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Mega Financial Holding Co., Ltd.
Annual Report 2015

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Mega Financial Holding Co., Ltd.

Annual Report 2015

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Letter to Shareholders

Letter to Shareholders

The global economy was not as good as expected in 2015, mainly due to the sluggish economic recovery of the advanced countries, slipping international oil and commodity prices, and the decline of economic growth in emerging and developing countries, of which the impact of China's sluggish economic growth was the most severe. According to IMF announcement in April 2016, the global economic growth rate was 3.1% in 2015, a 0.3% decline from 2014. The global economy of this year is forecasted to continue the trend of slow growth of recent years. In addition, there remain risks to be aware of, including a further slowdown in China's economy, divergent and uncertain monetary policies of central banks around the world, capital outflows of emerging markets, debt crises, and geopolitical troubles.

In terms of domestic economy, the annual growth rate of exports in 2015 exhibited a negative result for eleven consecutive months, of which eight months ended up with a double-digit decline. This was mainly due to the impact of weak international market demand, the rise of Chinese supply chain, the continued consumption of semiconductor product stock, and the continued decline in oil and steel prices. Therefore, domestic demand has become the main support of economic growth momentum. According to the statistics revealed by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, in February 2016, the 2015 economic growth rate was 0.75%, failed to maintain the 1%, setting a record low since the financial crisis in 2008. Due to the increasing downward risk of global economy, if the global economy reverses downward rather than recovers as expected, Taiwan's economic recovery pace will be affected in 2016.

Under the influence of domestic and international negative factors, Taiwan's economy in 2015 had shown a trend of gradual decline. In this difficult environment, the profitability of financial institutions were inevitably affected. Fortunately, the Company posted outstanding performance thanks to the consistently sound operating principle, the solid business foundation, and the strict risk control. In 2015, the Company's consolidated net income after tax was NT$29,273 million, declining NT$986 million or 3.26% from 2014, while after-tax EPS was NT$2.35, making us a top performer among financial holding companies. The operation results of the Company in 2015 are shown below.

1.1 Review of Business Operations in 2015

1.1.1 Global and Domestic Financial Environment

Global economic growth was not as good as expected at the beginning of the year. The pace of recovery slowed down. We are entering a new mediocre era due to increasing geopolitical risk, the Greek bailout crisis, decline in crude oil and commodity prices, slowdown of economic growth in the China and the emerging markets, the uncertainty of US interest rate hike (the Fed resolved to raise interest rate by 0.25% on December 16), and the volatility of global financial market in 2015.

Letter to Shareholders


Hann-Ching Wu, Acting Chairman of the Board

In terms of domestic financial market, the Federal Reserve System raised the target range for the federal funds rate by 0.25% at the FOMC meeting on December 15 ~ 16, resulting in a stronger US Dollar, fund outflow and currency devaluation in the emerging countries. As global funds kept flowing to the United States, the world's major stock markets declined in December 2015, along with slipping international crude oil and commodity prices, as well as the weak economies in Europe and Japan. The stock market declined further. The Taiwan Stock Exchange Weighted Index closed at 8,338.06 in late December 2015, a 10.41% drop from the 9,307.26 of the year before. Because of the evident trend of US interest rate hike, the exchange rate of NTD against USD was closed at NT$33.066 in late December 2015, a depreciation of 4.25% from the NT$31.718 of the year before. In terms of interest rate, in order to save Taiwan from the domestic and international economic predicament, it was resolved in the directors and supervisors meeting of the Central Bank on September 24 and December 17, 2015 to cut interest rate by 0.125%, for the first time in a nearly sixteen consecutive quarters.

1.1.2 Organization Integration

As of the end of 2015, the number of subsidiary companies, in which the Company has direct controlling interest, remains the same as they are in 2014. 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 2015, 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 4th in Taiwan's syndicated loan market with 5.57% of market share. By the end of 2015, the credit business, loan business and corporate loans business captured the third position among local banks, with a market share of 7.58%, 6.99% and 7.23%, respectively. Loans extended to small and medium sized enterprises had a market share of 7.33%, ranked 5th among local banks.

Consumer banking and wealth management

Mega International Commercial Bank's consumer loans outstanding reaching NT$390.3 billion by the end of 2015, up 1.18% from the previous year. The Bank and other subsidiaries of the Mega Financial Holding Company together generated NT$3.08 billion of wealth management fees income in 2015, growing by 18.96% 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	2015	2014	Change (%)
Deposits	2,080,552	1,929,424	7.83
Bills discounted and loans	1,765,178	1,691,323	4.37
Corporate financing	1,377,601	1,325,417	3.94
Consumers financing (Note 2)	387,577	365,906	5.92
Foreign exchange (US$)	842,207	825,871	1.98
Securities purchased	380,305	360,828	5.40
Long-term equity investments	23,472	25,005	-6.13
Credit card loans	1,230	1,363	-9.76

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 2015 amounted to NT$1,341 million, representing a non-performing loan ratio of 0.08%, lower than the overall average for domestic banks of 0.23% as disclosed by the FSC. The Bank's bad debt coverage ratio was 1,723.01%, higher than the industry average 555.43%.

Mega Securities Co., Ltd. (MSC)

Mega Securities Company achieved a market share of 2.87% in securities brokerage, ranked 9th in the local securities market. The Company issued 2,154 warrants in total with an aggregate amount of NT$20.9 billion. The Company's operating volume in 2015 is shown in the following table:

Item		2015	2014	Change (%)
Securities brokerge	Market share	2.87	3.06	-6.21
Equity underwriting	Number of initial public offering lead managed by MSC	5	3	66.67
	Number of subsequent public offering lead managed by MSC	7	9	-22.22
Bond underwriting	Number of issues lead managed by MSC	3	1	200.00
	Amount of issues lead managed by MSC (NT$ billion)	5	1.5	233.33
New financial products	Number of warrants issued	2,154	2,242	-3.93
	Amount of warrants issued (NT$ billion)	20.9	21.3	-1.88

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 30.33% and 31.54%, respectively. Bills trading volume ranked first with a 34.86% market share. Bond trading had a market share of 31.18%, also topped the industry. The Company's operating volume in 2015 is shown as follows:

Units: NT$ million

Item	2015	2014	Change (%)
Underwriting and purchase of bills	2,334,321	2,357,881	-1.00
Guaranteed issues of commercial paper	2,050,131	2,054,137	-0.20
Dealing in bills	8,177,922	8,363,843	-2.22
Dealing in bonds	5,592,022	5,906,712	-5.33
Guaranteed issues of commercial paper outstanding	148,882	143,178	3.98
Payments for overdue credits	0	0	-
Percentage of payments for overdue credits (%)	0	0	-

Chung Kuo Insurance Co., Ltd.

Chung Kuo Insurance Company's marine insurance business had a market share of 9.14% in 2015, ranked 4th in the local market. The aviation insurance business had a market share of 14.33%, ranked 3rd in the local market. The Company's operating performance in 2015 is shown as follows:

Unit: NT$ million

Item	2015	2014	Change (%)
Direct written premiums	6,205	6,282	-1.23
Inward reinsurance premiums	689	604	14.07
Total	6,894	6,886	0.12

Mega International Investment Trust Co., Ltd.

Unit: NT$ million

Item	2015	2014	Change (%)
Public funds under management	97,566	90,309	8.04
Private funds under management	73	84	-13.10
Discretionary account	766	246	211.38
Total	98,405	90,639	6.05

Mega Asset Management Co., Ltd.

Unit: NT$ million

Item	2015	2014	Change (%)
Gain from disposal of NPL and the underlying collateral	571	578	-1.23
Rental revenues	3	33	-90.91
Interest income	154	99	35.71
Service revenues	258	246	4.88
Total	986	956	3.14

Mega Venture Capital Co., Ltd.

Unit: NT$ million

Item	2015	2014	Change (%)
Drawdown of long term equity investment	337	348	-3.16
Original cost of long term equity investment	945	882	7.14

Mega Life Insurance Agency Company Co., Ltd.

Unit: NT$ million

Item	2015	2014	Change (%)
Commission income	1,562	1,168	33.73

1.1.4 Budget Implementation

The Company

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

Item	Final accounting figure, 2015	Budget figure, 2015	Implemented (%)
Revenues	30,548,165	27,812,361	109.84
Expenses and losses	683,667	610,524	111.98
Net income before tax from continuing operations	29,864,498	27,201,837	109.79
Net income	29,417,211	26,683,788	110.24
Earnings per share	2.35	2.10	111.90

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.	30,250,304	26,731,798	113.16
Mega Securities Co., Ltd.	393,454	945,649	41.61
Mega Bills Finance Co., Ltd.	3,505,810	3,151,273	111.25
Chung Kuo Insurance Co., Ltd.	498,056	512,275	97.22
Mega Asset Management Co., Ltd.	503,111	416,693	120.74
Mega Life Insurance Agency Co., Ltd.	433,789	301,205	144.02
Mega Venture Capital Co., Ltd.	28,688	44,432	64.57
Mega International Investment Trust Co., Ltd.	111,793	132,327	84.48

Mega Securities Company's budget achieving rate is 41.61%, mainly due to poor stock market with the daily trading volume and margin trading balance below expectations. Chung Kuo Insurance Company's budget achieving rate is 97.22%, mainly due to the stock investment income below expectations. Mega Venture Capital Company's budget achieving rate is 64.57%, mainly due to gain from disposal of investments below expectations and the recognition of equity investment loss. Mega International Investment Trust Company's budget achieving rate is 84.48%, mainly due to the downsizing of non-monetary fund.

1.1.5 Financial Results

The Company's consolidated net profit before tax in 2015 was NT$35,108,982 thousand, a drop of NT$243,852 thousand or 0.69% compared to 2014. The decline in consolidated net profit before tax is mainly due to the reduction in revenue other than interest of NT$1,291,074 thousand, which offset the increase in net interest income of NT$1,014,413 thousand, while the operating expenses increased by NT$1,762,232 thousand and bad debts expense on loans decreased by NT$1,795,041 thousand. The decline in revenue other than interest is due to the decrease in the realized gain on financial assets and liabilities at fair value through profit or loss as well as gain from disposal of non-performing loans, which offset the increase in service fee revenue and commissions, reimburse income, and gain from disposal of investment property. The consolidated net profit after tax of the Company and its subsidiaries reached NT$29,273,269 thousand, a decline of NT$986,375 thousand or 3.26%. Its consolidated return of total assets was 0.88% while the return on equity stood at 10.56%. A breakdown of the financial results of the Company and its subsidiaries in 2015 are shown in the table below:

Unit: NT$ thousand, except EPS in NT$

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share	Return on Total Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries	35,108,982	29,273,269	2.35	0.88	10.56
Mega FHC (Unconsolidated)	29,864,498	29,417,211	2.35	9.69	10.62
Mega International Commercial Bank Co., Ltd.	30,250,304	25,708,445	3.27	0.85	10.89
Mega Securities Co., Ltd.	393,454	331,740	0.29	0.66	2.27
Mega Bills Finance Co., Ltd.	3,505,810	3,010,436	2.30	1.37	8.91
Chung Kuo Insurance Co., Ltd.	498,056	413,013	1.38	2.68	7.09
Mega Asset Management Co., Ltd.	503,111	468,947	2.34	3.37	16.62
Mega Life Insurance Agency Co., Ltd.	433,789	360,045	180.02	76.59	112.75
Mega Venture Capital Co., Ltd.	28,688	28,442	0.28	4.02	4.04
Mega International Investment Trust Co., Ltd.	111,793	93,944	1.78	10.44	11.22

Note: 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 2015 are summarized as follows:

The Company

- Assessing the feasibility of merger or acquisition of other financial institutions
- Establishing a query system for shareholding information in investee companies
- Developing a financial risk reporting system following the standards depicted in IFRS 7

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

- Undertaking new businesses according to customer demands and constructing the related systems and management mechanisms in line with the government's policy in activating stock market and relaxing trading restrictions
- Actively developing e-commerce business to catch the financial 3.0 trends

- Organizing the "structured notes with foreign currency or NTD principal-linked with foreign stock option (principal guaranteed / not principal guaranteed)"
- Establishing a comprehensive wealth management platform and system as the basis for long-term development of wealth management business

Bills subsidiary

- Research on improving the efficiency of settlements for foreign currency denominated bonds
- Studying the Equator Principles and its compliance
- Improving the current operational risk self-assessment system, and enhancing the business risk management mechanism

Non-life insurance subsidiary

- Developing a total of 172 new insurance products in 2015, including 98 "Use and File" products, and 74 "Simple Prior Approval" products

Investment trust subsidiary

- Introduction of multiple currencies products to develop the foreign currency investor base

1.2 Business Plan for 2016

1.2.1 Operating Guidelines

- Cultivating customer relationships and creating group synergy
- Concentrating and focusing on our core business to create the greatest value for shareholders
- Enhancing the Group's risk management and warning system
- Strengthening the Group's information management and resource sharing to reduce operating cost
- Reinforcing the environmental, social, and governance performance to fulfill the corporate social responsibility
- Strengthenng 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 2016 are as follows:

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

Business	Item	Budget for 2016
Banking	Average outstanding deposits	2,150,425
	Average outstanding loans	1,843,557
	Undertaking of foreign exchange	853,000
Bills Finance	Underwriting and purchasing of bills	2,355,944
	Trading volume of bills and bonds	13,843,577
	Guaranteed issues of commercial paper average outstanding	152,500
Securities	Market share of brokerage	3.10%
Insurance	Premium revenues	7,159

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 to enhance synergy of the Group
- Developing international talent and special professionals locally
- Increasing capital with effective capital allocation to increase capital efficiency
- Enhancing global operation and risk management practices and systems

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

(1) Observers expect China's economic growth to slow down and its economic structure to be adjusted. Prices of energy prices and other bulk commodities will remain low. The United States' tight monetary policy will have an adverse effect on the global economy. Therefore, the domestic economy is unlikely to improve in the short term.

(2) Scientific progress and changes in user habits have prompted various industries to accelerate their digitization and to expand their application range. Banking service formats and contents should be adjusted or innovated properly in response to customer demands and changes in the market. Also, electronic technology provides customers with a variety of digital financial services that allow customers to enjoy secure and prompt financial services online.

1.5 Credit Ratings

As of the end of April 30, 2016, the Company and its subsidiaries retained the same credit rating as granted in 2015. 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, 2015
	Moody's	A3	-	Stable	Oct. 14, 2015
Mega International Commercial Bank	Taiwan Ratings Corp.	twAA+	twA-1+	Stable	Oct. 17, 2015
	Moody's	A1	P-1	Stable	Jan. 4, 2016
	S & P	A	A-1	Stable	Oct. 17, 2015
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 20, 2015
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA-	twA-1+	Stable	Oct. 30, 2015
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA-	-	Stable	Oct. 16, 2015
	Moody's	A3	-	Stable	Oct. 16, 2015
	S & P	BBB+	-	Stable	Oct. 21, 2015

Global economic recovery was weak in 2015. The persisting "low faith, low growth, and low inflation" risks resulted in Taiwan's inability to maintain its 1% economic growth rate. In the beginning of 2016, the global financial markets are caught in severe fluctuations. The Bank of Japan unexpectedly announced a negative interest rate policy, amid bleak economic data of the USA and China, making economic prospects uncertain. The economy of this year is filled with uncertainties, and unexpected events may occur frequently. The expected interest rate hike in the USA, slower economic growth in China, quantitative easing in the EU, and changing oil prices will affect the economy in 2016. Faced with a rapidly changing environment, the Company will reinforce risk management in the hope of sailing through each crisis safely and maintaining its strong record in operating performance. Of course, the success of this effort also depends upon the support of our shareholders that give us faith in future and allow us to move forward with determination and confidence. This way we can jointly create another golden decade for the Company.

Hann-Ching Wu
Acting Chairman of the Board

Company Profile

Company Profile

2.1 Date of Incorporation: February 4, 2002

2.2 Company History

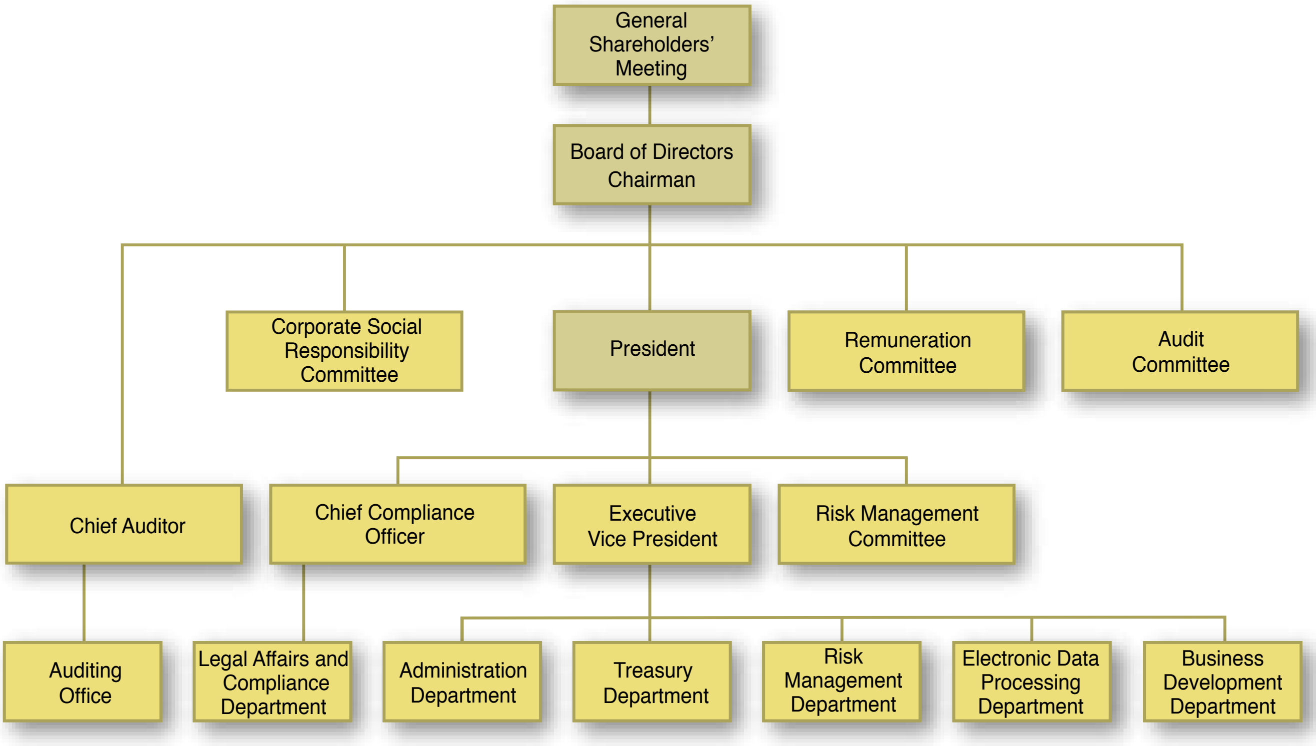
Date	Milestones
February 4, 2002	Founded by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through the exchange of shares, and simultaneously listed on the Taiwan Stock Exchange with the name of CTB Financial Holding Company (Code 2886)
August 22, 2002	Acquired a 100% 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% stake in 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 of 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.
June 11, 2015	Subscribed all 300 million shares of private placement offered by subsidiary Mega International Commercial Bank to improve its capital structure.
December 30, 2015	Subscribed all 536 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

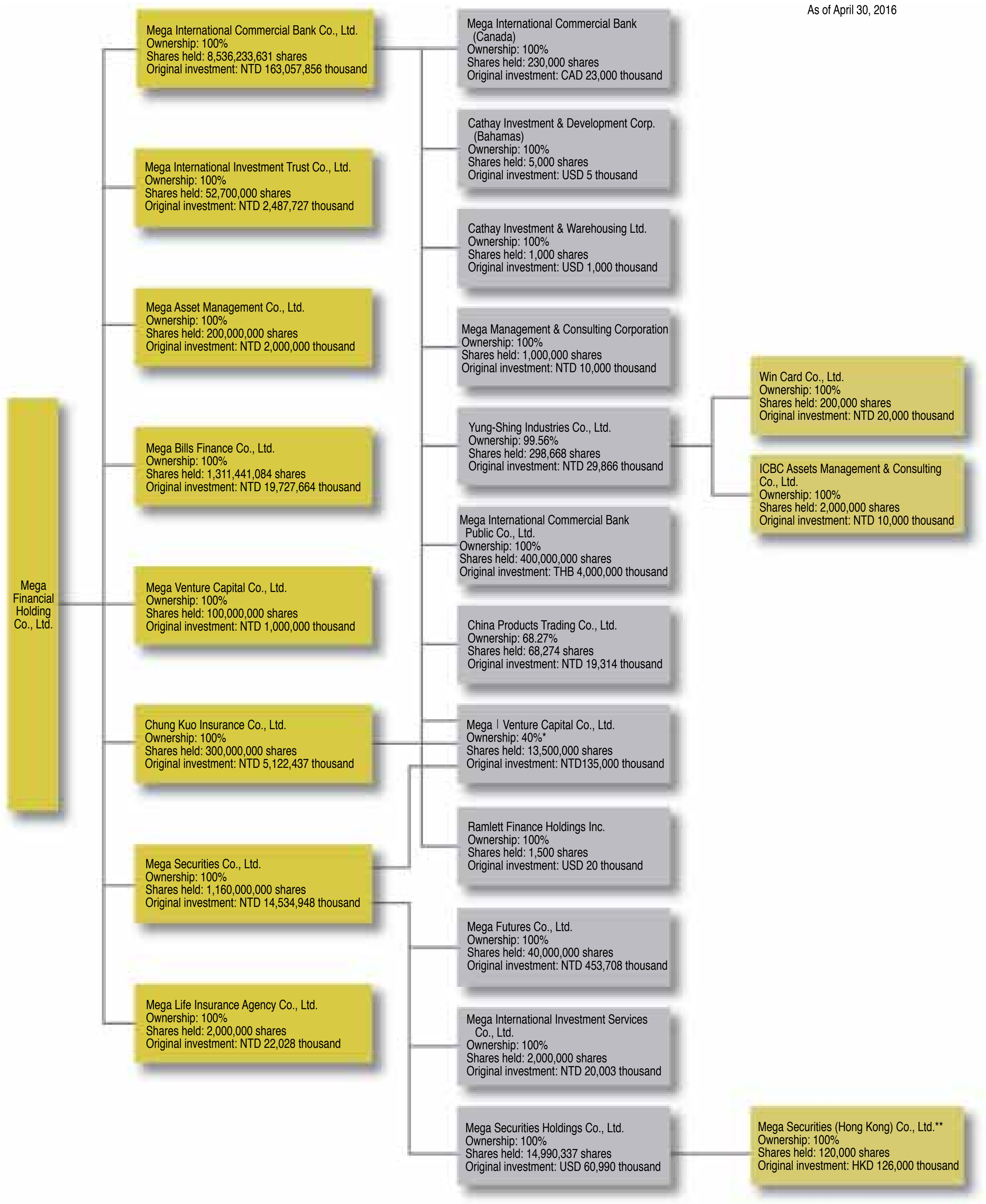
Treasury Department

- 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.

**The Board of Directors of Mega Securities Holdings Co., Ltd. has resolved to dispose of all its stake in Mega Securities (Hong Kong) Co., Ltd. This proposal has been approved by the FSC on March 24, 2016, and it is now waiting for approval from Securities & Futures Commission of Hong Kong.

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	%
Acting Chairman	R.O.C.	Hann-Ching Wu (Representative of the Ministry of Finance, R.O.C.)	07/01/2015	3	07/01/2015	1,143,043,883	9.18	1,143,043,883	8.40	167,560	0.001	0	0
Director	R.O.C.	I-Min Chen (Representative of the Ministry of Finance, R.O.C.)	07/01/2015	3	01/07/2015	1,143,043,883	9.18	1,143,043,883	8.40	0	0	0	0
Director	R.O.C.	Po-Cheng Chen (Representative of the Ministry of Finance, R.O.C.)	07/21/2015	2.92	07/21/2015	1,143,043,883	9.18	1,143,043,883	8.40	229	0.000	0	0
Director	R.O.C.	Tzong-Yau Lin (Representative of the Ministry of Finance, R.O.C.)	07/01/2015	3	02/20/2012	1,143,043,883	9.18	1,143,043,883	8.40	10,811	0.000	0	0
Director	R.O.C.	Yaw-Chung Liao (Representative of the Ministry of Finance, R.O.C.)	07/01/2015	3	06/15/2012	1,143,043,883	9.18	1,143,043,883	8.40	0	0	0	0
Director	R.O.C.	Chia-Chi Hsiao (Representative of the Ministry of Finance, R.O.C.)	07/01/2015	3	09/26/2014	1,143,043,883	9.18	1,143,043,883	8.40	3,624 3,000	0.000 0.000	0	0
Director	R.O.C.	Ta-Pei Liu (Representative of the Ministry of Finance, R.O.C.)	07/01/2015	3	05/12/2014	1,143,043,883	9.18	1,143,043,883	8.40	16,217 2,162	0.000 0.000	0	0
Director	R.O.C.	Chiu-Fa Tsai (Representative of the Ministry of Finance, R.O.C.)	08/18/2015	2.92	08/18/2015	1,143,043,883	9.18	1,143,043,883	8.40	133,791 62,037	0.001 0.000	0	0

April 30, 2016

Experience & education	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
Senior Vice President & General Manager of Business Center-Kaohsiung, Mega International Commercial Bank Co., Ltd., Senior Vice President & General Manager of Credit Control Department, Mega International Commercial Bank Co., Ltd. Executive Vice President of Mega Financial Holding Co., Ltd., Senior Executive Vice President of Mega International Commercial Bank Co., Ltd. M.A., National Taiwan University	Acting Chairman & President of Mega International Commercial Bank, Managing Director of China Real Estate Management Co., Ltd., Director of Asia Pacific Emerging Industry Venture Capital Co., Ltd., Director of Hotung Investment Holdings Limited, Director of Taiwan Finance Corporation	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	Consultant of Executive Yuan, R.O.C.	None	None	None
Director, National Treasury Administration, Ministry of Finance, R.O.C. M.A. in Public Finance, National Chengchi University	Director, National Treasury Administration, Ministry of Finance, R.O.C.	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 of Economics Department, 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-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 of CPC Corporation, Taiwan Director-General, Department of Economics, Energy and Agriculture, Executive Yuan, R.O.C.	None	None	None
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
Director of Chung Hsing 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
Chairman of The Labor Union of Mega International Commercial Bank Co., Ltd., Member of the Arbitration Committee of Labor-management Dispute of Ministry of Labor B.A., National Taipei University of Business	Assistant Vice President of Mega International Commercial Bank Co., Ltd. Director of China Investment Limited Company	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.	Huan Lin (Representative of National Development Fund, Executive Yuan, R.O.C.)	09/16/2015	2.83	09/16/2015	759,771,091	6.10	830,973,202	6.11	0	0	0	0
Director	R.O.C.	Wen-Chyi Ong (Representative of Chunghwa Post Co., Ltd.)	07/01/2015	3	11/13/2013	397,926,634	3.20	472,335,910	3.47	0	0	0	0
Director	R.O.C.	Jan-Lin Wei (Representative of Bank of Taiwan)	07/01/2015	3	06/15/2012	262,273,049	2.11	283,565,969	2.09	0	0	51,385,410	0.38
Independent Director	R.O.C.	Tsun-Siou Li	07/01/2015	3	06/15/2012	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Keh-Nan Sun	07/01/2015	3	07/01/2015	0	0	0	0	5,923	0.000	0	0
Independent Director	R.O.C.	Chi-Hung Lin	07/01/2015	3	06/15/2012	0	0	0	0	0	0	0	0

Note: Mr. Yeou-Tsair Tsai resigned as the Director and Chairman of the Company and Mega International Commercial Bank effective from April 1, 2016. Mr. Hann-Ching Wu, President of the Company, concurrently serves as acting chairman of the Company and Mega International Commercial Bank from the same day.

April 30, 2016

Experience & education	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
Associate Professor, Department of Law, Shih Hsin University, Associate Professor, School of Law, Soochow University Executive Secretary, National Development Fund, Executive Yuan, R.O.C. J.D., Delaware Law School of Widener University, U.S.A.	Deputy Minister, 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
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, U.S.A.	Professor, Department of Finance, National Taiwan University, Director, Taiwan Futures Exchange Corporation	None	None	None
Research Fellow/Economic Policy Advisor of Chung-Hua Institution of Economic Research Chairman, Department of Public Finance and Tax Administration, National Taipei University of Business Member of Fiscal Reform/Tax Reform Commission, Executive Yuan Director/Supervisor of Chunghua Association of Public Finance Ph.D. in Economics, National Taiwan University	Associate Professor, Department of Public Finance and Tax Administration, National Taipei University of Business	None	None	None
Associate Professor, Department of Laws, 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

April 30, 2016

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%)

Major shareholders of the above major shareholders that are juridical persons

April 30, 2016

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

April 30, 2016

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	
Hann-Ching Wu	✓		✓	✓		✓	✓	✓		✓	✓	✓		0
I-Min Chen	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chia-Chi Hsiao	✓		✓	✓	✓	✓			✓	✓	✓	✓		0
Po-Cheng Chen			✓	✓		✓	✓		✓	✓	✓	✓		0
Huan Lin	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Wen-Chyi Ong			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Tzong-Yau Lin	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Jan-Lin Wei	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Ta-Pei Liu	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Yaw-Chung Liao	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chiu-Fa Tsai			✓		✓	✓	✓	✓	✓	✓	✓	✓		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	
Tsun-Siou Li	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Keh-Nan Sun	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
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.	Hann-Ching Wu (Note 1)	07/17/2015	167,560	0.00	-	-	-	-
Executive Vice President	R.O.C.	Jui-Yun Lin	09/08/2006	208,762	0.00	-	-	-	-
Executive Vice President	R.O.C.	Chung-Hsing Chen	10/01/2010	115,000	0.00	-	-	-	-
Executive Vice President	R.O.C.	Ming-Jye Chang	01/01/2012	1,220,515	0.01	358,579	0.00	-	-
Executive Vice President	R.O.C.	Chuang-Hsin Chiu	06/01/2015	372,895	0.00	-	-	-	-
Executive Vice President	R.O.C.	Bie-Ling Lee	06/01/2015	50,135	0.00	-	-	-	-

April 30, 2016

Experience & education	Other position	Managers who are spouses or within two degrees of kinship		
		Title	Name	Relation
Senior Vice President & General Manager of Business Center-Kaohsiung, Mega International Commercial Bank Co., Ltd., Senior Vice President & General Manager of Credit Control Department, Mega International Commercial Bank Co., Ltd. Executive Vice President of Mega Financial Holding Co., Ltd., Senior Executive Vice President of Mega International Commercial Bank Co., Ltd. M.A., National Taiwan University	Acting Chairman & President of Mega International Commercial Bank, Managing Director of China Real Estate Management Co., Ltd., Director of Asia Pacific Emerging Industry Venture Capital Co., Ltd., Director of Hotung Investment Holdings Limited, Director of Taiwan Finance Corporation	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, National 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., Chairperson 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, U.S.A.	Supervisor of Chung Kuo Insurance Co., Ltd., Supervisor of Mega International Investment Trust 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, U.S.A.	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 Co., Ltd., M.S. in Engineering Technology Institute, National Taiwan University of Science and Technology	Director & Senior Executive Vice President of Mega International Commercial Bank Co., Ltd., Chairman of Mega Growth Venture Capital Co., Ltd., Director of Taiwan Cogeneration Co., Ltd., Director of Financial eSolution Co., Ltd., Director of Euroc Venture Capital Co., Ltd., Director of Mega Management Consulting Corp.	None	None	None
Senior Vice President & General Manager of Mega International Commercial Bank Co., Ltd. B.A. in Accounting and Statistics, National Taichung Institute of Technology	Director and Senior Executive Vice President of Mega International Commercial Bank Co., Ltd., Supervisor of Hantech Venture Capital Corp., Chairman of Universal Venture Capital Investment Corp., Director of Ability I Venture Capital Corp., Director of ARBOR Technology Corp., Director of Cathay Investment & Warehousing Co., Ltd., Director of Wincard Co., Ltd.	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.	Mei-Chi Liang	06/01/2015	139,140	0.00	-	-	-	-
Executive Vice President	R.O.C.	Ching-Ming Chen	10/01/2015	398,057	0.00	110	0.00%	-	-
Chief Auditor	R.O.C.	Tzong-Chi Hsu (Note 2)	04/28/2015	119,632	0.00	-	-	-	-
Chief Compliance Officer	R.O.C.	Tien-Lu Chen (Note 4)	02/01/2015	46,799	0.00	-	-	-	-

Note: 1. Ms.Meei-Yeh Wei, President, retired effective July 1, 2015, and Mr. Hann-Ching Wu was appointed as the President effective the same day.

2. Mr. Yung-Ming Chen, Chief Auditor, retired effective January 15, 2016, and Mr. Tzong-Chi Hsu was appointed as the Chief Auditor effective April 28, 2015.

3. Mr. Chii-Bang Wang, Executive Vice President, concurrently Chairman of the Mega Bills Finance Company, retired effective March 2, 2015 and reappointed as the Chief Secretary of the Board effective the same day. He resigned effective April 1, 2016.

4. Mr. Tien-Lu Chen, Chief Compliance Officer of Mega International Commercial Bank, concurrently serves as Chief Compliance Officer of the Company effective February 1, 2015.

5. Executive Vice Presidents Mr. Feng-Chi Ker and Ms. Dan-Hun Lu have resigned effective June 1, 2015.

6. Ms. Ying-Ying Chang, Executive Vice President, retired effective October 1, 2015.

Experience & education	Other position	Managers who are spouses or within two degrees of kinship		
		Title	Name	Relation
Senior Vice President & General Manager of Mega International Commercial Bank Co., Ltd. M.A. in Commerce, National Chengchi University	Chairman of Mega I Venture Capital Co., Ltd., Director of CDIB Partners Investment Holding Corp., Director of Mega International Investment Trust Co., Ltd., Director of Taiwan Finance Corporation.	None	None	None
Senior Vice President & General Manager of Mega International Commercial Bank Co., Ltd. B. A. in Economics, National Taiwan University	Senior Executive Vice President of Mega International Commercial Bank Co., Ltd., Director of Terawins Co., Ltd., Director of Cathay Investment & Development Corp. (Bahamas) Director of Mega Asset Management Co., Ltd.,	None	None	None
Chief Auditor of Chung Kuo Insurance Co., Ltd., M.A. in Public Finance, National Chengchi University	Supervisor of Mega International Commercial Bank Co., Ltd., Supervisor of Mega Securities Co., Ltd., Supervisor of Mega Asset Management Co., Ltd.	None	None	None
Senior Vice President & General Manager of Legal Department of Mega International Commercial Bank Co., Ltd. B. A. in Law, National Taiwan University	Chief Compliance Officer of Mega International Commercial Bank Co., Ltd. Director of Mega International Investment Trust Co., Ltd. Director of Taiwan Aerospace Corp.	None	None	None

3.2.3 Remuneration of Directors, President, and Executive Vice Presidents

Remuneration of Directors

Title	Name	Compensations								Ratio of total remuneration (a+b+c+d) to net income (%)	
		Base compensation (a)		Severance pay (b)		Director's remuneration (c)		Allowances (d)			
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities
Chairman	Ministry of Finance										
	Yeou-Tsair Tsai										
Director (Representative of Ministry of Finance)	Hann-Ching Wu										
	Meei-Yeh Wei										
	Chia-Chi Hsiao										
	Yaw-Chung Liao										
	Tzong-Yau Lin										
	Joanne Ling										
	Po-Cheng Chen										
	I-Min Chen										
	Ta-Pei Liu										
	Chiu-Fa Tsai										
	Chung Hsiang Lin										
Director	National Development Fund										
	Huan Lin										
	Hsueh-Ju Tseng										
Director	Chunghwa Post Co., Ltd.										
	Wen-Chyi Ong										
Director	Bank of Taiwan										
	Jan-Lin Wei										
Director	Labor Union of Mega Int'l Commercial Bank Co., Ltd.										
	Chung Hsiang Lin										
Independent Director	Keh-Nan Sun										
	Shean-Bii Chiu										
	Tsun-Siou Li										
	Chi-Hung Lin										
Total		2,160	13,795	0	853	150,125	150,125	3,281	7,339	0.53	0.59

Note: 1. Mr. Yeou-Tsair Tsai resigned as the Director and Chairman of the Company effective April 1, 2016. Mr. Hann-Ching Wu replaces Ms. Meei-Yeh Wei as the Director effective from July 1, 2015. Ms. Joanne Ling resigned as the Director effective from July 3, 2015, and Mr. Po-Cheng Chen takes the position as the Director from July 21, 2015. Mr. Chung Hsiang Lin, representative of Ministry of Finance was replaced by Mr. Chiu-Fa Tsai effective August 18, 2015. Mr. I-Min Chen takes the position as the Director effective January 7, 2015. Ms. Hsueh-Ju Tseng was replaced by Mr. Huan Lin as the Director effective from September 16, 2015. The tenure of Mr. Chung Hsiang Lin, representative of Labor Union of Mega International Commercial Bank Co., Ltd. expired on June 30, 2015. Mr. Shean-Bii Chiu, Independent Director was replaced by Mr. Keh-Nan Sun effectively July 1, 2015.

2. Allowances (d) does not include compensation paid to company drivers by all consolidated entities for NT$2,066 thousand. "Salary, bonuses, and allowances (e)" does not include compensation paid to company drivers for NT$1,002 thousand.
3. Director's remuneration (c) and Employee remuneration (g) have been approved by the Board of Directors.
4. 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)		Employee remuneration (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	8,402	0	216	0	0	361	0	0	0	0	0	0.53	0.62	802

Corporate Governance Report

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, Hann-Ching Wu Meei-Yeh Wei, Chia-Chi Hsiao Yaw-Chung Liao, Tzong-Yau Lin Joanne Ling, Po-Cheng Chen I-Min Chen, Ta-Pei Liu Chung-Hsiang Lin, Chiu-Fa Tsai Hsueh-Ju Tseng, Huan Lin Wen-Chyi Ong, Jan-Lin Wei Keh-Nan Sun, Shean-Bii Chiu Tsun-Siou Li, Chi-Hung Lin	Chia-Chi Hsiao,Yaw-Chung Liao Tzong-Yau Lin, Joanne Ling Po-Cheng Chen, I-Min Chen Chung-Hsiang Lin, Chiu-Fa Tsai Hsueh-Ju Tseng, Huan Lin Wen-Chyi Ong, Jan-Lin Wei Keh-Nan Sun, Shean-Bii Chiu Tsun-Siou Li, Chi-Hung Lin	Yeou-Tsair Tsai, Hann-Ching Wu Meei-Yeh Wei, Chia-Chi Hsiao Yaw-Chung Liao, Tzong-Yau Lin Joanne Ling, Po-Cheng Chen I-Min Chen, Ta-Pei Liu Chung-Hsiang Lin, Chiu-Fa Tsai Hsueh-Ju Tseng, Huan Lin Wen-Chyi Ong, Jan-Lin Wei Keh-Nan Sun, Shean-Bii Chiu Tsun-Siou Li, Chi-Hung Lin	Chia-Chi Hsiao,Yaw-Chung Liao Tzong-Yau Lin, Joanne Ling Po-Cheng Chen, I-Min Chen Chung-Hsiang Lin, Chiu-Fa Tsai Hsueh-Ju Tseng, Huan Lin Wen-Chyi Ong, Jan-Lin Wei Keh-Nan Sun, Shean-Bii Chiu Tsun-Siou Li, Chi-Hung Lin
NT$2,000,000 ~ NT$5,000,000		Hann-Ching Wu Meei-Yeh Wei		Hann-Ching Wu Meei-Yeh Wei
NT$5,000,000 ~ NT$10,000,000	Labor Union of Mega International Commercial Bank Co., Ltd.	Yeou-Tsair Tsai Ta-Pei Liu Labor Union of Mega International Commercial Bank Co., Ltd.	Labor Union of Mega International Commercial Bank Co., Ltd.	Yeou-Tsair Tsai Ta-Pei Liu Labor Union of Mega International Commercial Bank Co., Ltd.
NT$10,000,000 ~ NT$15,000,000	National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd.	National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd.	National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd.	National Development Fund Chunghwa Post Co., Ltd. Bank of Taiwan Co., Ltd.
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)		Employee remuneration (d)				Ratio of total compensation (a+b+c+d) to net income (%)		Exercisable employee stock options		New restricted employee shares		Compensation 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	Hann-Ching Wu																	
	Meei-Yeh Wei																	
Executive Vice President	Jui-Yun Lin																	
	Chung-Hsing Chen																	
	Hann-Ching Wu																	
	Mei-Chi Liang																	
	Bie-Ling Lee																	
	Chuang-Hsin Chiu																	
	Ching-Ming Chen																	
	Dan-Hun Lu																	
	Ying-Ying Chang																	
	Feng-Chi Ker																	
	Ming-Jye Chang																	
Chief Secretary	Chii-Bang Wang																	
Chief Auditor	Tzong-Chi Hsu																	
	Yung-Ming Chen																	
Chief Compliance Officer	Tien-Lu Chen																	
Total		10,328	30,233	648	2,141	5,999	22,674	1,296	0	2,612	0	0.06	0.20	0	0	0	0	923

Note: 1. Mr. Hann-Ching Wu replaces Ms. Meei-Yeh Wei as the President effective July 1, 2015. Ms. Dan-Hun Lu, Mr. Feng-Chi Ker and Mr. Hann-Ching Wu are replaced by Ms. Mei-Chi Liang, Ms. Bie-Ling Lee and Mr. Chuang-Hsin Chiu as Executive Vice Presidents from June 1, 2015. Ms. Ying-Ying Chang is replaced by Mr. Ching-Ming Chen as Executive Vice President effective from October 1, 2015. Mr. Yung-Ming Chen retired as the Chief Auditor effective from January 15, 2015. Mr. Tzong-Chi Hsu was appointed as the Chief Auditor from the same day. Mr. Tien-Lu Chen serves as Chief Compliance Officer from February 1, 2015.

