Mega Holdings

14-16F, No. 123, Jhongsiao E. Road, Sec. 2,
Taipei 100, Taiwan, R.O.C.
Tel: +886-2-2357-8888
Fax:+886-2-3393-8755

Mega Financial Holding Co., Ltd.

Annual Report 2014

Stock Code：2886

Mega Financial Holding Co., Ltd.

Annual Report 2014

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

Spokesperson

Chii-Bang Wang, Chief Secretary
Email: david.wang@megaholdings.com.tw
Tel: +886-2-2357-8888 ext. 128

Deputy Spokesperson

Jui-Ying Tsai, Vice President & Head of Treasury Department
Email: jentsai@megaholdings.com.tw
Tel: +886-2-2357-8888 ext. 500

Headquarters

Mega Financial Holding Co., Ltd.
Address: 14-16F, No. 123, Jhongsiao East Road, Sec. 2,
Taipei 100, Taiwan, R.O.C.
Tel: +886-2-2357-8888
Fax: +886-2-3393-8755
Website: http://www.megaholdings.com.tw

Stock Transfer Agent

Mega Securities Co., Ltd.
Address: 1F, No. 95, Jhongsiao E. Road, Sec. 2, Taipei 100, Taiwan
Tel: +886-2-3393-0898
Website: http://www.emega.com.tw

Credit Rating Agency

Taiwan Ratings Corp.
Address: 49F, No. 7, Shinyi Road, Sec. 5, Taipei 110, Taiwan
Tel: +886-2-8722-5800
Moody's Investors Service Hong Kong Limited
Address: 24/F One Pacific Place, 88 Queensway, Admiralty, Hong Kong
Tel: +852-3758-1300

Auditors

PricewaterhouseCoopers Taiwan
Address: 27F, No. 333, Keelung Road, Sec. 1, Taipei 110, Taiwan
Tel: +886-2-2729-6666
Website: http://www.pwc.com/tw

C O N T E N T S

Contents

Letter to Shareholders

Letter to Shareholders

Yeou-Tsair Tsai, Chairman

The global economy grew slowly and fell short of expectations in 2014 as a result of the European debt crisis, high unemployment rate, geopolitical conflicts such as the crisis in Ukraine, and the Ebola epidemic. Economic prospect uncertainty dampened confidence, demand, and growth. The plummeting of oil price further worsened the deflationary pressure of many economies and directly impacted the fiscal revenue of oil-producing countries. Growths were restricted because of the imbalanced in global economic recovery. Preliminary statistics of the International Monetary Fund in January 2015 indicated that the global economic growth was 3.3% in 2014 and that a mild growth is likely in 2015, with an estimated growth rate of 3.5%. Multiple risks and uncertainties remained in global economy, such as significant uncertainty in global oil pricing, the underlying concerns of low inflation and high unemployment rate in the Eurozone, the spillover effect of the US monetary policy on emerging economies, the staggering growth momentum among emerging economies, the pressure of asset bubbles and decelerated economic growth in China, etc. General speaking, low growth and low inflation will be a New Normal for the global economy.

Domestic economy saw continuous growth as developed countries demonstrated steady recovery and domestic salary level turned positive due to talent retention, which helped push the job market and salary higher and boost consumer confidence. In addition, 4G network infrastructure investment from telecomm service providers and expansion of fleets from airline companies have pushed private sector investment higher. Directorate General of Budget, Accounting and Statistics, Executive Yuan estimated in February 2015 that the economic growth rate was 3.74% in 2014 and the growth momentum is likely to continue, with an estimated growth rate of 3.78% in 2015, slightly better than 2014, due to global economic recovery and falling global oil pricing.

Despite the imbalanced and feeble economic growth momentum around the world, the domestic economy continued to be robust and steadily recovering. Taking advantage of the recovery opportunity, our company and respective subsidiaries successfully secured new record-high profits. In 2014, the Company's consolidated net income after tax was NT$30,240 million, representing 34.43% growth compared to 2013, while after-tax EPS was NT$2.43, making us a top performer among financial holding companies. The operation results of the Company in 2014 are shown below.

1.1 Review of Business Operations in 2014

1.1.1 Global and Domestic Financial Environment

Despite the continued recovery in global economy in 2014, the recovery strength fell short of expectations and varied among individual economies. The US Federal Reserve FOMC announced that it would terminate the asset purchase program starting in November

2014 to officially withdraw the QE3. Japan and the Eurozone, on the other hand, followed one another in the second half of the year to ease monetary policy further. In response to the QE withdrawal, the US dollar has been strong since July while other major currencies have been depreciating, particularly Japanese Yen, Euro, and Malaysian Ringgit. Among Asian currencies, only RMB showed slight appreciation. The expanded QQE announced by Japan resulted in further depreciation of the Yen and depreciation of other Asian currencies; this added to fluctuations in the global monetary market.


Meei-Yeh Wei, President

Due to the fact that where major economies adopting diverse monetary policy, which would add to the fluctuations of the international financial market, economic uncertainty remains and international institutions have generally lowered their forecasts of the global economic growth rate for 2015. Nevertheless, their forecasts continue to be higher than those for 2014. The slowing inflation in numerous countries because of the obviously sliding international oil prices is also in favor of the global economy. Because of improved economy and increased profits for domestic businesses, the employment rate in Taiwan is steadily climbing and the real wage has grown on average, indicating that the labor market is improving. Due to the falling international oil prices, the annual growth rate of the consumer price index (CPI) has also significantly dropped since September 2014. In light of the slowing global economic growth and the expected mild inflation as a result of domestic output gap that continues to be negative, board meeting of the Central Bank resolved on December 18, 2014 that policy interest rates (the rediscount rate, the rate on accommodations with collateral, and the rate on short-term accommodations) would remain at 1.875%, 2.25%, and 4.125% p.a., respectively. The target ranges for the growth rates of M2 would also remain unchanged in order to help stabilize commodity prices and contribute to financial stability as well as boost economic growth.

1.1.2 Organization Integration

As of the end of 2014, the number of subsidiary companies, in which the Company has direct controlling interest, remains the same as they were in 2013. 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 2014, 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 10.28% of market share. By the end of 2014, the corporate loans business captured the third position among local banks, with a market share of 7.45%. Loans extended to small and medium sized enterprises had a market share of 6.94%, ranked 6th among local banks.

Consumer banking and wealth management

Mega International Commercial Bank's consumer loans outstanding reaching NT$385.8 billion by the end of 2014, up 10.29% from the previous year. The Bank and other subsidiaries of the Company together generated NT$2.58 billion of wealth management fees income in 2014, growing by 1% from the previous year. Listed below is the average volume of the bank's business:

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

Item \ Year	2014	2013	Change (%)
Deposits	1,929,424	1,773,013	8.82
Bills discounted and loans	1,691,323	1,555,742	8.71
Corporate financing	1,325,417	1,245,054	6.45
Consumers financing (Note 2)	365,906	310,688	17.77
Foreign exchange (US$)	825,871	811,456	1.78
Securities purchased	360,828	310,127	16.35
Long-term equity investments	25,005	26,343	(5.08)
Credit card loans	1,323	1,421	(6.90)

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 2014 amounted to NT$1,085 million, representing a non-performing loan ratio of 0.06%, lower than the overall average for Taiwanese domestic banks of 0.25% as disclosed by the FSC. The bank's bad debt coverage ratio was 1,986.37%, higher than the industry average 516.38%.

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 30.98% and 31.42%, respectively. Bills trading volume ranked first with a 34.82% market share. Bond trading had a market share of 32.71%, also topped the industry. As shown in the table below, the company's business volume in underwriting and purchase of bills rose by 14.42%, while guaranteed issues of commercial paper grew by 13.17% in 2014. The company's operating volume in 2014 is shown as follows:

Units: NT$ million

Item	2014	2013	Change (%)
Underwriting and purchase of bills	2,357,881	2,060,701	14.42
Guaranteed issues of commercial paper	2,054,137	1,815,104	13.17
Dealing in bills	8,363,843	8,012,401	4.39
Dealing in bonds	5,906,712	5,744,470	2.82
Guaranteed issues of commercial paper outstanding	143,178	139,224	2.84
Payments for overdue credits	0	0	-
Percentage of payments for overdue credits (%)	0	0	-

Mega Securities Co., Ltd. (MSC)

Mega Securities Co., Ltd. achieved a market share of 3.06% in securities brokerage, ranked 9th in the local securities market. The company issued 2,242 warrants in total with a total amount of NT$21.3 billion. The company's operating volume in 2014 is shown in the following table:

Item		2014	2013	Change (%)
Securities brokerge	Market share	3.06%	3.11%	(1.61%)
Equity underwriting	Number of initial public offering lead managed by MSC	3	2	50.00%
	Number of subsequent public offering lead managed by MSC	9	8	12.50%
Bond underwriting	Number of issues lead managed by MSC	1	2	(50.00%)
	Amount of issues lead managed by MSC (NT$ billion)	1.5	2.5	(40.00%)
New financial products	Number of warrants issued	2,242	1,510	48.48%
	Amount of warrants issued (NT$ billion)	21.3	13.9	53.24%

Chung Kuo Insurance Co., Ltd.

Chung Kuo Insurance Company's direct written premiums dropped by 0.60% to NT$6,282 million, in 2014, with inward reinsurance premiums down by 8.48%. The company's operating performance in 2014 is shown as follows:

Unit: NT$ million

Item	2014	2013	Change (%)
Direct written premiums	6,282	6,320	(0.60)
Inward reinsurance premiums	604	660	(8.48)
Total	6,886	6,980	(1.35)

Mega International Investment Trust Co., Ltd.

Unit: NT$ million

Item	2014	2013	Change (%)
Public funds under management	90,309	85,242	5.94
Private funds under management	84	84	0
Discretionary account	246	140	75.71
Total	90,639	85,466	6.05

Mega Asset Management Co., Ltd.

Unit: NT$ million

Item	2014	2013	Change (%)
Gain from disposal of NPL and the underlying collateral	578	582	(0.69)
Rental revenues	33	56	(41.07)
Other revenues	246	67	267.16
Total	857	705	21.56

Mega Venture Capital Co., Ltd.

Unit: NT$ million

Item	2014	2013	Change (%)
Drawdown of long term equity investment	348	292	19.18
Original cost of long term equity investment	882	906	(2.65)

Mega Life Insurance Agency Company Co., Ltd.

Unit: NT$ million

Item	2014	2013	Change (%)
Commission income	1,168	975	19.79

1.1.4 Budget Implementation

The Company

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

Item	Final accounting figure, 2014	Budget figure, 2014	Implemented (%)
Revenues	30,920,504	24,305,981	127.21
Expenses and losses	621,409	613,108	101.35
Net income before tax from continuing Operations	30,299,095	23,692,873	127.88
Net income	30,258,664	23,038,307	131.34
Earnings per share	2.43	1.85	131.35

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.	30,173,364	23,261,628	129.71
Mega Securities Co., Ltd.	836,256	1,049,000	79.72
Mega Bills Finance Co., Ltd.	3,427,312	2,716,806	126.15
Chung Kuo Insurance Co., Ltd.	543,517	433,735	125.31
Mega Asset Management Co., Ltd.	548,013	510,994	107.24
Mega Life Insurance Agency Company Co., Ltd.	189,562	148,193	127.92
Mega Venture Capital Co., Ltd.	(40,096)	41,596	-
Mega International Investment Trust Co., Ltd.	146,662	143,759	102.02

Mega Securities' net income before tax achieved 79.72% of its budget in 2014 primarily as the brokerage fee income declined due to the lower than expected trading volume in the stock market. Mega Venture Capital Co., Ltd. suffered a loss primarily due to recognition of impairment loss on its securities investments.

1.1.5 Financial Results

Consolidated net profit before tax of the Company and its subsidiaries in 2014 was NT$35,328,826 thousand, an increase of NT$8,328,744 thousand or 30.85% compared to 2013. The growth in consolidated net profit before tax is mainly due to increase in net interest income of NT$5,398,053 thousand and revenue other than interest of NT$98,446 thousand, while the operating expenses increased by NT$879,546 thousand and bad debts expense on loans decreased by NT$3,711,791 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 financial assets and liabilities at fair value through profit or loss offset by the decrease of income from sale of bad debts as well as realized gain from available-for-sale financial assets, and other income. A breakdown of the financial results of the Company and its subsidiaries in 2014 are shown in the table below:

Unit: NT$ million, except EPS in NT$

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share	Return on Total Assets (%)	Return on Shareholders' Equity (%)
Mega FHC & Its Subsidiaries	35,328,826	30,239,717	2.43	0.95	12.03
Mega FHC (Unconsolidated)	30,299,095	30,258,664	2.43	11.00	12.05
Mega International Commercial Bank Co., Ltd.	30,173,364	25,973,300	3.37	0.90	12.38
Mega Securities Co., Ltd.	836,256	800,482	0.69	1.66	5.56
Mega Bills Finance Co., Ltd.	3,427,312	3,000,847	2.29	1.37	9.20
Chung Kuo Insurance Co., Ltd.	543,517	385,094	1.28	2.52	7.13
Mega Asset Management Co., Ltd.	548,013	455,844	2.28	4.60	16.37
Mega Life Insurance Agency Co., Ltd.	189,562	156,981	78.49	49.59	74.33
Mega Venture Capital Co., Ltd.	(40,096)	(43,249)	(0.43)	(5.67)	(5.68)
Mega International Investment Trust Co., Ltd.	146,662	123,380	2.34	13.58	14.52

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 2014 are summarized as follows:

The Company

- Assessing the feasibility of merger or acquisition of other financial institutions
- Continued establishment of Var (value at risk) management systems for financial instrument
- Introduction of the corporate social responsibility system in the Group

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

Securities subsidiary

- Educational training is provided to proactively help staff obtain licenses, enhance their professionalism, and become a member of the total product sales team and front office, back office. Customer analysis and management systems relating to wealth management and trust business have been created one after another.
- Establishment of the new electronic order placing and transaction system for US stocks and HK stocks
- Creating all-product sales teams and developing sub-brokerage services with all our resources

Bills subsidiary

- Buildup of the paperless meeting system, and working on paperless core reports management system steps by steps

- Planning for introduction of the system framework and practice of Basel III
- Establishing a consolidated risk management system to centralize the control over risk ceilings for respective operations on a daily basis and building a risk warning system

Non-life insurance subsidiary

- Developing a total of 161 new insurance products in 2014, including 1 “Launch after approval” products, 107 “Use and File” products, and 53 “Simple Prior Approval” products

Investment trust subsidiary

- Introduction of multiple currencies products to diversify investor base
- Offering two overseas funds, namely, the Mega RMB Money Market Fund and Mega China A Share Fund

1.2 Business Plan for 2015

1.2.1 Operating Guidelines

- 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, operation efficiency and financial performance
- Strengthening information security, and raise the ability to manage our information systems
- Improving corporate performance on the environmental, social, and governance issues to fulfill the corporate social responsibility
- Strengthen relationships with institutional investors

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 2015 are as follows:

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

Business	Item	Budget for 2015
Banking	Average outstanding deposits	1,989,000
	Average outstanding loans	1,750,000
	Undertaking of foreign exchange	870,000
Bills Finance	Underwriting and purchase of bills	2,254,808
	Trading volume of bills and bonds	13,564,128
	Guaranteed issues of commercial paper average outstanding	146,000
Securities	Market share of brokerage	3.50%
Insurance	Premium Revenues	6,800

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
- Reinforcing consumer banking and wealth management business
- Revolutionizing the distribution network, configuring, and integrating digital platforms.
- Strengthening the integration of business among subsidiaries and enhancing synergy of the Group.
- Developing international talent and special professionals locally.
- Increasing capital with effective capital allocation and enhancing capital utilization.
- Enhancing global operation and risk management practices and systems

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

(1) The fierce competition in domestic financial business continues. In order to search for new profitability momentum, local banks are proactively establishing presence overseas in order to grow their business overseas and explore new blue oceans. The weights of overseas branches and OBU business in the overall profits of local banks increased to 37.3% in 2014, an important contributor to local banks constantly realizing records-high profits and also an important engine that drives performance to new heights in the future.

(2) To go with the advancement in information and communication technologies such as mobile telecommunication, social media, big data, and cloud technology, financial services have to change and reflect contemporary trends and information developments in order to increase convenience for consumers. The Financial Supervisory Commission is proactively promoting the "Digital Financial Environment 3.0 Program" while respective businesses are introducing various new digital financial services at the dawn of a Bank 3.0 era.

1.5 Credit Ratings

As of the end of May 31, 2015, the Company and its subsidiaries retained the same credit rating as granted in 2014. 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. 15, 2014
	Moody's	A3	-	Stable	July 8, 2014
Mega International Commercial Bank	Taiwan Ratings Corp.	twAA+	twA-1+	Stable	Oct. 17, 2014
	Moody's	A1	P-1	Stable	Mar. 23, 2015
	S & P	A	A-1	Stable	Oct. 17, 2014
	Fitch	AA(twn)	F1+(twn)	Stable	Mar. 24, 2015
		A-	F2	Stable	Mar. 24, 2015
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 15, 2013
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA-	twA-1+	Stable	Oct. 23, 2014
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA-	-	Stable	Oct. 17, 2014
	Moody's	A3	-	Stable	Sep. 30, 2014
	S & P	BBB+	-	Stable	Oct. 17, 2014

Although a slow growth can be expected of global economy in 2015, the recovery momentum continues to be suboptimal. The global economy has gradually stepped into the "new mediocre" era as indicated by the IMF chief Christine Lagarde, with underlying risk factors such as low confidence, low growth, and low inflation. Just as expected by international economic forecast institutions, the US will be the single engine that drives global economic growth in 2015, which, however, is possibly unable to support the global economy wishing to stride forward along the path to recovery. Growth in the financial industry is pegged to the macroeconomic environment and is closely related to the economic outlook. Faced with an external environment featuring a low growth, Mega Holdings not only has to seek a breakthrough point while expanding its scale of operation and seeking performance growth but also has to deal with international financial supervisory regulations that are getting stricter and stricter in order to make the best of its capital and create value for its shareholders. Mega Holdings is confident that it will overcome all difficulties and continue to stride forward and reach new heights on its robust basis. It is our hope that shareholders will continue to demonstrate their support and encouragement.

Yeou-Tsair Tsai
Chairman of the Board

Meei-Yeh Wei
President

Company Profile

Company Profile

2.1 Date of Incorporation: February 4, 2002

2.2 Company History

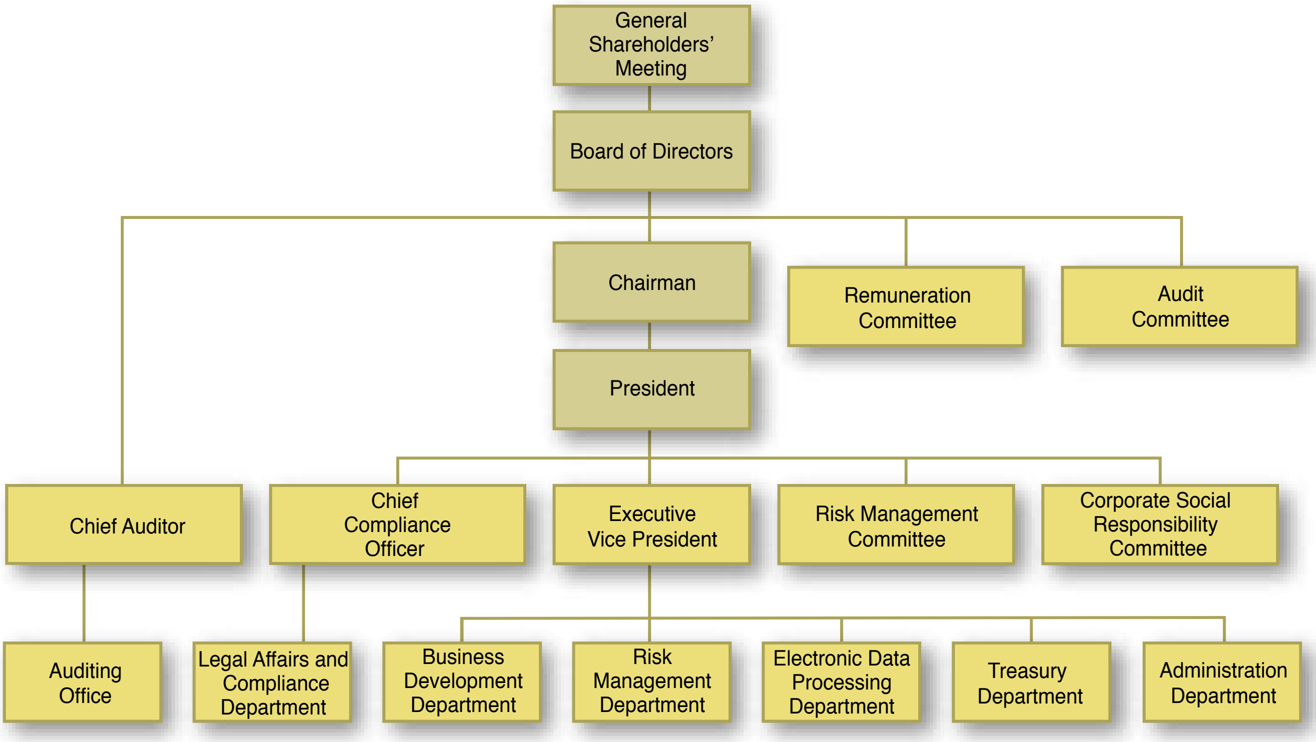
Date	Milestones
February 4, 2002	Founded by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through the exchange of shares, and simultaneously listed on the Taiwan Stock Exchange with the name of CTB Financial Holding Company (Code 2886)
August 22, 2002	Acquired a 100%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

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

Legal affairs and Compliance Department

- Legal affairs
- Legal compliance affairs

Risk Management Department

- Risk management

Electronic Data Processing Department

- IT development and operation

Administration Department

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

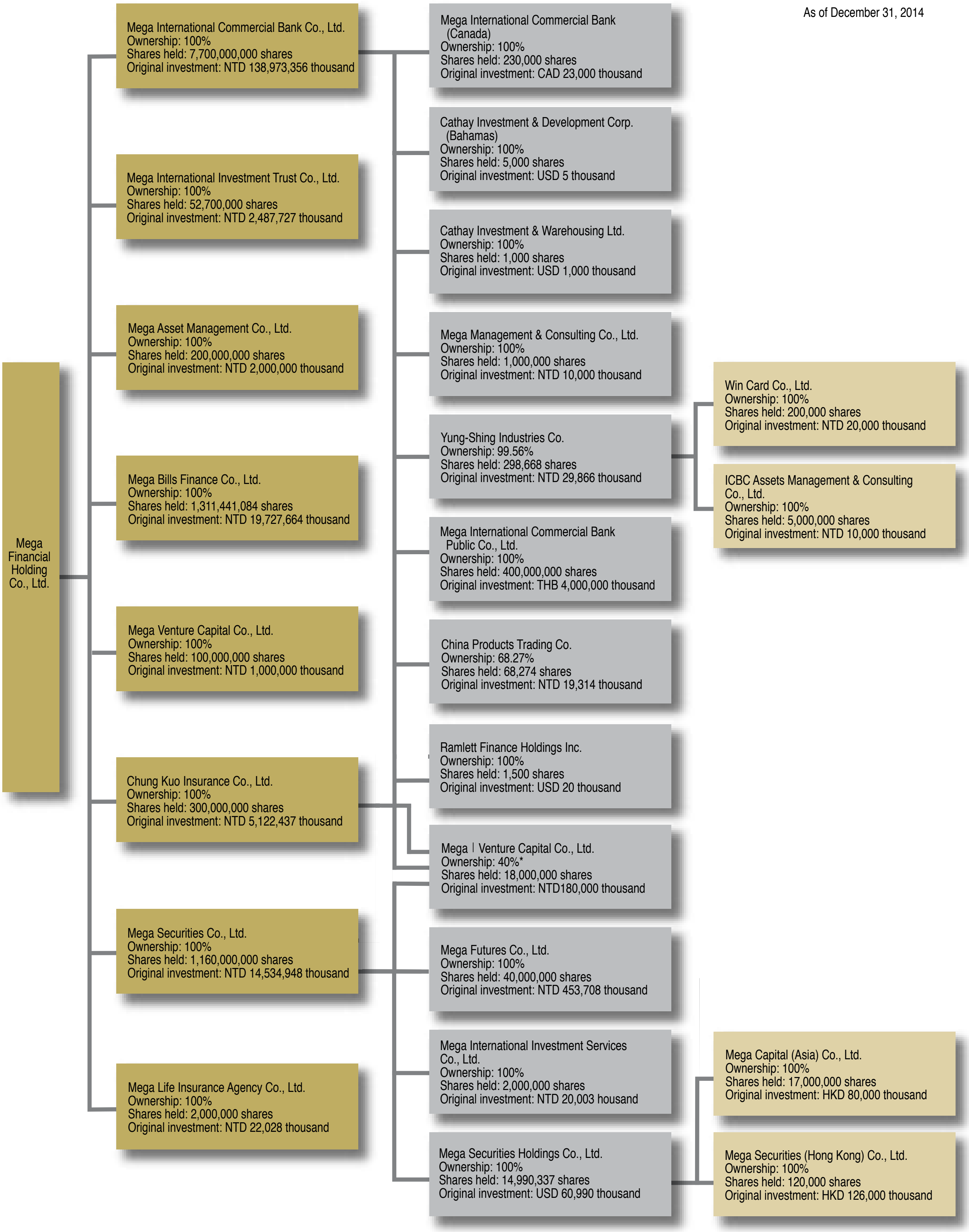
Treasury Department

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

Auditing Office

- Internal audit and process compliance

3.1.2 Affiliated Companies Chart



*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	Nationality or place of incorporation	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	R.O.C.	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	R.O.C.	Meei-Yeh Wei (Representative of the Ministry of Finance, R.O.C.)	08/11/2014	3	08/11/2014	1,126,151,609	9.98	1,143,043,883	9.18	276,844	0.00	0	0
Director	R.O.C.	I-Min Chen (Representative of the Ministry of Finance, R.O.C.)	01/07/2015	0.5	01/07/2015	1,126,151,609	9.98	1,143,043,883	9.18	0	0	0	0
Director	R.O.C.	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	R.O.C.	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	R.O.C.	Ta-Pei Liu (Representative of the Ministry of Finance, R.O.C.)	05/12/2014	1.08	05/12/2014	1,126,151,609	9.98	1,143,043,883	9.18	17,000	0.00	0	0
Director	R.O.C.	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

May 31, 2015

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., Chief Executive Officer of SinoPac Holdings, Chairman of Bank SinoPac 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, Chairman 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, Director of Chinese International Economic Cooperation Association	None	None	None
Senior Vice President & General Manager of Treasury Depatment, concurrently General Manager of offshore Banking Branch, Int'l Commercial Bank of China, Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd. Executive Vice President of Mega Financial Holding Co., Ltd. M.A. in Finance, National Taiwan University	Managing Director & President of Mega Int'l Commercial Bank Co., Ltd., Director of Mega Int'l Investment Trust Co., Ltd., Director of Mega Int'l Commercial Bank (Canada), Chairman of Mega Int'l Commercial Bank Public Co., Ltd., Director of Financial information Service Co., Ltd., Director of National Credit Card Center of R.O.C., Director of Mega Charity Foundation	None	None	None
Director, Department of Labor Standards, Council of Labor Affairs, Executive Yuan, R.O.C. Director General, Bureau of Employment and Vocational Training, Council of Labor Affairs, Executive Yuan, R.O.C. President & CEO, Bureau of Labor Insurance Counselor, Council of Labor Affairs, Executive Yuan, R.O.C. M.A. in Labor Science, Chinese Culture University	Political Deputy Minister, Ministry of Labor	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. Associate Professor, Department of Economics, Soochow University 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 ChungHsing Bills Finance Corporation, Director of Central Investment Holding Company, Chairman & President of Uni-Chine Investment & Development Company Limited, Chairman of Capital VC Limited, Executive Director & President of Core Pacific (Hong Kong) Corporation, Chairman of Mega Bills Finance Co., Ltd., Ph. D. in Public Administration, University of Raffles Doctoral research in Finance, Shanghai University of Finance and Economics	Chairman of Mega Securities Co., Ltd., Committee member of Buiness Co-operation Committee Managing Supervisor of Financial Executives Institute Executive Director of Friends of Hong Kong and Macau Association President of Taiwan Business Association (HK) Ltd.	None	None	None
Director-General, Dept. of Overall Planning, Council for Economic Planning and Development, Executive Yuan, R.O.C. Ph. D. in Agricultural Economics, National Taiwan University	Director-General, Department of Economics, Energy and Agriculture, Executive Yuan, R.O.C. Director of CPC Corporation, Taiwan	None	None	None

Title	Nationality or place of incorporation	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	R.O.C.	Chia-Chi Hsiao (Representative of the Ministry of Finance, R.O.C.)	09/26/2014	0.75	09/26/2014	1,126,151,609	9.98	1,143,043,883	9.18	3.352	0.00	0	0
Director	R.O.C.	Hsueh-Ju Tseng (Representative of National Development Fund, Executive Yuan, R.O.C.)	11/07/2014	0.56	11/07/2014	689,434,244	6.11	759,771,091	6.10	0	0	0	0
Director	R.O.C.	Philip Wen-chyi Ong (Representative of Chunghwa Post Co., Ltd.)	11/13/2013	1.42	11/13/2013	307,830,465	2.73	347,114,634	2.78	0	0	0	0
Director	R.O.C.	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	R.O.C.	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	0.02	2,883,002	0.02	195,757	0.00	0	0
Independent Director	R.O.C.	Tsun-Siou Li	06/15/2012	3	06/15/2012	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Shean-Bii Chiu	06/15/2012	3	06/15/2012	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Chi-Hung Lin	06/15/2012	3	06/15/2012	0	0	0	0	0	0	0	0

May 31, 2015

Experience & education	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
Director-General, Department for General Administration, Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. Director-General, Department of Accounting, Ministry of Finance, R.O.C. Deputy Director-General, National Treasury Agency, Ministry of Finance, R.O.C. M.A. in Management Science, National Chiao Tung University	Director-General, Department of Fiscal, Statistical and Financial Affairs, Executive Yuan, R.O.C.	None	None	None
Deputy Director-General, Council for Economic Planning and Development, Executive Yuan, R.O.C. Director-General, Council for Economic Planning and Development, Executive Yuan, R.O.C. Counselor of National Development Council M.A. in International Development Economics, Yale University, U.S.A.	Chief Secretary of National Development Council	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, Dept. 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, Independent Director of Long Chen Paper Co., Ltd.	None	None	None
Associate Professor, Department of Law, Soochow University, 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	None	None	None

Major shareholders of the institutional shareholders

December 31, 2014

Name of institutional shareholders	Major shareholders of the institutional shareholders
Ministry of Finance, ROC	N.A.
National Development Fund, Executive Yuan, ROC	N.A.
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications, 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, 2014

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

May 31, 2015

Criteria / Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence criteria (Note)										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
Meei-Yeh Wei			✓			✓	✓	✓		✓	✓	✓		0
I-Min Chen	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chia-Chi Hsiao	✓		✓	✓	✓	✓			✓	✓	✓	✓		0
Joanne Ling			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Tzong-Yau Lin	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Yaw-Chung Liao	✓		✓	✓		✓	✓		✓	✓	✓	✓		0
Ta-Pei Liu	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Hsueh-Ju Tseng	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Philip Wen-Chyi Ong			✓	✓	✓	✓	✓		✓	✓	✓	✓		0

Criteria / Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence criteria (Note)										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	
Jastin Jan-Lin Wei	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chung Hsiang Lin			✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Tsun-Siou Li	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shean-Bii Chiu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
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's 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 third 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	Nationality	Name	Date effective	Shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement	
				Shares	%	Shares	%	Shares	%
President	R.O.C.	Meei-Yeh Wei	08/11/2014	276,844	0.002	0	0	0	0
Executive Vice President	R.O.C.	Jui-Yun Lin	09/08/2006	173,663	0.001	0	0	0	0
Executive Vice President	R.O.C.	Chung-Hsing Chen	10/01/2010	0	0	0	0	0	0
Executive Vice President	R.O.C.	Feng-Chi Ker	08/01/2013	119,493	0.000	0	0	0	0
Executive Vice President	R.O.C.	Dan-Hun Lu (Note 1)	01/01/2012	127,741	0.001	0	0	0	0
Executive Vice President	R.O.C.	Hann-Ching Wu.	11/01/2014	35,665	0.000	0	0	0	0

December 31, 2014

Experience & education	Other position	Managers who are spouses or within two degrees of kinship		
		Title	Name	Relation
Senior Vice President & General Manager of Treasury Depatment, concurrently General Manager of offshore Banking Branch, Int'l Commercial Bank of China, Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd. Executive Vice President of Mega Financial Holding Co., Ltd. M.A. in Finance, National Taiwan University	Managing Director & President of Mega Int'l Commercial Bank Co., Ltd., Director of Mega Int'l Investment Trust Co., Ltd., Director of Mega Int'l Commercial Bank (Canada), Chairman of Mega Int'l Commercial Bank Public Co., Ltd., Director of Financial information Service Co., Ltd., Director of National Credit Card Center of R.O.C., Director of Mega Charity Foundation	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 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	Managing Director & Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd., Supervisor of Mega Bills Finance Co., Ltd., Director of Win Card Co., Ltd., Director of Mega Int'l Commercial Bank Public Co., Ltd., Director of Cathay Investment & Development Corp. (Bahamas), Chairman of Mega I Venture Capital Co., Ltd., Chairman of Yung-Shing Industries Co., Chairman of China Products Trading Co.	None	None	None
Senior Vice President & General Manager of Business Center-Kaohsiung, Mega Int'l Commercial Bank Co., Ltd., Senior Vice President & General Manager of Credit Control Department, Mega Int'l Commercial Bank Co., Ltd. MBA, National Taiwan University	Senior Executive Vice President of Mega Int'l Commercial Bank Co., Ltd., Managing Director of China Real Estate Management Co., Ltd., Director of Taiwan Finance Corporation, Director of Hotung Investment Holdings Limited	None	None	None

Title	Nationality	Name	Date effective	Shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement	
				Shares	%	Shares	%	Shares	%
Executive Vice President	R.O.C.	Ying-Ying Chang	02/01/2013	135,792	0.001	0	0	0	0
Executive Vice President	R.O.C.	Chii-Bang Wang (Note 2)	01/01/2012	231,496	0.002	0	0	0	0
Executive Vice President	R.O.C.	Ming-Jye Chang	01/01/2012	1,125,515	0.009	161,123	0.001	0	0
Chief Auditor	R.O.C.	Yung-Ming Chen (Note 3)	09/08/2006	205	0.000	0	0	0	0

Note 1: Ms. Dan-Hun Lu retired on May 1, 2015.

Note 2: Mr. Chii-Bang Wang retired as Chairman of Mega Bills Finance Company and was assigned to be the chief secretary of this Company since Mar. 2, 2015.

Note 3: Mr. Yung-Ming Chen retired on Jan. 15, 2015. Mr. Tzong-Chi Hsu has been assigned to be the chief auditor since Apr. 28, 2015.

