



Mega International Commercial Bank

Annual Annual Report 2010 Report 2010



Notice

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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The world economy recovered strongly from the recession in 2008-2009, and average GDP growth rate reached 5% in 2010; while Taiwan's growth rate hit 24-year high at 10.82%. In a flavor of the prosperity, Mega ICBC's core business, corporate banking, grew steadily and thus helped our private banking business to expand further, reflecting firm demand of our clients. Adding to attributions of sound assets quality and a significant decrease of provision for loan losses, Mega ICBC reported a brilliant performance with pretax income standing at NT\$13.45 billion in the year of 2010, giving a pretax EPS of NT\$2.1, representing a 2.44% increase compared to the year of 2009.

Our services and performance have been widely acclaimed. Besides being awarded the "Best International Development Award" by Taiwan Academy of Banking and Finance, Mega ICBC also received affirmations from well-known international institutions: voted winner of the "Best Taiwanese Trade Bank – Asia Award for Excellence" by *Trade Finance* and "Asian Banker Achievement Award for Trade Finance" by *THE ASIAN BANKER*.

Moreover, Fitch Ratings has upgraded Mega ICBC's "support rating" to 1 from 2 and "support rating floor" to A- from BBB+, and affirmed all its other rating, which placing the Bank the best in Taiwan compared to other domestic peers. The upgrades confirmed our dominant position in foreign exchange and trade finance markets and hence systematic importance to Taiwan's banking system.

In a highly competitive banking industry, we distinguish ourselves not only by promising the best services, but also by broadening operation capacity worldwide to diversify risk and to increase overall profit. On the one hand, as elevating our focus on the vigorous Chinese market, in addition to applying for opening a branch in Suzhou, we have signed official cooperation agreements with Bank of China and Bank of Communication, respectively, in the first quarter of 2011, and we are not ruling out the possibility to form alliance with other leading Chinese banks. On the other hand, while expecting to establish representative office in Abu Dhabi, we are evaluating the business opportunities in other emerging countries carefully to come up with the blueprint of future expansion.

Operation Results of 2010

I. Global & Domestic Economic Dynamics

1. Economic Growth

In 2010, while major industrial countries were progressing much modestly, emerging economies recouped the ground lost during the latest global downturn. Among them, emerging Asia's economies proved their resilience in the face of a tremendous external shock, and the region's recovery was firming and furthermore revitalized the global economy. In line with this, Taiwan's real GDP rose by 10.88% in 2010, posting the highest GDP growth rate since 1987. The key drivers were a surge in exports and much more energetic domestic demand. Notably, private investment grew 32.79% in 2010 as high-tech firms increased capital expenditure to improve production processes and expand capacity in order to meet rising export demand.

With the continuous improvement of the international economy, the implementation of the cross-strait Economic Cooperation Framework Agreement (ECFA) and its "early harvest" tariff preferences, and the increase of the production capacity following last year's expansion of private investment, exports are expected to grow at a steady pace in 2011, but GDP growth rate will be down moderately, owing to the less favorable base effects. The Directorate-General of Budget, Accounting and Statistics (DGBAS) forecasts that GDP growth rate will achieve 5.06% in 2011, which will be around trend and broad-based, with contributions from both domestic and external demand.

It is worth mentioning that the difference between advanced and developing countries is predicted to be lasting, though the global recovery is showing signs of firming. However, risk of industrial economies falling back into recession is diminishing.

2. Financial Market

International commodity prices stirred up in 2010, as a result of the global economic recovery, climatic anomalies, capital flows and geographical political risk. However, strong appreciation of NT dollar since the last quarter of 2010 helped curb the imported inflation significantly, in the year as a whole, the WPI and the CPI rose by 5.46% and 0.96%, respectively.

That the trend of NT dollar's appreciation is expected to continue in 2011 will hopefully further tame the inflation rate marginally, but domestic prices will inevitably be affected by surging international commodity prices and a steady rebound of domestic economy. The DGBAS forecasts CPI will rise 2.1% in 2011, considerably higher than that in last year.

Based on the deliberations on a steady path of expansion, the Central Bank of China (Taiwan) hiked its key interest rate, discount rate, three times in 2010 to restrain inflation and rising property prices. CBC further raised the discount rate by 12.5 basis points to 1.75% again on March 31, 2011, 50 basis points higher than the record low of 1.25% at the end of 2009. As the inflationary pressure builds up, further increase of interest rate may help contain inflation expectations and safeguard price stability.

II. Change in Organization

For the purpose to maximize operational effectiveness, Mega ICBC arranged for a plan to establish five regional business centers. The plan will be fully completed by the end of 2011.

III. Operating Results in 2010

Units: millions in NTD, except as indicated

| Item | Year | 2010 | 2009 | Change (%) |
|---|------|-----------|-----------|------------|
| Deposits | | 1,507,253 | 1,472,227 | 2.4 |
| Loans | | 1,267,281 | 1,279,368 | -0.9 |
| Foreign Exchange Business (millions in USD) | | 675,766 | 536,885 | 25.9 |
| Securities Purchased | | 309,660 | 275,617 | 12.4 |
| Long-term Equity Investments | | 28,202 | 29,263 | -3.6 |
| Trust Assets | | 266,709 | 289,389 | -7.8 |
| Corporate Financing | | 1,048,976 | 995,566 | 5.4 |
| Consumers Financing (Note) | | 269,047 | 256,085 | 5.1 |
| Credit Card Loans | | 1,933 | 2,179 | -11.3 |

Note: Consumers financing excludes credit card loans

IV. Budget Implementation

| 2010 Pretax Income (Millions in NT dollars) | 2010 Pretax Income Budget (Millions in NT dollars) | Budget achievement rate (%) |
|--|---|--------------------------------|
| 13,451 | 13,023 | 103.29 |

Business Plan of 2011

I. Business Plan

- Extend overseas service network: get ready for the establishment of representative office in Abu Dhabi, and Suzhou Branch in 2011 to fulfill our customers' need.
- Reinforce core business and evolve wealth management business: advance the Bank's profitability.
- Cross-sell with other subsidiaries of the Mega Financial Holding Company: make full use of the group's resources to reach synergy.
- Renew and integrate internal information system: improve operational flow and efficiency.
- Renovate electronic banking platform: add more function to further increase the usage of online transaction.
- Intensify risk management and crisis management framework: ensure fully legal compliance.
- Maintain quality assets: make optimal allocation of assets and enhance effective utilization of capital.

II. Business Objectives

Addressing current economic and financial developments, the Bank has set up the following business targets based on our competitive advantages for the year of 2011: total deposits of NT\$1,546,171 million, total loans of NT\$1,365,979 million, and foreign exchange business of US\$716,400 million.

Long-Term Development Strategies

- Pay close attention to any change in regulation to grasp the business opportunity.
- Consolidate the Bank's niche of foreign exchange business to maintain its high percentage of market share.
- Evaluate business opportunities overseas carefully to diagram the blueprint of future service outposts.
- Fortify contingency plan to elevate the Bank's ability to tackle all kinds of risks, disasters and emergencies.
- Continue training programs to help the Bank's staff keep up with updated expertise.

Influences of External Competitiveness, Regulation Change, and Macro Economy

I. External competitive environment

- Competition in local banking industry has been intensified because not only Taiwan's government gradually open up domestic market to mainland Chinese banks, but also a number of foreign financial institutions become active participants in domestic market through acquiring small- and medium-sized Taiwan's banks.
- With the loosening of the cross-strait financial policy, collaboration between banks across the strait is flourishing.

II. Regulatory environment

- The government raised the amount of the maximum deposit insurance coverage to NT\$3 million for each depositor in each financial institution participating in deposit insurance starting from January 1, 2011, and brought foreign currency deposits within the scope of the deposit insurance coverage.
- To meet the increasing management needs of banking industry across the Taiwan Strait, the Financial Supervisory Commission (FSC) has revised the regulation “Regulations Governing Approvals of Financial Institutions to Engage in Business and Investment Activities Between the Taiwan Area and the Mainland Area”, providing guidelines for Taiwanese banks in entering the mainland Chinese market and vice versa.
- The income tax rate has been lowered from 25% to 17% for those profit-seeking enterprises with total taxable income more than NT\$120,000. The reduction makes Taiwan more competitive in terms of being beneficial to domestic business investment and profitability compared to other Asian Pacific countries.
- As provided by ECFA, taken effect as from September 12, 2010, early harvest program is implemented as from January 1, 2011. Banking, included in the service trade of early harvest categories, is expected to be beneficial because Taiwanese banks are allowed to apply for RMB business with Taiwanese-invested companies in China after the banks have been operating there for one year, which is sooner than other foreign-owned banks, as long as the banks make profit.
- Approved by FSC, holders of the China UnionPay Card could make account withdrawals from ATM in Taiwan. As the government gradually raises daily quota for mainland tourists, it is likely to boost domestic banks’ fee income in the future.

III. Macroeconomic environment

- Supported by global economic recovery, increasing need of private consumption and investment, and continuing expansion of banking business in the mainland China, the banks’ profitability is predicted to be improving.
- Although interest rate spread stops shrinking, it seems less possible to rebound significantly since the competition is fierce.

Credit Rating

As of May, 2011

| Credit Rating Institute | Credit Rating | | Outlook | Publication Date (Year/Month) | Note |
|-------------------------|---------------|------------|---------|-------------------------------|-------------------------------------|
| | Long-term | Short-term | | | |
| Moody’s | A1 | P-1 | Stable | 2010/11 | Bank Financial Strength Rating: C- |
| S&P | A | A-1 | Stable | 2010/10 | Bank Fundamental Strength Rating: B |
| Fitch Ratings | A- | F2 | Stable | 2010/11 | Individual Rating: B/C |

Yeou-Tsair Tsai



Chairman

Kuang-Si Shiu



President

兆豐國際商業銀行

免費機場送機服務
出國最便利



Historical Overview

Mega International Commercial Bank Co., Ltd. (Mega ICBC) has come into being as a result of the merger of The International Commercial Bank of China and Chiao Tung Bank, effective on August 21, 2006. Both banks have been proud of their longtime histories of outstanding track records in our country.

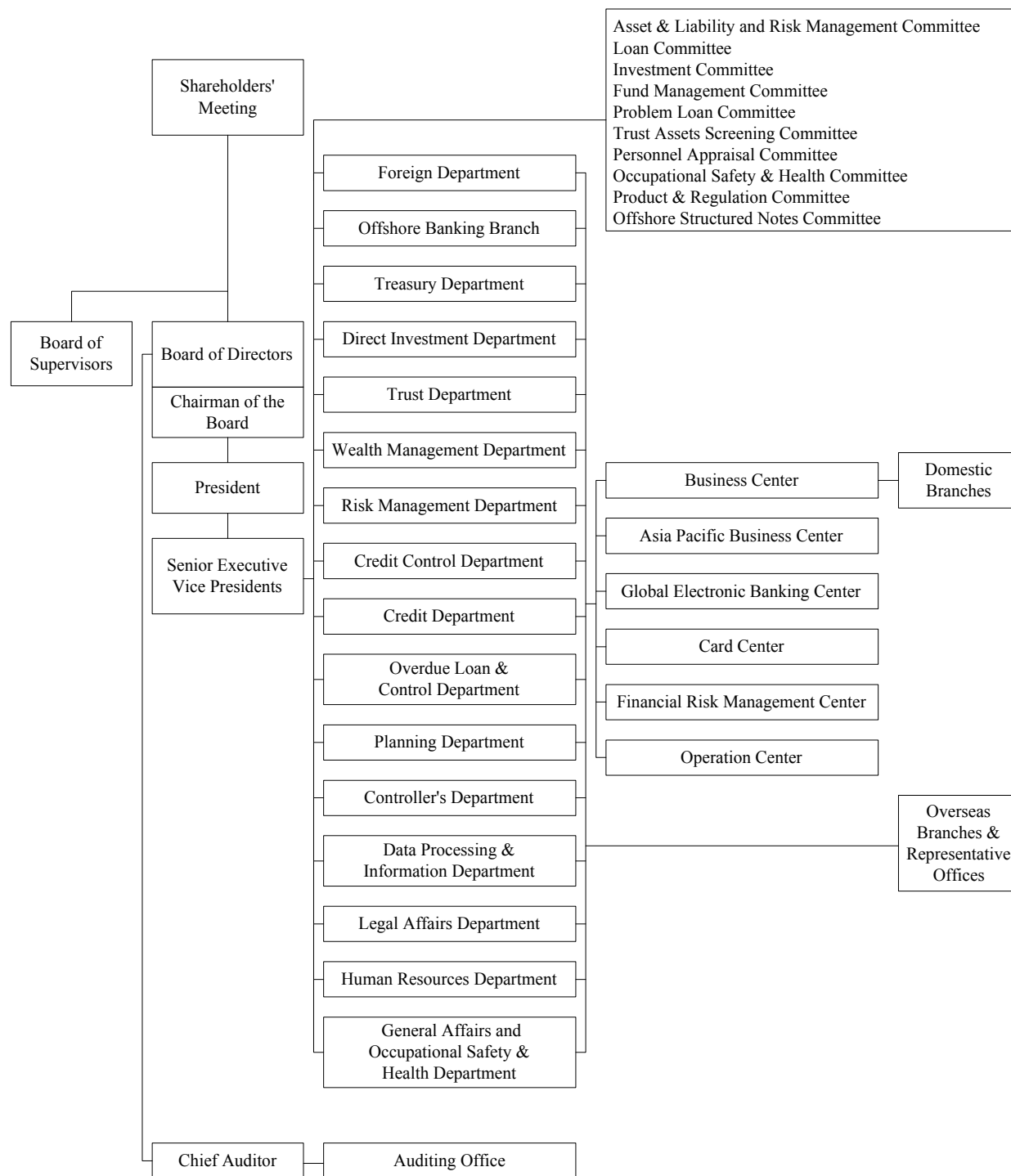
In 1971, The Bank of China was privatized to become The International Commercial Bank of China Co., Ltd. (ICBC), whose origin dates back to the Ta Ching Bank and its predecessor, the Hupu Bank (the bank under the finance arm of the imperial court in the Ching Dynasty.) The Bank of China had been entrusted with the mission to serve as an agent of the Treasury and a note-issuing bank before the establishment of the Central Bank of China in 1928. The Bank of China was designated as a licensed specialized bank for international trade and foreign exchange thereafter. Taking advantage of its specialization in foreign exchange, worldwide network of outlets and correspondence banks, superb bank assets, and excellent business performance, ICBC has become a top-notch bank in the Republic of China.

Set up five years before the founding of the Republic of China, Chiao Tung Bank Co., Ltd. (CTB) had also been delegated to act as an agent of the government coffer and a note-issuing bank in concert with the Bank of China at the outset of the Republic. Transforming from a licensed bank for industries in 1928, an industrial bank in 1975, and a development bank in 1979, CTB turned from a state-controlled bank into a privately-owned one in 1999. It has engaged in loan extensions for medium- and long-term development, innovation and guidance investment (equity investment), and venture capital ever since. For years, CTB has made significant contributions to the improvement of industrial structure and the promotion of the upgrading of industry by assisting in the development of strategic and vital industries in line with the economic policy and the economic development plan of the government.

CTB and International Securities Company formed the CTB Financial Holding Company in 2002. Late on, Chung Hsing Bills Finance Corporation and Barits International Securities Company came under the financial umbrella. On December 31, 2002, Chung Kuo Insurance Company and ICBC joined forces with the Company to form a conglomerate named Mega Financial Holding Company.

With a view to enlarging the business scale and increasing the market share, ICBC and CTB formally merged into one bank under the name of Mega International Commercial Bank Co., Ltd. on August 21, 2006. By the end of 2010, the Bank has 107 branches at home, and 19 branches and 3 representative offices abroad. Together with the network are wholly-owned bank subsidiaries in Thailand and Canada, along with their branches, bringing the number of overseas outposts to 31 in total. It has manpower 5,032 and an aggregate paid-in capital of NT\$64.1 billion.

Organization Chart



Directors, Supervisors & Top Management

I. Board of Directors and Supervisors

As of December 31, 2010

| Title | Name | Position / Occupation |
|-------------------------------|------------------|---|
| Chairman of the Board | Yeou-Tsair Tsai | Chairman of the Board Mega Financial Holding Company and Mega ICBC |
| Managing Director & President | Kuang-Si Shiu | President Mega Financial Holding Company and Mega ICBC |
| Managing Director | Ming-Chung Tseng | Administrative Deputy Minister Ministry of Finance, ROC |
| Independent Managing Director | Chan-Sheng Chen | Chairman Nan Tsan Industry Co., Ltd. |
| Managing Director | Meei-Yeh Wei | Senior Executive Vice President Mega ICBC |
| Independent Director | Liang-Chi Chien | Former Director General Directorate General of Customs, Ministry of Finance, ROC |
| Independent Director | Chyan-Long Jan | Professor & Director Accounting Department, Soochow University |
| Director | Yuan-Chung Lee | Chairman Curiemed Co., Ltd. |
| Director | Chen-Chia Lee | Chairman Maywufa Biopharmaceutical Ent. Group |
| Director | Fong-Yu Kuo | Deputy Minister Council of Labor Affairs, Executive Yuan, ROC |
| Director | Fu-Hsiung Hu | Chairman Joint Credit Information Center |
| Director | Hung-Wen Chien | Chairman Mega Securities Co., Ltd. |
| Director | Chun-Yi Wu | Secretary General Trust Association of ROC |
| Director | Chia-Pang Chiu | Vice President Mega ICBC (Cheng-Chung Branch) |
| Resident Supervisor | Chu-Wei Tseng | Professor Department of Public Finance, National Chengchi University |
| Supervisor | Yaw-Chung Liao | Secretary General Council for Economic Planning and Development, Executive Yuan, ROC |
| Supervisor | Jui-Yun Lin | Executive Vice President Mega Financial Holding Company |

II. Professional Qualifications and Independence Analysis of Directors and Supervisors

As of December 31, 2010

| 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 |
|------------------|--|---|--|------------------------------|---|---|---|---|---|---|---|---|----|---|
| | Instructor or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the bank in a public or private Junior College, College or University | Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist, who has passed a national examination and been awarded a certificate in a profession necessary for the business of the bank | Have work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business needs of the bank | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Yeou-Tsair Tsai | | | ✓ | ✓ | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | 0 |
| Kuang-Si Shiu | | | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | 0 |
| Ming-Chung Tseng | | | ✓ | ✓ | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | 0 |
| Chan-Sheng Chen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Meei-Yeh Wei | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Liang-Chi Chien | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chyan-Long Jan | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Yuan-Chung Lee | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chen-Chia Lee | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Fong-Yu Kuo | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Fu-Hsiung Hu | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Hung-Wen Chien | | | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | 0 |
| Chun-Yi Wu | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chia-Pang Chiu | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chu-Wei Tseng | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Yaw-Chung Liao | | | ✓ | ✓ | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | 0 |
| Jui-Yun Lin | | | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | 0 |

Note: Check ("✓") the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
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 Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

III. Major Shareholders of the Institutional Shareholders

As of December 31, 2010

| Name of the Institutional Shareholders | Top 10 Shareholders (Percentage of Shares Ownership) |
|--|---|
| Mega Financial Holding Co., Ltd. | Ministry of Finance, ROC (9.98%) |
| | Bank of Taiwan Trust Account (9.89%) |
| | National Development Fund, Executive Yuan, ROC (6.11%) |
| | Silchester International Investors International Value Equity Trust (3.23%) |
| | Chunghwa Post Co., Ltd. (2.73%) |
| | Bank of Taiwan (2.51%) |
| | Silchester International Investors International Value Equity Group Trust (1.65%) |
| | Pou Chen Corporation (1.43%) |
| | Barits Development Corporation (0.98%) |
| | Vanguard Emerging Markets Stock Index Fund (0.94%) |

IV. Policies for the payment of remuneration

Except chairman of the board and independent directors, other directors and supervisors received only attendance fees and transportation allowances.

Total Remuneration for Directors, Supervisors, President & Vice Presidents in the year of 2010

Unit: thousands in NT dollars

| | The Bank | The Bank and its investees |
|--------------------------------|----------|----------------------------|
| Directors | 13,603 | 14,963 |
| Supervisors | 800 | 941 |
| President & Vice Presidents | 36,837 | 38,648 |
| Total | 51,240 | 54,552 |
| Ratio to net income (%) (Note) | 0.459 | 0.488 |

Note: The rate of total remuneration for directors, supervisors, president and vice presidents to net income in 2009 is 0.469%.

Execution of Corporate Governance

I. Attendance Record

A total of ten meetings of the Board of Directors were held in 2009. Attendance of directors and supervisors was as follows:

| Title | Name | Attendance in Person | By Proxy | Attendance rate (%) | Remark |
|-------------------------------|------------------|----------------------|----------|---------------------|--|
| Chairman | Yeou-Tsair Tsai | 22 | 0 | 100.00 | Assumed on July 1, 2010 |
| Chairman | Rong-Jou Wang | 17 | 2 | 89.50 | Resigned on July 1, 2010 |
| Managing Director | Kuang-Si Shiu | 40 | 1 | 97.60 | |
| Managing Director | Ming-Chung Tseng | 26 | 14 | 63.40 | Leave of absence: once |
| Managing Director | Meei-Yeh Wei | 41 | 0 | 100.00 | Assumed on July 15, 2009 as Director Assumed on October 28, 2009 as Managing Director |
| Independent Managing Director | Chan-Sheng Chen | 40 | 1 | 97.60 | Assumed on July 15, 2009 |
| Independent Director | Liang-Chi Chien | 12 | 0 | 100.00 | Assumed on July 15, 2009 |
| Independent Director | Chyan-Long Jan | 11 | 1 | 91.70 | Assumed on July 15, 2009 |
| Director | Yuan-Chung Lee | 11 | 1 | 91.70 | |
| Director | Chen-Chia Lee | 9 | 3 | 75.00 | |
| Director | Fong-Yu Kuo | 8 | 4 | 66.70 | |
| Director | Fu-Hsiung Hu | 12 | 0 | 100.00 | Assumed on September 30, 2009 |
| Director | Hung-Wen Chien | 11 | 0 | 100.00 | Assumed on March 23, 2010 |
| Director | Chun-Yi Wu | 10 | 1 | 90.90 | Assumed on March 23, 2010 |
| Director | Yi-Long Hsieh | 3 | 0 | 100.00 | Assumed on March 23, 2010 Resigned on July 1, 2010 |
| Director | Chia-Pang Chiu | 10 | 0 | 83.30 | Leave of absence: twice |
| Resident Supervisor | Chu-Wei Tseng | 41 | 0 | 100.00 | |
| Supervisor | Yaw-Chung Liao | 10 | 0 | 83.30 | Assumed on July 15, 2009 Leave of absence: twice |
| Supervisor | Jui-Yun Lin | 12 | 0 | 100.00 | Assumed on September 30, 2009 |

Note: 1. The Bank's directors and supervisors are appointed by the Mega Financial Holding Company.

2. None of the independent directors has a dissenting opinion or qualified opinion on the resolutions.

3. The Bank doesn't set up an auditing committee.

4. The attendance rate is calculated as the ratio of the number of Board of Directors meetings attended to the number held during the term in office.

5. The Board of Directors has performed its duties in compliance with the related laws and regulations.

II. Corporate Governance Execution and Deviations from “Corporate Governance Best-Practice Principles for Banks” and reasons

| Item | Execution | Deviations from the Principles and Reasons |
|---|---|--|
| A. Ownership Structure and Shareholders’ Equity 1. Handling of shareholders’ suggestions and disputes 2. Major shareholders of controlling stake in the bank 3. Risk assessment and firewalls established against the operations with the affiliates | <ul style="list-style-type: none"> • All suggestions and disputes are handled according to policies and procedures. • Mega Financial Holding Company is the Bank’s sole shareholder. • The Bank’s staffs, assets and management are independent of its affiliates, and follow the authority’s regulations. | Fully Compliant |
| B. Organization and Responsibilities of the Board of Directors 1. Independent director(s) 2. Evaluating the independence of the CPAs periodically | <ul style="list-style-type: none"> • Mega Financial Holding Company designates 3 independent directors in the Bank’s Board of Directors, one of which is independent managing director. • The Bank evaluates the independence when employing CPAs. | |
| C. Organization and Responsibilities of the Board of Supervisors 1. Independent supervisor(s) 2. Communication between supervisors and staffs and shareholder | <ul style="list-style-type: none"> • The Board of Supervisors doesn’t contain any independent supervisor at present. • Communication channels between supervisors and the Bank’s staffs are open. | |
| D. Communications with Interested Parties | <ul style="list-style-type: none"> • The Bank updates the list of interested parties regularly. • The Bank processes customer claim and support through direct customer service line. • An internal discussion forum is provided for all staffs, accessible at any time. | |
| E. Disclosure of Information 1. Setting up a website 2. Use of other methods | <ul style="list-style-type: none"> • The Bank maintains an official website (http://www.megabank.com.tw) in both Chinese and English version, on which latest information, including annual report, major financial statements, and corporate governance are available. • Ms. Meei-Yeh Wei, SEVP, is appointed as the Bank’s spokesperson. • Investor conference is held by Mega Financial Holding Company, the sole shareholder of the Bank. | |
| F. Nomination, Remuneration or other Functional Committees | <ul style="list-style-type: none"> • None | |
| G. Description of the Bank’s Corporate Governance: All are disclosed as above. | | |
| H. If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: None. | | |

Capital & Shares

I. Source of Capital Stock

Unit: NT dollar; share

| Year/Month | Par Value (NTD) | Authorized Capital | | Paid-in Capital | | Remark |
|------------|-----------------|--------------------|----------------|-----------------|----------------|-----------------------------------|
| | | Shares | Amount (NTD) | Shares | Amount (NTD) | Source of Capital |
| 2002/12 | 10 | 3,726,100,000 | 37,261,000,000 | 3,726,100,000 | 37,261,000,000 | Public offering |
| 2006/08 | 10 | 2,684,887,838 | 26,848,878,380 | 2,684,887,838 | 26,848,878,380 | Issuance of new shares for merger |

II. Type of Stock

Unit: share

| Type | Authorized Capital | | | Remark |
|----------------|--------------------|-----------------|---------------|-----------------|
| | Issued Shares | Unissued Shares | Total Shares | |
| Ordinary Share | 6,410,987,838 | 0 | 6,410,987,838 | Public offering |

Note: Shares have been stopped listed since the Bank joined Mega Financial Holding Company on December 31, 2002.

III. Structure of Shareholders

As of December 31, 2010

| | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|---------------|
| Number of Shareholders | | | 1 | | | 1 |
| Shareholding (shares) | | | 6,410,987,838 | | | 6,410,987,838 |
| Percentage | | | 100% | | | 100% |

Note: 100% shares are held by Mega Financial Holding Company.

IV. List of Major Shareholders

As of December 31, 2010

| Shareholder's Name | Shareholdings | |
|----------------------------------|---------------|------------|
| | Shares | Percentage |
| Mega Financial Holding Co., Ltd. | 6,410,987,838 | 100% |

V. Employee Bonuses and Compensation of Directors and Supervisors

| | | |
|--|--------------------------------|----------------|
| Date of Board of Directors' Meeting | | March 23, 2011 |
| Remuneration Paid to Directors and Supervisors | | 0 |
| Employee Bonus | Share | 0 |
| | Cash (thousands in NT dollars) | 187,039 |

Other Fund-Raising Activities

I. Issuance of preferred shares, global depository receipts, and employee share subscription warrants

None.

II. Mergers, acquisitions, and issuance of new shares due to acquisition of shares of other companies

None.

Capital Allocation Plans

| Year | 2010 |
|--|--|
| Description of Capital Allocation Plan | The Bank applied for issuance of NT\$15 billion subordinated debt, to be issued within one year, and the plan was approved by Financial Supervisory Commission on November 22, 2010. |
| Purpose of Capital Allocation Plan | To increase tier 2 capital to amplify capital structure. |
| Publication of the Plan | The information of the capital allocation plan was published to Market Observation Post System on August 4, 2010. |
| Implementation of Plan | The Bank issued 7-year subordinated debt in the amount of NT\$10.3 billion on December 24, 2010. The fund raised used in loan business as planned. |
| Comparison of actual benefits with expected benefits | The Bank's capital adequacy ratio rose significantly to 11.26% in the end of 2010 from 10.53% in the end of September, 2010. The purpose of the issuance was achieved. |

Business Activities

I. Business Scope: Commercial banking, including a wide range of services indicated as following:

1. Domestic Branches

- ◆ Deposits
- ◆ Loans & Guarantees
- ◆ Documentary Credits
- ◆ Remittance & Bill Purchase
- ◆ Offshore Banking
- ◆ Trust Business
- ◆ Foreign Exchange Trading
- ◆ Safety Boxes Services
- ◆ Consumer Banking
- ◆ U Card, VISA Card, MasterCard, JCB Card
- ◆ Consignment Securities
- ◆ Agency Services
- ◆ Money Market Securities
- ◆ Agency for selling gold, silver, gold/silver coins, Gold Deposit Account
- ◆ Electronic Banking
- ◆ Investment Banking

2. Overseas Branches

- ◆ Deposits
- ◆ Loans & Guarantees
- ◆ Documentary Credits
- ◆ Remittance & Bill Purchase
- ◆ Foreign Exchange Trading
- ◆ Loans Backed by the Overseas Chinese Credit Guarantee Fund
- ◆ Trading Consulting Services
- ◆ Warehousing Services

II. Distribution of Net Operating Income

| Item | Year | Amount (thousands in NT dollars) | As percentage of Net Operating Income (%) |
|--|------|-------------------------------------|---|
| NET INTEREST INCOME | | 21,132,556 | 67.67 |
| NON-INTEREST INCOME | | 10,094,765 | 32.33 |
| Fee Income – net | | 6,516,092 | 20.87 |
| Gains on Financial Assets and Liabilities at Fair Value through Profit or Loss | | 910,421 | 2.92 |
| Realized Gain on Available-for-Sale Financial Assets | | 658,709 | 2.11 |
| Realized Gains/Losses on Held-to-Maturity Financial Assets | | 21,990 | 0.07 |
| Investment Income Recognized by the Equity Method | | 353,463 | 1.13 |
| Foreign Exchange Gain – net | | 2,076,669 | 6.65 |
| Loss on Asset Impairment | | -835,720 | -2.68 |
| Gains/Losses on Disposal of Properties | | -3,281 | -0.01 |
| Other Losses | | -3,007,951 | -9.63 |
| Other Provisions | | 2,193,593 | 7.02 |
| Gain on Financial Assets Carried at Cost | | 579,670 | 1.86 |
| Other Non-interest Income – net | | 631,110 | 2.02 |
| NET OPERATING INCOME | | 31,227,321 | 100.00 |

Taiwanese Banking Industry & Market Overview

Non-performing loan ratio of domestic banks stood at 0.61% at the end of 2010, a significant drop from the previous year's 1.15%, while coverage ratio rose from 90.5% to 158.07% at the same time. This suggests that domestic banks may be able to cope with the losses resulting from bad loans if any.

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

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

I. Positive Factors

- A considerable expansion of business is much expected once Taiwanese banks' branches in Mainland China start operating continually.
- Banks have great opportunities to strengthen their loan business, taking the rosy forecast of economy and the equipment investment needs of major industries into consideration.
- The need of wealth management retrieves after the global financial turmoil left behind.

II. Negative Factors

- Taiwan's financial market remains extremely competitive, having 37 banks with more than 3,000 branches at home.
- Due to fierce competition in the domestic financial market, there's little room for interest rate spread to widen further, which may restrict the profitability in banking industry.
- The fear of mounting risk of property bubble may restrict the banks' intension for expanding home loan business.
- As financial cooperation across the strait entering a new era, Chinese banks' plan for expanding business in Taiwan is speeding up, bringing more competitors in domestic financial market.

III. Mega ICBC's Niche

- Mega ICBC is irreplaceable in terms of foreign remittances, and it enjoys competitive edge in foreign exchange business. For example, the Bank's New York Branch is the only Taiwanese bank that takes part in CHIPS, Fedwire, and ACH.
- Mega ICBC can raise funds relatively cheap on the international market because of its superb asset quality and the best credit ratings of domestic banks.
- Mega ICBC is selected to be the sole USD clearing and settlement bank in Taiwan.
- Mega ICBC has been licensed as one of the two Taiwanese banks, signing cash settlement agreements with Bank of China's Hong Kong branch in July 2010, to supply Chinese RMB banknotes to other local banks in Taiwan.