2. Compensation paid to company drivers by all consolidated entities for NT$7,793 thousand is not included in "Bonuses and allowances (c)".

3. Employees' remuneration (d) has been approved by Board of Directors.

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	Hann-Ching Wu, Meei-Yeh Wei, Mei-Chi Liang, Bie-Ling Lee Chuang-Hsin Chiu, Feng-Chi Ker Ying-Ying Chang, Dan-Hun Lu Ching-Ming Chen, Ming-Jye Chang Yung-Ming Chen,Tien-Lu Chen	Ching-Ming Chen, Dan-Hun Lu Yung-Ming Chen
NT$ 2,000,000 ~ NT$ 5,000,000	Jui-Yun Lin, Chung-Hsing Chen Tzong-Chi Hsu, Chii-Bang Wang	Hann-Ching Wu, Meei-Yeh Wei, Mei-Chi Liang, Bie-Ling Lee Chuang-Hsin Chiu, Chung-Hsing Chen Feng-Chi Ker, Ying-Ying Chang Tzong-Chi Hsu, Tien-Lu Chen
NT$ 5,000,000 ~ NT$ 10,000,000		Jui-Yun Lin, 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	16	16

Employee Remuneration to Executive Vice Presidents

Unit: NT$ thousands

Title	Name	Employee remuneration - in stock (Fair Market Value)	Employee remuneration - in cash	Total	Ratio of total amount to net income (%)
Executive Vice President	Jui-Yun Lin				
Executive Vice President	Chung-Hsing Chen				
Chief Auditor	Tzong-Chi Hsu				
Chief Auditor	Yung-Ming Chen				
Senior Advisor & Chief Secretary of the Board	Chii-Bang Wang				
Total		0	1,296	1,296	0.0044

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 years to directors, president and executive vice presidents of the Company, to the net income

	2015	2014
The ratio of total remuneration paid to directors, president and executive vice presidents, relative to net income after tax, by the Company	0.59%	0.52%
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	0.82%	0.75%

Total remuneration paid by the Company to its directors and executives as a percentage of net income after tax was slightly higher than in 2014 due to adjustment to the appropriation basis of employees' and directors' remuneration in accordance with the amended Company Act.

B. Compensation policies, the procedures for determining compensation, and the correlation with business performance and future risks

(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 by directors includes transportation allowance and directors' remuneration distributed according to the Articles of Incorporation.

b. Compensation to independent directors includes monthly compensation and research expenditure.

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

d. Compensation to the president and executive vice presidents includes salary, severance pay, bonuses, employees' remuneration, and allowance including rent for housing, vehicles, and fuel expenses.

(2) The procedures for determining compensation

The directors' and executives' compensation is appropriated according to the Articles of Incorporation and the relevant bonus distribution guidelines, while the market remuneration level and future risks are taken into consideration. The compensation of directors, president and executive vice presidents are subject to the approval of Remuneration Committee and the Board of Directors.

(3) The correlation with business performance and future risks

	The Company	All companies in the consolidated financial statements
Annual growth ratio of net profit after tax	-2.84%	-3.26%
Annual growth ratio of all remuneration paid to directors, president and executive vice presidents	10.98%	5.63%

The Company's net profit after tax fell by 2.84% in 2015 from the previous year, while the remuneration paid to directors, president and executive vice presidents grew by10.98%. Meanwhile, the consolidated net income declined by 3.26% in 2015 from the previous year, while the remuneration paid to directors, president and executive vice presidents by all companies in the consolidated financial statements increased by 5.63%. The increase in growth ratio of the remunerations to directors, president and executive vice presidents are mainly due to adjustment to the appropriation basis of employees' and directors' remuneration in accordance with the amended Company Act.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 14 (A) meetings of the board of directors were held in 2015. Director attendance was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Yeou-Tsair Tsai (Representative of Ministry of Finance)	14	0	100.00	
Director	Meei-Yeh Wei (Representative of Ministry of Finance)	7	0	100.00	left office on July 1, 2015
Director	Hann-Ching Wu (Representative of Ministry of Finance)	7	0	100.00	took office on July 1, 2015
Independent director	Tsun-Siou Li	14	0	100.00	
Independent director	Shean-Bii Chiu	7	0	100.00	left office on July 1, 2015
Independent director	Keh-Nan Sun	7	0	100.00	took office on July 1, 2015
Independent director	Chi-Hung Lin	13	1	92.86	
Director	Chia-Chi Hsiao (Representative of Ministry of Finance)	14	0	100.00	
Director	I-Min Chen (Representative of Ministry of Finance)	13	1	92.86	took office on Jan. 7, 2015
Director	Joanne Ling (Representative of Ministry of Finance)	8	0	100.00	left office on July 3, 2015
Director	Po-Cheng Chen (Representative of Ministry of Finance)	5	1	83.33	took office on July 21, 2015
Director	Tzong-Yau Lin (Representative of Ministry of Finance)	14	0	100.00	
Director	Ta-Pei Liu (Representative of Ministry of Finance)	14	0	100.00	
Director	Yaw-Chung Liao (Representative of Ministry of Finance)	13	1	92.86	
Director	Hsueh-Ju Tseng (Representative of National Development Fund)	9	1	90.00	left office on Sep. 16, 2015
Director	Huan Lin (Representative of National Development Fund)	3	1	75.00	took office on Sep. 16, 2015
Director	Wen-Chyi Ong (Representative of Chunghwa Post Co., Ltd.)	14	0	100.00	
Director	Jan-Lin Wei (Representative of Bank of Taiwan)	14	0	100.00	
Director	Chung-Hsiang Lin (Representative of Labor Union of Mega Int'l Commercial Bank)	7	0	100.00	left office on July 1, 2015
Director	Chung-Hsiang Lin (Representative of Ministry of Finance)	2	0	100.00	July 1, 2015 - Aug. 18, 2015
Director	Chiu-Fa Tsai (Representative of Ministry of Finance)	5	0	100.00	took office on Aug. 18, 2015

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 first meeting of the sixth term Board of Directors on July 1, 2015, the Board discussed a proposal to reappoint Hann -Ching Wu as the president of the Company. Because Director Hann -Ching Wu is the interested party, he recused himself from discussions and did not participate in the voting according to regulations.
   (2) At the first meeting of the sixth term Board of Directors on July 1, 2015, the Board discussed a proposal to engage the three Independent Directors as the members of the Remuneration Committee. Because Tsun-Siou Li, Chi-Hung Lin and Keh-Nan Sun were interested parties in this matter, they recused themselves from discussions and did not participate in the voting according to regulations.
   (3) At the 2nd meeting of the sixth term Board of Directors on July 28, 2015, the Board discussed the proposal to allow Mega Securities Co., Ltd. and BankTaiwan Securities Company to participate in underwriting of the Company's second unsecured exchangeable bond issue. Because Ta-Pei Liu, Chairman of Mega Securities Co., Ltd. and Jan-Lin Wei, Executive Vice President of Bank of Taiwan are interested parties, they recused themselves from discussions and abstain from voting as required by regulations.
   (4) At the 3rd meeting of the sixth term Board of Directors on August 25, 2015, the Board discussed the proposed reappointment of the 15th term directors, supervisors, chairman and president of Mega International Commercial Bank Co. Ltd., and change of a supervisor of Mega Bills Finance Co., Ltd. Because Yeou-Tsair Tsai, Hann-Ching Wu, and Po-Cheng Chen were interested parties in this matter, they recused themselves from discussions and did not participate in the voting according to regulations. The managerial officers in connection with this proposal also recused themselves from discussions.
   (5) At the 5th meeting of the sixth term Board of Directors on October 27, 2015, the Board discussed the proposed reappointment of the 10th term directors, supervisors, chairman and president of Mega Securities Co., Ltd. Because Ta-Pei Liu was the current Chairman of Mega Securities Co., Ltd., he avoided participating in the discussion and abstained from voting on this matter as required by regulations.
   (6) At the 5th meeting of the sixth term Board of Directors on October 27, 2015, the Board discussed the proposal to allow Mega Securities Co., Ltd., BankTaiwan Securities Company and Land Bank of Taiwan to participate in underwriting of the Company's new common shares issue against cash injection. Because Ta-Pei Liu, Chairman of Mega Securities Co., Ltd. and Jan-Lin Wei, Executive Vice President of Bank of Taiwan are interested parties, they recused themselves from discussions and abstained from voting as required by regulations.
3. Measures taken to strengthen the function of the Board:
   The Company has established an audit committee as required by the Securities and Exchange Act since 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 laws should be performed by the audit committee. In order to strengthen the function of the Board, the Board of Directors approved on November 24, 2015 the "Guidelines Governing the Performance Evaluation of the Board" which stipulate that by the end of each year the Board must conduct a performance self-evaluation for the current year according to the evaluation procedures and performance indicators of these guidelines. In addition, the Company will engage an external independent professional institution or a panel of external experts and scholars to conduct the performance evaluation at least once every three years. The scope of evaluation includes the Board of Directors as a collective, individual board members, and board committees. The evaluation results of 2015, described below, were reported to the Board of Directors meeting of March 29, 2016:
   (1) Board of Directors scored 90 in five dimensions, 40 self-evaluation indicators.
      a. Four items failed to score, including: indicator "22. Does the Board regularly and efficiently implement performance evaluation"; "28. Did the election of board members proceed in accordance with standards set under the diversification policy?", "31. Have the directors fulfilled the number of annual training hours?", "33. Does the company have a training record of directors and a continuous professional development plan, so that directors can strengthen their knowledge and skills?"
      b. Performance analysis and status of improvement: The dimensions with good performance included: "Participation in the operations of the company", "Composition and structure of the board of directors", "Internal control", which all received full marks. Three non-scored indicators are under the dimension "Election and continuing education of the directors". To help all directors timely meet their required training hours in corporate governance, the Company will provide directors with a monthly e-mail detailing the latest courses of training arranged by institutions approved by the competent authorities. Previously such email is only sent in the fourth quarter of each year to directors who have not met their quota of training hours.
   (2) Board members scored an average of 97.87 in 6 dimensions, 25 self-evaluation indicators. The directors' self-evaluation scores ranged from 92 to 100.
      a. Three items failed to score, including: indicator "11. Do directors make an effective contribution? For example, providing concrete suggestions?", "18. Do directors and external auditors have good communication and interaction?", "20. Have directors met their annual training hours requirement?"
      b. Performance analysis and improvement status: The dimensions with good performance included: "Familiarity with the goals and missions of the company", "Awareness of the duties of a director", "Internal control", which all received full marks. Indicators failed to score are under the dimensions of "Management of internal relationship and communication" and "The directors' professionalism and continuing education". The Company will periodically hold meeting inviting directors and the external auditors to communicate with each other. To help all directors timely meet their required training hours in corporate governance, the Company will provide directors with a monthly e-mail detailing the latest courses of training arranged by institutions approved by the competent authorities.
   (3) The Audit Committee and Remuneration Committee satisfied the 32 evaluation indicators, and scored full marks.

3.3.2 Audit Committee Meeting

The Company's Audit Committee held 10 meetings (A) in 2015, with the following attendance:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Tsun-Siou Li	10	0	100%	
Independent Director	Shean-Bii Chiu	6	0	100%	left office on July 1, 2015
Independent Director	Keh-Nan Sun	4	0	100%	took office on July 1, 2015
Independent Director	Chi-Hung Lin	10	0	100%	

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 2015.
2. There were no recusals of independent directors due to conflicts of interests in 2015.
3. Descriptions of the communications between the independent directors, the internal auditors, and the external auditors in 2015 (e.g. the channels, items and/or results of the communications on the corporate finance and/or operations, etc.):
   (1) The Company's auditing office submits its annual audit plans to the audit committee meeting for review every year. In addition, Financial Supervisory Commission's inspection reports and all internal audit reports are sent to independent directors regularly or irregularly.
   (2) The deficiency found by the Company's auditing office in the internal auditing and the improvement thereof was submitted to the Audit Committee meeting.
   (3)Aside from communicating auditing procedures with external auditors, independent directors also discussed the semi-annual and annual financial statements with external auditors.

3.3.3 Discolosure Information In Accordance With Corporate Governance Best-Practice Principles for Financial Holding Companies

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

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

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		The Company has enacted Procedures for Handling Shareholders' Suggestions, Concerns and Disputes, which prescribes the deadline to reply to shareholders and handling procedures.	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, managerial 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's Policy and Guidelines on Risk Management, and Group Firewall Policy Between The Company and Its Subsidiaries. Banking, insurance, bills finance, securities 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 monitors its risk position. A Committee for Corporate Social Responsibility is also set up to monitor the goals and implementation status of Corporate Social Responsibility.	None
(2) Does the Company regularly evaluate its external auditor's independence?	V		In addition to recognizing whether the external auditors are the related parties under the Article 45 of the Financial Holding Company Act, the Company assesses the independence of its external auditors 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 and provide consulting services. To maintain channels of communication with stakeholders, the Company has designated a stakeholder subsection under the "Corporate Social Responsibility" section on its website.	None
4. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its financial, 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, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors, and donations to political parties, interested parties and charity organizations)?	V			

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(1)Employee rights, employee wellness, investor relations, rights of stakeholders:			(1)Employee rights, employee wellness: Please refer to "Corporate Social Responsibilities" on page 41 and "Labor Relations" on page 77. (2)Investor relations: The Company has designated an investor section on its website to provide investors with relevant information. Aside from designating a spokesperson to communicate with investors, the Company attends investment conference held by securities firms from time to time. One-on-one meetings with investors are also held irregularly. (3)Rights of Stakeholders: Please refer to the section of "communication of stakeholders" in our 2015 CSR Report.	None
(2)Directors' and supervisors' training records			Please refer to page 39 of this annual report.	None
(3)Implementation of risk management policies and risk evaluation measures:			In addition to fully compliance of government regulations, the Company aims at establishing a risk management mechanism that conforms to international standards. Currently, the Company established the Group's Policy and Guidelines on Risk Management, which clearly described the guidelines on management of credit risk, market risk, operational risk, human resource risk, and emergency crisis. On credit risk, the Company set up the Group's Guidelines on Credit Risk Management to avoid over-concentration of risk. The Guidelines requires that the credit risk exposure of the Group be divided into different categories by clients, industries as well as countries, and be reviewed and reported on a regular basis. So far, the credit risks are not over-concentrated. On market risk, the Company examines the existing risk control statements of all subsidiaries on a regular basis. An integrated risk management system is also being established step by step in an effort to make the market risk management system more comprehensive. On operational risk, the Company set up the Group's Guidelines on Operational Risk Management to periodically monitor the operational risk management of every subsidiary. Subsidiaries are required to conduct self-evaluation every year and to record loss events so to gradually build up the data base for operational risks loss. On liquidity risk, the Company set up the Group's Guidelines on Liquidity Risk Management to periodically monitor liquidity risk of its subsidiaries. The status of the aforesaid risk management is reported to the Risk Management Committee and Board of Directors on a regular basis.	None
(4)Implementation of consumer relation 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.	None
(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.	None
(6)Donation to political parties, interested parties, and charity organizations			The Company and its subsidiaries do not make donations to political parties. In 2015, the Mega International Commercial Bank donated NT$19 million to the International Commercial Bank of China Civil and Education Foundation. The donation to Mega Charity Foundation, by Mega International Commercial Bank, Chung Kuo Insurance Company, Mega Bills Finance Company, Mega Securities Company, Mega Assets Management Company, and Mega International Investor Trust Company, amounted to NT$5 million in total. The Company and its subsidiaries donated totally NT$346,487,269 to charity organizations and other legal entities in 2015.	None
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 the annual evaluation of corporate governance. Starting from 2014, the evaluation is, however, conducted on the corporate governance evaluation platform of Taiwan Stock Exchange based on its indicators of the corporate governance evaluation.	None

Directors' training records

Name	Date	Training Agency	Course	Training Hours
Yeou-Tsair Tsai	08/27/2015	Securities & Futures Institute	Corporate ethical risk management and CSR development	3.0
	05/27/2015	Securities & Futures Institute	Listed company business ethics leadership forum	3.0
Hann-Ching Wu	12/09/2015	Taiwan Securities Association	Exploitation on business operation tax system	3.0
	11/11/2015	Taiwan Securities Association	How to grasp IFRS financial statements	3.0
	09/09/2015	Taiwan Securities Association	Strategy and response to the foreign exchange fluctuation	3.0
	08/12/2015	Taiwan Securities Association	Case analysis of the legal risk of Cross-Strait investment	3.0
Tsun-Siou Li	08/07/2015	Securities & Futures Institute	How to fulfill CSR and prepare CSR report	3.0
	08/05/2015	Securities & Futures Institute	Strategy and tool application of employee compensation	3.0
Keh-Nan Sun	11/20/2015	Taiwan Corporate Governance Association	Information disclosure and obligation of directors and supervisors for false financial statements	3.0
	10/27/2015~ 10/29/2015	Taiwan Academy of Banking and Fianace	Tax planning by use of OBU and its risk analysis	6.0
	10/03/2015	Taiwan Academy of Banking and Fianace	Global economic indicators and investment trend	7.0
Chi-Hung Lin	10/26/2015	Securities & Futures Institute	Succession plan and practice analysis for a family-owned business	3.0
	10/07/2015	Securities & Futures Institute	Strategy and tool application of employee compensation	3.0
Chia-Chi Hsiao	04/09/2015~ 04/10/2015	The Institute of Internal Auditors-Chinese Taiwan	The eyes and ears of board of directors	12.0
Po-Cheng Chen	10/19/2015~ 10/21/2015	Corporate Operation Association	Best practice of board of directors	6.0
	09/25/2015	Securities & Futures Institute	Fraud risk in merger and acquisition-from corporate governance viewpoint	3.0
	08/27/2015	Securities & Futures Institute	Corporate ethical risk management and CSR development	3.0
I-Min Chen	09/14/2015	Securities & Futures Institute	How to develop the function of board committee	3.0
	08/05/2015	Securities & Futures Institute	Strategy and tool application of employee compensation	3.0
	08/03/2015	Securities & Futures Institute	Disclosure of material information and obligation of board of directors	3.0
	05/27/2015	Securities & Futures Institute	Listed company business ethics leadership forum	3.0
Tzong-Yau Lin	10/26/2015	Securities & Futures Institute	Succession plan and practice analysis for a family-owned business	3.0
	04/24/2015	Securities & Futures Institute	Measures to cope with the half-cut of imputation credit of dividends	3.0
Huan Lin	11/13/2015	National Development Fund, Executive Yuan	Liability and obligation of board of directors under the Securities and Exchange Act	3.0
	10/23/2015	National Development Fund, Executive Yuan	Evaluation of project financing of banks	3.0
	09/21/2015	National Development Fund, Executive Yuan	Director and supervisor's right and obligation for the false financial statements or frauds	3.0
Wen-Chyi Ong	06/24/2015	Securities & Futures Institute	How to fulfill CSR and prepare CSR report	3.0
	05/27/2015	Securities & Futures Institute	Listed company business ethics leadership forum	3.0
	03/03/2015	Taiwan Corporate Governance Association	Infringement judgement and director's obligation	1.0
Jan-Lin Wei	11/05/2015	Taiwan Corporate Governance Association	The 11th Taipei corporate governance forum	3.0
	07/22/2015	Taiwan Academy of Banking and Finance	Practice of board of directors and corporate governance	3.0
Ta-Pei Liu	10/30/2015	Corporate Operation Association	Laws and regulations prohibiting insider trading and the way to avoid violation	3.0
	10/19/2015	Corporate Operation Association	Case analysis on obligation of information disclosure and legal responsibility	3.0
Yaw-Chung Liao	11/04/2015	Securities & Futures Institute	Strategy and tool application of employee compensation	3.0
	10/30/2015	Securities & Futures Institute	CSR report and assurance principles of external auditors	3.0
Chiu-Fa Tsai	10/12/2015	Securities & Futures Institute	How to fulfill CSR and prepare CSR report	3.0
	05/05/2015	Taiwan Academy of Banking and Finance	Global viewpoint on the corporate governance 2.0 and Taiwan experience	3.5
	04/15/2015	Taiwan Securities Association	Case analysis of the legal risk of Cross-Strait investment	3.0
	02/06/2015	Taiwan Securities Association	Corporate governance from the viewpoint of IFRS	3.0

3.3.5 Operation Status of the Remuneration Committee

A. Members of the Remuneration Committee

Title	Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience: An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Independence Criteria (Note) 1	2	3	4	5	6	7	8	Number of Other Public Companies where the Members Serve as Member of Remuneration Committee
Independent Director	Chi-Hung Lin	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Tsun-Siou Li	V		V	V	V	V	V	V	V	V	V	1
Independent Director	Keh-Nan Sun	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 July 1, 2015 to June 30, 2018. In 2015, the Committee held 4 meetings (A) with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Ex-Chair	Shean-Bii Chiu	2	0	100%	Left office on July 1, 2015
Chair	Chi-Hung Lin	4	0	100%	
Member	Tsun-Siou Li	4	0	100%	
Member	Keh-Nan Sun	2	0	100%	Takes office on July 1, 2015

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

3.3.6 Corporate Social Responsibility

For the Company's corporate social responsibility implementation status, please refer to the Company's Corporate Social Responsibility Report on the company's website:

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 results?	V		The Company has enacted the "Corporate Social Responsibility Principles" and "Corporate Social Responsibility Policy" which are disclosed on its website. Corporate Social Responsibility Report was also published to disclose the action 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		The Company periodically conducts training of social responsibilities and designates staff to attend 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 Administration Department is appointed to be the concurrently dedicated unit in charge of CSR. A Corporate Social Responsibility Committee is also established. President is the chair of the committee, and Executive Vice Presidents of the Company and its subsidiaries are committee members. Five working groups in charge of the enactment of work plans are required to report to the committee.	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 Principles for Ethical Management, 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 contribution levels.	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: 1. Reduced usage of paper: Promotion of e-forms (Such as: leave applications and various application forms), the use of online announcements, implementation of paper free meetings, the set-up of waste paper recycling bins to facilitate recycling. 2. Conserving fuel: The use of hybrid cars for business, promotion of car pool for business trips. 3. Conserving electricity: 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), the limit use of 90% of joint current, the replacement of energy saving lighting devices, the use of green building materials to save energy and reduce carbon emission in construction and renovation. 4. Conserving water: Reduction of water volume of faucets, re-using water for cleaning. 5. Promoting energy saving, carbon reduction and resource sorting.	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 has taken management measures for the maintenance of workplace health and safety, drinking water, access control, and so on.	None

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(3) Does the Company monitor the impact of climate change on its operations and establish Company strategies for energy conservation, and carbon-emission reduction as well as greenhouse gas reduction?	V		The Company implements various energy saving measures including the use controls of elevators, lighting, air conditioning, and water. We review quarterly the effects in reductions of water, electricity, and fuels used by each company of the Group. We have started to quantify and manage our greenhouse gas emissions since 2013. ISO 14064-1 of greenhouse gas emission management plan was also introduced in 2015.	None
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 with 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		The Company set up diverse communication channels for employees including direct contact or email. The communication channels with employees are smooth.	None
(3) Does the Company provide safe and healthful work environments for its 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 drill 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 consumer protection and grievance policies with regard to its research, 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 privacy and safety of customer's personal information, the Company has adopted rigorous control mechanism. 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

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(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 of impact on the environment and society. Additionally, in order to encourage suppliers to fulfill their corporate social responsibilities, since 2014, the Company requests that suppliers having transactions with it for amounts higher than NT$1 million to sign an agreement to fulfill social responsibilities related to the environment and society.	None
(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		Starting from 2015, the content of contract we enter into with any of our major suppliers include terms stipulating that the contract may be terminated or rescinded any time if the supplier has violated CSR policy and has caused significant negative impact on the environment and society of the community of the supply source.	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 corporate social report which are also disclosed on its 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 2015 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 2015 CSR report is assured by BSI according to the principle of AA1000 and GRI 4. For the Independent Assurance Opinion Statement, please refer to the 2015 CSR Report.				

3.3.7 Ethical Corporate Management and Approach Adopted

Ethical Corporate Management Implementation

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
1.Establishing the policies and programs 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 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

Assessment	Implementation status			Non-implementation and its reasons
	Yes	No	Explanation	
(2) Does the Company establish relevant programs, 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 Management Principles clearly state that the following unethical behavior is 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
(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 misconduct.	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 CSR committee under the board is responsible for establishment and promotion of the ethical corporate management ideas. Implementation status of Ethical Management Principles is submitted to the board meeting regularly.	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 and followed an effective accounting system and an internal control 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 random 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 business concepts to the suppliers in suitable occasions.	None

<table>
<tr><th rowspan="2">Assessment</th><th colspan="3">Implementation status</th><th rowspan="2">Non-implementation and its reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>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 sponsor to handle the case?</td><td>V</td><td></td><td>The Company’s Ethical Management Principles requires that violation of ethical business practices should be reported to the dedicated unit, which will assign appropriate sponsor to handle the case.</td><td>None</td></tr>
<tr><td>(2) Does the Company establish standard operation procedures for the investigation and security mechanism?</td><td>V</td><td></td><td>Once the dedicated unit receives reporting of any ethical irregularities, it will investigate the matter pursuant to standard operation procedures and keep whistleblowers’ identity and report contents confidential.</td><td>None</td></tr>
<tr><td>(3) Does the Company adopt protection measures of non-retaliation?</td><td>V</td><td></td><td>The Company protects whistleblowers, including keeping their identity and report contents confidential. No punishment will be given due to the content of the reports given by whistleblowers.</td><td>None</td></tr>
<tr><td>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?</td><td>V</td><td></td><td>The Company discloses the content and the implementation status of its Ethical Management Principles on the Company’s website and MOPS.</td><td>None</td></tr>
<tr><td colspan="5">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’s Ethical Management Principles, based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, is fully implemented with no discrepancy.</td></tr>
<tr><td colspan="5">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): Prior to engaging in commercial dealings, the Company assesses the legality and reputation of the counterparties, and avoids conducting transactions with those involved in unethical conduct. Besides, the Ethical Corporate Management Principles will be reviewed and updated from time to time.</td></tr>
</table>

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

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

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

3.3.9 Other Important Information: None.

3.3.10 Execution of Internal Control System

A. Internal control system statement

Mega Financial Holding Co., Ltd.

Internal Control System Statement

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

On behalf of Mega Financial Holding Co., Ltd., we here state that from January 1, 2015 to December 31, 2015, 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 : Hann-Ching Wu

Chief Auditor : Tzong-Chi Hsu

Compliance Officer : Tien-Lu Chen

March 29, 2016

Internal Control Weaknesses and Improvement Plans

Record Date: December 31, 2015

Weakness	Improvement Plans	Completion Date
Mega International Commercial Bank Co., Ltd. One of the Bank's branches was complained about requiring a customer to purchase mortgage life insurance product when he applied for mortgage loan, violating applicable regulations of the FSC.	1. Regulations governing mortgage life insurance business have been included in the self-assessment items of legal compliance, and self-examination items of the wealth management business, in the first half 2015. The self-examination work sheet for credit business also added in the Bank's relevant guidelines. 2. Education and training for mortgage life insurance has been continually strengthened.	Improved
Mega Securities Co., Ltd. 1.When providing futures accounts opening services outside of business premises, the account opening personnel of the company was not present along with the associated person, violating the internal control system.	1. The company has promoted the rules for futures account opening procedures in the monthly meetings. The rules have also been circulated among associated person and account opening personnel, who signed the documents to express their reading and understanding these rules. 2. Brokerage business headquarters stressed the rules of futures accounts opening procedures, in the nationwide managers meeting.	Improved
2.As a recommending securities firm of TIGA Gamig Inc. (TIGA) for trading on the TPEx as emerging stocks, Mega Securities Company violated the applicable regulations on the first trading date of the securities, as it disposed of a significant amount of its subscribed shares of TIGA, not for the purpose of market making, without authorizations according to its internal guidelines, and quoted price not based on professional judgement.	1. The company has intensified promotion of the applicable regulations in a meeting reviewing the position of the emerging stocks. The rules have also been circulated among staff of the Emerging Stock Trading Department, who signed the documents to express their reading and understanding these regulations. 2. The company has amended its "Internal Regulations for Trading Emerging Stocks" prohibiting trading of the recommended stocks outside the TPEx trading system on the first five trading days. 3. A computer warning system has been adopted to prevent unauthorized transactions. Once the net long or short positon exceeds NT$9 million, the computer will automatically remind the trader that the transaction needs approval, while the superiors will also receive e-mail notification. 4. The "Emerging Stock Price Negotiation Computer System" has been set to reject the price input when the price quoted by dealers exceeded 10% of the previous quoted price, unless the quoted price checked by another dealer. The time and reason of occurrence should be documented in the "Quotation Ratio Gap Overrun Registration Form", which must be signed and archived by the dealing room supervisor. If the stock price fluctuates dramatically, the"Internal Regulations for Trading Emerging Stocks" apply as well. That is, each offer should be no more than the previous offer by 20% which would, gradually, approach the market price.	
Chung Kuo Insurance Co., Ltd. Selling Personal Liability Insurance with Accident Insurance added through its telemarketing channel, the company exceeded the maximum amounts NT$6 million per policy, set by the competent authority for sales through telemarketing channels, and used information provided by others as a basis for the underwriting assessment, with no relevant self-verification procedures. Moreover, the "Health and Injury Insurance Underwriting Guidelines" and "Guidelines on Underwriting of Health Insurance Operating Procedures" adopt a non-mandatory and negative way of verification, unable to ensure financial underwriting is fulfilled.	1. The company has reviewed the telemarketing process and reinforced inquiry of the proposer's financial status, educated telemarketer with case studies and provided quarterly training to related employees. 2. The maximum insured amount of injury insurance sold through telemarketing is adjusted to NT$ 6 million (which includes the main and additional insured amount). 3. The "Guidelines on Underwriting of Health Insurance Operating Procedures", and "Health and Injury Insurance Underwriting Guidelines" are revised to implement the financial underwriting operations, to strengthen risk control and prevent moral hazards. 4. The company has set up review, control, and selection criteria and an "Underwriting Analysis Table" in the information system, which displays accumulated insured amounts in the industry, and alerts underwriters when further financial vetting is needed before underwriting.	Improved

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

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

A. Legal action involving executives or employees:

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) When selling personal liability insurance with an accident insurance rider through its telemarketing channel, Chung Kuo Insurance Company did not verify the financial status of the proposer before underwriting, and the insured amounts exceeded the maximum limit stipulated by the competent authority. It was fined NT$1.8 million by FSC on March 3, 2015. In addition to ordering correction and amendment to the internal underwriting system and procedures within one month, the FSC asked the company to discharge the underwriting officer and suspend handling telemarketing insurance applications from the following day after receipt of the penalty letter of the FSC, unless permitted by FSC to resume the said business. The improvements are listed in the above Internal Control Weaknesses and Improvement Plans. All the deficiencies have been improved and reported to the FSC, so the company has been approved to resume the said business from the following day after receipt of the letter of FSC dated April 15, 2015.

(2) Chung Kuo Insurance Company was fined NT$ 3 million on May 5, 2016 by the FSC for the following deficiencies:

(a)calculation of premiums of public accident liability insurance and automobile insurance was not in accordance with the premium rates of the policies submitted to FSC for approval

(b)calculation of premiums of group injury insurance was not according to the premium rates of the policies filed with FSC

(c)reimbursing a driver not in the coverage of the automobile insurance with additional named insured drivers

(d)failing to solicit a letter of authorization from the proposer or the insured when handling claims for automobile insurance according to the operating handbook of its Personal Insurance Claim Department

Improvements:

(a)Changes to the premium rates for the additional provisions of the employer's liabilities, the additional provisions of the building tenant's fires liabilities, and the additional provisions on the individual applicability of the insured amount, in the public accident liability insurance coverage have been completed and filed with FSC.

(b)Quotations have been provided according to the new premiums rates filed with FSC, and premiums charged are based on the new premium rate table to meet the requirements.

(c)All group injury insurance projects have been checked comprehensively and the adequacy of the premium rates has been re-checked. In addition, notices of the premium rates increase and adoption of the adequate rates have been sent to the cooperated insurance brokerage/agency firms.

(d)The system for the filing and change of the roster of named drivers has been revised.

(e)The repair shops were asked immediately to accommodate the needs of the company in its operations by providing quotations right away to the claims personnel after the inspection was completed.

(f)The claims department is required to obtain the quotation or repair estimation sheet signed by the proposer (or the insured) or those authorized, according to the requirements of the competent authority, and the claims adjustment supervisors are required to conduct random inspections irregularly.

(3) When Mega Securities Company's Nanking Branch provided futures accounts opening services outside of business premises, its account handling personnel was not present, who still signed on the account documents. The company was therefore fined by the FSC for NT$120,000. The improvements are listed in the above Internal Control Weaknesses and Improvement Plans and all the deficiencies have been improved.

(4) In February 2014, an abnormality with the computer system detected was not recorded on the operation journal of Information Department as required in the Internal Control System of the Mega Futures Company. Also, one associated person failed to fill a futures transaction order on the occasion, violating the futures management laws. Mega Futures Company was fined NT$120,000 by the FSC on September 15, 2014. The deficiencies have been improved with the following improvements:

(a)The computer system event was added to the operation journal of Information Department, and information of "Please Contact a Sales Representatives ASAP" will be shown on the screen of the on-line order system once the computer does work smoothly.

(b)The Company has conducted educational training and risk control promotions for all employees.

(c)The standard operation procedures have been modified to add the relevant control mechanisms of entrusted futures transactions.

C. Admonishments issued by the FSC for serious operational improprieties

(1) As a recommending securities firm of TIGA Gamig Inc. (TIGA) for trading on the TPEx market as an emerging stock, Mega Securities Company disposed of, on the first trading date, a significant amount of its subscribed shares of TIGA, not for the purpose of market making, without authorization according to its internal guidelines and quoted price not based on professional judgement. It was therefore given a disciplinary warning by the FSC according to Article 66, paragraph 1 of the Securities and Exchange Act, ordered to suspend operation of Mr. Wu for 3 months, Mr. Chen for 2 months, the rest of related personnel should be given disciplinary measures by the company and reported to the FSC, suspended accepting the company's recommendation for trading of the emerging stock unless permitted by FSC to resume the said business. The improvements are listed in the above Internal Control Weaknesses and Improvement Plans and all the deficiencies have been improved. The company was allowed to recommend emerging stock trading on the TPEx market effective January 11, 2016.

(2) Mega International Commercial Bank did not establish and maintain the database of related parties well so that it entered into a transaction with a related party without a special resolution by the Board of Directors. It was therefore given an ordering correction by the FSC on December 8, 2014. The deficiency has been improved with the following improvements:

(a)A comprehensive investigation was conducted to check the businesses which the interested parties serve as directors or supervisors. Database of the interested parties have been reviewed.

(b)The maintenance operation of database of interested parties has been reviewed, and the awareness of archive person towards the scope of interest parties has been enhanced, to avoid archive omissions.

(c)A periodical review of database of interested parties has been shortened from every half year to every three months.

(d)The aforementioned transaction has been submitted to, and approved by, the Board of Directors on August 22, 2014.

(3) Yung-Ho Branch of Mega International Commercial Bank was complained about requiring a customer to purchase mortgage life insurance product when he applied for mortgage loan, violating applicable regulations of the FSC. The Bank was therefore given a correction order by the FSC on April 21, 2015. The improvements are listed in the above Internal Control Weaknesses and Improvement Plans and all the deficiencies have been improved.

(4) Chung Kuo Insurance Company was given a correction order on May 5, 2016 by the FSC for commissions of group injury insurance, paid at a rate exceeding the additional charges submitted for filing, not obtaining recipient's consent to a complete recording of the conversation as soon as the recipient answers the phone when telemarketing, not informing clients of the fact that the one-year personal health insurance does not guarantee continuation, and mistakenly disclose on the website the cost rate of each type of insurance of 2012 instead of the actual retained loss rate. Its improvements are as follows:

(a)The group injury insurance project has been checked comprehensively to ensure the commission rate is incompliance with the requirements.

(b)Educational training for telemarketers has been reinforced. The statement to solicit proposer's consent to full recording will be indicated in the beginning of the conversation, and the proposer will be clearly informed of the fact that "there is no guaranteed continuation" of the health insurance during declaration of the proposer's rights.

(c)The company's website has been revised and updated, and the review mechanism is in place to prevent similar mistakes from happening again.

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: None.

3.3.12 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Important resolution of the annual shareholders' meeting held on June 26, 2015

(1) The meeting approved a cash dividend of NT$1.4 per share, compensation to directors of NT$136,163,000, and employee profit sharing of NT$10,307,000. The dividend was paid on September 4, 2015, and the employee profit sharing and compensation to directors have also been paid.

(2) The elected 15 directors (including three independent directors) of the Sixth Term Board of Directors take their positions starting from July 1, 2015. Mr. Yeou-Tsair Tsai was elected as the Chairman of the Board and Mr. Hann-Ching Wu was appointed as the president. The results of the election have be filed with the Ministry of Economic Affairs and published on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange Corporation and the Company's website.

B. Important resolution of the Board meetings held in 2015

(1) The 34th meeting of the Fifth Term Board of Directors held on January 27, 2015 approved the budget of 2015.

(2) The 35th meeting of the Fifth Term Board of Directors held on February 24, 2015 approved the convening of the 2015 general shareholders' meeting and the reappointment of the 14th Term Board of Directors of Mega Bills Finance Company.

(3) The 36th meeting of the Fifth Term Board of Directors held on March 24, 2015 approved the 2014 consolidated financial statements, amendment to the agenda of the 2015 general shareholders' meeting, and appointment of the Chief Auditor of the Company.

(4) The 37th meeting of the Fifth Term Board of Directors held on April 16, 2015 approved the candidates of the Six Term Board of Directors.

(5) The 38th meeting of the Fifth Term Board of Directors held on April 28, 2015 approved the 2014 business report and earning distribution proposal.

(6) The 39th meeting of the Fifth Term Board of Directors held on May 26, 2015 approved the proposal of issuance of exchangeable bonds to dispose of the Company's stakes in Taiwan Business Bank (TBB) , and the allotment of 2014 remuneration to directors.

(7) The 40th meeting of the Fifth Term Board of Directors held on June 23, 2015 approved the terms of the second domestic unsecured exchangeable bonds issue.

