654 thousand) with the subsidiary, MAM for the first half year in 2012. All payables have been paid and the relevant details are as follows:

Loan component		Loan amount (Note 1)	Carrying amount (Note 2)	Evaluation of recovered estimate on loan disposal	Gains and losses on disposal (Note 3)
Secured	3 advancements on commercial paper guaranteed	$ 929,902	$ -	$ 802,263	$ 802,263
Unsecured	35 advancements on commercial papers guaranteed	1,538,752	-	1	1
Total		$ 2,468,654	$ -	$ 802,264	$ 802,264

Note 1: The loan amount is the amount that a buyer may claim from the creditor, including the sum of balance of disposal on non-performing loan (the carrying amount before the deduction of allowance of doubtful debt) and written-off bad debt.

Note 2: The carrying amount is the balance of the original loan amount after deduction of allowance of doubtful debt.

Note 3: Relevant gains and losses on the transaction have been eliminated in the consolidated financial statements.

R. Others

(A) MICB has been outsourcing its credit card operations to Win Card since 2001. The operational costs incurred for the years ended December 31, 2013 and 2012, were $157,788 thousand (US$5,299 thousand) and $155,550 thousand, respectively.

(B) CKI paid the commission and agent fee to BOT and TBB for the years ended December 31, 2013 and 2012 that were $815 thousand (US $27 thousand) and $3,003 thousand, respectively. As of December 31, 2013, December 31, 2012, and January 1, 2012, the commission payables were $(4) thousand (US ($0.14) thousand), $509 thousand, $623 thousand, respectively.

(C) The subsidiary's operations of printing, document packaging and labor outsourcing have been outsourced to Yung-Shing Industries Co. for the years ended December 31, 2013 and 2012, expenditure on operations and labor outsourcing expected to be paid to Yung-Shing Industries Co. in accordance with arrangement are $110,847 thousand (US$3,723 thousand) and $104,292 thousand, respectively.

12. PLEDGED ASSETS

Asset	Carrying amount December 31, 2013 NT$	Carrying amount December 31, 2013 US$
Financial assets at fair value through profit or loss	$ 13,037,071	$ 437,853
Available-for-sale financial assets	58,553,370	1,966,528
Held-to-maturity financial assets	15,567,800	522,848
Other financial assets	1,013,469	34,038
Real estate and equipment	2,446,080	82,152
Investment property	1,677,541	56,341
Other financial assets	471,106	15,822
	$ 92,766,437	$ 3,115,582

Asset	Carrying amount December 31, 2012 NT$	Carrying amount January 1, 2012 NT$
Financial assets at fair value through profit or loss	$ 11,716,811	$ 12,953,713
Available-for-sale financial assets	29,560,441	27,492,544
Held-to-maturity financial assets	15,672,000	16,462,288
Other financial assets	4,825,944	1,045,424
Real estate and equipment	3,198,006	2,596,964
Investment property	494,330	480,849
Other financial assets	537,761	705,928
	$ 66,005,293	$ 61,737,710

13. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The subsidiaries-MICB

As of December 31, 2013, December 31, 2012 and January 1, 2012, MICB and its subsidiaries' commitments and contingent liabilities were as follows:

	December 31, 2013	
	NT$	US$
Irrevocable arranged financing limit	$ 90,635,382	$ 3,044,009
Securities sold under repurchase agreement	46,596,837	1,564,965
Securities purchased under resale agreement	5,453,309	183,151
Credit card line commitments	51,643,171	1,734,447
Guarantees issued	240,137,712	8,065,078
Letters of credit	65,867,775	2,212,184
Customers' securities under custody	161,168,597	5,412,883
Properties under custody	3,652,655	122,675
Guarantee received	98,579,573	3,310,817
Collections for customers	114,979,754	3,861,621
Agency loans payable	2,137,668	71,794
Travelers' checks consigned-in	1,925,922	64,683
Gold coins consigned-in	455	15
Payables on consignments-in	2,697	91
Agent for government bonds	113,285,000	3,804,702
Short-dated securities under custody	74,463,314	2,500,867
Investments for customers	179,661	6,034
Trust liability	482,057,232	16,189,999
Certified notes paid	7,497,880	251,818
Exposures	3,525,614	118,409

	December 31, 2012	January 1, 2012
	NT$	NT$
Irrevocable arranged financing limit	$ 13,115,928	$ 118,177,482
Securities sold under repurchase agreement	17,402,875	9,875,697
Securities purchased under resale agreement	4,430,450	349,810
Credit card line commitments	48,524,062	48,633,007
Guarantees issued	245,546,272	253,425,720
Accrued guarantees issued	20,500	20,500
Letters of credit	73,897,743	84,783,914
Customers' securities under custody	162,693,100	168,590,517
Properties under custody	3,146,649	2,583,822
Guarantee received	78,734,787	78,859,468
Collections for customers	119,332,518	129,974,708
Agency loans payable	2,718,707	3,295,483
Travelers' checks consigned-in	2,030,376	1,910,638
Gold coins consigned-in	455	468
Payables on consignments-in	2,853	3,122
Agent for government bonds	128,021,800	124,991,200
Short-dated securities under custody	42,262,342	53,279,185
Investments for customers	265,016	265,016
Trust liability	461,313,400	438,442,953
Certified notes paid	7,751,073	9,018,776
Exposures	2,445,515	-

(2) The subsidiaries-MS

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.

(3) The subsidiaries-MBF

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2013	
	NT$	US$
Bills and bonds bought under resale agreements	$ 1,966,157	$ 66,034
Bills and bonds sold under repurchase agreements	163,869,633	5,503,598
Guarantees for commercial papers	142,710,000	4,792,947
Buy fixed rate commercial paper	4,406,000	147,976
Sell fixed rate commercial paper	600,000	20,151
Buy index rate commercial paper	27,660,000	928,967
Sell index rate commercial paper	1,150,000	38,623

	December 31, 2012	January 1, 2012
	NT$	NT$
Bills and bonds sold under repurchase agreements	$ 159,376,775	$ 184,993,275
Guarantees for commercial papers	141,622,600	134,979,200
Buy fixed rate commercial paper	4,531,000	275,000
Sell fixed rate commercial paper	600,000	-
Buy index rate commercial paper	22,090,000	21,215,000

(4) The subsidiaries-CKI

A. Contingencies

As of December 31, 2013, except that reserve for claims had been provided, CKI still had several lawsuits regarding insurance claims. CKI had appointed attorneys to deal with the lawsuits. As of the financial reporting date, the final results of the lawsuits had not been determined. The possible compensation could not be reliably estimated.

B. Commitments

As of December 31, 2013, December 31, 2012 and January 1, 2012, the letters of credit that had been issued by CKI for reinsurance business but had not been used all amounted to US$ 67,670.04.

(5) 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 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 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.

(6) 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 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 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.

14. SIGNIFICANT DISASTER LOSS

None.

15. SIGNIFICANT SUBSEQUENT EVENTS

None.

16. OTHERS

(1) According to Article 46 of Financial Holding Company Act, disclosures of the sum of amounts of endorsements and guarantees provided by all subsidiaries of Financial Holding Company to the same natural person, same related natural person, or same related company for loans or other transactions:

(Please refer to P.151-159 of the Consolidated Financial Statements).

(2) Significant impact arising from changes in government laws and regulations:

None.

(3) Information with respect to the subsidiary holding shares in parent company:

None.

(4) Research and development plans sponsored by others

None.

(5) Information for discontinued operations:

None.

(6) Major operating assets or liabilities transferred from (or to) other financial institutions:

None.

(7) Information on the apportionment of the revenues, costs, expenses, gains and losses arising from business activities, transactions, joint promotion for businesses development, information sharing, and operating facilities or premises sharing between the Company and its subsidiaries.

A. Transactions between the Company and its subsidiaries

Please refer to Note 11 for details of transactions with related parties.

B. Joint promotion of businesses

In order to create economic synergy throughout the various subsidiaries and provide customers financial services in all aspects, the subsidiaries have continuously established specialized counters for other subsidiaries in different businesses (including counters of banking services, securities trading services, and insurance services) in the business locations of its subsidiaries and simultaneously promoted service business in banking, securities and insurance areas.

C. Information sharing

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 Company and its subsidiaries 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. Operating facilities or premises sharing

To provide one-stop-shopping services, MICB set up a securities counter and an insurance counter 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 specialized counters for other subsidiaries in different businesses in its business locations, and the setup had been gradually taking place in the Company's subsidiaries.

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

For the year ended December 31, 2013:

The promotion bonus paid to other subsidiaries by MITC and MICB amounted to $2,539 thousand (US$85) and $267 thousand (US$9), respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by $55,083 thousand (US$1,850) for CKI; $1,603 thousand (US$54) for MICB; $14,012 thousand (US$471) for MITC; and $283 thousand (US$6) for MBF.

For the year ended December 31, 2012:

The promotion bonus paid to other subsidiaries by MITC, MBF and MICB amounted to $2,634 thousand, $56 thousand and $57 thousand, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by $49,375 thousand for CKI; $1,334 thousand for MICB; $11,655 thousand for MITC; and $301 thousand for MBF.

(8) Information for private placement securities:

None.

(9) Financial information by business segments

Financial information by business segments
For the year ended December 31, 2013
(Expressed in Thousands of NT Dollars)

Items / Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	$ 30,197,304	$ 90,163	$ 440,886	$ 757,167	($ 209,394)	$ 31,276,126
Revenues other than interest, net	15,539,789	1,095,418	3,093,034	2,040,530	1,963,571	23,732,342
Net revenue	45,737,093	1,185,581	3,533,920	2,797,697	1,754,177	55,008,468
Bad debt expense of loans	(5,454,163)	-	177,739	-	-	(5,276,424)
Provisions for the reserve for insurance	-	183,695	-	-	-	183,695
Operational expenses	(18,133,540)	(1,007,840)	(736,356)	(2,310,414)	(727,507)	(22,915,657)
Income before Income Tax from Continuing Operations	22,149,390	361,436	2,975,303	487,283	1,026,670	27,000,082
Income tax expense	(3,194,301)	(119,565)	(423,718)	2,261	(770,190)	(4,505,513)
Consolidated Net Income from Continuing Operations	$ 18,955,089	$ 241,871	$ 2,551,585	$ 489,544	$ 256,480	$ 22,494,569

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, 2013
(Expressed in Thousands of US Dollars)

Items / Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	$ 1,014,183	$ 3,028	$ 14,807	$ 25,430	($ 7,033)	$ 1,050,415
Revenues other than interest, net	521,907	36,790	103,880	68,532	65,947	797,056
Net revenue	1,536,090	39,818	118,687	93,962	58,914	1,847,471
Bad debt expense of loans	(183,179)	-	5,969	-	-	(177,210)
Provisions for the reserve for insurance	-	6,169	-	-	-	6,169
Operational expenses	(609,019)	(33,849)	(24,731)	(77,596)	(24,433)	(769,628)
Income before Income Tax from Continuing Operations	743,892	12,138	99,925	16,366	34,481	906,802
Income tax expense	(107,281)	(4,016)	(14,231)	76	(25,867)	(151,319)
Consolidated Net Income from Continuing Operations	$ 636,611	$ 8,122	$ 85,694	$ 16,442	$ 8,614	$ 755,483

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, 2012
(Expressed in Thousands of NT Dollars)

Items / Operation (Note)	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	$ 28,525,400	$ 81,758	$ 647,277	$ 724,968	($ 407,330)	$ 29,572,073
Revenues other than interest, net	15,055,741	830,097	3,401,035	1,564,176	1,391,595	22,242,644
Net revenue	43,581,141	911,855	4,048,312	2,289,144	984,265	51,814,717
Bad debt expense of loans	(4,367,040)	-	25,132	-	-	(4,341,908)
Provisions for the reserve for insurance	-	(48,919)	-	-	-	(48,919)
Operational expenses	(17,650,603)	(895,416)	(750,152)	(2,127,118)	(726,405)	(22,149,694)
Income before Income Tax from Continuing Operations	21,563,498	(32,480)	3,323,292	162,026	257,860	25,274,196
Income tax expense	(3,216,933)	(21,252)	(529,273)	(53,107)	(658,523)	(4,479,088)
Consolidated Net Income from Continuing Operations	$ 18,346,565	($ 53,732)	$ 2,794,019	$ 108,919	($ 400,663)	$ 20,795,108

Note: Amounts eliminated in the consolidated financial statements among the Company and its subsidiaries.