Human Resources Profile

| | | As of December 31, | |
|---------------------------|--------------------------|--------------------|-------|
| | | 2010 | 2009 |
| Number of Employees | Domestic | 4,602 | 4,678 |
| | Overseas | 430 | 427 |
| | Total | 5,032 | 5,105 |
| Average Age | | 42.23 | 41.76 |
| Average Years of Services | | 16.41 | 15.92 |
| Education | Ph.D. | 3 | 3 |
| | Master's Degree | 803 | 763 |
| | Bachelor's Degree | 3,903 | 4,011 |
| | Senior High School | 288 | 293 |
| | Below Senior High School | 35 | 35 |

Social Responsibility

The International Commercial Bank of China Cultural and Educational Foundation was founded in 1992 by the International Commercial Bank of China Co., Ltd. (Note: The corporate name was changed into Mega International Commercial Bank Co., Ltd. after merger with Chiao Tung Bank on August 21, 2006.) The Foundation is dedicated to the service of the social vulnerable and disadvantaged groups, as well as promotion of cultural and educational events.

Condensed Balance Sheets

Unit: Thousands in NT dollars

| Item | As of December 31, | | |
|--|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2008 |
| Cash and Cash Equivalents, and Due from the Central Bank and Call Loans to Banks – net | 386,481,267 | 396,370,422 | 363,609,201 |
| Financial Assets at Fair Value through Profit or Loss | 34,961,402 | 25,129,708 | 40,099,319 |
| Securities Purchased under Resale Agreements | 895,012 | 0 | 1,703,165 |
| Available-for-Sale Financial Assets – net | 83,199,684 | 113,744,529 | 101,441,676 |
| Bills Discounted and Loans – net | 1,319,719,641 | 1,264,904,835 | 1,303,532,614 |
| Receivables – net | 109,403,855 | 85,800,321 | 95,679,862 |
| Held-to-Maturity Financial Assets – net | 216,526,320 | 261,919,439 | 94,257,827 |
| Investments Accounted for by the Equity Method – net | 9,302,766 | 9,268,167 | 9,042,433 |
| Properties and Equipment – net | 13,165,572 | 14,803,951 | 16,189,414 |
| Other Financial Assets – net | 17,970,339 | 19,179,101 | 21,168,785 |
| Other Assets – net | 5,646,383 | 6,564,319 | 3,846,031 |
| Total Assets | 2,197,272,241 | 2,197,684,792 | 2,050,570,327 |
| Due to the Central Bank and Commercial Banks | 316,221,722 | 403,779,174 | 385,328,571 |
| Deposits and Remittances | 1,547,309,354 | 1,472,845,116 | 1,306,722,745 |
| Financial Liabilities at Fair Value through Profit or Loss | 27,759,086 | 32,930,365 | 48,544,695 |
| Securities Sold under Repurchase Agreements | 4,285,605 | 3,384,082 | 11,239,752 |
| Borrowed Funds and Financial Bonds Payable | 73,368,641 | 71,023,303 | 83,084,534 |
| Accrued Pension Liabilities | 1,354,976 | 1,541,227 | 1,218,320 |
| Other Financial Liabilities | 7,355,420 | 4,660,368 | 5,946,463 |
| Payables and Other Liabilities | 61,869,519 | 51,275,277 | 66,795,998 |
| Total Liabilities | 2,039,524,323 | 2,041,438,912 | 1,908,881,078 |
| Capital Stock | 64,109,878 | 64,109,878 | 64,109,878 |
| Capital Reserve | 33,070,028 | 33,070,028 | 33,070,028 |
| Retained Earnings | 54,710,620 | 52,834,864 | 43,773,487 |
| Unrealized Gains or Losses on Available-for-Sale Financial Assets | 2,576,792 | 2,257,357 | (4,232,555) |
| Cumulative Translation Adjustments | 960,655 | 1,653,808 | 1,776,841 |
| Land Revaluation Increment and Capital Surplus from Fixed Assets Revaluation | 2,319,945 | 2,319,945 | 3,191,570 |
| Total Shareholders' Equity | 157,747,918 | 156,245,880 | 141,689,249 |

Condensed Statements of Income

Unit: Thousands in NT dollars

| Item | 2010 | 2009 | 2008 |
|---------------------------|------------|------------|------------|
| Net Interest Income | 21,132,556 | 21,580,655 | 26,779,009 |
| Net Non-Interest Income | 10,094,765 | 12,429,325 | 559,606 |
| Net Operating Income | 31,227,321 | 34,009,980 | 27,338,615 |
| Provision for Loan Losses | 1,927,657 | 6,388,508 | 7,315,386 |
| Operating Expenses | 15,848,325 | 14,493,855 | 14,171,283 |
| Income Before Income Tax | 13,451,339 | 13,127,617 | 5,851,946 |
| Net Income | 11,171,687 | 10,664,124 | 3,421,919 |

Major Financial Analysis

| Item | | 2010 | 2009 | 2008 |
|--------------------------------|--|-------|-------|--------|
| Financial Structure | Total Liabilities to Total Assets (%) | 92.75 | 92.74 | 93.00 |
| | Fixed Assets to Total Shareholders' Equity (%) | 8.35 | 9.47 | 11.43 |
| Solvency | Liquidity Reserve Ratio (%) | 23.80 | 32.73 | 16.98 |
| Operating Performance Analysis | Loans to Deposits Ratio (%) | 86.70 | 87.31 | 100.95 |
| | NPL Ratio (%) | 0.34 | 0.95 | 1.16 |
| | Total Assets Turnover (Number of Times) | 0.01 | 0.02 | 0.01 |
| | Average Net Income per Employee (Thousands in NT dollars) | 2,220 | 2,089 | 662 |
| Profitability Analysis | ROA (%) | 0.51 | 0.50 | 0.17 |
| | ROE (%) | 7.12 | 7.16 | 2.33 |
| | Pre-tax Income to Capital Stock (%) | 20.98 | 20.48 | 9.13 |
| | Net Income to Net Operating Income (%) | 35.78 | 31.36 | 12.52 |
| | Earnings per Share (NT dollars) | 1.74 | 1.66 | 0.53 |
| | Cash Dividends per Share (NT dollars) | 1.04 | 1.45 | 0.25 |
| | Shareholders' Equity per Share Before Appropriation (NT dollars) | 24.61 | 24.37 | 22.10 |
| Capital Adequacy Ratio (%) | | 11.26 | 11.73 | 11.20 |

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Mega International Commercial Bank Co., Ltd.

We have audited the accompanying balance sheets of Mega International Commercial Bank Co., Ltd. (the “Bank”) as of December 31, 2009 and 2010 and the related statements of income, of changes in stockholders’ equity and of cash flows for the years then ended. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the “Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the financial position of Mega International Commercial Bank Co., Ltd. as of December 31, 2009 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the “Regulations Governing the Preparation of Financial Reports by Publicly Held Banks”, “Business Entity Accounting Law”, “Regulations on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China.

The Bank had prepared the consolidated financial statements, not presented herein, as of and for the years ended December 31, 2009 and 2010, on which we have issued an unqualified opinion thereon.

The Bank’s financial statements as of and for the year ended December 31, 2010 expressed in US dollars were translated from the New Taiwan dollar financial statements using the exchange rate of US\$1:NT\$29.5 at December 31, 2010 solely for the convenience of the readers. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.


March 14, 2011

The accompanying 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 financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying 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 INTERNATIONAL COMMERCIAL BANK CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2009 AND 2010
(EXPRESSED IN THOUSANDS OF DOLLARS)

| | 2009 | | 2010 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2009 | | 2010 | |
|---|------------------|---------------|------------------|---------------|--|------------------|------------------|------------------|----------------|
| | NT\$ | US\$ | NT\$ | US\$ | | NT\$ | US\$ | NT\$ | US\$ |
| ASSETS | | | | | | | | | |
| CASH AND CASH EQUIVALENTS (Notes IV 2 and V) | \$ 305,966,509 | \$ 8,857,929 | \$ 261,308,888 | \$ 8,857,929 | DUE TO THE CENTRAL BANK AND COMMERCIAL BANKS (Notes IV 12 and V) | \$ 403,779,174 | \$ 316,221,722 | \$ 403,779,174 | \$ 316,221,722 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS - NET (Notes IV 2 and V) | 90,403,913 | 4,243,132 | 125,172,379 | 4,243,132 | BORROWED FUNDS (Note IV 13) | 43,320,303 | 38,568,641 | 43,320,303 | 38,568,641 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes IV 3 and V) | 25,129,708 | 1,185,132 | 34,961,402 | 1,185,132 | FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Note IV 14) | 32,930,365 | 27,759,086 | 32,930,365 | 27,759,086 |
| SECURITIES PURCHASED UNDER RESALE AGREEMENTS | - | 30,339 | 895,012 | 30,339 | SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note IV 7) | 3,384,082 | 4,285,605 | 3,384,082 | 4,285,605 |
| RECEIVABLES - NET (Note IV 4) | 85,800,321 | 3,708,605 | 109,403,855 | 3,708,605 | PAYABLES (Notes IV 15 and V) | 39,989,175 | 52,098,850 | 39,989,175 | 52,098,850 |
| BILLS DISCOUNTED AND LOANS - NET (Notes IV 5 and V) | 1,264,904,835 | 44,736,259 | 1,319,719,641 | 44,736,259 | DEPOSITS AND REMITTANCES (Notes IV 16 and V) | 1,472,845,116 | 1,547,309,354 | 1,472,845,116 | 1,547,309,354 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS - NET (Notes IV 7 and VI) | 113,744,529 | 2,820,328 | 83,199,684 | 2,820,328 | FINANCIAL BONDS PAYABLE (Note IV 17) | 27,703,000 | 34,800,000 | 27,703,000 | 34,800,000 |
| HELD-TO-MATURITY FINANCIAL ASSETS - NET (Notes IV 8 and VI) | 261,919,439 | 7,339,875 | 216,526,320 | 7,339,875 | ACCRUED PENSION LIABILITIES (Note IV 18) | 1,541,227 | 1,354,976 | 1,541,227 | 1,354,976 |
| INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD - NET (Note IV 9) | 9,268,167 | 315,348 | 9,302,766 | 315,348 | OTHER FINANCIAL LIABILITIES (Note IV 19) | 4,660,368 | 7,355,420 | 4,660,368 | 7,355,420 |
| OTHER FINANCIAL ASSETS - NET (Note IV 10) | 19,179,101 | 609,164 | 17,970,339 | 609,164 | OTHER LIABILITIES (Notes IV 20 and 23) | 11,286,102 | 9,770,669 | 11,286,102 | 9,770,669 |
| PROPERTIES AND EQUIPMENT - NET | | | | | TOTAL LIABILITIES | 2,041,438,912 | 69,136,418 | 2,041,438,912 | 69,136,418 |
| Land | 6,068,408 | 191,323 | 5,644,032 | 191,323 | STOCKHOLDERS' EQUITY | | | | |
| Revaluation increment - land (Note IV 23) | 2,790,994 | 77,928 | 2,298,886 | 77,928 | CAPITAL STOCK (Note IV 21) | 64,109,878 | 2,173,216 | 64,109,878 | 2,173,216 |
| Buildings and improvements | 10,363,451 | 338,641 | 9,989,904 | 338,641 | CAPITAL RESERVE | 33,070,028 | 1,121,018 | 33,070,028 | 1,121,018 |
| Revaluation increment - buildings (Note IV 23) | 37,015 | 1,255 | 37,015 | 1,255 | RETAINED EARNINGS | | | | |
| Computers and peripheral equipment | 3,802,002 | 110,171 | 3,250,031 | 110,171 | Legal reserve (Note IV 22) | 35,988,382 | 39,187,618 | 35,988,382 | 39,187,618 |
| Transportation and communication equipment | 195,290 | 6,001 | 177,047 | 6,001 | Special reserve (Note IV 22) | 5,754,815 | 1,552,112 | 5,754,815 | 1,552,112 |
| Miscellaneous equipment | 1,315,800 | 45,425 | 1,340,031 | 45,425 | Unappropriated earnings (Note IV 22) | 11,091,667 | 13,970,890 | 11,091,667 | 13,970,890 |
| Total costs | 24,572,960 | 770,744 | 22,736,946 | 770,744 | EQUITY ADJUSTMENTS | | | | |
| Accumulated depreciation | (9,321,798) | (299,687) | (8,840,782) | (299,687) | Unrealized revaluation increment | 2,282,930 | 2,282,930 | 2,282,930 | 2,282,930 |
| Accumulated impairment | (447,211) | (24,766) | (730,592) | (24,766) | Capital surplus from land revaluation | 37,015 | 37,015 | 37,015 | 37,015 |
| Properties and Equipment - net | 14,803,951 | 446,291 | 13,165,572 | 446,291 | Capital surplus from fixed asset revaluations | 1,653,808 | 960,655 | 1,653,808 | 960,655 |
| OTHER ASSETS - NET (Note IV 11) | 6,564,319 | 191,403 | 5,646,383 | 191,403 | Cumulative translation adjustments | 2,257,357 | 2,576,792 | 2,257,357 | 2,576,792 |
| | | | | | Unrealized gains or losses on available-for-sale financial assets | 156,245,880 | 157,747,918 | 156,245,880 | 157,747,918 |
| | | | | | TOTAL STOCKHOLDERS' EQUITY | | | | |
| | | | | | COMMITMENTS AND CONTINGENT LIABILITIES (Note VII) | | | | |
| TOTAL ASSETS | \$ 2,197,684,792 | \$ 74,483,805 | \$ 2,197,272,241 | \$ 74,483,805 | TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 2,197,684,792 | \$ 2,197,272,241 | \$ 2,197,684,792 | \$ 74,483,805 |

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2010
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

| | <u>2009</u> | <u>2010</u> | |
|---|----------------------|-----------------------|-------------------|
| | <u>NT\$</u> | <u>NT\$</u> | <u>US\$</u> |
| | | (Unaudited - Note II) | |
| INTEREST REVENUE (Note V) | \$ 35,218,365 | \$ 30,883,302 | \$ 1,046,892 |
| INTEREST EXPENSES (Note V) | (13,637,710) | (9,750,746) | (330,534) |
| NET INTEREST INCOME | <u>21,580,655</u> | <u>21,132,556</u> | <u>716,358</u> |
| NON-INTEREST INCOME | | | |
| FEE INCOME - NET (Note IV 24 and V) | 6,027,382 | 6,516,092 | 220,884 |
| GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | 4,593,569 | 910,421 | 30,862 |
| REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS | 524,771 | 658,709 | 22,329 |
| REALIZED GAIN/LOSS ON HELD-TO-MATURITY FINANCIAL ASSETS | (179,844) | 21,990 | 745 |
| INVESTMENT INCOME RECOGNIZED BY THE EQUITY METHOD | 328,996 | 353,463 | 11,982 |
| FOREIGN EXCHANGE GAIN - NET | 1,672,057 | 2,076,669 | 70,395 |
| LOSS ON ASSET IMPAIRMENT (Note IV 25) | (1,832,747) | (835,720) | (28,329) |
| GAINS/LOSSES ON DISPOSAL OF PROPERTIES | 1,038,458 | (3,281) | (111) |
| OTHER LOSSES (Note IV 7) | (108,939) | (3,007,951) | (101,964) |
| OTHER PROVISIONS (Note IV 7) | (1,044,399) | 2,193,593 | 74,359 |
| GAIN ON FINANCIAL ASSETS CARRIED AT COST | 461,141 | 579,670 | 19,650 |
| OTHERS | <u>948,880</u> | <u>631,110</u> | <u>21,393</u> |
| NET OPERATING INCOME | 34,009,980 | 31,227,321 | 1,058,553 |
| PROVISION FOR LOAN LOSSES (Note IV 6) | (6,388,508) | (1,927,657) | (65,345) |
| OPERATING EXPENSES | | | |
| STAFF EXPENSES (Note IV 26) | (9,437,059) | (10,896,954) | (369,388) |
| DEPRECIATION AND AMORTIZATION (Note IV 26) | (697,771) | (641,013) | (21,729) |
| OTHER GENERAL AND ADMINISTRATIVE EXPENSES (Note V) | (4,359,025) | (4,310,358) | (146,114) |
| INCOME BEFORE INCOME TAX | 13,127,617 | 13,451,339 | 455,977 |
| INCOME TAX (Note IV 27) | (2,463,493) | (2,279,652) | (77,276) |
| NET INCOME | <u>\$ 10,664,124</u> | <u>\$ 11,171,687</u> | <u>\$ 378,701</u> |
| EARNINGS PER SHARE (In dollars) (Note IV 28) | | | |
| NET INCOME | <u>\$ 1.66</u> | <u>\$ 1.74</u> | |

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2010
(EXPRESSED IN THOUSANDS OF DOLLARS)

| Items | Retained Earnings | | | | Revaluation Increments | Cumulative Translation Adjustments | Unrealized Gains or Losses on Available-For-Sale Financial Assets | Total | |
|---|-------------------|-----------------|---------------|-----------------|------------------------|------------------------------------|---|--------------|-------------------------|
| | Capital Stock | Capital Reserve | Legal Reserve | Special Reserve | | | | | Unappropriated Earnings |
| (New Taiwan Dollars) | | | | | | | | | |
| Balance, January 1, 2009 | \$ 64,109,878 | \$ 33,070,028 | \$ 34,961,806 | \$ 1,474,578 | \$ 7,337,103 | \$ 3,191,570 | \$ 1,776,841 | \$ 4,232,555 | \$ 141,689,249 |
| Appropriation of 2008 earnings | | | | | | | | | |
| Legal reserve | - | - | 1,026,576 | - | (1,026,576) | - | - | - | - |
| Special reserve | - | - | - | 4,280,237 | (4,280,237) | - | - | - | - |
| Cash dividends and bonus | - | - | - | - | (1,602,747) | - | - | - | (1,602,747) |
| Net income for 2009 | - | - | - | - | 10,664,124 | - | - | - | 10,664,124 |
| Land revaluation decrement | - | - | - | - | - | (871,625) | - | - | (871,625) |
| Changes in cumulative translation adjustments | - | - | - | - | - | - | (123,033) | - | (123,033) |
| Unrealized gains or losses on available-for-sale financial assets | - | - | - | - | - | - | - | 6,489,912 | 6,489,912 |
| Balance, December 31, 2009 | \$ 64,109,878 | \$ 33,070,028 | \$ 35,988,382 | \$ 5,754,815 | \$ 11,091,667 | \$ 2,319,945 | \$ 1,653,808 | \$ 2,257,357 | \$ 156,245,880 |

(Continued)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2010
(EXPRESSED IN THOUSANDS OF DOLLARS)

| Items | Retained Earnings | | | | Revaluation Increments | Cumulative Translation Adjustments | Unrealized Gains or Losses on Available-For-Sale Financial Assets | Total |
|---|-------------------|--------------------|------------------|--------------------|---------------------------|--|---|--------------|
| | Capital Stock | Capital Reserve | Legal Reserve | Special Reserve | | | | |
| (New Taiwan Dollars) | | | | | | | | |
| Balance, January 1, 2010 | \$ 64,109,878 | \$ 33,070,028 | \$ 35,988,382 | \$ 5,754,815 | \$ 11,091,667 | \$ 2,319,945 | \$ 1,653,808 | \$ 2,257,357 |
| Appropriation of 2009 earnings | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | 3,199,236 | - | (3,199,236) | - | - | - |
| Special reserve | - | - | - | (4,202,703) | 4,202,703 | - | - | - |
| Cash dividends and bonus | - | - | - | - | (9,295,931) | - | - | (9,295,931) |
| Net income for 2010 | - | - | - | - | 11,171,687 | - | - | 11,171,687 |
| Changes in cumulative translation adjustments | - | - | - | - | - | (693,153) | - | (693,153) |
| Unrealized gains or losses on available-for-sale financial assets | - | - | - | - | - | - | 319,435 | 319,435 |
| Balance, December 31, 2010 | \$ 64,109,878 | \$ 33,070,028 | \$ 39,187,618 | \$ 1,552,112 | \$ 13,970,890 | \$ 2,319,945 | \$ 960,655 | \$ 2,576,792 |
| (US Dollars)(Unaudited-Note II) | | | | | | | | |
| Balance, January 1, 2010 | \$ 2,173,216 | \$ 1,121,018 | \$ 1,219,945 | \$ 195,079 | \$ 375,989 | \$ 78,642 | \$ 56,061 | \$ 76,521 |
| Appropriation of 2009 earnings | - | - | - | - | (108,449) | - | - | - |
| Legal reserve | - | - | 108,449 | - | (108,449) | - | - | - |
| Special reserve | - | - | - | (142,465) | 142,465 | - | - | - |
| Cash dividends and bonus | - | - | - | - | (315,116) | - | - | (315,116) |
| Net income for 2010 | - | - | - | - | 378,701 | - | - | 378,701 |
| Changes in cumulative translation adjustments | - | - | - | - | - | (23,497) | - | (23,497) |
| Unrealized gains or losses on available-for-sale financial assets | - | - | - | - | - | - | 10,828 | 10,828 |
| Balance, December 31, 2010 | \$ 2,173,216 | \$ 1,121,018 | \$ 1,328,394 | \$ 52,614 | \$ 473,590 | \$ 78,642 | \$ 32,564 | \$ 87,349 |

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2010
(EXPRESSED IN THOUSANDS OF DOLLARS)

| | <u>2009</u> | <u>2010</u> | |
|--|-----------------------|-----------------------|-----------------------|
| | <u>NT\$</u> | <u>NT\$</u> | <u>US\$</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | (Unaudited - Note II) |
| Net income | \$ 10,664,124 | \$ 11,171,687 | \$ 378,701 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Loss on asset impairment | 1,832,747 | 835,720 | 28,330 |
| Income from equity investments recognized under the equity method | (328,996) | (353,463) | (11,982) |
| Cash dividends and remuneration of directors and supervisors received from investments accounted for under the equity method | 449,717 | 133,202 | 4,515 |
| (Gain) loss on disposal of properties | (1,038,458) | 3,281 | 111 |
| Provisions for loan losses | 6,388,508 | 1,927,657 | 65,344 |
| Other provision | 1,044,399 | (2,193,593) | (74,359) |
| Depreciation and amortization | 697,771 | 641,013 | 21,729 |
| Loss on scrapped properties and equipment | 22,609 | 304 | 10 |
| Loss on disposal of foreclosed properties | - | 11,996 | 407 |
| (Increase) decrease in operating assets | | | |
| Decrease (increase) in financial assets at fair value through profit or loss | 14,432,911 | (9,831,694) | (333,278) |
| Decrease (increase) in securities purchased under agreements to resell | 1,703,165 | (895,012) | (30,339) |
| Decrease (increase) in receivables | 9,140,869 | (24,732,880) | (838,403) |
| Decrease in other financial assets | 153,656 | 89,124 | 3,021 |
| Net change in deferred income tax assets / liabilities | 1,013,972 | 590,902 | 20,031 |
| Proceeds from disposal of foreclosed properties | - | 52,422 | 1,777 |
| (Decrease) increase in operating liabilities | | | |
| (Decrease) increase in payables | (14,864,277) | 12,109,675 | 410,498 |
| Decrease in financial liabilities at fair value through profit or loss | (15,614,330) | (5,171,279) | (175,298) |
| (Decrease) increase in securities sold under agreements to repurchase | (7,855,670) | 901,523 | 30,560 |
| Increase (decrease) in accrued pension liabilities | 322,907 | (186,251) | (6,314) |
| Decrease in other financial liabilities | (8,552,622) | (2,110,379) | (71,538) |
| (Decrease) increase in other liabilities | (698,269) | 215,617 | 7,310 |
| Net cash used in operating activities | (1,085,267) | (16,790,428) | (569,167) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Decrease (increase) in due from the Central Bank and call loans to banks | 12,665,395 | (34,768,516) | (1,178,594) |
| (Increase) decrease in available-for-sale financial assets | (5,895,772) | 31,825,262 | 1,078,822 |
| Decrease (increase) in bills discounted and loans | 33,144,297 | (55,732,252) | (1,889,229) |
| (Increase) decrease in held-to-maturity financial assets | (167,192,443) | 45,420,463 | 1,539,677 |
| Additions to properties and equipment | (334,291) | (458,197) | (15,532) |
| Proceeds from disposal of properties and equipment | 1,033,804 | 13,440 | 456 |
| (Increase) decrease in other assets | (3,750,493) | 1,264,315 | 42,858 |
| Net cash used in investing activities | (130,329,503) | (12,435,485) | (421,542) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Increase (decrease) in due to the Central Bank and commercial banks | 18,450,603 | (87,557,452) | (2,968,049) |
| Increase in deposits and remittances | 173,388,898 | 79,269,669 | 2,687,107 |
| Decrease in borrowed funds | (9,864,884) | (4,751,662) | (161,073) |
| (Decrease) increase in financial bonds payable | (2,196,347) | 7,097,000 | 240,576 |
| (Decrease) increase in deposits received | (1,041,892) | 462,543 | 15,679 |
| Distribution of cash dividends and bonus | (1,602,747) | (9,295,932) | (315,116) |
| Net cash provided by (used in) financing activities | 177,133,631 | (14,775,834) | (500,876) |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES | (292,374) | (655,874) | (22,233) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 45,426,487 | (44,657,621) | (1,513,818) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 260,540,022 | 305,966,509 | 10,371,747 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 305,966,509</u> | <u>\$ 261,308,888</u> | <u>\$ 8,857,929</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Interest expense paid | \$ 16,535,921 | \$ 10,680,135 | \$ 362,038 |
| Income tax paid | \$ 1,251,239 | \$ 995,530 | \$ 33,747 |
| NON-CASH INVESTING AND FINANCING ACTIVITY: | | | |
| Payable - financial bonds within 1 year of maturity | \$ 11,583,341 | \$ 10,421,611 | \$ 353,275 |

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2010

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

I. ORGANIZATION AND OPERATIONS

Mega International Commercial Bank Co., Ltd. (the “Bank”; formerly The International Commercial Bank of China Co., Ltd.) was reorganized on December 17, 1971 in accordance with the “Law for International Commercial Bank of China” as announced by the President of the Republic of China (R.O.C.) (which was then abolished in December, 2005) and other related regulations. On December 31, 2002, the Bank became an unlisted wholly owned subsidiary of Mega Financial Holding Co., Ltd., through a share swap transaction. With the view to enlarging business scale and increasing market share, the Bank entered into a merger agreement with Chiao Tung Bank Co., Ltd. On August 21, 2006, the effective date of the merger, the Bank was later renamed Mega International Commercial Bank Co., Ltd.

The Bank engages in the following operations: (a) commercial banking operations authorized by the R.O.C. Banking Law; (b) foreign exchange and related operations; (c) import and export financing and guarantees; (d) financial operations related to international trade; (e) trust operations; (f) investment services on consignments by clients; (g) loan information services, including mid-term to long-term development loan and guarantee operations; (h) venture capital activities; and (i) other related operations approved by the R.O.C. government.

The Bank’s business and operations are widely managed by the head office. The Bank expands its network by opening branches at key locations in both domestic and foreign markets. As of December 31, 2010, the Bank had 108 domestic branches, 19 foreign branches, and 3 foreign representative offices.

The Trust Department of the Bank is primarily responsible for planning, management and operation of trust investment businesses regulated by the R.O.C. Banking Law.

As of December 31, 2009 and 2010, the Bank had 5,105 and 5,032 employees, respectively.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Publicly Held Banks”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. The Bank’s significant accounting policies are summarized below:

1. Basis for preparation of financial statements

The accompanying financial statements include the accounts of the head office, domestic branches, foreign branches and foreign representative offices. All inter-branch and inter-office transactions and balances have been eliminated when the financial statements were prepared.

2. Foreign-currency transactions and translations

(1) The Bank maintains its accounts at the currencies in which transactions are denominated. Foreign currency income and expenses are converted into New Taiwan Dollars (NT dollars or NT\$) at the prevailing exchange rates at the end of each month. Foreign-currency denominated monetary financial assets or liabilities and other foreign-currency denominated assets or liabilities regulated by the Statement of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement” and No. 36 “Financial Instruments : Disclosure and Presentation” are translated into NT dollars at the prevailing exchange rates at the end of each month. The resulting translation differences are recognized as gain or loss in the current period. However, for translation gains or losses associated with cash flow hedges, foreign net investment hedges and equity investments accounted for by the equity method, cumulative translation adjustments under stockholders’ equity is recognized.

(2) Non-monetary financial assets or liabilities regulated by SFAS No. 34 and No. 36 and measured at fair value in foreign currency are translated using the prevailing rates at the end of each month. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

3. Translation for the financial statements of foreign branches and representative offices

The foreign-currency denominated financial statements of foreign branches and the representative offices are translated into NT dollars at the following exchange rates: 1) assets and liabilities – at the spot exchange rates prevailing at the balance sheet date, 2) head office account – except for the retained earnings which is carried forward from last year’s balance, the remaining balances are stated at historical rates, 3) dividends – at the prevailing rates when the dividends are declared, and 4) income and expenses – at the weighted-average rate for the period. The cumulative translation adjustments are included in the stockholders’ equity account. When a foreign operation is disposed of or sold, the cumulative translation adjustment is charged to current income.

4. Financial assets and financial liabilities

Starting from January 1, 2006, the Bank adopted the SFAS No. 34 “Financial Instruments: Recognition and Measurement” and No. 36 “Financial Instruments: Disclosure and Presentation” to account for its financial assets and liabilities. On initial recognition, financial assets and liabilities are measured at fair value. However, for fair value investments with changes in fair value recognized under equity and for investments measured at amortized costs, transaction costs that are directly attributable to the acquisition or

issuance of liability should be capitalized.

Except for stocks which are recognized using trade date accounting, all financial assets and financial liabilities held by the Bank are recognized using settlement date accounting.

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

Financial assets or liabilities at fair value through profit or loss include financial assets or liabilities held for trading and financial assets or liabilities designated as at fair value through profit or loss at inception. On subsequent measurement, these investments are reassessed at fair value and changes in fair value are recognized in current income or losses. Financial assets or liabilities designated at fair value through profit or loss are to eliminate or decrease inconsistency for an accounting measurement, which are initially recognized at fair value through profit or loss and recognized unrealized profit or loss in the current period.

Non-derivatives or financial assets originally designated as at fair value through profit or loss at initial recognition, if their main purposes are no longer for sale in the short-term in subsequent periods, are subject to be reclassified as other types of financial assets in accordance with the revised Paragraph No. 104 of SFAS No. 34.

(2) Available-for-sale financial assets

Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair values are recognized as adjustments in equity except for impairment loss and translation gain or loss associated with foreign-currency denominated monetary assets. When the investment is derecognized, the cumulative gain or loss which had been recognized directly in equity is transferred to profit or loss in the income statement.

(3) Held-to-maturity financial assets

Held-to-maturity financial assets are subsequently remeasured at amortized cost calculated using the effective interest method. Gains or losses are recognized at the time of derecognition, impairment or amortization.

(4) Financial assets carried at cost

Investments in non-publicly traded stocks, emerging stocks and mutual funds where the Bank does not exercise significant influence are carried at their original cost calculated by the acquisition cost plus the aggregate par value of any stock dividends received before 1984.

(5) Investments in debt securities with no active market

Unquoted debt securities with fixed or determinable collections are classified as investments in debt securities with no active market and subsequently remeasured at amortized cost under the effective interest method. Gains or losses are recognized at the time of derecognition, impairment or amortization.

(6) Financial liabilities

On subsequent measurement, the Bank remeasured and stated all financial liabilities at amortized cost. However, financial liabilities at fair value through profit and loss and derivative financial liabilities for hedging are both measured at fair value.

The abovementioned fair value is determined by reference to the closing price at the balance sheet date for listed stocks, the net asset value for open-ended funds, and the quoted price at the balance sheet date for bonds. For other investments, the fair value is estimated using various valuation techniques where appropriate.

5. Derivative financial instruments

The Bank enters into various derivative contracts, including forward currency contracts, cross-currency swaps, options and interest rate swaps. Such derivative financial instruments are initially recognized at fair value on the date when a derivative contract is entered into and subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to income if a derivative instrument in a fair value hedge is terminated or the hedge designation removed for the period.

6. Financial asset securitization

(1) Under the "Financial Assets Securitization Act", the Bank securitized part of its enterprise loans and transferred those loans to the special purpose trustee in return for the issuance of the related beneficiary certificates. Having surrendered the control of contractual rights on the loans and transferred to a special purpose trustee, the Bank derecognized all the enterprise loans and recorded gain or loss accordingly. In accordance with the Explanatory Letter (96) Ji-Mi-Zi No.0000000304, subordinated beneficiary certificates retained for the originator means the originator still holds the retained interests of the subordinated beneficiary securities. The retained interests of the subordinated beneficiary securities may be unable to recover most of the original investment cost due to the reasons other than obligor's credit deterioration (such as effects of risk associated with beneficiary securities). Under this case, it should be reclassified as available-for-sale financial assets or financial assets at fair value through profit or loss. Except for subordinated beneficiary certificates retained for credit enhancement which was reclassified as other financial assets instead.

(2) The gain or loss on the sale of the loans is the difference between the proceeds and carrying amount of the loans. The aforementioned carrying amount of the loans should be allocated in proportion to the fair values of the part retained and the part sold on the date of sale. Since quotes are not available for loans and retained interests, the Bank estimates fair value at the

present value of expected cash flows, using management's key assumptions on credit losses and discount rates commensurate to the risks involved.

