Mega International Commercial Bank

# Annual Report 2011

Annual Report 2011

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.

# MEGA FINANCIAL GROUP

## MEGA INTERNATIONAL COMMERCIAL BANK


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# Contents


1 ***Message to Shareholders***
Operation Results of 2011
Business Plan of 2012
Long-Term Development Strategies
Major Regulatory Changes and Influences
Credit Rating

4 ***Bank Profile***
Historical Overview

5 ***Corporate Governance Report***
Organization Chart
Directors, Supervisors & Top Management
Execution of Corporate Governance

10 ***Capital Overview***
Capital & Shares
Other Fund-Raising Activities
Capital Allocation Plan

12 ***Overview of Business Operations***
Business Activities
Taiwanese Banking Industry & Market Overview
Human Resources Profile
Social Responsibility

15 ***Financial Information***
Condensed Balance Sheets
Condensed Statements of Income
Major Financial Analysis

17 ***Report of Independent Accountants***

78 ***Service Network***
Head Office
Domestic Branches
Overseas Branches & Representative Offices
Subsidiaries

The year of 2011 started with a brighter outlook, but soon the world experienced unexpected macroeconomic uncertainties that ultimately hindered a broad-based recovery that we had expected earlier. Though challenges including the confluence of macroeconomic concerns, heightened market volatility, passive atmosphere among our corporate customers made the year worrisome, Mega ICBC's performance turned out cheerful. We produced a total amount of pretax income about NT$17.5 billion, with a pretax earnings per share of NT$2.57, representing a 16.29% increase compared to the year of 2010.

For years, Mega ICBC occupies the leading position in the banking industry. According to *the Banker*, July 2011, the Bank is ranked the second largest bank in Taiwan. With an incontestable expertise in the international banking business supported by a well-established clientele, in 2011, Mega ICBC was selected as one of Top 300 Asian Banks by *Yazhou Zhoukan*, and also won the honors of "The Best Trade Finance Bank in Taiwan" and "The Leading Counter-party Bank for Taiwan" from the Asian Banker.

To expand our global reach, after a throughout study, we set up two new foreign outposts in 2011, Representative Office in Abu Dhabi, and Phnom Penh Branch. In China, one of the most vigorous emerging markets, our Representative Office in Suzhou is expected to be upgraded to a branch this year, to keep up with the expanding pace of our corporate customers who are ambitious of the Great Chinese market.

It is our promise to secure the competitive edge and continue being the top bank in Taiwan. To accomplish the vision, your continued interest and support is as important as our effort.

## Operation Results of 2011

### I. Global & Domestic Economic Dynamics

#### 1. Economic Growth

The global recovery was threatened by the mixture with intensifying strains in the euro area and fragilities in other regions, including the Great East Japan Earthquake last year. Generally, activities remained relatively robust during the first two quarters, but risks sharply escalated during the latter two quarters, as the European sovereign debt crisis entered a perilous phase. Even growth in emerging and developing economies slowed more than forecasted. According to the International Monetary Fund, because of sharp downturn during the second half of 2011, global growth dropped from 5.3% in 2010 to 3.9% in 2011. Though the prospects for the global economy are slowly improving, the growth is expected to be weak, especially in consequence of a lingering crisis in Europe; therefore, it is expected to recover modestly and growth rate is forecasted to be limited at around 3.5% in 2012.

As for Taiwan, the external sector started to slow down in the third quarter, and in the last quarter, reduced global growth further undermined Taiwan's trade strength, coupling with domestic demand declining, GDP growth rate in second half of 2011 slowed to 2.65% from 5.54% in the first half; for 2011 as a whole, Taiwan's real GDP increased by 4.03%. In line with the slow recovery of global economy, Taiwan's export is projected to grow modestly, combining with vulnerable outlook of domestic demand caused by the rise in electricity and fuel prices, Taiwan's real GDP is penciled to grow by 3.03% in 2012, according to the Directorate-General of Budget, Accounting and Statistics (DGBAS) released on May 25, 2012.

#### 2. Financial Market

In 2011, the Central Bank of China (Taiwan) hiked its key interest rate, discount rate, in April and in July by 12.5 basis points, respectively, to 1.875%. Adding to the effect of open market operations by the Central Bank, the average interbank overnight call-loan rate was 0.344%, 16.1 basis points higher than that of previous year, while standing at 0.405% at the end of 2011. Due to unfavorable economic prospect, it is less possible to see an action of interest rate increase recently.

Owing to a steady strong inflow of foreign capital resulted from the US quantitative easing policy, the NT dollar continued appreciating against the US dollar during the first eight months of 2011, along with similar trend of other Asian currencies. Soon after the European sovereign debt crisis went through another stage with confidence melt down in Spain and Italy, international investors perceived the US dollar as the best choice under the circumstances.

Consequently, the NT dollar experienced a steep drop against the US dollar in September, and finally settled to NT$30.29 at yearend. The average exchange rate for the whole year was NT$29.475, up 7.31% from 2010.

**II. Change in Organization**

Mega ICBC established 5 regional business centers in 2011, to maximize overall operational effectiveness.

**III. Operating Results in 2011**

Units: millions in NTD, except as indicated

| Item \ Year | 2011 | 2010 | Change (%) |
|---|---|---|---|
| Deposits | 1,520,738 | 1,507,253 | 0.9 |
| Loans | 1,398,950 | 1,267,281 | 10.4 |
| Corporate Financing | 1,125,006 | 1,009,983 | 11.4 |
| Consumers Financing (Note) | 273,944 | 257,298 | 6.5 |
| Foreign Exchange Business (millions in USD) | 761,823 | 675,766 | 12.7 |
| Securities Purchased | 233,580 | 309,660 | -24.6 |
| Long-term Equity Investments | 28,281 | 28,202 | 0.3 |
| Trust Assets | 256,508 | 266,709 | -3.8 |
| Credit Card Loans | 1,744 | 1,933 | -9.8 |

Note: Consumers financing excludes credit card loans

**IV. Budget Implementation**

| 2011 Pretax Income (Millions in NT dollars) | 2011 Pretax Income Budget (Millions in NT dollars) | Budget achievement rate (%) |
|---|---|---|
| 17,470 | 14,580 | 119.82 |

**<u>Business Plan of 2012</u>**

**I. Business Plan**

- Extend overseas network to provide customers a more comprehensive range of financial services.
- Reinforce core corporate business and advance wealth management business.
- Cross-sell with other subsidiaries of the Mega Financial Holding Company to maximize synergy.
- Renew internal information system to further improve operational efficiency.
- Renovate electronic banking platform, for example, Mobile Banking online.
- Intensify risk and crisis management framework to ensure fully legal compliance.
- Make optimal allocation of assets and enhance effective utilization of capital to maintain quality assets.

**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 2012: total deposits of NT$1,554,005 million, total loans of NT$1,456,217 million, and foreign exchange business of US$813,600 million.

**Long-Term Development Strategies**

- Pay close attention to new trend and regulatory change to grasp the business opportunity.
- Consolidate the Bank's niche of foreign exchange business to maintain market share.
- Evaluate business opportunities carefully to diagram the blueprint of future service network.
- Fortify contingency plan to elevate the Bank's ability to tackle all kinds of risks, disasters and emergencies.
- Provide training programs to help the Bank's staff keep up with updated expertise.

**Major Regulatory Changes and Influences**

- The act of tax levied on specific goods and services, introduced in June 2011 to curb real-estate speculation, stipulates that non-occupied residential property owners who owned the units for less than two years, would be taxed 10 percent of the selling price, or 15 percent if less than one year. This may cool down real-estate market a little bit and restrict house-purchasing loan business on the one hand, but bring down the risks to relevant loans on the other hand.
- The Financial Supervisory Commission (FSC) approved domestic banks to initiate RMB business for their offshore banking units upon application in July 2011. It helps to broaden the scope of business, more specifically, to spur a wave of RMB deposits.
- Following the signing of the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China, financial activities between the straits have become intenser than ever. FSC amended the "Regulatory Principles for Investments in Mainland China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises", easing the limit on the number of Chinese financial services firms that may be invested in, to help Taiwanese financial institutions accelerate moves to establish a presence in China.
- The implementation of Financial Consumer Protection Act inaugurated in December 2011 is to protect the interests of financial consumers, and to fairly, reasonably, and effectively handle financial consumer disputes. Thereby it will reinforce the confidence of financial consumers in markets and promoting sound development of financial markets.

**Credit Rating**

As of May, 2012

| Credit Rating Institute | Credit Rating | | Outlook | Publication Date (Year/Month) | Note |
|---|---|---|---|---|---|
| | Long-term | Short-term | | | |
| Moody's | A1 | P-1 | Stable | 2011/11 | Bank Financial Strength Rating: C- |
| S&P | A | A-1 | Stable | 2011/10 | |
| Fitch Ratings | A- | F2 | Stable | 2011/10 | Individual Rating: B/C |

Yeou-Tsair Tsai

Chairman

Kuang-Si Shiu

President

## 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.

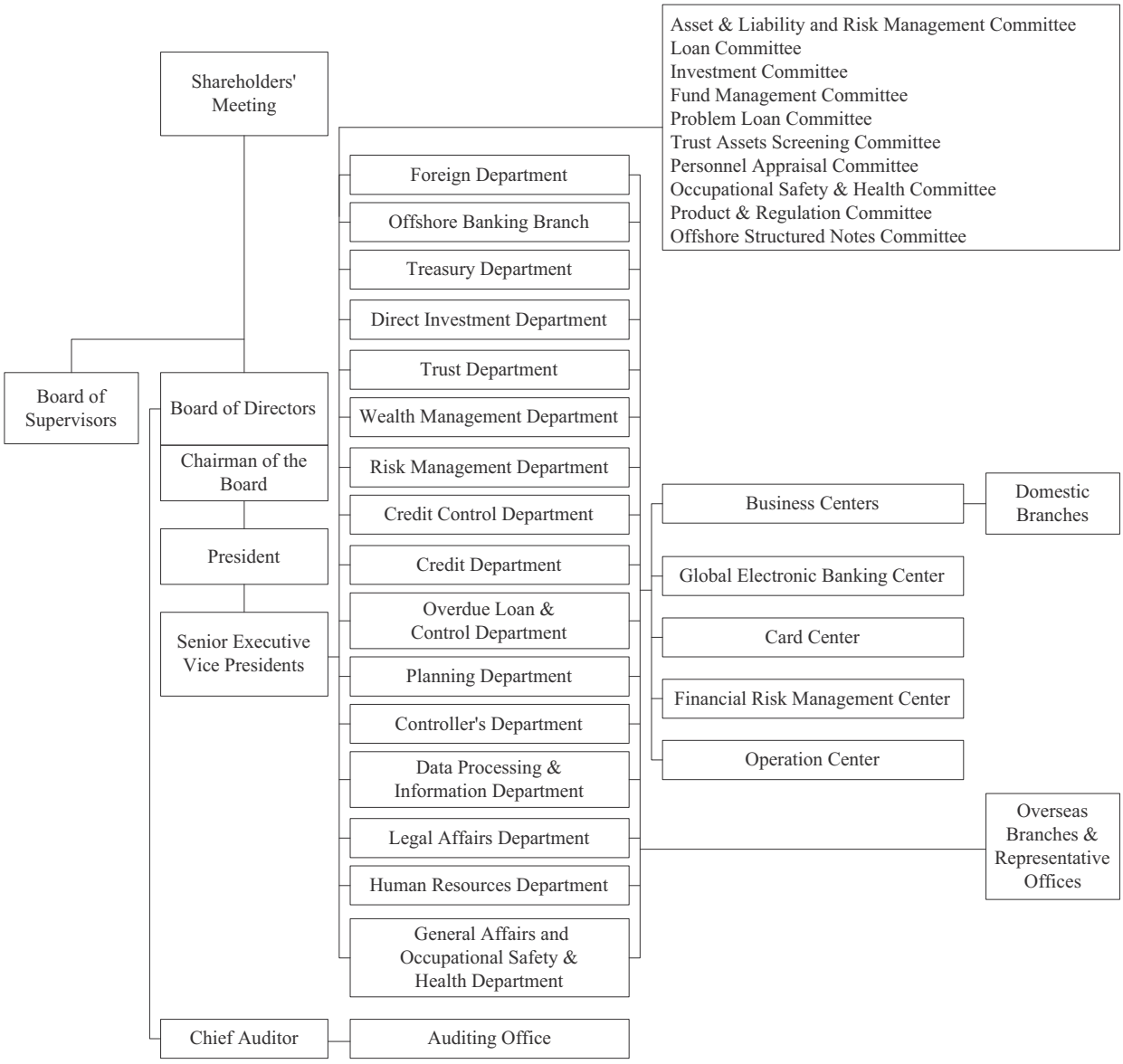
In 1971, The Bank of China was privatized to become The International Commercial Bank of China Co., Ltd. (ICBC), whose origin dates back to the Ta Ching Bank and its predecessor, the Hupu Bank (the bank under the finance arm of the imperial court in the Ching Dynasty.) The Bank of China had been entrusted 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 2011, the Bank has 107 branches at home, and 20 branches and 4 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 33 in total. It has manpower 5,264 and an aggregate paid-in capital of NT$68 billion.

## Organization Chart



## Directors, Supervisors & Top Management

### I. Major Shareholders of the Institutional Shareholders

As of December 31, 2011

| Name of the Institutional Shareholders | Top 10 Shareholders (Percentage of Shares Ownership) |
|---|---|
| Mega Financial Holding Co., Ltd. | Ministry of Finance, ROC (9.98%) |
| | National Development Fund, Executive Yuan, ROC (6.11%) |
| | Bank of Taiwan Trust Account (4.91%) |
| | Chunghwa Post Co., Ltd. (2.72%) |
| | Bank of Taiwan (2.51%) |
| | Fubon Life Insurance Co., Ltd. (1.54%) |
| | Pou Chen Corporation (1.43%) |
| | Cathay Life Insurance Co., Ltd. (1.16%) |
| | Government of Singapore – GOS-EFM C (1.14%) |
| | China Life Insurance Company, Ltd. (1.12%) |

### II. Board of Directors and Supervisors

As of December 31, 2011

| Title | Name | Position / Occupation |
|---|---|---|
| Chairman of the Board | Yeou-Tsair Tsai | Chairman of the Board<br>Mega Financial Holding Company and Mega ICBC |
| Managing Director & President | Kuang-Si Shiu | President<br>Mega Financial Holding Company and Mega ICBC |
| Managing Director | Ming-Chung Tseng | Administrative Deputy Minister<br>Ministry of Finance, ROC |
| Independent Managing Director | Chan-Sheng Chen | Chairman<br>Nan Tsan Industry Co., Ltd. |
| Managing Director | Meei-Yeh Wei | Senior Executive Vice President<br>Mega ICBC |
| Independent Director | Liang-Chi Chien | Professor<br>National Sun Yat-sen University |
| Independent Director | Chyan-Long Jan | Professor & Director<br>Accounting Department, Soochow University |
| Director | Yuan-Chung Lee | Director<br>Chaiwan Finance Service Company |
| Director | Chen-Chia Lee | Chairman<br>Maywufa Biopharmaceutical Ent. Group |
| Director | Fu-Hsiung Hu | Chairman<br>Joint Credit Information Center |
| Director | Hung-Wen Chien | Chairman<br>Mega Securities Co., Ltd. |
| Director | Chao-Hsien Lai | Senior Executive Vice President<br>Mega ICBC |
| Director | Chin-Lan Chiang Hsiao | Resident Supervisor<br>World-League for Freedom and Democracy |
| Director | Chia-Pang Chiu | Vice President<br>Mega ICBC (Cheng-Chung Branch) |
| Director | I-Kan Chiu | Assistant Vice President<br>Mega ICBC (Chung-Li Branch) |
| Resident Supervisor | Chu-Wei Tseng | Professor<br>Department of Public Finance, China University of Technology |
| Supervisor | Jui-Yun Lin | Executive Vice President<br>Mega Financial Holding Company |
| Supervisor | Tsung-Chih Hsu | Deputy Chief Auditor<br>Mega Financial Holding Company |

## III. Professional Qualifications and Independence Analysis of Directors and Supervisors

As of December 31, 2011

| Criteria / Name | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Criteria (Note) | | | | | | | | | | Number of other public companies in which the individual is concurrently serving as an Independent Director |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Fu-Hsiung Hu | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Hung-Wen Chien | | | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | 0 |
| Chao-Hsien Lai | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chin-Lan Chiang Hsiao | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chia-Pang Chiu | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| I-Kan Chiu | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chu-Wei Tseng | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Jui-Yun Lin | | | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | 0 |
| Tsung-Chih Hsu | | | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | 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.

## Execution of Corporate Governance

### I. Attendance Record

A total of thirty eight meetings of the Board of Directors were held in 2011. Attendance of directors and supervisors was as follows:

| Title | Name | Attendance in Person | By Proxy | Attendance rate (%) | Remark |
|---|---|---|---|---|---|
| Chairman | Yeou-Tsair Tsai | 37 | 1 | 97.40 | Assumed on July 1, 2010 |
| Managing Director & President | Kuang-Si Shiu | 36 | 2 | 94.70 | |
| Managing Director | Ming-Chung Tseng | 23 | 15 | 60.50 | |
| Managing Director | Meei-Yeh Wei | 37 | 1 | 97.40 | Assumed on July 15, 2009 as Director Assumed on October 28, 2009 as Managing Director |
| Independent Managing Director | Chan-Sheng Chen | 38 | 0 | 100.00 | Assumed on July 15, 2009 |
| Independent Director | Liang-Chi Chien | 10 | 0 | 100.00 | Assumed on July 15, 2009 |
| Independent Director | Chyan-Long Jan | 10 | 0 | 100.00 | Assumed on July 15, 2009 |
| Director | Yuan-Chung Lee | 9 | 1 | 90.00 | |
| Director | Chen-Chia Lee | 6 | 4 | 60.00 | |
| Director | Fong-Yu Kuo | 2 | 0 | 100.00 | Resigned on March 22, 2011 |
| Director | Fu-Hsiung Hu | 10 | 0 | 100.00 | Assumed on September 30, 2009 |
| Director | Hung-Wen Chien | 10 | 0 | 100.00 | Assumed on March 23, 2010 |
| Director | Chun-Yi Wu | 3 | 0 | 100.00 | Resigned on April 13, 2011 |
| Director | Chao-Hsien Lai | 6 | 2 | 75.00 | Assumed on March 23, 2011 |
| Director | Chin-Lan Chiang Hsiao | 7 | 0 | 100.00 | Assumed on April 26, 2011 |
| Director | Chia-Pang Chiu | 10 | 0 | 100.00 | |
| Director | I-Kan Chiu | 5 | 0 | 100.00 | Assumed on July 26, 2011 |
| Resident Supervisor | Chu-Wei Tseng | 38 | 0 | 100.00 | |
| Supervisor | Yaw-Chung Liao | 5 | 0 | 100.00 | Resigned on July 8, 2011 |
| Supervisor | Jui-Yun Lin | 10 | 0 | 100.00 | Assumed on September 30, 2009 |
| Supervisor | Tsung-Chih Hsu | 6 | 0 | 100.00 | Assumed on June 21, 2011 |

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** | | Fully Compliant |
| 1. Handling of shareholders' suggestions and disputes | • All suggestions and disputes are handled according to policies and procedures. | |
| 2. Major shareholders of controlling stake in the bank | • Mega Financial Holding Company is the Bank's sole shareholder. | |
| 3. Risk assessment and firewalls established against the operations with the affiliates | • The Bank's staffs, assets and management are independent of its affiliates, and follow the authority's regulations. | |
| **B. Organization and Responsibilities of the Board of Directors** | | |
| 1. Independent director(s) | • Mega Financial Holding Company designates 3 independent directors in the Bank's Board of Directors, one of which is independent managing director. | |
| 2. Evaluating the independence of the CPAs periodically | • The Bank evaluates the independence when employing CPAs. | |
| **C. Organization and Responsibilities of the Board of Supervisors** | | |
| 1. Independent supervisor(s) | • The Board of Supervisors doesn't contain any independent supervisor at present. | |
| 2. Communication between supervisors and staffs and shareholder | • Communication channels between supervisors and the Bank's staffs are open. | |
| **D. Communications with Interested Parties** | • The Bank updates the list of interested parties semiannually, and when positions alter.<br>• The Bank processes customer claim and support through direct customer service line.<br>• An internal discussion forum is provided for all staffs, accessible at any time. | |
| **E. Disclosure of Information** | | |
| 1. Setting up a website | • 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. | |
| 2. Use of other methods | • Ms. Meei-Yeh Wei, SEVP, is appointed as the Bank's spokesperson.<br>• Investor conference is held by Mega Financial Holding Company, the sole shareholder of the Bank. | |
| **F. Nomination, Remuneration or other Functional Committees** | • 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 |
| 2011/10 | 10 | 389,012,162 | 3,890,121,620 | 389,012,162 | 3,890,121,620 | Transference of unappropriated earnings |

### II. Type of Stock

Unit: share

| Type | Authorized Capital | | | Remark |
|---|---|---|---|---|
| | Issued Shares | Unissued Shares | Total Shares | |
| Ordinary Share | 6,800,000,000 | 0 | 6,800,000,000 | 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, 2011

| | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|---|---|---|---|---|---|---|
| Number of Shareholders | | | 1 | | | 1 |
| Shareholding (shares) | | | 6,800,000,000 | | | 6,800,000,000 |
| Percentage (%) | | | 100.00 | | | 100.00 |

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

### IV. List of Major Shareholders

As of December 31, 2011

| Shareholder's Name | Shareholdings | |
|---|---|---|
| | Shares | Percentage |
| Mega Financial Holding Co., Ltd. | 6,800,000,000 | 100.00% |

**V. Employee Bonuses and Compensation of Directors and Supervisors**

| Date of Board of Directors' Meeting | | March 23, 2012 | March 23, 2011 |
|---|---|---|---|
| Remuneration Paid to Directors and Supervisors | | 0 | 0 |
| Employee Bonus | Share | 0 | 0 |
| | Cash (thousands in NT dollars) | 224,048 | 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 Plan

| Year | 2011 |
|---|---|
| Description of Capital Allocation Plan | The Bank applied for issuance of NT$10 billion subordinated debt, to be issued within one year, and the plan was approved by Financial Supervisory Commission on September 13, 2011. |
| 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 June 22, 2011. |
| Implementation of Plan | The Bank issued 7-yeared-subordinated debt in the amount of NT$7.9 billion on November 24, 2011. 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 11.56% in the end of 2011. 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**

As of December 31, 2011

| Item | Amount (thousands in NT dollars) | As percentage of Net Operating Income (%) |
|---|---|---|
| NET INTEREST INCOME | 24,662,404 | 66.63 |
| NON-INTEREST INCOME | 12,348,846 | 33.37 |
| Fee Income – net | 6,105,673 | 16.50 |
| Gains/Losses on Financial Assets and Liabilities at Fair Value through Profit or Loss | -179,329 | -0.48 |
| Realized Gain on Available-for-Sale Financial Assets | 895,664 | 2.42 |
| Realized Gains on Held-to-Maturity Financial Assets | 8,980 | 0.02 |
| Investment Income Recognized by the Equity Method | 213,606 | 0.58 |
| Foreign Exchange Gain – net | 1,509,094 | 4.08 |
| Loss on Asset Impairment | -88,829 | -0.24 |
| Gains/Losses on Disposal of Properties | 1,006,072 | 2.72 |
| Gain on Financial Assets Carried at Cost | 733,582 | 1.98 |
| Gain on Sale of Non-Performing Loans | 1,404,085 | 3.79 |
| Other Non-interest Income | 740,248 | 2.00 |
| NET OPERATING INCOME | 37,011,250 | 100.00 |

## Taiwanese Banking Industry & Market Overview

Domestic banks reported a record high of pretax profits exceeding NT$200 billion. Non-performing loan ratio of domestic banks stood at 0.43% at the end of 2011, drop from the previous year's 0.61%, while coverage ratio rose from 158.07% to 251.83% at the same period. This suggests that domestic banks may be able to cope with the losses resulting from bad loans better, if any.

To take advantage of the fast economic recovery, total loans of domestic banks' picked up 5.8% in 2011 from the year before, according to the statistics. By sectors, domestic banks' lending to government enterprises was NT$824.6 billion, a lift of 4.1% from the year before; lending to individuals and private enterprises increased at a relatively higher rate of 6.2% to NT$17,457 billion on the other hand. However, lending to government agencies was NT$1,538 billion, a marginal increase of 2.1% compared to the year of 2011.

Among consumer loans, house-purchasing loans stood at NT$5,274 billion, 3.2% more than that of the previous year, and loans for construction surged 10.5% to NT$1,407 billion, a significant down from previous year's 25.2%, indicating the enthusiasm for investment in real estate was constrained under selective credit controls and regulations.