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

MEGA FINANCIAL HOLDING CO., LTD.
BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

ASSETS	2013 NT$	2013 US$	2012 NT$	LIABILITIES AND EQUITY	2013 NT$	2013 US$	2012 NT$
Assets				Liabilities			
Cash and cash equivalents	$ 1,044,333	$ 35,074	$ 77,292	Financial liabilities at fair value through profit or loss	$ -	$ -	$ 1,200
Receivables, net	-	-	158	Commercial papers payable-net	-	-	881,079
Current income tax assets	630,319	21,170	857,313	Payables	11,975,327	402,194	10,841,536
Available-for-sale financial assets-net	5,550,855	186,427	5,143,167	Current income tax liabilities	121,298	4,074	1,376,534
Equity investments accounted for				Bonds payable	11,998,677	402,978	16,049,668
by the equity method, net	256,786,037	8,624,216	231,773,613	Provisions for liabilities	52,431	1,761	56,510
Other financial assets, net	758,293	25,467	758,293	Deferred tax liabilities	2,168	73	1,026
Property and equipment, net	771,442	25,909	783,919	Other liabilities	2,086	70	2,257
Deferred tax assets, net	7,737	260	7,737	Total Liabilities	24,151,987	811,150	29,209,810
Other assets, net	8,507	286	8,012	Equity			
				Common stock	124,498,240	4,181,301	114,498,240
				Capital surplus	55,271,623	1,856,310	43,425,270
				Retained earnings			
				Legal reserve	22,220,204	746,270	20,066,890
				Special reserve	2,547,719	85,566	2,569,119
				Inappropriate retained earnings	36,766,912	1,234,825	29,461,030
				Other equity	100,838	3,386	179,145
				Total equity	241,405,536	8,107,659	210,199,694
TOTAL ASSETS	$ 265,557,523	$ 8,918,809	$ 239,409,504	TOTAL LIABILITIES AND EQUITY	$ 265,557,523	$ 8,918,809	$ 239,409,504

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Thousands of Dollars, except earnings per share amounts)

	2013		2012
	NT$	US$	NT$
Revenues			
Interest income	$ 4,732	$ 159	$ 27,319
Financial assets and liabilities at fair value through profit or loss	1,200	40	-
Share of profit of associates and joint ventures accounted for under equity method	23,768,937	798,285	21,911,931
Other revenue except for interest income	6,895	232	33,057
Total revenue	23,781,764	798,716	21,972,307
Expenses and losses			
Interest expense	(290,181)	(9,746)	(361,053)
Loss from financial assets and liabilities at fair value through profit and loss	-	-	(1,200)
Foreign exchange loss	(4)	-	(2)
Impairment loss on financial assets measured at cost	-	-	(1,039)
Employee benefit expense	(229,477)	(7,707)	(247,212)
Depreciation and amortization expense	(19,055)	(640)	(21,806)
Other business and administrative expenses	(88,166)	(2,961)	(79,420)
Total expenses and losses	(626,883)	(21,054)	(711,732)
Income before Income Tax from Continuing Operations	23,154,881	777,662	21,260,575
Income tax expense	(665,649)	(22,356)	(475,927)
Net Income	$ 22,489,232	$ 755,306	$ 20,784,648
Other comprehensive income			
Unrealized gain (loss) on valuation of available-for-sale financial assets	407,687	13,692	(136,026)
Actuarial gain on defined benefit plan	6,716	226	6,037
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(948,198)	(31,845)	(1,940,624)
Income tax relating to the components of other comprehensive income	(1,142)	(38)	(1,026)
Other comprehensive loss for the period, net of tax	(534,937)	(17,965)	(2,071,639)
Total comprehensive income for the period	$ 21,954,295	$ 737,341	$ 18,713,009
Basic Earnings Per Share (in dollars)	After Taxes	After Taxes	After Taxes
Net Income from Continuing Operations	$ 1.96	$ 0.07	$ 1.82
Diluted Earnings Per Share (in dollars)	After Taxes	After Taxes	After Taxes
Net Income from Continuing Operations	$ 1.96	$ 0.07	$ 1.82

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of NT Dollars)

			Retained Earnings			Other equity interest		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriate retained earnings	Exchange differences on translation of foreign financial statement	Unrealized gain on available-for-sale financial assets	Total
For the year ended December 31, 2012								
Balance, January 1, 2012	$ 112,806,148	$ 43,426,403	$ 18,298,900	$ 2,766,584	$ 22,828,132	$ -	$ 956,830	$ 201,082,997
Earnings distribution for 2011								
Legal reserve	-	-	1,767,990	-	(1,767,990)	-	-	-
Cash dividends	-	-	-	-	(9,588,523)	-	-	(9,588,523)
Stock dividends distributable	1,692,092	-	-	-	(1,692,092)	-	-	-
Capital surplus	-	(1,133)	-	-	-	-	-	(1,133)
Appropriation for special reserve	-	-	-	(190,793)	190,793	-	-	-
Offsetting bad debt reversed from special reserve	-	-	-	(6,656)	-	-	-	(6,656)
Disposal of land transferred as special reserve	-	-	-	(16)	16	-	-	-
Profit for the year	-	-	-	-	20,784,648	-	-	20,784,648
Other comprehensive income for the year	-	-	-	-	(1,293,954)	(944,493)	166,808	(2,071,639)
Balance, December 31, 2012	$ 114,498,240	$ 43,425,270	$ 20,066,890	$ 2,569,119	$ 29,461,030	($ 944,493)	$ 1,123,638	$ 210,199,694
For the year ended December 31, 2013								
Balance, January 1, 2013	$ 114,498,240	$ 43,425,270	$ 20,066,890	$ 2,569,119	$ 29,461,030	($ 944,493)	$ 1,123,638	$ 210,199,694
Earnings distribution for 2012								
Legal reserve	-	-	2,153,314	-	(2,153,314)	-	-	-
Cash dividends	-	-	-	-	(12,594,806)	-	-	(12,594,806)
Disposal of land transferred as special reserve	-	-	-	(21,400)	21,400	-	-	-
Profit for the year	-	-	-	-	22,489,232	-	-	22,489,232
Other comprehensive income for the year	-	-	-		(456,630)	43,114	(121,421)	(534,937)
Issuance of common stock	10,000,000	11,500,000	-	-	-	-	-	21,500,000
Share based payment transactions	-	346,353	-	-	-	-	-	346,353
Balance, December 31, 2013	$ 124,498,240	$ 55,271,623	$ 22,220,204	$ 2,547,719	$ 36,766,912	($ 901,379)	$ 1,002,217	$ 241,405,536

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(Expressed in Thousands of US Dollars)

			Retained Earnings			Other equity interest		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriate retained earnings	Exchange differences on translation of foreign financial statement	Unrealized gain on available-for-sale financial assets	Total
For the year ended December 31,2013								
Balance, January 1, 2013	$ 3,845,449	$ 1,458,448	$ 673,951	$ 86,284	$ 989,455	($ 31,721)	$ 37,738	$ 7,059,603
Earnings distribution for 2012								
Legal reserve	-	-	72,320	-	(72,320)	-	-	-
Cash dividends	-	-	-	-	(422,999)	-	-	(422,999)
Disposal of land transferred as special reserve	-	-	-	(719)	719	-	-	-
Profit for the year	-	-	-	-	755,306	-	-	755,306
Other comprehensive income for the year	-	-	-	-	(15,336)	1,448	(4,078)	(17,966)
Issuance of common stock	335,852	386,230	-	-	-	-	-	722,082
Share based payment transaction		11,632	-	-	-	-	-	11,632
Balance, December 31, 2013	$ 4,181,301	$ 1,856,310	$ 746,270	$ 85,566	$ 1,234,825	($ 30,273)	$ 33,660	$ 8,107,659

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

	2013		2012
	NT$	US$	NT$
Cash Flows from Operating Activities			
Profit before tax	$ 23,154,881	$ 777,662	$ 21,260,575
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation	15,535	522	16,834
Amortization	3,520	118	4,972
Loss on financial asset impairment	-	-	1,039
Interest expense	290,181	9,746	361,053
Interest income	(4,732)	(159)	(27,319)
Dividend income	(1,531)	(51)	(1,948)
Share based payment transaction	2,054	69	-
Share of profit of associates accounted for under equity method	(23,768,937)	(798,285)	(21,911,931)
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Decrease in receivables	158	5	-
(Increase) decrease in other assets	(4,015)	(135)	198
Changes in liabilities relating to operating activities			
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,200)	(40)	1,200
(Decrease) increase in payables	(16,801)	(564)	20,419
Increase in provisions for liabilities	2,637	89	3,083
(Decrease) increase in other liabilities	(171)	(6)	649
Net cash used in operations	(328,421)	(11,029)	(271,176)
Interest received	4,732	159	27,319
Cash dividend received	13,154,143	441,785	11,772,053
Interest paid	(322,655)	(10,836)	(314,912)
Income tax paid	(1,693,890)	(56,890)	(98,720)
Net cash provided by operating activities	10,813,909	363,189	11,114,564
Cash Flows from Investing Activities			
Acquisition of investment property	(3,058)	(103)	(16,688)
Proceeds from reduction of capital of investee accounted for under the equity method	-	-	2,814
Acquisition of equity investments accounted for by the equity method	(15,000,000)	(503,778)	(7,191,000)
Net cash used in investing activities	(15,003,058)	(503,881)	(7,204,874)
Cash Flows from Financing Activities			
(Decrease) increase in commercial papers payable	(882,000)	(29,622)	882,000
Decrease in bonds payable	(4,100,000)	(137,699)	(300,000)
Payment in cash dividends	(11,361,810)	(381,589)	(8,691,247)
Proceeds from issuance common stock	21,500,000	722,081	-
Net cash provided by financing activities	5,156,190	173,171	8,109,247
Net increase (decrease) in cash and cash equivalents	967,041	32,478	(4,199,557)
Cash and cash equivalents at beginning of year	77,292	2,596	4,276,849
Cash and cash equivalents at end of year	$ 1,044,333	$ 35,074	$ 77,292

