Mega International Commercial Bank

Annual Report 2008

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MEGA FINANCIAL GROUP

MEGA INTERNATIONAL COMMERCIAL BANK

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Rong-Jou Wang, Chairman of the Board

Message to Shareholders

In recent years, a number of foreign banks and private equity funds have acquired small- and medium-sized Taiwan banks. Active participation of foreign financial institutions in domestic market has increased the level of competition, and also raised customer expectation. In 2008, the global financial tsunami caused foreign branches of domestic banks to report their first ever loss. Profits of Offshore Banking Units plummeted as well. All these factors have contributed to lower profitability of domestic banking industry.

Against these odds, Mega International Commercial Bank posted a solid growth in deposit and loan businesses in 2008. Totaling NT$1,307 billion and NT$1,282 billion respectively, and were up 9.5% and 10.9% over the previous year. Foreign exchange business garnered a 19.2% growth rate, total volume aggregated US$609 billion. This achievement made the Bank the undisputed leader in this extremely competitive market. However, the Bank was not immune to the macro environment. Write-down of financial assets led to a reduction in our pre-tax profit to NT$5,852 million, down 64% from the year earlier level.

Despite the turmoil in the global financial market, the Bank maintained our consistent reputable level of operating efficiency. Our Ho Chi Minh City Branch has achieved high profit margin since its inception, and was selected the Best Foreign Bank by the State Bank of Vietnam in 2008. This was an endorsement of our reputation.

Financial market turbulence has subjected all business segments of the Bank to great test. In spite of this difficult situation, the Bank keeps fine-tuning our strategies in building a solid foundation with sustainability as the goal. Efforts being made included:

- To review and upgrade risk management system—in addition to managing investment ex-post, we set a clear limit on acceptable liquidity risk. We also kept a close eye on marginal customers, tightened credit lines and raised the proportion of secured loans to total portfolio.

- To review domestic branch network—we moved some units to emerging business regions. These moves were aimed to improve both revenue growth and profitability. In the future, we plan to reorganize existing business units, and also to add new branches at promising locations.
- To expand overseas network prudently—we explored

Kuang-Si Shiu, President

areas with business opportunities to expand our global reach. New foreign outposts being applied for included Hanoi Branch and Representative Offices in Abu Dhabi and Suzhou. Additionally, our wholly owned subsidiary, Mega International Commercial Bank Public Company Limited in Thailand, is proposing a new branch in Ban Pong, Ratchaburi, Thailand.

- To enhance administrative efficiency—we will further restructure administrative organizations, and streamline operation procedures to lower our cost.

The world finance has been caught in a distress not seen for several decades. Governments of many countries unveiled various revitalization packages, and also tightened financial regulations to cope with this chaos. Based on economic forecast and the competitive financial climate, the Bank set following business targets for 2009: to amass NT$1,325 billion in deposits, NT$1,307 billion in loans and US$630 billion in foreign exchange business.

With unrelenting efforts from the staff and the management, we are confident that we will attain these growth targets. Furthermore, we will pay close attention to the world financial trend and keep track of the market movement. By seizing business opportunities we will accomplish industry leading performance, and pave our way to become a world class bank.

Rong-Jou Wang

Rong-Jou Wang

Chairman of the Board

Kuang-Si Shiu

Kuang Si Shiu

President

Economic Review and Market Landscape

Economic Situation

During year 2008, we experienced drastic changes of global economy. The subprime mortgage crisis caught everyone off guard, and brought about staggering financial tsunami. Many countries suffered from massive investment slump, rising unemployment, and nose-diving foreign trade. The economy of many countries being pummeled to the extent worsened than the 1997 Asian financial crisis, and the bursting of the internet bubble in year 2000. Some countries have experienced the worst recession since the Great Depression.

Although domestic demand remained sluggish in the first half of 2008, overall economy still grew 5.29% with the help of net foreign demand from emerging markets. During the third quarter, the failure of Lehman Brothers aggravated the downward spiral of international financial markets. This led to tumbling of the stock market in Taiwan, drastic reduction of private wealth, and gloomy expectations of economy. Both private consumption and private investment landed in the negative territory. Government spending did not increase to the expected level because of slow execution of the Stimulus Package. Notable weakening of global economy caused export to plunge. Thus economy registered a negative growth of 8.36% in the fourth quarter.

Overall economy grew a meager 0.12% in 2008, which was 4.2 percentage points lower than the forecast. It was also noticeably lower than the 4% to 6% growth range in previous years. This showed how dramatic a change of direction our economy was taking. As domestic demand decreased, our economic growth relied solely on the increase in foreign demand.

To mitigate the impact of global recession, the government rolled out a set of economic stimulus package. Hoping by inducing private consumption and increasing government spending, domestic demand can be counted on to relieve the economic downturn. In view of the poor outlook of global economy, the stagnated private investment will still lead to projected negative 4.25% growth in 2009, according to the Directorate General of Budget, Accounting and Statistics (DGBAS).

Interest Rates

Prior to September 2008, the Central Bank was increasing interest rate at a measured pace of 0.5 percentage points each quarter. Discount rate edged up to 3.625% in late June, the highest level since June 2001. Starting September, the Central Bank carried out a series of rate cuts. Discount rate dropped 2.375 percentage points to 1.25% within six months, a historic low, in response to abating inflation pressure and liquidity risk of international financial institutions after collapse of Lehman Brothers. The frequency and magnitude of these rate reductions were not seen before.

Similarly influx of funds exacerbated the glut in the domestic credit market. As a result, average inter-bank call loan rate has plummeted since September, hitting 0.492% at the end of 2008.

Currency movements

A better-than-expected external trade performance in the first quarter of 2008 and a weakening US dollar across the globe had resulted in the significant appreciation of the NT dollar against the US dollar in the beginning of 2008. On March 26, the exchange rate hit NT$30.01 to one US dollar, the strongest since October 20, 1997. Entering the third quarter, the exchange rate hovered steadily between NT$30 and NT$31.5. The appreciation of NT dollar has effectively controlled price increase of imported goods.

Starting from the fourth quarter, export-oriented Asian economies had been adversely affected by the steep drop in global demand. With the exception of Japanese Yen, many other Asian currencies experienced large falls against the US dollar. This includes the NT dollar. The exchange rate once dropped to NT$33.55 in early December, and settled to NT$32.86 at yearend. The average exchange rate for the whole year was NT$31.54, up 4.1% from NT$32.84 in 2007.

Bank Profile

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 2008, the Bank now has 105 branches at home, and 19 branches and 2 representative offices abroad. Added to the network are wholly-owned bank subsidiaries in Thailand and Canada, along with their branches, bringing the number of overseas outposts to 28 in total. It has manpower 5,169 and an aggregate paid-in capital of NT$64.1 billion.

Credit Rating

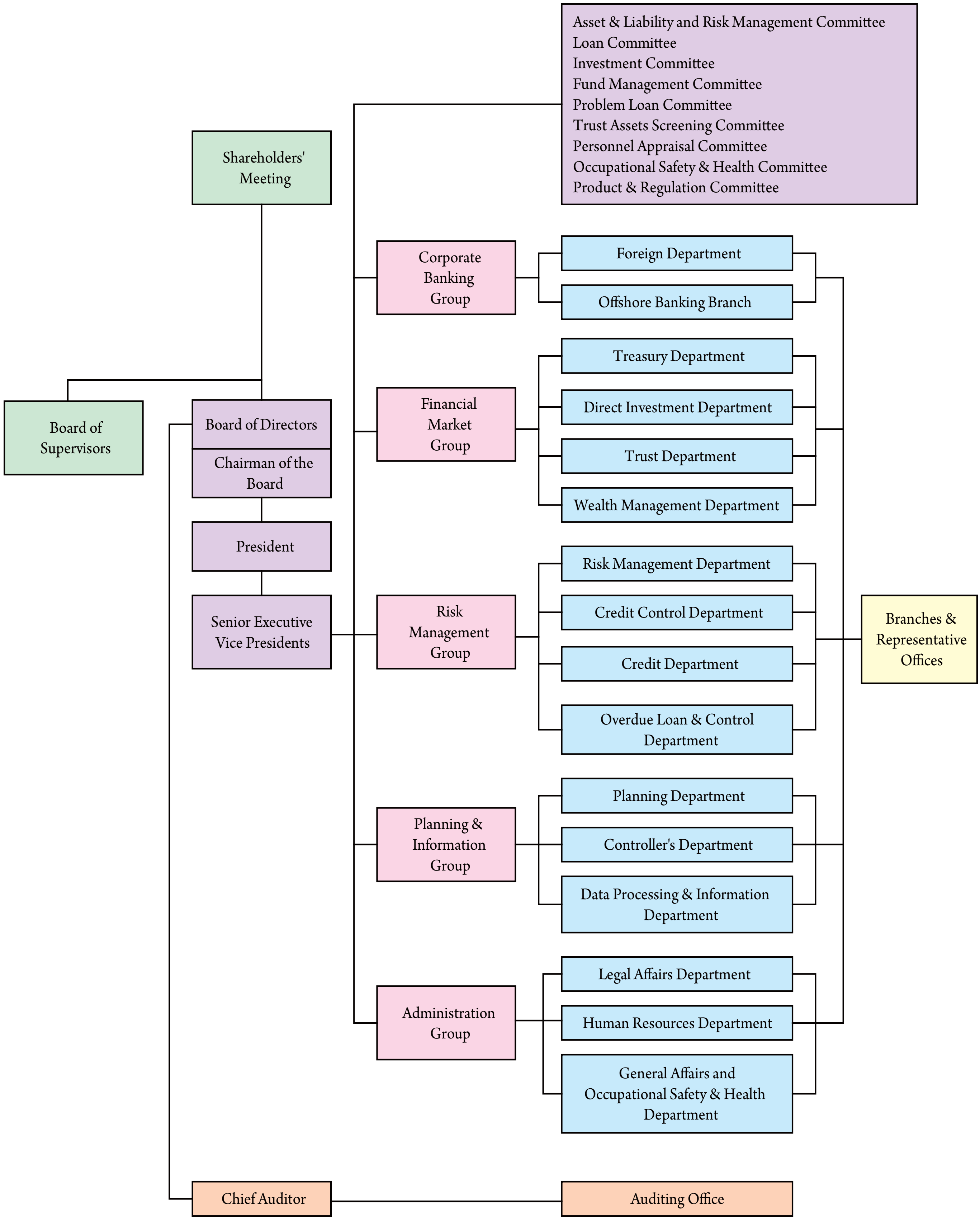
Credit Rating Institute	Credit Rating		Bank Financial/Fundamental Strength Rating (BFSR)	Outlook	Date
	Long-term	Short-term			
Moody's	A1	P-1	C-	Stable	2008.12
S&P	A	A-1	B	Negative	2008.09

Board of Directors and Supervisors

As of December 31, 2008

Chairman of the Board	Rong-Jou Wang
Managing Directors	Kuang-Si Shiu Ming-Chung Tseng Chung-Ying Hu Jhao-Yi Chen
Directors	Sheng-Chung Lin Yaw-Chung Liao Chang-Hai Tsai Yuan-Jhong Li Fong-Yu Kuo Rong-Tzaw Yeh Chen-Chia Lee Hung-Wen Chien Chia-Pang Chiu Chih-Yuan Chen
Resident Supervisor	Chu-Wei Tseng
Supervisors	Wei-Ching Chung Leu Yeong-Chwan Hwang

Organization Chart



Financial Highlights

Condensed Balance Sheets

In Thousands of NT dollars

Item	2008	2007	2006
Cash and Cash Equivalents, Due from the Central Bank and Call Loans to Banks – net	363,609,201	339,112,297	298,480,874
Financial Assets at Fair Value through Profit or Loss	40,099,319	84,905,748	70,639,090
Securities Purchased under Resale Agreements	1,703,165	1,729,123	1,502,553
Available-for-sale Financial Assets – net	101,441,676	103,132,834	102,576,675
Bills Discounted and Loans – net	1,303,532,614	1,194,304,385	1,113,888,899
Receivables – net	95,679,862	82,462,038	71,730,605
Held-to-maturity Financial Assets – net	94,257,827	89,413,152	95,740,790
Investments Accounted for by the Equity Method – net	9,042,433	9,298,635	8,605,588
Properties and Equipment – net	16,189,414	14,887,155	15,530,403
Other Financial Assets – net	21,168,785	23,957,245	29,027,921
Other Assets – net	3,846,031	4,258,721	4,651,887
Total Assets	2,050,570,327	1,947,461,333	1,812,375,285
Due to the Central Bank and Commercial Banks	385,328,571	363,190,298	354,921,989
Deposits and Remittances	1,306,722,745	1,224,295,833	1,063,630,443
Financial Liabilities at Fair Value through Profit or Loss	48,544,695	52,226,998	49,453,352
Securities Sold under Repurchase Agreements	11,239,752	14,452,936	36,094,287
Borrowed Funds and Financial Bonds Payable	83,084,534	62,213,270	75,066,321
Accrued Pension Liabilities	1,218,320	1,204,178	1,209,032
Other Financial Liabilities	5,946,463	18,650,884	18,779,486
Payables and Other Liabilities	66,795,998	58,769,394	63,199,697
Total Liabilities	1,908,881,078	1,795,003,791	1,662,354,607
Capital Stock	64,109,878	64,109,878	64,109,878
Capital Reserve	33,070,028	33,070,660	33,066,755
Retained Earnings	43,773,487	49,946,398	45,470,884
Unrealized Gains or Losses on Available-for-sale Financial Assets	-4,232,555	1,646,759	4,396,442
Cumulative Translation Adjustments	1,776,841	2,006,655	1,299,527
Land Revaluation Increment and Capital Surplus from Fixed Assets Revaluation	3,191,570	1,677,192	1,677,192
Total Shareholders' Equity	141,689,249	152,457,542	150,020,678

Note: Effective from January 1, 2006, the Bank adopted the R.O.C. Statements of Financial Accounting Standards No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments" to account for its financial instruments.

Condensed Statements of Income

In Thousands of NT dollars

Item	2008	2007	2006
Net Interest Income	26,779,009	22,431,529	19,726,768
Net Non-Interest Income	529,336	14,995,710	17,309,131
Net Operating Income	27,308,345	37,427,239	37,035,899
Provision for Loan Losses	7,285,116	6,522,998	9,243,197
Operating Expenses	14,171,283	14,599,001	14,642,026
Income Before Income Tax	5,851,946	16,305,240	13,150,676
Net Income Before Cumulative Effect of Changes in Accounting Principles	3,421,919	14,030,952	10,968,913
Cumulative Effect of Changes in Accounting Principles	-	-	714,676
Net Income	3,421,919	14,030,952	11,683,589

Major Financial Ratios

Item		2008	2007	2006
Financial Ratio	Total Liabilities to Total Assets (%)	93.09	92.17	91.72
	Fixed Assets to Total Shareholders' Equity (%)	11.43	9.76	10.35
Solvency	Liquidity Reserve Ratio (%)	16.98	24.79	28.92
Operating Performance Analysis	Loans to Deposits Ratio (%)	100.95	99.27	106.71
	NPL Ratio (%)	1.16	1.00	0.88
	Total Assets Turnover (Number of Times)	0.01	0.02	0.02
	Average Net Income per Employee (Thousands of NT dollars)	662	2,750	2,381
Profitability Analysis	ROA (%)	0.17	0.75	0.64
	ROE (%)	2.33	9.28	7.97
	Pre-tax Income to Capital Stock (%)	9.13	25.43	20.51
	Net Income to Net Operating Income (%)	12.53	37.55	34.21
	Earnings per Share (NT dollars)	0.53	2.19	1.82
	Cash Dividends per Share (NT dollars)	0.25	1.46	1.46
	Shareholders' Equity per Share Before Appropriation (NT dollars)	22.10	23.78	23.40
Capital Adequacy Ratio (%)		11.20	10.54	10.34

Risk Management

The Board of Directors is at the top of the risk management echelon, which looks upon effective functioning of the Bank's risk management as an ultimate goal. In Head Office, the Department of Risk Management, independent from all business units and transactions, is helping establish risk control mechanics of all business units. It monitors total exposure to risk in all areas and concentrations of risk, integrating the objectives of risk management and making reports on their execution.

As from 2005, the Bank, with the New Basel Capital Accord (Basel II) in mind, is institutionalizing all things related to the guiding principles of supervisory review, the second pillar of Basel II. We shall make regular disclosures of information about our risk profile as required by the third pillar of Basel II qualitatively and quantitatively. The Bank will continue to offer training courses, cultivate risk management talents, and raise employees' awareness of risk management.

We are committed to strengthening risk management as follows:

- Credit risk: to set up a framework of foundation internal-rating based (FIRB) approach and related information system, including the establishment, promotion and application of a model for calculating default probability.
- Market risk: to establish real-time information system to monitor positions, limits, and warning flags online, providing complete and timely management information.
- Operational risk: to divided operational risks into eight business categories and seven types of events of loss. We are to build a data base of events of loss, and set up an operational risk self assessment mechanism to enhance our management of operational risk.

In the second half of 2008, credit crisis broke out in the US and European financial systems, which overwhelmed the whole world in no time. We imposed a freeze on exposures to some of the countries facing serious financial crises to control risk timely. Moreover, we took action to review our liquidity exposures of different currencies and the need of fund management. At the same time, we also managed to assure that our overseas branches monitor liquidity closely.

Future Operation Blueprint

Winning Strategies and Vision of the Future advantage

- Integrating business of loan extension, foreign currency hedge, and offshore banking businesses, along with other subsidiaries of Mega Financial Holding Company to make the most of cross-selling.
- Pursuing loan financing or syndication related to large-scale government and private investments.
- Taking advantage of our extensive branch network at home and abroad, Global eBanking service and cross-border cooperation mechanism of our Asia Pacific Business Center, to induce customers to choose our bank as their major foreign currency manager.
- Combining Global eBanking with the wealth management system to form a global asset management platform.
- Getting a good grip on tapping the Mainland China market.

Positive Factors

- Mega ICBC is irreplaceable in terms of foreign remittances, and it enjoys competitive edge in foreign exchange business as follows:
  - ■ Our New York Branch is the only domestic bank that takes participates in CHIPS, Fedwire, and ACH.
  - ■ The government conducts foreign exchange transactions and fund transfer through the Bank. For instance, CBC has designated Mega ICBC as the agent bank in its operations to attain the goal of foreign exchange market stability for years.
- Possible signing of Memorandum of Understanding on financial regulation between Taiwan and China in 2009: the Bank shall use its Hong Kong Branch and Suzhou Representative Office-to-be as springboard to expand business. To grab the booming business opportunities, we shall consider entering into strategic alliance or equity cross holding with other large banks in China, if permissible by law.
- The government will continue encouraging banking consolidation: this will lead to improving bank scales, and strengthening their competitiveness.
- The improvement of financial standing of domestic banks: after several years of massive write-offs of non-performing loans (NPL), the NPL ratio for banks as a whole stood at 1.54% only, and bad debt coverage ratio rose to 69.48%. Asset quality of domestic banks has shown great improvement, and they are better equipped to tackle risks.