### I. Positive Factors

- Asset quality of domestic banks continues improving, giving support to trim down operational risks.
- More and more Taiwanese banks' mainland branches are granted to conduct RMB business, and that enables domestic banks compete in a new category of business.
- Taiwanese banks win great advantage of opportunity for business expansion and overseas merger and acquisition, while European banks seriously affected by the sovereign debt crisis seem to draw back from global market.

### II. Negative Factors

- Although interest rate spread stops shrinking, it seems less possible to rebound significantly since the competition is still fierce, so the profit of domestic banks is not much fueled.
- Too many uncertainties hold back business confidence, so that the outlook of loan business is gloomy.
- Due to depressed consumer confidence, consumer banking business is less optimistic; therefore it may intense the competition among banks on corporate banking on the other hand.

### 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 US dollar 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.
- Mega ICBC was the first to be licensed on August 25, 2011 for its OBU to conduct RMB businesses, the first among its domestic peers.

### IV. Winning Strategies

- Reviewing geographical distribution of branches to relocate some units to emerging business regions to bring into prominence.
- Examining current loan pricing strategy and participating international syndication loan to further boost profits from loan business.

**Human Resources Profile**

| | | As of December 31, | |
|---|---|---|---|
| | | 2011 | 2010 |
| Number of Employees | Domestic | 4,795 | 4,602 |
| | Overseas | 469 | 430 |
| | Total | 5,264 | 5,032 |
| Average Age | | 42.18 | 42.23 |
| Average Years of Services | | 16.35 | 16.41 |
| Education | Ph.D. | 3 | 3 |
| | Master's Degree | 920 | 803 |
| | Bachelor's Degree | 4,022 | 3,903 |
| | Senior High School | 285 | 288 |
| | Below Senior High School | 34 | 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, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Cash and Cash Equivalents, and Due from the Central Bank and Call Loans to Banks – net | 493,365,069 | 386,481,267 | 396,370,422 |
| Financial Assets at Fair Value through Profit or Loss | 41,766,764 | 34,961,402 | 25,129,708 |
| Securities Purchased under Resale Agreements | 349,562 | 895,012 | 0 |
| Available-for-Sale Financial Assets – net | 71,167,598 | 83,199,684 | 113,744,529 |
| Bills Discounted and Loans – net | 1,443,255,804 | 1,319,719,641 | 1,264,904,835 |
| Receivables – net | 81,343,007 | 109,403,855 | 85,800,321 |
| Held-to-Maturity Financial Assets – net | 130,183,210 | 216,526,320 | 261,919,439 |
| Investments Accounted for by the Equity Method – net | 9,214,207 | 9,302,766 | 9,268,167 |
| Properties and Equipment – net | 13,322,226 | 13,165,572 | 14,803,951 |
| Other Financial Assets – net | 17,915,815 | 17,970,339 | 19,179,101 |
| Other Assets – net | 7,341,571 | 5,646,383 | 6,564,319 |
| Total Assets | 2,309,224,833 | 2,197,272,241 | 2,197,684,792 |
| Due to the Central Bank and Commercial Banks | 362,573,923 | 316,221,722 | 403,779,174 |
| Deposits and Remittances | 1,577,120,139 | 1,547,309,354 | 1,472,845,116 |
| Financial Liabilities at Fair Value through Profit or Loss | 20,361,058 | 27,759,086 | 32,930,365 |
| Securities Sold under Repurchase Agreements | 7,339,481 | 4,285,605 | 3,384,082 |
| Borrowed Funds and Financial Bonds Payable | 114,473,400 | 73,368,641 | 71,023,303 |
| Accrued Pension Liabilities | 1,543,327 | 1,354,976 | 1,541,227 |
| Other Financial Liabilities | 12,613,856 | 7,355,420 | 4,660,368 |
| Payables and Other Liabilities | 50,199,151 | 61,869,519 | 51,275,277 |
| Total Liabilities | 2,146,224,335 | 2,039,524,323 | 2,041,438,912 |
| Capital Stock | 68,000,000 | 64,109,878 | 64,109,878 |
| Capital Reserve | 33,070,028 | 33,070,028 | 33,070,028 |
| Retained Earnings | 59,220,190 | 54,710,620 | 52,834,864 |
| Unrealized Gains or Losses on Available-for-Sale Financial Assets | ( 1,110,065) | 2,576,792 | 2,257,357 |
| Cumulative Translation Adjustments | 1,613,537 | 960,655 | 1,653,808 |
| Capital Surplus from Land Revaluation Increment and Fixed Assets Revaluation | 2,206,808 | 2,319,945 | 2,319,945 |
| Total Shareholders' Equity | 163,000,498 | 157,747,918 | 156,245,880 |

**Condensed Statements of Income**

Unit: Thousands in NT dollars

| Item | 2011 | 2010 | 2009 |
|---|---|---|---|
| Net Interest Income | 24,662,404 | 21,132,556 | 21,580,655 |
| Net Non-Interest Income | 12,348,846 | 10,094,765 | 12,429,325 |
| Net Operating Income | 37,011,250 | 31,227,321 | 34,009,980 |
| Provision for Loan Losses | 3,397,965 | 1,927,657 | 6,388,508 |
| Operating Expenses | 16,143,464 | 15,848,325 | 14,493,855 |
| Income Before Income Tax | 17,469,821 | 13,451,339 | 13,127,617 |
| Net Income | 15,007,858 | 11,171,687 | 10,664,124 |

**Major Financial Analysis**

| Item | | 2011 | 2010 | 2009 |
|---|---|---|---|---|
| Financial Structure | Total Liabilities to Total Assets (%) | 92.85 | 92.75 | 92.74 |
| | Fixed Assets to Total Shareholders' Equity (%) | 8.17 | 8.35 | 9.47 |
| Solvency | Liquidity Reserve Ratio (%) | 15.42 | 23.80 | 32.73 |
| Operating Performance Analysis | Loans to Deposits Ratio (%) | 93.03 | 86.70 | 87.31 |
| | NPL Ratio (%) | 0.24 | 0.34 | 0.95 |
| | Total Assets Turnover (Number of Times) | 0.02 | 0.01 | 0.02 |
| | Average Net Income per Employee (Thousands in NT dollars) | 2,851 | 2,220 | 2,089 |
| Profitability Analysis | Return on Tier 1 Capital (%) | 11.95 | 9.47 | 9.68 |
| | ROA (%) | 0.67 | 0.51 | 0.50 |
| | ROE (%) | 9.36 | 7.12 | 7.16 |
| | Pre-tax Income to Capital Stock (%) | 25.69 | 20.98 | 20.48 |
| | Net Income to Net Operating Income (%) | 40.55 | 35.78 | 31.36 |
| | Earnings per Share (NT dollars) | 2.21 | 1.64 | 1.57 |
| | Cash Dividends per Share (NT dollars) | 1.37 | 1.04 | 1.45 |
| | Shareholders' Equity per Share Before Appropriation (NT dollars) | 23.97 | 24.61 | 24.37 |
| Capital Adequacy Ratio (%) | | 11.56 | 11.26 | 11.73 |

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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, 2010 and 2011 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, 2010 and 2011, 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 Public Banks" 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, 2010 and 2011, on which we have issued an unqualified opinion thereon.

The Bank's financial statements as of and for the years ended December 31, 2011 expressed in US dollars were translated from the New Taiwan dollar financial statements using the exchange rate of US$1:NT$30.272 at December 31, 2011 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.

PricewaterhouseCoopers, Taiwan

March 23, 2012

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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.

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**MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.**

**BALANCE SHEETS**

**DECEMBER 31, 2010 AND 2011**

**(EXPRESSED IN THOUSANDS OF DOLLARS)**

| ASSETS | NOTES | December 31, 2010 NT$ | December 31, 2011 NT$ | December 31, 2011 US$ |
|---|---|---|---|---|
| | | | | (Unaudited - Note Ⅱ) |
| CASH AND CASH EQUIVALENTS | IV 1 | $ 261,308,888 | $ 312,094,483 | $ 10,309,675 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS - NET | IV 2 and V | 125,172,379 | 181,270,586 | 5,988,061 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | IV 3 and VI | 34,961,402 | 41,766,764 | 1,379,716 |
| SECURITIES PURCHASED UNDER RESALE AGREEMENTS | | 895,012 | 349,562 | 11,547 |
| RECEIVABLES - NET | IV 4 | 109,403,855 | 81,343,007 | 2,687,071 |
| BILLS DISCOUNTED AND LOANS - NET | IV 5 and V | 1,319,719,641 | 1,443,255,804 | 47,676,262 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS - NET | IV 7 and VI | 83,199,684 | 71,167,598 | 2,350,938 |
| HELD-TO-MATURITY FINANCIAL ASSETS - NET | IV 8 and VI | 216,526,320 | 130,183,210 | 4,300,450 |
| INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD - NET | IV 9 | 9,302,766 | 9,214,207 | 304,381 |
| OTHER FINANCIAL ASSETS - NET | IV 10 | 17,970,339 | 17,915,815 | 591,828 |
| PROPERTIES AND EQUIPMENT - NET | | | | |
| Land | | 5,644,032 | 5,640,590 | 186,330 |
| Revaluation increment - land | IV 23 | 2,298,886 | 2,293,734 | 75,771 |
| Buildings and improvements | | 9,989,904 | 10,101,087 | 333,677 |
| Revaluation increment - buildings | IV 23 | 37,015 | 37,015 | 1,223 |
| Computers and peripheral equipment | | 3,250,031 | 3,183,962 | 105,178 |
| Transportation and communication equipment | | 177,047 | 172,993 | 5,715 |
| Miscellaneous equipment | | 1,340,031 | 1,384,142 | 45,724 |
| Total costs | | 22,736,946 | 22,813,523 | 753,618 |
| Accumulated depreciation | | ( 8,840,782) | ( 8,998,539) | ( 297,256) |
| Accumulated impairment | | ( 730,592) | ( 492,758) | ( 16,278) |
| Properties and Equipment - net | | 13,165,572 | 13,322,226 | 440,084 |
| OTHER ASSETS - NET | IV 11 | 5,646,383 | 7,341,571 | 242,520 |
| TOTAL ASSETS | | $2,197,272,241 | $2,309,224,833 | $ 76,282,533 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| DUE TO THE CENTRAL BANK AND COMMERCIAL BANKS | IV 12 and V | $ 316,221,722 | $ 362,573,923 | $ 11,977,204 |
| BORROWED FUNDS | IV 13 | 38,568,641 | 71,873,400 | 2,374,254 |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | IV 14 | 27,759,086 | 20,361,058 | 672,604 |
| SECURITIES SOLD UNDER REPURCHASE AGREEMENTS | IV 3、7 and 8 | 4,285,605 | 7,339,481 | 242,451 |
| PAYABLES | IV 15 and V | 52,098,850 | 37,873,288 | 1,251,100 |
| DEPOSITS AND REMITTANCES | IV 16 and V | 1,547,309,354 | 1,577,120,139 | 52,098,313 |
| FINANCIAL BONDS PAYABLE | IV 17 | 34,800,000 | 42,600,000 | 1,407,241 |
| ACCRUED PENSION LIABILITIES | IV 18 | 1,354,976 | 1,543,327 | 50,982 |
| OTHER FINANCIAL LIABILITIES | IV 19 | 7,355,420 | 12,613,856 | 416,684 |
| OTHER LIABILITIES | IV 20 and 23 | 9,770,669 | 12,325,863 | 407,170 |
| TOTAL LIABILITIES | | 2,039,524,323 | 2,146,224,335 | 70,898,003 |
| STOCKHOLDERS' EQUITY | | | | |
| CAPITAL STOCK | IV 21 | 64,109,878 | 68,000,000 | 2,246,300 |
| CAPITAL RESERVE | | 33,070,028 | 33,070,028 | 1,092,430 |
| RETAINED EARNINGS | | | | |
| Legal reserve | IV 22 | 39,187,618 | 42,539,125 | 1,405,230 |
| Special reserve | IV 22 | 1,552,112 | 1,658,829 | 54,797 |
| Unappropriated earnings | IV 22 | 13,970,890 | 15,022,236 | 496,242 |
| EQUITY ADJUSTMENTS | | | | |
| Unrealized revaluation increment | | | | |
| Capital surplus from land revaluation | | 2,282,930 | 2,169,793 | 71,677 |
| Capital surplus from fixed asset revaluations | | 37,015 | 37,015 | 1,223 |
| Cumulative translation adjustments | | 960,655 | 1,613,537 | 53,301 |
| Unrealized gains or losses on available-for-sale financial assets | | 2,576,792 | ( 1,110,065) | ( 36,670) |
| TOTAL STOCKHOLDERS' EQUITY | | 157,747,918 | 163,000,498 | 5,384,530 |
| COMMITMENTS AND CONTIGENT LIABILITIES | VII | | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | $2,197,272,241 | $2,309,224,833 | $ 76,282,533 |

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, 2010 AND 2011**
**(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)**

| | | For the Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2010 | 2011 | |
| | NOTES | NT$ | NT$ | US$ |
| | | | | (Unaudited - Note Ⅱ) |
| INTEREST REVENUE | V | $ 30,883,302 | $ 36,178,301 | $ 1,195,108 |
| INTEREST EXPENSES | V | ( 9,750,746) | ( 11,515,897) | ( 380,414) |
| NET INTEREST INCOME | | 21,132,556 | 24,662,404 | 814,694 |
| NON-INTEREST INCOME | | | | |
| FEE INCOME - NET | IV 24 and V | 6,516,092 | 6,105,673 | 201,694 |
| GAINS / LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | 910,421 | ( 179,329) | ( 5,924) |
| REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS | | 658,709 | 895,664 | 29,587 |
| REALIZED GAIN ON HELD-TO-MATURITY FINANCIAL ASSETS | | 21,990 | 8,980 | 297 |
| INVESTMENT INCOME RECOGNIZED BY THE EQUITY METHOD | | 353,463 | 213,606 | 7,056 |
| FOREIGN EXCHANGE GAIN - NET | | 2,076,669 | 1,509,094 | 49,851 |
| LOSS ON ASSET IMPAIRMENT | IV 25 | ( 835,720) | ( 88,829) | ( 2,934) |
| GAINS/LOSSES ON DISPOSAL OF PROPERTIES | XI | ( 3,281) | 1,006,072 | 33,234 |
| OTHER LOSSES | IV 7 | ( 3,007,951) | - | - |
| OTHER PROVISIONS | IV 7 | 2,193,593 | - | - |
| GAIN ON FINANCIAL ASSETS CARRIED AT COST | | 579,670 | 733,582 | 24,233 |
| GAIN ON SALE OF NON-PERFORMING LOANS | XI | - | 1,404,085 | 46,382 |
| OTHERS | | 631,110 | 740,248 | 24,453 |
| NET OPERATING INCOME | | 31,227,321 | 37,011,250 | 1,222,623 |
| PROVISION FOR LOAN LOSSES | IV 6, 10 and 20 | ( 1,927,657) | ( 3,397,965) | ( 112,248) |
| OPERATING EXPENSES | | | | |
| STAFF EXPENSES | IV 26 | ( 10,896,954) | ( 10,606,184) | ( 350,363) |
| DEPRECIATION AND AMORTIZATION | IV 26 | ( 641,013) | ( 614,818) | ( 20,310) |
| OTHER GENERAL AND ADMINISTRATIVE EXPENSES | V | ( 4,310,358) | ( 4,922,462) | ( 162,607) |
| INCOME BEFORE INCOME TAX | | 13,451,339 | 17,469,821 | 577,095 |
| INCOME TAX | IV 27 | ( 2,279,652) | ( 2,461,963) | ( 81,328) |
| NET INCOME | | $ 11,171,687 | $ 15,007,858 | $ 495,767 |
| EARNINGS PER SHARE AFTER TAX (In Dollars) | IV 28 | | | |
| NET INCOME | | $ 1.64 | $ 2.21 | |

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, 2010 AND 2011**
**(EXPRESSED IN THOUSANDS OF DOLLARS)**

| Items | Capital Stock | Capital Reserve | Retained Earnings: Legal Reserve | Retained Earnings: Special Reserve | Retained Earnings: Unappropriated Earnings | Revaluation Increments | Cumulative Translation Adjustments | Unrealized Gains or Losses on Available-For-Sale Financial Assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| (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 | $ 156,245,880 |
| 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 the years ended December 31, 2010 | - | - | - | - | 11,171,687 | - | - | - | 11,171,687 |
| Unrealized gains or losses on available-for-sale financial assets | - | - | - | - | - | - | - | 319,435 | 319,435 |
| Changes in cumulative translation adjustments | - | - | - | - | - | - | ( 693,153) | - | ( 693,153) |
| 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 | $ 157,747,918 |

(Continued)

**MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.**
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)**
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011**
**(EXPRESSED IN THOUSANDS OF DOLLARS)**

| Items | Capital Stock | Capital Reserve | Retained Earnings: Legal Reserve | Retained Earnings: Special Reserve | Retained Earnings: Unappropriated Earnings | Revaluation Increments | Cumulative Translation Adjustments | Unrealized Gains or Losses on Available-For-Sale Financial Assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| (New Taiwan Dollars) | | | | | | | | | |
| Balance, January 1, 2011 | $ 64,109,878 | $ 33,070,028 | $ 39,187,618 | $ 1,552,112 | $ 13,970,890 | $ 2,319,945 | $ 960,655 | $ 2,576,792 | $ 157,747,918 |
| Appropriation of 2010 earnings | | | | | | | | | |
| Legal reserve | - | - | 3,351,507 | - | ( 3,351,507) | - | - | - | - |
| Special reserve | - | - | - | 26,875 | ( 26,875) | - | - | - | - |
| Cash dividends | - | - | - | - | ( 6,688,008) | - | - | - | ( 6,688,008) |
| Stock dividends | 3,890,122 | - | - | - | ( 3,890,122) | - | - | - | - |
| Net income for the years ended December 31, 2011 | - | - | - | - | 15,007,858 | - | - | - | 15,007,858 |
| Trading loss reserve transferred to special reserve | - | - | - | 79,842 | - | - | - | - | 79,842 |
| Land and asset revaluation increment | - | - | - | - | - | ( 113,137) | - | - | ( 113,137) |
| Unrealized gains or losses on available-for-sale financial assets | - | - | - | - | - | - | - | ( 3,686,857) | ( 3,686,857) |
| Changes in cumulative translation adjustments | - | - | - | - | - | - | 652,882 | - | 652,882 |
| Balance, December 31, 2011 | $ 68,000,000 | $ 33,070,028 | $ 42,539,125 | $ 1,658,829 | $ 15,022,236 | $ 2,206,808 | $ 1,613,537 | ($ 1,110,065) | $ 163,000,498 |
| (US Dollars) (Unaudited-Note II) | | | | | | | | | |
| Balance, January 1, 2011 | $ 2,117,795 | $ 1,092,430 | $ 1,294,517 | $ 51,272 | $ 461,512 | $ 76,637 | $ 31,734 | $ 85,121 | $ 5,211,018 |
| Appropriation of 2010 earnings | | | | | | | | | |
| Legal reserve | - | - | 110,713 | - | ( 110,713) | - | - | - | - |
| Special reserve | - | - | - | 888 | ( 888) | - | - | - | - |
| Cash dividends | - | - | - | - | ( 220,931) | - | - | - | ( 220,931) |
| Stock dividends | 128,505 | - | - | - | ( 128,505) | - | - | - | - |
| Trading loss reserve transferred to special reserve | - | - | - | - | 495,767 | - | - | - | 495,767 |
| Net income for the years ended December 31, 2011 | - | - | - | 2,637 | - | - | - | - | 2,637 |
| Land and asset revaluation increment | - | - | - | - | - | ( 3,737) | - | - | ( 3,737) |
| Unrealized gains or losses on available-for-sale financial assets | - | - | - | - | - | - | - | ( 121,791) | ( 121,791) |
| Changes in cumulative translation adjustments | - | - | - | - | - | - | 21,567 | - | 21,567 |
| Balance, December 31, 2011 | $ 2,246,300 | $ 1,092,430 | $ 1,405,230 | $ 54,797 | $ 496,242 | $ 72,900 | $ 53,301 | ($ 36,670) | $ 5,384,530 |

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, 2010 AND 2011**
**(EXPRESSED IN THOUSANDS OF DOLLARS)**

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | |
| | NT$ | NT$ | US$ |
| | | | (Unaudited - Note Ⅱ) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 11,171,687 | $ 15,007,858 | $ 495,767 |
| Adjustments to reconcile consolidated net income to net cash (used in) provided by operating activities: | | | |
| Loss on asset impairment | 835,720 | 88,829 | 2,934 |
| Gain from equity investments recognized under the equity method | ( 353,463) | ( 213,606) | ( 7,056) |
| Cash dividends and remuneration of directors and supervisors received from investments accounted for under the equity method | 133,202 | 154,230 | 5,095 |
| Loss (gain) on disposal of properties and equipment | 3,281 | ( 1,006,072) | ( 33,234) |
| Provisions for loan losses | 1,927,657 | 3,397,965 | 112,248 |
| Other provisions | ( 2,193,593) | - | - |
| Depreciation and amortization | 641,013 | 614,818 | 20,310 |
| Loss (gain) on impairment of properties and equipment | 304 | ( 509) | ( 17) |
| Loss on disposal of foreclosed properties | 11,996 | - | - |
| (Increase) decrease in operating assets | | | |
| Increase in financial assets at fair value through profit or loss | ( 9,831,694) | ( 6,805,362) | ( 224,807) |
| (Increase) decrease in securities purchased under resale agreements | ( 895,012) | 545,450 | 18,018 |
| (Increase) decrease in receivables | ( 24,732,880) | 28,228,137 | 932,483 |
| Decrease (increase) in other financial assets | 89,124 | ( 160,382) | ( 5,298) |
| Net change in deferred income tax assets / liabilities | 590,902 | ( 23,132) | ( 764) |
| (Decrease) increase in operating liabilities | | | |
| Decrease in financial liabilities at fair value through profit or loss | ( 5,171,279) | ( 7,398,028) | ( 244,385) |
| Increase in securities sold under repurchase agreements | 901,523 | 3,053,876 | 100,881 |
| Increase (decrease) in payables | 12,109,675 | ( 14,226,039) | ( 469,941) |
| (Decrease) increase in accrued pension liabilities | ( 186,251) | 188,351 | 6,222 |
| (Decrease) increase in other financial liabilities | ( 2,110,379) | 5,258,436 | 173,706 |
| Increase in other liabilities | 215,617 | 2,610,335 | 86,229 |
| Net cash (used in) provided by operating activities | ( 16,842,850) | 29,315,155 | 968,391 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Increase in due from the Central Bank and call loans to banks | ( 34,768,516) | ( 56,098,207) | ( 1,853,138) |
| Decrease in available-for-sale financial assets | 31,825,262 | 8,241,710 | 272,255 |
| Increase in bills discounted and loans | ( 55,732,252) | ( 127,228,279) | ( 4,202,837) |
| Decrease in held-to-maturity financial assets | 45,420,463 | 86,343,110 | 2,852,243 |
| Additions to properties and equipment | ( 458,197) | ( 595,417) | ( 19,669) |
| Proceeds from disposal of properties and equipment | 13,440 | 1,129,140 | 37,300 |
| Proceeds from disposal of foreclosed properties | 52,422 | - | - |
| Decrease (increase) in other assets | 1,264,315 | ( 1,569,841) | ( 51,858) |
| Net cash used in investing activities | ( 12,383,063) | ( 89,777,784) | ( 2,965,704) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| (Decrease) increase in due to the Central Bank and commercial banks | ( 87,557,452) | 46,352,201 | 1,531,191 |
| Increase in deposits and remittances | 79,269,669 | 29,810,785 | 984,764 |
| (Decrease) increase in borrowed funds | ( 4,751,662) | 33,304,759 | 1,100,184 |
| Increase in financial bonds payable | 7,097,000 | 7,800,000 | 257,664 |
| Increase (decrease) in deposits received | 462,543 | ( 202) | ( 7) |
| Payments of cash dividends and bonus | ( 9,295,931) | ( 6,688,008) | ( 220,930) |
| Net cash (used in) provided by financing activities | ( 14,775,833) | 110,579,535 | 3,652,866 |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES | ( 655,875) | 668,689 | 22,090 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | ( 44,657,621) | 50,785,595 | 1,677,643 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 305,966,509 | 261,308,888 | 8,632,032 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 261,308,888 | $ 312,094,483 | $ 10,309,675 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Interest expense paid | $ 10,680,135 | $ 11,145,276 | $ 368,171 |
| Income tax paid | $ 995,530 | $ 1,152,279 | $ 38,064 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Payable - financial bonds within 1 year of maturity | $ 4,800,000 | $ - | $ - |

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

# MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
# NOTES TO FINANCIAL STATEMENTS
# DECEMBER 31, 2010 AND 2011
**(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, 2011, the Bank had 107 domestic branches, 20 foreign branches, and 4 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, 2010 and 2011 the Bank had 5,032 and 5,264 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 Public Banks" 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 translation for the financial statements of foreign branches and representative offices

   (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) 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.

3. 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.

4. Financial assets or liabilities at fair value through profit or loss

(1) 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) 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.