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012		2013		2012
	NT$	US$	NT$		NT$	US$	NT$
Assets				Liabilities			
Cash and cash equivalents	$ 359,212,906	$ 12,064,245	$ 304,353,338	Due to the Central Bank and financial institutions	$ 469,353,313	$ 15,763,335	$ 310,462,911
Due from the Central Bank and call loans to banks	184,386,433	6,192,659	149,085,287	Funds borrowed from the Central Bank and other banks	32,126,690	1,078,982	84,826,943
Financial assets at fair value through profit or loss, net	44,465,678	1,493,390	40,614,399	Financial liabilities at fair value through profit or loss	13,861,683	465,548	14,132,990
Bills and bonds purchased under resale agreements	5,451,889	183,103	4,428,875	Bills and bonds sold under repurchase agreements	46,532,108	1,562,791	17,364,464
Receivables, net	159,402,685	5,353,575	102,268,334	Payables	39,006,223	1,310,033	36,131,057
Bills discounted and loans, net	1,637,338,871	54,990,390	1,484,215,395	Current income tax liabilities	5,089,815	170,943	4,673,482
Available-for-sale financial assets, net	184,449,844	6,194,789	133,617,834	Deposits and remittances	1,924,879,674	64,647,512	1,706,419,598
Held-to-maturity financial assets, net	181,831,669	6,106,857	158,447,725	Financial bonds payable	43,900,000	1,474,391	43,900,000
Investments accounted for under equity method, net	8,699,321	292,169	9,232,274	Other financial liabilities	8,448,409	283,742	9,788,365
				Provisions for liabilities	10,507,616	352,901	9,969,707
Other financial assets, net	13,287,945	446,279	14,709,456	Deferred tax liabilities	2,037,961	68,445	1,687,169
Property and equipment, net	14,484,955	486,480	14,676,321	Other liabilities	7,650,254	256,935	10,116,662
Investment property, net	673,875	22,632	781,955	Total Liabilities	2,603,393,746	87,435,558	2,249,473,348
Deferred tax assets	3,402,761	114,283	2,773,847				
Other assets, net	7,174,039	240,942	7,196,415	Equity			
				Capital stock	77,000,000	2,586,062	71,000,000
				Capital surplus	46,499,431	1,561,694	37,261,028
				Retained earnings	77,709,261	2,609,883	69,672,916
				Other equity	(339,567)	(11,404)	(1,005,837)
				Total Equity	200,869,125	6,746,235	176,928,107
TOTAL ASSETS	$ 2,804,262,871	$ 94,181,793	$ 2,426,401,455	TOTAL LIABILITIES AND EQUITY	$ 2,804,262,871	$ 94,181,793	$ 2,426,401,455

MEGA SECURITIES CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012		2013		2012
	NT$	US$	NT$		NT$	US$	NT$
Assets				Liabilities			
Current assets	$ 41,004,836	$ 1,377,157	$ 33,344,895	Current liabilities	$ 32,402,443	$1,088,243	$ 25,398,110
Financial assets measured at cost -				Provisions for liabilities –non-current	93,891	3,153	92,043
non-current	365,789	12,285	379,953	Deferred tax liabilities	6,005	202	5,770
Investments accounted for under equity				Other liabilities-non-current	9,465	318	5,947
method	939,584	31,556	984,668	Total Liabilities	32,511,804	1,091,916	25,501,870
Property and equipment	2,629,126	88,300	2,640,035				
Investment property	519,332	17,442	499,152	Equity			
Intangible assets	30,111	1,011	31,016	Capital stock	11,600,000	389,588	11,600,000
Deferred tax assets	53,991	1,813	56,400	Capital surplus	971,161	32,617	906,255
Other assets-non-current	1,133,392	38,065	1,208,684	Retained earnings	1,615,953	54,272	1,173,705
				Other equity	(22,757)	(764)	(37,027)
				Total Equity	14,164,357	475,713	13,642,933
TOTAL ASSETS	$ 46,676,161	$ 1,567,629	$ 39,144,803	TOTAL LIABILITIES AND EQUITY	$ 46,676,161	$1,567,629	$ 39,144,803

MEGA BILLS FINANCE CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012
	NT$	US$	NT$
Assets			
Cash and cash equivalents	$ 544,617	$ 18,291	$ 367,174
Financial assets at fair value			
through profit or loss	133,085,711	4,469,713	129,163,193
Available-for-sale financial assets, net	80,127,802	2,691,110	81,883,882
Bills and bonds purchased under			
resale agreements	1,966,157	66,034	-
Receivables, net	1,072,383	36,016	1,270,152
Held-to-maturity financial assets, net	500,000	16,793	500,000
Other financial assets, net	1,303,700	43,785	1,299,398
Property and equipment, net	362,205	12,165	347,155
Investment property, net	2,560,415	85,992	2,571,079
Intangible assets, net	3,303	111	4,750
Deferred tax assets, net	89,030	2,990	100,207
Other assets, net	27,647	928	35,022
TOTAL ASSETS	$ 221,642,970	$ 7,443,928	$ 217,542,012

	2013		2012
	NT$	US$	NT$
Liabilities			
Interbank overdraft and call loans	$ 21,259,000	$ 713,988	$ 20,861,000
Financial liabilities at fair value			
through profit or loss	1,352	45	3,154
Bills and bonds sold under			
repurchase agreements	163,869,633	5,503,598	159,376,775
Payables	809,067	27,173	673,142
Current income tax liabilities	124,310	4,175	444,111
Provisions for liabilities	3,282,308	110,237	3,391,554
Other liabilities	179,788	6,038	76,217
Total Liabilities	189,525,458	6,365,254	184,825,953
Equity			
Capital stock	13,114,411	440,450	13,114,411
Capital surplus	320,929	10,779	312,823
Retained earnings	17,386,645	583,934	16,721,012
Other equity	1,295,527	43,511	2,567,813
Total Equity	32,117,512	1,078,674	32,716,059
TOTAL LIABILITIES AND EQUITY	$ 221,642,970	$ 7,443,928	$ 217,542,012

CHUNG KUO INSURANCE CO., LTD
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012
	NT$	US$	NT$
Assets			
Cash and cash equivalents	$ 6,238,054	$ 209,506	$ 5,668,289
Receivables, net	1,016,148	34,128	1,011,070
Current income tax assets	180,929	6,077	228,665
Available-for-sale financial assets	1,476,911	49,602	1,590,710
Non-current assets held for sale	2,576	87	-
Held-to-maturity financial assets, net	802,619	26,956	1,068,321
Investments accounted for under equity method	15,545	522	24,651
Other financial assets	249,215	8,370	150,000
Investment property	328,451	11,031	333,228
Reinsurance contracts assets	3,293,937	110,628	3,301,549
Property and equipment	857,512	28,800	856,137
Intangible assets	17,424	585	15,735
Deferred tax assets	50,761	1,705	46,338
Other assets	633,257	21,268	643,291
TOTAL ASSETS	$ 15,163,339	$ 509,265	$ 14,937,984

	2013		2012
	NT$	US$	NT$
Liabilities			
Payables	$ 1,383,318	$ 46,459	$ 1,358,957
Current income tax liabilities	72,317	2,429	83,608
Financial liabilities at fair value through profit or loss	3,236	109	5,124
Insurance liabilities	8,157,828	273,982	8,270,155
Provisions for liabilities	266,038	8,935	236,599
Deferred tax liabilities	3,270	110	710
Other liabilities	130,726	4,390	148,073
Total Liabilities	10,016,733	336,414	10,103,226
Equity			
Capital stock	$ 3,000,000	$ 100,756	$ 3,000,000
Capital surplus	1,084,811	36,434	1,057,329
Retained earnings	1,181,528	39,682	922,123
Other equity	(119,733)	(4,021)	(144,694)
Total Equity	5,146,606	172,851	4,834,758
TOTAL LIABILITIES AND EQUITY	$ 15,163,339	$ 509,265	$ 14,937,984

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012		2013		2012
	NT$	US$	NT$		NT$	US$	NT$
Assets				Liabilities			
Current assets	$ 312,529	$ 10,496	$ 242,538	Current liabilities	$ 42,282	$ 1,420	$ 35,957
Available-for-sale financial assets, net	114,368	3,841	86,009	Liabilities-non-current	15,909	534	16,234
Property and equipment	4,314	145	3,076	Total Liabilities	58,191	1,954	52,191
Investment property	113,264	3,804	113,928				
Intangible assets	287	10	379	Equity			
Deferred tax assets	75,276	2,528	93,558	Capital stock	527,000	17,699	527,000
Other assets-non-current	275,043	9,237	315,029	Capital surplus	3,675	123	336
				Retained earnings	304,790	10,237	271,925
				Other equity	1,425	48	3,065
				Total Equity	836,890	28,107	802,326
TOTAL ASSETS	$ 895,081	$ 30,061	$ 854,517	TOTAL LIABILITIES AND EQUITY	$ 895,081	$ 30,061	$ 854,517

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012		2013		2012
	NT$	US$	NT$		NT$	US$	NT$
Assets				Liabilities			
Current assets	$ 7,331,975	$ 246,246	$ 10,376,354	Current liabilities	$ 5,665,037	$ 190,262	$ 6,135,060
Other financial assets, net	174,829	5,872	-	Other liabilities-non-current	113,676	3,818	2,256,776
Property and equipment	346	12	516	Total Liabilities	5,778,713	194,080	8,391,836
Investment property	892,714	29,982	809,569				
Intangible assets	818	27	1,555	Equity			
Deferred tax assets	56,158	1,886	2,439	Capital stock	2,000,000	67,171	2,000,000
Other assets-non-current	132,909	4,464	3,859	Capital surplus	1,261	42	-
				Retained earnings	809,775	27,196	802,456
				Total Equity	2,811,036	94,409	2,802,456
TOTAL ASSETS	$ 8,589,749	$ 288,489	$ 11,194,292	TOTAL LIABILITIES AND EQUITY	$ 8,589,749	$ 288,489	$ 11,194,292

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012		2013		2012
	NT$	US$	NT$		NT$	US$	NT$
Assets				Liabilities			
Current assets	$ 325,126	$ 10,920	$ 314,032	Current liabilities	$ 141,243	$ 4,744	$ 115,253
Current income tax assets	16,156	543	-	Other non-current liabilities	150	5	1,768
Property and equipment	543	18	606	Total Liabilities	141,393	4,749	117,021
Intangible assets	899	30	604	Equity			
Deferred tax assets	51	2	51	Capital stock	20,000	672	20,000
Other assets-non-current	3,427	115	3,446	Capital surplus	804	27	181,718
				Retained earnings	184,005	6,180	-
				Total Equity	204,809	6,879	201,718
TOTAL ASSETS	$ 346,202	$ 11,628	$ 318,739	TOTAL LIABILITIES AND EQUITY	$ 346,202	$ 11,628	$ 318,739

MEGA VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(Expressed in Thousands of Dollars)