Negative Factors

- The world is in the tight grips of recession: bad debts concerning commercial loans, mortgages, car loans, and consumer loans are feared to be on the rise. Pressures for banks to set aside more provisions are mounting, and will hurt their profit-making ability.
- Ever-shrinking interest spread: Pricing competition is causing the interest spread to get narrower, which will handicap the profitability of banks.
- The financial market chillness: (1) people turn conservative about wealth management, and (2) enterprises retrench investments in response to shrinking profit. Both factors are unfavorable to the banking business.

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

PWCR08000415

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, 2007 and 2008 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 consolidated 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, 2007 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks", "Business Entity Accounting Law", "Regulations on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

As described in Note 3 to the financial statements, the Bank reclassified certain financial assets at fair value through profit or loss to available-for-sale financial assets in accordance with the revised SFAS No. 34, "Financial Instruments: Recognition and Measurement" dated October 17, 2008.

The Bank had prepared the consolidated financial statements as of and for the years ended December 31, 2007 and 2008, on which we have issued a modified unqualified opinion with explanatory paragraph thereon.

The financial statements of the Bank as of and for the year ended December 31, 2008 expressed in US dollars were translated from the New Taiwan dollar financial statements using the exchange rate of US$1:NT$32.774 at December 31, 2008 solely for the convenience of the readers. This basis of translation is not in compliance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan

March 13, 2009

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2007 AND 2008
(EXPRESSED IN THOUSANDS OF DOLLARS)

ASSETS	2007	2008	2008
	New Taiwan Dollars		US Dollars (Unaudited - Note II)
CASH AND CASH EQUIVALENTS (Notes IV 1 and V)	$ 89,717,998	$ 260,540,022	$ 7,949,595
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS - NET (Notes IV 2 and V)	249,394,299	103,069,179	3,144,846
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes IV 3 and VI)	84,905,748	40,099,319	1,223,510
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	1,729,123	1,703,165	51,967
RECEIVABLES - NET (Note IV 4)	82,462,038	95,679,862	2,919,383
BILLS DISCOUNTED AND LOANS - NET (Notes IV 5 and V)	1,194,304,385	1,303,532,614	39,773,376
AVAILABLE-FOR-SALE FINANCIAL ASSETS - NET (Notes IV 6 and VI)	103,132,834	101,441,676	3,095,188
HELD-TO-MATURITY FINANCIAL ASSETS - NET (Notes IV 7 and VI)	89,413,152	94,257,827	2,875,994
INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD - NET (Note IV 8)	9,298,635	9,042,433	275,903
OTHER FINANCIAL ASSETS - NET (Note IV 9)	23,957,245	21,168,785	645,901
PROPERTIES AND EQUIPMENT - NET			
Land	6,073,887	6,074,529	185,346
Revaluation increment - land	1,781,105	3,610,984	110,178
Buildings and improvements	10,375,664	10,381,486	316,760
Revaluation increment - building	47,863	47,863	1,460
Computers and peripheral equipment	3,552,972	3,654,750	111,514
Transportation and communication equipment	221,164	208,379	6,358
Miscellaneous equipment	1,271,941	1,348,098	41,133
Total costs	23,324,596	25,326,089	772,749
Accumulated depreciation	(8,360,389)	(8,865,272)	(270,497)
Accumulated impairment	(77,052)	(271,403)	(8,281)
Properties and Equipment - net	14,887,155	16,189,414	493,971
OTHER ASSETS - NET (Notes IV 10 and VI)	4,258,721	3,846,031	117,350
TOTAL ASSETS	$ 1,947,461,333	$ 2,050,570,327	$ 62,566,984

LIABILITIES AND STOCKHOLDERS' EQUITY	2007	2008	2008
	New Taiwan Dollars		US Dollars (Unaudited - Note II)
DUE TO THE CENTRAL BANK AND COMMERCIAL BANKS (Notes IV 11 and V)	$ 363,190,298	$ 385,328,571	$ 11,757,142
BORROWED FUNDS (Note IV 12)	42,997,399	53,185,187	1,622,786
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Note IV 13)	52,226,998	48,544,695	1,481,195
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note IV 6)	14,452,936	11,239,752	342,947
PAYABLES (Notes IV 14 and V)	47,576,485	54,850,792	1,673,607
DEPOSITS AND REMITTANCES (Notes IV 15 and V)	1,224,295,833	1,306,722,745	39,870,713
FINANCIAL BONDS PAYABLE (Note IV 16)	19,215,871	29,899,347	912,289
ACCRUED PENSION LIABILITIES (Note IV 17)	1,204,178	1,218,320	37,173
OTHER FINANCIAL LIABILITIES (Note IV 18)	18,650,884	5,946,463	181,439
OTHER LIABILITIES (Notes IV 19 and 26)	11,192,909	11,945,206	364,472
TOTAL LIABILITIES	1,795,003,791	1,908,881,078	58,243,763
STOCKHOLDERS' EQUITY			
CAPITAL STOCK (Note IV 20)	64,109,878	64,109,878	1,956,120
CAPITAL RESERVE (Note IV 8)	33,070,660	33,070,028	1,009,033
RETAINED EARNINGS :			
Legal reserve (Note IV 21)	30,752,520	34,961,806	1,066,754
Special reserve (Note IV 21)	1,435,713	1,474,578	44,992
Unappropriated earnings (Note IV 21)	17,758,165	7,337,103	223,870
EQUITY ADJUSTMENTS			
Land revaluation increment	1,644,939	3,159,317	96,397
Capital surplus from fixed assets revaluation	32,253	32,253	984
Cumulative translation adjustments	2,006,655	1,776,841	54,215
Unrealized gains or losses on available-for-sale financial asset	1,646,759	(4,232,555)	(129,144)
TOTAL STOCKHOLDERS' EQUITY	152,457,542	141,689,249	4,323,221
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,947,461,333	$ 2,050,570,327	$ 62,566,984

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 13, 2009.

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	2007	2008	2008
	New Taiwan Dollars		US Dollars (Unaudited - Note Ⅱ)
INTEREST REVENUE (Note V)	$ 61,396,174	$ 61,457,939	$ 1,875,204
INTEREST EXPENSES (Note V)	(38,964,645)	(34,678,930)	(1,058,123)
NET INTEREST INCOME	22,431,529	26,779,009	817,081
NON-INTEREST INCOME			
FEE INCOME - NET (Notes IV 22 and V)	6,253,341	6,140,582	187,361
GAINS ON FINANCIAL ASSETS AND LIAIBILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	3,629,242	1,695,172	51,723
REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	2,120,106	143,715	4,385
REALIZED GAIN ON HELD-TO-MATURITY FINANCIAL ASSETS	173	296	9
INVESTMENT INCOME RECOGNIZED BY THE EQUITY METHOD	645,771	176,919	5,398
FOREIGN EXCHANGE GAIN - NET	2,887,983	1,299,688	39,656
LOSS ON ASSET IMPAIRMENT (Notes IV 6, 7 and 27)	(1,986,609)	(4,506,306)	(137,496)
OTHER LOSSES (Note IV 6)	-	(5,474,863)	(167,049)
OTHER PROVISIONS (Note IV 6)	(808,488)	(352,226)	(10,747)
GAIN ON FINANCIAL ASSETS CARRIED AT COST	677,886	563,654	17,198
OTHERS	1,576,305	842,705	25,712
NET OPERATING INCOME	37,427,239	27,308,345	833,231
PROVISION FOR LOAN LOSSES (Note IV 5)	(6,522,998)	(7,285,116)	(222,283)
OPERATING EXPENSES			
STAFF EXPENSES (Note IV 23)	(9,038,850)	(8,593,159)	(262,194)
DEPRECIATION AND AMORTIZATION (Note IV 23)	(807,416)	(773,055)	(23,587)
OTHER GENERAL AND ADMINISTRATIVE EXPENSES (Note V)	(4,752,735)	(4,805,069)	(146,612)
INCOME BEFORE INCOME TAX	16,305,240	5,851,946	178,555
INCOME TAX (Note IV 24)	(2,274,288)	(2,430,027)	(74,145)
NET INCOME	$ 14,030,952	$ 3,421,919	$ 104,410
EARNINGS PER SHARE (In Dollars) (Note IV 25)			
NET INCOME	$ 2.19	$ 0.53	$ 0.02

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 13, 2009.

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008
(EXPRESSED IN THOUSANDS OF DOLLARS)

			Retained Earnings				Cumulative	Unrealized Gains or Losses	
Items	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Revaluation Increments	Translation Adjustments	on Available-For-Sale Financial Assets	Total
(New Taiwan Dollars)									
Balance, January 1, 2007	$ 64,109,878	$ 33,066,755	$ 27,247,443	$ 1,398,637	$ 16,824,804	$ 1,677,192	$ 1,299,527	$ 4,396,442	$ 150,020,678
Appropriation of 2006 earnings									
Legal reserve	-	-	3,505,077	-	(3,505,077)	-	-	-	-
Special reserve	-	-	-	37,076	(37,076)	-	-	-	-
Cash dividends and bonus	-	-	-	-	(9,360,043)	-	-	-	(9,360,043)
Bonus to employees	-	-	-	-	(195,395)	-	-	-	(195,395)
Net income for 2007	-	-	-	-	14,030,952	-	-	-	14,030,952
Increase in capital reserve resulting from investments accounted for by the equity method	-	3,905	-	-	-	-	-	-	3,905
Changes in cumulative translation adjustments	-	-	-	-	-	-	707,128	-	707,128
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	(2,749,683)	(2,749,683)
Balance, December 31, 2007	$ 64,109,878	$ 33,070,660	$ 30,752,520	$ 1,435,713	$ 17,758,165	$ 1,677,192	$ 2,006,655	$ 1,646,759	$ 152,457,542

(Continued)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008
(EXPRESSED IN THOUSANDS OF DOLLARS)

			Retained Earnings				Cumulative	Unrealized Gains or Losses	
	Capital	Capital	Legal	Special	Unappropriated	Revaluation	Translation	on Available-For-Sale	
Items	Stock	Reserve	Reserve	Reserve	Earnings	Increments	Adjustments	Financial Assets	Total
(New Taiwan Dollars)									
Balance, January 1, 2008	$ 64,109,878	$ 33,070,660	$ 30,752,520	$ 1,435,713	$ 17,758,165	$ 1,677,192	$ 2,006,655	$ 1,646,759	152,457,542
Appropriation of 2007 earnings									
Legal reserve	-	-	4,209,286	-	(4,209,286)	-	-	-	-
Special reserve	-	-	-	38,865	(38,865)	-	-	-	-
Cash dividends and bonus	-	-	-	-	(9,360,043)	-	-	-	(9,360,043)
Bonus to employees	-	-	-	-	(234,787)	-	-	-	(234,787)
Net income for 2008	-	-	-	-	3,421,919	-	-	-	3,421,919
Land revaluation increment	-	-	-	-	-	1,514,378	-	-	1,514,378
Change in equity adjustments from investments accounted for by the equity method	-	(632)	-	-	-	-	-	-	(632)
Changes in cumulative translation adjustments	-	-	-	-	-	-	(229,814)	-	(229,814)
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	(5,879,314)	(5,879,314)
Balance, December 31, 2008	$ 64,109,878	$ 33,070,028	$ 34,961,806	$ 1,474,578	$ 7,337,103	$ 3,191,570	$ 1,776,841	($ 4,232,555)	$ 141,689,249
(US Dollars)(Unaudited-Note II)									
Balance, January 1, 2008	$ 1,956,120	$ 1,009,052	$ 938,321	$ 43,806	$ 541,837	$ 51,174	$ 61,227	$ 50,246	$ 4,651,783
Appropriation of 2007 earnings									
Legal reserve	-	-	128,433	-	(128,433)	-	-	-	-
Special reserve	-	-	-	1,186	(1,186)	-	-	-	-
Cash dividends and bonus	-	-	-	-	(285,594)	-	-	-	(285,594)
Bonus to employees	-	-	-	-	(7,164)	-	-	-	(7,164)
Net income for 2008	-	-	-	-	104,410	-	-	-	104,410
Land revaluation increment	-	-	-	-	-	46,207	-	-	46,207
Change in equity adjustments from investments accounted for by the equity method	-	(19)	-	-	-	-	-	-	(19)
Changes in cumulative translation adjustments	-	-	-	-	-	-	(7,012)	-	(7,012)
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	(179,390)	(179,390)
Balance, December 31, 2008	$ 1,956,120	$ 1,009,033	$ 1,066,754	$ 44,992	$ 223,870	$ 97,381	$ 54,215	($ 129,144)	$ 4,323,221

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 13, 2009.

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2007	2008	2008
	New Taiwan Dollars		US Dollars
CASH FLOWS FROM OPERATING ACTIVITIES:			(Unaudited - Note Ⅱ)
Net income	$ 14,030,952	$ 3,421,919	$ 104,410
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Loss on asset impairment	1,986,609	4,506,306	137,496
Income from equity investments recognized under the equity method	(645,771)	(176,919)	(5,398)
Cash dividends and remuneration of directors and supervisors received from investments accounted for under the equity method	289,962	320,626	9,783
(Gain) loss on disposal of properties	(114,004)	8,495	259
Provisions for loan losses	6,452,134	7,285,116	222,283
Other provision	808,488	352,226	10,747
Depreciation and amortization	807,416	773,055	23,587
Loss on scrapped properties and equipment	-	11,410	348
(Increase) decrease in operating assets			
(Increase) decrease in financial assets at fair value through profit or loss	(14,266,658)	38,265,516	1,167,557
(Increase) decrease in securities purchased under agreements to resell	(226,570)	25,958	792
Increase in receivables	(11,783,192)	(15,845,204)	(483,469)
Decrease in other financial assets	3,527,069	959,757	29,284
Net change in deferred income tax assets / liabilities	(131,444)	(457,020)	(13,945)
(Decrease) increase in operating liabilities			
(Decrease) increase in payables	(6,591,885)	7,272,181	221,889
Increase (decrease) in financial liabilities at fair value through profit or loss	906,170	(3,682,303)	(112,354)
Decrease in securities sold under agreements to repurchase	(21,641,351)	(3,213,184)	(98,041)
(Decrease) increase in accrued pension liabilities	(4,854)	14,142	432
Decrease in other financial liabilities	(128,602)	(12,704,421)	(387,637)
Increase (decrease) in other liabilities	1,699,116	(964,159)	(29,418)
Net cash (used in) provided by operating activities	(25,026,415)	26,173,497	798,605
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in due from the Central Bank and call loans to banks	6,449,525	146,325,105	4,464,670
(Increase) decrease in available-for-sale financial assets	(3,852,867)	75,194	2,294
Increase in bills discounted and loans	(86,020,664)	(113,616,881)	(3,466,677)
Decrease (increase) in held-to-maturity financial assets	6,327,638	(5,705,965)	(174,100)
Increase in investments accounted for by the equity method	(100,000)	-	-
Additions to properties and equipment	(469,109)	(447,374)	(13,650)
Proceeds from disposal of properties and equipment	404,229	12,742	389
Decrease in other assets	499,957	849,427	25,918
Net cash (used in) provided by investing activities	(76,761,291)	27,492,248	838,844
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in due to the Central Bank and commercial banks	8,268,309	22,138,273	675,483
Increase in deposits and remittances	160,665,390	82,426,912	2,515,009
(Decrease) increase in borrowed funds	(13,441,027)	10,187,788	310,850
Increase in bonds issued	2,455,452	10,683,476	325,974
Increase in other liabilities	49,740	1,242,350	37,907
Distribution of bonus to employees	(195,395)	(234,787)	(7,164)
Distribution of cash dividends and bonus	(9,360,043)	(9,360,043)	(285,594)
Net cash provided by financing activities	148,442,426	117,083,969	3,572,465
EFFECTS OF EXCHANGE RATE CHANGES	424,663	72,310	2,206
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,079,383	170,822,024	5,212,120
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,638,615	89,717,998	2,737,475
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 89,717,998	$ 260,540,022	$ 7,949,595
SUPPLEMENTAL INFORMATION:			
Interest expense paid	$ 38,544,388	$ 35,268,718	$ 1,076,119
Income tax paid	$ 1,088,919	$ 1,506,698	$ 45,972
NON-CASH INVESTING AND FINANCIAL ACTIVITY:			
Payable - financial bonds within 1 year maturity	$ 15,755,567	$ 18,099,347	$ 552,247

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 13, 2009.

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2008

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

I. ORGANIZATION AND OPERATIONS

Mega International Commercial Bank Co., Ltd. (the “Bank”; formerly known as 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, 2008, the Bank had 105 domestic branches, 19 foreign branches, and 2 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, 2007 and 2008, the Bank had 5,103 and 5,169 employees, respectively.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis for preparation of financial statements

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

2. Foreign-currency transactions and translations

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

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

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

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

4. Financial assets and financial liabilities

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

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

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

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

For 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 the Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement".

(2) Available-for-sale financial assets

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

(3) Held-to-maturity financial assets

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

(4) Financial assets carried at cost

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

(5) Investments in debt securities with no active market

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

(6) Financial liabilities

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

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

5. Derivative financial instruments

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

6. Financial asset securitization

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

(2) The gain or loss on the sale of the loans is the difference between the proceeds and carrying amount of the loans. The aforementioned carrying amount of the loans should be allocated in proportion to the fair values of the part retained and the part sold on the date of sale. Since quotes are not available for loans and retained interests, the Bank estimates fair value at the present value of expected cash flows, using management's key assumptions on credit losses and discount rates commensurate to the risks involved.

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

7. Hedge accounting

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

(1) Fair value hedges: When a derivative financial instrument is used as the underlying hedging instrument, fair value is applied for valuation. When a non-derivative financial instrument is used for hedging, any gain or loss arising from change in exchange rates is charged to current income. The carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged.

(2) Cash flow hedges: The effective portion of the gain or loss on the hedging instrument is recognized directly in equity. When it is determined that the expected hedged transaction will result in financial assets or financial liabilities, amounts initially recorded in equity are transferred to income in the period in which profit or loss is affected by the related assets or liabilities.

(3) Net investment hedge in foreign operations: Gains or losses generated from hedge instruments are recognized as adjustments in equity which are then transferred to profit or loss for the period upon disposal of foreign operations.