Experience & education	Other position	Managers who are spouses or within two degrees of kinship		
		Title	Name	Relation
Senior Vice President & General Manager / Chief Auditor of Mega Int'l Commercial Bank Co., Ltd. M.A. in Accounting, National Chengchi University	Director and 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 ICBC Assets Management & Consulting Co., Ltd., Chairman of Ramlett Finance Holdings Inc, Chairman of Mega International Commercial Bank (Canada), Chairman of Cathay Investment & Development Corp. (Bahamas), Chairman of Cathay Investment & Warehousing 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 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	Chairman of Mega Bills Finance Co., Ltd., Supervisor of Mega Int'l Commercial Bank Co., Ltd.,	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: Base compensation (a): The company	Compensations: Base compensation (a): All consolidated entities	Severance pay (b): The company	Severance pay (b): All consolidated entities	Bonus to directors (c): The company	Bonus to directors (c): All consolidated entities	Allowances (d): The company	Allowances (d): All consolidated entities	Ratio of total remuneration (a+b+c+d) to net income (%): The company	Ratio of total remuneration (a+b+c+d) to net income (%): All consolidated entities
Chairman	Ministry of Finance										
	Yeou-Tsair Tsai										
Director (Representative of Ministry of Finance)	Meei-Yeh Wei										
	Kuang-Si Shiu										
	Chia-Chi Hsiao										
	Ching-Tsai Chen										
	Yaw-Chung Liao										
	Tzong-Yau Lin										
	Joanne Ling										
	Ying-Wei Peng										
	Ta-Pei Liu										
	Hung-Wen Chien										
Director	National Development Fund										
	Hsueh-Ju Tseng										
	Shien-Quey Kao										
	Chien-Liang Chen										
Director	Chunghwa Post Co., Ltd.										
	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	15,301	0	880	136,163	136,163	3,257	6,483	0.47	0.53

Note: 1. Ms. Meei-Yeh Wei replaces Mr. Kuang-Si Shiu as the representative of Ministry of Finance effective from August 11, 2014. Mr. Hung-Wen Chien is replaced by Mr. Ta-Pei Liu on May 12, 2014.
2. Mr. Ching-Tsai Chen resigned as a director from August 1, 2014, and Mr. Chia-Chi Hsiao serves as a director from September 25, 2014. Mr. Ying-Wei Peng resigned as a director from December 8, 2014. Mr. Chien-Liang Chen resigned as a director from August 15, 2014. Ms. Shien-Quey Kao served as a director from August 25, 2014 to November 7, 2014. Ms. Hsueh-Ju Tseng served as a director from November 7, 2014.
3. Allowances (D) include payment for house rent, company cars. Compensation paid to company drivers by all consolidated entities totaled NT$1,794 thousand.Salary, Bonuses, and Allowances (E) includes payment for allowances for company cars. Compensation paid to company drivers with a total of NT$1,005 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 26, 2015.
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	8,257	0	526	0	0	340	0	0	0	0	0	0.47	0.56	759

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, Meei-Yeh Wei, Ching-Tsai Chen, Chia-Chi Hsiao, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Hung-Wen Chien, Ta-Pei Liu, Chung Hsiang Lin, Chien-Liang Chen, Shien-Quey Kao, Hsueh-Ju Tseng, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Shean-Bii Chiu, Tsun-Siou Li, Chi-Hung Lin	Kuang-Si Shiu, Meei-Yeh Wei, Ching-Tsai Chen, Chia-Chi Hsiao, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Hung-Wen Chien , Chung Hsiang Lin, Chien-Liang Chen, Shien-Quey Kao, Hsueh-Ju Tseng, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Shean-Bii Chiu, Tsun-Siou Li, Chi-Hung Lin	Yeou-Tsair Tsai, Kuang-Si Shiu, Meei-Yeh Wei, Ching-Tsai Chen, Chia-Chi Hsiao, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Hung-Wen Chien, Ta-Pei Liu, Chung Hsiang Lin, Chien-Liang Chen, Shien-Quey Kao, Hsueh-Ju Tseng, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Shean-Bii Chiu, Tsun-Siou Li, Chi-Hung Lin	Ching-Tsai Chen, Chia-Chi Hsiao, Yaw-Chung Liao, Tzong-Yau Lin, Joanne Ling, Ying-Wei Peng, Hung-Wen Chien, Chien-Liang Chen, Shien-Quey Kao, Hsueh-Ju Tseng, Philip Wen-chyi Ong, Justin Jan-Lin Wei, Shean-Bii Chiu,Tsun-Siou Li, Chi-Hung Lin
NT$2,000,000 ~ NT$5,000,000				Kuang-Si Shiu, Meei-Yeh We, Chung Hsiang Lin
NT$5,000,000 ~ NT$10,000,000	National Development Fund	Yeou-Tsair Tsai, Ta-Pei Liu, National Development Fund	National Development Fund	Yeou-Tsair Tsai, Ta-Pei Liu, National Development Fund
NT$10,000,000 ~ NT$15,000,000	Chunghwa Post Co., Ltd., Bank of Taiwan Co., Ltd., Labor Union of Mega International Commercial Bank	Chunghwa Post Co., Ltd., Bank of Taiwan Co., Ltd., Labor Union of Mega International Commercial Bank	Chunghwa Post Co., Ltd., Bank of Taiwan Co., Ltd., Labor Union of Mega International Commercial Bank	Chunghwa Post Co., Ltd., Bank of Taiwan Co., Ltd., Labor Union of Mega International Commercial Bank
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	25	25	25	25

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	Meei-Yeh Wei																	
	Kuang-Si Shiu																	
Executive Vice President	Jui-Yun Lin																	
	Chung-Hsing Chen																	
	Meei-Yeh Wei																	
	Dan-Hun Lu																	
	Feng-Chi Ker																	
	Ying-Ying Chang																	
	Hann-Ching Wu																	
	Chii-Bang Wang																	
	Ming-Jye Chang																	
Chief Auditor	Yung-Ming Chen																	
Total		8,268	28,029	1,036	2,430	5,141	25,066	1,014	0	2,248	0	0.05	0.19	0	0	0	0	1,321

Note: 1. Ms. Meei-Yeh Wei replaces Mr. Kuang-Si Shiu as the President effective August 11, 2014. Mr. Hann-Ching Wu serves as Executive Vice President from November 1, 2014.

2. Bonuses and Allowances (C) include payment for house rent, company cars, compensation paid to company drivers by all consolidated entities totaled NT$9,038 thousand.

3. Profit Sharing- Employee Bonus (D) is preliminary and subject to the approval by the Annual Shareholders' Meeting on June 26, 2015.

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, Feng-Chi Ker, Ying-Ying Chang, Hann-Ching Wu, Chii-Bang Wang, Ming-Jye Chang	Hann-Ching Wu
NT$ 2,000,000 ~ NT$ 5,000,000	Chung-Hsing Chen	Kuang-Si Shiu, Chung-Hsing Chen, Ying-Ying Chang
NT$ 5,000,000 ~ NT$ 10,000,000	Jui-Yun Lin, Yung-Ming Chen	Jui-Yun Lin, Yung-Ming Chen, Meei-Yeh Wei, Dan-Hun Lu, Feng-Chi Ker, Chii-Bang Wang, Ming-Jye Chang
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	11	11

Employee Bonus of 2014 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 Auditor	Yung-Ming Chen				
Total		0	1,014	1,014	0.0033

Note: The amount of employee profit sharing is preliminary and subject to the approval by shareholders at the Annual Shareholder Meeting on June 26, 2015.

3.2.4 Remuneration for Directors, 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, president and executive vice presidents of the Company, to the net income

	2014	2013
The ratio of total remuneration paid to directors, president and executive vice presidents, relative to net income after tax, by the Company	0.52%	0.54%
The ratio of total remuneration paid to directors, president and executive vice presidents, relative to the consolidated net income after tax, by all companies in the consolidated financial statements	0.75%	0.82%

Total remuneration paid by the Company to its directors and executives as a percentage of net income after tax was 0.52% in 2014, compared with 0.54% in 2013. Total remuneration paid to directors and executives, by all consolidated entities, as a percentage of consolidated net income after tax declined to 0.75% from 0.82% in 2013.

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, president and executive vice presidents of the Company are detailed below:

a. The compensation paid to directors includes transportation expenses and bonus which is distributed according to the Articles of Incorporation.

b. Compensation to independent directors includes monthly payment and research stipend.

c. Compensation to the chairman of the Board includes salary, severance pay, bonuses and allowance for housing or vehicles rent, fuel expenses.

d. Compensation to the president and executive vice presidents includes salary, severance pay, bonuses, employee profit sharing, allowance for housing or vehicles rent, 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 profit after tax	34.54%	34.43%
Annual growth ratio of all remuneration paid to directors, president and executive vice presidents	28.61%	21.96%

The Company's net profit after tax rose by 34.54% in 2014 from the previous year, while the remuneration paid to directors, president and executive vice presidents only grew by 28.61%. Meanwhile, the consolidated net income rose by 34.43% in 2014 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 21.96% after future risks are taken into consideration.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

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

Date:12/31/2014

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Yeou-Tsair Tsai (Representative of Ministry of Finance)	13	0	100.00	
Director	Kuang-Si Shiu (Representative of Ministry of Finance)	7	0	100.00	left office on Aug. 11, 2014
Director	Meei-Yeh Wei (Representative of Ministry of Finance)	6	0	100.00	took office on Aug. 11, 2014
Independent director	Tsun-Siou Li	12	1	92.31	
Independent director	Shean-Bii Chiu	12	1	92.31	
Independent director	Chi-Hung Lin	11	2	84.62	
Director	Ching-Tsai Chen (Representative of Ministry of Finance)	4	3	57.14	left office on Aug. 1, 2014
Director	Chia-Chi Hsiao (Representative of Ministry of Finance)	3	0	100.00	took office on Sep. 26, 2014
Director	Ying-Wei Peng (Representative of Ministry of Finance)	12	0	100.00	left office on Dec. 8, 2014
Director	Joanne Ling (Representative of Ministry of Finance)	13	0	100.00	
Director	Tzong-Yau Lin (Representative of Ministry of Finance)	12	1	92.31	
Director	Hung-Wen Chien (Representative of Ministry of Finance)	4	0	100.00	left office on May 12, 2014
Director	Ta-Pei Liu (Representative of Ministry of Finance)	9	0	100.00	took office on May 12, 2014
Director	Yaw-Chung Liao (Representative of Ministry of Finance)	10	3	76.92	
Director	Chien-Liang Chen (Representative of National Development Fund)	6	2	100.00	left office on Aug. 15, 2014
Director	Shien-Quey Kao (Representative of National Development Fund)	1	2	33.33	took office on Aug. 25, 2014 and left office on Nov. 7, 2014
Director	Hsueh-Ju Tseng (Representative of National Development Fund)	2	0	100.00	took office on Nov. 7, 2014
Director	Philip Wen-chyi Ong (Representative of Chunghwa Post Co., Ltd.)	13	0	100.00	
Director	Justin Jan-Lin Wei (Representative of Bank of Taiwan)	11	2	84.62	
Director	Chung-Hsiang Lin (Representative of Labor Union of Mega Int'l Commercial Bank)	13	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 22nd Meeting of the Fifth Term Board of Directors on February 25, 2014, the Board discussed a proposal to reappoint one of directors of Mega International Commercial Bank. Because Director Hung-Wen Chien is the related party, he recused himself from discussions and did not participate in the voting according to regulations.
   (2) At the 24th Meeting of the Fifth Term Board of Directors on April 22, 2014, the Board discussed a proposal to release the non-competition restriction imposed on Director Philip Wen-chyi Ong to be submitted to the annual shareholders' meeting. Because Director Philip Wen-chyi Ong was a related party in this matter, he recused himself from discussions and did not participate in the voting according to regulations.
   (3) At the 25th Meeting of the Fifth Term Board of Directors on May 27, 2014, the Board discussed the proposal to change the Chairman of Mega Securities Company, and the Chairman as well as President of Mega Bills Finance Company. As Director Ta-Pei Liu is the related party, he recused himself from discussions and did not participate in the voting according to regulations.
   (4) At the 28th Meeting of the Fifth Term Board of Directors on August 11, 2014, the Board discussed the Company's proposal to appoint Ms. Meei-Yeh Wei as the President of the Company. Because Director Meei-Yeh Wei is the related party, she avoids participating in the discussion and abstains from voting on this matter as required by regulations.
   (5)At the 28th Meeting of the Fifth Term Board of Directors on August 11, 2014, the Board discussed the Company's proposed reappointment of Ms. Meei-Yeh Wei as the President of the Mega International Commercial Bank. Because Director Meei-Yeh Wei is the related party, she avoids participating in the discussion and abstains from voting on this matter as required by regulations.
   (6) At the 30th Meeting of the Fifth Term Board of Directors on September 23, 2014, the Board discussed the proposed reappointment of the 7th term of directors and supervisors of Mega Life Insurance Agency Co., Ltd. Because Ying-Ying Chang, EVP also serves as the chairman of the board of Mega Life Insurance Agency Co., Ltd., she avoids participating in the discussion and abstains from voting on this matter as required by regulations.
   (7) At the 32nd Meeting of the Fifth Term Board of Directors on November 25, 2014, the Board discussed the proposed reappointment of the 4th term of directors and supervisors of Mega Venture Capital Co., Ltd. Because Jui-Yun Lin, EVP is the related party, she avoids participating in the discussion and abstains form voting on this matter.
   (8) At the 32nd Meeting of the Fifth Term Board of Directors on November 25, 2014, the Board discussed the proposed retirement of Yung-Ming Chen, Chief Auditor. Because he is the related party, he recused himself from discussions and did not participate in the voting according to regulations.
   (9) At the 33rd Meeting of the Fifth Term Board of Directors on December 23, 2014, the Board discussed participation of Mega Securities Company and BankTaiwan Securities Company in underwriting of the proposed second unsecured exchangeable bond issue by our company. Because Director Ta-Pei Liu is the Chairman of Mega Securities Company, and Director Justin Jan-Lin Wei is Executive Vice President of Bank of Taiwan, they recused themselves from discussion and abstain from voting as required by regulations.
   (10)At the 33rd Meeting of the Fifth Term Board of Directors on December 23, 2014, the Board discussed the reappointment of the 13th term of directors and supervisors of Mega International Investment Trust Co., Ltd. Because Director Meei-Yeh Wei is the related party, she avoids participating in the discussion and abstains from voting on this matter 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 11 meetings (A) in 2014, with the following attendance:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chair	Tsun-Siou Li	10	1	90.91	Elected on June 15, 2012
Member	Shean-Bii Chiu	10	1	90.91	Elected on June 15, 2012
Member	Chi-Hung Lin	11	0	100.00	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 2014.
2. There were no recusals of independent directors due to conflicts of interests in 2014.
3. Descriptions of the communications between the Independent Directors, the internal auditors, and the independent auditors in 2014 (e.g. the channels, items and/or results of the audits on the corporate finance and/or operations, etc.):
   (1) Besides submitting its annual audit plans to the audit committee for review every year, the Company's auditing office submits Financial Supervisory Commission's inspection reports and all internal audit reports to Independent Directors regularly or irregularly.
   (2) Aside from communicating auditing process with independent auditors, Independent Directors also discuss the semi-annual and annual financial statements with the external auditors. The suggestions provided by independent directors in 2014 include: An accounting firm franchising with the Company's existing external auditor should be commissioned for those overseas branches of the subsidiary should the assets or profits of the overseas branches reach to a certain scale. The time to change the certified public account should be 5 years, rather than the 7 years required by the Corporate Governance Best Practice Principles for Financial Holding Companies. The Company and its subsidiaries have followed these suggestions.

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

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

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
1. Shareholding structure and shareholders' rights				
(1) Does the Company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly?	V		For shareholders' suggestions, concerns, and complaints, the Company has enacted guidelines of internal operation with the contents including the time to reply to shareholders' questions, items of attention, and handling methods.	None
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		The Company tracks the shareholdings of directors, officers, and shareholders holding more than 1% of the outstanding shares of the Company and the beneficial owners of these major shareholders.	None
(3) Has the Company built and executed a risk management system and "firewall" between the company and its affiliates?	V		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, investment trust, and securities subsidiaries also established an independent risk management unit in charge of risk control.	None

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
2. Composition and responsibilities of the Board of Directors (1) Other than the Remuneration Committee and Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		Other than the Remuneration Committee and Audit Committee, 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.	None
(2) Does the Company regularly evaluate its external auditor's independence?	V		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 at least once a 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. Limitation on external auditors serving for this Company 5. Limitation on previous employee serving for the external auditor's firm.	None
3. Has the Company established a means of communicating with its stakeholders?	V		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. Communication between the Company and its stakeholders can be made through meeting, letter, telephone, facsimile and e-mail.	None
4. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		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) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.?)	V		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, proactively attending investor conference and disclosing information announced in investor conferences on the Company's website.	None
5. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, director' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer policies, purchasing insurance for directors, donations to political parties, related parties and charity organizations)?	V		1. Employee rights, employee wellness, investor relations, rights of stakeholders: Please refer to "Corporate Social Responsibilities" on page 41 and "Labor Relation" on page 75. 2. Directors' and supervisors' training records: Please refer to page 39. 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 Policy and Guidelines on Risk Management, which clearly described the guidelines on management of credit risk, market risk, operational risk, human resource risk, and emergency crisis. On credit risk, the Company set up the Group 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.	None

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
			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 customer policies: 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, related parties, and charity organizations: The Company does not make donations to political parties. In 2014, the Mega International Commercial Bank donated NT$18 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 Investment Trust Company, amounted to NT$4 million in total. The Company donated totally NT$15,552,160 to charity organizations in 2014.	
6. Does the Company perform any self evaluations on its corporate governance practices or appointed any third party to do so? (If yes, please disclose the Board of Director's view, the evaluation results, major deficiencies and improvements).	V		Since 2012, the Company began self evaluation of corporate governance every year, and was awarded as "The Best Corporate Governance" by Finance Asia in 2012. It also ranked top 5% among the publically listed companies in "The 1st Corporate Governance Evaluation" conducted by the Taiwan Stock Exchange in 2014.	None

Directors' training records

Name	Date	Training Agency	Course	Training Hours
Yeou-Tsair Tsai	03/13/2014	Taiwan Academy of Banking and Finance	The top ten financial key trends in the next decade,	3.2
Yeou-Tsair Tsai	11/26/2014	Taiwan Academy of Banking and Finance	Expanding business network in Asia	3.5
Meei-Yeh Wei	01/21/2014	Securities & Futures Institute	Practices of remuneration committee in Taiwan	3
Meei-Yeh Wei	08/04/2014	Training Institute, Ministry of Finance	Regulations governing government owned enterprises	3
Meei-Yeh Wei	09/30/2014	Securities & Futures Institute	How to fulfill the function of Board Committee	3
Meei-Yeh Wei	10/06/2014	Securities & Futures Institute	Legal risk involved in equity investments	3
Tsun-Siou Li	07/10/2014	Securities & Futures Institute	2014 workshop on equity transfer by insiders of listed companies and legal compliance	3
Shean-Bii Chiu	09/09/2014	Securities & Futures Institute	Business ethics and corporate social responsibility	3
Chi-Hung Lin	06/10/2014	National Development Fund, Executive Yuan	How to make the Board become familiar with the IFRS financial statements	3
Chia-Chi Hsiao	04/25/2014~ 04/26/2014	The Institute of Internal Auditor, R.O.C.(Taiwan)	Government governance and corporate governance	12
Chia-Chi Hsiao	11/20/2014	Financial Supervisory Commission	The 10th Taipei Corporate Governance Forum	3
Joanne Ling	08/04/2014	Training Institute, Ministry of Finance	Introduction to the Business Mergers And Acquisitions Act and The Financial Institutions Merger Act	3
Joanne Ling	08/06/2014	Securities & Futures Institute	2014 workshop on equity transfer by insiders of listed companies and legal compliance	3
Tzong-Yau Lin	04/03/2014	Securities & Futures Institute	Board of Directors and Supervisors' consolidated income tax analysis	3
Yaw-Chung Liao	09/22/2014	Securities & Futures Institute	Succession plan and practice analysis for a family-owned business	3
Ta-Pei Liu	09/09/2014	Securities & Futures Institute	Business ethics and corporate social responsibility	3
Ta-Pei Liu	11/20/2014	Financial Supervisory Commission	The 10th Taipei Corporate Governance Forum	3
Ta-Pei Liu	11/26/2014	Taiwan Academy of Banking and Finance	Expand business in Asia	3.5
Hsueh-Ju Tseng	11/25/2014	National Development Fund, Executive Yuan	Board of Directors and Supervisors' responsibility about protection of trade secrets	3
Hsueh-Ju Tseng	10/27/2014	National Development Fund, Executive Yuan	Legal responsibility of false trade and misrepresented financial statements	3
Philip Wen-chyi Ong	07/21/2014	Training Institute, Ministry of Finance	Practices of Board meeting and corporate governance	3
Philip Wen-chyi Ong	08/04/2014	Training Institute, Ministry of Finance	Introduction on the Business Mergers And Acquisitions Act and The Financial Institutions Merger Act	3
Justin Jan-Lin Wei	08/04/2014	Training Institute, Ministry of Finance	Introduction on the Business Mergers And Acquisitions Act and The Financial Institutions Merger Act	3
Chung-Hsiang Lin	03/03/2014	Securities & Futures Institute	Board members and supervisors' responsibility of legal compliance and the legal result of violation thereof	3
Chung-Hsiang Lin	08/25/2014	Securities & Futures Institute	Business ethics and corporate social responsibility	3

3.3.4 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			Independence Criteria (Note)								Number of Other Public Companies where the Members Serve as Member of Remuneration Committee
		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	
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 third 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 2014, the Committee held 2 meetings with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chair	Shean-Bii Chiu	2	0	100	
Member	Tsun-Siou Li	2	0	100	
Member	Chi-Hung Lin	2	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.

3.3.5 Corporate Social Responsibility

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
1. Exercising corporate governance (1) Does the Company declare its CSR policy, systems or relevant management guidelines and review the implementation results?	V		The Company enacted the "Corporate Social Responsibility Policy" in 2014 which is disclosed on the official website. At the same time, the Corporate Social Responsibility Report was issued to disclose the promotion plan and a review of its implementation.	None
(2) Does the Company organize education and training on the implementation of CSR initiatives on a regular basis?	V		Since 2014, the Company periodically conducted educational training on social responsibilities and the staff has been sent to relevant external trainings or seminars from time to time.	None
(3) Does the Company establish an exclusively (or concurrently) dedicated unit to be in charge of CSR and appoint executive-level positions by the board of directors with responsibility for CSR issues, and to report the status of the handling to the board of directors?	V		The Company appointed the Administration Department to be in charge of the promotion of corporate social responsibilities, and the Corporate Social Responsibility Committee has been established. President takes the post of the convener and the Executive Vice Presidents are members. There are five working groups in charge of the enactment of work plans to submit to the Board of Directors as well as periodical reports on implementation to the Board of Directors.	None
(4) Does the Company adopt reasonable remuneration policies, combine the employee performance evaluation system with CSR policies, and establish a clear and effective incentive and discipline system?	V		The Company has enacted fair and rational salary polices in order to recruit and retain talents. The evaluation indicators of employees' performance include "jobs and capabilities", "moral behaviors" and "education and knowledge level". If any employee violates laws or relevant internal regulations such as services guidelines and ethical corporate management standards, the evaluation should also include said items, and punishments will be given according to the violations. On the contrary, those who contribute to the Company should also be rewarded according to their contributions.	None
2. Fostering a sustainable environment (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	V		The Company improves energy efficiency by adjusting operational service procedure and using high efficient equipment, for example: the use of online announcements to reduce paper consumption; promotion of paper free meetings; the use of hybrid cars for business, the increase of outlet water temperature of the central air conditioner of the building by 2 degrees (the temperature of air conditioner is set between 26-28 degrees), and the limit use of 90% of joint current; the replacement of energy saving lighting devices; the use of teleconferences to avoid business traveling and fuel consumption; the use of green building materials to save energy and reduce carbon emission in construction and renovation; and the reduction of water volume of faucets.	None
(2) Does the Company establish proper environment management systems based on the characteristics of their industries?	V		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) Does the Company monitor the impact of climate change on their operations and establish Company strategies for energy conservation and carbon and greenhouse gas reduction?	V		The Company implements various energy saving measures including the use controls of elevators, lighting, air conditioning, and water. Each quarter, we review the effects of energy saving and carbon emission reductions of water, electricity, and fuels used by each company of the Group. Since 2013, a greenhouse gas inventory began to be checked, and in 2015, ISO 140641 of greenhouse gas inventory management plan will be also introduced.	None

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
3. Preserving public welfare (1) Does the Company comply with relevant laws and regulations, and the International Bill of Human Rights and adopt relevant management policies and procedure?	V		The Company treats its job seekers or employees fairly, and there should be no discrimination towards their races, classes, languages, philosophies, religions, political affiliations, native places, birth places, genders, sexual preference, ages, marital statuses, looks, figures, disabilities, or membership of labor unions. The Company does not force or require compulsory labor, hire child laborers, or impair the freedom of labors to organize unions. In compliance with the Labor Standards Act and other relevant rules and regulations, the Company enacts its human resources rules.	None
(2) Does the Company provide an employee grievance mechanism and respond to any employee's grievance in an appropriate manner?	V		If any employee wishes to file any complaint, he/she can directly contact their superior(s). The Company handles employee complaints properly.	None
(3) Does the Company provide safe and healthful work environments for their employees and organize training on safety and health for their employees on a regular basis?	V		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
(4) Does the Company establish a platform to facilitate regular communication between the management and the employees and inform employees of operation changes that might have material impacts?	V		The Company maintains good communications with its employees. Employees are encouraged to talk to their superiors directly about their rights or via emails or meetings. Employees will be informed via meetings or other reasonable methods within the required time for operational changes that may result in huge impacts on employees.	None
(5) Does the Company establish effective training programs to foster career skills?	V		In order to improve employees' career development abilities, the Company conducts on-the-job trainings for them and sends them to participate in various seminars and conferences. We encourage employees to engage in professional and inter-industry diverse learning as required by their own professional fields.	None
(6) Does the Company establish policies on consumer rights and interests and accept consumer complaints in the process of research and development, procurement, production, operations, and services?	V		Processing of personal information is managed according to requirements of the Financial Holding Company Act, the Personal Information Protection Act and Regulations Governing Cross Selling among Subsidiaries of Financial Holding Company. To protect the secret and safety of customer's personal information, the Company has set up strict control mechanism for data processing. Measures for protection of clients' privacy are disclosed on the Company's website. Besides, its subsidiaries set up client hotlines to handle customer complaints in a timely manner.	None
(7) Does the Company follow relevant laws, regulations and international guidelines when marketing or labeling their products and services?	V		Marketing of financial products are conducted according to requirements of the Financial Consumer Protection Act and other relevant regulations.	None
(8) Does the Company assess whether there is any record of a supplier's impact on the environment and society prior to engaging in commercial dealings?	V		The Company avoids working with suppliers that have negative records on the environment and society. Additionally, in order to encourage suppliers to fulfill their corporate social responsibilities, since 2014, the Company requests that suppliers with transactions amounts over NT$1 million to sign an CSR Policy Statment committing to fulfill social responsibilities related to the environment and society.	None

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(9) Does the Company enter into a contract with any of their major suppliers including terms that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society?	V		Since 2015, terms of the contracts between the Company and its main suppliers include the right of the Company to terminate or cancel contracts if the supplier violates the CSR Policy Statement submitted to the Company and has significant impact on the environment and society of the original community.	None
4. Enhancing information disclosure Does the Company fully disclose relevant and reliable information relating to their CSR initiatives on Company's website and MOPS website?	V		The information relating to the Company's corporate social responsibility is disclosed in this annual report and 2015 corporate social report which are also disclosed on the Company's website and the Market Observation Post System of the Taiwan Stock Exchange.	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: The Company's Corporate Social Responsibility Principles, based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", is fully implemented with 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.) Please refer to the 2014 Corporate Social Responsibility Report disclosed on the website (http://www.megaholdings.com.tw/contents_1024/responsibility/default.asp).				
7. If the Company's corporate social responsibility reports have received assurance from external institutions, they should state so below: The Company's 2014 CSR report is assured by a third party BSI according to the principle of AA1000 and GRI 4.				

3.3.6 Ethical Corporate Management and Approach Adopted

Ethical Corporate Management Implementation

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
1.Establishment of the policies and implementation measures of ethical corporate management				
(1) Does the Company clearly specify ethical corporate management policies, guidelines and the commitments of the board of directors and management team to implement the policies in its rules and external documents?	V		The Company's Ethical Corporate Management Principles clearly specify the ethical corporate management policies and guidelines. Ethical practice clauses are included in the contracts we enter into. The Board and management team often emphasize the importance of ethics in business operations and lead by example.	None
(2) Does the Company establish relevant policies, including operational procedures, guidelines, disciplinary rules for violations and complaint channel, for preventing any unethical conduct? Does the Company implement the policies?	V		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. Relevant operational procedures, guidelines, disciplinary rules for violations and complaint channel are also stated in the above-mentioned Principles.	None

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(3) Does the Company adopt any prevention program for the items of the Article 7.2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or higher potential unethical conduct within other business activities?	V		In order to prevent unethical behavior, the Company requires that employees should not demonstrate unethical behavior as prohibited in the Ethical Corporate Management Principles. As such, the Company conducts various preventative measures, including: educational training, strict implementation of the internal control system, and encouragement to report the violation behaviors.	None
2.Corporate conduct and ethics compliance practice (1) Does the Company assess ethical records of business counterparties? Does the Company include business conduct and ethics related clauses in the business contracts?	V		The Company takes into consideration ethical records of transaction counterparties and avoids transactions with companies tainted by unethical practices. Ethical practice clauses are included in the contracts we enter into.	None
(2) Does the Company set up dedicated unit under the board of directors in charge of promotion of the ethical corporate management and report the execution to the board of directors periodically?	V		The Administration Department is responsible for establishment and promotion of the ethical corporate management ideas. Implementation status of Ethical Corporate Management Principles is submitted to the board meeting regularly. The Ethical Corporate Management Principles are effectively implemented in 2014.	None
(3) Does the Company establish policies to prevent conflicts of interest, provides appropriate communication channels and implement the policies?	V		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 shall state the important aspects of the interested party relationship 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) Does the Company establish effective accounting systems and internal control systems for the implementation of policies? Does the Company audit such execution and compliance by internal audit unit or entrusted CPA?	V		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 external auditor also regularly conducts selective examination on the implementation status of the Company's internal control system.	None
(5) Does the Company periodically provide internal or external training courses of ethics corporate management?	V		The Company periodically provides training courses of ethics corporate management and promotes ethical business concepts to the suppliers in suitable occasions.	None
3.The channels for reporting any ethical irregularities (1) Does the Company set up specific reporting and reward system, convenient reporting channel and assign appropriate and dedicated person to handle the case?	V		The Company's Ethical Corporate Management Principles requires that violation of ethical business practices should be reported to the audit unit, which will assign appropriate person to handle the case.	None

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(2) Does the Company establish standard operation procedures for the investigation and security mechanism?	V		Once the audit unit received reporting of any ethical irregularities, it will investigate the matter pursuant to standard operation procedures and security mechanism.	None
(3) Does the Company adopt protection measures of non-retaliation?	V		The Company protects whistleblowers, by keeping their identity and report contents confidential. No punishment will be given due to reports given by whistleblowers.	None
4. Enhancing disclosure of ethical corporate management information Does the Company disclose the content and the implement status of the Ethical Corporate Management Principles on the Company's website and MOPS?	V		The Company discloses the content and the implement status of its Ethical Corporate Management Principles on the Company's website and MOPS.	None
5. If the Company has established Ethical Corporate Management Standards 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 and follow its Ethical Corporate Management Principles based on 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: (e.g. discussions in how the company can further revise its ethical corporate management principles): The company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors and employees to make suggestions, based on which the Ethical Corporate Management Standards Principles will be reviewed and updated.				

3.3.7 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

3.3.8 Other Important Information: None.

3.3.9 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 here state that from January 1, 2014 to December 31, 2014, 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: Meei-Yeh Wei

Acting Chief Auditor: Tzong-Chi Hsu

Chief Compliance Officer: Tien-Lu Chen

March 24, 2015

Internal Control Weaknesses and Improvement Plans

Record Date: December 31, 2014

Weakness	Improvement Plans	Completion Date
Mega International Commercial Bank Co., Ltd. The Bank did not archive and maintain the information of related parties well so that it entered into a transaction with a related party without a special resolution by the Board of Directors.	· The responsible persons of each subsidiary have been requested to check the name list of related parties and review archives of information. · The maintenance procedures of archives of related parties have been reviewed, and the awareness of archive managers towards the parties and scope of related parties has been enhanced to avoid archive omissions. · A periodical review has been shortened from every half year to every three months for the maintenance of related parties' information. · The transaction will be submitted to the Board of Directors for ratification, and the resolution of majority should be adopted.	Improved
Mega Futures Co., Ltd. In the morning on February 5, 2014, an abnormality with the computer system was detected, and was not recorded on the operation journal of Information Department. A transaction order also failed to be filled out before execution of the order for its customer.	· The above information was added to the operation journal of Information Department. · Between August and November, 2014, the Company conducted educational training and risk control promotions for all employees. · The standard operation procedure has been modified to add the relevant control mechanisms of entrusted futures transaction brokerage.	Improved

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

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

A. Legal action involving executives or employees:

Due to forgery, Sales Representative Mr. Chang of Zhongli Branch of Mega Securities was prosecuted by the Taoyuan District Prosecutors' Office in 2014; due to the violation to the Securities and Exchange Act, Sales Representative of Mr. Lin of Jingmei Branch of Mega Securities was prosecuted by the Taipei District Prosecutors' Office in 2014.

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

(1) 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.

(2) Mega Futures Company

In the morning in February 2014, an abnormality with the computer system was detected, and was not recorded on the operation journal of Information Department as requested by the Internal Control System of the company. A transaction order also failed to be filled out before execution of the order for its customer. The violation to the regulations governing futures transactions resulted in a fine of NT$120,000 by the Financial Supervisory Commission on September 15, 2014. The above drawbacks have been improved, and those who violated the requirements were punished.

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.
- Strengthening transaction review in all business units.
- Enhancing training of employee in charge of remittance.
- Auditing of “extraordinary amounts of income or expenses” has been added to the self-review and audit undertaken by the Auditing 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 as follows:

- 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 Bank 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.
- The Bank 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.

c. The Bank did not archive and maintain the information of related parties well so that it entered into a transaction with a related party without a special resolution by the Board of Directors. Improvement actions listed in the table on page 47 have been taken.

(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 superiors 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 of 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. This restriction also applies to the convertible bonds.
- 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: None.

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

Due to the failure to comply with local regulations for money laundering control and prevention in 2010, the Panama Branch of Mega International Commercial Bank was fined US$20,000 by the local authority on March 12, 2013. The following improvements have been made:

(1) Description documents required by the local authority have been submitted in Spanish.

(2) The human resources operational manual has been modified, and the recommendation letters, name list comparison of money laundering and anti-terrorism, job duty descriptions, confidentiality rules, employees' behavior guidelines, and introduction of employees have been included in the manual.

(3) The closing of saving accounts, archive management, legal compliance reports have been included in the anti-money laundry manual.

(4) An independent director in charge of legal compliance has been appointed.

(5) The computer system has been continuously improved.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Important resolution of the annual shareholders' meeting held on June 24, 2014

(1) The meeting approved a cash dividend of $1.1 per share, compensation to directors of NT$101,201,000, and employee profit sharing of NT$10,150,000. The dividend was paid on September 5, 2014, and the employee profit sharing and compensation to directors have also been paid.

(2) The meeting also approved revisions of certain articles in the "Articles of Incorporation". The amended articles have already been uploaded to the Market Observation Post System of the Taiwan Stock Exchange Corporation and the Company's website.

(3) The meeting also approved revisions of certain articles in the "Amendment to the Company's "Procedures for Acquisition or Disposal of Assets" and "Procedures for Derivatives Trading". The amended articles have already been uploaded to the Market Observation Post System of the Taiwan Stock Exchange Corporation and the Company's website.

B. Important resolution of the Board meetings held in 2014

(1) The 22nd Meeting of the Fifth Term Board of Directors held on February 25, 2014 approved the engagement with CPAs Mr. Chien-Hung Chou and Mr. King-Tse Huang from PWC, Taiwan to audit the 2014 financial statement. A proposed reappointment of a director of Mega International Commercial Bank was also approved.

(2) The 23rd Meeting of the Fifth Term Board of Directors held on March 25, 2014 approved the 2013 consolidated financial statements and convening of the 2014 general shareholders' meeting.

(3) The 24th Meeting of the Fifth Term Board of Directors held on April 22, 2014 approved the 2013 Business Report and earnings distribution proposal.

(4) The 25th Meeting of the Fifth Term Board of Directors held on May 27, 2014 approved the allotment of 2013 remuneration to directors, and reappointment of the chairman of Mega Securities Company as well as the chairman and president of Mega Bills Finance Company.

(5) The 26th Meeting of the Fifth Term Board of Directors held on June 23, 2014 approved the Corporate Governance Principles and reappointment of a director of Mega Bills Finance Company.

(6) The 27th Meeting of the Fifth Term Board of Directors held on July 22, 2014 approved the set up of the ex-dividend record date.

(7) The 28th Meeting of the Fifth Term Board of Directors held on August 11, 2014 approved the appointment of Ms. Meei-Yeh Wei as the President of the Company and the Mega International Commercial Bank.

(8) The 29th Meeting of the Fifth Term Board of Directors held on August 26, 2014 approved the proposed disposal of the Company's shareholding of Taiwan Business Bank (TBB) through public auction; Adjustment and reappointment of a managing director and director of Mega International Commercial Bank were approved respectively.

(9) The 30th Meeting of the Fifth Term Board of Directors held on September 23, 2014 approved the proposed suspension of liquidating the shareholding of TBB through public auction. The reappointment of the 7th Term Board of Directors and Supervisors of Mega Life Insurance Agency Company was also adopted.

(10) The 31th Meeting of the Fifth Term Board of Directors held on October 28, 2014 approved the reappointment of a director of subsidiary Mega Securities Company.

(11) The 32th Meeting of the Fifth Term Board of Directors held on November 25, 2014 approved the 2014 Resolution Plan, proposed disposal of TBB shareholding through issuance of exchangeable bonds, reappointment of the Fourth Term Board of Directors and Supervisor of Mega Venture Capital Company, and retirement of the chief auditor of the Company as well as its successor.

(12) The 33rd Meeting of the Fifth Term Board of Directors held on December 23, 2014 approved the reappointment of the 13th Term Board of Directors and Supervisors of Mega International Investment Trust Company.