(8) The 1st meeting of the Sixth Term Board of Directors held on July 1, 2015 elected Mr. Yeou-Tsair Tsai as the chairman and appointed Mr. Hann-Ching Wu as the President of the Company.

(9) The 2nd meeting of the Sixth Term Board of Directors held on July 28, 2015 approved the dividend record date of August 19, 2015.

(10) The 3th meeting of the Sixth Term Board of Directors held on August 25, 2015 approved the appointment of the 15th Term Board of Directors and Supervisors of the Mega International Commercial Bank, and reappointment of a supervisor of subsidiary Mega Bills Finance Company.

(11) The 4th meeting of the Sixth Term Board of Directors held on September 22, 2015 approved the proposal of issuance of new common shares against cash injection in 2015.

(12) The 5th meeting of the Sixth Term Board of Directors held on October 27, 2015 approved the reappointment of the 10th Term Board of Directors and Supervisors of Mega Securities Company.

(13) The 6th meeting of the Sixth Term Board of Directors held on November 24, 2015 approved to inject N$15.5 billion to Mega International Commercial Bank by subscribing all its new shares, and approved the Company's 2015 Resolution Plan.

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

3.3.14 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports:

April 30, 2016

Title	Name	Date of appointed	Date of termination	Reasons for resignation or dismissal
Chairman	Yeou-Tsair Tsai	July 1, 2010	April 1, 2016	Resignation
President	Meei-Yeh Wei	August 11, 2014	July 1, 2015	Tenure expired
Chief Auditor	Yung-Ming Chen	September 8, 2006	January15, 2015	Retirement

3.3.15 Material Information Management Procedure

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

3.4 Information on Independent Auditor Fee

Accounting Firm	Name of CPAs	Audit period	Remarks
PricewaterhouseCoopers, Taiwan (PWC)	Chien-Hung Chou King-Tse Huang	January 1, 2015– December, 31, 2015	

Unit: NT$

	Bracket \ Item	Audit fee	Non-audit fee	Total
1	Under NT$2,000,000		V	
2	NT$2,000,000 (inclusive) ~ NT$ 4,000,000	V		V
3	NT$4,000,000 (inclusive) ~ NT$ 6,000,000			
4	NT$6,000,000 (inclusive) ~ NT$ 8,000,000			
5	NT$8,000,000 (inclusive) ~ 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: None.

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	2,484,000	0	0	0	436,667	436,667	1/1/2015 – 12/31/2015	1. Expenses incurred for capital increase in cash 2. FATCA consulting fee 3. Expenses for reviewing the issuance documents of EB-2 4. Expenses for application for reinvestigation of the income tax 5. Translation expenses of the financial statements

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: None.

3.6 The Company's Responsible Persons Hold a Position at the Accounting Firm or its Affiliated Enterprises in 2015: None.

3.7 Changes in Shareholding

3.7.1 Changes in Shareholding of Directors, Executives and Major Shareholders

Unit: Share

Title	Name	2015		As of April 30, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Ministry of Finance, R.O.C.	-	-	-	-
	The National Development Fund, Executive Yuan, R.O.C.	71,202,111	-	-	-
	Bank of Taiwan Co., Ltd.	25,151,441	-	-	-
	Chunghwa Post Co., Ltd.	120,192,276	-	5,029,000	-
	Labor Union of Mega International Commercial Bank (Note 1)	73,249	-	-	-
Chairman	Yeou-Tsair Tsai (Note 2)	119,399	-	-	-
Director and President	Hann-Ching Wu	131,895	-	-	-
Independent Director	Tsun-Siou Li	0	-	-	-
	Keh-Nan Sun	0	-	-	-
	Chi-Hung Lin	0	-	-	-
Chief Secretary	Chii-Bang Wang (Note 2)	103,794	-	-	-
Chief Auditor	Tzong-Chi Hsu	28,406	-	-	-
Executive Vice President	Chung-Hsing Chen	115,000	-	-	-
	Jui-Yun Lin	35,099	-	-	-
	Mei-Chi Liang	23,000	-	-	-
	Bie-Ling Lee	27,812	-	-	-
	Chuang-Hsin Chiu	127,890	-	-	-
	Ching-Ming Chen	129,780	-	-	-
	Ming-Jye Chang	95,000	-	-	-
Chief Compliance Officer	Tien-Lu Chen	23,000	-	-	-

Note: 1. Tenure of Director Labor Union of Mega International Commercial Bank expired on July 1, 2015.
2. Mr. Yeou-Tsair Tsai and Mr. Chii-Bang Wang resigned effective April 1, 2016.

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

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

As of April 30, 2016

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	8.40	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. Tzu-Chia Lin)	830,973,202	6.11	0	0	0	0	None	None	None
Fubon Life Insurance Co., Ltd. (Representative: Mr. Pen-Yuan Cheng)	474,858,168	3.49	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd. (Representative: Mr. Wen-Chyi Ong)	470,768,910	3.46	0	0	0	0	None	None	None
Cathay Life Insurance Co., Ltd. (Representative: Mr. Hong-Tu Tsai)	302,299,799	2.22	0	0	0	0	None	None	None
Bank of Taiwan Co., Ltd. (Representative: Ms. Jih-Chu Lee)	283,565,969	2.09	0	0	51,385,410	0.41	Ministry of Finance	Taiwan Financial Holding Co., Ltd. is wholly owned by the Ministry of Finance	None
Nan Shan Life Insurance Co., Ltd. (Representative: Y. T. Du)	251,476,218	1.85	0	0	0	0	None	None	None
China Life Insurance Co., Ltd. (Representative: Mr. Alan Wang)	207,338,345	1.52	0	0	0	0	None	None	None
Government of Singapore--GOS-EFM C	198,383,560	1.46	0	0	0	0	None	None	None
Pou Chen Corporation (Representative: Mr. L.U. Chan)	191,730,486	1.41	0	0	0	0	None	None	None

3.9 Long-term Investment Ownership

As of December 31, 2015

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.	8,536,233,631	100	0	0	8,536,233,631	100
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 International Investment Trust Co., Ltd.	52,700,000	100	0	0	52,700,000	100
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.	1,426,843	0.41	4,132,265	1.20	5,559,108	1.61
Taipei Financial Center Corp.	73,500,000	5.00	50,375,227	3.43	123,875,227	8.43
Taiwan Business Bank	682,944,839	12.01	1,104,618,092	19.43	1,787,562,931	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	18,562,500	55	18,562,500	55
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	2,000,000	100	2,000,000	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	2,000,000	100	2,000,000	100
Mega Growth Venture Capital Co., Ltd.	0	0	25,500,000	20.08	25,500,000	20.08
IP Fund Seven Ltd.	0	0	25,000	25	25,000	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	9,000,000	20

Capital Overview

4.1 Capital and Shares

4.1.1 Issued Shares

As of April 30, 2016

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	Note 2
Dec. 2015	10	14,000,000,000	140,000,000,000	13,599,823,983	135,998,239,830	Issuance of 1.15 billion shares of common stock for cash	Note 3

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.
3. The capital increase was approved by the letter No. 1040040375 dated October 16, 2015 issued by the Financial Supervisory Committee.

As of April 30, 2016

Type of stock	Authorized capital			Remark
	Issued shares (Note)	Unissued shares	Total	
Common stock	13,599,823,983	400,176,017	14,000,000,000	Note

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

4.1.2 Ownership and Distribution of Shares

As of April 26, 2016

Type of shareholders	Government agencies	Financial institutions	Other juridical persons	Domestic natural persons	Foreign institutions & natural persons	Total
Number of shareholders	13	179	655	263,992	946	265,785
Shareholding (shares)	2,418,016,253	2,679,790,716	1,139,343,471	2,058,764,990	5,303,908,553	13,599,823,983
Percentage (%)	17.78	19.70	8.38	15.14	39.00	100.00

4.1.3 Distribution Profile of Share Ownership

Par value per share: NT$10 As of April 26, 2016

Shareholder ownership (Unit: Share)	Number of shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	97,205	28,068,074	0.21
1,000 ~ 5,000	100,678	233,646,664	1.72
5,001 ~ 10,000	28,611	204,724,747	1.51
10,001 ~ 15,000	12,981	155,925,611	1.15
15,001 ~ 20,000	6,384	112,254,951	0.83
20,001 ~ 30,000	7,144	172,771,257	1.27
30,001 ~ 40,000	3,375	116,525,504	0.86
40,001 ~ 50,000	2,041	91,684,139	0.67
50,001 ~ 100,000	3,886	270,326,230	1.99
100,001 ~ 200,000	1,751	238,506,291	1.75
200,001 ~ 400,000	731	196,102,334	1.44
400,001 ~ 600,000	220	107,947,504	0.79
600,001 ~ 800,000	127	87,541,439	0.64
800,001 ~ 1,000,000	88	78,461,554	0.58
1,000,001 ~ 1,200,000	68	74,379,345	0.55
1,200,001 ~ 1,400,000	39	50,765,452	0.37
1,400,001 ~ 1,600,000	37	55,482,987	0.41
1,600,001 ~ 1,800,000	23	38,836,376	0.29
1,800,001 ~ 2,000,000	24	45,503,140	0.33
Over 2,000,001	372	11,240,370,384	82.64
Total	265,785	13,599,823,983	100.00

Capital Overview

4.1.4 Major Shareholders

As of April 26, 2016

Name of shareholder	Number of common shares	Percentage of voting shares (%)
Ministry of Finance, R.O.C.	1,143,043,883	8.40
National Development Fund, Executive Yuan, R.O.C.	830,973,202	6.11
Fubon Life Insurance Co., Ltd.	474,858,168	3.49
Chunghwa Post Co., Ltd.	470,768,910	3.46
Bank of Taiwan Co., Ltd.	334,951,379	2.46
Cathay Life Insurance Co., Ltd.	302,299,799	2.22
Nan Shan Life Insurance Co., Ltd.	251,476,218	1.85
China Life Insurance Co., Ltd.	207,338,345	1.52
Government of Singapore--GOS-EFM C	198,383,560	1.46
Pou Chen Corporation	191,730,486	1.41

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

Unit: NT$

Item \ Year			2015	2014	As of March 31, 2016
Market price per share (Note 1)	High		28.50	27.00	23.10
	Low		20.90	22.60	19.05
	Average		24.81	24.60	21.47
Net worth per share (Note 2)	Before distribution		21.57	20.97	22.18
	After distribution		(Note 6)	19.57	None
Earnings per share	The weighted average of outstanding shares (in thousands of shares)		12,517,011	12,449,824	13,599,824
	Earnings per share	Before adjustment	2.35	2.43	0.56
		After adjustment	2.35	2.43	None
Dividends per share	Cash dividends		1.50	1.40	(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)		10.56	10.12	38.34
	Price-dividend ratio (Note 4)		16.54	17.57	None
	Cash dividend yield (%) (Note 5)		6.05%	5.69%	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 2015 profits will be submitted to the annual shareholders' meeting on June 24, 2016.

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy

According to the prevailing 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."

According to the Article 235 of the amended Company Act, employee bonus and remuneration for directors and supervisors may no longer be included in the distribution items of earnings. Therefore, the distribution of employee bonus and remunerations for directors will deleted from the foregoing dividend policy. In addition, in response to the competent authority's policy to clearly define the dividend policies in the Articles of Incorporation, the Company will propose to revise the Articles of Incorporation in the General Shareholders' Meeting of 2016. The dividend policy will be revised as follows:

"After paying all taxes and covering its accumulated losses of the previous years in accordance with the laws, the Company shall set aside a legal reserve in accordance with the laws. Aside from the aforesaid legal reserve, the Company may set aside special reserve, in accordance with laws or its actual needs. The remaining balance plus prior years' accumulated undistributed earnings are earnings available for distribution, for which the Company shall appropriate 30% to 100% as earnings distribution subject to the Board of Directors' decision to propose a distribution plan and to be submitted to the shareholders' meeting for approval.

At least 50% of the shareholders' dividends in the above Paragraph 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. 2015 profits distribution proposal

It is proposed to submit to the Company's Annual Shareholders' Meeting, to be held on June 24, 2016, for its approval of the distribution of NT$1.5 cash dividends per share with a total amount of NT$20,399,735,975. The proposed cash dividends account for 36.83% of the 2015 distributable earnings of NT$55,391,135,195, or 77.05% of the net balance of net income after tax in 2015 minus 10% legal reserve.

4.1.7 Impact to 2015 Business Performance and EPS of Stock Dividend Distribution

The Company will not distribute any stock dividend for 2015 earnings.

4.1.8 Employees' and Directors' Remuneration

A. Employee and director remuneration prescribed by the Company's Articles of Incorporation

According to the Article 235 of the amended Company Act, employee bonus and remuneration for directors and supervisors may no longer be included in the distribution items of earnings. Therefore, the distribution of employee bonus and remunerations for directors will deleted from the article specifying the earnings distribution, of the Article of Incorporation. To comply with the Article 235-1 of the Company Act, a new article prescribing remuneration for employees and directors will be added to the Articles of Incorporation. The amendment to the Articles of Incorporation will be discussed first in the 2016 shareholders meeting before reports are given on how remunerations will be distributed to employees and directors for 2015, based on the new Articles of Incorporation. The proposed article on the employee and director remunerations will be as follows:

"The current year earnings (pre-tax income before deducting employees' and directors' remuneration) of the Company shall first be used to cover the accumulated losses, and the remaining balance shall be appropriated 0.02% to 0.15% as employees' remuneration and not more than 0.5% as directors' remuneration.

The employees' remuneration mentioned in the preceding Paragraph of this Article shall be distributed in cash or stock. Employees of the affiliated companies meeting certain specific requirements may be entitled to the employees' stock remuneration, subject to the rules set forth by the Board of Directors."

B. The accounting estimates for employees' and directors' remuneration for the year 2015

The employees' and directors' remuneration are estimated and recognized as operating expenses, which after taking into account pre-tax income before deducting employees' and directors' remunernation and the accumulated loss, are based on the ratio stipulated in the Company's Articles of Incorporation. Any difference between the estimated amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

C. Information on employees' and directors' remuneration approved by the Board

The employees' remuneration for 2015 approved by the Board amounts to NT$10,418,445, down NT$43,203 compared to the expenses of NT$10,461,648 recognized in 2015 due to estimate difference. The remuneration to directors approved by the Board amounts to NT$150,125,440, a decrease of NT$2,699 compared to the expenses for NT$150,128,139 recognized in 2015 due to estimate difference. These differences will be recognized as profit or loss in 2016 after reporting to the shareholders' meeting. Both the foregoing employees' and directors' remuneration will be paid in cash.

D. Distribution of employee bonus and remuneration to directors for the year 2014

The actual distribution of employee bonus and remuneration to directors for the year 2014, is the same as the distribution proposal approved by the Board of Directors and shareholders' meeting. The employee bonus amounted to NT$10,307,000, increasing NT$41 compared to the booking amount of NT$10,306,951 due to estimate difference. Remuneration to directors amounted to NT$136,163,000, increasing NT$182,270 compared to the booking amount of NT$135,980,730 mainly due to estimate difference. The differences have been treated as changes in accounting estimates and recognized in 2015 as profit or loss.

4.1.9 Buyback of Company Shares

The Company did not buy back any 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		2015-2 Domestic unsecured exchangeable bonds
Issue date		August 25, 2015
Denomination		NT$100,000
Issue/Transaction place		Taiwan
Issue price		100.1%
Issue size (Nominal amount)		NT$5,800,000,000
Coupon		0% p.a.
Maturity		3 years (due 8/25/2018)
Repayment priority		Senior debts
Guarantor		None
Trustee		Taipei Fubon Commercial Bank
Underwriter		Fubon Securities Co., Ltd.
Certifying attorney		Chung-Chieh Wei Law Office
Auditor		PricewaterhouseCoopers, Taiwan
Repayment		Other than bondholders exchanging for Taiwan Business Bank's common shares or bonds redeemed in advance by the Company, or the buyback and cancellation of the Company's bonds through the sales office of security dealers, the principal of exchangeable bonds are paid in lump-sum upon maturity at 100% of par value.
Outstanding principal		NT$5,800,000,000
Redemption at the option of the issuer		1.For the period from the following day after one month of the issuance of the exchangeable bonds (September 26, 2015) to 40 days before its maturity (July 16, 2018), if the closing price of Taiwan Business Bank's common stock exceeds 30% (inclusive) of the exchange price for 30 consecutive business days, the Company may, pursuant to the exchange terms, redeem its exchangeable bonds at par value in cash. 2.For the period from the following day after one month of the issuance of the exchangeable bonds (September 26, 2015) to 40 days before its maturity (July 16, 2018), if the balance of outstanding exchangeable bonds is below 10% of the original issue size, the Company may at any time, pursuant to the exchange terms, redeem its exchangeable bonds at par value in cash.
Restriction clause		None
Whether included in eligible capital		No
Credit rating		None
Other rights of bondholders	Amount of converted or exchanged common shares, DRs or other securities	None
	Terms of issuance and exchange (or conversion)	Please refer to the prospectus of this issue published on the Market Observation Post System of the Taiwan Stock Exchange
Dilution effect and other adverse effects on existing shareholders		None
Custodian of the underlying securities		Taiwan Depository & Clearing Corporation

Information of the Exchangeable Bonds

Unit: NT$

Bond category		2015-2 Domestic unsecured exchangeable bond		
Item \ Year		Issue date	2015 (8/25/2015-12/31/2015)	As of March 31,2016
Shareholding of underlying common shares		636,481,677 shares	682,944,839 shares	682,944,839 shares
Exchange price		9.56	8.91	8.91
Market price of the exchangeable bonds	Highest	100.60	101.00	101.00
	Lowest	97.00	97.00	98.25
	Average	98.96	99.45	99.97
Issue date		August 25, 2015		
underlying securities		Taiwan Business Bank Common Shares		

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 plans for issuance of securities have already completed with anticipated benefits.

2015-2 Domestic Unsecured Exchangeable Bonds

The Company issued NT$5.8 billion domestic unsecured exchangeable bonds on August 25, 2015 at an issue price of 100.10%. The proceeds from the bond issue amounted to NT$5,805.8 million. The issuance plan has been completed in the third quarter of 2015, and its benefits are shown. The plan and its execution status are as follows:

1. Use of proceeds: increasing working capital
2. Total funds required for this plan: NT$5,805.8 million
3. Source of the funding: issuance of the NT$5.8 billion domestic unsecured exchangeable bonds
4. Plans, progress of proceeds utilization and execution status:

Unit: NT$1,000

Item	Proposed completed date		Proposed utilization progress of proceeds			
			Year 2015			
			Q1	Q2	Q3	Q4
Increasing working capital	Q3 of 2015	Proposed	0	0	5,805,800	0
		Actual	0	0	5,805,800	0

5. Execution benefits:

(1) Reducing interest expenses:

The proceeds of NT$ 5.8 billion from issuance of the exchangeable bonds has been used to increase the working capital as scheduled in the 3rd quarter of 2015. Based on the Company's latest funding cost 0.908% for issuance of commercial paper, the said proceeds can help save around NT$ 52,717 thousand interest expense each year. A total of about NT$ 17,572 thousand has been saved during the period from September through December of 2015.

(2) Vitalization of assets without dilution of earnings per share:

With the coupon rate at 0% and without any interest compensation, the Company does not have to pay any interest on the bonds. The principal to be paid at maturity only amounts to NT$ 5.8 billion. In addition, according to the terms of the issue, the exchange price is set at the base price of the common stock of Taiwan Business Bank (TBB), multiplied by 104.94%. At the time of issuance, the number of TBB common shares that need to be set aside for exchange is less than the number of TBB shares that need to be disposed of in the market for fund raising. The issuance of the exchangeable bonds at a premium price provides benefits of vitalizing assets and bringing down the funding cost. As the underlying securities for exchange are common shares of TBB, the Company does not have to issue new shares when the bonds are exchanged. There will be no dilute effect on the earnings per share.

The Issuance of New Shares by Cash Injection in 2015

The Company issued 1.15 billion shares of new common stock through cash injection on December 16, 2015 at NT$21.01 per share (Par value of NT$10). The proceeds from the issue amounted to NT$24.16 billion. The issuance plan was completed in the 4th quarter of 2015, and its benefits were shown. The plan and its execution status are as follows:

1. Use of proceeds: NT$15,561.5 million for re-investment in Mega International Commercial Bank and NT$8,600 million for enriching working capital

2. Total funds required for this plan: NT$24,161.5 million

3. Source of the funding: Raising NT$24,161.5 million through capital increase against cash injection

4. Plans, progress of proceeds utilization and execution status:

Unit: NT$1,000

Item	Proposed completed date		Proposed utilization progress of proceeds			
			Year 2015			
			Q1	Q2	Q3	Q4
Investment in Mega International Commercial Bank	Q4 of 2015	Proposed	0	0	0	15,561,500
		Actual	0	0	0	15,561,500
Substantiating working capital	Q4 of 2015	Proposed	0	0	0	8,600,000
		Actual	0	0	0	8,600,000

5. Execution benefits:

(1) Increasing the capital adequacy ratio of the subsidiary Mega International Commercial Bank:

Among the proceeds raised through the cash capital increase of the Company, NT$15.56 billion was invested in the subsidiary Mega International Commercial Bank in the 4th quarter of 2015 as per the capital utilization schedule. The capital adequacy ratio of Mega International Commercial Bank and its tier 1 capital ratio have improved. It helps reinforce the bank’s financial structure and facilitates business expansion. In other words, the benefits have surfaced to a certain extent.

(2) Increasing the capital adequacy ratio of the Group:

Among the proceeds raised in the cash capital increase of the Company, NT$ 8.6 billion has been utilized to enrich the working capital in the 4th quarter of 2015 as scheduled. It helps reinforce the financial structure of the Company and raise the capital adequacy ratio of the Group.

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	2015		2014	
	Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method	30,416,201	99.57	30,871,359	99.78
Other operating revenue	131,964	0.43	68,761	0.22
Total	30,548,165	100.00	30,940,120	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 2015, its net revenue amounted to NT$49,815,491 thousand, a drop of 1.71% from the year before. Net interest income grew by 2.16% and the revenue other than interest income declined by 10.14%.

Breakdown of Net Revenue

Unit: NTD thousand

Item \ Year	2015		2014	
	Amount	%	Amount	%
Net interest income	35,486,092	71.24	34,734,324	68.54
Revenue other than interest income, net	14,329,399	28.76	15,946,208	31.46
Fee income – net	8,532,374	17.13	8,176,153	16.13
Gains on financial assets and liabilities at fair value through profit or loss	-1,148,661	-2.31	1,334,300	2.63
Realized gain on available-for-sale financial assets	1,190,984	2.39	1,276,657	2.52
Foreign exchange gain – net	2,837,759	5.70	3,198,313	6.31
Loss on asset impairment	-487,652	-0.98	-217,087	-0.43
Share of profit of associates and joint ventures accounted for under equity method	458,238	0.92	410,758	0.81
Other revenue other than interest income	326,968	0.66	464,731	0.92
Gain on financial assets carried at cost	764,288	1.53	594,855	1.17
Gain on sale of non-performing loans	137,841	0.28	707,528	1.40
Indemnification income	1,717,260	3.45	-	-
Net revenue	49,815,491	100.00	50,680,532	100

Mega Securities Co., Ltd. (MSC)

MSC is engaged in securities brokerage, underwriting, and proprietary trading. In 2015, the company's brokerage fee income amounted to NT$1,160,078 thousand, a decrease of 13.88% compared to the year before mainly due to the drop of trading volume in the stock market. Its gain on issuance of stock warrants amounted to NT$695,860 thousand, up 75.58% compared to the year 2014.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2015 Amount	2015 %	2014 Amount	2014 %
Brokerage fee revenue	1,160,078	40	1,347,051	40
Fee income from margin loans	64	-	156	-
Commission income from securities financing	15,298	1	8,425	-
Revenue from underwriting business	123,872	4	115,670	3
Net income from wealth management business	17,947	1	4,543	-
Net gains (losses) on sale of securities held for operations	(209,373)	(7)	395,510	12
Income from providing stock registration services	39,678	1	37,013	1
Interest income	947,692	33	985,614	29
Dividend income	160,933	6	168,363	5
Valuation Gains of trading securities at fair value through profit and loss	(155,890)	(5)	78,177	2
Gain on covering on securities borrowings and bond purchased under resale agreement	15,632	1	(108,243)	(3)
Gain on valuation for securities borrowings and bond purchased under resale agreement	42,173	1	6,790	-
Gain on issuance of stock warrants	695,860	23	396,327	12
Futures commission income	62,282	2	44,497	1
Loss on derivative financial instruments - Futures	(61,037)	(2)	(57,625)	(2)
Gain (loss) on derivative financial instruments - OTC	(46,375)	(2)	(69,522)	(2)
Other operating income	96,782	3	55,584	2
Total	2,869,616	100	3,408,330	100

Mega Bills Finance Co., Ltd.

The company is engaged in brokerage, dealing, underwriting and guaranteeing of short-term debt instruments. In 2015, the company's revenues from the bills and bond business increased by 7.35% and 8.18%, respectively, from the previous year.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2015 Amount	2015 %	2014 Amount	2014 %
Bills business	2,676,826	51.99	2,493,492	54.15
Bonds business	1,751,888	34.03	1,619,371	35.16
Equity investments	444,193	8.63	332,687	7.22
Others	275,901	5.35	159,701	3.47
Total revenue	5,148,808	100.00	4,605,251	100.00

Chung Kuo Insurance Co., Ltd.

The company is a property and casualty insurer. Total direct written premium income for 2015 amounted to NT$6,204,969 thousand, down 1.23% compared to 2014. Reinsurance premium income for 2015 reached NT$688,720 thousand, up 14.11% from the year before.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2015		2014	
	Amount	%	Amount	%
Fire insurance premium	1,510,742	24.35	1,612,216	25.66
Marine cargo insurance premium	252,277	4.07	275,042	4.38
Marine hull insurance premium	409,322	6.60	414,740	6.60
Automobile insurance premium	2,724,741	43.91	2,497,262	39.75
Aviation insurance premium	137,702	2.22	99,775	1.59
Engineering insurance premium	193,673	3.12	371,780	5.92
Accident insurance premium	329,591	5.31	370,666	5.90
Health insurance	15,693	0.25	10,176	0.16
Other insurance premium	631,228	10.17	630,526	10.04
Total direct written premium income	6,204,969	100.00	6,282,183	100.00
Inward reinsurance premium income	688,720	-	603,545	-
Total	6,893,689	-	6,885,728	-

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 2015, the company's assets under management amounted to NT$98.41 billion, ranking 7th among the 37 securities investment trust companies. Its operating income amounted to NT$328,233 thousand in 2015, up 3.32% compared to 2014.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2015		2014	
	Amount	%	Amount	%
Public issued funds	325,793	99	315,381	99
Private equity funds	148	0	154	0
Discretionary account	2,292	1	2,139	1
Total	328,233	100	317,674	100

Mega Asset Management Co., Ltd.

The company is primarily engaged in purchases, evaluations, auctions and management of financial institutions' NPL. In 2015, the net proceeds from disposal of the purchased NPL and gain on sale of collaterals amounted to NT$571,339 thousand, a decrease of 1.09% compared with the previous year, while interest income grew by 54.98% from 2014 primarily attributed to its business transformation.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2015		2014	
	Amount	%	Amount	%
Net proceeds from disposal of purchased NPL and Gain on sale of collaterals	571,339	57.95	577,630	60.43
Rental income	3,061	0.31	33,129	3.46
Interest income	153,563	15.57	99,088	10.37
Service income	258,088	26.17	246,015	25.74
Total	986,051	100	955,862	100

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 2015, the insurance commission income generated by the company amounted to NT$1,561,720 thousand, rising 33.75% from 2014.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2015		2014	
	Amount	%	Amount	%
Commission income - traditional policies	1,383,584	88.59	939,858	80.49
Commission income - investment policies	178,136	11.41	227,810	19.51
Total	1,561,720	100.00	1,167,668	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 2015, the company's operating revenue amounted to NT$319,365 thousand, down 8.69% from 2014.

Revenue Breakdown

Unit: NT$1,000

Item \ Year	2015		2014	
	Amount	%	Amount	%
Revenue from disposal of long-term securities investment	305,328	96	337,323	97
Dividend income	12,586	4	11,592	3
Other operating income	1,452	-	857	-
Total	319,365	100	349,772	100

5.1.1 Operating Policies in 2016

The Company

1. Cultivating customer relationships and creating group synergy

(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 business to maximize shareholder value

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

(2) To continually increase our presence in South East Asia, and closely watch the development in China's market

(3) To maximize profits of the investment portfolio by efficient and strategic asset allocation

3. Strengthening risk management system and warning system

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

(2) To modify the risk management mechanism in line with IFRS

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

4. Strengthening the Group's information management and resources sharing to reduce operating cost

(1) To strengthen information security mechanism and ensure information security

(2) To phase out information systems and enhance system security and stability

5. Reinforcing environmental, social, and governance performance to fulfill our corporate social responsibility

(1) To implement thoroughly the corporate governance and increase the efficiency of the Board of Directors

(2) To intensify employees training and develop financial talents

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

6. 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 in order to enhance investor recognition and the Group's transparency

Banking Subsidiary

1. To maintain the corporate finance niche and consolidate core competitiveness
2. To expand wealth management business and increase risk-free fee income
3. To enhance international financial business and fully utilize our expertise in foreign exchange
4. To proactively engage in business innovation and transformation in response to the advent of digital banking
5. To reinforce legal compliance, risk management and fulfill corporate social responsibility

5.1.2 Industry Overview

A. Global and Domestic Financial Environment

The global economy was not as good as expected in 2015. While economic growth in the US continues, recovery remains slow for Japan and the Eurozone, and emerging economies such as China are also distinctly declining in growth. International economic forecasting agencies continually revise down the global economic growth projections for 2016. Although growth in 2016 is projected marginally higher than the year before, rising interest rates in the US is contrary to other major countries' quantitative easing measures, intensifying market volatility. In consideration of the declining oil price, rising geopolitical tensions, economic cycle and structural uncertainty, outlook for the global economy remains clouded by downside risk.

As of February 2016, Taiwan's export has declined for 13 consecutive months, coming close to the 14 months record experienced during the previous financial crisis. Purchasing Managers Index (PMI) has fallen below the 50% threshold for 5 consecutive months, indicating an economic crunch. Private investments have turned conservative, and private consumption shows only marginal increase. Public investments also declined. Since the domestic and foreign demands are still weak, the economic growth rate for the fourth quarter of 2015 is -0.52% according to the preliminary statistics of the Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C (DGBAS). The economic growth rate is 0.75% for 2015. In labor market, unemployment rate is 3.87% in February 2016, increasing by 0.16% compared to February of 2015. Wage growth also slowed, showing the economy slowdown gradually spread to the employment situation. This will likely inhibit the growth of private consumption momentum. Although the international economy is predicted to slightly recover in 2016, the global industry value chain expansion has slowed down. Global economic growth fails to stimulate international demand significantly, affecting the private investment momentum and private consumption willingness. DGBAS predicted that economic growth rate for 2016 was 1.47%, down 0.85 percentage points compared with the 2.32% forecasted in November 2015. The downward revision reflects a widening negative output gap and insufficient aggregate demand, stalling the economic growth.

B. Industry Overview of the Company and its Subsidiary

Financial Holding Company Industry

1. Since the enactment of the Financial Holding Company Act in July 2001, there have been fifteen financial holding corporations listed on the Taiwan Stock Exchange Corporation (TSEC) or the Gre Tai Securities Market (GTSM) and one wholly state-owned financial holding corporation. However, the market shares of the banks under these financial holding corporations account for less than 10%. This shows local banks are still relatively small in size and lack of economies of scale. As a consequence, overbanking hinders the development of the industry.
2. The Financial Supervisory Commission (FSC) continues to promote the goal of Asianization for domestic banks in the hope of prompting 3-5 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 FSC has taken the following measures:
   (1) Promoting financial integration: In order to encourage consolidation in the financial sector, FSC advocates tender offer subject to the following premises:
      a. Obtaining more than 50% stakes;
      b. Ensuring minority shareholders' interest;
      c. No significant stake dispute;
      d. Qualification of shareholders;
      e. Specific source of the funding.
   (2) Ensuring sufficient capital: Financial institutions must have adequate capital to develop in Asia.

(3) Easing of regulations: FSC amended the Banking Act, Regulations Governing Securities Firms, Insurance Act and other regulations to augment the capacity of acquisition for financial institutions.

(4) Cultivating international workforce: FSC has entrusted the Taiwan Academy of Banking and Finance to carry out the training.

(5) Cooperation with international supervisory authority: FSC has signed memorandum of cooperation with 48 supervisory authorities spanning 35 countries.

4. In response to FSC's policy of encouraging financial institutions to expand service networks in Asia, domestic financial holding companies have actively announced several mergers or acquisition cases.

Banking Industry

1. The pretax income of domestic banks in 2015 exceeds NT$300 billion for two consecutive years, which could have amounted to NT$360 billion, the record high, if adding the extra provision for bad debts on China's exposure and real estate lending recognized in accordance with FSC regulations. In terms of asset quality, the non-performing loan ratio of domestic banks was 0.23% at the end of 2015 and the coverage ratio of allowances for bad debt was 555.43%. Asset quality continued to improve and become the record high.
2. Faced with a small domestic market, fierce competition, and an operating environment where profits continue to be squeezed as always, local banks have been proactively establishing presence overseas to pursue a blue ocean. The competent authority also adopts a policy to encourage and assist local banks in improving their essence, expanding their operation scale, and reinforcing their overseas presence for the ultimate goal of enhancing their competitiveness.
3. The international economy is likely to improve slightly in 2016. Attention, however, needs to be paid to the facts that the U.S. tends to tighten its monetary policy; the economic growth in China is slowing down; the international crude price and commodity price continue to be low; the turmoil in the international financial market is getting worse; and the credit risk in emerging markets is expanding, among others.
4. With an ever increasing number of high-net-worth individuals in the Asia Pacific region, the number of tourists entering Taiwan has experienced a year on year growth. The FSC has relaxed restriction in larger scale on the Offshore Banking Units (OBU) business, and planned for Taiwan to become "Asia Pacific's financial hub". Domestic banks are also actively innovating and coming up with a comprehensive range of financial products for foreign investors. This will contribute to the expansion of wealth management business.
5. In response to the advent of the Bank 3.0 era, FSC continues to lift restriction on a number of online financial services, to help banks to promote the "Creating Digitized Financial Environment 3.0 Program". Banks also actively promote all kinds of financial innovations. Social media, big data, cloud technologies and other information and communication technology are used to strengthen the capability of digital technology applications and provide clients with more diversified, convenient electronic financial services.

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 2014 and 2015 are NT$649 thousand and NT$560 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 the 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 information in investee companies
- Establishment of wireless network environment

Banking Subsidiary

The Bank's R&D expenses incurred in 2014 and 2015 are NT$1,084 thousand and NT$1,376 thousand, respectively. The expenses were incurred mainly from purchase of professional publications, electronic data base, and publishing 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 the 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 2016 is NT$2,460 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 2016 is NT$2,800 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 businesses, 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 plans is the same as 2016 operating policies as shown on page 69 of this annual report.

Banking Subsidiary

1. The Bank will continue adjusting income structure, grasping the movement of major corporate customers' cash flow, expanding interest spread and increasing fee income to diversify income resources". Its regional operations centers will also implement the strategies of "Quality Care, Ensure Growth, Broaden Sources Of Income, Emphasize Efficiency ", to achieve the operational goals of the Bank.

2. To increase the wealth management business scale, the Bank will expand the workforce of wealth management business and provide them with systematic professional training.
3. In line with FSC's "Creating Digitized Financial Environment 3.0 Program", the Bank will grasp the development trend of information technology and continually utilize communication technology for the development and financial innovation. This will create real time, interactive communication environment with customers, as well as develop new customer group, and new niches.
4. In response to the tightening money laundering control internationally, the Bank will strengthen professional training for compliance officers and other employees of the overseas branch. A thorough internal audit on the status of legal compliance will be implemented to reduce the risks of legal compliance.

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 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%
	Group 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. Closely watching China's economic conditions, internationalization of RMB, and adjusting our China-related business strategy timely, to lower risks.
2. Reinforcing research team with in-depth industry, economic and financial analysis, providing customized products timely, to establish the Bank's professional image and strengthen customer relationships.
3. Actively looking for the strategic alliance partners, assessing investment in overseas financial institutions, in order to deepen international operations and expand the degree of localized financial participation, moving toward the goal of becoming a regional bank in Asia.
4. Strengthening training on digital financial knowledge and skills of information technology, to conform to the new service model of digital financial time.
5. Exerting our influence as a financial institution, paying continual attention to the interests of stakeholders, to fulfill corporate social responsibility and promote sustainable development.

5.2 Effect of Cross Selling

1. In 2015, Chung Kuo Insurance Company achieved insurance premium revenues of NT$533 million through cross selling with other subsidiaries of the Company, up 1.3% from the NT$526 million posted in 2014. The premium revenues from cross selling accounted for 9.74% of the domestic written premiums, increasing from 9.38% in 2014.
2. In 2015, mutual funds under management by Mega International Investment Trust Company through cross selling by other subsidiaries of the Company reached NT$37.6 billion, representing a 3.31% drop from the figures posted in 2014. This accounted for 38.92% of AUM, compared to 41.77% in 2014.

3. As of the end of 2015, the number of valid credit cards issued by Mega International Commercial Bank is 610,000, of which 51,000 cards were issued through cross selling by other subsidiaries of the Company, an increase of 44,000 cards or 14.52% from 2014. The number of valid credit cards issued through cross selling accounted for 8.34% of all valid credit cards, compared to 7.79% in 2014.
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$22 billion by the end of 2015. Mega Securities Company set up securities counters in 5 operating offices of Mega International Commercial Bank which brought in transaction volume of securities brokerage for NT$23.2 billion in 2015.
5. In 2015, Mega Bills Finance Company acted as an underwriter for a total of NT$64.2 billion of commercial papers guaranteed by Mega International Commercial Bank.

5.3 Market Overview

As a financial holding company, the Company engages in investment in, and management of, its invested enterprise(s). Nearly 85% of the Company's revenues are investment revenues derived from the bank subsidiary. Market condition of banking industry is set forth as follows:

A. Future Market Supply and Demand

- In loan business aspect, benefiting from the growth of domestic corporate loans, consumer loans and increasing overseas loan portfolios that were driven by overseas market expansion, domestic banks' loans outstanding reached NT$22,604.1 billion by the end of 2015, growing by 3.05% compared with the end of the previous year. However, the growth rate is slowing down. Loans to state-owned enterprises declined by 3.40% compared to the end of the prior year due to the small interest margin and low funding demand. To improve earnings, banks continued promoting loans to private enterprises with higher interest spread, overseas lending and syndicated overseas loans.
- In consumer loans aspect, as the interest rates for domestic mortgage loan remain low, mortgage loans outstanding is NT$6,132.3 billion by the end of 2015, up 4.52% or NT$ 265.3 billion compared to the end of previous year. However, construction loans outstanding fell to NT$1,608.1 billion at year-end of 2015, down 0.98% compared to the previous year, due to the declining real estate market and increased property tax. In early 2016, the Central Bank has eased controls of mortgage loans, while FSC also lifted some restrictions on real estate lending. These will contribute to the development of real estate-related credit business of banks.

B. Positive and Negative Factors Influencing Banks' Future Operations

Positive Factors

- Financial institutions continue to have excess liguidity, optimal asset quality and high coverage ratio for bad debts, which are good for banks to cope with fluctuation in the financial environment.
- The significant relaxation of laws and regulations governing banking business by the competent authority will hopefully create more expansion capacity, and improve profitability, for the banking sector.
- In response to the advent of the digital age, Taiwanese banks actively developed the financial technology innovation, contributing to integration of resources, cost reduction, and improvement of the management efficiency and competitiveness.
- Operation networks are quickly built up successively by Taiwanese banks in the past few years throughout Asia. As financing need in Asia remains strong, overseas income growth is forecasted to accelerate.
- As Taiwan has entered the aging society, demands for nursing care financial products and other trust business are rising. This will create enormous business opportunities to the banking sector.
- After the U.S. Fed rate hike, the interest spread on US dollar loans are expected to widen further, which helps improve profitability of the banking sector.