5. Available-for-sale financial assets

(1) 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 statement of income.

(2) 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.

6. Held-to-maturity financial assets

(1) 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.

(2) 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.

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. Financial assets carried at cost

(1) 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.

(2) The impairment loss is accounted for when there is objective evidence that a financial asset carried at cost is impaired. Such impairment losses cannot be reversed.

9. 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 cost under the effective interest method. Gains or losses are recognized at the time of derecognition, impairment or amortization.

10. 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.

11. 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".

(3) Allowances for probable losses are provided for due from call loans to bank, receivables, bills discounted and loans based on a review of its collectibility on the balance sheet date. In accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Non-accrual Loans, and Bad Debts", reserves set aside for probable loan losses are based on the estimation of potential unrecoverable exposures, net of collateral. A significant degree of management discretion is used in the estimation process, which includes the assessment of the borrower's ability to pay and of the value of the underlying collateral.

(4) Starting from January 1, 2011, in accordance with the revised SFAS No. 34, whether objective evidence exists in the Bank's assessment on the balance of loans and receivables (including overdue receivables and interest receivables) on balance sheet date indicates impairment losses on material individual financial assets, and impairment losses generated individually or as a group from non-material individual financial assets. An impairment loss is recognized when there is an objective evidence of impairment. The impairment amount is the difference between the financial assets' book value and the estimated future cash flow discounted using the original effective interest rate. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amounts do not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior years.

(5) The Bank has written off the unrecoverable loans after the approval of the Board of Directors.

12. 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.

13. 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.

14. 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.

15. 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.

16. Foreclosed properties

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

17. Financial liabilities

On subsequent measurement, the Bank remeasures and states 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.

18. 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 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.

19. 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 under the defined benefit pension plan are based on actuarial calculations, with the unrecognized net transitional obligation being amortized over 15 to 22 years.

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) 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.

(3) 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.

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

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

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year.

22. Recognition of revenue, service fees and expenses

(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) Expenses are recognized on an accrual basis.

23. 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.

24. Operating segment

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

In accordance with SFAS No. 41 "Operating Segments", the Company discloses segment information in the consolidated financial statements.

25. 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, 2011 of US$1:NT$30.272. 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

1. Loans and accounts receivable

Starting from January 1, 2011, the Bank adopted the revised SFAS No. 34 "Financial Instruments: Recognition and Measurement", which indicates that impairment losses (bad debts) of various creditors' rights, i.e. loans, receivables, notes receivable and other receivables shall be recognized when objective evidence of impairment exists. This change in accounting treatment had no significant impact on the net income and earnings per share for the year ended December 31, 2011.

2. Operating segments

Starting from January 1, 2011, the Bank adopted the newly issued SFAS No. 41 "Operating Segments" to replace SFAS No. 20 "Segment Reporting". At initial adoption, the Bank restated the segment information of the previous period pursuant to the accounting standard. This change in accounting principle had no significant impact on the net income and earnings per share for the years ended December 31, 2011 and 2010.

## Ⅳ. DETAILS OF SIGNIFICANT ACCOUNT BALANCES

### 1. CASH AND CASH EQUIVALENTS

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Cash on hand | $ 11,842,671 | $ 13,965,905 | $ 461,347 |
| Revolving funds | 4,688 | 4,846 | 160 |
| Checks for clearing | 1,166,363 | 1,007,618 | 33,285 |
| Due from commercial banks | 248, 295,166 | 297,116,114 | 9,814,883 |
| Total | $ 261,308,888 | $ 312,094,483 | $ 10,309,675 |

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

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Import loans from banks | $ - | $ 80,243,433 | $ 2,650,748 |
| Call loans to banks | 67,713,289 | 44,573,183 | 1,472,423 |
| Due from the Central Bank: | | | |
| Reserve for deposits-category A | 20,465,959 | 19,326,520 | 638,429 |
| Reserve for deposits-category B | 29,389,539 | 31,243,615 | 1,032,096 |
| Reserve for deposits-foreign currency | 281,903 | 330,950 | 10,932 |
| Due from Central Bank – general deposits | 7,322,073 | 5,552,885 | 183,433 |
| Total | 125,172,763 | 181,270,586 | 5,988,061 |
| Less: allowance for probable losses | ( 384 ) | - | - |
| Net | $ 125,172,379 | $ 181,270,586 | $ 5,988,061 |

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, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Financial assets held for trading : | | | |
| Stocks | $ 1,590,832 | $ 4,746,211 | $ 156,786 |
| Derivative financial instruments | 1,575,498 | 1,838,745 | 60,741 |
| Financial assets designated by the Bank at fair value through profit or loss: | | | |
| Corporate bonds | 18,014,143 | 23,396,815 | 772,886 |
| Government bonds | 2,031,839 | 790,899 | 26,126 |
| Financial bonds | 8,492,706 | 7,513,845 | 248,211 |
| Derivative financial instruments | 3,256,384 | 3,480,249 | 114,966 |
| Total | $ 34,961,402 | $ 41,766,764 | $ 1,379,716 |

(1) As of December 31, 2010 and 2011, the abovementioned financial assets measured at fair value through profit or loss amounted to NT$0 thousand and NT$2,542,848 thousand, and were pledged to other parties as collateral for business reserves and guarantees.

(2) As of December 31, 2010 and 2011, financial assets at fair value through profit or loss were sold under repurchase agreements with selling price of NT$700,185 thousand and NT$2,339,038 thousand, respectively. Such repurchase agreements were posted to the "securities sold under repurchase agreements" account on the Bank's balance sheet.

(3) The trading items and contract information of derivatives are as follows:

| | December 31, 2010 | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|
| | NT$ | | NT$ | | US$ (Unaudited) | |
| Non-hedging derivative financial instruments | Notional Amount | Credit Risk | Notional Amount | Credit Risk | Notional Amount | Credit Risk |
| Forward exchange contracts | $ 53,196,640 | $ 714,618 | $ 78,113,470 | $ 837,463 | $ 2,580,387 | $ 27,665 |
| Interest rate swap contracts | 114,438,657 | 2,408,259 | 108,790,239 | 2,233,340 | 3,593,798 | 73,776 |
| Cross-currency swap contracts | 38,601,687 | 113,954 | 17,957,654 | 62,187 | 593,210 | 2,054 |
| Assets swap contracts | 7,279,150 | 393,790 | 13,331,909 | 718,938 | 440,404 | 23,749 |
| Options | 21,274,129 | 453,315 | 30,513,705 | 502,564 | 1,007,984 | 16,602 |
| Credit default swap | 737,500 | - | 12,108,800 | 736 | 400,000 | 24 |
| Currency swap | 483,687,177 | 741,930 | 461,291,505 | 963,766 | 15,238,224 | 31,837 |
| Financial futures | 19,623 | 16 | - | - | - | - |

4. RECEIVABLES – NET

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Accounts receivable | $ 96,811,768 | $ 68,940,350 | $ 2,277,364 |
| Earned revenue receivable | 551,426 | 561,108 | 18,536 |
| Accrued interest | 2,964,344 | 3,440,120 | 113,640 |
| Acceptances receivable | 11,256,120 | 10,398,395 | 343,499 |
| Other receivables | 405,272 | 207,643 | 6,859 |
| Total | 111,988,930 | 83,547,616 | 2,759,898 |
| Less: allowance for probable losses | ( 2,585,075 ) | ( 2,204,609 ) | ( 72,827) |
| Net | $ 109,403,855 | $ 81,343,007 | $ 2,687,071 |

5. BILLS DISCOUNTED AND LOANS – NET

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Inward/outward documentary bills | $ 16,298,509 | $ 16,919,551 | $ 558,917 |
| Discounts | 48,162 | 48,251 | 1,594 |
| Overdrafts | 89,199 | 87,362 | 2,886 |
| Short-term loans | 257,381,601 | 266,232,906 | 8,794,691 |
| Secured overdrafts | 934,793 | 1,184,495 | 39,128 |
| Short-term secured loans | 138,016,747 | 141,628,147 | 4,678,520 |
| Medium-term loans | 260,616,854 | 318,205,541 | 10,511,547 |
| Medium-term secured loans | 250,993,103 | 288,856,838 | 9,542,047 |
| Long-term loans | 45,871,341 | 53,368,295 | 1,762,959 |
| Long-term secured loans | 355,949,008 | 369,447,777 | 12,204,274 |
| Non-accrual loans | 3,927,116 | 2,669,895 | 88,197 |
| Total | 1,330,126,433 | 1,458,649,058 | 48,184,760 |
| Less: allowance for probable losses | ( 10,406,792) | ( 15,393,254) | ( 508,498) |
| Net | $ 1,319,719,641 | $ 1,443,255,804 | $ 47,676,262 |

(1) For the years ended December 31, 2010 and 2011, 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, 2010 and 2011, all balances of bills discounted and loans for which interest revenue was no longer accrued amounted to NT$3,927,116 thousand and NT$2,669,895 thousand, respectively. The unrecognized interest revenue on the above bills discounted and loans amounted to NT$170,492 thousand and NT$74,036 thousand for the years ended December 31, 2010 and 2011, 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 year ended December 31, 2010 was as follows:

| | NT$ | | |
|---|---|---|---|
| 2010 | 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 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 |

Starting from January 1, 2011, the Bank adopted the revised SFAS No. 34 “Financial Instruments: Recognition and Measurement”, which indicates that impairment losses (bad debts) of various creditors’ rights, i.e. loans, receivables, notes receivable and other receivables shall be recognized when objective evidence of impairment exists. Movements in allowance for credit losses for the year ended December 31, 2011 was as follows:

Loans:

| | | December 31, 2011 | | | |
|---|---|---|---|---|---|
| | | NT$ | | US$ (Unaudited) | |
| Item | | Loans | Allowance for credit losses | Loans | Allowance for credit losses |
| With existing objective evidence of individual impairment | Individual assessment | $ 21,584,657 | $ 7,892,891 | $ 713,024 | $ 260,733 |
| | Group assessment | 325 | 3 | 11 | - |
| Without existing objective evidence of individual impairment | Group assessment | 1,437,064,076 | 7,500,360 | 47,471,725 | 247,765 |
| Total | | $ 1,458,649,058 | $ 15,393,254 | $ 48,184,760 | $ 508,498 |

Receivables:

| Item | | December 31, 2011 NT$ Loans | NT$ Allowance for credit losses | US$ (Unaudited) Loans | US$ (Unaudited) Allowance for credit losses |
|---|---|---|---|---|---|
| With existing objective evidence of individual impairment | Individual assessment | $ 1,761,324 | $ 1,727,830 | $ 58,183 | $ 57,077 |
| | Group assessment | 487,945 | 44,496 | 16,119 | 1,470 |
| Without existing objective evidence of individual impairment | Group assessment | 81,298,347 | 432,283 | 2,685,596 | 14,280 |
| Total | | $ 83,547,616 | $ 2,204,609 | $ 2,759,898 | $ 72,827 |

Movements in allowance for credit losses- Loans:

| | For the years ended December 31, 2011 (NT$) | (US$) (Unaudited) |
|---|---|---|
| Balance, January 1, 2011 | $ 10,406,792 | $ 343,776 |
| Provisions (reversal) | 3,240,982 | 107,062 |
| Write-off-net | ( 1,275,939) | ( 42,149) |
| Recovery of written-off credits | 3,308,612 | 109,296 |
| Effects of exchange rate changes and others | ( 287,193) | ( 9,487) |
| Balance, December 31, 2011 | $ 15,393,254 | $ 508,498 |

Movements in allowance for credit losses- Receivables:

| | For the years ended December 31, 2011 (NT$) | (US$) (Unaudited) |
|---|---|---|
| Balance, January 1, 2011 | $ 2,585,075 | $ 85,395 |
| Provisions (reversal) | ( 449,890) | ( 14,862) |
| Write-off-net | ( 68,780) | ( 2,272) |
| Recovery of written-off credits | 171,000 | 5,649 |
| Effects of exchange rate changes and others | ( 32,796) | ( 1,083) |
| Balance, December 31, 2011 | $ 2,204,609 | $ 72,827 |

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, 2010 NT$ | December 31, 2011 NT$ | December 31, 2011 US$ (Unaudited) |
|---|---|---|---|
| Stocks | $ 10,406,387 | $ 7,229,138 | $ 238,806 |
| Commercial papers | 6,333,138 | 6,176,759 | 204,042 |
| Government bonds | 12,782,016 | 10,195,069 | 336,782 |
| Treasury bills | 229,012 | - | - |
| Corporate bonds | 16,289,550 | 14,302,460 | 472,465 |
| Beneficiary certificates | 1,775,497 | 300,000 | 9,910 |
| Beneficiary securities | 5,179,917 | 4,347,170 | 143,604 |
| Financial bonds | 29,598,325 | 27,999,301 | 924,924 |
| Certificates of deposit | 605,842 | 617,701 | 20,405 |
| Total | $ 83,199,684 | $ 71,167,598 | $ 2,350,938 |

(1) As of December 31, 2010 and 2011, the aforementioned available-for-sale financial assets amounted to NT$8,407,823 thousand and NT$16,798,381 thousand, respectively, and were pledged to other parties as collateral of business reserves and guarantees.

(2) As of December 31, 2010 and 2011, available-for-sale financial assets were sold under repurchase agreements with selling price of NT$3,585,420 thousand and NT$4,203,879 thousand, respectively. Such repurchase agreements were posted to the "securities sold under repurchase agreements" account on the Bank's balance sheet.

(3) In 2010, the Bank purchased the credit impaired assets in the amount of US$99,617 thousand, 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 US$95,628 thousand 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.

(4) 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:

A. Fair value information regarding the reclassified assets that have not been derecognized from the balance sheet as of December 31, 2010 and 2011 was as follows:

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | Fair value | Fair value | |
| | NT$ | NT$ | US$ (Unaudited) |
| Bonds | $ 420,360 | $ 368,253 | $ 12,165 |

B. Movements on fair value of the reclassified assets for the years ended December 31, 2010 and 2011 were as follows:

| | For the year ended December 31, 2010 | |
|---|---|---|
| | Recognized in profit and loss | Recognized as adjustments in equity |
| | NT$ | NT$ |
| Bonds | $ - | $ 13,019 |

| | For the year ended December 31, 2011 | | | |
|---|---|---|---|---|
| | Recognized in profit and loss | | Recognized as adjustments in equity | |
| | NT$ | US$ (Unaudited) | NT$ | US$ (Unaudited) |
| Bonds | $ - | $ - | $ 7,060 | $ 233 |

C. 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) | ($ 7,953) |
| January 1 ~ December 31, 2009 | ( 33,631) | ( 1,111) |
| January 1 ~ December 31, 2010 | 13,019 | 430 |
| January 1 ~ December 31, 2011 | 7,060 | 233 |
| Total | ($ 254,303) | ($ 8,401) |

8. HELD-TO-MATURITY FINANCIAL ASSETS – NET

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Government bonds | $ 1,247,210 | $ 1,034,009 | $ 34,157 |
| Central Bank's certificates of deposits | 203,000,000 | 118,200,000 | 3,904,599 |
| Financial bonds | 12,279,110 | 10,892,493 | 359,821 |
| Corporate bonds | - | 56,708 | 1,873 |
| Total | $ 216,526,320 | $ 130,183,210 | $ 4,300,450 |

(1) As of December 31, 2010 and 2011, the aforementioned held-to-maturity financial assets amounting to NT$15,543,300 thousand and NT$16,462,288 thousand, respectively, were pledged to other parties as collateral of business reserves and guarantees.

(2) As of December 31, 2010 and 2011, held-to-maturity financial assets were sold under repurchase agreements with selling price of NT$0 thousand and NT$796,564 thousand, respectively. Such repurchase agreements were posted to the "securities sold under repurchase agreements" account in the balance sheet.

9. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD – NET

| | December 31, 2010 | | December 31, 2011 | | |
|---|---|---|---|---|---|
| | | | Book value | | |
| Investee Companies | Book value NT$ | % of ownership | NT$ | US$ (Unaudited) | % of Ownership |
| Mega International Commercial Bank Public Co., Ltd. (Thailand) | $ 4,941,644 | 100.00 | $ 4,856,743 | $ 160,437 | 100.00 |
| Mega International Commercial Bank (Canada) | 951,285 | 100.00 | 1,031,335 | 34,069 | 100.00 |
| Cathay Investment & Development Corporation (Bahamas) | 282,490 | 100.00 | 292,508 | 9,663 | 100.00 |
| Mega Management & Consulting Co., Ltd. | 79,711 | 100.00 | 55,578 | 1,836 | 100.00 |
| Cathay Investment & Warehousing Ltd. | 95,970 | 100.00 | 96,414 | 3,185 | 100.00 |
| Ramlett Finance Holdings Inc. | - | 100.00 | - | - | 100.00 |
| Yung-Shing Industries Co. | 848,199 | 99.56 | 834,947 | 27,581 | 99.56 |
| China Products Trading Company | 41,164 | 68.27 | 37,047 | 1,224 | 68.27 |
| Cathy Insurance Company, INC. | 4,547 | 30.37 | - | - | 30.37 |
| United Venture Capital Corp. | 44,507 | 25.31 | 26,081 | 862 | 25.31 |
| China Insurance Co., (Siam) Ltd. | 38,019 | 25.25 | 31,942 | 1,055 | 25.25 |
| Mega 1 Venture Capital Co., Ltd. | 173,160 | 25.00 | 161,509 | 5,335 | 25.00 |
| IP Fundseven Ltd. | 223,975 | 25.00 | 226,248 | 7,474 | 25.00 |
| An Fang Co., Ltd. | 12,091 | 25.00 | 11,803 | 390 | 25.00 |
| Taiwan Bills Finance Co., Ltd. | 1,400,552 | 24.55 | 1,390,834 | 45,945 | 24.55 |
| Everstrong Iron Steel & Foundry & Mfg Corp. | 38,809 | 22.22 | 39,509 | 1,305 | 22.22 |
| China Real Estate Management Co., Ltd. | 126,643 | 20.00 | 121,709 | 4,020 | 20.00 |
| Total | $ 9,302,766 | | $ 9,214,207 | $ 304,381 | |

(1) Part of Equity investments accounted for under equity method and investment income and losses as of December 31, 2010 and 2011, are recognized based on unaudited financial statements of the same period. As of December 31, 2010 and 2011, amounted to approximately 0.69% and 0.26% of the Bank's net profit before tax, respectively; therefore, the amounts were not significant.
(2) As of December 31, 2010 and 2011, the aforementioned equity investments accounted for under the equity method were not pledged as collateral of business reserves and guarantees.
(3) 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, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Financial assets carried at cost: | | | |
| Stocks | $ 13,736,121 | $ 13,569,968 | $ 448,268 |
| Debt investment with no active market | 4,000,000 | 4,000,000 | 132,135 |
| Remittance purchased | 25,391 | 83,953 | 2,773 |
| Non accrual loans transferred from overdue receivables | 685,843 | 670,751 | 22,158 |
| Total | 18,447,355 | 18,324,672 | 605,334 |
| Less：Allowance for bad debts – Remittance purchased and Non accrual loans transferred from overdue receivables | ( 477,016) | ( 408,857) | ( 13,506) |
| Net | $ 17,970,339 | $ 17,915,815 | $ 591,828 |

(1) For the years ended December 31, 2010 and 2011, the amounts of impairment loss recognized due to investees operating at a loss over an extended period of time were NT$518,329 thousand and NT$257,083 thousand, respectively. The bad debt expenses (reversal) in relation to remittance purchased and non accrual loans transferred from overdue accounts for years 2010 and 2011 amounted to NT$161,156 thousand and (NT$68,159) thousand, respectively.
(2) As of December 31, 2010 and 2011, the aforementioned financial assets were not pledged as collateral of business reserves and guarantees.

11. OTHER ASSETS – NET

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Prepayment | $ 129,475 | $ 127,284 | $ 4,205 |
| Other prepaid expenses | 1,287,607 | 2,847,168 | 94,053 |
| Deferred pension costs | 169,278 | 393,604 | 13,002 |
| Deferred income tax - net | 988,893 | 1,012,025 | 33,431 |
| Refundable deposits | 1,002,879 | 1,132,317 | 37,405 |
| Temporary payments | 901,268 | 785,211 | 25,938 |
| Foreclosed property | - | 28,489 | 941 |
| Accumulated – net impairment | 969,293 | 779,545 | 25,751 |
| Others | 197,690 | 235,928 | 7,794 |
| Net | $ 5,646,383 | $ 7,341,571 | $ 242,520 |

12. DUE TO THE CENTRAL BANK AND COMMERCIAL BANKS

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Due to Central Bank | $ 269,200,015 | $ 288,768,234 | $ 9,539,120 |
| Transfer deposits from China Post Co. | 6,849,088 | 3,824,875 | 126,350 |
| Overdrafts from other banks | 2,587,377 | 180,887 | 5,975 |
| Call loan from other banks | 26,866,062 | 61,331,256 | 2,026,006 |
| Short-term borrowings | 10,719,180 | 8,468,671 | 279,753 |
| Total | $ 316,221,722 | $ 362,573,923 | $ 11,977,204 |

13. BORROWED FUNDS

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Refinancing to borrow funds from Central Bank | $ 9,800,941 | $ 8,988,504 | $ 296,925 |
| Other funds borrowed from Central Bank | 28,767,700 | 62,884,896 | 2,077,329 |
| Total | $ 38,568,641 | $ 71,873,400 | $ 2,374,254 |

14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Financial liabilities held for trading: | | | |
| Derivative financial instruments | $ 2,167,975 | $ 1,879,566 | $ 62,089 |
| Financial liabilities designated at fair value through profit or loss: | | | |
| Financial bonds | 19,332,719 | 13,606,240 | 449,467 |
| Derivative financial instruments | 6,258,392 | 4,875,252 | 161,048 |
| Total | $ 27,759,086 | $ 20,361,058 | $ 672,604 |

15. PAYABLES

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Accounts payable | $ 21,940,478 | $ 9,462,475 | $ 312,582 |
| Bankers' acceptances | 11,406,903 | 10,618,035 | 350,754 |
| Accrued interests | 1,903,628 | 2,274,250 | 75,127 |
| Dividends and bonus payable | 5,679,263 | 5,679,263 | 187,608 |
| Income tax payable | 2,625,717 | 3,200,468 | 105,724 |
| Accrued expense | 3,864,009 | 3,979,735 | 131,466 |
| Collections payable for customers | 1,512,277 | 896,329 | 29,609 |
| Other payables | 978,398 | 1,236,934 | 40,861 |
| Other payables – parent company account (Note) | 2,188,177 | 525,799 | 17,369 |
| Total | $ 52,098,850 | $ 37,873,288 | $ 1,251,100 |

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

16. DEPOSITS AND REMITTANCES

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Checking deposits | $ 27,562,255 | $ 31,279,919 | $ 1,033,295 |
| Demand deposits | 437,827,884 | 449,645,567 | 14,853,514 |
| Time deposits | 568,893,828 | 563,503,444 | 18,614,675 |
| Negotiable certificates of deposit | 1,833,700 | 1,410 | 47 |
| Demand savings deposits | 307,454,036 | 320,079,847 | 10,573,462 |
| Time savings deposits | 190,582,431 | 203,411,896 | 6,719,473 |
| Remittances | 13,155,220 | 9,198,056 | 303,847 |
| Total | $ 1,547,309,354 | $ 1,577,120,139 | $ 52,098,313 |

17. FINANCIAL BONDS PAYABLE

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Subordinated bonds | $ 34,800,000 | $ 42,600,000 | $ 1,407,241 |

| Name of bond | Issuing period | Interest rate % | Total issued amount | December 31, 2010 NT$ | December 31, 2011 NT$ | December 31, 2011 US$ (Unaudited) | Remark |
|---|---|---|---|---|---|---|---|
| 93-207 Development Financial bond | 2004.10.12~ 2011.04.12 | 3.00 | 4,500,000 | $ 4,500,000 | $ - | $ - | Interest is paid yearly. The principal is repaid at maturity. |
| 96-1 Development Financial bond | 2007.09.27~ 2014.09.27 | Floating rate | 5,000,000 | 5,000,000 | 5,000,000 | 165,169 | 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 | 9,910 | 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 | 13,214 | 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 | 198,203 | 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 | - | - | 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 | 52,854 | 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 | 211,417 | 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 | 10,300,000 | 340,248 | Interest is paid yearly. The principal is repaid at maturity. |
| 100-1 Development Financial bond | 2011.04.15~ 2018.04.15 | 1.65 | 4,700,000 | - | 4,700,000 | 155,259 | Interest is paid yearly. The principal is repaid at maturity. |
| 100-2 Development Financial bond | 2011.11.24~ 2018.11.24 | 1.65 | 7,900,000 | - | 7,900,000 | 260,967 | Interest is paid yearly. The principal is repaid at maturity. |
| Total | | | | $ 34,800,000 | $ 42,600,000 | $ 1,407,241 | |

18. ACCRUED PENSION LIABILITIES

(1) Net pension cost comprises the following:

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Service cost | $ 622,829 | $ 605,546 | $ 20,003 |
| Interest cost | 321,044 | 267,683 | 8,843 |
| Expected return on plan assets | ( 201,557 ) | ( 173,427 ) | ( 5,729 ) |
| Amortization | 175,938 | 239,873 | 7,924 |
| Net pension cost | $ 918,254 | $ 939,675 | $ 31,041 |

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

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Benefit obligation | | | |
| Vested benefit obligation | ($ 7,657,590 ) | ($ 8,806,350 ) | ($ 290,907 ) |
| Non-vested benefit obligation | ( 2,308,755 ) | ( 2,136,311 ) | ( 70,571 ) |
| Accumulated benefit obligation | ( 9,966,345 ) | ( 10,942,661 ) | ( 361,478 ) |
| Effect of future salary increments | ( 3,635,731 ) | ( 1,362,361 ) | ( 45,004 ) |
| Projected benefit obligation | ( 13,602,076 ) | ( 12,305,022 ) | ( 406,482 ) |
| Fair value of plan assets | 8,611,369 | 9,399,334 | 310,496 |
| Funded status | ( 4,990,707 ) | ( 2,905,688 ) | ( 95,986 ) |
| Unrecognized net transition obligation | 153,232 | 131,554 | 4,346 |
| Unrecognized service cost in prior year | 38,262 | 411,427 | 13,591 |
| Non-amortization of gain or loss on plan assets | 3,613,515 | 1,212,984 | 40,069 |
| Unfunded accrued pension liability | ( 169,278 ) | ( 393,604 ) | ( 13,002 ) |
| Accrued pension liabilities | ($ 1,354,976 ) | ($ 1,543,327 ) | ($ 50,982 ) |

(3) Actuarial assumptions are as follows:

| | | |
|---|---|---|
| Discount rate | 2.00% | 2.25% |
| Rate of compensation increase in salaries | 3.00% | 1.25% |
| Expected rate of return on plan assets | 2.00% | 2.25% |

(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, 2010 and 2011 were NT$70,430 thousand and NT$77,261 thousand, respectively.