- (3) Interest income is recognized with respect to subordinated beneficiary securities when the Trustee pays the interest.

7. Hedge accounting

When fair value hedges, cash flow hedges and net investment hedges in foreign operations meet the criteria for hedge accounting, net method is adopted for recognition of gain or loss arising from changes in fair values of all hedge instruments and hedged items. Related accounting methods are as follows:

- (1) Fair value hedges: When a derivative financial instrument is used as the underlying hedging instrument, fair value is applied for valuation. When a non-derivative financial instrument is used for hedging, any gain or loss arising from change in exchange rates is charged to current income. The carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged.
- (2) Cash flow hedges: The effective portion of the gain or loss on the hedging instrument is recognized directly in equity. When it is determined that the expected hedged transaction will result in financial assets or financial liabilities, amounts initially recorded in equity are transferred to income in the period in which profit or loss is affected by the related assets or liabilities.
- (3) Net investment hedge in foreign operations: Gains or losses generated from hedge instruments are recognized as adjustments in equity which are then transferred to profit or loss for the period upon disposal of foreign operations.

8. Bonds purchased/sold under resale/repurchase agreements

Bonds sold/purchased with a commitment to repurchase/resell them at predetermined prices are treated as financing transactions. The accounting methods applied are as follows:

- (1) Upon the sale of bonds and bills subject to a repurchase agreement, bonds and bills sold under repurchase agreement is credited and the difference between the cost and the repurchase price is treated as interest expense.
- (2) Upon the purchase of bonds and bills subject to a resale agreement, bonds and bills purchased under resale agreements is debited and the difference between the cost and the resell price is treated as interest revenue.

9. Allowances for probable losses

- (1) The allowances for probable losses are provided for due from call loans to banks, receivables and bills discounted and loans based on a review of its collectibility.
- (2) According to "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Non-accrual Loans and Bad Debts", reserves set aside for probable loan losses are based on the estimation of potential unrecoverable exposures, net of collateral. A significant degree of management discretion is used in the estimation process, which includes the assessment of the borrower's ability to pay and of the value of the underlying collateral.
- (3) Balances of uncollectible accounts are written-off against allowance for probable losses only upon the approval by the Board of Directors.

10. Bills discounted and loans

- (1) Bills discounted and loans are recorded on the basis of outstanding principal amounts. Any unsettled bills discounted and loans upon maturity are to be reclassified to non-accrual loans along with the associated amount of accrued interest previously recorded within six months from the date of the maturity. In addition, interest receivable should no longer be accrued.
- (2) Non-accrual loans transferred from loans should be recorded under bills discounted and loans. For other non-accrual loans transferred from accounts other than loans, such as guarantees, acceptances and receivables on factoring should be recorded under other financial assets.

11. Investments accounted for by the equity method

- (1) Investments with voting rights of at least 20% of the common stock and which hold significant influence over the investee are accounted for by the equity method. These investments are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Bank's share of the investee's net assets. The Bank will continue to recognize its equity in the net loss of an investee notwithstanding that it will result in a negative investment carrying amount (with this negative amount shown as liability) if the Bank had guaranteed the investee's debt or the Bank had obligated to provide financial support or the loss is temporary.
- (2) Cash dividends received are accounted for as reductions in the carrying amount of the investments. Stock dividends received are accounted for by the increase in the number of shares held by the Bank without any impact to the carrying amount of the investments and net income.
- (3) If an investee's capital reserve increases due to property revaluation, the Bank will recognize the proportional increase in the carrying amount of the investment and the gain will be included in the capital reserve in the stockholders' equity. The difference between the investment cost and the equity in the book value of the net assets of the investees (except the portion pertaining to the difference between the fair value and the book value of land) when a stock is acquired or when the equity method is first adopted, is amortized over 5 to 10 years. However, the difference attributable to goodwill is no longer amortized beginning on January 1, 2006, but is reviewed for potential impairment on an annual basis.

- (4) The Bank is required to include the accounts of all subsidiaries, which are more than 50%-owned and controlled in its consolidated financial statements. Consolidated financial statements are not required to be prepared for the first and third quarters.

12. Valuation and depreciation of properties and equipment

- (1) Except for land, all properties and equipments are depreciated on a straight-line basis according to their value after revaluation increment. Major improvements and renewals are capitalized as cost, and repairs and maintenance are expensed as incurred. Relevant promulgated principles should be applied if impairment has been found. Upon sale or disposal of properties and equipment, the related cost, revaluation increment, accumulated depreciation and accumulated impairment loss are written-off from the books, and any gain or loss is credited or charged to non-interest income.
- (2) When an impairment loss on a specified asset is identified, the related depreciation is recalculated based on the adjusted value over the estimated useful lives. The residual value of a property or equipment that is still in use at the end of the original estimated useful life is depreciated using the straight-line method over its revised estimated useful life.

13. Foreclosed properties

Foreclosed properties are stated at the lower of cost or net realizable value on the balance sheet date.

14. Reserve for operations

Reserve for operations is mainly provided for guarantee liabilities and trading losses. Reserve for guarantee liabilities is recognized based on the realizability of the balance pertaining to customers' customs duties, commodity tax and contract performance obligations, etc. Pursuant to the Rules Governing the Administration of Securities Firms (RGASF), 10% of the excess of gains on proprietary trading of securities over its losses must be set aside as reserve for trading losses on a monthly basis until the cumulative balance of such reserve reach \$200 million. Such reserve can only be used to offset the excess of securities trading losses over gains.

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

15. Pension plans

- (1) The Bank has pension plans for all regular employees under the relevant domestic and foreign government regulations. The Bank makes monthly contributions to a pension fund, which is administered by the workers' fund administration committee, at amounts up to 15% of the employees' salaries for domestic employees. The pension fund is deposited in the Bank of Taiwan under the name of the committee. In addition, the Bank makes contributions and payments for foreign employees under the relevant foreign government regulations.
- (2) The Labor Pension Act of R.O.C. ("the Act"), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Bank may choose to be covered by either the Act, and maintain their seniority before the enforcement of the Act, or the pension plan of the Bank. For employees subject to the Act, the Bank shall make monthly contributions to the employees' individual pension accounts based on 6% of the employees' monthly wages.
- (3) Pension costs are based on actuarial calculations, with the unrecognized net transitional obligation being amortized over 15 to 22 years.

16. Recognition of revenue and service fees

- (1) Interest income for loans is recognized on an accrual basis except for loans classified as non-accrual loans. The accrual of income from non-accrual loans is discontinued and subsequent interest receipts are credited to income upon collection. In accordance to the regulations established by the Ministry of Finance, interest income arising from emergency loans and renewal of agreements is recorded as deferred revenue and subsequently recognized as income upon interest receipts.
- (2) Except for interest income arising from loans, commission income and other income are recognized on an accrual basis.
- (3) Service fee income is recognized when the services are rendered.

17. Use of estimates

In preparing the financial statements in conformity with generally accepted accounting principles in the R.O.C., the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues, costs of revenues, and expenses during the reporting period. Therefore, actual results could differ from those estimates.

18. Impairment of non-financial assets

The Bank assesses impairment for all assets within the scope of SFAS No. 35 "Impairment of Assets" if impairment indicators are found. Accordingly, the Bank compares the carrying amount with the recoverable amount of the assets or the cash-generating unit and writes down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of net fair value or value in use. For recognized impairment loss, the Bank assesses, at each balance sheet date, whether there is any evidence indicating that the impairment may no longer exist or may have decreased. If such evidence is found, the Bank re-estimates the recoverable amount of the asset. If the recoverable amount increases, the Bank reverses the recognized impairment loss to the extent

of the carrying amount as if no impairment loss had been recognized with respect to such asset. Impairment loss on goodwill shall no longer be reversed.

19. Impairment of financial assets

Effective from January 1, 2006, the Bank assesses at each balance sheet date whether the financial asset or group of financial assets is impaired. The methods of measurement are as follows:

(1) Available-for-sale financial assets

The impairment loss is accounted for when there is objective evidence that an available-for-sale financial asset is impaired. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are recognized in equity. Reversals of impairment losses on debt instruments are recognized as income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in income.

(2) Held-to-maturity financial assets

The impairment loss is accounted for when there is objective evidence that a held-to-maturity investment is impaired. If the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized, reversals of impairment losses are recognized as income to the extent that the carrying value of the asset does not exceed its amortized cost without recognizing impairment loss at the reversal date.

(3) Financial assets carried at cost

The impairment loss is accounted for when there is objective evidence that a financial asset carried at cost is impaired. Such impairment losses can not be reversed.

20. Income tax

(1) Income tax represents income tax paid and payable for the current period and the movement in the deferred tax assets and liabilities during the period. Deferred taxes are recognized for tax effects of temporary differences and unused tax credits. A valuation allowance is provided for deferred tax assets that are not certain to be realized. Adjustments of prior years' income taxes are recognized in the current period. Adjustment of deferred tax liability or asset for enacted change in tax rate measured by the balance sheet date is recognized as tax benefit or expense in the statement of income for the period.

(2) Tax credits generated from acquisitions of certain equipment or technology, research and development expenditure, personnel training expenditure and equity investment acquisition, are recognized in the current period.

(3) Income taxes on undistributed earnings are charged at a 10% rate and recorded as expense in the year in which shareholders approve the retention of the earnings.

(4) The R.O.C. government enacted the "Income Basic Tax Act" effective January 1, 2006. Under this Act, income tax payable shall be equal to or the higher of the regular income tax or basic income tax.

(5) Since 2003, Mega Financial Holding Co., Ltd. adopted the linked tax system for income tax filings with its qualified subsidiaries, including the Bank. As a result, the appropriation of income tax is accounted for as other payables.

21. Contingent losses

At the balance sheet date, if an asset is considered to be impaired or liability has been incurred, such loss is recorded as contingent losses for the current year where the amount of loss can be reasonably estimated. When the amount of the loss cannot be reasonably estimated or when it is probable that loss has been incurred, the obligation is disclosed as a contingent liability in the notes to the financial statements.

22. Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year.

23. Convenience translation into US dollars (Unaudited)

The Bank maintains its accounting records and prepares its financial statements in New Taiwan dollars. The United States dollar amounts disclosed in the 2010 financial statements are presented solely for the convenience of the readers and were translated into US dollars using the exchange rate prevailing at December 31, 2010 of US\$1:NT\$29.5. Such translation amounts are not in compliance with generally accepted accounting principles in the Republic of China and should not be construed as representation that the New Taiwan dollar amounts represent, or have been or could be converted into United States dollars at that or any other rate.

III. CHANGES IN ACCOUNTING POLICIES

None.

IV. DETAILS OF SIGNIFICANT ACCOUNT BALANCES

1. CASH AND CASH EQUIVALENTS

| | December 31, 2009 | | December 31, 2010 | | | |
|---------------------------|-------------------|--------------------|-------------------|--------------------|----|------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Cash on hand | \$ | 11,698,163 | \$ | 11,842,671 | \$ | 401,447 |
| Revolving funds | | 3,991 | | 4,688 | | 159 |
| Checks for clearing | | 1,145,877 | | 1,166,363 | | 39,538 |
| Due from commercial banks | | 293,118,478 | | 248,295,166 | | 8,416,785 |
| Total | \$ | <u>305,966,509</u> | \$ | <u>261,308,888</u> | \$ | <u>8,857,929</u> |

2. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|--|-------------------|-------------------|-------------------|--------------------|----|------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Call loans to banks | \$ | 36,718,129 | \$ | 67,713,289 | \$ | 2,295,366 |
| Due from the Central Bank: | | | | | | |
| Reserve for deposits-category A | | 13,918,753 | | 20,465,959 | | 693,761 |
| Reserve for deposits-category B | | 28,523,542 | | 29,389,539 | | 996,256 |
| Reserve for deposits-foreign currency | | 443,621 | | 281,903 | | 9,556 |
| Due from Central Bank – general deposits | | <u>10,800,285</u> | | <u>7,322,073</u> | | <u>248,206</u> |
| Total | | 90,404,330 | | 125,172,763 | | 4,243,145 |
| Less: allowance for probable losses | (| 417) | (| 384) | (| 13) |
| Net | \$ | <u>90,403,913</u> | \$ | <u>125,172,379</u> | \$ | <u>4,243,132</u> |

As required by relevant laws, the reserves for deposits are calculated at prescribed rates on the average balances of various deposit accounts. The reserve for deposits - category A and foreign currency deposits accounts are non-interest bearing and call on demand. Reserve for deposits - category B earns interest but its use is restricted under relevant regulations.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|--|-------------------|-------------------|-------------------|-------------------|----|------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| <u>Financial assets held for trading:</u> | | | | | | |
| Stocks | \$ | 12,733 | \$ | 1,590,832 | \$ | 53,926 |
| Financial bonds | | 10,069 | | - | | - |
| Derivative financial instruments | | 1,229,538 | | 1,575,498 | | 53,407 |
| <u>Financial assets designated by the Bank at fair value through profit or loss:</u> | | | | | | |
| Corporate bonds | | 10,466,885 | | 18,014,143 | | 610,649 |
| Government bonds | | 2,822,468 | | 2,031,839 | | 68,876 |
| Financial bonds | | 7,130,874 | | 8,492,706 | | 287,888 |
| Beneficiary securities | | 159,610 | | - | | - |
| Derivative financial instruments | | <u>3,297,531</u> | | <u>3,256,384</u> | | <u>110,386</u> |
| Total | \$ | <u>25,129,708</u> | \$ | <u>34,961,402</u> | \$ | <u>1,185,132</u> |

As of December 31, 2009 and 2010, the aforementioned financial assets at fair value through profit or loss were not pledged to other parties as collateral.

4. RECEIVABLES – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|-------------------------------------|-------------------|-------------------|-------------------|--------------------|----|------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Accounts receivable | \$ | 74,226,027 | \$ | 96,811,768 | \$ | 3,281,755 |
| Earned revenue receivable | | 482,105 | | 551,426 | | 18,693 |
| Accrued interest | | 3,385,700 | | 2,964,344 | | 100,486 |
| Acceptances receivable | | 11,457,846 | | 11,256,120 | | 381,563 |
| Other receivables | | <u>546,963</u> | | <u>405,272</u> | | <u>13,738</u> |
| Total | | 90,098,641 | | 111,988,930 | | 3,796,235 |
| Less: allowance for probable losses | (| 4,298,320) | (| 2,585,075) | (| 87,630) |
| Net | \$ | <u>85,800,321</u> | \$ | <u>109,403,855</u> | \$ | <u>3,708,605</u> |

5. BILLS DISCOUNTED AND LOANS – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|-------------------------------------|-------------------|---------------|-------------------|------------------|----|------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Inward/Outward documentary bills | \$ | 13,577,053 | \$ | 16,298,509 | \$ | 552,492 |
| Discounts | | 134,383 | | 48,162 | | 1,632 |
| Overdrafts | | 94,097 | | 89,199 | | 3,024 |
| Short-term loans | | 203,554,301 | | 257,381,601 | | 8,724,800 |
| Secured overdrafts | | 964,503 | | 934,793 | | 31,688 |
| Short-term secured loans | | 135,691,282 | | 138,016,747 | | 4,678,534 |
| Medium-term loans | | 289,113,285 | | 260,616,854 | | 8,834,470 |
| Medium-term secured loans | | 208,728,735 | | 250,993,103 | | 8,508,241 |
| Long-term loans | | 118,415,452 | | 45,871,341 | | 1,554,961 |
| Long-term secured loans | | 296,235,422 | | 355,949,008 | | 12,066,068 |
| Non-accrual loans | | 10,634,954 | | 3,927,116 | | 133,122 |
| Total | | 1,277,143,467 | | 1,330,126,433 | | 45,089,032 |
| Less: allowance for probable losses | (| 12,238,632) | (| 10,406,792) | (| 352,773) |
| Net | \$ | 1,264,904,835 | \$ | 1,319,719,641 | \$ | 44,736,259 |

- (1) For the years ended December 31, 2009 and 2010, the Bank had not written-off bills discounted and loans without initiating any legal proceedings to collect such bills discounted and loans.
- (2) As of December 31, 2009 and 2010, all balances of bills discounted and loans for which interest revenue was no longer accrued amounted to NT\$10,634,954 thousand and NT\$3,927,116 thousand, respectively. The unrecognized interest revenue on the above bills discounted and loans amounted to NT\$296,645 thousand and NT\$170,492 thousand for the years ended December 31, 2009 and 2010, respectively.

6. Movements in allowance for credit losses

The Bank had revalued the allowance for bills discounted and loans, non-accrual loans, call loans to banks, receivables and bills purchased by considering unrecoverable risks for the specific loans and inherent risks for the overall loan portfolio. Movements in allowance for credit losses for the years ended December 31, 2009 and 2010 were as follows:

| January 1, 2009 to December 31, 2009 | NT\$ | | | | | |
|---|---------------|--------------|-------|------------|----|------------|
| | Specific Risk | General Risk | Total | | | |
| Balance, January 1, 2009 | \$ | 5,512,686 | \$ | 11,427,642 | \$ | 16,940,328 |
| Provisions | | 5,918,656 | | 469,852 | | 6,388,508 |
| Write-off-net | (| 7,501,906) | (| 915,382) | (| 8,417,288) |
| Recovery of written-off credits | | 2,356,876 | | 149,842 | | 2,506,718 |
| Effects of foreign exchange rate changes and others | | 64,259 | | 333,664 | | 397,923 |
| Balance, December 31, 2009 | \$ | 6,350,571 | \$ | 11,465,618 | \$ | 17,816,189 |

| January 1, 2010 to December 31, 2010 | NT\$ | | | US\$(Unaudited) | | |
|---|---------------|--------------|-------|-----------------|--------------|------------|
| | Specific Risk | General Risk | Total | Specific Risk | General Risk | Total |
| Balance, January 1, 2010 | \$ | 6,350,571 | \$ | 11,465,618 | \$ | 17,816,189 |
| Provisions | | 28,568 | | 1,899,089 | | 1,927,657 |
| Write-off-net | (| 6,669,447) | (| 896,136) | (| 7,565,583) |
| Recovery of written-off credits | | 3,610,564 | | 151,768 | | 3,762,332 |
| Effects of foreign exchange rate changes and others | | 184,601 | | 1,158,408) | | 973,807) |
| Balance, December 31, 2010 | \$ | 3,504,857 | \$ | 11,461,931 | \$ | 14,966,788 |

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

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|--------------------------|-------------------|-------------|-------------------|------------------|----|-----------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Stocks | \$ | 10,664,143 | \$ | 10,406,387 | \$ | 352,759 |
| Commercial papers | | 19,427,529 | | 6,333,138 | | 214,683 |
| Government bonds | | 17,298,230 | | 12,782,016 | | 433,289 |
| Treasury bills | | 891,532 | | 229,012 | | 7,763 |
| Corporate bonds | | 19,323,865 | | 16,289,550 | | 552,188 |
| Beneficiary certificates | | 1,942,602 | | 1,775,497 | | 60,186 |
| Beneficiary securities | | 9,117,545 | | 5,179,917 | | 175,590 |
| Financial bonds | | 34,783,266 | | 29,598,325 | | 1,003,333 |
| Certificates of deposit | | 295,817 | | 605,842 | | 20,537 |
| Total | \$ | 113,744,529 | \$ | 83,199,684 | \$ | 2,820,328 |

- (1) As of December 31, 2009 and 2010, the available-for-sale financial assets amounted to NT\$10,916,668 thousand and NT\$8,407,823 thousand, respectively, and were pledged to other parties as collateral of business reserves and guarantees.

- (2) As of December 31, 2009 and 2010, financial assets at fair value through profit or loss and available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$3,384,082 thousand and NT\$4,285,605 thousand, respectively. Such repurchase agreements were posted to the “securities sold under repurchase agreements” account on the Bank’s balance sheet.
- (3) In 2009 and 2010, the Bank purchased the credit impaired assets in the amount of US\$0 and US\$99,617 thousand, respectively, in accordance with the “Trust Agreement” and “Credit Impaired Asset Put and Clean Up Put Agreement” of “Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1”; and recognized losses amounting to NT\$0 and NT\$3,007,951 thousand, respectively, that were listed under “other losses”. “Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1” has reached maturity and has been cleaned up on June 21, 2010. As a result, all the loss reserve amounting to NT\$2,515,127 thousand has been reversed. “First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2” has been early settled on December 18, 2009, and the Bank purchased the remaining assets amounting to US\$15 thousand and NT\$29,805 thousand.
- (4) Please refer to Note IV 25 for details of impairment loss recognized by the Bank for the years ended December 31, 2009 and 2010.
- (5) The Bank reclassified stocks listed on TSE or OTC, beneficiary certificates and bonds originally classified as at fair value through profit or loss to available-for-sale financial assets amounting to NT\$6,540,913 thousand for the period from July 1 to December 31, 2008 in accordance with the revised Paragraph 104 of the Statement of Financial Accounting Standards No. 34. Relevant information was as follows:

1. Fair value information regarding the reclassified assets that have not been derecognized from the balance sheet as of December 31, 2009 and 2010 was as follows:

| | December 31, 2009 | | December 31, 2010 | | | |
|--------------------------|-------------------|-----------|-------------------|------------------|----|--------|
| | Fair value | | Fair value | | | |
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Bonds | \$ | 1,626,441 | \$ | 420,360 | \$ | 14,249 |
| Beneficiary certificates | | 96,632 | | - | | - |
| Total | \$ | 1,723,073 | \$ | 420,360 | \$ | 14,249 |

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

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

| | For the year ended December 31, 2010 | | | | | |
|--------------------------|--------------------------------------|------------------|-------------------------------------|------------------|----|-----|
| | Recognized in profit and loss | | Recognized as adjustments in equity | | | |
| | NT\$ | US\$ (Unaudited) | NT\$ | US\$ (Unaudited) | | |
| Bonds | \$ | - | \$ | 13,019 | \$ | 441 |
| Beneficiary certificates | | - | | - | | - |
| Total | \$ | - | \$ | 13,019 | \$ | 441 |

The above beneficiary certificates were sold during 2010. The amount was originally recognized as equity adjustments, and subsequently transferred to realized gains and losses in the statement of Income.

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

| | NT\$ | | US\$ (Unaudited) | |
|-------------------------------|------|----------|------------------|--------|
| July 1 ~ December 31, 2008 | (\$ | 240,751) | (\$ | 8,161) |
| January 1 ~ December 31, 2009 | (| 33,631) | (| 1,140) |
| January 1 ~ December 31, 2010 | | 13,019 | | 441 |
| Total | (\$ | 261,363) | (\$ | 8,860) |

- (6) The Bank invested in certain bonds issued by Lehman Brothers Group. Due to the bankruptcy of Lehman Brothers Group, the amount invested may no longer be recovered. As of December 31, 2009, the Bank’s balance amounts to NT\$393,732 thousand, and the Bank has recognized an accumulated impairment loss of NT\$340,290 thousand. As of December 31, 2010, the invested bonds have been sold. The recognized impairment loss for the years ended December 31, 2009 and 2010 was both NT\$0.
- (7) The Bank holds financial debentures issued by several banks in Iceland. Some of the banks were taken over by the Iceland government, therefore the amount invested may no longer be recovered. As of December 31, 2009, the Bank’s balance amounts to NT\$231,196 thousand and the accumulated impairment loss was NT\$215,108 thousand. As of December 31, 2010, the invested bonds have been sold. The recognized impairment loss for the years ended December 31, 2009 and 2010 was both NT\$0.

8. HELD-TO-MATURITY FINANCIAL ASSETS – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|---|-------------------|--------------------|-------------------|--------------------|----|------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Government bonds | \$ | 2,035,057 | \$ | 1,247,210 | \$ | 42,278 |
| Central Bank's certificates of deposits | | 241,900,000 | | 203,000,000 | | 6,881,356 |
| Financial bonds | | 17,356,138 | | 12,279,110 | | 416,241 |
| Corporate bonds | | 417,644 | | - | | - |
| Beneficiary securities | | 210,600 | | - | | - |
| Total | \$ | <u>261,919,439</u> | \$ | <u>216,526,320</u> | \$ | <u>7,339,875</u> |

- (1) As of December 31, 2009 and 2010, held-to-maturity financial assets amounting to NT\$15,618,528 thousand and NT\$15,543,300 thousand, respectively, were pledged to other parties as collateral of business reserves and guarantees.
- (2) The Bank invested in certain bonds issued by Lehman Brothers Group. Due to the bankruptcy of Lehman Brothers Group, the amount invested may no longer be recovered. As of December 31, 2009, the Bank's balance amounts to NT\$552,635 thousand, and the Bank has recognized an accumulated impairment loss of NT\$469,642 thousand. As of December 31, 2010, the invested bonds have been sold. The recognized impairment loss for the years ended December 31, 2009 and 2010 was NT\$67,531 and NT\$0, respectively.
- (3) The Bank holds financial debentures issued by several banks in Iceland. Some of the banks were taken over by the Iceland government, therefore the amount invested may no longer be recovered. As of December 31, 2009, the Bank's balance amounts to NT\$230,749 thousand and the accumulated impairment loss was NT\$226,039 thousand. As of December 31, 2010, the invested bonds have matured and were transferred to receivables. The recognized impairment loss for the years ended December 31, 2009 and 2010 was both NT\$0.

9. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD – NET

| Investee Companies | December 31, 2009 | | December 31, 2010 | | | | | |
|--|--------------------|-------------------|--------------------|------------------|-------------------|----|----------------|--------|
| | Book value NT\$ | % of ownership | Book value NT\$ | US\$ (Unaudited) | % of ownership | | | |
| Mega International Commercial Bank Public Co., Ltd. (Thailand) | \$ | 4,706,221 | 100.00 | \$ | 4,941,644 | \$ | 167,513 | 100.00 |
| Mega International Commercial Bank (Canada) | | 942,887 | 100.00 | | 951,285 | | 32,247 | 100.00 |
| Cathay Investment & Development Corporation (Bahamas) | | 307,511 | 100.00 | | 282,490 | | 9,576 | 100.00 |
| Mega Management & Consulting Co., Ltd. (Note) | | 73,830 | 100.00 | | 79,711 | | 2,702 | 100.00 |
| Cathay Investment & Warehousing Ltd. | | 106,460 | 100.00 | | 95,970 | | 3,253 | 100.00 |
| Ramlett Finance Holdings Inc. | | - | 100.00 | | - | | - | 100.00 |
| Yung-Shing Industries Co. | | 875,277 | 99.56 | | 848,199 | | 28,753 | 99.56 |
| China Products Trading Company | | 62,868 | 68.27 | | 41,164 | | 1,395 | 68.27 |
| Cathy Insurance Company, INC. | | 4,937 | 30.37 | | 4,547 | | 154 | 30.37 |
| United Venture Capital Corp. | | 80,806 | 25.31 | | 44,507 | | 1,509 | 25.31 |
| China Insurance Co., (Siam) Ltd. | | 35,738 | 25.25 | | 38,019 | | 1,289 | 25.25 |
| Mega 1 Venture Capital Co., Ltd. (Note) | | 265,346 | 25.00 | | 173,160 | | 5,870 | 25.00 |
| IP Fundseven Ltd. | | 216,701 | 25.00 | | 223,975 | | 7,592 | 25.00 |
| An Fang Co., Ltd. | | 12,396 | 25.00 | | 12,091 | | 410 | 25.00 |
| Taiwan Bills Finance Co. | | 1,416,477 | 24.55 | | 1,400,552 | | 47,476 | 24.55 |
| Everstrong Iron Steel & Foundry & Mfg Corp. | | 33,843 | 22.22 | | 38,809 | | 1,316 | 22.22 |
| China Real Estate Management Co., Ltd. | | 126,869 | 20.00 | | 126,643 | | 4,293 | 20.00 |
| Total | \$ | <u>9,268,167</u> | | \$ | <u>9,302,766</u> | \$ | <u>315,348</u> | |

Note: Former CTB Financial Management & Consulting Co., Ltd. and former CTB I Venture Capital were renamed as Mega Management & Consulting Co., Ltd. and Mega 1 Venture Capital Co., Ltd. on May 25, 2009 and June 16, 2009, respectively.

- (1) As of December 31, 2009 and 2010, equity investments accounted for under the equity method were not pledged as collateral.
- (2) Investee companies in which the Bank holds more than 50% of ownership have been included in the preparation of the consolidated financial statements except for CTB Financial Management & Consulting Co., Ltd., Cathay Investment & Warehousing Ltd., Ramlett Finance and China Products Trading Company wherein no significant impact were expected.

10. OTHER FINANCIAL ASSETS – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|--|-------------------|-------------------|-------------------|-------------------|----|----------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Financial assets carried at cost: | | | | | | |
| Stocks | \$ | 18,714,217 | \$ | 17,736,121 | \$ | 601,224 |
| Debt investment with no active market: | | | | | | |
| Beneficiary securities | | 113,859 | | - | | - |
| Bills purchased | | 27,511 | | 25,391 | | 861 |
| Non accrual loans transferred from overdue receivables – net | | 323,514 | | 208,827 | | 7,079 |
| Total | \$ | <u>19,179,101</u> | \$ | <u>17,970,339</u> | \$ | <u>609,164</u> |

- (1) For the years ended December 31, 2009 and 2010, the amounts of impairment loss recognized by the Bank due to investees operating at loss over an extended period of time were NT\$1,346,008 thousand and NT\$518,329 thousand, respectively.
- (2) As of December 31, 2009 and 2010, the abovementioned financial assets are not pledged as collateral of business reserves and guarantees.

11. OTHER ASSETS – NET

| | December 31, 2009 | | December 31, 2010 | | | |
|------------------------------|-------------------|------------------|-------------------|------------------|----|----------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Prepayment | \$ | 140,416 | \$ | 129,475 | \$ | 4,389 |
| Prepaid tax | | 476,570 | | - | | - |
| Other prepaid expenses | | 2,510,227 | | 1,287,607 | | 43,648 |
| Deferred pension costs | | 137,408 | | 169,278 | | 5,738 |
| Deferred income tax - net | | 1,579,795 | | 988,892 | | 33,522 |
| Refundable deposits | | 468,546 | | 1,002,879 | | 33,996 |
| Temporary payments | | 906,961 | | 901,268 | | 30,552 |
| Foreclosed property | | 64,352 | | - | | - |
| Accumulated - net impairment | (| 5,180) | | - | | - |
| Idled assets | | - | | 969,293 | | 32,857 |
| Others | | 285,224 | | 197,691 | | 6,701 |
| Net | \$ | <u>6,564,319</u> | \$ | <u>5,646,383</u> | \$ | <u>191,403</u> |

12. DUE TO THE CENTRAL BANK AND COMMERCIAL BANKS

| | December 31, 2009 | | December 31, 2010 | | | |
|---------------------------------------|-------------------|--------------------|-------------------|--------------------|----|-------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Due to Central Bank | \$ | 311,950,366 | \$ | 269,200,015 | \$ | 9,125,424 |
| Transfer deposits from China Post Co. | | 48,773,005 | | 6,849,088 | | 232,172 |
| Overdrafts from other banks | | 3,643,163 | | 2,587,377 | | 87,708 |
| Call loan from other banks | | 25,215,682 | | 26,866,062 | | 910,714 |
| Short-term borrowings | | 14,196,958 | | 10,719,180 | | 363,362 |
| Total | \$ | <u>403,779,174</u> | \$ | <u>316,221,722</u> | \$ | <u>10,719,380</u> |

13. BORROWED FUNDS

| | December 31, 2009 | | December 31, 2010 | | | |
|---|-------------------|-------------------|-------------------|-------------------|----|------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Refinancing to borrow funds from Central Bank | \$ | 11,833,151 | \$ | 9,800,941 | \$ | 332,236 |
| Other funds borrowed from Central Bank | | 31,487,152 | | 28,767,700 | | 975,176 |
| Total | \$ | <u>43,320,303</u> | \$ | <u>38,568,641</u> | \$ | <u>1,307,412</u> |

14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31, 2009 | | December 31, 2010 | | | |
|--|-------------------|-------------------|-------------------|-------------------|----|----------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Financial liabilities held for trading: | | | | | | |
| Derivative financial instruments | \$ | 1,743,748 | \$ | 2,167,975 | \$ | 73,491 |
| Financial liabilities designated at fair value through profit or loss: | | | | | | |
| Financial bonds | | 28,243,643 | | 19,332,719 | | 655,346 |
| Derivative financial instruments | | 2,942,974 | | 6,258,392 | | 212,149 |
| Total | \$ | <u>32,930,365</u> | \$ | <u>27,759,086</u> | \$ | <u>940,986</u> |

15. PAYABLES

| | December 31, 2009 | | December 31, 2010 | | | |
|--|-------------------|-------------------|-------------------|-------------------|----|------------------|
| | NT\$ | | NT\$ | US\$ (Unaudited) | | |
| Accounts payable | \$ | 9,782,997 | \$ | 21,940,478 | \$ | 743,745 |
| Bankers' acceptances | | 11,775,432 | | 11,406,903 | | 386,675 |
| Accrued interests | | 2,833,018 | | 1,903,628 | | 64,530 |
| Dividends and bonus payable | | 5,679,263 | | 5,679,263 | | 192,517 |
| Income tax payable | | 3,554,850 | | 2,625,717 | | 89,007 |
| Accrued expense | | 3,191,138 | | 3,864,009 | | 130,983 |
| Collections payable for customers | | 981,398 | | 1,512,277 | | 51,264 |
| Other payables | | 1,321,617 | | 978,398 | | 33,166 |
| Other payables – parent company account (Note) | | 869,462 | | 2,188,177 | | 74,176 |
| Total | \$ | <u>39,989,175</u> | \$ | <u>52,098,850</u> | \$ | <u>1,766,063</u> |

(Note) Please refer to Notes IV 27 and V.