Negative Factors

- The competition in the banking sector remains fierce, which restrains loan spread from widening. In addition, non-financial businesses are setting foot in the payment service that used to be exclusive to the banking industry, making a great impact on banks' payment services.
- The real estate market is dramatically cooling down, which is likely to hold back the growth of related loans and increase credit risk.
- Due to the insufficient momentum of economic recovery, the economy in Taiwan is projected remain low at around 1.47% this year. Economic slowdown will curb the growth of domestic consumption and profit margin of manufacturers, and restrain the development of banking business.
- Impact of China's Red Supply Chain is intensified, while our industrial structure is still in transition period. This probably will hold back exports performance and restrain promotion of the trade finance business.
- As the downside risk of China's economy is rising, businesses are facing major challenges. Taiwan banks with high exposures to the Chinese market may incur increasing credit risk.

5.4 Human Resources

Item \ Year		2014	2015	Apr. 30, 2016
Number of Employees	Mega FHC	51	51	50
	Mega Int'l Commercial Bank	5,430	5,478	5,425
	Mega Bills Finance	182	187	187
	Mega Securities	1,560	1,532	1,496
	Chung Kuo Insurance	721	719	727
	Mega Int'l Investment Trust	90	98	98
	Mega Asset Management	29	29	29
	Mega Life Insurance Agency	21	22	24
	Total	8,084	8,116	8,036
Average Age	Mega FHC	49.01	50.03	50.02
	Mega Int'l Commercial Bank	42.81	42.91	42.89
	Mega Bills Finance	47.09	47.39	47.72
	Mega Securities	41.45	42.33	42.68
	Chung Kuo Insurance	41.30	41.50	41.40
	Mega Int'l Investment Trust	42.92	42.69	42.98
	Mega Asset Management	42.38	43.38	43.72
	Mega Life Insurance Agency	40.89	41.93	41.50
Average Years of Services	Mega FHC	10.93	11.69	12.23
	Mega Int'l Commercial Bank	16.97	17.01	17.00
	Mega Bills Finance	17.80	18.07	18.40
	Mega Securities	9.14	9.93	10.15
	Chung Kuo Insurance	10.80	11.20	11.20
	Mega Int'l Investment Trust	9.38	9.19	9.46
	Mega Asset Management	8.30	9.30	9.67
	Mega Life Insurance Agency	5.33	5.59	5.29

5.5 Employee Average Welfare of Non-supervisors

Company	No. of non-supervisors		Average welfare (NT$1,000)	
	2015	2014	2015	2014
Mega FHC	26	26	1,814	1,757
Mega Int'l Commercial Bank	2,751	2,869	1,294	1,280
Mega Bills Finance	129	128	2,159	2,216
Mega Securities	1,310	1,338	649	670
Chung Kuo Insurance	515	530	736	742
Mega Int'l Investment Trust	82	73	1,062	1,074
Mega Asset Management	10	13	1,233	1,240
Mega Life Insurance Agency	19	19	841	823

5.6 Labor Relations

5.6.1 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, maternity allowance, scholarship, festival gifts, 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.

5.6.2 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. 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. In line with the new labor pension system implemented in force since July 1, 2005, the Company contributes monthly an amount based on 6% of the employees' monthly salaries to the employees' individual pension accounts at the Bureau of Labor Insurance. The new labor pension system applies to employees who select the new system or have joined the Company after July 1, 2005.

5.6.3 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.

The training expense of the Company and its subsidiaries amounted to NT$52,344 thousand in 2015, accounting for 0.31%, 0.21% and 0.19% of the Company's consolidated employee welfare expenses, operating expenses and net revenues, respectively. The number of trainee totaled 85,091.

5.6.4 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 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.

5.6.5 Employer-employee negotiations

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

Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

A. ROC GAAP

Consolidated Balance Sheet

Unit: NT$1,000

Item / Year			2011
Cash and cash equivalents, due from the Central Bank and call loans to banks			503,392,393
Financial assets at fair value through profit or loss			188,869,552
Bills and bonds purchased under resale agreements			1,460,685
Available-for-sale financial assets			161,432,963
Receivables			107,160,487
Bills discounted and loans			1,462,054,154
Held-to-maturity financial assets			131,290,215
Equity investments accounted for by the equity method			2,548,394
Property and equipment			21,416,577
Intangible assets			297,150
Other financial assets			22,873,366
Other assets			15,605,999
Total assets			2,618,401,935
Due to the Central Bank and financial institutions			367,548,678
Funds borrowed from the Central Bank and other banks			71,873,400
Financial liabilities at fair value through profit or loss			21,312,632
Bills and bonds sold under repurchase agreements			199,581,332
Deposits and remittances			1,588,560,967
Bonds payable			61,401,059
Preferred stock liabilities			0
Reserve for operations and liabilities			13,610,468
Other financial liabilities			19,798,841
Other liabilities			71,535,832
Total liabilities			2,415,223,209
Equity attributable to stockholders of the Company	Capital Stock	Before distribution	112,806,148
		After distribution	114,498,240
	Capital surplus		43,426,403
	Retained earnings	Before distribution	41,960,123
		After distribution	30,679,508
	Equity adjustments		4,688,712
Minority interest			297,340
Total stockholders' equity	Before distribution		203,178,726
	After distribution		193,590,203

Unconsolidated Balance Sheet

Unit: NT$1,000

Item / Year		2011
Cash and cash equivalents		4,276,849
Available-for-sale financial assets		5,279,193
Receivables		715,141
Equity investments accounted for by the equity method		218,167,682
Property and equipment		784,065
Other financial assets		762,046
Other assets		19,173
Total assets		230,004,149
Financial liabilities at fair value through profit or loss		0
Payables		10,778,190
Bonds payable		16,301,059
Preferred stock liabilities		0
Other financial liabilities		0
Other liabilities		43,514
Total liabilities	Before distribution	27,122,763
	After distribution	36,711,286
Capital stock	Before distribution	112,806,148
	After distribution	114,498,240
Capital surplus		43,426,403
Retained earnings	Before distribution	41,960,123
	After distribution	30,679,508
Equity adjustments		4,688,712
Total stockholders' Equity	Before distribution	202,881,386
	After distribution	193,292,863

B. IFRS

Consolidated Balance Sheet

Unit: NT$1,000

Item \ Year		2015	2014	2013	2012	As of March 31, 2016
Cash and cash equivalents, due from the Central Bank and call loans to banks		652,168,786	634,546,355	551,247,431	458,490,129	692,985,646
Financial assets at fair value through profit or loss		182,036,664	181,366,843	195,800,759	184,716,442	185,326,374
Available-for-sale financial assets, net		346,461,364	280,703,020	272,943,633	223,271,043	369,227,474
Derivative financial assets for hedge		0	0	0	0	0
Bills and bonds purchased under resale Agreements		7,079,210	11,874,327	2,585,345	2,282,052	13,065,190
Receivables, net		175,747,221	201,540,361	184,587,941	122,685,220	129,902,582
Current income tax assets		2,307,563	1,534,999	921,969	953,192	2,395,391
Non-current assets held for sale, net		0	2,739	2,576	0	0
Bills discounted and loans, net		1,773,269,054	1,733,994,271	1,654,577,193	1,502,700,861	1,728,414,778
Reinsurance contract assets, net		3,308,814	3,217,685	3,293,937	3,301,550	3,959,084
Held-to-maturity financial assets, net		201,233,939	163,708,076	184,411,233	161,253,982	231,570,339
Equity investments accounted for by the equity method, net		2,976,409	2,761,637	2,697,551	2,966,843	3,190,482
Restricted assets		0	0	0	0	0
Other financial assets, net		17,189,576	20,626,729	23,430,204	27,629,411	17,007,986
Property and equipment, net		21,834,486	22,125,875	22,150,245	22,331,091	21,767,107
Investment property, net		1,368,553	1,976,764	2,059,428	2,101,127	1,542,262
Intangible assets, net		299,644	307,693	318,046	303,612	304,436
Deferred income tax assets		4,716,552	4,030,528	3,785,582	3,098,020	4,834,218
Other assets, net		6,520,471	6,320,035	8,815,345	8,884,722	5,651,638
Total assets		3,398,518,306	3,270,637,937	3,113,628,418	2,726,969,297	3,411,144,987
Due to the Central Bank and financial institutions		428,405,839	474,623,325	490,935,730	328,810,493	431,855,452
Funds borrowed from the Central Bank and other banks		45,459,095	53,906,541	32,330,245	84,826,943	48,795,769
Financial liabilities at fair value through profit or loss		22,980,692	29,582,637	14,856,685	14,676,886	22,815,947
Derivative financial liability for hedge		0	0	0	0	0
Bills and bonds sold under repurchase agreements		192,936,650	221,809,530	219,651,334	187,481,840	201,979,485
Commercial paper payable		19,945,870	15,363,080	4,393,653	1,880,597	16,696,222
Payables		63,623,826	60,564,578	66,105,983	59,583,525	66,840,649
Current income tax liability		10,517,577	9,123,049	5,522,518	5,993,633	11,234,184
Liability directly related to assets held for sale		0	0	0	0	0
Deposits and remittances		2,230,143,429	2,036,403,864	1,933,722,541	1,717,989,498	2,217,150,791
Bonds payable		41,878,505	56,200,000	55,898,677	62,449,668	41,889,867
Other loans		2,280,000	5,926,763	5,509,213	6,541,000	3,860,984
Preferred stock liabilities		0	0	0	0	0
Other financial liabilities		10,720,861	10,778,269	10,094,610	11,728,176	11,971,620
Provisions for liabilities		22,917,606	21,647,077	22,419,391	22,045,319	24,384,808
Deferred income tax liability		2,195,423	2,169,411	2,051,201	1,694,706	2,429,859
Other liabilities		11,057,625	11,640,531	8,544,561	10,786,252	7,507,049
Total liabilities	Before distribution	3,105,062,998	3,009,738,655	2,872,036,342	2,516,488,536	3,109,412,686
	After distribution	Note 2	3,027,168,409	2,885,855,647	2,529,083,342	Note 2
Equity attributable to owners of parent		293,404,079	260,737,349	241,405,536	210,199,694	301,679,377
Capital stock		135,998,240	124,498,240	124,498,240	114,498,240	135,998,240
Capital surplus		68,194,233	55,270,198	55,271,623	43,425,270	68,194,233
Retained earnings	Before distribution	88,373,007	77,606,654	61,534,835	52,097,039	96,026,325
	After distribution	Note 2	60,176,900	47,715,530	39,502,233	Note 2
Other equity interest		838,599	3,362,257	100,838	179,145	1,460,579
Treasury stock		0	0	0	0	0
Non-controlling interest		51,229	161,933	186,540	281,067	52,924
Total Equity	Before distribution	293,455,308	260,899,282	241,592,076	210,480,761	301,732,301
	After distribution	Note 2	243,469,528	227,772,771	197,885,955	Note 2

Note:1. The financial statements as of March 31, 2016 are reviewed by independent auditor of PricewaterhouseCoopers with a standard unqualified review report.

2. The earnings distribution for 2015 has not been resolved by the shareholders' meeting.

Unconsolidated Balance Sheet

Unit: NT$1,000

Item \ Year		2015	2014	2013	2012	As of March 31, 2016
Cash and cash equivalents		2,292,712	27,368	1,044,333	77,292	42,031
Financial assets at fair value through profit or loss		0	0	0	0	0
Available-for-sale financial assets, net		5,586,489	5,849,267	5,550,855	5,143,167	5,825,520
Receivables, net		0	463	0	158	0
Current income tax assets		0	630,319	630,319	857,313	0
Held-to-maturity financial assets		0	0	0	0	0
Equity investments accounted for by the equity method, net		313,143,661	276,353,146	256,786,037	231,773,613	321,296,317
Other financial assets, net		758,293	758,293	758,293	758,293	758,293
Property and equipment, net		750,459	757,220	771,442	783,919	747,304
Intangible assets, net		0	0	0	0	0
Deferred income tax assets, net		8,092	8,092	7,737	7,737	8,092
Other assets		5,944	5,826	8,507	8,012	7,280
Total assets		322,545,650	284,389,994	265,557,523	239,409,504	328,684,837
Financial liabilities at fair value through profit or loss		155,440	0	0	1,200	236,060
Bills and bonds sold under repurchase agreements		0	0	0	0	0
Commercial paper payable		6,198,832	2,549,078	0	881,079	3,179,548
Payables		14,835,817	13,264,258	11,975,327	10,841,536	14,863,789
Current income tax liability		1,912,617	1,385,649	121,298	1,376,534	1,816,524
Bonds payable		5,678,505	6,000,000	11,998,677	16,049,668	5,689,867
Preferred stock liabilities		0	0	0	0	0
Other financial liabilities		300,000	400,000	0	0	1,160,000
Provisions for liabilities		56,339	48,021	52,431	56,510	56,265
Deferred income tax liability		1,436	3,500	2,168	1,026	1,436
Other liabilities		2,585	2,139	2,086	2,257	1,971
Total liabilities	Before distribution	29,141,571	23,652,645	24,151,987	29,209,810	27,005,460
	After distribution	Note 2	41,082,399	37,971,292	41,804,616	Note 2
Common stock		135,998,240	124,498,240	124,498,240	114,498,240	135,998,240
Capital surplus		68,194,233	55,270,198	55,271,623	43,425,270	68,194,233
Retained earnings	Before distribution	88,373,007	77,606,654	61,534,835	52,097,039	96,026,325
	After distribution	Note 2	60,176,900	47,715,530	39,502,233	Note 2
Other equity interest		838,599	3,362,257	100,838	179,145	1,460,579
Treasury stock		0	0	0	0	0
Total Equity	Before distribution	293,404,079	260,737,349	241,405,536	210,199,694	301,679,377
	After distribution	Note 2	243,307,595	227,586,231	197,604,888	Note 2

Note: 1.The financial statements as of March 31, 2016 were reviewed by PricewaterhouseCoopers with a standard unqualitied review.
2.The earnings distribution for 2015 has not been resolved by the shareholders' meeting.

6.1.2 Condensed Income Statement

A. ROC GAAP

Consolidated Income Statement

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

Item \ Year		2011
Interest income, net		28,279,104
Revenues other than interest, net		17,457,071
Bad debts expense on loans		(3,714,335)
Provisions for insurance reserve		67,136
Operating expenses		(20,973,472)
Income from continuing operations - before tax		21,115,504
Consolidated net income from continuing operations – after tax		17,685,682
Income from discontinued departments		0
Extraordinary gain or loss		0
Cumulative effect of changes in accounting principles (after tax)		0
Consolidated net income	Attributable to stockholders of the Company	17,679,892
	Attributable to minority interest	5,790
Earnings per share	Stockholders of the Company	1.54
	Minority interest	0

Unconsolidated Income Statement

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

Item \ Year	2011
Investment income from equity investments accounted for by the equity method	18,111,631
Other Income	290,135
Operating expenses	(352,549)
Other expenses and losses	(364,912)
Income before income tax	17,684,305
Net income	17,679,892
Earnings per share (before tax)	1.54
Earnings per share (after tax)	1.54

B. IFRS

Consolidated Income Statement

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

Item \ Year	2015	2014	2013	2012	The First Quarter of 2016
Interest income	56,852,736	56,213,248	46,533,690	43,400,003	13,823,932
Less: interest expenses	(19,164,143)	(19,539,068)	(15,257,563)	(13,827,930)	(4,579,820)
Interest income, net	37,688,593	36,674,180	31,276,127	29,572,073	9,244,112
Revenues other than interest, net	22,539,713	23,830,787	23,732,341	22,242,644	6,746,612
Net revenue	60,228,306	60,504,967	55,008,468	51,814,717	15,990,724
Bad debts expense on loans and provisions for guarantee liabilities	426,459	(1,588,465)	(5,276,424)	(4,341,908)	(1,194,881)
Reversal of (provisions for) insurance reserve	(12,356)	207,527	183,695	(48,919)	(97,462)
Operating expenses	(25,533,427)	(23,771,195)	(22,915,657)	(22,149,694)	(5,876,457)
Income from continuing operations - before tax	35,108,982	35,352,834	27,000,082	25,274,196	8,821,924
Income tax expense	(5,835,713)	(5,093,190)	(4,505,513)	(4,479,088)	(1,175,818)
Net income from continuing operations – after tax	29,273,269	30,259,644	22,494,569	20,795,108	7,646,106
Income from discontinued departments	0	0	0	0	0
Profit for the year	29,273,269	30,259,644	22,494,569	20,795,108	7,646,106
Total other comprehensive income (after income tax)	(3,644,024)	3,176,516	(535,261)	(2,084,775)	630,887
Total comprehensive income	25,629,245	33,436,160	21,959,308	18,710,333	8,276,993
Profit attributable to owners of parent	29,417,211	30,278,591	22,489,232	20,784,648	7,653,318
Profit attributable to non-controlling interests	(143,942)	(18,947)	5,337	10,460	(7,212)
Comprehensive income attributable to owners of parent	25,672,449	33,455,988	21,954,295	18,713,009	8,275,298
Comprehensive income attributable to non-controlling interests	(43,204)	(19,828)	5,013	(2,676)	1,695
Earnings per share	2.35	2.43	1.96	1.82	0.56

Note: The financial statements as of March 31, 2016 were reviewed by independent auditor of PricewaterhouseCoopers with a standard unqualified review report.

Unconsolidated Income Statement

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

Item \ Year	2015	2014	2013	2012	The First Quarter of 2016
Share of profit of associates and joint ventures accounted for under equity method	30,416,201	30,871,359	23,768,937	21,911,931	7,769,706
Other revenues	131,964	68,761	12,827	60,376	605
Operating expenses	(441,434)	(404,463)	(336,698)	(348,438)	(95,629)
Other expenses and losses	(242,233)	(216,571)	(290,185)	(363,294)	(97,244)
Income before income tax from continuing operations	29,864,498	30,319,086	23,154,881	21,260,575	7,577,438
Income tax expense	(447,287)	(40,495)	(665,649)	(475,927)	75,880
Net income	29,417,211	30,278,591	22,489,232	20,784,648	7,653,318
Other comprehensive loss for the period, net of tax	(3,744,762)	3,177,397	(534,937)	(2,071,639)	621,980
Total comprehensive income for the period	25,672,449	33,455,988	21,954,295	18,713,009	8,275,298
Earnings per share	2.35	2.43	1.96	1.82	0.56

Note: The financial statements of March 31, 2016 have been reviewed by CPA, Chien-Hung Chou and King-Tse Huang of PricewaterhouseCoopers with a standard unqualified review report.

6.1.3 Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Auditing Opinion
2015	PricewaterhouseCoopers, Taiwan	Chien-Hung Chou, King-Tse Huang	Unqualified 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

6.2 Five-Year Financial Analysis

6.2.1 IFRS

Consolidated

Unit: NT$1,000; %

Item	Year	2015 (IFRS)	2014 (IFRS)	2013 (IFRS)	2012 (IFRS)	2011 (GAAP)	First Quarter of 2016
Operating ability	Total assets turnover	0.02	0.02	0.02	0.02	0.02	0.005
	Loans to deposits ratio of bank subsidiary (%)	80.71	86.34	86.87	89.23	93.51	79.25
	NPL ratio of bank subsidiary (%)	0.09	0.07	0.18	0.18	0.24	0.10
	NPL ratio of bills finance subsidiary (%)	0.00	0.00	0.00	0.00	0.00	0.00
	Average operating revenue per employee of the Group	7,155	7,210	6,410	6,192	5,399	1,922
	Average profit per employee	3,477	3,603	2,621	2,485	2,087	919
Profit ability	Return on total assets (%)	1.35	1.46	1.20	1.21	1.12	0.34
	Return on equity (%)	10.56	12.03	9.95	10.10	8.75	2.57
	Net income margin (%)	48.60	49.98	40.89	40.13	38.66	47.82
	Earnings per share (NT$)	2.35	2.43	1.96	1.82	1.57	0.56
Financial structure (%)	Ratio of liabilities to assets	91.37	92.01	92.24	92.28	92.24	91.15
	Ratio of liabilities to net worth	1,058.10	1,152.22	1,188.79	1,195.59	1,188.72	1,030.52
	FHC's double leverage ratio	108.89	108.51	108.98	113.07	110.51	108.68
Leverage ratio (%)	Operating leverage ratio	1.01	1.06	1.22	1.20	1.21	1.17
	FHC's financial leverage ratio	1.01	1.01	1.01	1.02	1.02	1.00
Growth rates (%)	Growth rate of assets	3.91	5.04	14.18	3.74	4.33	(0.27)
	Growth rate of profit	(0.69)	30.85	6.83	-	13.28	(5.82)
Cash flow (%)	Cash flow ratio	8.02	15.62	14.60	(1.57)	5.38	-
	Cash flow adequacy ratio	385.78	273.10	277.03	130.12	216.20	-
	Cash flow for operating to cash flow from investing	7,598.82	NA	NA	472.08	NA	-
Operating scale (%)	Market share of assets	7.47	7.83	8.08	7.67	7.90	-
	Market share of net worth	9.37	8.81	9.22	8.67	9.22	-
	Market share of deposits of bank subsidiary	-	-	-	-	-	-
	Market Share of loans of bank subsidiary	-	-	-	-	-	-
Capital adequacy ratio (%)	Mega International Commercial Bank	13.16	11.76	11.07	11.77	11.56	-
	Mega Securities Co., Ltd.	468.16	481.69	492.62	527.70	550.96	-
	Mega Bills Finance Co., Ltd.	13.88	13.84	13.57	13.49	14.48	-
	Chung Kuo Insurance Co., Ltd.	730.37	698.10	574.82	496.83	560.29	-
	Group Capital Adequacy Ratio	145.00	132.33	126.88	125.23	125.55	-

Analysis of deviation of 2015 vs. 2014 over 20% :

1. The NPL ratio increased by 28.57% compared to 2014, mainly due to the higer growth of NPL compared to growth of loans outstanding.
2. The growth rate of assets decreased by 22.42% compared to 2014, primarily due to decrease in growth of cash and cash equivalents, due from the Central Bank and call loans to banks, as well as the declines in receivables.
3. The growth rate of profit declined 102.24% compared to 2014, largely due to the reduction in net income before tax in 2015, and the growth of net income before tax in 2014 compared to 2013.
4. Cash flow ratio fell by 48.86% compared to 2014, primarily due to the decrease in net cash flow provided by operating acitivities, funds borrowed from other banks, and financial liabilities at fair value through profit or loss.
5. The cash flow adequacy ratio rose by 41.26% compared to 2014, mainly due to the increase in the five-year sum of net cash flow provided by operating activities.

Unconsolidated

Unit: NT$1,000; %

Item	Year	2015 (IFRS)	2014 (IFRS)	2013 (IFRS)	2012 (IFRS)	2011 (GAAP)	First Quarter of 2016
Operating ability	Total assets turnover	0.10	0.11	0.09	0.09	0.08	0.02
	Loans to deposits ratio of bank subsidiary (%)	80.42	85.91	86.50	88.80	93.03	79.06
	NPL ratio of bank subsidiary (%)	0.08	0.06	0.16	0.17	0.24	0.09
	NPL ratio of bills finance subsidiary (%)	0.00	0.00	0.00	0.00	0.00	0.00
	Average operating revenue per employee of the Group	598,984	606,284	466,309	422,544	353,880	152,359
	Average profit per employee	576,808	593,307	440,965	399,705	339,998	150,065
Profit ability	Return on total assets (%)	9.69	11.06	9.00	9.02	7.86	2.35
	Return on equity (%)	10.62	12.05	9.96	10.11	8.76	2.57
	Net income margin (%)	96.30	97.86	94.57	94.59	96.08	98.49
	Earnings per share (NT$)	2.35	2.43	1.96	1.82	1.54	0.56
Financial structure (%)	Ratio of liabilities to assets	9.03	8.31	9.09	12.20	11.79	8.22
	Ratio of liabilities to net worth	9.93	9.06	10.00	13.90	13.37	8.95
	FHC's double leverage ratio	108.89	108.51	108.98	113.07	110.51	108.68
Leverage ratio (%)	Operating leverage ratio	1.00	1.00	1.00	1.00	0.99	1.00
	FHC's financial leverage ratio	1.01	1.01	1.01	1.02	1.02	1.00
Growth rates (%)	Growth rate of assets	13.42	7.20	10.92	4.90	0.99	12.86
	Growth rate of profit	(1.50)	30.85	8.91	-	15.57	(5.70)
Cash flow (%)	Cash flow ratio	170.50	353.05	3,865.15	441.67	1,007.27	-
	Cash flow adequacy ratio	106.00	113.69	113.70	112.53	100.60	-
	Cash flow for operating to cash flow from investing	NA	NA	NA	NA	NA	-
Operating scale (%)	Market share of assets	9.28	8.70	9.41	9.20	9.63	-
	Market share of net worth	9.54	8.98	9.67	9.12	9.64	-
	Market share of deposits of bank subsidiary	5.89	5.73	5.78	5.41	5.22	-
	Market Share of loans of bank subsidiary	6.34	6.34	6.43	6.17	6.21	-

Analysis of deviation of 2015 vs. 2014 over 20% :

1. The NPL ratio of the bank subsidiary rose by 33.33% compared to 2014, mainly due to the higer growth of NPL compared to growth of loans outstanding.
2. The growth rate of assets increased by 86.39% compared to 2014, primarily due to the growth of cash and cash equivalents, as well as the increase in equity investments accounted for by the equity method.
3. The growth rate of profit declined 104.86% compared to 2014, largely due to the reduction in net income before tax in 2015, and the growth of net income before tax in 2014 compared to 2013.
4. Cash flow ratio fell by 51.71% compared to 2014, primarily due to the increase in 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

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. 125-130 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, 2015 and 2014, 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, 2015, and 2014, 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 29, 2016 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, 2015 Amount	%	(Adjusted) December 31, 2014 Amount	%	(Adjusted) January 1, 2014 Amount	%
Assets							
Cash and cash equivalents	6(1)	$ 152,871,868	5	$ 171,560,274	5	$ 160,288,195	5
Due from the Central Bank and call loans to banks	6(2)	499,296,918	15	462,986,081	14	390,959,236	13
Financial assets at fair value through profit or loss, net	6(3) and 12	182,036,664	5	181,366,843	6	195,800,759	6
Available-for-sale financial assets, net	6(7) and 12	346,461,364	10	280,703,020	9	272,943,633	9
Bills and bonds purchased under resale agreements		7,079,210	-	11,874,327	-	2,585,345	-
Receivables, net	6(4)(5)	175,747,221	5	201,540,361	6	184,587,941	6
Current income tax assets		2,307,563	-	1,534,999	-	921,969	-
Non-current assets held for sale, net		-	-	2,739	-	2,576	-
Bills discounted and loans, net	6(5) and 11	1,773,269,054	52	1,733,994,271	53	1,654,577,193	53
Reinsurance contract assets, net	6(6)(23)	3,308,814	-	3,217,685	-	3,293,937	-
Held-to-maturity financial assets, net	6(8) and 12	201,233,939	6	163,708,076	5	184,411,233	6
Equity investments accounted for under the equity method, net	6(9)	2,976,409	-	2,761,637	-	2,697,551	-
Other financial assets, net	6(5)(10) and 12	17,189,576	1	20,626,729	1	23,430,204	1
Investment property, net	6(11) and 12	1,368,553	-	1,976,764	-	2,059,428	-
Property and equipment, net	6(12) and 12	21,834,486	1	22,125,875	1	22,150,245	1
Intangible assets, net		299,644	-	307,693	-	318,046	-
Deferred income tax assets	6(38)	4,716,552	-	4,030,528	-	3,847,734	-
Other assets, net	6(13),11 and 12	6,520,471	-	6,320,035	-	8,815,345	-
Total Assets		$ 3,398,518,306	100	$ 3,270,637,937	100	$ 3,113,690,570	100

(Continued)

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	December 31, 2015 Amount	%	(Adjusted) December 31, 2014 Amount	%	(Adjusted) January 1, 2014 Amount	%
Liabilities							
Due to the Central Bank and financial institutions	6(14) and 11	$ 428,405,839	13	$ 474,623,325	15	$ 490,935,730	16
Funds borrowed from the Central Bank and other banks	6(15)	45,459,095	1	53,906,541	2	32,330,245	1
Financial liabilities at fair value through profit or loss	6(16)	22,980,692	1	29,582,637	1	14,856,685	1
Bills and bonds sold under repurchase agreements	6(17)	192,936,650	6	221,809,530	7	219,651,334	7
Commercial paper payable, net	6(18) and 11	19,945,870	-	15,363,080	-	4,393,653	-
Payables	6(19)	63,623,826	2	60,564,578	2	66,105,983	2
Current income tax liabilities		10,517,577	-	9,123,049	-	5,522,518	-
Deposits and remittances	6(20) and 11	2,230,143,429	66	2,036,403,864	62	1,933,722,541	62
Bonds payable	6(21)	41,878,505	1	56,200,000	2	55,898,677	2
Other loans	6(22)	2,280,000	-	5,926,763	-	5,509,213	-
Provisions for liabilities	6(23)	22,917,606	1	21,647,077	1	22,784,989	1
Other financial liabilities	6(24)	10,720,861	-	10,778,269	-	10,094,610	-
Deferred income tax liabilities	6(38)	2,195,423	-	2,169,411	-	2,051,201	-
Other liabilities	6(25)	11,057,625	-	11,640,531	-	8,544,561	-
Total liabilities		3,105,062,998	91	3,009,738,655	92	2,872,401,940	92
Equity							
Equity attributable to owners of parent							
Share capital							
Common stock	6(26)	135,998,240	4	124,498,240	4	124,498,240	4
Capital surplus	6(26)	68,194,233	2	55,270,198	2	55,271,623	2
Retained earnings							
Legal reserve	6(26)	27,494,993	1	24,469,127	1	22,220,204	1
Special reserve	6(26)	2,545,158	-	2,547,719	-	2,547,719	-
Unappropriated retained earnings	6(27)	58,332,856	2	50,589,808	1	36,463,466	1
Other equity interest	6(28)						
Other equity interest		838,599	-	3,362,257	-	100,838	-
Non-controlling interests		51,229	-	161,933	-	186,540	-
Total equity		293,455,308	9	260,899,282	8	241,288,630	8
Total liabilities and equity		$ 3,398,518,306	100	$ 3,270,637,937	100	$ 3,113,690,570	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 New Taiwan Dollars, Except Earnings Per Share Amounts)

	Notes	For the year ended December 31, 2015 Amount	%	(Adjusted) For the year ended December 31, 2014 Amount	%	Change percentage (%)
Interest income	6(29) and 11	$ 56,852,736	95	$ 56,213,248	93	1
Less: interest expense	6(29) and 11	(19,164,143)	(32)	(19,539,068)	(32)	(2)
Interest income, net		37,688,593	63	36,674,180	61	3
Revenues other than interest, net						
Service fee revenue and commissions, net	6(30)	10,974,878	18	10,393,011	17	6
Insurance revenue, net		1,871,145	3	1,529,154	3	22
Financial assets and liabilities at fair value through profit or loss	6(31) and 11	1,072,505	2	3,825,892	6	(72)
Gain on investment property		518,772	1	53,200	-	875
Realized gain on available-for-sale financial assets, net	6(32)	1,534,229	3	1,812,054	3	(15)
Foreign exchange gain		2,973,694	5	3,283,164	6	(9)
Share of profit of associates and joint ventures accounted for under equity method	6(9)	244,963	-	152,363	-	61
Other revenue other than interest income	6(34)	1,908,117	3	1,858,560	3	3
Revenue on disposal of non-performing loans		214,214	-	1,297,812	2	(83)
Indemnity income	6(10)	1,717,260	3	-	-	-
Loss on asset impairment	6(33)	(490,064)	(1)	(374,423)	(1)	31
Net revenue		60,228,306	100	60,504,967	100	-
Reversal of (provisions for) bad debts expense guarantee liabilities	6(4)(5)(6) (10)(23)	426,459	1	(1,588,465)	(3)	(127)
(Provisions for) reversal of insurance reserve	6(23)	(12,356)	-	207,527	-	(106)
Operating expenses						
Employee benefit expense	6(35)	(16,626,475)	(28)	(15,727,171)	(26)	6
Depreciation and amortization	6(36)	(691,496)	(1)	(703,700)	(1)	(2)
Other business and administrative expenses	6(37)	(8,215,456)	(14)	(7,340,324)	(12)	12
Income before income tax		35,108,982	58	35,352,834	58	(1)
Income tax expense	6(38)	(5,835,713)	(9)	(5,093,190)	(8)	15
Profit for the year		29,273,269	49	30,259,644	50	(3)
Other comprehensive income (after tax)						
Non-reclassifiable to profit or loss subsequently						
Remeasurement of defined benefit plan	6(23)	(1,471,209)	(2)	(101,231)	-	1,353
Income tax relating to the components of other comprehensive income	6(38)	250,105	-	17,209	-	1,353
Potentially reclassifiable to profit or loss subsequently						
Cumulative translation differences of foreign operations	6(28)	(180,357)	-	1,496,054	2	(112)
Unrealized (loss) gain on valuation of available-for-sale financial assets	6(28)	(2,222,285)	(4)	1,686,320	3	(232)
Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method	6(28)	(20,278)	-	78,164	-	(126)
Total other comprehensive (loss) income (after income tax)		(3,644,024)	(6)	3,176,516	5	(215)
Total comprehensive income (after tax)		$ 25,629,245	43	$ 33,436,160	55	(23)
Profit (loss) attributable to:						
Owners of parent		$ 29,417,211	49	$ 30,278,591	50	(3)
Non-controlling interests		(143,942)	-	(18,947)	-	660
		$ 29,273,269	49	$ 30,259,644	50	(3)
Comprehensive income (loss) attributable to:						
Owners of parent		$ 25,672,449	43	$ 33,455,988	55	(23)
Non-controlling interests		(43,204)	-	(19,828)	-	118
		$ 25,629,245	43	$ 33,436,160	55	(23)
Earnings per share	6(39)					
Basic earnings per share (in dollars)		$ 2.35		$ 2.43		
Diluted earnings per share (in dollars)		$ 2.35		$ 2.43		

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, 2014 (adjusted)		
Balance at January 1, 2014 (adjusted)	$ 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 (loss) for the year (adjusted)	-	-
Other comprehensive (loss) income for the year	-	-
Balance at December 31, 2014 (adjusted)	$ 124,498,240	$ 55,270,198
For the year ended December 31, 2015		
Balance at January 1, 2015	$ 124,498,240	$ 55,270,198
Earnings distribution for 2014		
Legal reserve	-	-
Reversal of special reserve	-	-
Cash dividends	-	-
Changes in capital surplus of associates and joint ventures accounted for under equity method	-	(631)
Profit (loss) for the year	-	-
Other comprehensive (loss) income for the year	-	-
Issuance of common stock	11,500,000	12,661,500
Share based payment transaction	-	263,166
Change in non-controlling interest by capital reduction of subsidiary	-	-
Balance at December 31, 2015	$ 135,998,240	$ 68,194,233

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
$ 22,220,204	$ 2,547,719	$ 36,463,466	($ 901,379)	$ 1,002,217	$ 241,102,090	$ 186,540	$ 241,288,630
2,248,923	-	(2,248,923)	-	-	-	-	-
-	-	(13,819,304)	-	-	(13,819,304)	(4,779)	(13,824,083)
-	-	-	-	-	(1,425)	-	(1,425)
-	-	30,278,591	-	-	30,278,591	(18,947)	30,259,644
-	-	(84,022)	1,506,861	1,754,558	3,177,397	(881)	3,176,516
$ 24,469,127	$ 2,547,719	$ 50,589,808	$ 605,482	$ 2,756,775	$ 260,737,349	$ 161,933	$ 260,899,282
$ 24,469,127	$ 2,547,719	$ 50,589,808	$ 605,482	$ 2,756,775	$ 260,737,349	$ 161,933	$ 260,899,282
3,025,866	-	(3,025,866)	-	-	-	-	-
-	(2,561)	2,561	-	-	-	-	-
-	-	(17,429,754)	-	-	(17,429,754)	-	(17,429,754)
-	-	-	-	-	(631)	-	(631)
-	-	29,417,211	-	-	29,417,211	(143,942)	29,273,269
-	-	(1,221,104)	(177,718)	(2,345,940)	(3,744,762)	100,738	(3,644,024)
-	-	-	-	-	24,161,500	-	24,161,500
-	-	-	-	-	263,166	-	263,166
-	-	-	-	-	-	(67,500)	(67,500)
$ 27,494,993	$ 2,545,158	$ 58,332,856	$ 427,764	$ 410,835	$ 293,404,079	$ 51,229	$ 293,455,308

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,	
	2015	2014(Adjusted)
Cash flows from operating activities		
Profit before tax	$ 35,108,982	$ 35,352,834
Income and expenses having no effect on cash flows		
Depreciation	641,638	666,646
Amortization	49,858	37,054
(Reversal of) provisions for bad debts expense and guarantee liabilities	(426,459)	1,588,465
Interest expense	19,876,136	19,794,401
Interest income	(58,908,288)	(58,137,682)
Dividend income	(1,511,628)	(805,145)
Net change in insurance reserve	12,356	(207,527)
Share based payment transactions	263,166	-
Loss on asset impairment	490,065	374,423
(Gain) loss on disposal of property and equipment	(4,057)	79
Gain on disposal of investment property	(497,851)	(42,252)
Share of profit of associates accounted for under equity method	(244,963)	(152,363)
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	17,511,630	11,542,898
(Increase) decrease in financial assets at fair value through profit or loss	(669,821)	14,433,916
Increase in available-for-sale financial assets	(68,333,923)	(6,200,811)
Decrease (increase) in receivables	56,879,340	(19,603,693)
Decrease (increase) in non-current assets held for sale	2,739	(163)
Increase in bills discounted and loans	(39,272,959)	(80,685,890)
(Increase) decrease in reinsurance contract assets	(91,129)	76,252
(Increase) decrease in held-to-maturity financial assets	(37,525,863)	20,703,157
Decrease in other financial assets	3,233,079	2,413,258
(Increase) decrease in other assets	(153,642)	2,530,234
Changes in liabilities relating to operating activities		
Decrease in due to the Central Bank and financial institutions	(46,217,486)	(16,312,405)
(Decrease) increase in financial liabilities at fair value through profit or loss	(6,601,945)	14,725,952
(Decrease) increase in bills and bonds purchased under resale agreements	(28,872,880)	2,158,196
Decrease in payables	(68,243)	(7,008,637)
Increase in deposits and remittances	193,739,565	102,681,323
(Decrease) increase in other financial liabilities	(57,408)	683,659
Decrease in liabilities reserve	(157,424)	(133,112)
Increase in other liabilities	1,308,510	2,769,853
Cash provided by operations	39,501,095	43,242,920
Interest received	26,581,318	58,629,026
Cash dividend received	1,684,209	941,091
Interest paid	(20,063,520)	(19,564,672)
Income tax paid	(3,997,323)	(2,170,273)
Net cash provided by operating activities	43,705,779	81,078,092
Cash flows from investing activities		
Acquisition of investments under the equity method	(255,000)	-
Proceeds from disposal of investments under the equity method	21,924	-
Proceeds from capital reduction of equity investments accounted for under the equity method	69,752	-
Acquisition of property and equipment	(499,191)	(463,155)
Proceeds from disposal of property and equipment	4,993	1,047
Acquisition of intangible assets	(63,376)	(26,701)
Acquisition of investment property	-	(292,334)
Proceeds from disposal of investment property	1,296,063	391,866
Net cash provided by (used in) investing activities	575,165	(389,277)
Cash flows from financing activities		
(Decrease) increase in due to the Central Bank and financial institutions	(8,447,446)	21,576,296
Increase in commercial papers payable	4,580,579	10,975,000
Proceeds from issuance of bonds	5,800,000	-
Redemption of bonds payable	(6,000,000)	(6,000,000)
Proceeds from issuance of financial bonds	-	12,000,000
Redemption of financial bonds	(14,000,000)	(5,700,000)
(Decrease) increase in other loans	(3,646,763)	417,550
(Decrease) increase in guarantee deposits received	(1,031,994)	1,267,889
Payment of cash dividends	(15,860,486)	(12,590,800)
Proceeds from issuance of common stock	24,161,500	-
Change in non-controlling interest by capital reduction of subsidiary	(67,500)	-
Net cash (used in) provided by financing activities	(14,512,110)	21,945,935
Effect of exchange rate changes on cash and cash equivalents	(180,261)	1,496,054
Net increase in cash and cash equivalents	29,588,573	104,130,804
Cash and cash equivalents at beginning of the year	415,144,124	311,013,320
Cash and cash equivalents at end of the year	$ 444,732,697	$ 415,144,124
Cash and cash equivalents composition :		
Cash and cash equivalents as shown in the balance sheet	$ 152,871,868	$ 171,560,274
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	284,781,619	231,709,523
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"	7,079,210	11,874,327
Cash and cash equivalents at end of the year	$ 444,732,697	$ 415,144,124

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, 2015 AND 2014

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

1. ORGANIZATION AND OPERATIONS

(1)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 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.

