



BANK OF TAIWAN

2010 ANNUAL REPORT

BOT Spokesperson

Name: Yang Liyen
Title: Executive Vice President
Tel: 886-2-2349-3999
E-mail: 046247@mail.bot.com.tw

Acting Spokesperson

Name: Wei Janlin
Title: Executive Vice President
Tel: 886-2- 2349-3076
E-mail: botevp05@mail.bot.com.tw

Head Office

Address: No. 120, Sec. 1, Chongcing South Road,
Jhongjheng District, Taipei City 10007
Taiwan (R.O.C.)
Tel: 886-2-2349-3456
SWIFT: BKTWTP
Website: www.bot.com.tw
Internet bank: <https://ebank.bot.com.tw>

Stock Transfer Agency

Bank of Taiwan
Address: No. 120, Sec. 1, Chongcing South Road,
Jhongjheng District, Taipei City 10007,
Taiwan (R.O.C.)
Tel: 886-2-2349-3456
Website: www.bot.com.tw

Credit Rating Agencies

- (1) Standard & Poor's
55 Water Street,
New York, N.Y. 10041 U.S.A.
Tel: 212-438-2000
- (2) Moody's Investors Service
7 World Trade Center, 250 Greenwich Street,
New York, N.Y. 10007 U.S.A.
Tel: 212-553-0300

Auditors

KPMG Certified Public Accountants
Auditors: Derek Hsu, Yen-Ling Fang
Address: 68 F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road,
Taipei, 11049, Taiwan, R. O. C.
Tel: 886-2-8101-6666
Website: www.kpmg.com.tw

Notice to readers

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



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2010 ANNUAL REPORT

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誠信

誠懇務實、信用至上、值得信賴

臺銀  金鑽 商旅白金卡

尊貴氣度 璀璨不凡



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Letter to Shareholders



Chairperson
Susan S. Chang

Following the impact of the global financial crisis, in 2010 the economies all over the world recovered from the depths of recession. The speed of recovery in the developed and the emerging economies, however, proceeded in a polarized trend. Improvement was limited in advanced economies, particularly North America, the Euro zone, and Japan, because of stubbornly high unemployment, debt crisis in certain countries, and weak internal demand. In the emerging markets led by Mainland China and India, by contrast, a continuing flood of hot money created the threat of asset bubbles and inflationary pressures. Currency inflation and trade imbalances became the focus of friction between the developed and emerging countries.

Taiwan benefited from the international economic recovery and the strong growth in Mainland China and the other emerging economies of Asia, as well as the improvement of economic and trade relations with China and the increasing numbers of Chinese tourists visiting the island, which stimulated the service industry and private consumption. The domestic economy rebounded strongly, and the financial market remained stable with the economic growth rate for the year reaching 10.88%, and the consumer price index (CPI) rising by only 0.96%. While there was still no concern about inflation, the Central Bank moved to prevent asset bubbles caused by economic overheating and pull the excessively low interest rates back up toward a more normal

level by hiking the rediscount rate by 12.5 basis points each in June, October, and December, bringing the rate at the end of the year to 1.625%. Rising interest rates and strong economic momentum supported the strength of the New Taiwan Dollar last year, while the weakening of the US dollar in response to quantitative easing and continuing expectations of a rise in the renminbi added force to the repetitive increases in the value of the NT dollar in the second half of the year. The NT dollar ended the year at NT\$30.368 to the US dollar, up 5.47% from NT\$32.030 to the greenback a year earlier.

With the easing of cross-straits policy, the recovery of the economy, and the adoption of quantitative easing by the major economies of Europe and North America, the macroeconomic environment underwent many changes last year. The Bank of Taiwan, under its strong risk-control mechanism, achieved an orderly improvement of our deposit and loan structure and an expansion of the scale of our business operations, and exceeded our deposit, loan, and forex business targets. Before-tax profit was NT\$7.827 billion, 6.27% better than the target. The Bank operated in line with its government policy mission, for example by extending student loans and youth home purchasing loans, by offering cash withdrawal at Taiwan's ATM machines using the UnionPay Card, and by inaugurating the renminbi bank note settlement business. Thanks to the concerted efforts of our management team and our entire employee staff, we were able to fulfill our mission and bring it to a satisfactory conclusion. We also won distinction in our rankings in the banking industry, winning, for example, the award for "Best in Local Currency Cash Management Services" for the NT dollar organized by Asiamoney magazine in 2010; a second-place award for the small and medium business loan business, awarded by the Financial Supervisory Commission (FSC); first-place awards from the Bankers Association of the ROC for the greatest number of fee and tax business transactions and greatest number of transactions on the national e-bill payment network; third place among the most-liked employers in the finance industry, in a poll conducted by the 1111 Job Bank; first place in operating revenue and shareholders' equity in the finance industry for 2010, awarded by CommonWealth magazine; and, again, first place for loyalty and penetration rate in 104 Survey's "Internet banking usage behavior and customer satisfaction survey." These honors reflect recognition by the public and the corporate sector of the Bank's outstanding quality of service and stable operating image. For this achievement, on behalf of the Bank of Taiwan I would like to express our sincere appreciation for the strong support which the society has afforded us for so long.

Our operating results for 2010, business plans for 2011 and strategies for future development of Bank are described briefly below:

I. Operating Results for 2010

1. Organizational change

- (1) In line with the liberalization of cross-straits financial policy, the BOT established a Shanghai Representative Office on Feb. 1, 2010.
- (2) In response to the operation of direct flights across the Taiwan Straits, the BOT moved to provide travelers entering and exiting Taiwan at Taipei International Airport with tariff payment, currency exchange, and other services by applying to upgrade the Bao Qing Mini Branch to a full branch. The branch was then moved to the Taipei International Airport on Oct. 28, 2010 and its name was changed to the Taipei International Airport Branch.
- (3) In line with the consolidation and upgrading of Taichung city and county, and to meet the needs of business development, the Yuanjzhong Branch in Changhua prefecture was moved to the Taichung New Civic Center Building on Dec. 20, 2010 and its name was changed to the Chungdu Branch.

- (4) To expand the scope of customer services as well as provide customers with diversified investment planning and professional consultation services, five wealth management VIP Centers were added beginning on July 15, 2010 at Longtan, Annan, Donghu, Taipei World Trade Center, and Taosing Branch.
- (5) The BOT's capital was increased to NT\$70 billion on Nov. 18, 2010, via the transfer of accumulated capital surplus to stock, in order to reinforce the Bank's financial structure and strengthen its operating capabilities.

2. Results of Implementation of Business Plan and Operating Strategy

Unit: NT\$ Billion; US\$ Billion (Foreign Exchange); %

Major Operation Category \ Year	2010	2009	Growth Rate Compared to Preceding Year
Deposits	3,268.9	3,195.3	2.3
Loans	2,044.6	1,977.7	3.4
Guarantees	44.9	54.5	-17.6
Foreign Exchange	268.1	228.6	17.3
Procurement	58.9	66.0	-10.8
Precious Metals Business	79.6	45.4	75.4
Government Employees Insurance	17.4	17.2	1.5

3. Budget implementation

The volume of deposit taking during the year was NT\$3.3 trillion, giving a target achievement ratio of 134.52%. Loans amounted to NT\$2.04 trillion, reaching 112.71% of the target. Foreign exchange businesses undertaken in 2010 totaled US\$268.13 billion, amounting to 276.42% of the target figure, and profits reached NT\$7.09 billion, achieving 103.55% of the target.

4. Revenues, Expenditures and Profits

Net interest income for 2010 amounted to NT\$20.27 billion; non-interest income (net) totaled NT\$5.26 billion; bad debt expenses amounted to NT\$0.38 billion, and operating costs totaled NT\$17.32 billion. Net income before tax reached NT\$7.83 billion; income tax amounted to NT\$742 million, leaving a net income after tax of NT\$7.09 billion which was NT\$243 million more than the budgeted income of NT\$6.84 billion. Return on assets (ROA) and Return on equity (ROE) for 2010 were 0.18% and 2.88% respectively.

5. Research and Development

In response to changes in the financial environment and the needs of business development, the Bank continued collecting and analyzing information on domestic and overseas economic and financial conditions as well as the status of major domestic industries. In addition to the compilation of regular analytical reports related to economics, finance and major industries, special reports on important economic and financial issues related to overall banking operations, and on industries related to the Bank's lending business were compiled on an unscheduled basis for use as reference in expanding the Bank's business.



President
Chang Mingdaw

II. Business Plan for 2011

1. Business Strategy and Major Operating Policies

- (1) The Bank will continue working on its existing foundation to readjust its assets and liabilities structure, enlarge its customer base, expand its different lines of business, and follow government policy in regulating finance and supporting economic development.
- (2) The Taiwan Financial Holdings platform will be used to consolidate products and resources and meet customers' needs for one-stop shopping.
- (3) With Taiwan as the core of its operational network, the BOT will speed up its deployment in the Asia-Pacific region and the world.
- (4) Cooperative partnership strategic relations will be established with mainland Chinese banks and, through the sharing of resources, Taiwanese enterprises will be provided with a greater diversity of funding sources.
- (5) Business relations between overseas branches and Taiwanese enterprises will be reinforced, and the Bank will strive to become a funding platform for overseas Taiwanese businesses and help them carry out global deployment.
- (6) The financial foundation will be reinforced, asset quality will be enhanced, and more reserves against bad debt will be allocated.

2. Business Targets

- (1) Loans: NT\$1.86 trillion
- (2) Deposits: NT\$ 2.50 trillion
- (3) Foreign Exchange: US\$106.7 billion
- (4) Before-tax Profit: NT\$6.39 billion

III. Development Strategies

- (1) Deployment in mainland China will be accelerated and efforts will be made to upgrade the Shanghai Representative Office to a branch. The Bank will also grasp opportunities of the "Golden Decade" and move toward deployment in China and the Asia-Pacific in line with international financial trends and the pulse of the world economy.
- (2) The scale of the loan, forex, international banking, wealth management, trust, and gold businesses will be expanded in order to enlarge the customer base and increase operating income.
- (3) The platform for sharing holding company resources will be used to provide a diverse range of products, including securities and life insurance, thereby manifesting integrated marketing efficiencies, expanding the territory for wealth management, and heightening the ratio of fee revenue in operating income.
- (4) E-banking businesses will be promoted and a full range of funds-flow services will be provided in order to simplify procedures, lower operating costs, upgrade service efficiency, and boost the willingness of customers to do business with the Bank.
- (5) The Bank's capital will be increased as necessary to maintain an appropriate capital adequacy ratio and strengthen the Bank's financial structure; at the same time, the allocation of assets will be reinforced to enhance the efficiency of capital utilization.
- (6) In line with operating needs, the professional know-how of the Bank's employees will be improved, their international vision will be strengthened, and more core-competence employees will be developed in order to boost business competitiveness and meet the advent of the age of financial internationalization.



IV. Credit Ratings

Rating Company \ Items	Rating Date	Assigned Rating		Outlook
		Long-term	Short-term	
Standard & Poor's	Oct. 2010	A+	A-1	stable
Moody's Investors Service	Nov. 2010	Aa3	P-1	stable

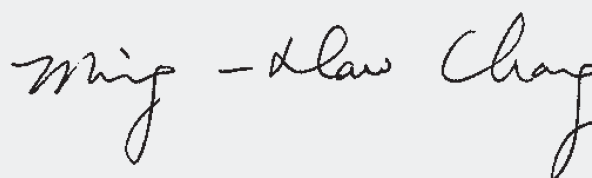
The signing and implementation of the cross-straits memorandum of understanding (MOU) on financial regulatory cooperation and the Economic Cooperation Framework Agreement (ECFA) have brought cross-straits financial exchange and cooperation into the stage of substantive relations. These achievements will also bring space for business development and enhance profit opportunities for financial businesses. The government is now engaged in follow-up ECFA negotiations, striving to establish operating conditions that are favorable to domestic financial institutions. The BOT's Shanghai Representative Office had been established for one year as of Feb. 1, 2011; under the ECFA "early harvest" list the Bank has received approval from the FSC to apply for its upgrading into a branch, and has submitted the application to the Shanghai Bureau of the China Banking Regulatory Commission. Current plans are for the branch to begin operating before August. After the business of the Shanghai Branch is on a sound footing, a sub-branch will be set up and suitable locations will be chosen for more branches. The next-stage target will be to establish a subsidiary bank in China as well as to set up more overseas locations, promote overseas M&As, and build up a comprehensive overseas service network for business in China, thus further developing emerging markets in the Asia-Pacific region.

In 2011 we will face an international politico-economical situation characterized by unbalanced economic and financial development trends along with rising uncertainties. Market changes will take place with unfathomable rapidity, with continuing rises in the international prices of oil, agricultural goods, and other materials, and deepening concerns about inflation. In addition, worries about the Mar. 11 earthquake and nuclear disaster in Japan, turmoil in Northern Africa and the Middle East, and military action in Libya bring new variables to global economic growth, heightening the challenges that face business operations. The BOT will work actively to readjust its assets and liabilities structure as well as its business content, constantly promote the efficiencies of integrated marketing, strengthen risk controls, and carry through with financial product consumer protection, personal data protection, and the prevention of money laundering. In addition, the Bank will carry out early planning to meet the trend toward even stricter international financial supervision, hold firmly to ever more forward-looking strategic thinking, deeply cultivate Taiwan finance, advance into the international market, grasp opportunities, and create a new and stronger foundation for the Bank.

Chairperson



President



Introduction



Hsieh Tenglung
Executive Vice President



Wei Janlin
Executive Vice President



Chiang Shih-tien
Executive Vice President



Chen Minchang
Executive Vice President



Yang Liyen
Executive Vice President



Chuang Kaochen
Executive Vice President



Chang Hongchi
Executive Vice President
and General Auditor

I. Date of Establishment: May 20, 1946.

II. Brief History

The Bank first operated under the administration of the Taiwan Provincial Government; when that government was downsized on Dec. 21, 1998, however, it was taken over by the Central Government of the Republic of China and placed under the administration of the Ministry of Finance to be operated in accordance with the regulations governing government-owned financial institutions. On July 1, 2003 the Bank was registered as a corporation and reorganized into a company limited by shares in accordance with the provisions of the Banking Law and Company Law. On Sept. 16, 2004 the Bank received permission from the Securities and Futures Bureau of the Financial Supervisory Commission to become a public company. The Bank completed merger with Central Trust Bank of China on July 1, 2007. To meet the needs of financial development and realize the operational efficiencies of cross-industry operations, the Taiwan Financial Holding Co. was established on Jan. 1, 2008. On Jan. 2, 2008 the Bank split its Department of Securities and Department of Life Insurance to organize the other two subsidiaries of Taiwan Financial Holdings, namely, BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd.

In every stage of Taiwan's economic development the Bank of Taiwan has always firmly pursued the goals of stabilizing Taiwan's finance, assisting with economic construction, and developing industrial and commercial enterprises, devoting its full efforts in coordination with government policy in order to fulfill the mission entrusted to it by the government. In years past, the BOT served as agency for the Central Bank of China (CBC) in carrying out most of the CBC's business, including the issuance of the New Taiwan Dollar currency, implementation of monetary reform, offering preferential-rate deposits in line with government policy, promoting import and export trade in coordination with foreign exchange reform, providing an abundant supply of financial support for economic construction plans, serving as agency for the public treasury in adjusting fiscal receipts and expenditures, and assisting with government missions in order to stabilize the Taiwan's financial situation. The BOT's position throughout the progress of Taiwan's economic and financial development has been one of primary importance.

At the end of 2010 the capital of the BOT was NT\$70 billion and its assets amounted to over NT\$3.8 trillion. Its deposits and loans accounted for 12.17% and 10.47%, respectively, of the entire Taiwan market. According to The Banker magazine's ranking of the world's top 1,000 banks, as published in its July 2010 issue, the BOT ranked 151st in the world.

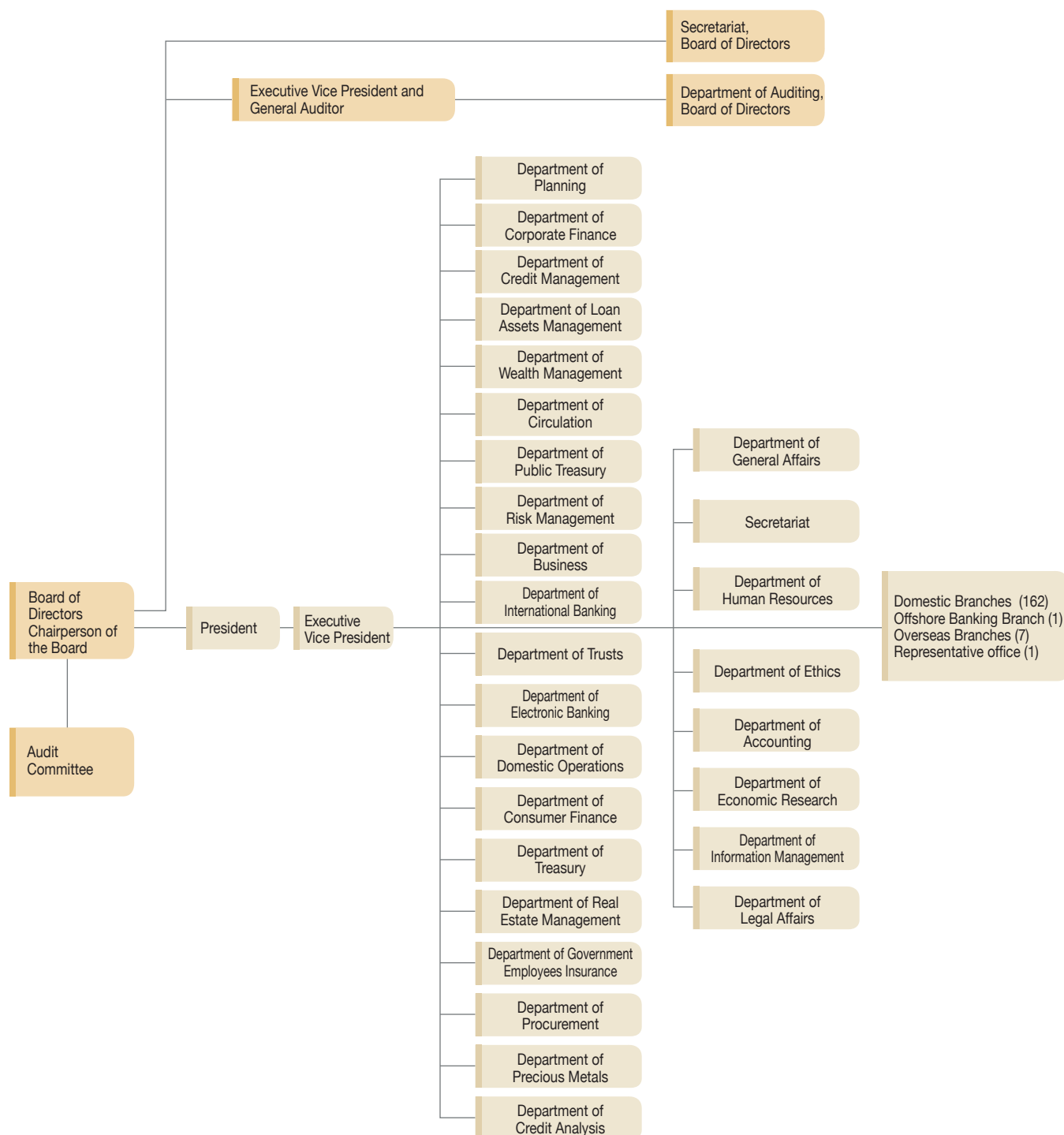


Corporate Governance Report

I. Organization

At the end of 2010 the BOT's management organization consisted of Board of Directors, Audit Committee, Secretariat, Department of Auditing, Board of Directors, 28 departments, 163 domestic branches (including Offshore Banking Branch), 7 overseas units (including Los Angeles Branch, Hong Kong Branch, New York Agency, London Branch, Tokyo Branch, Singapore Branch and South Africa Branch) and 1 representative office (Shanghai Representative Office).

Organization Chart



Major Corporate Functions

Department	Functions
Secretariat, Board of Directors	Handles important matters related to the Board of Directors, and documentary affairs.
Department of Auditing, Board of Directors	Takes care of planning, implementation, and examination of internal auditing matters, and participates in the formulation and revision of operating and management regulations.
Department of Planning	Responsible for systems, management regulations, operating directions, annual operating plans, and planning, evaluation, and management of branch units.
Department of Corporate Finance	Handles matters of designing new products for corporate finance, planning for and promoting corporate finance business, and the supply of consulting assistance services to operating branches.
Department of Credit Management	Handles planning, supervision, examining, consulting assistance services, and management for loan business.
Department of Loan Assets Management	Takes care of planning, examination, supervision, and management related to non-performing loans, loans for collection, and the clearing up of bad loans.
Department of Wealth Management	Handles planning, marketing, evaluation, training and administration of wealth management.
Department of Circulation	Responsible for the issuance, distribution, arrangement, custodianship, and destruction of New Taiwan Dollar currency, and for the inventory and issuance-related businesses for all of the Bank's issuing units.
Department of Public Treasury	Handles agency operations for public treasuries at all levels, custodianship of securities for government agencies, and direction and supervision of the business of branch treasuries.
Department of Risk Management	Responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations.
Department of Business	Takes care of general deposit, loan, remittance, and agency businesses.
Department of International Banking	Takes care of foreign exchange operations, foreign banking and overseas branch businesses, correspondent banking relations, and operational planning and management for the foreign exchange business.
Department of Trusts	Controls trust businesses and auxiliary businesses.
Department of Electronic Banking	Responsible for planning, study, marketing, integration, supervision, and management and examination of the electronic banking business and deposit business.
Department of Consumer Finance	Takes care of planning, promotion, review, management, and consultation assistance services for the general consumer banking business (general consumer loans, bank cards, and credit cards.)
Department of Treasury	Handles New Taiwan Dollar and foreign currency allocation, planning, and utilization, and securities investment.
Department of Real Estate Management	Takes care of maintenance of buildings and general management of real estate.
Department of Procurement	Handles procurement matters under concentrated system for government institutions, public schools and public enterprises.
Department of Domestic Operations	Handles matters of deposit business, installation and evaluation of ATMs and branch units, and administration of consulting system for operation units.
Department of Government Employees Insurance	Handles under the Government's authorization, the general life insurance for civil servants and staffs in public or in private schools.
Department of Precious Metals	Handles the precious metals, commercial storage and parking lot business.
Department of Credit Analysis	Responsible for the collection, surveying, and editing of data related to the loan business, as well as overseas credit investigation services.
Department of General Affairs	Handles general affairs, procurement of articles and appliances in office, and cashier affairs.
Secretariat	Takes care of important affairs, documentation, chop management, meetings, editing, and public relations.
Department of Human Resources	Carries out the planning, study, training, and implementation of personnel affairs.
Department of Ethics	Looks after the propagation of ethics laws and regulations, and the formulation and revision of ethics regulations.
Department of Accounting	Responsible for the planning and formulation of accounting systems, budgets, statistics, internal auditing, and bank-wide accounts and interest matters.
Department of Economic Research	Carries out surveys and analyses of domestic and overseas economic, financial, and industrial conditions, business research and development, and the compilation of economic publications.
Department of Information Management	In charge of planning, design, and management of automation.
Department of Legal Affairs	Handles legal matters as well as the collection and study of domestic and overseas laws and regulations.

II. Directors, Supervisors, President, Executive Vice Presidents, and Heads of Departments and Branches

1. Directors and Supervisors

Information on Directors and Supervisors (1)

Title	Name	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		
					Shares	%	Shares	%	Shares	%	Shares	%	
Chairperson	Susan S. Chang	July 31, 2009	July 30, 2012	July 14, 2008	1. The Taiwan Financial Holding Co., Ltd. holds 100% of shares of the Bank of Taiwan. (7.0 billion shares) 2. The Ministry of Finance holds 100% shares of the Taiwan Financial Holding Co., Ltd (9.0 billion shares)								
Managing Director	Chang Mingdaw	Jan. 08, 2010	July 30, 2012	Jan. 08, 2010									
Managing Director	Chang Shengford	July 31, 2009	July 30, 2012	June 06, 2008									
Managing Director	Yang Chengchen	July 31, 2009	July 30, 2012	Aug. 31, 2007									
Independent Managing Director	Hsu Yihsung	July 31, 2009	July 30, 2012	July 31, 2009									
Independent Director	Shen Chunhua	July 31, 2009	July 30, 2012	July 31, 2009									
Independent Director	Lou Tienwei	July 31, 2009	July 30, 2012	July 31, 2009									
Director	Chang Chihhung	July 31, 2009	July 30, 2012	July 01, 2003									
Director	Rau Hsiuhua	July 31, 2009	July 30, 2012	July 01, 2003									
Director	Yue Jiintarng	July 31, 2009	July 30, 2012	Apr. 23, 2008									
Director	Lee Kuanghuei	Sep. 25, 2009	July 30, 2012	Sep. 25, 2009									
Director	Yang Mingshyang	July 31, 2009	July 30, 2012	July 31, 2009									
Director	Chen Hsichuan	July 31, 2009	July 30, 2012	Aug.19, 2005									
Director	Lee Haobsuan	Dec. 9, 2010	July 30, 2012	Dec. 9, 2010									
Director	Yang Shengtien	Dec. 9, 2010	July 30, 2012	Dec. 9, 2010									

Note: 1. All Directors are assigned by the Ministry of Finance.

2. To reinforce corporate governance, the Bank set up an Audit Committee on July 31, 2009 to take over the functions of the supervisors.

Dec. 31, 2010

Education and Career	Positions Currently Held in the BOT and other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
		Title	Name	Relation
M.A. in Economics, National Taiwan University Vice Chairperson, Financial Supervisory Commission, Executive Yuan Administrative Deputy-Minister, Ministry of Finance Director General, National Treasury Agency, Ministry of Finance Deputy Director General, Bureau of Monetary Affairs, Ministry of Finance Deputy Director, Department of Monetary Affairs, Ministry of Finance Deputy Director, Economic Research Department Council for Economic Planning and Development	Chairperson, Taiwan Financial Holding Co., Ltd. Chairperson, Bank of Taiwan Chairperson, the Bankers Association of the ROC Vice Chairperson, Taiwan Financial Services Roundtable Co., Ltd. Managing Director, The General Chamber of Commerce of the Republic of China Director, Joint Credit Information Center Adviser, Taiwan Securities Association Director, Taiwan External Trade Development Council (TAITRA) Director, Taiwan Academy of Banking and Finance Chairperson, Taiwan Enterprise Reconstruction Association Supervisor, Institute for Biotechnology and Medicine Industry Supervisor, Taiwan-Russia Association		—	
M.A. in Law, Chinese Culture University Director General, Banking Bureau, Financial Supervisory Commission Deputy Director General, Financial Examination Bureau, Financial Supervisory Commission Deputy Director General, Monetary Affairs, Ministry of Finance	President, Bank of Taiwan Director, Taiwan Financial Holding Co., Ltd. Director, Taiwan Stock Exchange Director, Taiwan Small Business Integrated Assistance Center Supervisor, The Bankers Association of the ROC Adviser, The Bankers Association of Taipei Chairperson, The Bankers Association of Taiwan Director, Taipei Interbank Money Center, The Bankers Association of the ROC		—	
M.A. of Economics, University of Iowa, USA Administrative Deputy Minister, Ministry of Finance Director General, Department of Taxation Agency, Ministry of Finance Director General, Taipei National Tax Administration, Ministry of Finance Director General, National Tax Administration of the Northern, Taiwan Province, Ministry of Finance	Political Deputy Minister, Ministry of Finance Adjunct Associate Professor, Dept. of Accounting, College of Management, National Taiwan University		—	
Ph.D. in Economics, Virginia Tech. University Research Fellow, Institute of Economics, Academia Sinica Associated Research Fellow, Institute of Economics, Academia Sinica Teaching Assistant, Department of Economics, Virginia Tech. University Instructor, Tunghai University	Distinguished Research Fellow, Institute of Economics, Academia Sinica		—	
M.A. in Economics, National Taiwan University Deputy Governor, Central Bank of the ROC (Taiwan) Director General, Dept. of Financial Inspection, Central Bank of the ROC (Taiwan)	Independent Managing Director and Director of Audit Committee, Bank of Taiwan Independent Director, Taiwan Financial Holding Co., Ltd.		—	
Ph. D. in Economics, Washington University, U.S.A Chairperson, Professor, Dept. of Money & Banking, National Chengchi University Associate Professor, Dept. of Banking, National Chengchi University Chairperson, Associate Professor, Economics Dept., National Central University	Member, Audit Committee, Bank of Taiwan Independent Director, Taiwan Financial Holding Co., Ltd. Professor, Dept. of Finance, National Taiwan University Director, Securities & Futures Institute Director, Small and Medium Enterprise Guarantee Fund of Taiwan		—	
Ph.D. in Economics, Chinese Culture University Director General, Dept. of International Affairs Financial Supervisory Commission, Executive Yuan Deputy Director General, Dept. of International Affairs Financial Supervisory Commission, Executive Yuan	Member, Audit Committee, Bank of Taiwan Associate Professor, Department of Finance, Chinese Culture University		—	
MBA in Statistics, National Chengchi University Statistician-General, Dept. of Statistics, Judicial Yuan Director-General, Dept. of Budget, Accounting and Statistics, Kaohsiung City Government Director-General, Dept. of Budget, Accounting and Statistics, Taiwan Province Government Directorate General, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	Accountant-General, Dept. of Accounting, Judicial Yuan		—	
Ph.D. in Economics, Yale University, U.S.A Assistant Professor, Rice University, U.S.A Research Fellow, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	Associate Professor, Department of International Trade, National Chengchi University National Income Statistics Committee, Directorate -General of Budget, Accounting and Statistics, Executive Yuan		—	
Executive Master of Business , Administration college of Management, National Taiwan University Director General, Dept. of the Treasury, Central Bank of the ROC (Taiwan) Deputy Director General, Dept. of Banking, Central Bank of the ROC (Taiwan)	Director General, Dept. of Banking, Central Bank of the ROC (Taiwan) Member, Committee for Planning and Promoting, Utilization of Long-Term Funding, Council for Economic Planning and Development, Executive Yuan Member, Mobilization of Financial Resources Preparatory Business Meeting , MOF Member, Central Government Debt Service Fund Committee, MOF Independent Director, Agricultural Bank of Taiwan		—	
M.A. in Economics, National Taiwan University Assistant Director General, Foreign Exchange Dept., Central Bank of the ROC (Taiwan) Senior Economist, Foreign Exchange Dept., Central Bank of the ROC (Taiwan)	Assistant Director General , Economic Research Department, Central Bank of the ROC (Taiwan) Supervisor, Taiwan Academy of Banking and Finance		—	
BC in Accounting, National Chengchi University Resident Supervisor, Bank of Taiwan Controller and Chief Executive Officer, Accounting Management Center, DGBAS, Executive Yuan Comptroller, Ministry of Economic Affairs	Controller and Director, Second Department, DGBAS, Executive Yuan		—	
Banking Insurance Dept., Kaohsiung Kuochi Junior College of Commerce Assistant Banking Officer, Kaohsiung Branch of Bank of Taiwan	Deputy Manager, Kaohsiung Branch of Bank of Taiwan Managing Director, Bank of Taiwan Labor Union (Kaohsiung)		—	
Bachelor of Business Administration, National Taipei University Assistant Vice President and Assistant General Manager, Lungshan Branch of Bank of Taiwan	Assistant Vice President and Deputy General Manager, Chunhsien Branch of Bank of Taiwan Managing Director, Bank of Taiwan Labor Union (Taipei)		—	
Bachelor of International Trade, Feng Chia University Assistant Vice President and Assistant General Manager, Taichung Branch of Bank of Taiwan	Assistant Vice President and Deputy General Manager, Fengyuang Branch of Bank of Taiwan Director, Bank of Taiwan Labor Union (Taipei)		—	

Major shareholders of the institutional shareholders

Dec. 31, 2010

Name of institutional shareholders	Major shareholders of the institutional shareholders
Taiwan Financial Holding Co., Ltd.	Ministry of Finance

Professional qualifications and independence analysis of directors and supervisors (2)

Dec. 31, 2010

Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Notes)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Susan S. Chang			√	√		√	√		√	√	√	√		
Chang Mingdaw			√	√		√	√		√	√	√	√		
Chang Shengford	√		√	√		√	√	√	√	√	√	√	√	
Yang Chengchen	√			√		√	√	√	√	√	√	√	√	
Hsu Yihsung			√	√		√	√	√	√	√	√	√	√	
Shen Chunghua	√			√		√	√	√	√	√	√	√	√	
Lou Tienwei	√		√	√		√	√	√	√	√	√	√	√	
Chang Chihhung			√	√		√	√	√	√	√	√	√	√	
Rau Hsiuhua	√			√		√	√	√	√	√	√	√	√	
Yue Jiintarng			√	√		√	√	√	√	√	√	√	√	
Lee Kuanghuei		√	√	√		√	√	√	√	√	√	√	√	
Yang Mingshyang			√	√		√	√	√	√	√	√	√	√	
Chen Hsichuan			√			√	√	√	√	√	√	√	√	
Yang Shengtien			√			√	√	√	√	√	√	√	√	
Lee Haobsuan			√			√	√	√	√	√	√	√	√	

Notes: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

- Not an employee of the Bank or any of its affiliates.
- Not a director or supervisor of the Bank or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Bank, its parent company, or any subsidiary in which the Bank holds, directly or indirectly, more than 50% of the voting shares.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of a Bank shareholder that directly holds 5% or more of the total number of outstanding shares of the Bank or that holds shares ranking in the top five in holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Bank.
- Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse thereof.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.
- Not been a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Management Team

Jan. 31, 2011

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Chang Mingdaw	2010.01.08	100% of Shareholding: Taiwan Financial Holding Co., Ltd						M.A. in Law Chinese Culture University	Managing Director, Bank of Taiwan Director, Taiwan Financial Holding Co., Ltd. Director, Taiwan Stock Exchange Director, Taiwan Small Business Integrated Assistance Center Supervisor, The Bankers Association of the ROC Adviser, The Bankers Association of Taipei Chairperson, The Bankers Association of Taiwan Director, Taipei Interbank Money Center, The Bankers Association of the ROC			
Executive Vice President	Chiang Shihtien	2007.11.23							Dept. of International Trade Tamkang University	Managing Director, Taiwan Business Bank			
Executive Vice President	Hsieh Tenglung	2006.05.12							Dept. of Banking & Insurance National Taichung Institute of Commerce	Supervisor, First Financial Holding Co.			
Executive Vice President	Wei Janlin	2007.07.01							Master of Economics Soo Chow University	Supervisor, Mega Financial Holding Co. Supervisor, Taiwan Futures Exchange Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the ROC Director of Trust Association of ROC Director, Tea Industry Co., Ltd. joint venture in China			
Executive Vice President	Chen Minchang	2007.11.23							Dept. of Banking and Insurance Feng Chia College	Director, Hua Nan Financial Holdings Co. Director, Hua Nan Commercial Bank Deputy Minister, General Banking Committee, Deputy Minister, Certificate Policy Management Committee, The Bankers Association of the ROC			
Executive Vice President	Yang Liyen	2007.11.23							Dept. of Business Administration National Taiwan University	Chairperson, Research and Development Committee, Convener, Mainland China Group, Executive Secretary, Financial Research and Training Development Fund Management Committee, The Bankers Association of the Republic of China Director, Hua Nan Financial Holdings Co. Director, Hua Nan Commercial Bank			
Department of Auditing, Board of Directors Executive Vice President and General Auditor	Chang Hongchi	2006.05.12							Master of Agricultural Economics National Chung-Hsing University	Director, Taiwan Life Insurance Co. Deputy Minister, Internal Auditor Committee, The Bankers Association of the ROC Director, Bills Finance Association of ROC			
Secretariat, Board of Directors	Lin Inglioh	2010.04.29							Dept. of Banking and Insurance Chinese Culture University	Supervisor of First Financial Holding Co.			
Department of Planning	Shih Yingyen	2011.01.16							Graduate School of International Trade National Chengchi University	Deputy Minister, Research and Development Committee, Representative, Mainland China Group, The Bankers Association of the ROC			
Department of Credit Management	Chiou Yechin	2007.11.19							Dept. of Economics National Taiwan University	Director, Cathay United Bank Director, Small & Medium Business Credit Guarantee Fund Member of Lending Committee, The Bankers Association of the ROC			
Department of Circulation	Liang Chienyi	2010.04.29							Dept. of Banking and Insurance Provincial Tai-Chung Commercial Junior College	Director of Taiwan Fire & Marine Insurance Co.			
Department of Treasury	Hsieh Chuanchuan	2009.03.10							Master of Finance National Taiwan University	Supervisor of Taiwan Power Company Member of Foundation for SME Credit Guarantee Fund Direct Credit Guarantee Committee Convener, Bill and Bond Business Group, General Banking Committee, The Bankers Association of the ROC			

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Department of International Banking	Ho Kaicheng	2009.07.22	100% of Shareholding: Taiwan Financial Holding Co., Ltd						Master of Business Administration National Chengchi University	Member of International Finance Committee, The Bankers Association of the ROC Director of Taipei Foreign Exchange Market Development Foundation Representative, Mainland China Group, Research and Development Committee, The Bankers Association of the ROC			
Department of Consumer Finance	Yu Yungchuan	2006.11.07							Dept. of Accounting Tamkang University	Director of Taiwan Fire & Marine Insurance Co. Crew of Lending Committee of Consumer Finance Group, The Bankers Association of the ROC			
Secretariat	Wu Muying	2011.01.16							Dept. of business Administration National Chengchi University	Supervisor of Taiwan Handicraft Promotion Center Director of Taiwan Life Insurance Co.			
Department of General Affairs	Chuang Chingjiang	2010.04.29							Master of Business Administration Chang Gung University				
Department of Real Estate Management	Chen Chingjui	2007.07.01							Dept. of Laws Soo Chow University	Director of Tang Eng Iron Work Co.			
Department of Human Resources	Huang Peiming	2010.01.15							Dept. of Business National Open University				
Department of Ethics	Hu Yehliang	2003.05.16							Master of Graduate institute of East Asian Studies National Chengchi University				
Department of Accounting	Pan Jenchieh	2011.01.16							Dept. of Accounting National Chung Hsing University	Director of Taiyi Real Estate Management Co., Ltd. Chief Secretary of Bankers Association of Taiwan			
Department of Economic Research	Yang Liyen	2011.01.16							Dept. of Business Administration National Taiwan University	Chairperson, Research and Development Committee, Convener, Mainland China Group, Executive Secretary, Financial Research and Training Development Fund Management Committee, The Bankers Association of the Republic of China Director, Hua Nan Financial Holdings Co. Director, Hua Nan Commercial Bank			
Department of Credit Analysis	Chen Yungchia	2010.04.29							Dept. of Accounting and Statistics Tamkang College				
Department of Information Management	Ku Hsital	2011.01.16							Master of Business Administration Northrop University	Director of Financial eSolution Co., Ltd. Chairperson, Electronic Financial Services committee, The Bankers Association of the ROC			
Department of Legal Affairs	Lin Sulan	2004.01.15							Master of Laws New South Wales University	Director of China Development Financial Holding Corp. Deputy Minister, Financial Regulations Disciplinary Committee, The Bankers Association of the ROC			
Department of Loan Assets Management	Chen Weichi	2009.07.15							Dept. of Public Administration National Open University	Supervisor of Taiwan Asset Management Corporation			
Department of Risk Management	Lee Li	2009.07.15							Graduate School of International Trade National Chengchi University	Member of Risk Management Group, Risk Management Committee Member of Financial Holding Business, The Bankers Association of the ROC			
Department of Electronic Banking	Wang Hsinping	2007.07.16							Dept. of Mathematics National Tsing Hua University	Supervisor of Taiyi Real Estate Management Co., Ltd. Convener, Electronic Banking Group, Electronic Financial Services Committee Convener, Promote national pay tax business group, General Banking Committee Member of Electronic Financial Services Committee and Certificate Policy Management Committee The Bankers Association of the ROC			
Department of Wealth Management	Kang Fan	2007.07.01							Master of Economics Indiana State University	Director of BankTaiwan Life Insurance Co. Member of Wealth Management Committee, The Bankers Association of the ROC			
Department of Corporate Finance	Lin Lihua	2009.08.04							Dept. of Business Administration National Taipei Junior College of Business Open Business Junior College	Director of Taiwan Business Bank			
Department of Domestic Operations	Huang Juimu	2007.11.20							Dept. of Technology Mechanical Engineering Mingchi University	Director of BankTaiwan Life Insurance Co.			
Department of Business	Kang Hsiehyi	2009.07.15							Dept. of Business Administration Soo-Chow University	Supervisor, First Financial Holding Co. Director, The Taiwan Payments Clearing System Development Foundation			

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Department of Public Treasury	Lin Tiehhai	2011.01.16	100% of Shareholding: Taiwan Financial Holding Co., Ltd						Dept. of Banking and Insurance Chinese Culture University				
Department of Trusts	Liu Yuchih	2007.07.01							Dept. of International Trade National Taiwan University	Director of Retirement Fund Association Director of Administration and Training Committee Convener of Laws and systems group Member of Auditing and Advising Committee Trust Association of ROC			
Department of Procurement	Liu Chingrong	2010.01.15							Dept. of Industrial and Business Administration Tamkang College	Director of Taiji Real Estate Management Co., Ltd. Director of Tea Industry Co., Ltd.			
Department of Precious Metals	Chang Wuren	2007.07.01							Dept. of International Trade Tamkang University	Supervisor of Taiwan Sugar Co.			
Department of Government Employees Insurance	Huang Chenying	2010.01.15							Dept. of Business Administration National Taiwan University	Supervisor of BankTaiwan Life Insurance Co.			
Offshore Banking Branch	Jane Lifan	2009.08.20							Master of Business Administration Central Missouri State University				
New York Agency	Wu Kangchin	2008.04.01							Master of Business Management Department Asian Institute of Technology				
Los Angeles Branch	Ho Chwanming	2009.07.29							Master of Business Management National Taipei University				
Hong Kong Branch	Hsu Chiwen	2007.11.16							Dept. of Economics Soo Chow University				
Singapore Branch	Pan Rongyaw	2009.08.17							Master of Public Finance National Chengchi University	Director and Chief Financial Officer of Singapore Business Association of Taipei			
Tokyo Branch	Hsieh Hsiuhsien	2009.05.01							Dept. of Economics National Chungshing University	Director of United Taiwan Bank S.A.			
South Africa Branch	Chen Hung	2007.10.17							Master of Business Administration Southern California University				
London Branch	Chen Tsungjen	2006.08.30							M.A in Business Management National Sun Yat-Sen University				
Wuchang Branch	Liao Hongyen	2010.04.29							Dept. of Accounting and Statistics National Taichung Institute of Technology				
Minsheng Branch	Ho Chunghuei	2010.07.15							Bliss College, Ohio, U.S.A				
Tunhwa Branch	Lin Chunliang	2007.09.26							Dept. of Banking and Insurance Tamkang University				
Chunglun Branch	Wu Rueyming	2010.04.29							Dept. of Shipping and Transportation Management National Taiwan Ocean University				
Sungshan Branch	Chen Chenfang	2009.07.15							Dept. of Banking and Insurance Feng Chia College				
Taipei World Trade Center Branch	Liu Tungchen	2010.04.29							Dept. of Business Administration Soo-Chow University				
Chunghsiao Branch	Chu Chungchih	2010.04.29							Dept. of Shipping and Transportation Management National Taiwan Ocean University				
Hsinyi Branch	Chang Senyei	2010.04.29							Dept. of Business National Open University				
Ta An Branch	Shih Meikuei	2009.01.21							Master of Business National Taiwan University				
Hoping Branch	Fu Shankuo	2010.04.29							Dept. of Banking and Insurance Tamkang University				
Jinshan Branch	Hung Jienjen	2010.12.15							Master of Business Management Department National Dong Hwa University				
Sinan Branch	Chen Wenchang	2009.01.21							Master of Enterprise Management Tamkang University				
Chungshan Branch	Chiang Manli	2009.01.21							Dept. of Accounting and Statistics National Chengkung University				
Kungkuan Branch	Yang Yeongmaw	2009.01.21							Dept. of Cooperative Economics Fengchia University				
Chengchung Branch	Wang jungchou	2011.01.15							Master of Graduate School of Sun Yat-Senism Chinese Culture University				
Sungchiang Branch	Liao Yunkuang	2010.07.15							Dept. of Shipping and Transportation Management National Taiwan Ocean University				
Yuanshan Branch	Wang Chiatsai	2010.04.29							Dept. of International Trade FengChia University				

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Taipei Branch	Liu Chinhshing	2010.04.29	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						College of Law, National Taiwan University	Secretary of The Bankers Association of the ROC			
Guancian Branch	Chi Yenshan	2008.01.01							Dept. of Business Administration Tamkang College of Arts and Sciences				
Nanmen Branch	Wang Chunte	2010.04.29							M.A. in Insurance Fengchia University				
Jenai Branch	Chen Yingkuei	2008.03.05							Master of Business Administration National Chengchi University				
Chunhsien Branch	Yen Shyhyu	2010.07.15							Dept. of Business Administration Soo-Chow University				
Yenping Branch	Teng Hengte	2008.10.17							Dept. of Insurance National Taipei Junior College of Business Open Business Junior College				
Minchuan Branch	Chen Junghsien	2010.04.29							Dept. of Banking National Chengchi University				
Lungshan Branch	Yau Mingren	2010.04.29							Dept. of Economics Soo- Chow University				
Wanhua Branch	Chang Tehhsing	2010.04.29							Dept. of Accounting and Statistics National Taichung Institute of Technology				
Wenshan Branch	Lin Fuyen	2010.04.29							Dept. of Industrial and Business Administration Tamkang University				
Muzha Branch	Lee Tangan	2008.12.16							Dept. of Cooperative Economics National Chung Hsing University				
Nankang Branch	Wu Kungmin	2008.02.19							Dept. of Chinese Language and Literature National Taiwan Normal University				
Nankang Software Park Branch	Lee Wenying	2008.10.27							Dept. of Business Administration National Chung Hsing University				
Neihu Branch	Kang Chengchuan	2007.07.16							Dept. of Statistics Tamkang University				
Donghu Branch	Nien Chunghuan	2007.09.20							Dept. of Accounting National Chung Hsing University				
Xinhu Branch	Wu Jinchuan	2009.06.22							Dept. of Industrial Management Lunghwa Junior College of Technology				
Shihlin Branch	Chang Meiyueh	2009.04.24							Dept. of Accounting and Statistics Tamkang College				
Tienmou Branch	Tsai Huiien	2008.04.03							Dept. of Business Administration National Taiwan University				
Jiantan Branch	Hwang Yufen	2008.02.14							Dept. of Economics National Taiwan University				
Peitou Branch	Tsai Mingte	2010.07.15							Dept. of Cooperative Economics Tamkang University				
Panchiao Branch	Cheng Kuender	2010.04.29							Dept. of Economics Soo- Chow University	Executive Director of Bankers Association of Taipei County			
Huachiang Branch	Wu Tsangtay	2007.01.15							Dept. of Business Management National Chenkung University				
Bansin Branch	Tseng Jengyi	2010.04.29							Master of Business Administration New York Institute of Technology				
Sanchung Branch	Tseng Jautai	2009.03.10							Dept. of Finance and Taxation Fengchia University				
Yungho Branch	Chen Jinjinn	2009.08.04							Dept. of International Trade Kuochi Junior College of Commerce				
Chungho Branch	Wang Chuan	2010.04.29							Dept. of International Trade Tamkang University				
Shuanghe Branch	Ma Hungchih	2011.01.16							Dept. of Accounting and Statistics, National Taipei College of Business				
Hsinchuang Branch	Chou Shaoi	2009.08.04							Dept. of Business National Open University				
Nan Hsinchuang Branch	Chen Tzuyu	2010.01.15							Dept. of Banking National Chengchi University				
Hsintien Branch	Lin Minchien	2010.04.29							Dept. of Shipping and Transportation Management National Taiwan Ocean University				
Tucheng Branch	Fan Chunhsiung	2010.04.29							Dept. of Business Administration National Taipei Junior College of Business Open Business Junior College				
Lujou Branch	Lin Chengchang	2009.08.04							Dept. of Business Administration National Taipei Junior College of Business Open Business Junior College				

