



Taiwan Financial Holdings

2009 ANNUAL REPORT

2009

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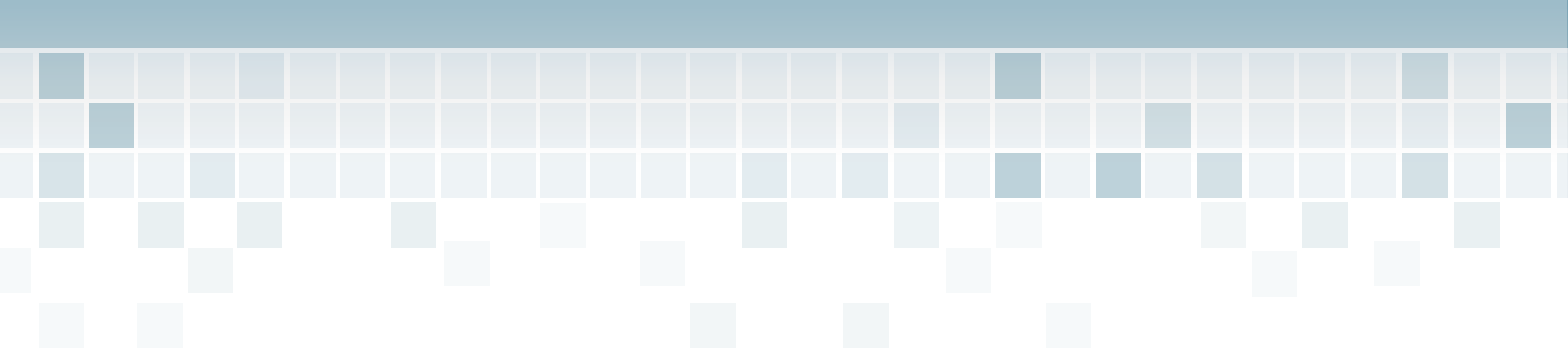
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TAPPING SYNERGIES
BECOMING THE BEST



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Depth

through cultivation of our local roots.



I. Message to Shareholders



Chairperson
Susan S. Chang

The global financial environment in 2009 was extremely challenging. To mitigate the impact of the financial tsunami and accelerate the process of economic recovery, governments around the world adopted strong fiscal measures and easy monetary policies that began generating incipient signs of economic recovery in the latter half of the year. Nevertheless, the impetus for economic growth in the world's major economies remained weak, and reforms in the international financial system kept going on. As a result the global economic recovery was weak, and the severe economic blow sustained throughout the world placed immense strain on Taiwan's export-driven economy. Export orders and industrial production fell off a cliff, putting a damper on personal consumption expenditures and investments. Fortunately, however, the government sprang into action, implementing a series of economic stimulus measures while moving at the same time to bring Taiwan more closely in step with the global economy. Economic growth improved each quarter, eventually posting positive growth of 9.22% in the fourth quarter. Quite clearly, amidst a chorus of urgent calls for reform, Taiwan's economy has emerged from the worst of the crisis.

The strength of national economic recovery is very closely linked to the availability of financing. Throughout the baptism of the global financial tsunami, Taiwan Financial Holdings (TFH) worked assiduously in support of the government's efforts to facilitate industrial upgrading and enhance the growth potential of the nation's economy. In addition, to fulfill the social responsibilities and carry on the mission that fall upon it as a state-run financial holding company, TFH took vigorous action to strengthen its business, build out its legal compliance environment and basic infrastructure, capitalize on every opportunity for business growth, adopt management techniques that have proven successful at international financial institutions, integrate the management of group resources, become the first financial holding company in Taiwan to achieve complete group wide integration of resources, actively innovate, and work hard to build up its business. The group's after-tax earnings in 2009 came to NT\$8.719 billion. This number, which increases to NT\$17.6 billion after factoring out the burden of supporting government policy, is the second-highest among Taiwan's 15 financial holding companies, and each of the group's subsidiaries has performed above par, turning in outstanding numbers in all of our major lines of business—corporate finance, wealth management, life insurance, underwriting, and brokerage services. Moreover, our subsidiaries have been formally recognized for their excellence on numerous occasions. The Chinese-language *Global Views Monthly*, for example, has ranked the Bank of Taiwan (BOT) No.1 among "Wealth Management Banks with the Best Image" for two years running, while BankTaiwan Life Insurance (BTLI) is tops in the industry for long-term life insurance policy 13-month and 25-month persistency. For TFH to win such distinctions within the first two years after its founding is simply an outstanding achievement. In this report we present the 2009 operating results, 2010 business plans, and strategies for future development of TFH and its subsidiaries.

1. 2009 Operating Results

(1) Economic and Financial Conditions at Home and Abroad

On the international front, continued worsening of the global financial crisis, sharply declining housing prices in some developed economies, and continued high prices for oil and other commodities, triggered a severe recession that stretched across the globe. *Global Insight* reported that the global economy contracted by 1.9% in 2009, while it expected a return to positive growth of 3.2% in 2010.

Domestically, the sudden freeze in international economic conditions placed immense strain on Taiwan's trade-dependent economy. Exports declined as overseas orders fell off a cliff, and this weighed heavily on economic activity. Fortunately, however, the economy began emerging from the crisis in the latter half of the year thanks to a series of government stimulus measures, including consumer vouchers, low-interest housing loans, tax cuts, tax exemptions, and jobs programs. The Directorate-General of Budget, Accounting and Statistics reports that Taiwan's economy contracted by 1.87% in 2009, and expects positive growth of 6.14% in 2010.



President
Fu-Chi Tsai

(2) Corporate Reorganization

TFH was established by the Bank of Taiwan in a share swap on 1st January 2008 in accordance with the provisions of the *Financial Holding Company Act*, the *Company Act*, and other applicable laws and regulations. With authorized capital of NT\$90 billion, the company is Taiwan's first wholly state owned financial holding company. Then on the following day (2nd January), BOT spun off its securities and insurance operations to form two separate TFH subsidiaries —BankTaiwan Life Insurance Co., Ltd. (BTLI) and BankTaiwan Securities Co., Ltd. (BTS) — and became Taiwan's 15th financial holding company, with three wholly owned subsidiaries in banking, life insurance and securities.

The Bank of Taiwan, TFH's principal subsidiary, was established on 20th May 1946 with capital contributed by the National Treasury Agency. On 1st July 2003 it was reorganized as a company limited by shares, and on 16th September 2004 became a public company. Thereafter, in order to coordinate with the government's financial reform policies, the bank on 1st July 2007 merged with Central Trust of China. As of the end of Year 2009, the bank held 12.32% of all deposits in Taiwan

and accounted for 10.54% of loans, topped among domestic commercial banks on both counts, and with assets of US\$110.8 billion stood at No. 132 in the world on a list of the world's largest 1,000 banks published in the July 2009 issue of *The Banker Magazine*.

(3) Business Plan and Strategy

i. TFH

- (a) Adopted a group wide business development roadmap that includes both a short-term focus on reaping the benefits of group synergy and a mid-term focus on developing into a first-class financial holding company.
- (b) Introduced advanced business management techniques already employed overseas by leading financial holding companies, and adopted a target management mechanism, thereby enabling the group subsidiaries to perform excellently in corporate finance, wealth management, life insurance, underwriting, and brokerage services.
- (c) Established a mechanism for integration of group wide front- and back-office resources, to enable coordinated management over the business opportunities generated by the front-office sales force of our subsidiaries, while all back-office operations that are similar in nature can be taken care of via a single platform. This setup enabled the group to tap into cross-selling synergies and cut costs.
- (d) Laid the foundation for long-term organizational development and future strategic decisions by registering for a public share offering on 17th November 2009 and establishing internal control, internal audit, and accounting systems geared to the needs of a public company.

ii. BOT

BOT held deposits of NT\$3.20 trillion, had outstanding loans of NT\$1.98 trillion, and its foreign exchange business amounted to US\$183 billion. The non-performing loan (NPL) ratio stood at 1.03%, the NPL coverage ratio was 60.46%, and the BIS ratio was 11.89%.

iii. BTLI

At BTLI, first-year premium income came to NT\$31.1 billion, continued premium income was NT\$12.4 billion, gross premium income was NT\$43.5 billion, the NPL ratio was 0.58%, the NPL coverage ratio was 235.96%, 13-month, 25-month persistency ratio was 99.33%, 95.26% and the RBC ratio was 252.52%.

iv. BTS

At BTS, securities brokerage volume came to NT\$620.8 billion, average outstanding margin positions stood at NT\$1.01 billion, dealing amounted to NT\$1.86 billion and the BIS ratio was 679%.

(4) Budget

i. Budgeted and Actual Figures for 2009 (TFH):

Unit: NT\$1,000

Item	Actual	Budgeted	Budget Achievement Rate (%)
Net Revenues	107,195,815	73,625,735	145.60
Expenses and Losses	98,510,562	67,288,347	146.40
EBT From Continuing Operations	8,685,253	6,337,388	137.05
Net Earnings	8,719,449	5,829,254	149.58
Earnings Per Share (NT\$)	0.97	0.65	149.23

ii. Budgeted and Actual Figures for 2009 (TFH Subsidiaries)

Unit: NT\$1,000

Subsidiary	Net Earnings	Budgeted Net Earnings	Budget Achievement Rate (%)
BOT	8,117,131	7,910,006	102.62
BTLI	521,341	(1,951,214)	From loss to profit
BTS	160,759	30,434	528.22

(5) Revenues/Expenditures and Profitability

Company	EBT from Continuing Operations (NT\$1,000)	Net Earnings After Tax (NT\$1,000)	Earnings Per Share After Tax (NT\$)	Net Earnings Rate (%)	ROA (%)	ROE (%)
TFH and Subsidiaries, Consolidated	8,685,253	8,719,449	0.97	8.13	0.22	3.67
TFH only	8,695,396	8,719,449	0.97	99.14	3.59	3.67
BOT	8,598,338	8,117,131	1.80	26.98	0.22	3.50
BTLI	2,793	521,341	0.87	1.23	0.24	15.56
BTS	187,957	160,759	0.54	32.14	3.57	5.14

(6) Research and Development

TFH and its subsidiaries engaged in the following R&D activities in 2009:

i. TFH

- Actively sought to establish strategic partnerships with international financial groups; set an industry precedent in Taiwan by cooperating through mutual credit-granting mechanism; entered into strategic partnerships with international banks specialized in asset management; adopted business management techniques from developed countries; increased the pace of efforts to internationalize the TFH group.
- Introduced a corporate governance mechanism; commissioned the Taiwan Corporate Governance Association (TCGA) to conduct a corporate governance assessment; actively sought to improve our corporate governance on the basis of TCGA's findings and suggestions.

- (c) Strengthened our research and development capacity; explored the feasibility of establishing asset management, investment trust, property and casualty insurance, and insurance broker subsidiaries to expand the group's business range and establish strategic market presence.

ii. BOT

- (a) Continued to strengthen our capacity for analysis of domestic and international economic and financial conditions and specific industries; issued publications as well as periodical and non-periodical reports focusing on economic and financial topics, to serve as reference for TFH business units in their efforts to expand business and provide guidance to customers.
- (b) Continued to research financial innovation; encouraged employees to put forward suggestions, initiate their own research, and travel abroad for educational opportunities.

iii. BTLI

- (a) Strengthened our actuarial models; established an operating environment for our life insurance market risk management system, and a base platform for our A/L, and cash flow evaluation system.
- (b) Responded to market needs by launching 15 new insurance products during the year; worked steadily to innovate product strategy and gained more competitive advantages in the market.

iv. BTS

- (a) Built up a corps of securities and futures professionals through outside hiring and internal training; dispatched personnel to take part in pre-job and on-the-job training.
- (b) Established and upgraded securities-related system functions; strengthened business management; perfected customer service.

2. 2010 Business Plan

(1) Business Strategy

- i. Continue implementing group resource integration plan; build out cross-selling infrastructure; make effective use of group resources to tap into group synergies.
- ii. Build out back-office platform for integrated management of group information, procurement, properties, and financial and economic information; use integrated group wide management and professional specialization to reduce costs and improve efficiency.
- iii. Oversee the implementation of TFH subsidiary business plans and business targets; improve subsidiary cross-selling and performance evaluation system to better overall management outcomes.
- iv. Establish strategic partnerships with foreign investors; use resource sharing as a vehicle for acquiring skills in product development, distribution strategies from abroad and overseas M&A to

Message to Shareholders

increase the steps toward internationalization.

- v. Formulate professional development program; establish a group wide human resource management platform and exchange mechanism; cultivate the talent needed for cross-sector management; tap into human resource synergies.

(2) Business Targets

We step toward the leading state-run financial holding company based on the strategy in pragmatic operation, prudential growth, dedicating in professional management, extending operational targets, exerting benefits of diversification.

Unit: NT\$1,000 (USD1,000 for Foreign Exchange)

Subsidiary	Line of Business	Target for 2010
BOT	Lending	1,814,000,000
	Deposit Taking	2,430,000,000
	Foreign Exchange	97,000,000
BTLI	Premium Income	38,405,665
BTS	Brokerage	406,000,000
	Underwriting	600,000
	Dealing	1,900,000

(3) Important Management Policies

i. Establish Integrated Platforms, Reap Benefits of Synergy

Use TFH resource sharing and business cooperation mechanisms to provide customers with integrated financial services, create cross-selling synergies, improve penetration rate of group products, grow our life insurance and securities businesses, and develop multiple profit engines.



TFH's chairperson Susan S. Chang was elected the chairperson of Asian Bankers Association(ABA).

ii. Optimize Asset Allocations, Improve Financial Performance

Take advantage of M&A and investment opportunities; actively evaluate and seek out appropriate takeover targets and win government support for efforts to add financial institutions with complementary businesses to the group; create economies of scale and scope.

iii. Strengthen Risk Management, Consolidate Basis of Business

Establish an independent, effective mechanism for integrated risk management; dynamically review and revise risk management bylaws; improve management of interested-party transactions and major risk exposures; update internal control procedures in a timely manner; improve the group's risk management capacity.

iv. Accelerate Steps to Establish International Presence, Expand the Group's Business Range

Take advantage of the development of cross-strait financial ties by obtaining permission for BOT to upgrade its Shanghai representative office to a full branch; accelerate efforts to make inroads into overseas markets by means of tie-ups or strategic investments; capitalize on the group's strengths in corporate finance, consumer finance, and personal financial planning to expand our business and create greater profit potential.

v. Improve Business Management, Tap Into the Enterprise Value of TFH

Promote group wide human resource exchange, carry out professional development program in order to cultivate the talent needed for diversification, build up the group's human resources, and become more competitive; use information technology to innovate operating procedures and services, and prevent the group's products from becoming indistinguishable from those of competitors.

vi. Fulfill Corporate Social Responsibility, Optimize Group Image

Support government to achieve its policy objectives, integrate group resources, and hold promotions for civil services such as "Corporate Integrity Performance"; take advantage of public service activities to communicate our corporate philosophy, tap into the power of a major state-run financial holding company, continue contributing to our community and fellow citizens, and deliver satisfaction to customers, employees, and shareholder.

3. Development Strategies

- (1) Formulate internal and external growth strategies; create greater economies of scale and scope.
- (2) Improve TFH group's cooperative marketing mechanism, develop multiple profit engines.
- (3) Further develop the shared operations platform, reap the synergistic benefit of lower costs.
- (4) Establish financial management platform, achieve better returns on capital.
- (5) Strengthen TFH group's risk management mechanism, consolidate its core competencies.
- (6) Accelerate deployment for internationalization; develop into a top Asia-Pacific financial holding company.

4. Impact of Competition, Legal and Regulatory Environments, and Economic Conditions

- (1) The gradual recovery of the global economy and the strengthening of cross-strait economic and trade relations are attracting back to Taiwan the capital that foreign investors and enterprises had parked overseas. Meanwhile, the government has continued to increase its public works spending to bolster domestic demand. For these reasons, we expect Taiwan's economy to continue improving, which should generate growth opportunities in the financial sector.



- (2) Rapid growth in emerging markets is fueling international economic recovery. The economies of the Asia-Pacific region are the subject of particularly close scrutiny, for they will drive the overseas expansion strategies of financial institutions.
- (3) Finalization of the cross-strait Memorandums of Understanding (MOUs) for financial supervisory cooperation, and the launch of consultations on a cross-strait Economic Cooperation Framework Agreement (ECFA), are a boost to the plans of financial institutions to establish themselves in the Asia-Pacific region. In addition, mainland Chinese banks are set to gain admission to the market in Taiwan, which poses both opportunities and challenges to our financial institutions.
- (4) The global financial tsunami has trained a spotlight on the importance of risk management. In order to bolster their businesses, financial institutions will be taking active steps to strengthen their risk management, liquidity management, and capital adequacy ratios, and will be paying greater attention to safeguarding consumer interests.

5. Credit Ratings

The most recent credit ratings for our subsidiaries BOT and BTS are shown in the following table:

Subsidiary	Rating Agency	Assigned Rating		Outlook	Last Rating
		Long-Term Credit	Short-Term Credit		
BOT	S & P	A+	A-1	Stable	Oct. 2009
	Moody's	Aa3	P-1	Stable	Oct. 2009
	Taiwan Ratings	twAAA	twA-1+	Stable	Oct. 2009
BTS	Fitch	AA+(tw)	F1+(tw)	Stable	Jun. 2009

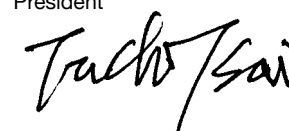
Looking ahead to 2010, it appears that the global economy is gradually moving toward a recovery. For Taiwan's domestic economy, this should translate into steadily growing foreign trade, which will in turn drive personal consumption expenditures and investments. In addition, the government will continue following a pragmatic approach to macroeconomic issues, taking measures to expand domestic demand, developing six major emerging industries, and easing restrictions on cross-strait economic and trade relations, and these factors are expected to provide a certain degree of economic stimulus. In addition, Taiwan and mainland China can be expected to sign an ECFA and continue with other consultations that will take cross-strait economic and financial cooperation to a higher level and facilitate the plans of Taiwanese financial institutions to embark upon the mainland market and expand services to Taiwan-invested enterprises there. This in turn should help them accelerate moves to establish a greater presence throughout the Asia-Pacific region.

With the global economic order in a state of flux, the financial system has a more important role than ever to play. TFH will coordinate closely with government financial and economic policies, and lend its support to industrial recovery and economic stimulus. In addition, TFH will also keep in synch with international financial trends, anticipate global economic developments, and actively capitalize on the opening up of cross-strait financial cooperation. The group will also make a concerted effort to improve its business results, shore up the foundations of its business, and parlay a reinforced innovative capacity into strong business performance. That is how we intend to provide the powerful financial intermediation that is to be expected of a state-run financial holding company, while at the same time serving the public interest and contributing to further economic development.

Chairperson



President



II. Company Profile

1. Date of Establishment: 1st January 2008

2. Brief History

(1) M&A and Related Subsidiaries

At a Cabinet meeting on 15th August 2007, Taiwan's premier issued instructions to begin preparations for establishment of Taiwan Financial Holding Co., Ltd. (TFH), and on 1st January 2008 TFH was established (in accordance with the provisions of the *Financial Holding Company Act*, the *Company Act*, and other applicable laws and regulations) as Taiwan's first state-run financial holding company by the Bank of Taiwan in a share swap. On the following day (2nd January), the Bank of Taiwan spun off its securities and life insurance businesses to create group subsidiaries BankTaiwan Life Insurance and BankTaiwan Securities, thus bringing into existence Taiwan's first wholly government-owned financial holding company, with three wholly owned subsidiaries.

The "*Act of the Taiwan Financial Holding Company*" (promulgated by the president on 26th November 2008, and entered into force retroactively from 1st January 2008) provided a complete set of statutory procedures for the company's establishment, and empowered TFH to take over other financial institutions through M&A deals in accordance with the provisions of the "*Financial Holding Company Act*."

(2) Mass Transfer or Change of Shares by Directors, Supervisors and Major Shareholders: None

(3) Major Change in Management, Operations or Practices: None

(4) Event Which Has a Material Impact on Shareholders' Equity:

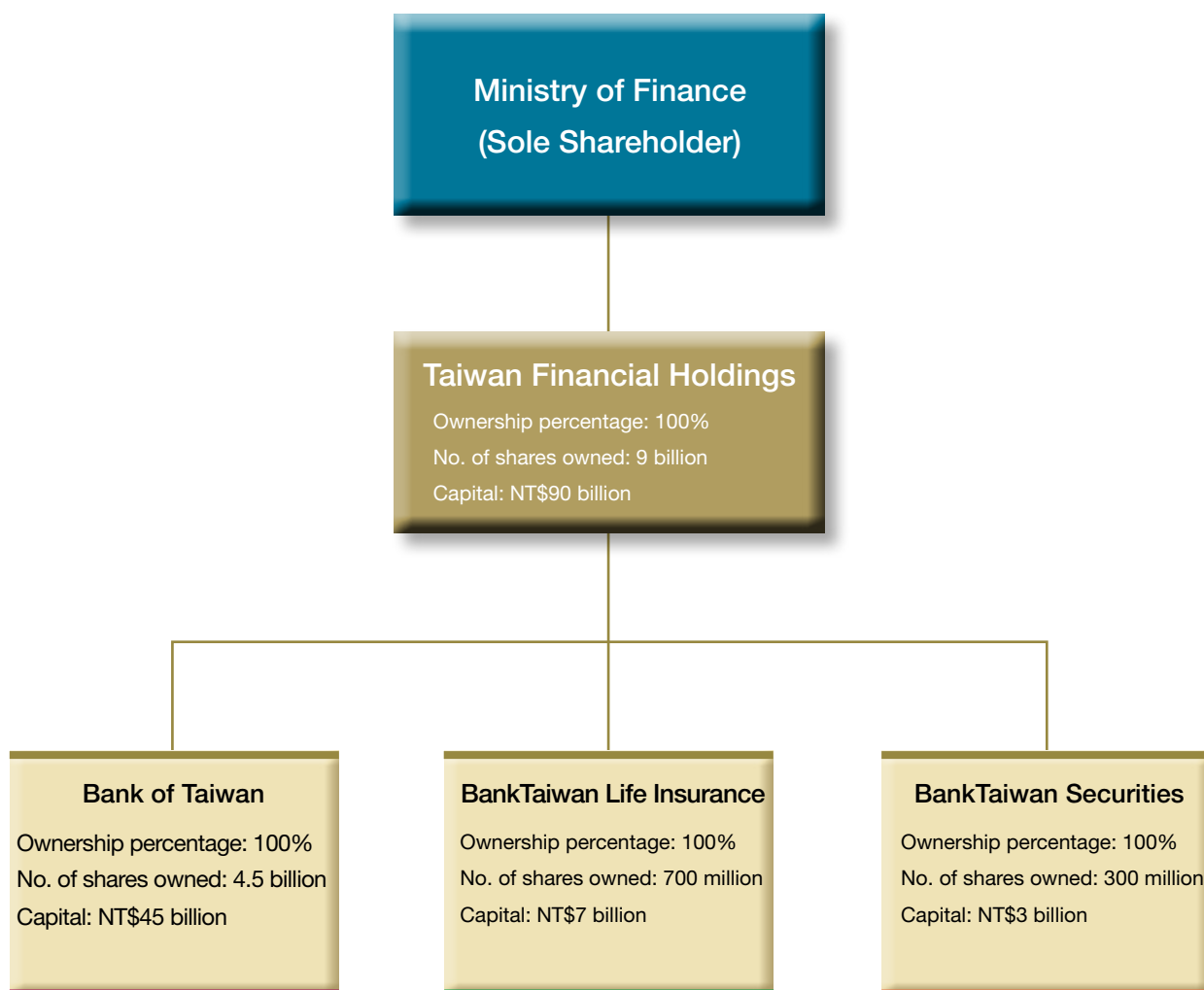
Mr. Fu-Chi Tsai, previous acting executive vice president of BOT, became president of TFH from July 23rd, 2009.

Mr. Tze-Cheng Lo, previous acting president of TFH was relieved of duties at the same day.