8. Bonds purchased/sold under resale/repurchase agreements

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

(1) Upon the sale of bonds and bills subject to a repurchase agreement, bonds and bills sold under repurchase agreement is credited and the difference between the cost and the repurchase price is treated as interest expense.

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

9. Allowances for probable losses

(1) The allowances for probable losses are provided for due from call loans to banks, receivables and bills discounted and loans based on a review of its collectibility.

(2) According to "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Non-accrual Loans and Bad Debts", reserves set aside for probable loan losses are based on the estimation of potential unrecoverable exposures, net of collateral. A significant degree of management discretion is used in the estimation process, which includes the assessment of the borrower's ability to pay and of the value of the underlying collateral.

(3) Balances of uncollectible accounts are written-off against allowance for probable losses only upon the approval by the Board of Directors.

10. Bills discounted and loans

(1) Bills discounted and loans are recorded at the basis of outstanding principal amounts. Any unsettled bills discounted and loans upon maturity are to be reclassified to non-accrual loans along with the associated amount of accrued interest previously recorded within six months from the date of the maturity. In addition, interest receivable should no longer be accrued.

(2) Non-accrual loans transferred from loans should be recorded under bills discounted and loans. For other non-accrual loans transferred from accounts other than loans, such as guarantees, acceptances and receivables on factoring should be recorded under other financial assets.

11. Investments accounted for by the equity method

(1) Investments with voting rights of at least 20% of the common stock and which hold significant influence over the investee are accounted for by the equity method. These investments are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Bank's share of the investee's net assets. The Bank will continue to recognize its equity in the net loss of an investee notwithstanding that it will result in a negative investment carrying amount (with this negative amount shown as liability) if the Bank had guaranteed the investee's debt or the Bank had obligated to provide financial support or the loss is temporary.

(2) Cash dividends received are accounted for as reductions in the carrying amount of the investments. Stock dividends received are accounted for by the increase in the number of shares held by the Bank without any impact to the carrying amount of the investments and net income.

(3) If an investee's capital reserve increases due to property revaluation, the Bank will recognize the proportional increase in the carrying amount of the investment and the gain will be included in the capital reserve in the stockholders' equity. The difference between the investment cost and the equity in the book value of the net assets of the investees (except the portion pertaining to the difference between the fair value and the book value of land) when a stock is acquired or when the equity method is first adopted, is amortized over 5 to 10 years. However, the difference attributable to goodwill is no longer amortized beginning on January 1, 2006, but is reviewed for potential impairment on an annual basis.

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

12. Valuation and depreciation of properties and equipment

(1) Except for land, all properties and equipments are depreciated on a straight-line basis according to their value after revaluation increment. Major improvements and renewals are capitalized as cost, and repairs and maintenance are expensed as incurred. Relevant promulgated principles should be applied if impairment has been found. Upon sale or disposal of properties and equipment, the related

cost, revaluation increment, accumulated depreciation and accumulated impairment loss are written-off from the books, and any gain or loss is credited or charged to non-interest income.

(2) When an impairment loss on a specified asset is identified, the related depreciation is recalculated based on the adjusted value over the estimated useful lives. The residual value of a property or equipment that is still in use at the end of the original estimated useful life is depreciated using the straight-line method over its revised estimated useful life.

13. Foreclosed properties

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

14. Reserve for operations

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

15. Pension plans

(1) The Bank has pension plans for all regular employees under the relevant domestic and foreign government regulations. The Bank makes monthly contributions to a pension fund, which is administered by the workers' fund administration committee, at amounts up to 15% of the employees' salaries for domestic employees. The pension fund is deposited in the Bank of Taiwan under the name of the committee. In addition, the Bank makes contributions and payments for foreign employees under the relevant foreign government regulations.

(2) The Labor Pension Act of R.O.C. ("the Act"), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Bank may choose to be covered by either the Act, and maintain their seniority before the enforcement of the Act, or the pension plan of the Bank. For employees subject to the Act, the Bank shall make monthly contributions to the employees' individual pension accounts based on 6% of the employees' monthly wages.

(3) Pension costs are based on actuarial calculations, with the unrecognized net transitional obligation being amortized over 15 to 22 years.

16. Recognition of interest revenue and service fees

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

(2) Service fee income is recognized when the services are rendered.

17. Use of estimates

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

18. Asset impairment

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

19. Impairment of financial assets

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

(1) Available-for-sale financial assets

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

(2) Held-to-maturity financial assets

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

(3) Financial assets carried at cost

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

20. Income tax

(1) Income tax represents income tax paid and payable for the current period and the movement in the deferred tax assets and liabilities during the period. Deferred taxes are recognized for tax effects of temporary differences and unused tax credits. A valuation allowance is provided for deferred tax assets that are not certain to be realized. Adjustments of prior years' income taxes are recognized in the current period.

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

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

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

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

21. Contingent losses

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

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

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

23. Convenience translation into US dollars (Unaudited)

The Bank maintains its accounting records and prepares its financial statements in New Taiwan dollars. The United States dollar amounts disclosed in the 2008 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, 2008 of US$1:NT$32.774. 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

Effective from January 1, 2008, the Bank adopted the EITF 2007-052 of the Accounting Research and Development Foundation, R.O.C. "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration". Such change in accounting principle had no significant effect on the Bank's net income and earnings per share for the year ended December 31, 2008.

During the period from July 1, 2008 to December 31, 2008, the Bank reclassified certain stocks listed on TSE or OTC originally classified as at fair value through profit or loss to available-for-sale financial assets in accordance with the newly revised Paragraph 104 of the Statement of Financial Accounting Standards No. 34. As a result of such change in accounting principle, net income increased by NT$240,751 thousand and earnings per share increased by $0.038 (dollar) for the year ended December 31, 2008.

IV. DETAILS OF SIGNIFICANT ACCOUNT BALANCES

1. CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Cash on hand	$ 10,427,280	$ 11,385,229	$ 347,386
Revolving funds	4,668	4,561	139
Checks for clearing	990,432	1,114,103	33,994
Due from commercial banks	78,295,618	248,036,129	7,568,076
Total	$ 89,717,998	$ 260,540,022	$ 7,949,595

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

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Overdraft to banks	$ 493	$ 4	$ -
Call loans to banks	203,246,544	49,800,813	1,519,522
Due from the Central Bank:			
Reserve for deposits – category A	9,257,892	18,987,449	579,345
Reserve for deposits – category B	21,692,591	23,393,520	713,783
Reserve for deposits – foreign currency	8,685,437	87,669	2,675
Due from Central Bank – general deposits	6,511,809	10,800,290	329,538
Total	249,394,766	103,069,745	3,144,863
Less: allowance for probable losses	(467)	(566)	(17)
Net	$ 249,394,299	$ 103,069,179	$ 3,144,846

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, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Financial assets held for trading :			
Stocks	$ 1,610,452	$ -	$ -
Beneficiary certificates	566,344	-	-
Financial bonds	1,288,984	664,274	20,268
Derivative financial instruments	384,159	4,250,700	129,698
Financial assets designated by the Bank at fair value through profit or loss:			
Stocks	2,839	-	-
Corporate bonds	20,392,313	12,575,262	383,696
Government bonds	7,823,105	6,830,570	208,414
Financial bonds	11,244,013	13,625,202	415,732
Certificates of deposits	40,090,820	-	-
Derivative financial instruments	1,502,719	2,153,311	65,702
Total	$ 84,905,748	$ 40,099,319	$ 1,223,510

As of December 31, 2007 and 2008, the aforementioned financial assets at fair value through profit or loss were not pledged to other parties as collateral.

4. RECEIVABLES – NET

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Accounts receivable	$ 63,590,279	$ 84,467,383	$ 2,577,268
Earned revenue receivable	156,213	110,533	3,373
Accrued interest	6,937,630	6,062,343	184,974
Acceptances receivable	12,085,074	8,246,115	251,605
Other receivables	1,263,932	562,425	17,161
Total	84,033,128	99,448,799	3,034,381
Less: allowance for probable losses	(1,571,090)	(3,768,937)	(114,998)
Net	$ 82,462,038	$ 95,679,862	$ 2,919,383

5. BILLS DISCOUNTED AND LOANS – NET

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Inward/Outward documentary bills	$ 17,071,044	$ 14,421,430	$ 440,027
Discounts	109,047	71,615	2,185
Overdrafts	141,408	260,525	7,949
Short-term loans	196,986,561	195,232,026	5,956,918
Secured overdrafts	516,006	486,882	14,856
Short-term secured loans	112,521,537	126,269,111	3,852,722
Medium-term loans	242,857,844	332,924,393	10,158,186
Medium-term secured loans	204,524,514	210,044,498	6,408,876
Long-term loans	125,018,742	125,905,186	3,841,618
Long-term secured loans	293,305,675	297,127,913	9,065,964
Non-accrual loans	9,920,122	12,593,685	384,258
Total	1,202,972,500	1,315,337,264	40,133,559
Less: allowance for probable losses	(8,668,115)	(11,804,650)	(360,183)
Net	$ 1,194,304,385	$ 1,303,532,614	$ 39,773,376

(1) For the years ended December 31, 2007 and 2008, 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, 2007 and 2008, all balances of bills discounted and loans for which interest revenue was no longer accrued amounted to NT$9,920,122 thousand and NT$12,593,685 thousand, respectively. The unrecognized interest revenue on the above bills discounted and loans amounted to NT$470,746 thousand and NT$465,266 thousand for the years ended December 31, 2007

and 2008, respectively.

(3) The changes in allowance for probable losses on bills discounted and loans are summarized as follows:

January 1, 2007 to December 31, 2007	NT Specific Risk	NT General Risk	NT Total
Balance, January 1, 2007	$ 3,509,994	$ 7,600,933	$ 11,110,927
Provisions	8,336,545	(2,731,367)	5,605,178
Write-off – net	(10,116,267)	-	(10,116,267)
Recovery of written-off credits	2,072,680	-	2,072,680
Effects of exchange rate changes and others	(55,325)	50,922	(4,403)
Balance, December 31, 2007	$ 3,747,627	$ 4,920,488	$ 8,668,115

January 1, 2008 to December 31, 2008	NT Specific Risk	NT General Risk	NT Total	US (Unaudited) Specific Risk	US (Unaudited) General Risk	US (Unaudited) Total
Balance, January 1, 2008	$ 3,747,627	$ 4,920,488	$ 8,668,115	$ 114,347	$ 150,134	$ 264,481
Provisions	2,910,293	1,431,216	4,341,509	88,799	43,669	132,468
Write-off – net	(2,847,050)	-	(2,847,050)	(86,869)	-	(86,869)
Recovery of written-off credits	1,725,185	-	1,725,185	52,639	-	52,639
Effects of exchange rate changes and others	(23,369)	(59,740)	(83,109)	(713)	(1,823)	(2,536)
Balance, December 31, 2008	$ 5,512,686	$ 6,291,964	$ 11,804,650	$ 168,203	$ 191,980	$ 360,183

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.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NET

	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)
Stocks	$ 8,860,756	$ 5,526,079	$ 168,612
Commercial papers	4,300,516	10,551,441	321,945
Government bonds	30,379,599	24,091,923	735,093
Treasury bills	179,096	249,698	7,619
Corporate bonds	21,185,058	20,431,814	623,415
Beneficiary certificates	1,380,286	573,843	17,509
Beneficiary securities	16,282,717	11,678,254	356,327
Financial bonds	15,366,100	25,942,139	791,546
Central Bank's certificates of deposit	5,198,706	2,396,485	73,122
Total	$ 103,132,834	$ 101,441,676	$ 3,095,188

(1) As of December 31, 2007 and 2008, the available-for-sale financial assets amounted to NT$6,060,963 thousand and NT$9,906,308 thousand, respectively, and were pledged to other parties as collateral of business reserves and guarantees.

(2) As of December 31, 2007 and 2008, financial assets at fair value through profit or loss and available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT$14,452,936 thousand and NT$11,239,752 thousand, respectively. Such repurchase agreements were posted to the "Securities sold under repurchase agreements" account on the Bank's balance sheet.

(3) The Bank invested in subordinated beneficiary securities of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd. Collateralized Bond Obligation Special Purpose Trust 2006-2" amounting to NT$1,685,279 thousand and NT$384,870 thousand, respectively, and the expected maturity dates are June 21, 2010 and April 13, 2011, respectively. The Bank reclassified the aforesaid subordinated beneficiary securities from "other financial assets – non active market" to "available-for-sale financial assets" in accordance with the Explanatory Note (96) No. 0000000304 of the Accounting Research and Development Foundation of the R.O.C. dated November 19, 2007.

The Bank also acts as a credit impaired asset put and clean up put provider of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2". When the credit rating of senior beneficiary securities (assets backed commercial paper) will not be at least "twA-3", the rating institution will send "Credit Impaired Asset Notice", and then the Bank should purchase the credit impaired assets in order to maintain the rating of senior beneficiary securities not lower than "twA-3".

Both securitized trust assets are New Taiwan dollar-denominated bonds and U.S. residential mortgage backed securities. Special purpose trusts are rated by Taiwan Ratings Corporation and U.S. residential mortgage backed securities are rated by Standard & Poor. As of December 31, 2008, no default occurred in the asset pool. The special purpose trust reserve is sufficient for the cash flow model required by the special purpose trust; no actual loss has been incurred.

As of December 31, 2008, the credit rating of senior beneficiary securities issued by "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2" were both confirmed to be "twA-3" and had been removed from the list under credit observation.

As of December 31, 2007, the credit rating of partial U.S. residential mortgage backed securities amounting to US$33,207 thousand dollars of the "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2" was downgraded by Standard & Poor. To maintain the credit rating of "twA-3" as the senior beneficiary securities was revolving and issued on January 14, 2008, the Bank purchased the credit impaired assets in the amount of US$33,207 thousand dollars in accordance with the "Trust Agreement" and "Credit Impaired Asset Put and Clean Up Put Agreement". The Bank set aside reserve for loss amounting to NT$806,598 thousand at the end of 2007.

In February 2008, the credit rating of partial U.S. residential mortgage backed securities amounting to US$92,809 thousand dollars of the "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2" was downgraded by Standard & Poor. The Bank purchased the credit impaired assets in the amount of US$92,809 thousand dollars in accordance with the "Trust Agreement" and "Credit Impaired Asset Put and Clean Up Put Agreement". The Bank set aside reserve for loss amounting to NT$2.4 billion during the first quarter of 2008.

On July 25, 2008, the credit rating of senior beneficiary securities issued by "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" was downgraded to "twA-3" and placed on the list under credit observation. Due to being a credit impaired asset put and clean up put provider, the Bank set aside reserve for loss amounting to NT$2,640,761 thousand on June 30, 2008.

In September 2008, the Bank purchased the credit impaired assets in the amount of US$80,999 thousand dollars 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".

(4) For the year ended December 31, 2008, the Bank purchased impaired assets based on the abovementioned agreements that resulted in losses amounting to NT$5,474,863 thousand which was recorded under "other loss". Additionally, the Bank evaluated asset pools of "Calyon, Taipei Branch Collateralized Bond Obligation Special Purpose Trust 2005-1" and "First Commercial Bank Co., Ltd Collateralized Bond Obligation Special Purpose Trust 2006-2" by using market value, and the estimated loss amounted to NT$350,201 thousand was recorded under "other provision".

(5) Please refer to Note IV 27 for details of impairment loss recognized by the Bank for the years ended December 31, 2007 and 2008.

(6) 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 year ended December 31, 2008 in accordance with the newly 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, 2008 was as follows:

	December 31, 2008			
	Fair value			
	NT		US (Unaudited)	
Bonds	$	3,575,945	$	109,109
Beneficiary certificates		290,114		8,852
Total	$	3,866,059	$	117,961

B. Movements on fair value of the reclassified assets for the period from July 1, 2008 to December 31, 2008 were as follows:

	For the year ended December 31, 2008							
	Recognized in profit and loss				Recognized as adjustments in equity			
	NT		US		NT		US (Unaudited)	
Listed stocks	$	53,857	$	1,643	$	-	$	-
Beneficiary certificates		46,505		1,419	(	135,081)	(	4,122)
Bonds		69,352		2,116	(	105,670)	(	3,224)
Total	$	169,714	$	5,178	($	240,751)	($	7,346)

(7) The Bank invested in bonds issued by Lehman Brothers Group in 2008. Due to the bankruptcy of Lehman Brothers Group, the amount invested may no longer be recovered. Hence, the Bank recognized an impairment loss of $472,053 thousand.

(8) The Bank holds financial debentures issued by several banks in Iceland. Some of the banks were taken over by Iceland government in 2008. As the amount invested may no longer be recovered, the Bank recognized an impairment loss of $224,030 thousand.

7. HELD-TO-MATURITY FINANCIAL ASSETS – NET

	December 31, 2007		December 31, 2008			
	NT		NT		US (Unaudited)	
Government bonds	$	1,851,251	$	1,178,106	$	35,946
Central Bank's certificates of deposit		76,410,000		78,600,000		2,398,242
Financial bonds		9,769,272		13,317,312		406,338
Corporate bonds		1,172,029		689,617		21,042
Beneficiary securities		210,600		210,600		6,426
Certifitcates of deposits		-		262,192		8,000
Total	$	89,413,152	$	94,257,827	$	2,875,994

(1) As of December 31, 2007 and 2008, held-to-maturity financial assets amounting to NT$13,828,152 thousand and NT$15,642,072 thousand, respectively, were pledged to other parties as collateral of business reserves and guarantees.

(2) The Bank invested in bonds issued by Lehman Brothers Group in 2008. Due to the bankruptcy of Lehman Brothers Group, the amount invested may no longer be recovered. Hence, the Bank recognized an impairment loss of $397,571 thousand.

(3) The Bank holds financial debentures issued by several banks in Iceland. Some of the banks were taken over by Iceland government in 2008. As the amount invested may no longer be recovered, the Bank recognized an impairment loss of $463,719 thousand.

8. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD – NET

Investee Companies	December 31, 2007 Book value NT	December 31, 2007 % of ownership	December 31, 2008 Book value NT	December 31, 2008 Book value US (Unaudited)	December 31, 2008 % of ownership
Mega International Commercial Bank Public Co., Ltd. (Thailand)	$ 4,252,567	100.00	$ 4,432,878	$ 135,256	100.00
Mega International Commercial Bank (Canada)	992,390	100.00	796,928	24,316	100.00
Cathay Investment & Development Corporation (Bahamas)	721,013	100.00	708,593	21,621	100.00
CTB Financial Management & Consulting Co., Ltd.	76,838	100.00	65,771	2,007	100.00
Cathay Investment & Warehousing Ltd.	48,007	100.00	53,337	1,628	100.00
Ramlett Finance Holdings Inc.	-	100.00	-	-	100.00
Yung-Shing Industries Co.	758,590	99.56	795,073	24,259	99.56
China Products Trading Company	65,757	68.27	65,030	1,984	68.27
Cathy Insurance Company, INC.	-	-	5,717	175	30.37
United Venture Capital Corp.	191,982	25.31	81,381	2,483	25.31
China Insurance Co., (Siam) Ltd.	-	-	33,131	1,011	25.25
CTB 1 Venture Capital Co., Ltd.	270,795	25.00	230,071	7,020	25.00
IP Fundseven Ltd.	235,557	25.00	212,454	6,482	25.00
An Fang Co., Ltd.	11,260	25.00	12,072	368	25.00
Taiwan Bills Finance Co.	1,270,335	24.55	1,398,271	42,664	24.55
Everstrong Iron Steel & Foundry & Mfg Corp.	32,468	22.22	34,984	1,067	22.22
China Real Estate Management Co., Ltd.	120,649	20.00	116,742	3,562	20.00
Mega International Securities Investment Trust Corporation	250,427	32.79	-	-	-
Total	$ 9,298,635		$ 9,042,433	$ 275,903	

(1) The above listed investments and the related investment income accounted for by the equity method were practically recognized based on the investee's audited financial statements. For those equity investments income recognized based on the investee's unaudited financial statements, the balances of these investments as of December 31, 2007 and 2008 accounted for 0.01% and 0.01% of the Bank's total assets, respectively. For the years ended December 31, 2007 and 2008, investment income recognized from these investments accounted for 0.05% and 0.47% of the Bank's net income, respectively. Hence, the Bank considered there will be no significant impact if those financial statements have been audited.

(2) As of December 31, 2007 and 2008, equity investments accounted for under the equity method were not pledged as collateral.

(3) Investee companies in which the Bank holds more than 50% of ownership had 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.

9. OTHER FINANCIAL ASSETS – NET

	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)
Financial assets carried at cost:			
Stocks	$ 22,188,048	$ 20,088,335	$ 612,935
Debt investment with no active market:			
Beneficiary securities	1,416,345	993,590	30,316
Corporate bonds	129,936	-	-
Bills purchased	46,545	35,382	1,079
Non accrual loans transferred from overdue receivables – net	175,371	51,478	1,571
Other	1,000	-	-
Total	$ 23,957,245	$ 21,168,785	$ 645,901

(1) For the years ended December 31, 2007 and 2008, the amounts of impairment loss recognized by the Bank due to investees operating at loss over an extended period of time were NT$1,376,820 thousand and NT$1,066,385 thousand, respectively.

(2) As of December 31, 2007 and 2008, the abovementioned financial assets with book value of NT $1,000 thousand and NT $0 thousand were pledged as collateral of business reserves and guarantees.

(3) Of the beneficiary securities balance disclosed above, NT$1,070,000 thousand (matured and paid off on December 18, 2007) were subordinated debentures issued by the Bank. In December 16, 2004, the Bank sold part of its enterprise loans under securitization transactions. The Bank entrusted these loans to the special purpose trustee -The Hong Kong and Shanghai Banking Corporation Limited, Taipei Branch (HSBC, Taipei Branch) for issuing beneficiary certificates. The investors of the subordinated certificates have a right over any remaining interest paid after fixed interest has been paid to the holders of the senior certificates in accordance with the principal amount. When the debtors fail to pay on schedule, the investors and HSBC, Taipei Branch have no recourse to the other assets of the Bank. Due to the holders of subordinated certificates having a lower priority claim than the holders of senior certificates on the assets of the trust, the value of the subordinated certificates is subject to credit, prepayment, and interest rate risks on the transferred financial assets.

A. The terms and key economic assumptions used in measuring retained interests were as follows: (Unit: NT thousand dollars)

Terms	Enterprise Loans under Securitization
Date of issuance	December 16, 2004
Maturity date	December 18, 2007
Carrying amount of enterprise loans	NT $5,350,000
Gain (loss) on securitization	$ -

	Senior		
Series of certificates	First Tranche	Second Tranche	Subordinated
Principal amount	NT $3,424,000	NT $856,000	NT $1,070,000
Annual interest	Floating interest rate plus 0.4%	Floating interest rate plus 1.0%	-

Key assumptions used in measuring retained interests	January 1 ~ December 31, 2007
Prepayment rate	0%
Expected weighted-average life	3 years
Expected credit losses (June 30, 2007)	0%
Discounted rate for residual cash flows (June 30, 2007)	0%

B. Cash flows:
Proceeds from securitizations amounted to NT$4,280,000 thousand.

10. OTHER ASSETS – NET

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Prepayment	$ 169,628	$ 127,489	$ 3,890
Prepaid tax	430,457	420,093	12,818
Other prepaid expenses	1,517,330	604,199	18,435
Deferred income tax – net	831,601	1,288,621	39,319
Refundable deposits	341,235	368,258	11,236
Temporary payments	555,640	701,998	21,419
Foreclosed property	651	65,548	2,000
Accumulated impairment and accumulated depreciation	(651)	-	-
Others	412,830	269,825	8,233
Net	$ 4,258,721	$ 3,846,031	$ 117,350

11. DUE TO THE CENTRAL BANK AND COMMERCIAL BANKS

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Due to Central Bank	$ 274,377,225	$ 274,830,032	$ 8,385,612
Transfer deposits from China Post Co.	77,503,067	75,261,706	2,296,384
Overdrafts from other banks	100,932	89,509	2,731
Call loan from other banks	11,209,074	35,147,324	1,072,415
Total	$ 363,190,298	$ 385,328,571	$ 11,757,142

12. BORROWED FUNDS

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Refinancing to borrow funds from Central Bank	$ 12,962,739	$ 13,360,458	$ 407,654
Other funds borrowed from Central Bank	13,448,376	30,821,946	940,439
Funds borrowed from other banks	16,586,284	9,002,783	274,693
Total	$ 42,997,399	$ 53,185,187	$ 1,622,786

13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Financial liabilities held for trading:			
Derivative financial instruments	$ 754,915	$ 3,258,967	$ 99,437
Financial liabilities designated at fair value through profit or loss:			
Financial bonds	49,323,996	44,120,922	1,346,217
Derivative financial instruments	2,148,087	1,164,806	35,541
Total	$ 52,226,998	$ 48,544,695	$ 1,481,195

14. PAYABLES

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Accounts payable	$ 12,485,621	$ 25,691,311	$ 783,893
Bankers' acceptances	12,530,433	8,808,807	268,774
Accrued interests	6,321,016	5,731,228	174,871
Dividends and bonus payable	5,679,263	5,679,263	173,286
Income tax payable	2,414,478	2,070,720	63,182
Accrued expense	3,602,099	2,670,387	81,479
Collections payable for customers	750,412	809,982	24,714
Other payables	2,139,232	1,371,479	41,847
Other payable – parent company account (Note)	1,653,931	2,017,615	61,561
Total	$ 47,576,485	$ 54,850,792	$ 1,673,607

(Note) Please refer to Notes IV 24 and V.

15. DEPOSITS AND REMITTANCES

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Checking deposit	$ 23,562,425	$ 22,592,486	$ 689,342
Demand deposit	265,501,856	270,054,882	8,239,912
Time deposit	528,174,612	591,874,250	18,059,262
Savings deposit	394,547,861	418,387,844	12,765,846
Remittances	12,509,079	3,813,283	116,351
Total	$ 1,224,295,833	$ 1,306,722,745	$ 39,870,713

16. FINANCIAL BONDS PAYABLE

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Subordinated Bonds	$ 16,500,000	$ 27,700,000	$ 845,182
Coordinated Bonds	2,715,871	2,199,347	67,107
Total	$ 19,215,871	$ 29,899,347	$ 912,289

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)	Remark
16-2 Development Financial bond	2001.06.22~ 2008.06.22	3.92	$ 600,000	$ 75,000	$ -	$ -	Interest is paid yearly. The principal is repaid upon 42 months. 1/8 of the principal is repaid at every 6 months.
16-12 Development Financial bond	2001.11.12~ 2008.11.12	2.76	400,000	66,667	-	-	Interest is paid yearly. The principal is repaid upon 24 months. 1/6 of the principal is repaid at every 12 months.
16-20 Development Financial bond	2002.01.08~ 2009.01.08	3.50	720,000	240,000	80,000	2,441	Interest is paid yearly. The principal is repaid upon 36 months. 1/9 of the principal is repaid at every 6 months.
16-28 Development Financial bond	2002.02.18~ 2009.02.18	3.00	140,000	46,667	23,333	712	Interest is paid yearly. The principal is repaid upon 24 months. 1/6 of the principal is repaid at every 12 months.
16-29 Development Financial bond	2002.02.18~ 2009.02.18	3.13	600,000	163,637	54,546	1,664	Interest is paid yearly. The principal is repaid upon 24 months. 1/11 of the principal is repaid at every 6 months.
16-34 Development Financial bond	2002.04.12~ 2009.04.12	3.38	330,000	110,000	36,668	1,119	Interest is paid yearly. The principal is repaid upon 36 months. 1/9 of the principal is repaid at every 6 months.
18-106 Development Financial bond	2003.09.17~ 2008.09.17	Floating rate	3,600,000	3,600,000	-	-	Interest is paid quarterly. The principal is repaid at maturity.
19-6 Development Financial bond	2004.11.26~ 2009.11.26	2.35	500,000	500,000	500,000	15,256	Interest is paid yearly. The principal is repaid at maturity.
19-7 Development Financial bond	2004.11.26~ 2009.11.26	2.35	500,000	500,000	500,000	15,256	Interest is paid yearly. The principal is repaid at maturity.
19-8 Development Financial bond	2004.11.26~ 2009.11.26	2.35	500,000	500,000	500,000	15,256	Interest is paid yearly. The principal is repaid at maturity.
19-9 Development Financial bond	2004.11.26~ 2009.11.26	2.35	500,000	500,000	500,000	15,256	Interest is paid yearly. The principal is repaid at maturity.
93-6 Development Financial bond	2004.06.29~ 2010.01.29	2.70	2,200,000	2,200,000	2,200,000	67,126	Interest is paid yearly. The principal is repaid at maturity.
93-107 Development Financial bond	2004.10.12~ 2010.04.12	2.85	500,000	500,000	500,000	15,256	Interest is paid yearly. The principal is repaid at maturity.
93-207 Development Financial bond	2004.10.12~ 2011.04.12	3.00	4,500,000	4,500,000	4,500,000	137,304	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	152,560	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	9,154	Interest is paid yearly. The principal is repaid at maturity.

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)	Remark
96-4 Development Financial bond	2007.12.28~ 2014.12.28	Floating rate	$ 400,000	$ 400,000	$ 400,000	$ 12,205	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	183,072	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	9,154	Interest is paid yearly. The principal is repaid at maturity.
97-7 Development Financial bond	2008.09.29~ 2010.09.29	2.50	500,000	-	500,000	15,256	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	48,819	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	195,277	Interest is paid yearly. The principal is repaid at maturity.
Other				13,900	4,800	146	Mature but not yet collected
Total				$ 19,215,871	$ 29,899,347	$ 912,289	

17. ACCRUED PENSION LIABILITIES

(1) Net pension cost comprises the following:

	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)
Service cost	$ 494,290	$ 583,565	$ 17,806
Interest cost	209,487	307,168	9,372
Expected return on plan assets	(154,068)	(204,029)	(6,225)
Amortization	46,703	108,962	3,324
Net pension cost	$ 596,412	$ 795,666	$ 24,277

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

	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)
Benefit obligation			
Vested benefit obligation	($ 5,385,259)	($ 6,116,616)	($ 186,630)
Non-vested benefit obligation	(2,085,434)	(2,300,386)	(70,189)
Accumulated benefit obligation	(7,470,693)	(8,417,002)	(256,819)
Effect of future salary increments	(2,969,209)	(3,255,950)	(99,346)
Projected benefit obligation	(10,439,902)	(11,672,952)	(356,165)
Fair value of plan assets	6,740,979	7,495,948	228,717
Funded status	(3,698,923)	(4,177,004)	(127,448)
Unrecognized net transition obligation	218,266	196,588	5,998
Unrecognized service cost in prior year	106,182	83,542	2,549
Non-amortization of gain or loss on plan assets	2,170,297	2,678,554	81,728
Accrued pension liabilities	($ 1,204,178)	($ 1,218,320)	($ 37,173)

(3) Actuarial assumptions

	2007	2008
Discount rate	3.00%	2.75%
Rate of compensation increase in salaries	3.00%	3.00%
Expected rate of return on plan assets	3.00%	2.75%

(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, 2007 and 2008 were NT$38,516 thousand and NT$54,696 thousand, respectively.

18. OTHER FINANCIAL LIABILITIES

	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)
Commercial papers payable	$ 9,991,415	$ -	$ -
Appropriation for loans	8,549,274	5,943,610	181,352
Reserve for loans	110,195	2,853	87
Total	$ 18,650,884	$ 5,946,463	$ 181,439

19. OTHER LIABILITIES

	December 31, 2007 NT	December 31, 2008 NT	December 31, 2008 US (Unaudited)
Refundable deposits	$ 2,168,065	$ 3,410,415	$ 104,059
Reserve for losses on guarantees	1,854,238	1,793,019	54,709
Temporary credits	3,383,417	3,235,267	98,714
Others	3,787,189	3,506,505	106,990
Total	$ 11,192,909	$ 11,945,206	$ 364,472

20. CAPITAL STOCK

As of December 31, 2007 and 2008, the authorized capital stock was $64,109,767 thousand, consisting of 6,410,988 thousand shares, and issued capital stock was $64,109,878 thousand with par value of $10 New Taiwan dollars per share for both years.

21. RETAINED EARNINGS AND DIVIDEND POLICIES

(1) According to the Bank's Articles of incorporation, the annual net income will be used to a) pay income tax; b) offset prior years' deficits; c) provide legal reserve and special reserve and then e) appropriate 2.4% as bonus to employees. Bonuses to employees are to be distributed in cash and to be authorized by the Board of Directors before distribution.

(2) The Bank provides that its annual net income shall be used to pay for all taxes and to offset any accumulated deficits first. The remaining shall be appropriated and distributed a) 30% as legal reserve, unless the balance in the Bank's legal reserve is equivalent to the total capital reserve; b) special reserve based on operating requirements; and c) the remainder: dividends and bonus to shareholders – to be determined by the shareholders, and any remainder from this will be combined with the retained earnings of the following year. Stock dividends to shareholders and bonuses to employees are to be distributed in cash.

(3) Legal reserve can be only used to recover accumulated deficits or to increase capital stock and shall not be used for any other purposes. It is permitted that the legal reserve is used to increase capital stock if the balance of the legal reserve has reached fifty percent of the issued capital stock, and then only half of the legal reserve can be capitalized.

(4) 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.

(5) 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.

(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, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
1998 and onward	$ 17,758,185	$ 7,337,103	$ 223,870

(7) The appropriations and distributions for 2006 and 2007 approved by the Bank's Board of Directors on the stockholders' behalf on April 26, 2007 and May 8, 2008, respectively, were as follows:

	2006	2007	
	NT	NT	US (Unaudited)
Legal reserve	$ 3,505,077	$ 4,209,286	$ 128,433
Special reserve	37,076	38,865	1,186
Cash dividends (NT $1.46 per share)	9,360,043	9,360,043	285,594
Employees cash bonus and remunerations to directors and supervisors	195,395	234,787	7,164
Total	$ 13,097,591	$ 13,842,981	$ 422,377

Information relating to the appropriation of the Bank is available from the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(8) The Bank accrued bonus to employees amounting to NT$0 thousand which was calculated based on the formula stipulated in the Articles of Incorporation.

22. FEE INCOME – NET

	For the years ended December 31,		
	2007	2008	
	NT	NT	US (Unaudited)
Service fee income	$ 7,030,108	$ 6,798,984	$ 207,450
Service fee charges	(776,767)	(658,402)	(20,089)
Net service fee income	$ 6,253,341	$ 6,140,582	$ 187,361

23. STAFF, DEPRECIATION AND AMORTIZATION EXPENSES

The following is a summary of the components of staff, depreciation, and amortization expenses for the years ended December 31, 2007 and 2008, respectively.

	For the years ended December 31,		
	2007	2008	
	NT	NT	US (Unaudited)
Staff expenses			
Payroll expense	$ 7,646,149	$ 6,876,953	$ 209,830
Staff insurance	380,395	418,898	12,781
Pension	651,648	915,321	27,928
Other staff expenses	360,658	381,987	11,655
	$ 9,038,850	$ 8,593,159	$ 262,194
Depreciation	$ 784,653	$ 752,772	$ 22,968
Amortization	$ 22,763	$ 20,283	$ 619

24. INCOME TAX

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

	For the years ended December 31,		
	2007	2008	
	NT	NT	US (Unaudited)
Income tax expense	$ 2,274,288	$ 2,430,027	$ 74,145
Change in deferred income tax	(131,444)	457,020	13,944
Separate tax expenses	(379,334)	(348,009)	(10,618)
Adjustments of prior years' income taxes	13,590	(55,046)	(1,680)
Prepaid and withholding taxes	(247,083)	(762,754)	(23,273)
Income tax payable – current period	$ 1,530,017	$ 1,721,238	$ 52,518

(2) As of December 31, 2008, the income tax returns of the Bank through 2002 have been examined by the tax authorities. In connection with such examinations, the Bank disagreed with the assessment and appealed to the tax authorities for 1998 and 2000.

(3) Deferred income taxes as of December 31, 2007 and 2008 consisted of deferred income tax assets – net (presented as part of other assets), as follows:

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
A. Total deferred income tax liabilities	$ 1,346,292	$ 1,202,895	$ 36,702
B. Total deferred income tax assets	$ 2,177,893	$ 2,491,516	$ 76,021
C. Temporary differences resulting in deferred income tax assets:			
Provision for employees' pension liabilities	$ 1,178,612	$ 1,153,199	$ 35,186
Adjustments for depreciation	949,528	942,609	28,761
Employee welfare	-	44,000	1,342
Unrealized loss on investments	4,751,068	3,833,873	116,979
Bad debt expenses in excess of the amount determined by tax regulation	-	258,599	7,890
Others	674,884	579,772	17,690
D. Temporary differences resulting in deferred income tax liabilities:			
Unrealized foreign exchange gains	$ 2,899,308	$ 954,963	$ 29,138
Cumulative equity in net income of foreign investees	1,320,356	1,619,163	49,404
Unrealized gain on derivative financial instruments	1,016,080	2,074,901	63,309
E. Deferred income tax assets	$ 1,888,523	$ 1,703,013	$ 51,962
Deferred income tax assets attributed to foreign branches	289,370	788,503	24,059
Deferred income tax liabilities	(1,308,936)	(1,162,257)	(35,463)
Deferred income tax liabilities attributed to foreign branches	(37,356)	(40,638)	(1,239)
Deferred income tax assets (liabilities), net	$ 831,601	$ 1,288,621	$ 39,319

(4) The information on the implementation of the integrated income tax system as of December 31, 2007 and 2008 is as follows:

	December 31, 2007	December 31, 2008	
	NT	NT	US (Unaudited)
Balances of the imputed tax	$ 444,302	$ 440,399	$ 13,437

The actual tax ratio for distributing 2007 earnings was 4.59%；the estimated creditable tax ratio for distributing 2008 earnings was 6.00%.