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Hischin Branch	Juang Chyongling	2008.02.19	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						Dept. of Business Administration National Chung Hsing University				
Shulin Branch	Wang Shuer	2010.04.29							Graduate Institute of Management Tamkang University				
Tamsui Branch	Cheng Suman	2009.07.15							Dept. of International Trade, Overseas Chinese Business College				
Taipei Port Branch	Wang Chuenan	2007.08.06							Dept. of Banking Tamkang University				
Wuku Branch	Tsai Hwaider	2009.07.15							Taiwan Provincial Taipei Commercial School				
Taipei International Airport Branch	Lien Hsingfen	2010.10.28							Dept. of Business Administration National Cheng-Kung University				
Keelung Branch	Yang Chilung	2008.09.15							Dept. of Economics Fujen Catholic University				
Yilan Branch	Lee Mingchih	2010.01.15							Dept. of Banking and Insurance FengChia University	Director of Taiwan Clearing House Foundation Yilan County Branch			
Lotung Branch	Leu Yeouyong	2010.04.29							Dept. of Economics Chinese Culture University				
Suao Branch	Hwang Huoochyan	2010.04.29							Dept. of Business Open Business College affiliated with National Taipei College of Business				
Taoyuan Branch	Yeh Tonyuan	2009.07.23							Dept. of Accounting National Cheng-Kung University	Chairman of Bankers Association of Taoyuan County Member of Taoyuan County Government Land Review Committee on Land and Standards Director of Taiwan Clearing House Foundation Taoyuan County Branch			
East Taoyuan Branch	Yang Changchyi	2008.03.18							Dept. of Laws National Chengchi University				
Taosing Branch	Kuan Suichang	2010.04.29							Dept. of Business Administration Chinese Culture University				
Chungli Branch	Yeh Gangfeng	2007.07.16							Supplementary Open Junior College for Public Administration National Chengchi University				
Neili Branch	Tsao Chinho	2010.01.15							Master of Finance Kainan University				
Chienkuo Branch	Hsieh Kuoyi	2009.01.21							Dept. of International Trade National Taichung Institute of Commerce				
Sinming Branch	Tseng Chenghsiung	2010.01.15							Dept. of Electronic Engineering Taiwan Provincial Taipei Commercial School				
Pingchen Branch	Lin Chihchung	2009.07.15							Dept. of Accounting and Statistics Taipei Commerce College Open Junior College of Commerce				
LinKou Branch	Lai Chenchi	2010.12.15							Dept. of International Business FuJen Catholic University				
Nankan Branch	Yu Kuoyu	2010.01.15							Dept. of Economics National Chengchi University				
Taoyuan Airport Branch	Liu Huihsin	2009.01.21							Dept. of Accounting and Statistics Tamkang College				
Longtan Branch	Shih Cheyu	2007.09.14							Dept. of Business Administration Feng Chia University				
Hsinchu Branch	Ku Chaochu	2009.07.15							Dept. of Economics Chinese Cultural College	Supervisor of Small Business Integrated Assistance Center Director of Taiwan Clearing House Foundation Hsinchu Branch			
Science-Based Industrial Park Branch	Lin Changfu	2007.07.16							Dept. of Banking and Insurance Feng Chia College				
Peitalu Branch	Lo Chiwang	2010.04.29							Dept. of Industrial Management Lunghwa Junior College of Technology				
Chupei Branch	Hou Fusou	2010.04.29							Dept. of Business Administration Fujen Catholic University				
Lioujia Branch	Hsu Chiumu	2010.04.29							Dept. of Economics Tunghai University				
Miaoli Branch	Chu Hsichin	2010.04.29							M.A. in Insurance Fengchia University	Director of Taiwan Clearing House Foundation Miaoli County Branch			
Toufen Branch	Wu Shiourumg	2007.07.16							Dept. of Industrial Management Tamsui Oxford College				
Taichung Branch	Wang Yuan yuan	2011.01.16							Dept. of Accounting Fengchia University	Director of Taiwan Clearing House Foundation Taichung Branch			

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Fuhsing Branch	Lin Maohong	2011.01.15	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						Dept. of International Trade Feng Chia University				
Chienhsing Branch	Wang Jungchou	2011.01.15							Master of Three People's Principles of Sun Yat-sen Chinese Culture University				
Liming Branch	Wang Shihchien	2011.01.16							Master of Finance National Chung Hsing University				
Taichung Industrial Park Branch	Chen Tsungshin	2009.01.21							Dept. of Banking and Insurance Feng Chia College				
Shuinan Branch	Kuo Teming	2008.09.15							Dept. of Accounting and Statistics Fujen Catholic University				
Hsitwun Branch	Young Yingling	2010.01.15							Dept. of Economics Tunghai University				
North Taichung Branch	Chang Kuohsun	2011.01.15							M.B.A National Taipei University				
Central Taichung Branch	Wung Tching	2010.01.15							Tatung Junior Technological College of Commerce				
Fengyuan Branch	Wang Tzutung	2010.04.29							Dept. of Banking and Insurance Provincial Taichung Commercial Junior College				
Wufeng Branch	Hsieh Huaching	2009.01.21							M.B.A in Finance National Yunlin University of Science and Technology				
Tantz Branch	Tsai Jinyuan	2010.01.15							Dept. of Business National Open University				
Taichung Harbor Branch	Tseng Chintsan	2010.01.15							Dept. of Economics Tunghai University				
Tachia Branch	Lee Chunhsi	2009.01.21							Taiwan Police Academy				
Daya Branch	Hsu Pichih	2009.03.10							M.B.A in Finance National Yunlin University of Science and Technology				
Tali Branch	Bair Ronghwa	2011.01.16							Dept. of International Trade National Taichung Institute of Commerce				
Wuchi Branch	Wang Jungming	2011.01.16							Dept. of Accounting and Statistics National Taichung Institute of Technology				
Taiping Branch	Liao Fusen	2010.01.15							Dept. of Economics Fengchia University				
Defang Branch	Chen Chingsung	2009.04.24							Dept. of Business Administration Tunghai University				
Taichung Science Park Branch	Wu Yaochih	2009.04.24							Dept. of Banking and Insurance Provincial Taichung Commercial Junior College				
Chunghsin New Village Branch	Hsu Tsueyhwa	2011.01.16							Dept. of International Trade Tamkang University				
Nantou Branch	Chen Wenyu	2010.04.29							Graduate Institute of Management Tamkang University	Director of Taiwan Clearing House Foundation Nantou Branch			
Puli Branch	Wang Wenkung	2009.01.21							Dept. of Sociology National Open University				
Changhua Branch	Wu Ahjou	2010.04.29							Dept. of Accounting and Statistics National Open College of Continuing Education Affiliated To National Taichung Institute of Technology				
Yuanlin Branch	Hung Chiho	2009.01.21							National Open College of Continuing Education				
Lukang Branch	Huang Hsishun	2010.01.15							Dept. of International Trade Open Business College affiliated with National Taipei College of Business				
Chungdu Branch	Leou Kuomin	2010.12.20							Dept. of Statistics Fengchia University				
Touliu Branch	Lin Yuantung	2010.04.29							Dept. of Business National Open University	Director of Taiwan Clearing House Foundation Yunlin County Branch			
Huwei Branch	Tsai Wenliang	2011.01.16							Dept. of Accounting and Statistics Tatung Junior Technological College of Commerce				
Chiayi Branch	Huang Wenming	2008.09.15							Master of Business Administration National Cheng Kung University	Director of Taiwan Clearing House Foundation Chiayi City Branch			
Chiabei Branch	Chang Chunyuan	2010.04.29							Master of Business Administration National Cheng Kung University				

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Jianan Branch	Wen Jenghui	2010.04.29	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						Tatung Institute of Commerce and Technology				
Taipao Branch	Ho Wenshu	2010.04.29							Tatung Institute of Commerce and Technology				
Tainan Branch	Leu Yawngeng	2009.01.21							Dept. of Business National Open University	Director of Taiwan Clearing House Foundation Tainan Branch			
Anping Branch	Jen Kunfa	2011.01.16							Dept. of Economics National Taiwan University				
Annan Branch	Tsai Fuming	2007.03.30							Dept. of International Trade Kuochi Junior College of Commerce				
Tainan Innovation and Research Park Branch	Chen Chingshan	2008.06.13							Master of Transportation and Communication Management Science Department National Cheng Kung University				
Nandu Branch	Chen Wucheng	2011.01.16							Master of Business Administration National Cheng Kung University				
Hsinying Branch	Hsu Minghui	2011.01.16							Dept. of International Trade FengChia University	Director of Taiwan Clearing House Foundation Tainan County Branch			
Yungkang Branch	Hsieh Tienfu	2010.04.29							Dept. of Accounting and Statistics Tatung Junior Technological College of Commerce				
Tainan Science-Based Industrial Park Branch	Hung Tengku	2008.10.17							Dept. of Economics Fujen Catholic University				
Rende Branch	Lee Tianhua	2010.04.29							Dept. of Accounting and Statistics Tatung Junior Technological College of Commerce				
Lioujiading Branch	Tseng Chinkuan	2009.06.10							Dept. of Business Administration National Taiwan University				
Kaohsiung Branch	Huang Wentao	2007.01.15							Dept. of International Trade Feng Chia University	Director of Taiwan Clearing House Foundation Kaohsiung Branch			
Kaohsiung Export Processing Zone Branch	Chen Chenglung	2008.02.14							Dept. of Accounting and Statistics Tamkang College				
Zuoying Branch	Liu Shenghsiang	2010.04.29							Dept. of Banking and Insurance Open Junior College of Commerce National Chengkung University				
Chienchen Branch	Wang Yungshan	2008.09.15							Dept. of Business Management National Chenkung University		Kaohsiung Airport Branch VP and General Manager	Wang Meiyuh	Sister
Kusan Branch	Lin Pingho	2008.02.14							Dept. of Finance and Taxation Fengchia University				
Sanmin Branch	Chen Chian	2010.01.15							Dept. of Business Administration Fujen Catholic University				
Hsingsing Branch	Lee Huanhsun	2008.09.15							Dept. of Business National Open University				
Lingya Branch	Chang Kuochiang	2010.04.29							M.A in Business Management National Sun Yat-Sen University				
Sandou Branch	Huang Hsihihsiang	2008.09.15							Dept. of Business National Open University				
Nantze Branch	Cheng Entzu	2010.01.15							Dept. of Finance and Taxation Fengchia University	Director, Holy Light Theological Seminary of Chinese Free Methodist			
Dahchang Branch	Chang-Chien Fengchou	2010.04.29							Dept. of Accounting National Cheng Kung University				
Boai Branch	Lee Shenghsiang	2007.07.16							Dept. of Statistics Fengchia University				
Hsiaokang Branch	Wu Bingsong	2007.09.14							Master of Finance Management National Kaohsiung First University of Science and Technology				

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Kaohsiung Airport Branch	Wang Meiyuh	2007.07.16	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						M.A in Business Management National Sun Yat-Sen University		ChienChen Branch VP and General Manager	Wang Yungshan	Brother
Cianjin Branch	Chang Chiu Huang	2011.01.16							Dept. of International Trade Open Junior College of Commerce of National Cheng Kung University				
North Kaohsiung Branch	Lin Shiuhrong	2011.01.16							Dept. of Accounting National Chengchi University				
Chenggong Branch	Su Hsinzhone	2010.04.29							Dept. of Economics FengChia University				
Gaorong Branch	Chiu Chincheng	2007.09.20							Dept. of Economics Chinese Cultural College				
Wufu Branch	Chen Yungching	2009.08.17							Master of Financial Operations Department National Kaohsiung First University of Science and Technology				
Fengshan Branch	Huang Shuichen	2010.04.29							National Changhua Senior School of Commerce				
Gangshan Branch	Chen Chunhsiung	2010.01.15							M.A in Business Management National Sun Yat-Sen University				
Wujia Branch	Wang Wenli	2010.04.29							National Taipei Teachers' College				
Chungchuang Branch	Lee Fangming	2010.04.29							Dept. of Business National Open University				
Kaohsiung Science Park Branch	Chern Mingjer	2010.01.15							Dept. of Business Administration Soo-Chow University				
Pingtung Branch	Ma Jenshiau	2010.04.29							Master of Business Administration North Western State University of L.A.	Director of Taiwan Clearing House Foundation Pingtung County Branch			
Chaochou Branch	Tsao Chejen	2009.01.21							Dept. of Economics Fugen Catholic University				
Donggang Branch	Chen Kuotung	2008.10.17							Dept. of Business management Department Kuo Chi junior college of Commerce				
Chungping Branch	Chang Chingtsun	2007.07.16							Dept. of Economics Soo Chow University				
Yenpu Branch	Lu Agan	2010.04.29							Dept. of Banking National Chengchi University				
Hsinyuan Branch	Chiu Nanhsiung	2011.01.16							Dept. of Business Administration National Chengkung University				
Taitung Branch	Shen Chengchung	2009.01.21							Dept. of Finance and Taxation Fengchia University	Chairman of Bankers Association of Taitung County Director of Taiwan Clearing House Foundation Taitung Branch			
Hualien Branch	Yu Chinglung	2010.01.15							Dept. of Industrial Management Chung Yuan University	Director of Taiwan Clearing House Foundation Hualien County Branch			
North Hualien Branch	Fan Jenlong	2010.04.29							Dept. of Business Administration Tamkang College of Arts and Sciences				
Penghu Branch	Zhou Mingrui	2011.01.16							Dept. of Business Administration Southern Taiwan University	Director of Taiwan Clearing House Foundation Penghu Branch			
Kinmen Branch	Hsu Jiaming	2011.01.16							Dept. of Business Administration Tamkang College				
Matsu Branch	Chiang Jenyung	2009.04.24							Dept. of Shipping and Transportation Management National Taiwan Ocean University				

3. Remuneration of Directors, Supervisors, President, and Vice Presidents for 2010

(1) Remuneration of Directors

Unit: NT\$1,000

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Reinvested Enterprises
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D) (Note)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)				
		The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	
Chairperson	Susan S. Chang	3,500	None	160	None	None	None	3,429	None	0.10	None	8,791	None	402	None	None	None	None	None	0.23	None	124
Managing Director	Chang Mingdaw																					
Managing Director	Tsai Fuchi																					
Managing Director	Chang Shengford																					
Managing Director	Yang Chengchen																					
Independent Managing Director	Hsu Yihsiang																					
Independent Director	Shen Chunghua																					
Independent Director	Lou Tienwei																					
Director	Chang Chihhung																					
Director	Rau Hsiuhua																					
Director	Yue Jiintarn																					
Director	Yang Mingshyang																					
Director	Lee Kuanghuei																					
Director	Lin Changsheng																					
Director	Chen Chunhsiung																					
Director	Chen Hsichuan																					
Director	Yang Shengtien																					
Director	Hsu Jiaming																					
Director	Lee Haobsuan																					

Note : 1. All Directors are assigned by the Ministry of Finance.

2. The monthly rental for the chairperson's residence is NT\$86,333; the chairperson's sedan was purchased in November of 2010 at a cost of NT\$624,365, and the monthly expense for the chauffeur is NT\$39,507, oil fee NT\$1,405 (Dec. 2010) .
3. The monthly rental for the president's residence is NT\$101,667; the president's sedan was purchased in October of 2002 at a cost of NT\$798,800, and the monthly expense for the chauffeur is NT\$39,507, oil fee NT\$112,023 (Jan. ~ Dec. 2010) .

Unit: NT\$1,000

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements
Under NT\$2,000,000	Chang Mingdaw, Tsai Fuchi, Chang Shengford, Yang Chengchen, Hsu Yihsung, Shen Chunghua, Lou Tienwei, Chang Chihhung, Rau Hsiuhua, Yue Jiintarn, Yang Mingshyang, Lee Kuanghuei, Lin Changsheng, Chen Chunhsiung, Chen Hsichuan, Yang Shengtien, Hsu Jiaming, Lee Haobsuan		Tsai Fuchi, Chang Shengford, Yang Chengchen, Hsu Yihsung, Shen Chunghua, Lou Tienwei, Chang Chihhung, Rau Hsiuhua, Yue Jiintarn, Yang Mingshyang, Lee Kuanghuei, Lin Changsheng, Chen Chunhsiung, Chen Hsichuan, Yang Shengtien, Hsu Jiaming, Lee Haobsuan	
NT\$2,000,000 ~ NT\$5,000,000	Susan S. Chang		Susan S. Chang, Chang Mingdaw	
NT\$5,000,000 ~ NT\$10,000,000				
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	7,089		16,282	

(2) Compensation of President and Vice President

Unit: NT\$1,000

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Reinvested Enterprises
		The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank	Companies in the consolidated financial statements	The Bank		Companies in the consolidated financial statements		The Bank	Companies in the consolidated financial statements			
								Cash	Stock	Cash	Stock					
President	Chang Mingdaw	12,158	None	969	None	9,029	None	None				0.31	None	None	None	772
Executive Vice President	Tsai Fuchi															
Executive Vice President	Hsieh Tenglung															
Executive Vice President	Yang Liyen															
Executive Vice President	Chiang Shihtien															
Executive Vice President	Wei Janlin															
Executive Vice President	Chen Minchang															
Executive Vice President	Chuang Kaochen															
Executive Vice President and General Auditor	Chang Hongchi															

Bracket	Name of President and Vice Presidents	
	The Bank	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Tsai Fuchi, Chuang Kaochen	
NT\$2,000,000 ~ NT\$5,000,000	Chang Mingdaw, Hsieh Tenglung, Yang Liyen, Chiang Shihtien, Wei Janlin, Chen Minchang, Chang Hongchi	
NT\$5,000,000 ~ NT\$10,000,000		
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	22,156	

4. Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

Because the Ministry of Finance holds 100% of the Bank's shares, this item is not applicable.

III. Implementation of Corporate Governance

1. Board of Directors

A total of 10 (A) meetings of the Board of Directors were held in 2010. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Chairperson	Susan S. Chang	10	0	100.0	
Managing Director	Chang Mingdaw	8	2	80.0	Assumed on Jan. 8, 2010
Independent Managing Director	Hsu Yihsung	10	0	100.0	
Managing Director	Chang Shengford	9	1	90.0	
Managing Director	Yang Chengchen	8	2	80.0	
Independent Director	Shen Chunghua	9	1	90.0	
Independent Director	Lou Tienwei	9	1	90.0	
Director	Yang Mingshyang	10	0	100.0	
Director	Rau Hsiuhua	10	0	100.0	
Director	Chang Chihhung	9	1	90.0	
Director	Lee Kuanghuei	10	0	100.0	
Director	Yue Jiintarn	8	2	80.0	
Labor Director	Lin Changsheng	7	0	77.8	Relieved on Dec. 9, 2010
Labor Director	Chen Chunhsiung	3	0	100.0	Relieved on June 10, 2010
Labor Director	Chen Hsichuan	9	0	90.0	
Labor Director	Hsu Jiaming	6	0	100.0	Assumed on June 10, 2010 Relieved on Dec. 9, 2010
Labor Director	Yang Shengtien	1	0	100.0	Assumed on Dec. 9, 2010
Labor Director	Lee Haobsuan	1	0	100.0	Assumed on Dec. 9, 2010

Other mentionable items:

- 1.If there are circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None
- 2.If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: None

Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Board of Directors meetings attended to the total number held during the term in office.

2. Audit Committee

A total of 8 (A) Audit Committee meetings were held in 2010. Independent director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) [B / A]	Remarks
Independent Managing Director	Hsu Yihsung	7	1	87.5	
Independent Director	Shen Chunghua	6	2	75.0	
Independent Director	Lou Tienwei	8	0	100.0	

Other mentionable items:

- If there are circumstances referred to in Article 14-5 of Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified: None
- If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None
- Communications between the independent directors, Internal auditing authorities and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
 - Communication with internal auditing authorities is carried out as follows to reinforce the Bank's internal auditing work:
 - Three meetings of the Audit Committee that were held during this fiscal year carried out communication on (1) a report on auditing work for the first half of 2010; (2) Internal Control Statement; and (3) auditing work plan for 2011.
 - Two seminars were held with the internal auditing authorities on "Implementation Rules for the Financial Holding Co. and the Banking Industry Internal Audit and Internal Control System" and "Reinforcement of the Content of Auditing Reports."
 - Communications with CPAs were carried out as follows in order to reinforce the content of the Bank's external auditing work:
 - Five meetings of the Audit Committee carried out communication in regard to (1) financial reports for the first half of 2010; (2) the financial report for the first quarter of 2010; (3) the financial report for the third quarter of 2010; and (4) the Bank's IFRS conversion plan and status of implementation.
 - Two seminars were used to carry out communication on the Bank's financial report checking and review matters.
 - The Bank's communications with regulatory compliance, risk management, finance, accounting, and business units were carried out as follows. In order to reinforce regulatory compliance, risk management, financial, accounting, and business operations:
 - Eight meetings of the Audit Committee carried out communication on important regulatory compliance, risk management, finance, accounting, and business matters.
 - Numerous seminars were used to carry out communication on the Bank's important related issues.
 - Relevant executives were invited to the Audit Committee's office on an irregular basis, and talks were held via telephone, to carry out communication on important issues.
 - Unannounced visits were paid to six branches for communication with their managers.
 - A total of eight Audit Committee meetings were called, 24 seminars were held, and visits to six branches were carried out during this year.

Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of the number of Board of Directors meetings attended to the number held during the term in office.

3. Revealed items in the Corporate Governance Best-Practice Principles for the Banking Industry

The Bank of Taiwan publishes information regarding corporate governance on its website, in accordance with the regulations. Please refer to the home page of the Bank's website "<http://www.bot.com.tw>" and click on "Corporate Governance".

4. Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for The Banking Industry"

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for The Banking Industry" and reasons
1. Shareholding Structure & Shareholders' Rights (1) Method of handling shareholder suggestions or complaints (2) The Bank's possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and "firewall" between the Bank and its affiliates	1. The Bank currently has only one institutional shareholder: the Taiwan Financial Holdings Co. (which is 100% owned by the Ministry of Finance). All related matters are carried out in accordance with regulations, and channels of communication are clear. 2. The Bank is a subsidiary of the state-owned Taiwan Financial Holdings Co. (whose sole owner is the Ministry of Finance). 3. Business having to do with related enterprises is all carried out in accordance with the provisions of the Banking Law and the regulations of the competent authority as well as the Bank's own internal control charter.	None

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for The Banking Industry" and reasons
2. Composition and Responsibilities of the Board of Directors (1) Independent Directors (2) Regular evaluation of CPAs' independence	1. The Bank has a Board of Directors consisting of 15 members, all of whom are persons of professional know-how or experience who are appointed by the parent company, the Taiwan Financial Holdings Co., as representatives of government shareholding (three are independent directors and another three are recommended by the employees' union). All carry out their duties under the principles of independence, objectivity, and professionalism. 2. In 2010 the Bank commissioned independent, reputable, and professional international certified public accountants of appropriate scale, to carry out verification and certification of the Bank's accounts.	None
3. Communication channel with stakeholders	The Bank maintains a mailbox for complaints and suggestions on its website, as well as a customer service telephone hotline, providing materially interested persons with a diversity of communication channels. Its internal website also contains a Chairperson's Mailbox, President's Interchange, and employees' discussion area as channels for employee suggestions.	None
4. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Bank's financials, business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	1. The Bank's website regularly discloses information on financial operations and corporate governance. 2. The Bank's website has an English page that provides information on the Bank's financial operations and corporate governance. The information is updated whenever the data change. To circulate publicly reports and announcements in accordance with the requirements of the competent authority, the units in charge of different areas of business carry out the collection and disclosure of relevant information in their own fields. Their reports are made according to the stipulated deadlines. To strengthen liaison and communication with the news media, the Bank makes timely and accurate reports on its major policies, business measures, and services. "Bank of Taiwan News Issuance and News Liaison Guidelines" have been established to make consistent statements. A spokesperson has been appointed.	None
5. Operations of the Bank's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	The Bank established an Audit Committee on July 31, 2009 and formulated an Audit Committee Charter. The primary objective of the Committee, which is made up of all the Bank's independent directors, is to provide supervision in the following areas: 1. The appropriate expression of the Bank's financial reports. 2. The appointment (or dismissal) of CPAs, and their independence and performance. 3. The effective implementation of the Bank's internal controls. 4. The Bank's compliance with relevant laws and regulations. 5. Management of existing and potential risks.	None
6. If the Bank has established corporate governance principles based on "Corporate Governance Best-Practice Principles for The Banking Industry", please describe any discrepancy between the principles and their implementation: Deviations from the Corporate Governance Best-Practice principles for the Banking Industry are revealed in the Bank's website.		
7. Systems and measures adopted by the Bank in the interest of corporate social responsibility (including human rights, employee rights, environmental protection, community participation, supplier relationships, supervision, and material relationships), and CSR performance: (1) Taiwan Financial Holding Co., Ltd. is BOT's only shareholder. In addition to making every effort to attain the budget targets set by the government, the Bank also coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects in order to promote overall national economic development. (2) To pay back to the public and carry out the principle of "Caring", the Bank subsidizes Groups and individuals, as well as coordinates with government policy by offering student loans, making significant contributions to the public welfare.		
8. Other Important Information on the Bank's Corporate Governance Operations (including advanced education for directors and supervisors, attendance of directors and supervisors at board of directors meetings, implementation of risk management policy and risk measurement standards, implementation of consumer protection or customer policy, abstention of directors from cases in which they have a material interest, and purchase by the bank of liability insurance for directors and supervisors): (1) Advanced education for directors: The Bank provides directors with information on advanced courses on law, finance, and accounting related to issues of corporate governance on an irregular basis, and arranges for them to attend courses in accordance with the regulations and their individual wishes. (2) Attendance of Directors at Board of Directors' Meetings: The Bank's directors attend meetings of the Board of Directors (Board of Managing Directors) in accordance with the "BOT Articles of Incorporation", "BOT Board of Directors Organizational Charter" and "BOT Board of Directors Conference Regulations". (3) Implementation of Risk Management Policy and Risk Measurement Standards: a. To reinforce risk control capability and conform to the provisions of the New Basel Accord, the Bank has established a Risk Management Committee and mapped out risk strategies, and convenes a meeting of the Committee to consider risk monitoring every three months. The Bank has also set up an independent dedicated risk control unit, carries out matters related to risk identification, assessment, monitoring, and management, and submits regular reports on the status of implementation to the Risk Management Committee. b. In compliance with FSC rules, the Bank has implemented Pillars 1, 2, and 3 of Basel II. c. The Bank has worked out a risk management policy, regulations for the establishment of a risk management committee, internal criteria for capital adequacy management, criteria for credit risk management, criteria for market risk management, criteria for operational risk management, criteria for national risk quota management, and regulations for the disclosure of risk management information. d. The Bank carries out the advanced approach risk management mechanism in accordance with the New Basel Accord. (4) Consumer Protection: a. To protect consumer interests, the contracts signed with customers for the extension of consumer loans are drawn up according to the "Items to be Included and Not Included in Personal Auto and Home Loan Model Contracts" as formulated by the competent authority in accordance with the Consumer Protection Law and other relevant laws and regulations. b. The loan contracts signed by the borrowers of consumer loans contain a complaint hot line that consumers can use to lodge complaints after taking out loans. c. The Bank has established "Standards for Exemption from Risk due to Loss or Theft of International Credit Cards" and "Regulations for Writing Off Losses due to Fraudulent Use of International Credit Cards", so as to protect the users of international credit cards. (5) Directors withdraw from cases in which they have a material interest: Organizational Charter, and Article 17 of the Board of Directors Rules of Procedure all stipulate that directors should withdraw from cases in which they have a material interest. Directors have to fill out the "Parties of Material Interest" as stipulated in Article 33-1 of the Banking Law, and the form is placed on a computer file by the Department of Credit Management. (6) Purchase of liability insurance for independent directors and supervisors: The Bank has not purchased liability insurance for its directors. To reinforce corporate governance, the Bank set up an Audit Committee on July 31, 2009 to take over the functions of the supervisors.		
9. The corporate governance self-evaluation report or corporate governance evaluation report commissioned to a professional organization should include an explanation of the results of the report, major deficiencies (or suggestions), and status of improvement: The Bank has not yet carried out a corporate governance self-evaluation report or commissioned such a report to a professional organization.		

5. Social Responsibility

Item	Implementation Status
<p>1. Implementation of corporate governance</p> <p>(1) Formulation of a corporate social responsibility policy or system, and review of implementation effectiveness</p> <p>(2) Operation of dedicated (or concurrent) corporate social responsibility unit established by the bank</p> <p>(3) Holding by the bank of regular corporate ethics training and publicity activities for directors, supervisors, and employees, combining of this training with the employee performance evaluation system, and establishment of a clear and effective system of rewards and punishments</p>	<p>(1) Public-benefit donations are given to civic groups in accordance with the "Bank of Taiwan Rules for the Granting of Subsidies (Donations) to Private Groups."</p> <p>(2) The BOT has not yet established a dedicated (or concurrent) corporate social responsibility unit.</p> <p>(3) All directors participate in advanced corporate governance courses, and they are notified of any pertinent government decrees and other matters. The internal website contains an online learning page that allows employees to study corporate governance-related courses online, and such study is included in employee training time. Training in corporate ethics has not yet been made part of the employee performance evaluation system.</p>
<p>2. Development of a sustainable environment</p> <p>(1) Efforts by the bank to enhance the efficiency of resources utilization, and use of recyclable materials with a low environmental burden</p> <p>(2) Establishment by the bank of an appropriate environmental management system in accordance with its industry characteristics</p> <p>(3) Establishment of an exclusive environmental management unit or personnel in order to protect the environment</p> <p>(4) Attention to the impact of climate change on operating activities, and establishment by the bank of energy conservation/carbon reduction and greenhouse gas emissions reduction strategies</p>	<p>(1) The BOT carries out operational activities in accordance with the following principles in order to lower the impact on the environment:</p> <p>a. Reduction of the consumption of resources and energy for financial products and services</p> <p>b. Appropriate disposal of wastes</p> <p>c. Use of energy-saving and environmentally friendly goods</p> <p>(2) The BOT has established an annual environmental patrol and supervision plan to manage the environmental beautification and maintenance of cleanliness by each unit.</p> <p>(3) The Department of General Affairs carries out irregular and unannounced inspections of the different units and produces records of the inspections for evaluation purposes; reinspections are carried out of monitored items of different units, and they are followed up until improvements are made.</p> <p>(4) The BOT established an energy conservation/carbon reduction target of a 2% reduction from the previous year for the use of electricity, water, fuel, and paper in accordance with the revision of the "Energy Conservation/Carbon Reduction Measures for Government Agencies and Schools" by the Executive Yuan on Dec. 16, 2009. The reductions during the year amounted to 2.73% for electricity, 3.52% for water, and 2.21% for paper, but fuel use rose by 1.17%.</p> <p>The BOT used the occasion of its 64th anniversary celebration to have its employees sign an "Eight Major Low-carbon LOHAS Measures" commitment. The eight are "respect for nature with as little human alteration as possible," "priority for the use of local products," "taking of public transport," "leave air conditioning off and windows open," "turn off lights and switch lamps," "turn off the power and pull the plug," "save water, fix leaks, and reuse," and "treasure resources and recycle them." The signing was carried out on May 18, 2010.</p>
<p>3. Maintenance of social benefit</p> <p>(1) Observance by the bank of relevant labor regulations, protection of employees' legal rights, and establishment of appropriate management methods and procedures</p> <p>(2) Provision by the bank of a safe and healthy working environment for its employees, and offering of regular safety and health education to employees</p> <p>(3) Establishment and publication of a consumer protection policy for the bank, and provision of a transparent and effective complaint procedure for its products and services</p> <p>(4) Cooperation between the bank and suppliers in efforts to enhance corporate social responsibility</p> <p>(5) The bank's use of commercial activities, donation of goods, corporate volunteer services, or other free professional services to participate in community development and the activities of public-benefit groups</p>	<p>(1) As a state-owned enterprise governed by the Labor Standards Act, the BOT handles employees' working conditions, compensation, bonuses, retirement, pensions, layoffs, and insurance systems in accordance with the Labor Standards Act and other laws related to civil servants. A collective bargaining agreement has also been signed with the Taipei BOT Labor Union, assuring the full protection of employees' rights.</p> <p>(2) The BOT observes Article 12 of the "Rules on Protection of Workers' Health" in giving workers aged 40-64 a health examination every three years and workers under the age of 40 an examination every five years. Regular examinations are carried out to maintain the physical and mental health of employees.</p> <p>(3) Loan certificates and contracts for other businesses all contain detailed descriptions of the rights of both parties; the contents of contracts are explained to customers prior to signing, and the customers attest to this by affixing their seals. Transparent and effective consumer complaint procedures, telephone numbers, toll-free hotlines, and complaint and suggestion mailboxes are given on the BOT website, at its teller counters, and on its business posters. In addition to taking telephoned complaints, the customer service center also provides 365-day, 24-hour online consultation and assistance in resolving questions.</p> <p>(4) In the procurement of goods, priority is given to suppliers that provide environmentally friendly, energy-saving products.</p> <p>(5) The BOT organizes public-benefit activities and provides free professional services to fulfill its corporate social responsibility and carry through with its ideal of caring. In handling subsidies (or donations) the BOT adopts a prior review system and then carries out the activity within the scope of its budget. Whether the Bank proactively carries out activities for disadvantaged groups (for example, kindergartens) or responds to requests from civic groups for subsidies (or donations), it does so in accordance with the "BOT Rules for the Granting of Subsidies (Donations) to Private Groups."</p>

Item	Implementation Status
<p>4. Strengthening of information disclosure</p> <p>(1) Disclosure by the bank of relevant and reliable information on corporate social responsibility</p> <p>(2) Production of a corporate social responsibility report by the bank, and disclosure of the implementation of corporate social responsibility</p>	<p>(1) The BOT discloses information on the implementation of corporate social responsibility in its Annual Report and on its global information website.</p> <p>(2) The BOT has not produced a corporate social responsibility report.</p>
<p>5. If the bank has compiled its own corporate social responsibility rules in accordance with the "Corporate Social Responsibility Best-Practice Principles for TSEC/GTSM Listed Companies," please explain their operation and their divergences: The BOT has not compiled its own corporate social responsibility rules.</p>	
<p>6. Other important information to help understand the operation of corporate social responsibility (such as systems, measures, and implementation adopted by the bank for environmental protection, community participation, contributions to society, social services, social benefit, consumer rights, human rights, safety and health, and other CRS activities):</p> <p>The BOT carried out the following social benefit activities in 2010:</p> <p>(1) In addition to long-term sponsorship of employees for the formation of sports teams and the holding of activities in order to encourage them and their families to exercise, the BOT has also given long-term financial support for the formation of Taiwan basketball teams, participation in domestic professional basketball tournaments, the holding of summer basketball camps, and other activities open to the public. The Bank also regularly supports local sports activities.</p> <p>(2) To show care for underprivileged groups and for children, on Mar. 15, 2010 the Bank invited schoolchildren from family support centers to participate in a "Fire Up Your Soul – Van Gogh" Exhibition – BOT Wealth Management VIPs and Warm Your Heart Night."</p> <p>(3) As part of its constant promotion of care for society, for the celebration of the BOT's 64th anniversary on May 8, 2010 Chairperson Susan Chang, along with a group of employees, invited Taiwan Fund for Children and Families schoolchildren and volunteer workers from the Keelung area to enjoy an exhibition of historical artifacts and have lunch.</p> <p>(4) In line with government policy and its own care for customers, "2010 BOT Taiwan Economic Prospects and Countermeasures Seminars" were held in northern, central, and southern Taiwan on May 17, 19, and 25, respectively. Experts and scholars were invited to give talks on "The Impact of ECFA on Domestic Enterprises, and Developmental Countermeasures" to provide companies with the latest information on economic trends and help them adapt by working out their own countermeasures for enhancing competitiveness, and to assist the government in carrying out cross-straits policy.</p> <p>(5) In coordination with post-Typhoon Morakot industrial reconstruction work, at the time of the 2010 Dragon Boat Festival the BOT purchased disaster-area gift boxes to show its concern for the victims.</p> <p>(6) In coordination with the Ministry of Finance, on May 22, 2010 the BOT organized an outdoor blood-donation carnival activity at Chung Shan Hall in Taipei.</p> <p>(7) A "BOT Support for Baseball" activity that brought together the Bank's existing businesses was held to provide Gold Passbook sponsorship for the 2010 professional baseball all-star game.</p> <p>(8) In response to media reports about disadvantaged schoolchildren having no nutritious lunches during the summer vacation, the BOT showed its concern for disadvantaged groups by holding a donation campaign on July 5, 2010 at BOT headquarters. The proceeds were donated to the Child Welfare League Foundation to support its provision of lunches to disadvantaged schoolchildren during the vacation period.</p> <p>(9) The BOT held two family camps, one each in Taipei and Kaohsiung, in August 2010 and invited children from family support centers to participate along with BOT wealth management VIP families.</p> <p>(10) On Dec. 7 the BOT held a donation activity for children's homes operated by Christian churches in mountain areas of Kaohsiung, to provide for the purchase of sports shoes and comforters for the homes' children. On Dec. 8-10 the Bank donated wheelchairs to the Heng Chun Christian Hospital, Taitung Hospital, and Da Chien General Hospital in Miaoli to provide more medical resources in remote areas. On Dec. 9 the Bank donated funds to the Teacher Chang Foundation, Children Are Us Foundation, and Taipei County Branch of the Taiwan Fund for Children and Families to help these organizations in their efforts to care for disadvantaged groups.</p> <p>(11) On Oct. 9, 2010 the BOT held a family carnival activity at the East Riverside Plaza in Bitan, Xindian. More than 130,000 unified invoices were collected for donation to the Genesis Social Welfare Foundation and more than 1,500 products were sold in a charity auction, netting nearly NT\$100,000 for donation to the Taipei County Family Support Center.</p>	
<p>7. If the bank's product or corporate social responsibility reports include passage of certification standards by relevant certification agencies, please explain: The Bank's standardized information services management operations obtained ISO 20000-1:2005 international information services management standards certification from BSi on Dec. 24, 2010.</p>	

6. Status of the Bank's Honest Operation, and Measures Adopted

Item	Measures Adopted	Implementation Status
1. Strengthening of sunshine laws	Strengthened educational publicity on such sunshine laws as the Act on Property Declaration by Public Servants and Act on Recusal of Public Servants Due to Conflicts of Interest	<p>1. A civil service ethics area set up on the Bank's global information website uploads property reporting regulations, interpretations, form-filling explanations, the law on recusal because of conflicts of interest, and other regulatory educational materials for downloading by personnel making the reports.</p> <p>2. In 2010 the Bank received public-servant property reports from 452 persons; 68 were randomly chosen for substantive examination, but no case of intentional false reporting was discovered.</p>
2. Carrying through with public servant behavior rules and establishment of a clean-government model	Implementation of the "Ethics Directions for Civil Servants" and strengthened registration of influence peddling, receiving and giving of property, acceptance of dinner invitations, and other clean-government ethics incidents.	Each unit continued carrying out the "Ethics Directions for Civil Servants and strengthening registration of influence peddling, receiving and giving of property, accepting of dinner invitations, and other clean-government ethics incidents. A total of 811 incidents were recorded in 2010, but there was no violation of the rules.
3. To carry out honest operation, the Bank allows no difference between the content of its marketing advertisements and actual loan conditions. The Bank has established an internal controls system, internal auditing system, and various management charters, and auditors and external professionals (CPAs) carry out random inspections of implementation by the various units. A global information website has been established for the convenience of the public in finding information about the Company. In addition, the Bank discloses important financial and business information on its public information website, and discloses the status of its corporate social responsibility in its Annual Report and on its global information website.		

7. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at <http://www.bot.com.tw>

8. Other Important Information Regarding Corporate Governance

(None)

9. Internal Control System

(1) Internal Control Statement

Bank of Taiwan

Internal Control Statement

TO: FINANCIAL SUPERVISORY COMMISSION

The internal control system of the Bank of Taiwan from Jan.1, 2010 through Dec. 31, 2010 was established in compliance with the "Implementation Rules for the Financial Holding Co. and the Banking Industry Internal Audit and Internal Control System" to implement risk management and audited by an independent auditing department which reports to the board of the directors and supervisors regularly (For bank's securities business, the Bank determines if the design and implementation of the internal control system are effective based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets). After careful evaluation, the Bank believes that the Bank's internal control system and compliance with applicable law and regulations have been effective for the year stated. (This Statement shall become a major part of the annual report and prospectus of the Bank and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.)

Chairperson



President



EVP and General Auditor



Head Office Chief Compliance Officer
February 16, 2011



Items in Need of Strengthening in the BOT's Internal Controls System, and Improvement Measures (Base date: Dec. 31, 2010)

Items for Strengthening	Improvement Measures	Projected Date of Completion
Management of transitional accounts	Rules for the opening of transitional accounts by business units were passed by an extraordinary board of directors meeting on Sep. 24, 2010. To strengthen the anti-money laundering concepts of employees and carry through with transitional account management, the promotion of related operating rules will be continued and the training of personnel in deposits and remittances will be strengthened.	Dec. 31, 2011
Monitoring of data destruction operations	Personnel will be trained, with brainstorming sessions used to propagate compliance with the "Personal Data Protection Act" and reiterate the Bank's "Retention Period Chart for BOT Forms and Books" and "Procedures for the Destruction of Sensitive Official and Customer Data, and the Sending of General Affairs and Auditing Personnel to Escort and Oversee the Entire Destruction Process" so as to assure the appropriateness and security of personal data protection and document destruction.	Sep. 30, 2011
Warehouse management operations	1. "Warehouse Management Instructions" will be established to lay down bank-wide standard operating procedures (SOP) for warehouse management and effectively manage warehouse door control security. 2. Each unit will be asked to carry out warehouse file inspection on a scheduled basis so as to guarantee the secure storage of documentary, accounting, and other files.	June 30, 2011

(2) Independent Auditors' Report

Independent Auditors' Report

The Board of Directors
Bank of Taiwan

Article 28, Item 1 of the "Implementation Rules for the Financial Holding Co. and the Banking Industry Internal Audit and Internal Control System" that when a bank is having its annual financial statements examined and certified by Certified Public Accountants, it should commission the CPAs to carry out an examination of its system of internal controls and to express an opinion about the accuracy of the data included in the statements reported to the competent authority, the implementation of the bank's internal control system and its regulatory compliance, and the appropriateness of the bank's policy on appropriations for bad debts.

We have been engaged by the Bank of Taiwan to carry out the examination described above and, in accordance with the stipulations of Article 31 of the Implementation Rules, hereby affix the scope, content, and results of our examination in the attachment.

This examination report is provided solely to the Bank of Taiwan for reference. With the exception of being submitted to the competent Authority for supervisory reference, it may not be used for other purposes or distributed to other parties.

KPMG Certified Public Accountants
March 29, 2011

10. Legal Violations Incurring Punishment and Major Deficiencies of the Past Two Years, and Status of Improvement

Please refer to page 38 of the Chinese annual report.

11. Major Resolutions of Shareholders' Meeting and Board Meetings

- (1) Resolution passed by the 2nd session of the third Board of Directors on Jan. 8, 2010: The Board of Directors of the Taiwan Financial Holdings Co. approved the appointment of Chang Mingdaw as president of the BOT; and Tsai Fuchi, president of the Taiwan Financial Holdings Co., was relieved of the post of acting president of the BOT.
- (2) Resolution passed by the 7th meeting of the 3rd board of directors on Apr. 23, 2010: The Bank's financial reports for fiscal 2009 (Jan. 1 ~ Dec. 31, 2009) were certified by KPMG Certified Public Accountants.
- (3) Report by the 56th meeting of the 3rd board of standing directors meeting on Aug. 20, 2010: The 2009 final budget of the Taiwan Financial Holdings Co. was examined and approved by the Ministry of Audit.
- (4) Report submitted by the 9th meeting of the 3rd board of directors on Aug. 20, 2010: The Bank completed its statutory budget for 2010, and it was examined and approved by the Legislative Yuan.
- (5) Resolution of the 4th extraordinary meeting of the 3rd board of standing directors on Sep. 24, 2010: The Bank carried out a capital increment of NT\$25 billion using surplus reserves, boosting capital from NT\$45 billion to NT\$70 billion with a base date of Nov. 8, 2010.
- (6) Report of permission for reference by the 75th meeting of the 3rd board of standing directors on Dec. 31, 2010: On the Dec. 23 invitation by the Bank of China, BOT Chairperson Susan Chang received permission to visit Beijing on Dec. 23-25 for the signing of a contract with the Bank of China (She returned to Taiwan early, however, on Dec. 24).
- (7) Report by the 79th meeting of the 3rd board of standing directors on Jan. 28, 2011: The Bank's business report, profit and loss statement, appropriation of profit and loss statement, balance sheet, and cash flow statement.
- (8) Retroactive recognition by the 11th meeting of the 3rd board of directors on Feb. 14, 2011: The Bank's statutory budget for 2010 includes the transfer of NT\$2.2 billion from the special reserve to undistributed profit for payment into the treasury, as reported to and approved by the 77th meeting of the 3rd board of standing directors on Jan. 14. The "special reserve" under the "assigned retained earnings" column was transferred to "accumulated surplus" under the "unassigned retained earnings" column, and turned over to Taiwan Financial Holdings in accordance with the surplus distribution in the 2010 self-compiled final accounts.
- (9) Resolution of the 11th meeting of the 3rd board of directors on Feb. 14, 2011: Signing by the BOT of a cooperation agreement with the Nanjing City Commercial Bank for the purpose of establishing closer business relations with mainland Chinese banks.
- (10) Report submitted by the 86th meeting of the 3rd board of directors on Mar. 25, 2011: Visit by Chairperson Chang to Beijing on Mar. 25-29, 2011 for the purpose of signing a business cooperation MOU with the Industrial and Commercial Bank of China.

12. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

(None)

13. Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

Jan. 31, 2011

Title	Name	Date of Appointed	Date of Termination	Reasons for Resignation or Dismissal
Acting President	Tsai Fuchi	Jan. 7, 2009	Jan. 1, 2010	Dissolution of agency
Executive Vice President	Chiou, Kaochen	Sep. 11, 2009	July 16, 2010	Compulsory retirement
Department of Accounting SVP and General Manager	Liu Hsikuang	Mar. 20, 2006	Jan. 16, 2011	Compulsory retirement

Note: "Persons related to financial reports" refers to the chairperson, president, chief auditor, and chief internal auditor.

IV. CPA Information

(Major changes in CPA audit fees, change of CPA, employment of the chairperson, president, or manager responsible for financial or accounting duties at the attesting CPA's office or an affiliated enterprise, or other matters requiring disclosure)

Name of Accounting Firm	Name of CPA		Audit Period	Notes
KPMG Certified Public Accountants	Yen-Ling Fang	Derek Hsu	Jan. 1, 2010~Dec. 31, 2010	

Unit: NT\$1,000

Amount \ Items	Auditing Fees	Non-auditing Fees	Total
Under NT\$ 2,000,000		164	164
NT\$2,000,000 ~ NT\$ 4,000,000			
NT\$4,000,000 ~ NT\$ 6,000,000			
NT\$6,000,000 ~ NT\$ 8,000,000	5,660		5,660
NT\$8,000,000 ~ NT\$10,000,000			
Over NT\$10,000,000			

V. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity by the Provisions of Item 3, Article 25 of the Banking Law

(None)

VI. Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

(None)

VII. Numbers of Shares in the Same Reinvested Enterprises Held by the BOT and its Directors, Supervisors, President, Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

Consolidated Shareholding Ratios

Dec. 31, 2010

Unit: Share; %

Reinvested Enterprise (Note)	Investment by the BOT		Investment by Directors, Supervisors, the President, Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the BOT		Consolidated Investment	
	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding	No. of Shares	Ratio of Shareholding
Taiwan Sugar Corp.	23,137,489	0.30	11,120,138	0.14	34,257,627	0.44
Taiwan Power Company	865,191,972	2.62	148,281,562	0.45	1,013,473,534	3.07
Taiwan Machinery Manufacturing Corp.	10,253,459	1.60	167	0.00	10,253,626	1.60
Taiwan Stock Exchange Corp.	58,431,497	10.01	17,508,989	3.00	75,940,486	13.01
First Financial Holding Co., Ltd.	513,700,202	7.93	192,668,151	2.97	706,368,353	10.90
Hua Nan Financial Holdings Co., Ltd.	1,645,284,650	24.86	297,867,334	4.50	1,943,151,984	29.36
Taiwan Business Bank	778,010,028	19.31	44,119	0.00	778,054,147	19.31
Cathay Financial Holding Co., Ltd.	51,537,419	0.51	11,079,009	0.11	62,616,428	0.62
Mega Financial Holding Company	277,170,670	2.51	165,365	0.00	277,336,035	2.51
Taiwan Life Insurance Co., Ltd.	154,552,518	20.84	21,676,066	2.92	176,228,584	23.76
Taiwan Fire & Marine Insurance Co., Ltd.	64,608,278	17.76	2,320	0.00	64,610,598	17.76
Tang Eng Iron Work Co., Ltd.	74,802,414	21.37	16,084,512	4.60	90,886,926	25.97
China Development Financial Holding Corp.	236,397,764	2.09	284,428	0.00	236,682,192	2.09
Kaohsiung Ammonium Sulfate Co., Ltd.	303,131,576	91.86	0	0.00	303,131,576	91.86
Taiwan Chung Hsing Paper Corp.	25,035,822	9.54	0	0.00	25,035,822	9.54
Taiwan Shin-Sheng Press Enterprise Company	355,005	0.23	21,735	0.01	376,740	0.24
China Trade & Development Corp.	1,250,110	1.91	0	0.00	1,250,110	1.91
China Daily News	62,882	0.14	0	0.00	62,882	0.14
Central Motion Picture Corp.	8,913,458	15.22	0	0.00	8,913,458	15.22
Yunta Financial Holding Co., Ltd.	211,441,123	2.61	188,854	0.00	211,629,977	2.61
Taiyi Real Estate Management Co., Ltd.	1,500,000	30.00	0	0.00	1,500,000	30.00
United Taiwan Bank S.A.	146,250	4.99	0	0.00	146,250	4.99
Taipei Forex Inc.	1,400,000	7.06	700,000	3.53	2,100,000	10.59
Taiwan Futures Exchange Corp.	5,478,602	2.05	5,256,782	1.97	10,735,384	4.02
Taiwan Asset Management Corp.	100,000,000	5.68	200,000,000	11.35	300,000,000	17.03
Bankpro E-Service Technology Co., Ltd.	450,000	3.33	0	0.00	450,000	3.33
Taiwan Financial Asset Service Corp.	10,000,000	5.88	5,000,000	2.94	15,000,000	8.82
Financial Information Service Co., Ltd.	10,665,000	2.67	4,615,000	1.15	15,280,000	3.82
Financial eSolution Co., Ltd.	2,481,467	7.19	792,027	2.30	3,273,494	9.49
Taiwan Integrative Shareholder Service Company	490,000	1.63	1,580,000	5.27	2,070,000	6.90
Sunny Asset Management Corp.	15,531	0.26	69,740	1.16	85,271	1.42
International Property & Finance Co., Ltd.	14,658	0.92	0	0.00	14,658	0.92

Note: Investment according to Article 74 of the Banking Law

關懷

關懷社會、關懷客戶、關懷員工

選擇對了 也就笑了

讓你放心一輩子的 **臺灣銀行**

超過一甲子的陪伴，從爺爺的時代到現在，臺灣銀行一直陪伴著您...成長。

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Capital Overview

I. Capital and Shares

1. Source of Capital

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash
Dec., 2010	\$10	7.0 billion	\$70 billion	7.0 billion	\$70 billion	Appropriation from the National Treasury and Increment NT\$5.0 billion due to the merger with the Central Trust of China Shareholder dividends and bonuses and surplus reserves in the total amount of NT\$25 billion were transferred for the purpose of capital increment in 2010.	