	2013		2012		2013		2012
	NT$	US$	NT$		NT$	US$	NT$
Assets				Liabilities			
Current assets	$ 69,548	$ 2,336	$ 11,538	Current liabilities	$ 514	$ 17	$ 1,273
Available-for-sale financial assets	435,121	14,613	388,275	Total Liabilities	514	17	1,273
Other assets-non-current	284,956	9,570	266,606	Equity			
				Capital stock	1,000,000	33,585	1,000,000
				Accumulated deficit	(24,586)	(826)	(66,118)
				Other equity	(186,303)	(6,257)	(268,736)
				Total Equity	789,111	26,502	665,146
TOTAL ASSETS	$ 789,625	$ 26,519	$ 666,419	TOTAL LIABILITIES AND EQUITY	$ 789,625	$ 26,519	$ 666,419

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Interest income	$ 43,217,575	$ 1,451,472	$ 39,806,277
Less: Interest expense	(13,581,097)	(456,124)	(11,879,547)
Interest income, net	29,636,478	995,348	27,926,730
Revenues other than interest income, net	15,696,311	527,164	16,125,533
Net revenue	45,332,789	1,522,512	44,052,263
Bad debts expense and provisions for insurance reserve	(5,439,591)	(182,690)	(4,354,634)
Operating Expenses	(17,970,453)	(603,542)	(17,462,495)
Income before Income Tax from Continuing Operations	21,922,745	736,280	22,235,134
Income tax expense	(3,116,707)	(104,675)	(3,239,508)
Net Income	18,806,038	631,605	18,995,626
Other comprehensive income (loss)	191,577	6,434	(1,124,372)
Total comprehensive income for the year	$ 18,997,615	$ 638,039	$ 17,871,254
Earnings Per Share			
Basic Earnings Per Share (After Taxes)	$ 2.64	$ 0.09	$ 2.75

MEGA SECURITIES CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Revenues	$ 2,798,700	$ 93,995	$ 2,305,606
Service fee revenue expenditure	(89,376)	(3,002)	(90,721)
Employee benefit expense	(1,410,641)	(47,377)	(1,266,639)
Other operating expenses	(137,445)	(4,616)	(147,054)
Operational expenses	(765,371)	(25,705)	(701,746)
Other gains and losses	130,700	4,390	110,775
Share of loss of associates and joint ventures accounted for under equity method	(31,344)	(1,053)	(36,556)
Income before Income Tax from Continuing Operations	495,223	16,632	173,665
Income tax expense	6,612	222	(49,238)
Net Income	501,835	16,854	124,427
Other comprehensive income (loss)	6,883	231	(20,651)
Total comprehensive income for the year	$ 508,718	$ 17,085	$ 103,776
Earnings Per Share			
Basic Earnings Per Share (After Taxes)	$ 0.43	$ 0.01	$ 0.11

MEGA BILLS FINANCE CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Interest income	$ 2,837,819	$ 95,309	$ 3,206,986
Less: Interest expense	(1,058,294)	(35,543)	(1,217,712)
Interest income, net	1,779,525	59,766	1,989,274
Revenues other than interest income, net	1,872,669	62,894	2,131,103
Net revenue	3,652,194	122,660	4,120,377
Provisions	177,739	5,969	25,132
Operating Expenses	(775,732)	(26,053)	(788,354)
Income before Income Tax from Continuing Operations	3,054,201	102,576	3,357,155
Income tax expense	(423,718)	(14,231)	(529,272)
Net Income	2,630,483	88,345	2,827,883
Other comprehensive loss	(1,220,140)	(40,979)	(760,626)
Total comprehensive income for the year	$ 1,410,343	$ 47,366	$ 2,067,257
Earnings Per Share			
Basic Earnings Per Share (After Taxes)	$ 2.01	$ 0.07	$ 2.16

CHUNG KUO INSURANCE CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Operating revenue	$ 4,427,149	$ 148,687	$ 4,114,294
Operating costs	(3,017,489)	(101,343)	(3,168,853)
Operating Expenses	(995,946)	(33,449)	(897,353)
Operating income	413,714	13,895	48,088
Non-operating income and expenses	2,203	74	(10,547)
Income before Income Tax from Continuing Operations	415,917	13,969	37,541
Income tax expense	(119,565)	(4,016)	(21,252)
Net Income	296,352	9,953	16,289
Other comprehensive loss	(11,987)	(403)	(13,430)
Total comprehensive income for the year	$ 284,365	$ 9,550	$ 2,859
Earnings Per Share			
Basic Earnings Per Share (After Taxes)	$ 0.99	$ 0.03	$ 0.05

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Operating revenue	$ 358,441	$ 12,038	$ 331,086
Operating Expenses	(231,500)	(7,775)	(213,572)
Income before Income Tax from Continuing Operations	126,941	4,263	117,514
Income tax expense	(6,864)	(231)	(20,129)
Net Income	120,077	4,032	97,385
Other comprehensive loss	(1,389)	(47)	(141)
Total comprehensive income for the year	$ 118,688	$ 3,985	$ 97,244
Earnings Per Share			
Basic Earnings Per Share (After Taxes)	$ 2.28	$ 0.08	$ 1.85

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Operating revenue	$ 784,492	$ 26,347	$ 678,407
Operating Expenses	(153,709)	(5,162)	(143,020)
Income before Income Tax from Continuing Operations	630,783	21,185	535,387
Income tax expense	(68,920)	(2,315)	(130,173)
Net Income	561,863	18,870	405,214
Other comprehensive income	4,424	149	-
Total comprehensive income for the year	$ 566,287	$ 19,019	$ 405,214
Earnings Per Share			
Basic Earnings Per Share (After Taxes)	$ 2.81	$ 0.09	$ 2.03

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Operating revenue	$ 219,940	$ 7,387	$ 238,890
Operating Expenses	(45,953)	(1,543)	(49,053)
Income before Income Tax from Continuing Operations	173,987	5,844	189,837
Income tax expense	(29,714)	(998)	(32,272)
Net Income	$ 144,273	$ 4,846	$ 157,565
Earnings Per Share			
Basic Earnings Per Share (After Taxes)	$ 72.14	$ 2.42	$ 78.78

MEGA VENTURE CAPITAL CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Expressed in Thousands of Dollars, Except Earnings per Share Amounts)

	2013		2012
	NT$	US$	NT$
Operating revenue	$ 58,130	$ 1,952	$ 32,889
Operating expenses	(17,554)	(590)	(20,469)
Non-operating income and expenses	40,576	1,362	12,420
Income tax benefit (expense)	956	32	(9)
Net income	41,532	1,394	12,411
Other comprehensive income (loss)	82,432	2,768	(21,405)
Total comprehensive income for the year	$ 123,964	$ 4,162	($ 8,994)
Earnings per share			
Basic earnings per share (After Taxes)	$ 0.42	$ 0.01	$ 0.12

(11) Profitability of the Company and its subsidiaries:

A. The Company

UNIT：%

Items		MEGA FINANCIAL HOLDING CO., LTD	
		For the year ended December 31, 2013	For the year ended December 31, 2012
Return on assets	Pre-tax	9.17	9.09
	After-tax	8.91	8.89
Return on equity	Pre-tax	10.25	10.34
	After-tax	9.96	10.11
Net profit margin		94.57	94.59

UNIT：%

Items		MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES	
		For the year ended December 31, 2013	For the year ended December 31, 2012
Return on assets	Pre-tax	0.92	0.94
	After-tax	0.77	0.78
Return on equity	Pre-tax	11.95	12.27
	After-tax	9.95	10.10
Net profit margin		40.89	40.13

B. The subsidiary

UNIT：%

Items		MICB	
		For the year ended December 31, 2013	For the year ended December 31, 2012
Return on assets	Pre-tax	0.84	0.94
	After-tax	0.72	0.80
Return on equity	Pre-tax	11.61	13.15
	After-tax	9.96	11.24
Net profit margin		41.48	43.12

UNIT：%

Items		MS	
		For the year ended December 31, 2013	For the year ended December 31, 2012
Return on assets	Pre-tax	1.15	0.45
	After-tax	1.17	0.33
Return on equity	Pre-tax	3.56	1.28
	After-tax	3.61	0.92
Net profit margin		17.93	5.40

UNIT：%

Items		MBF	
		For the year ended December 31, 2013	For the year ended December 31, 2012
Return on assets	Pre-tax	1.39	1.52
	After-tax	1.20	1.28
Return on equity	Pre-tax	9.42	10.29
	After-tax	8.11	8.67
Net profit margin		72.02	68.63

UNIT：%

Items		CKI	
		For the year ended December 31, 2013	For the year ended December 31, 2012
Return on assets	Pre-tax	2.76	0.25
	After-tax	1.97	0.11
Return on equity	Pre-tax	8.33	0.78
	After-tax	5.94	0.34
Net profit margin		6.69	0.40

Note 1:Return on assets = Income (loss) before income tax ÷ Average total assets
Note 2:Return on equity = Income (loss) before income tax ÷ Average equity
Note 3:Net profit margin = Net income (loss) after income tax ÷ Net revenues
Note 4:Net income (loss) pre-tax / after-tax refers to the income (loss) for the years ended December 31, 2013 and 2012.

(12) In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet, trust income statement and schedule of investment for trust business are as follows: (Please refer to P. 184 of the Consolidated Financial Statements)

17. ADDITIONAL DISCLOSURES

The transactions between and among subsidiaries have been eliminated during the consolidation. The disclosed information below is for reference purposes only. (Please refer to P. 185-203 of the Consolidated Financial Statements)

18. DISCLOSURE OF FINANCIAL INFORMATION BY SEGMENTS

(1) General Information

The Group's operation segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM"). The CODM allocates resources to operating segments and evaluates their performance. The Group's CODM refers to the Board of Directors.

Inter-segmental transactions are arm's-length transactions, and gain and loss arising from such transactions are eliminated by the parent company upon the presentation of consolidated financial statements. Profit and loss directly attributable to various segments have been considered when segment performance is being evaluated.

The operating segments of the Group comprise banking, securities, bills finance, insurance and other businesses. The operating results are reviewed by the CODM regularly and are referenced when allocating resources and evaluating operating performance.

The Group is based in the global market, comprising four major business segments; there were no changes in the reporting segments for the period.

The operating results have different income items due to different nature of the operating segments, and the CODM evaluates segment performance based on the net profit before tax of various segments. Therefore, performance of all reporting segments is presented by the net amount of operating net profit less various operating expenses. Income from external clients provided for the CODM to review is measured on the same basis with the statement of comprehensive income.

Adjustments of internal pricing and transfer pricing are reflected in segment performance evaluation. Income from external clients has been allocated based on the regulated allocation standard between segments.

The internal management's operating reports are prepared based on net operating profit, including net interest income, net service fee income, recovered bad debts (provision), loan loss impairment, net gain (loss) on financial instruments and other operating gain (loss). Measurement basis does not include non-recurring items, e.g. litigation expenses.

(2) Information about segment profit or loss, assets and liabilities

The Group's management mainly focuses on the operating results of the whole group, which is consistent with of the statement of comprehensive income on page 6 of the consolidated financial statements.