(2)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.

(3)The number of employees of the Company and its subsidiaries (collectively referred herein as the "Group ") was 8,418 and 8,392 as of December 31, 2015 and 2014, respectively.

(4)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 reported to the Board of Directors and issued on March 29, 2016.

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")

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, The Company and its subsidiaries in the financial industry 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 impact of adopting the 2013 version of IFRS is listed below:

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

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognized based on corridor approach or recognized in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognized immediately in other comprehensive income when incurred. Past service cost will be recognized immediately in the period incurred and will no longer be amortized using straight-line basis over the average period until the benefits become vested.

The Group recognized previously unrecognized past service cost by increasing provisions for employee benefits by $365,598 and $341,590, increasing deferred income tax assets by $62,152 and $58,071, and decreasing retained earnings by $303,446 and $283,519 at January 1 and December 31, 2014, respectively.

Operating expenses would be decreased by $24,008, income tax expense would be increased by $4,081 for the year ended December 31, 2014, respectively. The basic earnings per share and dilutive earnings per share for the same period were not affected.

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.

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 accordingly.

F. Disclosures - Transfers of financial assets (amendments to IFRS 7)

The amendment requires an entity, at the end of the reporting period, disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The amendment increases quantitative and qualitative disclosures on recognized financial instruments, namely enforceable master netting arrangements or similar agreements, for the Group.

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

None.

(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' Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2018 To be determined by International Accounting Standards Boards
Investment entities:applying the consolidation exception (amendments to IFRS 10, IFRS 12 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, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	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
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
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 are prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Financial Reports by 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 "IFRS").

(2) Basis for preparation

A. The consolidated financial statements consist 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 less present value of defined benefit obligation, and insurance liabilities and reinsurance reserve assets were measured by the law and regulations of insurance industry, and these consolidated financial statements have been prepared under the historical cost convention.

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

(3) Basis for preparation of consolidated financial statements

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

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

Investor	Subsidiary	Ownership (%) December 31, 2015	Ownership (%) December 31, 2014	Remark
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 Co., Ltd.	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)

Investor	Subsidiary	Ownership (%) December 31, 2015	Ownership (%) December 31, 2014	Remark
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.	-	-	Note(16)
MICB, MS and CKI	Mega I Venture Capital Co., Ltd.	40.00	40.00	Note(17)

(1) MICB is mainly engaged in extending medium-term 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) MICBPC 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. ("MF") 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. On March 7, 2016, the Board of Directors of MS resolved to sell all shares of Mega Securities (Hong Kong) Co., Ltd., an overseas subsidiary of MS, to FDT Capital Limited. Currently, completion of the sale is incident to the approval from the competent authorities of Taiwan and Hong Kong, which has yet to be received.

(15) Mega Capital (Asia) Co., Ltd., registered in Hong Kong, is 100% owned by Mega Securities Holding Co., an indirect subsidiary, and is mainly engaged investment consulting services. On August 31, 2015, Mega Capital (Asia) Co., Ltd.'s stockholders' meeting resolved to liquidate. As of December 31, 2015, the liquidation process has still not been completed.

(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. 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 (Formerly CTB I Venture Capital Co., Ltd.) is 40% owned jointly by MICB, MS and CKI with a total investment amount of $135 million. Mega I Venture Capital is primarily engaged in venture capital activities and it is regarded as a subsidiary in which the Company has control due to the Company's significant influence over its financial, operational and personnel policies.

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

Investor	Subsidiary	Ownership (%) December 31, 2015	Ownership (%) December 31, 2014	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 of venture capital businesses
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	Packaging, printing and agency of manpower service
MICB	China Products Trading Company	68.27	68.27	Investments in products businesses, storage businesses and other 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. All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

E. 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.

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

G. 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.

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. 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.

J. When the Group loses control of a subsidiary, the Group remeasures 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 Group's 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 Group's 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 Group's 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 'Exchange differences arising on translation 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

IFRS applies 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 be classified 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.

In relation to financial liabilities at fair value through profit and loss and those designated as financial liabilities at fair value through profit and loss at initial recognition, any change in fair value is recognized as "gain and loss on financial assets and liabilities at fair value through profit and loss" in the 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) 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.

(9) 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.

(10) 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.

(11) Equity investments accounted for under the equity method

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

D. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(12) 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	1~60
Equipment	1~20
Leasehold improvements	1~10

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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 excess 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.

E. Employees’ compensation (bonus) and directors’ and supervisors’ remuneration

Employees’ compensation (bonus) and directors’ and supervisors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(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 period 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 carry forwards or deferred income tax credit which can be realized in the future, the proportion of realization is deemed as deferred income tax assets.

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.

(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 period in which they are approved by the stockholders. 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 judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. These judgments 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, 2015	December 31, 2014
Cash on hand and petty cash	$ 16,757,750	$ 14,870,292
Bank deposits	6,146,007	6,756,525
Cash equivalents	1,669,325	368,127
Checks for clearance	1,234,149	1,112,024
Due from banks	127,064,637	148,453,306
Total	$ 152,871,868	$ 171,560,274

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

	December 31, 2015	December 31, 2014
Reserve for deposits-category A	$ 22,045,377	$ 21,885,736
Reserve for deposits-category B	37,720,741	36,566,092
Reserve for deposits-general	312	5,700,300
Call loans to banks and bank overdrafts	174,084,623	84,926,666
Reserve for deposits-foreign currency	729,572	431,340
Deposits of overseas branches with foreign Central Banks	255,814,519	239,979,957
Import and export loans from banks	3,121,533	71,463,911
Participate in interbank financing with risk	5,780,241	2,782,450
Subtotal	499,296,918	463,736,452
Less:allowance for doubtful accounts – import and export loans from banks	-	(750,371)
Total	$ 499,296,918	$ 462,986,081

A. 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.

B. On December 31, 2015 and 2014, reserve for deposits and call loans to banks of the Group that were in accordance to the definition of cash and cash equivalents under IFRS 7, which included the total of the above-listed Reserve for deposit-category A, Reserve for deposit-general, Call loans to banks and bank overdrafts, Reserve for deposit-foreign currency and a portion of Deposit of overseas branches with foreign Central Banks that are highly liquid and readily convertible to cash, was $284,781,619 and $231,709,523, respectively.

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

	December 31, 2015	December 31, 2014
Financial assets held for trading		
Stocks	$ 5,129,811	$ 9,370,196
Commercial papers	87,580,052	90,649,782
Beneficiary certificates	678,015	1,116,559
Bank's acceptance bill	665,637	1,065,879
Negotiable certificate of deposit	19,787,238	21,150,160
Bonds	56,868,377	46,945,467
Derivative instruments	5,239,111	6,534,536
Other securities	303,842	732,546
Subtotal	176,252,083	177,565,125
Financial assets designated as at fair value through profit or loss		
Convertible corporate bond asset swaps	5,784,581	3,801,718
Total	$ 182,036,664	$ 181,366,843

A. 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 for the years ended December 31, 2015 and 2014 are provided in Note 6(31).

B. Please refer to Note 12 for details of the aforementioned financial assets provided as collaterals as of December 31, 2015 and 2014.

C. As of December 31, 2015 and 2014, the above financial assets used as underlying assets for repurchase agreements held by the Group were $101,742,395 and $106,694,850 respectively.

(4) Receivables, net

	December 31, 2015	December 31, 2014
Accounts receivable	$ 4,231,897	$ 3,313,325
Factoring receivable	37,366,842	46,390,766
Notes receivable	121,320	91,272
Accrued income and interest	8,586,605	6,644,835
Acceptances receivable	8,884,055	8,587,329
Accounts receivable factoring-D/A	2,321,722	26,100,991
Insurance receivable	506,352	809,793
Margin loans and securities business money lending receivable	10,069,557	13,168,405
Recovery of accounts receivable	2,284,490	2,236,821
Purchase of obligor receivable for acting as assignee	57,539	54,926
Purchase of assets for acting as assignee	12,195,175	6,061,975
Credit card receivables	4,392,227	4,319,291
Receivables for usance letter of credit payable at sight	566,463	2,903,307
Usance outright receivable	75,146,660	66,887,471
Call loans to the Central Bank receivable	3,617,684	3,482,933
Receivable accounts for settlement	4,455,351	5,300,668
Other receivables	3,358,805	6,996,994
Total	178,162,744	203,351,102
Less: allowance for bad debts	(2,415,523)	(1,810,741)
Receivables, net	$ 175,747,221	$ 201,540,361

(5) Bills discounted and loans, net

	December 31, 2015	December 31, 2014
Bills and notes discounted	$ 5,297	$ 6,505
Overdrafts	3,275,060	2,135,984
Short-term loans	414,857,588	439,845,990
Medium-term loans	799,129,828	756,782,261
Long-term loans	566,026,842	536,461,755
Import/export bills negotiated	12,257,141	19,533,489
Loans transferred to non-accrual loans	1,183,527	1,148,319
Total	1,796,735,283	1,755,914,303
Less: allowance for bad debts	(23,466,229)	(21,920,032)
Loans, net	$ 1,773,269,054	$ 1,733,994,271

A. As of December 31, 2015 and 2014, the amounts of reclassified non-performing to overdue loans amount included interest receivable of $8,453 and $6,888, 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, 2015 and 2014 was as follows:

(A) Loans:

Item		Loans December 31, 2015	Allowance for credit losses December 31, 2015
With existing objective evidence of individual impairment	Individual assessment	$ 10,360,021	$ 2,662,517
	Group assessment	785,745	117,172
Without existing objective evidence of individual impairment	Group assessment	1,785,589,517	20,686,540

Item		December 31, 2014	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

(B) Receivables:

Item		Receivables December 31, 2015	Allowance for credit losses December 31, 2015
With existing objective evidence of individual impairment	Individual assessment	$ 118,293	$ 81,723
	Group assessment	268,100	26,795
Without existing objective evidence of individual impairment	Group assessment	177,776,351	2,307,005

Item		December 31, 2014	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

The Group considers asset quality in respect of bills discounted and loans, accounts receivable, non-accrual loans transferred from purchase, and import and export loans from banks in the period in order to set aside appropriate allowance for bad debts. For the years ended December 31, 2015 and 2014, details of recognized allowance for bad debts and relevant movement are as follows:

	2015					
	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	$ 1,810,741	$ 21,920,032	$ 22,862	$ 74	$ 750,371	$ 24,504,080
Provision (Reversal)	644,716	(1,824)	(189,764)	39	(750,371)	(297,204)
Write-off-net	(66,106)	(817,433)	(2,429)	-	-	(885,968)
Recovery of written-off credits	101,074	2,347,007	187,292	-	-	2,635,373
Effects of exchange rate changes and others	(74,902)	18,447	-	-	-	(56,455)
Balance, December 31	$ 2,415,523	$ 23,466,229	$ 17,961	$ 113	$ -	$ 25,899,826

	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

(6) Reinsurance contract assets-net

A. Details are as follows:

	December 31, 2015	December 31, 2014
Reinsurance claims and payment receivables	$ 190,886	$ 236,925
Reinsurance transaction receivables	534,837	159,628
Overdue reinsurance claims and payment receivables	1,436	-
Overdue reinsurance transaction receivables	17,583	16,431
Less: allowance for bad debts	(9,808)	(13,138)
Subtotal	734,934	399,846
Ceded unearned premium reserve	1,232,785	1,268,400
Ceded claim reserve	1,341,095	1,549,059
Ceded premium deficiency reserve	-	380
Subtotal	2,573,880	2,817,839
Total	$ 3,308,814	$ 3,217,685

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

	2015	2014
	Group provision	Group provision
Balance at January 1,	$ 13,138	$ 11,490
Provision	6,624	1,615
Write-off-net	(9,977)	-
Foreign currency translation adjustments	23	33
Balance at December 31,	$ 9,808	$ 13,138

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

	December 31, 2015	December 31, 2014
Stocks	$ 16,371,157	$ 21,321,582
Commercial papers	76,109,103	73,027,157
Bonds	240,448,727	182,371,223
Beneficiary certificates	977,553	654,316
Beneficiary securities	987,951	1,768,561
Certificate of deposit	12,409,144	2,588,689
Less: accumulated impairment	(842,271)	(1,028,508)
Total	$ 346,461,364	$ 280,703,020

A. MICB has available-for-sale financial assets which consist of bonds and bills sold under repurchase agreements amounting to $88,784,146 and $105,660,552 as of December 31, 2015 and 2014, respectively.

B. The Company issued a second issue of domestic unsecured exchangeable bonds to obtain Taiwan Business Bank Co., Ltd.'s (hereon referred to as "Taiwan Business Bank") common shares. On April 16, 2013, all shares of the aforementioned Taiwan Business Bank common shares were entrusted to Hua Nan Commercial Bank, Ltd. by entering into a trust contract. For information regarding the Company's issued bonds, please refer to the explanations in Note 6(21).

C. Please refer to Note 12 for details of the aforementioned financial assets provided as collateral as of December 31, 2015 and 2014.

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

	December 31, 2015	December 31, 2014
Certificate of time deposit by Central Bank	$ 171,370,000	$ 143,200,000
Financial bonds	21,420,762	14,267,101
Government bonds	4,081,696	3,884,466
Corporate bonds	4,361,481	2,356,509
Total	$ 201,233,939	$ 163,708,076

Please refer to Note 12 for details of the aforementioned financial assets pledged as collateral as of December 31, 2015 and 2014.

(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, 2015 Amount	December 31, 2015 Percentage of Shareholding	December 31, 2014 Amount	December 31, 2014 Percentage of Shareholding
Cathay Investment & Development Corporation (Bahamas)	$ 58,935	100.00	$ 54,769	100.00
Mega Management Consulting Corporation	62,367	100.00	48,375	100.00
Cathay Investment & Warehousing Ltd.	59,950	100.00	60,438	100.00
Ramlett Finance Holdings Inc.	5,902	100.00	3,428	100.00
Yung Shing Industries Co.	668,539	99.56	658,571	99.56
China Products Trading Company	27,517	68.27	27,476	68.27
United Venture Corporation (Note)	-	-	-	25.31
China Products Trading Company (Thailand)	-	-	18,584	25.25
IP Funds Even Limited	1,364	25.00	131,814	25.00
An Feng Enterprise Co., Ltd.	11,911	25.00	11,911	25.00
Taiwan Bills Finance Corporation	1,593,538	24.55	1,515,092	24.55
Ever Strong Iron & Foundry & Mfg. Corporation	43,379	22.22	42,155	22.22
China Real Estate Management Co., Ltd.	190,196	20.00	189,024	20.00
Mega Growth Venture Capital Co., Ltd.	252,811	20.08	-	-
Total	$ 2,976,409		$ 2,761,637	

Note 1: Since the investee had incurred long-term operating losses, stockholders resolved to dissolve the investee in 2013. The dissolution is expected to be complete in 2015.

Note 2: On May 27, 2015, subsidiary-MICB sold all shares of China Products Trading Company (Thailand) in possession, which were accounted as investments under the equity method. The gain on disposal of share of profit of associates and joint ventures accounted for under equity method of was $3,346.

Note 3: Since the investee had incurred long-term operating losses, stockholders resolved to dissolve the investee in 2015. The dissolution is expected to be completed in 2016.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Profit for the year	$ 240,084	$ 152,253
Other comprehensive (loss) income (after income tax)	(19,875)	102,854
Total comprehensive income	$ 220,209	$ 255,107

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 stockholders, i.e. distribution of cash dividends, repayment of loans or money advanced.

(10) Other financial assets, net

	December 31, 2015	December 31, 2014
Remittance purchased	$ 11,047	$ 34,079
Purchase of obligor receivable	282,010	334,174
Debt investments with no active market	999,877	4,926,290
Equity investments carried at cost	13,111,725	12,844,064
Non-accrual loans transferred from accounts other than loans	35,791	38,966
Pledged time deposits	474,240	458,052
Customer margin account	1,893,325	1,670,620
Securities lending guarantee deposits	237,434	93,100
Securities lending refundable deposits	512,946	397,805
Others	977,401	1,191,992
Subtotal	18,535,796	21,989,142
Less: Allowance for bad debts-remittance purchased	(113)	(74)
Allowance for bad debts-non-accrual loans transferred from accounts other than loans	(17,961)	(22,862)
Accumulated impairment-equity investments carried at cost	(1,328,146)	(1,339,477)
Total	$ 17,189,576	$ 20,626,729

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. MICB held 'Series A Registered Convertible Preferred Stock' issued by Taiwan High Speed Rail Corporation ("THSRC"). The total investment was NT$4 billion and was recognized as 'Debt investments with no active market'. In order to execute "Taiwan High Speed Rail Corporation's Financial Solution Plan", THSRC has arranged to redeem outstanding preferred stock and has announced the cancellation date of preferred stock to be on August 7, 2015. MICB, as of the cancellation date, has recovered in its entirety the above-mentioned investment amount.

C. THSRC was in arrears with preferred stock dividends from January 5, 2007 to August 6, 2015 for "Class A convertible bearer preferred stock" held by MICB, totaling $1,717,260. In order to execute the supporting measures of the "Taiwan High Speed Rail Corporation's Financial Solution Plan", pursuant to the resolution by THSRC's special stockholders' meetings on September 10, 2015, unpaid preferred stock dividends will be satisfied in the form of compensation. The above-mentioned amount has been recognized by MICB in 2015 under "compensation income", which received the compensation for unpaid preferred stock from THSRC on January 20, 2016.

D. The methods and assumptions used to estimate the fair value of debt instruments with no active market are provided in Note 7(4).

E. As of December 31, 2015 and 2014, for the aforesaid financial assets pledged as collaterals, please refer to Note 12.

F. For information regarding the Group's recognized impairment loss due to a long-term loss of their investee, for the years ended December 31, 2015 and 2014, please refer to the explanations in Note 6(33).

G. For information regarding the Group's profit or loss related to the disposal of their investee or dividend income, for the years ended December 31, 2015 and 2014, please refer to the explanations in Note 6(34).

(11) Investment property, net

For the years ended December 31, 2015 and 2014, the movement of the Group's investment property is as follows:

January 1, 2015	Land and land improvements	Buildings and structures	Total
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
For the year ended December 31, 2015			
Disposals	(519,044)	(279,168)	(798,212)
Transfers	193,627	8,315	201,942
Loss on impairment	(1,042)	(1,622)	(2,664)
Depreciation	-	(9,275)	(9,275)
Foreign exchange differences	-	(2)	(2)
December 31, 2015	$ 1,022,675	$ 345,878	$ 1,368,553
December 31, 2015			
Cost	$ 1,024,842	$ 510,800	$ 1,535,642
Accumulated depreciation and impairment	(2,167)	(164,922)	(167,089)
	$ 1,022,675	$ 345,878	$ 1,368,553

January 1, 2014	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)
Transfers	-	2,728	2,728
(Loss on) reversal of impairment	(13,463)	2,151	(11,312)
Depreciation	-	(16,815)	(16,815)
Foreign exchange differences	-	15	15
December 31, 2014	$ 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

A. The fair values of the investment property held by the Group as of December 31, 2015 and 2014 were $4,852,118 and $5,537,289, 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. This is considered to be Level 2 within the fair value hierarchy.

B. Rental incomes from the lease of the investment property for the years ended December 31, 2015 and 2014 was $69,914 and $99,220, respectively.

C. Subsidiary-MAM disposed a number of investment properties in 2015, recognizing revenue of $496,996. For information about the above-mentioned transactions, please refer to Note 17(1)B.

D. As of December 31, 2015 and 2014, 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, 2015	Land and land improvements	Buildings	Equipment	Leasehold improvements	Prepayments for equipment	Total
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
For the year ended December 31, 2015						
At January 1, 2015	$14,711,381	$ 6,400,990	$ 929,807	$ 55,853	$ 27,844	$ 22,125,875
Additions	-	43,322	405,092	2,721	48,056	499,191
Disposals	-	-	(758)	(178)	-	(936)
Transfers	(193,627)	(8,316)	24,773	1,083	(51,963)	(228,050)
Depreciation	-	(250,537)	(365,322)	(16,494)	-	(632,363)
Reversal of impairment	57,853	12,854	-	-	-	70,707
Foreign exchange differences	(327)	2,304	(1,956)	41	-	62
December 31, 2015	$14,575,280	$ 6,200,617	$ 991,626	$ 43,026	$ 23,937	$ 21,834,486
December 31, 2015						
Cost	$14,830,271	$12,777,231	$ 6,281,316	$ 270,529	$ 23,937	$ 34,183,374
Accumulated depreciation and impairment	(254,991)	(6,576,704)	(5,289,690)	(227,503)	-	(12,348,888)
Total	$14,575,280	$ 6,200,617	$ 991,626	$ 43,026	$ 23,937	$ 21,834,486

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 (loss on) 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

Please refer to Note 12 for details of the property and equipment pledged as collateral as of December 31, 2015 and 2014.

(13) Other assets, net

	December 31, 2015	December 31, 2014
Prepayments	$ 4,227,249	$ 3,644,751
Refundable deposits	569,873	763,051
Guarantee deposits held for operation and funds for security settlements	970,100	1,213,583
Temporary payments	620,967	504,663
Others	132,282	193,987
Total	$ 6,520,471	$ 6,320,035

As of December 31, 2015 and 2014, 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, 2015	December 31, 2014
Call loans from banks	$ 248,709,075	$ 193,613,656
Due to Chunghwa Post	2,804,643	2,924,041
Overdrafts on banks	6,903,116	7,932,015
Due to the financial institutions	40,166,749	56,637,561
Due to the Central Bank	129,822,256	213,516,052
Total	$ 428,405,839	$ 474,623,325

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

	December 31, 2015	December 31, 2014
Funds borrowed from the Central Bank	$ 6,528,241	$ 7,090,097
Other funds borrowed from the Central Bank	5,031,864	2,153,084
Call loan from other banks	33,898,990	44,663,360
Total	$ 45,459,095	$ 53,906,541

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

	December 31, 2015	December 31, 2014
Financial liabilities held for trading		
Derivative instruments	$ 5,094,388	$ 8,678,193
Investment in bonds with resale agreements-short sales	-	99,764
Liabilities on sale of borrowed securities	433,888	238,592
Issuance of call (put) warrants	264,838	645,937
Others	6,149	265
	5,799,263	9,662,751
Financial liabilities designated as at fair value through profit or loss		
Financial bonds	17,181,429	19,919,886
Total	$ 22,980,692	$ 29,582,637

A. For information regarding the Group's recognized profit or loss of financial assets and liabilities held for trading and measured at fair value through profit or loss for the years ended December 31 2015 and 2014, please refer to the explanations in Note 6(31).

B. Financial bonds issued as follows:

Name of bond (Note)	Issuing period	Interest rate	Total issued amount	December 31, 2015	December 31, 2014
97-1 Development Financial bond	2008.03.20-2015.03.20	2.90%	$ 900,000	$ -	$ 900,000
97-3 Development Financial bond	2008.06.26-2015.06.26	3.10%	2,900,000	-	2,900,000
				$ -	$ 3,800,000

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

Unit:In thousands of US Dollars

Name of bond (Note 1)	Issuing period	Interest rate	Total issued amount	December 31, 2015	December 31, 2014
103-3 Development Financial bond	2014.11.19-2034.11.19	0.00%	$ 90,000	$ 90,000	$ 90,000
103-4 Development Financial bond	2014.11.19-2034.11.19	0.00%	30,000	30,000	30,000
103-5 Development Financial bond	2014.11.19-2034.11.19	0.00%	130,000	130,000	130,000
103-6 Development Financial bond	2014.11.19-2044.11.19	0.00%	175,000	175,000	175,000
103-7 Development Financial bond	2014.11.19-2044.11.19	0.00%	75,000	75,000	75,000
				$ 500,000	$ 500,000

Note 1: The principals were repaid at maturity.

Note 2: As of December 31, 2015 and 2014, the exchange rates were 32.888 and 31.663 New Taiwan dollars per United States dollars, respectively.

As of December 31, 2015 and 2014, the unpaid balance of financial bonds issued by the subsidiary, amounted to US$500,000 and US$500,000, NT$36,200,000 and NT$54,000,000, respectively. The financial bonds are senior bonds of US$500,000 and US$500,000, and subordinated bonds that are designated as at fair value through profit or loss of NT$0 and NT$3,800,000, respectively. The interest rate swaps which are used to hedge the interest rate risk are measured at fair value, and changes in fair value are recognized in profit or loss. In order to eliminate the inconsistency in accounting, the above financial bonds are also designated as financial liabilities at fair value through profit or loss.

(17) Bills and bonds sold under repurchase agreements

	December 31, 2015	December 31, 2014
Short-term bills	$ 85,685,567	$ 82,651,823
Bonds	106,912,640	138,612,600
Others	338,443	545,107
Total	$ 192,936,650	$ 221,809,530

(18) Commercial papers payable, net

	December 31, 2015	December 31, 2014
Domestic commercial papers	$ 19,950,579	$ 15,370,000
Less: Unamortized discount	(4,709)	(6,920)
Net	$ 19,945,870	$ 15,363,080

As of December 31, 2015 and 2014, none of the aforementioned commercial papers payable was provided for guarantees, and the interest rate ranged from 0.35% to 0.77% and 0.56% to 0.94%, respectively.

(19) Payables

	December 31, 2015	December 31, 2014
Notes and accounts payable	$ 11,067,596	$ 11,309,142
Settlement amounts payable	5,631,745	5,529,626
Accrued expenses	5,883,242	5,471,519
Interest payable	2,624,012	2,818,146
Dividends payable	20,398,768	18,833,776
Acceptances	8,952,015	8,853,391
Collections for others	1,033,602	1,436,827
Commissions payable	122,761	138,753
Due from other insurers	839,498	934,685
Securities financing refundable deposits	1,475,847	1,343,942
Deposits payable for securities financing	1,599,863	1,584,974
Other payables	3,994,877	2,309,797
Total	$ 63,623,826	$ 60,564,578

(20) Deposits and remittances

	December 31, 2015	December 31, 2014
Checking account deposits	$ 33,702,490	$ 32,439,481
Demand deposits	671,846,480	586,548,453
Time deposits	837,497,995	783,906,071
Demand savings deposits	408,492,456	382,772,237
Time savings deposits	267,626,294	243,865,329
Negotiable certificates of deposits	1,870,100	1,906,400
Remittances	9,107,614	4,965,893
Total	$ 2,230,143,429	$ 2,036,403,864

(21) Bonds payable

	December 31, 2015	December 31, 2014
Domestic unsecured corporate bonds	$ -	$ 6,000,000
Unsecured exchangeable corporate bonds	5,800,000	-
Less: exchangeable corporate bond discount	(121,495)	-
Subtotal	5,678,505	6,000,000
Financial bonds, net	36,200,000	50,200,000
Total	$ 41,878,505	$ 56,200,000

A. Issuance terms of unsecured exchangeable bonds were as follows:

The Company:

Name of bond	Issuing period	Interest rate	Total issued amount	December 31, 2015	December 31, 2014
Second domestic unsecured corporate bonds-Subordinate (Note)	2008.12.26- 2015.12.26	3.26%	$ 6,000,000	$ -	$ 6,000,000

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

B. Issuance terms of unsecured exchangeable bonds

The Company:

Name of bond	Issuing period	Interest rate	Total issued amount	December 31, 2015	December 31, 2014
Second issue of domestic unsecured exchangeable bonds	2015.8.25-2018.8.25	0%	$ 5,800,000	$ 5,800,000	$ -

Note: the primary terms for the bond issuance and the method for the swap arrangement are as follows:

(A)Collateralisation status:

The exchangeable bonds are unsecured bonds. However, after the issuance of the exchangeable bonds, if the Company reissues or privately issues secured bonds with an identical underlying (Taiwan Business Bank) for exchange in the future, the exchangeable bonds will apply mutatis mutandis to the secured exchangeable bonds' terms, assigning a commensurate level of claim or commensurate priority of security interest.

(B)Term and date of principal payment:

Other than bondholders exchanging for Taiwan Business Bank Co., Ltd.'s (hereon referred to as "Taiwan Business Bank") common shares or bonds redeemed in advance by the Company, or the buyback and cancellation of the Company's bonds through the sales office of security dealers, the principal of exchangeable bonds are paid in lump-sum upon maturity at 100% of par value.

(C)Underlying of swap arrangement:

For explanations on Taiwan Business Bank common stocks held by the Company, please refer to Note 6(7).

(D)Exchange period:

From the following day (September 26, 2015) of the issuance date to the maturity date (August 25, 2018) of the exchangeable bonds, other than Taiwan Business Bank's book closure date of stock dividends, book closure date of cash dividends, the period between the date that is 15 business days before the book closure date of a capital increase to the ex-right date, the period between the record date of a capital reduction and the prior day before the commencement of stock trading after stocks are repurchased, and Taiwan Business Bank's book closures dates of common stocks pursuant to regulations, the bondholder may at any time request to exchange for Taiwan Business Bank's common stocks.

(E)Exchange price and adjustments:

The record date for the exchange price of the exchangeable bonds was on August 17, 2015. The basis of the exchange price is determined by one of the simple arithmetic averages of Taiwan Business Bank's common stock closing price for the one, three or five business days before the record date (non-inclusive), multiplied by 104.94% (rounding the decimals to the nearest tenths or hundredths using the round half up method). If an ex-right or ex-dividend date is encountered before the record date, the sampled closing price for calculating the exchange price should be adjusted to the price of the following day after the ex-right or ex-dividend date; if Taiwan Business Bank encounters an ex-right or ex-dividend date after the exchange price is determined and before the actual issuance date, the exchange price should be adjusted according to the price adjustment formula. According to the aforementioned method, the simple arithmetic average of Taiwan Business Bank's closing price for the prior business day before the record date is $9.11 per share, and thus the exchange price is $9.56 per share. The exchange price for December 31, 2015, is $8.91.

(F)The Company's right to redeem the exchangeable bonds

For the period from the following day after one month of the issuance of the exchangeable bonds (September 26, 2015) to 40 days before its maturity (July 16, 2018), if the closing price of Taiwan Business Bank's common stock exceeds 30% (inclusive) of the exchange price for 30 consecutive business days, the Company may, pursuant to the exchange terms, redeem its exchangeable bonds at par value in cash. For the period from the following day after one month of the issuance of the exchangeable bonds (September 26, 2015) to 40 days before its maturity (July 16, 2018), if the balance of outstanding exchangeable bonds is below 10% of the original gross issue price, the Company may at any time, pursuant to the exchange terms, redeem its exchangeable bonds at par value in cash.

(G)As of December 31, 2015, the Company has not redeemed any of its exchangeable bonds from the Taipei Exchange, nor has any bondholder exercised their exchange right.

C. Financial bonds issued by MICB were as follows:

Name of bond (Note)	Issuing period	Interest rate	Total issued amount	December 31, 2015	December 31, 2014
97-4 Development Financial bond	2008.06.26- 2015.06.26	Floating rate	$ 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
97-9 Development Financial bond	2008.12.23-2015.12.23	3.00%	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	2012.05.18-2019.05.18	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	4,900,000
103-2 Development Financial bond	2014.06.24-2021.06.24	1.65%	7,100,000	7,100,000	7,100,000
Total				$ 36,200,000	$ 50,200,000

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

(22) Other loans

	December 31, 2015	December 31, 2014
Credit loans	$ 2,280,000	$ 5,926,763

As of December 31, 2015 and 2014, the interest rates ranged from 0.80% to 1.00% and 1.03% to 1.80%, respectively.

(23) Reserves for liabilities

	December 31, 2015	December 31, 2014	January 1, 2014
Insurance liabilities	$ 7,772,662	$ 7,967,465	$ 8,157,828
Liabilities reserve for employee benefits	9,580,055	8,063,200	8,104,921
Reserve for guarantee liabilities	5,564,889	5,616,412	6,522,240
Total	$ 22,917,606	$ 21,647,077	$ 22,784,989

A. Details of reserves for insurance liabilities as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Reserve for unearned premiums	$ 3,273,580	$ 3,272,395
Reserve for outstanding losses	3,026,523	3,194,308
Reserve for catastrophic losses	1,470,569	1,500,042
Deficiency reserve	1,990	720
Total	$ 7,772,662	$ 7,967,465

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

	For the year ended December 31, 2015		
	Total	Ceded	Net
Balance at January 1	$ 3,272,395	$ 1,268,400	$ 2,003,995
Provision	3,273,580	1,232,785	2,040,795
Recovery	(3,272,395)	(1,268,400)	(2,003,995)
Balance at December 31	$ 3,273,580	$ 1,232,785	$ 2,040,795

	For the year ended December 31, 2014		
	Total	Ceded	Net
Balance at 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 at December 31	$ 3,272,395	$ 1,268,400	$ 2,003,995

(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, 2015	December 31, 2014
Claims reported but not paid	$ 2,279,331	$ 2,412,566
Claims incurred but not reported	747,192	781,742
	$ 3,026,523	$ 3,194,308

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

	For the year ended December 31, 2015		
	Total	Ceded	Net
Balance at January 1	$ 3,194,308	$ 1,549,059	$ 1,645,249
Provision	3,026,523	1,341,095	1,685,428
Recovery	(3,194,308)	(1,549,059)	(1,645,249)
Balance at December 31	$ 3,026,523	$ 1,341,095	$ 1,685,428

	For the year ended December 31, 2014		
	Total	Ceded	Net
Balance at 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 at December 31	$ 3,194,308	$ 1,549,059	$ 1,645,249

(C) Changes in special reserve are as follows:

	For the year ended December 31, 2015		
	Compulsory insurance	Others	Total
Balance at January 1	$ 174,624	$ 1,325,418	$ 1,500,042
Recovery	(5,876)	(23,597)	(29,473)
Balance at December 31	$ 168,748	$ 1,301,821	$ 1,470,569

	For the year ended December 31, 2014		
	Compulsory insurance	Others	Total
Balance at January 1	$ 361,657	$ 1,334,122	$ 1,695,779
Recovery	(187,033)	(8,704)	(195,737)
Balance at December 31	$ 174,624	$ 1,325,418	$ 1,500,042

(D) Changes in deficiency reserve and ceded premium deficiency reserve:

	For the year ended December 31, 2015		
	Total	Ceded	Net
Balance at January 1	$ 720	$ 380	$ 340
Provision	1,990	-	1,990
Recovery	(720)	(380)	(340)
Balance at December 31	$ 1,990	$ -	$ 1,990

	For the year ended December 31, 2014		
	Total	Ceded	Net
Balance at January 1	$ -	$ -	$ -
Provision	720	380	340
Recovery	-	-	-
Balance at December 31	$ 720	$ 380	$ 340

B. Liabilities reserve for employee benefits are as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Recognized in consolidated balance sheet:			
- Defined benefit plans	$ 6,477,234	$ 5,230,240	$ 5,502,672
- Employee preferential savings plans	3,102,821	2,832,960	2,602,249
Total	$ 9,580,055	$ 8,063,200	$ 8,104,921

(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, 2015 and 2014 were $179,400 and $177,234, respectively.

Pursuant to relevant government regulations in the country where the entity operates, local staff of the Group's overseas subsidiaries, recognized pension expenses of $22,066 and $23,927 applying defined contribution plans for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 were $540,240 and $600,108, respectively.

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

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$ 17,325,639	$ 15,966,849
Fair value of plan assets	(10,859,535)	(10,740,358)
Net defined benefit liability	$ 6,466,104	$ 5,226,491

c. Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2015			
Balance at January 1	$ 15,966,849	($ 10,740,358)	$ 5,226,491
Current service cost	448,433	-	448,433
Interest expense (income)	272,493	(186,431)	86,062
Past service cost	4,352	-	4,352
	16,692,127	(10,926,789)	5,765,338
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(97,936)	(97,936)
Change in demographic assumptions	418	-	418
Change in financial assumptions	1,122,171	-	1,122,171
Experience adjustments	447,518	(962)	446,556
	1,570,107	(98,898)	1,471,209
Pension fund contribution	-	(759,601)	(759,601)
Paid pension	(936,595)	925,753	(10,842)
Balance at December 31	$ 17,325,639	($ 10,859,535)	$ 6,466,104

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2014			
Balance at January 1	$ 15,981,229	($ 10,520,466)	$ 5,460,763
Current service cost	487,384	-	487,384
Interest expense (income)	267,083	(179,683)	87,400
	16,735,696	(10,700,149)	6,035,547
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	(106)	(66,731)	(66,837)
Change in demographic assumptions	1,025	-	1,025
Change in financial assumptions	(30,882)	-	(30,882)
Experience adjustments	199,000	(1,076)	197,924
	169,037	(67,807)	101,230
Pension fund contribution	-	(902,449)	(902,449)
Paid pension	(937,884)	930,047	(7,837)
Balance at December 31	$ 15,966,849	($ 10,740,358)	$ 5,226,491

d. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

e. The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2015	2014
Discount rate	1.10%~1.70%	1.71%~1.90%
Future salary increases	1.16%~2.25%	1.50%~2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 406,062)	$ 422,168	$ 415,491	($ 401,813)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once.

The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

f. The Group expects to contribute $452,405 for defined benefit plan in 2016

(C) Subsidiary-MICB'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 $980,746 and $876,460, and recognized other personnel expenses of $366,928 and $365,137 for the years ended December 31, 2015 and 2014, 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:

	2015	2014
Present value of defined benefit obligation	$ 3,102,821	$ 2,832,960
Less: fair value of plan asset	-	-
	$ 3,102,821	$ 2,832,960

b. Actuarial assumptions

	2015	2014
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%

The effects of changes in primary actuarial assumptions on the present value of employee preferential interest savings obligation is as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 63,938)	$ 66,406	($ 15,190)	$ 15,190

Subsidiary – MICB recognized employee benefit expenses of $1,347,674 and $1,241,597 for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014 are as follows:

	2015	2014
Balance at January 1,	$ 5,616,412	$ 6,522,240
Reversal provision	(55,612)	(895,211)
Effects of exchange rate changes and others	4,089	(10,617)
Balance at December 31,	$ 5,564,889	$ 5,616,412

(24) Other financial liabilities

	December 31, 2015	December 31, 2014
Structured instruments	$ 7,303,211	$ 7,675,095
Appropriated loan fund	1,548,053	1,447,234
Futures traders' equity	1,869,597	1,655,940
Total	$ 10,720,861	$ 10,778,269

(25) Other liabilities

	December 31, 2015	December 31, 2014
Deposits received	$ 2,259,541	$ 3,291,535
Deposits from securities borrowing	-	872,918
Advance receipt	2,971,571	3,607,200
Receipts under custody from customers' security subscription	899,615	35,313
Temporary receipts and suspense accounts	3,806,234	2,790,378
Others	1,120,664	1,043,187
Total	$ 11,057,625	$ 11,640,531

(26) Equity

A. Common stock

(A) As of December 31, 2015 and 2014, the Company's authorized capital was both $140 billion. The Company's issued capital was $135,998,240 and $124,498,240, respectively, and consisting of 13,559,824 and 12,449,824 thousand shares, respectively, with a par value of $10 per share.

(B) On September 22, 2015, the Company's Board of Directors resolved for a capital increment by issuing 1,150,000 thousand shares of common stock with a face value of $10 per share, issued at $21.01 per share, raising a total $24,161,500. The capital increase was filed with the FSC and effective as of October 16, 2015, pursuant to Financial-Supervisory-Securities-Corporate No. 1040040375, and the capital change was approved and deemed effective by the Ministry of Economic Affairs on December 25, 2015.