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

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

May 31, 2015

Title	Name	Date of appointed	Date of termination	Reasons for resignation or dismissal
President	Kuang-Si Shiu	July 15, 2008	Aug. 11, 2014	Retirement
Chief Auditor	Yung-Ming Chen	Sep. 8, 2006	Jan.15, 2015	Retirement

3.3.14 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, 2014 – December, 31, 2014	

Unit: NT$

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. 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	2,664,000	0	0	0	503,333	503,333	1/1/2014 – 12/31/2014	1. Expenses incurred for capital increase in cash 2. IFRS training expenses 3. Expenses in connection with the proposed issuance of exchangeable bond

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 Exiting Independent Auditors

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

3.5.2 Replaced 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 2014.

3.7 Changes in Shareholding

3.7.1 Changes in Shareholding of Directors, Executives and Major Shareholders

Unit: Share

Title	Name	2014		As of Mar. 31, 2015	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Ministry of Finance, R.O.C.	0	0	0	0
	The National Development Fund, Executive Yuan, R.O.C.	0	0	0	0
	Bank of Taiwan Co., Ltd.	0	0	0	0
	Chunghwa Post Co., Ltd.	9,792,000	0	5,626,000	0
	Labor Union of Mega Int'l Commercial Bank	67,937	0	22,912	0
	Joanne Ling	0	0	0	0
	Chung Hsiang Lin	0	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
Chairman	Yeou-Tsair Tsai	0	0	0	0
Director and President	Meei-Yeh Wei	0	0	0	0
Chief Secretary	Chii-Bang Wang	0	0	0	0
Acting Chief Auditor	Tzong-Chi Hsu	0	0	0	0
Executive Vice President	Chung-Hsing Chen	(114,000)	0	0	0
	Jui-Yun Lin	0	0	0	0
	Dan-Hun Lu	0	0	0	0
	Feng-Chi Ker	0	0	0	0
	Hann-Ching Wu	0	0	0	0
	Ming-Jye Chang	0	0	0	0
	Ying-Ying Chang	0	0	0	0
Chief Compliance Officer	Tien-Lu Chen	0	0	0	0

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 Dec. 31, 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. Tyzz-Jiun Duh)	759,771,091	6.10	0	0	0	0	None	None	None
Fubon Life Insurance Co., Ltd. (Representative: Mr. Pen-Yuan Cheng)	405,349,437	3.25	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd. (Representative: Mr. Philip Wen-chyi Ong)	347,114,634	2.78	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)	297,932,434	2.39	0	0	0	0	None	None	None
China Life Insurance Co., Ltd. (Representative: Mr. Alan Wang)	239,797,344	1.92	0	0	0	0	None	None	None
Vanguard Emerging Markets Stock Index Fund in Custody by Standard Chartered Bank	186,781,340	1.50	0	0	0	0	None	None	None
Labor Pension Fund (New Scheme)	185,351,349	1.48	0	0	0	0	None	None	None
Pou Chen Corporation (Representative: Mr. L. U. Chan)	177,333,477	1.42	0	0	0	0	None	None	None

3.9 Long-term Investment Ownership

As of December 31, 2014

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	0	0	1,160,000,000	100
Mega Bills Finance Co., Ltd.	1,311,441,084	100	0	0	1,311,441,084	100
Chung Kuo Insurance Co., Ltd.	300,000,000	100	0	0	300,000,000	100
Mega Int'l Investment Trust Co., Ltd.	52,700,000	100	0	0	52,700,000	100.00
Mega Asset Management Co., Ltd.	200,000,000	100	0	0	200,000,000	100
Mega Life Insurance Agency Co., Ltd.	2,000,000	100	0	0	2,000,000	100
Mega Venture Capital Co., Ltd.	100,000,000	100	0	0	100,000,000	100
Taiwan Depository & Clearing Corp.	1,392,042	0.41	4,026,254	1.20	5,418,296	1.61
Taipei Financial Center Corp.	73,500,000	5.00	40,005,999	2.72	113,505,999	7.72
Taiwan Business Bank	636,481,677	12.01	1,029,399,213	19.43	1,665,880,890	31.44
China Products Trading Corp., Ltd.	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	200,000	100
Mega Management & Consulting Co., Ltd.	0	0	1,000,000	100	1,000,000	100
Mega Futures Co., Ltd.	0	0	40,000,000	100	40,000,000	100
Mega International Investment Services Co., Ltd.	0	0	2,000,000	100	2,000,000	100
Mega Securities Holdings Co., Ltd.	0	0	14,990,337	100	14,990,337	100
Mega Capital (Asia) Co., Ltd.	0	0	17,000,000	100	17,000,000	100
Mega Securities (Hong Kong) Co., Ltd.	0	0	120,000	100	120,000	100
Mega International Commercial Bank (Canada)	0	0	230,000	100	230,000	100
Mega International Commercial Bank Public Co., Ltd.	0	0	400,000,000	100	400,000,000	100
Cathay Investment & Development Corp. (Bahamas)	0	0	5,000	100	5,000	100
Cathay Investment & Warehousing Ltd.	0	0	1,000	100	1,000	100
Ramlett Finance Holdings Inc.	0	0	1,500	100	1,500	100
ICBC Assets Management & Consulting Co., Ltd.	0	0	5,000,000	100	5,000,000	100
IP Fund Seven Ltd.	0	0	12,500,000	25	12,500,000	25
An Fang Co., Ltd.	0	0	900,000	30	900,000	30
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

Capital Overview

4.1 Capital and Shares

4.1.1 Issued Shares

As of April 30, 2015

Month/ Year	Par value (NTD)	Authorized capital		Paid-in capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of capital	Others
Aug. 2012	10	12,000,000,000	120,000,000,000	11,449,823,983	114,498,239,830	Issuance of 169,209,221 shares through earnings capitalization	Note 1
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 2

Note: 1. The capital increase was approved by the letter No. 1010031536 dated July 23, 2012 issued by the Financial Supervisory Committee.
2. The capital increase was approved by the letter No. 1020040445 dated October 14, 2013 issued by the Financial Supervisory Committee.

As of April 30, 2015

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 28, 2015

Type of shareholders	Government agencies	Financial institutions	Other juridical persons	Domestic natural persons	Foreign institutions & natural persons	Total
Number of shareholders	12	222	594	247,471	907	249,206
Shareholding (shares)	2,460,983,704	2,218,834,238	933,054,979	1,805,459,753	5,031,491,309	12,449,823,983
Percentage (%)	19.77	17.82	7.50	14.50	40.41	100.00

4.1.3 Distribution Profile of Share Ownership

Par value per share: NT$10 As of April 28, 2015

Shareholder ownership (Unit: Share)	Number of shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	100,711	29,292,883	0.24
1,000 ~ 5,000	89,173	203,344,607	1.63
5,001 ~ 10,000	25,877	182,491,816	1.47
10,001 ~ 15,000	12,033	143,109,888	1.15
15,001 ~ 20,000	5,256	91,531,250	0.74
20,001 ~ 30,000	5,748	137,670,899	1.11
30,001 ~ 40,000	2,614	89,778,066	0.72
40,001 ~ 50,000	1,573	70,465,609	0.57
50,001 ~ 100,000	3,202	219,395,149	1.76
100,001 ~ 200,000	1,477	200,195,257	1.61
200,001 ~ 400,000	625	169,990,168	1.37
400,001 ~ 600,000	220	108,395,912	0.87
600,001 ~ 800,000	116	80,735,965	0.65
800,001 ~ 1,000,000	77	68,871,542	0.55
1,000,001 ~ 1,200,000	57	62,133,759	0.50
1,200,001 ~ 1,400,000	46	59,089,129	0.47
1,400,001 ~ 1,600,000	32	48,179,449	0.39
1,600,001 ~ 1,800,000	19	32,150,953	0.26
1,800,001 ~ 2,000,000	25	47,797,097	0.38
Over 2,000,001	325	10,405,204,585	83.56
Total	249,206	12,449,823,983	100.00

4.1.4 Major Shareholders

As of April 28, 2015

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.	759,771,091	6.10
Fubon Life Insurance Co., Ltd.	405,349,437	3.25
Chunghwa Post Co., Ltd.	358,438,634	2.88
Cathay Life Insurance Co., Ltd.	326,626,434	2.62
Bank of Taiwan Co., Ltd.	309,799,938	2.49
New Labor Pension Fund	220,190,904	1.77
China Life Insurance Co., Ltd.	214,776,344	1.73
Vanguard Emerging Markets Stock Index Fund	184,113,340	1.48
Pou Chen Corporation	177,333,477	1.42

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

Unit: NT$

Item		Year	2014	2013	As of March 31, 2015
Market price per share (Note 1)	High		27.00	25.90	26.00
	Low		22.60	22.00	23.55
	Average		24.60	24.05	24.70
Net worth per share (Note 2)	Before distribution		20.97	19.39	21.49
	After distribution		(Note 6)	18.28	None
Earnings per share	The weighted average of outstanding shares (in thousands of shares)		12,449,824	11,493,660	12,449,824
	Earnings per share	Before adjustment	2.43	1.96	0.66
		After adjustment	2.43	1.96	None
Dividends per share	Cash dividends		1.40	1.11	(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)		10.12	12.27	37.42
	Price-dividend ratio (Note 4)		17.57	21.67	None
	Cash dividend yield (%) (Note 5)		5.69%	4.62%	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 2014 profits will be submitted to the annual shareholders' meeting on June 26, 2015.

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 2014 Profits

It is proposed to submit to the Company's Annual Shareholders' Meeting, to be held on June 26, 2015, for its approval of the distribution of NT$17,429,753,576 cash dividends (NT$1.40 per share), NT$10,307,000 cash as employee profit sharing, and NT$136,163,000 remuneration for directors. The proposed cash dividends account for 36.43% of the 2014 distributable earnings for NT$47,850,022,269, or 64.00% of the net balance of net income after tax in 2014 minus 10% legal reserve.

4.1.7 Impact to 2014 Business Performance and EPS of Stock Dividend Distribution

The Company will not distribute any stock dividend for 2014 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 2014

The employee profit sharing and remunerations to directors are estimated and recognized as operating expenses, which after taking net earnings after tax, legal reserve and special reserve into account, are based on the ratio stipulated in Company's Articles of Incorporation and past experience. If the actual amounts subsequently resolved by the GSM differ from the recognized expenses, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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

The proposed employees profit sharing amounts to NT$10,307,000, increasing NT$41 compared to the expenses recognized in 2014 due to estimate difference. The proposed remunerations to directors amounts to NT$136,163,000, an increase of NT$182,270 compared to the expenses for NT$135,980,730 recognized in 2014 due to CPA's adjustment of 2014 earnings. These differences will be recognized as profit or loss in 2015 should the earnings distribution proposal be approved by the shareholders' meeting.

D. Distribution of earnings for the year 2013 as employee profit sharing and remunerations for directors

With respect to the earnings distribution for the year 2013, 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. The employee profit sharing amounted to NT$10,150,000, decreasing NT$96,685 compared to the booking amount of NT$10,246,685 due to estimate difference. Remunerations to directors amounted to NT$101,201,000, increasing NT$73,836 compared to the booking amount of NT$101,127,164 due to CPA's adjustment of 2013 earnings. The differences have been treated as changes in accounting estimates and recognized in 2014 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
Issue date	December 26, 2008
Denomination	NT$1,000,000
Issue/Transaction place	Taiwan
Issue price	Par
Issue amount (Nominal amount)	NT$6,000,000,000
Coupon rate	3.26% p.a.
Maturity	7 years (due 12/26/2015)
Repayment priority	Subordinated
Guarantor	None
Trustee	Taipei Fubon Commercial Bank
Underwriter	None
Certifying attorney	Shing Tai Law Office
Auditor	PricewaterhouseCoopers, Taiwan
Repayment	Principal to be repaid in lump sum at maturity based on the face value
Outstanding principal	NT$6,000,000,000

Issue		2008-2 Domestic Unsecured Subordinated Bond
Redemption at the option of the issuer		None
Restriction clause		Note
Whether included in eligible capital		Yes
Credit rating		Rated twA+ by Taiwan Ratings Corp. on November 27, 2008
Other rights of bondholders	Amount of converted or exchanged common shares, DRs or other securities	None
	Terms of issuance and exchange (or conversion)	Not Applicable
Dilution effect and other adverse effects on existing shareholders		None
Custodian of the underlying securities		None

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 may be accumulated, and interest and rollover of principal is calculated at coupon rate.)

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 implemented with expected effect.

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	2014		2013	
	Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method	30,851,743	99.78	23,768,937	99.95
Other operating revenue	68,761	0.22	12,827	0.05
Total	30,920,504	100.00	23,781,764	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 2014, its net revenue amounted to NT$50,680,532 thousand, an upsurge of 11.80% from the year before. Net interest income grew by 17.20% and the revenue other than interest income increased by 1.59%.

Breakdown of Net Revenue

Unit: NT$1,000

Item \ Year	2014		2013	
	Amount	%	Amount	%
Net interest income	34,734,324	68.54	29,636,478	65.38
Revenue other than interest income, net	15,946,208	31.46	15,696,311	34.62
Fee income – net	8,176,153	16.13	8,029,742	17.71
Gains on financial assets and liabilities at fair value through profit or loss	1,334,300	2.63	1,283,136	2.83
Realized gain on available-for-sale financial assets	1,276,657	2.52	1,290,950	2.85
Foreign exchange gain – net	3,198,313	6.31	2,873,751	6.34
Loss on asset impairment	(217,087)	(0.43)	(319,209)	(0.70)
Share of profit of associates and joint ventures accounted for under equity method	410,758	0.81	537,862	1.19
Other revenue other than interest income	464,731	0.92	903,104	1.99
Gain on financial assets carried at cost	594,855	1.17	633,054	1.40
Gain on sale of non-performing loans	707,528	1.40	463,921	1.02
Net revenue	50,680,532	100	45,332,789	100

Mega Securities Co., Ltd. (MSC)

MSC is engaged in securities brokerage, underwriting, and proprietary trading. In 2014, the company's brokerage fee income amounted to NT$1,347,051 thousand, an increase of 18.83% compared to the year before mainly due to the growth of stock market trading volume. Its gain on issuance of stock warrants amounted to NT$396,327 thousand, up 139.28% compared to the year 2013.

Revenue Breakdown

Unit: NT$1,000

Item / Year	2014		2013	
	Amount	%	Amount	%
Brokerage fee revenue	1,347,051	39.52	1,133,597	40.50
Fee income from margin loans	156	-	53	-
Commission income from securities financing	8,425	0.25	2,760	0.10
Revenue from underwriting business	115,670	3.39	92,897	3.32
Net income from wealth management business	4,543	0.13	-	-
Net gains (losses) on sale of securities held for operations	395,510	11.61	136,503	4.88
Income from providing stock management services	37,013	1.09	36,364	1.30
Interest income	985,614	28.92	831,025	29.69
Dividend income	168,363	4.94	111,082	3.97
Gains on valuation of trading securities	78,177	2.29	208,232	7.44
Gain on covering on securities borrowings and bond purchased under resale agreement	(108,243)	(3.18)	6,686	0.24
Gain on valuation for securities borrowings and bond purchased under resale agreement	6,790	0.20	(3,763)	(0.13)
Gain on issuance of stock warrants	396,327	11.63	165,635	5.92
Futures commission income	44,497	1.31	41,622	1.49
Loss on derivative financial instruments - Futures	(57,625)	(1.69)	(8,688)	(0.31)
Gain (loss) on derivative financial instruments - OTC	(69,522)	(2.04)	10,140	0.36
Management fee income	-	-	131	-
Other operating income	55,584	1.63	34,424	1.23
Total	3,408,330	100.00	2,798,700	100.00

Mega Bills Finance Co., Ltd.

The company is engaged in brokerage, dealing, underwriting and guaranteeing of short-term debt instruments. In 2014, the company's revenues from the bills business increased by 5.37% from the previous year, while revenues from bonds fell by 4.71% primarily due to a decrease in gain on disposal of bonds in 2014.

Revenue Breakdown

Unit: NT$1,000

Item / Year	2014		2013	
	Amount	%	Amount	%
Bills business	2,493,492	54.15	2,366,377	49.50
Bonds business	1,619,371	35.16	1,699,490	35.55
Equity investments	332,687	7.22	533,423	11.16
Others	159,701	3.47	180,813	3.79
Total revenue	4,605,251	100.00	4,780,103	100.00

Chung Kuo Insurance Co., Ltd.

The company is a property and casualty insurer. Total direct written premium income for 2014 amounted to NT$6,282,183 thousand, down 0.59% compared to 2013. Reinsurance premium income for 2014 reached NT$603,545 thousand, a reduction of 8.57% from the year before.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2014		2013	
	Amount	%	Amount	%
Fire insurance premium	1,612,216	25.66	1,614,487	25.55
Marine cargo insurance premium	275,042	4.38	272,958	4.32
Marine hull insurance premium	414,740	6.60	451,299	7.14
Automobile insurance premium	2,497,262	39.75	2,340,169	37.03
Aviation insurance premium	99,775	1.59	127,717	2.02
Engineering insurance premium	371,780	5.92	458,334	7.25
Accident insurance premium	370,666	5.90	418,244	6.62
Health insurance	10,176	0.16	9,493	0.15
Other insurance premium	630,526	10.04	626,913	9.92
Total direct written premium income	6,282,183	100.00	6,319,614	100.00
Inward reinsurance premium income	603,545	-	660,137	-
Total	6,885,728	-	6,979,751	-

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 2014, the company's assets under management amounted to NT$90.64 billion, ranking 8th among the 37 securities investment trust companies. Its management fee income amounted to NT$317,674 thousand in 2014, declining 0.96% compared to 2013.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2014		2013	
	Amount	%	Amount	%
Public issued funds	315,381	99.28	319,050	99.47
Private equity funds	154	0.05	149	0.05
Discretionary account	2,139	0.67	1,563	0.48
Total	317,674	100.00	320,762	100.00

Mega Asset Management Co., Ltd.

The company is primarily engaged in purchases, evaluations, auctions and management of financial institutions' loan assets. In 2014, the net proceeds from disposal of the purchased NPL and gain on sale of collaterals amounted to NT$577,630 thousand, a decrease of 0.69% compared with the previous year, while other operating income grew by 266.68% from 2013 primarily due to increase in rental income and other service fee income.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2014		2013	
	Amount	%	Amount	%
Net proceeds from disposal of purchased NPL and Gain on sale of collaterals	577,630	67.42	581,617	82.53
Rental income	33,129	3.87	56,004	7.95
Other operating income	246,015	28.71	67,093	9.52
Total	856,774	100.00	704,714	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 2014, the insurance commission income generated by the company amounted to NT$1,167,668 thousand, rising 19.73% from 2013.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2014		2013	
	Amount	%	Amount	%
Commission income - traditional policies	939,858	80.49	926,130	94.96
Commission income - investment policies	227,810	19.51	49,108	5.04
Total	1,167,668	100.00	975,238	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 2014, the company's operating revenue amounted to NT$349,772 thousand, down 3.79% from 2013.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2014		2013	
	Amount	%	Amount	%
Revenue from disposal of long-term securities investment	337,323	96.44	349,845	96.24
Dividend income	11,592	3.31	13,236	3.64
Other operating income	857	0.25	452	0.12
Total	349,772	100.00	363,533	100.00

5.1.1 Operating Policies in 2015

The Company

1. Strengthening cross selling to create synergy within our group

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

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

2. Focusing on core competency to maximize shareholders value

(1) To accelerate internationalization process to 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, to optimize profits with minimum risk

3. Strengthening risk management system and related information system

(1) To enhance the analysis and monitoring of the Group's consolidated risk profile in an effort to issue 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 taxation risk and improving financial performance

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

(2) To adopt the 2013 version of IFRSs as endorsed by the FSC and promote operational efficiency

(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 system operational capability

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

(2) To phase out information systems and enhance system operational capability

6. Strengthening corporate governance, social and environmental performance to fulfill corporate social responsibility

(1) To intensify employees training and develop international financial management talents

(2) To set up Legal Affairs and Compliance Department with a view to enhancing legal compliance

(3) To conserve energy, reduce carbon emissions, participate in social charitable works and implement CSR performance management

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 and the Group's transparency

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
2. Conducting dynamic asset and liability management with an equal emphasis on liquidity, security and profitability
3. Enhancing the wealth management and credit card business through market segmentation strategies
4. Strengthening the e-banking operations in response to the coming of bank 3.0 era
5. Enhancing legal compliance and risk management

5.1.2 Industry Overview

A. Global and Domestic Financial Environment

1. Please refer to page 4 of this annual report.
2. The MIB money supply of 2014 showed an annual growth rate of 7.96%, an increase of 0.69% from the previous year. The mean exchange rate of New Taiwan Dollar to US dollar was 30.37, depreciated by NT$ 0.6 from the previous year. The overnight interbank call-loan rate was 0.387%, a slight growth of 0.001% from the previous year. The average TAIEX index for December 2014 was 9,109 points, showing a year-on-year gain of 8.04%. Fluctuations in the global financial market through 2015 will continue to expand, making it more difficult to forecast future trends.

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 100% state-owned financial holding corporation. However, the fact that the market shares of the banks under these financial holding corporations account for less than 10% shows that local banks are still relatively small in size, which indicates the lack of economies of scale. As a consequence, overbanking is likely to hinder the development of the industry.
2. The Financial Supervisory Commission (FSC) 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 Taiwan-owned businesses, and transform into bellwether regional banks in Asia within the next 3-5 years.
3. To help domestic financial holding businesses accomplish their goals of reinforced deployment through Asia, the Financial Supervisory Commission has promoted one after another:
   (1) Further empowerment for the insurance industry to invest in insurance-related businesses overseas: A certain amount approved by the competent authority will not be included in the ceiling of 45% for overseas investments made by the insurance industry.
   (2) Expanded scope defined for overseas insurance-related businesses: The scope now includes overseas banking, securities, investment trust and consulting, trust, and bills finance businesses, etc.
   (3) Expedited administrative process: Requirements for banks to apply for establishment of branches overseas were revised; the automatic approval system is adopted.
   (4) Augmented bank investment and acquisition capability: Article 74 of the Banking Act was revised; the investment limit is changed from 40% of the paid-in capital to 40% of the net worth.

(5) Raising the limit on overseas reinvestment by securities companies: The limit on capital loans between overseas investee companies of securities firms is raised from 40% to 100% of net worth.

(6) Proactive communication with financing holding businesses: 16 financial holding companies were asked to submit their development plans for establishing presence throughout Asia in order to provide them with the most direct counseling and assistance meeting their needs.

4. Spontaneous mergers still occur in the private business sector based on the goal of Asianization promoted by the FSC. Major mergers of financial institutions in 2014 included the acquisition of (1) Tong Yang Securities by Yuanta Financial Holding, (2) Tong Yang Savings Bank by Yuanta Financial Holding, (3) Tokyo Star Bank by CTBC Bank (4) Conning Holdings Corporation by Cathay Life Insurance, (5) a 40 % stake in PT Bank Mayapada Internasional, Tbk in Indonesia by Cathay Life Insurance, (6) a 20% stake in Rizal Commercial Banking Corporation in the Philippines by Cathay Life Insurance.

5. The competent authorities have already lifted restrictions on RMB deposits, loans, and remittance services for banks' Domestic Banking Units (DBU) 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. As of the end of 2014, a total of 67 and 59 banks' DBUs and offshore banking unit (OBUs) are engaged in RMB business respectively. Total RMB deposits stood at RMB 302.3 billion, while RMB loans reached RMB 16.9 billion. The amount of RMB remittance hit RMB 319 billion in December 2014.

Banking Industry

1. The pretax earnings of domestic banks in 2014 exceeds NT$300 billion, setting a new record for the fifth consecutive year. As far as the asset quality is concerned, the non-performing loan ratio of domestic banks was 0.25% at the end of 2014 and the coverage ratio of allowances for bad debt was 516.38%. Asset quality continued to improve and become the record high.
2. As the Financial Supervisory Commission encourages local banks to establish Asia regional financial groups, besides setting up their operation sites throughout Asia, a number of domestic banks enter financial markets in Asia through equity participation, mergers, and acquisitions. This has further diversified domestic banks' operation patterns.

5.1.3 Research and Development

A. Research & Development Achievements in the Part Two Years

The Company

The Company's R&D expenses incurred in 2013 and 2014 are NT$1,372 thousand and NT$649 thousand, respectively. The expenses were incurred from project consulting, establishment and services as well as staff training. The achievements of R&D are as follows:

- Feasibility evaluation of merger or acquisition with other financial institutions
- 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
- 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

Banking Subsidiary

The bank's R&D expenses incurred in 2013 and 2014 are NT$1,387 thousand and NT$1,084 thousand, respectively. The expenses were incurred mainly from purchase of professional publications, electronic data base, and publish 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 Company

1. Feasibility evaluation 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 products
4. Continued development of an IFRS 7 financial risk reporting system
5. Continued enhancement of credit risk ceiling control reporting systems
6. The estimated R&D expenses including personnel training and project service expenses in 2015 is NT$2,650 thousand.

Banking Subsidiary

The bank will closely monitored ongoing development of the global and domestic economic and financial situations, and submit research reports for top management's reference or publishing on the bank's publications. The estimated R&D expenses in 2015 is NT$3,240 thousand.

5.1.4 Long-term and Short-term Business Development Plans

A. Short-term Business Development Plans

The Company

To facilitate sustainable operations of the Group as a whole, enhance a competitive edge in core business, integrate and develop the operations of subsidiaries, and strengthening resources sharing, the Company has set up short-term business development plans and long-term development plans 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 business development plan is the same as 2015 annual operating policies as shown on page 67 of this annual report.

Banking Subsidiary

1. Proactively participating in RMB foreign exchange and interest rate markets and developing various RMB denominated businesses to consolidate the bank's leading position in domestic foreign exchange market.
2. Closely watching the development of China's policies, laws and regulations to detect potential business opportunities and control risk at the same time.
3. Adjusting the proportion of core business profits and diversifying its income source by expanding business scope.
4. Developing multi-currency wealth management products and providing OBU customers with tailored wealth management services based on the Bank's expertise in foreign exchange.

5. Adding connection sites of the Global e-Banking Network to attract customers to use the bank as their major fund transfer partner as part of effort to boost various financial businesses.

6. Promoting the domestic third-party payment services and payment services for cross-border web-based transactions to increase fee income and foreign exchange gains.

7. Reinforcing the mobile banking business to lay the groundwork for the Bank 3.0 era.

8. Fulfilling internal self-review and inspection of legal compliance, followed by correction of shortcomings, to strengthen the effectiveness of the internal control system.

9. Strengthening education and training on the FATCA (Foreign Account Tax Compliance Act) declaration procedure in business operation units to meet FATCA requirements.

B. Long-term Business Development Plans

The Company

The long-term development plans of the Company will be achieved through the enhancement of niche operations and the development 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 an Asia regional financial group

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 > 7.05%
	Market share of OBU and overseas branches earnings > 20%
	Ratio of consumer lending > 25%
	Ratio of small- and medium-sized enterprises lending > 30%
	Ratio of risk-free fee income and commission income > 20%
Bills finance subsidiary	Market share of bill underwriting volume ranking top 1, and > 30%
	Market share of bill trading volume ranking top 1, and > 30%
	Market share of bond trading volume ranking top 1, and > 30%
	Market share of guaranteed issues of commercial paper ranking top 1, and > 30%
Securities	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
	Domestic ranking of IPO of Taiwan-owned business in terms of number of issues or issue amount among the top 3
Property & casualty insurance subsidiary	Combined Ratio < 95%
	Ratio of automobile insurance premium > 45%
Securities investment trust subsidiary	Ratio of non-money market funds > 20%
	Ratio of number of funds out-performing the market average > 50%

(2) Financial Targets

The Company	ROE > 12%
	Capital adequacy ratio > 110%
	Double leverage ratio < 115%
Banking subsidiary	ROE > 12%
	ROA > 1%
	Cost / income ratio < 40%
	NPL ratio < 0.5%
	Coverage ratio > 300%
	Capital adequacy ratio > 12%
	Tier 1 capital ratio > 10%
Bills finance subsidiary	ROE > 8%
	Capital adequacy ratio > 12%
Securities subsidiary	ROE > 8%
Property & casualty insurance subsidiary	ROE > 10%
	Capital adequacy ratio > 400%
Securities investment trust subsidiary	ROE > 15%
Asset management subsidiary	ROE > 13%
Life insurance agency subsidiary	ROE > 80%
Venture capital subsidiary	ROE > 8%

Banking Subsidiary

1. The development potential of and financial opportunities in emerging Asian countries will be closely monitored and analyzed to maximize the depth and width of the bank's businesses in emerging Asian countries and to deepen the leading niche.
2. Business opportunities as a result of the competent authority relaxing its policies will be kept track of to continue developing OBU customers and attracting corporate customers to use the bank as their global funds transfer partner and to accordingly accomplish the goal of intercepting the “cash flow”.
3. Development of high worth individuals will be reinforced to proactively enhance the exploitation rate for wealth management of the customers; trust business will be strengthened in order to boost customer adherence and to increase the market share.
4. It is planned to establish a cloud server system structure that can effectively combine computer features such as computing, memory, and hard drive and network resources in order to provide more flexible, mobile, and convenient quality services.
5. Continued efforts will be focused on the collection of and attention will be paid to the development trends of e-commerce, new financial products and services to accordingly evaluate and develop new businesses that help address market and customer demand.
6. Prevention against money laundry will be conceptualized among bank clerks. For overseas business operation units, knowledge of applicable laws and regulations in the prevention of money laundry will also be reinforced to ensure precise regulatory compliance and minimize risk.

5.2 Effect of Cross Selling

1. In 2014, Chung Kuo Insurance Company achieved insurance premium revenues of NT$526 million through cross selling with other subsidiaries, decreasing 4.43% from the figures posted in 2013. The premium revenues from cross selling accounted for 9.38% of the domestic written premiums, decreasing from 9.76% in 2013.
2. In 2014, mutual funds under management by Mega International Investment Trust Company through cross selling by other subsidiaries reached NT$38.9 billion, representing an 11.21% increase over the figures posted in 2013. This accounted for 41.77% of AUM, compared to 43.38% in 2013.
3. As of the end of 2014, the number of valid credit cards issued by Mega International Commercial Bank is 569,000, of which 44,000 cards were issued through cross selling by other subsidiaries, an increase of 25.39% from 35,000 cards in 2013. The number of valid credit cards issued through cross selling accounted for 7.79% of all valid credit cards, compared to 6.71% in 2013.
4. Mega International Commercial Bank served as a main settlement bank for securities transactions in 34 branches of Mega Securities Company. The deposits outstanding in securities transaction account amounted to NT$21.4 billion by the end of 2014.
5. In 2014, Mega Bills Finance Company acted as an underwriter for a total of NT$50.7 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 financial holding companies and an increasingly competitive environment caused by cross-sector sales. To avoid being marginalized, they may form their own or join the 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

- More and more foreign enterprises were coming to Taiwan to raise capital in the past few years since domestic banks are known for their abundant liquidity and a relatively low interest rate in Taiwan. Domestic banks have also gradually strengthened their business presence in Asia and are proactively involved in international syndicated loans. Therefore, the proportion of overseas branches and OBU profits of local banks increased to 37.3% in 2014, which was an important contributor to local banks constantly breaking their own records with high profitability and will be an important engine that drive performance to new heights in the future, too.
- To go with the advancement in information and communication technologies such as mobile telecommunication, social media, and big data, the Financial Supervisory Commission is proactively promoting the "Digital Financial Environment 3.0" program. Banks in Taiwan are introducing various new digital financial services at the dawn of a Bank 3.0 era.

B. Positive and Negative Factors Influencing Banks' Future Operations

Positive Factors

- The economy has gradually gotten rid of the ultra-low growth of around 2% and restored a growth of 3% and above. The technology and semi-conductor industries are looking at a promising future, too. The steady economic and corporate profitability outlooks are positive for the expansion of the banking business.
- The interest rates on loans in the banking industry are gradually increasing, which will help reduce competition and improve banking profitability.
- Financial institutions continue to have excess liquidity, optimal asset quality and high allowances for bad debts which are good for them to cope with possible economic fluctuations.
- The significant relaxation of laws and regulations relating to banking business by the competent authority is likely to increase the depth and width of the banking business and drive augmentation of earnings.
- Operation networks were quickly built up by Taiwan banks in the past few years throughout Asia. As financing need in Asia remains strong, overseas income growth is forecasted to accelerate.
- The Financial Supervisory Commission raised the ceiling for re-investments by banks. The ceiling of total investment is changed from 40% of paid-in capital to 40% of net worth, significantly increasing investment and acquisition capability.

Negative Factors

- The competition in the banking sector remains fierce, which constrains loan spread. In addition, non-financial businesses are setting foot in the payment service that used to be exclusive to the banking industry, which will affect the cash flow business of banks.
- The real estate market is gradually calming down, which is likely to hold back banks' growth of related loans and increase credit risk.
- The manufacturing industry in Taiwan faces development bottleneck, which is likely to negatively affect the growth of exports and the volume of trade financing.
- The coverage ratio for mortgage loans will be required to increase to at least 1.5% by the competent authority, which in turn restricts the profitability of banks.
- As China's economy is entering a "new normal", businesses are faced with stern challenges in their operation. The credit risk might increase for local banks given their high exposure to China.

5.4 Human Resources

Item	Year	2013	2014	March 31, 2015
Number of Employees	Mega FHC	51	51	51
	Mega Int'l Commercial Bank	5,381	5,430	5,402
	Mega Bills Finance	224	223	228
	Mega Securities	1,539	1,560	1,536
	Chung Kuo Insurance	724	721	716
	Mega Int'l Investment Trust	87	90	92
	Mega Asset Management	29	29	29
	Mega Life Insurance Agency	20	21	21
	Total	8,055	8,125	8,075
Average Age	Mega FHC	48.01	49.01	49.30
	Mega Int'l Commercial Bank	42.76	42.81	42.88
	Mega Bills Finance	42.40	42.49	42.22
	Mega Securities	40.00	41.00	41.75
	Chung Kuo Insurance	40.70	41.30	41.50
	Mega Int'l Investment Trust	42.26	42.92	42.59
	Mega Asset Management	41.00	42.00	42.00
	Mega Life Insurance Agency	39.73	40.89	41.13
Average Years of Services	Mega FHC	9.93	10.93	10.96
	Mega Int'l Commercial Bank	16.90	16.97	17.03
	Mega Bills Finance	14.66	14.81	14.67
	Mega Securities	8.75	9.14	9.39
	Chung Kuo Insurance	10.30	10.80	11.10
	Mega Int'l Investment Trust	9.20	9.38	9.30
	Mega Asset Management	7.30	8.30	8.60
	Mega Life Insurance Agency	5.28	5.33	5.57

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 paid 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.

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			2011	2010
Cash and cash equivalents, due from the Central Bank and call loans to banks			503,392,393	398,186,065
Financial assets at fair value through profit or loss			188,869,552	162,320,183
Bills and bonds purchased under resell agreements			1,460,685	1,783,691
Available-for-sale financial assets			161,432,963	185,898,407
Receivables			107,160,487	147,486,410
Bills discounted and loans			1,462,054,154	1,336,834,541
Held-to-maturity financial assets			131,290,215	217,839,872
Equity investments accounted for by the equity method			2,548,394	2,574,762
Property and equipment			21,416,577	21,139,449
Intangible assets			297,150	236,768
Other financial assets			22,873,366	23,460,086
Other assets			15,605,999	11,947,689
Total assets			2,618,401,935	2,509,707,923
Due to the Central Bank and financial institutions			367,548,678	322,704,165
Funds borrowed from the Central Bank and other banks			71,873,400	38,568,640
Financial liabilities at fair value through profit or loss			21,312,632	30,019,921
Bills and bonds sold under repurchase agreements			199,581,332	181,816,680
Deposits and remittances			1,588,560,967	1,558,573,139
Bonds payable			61,401,059	53,050,000
Preferred stock liabilities			0	0
Reserve for operations and liabilities			13,610,468	14,177,110
Other financial liabilities			19,798,841	27,388,095
Other liabilities			71,535,832	82,169,447
Total liabilities			2,415,223,209	2,308,467,197
Equity attributable to stockholders of the Company	Capital Stock	Before distribution	112,806,148	110,594,262
		After distribution	114,498,240	112,806,148
	Capital surplus		43,426,403	43,426,403
	Retained earnings	Before distribution	41,960,123	35,967,476
		After distribution	30,679,508	23,802,107
	Equity adjustments		4,688,712	10,882,979
Minority interest			297,340	369,606
Total stockholders' equity	Before distribution		203,178,726	201,240,726
	After distribution		193,590,203	191,287,243

Note: The earnings distribution for 2014 has not been resolved by the shareholders' meeting.