(3) Major customers information

The Group's source of income is not concentrated on transactions with a single customer or single trading.

(4) Information on product and service

All operating segments' operating results of the Group mainly comes from interest income from external clients and is measured on a consistent basis compared with the statement of comprehensive income. While the segmental income also consists of internal profit and loss appropriated by the terms agreed amongst segments other than external revenue. Please refer to the information by geography for relevant components of income balances.

(5) Information about segment profit or loss, assets and liabilities

(UNIT: In thousands of NT Dollars)

	For the year ended December 31, 2013						
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Interest income, net	$ 30,217,381	$ 90,163	$ 438,193	$ 734,002	($ 203,613)	$ -	$ 31,276,126
Revenues other than interest income, net	15,545,785	1,151,578	3,214,001	2,095,599	25,140,339	(23,414,960)	23,732,342
Net revenue	45,763,166	1,241,741	3,652,194	2,829,601	24,936,726	(23,414,960)	55,008,468
Bad debts expense and provisions for insurance reserve	(5,454,163)	-	177,739	-	-	-	(5,276,424)
Reversal of provisions for insurance reserve	-	183,695	-	-	-	-	183,695
Operating expenses	(18,308,664)	(1,009,519)	(775,732)	(2,330,027)	(800,666)	308,951	(22,915,657)
Income before income tax from continuing operations	22,000,339	415,917	3,054,201	499,574	24,136,060	(23,106,009)	27,000,082
Income tax expense	(3,194,301)	(119,565)	(423,718)	2,261	-	-	(4,505,513)
Net Income	$ 18,806,038	$ 296,352	$ 2,630,483	$ 501,835	$ 24,136,060	($ 23,106,009)	$ 22,494,569

(UNIT: In thousands of US Dollars)

	For the year ended December 31, 2013						
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Interest income, net	$ 1,014,857	$ 3,028	$ 14,717	$ 24,652	($ 6,838)	$ -	$ 1,050,416
Revenues other than interest income, net	522,109	38,676	107,943	70,381	844,344	(786,397)	797,056
Net revenue	1,536,966	41,704	122,660	95,033	837,506	(786,397)	1,847,472
Bad debts expense and provisions for insurance reserve	(183,179)	-	5,969	-	-	-	(177,210)
Reversal of provisions for insurance reserve	-	6,169	-	-	-	-	6,169
Operating expenses	(614,901)	(33,905)	(26,053)	(78,254)	(26,891)	10,376	(769,628)
Income before income tax from continuing operations	738,886	13,968	102,576	16,779	810,615	(776,021)	906,803
Income tax expense	(107,281)	(4,016)	(14,231)	76	-	-	(125,452)
Net income	$ 631,605	$ 9,952	$ 88,345	$ 16,855	$ 810,615	($ 776,021)	$ 781,351

(UNIT: In thousands of NT Dollars)

Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
	For the year ended December 31, 2012						
Interest income, net	$ 28,542,673	$ 81,758	$ 614,323	$ 715,958	($ 382,639)	$ -	$ 29,572,073
Revenues other than interest income, net	15,960,275	902,055	3,506,054	1,612,924	23,303,522	(23,042,186)	22,242,644
Net revenue	44,502,948	983,813	4,120,377	2,328,882	22,920,883	(23,042,186)	51,814,717
Bad debts expense and provisions for insurance reserve	(4,367,040)	-	25,132	-	-	-	(4,341,908)
Reversal of provisions for insurance reserve	-	(48,919)	-	-	-	-	(48,919)
Operating expenses	(17,807,624)	(897,353)	(788,354)	(2,143,445)	(795,604)	282,686	(22,149,694)
Income before income tax from continuing operations	22,328,284	37,541	3,357,155	185,437	22,125,279	(22,759,500)	25,274,196
Income tax expense	(3,332,658)	(21,252)	(529,273)	(53,107)	(658,522)	115,724	(4,479,088)
Net income	$ 18,995,626	$ 16,289	$ 2,827,882	$ 132,330	$ 21,466,757	($ 22,643,776)	$ 20,795,108

(UNIT: In thousands of NT Dollars)

Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
	December 31, 2013						
Segment assets	$2,819,584,470	$ 15,163,339	$ 221,642,970	$ 49,477,825	$ 276,488,493	($ 268,733,284)	$3,113,623,813
Segment liabilities	$2,618,715,345	$ 10,016,733	$ 189,525,458	$ 35,313,468	$ 30,130,215	($ 11,669,482)	$2,872,031,737

(UNIT: In thousands of US Dollars)

Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
	December 31, 2013						
Segment assets	$ 94,696,372	$ 509,264	$ 7,443,928	$ 1,661,724	$ 9,285,928	($ 9,025,467)	$ 104,571,749
Segment liabilities	$ 87,950,138	$ 336,414	$ 6,365,255	$ 1,186,011	$ 1,011,930	($ 391,922)	$ 96,457,826

(UNIT: In thousands of NT Dollars)

Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
	December 31, 2012						
Segment assets	$2,443,258,160	$ 14,937,984	$ 217,542,012	$ 42,216,746	$ 253,030,069	($ 244,015,674)	$2,726,969,297
Segment liabilities	$2,266,330,053	$ 10,103,226	$ 184,825,953	$ 28,573,813	$ 37,890,285	($ 11,234,792)	$2,516,488,538

(6) Geographical information

A. Net revenue

	For the years ended December 31,		
	2013		2012
	NT$	US$	NT$
Asia	$ 44,488,399	$ 1,494,153	$ 41,637,869
America	2,835,271	95,223	2,844,949
Others	7,684,798	258,095	7,331,899
Total	$ 55,008,468	$ 1,847,471	$ 51,814,717

B. Identifiable assets

	2013		2012
	NT$	US$	NT$
Asia	$ 2,532,028,700	$ 85,038,747	$ 2,185,015,571
America	337,539,708	11,336,346	312,728,588
Others	244,055,405	8,196,658	229,225,138
Total assets	$ 3,113,623,813	$ 104,571,751	$ 2,726,969,297

19. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

B. Business combinations

The Group has selected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs. Therefore, the carrying amounts of business combination transactions that occurred prior to the date of transition to IFRSs are not required to be adjusted.

C. Deemed cost

(A) For property, plant and equipment that were revalued under R.O.C. GAAP before the transition date, the Group has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the 'deemed cost' of these assets under IFRSs.

(B) For investment properties that were accounted for under 'Property, plant and equipment' which were revalued under R.O.C. GAAP before the transition date, the Group has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the 'deemed cost' of these assets under IFRSs.

(C) The Group did not apply exemptions to its intangible assets.

D. Employee benefits

The Group has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

E. Designation of previously recognized financial instruments

The Group chose to designate certain financial assets carried at cost as the available-for-sale financial assets at the conversion date.

F. The subsidiaries have elected to apply the transitional provisions in IFRS 4, 'Insurance Contracts' and apply IFRS 4 from the transition date.

(2) Except for non-controlling interest to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

The accounting estimates made by the Group under the IFRSs on the date of transition to IFRSs, which had reflected the adjustments for accounting policies differences, are in agreement with those made under R.O.C. GAAP before the transition date.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

C. Hedge accounting

Hedge accounting can only be applied prospectively to transactions that qualify for hedge accounting in accordance with IAS 39 from the date of transition to IFRSs. Hedging relationship should not be designated retrospectively, and written documentation relating to hedge accounting should not be made retrospectively, either. Therefore, under IFRS 1, only a hedging relationship that satisfied the hedge accounting criteria on January 1, 2012 can be reflected as hedge in the Group's opening IFRS financial statements.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of first-time adoption of IFRSs:

IFRS 1 requires that an entity should prepare reconciliations for consolidated balance sheets, consolidated statements of comprehensive income and consolidated statement of cash flows for the comparative periods. Reconciliations for consolidated balance sheets and consolidated statements of comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

(Please refer to P. 209-219 of the Consolidated Financial Statements)

Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Consolidated

Unit: NT$1,000

Item \ Year	2013	2012	Difference	
			Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to banks	551,247,431	458,490,129	92,757,302	20.23
Financial assets at fair value through profit or loss	195,800,759	184,716,442	11,084,317	6.00
Available-for-sale financial assets, net	272,943,633	223,271,043	49,672,590	22.25
Derivative financial assets for hedge	0	0	0	0
Bills and bonds purchased under resale agreements	2,585,345	2,282,052	303,293	13.29
Receivables, net	184,587,941	122,685,220	61,902,721	50.46
Current income tax assets	921,969	953,192	(31,223)	(3.28)
Non-current assets held for sale, net	2,576	0	2,576	-
Bills discounted and loans, net	1,654,577,193	1,502,700,861	151,876,332	10.11
Reinsurance contract assets, net	3,293,937	3,301,550	(7,613)	(0.23)
Held-to-maturity financial assets, net	184,411,233	161,253,982	23,157,251	14.36
Equity investments accounted for by the equity method, net	2,697,551	2,966,843	(269,292)	(9.08)
Restricted assets	0	0	0	0
Other financial assets, net	23,430,204	27,629,411	(4,199,207)	(15.20)
Property and equipment, net	22,150,245	22,331,091	(180,846)	(0.81)
Investment property, net	2,059,428	2,101,127	(41,699)	(1.98)
Intangible assets, net	318,046	303,612	14,434	4.75
Deferred income tax assets, net	3,785,582	3,098,020	687,562	22.19
Other assets, net	8,810,740	8,884,722	(73,982)	(0.83)
Total assets	3,113,623,813	2,726,969,297	386,654,516	14.18
Due to the Central Bank and financial institutions	490,935,730	328,810,493	162,125,237	49.31
Funds borrowed from the Central Bank and other banks	32,330,245	84,826,943	(52,496,698)	(61.89)
Financial liabilities at fair value through profit or loss	14,856,685	14,676,886	179,799	1.23
Derivative financial liability for hedge	0	0	0	0
Bills and bonds sold under repurchase agreements	219,651,334	187,481,840	32,169,494	17.16
Commercial paper payable, net	4,393,653	1,880,597	2,513,056	133.63
Payables	66,105,983	59,583,525	6,522,458	10.95
Current income tax liability	5,522,518	5,993,633	(471,115)	(7.86)
Liability directly related to assets held for sale	0	0	0	0
Deposits and remittances	1,933,722,541	1,717,989,498	215,733,043	12.56
Bonds payable	55,898,677	62,449,668	(6,550,991)	(10.49)
Other loans	5,509,213	6,541,000	(1,031,787)	(15.77)
Preferred stock liabilities	0	0	0	0
Provisions for liabilities	22,414,786	22,045,319	369,467	1.68
Other financial liabilities	10,094,610	11,728,176	(1,633,566)	(13.93)
Deferred income tax liabilities	2,051,201	1,694,706	356,495	21.04
Other liabilities	8,544,561	10,786,252	(2,241,691)	(20.78)
Total liabilities	2,872,031,737	2,516,488,536	355,543,201	14.13
Equity attributable to owners of parent	241,405,536	210,199,694	31,205,842	14.85
Common stock	124,498,240	114,498,240	10,000,000	8.73
Capital surplus	55,271,623	43,425,270	11,846,353	27.28
Retained earnings	61,534,835	52,097,039	9,437,796	18.12
Other equity interest	100,838	179,145	(78,307)	(43.71)
Treasury stock	0	0	0	0
Non-controlling interest	186,540	281,067	(94,527)	(33.63)
Total Equity	241,592,076	210,480,761	31,111,315	14.78