19. OTHER FINANCIAL LIABILITIES

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Structured deposit | $ 4,064,309 | $ 9,976,851 | $ 329,574 |
| Appropriated for loans | 3,291,093 | 2,636,999 | 87,110 |
| Reserve for loans | 18 | 6 | - |
| Total | $ 7,355,420 | $ 12,613,856 | $ 416,684 |

20. OTHER LIABILITIES

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Deposits received | $ 2,831,066 | $ 2,830,864 | $ 93,514 |
| Reserve for losses on guarantees | 1,497,523 | 2,119,653 | 70,020 |
| Temporary credits | 2,469,579 | 4,234,432 | 139,880 |
| Others | 2,972,501 | 3,140,914 | 103,756 |
| Total | $ 9,770,669 | $ 12,325,863 | $ 407,170 |

As of December 31, 2010 and 2011, the doubtful loan expenses for the provision of reserve for guarantees amounted to NT$834,659 thousand and NT$619,486 thousand, respectively.

21. CAPITAL STOCK

In order to meet the demand for operational development and capital structure adjustment, the Board of Directors resolved on behalf of stockholders that the Company transfer unappropriated earnings amounting to NT$3,890,122 thousand to increase capital, which equals 389,012 thousand shares with a par value of $10 New Taiwan dollars; the capital increase had been applied to competent authorities and was effective in August 4, 2011. The effective date is September 7, 2011, and the issued stock after capital increase amounts to NT$68,000,000 thousand, which equals to 6,800,000 thousand shares with a par value of $10 New Taiwan dollars per share.

As of December 31, 2010 and 2011, the authorized capital stock was NT$64,109,878 thousand and NT$68,000,000 thousand, respectively, consisting of 6,410,988 and 6,800,000 thousand shares, and issued capital stock was NT$64,109,878 thousand and NT $68,000,000 thousand, respectively, with par value of $10 New Taiwan dollars per share for both years.

22. RETAINED EARNINGS AND DIVIDEND POLICIES

(1) 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; under the plan, cash dividends shall account for no less than 50% of total dividends, while the remainder are in the form of 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.

(2) The legal reserve is to be used exclusively to offset any deficit or to increase capital by issuing new shares or distribute cash dividends according to original shareholders in proportion to the number of shares being held by each of them and is not to be used for any other purposes. For the legal reserve to be used for issuing new shares or distributing cash dividends, only the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or released.

(3) 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.

(4) 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) In pursuant of Jin-Guan-Zheng-Zi No.09900738571 of the Financial Supervisory Commission, trading loss reserve that have been set aside by securities firms 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. Special reserve transferred based on the above regulation amounts to NT$79,842 thousand for the year ended December 31, 2011.

(6) 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, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| 1998 and onward | $ 13,970,890 | $ 15,022,236 | $ 496,242 |

(7) The appropriations and distributions for 2009 and 2010 approved by the Bank's Board of Directors on the stockholders' behalf on May 3, 2010 and May 11, 2011, respectively, were as follows:

| | 2009 | 2010 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Legal reserve | $ 3,199,237 | $ 3,351,507 | $ 110,713 |
| Special reserve | 29,852 | 26,875 | 888 |
| Cash dividends (NT$1.45 and NT$1.04 per share) | 9,295,932 | 6,688,008 | 220,930 |
| Stock dividends (NT$0 and NT$0.61 share) | - | 3,890,122 | 128,506 |
| Total | $ 12,525,021 | $ 13,956,512 | $ 461,037 |

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 2010 actual earnings distributions were as mentioned above, bonuses to employees and remunerations to supervisors and directors in 2010 approved by the Board of Directors. The $7,285 thousand difference between the employees bonus resolved by the stockholders' meeting during 2011 and the recognized amount in the financial statement of 2010 reflects distribution of prior year's earnings, in which has been adjusted in the profits and losses of 2011.

(8) The Bank recognized the estimated costs of $194,324 thousand and $205,749 thousand and for employees' bonuses for the years ended December 31, 2010 and 2011which, after taking net income and legal reserve into account, is based on the ratio stipulated in the Company's Articles of Incorporation.

(9) Earnings distribution for the year ended December 31, 2011 with the approval of the Board of Directors on March 23, 2012 were as follows:

| | 2011 | |
|---|---|---|
| | NT$ | US$ (Unaudited) |
| Legal reserve | $ 4,502,358 | $ 148,730 |
| Special reserve | 1,170,185 | 38,656 |
| Cash dividends (NT$1.37 per share) | 9,316,000 | 307,743 |
| Total | $ 14,988,543 | $ 495,129 |

23. UNREALIZED REVALUATION INCREMENT

The Bank made revaluations of its assets in accordance with the relevant laws and regulations. As of December 31, 2010 and 2011, the balance of the revaluation increment of land and other fixed assets amounted to NT$2,335,901 thousand and NT$2,330,749 thousand, respectively, and were recorded under "properties and equipment". As of December 31, 2010 and 2011, the balance of the reserve for land valuation increment tax amounted to NT$712,253 thousand and NT$657,314 thousand respectively, and were recorded under "other liabilities".

24. FEE INCOME – NET

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | |
| | NT$ | NT$ | US$ (Unaudited) |
| Service fee income | $ 7,128,085 | $ 6,764,518 | $ 223,458 |
| Service fee charges | ( 611,993) | ( 658,845) | ( 21,764) |
| Net service fee income | $ 6,516,092 | $ 6,105,673 | $ 201,694 |

25. ASSET IMPAIRMENT LOSSES

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | |
| | NT$ | NT$ | US$ (Unaudited) |
| Available-for-sale financial assets | ( $ 57,650) | $ 86,831 | $ 2,868 |
| Held-to-maturity financial assets | ( 27,344) | - | - |
| Financial assets carried at cost - stocks | 518,329 | 257,083 | 8,492 |
| Fixed assets | 402,385 | ( 272,353) | ( 8,996) |
| Non-operating property | - | 17,268 | 570 |
| Total | $ 835,720 | $ 88,829 | $ 2,934 |

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

26. STAFF EXPENSES, DEPRECIATION AND AMORTIZATION

The following is a summary of the components of staff expenses, depreciation and amortization for the years ended December 31, 2010 and 2011:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | |
| | NT$ | NT$ | US$ (Unaudited) |
| Staff expenses | | | |
| Payroll expense | $ 8,986,631 | $ 8,600,636 | $ 284,112 |
| Staff insurance | 466,599 | 486,497 | 16,071 |
| Pension | 1,125,559 | 1,032,073 | 34,093 |
| Other staff expenses | 318,165 | 486,978 | 16,087 |
| | $ 10,896,954 | $ 10,606,184 | $ 350,363 |
| Depreciation | $ 632,301 | $ 608,912 | $ 20,115 |
| Amortization | $ 8,712 | $ 5,906 | $ 195 |

27. INCOME TAX

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

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | |
| | NT$ | NT$ | US$ (Unaudited) |
| Income tax at the statutory tax rate | $ 2,286,728 | $ 2,969,870 | $ 98,106 |
| Tax effect of permanent differences | ( 604,709 ) | ( 1,118,336) | ( 36,943 ) |
| Effect of enacted change in tax rates | 169,216 | - | - |
| Effect of loss reserves transferred to special reserves | - | 2,219 | 73 |
| Income tax of overseas branches | 466,576 | 390,662 | 12,905 |
| Net change in deferred income tax assets | ( 590,902 ) | 23,132 | 764 |
| Prepaid and withholding taxes | ( 686,441 ) | ( 1,009,892) | ( 33,360) |
| 10% income tax levied on unappropriated earnings | 53,445 | 1,438 | 48 |
| Income tax payable– current period | $ 1,093,913 | $ 1,259,093 | $ 41,593 |
| | | | |
| Income tax payable – current period | $ 1,093,913 | $ 1,259,093 | $ 41,593 |
| Separate tax expenses | 61,848 | - | - |
| Deferred income tax benefit | 590,902 | ( 23,132) | ( 764 ) |
| Income tax payable attributed to foreign branches and adjustments of prior years income taxes | ( 153,452 ) | 216,110 | 7,139 |
| Prepaid and withholding taxes | 686,441 | 1,009,892 | 33,360 |
| Income tax expense | $ 2,279,652 | $ 2,461,963 | $ 81,328 |

(2) As of December 31, 2011, the income tax returns of the Bank through 2006 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 2004 and 2005 income tax return.

(3) Deferred income taxes as of December 31, 2010 and 2011 consisted of deferred income tax assets - net (shown as part of other assets), as follows:

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| A. Total deferred income tax assets | $ 1,545,086 | $ 1,785,090 | $ 58,968 |
| B. Total deferred income tax liabilities | ( $ 556,193 ) | ($ 773,065) | ($ 25,537) |
| C. Temporary differences resulting in deferred income tax assets: | | | |
| Provision for employees' pension liabilities | $ 1,102,594 | $ 1,073,336 | $ 35,456 |
| Unrealized loss on investments | 4,143,352 | 3,988,264 | 131,748 |
| Bad debt expense in excess of the amount determined by tax regulations | 575,229 | 3,005,045 | 99,268 |
| Unrealized loss on derivative financial instruments | 39,171 | - | - |
| Others | 1,011,211 | 739,829 | 24,439 |
| D. Temporary differences resulting in deferred income tax liabilities: | | | |
| Unrealized foreign exchange gains | ( $ 1,032,679) | ($ 1,061,074) | ( $ 35,051) |
| Cumulative equity in net income of foreign investees | ( 2,032,764) | ( 2,150,299) | ( 71,033) |
| Unrealized gain on derivative financial instruments | - | ( 1,124,815) | ( 37,157) |
| E. Deferred income tax assets | $ 1,168,165 | $ 1,497,101 | $ 49,455 |
| Deferred income tax assets attributed to foreign branches | 376,921 | 287,989 | 9,513 |
| Deferred income tax liabilities | ( 521,125) | ( 737,152) | ( 24,351) |
| Deferred income tax liabilities attributed to foreign branches | ( 35,068) | ( 35,913) | ( 1,186) |
| Deferred income tax assets (liabilities), net | 988,893 | 1,012,025 | 33,431 |
| Allowance for deferred income tax assets | - | - | - |
| Net change in deferred income tax assets | $ 988,893 | $ 1,012,025 | $ 33,431 |

(4) The information on the implementation of the integrated income tax system as of December 31, 2010 and 2011 is as follows:

| | December 31, 2010 | December 31, 2011 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Unaudited) |
| Balances of the imputed tax | $ 127,995 | $ 278,063 | $ 9,185 |

A. The estimated creditable tax ratio for distributing 2011 earnings was 1.85%.

B. The actual tax ratio for distributing 2010 cash and stock dividend earnings were 4.48% and 6.24%, respectively.

(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, | |
|---|---|---|
| | 2010 | 2011 |
| Weighted-average shares outstanding (shares in thousands) | 6,800,000 | 6,800,000 |

| | For the years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | | |
| | NT$ | | NT$ | | US$ (Unaudited) | |
| | Pre-tax | After tax | Pre-tax | After tax | Pre-tax | After tax |
| Net income | $ 13,451,339 | $ 11,171,687 | $17,469,821 | $15,007,858 | $ 577,095 | $ 495,767 |
| Earnings per share (in dollars) | | | | | | |
| Net income | $ 1.98 | $ 1.64 | $ 2.57 | $ 2.21 | | |

The calculation of earnings per share impact of stock dividends have been retroactively adjusted. In 2010 pre-tax and after-tax earnings per share, due to the retrospective adjustment, from NT$2.10 and NT$1.74 reduced to NT$1.98 and NT$1.64, respectively.

## V. RELATED PARTY TRANSACTIONS

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

| Names of related parties | Short name of related parties | Relationship with the Bank |
|---|---|---|
| Mega Financial Holdings 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 |
| Chung Kuo Insurance Co., Ltd. | Chung Kuo 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 Agency Co., Ltd. | Mega Life Insurance Agency | 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 |
| Waterland Financial Holdings | Waterland Financial Holdings | Director of Waterland Financial Holdings |
| International Bills Finance Corporation(IBF) | International Bills Finance | Director of Waterland Financial Holdings |
| Waterland Securities | Waterland Securities | Director of Waterland 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 |
| Others | | Certain directors, supervisors, managers and relatives of the Bank's chairman and general manager |

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, | | | For The Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | | 2010 | 2011 | | Interest Rate (%) | | Total Interest Income (Expense) | | |
| | NT$ | NT$ | US$ (Unaudited) | NT$ | NT$ | US$ (Unaudited) | 2010 | 2011 | 2010 NT$ | 2011 NT$ | 2011 US$ (Unaudited) |
| Due from banks | | | | | | | | | | | |
| Mega ICBC (Canada) | $ 213,323 | $ 216,945 | $ 7,167 | $ 848,950 | $ 659,208 | $ 21,776 | 0.10~1.14 | 0.25~1.18 | $ 809 | $ 1,453 | $ 48 |
| Mega Bills | 100,000 | 1,000,000 | 33,034 | 4,000,000 | 8,000,000 | 264,271 | 0.10~1.18 | 0.43~0.83 | 2,737 | 9,873 | 326 |
| Bank of Taiwan | 38,005 | 21,603 | 714 | 3,397,634 | 4,756,837 | 157,137 | 0.10~0.39 | 0.27~.0.32 | 159 | 424 | 14 |
| Mega ICBC (Thailand) | 1,352,310 | 527,430 | 17,423 | 1,583,508 | 1,606,027 | 53,053 | 0.37~7.63 | 0.00~1.05 | 956 | 1,064 | 35 |
| International Bills Finance | - | - | - | - | 910,000 | 30,061 | - | 0.55~0.82 | - | 971 | 32 |
| Chunghwa Post | - | - | - | - | 3,000,000 | 99,101 | - | 0.25~0.32 | - | 281 | 9 |
| Due to banks | | | | | | | | | | | |
| Chunghwa Post | $ 7,102,539 | $ 3,984,533 | $ 131,624 | $ 50,422,128 | $ 12,290,825 | $ 406,013 | 0.01~1.30 | 0.01~1.52 | ($ 352,990) | ($ 61,708) | ($ 2,038 ) |
| Mega ICBC (Canada) | 248,456 | 208,735 | 6,895 | 407,092 | 581,069 | 19,195 | 0.05 | 0.05 | ( 327 ) | ( 132) | ( 4 ) |
| Mega ICBC (Thailand) | 736,992 | 482,062 | 15,924 | 3,674,428 | 4,766,792 | 157,465 | 0.07 | 0.07~0.25 | ( 1,306 ) | ( 652 ) | ( 22 ) |
| Bank of Taiwan | - | - | - | 10,000,000 | 5,811,950 | 191,991 | 0.10~0.39 | 0.26~5.13 | ( 157 ) | ( 18,130 ) | ( 599 ) |

(2) Loans and deposits

| | | Balance as of December 31, | | | | | Total Interest Income (Expense) For The Years Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | | 2011 | | | 2010 | | 2011 | | | Interest Rate (%) | |
| | Counterparty | NT$ | % of Total | NT$ | US$ (Unaudited) | % of Total | NT$ | % of Total | NT$ | US$ (Unaudited) | % of Total | 2010 | 2011 |
| Deposits | All related parties | $ 49,911,559 | 3.23 | $ 57,811,572 | $ 1,909,737 | 3.67 | ( $ 283,732) | 2.91 | ($ 452,899) | ($ 14,961 ) | 3.93 | 0.00~13.00 | 0.00~13.00 |
| Loans | All related parties | 109,533,570 | 8.30 | 130,152,081 | 4,299,421 | 9.02 | 1,129,246 | 3.66 | 1,559,274 | 51,509 | 4.31 | 0.00~5.86 | 0.00~4.85 |

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 Payment Method | For the years ended December 31, 2010 NT$ Rental Revenue | 2011 NT$ Rental Revenue | 2011 US$ (Unaudited) Rental Revenue |
|---|---|---|---|---|---|
| Mega Securities | 2009.11-2013.10 | Monthly | $ 19,341 | $ 21,752 | $ 719 |
| Mega Bills | 2005.01-2010.12 | Monthly | 45,000 | - | - |
| Mega Bills | 2010.01-2013.12 | Monthly | - | 34,412 | 1,137 |
| Chung Kuo Insurance | 2003.05~2012.04 | Monthly | 2,424 | - | - |
| Chung Kuo Insurance | 2009.05~2013.06 | Quarterly/Semiannual | - | 2,425 | 80 |
| Mega Asset | 2006.04-2010.12 | Monthly | 6,289 | - | - |
| Mega Asset | 2011.01-2013.12 | Monthly | - | 6,399 | 211 |
| Mega Investment Trust | 2007.08-2012.07 | Monthly | 11,042 | 11,038 | 365 |
| Yung-Shing | 2006.10-2012.09 | Quarterly | - | 2,767 | 91 |
| Win Card | 2008.01-2015.01 | Quarterly | 7,457 | 7,012 | 232 |
| Others | 2001.01~2014.07 | Monthly/Quarterly | 4,213 | 2,933 | 97 |

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

| Related Party | Lease Period | Lease Payment Method | For the years ended December 31, 2010 NT$ Rental Expense | 2011 NT$ Rental Expense | 2011 US$ (Unaudited) Rental Expense |
|---|---|---|---|---|---|
| Mega Securities | Note | Note | $ 7,271 | $ 6,844 | $ 226 |
| Mega Bills | 2006.05-2010.12 | Monthly | 110,394 | - | - |
| Mega Bills | 2011.01-2012.12 | Monthly | - | 90,945 | 3,004 |
| Chung Kuo Insurance | 2007.12-2012.08 | Monthly | 22,391 | 22,308 | 737 |
| Yung-Shing | 1994.12-2014.11 | Annually | 6,606 | 6,288 | 208 |
| Mega Financial Holdings | 2006.12-2010.12 | Monthly | 6,482 | - | - |
| Others | 1996.08-2021.08 | Monthly/Quarterly | 1,764 | 1,764 | 58 |

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) Miscellaneous payables – parent company account

| | December 31, 2010 NT$ | December 31, 2010 % of Total | December 31, 2011 NT$ | December 31, 2011 % of Total | December 31, 2011 US$ (Unaudited) |
|---|---|---|---|---|---|
| Mega Financial Holdings | $ 2,188,177 | 4.20 | $ 525,799 | 1.39 | $ 17,369 |

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.

(5) Service fees revenues

| | For the years ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | | 2011 | | |
| | NT$ | % of Total | NT$ | % of Total | US$ (Unaudited) |
| Mega Life Insurance Agency (Note 1) | $ 250,352 | 3.51 | $ 407,010 | 6.02 | $ 13,445 |
| Mega Investment Trust (Note 2) | - | - | 23,931 | 0.35 | 791 |
| Chung Kuo Insurance (Note 1) | - | - | 10,340 | 0.15 | 342 |
| | 250,352 | 3.51 | $ 441,281 | 6.52 | $ 14,578 |

Note 1：The above amount represents service fee revenues earned from acting as an agent for Mega Life Insurance Agency and Chung Kuo Insurance.
Note 2：The above amount represents service fee of sale funds revenues earned from Mega Investment Trust.

(6) Insurance expense

| | For the years ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | | 2011 | | |
| | NT$ | % of Total | NT$ | % of Total | US$ (Unaudited) |
| Chung Kuo Insurance | $ 53,301 | 1.24 | $ 47,920 | 0.97 | $ 1,583 |

(7) 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$62,038 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$152,928 thousand are to be received from MITC according to the above agreement. The amount was fully received in January, 2011.

(8) 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$118,176 thousand and NT$114,850 thousand (US$3,794 thousand) for the years ended December 31, 2010 and 2011, respectively.

(9) Starting from 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$165,918 thousand and NT$160,543 thousand (US$5,303 thousand) for the years ended December 31, 2010 and 2011, respectively.

(10) Loans

December 31, 2011 (Expressed in thousands of NT dollars)

| Types | Number of accounts or names of related party | Highest balance | Ending balance | Default status | | Collateral | Whether terms and conditions of the related party transactions are different from those of transactions with third parties. |
|---|---|---|---|---|---|---|---|
| | | | | Normal loans | Overdue accounts | | |
| Consumer loans for employees | 14 | $ 9,492 | $ 6,467 | V | | None | None |
| Home mortgage loans | 49 | 407,656 | 302,191 | V | | Real estate | None |
| Other loans | 1 | 339,810 | 287,000 | V | | Real estate | None |

December 31, 2010 (Expressed in thousands of NT dollars)

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

(11) Financial guarantees for related parties : None.

(12) Related party transactions of derivative financial instruments: None.

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

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

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| | NT$ | NT$ | US$ (Unaudited) |
| Salaries | $ 27,401 | $ 29,805 | $ 985 |
| Bonus | 13,383 | 15,525 | 513 |
| Business expenses | 8,502 | 9,617 | 317 |
| Earnings distribution | 1,020 | 1,055 | 35 |
| | $ 50,306 | $ 56,002 | $ 1,850 |

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 2011.
E. Please refer to the Bank's Annual Report for relevant information.

## Ⅵ. PLEDGED ASSETS

Please refer to Notes Ⅳ 3, 7 and 8.

## Ⅶ. COMMITMENTS AND CONTINGENT LIABILITIES

1. As of December 31, 2010 and 2011, the Bank had the following commitments and contingent liabilities not reflected in the above mentioned financial statements:

| | December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| | NT$ | NT$ | US$ (Unaudited) |
| Irrevocable loan commitments | $ 130,700,514 | $ 117,235,746 | $ 3,872,745 |
| Securities sold under repurchase agreement | 4,286,445 | 7,344,251 | 242,609 |
| Securities purchased under resale agreement | 895,239 | 349,810 | 11,556 |
| Credit card line commitments | 45,913,631 | 48,633,007 | 1,606,534 |
| Guarantees issued | 238,333,222 | 249,871,601 | 8,254,215 |
| Guarantees to be issued | 700 | 20,500 | 677 |
| Letters of credit | 92,018,744 | 84,249,715 | 2,783,091 |
| Customers' securities under custody | 174,679,118 | 168,590,517 | 5,569,190 |
| Properties under custody | 577,824 | 2,583,822 | 85,354 |
| Guarantee effects | 91,718,434 | 78,075,366 | 2,579,128 |
| Collections for customers | 137,555,482 | 128,989,150 | 4,261,005 |
| Agency loans payable | 3,905,242 | 3,295,483 | 108,862 |
| Travelers' checks consigned-in | 2,076,070 | 1,910,045 | 63,096 |
| Payables on gold bars consigned-in | 21,326 | - | - |
| Payables on gold coins consigned-in | 510 | 468 | 15 |
| Payables on consignments-in | 3,407 | 3,122 | 103 |
| Agent for government bonds | 108,888,000 | 124,991,200 | 4,128,938 |
| Short-dated securities under custody | 52,121,266 | 53,279,185 | 1,760,015 |
| Investments for customers | 265,016 | 265,016 | 8,754 |
| Trust liability | 413,875,764 | 438,442,953 | 14,483,449 |
| Certified notes paid | 9,800,941 | 9,018,776 | 297,925 |
| Total | $ 1,507,636,895 | $ 1,517,149,733 | $ 50,117,261 |

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$121,052 thousand (shown as other assets). Rentals for the next five years are as follows:

| Year | NT$ | US$ (Unaudited) |
|---|---|---|
| 2012 | $ 436,591 | $ 14,422 |
| 2013 | 245,040 | 8,095 |
| 2014 | 157,721 | 5,210 |
| 2015 | 102,278 | 3,379 |
| 2016 and after | 61,107 | 2,019 |
| | $ 1,002,737 | $ 33,125 |

## Ⅷ. SIGNIFICANT DISASTER LOSS

None.