B. IFRS

Unit: NT$1,000

Item \ Year		2014	2013	2012	March 31, 2015
Cash and cash equivalents, due from the Central Bank and call loans to banks		634,546,355	551,247,431	458,490,129	770,119,099
Financial assets at fair value through profit or loss		181,366,843	195,800,759	184,716,442	174,363,489
Available-for-sale financial assets, net		280,703,020	272,943,633	223,271,043	297,085,455
Derivative financial assets for hedge		0	0	0	0
Bills and bonds purchased under resell agreements		11,874,327	2,585,345	2,282,052	6,914,831
Receivables, net		201,540,361	184,587,941	122,685,220	209,407,293
Current income tax assets		1,534,999	921,969	953,192	1,647,631
Non-current assets held for sale		2,739	2,576	0	2,707
Bills discounted and loans, net		1,733,994,271	1,654,577,193	1,502,700,861	1,731,452,090
Reinsurance contract assets, net		3,217,685	3,293,937	3,301,550	3,168,805
Held-to-maturity financial assets, net		163,708,076	184,411,233	161,253,982	165,158,933
Equity investments accounted for by the equity method, net		2,761,637	2,697,551	2,966,843	2,814,101
Restricted assets		0	0	0	0
Other financial assets, net		20,626,729	23,430,204	27,629,411	20,166,684
Investment property, net		1,976,764	2,059,428	2,101,127	1,299,806
Property and equipment, net		22,125,875	22,150,245	22,331,091	22,075,500
Intangible assets, net		307,693	318,046	303,612	296,467
Deferred income tax assets		3,972,457	3,785,582	3,098,020	4,071,594
Other assets, net		6,320,035	8,815,345	8,884,722	10,337,501
Total assets		3,270,579,866	3,113,628,418	2,726,969,297	3,420,381,986
Due to the Central Bank and financial institutions		474,623,325	490,935,730	328,810,493	617,966,995
Funds borrowed from the Central Bank and other banks		53,906,541	32,330,245	84,826,943	53,752,120
Financial liabilities at fair value through profit or loss		29,582,637	14,856,685	14,676,886	25,095,630
Derivative financial liability for hedge		0	0	0	0
Bills and bonds sold under repurchase agreements		221,809,530	219,651,334	187,481,840	184,109,897
Commercial paper payable, net		15,363,080	4,393,653	1,880,597	15,859,005
Payables		60,564,578	66,105,983	59,583,525	61,180,640
Current income tax liability		9,123,049	5,522,518	5,993,633	10,061,589
Liability directly related to assets held for sale		0	0	0	0
Deposits and remittances		2,036,403,864	1,933,722,541	1,717,989,498	2,075,754,233
Bonds payable		56,200,000	55,898,677	62,449,668	56,200,000
Other loans		5,926,763	5,509,213	6,541,000	5,471,289
Preferred stock liabilities		0	0	0	0
Provisions for liabilities		21,305,487	22,419,391	22,045,319	10,688,208
Other financial liabilities		10,778,269	10,094,610	11,728,176	21,613,585
Deferred income tax liabilities		2,169,411	2,051,201	1,694,706	2,292,746
Other liabilities		11,640,531	8,544,561	10,786,252	12,611,173
Total liabilities	Before distribution	3,009,397,065	2,872,036,342	2,516,488,536	3,152,657,110
	After distribution	Note 2	2,885,855,647	2,529,083,342	Note 2
Equity attributable to owners of parent		261,020,868	241,405,536	210,199,694	267,561,381
Capital stock		124,498,240	124,498,240	114,498,240	124,498,240
Capital surplus		55,270,198	55,271,623	43,425,270	55,268,667
Retained earnings	Before distribution	77,890,173	61,534,835	52,097,039	85,812,530
	After distribution	Note 2	47,715,530	39,502,233	Note 2
Other equity interest		3,362,257	100,838	179,145	1,981,944
Treasury stock		0	0	0	0
Non-controlling interest		161,933	186,540	281,067	163,495
Total Equity	Before distribution	261,182,801	241,592,076	210,480,761	267,724,876
	After distribution	Note 2	227,772,771	197,885,955	Note 2

Note:1. The financial statements as of March 31, 2015 are reviewed by independent auditor of PricewaterhouseCoopers with a standard unqualified review report.
2. The earnings distribution for 2014 has not been resolved by the shareholders' meeting.

6.1.2 Condensed Unconsolidated Balance Sheet

A. ROC GAAP

Unit: NT$1,000

Item \ Year		2011	2010
Cash and cash equivalents		4,276,849	2,689,068
Available-for-sale financial assets		5,279,193	7,147,325
Receivables		715,141	2,182,939
Equity investments accounted for by the equity method		218,167,682	214,061,392
Property and equipment		784,065	702,490
Other financial assets		762,046	762,046
Other assets		19,173	200,888
Total assets		230,004,149	227,746,148
Financial liabilities at fair value through profit or loss		0	0
Payables		10,778,190	11,083,061
Bonds payable		16,301,059	15,750,000
Preferred stock liabilities		0	0
Other financial liabilities		0	0
Other liabilities		43,514	41,967
Total liabilities	Before distribution	27,122,763	26,875,028
	After distribution	36,711,286	36,828,511
Capital stock	Before distribution	112,806,148	110,594,262
	After distribution	114,498,240	112,806,148
Capital surplus		43,426,403	43,426,403
Retained earnings	Before distribution	41,960,123	35,967,476
	After distribution	30,679,508	23,802,107
Minority interest		4,688,712	10,882,979
Total stockholders' Equity	Before distribution	202,881,386	200,871,120
	After distribution	193,292,863	190,917,637

B. IFRS

Unit: NT$1,000

Item \ Year		2014	2013	2012	March 31, 2015
Cash and cash equivalents		27,368	1,044,333	77,292	76,267
Financial assets at fair value through profit or loss		0	0	0	0
Available-for-sale financial assets		5,849,267	5,550,855	5,143,167	6,046,576
Receivables, net		463	0	158	447,232
Current income tax assets		630,319	630,319	857,313	630,319
Held-to-maturity financial assets		0	0	0	0
Equity investments accounted for by the equity method		276,634,930	256,786,037	231,773,613	282,502,534
Other financial assets, net		758,293	758,293	758,293	758,293
Property and equipment, net		757,220	771,442	783,919	753,601
Intangible assets, net		0	0	0	0
Deferred income tax assets, net		7,737	7,737	7,737	8,092
Other assets		5,826	8,507	8,012	5,162
Total assets		284,671,423	265,557,523	239,409,504	291,228,076
Financial liabilities at fair value through profit or loss		0	0	1,200	0
Bills and bonds sold under repurchase agreements		0	0	0	0
Commercial paper payable, net		2,549,078	0	881,079	2,899,115
Payables		13,264,258	11,975,327	10,841,536	13,336,212
Current income tax liabilities		1,385,649	121,298	1,376,534	1,385,457
Bonds payable		6,000,000	11,998,677	16,049,668	6,000,000
Preferred stock liabilities		0	0	0	0
Other financial liabilities		400,000	0	0	0
Reserve for liabilities		45,931	52,431	56,510	40,799
Deferred income tax liability		3,500	2,168	1,026	3,500
Other liabilities		2,139	2,086	2,257	1,612
Total liabilities	Before distribution	23,650,555	24,151,987	29,209,810	23,666,695
	After distribution	Note 2	37,971,292	41,804,616	Note 2
Capital stock		124,498,240	124,498,240	114,498,240	124,498,240
Capital surplus		55,270,198	55,271,623	43,425,270	55,268,667
Retained earnings	Before distribution	77,890,173	61,534,835	52,097,039	85,812,530
	After distribution	Note 2	47,715,530	39,502,233	Note 2
Other equity interest		3,362,257	100,838	179,145	1,981,944
Treasury stock		0	0	0	0
Total Equity	Before distribution	261,020,868	241,405,536	210,199,694	267,561,381
	After distribution	Note 2	227,586,231	197,604,888	Note 2

Note: The earnings distribution for 2014 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		2011	2010
Interest income, net		28,279,104	25,063,829
Revenues other than interest, net		17,457,071	16,913,011
Bad debts expense on loans		(3,714,335)	(2,233,788)
Provisions for insurance reserve		67,136	(110,318)
Operating expenses		(20,973,472)	(20,993,042)
Income from continuing operations - before tax		21,115,504	18,639,692
Consolidated net income from continuing operations – after tax		17,685,682	15,149,618
Income from discontinued departments		0	0
Extraordinary gain or loss		0	0
Cumulative effect of changes in accounting principles (after tax)		0	0
Consolidatednet income	Attributable to stockholders of the Company	17,679,892	15,110,720
	Attributable to minority interest	5,790	38,898
Earnings per share	Stockholders of the Company	1.54	1.34
	Minority interest	0	0

B. IFRS

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

Item \ Year	2014	2013	2012	The First Quarter of 2015
Interest income	56,213,248	46,533,690	43,400,003	14,212,828
Less: interest expenses	(19,539,068)	(15,257,563)	(13,827,930)	(5,061,275)
Interest income, net	36,674,180	31,276,127	29,572,073	9,151,553
Revenues other than interest, net	23,830,787	23,732,341	22,242,644	5,995,071
Net revenue	60,504,967	55,008,468	51,814,717	15,146,624
Bad debts expense and provisions for guarantee reserve	(1,588,465)	(5,276,424)	(4,341,908)	62,659
Reversal of insurance reserve	207,527	183,695	(48,919)	42,052
Operating expenses	(23,795,203)	(22,915,657)	(22,149,694)	(5,884,353)
Income from continuing operations - before income tax	35,328,826	27,000,082	25,274,196	9,366,982
Income tax expenses	(5,089,109)	(4,505,513)	(4,479,088)	(1,162,072)
Net income from continuing operations – after tax	30,239,717	22,494,569	20,795,108	8,204,910
Income from discontinued departments	0	0	0	0
Profit for the year	30,239,717	22,494,569	20,795,108	8,204,910
The other comprehensive income (loss)(after income tax)	3,176,516	(535,261)	(2,084,775)	(1,377,785)
Total comprehensive income	33,416,233	21,959,308	18,710,333	6,827,125
Profit attributable to owners of parent	30,258,664	22,489,232	20,784,648	8,205,876
Profit attributable to non-controlling interests	(18,947)	5,337	10,460	(966)
Comprehensive income attributable to owners of parent	33,436,061	21,954,295	18,713,009	6,825,563
Comprehensive income attributable to non-controlling interests	(19,828)	5,013	(2,676)	1,562
Earnings per share	2.43	1.96	1.82	0.66

Note: The financial statements as of March 31, 2015 were 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	2011	2010
Investment income from equity investments accounted for by the equity method	18,111,631	16,099,414
Other Income	290,135	32,523
Operating expenses	(352,549)	(339,879)
Other expenses and losses	(364,912)	(490,865)
Income before income tax	17,684,305	15,301,193
Net income	17,679,892	15,110,720
Earnings per share (before tax)	1.54	1.36
Earnings per share (after tax)	1.54	1.34

B. IFRS

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

Item \ Year	2014	2013	2012	The First Quarter of 2015
Share of profit of associates and joint ventures accounted for under equity method	30,851,743	23,768,937	21,911,931	8,175,774
Other revenues	68,761	12,827	60,376	5,716
Operating expenses	(404,838)	(336,698)	(348,438)	(92,611)
Other expenses and losses	(216,571)	(290,185)	(363,294)	(53,765)
Income before income tax from continuing operations	30,299,095	23,154,881	21,260,575	8,035,114
Income tax expense	(40,431)	(665,649)	(475,927)	170,762
Net income	30,258,664	22,489,232	20,784,648	8,205,876
Other comprehensive loss for the period, net of tax	3,177,397	(534,937)	(2,071,639)	(1,380,313)
Total comprehensive income for the period	33,436,061	21,954,295	18,713,009	6,825,563
Earnings per share	2.43	1.96	1.82	0.66

Note: 1. The earnings distribution for 2014 has not been resolved by the shareholders' meeting.
2. The financial statements of March 31, 2015 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
2014	PricewaterhouseCoopers, Taiwan	Chien-Hung Chou, King-Tse Huang	Unqualified 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

6.2 Five-Year Financial Analysis

6.2.1 IFRS

Consolidated

Unit: NT$1,000; %

Item	Year	2014	2013	2012	First Quarter of 2015
Operating ability	Total assets turnover	0.02	0.02	0.02	0.005
	Loans to deposits ratio of bank subsidiary (%)	86.34	86.87	89.23	-
	NPL ratio of bank subsidiary (%)	0.07	0.18	0.18	0.09
	NPL ratio of bills finance subsidiary (%)	0.00	0.00	0.00	0.00
	Average operating revenue per employee of the Group	7,210	6,410	6,192	1,811
	Average profit per employee	3,603	2,621	2,485	981
Profitability	Return on total assets (%)	1.46	1.20	1.21	0.37
	Return on equity (%)	12.03	9.95	10.10	3.10
	Net income margin (%)	49.98	40.89	40.13	54.17
	Earnings per share (NT$)	2.43	1.96	1.82	0.66
Financial structure (%)	Ratio of liabilities to assets	92.01	92.24	92.28	92.17
	Ratio of liabilities to net worth	1,152.22	1,188.79	1,195.59	1,177.57
	FHC's double leverage ratio	108.51	108.98	113.07	108.13
Leverage ratio (%)	Operating leverage ratio	1.06	1.22	1.20	1.01
	FHC's financial leverage ratio	1.01	1.01	1.02	1.01
Growth rates (%)	Growth rate of assets	5.04	14.18	3.74	10.05
	Growth rate of profit	30.85	6.83	-	(0.64)
Cash flow (%)	Cash flow ratio	15.62	14.60	(1.57)	-
	Cash flow adequacy ratio	273.10	277.03	130.12	-
	Cash flow for operating to cash flow from investing	NA	NA	472.08	-
Operating scale (%)	Market share of assets	7.83	8.08	7.67	-
	Market share of net worth	8.81	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	11.76	11.07	-	-
	Mega Securities Co., Ltd.	481.69	492.62	-	-
	Mega Bills Finance Co., Ltd.	13.84	13.57	-	-
	Chung Kuo Insurance Co., Ltd.	698.10	574.82	-	-
	Group Capital Adequacy Ratio	132.33	126.88	-	-

Analysis of deviation of 2014 vs. 2013 over 20% :

1. The NPL ratio declined by 61.11% mainly due to the bank subsidiary's bad debt write-off.
2. The average profit per employee, return on total assets, return on equity, net income margin, net income per share and growth rate of profit increased by 37.47%, 21.67%, 20.90%, 22.23%, 23.98% and 351.68% respectively, primarily due to increase in net income.
3. The growth rate of assets decreased by 64.46%, primarily due to decrease in growth of cash and cash equivalents, available-for-sale financial assets, and bills discounted and loans, as well as decrease in financial assets at fair value through profit or loss and held-to-maturity financial assets.
4. The capital adequacy ratio of Chung Kuo Insurance Company rose by 21.45% mainly owing to increase in the net eligible capital and decrease in statutory capital requirement.

Unconsolidated

Unit: NT$1,000; %

Item	Year	2014	2013	2012	First Quarter of 2015
Operating ability	Total assets turnover	0.11	0.09	0.09	0.03
	Loans to deposits ratio of bank subsidiary (%)	85.91	86.50	88.80	84.12
	NPL ratio of bank subsidiary (%)	0.06	0.16	0.17	0.08
	NPL ratio of bills finance subsidiary (%)	0.00	0.00	0.00	0.00
	Average operating revenue per employee of the Group	606,284	466,309	422,544	160,421
	Average profit per employee	593,307	440,965	399,705	160,900
Profitability	Return on total assets (%)	11.06	9.00	9.02	2.87
	Return on equity (%)	12.05	9.96	10.11	3.11
	Net income margin (%)	97.86	94.57	94.59	100.30
	Earnings per share (NT$)	2.43	1.96	1.82	0.66
Financial structure (%)	Ratio of liabilities to assets	8.31	9.09	12.20	8.13
	Ratio of liabilities to net worth	9.06	10.00	13.90	8.85
	FHC's double leverage ratio	108.51	108.98	113.07	108.13
Leverage ratio (%)	Operating leverage ratio	1.00	1.00	1.00	1.00
	FHC's financial leverage ratio	1.01	1.01	1.02	1.01
Growth rates (%)	Growth rate of assets	7.20	10.92	4.90	6.42
	Growth rate of profit	30.85	8.91	-	(0.16)
Cash flow (%)	Cash flow ratio	353.05	3,865.15	441.67	-
	Cash flow adequacy ratio	113.69	113.70	112.53	-
	Cash flow for operating to cash flow from investing	NA	NA	NA	-
Operating scale (%)	Market share of assets	8.70	9.41	9.20	-
	Market share of net worth	8.98	9.67	9.12	-
	Market share of deposits of bank subsidiary	5.73	5.78	5.41	-
	Market Share of loans of bank subsidiary	6.34	6.43	6.17	-

Analysis of deviation of 2014 vs. 2013 over 20% :

1. The NPL ratio of bank subsidiary declined by 62.50% mainly due to the bank subsidiary's bad debt write-off.
2. The total assets turnover ratio increases by 22.22%, primarily because the growth in net revenue is larger than the growth of average assets.
3. The average operating revenue per employee, average profit per employee, return on total assets, return on equity, earnings per share and growth rate of profit increased by 30.02%, 34.55%, 22.89%, 20.98%, 23.98% and 246.24%, respectively, primarily due to increase in net income.
4. The growth rate of assets decreased by 34.07% mainly because the growth in equity investments accounted for by the equity method decreased.
5. The cash flow ratio declined by 90.87% thanks to increase of net cash inflow from operating activities, 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 of bank subsidiary / Total deposits outstanding of bank subsidiary

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

(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 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 attributable to equity of parent company - Preferred stock dividend) / Weighted average number of shares outstanding

3. Financial structure

(1) Ratio of liabilities to Total assets = Total liabilities / Total assets

(2) Ratio of liabilities to net worth = Total liabilities / Total equity

(3) Double leverage ratio financial holding company = 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 revenue - 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 provided by operating activities / Five-year sum of capital expenditures and cash dividend

(3) Net cash provided by operating activities to net cash provided by investing activities = 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

6.2.2 ROC GAAP

Consolidated

Unit: NT$1,000; %

Item	Year	2014	2013
Operating ability	Total assets turnover	0.02	0.02
	Loans to deposits ratio of bank subsidiary (%)	93.51	87.11
	NPL ratio of bank subsidiary (%)	0.24	0.34
	NPL ratio of bills finance subsidiary (%)	0.00	0.09
	Average operating revenue per employee of the Group	5,399	5,003
	Average profit per employee	2,087	1,805
Profit ability	Return on total assets	1.12	0.97
	Return on equity	8.75	7.62
	Net income margin	38.66	36.09
	Earnings per share (NT$)	1.57	1.37
Financial structure (%)	Ratio of liabilities to assets	92.24	91.98
	Ratio of liabilities to net worth	1,188.72	1,147.12
	FHC's double leverage ratio	110.51	110.50
Leverage ratio (%)	Operating leverage ratio	1.21	1.17
	FHC's financial leverage ratio	1.02	1.03
Growth rates (%)	Growth rate of assets	4.33	0.49
	Growth rate of profit	13.28	(2.19)
Cash flow (%)	Cash flow ratio	5.38	(12.51)
	Cash flow adequacy ratio	216.20	181.50
	Cash flow for operating to cash flow from investing	NA	NA
Operating scale (%)	Market share of assets	7.90	8.70
	Market share of net worth	9.22	10.11
	Market share of deposits of bank subsidiary	-	-
	Market Share of loans of bank subsidiary	-	-
Capital of adequacy ratio (%)	Mega International Commercial Bank	11.56	11.26
	Mega Securities Co., Ltd.	550.96	364.29
	Mega Bills Finance Co., Ltd.	14.48	16.22
	Chung Kuo Insurance Co., Ltd.	560.29	570.01
	Group Capital Adequacy Ratio	125.55	122.94

Unconsolidated

Unit: NT$1,000; %

Item	Year	2014	2013
Operating ability	Total assets turnover	0.08	0.07
	Loans to deposits ratio of bank subsidiary (%)	93.03	86.70
	NPL ratio of bank subsidiary (%)	0.24	0.34
	NPL ratio of bills finance subsidiary (%)	0.00	0.09
	Average operating revenue per employee of the Group	353,880	310,230
	Average profit per employee	339,998	290,591
Profit ability	Return on total assets	7.86	6.86
	Return on equity	8.76	7.62
	Net income margin	96.08	93.67
	Earnings per share (NT$)	1.54	1.34
Financial structure (%)	Ratio of liabilities to assets	11.79	11.80
	Ratio of liabilities to net worth	13.37	13.38
	FHC's double leverage ratio	110.51	110.50
Leverage ratio (%)	Operating leverage ratio	0.99	1.00
	FHC's financial leverage ratio	1.02	1.03
Growth rates (%)	Growth rate of assets	0.99	1.48
	Growth rate of profit	15.57	6.49
Cash flow (%)	Cash flow ratio	1,007.27	581.84
	Cash flow adequacy ratio	100.60	91.62
	Cash flow for operating to cash flow from investing	NA	NA
Operating scale (%)	Market share of assets	9.63	10.48
	Market share of net worth	9.64	10.61
	Market share of deposits of bank subsidiary	5.22	5.33
	Market Share of loans of bank subsidiary	6.21	6.16

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 of bank subsidiary / Total deposits outstanding of bank subsidiary

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

(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 assets = [Net income + Interest expense × (1- Tax Rate)] / Average total assets

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

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

(4) Earnings per share = (Net income - Preferred stock dividend) / Weighted average number of shares outstanding

3. Financial structure

(1) Ratio of liabilities to assets = Total liabilities / Total assets

(2) Ratio of liabilities to net worth = Total liabilities / Total shareholders' equity

(3) Double leverage ratio financial holding company = 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 revenue - 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 provided by operating activities / Five-year sum of capital expenditures and cash dividend

(3) Net cash provided by operating activities to net cash provided by investing activities = 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

6.2.3

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. 126-131 of the Consolidated Financial Statements.)

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, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Mega Group’s management. Our responsibility is to issue 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 Financial Holding Co., Ltd and its subsidiaries as of December 31, 2014, and 2013, and their financial performance and cash flows for the years then ended in conformity with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by 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” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission (FSC).

March 24, 2015 PricewaterhouseCoopers, Taiwan

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

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2014 Amount	%	December 31, 2013 Amount	%	January 1, 2013 Amount	%
Assets							
Cash and cash equivalents	6(1)	$ 171,560,274	5	$ 160,288,195	5	$ 93,059,992	4
Due from the Central Bank and call loans to banks	6(2)	462,986,081	14	390,959,236	13	365,430,137	13
Financial assets at fair value through profit or loss, net	6(3) and 12	181,366,843	6	195,800,759	6	184,716,442	7
Available-for-sale financial assets, net	6(7) and 12	280,703,020	9	272,943,633	9	223,271,043	8
Bills and bonds purchased under resale agreements		11,874,327	-	2,585,345	-	2,282,052	-
Receivables, net	6(4)(5)	201,540,361	6	184,587,941	6	122,685,220	5
Current income tax assets		1,534,999	-	921,969	-	953,192	-
Non-current assets held for sale		2,739	-	2,576	-	-	-
Bills discounted and loans, net	6(5) and 11	1,733,994,271	53	1,654,577,193	53	1,502,700,861	55
Reinsurance contract assets, net	6(6)(23)	3,217,685	-	3,293,937	-	3,301,550	-
Held-to-maturity financial assets, net	6(8) and 12	163,708,076	5	184,411,233	6	161,253,982	6
Equity investments accounted for under the equity method, net	6(9)	2,761,637	-	2,697,551	-	2,966,843	-
Other financial assets, net	6(5)(10) and 12	20,626,729	1	23,430,204	1	27,629,411	1
Investment property, net	6(11) and 12	1,976,764	-	2,059,428	-	2,101,127	-
Property and equipment, net	6(12) and 12	22,125,875	1	22,150,245	1	22,331,091	1
Intangible assets, net		307,693	-	318,046	-	303,612	-
Deferred income tax assets	6(38)	3,972,457	-	3,785,582	-	3,098,020	-
Other assets, net	6(13) and 12	6,320,035	-	8,815,345	-	8,884,722	-
		-	-	-	-	-	-
TOTAL ASSETS		$ 3,270,579,866	100	$ 3,113,628,418	100	$ 2,726,969,297	100

(Continued)

Financial Information

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	December 31, 2014 Amount	%	December 31, 2013 Amount	%	January 1, 2013 Amount	%
Liabilities							
Due to the Central Bank and financial institutions	6(14) and 11	474,623,325	15	490,935,730	16	328,810,493	12
Funds borrowed from the Central Bank and other banks	6(15)	53,906,541	2	32,330,245	1	84,826,943	3
Financial liabilities at fair value through profit or loss	6(16)	29,582,637	1	14,856,685	1	14,676,886	1
Bills and bonds sold under repurchase agreements	6(17)	221,809,530	7	219,651,334	7	187,481,840	7
Commercial paper payable, net	6(18) and 11	15,363,080	-	4,393,653	-	1,880,597	-
Payables	6(19)	60,564,578	2	66,105,983	2	59,583,525	2
Current income tax liabilities		9,123,049	-	5,522,518	-	5,993,633	-
Deposits and remittances	6(20) and 11	2,036,403,864	62	1,933,722,541	62	1,717,989,498	63
Bonds payable	6(21)	56,200,000	2	55,898,677	2	62,449,668	2
Other loans	6(22)	5,926,763	-	5,509,213	-	6,541,000	-
Provisions for liabilities	6(23)	21,305,487	1	22,419,391	1	22,045,319	1
Other financial liabilities	6(24)	10,778,269	-	10,094,610	-	11,728,176	1
Deferred income tax liabilities	6(38)	2,169,411	-	2,051,201	-	1,694,706	-
Other liabilities	6(25)	11,640,531	-	8,544,561	-	10,786,252	-
Total liabilities		3,009,397,065	92	2,872,036,342	92	2,516,488,536	92
Equity							
Equity attributable to owners of parent							
Share capital							
Common stock	6(26)	124,498,240	4	124,498,240	4	114,498,240	4
Capital surplus	6(26)	55,270,198	2	55,271,623	2	43,425,270	2
Retained earnings							
Legal reserve	6(26)	24,469,127	1	22,220,204	1	20,066,890	1
Special reserve	6(26)	2,547,719	-	2,547,719	-	2,569,119	-
Unappropriated retained earnings	6(27)	50,873,327	1	36,766,912	1	29,461,030	1
Other equity interest	6(28)						
Other equity interest		3,362,257	-	100,838	-	179,145	-
Non-controlling interest		161,933	-	186,540	-	281,067	-
Total equity		261,182,801	8	241,592,076	8	210,480,761	8
Total liabilities and equity		3,270,579,866	100	3,113,628,418	100	2,726,969,297	100

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)

		For the years ended December 31,				Change
		2014		2013		percentage
	Notes	Amount	%	Amount	%	(%)
Interest income	6(29) and 11	$ 56,213,248	93	$ 46,533,690	85	21
Less: interest expense	6(29) and 11	(19,539,068)	(32)	(15,257,563)	(28)	28
Interest income, net		36,674,180	61	31,276,127	57	17
Revenues other than interest, net						
Service fee revenue and commissions, net	6(30)	11,121,423	18	10,367,465	19	7
Insurance revenue, net		1,529,154	3	1,480,026	3	3
Financial assets and liabilities at fair value through profit or loss	6(31) and 11	3,825,892	6	3,622,163	7	6
Realized gain on available-for-sale financial assets, net	6(32)	1,812,054	3	2,123,657	4	(15)
Foreign exchange gain		3,283,164	6	2,947,572	5	11
Share of profit of associates and joint ventures accounted for under equity method	6(9)	152,363	-	203,681	-	(25)
Loss on asset impairment	6(33)	(374,423)	(1)	(333,187)	(1)	12
Other revenue other than interest income	6(34)	1,183,348	2	1,616,776	3	(27)
Revenue on disposal of non-performing loans	11	1,297,812	2	1,704,188	3	(24)
Net revenue		60,504,967	100	55,008,468	100	10
Bad debts expense and provisions for guarantee reserve	6(4)(5)(6)(10)(23)	(1,588,465)	(3)	(5,276,424)	(10)	(70)
Reversal of insurance reserve	6(23)	207,527	-	183,695	-	13
Operating expenses						
Employee benefit expense	6(35)	(15,751,179)	(26)	(15,689,350)	(28)	-
Depreciation and amortization	6(36)	(703,700)	(1)	(739,528)	(1)	(5)
Other business and administrative expenses	6(37)	(7,340,324)	(12)	(6,486,779)	(12)	13
Income before income tax		35,328,826	58	27,000,082	49	31
Income tax expense	6(38)	(5,089,109)	(8)	(4,505,513)	(8)	13
Profit for the year		30,239,717	50	22,494,569	41	34
Other comprehensive income	6(28)					
Cumulative translation differences of foreign operations		1,496,054	2	40,248	-	3617
Unrealized gain on valuation of available-for-sale financial assets		1,686,320	3	(94,537)	-	(1884)
Actuarial loss on defined benefit plan		(101,231)	-	(550,157)	(1)	(82)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		78,164	-	(24,342)	-	(421)
Income tax relating to the components of other comprehensive income		17,209	-	93,527	-	(82)
Total other comprehensive income (loss) (after income tax)		3,176,516	5	(535,261)	(1)	(693)
Total comprehensive income		$ 33,416,233	55	21,959,308	40	52
Profit attributable to:						
Owners of parent		$ 30,258,664	50	22,489,232	41	35
Non-controlling interests		(18,947)	-	5,337	-	(455)
		$ 30,239,717	50	22,494,569	41	34
Comprehensive income attributable to:						
Owners of parent		$ 33,436,061	55	21,954,295	40	52
Non-controlling interests		(19,828)	-	5,013	-	(496)
		$ 33,416,233	55	21,959,308	40	52
Earnings per share	6(39)					
Basic earnings per share (in dollars)		$ 2.43		$ 1.96		
Diluted earnings per share (in dollars)		$ 2.43		$ 1.96		

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)

	Share capital-common stock	Capital Surplus
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
For the year ended December 31, 2014		
Balance, January 1, 2014	$ 124,498,240	$ 55,271,623
Earnings distribution for 2013		
Legal reserve	-	-
Cash dividends	-	-
Changes in capital surplus of associates and joint ventures accounted for under equity method	-	(1,425)
Profit for the year	-	-
Other comprehensive income for the year	-	-
Balance, December 31, 2014	$ 124,498,240	$ 55,270,198

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

Equity attributable to owners of the parent							
Retained Earnings			Other equity interest				
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
$ 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
$ 22,220,204	$ 2,547,719	$ 36,766,912	($ 901,379)	$ 1,002,217	$ 241,405,536	$ 186,540	$ 241,592,076
2,248,923	-	(2,248,923)	-	-	-	-	-
-	-	(13,819,304)	-	-	(13,819,304)	(4,779)	(13,824,083)
-	-	-	-	-	(1,425)	-	(1,425)
-	-	30,258,664	-	-	30,258,664	(18,947)	30,239,717
-	-	(84,022)	1,506,861	1,754,558	3,177,397	881	3,176,516
$ 24,469,127	$ 2,547,719	$ 50,873,327	$ 605,482	$ 2,756.775	$ 261,020,868	$ 161,933	$ 261,182,801

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2014	2013
Cash flows from operating activities		
Profit before tax	$ 35,328,826	$ 27,000,082
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Depreciation	666,646	701,988
Amortization	37,054	37,540
Bad debts expense and provisions for guarantee reserve	1,588,465	5,276,424
Interest expense	19,794,401	15,468,578
Interest income	(58,137,682)	(48,619,411)
Dividend income	(805,145)	(219,419)
Share based payment transaction	-	346,353
Net change in insurance reserve	(207,527)	(183,695)
Loss on financial asset impairment	374,423	333,187
Loss on disposal of property and equipment	79	51
Gain on disposal of investment property	(42,252)	(36,302)
Share of profit of associates accounted for under equity method	(152,363)	(203,681)
Changes in assets/liabilities relating to operating activities		
Changes in assets relating to operating activities		
Decrease in due from Central Bank and call loans to other banks	11,542,898	558,711
Decrease (increase) in financial assets at fair value through profit or loss	14,433,916	(11,084,317)
Increase in available-for-sale financial assets	(6,200,811)	(49,848,233)
Increase in receivables	(19,603,693)	(60,155,809)
Increase in non-current assets held-to-sale	(163)	(2,576)
Increase in bills discounted and loans	(80,685,890)	(158,402,839)
Decrease in reinsurance contract assets	76,252	7,613
Decrease (increase) in held-to-maturity financial assets	20,703,157	(23,157,251)
Decrease in other financial assets	2,413,258	3,845,982
Decrease in other assets	2,530,234	69,155
Changes in liabilities relating to operating activities		
(Decrease) increase in due to the Central Bank and financial institutions	(16,312,405)	162,125,237
Increase in financial liabilities at fair value through profit or loss	14,725,952	179,799
Increase in bills and bonds purchased under resale agreements	2,158,196	32,169,494
(Decrease) increase in payables	(7,008,637)	5,320,507
Increase in deposits and remittances	102,681,323	215,733,043
Increase (decrease) in other financial liabilities	683,659	(1,633,566)
Increase in liabilities reserve	9,840	63,363
(Decrease) increase in liabilities reserve for employee benefits	(118,944)	49,868
Increase (decrease) in other liabilities	2,769,853	(1,571,082)
Cash provided by operations	43,242,920	114,168,794
Interest received	58,629,026	47,942,040
Cash dividend received	941,091	459,744
Interest paid	(19,564,672)	(15,427,301)
Income tax paid	(2,170,273)	(5,276,472)
Net cash provided by operating activities	81,078,092	141,866,805
Cash flows from investing activities		
Proceeds from capital reduction of equity investments accounted for under the equity method	-	214,431
Acquisition of property and equipment	(463,155)	(457,437)
Proceeds from disposal of property and equipment	1,047	2,488
Acquisition of intangible assets	(26,701)	(51,809)
Acquisition of investment property	(292,334)	(2,324)
Proceeds from disposal of investment property	391,866	277,772
Net cash used in investing activities	(389,277)	(16,879)
Cash flows from financing activities		
Increase (decrease) in due to the Central Bank and financial institutions	21,576,296	(52,496,698)
Increase in commercial papers payable	10,975,000	2,513,000
Redemption of bonds payable	(6,000,000)	(6,600,000)
Redemption of financial bonds	(5,700,000)	-
Issuance of bank debenture	12,000,000	-
Increase (decrease) in other loans	417,550	(1,031,787)
Increase (decrease) in guarantee deposits received	1,267,889	(670,609)
Payment of cash dividends	(12,590,800)	(11,394,773)
Change in non-controlling interest by capital reduction of subsidiary	-	(90,000)
Proceeds from issuance of common stock	-	21,500,000
Net cash provided by (used in) financing activities	21,954,935	(48,270,867)
Effect of exchange rate changes on cash and cash equivalents	1,496,054	40,247
Net increase in cash and cash equivalents	104,130,804	93,619,306
Cash and cash equivalents at beginning of the year	311,013,320	217,394,014
Cash and cash equivalents at end of the year	$ 415,144,124	$ 311,013,320
Cash and cash equivalents composition :		
Cash and cash equivalents as shown in the balance sheet	$ 171,560,274	$ 160,288,195
Central Bank and call loans to other banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	231,709,523	148,139,780
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"	11,874,327	2,585,345
Cash and cash equivalents at end of the year	$ 415,144,124	$ 311,013,320

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

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1. ORGANIZATION AND OPERATIONS

CTB Financial Holding Co., Ltd. was incorporated as a 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 8,392 and 8,316 as of December 31, 2014 and 2013, 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 24, 2015.

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")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies " effective January 1, 2015 (collectively referred herein as the "2013 version of IFRSs") in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Disclosures-Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, 'Consolidated financial statements'	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, 'Joint arrangements'	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), 'Employee benefits'	January 1, 2013
IAS 27,'Separate financial statements' (as amended in 2011)	January 1, 2013
IAS 28,'Investments in associates and joint ventures'(as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009~2011	January 1, 2013

Based on the Group's assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

A. IAS 19 (revised), 'Employee benefits'

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service cost 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 of plan assets, excluding net interest expense, is recognized in other comprehensive income. An entity is required to recognize termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows. The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

MICB excepted to recognize previously unrecognized past service cost by increasing accrued pension liabilities by $353,921, increasing deferred income tax assets by $60,167 and decreasing retained earnings by $293,754 at January 1, 2014 and decreasing accrued pension liabilities by $20,942, decreasing deferred income tax assets by $3,560 at December 31, 2014; operating expense would be decreased by $20,942 and income tax expense would be increased by $3,560.

B. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

C. 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.

Based on the Group's assessment, the adoption of the amendment will require the Group to

include qualitative and quantitative disclosures for all transferred financial assets.

D. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. Also, the standard requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

E. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRIC 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19R)	July 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	July 1, 2016

For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

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

The accompanying consolidated financial statements of the Group have been prepared in accordance 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", 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").