Review of Financial Conditions, Operating Results, and Risk Management

Change analysis:

1. Increase in cash and cash equivalents, due from the Central Bank and call loans to banks is mainly due to increase in call loans to banks as well as import and export loans from banks.
2. The amount of available-for-sale financial assets increased largely because positions in bond and commercial paper increased.
3. Receivables increased primarily due to growth of usance LC outright receivable.
4. Deferred income tax assets increased mainly because the allowance for bad debts exceeded the loss limit specified by Income Tax Act, resulting in temporary differences.
5. The amount of due to the Central Bank and financial institutions increased mainly due to increase in due to financial institutions, offset by decrease in due to the Central Bank.
6. Funds borrowed from the Central Bank and financial institutions decreased primarily owing to reduction in other borrowing from the Central Bank.
7. The amount of commercial papers payable rose largely due to increase in domestic commercial papers issued.
8. Deferred income tax liability increased mainly because of the temporary differences resulting from unrealized foreign exchange gains.
9. Other liabilities reduced primarily due to reduction in temporary receipts and suspense accounts.
10. Capital surplus increased because the Company issued common stock by cash which brought in paid-in capital in excess of par value.
11. Other equity interest declined primarily as unrealized gain on valuation of available-for-sale financial assets fell.
12. Non-controlling interest decreased mainly because the investee company Mega I Venture Capital Company reduced capital stock.

Unconsolidated

Unit：NT$1,000

Year / Item	2013	2012	Difference	
			Amount	%
Cash and cash equivalents	1,044,333	77,292	967,041	1,251.15
Available-for-sale financial Assets, net	5,550,855	5,143,167	407,688	7.93
Receivables, net	0	158	(158)	(100.00)
Current income tax assets	630,319	857,313	(226,994)	(26.48)
Equity investments accounted for by the equity method, net	256,786,037	231,773,613	25,012,424	10.79
Other financial assets, net	758,293	758,293	0	0
Property and equipment, net	771,442	783,919	(12,477)	(1.59)
Deferred income tax assets	7,737	7,737	0	0
Other assets, net	8,507	8,012	495	6.18
Total assets	265,557,523	239,409,504	26,148,019	10.92
Financial liabilities at fair value through profit or loss	0	1,200	(1,200)	(100.00)
Commercial paper payable, net	0	881,079	(881,079)	(100.00)
Payables	11,975,327	10,841,536	1,133,791	10.46
Current income tax liability	121,298	1,376,534	(1,255,236)	(91.19)

Item \ Year	2013	2012	Difference	
			Amount	%
Bonds payable	11,998,677	16,049,668	(4,050,991)	(25.24)
Reserve for liabilities	52,431	56,510	(4,079)	(7.22)
Deferred income tax liability	2,168	1,026	1,142	111.31
Other liabilities	2,086	2,257	(171)	(7.58)
Total liabilities	24,151,987	29,209,810	(5,057,823)	(17.32)
Capital stock	124,498,240	114,498,240	10,000,000	8.73
Capital surplus	55,271,623	43,425,270	11,846,353	27.28
Retained earnings	61,534,835	52,097,039	9,437,796	18.12
Other equity	100,838	179,145	(78,307)	(43.71)
Total equity	241,405,536	210,199,694	31,205,842	14.85

Change analysis:

1. Cash and cash equivalents increased mainly because the Company increased capital through cash injection.
2. Receivables decreased primarily due to reduction in notes receivable.
3. Current income tax assets declined largely due to offset of the income tax assets resulting from joint declaration and report profit-seeking enterprise income tax by the Company and its subsidiaries.
4. Reduction of Financial liabilities at fair value through profit or loss is mainly due to decrease in loss on valuation of exchangeable bonds payable.
5. Commercial paper payable declined due to repayment of commercial papers.
6. Current income tax assets declined mainly due to offset of the income tax liabilities resulting from joint declaration and report profit-seeking enterprise income tax by the Company and its subsidiaries, and reduction of the tax surcharge on retained earnings.
7. Bonds payable decreased due to repayment of bonds.
8. Increase in deferred income tax liability is mainly due to temporary differences resulting from actuarial profit and loss from defined benefit plans.
9. Capital surplus increased because the Company issued common stock by cash which brought in paid-in capital in excess of par value.
10. Other equity reduced primarily because unrealized gain on valuation of available-for-sale financial assets fell.

7.2 Financial Performance

Consolidated

Unit: NT$1,000

Item	2013	2012	Difference	%
Interest income	46,533,690	43,400,003	3,133,687	7.22
Less: interest expenses	(15,257,564)	(13,827,930)	(1,429,634)	10.34
Interest income, net	31,276,126	29,572,073	1,704,053	5.76
Revenues other than interest, net	23,732,342	22,242,644	1,489,698	6.70
Net revenue	55,008,468	51,814,717	3,193,751	6.16
Bad debts expense on loans and provisions for guarantee liabilities	(5,276,424)	(4,341,908)	(934,516)	21.52
Reversal of (provisions for) insurance reserve	183,695	(48,919)	232,614	(475.51)

Item	2013	2012	Difference	%
Operating expenses	(22,915,657)	(22,149,694)	(765,963)	3.46
Income before income tax	27,000,082	25,274,196	1,725,886	6.83
Income tax expenses	(4,505,513)	(4,479,088)	(26,425)	0.59
Profit for the year	22,494,569	20,795,108	1,699,461	8.17
Total other comprehensive income (after income tax)	(535,261)	(2,084,775)	1,549,514	(74.33)
Total comprehensive income	21,959,308	18,710,333	3,248,975	17.36
Profit attributable to owners of parent	22,489,232	20,784,648	1,704,584	8.20
Profit attributable to non-controlling interests	5,337	10,460	(5,123)	(48.98)
Comprehensive income attributable to owners of parent	21,954,295	18,713,009	3,241,286	17.32
Comprehensive income attributable to non-controlling interests	5,013	(2,676)	7,689	(287.33)

Change analysis:

1. Increase of bad debts expense on loans and provisions for guarantee liabilities is mainly due to increase in allowance of bad debts on loans.
2. Reversal of (provisions for) insurance reserve declined primarily due to reversal of insurance claim reserves.
3. Total other comprehensive income decreased mainly because of the reduction of translation loss on the financial statements of foreign operating entities in the period and actuarial loss from defined benefit plans.
4. The reduction in both profit attributable to non-controlling interests and comprehensive income attributable to non-controlling interests is largely due to the decrease in profit of investee company Mega I Venture Capital Company.

Unconsolidated

Unit: NT$ 1,000

Year / Item	2013	2012	Difference	
			Amount	%
Share of profit of associates and joint ventures accounted for under equity method	23,768,937	21,911,931	1,857,006	8.47
Other income	12,827	60,376	(47,549)	(78.75)
Operating expenses	(336,698)	(348,438)	11,740	(3.37)
Other expenses and losses	(290,185)	(363,294)	73,109	(20.12)
Income before income tax from continuing operations	23,154,881	21,260,575	1,894,306	8.91
Income tax expense	(665,649)	(475,927)	(189,722)	39.86
Net income	22,489,232	20,784,648	1,704,584	8.20
Other comprehensive loss for the period, net of tax	(534,937)	(2,071,639)	1,536,702	(74.18)
Total comprehensive income for the period	21,954,295	18,713,009	3,241,286	17.32

Change analysis:

1. The reduction of other income is primarily due to the decrease in interest income and other income.
2. Other expenses and losses declined mainly because of the decrease of interest expenses.
3. Income tax expense increased largely due to increase of tax surcharge on the retained earnings.
4. The amount of other comprehensive loss for the period decreased mainly due to reduction of translation loss on the financial statements of foreign operating entities in the period.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2013

Consolidated

Item \ Year	2013	2012	Variance (%)
Cash flow ratio (%)	14.60%	(1.57%)	(1,024.94%)
Cash flow adequacy ratio (%)	277.03%	130.12%	112.90%
Cash reinvestment ratio (%)	236.77%	(35.30%)	(770.24%)

Change Analysis:

1. Increase in the cash flow ratio was primarily due to increase in net cash provided by the operating activities.
2. Increase in the cash flow adequacy ratio was largely attributed to the growth in the five-year sum of net cash provided by the operating activities.
3. The cash reinvestment ratio grew mainly because of the increase in the balances of net cash provided by operating activities deducting cash dividends.

Unconsolidated

Item \ Year	2013	2012	Variance (%)
Cash flow ratio (%)	3,865.15%	441.67%	775.12
Cash flow adequacy ratio (%)	113.70%	112.53%	1.04
Cash reinvestment ratio (%)	(52.46%)	232.82%	(122.53)

Change Analysis:

1. Increase in the cash flow ratio was primarily due to reduction in accounts payable and commercial papers payable.
2. The cash reinvestment ratio dropped mainly because of the decrease in the balances of net cash provided by operating activities deducting cash dividends.

7.3.2 Cash Flow Analysis for 2014

Consolidated

Unit: NT$1,000

Expected cash and cash equivalents (12/31/2013) (1)	Estimated net cash flow from operating activities (2)	Estimated cash outflow (3)	Cash surplus (12/31/2014) (1)+(2)-(3)	Leverage of cash surplus (Deficit)	
				Investment plans	Financing plans
367,990,287	33,935,815	6,470,364	395,455,738	None	None

Analysis of Cash Flow:

1. Operating Activities: mainly increase in bills discounted and loans, due to the Central Bank and banks, reduction in bills and bonds sold under repurchase agreements as well as deposits and remittances.
2. Investing Activities: mainly procurement of property and equipment as well as intangible assets.
3. Financing Activities: primarily payout of cash dividends, increase in bonds payable and borrowing.

Unconsolidated

Unit: NT$1,000

Expected cash and cash equivalents (12/31/2013) (1)	Estimated net cash flow from operating activities (2)	Estimated cash outflow (3)	Cash surplus (12/31/2014) (1)+(2)-(3)	Leverage of cash surplus (Deficit)	
				Investment plans	Financing plans
1,044,333	13,980,470	14,904,803	120,000	None	None

Analysis of Cash Flow for next year:

1. Operating Activities: mainly net cash generated from the investment income.
2. Investing Activities: mainly procurement of property and equipment as well as intangible assets.
3. Financing Activities: primarily for payout of cash dividends and repayment of corporate bonds.

7.4 Influence from Major Capital Expenditures in 2013: None.

7.5 Investment Policies in 2013

- 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, 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.

7.6 Review of Investment Performance and Improvement Plans

Mega International Commercial Bank Co., Ltd. (MICB)

MICB recorded a net profit after tax in 2013 of NT$18,806,038 thousand, a 1% decrease from the NT$18,995,626 thousand in 2012, largely due to increase of the bad debts expense and provisions for guarantee liabilities. The bank will enhance profitability by raising net interest income through promoting lending business, while reinforcing risk management to maintain good assets quality at the same time.