B. Capital surplus

(A) The sources and details of capital surplus of the Company are as follows:

	December 31, 2015	December 31, 2014
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	375,908	376,539
Capital increase by cash – additional paid-in capital	24,161,500	11,500,000
Share-based payment (Note)	609,519	346,353
	$ 68,194,233	$ 55,270,198

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

(B) As of December 31, 2015, the capital reserve of the Company provided by undistributed earnings of MICB (formerly CTB and ICBC) before conversion has amounted to $3,265,237, and the portion was not used for cash dividends, capital increase or any other purposes.

(C) Share-based payment:

The Company increased cash capital in 2015 and 2013. Pursuant to Article 267-1 of the R.O.C. Company Act, the Company shall reserve 12% and 10% of the total new shares issued for cash capital increment for the Group's employee pre-emption.

a. The Group's share-based payment was as follows:

Type of agreement	Grant date	Grant quantity (thousand shares)	Vesting conditions
Shares from capital increment by cash reserved for employees	November 6, 2015	138,000	Vesting immediately
Shares from capital increment by cash reserved for employees	November 1, 2013	100,000	Vesting immediately

b. The capital surplus from share-based payment was $263,166 and $346,353 in 2015 and 2013, respectively.

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 stockholders 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 deficit 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 plus prior year's accumulated unappropriated 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. For distribution of dividend, cash dividends shall account for at least 50% of the total dividends distributed and the remaining will be accounted for as stock dividends.

B. The Company's earning distributions for 2015 and 2014 were resolved at the Board meeting dated March 29, 2016 and April 28, 2015, respectively, and the Company's earning distributions for 2015 will be resolved in the stockholders' meeting in 2016. The Company's earnings distributions for 2015 was approved by the stockholders at the stockholders' meeting dated June 26, 2015. Details of the earnings appropriation for 2015 and 2014 are set forth below:

	Appropriated Amount		Dividend Per Share (in dollars)	
	2015	2014	2015	2014
Dividends – cash	$ 20,399,736	$ 17,429,754	$ 1.50	$ 1.40

Financial Information

(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, 2015	$ 605,482	$ 2,756,775	$ 3,362,257
Available-for-sale financial assets	-	(2,323,023)	(2,323,023)
Translation gain and loss on the financial statements of foreign operating entities in the period	(180,357)	-	(180,357)
Share of the other comprehensive income of associates accounted for under the equity method in the period	2,639	(22,917)	(20,278)
At December 31, 2015	$ 427,764	$ 410,835	$ 838,599

	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 under the equity method in the period	10,807	67,357	78,164
At December 31, 2014	$ 605,482	$ 2,756,775	$ 3,362,257

For the Group's valuation adjustments on available-for-sale financial assets (not including its share of other comprehensive income of associates accounted for under the equity method in the period) for the years ended December 31, 2015 and 2014, unrealized gains (losses) of available-for-sale financial assets was ($2,323,023) and $1,687,201, respectively; unrealized gains (losses) of available-for-sale financial assets attributable to non-controlling interest were $100,738 and ($881), respectively; totaling ($2,222,285) and $1,686,320, respectively.

(29) Interest income, net

	For the years ended December 31,	
	2015	2014
Interest income		
Interest income of bills discounted and loans	$ 38,421,717	$ 36,544,774
Interest income of deposits and call loans from the other banks	5,000,034	8,453,099
Interest income of securities investment	7,293,028	6,799,184
Interest income of usance outright receivable	3,647,452	2,159,144
Credit card interest income	202,501	235,261
Interest income of securities purchased under resale agreements income	700,343	764,699
Interest income of accounts receivable	290,015	402,976
Interest income from buyout of documents against acceptance	519,504	217,124
Other interest income	778,142	636,987
Subtotal	56,852,736	56,213,248
Interest expense		
Interest expense of deposits	(13,804,589)	(13,656,059)
Interest expense of interbank overdraft and call loans	(2,852,127)	(2,838,678)
Interest expense of issuance of bills and bonds	(1,121,793)	(1,144,078)
Interest expense of bonds payable under repurchase agreements	(1,226,460)	(1,795,154)
Other interest expense	(159,174)	(105,099)
Subtotal	(19,164,143)	(19,539,068)
Total	$ 37,688,593	$ 36,674,180

(30) Service fee and commission income, net

	For the years ended December 31,	
	2015	2014
Service fee income and commission income		
Service fee income from export and import business	$ 656,531	$ 784,979
T/T service fee income	1,010,671	1,037,148
Loans service fee income	1,999,025	1,823,779
Guarantee service fee income	1,510,322	1,422,095
Brokerage fee income	1,575,823	1,702,170
Service fee income of trust and ancillary business	2,079,739	2,006,656
Agency service fee income	815,270	793,142
Reinsurance commission income	512,977	476,814
Other commission income	1,561,720	1,167,668
Underwriting fee income	412,383	369,700
Other service fee income	1,305,728	1,036,456
Subtotal	13,440,189	12,620,607
Service fee expense and commission expense		
Insurance commission expense	(916,623)	(893,615)
Agency service fee expense	(621,527)	(569,453)
Brokerage handling fee expense	(134,729)	(136,621)
Other commission expense	(365,715)	(198,383)
Other service fee expense	(426,717)	(429,524)
Subtotal	(2,465,311)	(2,227,596)
Service fee and commission income, net	$ 10,974,878	$ 10,393,011

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,	
	2015	2014
Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss		
Short-term notes and bills	$ 516,836	$ 387,509
Bonds	2,701,500	2,073,643
Stocks	(462,421)	306,147
Derivative instruments	(2,812,633)	(1,790,268)
Negotiable certificate of deposits	9,664	8,916
Beneficiary certificates	45,248	35,687
Warrant	891,754	(415,215)
Subtotal	889,948	606,419
Valuation gains and losses on financial assets and liabilities at fair value through profit or loss		
Short-term notes and bills	36,908	2,510
Bonds	(3,025,400)	(995,257)
Stocks	(508,579)	245,620
Derivative instruments	2,350,325	1,886,835

	For the years ended December 31,	
	2015	2014
Negotiable certificate of deposits	(523)	600
Beneficiary certificates	(35,294)	28,493
Warrant	(231,895)	93,585
Subtotal	(1,414,458)	1,262,386
Interest income on financial assets at fair value through profit or loss	2,055,552	1,924,431
Interest expense on financial liabilities at fair value through profit or loss	(711,994)	(255,332)
Dividend and bonus from financial assets at fair value through profit or loss	253,457	287,988
Total	$ 1,072,505	$ 3,825,892

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

	For the years ended December 31,	
	2015	2014
Income from dividend and bonus	$ 422,493	$ 473,647
Bonds	120,753	62,933
Stocks	889,031	1,229,682
Others	101,952	45,792
Total	$ 1,534,229	$ 1,812,054

(33) Impairment of assets

	For the years ended December 31,	
	2015	2014
Impairment loss on financial assets measured at cost	$ 204,074	$ 390,217
Reversal gain of loss impairment on property and equipment	(70,707)	(160,950)
Impairment loss on available-for sale financial assets	353,293	133,844
Impairment loss on investment property	2,664	11,312
Impairment loss on non-current assets held-for-sale	740	-
Total	$ 490,064	$ 374,423

(34) Revenues other than interest, net

	For the years ended December 31,	
	2015	2014
Gains on financial assets measured at cost	$ 723,756	$ 612,876
Gain on rental, net	202,780	203,194
Advisory income	584,902	561,732
Gain on sales of property and equipment	4,376	1,487
Others	392,303	479,271
Total	$ 1,908,117	$ 1,858,560

(35) Employee benefit expense

	For the years ended December 31,	
	2015	2014
Wages and salaries	$ 12,890,164	$ 12,239,542
Labor and health insurance fees	835,488	829,809
Pension costs (includes preferential savings)	1,722,452	1,652,894
Other personnel expenses	1,178,371	1,004,926
Total	$ 16,626,475	$ 15,727,171

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 0.02% and higher than 0.16% for employees' bonus and shall not be higher than 0.5% for directors' remuneration.

However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the distributable profit of the current year, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on February 23, 2016. According to the amended articles, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 0.02% and higher than 0.15% for employees' compensation and shall not be higher than 0.5% for directors' remuneration. The amended articles will be resolved in the stockholders' meeting in 2016.

B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at $10,462 and $10,307, respectively; directors' remuneration was accrued at $150,128 and $138,567, respectively. The aforementioned amounts were recognized in wages and salaries.

The employees' compensation and directors' remuneration were estimated and shall not be lower than 0.02% and higher than 0.15% of the pre-tax profit that was audited for the year ended December 31, 2015.

The expenses recognized for the year of 2014 were accrued based on the net income of 2014 and the percentage shall not be lower than 0.02% and higher than 0.15% for employees and directors, respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. The difference between employees' bonus and directors' remuneration as resolved by the stockholders at the stockholders' meeting and the amount recognized in the 2014 financial statements by $0 and $182, respectively, had been adjusted in the profit or loss of 2015.

Information about employees' compensation (bonus) and directors' remuneration of the Company as resolved by the Board of Directors and the stockholders at the stockholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. In accordance with the resolution adopted by the Board of Directors on September 22, 2015, the Company shall reserve 12% of the total new shares issued for cash capital increment for the Group's employee pre-emption, and recognized salary expenses of $263,166.

(36) Depreciation and amortization

	For the years ended December 31,	
	2015	2014
Depreciation	$ 641,638	$ 666,646
Amortization	49,858	37,054
Total	$ 691,496	$ 703,700

(37) Other business and administrative expenses

	For the years ended December 31,	
	2015	2014
Rental expenses	$ 853,167	$ 752,555
Information technology expenses	542,744	499,044
Tax and official fee	3,029,130	2,329,214
Donations	346,487	114,357
Insurance	402,562	403,013
Office supplies and printing expenses	2,084,882	2,012,364
Other operating expenses	956,484	1,229,777
Total	$ 8,215,456	$ 7,340,324

(38) Income taxes

A. The income taxes comprise the following:

(A)The income taxes comprise the following:

	For the years ended December 31,	
	2015	2014
Current tax		
Current tax on profits for the year	$ 5,193,558	$ 5,076,204
Income tax of adjustments for over provisions of prior years' income tax	(624,777)	(699,268)
Separate income tax	392	149
Additional 10% tax on distributed earnings	1,679,390	770,526
Total current tax	6,248,563	5,147,611
Deferred income tax:		
Origination and reversal of temporary differences	(412,850)	(54,421)
Income tax expense	$ 5,835,713	$ 5,093,190

(B)Income tax charge relating to components of other comprehensive income:

	For the years ended December 31,	
	2015	2014
Remeasurement of defined benefit plan	($ 250,105)	($ 17,209)

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

	For the years ended December 31,	
	2015	2014
Income tax from pre-tax income calculated at statutory tax rate	$ 6,524,325	$ 5,144,833
Effects of items not recognized under relevant regulations	(436,052)	(205,446)
Additional 10% tax on undistributed earnings	1,679,390	770,526
Effect of alternative minimum tax	1,025,922	1,102,909
Income tax of adjustments for over provisions of prior years' income tax	(624,777)	(699,268)
Effects of income tax exemption and adjustment of other income	(2,333,095)	(1,020,364)
Income tax expense	$ 5,835,713	$ 5,093,190

C. As of December 31, 2015 and 2014, the balances of the imputation tax credit account were $3,600,273 and $2,427,947, respectively. The creditable tax rates was estimated to be 6.09% for 2015 and the actual rate was 11.18% for 2014.

Unappropriated retained earnings:

	December 31, 2015	December 31, 2014	January 1, 2014
Earnings generated in and after 1998	$ 58,332,856	$ 50,589,808	$ 36,463,466

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

	2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets				
Reserve for bad debts expense in excess of limit	$ 1,555,205	$ 304,612	$ -	$ 1,859,817
Reserve for guarantee liabilities in excess of limit	167,008	32,589	-	199,597
Unpaid liabilities reserve for employee benefits	1,299,058	20,181	248,132	1,567,371
Unrealized loss on impairment	587,774	17,290	-	605,064
Others	421,483	61,154	2,066	484,703
	$ 4,030,528	$ 435,826	$ 250,198	$ 4,716,552

	2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets				
Reserve for bad debts 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	1,312,458	(31,718)	18,318	1,299,058
Unrealized loss on impairment	650,899	(63,125)	-	587,774
Others	436,746	(15,387)	124	421,483
	$ 3,847,734	$ 164,352	$ 18,442	$ 4,030,528

	2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax liabilities				
Land revaluation increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange gain	(458,672)	(9,789)	-	(468,551)
Share of profit of associates and joint ventures accounted for under equity method	(515,914)	(46,252)	-	(562,166)
Others	(141,435)	33,065	($ 3,036)	(110,406)
	($ 2,169,411)	($ 22,976)	($ 3,036)	($ 2,195,423)

	2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax liabilities				
Land revaluation increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange gain	(451,910)	(6,852)	-	(458,762)
Share of profit 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)

E. Assessment of income tax returns

(A) The Company's profit-seeking enterprise income tax return through 2010 was assessed by the Tax Authority.

(B) MICB's income tax returns up to 2010 have been assessed by the Tax Authority. MICB does not agree with the assessment for 2005 and 2009 and has filed for a reassessment pursuant to relevant regulations. MICB has, under the conservatism principle, adjusted for the related taxes in its books.

(C) MS's income tax returns up to 2010 have been assessed by the Tax Authority. MS has appealed for an administrative assessment for 2003, 2004 and 2005 assessed income tax returns and adjusted for the related taxes in its books.

(D) MBF and Mega Venture Capital's income tax returns through 2010 were assessed by the Tax Authority. MBF and Mega Venture Capital did not agree with the assessment of 2009 and the Company has filed an appeal for reinvestigation of 2009 income tax returns on behalf of MBF and Mega Venture Capital. For conservatism purposes, the Company had recognized the income tax expense relating to the additional income tax payable.

(E) As of December 31, 2015, CKI, MAM, Mega Life Insurance Agency Co., Ltd. and MITCs' income tax returns through 2010 have been examined by the Tax Authorities.

(F) The Company and its subsidiaries received 2010 profit-seeking enterprise income tax assessment certificate in March 14, 2016. MS, MBF and Mega Venture Capital did not agree with the assessment, and will file an appeal for reinvestigation.

(39) Earnings per share

A. Basic earnings per share

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

	For the years ended December 31,	
	2015	2014
Profit attributable to ordinary stockholders of the Company	$ 29,417,211	$ 30,278,591
Weighted-average number of shares outstanding (In thousands of shares)	12,517,011	12,449,824
Basic earnings per share (In dollars)	$ 2.35	$ 2.43

B. Diluted earnings per share

Diluted earnings per share is calculated by adjusting the profit attributable to ordinary stockholders 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,	
	2015	2014
Profit attributable to ordinary stockholders of the Company	$ 29,417,211	$ 30,278,591
Weighted-average number of shares outstanding (In thousands of shares)	12,517,503	12,450,246
Basic earnings per share (In dollars)	$ 2.35	$ 2.43

7. Fair value and level information of financial instruments

(1) Overview

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.

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, bills and bonds purchased under resale agreement, receivables, loans discounted, refundable deposits, deposits from the Central Bank and banks, due to Central Bank and other banks, bills and bonds sold 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, 2015	
	Carrying Value	Fair Value
Held-to-maturity financial assets, net	$ 29,863,939	$ 29,825,508
Debt instruments without active market-CKI	$ 650,643	$ 656,272

	December 31, 2014	
	Carrying Value	Fair Value
Held-to-maturity financial assets, net	$ 20,508,076	$ 20,541,411
Debt instruments without active market-CKI	$ 454,284	$ 454,408

For the above-mentioned held to maturity financial assets-bond investment are considered Level 1 and Level 2 within the fair value hierarchy; investments in debt instruments without an active market are considered Level 2 within the fair value hierarchy.

(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, Taipei Exchange, 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 the Taipei Exchange, 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 Taipei Exchange) 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 Taipei Exchange.

C. NTD short-term bills and NTD bill-type beneficiary securities: the present value of future estimated cash flows of NTD and USD short-term bills is calculated by using average interest rate of commercial papers and TAIFX3 central parity rate from Reuters, respectively.

D. Foreign securities: quoted prices from Bloomberg or counterparties are adopted.

E. Listed stock:The closing price being listed in TSE is adopted.

F. Unlisted stock and domestic/foreign partnership-type fund: If the 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, bills and bonds purchased 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 sold under repurchase agreements, payables and refundable 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 of held-to-maturity financial assets 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 financial bonds 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. Other financial assets-other than public pricing information from the Taipei Exchange being the fair value for part of the debt instruments without an active market, governmental bonds refer to the bond fair values of each period, while the remaining bonds refer to the yield/price conversion table of sales offices for bonds. These fair values are considered Level 2. For related disclosures, please refer to Note 7(2). For the remaining investments in debt instruments without an active market and financial assets measured at cost, due to the absence of active market quotes and the differences of evaluating prices being substantial, the fair value cannot be reasonably measured and is thus not disclosed.

(5) Level information of financial instruments at fair value

A. Three definitions of the Group's financial instruments at fair value

(A) Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities that are deemed as level 1. A market is regarded as active when all of the following conditions are met: commodities in the market have identical characteristics; buyers and sellers in the market are readily available for transaction and pricing information is publicly available. The Group's investments in listed stocks, OTC stocks, beneficiary certificates, active central government bonds and derivatives with quoted prices in an active market are all 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, financial bonds, convertible bonds and most derivative instruments and corporate bonds issued by the Group belong to this category.

(C) Level 3

Inputs for assets or liabilities that are not based on observable inputs through the market are deemed as Level 3. A portion of the Group's derivatives and equity instruments without an active market are deemed as Level 3.

B. Information of fair value hierarchy of financial instruments

Recurring fair value measurements	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets held for trading				
Investment in bills	$ 108,032,927	$ -	$ 108,032,927	$ -
Investment in stocks	5,129,811	4,662,979	443,032	23,800
Investment in bonds	56,868,377	4,710,476	52,157,901	-
Others	981,857	981,857	-	-
Financial assets designated as at fair value through profit or loss	5,784,581	-	5,784,581	-
Available-for-sale financial assets				
Investment in bills	88,518,247	-	88,518,247	-
Investment in stocks	15,893,491	14,025,275	1,868,216	-
Investment in bonds	240,448,727	28,906,007	211,542,720	-
Others	1,600,899	977,553	623,346	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(704,875)	(698,726)	(6,149)	-
Financial liabilities designated as at fair value through profit or loss	(17,181,429)	-	(17,181,429)	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	5,239,111	203,289	5,035,305	517
Liabilities				
Financial liabilities at fair value through profit or loss	(5,094,388)	-	(5,094,217)	(171)

Recurring fair value measurements	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	245,723	6,073,285	215,528
Liabilities				
Financial liabilities at fair value through profit or loss	(8,678,193)	-	(8,463,912)	(214,281)

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, 2015

Item	January 1, 2015	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, 2015
Non-derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets held for trading	$ 48,967	($ 3,006)	$ -	$ 11,874	$ 26,500	($ 24,915)	($ 35,620)	$ 23,800
Derivative financial instruments								
Financial assets at fair value through profit or loss	215,528	105,835	-	26,306	-	(12,694)	(334,458)	517
Total	$ 264,495	$ 102,829	$ -	$ 38,180	$ 26,500	($ 37,609)	($ 370,078)	$ 24,317

For the year ended December 31, 2014

Item	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
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	-	(254,892)	(413,478)	215,528
Total	$ 726,850	($ 213,827)	$ -	$ 478,521	$ 45,533	($ 324,626)	($ 447,956)	$ 264,495

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

For the year ended December 31, 2015

Item	January 1, 2015	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, 2015
Liabilities								
Financial liabilities at fair value through profit or loss	($ 214,281)	($ 106,210)	$ -	($ 15,505)	$ -	$ 1,367	$ 334,458	($ 171)

For the year ended December 31, 2014

Item	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 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 transferred to Level 2.

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

On December 31, 2015, the balance of MICB's held 2015 Fiscal Year Order 12 and Order 13 Category 1 Central Government Construction Bonds was $202,056 and $617,802, respectively. Due to the bonds becoming active securities in the Index, thus the bonds were transferred from Level 2 to Level 1. In addition, on December 31, 2015, the balance of MICB's held 2014 Fiscal Year Order 10 Category 1 Central Government Construction Bonds was $102,006. These bonds were not considered active securities in the Index, thus the bonds were transferred from Level 2 to Level 1.

For the year ended December 31, 2015, MS experienced a decline in market trading volume and measurable price information for over-the-counter stocks and a portion of governmental bonds, thus they were transferred from Level 1 to Level 2. In addition, for the years ended December 31, 2015 and 2014, over-the-counter stocks and a portion of government stocks experienced an increase in market trading volume and measurable price information was more easily obtainable, thus they 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, 2015	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	$ 2,441	($ 2,444)

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)

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.

(E)Quantitative information of fair value measurement of significant unobservable inputs (level 3)

Fair value of the subsidiary–MS belongs to level 3 because of the financial assets–emerging stocks that are measured at fair value through profit or loss and derivative instruments – structured products.

Fair value of the subsidiary–MS belongs to emerging stocks of level 3 because there is only single significant unobservable input. Derivative instruments–structured products have several significant unobservable inputs. As significant unobservable inputs of derivative instruments – structured products are independent from each other, the inputs have no relation.

Table below summarizes quantitative information of significant unobservable inputs:

December 31, 2015	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Items measured at fair value on a recurring basis					
Non-derivative financial assets					
Financial assets measured at fair value through profit or loss					
Financial assets held for trading Equity investment	$ 23,800	Determined using the Multiple Pricing Model	Lack of liquidity discount	20%~30%	The higher of lack of liquidity discount, the lower the fair value is.
Derivative financial assets Structured products	517	Determined using the Option Pricing Model verified by the subsidiary – MS	Price volatility	17%~45%	The higher the price volatility, the higher the value of options is. Issuance of ELN was for the purchase of options, thus the higher the price volatility, the lower the fair value is.
Derivative financial liabilities Structured products	(171)	Determined using the Option Pricing Model verified by the subsidiary – MS	Price volatility	20%	The higher the price volatility, the higher the value of options is. Issuance of PGN was for the sale of options, thus the higher the price volatility, the higher the fair valve is.

(F)Fair value measurement process for instruments classified in Level 3

The financial instrument assessment team is in charge of valuation procedures for fair value measurements, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

The financial assets of the subsidiary – MS whose fair value belongs to level 3 include 'structured products' and 'emerging stocks measured using the Multiple Pricing Model'. The valuation method is based on the rules governing model management and can be used after being assessed by risk management office.

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, liquidity risk and insurance 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 businesses of corporate and individual loans, guarantees, trade financing, interbank deposits and call loans and securities investments.

Credit risk is the primary risk of the Group's capital 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:

(A)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.

(B)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.

(C)Classifying credit ratings based on clients' probability of default or behavior scoring with management put in practice.

(D)Controlling concentration of credit risk by setting credit limits for individuals, corporate groups, industries, areas, and different types of collaterals.

(E)Setting credit risk limits by reference to external ratings and prospects with attention to changes in market credit spread and risk concentration of counterparties.

(F) Establishing the pre-warning list of credit and reporting system.

(G)Assessing assets quality regularly and setting aside sufficient reserve for losses.

(H)Setting the management unit and the audit committee of the creditor's right for accelerating collection of non-performing loans.

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:

I. Significant financial difficulty of the issuer or debtor;

II. The issuer or debtor has breached the contract;

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

IV. It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

V. 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) dverse 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) Other credit enhancements

The Group upon formulation of the credit agreement included an offsetting clause, which clearly stipulated that upon the occurrence of a credit incident, deposits to the Group by the debtor may be offset with the debtor's liabilities and guarantees from third-parties or financial institutions may be acquired to mitigate the credit risk.

D. The maximum exposure to credit ris

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

	Off-balance-sheet guarantees and commitments	
	December 31, 2015	December 31, 2014
Government organization	$ 81,658,932	$ 84,054,289
Finance, investment and insurance	65,877,715	68,248,635
Corporate and commerce	383,141,052	400,807,141
Personal	58,965,383	56,925,808
Others	1,643,985	1,776,195
Total	$ 591,287,067	$ 611,812,068

(A) Relevant financial information on effect of the Group's assets exposed to credit risk, net settlement master netting arrangements and other credit improvements is as follows:

December 31, 2015	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Cash and cash equivalents	$ 1,659,334	$ -	$ -	$ 1,659,334
Financial assets at fair value through profit or loss				
- debt instrument	-	-	14,845,042	14,845,042
- derivative instrument	1,441,783	733,045	-	2,174,828
Available-for-sale financial assets - debt instrument	-	-	28,945,651	28,945,651
Bills and bonds purchased under resale agreements	7,079,210	-	-	7,079,210
Receivables	25,784,105	-	-	25,784,105
Bills discounted and loans	1,108,013,324	-	51,337,539	1,159,350,863
Held-to-maturity financial assets - debt instrument	-	-	3,420,671	3,420,671
Other assets	340,602	-	-	340,602
Subtotal	1,144,318,358	733,045	98,548,903	1,243,600,306
Off-Balance-Sheet Items				
Irrevocable commitments	77,613,244	-	328,366	77,941,610
Guarantees	141,111,675	-	1,549,525	142,661,200
Letters of credit	12,066,916	-	881,317	12,948,233
Subtotal	230,791,835	-	2,759,208	233,551,043
Total	$ 1,375,110,193	$ 733,045	$ 101,308,111	$ 1,477,151,349

December 31, 2014	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Cash and cash equivalents	$ 598,486	$ -	$ 39,971	$ 638,457
Financial assets at fair value through profit or loss				
- debt instrument	-	-	7,501,737	7,501,737
- derivative instrument	1,052,093	701,712	-	1,753,805
Available-for-sale financial assets - debt instrument	-	-	26,722,026	26,722,026
Bills and bonds purchased under resale agreements	11,851,594	-	-	11,851,594
Receivables	22,546,543	-	-	22,546,543
Bills discounted and loans	1,094,063,863	-	43,298,405	1,137,362,268
Held-to-maturity financial assets - debt instrument	-	-	771,285	771,285
Other assets	392,767	-	-	392,767
Subtotal	1,130,505,346	701,712	78,333,424	1,209,540,482
Off-Balance-Sheet Items				
Irrevocable commitments	80,693,115	-	96,152	80,789,267
Guarantees	129,077,491	-	1,399,098	130,476,589
Letters of credit	15,347,215	-	1,108,007	16,455,222
Subtotal	225,117,821	-	2,603,257	227,721,078
Total	$ 1,355,623,167	$ 701,712	$ 80,936,681	$ 1,437,261,560

Note 1: Collaterals include property, movable property, certification of authorization, securities, certificates of deposits, notes receivable and rights in property.

(1) Value of collaterals pledged for assets that arise from lending is the lower of collateral value/ market value and maximum exposure amount. If the collateral value cannot be obtained, value of collaterals must be assessed.

(2) Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

Note 2: Details of improvement to net settlement master netting arrangements and other credits are provided in Note 8(3) C. (C) and C. (D).

(B) Transfer of financial assets

a. Transferred financial assets that are not derecognized in their entirety

The Group's transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements or equity securities lent out based on security lending agreements. The financial assets have been transferred when collecting the cash flow of the contract, and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Group may not use, sell or pledge the transferred financial assets during the valid period of the transaction. The financial assets were not derecognized as the consolidated company is still exposed to interest rate risk and credit risk. Financial assets that do not meet the derecognition conditions and related financial liabilities are analyzed as below:

December 31, 2015		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Bills and bonds purchased under resale agreements Repurchase agreement	$ -	$ -
Financial assets measured at fair value through profit or loss Repurchase agreement	88,307,636	88,327,168
Available-for-sale financial assets, net Repurchase agreement	24,513,817	24,201,197

b. Transferred financial assets that are derecognized in their entirety

The Group does not have any financial asset securitization transaction and do not have any derecognized and transferred financial asset.

(C) Offsetting financial assets and financial liabilities

The Group has financial instruments that meet the offsetting criteria in paragraph 42 of IAS 32, the gross financial liability is set off against the gross financial asset, resulting in the presentation of a net amount presented in the balance sheet.

The Group's financial assets and financial liabilities do not meet the offsetting criteria. However, as net settled master netting arrangements or similar agreements are signed with counterparties, transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; otherwise, transactions are settled on a gross basis. However, if one party breaches the contract, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are set as below:

Unit: In thousands of NT Dollars

December 31, 2015						
Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d) Financial instruments (Note)	Not offset in the balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	$ 5,239,445	$ 334	$ 5,239,111	$ 733,045	$ 1,441,783	$ 3,064,283
Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d) Financial instruments (Note)	Not offset in the balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	$ 5,094,722	$ 334	$ 5,094,388	$ 733,045	$ 11,634	$ 4,349,709
Repurchase agreement	267,948	-	267,948	267,948	-	-
Total	$ 5,362,670	$ 334	$ 5,362,336	$ 1,000,993	$ 11,634	$ 4,349,709

December 31, 2015						
Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d) Financial instruments (Note)	Not offset in the balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	$ 6,534,536	$ -	$ 6,534,536	$ 701,712	$ 1,052,093	$ 4,780,731
Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d) Financial instruments (Note)	Not offset in the balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	$ 8,678,193	$ 334	$ 8,678,193	$ 701,712	$ 44,464	$ 7,932,017
Repurchase agreement	49,658,945	-	49,658,945	49,658,913	-	32
Total	$ 58,337,138	$ -	$ 58,337,138	$ 50,360,625	$ 44,464	$ 7,932,049

Note : Including net settlement master netting arrangements and non-cash collaterals.

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 CKI'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.

1. Loans and credit commitments of the Group are shown below by industry:

		Loans and credit commitments			
		December 31, 2015		December 31, 2014	
		Amount	Percentage (%)	Amount	Percentage (%)
Individuals	Individuals	$ 450,277,202	18.86%	$ 443,733,094	18.75%
Corporation	Government institution	92,368,844	3.87%	92,463,661	3.91%
	Finance, investment and insurance	238,891,902	10.00%	208,912,885	8.82%
	Enterprise and commerce	1,594,400,017	66.77%	1,609,064,162	67.95%
	- Manufacturing	585,457,618	24.52%	651,027,801	27.50%
	- Electricity and gas supply	110,502,565	4.63%	124,377,730	5.25%
	- Wholesale and retail	185,979,163	7.79%	212,397,415	8.97%
	- Transportation and storage	182,196,048	7.63%	169,608,990	7.16%
	- Real estate	319,099,221	13.36%	277,490,378	11.72%
	- Others	211,165,402	8.84%	174,161,847	7.36%
	Others	12,084,385	0.50%	13,552,569	0.57%
Total		$ 2,388,022,350	100.00%	$ 2,367,726,371	100.00%

2. Loans and credit commitments of the Group are shown below by location:

	Loans and credit commitments			
	December 31, 2015		December 31, 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
ROC	$ 1,838,497,103	76.99%	$ 1,838,781,315	77.66%
Asia	329,921,179	13.82%	326,654,290	13.80%
North America	113,011,992	4.73%	82,339,170	3.48%
Others	106,592,076	4.46%	119,951,596	5.06%
Total	$ 2,388,022,350	100.00%	$ 2,367,726,371	100.00%

3. Loans and credit commitments of the Group are shown below by collaterals:

	Loans and credit commitments			
	December 31, 2015		December 31, 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Unsecured	$ 995,120,445	41.67%	$ 1,002,643,024	42.35%
Secured				
- Secured by stocks	163,934,936	6.86%	159,512,548	6.74%
- Secured by bonds	130,426,209	5.46%	126,407,236	5.34%
- Secured by real estate	851,816,303	35.67%	813,237,027	34.35%
- Others	246,724,457	10.34%	265,926,536	11.22%
Total	$ 2,388,022,350	100.00%	$ 2,367,726,371	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

(Please refer to P.82-83 of the Consolidate Financial Statements.)

(B)The Group's ageing analysis of financial assets that were past due but not impaired

Financial assets might be past due but not impaired due to borrower's processing delay or other administrative reasons. According to subsidiaries' internal management rules for assets assessment, financial assets which are past due within 90 days are not regarded as impaired unless there is objective evidence that the financial assets are impaired. There are very few conditions where financial assets are past due over 90 days but not impaired.

	December 31, 2015				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Receivables	$ 25,074	$ 10,490	$ 588	$ -	$ 36,152
Bills discounted and loans					
- Government	$ 655,052	$ -	$ -	$ -	$ 655,052
- Enterprise and commerce	251,474	92,925	-	-	344,399
- Individuals	1,065,990	11,661	-	-	1,077,651
Total	$ 1,972,516	$ 104,586	$ -	$ -	$ 2,077,102

	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
Receivables	$ 12,000	$ 5,923	$ -	$ -	$ 17,923
Bills discounted and loans					
- Finance, investment and insurance businesses	$ 220,000	$ -	$ -	$ -	$ 220,000
- Enterprise and commerce	2,612,563	-	-	-	2,612,563
- Individuals	1,272,887	3,985	-	-	1,276,872
Total	$ 4,105,450	$ 3,985	$ -	$ -	$ 4,109,435

(C)The Group's provisions for doubtful accounts analysis of impaired loans

	December 31, 2015								
	Loans					Provisions for doubtful accounts			
	Not impaired		Impaired						
	Individual assessment	Group assessment	Individual assessment	Group assessment	Total	Individual assessment	Group assessment	Total	Loans net amount
ROC	$ -	$ 1,283,853,287	$ 8,735,573	$ 783,070	$ 1,293,371,930	$ 2,204,145	$ 14,928,530	$ 17,132,675	$ 1,276,239,255
Asia	-	308,581,116	658,159	1,893	309,241,168	209,620	3,623,156	3,832,776	305,408,392
North America	-	92,893,489	436,768	-	93,330,257	110,650	1,087,023	1,197,673	92,132,584
Others	-	100,261,625	529,521	782	100,791,928	138,102	1,165,003	1,303,105	99,488,823
Total	$ -	$ 1,785,589,517	$ 10,360,021	$ 785,745	$ 1,796,735,283	$ 2,662,517	$ 20,803,712	$ 23,466,229	$ 1,773,269,054

	December 31, 2014								
	Loans					Provisions for doubtful accounts			
	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
Asia	-	294,618,817	679,520	-	295,298,337	198,311	3,139,199	3,337,510	291,960,827
North America	-	64,019,464	729,003	-	64,748,467	135,881	683,486	819,367	63,929,100
Others	-	112,462,437	574,175	-	113,036,612	106,229	1,180,005	1,286,234	111,750,378
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

G. Foreclosed properties management policy

As of December 31, 2015 and 2014, other assets in the consolidated balance sheet include foreclosed properties' book value of MICB totaling $0. Foreclosed properties consist of both land and buildings. 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

Month / Year			December 31, 2015				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans		$ 473,008	$ 651,622,322	0.07%	$ 8,173,030	1727.88%
	Unsecured loans		629,388	753,801,141	0.08%	10,615,113	1686.58%
Consumer banking	Residential mortgage loans (Note 4)		478,119	296,699,744	0.16%	3,552,218	742.96%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		750	5,477,886	0.01%	64,880	8650.67%
	Others (Note 6)	Secured loans	18,308	88,931,480	0.02%	1,058,568	5782.00%
		Unsecured loans	735	202,710	0.36%	2,420	329.25%
Gross loan business			$ 1,600,308	$ 1,796,735,283	0.09%	$ 23,466,229	1466.36%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$ 8,746	$ 4,377,178	0.20%	$ 49,579	566.88%
Without recourse factoring (Note 7)			$ -	$ 37,366,842	-	$ 560,562	-

Month / Year			December 31, 2014				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans		$ 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%

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 six-month 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

	December 31, 2015	
	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)	$ 16	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	402	3,383
Total	$ 418	$ 3,383

	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

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

Year	December 31, 2015		
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	$ 64,823,200	25.57%
2	B Group –Petrochemical manufacturing	41,111,940	16.22%
3	C Group –Sea transportation	24,892,462	9.82%
4	D Group –Other financial intermediation not classified	23,417,329	9.24%
5	E Group –Steel and smelting	18,565,116	7.32%
6	F Group –Other financial intermediation not classified	18,510,217	7.30%
7	G Group –Iron rolling and extruding	16,456,579	6.49%
8	H Group –LED panels and spare parts manufacturing	15,298,070	6.03%
9	I Group –General and other merchandise retailing	15,267,842	6.02%
10	J Group –Property developing	14,143,100	5.58%

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	30.04%
2	B Group –Petrochemical manufacturing	46,261,543	21.17%
3	C Group –LED panels and spare parts manufacturing	22,341,456	10.22%
4	D Group –Other financial intermediation not classified	22,086,806	10.11%
5	E Group –Steel and smelting	19,011,109	8.70%
6	F Group –General and other merchandise retailing	18,239,161	8.35%
7	G Group –Sea transportation	17,749,870	8.12%
8	H Group –Iron rolling and extruding	15,264,007	6.99%
9	I Group –Property developing	13,065,900	5.98%
10	J Group –Property leasing	12,806,994	5.86%

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, 2015	December 31, 2014
Guarantees in arrear and guaranteed credits overdue for longer than three months	$ -	$ -
Overdue credits (non-accrual loans are inclusive)	-	-
Loans under surveillance	-	-
Overdue receivables	-	-
Ratio of overdue credits (%)	-	-
Ratio of overdue credits plus ratio of loans under surveillance (%)	-	-
Provision for bad debts and guarantees as required by regulations	2,292,234	2,188,546
Provision for bad debts and guarantees actually reserved	2,324,003	2,411,870

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, 2015	December 31, 2014
Total guarantees and endorsement for short-term bills	$ 150,968,600	$ 145,710,300
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	4.98	4.92
Total bills and bonds sold under repurchase agreements	173,109,248	163,777,891
Bills and bonds sold under repurchase agreements / Net amount (after deducting final accounts allotment)	5.71	5.53

(c) Credit risk concentration

Item	December 31, 2015		December 31, 2014	
Amount of credit extensions to interested parties	$ 97,000		$ 520,000	
Ratio of credit extensions to interested parties (%)(Note 1)	0.06		0.36	
Ratio of credit extensions secured by stocks (%)(Note 2)	19.00		20.32	
	Industry	Ratio (%)	Industry	Ratio (%)
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount) (Note 3)	Financial & Insurance	30.60	Financial & Insurance	30.82
	Real estate	25.42	Manufacturing	26.48
	Manufacturing	22.75	Real estate	22.52

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.

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) Awareness 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 comply with 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.92-93 of the Consolidated Financial Statements.)

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

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

(C)Structure analysis for maturity of derivative financial assets and liabilities (settled by net amount)

(Please refer to P.94-95 of the Consolidated Financial Statements.)

(D) Analysis for maturity leasing contractual commitments (Please refer to P.96 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-MICB (Please refer to P.97 of the Consolidated Financial Statements)

(B) Maturity analysis of USD of subsidiary-MICB

(Please refer to P.97 of the Consolidated Financial Statements)

(C) Maturity analysis of USD of MICB's-overseas branches

(Please refer to P.97-98 of the Consolidated Financial Statements)

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

(Please refer to P.98 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 (PV01Delta, Vega, Gamma) and VaR method to measure market risk and conducts stress test monthly.

The Company with subsidiaries-MIBC, MS, MB and CKI 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 days, 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 reprising gap analysis. The interest-rate reprising gap analysis is to estimate the difference between the assets and liabilities with interest bearing that are to be due near or reprised within a certain period and measure the impact of interest rate change on net interest revenue. The analysis assumes assets and liabilities structure remain unchanged and there are parallel movements of interest rate curves, and excludes the customer behavior, basis risk, option characteristics of early repayment of bonds. The Group calculates the change in net interest revenue for this year and also monitors the percentage of change in net interest revenue to the projection of net interest revenue for this year.

The Group monthly analyzes and monitors interest rate risk positions limits and various interest rate risk management indexes. If any risk management index exceeds limit, the Group will adopt responding measures and report the analysis and monitoring results to the Risk Management Committee.