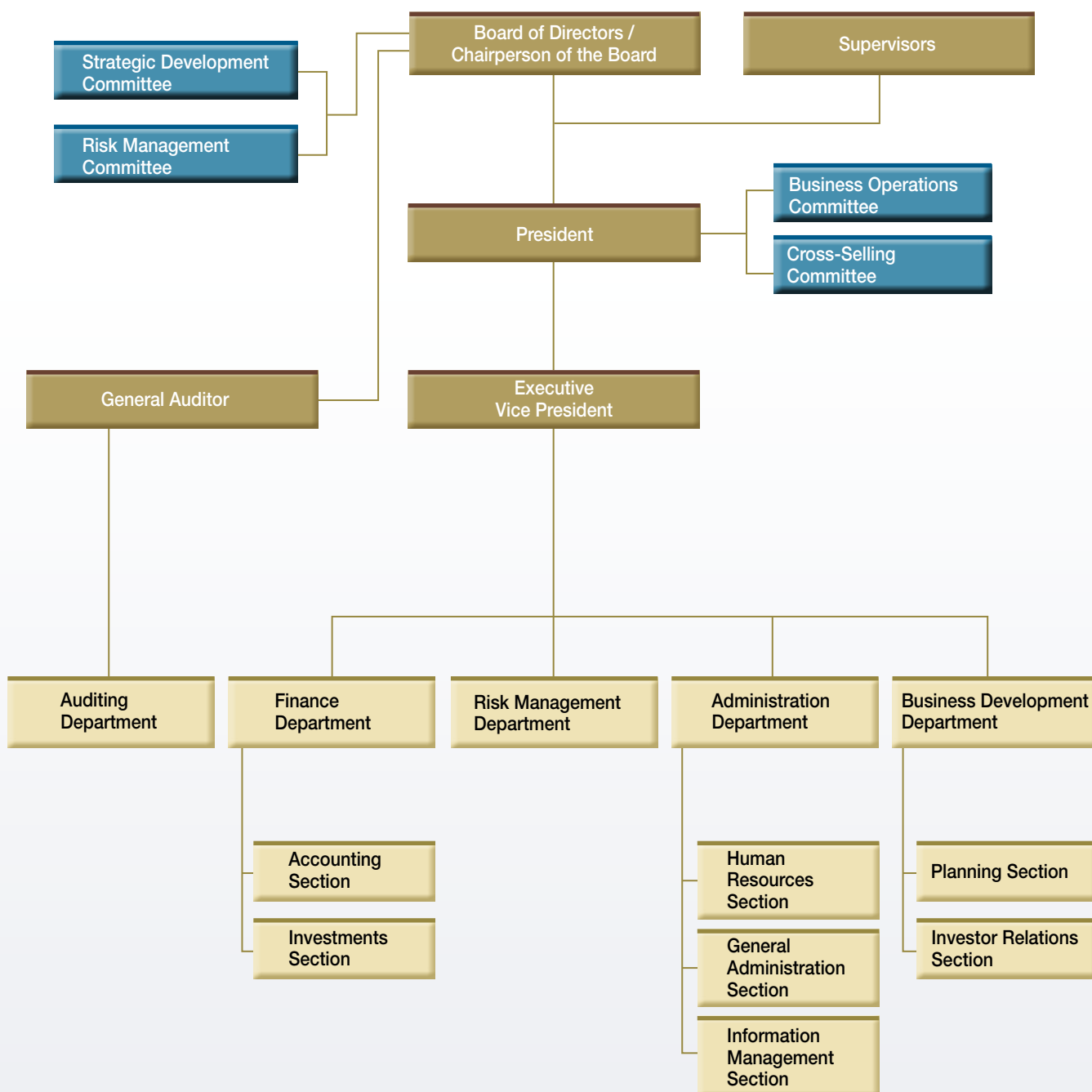
III. Corporate Governance Report

1. Organization System

(1) Chart of Relations Within the TFH Group



(2) Organization Chart



(3) Division of Duties

i. Auditing Department, Board of Directors

Sets up and implements internal controls, supervises internal audits at subsidiaries, evaluates the implementation of internal controls and records its findings, and reports periodically to the Board of Directors and the Supervisors.

ii. Business Development Department

Plans organizational development, business strategies, annual operation guidelines, subsidiary business targets, cross-selling, corporate governance, corporate identity system, institutional investor conferences, credit rating matters and annual reports.

iii. Administration Department

Handles personnel, payroll, ethics matters, legal affairs, share registration, public relation, information disclosure, general office administration, cashier operations, documentation, filing, information systems and systems security maintenance.

iv. Risk Management Department

Sets up risk management systems and contingency plans for TFH and its subsidiaries.

v. Finance Department

Plans and implements groupwide budgets, year-end accounts, accounting systems, groupwide investing, reconciling and distributing of funds.



Corporate Governance Report

2. TFH Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors

As of 31st Mar 2010

Position	Name	Date of Employment	Term of Employment	Date of First Appointment	Shareholding at Time of Appointment	Present Shareholding	Shareholding by Spouse and Dependent Children	Shareholding in the Name of Other People	Education and Career	Positions Currently Held in TFH and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors, or Supervisors		
											Position	Name	Relationship
Chairperson	Susan S. Chang	Jul. 14, 2008	Aug. 30, 2010	Jul. 14, 2008					M.A. in Economics, National Taiwan University Vice-Chairperson, Financial Supervisory Commission (FSC), Executive Yuan Administrative Deputy-Minister, MOF Director-General, National Treasury Agency, MOF Deputy Director General, Bureau of Monetary Affairs, MOF Deputy Director, Department of Monetary Affairs, MOF Deputy Director, Economic Research Department, Council for Economic Planning and Development	Chairperson, Taiwan Financial Holding Co., Ltd. Chairperson, BOT Chairperson, the Bankers Association of the Republic of China Vice Chairperson, Taiwan Financial Service Roundtable Co., Ltd. Director, Joint Credit Information Center Advisor, Taiwan Securities Association Director, Taiwan External Trade Development Council (TAITRA) Director, Taiwan Academy of Banking and Finance (TABF)	-	-	-
Director	Fu-Chi Tsai	Dec. 20, 2008	Aug. 30, 2010	Aug. 31, 2007					Dept. of Business Administration, Feng Chia University Acting President, BOT Acting Executive Vice President, TFH Executive Vice President, BOT	President, Taiwan Financial Holding Co., Ltd. Supervisor, Taiwan Asset Management Corporation (TAMCO)	-	-	-
Director	Jun-Ji Shih	Aug. 31, 2007	Aug. 30, 2010	Aug. 31, 2007					Ph.D. in Economics, National Taiwan University Chairman, FSC, Executive Yuan Commissioner, Fair Trade Commission, Executive Yuan	Research Fellow, Research Center for Humanities and Social Sciences, Academia Sinica	-	-	-
Director	Fu-Chun Chu	Aug. 20, 2008	Aug. 30, 2010	Aug. 20, 2008					M.A. in Economics, National Taiwan University President & Chairman, Taiwan Depository & Clearing Corporation President, Taiwan Stock Exchange	Chairman, BTS Director, Securities & Futures Institute	-	-	-
Director	Fu-Teng Hsieh	Dec. 20, 2008	Aug. 30, 2010	Dec. 20, 2008					M.A. in Accounting, National Chengchi University Comptroller, MOF Vice Comptroller • Comptroller, Ministry of Economic Affairs	President and Director, BTU Advisor, The Life Insurance Association of the Republic of China	-	-	-
Director	Chang-Ming Chen	Dec. 20, 2008	Aug. 30, 2010	Dec. 20, 2008		Shares 100% Owned by MOF			M.A. in Accounting, Mississippi State University, U.S.A. Executive Vice President, EnTie Commercial Bank	President and Director, BTS	-	-	-
Director	Kuo-Ching Chang	Feb. 20, 2009	Aug. 30, 2010	Feb. 20, 2009					Dept. of Shipping and Transportation Management, National Taiwan Ocean University Executive Vice President, BOT	Chairman, BTU	-	-	-
Director	Liang Chen	Aug. 19, 2009	Aug. 30, 2010	Aug. 19, 2009					MBA-Finance, Bernard M. Baruch College, CUNY Chairman, Peak Capital Holdings Inc. Head of Asia-Investment Banking, PaineWebber Inc. Vice President, Director-International Investments, Oppenheimer & Co. Senior Associate, Equity Sales and Trading, Smith Barney Inc.	Director and Chairman, Peak Capital Holdings Inc.	-	-	-
Director	Su-Chen Hsieh	Sep. 23, 2009	Aug. 30, 2010	Sep. 23, 2009					Master of Business Administration, St. Edward's University, Austin, Texas U.S.A. Director, Financial Data Center, MOF Section Chief, Tourism Bureau, Ministry of Transportation and Communications Auditor, Securities and Futures Commission, MOF	Director, Second Division of National Treasury Agency, MOF	-	-	-
Director	Chung-Ying Hu	Sep. 23, 2009	Aug. 30, 2010	Sep. 23, 2009					Ph.D. in Geophysics, National Central University Counselor, Council for Economic Planning & Development (CEPD), Executive Yuan Director, Economic Research Department, CEPD, Executive Yuan Director, Sectoral Planning Department, CEPD, Executive Yuan	Vice Chairman, Council for Economic Planning & Development, Executive Yuan Director, Hantech Venture Capital Corporation	-	-	-
Director	Jui-Yun Wu	Dec. 24, 2009	Aug. 30, 2010	Dec. 24, 2009					Ph.D. in Commerce, Kyushu Sangyo University, Japan Commissioner, Central Insurance Committee of Consumers' Foundation, Chinese Taipei	Associate Professor, Dept. of Risk Management & Insurance, Feng Chia University Adjunct Associate Professor, Dept of International Business, Tunghai University	-	-	-

Position	Name	Date of Employment	Term of Employment	Date of First Appointment	Shareholding at Time of Appointment	Present Shareholding	Shareholding by Spouse and Dependent Children	Shareholding in the Name of Other People	Education and Career	Positions Currently Held in TFH and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors, or Supervisors		
											Position	Name	Relationship
Director	Ming-Daw Chang	Jan. 08, 2010	Aug. 30, 2010	Jan. 08, 2010	Shares 100% Owned by MOF				LLM Chinese Culture University Director-General, Banking Bureau, FSC, Executive Yuan Deputy Director-General, Financial Examination Bureau, FSC, Executive Yuan Deputy Director-General, Monetary Affairs, MOF	President and Managing Director, BOT	-	-	-
Independent Director	Chung-Hua Shen	Jan. 01, 2008	Aug. 30, 2010	Jan. 01, 2008					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 Associate Professor - Chairperson, Economics Dept., National Central University	Professor, Dept. of Finance, National Taiwan University Independent Director, BOT Director, Securities & Futures Institute Director, Small and Medium Enterprise Guarantee Fund of Taiwan	-	-	-
Independent Director	Yi-Hsiung Hsu	Mar. 12, 2008	Aug. 30, 2010	Mar. 12, 2008					M.A. in Economics, National Taiwan University Deputy Governor, Central Bank of the Republic of China (Taiwan). Director-General, Dept. of Financial Inspection, Central Bank of the Republic of China (Taiwan).	Independent Managing Director and Director of Audit Committee, BOT	-	-	-
Independent Director	Shu-Hsing Li	Mar. 05, 2010	Aug. 30, 2010	Mar. 05, 2010					Ph. D. in Accounting, New York University, U.S.A. Chairperson and Director-General, Dept. of Accounting, National Taiwan University Member of Listing Reviewing Committee, GreTai Securities Market Director, Accounting Research and Development Foundation	Professor, Dept. of Accounting, National Taiwan University Chair Professor, Dept. of Accounting, Tunghai University Managing Director, Taiwan Accounting Education Association Independent Supervisor, ShareHope Medicine Co., Ltd. Director, PricewaterhouseCoopers Education Foundation Member of Listing Reviewing Committee, Taiwan Stock Exchange Corporation	-	-	-
Supervisor	Jui-Fang Ho	Mar. 13, 2009	Aug. 30, 2010	Mar. 13, 2009					Department of Economics, Fu-Jen Catholic University Executive Secretary, Taxation and Tariff Committee, MOF Deputy Director-General, Training Institute, MOF Deputy Director-General, National Tax Administration of Southern Taiwan Province, MOF	Director-General, Financial Data Center, MOF	-	-	-
Supervisor	Tzu-Hsin Wu	Aug. 25, 2009	Aug. 30, 2010	Aug. 25, 2009					M.A. in Public Finance, National Chengchi University Deputy Director-General, National Taxation Agency, MOF Deputy Director-General, Kaohsiung National Tax Administration, MOF	Chief Secretary, MOF Director, Trade-Van Information Services Co., Ltd.	-	-	-
Supervisor	Yeong-Chwan Hwang	Sep. 23, 2009	Aug. 30, 2010	Sep. 23, 2009					Master of Accounting, Soochow University Senior Specialist, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Director, Accounting Office, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	Comptroller, Dept. of Accounting, MOF	-	-	-
Supervisor	Kuei-Sun Wu	Sep. 23, 2009	Aug. 30, 2010	Sep. 23, 2009					Master of Business Administration, National Taiwan University Section Chief - Auditor and Deputy Director, Dept. of Accounting, Central Bank of the Republic of China (Taiwan)	Director-General, Dept. of Accounting, Central Bank of the Republic of China (Taiwan)	-	-	-

i. Main Shareholders of Institutional Shareholders

As of 31st March 2010

Name of Institutional Shareholder	Main Shareholders of Institutional Shareholders
MOF	Government Agency (Stake: 100%)

ii. Professional Qualifications and Independence of Directors and Supervisors

As of 31 March 2010

Name	Conditions	5 Years Work Experience Plus the Following Professional Qualification			Qualifies as Independent (see note)										Number of Independent Directorship at Other Public Listed Companies
		Business, Legal Affairs, Finance, Accounting, or Lectureship or Above in a Discipline Needed for TFH's Business at a Public or Private University or College	Judge, Prosecutor, Attorney, CPA, or Professional or Technical Certification Awarded After National Testing in a Discipline Needed for TFH's Business	Work Experience in Business, Legal Affairs, Finance, Accounting, or Other Discipline Needed for TFH's Business	1	2	3	4	5	6	7	8	9	10	
Susan S. Chang				v	v		v	v	v	v	v	v	v		0
Fu-Chi Tsai				v			v	v	v	v	v	v	v		0
Jun-Ji Shih				v	v		v	v	v	v	v	v	v		0
Fu-Chun Chu				v	v		v	v	v	v	v	v	v		0
Fu-Teng Hsieh				v			v	v	v	v	v	v	v		0
Chang-Ming Chen				v			v	v	v	v	v	v	v		0
Kuo-Ching Chang				v	v		v	v	v	v	v	v	v		0
Liang Chen				v	v		v	v	v	v	v	v	v		0
Su-Chen Hsieh				v	v		v	v		v	v	v	v		0
Chung-Ying Hu					v		v	v	v	v	v	v	v		0
Jui-Yun Wu	v				v		v	v	v	v	v	v	v		0
Ming-Daw Chang				v			v	v	v	v	v	v	v		0
Chung-Hua Shen	v				v	v	v	v	v	v	v	v	v	v	1 (BOT)
Yi-Hsiung Hsu				v	v	v	v	v	v	v	v	v	v	v	1 (BOT)
Shu-Hsing Li	v				v	v	v	v	v	v	v	v	v	v	0
Jui-Fang Ho				v	v		v	v		v	v	v	v		0
Tzu-Hsin Wu	v				v		v	v		v	v	v	v		0
Yeong-Chwan Hwang	v		v	v	v		v	v		v	v	v	v		0
Kuei-Sun Wu				v	v		v	v	v	v	v	v	v		0

Note: Check "V" in the space below the code number for which the director or supervisor conforms for the period of 2 years prior to appointment and during period of appointment.

1. Not an employee of the company or any of its related enterprises.
2. Not a director, supervisor of the company or any of its related enterprises (however, that this does not apply in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.)
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or that holds shares ranking in the top 5 in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business dealings with the company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
8. Not the spouse of, or related within the second degree of kinship to, another director.
9. Not conforming to any of the conditions listed in *Article 30 of the Company Act*.
10. Not having been elected as a government agency or juristic person, or as a representative thereof, as provided for in *Article 27 of the Company Act*.

(2) President, Vice-presidents and Department Heads

As of 31st March, 2010

Position	Name	Date of Employment	Shares Held	Shares Held by Spouse and Dependent Children	Share Held in Name of Others	Education and Career	Positions Held with Other Companies	Spouse or Relative within 2 Tiers in TFH as a Manager		
								Position	Name	Relationship
President	Fu-Chi Tsai	Jul.23, 2009				Dept. of Business Administration, Feng Chia University Acting President, BOT Acting Executive Vice President, TFH Executive Vice President, BOT	Supervisor, Taiwan Asset Management Corporation (TAMCO)	-	-	-
Executive Vice President	Su-Tien Chen	Apr.16, 2009				M.A. in Public Finance, National Chengchi University SVP & General Manager, Department of International Banking, BOT SVP and General Manager, Department of Treasury, BOT SVP and General Manager, Offshore Banking Branch, BOT	Director, United Taiwan Bank S.A.	-	-	-
General Auditor	Cheng-Ho Chiang	Jul.16, 2009				Dept. of Accounting, Fu Jen Catholic University Director, Financial Examination Bureau, FSC, Executive Yuan Director, Bureau of Monetary Affairs, MOF		-	-	-
SVP & Chief Secretary	Shu-Jen Chen	Aug.01, 2009				M.A. in Political Science, College of Social Sciences, National Taiwan University Senior Secretary, FSC, Executive Yuan Chief, National Treasury Agency, MOF Secretary, Bureau of Monetary Affairs, MOF	Senior Vice President, Secretariat, Board of Directors, BOT	-	-	-
SVP & General Manager	Lih-sheue Tsai	May.15, 2009				M.A. in Finance, Ming Chuan University SVP & Chief Secretary, TFH VP & Deputy Chief Secretary, BOT Assistant Vice President & General Manager, Hsighih Branch, Land Bank of Taiwan	Supervisor, BTLI	-	-	-
SVP & General Manager	Man-yi Chu	May.15, 2009				M.A. in Business Administration, National Taiwan University SVP & Deputy General Manager, Information Management Office, BOT General Manager, Department of Information Management, Central Trust of China		-	-	-
SVP & General Manager	Lily Lee	Jul.15, 2009				M.A. in International Trade, National Chengchi University Deputy General Manager, Dept. of Domestic Operations, BOT Deputy General Manager, Dept. of Risk Management, BOT	SVP & General Manager, Dept. of Risk Management, BOT	-	-	-
SVP & General Manager	Shiou-Jsu Yeh	Jul.24, 2008				Dept of Business Administration, National Taiwan University SVP & General Manager, Dept. of Treasury, BOT SVP & General Manager, New York Agency, BOT	SVP, Dept. of Treasury, BOT	-	-	-

100% of shareholding : MOF

(3) Analysis on the ratio of the payment to the directors, supervisors, president and executive vice president to earnings after taxes of TFH and all its subsidiaries. Briefly describe the correlation between policy, criteria, combination, procedure of setting the remuneration and the management performance.

MOF owns 100% of TFH's shares. Therefore, this item does not apply to TFH.

(4) Correlation between the remuneration of directors and supervisors, and future risks:

TFH is a state-run company wholly owned by MOF. All the directors and supervisors are assigned by MOF (including independent directors). The remuneration is governed by existed regulations. TFH cannot decide the remunerations of its directors and supervisors, and, therefore, cannot set up remuneration committee.

3. Implementation of Corporate Governance

(1) Operations of the Board of Directors

The Board of Directors met 16 times (denoted as "A" in the following table) in 2009, with attendance as shown:

Position	Name	Attendance in person (B)	Proxy Attendance	Actual Attendance Rate (B/A) (see note)	Remarks
Chairperson	Susan S. Chang	16	0	100.00	Appointed 14th Jul. 2008
Director	Tse-Cheng Lo	7	1	87.5	Appointed 31st Aug. 2007 Appointment ended 23rd Jul. 2009 (should attend 8 times)
Director	Fu-Chi Tsai	16	0	100.00	First appointed 31st Aug. 2007 Appointment ended 1st Jan. 2008 Reappointed 20th Dec. 2008
Director	Jun-Ji Shih	10	6	62.5	Appointed 31st Aug. 2007
Director	Fu-Chun Chu	15	1	93.75	Appointed 20th Aug. 2008
Director	Fu-Teng Hsieh	14	1	87.5	Appointed 20th Dec. 2008
Director	Chang-Ming Chen	15	1	93.75	Appointed 20th Dec. 2008
Director	Wei-Hao Ting	1	0	100.00	Appointed 1st Jan. 2008 Appointment ended 20th Feb. 2009 (should attend 1 time)
Director	Kuo-Ching Chang	15	0	100.00	Appointed 20th Feb. 2009 (should attend 15 times)
Director	Liang Chen	5	0	100.00	Appointed 19th Aug. 2009 (should attend 5 times)
Director	Su-Chen Hsieh	4	0	100.00	Appointed 23rd Sep. 2009 (should attend 4 times)
Director	Chung-Ying Hu	3	1	75.00	Appointed 23rd Sep. 2009 (should attend 4 times)

Position	Name	Attendance in person (B)	Proxy Attendance	Actual Attendance Rate (B/A) (see note)	Remarks
Director	Frank Kuen-Bao Ling	9	6	60.00	Appointed 21st Dec. 2007 Appointment ended 16th Dec. 2009 (should attend 15 times)
Director	Jui-Yun Wu	-	-	-	Appointed 24th Dec. 2009 (should attend 0 time)
Independent Director	Chung-Hua Shen	13	1	81.25	Appointed 1st Jan. 2008
Independent Director	Yi-Hsiung Hsu	11	0	68.75	Appointed 12th Mar. 2008
Independent Director	Rong-Ruey Duh	0	2	0.00	Appointed 22nd Oct. 2009 Appointment ended 20th Jan. 2010 (should attend 2 times)

Note: Each person's attendance rate (%) is calculated by dividing the number of board meetings during his/her tenure by the number of meetings attended during that same period.

(2) Participation by Supervisors in Board of Directors Meetings

The Board of Directors met 16 times (denoted as "A" in the following table) in 2009, with attendance as shown:

Position	Name	Meetings Attended (B)	Actual Attendance Rate (B/A) (see note)	Remarks
Supervisor	A-Ting Chou	2	18.18	Appointed 31st Aug. 2007 Appointment ended 25th Aug. 2009 (should attend 11 times)
Supervisor	Chih-Chen Cheng	3	100.00	Appointed 31st Aug. 2007 Appointment ended 13th Mar. 2009 (should attend 3 times)
Supervisor	Jui-Fang Ho	9	69.23	Appointed 13th Mar. 2009 (should attend 13 times)
Supervisor	Tzu-Hsin Wu	5	100.00	Appointed 25th Aug. 2009 (should attend 5 times)
Supervisor	Yeong-Chwan Hwang	4	100.00	Appointed 23rd Sep. 2009 (should attend 4 times)
Supervisor	Kuei-Sun Wu	4	100.00	Appointed 23rd Sep. 2009 (should attend 4 times)
Supervisor	Jung-Fang Chao	4	100.00	Appointed 23rd Sep. 2009 Appointment ended 1st Feb. 2010 (should attend 4 times)

Note: Each person's attendance rate (%) is calculated by dividing the number of board meetings during his/her tenure by the number of meetings attended during that same period.

(3) Items Disclosed in Compliant with the *Corporate Governance Best Practice Principles for the Financial Holding Company*

Items such as TFH's financial, operations, corporate governance, etc. are disclosed on TFH's official website (www.twfhc.com.tw) and Market Observation Post System (newmops.twse.com.tw) in compliant with related regulations.

(4) Corporate Social Responsibility

- i. To support the government's fiscal and economic policies, TFH acted as the main bank to coordinate the redemption of consumer vouchers. Voucher redemption began on 19th January 2009, and by the final day of the redemption period (2nd November 2009), NT\$82.9 billion worth of vouchers (99.6% of all vouchers distributed) had been redeemed. In the process, TFH demonstrated the value of a state-run financial holding company.
- ii. In response to global economic conditions, TFH and the *Economic Daily News* on 14th and 15th May 2009 co-hosted the 2009 International Economic and Financial Forum featuring a keynote address by Dr. Paul Krugman, recipient of the 2008 Nobel Prize in Economics. Attended by over 6,000 people, the event made a meaningful contribution to the development of Taiwan's economy, and of its financial sector in particular.
- iii. In order to do its part for the "Three Supports" policy -- i.e. "government supports banks, banks support enterprises, enterprises support employees" -- TFH organized town meetings throughout Taiwan to familiarize the business community with the policy, and took active steps to help enterprises get through the recession. Indeed, by providing financing that enabled private-sector enterprises to actually achieve growth despite the downturn, TFH was able to fulfill its corporate social responsibility as a state-run financial institution.
- iv. To help the victims of Typhoon Morakot recover from the disaster, TFH took the lead in the financial industry by being the first to donate NT\$20 million to fund recovery efforts. In addition, the chairperson of the Board donated NT\$100,000 of her own money and called on TFH group employees to do likewise, which resulted in a total of NT\$17.3 million in private donations for which the Ministry of Interior awarded a certificate of appreciation. In addition, our employees

organized a team of volunteers to help people in the stricken region clean up their living area. Acts like these are examples how a state-run enterprise devotes itself to the well-being of the whole society.

- v. TFH tapped into the combined resources of the group to carry out a number of public service activities. We sponsored an NBA exhibition game in Taipei, for example, and invited 30 children in the care of the Taiwan Fund for Children and Families to watch the game at the Taipei Arena. We also organized a series of mountain hikes to pick up trash, and donated money to the underprivileged. Our efforts encouraged others to join in. In the process we fulfilled our corporate social responsibility.

(5) Disclosures required under the "Corporate Governance Best-Practice Principles for Financial Holding Companies" were posted on TFH's official website (www.twfhc.com.tw) and Market Observation Post System(newmops.twse.com.tw).

(6) Other material information for enhancing comprehension of corporation governance: None.



(7) Execution of Internal Control

i. Internal Control Statement

On behalf of the Taiwan Financial Holding Company, I the undersigned hereby state that during the period from 1st January 2009 to 31st December 2009 the company faithfully complied with the *Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies*, had an internal control system in place, implemented risk management, had audits performed by an impartial and independent auditing entity, and regularly reported to its Board of Directors and to its supervisors. A careful appraisal indicates that internal controls and legal compliance were properly carried out in all of the company's divisions. This *Internal Control Statement* shall form an integral part of the company's annual report and prospectuses, and shall be made available to the public. Any misrepresentation, concealment, or other illegality in the aforementioned publicly available information shall constitute a violation of *Articles 20, 32, 171, and 174 of the Securities and Exchange Act*.

To:

Financial Supervisory Commission, Executive Yuan


Taiwan Financial Holding Co., Ltd.

11th March, 2010

Chairperson 

President 

General Auditor 

Compliance Officer 

ii. Special Audit Report on Internal Control System by External Auditors: None

(8) Major Resolutions of the Board of the Directors

- i. 19th February 2009, 13th extraordinary meeting of the first session of the Board of Directors
MOF approved dismissal of Wei-Hao Ting as a representative on the Board, and the appointment of Kuo-Ching Chang to replace Wei-Hao Ting.
- ii. 26th February 2009, 18th meeting of the first session of the Board of Directors
Approved the hiring of KPMG Certified Public Accountants to audit and attest TFH's FY 2009 annual financial report and taxes.
- iii. 26th March 2009, 19th meeting of the first session of the Board of Directors
 - (a) MOF approved dismissal of Chih-Chen Cheng as a representative supervisor on the Board, and the appointment of Jui-Fang Ho to replace Chih-Chen Cheng.
 - (b) Approved TFH's FY 2008 Statement on Internal Control.
 - (c) Approved the "Consolidated Income Budget" and the "Plan for Distribution of Profits or Covering of Losses" TFH's FY 2010 budget.
 - (d) Approved proposal for NT\$4.0 billion cash capital increase for subsidiary BTLI, and requests MOF to approve the inclusion of this amount in TFH's 2010 equity investments budget.
 - (e) Approved proposal to relieve Fu-Chi Tsai of his duties as acting executive vice president of TFH, and to appoint Su-Tien Chen to replace him as TFH executive vice president.
- iv. 25th June 2009, 22nd meeting of the first session of the Board of Directors
Approved proposal for retirement of Chung-Hsiung Chen as TFH general auditor, and to appoint Cheng-Ho Chiang as his replacement.
- v. 23rd July 2009, 15th extraordinary meeting of the first session of the Board of Directors
 - (a) Approved appointment of director Susan S. Chang as TFH chairperson of the Board of Directors.
 - (b) Approved proposal to relieve Tse-Cheng Lo of his duties as TFH acting president, and to appoint Fu-Chi Tsai to replace him as TFH president.
- vi. 31st July 2009, 16th extraordinary meeting of the first session of the Board of Directors
Approved roster for the third session of the Board of Directors of subsidiary BOT. (term: 31st July 2009 to 30th July 2012)
- vii. 27th August 2009, 24th meeting of the first session of the Board of Directors
Approved the company's consolidated financial statements for the first half of FY 2009.
- viii. 25th September 2009, 25th meeting of the first session of the Board of Directors
MOF appoints Su-Chen Hsieh and Chung-Ying Hu to represent it on TFH's Board of Directors, and Yeong-Chwan Huang, Kuei-Sun Wu, and Jung-Fang Chao as its representative supervisors.