(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 Miscellaneous – Parent Company Account under Payables.

25. EARNINGS PER SHARE

	For the years ended December 31,	
	2007	2008
Weighted-average shares outstanding (shares in thousand)	6,410,988	6,410,988

	For the yeard ended December 31,					
	2007		2008			
	NT		NT		US (Unaudited)	
	Pre-tax	After tax	Pre-tax	After tax	Pre-tax	After tax
Net income	$16,305,240	$14,030,952	$ 5,851,946	$ 3,421,919	$ 178,555	$ 104,410
Earnings per share (in dollars)						
Net income	$ 2.54	$ 2.19	$ 0.91	$ 0.53	$ 0.03	$ 0.02

26. Unrealized revaluation increment

The Bank made revaluations of its assets in accordance with the relevant laws and regulations. As of December 31, 2007 and 2008, the balance of the revaluation increment of land and other fixed assets amounted to NT$1,828,968 thousand and NT$3,658,847 thousand, respectively, and were recorded under "properties and equipment". As of December 31, 2007 and 2008, balance of the reserves for land valuation increment tax were NT$448,258 thousand and NT$988,038 thousand, respectively, and were recorded under "other liabilities".

27. ASSET IMPAIRMENT LOSSES

	For the years ended December 31,		
	2007	2008	
	NT	NT	US (Unaudited)
Available-for-sale financial assets	$ 569,395	$ 2,384,280	$ 72,749
Held-to-maturity financial assets	-	861,290	26,279
Financial assets carried at cost – stocks	1,376,820	1,066,385	32,538
Fixed assets – lands	40,394	194,351	5,930
	$ 1,986,609	$ 4,506,306	$ 137,496

V. RELATED PARTY TRANSACTIONS

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

Related parties	Shorter Name	Relationship
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. (Note 1)	Mega Investment Trust	Jointly controlled by Mega Financial Holdings
Mega Insurance Co., Ltd.	Mega Insurance	Jointly controlled by Mega Financial Holdings
Mega Asset Management Co., Ltd.	Mega Asset	Jointly controlled by Mega Financial Holdings
Mega CTB Venture Capital Co., Ltd.	Mega Venture	Jointly controlled by Mega Financial Holdings
Mega Life Insurance Co., Ltd.	Mega Life Insurance	Jointly controlled by Mega Financial Holdings
Mega International Investment Service Corp.	Mega International Investment Service	Jointly controlled by Mega Financial Holdings
Mega Futures Co., Ltd.	Mega Futures	Jointly controlled by Mega Financial Holdings
Mega Securities Holdings Co., Ltd.	Mega Securities Holdings	Jointly controlled by Mega Financial Holdings
China Post Corporation Limited	China Post	Director of Mega Financial Holdings
Bank of Taiwan Corp.	Bank of Taiwan	Director of Mega Financial Holdings
Yung-Shing Industries Co.	Yung-Shing	Subsidiary of the Bank
China Products Trading Company	China Products	Subsidiary of the Bank
CTB Financial Management & Consulting Co., Ltd.	CTB 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.	Cathay Investment & Warehousing	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
CTB 1 Venture Capital Co., Ltd.	CTB 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 Bills Finance Co., Ltd.	Taiwan Finance	Equity investees
An Fang Co., Ltd.	An Fang	Equity investees
Chinatrust Financial Holdings Co., Ltd	CFH	Business conglomerate of Mega's director
Chinatrust Commercial Bank Co., Ltd. (Note 2)	CCBC	Business conglomerate of Mega's director
Others		Certain directors, supervisors, managers and relatives of the Bank's chairman and general manager

Note 1: International Securities Investment Trust Co., Ltd. entered into a merger contract with Mega International Securities Investment Trust Co., Ltd. on September 17, 2007 with Mega International Securities Investment Trust Co., Ltd. as the dissolving company and International Securities Investment Trust Co., Ltd. as the surviving company which was then renamed as "Mega International Securities Investment Trust Co., Ltd.".

Note 2: Chinatrust Bills Finance Co., Ltd. entered into a merger contract with Chinatrust Commercial Bank Co., Ltd. on April 26, 2008 with Chinatrust Bills Finance Co., Ltd. as the dissolving company and Chinatrust Commercial Bank Co., Ltd. as the surviving company.

2. MAJOR TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(1) Due from and due to banks

	Balance as of December 31, 2007 NT	Balance as of December 31, 2008 NT	Balance as of December 31, 2008 US (Unaudited)	Highest Outstanding Balance For The Years Ended December 31, 2007 NT	Highest Outstanding Balance For The Years Ended December 31, 2008 NT	Highest Outstanding Balance For The Years Ended December 31, 2008 US (Unaudited)	Interest Rate (%) 2007	Interest Rate (%) 2008	Total Interest Income (Expense) 2007 (NT)	Total Interest Income (Expense) 2008 (NT)	Total Interest Income (Expense) 2008 (US) (Unaudited)
Due from banks											
Mega ICBC (Canada)	$ 501,381	$ 186,330	$ 5,685	$ 852,732	$ 595,757	$ 18,178	3.42~5.47	0.01~4.34	$ 18,186	$ 4,633	$ 141
Mega Bills	-	-	-	2,000,000	5,000,000	152,560	1.72~2.60	1.80~2.07	3,057	3,970	121
Bank of Taiwan	10,444	7,307	223	7,817,522	1,878,917	57,329	1.69~2.23	0.35~2.23	9,465	543	17
Mega ICBC (Thailand)	12,429	4,832	147	43,093	103,951	3,172	9.00	8.00~9.00	90	38	1
Chinatrust Commercial Bank	-	-	-	-	2,022,771	61,719	-	0.47~1.00	-	79	2
Due to banks											
China Post	$ 77,677,955	$ 75,370,246	$ 2,299,696	$ 100,377,354	$ 113,377,330	$ 3,459,368	0.01~2.82	0.01~2.83	($ 1,698,021)	($ 1,984,121)	($ 60,539)
Mega ICBC (Canada)	93,076	257,693	7,863	343,138	298,142	9,097	3.97~5.19	0.01~4.75	(3,378)	(1,907)	(58)
Mega ICBC (Thailand)	248,297	393,186	11,997	2,024,092	2,844,815	86,801	3.13~5.19	1.00~6.50	(16,215)	(3,907)	(119)
Chinatrust Commercial Bank	102,788	799,889	24,406	215,724	1,600,000	48,819	0.00	0.60~1.00	-	(209)	(6)
Bank of Taiwan	-	-	-	10,000,000	5,487,090	167,422	1.74~3.5	0.30~2.72	(15,486)	(16,892)	(515)

(2) Loans and deposits

	Counterparty	Balance as of December 31, 2007 NT	2007 % of Total	2008 NT	2008 US (Unaudited)	2008 % of Total	Total Interest Income (Expense) For The Years Ended December 31, 2007 NT	2007 % of Total	2008 NT	2008 US (Unaudited)	2008 % of Total	Interest Rate (%) 2007	Interest Rate (%) 2008
Deposits	All related parties	$51,135,500	4.22	$ 44,700,224	$ 1,363,893	3.43	($ 954,738)	2.45	($ 679,637)	($ 20,737)	1.96	0~13	0~13
Loans	All related parties	109,005,720	9.06	116,671,087	3,559,867	8.87	3,308,317	5.39	3,273,994	99,896	5.33	0~8.75	0~8.69

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

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

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

(3) Lease Agreements

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

Related Party	Lease Period	Lease Receipt Method	For the years ended December 31, 2007 NT Rental Revenue	2008 NT Rental Revenue	2008 US (Unaudited) Rental Revenue
Win Card	2008.01-2015.01	Quarterly	$ -	$ 10,490	$ 320
Yung-Shing	2006.10-2009.09	Quarterly	-	1,648	50
Mega Insurance	2003.05-2009.04	Monthly	2,397	2,431	74
Mega Life Insurance	2001.01-2011.06	Monthly	-	1,124	34
Mega Securities	2003.03-2009.12	Monthly	18,210	18,620	568
CTB Financial Management & Consulting	2005.10-2009.08	Monthly	1,407	1,421	43
Mega Bills	2005.01-2010.12	Monthly	44,323	44,550	1,359
Mega Asset	2006.04-2010.12	Monthly	6,298	6,392	195
Mega Financial Holdings	2006.08-2010.07	Monthly	216	216	7
Mega Investment Trust	2007.08-2012.07	Monthly	3,506	10,605	324
Win Card	2001.01-2008.01	Quarterly	9,835	-	-
Yung-Shing	2005.04-2007.04	Quarterly	1,569	-	-
Mega Life Insurance	2001.01-2008.01	Monthly	1,560	-	-

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, 2007 NT Rental Expense	2008 NT Rental Expense	2008 US (Unaudited) Rental Expense
Yung-Shing	1994.12-2014.11	Annually	$ 5,961	$ 6,260	$ 191
Mega Insurance	2007.12-2011.11	Monthly	-	22,272	680
China Products	2003.04-2009.03	Monthly	1,760	1,759	54
Mega Bills	2006.05-2010.12	Monthly	105,600	106,928	3,263
Mega Financial Holdings	2006.12-2010.12	Monthly	5,922	6,538	199
Mega Securities	Note	Note	4,309	4,833	147
Cathay Investment & Warehousing	1996.08-2011.08	Monthly	8,789	8,242	251
Mega Insurance	2003.12-2012.08	Monthly	19,874	-	-

Note: The Bank sets up offices of 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 certain percentage of deposit balance of each operating base.

(4) Transaction balance of financial instruments

1. Financial assets designated at fair value through profit or loss

	December 31, 2007 Amount (NT)	December 31, 2007 % of Total	December 31, 2008 Amount (NT)	December 31, 2008 % of Total	December 31, 2008 US (Unaudited)
Financial bonds issued by Chinatrust Commercial Bank	$ -	-	$ 1,520,734	3.79	$ 46,401
Bills issued by Chinatrust Bills Finance	980,620	1.15	-	-	-
	$ 980,620	1.15	$ 1,520,734	3.79	$ 46,401

2. Available-for-sale financial assets

	December 31, 2007 Amount (NT)	December 31, 2007 % of Total	December 31, 2008 Amount (NT)	December 31, 2008 % of Total	December 31, 2008 US (Unaudited)
Financial bonds issued by Chinatrust Commercial Bank	$ -	-	$ 335,624	3.33	$ 10,241
Bills issued by Chinatrust Bills Finance	200,619	0.21	-	-	-
	$ 200,619	0.21	$ 335,624	3.33	$ 10,241

3. Other financial assets

	December 31, 2007 Amount (NT)	December 31, 2007 % of Total	December 31, 2008 Amount (NT)	December 31, 2008 % of Total	December 31, 2008 US (Unaudited)
Beneficiary securities issued by Chinatrust Commercial Bank	$ 816,345	3.40	$ 393,590	1.86	$ 12,009

(5) Miscellaneous Payables – Parent Company Account

	December 31, 2007 Amount (NT)	December 31, 2007 % of Total	December 31, 2008 Amount (NT)	December 31, 2008 % of Total	December 31, 2008 US (Unaudited)
Mega Financial Holdings	$ 1,653,931	3.48	$ 2,017,615	3.68	$ 61,561

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

(6) Service Fees

	For the years ended December 31, 2007 Amount (NT)	2007 % of Total	2008 Amount (NT)	2008 % of Total	2008 Amount (US)(Unaudited)
Mega Life Insurance	$ 326,434	4.64	$ 196,755	2.89	$ 6,003

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

(7) Service Fees Expense

	For the years ended December 31,				
	2007		2008		2008
	Amount (NT)	% of Total	Amount (NT)	% of Total	US (Unaudited)
Mega Securities	$ -	-	$ 978	0.15	$ 30

The service fees are chargeable based on certain percentage of securities deposits balance when the balance meets certain threshold.

(8) Insurance Expense

	For the years ended December 31,				
	2007		2008		2008
	Amount (NT)	% of Total	Amount (NT)	% of Total	US (Unaudited)
Mega Insurance	$ 57,277	10.73	$ 42,752	7.50	$ 1,304
China Product	102	0.02	125	0.02	4
	$ 57,379	10.75	$ 42,877	7.52	$ 1,308

(9) For the years ended December 31, 2007 and 2008, the commissions and service revenue from International Security Investment Trust Corporation was NT$49,509 thousand and NT$37,906 thousand (US$1,157 thousand), respectively. The uncollected balance on the related receivable was NT$227,003 thousand and NT$152,929 thousand (US$4,666 thousand) as of December 31, 2007 and 2008, respectively.

As Mega Diamond Bond Fund managed by Mega Investment Trust Co., Ltd. ("MITC") indirectly held Lehman Brothers' bonds, in the view of maintaining order of financial market and protecting asset safety of investors, MITC consigned the Bank to purchase Asset-Backed Commercial Papers（"ABCP"） amounting to $1,878,000 thousand (US$57,302 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 secutities (losses from disposal of ABCP and relevant funding cost for purchasing ABCP are also inclusive.).

(10) The Bank's processes of printing documents have been outsourced to Yung-Shing Industries Co. Under this arrangement, the Bank paid operating expenses of NT$137,007 thousand and NT$116,824 thousand (US$3,565 thousand) for the years ended December 31, 2007 and 2008, respectively.

(11) Starting January, 2001, certain processes of the Bank's credit card operations have been outsourced to Win Card Co., Ltd. Under this arrangement, the Bank paid operating expenses of NT$233,093 thousand and NT$208,798 thousand (US$6,371 thousand) for the years ended December 31, 2007 and 2008, respectively.

(12) Loans

December 31, 2008 (Expressed in thousands of New Taiwan 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	18	$ 11,750	$ 9,649	V	-	None	None
Home mortgage loans	56	333,798	300,139	V	-	Real estate	None
Other loans	1	282,000	259,000	V	-	Real estate	None

December 31, 2007 (Expressed in thousands of New Taiwan 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	19	$ 11,742	$ 10,189	V	-	None	None
Home mortgage loans	50	249,519	223,902	V	-	Real estate	None
Other loans	2	139,000	114,000	V	-	Real estate	None

(13) Guarantees:

The Bank did not provide financial guarantees for related parties as of December 31, 2008.

December 31, 2007

(Expressed in thousands of New Taiwan dollars)

Name of related party	Highest balance	Ending balance	Balance of reserve for guarantees	Interest rate	Collateral
Mega Insurance Co., Ltd.	8,040	8,040	-	1%	The Bank's certificate of deposits

(14) Related party transactions of derivative financial instruments:

Related Party	Derivative Contracts	Contract Period	Notional Amount	Valuation gain (loss)	December 31, 2008	
					Account	Balance
Chinatrust Commercial Bank	Interest rate swap contracts	2004/3/23-2015/4/17	NT$12,090,000 (US$368,890 thousand)	(NT$147,954) (US$4,514 thousand)	Financial assets held for trading	(NT$147,954) (US$4,514 thousand)
	Cross-currency swap contracts	2004/7/16-2009/7/16	500,000 (US$15,256 thousand)	2,046 (US$62 thousand)	Financial assets held for trading	2,046 (US$62 thousand)

Related Party	Derivative Contracts	Contract Period	Notional Amount	Valuation gain (loss)	December 31, 2007	
					Account	Balance
Chinatrust Commercial Bank	Interest rate swap contracts	2003/11/20-2014/3/31	$ 15,000,000	($ 66,136)	Financial assets held for trading	($ 66,136)
	Cross-currency swap contracts	2004/7/16-2009/7/16	500,000	(5,732)	Financial assets held for trading	(5,732)

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

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

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

	For the years ended December 31,		
	2007	2008	2008
	NT	NT	US (Unaudited)
Salaries	$ 49,844	$ 40,270	$ 1,229
Bonus	26,910	28,645	874
Business expenses	7,075	8,191	250
Earnings distribution (Note)	1,151	-	-
	$ 84,980	$ 77,106	$ 2,353

A. Salaries represent salary, extra pay for duty, pension and severance pay.
B. Bonus represents bonus and reward.
C. Business expenses represent transportation expense, extraneous charges, subsidies, dormitory and car provided.
D. Earnings distribution represents estimated remunerations to be paid to supervisors and directors and bonus to be paid to employees in 2008.
E. Please refer to the Bank's Annual Report for relevant information.
(Note) The amount is the actual earnings distribution for 2007.

VI. PLEDGED ASSETS

Please refer to Notes IV 6, 7 and 9.

VII. COMMITMENTS AND CONTINGENT LIABILITIES

1. As of December 31, 2007 and 2008, the Bank had the following commitments and contingent liabilities not reflected in the financial statements:

	December 31,		
	2007	2008	2008
	NT	NT	US (Unaudited)
Loan commitments	$ 759,133,136	$ 842,717,797	$ 25,712,998
Securities sold under repurchase agreement	14,476,121	11,248,556	343,216
Securities purchased under resale agreement	1,736,024	1,705,861	52,049
Credit card line commitments	53,180,868	47,399,797	1,446,262
Guarantees issued	158,233,803	154,226,725	4,705,764
Letters of credit	77,109,541	65,659,968	2,003,416
Customers' securities under custody	452,130,840	230,539,879	7,034,231
Properties under custody	277,207	391,511	11,946
Guarantee received	76,604,102	102,686,224	3,133,161
Collections for customers	333,049,007	186,786,368	5,699,224
Agency loans payable	6,834,036	5,664,705	172,841
Travelers' checks consigned-in	2,595,444	2,282,810	69,653
Payables on gold consigned-in	32,299	29,009	885
Payables on consignments-in	5,760	4,867	149
Agent for government bonds	289,952,166	210,182,278	6,413,080
Short-dated securities under custody	41,463,892	45,034,345	1,374,088
Investments for customers	346,307	265,016	8,086
Trust liability	334,967,444	449,003,733	13,699,998
Certified notes paid	13,838,334	14,349,527	437,833
Total	$ 2,615,966,331	$ 2,370,178,976	$ 72,318,880

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$134,044 thousand (part of other assets). Rentals for the next five years are as follows:

Year	NT	US (Unaudited)
2009	$ 468,672	$ 14,300
2010	405,216	12,364
2011	220,556	6,730
2012	158,194	4,827
2013 and after	97,131	2,964
	$ 1,349,769	$ 41,185

3. Please refer to Note IV 4(6) for details.

VIII. SIGNIFICANT DISASTER LOSS

None.