Share Type	Authorized Capital			Remarks
	Issued Shares		Un-issued Shares	
Common Stock	7.0 billion (Shares have not been listed)		0	7.0 billion

Securities Type	Preparing to Issue Amount		Issued Amount		Purpose and Effect for Issued Shares	Issue Period for Unissued Shares	Remarks
	Total Shares	Authorized Amount (NTD)	Total Shares	Authorized Amount (NTD)			
Common Shares	7.0 billion	\$70 billion	7.0 billion	\$70 billion	To make operating policies transparent and strengthen market competitiveness so as to enhance overall operating performance and advance toward internationalization	None	

2. Status of Shareholders, Shareholding Distribution Status, and List of Major Shareholders

100% shares are held by Taiwan Financial Holding Co., Ltd; Shares have not been listed.

3. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$; share

Items		Year	2010	2009	As of March 31, 2011
Market Value Per Share	Highest		-	-	-
	Lowest		-	-	-
	Average		-	-	-
Net Worth Per Share	Before Appropriation		35.94	53.46	35.60
	After Appropriation		35.12	52.55	34.78
Earnings Per Share	Weighted Average Issued Shares		7,000,000,000	4,500,000,000	7,000,000,000
	Earnings Per Share		1.01	1.82	0.09
Dividends Per Share	Cash Dividends		0.82	0.91	-
	Stock Dividends	Earnings	-	-	-
		Capital Reserve	-	-	-
	Cumulative Dividends Undistributed		-	-	-
Return Analysis	P/E Ratio		-	-	-
	Ratio of Share Price to Dividends		-	-	-
	Cash Dividend Yield %		-	-	-

Notes: Figures for FY2009 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit ; figures for FY2010 are CPA approved; figures of the first three months of FY2011 have not been approved by CPA.

4. Dividend Policy and Implementation Status

(1) Dividend Policy

The BOT Charter stipulates that if the final annual accounts show a profit, the profit will be distributed as follows:

- A. Payment of the income tax;
- B. Making up of losses for previous years;
- C. Allocation of 30% for legal reserve;
- D. Allocation of 20~40% of the profit, and that an amount similar to that of "Unrealized Loss from Financial Instruments" listed under the "Stockholder' equity" item for the special reserve.
- E. Distribution of stock dividends.

Any remaining profits will be distributed, together with undistributed profits from the previous year, in accordance with the relevant laws and regulations.

Until the legal reserve reaches the total amount of capital the maximum distribution of profits in the form of cash may not exceed 15% of the capitalization.

(2) Current Distribution of Stock Dividends

Following the allocation of legal reserve and special reserve from the audited after-tax profit for 2010, a cash dividend or NT\$5,742 million, or NT\$0.82 per share, was decided. Under Article 50 of the Audit Law, however, the final determinant of the BOT's profit is the Ministry of Audit. Since the Bank's final 2010 final budget is still under examination by the Ministry, the actual amount of cash dividends distributed will be determined after the Ministry completes its examination.

5. Influence on the Bank's Operating Performance and Earnings Per Share of the Current Uncompensated Distribution of Shares as Proposed by the Shareholders' Meeting

(None)

6. Employee Bonus and Directors' and Supervisors' Remuneration

(None)

7. Buyback of Treasury Stock

(None)

II. Status of Bank Debentures, Preferred Shares, Overseas Depository Receipts, Employee Stock Warrants

(None)

III. Status of New Shares Issuance in Connection with Mergers and Acquisitions

(None)

IV. Financing Plans and Implementation

(None)

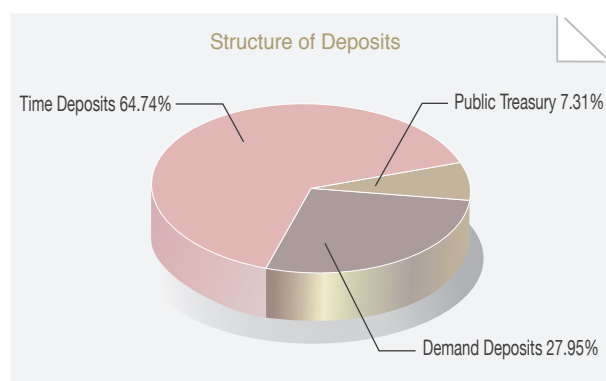
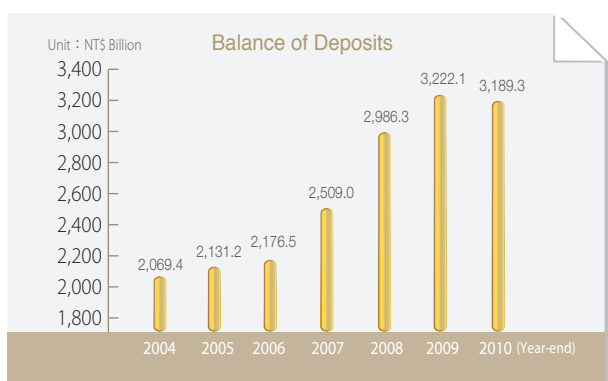
Operational Highlights

I. Business Activities

1. Main areas of business operations

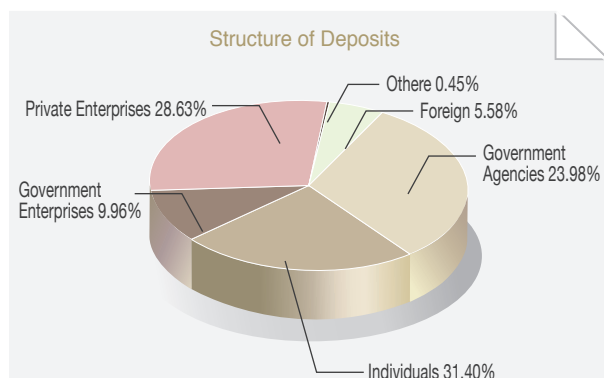
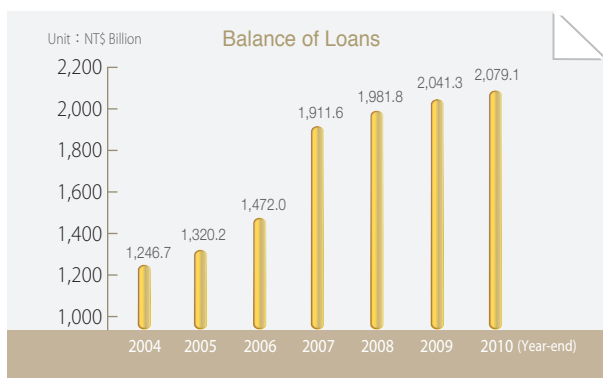
(1) Deposits

Total deposits in the Bank at the end of December 2010 amounted to NT\$3,189.3 billion, equal to 81.46% of the NT\$3,915.2 billion in total assets and representing a decrease of 1.02% over the previous year. Demand deposits in 2010 grew by 4.86%, and deposits from public treasuries increased by 10.02% over the year before.



(2) Corporate Banking

The amount of the Bank's total loans outstanding at the end of December 2010 (including general loans as well as import and export negotiations) stood at NT\$2,079.1 billion, equal to 53.10% of the total assets and reflecting an increase of 1.85%, over a year earlier. Corporate loans outstanding at the end of 2010 (including loans to government agencies and government-owned enterprises) amounted to NT\$1,426.3 billion, accounting for 36.43% of total assets and showing an increase of NT\$18.7 billion, or 1.32%, over the year before. At the end of December 2010 the amount of loans outstanding to government agencies and state-owned enterprises totaled NT\$705.7 billion; recording an decrease of NT\$3.4 billion or 0.48% from a year earlier. The Bank engaged vigorously in extending SME loans. SME loans outstanding at the end of 2010 amounted to NT\$235.8 billion, NT\$12 billion more than a year earlier for a growth of 5.36%.

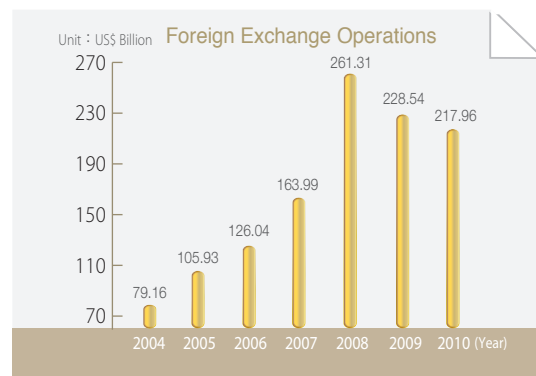


(3) Consumer Banking

The Bank engages vigorously in all facets of the consumer banking business in order to strengthen services to the general public and promote economic growth, including the provision of general consumer loans. The Bank continued promoting home improvement loans, consumer loans, personal revolving-fund loans, and policy loans of various kinds. The Bank also continued promoting Assistance Home Loans for Workers, Youth Entrepreneur Loans, and Student Loans for Senior High School and Above. Consumer loans outstanding at the end of 2010 amounted to NT\$607.1 billion, NT\$9.8 billion more than a year earlier for a growth of 1.64%.

(4) Foreign Exchange and International Banking

The amount of foreign exchange transactions undertaken during the year reached US\$217.962 billion, down 4.63% over 2009. The volume of deposits carried out by DBUs as agents for the OBU amounted to US\$1,313 million, for a decrease of 19% over the year before while the volume of loans amounted to US\$436 million, for a growth of 39.74%.



A total of 153 branches were designated to handle foreign exchange services, another 5 deal in simple foreign-currency cash and traveler's check transactions, and 299 foreign-currency exchange bureaus and 174 renminbi (RMB) exchange bureaus dealt in currency exchange services at the end of 2010. The Bank had correspondent relations with 2,413 financial institutions in 137 countries, providing a correspondent banking network covering major cities around the world.

The Bank also has an Offshore Banking Unit and seven overseas branches which, in addition to the traditional deposit, loan, remittance, and import and export trade financing businesses, engage in international bond investment and participate in international syndicated loans. At the end of 2010, the total assets of these offshore branches amounted to US\$9.547 billion.

(5) Electronic Banking

At the end of 2010 the accumulated number of Internet banking transfer accounts stood at 1,623,029, and transfers carried out during the year stood at 8.23 million. Gold Passbook Internet transactions numbered 866,900 accounting for 93.18% of all the Bank's Gold Passbook transactions. Telephone banking transfers amounted to 504,500 and online purchase requests for funds amounted to 2.82 million, making up 90.66% of all the Bank's fund transactions. The Super Pay fund management (including Financial EDI, Account receivables and payables Super e-Billing management) transfer transactions undertaken during the year numbered 1,890,000. Using the Bank's portal site for the collection fees extended to 3,033, and the number of collections reached 7.88 million.

(6) Trust Business

At the end of 2010 the average principal of trust property amounted to NT\$341.3 billion, up 16.74% from the previous year. At the end of December 2010 the amount of assets under custodianship by the BOT totaled NT\$1,017.2 billion, up 20.89% over a year earlier. Of this total, discretionary investment assets amounted to NT\$308.1 billion; this represented a growth of 53.02% over a year earlier, and boosted the BOT to first place in market share in the third quarter of 2010. In addition, 145,791 enterprise units opened worker retirement fund accounts with total deposits of NT\$1,116.6 billion, retirement payments amounting to NT\$589.4 billion, and trust funds outstanding of NT\$527.2 billion.

(7) Investment

A. Bills Finance

Short-term commercial paper transactions by the Bank in 2010 totaled NT\$4,738.2 billion; compared with the NT\$242.5 billion in such transactions the year before, an increase of NT\$4,495.7 billion for a growth of 1,853.85%. The main reason for this growth was the change in the tax system in 2010, resulting in a transfer of most of the time deposits in the Central Bank to negotiable certificates of deposit and causing a massive growth in the bills finance business. The outstanding amount of bills dealing at the end of the year stood at NT\$698.6 billion, of which Central Bank negotiable certificates of deposit accounted for NT\$694.6 billion, or 99% of the total. Profit from securities dealing during the year was NT\$4.4 billion, giving an average profit margin of 0.65%. The amount of short-term bills underwriting undertaken in 2010 reached NT\$35.7 billion, a decrease of NT\$1.9 billion over the year before.

B. Proprietary Bond Dealing

The Bank's dealing in government bonds amounted to a total of NT\$442 billion in 2010. At the end of December total government bonds purchased amounted to NT\$7.7 billion and government bonds sold totaled NT\$5.5 billion. Repurchase agreements amounted to NT\$360.7 billion, and resale agreements to NT\$68.1 billion.

C. Reinvestment

At the end of 2010 the Bank had investments in 32 enterprises with the book value of the investments totaling NT\$52.2 billion, 1.89% more than a year earlier. The main reasons for the improvement were an increase in equity as calculated by the equity method. Profit on long-term equity investment amounted to more than NT\$2.7 billion in 2010, derived mainly from stock dividends, profit on the sale of stocks, and the benefit from booking by the equity method.

D. Short-term Investment (in Stocks and Funds)

At the end of 2010 the costs of the Bank's investment in stocks and funds were NT\$7.0 billion and NT\$0.8 billion, respectively, and the operating volumes were NT\$8.5 billion and NT\$1.1 billion. Profits on these investment were NT\$1.2 billion and NT\$0.05 billion, giving returns of 14.11% and 4.08%, respectively.

(8) Business Derived from the Issuance of NT Dollar Currency for the Central Bank

Under the provisions of the Regulations Governing the Entrustment of the Bank of Taiwan of Matters Associated with the Issuance of the New Taiwan Dollar by the Central Bank of the Republic of China (Taiwan), the Bank handles collection and payment, transport, adjustment of supply and demand, and the recovery of worn bills associated with the issuance of NT currency. The average amount of currency in circulation in 2010 was NT\$1,201.2 billion, an increase of 8.30% over the previous year. The peak amount in circulation was NT\$1,505.1 billion (on the eve of the Chinese New Year on Feb. 12, 2010), also an increase of 8.30% over the 2009 peak. The amount in circulation at the end of the year was NT\$1,204.8 billion, 7.31% more than year-end 2009.

(9) Government Employees Insurance

At the end of 2010 there were 7,392 insured units and 597,955 insured persons, and 53,866 claims totaling NT\$25 billion were paid that year. For FY2010, of the amount of realized accrued liability before the revision of the Law of Government Employees' and School Staffs' Insurance added the interest expense, there was NT\$17.7 billion to be verified and subsidized by the Treasury. The surplus of NT\$14.1 billion after the revision of the Law should be transferred to insurance reserves.

(10) Procurement Business

The primary mission of the BOT's procurement business is to execute the government's centralized procurement policy in carrying out procurement on behalf of government agencies as well as government and private enterprises. The Bank also coordinates with government policy in carrying out special procurement projects designated by the government, again manifesting the function of centralized procurement. The volume of the procurement business in 2010 amounted to NT\$58.9 billion.

(11) Wealth Management Service

The volume of wealth-management business in 2010 amounted to NT\$162.8 billion, 24.30% more than the year before. At the end of 2010 a total of 120 business units were handling wealth management, eight of them flagship units, and 133 wealth-management agents were in place to serve high-net-worth customers.

(12) Precious Metals Business

The operating volume of the precious metals business was NT\$78.1 billion, up 29.32% over the previous year. The Bank earned NT\$40 million in commission income from the handling of customs quotas in 2010, 2.20% less than the year before.

2. Operating Plans for 2011

(1) Deposits

The BOT will establish an immediate bank-card issuing system, create of outstanding service quality, and implementation of the "customer first" principle; vigorously implement cash withdrawal service from Taiwan ATMs using the UnionPay card, serving as a settlement bank for the UnionPay card business, and serving as a pioneer in the inauguration of cross-straits financial cooperation; and institute the foreign-currency short-term commercial paper settlement bank business so as to expand the scope of the Bank's financial services.

(2) Corporate Banking

Credit risk is considered in the development of loans to private enterprises so as to improve the loan structure and maintain asset quality. Outside sales activities in the marketing of corporate loans are strengthened so as to widen and deepen relations with loan clients. The Bank seeks the right to arrange or participate in syndicated loans to spread loan risk. Online financing and factoring businesses are promoted, a grasp of customer cash flow is maintained, loan risk is reduced, and the Bank's income is augmented. The Bank also works in line with the government's economic revitalization policy by helping Enterprises obtain the funds they need for operation and investment, thereby stimulating industrial development.

(3) Consumer Banking

The functions of the student loan portal site and the issuance of international credit cards will be continuously expanded and reinforced. Grocery store payment channels will be increased. A telephone call-up collection system has been set up for student loans and home mortgage loans, along with an authorized deduction failure notification system. The provision of 24-hour, 365-day customer services has been continued, and marketing was diversified with additional exposure for the Bank's personal banking products.

(4) Foreign Exchange and International Banking

Promotion of the Bank's foreign-currency deposit business and expansion of e-banking service items will be continued so as to enlarge the Bank's business scope and consolidate the scale of foreign-

currency deposits. In overseas operations, cultivation of local markets will be deepened, development of the loan business and businesses for Taiwanese enterprises will be strengthened, the scope of financial services will be vigorously expanded, and fee income will be enhanced. In addition, overseas branch operating systems will be integrated in order to improve business efficiency.

(5) Electronic Banking

The BOT will undertake a progressive completion of mobile banking, event marketing management, contribution analysis, and business intelligence analysis optimization services.

(6) Trust Business

Businesses in which the Bank has an advantage will be maintained and the volume of investment in funds as well as securities investment trust and fund custodianship will be expanded in order to increase commission income. A diversity of trust businesses will be developed to expand the operating scale. In accordance with the law and with instructions from the competent authority, the Bank will make aggressive use of the old-system labor retirement fund and the civil servants and teachers insurance reserve to achieve an outstanding performance.

(7) Investment

The bills finance business will coordinate actively with certification and underwriting by business units for the commercial paper guaranteed issuance business. Consideration will be given to capital earnings, cost, and government bond sources in carrying out government-bond repo transactions, and the undertaking of repo trading will be continued.

(8) Government Employees Insurance

The underwriting and cash payment businesses will be strengthened and programs for improvement will be implemented. The organization of government-employee insurance seminars will be continued to strengthen the publicizing of laws and business operations. Information services will be fully utilized to enhance service quality, and the management and utilization of the government-employee insurance reserve will be strengthened to achieve an outstanding performance.

(9) Wealth Management Service

The Bank will continue strengthening the professional know-how and marketing capabilities of its financial planning and financial product marketing personnel so as to mold a professional image; it will provide high-quality financial products and strengthen service quality so as to meet the different needs of customers. Business units will be encouraged to continue organizing investment and financial management lectures to provide customers with new financial knowledge, maintain customer relationships, and gain an understanding of customers' financial-management needs.

(10) Precious Metals Business

The Bank will continue promoting new gold-related businesses and products so as to consolidate its position as the leading domestic gold-business bank. It will reinforce customer services, providing the public with abundant and objective gold-related information and vigorously organizing sales and promotional activities as well as listing press conferences. It will also develop new customer groups, stimulate all-staff marketing, and continuously hold lectures and staff marketing training related to gold businesses.

3. Market Analysis

(1) Business operations areas

The BOT is a 100% government-owned bank, and all of its financial products are marketed to customers through business branches. At the end of 2010 the BOT's business units included 163

domestic branches (including Offshore Banking Branch), 7 overseas units (including Los Angeles Branch, Hong Kong Branch, New York Agency, London Branch, Tokyo Branch, Singapore Branch and South Africa Branch) and 1 representative office (Shanghai Representative Office).

- (2) Future market supply and demand as well as growth possibility
 - A. According to statistics compiled by the Financial Supervisory Commission, at the end of December 2010 Taiwan had 37 domestic banks with 3,334 branches. Dividing the total population by the number of branches yields 26.88 branches per 100,000 populations. The excessive number of branches continues to exist, and competition among banks continues to be intense.
 - B. The outstanding performance of domestic economic growth, ever more lively economic and trade relations across the Taiwan Straits, and increased capital demand by corporations all favor development of the banking business.
 - C. Following the financial tsunami and the steady upturn of the economy, consumer confidence has steadily recovered and this will favor development by banks of the wealth management and trust businesses.
- (3) Competitive Niches
 - A. As the oldest bank in Taiwan the BOT enjoys an outstanding reputation; its operating performance over the years has been excellent, and it has built up a strong operating strength.
 - B. The BOT has a complete range of product types, and through integrated marketing is able to satisfy the full spectrum of its customers' financial needs.
 - C. The BOT's huge customer base and service network that reaches to all corners of Taiwan favor the promotion of the corporate banking, wealth management, and consumer banking businesses.
- (4) Factors Favorable and Unfavorable to the Bank's Development Prospects
 - A. Favorable factors:
 - a. The BOT is a 100% government-owned bank and has the highest credit rating of all domestic banks; with a solid operating base, it enjoys the trust of the public.
 - b. The BOT holds a leadership position among domestic banks, it enjoys the biggest share of the deposit and loan market, it has a huge scale of assets, and a solid operating strength.
 - c. The BOT is a subsidiary of Taiwan Financial Holdings, the resource-sharing platform of which reinforces the operation of the primary and cross-sales systems, realizes the synergies of business integration, and upgrades the Bank's wealth management performance.
 - d. The BOT serves as the cover bank for renminbi cash in the Taiwan area and the bank for domestic US dollar interbank forex clearance. In addition to expressing the Bank's operational position, this also facilitates the development of peripheral businesses.
 - B. Unfavorable factors:
 - a. As a bank that is 100% owned by the government, the BOT has a personnel system, budget, and procurement that are relatively inflexible. The Bank's organizational framework is also relatively rigid, making it difficult to respond to changes of the external environment in a timely manner.
 - b. The BOT's deployment in mainland China has come later than other banks, which is unfavorable to the solicitation of business opportunities with Taiwanese companies there.
 - c. Measures adopted by the government to suppress housing prices are unfavorable to the development of home-loan derivatives businesses.
 - d. Although the Bank is an enterprise unit, it also shoulders policy missions which reduce its profitability.

C. Countermeasures

- a. Use the advantages provided by the Bank's diversity of products to promote the efficiencies of integrated marketing and upgrade the value of branch channels.
- b. Coordinate with the opening cross-straits policy to keep Taiwan at the core while accelerating deployment in mainland China and the Asia-Pacific.
- c. Carry through with the risk control and internal control system to upgrade asset quality.
- d. Timely reinforce the capital structure, solidify the operating strength, and enhance the risk-bearing capability.

4. Financial Product R&D and Business Development

The Bank has established "Incentive Guidelines for the Development of New Businesses" and "Guidelines for Handling the Suggestion System," under which employees, individually or in groups, can suggest programs for new types of business. If new businesses prove to have good performance and make contributions to the Bank's profits after they are introduced, the participating employees (including those who suggested the businesses) may be granted rewards under the Bank's Guidelines for Staff Rewards and Punishments. The Bank received a total of 719 staff suggestions in 2010; 123 were adopted, in whole or in part, and incentives in the amount of NT\$85,500 were granted.

(1) Major Financial Products and New Business Units Added in the Past Two Years, and Scale and Profit and Loss Situation Up to Date of Publication of the Annual Report

In line with the policy of developing e-commerce opportunities among state-owned enterprises, the BOT cooperated with the Taiwan Tobacco and Liquor Corp. in issuing the Taiwan Tobacco and Wine Purchasing Card, which was inaugurated on Dec. 28, 2010. The Bank continued developing new gold-related businesses and products, in 2010 successively initiating the Gold Passbook and OBU Gold Passbook, and extending after-hours US dollar Gold Passbook transactions; it also promoted the BOT Gold Holobar (in celebration of the ROC centennial) and Year of the Rabbit Gold Coin (gold-plated version). A "Home Loan with Time Life Insurance Integrated Marketing Program" was initiated to satisfy the needs of borrowers to transfer personal risk and security to their families. In the wealth management business, in 2010 the Bank carried out "Export-Import Bank of Korea 3.5-year international bonds denominated in US dollars" and "US dollar-denominated Citigroup international bonds," not only increasing wealth management fee income but also bringing in low-interest demand deposits and foreign exchange income.

(2) R&D Expenditures and Results for the Past Two Years, and Future R&D Plans

R&D spending amounted to NT\$7,564,000 in 2010 and NT\$17,959,000 in 2009.

To respond to changes in the financial environment and the needs of business development, and to encourage employees to pursue self-development, the Bank will continue to carry out research related to reform and development of its own business as well as to the financial business in general, and will continue to implement the employee suggestion program as well as self-initiated research and overseas study by employees.

5. Long-term and Short-term Development

(1) Short-term development plan

- A. Strengthening of outside corporate banking marketing activities and vigorous promotion of the private enterprise and overseas Taiwanese enterprise loan business so as to improve the loan structure and expand the scale of the loan business.

- B. Full use of the credit guarantees system to diversify loan risk, and upgrading of the quality of credit investigation so as to reinforce credit risk control and enhance the quality of loan assets.
- C. Strengthening of cooperation among domestic and overseas branches, making full use of integrated marketing and expansion of operating space, and enhancement of the operating performance of branches (including the OBU).
- D. Upgrading of the Shanghai Representative Office, in line with the policy of opening cross-straits finance, to branch status so as to take advantage of business opportunities with Taiwanese companies in the mainland.
- E. Strengthening of cooperation with the life insurance and securities subsidiaries of Taiwan Financial Holdings in joint product marketing so as to boost wealth management performance.
- F. Moving in line with trends in financial development to solicit securities investment trust fund and discretionary investment and overseas fund custodianship so as to expand the scale of the custodian business.
- G. Continued promotion of the book entry Gold Passbook, Gold Piggybank, and gold bar businesses so as to consolidate the Bank's leading position in the domestic gold market.
- H. Vigorous promotion of all kinds of e-banking businesses so as to provide a full range of funds-flow services, lower operating costs, enhance service efficiency, and increase business dealings.
- I. Augmentation of self-owned capital as necessary to maintain an appropriate capital adequacy ratio, strengthen the Bank's financial structure, and solidify its operating strength.
- J. Use of the joint operating platform of the financial holding company subsidiaries to strengthen product and sales channel integration and upgrade operating performance.

(2) Long-term development plan

The BOT is a 100% government-owned bank and a subsidiary of Taiwan Financial Holdings. In the future the Bank will continue using the financial holding company's integrated resources platform to provide a full spectrum of services to satisfy customers' financial planning needs. In the field of organizational development, the Bank is committed to becoming a high-quality Asia-Pacific bank that offers both quantity and quality. This year, in addition to the expected upgrading of the Shanghai Representative Office into a branch, the Bank will further accelerate deployment in the Asia-Pacific and around the world in line with the needs of business development.

II. Human Resources

In 2010 the Bank held 254 in-house training courses with a total of 19,087 trainees participating, sent 2,184 employees for outside training in Taiwan, and subsidized domestic advanced training for 958 persons.

Employee Statistics

Items		Year	2009	2010	As of Mar. 31, 2011
Number of Employees	Staff		6,799	6,901	6,886
	Guards		173	164	166
	Janitors		875	828	823
	Total		7,847	7,893	7,875
Average Age			44.45	44.35	44.44
Average Years of Service			17.99	17.82	17.92
Education	Ph.D.		0.03	0.03	0.03
	Masters		7.86	9.54	9.66
	Bachelor's Degree		78.21	77.35	77.35
	Senior High School		12.03	11.35	11.23
	Below Senior High School		1.87	1.73	1.73

Items		Year	2009	2010	As of Mar. 31, 2011
Professional Licenses Held	Personal Insurance Specialist		4,696	4,925	4,949
	The Sales of Foreign Currency Personal Insurance Specialist		1,828	2,432	2,455
	C-Grade Software Application Proficiency Test on Foreign Exchange Trading		20	22	22
	Test of English for International Communication		105	115	116
	Investment Trust and Consulting Regulations		118	180	197
	Investment-Type Insurance Product Specialist		1,743	1,882	1,902
	Investment-Type Insurance Product and Financial System Overview		895	983	990
	Financial Risk Manager, FRM		1,669	1,751	1,758
	Bond Specialist		15	20	19
	Share Specialist		180	196	199
	Basic Proficiency Test for International Banking Personnel		65	80	80
	Basic Proficiency Test for Bank Lending Personnel		2,087	2,209	2,226
	Advanced Proficiency Test for Bank Lending Personnel		2,061	2,231	2,259
	Certified Public Accountant Proficiency Test for Bank Collateral Appraisal Personnel		64	67	67
	Financial Markets & Ethics		15	17	18
	Trust Specialist		74	77	77
	Elementary English Certificate		3,316	3,684	3,731
	Intermediate English Certificate		4,701	4,891	4,932
	High-intermediate English Certificate		172	194	194
	Advanced English Certificate		97	107	108
	TOEFL		24	29	28
	BULATS (ALTE level 1~4)		1	2	2
	Japanese Certificate		17	23	25
	Proficiency Test for Financial Planning Personnel		29	35	35
	Property Insurance Specialist		69	84	90
	Non-Life Insurance Specialist		2,302	2,428	2,446
	Bills Specialist		2,514	2,603	2,618
	The Sales Personnel of Futures Trust Distributors		663	696	701
	Futures Specialist		187	211	212
	Futures Brokerage Specialist		519	911	942
	Proficiency Test for Debt-Collection Personnel		1,020	1,131	1,147
	Information Technician		34	40	40
	Basic Asset Securitization Proficiency Test		266	433	449
	Bank Internal Controls		10	10	10
	Bank Internal Controls and Internal Audit		110	126	128
	CFP Certified Financial Planner		3,950	3,889	3,903
	Advanced Procurement Specialist		651	862	878
	Basic Procurement Specialist		14	23	23
	Securities Analyst		19	14	14
	Securities Regulations and Practice		156	162	163
	Securities Investment Trust and Consulting Professionals		1	1	1
	Securities Investment Analyst		16	20	21
	Securities Specialist		1,131	1,273	1,291
	Senior Securities Specialist		74	94	103
			705	772	780
			1,464	1,635	1,661

Note: The above numbers do not include contract salespersons, contract workers, and overseas employees.

III. Corporate Responsibility and Ethical Behavior

Taiwan Financial Holding Co., Ltd. is BOT's only shareholder. In addition to making every effort to attain the budget targets set by the government, the Bank also coordinates with the government's major construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects in order to promote overall national economic development. Furthermore, to pay back to the public and carry out the principle of "Caring", the Bank subsidizes Groups and individuals, as well as coordinates with government policy by offering student loans, which make significant contributions to the public welfare. In 2010 the Bank carried out donations to social welfare groups, care for disadvantaged groups, care for children's homes, staff donations of second-hand clothing and unified invoices, the "Taiwan Financial Lucky 2010" parent-and-child carnival, mountain hike cleanup charity auction, blood donations, youth basketball summer camp, and invitation of children from family support centers to enjoy professional baseball and basketball games as well as exhibitions.

IV. Information Equipment

1. Installation and Maintenance of Hardware and Software for Major Information Systems

The Bank's core accounts system consists of an exclusive server platform for deposit, foreign exchange, loan, and remittance account transactions; an open-system server for the securities, trust, credit card, bonds, and notes businesses; and an operations management support system. These systems are connected on an open-system server through the "Integrated Corporate Application System Platform" to make up a comprehensive back-office system for financial operations.

In response to the trend in the evolution of the Internet and to improve customer services, the Bank uses different customer-service channels to build up a comprehensive financial service network that, in addition to traditional teller operations, has a front-end system that includes a global information network, ATM system, Internet bank, e-corporate combo network, financial EDI, telephone banking, mobile banking, and online securities trading, providing customers with account enquiry and other services any time, any place. To assure the continued smooth operation of the Bank's back-office systems and financial front-end systems, the Bank also has approximately 550 front-end system servers in addition to the business servers mentioned above. Since the bank has more than 20 years of experience in installation and maintenance, it is able to carry out most maintenance itself. To provide more channels for customer service, the Bank makes widespread use of new technology in its front-end processing systems; and to accelerate the installation of application systems, the Bank outsources the installation and maintenance of some of the systems.

2. Future Development or Procurement Plans, Emergency Back-up and Security Protection Measures

(1) Coordination with the Needs of Automation, New Branches, and Business Growth

Terminal equipment for branches, ATMs, personal computers, notebook computers, and communications processing equipment will be procured.

(2) Establishment of a new principal classification system for structured products

In response to Financial Supervisory Commission rules regarding the principal nature and accounting methods for structured products handled by banks, principal received is no longer considered as deposits. In calculating the statutory ratios or quotas for such principal as stipulated in the Banking Law and related regulations, it may not be included in total deposits; this will greatly change the current structured product system.

(3) Establishment of an Integrated Overseas Branch System

An overseas branch information system will be set up in BOT headquarters to resolve the problem of replacement of branch hardware and software. The primary aim is to support existing businesses and assure uninterrupted service as well as to reduce manual operations in the overseas branches. Another aim is to have a single information system to make management more convenient, lighten the burden on branches, facilitate manpower development, and shorten the break-in period for shift work.

(4) Establishment of a cross-border capital allocation function for group enterprises

In response to the business needs of group customers, and in line with the Bank's newly installed overseas branch centralized server service system, a cross-border funds allocation function for group enterprises was set up, making the e-banking service function of group enterprises more comprehensive and upgrading the quality of business services.

(5) Installation of an integrated IFRS financial tools evaluation system

To conform to the need for greater precision and traceability in fair value and loss reduction calculation, IFRS rules for greater flexibility in accounting and bookkeeping recognition, and with planning for installation of the IFRS financial instrument evaluation system, the Bank provides front-end business system IFRS financial instrument evaluation function.

(6) Establishment of "bond underwriting and custodianship, securities borrowing monitoring, and OBU financial product performance analysis systems"

To promote the bond underwriting business and the function of the securities borrowing monitoring system, as well as to coordinate with the policy of the competent authority regarding promotion of the switch to book-entry securities and short-term commercial paper, the Bank will carry out the "Expansion of the Function of the New Taiwan Dollar Bills and Bonds Management System in Coordination with the Newly Added NCD Book Entry and Pledge Operating System Among Securities Houses."

(7) Continuous augmentation of the functions of the lending system, and reinforcement of collateral management

In line with business needs and the policy of energy-conservation and carbon-reduction, the Bank will continuously augment the functions of its credit investigation, loan extension, and collateral and debt management subsystems, and will add document scanning and filing for student loans, optimize quota management for related parties and group enterprises, reinforce post-loan management and early warning, add collateral insurance and commission-fee management, introduce land-administration electronic certification data, and increase electronic map and reinforce collateral management.

(8) Emergency Backup

The Bank formally inaugurated its integrated Taoyuan remote backup center in December of 2008 to serve as a backup mechanism for the core accounts servers. The outsourcing of the remote backup center, with the leasing of specialized infrastructure facilities, the operation and management of the specialized computer room, and the provision of emergency response management planning services, enhances the availability of the computer room and saves the Bank the cost of setting up its own remote computer room backup.

(9) Safety Protection

In its promotion of information operations, the Bank has carried out the introduction across the board of an information security management system that is capable of continuous improvement and conforms to ISO 27001 standards. After nine months of hard work, preliminary evaluation by the British Standards Institution, documentary inspection, on-site inspection, and other accreditation procedures, ISO 27001:2005 information security management system verification was passed on Sep. 9, 2008 and the Bank achieved compliance with the information security management objectives of confidentiality, completeness, and usability. The system's re-verification was passed on Mar. 8 and Aug. 9, 2010 separately.

V. Labor Relations

1. Employee Welfare Measures, Retirement System and Its Implementation, Labor-Ownership Agreements, and Measures for Protecting Employee Interests

- (1) The BOT is a government enterprise in an industry that is subject to the Labor Standards Law. Working conditions, welfare measures, and the retirement system are all handled in accordance with the provisions of the Labor Standards Law and other laws and regulations governing civil servants. The Bank addresses concrete requests raised by employees by establishing a labor-ownership meeting for negotiation and communication and, whenever necessary, by using various other occasions to communicate with employees, iron out differences, pursue a consensus, and boost harmony between employees and management. Such an agreement has already been signed with the Taipei City Bank of Taiwan Industrial Union, bringing employee management into a new era. Under the preconditions of mutual trust and respect, the Bank will seek the greatest benefit for both labor and management.
- (2) In the past year the Bank suffered no damage as a result of employee-management disputes, and a response mechanism to prevent an interruption in case of strikes has been set up to cope with potential disputes and bring about their early resolution. In cases of relatively general and damaging labor-management disputes, in addition to seeking manpower support from the competent authority the Bank moves as quickly as possible to resolve the issues by negotiation through the competent authority or by submission to labor-dispute arbitration, or resolution by legal means so that the dispute can be settled at an early date and the attendant losses minimized.

2. Losses Due to Labor-Ownership Disputes, Estimated Possible Current and Future Amounts that Might Occur, and Countermeasures

(None)

VI. Important Contracts

Agreement	Counterparty	Period	Major Contents and Restrictions
Commissioning by the Small and Medium Enterprise Credit Guarantee Fund	Small and Medium Enterprise Credit Guarantee Fund	From July 1974	Provision of credit guarantees for loans to SMEs that meet the conditions for credit guarantees.
Loan guarantees for the Overseas Credit Guarantee Fund	Overseas Credit Guarantee Fund	From June 1991	Provision of credit guarantees for loans to overseas Chinese and overseas Chinese enterprises.
Commissioning by the Agricultural Credit Guarantee Fund	Agricultural Credit Guarantee Fund	From Nov. 2002	Provision of guarantees for loans to borrowers who meet the conditions for agricultural loan guarantees.
Taiwan Small Business Integrated Assistance Foundation Project for the Upgrading of Small Business Competitiveness Assistance	Taiwan Small Business Integrated Assistance Center	Jan. 1, 2010~ Dec. 31, 2010	Provision of opportunities for diagnosis to small and medium business customers, provision of follow-up case assistance, and assistance for the strengthening of financial, accounting, and other management systems
Agency for county, city, and town treasuries, and recommissioning of other financial institutions to handle treasury affairs	1. BOT branches serving as agency for the general treasury 2. Local governments 3. Other recommissioned financial institutions	Depends on different agency tasks and contracts	Agency for treasury affairs
Operations of public treasury commissioning contract	Central Bank of Republic of China	From June 30 1999	Commissioning of operations for public treasury
Commissioning of financial institutions to collect local taxes for the BOT on behalf of the National Treasury	Financial institutions (including farmers' and fishermen's associations, and credit cooperatives)	July 1, 2010~ July 1, 2015	Commissioned collection of local taxes on behalf of the National Treasury
Commissioning of the operation of the local tax collection system to the Financial Information Service Co.	Financial Information Service Co., Ltd.	July 1, 2010~ July 1, 2015	Commissioning of cash and information flow transmission operations for the collection of local taxes for the National Treasury
Commissioning of the Bank of Taiwan by the National Tax Administration of Southern Taiwan to handle the redemption of consolidated income tax refund certificates	National Tax Administration of Southern Taiwan Province, Ministry of Finance	From July 9, 2010	Redemption of consolidated income tax refund certificates beginning in fiscal year 2009
Outsourced Printing, Packaging, and Mailing of Labor Retirement Fund Statements	Sysform Co., Ltd. Yuen Foong Paper CO., Ltd.	Jan. 2, 2009~ Dec. 31, 2010 Jan. 5, 2009~ Oct. 5, 2010	Information systems data recording processing, and output
Outsourced procurement of operating cash and notes shipping	Taiwan Security Co., Ltd.	Jan. 1, 2010~ Dec. 31, 2012	Service method: Fixed and irregular duties Operating method: As specified in the "Outsourced Cash Shipment Service Criteria"

Agreement	Counterparty	Period	Major Contents and Restrictions
“Outsourced Shipment of Cash for ATMs” procurement	LienAn Service Co., Ltd.	April 1, 2010~ Mar. 31, 2012	Shipment of cash to refill off-premises ATMs, changing of cash boxes and other associated items, and handling of malfunctions
Commissioning of an express delivery company to ship notes	Chung Hwa Express Co., Ltd.	June 1, 2010~ May 31, 2011	Commissioning of professional parcel delivery services to handle the exchange of notes
Credit card service operations	Financial Information Service Co., Ltd.	Dec. 1, 2008~ Dec. 31, 2010	Credit card authorization operations, card loss and cancellation operations, handling of emergency services
Outsourcing of Renminbi Cross-border Shipment Services procurement project	Brink's Taiwan Security Limited	Sep. 1, 2010~ Aug. 31, 2011	Outsourcing of the cross-border shipment of renminbi
Manpower dispatch contract	Business Solution Provider Corp.	Jan. 1, 2010~ Dec. 31, 2010	Provision of dispatched manpower to provide support for the Bank's student loan cross-guarantee, dispersal, and collection work
Labor contract for the establishment of information systems	Galaxy Software Services Corporation	Aug. 12, 2010~ Jan. 25, 2011	Establishment of a loan and associated receivables evaluation and loss-reduction system that conforms to the provisions of Taiwan's Bulletin 34 accounting standards
Engineering contract	Long Da Construction Co., Ltd. Sui Chang Enterprise Co., Ltd. Gao Mao Air-Condition & Electric Ltd.	Jan. 20, 2009~ Aug. 20, 2010	Construction of new Tunhkang Branch premises (structure, and electricity joint bid)
Engineering contract	Reiju Construction Co., Ltd. Hong Jie Electrical Engineering Co., Ltd. Wen-Long Air-Condition & Electric Co., Ltd.	Oct. 14, 2008~ Nov. 17, 2010	Construction of new Ilan Branch premises (structure, and electricity joint bid)

VII. Type of and Related Information on Securitized Products Approved in Accordance with the Statute for Securitization of Financial Assets or Statute for Securitization of Real Estate During the Past Year

(None)

效率

積極主動、迅速服務、追求創新

臺銀房貸 資金靈活自在

已還房貸本金，轉為可隨時動用資金

臺銀綜合理財房貸



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Financial Information

I. Five-Year Financial Summary

Brief Balance Sheets for Past Five Years

Unit: NT\$1,000

Items	Year	Financial Information for Past Five Years					As of Mar. 31, 2011
		FY2010	FY2009	FY2008	FY2007	FY2006	
Cash, Cash equivalent, Placement with Central Bank and call loans to banks		562,643,187	1,287,012,402	1,050,661,801	717,353,117	763,714,652	573,569,318
Financial assets measured at fair value through profit or loss		99,875,033	92,123,443	72,201,513	64,566,565	69,822,895	111,843,630
Bonds and bills purchased under resell agreements		600,294	368,349	298,262	14,162,067	46,726,408	6,299,174
Receivables		84,272,586	91,299,622	103,636,858	107,082,342	109,548,392	83,338,096
Loans and discounts		2,079,558,679	2,045,894,068	1,988,070,246	1,920,097,700	1,697,996,954	2,099,288,397
Available-for-sale financial assets, net		837,360,582	142,009,713	155,491,586	201,069,905	191,007,255	709,286,677
Held-to-maturity financial assets, net		54,207,507	37,859,403	31,818,435	105,802,005	85,505,687	48,262,882
Investments under equity method, net		31,330,008	29,815,276	26,959,682	34,357,836	34,485,337	31,765,692
Other financial assets, net		69,201,006	68,496,647	67,326,090	79,502,931	70,456,573	71,812,581
Fixed assets		76,596,999	78,474,877	79,953,507	83,460,268	82,523,548	76,397,036
Intangible assets		969,574	1,107,496	1,226,158	1,082,609	1,060,270	975,118
Other assets	Before distribution	18,607,244	16,590,347	16,735,325	19,237,023	21,819,908	19,384,523
	After distribution	12,986,379	12,635,344	12,761,493	14,749,365	16,419,449	13,763,658
Total assets	Before distribution	3,915,222,699	3,891,051,643	3,594,379,463	3,347,774,368	3,174,667,879	3,832,223,124
	After distribution	3,909,601,834	3,887,096,640	3,590,405,631	3,343,286,710	3,169,267,420	3,826,602,259
Deposits of Central Bank and other banks		207,612,937	204,950,860	181,489,738	245,414,754	281,637,455	207,685,496
Financial liabilities measured at fair value through profit or loss		18,985,604	4,535,308	6,002,275	1,478,166	1,577,676	8,832,579
Bonds and bills sold under repurchase agreements		9,429,373	5,486,934	19,217,840	17,570,315	18,909,200	10,114,915
Deposits and remittances		3,185,931,012	3,189,671,973	2,947,909,688	2,466,179,246	2,312,816,524	3,103,602,976
Borrowed from Central Bank and other banks, and Financial bond payable		-	-	-	-	-	-
Preferred liability		-	-	-	-	-	-
Accrued Pension liability		3,389,155	2,695,402	2,396,018	2,106,598	2,380,211	3,145,942
Other financial liabilities		1,048,528	1,511,328	1,618,124	1,715,307	1,999,271	16,072,289
Other liabilities	Before distribution	237,277,526	241,629,847	211,911,904	364,170,479	321,456,529	233,568,626
	After distribution	237,399,124	241,763,050	212,116,616	365,027,918	322,039,892	233,690,224
Total liabilities	Before distribution	3,663,674,135	3,650,481,652	3,370,545,587	3,098,634,865	2,940,776,866	3,583,022,823
	After distribution	3,663,795,733	3,650,614,855	3,370,750,299	3,099,492,304	2,941,360,229	3,583,144,421
Common stock		70,000,000	45,000,000	45,000,000	53,000,000	53,000,000	70,000,000
Capital surplus		105,581,440	110,062,555	110,063,016	110,423,081	108,505,257	105,586,303
Retained earnings	Before distribution	32,923,858	50,427,139	46,429,272	43,737,833	40,289,565	33,549,748
	After distribution	27,181,395	46,338,933	42,250,728	38,392,736	34,305,743	27,807,285
Unrealized gain or loss on financial assets		28,860,619	19,065,468	6,074,887	25,302,748	30,914,093	25,716,411
Cumulative translation adjustments		- 455,457	- 123,228	- 151,884	- 203,687	- 248,488	- 385,907
Shareholder's equity and other items		14,638,104	16,138,057	16,418,585	16,879,528	1,430,586	14,733,746
Total -share holders' equity	Before distribution	251,548,564	240,569,991	223,833,876	249,139,503	233,891,013	249,200,301
	After distribution	245,806,101	236,481,785	219,655,332	243,794,406	227,907,191	243,457,838

Notes: 1. Figures for FY2006-2009 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for FY2010 are CPA approved; figures for the first three months of FY2011 have not been approved by CPA.

2. The BOT merged with the Central Trust of China on July 1, 2007, with the BOT as the surviving entity. Statements on the base date of the merger were audited using the book-value method, with the 2005 budgets of the two banks as accredited by accounting agencies taken as the accounting basis and the exchange of shares of the two institutions set in accordance with their net per-share values at 1:2. The FY2006 data are for comparison purposes. Annual figures from the Central Bank of China are also included.