- ix. 22nd October 2009, 26th meeting of the first session of the Board of Directors
Approved TFH's *Statement on Internal Control* (covering the period from 1st July 2008 to 30th June 2009)
 - x. 26th November 2009, 27th meeting of the first session of the Board of Directors
 - (a) Approved proposal for Fu-Chi Tsai's term as TFH president (appointed by the Executive Yuan as TFH president and originally scheduled for retirement at age 65) to be extended by one year, and for him to continue as acting president of BOT.
 - (b) Approved appointment of Kuo-Yung Chang, manager of the Finance Department's Accounting Section, as TFH chief accounting officer.
 - xi. 24th December 2009, 28th meeting of the first session of the Board of Directors
Ministry of Finance appointed Jui-Yun Wu to represent the Ministry on TFH's Board of Directors.
 - xii. 8th January 2010, 29th meeting of the first session of the the Board of Directors
MOF appointed Ming-Daw Chang to represent the Ministry on TFH's Board of Directors.
 - xiii. 11th February 2010, 30th meeting of the first session of the Board of Directors
Jung-Fang Chao, originally appointed by MOF to represent the Ministry as TFH's supervisors, was relieved of his duties effective 1st February 2010.
 - xiv. 11th March 2010, 31st meeting of the first session of the Board of Directors
 - (a) MOF appointed Shu-Hsing Li as an independent director of TFH.
 - (b) Approved TFH's *Statement on Internal Control*, as well as a list of needed internal control system improvements and a corrective action plan (covering the period from 1st January 2009 to 31st December 2009).
 - (c) Approves the hiring of KPMG to audit and attest TFH's FY 2010 annual financial report and taxes.
- (9) In 2009, or in the current year up through the date of printing of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the content: None

(10) In 2009, or in the current year up through the date of printing of the annual report, list of people related to financial report (including Chairperson, President, Head of Accounting, General Auditor, etc.) who resigned or being relieved of duties:

Position	Name	Date of Appointment	Date of Dismissal	Reason for Resign or Dismissal
President	Tse-Cheng Lo	2008.07.14	2009.07.23	Relieved of Duties by Executive Yuan
General Audit	Chung-Hsiung Chen	2008.01.01	2009.07.16	Retirement
Head of Accounting	Shiou-Jsu Yeh	2008.07.24	2009.11.26	Change of Post

4. CPA Fees

(1) If non-audit fees paid to an auditor, an auditor's accounting firm, and/or to a related enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid thereto, disclose related information.

Unit:NT\$1,000

Accounting Firm	KPMG	
Name of Auditor	Yen-Ling Fang & Derek Hsu	
Auditor Fee	971	
Non-Audit Fee	System Design	0
	Company Registration	0
	Human Resources	0
	Other	1,680
	Subtotal	1,680
Whether Audit Period cover an Entire Fiscal Year	Yes	Yes
	No	
	Audit Period	Year 2009
Note	Handles the company's capital reductions/increases and public offerings.	

(2) If the company has changed its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous year, disclose the amount of the audit fees before and after the reduction, and reason(s) for the reduction: None

- (3) If the audit fees paid for the current year are less than those for the previous fiscal year by 15 % or more, disclose the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore: None.

5. Information on Replacement of Auditor

(1) Predecessor Auditor :

Date of Replacement	December, 2008		
Reason for Replacement	Internal Reorganization at KPMG.		
Was it the principal or the auditor that terminated the appointment? Or did the auditor refuse the appointment?	Condition	Auditor	Principal
	Appointment Terminated.	N/A	N/A
	Refused to Accept (Renew) the Appointment.	N/A	N/A
Audit reports issued in the last two years with anything other than an unqualified opinion, and the reason(s) therefore.	An audit report was issued with a modified unqualified opinion to note the fact that the financial statements of investee companies were not all audited by the same auditor.		
Disagreements with the company	Yes		Accounting Principles or Practices
			Financial Report Disclosures
			Scope or Procedures of Audit
			Other
	No	V	
	Description		
Other disclosures (items for which disclosure is required under Article 10, Subparagraph 5, Item 1 (IV) of the Regulations Governing Information to be Published in Annual Reports of Financial Holding Companies)	None		

(2) Successor Auditor: :

Accounting Firm	KPMG
Name of Auditor	Derek Hsu
Date of Assignment	December, 2008
If prior to the formal engagement of the successor auditor, the company consulted that person regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, state and identify the subjects discussed during those consultations and the consultation results.	No such consultation took place.
Matters on which the successor auditor issued a written statement expressing disagreement with the predecessor auditor.	No such matters.

6. If TFH's chairperson, president, or any managerial officer in charge of financial or accounting matters has in the most recent year held a position at the accounting firm of its auditor or at an affiliated enterprise of such accounting firm, disclose the name and position of the person, and the period during which the position was held: None.
7. In 2009, or in the current year as of the date of printing of the annual report, if there has been any transfer, pledge, or change in the equity interests (as referred to in *Article 16, paragraph 5 of the Financial Holding Company Act*) of a director, supervisor, managerial officer, or shareholder with a stake of more than 10 %, disclose related information: None.
8. If any of the company's 10 largest shareholders are related parties (as defined under the *Statement of Financial Accounting Standards No. 6*), spouses, or relatives within the second degree of kinship, disclose related information: None.
9. The total number of shares and combined equity stake held in any single enterprise by TFH, TFH subsidiaries, TFH directors, supervisors, and executive officers, and any companies controlled either directly or indirectly by TFH: None.
10. Code of Ethics for the Directors, Supervisors, and Executive Officers of the Taiwan Financial Holding Co., Ltd.:
Please refer to www.twfhc.com.tw/eng.

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Breadth

through groupwide consolidation
and synergy.



IV. Capital Raised by TFH

1. Shares and Dividends

(1) Source of Capital

Date	Issue Price	Authorized Capital		Paid-in Capital		Remarks	
		No. of Shares	Dollar Amount	No. of Shares	Dollar Amount	Source of Share Capital	Other
January 2008	NT\$10	9 Billion	NT\$90 Billion	9 Billion	NT\$90 Billion	Share Swap	See Note

Note: The date of record for the share swap with BOT was 1st January 2008. The transaction was approved by MOF on 30th August 2007 (Letter No. Tai-Cai-Ku 0960038139) and by FSC on 6th December 2008 (Letter No. Jin-Guan-Yin (II) 09620007790).

(2) Shareholder Structure, Dispersion of Ownership and List of Principal Shareholders:

TFH is a state-run enterprise wholly owned by the government, with its shares owned by MOF.

(3) Share Prices, Net Worth Per Share, Earnings Per Share, Dividends Per Share and Related Information (for the past 2 fiscal years):

Unit: NT dollars, shares

Item		Year	2009	2008	As of 31st Mar 2010
Price Per Share	High		-		-
	Low		-		-
	Average		-		-
Net Worth Per Share	Before Distributions		27.73	25.13	27.26
	After Distributions		27.31	24.73	-
Earnings Per Share	Weighted Average Issued Shares		9,000,000,000	9,000,000,000	9,000,000,000
	Earnings Per Share		0.97	0.81	0.17
Dividends Per Share	Cash Dividends		0.42	0.40	-
	Bonus	Dividends Out of Earnings	-		-
	Shares	Dividends Out of Capital Reserve	-		-
	Cumulative Undistributed Dividends			-	-
Return Analysis	Price/Earnings Ratio			-	-
	Price-to-Dividend Ratio			-	-
	Cash Dividend Yield		-	-	-

Note: TFH is a state-run enterprise. Our stock is not exchange-listed, so there is no data for market capitalization or return analysis.

(4) Dividend Policy and its Implementation

i. Dividend Policy

Under the provisions of TFH's articles of incorporation, if earnings remain after closing of the annual accounts, TFH is required after paying its income taxes that year to first offset any deficit from previous fiscal years before setting aside 10% to legal reserve. In addition, TFH must also set aside an additional 40% to 60% of after-tax income, along with an amount equal to the figure recorded to shareholders equity under "Unrealized Losses on Financial Instruments," to special reserves. If further earnings still remain, they are aggregated with cumulative undistributed earnings from the preceding fiscal year and distributed in accordance with the provisions of applicable laws and regulations.

Unless and until the accumulated legal reserve equals TFH's authorized capital, the maximum earnings distribution that may be paid out in the form of cash shall not exceed 15% of authorized capital. If there are no earnings, TFH shall not distribute cash dividends or bonuses; provided, however, that if its legal reserve exceeds 50% of its paid-in capital, TFH may distribute the excess in the form of cash dividends and bonuses.

ii. Dividend Distributions in 2009

In closing the annual accounts for 2009, TFH set aside provisions to the legal reserve and the special reserve on the basis of audited after-tax earnings, then distributed cash dividends of NT\$3.82 billion (NT\$0.42 per share). However, in accordance with *Article 50 of Taiwan's Government Auditing Act*, the earnings reported in TFH's annual accounts are subject to the final approval of the Ministry of Audit. TFH's annual accounts for 2009 are still under review by the Ministry of Audit, therefore the actual amount to be distributed as cash dividends cannot be determined until after Ministry of Audit has finished its review.

2. Issuance of Corporate Bonds: None

3. Issuance of Preferred Shares: None

4. Issuance of Global Depositary Receipts: None

5. Issuance of Employee Stock Warrants: None

6. Mergers and Acquisitions: None

7. Capital Allocation:

(1) Previously Unfinished Publishing Shares or Private Placement of Shares: None

(2) Plans Done in the Last 3 Years without Benefit Reaping: None

V. An Overview of Operations

Operations of TFH and its 3 subsidiaries are briefly described as follows:

1. Business Activities

(1) Scope of Business

i. TFH

(A) Main Lines of Business:

TFH is a financial holding company. Its main lines of business, as required under the provisions of the *Financial Holding Company Act*, are investing in other enterprises and managing their operations.

(B) Types of Business

Unit: NT\$1,000

Item	Year	2009	
		Dollar Amount	Share of Total
Investment Gains Recognized Under the Equity Method		8,608,253	99.95%
Other Operating Revenue		4,086	0.05%
Total Revenues and Gains		8,612,339	100.00%

(C) Future Development Plan for New Financial Products and Services:

Please refer to 2010 Business Plan (Page 40~41).

ii. BOT

(A) Main Lines of Business:

In addition to conducting ordinary banking business in accordance with the provisions of the *Banking Act*, BOT also (on contract to the Central Bank) handles ancillary matters pertaining to the issuance of New Taiwan Dollar notes and coins, and engages in other lines of business as may be approved by the competent authorities.

- Commercial Banking: deposit taking; lending; guarantees; import/export- related foreign exchange services; domestic and international remittances; offshore banking; trust and depository services; electronic banking; book- entry central government bonds; safety deposit box leasing.
- Investment and Personal Financial Planning: domestic and international financial market transactions; wealth management; property trusts; charitable trusts; securities trusts; trusts for loans and related securities interests; real estate trusts; trusts for surface rights.
- Government Employees Insurance: provision of insurance for current and retired government employees, and payout of cash benefits.
- Procurement and Foreign Trade: purchasing agent for government agencies and both state-run and private-sector enterprises; government-designated purchasing projects; gold trade; tariff quota management; other trade services for the government.

- e. Outsourced Services for Government Agencies: services provided, for example, to the Central Bank (operations related to the issuance of New Taiwan Dollar bank notes and coins, including pick-up and delivery, transportation, supply management, bank note recovery/destruction); fund management for the old Labor Pension Fund.

(B) Types of Business:

Unit: NT\$1,000

Item	Year	2009	
		Dollar Amount	Share of Total
Net Interest Income		16,803,150	55.85%
Net Fee Income		4,492,791	14.93%
Financial Assets and Liabilities at Fair Value Through Profit or Loss		30,387,670	101.00%
Realized Gains (Losses) on Available-for-Sale Financial Assets		2,142,351	7.12%
Realized Gains (Losses) on Held-to-Maturity Financial Assets		—	—
Investment Gains/Losses Recognized Under the Equity Method		2,498,014	8.30%
Translation Gains/Losses		1,721,711	5.72%
Schedule of Asset Impairment Losses, and Gains on Reversal of Impairment		1,050,396	3.49%
Schedule of Other Net Non-Interest Income/Losses		(31,653,664)	-105.20%
Gains on Property Transactions		2,645,425	8.79%
Net Earnings		30,087,844	100.00%

(C) Future Development Plan for New Financial Products and Services:

Please refer to 2010 Business Plan (Page 41~43).

iii. BTLI

(A) Main Lines of Business:

- Personal insurances including life insurance, personal injury insurance, health insurance and annuity insurance.
- Acts on behalf of the government in running military personnel insurance and insurance for men serving alternative military service.
- Other lines of business as may be approved by the competent authorities.

(B) Types of Business:

Unit: NT\$1,000

Item	Year	2009	
		Dollar Amount	Share of Total
Personal Life Insurance		42,010,886	96.57%
Personal Injury Insurance		152,095	0.35%
Personal Health Insurance		668,251	1.53%
Personal Annuity Insurance		499,838	1.15%
Group Life Insurance		37,825	0.09%
Group Personal Injury Insurance		107,926	0.25%
Group Health Insurance		20,821	0.05%
Reinsurance Assumed		6,805	0.01%
Gross Premium Income		43,504,447	100.00%

(C) Future Development Plan for New Financial Products and Services:

Please refer to 2010 Business Plan (Page 43~44).

iv. **BTS**

(A) Main Lines of Business:

- a. Securities brokering, dealing, and underwriting.
- b. Margin trading services and short selling services.
- c. Futures introducing broker services.
- d. Consultation for securities issuing, fund raising and related matters.
- e. Other lines of business as may be approved by the competent authorities.

(B) Types of Business:

Unit: NT\$1,000

Item	Year	2009	
		Dollar Amount	Share of Total
Securities Brokering and Underwriting Revenue		391,613	64.14%
Interest Revenue		74,667	12.23%
Income from Securities Sold		123,205	20.18%
Income from Investment		19,889	3.25%
Income from Exchange		591	0.10%
Other Operating Revenue		589	0.10%
Total Operating Revenue		610,554	100.00%

(C) Future Development Plan for New Financial Products and Services:

Please refer to 2010 Business Plan (Page 44).

(2) 2010 Business Plan

i. **TFH**

(A) Integrate Group Resources and Reap Benefits of Synergy

TFH capitalizes on the competitive advantages of the financial holding company platform while focusing on banking, life insurance, and securities, integrating services, resources, and capital in order to achieve greater economies of scale and scope, and to tap into cross-selling synergies.

(B) Manage Business with Professionalism and Fortify Competitive Edges

Use professional business management to implement our roadmap, focusing on lines of business that play to our competitive strengths and present strong growth potential, and actively develop services that tie in with products that are integrated across the entire group, thereby achieving better overall business performance.

(C) Optimize Capital Allocations and Bring Capital Synergies into Play

Centralize control over group resources, optimize subsidiary capitalization, take advantage of

the group's capital strength to expand the scope of our affiliates and reap the benefits of synergy in our capital allocations.

(D) Accelerate Steps to Expand International Presence

Actively integrate the group's domestic and overseas resources, establish strategic partnerships with international financial services groups, learn advanced management techniques, and achieve advances in product development, channel marketing, personnel training, risk management, and IT systems, thereby making the financial holding company more competitive and gradually establishing ourselves as a leading regional brand.



(E) Better Corporate Governance and Business Practices

Adopt a corporate governance assessment mechanism; improve internal control, internal audit, compliance, and risk management mechanisms; strengthen information disclosure; upgrade the level of corporate governance; build a high-quality culture of corporate governance.

ii. BOT

(A) Deposit Business

Streamline account opening procedures and establish a system for centralized processing of remittances and negotiable instruments, thereby reducing the amount of writing and waiting required of customers, and improving efficiency; take advantage of our wealth management business to create superior service quality and carry through on our "Customer First" philosophy.

(B) Corporate Finance

Continue lending to private-sector businesses while strengthen our credit risk management; develop our online financing and factoring business; step up efforts to act as agent for OBU lending operations, and expand our overseas lending; to achieve better lending performance and generate more fee income.

(C) Retail Banking

Coordinate with government policy by providing student loans, preferential home loans, and a life insurance product related to mortgage (which BOT will cross-sell); continue to market VISA debit cards; continue issuing international credit cards and related credit card businesses.

(D) Foreign Exchange and International Finance

Expand online handling of foreign exchange business, structured products, foreign exchange swaps, OBU business, derivative instruments, options trading, and a wide range of other products, thereby building up the bank's foreign exchange deposits; provide overseas investors and offshore customers with capital management capacity and a full range of personal financial advisory services.

(E) Electronic Banking Services

Complete establishment of an online service that customers can use to invest varying amounts in funds at regular intervals; improve bulk collections and payments service and electronic collections service for corporate clients; upgrade electronic banking products and services (including online banking, voice banking, our e-Business Network, and e-commerce) in order to ensure the security of electronic transactions.

(F) Trust Business

Continue expanding services involving "investments in domestic and overseas funds" and "custodianship for securities investment trust funds"; use the TFH cross-selling platform to develop a wide range of trust funds, expand business, and provide customers with a full range of investment and asset management services.

(G) Investment Business

Cooperate with by certifying and underwriting the commercial paper for which the company acts as guarantor; engage in government bond RP transactions; invest in blue-chip stocks and high-yield stocks; direct part of fund investments to overseas funds in order to diversify investment risks.

(H) Government Employees Insurance

Continue working to improve coverage and cash payments; continue holding Government Employees Insurance seminars to familiarize audiences with the business and its related laws and regulations; use information services to strengthen publicity activities and expand services; make good use of Government Employees Insurance reserve fund to increase returns.

(I) Wealth Management

Implement plan for integration of subsidiary products and marketing channels; actively encourage customers to submit trading orders online for mutual fund products and "gold



passbook" accounts; continue to organize lectures on investing and management of personal finances to provide customers with professional expertise and understand their financial planning needs, thereby uncovering wealth management business opportunities.

(J) Precious Metals

Continue promoting new types of gold-related businesses and products, e.g. non-physical gold passbooks and gold deposit boxes; hold seminars on our gold business, and sales training courses for our employees; and strengthen customer services. These measures are intended to consolidate the BOT's position as the leading domestic bank for gold products.



iii. BTLI

(A) Use Financial Holding Company Marketing Platform

Coordinate with TFH's cross-selling efforts by tying up with BOT and seeking to act as agent in selling Military Servicemen's Insurance, and strengthen our traditional network of insurance brokers and agents; regularly review existing insurance products and study and design new ones to achieve continued growth in sales.

(B) Diversify Risks

Raise the percentage of enterprise funds invested overseas; increase investment positions in government bonds and other assets denominated in US dollars, Euros, British pounds, and the currencies of other countries with relatively low sovereign risk, and in financial bonds issued by banks ranked among the world's top 100.

(C) Set up Designated Service Window

Coordinate with efforts to conserve energy and reduce carbon emissions by simplifying office form delivery; establish a "claims settlement email hotline" and an "insurance claims settlement service window" to reduce the occurrence of claims-related queries and the volume of policyholder complaints, thereby improving policy persistency and reducing costs associated with instances of policy surrender.

(D) Establish Accounting System for Branches

Expedite operating procedures and upgrade services by: authorizing branches to handle vouchers and online payment confirmations; adopting guidelines for the conduct of internal audits by accounting personnel at company branches; and handling policy loans and claim settlements.

(E) Leverage the Company Brand in Advertising and Marketing

Use advertising campaigns to deliver individually tailored direct marketing; work through outside public relations consultants, the group's own cross-selling mechanisms, and our traditional network of insurance brokers and agents to promote the company's overall marketing activities, achieve better name recognition, and establish a highly professional image.

iv. BTS

(A) Brokerage

Use financial holding company cross-selling platform to help expand lending business; plan for placing of trading orders via AP devices and mobile phones to gain market share among younger customers and increase order volume. Strengthen employee training, provide customers with designated account representatives to maintain strong customer relations and make our brokerage business more competitive.

(B) Underwriting

Train a corps of professionals with experience in financial consulting; improve the service quality of our underwriting team; help industrial and commercial firm raise long-term capital in the capital markets and ride with the market trend; provide complete corporate financial planning services to meet the needs of both issuers and investors.

(C) Proprietary Dealing

Persuade brokerage clients to engage in RP transactions with idle money ; improve ability to analyze overall market conditions and identify stocks with good potential; select stocks of companies with a relatively high return on equity and relatively low debt and inventory ratio to build up our mid-to long-term core holdings.

(3) Industry Condition

i. Financial Holding Business

Financial holding companies have reacted to the global financial crisis by diversifying. They have continued to engage in M&A activities, but growing bigger is no longer their main focus. Instead, they are now concentrating principally on becoming stronger in their original core competencies, and shedding subsidiaries that are relatively unprofitable or operate businesses that they are not so familiar with. The overall business climate for financial holding companies began to recover in the latter half of 2009, with just two of Taiwan's 15 financial holding companies still posting losses. TFH was in relatively sound condition, with after-tax earnings of NT\$8.719 billion. This number increases to NT\$17.6 billion after factoring out the burden of supporting government policy. This latter figure is the second-highest among Taiwan's 15 financial holding companies. Finalization of the cross-strait Memorandums of Understanding (MOUs) for financial supervisory

cooperation and ongoing consultations on a cross-strait Economic Cooperation Framework Agreement (ECFA), coupled with the fact that competitors from other countries have gotten into the mainland market before Taiwan's financial institutions, mean that our financial service providers will be especially focused on implementing strategic cross-strait arrangements. Smooth progress in efforts to open up cross-strait financial ties presents huge business opportunities to Taiwanese financial holding companies as they move into the mainland market, but they will also face increased competition domestically as mainland firms establish business locations in Taiwan and make strategic investments in local financial institutions. The situation bears close watching.

(4) Future Research and Development Projects

i. TFH

(A) R&D Expenditures in Last 2 Years:
NT\$944,000 in 2009; NT\$24,000 in 2008.

(B) Results of R&D Work in Last 2 Years

- a. Integrated resources and established shared operations platform to reduce overhead; strengthened system for cooperative sales mechanism to expand the synergies of cross-selling.
- b. Promoted human resource exchange within the group, built up human capital, cultivated the talent needed for cross-sector management, enhanced the group's competitiveness.

(C) Future R&D Plans

- a. Enter into cooperative relationships with international financial holding companies and establish strategic tie-ups with foreign firms to internationalize in a phased manner and bring in innovative concepts and a variety of modern management techniques in such areas as product development, marketing strategy, and risk management; move step-by-step to establish ourselves as a leading regional brand.
- b. Under the competent authority's roadmap for IFRS adoption, TFH is scheduled to start providing IFRS-compliant financial statements from 2013, and we are required to disclose the impact of IFRS adoption in the footnotes to our financial statements (including half-year reports) in 2011 and 2012. TFH has already set up an ad hoc team to integrate group resources and improve our knowledge of and preparedness for IFRS, to make sure that the group makes a smooth transition to IFRS.



2. Cross-Selling

(1) Establish Cross-Selling Platform

Establish a cross-selling platform for integration of the products and customers of group subsidiaries; set up 11 lines of business and 28 cross-selling items for monthly tracking; strengthen mechanisms targeted at the system and implementation of cross-selling, as for example by introducing rolling target management, strengthening our 4P matrix strategies in sales, establishing a standard operating procedure for cross-selling, and prepare integrated cross-selling publicity materials. With the cross-selling platform in place in 2009, the group achieved operation amount of NT\$51.1 billion.

(2) Benefits from Cross-Selling

i. BOT

BOT sold insurance products from BTLI through the cross-selling platform. The first-year premium reached NT\$20.5 billion (65.73% of BTLI's first-year premium) and the handling fee NT\$556 million in 2009. The synergy of cross-selling and the value of BOT's sales channels were seen through the brilliant sales result.

ii. BTLI

Through the help from BOT's sales channels, BTLI's first-year premium income reached NT\$31.1 billion and the total premium income NT\$43.5 billion. The performance was well above average in spite of the impact from the financial tsunami.

iii. BTS

BOT channels handled account openings and collections on behalf of BTS in 2009 and referred NT\$10.4 billion worth of trading orders during the year. In addition, to win underwriting business, BTS visited 86 potential clients, (some of whom were referred to BTS by BOT, and some of whom BTS visited in the company of BOT or BTLI personnel), and the visits resulted in 17 underwriting deals. This joint effort demonstrated the synergies that can be achieved between group subsidiaries.