16. DEPOSITS AND REMITTANCES

| | December 31, 2009 | | December 31, 2010 | | | |
|------------------------------------|-------------------|----------------------|-------------------|----------------------|----|-------------------|
| | NT\$ | | US\$ (Unaudited) | | | |
| Checking deposits | \$ | 26,973,568 | \$ | 27,562,255 | \$ | 934,314 |
| Demand deposits | | 394,129,137 | | 437,827,884 | | 14,841,623 |
| Time deposits | | 549,804,163 | | 568,893,828 | | 19,284,537 |
| Negotiable certificates of deposit | | 2,290,400 | | 1,833,700 | | 62,159 |
| Demand saving deposits | | 285,094,129 | | 307,454,036 | | 10,422,171 |
| Time saving deposits | | 204,527,165 | | 190,582,431 | | 6,460,421 |
| Remittances | | 10,026,554 | | 13,155,220 | | 445,940 |
| Total | \$ | <u>1,472,845,116</u> | \$ | <u>1,547,309,354</u> | \$ | <u>52,451,165</u> |

17. FINANCIAL BONDS PAYABLE

| | December 31, 2009 | | December 31, 2010 | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|----|------------------|
| | NT\$ | | US\$ (Unaudited) | | | |
| Subordinated Bonds | \$ | 27,700,000 | \$ | 34,800,000 | \$ | 1,179,661 |
| Coordinated Bonds | | 3,000 | | - | | - |
| Total | \$ | <u>27,703,000</u> | \$ | <u>34,800,000</u> | \$ | <u>1,179,661</u> |

| Name of bond | Issuing period | Interest rate % | Total issued Amount | December 31, 2009 | | December 31, 2010 | | Remark |
|-----------------------------------|-----------------------|-----------------|---------------------|----------------------|----------------------|---------------------|------------------|--|
| | | | | NT\$ | NT\$ | NT\$ | US\$ (Unaudited) | |
| 93-6 Development Financial bond | 2004.06.29~2010.01.29 | 2.70 | 2,200,000 | 2,200,000 | - | - | - | Interest is paid yearly. The principal is repaid at maturity. |
| 93-107 Development Financial bond | 2004.10.12~2010.04.12 | 2.85 | 500,000 | 500,000 | - | - | - | Interest is paid yearly. The principal is repaid at maturity. |
| 93-207 Development Financial bond | 2004.10.12~2011.04.12 | 3.00 | 4,500,000 | 4,500,000 | 4,500,000 | 152,542 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 96-1 Development Financial bond | 2007.09.27~2014.09.27 | Floating rate | 5,000,000 | 5,000,000 | 5,000,000 | 169,491 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 96-3 Development Financial bond | 2007.12.28~2014.12.28 | 2.99 | 300,000 | 300,000 | 300,000 | 10,170 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 96-4 Development Financial bond | 2007.12.28~2014.12.28 | Floating rate | 400,000 | 400,000 | 400,000 | 13,559 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 97-4 Development Financial bond | 2008.06.26~2015.06.26 | Floating rate | 6,000,000 | 6,000,000 | 6,000,000 | 203,390 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 97-6 Development Financial bond | 2008.06.26~2011.06.26 | Floating rate | 300,000 | 300,000 | 300,000 | 10,170 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 97-7 Development Financial bond | 2008.09.29~2010.09.29 | 2.50 | 500,000 | 500,000 | - | - | - | Interest is paid yearly. The principal is repaid at maturity. |
| 97-8 Development Financial bond | 2008.09.29~2015.09.29 | 3.00 | 1,600,000 | 1,600,000 | 1,600,000 | 54,237 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 97-9 Development Financial bond | 2008.12.23~2015.12.23 | 3.00 | 6,400,000 | 6,400,000 | 6,400,000 | 216,949 | - | Interest is paid yearly. The principal is repaid at maturity. |
| 99-1 Development Financial bond | 2010.12.24~2017.12.24 | 1.53 | 10,300,000 | - | 10,300,000 | 349,153 | - | Interest is paid yearly. The principal is repaid at maturity. Mature but not yet collected |
| Other | | | | 3,000 | - | - | - | |
| Total | | | | <u>\$ 27,703,000</u> | <u>\$ 34,800,000</u> | <u>\$ 1,179,661</u> | | |

18. ACCRUED PENSION LIABILITIES

(1) Net pension cost comprises the following:

| | December 31, 2009 | | December 31, 2010 | | | |
|--------------------------------|-------------------|----------------|-------------------|----------------|----|---------------|
| | NT\$ | | US\$ (Unaudited) | | | |
| Service cost | \$ | 607,497 | \$ | 622,829 | \$ | 21,113 |
| Interest cost | | 315,086 | | 321,044 | | 10,883 |
| Expected return on plan assets | (| 207,789 | (| 201,557 | (| 6,833 |
| Amortization | | 134,494 | | 175,938 | | 5,964 |
| Net pension cost | \$ | <u>849,288</u> | \$ | <u>918,254</u> | \$ | <u>31,127</u> |

- (2) Funded status of the pension plan and reconciliation of accrual pension liabilities are as follows:

| | December 31, 2009 | | December 31, 2010 | |
|---|-------------------|-----------------|-------------------|------------------|
| | NT\$ | NT\$ | NT\$ | US\$ (Unaudited) |
| Benefit obligation | | | | |
| Vested benefit obligation | (\$ 7,291,637) | (\$ 7,657,590) | (\$ 259,579) | |
| Non-vested benefit obligation | (2,251,862) | (2,308,755) | (78,263) | |
| Accumulated benefit obligation | (9,543,499) | (9,966,345) | (337,842) | |
| Effect of future salary increments | (3,511,531) | (3,635,731) | (123,245) | |
| Projected benefit obligation | (13,055,030) | (13,602,076) | (461,087) | |
| Fair value of plan assets | 8,002,272 | 8,611,369 | 291,911 | |
| Funded status | (5,052,758) | (4,990,707) | (169,176) | |
| Unrecognized net transition obligation | 174,910 | 153,232 | 5,194 | |
| Unrecognized service cost in prior year | 60,902 | 38,262 | 1,297 | |
| Non-amortization of gain or loss on plan assets | 3,413,127 | 3,613,515 | 122,492 | |
| Unfunded accrued pension liability | (137,408) | (169,278) | (5,738) | |
| Accrued pension liabilities | (\$ 1,541,227) | (\$ 1,354,976) | (\$ 45,931) | |

- (3) Actuarial assumptions are as follows:

| | | |
|---|-------|-------|
| Discount rate | 2.50% | 2.00% |
| Rate of compensation increase in salaries | 3.00% | 3.00% |
| Expected rate of return on plan assets | 2.50% | 2.00% |

- (4) Effective July 1, 2005, the Bank 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 Bank 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 benefits accrued are portable when the employment is terminated. The pension costs under the defined contribution pension plan for the years ended December 31, 2009 and 2010 were NT\$58,208 thousand and NT\$70,430 thousand, respectively.

19. OTHER FINANCIAL LIABILITIES

| | December 31, 2009 | | December 31, 2010 | |
|-------------------------|-------------------|--------------|-------------------|------------------|
| | NT\$ | NT\$ | NT\$ | US\$ (Unaudited) |
| Structured deposit | \$ 624,812 | \$ 4,064,309 | \$ 137,773 | |
| Appropriation for loans | 4,035,556 | 3,291,093 | 111,562 | |
| Reserve for loans | - | 18 | 1 | |
| Total | \$ 4,660,368 | \$ 7,355,420 | \$ 249,336 | |

20. OTHER LIABILITIES

| | December 31, 2009 | | December 31, 2010 | |
|----------------------------------|-------------------|--------------|-------------------|------------------|
| | NT\$ | NT\$ | NT\$ | US\$ (Unaudited) |
| Deposits Received | \$ 2,368,523 | \$ 2,831,066 | \$ 95,968 | |
| Reserve for losses on guarantees | 3,159,758 | 1,497,523 | 50,763 | |
| Temporary credits | 2,701,709 | 2,469,579 | 83,715 | |
| Others | 3,056,112 | 2,972,501 | 100,763 | |
| Total | \$ 11,286,102 | \$ 9,770,669 | \$ 331,209 | |

21. CAPITAL STOCK

As of December 31, 2009 and 2010, the authorized capital stock was NT\$64,109,878 thousand, consisting of 6,410,988 thousand shares, and issued capital stock was NT\$64,109,878 thousand with par value of \$10 New Taiwan dollars per share for both years.

22. RETAINED EARNINGS AND DIVIDEND POLICIES

- 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. 2.4% of the remaining earnings (including reversible special reserve) are then distributed as bonuses to employees, and the remaining earnings plus prior year's accumulated unappropriated earnings are subject to the Board of Directors' proposal for a distribution plan and approval by the stockholders at the Ordinary Stockholders' Meeting; in the plan, cash dividends shall account for no less than 50% of total dividends, while the rest rare stock dividends. Bonus to employees and dividends to stockholders are distributed in the form of cash. Distribution of bonus to employees should be resolved by the Board of Directors.
- Legal reserve can be only used to recover accumulated deficits or to increase capital stock and shall not be used for any other purposes. It is permitted that the legal reserve is used to increase capital stock if the balance of the legal reserve has reached fifty percent of the issued capital stock, and then only half of the legal reserve can be capitalized.
- Under the Article 41-1 of the Securities and Exchange Act, special reserve can be used to recover accumulated deficits and under the Article 239 of Company Law of the R.O.C., a company shall not use the capital reserve to recover its capital loss, unless the surplus reserve is insufficient to recover such loss. However, the annual net income after income taxes should be first 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 compliance with the Explanatory Letter Jin-Guan-Jen (1) No. 0950000507 of the FSC, Executive Yuan, effective from

2007, except for appropriating legal reserve according to the law, if the current year-end contra accounts in the stockholders' equity have negative/debit balances, public companies are required to appropriate a special reserve equaling such negative / debit balances before distributing the undistributed earnings. Such appropriation of the special reserve should be subject to the following restriction in accordance with Article 41-1 of the Securities and Exchange Act. (a) If the amounts of the contra accounts in the stockholders' equity result from the current year, the amount of the special reserve to be set aside should not exceed the current net income after income taxes plus the accumulated undistributed earnings of the prior years. (b) If the amounts of the contra accounts in the stockholders' equity result from the prior years, the amount of the special reserve to be set aside should not exceed the accumulated undistributed earnings of the prior years less those undistributed earnings that have been set aside in the above (a). In the subsequent years, if there is a reversal of special reserve due to reduction in the negative / debit balances of the contra accounts in the stockholders' equity, the portion of the reversal of the special reserve can be used for earnings distribution.

- (5) Under the Integrated Income Tax System, which took effect on January 1, 1998, R.O.C. resident shareholders are allowed a tax credit for the income tax paid by the Bank on earnings generated since 1998.

Under the Financial Supervisory Commission regulations, when appropriating the current year's net income, the Bank should set aside a special reserve, which is equal to the debit balance of cumulative translation adjustments and unrealized loss resulting from the decline in value of financial instruments. A portion of this reserve is reversed to unappropriated earnings when the debit balances of the foregoing accounts decrease.

Unappropriated retained earnings information:

| | December 31, 2009 | | December 31, 2010 | | | |
|-----------------|-------------------|------------|-------------------|------------|----|---------|
| | NT\$ | | US\$ (Unaudited) | | | |
| 1998 and onward | \$ | 11,091,667 | \$ | 13,970,890 | \$ | 473,589 |

- (6) The appropriations and distributions for 2008 and 2009 approved by the Bank's Board of Directors on the stockholders' behalf on May 6, 2009 and May 3, 2010, respectively, were as follows:

| | 2008 | | 2009 | | | |
|--|------|-----------|------------------|------------|----|---------|
| | NT\$ | | US\$ (Unaudited) | | | |
| Legal reserve | \$ | 1,026,576 | \$ | 3,199,236 | \$ | 108,449 |
| Special reserve | | 4,280,237 | | 29,852 | | 1,012 |
| Cash dividends (NT\$1.46 and NT\$0.25 per share) | | 1,602,747 | | 9,295,931 | | 315,116 |
| Total | \$ | 6,909,560 | \$ | 12,525,019 | \$ | 424,577 |

Information on the appropriation of the Company's earnings as approved by the Board of Directors and during the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. The Company's 2009 actual earnings distributions were as mentioned above, bonuses to employees and remunerations to supervisors and directors in 2009 approved by the Board of Directors were consistent with the amounts recognized in the financial statements as of and for the year ended December 31, 2009.

- (7) The Bank recognized the estimated costs of NT\$280,022 thousand and NT\$194,324 thousand for employees' bonuses for the years ended December 31, 2009 and 2010 which, after taking net income and legal reserve into account, is based on the ratio stipulated in the Company's Articles of Incorporation.

23. UNREALIZED REVALUATION INCREMENT

The Bank made revaluations of its assets in accordance with the relevant laws and regulations. As of December 31, 2009 and 2010, the balance of the revaluation increment of land and other fixed assets amounted to NT\$2,828,009 thousand and NT\$2,335,901 thousand, respectively, and were recorded under "properties and equipment". As of December 31, 2009 and 2010, the balance of the reserve for land valuation increment tax was both NT\$712,253 thousand, and were recorded under "other liabilities".

24. FEE INCOME – NET

| | For the years ended December 31, | | | | | |
|------------------------|----------------------------------|-----------|------------------|-----------|----|---------|
| | 2009 | 2010 | | | | |
| | NT\$ | NT\$ | US\$ (Unaudited) | | | |
| Service fee income | \$ | 6,614,527 | \$ | 7,128,085 | \$ | 241,630 |
| Service fee charges | (| 587,145 | (| 611,993) | (| 20,746) |
| Net service fee income | \$ | 6,027,382 | \$ | 6,516,092 | \$ | 220,884 |

25. ASSET IMPAIRMENT LOSSES

| | For the years ended December 31, | | | | | |
|---|----------------------------------|-----------|------------------|---------|-----|--------|
| | 2009 | 2010 | | | | |
| | NT\$ | NT\$ | US\$ (Unaudited) | | | |
| Available-for-sale financial assets | \$ | 238,085 | (\$ | 57,650) | (\$ | 1,954) |
| Held-to-maturity financial assets | | 67,531 | (| 27,344) | (| 927) |
| Financial assets carried at cost - stocks | | 1,346,008 | | 518,329 | | 17,570 |
| Fixed assets | | 175,808 | | 402,385 | | 13,640 |
| Foreclosed property | | 5,315 | | - | | - |
| Total | \$ | 1,832,747 | \$ | 835,720 | \$ | 28,329 |

(Note) A portion of the financial assets previously recognized as impaired was sold during the current period. As a result, the accumulated impairment loss was reversed.

26. STAFF, DEPRECIATION AND AMORTIZATION EXPENSES

The following is a summary of the components of staff, depreciation, and amortization expenses for the years ended December 31, 2009 and 2010, respectively.

| | For the years ended December 31, | | |
|----------------------|----------------------------------|----------------------|-------------------|
| | 2009 | 2010 | |
| | NT\$ | NT\$ | US\$(Unaudited) |
| Staff expenses | | | |
| Payroll expense | \$ 7,718,412 | \$ 8,986,631 | \$ 304,632 |
| Staff insurance | 444,579 | 466,599 | 15,187 |
| Pension | 919,159 | 1,125,559 | 38,154 |
| Other staff expenses | 354,909 | 318,165 | 10,785 |
| | <u>\$ 9,437,059</u> | <u>\$ 10,896,954</u> | <u>\$ 369,388</u> |
| Depreciation | <u>\$ 684,719</u> | <u>\$ 632,301</u> | <u>\$ 21,434</u> |
| Amortization | <u>\$ 13,052</u> | <u>\$ 8,712</u> | <u>\$ 295</u> |

27. INCOME TAX

(1) The reconciliation of income tax expense and income tax payable is as follows:

| | For the years ended December 31, | | |
|--|----------------------------------|---------------------|------------------|
| | 2009 | 2010 | |
| | NT\$ | NT\$ | US\$ (Unaudited) |
| Income tax at the statutory tax rate | \$ 3,281,121 | \$ 2,286,728 | \$ 77,517 |
| Tax effect of permanent differences | (1,970,816) | (604,709) | (20,499) |
| Effects on enacted change in tax rates | 282,027 | 169,216 | 5,736 |
| Income tax of overseas branches | (20,052) | 466,576 | 15,816 |
| Net change in deferred income tax assets | 291,174 | (590,902) | (20,031) |
| Prepaid and withholding taxes | (1,054,059) | (686,441) | (23,269) |
| 10% income tax levied on unappropriated earnings | - | 53,445 | 1,812 |
| Income tax payable – current period | <u>\$ 809,395</u> | <u>\$ 1,093,913</u> | <u>\$ 37,082</u> |

| | For the years ended December 31, | | |
|---|----------------------------------|---------------------|------------------|
| | 2009 | 2010 | |
| | NT\$ | NT\$ | US\$ (Unaudited) |
| Income tax payable – current period | \$ 809,395 | \$ 1,093,912 | \$ 37,082 |
| Separate tax expenses | 197,180 | 61,848 | 2,097 |
| Deferred income tax benefit | (291,174) | 590,902 | 20,031 |
| Income tax payable attributed to foreign branches and adjustments of prior years income taxes | 694,033 | (153,451) | (5,203) |
| Prepaid and withholding taxes | 1,054,059 | 686,441 | 23,269 |
| Income tax expense | <u>\$ 2,463,493</u> | <u>\$ 2,279,652</u> | <u>\$ 77,276</u> |

(2) As of December 31, 2010, the income tax returns of the Bank through 2005 have been examined by the tax authorities. In connection with such examinations, the Bank disagreed with the assessment and has filed an appeal to the tax authorities in connection with the 2003, 2004 and 2005 income tax return.

- (3) Deferred income taxes as of December 31, 2009 and 2010 consisted of deferred income tax assets - net (presented as part of other assets), as follows:

| | December 31, 2009 | | December 31, 2010 | | | |
|--|-------------------|------------------|-------------------|------------------|----|-----------------|
| | NTS | | NTS | US\$ (Unaudited) | | |
| A. Total deferred income tax assets | \$ | <u>2,234,711</u> | \$ | <u>1,545,086</u> | \$ | <u>52,376</u> |
| B. Total deferred income tax liabilities | (| <u>654,916</u>) | (| <u>556,193</u>) | (| <u>18,854</u>) |
| C. Temporary differences resulting in deferred income tax assets: | | | | | | |
| Provision for employees' pension liabilities | \$ | 1,329,475 | \$ | 1,102,594 | \$ | 37,376 |
| Unrealized loss on investments | | 5,335,486 | | 4,143,352 | | 140,453 |
| Bad debt expense in excess of the amount determined by tax regulations | | 1,434,917 | | 575,229 | | 19,499 |
| Unrealized loss on derivative financial instruments | | - | | 39,171 | | 1,328 |
| Others | | 626,728 | | 1,011,211 | | 34,278 |
| D. Temporary differences resulting in deferred income tax liabilities: | | | | | | |
| Unrealized foreign exchange gains | \$ | 1,069,860 | \$ | 1,032,679 | \$ | 35,006 |
| Cumulative equity in net income of foreign investees | | 1,823,075 | | 2,032,764 | | 68,907 |
| Unrealized gain on derivative financial instruments | | 193,144 | | - | | - |
| E. Deferred income tax assets | \$ | 1,745,324 | \$ | 1,168,165 | \$ | 39,599 |
| Deferred income tax assets attributed to foreign branches | | 489,387 | | 376,921 | | 12,777 |
| Deferred income tax liabilities | (| 617,216) | (| 521,125) | (| 17,665) |
| Deferred income tax liabilities attributed to foreign branches | (| 37,700) | (| 35,068) | (| 1,189) |
| Deferred income tax assets, net | \$ | <u>1,579,795</u> | \$ | <u>988,893</u> | \$ | <u>33,522</u> |

- (4) The information on the implementation of the integrated income tax system as of December 31, 2009 and 2010 is as follows:

| | December 31, 2009 | | December 31, 2010 | | | |
|-----------------------------|-------------------|----------------|-------------------|------------------|----|--------------|
| | NTS | | NTS | US\$ (Unaudited) | | |
| Balances of the imputed tax | \$ | <u>188,027</u> | \$ | <u>127,995</u> | \$ | <u>4,339</u> |

A. The estimated creditable tax ratio for distributing 2010 earnings was 3.24%.

B. The actual tax ratio for distributing 2009 earnings was 4.41%.

- (5) The Bank adopted the linked tax system for income tax filings with the parent company, Mega Financial Holding Co., Ltd., and other qualified subsidiaries in 2003. As a result, any amounts payable to the parent company is posted to the miscellaneous – parent company account under payables.

28. EARNINGS PER SHARE

| | For the years ended December 31, | | | | | |
|--|----------------------------------|----------------------|----------------------|----------------------|-------------------|-------------------|
| | 2009 | | 2010 | | 2010 | |
| | NTS | | NTS | | US\$ (Unaudited) | |
| Weighted-average shares outstanding (shares in thousand) | | | <u>6,410,988</u> | | <u>6,410,988</u> | |
| | For the years ended December 31, | | | | | |
| | 2009 | | 2010 | | 2010 | |
| | NTS | | NTS | | US\$ (Unaudited) | |
| Net income | <u>\$ 13,127,617</u> | <u>\$ 10,664,124</u> | <u>\$ 13,451,339</u> | <u>\$ 11,171,687</u> | <u>\$ 455,977</u> | <u>\$ 378,701</u> |
| Earnings per share (in dollars) | | | | | | |
| Net income | <u>\$ 2.05</u> | <u>\$ 1.66</u> | <u>\$ 2.10</u> | <u>\$ 1.74</u> | <u>\$ 0.07</u> | <u>\$ 0.06</u> |

V. RELATED PARTY TRANSACTIONS

1. NAMES OF THE RELATED PARTIES AND THEIR RELATIONSHIP WITH THE BANK

| <u>Names of related parties</u> | <u>Abbreviation</u> | <u>Relationship with the bank</u> |
|--|--|---|
| Mega Financial Holding Co., Ltd. | Mega Financial Holdings | The Parent company |
| Mega Bills Finance Co., Ltd. | Mega Bills | Jointly controlled by Mega Financial Holdings |
| Mega Securities Co., Ltd. | Mega Securities | Jointly controlled by Mega Financial Holdings |
| Mega Investment Trust Co., Ltd. | Mega Investment Trust | Jointly controlled by Mega Financial Holdings |
| Mega Insurance Co., Ltd. | Mega Insurance | Jointly controlled by Mega Financial Holdings |
| Mega Asset Management Co., Ltd. | Mega Asset | Jointly controlled by Mega Financial Holdings |
| Mega CTB Venture Capital Co., Ltd. | Mega Venture | Jointly controlled by Mega Financial Holdings |
| Mega Life Insurance Co., Ltd. | Mega Life Insurance | Jointly controlled by Mega Financial Holdings |
| Mega International Investment Service Corp. | Mega International Investment Service | Jointly controlled by Mega Financial Holdings |
| Mega Futures Co., Ltd. | Mega Futures | Jointly controlled by Mega Financial Holdings |
| Chunghwa Post Corporation Limited | Chunghwa Post | Director of Mega Financial Holdings |
| Bank of Taiwan Corp. | Bank of Taiwan | Director of Mega Financial Holdings |
| Yung-Shing Industries Co. | Yung-Shing | Subsidiary of the Bank |
| China Products Trading Company | China Products | Subsidiary of the Bank |
| Mega Management & Consulting Co., Ltd. | Mega Financial Management & Consulting | Subsidiary of the Bank |
| Mega International Commercial Bank (Canada) | Mega ICBC (Canada) | Subsidiary of the Bank |
| Cathay Investment & Development Corporation (Bahamas) | Cathay Investment (Bahamas) | Subsidiary of the Bank |
| Mega International Commercial Bank Public Co., Ltd. (Thailand) | Mega ICBC (Thailand) | Subsidiary of the Bank |
| Cathay Investment & Warehousing Ltd. (Panama) | Cathay Investment & Warehousing (Panama) | Subsidiary of the Bank |
| Win Card Co., Ltd. | Win Card | Indirect subsidiary of the Bank |
| ICBC Assets Management & Consulting Co., Ltd. | ICBC Consulting | Indirect subsidiary of the Bank |
| Mega 1 Venture Capital Co., Ltd. | Mega 1 Venture | Equity investees |
| United Venture Capital Corp. | United Venture | Equity investees |
| Everstrong Iron Steel & Foundry & Mfg Corp. | Everstrong Iron Steel | Equity investees |
| IP Fundseven Ltd. | IP Fundseven | Equity investees |
| China Real Estate Management Co., Ltd. | China Real Estate | Equity investees |
| Taiwan Finance Co., Ltd. | Taiwan Finance | Equity investees |
| An Fang Co., Ltd. | An Fang | Equity investees |
| Ramlett Finance Holding Inc. | Ramlett | Equity investees |
| Cathy Insurance company, INC. | Cathy Insurance | Equity investees |
| China Insurance (Siam) Co., Ltd. | China Insurance (Siam) | Equity investees |
| Chinatrust Financial Holdings Co., Ltd. | CFHC | Business conglomerate of Mega's director |
| Chinatrust Commercial Bank Co., Ltd. (Note) | CCBC | Business conglomerate of Mega's director |
| Others | | Certain directors, supervisors, managers and relatives of the Bank's chairman and general manager |

Note: Chinatrust Commercial Bank Co., Ltd. and its group were directors of Mega Financial Holding Co., Ltd. (the Bank's parent company) until April 20, 2009. Starting April 20, 2009, Chinatrust Commercial Bank Co., Ltd. and its group entrusted shares of Mega Financial Holding Co., Ltd. held by them to a designated trust account with Bank of Taiwan, which released Chinatrust Commercial Bank Co., Ltd. and its group from being a director. Therefore, Chinatrust Commercial Bank Co., Ltd. and its group were no longer considered a related party of the bank. (Note V. 2. Major transactions and balances with Chinatrust Commercial Bank Co., Ltd. and its group were disclosed until April 19, 2009.)

2. MAJOR TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(1) Due from and due to banks

| | Balance as of December 31, | | Highest Outstanding Balance | | For The Years Ended December 31, | | | |
|-----------------------------------|----------------------------|------------------|-----------------------------|------------------|----------------------------------|------------------|-------------------|---------------------------------|
| | 2010 | | 2010 | | 2009 | | 2010 | |
| | NT\$ | US\$ (Unaudited) | NT\$ | US\$ (Unaudited) | NT\$ | US\$ (Unaudited) | Interest Rate (%) | Total Interest Income (Expense) |
| | | | | | | | 2009 | 2010 |
| | NT\$ | US\$ (Unaudited) | NT\$ | US\$ (Unaudited) | 2009 | 2010 | NT\$ | US\$ (Unaudited) |
| Due from banks | | | | | | | | |
| Mega ICBC (Canada) | \$ 283,533 | \$ 7,231 | \$ 929,494 | \$ 848,950 | 0.01~1.00 | 0.1~1.14 | \$ 5,070 | 809 |
| Mega Bills | - | 3,390 | 3,500,000 | 4,000,000 | 0.074~0.12 | 0.1~1.18 | 481 | 2,737 |
| Bank of Taiwan | 7,993 | 1,288 | 5,489,338 | 3,397,634 | 0.095~0.1 | 0.1~0.39 | 282 | 159 |
| Mega ICBC (Thailand) | 45,942 | 45,841 | 216,288 | 1,583,508 | 0.44~8.75 | 0.37~7.63 | 64 | 956 |
| Chinatrust Commercial Bank (Note) | - | - | 360,220 | - | 1.95 | - | 20 | - |
| Due to banks | | | | | | | | |
| China Post | \$ 48,924,218 | \$ 240,764 | \$ 96,637,588 | 50,422,128 | 0.01~2.83 | 0.01~1.3 | \$ 986,759 | (352,990) |
| Mega ICBC (Canada) | 114,963 | 8,422 | 358,901 | 407,092 | 0.05~1.00 | 0.05 | (242) | (327) |
| Mega ICBC (Thailand) | 1,145,282 | 24,983 | 2,342,982 | 3,674,428 | 0.00~1.80 | 0.07 | (678) | (1,306) |
| Chinatrust Commercial Bank (Note) | - | - | 900,000 | - | 0.15~0.60 | - | (63) | - |
| Bank of Taiwan | - | - | 2,000,000 | 10,000,000 | 0.10 | 0.1~0.39 | (14) | (157) |

Note: As described in Note V. 1., Chinatrust Commercial Bank was no longer the Bank's related party since April 20, 2009.

(2) Loans and deposits

| | Balance as of December 31, | | | | Total Interest Income (Expense) For The Years Ended December 31, | | | |
|---------------------|----------------------------|------------|---------------|------------------|--|------------------|------------|-------------------|
| | 2009 | | 2010 | | 2009 | | 2010 | |
| | NT\$ | % of Total | NT\$ | US\$ (Unaudited) | NT\$ | US\$ (Unaudited) | % of Total | Interest Rate (%) |
| | | | | | | | | |
| Counterparty | | | | | | | | |
| All related parties | \$ 58,077,621 | 3.94 | \$ 49,911,559 | \$ 1,691,917 | (\$ 283,732) | (\$ 9,618) | 2.91 | 0~13.00 |
| All related parties | 83,504,875 | 6.60 | 109,533,570 | 3,713,002 | 1,129,246 | 38,280 | 3.66 | 0.00~5.86 |

The interest rates shown above are similar to, or approximate, those offered to third parties. But the interest rates for savings deposits of Bank managers within the prescribed amounts are the same as for savings deposits of employees.

In compliance with the Banking Law, except for consumer loans and government loans, credit extended by the Bank to any related party are fully secured, and the terms of credit extended to related parties are similar to those for third parties.

The Bank presents its transactions or account balances with related parties, in the aggregate, except for those which the amount represents over 10% of the account balance.

(3) Lease Agreements

The related parties had leased office spaces from the Bank as summarized below:

| Related Party | Lease Period | Lease Receipt Method | For the years ended December 31, | | |
|-----------------------|-----------------|----------------------|----------------------------------|--------|------------------|
| | | | 2009 | 2010 | |
| | | | NT\$ | NT\$ | US\$ (Unaudited) |
| Win Card | 2008.01-2015.01 | Quarterly | | | |
| Mega Insurance | 2003.05-2012.04 | Monthly | 8,659 | 7,457 | \$ 253 |
| Mega Securities | 2009.11-2013.10 | Monthly | 2,424 | 2,424 | 82 |
| Mega Securities | 2003.03-2009.12 | Monthly | - | 19,341 | 656 |
| Mega Bills | 2005.01-2010.12 | Monthly | 19,340 | - | - |
| Mega Asset | 2006.04-2010.12 | Monthly | 45,000 | 45,000 | 1,525 |
| Mega Investment Trust | 2007.08-2012.07 | Monthly | 6,277 | 6,289 | 213 |
| | | | 10,881 | 11,042 | 374 |

The Bank had made lease agreements with the related parties as summarized below:

| Related Party | Lease Period | Lease Receipt Method | For the years ended December 31, | | |
|---------------------------------|-----------------|----------------------|----------------------------------|---------|------------------|
| | | | 2009 | 2010 | |
| | | | NT\$ | NT\$ | US\$ (Unaudited) |
| Yung-Shing | 1994.12-2014.11 | Annually | 6,260 | 6,606 | 224 |
| Mega Insurance | 2007.12-2012.08 | Monthly | 22,325 | 22,391 | 759 |
| Mega Bills | 2006.05-2010.12 | Monthly | 109,826 | 110,394 | 3,742 |
| Mega Financial Holdings | 2006.12-2010.12 | Monthly | 6,620 | 6,482 | 220 |
| Mega Securities | Note | Note | 4,951 | 7,271 | 246 |
| Cathay Investment & Warehousing | 1996.08-2021.08 | Monthly | 6,120 | - | - |

Note: The Bank sets up offices for collection / payment of securities trading for customers in all operating bases of Mega Securities. There are neither formal contracts nor actual lease terms. The rental fees are paid according to a certain percentage of deposit balance of each operating base.