IX. SIGNIFICANT SUBSEQUENT EVENT

None.

X. OTHERS

1. INFORMATION ON FINANCIAL INSTRUMENTS

(1) Fair Value

	December 31, 2007		December 31, 2008			
	NT				US (Unaudited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments						
Assets						
Cash and cash equivalents	$ 89,717,998	$ 89,717,998	$ 260,540,022	$ 260,540,022	$ 7,949,595	$ 7,949,595
Due from the Central Bank and call loans to banks	249,394,299	249,394,299	103,069,179	103,069,179	3,144,846	3,144,846
Financial assets held for trading						
Stocks	1,610,452	1,610,452	-	-	-	-
Beneficiary certificates	566,344	566,344	-	-	-	-
Financial bonds	1,288,984	1,288,984	664,274	664,274	20,268	20,268
Financial assets designated at fair value through profit or loss						
Stocks	2,839	2,839	-	-	-	-
Corporate bonds	20,392,313	20,392,313	12,575,262	12,575,262	383,696	383,696
Governments bonds	7,823,105	7,823,105	6,830,570	6,830,570	208,414	208,414
Financial bonds	11,244,013	11,244,013	13,625,202	13,625,202	415,732	415,732
Certificate of deposits	40,090,820	40,090,820	-	-	-	-
Securities purchased under resale agreements	1,729,123	1,729,123	1,703,165	1,703,165	51,967	51,967
Receivables－net	82,462,038	82,462,038	95,679,862	95,679,862	2,919,383	2,919,383
Bills discounted and loans－net	1,194,304,385	1,194,304,385	1,303,532,614	1,303,532,614	39,773,376	39,773,376
Available-for-sale financial assets						
Stocks	8,860,756	8,860,756	5,526,079	5,526,079	168,612	168,612
Commercial papers	4,300,516	4,300,516	10,551,441	10,551,441	321,945	321,945
Governments bonds	30,379,599	30,379,599	24,091,923	24,091,923	735,093	735,093
Treasury bills	179,096	179,096	249,698	249,698	7,619	7,619
Corporate bonds	21,185,058	21,185,058	20,431,814	20,431,814	623,415	623,415
Beneficiary certificates	1,380,286	1,380,286	573,843	573,843	17,509	17,509
Beneficiary securities	16,282,717	16,282,717	11,678,254	11,678,254	356,327	356,327
Financial bonds	15,366,100	15,366,100	25,942,139	25,942,139	791,546	791,546
Certificate of deposits	5,198,706	5,198,706	2,396,485	2,396,485	73,122	73,122
Held-to-maturity financial assets	89,413,152	89,413,152	94,257,827	94,257,827	2,875,994	2,875,994
Other financial assets	23,957,245	23,957,245	21,168,785	21,168,785	645,901	645,901
Liabilities						
Due to the Central Bank and other banks	363,190,298	363,190,298	385,328,571	385,328,571	11,757,142	11,757,142
Funds borrowed from the Central Bank and other banks	42,997,399	42,997,399	53,185,187	53,185,187	1,622,786	1,622,786
Financial Liabilities at fair value through profit or loss						
Financial bonds	49,323,996	49,323,996	44,120,922	44,120,922	1,346,217	1,346,217
Securities sold under repurchase agreements	14,452,936	14,452,936	11,239,752	11,239,752	342,947	342,947
Payables	47,576,485	47,576,485	54,850,792	54,850,792	1,673,607	1,673,607
Deposits and remittances	1,224,295,833	1,224,295,833	1,306,722,745	1,306,722,745	39,870,713	39,870,713
Financial bonds payable	19,215,871	19,215,871	29,899,347	29,899,347	912,289	912,289
Other financial liabilities	18,650,884	18,650,884	5,946,463	5,946,463	181,439	181,439

Non-hedging derivative financial instruments

	December 31, 2007		December 31, 2008			
	NT				US (Unaudited)	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Forward exchange contracts	$ 167,255,320	$ 306,540	$ 154,490,222	$ 2,223,517	$ 4,713,804	$ 67,844
Interest rate swap contracts	175,747,045	(253,541)	179,439,191	1,514,924	5,475,047	46,223
Cross-currency swap contracts	116,496,964	(161,916)	66,252,408	(1,073,330)	2,021,493	(32,749)
Assets swap contracts	6,724,903	(442,059)	8,416,614	231,921	256,808	7,076
Options	31,131,866	(3,257)	21,853,146	(754,144)	666,783	(23,010)
Credit default swap	2,241,396	(86,101)	1,638,700	(168,311)	50,000	(5,135)
Currency swap	119,253,870	(375,790)	291,338,239	5,661	8,889,310	173

(2) The methods and assumptions used to estimate the fair value of financial instruments are as follows:

A. The carrying values of cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, due to the central bank and other banks, payables, remittances, borrowed funds, and other financial liabilities approximate the fair values because of the short maturity of these instruments.

B. Among financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and other financial assets, the fair value of investments is determined by reference to the closing price at the balance sheet date for listed shares and depositary receipts, net asset value for open-ended funds, the quoted price at the balance sheet date for bonds, the clearing value, quoted price or value defined by model theory for derivative financial instruments, and valuation techniques for financial instruments with no active market.

C. Bills discounted and loans, securities sold under agreements to repurchase, 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.

D. Since financial assets carried at cost are composed of unlisted stocks or those not actively traded in the market which do not have 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,					
	2007		2008			
	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	$ 1,610,452	$ -	$ -	$ -	$ -	$ -
Beneficiary certificates	566,344	-	-	-	-	-
Financial bonds	-	1,288,984	-	-	664,274	20,268
Financial assets designated at fair value through profit or loss						
Stocks	2,839	-	-	-	-	-
Corporate bonds	-	20,392,313	-	-	12,575,262	383,696
Government bonds	7,823,105	-	6,830,570	208,414	-	
Financial bonds	-	11,244,013	-	-	13,625,202	415,732
Certificate of deposits	-	40,090,820	-	-	-	-
Available-for-sale financial assets						
Stocks	8,860,756	-	5,526,079	168,612	-	-
Commercial papers	-	4,300,516	-		10,551,441	321,945
Government bonds	30,379,599	-	24,091,923	735,093	-	-
Treasury bills	-	179,096	-	-	249,698	7,619
Corporate bonds	-	21,185,058	-	-	20,431,814	623,415
Beneficiary certificates	1,380,286	-	573,843	17,509	-	-
Beneficiary securities	-	16,282,717	-	-	11,678,254	356,327
Financial bonds	-	15,366,100	-	-	25,942,139	791,546
Certificate of deposits	-	5,198,706	-	-	2,396,485	73,122
Receivables – net	-	82,462,038	-	-	95,679,862	2,919,383
Bills discounted and loans – net	-	1,194,304,385	-	-	1,303,532,614	39,773,376
Held-to-maturity financial assets	-	89,413,152	-	-	94,257,827	2,875,994
Other financial assets	-	23,956,245	-	-	21,168,785	645,901
Liabilities						
Due to the Central Banks and other banks	$ -	$ 363,190,298	$ -	$ -	$ 385,328,571	$ 11,757,142
Funds borrowed from the Central banks and other banks	-	42,,997,399	-	-	53,185,187	1,622,786
Financial liabilities designated at fair value through profit or loss						
Financial bonds	-	49,323,996	-	-	44,120,922	1,346,217
Payables	-	47,576,485	-	-	54,850,792	1,673,607
Deposits and remittances	-	1,224,295,833	-	-	1,306,722,745	39,870,713
Financial bonds payable	-	19,215,871	-	-	29,899,347	912,289
Other financial liabilities	-	18,650,884	-	-	5,946,463	181,439
Non-hedging derivative financial instruments						
Financial assets held for trading	-	384,159	-	-	4,250,700	129,698
Financial assets designated at fair value through profit or loss	-	1,502,719	-	-	2,153,311	65,702
Financial liabilities held for trading	-	754,915	-	-	3,258,967	99,437
Financial liabilities designated at fair value through profit or loss	-	2,148,087	-	-	1,164,806	35,541

(4) Net loss arising from derivative financial instruments at fair value through profit or loss for the years ended December 31, 2007 and 2008 amounted to NT$2,064,573 thousand and NT$333,349 thousand (US$10,171 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, 2007 and 2008 amounted to NT$59,724,120 thousand and NT$59,982,686 thousand (US$1,830,191 thousand), respectively.

(6) The adjustment in equity arising from available-for-sale financial assets for the years ended December 31, 2007 and 2008 amounted to NT$2,686,918 thousand and NT$5,767,728 thousand (US$175,985 thousand), respectively.

2. INFORMATION ON FINANCIAL RISK

(1) Market risk

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

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

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

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

(2) Credit risk

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

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

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

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

	December 31,					
	2007		2008			
	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	$ 84,905,748	$ 86,848,050	$ 40,099,319	$ 1,223,510	$ 42,843,533	$ 1,307,242
Available-for-sale financial assets	103,132,834	103,132,834	101,441,676	3,095,188	101,441,676	3,095,188
Bills discounted and loans	1,194,304,385	1,194,304,385	1,303,532,614	39,773,376	1,303,532,614	39,773,376
Held-to-maturity financial assets	89,413,152	89,413,152	94,257,827	2,875,994	94,257,827	2,875,994
Off-balance sheet commitments and guarantees	2,615,966,331	2,615,966,331	2,370,178,976	72,318,880	2,370,178,976	72,318,880
Total	$4,087,722,450	$4,089,664,752	$3,909,510,412	$ 119,286,948	$3,912,254,626	$ 119,370,680

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, 2007 and 2008, collaterals secured approximately 51.20% and 48.66%, 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:

	December 31,					
	2007		2008			
	Book value	Maximum risk exposure amount	Book value		Maximum risk exposure amount	
Industry type	NT	NT	NT	US (Unaudited)	NT	US (Unaudited)
Manufacturing	$ 430,987,289	$ 430,987,289	$ 481,773,816	$ 14,699,878	$ 481,773,816	$ 14,699,878
Financial institution, insurer, real estate and leasing	199,572,751	199,572,751	184,648,034	5,633,979	184,648,034	5,633,979
Wholesale and retail sale	102,286,469	102,286,469	107,950,842	3,293,795	107,950,842	3,293,795
Shipping and warehouse storage	62,999,730	62,999,730	62,040,294	1,892,973	62,040,294	1,892,973
Government institution	29,102,378	29,102,378	61,442,342	1,874,728	61,442,342	1,874,728
Individuals	256,785,239	256,785,239	265,728,484	8,107,905	265,728,484	8,107,905
Others	291,557,521	291,557,521	315,256,275	9,619,097	315,256,275	9,619,097
Total	$1,373,291,377	$1,373,291,377	$1,478,840,087	$ 45,122,355	$1,478,840,087	$ 45,122,355
Geographic region						
Domestic	$1,188,628,596	$1,188,628,596	$1,072,887,461	$ 32,735,933	$1,072,887,461	$ 32,735,933
North America	55,830,630	55,830,630	70,112,652	2,139,276	70,112,652	2,139,276
Others	128,832,151	128,832,151	335,839,974	10,247,146	335,839,974	10,247,146
Total	$1,373,291,377	$1,373,291,377	$1,478,840,087	$ 45,122,355	$1,478,840,087	$ 45,122,355

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

Contract amounts of significant credit risk concentration are as follows:

December 31, 2008			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	Formosa Plastics Group	$ 51,348,824	36.24%
2	CHIMEI Group	19,131,809	13.50%
3	BENQ Group	15,430,473	10.89%
4	China Steel Group	12,538,316	8.85%
5	Uni-President Group	11,900,402	8.40%
6	ACER Group	11,507,181	8.12%
7	Far Eastern Group	11,260,175	7.95%
8	E-United Group	10,077,798	7.11%
9	Taiwan Cement Group Companies	10,053,965	7.10%
10	Powerchip semiconductor Group	9,906,004	6.99%

December 31, 2007			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	Formosa Plastics Group	$ 49,369,886	32.38%
2	BENQ Group	20,888,282	13.70%
3	Far Eastern Group	16,053,053	10.53%
4	CHIMEI Group	15,463,029	10.14%
5	Shin Kong Group	10,572,324	6.93%
6	Taiwan Cement Group Companies	10,386,663	6.81%
7	Uni-President Group	10,186,244	6.68%
8	Ta Tung Group	9,520,800	6.24%
9	China Steel Group	8,732,980	5.73%
10	China Airlines	8,249,085	5.41%

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total outstanding loan amount.

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

<table>
<tr><td></td><td colspan="2">December 31, 2007</td><td colspan="2">December 31, 2008</td></tr>
<tr><td>Amount of credit extensions to interested parties</td><td colspan="2">$ 89,594,879</td><td colspan="2">$ 86,738,710</td></tr>
<tr><td>Ratio of credit extensions to interested parties (%)</td><td colspan="2">6.65%</td><td colspan="2">5.72%</td></tr>
<tr><td>Ratio of credit extensions secured by stocks (%)</td><td colspan="2">3.29%</td><td colspan="2">2.01%</td></tr>
<tr><td rowspan="4">Industry concentration (Ranking the top 3 ratio of amount of credit extensions / total credit extensions)</td><td>Industry</td><td>Ratio</td><td>Industry</td><td>Ratio</td></tr>
<tr><td>Manufacturing</td><td>34.6%</td><td>Manufacturing</td><td>33.67%</td></tr>
<tr><td>Transportation and telecommunication industry</td><td>9.36%</td><td>Transportation and Storehouse industry</td><td>8.78%</td></tr>
<tr><td>Real estate industry</td><td>7.73%</td><td>Real estate industry</td><td>7.24%</td></tr>
</table>

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.

Mega International Commercial Bank Co., Ltd.
Analysis for time to maturity of the Bank's assets and liabilities
December 31, 2007

Unit: thousands of New Taiwan dollars

Financial instruments	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call Loans to banks	$ 249,394,767	$ 249,394,299	$ -	$ -	$ -	$ -	$ 249,394,767	$ 249,394,299
Financial assets at fair value through profit or loss (Note)	50,217,250	50,217,250	28,927,689	28,927,689	1,694,296	1,694,296	80,839,235	80,839,235
Securities purchased under resale agreements	1,729,123	1,729,123	-	-	-	-	1,729,123	1,729,123
Bills discounted and loans	327,345,603	325,878,508	447,382,358	444,636,131	428,244,539	423,789,746	1,202,972,500	1,194,304,385
Available-for-sale financial assets (Note)	37,420,663	37,420,663	47,461,217	47,461,217	8,009,912	8,009,912	92,891,792	92,891,792
Held-to-maturity financial assets	79,479,490	79,479,490	9,695,241	9,695,241	238,421	238,421	89,413,152	89,413,152
Other financial assets (Note)	514,906	351,852	1,416,345	1,416,345	-	-	1,931,251	1,769,197
Total Assets	746,101,802	744,471,185	534,882,850	532,136,623	438,187,168	433,732,375	1,719,171,820	1,710,341,183
Liabilities								
Due to the Central Bank and commercial banks	363,190,298	363,190,298	-	-	-	-	363,190,298	363,190,298
Borrowed funds from the Central Bank and other banks	42,997,399	42,997,399	-	-	-	-	42,997,399	42,997,399
Financial liabilities at fair value through profit or loss (Note)	11,858,095	11,858,095	37,465,901	37,465,901	-	-	49,323,996	49,323,996
Securities sold under repurchase agreements	14,452,936	14,452,936	-	-	-	-	14,452,936	14,452,936
Time deposit	647,191,915	647,191,915	18,628,420	18,628,420	-	-	665,820,335	665,820,335
Financial bonds payable	3,755,567	3,755,567	15,460,304	15,460,304	-	-	19,215,871	19,215,871
Other financial liabilities	18,650,884	18,650,884	-	-	-	-	18,650,884	18,650,884
Total Liabilities	1,102,097,094	1,102,097,094	71,554,625	71,554,625	-	-	1,173,651,719	1,173,651,719
Net liquidity gap	($ 355,995,292)	($ 357,624,909)	$ 463,328,225	$ 460,581,998	$ 438,187,168	$ 433,732,375	$ 545,520,101	$ 536,689,464

(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, 2008

Unit: thousands of New Taiwan dollars

Financial instruments	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call Loans to banks	$ 103,069,745	$ 103,069,179	$ -	$ -	$ -	$ -	$ 103,069,745	$ 103,069,179
Financial assets at fair value through profit or loss (Note)	13,401,883	13,401,883	19,884,040	19,884,040	409,385	409,385	33,695,308	33,695,308
Securities purchased under resale agreements	1,703,165	1,703,165	-	-	-	-	1,703,165	1,703,165
Bills discounted and loans	336,741,590	334,996,827	542,968,891	538,459,469	435,626,783	430,076,318	1,315,337,264	1,303,532,614
Available-for-sale financial assets (Note)	36,868,777	36,868,777	48,711,924	48,711,924	9,761,053	9,761,053	95,341,754	95,341,754
Held-to-maturity financial assets	80,682,841	80,682,841	13,349,654	13,349,654	225,332	225,332	94,257,827	94,257,827
Other financial assets (Note)	816,815	86,860	993,590	993,590	-	-	1,810,405	1,080,450
Total Assets	573,284,816	570,809,532	625,908,099	621,398,677	446,022,553	440,472,088	1,645,215,468	1,632,680,297
Liabilities								
Due to the Central Bank and commercial banks	385,328,571	385,328,571	-	-	-	-	385,328,571	385,328,571
Borrowed funds from the Central Bank and other banks	53,185,187	53,185,187	-	-	-	-	53,185,187	53,185,187
Financial liabilities at fair value through profit or loss (Note)	16,117,241	16,117,241	28,003,681	28,003,681	-	-	44,120,922	44,120,922
Securities sold under repurchase agreements	11,239,752	11,239,752	-	-	-	-	11,239,752	11,239,752
Time deposit	776,882,053	776,882,053	34,229,133	34,229,133	-	-	811,111,186	811,111,186
Financial bonds payable	2,199,347	2,199,347	27,700,000	27,700,000	-	-	29,899,347	29,899,347
Other financial liabilities	5,946,463	5,946,463	-	-	-	-	5,946,463	5,946,463
Total Liabilities	1,250,898,614	1,250,898,614	89,932,814	89,932,814	-	-	1,340,831,428	1,340,831,428
Net liquidity gap	($ 677,613,798)	($ 680,089,082)	$ 535,975,285	$ 531,465,863	$ 446,022,553	$ 440,472,088	$ 304,384,040	$ 291,848,869

(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, 2008

Unit: thousands of US dollars

Financial instruments	1 year		1~7 years		over 7 years		Total	
	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount	Amount	Recoverable amount or repayment amount
Assets								
Due from Central Bank and call Loans to banks	$ 3,144,863	$ 3,144,846	$ -	$ -	$ -	$ -	$ 3,144,863	$ 3,144,846
Financial assets at fair value through profit or loss (Note)	408,918	408,918	606,702	606,702	12,491	12,491	1,028,111	1,028,111
Securities purchased under resale agreements	51,967	51,967	-	-	-	-	51,967	51,967
Bills discounted and loans	10,274,656	10,221,420	16,567,062	16,429,471	13,291,841	13,122,485	40,133,559	39,773,376
Available-for-sale financial assets (Note)	1,124,940	1,124,940	1,486,298	1,486,298	297,829	297,829	2,909,067	2,909,067
Held-to-maturity financial assets	2,461,794	2,461,794	407,325	407,325	6,875	6,875	2,875,994	2,875,994
Other financial assets (Note)	24,923	2,650	30,316	30,316	-	-	55,239	32,966
Total Assets	17,492,061	17,416,535	19,097,703	18,960,112	13,609,036	13,439,680	50,198,800	49,816,327
Liabilities								
Due to the Central Bank and commercial banks	11,757,142	11,757,142	-	-	-	-	11,757,142	11,757,142
Borrowed funds from the Central Bank and other banks	1,622,786	1,622,786	-	-	-	-	1,622,786	1,622,786
Financial liabilities at fair value through profit or loss (Note)	491,769	491,769	854,448	854,448	-	-	1,346,217	1,346,217
Securities sold under repurchase agreements	342,947	342,947	-	-	-	-	342,947	342,974
Time deposit	23,704,218	23,704,218	1,044,399	1,044,399	-	-	24,748,617	24,748,617
Financial bonds payable	67,107	67,107	845,182	845,182	-	-	912,289	912,289
Other financial liabilities	181,439	181,439	-	-	-	-	181,439	181,439
Total Liabilities	38,167,408	38,167,408	2,744,029	2,744,029	-	-	40,911,437	40,911,437
Net liquidity gap	($ 20,675,347)	($ 20,750,873)	$ 16,353,674	$ 16,216,083	$ 13,609,036	$ 13,439,680	$ 9,287,363	$ 8,904,890

(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, 2008, expected repricing and maturity dates of interest-bearing financial instruments are not affected by dates of related contracts.