Brief Income Statements for Past Five Years

Unit: NT\$1,000

Items \ Year	Financial Information for Past Five Years					As of Mar. 31, 2011
	FY2010	FY2009	FY2008	FY2007	FY2006	
Net interest income	20,269,138	16,803,150	24,548,326	27,673,836	12,260,770	5,496,711
Non-interest income, net	5,256,978	13,284,694	3,166,464	5,574,281	22,355,853	1,382,594
Bad debt expenses	376,029	4,434,016	1,545,337	868,389	2,931,922	2,953,165
Operating costs	17,323,324	17,055,490	17,666,944	18,949,456	18,501,206	3,494,399
Income(loss) before tax from continued operations	7,826,763	8,598,338	8,502,509	13,430,272	13,183,495	431,741
Income(loss) from continued operations	7,084,925	8,176,411	8,357,089	12,576,699	12,540,118	625,890
Gain(Loss) from discontinued Operations	-	-	-	-	-	-
Extraordinary Gain or Loss	-	-	-	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-	394,635	-
Net income	7,084,925	8,176,411	8,357,089	12,576,699	12,934,753	625,890
Earnings per share (after tax) (NT\$)	1.01	1.82	1.86	2.37	2.44	0.09

CPA-Auditor of Financial Report

Year	Name of Accounting Firm	Name of CPA	Audit Opinion
2006	KPMG Certified Public Accountants	David Ding, Yen-Ling Fang	Modified Unqualified Opinion
2007	KPMG Certified Public Accountants	David Ding, Yen-Ling Fang	Modified Unqualified Opinion
2008	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2009	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion
2010	KPMG Certified Public Accountants	Yen-Ling Fang, Derek Hsu	Modified Unqualified Opinion

II. Five-Year Financial Analysis

Unit : NT\$1,000 ; %

Items		Year	Five-year Financial Analysis					As of Mar. 31, 2011
			FY2010	FY2009	FY2008	FY2007	FY2006	
Operating Ability	Ratio of Deposits to Loans		65.19	63.35	66.36	76.19	71.31	67.67
	Non-performing Loan Ratio		0.62	1.03	1.06	0.97	1.34	0.61
	Ratio of Interest Cost to Annual Average Deposits		1.04	1.26	2.45	2.38	2.24	1.14
	Ratio of Interest Income to Annual Average Loans Outstanding		1.59	1.68	3.12	2.98	2.75	1.68
	Total Assets Turnover (times)		0.65	0.80	0.80	1.02	1.12	0.71
	Average Net Interest and Non-interest Income per Employee		3,210	3,733	3,410	4,045	4,203	867
	Average Operating Revenue per Employee		-	-	-	-	-	-
	Average Profit per Employee		891	1,014	1,028	1,530	1,570	79
Profitability	Return on Tier I Capital		4.43	4.98	5.05	8.26	8.81	0.98
	Return on Assets		0.18	0.22	0.24	0.39	0.42	0.06
	Return on Shareholders' Equity		2.88	3.52	3.53	5.21	6.02	1.00
	Net Income Ratio		27.76	27.18	30.15	37.83	37.37	9.10
	Earnings per Share (NT\$)		1.01	1.82	1.86	2.37	2.44	0.09
Financial Structure	Ratio of Liabilities to Assets		93.57	93.81	93.76	92.54	92.62	93.49
	Ratio of Fix Assets to Stockholders' Equity		30.45	32.62	35.72	33.50	35.28	30.66
Growth Rates	Rate of Asset Growth		0.62	8.25	7.37	5.45	5.14	-2.12
	Rate of Earnings Growth		-8.97	1.13	-36.69	-1.17	-18.65	-77.94
Cash Flow	Cash Flow Ratio		12.33	2.66	6.03	32.52	14.85	-
	Cash Flows Adequacy Ratio		580.63	781.07	683.77	973.56	644.24	541.81
	Cash Flow Complacency Ratio		4.60	-2.12	-2.58	-64.51	-22.65	-
Liquidity Reserve Ratio			42.94	47.25	40.28	30.98	39.57	39.00
Loans to Parties with Material Relationship with the Bank			19,516,445	19,657,805	18,038,620	16,967,947	11,609,701	20,003,945
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans			0.91	0.93	0.87	0.85	0.65	0.92
Operating Scale	Market Share of Assets		10.94	11.55	10.91	10.70	10.33	10.71
	Market Share of Net Worth		11.46	11.76	11.71	13.14	12.94	11.35
	Market Share of Deposits		11.63	12.32	12.17	10.97	10.80	11.33
	Market Share of Loans		9.97	10.54	10.22	10.29	9.51	10.08

Analysis of the significant ratio change:

1. Cash flow ratio: Mainly due to an increase of net cash flow from business activities in FY 2010.
2. Cash flow complacency ratio: Mainly due to an increase of net cash flow from investment activities in FY 2010.

Notes: 1. Figures for FY2006-2009 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit ; figures for FY2010 are CPA approved; figures for the first three months of FY2011 have not been approved by CPA.

2. The BOT merged with the Central Trust of China on July 1, 2007, with the BOT as the surviving entity. Statements on the base date of the merger were audited using the book-value method, with the 2005 budgets of the two banks as accredited by accounting agencies taken as the accounting basis and the exchange of shares of the two institutions set in accordance with their net per-share values at 1:2. The FY2006 data are for comparison purposes. Annual figures from the Central Bank of China are also included.

3. Formulae used in calculations:

(1) Operating ability

- a. $\text{Ratio of deposits to loans} = \text{Annual average loans outstanding} / \text{Annual average deposits}$
- b. $\text{Non-performing loan ratio} = \text{Non-performing loans} / \text{Total loans outstanding}$
- c. $\text{Ratio of interest cost to annual average deposits} = \text{Total interest cost (Notes 4)} / \text{Annual average deposits}$
- d. $\text{Ratio of interest income to annual average loans outstanding} = \text{Total interest income} / \text{Annual average amount of loans outstanding}$
- e. $\text{Total assets turnover (times)} = \text{Net interest and non-interest income} / \text{Average Total Assets}$
- f. $\text{Average net interest and non-interest income per employee} = \text{Net interest and non-interest income} / \text{Annual average total number of employees}$
- g. $\text{Average profit per employee} = \text{Net income} / \text{Total number of employees at year-end}$

(2) Profitability

- a. $\text{Return on Tier 1 capital} = \text{Before-tax profit or loss} / \text{Total amount of Tier 1 capital}$
- b. $\text{Return on assets} = \text{Net Income} / \text{Average total assets}$
- c. $\text{Return on shareholders' equity} = \text{Net income} / \text{Average net shareholders' equity}$
- d. $\text{Net income ratio} = \text{Net income} / \text{Net interest and non-interest income}$
- e. $\text{Earnings per share} = \text{Income after income tax-preferred stock dividend} / \text{Weighted average number of shares issued}$

(3) Financial Structure

- a. $\text{Ratio of liabilities to assets} = \text{Total liabilities} / \text{Total assets}$
- b. $\text{Ratio of fix assets to stockholders' equity} = \text{Net fix assets} / \text{Net shareholders' equity}$

(4) Growth rates

- a. $\text{Rate of asset growth} = (\text{Total assets for current year} - \text{total assets for previous year}) / \text{Total assets for previous year}$
- b. $\text{Rate of earnings growth} = (\text{Before-tax profit or loss for current year} - \text{before-tax profit or loss for previous year}) / \text{Before-tax profit for previous year}$

(5) Cash Flow

- a. $\text{Cash flow ratio} = \text{Net cash flow from business activities} / (\text{Call loans and overdrafts from banks} + \text{commercial paper} + \text{financial liabilities measured at fair value through profit or loss} + \text{bonds and bills sold under repurchase agreements} + \text{current portion of payables})$
- b. $\text{Net cash flow adequacy ratio} = \text{Net cash flow from business activities for the past five years} / (\text{Capital expenditures} + \text{inventory increase} + \text{cash dividends}) \text{ for the past five years}$
- c. $\text{Cash flow complacency ratio} = \text{Net cash flow from business activities} / \text{Net cash flow from investing activities}$

(6) $\text{Liquidity reserve ratio} = \text{Liquid assets specified by the Central Bank} / \text{Debt items for which liquidity reserves should be allocated}$

(7) Operating Scale

- a. $\text{Market Share of Assets} = \text{Total assets} / \text{Total assets of the major financial institutions}$
- b. $\text{Market Share of Net Worth} = \text{Net Worth} / \text{Total net worth of the major financial institutions}$
- c. $\text{Market Share of Deposits} = \text{Deposits} / \text{Total deposits of the major financial institutions}$
- d. $\text{Market Share of Loans} = \text{Loans} / \text{Total loans of the major financial institutions}$

4. From 2006 through 2008, total interest costs were switched to "cost of other employee benefits" in line with the revision made by the Ministry of Audit. The add back amounted to NT\$8,608,814,000 in 2008, NT\$2,475,150,000 in 2007, NT\$1,893,175,000 in 2006.

5. The ratio of interest cost to annual average deposits, ratio of interest income to annual average loans outstanding, total assets turnover, return on Tier 1 capital, return on shareholder's equity, and return on assets ratio as given in the financial reports as of Mar. 31, 2011 have been annualized.

Adequacy of Capital

Unit : NT\$1,000 ; %

Items			Year	Capital Adequacy Ratio for Recent Five Years					As of March 31, 2011
				FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	
self-owned Capital	Tier 1 Capital	Common Stocks		70,000,000	45,000,000	45,000,000	48,000,000	48,000,000	70,000,000
		Non-cumulative Perpetual Preferred Stocks							
		Non-cumulative Subordinated Debts without Maturity Dates							
		Advanced Receipts for Capital Stocks							
		Capital Surplus (Apart from Fixed Assets Appreciation Surplus)		105,581,440	110,062,555	110,063,016	110,423,081	97,159,325	105,581,440
		Legal Reserves		21,993,796	19,540,873	17,033,747	16,941,023	13,258,714	21,993,796
		Special Reserves		1,645,137	22,709,855	21,038,437	21,273,993	17,943,310	1,645,137
		Retained Earnings		9,284,925	8,117,131	8,152,201			9,661,915
		Minority Interests							
		Others of Equity		-1,567,024	-3,442,117	-10,378,229	-1,345,827	1,175,575	-1,894,365
		deducted : Goodwill							
		deducted : Non-amortization of NPL Disposal Loss							
		deducted : Others		30,416,621	25,434,476	22,092,214	27,143,683	39,345,292	29,656,958
		Total Tier 1		176,521,653	176,553,821	168,816,958	168,148,587	138,191,632	177,330,965
	Tier 2 Capital	Perpetual Cumulative Preferred Stocks							
		Cumulative Subordinated Debts without Maturity Dates							
		Fixed Asset Appreciation Surplus		14,640,019	16,138,057	16,418,585	16,526,778		14,678,747
		45% of Unrealized Gain of Financial Assets in Available-for-sale		13,486,622	10,072,960	7,335,555	12,132,512	13,683,525	12,226,805
		Convertible Bonds							
		Operating Reserve and Loan Provision		1,328,931	2,596,286	2,423,631	4,887,482	4,132,161	5,179,360
		Long-terms Subordinated Debts							
		Non-perpetual Preferred Stocks							
		The Aggregate of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts without a Maturity Date exceed 15% of Total Tier 1 Capital							
		deducted : Others		29,455,572	25,434,475	22,092,211	27,143,681	17,815,686	29,656,956
		Total Tier 2			3,372,828	4,085,560	6,403,091		2,427,956
	Tier 3 Capital	Short-term Subordinated Debts							
		Non-perpetual Preferred Stocks							
		Total Tier 3							
	Self - owned Capital			176,521,653	179,926,649	172,902,518	174,551,678	138,191,632	179,758,921

Items			Year	Capital Adequacy Ratio for Recent Five Years					As of March 31, 2011
			FY 2010	FY 2009	FY 2008	FY 2007	FY 2006		
Total Risk Weighted Assets	Credit Risk	Standardized Approach	1,387,342,993	1,425,665,616	1,415,152,755	1,331,488,686	1,045,910,697	1,373,906,385	
		Internal Rating Based Approach							
		Securitization	2,722,945	3,073,045	3,360,326	3,634,507		2,674,617	
	Operational Risk	Basic Indicator Approach	46,779,788	47,894,250	44,805,525	42,207,000		46,779,788	
		Standardized Approach/ Alternative Standardized Approach							
		Advanced Measurement Approach							
	Market Risk	Standardized Approach	49,679,588	36,162,738	23,653,475	22,872,575	29,196,138	70,281,425	
		Internal Model Approach							
	Total Risk Weighted Assets			1,486,525,314	1,512,795,649	1,486,972,081	1,400,202,768	1,075,106,835	1,493,642,215
Capital Adequacy Ratio			11.87	11.89	11.63	12.47	12.85	12.03	
Ratio of Tier 1 Capital to Risk Assets			11.87	11.67	11.35	12.01	12.85	11.87	
Ratio of Tier 2 Capital to Risk Assets				0.22	0.28	0.46		0.16	
Ratio of Tier 3 Capital to Risk Assets									
Ratio of Common Share Equity to Total Assets			1.79	1.16	1.25	1.59	1.78	1.82	

Notes: 1. Figures for FY2006-2010 are CPA approved; figures for the first three months of FY2011 have not been approved by CPA.

2. Formula used in calculations :

- Self-owned Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
- Total Risk Weighted Assets = Credit Risk Weighted Assets + (Operational Risk + Market Risk) Capital Requirement × 12.5 °
- Capital Adequacy Ratio = Self-owned Capital / Total Risk Weighted Assets
- Ratio of Tier 1 Capital to Risk Assets = Tier 1 Capital / Total Risk Weighted Assets
- Ratio of Tier 2 Capital to Risk Assets = Tier 2 Capital / Total Risk Weighted Assets
- Ratio of Tier 3 Capital to Risk Assets = Tier 3 Capital / Total Risk Weighted Assets
- Ratio of Common Share Equity to Total Assets = Common Share Equity / Total Assets

III. Statement by the Audit Committee

Statement by the Audit Committee

The 2010 Financial Statements of the Bank of Taiwan have been examined and certified by Yen-Ling Fang and Derek Hsu, CPAs, of KPMG Certified Public Accountants, who have submitted the CPA report. The above-mentioned 2010 Financial Statements were reviewed by the Audit Committee at the Eleventh Meeting of its First Term on Apr. 12, 2011, and were found to have no inconsistencies. This review report is submitted in accordance with the requirements of Article 14-4 of the Securities and Exchange Act.

Audit Committee

Independent Director: Lou Tienwei

Independent Director: Shen Chunghua

Independent Director: Hsu Yihsiong
(Convenor)

April 12, 2011

IV. Financial Statements for the Years Ended December 31, 2010 and 2009, and Independent Auditors' Report

Independent Auditors' Report

The Board of Directors
Bank of Taiwan:

We have audited the accompanying balance sheet of Bank of Taiwan as of December 31, 2010 and 2009, including the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. As stated in note 11 in the financial statements, certain investments under the equity method in the financial statements of Bank of Taiwan in 2010 and 2009 amounted to NT\$24,953,340 thousand, 0.64% of total assets, and NT\$23,311,967 thousand, 0.60% of total assets, respectively, and related investment gains were NT\$1,512,519 thousand and NT\$1,106,164 thousand in 2010 and 2009, which were 19.32% and 12.86% of income before income tax, were accounted for by using the equity method and based on the investees' financial statements audited by other auditors.

We conducted our audit in accordance with the "Regulations Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the audits by the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the audits by the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Taiwan as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the year then ended. In conformity with the "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", the related financial accounting standards of the "Business Entity Accounting Act", and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

In accordance with the auditing law of Taiwan, the financial statements of Bank of Taiwan is required to be audited by the National Audit Office, otherwise known as the Ministry of Audits. The statements for the years ended 2009 and 2008 have been audited and approved by the National Audit office of ROC and included in the balance. For further descriptions please see note 34.



March 29, 2011

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

V. Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009, and Independent Auditors' Report

(None)

VI. Effect of Financial Difficulties Experienced by the Bank and Related Enterprises on the Bank's Financial Status in Most Recent Year and to the Annual Report Publication Date

(None)

Balance Sheets
December 31, 2010 and 2009

	2010	2009	Percentage change
Assets			
Cash and cash equivalents (notes 3 and 29)	\$ 44,476,364	39,011,428	14
Placement with Central Bank and call loans to banks (notes 4, 29 and 30)	518,166,823	1,248,000,974	(58)
Financial assets measured at fair value through profit or loss, net (notes 5, 27 and 29)	99,875,033	92,123,443	8
Bonds and bills purchased under resell agreements (notes 6 and 29)	600,294	368,349	63
Receivables, net (notes 7, 8, 24 and 29)	84,272,586	91,299,622	(8)
Loans and discounts, net (notes 8, 27 and 29)	2,079,558,679	2,045,894,068	2
Available-for-sale financial assets, net (notes 9, 16, 27 and 30)	837,360,582	142,009,713	490
Held-to-maturity financial assets, net (notes 10, 27 and 30)	54,207,507	37,859,403	43
Investments under equity method, net (note 11)	31,330,008	29,815,276	5
Other financial assets, net (notes 7, 8, 12, 16 and 27)	69,201,006	68,496,647	1
Fixed assets, net (notes 13 and 15)	76,596,999	78,474,877	(2)
Intangible assets (note 16)	969,574	1,107,496	(12)
Other assets, net (notes 15, 16, 24 and 29)	18,607,244	16,590,347	12
Total assets	\$ 3,915,222,699	3,891,051,643	1

(expressed in thousands of New Taiwan Dollars)

	2010	2009	Percentage change
Liabilities and Stockholders' Equity			
Deposits of Central Bank and other banks (notes 17 and 29)	\$ 207,612,937	204,950,860	1
Financial liabilities measured at fair value through profit or loss (notes 18, 27 and 29)	18,985,604	4,535,308	319
Bonds and bills sold under repurchase agreements (notes 6 and 29)	9,429,373	5,486,934	72
Payables (notes 19 and 29)	38,951,861	58,502,675	(33)
Deposits and remittances (notes 20 and 29)	3,185,931,012	3,189,671,973	-
Accrued pension liability (note 23)	3,389,155	2,695,402	26
Other financial liabilities (notes 21 and 27)	1,048,528	1,511,328	(31)
Other liabilities (notes 13, 22 and 29)	<u>198,325,665</u>	<u>183,127,172</u>	8
Total liabilities	<u>3,663,674,135</u>	<u>3,650,481,652</u>	-
Stockholders' equity (notes 12, 14, 16, 25 and 26)			
Common stock	<u>70,000,000</u>	<u>45,000,000</u>	56
Capital surplus	<u>105,581,440</u>	<u>110,062,555</u>	(4)
Retained earnings:			
Legal reserve	21,993,796	19,540,873	13
Special reserve	1,645,137	22,709,855	(93)
Unappropriated retained earnings	<u>9,284,925</u>	<u>8,176,411</u>	14
	<u>32,923,858</u>	<u>50,427,139</u>	(35)
Equity adjustments:			
Unrealized gain on revaluation increments	14,640,019	16,138,057	(9)
Cumulative translation adjustments	(455,457)	(123,228)	(270)
Net loss not recognized as pension cost	(1,915)	-	-
Unrealized gain (loss) on financial instruments	<u>28,860,619</u>	<u>19,065,468</u>	51
	<u>43,043,266</u>	<u>35,080,297</u>	23
Total stockholders' equity	<u>251,548,564</u>	<u>240,569,991</u>	5
Commitments (note 31)			
Total liabilities and stockholders' equity	<u>\$ 3,915,222,699</u>	<u>3,891,051,643</u>	1

Statements of Income **For the years ended December 31, 2010 and 2009**

(expressed in thousands of New Taiwan Dollars)

	2010	2009	Percentage change
Revenues:			
Interest income	\$ 46,355,373	49,176,804	(6)
Less: interest expenses (note 29)	<u>26,086,235</u>	<u>32,373,654</u>	(19)
Net interest income	20,269,138	16,803,150	21
Non-interest income, net			
Fee and commission income, net (note 29)	4,963,130	4,492,791	10
Gain on financial assets and liabilities measured at fair value through profit or loss (notes 5 and 29)	9,581,136	30,387,670	(68)
Realized gain (losses) on available-for-sale financial assets (note 9)	1,987,283	2,142,351	(7)
Gain on investments under equity method (note 11)	1,667,093	2,498,014	(33)
Foreign exchange gains and losses, net	(677,764)	1,721,711	(139)
Losses (reversal gains) on asset impairment (notes 9, 12, 13, 15 and 16)	(88,625)	1,050,396	(108)
Other non-interest income			
Premium income	17,418,404	17,167,081	1
Service fees	79,647,398	45,399,449	75
Subsidized income from Government	17,871,279	15,000,052	19
Other miscellaneous revenue	954,481	1,247,124	(23)
Benefits and claims	(24,991,430)	(20,389,531)	(23)
Service charges	(79,101,635)	(45,033,522)	(76)
Provision for policyholders' reserve premium	(14,138,729)	(34,251,029)	59
Others (note 29)	(721,644)	(888,685)	19
Excess interest expenses (note 7)	(9,726,373)	(9,904,603)	2
Gain on property transaction (note 13)	<u>612,974</u>	<u>2,645,425</u>	(77)
Net revenues	<u>25,526,116</u>	<u>30,087,844</u>	(15)
Bad debt expenses (note 8)	<u>376,029</u>	<u>4,434,016</u>	(92)
Operating costs:			
Personnel expense (note 23)	11,663,498	11,464,467	2
Depreciation and amortization expense	1,365,936	1,319,595	4
Other business and administrative expense (note 29)	<u>4,293,890</u>	<u>4,271,428</u>	1
Total operating costs	<u>17,323,324</u>	<u>17,055,490</u>	2
Income before income tax	7,826,763	8,598,338	(9)
Income tax expense (note 24)	<u>741,838</u>	<u>421,927</u>	76
Net income	<u>\$ 7,084,925</u>	<u>8,176,411</u>	(13)
Earnings per share – basic (note 26)	<u>Before tax</u> <u>After tax</u>	<u>Before tax</u> <u>After tax</u>	
Net income	<u>\$ 1.12</u> <u>1.01</u>	<u>1.91</u> <u>1.82</u>	

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2010 and 2009

(expressed in thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Retained earnings			Cumulative translation adjustments	Net loss not recognized as pension cost	Unrealized gain or losses on financial instruments	Unrealized gain on revaluation increments	Total
			Legal reserve	Special reserve	Unappropriated retained earnings					
Balance as of January 1, 2009	\$ 45,000,000	110,063,016	17,033,746	21,038,437	8,357,089	(151,884)	-	6,074,887	16,418,585	223,833,876
Net income of 2009	-	-	-	-	8,176,411	-	-	-	-	8,176,411
Appropriation of retained earnings:										
Legal reserve	-	-	2,507,127	-	(2,507,127)	-	-	-	-	-
Special reserve	-	-	-	1,671,418	(1,671,418)	-	-	-	-	-
Cash dividends for government	-	-	-	-	(4,178,544)	-	-	-	-	(4,178,544)
Recognition of additional paid-in capital of investee company	-	(461)	-	-	-	-	-	-	-	(461)
Unrealized gain on revaluation increments reversed by land disposal	-	-	-	-	-	-	-	-	(242,736)	(242,736)
Unrealized gain on revaluation increments for investee company (note 11)	-	-	-	-	-	-	-	-	(37,792)	(37,792)
Cumulative translation adjustments	-	-	-	-	-	39,474	-	-	-	39,474
Cumulative translation adjustment for investee company (note 11)	-	-	-	-	-	(10,818)	-	-	-	(10,818)
Unrealized gain or loss from available-for-sale financial assets	-	-	-	-	-	-	-	11,524,068	-	11,524,068
Unrealized gain or loss from financial instruments held by investee company (note 11)	-	-	-	-	-	-	-	1,466,513	-	1,466,513
Balance as of December 31, 2009	45,000,000	110,062,555	19,540,873	22,709,855	8,176,411	(123,228)	-	19,065,468	16,138,057	240,569,991
Net income of 2010	-	-	-	-	7,084,925	-	-	-	-	7,084,925
Appropriation of retained earnings:										
Legal reserve	-	-	2,452,923	-	(2,452,923)	-	-	-	-	-
Special reserve	-	-	-	1,635,282	(1,635,282)	-	-	-	-	-
Cash dividends for government	-	-	-	-	(4,088,206)	-	-	-	-	(4,088,206)
Special reserve reversal	-	-	-	(2,200,000)	2,200,000	-	-	-	-	-
Retained earnings for capital reserve	25,000,000	(4,500,000)	-	(20,500,000)	-	-	-	-	-	-
Unrealized gain on revaluation increments reversed by land disposal	-	-	-	-	-	-	-	-	(1,539,099)	(1,539,099)
Variation of additional paid-in capital of investee company (note 11)	-	18,885	-	-	-	-	-	-	-	18,885
Unrealized gain on revaluation increments for investee company (note 11)	-	-	-	-	-	(305,275)	-	-	41,061	41,061
Cumulative translation adjustments	-	-	-	-	-	(26,954)	-	-	-	(305,275)
Cumulative translation adjustment for investee company (note 11)	-	-	-	-	-	-	-	-	-	(26,954)
Unrealized gain or loss from available-for-sale financial assets	-	-	-	-	-	-	-	9,599,267	-	9,599,267
Unrealized gain or loss from financial instruments held by investee company (note 11)	-	-	-	-	-	-	-	195,884	-	195,884
Variation of investment of net loss not recognized pension cost	-	-	-	-	-	-	(1,915)	-	-	(1,915)
Balance as of December 31, 2010	\$ 70,000,000	105,681,440	21,993,796	1,645,137	9,284,925	(455,457)	(1,915)	28,860,619	14,640,019	251,548,564

Statements of Cash Flows **For the years ended December 31, 2010 and 2009**

(expressed in thousands of New Taiwan Dollars)

	2010	2009
Cash flows from operating activities:		
Net income	\$ 7,084,925	8,176,411
Adjustment to reconcile net income with net cash provided by operating activities:		
Depreciation	924,128	918,888
Amortization of premiums from financial assets	443,152	402,350
Provision for allowance for bad debts	356,601	4,434,016
Provision for insurance reserves	14,138,445	34,251,029
Write off for trading losses	(260)	(627)
Provision for (write off) guarantee reserves	19,428	(35,841)
Amortization of premiums from financial assets	54,086	246,753
Investment income accounted for under equity method	(1,666,669)	(2,498,014)
Cash dividend received on investments under equity method	378,505	1,059,862
Loss on disposal of fixed assets	(589,390)	(2,621,336)
Expense transferred from fixed assets	123	-
Gain on disposal of investments	(979,109)	(1,590,171)
Gain on long-term investment income under equity method	(424)	-
Unrealized gain (loss) on financial assets	4,379,180	(19,918,083)
Impairment in financial assets	-	353,595
Gain on reversal of loss on financial assets	-	(1,388,420)
Impairment in nonfinancial assets	102,729	4,451
Gain on reversal of loss on non-financial assets	(14,104)	(20,022)
(Gain) loss on disposal of collaterals	(329)	728
Decrease in commercial paper payable	4,953	546
Loss on bad debts	3,714,457	1,800,217
Reclassification of accumulated depreciation	-	(1,101)
Change in operating assets and liabilities:		
Change in operating assets		
Increase (decrease) in financial assets held for trading	10,631,305	(5,282,763)
Increase in bonds and bills purchased under resell agreement	(231,945)	(70,088)
Increase in receivables	7,034,355	12,543,654
(Increase) decrease in deferred tax	436,842	(23,507)
Increase in other financial assets	(2,380,193)	(6,505,310)
(Increase) decrease in other assets	(690,240)	77,221
Change in operating liabilities		
(Decrease) increase in financial liabilities held for trading	(17,652)	38,305
Increase (decrease) in bonds and bills purchased under repurchase agreement	3,942,439	(13,730,906)
Decrease in payables	(19,559,382)	(5,394,013)
Increase in pension payables	307,217	299,384
Increase (decrease) in other liabilities	976,470	(106,123)
Net cash provided by operating activities	<u>28,799,643</u>	<u>5,421,085</u>
Cash flows from investing activities:		
(Decrease) increase in placement with Central Bank	684,486,887	(220,251,116)
Acquisition of financial assets at fair value through income statement	(11,920,743)	(396,443)
Disposal of financial assets at fair value through income statement	-	180,844
Proceeds of financial assets at fair value paid at maturity	3,944,669	1,930,734
Acquisition of available for sale financial assets	(3,883,777,288)	(162,109,723)

	2010	2009
Disposal of available-for-sale financial assets	\$ 27,125,223	30,868,329
Reduction in available-for-sale financial assets	58,135	9,681
Proceeds of available-for-sale financial assets at maturity	3,844,203,117	151,891,462
Cash dividend from available-for-sale financial assets	238,278	100,486
Acquisition of held-to-maturity financial assets	(185,855,528)	(98,504,093)
Proceeds of held-to-maturity financial assets at maturity	183,487,043	96,845,366
Proceeds of bonds from non-active markets at maturity	1,714,148	5,526,356
Acquisition of derivatives for hedging purposes	5,157	196
Disposal of long-term investment income under equity method	609	-
Increase in loans and discounts	(37,789,465)	(59,557,524)
Proceeds from disposal of fixed assets and non operating assets	867,538	3,658,275
Acquisition of fixed assets	(916,562)	(866,832)
Acquisition of intangible assets	(302,505)	(280,450)
Decrease in refundable deposits	430	21,173
Increase in costs for deferrals	(62)	(925)
Loss on disposal of collaterals	329	1,100
Decrease in other financial assets	(1,608)	(14,220)
Decrease (increase) in other assets	410,179	(4,694,210)
Net cash provided by (used in) investing activities	625,977,981	(255,641,534)
Cash flows from financing activities:		
(Decrease) increase in deposits of Central Bank	(662,229)	686,693
Increase (decrease) in deposits of banks	3,324,306	22,774,428
(Decrease) increase in deposits and remittances	(3,740,960)	241,762,285
Decrease in other financial liabilities	(477,174)	(157,918)
Increase (decrease) in other liabilities	10,295	(1,305)
Increase in deposits received	71,076	1,197,584
Payments of cash dividends	(5,754,067)	(4,159,715)
Net cash (used in) provided by financing activities	(7,228,753)	262,102,052
Effect of exchange rate changes	(456,696)	41,046
Increase in cash and cash equivalents	647,092,175	11,922,649
Cash and cash equivalents, beginning of year	239,926,898	228,004,249
Cash and cash equivalents, end of year	\$ 887,019,073	239,926,898
Supplemental disclosures of cash flow information:		
Interest paid (including excess interest)	\$ 36,505,314	49,162,557
Income tax paid	\$ 856,523	270,670
Financing and investing activities without cash flows:		
Cumulative foreign currency translation adjustment	\$ 124,467	(12,390)
Decrease in unrealized revaluation increments	\$ (1,498,038)	(280,528)
Unrealized gain (loss) of financial instrument	\$ 9,795,151	12,990,581
Reclassification of financial assets	\$ -	657,552
Long-term investment for capital reserve under equity method	\$ 18,885	(461)
Increase in capital	\$ 25,000,000	-
Capital reserve for capital increase	\$ (4,500,000)	-
Special reserve for capital increase	\$ (20,500,000)	-
Net loss not recognized as pension cost	\$ (1,915)	-

Notes to Financial Statements

December 31, 2010 and 2009

(all amounts expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Organization and Business Scope

Bank of Taiwan (the Bank) was established on May 20, 1946, as the first government-owned bank following the island's restoration to the Republic of China in 1945. It has now been operating for 64 years. The Bank became a legal entity in 1985 in accordance with the Banking Law, and transformed into a corporate entity starting from July 1, 2003, as approved by the Ministry of Finance on April 24, 2003, and became a public company from September 16, 2004.

On November 18, 2005, the House of Administration (Executive Yuan) authorized the merger of the Bank and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act for Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased capital by \$8 billion and split off its part of business and assets to organize two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holding): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was \$3 billion and \$5 billion, respectively.

The Bank is engaged in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) savings and trust operations; (d) overseas branch operations authorized by the respective foreign governments; and (e) other operations as authorized by the central competent authority-in-charge.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2010, in addition to the Department of Business, Department of International Banking, Department of Trusts, and Department of Public Treasury, Treasury, Precious Metal, Procurement, Government Employee Insurance and Electronic Banking at the Bank's headquarters, there were 162 domestic branches, 1 offshore banking unit, 7 overseas branches, and 1 representative office in Shanghai.

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

As of December 31, 2010 and 2009, the Bank had 7,952 and 8,061 employees, respectively.

(2) Summary of Significant Accounting Policies

The financial statements of the Bank have been prepared in the local currency and in Chinese. The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The Bank prepares the accompanying financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and accounting principles generally accepted in the Republic of China. The significant accounting policies used in preparing such financial statements are summarized below:

1) General accounting policies

The Bank is a government-owned enterprise, and its accounting practices mainly follow the Budget Law, Account Settlement Law, and Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance (the MoF). The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank complies with the budget approved by the Legislative Yuan, the parliament of ROC Taiwan. The financial statements become final only after such an audit by the MoA.

In accordance with the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan ruling Tai Tsai Jeng No. 02514, the significant accounting items which should be revised in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks and accounting principles generally accepted in the Republic of China have been adjusted in these financial statements.

In 2010, the financial statements of 2009 and 2008 were approved by the MoA, and the beginning balances in 2010 and 2009 were the same as the approved closing balances in 2009 and 2008.

2) Basis of financial statements

The financial statements include accounts of the headquarters, domestic branches, overseas branches, and overseas representative offices. All significant inter-office account balances and transactions have been eliminated in preparing the financial statements.

3) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

4) Foreign currency transactions

The Bank records its transactions through New Taiwan Dollar. Non-derivative foreign currency products adopts the exchange rates at the date of transaction. Assets and liabilities uses the exchange rates at the date of transaction. Change in fair value recognition is transacted using exchange rates at the balance sheet date. Change in fair value recognized is booked under profit or loss. If the recognized fair value variation is associated with change in shareholder's equity, the difference is adjusted in change of shareholder's equity.

The financial statements of overseas branches reported in functional currencies are translated into New Taiwan Dollars at the exchange rates prevailing on the balance sheet date, with the exception of stockholders' equity, which is translated at historical rates. Translation differences resulting from the translation of these financial statements into New Taiwan Dollars are recorded as cumulative translation adjustments under stockholders' equity.

5) Standard for classifying assets and liabilities as current or noncurrent

Because the operating turnover in banking is uncertain, asset and liability accounts are not categorized as current or noncurrent. Assets and liabilities are only categorized and arranged according to their liquidity.

6) Asset impairment

The Bank assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash generating unit) other than goodwill may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset and recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Bank reverses the impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

7) Trust business

As required by the Banking Law and the Rules Governing Trust and Investment Companies and for the purpose of internal management, the Bank maintains separate accounts and prepares separate sets of financial statements for its own funds and for the funds it manages on behalf of trustors. All the entrusted assets are booked to the memo account.

8) Commitments and contingencies

If loss from commitments and contingencies is considered highly likely and the amount can be reasonably estimated, then the loss is recognized currently. Otherwise, commitments and contingencies are only disclosed in the notes to the financial statements.

9) Accounting basis of cash-flow

The Bank considers cash, placement with banks, placement with Central Bank of China (CBC) (excluding deposit reserve – demand account), and marketable securities with a maturity of three months or less to be cash equivalents.

10) Financial instruments

Financial instruments held by the Bank are recorded on the trading date (except for bonds and funds on the settling date) and initially recognized at fair value plus transaction costs, except for financial instruments held for trading purposes, which are initially recognized at fair value only.

Subsequent to their initial recognition, the financial instruments held or issued by the Company are classified according to the purpose of holding as follows:

1. An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.
 - (a) Bought and held principally for the purpose of selling them in the near term. Derivatives held by the Company, other than hedging securities, are classified in this category.
 - (b) Financial assets or liabilities may be designated as financial instruments measured at fair value through profit or loss to eliminate measurement mismatches for items that naturally offset each other.

- (c) Financial assets or liabilities measured at fair value through profit or loss should be evaluated by fair value, and the gains or losses from evaluation should be designated as current gains or losses.
2. Available-for-sale financial assets are recorded at fair value, and the change in market value is adjusted against shareholders' equity. Impairment loss is recognized when there is objective evidence of impairment thereof. If there is objective evidence that the impairment loss recognized has decreased in a subsequent period, the decline in impairment loss is adjusted against shareholders' equity. If the decrease in impairment loss is significantly related to subsequent events after recognizing impairment loss, the amount is reversed and recognized through profit or loss.
 3. Held-to-maturity financial assets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment. If the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.
 4. Financial assets are carried at cost if their fair values are not available. Impairment loss is recognized if there is objective evidence of impairment thereof, and this recognized amount is non-reversible.
 5. Debt investments without quoted price in active markets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment thereof. If the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed amortized balance of the assets assuming no impairment loss was recognized.

11) Hedge accounting

Financial instruments held by the Bank which meet all the criteria for applying hedge accounting are treated as fair value hedges. Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedge item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

12) Financial derivatives

Derivative financial instruments refer to transactions such as forward contracts, interest swaps, cross currency swaps, asset swaps and options that are engaged in by the Bank in foreign exchange, interest rate and capital markets. Other than their application in hedge accounting, derivative financial instruments are for trading purposes. Derivative financial instruments for trading purposes are involved in creating markets, serving customers and other related arbitrage activities.

Derivative financial instruments for trading purposes are assessed by the fair value method. Any relevant net present value created shall be recognized as current gain or loss. Fair value refers to the formal transaction price fully recognized and agreed by both parties. The fair value generally is the trading price in an active market. If there is no trading price available, the fair value should be estimated by a valuation method or model.

The right of set-off of derivative financial instruments measured by the fair value method is enforceable by law. In net settlement, financial assets are offset with liabilities and disclosed in net amount.

13) Loans and related allowance for doubtful accounts

The loan period of short-term loans is within one year, the loan period of medium-term loans is one to seven years, and the loan period of long-term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

Principal which is overdue over three months or interest which is overdue over three months is categorized as overdue accounts. When principal or interest has not been paid for over six months, the principal and related interest is transferred to nonperforming loans. When this occurs, interest will only be calculated for external parties and booked to the memo account.

All loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. In determining the allowance for credit losses, the Bank evaluates the collectability of its loan portfolio and credit guarantees based on the borrowers'/clients' payment history and the related loan classification as nonperforming, in accordance with the "Rules for Bank Assets Evaluation, Loss Reserve Provision, and Disposing of Overdue loans, Non-accrual Loans and Bad Debts" issued by the MoF. Probable losses are recorded as a provision for credit losses. Doubtful accounts are written off when the recovery possibility is remote. Under the MoF guidelines, the Audit Committee must be notified concerning the write-offs of specific loans and related provision, after being approved by the Board of Directors. The collection of written-off nonperforming loans is recorded as a credit to "allowance for doubtful accounts".

In accordance with Bureau of Monetary Affairs, Ministry of Finance, Ruling Tai-Tsai-Rong No. 88733168, the Bank provided 3% of operating revenue as allowance for bad debt with a view to writing off the default accounts for the four years beginning July 1, 1999. In addition, in accordance with Ruling Hua-Zong-(1) Yi No. 09200114870, announced by the Office of the President, the Bank shall apply the above ruling until the overdue loan ratio is less than 1%.

14) Investment under equity method

Investees in which the Bank and Taiwan Financial Holding Co., Ltd. and its subsidiaries, directly or indirectly, hold more than 20% of the outstanding voting stock, or less than 20% of the outstanding voting stock but have significant influence, are accounted for under the equity method.

If the differences between investment cost and securities' net value arise from assets that can be depreciated or amortized, then an investor company shall amortize such differences over the estimated remaining economic lives. If the differences come from discrepancies between the carrying amounts of assets and their fair market values, then an investor company shall offset all unamortized differences when conditions making such over- or under-valuation are no longer present. When the investment cost exceeds the fair value of identifiable net assets acquired, the excess should be recorded as goodwill. Goodwill shall be evaluated on an annual basis or when there is any indication that goodwill may be impaired, the recoverable amount less than book value is recognized as impairment loss. If any such indication exists, the Company estimates the impairment loss on goodwill. When the fair value of identifiable net assets acquired exceeds the cost, the difference should be assigned to non-current assets acquired (except for financial assets not under equity method, assets to be disposed of, deferred tax assets, or prepaid pension or other retirement benefits cost) proportionate to their respective fair values. If these assets are all reduced to zero value, the remaining excess should be recognized as extraordinary gain.

When the equity of an investee exceeds the carrying value accounted for by the equity method, due to limited liability, the Bank recognizes the investment loss by reducing the balance of the investment to zero. But if the Bank intends to hold the stock of an investee and the investee cannot make a profit in the short term, then the Bank should recognize the loss based on the ownership percentage.

When a long-term investment under the equity method is sold, the cost in excess of (under) the selling price on the disposal date is recognized as gain (loss) on disposal of long-term equity investment. If there is any capital reserve arising from a long-term equity investment, capital reserve is recognized as current income (loss) by the percentage sold.

15) Fixed assets

A surplus arising on revaluation is credited to the revaluation reserve. Additions to revalued premises made subsequent to the revaluation are included at cost. Revaluation increments are depreciated on the same basis over the remaining useful lives at the revaluation dates.

Excluding land, other fixed assets are stated at acquisition cost, including capitalization of interest and certain expenses which were incurred in connection with the construction of a plant and the installation of machinery and equipment. Major renewals, additions and improvements are capitalized, while maintenance and repairs are expensed.

Depreciation is computed on a straight-line method based on its cost, in accordance with Standard Classification of Property announced by Directorate – General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan). Leasehold improvements are amortized over the lesser of lease terms or the useful lives of such improvements. If the depreciated asset is still in use after its primary useful life, the asset is depreciated based on its residual value over its new estimated life.

Effective November 20, 2008, the Bank adopted Accounting Research and Development Foundation Interpretation (97) Ji-Mi-Zih 340. The cost of a fixed asset includes the estimated costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for a purpose other than to produce inventories during that period. Every single part of the fixed asset that is significant should be depreciated individually. The Company assesses the remaining useful lives, depreciation method and salvage value at each balance sheet date. The changes in the above assumptions are accounted for as changes in accounting estimates.

Depreciation is computed on a straight-line basis over the useful lives estimated as follows:

Buildings	8 to 55 years
Machinery and equipment	3 to 7 years
Transportation equipment	4 to 8 years
Other equipment	3 to 10 years

Gains or losses on the disposal of fixed assets are recorded as gain or losses on property transaction.

16) Intangible assets

Commencing from January 1, 2008, the Bank adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, intangible assets are recorded at cost. Subsequent to their initial recognition, their book values are their cost plus the incremental value that resulted from revaluation minus accumulated amortization and impairment loss.

Amortization is computed using the straight-line method. The Bank should reevaluate the residual value, estimated useful lives, and amortization method at least once every year. Changes in the above factors will be regarded as changes in accounting estimate. Major intangible assets are as follows:

Costs of computer software: capitalized and amortized on a straight-line basis over three to five years.

17) Other assets – non-operating assets

Non-operating assets are stated at the lower of net realizable value or book value.

18) Other assets – collateral assumed

Collateral and assets received are stated at the net realizable value: the amount the Bank receives when debtors cannot meet obligations, and the collateral and residuals are auctioned off. Any discrepancy from the initial claim will be reflected as credit loss. Gains or losses on disposition are included in current earnings. The Bank recognized the impairment loss on collateral on the balance sheet date due to the cost of collateral exceeding the net fair value.

In accordance with Article 76 of the Banking Law of the Republic of China, real estate or securities acquired by a commercial bank through foreclosure of mortgage or pledge should be disposed of within four years from the date of acquisition. If there is no permission to extend the time limit, the amount by which the net realizable value of collateral is less than its cost is recognized as reserve for allowance for decline according to the official letter from the competent authorities.

19) Other liabilities – reserve for losses on trading securities

According to the "Rules Governing the Administration of Securities Firms", 10% of the monthly gains on trading securities in excess of monthly losses should be set aside as a reserve until the balance of the provision equals NT\$200 million.

20) Reserves for operations

Reserves for operations are organized according to the Insurance Act. These reserves include the unearned premium reserve, claim reserve, special reserve, and reserve for life insurance. Actuaries provide the figures for these reserves.

21) Pension

Employees' retirement, relief and severance are dealt with according to "The Regulations on Employee's Retirement, Relief and Severance for State-run Financial and Insurance Enterprises Owned by the Ministry of Finance". According to Article 41.1 of the regulations, the length of service with the Bank is calculated in accordance with the formula for benefit payments set forth in the Labor Standards Law, and contributions have been made to a fund for future pension benefits after implementation of the Labor Standards Law. The Bank contributes 3% of total monthly salaries of employees to a pension fund each month. Before implementation of the Labor Standards Law, a monthly contribution equaling 4%-8.5% of salaries had been made by the Bank as prior service cost.

The Labor Pension Act of the R.O.C. ("the Act"), effective from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Bank (who were hired before May 1, 1997) may elect to be subject to either the Act, and maintain their service years before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after May 1, 1997, are required to be covered by the pension plan as defined by the Act. For employees subject to the Act, the Bank is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages.

All contributions made by the Bank are administered by "The Pension Fund Management and Operation Committee". The contributions are accumulated in the pension fund for making payments to the employees when retiring. For cleaning and maintenance workers, service costs equivalent to 8% of total monthly salaries for those workers are accrued over the workers' careers based on plan benefit formulas according to Article 73 of the Labor Standards Law and the "Guidelines for Contributions to and Management of Labor Pension Fund" approved by the Executive Yuan. The workers' pension is deposited in an account for the purpose of paying pension benefits to the workers when retiring.

Starting on July 1, 2005, the Bank, in accordance with the new labor pension system, has contributed 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance.

Since 1997, the defined benefit pension plan has used the balance sheet date as the measurement date to complete an actuarial valuation of accumulated payment obligation in excess of pension fund assets at fair value. At the balance sheet date, the Bank recognizes minimum pension liabilities and, according to the pension plan's actuarial liabilities, records net pension cost, including current service cost and transitional net assets, prior service cost, and pension profit or loss, amortized over the average remaining length of service of employees by the straight-line method.

22) Revenue recognition

Except for insurance business income, revenue is recognized when realized or realizable; related costs and expenses are recorded when revenue is recognized. Additionally, according to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 31, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.

23) Income tax

"Expected" income tax expense is based on accounting income. Deferred income tax is determined based on differences between the financial statement and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to be reversed. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, utilization of loss carryforwards, and income tax assets is evaluated, and a valuation allowance is recognized accordingly.

In accordance with the Financial Holding Company Act, Article 49, the Bank adopts Taiwan Financial Holding Co., Ltd. as the taxpayer to file a consolidated corporate income tax return starting 2008. When declaring the profit-seeking enterprise income, the Bank accounts for its income tax in conformity with SFAS No. 22, "Income Taxes". However, the Bank also adjusts the related income tax balance in a reasonable and systematic way to reflect the differences computed for purposes of filing a consolidated corporate income tax return with Taiwan Financial Holding as the taxpayer. The adjustments resulting from using Taiwan Financial Holding as the taxpayer to file a consolidated corporate income tax return are recorded under receivable from (payable to) related parties.

24) Earnings per share

Earnings per share are calculated by dividing net income after tax by the weighted-average number of shares outstanding in each period.

(3) Cash and Cash Equivalents

	December 31, 2010	December 31, 2009
Cash on hand	\$ 10,568,232	9,913,460
Foreign currency on hand	4,753,513	4,272,147
Notes and checks for clearing	6,578,023	7,075,304
Placement with banks	22,576,596	17,750,517
Total	\$ 44,476,364	39,011,428

The balances of cash and cash equivalents presented in the statements of cash flows were as follows:

	December 31, 2010	December 31, 2009
Cash	\$ 44,476,364	39,011,428
Call loans to banks and bank overdraft	91,073,836	127,418,553
Placement with Central Bank, including reserve – checking account and foreign-currency-denominated deposit reserves	27,993,867	36,996,414
Negotiable certificates of deposit (NCDs)	698,063,885	22,300,093
Investment in bills and securities maturing within 90 days	25,411,121	14,200,410
Total	\$ 887,019,073	239,926,898

(4) Placement with Central Bank and Call Loans to Banks

	December 31, 2010	December 31, 2009
Call loans to banks	\$ 91,073,836	127,418,553
New-Taiwan-dollar-denominated deposit reserve – checking account and reserves for deposits – foreign-currency-denominated deposit and so on	27,993,867	36,996,414
New-Taiwan-dollar-denominated required deposit reserve	60,676,386	60,246,178
Deposits in Central Bank	338,422,734	1,023,339,829
Total	\$ 518,166,823	1,248,000,974

The required deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New-Taiwan-Dollar-denominated deposits. The required deposit reserve is subject to withdrawal restrictions, but reserve – checking account and foreign-currency-denominated deposit reserves may be withdrawn anytime and are non-interest-earning.

Additionally, as of December 31, 2010 and 2009, 60% of the reserve deposits collected on behalf of a government institution amounted to \$4,915,945 and \$5,349,549, respectively, and their use is restricted according to the regulations.