(4) Transaction balance of financial instruments

Available-for-sale financial assets:

| | December 31, 2009 | December 31, 2010 | |
|---|-------------------|-------------------|------------------|
| | NT\$ | NT\$ | US\$ (Unaudited) |
| Funds managed by Mega International Investment Trust Co., Ltd | | % of Total | |
| | \$ 366,896 | 0.32 | \$ - |

(5) Miscellaneous Payables – Parent Company Account

| | December 31, 2010 | |
|-------------------------|-------------------|------------------|
| | NT\$ | US\$ (Unaudited) |
| Mega Financial Holdings | 869,462 | 74,176 |
| | 2,188,177 | 4.20 |

The parent company's accounts payable to Mega Financial Holding Co., Ltd. is the estimated income tax payable as a result of adopting the linked tax system for income tax filings starting from the year 2003.

(6) Service Fees Revenues

| | For the years ended December 31, | | 2010 | 2010 |
|---------------------|----------------------------------|------------|------------|------------|
| | 2009 | 2010 | | |
| | NT\$ | | NT\$ | |
| | | % of Total | | % of Total |
| Mega Life Insurance | \$ 168,695 | 2.55 | \$ 250,352 | 3.51 |
| | | | | \$ 8,487 |

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

(7) Insurance Expense

| | For the years ended December 31, | | 2010 | 2010 |
|----------------|----------------------------------|------------|-----------|------------|
| | 2009 | 2010 | | |
| | NT\$ | | NT\$ | |
| | | % of Total | | % of Total |
| Mega Insurance | \$ 55,783 | 1.28 | \$ 53,301 | 1.24 |
| | | | | \$ 1,807 |

(8) For the years ended December 31, 2009 and 2010, the commissions and service revenue from International Security Investment Trust Corporation was NT\$959 thousand and NT\$953 thousand (US\$32 thousand), respectively. The uncollected balance on the related receivable was both NT\$152,928 thousand (US\$5,184 thousand) as of December 31, 2009 and 2010, respectively.

As Mega Diamond Bond Fund managed by Mega Investment Trust Co., Ltd. ("MITC") indirectly held Lehman Brothers' bonds, in the view of maintaining order of financial market and protecting asset safety of investors, MITC consigned the Bank to purchase Asset-Backed Commercial Papers ("ABCP") amounting to \$1,878,000 thousand (US\$63,661 thousand) from Mega Diamond Bond Fund, and which MITC will buy back with interests accrued in the future. MITC also promised to compensate the Bank for any loss incurred from purchasing the abovementioned securities (losses from disposal of ABCP and relevant funding cost for purchasing ABCP are also inclusive). As of December 31, 2010, all Asset-Backed commercial papers purchased by the Bank on the behalf of MITC matured. Amount of NT\$463,990 thousand are to be received from MITC according to the above agreement. The amount was fully received in January in 2011.

(9) The Bank's processes of printing documents and labor outsourcing have been outsourced to Yung-Shing Industries Co. Under this arrangement, the Bank paid operating expenses and labor outsourcing of NT\$118,867 thousand and NT\$118,176 thousand (US\$4,006 thousand) for the years ended December 31, 2009 and 2010, respectively.

(10) Starting January, 2001, certain processes of the Bank's credit card operations have been outsourced to Win Card Co., Ltd. Under this arrangement, the Bank paid operating expenses of NT\$173,065 thousand and NT\$165,918 thousand (US\$5,624 thousand) for the years ended December 31, 2009 and 2010, respectively.

(11) Loans

December 31, 2010

| Types | Number of accounts or names of related party | Highest balance | Ending balance | Default status | | Collateral | Whether terms and conditions of the related party transactions are different from those of transactions with third parties. |
|------------------------------|--|-----------------|----------------|----------------|------------------|------------|---|
| | | | | Normal loans | Overdue accounts | | |
| | | | | | | | |
| Consumer loans for employees | 17 | \$ 12,446 | \$ 10,271 | V | None | None | None |
| Home mortgage loans | 55 | 381,466 | 338,095 | V | Real estate | None | None |
| Other loans | 2 | 340,990 | 326,810 | V | Real estate | None | None |

(Expressed in thousands of NTD dollars)

December 31, 2009

| Types | Number of accounts or names of related party | Highest balance | Ending balance | Default status | | Collateral | Whether terms and conditions of the related party transactions are different from those of transactions with third parties. |
|------------------------------|--|-----------------|----------------|----------------|------------------|------------|---|
| | | | | Normal loans | Overdue accounts | | |
| | | | | | | | |
| Consumer loans for employees | 19 | \$ 12,921 | \$ 11,758 | V | None | None | None |
| Home mortgage loans | 48 | 341,213 | 310,612 | V | Real estate | None | None |
| Other loans | 1 | 333,000 | 319,000 | V | Real estate | None | None |

(Expressed in thousands of NTD dollars)

(12) Guarantees:

The Bank did not provide financial guarantees for related parties as of December 31, 2009 and 2010.

(13) Related party transactions of derivative financial instruments:

December 31, 2010 : None.

December 31, 2009

| Related Party | Derivative Contracts | Contract Period | Notional Amount | Valuation gain (loss) | December 31, 2009 | |
|------------------------------------|------------------------------|---------------------|-----------------|-----------------------|-----------------------------------|---------|
| | | | | | Account | Balance |
| Chinatrust Commercial Bank (Note1) | Interest rate swap contracts | 2004/3/23-2015/4/17 | NT\$9,260,000 | - | Financial assets held for trading | - |

(Expressed in thousands of NTD dollars)

Note 1: As described in Note V. 1., Chinatrust Commercial Bank was no longer the Bank's related party since April 20, 2009.

Note 2: The valuation gain (loss) represents those arising from derivative financial instruments measured at fair value as of December 31.

(14) Disposal of non-performing loans for related party: None.

(15) Information on remunerations to the Bank's directors, supervisors, general manager and vice general manager:

| | For the years ended December 31, | | |
|-----------------------|----------------------------------|------------------|------------------|
| | 2009 | 2010 | 2010 |
| | NT\$ | NT\$ | US\$ (Unaudited) |
| Salaries | \$ 24,686 | \$ 27,401 | \$ 929 |
| Bonus | 20,505 | 13,383 | 454 |
| Business expenses | 6,046 | 8,502 | 288 |
| Earnings distribution | 1,069 | 1,020 | 34 |
| | <u>\$ 52,306</u> | <u>\$ 50,306</u> | <u>\$ 1,705</u> |

- A. Salaries represent salary, extra pay for duty, pension and severance pay.
 B. Bonus represents bonuses and rewards.
 C. Business expenses represent transportation expense, extraneous charges, subsidies, housing benefits and vehicles provided.
 D. Earnings distribution represents estimated remunerations to be paid to supervisors and directors and bonuses to be paid to employees in 2010.
 E. Please refer to the Bank's Annual Report for relevant information.

VI. PLEGGED ASSETS

Please refer to Notes IV 7 and 8.

VII. COMMITMENTS AND CONTINGENT LIABILITIES

1. As of December 31, 2009 and 2010, the Bank had the following commitments and contingent liabilities not reflected in the financial statements:

| | December 31, | | |
|---|-------------------------|-------------------------|----------------------|
| | 2009 | 2010 | 2010 |
| | NT\$ | NT\$ | US\$ (Unaudited) |
| Irrevocable loan commitments | \$ 100,343,605 | \$ 130,700,514 | \$ 4,430,526 |
| Securities sold under repurchase agreement | 3,384,414 | 4,286,445 | 145,303 |
| Securities purchased under resale agreement | - | 895,239 | 30,347 |
| Credit card line commitments | 52,867,335 | 45,913,631 | 1,556,394 |
| Guarantees issued | 168,768,528 | 238,333,222 | 8,079,092 |
| Guarantees to be issued | 93,200 | 700 | 24 |
| Letters of credit | 82,069,329 | 92,018,744 | 3,119,279 |
| Customers' securities under custody | 230,717,618 | 174,679,118 | 5,921,326 |
| Properties under custody | 459,395 | 577,824 | 19,587 |
| Guarantee effects | 79,637,567 | 91,718,434 | 3,109,099 |
| Collections for customers | 143,464,376 | 137,555,482 | 4,662,898 |
| Agency loans payable | 4,767,109 | 3,905,242 | 132,381 |
| Travelers' checks consigned-in | 2,153,075 | 2,076,070 | 70,375 |
| Payables on gold bars consigned-in | 24,926 | 21,326 | 723 |
| Payables on gold coins consigned-in | 456 | 510 | 17 |
| Payables on consignments-in | 4,207 | 3,407 | 116 |
| Agent for government bonds | 119,995,200 | 108,888,000 | 3,691,119 |
| Short-dated securities under custody | 55,488,243 | 52,121,266 | 1,766,823 |
| Investments for customers | 265,016 | 265,016 | 8,984 |
| Trust liability | 453,632,668 | 413,875,764 | 14,029,687 |
| Certified notes paid | 12,987,664 | 9,800,941 | 332,235 |
| Total | <u>\$ 1,511,123,931</u> | <u>\$ 1,507,636,895</u> | <u>\$ 51,106,335</u> |

2. For premises occupied by its branches, the Bank has renewable lease agreements expiring on various dates up to 2023. Rentals are payable monthly, quarterly or semiannually. Refundable deposits on these leases totaled NT\$144,371 thousand (shown as other assets). Rentals for the next five years are as follows:

| Year | NT\$ | US\$ (Unaudited) |
|----------------|---------------------|------------------|
| 2011 | \$ 437,859 | \$ 14,843 |
| 2012 | 322,256 | 10,924 |
| 2013 | 234,089 | 7,935 |
| 2014 | 81,707 | 2,770 |
| 2015 and after | 46,081 | 1,562 |
| | <u>\$ 1,121,992</u> | <u>\$ 38,034</u> |

VIII. SIGNIFICANT DISASTER LOSS

None.

IX. SIGNIFICANT SUBSEQUENT EVENT

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

X. OTHERS

1. INFORMATION ON FINANCIAL INSTRUMENTS

(1) Fair Value

| | December 31, 2009 | | December 31, 2010 | | | |
|--|-------------------|----------------|-------------------|----------------|------------------|---------------|
| | NT\$ | | NT\$ | | US\$ (Unaudited) | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Non-derivative financial instruments | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 305,966,509 | \$ 305,966,509 | \$ 261,308,888 | \$ 261,308,888 | \$ 8,857,929 | \$ 8,857,929 |
| Due from the Central Bank and call loans to banks | 90,403,913 | 90,403,913 | 125,172,379 | 125,172,379 | 4,243,132 | 4,243,132 |
| Financial assets held for trading | | | | | | |
| Stocks | 12,733 | 12,733 | 1,590,832 | 1,590,832 | 53,926 | 53,926 |
| Financial bonds | 10,069 | 10,069 | - | - | - | - |
| Financial assets designated at fair value through profit or loss | | | | | | |
| Corporate bonds | 5,646,920 | 5,646,920 | 18,014,143 | 18,014,143 | 610,649 | 610,649 |
| Governments bonds | 2,822,468 | 2,822,468 | 2,031,839 | 2,031,839 | 68,876 | 68,876 |
| Financial bonds | 11,950,839 | 11,950,839 | 8,492,706 | 8,492,706 | 287,888 | 287,888 |
| Beneficiary securities | 159,610 | 159,610 | - | - | - | - |
| Securities purchased under resale agreements | - | - | 895,012 | 895,012 | 30,339 | 30,339 |
| Receivables—net | 85,800,321 | 85,800,321 | 109,403,855 | 109,403,855 | 3,708,605 | 3,708,605 |
| Bills discounted and loans—net | 1,264,904,835 | 1,264,904,835 | 1,319,719,641 | 1,319,719,641 | 44,736,259 | 44,736,259 |
| Available-for-sale financial assets | | | | | | |
| Stocks | 10,664,143 | 10,664,143 | 10,406,387 | 10,406,387 | 352,759 | 352,759 |
| Commercial papers | 19,427,529 | 19,427,529 | 6,333,138 | 6,333,138 | 214,683 | 214,683 |
| Governments bonds | 17,298,230 | 17,298,230 | 12,782,016 | 12,782,016 | 433,289 | 433,289 |
| Treasury bills | 891,532 | 891,532 | 229,012 | 229,012 | 7,763 | 7,763 |
| Corporate bonds | 19,323,865 | 19,323,865 | 16,289,550 | 16,289,550 | 552,188 | 552,188 |
| Beneficiary certificates | 1,942,602 | 1,942,602 | 1,775,497 | 1,775,497 | 60,186 | 60,186 |
| Beneficiary securities | 9,117,545 | 9,117,545 | 5,179,917 | 5,179,917 | 175,590 | 175,590 |
| Financial bonds | 34,783,266 | 34,783,266 | 29,598,325 | 29,598,325 | 1,003,333 | 1,003,333 |
| Certificate of deposits | 295,817 | 295,817 | 605,842 | 605,842 | 20,537 | 20,537 |
| Held-to-maturity financial assets | 261,919,439 | 261,919,439 | 216,526,320 | 216,526,320 | 7,339,875 | 7,339,875 |
| Other financial assets | 19,179,101 | 19,179,101 | 17,970,339 | 17,970,339 | 609,164 | 609,164 |
| Liabilities | | | | | | |
| Due to the Central Bank and other banks | \$ 403,779,174 | \$ 403,779,174 | \$ 316,221,722 | \$ 316,221,722 | \$ 10,719,380 | \$ 10,719,380 |
| Funds borrowed from the Central Bank and other banks | 43,320,303 | 43,320,303 | 38,568,641 | 38,568,641 | 1,307,412 | 1,307,412 |
| Financial liabilities at fair value through profit or loss | | | | | | |
| Financial bonds | 28,243,643 | 28,243,643 | 19,332,719 | 19,332,719 | 655,346 | 655,346 |
| Securities sold under repurchase agreements | 3,384,082 | 3,384,082 | 4,285,605 | 4,285,605 | 145,275 | 145,275 |
| Payables | 39,989,175 | 39,989,175 | 52,098,850 | 52,098,850 | 1,766,063 | 1,766,063 |
| Deposits and remittances | 1,472,845,116 | 1,472,845,116 | 1,547,309,354 | 1,547,309,354 | 52,451,165 | 52,451,165 |
| Financial bonds payable | 27,703,000 | 27,703,000 | 34,800,000 | 34,800,000 | 1,179,661 | 1,179,661 |
| Other financial liabilities | 4,660,368 | 4,660,368 | 7,355,420 | 7,355,420 | 249,336 | 249,336 |

Non-hedging derivative financial instruments

| | December 31, 2009 | | December 31, 2010 | | | |
|-------------------------------|-------------------|--------------|-------------------|--------------|------------------|------------|
| | NT\$ | | NT\$ | | US\$ (Unaudited) | |
| | Notional Amount | Fair Value | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Forward exchange contracts | \$ 39,896,798 | (\$ 172,778) | \$ 53,196,640 | (\$ 201,223) | \$ 1,803,276 | (\$ 6,821) |
| Interest rate swap contracts | 160,048,243 | 982,959 | 114,438,657 | 70,021 | 3,879,277 | 2,374 |
| Cross-currency swap contracts | 49,599,670 | (853,075) | 38,601,687 | (725,333) | 1,308,532 | (24,588) |
| Assets swap contracts | 5,887,160 | (149,433) | 7,279,150 | (510,002) | 246,751 | (17,288) |
| Options | 16,856,757 | (536,849) | 21,274,129 | (2,577,204) | 721,157 | (87,363) |
| Credit default swap | 1,608,800 | (23,275) | 737,500 | (30,796) | 25,000 | (1,044) |
| Currency swap | 527,122,919 | 592,798 | 483,687,177 | 380,036 | 16,396,175 | 12,883 |
| Financial futures | 66,976 | - | 19,623 | 16 | 665 | 1 |

- (2) The methods and assumptions used to estimate the fair value of financial instruments are as follows:
- A. The carrying values of cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, due to the central bank and other banks, payables, remittances, borrowed funds, and other financial liabilities approximate their fair values because of the short maturity of these instruments.
 - B. The methods adopted to estimate the financial and available-for-sale assets at fair value through profit or loss are summarized below:
 - a. On initial recognition, financial assets are measured at fair value. The market price represents the fair value when an active market quote is available; Valuation methods or counterparty quotes should be adopted in an inactive market. The Bank measures fair value mainly based on the market closing prices, interest and exchange rate provided by the Reuters Market Data System, and partly with the information from Bloomberg, GreTai Securities Market and counterparty quotes to keep valuation basis consistent.
 - b. Taiwan Dollar Government Bonds: adopting the yield/price published by the GreTai Securities Market.
 - c. Taiwan Dollar corporate bonds, financial bonds, government bonds, bond beneficiary certificates and designated bank debentures issued by the Bank: discounting future cash flows with credit curves of the OTC to estimate the current value.
 - d. Taiwan Dollar short-term transactions instruments and bills beneficiary certificates: discounting future cash flows with the fixing rate for commercial papers from the Reuters (page 6165) at 11 a.m. to estimate the current value.
 - e. Foreign currency securities: Bloomberg, counterparty quotes.
 - f. Stocks, negotiable bonds: closing prices.
 - g. Funds: fund net value.
 - h. Financial Derivatives:
 - 1) Forward, currency swap, forward rate agreement, interest rate swap and cross currency swap: discounted cash flow method.
 - 2) Some structured derivatives use BGM Model for estimation.
 - 3) Some foreign currency derivatives use Bloomberg or counterparty quotes for estimation.
 - C. Among held-to-maturity financial assets and other financial assets, current value of quoted equity securities is based on the closing price of the date of balance sheet, and that of bonds is based on the closing or reference prices of the date of balance sheet. Appropriate valuation methods should be adopted in an inactive market.
 - D. Bills discounted and loans, securities sold under repurchase agreements, deposits and bonds issued are financial assets and liabilities with mainly floating interests. Thus, their carrying values are deemed to be equivalent to their fair values
 - E. Since financial assets carried at cost are composed of unlisted stocks or those not actively traded in the market with no significant influences, they are measured at cost in compliance with the statements of financial accounting standards.

Some fair values of financial and non-financial instruments have not been included in the above summary, so those fair values do not represent the total value of the Bank.

(Blank below)

(3) The fair values of the Bank's financial assets and liabilities determined by quoted market prices and pricing models are as follows:

| | December 31, | | | | | |
|---|----------------------|--|----------------------|------------------|--|------------------|
| | 2009 | | 2010 | | | |
| | Quoted market prices | Amount determined by a valuation technique | Quoted market prices | | Amount determined by a valuation technique | |
| | NTS | NTS | NTS | US\$ (Unaudited) | NTS | US\$ (Unaudited) |
| <u>Non-derivative financial instruments</u> | | | | | | |
| <u>Assets</u> | | | | | | |
| Financial assets held for trading | | | | | | |
| Stocks | \$ 12,733 | \$ - | \$ 1,590,832 | \$ 53,926 | \$ - | \$ - |
| Financial bonds | - | 10,069 | - | - | - | - |
| Financial assets designated at fair value through profit or loss | | | | | | |
| Corporate bonds | - | 5,646,920 | - | - | 18,014,143 | 610,649 |
| Government bonds | 2,822,468 | - | 2,031,839 | 68,876 | - | - |
| Financial bonds | - | 11,950,839 | - | - | 8,492,706 | 287,888 |
| Beneficiary securities | - | 159,610 | - | - | - | - |
| Securities purchased under resale agreements | | | | | | |
| | - | - | - | - | 895,012 | 30,339 |
| Available-for-sale financial assets | | | | | | |
| Stocks | 10,664,143 | - | 10,406,387 | 352,759 | - | - |
| Commercial papers | - | 19,427,529 | - | - | 6,333,138 | 214,683 |
| Government bonds | 17,298,230 | - | 12,782,016 | 433,289 | - | - |
| Treasury bills | - | 891,532 | - | - | 229,012 | 7,763 |
| Corporate bonds | - | 19,323,865 | - | - | 16,289,550 | 552,188 |
| Beneficiary certificates | 1,942,602 | - | 1,775,497 | 60,186 | - | - |
| Beneficiary securities | - | 9,117,545 | - | - | 5,179,917 | 175,590 |
| Financial bonds | - | 34,783,266 | - | - | 29,598,325 | 1,033,333 |
| Certificate of deposits | - | 295,817 | - | - | 605,842 | 20,537 |
| Receivables – net | - | 85,800,321 | - | - | 109,403,855 | 3,708,605 |
| Bills discounted and loans – net | - | 1,264,904,835 | - | - | 1,319,719,641 | 44,736,259 |
| Held-to-maturity financial assets | - | 261,919,439 | - | - | 216,526,320 | 7,339,875 |
| Other financial assets | - | 19,179,101 | - | - | 17,970,339 | 609,164 |
| <u>Liabilities</u> | | | | | | |
| Due to the Central Banks and other banks | \$ - | \$ 403,779,174 | \$ - | \$ - | \$ 316,221,722 | \$ 10,719,380 |
| Funds borrowed from the Central banks and other banks | - | 43,320,303 | - | - | 38,568,641 | 1,307,412 |
| Financial liabilities designated at fair value through profit or loss | | | | | | |
| Financial bonds | - | 28,243,643 | - | - | 19,332,719 | 655,346 |
| Securities sold under repurchase agreements | | | | | | |
| | - | 3,384,082 | - | - | 4,285,605 | 145,275 |
| Payables | - | 39,989,175 | - | - | 52,098,850 | 1,766,063 |
| Deposits and remittances | - | 1,472,845,116 | - | - | 1,547,309,354 | 52,451,165 |
| Financial bonds payable | - | 27,703,000 | - | - | 34,800,000 | 1,179,661 |
| Other financial liabilities | - | 4,660,368 | - | - | 7,355,420 | 249,336 |
| <u>Non-hedging derivative financial instruments</u> | | | | | | |
| Financial assets held for trading | | | | | | |
| | \$ - | \$ 1,229,538 | \$ - | \$ - | \$ 1,575,498 | \$ 53,407 |
| Financial assets designated at fair value through profit or loss | | | | | | |
| | - | 3,297,531 | - | - | 3,256,384 | 110,386 |
| Financial liabilities held for trading | | | | | | |
| | - | 1,743,748 | - | - | 2,167,975 | 73,491 |
| Financial liabilities designated at fair value through profit or loss | | | | | | |
| | - | 2,942,974 | - | - | 6,258,392 | 212,149 |

- (4) Net loss determined by a valuation technique arising from derivative financial instruments at fair value through profit or loss for the years ended December 31, 2009 and 2010 amounted to NT\$1,210,065 thousand and NT\$651,564 thousand (US\$22,087 thousand), respectively.
- (5) The interest income arising from other than financial assets at fair value through profit or loss for the years ended December 31, 2009 and 2010 amounted to NT\$34,260,927 thousand and NT\$30,327,210 thousand (US\$1,028,041 thousand), respectively.
- (6) The adjustment in equity arising from available-for-sale financial assets for the years ended December 31, 2009 and 2010 amounted to NT\$6,343,335 thousand and NT\$375,393 thousand (US\$12,725 thousand), respectively.

2. INFORMATION ON FINANCIAL RISK

(1) Market risk

Except for fund dispatching, deposit pricing and long-term/medium-term capital funding and usage, the Bank controls market risk, manages indicators of interest rate sensitivity asset and liabilities and market risk exposure limits through the treasury department. Regarding the foreign exchange market, foreign currency market, capital market and derivative transactions and so on, the Bank sets regulations on the transaction range and amount, assesses the limitation of the position and estimation of management risk index. Also, sets limitations on daily amount, overnight amount, counterparties amount and stop loss points for the dealing room and dealers. The foreign branches set limitation for foreign exchange which is controlled daily, and monthly reports are presented to the management for reference. The transactions have set limitations and are periodically accrued as unrealized profit or loss, and reports are prepared for management and Board of Directors review.

To measure the risk weighted assets in accordance with the standards set by the authorities.

The interest rate risk is measured based on the "Interest-rate sensitivity gap" and the "Interest rate sensitivity asset and liabilities ratio" and so on, so that the interest rate risk can be maintained within the suitable range. As for the exchange rate and investments in quoted securities exposure amount, the daily estimation of profit or loss is based on the market price and the stop loss point in order to make sure it is within the range acceptable for risk control.

Derivatives on trading book with hedge or non-hedge transaction characteristic are evaluated on a semi-monthly and weekly basis.

(2) Credit risk

- A. Credit risk represents the risk of loss that the Bank would incur if the counterparty fails to perform the Bank's contractual obligations.

The concentrations of credit risk exist when the counter party to financial instrument transactions are either concentrated in certain individuals or group of individuals engaged in similar activities or having activities in the same region, which would impair their ability to meet contractual obligations under negative economic or other conditions. The Bank has not transacted with one single customer or entered into one single transaction which would expose the Bank to concentration risk. However, the Bank is likely exposed to industry concentration risk.

For credit cards, no collateral is required, but the credit status of each cardholder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit.

- B. The maximum credit risk exposure amounts of financial instruments held by the Bank are as follows:

| | December 31, | | | | | |
|---|-------------------------|------------------------------|-------------------------|-----------------------|------------------------------|-----------------------|
| | 2009 | | 2010 | | | |
| | Book value | Maximum risk exposure amount | Book value | | Maximum risk exposure amount | |
| | NT\$ | NT\$ | NT\$ | US\$(Unaudited) | NT\$ | US\$(Unaudited) |
| Financial assets | | | | | | |
| Financial assets at fair value through profit or loss | \$ 25,129,708 | \$ 25,155,681 | \$ 34,961,402 | \$ 1,185,132 | \$ 34,973,621 | \$ 1,185,547 |
| Available-for-sale financial assets | 113,744,529 | 113,744,529 | 83,199,684 | 2,820,328 | 83,199,684 | 2,820,328 |
| Bills discounted and loans | 1,264,904,835 | 1,264,904,835 | 1,319,719,641 | 44,736,259 | 1,319,719,641 | 44,736,259 |
| Held-to-maturity financial assets | 261,919,439 | 261,919,439 | 216,526,320 | 7,339,875 | 216,526,320 | 7,339,875 |
| Off-balance sheet commitments and guarantees | 1,511,123,931 | 1,511,123,931 | 1,507,636,895 | 51,106,336 | 1,507,404,870 | 51,098,470 |
| Total | \$ 3,176,822,442 | \$ 3,176,848,415 | \$ 3,162,043,942 | \$ 107,187,930 | \$ 3,161,824,136 | \$ 107,180,479 |

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

- C. The Bank strictly assesses and evaluates each credit application for loan facility, guarantee and letters of credit. Collaterals, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the result of the credit worthiness evaluation. As of December 31, 2009 and 2010, collaterals secured approximately 50.66% and 56.24%, respectively, of total loans (excluding overdue loans). When a borrower defaults, the Bank would enforce the foreclosure of the collaterals and guarantees to lower the Bank's credit risk. As disclosing the maximum credit risk exposure amount, the Bank would not consider the fair value of collaterals. However, the Bank is likely exposed to industry concentration risk. The Bank's information on industry concentration of credit risk is as follows:

| Industry type | December 31, | | | | | |
|---|-------------------------|------------------------------|-------------------------|----------------------|------------------------------|----------------------|
| | 2009 | | 2010 | | | |
| | Book value | Maximum risk exposure amount | Book value | | Maximum risk exposure amount | |
| NTS | NTS | NTS | US\$ (Unaudited) | NTS | US\$ (Unaudited) | |
| Manufacturing | \$ 442,041,940 | \$ 442,041,940 | \$ 490,403,000 | \$ 16,623,830 | \$ 490,403,000 | \$ 16,623,830 |
| Financial institution, insurer, real estate and leasing | 183,560,744 | 183,560,744 | 192,399,370 | 6,522,012 | 192,399,370 | 6,522,012 |
| Wholesale and retail sale | 107,651,214 | 107,651,214 | 114,998,838 | 3,898,266 | 114,998,838 | 3,898,266 |
| Shipping and warehouse storage | 79,026,647 | 79,026,647 | 86,494,165 | 2,932,006 | 86,494,165 | 2,932,006 |
| Government institution | 43,657,581 | 43,657,581 | 25,268,254 | 856,551 | 25,268,254 | 856,551 |
| Individuals | 263,662,493 | 263,662,493 | 288,452,889 | 9,778,064 | 288,452,889 | 9,778,064 |
| Others (Note 2) | <u>338,256,002</u> | <u>338,256,002</u> | <u>384,599,935</u> | <u>13,037,286</u> | <u>384,599,935</u> | <u>13,037,286</u> |
| Total | <u>\$ 1,457,856,621</u> | <u>\$ 1,457,856,621</u> | <u>\$ 1,582,616,451</u> | <u>\$ 53,648,015</u> | <u>\$ 1,582,616,451</u> | <u>\$ 53,648,015</u> |
| Geographic region | | | | | | |
| Domestic | \$ 1,086,985,407 | \$ 1,086,985,407 | \$ 1,201,513,114 | \$ 40,729,258 | \$ 1,201,513,114 | \$ 40,729,258 |
| North America | 61,680,911 | 61,680,911 | 48,451,458 | 1,642,422 | 48,451,458 | 1,642,422 |
| Others (Note 2) | <u>309,190,303</u> | <u>309,190,303</u> | <u>332,651,879</u> | <u>11,276,335</u> | <u>332,651,879</u> | <u>11,276,335</u> |
| Total | <u>\$ 1,457,856,621</u> | <u>\$ 1,457,856,621</u> | <u>\$ 1,582,616,451</u> | <u>\$ 53,648,015</u> | <u>\$ 1,582,616,451</u> | <u>\$ 53,648,015</u> |

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

Note 2: Including amounts pursuant to government policies.

(Blank below)

Contract amounts of significant credit risk concentration are as follows:

| December 31, 2009 | | | |
|---------------------|--|--|---|
| Ranking (Note 1) | Name of Enterprise Group (Note 2) | Total outstanding loan amount (Note 3) | Total outstanding loan amount / net worth of the current year (%) |
| 1 | Taiwan High Speed Rail – Transportation and Storage | \$ 65,994,942 | 42.24% |
| 2 | Formosa Plastics Group – Non-metallic Manufacturing | 61,701,899 | 39.49% |
| 3 | China Steel Group – Basic Metal Manufacturing | 26,142,575 | 16.73% |
| 4 | Far Eastern Group – Non-metallic Manufacturing | 19,113,158 | 12.23% |
| 5 | CHIMEI Group – Optoelectronic Materials and Semi-conductors Manufacturing | 15,805,165 | 10.12% |
| 6 | BenQ Group – Optoelectronic Materials and Semi-conductors Manufacturing | 14,450,664 | 9.25% |
| 7 | YU FENG Group – Real Estate | 13,874,503 | 8.88% |
| 8 | Foxconn Group – Computer Communication and Audio and Video Electronic Products Manufacturing | 12,863,657 | 8.23% |
| 9 | Uni-President Group – Food Manufacturing | 12,284,240 | 7.86% |
| 10 | Ta Tung Group – Computer Communication and Audio and Video Electronic | 11,049,694 | 7.07% |

| December 31, 2010 | | | |
|---------------------|---|--|---|
| Ranking (Note 1) | Name of Enterprise Group (Note 2) | Total outstanding loan amount (Note 3) | Total outstanding loan amount / net worth of the current year (%) |
| 1 | Formosa Plastics Group – Non-metallic Manufacturing | \$ 69,464,705 | 44.04% |
| 2 | Taiwan High Speed Rail – Transportation and Storage | 66,759,269 | 42.32% |
| 3 | CHIMEI Group – Optoelectronic Materials and Semi-conductors Manufacturing | 28,897,096 | 18.32% |
| 4 | China Steel Group – Basic Metal Manufacturing | 24,765,876 | 15.70% |
| 5 | Far Eastern Group – Non-metallic Manufacturing | 19,404,184 | 12.30% |
| 6 | BenQ Group – Optoelectronic Materials and Semi-conductors Manufacturing | 16,490,566 | 10.45% |
| 7 | YU FENG Group – Real Estate | 14,392,844 | 9.12% |
| 8 | Taiwan Cement Group – Cement Manufacturing | 13,341,368 | 8.46% |
| 9 | Acer Group – Computer Peripherals Manufacturing | 11,999,046 | 7.61% |
| 10 | E United Group – Iron Rolling and Extruding | 11,825,291 | 7.50% |

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

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

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

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

| | December 31, 2009 | | December 31, 2010 | |
|--|--|------------|--|------------|
| Amount of credit extensions to interested parties | \$ | 85,458,200 | \$ | 86,790,698 |
| Ratio of credit extensions to interested parties (%) | | 5.67% | | 5.26% |
| Ratio of credit extensions secured by stocks (%) | | 1.74% | | 1.67% |
| Industry concentration (Ranking the top 3 ratio of amount of credit extensions / total credit extensions) | Industry | Ratio | Industry | Ratio |
| | Manufacturing | 35.40% | Manufacturing | 36.52% |
| | Transportation and storehouse industry | 9.01% | Transportation and Storehouse industry | 8.73% |
| | Real estate industry | 7.23% | Real estate industry | 7.95% |

Note 1: Total amount of credit extensions include bills discounted and loans, acceptances receivable, guarantees receivable, and advance accounts for factoring receivable.