(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.), consolidated statement of changes in equity, 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 the International Financial Reporting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRS") 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, 2014	December 31, 2013	
The Company	Mega International Commercial Bank Co., Ltd ("MICB")	100.00	100.00	Note(1)
The Company	Mega Securities Co., Ltd ("MS")	100.00	100.00	Note(2)
The Company	Mega Bills Finance Co., Ltd ("MBF")	100.00	100.00	Note(3)
The Company	Mega International Investment Trust Co., Ltd ("MITC")	100.00	100.00	Note(4)
The Company	Chung Kuo Insurance Co., Ltd ("CKI")	100.00	100.00	Note(5)
The Company	Mega Asset Management Co., Ltd ("MAM")	100.00	100.00	Note(6)
The Company	Mega Venture Capital	100.00	100.00	Note(7)
The Company	Mega Life Insurance Agency Co., Ltd.	100.00	100.00	Note(8)
MICB	Mega International Commercial Bank (Canada) ("MICB Canada")	100.00	100.00	Note(9)
MICB	Mega International Commercial Bank Public Co., Ltd ("MICBPC")	100.00	100.00	Note(10)
MS	Mega Securities Holding Co., Ltd ("MHL")	100.00	100.00	Note(11)
MS	Mega Futures Co., Ltd ("MF")	100.00	100.00	Note(12)
MHL	Mega International Securities Investment Consulting Co., Ltd.	100.00	100.00	Note(13)
MHL	Mega Securities (Hong Kong) Co., Ltd.	100.00	100.00	Note(14)
MHL	Mega Capital (Asia) Co., Ltd.	100.00	100.00	Note(15)
MHL	Mega Global Asset Management Co., Ltd.	-	100.00	Note(16)
MICB, MS and CKI	Mega I Venture Capital	40.00	40.00	Note(17)

(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 Securities Investment Consulting 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 Capital (Asia) Co., Ltd., registered in Hong Kong, is 100% owned by the indirect subsidiary, Mega Securities Holdings Co., Ltd., and is mainly engaged in investment consulting services. The Company resolved to reduce capital for covering accumulated deficits amounting to HKD 63,000 thousand through the extraordinary general meeting dated December 18, 2012 with the effective date set on July 30, 2013. The capital reduction resulted in a decrease in shares held by Mega Securities Holdings Co., Ltd. by 63,000 thousand shares.

(16) Mega Global Asset Management Limited, registered in British Cayman Islands, is 100% owned by the indirect subsidiary, Mega Securities Holdings Co., Ltd., and is mainly engaged in asset management services. The Company resolved to reduce capital for covering accumulated deficits amounting to US$ 6.4 million through the extraordinary general meeting dated December 18, 2012 with the effective date set on March 8, 2013. The capital reduction resulted in a decrease in shares held by Mega Securities Holdings Co., Ltd. by 6,400 thousand shares. Mega Global Asset Management Limited was liquidated through the stockholders' meeting dated February 11, 2014. The liquidation process has been completed on October 27, 2014.

(17) 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. (17)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:

		Ownership (%)		
Investor	**Subsidiary**	**December 31, 2014**	**December 31, 2013**	**Business Activities**
MICB	Cathay Investment & Development Corporation (Bahamas)	100.00	100.00	International investment and development activities
MICB	Mega Management Consulting Corporation	100.00	100.00	Management consulting
MICB	Cathay Investment & Warehousing Ltd.	100.00	100.00	Storage and warehousing of imported commodities
MICB	Ramlett Finance Holdings Inc.	100.00	100.00	Real estate investments
MICB	Yung Shing Industries Co.	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	Transportation and storage of farming products and by-products, and investments in the related businesses

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 the "Receivables, net" account 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 the "Payables" account. 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 the "Payables" account. 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 the "Payables" account, 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 the "Receivables, net" account. 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 the "Payables" account and "refinancing guarantees receivable" under the "Receivables, net" account.

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) Equity 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 (23) 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 the risk that the Group has to pay significant additional compensation when any insured event occurs.

B. All direct insurance contracts issued or reinsurance contracts taken by subsidiaries during the financial statement 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 carryforwards or deferred income tax credit which can be realized in the future, the proportion of realization is deemed as deferred income tax assets.

C. 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.

D. 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.

E. 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 judgments 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, 2014	December 31, 2013	January 1, 2013
Cash on hand and petty cash	$ 14,870,292	$ 14,331,145	$ 13,459,563
Bank deposits	6,756,525	5,930,879	5,830,025
Cash equivalents	368,127	1,097,470	1,842,979
Checks for clearance	1,112,024	2,064,396	838,854
Due from banks (Note)	148,453,306	136,864,305	71,088,571
Total	$ 171,560,274	$ 160,288,195	$ 93,059,992

Note: Pursuant to the requirements of the competent authority, deposits of overseas branches with foreign Central Banks were reclassified from due from banks to due from the Central Bank. Thus, as of December 31, 2013 and January 1, 2013, due from banks of $344,566,397 and $291,456,671 were adjusted to $136,864,305 and $71,088,571, respectively.

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

	December 31, 2014	December 31, 2013	January 1, 2013
Reserve for deposits-category A	$ 21,885,736	$ 19,192,096	$ 20,360,016
Reserve for deposits-category B	36,566,092	35,270,994	31,919,840
Reserve for deposits- general	5,700,300	5,700,282	5,700,275
Call loans to banks and bank overdrafts	84,926,666	37,456,280	48,819,987
Reserve for deposits- foreign currency	431,340	490,698	470,583
Deposits of overseas branches with foreign Central Banks (Note)	239,979,957	207,702,092	220,368,100
Import and export loans from banks	71,463,911	81,916,206	13,042,150
Participate in interbank financing with risk	2,782,450	3,230,588	24,749,186
Subtotal	463,736,452	390,959,236	365,430,137
Less:allowance for doubtful accounts – import and export loans from banks	(750,371)	-	-
Total	$ 462,986,081	$ 390,959,236	$ 365,430,137

Note: please see Note 6(1).

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, 2014	December 31, 2013
Financial assets held for trading		
Stocks	$ 9,370,196	$ 6,474,129
Commercial papers	90,649,782	99,688,236
Treasury bills	-	495,532
Beneficiary certificates	1,116,559	228,230
Bank's acceptance bill	1,065,879	528,911
Negotiable certificate of deposit	21,150,160	28,099,561
Bonds	46,945,467	52,101,810
Derivative instruments	6,534,536	4,895,299
Other securities	732,546	114,460
Subtotal	177,565,125	192,626,168
Financial assets designated as at fair value through profit or loss		
Convertible corporate bond asset swaps	3,801,718	3,174,591
Total	$ 181,366,843	$ 195,800,759

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 $3,825,892 and $3,622,163 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013.

D. As of December 31, 2014 and 2013, the above financial assets used as underlying assets for repurchase agreements held by the Group were $102,818,094 and $110,490,803, respectively.

(4) Receivables, net

	December 31, 2014	December 31, 2013
Accounts receivable	$ 3,313,325	$ 2,796,562
Factoring receivable	46,390,766	69,336,768
Notes receivable	91,272	84,590
Accrued income and interest	6,644,835	6,141,851
Acceptances receivable	8,587,329	11,341,730
Accounts receivable factoring-D/A	26,100,991	-
Insurance receivable	809,793	819,361
Margin loans and securities business money lending receivable	13,168,405	11,389,103
Recovery of accounts receivable	2,236,821	36,001
Purchase of obligor receivable for acting as assignee	54,926	46,256
Purchase of assets for acting as assignee	950,000	950,000
Credit card receivables	4,319,291	3,995,541
Receivables for usance letter of credit payable at sight	2,903,307	538,291
Usance outright receivable	66,887,471	63,149,254
Call loans to the Central Bank receivable	3,482,933	3,506,007
Forward contracts receivable	6,141,865	1,054,351
Other receivables	11,267,772	10,470,027
Total	203,351,102	185,655,693
Less: allowance for bad debts	(1,810,741)	(1,067,752)
Receivables, net	$ 201,540,361	$ 184,587,941

(5) Bills discounted and loans, net

	December 31, 2014	December 31, 2013
Bills and notes discounted	$ 6,505	$ 18,288
Overdrafts	2,135,984	1,797,601
Short-term loans	439,845,990	462,928,362
Medium-term loans	756,782,261	698,836,700
Long-term loans	536,461,755	489,432,634
Import/export bills negotiated	19,533,489	20,543,348
Loans transferred to non-accrual loans	1,148,319	2,791,291
Total	1,755,914,303	1,676,348,224
Less: allowance for bad debts	(21,920,032)	(21,771,031)
Loans, net	$ 1,733,994,271	$ 1,654,577,193

A. As of December 31, 2014 and 2013, the amounts of reclassified non-performing to overdue loans' amount included interest receivable of $6,888 and $12,914, respectively.

B. Movements in allowance for credit losses

Information as to the evaluations of impairment of the Group's loans and receivables as of December 31, 2014 and 2013 was as follows:

(A) Loans:

Item		Loans December 31, 2014	Allowance for credit losses December 31, 2014
With existing objective evidence of individual impairment	Individual assessment	$ 18,418,084	$ 3,491,012
	Group assessment	822,052	142,244
Without existing objective evidence of individual impairment	Group assessment	1,736,674,167	18,286,776

Item		December 31, 2013	December 31, 2013
With existing objective evidence of individual impairment	Individual assessment	$ 32,872,359	$ 4,844,321
	Group assessment	753	19
Without existing objective evidence of individual impairment	Group assessment	1,643,475,112	16,926,691

(B) Receivables:

Item		Receivables December 31, 2014	Allowance for credit losses December 31, 2014
With existing objective evidence of individual impairment	Individual assessment	$ 142,662	$ 63,114
	Group assessment	309,384	36,948
Without existing objective evidence of individual impairment	Group assessment	202,899,056	1,710,679

Item		December 31, 2013	December 31, 2013
With existing objective evidence of individual impairment	Individual assessment	$ 364,584	$ 41,195
	Group assessment	356,994	42,052
Without existing objective evidence of individual impairment	Group assessment	184,934,115	984,505

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 Note 8 (3) for detailed policies of credit risk management. For the years ended December 31, 2014 and 2013, details of recognized allowance for bad debts and relevant movement are as follows:

	2014					
	Accounts receivable	Bills discounted and loans	Non-accrual loans transferred from other accounts	Remittance acquired	Import and export loans from bank	Total
Balance, January 1	$ 1,067,752	$ 21,771,031	$ 13,364	$ 448	$ -	$ 22,852,595
Provision (Reversal)	696,889	1,357,375	9,498	(374)	750,371	2,813,759
Write-off-net	(122,367)	(2,370,138)	-	-	-	(2,492,505)
Recovery of written-off credits	122,051	1,594,847	-	-	-	1,716,898
Effects of exchange rate changes and others	46,416	(433,083)	-	-	-	(386,667)
Balance, December 31	$ 1,810,741	$ 21,920,032	$ 22,862	$ 74	$ 750,371	$ 24,504,080

	2013					
	Accounts receivable	Bills discounted and loans	Non-accrual loans transferred from other accounts	Remittance acquired	Import and export loans from bank	Total
Balance, January 1	$ 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

(6) Reinsurance contract assets-net

A. Details are as follows:

	December 31, 2014	December 31, 2013
Reinsurance claims and payment receivables	$ 236,925	$ 335,575
Reinsurance transaction receivables	159,628	153,899
Overdue reinsurance transaction receivables	16,431	13,297
Less: allowance for bad debts	(13,138)	(11,490)
Subtotal	399,846	491,281
Ceded unearned premium reserve	1,268,400	1,391,562
Ceded claim reserve	1,549,059	1,411,094
Ceded premium deficiency reserve	380	-
Subtotal	2,817,839	2,802,656
Total	$ 3,217,685	$ 3,293,937

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

	2014	2013
	Group provision	Group provision
Balance, January 1	$ 11,490	$ 8,057
Net provision	1,615	3,418
Foreign currency translation adjustments	33	15
Balance, December 31	$ 13,138	$ 11,490

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

	December 31, 2014	December 31, 2013
Stocks	$ 20,857,008	$ 20,892,938
Commercial papers	73,027,157	64,916,633
Bonds	182,371,223	176,209,280
Beneficiary certificates	654,316	7,806,853
Beneficiary securities	1,204,627	1,111,454
Certificate of deposit	2,588,689	2,006,475
Total	$ 280,703,020	$ 272,943,633

A. MICB has available-for-sale financial assets which consist of bonds and bills sold under repurchase agreements amounting to $53,835,989 and $102,354,653 as of December 31, 2014 and 2013, respectively.

B. The Company issued the initial unsecured exchangeable corporate bonds as the underlying exchanges of TBB that was resolved at the Board of Directors' meeting on May 12, 2011. These bonds were matured on January 11, 2014. 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.

C. Please refer to Note 12 for details of the aforementioned financial assets provided as collateral as of December 31, 2014 and 2013.

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

	December 31, 2014	December 31, 2013
Certificate of time deposit by Central Bank	$ 143,200,000	$ 161,850,000
Financial bonds	14,267,101	16,291,795
Government bonds	3,884,466	3,861,289
Corporate bonds	2,356,509	2,408,149
Total	$ 163,708,076	$184,411,233

A. Please refer to Note 12 for details of the aforementioned financial assets pledged as collateral as of December 31, 2014 and 2013.

B. MICB has held-to-maturity financial assets which consist of bonds and bills sold under repurchase agreements amounting to $0 and $433,486 as of December 31, 2014 and 2013, respectively.

(9) Equity investments accaounted for under the equity method, net

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

Investee Company	December 31, 2014			December 31, 2013		
	Amount		Percentage of Shareholding	Amount		Percentage of Shareholding
Cathay Investment & Development Corporation (Bahamas)	$	54,769	100.00	$	51,202	100.00
Mega Management Consulting Corporation		48,375	100.00		65,326	100.00
Cathay Investment & Warehousing Ltd.		60,438	100.00		58,691	100.00
Ramlett Finance Holdings Inc.		3,428	100.00		805	100.00
Yung Shing Industries Co.		658,571	99.56		639,718	99.56
China Products Trading Company		27,476	68.27		27,500	68.27
United Venture Corporation (Note)		-	25.31		1,444	25.31
China Products Trading Company (Thailand)		18,584	25.25		16,395	25.25
IP Funds Even Limited		131,814	25.00		102,339	25.00
An Feng Enterprise Co., Ltd.		11,911	25.00		11,931	25.00
Taiwan Bills Finance Corporation		1,515,092	24.55		1,489,482	24.55
Ever Strong Iron & Foundry & Mfg. Corporation		42,155	22.22		41,713	22.22
China Real Estate Management Co., Ltd.		189,024	20.00		191,005	20.00
Total	$	2,761,637		$	2,697,551	

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 of its associates accounted for under the equity method amounted to $152,363 and $203,681, for the years ended December 31, 2014 and 2013, 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, 2014		December 31, 2013	
Remittance purchased	$	34,079	$	26,477
Purchase of obligor receivable		334,174		3,526,755
Debt investments with no active market		4,926,290		4,425,893
Equity investments carried at cost		12,844,064		12,656,141
Non-accrual loans transferred from accounts other than loans		38,966		22,545
Restricted assets		458,052		900,100
Customer margin account		1,670,620		1,534,161
Receipt under custody		35,328		241,855
Others		1,647,569		1,478,345
Subtotal		21,989,142		24,812,272
Less: Allowance for bad debts-remittance purchased	(	74)	(	448)
Allowance for bad debts-non-accrual loans transferred from accounts other than loans	(	22,862)	(	13,364)
Accumulated impairment-equity investments carried at cost	(	1,339,477)	(	1,368,256)
Total	$	20,626,729	$	23,430,204

Financial Information

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 subsidiary of the bank holds 'Series A Registered Convertible Preferred Stock' issued by Taiwan High Speed Rail Corporation ("THSRC"). The total investment is NT$4 billion and is recognised as 'bond investments without active market'. As THSRC's proposal of financial reform in response to financial difficulty was not approved on January 7, 2015, THSRC has to submit for arbitration to the Arbitration Association of the Republic of China on February 17, 2015. With regards to the lawsuit relating to redemption of preferred shares, on March 3, 2015, the Taiwan High Court has ruled that THSRC must redeem the preferred shares of China Development Financial Holding Corp. and others. However, the lawsuit may be influenced by factors such as future arbitration, possible proposal of financial reform by THSRC, and negotiation of banks. Thus, as of the reporting date, the subsidiary could not reasonably estimate possible impairment loss.

C. The methods and assumptions used to estimate the fair value of debt instruments without active market are provided in Note 7(4).

D. As of December 31, 2014 and 2013, for the aforesaid financial assets pledged as collaterals, please refer to Note 12.

(11) Investment property, net

	Land and land improvements	Buildings and structures	Total
Cost	$ 1,407,191	$ 813,107	$ 2,220,298
Accumulated depreciation and impairment	(4,848)	(156,022)	(160,870)
	1,402,343	657,085	2,059,428
For the year ended December 31, 2014			
Additions	287,363	4,971	292,334
Disposals	(327,109)	(22,505)	(349,614)
Impairment	-	2,728	2,728
Transfers	(13,463)	2,151	(11,312)
Depreciation	-	(16,815)	(16,815)
Foreign exchange differences	-	15	15
December 31, 2013	$ 1,349,134	$ 627,630	$ 1,976,764
December 31, 2014			
Cost	$ 1,367,445	$ 796,779	$ 2,164,224
Accumulated depreciation and impairment	(18,311)	(169,149)	(187,460)
	$ 1,349,134	$ 627,630	$ 1,976,764

	Land and land improvements	Buildings and structures	Total
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
For the year ended December 31, 2013			
Additions	929	1,395	2,324
Disposals	(160,297)	(81,173)	(241,470)
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	$ 813,107	$ 2,220,298
Accumulated depreciation and impairment	(4,848)	(156,022)	(160,870)
	$ 1,402,343	$ 657,085	$ 2,059,428

A. The fair value of the investment property held by the Group as of December 31, 2014 and December 31, 2013 was $5,537,289 and $5,028,953, 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, 2014 and 2013 was $99,220 and $110,587, respectively.

C. As of December 31, 2014 and 2013, 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, 2014	Land and land improvements	Buildings	Equipment	Leasehold improvements	Prepayments for equipment	Total
Cost	$15,019,820	$ 12,639,591	$ 6,264,482	$ 257,312	$ 32,848	$ 34,214,053
Accumulated depreciation and impairment	(475,451)	(6,076,124)	(5,313,693)	(198,540)	-	(12,063,808)
Total	$ 14,544,369	$ 6,563,467	$ 950,789	$ 58,772	$ 32,848	$ 22,150,245
For the year ended December 31, 2014						
At January 1, 2014	$ 14,544,369	$ 6,563,467	$ 950,789	$ 58,772	$ 32,848	$22,150,245
Additions	3,853	78,524	286,638	4,991	89,149	463,155
Disposals	-	-	(237)	(889)	-	(1,126)
Transfers	-	(2,728)	71,885	9,443	(94,153)	(15,553)
Depreciation	-	(250,888)	(382,308)	(16,635)	-	(649,831)
Reversal of impairment	162,608	(1,658)	-	-	-	160,950
Foreign exchange differences	551	14,273	3,040	171	-	18,035
December 31, 2014	$14,711,381	$ 6,400,990	$ 929,807	$ 55,853	$ 27,844	$ 22,125,875
December 31, 2014						
Cost	$15,024,224	$12,751,042	$ 6,335,379	$ 266,677	$ 27,844	$ 34,405,166
Accumulated depreciation and impairment	(312,843)	(6,350,052)	(5,405,572)	(210,824)	-	(12,279,291)
Total	$14,711,381	$ 6,400,990	$ 929,807	$ 55,853	$ 27,844	$ 22,125,875

January 1, 2013	Land and land improvements	Buildings	Equipment	Leasehold improvements	Prepayments for equipment	Total
Cost	$ 14,997,800	$ 12,993,406	$ 6,196,506	$ 249,960	$ 20,489	$ 34,458,161
Accumulated depreciation and impairment	(607,164)	(6,157,620)	(5,175,636)	(186,650)	-	(12,127,070)
Total	$ 14,390,636	$ 6,835,786	$ 1,020,870	$ 63,310	$ 20,489	$ 22,331,091
For the year ended December 31, 2013						
At January 1, 2013	$ 14,390,636	$ 6,835,786	$ 1,020,870	$ 63,310	$ 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	131,713	7,298	-	-	-	139,011
Foreign exchange differences	470	(54,369)	(8,330)	131	-	(62,098)
December 31, 2013	$ 14,544,369	$ 6,563,467	$ 950,789	$ 58,772	$ 32,848	$ 22,150,245
December 31, 2013						
Cost	$ 15,019,820	$ 12,639,591	$ 6,264,482	$ 257,312	$ 32,848	$ 34,214,053
Accumulated depreciation and impairment	(475,451)	(6,076,124)	(5,313,693)	(198,540)	-	(12,063,808)
Total	$ 14,544,369	$ 6,563,467	$ 950,789	$ 58,772	$ 32,848	$ 22,150,245

Please refer to Note 12 for details of the property and equipment pledged as collateral as of December 31, 2014 and 2013.

(13) Other assets, net

		December 31, 2014		December 31, 2013
Prepayments	$	3,644,751	$	6,023,640
Refundable deposits		763,051		1,010,673
Guarantee deposits held for operation and funds for security settlements		1,213,583		1,213,682
Temporary payments		504,663		461,564
Foreclosed properties		-		23,602
Others		193,987		82,184
Total	$	6,320,035	$	8,815,345

As of December 31, 2014 and 2013, for details of the other assets pledged as collaterals, please refer to Note 12.

(14) Due to the Central Bank and financial institutions

		December 31, 2014		December 31, 2013
Call loans from banks	$	193,613,656	$	404,334,538
Due to Chunghwa Post		2,924,041		2,912,531
Overdrafts on banks		7,932,015		4,187,454
Due to the financial institutions		56,637,561		59,559,703
Due to the Central Bank		213,516,052		19,941,504
Total	$	474,623,325	$	490,935,730

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

		December 31, 2014		December 31, 2013
Funds borrowed from the Central Bank	$	7,090,097	$	7,376,822
Other funds borrowed from the Central Bank		2,153,084		2,024,700
Call loan from other banks		44,663,360		22,928,723
Total	$	53,906,541	$	32,330,245

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

		December 31, 2014		December 31, 2013
Financial liabilities held for trading				
Derivative instruments	$	8,678,193	$	8,237,102
Investment in bonds with resale agreements-short sales		99,764		-
Liabilities on sale of borrowed securities		238,592		191,472
Issuance of call (put) warrants		645,937		281,268
Others		265		-
		9,662,751		8,709,842
Financial liabilities designated as at fair value through profit or loss				
Financial bonds		19,919,886		6,146,843
Total	$	29,582,637	$	14,856,685

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, 2014		December 31, 2013
Short-term bills	$	82,651,823	$	91,490,697
Bonds		138,612,600		128,110,637
Others		545,107		50,000
Total	$	221,809,530	$	219,651,334

(18) Commercial papers payable, net

	December 31, 2014	December 31, 2013
Domestic commercial papers	$ 15,370,000	$ 4,395,000
Less: Unamortized discount	(6,920)	(1,347)
Net	$ 15,363,080	$ 4,393,653

As of December 31, 2014 and 2013, none of the aforementioned commercial papers payable was provided for guarantees, and the interest rate ranged from 0.56% to 0.94% and 0.62% to 0.98%, respectively.

(19) Payables

	December 31, 2014	December 31, 2013
Notes and accounts payable	$ 11,309,142	$ 11,489,377
Settlement amounts payable	5,529,626	8,776,395
Accrued expenses	5,471,519	5,160,869
Interest payable	2,818,146	2,584,198
Dividends payable	18,833,776	17,573,519
Acceptances	8,853,391	11,551,879
Collections for others	1,436,827	1,293,095
Commissions payable	136,587	130,897
Due from other insurers	934,685	1,025,867
Securities financing refundable deposits	1,343,942	1,408,056
Deposits payable for securities financing	1,584,974	1,748,644
Other payables	2,311,963	3,363,187
Total	$ 60,564,578	$ 66,105,983

(20) Deposits and remittances

	December 31, 2014	December 31, 2013
Checking account deposits	$ 32,439,481	$ 30,656,222
Demand deposits	586,548,453	547,102,885
Time deposits	783,906,071	764,188,935
Demand savings deposits	382,772,237	356,183,658
Time savings deposits	243,865,329	226,414,135
Negotiable certificates of deposits	1,906,400	1,830,000
Remittances	4,965,893	7,346,706
Total	$ 2,036,403,864	$ 1,933,722,541

(21) Bonds payable

	December 31, 2014	December 31, 2013
Domestic unsecured corporate bonds	$ 6,000,000	$ 6,000,000
Unsecured exchangeable corporate bonds	-	6,000,000
Less: exchangeable corporate bond discount	-	(1,323)
Subtotal	6,000,000	11,998,677
Financial bonds, net	50,200,000	43,900,000
Total	$ 56,200,000	$ 55,898,677

A. Domestic unsecured corporate bonds were as follows:

The Company:

Name of bond	Issuing period	Interest rate	Total issued amount	December 31, 2014	December 31, 2013
Second domestic unsecured corporate bonds-Subordinate (Note)	2008.12.26- 2015.12.26	3.26%	6,000,000	6,000,000	6,000,0000

Note: Interest is paid yearly, the principal is repaid at maturity.

MS

The principal of 1st unsecured corporate bonds issued in 2009 with a par value of $2,500,000 and interest rate of 1.45% was repaid in lump sum at the maturity date of February 14, 2013.

B. Unsecured exchangeable corporate bonds were as follows:

The Company

Name of bond	Issuing period	Interest rate	Total issued amount	December 31, 2014	December 31, 2013
First domestic unsecured exchangeable corporate bonds	2011.07.11-2014.01.11	0%	$ 6,000,000	$ -	$ 5,998,677

The unsecured exchangeable corporate bonds were expired by January 1, 2014, and the principal was totally repaid by cash.

C. Financial bonds issued by MICB were as follows:

Name of bond (Note)	Issuing period	Interest rate	Total issued amount	December 31, 2014	December 31, 2013
96-1 Development Financial bond	2007.09.27-2014.09.27	Floating rate	$ 5,000,000	$ -	$ 5,000,000
96-3 Development Financial bond	2007.12.28-2014.12.28	2.99%	300,000	-	300,000
96-4 Development Financial bond	2007.12.28-2014.12.28	Floating rate	400,000	-	400,000
97-4 Development Financial bond	2008.06.26- 2015.06.26	Floating rate	6,000,000	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	1,600,000
97-9 Development Financial bond	2008.12.23-2015.12.23	3.00%	6,400,000	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	10,300,000
100-1 Development Financial bond	2011.04.15-2018.04.15	1.65%	4,700,000	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	7,900,000
101-1 Development Financial bond	2012.05.28-2019.05.18	1.48%	1,300,000	1,300,000	1,300,000
103-1 Development Financial bond	2014.03.28-2021.03.28	1.70%	4,900,000	4,900,000	-
103-2 Development Financial bond	2014.06.24-2021.06.24	1.65%	7,100,000	7,100,000	-
Total				$ 50,200,000	$ 43,900,000

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

(22) Other loans

	December 31, 2014	December 31, 2013
Credit loans	$ 5,926,763	$ 5,089,338
Secured loans	-	419,875
Total	$ 5,926,763	$ 5,509,213

A. As of December 31, 2014 and 2013, the interest rates ranged from 1.03% to 1.8% and 1.02% to 2.30%, respectively.

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

(23) Reserves for liabilities

	December 31, 2014	December 31, 2013
Insurance liabilities	$ 7,967,465	$ 8,157,828
Liabilities reserve for employee benefits	7,721,610	7,739,323
Reserve for guarantee liabilities	5,616,412	6,522,240
Total	$ 21,305,487	$ 22,419,391

A. Details of reserves for insurance liabilities as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Reserve for unearned premiums	$ 3,272,395	$ 3,393,575
Reserve for outstanding losses	3,194,308	3,068,474
Reserve for catastrophic losses	1,500,042	1,695,779
Deficiency reserve	720	-
Total	$ 7,967,465	$ 8,157,828

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

	For the year ended December 31, 2014		
	Total	Ceded	Net
Balance, January 1	$ 3,393,575	$ 1,391,562	$ 2,002,013
Provision	3,272,395	1,268,400	2,003,995
Recovery	(3,393,575)	(1,391,562)	(2,002,013)
Balance, December 31	$ 3,272,395	$ 1,268,400	$ 2,003,995

	For the year ended December 31, 2013		
	Total	Ceded	Net
Balance, January 1	$ 3,244,159	$ 1,259,026	$ 1,985,133
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	$ 1,391,562	$ 2,002,013

(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, 2014	December 31, 2013
Claims reported but not paid	$ 2,412,566	$ 2,509,847
Claims incurred but not reported	781,742	558,627
	$ 3,194,308	$ 3,068,474

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

	For the year ended December 31, 2014		
	Total	Ceded	Net
Balance, January 1	$ 3,068,474	$ 1,411,094	$ 1,657,380
Provision	3,194,308	1,549,059	1,645,249
Recovery	(3,068,474)	(1,411,094)	(1,657,380)
Balance, December 31	$ 3,194,308	$ 1,549,059	$ 1,645,249

	For the year ended December 31, 2013		
	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

(C) Changes in special reserve are as follows:

	For the years ended December 31,	
	2014	2013
Balance, January 1	$ 1,695,779	$ 1,770,277
Provision	-	15,301
Recovery	(195,737)	(89,779)
Balance, December 31	$ 1,500,042	$ 1,695,799

(D) For the years ended December 31, 2014 and 2013, there were no changes in both premium deficiency reserve and ceded premium deficiency reserve:

B. Liabilities reserve for employee benefits are as follows:

	December 31, 2014	December 31, 2013
Recognized in consolidated balance sheet:		
- Defined benefit plans	$ 4,888,650	$ 5,137,074
- Employee preferential savings plans	2,832,960	2,602,249
Total	$ 7,721,610	$ 7,739,323

(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, 2014 and 2013 were $177,234 and $169,411, respectively.

Pursuant to relevant government regulations in the countries where the entities operate, the Group's overseas subsidiaries recognized pension expenses of $23,100 and $20,727 applying defined contribution plans for the years ended December 31, 2014 and 2013, 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 the defined contribution pension plans of the Group for the years ended December 31, 2014 and 2013 were $600,108 and $640,498, respectively. As of December 31, 2014 and 2013, the balance of employee retirement fund account deposited with Bank of Taiwan was $10,624,675 and $10,520,466, respectively.

The Group expects to contribute $528,252 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, 2014	December 31, 2013
Present value of funded obligations	$ 15,966,849	$ 15,981,229
Fair value of plan assets	(10,740,358)	(10,483,162)
Deficit in the plan	5,226,491	5,498,067
Unrecognized past service cost	(341,590)	(365,598)
Net liability in the balance sheet	$ 4,884,901	$ 5,132,469
Reserves for liabilities – non-current	4,888,650	5,137,074
Other non-current assets	(3,749)	(4,605)
Net liabilities	$ 4,884,901	$ 5,132,469

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

	2014		2013	
At January 1,	$	15,981,229	$	15,374,831
Current service cost		487,384		571,860
Interest cost		267,083		204,177
Actuarial profit and loss		169,037		547,579
Foreign exchange difference		-		536
Benefits paid	(	937,884)	(	717,754)
At December 31,	$	15,966,849	$	15,981,229

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

	2014		2013	
At January 1,	$	10,520,466	$	10,274,915
Expected return on plan assets		179,683		139,824
Actuarial profit and loss		67,807	(	7,708)
Employer contributions		896,879		782,805
Employee contributions		5,570		-
Benefits paid	(	930,047)	(	669,370)
At December 31,	$	10,740,358	$	10,520,466

e. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic s ubsidiaries' 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, 2014 and 2013 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.

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.

For the years ended December 31, 2014 and 2013, the Company and its domestic subsidiaries' actual returns on plan assets was$240,989 and $132,118, respectively.

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

	2014		2013	
Current service cost	$	487,384	$	571,860
Interest cost		267,083		204,177
Expected return on plan assets	(	179,683)	(	139,824)
Current pension costs		24,008		3,066
	$	598,792	$	639,279

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:

	2014	2013
Recognition for current period	($ 101,231)	($ 550,157)
Accumulated amount	($ 2,210,369)	($ 2,109,138)

h. The principal actuarial assumptions used were as follows:

	2014	2013
Discount rate	1.71%~1.90%	1.60%~1.88%
Future salary increases	1.50%~2.00%	1.16%~2.00%
Expected return on plan assets	1.50%~1.90%	1.16%~1.90%

Assumptions regarding future mortality rate for 2014 and 2013 are set based on the 5th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

i. Historical information of experience adjustments was as follows:

	2014	2013	2012
Present value of defined benefit obligations	$ 15,966,849	$ 15,981,229	$ 15,315,870
Fair value of plan assets	(10,740,358)	(10,520,466)	(10,274,915)
Deficit in the plan	$ 5,226,491	$ 5,460,763	$ 5,040,955
Experience adjustments on plan liabilities	$ 164,070	$ 373,557	$ 247,167
Experience adjustments on plan assets	$ 63,631	($ 10,233)	($ 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 based on the internal policy, "Rules Governing Pension Preferential Savings of Staff of Mega International Commercial Banks". The excessive interest arising from the preferential savings interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognized in accordance with IAS 19, 'Employee benefits' on employees' retirement. Subsidiary – MICB recognized employee benefit expenses of $876,460 and $708,594 for the years ended December 31, 2014 and 2013, respectively.

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

	2014	2013
Present value of defined benefit obligations	$ 2,832,960	$ 2,602,249
Less: Fair value of plan assets	-	-
	$ 2,832,960	$ 2,602,249

b. Actuarial assumptions

	2014	2013
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, 2014 and 2013 are as follows:

	2014	2013
Balance, January 1,	$ 6,522,240	$ 6,574,514
Reversal provision	(895,211)	(16,885)
Offsetting	-	(41,144)
Effects of exchange rate changes and others	(10,617)	5,755
Balance, December 31,	$ 5,616,412	$ 6,522,240

(24) Other financial liabilities

	December 31, 2014	December 31, 2013
Structured instruments	$ 7,675,095	$ 6,975,981
Appropriated loan fund	1,447,234	1,599,433
Futures traders' equity	1,655,940	1,519,196
Total	$ 10,778,269	$ 10,094,610

(25) Other liabilities

	December 31, 2014	December 31, 2013
Deposits received	$ 3,291,535	$ 2,896,564
Deposits from securities borrowing	872,918	-
Advance receipt	3,607,200	2,567,458
Receipts under custody from customers' security subscription	35,313	241,776
Temporary receipts and suspense accounts	2,790,378	1,749,052
Others	1,043,187	1,089,711
Total	$ 11,640,531	$ 8,544,561

(26) Equity

A. Common stock

(A) As of December 31, 2014 and 2013, the Company's authorized capital was both $140 billion. The Company's issued capital was $124,498,240, and consisting of 12,449,824 thousand shares with a par value of $10 per share.

(B) In accordance with the resolution adopted by the Board of Directors on August 27, 2013, the Company issued common stock amounting to 1,000,000 thousand shares by cash, at $21.5 (in dollars) per share. Additionally, in accordance with Article 267-1 of the R.O.C. Company Act, 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 surplus from share conversion and accumulated adjustments on paid-in capital from investments under the equity method.

	December 31, 2014	December 31, 2013
Consolidation surplus arising from share conversion	$ 43,047,306	$ 43,047,306
Changes in additional paid-in capital of investees accounted for under the equity method	376,539	377,964
Capital increase by cash – additional paid-in capital	11,500,000	11,500,000
Share-based payment (Note)	346,353	346,353
	$ 55,270,198	$ 55,271,623

Note: All the subsidiaries' share-based payments were included.

(B) As of December 31, 2014, the capital reserve of the Company provided by undistributed earnings of MICB (formerly CTB and ICBC) before conversion has amounted to $3,265,237. As of December 31, 2014, the portion was not used for cash dividends, capital increase or any other purposes.

(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, 2014, 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.

(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 the R.O.C. Company Act, 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.

In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(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. The Company's earning distributions for 2013 and 2012 were resolved at the Board meeting dated April 22, 2014 and April 23, 2013, respectively, and were approved by the stockholders' meeting dated June 24, 2014, and June 21, 2013, respectively. Details of the earnings appropriation for 2013 and 2012 are set forth below:

	Appropriated Amount		Dividend Per Share (in dollars)	
	2013	2012	2013	2012
Dividends – cash	$ 13,819,304	$ 12,594,806	$ 1.11	$ 1.10

C. Information on the appropriation of the Company's 2013 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 2013 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 $12,141 between the Company's 2013 cash bonus to employees and remuneration to directors and supervisors as resolved by the stockholders and the amounts recognized in the 2013 financial statements was recognized in the financial statements in the current period.

D. The Group recognized the estimated costs of $712,027, and $526,178 for employees' bonuses and remuneration to directors and supervisors for the years ended December 31, 2014 and 2013, 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, 2014 and 2013.