3. Employees

(1) Profile:

Year	2008	2009	As of Mar 31, 2010
Company	Number of Employees		
TFH	25	37	40
BOT	7,890	7,847	7,897
BTLI	98	196	208
BTS	76	92	92
Total	8,089	8,172	8,237
Average Age	43.75	42.04	42.46
Average Service Year	17.25	17.59	17.49
Education Level & Ratio (%)			
Doctor	0.02	0.02	0.04
Master	7.33	9.13	9.79
University & College	77.18	77.33	76.88
Senior High School	12.16	11.71	11.50
Below Senior High School	3.30	1.81	1.79

(2) Employee Training

- i. To cultivate a corps of fully trained personnel, TFH and its subsidiaries use internal and external training networks to promote an awareness of the need for lifelong professional development. We have set up a learning-oriented organizational culture designed to power business development capacity and groupwide growth. We held a number of professional training courses in 2009, with 290 sessions attracting a total attendance of 20,713, while 2,041 employees received training from outside organizations. In addition, we also encouraged employees to work for self-improvement, and during the course of the year subsidized the participation of 1,114 persons in on-the-job training or other types of professional development.
- ii. Group subsidiary BOT has had a learning platform in place for many years that provides easy access to online courses and tests. The diverse range of training courses and learning resources available via this platform enable employees to study on their own and sharpen their professional capabilities.

4. Corporate Social Responsibility and Ethics

- (1) TFH is a 100% state-run enterprise. In addition to actively helping to implement government policy, it has also responded vigorously to calls by the government to conserve energy and reduce carbon emissions. Efforts undertaken to cut our use of water, electricity, paper, and fuel have raised the environmental consciousness of group employees.
- (2) To fulfill our corporate social responsibility, TFH since its establishment has taken active part in public service activities, taken action to help the underprivileged, and provided funding for many different artistic and cultural activities. The following are some of the main activities that received funding support from TFH in 2009: group employees donated to help purchase children's books and stationery; parent-child relation-enhancement activities; exhibition in museum for the public to participate ; and support for orphans to watch an NBA exhibition game in Taipei.



- (3) TFH helped victims of Typhoon Morakot rebuild their homes and communities. We are providing preferential rehabilitation loans to help individuals and SMEs recover from the disaster, and have granted victims a grace period during which they need not make insurance premium payments. In addition, TFH donated NT\$20 million to help with disaster recovery efforts, and group employees also joined in with private donations of their own. For these efforts we were given a certificate of appreciation by the Ministry of the Interior.
- (4) TFH and its subsidiaries have adopted management systems, and update them as necessary in response to legal and regulatory changes to ensure proper legal compliance. We run our businesses fairly and impartially, and are very concerned about upholding the legal rights and interests of all employees, customers, and other stakeholders. Our financial and operating information is disclosed in a transparent and timely manner, and we adhere strictly by our

corporate governance principles so as to serve as a model of responsibility within the financial services industry.

- (5) TFH and its subsidiaries each have an employees' handbook and a code of conduct that require all directors, supervisors, executive officers, and rank-and-file employees to carry out their duties in an honest and ethical manner. They are required to avoid conflicts of interest, refrain from using their positions for personal profit, maintain the confidentiality of undisclosed information, safeguard company assets, and allocate them effectively. TFH and its subsidiaries are serious about ensuring the ethical conduct of their employees, and examine ethical issues closely when evaluating job performance, so as to promote a corporate culture that emphasizes ethical ideals, and to establish a clean and capable image for state-run enterprises.



5. Information Systems

(1) Principal Hardware/Software Additions and Maintenance

- (A) TFH's principal IT equipment includes IBM X3650 and X3550 servers, which handle the group's business and administrative. The main aspects of our business supported by this information infrastructure include the following:
- Microsoft Windows 2003 Enterprise & Standard.
 - Microsoft Office SharePoint Server, SharePoint Internet 2007 & Exchange Server 2007.
 - Microsoft SQL Server 2005 Enterprise.
- (B) All of the group's business and administrative functions have now been computerized. There are 8 such functions: a search function to identify interested parties of the holding company and all its subsidiaries; accounting; human resources; electronic documents; the group website; the group

intranet; email; and fixed-asset management.

- (C) Due to technical considerations, TFH relies on BOT to install and maintain the hardware and software required to operate the group's information system. Our purpose is to reap the synergistic benefits of an integrated groupwide information system, reduce costs, and expedite the computerization of operations.

(2) Future Development Efforts or Procurement

i. TFH

- (A) Continue contracting with outside suppliers to install and maintain expanded systems, and to upgrade functionality
- (B) Expand the functionality of the system for reporting the company's interest-related parties.
- (C) Establish the framework for a shared platform, add a groupwide function for making user account and authorization settings.
- (D) Establish an integrated laws and regulations database for the entire group.
- (E) Integrate the group's shared information and make it accessible via a shared platform.

6. Labor Relations

(1) Employee Benefits, Labor Agreements, Measures to Safeguard Employee Interests:

i. Employee Benefits:

TFH attaches great importance to labor relations. In addition to providing government employees insurance, labor insurance, and national health insurance as required by law, we also subsidize domestic travel and medical examinations for our employees, and hold regular fire drills and regular fire equipment inspections to ensure employee safety.

ii. Pension System:

In paying out retirement benefits, severance pay, and workmen's compensation, TFH acts in accordance with the *"Ministry of Finance Regulations Governing Retirement Benefits, Workmen's Compensation, and Severance Pay at Ministry-run Financial and Insurance Institutions"* and the *"Labor Standards Act."*

iii. Safeguarding of Employee Interests:

TFH is a state-run financial institution, and as such handles hiring, compensation, performance evaluations, retirement pensions, and various benefits in accordance with government regulations. The interests of employees are safeguarded pursuant to legal requirements. In order to provide a channel for interaction and communication between employees and senior management, TFH has established a "Board Chairperson's Mailbox" and a "President's Talk

Channel" on the enterprise intranet, and has also set up a "Bulletin Board" to provide company personnel with information that has a bearing on their interests. The intent is to promote harmonious relations between labor and management. Since it was founded on 1st January 2008, TFH has not been adversely affected by any labor dispute.

(2) Dollar Amount of Losses From Possible Labor Disputes, and Response Measures: None.

7. Material Contract: None.

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Vision

deriving from a global perspective.



VI. Financial Status

1. Condensed Financial Statement for Most Recent 5 Years

(1) Condensed Consolidated Balance Sheet

Unit : NT\$ 1,000

Item	Year	Financial Information for Past 5 Years	
		2009	2008
Cash and Cash Equivalents		72,498,558	80,104,961
Due from Central Bank and Call Loans to Banks		1,248,000,974	996,241,280
Financial Assets at Fair Value Through Profit or Loss		94,008,327	78,655,045
Bills and Bonds Purchased under Resell Agreements		9,402,856	12,321,566
Available-for-Sale Financial Assets, Net		95,050,125	105,973,044
Receivables, Net		2,053,171,504	1,997,536,704
Loans, Net		175,919,557	175,527,297
Held-to-Maturity Financial Assets, Net		147,700,416	117,196,368
Equity Investments Using the Equity Method		34,373,422	31,125,626
Fixed Assets, Net		78,562,977	77,978,931
Intangible Assets		1,982,445	2,003,965
Other Financial Assets, Net		79,651,798	81,040,624
Real Estate Investments, Net		1,121,713	1,451,116
Other Assets, Net		18,498,045	18,298,572
Total Assets		4,109,942,717	3,775,455,099
Due to Central Bank and Other Banks		204,950,860	181,489,738
Deposits		4,210,041	5,804,419
Financial Liabilities at Fair Value Through Profit or Loss		5,525,570	20,251,220
Bills and Bonds Sold under Repurchase Agreements		91,773,529	97,501,028
Payables		3,165,389,168	2,932,562,905
Reserves for Operation and Liabilities		355,414,596	279,848,256
Other Financial Liabilities		7,192,234	6,429,020
Other Liabilities		25,903,318	25,402,994
Total Liabilities		3,860,359,316	3,549,289,580
Equity Attributable to Stockholders of TFH	Share Capital	90,000,000	90,000,000
	Additional Paid-in Capital	111,494,739	111,495,264
	Retained Earnings	Before Distribution	12,450,821
		After Distribution	-
	Equity Adjustments	35,637,841	17,348,756
Minority Interest		-	-
Total Stockholders' Equity	Before Distribution	249,583,401	226,165,519
	After Distribution	-	222,575,392

(2) Condensed Income Statement

Unit : NT\$ 1,000

Item	Year	Financial Information for Past 5 years	
		2009	2008
Net Interest Income		21,678,380	28,847,934
Revenues Other than Interest		85,517,435	31,737,758
Credit Provisions		4,431,377	1,598,254
Provisions for Insurance Policy Reserves		76,342,481	33,710,940
Operating Expenses		17,736,704	18,280,269
Income Before Income Tax		8,685,253	6,996,229
Consolidated Net Income After Tax		8,719,449	7,321,499
Cumulative Effect of Changes in Accounting Principles (After Tax)		-	-
Consolidated Net income	Attributable to TFH shareholders	8,719,449	7,321,499
	Attributable to Minority interest	-	-
Basic Earnings Per Share		0.97	0.81

(3) Condensed Balance Sheet

Unit : NT\$ 1,000

Item	Year	Financial Information for Past 5 years	
		2009	2008
Cash and Cash Equivalents		1,406,943	348,555
Receivables, Net		527,268	133
Equity Investments Accounted for by the Equity Method, Net		251,104,337	226,195,089
Property and Equipment, Net		7,757	5,274
Intangible Assets, Net		59	14
Other Assets, Net		3,078,567	3,593,413
Total Assets		256,124,931	230,142,478
Short-Term Borrowing		2,000,000	-
Payables		544,936	2,907
Accrued Pension Liabilities		41,396	122
Other Liabilities		3,955,198	3,973,930
Total Liabilities	Before Distribution	6,541,530	3,976,959
	After Distribution	-	3,976,959
Capital Stock		90,000,000	90,000,000
Capital Surplus		111,494,739	111,495,264
Retained Earnings	Before distribution	12,450,821	7,321,499
	After distribution	-	3,731,372
Equity Adjustments		35,637,841	17,348,756
Total Stockholders' Equity	Before Distribution	249,583,401	226,165,519
	After Distribution	-	222,575,392

(4) Condensed Income Statement

Unit : NT\$ 1,000

Item	Year	Financial Information for Past 5 Years	
		2009	2008
Investment Income from Equity Investments Accounted for by the Equity Method		8,799,232	7,351,070
Other Income		4,086	3,612
Operating Expenses		99,960	36,394
Other Expenses and Losses		7,962	75
Income Before Income Tax		8,695,396	7,318,213
Net Income After Tax		8,719,449	7,321,499
Earnings per Share (Before Tax)		0.97	0.81
Earnings per Share (After Tax)		0.97	0.81

2. Financial Analysis for Most Recent 5 Years

(1) Financial Analysis

Unit : NT\$1,000 ; %

Item		Year 2009	Year 2008
Operating Ability	Total Assets Turnover	0.04	0.03
	Loans to Deposits Ratio of Banking Subsidiary	61.39%	66.36%
	NPL Ratio of Banking Subsidiary	1.03%	1.06%
	The Group's Average Operating Revenue Per Employee	11,724	6,631
	The Group's Average Profit Per Employee	954	801
Profitability	Return on Assets	3.59%	3.18%
	Return on Equity	3.67%	3.24%
	Net Margin	99.14%	99.55%
	Earnings Per Share	0.97	0.81
Financial Structure	Debt Ratio	2.55%	1.73%
	Liabilities to Net Worth Ratio	2.62%	1.76%
	TFH's Double Leverage Ratio	100.61%	100.01%
Leverage Ratio	Operating Leverage Ratio	101.15%	100.50%
	TFH's Financial Leverage Ratio	100.07%	100.00%

Item		Year 2009	Year 2008	
Growth Rates	Growth Rate of Assets	11.29%	-	
	Growth Rate of Profit	18.82%	-	
Cash Flows	Cash Flow Ratio	748.24%	135702.48%	
	Cash Flow Adequacy Ratio	121.31%	109.69%	
	Cash Flow Reinvestment Ratio	203.22%	62746.48%	
Operating Scale	Market Share by Assets	15.15%	15.39%	
	Market Share by Net Worth	12.92%	13.67%	
	Market Share of Deposits of Banking Subsidiary	12.32%	12.17%	
	Market Share of Loans of Banking Subsidiary	10.54%	10.22%	
Capital Adequacy	Capital Adequacy Ratio	Bank of Taiwan	11.89%	11.63%
		BankTaiwan Life Insurance	252.52%	147.66%
		BankTaiwan Securities	679%	1503%
	Eligible Self-Owned Capital	Bank of Taiwan	179,926,649	172,902,518
		BankTaiwan Life Insurance	7,183,845	3,840,391
		BankTaiwan Securities	2,869,108	2,696,758
	Group's Eligible Capital		188,431,327	179,406,811
	Subsidiary's Statutory Capital Requirement	Bank of Taiwan	121,023,652	118,957,766
		BankTaiwan Life Insurance	5,689,758	5,201,664
		BankTaiwan Securities	634,229	269,138
	Group's Statutory Capital Requirement		130,406,739	128,559,770
	Group's Capital Adequacy Ratio		144.50%	139.55%
Paragraph 46 of the Financial Holding Company Act requires disclosure of the ratio of aggregate credit extensions, guarantees or other transactions between all subsidiaries and any single party, single group of related parties, or single group of related enterprises.		Single Party (%)	Please Refer to Financial Statements for Year 2009	
		Single Group of Related Parties (%)		
		Single Group of Related Enterprises (%)		

VI. Financial Status

3. Consolidated Financial Statements for Year 2009

Representation Letter

The entities that are required to be included in the combined financial statements of Taiwan Financial Holding Co., Ltd. as of and for the year ended December 31, 2009, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Financial Holding Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very trust yours,

TAIWAN FINANCIAL HOLDING CO., LTD.

By



Susan S. Chang
Chairman

March 26, 2010

Independent Auditors' Report

The Board of Directors

Taiwan Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheet of Taiwan Financial Holding Co., Ltd. and its subsidiaries (the Company) as of December 31, 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of some investee companies. The Company's investment in those investee companies on December 31, 2009, was \$27,530,017 thousand, constituting 0.67% of the related consolidated total, and its equity in earnings of those investee companies was \$1,306,366 thousand, constituting 15.04% of the related consolidated total, for the year ended December 31, 2009. The financial statements of those investee companies were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for those investee companies, is based solely on the reports of the other auditors. The details are as the description of note (13). The consolidated financial statements of the Company for 2008 had been restated based on the amounts audited by Ministry of Audit, which are compared with the consolidated financial statements for 2009, and the difference of the amounts between the Ministry of Audit and our audit is as described in note (4).

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements 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 reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Taiwan Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year ended December 31, 2009, in conformity with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

KPMG

March 26, 2010

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.

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2009 and 2008

(expressed in thousands of New Taiwan Dollars)

	December 31, 2009	December 31, 2008	Percentage change
Assets			
Cash and cash equivalents (notes 5 and 35)	\$ 72,498,558	80,104,961	(9)
Due from Central Bank and call loans to banks (notes 6, 35 and 36)	1,248,000,974	996,241,280	25
Financial assets at fair value through profit or loss (notes 7, 33 and 35)	94,008,327	78,655,045	20
Bills and bonds purchased under resell agreements (note 8)	9,402,856	12,321,566	(24)
Receivables, net (notes 9, 10 and 27)	95,050,125	105,973,044	(10)
Loans, net (notes 10, 33 and 35)	2,053,171,504	1,997,536,704	3
Available-for-sale financial assets, net (notes 11, 31, 33 and 36)	175,919,557	175,527,297	-
Held-to-maturity financial assets, net (notes 12, 31, 33 and 36)	147,700,416	117,196,368	26
Equity investments using the equity method (note 13)	34,373,422	31,125,626	10
Other financial assets, net (notes 9, 10, 14, 31 and 33)	78,562,977	77,978,931	1
Real estate investments, net (notes 15 and 16)	1,982,445	2,003,965	(1)
Fixed assets, net (notes 16, 25 and 31)	79,651,798	81,040,624	(2)
Intangible assets	1,121,713	1,451,116	(23)
Other assets, net (notes 17, 31 and 36)	18,498,045	18,298,572	1
Total Assets	\$ 4,109,942,717	3,775,455,099	9

	December 31, 2009	December 31, 2008	Percentage change
Liabilities and Stockholders' Equity			
Due to Central Bank and other banks (notes 18 and 35)	\$ 204,950,860	181,489,738	13
Financial liabilities at fair value through profit or loss (notes 19, 33 and 35)	4,210,041	5,804,419	(27)
Bills and bonds sold under repurchase agreements (note 8)	5,525,570	20,251,220	(73)
Payables (notes 20 and 27)	91,773,529	97,501,028	(6)
Deposits (notes 21 and 35)	3,165,389,168	2,932,562,905	8
Reserves for operation and liabilities (notes 3 and 23)	355,414,596	279,848,256	27
Other financial liabilities (notes 24 and 33)	7,192,234	6,429,020	12
Other liabilities (notes 16, 25 and 26)	25,903,318	25,402,994	2
Total liabilities	3,860,359,316	3,549,289,580	9
Stockholders' equity (notes 27 and 28):			
Common stock	90,000,000	90,000,000	-
Additional paid-in capital	111,494,739	111,495,264	-
Retained earnings:			
Legal reserve	732,150	-	-
Special reserve	2,928,599	-	-
Unappropriated retained earnings	8,790,072	7,321,499	20
	12,450,821	7,321,499	70
Equity adjustments:			
Unrealized increments on revaluation	16,639,974	16,930,538	(2)
Cumulative foreign currency translation adjustments	(128,524)	(155,274)	17
Unrealized gain (loss) on financial instruments	19,126,391	573,492	3,235
	35,637,841	17,348,756	105
Total stockholders' equity	249,583,401	226,165,519	-
Commitments and contingencies (note 37)			
Total Liabilities and Stockholders' Equity	\$ 4,109,942,717	3,775,455,099	9

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Income

For the periods from January 1 to December 31, 2009 and January 1

(date of establishment) to December 31, 2008

(expressed in thousands of New Taiwan Dollars, except for earnings per share)

	2009	2008	Percentage change	
Interest income	\$ 54,199,940	91,623,988	(41)	
Less: interest expenses (notes 9 and 35)	32,521,560	62,776,054	(48)	
Net interest income	21,678,380	28,847,934	(25)	
Net non-interest income				
Net income on service charges and commissions	3,216,707	3,449,106	(7)	
Net insurance business income (notes 3 and 30)	32,530,803	32,980,859	(1)	
Gains (losses) on financial assets and liabilities at fair value through profit or loss	30,103,245	(17,567,782)	271	
Realized gains (losses) on available-for-sale financial assets	5,644,487	1,621,691	248	
Realized gains (losses) on held-to-maturity financial assets (note 13)	(64,468)	-	-	
Gains on equity investments recognized using the equity method	2,848,365	902,005	216	
Gains (losses) on real estate investments	15,310	(28,210)	154	
Foreign exchange gains (losses)	1,564,396	3,829,293	(59)	
Asset impairment losses (gains on reversal of impairment) (note 31)	504,665	(4,718,429)	111	
Other net non-interest income (losses)				
Self-managed and commissioned sales	45,399,449	49,341,607	(8)	
Government grant income	15,000,052	16,132,445	(7)	
Gains on disposal of properties, plant, and equipment (note 16)	2,645,425	2,738,530	(3)	
Other miscellaneous income	1,995,202	2,956,817	(33)	
Self-managed and commissioned cost of sales	(45,033,522)	(48,954,392)	8	
Excess interest expenses (notes 9 and 40)	(9,919,818)	(9,504,823)	(4)	
Other miscellaneous expenses	(932,863)	(1,440,959)	35	
Net income	107,195,815	60,585,692	77	
Credit provisions (note 10)	4,431,377	1,598,254	177	
Provisions for insurance policy reserves (notes 3 and 32)	76,342,481	33,710,940	126	
Operating expenses:				
Personnel expenses (note 26)	11,854,375	11,713,733	1	
Depreciation and amortization expenses	1,351,446	1,385,284	(2)	
Other business and administrative expenses	4,530,883	5,181,252	(13)	
Total operating expenses	17,736,704	18,280,269	(3)	
Income before income taxes	8,685,253	6,996,229	24	
Income tax expense (benefits) (note 27)	(34,196)	(325,270)	89	
Consolidated total income	\$ 8,719,449	7,321,499	19	
Attributable to:				
Parent company shareholders	\$ 8,719,449	7,321,499	19	
Minority interest	-	-	-	
	\$ 8,719,449	7,321,499	19	
	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share (note 29)	\$ 0.97	0.97	0.78	0.81

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the periods from January 1 to December 31, 2009 and January 1

(date of establishment) to December 31, 2008

(expressed in thousands of New Taiwan Dollars)

	Common stock	Additional paid-in capital	Retained earnings			Equity adjustments			Total
			Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized increments on revaluation	Cumulative foreign currency translation adjustments	Unrealized gains (losses) on financial instruments	
Balance as of January 1, 2008 (established through transfer of shares)	\$ 90,000,000	215,854,060	-	-	-	23,603,085	494,451	29,690,022	359,641,618
Capital surplus transferred to capital stock)	109,467,296	(109,467,296)	-	-	-	-	-	-	-
Non-cash share capital reduction	(109,467,296)	5,429,052	-	-	-	(6,723,557)	(698,138)	(4,387,274)	(115,847,213)
Adjustments for change in subsidiaries' special reserve	-	(320,552)	-	-	-	-	-	-	(320,552)
Change in unrealized increments on revaluation (audited by the MoA)	-	-	-	-	-	51,010	-	-	51,010
Change in cumulative foreign currency translation adjustments	-	-	-	-	-	-	48,413	-	48,413
Change in unrealized gains (losses) on financial instruments	-	-	-	-	-	-	-	(24,729,256)	(24,729,256)
Consolidated total income for the year end December 31, 2008	-	-	-	-	7,321,499	-	-	-	7,321,499
Balance as of December 31, 2008	90,000,000	111,495,264	-	-	7,321,499	16,930,538	(155,274)	573,492	226,165,519
Legal reserve	-	-	732,150	-	(732,150)	-	-	-	-
Special reserve	-	-	-	2,928,599	(2,928,599)	-	-	-	-
Cash dividends for government	-	-	-	-	(3,590,127)	-	-	-	(3,590,127)
Change in additional paid-in capital	-	(525)	-	-	-	-	-	-	(525)
Change in unrealized increments on revaluation	-	-	-	-	-	(290,564)	-	-	(290,564)
Change in cumulative foreign currency translation adjustments	-	-	-	-	-	-	26,750	-	26,750
Change in unrealized losses (gains) on financial instruments	-	-	-	-	-	-	-	18,552,899	18,552,899
Consolidated total income for the year end December 31, 2009	-	-	-	-	8,719,449	-	-	-	8,719,449
Balance as of December 31, 2009	\$ 90,000,000	111,494,739	732,150	2,928,599	8,790,072	16,639,974	(128,524)	19,126,391	249,583,401

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the periods from January 1 to December 31, 2009 and January 1

(date of establishment) to December 31, 2008

(expressed in thousands of New Taiwan Dollars)

	2009	2008
Cash flows from operating activities:		
Consolidated total income	\$ 8,719,449	7,321,499
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	1,377,917	1,387,983
Credit provisions	4,431,377	1,598,254
Adjustments for valuation of available-for-sale assets	(174,594)	2,827,461
Provisions for reserves	76,342,481	33,710,941
(Gain on reversal of) loss on asset impairment	(504,665)	1,823,346
Amortization of discount on long-term bond investment	(2,132,679)	(1,257,483)
Unpaid recognized pension expense	357,056	533,201
(Gain) loss on disposal of financial assets	(4,844,465)	43,559
Gain on disposal of fixed assets and non-operating assets	(2,618,790)	(2,720,854)
Gain on long-term equity investments under equity method exceeding cash dividend received	(1,596,681)	212,823
Reclassification of accumulated depreciation	(921)	(2,443)
Loss on write-off of printed mater	546	1,119
Increase in financial assets at fair value through profit or loss	(15,270,794)	(13,952,336)
Decrease in bills and bonds purchased under resell agreements	3,818,732	940,479
Decrease in receivables	11,171,511	3,614,008
Deferred income tax	(569,158)	(773,967)
(Increase) decrease in other financial assets	(6,474,142)	6,713,382
Decrease (increase) in other assets	45,805	(528,583)
(Decrease) increase in bills and bonds sold under repurchase agreements	(15,625,673)	3,580,928
(Increase) decrease in financial liabilities at fair value through profit or loss	(1,864,263)	4,326,253
(Decrease) increase in payables	(5,889,734)	2,225,977
Increase in other financial liabilities	51,122	136,891
Decrease in other liabilities	(129,793)	(379,328)
Net cash provided by operating activities	48,619,644	51,383,110
Cash flows from investing activities:		
Increase in due from Central Bank	(251,759,695)	(370,276,268)
Decrease in available-for-sale financial assets	23,121,745	318,223
Decrease in debt investments without quoted prices in active markets	1,391,028	915,211
Increase in held-to-maturity financial assets	(28,784,952)	(10,870,399)
Increase in loans	(57,383,618)	(73,897,482)

Increase in real estate investment	(1,484)	(93,912)
Proceeds from sale of fixed assets and non-operating assets	3,845,895	4,366,335
Purchase of fixed assets and non-operating assets	(990,392)	(1,033,962)
Increase in intangible assets	(289,020)	(510,995)
Decrease (increase) in other financial assets	4,972,371	(2,849,787)
Increase in other assets	(2,988,941)	(7,992,902)
Net cash used in investing activities	(308,867,063)	(461,925,938)
Cash flows from financing activities:		
Increase (decrease) in due to Central Bank and other banks	23,461,121	(63,925,017)
Increase in deposits	232,826,263	466,383,659
Decrease in other financial liabilities	(157,918)	(234,074)
(Decrease) increase in other liabilities	(536,237)	623,145
Prepaid dividends	(3,012,708)	(3,590,127)
Net cash provided by financing activities	252,580,521	399,257,586
Exchange effect	60,495	2,096
Net decrease in cash and cash equivalents	(7,606,403)	(11,283,146)
Cash and cash equivalents at beginning of year	80,104,961	91,388,107
Cash and cash equivalents at end of year	\$ 72,498,558	80,104,961
Supplemental disclosure of cash flow information:		
Interest paid	\$ 50,004,216	69,937,130
Income tax paid	\$ 470,811	916,792
Financial and investing activities not affecting cash:		
Unrealized increments on revaluation	\$ 37,002,641	51,496
Cumulative foreign currency translation adjustments	\$ 54,398	(41,967)
Unrealized loss on financial instruments	\$ (597,774)	(20,112,035)
Change in additional paid-in capital	\$ (65)	(320,552)

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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

(1) Organization and Business

1) Taiwan Finance Holding Co., Ltd.