Mega Securities Co., Ltd. (MSC)

MSC's net profit after tax in 2013 reached NT$501,835 thousand, a 303.32% increase compared to NT$124,427 thousand of 2012 mainly due to improvement of the profits from proprietary trading. As the government adopted certain measures to boost the transaction volume of the stock market, the TAIEX rose dramatically. MSC posted an increase in gains on sale of trading securities and financial assets at fair value through profit or loss.

Mega Bills Finance Co., Ltd. (MBF)

MBF's net profit after tax in 2013 reached NT$2,630,483 thousand, down 6.98% compared to NT$2,827,883 thousand of 2012. The decline in profit is largely attributed to reduction of interest income resulting from declining government bonds positions in 2013. The company plans to improve the profitability by expanding the bills issue amount, boosting the interest spread and stepping up its efforts in collecting of non-performing loans. As a part of its effort to increase interest spread, the company will also introduce proprietary trading in foreign currency bonds in 2014.

Chung Kuo Insurance Co., Ltd. (CKI)

CKI's net profit after tax in 2013 amounted to NT$296,352 thousand, a 1,719.34% increase compared to NT$16,289 thousand in 2012, primarily due to decrease in the major natural disaster claims and increase in investment income.

Mega Assets Management Co., Ltd.

In 2013, the company reported a net profit after tax in 2013 of NT$561,863 thousand, a 38.66% increase compared to NT$405,214 thousand in 2012, due to increase in net revenue on obligor receivables purchased and commission income.

Mega Life Insurance Agency Co., Ltd. (MLIA)

MLIA posted a net profit after tax in 2013 of NT$144,273 thousand, an 8.44% decrease from the record high NT$157,565 thousand in 2012 primarily due to the reduction of commission income on the US dollars installment life insurance policy. MLIA will introduce RMB traditional policy, investment linked products on quasi discretionary basis and other exclusive insurance policies to boost its revenue in 2014.

Mega Venture Capital Co., Ltd. (MVC)

MVC recorded a net profit after tax in 2013 of NT$41,532 thousand, up 234.61% from NT$12,412 thousand of 2012 mainly due to increases in gains on disposal of shares.

Mega International Investment Trust Co., Ltd. (MIIT)

MIIT posted a net profit after tax in 2013 of NT$120,077 thousand, a 23.30% increases over the NT$97,385 thousand in 2012 primarily due to recovery of bad debts and recognition of income tax benefits.

Taipei Financial Center Corporation (TFCC)

TFCC posted a net profit in 2013 for NT$1,076,710 thousand, increasing by NT$351,898 thousand, from 2012 mainly as department sales increased by NT$1,179,929 thousand and, as a result, gross profit increased by NT$425,398 thousand and net profit before tax increased by NT$423,802 thousand. In addition, the lease ratio, the rent collection ratio, and average monthly rent of the office building all increased from 2012 levels. Currently, various government entities own 44.35% of the shares outstanding, while the Ting Hsin International Group owns 37.18%, making it the largest non-government shareholder.

Taiwan Depository & Clearing Corporation (TDC)

TDC recorded a net profit after tax in 2013 of NT$1,307,975 thousand, increasing by NT$87,784 thousand from NT$1,220,191 thousand in 2012 mainly due to increase in securities service revenue resulting from growth in the transaction volume of the domestic stock market.

Taiwan Business Bank (TBB)

TBB posted a net profit before tax in 2013 of NT$3,849,726 thousand, an increase of NT$80,256 thousand, or 2.13%, compared to 2012. The profits growth was primarily due to the decrease in bad debt expense of NT$270,756 thousand resulting from reconciliation of accounting item after adoption of IFRS in

2013, which is partly offset by the decline of NT$198,986 thousand in income before tax and provisions for bad debts due to adoption of IFRS starting from 2013. The bank's NPL ratio declined from 0.92% at the end of 2012 to the 0.76% at the end of 2013, while the coverage ratio increased from 93.53% at the end of 2012 to 141.61% at the end of 2013.

7.7 Investment Plans for 2014

- Continuing to evaluate and explore opportunities for merging with financial institutions that are complementary to our operations and can enhance synergy within the Group.
- Developing cross-strait financial businesses with characteristics, encouraged by the government.
- Evaluating the feasibility of access to overseas and China's financial markets.

7.8 Analysis of Risk Management

7.8.1 Risk Management Structure

As the highest authority for the Group's risk management, the Board of Directors of the Company takes full responsibility for the Group's risk management mechanism and its effective operation. The Risk Management Committee of the Company formulates and supervises the execution of the Group's risk management policy. The Risk Management Department of the Company performs the daily oversight jobs and provides risk reports. And, 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 Company's bank, bills finance, securities, insurance and asset management subsidiaries have similar risk management structure with the parent company. Each subsidiary is responsible for its own risk management under the guidance from the parent.

7.8.2 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.

7.8.3 Risk Management Tasks

The Company has set out medium 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, total business exposure and 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 and enhancing intra-group reporting and management system for the substantial credit risk events. 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 Reporting 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:

Market risk is measured and monitored by VaR (Value at Risk) group wide at the holding company level. Management systems are either acquired from outside vendors or developed in-house. The Company continues to enhance market risk management by better integrating information systems, analyzing and assessing risk from more aspects on a timely 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-evaluation mechanism to identify and analyze the operational risk exposure and also to improve the control and management mechanism. Besides, a key risk indicators (KRI) system is newly established to monitor the potential operational risks. The Company has also required other subsidiaries to conduct self-evaluation 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 an inter-subsidiary risk management information system, 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 and its subsidiaries in operational risk management.
- Developing a response plan to ensure Basel II compliance in capital requirements to reduce future operation impact.

7.8.4 Quantification of Risk Exposure

Mega International Commercial Bank

(1) Credit risk

The Capital Charge for Credit Risk under Standard Approach

December 31, 2013; Unit: NT$ thousand

Exposure types	Exposures after credit mitigation	Capital charge
Sovereigns	481,343,717	1,879
Non-central government public sector entities	38,066	609
Banks (including multilateral development banks)	445,834,878	9,839,553
Enterprises (including securities firms and insurance companies)	1,528,133,497	108,512,555
Regulatory retail portfolios	210,420,641	14,038,543
Residential property	209,224,084	9,621,813
Equity investment	21,092,306	6,039,276
Other assets	32,899,732	1,487,872
Total	2,928,986,921	149,542,099

(2) Market risk

The Capital Charge for Market Risk

December 31, 2013, Unit: NT$ thousand

Risk type	Capital charge
Interest rate risk	2,450,126
Equity risk	1,929,557
Foreign exchange risk	429,708
Product risk	0
Total	4,809,391

(3) Operational risk

The Capital Charge for Operational Risk

December 31, 2013; Unit: NT$ thousand

Year	Gross profits	Capital charge
2013	44,227,394	
2012	42,277,743	
2011	35,134,576	
Total	121,639,713	6,081,986

(4) Securitization Risk

The Capital Charge for Securitization Framework

December 31, 2013; Unit: NT$ thousand

Bank category	Book type	Asset category	Traditional – Exposure – Retained or purchased	Traditional – Exposure – For liquidity facility	Traditional – Exposure – For credit enhancement	Traditional – Exposure – Sub-total (1)	Traditional – Capital charge (2)	Synthetic – Risk exposure amount – Retained or purchased (3)	Synthetic – Capital charge (4)	Total – Exposure (5)=(1)+(3)	Total – Capital charge (6)=(2)+(4)	Total – Capital charge before securitization
Non-originating bank	Banking book	Mortgage loan	322,719			322,719	322,719			322,719	322,719	
	Banking book											
	Trading book											
	Trading book											
	Sub-total		322,719			322,719	322,719			322,719	322,719	
Originating bank	Banking book	Mortgage loan	377,575			377,575	30,206			377,575	30,206	15,086
	Banking book											
	Trading book											
	Trading book											
	Sub-total		377,575			377,575	30,206			377,575	30,206	15,086
Total			700,294			700,294	352,925			700,294	352,925	15,086

(5) Liquidity Risk

A. An Analysis of the Maturity Structure-NT Dollar

December 31, 2013; Unit: NT$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181days~1 year	Over 1 Year
Major Inflows of Matured Funds	1,714,524,937	398,789,306	141,757,549	81,620,694	103,849,370	194,087,938	794,420,080
Major Outflows of Matured Funds	1,858,678,673	138,225,117	260,063,239	229,170,386	152,672,521	216,947,671	861,599,739
Period Gap	(144,153,736)	260,564,189	(118,305,690)	(147,549,692)	(48,823,151)	(22,859,733)	(67,179,659)

Note: The above table does not include currency other than NTD.

B. An Analysis of the Maturity Structure-US Dollar

December 31, 2013; Unit: US$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity				
		1~30 days	31~90 days	91~180 days	181days~1 year	over 1 year
Major Inflows of Matured Funds	48,839,971	19,612,591	7,215,154	4,309,804	5,044,035	12,658,387
Major Outflows of Matured Funds	50,682,164	30,583,543	4,469,187	2,974,402	2,513,581	10,141,451
Period Gap	(1,842,193)	(10,970,952)	2,745,967	1,335,402	2,530,454	2,516,936

Note: The above table reports the U.S. dollars position held by the bank.

C. An Analysis of the Maturity Structure-US Dollar of Overseas Branches

December 31, 2013; Unit: US$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity				
		1~30 days	31~90 days	91~180 days	181days~1 year	over 1 year
Major inflows of matured funds	16,713,261	9,776,000	1,457,508	775,097	1,030,372	3,674,284
Major outflows of matured funds	17,733,465	12,222,723	944,690	1,038,946	427,275	3,099,831
Period gap	(1,020,204)	(2,446,723)	512,818	263,849	603,097	574,453

Mega Bills Finance Co., Ltd.