The Bank, in accordance with the Central Bank's System for Accounting and Allocation of Bank Funds, adopted the RTGS (Real-Time Gross Settlement) clearing system. The purchased CDs (certificates of deposit) serve as the security for day-term overdrafts. As of December 31, 2010 and 2009, \$25,000,000 and \$20,000,000, respectively, of negotiable time certificates were provided as the security for overdrafts. The secured credit limit can be modified at any time; the residual credits may be used on closing day as liquid reserves.

(5) Financial Assets Measured at Fair Value through Profit or Loss, Net

1) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2010	December 31, 2009
Financial assets held for trading	\$ 66,961,065	77,199,214
Add: Adjustment valuation	14,209,300	4,076,043
Subtotal	81,170,365	81,275,257
Financial assets designated as at fair value through profit or loss	18,775,474	10,799,400
Add: Adjustment valuation	(70,806)	48,786
Subtotal	18,704,668	10,848,186
	\$ 99,875,033	92,123,443

2) For details of the valuation of financial assets measured at fair value through profit or loss, please see note 27, "Information on Financial Instruments".

3) Details of financial assets held for trading were as follows:

	December 31, 2010	December 31, 2009
Commercial paper	\$ 1,495,027	1,411,869
Government bonds	1,464,184	1,307,269
Negotiable certificates of time deposits	310,000	-
Corporate bonds	11,498	6,885
Call foreign exchange options	20,063	40,360
Short-term beneficiary securities	2,171,005	2,249,145
Foreign stock and beneficiary certificates	58,064,375	68,466,917
Foreign government bonds	3,424,913	3,716,769
Add: Adjustment valuation – non-derivative financial instruments	3,946,024	672,652
Adjustment valuation – call foreign exchange options	5,922	(31,249)
Adjustment valuation – cross currency swaps	9,375,409	3,124,509
Adjustment valuation – interest rate swaps	612,525	138,290
Adjustment valuation – foreign exchange forward transactions	265,003	170,150
Adjustment valuation – commercial paper with fixed rate	4,417	1,691
Total	\$ 81,170,365	81,275,257

4) Details of financial assets designated at fair value through profit or loss were as follows:

	December 31, 2010	December 31, 2009
Foreign corporate bonds and financial bonds	\$ 18,775,474	10,799,400
Add: Adjustment valuation	(70,806)	48,786
Total	\$ 18,704,668	10,848,186

5) Details of unexpired derivative financial instruments were as follows:

	December 31, 2010	December 31, 2009
Call foreign exchange options	\$ 4,461,625	7,736,913
Cross currency swaps	237,201,146	272,971,581
Interest rate swaps	20,961,443	6,174,282
Foreign exchange forward transactions	10,433,103	9,787,052
Commercial paper with fixed rate	700,000	700,000
Total	\$ 273,757,317	297,369,828

6) Details of the profit on financial assets and liabilities measured at fair value through profit or loss were as follows:

	2010	2009
Cash dividend on financial assets	\$ 1,792,620	1,257,141
Net gain on disposal of financial assets	78,063,121	86,638,753
Net loss on valuation of financial assets	9,759,466	26,615,409
Net loss on disposal of financial liabilities	(73,655,062)	(77,583,533)
Net gain (loss) on valuation of financial liabilities	(6,379,009)	(6,540,100)
Total	\$ 9,581,136	30,387,670

(6) Bills and Bonds Purchased / Sold under Repurchase Agreements and Resell Agreements

As of December 31, 2010 and 2009, the details of bonds and bills purchased / sold under agreements to resell (repurchase) were as follows:

	December 31, 2010	December 31, 2009
Bills and bonds purchased under resell agreements:		
Negotiable certificates of deposit	\$ 600,294	368,349
Bills and bonds sold under repurchase agreements:		
Commercial paper	827,971	-
Government bonds	8,601,402	5,486,934
Total	\$ 9,429,373	5,486,934

(7) Receivables, Net

	December 31, 2010	December 31, 2009
Notes receivable	\$ 11,323	9,734
Accounts receivable	1,074,262	1,186,563
Long-term receivable	41,261,142	40,526,237
Accrued revenue	321,113	324,871
Interest receivable	8,732,081	11,077,253
Insurance receivable	182,868	199,063
Refundable income tax	1,857,391	1,335,718
Acceptance notes receivable	3,683,301	3,265,768
Factoring receivable – non-recourse	7,008,990	1,139,497
Others – shall be replenished by state treasury	18,615,870	14,785,692
Others – undelivered spot exchange	-	15,661,635
Other – ATM temporary receipts, payments and inter-branch differences	1,434,978	1,247,737
Others	330,899	788,804
Subtotal	84,514,218	91,548,572
Less: allowance for doubtful accounts	241,632	248,950
Total	\$ 84,272,586	91,299,622

In 2010 and 2009, the Bank paid a premium savings account interest rate in excess of the regular rate of 1.7535% and 1.8258%, respectively, and the resulting interest expenses were \$7,607,997 and \$7,836,838, respectively, due to executing the government premium savings policy.

As of December 31, 2010 and 2009, the Bank, instead of the government, had paid premium savings interest expenses amounting to \$87,549,002 (booked in long-term receivable \$41,261,142 and other financial asset – short-term advance of \$46,287,860) and \$85,846,669 (booked in long-term receivable of \$40,526,237 and other financial assets – short-term advance of \$45,320,432), respectively. Please refer to note 12 "Other financial assets – net" for further descriptions.

(8) Discounts and Loans, Net

	December 31, 2010	December 31, 2009
Discounts	\$ 3,994,541	4,253,895
Overdrafts	62,641,391	63,021,076
Secured overdrafts	390,086	620,041
Short-term loans	253,946,554	314,880,826
Short-term secured loans	84,426,067	80,810,552
Medium-term loans	659,590,524	615,537,991
Medium-term secured loans	243,962,592	238,936,763
Long-term loans	184,008,225	210,235,964
Long-term secured loans	586,172,630	513,046,036
Nonperforming loans	11,968,052	17,404,514
Subtotal	2,091,100,662	2,058,747,658
Less: allowance for doubtful accounts	11,541,983	12,853,590
Total	\$ 2,079,558,679	2,045,894,068

Movements of allowance for doubtful accounts in years 2010 and 2009 were as follows:

	2010			
	Risk of specific uncollectible debts	Country risk	Potential risk of total debts	Total
Beginning balance	\$ 9,950,820	2,945,142	243,138	13,139,100
Add: provision (reversal) for doubtful accounts	(1,097,884)	1,473,175	(18,690)	356,601
collected from write-off of debts	3,625,256	89,201	-	3,714,457
foreign exchange translation adjustments	-	(94,333)	-	(94,333)
Less: write-off	(3,611,020)	(1,674,069)	-	(5,285,089)
Ending balance	\$ 8,867,172	2,739,116	224,448	11,830,736

	2009			
	Risk of specific uncollectible debts	Country risk	Potential risk of total debts	Total
Beginning balance	\$ 10,466,117	1,358,073	270,947	12,095,137
Add: provision (reversal) for doubtful accounts	2,011,200	2,450,625	(27,809)	4,434,016
collected from write-off of debts	1,730,900	69,317	-	1,800,217
foreign exchange translation adjustments	-	(16,496)	-	(16,496)
Less: write-off	(4,257,397)	(916,377)	-	(5,173,774)
Ending balance	\$ 9,950,820	2,945,142	243,138	13,139,100

Details of allowance for doubtful accounts were as follows:

	December 31, 2010	December 31, 2009
Receivables	\$ 241,632	248,950
Discounts and loans	11,541,983	12,853,590
Other financial assets	47,121	36,560
Total	\$ 11,830,736	13,139,100

Details of bad debt expense were as follows:

	2010	2009
Bad debt record	\$ 356,601	4,434,016
Reserve for guarantee liabilities	19,428	-
Total	\$ 376,029	4,434,016

As of December 31, 2010 and 2009, the amount of loans with non-accumulating interest revenues was \$12,026,928 and \$17,455,142, respectively, which was booked as other assets – nonperforming loans. As of December 31, 2010 and 2009, the estimation of non-accumulating interest revenues was \$1,561,733 and \$1,972,097, respectively.

For the years ended December 31, 2010 and 2009, the Bank did not write off any loan without legal proceedings having been initiated.

(9) Available-for-sale Financial Assets, Net

	December 31, 2010	December 31, 2009
Negotiable certificates of deposit	\$ 694,600,000	22,000,000
Government bonds	26,870,850	30,866,748
Foreign government bonds, treasury bills and corporate bonds	50,406,854	38,360,542
Financial bonds	1,818,859	1,822,832
Corporate bonds	12,917,851	8,585,599
Real estate securitization	10,000	10,000
Financial asset securitization	996,661	996,661
TSEC and OTC stocks and certificates	21,599,228	20,929,781
Add: Adjustment valuation	29,566,174	19,908,948
Less: accumulated impairment	(1,425,895)	(1,471,398)
Total	\$ 837,360,582	142,009,713

- 1) Please see note 27, "Information on Financial Instruments", for valuation of available-for-sale financial assets.
- 2) The Bank held the following financial instruments: the foreign financial bonds of Kaupthing Bank, Glitnir Bank, and Washington Mutual Bank, the foreign corporate bonds of Lehman Brothers Holdings Inc., and the financial asset securitization of E. Sun Bank 2009-1 Collateralized Bond Obligations Special Purpose Trust Class B1 Beneficiary Certificates, whose book value amounted to \$2,949,052 in total. As these financial instruments had been impaired, the Bank then recognized impairment losses amounting to \$2,895,083. The Bank sold the above-mentioned bonds and reversed cumulative impairment losses amounting to \$1,423,685, accounted for as gain on reversal of asset impairment loss.
- 3) The CSBC Corporation shares held by the bank were sold on September 3, 6 and 7, 2010. After written off \$21,674 available-for-sale financial assets from the proceeds of \$56,151, the gain on the disposal of the shares were \$34,537.
- 4) Details of realized profit or loss on available-for-sale financial assets were as follows:

	2010	2009
Cash dividend	\$ 1,008,174	404,243
Profit or loss on available-for-sale financial asset transactions	979,109	1,738,108
Total	\$ 1,987,283	2,142,351

(10) Held-to-maturity Investment Assets, Net

	December 31, 2010	December 31, 2009
Domestic:		
Financial bonds	\$ 302,708	303,203
Corporate bonds	6,115,542	4,452,717
Convertible deposit	3,153,885	300,093
Commercial paper	23,916,094	12,788,541
Government bonds	8,729,342	9,029,256
Real estate securitization	32,040	35,288
	42,249,611	26,909,098
Foreign:		
Corporate bonds	8,960,130	9,693,000
Organization bonds	2,174,296	481,678
Government bonds	823,470	775,627
	11,957,896	10,950,305
Total	\$ 54,207,507	37,859,403

Please see note 27, "Information on Financial Instruments", for valuation of held-to-maturity investment.

(11) Investments under Equity Method, Net

Name of Investee	December 31, 2010		December 31, 2009	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	24.86	\$ 24,943,091	24.86	23,302,379
Taiwan Life Insurance Co., Ltd.	20.84	2,399,489	21.05	2,426,781
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	2,449,110	91.86	2,610,549
Tang Eng Iron Works Co., Ltd.	21.37	1,528,069	21.38	1,465,979
Tai Yi Real-Estate Management Co., Ltd.	30.00	10,249	30.00	9,588
		\$ 31,330,008		29,815,276

- 1) Details of the Bank's recognition of its unrealized gain on revaluation increments and cumulative transaction adjustments under stockholders' equity in 2010 and 2009 were as follows:

Name of Investee	Unrealized gain on revaluation increments		Cumulative translation adjustments	
	2010	2009	2010	2009
Hua Nan Financial Holdings Co., Ltd.	\$ (1,014)	(55,439)	(23,074)	(9,533)
Taiwan Life Insurance Co., Ltd.	(10,950)	-	(3,880)	(1,285)
Tang Eng Iron Works Co., Ltd.	53,025	17,647	-	-
	\$ 41,061	(37,792)	(26,954)	(10,818)

- 2) Details of the Bank's recognition of its capital surplus and unrealized losses or gains on financial instruments under stockholders' equity in 2010 and 2009 were as follows:

Name of Investee	Capital surplus		Unrealized losses or gains on financial instruments	
	2010	2009	2010	2009
Hua Nan Financial Holdings Co., Ltd.	\$ -	-	464,844	1,010,038
Taiwan Life Insurance Co., Ltd.	18,885	(461)	(270,072)	448,457
Tang Eng Iron Works Co., Ltd.	-	-	112	8,018
	\$ 18,885	(461)	194,884	1,466,513

- 3) Details of the net loss not recognized as pension costs in 2010 and 2009 were as follows:

Name of investee	2010	2009
Taiwan Life Insurance Co., Ltd.	\$ (1,915)	-

- 4) Details of the Bank's cash dividends received from its long-term equity investments under the equity method in 2010 and 2009 were as follows:

Name of investee	2010	2009
Hua Nan Financial Holding Co., Ltd.	\$ 311,902	1,059,862
Taiwan Life Insurance Co., Ltd.	66,603	-
	\$ 378,505	1,059,862

- 5) The initial costs of the Bank's long-term equity investments under the equity method were as follows:

Name of Investee	December 31, 2010	December 31, 2009
Hua Nan Financial Holdings Co., Ltd.	\$ 6,863,133	6,863,133
Taiwan Life Insurance Co., Ltd.	712,409	712,409
Kaohsiung Ammonium Sulfate Co., Ltd.	1,377,872	1,377,872
Tang Eng Iron Works Co., Ltd.	1,451,074	1,451,462
Tai Yi Real Estate Management Co., Ltd.	3,793	3,793
	\$ 10,408,281	10,408,669

- 6) The investment gain or loss on long-term investment under the equity method was as follows:

Name of Investee	2010	2009
Hua Nan Financial Holdings Co., Ltd.	\$ 1,511,858	1,106,153
Taiwan Life Insurance Co., Ltd.	307,243	1,071,928
Kaohsiung Ammonium Sulfate Co., Ltd.	(161,439)	(29,925)
Tang-Eng Iron Works Co., Ltd.	8,346	349,847
Tai Yi Real-Estate Management Co., Ltd.	661	11
Disposal of Tang-Eng Iron Works Co., Ltd.	424	-
	\$ 1,667,093	2,498,014

1. The investment gain from the investees audited by other auditors was \$1,512,519 and \$1,106,164 in 2010 and 2009, respectively.
2. The investment loss from the investees amounting to \$(161,439) and \$(29,925) in 2010 and 2009, respectively, was based on its unaudited financial statements.
- 7) Since Kaohsiung Ammonium Sulfate Co., Ltd. was in the process of liquidation and the liquidators and supervisors were appointed by the Ministry of Economic Affairs, the Bank had no power to control such investee.
- 8) The bank sold the equity of Tang-Eng Iron Works Co., Ltd. of 20,000 shares on October 11 and 12, 2010; the proceeds amounted to \$609. After offsetting the proceeds from long-term investment of \$388, adjustment in long-term investment of \$5, unrealized gain (losses) from financial instrument of \$6, and the increase in unrealized revaluation of \$202, the residual proceeds from the disposal of the equity are \$424.

(12) Other Financial Assets, Net

	December 31, 2010	December 31, 2009
Temporary advances	\$ 54,068,368	51,688,175
Hedging derivative financial assets	5,051	18,409
Debt investments without quoted price in active markets	4,295,323	5,985,193
Less: cumulative impairment – debt investment without quoted price in active market	(309,750)	(337,848)
Financial assets carried at cost	11,092,326	11,092,326
Remittance purchased	12,579	11,964
Less: allowance for doubtful accounts – remittance purchased	(38)	(36)
Overdue receivables	58,876	50,628
Less: allowance for doubtful accounts – overdue receivables	(47,083)	(36,524)
Others	25,354	24,360
Total	\$ 69,201,006	68,496,647

- 1) Please see note 27, "Information on Financial Instruments", for details of the valuation of hedging derivative financial assets and debt investments without quoted price in non-active markets for the year 2010 and 2009.
- 2) Concerning for the payment of excess interest for the government, booked under "short-term payment" for the financial year ended December 31, 2010 and 2009, please refer to note 8 for further descriptions.
- 3) On May 22, 2009, the Bank recognized impairment loss of convertible bonds of ProMOS Technologies by \$345,219, accounted for assets impairment loss.

(13) Fixed Assets, Net

	December 31, 2010	December 31, 2009
Cost:		
Land (including revaluation increments)	\$ 66,228,341	66,510,361
Land improvements	14,964	15,869
Buildings (including revaluation increments)	14,088,482	14,026,742
Machinery and equipment	5,639,974	5,530,564
Transportation equipment	1,084,393	1,082,570
Miscellaneous equipment	1,015,939	1,036,200
Leasehold improvements	606,488	597,700
Construction in progress and prepayment for equipment	718,665	469,090
	89,397,246	89,269,096
Accumulated depreciation:		
Land improvement	12,613	13,084
Buildings	5,032,214	4,764,102
Machinery and equipment	3,854,519	3,712,705
Transportation equipment	813,021	806,362
Miscellaneous equipment	783,020	786,687
Leasehold improvements	481,896	458,695
	10,977,283	10,541,635
Accumulated impairment		
Land	1,822,964	252,584
Fixed assets, net	\$ 76,596,999	78,474,877

On March 8, 2010 and March 17, 2009, the Bank recognized loss on impairment by \$57,504 and \$4,374, gain on reversal by \$13,775 and \$15,776 and reduced unrealized gain on revaluation increments by \$1,526,651 and \$96,521, respectively.

The Bank has conducted many revaluations of land and buildings over the years, with the latest in June 2007. As of December 31, 2010 and 2009, the total revaluation increments for land were \$61,795,266 and \$62,075,841, respectively, and the estimated tax payables on land were \$15,313,154 and \$15,328,424, respectively (recorded in other liabilities).

Complying with government policy, the Bank sold a number of land, buildings and machinery and recognized gain on property transaction of \$612,974 and \$2,645,425 in 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the Bank's fixed assets neither served as a guarantee or collateral, nor were they pledged.

Certain investment properties of the Bank were used for operating lease. As of December 31, 2010, the cost (including revaluation increments) of the rental land was \$32,612,536, while most of the rental buildings had been fully depreciated over their useful lives.

According to the tenancy agreements, the estimated future rental revenue was as follows:

Fiscal Year	Amount
2011	\$ 117,286
2012	73,475
2013	26,298
2014	4,162
2015	2,770
	<u>\$ 223,991</u>

(14) Intangible Assets

The details for the year ended December 31, 2010 and 2009, for intangible assets measured at costs and amortization are as follows:

	December 31, 2010	December 31, 2009
Initials costs:		
Computer software	\$ 1,107,496	1,226,158
Add: acquisition	302,505	280,450
Less: amortization for the year	440,427	399,112
Closing balance	<u>\$ 969,574</u>	<u>1,107,496</u>

(15) Other Assets

	December 31, 2010	December 31, 2009
Non-operating assets, net	\$ 7,966,724	8,011,775
Collateral assumed, net	1,076,959	1,076,959
Advance payment	7,345,139	5,831,648
Operating guarantee deposits and settlement fund	10,000	10,000
Refundable deposits	109,259	109,689
Customer advance and accounts awaiting clearance	212,361	474,100
Deferred tax assets, net	633,114	1,038,705
Others	1,253,688	37,471
	<u>\$ 18,607,244</u>	<u>16,590,347</u>

1) Non-operating assets

	December 31, 2010	December 31, 2009
Land (non-operating)	\$ 8,110,612	8,110,612
Buildings	2,353	2,353
Miscellaneous equipment	92	92
Accumulated depreciation – buildings	(2,091)	(1,996)
Accumulated impairment	(144,242)	(99,286)
	<u>\$ 7,966,724</u>	<u>8,011,775</u>

On March 8, 2010, and March 17, 2009, the Bank recognized impairment losses of \$45,226 and \$78, gain on reversal of \$330 and \$2,418, decreased unrealized revaluation of \$61, and increased unrealized revaluation increments by \$11.

2) Collateral assumed and residuals taken over, net

	December 31, 2010	December 31, 2009
Collateral assumed and residuals taken over	\$ 1,093,456	1,095,788
Less: allowance for impairment	(16,497)	(18,829)
	<u>\$ 1,076,959</u>	<u>1,076,959</u>

On April 22, 2009, the Bank had a bid sale of collateral and recognized gain on reversal of assets impairment \$1,828.

3) Advance payment

	December 31, 2010	December 31, 2009
Prepaid expense	\$ 660,000	707,714
Prepaid tax	50,170	32,950
Prepaid stock dividends and bonus	5,620,865	3,955,003
Other prepayment	1,014,104	1,135,981
	<u>\$ 7,345,139</u>	<u>5,831,648</u>

(16) Impairment

For the years ended December 31, 2010 and 2009, the movements of the accumulated impairment were as follows:

	2010	2009
Beginning balance	\$ 2,179,945	3,140,295
Recognized impairment loss for the current period	102,729	358,047
Reversal of impairment loss for the current period	(14,104)	(1,408,443)
Unrealized gains on revaluation increments for the current period	1,526,712	96,545
Transfer to BankTaiwan Life Insurance due to split-off	(2,333)	-
Foreign exchange differences	(73,601)	(6,499)
Ending balance	<u>\$ 3,719,348</u>	<u>2,179,945</u>

The ending balance of accumulated impairment was composed of the following:

	December 31, 2010	December 31, 2009
Available-for-sale financial assets	\$ 1,425,895	1,471,398
Other financial assets	309,750	337,848
Fixed assets	1,822,964	252,584
Other assets	160,739	118,115
Ending balance	<u>\$ 3,719,348</u>	<u>2,179,945</u>

Loss (gain) on impairment was composed as the follows:

	December 31, 2010	December 31, 2009
Available-for-sale financial assets	\$ -	1,380,045
Other financial assets	-	(345,219)
Fixed assets	(43,729)	11,402
Other assets	(44,896)	4,168
Ending balance	<u>\$ (88,625)</u>	<u>1,050,396</u>

(17) Deposits from Banks – Central Bank and Others

	December 31, 2010	December 31, 2009
Deposits from Central Bank	\$ 12,477,882	13,140,110
Deposits from banks – others	25,086,913	23,705,622
Postal deposits transferred	3,830,591	32,986,964
Bank overdrafts	1,661,280	517,181
Call loans from bank	164,556,271	134,600,983
	<u>\$ 207,612,937</u>	<u>204,950,860</u>

(18) Financial Liabilities Measured at Fair Value through Profit or Loss

1) Details of financial liabilities measured at fair value through profit or loss were as follows:

	December 31, 2010	December 31, 2009
Held-for-trading financial liabilities	\$ 24,565	42,217
Add: valuation adjustment	18,961,039	4,493,091
	<u>\$ 18,985,604</u>	<u>4,535,308</u>

2) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 27.

3) Held-for trading financial liabilities

	December 31, 2010	December 31, 2009
Foreign exchange options premium	\$ 24,565	42,217
Valuation adjustment – foreign exchange options	4,681	(33,138)
Valuation adjustment – cross currency swaps	16,848,246	3,404,589
Valuation adjustment – interest rate swaps	916,724	952,683
Valuation adjustment – forward foreign exchange	1,191,388	168,957
	<u>\$ 18,985,604</u>	<u>4,535,308</u>

4) Unmatured derivative financial instruments (stated at notional principal amount)

	December 31, 2010	December 31, 2009
Foreign exchange options premiums	\$ 4,657,063	7,732,101
Cross currency swaps	412,998,459	328,099,484
Interest rate swaps	27,061,391	15,634,186
Forward foreign exchange	35,506,718	12,676,720
	<u>\$ 480,223,631</u>	<u>364,142,491</u>

(19) Payables

	December 31, 2010	December 31, 2009
Accounts payable	\$ 7,140,316	7,710,258
Receipts under custody payable	1,243,990	1,602,280
Accrued expense	2,570,575	2,474,968
Income tax payable	267,655	247,535
Interest payable	11,488,871	12,181,578
Banker's acceptance payable	3,753,620	3,272,781
Due from representative organization	353,952	1,010,061
Construction payable	26,870	18,303
Other payables – spot foreign exchange awaiting delivery	7,227	15,667,772
Other payables – collection bills	5,322,119	3,067,465
Other payables – payments awaiting transfer	4,142,598	4,251,212
Other payables – paid by connection bank	-	4,296,715
Other payables – ATM temporary receipts, payments and inter-branch difference	1,400,110	1,328,401
Other payables – factoring receivables-without recourse	227,675	189,660
Other payables – others	1,006,283	1,183,686
	<u>\$ 38,951,861</u>	<u>58,502,675</u>

(20) Deposits from Customers and Remittances

	December 31, 2010	December 31, 2009
Checking account deposits	\$ 32,910,376	28,822,343
Government deposits	233,009,445	211,783,672
Demand deposits	251,441,337	225,333,851
Time deposits	513,251,758	608,590,368
Remittances	497,518	561,547
Savings account deposits:		
Demand savings deposits	584,352,372	573,885,091
Staff accounts	22,708,997	22,083,708
Club savings deposits	1,118,497	1,202,214
Non-interest-drawing time savings deposits	648,342,232	636,761,856
Interest-drawing savings deposits	458,588,204	446,521,492
Premium interest-drawing savings deposits	439,710,276	434,125,831
	<u>\$ 3,185,931,012</u>	<u>3,189,671,973</u>

As of December 31, 2010 and 2009, the above time deposits and savings account deposits, except for demand savings deposits, would mature in one month to three years.

(21) Other Financial Liabilities

	December 31, 2010	December 31, 2009
Hedging derivative financial liabilities	\$ 255,348	241,100
Appropriated loan funds	793,180	1,270,228
	<u>\$ 1,048,528</u>	<u>1,511,328</u>

Please refer to note 27 for details of hedging derivative financial liabilities on December 31, 2010 and 2009.

(22) Other Liabilities

	December 31, 2010	December 31, 2009
Reserve for guarantee liability	\$ 281,340	263,603
Reserve for trading losses	-	260
Reserve for labor insurance liability	174,497,614	160,359,169
Advance collections	1,821,419	791,067
Estimated tax payable on land value increments	15,313,154	15,328,424
Guarantee deposits received	4,940,533	4,869,457
Temporary receipt awaiting transfer	187,041	176,746
Other liabilities to be settled	8,239	8,239
Others	1,276,325	1,330,207
	<u>\$ 198,325,665</u>	<u>183,127,172</u>

(23) Pension

The reconciliation of the plan's funded status and accrued pension liabilities was as follows:

	December 31, 2010		December 31, 2009	
	Regular Employees	Regular Labor / Contract Employees	Regular Employees	Regular Labor / Contract Employees
Benefit obligation:				
Vested benefit obligation	\$ (4,960,693)	(362,404)	(4,788,703)	(359,703)
Non-vested benefit obligation	(3,689,641)	(280,751)	(3,078,649)	(289,524)
Accumulated benefit obligation	(8,650,334)	(643,155)	(7,867,352)	(649,227)
Additional benefits based on future salaries	(2,407,543)	(182,494)	(2,145,446)	(191,987)
Projected benefit obligation (PBO)	(11,057,877)	(825,649)	(10,012,798)	(841,214)
Fair value of plan assets	5,323,980	938,079	5,376,449	898,141
Funding status	(5,733,897)	112,430	(4,636,349)	56,927
Unrecognized net transition obligation	308,207	94,413	413,133	119,944
Unrecognized prior year service cost	174,074	(16,419)	194,553	(20,067)
Unrecognized loss (gain)	2,311,798	(253,226)	1,407,726	(231,269)
Accrued minimum pension liability (booked under other assets – deferred pension cost)	(386,535)	-	-	-
Accrued pension liability	<u>\$ (3,326,353)</u>	<u>(62,802)</u>	<u>(2,620,937)</u>	<u>(74,465)</u>
Vested benefit	<u>\$ (6,004,486)</u>	<u>(425,469)</u>	<u>(6,024,513)</u>	<u>(442,867)</u>

The components of net pension cost for the years 2010 and 2009 were as follows:

	2010		2009	
	Regular Employees	Regular Labor / Contract Employees	Regular Employees	Regular Labor / Contract Employees
Service cost	\$ 771,614	34,842	764,182	34,062
Interest cost	234,176	19,983	217,257	18,864
Projected return on plan assets	(127,548)	(22,552)	(118,345)	(21,162)
Amortization and deferred cost	147,985	11,779	145,580	10,621
Net pension cost	<u>\$ 1,026,277</u>	<u>44,052</u>	<u>1,008,674</u>	<u>42,385</u>

Actuarial assumptions:

	2010	2009
Discount rate	2.00%	2.50%
Rate of increase in future compensation	2.00%	2.00%
Rate of projected return on plan assets	2.00%	2.50%

(24) Income Tax

The income tax expense for 2010 and 2009 is summarized below:

	2010	2009
Current income tax expense (benefit)	\$ 337,749	467,865
Deferred tax expense (benefit)	404,089	(45,938)
Income tax expense (benefit)	\$ 741,838	421,927

In accordance with the amendment of the Income Tax Act on May 27, 2009, the maximum income tax rate was reduced from 25% to 20%. The Act was later amended again on June 15, 2010, reducing the maximum income tax rate to 17%.

Effective from 2010, the Bank is subject to the ROC income tax rate at a maximum of 17%, after the amendment of the "Income Basic Tax Act". For the fiscal year ended December 31, 2010 and 2009, the income tax of the Bank is 17% and 25%, respectively. For the years ended December 31, 2010 and 2009, the differences between the "expected" income tax expense at the statutory income tax rate and the effective income tax expense in the accompanying financial statements were as follows:

	2010	2009
Expected income tax expense	\$ 1,330,550	2,149,585
Tax effect of interest income from short-term notes separately taxed	6,981	14,086
Gain on securities trading	(193,269)	(832,588)
Loss on financial assets evaluation	48,744	351,856
Tax-free earnings from OBU	(182,442)	(439,233)
Investment income under equity method	(283,334)	(624,504)
Gain on disposal of land	(102,610)	(658,290)
Loss (gain) on provision for (reversal of) asset impairment – land	15,066	(3,436)
Loss on impairment of financial assets	-	2,094
Tax-free reinvestment income (dividends and bonus)	(234,479)	(196,309)
Income tax expense of overseas branches	105,773	146,850
Deferred tax expense of overseas branches	155,948	309,916
Tax-free spread of bond transaction under agreement	-	4,042
Adjustments of outright purchase and sale of bills	-	(5,410)
Provision for valuation allowance for deferred tax assets	(253,397)	(645,250)
Income basic tax	220,807	220,445
Income tax effect of prior years	-	453,974
Others	23,330	33,815
Income tax effect of tax rate	84,170	140,284
Income tax expense	\$ 741,838	421,927

For the years ended December 31, 2010 and 2009, the major components of deferred income tax expense were as follows:

	2010	2009
Pension costs disallowed per tax regulation	\$ (52,227)	(59,877)
Unrealized loss (gain) on foreign exchange	216,154	(337,158)
Income tax expense from overseas branches	155,948	309,916
Income tax rate effect	84,170	41,056
Others	44	125
Deferred income tax expense (income)	\$ 404,089	(45,938)

The temporary differences, loss carryforward, income tax credit, and certain tax effects relating to deferred income tax assets were as follows:

	December 31, 2010		December 31, 2009	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Pension costs disallowed per tax regulation	\$ 3,002,619	510,445	2,695,402	539,080
Loss carryforward	1,932,567	328,536	3,355,857	671,171
Accumulated impairment – collateral assumed	16,497	2,804	18,829	3,766
Accumulated impairment – available for sale – foreign	429,234	72,969	474,736	94,948
Unrealized gain on exchange	-	-	110,002	22,000
Foreign deferred income tax assets – carryforward	-	253,790	-	409,737
Unrealized gain or loss on financial instruments – foreign	-	16,146	-	39,047
Unrealized gain or loss on financial instruments – foreign – exchange rate differences	-	6,273	-	10,385
Cumulative translation adjustments	-	81,851	-	23,587
Others	3,575	608	344	69
		1,273,422		1,813,790
Allowance for deferred income tax assets		(381,949)		(747,466)
		\$ 891,473		1,066,324
Deferred income tax liabilities:				
Unrealized loss on exchange	\$ 135,113	22,969	112,176	22,435
Deferred income tax assets – foreign	-	37,937	-	5,184
Loss on evaluation of financial assets	1,161,490	197,453	-	-
		\$ 258,359		27,619
Deferred income tax assets, net		\$ 633,114		1,038,705

As of December 31, 2010 and 2009, the components of income tax refund receivable were as follows:

	December 31, 2010	December 31, 2009
Current income tax expense	\$ 337,749	467,865
Tax adjustments regarding separate taxation	(11,169)	(98,398)
Income tax expense paid by overseas branches	(105,773)	(146,850)
Withholding tax on bond interest	(3,972)	(3)
Withholding tax	(738,511)	(815,618)
Income tax paid by offshore Banking Unit	-	(2,172)
Prior year's income tax refund receivable	(1,335,715)	(740,542)
Income tax refund receivable, net	\$ (1,857,391)	(1,335,718)

Starting from 2008, the Company and Taiwan Financial Holding adopted a combined income tax declaration to report their tax. As of December 31, 2010 and 2009, the details of tax payable and receivable were as follows:

Fiscal year	December 31, 2010		
	Tax receivable from affiliated parties (recorded in miscellaneous account receivables)	Tax payable to affiliated parties (recorded in miscellaneous account payables)	Income tax payable to National Tax Administration (recorded in miscellaneous account payables)
2008	\$ 740,542	-	-
2009	595,173	-	3
2010	517,704	-	3,969
	\$ 1,853,419	-	3,972

Fiscal year	December 31, 2009		
	Tax receivable from affiliated parties (recorded in miscellaneous account receivables)	Tax payable to affiliated parties (recorded in miscellaneous account payables)	Income tax payable to National Tax Administration (recorded in miscellaneous account payables)
2008	\$ 740,542	-	-
2009	595,173	-	3
	<u>\$ 1,335,715</u>	<u>-</u>	<u>3</u>

According to income tax law, loss of a company could be used to offset taxable income in next ten years. On December 31, 2010, the amount of loss which could be used to offset taxable income was as follows:

Fiscal years	December 31, 2010	Last year offsetable
2006, approved amount	<u>\$ 1,932,567</u>	2016

The reconciliation of the balances of current income tax benefit, deferred income tax benefit (expense), deferred tax assets (liabilities), and income tax payable under the provision of SFAS No. 22, "Income Taxes", and the related balances computed for filing combined corporate income tax returns with Taiwan Financial Holding as the taxpayer was as follows:

	2010			
	Current income tax benefit	Deferred income tax benefit	Deferred income tax asset, net	Affiliated company receivable
Amount computed under SFAS No. 22	\$ 337,749	404,089	633,114	1,853,419
Difference adjustments	-	-	-	-
Amount computed for filing consolidated returns	<u>\$ 337,749</u>	<u>404,089</u>	<u>633,114</u>	<u>1,853,419</u>

	2009			
	Current income tax benefit	Deferred income tax benefit	Deferred income tax asset, net	Income tax payable
Amount computed under SFAS No. 22	\$ 467,865	45,938	1,038,705	1,335,715
Difference adjustments	-	-	-	-
Amount computed for filing consolidated returns	<u>\$ 467,865</u>	<u>45,938</u>	<u>1,038,705</u>	<u>1,335,715</u>

Apart from 2008, the Bank's income tax returns up till 2009 have been audited by the MoA and examined by the National Tax Administration. The financial statements in 2008 has not been examined by the tax authorities.

As of December 31, 2010 and 2009, the balance of the ICA (imputation credit account) was as follows:

	December 31, 2010 (expected)	December 31, 2009 (actual)
Balance of ICA	<u>\$ 195,077</u>	<u>379,219</u>

After the Bank's filing of the income tax return for 2010, the imputed tax creditable ratio for appropriating the net income for 2010 and 2009 is 5.32% and 5.69% (actual). The tax creditable ratio for capital increase is 19.82%

As of December 31, 2010 and 2009, the composition of unappropriated retained earnings was as follows:

Fiscal year	December 31, 2010	December 31, 2009
1998 and after	<u>\$ 9,284,925</u>	<u>8,176,411</u>

(25) Stockholders' Equity

- As of December 31, 2010 and 2009, the Bank's authorized capital and issued capital were \$70,000,000 and \$45,000,000, respectively. The above mentioned common stock had a par value of \$10.

The board of directors agreed to issue 2,500,000 shares through dividends of \$20,500,000 and capital reserve of \$4,500,000, approved by the authorities. The date of issuing new shares was set on November 8, 2010. Relevant legal procedures were completed at the end of the fiscal year.

2) The composition of capital surplus was as follows:

	December 31, 2010	December 31, 2009
Capital surplus – from equity premium	\$ 105,453,034	109,953,034
Capital surplus – from long-term equity investment under equity method	128,406	109,521
	<u>\$ 105,581,440</u>	<u>110,062,555</u>

3) The Bank transferred its land to the national treasury as a grant and recorded such transaction as expense for 2007. However, since the MoA revised such expense and mandated other appropriate treatments under related laws and regulations in auditing the Bank's final accounts for 2007, the board of directors passed a resolution to record such transaction by reducing the special reserve on November 21, 2009.

The board of directors agreed to use \$22 billion from special reserve as means to increase capital surplus.

4) Legal reserve and appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed in the following order:

1. to pay income tax;
2. to offset prior years' deficit;
3. to appropriate 30% as legal reserve;
4. to appropriate 20~40% the equivalent of the unrealized losses on financial instruments recorded under stockholders' equity as special reserve;
5. to appropriate dividends.

The remaining balance would be appropriated, combining accumulated retained earnings, in accordance with related laws and regulations.

According to the Banking Law, before the legal reserve balance reaches the total amount of capital, cash dividend distributions cannot exceed 15% of total capital.

(26) Earnings per Share

Computation of the Bank's basic earnings per share for the years ended December 31, 2010 and 2009, was as follows:

	2010		2009	
	Pretax	After tax	Pretax	After tax
Net income	\$ 7,826,763	7,084,925	8,598,338	8,176,411
Weighted average outstanding shares (in thousands)	7,000,000	7,000,000	4,500,000	4,500,000
Basic earnings per share				
Net income	\$ 1.12	1.01	1.91	1.82

(27) Information on Financial Instruments

1) Information on fair value of financial instruments

	December 31, 2010		December 31, 2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Financial assets measured at fair value through profit or loss	\$ 99,875,033	99,875,033	92,123,443	92,123,443
Available-for-sale financial assets	837,360,582	837,360,582	142,009,713	142,009,713
Loans and discounts	2,079,558,679	2,079,558,679	2,045,894,068	2,045,894,068
Held-to-maturity financial assets	54,207,507	54,633,371	37,859,403	38,213,495
Other financial assets	69,201,006	69,201,006	68,496,647	68,496,647
Financial Liabilities:				
Financial liabilities measured at fair value through profit or loss	18,985,604	18,985,604	4,535,308	4,535,308
Other financial liabilities	1,048,528	1,048,528	1,511,328	1,511,328

- 2) The methods and assumptions used by the Bank for calculation of the fair value of financial instruments are as follows:
1. The book value of financial instruments closed to the maturity date is a reasonable basis for fair value measurement. This method applies to cash and cash equivalents, placement with Central Bank and call loans to banks, resell bond transactions, loans and discounts, accounts receivable, other financial assets (except those recorded at cost if their fair value is not available and debt investments without quoted price in active markets recorded at amortized cost), deposits from Central Bank, deposits from other banks, repurchase bond transactions, accounts payable, deposits and remittances, and other liabilities.
 2. When the financial assets have a public quotation from an active market, the market price is considered the fair value. If, however, there is no market price for reference, the value will be estimated by appraisal. The estimates and assumptions utilized are the same as those utilized by market traders to decide the value of financial instruments. The discount rate the Bank uses is the rate of return on financial instruments with equivalent conditions and quality.
 3. Interest on loans is calculated by a floating rate; thus the book value is the present fair value.
 4. Deposits and remittances are mostly due within one year. If the due date is longer than one year, the interest would be calculated by a floating rate; thus the book value is the present fair value.
 5. The DCF (discounted cash flow) will be applied to calculate the fair value of each forward contract, whereas the Bank uses the Reuters foreign exchange rate upon maturity. For an IRS (interest rate swap) or a CCS (cross currency swap), quotations provided by both the trader and Bloomberg will be referenced to apply the DCF to calculate the fair value of the individual contract. In addition, the Black-Scholes model is applied to evaluate the fair value of options.
- 3) The fair values of the Bank's financial assets and liabilities evaluated under direct public quotation from an active market or under an assessment method as of December 31, 2010 and 2009, were as follows:

	2010		2009	
	Fair value per direct public quotation from active market	Fair value per assessment method	Fair value per direct public quotation from active market	Fair value per assessment method
Financial Assets				
Financial assets measured at fair value through profit or loss	\$ 63,218,156	36,656,877	70,211,907	21,911,536
Available-for-sale financial assets	77,914,758	759,445,824	72,327,415	69,682,298
Discount and loans	-	2,079,567,517	-	2,045,894,068
Held-to-maturity financial assets	9,043,816	45,589,555	9,377,868	28,835,627
Other financial assets	-	69,201,006	-	68,496,647
Financial Liabilities				
Financial liabilities measured at fair value through profit or loss	-	18,985,604	-	4,535,308
Other financial liabilities	-	1,048,528	-	1,511,328

The Bank recognized current gain (loss) of \$(7,615,514) and \$991,256 due to variation in fair value under an assessment method in the years 2010 and 2009, respectively.

4) Financial risk information

1. Market risk

Market risk is also called "pricing risk." It means changes such as in interest rates, exchange rates, and the prices of equity securities and instruments which may result in a loss for the Bank, either on or off the balance sheet.

In order to establish and effectively operate the Market Risk Control Mechanism, all trading units, in accordance with the Bank's cash capital and operating condition, implement appropriate market risk control in daily operations and management procedures, such as

- (a) Identifying, evaluating and analyzing (qualification/non-qualification) risks and adopting appropriate methods (including risk hedging, risk sharing, risk reducing, and risk bearing).
- (b) Each unit following the Market Risk Management Guidelines for position management, actively monitoring various limits, and reporting to the responsible unit or the risk management department.
- (c) Verifying the position data and profit or loss status with the accounting department to ensure the consistency and completeness of data, and setting up a separate risk management unit to help control the Bank's overall market risk.

The Bank utilizes the standard method for calculating market risk capital to meet the requirement of the Basel Accord. In the future, the Bank will adopt a market risk management system and use VaR to enhance risk gain or loss analysis and overall reporting ability. Furthermore, the Bank will amend relevant policies and standards in accordance with the request of management agencies and BASEL II.

2. Credit risk

- (a) The possibility of a loss occurring due to the failure of a counterparty or third party to meet contractual debt obligations. Commodities owned and issued by the Bank may cause a loss when the contractual debt obligations are not met. Therefore, the Bank always conducts credit evaluations in accordance with the Credit Policy and Regulation in handling credit business such as loans, commitments and guarantees. The details were as follows:

Unit: Million NTD

December 31, 2010			
Item	Secured amount	Total amount	Percentage of total amount
Loans (note 1)	\$ 1,004,085	2,091,101	48.02
Acceptances	145	3,683	3.94
Guarantees on loans	13,421	43,952	30.54

December 31, 2009			
Item	Secured amount	Total amount	Percentage of total amount
Loans (note 1)	\$ 921,696	2,058,748	44.77
Acceptances	337	3,266	10.32
Guarantees on loans	7,011	50,051	14.01

Note 1: Amounts of loans exclude advances and off-balance sheet items.

Collateral may include cash, inventories, marketable securities, and other property. If the customers default, the Bank will, as required by circumstances, foreclose the collateral or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

- (b) Credit risk – disclosure of the greatest credit exposure

The book value and greatest credit exposure of various commodities owned by the Bank are disclosed below:

Unit: Million NTD

Item	December 31, 2010	
	Book Value	Greatest Credit Exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 99,875	98,968
Available-for-sale financial assets	837,361	114,801
Held-to-maturity financial assets	54,208	53,664
Loans and advances (note 1)	2,145,169	1,867,178
Hedging derivatives	5	5
Debt investments without quoted price in active markets	3,986	3,986
Financial assets carried at cost	11,092	11,092

Note 1: The aforementioned "loans and advances" refer to the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; import bill advances/export bill purchases; overdue receivables; acceptance receivables; guarantee payment receivables; and short-term loans.

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude government bonds amounting to \$907 million; available-for-sale financial assets exclude government bonds amounting to \$27,869 million and negotiable certificates of deposit amounting to \$694,691 million; held-to-maturity financial assets exclude government bonds amounting to \$544 million; loans and advances exclude Central Government loans amounting to \$240,087 million, Central Government short-term advance amounting to \$13,304 million, and Bureau of National Health Insurance amounting to \$24,600 million.

Note 3: The amount of greatest credit exposure is the fair value at the balance sheet date; the book value of hedging derivatives is the principal of the hedging instruments (IRS); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.

Unit: Million NTD

	December 31, 2009	
	Book Value	Greatest Credit Exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 92,123	91,086
Available-for-sale financial assets	142,010	87,416
Held-to-maturity financial assets	37,859	37,509
Loans and advances (note 1)	2,110,436	1,860,859
Hedging derivatives	18	18
Debt investments without quoted price in active markets	5,647	5,647
Financial assets carried at cost	11,092	11,092

Note 1: The aforementioned "loans and advances" refer to the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; import bill advances/export bill purchases; overdue receivables; acceptance receivables; guarantee payment receivables; and short-term loans.

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude government bonds amounting to \$1,037 million; available-for-sale financial assets exclude government bonds amounting to \$32,589 million and negotiable certificates of deposit amounting to \$22,005 million; held-to-maturity financial assets exclude government bonds amounting to \$350 million; loans and advances exclude Central Government loans amounting to \$236,700 million and Central Government short-term advance amounting to \$12,877 million.

Note 3: The amount of greatest credit exposure is the fair value at the balance sheet date; the book value of hedging derivatives is the principal of the hedging instruments (IRS); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.

(c) Disclosure of concentration of credit risk

When the trading of financial instruments is centered in a single industry or region, the ability to fulfill the contract would be affected by similar factors, thereby causing concentration of credit risk. Disclosure of the Bank's concentration of credit risk is as follows:

a) The details of loans to various industry types and the greatest credit exposure in 2010 and 2009 were as follows:

Unit: Million NTD

December 31, 2010			
Industry type	Book value (note 1)	%	Maximum credit exposure (note 2)
Individual	\$ 657,172	31.43	657,172
Government agencies	474,044	22.67	233,957
Manufacturing	330,004	15.78	330,004
Shipping, warehousing and communications	137,845	6.59	137,845
Utilities	141,453	6.76	141,453
Others	350,583	16.77	325,983
Total	\$ 2,091,101	100.00	1,826,414

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$240,087 million from book value and the loan to the Bureau of National Health Insurance of \$24,600 million.

Unit: Million NTD

December 31, 2009			
Industry type	Book value (note 1)	%	Maximum credit exposure (note 2)
Individual	\$ 639,554	31.06	639,554
Government agencies	482,108	23.42	245,408
Manufacturing	347,508	16.88	347,508
Shipping, warehousing and communications	112,756	5.48	112,756
Utilities	126,317	6.13	126,317
Others	350,504	17.03	350,504
Total	\$ 2,058,747	100.00	1,822,047

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$236,700 million from book value.

b) The details of loans to different industry regions in 2010 and 2009 were as follows:

Unit: Million NTD

December 31, 2010			
Region	Book value (note 1)	%	Maximum credit exposure (note 2)
Domestic	\$ 1,975,054	94.45	1,710,367
Foreign	116,047	5.55	116,047
Total	\$ 2,091,101	100.00	1,826,414

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$240,087 million from book value and the loan to the Bureau of National Health Insurance of \$24,600 million.

Unit: Million NTD

December 31, 2009			
Region	Book value (note 1)	%	Greatest credit exposure (note 2)
Domestic	\$ 1,947,429	94.59	1,710,729
Foreign	111,318	5.41	111,318
Total	\$ 2,058,747	100.00	1,822,047

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$236,700 million from book value.

(d) Off-balance sheet credit risk (including loan commitments, net settlement agreements, and offset rights)

While the Bank provides loan commitments and similar relevant services, the Bank evaluates credit very conservatively. The Bank reserves the utmost right in enforcing collaterals demanded from the counter-party when breach of the agreement is committed in order to control and mineralize our credit risk effectively. Fair value of the collaterals is not within the Bank's consideration when disclosing for maximum credit exposure.

Unit: Million NTD

Item	Maximum credit exposure	
	December 31, 2010	December 31, 2009
Irrevocable loan commitment (with credit agreement)	\$ 545,305	599,968
Letter of credit receivables	\$ 35,706	38,358
Deposits receivables	\$ 43,952	50,051
Acceptances receivables	\$ 3,683	3,266

Note: The table above solely includes the amount as at the end of the financial year and the off balance sheet commitment and deposits agreed as subject of measurement. The table does not consider the impact of different types of counter party.