3. CONTROL RISK AND HEDGE

The risk management policies and practices and major exposure of risk conditions of the credit risk, market risk, business 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 Loan Committee, Problem Loan Committee, Investment Committee, Fund Management Committee, Assets & liabilities Management Committee and Personal Appraisal Committee subordinated under the President are responsible for reviewing relevant risk proposals. In addition, a disaster (risk) emergency team convened by the President for the purpose of disaster or other contingent events, take appropriate actions to minimize losses, end disaster/risk and restore normal business operations.

Risk management is controlled by each individual department of head office according to its authorization and responsibility. For example: in terms of credit risk, Corporate Banking Department is responsible for risk management of corporate banking business, management of large amount of money and risk exposure of related parties, credit policy and to draft relevant Articles; Retail Banking Department is in charge of risk management of consumer financing, wealth management and credit card business and to draft relevant Articles; Direct Investment Department manages risk management of investment business and to draft relevant Articles; Investment Banking Department presides over risk management of investment banking, financial assets and real estate securitization and to draft relevant Articles; Credit Department takes care of credit checking, analysis evaluation of corporate banking clients and to draft relevant Articles. For market risk, Risk management is carried out by Treasury Department, accounting for setting up pricing model and valuation system of financial instruments and to draft relevant Articles. For operation risk, losses may incur 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 to set up the Bank's short-term, medium-term and long-term targets, drive risk management implementation of the Bank, summarize risk controls and report to 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 policies of the risk management by functions are as follows:

(1) Credit risk

A. Procedure 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 tolerant limits and maintains sound credit risk management organizations and standards through stipulating 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 current credit rating system and then strengthens monitoring of credit risk.

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. In order to execute this strategy, the Bank sets regulations for procedures to evaluate asset rewards for dealing with recovery of non-performing loans, outsourcing of loans receivable as a base for managing doubtful credits and overdue loans.

B. Principles of measuring and controlling

The Bank's goals of credit risk management are set from downward sloping to upward sloping annually and then presented to the Board of Directors for approval. In order to strengthen the risk management, the evaluation of conducting circumstances is in accordance with the economic and financial conditions. 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 the group and industry 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 and internal credit rules to set the credit limits and balances monthly.

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 should be conducted periodically, especially operation, capital inflow/outflow and business plan execution and problem solving. Analysis and investigation will be made annually and the reports will be sent to the management.

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: Accrue possible losses or impairment of 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. Procedure of risk management

The Bank's market risk management objectives are set up by each business unit. The Risk Management Department then summarizes and reports to the Risk Management Committee of Mega Financial Holdings and Board of Directors for approval. Position limits are set up depending on each operating business when it is necessary, are examined by Planning Department and then are approved by Board of Directors.

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

B. Principles in measuring and controlling

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

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

The Bank started to set up the SUMMIT information system from 2008, FX transactions, call loans system and currency exchange rate options are completed and others are expected to be completed by the end of 2009. 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. Procedure 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 reports operation risk loss events, compliance with laws and regulations, auditing and self-assessment to Board of Directors regularly.

Operation risk loss events report, compliance with laws and regulations and auditing system cover all departments of the Bank, 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 discusses and improved and followed-up by its management.

(4) Liquidity risk

A. Procedure of risk management

There is an upper limit to control the amount of cash flow shortage for daily NTD and foreign currency. Also, the treasury department is in charge of preparing weekly reports which are submitted to the fund management committee on semi-monthly basis in order to the control the liquidity risk. The risk management department reports 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 provide sufficient legal reserves, the Bank invests in government bonds, negotiable certificate of time deposits of Central Bank, treasury bills, financial bonds, government bonds with repurchase agreement, corporate bonds, commercial paper, bankers' acceptance and beneficiary certificates. The Bank diversifies its investments to reduce its operation risk.

4. Net position for major foreign currency transactions

	December 31, 2007		December 31, 2008		
	Currency	NTD (in thousands)	Currency	NTD (in thousands)	US (Unaudited) (in thousands)
Net position for major foreign currency transactions (Market Risk)	THB	$ 4,262,279	THB	$ 4,452,364	$ 135,850
	USD	3,661,686	USD	4,101,077	125,132
	EUR	2,263,241	EUR	2,321,180	70,823
	CAD	1,004,898	AUD	978,276	29,849
	AUD	778,809	CAD	837,542	25,555

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

	For the years ended December 31,				
	2007		2008		
	Average Amount (NT)	Average Interest Rate (%)	Average Amount (NT)	Average Amount (US) (Unaudited)	Average Interest Rate (%)
Assets					
Due from banks	$ 143,281,518	5.11	$ 228,709,643	$ 6,978,387	2.14
Due from the Central Bank	35,755,360	1.07	46,413,315	1,416,163	2.29
Financial assets held for trading	1,170,625	7.29	1,152,462	35,164	5.63
Financial assets at fair value through profit or loss	59,535,757	2.67	48,079,467	1,467,000	2.93
Securities purchased under resale agreements	2,268,499	4.49	1,663,939	50,770	3.63
Available-for-sale financial assets	98,449,830	3.28	94,445,258	2,881,713	3.28
Receivables – credit card transaction with circulating interests	3,811,806	16.22	2,585,493	78,889	18.16
Receivables on factoring	25,229,739	3.96	35,451,672	1,081,701	2.84
Bills discounted and loans	1,167,270,500	3.89	1,295,247,642	39,520,585	3.62
Held-to-maturity financial assets	68,284,386	2.56	105,489,658	3,218,700	2.61
Other debt investments	4,696,402	3.83	1,468,718	44,814	5.66
Bills purchased	76,555	6.01	48,367	1,467	6.50
Liabilities					
Due to the Central Bank	111,250,157	4.53	232,964,467	7,108,210	1.73
Due to other banks	108,652,610	2.63	131,306,470	4,006,422	2.41
Demand deposits	260,462,926	0.96	276,806,316	8,445,912	0.53
Demand saving deposits	201,686,746	0.77	196,882,501	6,007,277	0.72
Time deposits	463,142,806	3.80	554,117,290	16,907,222	2.78
Time saving deposits	193,337,475	2.42	199,442,488	6,085,387	2.65
Negotiable certificate of deposits	3,244,399	1.30	3,471,389	105,919	2.83
Financial liabilities at fair value through profit or loss	48,151,918	1.24	49,722,296	1,517,126	2.04
Securities sold under repurchase agreements	31,247,261	1.68	18,714,270	571,010	1.74
Borrowed funds from the Central Bank and other banks	43,824,502	5.26	37,378,750	1,140,500	3.14
Financial bonds payable	17,756,595	2.31	21,739,519	663,316	2.73
Commercial paper payable – net	9,680,043	6.70	8,282,649	252,720	7.62

6. Asset quality

Unit: thousands of New Taiwan dollars, %

Month / Year			December 31, 2008				
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		$ 6,001,821	$ 397,222,697	1.51%	-	-
	Unsecured loans		5,949,927	654,110,102	0.91%	-	-
Consumer banking	Residential mortgage loans (Note 4)		2,772,409	213,595,523	1.30%	-	-
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		406,459	8,866,532	4.58%	-	-
	Others (Note 6)	Secured loans	92,897	41,327,006	0.22%	-	-
		Unsecured loans	1,437	215,404	0.67%	-	-
Gross loan business			15,224,950	1,315,337,264	1.16%	11,804,650	77.53%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio
Credit card services			78,471	4,795,718	1.64%	126,043	160.62%
Without recourse factoring (Note 7)			764	52,636,589	0.00%	684	89.53%
Total balance that is not listed under non- performing loans as debt is negotiated and paid back based on the contracts.							1,024
Total balance that is not listed under accounts receivable as debt is negotiated and paid back based on the contracts.							2,976

Month / Year			December 31, 2007				
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		$ 5,807,568	$ 396,109,874	1.47%	-	-
	Unsecured loans		3,065,759	555,199,102	0.05%	-	-
Consumer banking	Residential mortgage loans (Note 4)		2,913,814	211,872,508	1.38%	-	-
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		177,425	10,764,783	1.65%	-	-
	Others (Note 6)	Secured loans	112,175	29,629,493	0.38%	-	-
		Unsecured loans	4,054	341,013	1.19%	-	-
Gross loan business			12,080,795	1,203,916,773	1.00%	8,668,115	71.75%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio
Credit card services			103,919	5,597,759	1.86%	219,087	210.82%
Without recourse factoring (Note 7)			7,150	51,381,729	0.01%	162,631	2,274.56%
Total balance that is not listed under non- performing loans as debt is negotiated and paid back based on the contracts.							3,549
Total balance that is not listed under accounts receivable as debt is negotiated and paid back based on the contracts.							-

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.

Note 8: Total balance that is not listed under non-performing loans as debt negotiated and paid back based on the contract and total balance that is not listed under account receivable as debt negotiated and paid back based on the contract are disclosed in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of the FSC dated April 25, 2006 and the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008.

7. Sensitivity analysis of interest rate for assets and liabilities

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2008

(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	$ 811,664,189	$ 43,423,323	$ 17,351,902	$ 190,550,898	$ 1,062,990,312
Interest-rate-sensitive liabilities	475,428,596	337,558,566	72,145,532	47,786,372	932,919,066
Interest-rate-sensitive gap	336,235,593	(294,135,243)	(54,793,630)	142,764,526	130,071,246
Total stockholders' equity					141,689,249
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					113.94%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					91.80%

(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, 2008

(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	$ 19,722,630	$ 591,599	$ 75,801	$ 784,753	$ 21,174,783
Interest-rate-sensitive liabilities	21,221,985	885,556	612,996	-	22,720,537
Interest-rate-sensitive gap	(1,499,355)	(293,957)	(537,195)	784,753	(1,545,754)
Total stockholders' equity					4,323,221
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					93.20%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					-35.75%

(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, 2007

(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	$ 915,637,014	$ 36,847,002	$ 15,954,111	$ 88,494,626	$ 1,056,932,753
Interest-rate-sensitive liabilities	458,470,394	336,803,135	42,368,177	30,404,275	868,045,981
Interest-rate-sensitive gap	457,166,620	(299,956,133)	(26,414,066)	58,090,351	188,886,772
Total stockholders' equity					152,457,542
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					121.76%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					123.89%

(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, 2007

(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	$ 15,323,632	$ 457,964	$ 902,752	$ 2,527,980	$ 19,212,328
Interest-rate-sensitive liabilities	15,136,056	4,725,152	859,014	468,706	21,188,928
Interest-rate-sensitive gap	187,576	(4,267,188)	43,738	2,059,274	(1,976,600)
Total stockholders' equity					4,693,312
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					90.67%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					-42.11%

(1) The amounts listed above represent the items denominated in US dollars for head office, domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.
(2) Interest-rate-sensitive assets and liabilities refer to changes on income or cost of interest accrued assets and interest bearing liabilities due to interest rate fluctuation.
(3) Interest-rate-sensitive gap = Interest-rate-sensitive assets – interest-rate-sensitive liabilities
(4) Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets ÷ interest-rate-sensitive liabilities

8. Profitability

	For the years ended	December 31, 2007	December 31, 2008
Return on total assets (%)	Before tax	0.87	0.29
	After tax	0.75	0.17
Return on stockholders' equity (%)	Before tax	10.78	3.98
	After tax	9.28	2.33
Net profit margin ratio (%)		37.49	12.53

Note 1: Return on total assets = Income before (after) income tax/average total assets.
Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.
Note 3: Net profit margin ratio = Income after income tax / total operating revenues.
Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

9. Structure analysis of time to maturity

December 31, 2008

(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	$ 1,321,790,773	$ 244,254,750	$ 109,087,850	$ 89,029,366	$ 138,389,944	$ 741,028,863
Primary funds outflow upon maturity	1,413,261,388	245,567,134	196,785,284	136,452,715	187,471,279	646,984,976
Gap	(91,470,615)	(1,312,384)	(87,697,434)	(47,423,349)	(49,081,335)	94,043,887

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, 2008

(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	$ 18,315,054	$ 3,854,615	$ 3,985,505	$ 1,868,752	$ 1,997,354	$ 6,608,828
Primary funds outflow upon maturity	18,126,277	8,413,071	4,038,522	2,398,603	1,929,335	1,346,746
Gap	188,777	(4,558,456)	(53,017)	(529,851)	68,019	5,262,082

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, 2007

(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	$ 1,270,255,816	$ 244,482,643	$ 65,233,399	$ 123,979,833	$ 142,837,793	$ 693,722,148
Primary funds outflow upon maturity	1,374,729,955	193,547,060	188,040,206	333,703,960	358,979,606	300,459,123
Gap	(104,474,139)	50,935,583	(122,806,807)	(209,724,127)	(216,141,813)	393,263,025

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, 2007

(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	$ 8,698,676	$ 3,461,673	$ 439,421	$ 597,058	$ 1,100,115	$ 3,100,409
Primary funds outflow upon maturity	11,909,276	5,547,235	1,703,823	1,604,774	2,014,085	1,039,359
Gap	(3,210,600)	(2,085,562)	(1,264,402)	(1,007,716)	(913,970)	2,061,050

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

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

10. Capital adequacy ratio

(Expressed in Thousands of New Taiwan dollars)

			December 31, 2007	December 31, 2008
Self-owned capital,		Tier 1 Capital	139,087,729	129,491,371
		Tier 2 Capital	10,484,800	30,046,915
		Tier 3 Capital	-	1,000,000
		Self-owned capital, net	149,572,529	160,538,286
Total risk-weighted assets	Credit risk	Standardized Approach	1,304,409,486	1,317,770,497
		Internal Ratings-Based Approach	-	-
		Asset securitization	9,731,347	7,170,857
	Operation risk	Basic Indicator Approach	66,763,275	69,897,475
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	37,909,463	38,184,825
		Internal Models Approach	-	-
	Total risk-weighted assets		1,418,813,571	1,433,023,654
Capital adequacy ratio			10.54%	11.20%
Tier 1 Risk-based Capital Ratio			9.80%	9.04%
Tier 2 Risk-based Capital Ratio			0.74%	2.09%
Tier 3 Risk-based Capital Ratio			0.00%	0.07%
Shareholder's equity/Total assets			3.29%	3.13%

Note: The calculation formula are listed below:
(1) Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) * 12.5
(2) Capital adequacy ratio = Self-owned capital / Total risk-weighted assets.

11. Extraordinary Items

December 31, 2008	
	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.
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.	On June 2, 2008, certain criminals entered the Colon Free Zone Branch and robbed the vault of approximately USD$2,580 thousand. The Colon Free Zone Branch has claimed loss incurred from the insurance company.
Others	None.

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

1) Trust Balance Sheet

(Expressed in Thousands of New Taiwan dollars)

Trust Balance Sheet
December 31, 2008

Trust assets			Trust liabilities		
Bank deposits	$	4,862,840	Trust capital		
Short-term investments			Pecuniary capital	$	266,786,420
			Pecuniary creditor's right and its		
Mutual funds		126,313,870	collateral right trust		404,760
Bonds		65,853,989	Securities trust		16,904,360
Stocks		39,191,308	Real estate trust		34,269,698
Bills		176,044	Customer's securities under		130,638,495
Real estate		58,032,263	custody		
Properties		37,074			
Customer's securities under custody		130,638,495			
Other assets		23,897,850			
Total trust assets	$	449,003,733	Total trust liabilities	$	449,003,733

(Expressed in Thousands of New Taiwan dollars)

Trust Balance Sheet

December 31, 2007

Trust assets			Trust liabilities		
Bank deposits	$	3,917,084	Trust capital		
Short-term investments			Pecuniary trust	$	295,830,780
Mutual funds		158,858,358	Securities trust		11,574,481
Bonds		66,059,858	Real estate trust		27,562,183
Stocks		32,142,424			
Real estate		49,807,399			
Properties		44,844			
Other assets		24,137,477			
Total trust assets	$	334,967,444	Total trust liabilities	$	334,967,444

2) Trust Income Statement

(Expressed in Thousands of New Taiwan dollars)

Trust Income Statement

For the years ended December 31,

	2008	2007
Trust income:		
Interest income	$ 36,406	$ 28,464
Rental income	1,523,537	1,306,261
Cash dividend income	1,927	924
Other income	37,439	36,809
Unrealized capital gain	22,037	54,243
Unrealized Exchange gain	63,551	-
Realized capital gain	52,076	107,707
Exchange gain	6,570	75,812
	1,743,543	1,610,220
Trust expenses:		
Management expenses	(66,087)	(61,712)
Duty expenses	(15,345)	(11,850)
Other operating expenses	(500,075)	(371,015)
Loss on disposal of assets	(5)	(117)
Unrealized capital loss	(37,177)	(761)
Realized capital loss	(272,093)	(28,158)
Unrealized exchange loss	(104,518)	(88,506)
Realized exchange loss	(90,358)	(1,189)
	(1,085,658)	(563,308)
Net income before income tax (Net investment income)	657,885	1,046,912
Income tax	(310)	(244)
Net income after income tax	$ 657,575	$ 1,046,668

3) Schedule of investment for trust business

(Expressed in Thousands of New Taiwan dollars)

Schedule of investment for trust business

	December 31, 2008	December 31, 2007
Short-term investments:		
Mutual funds	$ 126,313,870	$ 158,858,358
Bonds	65,853,989	66,059,858
Stock	39,191,308	32,142,424
Bills	176,044	-
Real estate	58,032,263	49,807,399
Properties	37,074	44,844
Other assets	23,897,850	24,137,477
	$ 313,502,398	$ 331,050,360

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

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

(2) Joint promotion of businesses:

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

(3) Sharing of information

Under the Financial Holding Company Act, Computer Process of Personal Data Protection Law, and the related regulations stipulated by MOF, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the group or exchanged between the subsidiaries for the purpose of cross selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are restricted to use the information for the joint promotion purposes only. In addition, the Bank is required to disclose its "Measures for Protection of Customers' Information" at its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

14. Certain accounts in the 2007 financial statements have been reclassified to conform to the presentation of the 2008 financial statements.