I. Foreign exchange risk management

Foreign exchange risk refers to the losses caused by the exchange of two different currencies at different times. The Group's foreign exchange risk mainly comes from its derivative instruments business such as spot foreign exchange, forward foreign exchange and foreign exchange options. The foreign exchange trading of the bank subsidiaries is mainly for offsetting customers' positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, subsidiaries have set trading limits and stop-loss limits for trading rooms and traders and also set the annual maximum loss limits to control the losses within the tolerable scopes.

J. The Group's foreign exchange risk gaps

	December 31, 2015		
	USD	AUD	RMB
Assets			
Cash and cash equivalents	$ 106,687,271	$ 461,881	$ 22,555,839
Due from the Central Bank and call loans to banks	395,731,182	466,070	12,389,212
Financial assets at fair value through profit or loss	37,988,535	2,306,919	1,245,973
Available-for-sale financial assets	56,956,388	43,187,174	29,883,571
Receivables	49,431,158	4,108,989	60,915,580
Current income tax assets	39,796	74,482	109,814
Bills discounted and loans	557,267,013	37,097,367	10,107,113
Reinsurance contract asset	164,092	-	-
Held-to-maturity financial assets	17,282,670	1,594,793	3,761,025
Equity investments accounted for under the equity method	124,470	-	-
Other financial assets	495,372	65	286,045
Property and equipment	282,094	30,264	19,498
Intangible assets	3,010	-	8,886
Deferred income tax assets	285,101	-	3,022
Other assets	14,363,795	9,512,756	14,170,804
Total assets	$ 1,237,101,947	$ 98,840,760	$ 155,456,382
Liabilities			
Due to the Central Bank and financial institutions	$ 358,437,329	$ 4,264,077	$ 13,516,750
Funds borrowed from the Central Bank and other banks	45,459,094	-	-
Financial liabilities at fair value through profit or loss	20,615,541	27,140	242
Bills and bonds sold under repurchased agreements	9,761,109	-	547,559
Payables	16,484,240	163,361	1,130,218
Current income tax liabilities	211,316	42,631	29,845
Deposits and remittances	807,812,448	32,311,316	104,223,969
Provisions for liabilities	516,337	15,724	-
Other financial liabilities	3,932,452	664,798	1,309,847
Deferred income tax liabilities	305	-	4,049
Other liabilities	4,765,786	443,194	848,549
Total liabilities	$ 1,267,995,957	$ 37,932,241	$ 121,611,028
On-balance sheet foreign exchange gap	($ 30,894,010)	$ 60,908,519	$ 33,845,354
Off-balance sheet commitments	$ 68,973,213	$ 1,342,322	$ 2,168,428

	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
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

K. Equity securities risk management

(A) The market risk of the equity securities held by the Group include individual risks incident to market price fluctuations of individual equity securities and general market risks incident to the overall market price fluctuations.

(B) The Group's risk management for equity securities is primarily categorized into positions held for short-term selling to earn capital gains, positions primarily held for earning dividends, or positions primarily held for capital gains arising from stock prices that reflect good industry prospects or an increase in long-term profitability. The Group's trading strategy sets the annual loss limits of the annual risk management objective as the scope for tolerable risk.

(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):

The following table indicates measurement positions of the Group's financial products on the report date that impact profit or loss when such positions experience a movement in value incident to relative market risk factors experiencing a movement by 1 unit. A 1 unit movement in a market risk factor refers to a 1bp (basis point) increase or decrease in the yield curve, 1% increase or decrease in the weighted stock index, or 1% appreciation or depreciation for foreign currency exchanges in New Taiwan Dollars. Foreign exchange risk is the Group's net position less equity investments of overseas subsidiaries plus the current year earnings test of overseas branches (subsidiaries). Interest rate risk is the positions of bond products, interest rate swaps, bond options and other interest rate derivatives, not including the PV01 tests of deposits and loans. Equity securities risk is the variation testing of the β value of purchased stocks, convertible bonds and the portfolio of subsidiary issued stock warrants in respect to the weighted stock index.

December 31, 2015

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 1%	($ 211,311)	($ 2,295)
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	211,311	2,295
Interest rate risk (not including deposits and loans)	Major increases in interest rates 1BP	(16,155)	(68,851)
Interest rate risk (not including deposits and loans)	Major decline in interest rates 1BP	16,155	68,851
Equity securities risk	TAIEX declined by 1%	(27,537)	(82,555)
Equity securities risk	TAIEX increased by 1%	27,537	82,555

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 1%	($ 80,880)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	80,880	-
Interest rate risk (not including deposits and loans)	Major increases in interest rates 1BP	(66,147)	(129,455)
Interest rate risk (not including deposits and loans)	Major decline in interest rates 1BP	66,147	129,455
Equity securities risk	TAIEX declined by 1%	(23,382)	(64,131)
Equity securities risk	TAIEX increased by 1%	23,382	64,131

M. Value at Risk analysis of the Group's financial instruments

The following table indicates measurement positions of the Group's financial products on the report date, the maximum potential loss under a 99% confidence interval.

December 31, 2015

Value at risk of primary market	Average	Maximum	Minimum
Value at risk of primary market	$ 343,500	$ 386,000	$ 301,000
Value at risk of equity securities	973,500	1,175,000	772,000
Value at risk of foreign exchange products	289,500	298,000	281,000
Value at risk of credit products	238,500	276,000	201,000
Total VaR	$ 1,845,000	$ 2,135,000	$ 1,555,000

December 31, 2014

Value at risk of primary market	Average	Maximum	Minimum
Value at risk of primary market	$ 214,500	$ 228,000	$ 201,000
Value at risk of equity securities	657,500	692,000	623,000
Value at risk of foreign exchange products	282,000	351,000	213,000
Value at risk of credit products	159,500	178,000	141,000
Total VaR	$ 1,313,500	$ 1,449,000	$ 1,178,000

N. 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, 2015

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 516,266,779	$ 828,046,861	$ 7,364,395	$ 44,195,492	$ 1,395,873,527
Interest rate sensitive liabilities	474,574,216	616,401,650	88,037,742	44,684,635	1,223,698,243
Interest rate sensitive gap	$ 41,692,563	$ 211,645,211	($ 80,673,347)	($ 489,143)	$ 172,175,284
Net worth					$ 239,592,215
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					114.07%
Ratio of interest rate sensitivity gap to net worth					71.86%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2014

	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					$ 201,084,879
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					112.30%
Ratio of interest rate sensitivity gap to net worth					72.90%

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, 2015 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	$ 32,285,909	$ 1,802,050	$ 393,155	$ 366,323	$ 34,847,437
Interest rate sensitive liabilities	33,693,738	1,497,285	1,141,957	535,953	36,868,933
Interest rate sensitive gap	($ 1,407,829)	$ 304,765	($ 748,802)	($ 169,630)	($ 2,021,496)
Net worth					$ 544,916
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					94.52%
Ratio of interest rate sensitivity gap to net worth					-370.97%

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	($ 736,191)	($ 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%

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).

O. 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, 2015

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	$ 103,263,453	$ 10,960,681	$ 7,766,461	$ 95,392,432	$ 217,383,027
Interest rate sensitivity liabilities	181,819,763	2,583,619	642	-	184,404,024
Interest-rate sensitivity gap	($ 78,556,310)	$ 8,377,062	$ 7,765,819	$ 95,392,432	$ 32,979,003
Net worth					$ 34,453,252
Interest rate sensitivity assets and liabilities ratio					117.88%
Interest rate sensitivity gap and net worth ratio					95.72%

December 31, 2014

Items	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					$ 33,130,765
Interest rate sensitivity assets and liabilities ratio					116.59%
Interest rate sensitivity gap and net worth ratio					89.97%

Note 1: Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities
Note 2: 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, 2015	
	Average amount	Average interest rate (%)
Assets		
Cash and cash equivalents (Note)	$ 899,501	0.50
Financial assets at fair value through profit or loss	113,448,200	1.08
Bills and bonds purchased under resale agreements	2,855,538	0.56
Available-for-sale financial assets	88,626,072	1.74
Held-to-maturity financial assets	607,534	2.06
Liabilities		
Interbank call loans and overdrafts	22,314,315	0.45
Bonds and bills sold under repurchase agreements	154,021,273	0.52

	For the year ended December 31, 2014	
	Average amount	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

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 over concentration of risks in locations and industries arising from CKI underwriting fire insurance and engineering insurance policies is primarily dispersed through reinsurance ceding. As of December 31, 2015 and 2014, the over concentration of insurance risk is displayed respectively as follows through CKI's fire insurance's and engineering insurance's premium income and self-retained premium:

Type	For the year ended December 31, 2015		For the year ended December 31, 2014	
	Premium Income	Self-retained Premium	Premium Income	Self-retained Premium
Fire insurance	$ 619,798	$ 320,818	$ 721,587	$ 271,238
Engineering insurance	205,840	91,813	385,793	171,212

(3) Sensitivity analysis of insurance risk

CKI assesses claim reserves through the loss development model and the estimated loss rate for various insurance types. Due to elements of uncertainty, including changes in the environment (e.g. changes in regulations or legal rulings), changes in trends or payment methods, which may change the loss development model and the estimated loss rate, affecting the estimation of claim reserves, thus CKI's sensitivity test on the estimated loss rate for December 31, 2015 and 2014 is respectively as follows:

Type	December 31, 2015		December 31, 2014	
	Final loss rate increases 5%		Final loss rate increases 5%	
	Total increase of claim reserves held before reinsurance	Net increase of claim reserves held after reinsurance	Total decrease of claim reserves held before reinsurance	Net decrease of claim reserves held after reinsurance
Fire Insurance	$ 50,027	$ 18,920	$ 52,575	$ 16,581
Marine Insurance	34,713	9,074	37,039	9,578
Automobile Insurance	143,130	111,979	132,211	104,216
Accident Insurance	89,370	35,780	102,518	37,516
Injury Insurance	19,653	35,780	19,523	14,552
Offshore Branches	7,732	7,702	6,480	6,399

Sensitivity testing calculates the impact a 5% increase in the final loss rate has on the Company's profit or loss based on the retained earned premium within 1 year as of the financial report's year-end date. If the movement of the final loss rate is inversely, the above-mentioned claims reserve held is also inversed.

(4) As of December 31, 2015 and 2014, the subsidiary-CKI's claim development trend is as follows:

A. Accumulative claim amounts (Before reinsurance ceding)

December 31, 2015												
	Day of evaluation											
Year of Accident	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.12.31	2014.12.31	2015.12.31	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	16,646,228	16,646,228	16,387,554	258,674		
2010		3,609,724	3,515,512	3,347,358	3,324,839	3,326,388	3,314,773	3,314,773	3,245,437	69,336		
2011			1,824,491	2,069,938	2,051,558	2,029,595	2,029,323	2,029,323	1,936,426	92,897		
2012				2,281,266	2,591,799	2,512,009	2,479,720	2,479,720	2,330,726	148,994		
2013					1,973,722	2,347,007	2,296,331	2,296,331	2,061,927	234,404		
2014						2,404,641	2,535,901	2,535,901	2,174,194	361,707		
2015							2,714,989	2,714,989	1,821,167	893,822		
Total								32,017,265	29,957,431	2,059,834	966,689	3,026,523

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	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

Note: Claim reserves for 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)

December 31, 2015												
	Day of evaluation											
Year of Accident	2009.12.31	2010.12.31	2011.12.31	2012.12.31	2013.12.31	2014.12.31	2015.12.31	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	11,194,962	11,194,962	11,135,605	59,357		
2010		1,397,312	1,626,786	1,678,008	1,665,535	1,676,824	1,676,595	1,676,595	1,645,369	31,226		
2011			1,114,786	1,466,969	1,526,450	1,504,982	1,506,109	1,506,109	1,454,826	51,283		
2012				1,346,822	1,664,766	1,682,419	1,637,549	1,637,549	1,565,328	72,221		
2013					1,322,491	1,654,907	1,702,663	1,702,663	1,539,711	162,952		
2014						1,411,247	1,537,056	1,537,056	1,350,955	186,101		
2015							420,026	420,026	(110,798)	530,824		
Total								19,674,960	18,580,996	1,093,964	591,464	1,685,428

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

Note: Claim reserves for 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.

December 31, 2015	Book value	Below 1 year	From 1 year to 5 years
Indemnity	$ 3,026,523	$ 2,786,092	$ 240,431

December 31, 2014	Book value	Below 1 year	From 1 year to 5 years
Indemnity	$ 3,194,308	$ 2,948,607	$ 245,701

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, 2015			
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)
Compulsory insurance	$ 407,763	$ 157,343	$ 170,985	$ 394,121
Non-compulsory insurance	5,797,206	531,377	2,741,175	3,587,408
Total	$ 6,204,969	$ 688,720	$ 2,912,160	$ 3,981,529

	For the year ended December 31, 2015	
Type	Net change in reserve for unearned premiums (5)	Gross premiums (6)=(4)+(5)
Compulsory insurance	$ 1,136	$ 395,257
Non-compulsory insurance	(37,936)	3,549,472
Total	($ 36,800)	$ 3,944,729

	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	Net change in reserve for unearned premiums (5)	Gross premiums (6)=(4)+(5)
Compulsory insurance	$ 6,064	$ 395,024
Non-compulsory insurance	(8,047)	3,381,833
Total	($ 1,983)	$ 3,776,857

The subsidiaries had no premium income from compulsory insurance in Guam and $731,287 and $672,441 from non-compulsory insurance for the years ended December 31, 2015 and 2014, respectively.

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

	For the year ended December 31, 2015			
Type	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
Compulsory insurance	$ 335,009	$ 102,378	$ 141,833	$ 295,554
Non-compulsory insurance	2,826,741	328,171	1,397,352	1,757,560
Total	$ 3,161,750	$ 430,549	$ 1,539,185	$ 2,053,114

	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

C. Details of assets and liabilities for compulsory automobile liability insurance are as follows:

	December 31, 2015	December 31, 2014
Assets		
Cash and bank deposits	$ 522,565	$ 496,544
Premiums receivable	12,412	35,250
Claims recoverable from Reinsurers	23,988	49,248
Due from reinsurers and ceding companies	24,615	15,504
Ceded unearned premium reserve	93,023	62,358
Ceded claims reserve	117,801	102,028
Temporary payments	51	74
Total	$ 794,455	$ 761,006
Liabilities		
Due to reinsurers and ceding companies	$ 29,532	$ 18,282
Unearned premium reserve	245,905	216,376
Reserve for outstanding losses	350,060	350,124
Reserve for catastrophic losses	168,748	174,624
Temporary receipts	210	1,600
Total	$ 794,455	$ 761,006

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

	For the years ended December 31,	
	2015	2014
Operating revenues		
Direct written premiums	$ 284,012	$ 277,098
Reinsurance premiums	157,343	100,334
Less: reinsurance premiums ceded	(170,985)	(110,838)
Net change in reserve for unearned premiums	1,136	6,064
Net premiums written	271,506	272,658
Interest income	2,335	4,900
Total	$ 273,841	$ 277,558
Operating costs		
Claims incurred	$ 335,009	$ 373,875
Reinsurance Claims incurred	102,378	107,615
Less: claims recovered from reinsurers	(141,833)	(146,963)
Net claims	295,554	334,527
Net change in reserve for claims	(15,837)	130,064
Net change in special reserve	(5,876)	(187,033)
Total	$ 273,841	$ 277,558

E. Net premiums

For the years ended December 31, 2015 and 2014, net premiums of the respective insurances are as follows:

Items	For the years ended December 31,	
	2015	2014
General fire insurance	$ 1,400,000	$ 1,200,000
Fire & allied perils insurance	1,400,000	1,200,000
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	USD 10,000 thousands
Engineering insurance	1,500,000	1,200,000
Money insurance	600,000	500,000
Motor physical damage insurance	10,000	10,000
Motor third party liability insurance	100,000	100,000
Motor passengers liability insurance	100,000	100,000
Compulsory automobile liability insurance for motorcycle	3,000	3,000
Car driver injury insurance	30,000	30,000
Driver injury insurance	3,000	3,000
Liability insurance	300,000	200,000
Fidelity surety bond	50,000	50,000
Engineering surety bond	200,000	200,000
Bankers' surety bond	600,000	500,000
Other property 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

F. 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
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
Lemma	Marine hull insurance
Asian Re Bangkok	Marine hull and cargo insurance
Best Re (L) Limited	Cargo insurance, marine hull insurance, injury insurance, and fire insurance
Everapex Insurance Brokers Co., Ltd	Fire insurance
Altera Europe Plc	Aviation insurance

(B) The unqualified reinsurance expense was $79,898 and $58,096 for the years ended December 31, 2015 and 2014, respectively.

(C) As of December 31, 2015 and 2014, the unqualified reinsurance reserves are unearned premium reserve. Details are set forth as below:

	December 31, 2015		December 31, 2014	
Unearned premium reserve	$	39,949	$	29,048
Reported but not paid ceded reserve		7,619		9,734
Claims recoverable from reinsurers		1,436		6,421

10. Capital management

(1) Objective of capital management

A. The Group's qualifying self-owned capital should meet the regulatory requirements and meet the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Group. The calculation and provision of qualifying self-owned capital and regulated capital shall follow the regulations of the competent authority.

B. In order to have adequate capital to take various risks, the Group shall assesses the required capital with consideration of the risk portfolio it faces and the risk characteristics, and manages risk through capital allocation to realize optimum utilization of capital allocation.

(2) Capital management procedures

A. Following the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies" of the Financial Supervisory Commission, the Group calculates capital adequacy ratio on a consolidated basis and reports this information regularly.

B. The calculation of capital adequacy ratio of subsidiaries shall follow the regulations of regulatory authorities; if without regulations, capital adequacy ratio is computed as net of qualifying self-own capital divided by regulated capital.

(3) Capital adequacy ratio

A. Capital adequacy ratio of the Company and its subsidiaries

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

December 31, 2015

	Ownership percentage held by the Company		Eligible capital			Minimum capital	
The Company	100.00%		$	293,391,112		$	20,239,971
MICB	100.00%			283,117,215			172,111,231
MS	100.00%			12,357,542			3,959,397
MBF	100.00%			31,288,743			18,029,426
CKI	100.00%			6,655,210			1,822,432
MITC	100.00%			812,300			406,080
MAM	100.00%			2,884,898			8,312,887
Mega Life Insurance Agency	100.00%			421,028			318,567
Mega Venture Capital	100.00%			675,384			339,518
Deduction item			(	23,637,208)		(	13,143,661)
Subtotal		(A)	$	307,966,224	(B)	$	212,395,848
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)					(C)		145.00%

December 31, 2014

	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%

Note: It adopted the 2010 version of IFRS as endorsed by the FSC.

B. As of December 31, 2015 and 2014, the financial holding's net eligible capital

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

Item	December 31, 2015	December 31, 2014
Common stocks	$ 135,998,240	$ 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	-	-
Capital collected in advance	-	-
Additional paid-in capital	68,194,233	55,270,198
Legal reserve	27,494,993	24,469,127
Special reserve	2,545,158	2,547,719
Accumulated earnings	58,332,856	50,873,327
Equity adjustment number	838,599	3,362,257
Less: goodwill	4,258	3,927
deferred assets	8,709	8,649
treasury stocks	-	-
Total net eligible capital	$ 293,391,112	$ 261,008,292

11. RELATED PARTY TRANSACTIONS

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

Names of related parties	Relationship with the Company
Chunghwa Post Co., Ltd. (Chunghwa Post)	Supervisor of the Company
Bank of Taiwan (BOT)	Supervisor 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, 2015	December 31, 2014
Others (individual amounts accounting for less than 10% of the total amount)	$ 11,904,477	$ 6,894,895

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, 2015	December 31, 2014
Others (individual amounts accounting for less than 10% of the total amount)	$ 178,191	$ 150,161

C. Bank deposits

	December 31, 2015	December 31, 2014
Chunghwa Post	$ 4,945	$ 3,498
BOT	128,456	249,137
Total	$ 133,401	$ 252,635

D. Refundable deposits

	Collaterals	December 31, 2015	December 31, 2014
BOT	Available-for-sale financial assets - government bonds	$ 50,758	$ 91,010

E. Purchases of securities and bonds

	For the years ended December 31,	
	2015	2014
Chunghwa Post	$ 50,586	$ -

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

F. Sales of securities and bonds

	For the years ended December 31,	
	2015	2014
BOT	$ 23,736,387	$ 13,295,718
Chunghwa Post	63,926,278	101,367,030
Total	$ 87,662,665	$ 114,662,748

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, 2015	December 31, 2014
Others	$ -	$ 10,000

H. Transactions with other financial institutions

(A) Due from banks/call loans to banks

	December 31, 2015	December 31, 2014
BOT	$ 11,296,147	$ 3,641,074

(B) Overdraft on banks

	December 31, 2015	December 31, 2014
Chunghwa Post	$ 4,456,059	$ 2,924,041
BOT	3,510,407	6,784,399
Total	$ 7,966,466	$ 9,708,440

I. Commercial paper payable

Institutions of guarantee or acceptance	December 31, 2015	December 31, 2014
TFC	$ 220,000	$ -
BOT	150,000	-
Total	$ 370,000	$ -

J. Collaterals

	Collaterals	December 31, 2015	December 31, 2014
BOT	Financial assets at fair value through profit or loss - negotiable certificate of deposits	$ 700,970	$ 701,202
	Available-for-sale financial assets –bonds	2,001,850	2,017,450
	Total	$ 2,702,820	$ 2,718,652

K. Loans

December 31, 2015

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status: Normal loans	Default status: Overdue accounts	Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
Consumer loans for employees	18	$ 10,295	$ 9,334	V		None	None
Home mortgage loans	74	522,944	479,835	V		Real estate	None
Other loans	3	1,938,636	56,896	V		Real estate	None

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

L. Interest revenue

	For the years ended December 31,			
	2015		2014	
	NT$	% of the Account	NT$	% of the Account
BOT	$ 1,852	-	$ 2,348	-
IBF	-	-	1,708	-
Total	$ 1,852	-	$ 4,056	-

M. Interest expense

	For the years ended December 31,			
	2015		2014	
	Amount	% of the Account	Amount	% of the Account
BOT	$ 31,530	0.16	$ 18,566	0.10
Chunghwa Post	43,996	0.23	42,993	0.22
Total	$ 75,526	0.39	$ 61,559	0.32

N. Income and losses of financial assets and liabilities measured at fair value through profit or loss

	For the years ended December 31,			
	2015		2014	
	Amount	% of the Account	Amount	% of the Account
BOT	$ 5,065	0.47	$ 1,450	0.04
Chunghwa Post	19,795	1.85	20,313	0.53
Total	$ 24,860	2.32	$ 21,763	0.57

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

	For the years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	$ 386,422	$ 349,614
Post-employment benefits	13,007	16,805
Termination benefits	573	381
Total	$ 400,002	$ 366,800

P. Guarantees: None.

12. PLEDGED ASSETS

Asset	December 31, 2015	December 31, 2014
Financial assets at fair value through profit or loss	$ 10,405,233	$ 11,805,879
Available-for-sale financial assets	22,870,671	19,823,914
Held-to-maturity financial assets	5,801,616	5,792,213
Other financial assets	492,090	495,183
Property and equipment	2,452,413	2,480,951
Investment property	463,063	1,142,576
Other assets	200,868	201,401
	$ 42,685,954	$ 41,742,117

13. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The subsidiaries-MICB

As of December 31, 2015 and 2014, MICB and its subsidiaries' commitments and contingent liabilities were as follows:

	December 31, 2015	December 31, 2014
Irrevocable arranged financing limit	$ 107,490,342	$ 115,658,649
Securities sold under repurchase agreement	548,152	50,326,499
Securities purchased under resale agreement	9,437,084	5,851,418
Credit card line commitments	58,618,656	55,475,284
Guarantees issued	217,349,493	229,194,323
Letters of credit	55,498,669	64,938,712
Customers' securities under custody	208,886,695	198,411,865
Properties under custody	3,458,696	3,448,120
Guarantee received	142,259,758	69,516,039
Collections for customers	106,021,245	108,844,402
Agency loans payable	1,295,073	1,669,033
Travelers' checks consigned-in	1,877,590	1,896,997
Gold coins consigned-in	449	453
Payables on consignments-in	2,490	2,598
Agent for government bonds	159,934,200	121,688,800
Short-dated securities under custody	105,969,903	47,405,741
Investments for customers	-	179,661
Trust liability	534,133,051	511,407,300
Certified notes paid	6,528,240	7,855,405
Exposures	440,243	2,747,150

(2) The subsidiaries-MBF

As of December 31, 2015 and 2014, the Company's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2015		December 31, 2014	
Bills and bonds bought under repurchase agreements	$	1,000,000	$	9,805,054
Bills and bonds sold under repurchase agreements		173,109,248		163,777,891
Guarantees for commercial papers		150,968,600		145,710,300
Buy fixed rate financial paper		8,870,000		7,570,000
Sell fixed rate financial paper		500,000		-
Buy index rate financial paper		29,710,000		21,360,000
Sell index rate financial paper		5,500,000		1,650,000

(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

As of December 31, 2015, 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.

(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 stockholders' 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 conducts enterprise operations, management and consultation services for Mega I Venture's investee companies. In accordance with the contract between the two parties, for each year, Mega I Venture shall pay 1.5% of the average of the beginning year balance and the year-end balance of its paid-in capital as management fee, payable to Mega Management Consulting Corporation each quarter. However, Mega I Venture has revised its contract with Mega Management Consulting Corporation on November 4, 2015, ceasing payments of management fees as of November 5, 2015. In addition, at the end of every fiscal year, 20% of net income calculated based on contract terms agreed by both parties are paid as a performance-based bonus, payable within 15 days after the completion of the annual general stockholders' meeting.

14. SIGNIFICANT DISASTER LOSS

None.

15. SIGNIFICANT SUBSEQUENT EVENTS

The fire insurance and engineering insurance underwritten by CKI incurred claims for the severe-earthquake in Meinong District, Kaohsiung, Taiwan on February 6, 2016.

As of March 29, 2016, the expected retained losses for filed losses received less indemnities receivable via the catastrophe loss reinsurance contract for incurred disaster losses claimed against commercial fire insurances and engineering insurances was $214,038.

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.125-130 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 17(4) 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, 2015:

The promotion bonus paid to other subsidiaries by MITC and MICB amounted to $27,970 and $1,670, respectively. As a result of cross-selling by other subsidiaries, the insurance premium income increased by $533,280 for CKI; $20,600 for MICB; and $126,200 for MITC.

For the year ended December 31, 2014:

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

(8) Information for private placement securities:

None.

(9) Financial information by business segments

Mega Financial Holding Co., Ltd. and its Subsidiaries
For the year ended December 31, 2015

Items	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	$ 36,033,942	$ 100,190	$ 808,378	$ 838,367	($ 92,284)	$ 37,688,593
Revenues other than interest, net	13,420,151	1,453,445	3,274,033	2,070,777	2,321,307	22,539,713
Net revenue	49,454,093	1,553,635	4,082,411	2,909,144	2,229,023	60,228,306
Reversal of (provisions for) bad debts expense and guarantee liabilities	543,892	-	134,508	-	(251,941)	426,459
Provisions for insurance reserve	-	(12,356)	-	-	-	(12,356)
Operating expenses	(20,323,337)	(1,049,168)	(755,959)	(2,509,094)	(895,869)	(25,533,427)
Income before income tax from continuing operations	29,674,648	492,111	3,460,960	400,050	1,081,213	35,108,982
Income tax expense	(4,611,764)	(85,043)	(495,374)	(70,242)	(573,290)	(5,835,713)
Consolidated net income from continuing operations	$ 25,062,884	$ 407,068	$ 2,965,586	$ 329,808	$ 507,923	$ 29,273,269

Mega Financial Holding Co., Ltd. and its Subsidianies
For the year ended December 31, 2014 (Adjusted)

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
(Provisions for) reversal of bad debt expense and guarantee liabilities	(2,249,430)	-	660,965	-	-	(1,588,465)
Provisions for insurance reserve	-	207,527	-	-	-	207,527
Operational expenses	(18,472,035)	(989,455)	(738,467)	(2,559,099)	(1,012,139)	(23,771,195)
Income before income tax from continuing operations	29,695,257	500,248	3,276,893	817,904	1,062,532	35,352,834
Income tax expense	(4,275,042)	(158,423)	(426,907)	(41,138)	(191,680)	(5,093,190)
Consolidated net income from continuing operations	$ 25,420,215	$ 341,825	$ 2,849,986	$ 776,766	$ 870,852	$ 30,259,644

(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	2015	(Adjusted) 2014	%	LIABILITIES AND EQUITY	2015	(Adjusted) 2014	%
Assets				Liabilities			
Cash and cash equivalents	$ 2,292,712	$ 27,368	8,277.35	Financial liabilities at fair value through profit or loss	$ 155,440	$ -	-
Receivables, net	-	463	(100.00)	Commercial paper payable, net	6,198,832	2,549,078	143.18
Current income tax assets	-	630,319	(100.00)	Payables	14,835,817	13,264,258	11.85
Available-for-sale financial assets	5,586,489	5,849,267	(4.49)	Current income tax liabilities	1,912,617	1,385,649	38.03
Equity investments accounted for				Bonds payable	5,678,505	6,000,000	(5.36)
under the equity method	313,143,661	276,353,146	13.31	Other loans	300,000	400,000	-
Other financial assets, net	758,293	758,293	-	Provisions for liabilities	56,339	48,021	17.32
Property and equipment, net	750,459	757,220	-	Deferred tax liabilities	1,436	3,500	(58.97)
Deferred tax assets	8,092	8,092	-	Other liabilities	2,585	2,139	20.85
Other assets, net	5,944	5,826	2.03	Total liabilities	29,141,571	23,652,645	23.21
				Equity			
				Common stock	135,998,240	124,498,240	9.24
				Capital surplus	68,194,233	55,270,198	23.38
				Retained earnings			
				Legal reserve	27,494,993	24,469,127	12.37
				Special reserve	2,545,158	2,547,719	(0.10)
				Unappropriated retained earnings	58,332,856	50,589,808	15.31
				Other equity interest	838,599	3,362,257	(75.06)
				Total equity	293,404,079	260,737,349	12.53
TOTAL ASSETS	$322,545,650	$284,389,994	13.42	TOTAL LIABILITIES AND EQUITY	$322,545,650	$284,389,994	13.42

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)

	2015	(Adjusted) 2014
Revenues		
Interest income	$ 47,325	$ 36,517
Share of profit of associates and joint ventures accounted for under equity method	30,416,201	30,871,359
Other revenue except for interest income	84,639	32,244
Total revenue	30,548,165	30,940,120
Expenses and losses		
Interest expense	(230,043)	(216,569)
Foreign exchange loss	(10)	(2)
Financial assets and liability at fair value through profit or loss	(12,180)	-
Employee benefit expense	(308,317)	(285,843)
Depreciation and amortization	(14,898)	(17,549)
Other business and administrative expenses	(118,219)	(101,071)
Total expenses and losses	(683,667)	(621,034)
Income before income tax	29,864,498	30,319,086
Income tax expense	(447,287)	(40,495)
Profit for the year	29,417,211	30,278,591
Other comprehensive income		
Non-reclassifiable to profit or loss subsequently		
Remeasurement of defined benefit plans	(12,142)	7,835
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(1,211,026)	(90,525)
Income tax relating to components of other comprehensive income (loss)	2,064	(1,332)
Potentially reclassifiable to profit or loss subsequently		
Unrealized (loss) gain on valuation of available-for-sale financial assets	(262,778)	298,412
Share of other comprehensive (loss) income of associates and joint ventures accounted for under the equity method	(2,260,880)	2,963,007
Other comprehensive (loss) income for the period, (after income tax)	(3,744,762)	3,177,397
Total comprehensive income	$ 25,672,449	$ 33,455,988
Earnings Per Share (in dollars)		
Basic Earnings Per Share (in dollars)	$ 2.35	$ 2.43
Diluted Earnings Per Share (in dollars)	$ 2.35	$ 2.43

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(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 or loss on available-for-sale financial assets	Total
For the year ended December 31, 2014 (Adjusted)								
Balance at January 1, 2014 (adjusted)	$ 124,498,240	$ 55,271,623	$ 22,220,204	$ 2,547,719	$ 36,463,466	($ 901,379)	$ 1,002,217	$ 241,102,090
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 (adjusted)	-	-	-	-	30,278,591	-	-	30,278,591
Other comprehensive (loss) income for the year	-	-	-	-	(84,022)	1,506,861	1,754,558	3,177,397
Balance at December 31, 2014 (adjusted)	$ 124,498,240	$ 55,270,198	$ 24,469,127	$ 2,547,719	$ 50,589,808	$ 605,482	$ 2,756,775	$ 260,737,349
For the year ended December 31, 2015								
Balance at January 1, 2015	$ 124,498,240	$ 55,270,198	$ 24,469,127	$ 2,547,719	$ 50,589,808	$ 605,482	$ 2,756,775	$ 260,737,349
Earnings distribution for 2014								
Legal reserve	-	-	3,025,866	-	(3,025,866)	-	-	-
Cash dividends	-	-	-	-	(17,429,754)	-	-	(17,429,754)
Reversal of special reserve	-	-	-	(2,561)	2,561	-	-	-
Changes in capital surplus of associates and joint ventures accounted for under equity method	-	(631)	-	-	-	-	-	(631)
Profit for the year	-	-	-	-	29,417,211	-	-	29,417,211
Other comprehensive loss for the year	-	-	-	-	(1,221,104)	(177,718)	(2,345,940)	(3,744,762)
Issuance of common stock	11,500,000	12,661,500	-	-	-	-	-	24,161,500
Share based payment transactions	-	263,166	-	-	-	-	-	263,166
Balance at December 31, 2015	$ 135,998,240	$ 68,194,233	$ 27,494,993	$ 2,545,158	$ 58,332,856	$ 427,764	$ 410,835	$ 293,404,079

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the year ended December 31, 2015	(Adjusted) For the year ended December 31, 2014
Cash Flows from Operating Activities		
Profit before tax	$ 29,864,498	$ 30,319,086
Income and expenses having no effect on cash flows		
Depreciation	12,695	14,997
Amortization	2,203	2,552
Interest expense	230,043	216,569
Interest revenue	(47,325)	(36,517)
Dividend income	(81,468)	(30,363)
Share of profit of associates accounted for under equity method	(30,416,201)	(30,871,359)
Share based payment transactions	1,510	-
Changes in assets/liabilities relating to operating activities		
Changes in assets relating to operating activities:		
Decrease (increase) in receivables	463	(463)
(Increase) decrease in other assets	(80)	393
Changes in liabilities relating to operating activities:		
Increase in financial liabilities at fair value through profit or loss	155,440	-
Increase in payables	5,515	44,726
(Decrease) increase in provisions for liabilities	(1,760)	960
Increase in other liabilities	446	53
Cash used in operations	(274,021)	(339,366)
Interest received	47,325	36,517
Cash dividend received	14,319,116	13,904,269
Interest paid	(355,008)	(216,168)
Income taxes refund	707,936	1,223,921
Net cash provided by operating activities	14,445,348	14,609,173
Cash Flows from Investing Activities		
Acquisition of equity investments accounted for under the equity method	(24,084,500)	-
Acquisition of property and equipment	(5,934)	(775)
Acquisition of intangible assets	(2,240)	(263)
Net cash used in investing activities	(24,092,674)	(1,038)
Cash Flows from Financing Activities		
Increase in commercial papers payable	3,650,000	2,550,000
Proceeds from issuance of bonds	5,800,000	-
Redemption in bonds payable	(6,000,000)	(6,000,000)
(Decrease) increase in other loans	(100,000)	400,000
Payment in cash dividends	(15,860,486)	(12,575,100)
Proceeds from issuance of common stock	24,161,500	-
Execution of employee stock option	261,656	-
Net cash provided by (used in) financing activities	11,912,670	(15,625,100)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	2,265,344	(1,016,965)
Cash and cash equivalents at beginning of year	27,368	1,044,333
Cash and cash equivalents at end of year	$ 2,292,712	$ 27,368

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

Assets	2015	(Adjusted) 2014	Liabilities	2015	(Adjusted) 2014
Cash and cash equivalents	$ 141,794,023	$ 161,954,100	Due to the Central Bank and financial institutions	$ 417,682,508	$ 459,095,355
Due from the Central Bank and call loans to banks	501,826,253	466,115,473	Funds borrowed from the Central Bank and other banks	44,733,966	53,434,282
Financial assets at fair value through profit or loss, net	47,024,123	43,670,656	Financial liabilities at fair value through profit or loss	21,936,493	27,344,357
Bills and bonds purchased under resale agreements	9,435,868	5,850,332	Bills and bonds sold under repurchase agreements	547,798	50,189,662
Receivables, net	142,291,246	170,898,252	Payables	35,683,943	35,856,882
Current income tax asset	589,811	522,877	Current income tax liabilities	8,313,012	7,249,595
Bills discounted and loans, net	1,756,514,539	1,713,988,141	Deposits and remittances	2,222,021,878	2,024,967,933
Available-for-sale financial assets, net	231,507,094	187,345,276	Financial bonds payable	36,200,000	50,200,000
Held-to-maturity financial assets, net	197,651,402	161,087,026	Other financial liabilities	8,673,223	9,021,046
Investments accounted for under equity method, net	8,794,633	9,076,206	Provisions for liabilities	11,922,046	10,451,785
Other financial assets, net	9,983,801	13,649,219	Deferred tax liabilities	2,153,957	2,143,376
Property and equipment, net	14,227,890	14,466,078	Other liabilities	8,864,152	9,531,053
Investment property, net	868,057	671,195	Total liabilities	2,818,732,976	2,739,485,326
Deferred tax assets	4,311,934	3,652,081	**Equity**		
Other assets, net	5,405,252	5,048,855	Common stock	85,362,336	77,000,000
			Capital surplus	62,219,540	46,498,007
			Retained earnings	105,682,058	92,222,570
			Other equity interest	229,016	2,789,864
			Total equity	253,492,950	218,510,441
TOTAL ASSETS	$ 3,072,225,926	$ 2,957,995,767	TOTAL LIABILITIES AND EQUITY	$ 3,072,225,926	$ 2,957,995,767

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

Assets	2015	(Adjusted) 2014	Liabilities	2015	(Adjusted) 2014
Current assets	$ 46,038,398	$ 43,900,722	Current liabilities	$ 36,784,989	$ 34,814,379
Financial assets measured at cost - non-current	308,979	322,353	Provisions for liabilities - non-current	128,155	110,768
Investments accounted for under equity method	965,683	921,877	Deferred tax liabilities	9,963	8,364
Property and equipment	2,618,757	2,655,106	Other liabilities - non-current	11,295	8,935
Investment property	511,102	515,688	Total liabilities	36,934,402	34,942,446
Intangible assets	86,524	63,569			
Deferred tax assets	58,151	62,116	**Equity**		
Other assets - non-current	897,447	1,147,754	Common stock	11,600,000	11,600,000
			Capital surplus	971,161	971,161
			Retained earnings	2,059,183	2,191,307
			Other equity interest	(79,705)	(115,729)
			Total equity	14,550,639	14,646,739
TOTAL ASSETS	$ 51,485,041	$ 49,589,185	TOTAL LIABILITIES AND EQUITY	$ 51,485,041	$ 49,589,185

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

Assets	2015	(Adjusted) 2014	Liabilities	2015	(Adjusted) 2014
Cash and cash equivalents	$ 321,356	$ 444,266	Interbank overdraft and call loans	$ 11,294,776	$ 15,926,613
Financial assets at fair value through profit or loss	115,285,106	117,026,616	Financial liabilities at fair value through profit or loss	6,149	411
Available-for-sale financial assets, net	100,816,225	83,333,880	Bills and bonds sold under repurchase agreements	173,109,248	163,777,891
Bills and bonds purchased under resale agreements	1,000,000	9,805,054	Payables	504,042	502,801
Receivables, net	1,185,047	1,004,365	Current income tax liabilities	131,256	74,713
Held-to-maturity financial assets	600,000	850,000	Provisions for liabilities	2,757,420	2,780,456
Other financial assets, net	818,540	802,252	Deferred tax liabilities	12,647	790
Property and equipment, net	375,457	370,378	Other liabilities	828,935	116,541
Investment property, net	2,539,088	2,549,752	Total liabilities	188,644,473	183,180,216
Intangible assets	2,427	2,886	**Equity**		
Deferred tax assets, net	106,254	96,021	Common stock	13,114,411	13,114,411
Other assets, net	48,225	25,511	Capital surplus	320,929	320,929
			Retained earnings	19,490,920	18,592,588
			Other equity interest	1,526,992	1,102,837
			Total equity	34,453,252	33,130,765
TOTAL ASSETS	$ 223,097,725	$ 216,310,981	TOTAL LIABILITIES AND EQUITY	$ 223,097,725	$ 216,310,981