## Ⅸ. SIGNIFICANT SUBSEQUENT EVENT

The Bank's Board of Directors has resolved to adjust the revaluation of the assets at book value on March 23, 2012, and recognized the revaluation increment of land amounting to NT$1,513,763 thousand (US$50,005 thousand) and the land incremental valuation tax amounting to NT$396,007 thousand (US$13,082 thousand) (listed under other liabilities). The remaining amount of NT$1,117,756 thousand (US$36,924 thousand) is recognized as others under the stockholders' equity.

## X. OTHERS

### 1. INFORMATION ON FINANCIAL INSTRUMENTS

(1) Fair Value

| | December 31, 2010 | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 261,308,888 | $ 261,308,888 | $ 312,094,483 | $ 312,094,483 | $ 10,309,675 | $ 10,309,675 |
| Due from the Central Bank and call loans to banks | 125,172,379 | 125,172,379 | 181,270,586 | 181,270,586 | 5,988,061 | 5,988,061 |
| Financial assets held for trading | | | | | | |
| Stocks | 1,590,832 | 1,590,832 | 4,746,211 | 4,746,211 | 156,786 | 156,786 |
| Financial assets designated at fair value through profit or loss | | | | | | |
| Corporate bonds | 18,014,143 | 18,014,143 | 23,396,815 | 23,396,815 | 772,886 | 772,886 |
| Governments bonds | 2,031,839 | 2,031,839 | 790,899 | 790,899 | 26,126 | 26,126 |
| Financial bonds | 8,492,706 | 8,492,706 | 7,513,845 | 7,513,845 | 248,211 | 248,211 |
| Securities purchased under resale agreements | 895,012 | 895,012 | 349,562 | 349,562 | 11,547 | 11,547 |
| Receivables－net | 109,403,855 | 109,403,855 | 81,343,007 | 81,343,007 | 2,687,071 | 2,687,071 |
| Bills discounted and loans －net | 1,319,719,641 | 1,319,719,641 | 1,443,255,804 | 1,443,255,804 | 47,676,262 | 47,676,262 |
| Available-for-sale financial assets | | | | | | |
| Stocks | 10,406,387 | 10,406,387 | 7,229,138 | 7,229,138 | 238,806 | 238,806 |
| Commercial papers | 6,333,138 | 6,333,138 | 6,176,759 | 6,176,759 | 204,042 | 204,042 |
| Governments bonds | 12,782,016 | 12,782,016 | 10,195,069 | 10,195,069 | 336,782 | 336,782 |
| Treasury bills | 229,012 | 229,012 | - | - | - | - |
| Corporate bonds | 16,289,550 | 16,289,550 | 14,302,460 | 14,302,460 | 472,465 | 472,465 |
| Beneficiary certificates | 1,775,497 | 1,775,497 | 300,000 | 300,000 | 9,910 | 9,910 |
| Beneficiary securities | 5,179,917 | 5,179,917 | 4,347,170 | 4,347,170 | 143,604 | 143,604 |
| Financial bonds | 29,598,325 | 29,598,325 | 27,999,301 | 27,999,301 | 924,924 | 924,924 |
| Certificate of deposits | 605,842 | 605,842 | 617,701 | 617,701 | 20,405 | 20,405 |
| Held-to-maturity financial assets | 216,526,320 | 216,526,320 | 130,183,210 | 130,183,210 | 4,300,450 | 4,300,450 |
| Other financial assets | 17,970,339 | 17,970,339 | 17,915,815 | 17,915,815 | 591,828 | 591,828 |
| Liabilities | | | | | | |
| Due to the Central Bank and other bank | $ 316,221,722 | $ 316,221,722 | $ 362,573,923 | $ 362,573,923 | $ 11,977,204 | $ 11,977,204 |
| Funds borrowed from the Central Bank and other banks | 38,568,641 | 38,568,641 | 71,873,400 | 71,873,400 | 2,374,253 | 2,374,254 |
| Financial liabilities at fair value through profit or loss | | | | | | |
| Financial bonds | 19,332,719 | 19,332,719 | 13,606,240 | 13,606,240 | 449,467 | 449,467 |
| Securities sold under repurchase agreements | 4,285,605 | 4,285,605 | 7,339,481 | 7,339,481 | 242,451 | 242,451 |
| Payables | 52,098,850 | 52,098,850 | 37,873,288 | 37,873,288 | 1,251,100 | 1,251,100 |
| Deposits and remittances | 1,547,309,354 | 1,547,309,354 | 1,577,120,139 | 1,577,120,139 | 52,098,313 | 52,098,313 |
| Financial bonds payable | 34,800,000 | 34,800,000 | 42,600,000 | 42,600,000 | 1,407,241 | 1,407,241 |
| Other financial liabilities | 7,355,420 | 7,355,420 | 12,613,856 | 12,613,856 | 416,684 | 416,684 |

(Blank below)

| Non-hedging derivative financial instruments | December 31, 2010 NT$ Notional Amount | December 31, 2010 NT$ Fair Value | December 31, 2011 NT$ Notional Amount | December 31, 2011 NT$ Fair Value | December 31, 2011 US$(Unaudited) Notional Amount | December 31, 2011 US$(Unaudited) Fair Value |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Forward exchange contracts | $ 714,618 | $ 714,618 | $ 837,463 | $ 837,463 | $ 27,665 | $ 27,665 |
| Interest rate swap contracts | 2,408,259 | 2,408,259 | 2,233,340 | 2,233,340 | 73,776 | 73,776 |
| Cross-currency swap contracts | 113,954 | 113,954 | 62,187 | 62,187 | 2,054 | 2,054 |
| Assets swap contracts | 393,790 | 393,790 | 718,938 | 718,938 | 23,749 | 23,749 |
| Options | 459,315 | 459,315 | 502,564 | 502,564 | 16,602 | 16,602 |
| Credit default swap | - | - | 736 | 736 | 24 | 24 |
| Currency swap | 741,930 | 741,930 | 963,766 | 963,766 | 31,837 | 31,837 |
| Financial futures | 16 | 16 | - | - | - | - |
| Liabilities | | | | | | |
| Forward exchange contracts | $ 915,841 | $ 915,841 | $ 434,174 | $ 434,174 | $ 14,342 | $ 14,342 |
| Interest rate swap contracts | 2,338,238 | 2,338,238 | 2,553,155 | 2,553,155 | 84,340 | 84,340 |
| Cross-currency swap contracts | 839,287 | 839,287 | 549,756 | 549,756 | 18,161 | 18,161 |
| Assets swap contracts | 903,792 | 903,792 | 378,195 | 378,195 | 12,493 | 12,493 |
| Options | 3,036,519 | 3,036,519 | 1,868,438 | 1,868,438 | 61,722 | 61,722 |
| Credit default swap | 30,796 | 30,796 | 591,916 | 591,916 | 19,553 | 19,553 |
| Currency swap | 361,894 | 361,894 | 379,184 | 379,184 | 12,526 | 12,526 |

(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, securities sold under repurchased agreements, payables, deposits and 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. New Taiwan Dollar Government Bonds: adopting the yield/price published by the GreTai Securities Market.

c. New 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. New 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) Options: mainly use Black-Scholes Model for estimation.
3) Some structured derivatives use BGM Model for estimation.
4) 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.

(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, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | | |
| | Quoted market prices | Amount determined by a valuation technique | Quoted market prices | | Amount determined by a valuation technique | |
| | NT$ | NT$ | NT$ | US$ (Unaudited) | NT$ | US$ (Unaudited) |
| Non-derivative financial instruments | | | | | | |
| Assets | | | | | | |
| Financial assets held for trading | | | | | | |
| Stocks | $ 1,590,832 | $ - | $ 4,746,211 | $ 156,786 | $ - | $ - |
| Financial assets designated at fair value through profit or loss | | | | | | |
| Corporate bonds | 779,351 | 17,234,792 | 795,286 | 26,271 | 22,601,529 | 746,615 |
| Government bonds | 628,673 | 1,403,166 | 639,198 | 21,115 | 151,701 | 5,011 |
| Financial bonds | 1,757,649 | 6,735,057 | 3,024,628 | 99,915 | 4,489,217 | 148,296 |
| Securities purchased under resale agreements | - | 895,012 | - | - | 349,562 | 11,547 |
| Available-for-sale financial assets | | | | | | |
| Stocks | 10,406,387 | - | 7,229,138 | 238,806 | - | - |
| Commercial papers | 5,106,802 | 1,226,336 | 5,249,005 | 173,395 | 927,754 | 30,647 |
| Government bonds | 823,915 | 11,958,101 | 1,979,784 | 65,400 | 8,215,285 | 271,382 |
| Treasury bills | - | 229,012 | - | - | - | - |
| Corporate bonds | 880,997 | 15,408,553 | 583,320 | 19,269 | 13,719,140 | 453,196 |
| Beneficiary certificates | 1,775,497 | - | 300,000 | 9,910 | - | - |
| Beneficiary securities | - | 5,179,917 | - | - | 4,347,170 | 143,604 |
| Financial bonds | 10,856,219 | 18,742,106 | 11,874,882 | 392,273 | 16,124,419 | 532,651 |
| Certificate of deposits | - | 605,842 | - | - | 617,701 | 20,405 |
| Receivables – net | - | 109,403,855 | - | - | 81,343,007 | 2,687,071 |
| Bills discounted and loans – net | - | 1,319,719,641 | - | - | 1,443,255,804 | 47,676,262 |
| Held-to-maturity financial assets | - | 216,526,320 | - | - | 130,183,210 | 4,300,450 |
| Other financial assets | - | 17,970,339 | - | - | 17,915,815 | 591,828 |

(Continued)

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | | |
| | Quoted market prices | Amount determined by a valuation technique | Quoted market prices | | Amount determined by a valuation technique | |
| | NT$ | NT$ | NT$ | US$ (Unaudited) | NT$ | US$ (Unaudited) |
| Non-derivative financial instruments | | | | | | |
| Liabilities | | | | | | |
| Due to the Central Banks and other banks | $ - | $316,221,722 | $ - | $ - | $ 362,573,923 | $ 11,977,204 |
| Funds borrowed from the Central banks and other banks | - | 38,568,641 | - | - | 71,873,400 | 2,374,254 |
| Financial liabilities designated at fair value through profit or loss | | | | - | | |
| Financial bonds | - | 19,332,719 | - | - | 13,606,240 | 449,467 |
| Securities sold under repurchase agreements | - | 4,285,605 | - | - | 7,339,481 | 242,451 |
| Payables | - | 52,098,850 | - | - | 37,873,288 | 1,251,100 |
| Deposits and remittances | - | 1,547,309,354 | - | - | 1,577,120,139 | 52,098,313 |
| Financial bonds payable | - | 34,800,000 | - | - | 42,600,000 | 1,407,241 |
| Other financial liabilities | - | 7,355,420 | - | - | 12,613,856 | 416,684 |
| Non-hedging derivative financial instruments | | | | | | |
| Financial assets held for trading | $ - | $ 1,575,498 | $ - | $ - | $ 1,838,745 | $ 60,741 |
| Financial assets designated at fair value through profit or loss | - | 3,256,384 | - | - | 3,480,249 | 114,966 |
| Financial liabilities held for trading | - | 2,167,975 | - | - | 1,879,566 | 62,089 |
| Financial liabilities designated at fair value through profit or loss | - | 6,258,392 | - | - | 4,875,252 | 161,048 |

(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, 2010 and 2011 amounted to NT$651,564 thousand and NT$289,745 thousand (US$9,571 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, 2010 and 2011 amounted to NT$30,327,210 thousand and NT$35,520,698 thousand (US$1,173,385 thousand), respectively.

(6) The adjustment in equity arising from available-for-sale financial assets for the years ended December 31, 2010 and 2011 amounted to credit NT$375,393 thousand and debit NT$3,645,073 thousand (US$120,411 thousand), respectively.

2. INFORMATION OF FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

A. Information of fair value hierarchy of financial instruments

| | December 31, 2011 | | | (NT$)(Unaudited) |
|---|---|---|---|---|
| Non-derivative financial instruments | Total | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investment in stock | $ 4,746,211 | $ 4,746,211 | $ - | $ - |
| Assets designated to be measured at fair value at initial recognition | 31,701,559 | 4,459,112 | 27,242,447 | - |
| Available-for-sale financial assets | | | | |
| Investment in stock | 7,229,138 | 7,229,138 | - | - |
| Investment in bonds | 52,496,830 | 14,437,986 | 38,058,844 | - |
| Others | 11,441,630 | 5,549,005 | 5,892,625 | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 13,606,240 | - | 13,606,240 | - |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | 5,318,994 | - | 4,594,519 | 724,475 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 6,754,818 | - | 6,371,207 | 383,611 |
| Total | $ 133,295,420 | $ 36,421,452 | $ 95,765,882 | $ 1,108,086 |

| | December 31, 2011 | | | (USD$) |
|---|---|---|---|---|
| Non-derivative financial instruments | Total | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investment in stock | $ 156,786 | $ 156,786 | $ - | $ - |
| Assets designated to be measured at fair value at initial recognition | 1,047,223 | 147,301 | 899,922 | - |
| Available-for-sale financial assets | | | | |
| Investment in stock | 238,806 | 238,806 | - | - |
| Investment in bonds | 1,734,171 | 476,942 | 1,257,229 | - |
| Others | 377,961 | 183,305 | 194,656 | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 449,467 | - | 449,467 | - |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | 175,707 | - | 151,775 | 23,932 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 223,137 | - | 210,465 | 12,672 |
| Total | $ 4,403,258 | $ 1,203,140 | $ 3,163,514 | $ 36,604 |

Note 1: The table above shows the Bank's measurement method of financial assets and liabilities, which is applicable to financial assets or liabilities at fair value through profit or loss and available-for-sale financial assets, debt instrument investment in a non-active market, derivative financial assets and liabilities for hedging purposes under other financial assets.

Note 2: Level 1: In accordance with SFAS No. 34 "Financial Instruments: Recognition and Measurement", if the market for the financial instrument is active, the fair value of the financial instrument is represented by the quoted prices of the same instruments. An active market refers to a market that meets all of the following conditions: a. the goods traded in the market are homogeneous; b. willing sellers and buyers can be found at the same time; and c. the price information is available to the public.

Note 3: Level 2: Observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. introduced by prices) observable inputs obtained from an active market.

a. The quoted prices of similar financial instruments in an active market represent the fair value of the financial instruments held by the Company. The quoted prices are introduced by recent transaction prices of similar financial instruments, which are decided based on their features and transaction terms. The fair value of financial instruments needs to be adjusted based on observable transaction prices of similar financial instruments; adjustment elements might include time lag of the last financial instrument transactions, differences of transaction terms, transaction prices involving related parties, relevance between observable transaction prices of similar financial instruments and the prices of held financial instruments.

b. Public quotation of the same or similar financial instruments in a non-active market.
c. Fair value is measured using an evaluation model, and the inputs (e.g. interest rate, yield curve, volatility rate) used in the model are based on obtainable data (e.g. observable inputs obtained from market materials, which reflect market participants' expectation) from the market.
d. Most inputs are derived from observable market data, or that the relevance can be verified by observable market data.

Note 4: Level 3: The inputs adopted to measure fair value at this level are not based on available data from the markets (non-observable inputs, e.g. option pricing model using history volatility rate, because history volatility rate cannot represent the expectation value of market participants for future volatility rate).

Note 5: The classification of the form shall be consistent with the classification of the carrying value of its balance sheet.

Note 6: When using evaluation model to measure the fair value of financial instruments, if the inputs include observable market data and unobservable parameters, the Bank shall consider if the inputs significantly influence the measurement; if unobservable inputs significantly influence the measurement, the financial instrument shall be classified as the lowest level.

Note 7: When there is significant movement in the evaluation model or level of the same financial instrument (for example: significant movement between Level 1 and Level 2, investment amount shall be considered when unobservable input has significant influence on the measurement of fair value, or when the evaluation results influence profit or loss, related assets and liabilities or stockholders' equity, etc.)

B. Movements of financial assets classified into Level 3 of fair value are as follows:

(NT$)

| | | | Addition | | Reduction | | |
|---|---|---|---|---|---|---|---|
| | January 1, 2011 | Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' equity | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Transferred from Level 3 | December 31, 2011 |
| Financial assets at fair value through profit or loss: | | | | | | | |
| Assets designated to be measured at fair value at initial recognition | $ 9,224,881 | ($ 724,648) | $ - | $ 278,868 | ($ 2,000,000) | ($ 6,779,101) | $ - |
| Derivative financial instruments | 24,264 | 263,118 | - | 444,079 | - | ( 6,986) | 724,475 |
| Financial liabilities at fair value through profit or loss: | | | | | | | |
| Liabilities designated to be measured at fair value at initial recognition | 2,994,451 | 5,549 | - | - | ( 3,000,000) | - | - |
| Derivative financial instruments | 2,600,557 | ( 702,510) | - | 642,133 | - | ( 2,156,569) | 383,611 |

(US$)(Unaudited)

| | | | Addition | | Reduction | | |
|---|---|---|---|---|---|---|---|
| | January 1, 2011 | Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' equity | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Transferred from Level 3 | December 31, 2011 |
| Financial assets at fair value through profit or loss: | | | | | | | |
| Assets designated to be measured at fair value at initial recognition | $ 304,734 | ($ 23,938) | $ - | $ 9,212 | ($ 66,068) | ($ 223,940) | $ - |
| Derivative financial instruments | 801 | 8,692 | - | 14,670 | - | ( 231) | 23,932 |
| Financial liabilities at fair value through profit or loss: | | | | | | | |
| Liabilities designated to be measured at fair value at initial recognition | 98,918 | 183 | - | - | ( 99,101) | - | - |
| Derivative financial instruments | 85,906 | ( 23,206) | - | 21,212 | - | ( 71,240) | 12,672 |

3. 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 counterparty to financial instrument transactions are either concentrated in certain individuals or group of individuals engaged in similar activities or having activities in the same region, which would impair their ability to meet contractual obligations under negative economic or other conditions. 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | | |
| | Book value | Maximum risk exposure amount | Book value | | Maximum risk exposure amount | |
| Financial assets | NT$ | NT$ | NT$ | US$ (Unaudited) | NT$ | US$ (Unaudited) |
| Financial assets at fair value through profit or loss | $ 34,961,402 | $ 34,973,621 | $ 41,766,764 | $ 1,379,716 | $ 41,803,473 | $ 1,380,929 |
| Available-for-sale financial assets | 83,199,684 | 83,199,684 | 71,167,598 | 2,350,938 | 71,167,598 | 2,350,938 |
| Bills discounted and loans | 1,319,719,641 | 1,319,719,641 | 1,443,255,804 | 47,676,262 | 1,443,255,804 | 47,676,262 |
| Held-to-maturity financial assets | 216,526,320 | 216,526,320 | 130,183,210 | 4,300,450 | 130,183,210 | 4,300,450 |
| Off-balance sheet commitments and guarantees | 1,507,636,895 | 1,507,636,895 | 1,517,149,733 | 50,117,261 | 1,517,149,733 | 50,117,261 |
| Total | $3,162,043,942 | $3,162,056,161 | $3,203,523,109 | $ 105,824,627 | $3,203,559,818 | $ 105,825,840 |

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, 2010 and 2011, collaterals secured approximately 56.24% and 55.02%, 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:

(Blank below)

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | | |
| | Book value | Maximum risk exposure amount | Book value | | Maximum risk exposure amount | |
| Industry type | NT$ | NT$ | NT$ | US$ (Unaudited) | NT$ | US$ (Unaudited) |
| Manufacturing | $ 490,403,000 | $ 490,403,000 | $ 519,723,003 | $ 17,168,440 | $ 519,723,003 | $ 17,168,440 |
| Financial institution, insurer, real estate and leasing | 192,399,370 | 192,399,370 | 274,242,037 | 9,059,264 | 274,242,037 | 9,059,264 |
| Wholesale and retail sale | 114,998,838 | 114,998,838 | 128,580,082 | 4,247,492 | 128,580,082 | 4,247,492 |
| Shipping and warehouse storage | 86,494,165 | 86,494,165 | 96,763,727 | 3,196,476 | 96,763,727 | 3,196,476 |
| Government institution | 25,268,254 | 25,268,254 | 27,392,970 | 904,895 | 27,392,970 | 904,895 |
| Individuals | 288,452,889 | 288,452,889 | 287,953,064 | 9,512,192 | 287,953,064 | 9,512,192 |
| Others (Note 2) | 384,599,935 | 384,599,935 | 384,656,360 | 12,706,671 | 384,656,360 | 12,706,671 |
| Total | $1,582,616,451 | $1,582,616,451 | $ 1,719,311,243 | $ 56,795,430 | $ 1,719,311,243 | $ 56,795,430 |
| Geographic region | | | | | | |
| Domestic | $1,201,513,114 | $1,201,513,114 | $1,248,317,413 | $ 41,236,701 | $1,248,317,413 | $ 41,236,701 |
| North America | 48,451,458 | 48,451,458 | 52,372,719 | 1,730,071 | 52,372,719 | 1,730,071 |
| Others (Note 2) | 332,651,879 | 332,651,879 | 418,621,111 | 13,828,658 | 418,621,111 | 13,828,658 |
| Total | $1,582,616,451 | $1,582,616,451 | $1,719,311,243 | $ 56,795,430 | $1,719,311,243 | $ 56,795,430 |

Note 1: The above figures include loans (excluding overdue loans – factoring without recourse), guarantees and acceptances.
Note 2: Including amounts pursuant to government policies.

Contract amounts of significant credit risk concentration are as follows:

| December 31, 2011 | | | |
|---|---|---|---|
| Ranking (Note 1) | Name of Enterprise Group (Note 2) | Total outstanding loan amount (Note 3) | Total outstanding loan amount / net worth of the current year (%) |
| 1 | A Company - Transportation and Storage | $ 66,792,064 | 40.98% |
| 2 | B Group - Marine transportation | 63,635,659 | 39.04% |
| 3 | C Group - Optoelectronic Materials and Semi-conductors Manufacturing | 26,331,785 | 16.15% |
| 4 | D Group - Basic Metal Manufacturing | 24,905,405 | 15.28% |
| 5 | E Group - Investment adviser | 20,176,860 | 12.38% |
| 6 | F Group - Optoelectronic Materials and Semi-conductors Manufacturing | 18,525,697 | 11.37% |
| 7 | G Group - Real Estate | 15,730,106 | 9.65% |
| 8 | H Group – Tire Manufacturing | 14,945,572 | 9.17% |
| 9 | I Group - Real Estate | 14,708,540 | 9.02% |
| 10 | J Group – Cotton & wooly yarn spinning | 13,316,717 | 8.17% |

| 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 | A Group - Petroleum and Coal Products Manufacturing | $ 69,464,705 | 44.04% |
| 2 | B Company - Transportation and Storage | 66,759,269 | 42.32% |
| 3 | C Group - Optoelectronic Materials and Semi-conductors Manufacturing | 28,897,096 | 18.32% |
| 4 | D Group - Basic Metal Manufacturing | 24,765,876 | 15.70% |
| 5 | E Group – Cotton & wooly yarn spinning | 19,404,184 | 12.30% |
| 6 | F Group – Optoelectronic Materials and Semi-conductors Manufacturing | 16,490,566 | 10.45% |
| 7 | G Group - Real Estate | 14,392,844 | 9.12% |
| 8 | H Group-Cement Manufacturing | 13,341,368 | 8.46% |
| 9 | I Group-Computer Peripherals Manufacturing | 11,999,046 | 7.61% |
| 10 | J Group-Iron Rolling and Extruding | 11,825,291 | 7.50% |

Note 1: Ranking the top ten enterprise 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, 2010 | | December 31, 2011 | |
|---|---|---|---|---|
| Amount of credit extensions to interested parties (Note 1) | $ 86,790,698 | | $ 83,960,579 | |
| Ratio of credit extensions to interested parties (%) (Note 2) | 5.26% | | 4.76% | |
| Ratio of credit extensions secured by stocks (%) (Note 3) | 1.67% | | 1.44% | |
| Industry concentration (Ranking the top 3 ratio of amount of credit extensions / total credit extensions) | Industry | Ratio | Industry | Ratio |
| | Manufacturing | 30.99% | Manufacturing | 30.23% |
| | Real estate industry | 7.59% | Real estate industry | 9.49% |
| | Wholesale and retail sale | 7.27% | Wholesale and retail sale | 7.48% |

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.