(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
At January 1, 2014	($ 901,379)	$ 1,002,217	$ 100,838
Available-for-sale financial assets	-	1,687,201	1,687,201
Translation gain and loss on the financial statements of foreign operating entities in the period	1,496,054	-	1,496,054
Share of the other comprehensive income of associates accounted for using the equity method in the period	10,807	67,357	78,164
At December 31, 2014	$ 605,482	$ 2,756,775	$ 3,362,257

	Exchange differences on translation of foreign financial statements	Unrealized gain on available-for-sale financial assets	Total
At January 1, 2013	($ 944,493)	$ 1,123,638	$ 179,145
Available-for-sale financial assets	-	(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 under the equity method in the period	2,866	(27,208)	(24,342)
At December 31, 2013	($ 901,379)	$ 1,002,217	$ 100,838

(29) Interest income, net

	For the years ended December 31,	
	2014	2013
Interest income		
Interest income of bills discounted and loans	$ 36,544,774	$ 32,951,212
Interest income of deposits and call loans from the other banks	8,453,099	4,507,998
Interest income of securities investment	6,799,184	6,275,532
Interest income of usance outright receivable	2,159,144	889,985
Credit card interest income	235,261	245,593
Interest income of securities purchased under resale agreements	764,699	634,841
Interest income of accounts receivable	402,976	359,981
Other interest income	854,111	668,548
Subtotal	56,213,248	46,533,690
Interest expense		
Interest expense of deposits	(13,656,059)	(10,756,126)
Interest expense of interbank overdraft and call loans	(2,838,678)	(1,958,459)
Interest expense of issuance of bills and bonds	(1,144,078)	(1,086,403)
Interest expense of bonds payable under repurchase agreements	(1,795,154)	(1,360,009)
Other interest expense	(105,099)	(96,566)
Subtotal	(19,539,068)	(15,257,563)
Total	$ 36,674,180	$ 31,276,127

(30) Service fee and commission income, net

	For the years ended December 31,	
	2014	2013
Service fee income and commission income		
Service fee income from export and import business	$ 784,979	$ 724,574
T/T service fee income	1,037,148	1,015,402
Loans service fee income	1,823,779	1,806,518
Guarantee service fee income	1,422,095	1,333,960
Brokerage fee income	1,702,170	1,371,292
Service fee income of trust and ancillary business	2,006,656	1,933,738
Agency service fee income	1,521,554	1,333,499
Reinsurance commission income	476,814	478,456
Other commission income	1,167,668	975,238
Other service fee income	1,406,156	1,501,098
Subtotal	13,349,019	12,473,775
Service fee income and commission expense		
Insurance commission expense	(893,615)	(882,372)
Agency service fee expense	(569,453)	(510,952)
Brokerage handling fee expense	(136,621)	(107,107)
Other commission expense	(198,383)	(207,943)
Other service fee expense	(429,524)	(397,936)
Subtotal	(2,227,596)	(2,106,310)
Service fee and commission income, net	$ 11,121,423	$ 10,367,465

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,	
	2014	2013
Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss		
Short-term notes and bills	$ 387,509	$ 369,398
Bonds	2,073,643	45,818
Stocks	306,147	449,502
Derivative instruments	(1,790,268)	(296,272)
Negotiable certificate of deposits	8,916	2,471
Beneficiary certificates	35,687	6,689
Credit default swap	-	(14,359)
Warrant	(378,728)	109,898
Others	(36,487)	(97,918)
Subtotal	606,419	575,227

Valuation gains and losses on financial assets and liabilities at fair value through profit or loss		
Short-term notes and bills	2,510	(2,539)
Bonds	(995,257)	1,462,429
Stocks	245,620	219,490
Derivative instruments	1,886,835	(662,352)
Negotiable certificate of deposits	600	(889)
Beneficiary certificates	28,493	(2,771)
Others	93,585	(60,559)
Subtotal	1,262,386	952,809
Interest income on financial assets at fair value through profit or loss	1,924,431	2,085,721
Interest expense on financial liabilities at fair value through profit or loss	(255,332)	(211,014)
Dividend and bonus from financial assets at fair value through profit or loss	287,988	219,420
Total	$ 3,825,892	$ 3,622,163

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

	For the years ended December 31,	
	2014	2013
Income from dividend and bonus	$ 473,647	$ 423,999
Bonds	62,933	161,944
Stocks	1,229,682	1,466,231
Others	45,792	71,483
Total	$ 1,812,054	$ 2,123,657

(33) Impairment of assets

	For the years ended December 31,	
	2014	2013
Impairment loss on financial assets measured at cost	$ 390,217	$ 353,225
Reversal gain on property and equipment	(160,950)	(94,130)
Impairment loss (reversal gain) on investment property	11,312	(61,193)
Impairment loss on available-for-sale financial assets	133,844	135,285
Total	$ 374,423	$ 333,187

(34) Revenues other than interest, net

	For the years ended December 31,	
	2014	2013
Gains on financial assets measured at cost	$ 612,876	$ 645,477
Gain on rental, net	157,174	204,159
Gain on real estate investment	99,220	110,587
Advisory income	561,732	384,698
Gain on sales of property	1,487	440,409
Others	(249,141)	(168,554)
Total	$ 1,183,348	$ 1,616,776

(35) Employee benefit expense

	For the years ended December 31,	
	2014	2013
Wages and salaries	$ 12,239,542	$ 12,184,795
Labor and health insurance fees	829,809	823,152
Pensions costs (includes preferential savings)	1,676,902	1,539,230
Others personnel expenses	1,004,926	1,142,173
Total	$ 15,751,179	$ 15,689,350

(36) Depreciation and amortization

	For the years ended December 31,	
	2014	2013
Depreciation	$ 666,646	$ 701,988
Amortization	37,054	37,540
Total	$ 703,700	$ 739,528

(37) Other business and administrative expenses

	For the years ended December 31,	
	2014	2013
Research and development expense	$ 3,403	$ 3,007
Staff training expense	54,196	46,818
Taxes and official fees	2,329,214	1,650,287
Office supplies and printing expenses	3,723,734	3,735,131
Other operating expenses	1,229,777	1,051,536
Total	$ 7,340,324	$ 6,486,779

(38) Income taxes

A. The income taxes comprise the following:

(A)The income taxes comprise the following:

	For the years ended December 31,	
	2014	2013
Current tax		
Current tax on profits for the period	$ 5,076,204	$ 3,904,291
Income tax of adjustments for (over) under provisions of prior years' income tax expense	(699,268)	160,060
Separate income tax	149	200
Additional 10% tax payment levied on distributed earnings	770,526	678,502
Total current tax	5,147,611	4,743,053
Deferred income tax:		
Origination and reversal of temporary differences	(58,502)	(237,540)
Income tax expense	$ 5,089,109	$ 4,505,513

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

	For the years ended December 31,	
	2014	2013
Actuarial gains (losses) to determine benefit obligations	($ 17,209)	$ 93,527

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

	For the years ended December 31, 2014	For the years ended December 31, 2013
Income tax from pre-tax income calculated at statutory tax rate	$ 5,140,752	$ 4,776,557
Effects of items not recognized under relevant regulations	(205,446)	(94,950)
Additional 10% tax levied on undistributed earnings	770,526	678,502
Effect of alternative minimum tax	1,102,909	447,164
Income tax of overseas subsidiaries and branches and adjustments in respect of prior years	(699,268)	160,060
Effects of income tax exemption and adjustment of other income	(1,020,364)	(1,461,820)
Income tax expense	$ 5,089,109	$ 4,505,513

C. Imputation tax credit

	December 31, 2014	December 31, 2013
Balance of imputation tax credit	$ 2,403,589	$ 2,489,548

	2014	2013
Actual tax credit rate for individual stockholders	4.65%	13.01%

The abovementioned balance of imputation on tax credit and tax credit rate for individual stockholders are from the Company's information. The tax credit rate for individual stockholders in 2014 was estimated.

D. Unappropriate retained earnings:

	December 31, 2014	December 31, 2013
Earnings generated in and after 1998	$ 50,873,327	$ 36,766,912

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

	2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets				
Credit loss expense in excess of limit	$ 1,215,072	$ 340,133	$ -	$ 1,555,205
Reserve for guarantee liabilities in excess of limit	232,559	(65,551)	-	167,008
Unpaid liabilities reserve for employee benefits	1,250,306	(27,637)	18,318	1,240,987
Unrealized impairment loss	650,899	(63,125)	-	587,774
Others	436,746	(15,387)	124	421,483
Total	$ 3,785,582	$ 168,433	$ 18,442	$ 3,972,457

	2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets				
Credit loss expense in excess of limit	$ 623,460	$ 591,612	$ -	$ 1,215,072
Reserve for guarantee liabilities in excess of limit	180,658	51,901	-	232,559
Unpaid liabilities reserve for employee benefits	1,203,880	(52,658)	99,084	1,250,306
Unrealized impairment loss	662,586	(11,687)	-	650,899
Others	427,436	9,310	-	436,746
Total	$ 3,098,020	$ 588,478	$ 99,084	$ 3,785,582

	2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized foreign exchange gain	(451,910)	(6,852)	-	(458,762)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(470,162)	(45,752)	-	(515,914)
Others	(75,829)	(57,327)	($ 8,279)	(141,435)
	($ 2,051,201)	($ 109,931)	($ 8,279)	($ 2,169,411)

	2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized foreign exchange gain	(164,162)	(287,748)	-	(451,910)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(414,878)	(55,284)	-	(470,162)
Others	(62,366)	(7,906)	($ 5,557)	(75,829)
	($ 1,694,706)	($ 350,938)	($ 5,557)	($ 2,051,201)

F. Assessment of income tax returns

(A) The Company's profit-seeking enterprise income tax return through 2008 was assessed by the Tax Authority. The Company disagreed with the 2005 results and has filed for re-examinations. Based on conservatism principle, the above tax amount had been included in the consolidated financial statements.

(B) As of December 31, 2014, MICB's income tax returns through 2008 was assessed by the NTA. Mega Bank did not agree with the assessment of 2005 and the Company has filed an appeal for reinvestigation of 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 2008 were assessed by the Tax Authority. With respect to the income tax returns of MS for the fiscal years from 2003, 2004 and 2005, MS did not agree with the Tax Authority's assessment and had filed for a tax appeal for the income tax returns for 2003, 2004 and 2005 and has filed for administrative remedy. For conservatism purposes, the Company had recognized the income tax expense relating to the additional income tax payable.

(D) As of December 31, 2014, MBF, CKI, MAM, Mega Life Insurance Agency Co., Ltd., Mega Venture Capital and MITCs' income tax returns through 2008 have been examined by the NTA.

(39) Earnings per share (EPS)

A. Basic earnings per share

Basic earnings per share was 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,	
	2014	2013
Weighted-average number of shares outstanding (In thousands of shares)	$ 12,449,824	$ 11,493,660
Profit attributable to ordinary shareholders of the Company	$ 30,258,664	$ 22,489,232
Basic earnings per share (In dollars)	$ 2.43	$ 1.96

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,	
	2014	2013
Weighted-average number of shares outstanding (In thousands of shares)	$ 12,450,246	$ 11,494,068
Profit attributable to ordinary shareholders of the Company	$ 30,258,664	$ 22,489,232
Basic earnings per share (In dollars)	$ 2.43	$ 1.96

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, 2014	
	Carrying Value	Fair Value
Held-to-maturity financial assets, net	$ 163,708,076	$ 163,741,411
Other financial assets - debts investment without active market	$ 4,926,290	$ 4,926,415

	December 31, 2013	
	Carrying Value	Fair Value
Held-to-maturity financial assets, net	$ 184,411,233	$ 184,476,945
Other financial assets - debts investment without active market	$ 4,425,893	$ 4,250,633

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

If the market quotation from a stock exchange, 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, 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 e stimated 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 object recently has representative trading, its trading price might be the best estimate of its fair value. If the object 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 object 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 I nformation 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, TDR, 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. derived from 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

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets held for trading				
Investment in bills	$ 112,865,821	$ -	$ 112,865,821	$ -
Investment in stocks	9,370,196	8,963,954	357,275	48,967
Investment in bonds	46,945,467	4,155,029	42,790,438	-
Others	1,849,105	1,849,105	-	-
Financial assets designated as at fair value through profit or loss	3,801,718	3,843	3,797,875	-
Available-for-sale financial assets				
Investment in bills	75,615,846	-	75,615,846	-
Investment in stocks	20,857,008	19,319,281	1,537,727	-
Investment in bonds	182,371,223	21,536,486	160,834,737	-
Others	1,858,943	654,316	1,204,627	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(984,558)	(884,529)	(100,029)	-
Financial liabilities designated as at fair value through profit or loss	(19,919,886)	-	(19,919,886)	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	6,534,536	245,722	6,073,285	215,529
Liabilities				
Financial liabilities at fair value through profit or loss	(8,678,193)	-	(8,463,912)	(214,281)
Total	$ 432,487,226	$ 55,843,207	$ 376,593,804	$ 50,215

Financial Information

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets held for trading				
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	-	-
Financial assets designated as at fair value through profit or loss	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	20,892,938	19,435,659	1,457,279	-
Investment in bonds	176,209,280	17,906,274	158,303,006	-
Others	8,918,307	7,806,854	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)

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, 2014

		Valuation gain or loss		Addition		Reduction		
	January 1, 2014	Recognized as gain	Recognized as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	December 31, 2014
Non-derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets held for trading	$ 26,125	($ 7,977)	$ -	$ 89,498	$ 45,533	($ 69,734)	($ 34,478)	$ 48,967
Derivative financial instruments								
Financial assets at fair value through profit or loss	700,725	(205,850)	-	389,023	-	(254,891)	(413,478)	215,529
Total	$ 726,850	($ 213,827)	$ -	$ 478,521	$ 45,533	($ 324,625)	($ 447,956)	$ 264,496

For the year ended December 31, 2013

	January 1, 2013	Valuation gain or loss: Recognized as gain	Valuation gain or loss: Recognized as other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Sold, disposed or settled	Reduction: Transferred from 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	(96,129)	-	503,721	-	(336,190)	-	700,725
Total	$ 650,861	($ 97,298)	$ -	$ 561,565	$ 14,202	($ 378,813)	($ 23,667)	$ 726,850

(B)Movements of financial liabilities classified into Level 3 of fair value are as follows:

For the year ended December 31, 2014

	January 1, 2014	Valuation gain or loss: Recognized as gain	Valuation gain or loss: Recognized as other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Sold, disposed or settled	Reduction: Transferred from Level 3	December 31, 2014
Liabilities								
Financial liabilities at fair value through profit or loss	($ 1,166,222)	$ 210,911	$ -	($ 617,716)	$ -	$ 449,583	$ 909,163	($ 214,281)

For the year ended December 31, 2013

	January 1, 2013	Valuation gain or loss: Recognized as gain	Valuation gain or loss: Recognized as other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Sold, disposed or settled	Reduction: Transferred from Level 3	December 31, 2013
Liabilities								
Financial liabilities at fair value through profit or loss	($ 924,363)	$ 91,811	$ -	($ 867,734)	$ -	$ 534,064	$ -	($ 1,166,222)

For the transfers from Level 3, the fair value of financial instruments were measured from observable market prices instead of the fair value from counterparties therefore, these were trasferred to Level 2.

(C) The transfer between Level 1 and Level 2:

For the year ended December 31, 2014, the Central Government Bond held by a bank subsidiary amounting to $251,160 was classified as popular Taiwan government bonds. Therefore, these were transferred from Level 2 to Level 1.

(D) The measure of fair value for Level 3, the sensitivity analysis for the reasonable alternative hypothesis of the fair value

The Group's fair value measurement of financial instruments was reasonable, if valued using different model or parameters, it would obtain different results. For Level 3, if the parameters of valuation varied up or down by 10%, the effect on profit or loss would be shown as follows:

December 31, 2014	Changing in the fair value recognized in the current profit or loss: Favorable changes	Changing in the fair value recognized in the current profit or loss: Unfavorable changes
The level 3 of financial instruments	$ 5,031	($ 5,037)

December 31, 2013	Changing in the fair value recognized in the current profit or loss: Favorable changes	Changing in the fair value recognized in the current profit or loss: Unfavorable changes
The level 3 of financial instruments	$ 12,093	($ 12,093)

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 Group 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 bisinesses 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 expenditure.

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	No rating
Corresponding to S&P	AAA~BBB-	BB+~ BB-	B+	B and below	NA

(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

a. Impairment policy:

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.

b. The objective evidence of an impairment loss is as follows:

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

(b) The issuer or debtor has breached the contract;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession;

(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; 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:

I. Adverse changes in the payment status of borrowers in the Group; or

II.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.

c. 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.

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, 2014	December 31, 2013
	Off-balance-sheet guarantees and commitments	
Government organization	$ 84,054,289	$ 85,210,737
Finance, investment and insurance	68,248,635	51,519,949
Corporate and commercial	400,807,141	401,552,308
Personal	56,925,808	53,187,580
Others	1,776,195	1,766,266
Total	$ 611,812,068	$ 593,236,840

(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.

Except for overdue receivables, the property insurance subsidiary's reinsurance contracts assets that are neither past due nor impaired all have credit ratings ranged between twAA ~ twBBB-, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount of all reinsurance contracts assets.

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, 2014		December 31, 2013	
		Amount	Percentage (%)	Amount	Percentage (%)
Individuals	Individuals	$ 443,733,094	18.74%	$ 404,268,675	17.81%
Corporation	Government institution	92,463,661	3.91%	93,992,450	4.14%
	Financial institution, investment and incurrence	208,912,885	8.82%	195,389,073	8.61%
	Enterprise and commerce	1,609,064,162	67.96%	1,562,318,289	68.84%
	- Manufacturing	651,027,801	27.50%	659,323,999	29.05%
	- Electricity and gas supply	124,377,730	5.25%	131,204,121	5.78%
	- Wholesale and retail	212,397,415	8.97%	196,828,622	8.67%
	- Transportation and storage	169,608,990	7.16%	164,556,964	7.25%
	- Real estate	277,490,378	11.72%	266,498,231	11.74%
	- Others	174,161,847	7.36%	143,906,352	6.34%
	Others	13,552,569	0.57%	13,616,577	0.60%
Total		$ 2,367,726,371	100.00%	$ 2,269,585,064	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, 2014		December 31, 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
ROC	$ 1,838,781,315	77.66%	$ 1,803,450,346	79.46%
Asia	326,654,290	13.80%	289,949,694	12.78%
North America	82,339,170	3.48%	59,188,578	2.61%
Others	119,951,596	5.07%	116,996,446	5.15%
Total	$ 2,367,726,371	100.00%	$ 2,269,585,064	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			
	December 31, 2014		December 31, 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Unsecured	$ 1,002,643,024	42.35%	$ 950,992,516	41.90%
Secured				
- Secured by stocks	159,512,548	6.74%	155,008,882	6.83%
- Secured by bonds	126,407,236	5.34%	118,890,191	5.24%
- Secured by real estate	813,237,027	34.35%	730,890,356	32.20%
- Others	265,926,536	11.22%	313,803,119	13.83%
Total	$ 2,367,726,371	100.00%	$ 2,269,585,064	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, 2014	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			
Credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 168,404,312	$ 2,432,992	$ -	$ 44,921	$ 679,793	$ 171,562,018	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,744	$ 171,560,274
Due from Central Bank and call loans to banks	456,495,235	1,291,018	56,773	696,586	5,196,840	463,736,452	-	-	-	-	-	-	-	750,371	462,986,081
Financial assets at fair value through profit or loss															
- Debt instruments	99,226,900	41,699,487	13,394,499	2,985,676	6,306,444	163,613,006	-	-	-	-	-	-	-	-	163,613,006
- Derivative financial instruments	3,859,935	2,936	-	-	2,671,666	6,534,537						-	-	-	6,534,537
Available-for-sale financial assets -Debt instruments	253,833,071	5,024,922	-	333,703	-	259,191,696	-	-	-	-	-	-	-	-	259,191,696
Bills and bonds purchased under resale agreements	9,521,808	2,352,519	-	-	-	11,874,327	-	-	-	-	-	-	-	-	11,874,327
Receivables	86,194,981	32,484,489	2,436,198	462,595	81,302,870	202,881,133	273	532	283	1,945	14,890	17,923	452,046	1,810,741	201,540,361
Bills discounted and loans	462,990,490	515,140,781	176,487,838	67,872,965	510,072,658	1,732,564,732	166,271	383,375	128,034	2,762,393	669,362	4,109,435	19,240,136	21,920,032	1,733,994,271
Reinsurance contract assets	3,214,392	-	-	-	-	3,214,392	-	-	-	-	-	-	16,431	13,138	3,217,685
Held-to-maturity financial assets-Debt instruments	162,251,804	746,761	50,000	288,793	370,718	163,708,076	-	-	-	-	-	-	-	-	163,708,076
Other assets	3,949,084	4,749,579	-	-	6,600,941	15,299,604	-	-	-	-	-	-	39,004	22,975	15,315,633
Total	$ 1,709,942,012	$ 605,925,484	$ 192,425,308	$ 72,685,239	$ 613,201,930	$ 3,194,179,973	$ 166,544	$ 383,907	$ 128,317	$ 2,764,338	$ 684,252	$ 4,127,358	$ 19,747,617	$ 24,519,001	$ 3,193,535,947

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			
Credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 157,990,855	$ 1,088,137	$ 553,216	$ 31,444	$ 625,863	$ 160,289,515	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,320	$ 160,288,195
Due from Central Bank and call loans to banks	387,645,487	930,540	-	-	2,383,209	390,959,236	-	-	-	-	-	-	-	-	390,959,236
Financial assets at fair value through profit or loss															
- Debt instruments	116,964,475	46,347,059	13,265,190	3,557,590	3,919,155	184,053,469	-	-	-	-	-	-	-	-	184,053,469
- Derivative financial instruments	3,023,226	63	-	-	1,872,010	4,895,299	-	-	-	-	-	-	-	-	4,895,299
Available-for-sale financial assets -Debt instruments	237,666,385	4,509,822	-	322,719	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	60,784,397	16,538,015	7,194,123	1,106,169	99,205,962	184,828,666	546	846	215	1,724	23,531	26,862	800,165	1,067,752	184,587,941
Bills discounted and loans	417,144,165	437,938,137	184,501,573	71,441,301	530,325,111	1,641,350,287	135,561	464,282	94,320	572,502	858,161	2,124,826	32,873,111	21,771,031	1,654,577,193
Reinsurance contract assets	3,292,129	-	-	-	-	3,292,129	-	-	-	-	-	-	13,297	11,489	3,293,937
Held-to-maturity financial assets-Debt instruments	182,954,478	657,951	50,000	-	748,804	184,411,233	-	-	-	-	-	-	-	-	184,411,233
Other assets	4,366,602	4,680,558	-	-	11,564,166	20,611,326	-	-	-	-	-	-	265,990	13,887	20,863,429
Total	$ 1,574,417,544	$ 512,690,282	$ 205,564,102	$ 76,459,223	$ 652,406,288	$3,021,537,439	$ 136,107	$ 465,128	$ 94,535	$ 574,226	$ 881,692	$ 2,151,688	$ 33,952,563	$ 22,865,479	$ 3,034,776,211

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.

Unit: In thousands of NT Dollars

	December 31, 2014				
	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	$ 12,000	$ 5,923	$ -	$ -	$ 17,923
Bills discounted and loans					
- Government	$ 220,000	$ -	$ -	$ -	$ 220,000
- Enterprise and commerce	2,612,564	-	-	-	2,612,564
- Individuals	1,272,887	3,984	-	-	1,276,871
Total	$ 4,105,451	$ 3,984	$ -	$ -	$ 4,109,435

	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	$ 17,991	$ 8,763	$ 66	$ 42	$ 26,862
Bills discounted and loans					
- Government	$ 57,850	$ -	$ -	$ -	$ 57,850
- Enterprise and commerce	297,585	-	-	-	297,585
- Individuals	1,765,183	4,208	-	-	1,769,391
Total	$ 2,120,618	$ 4,208	$ -	$ -	$ 2,124,826

c. The Group's provisions for doubtful accounts analysis of impaired loans

Unit: In thousands of NT Dollars

	December 31, 2014									
	Loans					Provisions for doubtful accounts				Provisions for doubtful accounts/ impaired Loans %
	Not impaired		Impaired							
	Individual assessment	Group assessment	Individual assessment	Group assessment	Total	Individual assessment	Group assessment	Total	Loans net amount	
ROC	$ -	$ 1,265,573,449	$ 16,435,386	$ 822,052	$ 1,282,830,887	$ 3,050,591	$ 13,426,330	$ 16,476,921	$ 1,266,353,966	95.48
Asia	-	294,618,816	679,520	-	295,298,336	198,311	3,139,199	3,337,510	291,960,826	491.16
North America	-	64,019,464	729,003	-	64,748,467	135,881	683,486	819,367	63,929,101	112.40
Others	-	112,462,438	574,175	-	113,036,613	106,229	1,180,005	1,286,234	111,750,378	224.01
Total	$ -	$ 1,736,674,167	$ 18,418,084	$ 822,052	$ 1,755,914,303	$ 3,491,012	$ 18,429,020	$ 21,920,032	$ 1,733,994,271	113.93

	December 31, 2013									
	Loans					Provisions for doubtful accounts				Provisions for doubtful accounts/ impaired Loans %
	Not impaired		Impaired							
	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	54,667,587	61.86
Others	-	107,492,921	2,333,627	-	109,826,548	340,149	1,101,630	1,441,779	108,384,768	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

(G) Foreclosed properties management policy

As of December 31, 2014 and 2013, other assets in the consolidated balance sheet include foreclosed properties' book value of MICB totaling $0 and $23,602, respectively. Foreclosed properties consist of 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, 2014				
			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		448,348	617,988,986	0.07%	8,068,491	1799.60%
	Unsecured loans		386,045	751,118,032	0.05%	9,650,444	2499.82%
Consumer banking	Residential mortgage loans (Note 4)		359,072	289,753,117	0.12%	3,147,343	876.52%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		749	11,115,192	0.01%	118,846	15867.29%
	Others (Note 6)	Secured loans	52,840	85,635,206	0.06%	931,650	1763.15%
		Unsecured loans	-	303,770	-	3,258	-
Gross loan business			1,247,054	1,755,914,303	0.07%	21,920,032	1757.75%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			7,592	4,300,701	0.18%	65,063	856.99%
Without recourse factoring (Note 7)			4,351	46,390,766	0.01%	695,914	15994.35%

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%

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, 2014	
	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)	$ 44	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	427	4,166
Total	$ 471	$ 4,166

	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

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, 2014		
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current period (%)
1	A Corporation– Railway transportation	65,643,609	30.00%
2	B Group – Petrochemical manufacturing	46,261,543	21.14%
3	C Group – LED panels and spare parts manufacturing	22,341,456	10.21%
4	D Group – Other financial intermediation not classified	22,086,806	10.10%
5	E Group – Steel and smelting	19,011,109	8.69%
6	F Group – General and other merchandise retailing	18,239,161	8.34%
7	G Group – Sea transportation	17,749,870	8.11%
8	H Group – Iron rolling and extruding	15,264,007	6.98%
9	I Group – Property develping	13,065,900	5.97%
10	J Group – Property leasing	12,806,994	5.85%

Unit: In thousands of NT Dollars, %

Year	December 31, 2013		
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current period (%)
1	A Corporation– Railway transportation	66,114,824	32.91%
2	B Group – Petrochemical manufacturing	49,052,575	24.42%
3	C Group – LED panels and spare parts manufacturing	30,106,092	14.99%
4	D Group – General and other merchandise retailing	26,821,440	13.35%
5	E Group – Steel and smelting	22,043,071	10.97%
6	F Group – Other financial intermediation not classified	22,013,826	10.96%
7	G Group – Iron rolling and extruding	14,247,185	7.09%
8	H Group – Sea transportation	13,610,786	6.78%
9	I Group – Other financial intermediation not classified	13,463,781	6.70%
10	J Group – LED Panels and spare parts manufacturing	13,376,209	6.66%

Note: (1) Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of the enterprise group should be categorized and listed in total, and disclosed by "code" plus "industry type" (for example, company (or group) A – Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group 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.

(2) Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

(3) Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptance receivable and guarantees.

d. Supplementary information in accordance with the "Regulations Governing the Procedures for Bills Finance Companies."

(a) The quality of assets

Item	December 31, 2014	December 31, 2013
Guarantees in arrear and guaranteed credits overdue for longer than three months	$ -	$ 77,000
Overdue credits (non-accrual loans are inclusive)	-	-
Loans under surveillance	-	354,000
Overdue receivables	-	-
Ratio of overdue credits (%)	-	-
Ratio of overdue credits plus ratio of loans under surveillance (%)	-	0.25
Provision for bad debts and guarantees as required by regulations	2,188,546	2,896,849
Provision for bad debts and guarantees actually reserved	2,411,870	3,018,804

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, 2014	December 31, 2013
Total guarantees and endorsement for short-term bills	$ 145,710,300	$ 142,710,000
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	4.92	4.75
Total bills and bonds sold under repurchase agreements	163,777,891	163,869,634
Bills and bonds sold under repurchase agreements / Net amount (after deducting final accounts allotment)	5.53	5.45

(c) Credit risk concentration

Item	December 31, 2014		December 31, 2013	
Amount of credit extensions to interested parties	$ 520,000		$ -	
Ratio of credit extensions to interested parties (%)(Note 1)	0.36		-	
Ratio of credit extensions secured by stocks (%)(Note 2)	20.32		20.04	
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount) (Note 3)	Industry	Ratio (%)	Industry	Ratio (%)
	Financial & Insurance	30.82	Financial & Insurance	30.95
	Manufacturing	26.84	Manufacturing	26.84
	Real estate	22.52	Real estate	21.94

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 on the payment obligations from financial instruments. For example, the Group may default on payment obligations, such as withdrawals paid to depositors and loans repayment. Or, the Group 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 may be penalized for violation of these regulations.

C. Financial assets and financial liabilities held for liquidity risk management maturity analysis

The table below lists analysis for cash inflow and outflow of the non-derivative and derivative 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.

(A) The Group's maturity analysis for non-derivative liabilities (Please refer to P. 91-92 of the Consolidated Financial Statements.)

(B) Structure analysis for maturity of derivative financial assets and liabilities (Settled by gross amount)

(Please refer to P. 93 of the Consolidated Financial Statements.)

(C) Structure Analysis for maturity of derivative financial assets and liabilities-NTD

(Please refer to P. 94 of the Consolidated Financial Statements.)

(D) Analysis for maturity leasing contractual commitments

(Please refer to P. 95 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 of subsidiary-Mega International Commercial Bank

(Please refer to P. 96 of the Consolidated Financial Statements)

(B) Maturity analysis of USD of subsidiary-Mega International Commercial Bank

(Please refer to P. 96 of the Consolidated Financial Statements)

(C) Maturity analysis of USD of subsidiary-overseas branches

(Please refer to P. 96 of the Consolidated Financial Statements)

E. Disclosure requirements in the "Regulations Governing the Procedures for Bills Finance Companies."

(Please refer to P. 97 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 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.

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 repricing gap analysis. The interest-rate repricing gap analysis is to estimate the difference between the assets and liabilities with interest bearing that are to be due near or repriced 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, 2014		
	USD	AUD	RMB
Assets			
Cash and cash equivalents	$ 60,703,362	$ 376,164	$ 90,005,818
Due from the Central Bank and call loans to banks	346,223,194	1,027,678	34,262,391
Financial assets at fair value through profit or loss	32,612,607	1,323,484	1,728,422
Available-for-sale financial assets	28,465,012	36,275,680	18,524,696
Receivables	85,055,655	2,231,788	59,748,754
Current income tax asset	-	63,155	389,900
Non-current assets held-for-sale	2,739	-	-
Bills discounted and loans	546,696,873	46,927,560	5,694,348
Reinsurance contract asset	158,746	-	
Held-to-maturity financial assets	9,312,755	1,517,779	3,156,426
Equity investments accounted for by the equity method	117,787	-	-
Other financial assets	469,417	-	176,389
Property and equipment	266,264	35,649	4,603
Intangible assets	2,031	194	6,883
Deferred income tax assets	270,708	-	3,745
Other assets	408,282	3,164	73,479
Total assets	$ 1,110,765,432	$ 89,782,295	$ 213,775,854

	December 31, 2014		
	USD	AUD	RMB
Liabilities			
Due to the Central Bank and financial institutions	$ 392,904,980	$ 4,534,188	$ 11,862,026
Funds borrowed from the Central Bank and other banks	48,563,838	-	-
Financial liabilities at fair value through profit or loss	22,767,993	59,393	3,986
Bills and bonds sold under repurchased agreements	22,700,318	28,339,158	203,349
Payables	14,925,300	240,373	1,303,170
Current income tax liabilities	158,589	56,062	51,745
Deposits and remittances	648,450,196	30,674,475	132,848,533
Other borrowings	31,663	-	-
Provisions for liabilities	467,374	12,009	-
Other financial liabilities	2,728,925	1,800,313	1,626,307
Deferred income tax liabilities	4,340	-	4,137
Other liabilities	3,374,045	118,443	1,945,265
Total liabilities	$ 1,157,077,561	$ 65,834,414	$ 149,848,518
On-balance sheet foreign exchange gap	($ 46,312,129)	$ 23,947,881	$ 63,927,336
Off-balance sheet commitments	$ 79,432,760	$ 1,107,562	$ 1,937,304
Exchange rates between NTD and foreign currency	$ 31.6630	$ 26.0017	$ 5.0971

UNIT：In thousands of NT Dollars, %

	December 31, 2013		
	USD	AUD	RMB
Assets			
Cash and cash equivalents	$ 73,026,199	$ 450,040	$ 64,965,732
Due from the Central Bank and call loans to banks	294,888,052	1,090,940	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
Non-current assets held-for-sale	2,576	-	-
Bills discounted and loans	506,763,584	38,970,850	6,330,993
Reinsurance contract asset	150,466	-	-
Held-to-maturity financial assets	14,656,422	623,875	2,991,539
Equity investments accounted for by the equity method	110,697	-	-
Other financial assets	559,292	217	60,504
Property and equipment	276,942	40,197	2,259
Intangible assets	497	898	1,270
Deferred income tax assets	316,458	-	5,591
Other assets	4,011,478	4,431	9,954
Total assets	$ 1,091,747,158	$ 75,060,586	$ 126,159,484
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
Current income tax liabilities	152,695	85,743	29,876
Deposits and remittances	589,644,035	28,037,823	99,937,827
Other borrowings	409,213	-	-

	December 31, 2013		
	USD	AUD	RMB
Provisions for liabilities	458,930	7,291	-
Other financial liabilities	3,180,514	1,368,167	1,085,971
Defered income tax liabilities	12,461	-	-
Other liabilities	(4,503,619)	81,465	315,376
Total liabilities	$ 1,035,877,626	$ 57,572,450	$ 123,654,142
On-balance sheet foreign exchange gap	$ 55,869,532	$ 17,488,136	$ 2,505,342
Off-balance sheet commitments	$ 63,308,625	$ 1,259,923	$ 57,566
Exchange rates between NTD and foreign currency	$ 29.7750	$ 26.5801	$ 4.9122

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, 2014 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%.	($ 242,639)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 3%	242,639	-
Interest rate risk	Major increases in interest rates 25BPS	(165,368)	(736,367)
Interest rate risk	Major decline in interest rates 25BPS	165,368	736,367
Equity securities risk	TAIEX declined by 2%.	(46,763)	(128,261)
Equity securities risk	TAIEX increased by 2%	46,763	128,261

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

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, 2014 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	517,544,862	793,633,242	5,458,866	21,875,492	1,338,512,462
Interest rate sensitive liabilities	531,933,123	577,848,161	40,867,077	41,273,642	1,191,922,003
Interest rate sensitive gap	(14,388,261)	215,785,081	(35,408,211)	(19,398,150)	146,590,459
Net worth					218,786,814
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					112.30%
Ratio of interest rate sensitivity gap to net worth					67.00%

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	1,189,789,093
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%

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, 2014 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	31,787,537	989,720	535,738	632,660	33,945,655
Interest rate sensitive liabilities	32,523,628	1,140,004	1,000,605	502,402	35,166,639
Interest rate sensitive gap	(736,091)	(150,284)	(464,867)	130,258	(1,220,984)
Net worth					626,391
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					96.53%
Ratio of interest rate sensitivity gap to net worth					-194.92%

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					471,893
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					104.28%
Ratio of interest rate sensitivity gap to net worth					304.93%

Notes: 1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch, contingent assets and liabilities are excluded.
2. Interest rate 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, 2014 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	127,688,112	5,095,742	4,094,060	72,633,243	209,511,157
Interest rate sensitivity liabilities	177,803,478	1,844,636	56,390	-	179,704,504
Interest-rate sensitivity gap	(50,115,366)	3,251,106	4,037,670	72,633,243	29,806,653
Net worth					33,135,319
Interest rate sensitivity assets and liabilities ratio					116.59
Interest rate sensitivity gap and net worth ratio					89.95

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	110,258,278	16,956,157	9,165,833	63,873,256	214,452,416
Interest rate sensitivity liabilities	169,923,391	1,656,762	246,881	-	185,128,634
Interest-rate sensitivity gap	(59,665,113)	15,299,395	8,918,952	63,873,256	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

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, 2014	
	Average amount (NT$)	Average interest rate(%)
Assets		
Cash and cash equivalents (Note)	$ 1,372,615	0.49
Financial assets at fair value through profit or loss	119,880,265	1.05
Bills and bonds purchased under resale agreements	4,483,507	0.58
Available-for-sale financial assets	79,494,841	1.85
Held-to-maturity financial assets	586,164	2.05
Liabilities		
Interbank call loans and overdrafts	16,448,556	0.50
Bonds and bills sold under repurchase agreements	160,809,529	0.56

	For the year ended December 31, 2013	
	Average amount (NT$)	Average interest rate(%)
Assets		
Cash and cash equivalents (Note)	$ 1,410,526	0.50
Financial assets at fair value through profit or loss	126,109,160	1.06
Bills and bonds purchased under resale agreements	1,988,602	0.63
Available-for-sale financial assets	73,379,774	2.00
Held-to-maturity financial assets	500,000	2.04
Liabilities		
Interbank call loans and overdrafts	18,390,808	0.47
Bonds and bills sold under repurchase agreements	157,206,596	0.62

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. Accident insurance

The accident 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, 2014 and 2013, through the premium income and self-retained premium of fire insurance and engineering insurance premium income (fire insurance and engineering insurance), insurance risk concentration situation are as follows:

Type	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Premium Income	Self-retained Premium	Premium Income	Self-retained Premium
Fire insurance	$ 721,587	$ 271,238	$ 752,010	$ 219,178
Engineering insurance	385,793	171,212	471,869	217,469

(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, 2014 and 2013. The results are as follows:

Type	December 31, 2014			
	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	$ 52,575	$ 16,581	$ 52,575	$ 16,581
Marine Insurance	37,039	9,578	37,039	9,578
Automobile Insurance	132,211	104,216	132,211	104,216
Accident Insurance	102,518	37,516	102,518	37,516
Injury Insurance	19,523	14,552	19,523	14,552
Offshore Branches	6,480	6,399	6,480	6,399

For the year ended December 31, 2014, the sensitivity test adopts self-retained maturity premium as basis and the effects of 5% increase or decrease of final loss rate to the subsidiary's income and losses.