Note 2: The ratio of credit extensions to interested parties = the amount of credit extensions to interested parties / the total amount of all credit extensions.

Note 3: The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amounts of all credit extensions.

(3) Liquidity risk

The capital and working capital of the Bank were sufficient to execute all the obligation of contracts and had no liquidity risk. The possibility of the derivative financial instruments held by the Bank being unable to liquidate quickly with minimal loss in value is low.

The management policy of the Bank is to match the contractual maturity profile and interest rate of its assets and liabilities. As a result of the uncertainty, the maturities and interest rates of assets and liabilities usually do not fully match. The gap may result in potential gain or loss. The Bank applied the appropriate grouping of assets and liabilities.

(Blank below)

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2010

Unit: thousands of New Taiwan dollars

| Financial instruments | 1 year | | 1~7 years | | over 7 years | | Total | |
|---|-------------------------|--|-----------------------|--|-----------------------|--|-----------------------|--|
| | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount |
| Assets | | | | | | | | |
| Due from Central Bank and call Loans to banks | \$ 125,172,763 | \$ 125,172,379 | \$ - | \$ - | \$ - | \$ - | \$ 125,172,763 | \$ 125,172,379 |
| Financial assets at fair value through profit or loss (Note) | 5,373,486 | 5,373,486 | 22,966,590 | 22,966,590 | 198,612 | 198,612 | 28,538,688 | 28,538,688 |
| Securities purchased under resale agreements | 895,012 | 895,012 | - | - | - | - | 895,012 | 895,012 |
| Bills discounted and loans Available-for-sale financial assets (Note) | 412,769,010 | 410,582,355 | 511,609,957 | 507,234,479 | 405,747,466 | 401,902,807 | 1,330,126,433 | 1,319,719,641 |
| Held-to-maturity financial assets | 27,819,743 | 27,819,743 | 41,032,329 | 41,032,329 | 2,165,728 | 2,165,728 | 71,017,800 | 71,017,800 |
| Other financial assets (Note) | 207,960,521 | 207,960,521 | 8,539,381 | 8,539,381 | 26,418 | 26,418 | 216,526,320 | 216,526,320 |
| | 25,391 | 25,391 | - | - | 685,842 | 208,827 | 711,233 | 234,218 |
| Total Assets | 780,015,926 | 777,828,887 | 584,148,257 | 579,772,779 | 408,824,066 | 404,502,392 | 1,772,988,249 | 1,762,104,058 |
| Liabilities | | | | | | | | |
| Due to the Central Bank and commercial banks | 316,221,722 | 316,221,722 | - | - | - | - | 316,221,722 | 316,221,722 |
| Borrowed funds from the Central Bank and other banks | 38,568,641 | 38,568,641 | - | - | - | - | 38,568,641 | 38,568,641 |
| Financial liabilities at fair value through profit or loss (Note) | 5,621,611 | 5,621,611 | 13,711,108 | 13,711,108 | - | - | 19,332,719 | 19,332,719 |
| Securities sold under repurchase agreements | 4,285,605 | 4,285,605 | - | - | - | - | 4,285,605 | 4,285,605 |
| Time deposit | 746,118,597 | 746,118,597 | 15,191,362 | 15,191,362 | - | - | 761,309,959 | 761,309,959 |
| Financial bonds payable | 4,800,000 | 4,800,000 | 30,000,000 | 30,000,000 | - | - | 34,800,000 | 34,800,000 |
| Other financial liabilities | 7,355,420 | 7,355,420 | - | - | - | - | 7,355,420 | 7,355,420 |
| Total Liabilities | 1,122,971,596 | 1,122,971,596 | 58,902,470 | 58,902,470 | - | - | 1,181,874,066 | 1,181,874,066 |
| Net liquidity gap | (\$ 342,955,670) | (\$ 345,142,709) | \$ 525,245,787 | \$ 520,870,309 | \$ 408,824,066 | \$ 404,502,392 | \$ 591,114,183 | \$ 580,229,992 |

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



Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2010

Unit: thousands of US dollars

| Financial instruments | 1 year | | 1~7 years | | over 7 years | | Total | |
|---|-----------------|--|---------------|--|---------------|--|---------------|--|
| | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount |
| Assets | | | | | | | | |
| Due from Central Bank and call Loans to banks | \$ 4,243,145 | \$ 4,243,132 | \$ - | \$ - | \$ - | \$ - | \$ 4,243,145 | \$ 4,243,132 |
| Financial assets at fair value through profit or loss (Note) | 182,152 | 182,152 | 778,528 | 778,528 | 6,733 | 6,733 | 967,413 | 967,413 |
| Securities purchased under resale agreements | 30,339 | 30,339 | - | - | - | - | 30,339 | 30,339 |
| Bills discounted and loans Available-for-sale financial assets (Note) | 13,992,170 | 13,918,046 | 17,342,710 | 17,194,389 | 13,754,151 | 13,623,824 | 45,089,031 | 44,736,259 |
| Held-to-maturity financial assets | 943,042 | 943,042 | 1,390,926 | 1,390,926 | 73,415 | 73,415 | 2,407,383 | 2,407,383 |
| Other financial assets (Note) | 7,049,509 | 7,049,509 | 289,471 | 289,471 | 895 | 895 | 7,339,875 | 7,339,875 |
| Total Assets | 26,441,218 | 26,367,081 | 19,801,635 | 19,653,314 | 23,249 | 23,249 | 60,101,296 | 59,732,341 |
| Liabilities | | | | | | | | |
| Due to the Central Bank and commercial banks | 10,719,380 | 10,719,380 | - | - | - | - | 10,719,380 | 10,719,380 |
| Borrowed funds from the Central Bank and other banks | 1,307,412 | 1,307,412 | - | - | - | - | 1,307,412 | 1,307,412 |
| Financial liabilities at fair value through profit or loss (Note) | 190,563 | 190,563 | 464,783 | 464,783 | - | - | 655,346 | 655,346 |
| Securities sold under repurchase agreements | 145,275 | 145,275 | - | - | - | - | 145,275 | 145,275 |
| Time deposit | 25,292,156 | 25,292,156 | 514,961 | 514,961 | - | - | 25,807,117 | 25,807,117 |
| Financial bonds payable | 162,712 | 162,712 | 1,016,949 | 1,016,949 | - | - | 1,179,661 | 1,179,661 |
| Other financial liabilities | 249,336 | 249,336 | - | - | - | - | 249,336 | 249,336 |
| Total Liabilities | 38,066,834 | 38,066,834 | 1,996,693 | 1,996,693 | - | - | 40,063,527 | 40,063,527 |
| Net liquidity gap | (\$ 11,625,616) | (\$ 11,699,753) | \$ 17,804,942 | \$ 17,656,621 | \$ 13,858,443 | \$ 13,711,946 | \$ 20,037,769 | \$ 19,668,814 |

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

Mega International Commercial Bank Co., Ltd
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2009

Unit: thousands of New Taiwan dollars

| Financial instruments | 1 year | | 1~7 years | | over 7 years | | Total | |
|---|------------------|--|----------------|--|----------------|--|----------------|--|
| | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount |
| Assets | | | | | | | | |
| Due from Central Bank and call Loans to banks | \$ 90,404,330 | \$ 90,403,913 | - | - | - | - | \$ 90,404,330 | \$ 90,403,913 |
| Financial assets at fair value through profit or loss (Note) | 2,588,144 | 2,588,144 | 17,584,135 | 17,584,135 | 417,627 | 417,627 | 20,589,906 | 20,589,906 |
| Bills discounted and loans Available-for-sale financial assets (Note) | 354,015,619 | 352,260,713 | 497,842,020 | 493,955,661 | 425,285,828 | 418,688,461 | 1,277,143,467 | 1,264,904,835 |
| Held-to-maturity financial assets | 47,942,558 | 47,942,558 | 50,404,459 | 50,404,459 | 2,790,767 | 2,790,767 | 101,137,784 | 101,137,784 |
| Other financial assets (Note) | 247,544,819 | 247,544,819 | 14,370,944 | 14,370,944 | 3,676 | 3,676 | 261,919,439 | 261,919,439 |
| Total Assets | 742,637,095 | 740,881,517 | 580,201,558 | 576,315,199 | 429,137,017 | 422,224,045 | 1,751,975,670 | 1,739,420,761 |
| Liabilities | | | | | | | | |
| Due to the Central Bank and commercial banks | 403,779,174 | 403,779,174 | - | - | - | - | 403,779,174 | 403,779,174 |
| Borrowed funds from the Central Bank and other banks | 43,320,303 | 43,320,303 | - | - | - | - | 43,320,303 | 43,320,303 |
| Financial liabilities at fair value through profit or loss (Note) | 8,880,341 | 8,880,341 | 19,363,302 | 19,363,302 | - | - | 28,243,643 | 28,243,643 |
| Securities sold under repurchase agreements | 3,384,082 | 3,384,082 | - | - | - | - | 3,384,082 | 3,384,082 |
| Time deposit | 738,164,659 | 738,164,659 | 19,204,879 | 19,204,879 | - | - | 757,369,538 | 757,369,538 |
| Financial bonds payable | 2,703,000 | 2,703,000 | 25,000,000 | 25,000,000 | - | - | 27,703,000 | 27,703,000 |
| Other financial liabilities | 4,035,556 | 4,035,556 | - | - | - | - | 4,035,556 | 4,035,556 |
| Total Liabilities | 1,204,267,115 | 1,204,267,115 | 63,568,181 | 63,568,181 | - | - | 1,267,835,296 | 1,267,835,296 |
| Net liquidity gap | (\$ 461,630,020) | (\$ 463,385,598) | \$ 516,633,377 | \$ 512,747,018 | \$ 429,137,017 | \$ 422,224,045 | \$ 484,140,374 | \$ 471,585,465 |

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

(4) Cash flow risk and fair value risk of interest rate fluctuation

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest rate. The risk is considered to be material to the Bank, and the Bank enters into interest rate swap contracts to manage the risk.

As of December 31, 2010, expected repricing and maturity dates of interest-bearing financial instruments are not affected by dates of related contracts.

3. RISK CONTROL AND HEDGE STRATEGY

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

The Bank's Board of Directors has the ultimate approval right in risk management and has ultimate responsibility for the Bank's risk strategies and ensures the function works. The Assets & liabilities Management Committee, Loan Committee, Problem Loan Committee, Investment Committee, Fund Management Committee, Wealth Management Committee, Offshore Structured Products Screening Committee, Product & Regulation Committee, Personal Appraisal Committee, Occupational Safety & Health Committee and Trust Assets Screening Committee subordinated under President are responsible for reviewing relevant risk proposals. In addition, a disaster (risk) emergency team convened by the President for the purpose of handling disasters or other contingent events, taking actions to minimize losses, bring disaster/risk to an end and restore normal business operations.

Risk management is controlled by each individual department of head office according to its authorization and responsibility. In terms of credit risk, Credit Control Department is responsible for risk management of credit business, management of large amount of money and risk exposure of related parties, credit policy and drafting relevant Articles; Cards Service Center is in charge of risk management of credit card business and drafting relevant Articles; Direct Investment Department manages risk management of investment business and drafting relevant Articles; Treasury Department presides over risk management of investment banking, financial assets and real estate securitization and drafting relevant Articles; Credit Department takes care of credit checking, analysis and evaluation of corporate banking clients and drafting relevant Articles. For market risk and liquidity risk, risk management is carried out by Financial Management Center, accounting for setting up pricing model and valuation system of financial instruments, controlling of the Bank's exposure to financial instruments, and drafting relevant Articles. For operation risk, losses may be incurred from internal operation, personnel, system or external events; therefore, Risk Management Department is responsible for execution performance of each department. In addition, Risk Management Department is also in charge of setting up the Bank's short-term, medium-term and long-term targets, drives risk management mechanism of the Bank: risk management meetings should be hosted by the vice president every two months, and assets and liabilities and risk management committee convened by president every six months, summarizing risk controls and reports to the Board of Directors and Risk Management Committee of Mega Financial Holdings regularly.

Risk management policy is established to identify, evaluate, monitor, report and respond to financial risks in the Group's operating units, to set up accurate risk management objectives, management mechanism and segregation of duties, to ensure operation risk is within the tolerable limits, and to maximize the Bank's earnings and stockholders' profits. The procedures of risk management and principles of measuring and controlling credit risk, operation risk, liquidity risk and country risk are as follows:

(1) Credit risk

A. Procedures of risk management

The promotion of credit and investment business of the Bank is in accordance with the bank laws and other related regulations; moreover, risk management targets identified by each business supervisor units are sent to the risk control department and reported to the risk control committee of Mega Financial Holdings and Board of Directors for approval. In addition, the Bank conveys risk tolerance limits and maintains sound credit risk management organizations and standards through stipulation in the credit and investment Articles.

As a result of the implementation of Basel II, the Bank is developing various credit risk component models and valuation systems, adopting Internal Ratings Based Approach which links to probability of default, and using quantifiable analysis tools to predict customers' probability of default, loss given default and so on. This also enhances the credit rating system and then strengthens monitoring efficiency.

The Bank should ensure that credit checking and examination have been done before engaging loan and investment business and also designates credit amount, provides responsibilities according to levels to shorten operating procedures, and require periodic monitoring while engaging the business. The Bank also should set up a reporting system and have timely reports if any unusual event or significant accident occurs.

Establishment of a unit mainly responsible for the overdue loan management in order to solve credit management problems and to seek the recovery of obligations. The Bank appropriately evaluates asset rewards for dealing with recovery of non-performing loans, outsourcing of loans receivable in order to strengthen management of doubtful credits and overdue loans and accelerate the recovery of obligations.

B. Principles of measuring and controlling

The Bank's risk management targets of the year are approved by the Board. The progress is evaluated based on the bi-monthly economic statistics, financial results of the Bank and risk exposure situations to reinforce risk management of the Bank. Moreover, in accordance with regulatory institutions, the Bank is required to disclose the information of credit risk through its financial reports and website.

In order to control the group and industry risk and avoid excess concentration risk, the Bank will separately set the credit limit of individual clients, groups and industries based on the industry condition, perspective and credit risk, and report

to the management unit regarding the condition of complying with the bank laws, regulations stipulated by the authorities, relevant internal credit and investments rules to set the credit limits and balances regularly.

In order to strengthen the understanding of the client's credit, reviews should be conducted periodically. For those that have high risk or abnormalities, the frequency of their reviews will be increased. Analysis and reviews will be made annually and the reports will be sent to the management.

Analysis and investigation on investments should be conducted at least once a year, especially operation, capital inflow/outflow and business plan execution and problem solving. Reports on operation profiles of long-term equity investments will be sent to the Board of Directors.

Abnormal notification system: When operating units determine that a client's operations are abnormal, facing financial difficulties, or experience some unexpected events, the business supervisor will report this to the management, and information will be sent to the Mega Financial Holdings by the risk management department, in order for them to understand the circumstances so that they are able to take proper actions.

Appraisal of assets: The Bank estimates and provides provision for credit losses or accumulated impairments for assets, investments, other assets, or contingent assets based on the experience of bad debts, reserves, other historical losses, the current overdue loan rate, recovery conditions, supervisory regulations, generally accepted accounting principles and so on.

(2) Market risk

A. Procedures of risk management

The Bank's market risk management objectives are set up by the Treasury Department and Financial Management Center. The Risk Management Department then summarizes and reports to the Risk Management Committee of Mega Financial Holdings and the Bank's Board of Directors for approval.

The Financial Management Center not only prepares daily market risk positions and profit or loss statements of financial instruments, but also summarizes investment performance of marketable securities and reports to the Board of Directors regularly. Risk Management Department summarizes and analyzes financial information prepared by the Treasury Department on a daily basis and the Treasury Department pays attention to market changes when it is close to stop loss limits. Monthly summaries are prepared to analyze positions, profit or loss, sensitivity risk indicators analysis and stress test of financial products held by the Bank for management to reviews.

B. Principles in measuring and controlling

The Bank's market risk reports including positions and profit or loss evaluation of exchange rate, interest rate and equity securities products. All transactions should follow amount limits and stop loss policy and submit for supervisors to be approved in accordance with the Bank's policies and procedures. As long as transactions meet stop loss limits, the transactions should be revoked immediately; if not, the transaction unit should explain reasons and follow-up plans for management approval and report to the Board of Directors on a quarterly basis.

Non-hedging positions of derivative financial products are evaluated on daily market price while hedging positions are evaluated twice a month.

The Bank started to set up the SUMMIT information system from 2008, sub-systems of FX transactions, call loans system, currency exchange rate options and foreign currency denominated bond are completed and others are expected to be completed in the middle of 2011. Upon completion, the system provides on-spot credit limit control, profit or loss evaluation, sensitivity risk indicators analysis, stress test and risk value calculation and so on.

(3) Operation risk

A. Procedures of risk management

Prior the release of new products, new business and establishment of new foreign spots, risk identification and evaluation, law compliance analysis and information operation system planning should be performed.

The Bank institutes business management Articles and operating guidance which are embedded in computer system for personnel on-spot search, as business support.

Self-assessment is conducted to understand business controls and modify weakness.

In accordance with eight industries and seven loss events of Basel II, report and gather operation risk loss events.

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

B. Principles in measuring and controlling

The Bank establishes self-assessment mechanism of operation risk for assessing risk exposure of operation risk and strengthening controls on risk items that are very likely to happen and that may having significant effect to the bank.

The Bank reports operation risk loss events, compliance with laws and regulations, auditing and self-assessment to Board of Directors regularly.

Operation risk loss events reports, compliance with laws and regulations and auditing system covering all departments of the Bank, and self-assessments are conducted by Occupational Safety & Health Committee, Data Processing & Information Department, domestic and foreign branches and subsidiaries.

Each department discovers weakness via the aforesaid management mechanism. Each weakness will be discussed and corrected and followed-up by its management.

(4) Liquidity risk

A. Procedures of risk management

There is an upper limit to control the amount of cash flow shortage for daily NTD and USD. Also, the Financial Management Center is in charge of preparing weekly reports which are submitted to the fund management committee on semi-monthly basis in order to control the liquidity risk and which also are reported to the Board of Directors periodically.

B. Principles of measuring and controlling

The Bank sets up limits of liquidity gap by periods and periodically prepares liquidity gap tables for monitoring liquidity risk and considers seasonal and short-term factors in order to effectively control capital flows.

In terms of fund management, in addition to providing sufficient legal reserves, the Bank invests in government bonds, negotiable certificates of time deposits of Central Bank, treasury bills, financial bonds, government bonds with repurchase agreement, corporate bonds, commercial papers, bankers' acceptance and beneficiary certificates. The Bank diversifies its investments to reduce its operation risk.

(5) Country risk

A. Procedures of risk management

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

B. Principles of measuring and controlling

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

4. Net position for major foreign currency transactions

| | December 31, 2009 | | December 31, 2010 | | |
|--|-------------------|-----------------------|-------------------|-----------------------|-----------------------------------|
| | Currency | NTD (in thousands) | Currency | NTD (in thousands) | USD (Unaudited) (in thousands) |
| Net position for major foreign currency transactions (Market Risk) | THB | \$ 4,756,258 | THB | \$ 4,992,683 | \$ 169,243 |
| | EUR | 2,439,781 | USD | 2,619,052 | 88,781 |
| | USD | 2,217,730 | AUD | 2,146,480 | 72,762 |
| | AUD | 1,633,434 | EUR | 1,949,559 | 66,087 |
| | CAD | 948,968 | CAD | 951,377 | 32,250 |

Note 1: Department of major foreign currencies are translated into the same currency, the higher the amount of top five most.

Note 2: Major foreign currency net position of the Department of the absolute value of net position.

The NT dollar exchange rates with U.S. dollars as at December 31, 2009 and 2010 used by the Bank were 1:32.18 and 1:29.50, respectively. As of December 31, 2009 and 2010, the USD net foreign currency position was USD\$2,439,781 thousand and USD\$2,619,052 thousand, respectively.

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5. AVERAGE AMOUNT AND AVERAGE INTEREST RATES OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

| | For the years ended December 31, | | | | |
|--|----------------------------------|------------------------------|--------------------------|---|------------------------------|
| | 2009 | | 2010 | | |
| | Average Amount (NT\$) | Average Interest Rate (%) | Average Amount (NT\$) | Average Amount (US\$) (Unaudited) | Average Interest Rate (%) |
| <u>Assets</u> | | | | | |
| Due from banks | \$ 427,938,526 | 0.53 | \$ 246,657,237 | \$ 8,361,262 | 0.47 |
| Due from the Central Bank | 51,324,486 | 0.44 | 53,818,385 | 1,824,352 | 0.41 |
| Financial assets held for trading | 623,050 | 4.50 | 268,143 | 9,090 | 8.74 |
| Financial assets at fair value through profit or loss | 26,947,407 | 1.66 | 22,389,850 | 758,978 | 2.38 |
| Securities purchased under resale agreements | 864,133 | 1.64 | 250,702 | 8,498 | 0.39 |
| Available-for-sale financial assets | 115,559,999 | 1.80 | 83,230,713 | 2,821,380 | 2.18 |
| Receivables – credit card transaction with circulating interests | 2,326,547 | 15.64 | 2,018,016 | 68,407 | 16.01 |
| Receivables on factoring | 26,779,740 | 1.04 | 52,203,989 | 1,769,627 | 0.84 |
| Bills discounted and loans | 1,279,368,230 | 2.14 | 1,267,280,790 | 42,958,671 | 1.93 |
| Held-to-maturity financial assets | 179,480,107 | 0.81 | 249,607,071 | 8,461,257 | 0.72 |
| Other debt investments | 326,607 | 6.56 | 74,088 | 2,511 | 7.44 |
| Bills purchased | 35,375 | 6.18 | 39,177 | 1,328 | 4.24 |
| <u>Liabilities</u> | | | | | |
| Due to the Central Bank | 363,842,014 | 0.27 | 188,252,446 | 6,381,439 | 0.26 |
| Due to other banks | 96,256,377 | 0.93 | 77,843,598 | 2,638,766 | 0.96 |
| Demand deposits | 357,599,428 | 0.07 | 436,927,720 | 14,811,109 | 0.07 |
| Demand saving deposits | 242,562,473 | 0.38 | 288,283,806 | 9,772,332 | 0.35 |
| Time deposits | 594,202,423 | 0.90 | 548,564,625 | 18,595,411 | 0.64 |
| Time saving deposits | 211,587,554 | 1.57 | 200,696,556 | 6,803,273 | 1.25 |
| Negotiable certificate of deposits | 2,176,747 | 0.63 | 1,795,845 | 60,876 | 0.13 |
| Financial liabilities at fair value through profit or loss | 34,343,228 | 2.23 | 21,639,952 | 733,558 | 1.98 |
| Securities sold under repurchase agreements | 5,320,358 | 0.19 | 3,031,431 | 102,760 | 0.18 |
| Borrowed funds from the Central Bank and other banks | 52,170,203 | 0.74 | 48,539,116 | 1,645,394 | 0.43 |
| Financial bonds payable | 29,531,874 | 2.15 | 25,399,806 | 861,010 | 2.01 |

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Asset quality

Unit: thousands of New Taiwan dollars, %

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

| Month / Year | December 31, 2009 | | | | | |
|-------------------------------------|---------------------------------------|---|--------------------------------|--|---------------------------------|-----------------------------|
| | Business / Items | Amount of non-performing loans (Note 1) | Gross loans | Non-performing loan ratio (%) (Note 2) | Allowance for doubtful accounts | Coverage ratio (%) (Note 3) |
| Corporate banking | Secured loans | \$ 2,552,853 | 392,052,049 | 0.65% | - | - |
| | Unsecured loans | 7,224,814 | 623,807,577 | 1.16% | - | - |
| | Residential mortgage loans (Note 4) | 2,215,185 | 207,004,644 | 1.07% | - | - |
| Consumer banking | Cash card services | - | - | - | - | - |
| | Small amount of credit loans (Note 5) | 101,115 | 10,000,257 | 1.01% | - | - |
| Gross loan business | Others (Note 6) | 79,099 | 44,002,907 | 0.18% | - | - |
| | Unsecured loans | 1,378 | 276,033 | 0.50% | - | - |
| | | 12,174,444 | 1,277,143,467 | 0.95% | 12,238,632 | 100.53% |
| | | Amount of overdue accounts | Balance of accounts receivable | Overdue account ratio (%) | Allowance for doubtful accounts | Coverage ratio |
| Credit card services | | 41,631 | 4,304,464 | 0.97% | 70,774 | 170.00% |
| Without recourse factoring (Note 7) | | 67,558 | 62,708,005 | 0.11% | 300,321 | 444.54% |

Note 1: The amount recognized as non-performing loans is in accordance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in accordance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouse's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 094000494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

Non-performing loans and overdue receivables exempted from reporting to the competent authority

Unit: thousands of New Taiwan dollars

| | December 31, 2010 | | | December 31, 2009 | |
|--|---|--|---|--|--|
| | Total amount of non-performing loans exempted from reporting to the competent authority | Total amount of overdue receivables exempted from reporting to the competent authority | Total amount of non-performing loans exempted from reporting to the competent authority | Total amount of overdue receivables exempted from reporting to the competent authority | |
| Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1) | 215 | - | 273 | - | |
| Performing amounts in accordance with debt liquidation program and restructuring program (Note 2) | 354 | 5,836 | 133 | 6,147 | |
| | 569 | 5,836 | 406 | 6,147 | |

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 (I) 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 (I) No. 09700318940 of the FSC dated September 15, 2008.

7. Sensitivity analysis of interest rate for assets and liabilities

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2010

(Expressed in Thousands of New Taiwan Dollars, %)

| Items | 1~90 days | 91~180 days | 181 days ~1 year | Over 1 year | Total |
|--|----------------|----------------|------------------|---------------|------------------|
| Interest-rate-sensitive assets | \$ 488,075,251 | \$ 601,370,042 | \$ 24,976,015 | \$ 23,511,621 | \$ 1,137,932,929 |
| Interest-rate-sensitive liabilities | 465,624,184 | 481,987,169 | 30,002,532 | 36,423,081 | 1,014,036,966 |
| Interest-rate-sensitive gap | 22,451,067 | 119,382,873 | (5,026,517) | 12,911,460) | 123,895,963 |
| Total stockholders' equity | | | | | 157,747,918 |
| Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%) | | | | | 112.22% |
| Ratio of interest-rate-sensitive gap to stockholders' equity (%) | | | | | 78.54% |

(1) The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both Head Office and domestic branches and overseas branches.

(2) Interest-rate-sensitive assets and liabilities refer to changes on income or cost of interest accrued assets and interest bearing liabilities due to interest rate fluctuation.

(3) Interest-rate-sensitive 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 (refer to interest-rate-sensitive assets and interest-rate-sensitive liabilities denominated in NTD)

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Sensitivity analysis of interest rate for assets and liabilities (USD)
December 31, 2010

(Expressed in thousands of US dollars, %)

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

(1) The amounts listed above represent the items denominated in US dollars for head office, domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

(2) Interest-rate-sensitive assets and liabilities refer to changes on income or cost of interest accrued assets and interest bearing liabilities due to interest rate fluctuation.

(3) Interest-rate-sensitive 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.

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2009

(Expressed in Thousands of New Taiwan Dollars, %)

| Items | 1~90 days | 91~180 days | 181 days ~1 year | Over 1 year | Total |
|--|----------------|----------------|------------------|---------------|------------------|
| Interest-rate-sensitive assets | \$ 536,913,205 | \$ 572,852,683 | \$ 36,375,198 | \$ 40,838,015 | \$ 1,186,979,101 |
| Interest-rate-sensitive liabilities | 475,194,700 | 461,337,356 | 47,957,612 | 33,569,471 | 1,018,059,139 |
| Interest-rate-sensitive gap | 61,718,505 | 111,515,327 | (11,582,414) | 7,268,544 | 168,919,962 |
| Total stockholders' equity | | | | | 156,245,880 |
| Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%) | | | | | 116.59% |
| Ratio of interest-rate-sensitive gap to stockholders' equity (%) | | | | | 108.11% |

(1) The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both Head Office and domestic branches and overseas branches.

(2) Interest-rate-sensitive assets and liabilities refer to changes on income or cost of interest accrued assets and interest bearing liabilities due to interest rate fluctuation.

(3) Interest-rate-sensitive 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 (refer to interest-rate-sensitive assets and interest-rate-sensitive liabilities denominated in NTD)

Sensitivity analysis of interest rate for assets and liabilities (USD)
December 31, 2009

(Expressed in thousands of US dollars, %)

| Items | 1~90 days | 91~180 days | 181 days ~1 year | Over 1 year | Total |
|--|---------------|-------------|------------------|-------------|---------------|
| Interest-rate-sensitive assets | \$ 20,863,092 | \$ 938,605 | \$ 88,767 | \$ 241,117 | \$ 22,131,581 |
| Interest-rate-sensitive liabilities | 22,971,663 | 848,476 | 590,239 | 310 | 24,410,688 |
| Interest-rate-sensitive gap | (2,108,571) | (90,129) | (501,472) | 240,807 | (2,279,107) |
| Total stockholders' equity | | | | | 4,855,976 |
| Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%) | | | | | 90.66% |
| Ratio of interest-rate-sensitive gap to stockholders' equity (%) | | | | | -46.93% |

(1) The amounts listed above represent the items denominated in US dollars for head office, domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

(2) Interest-rate-sensitive assets and liabilities refer to changes on income or cost of interest accrued assets and interest bearing liabilities due to interest rate fluctuation.

(3) Interest-rate-sensitive 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

8. Profitability

| | For the years ended | | December 31, 2009 | | December 31, 2010 | |
|------------------------------------|---------------------|-----------|-------------------|-----------|-------------------|-----------|
| | Before tax | After tax | Before tax | After tax | Before tax | After tax |
| Return on total assets (%) | | | 0.62 | | 0.61 | |
| | | | 0.50 | | 0.51 | |
| Return on stockholders' equity (%) | | | 8.81 | | 8.57 | |
| | | | 7.16 | | 7.12 | |
| Net profit margin ratio (%) | | | 31.36 | | 35.78 | |

Note 1: Return on total assets = Income before (after) income tax/average total assets.

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / total operating revenues.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

9. Structure analysis of time to maturity

December 31, 2010

| | Total | (Expressed in Thousands of New Taiwan Dollars) | | | |
|-------------------------------------|-------------------|--|-----------------|-----------------|-----------------|
| | | 1~30 days | 31~90 days | 91~180 days | Over 1 year |
| Primary funds inflow upon maturity | \$ 1,496,857,266 | \$ 467,027,631 | \$ 103,525,413 | \$ 90,477,976 | \$ 158,225,078 |
| Primary funds outflow upon maturity | (1,603,222,573) | (313,093,471) | (209,934,275) | (154,447,153) | (213,350,800) |
| Gap | (106,365,307) | (153,934,160) | (106,408,862) | (63,969,177) | (55,125,722) |

Note: The amounts listed above represent the funds denominated in NT dollars only (i.e., excluding foreign currency) for both Head Office and domestic branches.

December 31, 2010

| | Total | (Expressed in Thousands of US Dollars) | | | |
|-------------------------------------|----------------|--|---------------|---------------|---------------|
| | | 1~30 days | 31~90 days | 91~180 days | Over 1 year |
| Primary funds inflow upon maturity | \$ 23,729,484 | \$ 7,469,831 | \$ 4,668,931 | \$ 3,499,122 | \$ 2,608,185 |
| Primary funds outflow upon maturity | (23,949,735) | (13,921,596) | (2,464,581) | (1,442,066) | (1,916,949) |
| Gap | (220,251) | (6,451,765) | (2,204,350) | (2,057,056) | (691,236) |

Note 1: The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units, except otherwise indicated, fill in based on the carrying amount, for those unlisted, fill in are not required (eg. negotiable certificates of deposits, bonds and stocks).

Note 2: If overseas assets exceed 10% of total assets, supplementary information shall be disclosed.

December 31, 2009

| | Total | (Expressed in Thousands of New Taiwan Dollars) | | | |
|-------------------------------------|-------------------|--|-----------------|-----------------|-----------------|
| | | 1~30 days | 31~90 days | 91~180 days | Over 1 year |
| Primary funds inflow upon maturity | \$ 1,574,965,993 | \$ 523,275,492 | \$ 100,581,485 | \$ 82,862,256 | \$ 169,449,864 |
| Primary funds outflow upon maturity | (1,649,549,392) | (328,391,436) | (182,309,213) | (173,837,005) | (231,379,081) |
| Gap | (74,583,399) | (194,884,056) | (81,727,728) | (90,974,749) | (61,929,217) |

Note: The amounts listed above represent the funds denominated in NT dollars only (i.e., excluding foreign currency) for both Head Office and domestic branches.