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Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2011

Unit: thousands of New Taiwan dollars

| | 1 year | | 1~7 years | | over 7 years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount |
| Assets | | | | | | | | |
| Due from Central Bank and call Loans to banks | $ 181,270,586 | $ 181,270,586 | $ - | $ - | $ - | $ - | $ 181,270,586 | $ 181,270,586 |
| Financial assets at fair value through profit or loss (Note) | 2,988,212 | 2,988,212 | 28,656,244 | 28,656,244 | 57,103 | 57,103 | 31,701,559 | 31,701,559 |
| Securities purchased under resale agreements | 349,562 | 349,562 | - | - | - | - | 349,562 | 349,562 |
| Bills discounted and loans | 426,100,713 | 422,714,357 | 607,062,379 | 599,190,469 | 425,485,966 | 421,350,978 | 1,458,649,058 | 1,443,255,804 |
| Available-for-sale financial assets (Note) | 32,006,231 | 32,006,231 | 30,055,685 | 30,055,685 | 1,576,544 | 1,576,544 | 63,638,460 | 63,638,460 |
| Held-to-maturity financial assets | 126,532,944 | 126,532,944 | 3,618,828 | 3,618,828 | 31,438 | 31,438 | 130,183,210 | 130,183,210 |
| Other financial assets (Note) | 83,953 | 83,504 | - | - | 4,670,751 | 4,262,343 | 4,754,704 | 4,345,847 |
| Total Assets | 769,332,201 | 765,945,396 | 669,393,136 | 661,521,226 | 431,821,802 | 427,278,406 | 1,870,547,139 | 1,854,745,028 |
| Liabilities | | | | | | | | |
| Due to the Central Bank and commercial banks | 362,573,923 | 362,573,923 | - | - | - | - | 362,573,923 | 362,573,923 |
| Borrowed funds from the Central Bank and other banks | 71,873,400 | 71,873,400 | - | - | - | - | 71,873,400 | 71,873,400 |
| Financial liabilities at fair value through profit or loss (Note) | 6,039,163 | 6,039,163 | 7,567,077 | 7,567,077 | - | - | 13,606,240 | 13,606,240 |
| Securities sold under repurchase agreements | 7,339,481 | 7,339,481 | - | - | - | - | 7,339,481 | 7,339,481 |
| Time deposit | 751,900,564 | 751,900,564 | 15,016,186 | 15,016,186 | - | - | 766,916,750 | 766,916,750 |
| Financial bonds payable | - | - | 42,600,000 | 42,600,00 | - | - | 42,600,000 | 42,600,000 |
| Other financial liabilities | 12,613,856 | 12,613,856 | - | - | - | - | 12,613,856 | 12,613,856 |
| Total Liabilities | 1,212,340,387 | 1,212,340,387 | 65,183,263 | 65,183,263 | - | - | 1,277,523,650 | 1,277,523,650 |
| Net liquidity gap | ($ 443,008,186) | ($ 446,394,991) | $ 604,209,873 | $ 596,337,963 | $ 431,821,802 | $ 427,278,406 | $ 593,023,489 | $ 577,221,378 |

(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, 2011

Unit: thousands of US dollars (Unaudited)

| | 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 | $ 5,988,061 | $ 5,988,061 | $ - | $ - | $ - | $ - | $ 5,988,061 | $ 5,988,061 |
| Financial assets at fair value through profit or loss (Note) | 98,713 | 98,713 | 946,625 | 946,625 | 1,885 | 1,885 | 1,047,223 | 1,047,223 |
| Securities purchased under resale agreements | 11,547 | 11,547 | - | - | - | - | 11,547 | 11,547 |
| Bills discounted and loans | 14,075,737 | 13,963,873 | 20,053,593 | 19,793,554 | 14,055,430 | 13,918,835 | 48,184,760 | 47,676,262 |
| Available-for-sale financial assets (Note) | 1,057,288 | 1,057,288 | 992,855 | 992,855 | 52,079 | 52,079 | 2,102,222 | 2,102,222 |
| Held-to-maturity financial assets | 4,179,867 | 4,179,867 | 119,544 | 119,544 | 1,039 | 1,039 | 4,300,450 | 4,300,450 |
| Other financial assets (Note) | 2,773 | 2,758 | - | - | 154,293 | 140,802 | 157,066 | 143,560 |
| Total Assets | 25,413,986 | 25,302,107 | 22,112,617 | 21,852,578 | 14,264,726 | 14,114,640 | 61,791,329 | 61,269,325 |
| Liabilities | | | | | | | | |
| Due to the Central Bank and commercial banks | 11,977,204 | 11,977,204 | - | - | - | - | 11,977,204 | 11,977,204 |
| Borrowed funds from the Central Bank and other banks | 2,374,254 | 2,374,254 | - | - | - | - | 2,374,254 | 2,374,254 |
| Financial liabilities at fair value through profit or loss (Note) | 199,497 | 199,497 | 249,970 | 249,970 | - | - | 449,467 | 449,467 |
| Securities sold under repurchase agreements | 242,451 | 242,451 | - | - | - | - | 242,451 | 242,451 |
| Time deposit | 24,838,153 | 24,838,153 | 496,042 | 496,042 | - | - | 25,334,195 | 25,334,195 |
| Financial bonds payable | - | - | 1,407,241 | 1,407,241 | - | - | 1,407,241 | 1,407,241 |
| Other financial liabilities | 416,684 | 416,684 | - | - | - | - | 416,684 | 416,684 |
| Total Liabilities | 40,048,243 | 40,048,243 | 2,153,253 | 2,153,253 | - | - | 42,201,496 | 42,201,496 |
| Net liquidity gap | ($ 14,634,257) | ($ 14,746,136) | $ 19,959,364 | $ 19,699,325 | $ 14,264,726 | $ 14,114,640 | $ 19,589,833 | $ 19,067,829 |

(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 New Taiwan dollars

| | 1 year | | 1~7 years | | over 7 years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount | Amount | Recoverable amount or repayment amount |
| Assets | | | | | | | | |
| Due from Central Bank and call Loans to banks | $ 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 | 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 |
| Available-for-sale financial assets (Note) | 27,819,743 | 27,819,743 | 41,032,329 | 41,032,329 | 2,165,728 | 2,165,728 | 71,017,800 | 71,017,800 |
| Held-to-maturity financial assets | 207,960,521 | 207,960,521 | 8,539,381 | 8,539,381 | 26,418 | 26,418 | 216,526,320 | 216,526,320 |
| Other financial assets (Note) | 25,391 | 25,391 | - | - | 4,685,842 | 4,208,827 | 4,711,233 | 4,234,218 |
| Total Assets | 780,015,926 | 777,828,887 | 584,148,257 | 579,772,779 | 412,824,066 | 408,502,392 | 1,776,988,249 | 1,766,104,058 |
| 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 | $ 412,824,066 | $ 408,502,392 | $ 595,114,183 | $ 584,229,992 |

(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, 2011, expected repricing and maturity dates of interest-bearing financial instruments are not affected by dates of related contracts.

4. CONTROL RISK AND HEDGE

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, holds risk control meetings on a quarterly basis, (subsequently amended to be on a bimonthly basis starting 2010) summarizes 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 review market risk exposure of the Bank.

B. Principles in measuring and controlling

The Bank's market risk reports includes 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.

SUMMIT information system for market risk has currently completed the implementation of FX transactions, call loans system, interest rate option (swap option), bond and derivative financial instruments. Implementation for equity securities is excepted to be completed in the second quarter of 2012. 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. Also, the prices of CDS (i.e. Spread) is followed up daily as a dynamic indicator of country risk limit.

5. Net position for major foreign currency transactions

| | December 31, 2010 | | December 31, 2011 | | |
|---|---|---|---|---|---|
| | Currency | NTD (in thousands) | Currency | NTD (in thousands) | USD (Unaudited) (in thousands) |
| Net position for major foreign currency transactions (Market Risk) | THB | $ 4,992,683 | USD | $ 6,383,473 | $ 210,871 |
| | USD | 2,619,052 | THB | 4,908,283 | 162,139 |
| | AUD | 2,146,480 | EUR | 2,196,307 | 72,552 |
| | EUR | 1,949,559 | AUD | 1,729,009 | 57,116 |
| | CAD | 951,377 | CAD | 1,007,684 | 33,288 |

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, 2010 and 2011 used by the Bank were US$1：NT$29.50 and US$1：NT$30.272, respectively. As of December 31, 2010 and 2011, the USD net foreign currency position was NTD$2,619,052 thousand and NTD$6,383,473 thousand, respectively.

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

| | For the years ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | | 2011 | | |
| | Average Amount (NT$) | Average Interest Rate (%) | Average Amount (NT$) | Average Amount (US$) (Unaudited) | Average Interest Rate (%) |
| Assets | | | | | |
| Due from banks (including call loans to banks) | $ 246,657,237 | 0.47 | $ 274,423,280 | $ 9,065,251 | 0.73 |
| Due from the Central Bank | 53,818,385 | 0.41 | 53,612,317 | 1,771,020 | 0.45 |
| Financial assets held for trading | 268,143 | 8.74 | 35,585 | 1,176 | 1.03 |
| Financial assets at fair value through profit or loss | 22,389,850 | 2.38 | 27,769,907 | 917,346 | 2.37 |
| Securities purchased under resale agreements | 250,702 | 0.39 | 369,984 | 12,222 | 0.94 |
| Available-for-sale financial assets | 83,230,713 | 2.18 | 68,090,385 | 2,249,286 | 2.60 |
| Receivables – credit card transaction with circulating interests | 2,018,016 | 16.01 | 1,808,085 | 59,278 | 16.06 |
| Receivables on factoring | 52,203,989 | 0.84 | 48,100,287 | 1,588,937 | 1.02 |
| Bills discounted and loans | 1,267,280,790 | 1.93 | 1,398,949,694 | 46,212,662 | 2.01 |
| Held-to-maturity financial assets | 249,607,071 | 0.72 | 183,470,933 | 6,060,747 | 1.00 |
| Other debt investments | 4,074,088 | 0.14 | 4,000,000 | 132,135 | 0.05 |
| Remitance purchased | 39,177 | 4.24 | 48,376 | 1,598 | 2.41 |
| Liabilities | | | | | |
| Due to the Central Bank | 188,252,446 | 0.26 | 200,585,204 | 6,626,097 | 0.27 |
| Due to other banks | 77,843,598 | 0.96 | 76,376,845 | 2,523,019 | 1.36 |
| Demand deposits | 436,927,720 | 0.07 | 469,574,746 | 15,511,851 | 0.09 |
| Demand saving deposits | 288,283,806 | 0.35 | 309,043,947 | 10,208,904 | 0.38 |
| Time deposits | 548,564,625 | 0.64 | 540,794,318 | 17,864,506 | 0.76 |
| Time saving deposits | 200,696,556 | 1.25 | 195,382,337 | 6,454,226 | 1.47 |
| Negotiable certificate of deposits | 1,795,845 | 0.13 | 1,349,904 | 44,592 | 0.27 |
| Financial liabilities at fair value through profit or loss | 21,639,952 | 1.98 | 14,657,079 | 484,179 | 2.40 |
| Securities sold under repurchase agreements | 3,031,431 | 0.18 | 9,525,113 | 314,651 | 0.46 |
| Borrowed funds from the Central Bank and other banks | 48,539,116 | 0.43 | 52,680,699 | 1,740,245 | 0.56 |
| Financial bonds payable | 25,399,806 | 2.01 | 35,587,123 | 1,175,579 | 1.80 |

(Blank below)

7. Asset quality

Unit: thousands of New Taiwan dollars, %

| Month / Year | | | December 31, 2011 | | | | |
|---|---|---|---|---|---|---|---|
| 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 | | $ 352,515 | $ 549,792,258 | 0.06% | 7,323,945 | 2,077.63% |
| | Unsecured loans | | 2,522,702 | 627,542,415 | 0.40% | 6,163,658 | 244.33% |
| Consumer banking | Residential mortgage loans (Note 4) | | 605,977 | 202,221,261 | 0.30% | 1,438,462 | 237.38% |
| | Cash card services | | - | - | - | - | - |
| | Small amount of credit loans (Note 5) | | 15,635 | 11,311,448 | 0.14% | 72,034 | 460.72% |
| | Others (Note 6) | Secured loans | 26,647 | 67,027,301 | 0.04% | 385,842 | 1,447.98% |
| | | Unsecured loans | 40,009 | 754,375 | 5.30% | 9,313 | 23.28% |
| Gross loan business | | | 3,563,485 | 1,458,649,058 | 0.24% | 15,393,254 | 431.97% |
| | | | Amount of overdue accounts | Balance of accounts receivable | Overdue account ratio (%) | Allowance for doubtful accounts | Coverage ratio |
| Credit card services | | | 9,118 | 4,295,018 | 0.21% | 82,912 | 909.32% |
| Without recourse factoring (Note 7) | | | 236,386 | 59,331,468 | 0.40% | 302,943 | 128.16% |

| 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 | | $ 898,614 | $ 502,241,169 | 0.18% | 3,157,400 | 351.36% |
| | Unsecured loans | | 2,336,365 | 550,610,301 | 0.42% | 5,137,196 | 219.88% |
| Consumer banking | Residential mortgage loans (Note 4) | | 1,165,227 | 197,514,696 | 0.59% | 1,644,496 | 141.13% |
| | Cash card services | | - | - | - | - | - |
| | Small amount of credit loans (Note 5) | | 25,702 | 12,348,003 | 0.21% | 77,340 | 300.91% |
| | Others (Note 6) | Secured loans | 80,419 | 66,867,771 | 0.12% | 385,475 | 479.33% |
| | | Unsecured loans | 38,522 | 544,494 | 7.07% | 4,886 | 12.68% |
| Gross loan business | | | 4,544,849 | 1,330,126,434 | 0.34% | 10,406,793 | 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) | | | 261,354 | 87,419,330 | 0.30% | 361,088 | 138.16% |

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, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Total amount of non-performing loans exempted from reporting to the competent authority | Total amount of overdue receivables exempted from reporting to the competent authority | 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) | $ 158 | $ - | $ 215 | $ - |
| Performing amounts in accordance with debt liquidation program and restructuring program (Note 2) | 242 | 5,393 | 354 | 5,836 |
| | 400 | 5,393 | 569 | 5,836 |

Note 1: The Bank disclosed the total amount of non- performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of the FSC dated April 25, 2006.

Note 2: The Bank disclosed the total amount of non- performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008.

8. Sensitivity analysis of interest rate for assets and liabilities

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2011

(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 | $ 406,272,133 | $ 621,620,710 | $ 38,138,635 | $ 20,769,878 | $ 1,087,001,356 |
| Interest-rate-sensitive liabilities | 438,526,810 | 496,763,418 | 31,566,003 | 42,630,684 | 1,009,486,915 |
| Interest-rate-sensitive gap | ( 32,054,677) | 124,857,292 | 6,572,632 | ( 21,860,806) | 77,514,441 |
| Total stockholders' equity | | | | | 163,000,498 |
| Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%) | | | | | 107.68% |
| Ratio of interest-rate-sensitive gap to stockholders' equity (%) | | | | | 47.55% |

(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, 2011

(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 | $ 26,323,580 | $ 535,866 | $ 246,992 | $ 1,067,177 | $ 28,173,615 |
| Interest-rate-sensitive liabilities | 26,794,611 | 788,917 | 683,744 | 2,583 | 28,269,855 |
| Interest-rate-sensitive gap | ( 471,031) | ( 253,051) | ( 436,752) | 1,064,594 | ( 96,240) |
| Total stockholders' equity | | | | | 5,384,530 |
| Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%) | | | | | 99.66% |
| Ratio of interest-rate-sensitive gap to stockholders' equity (%) | | | | | -1.79% |

(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, 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).

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.

9. Profitability

| | For the years ended | December 31, 2010 | December 31, 2011 |
|---|---|---|---|
| Return on total assets (%) | Before tax | 0.61 | 0.78 |
| | After tax | 0.51 | 0.67 |
| Return on stockholders' equity (%) | Before tax | 8.57 | 10.89 |
| | After tax | 7.12 | 9.36 |
| Net profit margin ratio (%) | | 35.78 | 40.55 |

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.

10. Structure analysis of time to maturity

December 31, 2011

(Expressed in Thousands of New Taiwan Dollars)

| | Total | 1~30 days | 31~90 days | 91~180 days | 181 days ~ 1 year | Over 1 year |
|---|---|---|---|---|---|---|
| Primary funds inflow upon maturity | $ 1,417,849,012 | $ 379,658,535 | $ 79,613,931 | $ 81,125,298 | $ 171,914,741 | $ 705,536,507 |
| Primary funds outflow upon maturity | 1,591,954,343 | 250,153,197 | 218,330,147 | 149,040,150 | 225,261,408 | 749,169,441 |
| Gap | ( 174,105,331) | 129,505,338 | ( 138,716,216) | ( 67,914,852) | ( 53,346,667) | ( 43,632,934) |

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, 2011

(Expressed in Thousands of US Dollars)

| | Total | 1~30 days | 31~90 days | 91~180 days | 181 days ~ 1 year | Over 1 year |
|---|---|---|---|---|---|---|
| Primary funds inflow upon maturity | $ 25,814,045 | $ 7,495,395 | $ 5,824,314 | $ 2,612,029 | $ 2,465,522 | $ 7,416,785 |
| Primary funds outflow upon maturity | 26,460,786 | 15,662,775 | 2,759,123 | 1,499,514 | 2,315,933 | 4,223,441 |
| Gap | ( 646,741) | ( 8,167,380) | 3,065,191 | 1,112,515 | 149,589 | 3,193,344 |

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, 2010

(Expressed in Thousands of New Taiwan Dollars)

| | Total | 1~30 days | 31~90 days | 91~180 days | 181 days ~ 1 year | Over 1 year |
|---|---|---|---|---|---|---|
| Primary funds inflow upon maturity | $ 1,496,857,266 | $ 467,027,631 | $ 103,525,413 | $ 90,477,976 | $ 158,225,078 | $ 677,601,168 |
| Primary funds outflow upon maturity | 1,603,222,573 | 313,093,471 | 209,934,275 | 154,447,153 | 213,350,800 | 712,396,874 |
| Gap | ( 106,365,307 ) | 153,934,160 | ( 106,408,862 ) | ( 63,969,177) | ( 55,125,722) | ( 34,795,706) |

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

(Expressed in Thousands of US Dollars)

| | Total | 1~30 days | 31~90 days | 91~180 days | 181 days ~ 1 year | Over 1 year |
|---|---|---|---|---|---|---|
| Primary funds inflow upon maturity | $ 23,729,484 | $ 7,469,831 | $ 4,668,931 | $ 3,499,122 | $ 2,608,185 | $ 5,483,415 |
| Primary funds outflow upon maturity | 23,949,735 | 13,921,596 | 2,464,581 | 1,422,066 | 1,916,949 | 4,204,543 |
| Gap | ( 220,251 ) | ( 6,451,765 ) | 2,204,350 | 2,057,056 | 691,236 | 1,278,872 |

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.

11. Capital adequacy ratio

(Expressed in Thousands of New Taiwan Dollars)

| | | | December 31,2010 | December 31, 2011 |
|---|---|---|---|---|
| Self-owned capital | | Tier 1 Capital | $ 142,403,829 | $ 149,993,600 |
| | | Tier 2 Capital | 27,229,548 | 37,987,184 |
| | | Tier 3 Capital | 500,000 | - |
| | | Self-owned capital, net | 170,133,377 | 187,980,784 |
| Total risk - weighted assets (Note 1) | Credit risk | Standardized Approach | 1,403,642,856 | 1,523,911,592 |
| | | Internal Ratings-Based Approach | - | - |
| | | Asset securitization | 64,985 | 30,263 |
| | Operation risk | Basic Indicator Approach | 65,766,738 | 64,318,988 |
| | | Standardized Approach / Alternative Standardized Approach | - | - |
| | | Advanced Measurement Approaches | - | - |
| | Market risk | Standardized Approach | 41,759,688 | 38,154,053 |
| | | Internal Models Approach | - | - |
| | Total risk-weighted assets | | 1,511,234,267 | 1,626,414,896 |
| Capital adequacy ratio (Note 2) | | | 11.26% | 11.56% |
| Tier 1 Risk-based Capital Ratio | | | 9.42% | 9.22% |
| Tier 2 Risk-based Capital Ratio | | | 1.80% | 2.34% |
| Tier 3 Risk-based Capital Ratio | | | 0.04% | - |
| Shareholder's equity/Total assets | | | 2.92% | 2.94% |
| Leverage ratio | | | 6.50% | 6.68% |

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 be disclosed.

12. Extraordinary Items

| December 31, 2011 | |
|---|---|
| | 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 | None |
| 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 | None. |
| 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. |

Note: The latest year refers to the previous year of the disclosure of the period.

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

1) Trust Balance Sheet

(Expressed in Thousands of New Taiwan Dollars)

Trust Balance Sheet
December 31, 2011

| Trust assets | | | Trust liabilities | | |
|---|---|---|---|---|---|
| Bank deposits | $ | 12,539,462 | Capital borrowed | $ | 4,550,525 |
| Short-term investments | | | Payables | | 36,155 |
| Mutual funds | | 111,572,846 | Account collected in advance | | 94,861 |
| Bonds | | 25,411,796 | Tax payable | | 31,299 |
| Stocks | | 58,233,148 | Accounts withholding | | 942 |
| Real estate | | 85,077,084 | Other liabilities | | 794,700 |
| Properties | | 14,029 | Trust capital | | 287,510,034 |
| Customers' securities under custody | | 145,444,336 | Various accumulated reserve of profit or loss | ( | 19,899) |
| Receivables | | 11,798 | Customers' securities under custody | | 145,444,336 |
| Derivative financial products | | - | | | |
| Other assets | | 138,454 | | | |
| Total trust assets | $ | 438,442,953 | Total trust liabilities | $ | 438,442,953 |

(Expressed in Thousands of New Taiwan Dollars)

Trust Balance Sheet
December 31, 2010

| Trust assets | | | Trust liabilities | | |
|---|---|---|---|---|---|
| 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 |
| Customers' securities under custody | | 118,503,541 | Various accumulated reserve of profit or loss | | 9,425 |
| Receivables | | 15,775 | Customer's securities under custody | | 118,503,541 |
| Derivative financial products | | 366 | | | |
| Other assets | | 2,835,213 | | | |
| Total trust assets | $ | 413,875,764 | Total trust liabilities | $ | 413,875,764 |

2) Trust Income Statement

(Expressed in Thousands of New Taiwan Dollars)

Trust Income Statement
For the years ended December 31,

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Trust income: | | | | |
| Interest income | $ | 20,895 | $ | 8,208 |
| Rental income | | 1,515,160 | | 1,527,221 |
| Cash dividend income | | 595 | | 168 |
| Other income | | 39,069 | | 37,530 |
| Unrealized capital gain | | 2,396 | | 35,764 |
| Unrealized exchange gain | | 99,860 | | 68,708 |
| Realized capital gain | | 6,934,629 | | 149,882 |
| Exchange gain | | 38,602 | | 38,056 |
| Total trust income | $ | 8,651,206 | $ | 1,864,907 |
| Trust expenses: | | | | |
| Management expenses | ( | 64,304 ) | ( | 64,928 ) |
| Duty expenses | ( | 18,201 ) | ( | 17,262 ) |
| Other operating expenses | ( | 5,532,206 ) | ( | 565,298 ) |
| Unrealized capital loss | ( | 511 ) | | - |
| Realized capital loss | ( | 61,253 ) | ( | 37,369 ) |
| Unrealized exchange loss | ( | 241,026 ) | ( | 210,566 ) |
| Exchange loss | ( | 30,238 ) | ( | 16,205 ) |
| Total trust expenses | ( | 5,947,739 ) | ( | 911,628 ) |
| Net income before income tax (Net investment income) | | 2,703,467 | | 953,279 |
| Income tax expense | ( | 116 ) | ( | 76 ) |
| Net income after income tax | $ | 2,703,351 | $ | 953,203 |

3) Trust Property List

(Expressed in Thousands of New Taiwan Dollars)

| Trust Property List | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Bank deposits | $ 12,539,462 | $ 36,659,251 |
| Short-term investments: | | |
| Mutual funds | 111,572,846 | 112,904,120 |
| Bonds | 25,411,796 | 10,404,348 |
| Stock | 58,233,148 | 60,705,357 |
| Real estate | 85,077,084 | 71,829,690 |
| Properties | 14,029 | 18,103 |
| Customers' securities under custody | 145,444,336 | 118,503,541 |
| Receivables | 11,798 | 15,775 |
| Derivative financial products | - | 366 |
| Other assets | 138,454 | 2,835,213 |
| Total | $ 438,442,953 | $ 413,875,764 |

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 insurance 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.