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

For the year ended December 31, 2013, the sensitivity test adopts self-retained maturity premium as basis and the effects of 5% increase or decrease of final loss rate to the subsidiary's income and losses.

(4) As of December 31, 2014 and 2013, the subsidiary's claim development trend is as follows:

A. Accumulative claim amounts (Before reinsurance ceding)

Unit: In thousands of NT Dollars

Year of Accident	December 31, 2014										
	Day of evaluation										
	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.12.31	2014.12.31	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	16,670,524	16,670,524	16,366,044	304,480		
2010		3,609,724	3,515,512	3,347,358	3,324,839	3,326,388	3,326,388	3,215,923	110,465		
2011			1,824,491	2,069,938	2,051,558	2,029,595	2,029,595	1,927,971	101,624		
2012				2,281,266	2,591,799	2,512,009	2,512,009	2,236,032	275,977		
2013					1,973,722	2,347,007	2,347,007	1,954,257	392,750		
2014						2,404,641	2,404,641	1,421,491	983,150		
Total							29,290,164	27,121,718	2,168,446	1,025,862	3,194,308

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	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	135,718		
2011			1,824,491	2,069,938	2,051,385	2,051,385	1,881,723	169,662		
2012				2,281,266	2,591,177	2,591,177	2,020,604	570,573		
2013					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

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 reinsurance ceding)

Unit: In thousands of NT Dollars

December 31, 2014											
	Day of evaluation										
Year of Accident	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.12.31	2014.12.31	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	11,193,999	11,193,999	11,109,068	84,931		
2010		1,397,312	1,626,786	1,678,008	1,665,535	1,676,824	1,676,824	1,633,079	43,745		
2011			1,114,786	1,466,969	1,526,450	1,504,982	1,504,982	1,443,231	61,751		
2012				1,346,822	1,664,766	1,682,419	1,682,419	1,566,754	115,665		
2013					1,322,491	1,654,907	1,654,907	1,406,131	248,776		
2014						1,411,247	1,411,247	938,678	472,569		
Total							19,124,378	18,096,941	1,027,437	617,812	1,645,249

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	1,665,535	1,665,535	1,610,402	55,133		
2011			1,114,786	1,466,969	1,526,450	1,526,450	1,387,624	138,826		
2012				1,346,822	1,664,766	1,664,766	1,405,463	259,303		
2013					1,322,491	1,322,491	853,793	468,698		
Total						17,458,769	16,309,651	1,149,118	508,262	1,657,380

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, 2014	Book value	Below 1 year	From 1 year to 5 years
Indemnity	$ 3,194,308	$ 2,948,607	$ 245,701

December 31, 2013	Book value	Below 1 year	From 1 year to 5 years
Indemnity	$ 3,068,474	$ 2,440,355	$ 628,119

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, 2014				
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
Compulsory insurance	$ 399,464	$ 100,334	$ 110,838	$ 388,960
Non-compulsory insurance	5,882,719	503,211	2,996,050	3,389,880
Total	$ 6,282,183	$ 603,545	$ 3,106,888	$ 3,778,840

For the year ended December 31, 2014			
Type	Provision of reserve for Unearned premiums (5)	Reserve released for Unearned premiums (6)	Gross premiums (7)=(4)-(5)+(6)
Compulsory insurance	$ 154,018	$ 160,082	$ 395,024
Non-compulsory insurance	1,849,978	1,841,931	3,381,833
Total	$ 2,003,996	$ 2,002,013	$ 3,776,857

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)
Compulsory insurance	$ 408,041	$ 100,421	$ 113,747	$ 394,715
Non-compulsory insurance	5,911,573	559,716	3,143,846	3,327,443
Total	$ 6,319,614	$ 660,137	$ 3,257,593	$ 3,722,158

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)
Compulsory insurance	$ 160,082	$ 164,108	$ 398,741
Non-compulsory insurance	1,841,931	1,821,026	3,306,538
Total	$ 2,002,013	$ 1,985,134	$ 3,705,279

The subsidiaries had no premium income from compulsory insurance in Guam and $672,441 and $675,069 from non-compulsory insurance for the years ended December 31, 2014 and 2013, respectively.

B. Details of calculation of net claims are as follows:

	For the year ended December 31, 2014			
Type	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
Compulsory insurance	$ 373,875	$ 107,615	$ 146,963	$ 334,527
Non-compulsory insurance	2,517,119	328,232	987,687	1,857,664
Total	$ 2,890,994	$ 435,847	$ 1,134,650	$ 2,192,191

	For the year ended December 31, 2013			
Type	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
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

C. Details of balance, provisions and reserve released for unearned premiums are as follows:

	For the year ended December 31, 2014			
Compulsory automobile liability insurance for car	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$ 147,375	$ 149,060	($ 147,375)	$ 149,060
Reserve for catastrophic losses	(1,093)	-	(179,671)	(180,764)
Reserve for outstanding losses (Note)	149,902	292,696	(149,902)	292,696
Total	$ 296,184	$ 441,756	($ 476,948)	$ 290,992

	For the year ended December 31, 2014			
Compulsory automobile liability insurance for motorcycle	Beginning balance	Provision of reserve for unearned premiums	Reserve released for unearned premiums	Ending balance
Reserve for unearned premiums	$ 77,935	$ 67,316	($ 77,935)	$ 67,316
Reserve for catastrophic losses	362,750	-	(7,362)	355,388
Reserve for outstanding losses (Note)	22,756	57,428	(22,756)	57,428
Total	$ 463,441	$ 124,744	($ 108,053)	$ 480,132

	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
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

	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
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	22,756	(21,415)	22,756
Total	$ 457,303	$ 115,991	($ 109,853)	$ 463,441

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, 2014	December 31, 2013
Assets		
Cash and bank deposits	$ 496,544	$ 565,258
Premiums receivable	35,250	39,580
Claims recoverable from Reinsurers	49,248	35,936
Due from Reinsurers and Ceding Companies	15,504	16,691
Ceded unearned premium reserve	62,358	65,228
Ceded claims reserve	102,028	54,626
Temporary payments	74	249
Total	$ 761,006	$ 777,568
Liabilities		
Due to Reinsurers and Ceding Companies	$ 18,282	$ 17,583
Unearned premium reserve	216,376	225,310
Reserve for Outstanding Losses	350,124	172,658
Reserve for Catastrophic Losses	174,624	361,657
Temporary receipts	1,600	360
Total	$ 761,006	$ 777,568

E. Details of costs and revenues relating to compulsory automobile liability insurance:

	For the years ended December 31,	
	2014	2013
Operating revenues		
Direct written premiums	$ 277,098	$ 284,366
Reinsurance premiums	100,334	100,421
Less: Reinsurance premiums ceded	(110,838)	(113,747)
Net change in reserve for unearned premiums	6,064	4,027
Net premiums written	272,658	275,067
Interest income	4,900	5,792
Total	$ 277,558	$ 280,859
Operating costs		
Claims incurred	$ 481,490	$ 479,475
Less: Claims recovered from reinsurers	(146,963)	(144,750)
Net claims	334,527	334,725
Net change in reserve for claims	130,064	11,929
Net change in special reserve	(187,033)	(65,795)
Total	$ 277,558	$ 280,859

F. Net premiums

For the years ended December 31, 2014 and 2013, net premiums of the respective insurances are as follows:

Unit: In thousands of NT Dollars

Items	For the years ended December 31,	
	2014	2013
General fire insurance	$ 1,200,000	$ 1,100,000
Fire & allied perils insurance	1,200,000	1,100,000
Marine cargo insurance	200,000	200,000
Marine hull insurance	200,000	200,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	USD 10,000 thousands	USD10,000 thousands
Engineering insurance	1,200,000	1,000,000
Money insurance	500,000	400,000
Motor physical damage insurance	100	6,500
Motor third party liability insurance	100,000	75,000
Motor passengers liability insurance	100,000	75,000
Compulsory automobile liability insurance for motorcycle	3,000	2,200
Car driver injury insurance	30,000	30,000
Driver injury insurance	3,000	2,200
Liability insurance	200,000	200,000
Fidelity surety bond	50,000	50,000
Engineering surety bond	200,000	200,000
Bankers' surety bond	500,000	500,000
Other insurance	200,000	200,000
Other credit and surety bond	120,000	120,000
Nuclear energy insurance	300,000	300,000
Group accident insurance	20,000	20,000
Personal accident insurance	20,000	20,000
Travel accident insurance	20,000	20,000

G. Unqualified 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 the following insurance companies and insurance agents. 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
Wills Taiwan	Fire & allied perils insurance
Asia Capital Reinsurance Group	Fire insurance
First Capital Insurance Limited	Fire insurance
Willis Re	Marine hull insurance
Asian Re Bangkok	Marine hull and cargo insurance
Best Re (L) Limited	Engineering insurance, cargo insurance, hull insurance, injury insurance, liability insurance, and fire insurance

(B) The unqualified reinsurance expense was $58,096 and $107,068 for the years ended December 31, 2014 and 2013, respectively.

(C) As of December 31, 2014 and 2013, the unqualified reinsurance reserves are unearned premium reserve. Details are set forth as below:

	December 31, 2014	December 31, 2013
Unearned premium reserve	$ 29,048	$ 53,534
Reported but not paid ceded reserve	9,734	21,905
Claims recoverable from reinsurers	6,421	2,077

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 dequacy 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, 2014

Unit: In thousands of NT Dollars

	Ownership percentage held by the Company		Eligible capital		Minimum capital
The Company	100.00%		$ 261,008,292		$ 284,001,160
MICB	100.00%		246,656,769		167,851,387
MS	100.00%		12,051,480		3,752,892
MBF	100.00%		28,548,890		16,506,631
CKI	100.00%		6,290,905		1,802,296
MITC	100.00%		862,076		427,864
MAM	100.00%		2,757,557		5,619,304
Mega Life Insurance Agency	100.00%		217,608		151,517
Mega Venture Capital	100.00%		733,615		368,478
Deduction item			(289,378,370)		(276,634,930)
Subtotal		(A)	$ 269,748,822	(B)	$ 203,846,599
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)				(C)	132.33%

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%

B. As of December 31, 2014 and 2013, the financial holding's net eligible capital

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

Item	December 31, 2014	December 31, 2013
Common stocks	$ 124,498,240	$ 124,498,240
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
Capital collected in advance	-	-
Additional paid-in capital	55,270,198	55,271,623
Legal reserve	24,469,127	22,220,204
Special reserve	2,547,719	2,547,719
Accumulated earnings	50,873,327	36,766,912
Equity adjustment number	3,362,257	100,838
Less: goodwill	3,927	5,925
deferred assets	8,649	8,939
treasury stocks	-	-
Total net eligible capital	$ 261,008,292	$ 242,590,672

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)	Director of the Company
Bank of Taiwan (BOT)	Director of the Company
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 Integrated Shareholder Service Company (Taiwan Integrated Shareholder)	Taiwan Integrated Shareholder's chairman is also the chairman of MS(Note 1)
International Bills Finance Corporation (IBF)	The Company's subsidiary is the supervisor of IBF's parent (Waterland Financial Holdings) (Note 2)
Other related parties	The Company's and subsidiary's directors, supervisors, managers, their relatives, associated companies and related parties in substance

Note 1: The former chairman of the board of MS, OO Chien, resigned from the chairmanship on April 30, 2014.
Note 2: MICB resigned from supervisorship on June 20, 2014. MICB is no longer IBF's related party.

(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, 2014	December 31, 2013
Others (individual amounts accounting for less than 10% of the total amount)	$ 6,894,895	$ 7,713,290

B. Loans

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

	December 31, 2014	December 31, 2013
Others (individual amounts accounting for less than 10% of the total amount)	$ 150,161	$ 160,428

C. Bank deposits

	December 31, 2014	December 31, 2013
Chunghwa Post	$ 3,498	$ 2,913,531
BOT	249,137	40,352
Total	$ 252,635	$ 2,953,883

D. Refundable deposits

Collaterals		December 31, 201	December 31, 2013
BOT	Available-for-sale financial assets - government bonds	$ 91,010	$ 96,051

E. Purchases of securities and bonds

	For the years ended December 31,	
	2014	2013
Chunghwa Post	$ -	$ 49,991

F. Sales of securities and bonds

	For the years ended December 31,	
	2014	2013
BOT	$ 13,295,718	$ 141,362,479
Chunghwa Post	101,367,030	23,206,243
Total	$ 114,662,748	$ 164,568,722

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, 2014	December 31, 2013
BOT	$ -	$ 509,568
Others	10,000	10,000
Total	$ 10,000	$ 519,568

H. Transactions with other financial institutions

(A) Due from banks/call loans to banks

	December 31, 2014	December 31, 2013
IBFC	$ -	$ 720,000
BOT	3,641,074	151,174
Total	$ 3,641,074	$ 871,174

(B) Overdraft on banks

	December 31, 2014	December 31, 2013
Chunghwa Post	$ 2,924,041	$ 2,792,531
BOT	6,784,399	4,973,660
Total	$ 9,708,440	$ 7,766,191

I. Commercial paper payable

Institutions of guarantee or acceptance	December 31, 2014	December 31, 2013
BOT	$ -	$ 500,000
IBFC	-	100,000
Total	$ -	$ 600,000

J. Collaterals

Collaterals		December 31, 2014	December 31, 2013
BOT	Financial assets at fair value through profit or loss - negotiable certificate of deposits	$ 701,202	$ 700,855
	Available-for-sale financial assets –bonds	2,017,450	2,022,441
	Total	$ 2,718,652	$ 2,723,296

K. Loans

December 31, 2014

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	17	$ 11,832	$ 9,288	V		None	None
Home mortgage loans	64	554,406	469,949	V		Real estate	None
Other loans	2	194,777	106,777	V		Real estate	None

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

L. Interest revenue

	For the years ended December 31,			
	2014		2013	
	NT$	% of the Account	NT$	% of the Account
BOT	$ 2,348	-	$ 445	-
IBF	1,708	-	853	-
Total	$ 4,056	-	$ 1,298	-

M. Interest expense

	For the years ended December 31,			
	2014		2013	
	NT$	% of the Account	NT$	% of the Account
BOT	$ 18,566	0.10	$ 17,400	0.11
Chunghwa Post	42,993	0.22	6,365	0.04
Total	$ 61,559	0.32	$ 23,765	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,			
	2014		2013	
	NT$	% of the Account	NT$	% of the Account
BOT	$ 1,450	0.04	$ 5,960	0.16
Chunghwa Post	20,313	0.53	38,777	1.07
Total	$ 21,763	0.57	$ 44,737	1.23

O. Information on remunerations to the Company's key management:

	For the years ended December 31,	
	2014	2013
Salaries and other short-term employee benefits	$ 349,614	$ 290,773
Post-employment benefits	16,805	15,759
Termination benefits	381	-
Total	$ 366,800	$ 306,532

P. Guarantees: None.

Q. Disposal of non-performing loans

MICB hold an auction on June 19, 2013 for the non-performing loans, and signed a contract amounting to $58,592 with Mega Asset on July 15, 2013. As of December 31, 2013 the following table shows the details of non-performing loans:

Loan component			Loan amount	Carrying amount	Allocation of sale price
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 sale price of $58,592 thousand has not been deducted the amount of $154 thousand for service fees paid to Taiwan Financial Asset Service Corporation. As of December 31, 2014, contract prices above have been fully collected.

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, 2014 and 2013, were $165,299 and $157,788, respectively.

(B)CKI paid the commission and agent fee to BOT for the years ended December 31, 2014 and 2013, that were $0 and $815, respectively. As of December 31, 2014 and 2013, the commission payables were $(3) and $(4), 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, 2014 and 2013, expenditure on operations and labor outsourcing expected to be paid to Yung-Shing Industries Co. in accordance with arrangement were $113,773 and $110,847, respectively.

12. PLEDGED ASSETS

Asset	Carrying amount	
	December 31, 2014	December 31, 2013
Financial assets at fair value through profit or loss	$ 22,668,190	13,037,071
Available-for-sale financial assets	60,059,833	58,553,370
Held-to-maturity financial assets	5,792,213	15,567,800
Other financial assets	601,501	1,013,469
Real estate and equipment	2,480,951	2,446,080
Investment property	1,142,576	1,677,541
Other assets	95,083	471,106
	$ 92,840,347	92,766,437

13. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The subsidiaries-MICB

A. As of December 31, 2014 and 2013, MICB and its subsidiaries' commitments and contingent liabilities were as follows:

	December 31, 2014	December 31, 2013
Irrevocable arranged financing limit	$ 115,658,648	$ 90,635,382
Securities sold under repurchase agreement	56,947,979	46,596,837
Securities purchased under resale agreement	4,346,010	5,453,309
Credit card line commitments	54,883,681	51,643,171
Guarantees issued	229,194,324	240,137,712
Accrued guarantees issued	8,354	-
Letters of credit	64,938,712	65,867,775
Customers' securities under custody	198,411,865	161,168,597
Properties under custody	3,448,120	3,652,655
Guarantee received	69,516,039	98,579,573
Collections for customers	108,844,402	114,979,754
Agency loans payable	1,669,033	2,137,668
Travelers' checks consigned-in	1,896,997	1,925,922
Gold coins consigned-in	453	455
Payables on consignments-in	2,598	2,697
Agent for government bonds	121,688,800	113,285,000
Short-dated securities under custody	47,405,741	74,463,314
Investments for customers	179,661	179,661
Trust liability	511,407,300	482,057,232
Certified notes paid	7,855,405	7,497,880
Exposures	2,747,150	3,525,614

B. In order to successfully recover the distributable debt to be pursued from HUALON's joint credit to improve the social stability, on November 7, 2014, the Board of Directors of the subsidiary of the bank has resolved to donate $220,844 to the Ministry of Labor in the name of the subsidiary. The amount was donated as a source for pension or severance pay for HUALON's terminated employees and was donated to enable the court to execute distribution of debt recovery and the corporate social responsibility. The donation was executed after the Company's shareholders have been reported. The subsidiary of the bank made the donation after receiving the distribution approved by the court.

(2) The subsidiaries-MBF

As of December 31, 2014 and 2013, the Company's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2013	
	December 31, 2014	December 31, 2013
Bills and bonds bought under resale agreements	$ 9,805,054	$ 1,966,157
Bills and bonds sold under repurchase agreements	163,777,891	163,869,633
Guarantees for commercial papers	145,710,300	142,710,000
Buy fixed rate commercial paper	7,570,000	4,406,000
Sell fixed rate commercial paper	-	600,000
Buy index rate commercial paper	21,360,000	27,660,000
Sell index rate commercial paper	1,650,000	1,150,000

(3) 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.

(4) The subsidiaries-CKI

A. Contingencies

As of December 31, 2014, 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, 2014 and 2013, the letters of credit that had been issued by CKI for reinsurance business but had not been used amounted to US$272 thousand dollar and US$28 thousand dollar, respectively.

(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. 126-131 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, 2014:

The promotion bonus paid to other subsidiaries by MITC and MICB amounted to $26,500 thousand and $2,980 thousand, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by $526,420 thousand for CKI; $19,100 thousand for MICB; $129,720 thousand for MITC; and $3,530 thousand for MBF.

For the year ended December 31, 2013:

The promotion bonus paid to other subsidiaries by MITC and MICB amounted to $25,390 thousand and $2,670 thousand, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by $550,830 thousand for CKI; $16,030 thousand for MICB; $140,120 thousand for MITC; and $2,830 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, 2014
(Expressed in Thousands of NT Dollars)

Items	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	$ 35,289,251	$ 96,876	$ 553,109	$ 875,874	($ 140,930)	$ 36,674,180
Revenues other than interest, net	15,127,471	1,185,300	2,801,286	2,501,129	2,215,601	23,830,787
Net revenue	50,416,722	1,282,176	3,354,395	3,377,003	2,074,671	60,504,967
Bad debt expense and provisions for guarantee reserve	(2,249,430)	-	660,965	-	-	(1,588,465)
Provisions for insurance reserve	-	207,527	-	-	-	207,527
Operational expenses	(18,492,977)	(989,455)	(741,068)	(2,559,189)	(1,012,514)	(23,795,203)
Income before Income Tax from Continuing Operations	29,674,315	500,248	3,274,292	817,814	1,062,157	35,328,826
Income tax expense	(4,271,482)	(158,423)	(426,465)	(41,123)	(191,616)	(5,089,109)
Consolidated Net Income from Continuing Operations	$ 25,402,833	$ 341,825	$ 2,847,827	$ 776,691	$ 870,541	$ 30,239,717

Financial information by business segments
For the year ended December 31, 2013
(Expressed in Thousands of NT Dollars)

Items	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	$ 30,197,304	$ 90,163	$ 440,886	$ 757,167	($ 209,393)	$ 31,276,127
Revenues other than interest, net	15,539,789	1,095,418	3,093,034	2,040,530	1,963,570	23,732,341
Net revenue	45,737,093	1,185,581	3,533,920	2,797,697	1,754,177	55,008,468
Bad debt expense and provisions for guarantee reserve	(5,454,163)	-	177,739	-	-	(5,276,424)
Provisions for insurance reserve	-	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: The amounts were 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	2014	2013	%	LIABILITIES AND EQUITY	2014	2013	%
Assets				Liabilities			
Cash and cash equivalents	$ 27,368	$ 1,044,333	(97.38)	Commercial paper payable, net	$ 2,549,078	$ -	-
Receivables, net	463	-	-	Payables	13,264,258	11,975,327	10.76
Current income tax assets	630,319	630,319	-	Current income tax liabilities	1,385,649	121,298	1,042.35
Available-for-sale financial assets	5,849,267	5,550,855	5.38	Bonds payable	6,000,000	11,998,677	(49.99)
Equity investments accounted for under the equity method	276,634,930	256,786,037	7.73	Other borrowings	400,000	-	-
				Provisions for liabilities	45,931	52,431	12.40
Other financial assets	758,293	758,293	-	Deferred tax liabilities	3,500	2,168	61.44
Property and equipment	757,220	771,442	(1.84)	Other liabilities	2,139	2,086	2.54
Deferred tax assets	7,737	7,737	-	Total liabilities	23,650,555	24,151,987	(2.08)
Other assets	5,826	8,507	(31.52)				
				Equity			
				Common stock	124,498,240	124,498,240	-
				Capital surplus	55,270,198	55,271,623	-
				Retained earnings			
				Legal reserve	24,469,127	22,220,204	10.12
				Special reserve	2,547,719	2,547,719	-
				Unappropriated retained earnings	50,873,327	36,766,912	38.37
				Other equity interest	3,362,257	100,838	-
				Total equity	261,020,868	241,405,536	8.13
TOTAL ASSETS	$284,671,423	$265,557,523	7.20	TOTAL LIABILITIES AND EQUITY	$284,671,423	$265,557,523	7.20

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)

	2014	2013
Revenues		
Interest income	$ 36,517	$ 4,732
Financial assets and liabilities at fair value through profit or loss	-	1,200
Share of profit of associates and joint ventures accounted for under equity method	30,851,743	23,768,937
Other revenue except for interest income	32,244	6,895
Total revenue	30,920,504	23,781,764
Expenses and losses		
Interest expense	(216,569)	(290,181)
Foreign exchange loss	(2)	(4)
Employee benefit expense	(286,218)	(229,477)
Depreciation and amortization expense	(17,549)	(19,055)
Other business and administrative expenses	(101,071)	(88,166)
Total expenses and losses	(621,409)	(626,883)
Income before Income tax from continuing operations	30,299,095	23,154,881
Income tax expense	(40,431)	(665,649)
Net Income	30,258,664	$ 22,489,232
Other comprehensive income		
Unrealized gain (loss) on valuation of available-for-sale financial assets	298,412	407,687
Actuarial gain on defined benefit plan	7,835	6,716
Share of other comprehensive income of associates and joint ventures accounted for under equity method	2,872,482	(948,198)
Income tax relating to the components of other comprehensive income	(1,332)	(1,142)
Other comprehensive loss for the period, after income tax	3,177,397	(534,937)
Total comprehensive income for the period	$ 33,436,061	$ 21,954,295
Earnings Per Share (in dollars)		
Basic Earnings Per Share (in dollars)	$ 2.43	$ 1.96
Diluted Earnings Per Share (in dollars)	$ 2.43	$ 1.96

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

			Retained earnings			Other equity interest		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statement	Unrealized gain on available-for-sale financial assets	Total
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)
Special reserve reversed for the sale of land	-	-	-	(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)
Share-base payment transactions	-	346,353	-	-	-	-	-	346,353
Issuance of common stock	10,000,000	11,500,000	-	-	-	-	-	21,500,000
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
2014								
Balance, January 1, 2014	$ 124,498,240	$ 55,271,623	$ 22,220,204	$ 2,547,719	$ 36,766,912	($ 901,379)	$ 1,002,217	$ 241,405,536
Earnings distribution for 2013								
Legal reserve	-	-	2,248,923	-	(2,248,923)	-	-	-
Cash dividends	-	-	-	-	(13,819,304)	-	-	(13,819,304)
Changes in capital surplus of associates and joint ventures accounted for under equity method	-	(1,425)	-	-	-	-	-	(1,425)
Profit for the year	-	-	-	-	30,258,664	-	-	30,258,664
Other comprehensive income for the year	-	-	-	-	(84,022)	1,506,861	1,754,558	3,177,397
Balance, December 31, 2014	$ 124,498,240	$ 55,270,198	$ 24,469,127	$ 2,547,719	$ 50,873,327	$ 605,482	$ 2,756,775	$ 261,020,868

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2014	2013
Cash Flows from Operating Activities		
Profit before tax	$ 30,299,095	$ 23,154,881
Adjustments to reconcile profit before tax to net cash provided by operating activities:		
Operating activities:		
Income and expenses having no effect on cash flows		
Depreciation	14,997	15,535
Amortization	2,552	3,520
Interest expense	216,569	290,181
Interest revenue	(36,517)	(4,732)
Dividend income	(30,363)	(1,531)
Share of profit of associates accounted for under equity method	(30,851,743)	(23,768,937)
Share based payment transaction	-	2,054
Changes in assets/liabilities relating to operating activities		
Changes in assets relating to operating activities:		
(Increase) decrease in receivables	(463)	158
Decrease (increase) in other assets	393	(4,015)
Changes in liabilities relating to operating activities:		
Decrease in financial liabilities at fair value through profit or loss	-	(1,200)
(Increase) decrease in payables	44,726	(16,801)
Increase in provisions for liabilities	1,335	2,637
(Decrease) increase in other liabilities	53	(171)
Cash flow generated from operations	(339,366)	(328,421)
Interest receiving	36,517	4,732
Interest paid	(216,168)	(322,655)
Income tax receiving (paid)	1,223,921	(1,693,890)
Cash dividend received	13,904,269	13,154,143
Net cash provided by operations	14,609,173	10,813,909
Cash Flows from Investing Activities		
Acquisition of equity investments accounted for under the equity method	-	(15,000,000)
Acquisition of property and equipment	(775)	(3,058)
Acquisition of intangible assets	(263)	-
Net cash used in investing activities	(1,038)	(15,003,058)
Cash Flows from Financing Activities		
Increase (decrease) in commercial papers payable	2,550,000	(882,000)
Decrease in bonds payable	(6,000,000)	(4,100,000)
Increase in other loans	400,000	-
Payments of cash dividends and bonus	(12,575,100)	(11,361,810)
Proceeds from issuance of common stock	-	21,500,000
Net cash (used in) provided by financing activities	(15,625,100)	5,156,190
Net cash used in financing activities		
Net (decrease)increase in cash and cash equivalents	(1,016,965)	967,041
Cash and cash equivalents at beginning of year	1,044,333	77,292
Cash and cash equivalents at end of year	$ 27,368	$ 1,044,333

Financial Information

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	Liabilities	2014	2013
Cash and cash equivalents	$ 161,954,100	$ 151,583,517	Due to Central Bank and financial institutions	$ 459,095,355	$ 469,353,313
Due from the Central Bank and call loans to banks	466,115,473	392,015,822	Funds borrowed from the Central Bank and other banks	53,434,282	32,126,690
Financial assets at fair value through profit or loss, net	43,670,656	44,465,678	Financial liabilities at fair value through profit or loss	27,344,357	13,861,683
Bills and bonds purchased under resale agreements	5,850,332	5,451,889	Bills and bonds sold under repurchase agreements	50,189,662	46,532,108
Receivables, net	170,898,252	159,402,685	Payables	35,856,882	39,006,223
Current income tax asset	522,877	-	Current income tax liabilities	7,249,595	5,089,815
Bills discounted and loans, net	1,713,988,141	1,637,338,871	Deposits and remittances	2,024,967,933	1,924,879,674
Available-for-sale financial assets, net	187,345,276	184,449,844	Financial bonds payable	50,200,000	43,900,000
Held-to-maturity financial assets, net	161,087,026	181,831,669	Other financial liabilities	9,021,046	8,448,409
Investments accounted for under equity method, net	9,076,206	8,699,321	Provisions for liabilities	10,118,806	10,507,616
Other financial assets, net	13,649,219	13,287,945	Deferred tax liabilities	2,143,376	2,037,961
Property and equipment, net	14,466,078	14,484,955	Other liabilities	9,531,053	7,650,254
Investment property, net	671,195	673,875	Total liabilities	2,739,152,347	2,603,393,746
Deferred tax assets	3,595,475	3,402,761	**Equity**		
Other assets, net	5,048,855	7,174,039	Capital stock	77,000,000	77,000,000
			Capital surplus	46,498,007	46,499,431
			Retained earnings	92,498,943	77,709,261
			Other equity interest	2,789,864	(339,567)
			Total equity	218,786,814	200,869,125
TOTAL ASSETS	$ 2,957,939,161	$ 2,804,262,871	TOTAL LIABILITIES AND EQUITY	$ 2,957,939,161	$ 2,804,262,871

EGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	**Liabilities**	2014	2013
Current assets	$ 43,900,722	$ 41,004,836	Current liabilities	$ 34,814,379	$ 32,402,443
Financial assets measured at cost - non-current	322,353	365,789	Provisions for liabilities –non-current	109,734	93,891
Investments accounted for under equity method	921,877	939,584	Deferred tax liabilities	8,364	6,005
Property and equipment	2,655,106	2,629,126	Other liabilities-non-current	8,935	9,465
Investment property	515,688	519,332	Total liabilities	34,941,412	32,511,804
Intangible assets	63,569	30,111			
Deferred tax assets	61,940	53,991	**Equity**		
Other assets-non-current	1,147,754	1,133,392	Capital stock	11,600,000	11,600,000
			Capital surplus	971,161	971,161
			Retained earnings	2,192,165	1,615,953
			Other equity interest	(115,729)	(22,757)
			Total equity	14,647,597	14,164,357
TOTAL ASSETS	$ 49,589,009	$ 46,676,161	TOTAL LIABILITIES AND EQUITY	$ 49,589,009	$ 46,676,161

MEGA BILLS FINANCE CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	**Liabilities**	2014	2013
Cash and cash equivalents	$ 444,266	$ 544,617	Interbank overdraft and call loans	$ 15,926,613	$ 21,259,000
Financial assets at fair value through profit or loss	117,026,616	133,085,711	Financial liabilities at fair value through profit or loss	411	1,352
Available-for-sale financial assets, net	83,333,880	80,127,802	Bills and bonds sold under repurchase agreements	163,777,891	163,869,633
Bills and bonds purchased under resale agreements	9,805,054	1,966,157	Payables	502,801	809,067
Receivables, net	1,004,365	1,072,383	Current income tax liabilities	74,713	124,310
Held-to-maturity financial assets, net	850,000	500,000	Provisions for liabilities	2,774,969	3,282,308
Other financial assets, net	802,252	1,303,700	Deferred tax liabilities	790	-
Property and equipment, net	370,378	362,205	Other liabilities	116,541	179,788
Investment property, net	2,549,752	2,560,415	Total liabilities	183,174,729	189,525,458
Intangible assets, net	2,886	3,303	**Equity**		
Deferred tax assets, net	95,088	89,030	Capital stock	13,114,411	13,114,411
Other assets, net	25,511	27,647	Capital surplus	320,929	320,929
			Retained earnings	18,597,142	17,386,645
			Other equity interest	1,102,837	1,295,527
			Total equity	33,135,319	32,117,512
TOTAL ASSETS	$ 216,310,048	$ 221,642,970	TOTAL LIABILITIES AND EQUITY	$ 216,310,048	$ 221,642,970

CHUNG KUO INSURANCE CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	Liabilities	2014	2013
Cash and cash equivalents	$ 6,425,232	$ 6,238,054	Payables	$ 1,318,694	$ 1,383,318
Receivables, net	961,442	1,016,148	Current income tax liabilities	98,745	72,317
Current income tax assets	230,584	180,929	Financial liabilities at fair value through		
Assets held-for-sale	2,739	2,576	profit or loss	1,848	3,236
Available-for-sale financial assets	45,384	1,476,911	Insurance liabilities	7,967,465	8,157,828
Financial assets measured at cost	1,527,434	-	Provisions for liabilities	262,882	266,038
Investment in bonds without active markets	100,000	-	Deferred tax liabilities	10,581	3,270
Held-to-maturity financial assets, net	252,883	802,619	Other liabilities	132,791	130,726
Investments accounted for under equity method	801,623	15,545	Total liabilities	9,793,006	10,016,733
Other financial assets	13,494	249,215			
Investment property	323,673	328,451	**Equity**		
Reinsurance contracts assets	3,217,685	3,293,937	Capital stock	$ 3,000,000	$ 3,000,000
Property and equipment	844,360	857,512	Capital surplus	1,084,811	1,084,811
Intangible assets	32,342	17,424	Retained earnings	1,564,766	1,181,528
Deferred tax assets	51,523	50,761	Other equity interest	(890)	(119,733)
Other assets	611,295	633,257	Total equity	5,648,687	5,146,606
TOTAL ASSETS	$ 15,441,693	$ 15,163,339	TOTAL LIABILITIES AND EQUITY	$ 15,441,693	$ 15,163,339

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	Liabilities	2014	2013
Current assets	$ 491,168	$ 312,529	Current liabilities	$ 39,793	$ 42,282
Available-for-sale financial assets, net	262,829	114,368	Liabilities-non-current	20,403	15,909
Property and equipment	2,960	4,314	Total liabilities	60,196	58,191
Investment property	112,601	113,264	**Equity**		
Intangible assets	135	287	Capital stock	527,000	527,000
Deferred tax assets	20,001	75,276	Capital surplus	3,675	3,675
Other assets-non-current	32,578	275,043	Retained earnings	317,337	304,790
			Other equity interest	14,064	1,425
			Total equity	862,076	836,890
TOTAL ASSETS	$ 922,272	$ 895,081	TOTAL LIABILITIES AND EQUITY	$ 922,272	$ 895,081