December 31, 2009

| | Total | (Expressed in Thousands of US Dollars) | | | |
|-------------------------------------|----------------|--|---------------|---------------|---------------|
| | | 1~30 days | 31~90 days | 91~180 days | Over 1 year |
| Primary funds inflow upon maturity | \$ 21,466,924 | \$ 5,981,102 | \$ 2,915,333 | \$ 3,429,264 | \$ 3,648,891 |
| Primary funds outflow upon maturity | (21,505,767) | (12,513,533) | (2,578,801) | (2,496,609) | (2,409,311) |
| Gap | (38,843) | (6,532,431) | (336,532) | (932,655) | (1,239,580) |

Note 1: The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units, except otherwise indicated, fill in based on the carrying amount, for those unlisted, fill in are not required (eg. negotiable certificates of deposits, bonds and stocks).

Note 2: If overseas assets exceed 10% of total assets, supplementary information shall be disclosed.

10. Capital adequacy ratio

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2009 | December 31, 2010 | |
|---------------------------------------|---------------------------------|---|-------------------|---------------|
| Self-owned capital, | Tier 1 Capital | 141,671,943 | 142,403,829 | |
| | Tier 2 Capital | 25,518,063 | 27,229,548 | |
| | Tier 3 Capital | 1,000,000 | 500,000 | |
| | Self-owned capital, net | 168,190,006 | 170,133,377 | |
| Total risk - weighted assets (Note 1) | Credit risk | Standardized Approach | 1,318,900,873 | 1,403,642,856 |
| | | Internal Ratings-Based Approach | - | - |
| | | Asset securitization | 300,837 | 64,985 |
| | Operation risk | Basic Indicator Approach | 69,403,513 | 65,766,738 |
| | | Standardized Approach / Alternative Standardized Approach | - | - |
| | | Advanced Measurement Approaches | - | - |
| | Market risk | Standardized Approach | 45,063,638 | 41,759,688 |
| | | Internal Models Approach | - | - |
| | Total risk-weighted assets | | 1,433,668,861 | 1,511,234,267 |
| | Capital adequacy ratio (Note 2) | | 11.73% | 11.26% |
| Tier 1 Risk-based Capital Ratio | | 9.88% | 9.42% | |
| Tier 2 Risk-based Capital Ratio | | 1.78% | 1.80% | |
| Tier 3 Risk-based Capital Ratio | | 0.07% | 0.03% | |
| Shareholder's equity/Total assets | | 2.92% | 2.92% | |
| Leverage ratio | | 6.67% | 6.50% | |

The Company preparing consolidated financial statements should disclose consolidated capital adequacy ratio.

Note 1: The self-owned capital and risk-weighted assets in the table above should be filled in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" and "calculation method and table of self-owned capital and risk-weighted assets".

Note 2: Current and prior year's capital adequacy ratio should be disclosed in the annual reports. In addition to current and prior year's capital adequacy, capital adequacy ratio at the end of prior year should be disclosed in the semi-annual reports.

Note 3: The relevant formulas are as follows:

1. Self-owned capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
2. Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) * 12.5
3. Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
4. Tier 1 Risk-based Capital Ratio = Tier 1 capital / Total risk-weighted assets
5. Tier 2 Risk-based Capital Ratio = Tier 2 capital / Total risk-weighted assets
6. Tier 3 Risk-based Capital Ratio = Tier 3 capital / Total risk-weighted assets
7. Shareholder's equity to total assets ratio = Shareholder's equity/Total assets
8. Gearing ratio = Tier 1 capital / averaged assets after adjustments (average assets – tier 1 capital – goodwill – unamortized loss on sale of non-performing loans and amounts should be deducted from the tier 1 capital pursuant to "calculation method and table of self-owned capital and risk-weighted assets".

Note 4: For 1st quarter and 3rd quarter financial reports, the table of capital adequacy ratio is not required to disclose.

11. Extraordinary Items

| December 31, 2010 | |
|---|--|
| | Cases and amount |
| Directors or employees prosecuted due to violation of laws and regulations in relation to the operations in the latest year. | None. |
| Fine due to the non-compliance with laws and regulations in the latest year | A bank teller of Kaohsiung Branch negotiated prices without supervisor's approval and fabricated trading sheets to earn profits by foreign exchange arbitrage, which did not adhere to the Bank's internal regulations. The competent authority fined the Bank NT\$2,000 thousand on March 1, 2010 due to inability to perform internal control. |
| Shortcoming and negligence rectified by the Ministry of Finance in the latest year | None. |
| Disciplinary actions according to Article 61-1 of the Banking Act of Republic of China in the latest year | <ol style="list-style-type: none"> 1) Ordered the Bank to discharge the bank teller in Kaohsiung Branch pursuant to the Article 61-1-1-3 of the Banking Act of the Republic of China. 2) The Bank's foreign department did not carry out credit checking and obtain proper collateral when conducting marketable securities collateral loans, violating the Bank's internal regulations, which should be rectified in accordance with Article 61-1-1 of the Banking Act of Republic of China. 3) The Bank pursuant to the Article 61-1-1-3 of the Banking Act of the Republic of China discharged staff members who fabricated financial products direct mail advertising and Bank Statements in Chung Shan Branch. |
| Incurred losses over NT\$50 million individually or in aggregate due to employee fraud or major incidental violations of rules provided in the "Notices to Financial Institutions about Safeguarding" in the latest year. | None. |
| Others | The Australian branch of the Bank violated local money laundering control act and related regulations of monitoring authorities. Local independent accountants have been engaged to monitor and examine the Branch's internal control and report to local competent authorities. |

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

1) Trust Balance Sheet

(Expressed in Thousands of New Taiwan Dollars)

| Trust Balance Sheet | | | |
|-------------------------------------|-----------------------|--------------------------------|-----------------------|
| December 31, 2010 | | | |
| <u>Trust assets</u> | | <u>Trust liabilities</u> | |
| Bank deposits | \$ 36,659,251 | Capital borrowed | \$ 4,720,525 |
| Short-term investments | | Payables | 33,394 |
| Mutual funds | 112,904,120 | Account collected in advance | 48,724 |
| Bonds | 10,404,348 | Tax payable | 109,869 |
| Stocks | 60,705,357 | Accounts withholding | 938 |
| Real estate | 71,829,690 | Other liabilities | 714,744 |
| Properties | 18,103 | Trust capital | 289,734,604 |
| | | Various accumulated reserve of | |
| Customers' securities under custody | 118,503,541 | profit or loss | 9,425 |
| Receivables | 15,775 | Customers' securities under | 118,503,541 |
| Derivative financial products | 366 | custody | |
| Other assets | <u>2,835,213</u> | | |
| Total trust assets | <u>\$ 413,875,764</u> | Total trust liabilities | <u>\$ 413,875,764</u> |

(Expressed in Thousands of New Taiwan Dollars)

| Trust Balance Sheet | | | |
|-------------------------------------|-----------------------|-------------------------------------|-----------------------|
| December 31, 2009 | | | |
| <u>Trust assets</u> | | <u>Trust liabilities</u> | |
| Bank deposits | \$ 55,887,835 | Capital borrowed | \$ 4,720,525 |
| Short-term investments | | Payables | 82,395 |
| Mutual funds | 149,001,778 | Account collected in advance | 46,306 |
| Bonds | 13,422,409 | Accounts withholding | 859 |
| Stocks | 40,077,883 | Other liabilities | 741,205 |
| Real estate | 68,241,113 | Trust capital | 323,636,933 |
| | | Various accumulated reserve of | |
| Properties | 28,114 | profit or loss | (7,069) |
| Customers' securities under custody | 124,411,514 | Customers' securities under custody | 124,411,514 |
| Receivables | 2,304,676 | | |
| Derivative financial products | 212 | | |
| Other assets | <u>257,134</u> | | |
| Total trust assets | <u>\$ 453,632,668</u> | Total trust liabilities | <u>\$ 453,632,668</u> |

(Blank below)

2) Trust Income Statement

(Expressed in Thousands of New Taiwan Dollars)

| Trust Income Statement | | |
|--|-------------------|---------------------|
| For the years ended December 31, | | |
| | 2010 | 2009 |
| <u>Trust income:</u> | | |
| Interest income | \$ 8,208 | \$ 11,506 |
| Rental income | 1,527,221 | 1,477,519 |
| Cash dividend income | 168 | 1,429 |
| Other income | 37,530 | 44,179 |
| Unrealized capital gain | 35,764 | 57,151 |
| Unrealized exchange gain | 68,078 | 75,300 |
| Realized capital gain | 149,882 | 186,220 |
| Exchange gain | 38,056 | 25,879 |
| Total trust income | <u>1,864,907</u> | <u>1,879,183</u> |
| <u>Trust expenses:</u> | | |
| Management expenses | (64,928) | (63,063) |
| Duty expenses | (17,262) | (16,082) |
| Other operating expenses | (565,298) | (542,066) |
| Loss on disposal of assets | - | (44) |
| Realized capital loss | (37,369) | (69,940) |
| Unrealized exchange loss | (210,566) | (142,477) |
| Realized exchange loss | (16,205) | (16,298) |
| Total Trust expenses | (911,628) | (849,970) |
| Net income before income tax (Net investment income) | 953,279 | 1,029,213 |
| Income tax expense | (76) | (54) |
| Net income after income tax | <u>\$ 953,203</u> | <u>\$ 1,029,159</u> |

3) Schedule of investment for trust business

(Expressed in Thousands of New Taiwan Dollars)

| Schedule of investment for trust business | | |
|---|-----------------------|-----------------------|
| | December 31, 2010 | December 31, 2009 |
| Bank deposits | \$ 36,659,251 | \$ 55,887,835 |
| Short-term investments: | | |
| Mutual funds | 112,904,120 | 149,001,778 |
| Bonds | 10,404,348 | 13,422,409 |
| Stock | 60,705,357 | 40,077,883 |
| Real estate | 71,829,690 | 68,241,113 |
| Properties | 18,103 | 28,114 |
| Customers' securities under custody | 118,503,541 | 124,411,514 |
| Receivables | 15,755 | 2,304,676 |
| Derivative financial products | 366 | 212 |
| Other assets | 2,835,213 | 257,134 |
| Total | <u>\$ 413,875,764</u> | <u>\$ 453,632,668</u> |

13. Information about the transactions with the Mega Financial Holdings Co., Ltd. and its subsidiaries are as follows:

(1) Transactions between the Bank and its affiliates: Please refer to Note V.

(2) Joint promotion of businesses:

In order to create synergies within the group and provide customers financial services in all aspects, the Bank has continuously established other financial consulting service centers (including banking services, securities trading services, and insurance services) in its subsidiaries and simultaneously promoted service business in banking, securities and insurances areas.

(3) Sharing of information

Under the Financial Holding Company Act, Computer Process of Personal Data Protection Law, and the related regulations stipulated by MOF, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the group or exchanged between the subsidiaries for the purpose of cross selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are restricted to use the information for the joint promotion purposes only. In addition, the Bank is required to disclose 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.

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

XI. SUPPLEMENTARY DISCLOSURES

1. Related information on material transaction items:

(1) Information regarding stock of long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital:

(Expressed in thousands New Taiwan Dollars)

| Investor | Marketable securities | General ledger account | Relationship with the Bank | Balance as at January 1, 2010 | | Addition | | Disposal | | Balance as at December 31, 2010 | |
|----------|----------------------------|-------------------------------------|----------------------------|---------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|---------------------------------|-----------|
| | | | | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount |
| The Bank | Taiwan Top 50 Tracker Fund | Available-for-sale financial assets | - | 3,825,000 | \$195,309,669 | 8,160,000 | \$433,479,509 | 11,985,000 | \$658,836,239 | \$ 30,047,061 | - |
| The Bank | TSMC | Available-for-sale financial assets | - | 2,120,000 | 129,681,448 | 14,061,000 | 875,996,859 | 12,881,000 | 785,742,463 | 4,220,577 | 3,300,000 |
| The Bank | CHT | Available-for-sale financial assets | - | - | - | 4,942,000 | 325,433,730 | 3,742,000 | 254,662,659 | 15,505,052 | 1,200,000 |
| The Bank | MTK | Available-for-sale financial assets | - | 175,000 | 88,067,930 | 1,170,501 | 546,527,583 | 1,195,501 | 555,680,819 | (12,167,378) | 150,000 |

(2) Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

(3) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

(4) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.

(5) Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

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

(6) Information regarding selling non-performing loans:

A. Summary of selling non-performing loans

For the year ended December 31, 2010

| Transaction date (contract date) | Counterparty | Contents of right of claim | Carrying value (Note 1) | Sale price | Gain or loss from disposal | Attached conditions | Relationship with the Company |
|-------------------------------------|---|----------------------------|----------------------------|------------|-------------------------------|---------------------|----------------------------------|
| 2010.08.11 | Merrill Lynch International Asset Management Co., Ltd. | Corporate banking loans | \$ - | \$ 48,977 | \$ 48,977 | None | None |
| 2010.08.16 | Bank of America, N.A | " | \$ - | \$ 140,055 | \$ 140,055 | None | None |
| 2010.09.07 | Deutsche Bank AG London | " | \$ - | \$ 24,337 | \$ 24,337 | None | None |
| 2010.12.08 | Goldman Sachs | " | \$ - | \$ 49,187 | \$ 49,187 | None | None |

Note 1: Carrying value is the difference of initial claim amount minus allowance for doubtful accounts.

B. Single-run of sales of non-performing loans with an amount exceeding NT\$ 1 billion excluding sales of non-performing loans to related parties: None.

(7) Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

(8) Other material transaction items which were significant to the users of the financial statements: None.

(Blank below)

2. Supplementary disclosure regarding investee companies:
(1) Supplementary disclosure regarding investee companies:

| Investee companies | Address | Main service | As of December 31, 2010 | | Share-holdings of the Bank and related enterprises | | | | | |
|--|---|--|---------------------------|---------------|--|------------------------------|--|------------------------------|-----------------------------------|---------|
| | | | Percentage of ownership % | Book value \$ | Investment income (loss) \$ | Share (in thousands) 400,000 | Pro forma information on number of stock held None | Share (in thousands) 400,000 | Percentage of ownership % 100.00% | |
| | | | | | | | | | | Total |
| Mega International Commercial Bank Public Co., Ltd. (Thailand) | 36/12P.S.Tower, Asoke, Sukhumvit 21 Road, Klongtoey nua, Wattana Bangkok 10110, Thailand | 1. Deposits 2. Negotiation, bill for collection and foreign exchange 3. Loan(credit, loan and L/C) | 100.00% | 4,941,644 | 168,000 | 40,000 | 230 | None | 230 | 100.00% |
| Mega International Commercial Bank (Canada) | North York Madison Centre, 4950, Yonge Street, Suite 1002, Toronto, Ontario, M2N 6K1, Canada | 1. Deposits 2. Negotiation, bill for collection and foreign exchange 3. Loan(credit, loan and L/C) | 100.00% | 951,285 | 40,000 | 40,000 | 230 | None | 230 | 100.00% |
| Cathay Investment & Development Corporation (Bahamas) | Post Office Box 3937 Nassau, Bahamas | International investment and exploration | 100.00% | 282,490 | 651 | 651 | 5 | None | 5 | 100.00% |
| Mega Management & Consulting Co., Ltd. | 7F., No.91, Hengyang Rd., Taipei City | Management consulting industry | 100.00% | 79,711 | 42,881 | 42,881 | 1,000 | None | 1,000 | 100.00% |
| Cathay Investment & Warehousing Ltd. | Ave. Santa Isabel Y Calle 16, Colon Free Zone, Colon, Republic of Panama | 1. Warehousing 2. Manage and make the investment for the business in foreign trade business. 3. Office rental | 100.00% | 95,970 | (1,635) | (1,635) | 1 | None | 1 | 100.00% |
| Ramlette Finance Holdings, Inc. | Calle 50 Y Esquina Margarita A, de Vallarino, Edificio ICBC NO.74, Entrada Nuevo Campo Alegre Panama City, Panama | Real estate investment industry | 100.00% | - | 1,339 | 1,339 | 2 | None | 2 | 100.00% |
| Yung-Shing Industries Co. | 7F., No.100, Jilin Rd., Taipei City | Agency business industry, manage and make the investment for the business in foreign trade business and customer request service | 99.56% | 848,199 | 8,279 | 8,279 | 1,350 | None | 1,350 | 99.56% |

(Expressed In Thousands Of New Taiwan Dollars)

As of December 31, 2010

Share-holdings of the Bank and related enterprises

| Investee companies | Address | Main service | Percentage of ownership % | Book value | Investment income (loss) | Share (in thousands) | Pro forma information on number of stock held | Total | | Note |
|--|---|--|---------------------------|---------------------|--------------------------|----------------------|---|----------------------|---------------------------|------|
| | | | | | | | | Share (in thousands) | Percentage of ownership % | |
| China Products Trading Company | 7F., No.100, Jilin Rd., Taipei City | Processing agricultural product and investment industry | 68.27% | \$ 41,164 | \$ 595 | 68 | None | 68 | 68.27% | |
| Cathy Insurance Company, Inc. | 10F, Tytana Plaza, Lorenzo Ruiz Binondo, Manila, Philippines | Insurance industry | 30.37% | 4,547 | - | 152 | None | 152 | 30.37% | |
| United Venture Capital Corp. | 4F-2, No.76, Sec. 2, Dunhua S. Rd., Taipei City | Investment industry | 25.31% | 44,507 | 508 | 10,752 | None | 10,752 | 25.31% | |
| China Insurance Co., (Siam) Ltd. | 32/12, P.S. Tower. Asoke, Sukhumrit 21, Phrakhanong Bangkok 10110, Thailand | Insurance industry | 25.25% | 38,019 | 1,335 | 1,515 | None | 1,515 | 25.25% | |
| Mega I Venture Capital Co., Ltd. | 7F., No.91, Hengyang Rd., Taipei City | Investment industry | 25.00% | 173,160 | 17,085 | 25,000 | None | 40,000 | 40.00% | |
| IP Fundseven Ltd. | 7F., No.122, Dunhua N. Rd., Songshan District, Taipei City | Investment industry | 25.00% | 223,975 | 7,275 | 25,000 | None | 25,000 | 25.00% | |
| An Fang Co., Ltd. | 3F., No.139, Jhengjhou Rd., Taipei City | Automatic Teller Machine rental, configure and maintain | 25.00% | 12,091 | 970 | 750 | None | 750 | 25.00% | |
| Taiwan Finance Co., Ltd. | 3F., No.123, Sec. 2, Nanjing E. Rd., Taipei City | Brokerage underwriting endorsement of commercial papers, proprietary trading of government bonds and corporate bonds | 24.55% | 1,400,552 | 44,400 | 126,714 | None | 126,714 | 24.55% | |
| Everstrong Iron Steel & Foundry & Mfg Corp | 4F-5, No.121, Sec. 1, Chongcing S. Rd., Taipei City | Iron and steel making | 22.22% | 38,809 | 7,606 | 1,760 | None | 1,760 | 22.22% | |
| China Real Estate Management Co., Ltd. | 11F., No.35, Guangfu S. Rd., Taipei City | Real estate and property selling | 20.00% | 126,643 | 14,174 | 9,000 | None | 9,000 | 20.00% | |
| | | | | <u>\$ 9,302,766</u> | <u>\$ 353,463</u> | | | | | |

(2) For those investee companies that the Bank has direct or indirect control interest over, further disclosures are as follows:

- A. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- B. Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- C. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.
- D. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- E. Information regarding selling non-performing loans: None.
- F. Information on and categories of securitized assets which are approved by the authority pursuant to the Financial Asset Securitization Act or the Real Estate Securitization Act: None.
- G. Lending to other parties: None.
- H. Guarantees and endorsements for other parties: None.
- I. Information regarding securities held as of December 31, 2010:

(Expressed in thousands of New Taiwan dollars)

| Investor | Name of investee and type of securities | Relationship | Account | Share / Units (in thousands) | At year-end | | Note |
|--|---|------------------|--|---------------------------------|-------------|-----------------------------|-----------|
| | | | | | Book value | Ownership percentage (%) | |
| Mega Management & Consulting Co., Ltd. | Stocks | | | | | | |
| " | ID Reengineering Inc. | Equity investees | Investments accounted for by the equity method | 25 | \$ 3,970 | 25.00% | \$ 3,970 |
| Mega 1 Venture Capital Co., Ltd. | Stocks | | | | | | |
| " | Avaulte technology Inc. | None | Available-for-sale financial assets | 1,001 | \$ 42,977 | 2.26% | \$ 42,977 |
| " | Wisdom Marine Lines S.A | " | Available-for-sale financial assets | 1,000 | 41,503 | 0.33% | 41,503 |
| " | Formosa Advanced Technologies Co., Ltd. | " | Available-for-sale financial assets | 1,035 | 39,330 | 0.23% | 39,330 |
| " | Paragon Technologies Co., Ltd. | " | Available-for-sale financial assets | 603 | 35,921 | 0.47% | 35,921 |
| " | Geo Bision Inc. | " | Available-for-sale financial assets | 290 | 30,160 | 0.60% | 30,160 |
| " | Ju Teng Technology Co., Ltd | " | Available-for-sale financial assets | 700 | 14,420 | 0.06% | 14,420 |
| " | Digital China Holding Ltd. | " | Available-for-sale financial assets | 400 | 10,620 | 0.04% | 10,620 |
| " | Jiin Ming Industry Co., Ltd | " | Available-for-sale financial assets | 1,044 | 12,424 | 0.72% | 12,424 |
| " | TaiDoc Corporation | " | Available-for-sale financial assets | 120 | 8,700 | 0.18% | 8,700 |
| " | Darfon Electronics Corp. | " | Available-for-sale financial assets | 121 | 4,463 | 0.04% | 4,463 |
| " | Global Sweeteners Holding Ltd. | " | Available-for-sale financial assets | 260 | 3,302 | 0.02% | 3,302 |
| " | Z-Obee Holdings | " | Available-for-sale financial assets | 150 | 1,431 | 0.02% | 1,431 |

(Expressed in thousands of New Taiwan dollars)

| Investor | Name of investee and type of securities | Relationship | Account | Share / Units (in thousands) | At year-end | | Note |
|----------------------------------|--|--------------|----------------------------------|---------------------------------|-------------|-----------------------------|--------|
| | | | | | Book value | Ownership percentage (%) | |
| Mega 1 Venture Capital Co., Ltd. | ATM Electronic Corp. | None | Financial assets carried at cost | 1,911 | \$ 35,000 | \$ | 35,000 |
| " | Y.C. Parts MFG Co., Ltd. | " | Financial assets carried at cost | 1,000 | 32,000 | | 32,000 |
| " | Dong Zhuun Photoelectric Material Corp. | " | Financial assets carried at cost | 1,000 | 30,000 | | 30,000 |
| " | Yung Fa Corp. | " | Financial assets carried at cost | 3,466 | 27,737 | | 27,737 |
| " | High Power Opto. Inc. | " | Financial assets carried at cost | 1,515 | 27,005 | | 27,005 |
| " | AVerMedia Information Inc. | " | Financial assets carried at cost | 275 | 24,107 | | 24,107 |
| " | MOSA Industrial Corp. | " | Financial assets carried at cost | 970 | 20,000 | | 20,000 |
| " | Feature Integration Technology Inc. | " | Financial assets carried at cost | 561 | 19,250 | | 19,250 |
| " | Taiwan Video System Co., Ltd. | " | Financial assets carried at cost | 963 | 17,922 | | 17,922 |
| " | Thecus Technology Corp. | " | Financial assets carried at cost | 660 | 16,620 | | 16,620 |
| " | ProbelLeader Co., Ltd. | " | Financial assets carried at cost | 697 | 15,000 | | 15,000 |
| " | Vista Vision Corp. | " | Financial assets carried at cost | 483 | 12,668 | | 12,668 |
| " | MobilMAX Technology Inc. | " | Financial assets carried at cost | 500 | 10,000 | | 10,000 |
| " | Sin-ying-cai Corp. | " | Financial assets carried at cost | 800 | 9,600 | | 9,600 |
| " | Chi Lin Technology co., Ltd. | " | Financial assets carried at cost | 313 | 9,268 | | 9,268 |
| " | Taiwan United Medical Inc. | " | Financial assets carried at cost | 500 | 6,000 | | 6,000 |
| " | Mobile Action Technology Inc. | " | Financial assets carried at cost | 308 | 3,536 | | 3,536 |
| " | Applied Wireless Identification Group Inc. | " | Financial assets carried at cost | 1,127 | 1,699 | | 1,699 |
| Mega 1 Venture Capital Co., Ltd. | ProbelLeader Co., Ltd. | None | Prepaid long-term investment | 97 | \$ 975 | \$ | 975 |
| | Total | | | | \$ 563,638 | | |

(Expressed in thousands of New Taiwan dollars)

| Investor | Name of investee and type of securities | Relationship | Account | Share / Units (in thousands) | At year-end | | | Note |
|---------------------------|---|------------------|--|---------------------------------|-------------|-----------------------------|--------------|------|
| | | | | | Book value | Ownership percentage (%) | Market value | |
| Yung-Shing Industries Co. | Stocks | | | | | | | |
| " | H&H Venture Capital Investment Corp. | None | Financial assets carried at cost | 3,291 | \$ 32,905 | 6.86% | \$ 32,905 | |
| " | Forture Venture Capital Investment Corp. | " | Financial assets carried at cost | 2,000 | 20,000 | 7.84% | 20,000 | |
| " | Hua-sheng Venture Capital Investment Corp. | " | Financial assets carried at cost | 2,000 | 20,000 | 1.67% | 20,000 | |
| " | Fan-yang Venture Capital Investment Corp. | " | Financial assets carried at cost | 1,575 | 15,750 | 10.63% | 15,750 | |
| " | TaiOne International Ltd. | " | Financial assets carried at cost | 2,660 | 9,629 | 19.00% | 9,629 | |
| " | Hi-Scene World Enterprise Co., Ltd. | " | Financial assets carried at cost | 3,535 | 8,100 | 2.11% | 8,100 | |
| " | SysJust Corporation | " | Financial assets carried at cost | 559 | 6,878 | 2.89% | 6,878 | |
| " | An Fang Co., Ltd. | " | Financial assets carried at cost | 150 | 1,833 | 5.00% | 1,833 | |
| " | First Bio Venture Capital Corp. | " | Financial assets carried at cost | 302 | 1,780 | 2.50% | 1,780 | |
| " | Wisdom Marine Lines S.A | " | Available-for-sale financial assets | 2,029 | 84,206 | 0.67% | 84,206 | |
| " | Tingyi (Cayman Islands) Holding Corp. | " | Available-for-sale financial assets | 1,000 | 38,500 | 1.09% | 38,500 | |
| " | Wafer Works Corporation | " | Available-for-sale financial assets | 118 | 4,968 | 0.04% | 4,968 | |
| " | Nanrenhu Enterprise Corp. | " | Available-for-sale financial assets | 172 | 4,282 | 0.10% | 4,282 | |
| " | Optimax Technology Corporation | " | Available-for-sale financial assets | 5 | 31 | 0.00% | 31 | |
| " | Win Card Co., Ltd. | Equity investees | Investments accounted for by the equity method | 500 | 70,041 | 100.00% | 70,041 | |
| Yung-Shing Industries Co. | ICBC Assets Management & Consulting Co., Ltd. | Equity investees | Investments accounted for by the equity method | 28,539 | \$ 286,671 | 100.00% | \$ 286,671 | |
| | Total | | | | \$ 605,574 | | \$ 605,574 | |

(Expressed in thousands of New Taiwan dollars)

| Investor | Name of investee and type of securities | Relationship | Account | Share / Units (in thousands) | At year-end | | Note |
|---|---|------------------|--|------------------------------|-------------------|---------------|------|
| | | | | | Book value | Market value | |
| ICBC Assets Management & Consulting Co., Ltd. | Funds | | | | | | |
| " | ICBC AMC Offshore Limited | Equity investees | Investments accounted for by the equity method | - | \$ 32,405 | \$ 32,405 | |
| " | Junior Preference Share Company Limited | " | Investments accounted for by the equity method | - | 266,109 | 266,109 | |
| " | ICBC AMC Offshore (Taiwan) II Limited | " | Investments accounted for by the equity method | - | 8,055 | 8,055 | |
| " | Junior Preference Share Company (Taiwan) II Limited | " | Investments accounted for by the equity method | - | (\$ 14,802) | (\$ 14,802) | |
| | Total | | | | <u>\$ 291,767</u> | | |
| ICBC Assets Management & Consulting Co., Ltd. | Stocks | | | | | | |
| " | H&H Venture Capital Investment Corp. | None | Financial assets carried at cost | 2,194 | \$ 21,937 | \$ 21,937 | |
| | Total | | | | <u>\$ 21,937</u> | | |
| Cathay Investment & Development Corporation (Bahamas) | Funds | | | | | | |
| " | AsiaTech Taiwan Venture Fund LP | None | Financial assets carried at cost | - | \$ 11,459 | \$ 11,459 | |
| " | Tai An Technologies Corp. | " | Financial assets carried at cost | - | 4,918 | 4,918 | |
| | Accumulated impairment | | | | (\$ 5,013) | | |
| | Total | | | | <u>\$ 11,364</u> | | |

J. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

K. Information regarding trading in derivative financial instruments: None.

L. Other material transaction items which were significant to the users of the financial statements: None.

3. Investments in People's Republic of China: None.

XII. SEGMENTS AND GEOGRAPHIC INFORMATION

1. Financial information by business segments:

The Bank is engaged in business stipulated in Article 3 of the Banking Law; therefore, the disclosure of financial information by business segments is not required.

2. Financial information by geographic area

Mega International Commercial Bank Co., Ltd.

Financial Information By Geographic Area

December 31, 2010

| | Domestic | North America | Other overseas operating departments | (Expressed in thousands of new Taiwan dollars) | |
|--|------------------|----------------|---|--|------------------|
| | | | | Adjustment and elimination | Total |
| Revenue from customers outside the Bank | \$ 31,026,914 | \$ 2,147,205 | \$ 5,901,292 | \$ - | \$ 39,075,411 |
| Revenue from departments within the Bank | 20,317,979 | 97,819 | 563,300 | (20,979,098) | - |
| Total revenue | \$ 51,344,893 | \$ 2,245,024 | \$ 6,464,592 | \$ (20,979,098) | \$ 39,075,411 |
| Profit or loss | \$ 11,432,727 | \$ 1,026,554 | \$ 992,058 | | \$ 13,451,339 |
| Asset attributable to specific departments | \$ 1,678,453,797 | \$ 297,334,095 | \$ 221,484,349 | | \$ 2,197,272,241 |

3. Export sales by geographic area

The export sale amount of the Bank's domestic operating department is not more than 10% of the Bank's operating revenues for the year ended December 31, 2010.

4. Information on major customers

The revenue generated from any single customer of the Bank is not more than 10% of the Bank's operating revenues for the year ended December 31, 2010.