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## 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)

| | | | | | Balance as at January 1, 2011 | | Addition | | Disposal | | | Balance as at December 31, 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the Bank | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Gain (Loss) on disposal | Number of shares (in thousands) | Amount |
| The Bank | Taiwan Top 50 Tracker Fund | Financial assets at fair value through profit or loss | - | - | - | $ - | 11,946 | $ 682,102 | 6,699 | $379,491 | ($ 16,622) | 5,247 | $ 285,989 |
| The Bank | FPC | Financial assets at fair value through profit or loss | - | - | 200 | 18,575 | 4,342 | 399,737 | 2,882 | 279,327 | ( 1,411) | 1,660 | 137,574 |
| The Bank | CPDC | Financial assets at fair value through profit or loss | - | - | - | - | 10,902 | 364,934 | 10,052 | 327,495 | ( 13,382) | 850 | 24,057 |
| The Bank | FCFC | Financial assets at fair value through profit or loss | - | - | 240 | 21,927 | 5,952 | 562,233 | 4,617 | 439,732 | ( 19,624) | 1,575 | 124,804 |
| The Bank | HIWIN | Financial assets at fair value through profit or loss | - | - | - | - | 2,032 | 568,529 | 1,792 | 489,874 | ( 17,931) | 240 | 60,724 |
| The Bank | TSRC | Financial assets at fair value through profit or loss | - | - | - | - | 3,971 | 303,713 | 1,960 | 154,324 | ( 669) | 2,011 | 148,720 |
| The Bank | TSMC | Financial assets at fair value through profit or loss | - | - | 3,300 | 224,156 | 19,456 | 1,383,634 | 8,628 | 621,058 | 8,637 | 14,128 | 995,369 |
| The Bank | CHT | Financial assets at fair value through profit or loss | - | - | 1,025 | 74,963 | 17,154 | 1,677,536 | 8,605 | 816,133 | 13,375 | 9,574 | 949,741 |
| The Bank | CHT | Availble for sale financial assets | - | - | 175 | 11,313 | - | - | 35 | 350 | - | 140 | 10,963 |
| The Bank | MTK | Financial assets at fair value through profit or loss | - | - | 65 | 26,794 | 1,010 | 328,392 | 1,075 | 332,370 | ( 22,816) | - | - |
| The Bank | MTK | Availble for sale financial assets | - | - | 85 | 39,953 | - | - | 85 | 32,366 | ( 7,587) | - | - |
| The Bank | CATCHER | Financial assets at fair value through profit or loss | - | - | 250 | 26,713 | 3,417 | 595,718 | 3,302 | 542,381 | ( 27,669) | 365 | 52,351 |
| The Bank | HTC | Financial assets at fair value through profit or loss | - | - | - | - | 436 | 348,100 | 436 | 318,020 | ( 30,080) | - | - |
| The Bank | HTC | Availble for sale financial assets | - | - | 10 | 6,264 | - | - | 10 | 8,980 | 2,716 | - | - |
| The Bank | Chang Hwa Bank | Financial assets at fair value through profit or loss | - | - | 5,600 | 135,127 | 13,133 | 300,780 | 18,733 | 426,527 | ( 9,380) | - | - |
| The Bank | Chang | Availble for sale | - | - | 1,700 | 31,445 | 153 | (Note) | 1,853 | 32,717 | 1,272 | - | - |

| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the Bank | Balance as at January 1, 2011 | | Addition | | Disposal | | | Balance as at December 31, 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Gain (Loss) on disposal | Number of shares (in thousands) | Amount |
| The Bank | Hwa Bank | financial assets | - | - | 525 | 20,037 | 10,525 | 393,449 | 9,625 | 342,011 | ( 21,953) | 1,425 | 49,522 |
| The Bank | Fubon Financial Holding | Financial assets at fair value through profit or loss | - | - | 2,525 | 88,879 | 75 | (Note) | 1,025 | 41,043 | 4,964 | 1,575 | 52,800 |
| The Bank | Fubon Financial Holding | Availble for sale financial assets | - | - | 13,000 | 136,004 | 46,097 | 658,842 | 10,000 | 167,776 | 39,741 | 49,097 | 666,811 |
| The Bank | Waterland Financial Holdings | Financial assets at fair value through profit or loss | - | - | - | - | 14,015 | 321,390 | 12,515 | 264,452 | ( 32,329) | 1,500 | 24,609 |
| The Bank | CFHC | Financial assets at fair value through profit or loss | - | - | - | - | 513 | 415,251 | 483 | 380,590 | ( 20,036) | 30 | 14,625 |
| The Bank | LARGAN | Financial assets at fair value through profit or loss | - | - | - | - | 9,001 | 737,537 | 3,376 | 243,220 | 3,162 | 5,625 | 497,479 |
| The Bank | TWM | Financial assets at fair value through profit or loss | - | - | - | - | 521 | 372,040 | 465 | 337,112 | ( 13,918) | 56 | 21,010 |
| The Bank | TPK | Financial assets at fair value through profit or loss | - | - | - | - | 6,297 | 536,112 | 5,919 | 495,386 | ( 7,977) | 378 | 32,749 |
| The Bank | ROEC | Financial assets at fair value through profit or loss | - | - | - | - | | | | | | | |

(Note) It is the dividend paid this period, and the dollar amount is $0.

(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:

| Property disposed of by | Property | Date of disposal | Date of acquisition | Book value (Note 2) | Disposal amount | Tax and expenses | Status of collection of proceeds | Gain (loss) on disposal | Counterparty | Relationship with the Company | Reason for disposal | Basis or reference used in setting the price | Other commitments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mega International Commercial Bank | Warehouse and land located in Taipei (Jian-Guo Building) | 2011.5.24 | (Note 1) | $ 163,103 | $ 712,120 | $ 28,373 | Fully collected | $636,205 | King Car Group | None | Activate real estate usage to increase income | Public auction | None |

Note 1: The acquisition dates of land and buildings were May 19, 1962 and February 8, 2000, respectively.
Note 2: The carrying value includes re-evaluation and land value-added tax totaling $115,561 thousand.

(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: None.

(6) Information regarding selling non-performing loans:

A. Summary of selling non-performing loans

For the year ended December 31, 2011

(Expressed in Thousands of New Taiwan Dollars)

| Transaction date (contract date) | Counterparty | Contents of right of claim (Note 1) | Carrying value (Note 2) | Sale price | Gain or loss from disposal | Attached conditions (Note 3) | Relationship with the Company (Note 4) |
|---|---|---|---|---|---|---|---|
| 2011.01.21 | MILLENNIUM Debt Collection Co., Ltd. | Corporate banking loans | $ - | $ 12,271 (Note6) | $ 12,271 | None | None |
| 2011.01.17 | Yuanta Asset Management | 〃 | - | 198,552 | 198,552 | 〃 | 〃 |
| 2011.04.08 | Deutsche Bank AG, London Branch | 〃 | - | 33,274 | 33,274 | 〃 | 〃 |
| 2011. 04.26 | Deutsche Bank AG, London Branch | 〃 | - | 88,643 | 88,643 | 〃 | 〃 |
| 2011. 05.17 | Yi Da Corporation | 〃 | - | 901,969 | 901,969 | 〃 | 〃 |
| 2011. 05.27 | Credit Suisse | 〃 | 218,982 | 220,212 (Note7) | 1,230 | 〃 | 〃 |
| 2011. 08.09 | Huei cheng Asset Management Consultants | 〃 | - | 158,779 | 158,779 | 〃 | 〃 |
| 2011. 08.10 | SC Lowy Primary Investment Ltd. | 〃 | 518,407 | 527,774 (Note7) | 9,367 | 〃 | 〃 |

Note 1: For contents of right of claim, please specify the types of right of claim, for example, credit card, debit card, house mortgage, accounts receivables.
Note 2: The carrying value is the balance of initial right of claim less allowance for doubtful loans.
Note 3: Should there be any additional conditions, please disclose the contents of the conditions, for example, profit sharing, repurchase or resale agreements.
Note 4: Please fill out the relationship with related parties in accordance with SFAS No. 6 Related Party Disclosures; judgment basis of the related parties shall be explained.
Note 5: Please note "Detailed transaction information of sale of non-performing loans to related parties".
Note 6: This sales price of the transaction was JPY$33,155 thousand and the currency exchange rate of company was 1:0.3701.
Note 7: This sales price of the transaction was AUD$7,187 thousand and AUD$17,225 thousand, respectively, the currency exchange rate of company was 1:30.6397.

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: (Note1)

Counterparty: SC Lowy Primary Investment Ltd.
Disposal Date: 2011.08.10

(Expressed in Thousands of New Taiwan Dollars)

| Loan Componets | | | Amount (Note 1) | Carrying value | Price Amortization (Note2) |
|---|---|---|---|---|---|
| Corporate | Secured | | $ - | $ - | $ - |
| | Unsecured | | 1,089,339 | 518,407 | 527,774 |
| Individual | Secured | Mortgage loans | - | - | - |
| | | Car Loan | - | - | - |
| | | Others | - | - | - |
| | Unsecured | Credit Card | - | - | - |
| | | Cash Card | - | - | - |
| | | Micro Credit Loan(Note3) | - | - | - |
| | | Others | - | - | - |

Note 1: The loan amount refers to the loan amount claimable for the creditor that the buyer acquired, including remaining balance of non-performing loans (carrying amount before the allowance of doubtful debt is deducted) and the sum of doubtful debts written off.
Note 2: Sale price amortization is based on the evaluation on recoverability of various loans of the Branch sold upon selling.
Note 3: Micro credit loan refer to the micro credit loans that is applicable for Gin-Guan-Yi (4) Letter No. 09440010950 on December 19, 2005 not belonging to credit card or cash card business.

(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.

2. Supplementary disclosure regarding investee companies:

(1) Supplementary disclosure regarding investee companies:

(Expressed In Thousands Of New Taiwan Dollars)

| Investee companies | Address | Main service | As of December 31, 2011 | | | Share-holdings of the Bank and related enterprises | | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Percentage of ownership % | Book value | Investment income (loss) | Share (in thousands) | Pro forma information on number of stock held | Total | | |
| | | | | | | | | Share (in thousands) | Percentage of ownership % | |
| Mega International Commercial Bank Public Co., Ltd. (Thailand) | 36/12P.S.Tower, Asoke, Sukhumvit 21 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% | $ 4,856,743 | $ 43,653 | 400,000 | None | 400,000 | 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% | 1,031,335 | 76,343 | 230 | None | 230 | 100.00% | |
| Cathay Investment & Development Corporation (Bahamas) | Post Office Box 3937 Nassau, Bahamas | International investment and exploration | 100.00% | 292,508 | 2,595 | 5 | None | 5 | 100.00% | |
| Mega Management & Consulting Co., Ltd. | 7F., No.91, Hengyang Rd., Taipei City | Management consulting industry | 100.00% | 55,578 | 16,867 | 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% | 96,414 | ( 2,002 ) | 1 | None | 1 | 100.00% | |
| Ramlette Finance Holdings, Inc. | Calle 50 Y Esquina Margarita A De Entruda Nuevo Campo Alegre Panama Ctiy , Panama | Real estate investment industry | 100.00% | - | 313 | 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% | 834,947 | 20,500 | 1,350 | None | 1,350 | 99.56% | |
| China Products Trading Company | 7F., No.100, Jilin Rd., Taipei City | Processing agricultural product and investment industry. | 68.72% | 37,047 | 2,709 | 68 | None | 68 | 68.72% | |

(Expressed In Thousands Of New Taiwan Dollars)

| Investee companies | Address | Main service | As of December 31, 2011 | | | Share-holdings of the Bank and related enterprises | | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Percentage of ownership % | Book value | Investment income (loss) | Share (in thousands) | Pro forma information on number of stock held | Total | | |
| | | | | | | | | Share (in thousands) | Percentage of ownership % | |
| Cathay Insurance Company, Inc. | 10F, Tytana Plaza, Lorenzo Ruiz Binondo, Manila, Philippines | Insurance industry | 30.37% | - | 157 | 152 | None | 432 | 86.46% | |
| United Venture Capital Corp. | 4F-2, No.76, Sec. 2, Dunhua S. Rd., Taipei City | Investment industry | 25.31% | 26,081 | 8,454 | 8,064 | None | 8,064 | 25.31% | |
| China Insurance Co., (Siam) Ltd. | 32/12, P.S. Tower. Asoke, Sukhumrit 21, Phrakhanong Bankok 10110, Thailand | Insurance industry | 25.25% | 31,942 | ( 3,525 ) | 1,515 | None | 1,515 | 25.25% | |
| Mega 1 Venture Capital Co., Ltd | 7F., No.91, Hengyang Rd., Taipei City | Investment industry | 25.00% | 161,509 | 2,900 | 15,000 | None | 24,000 | 40.00% | |
| IP Fundseven Ltd. | 7F., No.122, Dunhua N. Rd., Songshan District, Taipei City | Investment industry | 25.00% | 226,248 | 2,273 | 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% | 11,803 | 837 | 750 | None | 750 | 25.00% | |
| Taiwan Finance Co., Ltd. | 3F., No.123, Sec. 2, Nanjing E. Rd., Taipei City | Brokerage underwriting attestation guarantee and endorsement of commercial papers, proprietary trading of government bonds and corporate bonds. | 24.55% | 1,390,834 | 28,296 | 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% | 39,509 | 4,220 | 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% | 121,709 | 9,016 | 9,000 | None | 9,000 | 20.00% | |
| Win Card Co., Ltd | 4F., No.99, Sec. 3, Chongyang Rd., Sanchong Dist., New Taipei City | Corporate management consulting, data processing bussiness and general advertising services. | 100.00% | 68,890 | 8,018 | 500 | None | 500 | 100.00% | Indirect subsidiary of the Bank |
| ICBC Assets Management & Consulting Co., Ltd. | No.100, Jilin Rd., Taipei City | Investment consulting, corporate management consulting and venture investment management consulting. | 100.00% | 281,260 | ( 13,523) | 28,539 | None | 28,539 | 100.00% | Indirect subsidiary of the Bank |

(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, 2011:

(Expressed in thousands of New Taiwan dollars)

| Investor | Name of investee and type Of securities | Relationship | At year-end | | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | Account | Share/Units (in thousands) | Book value | Ownership percentage (%) | Market value | |
| Mega Management & Consulting Co., Ltd. | Stocks | | | | | | | |
| 〃 | ID Reengineering Inc. | Equity investees | Investments accounted for by the equity method | 25 | $ 5,888 | 25.00% | $ 5,888 | |
| Mega 1 Venture Capital Co., Ltd. | Stocks | | | | | | | |
| 〃 | Formosa Advanced Technologies Co., Ltd. | None | Available-for-sale financial assets | 1,035 | $ 72,845 | 0.23% | $ 23,857 | |
| 〃 | Paragon Technologies Co., Ltd. | 〃 | Available-for-sale financial assets | 603 | 62,435 | 0.75% | 17,599 | |
| 〃 | Ju Teng Technology Co., Ltd | 〃 | Available-for-sale financial assets | 600 | 22,407 | 0.05% | 3,972 | |
| 〃 | TaiDoc Corporation | 〃 | Available-for-sale financial assets | 120 | 13,000 | 0.19% | 4,776 | |
| 〃 | Darfon Electronics Corp. | 〃 | Available-for-sale financial assets | 121 | 10,000 | 0.04% | 1,916 | |
| 〃 | AVer Information Inc | 〃 | Available-for-sale financial assets | 289 | 24,108 | 0.29% | 8,374 | |
| 〃 | Kao Hsin Retail Corporation | 〃 | Available-for-sale financial assets | 1,081 | 29,119 | 0.01% | 40,592 | |
| 〃 | Jentech Precision Industrial Co., Ltd | 〃 | Available-for-sale financial assets | 200 | 15,000 | 0.22% | 15,000 | |
| 〃 | G–TECH Optoelectronics Corporation | 〃 | Available-for-sale financial assets | 294 | 35,650 | 0.14% | 18,673 | |
| 〃 | ATM Electronic CORP. | 〃 | Financial assets carried at cost | 1,911 | 35,000 | 7.57% | 44,335 | |
| 〃 | Y.C.C. Parts MFG Co., Ltd. | 〃 | Financial assets carried at cost | 1,055 | 32,000 | 1.75% | 30,331 | |
| 〃 | Dong Zhun Photoelectric Material Corp. | 〃 | Financial assets carried at cost | 1,000 | 30,000 | 4.59% | 30,000 | |

| Investor | Name of investee and type Of securities | Relationship | At year-end | | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | Account | Share/Units (in thousands) | Book value | Ownership percentage (%) | Market value | |
| Mega 1 Venture Capital Co., Ltd. | Yung Fa Corp. | None | Financial assets carried at cost | 3,466 | $ 27,738 | 9.70% | $ 27,738 | |
| 〃 | High Power Opto. Inc. | 〃 | Financial assets carried at cost | 1,515 | 27,005 | 0.90% | 11,361 | |
| 〃 | MOSA Industrial Corp. | 〃 | Financial assets carried at cost | 1,012 | 19,876 | 0.87% | 19,876 | |
| 〃 | Feature Integration Technology Inc. | 〃 | Financial assets carried at cost | 572 | 19,250 | 1.27% | 7,439 | |
| 〃 | Taiwan Video System Co., Ltd. | 〃 | Financial assets carried at cost | 963 | 17,922 | 2.71% | 2,841 | |
| 〃 | Thecus Technology Corp. | 〃 | Financial assets carried at cost | 719 | 16,620 | 4.25% | 14,388 | |
| 〃 | ProbeLeader Co., Ltd. | 〃 | Financial assets carried at cost | 698 | 15,975 | 2.80% | 15,975 | |
| 〃 | First Dome Corp. | 〃 | Financial assets carried at cost | 483 | 12,668 | 1.70% | 12,668 | |
| 〃 | ACTI connecting vision | 〃 | Financial assets carried at cost | 210 | 13,100 | 0.59% | 5,082 | |
| 〃 | MobilMAX Technoloy Inc. | 〃 | Financial assets carried at cost | 500 | 10,000 | 4.03% | 10,000 | |
| 〃 | Sin-ying-cai Corp. | 〃 | Financial assets carried at cost | 741 | 8,892 | 1.04% | - | |
| 〃 | Chi Lin Technology co., Ltd. | 〃 | Financial assets carried at cost | 313 | 9,268 | 0.07% | 9,268 | |
| 〃 | Taiwan United Medical Inc. | 〃 | Financial assets carried at cost | 390 | 4,685 | 1.50% | 4,685 | |
| 〃 | Mobile Action Technology Inc., | 〃 | Financial assets carried at cost | 308 | 1,996 | 0.85% | 1,996 | |
| 〃 | AIDE Energy Holding Co., Ltd. | 〃 | Financial assets carried at cost | 600 | 22,605 | 0.45% | 22,605 | |
| 〃 | Kuang Ming Shipping Corp | 〃 | Financial assets carried at cost | 600 | 17,767 | 0.29% | 11,340 | |
| 〃 | CANDO Corp., | 〃 | Financial assets carried at cost | 600 | 9,328 | 0.07% | 7,680 | |
| | Applied Wireless Identification Group,Inc. | 〃 | Financial assets carried at cost | 113 | 303 | 0.52% | 303 | |
| | Total | | | | $ 636,562 | | | |
| Yung-Shing Industries Co. | Stocks | | | | | | | |
| 〃 | Wisdom Marine Lines S.A | None | Available-for-sale financial assets | 1,360 | $ 36,210 | 0.67% | $ 52,291 | |
| 〃 | Tingyi (Cayman Islands) Holding Corp. | 〃 | Available-for-sale financial assets | 1,000 | 45,900 | 1.09% | 46,050 | |
| 〃 | Wafer Works Corporation | 〃 | Available-for-sale financial assets | 112 | 1,640 | 0.04% | 2,069 | |
| 〃 | Nanrenhu Enterprise Corp. | 〃 | Available-for-sale financial assets | 172 | 2,225 | 0.10% | 1,763 | |
| 〃 | H&H Venture Capital Investment Corp. | 〃 | Financial assets carried at cost | 2,468 | 24,679 | 6.86% | 24,679 | |
| 〃 | Fortune 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 | 8,761 | 19.00% | 8,761 | |
| 〃 | 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 | 628 | 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 | 1,175 | 2.50% | 1,175 | |

| Investor | Name of investee and type Of securities | Relationship | At year-end | | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | Account | Share/Units (in thousands) | Book value | Ownership percentage (%) | Market value | |
| Yung-Shing Industries Co. | Win Card Co., Ltd. | Equity investees | Investments accounted for by the equity method | 500 | $ 68,889 | 100.00% | $ 68,889 | |
| 〃 | ICBC Assets Management & Consulting Co., Ltd. | 〃 | Investments accounted for by the equity method | 28,539 | 281,261 | 100.00% | 281,261 | |
| | Total | | | | $ 543,301 | | | |
| ICBC Assets Management & Consulting Co.,LTD | Stocks | | | | | | | |
| 〃 | H&H Venture Capital Investment Corp | None | Financial assets carried at cost | 1,645 | $ 16,453 | 5.71% | $ 15,390 | |
| ICBC Assets Management & Consulting Co.,LTD | Funds | | | | | | | |
| 〃 | ICBCAMC Offshore Limited | Equity investees | Investments accounted for by the equity method | - | $ 31,879 | 100.00% | $ 31,879 | |
| 〃 | Junior Preference Share Company Limited | 〃 | Investments accounted for by the equity method | - | 271,426 | 100.00% | 271,426 | |
| 〃 | ICBCAMC Offshore (Taiwan) II Limited | 〃 | Investments accounted for by the equity method | - | 7,678 | 100.00% | 7,678 | |
| 〃 | Junior Preference Share Company (Taiwan) II Limited | 〃 | Investments accounted for by the equity method | - | ( 15,645) | 100.00% | ( 15,645) | |
| | Total | | | | $ 295,338 | | | |
| Cathay Investment & Development Corporation (Bahamas) | Funds | | | | | | | |
| 〃 | AsiaTech Taiwan Venture Fund LP | None | Financial assets carried at cost | - | $ 11,759 | | $ 11,759 | |
| 〃 | Tai An Technologies Corp. | 〃 | Financial assets carried at cost | - | 4,782 | | 4,782 | |
| | Accumulated impairment | | | | ( 6,960) | | | |
| | Total | | | | $ 9,581 | | | |

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:

| Name of Investee Company in Mainland China | Main Business | Paid-in Capital | Investment method | Accumulated amount of investment as of January 1, 2011 | Reinvestment | Withdrawal | Accumulated amount of investments as of December 31, 2011 | The Company's Direct/ Indirect Percentage of Ownership (%) | Investment Income (Loss) for the period | Carrying amount of investment as of December 31, 2011 | Investment income remitted as of December 31, 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mega International Commercial Bank Suzhou Branch | Banking businesses approved by the local government | RMB $1,000,000 thousand | Branch | $ - | RMB $1,000,000 thousand | $ - | RMB $1,000,000 thousand | None | $ - | $ - | $ - |

| Accumulated investment amounts in Mainland China as of December 31, 2011 | Investment amount approved by the investment audit committee of the Ministry of Economic Affairs | Limits on investment amounts established by the investment audit committee of the Ministry of Economic Affairs (Note 1) |
|---|---|---|
| RMB $1,000,000 thousand | RMB $1,000,000 thousand | $97,800,299 thousand |

Note 1: Limit calculation is as follows (The Bank's net worth is NT$163,000,498 thousand) NT$163,000,498 thousand x 60% = NT$97,800,299 thousand.

## XII. SEGMENTS AND GEOGRAPHIC INFORMATION

1. General Information
   Information of operating segments of the Bank is reported in the same method as the internal management report provided to the Chief Operating Decision-Maker (CODM). The Bank mainly focuses on the businesses in Asia and America. The disclosed operating segment by the Bank is stipulated in Article 3 of the Banking Law, and the generated income is the main source of income.

2. Information of Segment Profit or Loss, Assets and Liabilities
   The Bank's Management mainly focuses on the operating results of the whole bank, which is consistent with of the Statement of Income on page 4 of the financial statements.

3. Information of Major Customers
   The Bank source of income is not concentrated focus on transactions with a single customer or single trading.

4. Information by product and services
   All operating segments' operating results of the Bank mainly come from interest income from external clients and is measured on a consistent basis compared with the income statement. While the segmental income also consist of internal profit and loss appropriated by the terms agreed amongst segments other than external revenue. Please refer to the information by geography for relevant components of income balances.