(1) Credit risk

The Capital Charge for Credit Risk under Standard Approach

December 31, 2013; Unit: NT$ thousand

Exposure types	Capital charge	Risk assets
Sovereigns	0	0
Non-central government public sector entities	2,887	36,091
Banks (including multilateral development banks)	152,130	1,901,626
Corporations (including securities firms and insurance companies)	10,729,888	134,123,605
Regulatory retail portfolios	40,080	500,997
Equity investment	64,704	808,800
Credits extended to Mega FHC or its subsidiaries	0	0
Other assets	243,476	3,043,447
Total	11,233,165	140,414,566

(2) Market risk

The Capital Charge for Market Risk under Standard Approach

December 31, 2013; Unit: NT$ thousand

Exposure type	Capital charge	Risk assets (Note)
Interest rate risk	4,676,896	58,461,200
Equity risk	455,538	5,694,225
Foreign exchange risk	1,018	12,725
Product risk	0	0
Option adopted sensitive analysis method	0	0
Total	5,133,452	64,168,150

Note: Capital charge times 12.5

(3) Operational risk

The Capital Charge for Operational Risk under Basic Indicators Method

December 31, 2013; Unit: NT$ thousand

Year	Gross profits	Capital charge	Risk assets
2013	3,597,395		
2012	3,303,855		
2011	3,581,235		
Total	10,482,485	524,124	6,551,552

(4) Securitization risk

The Capital Charge for Securitization Framework

December 31, 2013; Unit: NT$ thousand

Bank category	Book type	Asset category	Traditional: Exposure – Retained or purchased (1)	Traditional: Capital charge (2)	Synthetic: Exposure – Retained or purchased (3)	Synthetic: Capital charge (4)	Total: Exposure (5)=(1)+(3)	Total: Capital charge (6)=(2)+(4)	Total: Capital charge before securitization
Non-originating bank	Banking book								
	Trading book								
		Rent receivable			411,159	25,697	411,159	25,697	
	Sub-total				411,159	25,697	411,159	25,697	
Originating bank	Banking book								
	Trading book								
	Sub-total								
Total					411,159	25,697	411,159	25,697	

(5) Liquidity risk

December 31, 2013; Unit: NT$ thousand

	Total	Amount Outstanding by Remaining Time to Maturity: 1~30 days	31~90 days	91~180 days	181days~1 year	over1 year
Major inflows of matured funds	214,452	67,233	60,444	8,444	9,774	68,557
Major outflows of matured funds	217,247	165,299	18,101	1,491	238	32,118
Period gap	(2,795)	(98,066)	42,343	6,953	9,536	36,439
Cumulative gap		(98,066)	(55,723)	(48,770)	(39,234)	(2,795)

Mega Securities Co., Ltd.

(1) Counterparty's country risk

December 31, 2013; Unit: NT$ thousand

Country Exposure	Deposits	Securities	Derivatives	Long term investment	Total	As a percentage of shareholder's equity
Supernational	0	24,237	0	0	24,237	0.17%
China	0	1,073,948	0	0	1,073,948	7.63%
Korea	0	59,285	0	0	59,285	0.42%
Taiwan	824,372	17,574,535	74,861	895,330	19,369,098	137.55%
Virgin Islands	0	0	0	2,025,369	2,025,369	14.38%
Cayman Islands	0	392,401	0	0	392,401	2.79%
Hong Kong	7,403	21,468	0	0	28,871	0.21%
USA	3,552	43,865	0	0	47,417	0.34%
Total	835,328	19,189,740	74,861	2,920,699	23,020,627	163.49%

(2) Liquidity Risk

Analysis of the Maturity Structure

December 31, 2013; Unit: NT$ million

	Total	1~10 days	11~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year
Major inflows of matured funds	40,673	17,025	12,785	1,941	2,914	5,814	194
Major outflows of matured funds	32,155	18,487	9,354	1,794	827	1,669	24
Period gap	8,518	(1,462)	3,431	147	2,087	4,145	170
Cumulative gap		(1,462)	1,969	2,116	4,203	8,348	8,518

Chung Kuo Insurance Co., Ltd.

December 31, 2013; Unit: NT$ thousand

Exposure	Risk capital	As a percentage of the risk capital before adjustment
Asset risk	451,417,282	13.40 %
Credit risk	223,065,809	6.62 %
Underwriting risk	2,615,581,871	77.63 %
Asset liability allocation risk	10,251,046	0.30 %
Other risk	69,120,448	2.05 %
Risk capital amount before adjustment	3,369,436,456	100.00 %
Risk capital amount	1,018,180,999	
Equity capital amount	5,852,753,160	
Capital Adequacy Ratio	574.82 %	

Special Disclosure

8.1 Affiliated Companies Chart

Please refer to page 17 of this annual report.

8.2 Summary of Affiliated Companies

December 31, 2013
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 77,000,000	Commercial banking, consumer banking, wealth management, investment banking and financial consulting etc.
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.	12.13.2005	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
Mega Management & Consulting Co., Ltd.	01.16.2002	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 10,000	Venture capital management consulting, investment consulting and business administration consulting
Mega I Venture Capital Co., Ltd.	11.05.2003	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 450,000	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 Futures advisory services
Mega International Investment Services Co., Ltd.	11.20.1997	10F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 20,000	Securities investment advisory
Mega Securities Holdings Co., Ltd.	05.05.1997	Suites 1109-1111, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong	USD 14,990	Investment holding business
Mega Global Asset Management Co., Ltd.	07.16.1998	Suites 1111, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong	USD 2,340	Securities proprietary trading
Mega Capital (Asia) Co., Ltd.	05.23.1997	Suites 1109, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HKD17,000	Securities advisory services
Mega Securities (Hong Kong) Co., Ltd.	08.20.1992	Suites 1110-1111, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HKD 30,000	Securities brokerage, futures brokerage
Mega International Asset Management Co., Ltd.	07.16.1998	Suites 1111, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong	USD 2,340	Securities proprietary trading
China Products Trading Co.	12.29.1956	7F, No. 100 Jilin Road, Taipei, Taiwan	NTD 5,000	Investment in property, warehousing and other businesses(stop running business since 1966)

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Yung-Shing Industries Co.	12.09.1950	7F, No. 100 Jilin Road, Taipei, Taiwan	NTD 30,000	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 20,000	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 50,000	Investment consulting, business administration consulting, venture capital management consulting
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.	08.08.2005	36/12 P.S. Tower, Asoke, Sukhumvit 21 Road, Klongtoey-nua, Wattana, Bangkok 10110, Thailand	THB 4,000	Commercial banking
Cathay Investment & Warehousing Ltd.	11.01.1982	Dominador Bazan y Calle 20, Manzana 31, P.O.Box 0302-00445 Colon Free Zone, Republic of Panama	USD 1,000	Renting of real estate
Cathay Investment & Development Corp. (Bahamas)	07.15.1969	Post Office Box 3937 Nassau, Bahamas	USD 5	International investment and development
Ramlett Finance Holdings Inc.	01.13.1982	Calle 50 y Esquina Margarita A de Vallarino, Entrada Nuevo Campo Alegre Edificio ICBC, No. 74, Panama	USD 20	Investment of real estate

Note 1: The paid-in capital of Mega Securities Holdings Co., Ltd. has been reduced to US$14,990,337 from US$25,990,337 effective from July 30, 2013.

Note 2: The paid-in capital of Mega Global Asset Management Co., Ltd. has been reduced to US$2,340,000 from US$8,740,000 effective from March 8, 2013. The company is undertaking liquidation procedures as resolved by the shareholders' meeting.

Note 3: The paid-in capital of Mega Capital (Asia) Co., Ltd. has been reduced to HK$17,000,000 from HK$80,000,000 effective from July 30, 2013. The company is going to dissolve after its representative offices in China are closed down.

Note 4: The paid-in capital of Mega Securities (Hong Kong) Co., Ltd. was reduced to HK$30,000,000 from HK$84,000,000 on July 30, 2013, and further increased to HK$72,000,000 through cash injection on February 11, 2014.

8.3 Operational Highlights of Affiliated Companies

As of December 31, 2013
Unit: NT$ thousand, expect 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	77,000,000	2,804,262,871	2,603,393,746	200,869,125	45,332,789*	21,922,745*	18,806,038	2.64
Mega Securities Co., Ltd.	11,600,000	46,676,161	32,511,804	14,164,357	2,798,700	395,867	501,835	0.43
Mega Bills Finance Co., Ltd.	13,114,411	221,642,970	189,525,458	32,117,512	3,652,194*	3,054,201*	2,630,483	2.01
Chung Kuo Insurance Co., Ltd.	3,000,000	15,163,339	10,016,733	5,146,606	4,427,149	413,714	296,352	0.99
Mega International Investment Trust Co., Ltd.	527,000	895,081	58,191	836,890	358,441	126,941	120,077	2.28
Mega Asset Management Co., Ltd.	2,000,000	8,589,750	5,778,714	2,811,036	784,492	630,783	561,863	2.81
Mega Life Insurance Agency Co., Ltd.	20,000	330,045	125,236	204,809	219,940	173,987	144,273	72.14
Mega Venture Capital Co., Ltd.	1,000,000	789,625	514	789,111	58,130	40,576	41,532	0.42
Mega Management & Consulting Co., Ltd.	10,000	82,370	13,423	68,947	53,919	29,121	23,330	23.33
Mega I Venture Capital Co., Ltd.	450,000	326,470	16,639	309,831	194,282	9,241	7,827	0.17
Mega Futures Co., Ltd.	400,000	2,178,012	1,669,986	508,026	196,278	(10,226)	20,041	0.50
Mega International Investment Services Co., Ltd.	20,000	39,071	13,814	25,257	36,300	760	572	0.29
Mega Securities Holdings Co., Ltd.	443,495	368,147	811	367,336	338	(4,782)	(52,642)	(3.51)
Mega Capital (Asia) Co., Ltd.	65,278	52,859	3,392	49,467	125	(9,929)	(9,954)	(0.59)
Mega Global Asset Management Co., Ltd.	69,906	62,370	91	62,279	939	(2,645)	(2,640)	(1.13)
Mega Securities (Hong Kong) Co., Ltd.	115,197	1,322,375	1,256,160	66,215	19,685	(34,936)	(35,304)	(706.08)
China Products Trading Co.	5,000	45,646	27,455	18,191	1,543	701	524	5.24
Yung-Shing Industries Co.	30,000	1,047,092	321,581	725,511	145,786	2,064	10,208	34.03
Win Card Co., Ltd.	20,000	57,714	17,136	40,578	157,886	3,518	2,394	11.97
ICBC Assets Management & Consulting Co., Ltd.	50,000	54,970	1,020	53,950	8,242	4,759	3,950	0.79
Mega International Commercial Bank (Canada)	643,149	6,409,455	5,341,744	1,067,711	209,460*	62,488*	45,688	198.72
Mega International Commercial Bank Public Co., Ltd.	3,622,400	15,892,451	11,042,087	4,850,365	693,288*	303,238*	242,441	0.61
Cathay Investment & Warehousing Ltd.	29,775	65,103	8,740	56,363	3,669	(3,375)	(3,375)	(3,375.46)
Cathay Investment & Development Corp. (Bahamas)	149	51,204	0	51,204	274	(104)	(104)	(20.85)
Ramlett Finance Holdings Inc.	596	52,509	51,741	768	7,925	2,885	2,885	1,923.17

Note: Par value of common stocks of Mega Securities Holdings Co., Ltd., Mega Securities (Hong Kong) Co., Ltd. and Yung-Shing Industries Co. is US$1, HK$600 and NT$600 per share, respectively.

Balance Sheet Items	Income Statement Items	Company Name
USD 1= NTD 29.775	USD 1= NTD 29.7211	Cathay Investment & Warehousing Limited, Cathay Investment & Development Corp. (Bahamas), and Ramlett Finance Holdings Inc.
CAD 1= NTD 27.963	CAD 1= NTD 28.7167	Mega International Commercial Bank (Canada)
THB 1= NTD 0.9056	THB 1= NTD 0.9633	Mega International Commercial Bank Public Co., Ltd.
HKD 1= NTD 3.8399	HKD 1= NTD 3.8314	Mega Securities Holdings Co., Ltd., Mega Global Asset Management Co., Ltd., Mega Capital (Asia) Co., Ltd. and Mega Securities (Hong Kong) Co., Ltd.

Mega Financial Holding Co., Ltd.

Chairman