3. Liquidity risk

Liquidity risk includes market liquidity risk and capital liquidity risk (financial risk). Market liquidity risk is the risk of facing market price movement in processing or offsetting owned assets caused by a low-volume market. Capital liquidity risk, on the other hand, is the risk of default at the maturity due to inability to cash in assets or obtain sufficient capital. The Bank has different policies in accordance with capital demands for different kinds of business, aiming to effectively monitor market liquidity risk. Moreover, the financial department is in charge of the overview of capital and conducts a daily review to respond to system risk and capital demand in abnormal conditions.

The Bank controls the trading risk of commodities by means of the aforementioned position limits, setting of stop loss points, and operation guidelines at the management level. In addition, the Bank utilizes financial tools of the money market and foreign exchange market, together with appropriate liquid assets, to plan for future cash demand.

The liquidity ratio in December 2010 and December 2009 was 42.94% and 47.25%, respectively. The capital and operating funds are sufficient to fulfill all contractual obligations. The Bank faced no liquidity risk due to insufficient funds.

The analysis of maturity for December 31, 2010 and 2009 is as follows:

Asset	December 31, 2010				
	1st-30th day	31st-90th day	91st-365th day	Over a year	Subtotal
Cash and cash equivalents	\$ 21,899,765	-	-	-	21,899,765
Placement with Central Bank and call loans to banks	66,698,365	229,546,130	127,308,218	99,957,658	523,510,371
Financial assets at fair value through profit or loss, net	5,409,926	2,679,087	1,435,592	25,776,052	35,300,657
Bonds and bills purchased under resell agreements	600,294	-	-	-	600,294
Available-for-sale financial assets, net	443,339,002	233,755,710	52,310,744	107,955,126	837,360,582
Held-to-maturity financial assets, net	-	2,004	-	574,347	576,351
Hedging derivative assets	5,052	-	-	-	5,052
Financial assets carried at cost	-	-	-	11,092,326	11,092,326
Debt investments without quoted price in active markets	-	-	-	3,985,572	3,985,572
Investments under equity method, net	-	-	-	31,330,008	31,330,008
Receivables, net	1,515,085	1,000,814	826,280	20,582,778	23,924,957
Loans and discounts, net	154,865,595	155,046,220	381,880,016	1,383,285,728	2,075,077,559
Non-performing loans	459,324	-	-	11,567,604	12,026,928
Total assets	\$ 694,792,408	622,029,965	563,760,850	1,696,107,199	3,576,690,422
Liabilities					
Deposits of Central Bank and other banks	\$ 65,991,474	70,488,298	24,412,375	46,720,790	207,612,937
Payables	17,545,152	16,802	165,608	39,124,072	56,851,634
Financial liabilities measured at fair value through profit or loss	775,534	-	-	18,210,071	18,985,605
Bonds and bills sold under repurchase agreements	6,542,132	2,887,241	-	-	9,429,373
Hedging derivative liabilities	243,003	-	12,346	-	255,349
Other financial liabilities	-	-	-	793,180	793,180
Deposits and remittances	335,786,707	323,351,819	1,077,660,808	1,449,131,678	3,185,931,012
Total liabilities	\$ 426,884,002	396,744,160	1,102,251,137	1,553,979,791	3,479,859,090
Gaps	\$ 267,908,406	225,285,805	(538,490,287)	142,127,408	96,831,332

Note: The table contains the amounts for the departments of the Bank only.

Asset	December 31, 2009				
	1st-30th day	31st- 90th day	91st-365th day	Over a year	Subtotal
Cash and cash equivalents	\$ 21,232,126	-	-	-	21,232,126
Placement with Central Bank and call loans to banks	439,195,691	543,220,594	204,605,678	66,911,455	1,253,933,418
Financial assets at fair value through profit or loss, net	3,605,261	2,348,790	2,985,820	12,629,535	21,569,406
Bonds and bills purchased under resell agreements	368,349	-	-	-	368,349
Available-for-sale financial assets, net	9,062,431	27,631,981	18,237,940	87,077,361	142,009,713
Held-to-maturity financial assets, net	-	-	500,915	383,931	884,846
Hedging derivative assets	18,409	-	-	-	18,409
Financial assets carried at cost	-	-	-	11,092,326	11,092,326
Debt investments without quoted price in active markets	-	-	-	5,647,345	5,647,345
Investments under equity method, net	-	-	-	29,815,579	29,815,579
Receivables, net	17,141,571	982,430	579,926	16,847,920	35,551,847
Loans and discounts, net	151,992,079	200,172,038	319,143,569	1,365,781,562	2,037,089,248
Non-performing loans	19,242	-	-	17,435,901	17,455,143
Total assets	\$ 642,635,159	774,355,833	546,053,848	1,613,622,915	3,576,667,755

	December 31, 2009				
	1st-30th day	31st- 90th day	91st-365th day	Over a year	Subtotal
Liabilities					
Deposits of Central Bank and other banks	\$ 67,300,788	63,105,008	18,556,158	23,001,942	171,963,896
Payables	14,824,559	376,211	449,921	41,489,214	57,139,905
Financial liabilities measured at fair value through profit or loss	711,381	-	-	3,823,926	4,535,307
Bonds and bills sold under repurchase agreements	3,950,922	1,536,012	-	-	5,486,934
Hedging derivative liabilities	59,661	-	181,440	-	241,101
Other financial liabilities	-	-	-	1,270,227	1,270,227
Deposits and remittances	335,778,023	364,953,943	1,151,021,538	1,370,905,433	3,222,658,937
Total liabilities	\$ 422,625,334	429,971,174	1,170,209,057	1,440,490,742	3,463,296,307
Gaps	\$ 220,009,825	344,384,659	(624,155,209)	173,132,173	113,371,448

Note: The table contains the amounts for the departments of the Bank only.

4. Cash flow risk and fair value risk of interest rate change

Floating assets and floating liabilities of the Bank may change due to movement in future cash flow caused by market rate movement, and hence create risk. The evaluation showed the potential risk may be significant; thus the Bank signed an interest swap contract for the purpose of hedging risk.

(a) Information on expected final maturity and expected repricing date

On December 31, 2010 and 2009, the expected re-pricing date and expected final maturity would not be affected by the contract effective date. The following table shows the interest risk of the Bank. Non-derivative assets and liabilities are listed at book value without deducting any allowance or adjustment. Derivative assets and liabilities are listed at book value. The book value is further categorized by the earlier of the maturity date or repricing date. The book value of commodities owned or issued by the Bank, categorized by different maturity or repricing date (the earlier date among the two), was as follows:

	December 31, 2010				
	1-30 days	31-90 days	91-365 days	Over a year	Subtotal
Asset					
Financial assets measured at fair value through profit or loss	\$ 5,590	2,679	1,436	25,776	35,481
Bonds and bills purchased under resell agreements	600	-	-	-	600
Available-for-sale financial assets	443,339	233,756	52,311	107,955	837,361
Held-to-maturity financial assets	-	2	-	574	576
Hedging derivative assets	5	-	-	-	5
Financial assets carried at cost	-	-	-	11,092	11,092
Debt in vestment without quoted price in active market	-	-	-	3,986	3,986
Due from and call loans to banks and overdraft from banks	66,698	229,546	127,308	99,958	523,510
Loans and discounts	154,865	155,046	381,880	1,383,286	2,075,077
Long-term investments equity	-	-	-	30,804	30,804
Other assets	28,189	2,707	1,464	221,350	253,710
Total assets	\$ 699,286	623,736	564,399	1,884,781	3,772,202
Liabilities					
Deposits of central Bank and other banks	\$ 65,992	70,488	24,412	46,721	207,613
Financial liabilities measured at fair value through profit loss	775	-	-	18,210	18,985
Bonds and bills sold under repurchase agreements	6,542	2,887	-	-	9,429
Hedging derivative liabilities	244	-	12	-	256
Others financial liabilities	-	-	-	793	793
Deposits	335,289	323,352	1,077,661	1,449,132	3,185,434
Long-term liabilities	-	-	-	19,962	19,962
Other liabilities	20,737	78	13,925	49,479	84,219
Total liabilities	\$ 429,579	396,805	1,116,010	1,584,297	3,526,691
Stockholders' equity	\$ 269,707	226,931	(551,611)	300,484	245,511

Note: The table contains the amounts for the departments of the Bank only.

	December 31, 2010				
	1-30 days	31--90 days	91-365 days	Over a year	Subtotal
Asset					
Financial assets measured at fair value through profit or loss	\$ 3,605	2,349	2,986	12,629	21,569
Bonds and bills purchased under resell agreements	368	-	-	-	368
Available-for-sale financial assets	9,062	27,632	18,238	87,078	142,010
Held-to-maturity financial assets	-	-	501	384	885
Hedging derivative assets	18	-	-	-	18
Financial assets carried at cost	-	-	-	11,092	11,092
Debt investment without quoted price in active market	-	-	-	5,647	5,647
Due from and call loans to banks and overdraft from banks	410,411	543,221	204,606	66,911	1,225,149
Loans and discounts	151,992	200,172	319,144	1,365,782	2,037,090
Long-term investments equity	-	-	-	29,816	29,816
Other assets	18,826	2,271	522	228,816	250,435
Total assets	\$ 594,282	775,645	545,997	1,808,155	3,724,079
Liabilities					
Deposits of central Bank and other banks	\$ 66,213	62,340	5,888	677	135,118
Financial liabilities measured at fair value through profit loss	711	-	-	3,824	4,535
Bonds and bills sold under repurchase agreements	3,951	1,536	-	-	5,487
Hedging derivative liabilities	60	-	181	-	241
Others financial liabilities	-	-	-	1,271	1,271
Deposits	335,132	364,954	1,151,022	1,370,904	3,222,012
Long-term liabilities	-	-	-	19,284	19,284
Other liabilities	15,209	5,811	24,592	82,533	128,145
Total liabilities	\$ 421,276	434,641	1,181,683	1,478,493	3,516,093
Stockholders' equity	\$ 173,006	341,004	(635,686)	329,662	207,986

Note: The table contains the amounts for the departments of the Bank only.

(b) Effective interest rate (excluding financial structure for trading purposes)

The effective interest rate, by currency, of the commodities owned or issued by the Bank as of December 31, 2010 and 2009, was as follows:

December 31, 2010		
Item	NTD	USD
Available-for-sale financial assets		
Government bonds	0.7909%~6.9000%	1.0000%~9.6250%
Financial bonds	2.1100%~2.3000%	0.3138%~6.5000%
Corporate bonds	1.0001%~3.0500%	0.4169%~8.8750%
Negotiable certificates of deposit of Central Bank	0.6900%~0.8300%	-
Taipei City Government bonds	1.2000%~4.6190%	-
Beneficiary certificates – financial assets securitization	2.4600%	-
Beneficiary certificates – real estate investment trust	2.6800%	5.5000%~5.7500%
Foreign organization bonds	2.6000%	-
Held-to-maturity financial assets		
Government bonds	1.5150%~6.0699%	-
Beneficiary certificates – financial assets securitization	2.4000%	-
Debt investment without quoted price in active markets		
Beneficiary certificates – financial assets securitization	-	0.5003%~1.7606%
Loans and discounts		
Short-term loans	0.3400%~18.0000%	0.5256%~6.1000%
Medium-term loans	0.00001%~18.0000%	0.4211%~6.8500%
Long-term loans	0.00001%~10.0000%	0.6141%~7.5000%
Liabilities		
Short-term loans	-	0.2922%~1.1466%
Hedging derivative liabilities		
IRS	-	0.6900%~10.6777%

December 31, 2009		
Item	NTD	USD
Available-for-sale financial assets		
Government bonds	0.7909%~6.9602%	5.7500%~9.6250%
Financial bonds	2.1100%~2.3000%	0.2634%~6.5000%
Corporate bonds	3.0500%~7.9400%	0.3506%~8.8800%
Negotiable certificates of deposit of Central Bank	0.5700%~0.7100%	-
Taipei City Government bonds	1.20000%~4.6190%	-
Beneficiary certificates – financial assets securitization	2.4600%	-
Beneficiary certificates – real estate investment trust	2.6800%	-
Foreign organization bonds	2.6000%	0.7010%
Real estate securitization	-	5.5000%~5.7500%
Held-to-maturity financial assets		
Government bonds	1.5712%~6.0701%	-
Corporate bonds	1.8911%~1.9493%	-
Beneficiary certificates – financial assets securitization	2.4000%	-
Debt investment without quoted price in active markets		
Beneficiary certificates – real estate investment trust	-	0.4731%~1.7313%
Loans and discounts		
Short-term loans	0.125%~18.0000%	0.3277%~6.8500%
Medium-term loans	0.00125%~18.0000%	0.3895%~7.2570%
Long-term loans	0.00001%~10.0000%	0.5756%~7.5000%
Liabilities		
Short-term loans	-	0.3100%~1.5000%
Hedging derivative liabilities		
IRS	-	0.6869%~10.9300%

5. Fair-value hedge and cash flow hedge

The financial assets the Bank holds satisfies the hedging accounting policies and the fair value hedging accounting policy, and the treatment and disclosure is as follows:

- (a) Fair value hedge: Profit or loss created by fair value re-measurement of a hedge instrument or book value change due to interest rate movement is immediately recognized as current income. Profit or loss created by hedged items is recognized as current income; the book value of the hedged items is adjusted.
- (b) Fair value hedge, cash flow hedge, and hedge of a net investment in a foreign entity should disclose the following separately:

a) Description of hedging

Currently, the New York, LA, Tokyo, and Singapore branches of the Bank adopt fair value hedge accounting and have IRSs as designated hedging instruments to hedge the interest risk exposure of investing in fixed-rate bonds.

b) Description and balance sheet fair value of financial commodities designated as hedging instruments:

Hedged Item	December 31, 2010		
	Designated Hedging Instruments	Original Amount	Fair Value
Foreign bonds	SWAP	\$ 590,241	5,051
Foreign bonds	SWAP	4,639,975	(255,349)

Hedged Item	December 31, 2009		
	Designated Hedging Instruments	Original Amount	Fair Value
Foreign bonds	SWAP	\$ 2,018,501	18,409
Foreign bonds	SWAP	3,784,114	(241,100)

c) Nature of hedged risk:

The hedged items of the hedge accounting adopted by the Bank are fixed-rate bond investments. Thus IRSs are used to hedge interest risk (adopting interest fair value hedging – swapping a fixed rate for a floating rate).

(28) Disclosure of Risk Management Policy

1) Risk management structure and protocols

1. Risk management structure

The risk management structure of the Bank includes the Board of Directors, risk management committee, risk management department, authorities in charge all business units.

- (a) The Board of Director holds the highest responsibility in maintaining the risk management of the Bank, which includes formulating strategies accordingly, establishing the risk management policy, ensuring the consistency of the risk managing system, identifying all the risk matures and retain all the resources available for encountering all sorts of unexpected risks.
- (b) The role of risk management committee established by the Board of Directors includes implementing the risk management strategy and integrating risk-related issues between various units across the bank.
- (c) The role of the risk management department includes monitoring all risk management issues independently and on an operational level. The risk management department is also in charge in investigating into any relevant departments and reports directly to the Board of Directors. Similarly, if any risk exposures exceeding the capacity of the Bank is discovered, the department has the responsibility to take reasonable actions and report to the Board of Directors.
- (d) Every department shall identify, evaluate, and control the risks of any new products or operations and establish the risk management process accordingly. In addition, to monitor the relevant risks in compliance with the risk management policy of the Bank.

2. Risk management protocols

Every operations engaged by the Bank, including off-balance sheet operations, are included within the risk management system of the Bank, which contains credit risk, market risk, operational risk, interest rate risk, liquidity risk, national risk, legal risk and so forth. The brief risk management policy is as follows:

- (a) Monitor the settlement ratio of the Bank in relevance to the operational size, credit risk, market risk, operational risk and the future prospects.
- (b) Establish a risk measuring and monitoring procedure system in order to measure and monitor risks effectively.
- (c) Taking in the risk capacity, capital reserve, nature of debts, performance and rewards into consideration, the Bank shall manage the risks of operating across all units.
- (d) Establish a valuation system for the quality and classification of assets to consistently monitor excess risk exposures with large concentration, and to accrue allowance for losses.

- (e) Establish information safety system and emergency system concerning banking operations, transactions and data sharing. Additionally, to establish an independent and effective risk management system through means of appropriate policies, procedures and tools in order to increase the efficiency of the risk managing across all operations.

2) The management policy of risk control on financial instruments

A financial commodity refers to a contract in which a financial asset is created for one party and a financial liability is created for the other. The major financial assets of the Bank are loans, receivables, and negotiable security investments. The related risk and management policy are as follows:

1. Credit risk management: including stratifying authorization, management of large exposure and excessive concentration, and a re-assessment system

(a) Carrying out stratified authorization

A system of graded delegation of authority is used in loan cases and the disposition of bad loans. Each authority level has its own authorization review committee and loan collection review committee. The review of loan cases is carried out strictly in accordance with the limits of authorization so as to assure the quality of loan assets.

(b) Management of large exposure and excessive concentration

a) In accordance with the Banking Law, loans to the Bank's responsible person, Bank employees, and persons having material interest with the Bank are controlled in accordance with stipulated quotas. The Bank has established rules for credit risk management of loans to enterprise groups and ratios for loan risk exposure to different industries, and it controls credit quotas for trading partners, issuers, and guarantors in accordance with their external credit ratings.

b) The Bank's Treasury Department, OBU, and foreign branches set up policies based on external credit evaluation for loan quota management in money market, foreign exchange, and negotiable security trading.

c) Each year, to reinforce the control of credit risk in regard to individual countries, the national risk quota, in accordance with the placing in Euromoney Magazine, is allocated to the Financing Department, OBU, and foreign branches. The business recorded by the Bank includes loan assets, transaction assets, and off-balance sheet positions.

(c) Re-assessment

To evaluate the quality of loan assets, the Bank has a re-assessment policy for credit review. After loans are extended, they are reviewed during the loan period in accordance with their review ratings. For important loans, follow-up evaluation is carried out, and reserves against bad loans are allocated for loan assets at the end of every month in order to reinforce the Bank's operating system.

3. Market risk management

(a) Daily evaluation

To control risk, each trading unit carries out a daily assessment of forex trading in accordance with market prices. The major source for evaluation is the public appraisal of negotiable securities in external information systems such as Bloomberg and Reuters.

(b) In the management of New Taiwan Dollar funds, interest rate risk is controlled by predictions of long-term interest-rate trends, by setting short dealing interest rates prior to the beginning of business each day, and by establishing add-or-subtract authorization for personnel at different levels. In the management of foreign currency funds, trading position quotas are set for different currencies and for bank-wide foreign-exchange positions, and stop-loss limits are set for positions held for trading purposes and for non-hedging unleveled net positions for derivative products.

4. Interest rate and liquidity risk management

(a) The Bank has set up an Assets and Liabilities Management Committee to strengthen the structure of assets and liabilities. Under the leadership of the president, the Committee is divided into Management, Finance, and Capital subcommittees; and this Committee is responsible for setting guidelines for assets and liabilities management, liquidity position management, management of interest rate risk, and the review of the deposit and loan structure.

(b) Setting up management policy for liquidity and interest rate risk; setting up guidelines for liquidity risk management

a) Management of interest-rate sensitive gap: The ratio of New Taiwan Dollar interest-rate sensitive assets to liabilities shall fall between 80% and 140%. The ratio of New Taiwan Dollar capital gap to owner's equity shall be maintained between positive/negative 100%. The difference in re-pricing the foreign interest rate shall not exceed total assets of all currencies by 35%.

b) Management of liquidity risk

a. Maintain liquid ratio: According to the Central Bank's "Liquidity Guidelines for Financial Institutions," the Bank shall maintain the liquidity ratio of all deposits greater than 10%.

b. Management of loan-to-deposit ratio: the loan-to-deposit ratio should be in between 65%~87%, where the alarm rate is between 68%~86% as an indicator for future liquidity management.

- c. Short-term gap analysis: 1-10 day and 11-30 day gaps are calculated; and the period gap is greater than zero.
 - d. Foreign currency gap management: The ratio of accumulated capital liquidity gap to total assets of the four major foreign currencies of the Bank (U.S. Dollar, HK Dollar, JP yen, and Euro) should not exceed the scope of positive 50% or negative 40%.
 - e. Capital management: Full use is made of the Assets and Liabilities Management Information System on a regular basis to analyze maturity gaps of assets and liabilities and changes in maturity structure. The appropriate allocation and utilization of funds, and the adjustment of the capital structure are carried out in accordance with the capital situation. In the management of New Taiwan Dollar funds, in addition to maintaining an appropriate level of cash on hand and of securities that can be converted quickly into cash, the Bank has set policies for the reporting of New Taiwan Dollar funds to provide for the timely reporting of receipts or disbursements of large amounts of funds. The Bank also carries out gap analysis of the maturity amount of purchased bills, bonds, and call loans so as to lower liquidity risk. In the management of foreign currencies, the Bank uses the maturity method to carry out funds gap analysis of the actual funds to be received or paid out within the next year.
- 2) The policy of reduction of credit risk in terms of pledges and guarantees

In its consideration of credit control and business promotion, the Bank attempted to decrease the burden of credit risk by increasing collateral or strengthening the guarantee, based on the Bank's credit and pledge policy. Collateral and guarantees include mortgages on real estate or property (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit; various bonds, stocks, or other securities), guarantees provided by government agencies, banks, or credit-guarantee institutions authorized by the government, and any other guarantee or collateral approved by the Bank.

(29) Related-party Transactions

- 1) Names and relationship of related parties

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank
BankTaiwan Life Insurance Co., Ltd.	Subsidiary held completely by the same parent company
BankTaiwan Securities Co., Ltd.	Subsidiary held completely by the same parent company
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Investee company of the Bank under the equity method
Taiwan Life Insurance Co., Ltd.	Investee company of the Bank under the equity method
Tang-Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Kaohsiung Ammonium Sulfate Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real-Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Directors, supervisors, general manager and vice general manger	The major management of the Bank
Others	The relatives of major management

- 2) Significant related-party transactions

1. Placement with banks

Name	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 4,338	0.02	8,223	0.02

2. Account receivables

Name	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding	\$ 213	-	595,182	0.65
BankTaiwan Life Insurance	67,313	0.08	76,626	0.08
BankTaiwan Securities	25	-	-	-
	\$ 67,551	0.08	671,808	0.73

3. Other assets

Name	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding	\$ 5,620,865	30.21	3,955,003	23.84
BankTaiwan Life Insurance	7,926	0.04	8,156	0.05
BankTaiwan Securities	14	-	-	-
	\$ 5,628,805	30.25	3,963,159	23.89

4. Deposits of banks

Name	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 168,398	0.67	319,870	1.35

Interest rates of related-party transactions are the same as those with other banks.

5. Call loans from banks (included in due to banks)

Name	2010			
	Highest balance	Ending balance	Annual interest rate(%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 11,056,085	447,500	0.104~1.350	14,758

Name	2009			
	Highest balance	Ending balance	Annual interest rate (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 15,509,363	3,705,240	0.095~2.75	36,017

Interest rates of related-party transactions are the same as those with other banks.

6. Deposits

Name	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 37,084	-	1,406,913	0.04
BankTaiwan Life Insurance	18,211,604	0.57	22,527,356	0.71
BankTaiwan Securities	553,290	0.02	733,668	0.02
Hua Nan Financial Holdings Co., Ltd.	42,391	-	49,547	-
Taiwan Life Insurance Co., Ltd.	505,498	0.02	28,341	-
Kaohsiung Ammonium Sulfate Co., Ltd.	120,766	-	1,370,890	0.04
Tang-Eng Iron Works Co., Ltd.	165	-	305	0.01
	\$ 19,470,798	0.61	26,117,020	0.82

Apart from an interest rate limit on staff saving deposits, interest rates of related-party transactions are the same as general accounts.

7. Account payables

Name	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 2	-	34,921	0.06
BankTaiwan Life Insurance	4,328	-	-	-
BankTaiwan Securities	267	-	-	-
	\$ 4,597	-	34,921	0.06

8. Interest income

Name	2010		2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 23,071	0.05	5,891	0.01
BankTaiwan Securities	509	-	4	-
	\$ 23,580	0.05	5,895	0.01

9. Interest expenses

Name	2010		2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 475	-	-	-
BankTaiwan Life Insurance	111,263	0.43	95,870	0.30
BankTaiwan Securities	3,890	0.01	5,896	0.02
	\$ 115,628	0.44	101,766	0.32

10. Transaction fee expense

Name	2010		2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities	\$ 19,337	0.04	23,382	0.39

11. Transaction fee income

Name	2010		2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance	\$ 789,956	1.70	610,591	12.00
BankTaiwan Securities	2,588	0.01	109	-
	<u>\$ 792,544</u>	<u>1.71</u>	<u>610,700</u>	<u>12.00</u>

12. Other non-interest gain or losses, net

Name	2010		2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 21,986	0.18	20,062	0.07
BankTaiwan Life Insurance	39,356	0.03	44,226	0.15
BankTaiwan Securities	66,236	0.54	71,445	0.25
	<u>\$ 127,578</u>	<u>0.75</u>	<u>135,733</u>	<u>0.47</u>

13. Other business and management expenses

Name	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 805	0.02	-	-
BankTaiwan Life Insurance	39,788	1.09	39,781	0.93
BankTaiwan Securities	86	-	3,912	0.09
	<u>\$ 40,679</u>	<u>1.11</u>	<u>43,693</u>	<u>1.02</u>

14. Loans

December 31, 2010							
Type	Number of accounts or name of related party	Highest amount	Amount	Default possibility		Pledge	Any condition of transaction
				Normal loan	Overdue accounts		
Consumer loans	31	19,553	15,600	15,600	-	None	None
Mortgage loans	130	444,831	408,070	408,070	-	Lands and buildings	None
Other loans	Tang-Eng Iron Works Co., Ltd.	357,536	250,000	250,000	-	Lands, buildings and securities	None
	Tang-Eng Iron Works Co., Ltd.	830,000	-	-	-	Lands, buildings and securities	None
	Tang-Eng Iron Works Co., Ltd.	600,000	-	-	-	Lands, buildings and securities	None
	Tang-Eng Iron Works Co., Ltd.	170,500	33,638	33,638	-	Lands, buildings and securities	None
	Tang-Eng Iron Works Co., Ltd.	1,500,000	1,500,000	1,500,000	-	Lands, buildings and securities	None
	BankTaiwan Securities Co., Ltd.	603,017	82,017	82,017	-	Lands, buildings, certificates of deposit and letter of guarantee	None
	Taiwan Financial Holding Co., Ltd.	5,600,000	5,600,000	5,600,000	-	Letter of guarantee	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	8,303,775	5,000	5,000	-	None	None

December 31, 2009							
Type	Number of accounts or name of related party	Highest amount	Amount	Default possibility		Pledge	Any condition of transaction
				Normal loan	Overdue accounts		
Consumer loans	40	24,271	19,957	19,957	-	None	None
Mortgage loans	93	435,984	407,129	407,129	-	Lands and buildings	None
Other loans	Tang-Eng Iron Works Co., Ltd.	50,000	50,000	50,000	-	Lands and buildings	None
	Tang-Eng Iron Works Co., Ltd.	867,590	607,284	607,284	-	Lands and buildings	None
	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Lands and buildings	None
	Tang-Eng Iron Works Co., Ltd.	1,000,000	830,000	830,000	-	Lands and buildings	None
	Tang-Eng Iron Works Co., Ltd.	387,971	387,971	387,971	-	Lands and buildings	None
	BankTaiwan Securities Co., Ltd.	521,000	-	-	-	Lands and buildings	None
	Taiwan Financial Holding Co., Ltd.	2,000,000	2,000,000	2,000,000	-	Letter of guarantee	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	6,613,800	5,000	5,000	-	None	None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

Note 2: Collateral is classified by real estate, short-term notes, government bonds, secured or non-secured bonds, TSEC and OTC stocks, non-TSEC and non-OTC stocks, and others.

15. Derivative instruments

December 31, 2010						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~2011.01.10	141,536	(3,594)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(3,594)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~2011.01.10	140,022	(3,556)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(3,556)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2011.01.10	145,058	(3,684)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(3,684)
Taiwan Life Insurance Co., Ltd.	BHSW010121 swap	2010.05.07~2011.03.14	150,160	(2,900)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(2,900)
Taiwan Life Insurance Co., Ltd.	BHSW010122 swap	2010.05.07~2011.03.14	450,480	(8,701)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(8,701)
Taiwan Life Insurance Co., Ltd.	BHSW010141 swap	2010.06.25~2011.01.07	2,688,930	(34,092)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(34,092)
Taiwan Life Insurance Co., Ltd.	BHSW010179 swap	2010.09.08~2011.02.14	300,560	(5,861)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(5,861)
Taiwan Life Insurance Co., Ltd.	BHSW010205 swap	2010.10.15~2011.03.22	594,364	(5,479)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(5,479)
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2011.01.31	159,345	(11,944)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(11,944)

December 31, 2010						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~2011.01.31	149,417	(11,200)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(11,200)
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~2011.01.31	254,952	(19,111)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(19,111)
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~2011.01.31	318,690	(23,888)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(23,888)
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~2011.02.10	1,203,380	(24,505)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(24,505)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010067 swap	2010.03.04~2011.06.08	611,380	(24,068)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(24,068)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010081 swap	2010.03.11~2011.06.15	1,216,700	(42,389)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(42,389)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010095 swap	2010.04.01~2011.01.06	1,555,350	(80,407)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(80,407)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010111 swap	2010.04.19~2011.03.22	1,214,200	(36,395)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(36,395)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010117 swap	2010.05.04~2011.05.09	1,067,500	(38,607)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(38,607)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010164 swap	2010.08.16~2011.02.18	1,592,500	(119,036)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(119,036)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010168 swap	2010.08.20~2011.01.24	2,068,950	(152,381)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(152,381)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010172 swap	2010.08.25~2011.01.27	2,079,025	(162,607)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(162,607)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010175 swap	2010.08.30~2011.03.01	1,914,120	(146,259)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(146,259)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010181 swap	2010.09.13~2011.06.15	608,350	(21,194)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(21,194)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010184 swap	2010.09.17~2011.03.22	910,650	(27,296)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(27,296)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010196 swap	2010.09.28~2011.03.31	627,720	(38,948)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(38,948)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010223 swap	2010.11.10~2011.02.14	1,226,080	(47,268)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(47,268)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010235 swap	2010.11.22~2011.02.24	1,209,520	(30,913)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(30,913)
Bank Taiwan Life Insurance Co., Ltd.	CLSW010238 swap	2010.12.06~2011.06.08	1,528,450	(60,169)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(60,169)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~2011.06.23	609,910	(22,917)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(22,917)

December 31, 2010						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Bank Taiwan Life Insurance Co., Ltd.	CLSW810108 swap	2008.05.07~2011.05.13	157,960	(10,983)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(10,983)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810109 swap	2008.05.07~2011.05.13	1,168,904	(81,271)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(81,271)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810130 swap	2008.06.30~2011.02.23	1,592,550	(119,199)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(119,199)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810207 swap	2008.09.26~2011.05.13	1,895,520	(131,791)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(131,791)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810208 swap	2008.09.26~2011.05.13	631,840	(43,930)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(43,930)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810211 swap	2008.09.30~2011.05.13	126,368	(8,786)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(8,786)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810212 swap	2008.09.30~2011.05.13	947,760	(65,895)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(65,895)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~2011.06.23	2,744,595	(103,125)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(103,125)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810241 swap	2008.11.13~2011.02.23	637,020	(47,680)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(47,680)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810242 swap	2008.11.13~2011.02.23	1,592,550	(119,199)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(119,199)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~2011.04.22	1,231,560	(54,941)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(54,941)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810265 swap	2008.12.15~2011.02.23	318,510	(23,840)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(23,840)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~2011.04.22	153,945	(6,868)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(6,868)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910009 swap	2009.01.23~2011.04.29	307,460	(13,380)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(13,380)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910010 swap	2009.01.23~2011.04.29	307,460	(13,380)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(13,380)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910011 swap	2009.01.23~2011.04.29	307,460	(13,380)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(13,380)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910012 swap	2009.01.23~2011.04.29	307,460	(13,380)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(13,380)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910014 swap	2009.01.23~2011.04.29	614,920	(26,759)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(26,759)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910017 swap	2009.02.04~2011.06.08	489,104	(19,254)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(19,254)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910033 swap	2009.03.18~2011.04.22	307,890	(13,735)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(13,735)

December 31, 2010						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Bank Taiwan Life Insurance Co., Ltd.	CLSW910101 swap	2009.05.04~2011.05.09	152,500	(5,515)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(5,515)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910110 swap	2009.05.07~2011.05.13	1,263,680	(87,861)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(87,861)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910117 swap	2009.05.14~2011.06.23	609,910	(22,917)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(22,917)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910155 swap	2009.06.08~2011.04.12	2,471,760	(117,665)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(117,665)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910158 swap	2009.06.11~2011.06.15	1,825,050	(63,583)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(63,583)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910174 swap	2009.06.29~2011.01.06	311,070	(16,081)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(16,081)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910201 swap	2009.07.29~2011.04.29	184,476	(8,028)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(8,028)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910207 swap	2009.08.04~2011.05.09	305,000	(11,031)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(11,031)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910228 swap	2009.08.26~2011.03.31	1,569,300	(97,370)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(97,370)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910259 swap	2009.09.28~2011.03.31	1,255,440	(77,896)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(77,896)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910267 swap	2009.10.13~2011.06.15	304,175	(10,597)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(10,597)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910287 swap	2009.10.19~2011.03.22	303,550	(9,099)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(9,099)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910298 swap	2009.10.23~2011.01.27	1,589,550	(115,386)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(115,386)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910313 swap	2009.11.04~2011.05.09	305,000	(11,031)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(11,031)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910315 swap	2009.11.05~2011.02.10	633,540	(44,083)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(44,083)

December 31, 2009						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~2010.01.14	151,254	(798)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(798)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~2010.01.14	149,636	(790)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(790)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2010.01.14	155,018	(818)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(818)

December 31, 2009						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW610021 swap	2006.03.07~2010.01.29	387,672	(1,737)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,737)
Bank Taiwan Life Insurance Co., Ltd.	BHSW710114 swap	2007.10.04~2010.01.14	323,430	(1,707)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,707)
Taiwan Life Insurance Co., Ltd.	BHSW810164 swap	2008.08.18~2010.01.14	970,290	(5,121)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(5,121)
Taiwan Life Insurance Co., Ltd.	BHSW810190 swap	2008.09.18~2010.01.29	646,120	(2,896)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(2,896)
Bank Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2010.01.29	161,530	(724)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(724)
Taiwan Life Insurance Co., Ltd.	BHSW910001 swap	2009.01.05~2010.01.11	2,908,170	(12,503)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(12,503)
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~2010.01.29	151,466	(679)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(679)
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~2010.01.29	258,448	(1,158)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,158)
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~2010.01.29	323,060	(1,448)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,448)
Taiwan Life Insurance Co., Ltd.	BHSW910108 swap	2009.05.06~2010.01.14	323,430	(1,707)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,707)
Taiwan Life Insurance Co., Ltd.	BHSW910180 swap	2009.07.06~2010.01.14	970,290	(5,121)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(5,121)
Taiwan Life Insurance Co., Ltd.	BHSW910338 swap	2009.12.16~2010.01.19	647,860	(4,488)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(4,488)
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~2010.01.19	1,292,480	(5,795)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(5,795)
Taiwan Life Insurance Co., Ltd.	BHSW910340 swap	2009.12.18~2010.01.22	1,296,920	(10,264)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(10,264)
Taiwan Life Insurance Co., Ltd.	BHSW910342 swap	2009.12.21~2010.01.25	648,060	(4,776)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(4,776)
Taiwan Life Insurance Co., Ltd.	BHSW910343 swap	2009.12.21~2010.01.25	972,090	(7,164)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(7,164)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~2010.02.22	654,200	(11,043)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(11,043)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810108 swap	2008.05.07~2010.05.13	161,400	(728)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(728)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810109 swap	2008.05.07~2010.05.13	1,194,360	(5,385)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(5,385)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810130 swap	2008.06.30~2010.02.22	1,635,500	(27,608)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(27,608)

December 31, 2009						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Bank Taiwan Life Insurance Co., Ltd.	CLSW810207 swap	2008.09.26~2010.05.13	1,936,800	(8,732)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(8,732)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810208 swap	2008.09.26~2010.05.13	645,600	(2,911)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(2,911)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810211 swap	2008.09.30~2010.05.13	129,120	(582)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(582)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810212 swap	2008.09.30~2010.05.13	968,400	(4,366)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(4,366)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~2010.02.22	2,943,900	(49,695)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(49,695)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810230 swap	2008.10.24~2010.06.09	1,174,320	(17,951)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(17,951)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810241 swap	2008.11.13~2010.02.22	654,200	(11,043)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(11,043)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810242 swap	2008.11.13~2010.02.22	1,635,500	(27,608)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(27,608)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~2010.06.22	1,294,080	(9,521)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(9,521)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810248 swap	2008.11.21~2010.06.22	1,617,600	(11,901)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(11,901)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810249 swap	2008.11.24~2010.11.29	320,200	(694)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(694)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810253 swap	2008.11.28~2010.11.30	320,000	(505)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(505)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810265 swap	2008.12.15~2010.02.22	327,100	(5,522)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(5,522)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~2010.06.22	161,760	(1,190)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(1,190)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810276 swap	2008.12.29~2010.11.30	320,000	(505)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(505)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810279 swap	2008.12.31~2010.11.30	672,000	(1,061)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(1,061)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910009 swap	2009.01.23~2010.01.29	324,700	(3,087)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(3,087)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910010 swap	2009.01.23~2010.01.29	324,700	(3,087)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(3,087)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910011 swap	2009.01.23~2010.01.29	324,700	(3,087)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(3,087)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910012 swap	2009.01.23~2010.01.29	324,700	(3,087)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(3,087)

December 31, 2009						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Bank Taiwan Life Insurance Co., Ltd.	CLSW910014 swap	2009.01.23~2010.01.29	649,400	(6,175)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(6,175)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910017 swap	2009.02.04~2010.03.08	514,720	(191)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(191)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910033 swap	2009.03.18~2010.06.22	323,520	(2,380)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(2,380)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910101 swap	2009.05.04~2010.05.06	162,050	(1,358)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(1,358)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910106 swap	2009.05.05~2010.01.07	646,000	(2,493)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(2,493)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910110 swap	2009.05.07~2010.05.13	1,291,200	(5,821)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(5,821)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910117 swap	2009.05.14~2010.02.22	654,200	(11,043)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(11,043)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910131 swap	2009.05.22~2010.11.29	640,400	(1,388)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(1,388)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910139 swap	2009.05.25~2010.11.30	640,000	(1,011)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(1,011)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910155 swap	2009.06.08~2010.03.10	2,942,730	(48,496)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(48,496)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910158 swap	2009.06.11~2010.09.15	1,941,000	(19,118)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(19,118)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910161 swap	2009.06.15~2010.03.17	976,230	(11,521)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(11,521)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910165 swap	2009.06.18~2010.06.22	647,040	(4,760)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(4,760)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910174 swap	2009.06.29~2010.01.04	327,560	(5,800)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(5,800)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910201 swap	2009.07.29~2010.01.29	194,820	(1,852)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(1,852)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910207 swap	2009.08.04~2010.05.06	324,100	(2,717)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(2,717)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910228 swap	2009.08.26~2010.05.28	1,635,700	(29,315)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(29,315)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910259 swap	2009.09.28~2010.09.30	1,286,200	(5,619)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(5,619)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910267 swap	2009.10.13~2010.03.15	322,630	(1,060)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(1,060)

December 31, 2009						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Bank Taiwan Life Insurance Co., Ltd.	CLSW910287 swap	2009.10.19~2010.01.21	323,300	(1,629)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(1,629)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910298 swap	2009.10.23~2010.01.27	1,943,400	(13,637)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(13,637)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910313 swap	2009.11.04~2010.05.06	324,100	(2,717)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(2,717)
Bank Taiwan Life Insurance Co., Ltd.	CLSW910315 swap	2009.11.05~2010.05.10	649,020	(6,293)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –swap	(6,293)
Wu Tsang Tai	AEAF910685 forward	2009.10.16~2010.04.14	609,630	(10,099)	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –forward	(10,099)
Chen Yi Hong	0912290160 The exchange rate option	2009.12.30~2010.01.20	53,867	155	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –The exchange rate option	(175)
Chen Yi Hong	0912290160 The exchange rate option	2009.12.30~2010.01.20	-	-	Adjustment of Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading –The exchange rate option	155

Note 1: The disclosure of the derivative instruments is by related party.

Note 2: Derivative financial instruments are assessed by the fair value method. Any relevant net present value created shall be recognized as current valuation adjustment.

Note 3: The ending balances of financial assets / liabilities at fair value through profit or loss and hedging derivative assets / liabilities are shown in the balance sheet item amount column.

16. The expense of shared assets was allocated to Taiwan Financial Holding, BankTaiwan Life Insurance, BankTaiwan Securities, and the Bank, as follows:

Name	2010		2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 5,687	-	4,498	0.02
BankTaiwan Life Insurance	39,303	0.03	44,226	0.15
BankTaiwan Securities	56,300	0.05	61,813	0.21
	\$ 101,290	0.08	110,537	0.38

3) Total amount of the major management's salaries and bonus

The related information about the salaries and bonus for the Bank's major management in 2010 and 2009 is as follows:

	2010	2009
Salaries	\$ 20,922	21,062
Bonus	11,704	11,020
Business expenses	1,142	1,214

The capital given in 2009 was expressed as an actual figure, while 2010 is the estimated amount.

(30) Pledged Assets

Pledged assets	Purpose of pledge	Book value	
		December 31, 2010	December 31, 2009
Available-for-sale financial assets – bonds	Guarantee deposit for provisional seizure against defaulted loans and others	\$ 293,300	944,900
Held-to-maturity financial assets – government bonds	Guarantee deposit for provisional seizure against defaulted loans and others	12,200	7,200
Available-for-sale financial assets – bonds	Operating deposit for securities investment trust and consulting	100,000	150,000
Available-for-sale financial assets – bonds	Guarantee deposits for trust business compensation reserve	150,000	50,000
Held-to-maturity financial assets – bonds	Operating deposit for trust business	250,000	-
Placement with Central Bank – deposits in Central Bank	Negotiable certificates of deposit (accounted for as cash)	25,000,000	20,000,000
		<u>\$ 25,805,500</u>	<u>21,152,100</u>

(31) Commitments**1) Construction in progress and significant purchase agreements**

The details of construction in progress and significant purchase agreements are as follows:

	December 31, 2010	
	Contract price	Unpaid portion of contract price
Construction contract:		
Construction of Nan Zih Branch	\$ 279,583	-
Construction of Yi Lan Branch	294,869	19,905
Construction of Don Gang Branch	119,394	6,205
Total	<u>\$ 693,846</u>	<u>26,110</u>

	December 31, 2009	
	Contract price	Unpaid portion of contract price
Construction contract:		
Construction of Yi Lan Branch	\$ 288,600	159,540
Construction of Don Gang Branch	114,670	62,710
Total	<u>\$ 403,270</u>	<u>222,250</u>

2) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2010, estimated future lease contract commitments were as follows:

Fiscal Year	Amount
2011	\$ 340,150
2012	248,675
2013	171,015
2014	78,586
2015	21,891
	<u>\$ 860,317</u>

3) Others

	December 31, 2010	December 31, 2009
Collections for customers	\$ 43,078,676	60,460,069
Contract guarantee on behalf of counter-parties	5,561,498	7,347,968
Traveler's checks held on consignment	910,992	1,268,468
Marketable securities held as custodian	1,581,499,347	1,421,482,729
Letters of credit	35,705,957	38,357,884
Goods held in custody	8,095,388	5,341,296
Issuance of New Taiwan Dollars	1,206,905,438	1,124,848,281
Agency loans	732,568,354	454,629,493
Guarantee notes payable	306,530	490,802
Registered government bonds for sale	301,422,600	340,648,800
Registered short-term bills for sale	225,014,126	109,033,863
Consigned sales of goods	2,251,450	2,023,084
Trust liabilities	458,952,804	427,512,415
Guarantees	43,951,879	50,050,996
	<u>\$ 4,646,225,039</u>	<u>4,043,496,148</u>

4) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2010	December 31, 2009
Deposits		
Deposits in the Bank	\$ 22,408,932	26,958,946
Deposits in other banks	1,065,689	2,542,790
Short-term investment		
Investment in funds	149,577,958	137,815,289
Investment in bonds	169,169,073	160,602,367
Common stock investment – marketable securities	65,198,569	55,576,372
Receivables		
Interest receivable	1,183,260	2,040,720
Cash dividend receivables	628	15
Receivables from trading securities	372,842	387,657
Prepaid expense	2,118	3,370
Real estate		
Land	727,706	1,018,300
Buildings	151,510	283,971
Construction in progress	802,975	1,241,991
Other assets	48,291,544	39,040,627
Total of Trust assets	<u>\$ 458,952,804</u>	<u>427,512,415</u>

Trust liabilities	December 31, 2010	December 31, 2009
Short-term loans		
Long-term loans	\$ 511,090	986,818
Payables		
Payables from trading securities	653,417	424,105
Other payables	112	49
Payables from management fee	3,533	2,645
Payables from supervision fee	335	204
Tax payables	227	398
Securities held in custody payable	48,291,544	39,040,627
Trust capital		
Money trust	338,063,497	309,051,531
Marketable securities trust	16,616,353	17,626,986
Real estate investment trust	1,441,091	1,727,133
Other reserve and accumulated income		
Accumulated loss	22,826,831	31,366,725
Foreign currency transition	(7,258,807)	12,639,631
Deferred unrealized income	20,631,600	10,262,657
Current income	17,171,981	4,382,906
Total of trust liabilities	\$ 458,952,804	427,512,415

Details of trust	December 31, 2010	December 31, 2009
Deposits		
Deposits in the Bank	\$ 22,408,932	26,958,946
Deposits in other banks	1,065,689	2,542,790
Short-term investment		
Investment in funds	149,577,958	137,815,289
Investment in bonds	169,169,073	160,602,367
Common stock investment – marketable securities	65,198,569	55,576,372
Real estate		
Land	727,706	1,018,300
Buildings	151,510	283,971
Construction in progress	802,975	1,241,991
Other assets	48,291,544	39,040,627
Trust capital	\$ 457,393,956	425,080,653

Income statement for assets under trust	2010	2009
Trust revenue:		
Capital interest revenue	\$ 7,108,814	7,249,334
Cash dividend revenue	3,225,534	1,007,524
Realized capital gain - shares	1,009,565	14,688
Realized capital gain - fund	2,348,960	858,956
Unrealized capital gain - shares	-	44,099
Realized exchange gain - bond	953,829	-
Realized foreign exchange gain	3,239,813	84,630
Income from beneficiary certificates	3,436	1,765
	17,889,951	9,260,996
Trust expense:		
Capital management fee	565,429	479,397
Tax expense	3,694	1,658
Supervisor fee	347	216
Storage fee	6,220	11,457
Commission fee	616	93
Realized capital loss	-	4,330,088
Other expense	141,664	55,181
	717,970	4,878,090
Trust capital	\$ 17,171,981	4,382,906

(32) Significant Disaster Loss: None.

(33) Significant Subsequent Events

The Board of Directors has proposed and agreed to upgrade the representative office in Shanghai into an overseas branch to further develop the market in China, which has been approved by the Financial Supervisory Commission on February 10, 2010. The upgrade of the overseas branch is also applied to the Investment Commission from the Ministry of Economic Affairs, which is currently in the process of being reviewed.

(34) Others

1) Personnel, depreciation, depletion, and amortization expenses

A summary of personnel costs, and depreciation and amortization expenses categorized by cost of goods sold and operating expenses is as follows:

Function Accounts	2010			2009		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:						
Salaries	-	9,967,973	9,967,973	-	9,918,639	9,918,639
Labor and health insurance	-	528,435	528,435	-	492,490	492,490
Pension	-	1,194,284	1,194,284	-	1,077,363	1,077,363
Other employment	-	135,052	135,052	-	159,014	159,014
Depreciation	-	924,128	924,128	-	918,888	918,888
Amortization	-	443,152	443,152	-	402,350	402,350

2) Disclosure of risk management policy, systems procedures, and practice for managing various kinds of risks, and the analysis of exposure to main business risks are as follows:

1. Asset quality, concentration of credit risk, and policies on allowance for bad debts from loans and advances to customers

(a) Asset quality

Type / Item			December 31, 2010				
			Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio
Enterprise	Secured		3,774,613	473,494,947	0.80%	3,424,698	90.73%
	Non-secured		3,045,462	1,006,570,258	0.30%	4,515,246	148.26%
Consumer finance	House mortgage		3,701,637	388,523,166	0.95%	2,012,207	54.36%
	Cash card		-	-	-	-	-
	Micro credit		177,289	11,175,663	1.59%	214,308	120.88%
	Others	Secured	629,450	65,048,818	0.97%	353,492	56.16%
		Non-secured	1,608,788	146,287,809	1.10%	1,022,032	63.53%
Total			12,937,239	2,091,100,661	0.62%	11,541,983	89.22%
			Overdue receivables	Account receivable	Ratio	Allowance bad debt	Cover ratio
Credit card business			3,198	1,050,171	0.30%	7,644	239.02%
Factoring receivables – non-recourse			-	7,008,990	-	21,027	-

Type / Item			December 31, 2009				
			Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio
Enterprise	Secured		7,939,804	396,848,583	2.00%	3,416,979	43.04%
	Non-secured		3,894,704	1,058,732,903	0.37%	5,160,216	132.49%
Consumer finance	House mortgage		5,405,299	387,386,494	1.40%	2,222,364	41.11%
	Cash card		-	-	-	-	-
	Micro credit		318,275	14,571,752	2.18%	320,349	100.65%
	Others	Secured	890,546	61,991,947	1.44%	382,449	42.95%
		Non-secured	2,683,875	139,215,979	1.93%	1,351,233	50.35%
Total			21,132,503	2,058,747,658	1.03%	12,853,590	60.82%
			Overdue receivables	Account receivable	Ratio	Allowance bad debt	Cover ratio
Credit card business			5,730	1,134,820	0.50%	10,635	185.60%
Factoring receivables – non-recourse			-	1,139,497	-	3,418	-

Note 1: For loan business: Overdue loans represent the amounts of reported overdue loans pursuant to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the MoF.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL Ratio = NPL/Total Loans.