Head Office

No.100, Chi-lin Rd., Chung-shan Dist., Taipei 10424, Taiwan

Tel: +886-2-25633156

Fax: +886-2-23568936

Email: megaservice@megabank.com.tw

As of May 31, 2011

Management Team

Yeou-Tsair Tsai, Chairman of the Board

Kuang-Si Shiu, President

Meei-Yeh Wei, Senior Executive Vice President

Chao-Hsien Lai, Senior Executive Vice President

Dan-Hun Lu, Senior Executive Vice President

Jin-Fu Ma, Senior Executive Vice President

Chih-Wen Cheng, Senior Executive Vice President

Ying-Ying Chang, Chief Auditor

| Office / Department | Manager & Title | Fax Number |
|---|---|-----------------|
| Auditing Office | Ying-Ying Chang Chief Auditor | +866-2-23569801 |
| Foreign Department | Ching-Lung Hong Senior Vice President & General Manager | +866-2-25632614 |
| Offshore Banking Branch | Yen Chen Vice President & General Manager | +866-2-25637138 |
| Treasury Department | I-Chuan Kao Senior Vice President & General Manager | +866-2-25613395 |
| Direct Investment Department | Fang-Chu Sun Senior Vice President & General Manager | +866-2-25630950 |
| Trust Department | Chin-Nien Chang Senior Vice President & General Manager | +866-2-25235002 |
| Wealth Management Department | Grace Ju-Jane Shih Senior Vice President & General Manager | +866-2-25631601 |
| Risk Management Department | Meag-Jan Cheng Senior Vice President & General Manager | +866-2-23568506 |
| Credit Control Department | Feng-Chi Ker Senior Vice President & General Manager | +866-2-25310691 |
| Credit Department | Chuang-Hsin Chiu Senior Vice President & General Manager | +866-2-25711352 |
| Overdue Loan & Control Department | Yao-Ming Chang Senior Vice President & General Manager | +866-2-23560580 |
| Planning Department | Ching-Tsai Yang Senior Vice President & General Manager | +866-2-23569169 |
| Controller's Department | Ching-Hui Chen Senior Vice President & Controller | +866-2-23568601 |
| Data Processing & Information Department | Cheng-Chueng Yang Senior Vice President & General Manager | +866-2-23416430 |
| Legal Affairs Department | Tien-Lu Chen Vice President & General Manager | +866-2-25632004 |
| Human Resources Department | Yih-Jiang Huang Senior Vice President & General Manager | +866-2-23569531 |
| General Affairs and Occupational Safety & Health Department | Yu-Hsin Lo Senior Vice President & Chief Secretary | +866-2-23568936 |

Domestic Units

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|--|--|--|-----------------|-----------------|
| Heng Yang Branch | Josephine Chao-Jung Chen Vice President & General Manager | No.91, Heng-yang Rd., Chung-cheng Dist., Taipei 10009, Taiwan | +886-2-23888668 | +886-2-23885000 |
| Cheng Chung Branch | Mei-Lien Yih Senior Vice President & General Manager | No.42, Hsu-chang St., Chung-cheng Dist., Taipei 10047, Taiwan | +886-2-23122222 | +886-2-23111645 |
| Ministry of Foreign Affairs Branch | Show-Mei Tang Vice President & General Manager | Room 129, No.2, Kaitakelan Blvd., Chung-cheng Dist., Taipei 10048, Taiwan | +886-2-23482065 | +886-2-23811858 |
| Central Branch | Wei-Chian Chen Senior Vice President & General Manager | No.123, Sec.2, Jhong-siao E. Rd., Chung-cheng Dist., Taipei 10058, Taiwan | +886-2-25633156 | +886-2-23569427 |
| South Taipei Branch | Hong-Jeng Chen Vice President & General Manager | No.9-1, Sec.2, Roosevelt Rd., Chung-cheng Dist., Taipei 10093, Taiwan | +886-2-23568700 | +886-2-23922533 |
| Ta Tao Cheng Branch | Ching-Chang Tai Vice President & General Manager | No.62-5, Hsi-ning N. Rd., Dah-tong Dist., Taipei 10343, Taiwan | +886-2-25523216 | +886-2-25525627 |
| Dah Tong Branch | Ching-Wen Liu Vice President & General Manager | No.113, Nan-king W. Rd., Dah-tong Dist., Taipei 10355, Taiwan | +886-2-25567515 | +886-2-25580154 |
| Yuan Shan Branch | Chia-Ying Chi Vice President & General Manager | No.133, Sec.2, Chung-shan N. Rd., Chung-shan Dist., Taipei 10448, Taiwan | +886-2-25671488 | +886-2-25817690 |
| Chung Shan Branch | Show-Hwa Cheng Senior Vice President & General Manager | No.15, Sec.2, Chung-shan N. Rd., Chung-shan Dist., Taipei 10450, Taiwan | +886-2-25119231 | +886-2-25635554 |
| Nanking East Road Branch | Ruey-Yuan Fu Vice President & General Manager | No.53, Sec.2, Nan-king E. Rd., Chung-shan Dist., Taipei 10457, Taiwan | +886-2-25712568 | +886-2-25427152 |
| North Taipei Branch | Hsin-Chu Lin Vice President & General Manager | No.156-1, Sung-chiang Rd., Chung-shan Dist., Taipei 10459, Taiwan | +886-2-25683658 | +886-2-25682494 |
| Taipei Fusing Branch | Huoo-Wen Hong Senior Vice President & General Manager | No.198, Sec.3, Nan-king E. Rd., Chung-shan Dist., Taipei 10488, Taiwan | +886-2-27516041 | +886-2-27511704 |
| Taipei Airport Branch | Alice Yia-Shu Lin Vice President & General Manager | Taipei Sungshan Airport Building, No.340-9, Tun-hua N. Rd., Sung-shan Dist., Taipei 10548, Taiwan | +886-2-27152385 | +886-2-27135420 |
| Dun Hua Branch | Yi-Bin Liang Senior Vice President & General Manager | No.88-1, Tun-hua N. Rd., Sung-shan Dist., Taipei 10551, Taiwan | +886-2-87716355 | +886-2-87738655 |
| Sung Nan Branch | Yih-Chjun Ho Vice President & General Manager | No.234, Sec.5, Nan-king E. Rd., Sung-shan Dist., Taipei 10570, Taiwan | +886-2-27535856 | +886-2-27615705 |
| East Taipei Branch | Li-Ming Tu Vice President & General Manager | No.52, Sec.4, Min-sheng E. Rd., Sung-shan Dist., Taipei 10574, Taiwan | +886-2-27196128 | +886-2-27196261 |
| Ming Sheng Branch | Shi-Bin Yu Senior Vice President & General Manager | No.128, Sec.3, Ming-sheng E. Rd., Sung-shan Dist., Taipei 10596, Taiwan | +886-2-27190690 | +886-2-27190688 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|-------------------------------|---|--|-----------------|-----------------|
| Ta An Branch | Pei-Hong Wu Vice President & General Manager | No.182, Sec.3, Hsin-yi Rd., Ta-an Dist., Taipei 10658, Taiwan | +886-2-27037576 | +886-2-27006352 |
| An Ho Branch | Tien-Sheng Hsiao Senior Vice President & General Manager | No.62, Sec.2, An-ho Rd., Ta-an Dist., Taipei 10680, Taiwan | +886-2-27042141 | +886-2-27042075 |
| Tun Nan Branch | Shih-Ming Chen Vice President & General Manager | No.62, Sec.2, Tun-hua S. Rd., Ta-an Dist., Taipei 10683, Taiwan | +886-2-27050136 | +886-2-27050682 |
| Chung Hsiao Branch | Yeow-Shinn Chen Vice President & General Manager | No.233, Sec.4, Chung-hsiao E. Rd., Ta-an Dist., Taipei 10692, Taiwan | +886-2-27711877 | +886-2-27711486 |
| World Trade Center Branch | Jin-Chu Su Vice President & General Manager | 1F, No.333, Sec.1, Keelung Rd., Hsin-yi Dist., Taipei 11012, Taiwan | +886-2-27203566 | +886-2-27576144 |
| Hsin Yi Branch | Yi-Yun Tseng Vice President & General Manager | No.65, Sec.2, Keelung Rd., Hsin-yi Dist., Taipei 11052, Taiwan | +886-2-23788188 | +886-2-23772515 |
| Taipei Branch | Huang Hsiao Ho Vice President & General Manager | No.550, Sec.4, Chung-hsiao E. Rd., Hsin-yi Dist., Taipei 11071, Taiwan | +886-2-27587590 | +886-2-27581265 |
| Lan Ya Branch | Ching-Shi Hong Senior Vice President & General Manager | No.126, Sec.6, Chung-shan N. Rd., Shih-lin Dist., Taipei 11155, Taiwan | +886-2-28385225 | +886-2-28341483 |
| Tien Mou Branch | Cheng-Chuan Robin Lin Senior Vice President & General Manager | No.193, Sec.7, Chung-shan N. Rd., Shih-lin Dist., Taipei 11156, Taiwan | +886-2-28714125 | +886-2-28714374 |
| Nei Hu Branch | Bie-Ling Lee Senior Vice President & General Manager | No.68, Sec.4, Cheng-kung Rd., Nei-hu Dist., Taipei 11489, Taiwan | +886-2-27932050 | +886-2-27932048 |
| Nei Hu Science Park Branch | Sheng-Kang Ling Vice President & General Manager | No.472, Jui-kuang Rd., Nei-hu Dist., Taipei 11492, Taiwan | +886-2-87983588 | +886-2-87983536 |
| East Nei Hu Branch | Chyi-Chen Wei Vice President & General Manager | No.202, Kang-chien Rd., Nei-hu Dist., Taipei 11494, Taiwan | +886-2-26275699 | +886-2-26272988 |
| Nan Gang Branch | Ching-N Pong Vice President & General Manager | No.21-1, Sec.6, Jhong-siao E. Rd., Nan-gang Dist., Taipei 11575, Taiwan | +886-2-27827588 | +886-2-27826685 |
| Keelung Branch | Chuan-Yao Kao Vice President & General Manager | No.24, Nan-jung Rd., Ren-ai Dist., Keelung 20045, Taiwan | +886-2-24228558 | +886-2-24294089 |
| Pan Chiao Branch | Ying-Chiou Liaw Vice President & General Manager | No.51, Sec.1, Wen-hua Rd., Panchiao Dist., New Taipei City 22050, Taiwan | +886-2-29608989 | +886-2-29608687 |
| South Panchiao Branch | Teh-Ming Wang Vice President & General Manager | No.148, Sec.2, Nan-yah S. Rd., Panchiao Dist., New Taipei City 22060, Taiwan | +886-2-89663303 | +886-2-89673329 |
| Hsin Tien Branch | Chung-Cheng Lin Vice President & Acting General Manager | No.173, Sec.2, Pei-shin Rd., Hsin-tien Dist., New Taipei City 23143, Taiwan | +886-2-29182988 | +886-2-29126480 |
| Shuang Ho Branch | Wen-Lung Wang Vice President & General Manager | No.67, Sec.1, Yung-ho Rd., Yung-ho Dist., New Taipei City 23445, Taiwan | +886-2-22314567 | +886-2-22315288 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|---------------------------------------|---|--|-----------------|-----------------|
| Yung Ho Branch | Shiaw-Daw Chang Vice President & General Manager | No.201, Fu-ho Rd., Yung-ho Dist., New Taipei City 23450, Taiwan | +886-2-29240086 | +886-2-29240074 |
| Chung Ho Branch | Te-Chen Chiang Vice President & General Manager | No.124, Sec.2, Chung-shan Rd., Chung-ho Dist., New Taipei City 23555, Taiwan | +886-2-22433567 | +886-2-22433568 |
| Tu Cheng Branch | Fu Chiang Vice President & General Manager | No.276, Sec.2, Chung-yang Rd., Tu-cheng Dist., New Taipei City 23669, Taiwan | +886-2-22666866 | +886-2-22668368 |
| South San Chung Branch | Ming-Huei Lee Vice President & General Manager | No.12, Sec.4, Chung-hsin Rd., San-chung Dist., New Taipei City 24144, Taiwan | +886-2-29748811 | +886-2-29724901 |
| San Chung Branch | Chin-Tzu Liao Vice President & General Manager | No.99, Sec.3, Chung-yang Rd., San-chung Dist., New Taipei City 24145, Taiwan | +886-2-29884455 | +886-2-29837225 |
| Hsin Chuang Branch | Pei-Gen Chou Senior Vice President & General Manager | No.421, Szu-yuan Rd., Hsin-chuang Dist., New Taipei City 24250, Taiwan | +886-2-22772888 | +886-2-22772881 |
| Szu Yuan Branch | Heh-Yeau Wu Vice President & General Manager | No.169, Szu-yuan Rd., Hsin-chuang Dist., New Taipei City 24250, Taiwan | +886-2-29986661 | +886-2-29985973 |
| I Lan Branch | Chyi-Yee Chen Vice President & General Manager | No.338, Min-zu Rd., Ilan City, Ilan County 26048, Taiwan | +886-3-9310666 | +886-3-9311167 |
| Lo Tung Branch | Lin-Hsin Yen Vice President & General Manager | No.195, Sec.2, Chun-ching Rd., Lo-tung Town, Ilan County 26549, Taiwan | +886-3-9611262 | +886-3-9611260 |
| Hsinchu Branch | Jung-Chang Lin Vice President & General Manager | No.69, Tung-chien St., Hsinchu City 30041, Taiwan | +886-3-5225106 | +886-3-5267420 |
| North Hsinchu Branch | Huoo-Chine Yeh Vice President & General Manager | No.129, Chung-cheng Rd., Hsinchu City 30051, Taiwan | +886-3-5217171 | +886-3-5262642 |
| Hsinchu Science Park Chu-tsuen Branch | Edward Yuan Vice President & General Manager | No.21, Chu-tsuen 7th Rd., Hsinchu Science Park, Hsinchu City 30075, Taiwan | +886-3-5773155 | +886-3-5778794 |
| Hsinchu Science Park Hsin-an Branch | Yen-Rong Fu Senior Vice President & General Manager | No.1, Hsin-an Rd., Hsinchu Science Park, Hsinchu City 30076, Taiwan | +886-3-5775151 | +886-3-5774044 |
| Jhu Bei Branch | Shu-Te Hsu Vice President & General Manager | No.155, Guang-ming 1 st Rd., Jhu-bei City, Hsinchu County 30259, Taiwan | +886-3-5589968 | +886-3-5589998 |
| Chung Li Branch | Chander Wu Vice President & General Manager | No.46, Fu-hsing Rd., Chung-li City, Tao-yuan County 32041, Taiwan | +886-3-4228469 | +886-3-4228455 |
| North Chung Li Branch | Chin-Chang Pan Vice President & General Manager | No.406, Huan-pei Rd., Chung-li City, Tao-yuan County 32070, Taiwan | +886-3-4262366 | +886-3-4262135 |
| Tao Yuan Branch | Chun-Ming Chou Vice President & General Manager | No.2, Sec.2, Cheng-kung Rd., Tao-yuan City, Tao-yuan County 33047, Taiwan | +886-3-3376611 | +886-3-3351257 |
| Tao Hsin Branch | Li-Chu You Vice President & General Manager | No.180, Fu-hsin Rd., Tao-yuan City, Tao-yuan County 33066, Taiwan | +886-3-3327126 | +886-3-3339434 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|---------------------------------------|--|--|-----------------|-----------------|
| Pa Teh Branch | Tsung-Che Liang Vice President & General Manager | No.19, Da-jhih Rd., Pa-teh City, Tao-yuan County 33450, Taiwan | +886-3-3665211 | +886-3-3764012 |
| Tao Yuan International Airport Branch | Shou-Ling Liu Senior Vice President & General Manager | No.15, Hang-jan S. Rd., Da-yuan Township, Tao-yuan County 33758, Taiwan | +886-3-3982200 | +886-3-3834315 |
| Nan Kan Branch | Yu-Sheng Cheng Vice President & General Manager | No.33, Zhong-zheng Rd., Luzhu Township, Tao-yuan County 33861, Taiwan | +886-3-3525288 | +886-3-3525290 |
| Jhu Nan Science Park Branch | Chien-Chih Kuo Vice President & General Manager | 1F., No.6, Ke-dung 3 rd Rd., Jhu-nan Town, Miao-li County 35053, Taiwan | +886-3-7586666 | +886-3-7586671 |
| Tou Fen Branch | Hwa-San Lo Vice President & General Manager | No.916, Chung-hwa Rd., Tou-fen Town, Miao-li County 35159, Taiwan | +886-3-7688168 | +886-3-7688118 |
| Taichung Branch | Li-Fang Lin Senior Vice President & General Manager | No.216, Ming-chuan Rd., Central Dist., Taichung 40041, Taiwan | +886-4-22281171 | +886-4-22241855 |
| Central Taichung Branch | Jack Ching-Her Tsai Senior Vice President & General Manager | No.194, Sec.1, San-min Rd., West Dist., Taichung 40343, Taiwan | +886-4-22234021 | +886-4-22246812 |
| South Taichung Branch | Rei-Chan Tsai Vice President & General Manager | No.257, Sec.1, Wu-chuan W. Rd., West Dist., Taichung 40347, Taiwan | +886-4-23752529 | +886-4-23761670 |
| East Taichung Branch | Ko-Cheng Chang Vice President & General Manager | No.330, Chin-hwa N. Rd., North Dist., Taichung 40457, Taiwan | +886-4-22321111 | +886-4-22368621 |
| North Taichung Branch | Donq-Liang Huang Vice President & General Manager | No.80-8, Sec.2, Taichung-kang Rd., Xi-tun Dist., Taichung 40756, Taiwan | +886-4-23115119 | +886-4-23118743 |
| Pouchen Branch | Yao-Chi Lo Vice President & General Manager | No.78-2, Sec.3, Taichung-kang Rd., Xi-tun Dist., Taichung 40764, Taiwan | +886-4-24619000 | +886-4-24613300 |
| Rung Tzung Branch | Yow-Der Wang Vice President & General Manager | No.160, Sec.3, Taichung-kang Rd., Xi-tun Dist., Taichung 40764, Taiwan | +886-4-23500190 | +886-4-23591281 |
| Tai Ping Branch | Fu-Kuei Wu Vice President & General Manager | No.152, Chung-hsin E. Rd., Tai-ping Dist., Taichung 41167, Taiwan | +886-4-22789111 | +886-4-22777546 |
| Da Li Branch | Jiunn-Horgn Shyu Vice President & General Manager | No.600, Shuang-wun Rd., Da-li Dist., Taichung 41283, Taiwan | +886-4-24180929 | +886-4-24180629 |
| Feng Yuan Branch | Chi-Tzai Liao Senior Vice President & General Manager | No.519, Chung-cheng Rd., Feng-yuan Dist., Taichung 42056, Taiwan | +886-4-25285566 | +886-4-25274580 |
| Hou Li Branch | Tzu-Chen Kung Vice President & General Manager | No.619-1, Jia-hou Rd., Hou-li Dist., Taichung 42151, Taiwan | +886-4-25588855 | +886-4-25580166 |
| Tan Tzu Branch | Julie Ho Vice President & General Manager | No.3, Nan 2 nd Rd., T.E.P.Z., Tan-tzu Dist., Taichung 42760, Taiwan | +886-4-25335111 | +886-4-25335110 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|------------------------------------|---|---|-----------------|-----------------|
| Central Taiwan Science Park Branch | Mao-Jung Chu Vice President & General Manager | 2F, No.28, Ke-ya Rd., Da-ya Dist., Taichung 42881, Taiwan | +886-4-25658108 | +886-4-25609230 |
| Sha Lu Branch | Wen-Guan Chen Vice President & General Manager | No.533, Chung-shan Rd., Sha-lu Dist., Taichung 43344, Taiwan | +886-4-26656778 | +886-4-26656399 |
| Da Jia Branch | Wen-Yeong Hsieh Vice President & General Manager | No.1033, Sec. 1, Chung-shan Rd., Da-jia Dist., Taichung 43744, Taiwan | +886-4-26867777 | +886-4-26868333 |
| North Changhua Branch | Shu-Er Huang Vice President & General Manager | No.39, Kuang-fuh Rd., Changhua City, Changhua County 50045, Taiwan | +886-4-7232111 | +886-4-7243958 |
| South Changhua Branch | Yung-Chuan Wu Vice President & General Manager | No.401, Sec.1, Chung-shan Rd., Changhua City, Changhua County 50058, Taiwan | +886-4-7613111 | +886-4-7622656 |
| Lu Gang Branch | Hsin-Tsai Tai Vice President & General Manager | No.254, Chung-shan Rd., Lu-gang Town, Changhua County 50564, Taiwan | +886-4-7788111 | +886-4-7788600 |
| Yuan Lin Branch | Jong-Huei Jih Vice President & General Manager | No.338, Sec.1, Dah-tong Rd., Yuan-lin Town, Changhua County 51056, Taiwan | +886-4-8332561 | +886-4-8359359 |
| Nan Tou Branch | Ming-Kuang Lee Vice President & General Manager | No.45, Wen-chang St., Nan-tou City, Nan-tou County 54048, Taiwan | +886-49-2232223 | +886-49-2232758 |
| Chia Yi Branch | Chien-Chung Chen Vice President & General Manager | No.259, Wen-hua Rd., Chia-yi City 60044, Taiwan | +886-5-2241166 | +886-5-2255025 |
| Chia Hsin Branch | Jaw-Jia Chou Vice President & General Manager | No.379, Wu-fong N. Rd., Chia-yi City 60045, Taiwan | +886-5-2780148 | +886-5-2769252 |
| Tou Liu Branch | Yaw-Ching Tseng Vice President & General Manager | No.225, Sec.2, Yun-lin Rd., Tou-liu City, Yun-lin County 64041, Taiwan | +886-5-5361779 | +886-5-5337830 |
| Tainan Branch | Pei-Jung Hsieh Senior Vice President & General Manager | No.14, Sec.2, Chung-yi Rd., Tainan 70041, Taiwan | +886-6-2292131 | +886-6-2224826 |
| Tainan Fucheng Branch | Joseph C. H. Chou Vice President & General Manager | No.90, Chung-shan Rd., Tainan 70043, Taiwan | +886-6-2231231 | +886-6-2203771 |
| East Tainan Branch | Hsuan-Shu Chen Vice President & General Manager | No.225, Sec.1, Chang-jung Rd., Tainan 70143, Taiwan | +886-6-2381611 | +886-6-2378008 |
| Yung Kang Branch | Cheng-Sui Chang Vice President & General Manager | No.180, Chung-shan Rd., Yung-kang Dist., Tainan 71090, Taiwan | +886-6-2019389 | +886-6-2016251 |
| Tainan Science Park Branch | Tsair-Quey Chang Vice President & General Manager | No.13, Nan-ke 3 rd Rd., Hsin-shih Dist., Tainan 74147, Taiwan | +886-6-5052828 | +886-6-5051791 |
| Lin Sen Branch | Lee-Wen Chiu Vice President & General Manager | No.230, Lin-sen 1 st Rd., Hsin-hsing Dist., Kaohsiung 80002, Taiwan | +886-7-2823357 | +886-7-2822082 |
| Wu Fu Branch | Ming-Jinn Cheng Vice President & General Manager | No.82, Wu-fu 2 nd Rd., Hsin-hsing Dist., Kaohsiung 80043, Taiwan | +886-7-2265181 | +886-7-2260919 |
| Hsin Hsing Branch | Yung-Chin Chuang Vice President & General Manager | No.308, Chung-shan 1 st Rd., Hsin-hsing Dist., Kaohsiung 80049, Taiwan | +886-7-2353001 | +886-7-2350962 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|---|--|--|----------------|----------------|
| Kaohsiung Branch | Chun-Fu Chen Vice President & General Manager | No.235, Chung-cheng 4 th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan | +886-7-2515111 | +886-7-2212554 |
| Kaohsiung Metropolitan Branch | Kun-Fu Su Vice President & General Manager | No.253, Chung-cheng 4 th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan | +886-7-2510141 | +886-7-2811426 |
| Ling Ya Branch | Yu-Yeng Chiang Vice President & General Manager | No.8, Sze-wei 4 th Rd., Ling-ya Dist., Kaohsiung 80247, Taiwan | +886-7-3355595 | +886-7-3355695 |
| San Tuo Branch | Hsin-Shan Chang Vice President & General Manager | No.93, San-tuo 2 nd Rd., Ling-ya Dist., Kaohsiung 80266, Taiwan | +886-7-7250688 | +886-7-7211012 |
| San Min Branch | Jung-Tai Ho Vice President & General Manager | No.225, Chung-hua 1 st Rd., Gu-shsan Dist., Kaohsiung 80455, Taiwan | +886-7-5536511 | +886-7-5521472 |
| Kaohsiung Fishing Port Branch | Chyi-Fure Jiang Vice President & General Manager | Room 107, No.3, Yu-kang E. 2 nd Rd., Kaohsiung 80672, Taiwan | +886-7-8219630 | +886-7-8117912 |
| Kaohsiung Export Processing Zone Branch | Tsun-Long Lee Senior Vice President & General Manager | No.2, Chung 4 th Rd., Kaohsiung Export Processing Zone, Kaohsiung 80681, Taiwan | +886-7-8316131 | +886-7-8314393 |
| North Kaohsiung Branch | Wen-Tsung Wu Senior Vice President & General Manager | No.532, Chiu-ju 2 nd Rd., Kaohsiung 80745, Taiwan | +886-7-3157777 | +886-7-3155506 |
| East Kaohsiung Branch | Jia-Feng Liu Vice President & General Manager | No.419, Ta-shun 2 nd Rd., Kaohsiung 80787, Taiwan | +886-7-3806456 | +886-7-3806608 |
| Nan Tze Branch | Ernest S. T. Lu Vice President & General Manager | No.600-1, Chia-chang Rd., Nantze Export Processing Zone, Kaohsiung 81170, Taiwan | +886-7-3615131 | +886-7-3633043 |
| Chung Kang Branch | Kung-Yeong Wang Vice President & General Manager | No.1, Chung-kang Rd., Kaohsiung 81233, Taiwan | +886-7-8021111 | +886-7-8034911 |
| Kaohsiung International Airport Branch | Chong-Yin Lee Vice President & General Manager | Kaohsiung International Airport, No.2, Chung-shan 4 th Rd., Kaohsiung 81252, Taiwan | +886-7-8067866 | +886-7-8068841 |
| Zen Wu Branch | Ying-Liang Jhu Vice President & General Manager | No.2, Chung-cheng Rd., Zen-wu Dist., Kaohsiung 81451, Taiwan | +886-7-3711144 | +886-7-3740764 |
| Kang Shan Branch | Yeou-An Lu Vice President & General Manager | No.138, Chung-shan N. Rd., Kang-shan Dist., Kaohsiung 82065, Taiwan | +886-7-6230300 | +886-7-6230608 |
| Feng Shan Branch | Hsiao-Chin Ma Vice President & General Manager | No.248, Chung-shan W. Rd., Feng-shan Dist., Kaohsiung 83068, Taiwan | +886-7-7473566 | +886-7-7477566 |
| Kin Men Branch | Ray-Lin Liao Vice President & General Manager | No.37-5, Min-sheng Rd., Jin-cheng Town, Kin-men County 89345, Taiwan | +886-82-375800 | +886-82-375900 |
| Ping Tung Branch | Fuh-Yuan Huang Vice President & General Manager | No.213, Ming-tsu Rd., Ping-tung City, Ping-tung County 90078, Taiwan | +886-8-7323586 | +886-8-7321651 |
| Hua Lien Branch | Chien-Hua Wei Vice President & General Manager | No.26, Kung-yuan Rd., Hua-lien City, Hua-lien County 97048, Taiwan | +886-3-8350191 | +886-3-8360443 |

Overseas Branches & Representative Offices

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|------------------------|---|---|-----------------|-----------------|
| New York Branch | Ming-Yung Liu Senior Vice President & General Manager | 65 Liberty Street, New York, NY 10005, U.S.A. | +1-212-6084222 | +1-212-6084943 |
| Los Angeles Branch | Chia-Jang Liu Senior Vice President & General Manager | 445 South Figueroa Street, Suite 1900, Los Angeles, CA 90071, U.S.A. | +1-213-4893000 | +1-213-4891183 |
| Chicago Branch | Yi-Ming Ko Vice President & General Manager | 2 North La Salle Street, Suite 1803, Chicago, IL 60602, U.S.A. | +1-312-7829900 | +1-312-7822402 |
| Silicon Valley Branch | Yuan-His Lin Senior Vice President & General Manager | 333 West San Carlos Street, Suite 100, Box 8, San Jose, CA 95110, U.S.A. | +1-408-2831888 | +1-408-2831678 |
| Panama Branch | Guey-Zen Huang Vice President & General Manager | Calle 50 Y Esquina Margarita A, de Vallarino, Entrada Nuevo Campo Alegre, Edificio ICBC No.74, P.O. Box 0832-01598, Panama City, Republic of Panama | +507-2638108 | +507-2638392 |
| Colon Free Zone Branch | Rich Y. H. Huang Senior Vice President & General Manager | Dominador Bazan y Calle 20, Manzana 31, P.O. Box 0302-00445, Colon Free Zone, Republic of Panama | +507-4471888 | +507-4414889 |
| Paris Branch | Cheng-Chian Tsao Vice President & General Manager | 131-133 Rue de Tolbiac, 75013 Paris, France | +33-1-44230868 | +33-1-45821844 |
| Amsterdam Branch | Chih-Hsien Tai Vice President & General Manager | World Trade Center, Strawinskylaan 1203, 1077XX, Amsterdam, The Netherlands | +31-20-6621566 | +31-20-6649599 |
| London Branch | Shiow Lin Vice President & General Manager | 4 th Floor, Michael House, 35 Chiswell Street, London, EC1Y 4SE, United Kingdom | +44-20-75627350 | +44-20-75627369 |
| Sydney Branch | Fu-Yung Chen Senior Vice President & General Manager | 6 th Floor, 275-281, George Street, Sydney, N.S.W. 2000, Australia | +61-2-92677511 | +61-2-92645492 |
| Brisbane Branch | Yaw-Shing Chen Vice President & General Manager | Suite 1-3, 3 Zamia Street, Sunnybank, QLD 4109, Australia | +61-7-32195300 | +61-7-32195200 |
| Melbourne Branch | Chun-Kai Hu Vice President & General Manager | Level 20, 459 Collins Street, Melbourne VIC 3000, Australia | +61-3-96200500 | +61-3-96200600 |
| Tokyo Branch | Chun-Ko Su Vice President & General Manager | 7F, Kishimoto Bldg. No.2-1, Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100-0005, Japan | +81-3-32116688 | +81-3-32165686 |
| Osaka Branch | Chih-Liang Chen Vice President & General Manager | 4-11, 3-chome, Doshomachi, Chuo-ku, Osaka 541-0045, Japan | +81-6-62028575 | +81-6-62023127 |
| Manila Branch | Rong-Hwa Lin Senior Vice President & General Manager | 3 rd Floor, Pacific Star Bldg., Makati Avenue, Makati City, Philippines | +63-2-8115807 | +63-2-8115774 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|----------------------------------|---|--|------------------|------------------|
| Ho Chi Minh City Branch | Chao-Ho Lee Vice President & General Manager | Ground Floor, Landmark Building, 5B Ton Duc Thang, Dist 1, Ho Chi Minh City, Vietnam | +84-8-38225697 | +84-8-38229191 |
| Singapore Branch | Kuo-Cheng Chen Senior Vice President & General Manager | 80 Raffles Place#23-20 UOB Plaza 2 Singapore 048624 | +65-62277667 | +65-62271858 |
| Labuan Branch | Chen-Hui Chen Vice President & General Manager | Level 7 (E2), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 F. T. Labuan, Malaysia | +60-87-581688 | +60-87-581668 |
| Kuala Lumpur Marketing Office | Chen-Hui Chen Vice President & General Manager | Suite 12-04, Level 12, Wisma Goldhill 67, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia | +60-3-20266966 | +60-3-20266799 |
| Hong Kong Branch | Shihming Huang Vice President & General Manager | Suite 2201, 22/F, Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong | +852-25259687 | +852-25259014 |
| Representative Office in Bahrain | Chou-Wen Pan Vice President & Representative | Flat 1, Abulfatih Building, Block 319, Rd 1906 Al Hoor Area, P.O. Box 5806, Manama, State of Bahrain | +886-2-25633156 | +886-2-25235739 |
| Representative Office in Mumbai | Min-Jen Shih Vice President & Representative | B-1 Mahesh Niwas, 3 rd Rd. L.T. Nagar, Goregaon West Mumbai 400062, India | +65-62277667 | +65-62271858 |
| Representative Office in Suzhou | Robert Yong-Yi Tsai Senior Vice President & Chief Representative | RM 908, Jianwu Building, No.188, Wangdun Rd., Suzhou Industrial Park, Jiangsu, China P.C.: 215028 | +86-512-62966568 | +86-512-62966698 |

Subsidiaries

| Mega International Commercial Bank (Canada) | | | | |
|--|---|--|----------------|----------------|
| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
| Head Office | Chung-Shin Loo President & Chief Executive Officer | North York Madison Centre, 4950 Yonge Street, Suite 1002, Toronto, Ontario, M2N 6K1, Canada | +1-416-9472800 | +1-416-9479964 |
| Chinatown Branch | Chung-Tze Huang General Manager | 241 Spadina Avenue, Toronto, Ontario, M5T 1G6, Canada | +1-416-5978545 | +1-416-5976526 |
| Vancouver Branch | Bao-Huei Yeh Vice President & General Manager | 1095 West Pender Street, Suite 1250, Vancouver, British Columbia, V6E 2M6, Canada | +1-604-6895650 | +1-604-6895625 |
| Richmond Branch | Hon-Sum Lee (Lee Raymond) General Manager | 6111 No. 3 Road, Richmond, British Columbia, V6Y 2B1, Canada | +1-604-2733107 | +1-604-2733187 |
| Mega International Commercial Bank Public Co., Ltd. | | | | |
| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
| Head Office | Jia-Hong Wu President & Chief Executive Officer | 36/12 P.S. Tower, Asoke, Sukhumvit 21 Road, Klongtoey-nua, Wattana, Bangkok 10110, Thailand | +66-2-2592000 | +66-2-2591330 |
| Chonburi Branch | Jing-Fu Yang Vice President & General Manager | 39/4 Moo.3, Sukhumvit Road, Huaykapi Sub-District, Muang District, Chonburi Province 20130, Thailand | +66-3-8387333 | +66-3-8387525 |
| Bangna Branch | Chien-Min Wang Vice President & General Manager | MD Tower, 2 nd Floor, Unit B, No.1, Soi Bangna-Trad 25, Bangna Sub-District, Bangna District Bangkok Province 10260, Thailand | +66-2-3986161 | +66-2-3986157 |
| Ban Pong Branch | Kuo-Chi Lai Vice President & General Manager | 99/47-48 Sonpong Road, Ban Pong, Ratchaburi 70110, Thailand | +66-3-2222882 | +66-3-2221666 |

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