On January 1, 2008, Taiwan Financial Holding Co., Ltd. (the Company) was incorporated in accordance with the Act of Taiwan Financial Holding Co., Ltd. and has three investee companies: "Bank of Taiwan" (BOT), "BankTaiwan Life Insurance Co., Ltd." (BTLI) and "BankTaiwan Securities Co., Ltd." (BTS).

The Company engages mainly in investing and managing investee companies. The investing business follows the Financial Holding Company Act.

As of December 31, 2009 and 2008, there were 9,143 and 9,137 employees in the Company and its subsidiaries, respectively.

2) The consolidated subsidiaries' businesses

Bank of Taiwan (BOT) was established on May 20, 1946. BOT became a legal entity in 1985 in accordance with the Banking Act of the Republic of China, and transformed into a corporate entity starting from July 1, 2003. BOT became a public company on September 16, 2004.

BOT merged with the Central Trust of China effective on July 1, 2007. The Central Trust of China was the dissolved company, and BOT was the surviving company. BOT is engaged in the following business:

1. all commercial banking operations allowed under the Banking Law;
2. international banking operations;
3. all kinds of savings and trust business;
4. overseas branch operations authorized by the respective foreign governments; and
5. other operations authorized by the central government authorities.

BankTaiwan Life Insurance Co., Ltd. (BTLI) was the life insurance department of BOT and separated from BOT on January 2, 2008, with net assets \$5 billion yielded by BOT as its owner's equity. Its main businesses are life insurance and related businesses.

BankTaiwan Securities, Co., Ltd. (BTS) was the securities department of BOT and separated from BOT on January 2, 2008, with net assets \$3 billion yielded by BOT as its owner's equity. BTS' main businesses include the following: 1. Securities trading brokerage. 2. Providing margin purchases and short sales for securities transactions. 3. Securities dealing. 4. Operating as futures introducing brokers.

(2) Summary of Significant Accounting Policies

The financial statements of the Company and its subsidiaries (the Consolidated Companies) 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 Company prepared the accompanying financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, regulations Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. Significant accounting policies are as follows:

1) Principles of consolidation

The consolidation of financial statements is made in accordance with the requirements of the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and ROC Statement of Financial Accounting Standards (ROC SFAS) No. 7 "Consolidated Financial Statements". All material inter-company transactions have been eliminated in the consolidated financial statements.

The following entities have been included in the consolidated financial statements:

Name of the investor	Name of the subsidiary	Business	Shareholding percentage	
			December 31, 2009	December 31, 2008
The Company	BOT	Banking	100.00%	100.00%
The Company	BTLI	Life Insurance	100.00%	100.00%
The Company	BTS	Securities	100.00%	100.00%

2) General accounting policies

The Consolidated Companies are government-owned enterprises, and their accounting practices mainly follow the Budget Law, Accounting Act, Account Settlement Law, Uniform Regulations on Accounting Systems for Banks Governed by the MoF, and uniform regulations on accounting systems for banks issued by the MoF. The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Consolidated Companies comply with the budget approved by the Legislative Yuan. The financial statements become final only after such an audit by the MoA. The financial statements of 2008 were approved by the MoF and MoA, and the beginning balance in 2009 were the same as the approved closing balances in 2008.

3) Use of estimates

The preparation of the accompanying financial statements requires management of the Consolidated Companies 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 foreign currency transactions of the Consolidated Companies are recorded in New Taiwan Dollars at the rates of exchange in effect when the transactions occurred. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are reflected in the accompanying statements of income. Foreign currency assets and liabilities at the balance sheet date are translated at exchange rates on that date announced by the Central Bank (CBC closing rates). Any exchange differences resulting from long-term equity investments are recorded as cumulative foreign currency translation adjustment, a separate component of stockholders' equity, and exchange differences resulting from other foreign currency assets and liabilities are reflected in the statement of income.

The financial statements of overseas operating entities 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 adjustment, a separate component of stockholders' equity.

5) Asset impairment

The Consolidated Companies adopted Statement of Financial Accounting Standards No. 35 (SFAS No. 35) "Impairment of Assets". In accordance with SFAS No. 35, the Consolidated Companies assess 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 Consolidated Companies estimate the recoverable amount of the asset. The Consolidated Companies recognize impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Consolidated Companies reverse an 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.

The Consolidated Companies assess the cash-generating unit to which goodwill, intangible assets whose useful lives cannot be estimated, and unused intangible assets are allocated on an annual basis and recognize an impairment loss on the carrying value in excess of the recoverable amount.

6) Significant commitments and contingencies

If the amount of loss is most likely to occur and can be reasonably estimated, a loss should be recognized, if a reasonable estimate of the amount of loss is not possible, disclosure should be made to describe the fact that no estimated amount is determinable.

7) Transfer of shares

The Company complies with Interpretation (96) No. 344 issued by the Accounting Research and Development Foundation for transfer of shares.

If a company is transformed into a holding company through transfer of shares and the nature of the transfer can be categorized as corporate restructuring, the equity of the holding company should equal the original company's book value of net assets. The holding company recognizes paid-in capital including par value as capital stock, the amounts of the stockholders' equity accounts as it relates to assets and liabilities (such as cumulative foreign currency translation adjustments and unrealized increments on revaluation) in the original accounts, and the others as additional paid-in capital.

8) Financial instruments

The Consolidated Companies account for financial assets in accordance with ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement", under which financial assets are classified into one of following categories: measured at fair value through profit or loss, available-for-sale, held-to-maturity, carried at cost, and debt investments without quoted price in active markets.

Financial instruments held by the Consolidated Companies are recorded on the trading date (except for bonds and funds, which are recorded on the settlement 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 by the Consolidated Companies 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 Consolidated Companies, 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.
2. Available-for-sale financial assets are recorded at fair value, and any change in market value is adjusted against shareholders' equity. Impairment loss is recognized when there is objective evidence of impairment. 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.
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 realizable amount or the depreciated or 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, 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. The carrying value after the reversal should not exceed the realizable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

9) Hedge accounting

Financial instruments held by the Consolidated Companies which meet all the criteria for applying hedge accounting are treated with fair value hedge accounting. Gains or losses on a hedging instrument resulting from fair-value revaluation or exchange rate variation are recognized through profit or loss in the current year immediately. Gains or losses on a hedged item arising from the exposures to targeted risks is reflected in the face value of that hedged item and recognized through profit or loss in the current year immediately.

10) 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 Consolidated Companies in foreign exchange, interest rate and capital markets. In addition to 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.

11) Repo and reverse repo transactions involving bill and bond investment or debt

Repo and reverse repo bond transactions are the sale or purchase of a bond coupled with an agreement to repurchase

or resell the same or substantially identical bond at a stated price. Such transactions are treated as collateral for financing transactions and not as the sale or purchase of trading securities. The related interest revenue or expenses are recorded on an accrual basis.

12) Pecuniary and securities financing and refinancing

Pecuniary finance represents loans to investors for the purchase of securities and is recorded as receivables from pecuniary finance. Such loans are secured by the securities purchased by the investors. These securities are not reflected in the financial statements of the subsidiary BTS. The investors may redeem the collateral securities upon repayment of the loans.

Securities finance represents securities lent to investors and is affected by lending to securities investors securities in custody that are received from pecuniary finance or borrowed from securities finance companies when necessary. Such securities finance is not reflected in the financial statements of the subsidiary BTS. The investors' deposits for borrowing securities are held by the subsidiary BTS as collateral and recorded under securities finance margin deposits received. In addition, investors are required to deposit the proceeds from sales of borrowed securities. Such deposits are accounted for as payables for securities financing.

Pecuniary refinancing represents loans from securities finance companies when the subsidiary BTS lacks sufficient funds to perform pecuniary financing. These loans are recorded as refinance borrowings.

Securities refinancing represents securities borrowed from securities finance companies when the subsidiary BTS does not have sufficient securities to perform securities financing. For securities refinancing, the subsidiary BTS pays margin deposits to securities finance companies. These margin deposits are recorded as refinance margin deposits. The subsidiary BTS also provides securities investors' proceeds from selling borrowed securities to securities finance companies as collateral and records them under receivables from securities refinance.

13) Loans

Loans are recorded by the amount of outstanding principal, with unearned income excluded. Interest income is recognized revenue on an accrual basis.

Recording of interest receivable of loans would be suspended if either of the following conditions is met:

1. Collection of payment of principal or interest accrued is considered highly unlikely; or,
2. Payment of principal or interest accrued is over 6 months past due.

Interest revenue is recognized upon receipt of interest for the period when recording of accrued interest is suspended.

14) Allowance for doubtful accounts

For the subsidiary BOT, all loans are recorded as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. Adequate allowance for doubtful accounts is provided by assessing the balance at the end of the accounting period of loans, accounts receivable, non-accrual accounts, and guarantee reserve.

Based on past experience, BOT records allowance for doubtful accounts by assessing country risk and potential risk of the overall claim portfolio. In addition, in accordance with the "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Past-Due Loans", the management evaluates the expected default probabilities of specific claims and records an allowance for doubtful accounts.

The subsidiary BOT classifies all loans at five levels. The sum of the product of the remaining balance at each level and the corresponding percentage is the minimum amount for recording allowance for doubtful accounts.

For the subsidiary BOT, non-accrual loans and accounts receivable—non-accrual account deemed uncollectible are written off upon approval of the board of directors. The recovery of written-off loans is accounted for under the reversal of the allowance for doubtful accounts.

The subsidiary BTLI assesses the allowance for doubtful accounts according to the expected recovery probabilities of all kinds of loans and receivables and the "Regulations on the Procedures for Insurance Institutions to Evaluate Assets and Deal with Non-Performing and Past-Due Loans" issued by the Ministry of Finance.

15) Investment under equity method

Long-term investments in which the Company and its subsidiaries have more than 20% of the investee's voting shares or are able to exercise significant influence over the investee's operating and financial policies are accounted for by the equity method.

The difference between investment cost and underlying equity in net assets shall be accounted for under Statement of Financial Accounting Standards No. 5 "Long-term Investments under Equity Method". If the differences come from assets that can be depreciated, depleted 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 causing 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 not be amortized and shall be evaluated on each balance sheet date when there is any indication that goodwill may be impaired. 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 benefit cost) proportionate to their respective fair values. If these assets are all reduced to zero value, any remaining excess should be recognized as extraordinary gain.

Gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and book value. The capital surplus arising from long-term equity investment is adjusted to profit and loss based on the percentage sold.

The shares of the Company held by a subsidiary should be calculated in compliance with Statement of Financial Accounting Standards No. 30 "Accounting for Treasury Stock". Unrealized gains or losses from transactions between the Company subsidiaries should be deferred. Deferred gains or losses derived from transactions involving depreciable or amortizable assets are amortized over their useful lives; others should be recognized upon realization.

16) Fixed assets

Land is stated at acquisition cost, which can be revaluated in accordance with related laws. Reserve for land appreciation tax is allocated and recorded as other liabilities. During a land transfer, both land revaluation increments and the reserves for land revaluation increment tax should be transferred with the acquisition cost of such land.

Fixed assets other than land are assessed based on acquisition cost, including capitalization of any interest accrued in obtaining such assets before reaching usable condition. Major additions, improvements and renewals are capitalized, whereas maintenance and repairs are expensed when occurred. Fixed assets without use value or left unused should be reclassified as idle assets, where the cost, cumulative depreciation and cumulative impairment of such assets are all transferred to depreciation and impairment of idle assets.

Depreciation of fixed assets is by the straight-line method over the estimated useful lives of the respective assets. The useful lives of leasehold improvements are the shorter of the lease period or service life. Upon reaching its useful life, if it is still in use, a depreciable asset can have its remaining useful life re-estimated and depreciation expense can continue to be allocated over its residual value.

In compliance with Accounting Research and Development Foundation Interpretation (97) Ji-Mi-Zih 340, the Consolidated Companies have recorded the estimated dismantlement or restoration obligation for a fixed asset while it is not used for producing inventory as the cost of such asset since November 20, 2008. Every single part of the fixed asset that is significant should be depreciated individually.

The Consolidated Companies re-evaluate the remaining useful life, depreciation method and residual value of each fixed asset at the end of each accounting period. Changes in those elements are accounted for as changes in accounting estimate.

The estimated useful lives of fixed assets are as follows:

Land improvement	5 to 15 years
Buildings	8 to 55 years
Machinery and equipment	2 to 20 years
Transportation equipment	2 to 12 years
Miscellaneous equipment	3 to 10 years
Leasehold improvements	5 years

Gains or losses on the disposal of fixed assets are recorded as non-operating income or loss.

17) Intangible assets

The Consolidated Companies adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, intangible assets are recorded at cost except for donation from the government, which is measured at fair value. Subsequent to their initial recognition, their book values are their cost plus their incremental value that resulted from revaluation minus accumulated amortization and impairment loss.

Amortization is computed using the straight-line method. The Consolidated Companies 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. The estimated useful lives of major intangible assets are as follows:

Computer software

3 to 5 years

At the end of each accounting period, the Consolidated Companies evaluate the residual value, the useful life and the method of amortization. Changes in those elements are considered changes in accounting estimate.

18) Other assets—statutory deposits

In accordance with the ROC Insurance Law, the insurance subsidiary should deposit in the Central Bank of China an amount equal to 15% of its issued capital as guarantee for its insurance business. The insurance subsidiary made these deposits in the form of government bonds and financial bills, and such deposits were approved by the Ministry of Finance.

19) Other assets—non-operating assets

The cost of non-operating assets are stated at the lower of net realizable value or book value. The cumulative depreciation and impairment of those non-operating assets are also transferred to non-operating assets. Depreciation expense would continue to be incurred over the remaining estimated useful lives of the non-operating assets.

20) Other assets—collateral assumed

Collateral and assets received are stated at the net realizable value: the amount the Consolidated Companies receive when debtors cannot meet their 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 Consolidated Companies recognize impairment loss on collateral on the balance sheet date if the book value of collateral exceeds net fair value.

21) Due to other banks, deposits and remittances

Deposits are recorded at the contracted principal amount or the expected maturity value.

22) Reserve for operations

In accordance with the regulations of the respective authorities, reserve for operations includes provisions for guarantees, losses on breach of contract, etc., and such provisions should be recognized by the banking, insurance and securities subsidiaries.

23) Separate accounts—insurance instruments

The insurance subsidiary is engaged in selling investment-type insurance commodities. The payment of premiums (net of administrative expenses) is recorded in a separate account which should only be used in a way agreed to by the insured. The assets of separate accounts are valued at market price on the balance sheet date, and the Company follows the related rules and financial accounting standards in the ROC to determine the net asset value. In accordance with accounting practices in the insurance industry, the assets, liabilities, revenue and expenses are recorded as "separate account—insurance instrument assets", "separate account—insurance instrument liabilities", "separate account—insurance instrument revenue" and "separate account—insurance instrument expenses", respectively.

24) Pension

Retirement, relief and severance of employees of the subsidiaries BOT, LBOT, BTS and BTLI were calculated based on service years until December 31, 1981. From January 1, 1982, to April 30, 1997, they were 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". The Consolidated Companies contributed 4% to 8.5% of salaries as prior service cost; in addition, employees contributed 3% of total monthly salaries to a pension fund each month. After May 1, 1997, when the Labor Standards Law was implemented, the length of service with the Consolidated Companies is calculated in accordance with the formula for benefit payments set forth in the Labor Standards Law. For cleaning and maintenance workers, service costs equivalent to 8% to 12% of total monthly salaries are accrued over the workers' careers based on plan benefit formulas. The workers' pension fund is deposited in an account with the Consolidated Companies for the purpose of paying pension benefits to the workers when retiring.

The Labor Pension Act of the R.O.C. ("the Act"), which adopts a defined contribution scheme, is effective from July 1, 2005. In accordance with the Act, employees of the Consolidated Companies 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. For employees subject to the Act, the Consolidated Companies shall make monthly contributions to the employees' individual pension accounts of 6% of the employees' monthly wages. The related net pension cost is recorded in current income based on the actual contribution made to the pension funds.

The defined benefit pension plan has used the balance sheet date as the measurement date to complete an actuarial

valuation of accumulated payment obligation is excess of pension fund assets at fair value. At the balance sheet date, the Consolidated Companies recognize minimum pension liabilities and, based on the pension plan's actuarial liabilities, record 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.

25) Income tax

The income tax of the Consolidated Companies is calculated in accordance with SFAS No. 22 "Income Taxes". 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.

The adjustments of income tax for the prior year are recorded as income tax expenses in the current year.

Since the Consolidated Companies are a government-owned enterprise, income tax should be determined by the Ministry of Audit.

In accordance with the Financial Holding Company Act, Article 49, the Company has adopted the Company as the taxpayer to file a consolidated corporate income tax return starting from 2008. Other tax matters should be handled by each entity of the Consolidated Companies. When preparing its financial statements, the Company accounts for its income tax in conformity with SFAS No. 22 "Income Taxes". However, the Company 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 the Company as the taxpayer. The adjustments resulting from using the Company as the taxpayer to file a consolidated corporate income tax return are recorded under receivable from (payable to) affiliated parties.

26) Revenue recognition

1. Interest income from the Company's banking loans is accrued on the unpaid principal balance in accordance with the terms of the loans. No interest revenue is recognized on loans and other credits that are classified as nonperforming loans until the interest is collected. Interest income from bailout and loan extension is recorded as deferred income in accordance with the government authorities' provision. No interest revenue from the foregoing sources is recognized until the interest is collected. Service income is recognized on an accrual basis.

A cash dividend is recognized as revenue on the ex-dividend date, while a stock dividend can only be booked as an increase in shares rather than as revenue in accordance with ROC generally accepted accounting principles.

In accordance with the regulation of "Insurance Act for Government employees", the subsidiary BOT recognizes revenue after the MoF replenishes the deficit, which is belong of the financial balance of government employees' insurance and happened before May 30, 1999.

2. For BTLI, revenue is recognized in accordance with the requirements of ROC Statement of Financial Accounting Standards (ROC SFAS) No. 32 "Accounting for Revenue Recognition" except for "insurance income". The direct written premiums are recognized when the policy becomes effective, and policy-related expenses, such as commission expenses and agency expenses, are recognized on a cash basis. At the end of each balance sheet date, adjustments are made on an accrual basis. The direct written premium for unearned premium reserves for life insurance liabilities, special reserves, and loss provisions are recognized in order to meet the matching principle.

3. For the subsidiary BTS, brokerage commissions, profit or loss from trading securities, and relevant brokerage securities transaction charges are recognized on the dealing date. Interest income or expenses of margin loans, securities financing and refinancing, bonds purchased under agreement to resell and sold under agreement to repurchase, and brokerage commission for introducing futures contracts are recognized during the transaction periods on an accrual basis. Underwriting commissions are recognized when collected, and underwriting transaction fees are recognized when the contract becomes effective.

27) 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) Reasons for and Effects of Accounting Changes

The "Principles of Preparing Financial Statements of Life and Non-life Insurance Enterprises" were amended by letter No. 09602505891 of the Insurance Bureau, and the "Regulations Governing the Procedures for Life and Non-life Insurance Enterprises to Evaluate Provision for Premium Reserves" were amended by letter No. 09602505761 of the Insurance Bureau. As of December 31, 2008, the effects of those changes on insurance subsidiaries' financial statements were as follows:

	December 31, 2008	
	After adoption	Before adoption
Unearned premium reserves	369,147	369,147
Special reserves	478,885	1,341,715
Reserves for insufficient premium	862,830	-
Reinsurance premiums expenses	77,780	77,780
Provisions for insurance policy reserves	48,339,542	48,339,542
The effect on the accounts and amounts of the consolidated financial statements of the Consolidated Companies from the above "Principles of Preparing Financial Statements of Life and Non-life Insurance Enterprises" was as follows:		

	December 31, 2008	
	After adoption	Before adoption
Liabilities:		
Reserves for operation and liabilities	1,710,862	1,710,862
Gains or losses:		
Net insurance business income	77,780	77,780
Provisions for insurance policy reserves	48,339,542	48,339,542

For prior years, the subsidiary BTLI recognized premium and interest income regarding overdue premiums only when applicants repaid the premium loans. In order to follow the practice among insurance companies, BTLI recognizes its premium and interest income when the premium loans occur starting from January 1, 2008. For the year ended December 31, 2008, the adoption of this change increased its premium and interest income by \$1,167,444, including premium and interest income of \$1,023,303 belonging to the prior years ended December 31, 2007.

The subsidiary BTLI used to be the insurance department of BOT and now is a wholly owned subsidiary of the Company. Therefore, BTLI is also a government-owned enterprise. Its accounting practice mainly follows the Budget Law, the Account Settlement Law, the Audit Act, and the regulations of related laws. The retained earnings become final only after an audit by the Ministry of Audit.

Starting from January 1, 2009, the Consolidated Companies adopted ROC Statement of Financial Accounting Standards No. 18 "Pension" to reclassify, evaluate and disclose transaction—related pension. As a result, the net income after tax decreased by \$6,794.

(4) Government Audit Adjustments for Fiscal Year Ended December 31, 2008

The Consolidated Companies' accounting records as of and for the year ended December 31, 2008, have been audited by the MoA. The revised items have been adjusted to the beginning balance of financial statements as of and for the year ended June 30, 2009. The revised items adjusted by the MoA are as follows:

Balance sheet	As audited by auditors December 31, 2008	Adjustments — Increase (decrease)	As audited by the MoA, December 31, 2008
Assets			
Financial assets measured at fair value through profit or loss, net	\$ 78,655,609	(564)	78,655,045
Receivables, net	105,651,162	321,882	105,973,044
Other assets	18,313,928	(15,356)	18,298,572
Liabilities			
Payable	97,379,549	121,479	97,501,028
Other liabilities	25,416,064	(13,070)	25,402,994
Stockholders' equity			
Unappropriated retained earnings	7,123,945	197,554	7,321,499

Financial Status

Income statement	As audited by auditors December 31, 2008	Adjustments — Increase (decrease)	As audited by the MoA, December 31, 2008
Interest income	\$ 91,627,406	(3,418)	91,623,988
Interest expense	63,669,076	(893,022)	62,776,054
Net income on service charges and commissions	3,448,857	249	3,449,106
Gains (losses) on financial assets and liabilities at fair value through profit or loss	(16,583,003)	(984,779)	(17,567,782)
Foreign exchange gains (losses)	2,832,927	996,366	3,829,293
Other net non-interest income (losses)	12,496,089	(1,226,864)	11,269,225
Other business and administrative expenses	5,243,555	(62,303)	5,181,252
Income before income taxes	6,996,786	(557)	6,996,229
Income tax benefits	(127,159)	(198,111)	(325,270)
Net income	7,123,945	197,554	7,321,499

(5) Cash and Cash Equivalents

	December 31, 2009	December 31, 2008
Cash on hand and petty cash	\$ 9,913,490	9,984,247
Foreign currency on hand	4,272,147	4,966,174
Bank deposits	33,487,100	25,684,230
Notes and checks for clearing	7,075,304	8,921,826
Placement with banks	17,750,517	30,548,484
	<u>\$ 72,498,558</u>	<u>80,104,961</u>

(6) Due from Central Bank and Call Loans to Banks

	December 31, 2009	December 31, 2008
Call loans to banks	\$ 127,418,553	101,498,807
Reserves for deposits—A account and reserves for deposits—foreign-currency, etc.	36,996,414	31,407,581
Reserves for deposits—B account	60,246,178	51,025,150
Deposits in Central Bank	1,023,339,829	812,309,742
	<u>\$ 1,248,000,974</u>	<u>996,241,280</u>

- 1) The reserves for deposits is required by the Banking Law and is determined by applying the reserve ratios by the Central Bank to the monthly average balance of each type of deposit. The reserve amount is deposited in the reserve deposit account at the Central Bank. According to the regulations, such reserve for deposits—B account cannot be withdrawn except for monthly adjustments of the reserve for deposits.
- 2) As of December 31, 2009 and 2008, 60% of the deposits collected by BOT on behalf of government institutions from government organizations amounting to \$5,349,549 and \$9,984,742, respectively, were deposited in the Central Bank and can not be withdrawn, according to the regulations.
- 3) BOT, in accordance with the Central Bank's System for allocating and transferring of funds of bank brotherhood, adopted the RTGS (Real-Time Gross Settlement) clearing system. The purchased CDs (certificates of deposit) serve as the security for daily overdrafts. As of December 31, 2009 and 2008, \$20,000,000 in negotiable time certificates were pledged as the security for overdrafts, respectively. The secured credit limit can be modified at any time; those credits not used at the closing day may still serve as liquid reserves.

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

	December 31, 2009	December 31, 2008
Financial assets held for trading		
Commercial paper	\$ 1,415,094	2,574,117
Government bonds	1,234,813	1,996,770

Financial Status

Listed stocks, beneficiary certificates and monetary instruments	69,021,805	34,027,325
Treasury bonds	-	8,901,154
Convertible bonds	1,476,616	4,033,869
Corporate and financial bonds	7,186	5,702
Foreign government bonds	3,948,149	6,574,952
Trading securities	187,852	1,863,267
Beneficiary securities	2,249,170	1,313,221
	<u>79,540,685</u>	<u>61,290,377</u>
Derivative financial instruments	<u>3,619,456</u>	<u>6,857,320</u>
Financial assets designated as at fair value through profit or loss:		
Foreign government and financial bonds	10,848,186	10,537,348
Total	<u>\$ 94,008,327</u>	<u>78,685,045</u>

For details of the valuation of financial assets measured at fair value through profit or loss, please see note 33, "Information on Financial Instruments".