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

Assets	2015	2015	Liabilities	2015	2014
Cash and cash equivalents	$ 6,497,850	$ 6,425,232	Payables	$ 1,190,044	$ 1,318,694
Receivables	722,091	961,442	Current income tax liabilities	85,043	98,745
Current income tax assets	224,496	230,584	Financial liabilities at fair value through profit or loss	-	1,848
Assets held-for-sale	-	2,739	Insurance liabilities	7,772,662	7,967,465
Financial assets at fair value through profit or loss	29,485	45,384	Provisions for liabilities	244,255	262,882
Available-for-sale financial assets	1,282,755	1,527,434	Deferred tax liabilities	15,590	10,581
Financial assets measured at cost	100,000	100,000	Other liabilities	43,456	132,791
Investment in bonds without active markets	449,775	252,883	Total liabilities	9,351,050	9,793,006
Held-to-maturity financial assets	849,783	801,623			
Investments accounted for under equity method	38,969	13,494	**Equity**		
Investment property	318,895	323,673	Capital stock	3,000,000	3,000,000
Reinsurance contracts assets	3,308,814	3,217,685	Capital surplus	1,084,811	1,084,811
Property and equipment	846,468	844,360	Retained earnings	1,963,968	1,564,766
Intangible assets	36,572	32,342	Other equity interest	(42,416)	(890)
Deferred tax assets	49,769	51,523	Total equity	6,006,363	5,648,687
Other assets	601,691	611,295			
TOTAL ASSETS	$ 15,357,413	$ 15,441,693	TOTAL LIABILITIES AND EQUITY	$ 15,357,413	$ 15,441,693

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

Assets	2015	2014	Liabilities	2015	2014
Current assets	$ 458,128	$ 491,168	Current liabilities	$ 42,426	$ 39,793
Available-for-sale financial assets	270,391	262,829	Liabilities - non-current	23,243	20,403
Property and equipment	3,123	2,960	Total liabilities	65,669	60,196
Investment property	111,937	112,601	Equity		
Intangible assets	123	135	Common stock	527,000	527,000
Deferred tax assets	6,495	20,001	Capital surplus	3,675	3,675
Other assets - non-current	27,772	32,578	Retained earnings	299,572	317,337
			Other equity interest	(17,947)	14,064
			Total equity	812,300	862,076
TOTAL ASSETS	$ 877,969	$ 922,272	TOTAL LIABILITIES AND EQUITY	$ 877,969	$ 922,272

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

Assets	2015	2014	Liabilities	2015	2014
Current assets	$ 12,632,843	$ 6,384,914	Current liabilities	$ 13,055,089	$ 7,748,727
Other financial assets, net	349,233	472,006	Other liabilities - non-current	685,786	732,323
Property and equipment, net	1,264	1,609	Total liabilities	13,740,875	8,481,050
Investment property, net	14,572	815,715			
Intangible assets	6,175	6,471	Equity		
Deferred tax assets	132,778	93,983	Common stock	2,000,000	2,000,000
Other assets - non-current	3,488,908	3,463,909	Capital surplus	1,261	1,261
			Retained earnings	883,637	756,296
			Total equity	2,884,898	2,757,557
TOTAL ASSETS	$ 16,625,773	$ 11,238,607	TOTAL LIABILITIES AND EQUITY	$ 16,625,773	$ 11,238,607

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

Assets	2015	2014	Liabilities	2015	2014
Current assets	$ 631,674	$ 198,925	Current liabilities	$ 216,087	$ 85,408
Property and equipment	848	633	Other liabilities - non-current	18	18
Intangible assets	1,273	827	Total liabilities	216,105	85,426
Deferred tax assets	95	82	**Equity**		
Other financial assets	-	99,300	Common stock	20,000	20,000
Other assets - non-current	3,243	3,267	Capital surplus	804	804
			Retained earnings	400,224	196,804
			Total equity	421,028	217,608
TOTAL ASSETS	$ 637,133	$ 303,034	TOTAL LIABILITIES AND EQUITY	$ 637,133	$ 303,034

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

Assets	2015	2014	Liabilities	2015	2014
Current assets	$ 19,450	$ 53,548	Current liabilities	$ 2,336	$ 199
Financial assets at fair value through profit or loss	-	3,843	Current tax	1,315	3,141
Available-for-sale financial assets	411,222	467,647	Total liabilities	3,651	3,340
Financial assets measured at cost	215,452	211,917	**Equity**		
Prepaid investments	32,911	-	Common stock	1,000,000	1,000,000
			Accumulated deficit	(39,393)	(67,836)
			Other equity interest	(285,223)	(198,549)
			Total equity	675,384	733,615
TOTAL ASSETS	$ 679,035	$ 736,955	TOTAL LIABILITIES AND EQUITY	$ 679,035	$ 736,955

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)

	2015	2014
Interest income	$ 53,192,080	$ 52,729,535
Less: Interest expense	(17,705,988)	(17,995,211)
Interest income, net	35,486,092	34,734,324
Revenues other than interest income, net	14,329,399	15,946,208
Net revenue	49,815,491	50,680,532
Reversal of (provisions for) bad debts expense and guarantee liabilities	544,711	(2,186,780)
Operating expenses	(20,109,898)	(18,299,446)
Income before income tax from continuing operations	30,250,304	30,194,306
Income tax expense	(4,541,859)	(4,203,624)
Net income	25,708,445	25,990,682
Other comprehensive (loss) income	(3,721,805)	3,110,813
Total comprehensive income	$ 21,986,640	$ 29,101,495
Earnings per share		
Basic earnings per share (after taxes)	$ 3.27	$ 3.37

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)

	2015	2014
Revenues	$ 2,869,616	$ 3,408,330
Service fee expenditure	(104,373)	(114,530)
Employee benefit expense	(1,471,012)	(1,472,967)
Other operating expenditures	(180,077)	(181,601)
Operating expenses	(889,204)	(946,067)
Other gains and losses	189,937	165,360
Share of loss of associates and joint ventures accounted for under equity method	(21,433)	(22,179)
Income before income tax from continuing operations	393,454	836,346
Income tax expense	(61,714)	(35,789)
Net income	331,740	800,557
Other comprehensive income (loss)	19,391	(122,362)
Total comprehensive income	$ 351,131	$ 678,195
Earnings per share		
Basic earnings per share (after taxes)	$ 0.29	$ 0.69

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)

	2015	2014
Interest income	$ 2,930,965	$ 2,791,448
Less: Interest expense	(901,456)	(980,992)
Interest income, net	2,029,509	1,810,456
Revenues other than interest income, net	2,134,405	1,736,249
Net revenue	4,163,914	3,546,705
Provisions	134,508	660,965
Operating expense	(792,612)	(777,757)
Income before income tax from continuing operations	3,505,810	3,429,913
Income tax expense	(495,374)	(426,907)
Net income	3,010,436	3,003,006
Other comprehensive loss	(385,439)	(230,955)
Total comprehensive income	$ 3,395,875	$ 2,772,051
Earnings per share		
Basic earnings per share (after taxes)	$ 2.30	$ 2.29

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)

	2015	2014
Operating revenue	$ 4,658,578	$ 4,543,495
Operating cost	(3,135,641)	(3,041,629)
Operating expense	(1,026,556)	(969,320)
Operating income	496,381	532,546
Non-operating income and expense	1,675	10,971
Income before income tax from continuing operations	498,056	543,517
Income tax expense	(85,043)	(158,423)
Net income	413,013	385,094
Other comprehensive (loss) income	(32,524)	(116,987)
Total comprehensive income	$ 380,489	$ 502,081
Earnings per share		
Basic earnings per share (after taxes)	$ 1.38	$ 1.28

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)

	2015	2014
Operating revenue	$ 376,598	$ 391,075
Operating expense	(264,805)	(244,413)
Income before income tax from continuing operations	111,793	146,662
Income tax expense	(17,849)	(23,282)
Net income	93,944	123,380
Other comprehensive (loss) income	(35,190)	(10,127)
Total comprehensive income	$ 58,754	$ 133,507
Earnings per share		
Basic earnings per share (after taxes)	$ 1.78	$ 2.34

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)

	2015	2014
Operating revenue	$ 986,051	$ 959,527
Operating expense	(482,940)	(411,514)
Income before income tax from continuing operations	503,111	548,013
Income tax expense	(34,164)	(92,169)
Net income	468,947	455,844
Other comprehensive (loss) income	(545)	117
Total comprehensive income	$ 468,402	$ 455,961
Earnings per share		
Basic earnings per share (after taxes)	$ 2.34	$ 2.28

MEGA INSURANCE AGENCY CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	2015	2014
Operating revenue	$ 499,916	$ 257,283
Operating expense	(66,127)	(67,721)
Income before income tax from continuing operations	433,789	189,562
Income tax expense	(73,744)	(32,581)
Net income	$ 360,045	$ 156,981
Earnings per share		
Basic earnings per share (after taxes)	$ 180.02	$ 78.49

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)

	2015	2014
Operating revenue	$ 46,432	($ 22,395)
Operating expense	(17,744)	(17,701)
Income (loss) before income tax from continuing operations	28,688	(40,096)
Income tax expense	(246)	(3,153)
Net income (loss)	28,442	(43,249)
Other comprehensive loss	(86,673)	(12,247)
Total comprehensive loss	($ 58,231)	($ 55,496)
Earnings per share		
Basic earnings (loss) per share (after taxes)	$ 0.28	($ 0.43)

(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, 2015	For the year ended December 31, 2014(Adjusted)
Return on assets	Pre-tax	9.84	11.03
	After-tax	9.69	11.02
Return on equity	Pre-tax	10.78	12.08
	After-tax	10.62	12.07
Net profit margin		96.30	97.86

UNIT：%

Items		MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES	
		For the year ended December 31, 2015	For the year ended December 31, 2014(Adjusted)
Return on assets	Pre-tax	1.05	1.11
	After-tax	0.88	0.95
Return on equity	Pre-tax	12.67	14.08
	After-tax	10.56	12.05
Net profit margin		48.60	50.01

(b) The subsidiary

UNIT：%

Items		MICB	
		For the year ended December 31, 2015	For the year ended December 31, 2014(Adjusted)
Return on assets	Pre-tax	1.00	1.05
	After-tax	0.85	0.90
Return on equity	Pre-tax	12.82	14.41
	After-tax	10.89	12.40
Net profit margin		51.61	51.28

UNIT：%

Items		MS	
		For the year ended December 31, 2015	For the year ended December 31, 2014(Adjusted)
Return on assets	Pre-tax	0.78	1.74
	After-tax	0.66	1.66
Return on equity	Pre-tax	2.70	5.81
	After-tax	2.27	5.56
Net profit margin		11.56	23.49

UNIT：%

Items		MBF	
		For the year ended December 31, 2015	For the year ended December 31, 2014(Adjusted)
Return on assets	Pre-tax	1.60	1.57
	After-tax	1.37	1.37
Return on equity	Pre-tax	10.37	10.51
	After-tax	8.91	9.20
Net profit margin		72.30	84.67

UNIT：%

Items		CKI	
		For the year ended December 31, 2015	For the year ended December 31, 2014
Return on assets	Pre-tax	3.23	3.55
	After-tax	2.68	2.52
Return on equity	Pre-tax	8.55	10.07
	After-tax	7.09	7.13
Net profit margin		8.87	8.48

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, 2015 and 2014.

(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.150-151 of the Consolidated Financial Statements)

17. ADDITIONAL DISCLOSURES

(Please refer to P.152-170 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

	For the year ended December 31, 2015						
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Interest income, net	$ 36,045,950	$ 103,488	$ 2,029,509	$ 816,032	($ 82,511)	($ 1,223,875)	$ 37,688,593
Revenues other than interest income, net	14,195,272	1,457,670	2,134,405	2,110,854	32,001,227	(29,359,715)	22,539,713
Net revenue	50,241,222	1,561,158	4,163,914	2,926,886	31,918,716	(30,583,590)	60,228,306
Reversal (provisions) of bad debt expenses and guarantee reserve	543,892	-	134,508	-	(251,941)	-	426,459
Provisions for insurance reserve	-	(12,356)	-	-	-	-	(12,356)
Operating expenses	(20,464,905)	(1,050,746)	(792,612)	(2,524,904)	(964,798)	264,538	(25,533,427)
Income before income tax from continuing operations	30,320,209	498,056	3,505,810	401,982	30,701,977	(30,319,052)	35,108,982
Income tax expense	(4,611,764)	(85,043)	(495,374)	(70,242)	(573,290)	-	(5,835,713)
Net Income	$ 25,708,445	$ 413,013	$ 3,010,436	$ 331,740	$ 30,128,687	($ 30,319,052)	$ 29,273,269

	For the year ended December 31, 2014 (Adjusted)						
Items	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
Reversal (provisions) of bad debt expenses and guarantee reserve	(2,249,430)	-	660,965	-	-	-	(1,588,465)
Reversal of insurance reserve	-	207,527	-	-	-	-	207,527
Operating expenses	(18,651,123)	(969,320)	(777,757)	(2,568,155)	(1,070,934)	266,094	(23,771,195)
Income before income tax from continuing operations	30,265,724	543,517	3,429,913	841,695	31,112,030	(30,840,045)	35,352,834
Income tax expense	(4,275,042)	(158,423)	(426,907)	(41,138)	(191,680)	-	(5,093,190)
Net Income	$ 25,990,682	$ 385,094	$ 3,003,006	$ 800,557	$ 30,920,350	($ 30,840,045)	$ 30,259,644

Items	For the year ended December 31, 2015						
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	$ 3,088,767,723	$ 15,357,413	$ 223,097,725	$ 54,246,750	$ 342,955,867	($ 325,907,172)	$ 3,398,518,306
Segment liabilities	$ 2,835,274,773	$ 9,351,050	$ 188,644,473	$ 39,696,111	$ 44,672,797	($ 12,576,206)	$ 3,105,062,998

Items	For the year ended December 31, 2014 (adjusted)						
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	$ 2,975,064,553	$ 15,441,693	$ 216,310,981	$ 52,498,112	$ 298,142,697	($ 286,820,099)	$ 3,270,637,937
Segment liabilities	$ 2,756,554,112	$ 9,793,006	$ 183,180,216	$ 37,851,373	$ 32,282,820	($ 9,922,872)	$ 3,009,738,655

(6) Geographical information about net revenue and identifiable assets

	For the years ended December 31,	
	2015	2014
Asia	$ 56,309,222	$ 52,566,191
America	2,724,453	2,200,918
Other	1,194,631	5,737,858
Total net revenue	$ 60,228,306	$ 60,504,967

	December 31, 2015	December 31, 2014
Asia	$ 2,968,689,281	$ 2,638,598,384
America	359,645,404	353,006,901
Other	70,183,621	279,032,652
Total identifiable assets	$ 3,398,518,306	$ 3,270,637,937

Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Consolidated

Unit: NT$1,000

Item \ Year	2015	2014	Difference	
			Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to banks	652,168,786	634,546,355	17,622,431	2.78
Financial assets at fair value through profit or loss, net	182,036,664	181,366,843	669,821	0.37
Available-for-sale financial assets, net	346,461,364	280,703,020	65,758,344	23.43
Derivative financial assets for hedge	0	0	0	0
Bills and bonds purchased under resale agreements	7,079,210	11,874,327	(4,795,117)	(40.38)
Receivables, net	175,747,221	201,540,361	(25,793,140)	(12.80)
Current income tax assets	2,307,563	1,534,999	772,564	50.33
Non-current assets held for sale, net	0	2,739	(2,739)	(100)
Bills discounted and loans, net	1,773,269,054	1,733,994,271	39,274,783	2.26
Reinsurance contract assets, net	3,308,814	3,217,685	91,129	2.83
Held-to-maturity financial assets, net	201,233,939	163,708,076	37,525,863	22.92
Equity investments accounted for by the equity method, net	2,976,409	2,761,637	214,772	7.78
Restricted assets	0	0	0	0
Other financial assets, net	17,189,576	20,626,729	(3,437,153)	(16.66)
Property and equipment, net	21,834,486	22,125,875	(291,389)	(1.32)
Investment property, net	1,368,553	1,976,764	(608,211)	(30.77)
Intangible assets, net	299,644	307,693	(8,049)	(2.62)
Deferred income tax assets	4,716,552	4,030,528	686,024	17.02
Other assets, net	6,520,471	6,320,035	200,436	3.17
Total assets	3,398,518,306	3,270,637,937	127,880,369	3.91
Due to the Central Bank and financial institutions	428,405,839	474,623,325	(46,217,486)	(9.74)
Funds borrowed from the Central Bank and other banks	45,459,095	53,906,541	(8,447,446)	(15.67)
Financial liabilities at fair value through profit or loss	22,980,692	29,582,637	(6,601,945)	(22.32)
Derivative financial liability for hedge	0	0	0	0
Bills and bonds sold under repurchase agreements	192,936,650	221,809,530	(28,872,880)	(13.02)
Commercial paper payable, net	19,945,870	15,363,080	4,582,790	29.83
Payables	63,623,826	60,564,578	3,059,248	5.05
Current income tax liability	10,517,577	9,123,049	1,394,528	15.29
Liability directly related to assets held for sale	0	0	0	0
Deposits and remittances	2,230,143,429	2,036,403,864	193,739,565	9.51
Bonds payable	41,878,505	56,200,000	(14,321,495)	(25.48)
Other loans	2,280,000	5,926,763	(3,646,763)	(61.53)
Preferred stock liabilities	0	0	0	0
Other financial liabilities	10,720,861	10,778,269	(57,408)	(0.53)
Provisions for liabilities	22,917,606	21,647,077	1,270,529	5.87
Deferred income tax liabilities	2,195,423	2,169,411	26,012	1.20
Other liabilities	11,057,625	11,640,531	(582,906)	(5.01)
Total liabilities	3,105,062,998	3,009,738,655	95,324,343	3.17
Equity attributable to owners of parent	293,404,079	260,737,349	32,666,730	12.53
Common stock	135,998,240	124,498,240	11,500,000	9.24
Capital surplus	68,194,233	55,270,198	12,924,035	23.38
Retained earnings	88,373,007	77,606,654	10,766,353	13.87
Other equity interest	838,599	3,362,257	(2,523,658)	(75.06)
Treasury stock	0	0	0	0
Non-controlling interest	51,229	161,933	(110,704)	(68.36)
Total Equity	293,455,308	260,899,282	32,556,026	12.48

Review of Financial Conditions, Operating Results, and Risk Management

Change analysis:

1. The available-for-sale financial assets increased mainly due to the increase in the bonds and beneficiary certificates position.
2. The decrease in bills and bonds purchased under resale agreements is primarily due to the reduction of the said investments.
3. The current income tax assets increased largely due to the increase in prepaid income tax.
4. Non-current assets held for sale decreased largely because of the disposal of land held for sale.
5. The held-to-maturity financial assets grew primarily owing to the increase in the time deposit and financial debentures holdings.
6. The investment property decreased largely because of the disposal of the said property.
7. The decline in financial liabilities at fair value through profit or loss primarily due to the reduction in derivative instruments and financial debentures.
8. The amount of commercial paper payable rose largely due to the increase in issuance of domestic commercial papers.
9. The amount of bonds payable declined mainly because of the repayment of the subordinated bonds.
10. The decrease in other loans mainly due to the reduction in credit loans.
11. Capital surplus increased due to the increase in paid-in capital in excess of par.
12. The decrease in other equity interest is primarily due to the decline in unrealized (loss) gain on valuation of available-for-sale financial assets, and cumulative translation differences of foreign operations.
13. Non-controlling interest reduced largely due to the capital reduction by the Mega 1 Venture Capital Company.

7.2 Financial Performance

Consolidated

Unit: NT$1,000

Item	2015	2014	Difference	%
Interest income	56,852,736	56,213,248	639,488	1.14
Less: interest expenses	(19,164,143)	(19,539,068)	374,925	(1.92)
Interest income, net	37,688,593	36,674,180	1,014,413	2.77
Revenues other than interest, net	22,539,713	23,830,787	(1,291,074)	(5.42)
Net revenue	60,228,306	60,504,967	(276,661)	(0.46)
Bad debts expense on loans and provisions for guarantee liabilities	426,459	(1,588,465)	2,014,924	(126.85)
Reversal of (provisions for) insurance reserve	(12,356)	207,527	(219,883)	(105.95)
Operating expenses	(25,533,427)	(23,771,195)	(1,762,232)	7.41
Income before income tax	35,108,982	35,352,834	(243,852)	(0.69)
Income tax expenses	(5,835,713)	(5,093,190)	(742,523)	14.58
Profit for the year	29,273,269	30,259,644	(986,375)	(3.26)
Total other comprehensive income (after income tax)	(3,644,024)	3,176,516	(6,820,540)	(214.72)
Total comprehensive income	25,629,245	33,436,160	(7,806,915)	(23.35)
Profit attributable to owners of parent	29,417,211	30,278,591	(861,380)	(2.84)
Profit attributable to non-controlling interests	(143,942)	(18,947)	(124,995)	659.71
Comprehensive income attributable to owners of parent	25,672,449	33,455,988	(7,783,539)	(23.27)
Comprehensive income attributable to non-controlling interests	(43,204)	(19,828)	(23,376)	117.89

Change analysis:

1. The reduction in bad debts expense on loans and provisions for guarantee reserve is mainly due to reversal of bad debts provision on loans.
2. Provisions for insurance reserve increased primarily due to recognition of provision for liabilities.
3. Total other comprehensive income decreased largely due to the reduction in remeasurement of defined benefit plan, cumulative translation differences of foreign operations, and unrealized gain on valuation of available-for-sale financial assets.
4. The increase in both profit attributable to non-controlling interests and comprehensive income attributable to non-controlling interests was mainly attributable to net loss suffered by the Mega 1 Venture Capital Company.
5. The decline in comprehensive income attributable to owners of parent is primarily due to the decrease in total other comprehensive income.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2015

Year / Item	2015	2014	Variance
Cash flow ratio	8.02%	15.62%	(48.66%)
Cash flow adequacy ratio	385.78%	273.10%	41.26%
Cash reinvestment ratio	55.43%	189.52%	(70.75%)

Change Analysis:

1. The cash flow ratio declined mainly due to the reduction in net cash flow provided by operating activities, increase in due from the banks and call loans to banks, as well as decrease in the financial liabilities at fair value through profit or loss.
2. The cash flow ratio increased as the net cash flow provided by operating activities increased over the last five years.
3. The cash reinvestment ratio decreased mainly due to the decline in net cash flow provided by operating activities.

7.3.2 Cash Flow Analysis for 2016

Unit: NT$1,000

Expected cash and cash equivalents (12/31/2015) (1)	Estimated net cash flow from operating activities (2)	Estimated cash outflow (3)	Cash surplus (12/31/2016) (1)+(2)-(3)	Leverage of cash surplus (Deficit)	
				Investment plans	Financing plans
152,871,868	(21,227,821)	(4,800,572)	136,444,619	None	None

Analysis of Cash Flow:

1. Operating activities: mainly from increase in bills discounted and loans, reduction in due to the Central Bank and financial institutions and due from the Central Bank and call loans to banks, as well as increase in deposits and remittances.
2. Investing activities: mainly for procurement of investment property as well as disposal of property and equipment.
3. Financing activities: mainly from payout of cash dividends, increase in funds borrowed from the Central Bank and other banks, other loans and bonds payable.

7.4 Influences from Major Capital Expenditures in 2015: None.

7.5 Investment Policies in 2015

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

7.6 Review of Investment Performance and Improvement plans

Mega International Commercial Bank Co., Ltd.

The bank recorded a net profit after tax in 2015 of NT$25,708,445 thousand, a drop of 1.09% from the NT$25,990,682 thousand in 2014, largely due to the increase in the income tax expense.

Mega Securities Co., Ltd. (MSC)

MSC's net profit after tax in 2015 reached NT$331,740 thousand, a 58.56% decrease compared to NT$800,557 thousand of 2014 largely due to the decrease of the profits from proprietary trading and brokerage fee income, resulting from the drop of market trading volume and margin trading loans. The company will continue to promote the wealth management business, develop digital financial business and expand the function of its e-commerce business. In addition to improving the ability in the selection of trading stock, the company will be actively involved in development of new business such as strategic trading to grasp the opportunity to improve overall performance.

Mega Bills Finance Co., Ltd. (MBF)

MBF's net profit after tax in 2015 reached NT$3,010,436 thousand, up 0.23% compared to NT$3,003,448 thousand of 2014. The increase in profit is largely attributed to the growth in bills, bonds business and equity investments. As the reversal of bad debts provisions declined, its net profit after tax grew marginally.

Chung Kuo Insurance Co., Ltd. (CKI)

CKI's net profit after tax in 2015 amounted to NT$413,013 thousand, a 7.25% increase compared to NT$385,094 thousand in 2014, primarily due to quality improvement of its business after the product structure adjustment.

Mega Assets Management Co., Ltd.

In 2015, the company reported a net profit after tax of NT$468,947 thousand, a 2.87% growth compared to NT$455,844 thousand in 2014. The growth is in large part attributable to the increase in service fee income and interest income after its business transformation.

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

MLIA posted a net profit after tax in 2015 of NT$360,045 thousand, a 129.36% increase from NT$156,981 thousand in 2014. The dramatic growth in net profit is mainly attributed to increase in commission income, business tax cuts and the adjustment of profit sharing ratio between the company and its sales channel.

Mega Venture Capital Co., Ltd. (MVC)

MVC recorded a net profit after tax in 2015 of NT$28,442 thousand, improving from a net loss after tax of NT$43,249 thousand in 2014. The profit improvement was largely because of a less amount of impairment loss on the securities investments recognized in 2015. In order to improve the investment performance, the company will continue to invest on those companies with positive industrial prospect, healthy management and potentials, vice versa, it will also cut-loss on those companies which have unknown prospect, poor operation.

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

MIIT posted a net profit after tax in 2015 of NT$93,944 thousand, a 23.86% drop from the NT$123,380 thousand in 2014 primarily due to the reversal of provision for bad debts on ABCP in 2014. The company will improve its profitability by issuing foreign money market fund and increasing the fund size of the nonmonetary funds.

Taipei Financial Center Corporation (TFCC)

TFCC posted a net profit in 2015 for NT$2,036,250 thousand, up NT$313,632 thousand or 18.21%, from 2014, primarily owing to the increase in rent revenue and department store sales. Its net profit before tax increased by NT$376,790 thousand compared to 2015, while gross profit increased by NT$190,655 thousand and operating expense fell by NT$142,942 thousand. In addition, the lease ratio, the rent collection ratio, and average monthly rent of the office building all increased from 2014 levels. Currently, entities over which the government has significant influence own 52.08% of its 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 2015 of NT$1,627,417 thousand, increasing by NT$69,650 thousand or 4.47% from NT$1,557,767 thousand in 2014. The growth of profit was largely due to the increase in securities service revenues. Its operating revenue also rose by NT$60,637 thousand in 2015.

Taiwan Business Bank (TBB)

TBB posted a net profit after tax in 2015 of NT$5,113,036 thousand, down NT$202,101 thousand or 3.8%, from NT$5,315,137 thousand in 2014. The profit reduction was mainly due to the increase in operating expense of NT$586,509 thousand and income tax expense of 912,549 thousand which offset the increase in net revenue of NT$1,167,559 thousand and decreases in provisions for bad debts expense and reserve for guarantee liabilities of NT$129,398 thousand. As of the end of 2015, its NPL ratio reached 0.48% compare to 0.46% in 2014, while the coverage ratio slightly fell to 231.22% from 236.78% recorded in 2014.

7.7 Investment Plans for 2016

- Continuing to evaluate and explore opportunities for merging with financial institutions that are complementary to our operations and can enhance synergy within the Group.
- 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:

- Capital ratios: to monitor and control subsidiaries' various capital to debt ratios at the levels set and approved by the Board of Directors, in order to ensure a robust capital structure.
- ALM: to monitor and control the Group and subsidiaries' interest rate and foreign exchange rate risks within the management targets, in order to ensure healthy assets and liabilities allocation.

7.8.4 Quantification of Risk Exposure

Mega International Commercial Bank

(1) Credit risk

The Capital Requirement for Credit Risk under Standard Approach

December 31, 2015; Unit: NT$ thousand

Exposure types	Exposures after credit mitigation	Capital requirement
Sovereigns	553,436,729	482,106
Non-central government public sector entities	334,106	5,346
Banks (including multilateral development banks)	536,347,137	15,863,323
Enterprises (including securities firms and insurance companies)	1,562,567,780	111,585,124
Regulatory retail portfolios	220,147,252	14,692,272
Residential property	241,662,717	12,040,959
Equity investment	16,058,034	4,568,121
Other assets	35,282,383	1,643,850
Total	3,165,836,138	160,881,100

(2) Market risk

The Capital Requirement for Market Risk

December 31, 2015; Unit: NT$ thousand

Risk type	Capital requirement
Interest rate risk	1,868,341
Equity risk	495,979
Foreign risk	1,326,970
Product risk	0
Total	3,691,290

(3) Operational risk

The Capital Charge for Operational Risk

December 31, 2015; Unit: NT$ thousand

Year	Gross profits	Capital requirement
2015	47,367,306	
2014	49,601,705	
2013	44,227,394	
Total	141,196,405	7,059,820

(4) Securitization Risk

The Capital Charge for Securitization Framework

December 31, 2015; Unit: NT$ thousand

Risk exposure category / Bank category	Book type	Asset category	Traditional					Synthetic		Total		
			Exposure				Capital charge (2)	Exposure	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	110,025			110,025	110,025			110,025	110,025	
	Trading book											
	Sub-total		110,025	-	-	110,025	110,025			110,025	110,025	
Originating bank	Banking book	Mortgage loan										
	Trading book											
	Sub-total											
Total			110,025	-	-	110,025	110,025			110,025	110,025	

(5) Liquidity Risk

An Analysis of the Maturity Structure-NT Dollar

December 31, 2015; 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	$1,713,321,538	$ 152,807,613	$ 212,108,363	$ 149,411,023	$ 123,835,595	$ 183,338,830	$ 891,820,114
Major Outflows of Matured Funds	2,493,940,047	94,231,560	198,816,170	271,669,356	307,279,804	522,259,322	1,099,683,835
Period Gap	(780,618,509)	58,576,053	13,292,193	(122,258,333)	(183,444,209)	(338,920,492)	(207,863,721)

Note: The above table reports the N.T. dollars position held by the Bank.

An Analysis of the Maturity Structure-US Dollar

December 31, 2015; 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	$ 49,192,216	$ 19,824,266	$ 6,928,530	$ 4,372,053	$ 3,886,530	$ 14,180,837
Major Outflows of Matured Funds	65,418,953	23,744,666	9,451,321	6,520,937	8,066,411	17,635,618
Period Gap	(16,226,737)	(3,920,400)	(2,522,791)	(2,148,884)	(4,179,881)	(3,454,781)

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

An Analysis of the Maturity Structure-US Dollar of Overseas Branches

December 31, 2015; 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	$ 18,389,498	$ 9,879,840	$ 1,940,168	$ 872,192	$ 883,489	$ 4,813,809
Major outflows of matured funds	21,068,444	12,305,964	1,083,854	942,448	1,188,771	5,547,407
Period gap	(2,678,946)	(2,426,124)	856,314	(70,256)	(305,282)	(733,598)

Mega Bills Finance Co., Ltd.

(1) Credit risk

The Capital Charge for Credit Risk under Standard Approach

December 31, 2015; Unit: NT$ thousand

Exposure types	Capital charge	Risk assets
Sovereigns	0	0
Non-central government public sector entities	3,899	48,737
Banks (including multilateral development banks)	137,952	1,724,395
Corporations (including securities firms and insurance companies)	11,549,486	144,368,577
Regulatory retail portfolios	49,370	617,125
Equity investment	64,704	808,800
Other assets	246,451	3,080,641
Total	12,051,862	150,648,275

(2) Market risk

The Capital Charge for Market Risk under Standard Approach

December 31, 2015; Unit: NT$ thousand

Exposure type	Capital charge	Risk assets (Note)
Interest rate risk	5,227,450	65,343,125
Equity risk	217,931	2,724,138
Foreign exchange risk	11,007	137,588
Product risk	0	0
Option adopted sensitive analysis method	0	0
Total	5,456,388	68,204,851

Note: Capital charge times 12.5

(3) Operational risk

The Capital Charge for Operational Risk under Basic Indicators Method

December 31, 2015; Unit: NT$ thousand

Year	Gross profits	Capital charge	Risk assets
2015	4,143,037		
2014	3,531,959		
2013	3,597,395		
Total	11,272,391	563,620	7,045,250

(4) Securitization risk

The Capital Charge for Securitization Framework

December 31, 2015; Unit: NT$ thousand

Bank category	Book type (Risk exposure category)	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			513,321	41,066	513,321	41,066	
	Sub-total				513,321	41,066	513,321	41,066	
Originating bank	Banking book								
	Trading book								
	Sub-total								
Total					513,321	41,066	513,321	41,066	

(5) Liquidity risk

Analysis of the Maturity Structure

December 31, 2015; 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	217,383	65,398	37,865	10,961	7,767	95,392
Major outflows of matured funds	218,857	164,811	17,008	2,584	1	34,453
Period gap	(1,474)	(99,413)	20,857	8,377	7,766	60,939
Cumulative gap	-	(99,413)	(78,556)	(70,179)	(62,413)	(1,474)

Mega Securities Co., Ltd.

(1) Counterparty's country risk

December 31, 2015; Unit: NT$ thousand

Country Exposure	Deposits	Securities	Derivatives	Total	As a percentage of shareholder's equity
Cayman Islands	0	743,390	0	743,390	5.11%
China	3,010	696,248	0	699,258	4.81%
Supranational	0	173,122	0	173,122	1.19%
Hong Kong	0	131,759	0	131,759	0.91%
USA	0	46,786	0	46,786	0.32%
India	0	32,789	0	32,789	0.23%
Luxembourg	16,391	0	0	16,391	0.11%
Switzerland	0	0	1,500	1,500	0.01%
France	1,316	0	0	1,316	0.01%

(2) Liquidity Risk

Analysis of the Maturity Structure

December 31, 2015; 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	45,096	19,634	15,044	447	823	5,219	3,929
Major outflows of matured funds	35,929	20,753	10,981	687	170	2,186	1,152
Period gap	9,167	(1,118)	4,063	(241)	653	3,033	2,777
Cumulative gap	-	(1,118)	2,945	2,704	3,357	6,390	9,167

Chung Kuo Insurance Co., Ltd.

December 31, 2015; Unit: NT$ thousand

Exposure	Risk capital	As a percentage of the risk capital before adjustment
1. Asset risk	550,625	17.98%
2. Credit risk	166,051	5.42%
4. Underwriting risk	2,271,823	74.17%
5. Asset liability allocation risk	8,441	0.27%
6. Other risk	66,062	2.16%
Risk capital amount before adjustment	3,063,002	100%
Risk capital amount	911,216	
Equity capital amount	6,655,210	
Capital Adequacy Ratio	730.37%	

Special Disclosure

8.1 Affiliated Companies Chart

Please refer to page 17 of this annual report.

8.2 Summary of Affiliated Companies

Apr. 30, 2016
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 85,362,336	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	Purchase, evaluation, auction and management of NPL
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 337,500	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 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 businesses(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

Special Disclosure

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 20,000	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: Mega Capital (Asia) Co., Ltd. has been dissolved on March 30, 2016.

Note 2: On March 7, 2016, the Board of Mega Securities Co., Ltd. resolved to sell its entire stake in Mega Securities (Hong Kong) Co., Ltd. to FDT Capital Limited.

8.3 Operational Highlights of Affiliated Companies

As of December 31, 2015
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	85,362,336	3,072,225,926	2,818,732,976	253,492,950	49,815,491*	30,250,304*	25,708,445	3.27
Mega Securities Co., Ltd.	11,600,000	51,485,041	36,934,402	14,550,639	2,869,616	224,950	331,740	0.29
Mega Bills Finance Co., Ltd.	13,114,411	223,097,725	188,644,473	34,453,252	4,163,914*	3,505,810*	3,010,436	2.30
Chung Kuo Insurance Co., Ltd.	3,000,000	15,357,413	9,351,050	6,006,363	4,658,578	496,381	413,013	1.38
Mega International Investment Trust Co., Ltd.	527,000	877,969	65,669	812,300	376,598	111,793	93,944	1.78
Mega Asset Management Co., Ltd.	2,000,000	16,625,773	13,740,875	2,884,898	986,051	503,111	468,947	2.34
Mega Life Insurance Agency Co., Ltd.	20,000	637,133	216,105	421,028	499,916	433,789	360,045	180.02
Mega Venture Capital Co., Ltd.	1,000,000	679,035	3,651	675,384	46,432	28,688	28,442	0.28
Mega Management & Consulting Corporation	10,000	78,565	12,406	66,159	62,903	40,193	35,170	35.17
Mega I Venture Capital Co., Ltd.	337,500	97,077	11,694	85,383	123,201	(240,185)	(239,903)	(5.41)
Mega Futures Co., Ltd.	400,000	2,644,895	2,104,983	539,912	296,155	14,833	35,241	0.88
Mega International Investment Services Co., Ltd.	20,000	42,953	16,718	26,235	43,200	1,129	915	0.46
Mega Securities Holdings Co., Ltd.	490,063	518,109	47,514	470,595	341	(636)	(636)	(0.04)
Mega Capital (Asia) Co., Ltd.	72,133	47,196	0	47,196	45	1,836	1,836	0.11
Mega Securities (Hong Kong) Co., Ltd.	305,503	1,033,807	854,309	179,498	39,336	(33,747)	(33,747)	(281.23)
China Products Trading Corp., Ltd.	5,000	45,969	27,754	18,215	1,367	659	452	4.52
Yung-Shing Industries Co., Ltd.	30,000	998,166	248,793	749,373	157,985	7,837	40,007	133.36
Win Card Co., Ltd.	20,000	58,403	15,841	42,562	167,405	3,569	3,381	16.91
ICBC Assets Management & Consulting Co., Ltd.	20,000	21,941	275	21,666	5,026	1,564	1,391	0.70
Mega International Commercial Bank (Canada)	545,445	6,157,054	5,197,000	960,054	150,271*	21,386*	15,688	68.27
Mega International Commercial Bank Public Co., Ltd.	3,647,200	18,710,467	13,775,498	4,934,969	680,437*	321,020*	256,823	0.64
Cathay Investment & Warehousing Ltd.	32,888	57,788	379	57,409	3,929	(2,700)	(2,700)	(2,700.12)
Cathay Investment & Development Corp. (Bahamas)	164	58,632	0	58,632	2,612	2,034	2,034	406.83
Ramlett Finance Holdings Inc.	658	61,209	57,442	3,767	9,196	2,226	2,226	1,484

Note: 1. Mega Capital (Asia) Co., Ltd. has been dissolved on March 30, 2016. On March 7, 2016, the Board of Mega Securities Co., Ltd. resolved to sell its entire stake in Mega Securities (Hong Kong) Co., Ltd. to FDT Capital Limited.
2. 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.
3. Exchange rates are as follows:

Special Disclosure

Balance Sheet Items	Income Statement Items	Company Name
USD 1=NTD32.8880	USD 1=NTD31.7830	Cathay Investment & Warehousing Limited, Cathay Investment & Development Corp. (Bahamas), and Ramlett Finance Holdings Inc.
CAD 1=NTD23.715	CAD 1=NTD24.667	Mega International Commercial Bank (Canada)
THB 1=NTD0.9118	THB 1=NTD0.9236	Mega International Commercial Bank Public Co., Ltd.
HKD 1=NTD4.2431	HKD 1=NTD4.1000	Mega Securities Holdings Co., Ltd., Mega Capital (Asia) Co., Ltd. and Mega Securities (Hong Kong) Co., Ltd.

Mega Financial Holding Co., Ltd.

Acting Chairman