Mega International Commercial Bank Co., Ltd.
Financial Information By Geographic Area
December 31, 2011

(Expressed in thousands of new Taiwan dollars)

| | Domestic Department | North America | Other Overseas Operating Departments | Adjustment and Elimination | Total |
|---|---|---|---|---|---|
| Revenue from customers outside the Bank | $ 41,203,963 | $ 2,052,487 | $ 5,817,528 | $ - | $ 49,073,978 |
| Revenue from departments within the Bank | 20,633,137 | 173,595 | 814,001 | ( 21,620,733) | - |
| Total revenue | $ 61,837,100 | $ 2,226,082 | $ 6,631,529 | ( $ 21,620,733) | $ 49,073,978 |
| Profit or loss | $ 13,297,898 | $ 2,032,801 | $ 2,139,122 | | $ 17,469,821 |
| Asset attributable to specific departments | $ 1,730,064,092 | $ 309,593,344 | $ 269,567,397 | | $ 2,309,224,833 |

Mega International Commercial Bank Co., Ltd.
Financial Information By Geographic Area
December 31, 2010

(Expressed in thousands of new Taiwan dollars)

| | Domestic Department | North America | Other Overseas Operating Departments | 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 |

## XIII. RELEVANT INFORMATION ON ADOPTION OF IFRSs

In accordance with the Financial Supervisory Commission, Executive Yuan (FSC), financial enterprises supervised by FSC and public listed companies should prepare financial statements in accordance with International Financial Reporting Standards, and the relevant interpretation letters and announcements approved and pronounced by the FSC ("Taiwan IFRSs"), starting from the fiscal year of 2013.

The Group pre-disclose the following information before the adoption of Taiwan IFRSs in accordance with Jin-Guan-Yi Letter No. 10000073410 dated April 7, 2011:

1. Major contents and status of execution of the Group's plan for Taiwan IFRSs adoption.

   The Bank has already formed a project committee and set up Taiwan IFRSs adoption and conversion plan which is led by the Vice-President or higher management of the Group. The major contents and status of execution are as follows:

| Working Items for Taiwan IFRSs Adoption | | Status of Execution |
|---|---|---|
| 1. | Set up the project team | Completed. |
| 2. | Establish an adoption plan for Taiwan IFRSs conversion | Completed. |
| 3. | Complete identification of GAAP differences between current accounting policies and Taiwan IFRSs | Completed. |
| 4. | Complete identification of Taiwan IFRSs consolidated entities | Completed. |
| 5. | Complete impact evaluation from various exemptions of IFRS 1 - First-time Adoption of International Financial Reporting Standards | Completed. |
| 6. | Complete the evaluation of adjustments needed for information system | Completed. |
| 7. | Complete the evaluation of adjustments needed for internal controls | In progress. |
| 8. | Decide on Taiwan IFRSs' accounting policies | Completed. |
| 9. | Decide on various exemptions and options of IFRS No. 1 "First- time Adoption of International Financial Reporting Standards" | Completed. |
| 10. | Complete the preparation of Taiwan IFRSs statement of financial position on the date of transition | In progress. |
| 11. | Complete the preparation of Taiwan IFRSs comparative financial information for 2012 | In planning stage |
| 12. | Complete the adjustment of relevant internal controls (including the standard procedure of financial reporting and relevant information system) | In planning stage |

2. Significant differences may arise between current accounting standards and the standards adopted in accordance with Taiwan IFRSs, "Regulations Governing the Preparation of Financial Reports by Public Banks" in the future.

   The Bank evaluates the significant differences on the basis of Taiwan IFRSs approved by the FSC and "Regulations Governing the Preparation of Financial Reports by Public Banks" estimated to be effective in year 2013. However, the current assessment result may be affected by International Accounting Standards, Interpretation Letters, or announcements pronounced or released by the FSC in the future. As a result, the variances arise from the actual practice with future Taiwan IFRSs adoption.

   The potential significant differences between current accounting standards and Taiwan IFRSs, "Regulations Governing the Preparation of Financial Reports by Public Banks" that will be used in the preparation of the financial statements in the future are set forth below:

   (1) Financial assets: Equity instruments

   All unlisted stocks and emerging stocks held by the Bank are according to "Regulations Governing the Preparation of Financial Reports by Public Banks" and should be measured by costs and recognized as "Financial assets carried at cost". However, according to IAS No. 39 "Financial Instruments: Recognition and Measurement", equity instruments without an active market where the fair values can be reliably measured (that is, the variables of estimated reasonable fair value for the equity instruments are immaterial or the various estimates can be appropriately evaluated to calculate the fair values) should be measured by fair values.

   (2) Interest income and expenses of financial assets and liabilities at fair value through profit and loss

   Pursuant to current "Regulations Governing the Preparation of Financial Reports by Public Banks", interest income and expenses of financial assets and liabilities at fair value through profit and loss are expressed by accounts under interest income and interest expenses. According to the revised "Regulations Governing the Preparation of Financial Reports by Public Banks" dated Dec, 2011, interest income and expenses of financial assets and liabilities at fair value through profit and loss shall be expressed by profit or loss of financial assets and liabilities at fair value through profit and loss.

   (3) Investment property

   Investment property available for lease of the Bank should be classified as "Investment property" if the definition of investment property is met, in accordance with IAS No. 41 "Investment Property".

   (4) Pension

   A. Discount method adopted for pension actuarial calculation is determined by reference to paragraph 23 of SFAS No. 18. However, according to IAS No. 19 "Employee Benefits", adoption of discount rate should be determined with reference to market yields on high quality corporate bonds with the same currency at the reporting period ending date and maturity periods.

   B. According to the current accounting standards adopted by the Bank, unrecognized transition obligation payables are amortized under the straight line method based on the expected average remaining working lives of the participating employees who are eligible for pensions. However, considering that it is the first time for the Company to adopt IFRSs, the transition regulation of IAS No. 19 "Employee benefits" should not applicable here and no transition liabilities are recognized.

C. Pursuant to the current accounting standards adopted by the R.O.C., the amount of obligation payable on the balance sheet date exceeding fair value of the pension fund assets should be recognized as the lower limit of pension liability. However, there is no such requirement set out in IAS No. 19 “Employee Benefits”.

D. The profits and losses for the pension actuarial calculation of the Bank should be recognized as net current pension costs under the corridor approach according to the current accounting standards adopted by the R.O.C.. However, it shall be immediately recognized in other comprehensive income according to IAS No. 19 “Employee Benefits”.

(5) Preferential interest rate for retired and current employees:

No specific requirement regarding the preferential interest rate for retired or current employees has been set out under the current accounting standards adopted by the R.O.C.. The Bank recognize the expenses when the payment is made. According to “Regulations Governing the Preparation of Financial Reports by Public Banks”, the preferential interest rate for current employees is accrued on a monthly basis. And any difference between preference and market interest rate is listed under employee benefit expenses. For retired employees, the incremental amount of the agreed preferential interest rate exceeding the general market interest rate shall be eligible for the defined benefit plan in IAS No. 19 from the year employees retire.

(6) Employee benefits

The current accounting standards in R.O.C do not specify the rules on the cost recognition for accumulated unused compensated absences. The Bank recognizes such cost as expense upon actual payment. However, IAS 19, “Employee Benefits”, requires that the costs of accumulated unused compensated absences should be accrued as expense at the end of the reporting period.

(7) Income tax

According to the current accounting standards adopted by R.O.C., when evidence indicates that part or whole of deferred income tax assets with 50% probability or above will not be realized, an entity should use the allowance account to decrease deferred income tax assets. According to IAS No. 12 “Income Taxes”, deferred income tax assets should be recognized only for the portion which is highly probable to be realized.

With regard to the above differences, some may be deemed exempt due to rules under IFRS No. 1, “First-time Adoption of International Financial Reporting Standards” and therefore no impact on amounts during transition may occur.

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*As of May 31, 2012*

**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
Ying-Ying Chang, Senior Executive Vice President
Ching-Lung Hong, Chief Auditor

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

**Domestic Branches**

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|---|---|---|---|---|
| Heng Yang Branch | Josephine Chao-Jung Chen<br>Vice President & General Manager | No.91, Heng-yang Rd., Chung-cheng Dist., Taipei 10009, Taiwan | +886-2-23888668 | +886-2-23885000 |
| Cheng Chung Branch | Yi-Bin Liang<br>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<br>Vice President & General Manager | Room 129, No.2, Kaitakelan Blvd., Chung-cheng Dist., Taipei 10048, Taiwan | +886-2-23482065 | +886-2-23811858 |
| Central Branch | Ruey-Yuan Fu<br>Senior Vice President & General Manager | No.123, Sec.2, Jhong-siao E. Rd., Chung-cheng Dist., Taipei 10058, Taiwan | +886-2-25633156 | +866-2-23569427 |
| South Taipei Branch | Teh-Ming Wang<br>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<br>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 | Ko-Cheng Chang<br>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 | Lian-Yuh Tsai<br>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 | Hong-Jeng Chen<br>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 | Alice Yia-Shu Lin<br>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 | Tung-Lung Wu<br>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<br>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 | Chia-Ying Chi<br>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 | Pei-Hong Wu<br>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<br>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<br>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 | Wen-Lung Wang<br>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 | Ming-Yueh Wei<br>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<br>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<br>Senior 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<br>Senior 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 | Ray-Lin Liao<br>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 | Tsung-Che Liang<br>Vice President & General Manager | No.65, Sec.2, Keelung Rd., Hsin-yi Dist., Taipei 11052, Taiwan | +886-2-23788188 | +886-2-23772515 |
| Taipei Branch | Mei-Lien Yih<br>Senior 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<br>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 | Chin-Tzu Liao<br>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 | Chyi-Chen Wei<br>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<br>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 | Ming-Huei Lee<br>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<br>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<br>Vice President & General Manager | No.24, Nan-jung Rd., Ren-ai Dist., Keelung 20045, Taiwan | +886-2-24228558 | +886-2-24294089 |
| Ban Qiao Branch | Ying-Chiou Liaw<br>Vice President & General Manager | No.51, Sec. 1, Wen-hua Rd., Banqiao Dist., New Taipei City 22050, Taiwan | +886-2-29608989 | +886-2-29608687 |
| South Banqiao Branch | Yung-Chuan Wu<br>Vice President & General Manager | No.148, Sec. 2, Nan-ya S. Rd., Banqiao Dist., New Taipei City 22060, Taiwan | +886-2-89663303 | +886-2-89673329 |
| Xin Dian Branch | Fu-Yung Chen<br>Senior Vice President & General Manager | No.173, Sec. 2, Bei-xin Rd., Xindian Dist., New Taipei City 23143, Taiwan | +886-2-29182988 | +886-2-29126480 |
| Shuang He Branch | Yu-Chuan Lu<br>Vice President & General Manager | No.67, Sec. 1, Yong-he Rd., Yonghe Dist., New Taipei City 23445, Taiwan | +886-2-22314567 | +886-2-22315288 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|---|---|---|---|---|
| Yong He Branch | Shiou-Mei Lin<br>Vice President & General Manager | No.201, Fuhe Rd., Yong-he Dist., New Taipei City 23450, Taiwan | +886-2-29240086 | +886-2-29240074 |
| Zhong He Branch | Te-Chen Chiang<br>Vice President & General Manager | No.124, Sec. 2, Zhong-shan Rd., Zhonghe Dist., New Taipei City 23555, Taiwan | +886-2-22433567 | +886-2-22433568 |
| Tu Cheng Branch | Fu Chiang<br>Vice President & General Manager | No.276, Sec. 2, Zhong-yang Rd., Tucheng Dist., New Taipei City 23669, Taiwan | +886-2-22666866 | +886-2-22668368 |
| South San Chong Branch | Lee-Wen Chiu<br>Vice President & General Manager | No.12, Sec. 4, Chong-xin Rd., Sanchong Dist., New Taipei City 24144, Taiwan | +886-2-29748811 | +886-2-29724901 |
| San Chong Branch | Shiaw-Daw Chang<br>Vice President & General Manager | No.99, Sec. 3, Chong-yang Rd., Sanchong Dist., New Taipei City 24145, Taiwan | +886-2-29884455 | +886-2-29837225 |
| Xin Zhuang Branch | Pei-Gen Chou<br>Senior Vice President & General Manager | No.421, Si-yuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan | +886-2-22772888 | +886-2-22772881 |
| Si Yuan Branch | Heh-Yeau Wu<br>Vice President & General Manager | No.169, Si-yuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan | +886-2-29986661 | +886-2-29985973 |
| Yi Lan Branch | Chyi-Yee Chen<br>Vice President & General Manager | No.338, Min-zu Rd., Yilan City, Yilan County 26048, Taiwan | +886-3-9310666 | +886-3-9311167 |
| Lo Tung Branch | Jen-Jhi Chen<br>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<br>Vice President & General Manager | No.69, Tung-chien St., Hsinchu City 30041, Taiwan | +886-3-5225106 | +886-3-5267420 |
| North Hsinchu Branch | Lin-Hsin Yen<br>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<br>Senior 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<br>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<br>Vice President & General Manager | No.155, Guang-ming 1st Rd., Jhu-bei City, Hsinchu County 30259, Taiwan | +886-3-5589968 | +886-3-5589998 |
| Chung Li Branch | Chander Wu<br>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<br>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<br>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<br>Senior 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 | Ming-Jong Lin<br>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<br>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<br>Vice President & General Manager | No.33, Zhong-zheng Rd., Luzhu Township, Tao-yuan County 33861, Taiwan | +886-3-3525288 | +886-3-3525290 |
| Zhunan Science Park Branch | Chien-Chih Kuo<br>Vice President & General Manager | Rm.105, 1F No.36, Ke-yan Rd., Zhunan Township, Miaoli County 35053, Taiwan | +886-3-7682288 | +886-3-7682416 |
| Tou Fen Branch | Hwa-San Lo<br>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<br>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<br>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<br>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 | Fu-Kuei Wu<br>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<br>Senior 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<br>Senior Vice President & General Manager | No.78-2, Sec.3, Taichung Port Rd., Xi-tun Dist., Taichung 40764, Taiwan | +886-4-24619000 | +886-4-24613300 |
| Rung Tzung Branch | Yow-Der Wang<br>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 | Wen-Yeong Hsieh<br>Vice President & General Manager | No.152, Zhong-xing E. Rd., Taiping Dist., Taichung 41167, Taiwan | +886-4-22789111 | +886-4-22777546 |
| Da Li Branch | Jiunn-Horgn Shyu<br>Vice President & General Manager | No.600, Shuang-wen Rd., Dali Dist., Taichung 41283, Taiwan | +886-4-24180929 | +886-4-24180629 |
| Feng Yuan Branch | Chi-Tzai Liao<br>Senior Vice President & General Manager | No.519, Zhong-zheng Rd., Fengyuan Dist, Taichung 42056, Taiwan | +886-4-25285566 | +886-4-25274580 |
| Hou Li Branch | De-Chung Liao<br>Vice President & General Manager | No.619-1, Jia-hou Rd., Houli Dist., Taichung 42151, Taiwan | +886-4-25588855 | +886-4-25580166 |
| Tan Zi Branch | Julie Ho<br>Vice President & General Manager | No.3, Nan 2nd Rd., T.E.P.Z., Tanzi 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<br>Vice President & General Manager | 2F., No.28, Ke-ya Rd., Daya Dist., Taichung 42881, Taiwan | +886-4-25658108 | +886-4-25609230 |
| Sha Lu Branch | Tzu-Chen Kung<br>Vice President & General Manager | No.533, Zhong-shan Rd., Shalu Dist., Taichung 43344, Taiwan | +886-4-26656778 | +886-4-26656399 |
| Da Jia Branch | Chung-Yang Liao<br>Vice President & General Manager | No.1033, Sec. 1, Zhong-shan Rd., Dajia Dist., Taichung 43744, Taiwan | +886-4-26867777 | +886-4-26868333 |
| North Changhua Branch | Shu-Er Huang<br>Vice President & General Manager | No.39, Kuang-fuh Rd., Changhua City, Changhua County 50045, Taiwan | +886-4-7232111 | +886-4-7243958 |
| South Changhwa Branch | Chien-Ping Wu<br>Vice President & General Manager | No.401, Sec.1, Chung-shan Rd., Changhwa City, Changhwa County 50058, Taiwan | +886-4-7613111 | +886-4-7622656 |
| Lu Gang Branch | Hsin-Tsai Tai<br>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<br>Senior 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<br>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<br>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<br>Vice President & General Manager | No.379, Wu-fong N. Rd., Chia-yi City 60045, Taiwan | +886-5-2780148 | +886-5-2769252 |
| Dou Liu Branch | Shoh-Chi Doong<br>Vice President & General Manager | No. 1, Shang-hai Rd., Dou-liu City, Yun-lin County 64048, Taiwan | +886-5-5361779 | +886-5-5337830 |
| Tainan Branch | Pei-Jung Hsieh<br>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<br>Vice President & General Manager | No.90, Chung-shan Rd., Tainan 70043, Taiwan | +886-6-2231231 | +886-6-2203771 |
| East Tainan Branch | Hsuan-Shu Chen<br>Vice President & General Manager | No.225, Sec.1, Chang-jung Rd., Tainan 70143, Taiwan | +886-6-2381611 | +886-6-2378008 |
| Yong Kang Branch | Cheng-Sui Chang<br>Vice President & General Manager | No.180, Zhong-shan Rd., Yongkang Dist., Tainan City 71090, Taiwan | +886-6-2019389 | +886-6-2016251 |
| Tainan Science Park Branchh | Suen-Pann Chen<br>Vice President & General Manager | No.13, Nan-ke 3rd Rd., Xinshi Dist., Tainan City 74147, Taiwan | +886-6-5052828 | +886-6-5051791 |
| Lin Sen Branch | Guang-Huei Lu<br>Vice President & General Manager | No.230, Lin-sen 1st Rd., Hsin-hsing Dist., Kaohsiung 80002, Taiwan | +886-7-2823357 | +886-7-2822082 |
| Wu Fu Branch | Chong-Zu Lin<br>Vice President & General Manager | No.82, Wu-fu 2nd Rd., Hsin-hsing Dist., Kaohsiung 80043, Taiwan | +886-7-2265181 | +886-7-2260919 |
| Hsin Hsing Branch | Yeou-An Lu<br>Vice President & General Manager | No.308, Chung-shan 1st 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<br>Vice President & General Manager | No.235, Chung-cheng 4th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan | +886-7-2515111 | +886-7-2212554 |
| Kaohsiung Metropolitan Branch | Kun-Fu Su<br>Senior Vice President & General Manager | No.253, Chung-cheng 4th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan | +886-7-2510141 | +886-7-2811426 |
| Ling Ya Branch | Yu-Yeng Chiang<br>Vice President & General Manager | No.8, Sze-wei 4th Rd., Ling-ya Dist., Kaohsiung 80247, Taiwan | +886-7-3355595 | +886-7-3355695 |
| San Tuo Branch | Hsin-Shan Chang<br>Vice President & General Manager | No.93, San-tuo 2nd Rd., Ling-ya Dist., Kaohsiung 80266, Taiwan | +886-7-7250688 | +886-7-7211012 |
| San Min Branch | Jung-Tai Ho<br>Vice President & General Manager | No.225, Chung-hua 1st Rd., Gu-shsan Dist., Kaohsiung 80455, Taiwan | +886-7-5536511 | +886-7-5521472 |
| Kaohsiung Fishing Port Branch | Chyi-Fure Jiang<br>Vice President & General Manager | Room 107, No.3, Yu-kang E. 2nd Rd., Kaohsiung 80672, Taiwan | +886-7-8219630 | +886-7-8117912 |
| Kaohsiung Export Processing Zone Branch | Yung-Chin Chuang<br>Vice President & General Manager | No.2, Chung 4th Rd., Kaohsiung Export Processing Zone, Kaohsiung 80681, Taiwan | +886-7-8316131 | +886-7-8314393 |
| North Kaohsiung Branch | Yaw-Ching Tseng<br>Senior Vice President & General Manager | No.532, Chiu-ju 2nd Rd., Kaohsiung 80745, Taiwan | +886-7-3157777 | +886-7-3155506 |
| East Kaohsiung Branch | Jia-Feng Liu<br>Vice President & General Manager | No.419, Ta-shun 2nd Rd., Kaohsiung 80787, Taiwan | +886-7-3806456 | +886-7-3806608 |
| Nan Tze Branch | Ernest S. T. Lu<br>Senior 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<br>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<br>Vice President & General Manager | Kaohsiung International Airport, No.2, Chung-shan 4th Rd., Kaohsiung 81252, Taiwan | +886-7-8067866 | +886-7-8068841 |
| Ren Wu Branch | Ying-Liang Jhu<br>Vice President & General Manager | No.2, Zhong-zheng Rd., Renwu Dist., Kaohsiung 81451, Taiwan | +886-7-3711144 | +886-7-3740764 |
| Gang Shan Branch | Tsair-Quey Chang<br>Vice President & General Manager | No.138, Zhong-shan N. Rd., Gangshan Dist., Kaohsiung 82065, Taiwan | +886-7-6230300 | +886-7-6230608 |
| Feng Shan Branch | Hsiao-Chin Ma<br>Vice President & General Manager | No.248, Zhong-shan W. Rd., Fengshan Dist., Kaohsiung 83068, Taiwan | +886-7-7473566 | +886-7-7477566 |
| Kin Men Branch | Chi-Huang Wu<br>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<br>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<br>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<br>Senior Vice President & General Manager | 65 Liberty Street, New York, NY 10005, U.S.A. | +1-212-6084222 | +1-212-6084943 |
| Los Angeles Branch | Huang Hsiao Ho<br>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<br>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-Hsi Lin<br>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 | Rich Y. H. Huang<br>Senior 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 | Ching-Chyi Juang<br>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<br>Vice President & General Manager | 131-133 Rue de Tolbiac, 75013 Paris, France | +33-1-44230868 | +33-1-45821844 |
| Amsterdam Branch | Sui-Huang Lee<br>Vice President & General Manager | World Trade Center, Strawinskylaan 1203, 1077XX, Amsterdam, The Netherlands | +31-20-6621566 | +31-20-6649599 |
| London Branch | Shiow Lin<br>Senior Vice President & General Manager | 4th Floor, Michael House, 35 Chiswell Street, London, EC1Y 4SE, United Kingdom | +44-20-75627350 | +44-20-75627369 |
| Sydney Branch | Albert C. Tsui<br>Senior Vice President & General Manager | 6th Floor, 275-281, George Street, Sydney, N.S.W. 2000, Australia | +61-2-92677511 | +61-2-92645492 |
| Brisbane Branch | Yaw-Shing Chen<br>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<br>Vice President & General Manager | Level 20, 459 Collins Street, Melbourne VIC 3000, Australia | +61-3-96200500 | +61-3-96200600 |
| Tokyo Branch | Chun-Ko Su<br>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<br>Vice President & General Manager | 4-11, 3-chome, Doshomachi, Chuo-ku, Osaka 541-0045, Japan | +81-6-62028575 | +81-6-62023127 |

| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
|---|---|---|---|---|
| Manila Branch | Rong-Hwa Lin<br>Senior Vice President & General Manager | 3rd Floor, Pacific Star Bldg., Makati Avenue, Makati City, Philippines | +63-2-8115807 | +63-2-8115774 |
| Ho Chi Minh City Branch | Chao-Ho Lee<br>Senior 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 | Wei-Dei Sheu<br>Senior Vice President & General Manager | 80 Raffles Place#23-20 UOB Plaza 2 Singapore 048624 | +65-62277667 | +65-62271858 |
| Labuan Branch | Chen-Hui Chen<br>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<br>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<br>Senior 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 |
| Phnom Penh Branch | Jing-Fu Yang<br>Vice President & General Manager | No.139, St.274 Independent Monument, BKK I, Chamkarmorn, Phnom Penh, Cambodia | +855-23-988101 | +855-23-217982 |
| Representative Office in Bahrain | Chou-Wen Pan<br>Vice President & Representative | Flat 1, Abulfatih Building, Block 319, Rd 1906 Al Hoora Area, P.O. Box 5806, Manama, State of Bahrain | +971-2-6815555 Ext. 248 | +971-2-6817744 |
| Representative Office in Mumbai | Min-Jen Shih<br>Vice President & Representative | B-1 Mahesh Niwas, 3rd Rd. L.T. Nagar, Goregaon West Mumbai 400062, India | +65-62277667 | +65-62271858 |
| Representative Office in Suzhou | Robert Yong-Yi Tsai<br>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 |
| Representative Office in Abu Dhabi | Chou-Wen Pan<br>Vice President & Representative | B1, 18th Floor, Three Sails Tower, Corniche Rd., P.O. Box 42284, Abu Dhabi, U.A.E. | +971-2-6815555 Ext. 248 | +971-2-6817744 |

**Subsidiaries**

| **Mega International Commercial Bank (Canada)** | | | | |
|---|---|---|---|---|
| Branch Name | Manager & Title | Address | Phone Number | Fax Number |
| Head Office | Chung-Shin Loo<br>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 | Huang Chung-Tze<br>General Manager | 241 Spadina Avenue, Toronto, Ontario, M5T 1G6, Canada | +1-416-5978545 | +1-416-5976526 |
| Vancouver Branch | Bao-Huei Yeh<br>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)<br>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<br>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 | Chien-Min Wang<br>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 | Ching-Ho Tu<br>Vice President & General Manager | MD Tower, 2nd 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<br>Vice President & General Manager | 99/47-48 Sonpong Road, Ban Pong, Ratchaburi 70110, Thailand | +66-3-2222882 | +66-3-2221666 |

# Annual Report 2011

Mega International Commercial Bank

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