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

The details of bonds and bills purchased / sold under agreements to resell (repurchase) were as follows:

	December 31, 2009	December 31, 2008
Bills and bonds purchased under resell agreements:		
Government bonds	\$ 368,349	300,000
Negotiable certificates of deposit	-	700,410
Treasury bills	-	591,527
Commercial paper	9,034,507	10,729,629
	<u>\$ 9,402,856</u>	<u>12,321,566</u>
Bills and bonds sold under repurchase agreements:		
Government bonds	\$ 5,525,570	19,128,355
Treasury bills	-	754,219
Commercial paper	-	368,646
	<u>\$ 5,525,570</u>	<u>20,251,220</u>

(9) Receivables, Net

	December 31, 2009	December 31, 2008
Accounts receivable	\$ 1,204,809	1,318,864
Long-term receivable	40,526,237	43,647,047
Accrued revenue	430,084	379,472
Interest receivable	12,176,504	18,830,946
Insurance receivable	199,260	273,909
Refundable income tax	1,738,887	1,592,181
Notes receivable and acceptance notes receivable	3,423,368	2,788,871
Factoring receivable — without recourse	1,139,497	1,298,819
Margin loans receivable	1,499,116	612,571
Other receivables	32,962,060	35,523,478
Subtotal	<u>95,299,822</u>	<u>106,266,158</u>
Less: allowance for doubtful accounts	<u>249,697</u>	<u>293,114</u>
Total	<u>\$ 95,050,125</u>	<u>105,973,044</u>

Financial Status

For the years ended December 31, 2009 and 2008, BOT paid excess interest expenses (booked in other net non-interest income) amounting to \$7,836,838 and \$7,730,890, respectively, due to executing the government premium savings policy. As of December 31, 2009 and 2008, BOT, on behalf of the government, had paid excess interest expenses amounting to \$85,846,669 (booked in long-term receivable of \$40,526,237 and other financial assets—short-term advance of \$45,320,432). and \$43,647,047 (booked in long-term receivable of \$43,647,047), respectively.

(10) Discounts and loans—Net

	December 31, 2009	December 31, 2008
Discounts and import-export negotiations	\$ 4,253,895	3,145,217
Short-term loans and overdrafts	377,901,902	428,121,859
Short-term secured loans and secured overdrafts	79,430,593	84,195,546
Insurance loans	5,433,187	5,774,269
Medium-term loans	615,537,991	560,281,674
Medium-term secured loans	239,204,917	232,219,586
Long-term loans	210,235,964	194,621,930
Long-term secured loans	516,705,042	482,982,969
Nonperforming loans	17,449,665	17,994,258
Subtotal	2,066,153,156	2,009,337,308
Less: allowance for doubtful accounts	12,981,652	11,800,604
Total	<u>\$ 2,053,171,504</u>	<u>1,997,536,704</u>

Movements of allowance for doubtful accounts were as follows:

	The year ended December 31, 2009			
	Unrecoverable risk for specific loans	Country risk	Potential risk of total loans mix	Total
Beginning balance	\$ 10,594,127	1,358,073	273,074	12,225,274
Provision (reversal) for doubtful accounts	2,009,941	2,450,625	(29,189)	4,431,377
Write-off	(4,256,086)	(916,377)	-	(5,172,463)
Collected from write-off loans	1,730,900	69,317	-	1,800,217
Foreign exchange translation adjustment	-	(16,496)	-	(16,496)
Ending balance	<u>\$ 10,078,882</u>	<u>2,945,142</u>	<u>243,885</u>	<u>13,267,909</u>

	The year ended December 31, 2008			
	Unrecoverable risk for specific loans	Country risk	Potential risk of total loans mix	Total
Beginning balance	\$ 12,539,318	897,900	1,065,391	14,502,609
Provision (reversal) for doubtful accounts	907,557	1,482,943	(792,246)	1,598,254
Transfer to BTLI and BTS	(71,863)	-	(71)	(71,934)
Write-off	(4,667,927)	(1,088,268)	-	(5,756,195)
Collected from write-off loans	1,887,042	23,210	-	1,910,252
Foreign exchange translation	-	42,288	-	42,288
Ending balance	<u>\$ 10,594,127</u>	<u>1,358,073</u>	<u>273,074</u>	<u>12,225,274</u>

Details of allowance for doubtful accounts were as follows:

	December 31, 2009	December 31, 2008
Receivables	\$ 249,697	293,114
Discounts and loans	12,981,652	11,800,604
Other financial assets	36,560	131,556
Total	<u>\$ 13,267,909</u>	<u>12,225,274</u>

Details of bad debt expense were as follows:

	December 31, 2009	December 31, 2008
Provision for bad debt	<u>\$ 4,431,377</u>	<u>1,598,254</u>

As of December 31, 2009 and 2008, the amount of loans where interest accruals had been ceased of the Consolidated Companies were \$17,486,189 and \$18,125,748, respectively, which was booked in discounts and loans—nonperforming loans and other financial assets—overdue receivables.

Please see note 33, "Information on Financial Instruments", for the valuation of loans granted by the Consolidated Companies.

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

	December 31, 2009	December 31, 2008
Domestic:		
Negotiable certificates of deposit	\$ 22,004,830	29,426,373
Government bonds	34,746,910	50,647,713
Corporate bonds	8,766,063	8,564,243
Financial bonds	1,828,615	2,157,287
Real estate securitization	9,854	1,683,334
Financial asset securitization	996,661	996,744
Listed stocks and beneficiary certificates	64,267,928	39,060,313
Preferred stocks	1,200,594	1,023,285
Real estate Investment Trust	2,094,666	-
	<u>135,916,121</u>	<u>133,559,292</u>
Foreign:		
Foreign bonds	38,931,558	44,016,736
Real estate securitization	216,502	360,605
Beneficiary certificates	2,453,918	441,235
Less: accumulated impairment	1,598,542	2,850,571
	<u>40,003,436</u>	<u>41,968,005</u>
Total	<u>\$ 175,919,557</u>	<u>175,527,297</u>

- 1) Please see note 33, "Information on Financial Instruments", for valuation of available-for-sale financial assets.
- 2) CSBC Corporation, Taiwan (CSBC) completed its privatization by means of an IPO (Initial Public Offer) on December 18, 2008, and the initial price was \$13.4 (dollars) per share. The Consolidated Companies hold 1,612,980 shares of CSBC, the book value of which was \$14,750. After revaluating at fair value, the Consolidated Companies transferred the shares from "financial assets carried at cost—non-current" to "available-for-sale financial assets—non-current" with book value of \$21,614.
- 3) The Consolidated Companies 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 2007-1 Collateralized Bond obligations Special Purpose Trust Class B1 Beneficiary Certificates, whose book value amounted to \$2,949,052. As these financial instruments had been impaired, the Consolidated Companies then recognized impairment losses amounting to \$2,895,083 in 2008. The partial foregoing bonds have been sold for the year ended December 31, 2009, and the Consolidated Companies reversed the accumulated impairment of \$1,380,046. Besides, as the foreign collateralized debt obligation (CDO) had been impaired, the Consolidated Companies recognized impairment losses amounting to \$139,068.

Financial Status

(12) Held-to-maturity Financial Assets, Net

	December 31, 2009	December 31, 2008
Domestic:		
Financial bonds	\$ 21,380,706	16,016,154
Corporate bonds	30,727,185	25,868,376
Negotiable certificates of deposits	300,093	-
Commercial paper	12,788,541	8,704,625
Government bonds	17,386,136	17,862,325
Treasury bonds	998,182	-
Real estate securitization	35,288	38,385
Financial asset securitization	-	25,167
Preferred stocks	291,090	291,090
Structured deposit	1,000,000	2,500,000
	<u>84,907,221</u>	<u>71,306,122</u>
Foreign:		
Foreign bonds	63,072,747	46,394,262
Less: accumulated impairment	(279,552)	(504,016)
	<u>62,793,195</u>	<u>45,890,246</u>
	<u>\$ 147,700,416</u>	<u>117,196,368</u>

- 1) Please see note 33, "Information on Financial Instruments", for valuation of held-to-maturity investment.
- 2) The Consolidated Companies held Collateralized Debt Obligations (CDOs) and recognized impairment losses amounting to \$184,339 for the year ended December 31, 2009.

(13) Investments under Equity Method, Net

	December 31, 2009		December 31, 2008	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	29.36	\$ 27,520,429	29.36	26,349,622
Taiwan Life Insurance Co., Ltd.	24.00	2,766,877	28.46	1,035,486
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	2,610,549	91.86	2,640,474
Tang Eng Iron Works Co., Ltd.	21.38	1,465,979	21.38	1,090,467
Tai Yi Real-Estate Management Co., Ltd.	30.00	9,588	30.00	9,577
Total		<u>\$ 34,373,422</u>		<u>31,125,626</u>

- 1) The initial costs of long-term equity investment under the equity method were as follows:

Name of Investee	December 31, 2009	December 31, 2008
Hua Nan Financial Holdings Co., Ltd.	\$ 8,105,279	8,105,279
Taiwan Life Insurance Co., Ltd.	812,325	812,325
Kaohsiung Ammonium Sulfate Co., Ltd.	1,377,872	1,377,872
Tang Eng Iron Works Co., Ltd.	1,451,462	1,451,462
Tai Yi Real Estate Management Co., Ltd.	3,793	3,793
	<u>\$ 11,750,731</u>	<u>11,750,731</u>

2) The gains or losses on long-term investments under the equity method were as follows:

Name of Investee	The year ended December 31, 2009	The year ended December 31, 2008
Hua Nan Financial Holdings Co., Ltd.	\$ 1,306,355	2,655,397
Taiwan Life Insurance Co., Ltd.	1,222,077	(1,229,172)
Kaohsiung Ammonium Sulfate Co., Ltd.	(29,925)	(14,163)
Tang-Eng Iron Works Co., Ltd.	349,847	(506,966)
Tai Yi Real-Estate Management Co., Ltd.	11	(3,091)
	<u>\$ 2,848,365</u>	<u>902,005</u>

1. The financial statements of the Consolidated Companies' investee companies—Hua Nan Financial Holdings Co., Ltd. under equity method were audited by other auditors, and the related equity in earnings were \$1,306,366 and \$2,652,306 for the years ended December 31, 2009 and 2008 (audited by the MoA), respectively.

2. The financial statements of the Consolidated Companies' some investee companies under equity method were not audited by auditors, and the related equity in losses were \$(29,925) and \$(14,163) for the years ended December 31, 2009 and 2008, respectively.

3. 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 Consolidated Companies have no control power over such investee.

3) Details of the Consolidated Companies' recognition of unrealized increments on revaluation and cumulative translation adjustments under stockholders' equity were as follows:

Name of investee	Unrealized increments on revaluation		Cumulative translation adjustments	
	2009	2008	2009	2008
Hua Nan Financial Holdings Co., Ltd.	\$ (64,293)	220,699	(11,481)	(7,097)
Taiwan Life Insurance Co., Ltd.	-	50,332	(1,465)	8,806
Tang Eng Iron Works Co., Ltd.	17,647	1,238	-	-
	<u>\$ (46,646)</u>	<u>272,269</u>	<u>(12,946)</u>	<u>1,709</u>

4) Details of the Consolidated Companies' recognition of additional paid-in capital and unrealized losses or gains on financial instruments under stockholders' equity were as follows:

Name of investee	Additional paid-in capital		Unrealized losses and gains of financial instruments	
	2009	2008	2009	2008
Hua Nan Financial Holdings Co., Ltd.	\$ -	-	1,179,422	(1,851,005)
Taiwan Life Insurance Co., Ltd.	(525)	-	511,305	(577,281)
Tang Eng Iron Works Co., Ltd.	-	-	8,018	(7,639)
	<u>\$ (525)</u>	<u>-</u>	<u>1,698,745</u>	<u>(2,435,925)</u>

5) Details of the cash dividends distributed to the Consolidated Companies 2009 and 2008 were as follows:

	2009	2008
Hua Nan Financial Holdings Co., Ltd.	\$ 1,251,684	1,753,059
Taiwan Life Insurance Co., Ltd.	-	219,208
	<u>\$ 1,251,684</u>	<u>1,972,267</u>

Financial Status

(14) Other Financial Assets, Net

	December 31, 2009	December 31, 2008
Temporary advances	\$ 51,688,589	45,183,149
Financial assets carried at cost	11,092,326	11,092,326
Bond investments with no active market	11,498,430	18,131,561
Less: accumulated impairment—bond investment with no active market	(1,466,075)	(1,318,312)
Overdue receivables	50,628	131,490
Less: allowance for doubtful accounts—overdue receivables	(36,524)	(131,490)
Hedging derivative financial assets	18,409	57,273
Separate account insurance product assets	5,680,906	4,810,896
Bills purchased	11,964	22,104
Less: allowance for doubtful accounts—bills purchased	(36)	(66)
Others	24,360	-
Total	<u>\$ 78,562,977</u>	<u>77,978,931</u>

1) Please see note 33, "Information on Financial Instruments", for valuation of hedging derivative financial assets and bond investments with no active market.

2) On December 23, 2008, Mega International Investment Trust Co., Ltd. underwent a capital reduction, and therefore reduced book value of "financial assets carried at cost" by \$544.

3) The Consolidated Companies recognized impairment losses of \$567,544 (booked in bond investments with no active market) for the year ended December 31, 2009.

(15) Real Estate Investments, Net

	December 31, 2009	December 31, 2008
Real estate investments	\$ 2,212,479	2,210,995
Less: accumulated depreciation	230,034	207,030
Total	<u>\$ 1,982,445</u>	<u>2,003,965</u>

(16) Fixed Assets, Net

	December 31, 2009	December 31, 2008
Cost:		
Land (including revaluation increments)	\$ 67,123,023	68,412,775
Land improvements	15,869	19,345
Buildings (including revaluation increments)	14,666,245	14,141,305
Machinery and equipment	5,638,105	5,464,267
Transportation equipment	1,099,029	1,125,195
Miscellaneous equipment	1,126,938	1,159,066
Leasehold improvements	631,599	565,605
Construction in progress and order parts	262,706	519,462
Prepayment for equipment	206,384	-
Prepayment for land and construction	-	293,665
Subtotal	<u>90,769,898</u>	<u>91,700,685</u>
Accumulated depreciation:		
Land improvement	\$ 13,084	15,981
Buildings	4,940,296	4,662,184

Machinery and equipment	3,786,114	3,648,307
Transportation equipment	811,230	810,181
Miscellaneous equipment	826,014	861,388
Leasehold improvements	488,778	494,590
Subtotal	10,865,516	10,492,631
Accumulated impairment	252,584	167,430
Net	<u>\$ 79,651,798</u>	<u>81,040,624</u>

On March 17, 2009, BOT assessed individually asset and recognized an impairment loss amounting to \$4,373, a reversal on impairment loss amounting to \$15,776; reduced unrealized increments on revaluation by \$96,521 and reclassification of accumulated impairment amounting to \$36.

BOT has conducted revaluations of lands and buildings many times over past years. As of December 31, 2009 and 2008, revaluation increments of lands were \$62,252,009 and \$63,556,509, respectively, and estimated tax payables on land increments were \$15,411,676 and \$15,599,295 (recorded in other liabilities), respectively.

BTLI revaluated its land and buildings on February 4, 2009, and recognized revaluation increments of assets by \$212,411 based on benchmark of January 2, 2008, after approval by the National Tax Administration on March 12, 2009. The fixed assets, real estate investments, and unrealized revaluation increments increased by \$77,482, \$134,929 and \$212,411, respectively, from such revaluation.

To comply with government policy, the Consolidated Companies sold land, buildings and equipments and recognized gains on disposal of property, plant and equipment of \$2,645,425 and \$2,738,530 for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, the Consolidated Companies' did not pledge any fixed assets as a guarantee or collateral.

As of December 31, 2009, the part of the land and buildings (including real estate investment) of the Consolidated Companies were leased out. The book value (including revaluation increments) of the rental land was \$31,965,485. Most of the rental buildings have been fully depreciated over their useful lives. The estimated future lease revenue was as follows:

Period	Amount
2010.01.01~2010.12.31	\$ 188,454
2011.01.01~2011.12.31	114,125
2012.01.01~2012.12.31	53,240
2013.01.01~2013.12.31	15,980
2014.01.01~2014.12.31	4,292
	<u>\$ 376,091</u>

(17) Other Assets – Net

	December 31, 2009	December 31, 2008
Prepayments	\$ 4,925,813	5,554,462
Refundable deposits	1,345,745	1,009,035
Operating guarantee deposits and settlement and clearing funds	86,591	329,954
Temporary advance and amount being transferred	476,684	320,095
Deferred income tax assets, net	2,108,152	1,738,737
Non-operating assets (including revaluation increments)	8,184,756	8,214,018
Brokering transaction debit balance, net	22,487	2,560
Collateral assumed, net	1,076,959	1,076,959
Deferred pension cost	233,278	-
Others	37,580	52,752
Total	<u>\$ 18,498,045</u>	<u>18,298,572</u>

Financial Status

1) Prepayments

	December 31, 2009	December 31, 2008
Prepaid expense	\$ 726,407	716,942
Prepaid tax	32,950	237,231
Cash dividends paid in advance	3,012,708	3,590,127
Other prepayments	1,153,748	1,010,162
	<u>\$ 4,925,813</u>	<u>5,554,462</u>

2) Non-operating assets, net

	December 31, 2009	December 31, 2008
Land	\$ 8,251,546	8,281,839
Buildings	53,185	53,185
Miscellaneous equipment	92	92
Less: accumulated depreciation—buildings	20,781	19,461
accumulated impairment	99,286	101,637
	<u>\$ 8,184,756</u>	<u>8,214,018</u>

BOT recognized impairment loss of \$78, reversal on impairment loss of \$2,418, and unrealized increments on revaluation of \$11 based on the result of impairment assessment of individual asset.

3) Collateral assumed, net

	December 31, 2009	December 31, 2008
Collateral assumed	\$ 1,095,788	1,097,616
Less: accumulated impairment	18,829	20,657
	<u>\$ 1,076,959</u>	<u>1,076,959</u>

BOT recognized reversal on impairment losses of \$1,828 for auctioning guarantees on April 22, 2009.

(18) Due to Central Bank and Other Banks

	December 31, 2009	December 31, 2008
Call loans from bank	\$ 134,600,983	106,418,360
Postal deposits transferred	32,986,964	38,973,586
Deposits from Central Bank	13,140,110	12,453,417
Deposits from other banks	23,705,622	23,533,652
Bank overdrafts	517,181	110,723
	<u>\$ 204,950,860</u>	<u>181,489,738</u>

(19) Financial Liabilities at Fair Value through Profit or Loss

	December 31, 2009	December 31, 2008
Held-for-trading financial liabilities		
Foreign exchange options	\$ 9,079	4,410
Cross currency swaps	3,000,716	4,098,268
Interest rate swaps	952,683	1,003,272
Foreign exchange swaps	247,563	698,469
	<u>\$ 4,210,041</u>	<u>5,804,419</u>

For valuation of financial liabilities at fair value through profit or loss, please refer to note 33.

(20) Payables

	December 31, 2009	December 31, 2008
Accounts payable	\$ 7,740,672	9,402,405
Receipt under custody	1,687,860	1,469,701
Accrued expense	2,675,344	3,100,694
Income tax payable	306,824	-
Interest payable	12,327,500	19,807,329
Bank acceptances	3,272,781	2,633,560
Due from representative organization	33,023,880	33,863,716
Other payables	30,738,668	27,223,623
	\$ 91,773,529	97,501,028

(21) Deposits

	December 31, 2009	December 31, 2008
Checking account deposits	\$ 28,731,791	27,300,859
Government deposits	211,783,672	247,717,840
Demand deposits	212,922,098	176,259,848
Time deposits	596,809,868	603,203,837
Savings account deposits	2,114,580,192	1,877,499,880
Remittances	561,547	580,641
	\$ 3,165,389,168	2,932,562,905

(22) Other loans

As of December 31, 2009 and 2008, the unused limit of the Consolidated Companies' short-term loans were \$17,800,000 and \$17,300,000, respectively.

(23) Reserves for Operation and Liabilities

	December 31, 2009	December 31, 2008
Reserves for unearned premium	\$ 357,562	369,147
Reserves for life insurance liability	191,242,566	151,432,202
Special reserves for life insurance	499,664	478,885
Reserves for claim outstanding	72,316	75,568
Reserves for operating loss	127,274	131,712
Reserves for default losses	116,154	98,851
Reserves for trading losses	5,880	1,457
Reserves for guarantees	263,603	299,465
Reserves for labor insurance liability	160,359,169	126,108,139
Reserve for insufficient premiums	2,370,408	852,830
Total	\$ 355,414,596	279,848,256

(24) Other Financial Liabilities

	December 31, 2009	December 31, 2008
Appropriated loan funds	\$ 1,270,228	1,428,143
Separate account—insurance liabilities	5,680,906	4,810,896
Hedging derivative financial liabilities	241,100	189,981
	\$ 7,192,234	6,429,020

Financial Status

For details of hedging derivative financial liabilities on December 31, 2009 and 2008, please refer to note 33.

(25) Other Liabilities

	December 31, 2009	December 31, 2008
Advance collections	\$ 789,607	907,042
Guarantee deposits received	4,885,771	3,683,802
Estimated tax payable on land increments	15,411,676	15,599,295
Temporary receipt awaiting transfer	480,964	1,234,024
Accrued pension liabilities	2,996,855	2,639,677
Others	1,338,445	1,339,154
	<u>\$ 25,903,318</u>	<u>25,402,994</u>

(26) Pension

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

	December 31, 2009		December 31, 2008	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Benefit obligation:				
Vested benefit obligation	\$ (4,896,223)	(374,734)	(4,439,766)	(325,619)
Non-vested benefit obligation	(3,142,515)	(453,749)	(2,923,928)	(430,072)
Accumulated benefit obligation	(8,038,738)	(828,483)	(7,363,694)	(755,691)
Additional benefits based on future salaries	(2,187,400)	(271,777)	(2,070,022)	(259,665)
Projected benefit obligation (PBO)	(10,226,138)	(1,100,260)	(9,433,716)	(1,015,356)
Fair value of plan assets	5,403,114	930,090	4,964,905	854,094
Funding status	(4,823,024)	(170,170)	(4,468,811)	(161,262)
Unrecognized transitional net benefit obligation (assets)	573,254	295,184	641,123	329,478
Unrecognized prior service cost	194,553	(20,067)	215,032	(23,715)
Unrecognized pension loss (gain)	1,400,123	(213,430)	1,292,520	(248,243)
Additional minimum pension liability recognized	(119,417)	(113,861)	(97,481)	(118,318)
Accrued pension liabilities	<u>\$ (2,774,511)</u>	<u>(222,344)</u>	<u>(2,417,617)</u>	<u>(222,060)</u>
Vested benefit	<u>\$ (6,166,899)</u>	<u>(462,072)</u>	<u>(5,622,914)</u>	<u>(404,901)</u>

The components of net pension costs for the year 2009 and 2008 were as follows:

	2009		2008	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Service cost	\$ 789,155	55,703	796,664	61,828
Interest cost	222,155	24,368	222,574	28,896
Expected return on plan assets	(118,168)	(21,028)	(126,813)	(21,871)
Settlement gain	4,056	-	-	-
Amortization and deferred cost	154,517	18,873	132,645	30,413
Net pension costs	<u>\$ 1,051,715</u>	<u>77,916</u>	<u>1,025,070</u>	<u>99,266</u>

The details of pension expenses for 2009 and 2008 as follows:

	2009	2008
Pension expenses:		
Defined benefit pension plan	\$ 1,129,628	1,124,336
Defined contribution pension plan	29,110	9,639
Actuarial assumptions:		
	2009	2008
Discount rate	2.25%~2.50%	2.50%
Rate of increase in future compensation	2.00%~2.50%	2.00%
Rate of expected return on plan assets	1.50%~2.50%	2.50%

(27) Income Tax

The income tax expenses are summarized below:

	The year ended December 31, 2009	The year ended December 31, 2008
Current income tax	\$ 557,345	431,449
Deferred income tax benefit	(591,541)	(756,719)
Income tax expense (benefit)	<u>\$ (34,196)</u>	<u>(325,270)</u>

The Consolidated Companies are subject to ROC income tax at a maximum rate of 25%. In accordance with the amendment of "Income Tax Act" announced on May 27, 2009, the maximum income tax rate of the Consolidated Companies will be changed to 20% from 2009. For the years ended December 31, 2009 and 2008 (audited by the MoA), the differences between the "expected" income tax at the statutory income tax rate and the income tax expense in the accompanying financial statements were as follows:

	The year ended December 31, 2009	The year ended December 31, 2008
Expected income tax expenses	\$ 2,171,313	1,753,976
Tax effect of interest income from short-term notes separately taxable income	(4,167)	(87,720)
Gain on securities transactions exempt from tax	(1,448,122)	(159,190)
Unrealized gain on evaluation of financial instruments	319,725	71,931
Tax-free earnings from OBU	(439,233)	266,234
Investment gains recognized under the equity method	(712,092)	(225,501)
Gain on disposal of land	(658,290)	(680,566)
Impairment loss (reversal gain)	(1,342)	250,170
Adjustment of income taxes estimated in prior years	445,552	-
Tax-free dividends	(241,134)	(621,636)
Allowance for deferred income tax assets	(639,506)	(741,602)
Income tax expenses of overseas branches	516,054	(502,894)
Adjustments of outright purchase and sale of bills	(5,410)	266,351
Repo and reverse repo bond transactions exempt from tax	4,042	2,647
Income basic tax	220,436	100,120
Income tax effect of change in statutory income tax rate	404,157	-
Others	33,821	(17,590)
Income tax benefit	<u>\$ (34,196)</u>	<u>(325,270)</u>

Financial Status

The major components of deferred income tax benefit were as follows:

	The year ended December 31, 2009	The year ended December 31, 2008
Pension costs in excess of tax limits	\$ (67,941)	(79,320)
Losses on valuation of foreign and derivative financial instruments	119,156	4,004
Unrealized gains on foreign currency exchange	(535,006)	395,310
Reversal of impairment loss on financial assets	57,481	(455,582)
Loss carryforward	(623,823)	84,497
Deferred income tax expenses of overseas branches	309,916	(555,005)
Income tax effect of change in statutory income tax rate	148,451	-
Others	225	18,371
Deferred income tax benefit	<u>\$ (591,541)</u>	<u>(756,719)</u>

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

	December 31, 2009		December 31, 2008	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Pension costs in excess of tax limits	\$ 2,763,580	552,716	2,423,880	605,970
Loss carryforward	6,700,705	1,340,141	3,872,884	968,221
Impairment losses on collateral assumed	18,830	3,766	20,656	5,164
Impairment losses on financial assets	2,009,665	401,933	3,403,672	850,918
Losses on valuation of financial assets	-	-	1,360,472	340,118
Unrealized losses on foreign currency exchange	1,094,030	218,806	352	88
Foreign deferred income tax assets—loss carryforward and exchange effect	2,413,780	482,756	-	984,262
Others	56,370	11,274	30,960	7,740
Subtotal		3,011,392		3,762,481
Allowance for deferred income tax assets		(753,214)		(1,624,342)
		<u>\$ 2,258,178</u>		<u>2,138,139</u>
Deferred income tax liabilities:				
Unrealized gains on foreign currency exchange	240	48	1,581,592	395,398
Unrealized gains or losses on foreign and derivative financial instruments	723,970	144,794	16,016	4,004
Unrealized gains or losses on exchange difference and financial instruments—deferred tax liability—foreign	20,736	5,184	-	-
		<u>\$ 150,026</u>		<u>399,402</u>
Deferred income tax assets—net		<u>\$ 2,108,152</u>		<u>1,738,737</u>

According to income tax law, loss of a company could be used to offset taxable income in next ten years. On December 31, 2009, the amount of loss which could be used to offset taxable income was as follows:

Fiscal years	December 31, 2009	Last year offsetable
2009, estimated amount	<u>\$ 6,343,013</u>	2019

BOT's income tax returns for all years through 2007 have been examined by the tax authorities, and that of Consolidated Compaies for 2008 have been audited by the MoA.