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	Liabilities	2014	2013
Current assets	$ 6,384,914	$ 7,331,975	Current liabilities	$ 7,748,727	$ 5,665,037
Other financial assets, net	472,006	174,829	Other liabilities-non-current	732,323	113,676
Property and equipment	1,609	346	Total liabilities	8,481,050	5,778,713
Investment property	815,715	892,714			
Intangible assets	6,471	818	**Equity**		
Deferred tax assets	93,983	56,158	Capital stock	2,000,000	2,000,000
Other assets-non-current	3,463,909	132,909	Capital surplus	1,261	1,261
			Retained earnings	756,296	809,775
			Total equity	2,757,557	2,811,036
TOTAL ASSETS	$ 11,238,607	$ 8,589,749	TOTAL LIABILITIES AND EQUITY	$ 11,238,607	$ 8,589,749

MEGA LIFE INSURANCE AGENCY CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	Liabilities	2014	2013
Current assets	$ 198,925	$ 325,261	Current liabilities	$ 85,408	$ 125,241
Current income tax assets	99,300	-	Other non-current liabilities	18	18
Property and equipment	633	543	Total liabilities	85,426	125,259
Intangible assets	827	898	Equity		
Deferred tax assets	82	73	Capital stock	20,000	20,000
Other assets-non-current	3,267	3,292	Capital surplus	804	804
			Retained earnings	196,804	184,004
			Total equity	217,608	204,808
TOTAL ASSETS	$ 303,034	$ 330,067	TOTAL LIABILITIES AND EQUITY	$ 303,034	$ 330,067

MEGA VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	2014	2013	Liabilities	2014	2013
Current assets	$ 53,548	$ 69,548	Current liabilities	$ 199	$ 514
Available-for-sale financial assets	467,647	435,121	Current income tax liabilities	3,141	-
Financial assets at fair value through profit or loss	3,843	-	Total liabilities	3,340	514
Equity investments carried at cost	211,917	284,956	Equity		
			Capital stock	1,000,000	1,000,000
			Accumulated deficit	(67,836)	(24,586)
			Other equity interest	(198,549)	(186,303)
			Total equity	733,615	789,111
TOTAL ASSETS	$ 736,955	$ 789,625	TOTAL LIABILITIES AND EQUITY	$ 736,955	$ 789,625

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)

	2014	2013
Interest income	$ 52,729,535	$ 43,217,575
Less: Interest expense	17,995,211	13,581,097
Interest income, net	34,734,324	29,636,478
Revenues other than interest income, net	15,946,208	15,696,311
Net revenue	50,680,532	45,332,789
Bad debts expense and provisions for guarantee reserve	(2,186,780)	(5,439,591)
Operating expenses	(18,320,388)	(17,970,453)
Income before income tax from continuing operations	30,173,364	21,922,745
Income tax expense	(4,200,064)	(3,116,707)
Net income	25,973,300	18,806,038
Other comprehensive income	3,110,813	191,577
Total comprehensive income	$ 29,084,113	$ 18,997,615
Earnings per share		
Basic earnings per share (after taxes)	$ 3.37	$ 2.64

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)

	2014	2013
Revenues	$ 3,408,330	$ 2,798,700
Service fee revenue expenditure	(114,530)	(89,376)
Employee benefit expense	(1,473,057)	(1,410,641)
Other operational expenses	(181,601)	(137,445)
Operating expenses	(946,067)	(765,371)
Other gains and losses	165,360	130,700
Share of loss of associates and joint ventures accounted for under equity method	(22,179)	(31,344)
Income before income tax from continuing operations	836,256	495,223
Income tax expense	(35,774)	6,612
Net income	800,482	501,835
Other comprehensive income	(122,362)	6,883
Total comprehensive income	$ 678,120	$ 508,718
Earnings per share		
Basic earnings per share (after taxes)	$ 0.69	$ 0.43

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)

	2014	2013
Interest income	$ 2,791,448	$ 2,837,819
Less: Interest expense	(980,992)	(1,058,294)
Interest income, net	1,810,456	1,779,525
Revenues other than interest income, net	1,736,249	1,872,669
Net revenue	3,546,705	3,652,194
Provisions	660,965	177,739
Operating expenses	(780,358)	(775,732)
Income before income tax from continuing operations	3,427,312	3,054,201
Income tax expense	(426,465)	(423,718)
Net income	3,000,847	2,630,483
Other comprehensive loss	(230,955)	(1,220,140)
Total comprehensive income	$ 2,769,892	$ 1,410,343
Earnings per share		
Basic earnings per share (after taxes)	$ 2.29	$ 2.01

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)

	2014	2013
Operating revenues	$ 4,543,495	$ 4,427,149
Operating costs	(3,041,629)	(3,017,489)
Operating expenses	(969,320)	(995,946)
Operating income	532,546	413,714
Non-operating income and expenses	10,971	2,203
Income before income tax from continuing operations	543,517	415,917
Income tax expense	(158,423)	(119,565)
Net income	385,094	296,352
Other comprehensive loss	116,987	(11,987)
Total comprehensive income	$ 502,081	$ 284,365
Earnings per share		
Basic earnings per share (after taxes)	$ 1.28	$ 0.99

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)

	2014	2013
Operating revenue	$ 391,075	$ 358,441
Operating expenses	(244,413)	(231,500)
Income before income tax from continuing operations	146,662	126,941
Income tax expense	(23,282)	(6,864)
Net income	123,380	120,077
Other comprehensive gain (loss)	10,127	(1,389)
Total comprehensive income	$ 133,507	$ 118,688
Earnings per share		
Basic earnings per share (after taxes)	$ 2.34	$ 2.28

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)

	2014	2013
Operating revenue	$ 959,527	$ 784,492
Operating expenses	(411,514)	(153,709)
Income before income tax from continuing operations	548,013	630,783
Income tax expense	(92,169)	(68,920)
Net income	455,844	561,863
Other comprehensive income	117	4,423
Total comprehensive income	$ 455,961	$ 566,286
Earnings per share		
Basic earnings per share (after taxes)	$ 2.28	$ 2.81

MEGA LIFE 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)

	2014	2013
Operating revenue	$ 257,283	$ 217,707
Operating expenses	(67,721)	(43,876)
Income before income tax from continuing operations	189,562	173,831
Income tax expense	(32,581)	(29,688)
Net income	$ 156,981	$ 144,143
Earnings per share		
Basic earnings per share (after taxes)	$ 78.49	$ 72.07

Financial Information

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)

	2014	2013
Operating revenue	$ 89,402	$ 58,130
Operating expenses	(129,498)	(17,554)
Non-operating income and expenses	(40,096)	40,576
Income tax expense	(3,153)	956
Net income	(43,249)	41,532
Other comprehensive income	(12,247)	82,432
Total comprehensive income	($ 55,496)	$ 123,964
Earnings per share		
Basic earnings per share (after taxes)	($ 0.43)	$ 0.42

(11) Profitability of the Company and its subsidiaries:

A. Profitability

(a) The Company

UNIT：%

Items		MEGA FINANCIAL HOLDING CO., LTD	
		For the year ended December 31, 2014	For the year ended December 31, 2013
Return on assets	Pre-tax	11.01	9.17
	After-tax	11.00	8.91
Return on equity	Pre-tax	12.06	10.25
	After-tax	12.05	9.96
Net profit margin		97.86	94.57

UNIT：%

Items		MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES	
		For the year ended December 31, 2014	For the year ended December 31, 2013
Return on assets	Pre-tax	1.11	0.92
	After-tax	0.95	0.77
Return on equity	Pre-tax	14.05	11.95
	After-tax	12.03	9.95
Net profit margin		49.98	40.89

(b) The subsidiary

UNIT：%

Items		MICB	
		For the year ended December 31, 2014	For the year ended December 31, 2013
Return on assets	Pre-tax	1.05	0.84
	After-tax	0.90	0.72
Return on equity	Pre-tax	14.38	11.61
	After-tax	12.38	9.96
Net profit margin		51.25	41.48

UNIT：%

Items		MS	
		For the year ended December 31, 2014	For the year ended December 31, 2013
Return on assets	Pre-tax	1.74	1.15
	After-tax	1.66	1.17
Return on equity	Pre-tax	5.80	3.56
	After-tax	5.56	3.61
Net profit margin		23.49	17.93

UNIT：%

Items		MBF	
		For the year ended December 31, 2014	For the year ended December 31, 2013
Return on assets	Pre-tax	1.57	1.39
	After-tax	1.37	1.20
Return on equity	Pre-tax	10.50	9.42
	After-tax	9.20	8.11
Net profit margin		84.61	72.02

UNIT：%

Items		CKI	
		For the year ended December 31, 2014	For the year ended December 31, 2013
Return on assets	Pre-tax	3.55	2.76
	After-tax	2.52	1.97
Return on equity	Pre-tax	10.07	8.33
	After-tax	7.13	5.94
Net profit margin		8.48	6.69

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, 2014 and 2013.

(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 would be shown every semi-year:

(Please refer to P. 152 of the Consolidated Financial Statements)

17. ADDITIONAL DISCLOSURES

(Please refer to P. 153-172 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 customer information

The Group's source of income is not concentrated on transactions with a single customer or single trading.

(4) Information on products and services

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

Items	For the year ended December 31, 2014						
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Interest income, net	$ 35,296,565	$ 103,835	$ 1,810,456	$ 814,337	($ 135,920)	($ 1,215,093)	$ 36,674,180
Revenues other than interest income, net	15,869,712	1,201,475	1,736,249	2,595,513	32,318,884	(29,891,046)	23,830,787
Net revenue	51,166,277	1,305,310	3,546,705	3,409,850	32,182,964	(31,106,139)	60,504,967
Bad debts expense and provisions for guarantee reserve	(2,249,430)	-	660,965	-	-	-	(1,588,465)
Provisions for insurance reserve	-	207,527	-	-	-	-	207,527
Operating expenses	(18,672,065)	(969,320)	(780,358)	(2,568,245)	(1,071,309)	266,094	(23,795,203)
Income before income tax from continuing operations	30,244,782	543,517	3,427,312	841,605	31,111,655	(30,840,045)	35,328,826
Income tax expense	(4,271,482)	(158,423)	(426,465)	(41,123)	(191,616)	-	(5,089,109)
Net Income	$ 25,973,300	$ 385,094	$ 3,000,847	$ 800,482	$ 30,920,039	($ 30,840,045)	$ 30,239,717

Items	For the year ended December 31, 2013						
	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	($ 203,612)	$ -	$ 31,276,127
Revenues other than interest income, net	15,545,785	1,151,578	3,214,001	2,095,599	25,140,338	(23,414,960)	23,732,341
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 guarantee reserve	(5,454,163)	-	177,739	-	-	-	(5,276,424)
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

Items	For the year ended December 31, 2014						
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	$ 2,975,007,946	$ 15,441,693	$ 216,310,048	$ 52,497,936	$ 298,142,342	($ 286,820,099)	$ 3,270,579,866
Segment liabilities	$ 2,756,221,132	$ 9,793,006	$ 183,174,729	$ 37,850,339	$ 32,280,731	($ 9,922,872)	$ 3,009,397,065

Items	For the year ended December 31, 2013						
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	$ 2,819,584,470	$ 15,163,339	$ 221,642,970	$ 49,477,825	$ 276,488,493	($ 268,728,679)	$ 3,113,628,418
Segment liabilities	$ 2,618,715,345	$ 10,016,733	$ 189,525,458	$ 35,313,468	$ 30,130,215	($ 11,664,877)	$ 2,872,031,342

(6) Geographical information about net revenue and identifiable assets

	For the years ended December 31,	
	2014	2013
Asia	$ 52,566,191	$ 44,488,399
America	2,200,918	2,835,271
Others	5,737,858	7,684,798
Total	$ 60,504,967	$ 55,008,468

	December 31, 2014	December 31, 2013
Asia	$ 2,638,540,313	$ 2,532,033,305
America	353,006,901	337,539,708
Others	279,032,652	244,055,405
Total assets	$ 3,270,579,866	$ 3,113,628,418

Review of Financial Conditions, Operating Results, and Risk Management

Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Consolidated

Unit: NT$1,000

Item \ Year	2014	2013	Difference	
			Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to banks	634,546,355	551,247,431	83,298,924	15.11
Financial assets at fair value through profit or loss	181,366,843	195,800,759	(14,433,916)	(7.37)
Available-for-sale financial assets, net	280,703,020	272,943,633	7,759,387	2.84
Derivative financial assets for hedge	0	0	0	0
Bills and bonds purchased under resale agreements	11,874,327	2,585,345	9,288,982	359.29
Receivables, net	201,540,361	184,587,941	16,952,420	9.18
Current income tax assets	1,534,999	921,969	613,030	66.49
Non-current assets held for sale, net	2,739	2,576	163	6.33
Bills discounted and loans, net	1,733,994,271	1,654,577,193	79,417,078	4.80
Reinsurance contract assets, net	3,217,685	3,293,937	(76,252)	(2.31)
Held-to-maturity financial assets, net	163,708,076	184,411,233	(20,703,157)	(11.23)
Equity investments accounted for by the equity method, net	2,761,637	2,697,551	64,086	2.38
Restricted assets	0	0	0	0
Other financial assets, net	20,626,729	23,430,204	(2,803,475)	(11.97)
Property and equipment, net	22,125,875	22,150,245	(24,370)	(0.11)
Investment property, net	1,976,764	2,059,428	(82,664)	(4.01)
Intangible assets, net	307,693	318,046	(10,353)	(3.26)
Deferred income tax assets	3,972,457	3,785,582	186,875	4.94
Other assets, net	6,320,035	8,815,345	(2,495,310)	(28.31)
Total assets	3,270,579,866	3,113,628,418	156,951,448	5.04
Due to the Central Bank and financial institutions	474,623,325	490,935,730	(16,312,405)	(3.32)
Funds borrowed from the Central Bank and other banks	53,906,541	32,330,245	21,576,296	66.74
Financial liabilities at fair value through profit or loss	29,582,637	14,856,685	14,725,952	99.12
Derivative financial liability for hedge	0	0	0	0
Bills and bonds sold under repurchase agreements	221,809,530	219,651,334	2,158,196	0.98
Commercial paper payable, net	15,363,080	4,393,653	10,969,427	249.67
Payables	60,564,578	66,105,983	(5,541,405)	(8.38)
Current income tax liability	9,123,049	5,522,518	3,600,531	65.20
Liability directly related to assets held for sale	0	0	0	0
Deposits and remittances	2,036,403,864	1,933,722,541	102,681,323	5.31
Bonds payable	56,200,000	55,898,677	301,323	0.54
Other loans	5,926,763	5,509,213	417,550	7.58
Preferred stock liabilities	0	0	0	0
Provisions for liabilities	21,305,487	22,419,391	(1,113,904)	(4.97)
Other financial liabilities	10,778,269	10,094,610	683,659	6.77
Deferred income tax liabilities	2,169,411	2,051,201	118,210	5.76
Other liabilities	11,640,531	8,544,561	3,095,970	36.23
Total liabilities	3,009,397,065	2,872,036,342	137,360,723	4.78
Equity attributable to owners of parent	261,020,868	241,405,536	19,615,332	8.13
Common stock	124,498,240	124,498,240	0	0
Capital surplus	55,270,198	55,271,623	(1,425)	(0.00)
Retained earnings	77,890,173	61,534,835	16,355,338	26.58
Other equity interest	3,362,257	100,838	3,261,419	3,234.32
Treasury stock	0	0	0	0
Non-controlling interest	161,933	186,540	(24,607)	(13.19)
Total Equity	261,182,801	241,592,076	19,590,725	8.11

Change analysis:

1. The increase in bills and bonds purchased under resale agreements is mainly due to the increase of the said transactions.
2. The current income tax increased largely due to increase in prepaid income tax.
3. Other assets decreased primarily due to reduction in prepayments and guarantee deposits.
4. The increase in funds borrowed from the Central Bank and other banks is mainly due to increase in call loans from other banks.
5. An increase in financial liabilities at fair value through profit or loss is primarily attributed to an increase in issuance of call (put) warrants and financial bonds.
6. The amount of commercial paper payable rose due to increase in domestic commercial papers issued.
7. The increase in current income tax liability is mainly due to increase in income tax payable resulting from growth of net income.
8. Other liabilities increased primarily due to increase in advance receipt, temporary receipts and suspense accounts.
9. The increase in retained earning is primarily due to increase in net profit.
10. Growth in other equity interest primarily due to increase in unrealized gain on evaluation of available-for-sale financial assets, and cumulative translation differences of foreign operations.

7.2 Financial Performance

Consolidated

Unit: NT$1,000

Item	2014	2013	Difference	%
Interest income	56,213,248	46,533,690	9,679,558	20.80
Less: interest expenses	(19,539,068)	(15,257,563)	(4,281,505)	28.06
Interest income, net	36,674,180	31,276,127	5,398,053	17.26
Revenues other than interest, net	23,830,787	23,732,341	98,446	0.41
Net revenue	60,504,967	55,008,468	5,496,499	9.99
Bad debts expense on loans and provisions for guarantee liabilities	(1,588,465)	(5,276,424)	3,687,959	(69.90)
Reversal of (provisions for) insurance reserve	207,527	183,695	23,832	12.97
Operating expenses	(23,795,203)	(22,915,657)	(879,546)	3.84
Income before income tax	35,328,826	27,000,082	8,328,744	30.85
Income tax expenses	(5,089,109)	(4,505,513)	(583,596)	12.95
Profit for the year	30,239,717	22,494,569	7,745,148	34.43
Total other comprehensive income (after income tax)	3,176,516	(535,261)	3,711,777	(693.45)
Total comprehensive income	33,416,233	21,959,308	11,456,925	52.17
Profit attributable to owners of parent	30,258,664	22,489,232	7,769,432	34.55
Profit attributable to non-controlling interests	(18,947)	5,337	(24,284)	(455.01)
Comprehensive income attributable to owners of parent	33,436,061	21,954,295	11,481,766	52.30
Comprehensive income attributable to non-controlling interests	(19,828)	5,013	(24,841)	(495.53)

Change analysis:

1. The growth of interest income is attributable to growth in interest income of bills discounted and loans, due from banks and call loans to other banks and usance outright receivable.
2. The interest expenses increased is primarily due to increase in interest expenses of deposits, interbank overdraft and call loans.
3. The reduction in bad debts expense on loans and provisions for guarantee liabilities mainly because of reversal of bad debts provision on loans.
4. Total other comprehensive income increased largely due to the increase of cumulative translation differences of foreign operations and unrealized gain on valuation of available-for-sale financial assets.
5. The reduction in both profit attributable to non-controlling interests and comprehensive income attributable to non-controlling interests is largely due to the net loss of investee company Mega I Venture Capital Company.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2014

Consolidated

Item / Year	2014	2013	Variance (%)
Cash flow ratio (%)	15.62%	14.60%	6.99%
Cash flow adequacy ratio (%)	273.10%	277.03%	(1.42%)
Cash reinvestment ratio (%)	189.52%	236.77%	(19.96%)

Change Analysis:None

7.3.2 Cash Flow Analysis for 2015

Consolidated

Unit: NT$1,000

Expected cash and cash equivalents (12/31/2014) (1)	Estimated net cash flow from operating activities (2)	Estimated cash outflow (3)	Cash surplus (12/31/2015) (1)+(2)-(3)	Leverage of cash surplus (Deficit)	
				Investment plans	Financing plans
171,560,274	51,834,517	39,252,626	184,142,165	None	None

Analysis of Cash Flow:

1. Operating Activities: mainly from decrease in due from the Central Bank and call loans to banks, increase in available-for-sale financial assets and held-to-maturity financial assets, decrease in financial assets at fair value through profit or loss, as well as increase in bills and bonds sold under repurchase agreements
2. Investing Activities: mainly for procurement of property and equipment as well as intangible assets
3. Financing Activities: mainly from payout of cash dividends, decrease in funds borrowed from the Central Bank and other banks, decrease in commercial paper payable, and increase in repayment of financial bonds and loans.

7.4 Influence from Major Capital Expenditures in 2014: None.

7.5 Investment Policies in 2014

- 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.
- Coontinually 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.

The bank recorded a net profit after tax in 2014 of NT$25,973,300 thousand, a 38.11% increase from the NT$18,806,038 thousand in 2013, largely due to increase of net interest income and decrease of the bad debts expense. The increase in net interest income is attributable to growth of interest spread as a result of asset structure adjustment, while the decrease in bad debts expense is mainly due to improvement of assets quality.

Mega Securities Co., Ltd. (MSC)

MSC's net profit after tax in 2014 reached NT$800,482 thousand, a 59.51% increase compared to NT$501,835 thousand of 2013 mainly due to the increase in brokerage fee income and the profits from proprietary trading. As the government adopted several measures to boost the stock market, the TAIEX rose 8.08% in 2014 and daily trading volume increased.

Mega Bills Finance Co., Ltd. (MBF)

MBF's net profit after tax in 2014 reached NT$3,000,847 thousand, up 14.08% compared to NT$2,630,483 thousand of 2013. The increase in profit is largely attributed to reversal of bad debts provisions as a result of repayment of overdue loans and disposal of non-performing loans.

Chung Kuo Insurance Co., Ltd. (CKI)

CKI's net profit after tax in 2014 amounted to NT$385,094 thousand, a 29.94% increase compared to NT$296,352 thousand in 2013, primarily due to decrease in the major natural disaster claims and increase in investment income.

Mega Assets Management Co., Ltd.

In 2014, the company reported a net profit after tax in 2014 of NT$455,844 thousand, an 18.87% decrease compared to NT$561,863 thousand in 2013. The reduction is in large part attributable to the shrinkage in trading volume of non-performing loan market. The company will diversify business by acquiring or disposing of real estate as a trustee to increase service fee income.

Mega Life Insurance Agency Co., Ltd. (MLIA)

MLIA posted a net profit after tax in 2014 of NT$156,981 thousand, an 8.81% increase from NT$144,273 thousand in 2013 primarily due to the increase in commission income. The growth in commission income is attributable to the introduction of new insurance policy and enhancement of employee training.

Mega Venture Capital Co., Ltd. (MVC)

MVC recorded a net loss after tax in 2014 of NT$43,429 thousand mainly due to impairment loss on the securities investments. The company will improve its investment performance by enhancing risk management and portfolio management.

Mega International Investment Trust Co., Ltd. (MIIT)

MIIT posted a net profit after tax in 2014 of NT$123,880 thousand, a 2.75% increases over the NT$120,077 thousand in 2013 primarily due to RMB foreign exchange gains and reversal of provision for bad debts on ABCP.

Taipei Financial Center Corporation (TFCC)

TFCC posted a net profit in 2014 for NT$1,759,915 thousand, increasing NT$683,205 thousand or 63.45%, from 2013 mainly as department sales increased and, as a result, gross profit increased by NT$794,389 thousand and net profit before tax increased by NT$824,270thousand. In addition, the lease ratio, the rent collection ratio, and average monthly rent of the office building all increased from 2013 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 2014 of NT$1,577,767, increasing by NT$269,792 thousand or 20.63% from NT$1,307,975 thousand in 2013 mainly due to increase in securities service revenue resulting from growth of the transaction volume of the domestic stock market.

Taiwan Business Bank (TBB)

TBB posted a net profit after tax in 2014 of NT$5,315,137 thousand, an increase of NT$1,704,935 thousand, or 47.23%, from NT$3,610,202 thousand in 2013. The profits growth was primarily due to the increase in net interest income for NT$1,195,755 thousand and the decrease in the bad debts expense and provisions for guarantee liability of NT$461,552 thousand. The bank's NPL ratio declined from 0.76% at the end of 2013 to the 0.46% at the end of 2014, while the coverage ratio increased from 141.61% at the end of 2013 to 236.78% at the end of 2014.

7.7 Investment Plans for 2015

- 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 chaired by the President formulates the execution of the Group's risk management policy and reports to the Board. 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 the latest Basel standards 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 risk 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 to improve risk management report, the scope of limit control and its automation.
- Following up 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 III 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, 2014; Unit: NT$ thousand

Exposure types	Exposures after credit mitigation	Capital requirement
Sovereigns	510,857,133	272,019
Non-central government public sector entities	39,681	635
Banks (including multilateral development banks)	534,796,199	15,180,715
Enterprises (including securities firms and insurance companies)	1,515,168,225	107,477,293
Regulatory retail portfolios	219,033,144	14,613,144
Residential property	236,918,287	11,481,257
Equity investment	21,540,136	6,176,270
Other assets	32,647,256	1,503,163
Total	3,071,000,061	156,704,497

(2) Market risk

The Capital Charge for Market Risk

December 31, 2014; Unit: NT$ thousand

Risk type	Capital requirement
Interest rate risk	2,485,677
Equity risk	785,249
Foreign risk	361,267
Product risk	0
Total	3,632,193

(3) Operational risk

The Capital Requirement for Operational Risk

December 31, 2014; Unit: NT$ thousand

Year	Gross profits	Capital requirement
2014	49,601,705	
2013	44,227,394	
2012	42,277,743	
Total	136,106,842	6,805,342

(4) Securitization Risk

The Capital Charge for Securitization Framework

December 31, 2014; Unit: NT$ thousand

Bank category \ Risk exposure category	Book type	Asset category	Traditional					Synthetic		Total		
			Exposure				Capital charge (2)	Risk exposure amount	Capital charge (4)	Exposure (5)=(1)+(3)	Capital charge (6)=(2)+(4)	Capital charge before securitization
			Retained or purchased	For liquidity facility	For credit enhancement	Sub-total (1)		Retained or purchased (3)				
Non-originating bank	Banking book	Mortgage loan	333,703			333,703	333,703			333,703	333,703	
	Trading book											
	Sub-total		333,703	-	-	333,703	333,703			333,703	333,703	
Originating bank	Banking book	Mortgage loan										
	Trading book											
	Sub-total											
Total			333,703	-	-	333,703	333,703			333,703	333,703	

(5) Liquidity Risk

Analysis of the Maturity Structure-NT Dollar

December 31, 2014; 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	$1,635,625,799	$ 192,092,440	$ 275,672,721	$ 81,636,679	$ 92,597,606	$ 182,305,978	$ 811,320,375
Major Outflows of Matured Funds	2,389,229,597	106,133,851	183,502,443	290,805,239	285,962,270	486,686,837	1,036,138,957
Period Gap	(753,603,798)	85,958,589	92,170,278	(209,168,560)	(193,364,664)	(304,380,859)	(224,818,582)

Note: The above table does not include currency other than NTD.

Analysis of the Maturity Structure-US Dollar

December 31, 2014; Unit: US$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181days~1 year	over 1 year
Major Inflows of Matured Funds	$ 46,951,288	$ 17,589,733	$ 6,585,580	$ 4,185,118	$ 5,281,519	$ 13,309,338
Major Outflows of Matured Funds	67,917,707	28,432,372	7,282,055	7,072,663	8,945,456	16,185,161
Period Gap	(20,966,419)	(10,842,639)	(696,475)	(2,887,545)	(3,663,937)	(2,875,823)

Note: The above table reports the U.S. dollars position held by the bank.

Analysis of the Maturity Structure-US Dollar of Overseas Branches

December 31, 2014; Unit: US$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181days~1 year	over 1 year
Major inflows of matured funds	$ 17,994,406	$ 10,605,599	$ 1,793,273	$ 750,828	$ 870,644	$ 3,974,062
Major outflows of matured funds	20,208,347	12,397,830	1,644,153	1,630,766	375,053	4,160,545
Period gap	(2,213,941)	(1,792,231)	149,120	(879,938)	495,591	(186,483)

Mega Bills Finance Co., Ltd.

(1) Credit risk

The Capital Charge for Credit Risk under Standard Approach

December 31, 2014; Unit: NT$ thousand

Exposure types	Capital charge	Risk assets
Sovereigns	0	0
Non-central government public sector entities	105,941	1,324,263
Banks (including multilateral development banks)	104,185	1,302,319
Corporations (including securities firms and insurance companies)	10,929,429	136,617,863
Regulatory retail portfolios	61,406	767,572
Equity investment	64,704	808,800
Other assets	243,926	3,049,076
Total	11,509,591	143,869,893

(2) Market risk

The Capital Charge for Market Risk under Standard Approach

December 31, 2014; Unit: NT$ thousand

Exposure type	Capital charge	Risk assets (Note)
Interest rate risk	4,054,441	50,680,513
Equity risk	414,226	5,177,825
Foreign exchange risk	4,237	52,962
Product risk	0	0
Option adopted sensitive analysis method	0	0
Total	4,472,904	55,911,300

Note: Capital charge times 12.5

(3) Operational risk

The Capital Charge for Operational Risk under Basic Indicators Method

December 31, 2014; Unit: NT$ thousand

Year	Gross profits	Capital charge	Risk assets
2014	3,531,959		
2013	3,597,395		
2012	3,303,855		
Total	10,433,209	521,660	6,520,755

(4) Securitization risk

The Capital Charge for Securitization Framework

December 31, 2014; Unit: NT$ thousand

Bank category \ Risk exposure category	Book type	Asset category	Traditional		Synthetic		Total		
			Exposure: Retained or purchased (1)	Capital charge (2)	Exposure: Retained or purchased (3)	Capital charge (4)	Exposure (5)=(1)+(3)	Capital charge (6)=(2)+(4)	Capital charge before securitization
Non-originating bank	Banking book								
	Trading book								
		Rent receivable			870,925	55,947	870,925	55,947	
	Sub-total				870,925	55,947	870,925	55,947	
Originating bank	Banking book								
	Trading book								
	Sub-total								
Total					870,925	55,947	870,925	55,947	

(5) Liquidity risk

Analysis of the Maturity Structure

December 31, 2014; Unit: NT$ thousand

	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181days~1 year	over1 year
Major inflows of matured funds	209,511	68,714	58,974	5,096	4,094	72,633
Major outflows of matured funds	212,840	156,909	20,895	1,845	56	33,135
Period gap	(3,329)	(88,195)	38,079	3,251	4,038	39,498
Cumulative gap		(88,195)	(50,116)	(46,865)	(42,827)	(3,329)

Mega Securities Co., Ltd.

(1) Counterparty's country risk

December 31, 2014; Unit: NT$ thousand

Country Exposure	Deposits	Securities	Derivatives	Long term investment	Total	As a percentage of shareholder's equity
Supernational	0	329,427	0	0	329,427	2.27%
China	0	879,484	0	0	879,484	6.05%
FR	1,267	0	0	0	1,267	0.01%
Hong Kong	5,136	31,565	0	0	36,701	0.25%
Cayman Islands	0	1,241,465	0	0	1,241,465	8.54%
Taiwan	1,505,763	18,321,182	119,256	851,082	20,797,283	143.10%
USA	5,489	17,775	0	0	23,264	0.16%
Virgin Islands	0	0	0	2,025,369	2,025,369	13.94%
Total	1,517,655	20,820,898	119,256	2,876,451	25,334,260	-

(2) Liquidity Risk

Analysis of the Maturity Structure

December 31, 2014; 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	43,819	17,038	14,279	2,247	3,367	6,688	200
Major outflows of matured funds	33,928	16,064	12,385	3,062	859	1,508	50
Period gap	9,891	974	1,894	(815)	2,508	5,180	150
Cumulative gap	9,891	974	2,868	2,053	4,561	9,741	9,891

Chung Kuo Insurance Co., Ltd.

December 31, 2014; Unit: NT$ thousand

Exposure	Risk capital	As a percentage of the risk capital before adjustment
1. Asset risk	488,438	15.76%
2. Credit risk	198,606	6.41%
3. Underwriting risk	2,303,612	74.33%
4. Asset liability allocation risk	10,397	0.34%
5. Other risk	65,331	2.11%
Risk capital amount before adjustment	3,066,385	100.00%
Risk capital amount	916,726	
Equity capital amount	6,298,608	
Capital adequacy ratio	687.08%	

Special Disclosure

Special Disclosure

8.1 Affiliated Companies Chart

Please refer to page 17 of this annual report.

8.2 Summary of Affiliated Companies

December 31, 2014
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 Corporation	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	2F, No. 95, Sec. 2, 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 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 72,000	Securities brokerage, futures brokerage
China Products Trading Corp., Ltd..	12.29.1956	7F, No. 100, Jilin Road, Taipei, Taiwan	NTD 5,000	Investment in property, warehousing and other business (stop running business since 1966)
Yung-Shing Industries Co., Ltd.	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

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Win Card Co., Ltd.	11.10.2000	4~7F, No. 99, Sec.3, Chongyang Rd., Sanchong Dist., New Taipei City 24145, Taiwan	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 4,000,000	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 Board of Directors of Mega Securities Co., Ltd has resolved to dissolve Mega Capital (Asia) Co., Ltd. and close down its representative offices in China. Mega Capital (Asia) Co., Ltd. is in the process of closing down its representative offices in China.

Note 2: The paid-in capital of Mega Securities (Hong Kong) Co., Ltd. was increased to HK$72,000,000 from HK$30,000,000 through cash injection on February 11, 2014.

8.3 Operational Highlights of Affiliated Companies

As of December 31, 2014
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 Tax*)	Net Income (After Tax)	Earnings per share (After Tax)
Mega International Commercial Bank	77,000,000	2,957,939,161	2,739,152,347	218,786,814	50,680,532*	30,173,364*	25,973,300	3.37
Mega Securities Co., Ltd.	11,600,000	49,589,009	34,941,412	14,647,597	3,408,330	693,075	800,482	0.69
Mega Bills Finance Co., Ltd.	13,114,411	216,310,048	183,174,729	33,135,319	3,546,705*	3,427,312*	3,000,847	2.29
Chung Kuo Insurance Co., Ltd.	3,000,000	15,441,693	9,793,006	5,648,687	4,543,495	532,546	385,094	1.28
Mega International Investment Trust Co., Ltd.	527,000	922,272	60,196	862,076	391,075	146,662	123,380	2.34
Mega Asset Management Co., Ltd.	2,000,000	11,238,607	8,481,050	2,757,557	959,527	548,013	455,844	2.28
Mega Life Insurance Agency Co., Ltd.	20,000	303,034	85,426	217,608	257,283	189,562	156,981	78.49
Mega Venture Capital Co., Ltd.	1,000,000	736,955	3,340	733,615	89,402	(40,096)	(43,249)	(0.43)
Mega Management Consulting Corporation	10,000	60,474	9,092	51,382	50,759	29,237	22,660	22.66
Mega I Venture Capital Co., Ltd.	450,000	270,050	164	269,886	46,564	(31,604)	(31,578)	(0.70)
Mega Futures Co., Ltd.	400,000	2,466,517	1,939,485	527,032	246,349	10,375	34,378	0.86
Mega International Investment Services Co., Ltd.	20,000	39,833	14,324	25,509	37,648	621	587	0.29
Mega Securities Holdings Co., Ltd.	471,399	531,810	423	531,387	859	(13,545)	(13,545)	(0.90)
Mega Capital (Asia) Co., Ltd.	69,386	46,912	3,341	43,571	124	(8,641)	(8,641)	(0.51)
Mega Securities (Hong Kong) Co., Ltd.	293,868	1,499,255	1,289,494	209,761	20,652	(34,098)	(34,098)	(284.15)
China Products Trading Corp., Ltd.	5,000	45,707	27,551	18,156	1,394	520	435	4.35
Yung-Shing Industries Co., Ltd.	30,000	1,034,723	295,593	739,130	153,119	7,044	33,071	110.24
Win Card Co., Ltd.	20,000	62,880	16,833	46,047	165,299	8,762	7,629	38.14
ICBC Assets Management & Consulting Co., Ltd.	50,000	51,090	73	51,017	3,831	891	825	0.16
Mega International Commercial Bank (Canada)	628,017	6,451,021	5,362,995	1,088,026	200,560*	61,770*	45,642	198.45
Mega International Commercial Bank Public Co., Ltd.	3,849,600	18,066,840	12,913,743	5,153,097	714,169*	276,044*	220,754	0.55
Cathay Investment & Warehousing Ltd.	31,663	58,420	459	57,961	4,302	(1,895)	(1,895)	(1,895.27)
Cathay Investment & Development Corp. (Bahamas)	158	54,485	0	54,485	379	93	93	18.70
Ramlett Finance Holdings Inc.	633	57,148	55,032	2,116	7,453	2,493	2,493	1,661.89

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$100 per share, respectively.

Balance Sheet Items	Income Statement Items	Company Name
USD 1=NTD31.663	USD1=NTD 30.3643	Cathay Investment & Warehousing Limited, Cathay Investment & Development Corp. (Bahamas), and Ramlett Finance Holdings Inc.
CAD 1=NTD27.3051	CAD 1=NTD 27.4289	Mega International Commercial Bank (Canada)
THB 1=NTD 0.9624	THB 1=NTD0.9336	Mega International Commercial Bank Public Co., Ltd.
HKD 1=NTD 4.0815	HKD 1=NTD 3.9150	Mega Securities Holdings Co., Ltd., Mega Capital (Asia) Co., Ltd. and Mega Securities (Hong Kong) Co., Ltd.

Mega Financial Holding Co., Ltd.

Chairman