For credit card business: Delinquency Ratio = Overdue receivables / Account receivables.

Note 3: For loan business: Coverage Ratio = LLR/NPL

For credit card business: Coverage Ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage means the purpose of financing is to purchase, build, or fix up a dwelling, and the dwelling owned by the borrower, spouse, or children fully secures the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer finance refer to secured or non-secured loans excluding mortgage, cash card, micro credit, and credit card.

Note 7: Account receivable – factoring with no recourse: As required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), provision for bad debt is recognized once no compensation is received from the factoring or insurance company.

Note 8: Account receivable – credit cards contains overdue receivable, accounts receivable, and others.

(b) The amounts of excluded NPL and excluded overdue receivables

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2010		December 31, 2009	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	6,996	-	8,495	-
As a result of debt solvency and restart plan	143,774	15,586	136,769	2,104
Total	150,770	15,586	145,264	2,104

(c) Concentration of credit extensions

December 31, 2010

(in millions of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	A company – transportation and storage	71,971	28.61
2	B company – basic metal manufacturing	37,610	14.95
3	C company – plastic products manufacturing	31,847	12.66
4	D company – optoelectronic materials and components manufacturing	26,552	10.56
5	E company – transportation and storage	19,483	7.75
6	F company – optoelectronic materials and components manufacturing	16,491	6.56
7	G company – real estate	12,659	5.03
8	H company – computers and accessories manufacturing	9,232	3.67
9	I company – semiconductor manufacturing	8,865	3.52
10	J company – transportation and storage	8,721	3.47

December 31, 2009

(in millions of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	A company – transportation and Storage	42,358	17.61
2	B company – plastic products manufacturing	40,356	16.78
3	C company – optoelectronic materials and components manufacturing	29,453	12.24
4	D company – transportation and storage	22,344	9.29
5	E company – basic metal manufacturing	19,981	8.31
6	F company – optoelectronic materials and components manufacturing	18,684	7.77
7	G company – retail trade	13,932	5.79
8	H company – financial intermediation	10,821	4.50
9	I company – textiles mills	10,508	4.37
10	J company – textiles mills	9,774	4.06

Note 1: Top ten borrowers (excluding government or state-owned utilities) according to total credit extensions. Arrange according to the total amt of credit extensions, please list the name of top ten corporations, not belong to government or public ones. If the creditor belongs to a group corporation, show the subtotaled amount of the group corporation, and disclose by using "Code" plus "Industry category"; if the creditor is a group corporation, disclose the category that expose most. The rule of disclosing industry category should follow Directorate-General of Budget, Accounting and Statistics' standard.

Note 2: Groups are regulated in the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings, Article 6.

Note 3: Total credit extensions comprise loans (including import bills negotiated, export bills negotiated, overdrafts, short-term loans, short-term secured loans, receivables from pecuniary finance, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and overdue receivables), exchange bills negotiated, factoring receivable without recourse, acceptances receivable, and guarantees issued.

2. Information on concentration for credit risk of assets, liabilities, and off-balance-sheet items Please see note 28.
3. The average amount of assets and liabilities, as well as the current rate, was disclosed as follows:

	December 31, 2010		December 31, 2009 (Bank of Taiwan)	
	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest-earning assets:				
Call loans and placement with banks	107,209,206	0.71	158,243,672	1.25
Placement with Central Bank	514,699,202	0.69	1,125,584,864	0.72
Financial assets	797,347,272	0.98	163,700,926	2.44
Negotiation, discounts and total loans	2,048,534,841	1.59	1,980,430,190	1.68
Interest-bearing liabilities:				
Deposit of Central Bank	13,854,500	-	10,502,497	-
Deposits and call loans from banks	156,353,505	0.49	185,364,481	0.51
Demand deposit	241,623,875	0.09	217,120,068	0.10
Demand savings	620,031,773	0.62	608,085,352	0.64
Time savings	1,541,974,187	1.58	1,506,283,864	1.84
Time deposits	622,873,001	0.83	618,302,478	1.25
Government deposits	213,161,202	0.26	219,369,234	0.34

Note 1: Average is calculated by daily average of interest-earning assets and interest-bearing liabilities from January to current month.

Note 2: The table contains the amounts for the departments of the Bank only.

Note 3: Interest for current and timed savings including excess interest.

4. Ratios of interest-rate-sensitive assets to liabilities and of interest-rate-sensitive spreads to net equity

Interest-rate-sensitive balance sheet – for NTD

December 31, 2010

	1-90 Days	91-180 Days	181 Days to One Year	Total
Interest rate-sensitive assets	\$ 1,640,441,260	1,176,812,684	159,064,535	2,976,318,479
Interest rate-sensitive liabilities	225,920,966	2,521,028,612	227,977,058	2,974,926,636
Interest rate-sensitive gap	1,414,520,294	(1,344,215,928)	(68,912,523)	1,391,843
Net worth				251,335,947
Ratio of interest rate-sensitive assets to liabilities				100.05
Ratio of interest rate-sensitive gap to net worth				0.55

December 31, 2009

	1-90 Days	91-180 Days	181 Days to One Year	Total
Interest rate-sensitive assets	\$ 1,649,857,006	1,177,829,812	113,479,353	2,941,166,171
Interest rate-sensitive liabilities	363,226,669	2,384,891,335	223,120,808	2,971,238,812
Interest rate-sensitive gap	1,286,630,337	(1,207,061,523)	(109,641,455)	(30,072,641)
Net worth				242,387,244
Ratio of interest rate-sensitive assets to liabilities				98.99
Ratio of interest rate-sensitive gap to net worth				(12.41)

Note 1: The above amounts include only New Taiwan Dollar amounts held by the Bank's onshore branches (i.e., excluding foreign currency).

Note 2: Interest-rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities, which are affected by interest rate changes.

Note 3: Interest-rate-sensitivity gap = Interest-rate-sensitive assets – Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets / Interest-rate-sensitive liabilities (only interest-rate-sensitive assets and liabilities within one year, in New Taiwan Dollars).

Note 5: Ratio of interest-rate-sensitive gap to net value = Interest-rate-sensitive gap / Net value.

Interest-rate-sensitive balance sheet – for USD
December 31, 2010

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 16,141,921	4,868,370	1,424,550	988,609	23,423,450
Interest rate-sensitive liabilities	17,457,697	4,214,828	1,290,154	140,827	23,103,506
Interest rate-sensitive gap	(1,315,776)	653,542	134,396	847,782	319,944
Net worth					14,686
Ratio of interest rate-sensitive assets to liabilities					101.38
Ratio of interest rate-sensitive gap to net worth					2,178.56

December 31, 2009

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 13,795,679	2,977,295	2,019,735	623,257	19,415,966
Interest rate-sensitive liabilities	14,548,326	3,274,131	1,566,794	64,430	19,453,681
Interest rate-sensitive gap	(752,647)	(296,836)	452,941	558,827	(37,715)
Net worth					(35,154)
Ratio of interest rate-sensitive assets to liabilities					99.81
Ratio of interest rate-sensitive gap to net worth					107.29

Note 1: The above amounts include only U.S. dollar amounts held by the onshore branches, OBU, and offshore branches of the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities which are affected by interest rate changes.

Note 3: Interest-rate-sensitivity gap = Interest-rate-sensitive assets – Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate sensitive assets / Interest-rate-sensitive liabilities (only interest-rate-sensitive assets and liabilities within 180 days, in U.S. Dollars).

Note 5: Ratio of interest-rate-sensitive gap to net value = interest-rate-sensitive gap / Net value.

5. Major foreign currency position, net

(Units: thousands of stated currencies)

December 31, 2010			December 31, 2009		
Amount in functional currency	Amount in New Taiwan dollars		Amount in functional currency	Amount in New Taiwan dollars	
USD	394,267	11,630,877	JPY	3,017,016	1,049,922
JPY	3,016,498	1,092,576	USD	30,912	994,625
GBP	18,756	854,355	GBP	18,407	952,301
CNY	153,948	687,594	CNY	113,771	536,191
SGD	15,763	360,528	SGD	15,099	346,128

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: Net position represented the absolute value of each currency.

6. Profitability

(a) For the years ended December 31, 2010 and 2009, information on return on assets, return on net equity, and net income to operating revenue was as follows:

Item		December 31, 2010	December 31, 2009
Return on total assets	Before income tax	0.20	0.23
	After income tax	0.18	0.22
Return on net worth	Before income tax	3.18	3.70
	After income tax	2.88	3.52
Profit margin		27.76	27.18

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

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax is the income of the year ended December 31, 2010 and 2009.

Note 5: The above profitability ratios are at annual rates.

(b) Duration analysis of assets and liabilities

Term Structure Analysis of NTD

	December 31, 2010					
	Total	Less than 30 days	31~90 days	91-180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 3,759,621,399	889,994,289	578,316,017	348,684,135	231,059,106	1,711,567,852
Major matured capital outflow	4,290,523,630	544,127,505	495,347,238	543,412,244	1,019,809,738	1,687,826,905
Capital gap	(530,902,231)	345,866,784	82,968,779	(194,728,109)	(788,750,632)	23,740,947

	December 31, 2009					
	Total	Less than 30 days	31~90 days	91-180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 3,708,126,774	740,472,473	486,333,797	282,170,650	273,016,215	1,926,133,639
Major matured capital outflow	4,283,223,732	503,243,869	494,657,653	493,963,038	1,112,494,845	1,678,864,327
Capital gap	(575,096,958)	237,228,604	(8,323,856)	(211,792,388)	(839,478,630)	247,269,312

Note: The table includes only assets and liabilities denominated in NTD held in head office and domestic and overseas branches; assets and liabilities denominated in foreign currencies are excluded.

Term Structure Analysis of USD

	December 31, 2010					
	Total	Less than 30 days	31~90 days	91-180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 20,312,625	7,119,199	5,938,070	4,382,325	1,350,149	1,522,882
Major matured capital outflow	19,907,610	11,254,352	4,469,203	2,302,642	1,271,577	609,836
Capital gap	405,015	(4,135,153)	1,468,867	2,079,683	78,572	913,046

	December 31, 2009					
	Total	Less than 30 days	31~90 days	91-180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 16,390,375	6,302,312	4,369,693	2,635,455	1,962,368	1,120,547
Major matured capital outflow	16,351,558	10,122,855	2,506,197	1,776,354	1,553,742	392,410
Capital gap	38,817	(3,820,543)	1,863,496	859,101	408,626	728,137

Note 1: The above amounts are book values of the assets and liabilities of the onshore branches and offshore banking unit of the Bank in U.S. Dollar, without off-balance-sheet amounts (for example, the issuance of negotiable certificates of deposits, bonds or stocks).

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

3) Capital adequacy

			December 31, 2010	December 31, 2009
Eligible capital	Tier 1 capital		\$ 176,521,653	176,553,821
	Tier 2 capital		-	3,372,828
	Tier 3 capital		-	-
	Eligible capital		176,521,653	179,926,649
Risk-weighted assets	Credit risk	Standardized approach	1,387,342,993	1,425,665,616
		Internal rating-based approach	-	-
		Securitization	2,722,945	3,073,045
	Operational risk	Basic indicator approach	46,779,788	47,894,250
		Standardized approach/ Alternative standardized approach	-	-
		Advance measurement approach	-	-
		Market risk	Standardized approach	49,679,588
	Internal models approach		-	-
	Total risk-weighted assets		1,486,525,314	1,512,795,649
Capital adequacy ratio			11.87%	11.89%
Tier 1 risk-based capital ratio			11.87%	11.67%
Tier 2 risk-based capital ratio			-	0.22%
Tier 3 risk-based capital ratio			-	-
Ratio of common stockholders' equity to total assets			1.79%	1.16%

Note 1: These tables were prepared according to the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: Financial reports for the year ended should disclose the Capital adequacy of 2 periods; and financial reports for the month ended June 30 should additionally disclose the capital adequacy of the end of last year.

Note 3: The formula:

- (1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- (2) Risk-weighted assets = Credit risk-weighted assets + (operations risk + market risk) × 12.5.
- (3) Capital adequacy ratio = eligible capital / risk-weighted assets.
- (4) Tier 1 risk – based capital ratio = tier 1 capital / risk-weighted assets.
- (5) Tier 2 risk – based capital ratio = tier 2 capital / risk-weighted assets.
- (6) Tier 3 risk – based capital ratio = tier 3 capital / risk-weighted assets.
- (7) Ratio of common stockholders' equity to total assets = common stockholders' equity / total assets.

Note 4: The disclosure for the formula will only be calculated for the financial reports for the month ended in June and the annual report.

- 4) In accordance to the Directorate – General of Budget, accounting and statistics' definition for the accounts related to governmental enterprise on August 20, 2008, the definition of "excess interest" booked under "non-operating costs" includes the offered excess interest rate for the employees of governmental enterprise, effective from 2009.

5) Supplementary information for government employees insurance department:

1. Balance sheet

	Government employees insurance department	
	December 31, 2010	December 31, 2009
Cash and cash equivalents	\$ 16,895,308	10,974,978
Financial assets measured at fair value through profit or loss	64,574,377	70,554,036
Receivable, net	19,293,627	15,440,900
Held-to-maturity financial assets, net	53,631,156	36,974,557
Fixed assets, net	7,493	9,123
Goodwill and intangible assets, net	1,254	2,111
Other assets, net	20,126,389	26,550,512
Total assets	\$ 174,529,604	160,406,217
Payables	\$ 31,978	47,046
Other liabilities	174,497,626	160,359,171
Total liabilities	174,529,604	160,406,217
Total liabilities and stockholders' equity	\$ 174,529,604	160,406,217

2. Income statement

	Government employees insurance department	
	2010	2009
Net interest income	\$ 1,060,828	1,069,982
Net non-interest income		
Net income on service charges and commissions	128,967	5,266
Gains (losses) on financial assets and liabilities at fair value through profit or loss	7,014,054	21,345,926
Foreign exchange gains	(4,207,957)	172,682
Other net non-interest income (losses)	(3,864,742)	(22,462,168)
Net income	131,150	131,688
Credit provisions	-	730
Operating expenses:		
Personnel expenses	115,149	113,963
Depreciation and amortization expenses	3,454	3,424
Other business and administrative expenses	12,547	13,571
	131,150	130,958
Net income	\$ -	-

6) The statements except government employees insurance department was disclosed as follows:

1. Balance sheet

	December 31, 2010	December 31, 2009
Cash and cash equivalents	\$ 27,581,056	28,136,450
Placement with Central Bank and call loans to banks	518,166,823	1,248,000,974
Financial assets measured at fair value through profit or loss, net	35,300,656	21,569,407
Bonds and bills purchased under resell agreements	600,294	368,349
Receivables, net	64,978,959	75,858,731
Loans and discounts, net	2,079,558,679	2,045,894,068
Available-for-sale financial assets, net	837,360,582	142,009,713
Held-to-maturity financial assets, net	576,351	884,846
Investment under equity method, net	31,330,008	29,815,276
Other financial assets, net	69,201,006	68,496,647
Fixed assets, net	76,589,506	78,465,754
Intangible assets	968,321	1,105,385
Other assets, net	18,503,049	16,442,812
Total assets	\$ 3,760,715,290	3,757,048,412
Deposits of Central Bank and other banks	\$ 207,612,937	204,950,860
Financial liabilities measured at fair value through profit or loss	18,985,604	4,535,308
Bonds and bills sold under repurchase agreements	9,429,373	5,486,934
Payables	38,919,883	58,514,918
Deposits and remittances	3,185,931,012	3,189,671,973
Accrued pension liability	3,389,155	2,695,402
Other financial liabilities	1,048,528	1,511,328
Other liabilities	43,850,234	49,170,978
Total liabilities	3,509,166,726	3,516,537,701

	December 31, 2010	December 31, 2009
Common stock	70,000,000	45,000,000
Capital surplus	105,581,440	110,062,555
Retained earnings:		
Legal reserve	21,993,796	19,540,873
Special reserve	1,645,137	22,709,855
Unappropriated retained earnings	9,284,925	8,117,131
Equity adjustments:		
Unrealized gain on revaluation increments	14,640,019	16,138,057
Cumulative translation adjustments	(455,457)	(123,228)
Net loss not recognized as pension cost	(1,915)	-
Unrealized gain (loss) on financial instruments	28,860,619	19,065,468
Total stockholders' equity	251,548,564	240,510,711
Total liabilities and stockholders' equity	\$ 3,760,715,290	3,757,048,412

2. Statement of income

	2010	2009
Interest income	\$ 45,294,545	48,106,822
Less: interest expense	(26,086,235)	(32,373,654)
Net interest income	19,208,310	15,733,168
Net non-interest income		
Non-interest income, net	5,405,720	5,058,088
Fee and commission income	(571,557)	(570,563)
Fee and commission expense	2,567,082	9,041,744
Gain on financial assets and liabilities measured at fair value	1,987,283	2,142,351
Realized gain (losses) on available-for-sale financial assets	1,667,093	2,498,014
Foreign exchange gains, net	3,530,193	1,549,029
Losses on asset impairment	(88,625)	1,050,396
Other non-interest income	(8,923,507)	(9,191,496)
Gain on property transaction	612,974	2,645,425
Net revenues	25,394,966	29,956,156
Bad debt expenses	376,029	4,433,286
Operating costs		
Personnel expense	11,548,349	11,350,504
Depreciation and amortization expense	1,362,482	1,316,171
Other business and administrative expense	4,281,343	4,257,897
	17,192,174	16,924,532
Income before income tax	7,826,763	8,598,338
Income tax expense	741,838	421,927
Net income	\$ 7,084,925	8,176,411

7) Government Audit Adjustments for Fiscal Year Ended December 31, 2009 and 2008

The accounting records as of and for the year ended December 31, 2009 and 2008, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

	As Previously Reported December 31, 2009	Adjustments– Increase (Decrease)	As Audited by the MoA December 31, 2009
Balance Sheet			
Assets			
Receivables, net	\$ 91,299,631	(9)	91,299,622
Liabilities			
Accounts payable	58,561,964	(59,289)	58,502,675
Stockholders' equity			
Unappropriated retained earnings	8,117,131	59,280	8,176,411
Income statement			
Depreciation and amortization	1,319,555	40	1,319,595
Other business and administrative expense	4,271,468	(40)	4,271,428
Income tax	481,207	(59,280)	421,927
Net income	8,117,131	59,280	8,176,411

Revised entries by the MoA in 2009 were as follows:

Item	Adjustment accounts	Amount revised by the MoA	Explanation of revision by the MoA
1	Business expense – depreciation of transportation equipment	\$ 24	Yungkang, Shuinan, Chienkuo, Gaorong branch of the founding of the nature of reclassification of subjects according to personnel expense
	Business expense – depreciation of other equipment	16	
	Business expense – depreciation of leasehold improvements	140	
	Business expense – repairmen for transportation equipment	24	
	Business expense – other amortization expense	140	
	Business expense – repairmen for other equipment	16	
2	Deferred tax assets	\$ 17	Adjustment for income tax
	Income tax payable	59,289	
	Income tax expense	59,280	
	Allowance for valuation – deferred tax assets	17	
	Income tax refund receivable	9	

	As Previously Reported December 31, 2008	Adjustments– Increase (Decrease)	As Audited by the MoA December 31, 2008
Balance Sheet			
Assets			
Receivables, net	\$ 103,431,970	204,888	103,636,858
Stockholders' equity			
Unappropriated retained earnings	8,152,201	204,888	8,357,089
Income statement			
Other non-interest gain (losses)	10,339,567	263,038	10,602,605
Personnel expense	11,596,048	263,038	11,859,086
Income tax	350,308	(204,888)	145,420
Net income	8,152,201	204,888	8,357,089

Revised entries by the MoA in 2009 were as follows:

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
1	Business expense – other welfare	\$ 244,415		The interest arising from the difference between the savings interest rate of employees and the regular interest rate is transferred to personnel expense.
	Administrative expense – other welfare	18,623		
	Miscellaneous expense – other welfare	619,143		
	Interest expense		882,181	
2	Business expense – allocated expense	\$ 11,025		Expense of credit check department to inquire about credit of clients. Originally accounted for as research and development expense and adjusted to business expense.
	Business expense – newspapers and magazines	376		
	Business expense – appliances consumed	84		
	Research and development expense – consignment investigating expense		11,025	
	Research and development expense – newspapers and magazines		376	
	Research and development expense – appliances consumed		84	
3	Allowance for valuation – deferred tax assets	\$ 293,667		Adjustment for income tax.
	Tax refund receivable	204,888		
	Deferred tax assets		293,667	
	Income tax expense		204,888	

8) Significant effect on our foreign currency assets and liabilities related to the information as follows:

	December 31, 2010			December 31, 2009		
	Currency (thousand)	Exchange rate	NTD	Currency (thousand)	Exchange rate	NTD
Financial assets:						
Monetary items						
USD	9,001,651	29.5000	265,548,705	4,768,476	32.1760	153,430,484
HKD	7,666,903	3.7900	29,057,562	6,839,068	4.1490	28,375,293
MYR	2,495	9.5624	23,858	3,270	9.3972	30,729
GBP	497,898	45.5510	22,679,752	380,131	51.7358	19,666,381
AUD	598,990	30.0281	17,986,532	79,591	28.8715	2,297,912
CAD	6,330	29.5118	186,810	14,192	30.5856	434,071
SGD	1,180,280	22.8718	26,995,128	1,151,636	22.9239	26,399,989
CHF	4,738	31.5339	149,408	5,912	31.0789	183,738
JPY	109,938,180	0.3622	39,819,609	89,914,344	0.3480	31,290,192
ZAR	1,160,947	4.4426	5,157,623	665,084	4.3452	2,889,923
SEK	4,296	4.3671	18,761	8,713	4.3425	37,836
NZD	9,652	22.7593	219,673	6,445	23.3437	150,450
THB	156,570	0.9788	153,251	339,752	0.9645	327,691
PHP	16,641	0.6733	11,204	26,990	0.6957	18,777
IDR	2,399,609	0.0033	7,919	3,908,982	0.0034	13,291
EUR	431,135	39.2468	16,920,669	409,502	46.2305	18,931,482
KRW	5,058,219	0.0261	132,020	7,159,676	0.0275	196,891
CNY	163,159	4.4664	728,733	233,330	4.7129	1,099,661
VND	5,095,010	0.0015	7,643	9,858,460	0.0017	16,759
Non-monetary items						
USD	40	29.5000	1,180	6,881	32.1760	221,403
HKD	3,018	3.7900	11,438	6,350	4.1490	26,346
MYR	-	9.5624	-	42	9.3972	395

	December 31, 2010			December 31, 2009		
	Currency (thousand)	Exchange rate	NTD	Currency (thousand)	Exchange rate	NTD
GBP	96	45.5510	4,373	41	51.7358	2,121
CAD	-	29.5118	-	286	30.5856	8,747
SGD	377	22.8718	8,623	123	22.9239	2,820
CHF	-	31.5339	-	17,652	31.0789	548,605
JPY	26,091	0.3622	9,450	18,272	0.3480	6,359
ZAR	1,773	4.4426	7,877	673	4.3452	2,924
VND	-	0.0015	-	88	0.0017	-
Financial liabilities:						
Monetary items						
USD	11,365,118	29.5000	335,270,981	14,316,354	32.1760	460,643,003
HKD	7,641,054	3.7900	28,959,595	93,423,562	4.1490	387,614,360
MYR	7	9.5624	67	9	9.3972	85
GBP	557,311	45.5510	25,386,073	424,727	51.7358	21,973,591
AUD	644,740	30.0281	19,360,317	688,841	28.8715	19,887,873
CAD	120,570	29.5118	3,558,238	80,453	30.5856	2,460,703
SGD	1,123,231	22.8718	25,690,315	10,871,845	22.9239	249,225,092
CHF	10,486	31.5339	330,664	11,485	31.0789	356,941
JPY	87,692,863	0.3622	31,762,355	91,715,119	0.3480	31,916,861
ZAR	6,619,409	4.4426	29,407,386	8,261,207	4.3452	35,896,597
SEK	22,206	4.3671	96,976	46,782	4.3425	203,151
NZD	580,654	22.7593	13,215,279	716,558	23.3437	16,727,115
THB	18	0.9788	18	3	0.9645	3
EUR	409,932	39.2468	16,088,519	364,506	46.2305	16,851,295
CNY	9,211	4.4664	41,140	2,894	4.7129	13,639

9) Disclosure on Chinese market: None.

(35) Notes to Disclosure Items

1) Information on significant transactions

1. Information regarding 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: none.
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 \$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 \$5 million: none.
5. Information regarding receivables from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: none.
6. Information regarding selling non-performing loans: none.
7. Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization": none.
8. Other material transaction items which were significant to people who use the information in the financial statements: none.

2) Information on long-term equity investments:

1. Information on investees' names, locations, etc.

Name of the investee	Investee location	Investee's main operations	% of shares	Original investment amount	Gain (loss) recognized during the period	Held by the bank and related party at year-end				Remarks
						Shares	Pro-forma Shares	Subtotal		
								Shares	% of shares	
Hua Nan Financial Holding Co., Ltd.	No. 38, Sec.1, Chongching S. Rd. Taipei City, Taiwan	Financial Holdings	24.86	24,943,091	1,511,858	1,943,061,717	-	1,943,061,717	29.36	-
Taiwan Life Insurance Co., Ltd.	No.17, Syuehang St., Taipei City, Taiwan	Life Insurance	20.84	2,399,489	307,243	176,228,584	-	176,228,584	23.76	-
Tang-Eng Iron Works Co., Ltd.	5F., No. 53, Tonghua 4 th Rd., Kaohsiung, Taiwan	Iron Industry	21.37	1,528,069	8,346	74,802,414	-	74,802,414	21.37	-
Kaohsiung Ammonium Sulfate Co., Ltd.	8F., No. 53, Tonghua 4 th Rd., Kaohsiung, Taiwan	Liquidation	91.86	2,449,110	(161,439)	303,131,576	-	303,131,576	91.86	-
Tai Yi Real-Estate Management Co., Ltd.	3F., No. 56, Dunhua N. Rd., Taipei City, Taiwan	Real Estate Service	30.00	10,249	661	1,500,000	-	1,500,000	30.00	-

Note 1: The investees' shares or pro-forma shares held by the Company's board of directors, supervisor, CEO, vice CEO, and affiliates conforming to the Company Act should be included.

Note 2: (1) Pro-forma shares are the "securities having equity property" or "derivative instrument contracts (have not been converted into stock)" that can be converted into shares of the investee company under Article 74 of the "Company Act" for investment purposes.

(2) The above "securities having equity property" means the securities that conform to the regulation in Article 11, Paragraph 1 of the Securities and Exchange Act Enforcement Rules, for example, convertible bonds and stock warrants.

(3) The abovementioned "derivative instrument contracts" conformed to the definition of derivative instrument in SFAS No. 34 "Financial Instruments: Recognition and Measurement", for example, stock options.

Note 3: The statement can be omitted in the 1st and 3rd quarters.

2. Lending to other parties: none.
3. Guarantees and endorsements for other parties: none.
4. Securities held as of December 31 2010: none.
5. Information regarding securities for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Bank's paid-in capital: none.
6. Information on the acquisition of real estate for which the purchase amount exceeded \$300 million or 10% of the Bank's paid-in capital: none.
7. Information on the disposal of the real estate for which the sale amount exceeded \$300 million or 10% of the Bank's paid-in capital: none.
8. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: none.
9. Information regarding receivables from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: none.
10. Information regarding trading in derivative financial instruments: none.
11. Information regarding selling non-performing loans for which the amount exceeded \$5 billion: none.
12. Other material transaction items which were significant to people who use the information in the financial statements: none.
13. Other significant transaction items having influence on the decisions of these financial statements' users: none.

(36) Segment Information

	December 31, 2010					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Assets						
Cash and cash equivalents	\$ 27,243,313	16,895,308	296,027	41,716	-	44,476,364
Placement with Central Bank and call loans to banks	518,166,823	-	-	-	-	518,166,823
Financial assets at fair value through profit or loss	35,300,656	64,574,377	-	-	-	99,875,033
Bonds and bills purchased under resell agreements	600,294	-	-	-	-	600,294
Receivables, net	64,945,267	19,293,627	10,332	23,360	-	84,272,586
Loans and discounts, net	2,079,558,679	-	-	-	-	2,079,558,679
Available-for-sale financial assets, net	837,360,582	-	-	-	-	837,360,582
Held-to-maturity financial assets, net	576,351	53,631,156	-	-	-	54,207,507
Long-term investment under equity method, net	31,330,008	-	-	-	-	31,330,008
Other financial assets, net	69,201,006	-	-	-	-	69,201,006
Fixed assets, net	76,575,448	7,493	8,925	5,133	-	76,596,999
Intangible assets, net	958,852	1,254	5,187	4,281	-	969,574
Other assets, net	17,614,967	20,126,389	3,512,545	1,121,005	(23,767,662)	18,607,244
Total assets	\$ 3,759,432,246	174,529,604	3,833,016	1,195,495	(23,767,662)	3,915,222,699
Liabilities						
Deposit of Central Bank and other banks	\$ 207,612,937	-	-	-	-	207,612,937
Financial liabilities at fair value through profit or loss	18,985,604	-	-	-	-	18,985,604
Bonds and bills sold under repurchase agreements	9,429,373	-	-	-	-	9,429,373
Payables	38,044,549	31,978	183,511	691,823	-	38,951,861
Deposits and remittances	3,185,931,012	-	-	-	-	3,185,931,012
Accrued pension liability	3,389,155	-	-	-	-	3,389,155
Other financial liabilities	1,048,528	-	-	-	-	1,048,528
Other liabilities	44,278,229	174,497,626	3,143,727	173,745	(23,767,662)	198,325,665
Total liabilities	3,508,719,387	174,529,604	3,327,238	865,568	(23,767,662)	3,663,674,135
Stockholders' equity						
Common stock	70,000,000	-	-	-	-	70,000,000
Capital surplus	105,581,440	-	-	-	-	105,581,440
Retained earnings						
Legal reserve	21,993,796	-	-	-	-	21,993,796
Special reserve	1,645,137	-	-	-	-	1,645,137
Unappropriated retained earnings	8,449,220	-	505,778	329,927	-	9,284,925
Equity adjustment						
Unrealized increments on reevaluation	14,640,019	-	-	-	-	14,640,019
Cumulative foreign currency translation adjustment	(455,457)	-	-	-	-	(455,457)
Net loss not recognized as pension cost	(1,915)	-	-	-	-	(1,915)
Unrealized gain (loss) on financial instruments	28,860,619	-	-	-	-	28,860,619
Total stockholders' equity	250,712,859	-	505,778	329,927	-	251,548,564
Total liabilities and stockholders' equity	\$ 3,759,432,246	174,529,604	3,833,016	1,195,495	(23,767,662)	3,915,222,699

	2010					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Interest revenue	\$ 45,294,436	1,060,828	108	1	-	46,355,373
Less: interest expense	(26,086,235)	-	-	-	-	(26,086,235)
Interest income, net	19,208,201	1,060,828	108	1	-	20,269,138
Non-interest income, net					-	
Service fee income	4,709,074	152,375	651,935	44,711	-	5,558,095
Service fee expense	(511,863)	(23,408)	(35,085)	(24,609)	-	(594,965)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	2,567,082	7,014,054	-	-	-	9,581,136
Realized gain on available-for-sale financial assets	1,987,283	-	-	-	-	1,987,283
Gain on long-term investment under equity method	1,667,093	-	-	-	-	1,667,093
Foreign exchange gain (loss)	3,532,642	(4,207,957)	-	(2,449)	-	(677,764)
Gain on asset revaluation (impairment loss)	(88,625)	-	-	-	-	(88,625)
Other non-interest income	(9,326,891)	(3,864,742)	18,504	384,955	(75)	(12,788,249)
Income from property transaction	612,974	-	-	-	-	612,974
Net revenue	24,356,970	131,150	635,462	402,609	(75)	25,526,116
Bad debt expense	376,104	-	-	-	(75)	376,029
Operating expense	16,989,808	131,150	129,684	72,682	-	17,323,324
Net income before tax	6,991,058	-	505,778	329,927	-	7,846,763
Income tax expense	741,838	-	-	-	-	741,838
Net income	\$ 6,249,220	-	505,778	329,927	-	7,084,925

	December 31, 2009					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Assets						
Cash and cash equivalents	\$ 27,164,570	10,874,978	931,754	40,126	-	39,011,428
Placement with Central Bank and call loans to banks	1,248,000,974	-	-	-	-	1,248,000,974
Financial assets at fair value through profit or loss	21,569,407	70,554,036	-	-	-	92,123,443
Bonds and bills purchased under resell agreements	368,349	-	-	-	-	368,349
Receivables, net	75,802,011	15,440,900	8,821	47,890	-	91,299,622
Loans and discounts, net	2,045,894,068	-	-	-	-	2,045,894,068
Available-for-sale financial assets, net	142,009,713	-	-	-	-	142,009,713
Held-to-maturity financial assets, net	884,846	36,974,557	-	-	-	37,859,403
Long-term investment under equity method, net	29,815,276	-	-	-	-	29,815,276
Other financial assets, net	68,496,647	-	-	-	-	68,496,647
Fixed assets, net	78,451,960	9,123	9,616	4,178	-	78,474,877
Intangible assets, net	1,091,275	2,111	7,184	6,926	-	1,107,496
Other assets, net	16,407,433	26,550,512	3,415,732	793,541	(30,576,871)	16,590,347
Total assets	\$3,755,956,529	160,406,217	4,373,107	892,661	(30,576,871)	3,891,051,643

	December 31, 2009					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Liabilities						
Deposit of Central Bank and other banks	\$ 204,950,860	-	-	-	-	204,950,860
Financial liabilities at fair value through profit or loss	4,535,308	-	-	-	-	4,535,308
Bonds and bills sold under repurchase agreements	5,486,934	-	-	-	-	5,486,934
Payables	57,045,739	47,046	810,368	599,522	-	58,502,675
Deposits and remittances	3,189,671,973	-	-	-	-	3,189,671,973
Accrued pension liability	2,695,402	-	-	-	-	2,695,402
Other financial liabilities	1,511,328	-	-	-	-	1,511,328
Other liabilities	50,245,428	160,359,171	3,026,110	73,334	(30,576,871)	183,127,172
Total liabilities	3,516,142,972	160,406,217	3,836,478	672,856	(30,576,871)	3,650,481,652
Stockholders' equity						
Common stock	45,000,000	-	-	-	-	45,000,000
Capital surplus	110,062,555	-	-	-	-	110,062,555
Retained earnings						
Legal reserve	19,540,873	-	-	-	-	19,540,873
Special reserve	22,709,855	-	-	-	-	22,709,855
Unappropriated retained earnings	7,419,977	-	536,629	219,805	-	8,176,411
Equity adjustment						
Unrealized increments on reevaluation	16,138,057	-	-	-	-	16,138,057
Cumulative foreign currency translation adjustment	(123,228)	-	-	-	-	(123,228)
Unrealized gain (loss) on financial instruments	19,065,468	-	-	-	-	19,065,468
Total stockholders' equity	239,813,557	-	536,629	219,805	-	240,569,991
Total liabilities and stockholders' equity	\$3,755,956,529	160,406,217	4,373,107	892,661	(30,576,871)	3,891,051,643

	2009					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Offset amount	Total
Interest revenue	\$ 48,106,419	1,069,982	398	5	-	49,176,804
Less: interest expense	(32,373,654)	-	-	-	-	(32,373,654)
Interest income, net	15,732,765	1,069,982	398	5	-	16,803,150
Non-interest income, net						
Service fee income	4,326,379	32,031	683,895	47,814	-	5,090,119
Service fee expense	(513,935)	(26,765)	(39,899)	(16,729)	-	(597,328)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	9,041,744	21,345,926	-	-	-	30,387,670
Realized gain on available-for-sale financial assets	2,142,351	-	-	-	-	2,142,351
Gain on long-term investment under equity method	2,498,014	-	-	-	-	2,498,014
Foreign exchange gain (loss)	1,547,061	172,683	-	1,968	-	1,721,711
Gain on asset revaluation (impairment loss)	1,050,396	-	-	-	-	1,050,396
Other non-interest income	(9,478,724)	(22,462,168)	24,020	263,482	(274)	(31,653,664)
Income from property transaction	2,645,425	-	-	-	-	2,645,425
Net revenue	28,991,476	131,688	668,414	296,540	(274)	30,087,844
Bad debt expense	4,433,560	730	-	-	(274)	4,434,016
Operating expense	16,716,012	130,958	131,785	76,735	-	17,055,490
Net income before tax	7,841,904	-	536,629	219,805	-	8,598,338
Income tax expense	421,927	-	-	-	-	421,927
Net income	\$ 7,419,977	-	536,629	219,805	-	8,176,411

Review of Financial Conditions, Operating Results, and Risk Management

I. Analysis of Financial Status

Unit: NT\$1,000

Items	Date	Dec. 31, 2010	Dec. 31, 2009 (restated)	change	
				Amount	%
Total Assets		3,915,222,699	3,891,051,643	24,171,056	0.62
Total Liabilities		3,663,674,135	3,650,481,652	13,192,483	0.36
Total Shareholders' Equities		251,548,564	240,569,991	10,978,573	4.56

II. Analysis of Operating Results

Unit: NT\$1,000

Items	Year	2010	2009 (restated)	Amount Change	% Change
Net interest income		20,269,138	16,803,150	3,465,988	20.63
Non-interest income (net)		5,256,978	13,284,694	(8,027,716)	(60.43)
Net revenues		25,526,116	30,087,844	(4,561,728)	(15.16)
Bad debt expenses		376,029	4,434,016	(4,057,987)	(91.52)
Operating expenses		17,323,324	17,055,490	267,834	1.57
Net income-before tax		7,826,763	8,598,338	(771,575)	(8.97)
Income tax expense		741,838	421,927	319,911	75.82
Net income-after tax		7,084,925	8,176,411	(1,091,486)	(13.35)

Analysis of changes in increase / decrease ratios:

1. The decrease in net income-before tax in 2010 as compared with 2009 was caused mainly by the decrease in financial assets or liabilities measured at fair value through profit and the reduction in net interest income in 2010.
2. The increase in net interest income in 2010 compared with 2009 was due primarily to the fact that the decrease in interest income was smaller than the increase in interest costs.
3. The decrease in non-interest net income in 2010 was due mainly to a decrease in financial assets or liabilities measured at fair value through profit that year.
4. The increase in provision for loan losses in 2009 was caused mainly by additional provisions due to increases in non-performing loans as to reinforce the quality of loan assets and reserves against bad loan because of the impact of financial turmoil that year.

III. Analysis of Cash Flow

1. Liquidity Analysis for the Past Year

(1) Cash Flow Analysis

Unit: NT\$1,000

Item	2010	2009 (restated)	Amount Change	% Change
Net cash inflow (outflow)	647,092,175	11,922,649	635,169,526	5,327.42

Net cash inflow in 2010 was NT\$635.17 billion more than in the previous year. The main reasons for the net change were as follows:

Unit: NT\$1,000

Items	Amount
Increase in net cash inflow from operating activities	23,378,558
Increase in placement with Central Bank	904,738,003
Increase in net cash outflow from acquisition of available for sale financial assets	(3,721,667,565)
Increase in net cash inflow from proceeds of available-for-sale financial assets at maturity	3,692,311,655
Increase in net cash outflow from acquisition of held-to-maturity financial assets	(87,351,435)
Increase in net cash inflow from proceeds of held-to-maturity financial assets at maturity	86,641,677
Decrease in net cash outflow from loans and discounts	21,768,059
Decrease in net cash inflow from deposits of banks	(19,450,122)
Decrease in net cash inflow from deposits and remittances	(245,503,245)
Others	(19,696,059)
Net cash inflow	635,169,526

(2) Remedy for Estimated Shortage of Liquidity : Not applicable.

2. Cash Flow Analysis for the Coming Year

Unit: NT\$1,000

Beginning Cash Balance (a)	Annual Net Cash Flow from Business Activities (b)	Annual Cash Outflow (inflow) (c)	Cash Balance (Shortage) (a) + (b) – (c)	Remedy for Estimated Cash Shortage	
				Investment Plan	Financial Management Plan
887,019,073	18,224,867	(10,418,015)	894,825,925	-	-

(1) Cash Flow Analysis

- Business activities: Due primarily to a new cash inflow of NT\$18,224,867,000 produced by business activities.
- Investment activities: A net cash outflow of NT\$10,755,544,000 from investment activities mainly due to a net increase of loans & discounts, and placement with Central Bank together with a decrease of the current financial assets, fund, long-term investment, and long-term receivables.
- Financing activities: Primarily a net cash inflow of NT\$266,795,000 produced by financing activities as a result of increases in deposits and remittances, financial bonds, current financial liabilities together with a decrease in cash dividends released

(2) Remedial action to make up for cash inadequacy, and liquidity analysis: Not applicable.

IV. Major Capital Expenditure Items

1. Utilization of Major Capital Expenditures, and Sources of Funds

Unit: NT\$1,000

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure			
				2007	2008	2009	2010
Construction of Ilan Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Nov. 7, 2010	302,000	573	10,079	126,334	145,000
Construction of Donggang Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Aug. 20, 2010	116,083	307	2,655	52,335	45,000
Total			418,083	880	12,734	178,669	190,000

2. Projected Potential Benefit

Potential benefits are expected through enhancement of the Bank's corporate image and service quality, stabilization of the Bank's business locations, and expansion of the service network. This is in addition to saving rental costs, via increased rental income through the leasing of excess office space.

V. Investment Policy in Last Year

The Bank actively plans for the disposal of reinvested enterprises that are performing poorly, for which the original purpose of investment has been achieved, or which are unrelated to the Bank's business in order to heighten the overall performance of reinvestment. The overall international economy underwent a substantial recovery in 2010 and profits from reinvested enterprises experienced a general upturn. The Bank's stock dividends and return on investment as booked by the equity method increased as a result, and investment income for the year reached approximately NT\$2.7 billion.

To assure the quality of investment and to heighten return on investment, the Bank actively implements share-release plans to release the weak and keep the strong, and participates in meetings of the boards of directors and supervisors of invested enterprises so as to remain aware of their business conditions and protect the Bank's investment interests.

VI. Risk Management

1. Qualitative & Quantitative Information on Different Types of Risk

(1) Credit Risk Management and Accrued Capital

A. Credit Risk Management System

Fiscal Year 2010

Items	Contents
Credit Risk Strategies, Goals, Policies, and Procedures	<p>1. Credit Risk Strategies, Goals, Policies</p> <p>(1) In accordance with the loan, investment strategies and operating directions approved by the Board of Directors, and in compliance with the Basel II Capital Accord and the regulatory provisions of the competent authority, the Bank has established a credit risk management system and policy and, in response to changes in the macroeconomic market, loan portfolio risk, and asset quality, and to coordinate with government policy, the Bank readjusts its risk management policy according to internal procedures whenever necessary.</p> <p>(2) The Bank will establish and effectively implement a healthy credit risk management mechanism, lower credit risk, and achieve operating and management targets.</p> <p>(3) When the Bank engages in business and management procedures related to credit risk, it evaluates the probability and severity of losses from the investment or loan and adopts appropriate credit risk management countermeasures in consideration of the Bank's risk appetite and cost effectiveness. Risk management countermeasures include risk hedging, risk transfer or mitigation, risk control, and assumption of risk.</p> <p>2. Credit Risk Procedures</p> <p>(1) Credit risk assessment and monitoring are carried out in accordance with the relevant regulations of the competent authority and the BOT, and reports are submitted to the BOT's Board of Directors and Risk Management Committee.</p> <p>(2) Risk quotas and early-warning indexes are established by industry, country, conglomerate, financial institution, and trading partner in order to control the concentration of risk and large exposure, and monitoring and reporting are carried out.</p> <p>(3) To effectively measure the quality of loan assets, the Bank has established pre-loan investigation and screening rules and procedures. It has also strengthened post-loan management, and has adopted the following control and measurement mechanisms: a loan review and follow-up evaluation system, and loan early-warning mechanism; monitoring of asset quality; strengthened early warning and management for abnormal loans; full allocation of loss provisions; and adequate capital provision.</p> <p>(4) The Bank has developed and established various risk rating models, rating systems, and management systems related to credit risk, and is gradually introducing them into the Bank's credit investigation processes to help the Bank identify and weigh credit risk so that it can comply with the provisions of the Basel II Capital Accord and strengthen its credit risk management capability.</p>
Organizational Framework of Credit Risk Management	<p>The BOT's organizational framework of credit risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, and other business units.</p> <p>The Board of Directors is the Bank's supreme policymaking unit and has final responsibility for the Bank's overall risk management. The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, overall risk assessment, supervise, and examining revision affairs.</p>

Items	Contents
Scope and Characteristics of the Credit Risk Reporting and Measuring System	<p>1. Credit Risk Reporting Scope: Includes the standard system-produced credit risk reports that are submitted to the competent authority, and monthly credit risk monitoring reports. Characteristics: The Bank's Department of Risk Management produces credit risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to credit risk, the status of utilization of total amounts and quota limits, analysis of the management of credit risk concentration, analysis of overseas branch (including the OBU) loan asset portfolios and anonymous loan participants, and asset quality and off-book items. Dynamic monitoring of credit risk is also carried out as necessary, and if major changes are found they are reported, according to established procedure, to the relevant superior unit and then to the chief executive in order to control credit risk effectively.</p> <p>2. Credit Risk Measuring System Scope: The Bank currently uses the risk standardized approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors. The Bank is currently installing a risk-management mechanism with an internal ratings-based approach that is compliant with the Basel II Capital Accord. Corporate banking information is being collected bank-wide for the establishment of a credit risk databank, data mart, and credit-rating system, and models are being set up for default probability in corporate banking and consumer banking, loss given default, and exposure at default. After these systems are in place they will be introduced into the Bank's credit-investigation process, and the advance measurement approach will be used to measure and manage credit risk. Characteristics: The risk measurement and rating systems and mechanisms are used together with consideration of credit characteristics, changes in the market and economic environment, collateral or guarantees, individual transaction risk, and investment portfolio in carrying out general business and risk cost performance consolidation so as to enhance the Bank's credit risk management capability and strengthen its credit risk management mechanism.</p>
Credit Risk Hedging and Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	<p>1. Credit Risk Hedging and Mitigation Policy (1) The Bank has established quotas for the concentration of various items of risk—by industry, conglomerate, and country, among others. (2) The Bank has established a loan review and follow-up auditing system to strengthen post-loan management, and continuous monitoring of the condition of borrowers. Loan review is carried out within the term of loans in accordance with the review rating, and follow-up auditing is carried out for important loan cases. (3) The Bank operates in accordance with its loan policy and rules for the handling of collateral to seek the provision of collateral or guarantees to augment the creditworthiness of borrowers and lower credit risk. (4) Credit risk mitigation methods (such as offset against net, and eligible collateral and guarantees) are included in related information systems in accordance with the rules of the Basel II Capital Accord and the competent authority in order to calculate the results of the Bank's risk mitigation accurately.</p> <p>2. Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments (1) The Bank monitors the status of and changes in credit risk-concentration quotas, distribution of risk exposure, asset quality, and types of collateral exposure on a scheduled basis, reviews trigger ratios and limit ratios whenever necessary, and assure the integrity and effectiveness of collateral and guarantees. Scheduled reports are submitted to the Risk Management Committee for use in compiling statements on effective strategies and procedures, and in studying countermeasures. (2) The Bank has set up a collateral management system that can effectively handle its collateral. Analysis and policy readjustments are carried out when necessary in response to market and economic changes. In the future, a collateral reappraisal system and mechanism will be established for the accurate calculation of the results of collateral mitigation and the effective use of the early-warning system.</p>
Method of Legal Capital Allocation	Standardized Approach

B. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

Dec. 31, 2010

Unit: NT\$1,000

Exposure Following Risk Mitigation	Credit Risk-Based Assets	Accrued Capital
Sovereign Nations	1,490,713,179	34,618
Non-Central Government Public Sector	586,536,813	14,856,245
Banks (including multilateral development banks)	162,964,127	4,882,123
Enterprises (including securities and insurance firms)	725,828,004	50,351,646
Retail Debt	313,675,239	13,109,762
Residential Real Estate	440,358,850	15,994,689
Equity Investment	13,398,859	4,165,389
Other Assets	125,854,320	7,592,967
Total	3,859,329,391	110,987,439

(2) Asset Securitization Risk Management System, Exposure, and Accrued Capital

A. Asset Securitization Risk Management System

Fiscal Year 2010

Items	Contents
Asset Securitization Management Strategy and Procedures	1. The BOT has not acted as the originator of securitized products, but only as investor. 2. The BOT's management strategy and procedures for investment in securitized products are handled in accordance with the rules contained in the Bank's "Investment Policy," "Guidelines for Dealing in Domestic Bonds," and "Operating Rules for Engaging in the Offshore Banking Business."
Asset Securitization Management Organization and Framework	The BOT has not played the role of originator bank, and the risks potentially associated with its investment in securitized asset products (including credit risk, market risk, liquidity risk, interest rate risk, and operational risk) are controlled in accordance with the organizations and frameworks related to the different categories of risk as well as with the BOT's risk management system and reporting mechanism.
Scope and Characteristics of the Asset Securitization Risk Reporting and Measuring System	The BOT carries out prior evaluation of the risks and benefits associated with investment in securitized products in accordance with the relevant investment rules; evaluates profit and loss on a monthly basis; submits risk reports to the unit in charge, Department of Risk Management, ranking executives, and Investment Commission; and reports regularly to the Risk Management Committee and the Board of Directors.
Asset Securitization Risk Hedging and Mitigation Policies, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Risk Hedging and Mitigation Instruments	The BOT has not acted as originator bank.
Method of Legal Capital Allocation	Standardized Approach

B. Status of Risk Securitization Undertaken

(None)

C. Asset Securitization Risk Exposure and Accrued Capital

Dec. 31, 2010

Unit: NT\$1,000

Type of Exposure	Non-Originating Bank		Originating Bank					
	Purchased or Held Securitization Risk Exposure	Accrued Capital	Exposure					Accrued Capital Before Securitization
			Non-Asset-Backed Commercial Paper				Asset- Backed Commercial Paper	
			Traditional		Synthetic			
			Hold Positions	Not Hold Positions	Hold Positions	Not Hold Positions		
Beneficiary Securities -Home mortgage loans	3,350,995	53,616						
Beneficiary Securities-Real Estate Asset Trust	41,302	2,049						
Collateralized Debt Obligation	167,809	2,171						
Liquidity Facilities (Note)	2,000,000	160,000						
Total	5,560,106	217,836						

Note: In the process of its participation in a securitized receivables syndicated loan the Bank served as a liquidity provider, promising to offer loan funds in the amount of NT\$2 billion to the issuer to facilitate the securitization; under the definition contained in the "Methods for Calculating Banks' Regulatory Capital and Risk-Based Assets" as promulgated by the competent authority, banks that incur risk by participating in asset securitization transactions should list the risk as asset securitization exposure and allocate capital for it.