Beginning 2008, the Company and its subsidiary BOT adopted a combined income tax declaration to report their tax. The subsidiaries BTLI and BTS join in adoption in 2009. As of December 31, 2009 and 2008 (audited by the MoA), the details of receivables and payables resulting from income tax were as follows:

	The year ended December 31, 2009			
	Tax receivables from affiliated parties (booked in accounts receivable)	Tax payables to affiliated parties (booked in accounts payable)	Income tax receivables from National Tax Administration (booked in accounts receivable)	Income tax payables to National Tax Administration (booked in accounts payable)
2008	\$ -	740,542	740,551	-
The year ended December 31, 2009	25,351	552,484	527,211	-
	<u>\$ 25,351</u>	<u>1,293,026</u>	<u>1,267,762</u>	<u>-</u>

	The year ended December 31, 2008			
	Receivables from affiliated parties (booked in accounts receivable)	Payables to affiliated parties (booked in accounts payable)	Income tax receivables from National Tax Administration (booked in accounts payable)	Income tax payables to National Tax Administration (booked in accounts payable)
The year ended December 31, 2008	\$ -	740,542	740,551	-

The reconciliation of the balances of current income tax expense, deferred income tax expense, deferred income tax assets, and income tax receivables under the provisions of SFAS No. 22 "Income Taxes" to the related balances computed for filing combined corporate income tax returns with the Company as the taxpayer was as follows:

	The year ended December 31, 2009			
	Current income tax expense	Deferred income tax expense (gain)	Deferred income tax assets, net	Current income tax receivables
Amount computed under SFAS No. 22	\$ 557,345	(591,541)	2,108,152	1,267,762
Difference adjustments	-	-	-	-
Amount computed for filing combined corporate income tax return	<u>\$ 557,345</u>	<u>(591,541)</u>	<u>2,108,152</u>	<u>1,267,762</u>

	The year ended December 31, 2008			
	Current income tax expense	Deferred income tax expense	Deferred income tax asset, net	Current income tax receivables
Amount computed under SFAS No. 22	\$ 431,449	(756,719)	1,738,737	740,551
Difference adjustments	-	-	-	-
Amount computed for filling combined corporate income tax returns	<u>\$ 431,449</u>	<u>(756,719)</u>	<u>1,738,737</u>	<u>740,551</u>

As of December 31, 2009 and 2008 (audited by the MoA), unappropriated retained earnings were as follows:

	December 31, 2009	December 31, 2008
1998 and after	<u>\$ 8,790,072</u>	<u>7,321,499</u>

(28) Stockholders' Equity

1) Common stock

On January 1, 2008, the Company was incorporated through transfer of shares and issued 9,000,000 shares of common stock with a par value of \$10. As of December 31, 2009, the Company had authorized and issued \$90,000,000 of common stock.

2) Additional paid-in capital

The Company reorganized the group members in accordance with the amendment of the Act of Taiwan Financial Holding Co. Ltd. approved by the Legislative Yuan on November 7, 2008. On December 20, 2008, the Company underwent a non-cash share capital reduction and increased share capital by converting the additional paid-in capital of \$109,467,296 to increase its share capital at the same time. The share capital of the Company remained \$90,000,000 after the capital reduction and increase. The change in additional paid-in capital for the years ended December 31, 2009 and 2008 (audited by the MoA) were as follows:

	Capital surplus	
	The year ended December 31, 2009	The year ended December 31, 2008
Beginning balance	\$ 111,495,264	215,854,060
Adjustment for the change in the subsidiaries' special reserve	-	(320,552)
Recognition of change in the subsidiaries' additional paid-in capital under equity method	(525)	-
Converted to increase share capital	-	(109,467,296)
Adjustment for non-cash share capital reduction	-	5,429,052
Ending balance on June 30, 2009	<u>\$ 111,494,739</u>	<u>111,495,264</u>

3) Distribution of unappropriated earnings

The articles of incorporation of the Company stipulate that net income should be distributed as follows:

1. to offset prior years' deficit;
2. to appropriate 10% as legal reserve;
3. to appropriate 40~60% and the same amount of unrealized loss on financial instruments under stockholders' equity as special reserve;
4. to appropriate dividends.

The remaining balance plus prior year's accumulated unappropriated earnings will be distributed under the applicable laws and regulations.

According to the Company's articles of incorporation, cash dividend cannot be distributed in excess of 15% of total capital unless the legal reserve reaches the total amount of capital.

(29) Earnings per Share

	The year ended December 31, 2009		The year ended December 31, 2008	
	Pretax	After tax	Pretax	After tax
Net income (for common stockholders)	<u>\$ 8,685,253</u>	<u>8,719,449</u>	<u>6,996,229</u>	<u>7,321,499</u>
Weighted average outstanding shares (shares in thousands)	<u>9,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>
Primary earnings per share (in Dollars)	<u>\$ 0.97</u>	<u>0.97</u>	<u>0.78</u>	<u>0.81</u>

(30) Net Insurance Business Income

	The year ended December 31, 2009	The year ended December 31, 2008
Gross written premiums	\$ 60,671,528	63,414,889
Reinsurance claims recovery	25,376	56,419

Financial Status

Investment-type insurance policy revenue	483,058	4,756,856
Insurance business income	61,179,962	68,228,164
Re-insurance expense	77,532	77,780
Direct business expense	333,549	342,373
Insurance payments	27,711,522	30,023,342
Stability fund	43,498	46,954
Investment-type insurance policy expense	483,058	4,756,856
Insurance business expense	28,649,159	35,247,305
Net insurance income	\$ 32,530,803	32,980,859

(31) Asset Impairment Loss (Gain on Reversal of Impairment)

	The year ended December 31, 2009	The year ended December 31, 2008
Available-for-sale financial assets	\$ (1,240,978)	2,895,083
Held-to-maturity financial assets	184,339	504,016
Other financial assets	567,544	1,318,312
Fixed assets	(11,402)	37,018
Other assets	(4,168)	(36,000)
	\$ (504,665)	4,718,429

(32) Provisions Recovery for Insurance Policy Reserves

	2009	2008
Provision for policyholders' reserve	\$ 74,817,376	33,694,367
Provision (recovery) for special reserve	(27,107)	(89,769)
Provision (recovery) for claim reserve	(3,252)	(19,490)
Provision for insufficient premium reserve	1,555,464	125,832
	\$ 76,342,481	33,710,940

(33) Information on Financial Instruments

1) Information on fair value of financial instruments

	December 31, 2009		December 31, 2008	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Financial assets measured at fair value through profit or loss	\$ 94,008,327	94,008,327	78,655,045	78,655,045
Loans	2,053,171,504	2,053,171,504	1,997,536,704	1,997,536,704
Available-for-sale financial assets	175,919,557	175,919,557	175,527,297	175,527,297
Held-to-maturity financial assets	147,700,416	147,700,416	117,196,368	117,196,368
Other financial assets	78,562,977	78,562,977	77,978,931	77,978,931
Financial Liabilities:				
Financial liabilities measured at fair value through profit or loss	4,210,041	4,210,041	5,804,419	5,804,419
Other financial liabilities	7,192,234	7,192,234	6,429,020	6,429,020

2) The derivative financial instruments held by the Company and the subsidiaries were as follows:

	December 31, 2009		December 31, 2008	
	Book value	Notional amount	Book value	Notional amount
Derivative financial assets:	\$ 9,111	7,736,913	3,709	683,035
Buy side foreign exchange option				
Cross currency swaps	3,127,004	313,995,981	6,046,487	163,750,226
Interest rate swaps	138,290	6,174,282	701,829	7,521,894
Foreign exchange forward transaction	343,360	27,907,555	98,251	4,722,827
Commercial paper with fixed rate	1,691	700,000	7,044	1,700,000
Derivative financial liabilities:				
Sell side foreign exchange option	9,079	7,732,101	4,410	683,035
Cross currency swaps	3,000,716	328,099,484	4,098,268	136,322,479
Interest rate swaps	952,683	15,634,186	1,003,272	12,375,055
Foreign exchange forward transaction	247,563	18,265,443	698,469	43,111,742

3) Methods and assumptions used by the Consolidated Companies for fair value evaluation of financial instruments were as follows:

1. Since these instruments have short-term maturities, the book value is a reasonable basis to estimate the fair value. This method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, bills and bonds purchased under resell agreements, receivables, other financial assets, due to Central Bank and other banks, bills and bonds sold under repurchase agreements, payables, deposits 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 a quoted market price is unavailable, then the fair value is determined based on a valuation model. The estimates and assumptions of the valuation model adopted by the Consolidated Companies are identical to those adopted by other market participants.
3. The interest on discounts and loans is calculated by a floating rate; therefore, the book value is the fair value.
4. Most deposits mature within one year. If it matures in more than one year, the interest is calculated by a floating rate. Thus the book value is the fair value.
5. The fair value of each forward contract is determined by the discounted cash flow using Reuters forward rate upon maturity. The fair value of interest rate swaps and cross currency swaps is calculated either by the quotation from the counterparty or by the price from Bloomberg, while the Black Scholes model is applied to evaluate the fair value of options.

4) The fair values of the financial instruments of the Consolidated Companies which were based on the quoted market price or a valuation model were as follows:

	December 31, 2009		December 31, 2008	
	Quoted market price	Valuation model	Quoted market price	Valuation model
Financial assets:				
Financial assets measured at fair value through profit or loss	\$ 71,921,086	22,087,241	41,891,231	36,763,814
Discount and loans	-	2,053,171,504	-	1,997,536,704
Available-for-sale financial assets	102,669,349	73,250,208	92,846,081	82,681,216
Held-to-maturity investments	-	147,700,416	-	117,196,368
Other financial assets	-	78,562,977	-	77,978,931
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss	-	4,210,041	-	5,804,419
Other financial liabilities	-	7,192,234	-	6,429,020

For the year ended December 31, 2009 and 2008, the Consolidated Companies recognized gain (loss) on valuation of \$2,071,190 and \$(1,871,720), respectively, based on a valuation model.

5) Financial risk information

1. Market risk – BOT

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

In order to establish and effectively operate the Market Risk Control Mechanism, all subsidiaries, in accordance with their 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 reduction, 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 BOT's overall market risk.

BOT utilizes the standard method for calculating market risk capital to meet the requirement of the competent authority. 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, BOT 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 Consolidated Companies may cause a loss when the contractual debt obligations are not met. Therefore, the Consolidated Companies 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:

(In millions of NTD)

December 31, 2009			
Item	Secured amount	Total amount	Percentage of total amount
Loan (note 1)	\$ 931,101	2,066,153	45.06
Acceptances	337	3,266	10.32
Guarantees on loans	7,011	50,051	14.01

December 31, 2008			
Item	Secured amount	Total amount	Percentage of total amount
Loan (note 1)	\$ 886,215	2,009,337	44.10
Acceptances	133	2,623	5.07
Guarantees on loans	7,976	60,186	13.25

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

Collateral which the Consolidated Companies requires may include a deposit receipt, inventories, machinery and equipment, marketable securities, other property, and guarantees. If the customers default, the Consolidated Companies 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 Company are disclosed below:

(In millions of NTD)

Items	December 31, 2009	
	Book value	Greatest credit exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 94,008	92,773
Available-for-sale financial assets	175,920	119,168
Held-to-maturity financial assets	147,700	130,314
Loans and advances (note 1)	2,117,842	1,868,265
Hedging derivatives	18	18
Debt investments without quoted price in active markets	10,032	10,032
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; import bill advances/export bill purchases; overdue receivables; acceptance receivables; guarantee payment receivables; short-term loans and nonperforming loans.

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude government bonds amounting to \$1,235 million; available-for-sale financial assets exclude government bonds amounting to \$34,747 million and negotiable certificates of deposit amounting to \$22,005 million; held-to-maturity financial assets exclude government bonds amounting to \$17,386 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.

Items	December 31, 2008	
	Book value	Greatest credit exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 78,655	76,688
Available-for-sale financial assets	175,527	95,453
Held-to-maturity financial assets	117,196	99,334
Loans and advances (note 1)	2,054,520	1,874,796
Hedging derivatives	57	57
Debt investments without quoted price in active markets	18,132	18,132
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; import bill advances/export bill purchases; overdue receivables; acceptance receivables; guarantee payment receivables; short-term loans and nonperforming loans.

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude government bonds amounting to \$1,967 million; available-for-sale financial assets exclude government bonds amounting to \$50,648 million and negotiable certificates of deposit amounting to \$29,426 million; held-to-maturity financial assets exclude government bonds amounting to \$17,862 million; loans and advances exclude Central Government loans amounting to \$176,559 million and Central Government short-term advance amounting to \$3,165 million.

Note 3: The amount of greatest credit exposure is the fair value at the balance sheet date.

(c) Disclosure of obvious concentration of credit risk

When transactions involving a commodity are concentrated in a single industry or location, the ability to fulfill the contract may be affected by economic or other factors; thus, concentration of credit risk occurs. The concentration of credit risk of the Consolidated Companies is disclosed below:

- a) The details of loans to various industries and the greatest credit exposure for the year ended December 31, 2009 and 2008, were as follows:

(In millions of NTD)

Industry type	December 31, 2009		
	Book value (note 1)	Percentage of total loans (%)	Greatest credit exposure (note 2)
Individuals	\$ 648,708	31.40	648,708
Government agencies	480,108	23.24	243,408
Manufacturing	347,508	16.82	347,508
Shipping, warehousing and communications	112,756	5.46	112,756
Utilities	126,569	6.13	126,569
Others	350,504	16.95	350,504
Total	<u>\$ 2,066,153</u>	<u>100.00</u>	<u>1,829,453</u>

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; import bill advances/export bill purchases and nonperforming loans.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$236,700 million to the Central Government are deducted from book value.

Industry type	December 31, 2008		
	Book value (note 1)	Percentage of total loans (%)	Greatest credit exposure (note 2)
Individuals	\$ 617,200	30.72	617,200
Government agencies	412,429	20.53	235,870
Manufacturing	358,895	17.86	358,895
Shipping, warehousing and communications	97,960	4.88	97,960
Utilities	100,288	4.99	100,288
Others	422,565	21.02	422,565
Total	<u>\$ 2,009,337</u>	<u>100.00</u>	<u>1,832,778</u>

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; import bill advances/export bill purchases and nonperforming loans.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$176,559 million to the Central Government are deducted from book value.

- b) The details of loans to various areas and the greatest credit exposure for the year ended December 31, 2009 and 2008, were as follows:

(In millions of NTD)

Areas type	December 31, 2009		
	Book value (note 1)	Percentage of total loans (%)	Greatest credit exposure (note 2)
Domestic	\$ 1,954,835	94.61	1,718,135
Foreign	111,318	5.39	111,318
Total	<u>\$ 2,066,153</u>	<u>100.00</u>	<u>1,829,453</u>

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; import bill advances/export bill purchases and nonperforming loans.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$236,700 million to the Central Government are deducted from book value.

Areas type	December 31, 2008		
	Book value (note 1)	Percentage of total loans (%)	Greatest credit exposure (note 2)
Domestic	\$ 1,886,552	93.89	1,709,993
Foreign	122,785	6.11	122,785
Total	<u>\$ 2,009,337</u>	<u>100.00</u>	<u>1,832,778</u>

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; import bill advances/export bill purchases and nonperforming loans.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$176,559 million to the Central Government are deducted from book value.

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

BOT does not have any loan commitments, net settlement, and offset rights which were subject to SFAS No. 34.

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 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 sell assets or obtain sufficient capital. The Consolidated Companies have different policies in accordance with capital demands for different kinds of business aiming to effectively monitor market liquidity risk. The finance 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.

In addition to all of the above, the attention and support from senior management are important to the success of the risk management system. Under the authorization of the senior management, the Consolidated Companies are gradually implementing the risk management system.

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

The Consolidated Company's capital and working capital are sufficient to perform all contract obligations, so there is no liquidity risk.

The analysis of maturity of the subsidiary BOT as of December 31, 2009 and 2008, is as follows:

	December 31, 2009				
	1~30 days	31~90 days	91 days~one year	Over one year	Total
Asset					
Cash and cash equivalents	\$ 21,232,126	-	-	-	21,232,126
Due from 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 measured 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	<u>\$ 642,635,159</u>	<u>774,355,833</u>	<u>546,053,848</u>	<u>1,613,622,915</u>	<u>3,576,667,755</u>
Liabilities					
Due to 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	<u>\$ 422,625,334</u>	<u>429,971,174</u>	<u>1,170,209,057</u>	<u>1,440,490,742</u>	<u>3,463,296,307</u>
Gaps	<u>\$ 220,009,825</u>	<u>344,384,659</u>	<u>(624,155,209)</u>	<u>173,132,173</u>	<u>113,371,448</u>

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

Financial Status

	December 31, 2008				
	1~30 days	31~91 days	91 days~one year	Over one year	Total
Asset					
Cash and cash equivalents	\$ 23,869,742	-	-	-	23,869,742
Due from Central Bank and call loans to banks	384,662,149	344,064,815	236,423,404	49,398,761	1,014,549,129
Financial assets measured at fair value through profit or loss, net	4,233,728	2,880,038	10,187,697	15,876,796	33,178,259
Bonds and bills purchased under resell agreements	298,262	-	-	-	298,262
Available-for-sale financial assets, net	20,949,001	27,568,168	28,876,837	78,412,592	155,806,598
Held-to-maturity financial assets, net	18,999	-	28,467	1,388,695	1,436,161
Hedging derivative assets	57,273	-	-	-	57,273
Financial assets carried at cost	-	-	-	11,092,326	11,092,326
Debt investments without quoted price in active markets	-	-	-	10,971,588	10,971,588
Investments under equity method, net	-	-	-	26,959,682	26,959,682
Receivable, net	18,560,139	1,007,553	604,434	23,011,865	43,183,991
Loans and discounts, net	163,240,333	222,569,908	385,494,873	1,207,335,288	1,978,640,402
Non-performing loans	-	-	-	18,088,711	18,088,711
Total assets	<u>\$ 615,889,626</u>	<u>598,090,482</u>	<u>661,615,712</u>	<u>1,442,536,304</u>	<u>3,318,132,124</u>
Liabilities					
Due to Central Bank and other banks	\$ 70,434,033	56,734,488	15,347,631	-	142,516,152
Payables	16,887,991	606,795	245,849	44,532,761	62,273,396
Financial liabilities measured at fair value through profit or loss	695,196	-	-	5,291,489	5,986,685
Bonds and bills sold under repurchase agreements	14,617,440	4,595,808	4,592	-	19,217,840
Hedging derivative liabilities	8,292	5,677	40,389	135,622	189,980
Other financial liabilities	-	-	-	1,428,143	1,428,143
Deposits and remittances	374,398,348	337,140,065	1,099,384,598	1,175,960,263	2,986,883,274
Total liabilities	<u>\$ 477,041,300</u>	<u>399,082,833</u>	<u>1,115,023,059</u>	<u>1,227,348,278</u>	<u>3,218,495,470</u>
Gaps	<u>\$ 138,848,326</u>	<u>199,007,649</u>	<u>(453,407,347)</u>	<u>215,188,026</u>	<u>99,636,654</u>

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

Floating assets and floating liabilities of the Consolidated Companies may change due to movement in future cash flow caused by movement of market rate, and hence create risk.

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

As of December 31, 2009 and 2008, the expected repricing date and expected final maturity would not be affected by the contract effective date. The following table shows the interest risk of the Consolidated Companies. 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 values of commodities owned or issued by BOT, categorized by different maturity or repricing dates (the earlier date of the two dates), were as follows:

Financial Status

(In millions of NTD)

	December 31, 2009				
	1~30 days	31~90 days	91 days~one year	Over one year	Total
Assets					
Current financial assets:					
Financial assets measured at fair value through profit or loss—current	\$ 3,605	2,349	2,986	12,629	21,569
Bonds and bills purchased under resell agreements	368	-	-	-	368
Available-for-sale financial assets—current	9,062	27,632	18,238	22,190	77,122
Held-to-maturity financial assets—current	-	-	501	-	501
Hedging derivative assets current	18	-	-	-	18
	13,053	29,981	21,725	34,819	99,578
Due from and call loans to 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					
Investment under equity method	-	-	-	29,816	29,816
Available-for-sale financial assets—noncurrent	-	-	-	64,888	64,888
Held-to-maturity financial assets—noncurrent	-	-	-	384	384
Financial assets carried at cost	-	-	-	11,092	11,092
Debt investment without quoted price in active market—noncurrent	-	-	-	5,647	5,647
	-	-	-	111,827	111,827
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					
Current financial liabilities					
Financial liabilities measured at fair value through profit or loss-current	\$ 711	-	-	3,824	4,535
Bonds and bills sold under repurchase agreements	3,951	1,536	-	-	5,487
Hedging derivative liabilities-current	60	-	181	-	241
Other financial liabilities-current-appropriation for loans	-	-	-	49	49
	4,722	1,536	181	3,873	10,312
Deposits	335,132	364,954	1,151,022	1,370,904	3,222,012
Remittances	66,213	62,340	5,888	677	135,118
Long-term liabilities	-	-	-	19,284	19,284
Noncurrent liabilities	-	-	-	1,222	1,222
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 bank departments of BOT only.

Financial Status

	December 31, 2008				
	1~30 days	31~90 days	91 days-one year	Over one year	Total
Assets					
Current financial assets:					
Financial assets measured at fair value through profit or loss - current	\$ 4,234	2,880	10,187	15,877	33,178
Bonds and bills purchased under resell agreements	298	-	-	-	298
Available-for-sale financial assets - current	20,949	27,568	28,877	13,644	91,038
Held-to-maturity financial assets - current	19	-	29	-	48
Hedging derivative assets - current	57	-	-	-	57
	25,557	30,448	39,093	29,521	124,619
Due from and call loans to banks	384,662	344,065	236,423	49,399	1,014,549
Loans and discounts	163,240	222,570	385,495	1,207,335	1,978,640
Long-term investments					
Investment under equity method	\$ -	-	-	26,960	26,960
Available-for-sale financial assets - noncurrent	-	-	-	64,769	64,769
Held-to-maturity financial assets - noncurrent	-	-	-	1,389	1,389
Financial assets carried at cost	-	-	-	11,092	11,092
Debt investment without quoted price in active market - noncurrent	-	-	-	10,971	10,971
	-	-	-	115,181	115,181
Other assets	81,901	28,600	12,513	136,719	259,733
Total assets	\$ 655,360	625,683	673,524	1,538,155	3,492,722
Liabilities					
Current financial liabilities					
Financial liabilities measured at fair value through profit or loss - current	\$ 695	-	-	5,291	5,986
Bonds and bills sold under repurchase agreements	14,617	4,596	5	-	19,218
Hedging derivative liabilities - current	8	6	40	136	190
Other financial liabilities - current - appropriation for loans	-	-	-	37	37
	15,320	4,602	45	5,464	25,431
Deposits	373,818	337,140	1,099,385	1,175,960	2,986,303
Remittances	38,037	66,005	2,487	-	106,529
Long-term liabilities	-	-	-	19,172	19,172
Noncurrent liabilities	-	-	-	1,391	1,391
Other liabilities	68,286	30,209	35,361	-	133,856
Total liabilities	\$ 495,461	437,956	1,137,278	1,201,987	3,272,682
Stockholders' equity	\$ 159,899	187,727	(463,754)	336,168	220,040

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

The effective interest rates, classified by currencies, of the commodities owned or issued by the BOT as of December 31, 2009 and 2008, were as follows:

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	1.2000%~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 investment trust	-	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	0.1250%~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 instrument:		
IRS	-	0.6869%~10.9300%
December 31, 2008		
Item	NTD	USD
Available-for-sale financial assets:		
Government bonds	1.7067%~6.9611%	9.1250%~10.3750%
Financial bonds	2.1100%~2.3000%	1.2750%~6.5000%
Corporate bonds	1.9600%~3.0500%	1.0000%~8.8750%
Negotiable certificates of deposit of Central Bank	1.0200%~2.3100%	-
Taipei City Government bonds	4.6190%	-
Beneficiary certificates—real estate investment trust	2.6800%	5.5000%~5.7500%
Foreign organization bonds	-	2.7313%
Beneficiary certificates—financial assets securitization	2.4600%	-
Held-to-maturity financial assets:		
Government bonds	1.5716%~6.0701%	-
Corporate bonds	1.8911%~1.9493%	-
Beneficiary certificates—financial assets securitization	2.0699%	-
Beneficiary certificates—real estate investment trust	2.4000%	-
Debt investment without quoted price in active markets:		
Financial bonds	-	5.4700%~6.2600%

Beneficiary certificates—real estate investment trust	-	0.8113%~2.2450%
Loans and discounts:		
Short-term loans	1.2150%~18.0000%	0.6850%~8.0000%
Medium-term loans	1.0050%~18.0000%	0.6000%~7.5000%
Long-term loans	1.0220%~10.4960%	1.0000%~7.7500%
Liabilities:		
Short-term loans	-	0.1000%~5.2600%
Hedging derivative instrument:		
IRS	-	2.0150%~14.3938%

5. Fair-value hedge and cash flow hedge

(a) Fair value hedge, cash flow hedge, and hedge of a net investment in a foreign entity should disclose the following:

a) Description of hedging:

Currently the New York, LA, Tokyo, and Singapore branches of BOT adopt fair value hedge accounting and hold IRSs as designated hedging instruments to hedge the exposure to interest risk on investment in fixed-rate bonds; the hedging strategies were as follows:

- When the interest rate trends up, the Consolidated Companies adopt fair value hedging to avoid effects on income by swapping a fixed rate for a floating rate on fixed-rate bonds.
- When the interest rate trends down, the Consolidated Companies adopt cash flow hedging to avoid effects on income by swapping a floating rate for a fixed rate on floating-rate notes.