XI. SUPPLEMENTARY DISCLOSURES

1. Related information on material transaction items:

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

(Expressed in thousands New Taiwan dollars)

					Balance as at January 1, 2008		Addition		Disposal			Balance as at December 31, 2008	
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	Available-for-sale financial assets	-	-	3,200	$ 196,816	41,706	$2,001,554	38,606	$1,608,726	($ 369,378)	6,300	$ 220,266
The Bank	ACC	Available-for-sale financial assets	-	-	800	38,270	17,152	619,552	16,122	573,528	(39,170)	1,830	45,124
The Bank	TC	Available-for-sale financial assets	-	-	1,200	38,790	11,567	407,032	10,567	377,709	(18,947)	2,200	49,166
The Bank	FPC	Available-for-sale financial assets	-	-	856	71,210	8,067	578,021	8,923	666,927	17,696	-	-
The Bank	NPC	Available-for-sale financial assets	-	-	2,682	232,199	4,655	346,768	7,337	545,362	(33,605)	-	-
The Bank	FCFC	Available-for-sale financial assets	-	-	1,413	119,890	3,514	267,369	4,927	371,838	(15,421)	-	-
The Bank	CSC	Available-for-sale financial assets	-	-	4,410	188,554	21,185	891,417	25,595	1,022,831	(57,140)	-	-
The Bank	Tung Ho Steel	Available-for-sale financial assets	-	-	1,364	64,635	16,874	639,391	16,288	673,517	9,454	1,950	39,963
The Bank	TSRC	Available-for-sale financial assets	-	-	780	36,700	10,343	362,436	7,749	282,694	(36,710)	3,374	79,732
The Bank	DELTA	Available-for-sale financial assets	-	-	-	-	6,500	510,495	6,162	450,255	(38,907)	338	21,333
The Bank	SPIL	Available-for-sale financial assets	-	-	600	34,235	11,514	484,270	12,114	470,244	(48,261)	-	-
The Bank	TSMC	Available-for-sale financial assets	-	-	-	-	12,245	615,638	11,245	525,944	(48,031)	1,000	41,663
The Bank	ACER	Available-for-sale financial assets	-	-	206	12,873	12,167	665,526	12,073	631,222	(34,410)	300	12,767
The Bank	ASUSTEK	Available-for-sale financial assets	-	-	200	20,225	4,857	344,382	5,057	340,000	(24,607)	-	-
The Bank	Everlight	Available-for-sale financial assets	-	-	470	54,079	2,861	266,742	3,331	305,567	(15,254)	-	-
The Bank	AUO	Available-for-sale financial assets	-	-	2,050	121,955	3,900	217,153	5,950	328,900	(10,208)	-	-
The Bank	CHT	Available-for-sale financial assets	-	-	724	42,351	16,953	1,104,122	12,602	845,526	(20,979)	5,075	279,968
The Bank	MTK	Available-for-sale financial assets	-	-	190	76,271	1,168	396,620	1,358	429,194	(43,697)	-	-
The Bank	U-MING	Available-for-sale financial assets	-	-	470	37,605	7,979	590,689	8,449	632,861	4,567	-	-
The Bank	FFHC	Available-for-sale financial assets	-	-	-	-	17,879	515,929	17,879	486,546	(29,383)	-	-
The Bank	TWM	Available-for-sale financial assets	-	-	1,349	53,567	14,946	752,307	10,029	494,544	(6,172)	6,266	305,158
The Bank	FPCC	Available-for-sale financial assets	-	-	1,342	126,983	5,599	478,593	6,941	616,539	10,963	-	-

(2) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.
(3) Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.
(4) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.
(5) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(6) Information regarding selling non-performing loans:

A. Summary of selling non-performing loans

For the year ended December 31, 2008

(Expressed in Thousands of New Taiwan dollars)

Transaction date	Counterparty	Contents of right of claim	Carrying value (Note 1)	Selling price	Gain (Loss) from disposal	Attached conditions	Relationship with the Bank
January 30, 2008	NEO FUTUTO CO., LTD	Receivables – no rights of recourse	$ -	$ 702	$ 702	None	None
December 16, 2008	Mars 911 E-Commerce Co., Ltd	Short-term secured loans, short-term credit loans	2,590	117,617	115,027	None	None

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

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

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

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

2. Supplementary disclosure regarding investee companies:

(1) Supplementary disclosure regarding investee companies:

(Expressed In Thousands of New Taiwan dollars)

			As of December 31, 2008			Share-holdings of the Bank and related enterprises				
								Total		
Investee companies	Address	Main service	Percentage of ownership %	Book value	Investment income (loss)	Share (in thousands)	Pro forma information on number of stock held	Share (in thousands)	Percentage of ownership %	Note
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%	$ 4,432,878	$ 274,258	400,000	None	400,000	100%	
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%	796,928	15,541	230	None	230	100%	
Cathay Investment & Development Corporation (Bahamas)	Post Office Box 3937 Nassau, Bahamas	International investment and exploration	100.00%	708,593	(16,164)	5	None	5	100%	
CTB Financial Management & Consulting Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Management consulting industry	100.00%	65,771	33,933	1,000	None	1,000	100%	
Cathay Investment & Warehousing Ltd.	Calle 16 Colon Free Zone Local No 4 Edificio No. 49 P.O.Box 0302-00622, 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%	53,337	4,708	1	None	1	100%	
RAMLETTE FINANCE HOLDINGS INC.	Calle 50 Y Esquina Margarita A De Vallarino, Entrada Nuevo Campo Alegre, Edificio ICBC, No.74, P.O. Box 0816-00704, Panama	Real estate investment industry	100.00%	-	2,126	2	None	2	100%	
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%	795,073	72,692	952	None	952	99.56%	

(Expressed In Thousands of New Taiwan dollars)

Investee companies	Address	Main service	As of December 31, 2008			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)	Total: Percentage of ownership %	
China Products Trading Company	12F., No.100, Jilin Rd., Taipei City	Processing agricultural product and investment industry.	68.27%	65,030	$ 526	$ 68	None	68	68.27%	
Cathy Insurance company, INC.	3rd F1, Pacific Bldge., Makati Ave., Makati City, Philippines	Insurance industry	30.37%	5,717	(5,230)	152	None	152	30.37%	
United Venture Capital Corp.	4F-2, No.76, Sec. 2, Dunhua S. Rd., Taipei City	Investment industry	25.31%	81,381	(18,270)	13,440	None	13,440	25.31%	
China Insurance Co., (Siam) Ltd.	32/12, P.S. Tower. Asoke, Sukhumrit 21, Phrakhanong Bankok 10110, Thailand	Insurance industry	25.25%	33,131	23,567	1,515	None	1,515	25.25%	
CTB 1 Venture Capital Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Investment industry	25.00%	230,071	1,840	25,000	None	25,000	25.00%	
IP Fundseven Ltd.	7F., No.122, Dunhua N. Rd., Songshan District, Taipei City	Investment industry	25.00%	212,454	(23,697)	25,000	None	25,000	25.00%	
An Fang Co., Ltd.	3F., No.139, Jhengjhou Rd., Taipei City	Automatic Teller Machine rental, configure and maintain.	25.00%	12,072	2,087	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%	1,398,271	44,854	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%	34,984	7,343	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%	116,742	4,980	9,000	None	9,000	20.00%	
Mega International Securities Investment Trust Co., Ltd.	7, 8 F., No.91, HengYang Rd., Taipei City	Storage industry	0.00%	-	(248,175)	-	None	-	0.00%	
				$ 9,042,433	$ 176,919					

(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, 2008:

(Expressed in thousands of New Taiwan dollars)

Investor	Name of investee and type of securities	Relationship	Account	At year-end: Share / Units (in thousands)	Book value	Ownership percentage (%)	Market value	Note
CTB Financial Management & Consulting Co., Ltd.	Stocks							
〃	ID Reengineering Inc.	Equity investees	Investments accounted for by the equity method	25	$ 1,997	25.00%	$ 1,997	
CTB 1 Venture Capital Co., Ltd.	Stocks							
〃	Jiin Ming Industry Co.,Ltd.	None	Available-for-sale financial assets	715	$ 4,928	0.83%	$ 4,928	
〃	Niko Semiconductor Co., Ltd.	〃	Available-for-sale financial assets	352	6,829	0.64%	6,829	
〃	Darfon Electronics Corp.	〃	Available-for-sale financial assets	110	2,217	0.04%	2,217	
〃	Formosa Advanced Technologies Co., Ltd.	〃	Available-for-sale financial assets	1,035	22,356	0.23%	22,356	
〃	Jarllytec Co., Ltd.	〃	Available-for-sale financial assets	16	309	0.03%	309	
〃	Goodway Machine Corp.	〃	Available-for-sale financial assets	673	14,536	0.75%	14,536	
〃	Paragon Technologies Co., Ltd.	〃	Available-for-sale financial assets	200	11,180	0.25%	11,180	
〃	Haikwang Enterprise Co.,	〃	Available-for-sale financial assets	150	2,977	0.10%	2,977	
〃	ATM Electronic Corp.	〃	Financial assets carried at cost	1,911	35,000	7.57%	35,000	
〃	Taiwan Video System Co., LTD	〃	Financial assets carried at cost	1,289	24,000	3.16%	24,000	
〃	UniBright Chemical Co.,Ltd.	〃	Financial assets carried at cost	125	1,890	0.23%	1,890	
〃	Sin-ying-cai Corp.	〃	Financial assets carried at cost	800	9,600	1.13%	9,600	
〃	Yung Fa Corp.	〃	Financial assets carried at cost	3,466	27,738	9.70%	27,738	
〃	TPO Displays Corp.	〃	Financial assets carried at cost	5,000	50,000	0.12%	50,000	
〃	Mobile Action Technology Inc.,	〃	Financial assets carried at cost	308	15,700	0.85%	15,700	
〃	MOSA Industrial Corp.	〃	Financial assets carried at cost	800	20,000	1.36%	20,000	
〃	MobilMAX Technology Inc.	〃	Financial assets carried at cost	500	20,000	8.33%	20,000	
〃	ProbeLeader Co., Ltd.	〃	Financial assets carried at cost	600	15,000	3.88%	15,000	
〃	Neo Solar Power Corporation	〃	Financial assets carried at cost	563	43,912	0.39%	43,912	
〃	Jenteck Precision Industrial Co., Ltd.	〃	Financial assets carried at cost	830	55,000	1.33%	55,000	
〃	Y.C.C. Parts MFG Co., Ltd.	〃	Financial assets carried at cost	1,000	32,000	1.78%	32,000	
〃	Vista Vision Corp.	〃	Financial assets carried at cost	645	16,890	1.98%	16,890	
〃	Dong Zhun Photoelectric Material Corp.	〃	Financial assets carried at cost	1,000	30,000	5.95%	30,000	
〃	Taiwan United Medical Inc.	〃	Financial assets carried at cost	500	6,000	2.27%	6,000	
〃	Avaule technology Inc.	〃	Financial assets carried at cost	633	23,695	1.75%	23,695	
〃	Feature Integration Technology Inc.	〃	Financial assets carried at cost	500	19,250	1.54%	19,250	
〃	Applied Wireless Identification Group Inc.	〃	Financial assets carried at cost	300	1,699	0.14%	1,699	
	Total				$ 512,706			
Yung-Shing Industries Co.	Funds							
〃	Silicon Valley Equity Fund II LP	None	Financial assets carried at cost	-	$ 12,243	3.45%	$ 12,243	
〃	The Taiwan Special Opportunities Fund II	〃	Financial assets carried at cost	-	-	0.27%	-	
	Total				$ 12,243			
Yung-Shing Industries Co.	Stocks							
〃	First Bio Venture Capital Corp.	None	Financial assets carried at cost	302	$ 1,780	2.50%	$ 1,780	
〃	SysJust Corporation	〃	Financial assets carried at cost	3,535	6,878	2.89%	6,878	
〃	Hi-Scene World Enterprise Co., Ltd.	〃	Financial assets carried at cost	559	8,100	3.00%	8,100	
〃	Jhong-fu Venture Capital Investment Corp.	〃	Financial assets carried at cost	600	6,000	3.33%	6,000	
〃	An Fang Co., Ltd.	〃	Financial assets carried at cost	150	1,833	5.00%	1,833	
〃	Fan-yang Venture Capital Investment Corp.	〃	Financial assets carried at cost	4,500	45,000	7.44%	45,000	
〃	Forture Venture Capital Investment Corp.	〃	Financial assets carried at cost	2,000	20,000	7.84%	20,000	

(Expressed in thousands of New Taiwan dollars)

Investor	Name of investee and type of securities	Relationship	Account	At year-end: Share / Units (in thousands)	Book value	Ownership percentage (%)	Market value	Note
〃	TaiOne International Ltd.	〃	Financial assets carried at cost	26,600	$ 9,629	19.00%	$ 9,629	
〃	Hua-sheng Venture Capital Investment Corp.	〃	Financial assets carried at cost	20,000	20,000	1.67%	20,000	
Yung-Shing Industries Co	H&H Venture Capital Investment Corp.	〃	Financial assets carried at cost	4,113	41,132	7.89%	41,132	
〃	Nanrenhu Enterprise Corp.	〃	Available-for-sale financial assets	172	1,102	0.20%	1,102	
〃	Optimax Technology Corporation	〃	Available-for-sale financial assets	10	8	0.06%	8	
〃	Wafer Works Corporation	〃	Available-for-sale financial assets	100	4,570	1.09%	4,570	
〃	Win Card Co., Ltd.	Equity investees	Investments accounted for by the equity method	500	66,066	100%	66,066	
〃	ICBC Assets Management & Consulting Co., Ltd.	〃	Investments accounted for by the equity method	26,100	236,867	100%	236,867	
	Total				$ 468,965			
ICBC Assets Management & Consulting Co., Ltd.	Funds							
〃	ICBC AMC Offshore Limited	Equity investees	Investments accounted for by the equity method	-	$ 35,692	100%	$ 35,692	
〃	Junior Preference Share Company Limited	〃	Investments accounted for by the equity method	-	293,257	100%	293,257	
〃	ICBC AMC Offshore (Taiwan) II Limited	〃	Investments accounted for by the equity method	-	9,084	100%	9,084	
〃	Junior Preference Share Company (Taiwan) II Limited	〃	Investments accounted for by the equity method	-	(62,066)	100%	(62,066)	
	Total				$ 275,967			
ICBC Assets Management & Consulting Co., Ltd.	Stocks							
〃	H&H Venture Capital Investment Corp.	None	Financial assets carried at cost	2,742	$ 27,421	5.71%	$ 27,421	
〃	Formosa Advanced Technologies Co., Ltd.	〃	Financial assets held for trading	131	2,835	0.03%	2,835	
〃	Fast Technologies Inc.	〃	Financial assets held for trading	158	3,956	3.05%	3,956	
	Total				$ 34,212			
Cathay Investment & Development Corporation (Bahamas)	Funds							
〃	Taiwan Special Opportunities Fund Ⅲ	None	Financial assets carried at cost	-	$ 50,050	-	$ 50,050	
〃	AsiaTech Taiwan Venture Fund LP	〃	Financial assets carried at cost	-	24,089	-	24,089	
〃	SC Biotechnology Development Fund	〃	Financial assets carried at cost	-	97,246	-	97,246	
〃	Tai An Technologies Corp.	〃	Financial assets carried at cost	-	4,479	-	4,479	
	Accumulated impairment				(93,087)			
	Total				$ 82,777			

J. Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: none.
K. Information regarding trading in derivative financial instruments: None.
L. Other material transaction items which were significant to the users of the financial statements: None.

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

XII. SEGMENTS AND GEOGRAPHIC INFORMATION

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

2. Financial information by geographic area

Mega International Commercial Bank Co., Ltd.
Financial Information By Geographic Area
December 31, 2008

(Expressed in thousands of New Taiwan dollars)

	Domestic	North America	Other overseas operating departments	Adjustment and elimination	Total
Revenue from customers outside the Bank	$ 54,432,578	$ 6,278,399	$ 8,225,054	$ -	$ 68,936,031
Revenue from departments within the Bank	49,229,601	218,821	2,026,744	(51,475,166)	-
Total revenue	$ 103,662,179	$ 6,497,220	$ 10,251,798	($ 51,475,166)	$ 68,936,031
Profit or loss	$ 5,477,548	$ 636,331	($ 261,933)		5,851,946
Asset attributable to specific departments	$ 1,563,069,251	$ 290,191,632	$ 197,309,444		$ 2,050,570,327

3. Export sales by geographic area:

   The export sale amount of the Bank's domestic operating department is not more than 10% of the Bank's operating revenues for the year ended December 31, 2008.

4. Information on major customers:

   The revenue generated from any single customer of the Bank is not more than 10% of the Bank's operating revenues for the year ended December 31, 2008.

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Meei-Yeh Wei, Senior Executive Vice President
Chin-Yuan Lai, Senior Executive Vice President
Chao-Hsien Lai, Senior Executive Vice President
Dan-Hun Lu, Senior Executive Vice President
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Annual Report 2008

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