D. Securitized product information—securitized product investment summary sheet

Dec. 31, 2010

Unit: NT\$1,000

Items	Account Name	Historical Cost	Accumulated profit and loss assessment	Accumulated impairment loss	Book Value
REAT	Available-for-sale financial assets-noncurrent	10,000	(88)		9,912
REAT	Held-to-maturity financial assets-noncurrent	32,040			32,040
ABS	Available-for-sale financial assets-noncurrent	999,445	(2,784)	(996,661)	0
ABCP	Financial assets measured at fair value through profit or loss-current	2,171,005	13		2,171,018
CDO	Financial assets measured at fair value through profit or loss-current	1,572,140	(211,150)		1,360,990
CDO	Debt investment without quoted price in active markets-noncurrent	590,000			590,000
CMO	Available-for-sale financial assets-current	85,714	3,361		89,075
CMO	Debt investment without quoted price in active markets-noncurrent	3,206,643	100,396		3,307,039

Securitized product information –
Original cost of single investment in securitized products in excess of NT\$300 million
Dec. 31, 2010

Unit: NT\$1,000

Name of Security	Account Name	Currency	Issuer of security and its location	Purchase Date	Expiry Date	Coupon	Credit Rating	Settlement Method	Historical Cost	Accumulated assessment of profit and loss / Amortization	Book Value	Attachment point	Asset Pool
KKRF 2005-1X 1A FRN (USG6267NAA57)	Financial assets measured at fair value through profit or loss-current	USD	Morgan Stanley Managed ACES SPC (Cayman Island)	2006/2/7	2013/3/20	3ML+50BP	B1/BBB-	Quarterly interest payments and repayment of principal at maturity	442,500	(42,038)	400,462	11.53%	(1) Senior Debt (numbered 83) USD8,250,000,000 (2) Subordinated Debt (numbered 9) USD1,050,000,000
RUTLAND RATED INVESTMENTS (USG77264BL54)	Financial assets measured at fair value through profit or loss-current	USD	Rutland Rated Investments (Cayman Island)	2006/5/24	2013/6/20	3ML+70BP	B3/CCC/CCC	Quarterly interest payments and repayment of principal at maturity	442,500	(51,596)	390,904	5.93%	CDS (numbered 124) USD17,306,379,000
FANNIE MAE (US31395DF463)	Debt investment without quoted price in active markets-noncurrent	USD	FANNIE MAE US	2006/6/12	2036/6/25	1ML+40BP	Aaa	Monthly payments of interest and principal	366,908	121	367,029		Secured home loans
E. Sun Bank 2007-1 ABSB1	Available-for-sale financial assets-noncurrent	NTD	HSBC, Taipei	2007/5/25	2014/6/15	2.4500%	C.tw	Quarterly interest payments; repayment of principal in 10 payments beginning Mar. 15, 2012	999,445	(999,445)	0	6.67%	(1) 93 Hua Nan Bank 2A02 (Senior) : NT\$300,000 (2) 93 Hua Nan Bank 2A06 (Senior) : NT\$200,000 (3) Triaxx Funding High Grade I, Ltd. Class C Notes : USD149,375,000
Beneficiary securities for securitized receivables of Chi Mei Optoelectronics	Financial assets measured at fair value through profit or loss-current	NTD	China Trust, Taipei	2006/10/5	2011/10/5	0.5577%	twA-2	Monthly issuance of commercial paper; repayment of principal and payment of interest at maturity	2,171,005	13	2,171,018		Account Receivables

Bank Secured Securitized Product Guarantee Institution or Amount of Liquidity Funding Provided

Dec. 31, 2010

Unit: NT\$1,000

Name of Instrument	Currency	Founding Agency	Maturity Date	Coupon Rate	Credit Rating	Role Played	Amount	Attachment Point	Content of Asset Pool
Beneficiary securities for securitized receivables of Chi Mei Optoelectronics	NT Dollar	Chi Mei Optoelectronics	2011/10/5	0.558%	twA-2	Liquidity financing provider	2,000,000	29.17%	Chi Mei Optoelectronics receivables

(3) Operational Risk Management System and Accrued Capital

A. Operational Risk Management System

Fiscal Year 2010

Items	Contents
Operational Risk Management Strategies and Procedures	The Bank has established multi-level authorization rules and reporting procedures, in its business rules and operating manuals, in regard to bank customers, products and business activities, business sources, sales channels, and transaction complexity and volume, and in consideration of potential risk. In its SOP the Bank also stipulates that in their review work officers should pay attention to risk control, strengthen identification, emphasize potential risk, formulate evaluation procedures, and establish a frequency of risk monitoring on a regular basis.
Organizational Framework of Operational Risk Management	<ol style="list-style-type: none"> 1. The Board of Directors is the Bank's operational risk management supreme policymaking unit, which approves the Bank operation management policies and makes sure the Bank effectively carries out the operational risk management mechanism. 2. The Risk Management Committee implements operational risk management policies approved by the Board of Directors, establishes and maintains operational risk management mechanism, coordinates interdepartmental operational risk management matters. 3. The Department of Risk Management is responsible for establishing a systematic criteria to identify, measure, evaluate and monitor operational risk management, and submits reports to the Risk Management Committee on bank-wide operation risk information. 4. The Department of Auditing of Board of Directors is the Bank's independent auditing unit, and evaluates the effectiveness the design and implementation of operational risk management.
Scope and Characteristics of the Operational Risk Reporting and Measurement System	<p>The Risk Control Committee meets regularly and submits reports on bank-wide risk management monitoring.</p> <p>The reports encompass the compilation, filing, and analysis of operational risk losses; the establishment of a standard operating procedure (SOP) zone within the Bank's global information website for enquiry by bank staff; and risk-culture education, all designed to reduce operating risk.</p>
Operational risk hedging or risk mitigation policy, and strategies and procedures for monitoring the continuing effectiveness of risk hedging and mitigation instruments.	<ol style="list-style-type: none"> 1. To reduce operational risk, the Bank has established regulations and operations manuals to serve as a basis for undertaking relevant business operations. 2. The Bank currently uses the basic indicator approach for operational risk capital requirement, and does not use the risk mitigation technique. The Bank hedges against operational risk by taking out insurance for its transfer in accordance with its accumulated experience and operating procedures, as well as in consideration of various types of business cost/effectiveness analysis. The Bank currently adopts the transfer of risk through employee fidelity insurance, business premises property insurance, shipping property insurance, and other insurance.
Method of Legal Capital Allocation	Basic Indicator Approach

B. Operational Risk Management Accrued Capital

Dec. 31, 2010

Unit: NT\$1,000

Fiscal Year	Operating gross profit	Accrued Capital
2008	25,862,675	
2009	25,024,985	
2010	23,959,996	
Total	74,847,656	3,742,383

(4) Market Risk Management System and Accrued Capital

A. Market Risk Management System

Fiscal Year 2010

Items	Contents
Market Risk Management Strategies and Procedures	In accordance with the business risk management strategies and operating directions approved by the Board of Directors, and in compliance with the Basel II Capital Accord and the regulatory provisions of the competent authority, the Bank has established a market risk management system and policy. To effectively identify, assess, measure and monitor the risk associated with different investment business, the Bank sets up different investment quotas and stop-loss limits and reports are submitted to the BOT's Board of Directors and Risk Management Committee.
Organizational Framework of Market Risk Management	<ol style="list-style-type: none"> 1. The BOT's organizational framework of risk management includes the Board of Directors, Risk Management Committee, Department of Risk Management, units in charge of business, trading units and their traders, risk control personnel, and back-office personnel. 2. The Board of Directors is the Bank's supreme market risk management and monitoring unit, which is responsible for the risk policies and the Bank's quota limits approval. 3. The Risk Management Committee is responsible for the Bank's risk management policy, system, rules, organization, overall risk assessment, supervise, and examining revision affairs. 4. Department of Risk Management is Responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations.
Organizational Framework of Market Risk Management	<ol style="list-style-type: none"> 1. The Bank's market risk monitoring encompasses all trading units and overall and individual trading procedures for different financial products, and includes changes in position, changes in profit and loss, trading models, and trading targets, all of which should be carried out in accordance with the Bank's quota limits, stop-loss, and over limit disposition rules, and within authorization limits. 2. The Bank's Department of Risk Management produces market risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. The contents of these reports include risk-control conditions such as the status of bank-wide exposure to credit risk, capital requirement, financial instruments quotas and limit exceeding, analysis of the management of risk concentration, and analysis of overseas branch (including the OBU) investment assets portfolio, among others. 3. The Bank currently uses the risk standardized approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors. 4. To strengthen the Bank's risk control through quantitative systems, work is under way on the establishment of an internal-model-approach measuring system for market risk that conforms to the New Basel agreement.
Market Risk Hedging and Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Risk Mitigation Instruments	<ol style="list-style-type: none"> 1. The BOT's "Operating Rules for Engaging in the Offshore Banking Business" clearly specify the range of trading in the offshore banking business and establish trading limits according to the credit rating and world ranking of counterparties, issuing institutions, and guarantor institutions. The Rules also have strict specifications regarding categories of securities, with trading quotas and stop-loss limits being established for the trading book positions of different units. 2. In accordance with the "Operating Criteria for Derivatives Products, and Internal Control Operating Methods", the Bank uses the following risk-hedging principles to hedge risk in trading in derivative financial products by trading units: (1) Reviews principal and loss quotas on a regular basis (2) For products that do not admit of decomposition, positions should be covered in round lots, with no retained positions allowed. (3) Reverse-squaring trading for derivatives positions has been provided for, and can be used for the mutual offsetting of positions, which are listed as net amounts. (4) When trading units undertake trading in derivative products based on product or other profits, with the exception of credit derivatives they must, in principle, engage in pairs trading so as to transfer and reduce risk.
Method of Legal Capital Allocation	Standardized Approach

B. Market Risk Accrued Capital

Dec. 31, 2010

Unit: NT\$1,000

Risk Category	Accrued Capital
Interest rate risk	1,748,590
Equity security risk	934,435
Foreign exchange risk	1,291,342
Commodity risk	
Total	3,974,367

(5) Liquidity Risk

The Bank uses two methods to manage liquidity risk: total amount management, and flow management. Total amount management is carried out according to the Central Bank's "Liquidity Reserve Checking Guidelines for Financial Institutions," and liquidity reserves are allocated in reference to fluctuations in the Bank's flow of funds. The implementation of flow management depends on the time and place of inflow and outflow of funds and is divided into real-time management and medium- and long-term management. When the flow of funds reaches a set limit, business units are required to submit a report immediately so as to maintain a grasp of the status of capital and provide for the adoption of advance countermeasures. Medium- and long-term management calls for the compilation of a New Taiwan Dollar Cash Flow Gap Analysis Table, in which 1-10 day, 11-30 day, and over one month gaps are calculated, each week. In addition, a monthly analytic report on the Bank's New Taiwan Dollar and Foreign Currencies funds liquidity risk and interest-rate risk is compiled and submitted to the Assets and Liabilities Management Committee and to the Board of Managing Directors quarterly.

A. New Taiwan Dollars-Denominated Maturity Date Structure

Dec. 31, 2010

Unit : NT\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major inflows of matured funds	3,759,621,399	889,994,289	578,316,017	348,684,135	231,059,106	1,711,567,852
Major outflows of matured funds	4,290,523,630	544,127,505	495,347,238	543,412,244	1,019,809,738	1,687,826,905
Period gap	(530,902,231)	345,866,784	82,968,779	(194,728,109)	(788,750,632)	23,740,947

Note: The table includes only New Taiwan Dollar Amounts held in head office and the domestic branches, excluding foreign currencies.

B. U.S. Dollars-Denominated Maturity Date Structure

Dec. 31, 2010

Unit : US\$ 1,000

Items	Total	Amounts by Time Remaining before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Assets	20,312,625	7,119,199	5,938,070	4,382,325	1,350,149	1,522,882
Liabilities	19,907,610	11,254,352	4,469,203	2,302,642	1,271,577	609,836
Gap	405,015	(4,135,153)	1,468,867	2,079,683	78,572	913,046
Accumulated Gap	405,015	(4,135,153)	(2,666,286)	(586,603)	(508,031)	405,015

Note : The table includes assets and liabilities denominated in USD held in head office, the domestic branches and Offshore Banking Branch.

2. Impact of Changes in Major Domestic and Overseas Policies and Laws on the Bank's Financial Operations, and Countermeasures

The Bank will remain attentive to the influence of major government financial and economic policies, and will provide appropriate responses in a timely fashion so as to lower the impact on its financial operations.

3. Impact of Technological and Industrial Changes on the Bank's Financial Operations, and Countermeasures

The rapid advance of information technology has changed the trading habits of customers and, in consequence, the equipment and operating methods of banks have changed as well. With the centralization, stabilization, virtualization, and optimization of information systems, the Bank achieved the finest results in terms of operations and management. The use of automated teller machines, telephone banking, unmanned banks, Internet banks, and electronic banking allows customers to carry out all kinds of cash withdrawals, funds transfer, and collections online and in real time. Besides enabling banks to reduce their operating costs and improve their operating efficiency, this also enables them to use management information to achieve even more effective management.

The Bank holds key industry status and prospects seminars periodically, purchases industrial, economic, and specialized databanks. In addition to these resources, employees can use the Bank's global information network to maintain grasp of the latest industrial changes, enhance the quality of credit investigation and loans, and lower the Bank's business risks.

4. Impact of Changes in the Bank's Image, and Countermeasures

The Bank has enjoyed an excellent performance in rankings among Taiwan's banks over the past year. For instance, it was awarded "Best in Local Currency Cash Management Services" for the NT dollar by Asiamoney magazine in 2010; an A rating in the fourth-quarter and for the whole year being uniformly A in 2009 report by National Chengchi University's Department of Finance; third place in the Yahoo Kimo Emotive Brand Awards; first-place awards from the Bankers Association of the ROC for the greatest number of fee and tax business transactions and greatest number of transactions on the national e-bill payment network; first place in operating revenue and shareholders' equity in the finance industry for 2010, awarded by CommonWealth magazine; and, again, first place for loyalty and penetration rate in 104 Survey's "Internet banking usage behavior and customer satisfaction survey." These honors reflect recognition by the public and the corporate sector of the Bank's outstanding quality of service and stable operating image.

5. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans (None)

6. Expected Benefits from, Risks Relating to and Response to Operating Channel Expansion Plans

The Bank's business branch expansion system requires, first, the surveying and analysis of an area's demographics, industrial distribution, banking competition conditions, market structure, and customer group characteristics, and then the formulation of financial projections and study of feasibility in accordance with the results of analysis and the area's future development potential.

The China Banking Regulatory Commission granted permission for the establishment of the Shanghai Representative Office of the BOT. The Representative Office was formally established on Feb 1, 2010. In the future the BOT will move in line with cross-straits financial liberalization and upgrade the Shanghai Representative Office to a branch. The establishment of business locations in China will strengthen the

Bank's international network and expand services for Taiwanese businesses in Taiwan, Hong Kong, and China while enhancing its operating performance.

To map out a mainland China deployment strategy carefully, the Bank has set up a Mainland Affairs Planning Task Force to carry out preliminary planning for mainland deployment, branch establishment, manpower training, business marketing, and establishment of regulatory and information systems, and to make preparations for potential operational risk.

7. Risks Arising from the Concentration of Business, and Countermeasures

The Bank's main source of income is interest, and for this reason changes in interest rates have a relatively large influence on the Bank's income. To reduce the risk caused by interest-rate fluctuations, the Bank will observe changes in interest rates both continuously and closely, and will adjust its interest rates when necessary to improve the structure of its assets and liabilities. Actively develop wealth management, trust, gold dealing and procurement business to increase fee and commission income.

8. Effects of, Risks Relating to and Response to Changes in Control over the Bank

(None)

9. Litigation or Non-litigation Matters

(None)

10. Other Major Risks

(None)

VII. Crisis Management Mechanism

In regard to latent or present crises, the Bank adopts a series of pre-event, mid-event, and post-event countermeasures. The crisis management mechanism that has been established by the Bank includes the following:

1. A "BOT Emergency Response Manual."
2. The "BOT Crisis Reporting Rules."
3. Establishment of a warning alert mechanism to prevent the occurrence of fraud.
4. Establishing an emergency reporting system for headquarters and branches.
5. Establishment of the BOT Emergency Reporting System.
6. Strengthening of education and training to enhance the staff's crisis response capability.

VIII. Other Important Matters

To strengthen its capital and financial structure, on Nov. 8, 2010 the Bank carried out a capital increment of NT\$25 billion via the transfer of surplus reserves, bringing total capital to NT\$70 billion.

穩健

踏實經營、健全體質、穩定成長

敦厚穩健的巨人

不需靠華麗的外表，真正的**本質實力**，才是值得信賴

經過無數的考驗，在穩健中不斷成長，同時秉持對社會的關懷

造就了穩健踏實的·臺灣銀行



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- II. Private Placement of Securities and Bank Debentures
- III. Holdings or Disposition of BOT Shares by Subsidiaries
- IV. Other Matters for Supplementary Explanation
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Directory of Head Office and Branches.....152

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Special Disclosure

I. Information on Affiliated Enterprises

Declaration Letter

The relationship report for the year ended 2010 (from January 1 to December 31, 2010) of the Company was prepared in accordance with the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". There was no significant inconsistency on the related information between this report and notes for the financial report for the above period.

Declare here specially

Bank of Taiwan

Chairperson



March 29, 2011

1. Independent Auditors' Review Opinion

Independent Auditors' Review Opinion

The Board of Directors
Bank of Taiwan:

We have reviewed the relationship report of Bank of Taiwan for the year ended 2010 in accordance with the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan ruling Tai Tsai Jeng (6) No. 04448 announced on November 30, 1999. Our work is to express an opinion on the relationship report of Bank of Taiwan for the year ended 2010, whether it was prepared in accordance with the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and not significantly inconsistent with the notes for the financial report for the same period audited in 2010.

In our opinion, we did not find any violation of the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" or any significant inconsistencies with the notes for the financial report for the same period in the above relationship report.

KPMG Certified Public Accountants
March 29, 2011

The report is the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language report, the Chinese version shall prevail.

2. Relations Between Subordinate Companies and Controlling Company

Name of Controlling Company	Reason for Control	Controlling Company Shareholding and Pledged Shares			Directors, Supervisors, and Managers Appointed by the Controlling Company	
		Shares Owned	Ratio of Shares Owned	No. of Pledged Shares	Position	Name
Taiwan Financial Holding Co., Ltd.	Subordinate Relationship with 100% Shareholding	7,000,000,000 Shares	100%	None	Chairperson	Susan S. Chang
					Managing Director and President	Chang Mingdaw
					Independent Managing Director	Hsu Yihsung
					Managing Director	Chang Shengford
					Managing Director	Yang Chengchen
					Independent Director	Shen Chunghua
					Independent Director	Lou Tienwei
					Director	Yang Mingshyang
					Director	Chang Chihhung
					Director	Rau Hsiuhua
					Director	Yue Jiintarng
					Director	Lee Kuanghuei
					Director	Yang Shengtien
					Director	Chun Hsichuan
					Director	Lee Haobsuan

3. Transactions Between Subordinate and Controlling Company

(1) Purchase and sale of goods: None

(2) Property transactions: None

(3) Working capital financing:

Unit: NT\$1,000

Type	Highest balance	Ending balance	Annual interest rate (%)	Total interest for current period	Accommodation term	Purpose of accommodation	Guarantee		Transaction decision method	Allowance for doubtful accounts
							Name	Amount		
Short-term secured loan	5,600,000	5,600,000	0.578 - 0.634	23,071	June 30, 2010- June 30, 2011	Payment of BankTaiwan Life Insurance Co. capital increment	Letter of Guarantee	5,600,000	Resolution of Board Meeting	None

(4) Asset leasing:

Unit: NT \$1,000

Type of Transaction (lease out or lease in)	Leased Item		Term of Lease	Nature of Lease	Basis for Lease Cost Decision	Method of Payment	Comparison with General Lease Standards	Total Lease Payment for Current Period	Status of Collection or Payment for Current Period	Other Commitments
	Name	Location								
Lease out	House	3F., 120 Sec. 1, Chongcing South Road, Taipei 1F., 1 and 3, PaoCing Road, Taipei	2008.1.1~ 2012.12.31	Business lease	House lease contract	Collection within first 5 days of each month	Normal	16,299	Collected	

(5) Other Important Transactions:

a. Account receivables

	Dec. 31, 2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>213</u>	<u>-</u>

b. Other assets

	Dec. 31, 2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>5,620,865</u>	<u>30.21</u>

c. Deposits

	Dec. 31, 2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>37,084</u>	<u>-</u>

Apart from an interest rate limit on staff saving deposits, interest rates of related-party transactions are the same as general accounts.

d. Account payables

	Dec. 31, 2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>141,632</u>	<u>0.36</u>

e. Interest income

	2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>23,071</u>	<u>0.05</u>

f. Interest expenses

	2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>475</u>	<u>-</u>

g. Other non-interest gain or losses, net

	2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>21,986</u>	<u>0.18</u>

h. Other business and management expenses

	2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>805</u>	<u>0.02</u>

i. Cost share of common assets

	2010	
	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ <u>5,687</u>	\$ <u>-</u>

4. Endorsements and Guarantees Between Subordinate and Controlling Companies

(None)

II. Private Placement of Securities and Bank Debentures

(None)

III. Holdings or Disposition of BOT Shares by Subsidiaries

(None)

IV. Other Matters for Supplementary Explanation

(None)

V. Incidents Occurring During the Previous Year and to Date of Annual Report Publication Which, as Stipulated in Article 36, Section 2, Subsection 2 of the Securities Transaction Law, Had a Major Impact on Shareholder Interests or Share Prices

In line with the permission granted by the competent authority for Taiwan Financial Holdings to become a publicly issued company and to handle its own stock affairs, in February of 2010 the Bank terminated the agency relationship of the President Securities Corp. and began handling its own stock affairs.

Directory of Head Office and Branches

I. Domestic Business Units

120 Sec. 1, Chongcing South Road, Jhongjheng District, Taipei City 10007, Taiwan (R.O.C.)

P.O. Box 5 or 305, Taipei, Taiwan

SWIFT: BKTWTWTP <http://www.bot.com.tw> TELEX: 11201 TAIWANBK

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
Head Office				
0037	Department of Business	No.120 Sec. 1, Chongcing South Road, Jhongjheng District, Taipei City	02-23493456	02-23759708
0059	Department of Public Treasury	No. 120 Sec. 1, Gueiyang Street, Taipei	02-23494123	02-23751125
0082	Department of Trusts	6F., No. 49 Sec. 1, Wuchang Street, Jhongjheng District, Taipei City	02-23493456	02-23146041
2329	Department of Procurement	No. 45 Sec. 1, Wuchang Street, Taipei City	02-23493456	02-23832010
2330	Department of Precious Metals	2-3F. Building B, No. 49 Sec. 1, Wuchang St., Taipei City	02-23493456	02-23821047
2352	Department of Government Employees Insurance	6F., No. 140 Sec. 3, Sinyi Rd., Taipei City	02-27013411	02-27015622
0691	Offshore Banking Department	1st Fl., No. 162 Boai Road, Taipei City	02-23493456	02-23894500
Northern Area				
0071	Guancian Branch	No. 49 Guancian Road, Jhongjheng District, Taipei City	02-23812949	02-23753800
0336	Nanmen Branch	No. 120 Sec. 1, Nanchang Road, Jhongjheng District, Taipei City	02-23512121	02-23964281
0347	Kungkuan Branch	No. 120 Sec. 4, Roosevelt Road, Jhongjheng District, Taipei City	02-23672581	02-23698237
0451	Chengchung Branch	No. 47 Cingdao East Road, Jhongjheng District, Taipei City	02-23218934	02-23918761
1229	Jenai Branch	No. 99 Sec. 2, Ren-ai Road, Jhongjheng District, Taipei City	02-23975936	02-23975927
1621	Chunhsien Branch	No. 1 Jhongshan South Road, Jhongjheng District, Taipei City	02-23411001	02-23578831
1942	Tungmen Mini Branch	No. 42 Sec. 1 Renai Road Taipei City	02-23943168	02-23916855
1986	Taidian Mini Branch	No. 242 Sec. 3 Roosevelt Road Taipei City	02-23667506	02-23672354
2363	Wuchang Branch	No. 49 Sec. 1, Wuchang St., Jhongjheng District, Taipei City	02-23493456	02-23141340
0808	Minsheng Branch	No. 167 Fusing North Road, Songshan District, Taipei City	02-27192081	02-27188897
1067	Tunhwa Branch	1F, No. 205 Dunhua North Road, Songshan District, Taipei City	02-25455111	02-25450913
2798	Taipei International Airport Branch	No. 340-9 Dunhua North Road, Songshan District, Taipei City	02-27187628	02-27187618
1104	Chunglun Branch	No. 108 Sec. 5, Nanjing East Road, Songshan District, Taipei City	02-27698618	02-27603224
0646	Sungshan Branch	No. 560 Sec. 4, Jhongsiao East Road, Sinyi District, Taipei City	02-27293111	02-27230014

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
0853	Taipei World Trade Center Branch	3F, No. 333 Sec. 1, Keelung Road, Sinyi District, Taipei City	02-27200315	02-27576156
1931	Yongji Mini Branch	3F No. 3 Songren Road Taipei City	02-27209856	02-27209970
0532	Chunghsiao Branch	No. 202 Sec. 1, Dunhua South Road, Da-an District, Taipei City	02-27516091	02-27411704
0543	Hsinyi Branch	No. 88 Sec. 2, Sinyi Road, Da-an District, Taipei City	02-23515486	02-23973887
0864	Taan Branch	1F., No. 69 Sec. 2, Dunhua S. Rd., Da-an District, Taipei	02-27553121	02-27093243
1089	Hoping Branch	No. 180 Sec. 1, Hoping East Road, Da-an District, Taipei City	02-23687027	02-23626987
2396	Jinshan Branch	No. 189 Sec. 2 Jinshan S. Rd., Da-an District, Taipei City	02-23413006	02-23413134
2400	Sinan Branch	No. 132 Sec. 3 Sinyi Rd., Da-an District, Taipei City	02-27057905	02-27057906
1953	Aiguo Mini Branch	No. 31 Aiguo East Road Taipei City	02-23960017	02-23578646
0200	Chungshan Branch	No. 150 Sec. 1, Jhongshan North Road, Jhongshan District, Taipei City	02-25423434	02-25710210
0509	Sungchiang Branch	No. 115 Songjiang Road, Jhongshan District, Taipei City	02-25069421	02-25078786
1241	Yuanshan Branch	No. 577 Linsen North Road, Jhongshan District, Taipei City	02-25976699	02-25932760
2385	Taipei Branch	No. 80 Songjiang Rd., Jhongshan District, Taipei City	02-25435790	02-25236924
0196	Yenping Branch	No. 406 Nanjing West Road, Datong District, Taipei City	02-25522859	02-25524317
0462	Minchuan Branch	No. 239 Sec. 2, Chengde Road, Datong District, Taipei City	02-25530121	02-25529463
0521	Lungshan Branch	No. 380 Kangding Road, Wanhua District, Taipei City	02-23088111	02-23366978
2422	Wanhua Branch	No. 26, Sec. 2 Gueiyang St., Wanhua District, Taipei City	02-23830066	02-23830067
1654	Wenshan Branch	No. 218 Sec. 6, Roosevelt Road, Wunshan District, Taipei City	02-86633456	02-86635656
2293	Muzha Branch	No. 145 Sec. 1, Singuang Rd., Wunshan District, Taipei City	02-86615115	02-86617690
1078	Nankang Branch	1F, No. 95 Sec. 2, Nangang Road, Nangang District, Taipei City	02-26516706	02-27839049
2259	Nankang Software Park Branch	2F-2, No. 66 Sanchong Rd., Nangang District, Taipei City	02-27833009	02-27833900
1539	Neihu Branch	No. 396 Sec. 1, Neihu Road, Neihu District, Taipei City	02-87977933	02-87977957
2237	Donghu Branch	No. 458 Sec. 5, Chenggong Rd., Neihu District, Taipei	02-26305768	02-26307233
2709	Xinhu Branch	No. 188 Xing-ai Road, Neihu District, Taipei City	02-87927988	02-87928118
0705	Shihlin Branch	No. 197 Sec. 6, Jhongshan North Road, Shihlin District, Taipei City	02-28367080	02-28362523
1425	Tienmou Branch	No. 18 Sec. 7, Jhongshan North Road, Shihlin District, Taipei City	02-28755222	02-28755219

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
2411	Jiantan Branch	No. 174 Sec. 4 Chengde Rd., Shihlin District, Taipei City	02-28831633	02-28831364
0369	Peitou Branch	No. 152 Sec. 1, Jhongyang South Road, Beitou District, Taipei City	02-28951200	02-28973345
0277	Panchiao Branch	No. 21 Fujhong Road, Banciao City, Taipei County	02-29680172	02-29676416
2053	Peifu Mini Branch	B1 No. 161 Sec. 1, Jhongshan Road Banciao City, Taipei County	02-89535968	02-89535268
0875	Huachiang Branch	No. 293-2 Sec. 1, Jhongshan Road, Banciao City, Taipei County	02-29610101	02-29638280
2433	Bansin Branch	No. 268 Sec. 1 Wunhua Rd., Banciao City, Taipei County	02-22540560	02-22540570
0428	Sanchung Branch	No. 39 Sec. 4, Chongsin Road, Sanchong City, Taipei County	02-29719621	02-29719736
0484	Yunghe Branch	No. 97 Sec. 1, Yonghe Road, Yonghe City, Taipei County	02-29216611	02-29233793
0668	Chungho Branch	No. 253 Sec. 2, Jhongshan Road, Jhonghe City, Taipei County	02-22488980	02-22461474
2444	Shuanghe Branch	No. 126 Jhonghe Rd., Jhonghe City, Taipei County	02-82457558	02-82452722
0716	Hsinchuang Branch	No. 85 Sintai Road, Sinjhuang City, Taipei County	02-22056699	02-22031524
2455	Nan HsinChuang Branch	No. 653 \ 653-1 Jhongjheng Rd., Hsin Chuang City, Taipei County	02-29012999	02-29012119
0750	Hsintien Branch	No. 45 Baojhong Road, Sindian City, Taipei County	02-29180795	02-29105461
1115	Tucheng Branch	No. 344 Sec. 2, Jhongyang Road, Tucheng City, Taipei County	02-22703791	02-22603314
1872	Lu Jou Branch	No. 50 Sanmin Road, Lujhou City, Taipei County	02-82868686	02-82868989
1562	Hsichih Branch	No. 175 Sec. 2, Datong Road, Sihhih City, Taipei County	02-86926822	02-86926828
0749	Shulin Branch	No. 29 Wunhua Street, Shulin City, Taipei County	02-26866511	02-26861307
1481	Tamsui Branch	No. 93 Jhongshan Road, Danshuei Township, Taipei County	02-26281111	02-26281122
2189	Taipei Port Branch	2F., No. 123 Shanggang Rd., Bali Township, Taipei County	02-26196269	02-26196272
1355	Wuku Branch	No. 42 Sec. 4, Jhongsing Road, Wugu Township, Taipei County	02-22936699	02-22918201
0129	Keelung Branch	No. 16 YiYi Road, Jhongjheng District, Keelung City	02-24247113	02-24220436
0266	Taoyuan Branch	No. 46 Jhongjheng Road, Taoyuan City, Taoyuan County	03-3352801	03-3322007
1861	East Taoyuan Branch	No. 300 Jingguo Road, Taoyuan City, Taoyuan County	03-3263888	03-3265666
2466	Taosing Branch	No. 28-8 Yanping Rd., Taoyuan City, Taoyuan County	03-3645566	03-3643322
0417	Chungli Branch	No. 580 Yanping Road, Jhongli City, Taoyuan County	03-4252160	03-4258751
1447	Neili Branch	No. 125 Singnong Road, Jhongli City, Taoyuan County	03-4618519	03-4519650

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
1724	Chienkuo Branch	No. 169 Jiansing Road, Jhongli City, Taoyuan County	03-4670081	03-4670010
2477	Sinming Branch	No. 7 Sinming Rd., Jhongli City, Taoyuan County	03-4951301	03-4943210
1218	Pingchen Branch	No. 11 Sec. 2, Huannan Road, Pingjhen City, Taoyuan County	03-4945688	03-4945699
2282	Linkou Branch	No. 368 Fusing 1st Rd., Gueishan Township, Taoyuan County	03-3277299	03-3277706
1230	Nankan Branch	No. 81 Sec. 1, Nankan Road, Lujhu Township, Taoyuan County	03-3529191	03-3520916
1159	Taoyuan International Airport Branch	No. 15 Hangjhan South Road, Pusin Village Dayuan Township, Taoyuan County	03-3982166	03-3834834
2260	Longtan Branch	No. 142 Donglong Rd., Longtan Township, Taoyuan County	03-4790888	03-4700999
0152	Hsinchu Branch	No. 29 Linsen Road, Hsinchu City	03-5266161	03-5266446
0738	Science-Based Industrial Park Branch	2F, No. 5 Gongye East 6th Rd, Science-Based Industrial Park, Hsinchu City	03-5770050	03-5777936
1643	Peitalu Branch	No. 68 Beida Road, Hsinchu City	03-5354381	03-5354380
0680	Chupei Branch	No. 16 Guangming 6th Road, Jhubei City, Hsinchu County	03-5513111	03-5517322
2488	Lioujia Branch	No. 312 Dong Sec. 1 Guangming 6th Rd., Jhubei City, Hsinchu County	03-6585858	03-6587500
0299	Miaoli Branch	No. 510 Jhongjheng Road, Miaoli City, Miaoli County	037-326791	037-327111
0439	Toufen Branch	No. 65 Jhongjheng Road, Toufen Township, Miaoli County	037-663451	037-672213
Central Area				
0107	Taichung Branch	No. 140 Sec. 1, Zihyou Road, West District, Taichung City	04-22224001	04-22224274
0554	Fuhsing Branch	No. 102 Sec. 4, Fusing Road, East District, Taichung City	04-22244181	04-22205856
0657	Chienhsing Branch	No. 144 Jhongjheng Road, Central District, Taichung City	04-22242141	04-22293851
0794	Liming Branch	No. 607 Daye Rd., Nantun District, Taichung City	04-22551178	04-22524822
0923	Taichung Industrial Park Branch	No. 196 Industrial Park 1st Road, Situn District, Taichung City	04-23597850	04-23599868
1090	Shuinan Branch	No. 416 Sec. 2, Chongde Road, Beitun District, Taichung City	04-22468130	04-22466855
1414	Hsitwun Branch	No. 41 Sec. 2, Cinghai Road, Situn District, Taichung City	04-23128528	04-23117106
2499	North Taichung Branch	No. 17 Taiping Rd., North District, Taichung City	04-22257412	04-22257413
2503	Central Taichung Branch	No. 95 Mincyuan Rd., West District, Taichung City	04-22281191	04-22247323
0303	Fengyuan Branch	No. 302 Jhongjheng Road, Fengyuan City, Taichung County	04-25278686	04-25256981
0370	Wufeng Branch	No. 838 Jhongjheng Road, Wufong Township, Taichung County	04-23302216	04-23327104
0473	Tantzun Branch	No. 1 Jianguo Road, Tanzih Township, Taichung County	04-25323133	04-25339071

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
0576	Taichung Harbor Branch	No. 2 Sihwei Road, Wuci Township, Taichung County	04-26562311	04-26580625
0727	Tachia Branch	No. 61 Minsheng Road, Dajia Township, Taichung County	04-26868111	04-26865224
0901	Taya Branch	No. 106 Jhongcing South Road, Daya Township, Taichung County	04-25683330	04-25680164
1366	Tali Branch	No. 481 Sec. 2, Guoguang Road, Dali City, Taichung County	04-24180211	04-24180801
1573	Wuchi Branch	No. 2 Jian 5th Road, Export Processing Zone, Wuci Township, Taichung County	04-26565111	04-26570157
1702	Taiping Branch	No. 146 Jhongsing East Road, Taiping City, Taichung County	04-22736666	04-22736120
1713	Defang Branch	No. 63 Sec. 1, Defang Road, Dali City, Taichung County	04-24853280	04-24826661
2204	Taichung Science Park Branch	2F-5 -6, No. 6 Zhongke Rd., Daya Township, Taichung County	04-25658111	04-25658220
2787	Chungdu Branch	No. 89 Sec. 2, Taichung Port Rd., Xitun Dist., Taichung City	04-22589611	04-22584278
0130	Chunghsing New Village Branch	No. 11 Guanghua Road, Jhongsing Village, Nantou City, Nantou County	049-2332101	049-2350457
0325	Nantou Branch	No. 101 Fusing Road, Nantou City, Nantou County	049-2232121	049-2229845
0598	Puli Branch	No. 112 Dongrong Road, Puli Township, Nantou County	049-2983991	049-2995949
0163	Changhua Branch	No. 130 Chenggong Road, Changhua City, Changhua County	04-7225191	04-7257871
0495	Yuanlin Branch	No. 63 Minsheng Road, Yuanlin Township, Changhua County	04-8323191	04-8330663
1436	Lukang Branch	No. 2 Lugong Road, Lugang Township, Changhua County	04-7810168	04-7810268
0314	Touliu Branch	No. 27 Wunhua Road, Douliou City, Yunlin County	05-5324155	05-5338309
1470	Huwei Branch	No. 369 Sec. 2, Linsen Road, Huwei Township, Yunlin County	05-6337367	05-6321611
0141	Chiayi Branch	No. 306 Jhongshan Road, Chiayi City	05-2224471	05-2258400
1540	Chiabei Branch	No. 602 Jhongsiao Road, Chiayi City	05-2718911	05-2718922
2525	Jianan Branch	No. 353 Jhongsing Rd., Chiayi City	05-2348686	05-2348661
0679	Taipao Branch	No. 2 East Section, Sianghe 1st Road, Sianghe Village, Taibao City, Chiayi County	05-3620016	05-3620021

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
Southern Area				
0093	Tainan Branch	No. 155 Sec. 1, Fucian Road, Central District, Tainan City	06-2160168	06-2160188
0406	Anping Branch	No. 240 Jhongjheng Road, West Central District, Tainan City	06-2292181	06-2241520
1377	Annan Branch	No. 298 Sec. 2, Anhe Road, Annan District, Tainan City	06-3555111	06-3565881
2307	Tainan Innovation & Research Park Branch	1F, No. 31 Gongye 2nd Road, Annan District, Tainan City	06-3842585	06-3842568
2536	Nandu Branch	No. 180 Sec. 2 Jhongyi Rd., West Central District, Tainan City	06-2219999	06-2206977
0288	Hsinying Branch	No. 10 Jhongjheng Road, Sinying City, Tainan County	06-6351111	06-6321843
0819	Yungkang Branch	No. 513 Siaodong Road, Yongkang City, Tainan County	06-3125411	06-3138709
1469	Tainan Science-Based Industrial Park Branch	2F, No. 15 Nanke 3rd Road, Sinshih Township, Tainan County	06-5051701	06-5051709
2271	Rende Branch	No. 899 Sec. 2, Jhongjheng Rd., Rende Township, Tainan County	06-2492389	06-2498078
2721	Lioujiading Branch	No. 41 Zhongzheng S. Road, Yongkang City, Tainan County	06-2810991	062810360
0118	Kaohsiung Branch	No. 264 Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2515131	07-2211257
0211	Kaohsiung Export Processing Zone Branch	No. 1 Jhongyi Road, Export Processing, Cianjhen District, Kaohsiung City	07-8215141	07-8115648
0358	Tzoyin Branch	No. 19 Zuoying Avenue, Zuoying District, Kaohsiung City	07-5819141	07-5850051
0440	Chienchen Branch	No. 1-3 Kuojian Road, Cianjhen District, Kaohsiung City	07-8115171	07-8413413
0510	Kusan Branch	No. 23 Linhai 1st Road, Gushan District, Kaohsiung City	07-5218291	07-5315544
0565	Sanming Branch	No. 567 Jiouru 2nd Road, Sanmin District, Kaohsiung City	07-3127143	07-3215350
0613	Hsingsing Branch	No.133 Minzu 2nd Road, Sinsing District, Kaohsiung City	07-2384611	07-2387374
0624	Lingya Branch	No. 261 Cingnian 1st Road, Lingya District, Kaohsiung City	07-3358700	07-3327904
0820	Sandou Branch	No. 142 Singuang Road, Lingya District, Kaohsiung City	07-3349341	07-3336835
0912	Nantze Branch	No. 201 Nanzih Road, Nanzih District, Kaohsiung City	07-3526680	07-3531484

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
1160	Tachang Branch	No. 540 Jiouru 1st Road, Sanmin District, Kaohsiung City	07-3891036	07-3806046
1193	Poai Branch	No. 394 Yucheng Road, Zuoying District, Kaohsiung City	07-5567690	07-5562613
1595	Hsiaokang Branch	No. 410 Hongping Road, Siaogang District, Kaohsiung City	07-8010399	07-8066029
1919	Kaohsiung Airport Branch	No. 2 Jhongshan 4th Road Siaogang District, Kaohsiung City	07-8017564	07-8022004
2547	Cianjin Branch	No. 259 Jhongjheng 4th Rd., Cianjin District, Kaohsiung City	07-2413200	07-2414519
2558	North Kaohsiung Branch	No. 106 Bo-ai 2nd Rd., Zuoying District, Kaohsiung City	07-5581900	07-5583917
2569	Chenggong Branch	No. 261 Chenggong 1st Rd., Cianjin District, Kaohsiung City	07-2512031	07-2517471
2248	Gaorong Branch	No. 415 Chongsin Rd., Zuoying District, Kaohsiung	07-3432258	07-3431198
2710	Wufu Branch	No. 52 Sihwei 2nd Road, Lingya District, Kaohsiung City	07-7271606	07-7271617
0255	Fengshan Branch	No. 20 Caogong Road, Fongshan City, Kaohsiung County	07-7416131	07-7433478
0602	Kangshan Branch	No. 16 Shoutian Road, Gangshan Township, Kaohsiung County	07-6216141	07-6214853
1182	Wuchia Branch	No.168 Wujia 2nd Road, Fongshan City, Kaohsiung County	07-7170730	07-7233469
1207	Chungchuang Branch	No. 339 Fongping 1st Road, Daliao Township, Kaohsiung County	07-7038838	07-7038964
2215	Kaohsiung Science Park Branch	1F No. 82 Luke 5th Rd., Lujhu Township, Kaohsiung County	07-6955268	07-6955278
0174	Pingtung Branch	No. 43 Jhongshan Road, Pingtung City, Pingtung County	08-7328141	08-7322309
0886	Chaochou Branch	No. 13-2 Sinsheng Road, Chaozhou Township, Pingtung County	08-7883084	08-7883614
1551	Tungkang Branch	No. 114 Jhongjheng Road, Donggang Township, Pingtung County	08-8323131	08-8352545
1609	Chungping Branch	No. 9 Jhonghua Road, Pingtung City, Pingtung County	08-7677001	08-7320199
1768	Yenpu Branch	No. 37 Shengli Road, Yanjhong Village, Yanpu Township, Pingtung County	08-7932111	08-7932091
1805	Hsinyuan Branch	No. 65 Sianji Road, Sianji Village, Sinyuan Township, Pingtung County	08-8687705	08-8687505

CODE	OFFICE	ADDRESS	TELEPHONE	CODE
Eastern Area				
0222	Ilan Branch	No. 1 Sec. 3 Jhongshan Road, Yilan City, Yilan County	03-9355121	03-9355822
0587	Lotung Branch	No. 93 Gongjheng Road, Luodong Township, Yilan County	03-9576866	03-9560622
0897	Suao Branch	No. 97 Sec. 1 Jhongshan Road, Su-ao Township, Yilan County	03-9962566	03-9963370
0233	Taitung Branch	No. 313 Jhongshan Road, Taitung City, taitung County	089-324201	089-311608
0185	Hualien Branch	No. 3 Gongyuan Road, Hualien City, Hualien County	03-8322151	03-8322404
2570	North Hualien Branch	No. 61 Guangfu St., Hualien City, Hualien County	03-8361163	03-8361165
Islands outside of Taiwan				
0244	Penghu Branch	No. 24 Ren-ai Road, Magong City, Penghu County	06-9279935	06-9272347
0381	Kinmen Branch	No. 4 Fusing Road, Jinhua Township, Kinmen County, Fuchien Province	082-333711	082-333719
0392	Matsu Branch	No. 257 jieshou Village, Nangan Township, Lienchiang County, Fuchien Province	083-626046	083-625801

II. Overseas Units



Branch	Address	Telephone	SWIFT	FAX
New York Agency	100 Wall Street, 11th Floor New York, NY 10005 U.S.A.	1-212-968-8128	BKTWUS33	1-212-968-8370
Los Angeles Branch	601 S. Figueroa Street, Suite 4525 Los Angeles, CA 90017 U.S.A.	1-213-629-6600	BKTWUS6L	1-213-629-6610
Hong Kong Branch	23/F., Central Tower, 28 Queen's Road Central, Central, Hong Kong	852-2521-0567	BKTWHKHH	852-2869-4957
Singapore Branch	80 Raffles Place #28-20 UOB Plaza 2 Singapore 048624	65-6536-5536	BKTWSGSG	65-6536-8203
Tokyo Branch	7F, Fukoku Seimei Building, 2-2 Uchisaiwaicho 2-Chome Chiyoda-Ku, Tokyo 100-0011, Japan	81-3-3504-8881	BKTWJPJT	813-3504-8880
South Africa Branch	No. 11, Cradock Ave. Rosebank 2196, Johannesburg, South Africa	27-11-880-8008	BKTWZAJJ	27-11-447-1868
London Branch	Level 5, City Tower, 40 Basinghall Street, London, EC2V 5DE, U.K.	44-20-7382-4530	BKTWGB2L	44-20-7374-8899
Shanghai Representative Office	21st Floor 168 Yincheng Zhong Road Pudong Shanghai P.R.C. 200120	86-21-5116 7168		86-21-5116-7116

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