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

Hedged item	Designated hedging instruments	December 31, 2009	
		Original amount	Fair value
Foreign bonds	Swap	\$ 2,018,501	18,409
Foreign bonds	Swap	3,784,114	(241,100)

Hedged item	Designated hedging instruments	December 31, 2008	
		Original amount	Fair value
Foreign bonds	Swap	\$ 4,381,049	57,273
Foreign bonds	Swap	3,176,486	(189,981)

c) Nature of hedged risk:

The hedged items of the hedge accounting adopted by the Consolidated Companies 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).

(34) Disclosure of Risk Management Policy

1) The Company

The risk management organization of the Company includes the board of directors, risk management committee, and risk administrative office.

The responsibility of each risk management level is as follows:

- The board of directors is the highest decision-making unit, and it has the final responsibility for the Company's overall risk. According to the overall operating strategies and management environments, the board of directors approves the risk management policies, supervises the operating effectiveness of the risk management system, fully controls the risk situation, and ensures having sufficient capital for dealing with all risks.
- The Company set up the risk management committee under the board of directors to execute the risk management policies approved by the board of directors and coordinate the related risk management matters within the group.
- The risk administrative office is the independent risk management unit and is responsible for the implementation of overall risk management. For all risk management decisions and assignments of the board of directors and risk management committee, the risk administrative office must supervise and follow up the execution by the related units, and present the risk management report to the board of directors and risk management committee. If it finds significant exposure that endangers the financial situation, operations, or legal compliance, the risk administrative office should report to the board of directors immediately.

2) BOT

The major financial assets of BOT are loans, receivables, and securities investments. The related risk and management policy are as follows:

1. Credit risk management: including stratified authorization, management of large exposure, concentration management, 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 NPLs. Each authority level has its own credit assessment committee and loan collection assessment committee. The review of loan cases is carried out strictly in accordance with the limits of authorization so as to assure the quality of loans.

(b) Management of large exposure and excessive concentration

a) In accordance with the Banking Law, loans to BOT's responsible person, BOT's employees, and persons having a material interest in BOT 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) BOT'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 spread the risk from different countries, a national risk quota, in accordance with the ranking in Euromoney Magazine, is allocated to the Finance Department, OBU, and foreign branches. The business recorded by BOT includes loan assets, transaction assets, and off-balance-sheet positions.

(c) Re-assessment evaluates the quality of loan assets. BOT 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 BOT's operating system.

2. Market risk management

(a) Daily evaluation

To control risk, each trading unit carries out a daily assessment of foreign trading against trading objectives 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) Limit management

a) For the trades involving all securities, foreign-exchange positions, and derivatives, BOT regulates the authorized trading amount, kinds of sales/purchases, invested objects, and gain or loss limits to control risk effectively.

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.

3. Interest rate and liquidity risk management

(a) BOT 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 sensitivity 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 different positions in the foreign currencies resulting from changes in the interest rate shall not exceed total assets in each currency by 35%.

b) Management of liquidity risk

a. Maintaining liquidity ratio: According to the Central Bank's "Liquidity Guidelines for Financial Institutions," Bank of Taiwan shall maintain a liquidity ratio for all deposits of over 10%.

b. Short-term gap analysis: 1~10-day and 11~30-day gaps are calculated; the period gap is greater than zero.

c. Foreign currency gap management: The ratio of accumulated capital liquidity gap for one month and for one year to total assets of the four major foreign currencies of Bank of Taiwan (U.S. Dollar, HK Dollar, JP Yen and Euro) should not exceed 50% and 40%, respectively.

d. 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.

4. The policy of reduction of credit risk in terms of pledges and guarantees

In its consideration of credit control and business promotion, BOT attempts to decrease the burden of credit risk by increasing collateral or strengthening the guarantee, based on BOT'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 BOT.

3) BTLI

BTLI manages all risk arising from the related operation including market risk, insurance risk and process risk. The main principle of risk management should use the RBC to supervise each risk based on BTLI's business scale, market risk, insurance risk and process risk. BTLI should also set up a systems approach for risk assessment and monitoring in order to assess, supervise and manage each risk.

BTLI effectively identifies, assesses, monitors and manages the risk of each business based upon the nature of the business and matters arising from risk. In order to achieve risk management and reasonable earnings, BTLI controls the risk within its tolerance. The board of directors, being the highest decision-making unit, is responsible for managing overall risk. And the Risk Management Committee is responsible for executing all risk management policies approved by the board of directors and coordinating cross-department risk management matters.

4) BTS

For the requirements of business, BTS has set up an overall risk management system to effectively control all kinds of risk. The system can assure the achievement of BTS's long-term and steady management, profit growth, and strategy. At the same time, it formed a department with sole responsibility for risk control under the secretary unit of the risk management committee to handle these affairs and to exercise authority independently except over the operating unit and trade activities. The formation of the risk management organization by BTS includes the board of directors, the risk management committee, the administrative office, and all business units to execute the risk management decisions made by the board of directors and coordinate the related risk management matters across departments.

All risks of the business on or off the balance sheet should be subsumed under risk management, including market risk, credit risk, liquidity risk, operating risk, and other risk (for example legal risk, strategy risk, and reputation risk).

The related management systems of all kinds of risk are as follows:

1. BTS should effectively identify, measure, supervise, and control all risks when engaging in business. BTS should control the risk to a tolerable degree to reach the target of risk management and compensation rationalization.
2. Establish a risk indicator and warning system to implement the appropriate risk monitoring.
3. Establish a communication system. The complete risk information should be periodically given to senior management, conveyed to subordinates, and communicated across departments, and be available to the public according to the regulations.
4. Before developing new business or merchandise, changing the operating procedure, or developing the information system or operation, BTS should estimate the risk in advance and prepare the appropriate operating procedure and control method for the related risk.
5. Educate the professional risk management staff and provide education and training in risk management to the personnel of the operating unit to strengthen BTS's risk management culture.

(35) Related-Party Transactions

1) Name of related party and relationship

Name of related-party	Relationship with the Company
Hua Nan Financial Holdings Co., Ltd.	Investee company of BOT under the equity method
Taiwan Life Insurance Co., Ltd.	Investee company of BOT under the equity method
Tang-Eng Iron Works Co., Ltd.	Investee company of BOT under the equity method
Kaohsiung Ammonium Sulfate Co., Ltd.	Investee company of BOT under the equity method
Tai Yi Real-Estate Management Co., Ltd.	Investee company of BOT under the equity method
Other related parties	The relatives of main management

2) Significant related-party transactions

1. Placement with banks

	December 31, 2009		December 31, 2008	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 8,223	-	6,666	-

2. Deposits of banks

	December 31, 2009		December 31, 2008	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 319,870	1.35	127,896	0.54

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

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

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

	2008			
	Highest balance	Ending balance	Annual interest rate (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	9,378,606	3,769,010	0.10~5.50	87,323

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

Interest rates of related-party transactions of the company and the subsidiaries are the same as general accounts.

4. Deposits

	December 31, 2009		December 31, 2008	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 49,547	-	51,992	-
Kaohsiung Ammonium Sulfate Co., Ltd.	1,370,890	0.04	1,405,318	0.05
Total	\$ 1,420,437	0.04	1,457,310	0.05

Apart from an interest rates of related-party transactions are the same as general accounts.

5. Mortgage loans for real estate (in discounts and loans)

Mortgage loans for real estate for the Consolidated Companies' directors, supervisors, and staff and their spouses and close relatives for the year ended December 31, 2009:

	December 31, 2009	December 31, 2008
Mortgage loans for real estate	\$ 57,541	25,237
Interest receivable	\$ 44	247

The interest range was 0.79% to 2.01% and 2.10% to 6.55% for the year ended December 31, 2009 and 2008 respectively.

6. Loans

December 31, 2009							
Category	Amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non-related parties
				Performing loans	Non-performing loans		
Consumer loans	40	24,271	19,957	19,957	-	None	None
House mortgages	93	435,984	407,129	407,129	-	Land and building	None
Other loans	Tang-Eng Iron Works Co., Ltd.	50,000	50,000	50,000	-	"	None
"	Tang-Eng Iron Works Co., Ltd.	867,590	607,284	607,284	-	"	None
"	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	"	None
"	Tang-Eng Iron Works Co., Ltd.	1,000,000	830,000	830,000	-	"	None
"	Tang-Eng Iron Works Co., Ltd.	387,971	387,971	387,971	-	"	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	6,613,800	5,000	5,000	-	None	None

December 31, 2008							
Category	Amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non-related parties
				Performing loans	Non-performing loans		
Consumer loans	53	38,322	27,473	27,473	-	None	None
House mortgages	89	368,421	308,317	308,276	41	Land and building	None
Other loans	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	"	None
"	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	"	None
"	Tang-Eng Iron Works Co., Ltd.	1,000,000	1,000,000	1,000,000	-	"	None
"	Tang-Eng Iron Works Co., Ltd.	122,105	122,105	122,105	-	"	None
Call loans to banks	Hua Nan Financial Holding Co., Ltd.	14,215,452	10,000	10,000	-	None	None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for 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.

7. Derivative instruments:

December 31, 2009						
Name of related party	Title of derivative instruments	Contract period	Nominal 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)	"	(790)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2010.01.14	155,018	(818)	"	(818)
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)
Taiwan Life Insurance Co., Ltd.	BHSW710114 swap	2007.10.04~2010.01.14	323,430	(1,707)	"	(1,707)
Taiwan Life Insurance Co., Ltd.	BHSW810164 swap	2008.08.18~2010.01.14	970,290	(5,121)	"	(5,121)
Taiwan Life Insurance Co., Ltd.	BHSW810190 swap	2008.09.18~2010.01.29	646,120	(2,896)	"	(2,896)
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2010.01.29	161,530	(724)	"	(724)
Taiwan Life Insurance Co., Ltd.	BHSW910001 swap	2009.01.05~2010.01.11	2,908,170	(12,503)	"	(12,503)
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~2010.01.29	151,466	(679)	"	(679)
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~2010.01.29	258,448	(1,158)	"	(1,158)
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~2010.01.29	323,060	(1,448)	"	(1,448)
Taiwan Life Insurance Co., Ltd.	BHSW910108 swap	2009.05.06~2010.01.14	323,430	(1,707)	"	(1,707)

Financial Status

December 31, 2009						
Name of related party	Title of derivative instruments	Contract period	Nominal amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW910180 swap	2009.07.06~2010.01.14	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.	BHSW910338 swap	2009.12.16~2010.01.19	647,860	(4,488)	"	(4,488)
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~2010.01.21	1,292,480	(5,795)	"	(5,795)
Taiwan Life Insurance Co., Ltd.	BHSW910340 swap	2009.12.18~2010.01.22	1,296,920	(10,264)	"	(10,264)
Taiwan Life Insurance Co., Ltd.	BHSW910342 swap	2009.12.21~2010.01.25	648,060	(4,776)	"	(4,776)
Taiwan Life Insurance Co., Ltd.	BHSW910343 swap	2009.12.21~2010.01.25	972,090	(7,164)	"	(7,164)
Wu Tsang Tai	AEAF910685 swap	2009.10.16~2010.04.14	609,630	(10,099)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - forward	(10,099)
Chen Yi Hong	0912290160 swap	2009.12.30~2010.01.20	53,867	155	Financial assets at fair value through profit or loss - current - held for trading foreign exchange option	(175)
Chen Yi Hong	0912290160 swap	2009.12.30~2010.01.20	-	-	Valuation adjustment of financial assets at fair value through profit - current - held for trading - foreign exchange option	155

December 31, 2008						
Name of related party	Title of derivative instruments	Contract period	Nominal amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~2009.02.05	153,719	(516)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - forward	(516)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~2009.02.05	152,074	(511)	"	(511)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2009.02.06	159,485	(2,471)	"	(2,471)
Taiwan Life Insurance Co., Ltd.	BHSW510056 swap	2005.12.08~2009.02.10	328,190	(649)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(649)
Taiwan Life Insurance Co., Ltd.	BHSW610016 swap	2006.01.25~2009.02.10	656,380	(1,299)	"	(1,299)
Taiwan Life Insurance Co., Ltd.	BHSW610017 swap	2006.01.26~2009.02.10	328,190	(649)	"	(649)
Taiwan Life Insurance Co., Ltd.	BHSW610021 swap	2006.03.07~2009.01.08	361,980	31,296	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - forward	31,296
Taiwan Life Insurance Co., Ltd.	BHSW710031 swap	2007.04.25~2009.01.23	1,119,125	27,681	"	27,681
Taiwan Life Insurance Co., Ltd.	BHSW710114 swap	2007.10.04~2009.02.05	328,700	(1,104)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(1,104)
Taiwan Life Insurance Co., Ltd.	BHSW810010 swap	2008.01.21~2009.01.23	955,890	27,085	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - forward	27,085
Taiwan Life Insurance Co., Ltd.	BHSW810164 swap	2008.08.18~2009.02.06	985,110	(2,338)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(2,338)
Taiwan Life Insurance Co., Ltd.	BHSW810190 swap	2008.09.18~2009.02.23	631,360	23,362	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - forward	23,362

Financial Status

December 31, 2008						
Name of related party	Title of derivative instruments	Contract period	Nominal amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW810193 swap	2008.09.19~2009.02.06	656,740	(1,559)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(1,559)
Taiwan Life Insurance Co., Ltd.	BHSW810194 swap	2008.09.19~2009.09.23	1,553,250	65,533	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - forward	65,533
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2009.02.09	164,095	(318)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(318)
Taiwan Life Insurance Co., Ltd.	BHSW810259 swap	2008.12.04~2009.01.08	67,050	(1,503)	"	(1,503)
Taiwan Life Insurance Co., Ltd.	BHSW820003 swap	2008.09.19~2009.09.23	1,560,750	(58,095)	"	(58,095)
Chen Yi Hong	0812220020 foreign exchange option	2008.12.23~2009.01.06	59	-	Financial assets at fair value through profit or loss - current - held for trading - foreign exchange option	-
Huang Rong Song	0812310020 foreign exchange option	2008.12.31~2009.01.15	3,277	9	Financial assets at fair value through profit or loss current - held for trading - foreign exchange option	6
					Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - foreign exchange option	9

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.

3) Main management's remuneration

The related information about the salaries and rewards for the Company's main management in 2009 and 2008 is as follows:

	2009	2008
Salaries	\$ 3,427	2,757
Bonus	1,647	750
Business expense	3,718	3,932

4) Information on related party transactions amounting to more than \$100,000 thousand

1. BOT

Since the related-party transactions had been offset when the Company prepared the consolidated financial statements, only one of the Consolidated parties needs to disclose its related-party information.

(a) Name of related-party and relationship

Name of related party	Relationship with Bank of Taiwan
Taiwan Financial Holding Co., Ltd.(the Company)	Parent Company
BankTaiwan Life Insurance Co., Ltd. (BTLI)	Subsidiary held completely by the Company
BankTaiwan Securities Co., Ltd. (BTS)	Subsidiary held completely by the Company
Hua Nan Financial Holdings Co., Ltd	Investee company of BOT under the equity method
Taiwan Life Insurance Co., Ltd.	Investee company of BOT under the equity method
Tang-Eng Iron Works Co., Ltd.	Investee company of BOT under the equity method
Kaohsiung Ammonium Sulfate Co., Ltd.	Investee company of BOT under the equity method
Others	Directors, supervisors, managers, and their relatives

(b) Significant related-party transactions

a) Receivables

	December 31, 2009	December 31, 2008
The Company	\$ 595,182	-
BTLI	76,626	102,804
	<u>\$ 671,808</u>	<u>102,804</u>

b) Deposits of banks

	December 31, 2009	December 31, 2008
Hua Nan Financial Holdings Co., Ltd.	<u>\$ 319,870</u>	<u>127,896</u>

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

c) Call loans from banks (included in due to banks)

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

	2008			
	Highest balance	Ending balance	Interest rate (%)	Interest expense
Hua Nan Financial Holding Co., Ltd.	\$ 9,378,606	<u>3,769,010</u>	0.10~5.50	<u>87,233</u>

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

d) Bonds and bills purchased under resell agreements

	Target	December 31, 2009	December 31, 2008
BTS	Bonds	\$ -	900,023

e) Deposits

	December 31, 2009	December 31, 2008
Kaohsiung Ammonium Sulfate Co., Ltd.	\$ 1,370,890	1,405,318
BTS	733,668	319,376
the Company	1,406,913	348,555
BTLI	22,527,356	14,678,852
Total	\$ 26,038,827	16,752,101

Except for a favorable interest rate for the limited amounts of staff savings deposits, interest rates of related-party transactions are the same as general accounts.

f) Account payable

	December 31, 2009	December 31, 2008
The Company	\$ 34,921	131,292

g) Interest expense

	December 31, 2009	December 31, 2008
BTLI	\$ 95,870	408,968

h) Fee revenue

	December 31, 2009	December 31, 2008
BTLI	\$ 610,591	929,393

i) Loans

Subsidiary BOT

December 31, 2009							
Category	Amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and nonrelated parties
				Performing loans	Non-performing loans		
Consumer loans	40	24,271	19,957	19,957	-	None	None
House mortgages	93	435,984	407,129	407,129	41	Land and building	None
Other loans	Tang-Eng Iron Works Co., Ltd.	50,000	50,000	50,000	-	Land and building	None
"	Tang-Eng Iron Works Co., Ltd.	867,590	607,284	607,284	-	Land and building	None
"	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Land and building	None

December 31, 2009							
Category	Amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and nonrelated parties
				Performing loans	Non-performing loans		
"	Tang-Eng Iron Works Co., Ltd.	1,000,000	830,000	830,000	-	Land and building	None
"	Tang-Eng Iron Works Co., Ltd.	387,971	387,971	387,971	-	Land and building	None
"	BankTaiwan Securities Co., Ltd.	521,000	-	-	-	Land and building	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

December 31, 2008							
Category	Amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and nonrelated parties
				Performing loans	Non-performing loans		
Consumer loans	53	38,322	27,473	27,473	-	None	None
House mortgages	89	368,421	308,371	308,276	41	Land and building	None
Other loans	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Land and building	None
"	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Land and building	None
"	Tang-Eng Iron Works Co., Ltd.	1,000,000	1,000,000	1,000,000	-	Land and building	None
"	Tang-Eng Iron Works Co., Ltd.	122,105	122,105	122,105	-	Land and building	None
"	BankTaiwan Securities Co., Ltd.	3,000,000	-	-	-	Land and building	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	14,215,452	10,000	10,000	-	None	None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loan 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, and others.

j) Derivative instruments

December 31, 2009						
Name of related party	Title of derivative instruments	Contract period	Nominal account	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)	"	(790)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2010.01.14	155,018	(818)	"	(818)
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)
Taiwan Life Insurance Co., Ltd.	BHSW710114 swap	2007.10.04~2010.01.14	323,430	(1,707)	"	(1,707)
Taiwan Life Insurance Co., Ltd.	BHSW810164 swap	2008.08.18~2010.01.14	970,290	(5,121)	"	(5,121)
Taiwan Life Insurance Co., Ltd.	BHSW810190 swap	2008.09.18~2010.01.29	646,120	(2,896)	"	(2,896)
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2010.01.29	161,530	(724)	"	(724)
Taiwan Life Insurance Co., Ltd.	BHSW910001 swap	2009.01.05~2010.01.11	2,908,170	(12,503)	"	(12,503)
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~2010.01.29	151,466	(679)	"	(679)
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~2010.01.29	258,448	(1,158)	"	(1,158)
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~2010.01.29	323,060	(1,448)	"	(1,448)
Taiwan Life Insurance Co., Ltd.	BHSW910108 swap	2009.05.06~2010.01.14	323,430	(1,707)	"	(1,707)
Taiwan Life Insurance Co., Ltd.	BHSW910180 swap	2009.07.06~2010.01.14	970,290	(5,121)	"	(5,121)
Taiwan Life Insurance Co., Ltd.	BHSW910338 swap	2009.12.16~2010.01.19	647,860	(4,488)	"	(4,488)
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~2010.01.19	1,292,480	(5,795)	"	(5,795)
Taiwan Life Insurance Co., Ltd.	BHSW910340 swap	2009.12.18~2010.01.22	1,296,920	(10,264)	"	(10,264)
Taiwan Life Insurance Co., Ltd.	BHSW910342 swap	2009.12.21~2010.01.25	648,060	(4,776)	"	(4,776)

December 31, 2009						
Name of related party	Title of derivative instruments	Contract period	Nominal account	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW910343 swap	2009.12.21~2010.01.25	972,090	(7,164)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(7,164)
BankTaiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~2010.02.22	654,200	(11,043)	"	(11,043)
BankTaiwan Life Insurance Co., Ltd.	CLSW810108 swap	2008.05.07~2010.05.13	161,400	(728)	"	(728)
BankTaiwan Life Insurance Co., Ltd.	CLSW810109 swap	2008.05.07~2010.05.13	1,194,360	(5,385)	"	(5,385)
BankTaiwan Life Insurance Co., Ltd.	CLSW810130 swap	2008.06.30~2010.02.22	1,635,500	(27,608)	"	(27,608)
BankTaiwan Life Insurance Co., Ltd.	CLSW810207 swap	2008.09.26~2010.05.13	1,936,800	(8,732)	"	(8,732)
BankTaiwan Life Insurance Co., Ltd.	CLSW810208 swap	2008.09.26~2010.05.13	645,600	(2,911)	"	(2,911)
BankTaiwan Life Insurance Co., Ltd.	CLSW810211 swap	2008.09.30~2010.05.13	129,120	(582)	"	(582)
BankTaiwan Life Insurance Co., Ltd.	CLSW810212 swap	2008.09.30~2010.05.13	968,400	(4,366)	"	(4,366)
BankTaiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~2010.02.22	2,943,900	(49,695)	"	(49,695)
BankTaiwan Life Insurance Co., Ltd.	CLSW810230 swap	2008.10.24~2010.06.09	1,174,320	(17,951)	"	(17,951)
BankTaiwan Life Insurance Co., Ltd.	CLSW810241 swap	2008.11.13~2010.02.22	654,200	(11,043)	"	(11,043)
BankTaiwan Life Insurance Co., Ltd.	CLSW810242 swap	2008.11.13~2010.02.22	1,635,500	(27,608)	"	(27,608)
BankTaiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~2010.06.22	1,294,080	(9,521)	"	(9,521)
BankTaiwan Life Insurance Co., Ltd.	CLSW810248 swap	2008.11.21~2010.06.22	1,617,600	(11,901)	"	(11,901)
BankTaiwan Life Insurance Co., Ltd.	CLSW810249 swap	2008.11.24~2010.11.29	320,200	(694)	"	(694)
BankTaiwan Life Insurance Co., Ltd.	CLSW810253 swap	2008.11.28~2010.11.30	320,000	(505)	"	(505)
BankTaiwan Life Insurance Co., Ltd.	CLSW810265 swap	2008.12.15~2010.02.22	327,100	(5,522)	"	(5,522)
BankTaiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~2010.06.22	161,760	(1,190)	"	(1,190)

Financial Status

December 31, 2009						
Name of related party	Title of derivative instruments	Contract period	Nominal account	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW810276 swap	2008.12.29~2010.11.30	320,000	(505)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(505)
BankTaiwan Life Insurance Co., Ltd.	CLSW810279 swap	2008.12.31~2010.01.29	672,000	(1,061)	"	(1,061)
BankTaiwan Life Insurance Co., Ltd.	CLSW910009 swap	2009.01.23~2010.01.29	324,700	(3,087)	"	(3,087)
BankTaiwan Life Insurance Co., Ltd.	CLSW910010 swap	2009.01.23~2010.01.29	324,700	(3,087)	"	(3,087)
BankTaiwan Life Insurance Co., Ltd.	CLSW910011 swap	2009.01.23~2010.01.29	324,700	(3,087)	"	(3,087)
BankTaiwan Life Insurance Co., Ltd.	CLSW910012 swap	2009.01.23~2010.01.29	324,700	(3,087)	"	(3,087)
BankTaiwan Life Insurance Co., Ltd.	CLSW910014 swap	2009.01.23~2010.01.29	649,400	(6,175)	"	(6,175)
BankTaiwan Life Insurance Co., Ltd.	CLSW910017 swap	2009.02.04~2010.03.08	514,720	(191)	"	(191)
BankTaiwan Life Insurance Co., Ltd.	CLSW910033 swap	2009.03.18~2010.06.22	323,520	(2,380)	"	(2,380)
BankTaiwan Life Insurance Co., Ltd.	CLSW910101 swap	2009.05.04~2010.05.06	162,050	(1,358)	"	(1,358)
BankTaiwan Life Insurance Co., Ltd.	CLSW910106 swap	2009.05.05~2010.01.07	646,000	(2,493)	"	(2,493)
BankTaiwan Life Insurance Co., Ltd.	CLSW910110 swap	2009.05.07~2010.05.13	1,291,200	(5,821)	"	(5,821)
BankTaiwan Life Insurance Co., Ltd.	CLSW910117 swap	2009.05.14~2010.02.22	654,200	(11,043)	"	(11,043)
BankTaiwan Life Insurance Co., Ltd.	CLSW910131 swap	2009.05.22~2010.11.29	640,400	(1,388)	"	(1,388)
BankTaiwan Life Insurance Co., Ltd.	CLSW910139 swap	2009.05.25~2010.11.30	640,000	(1,011)	"	(1,011)
BankTaiwan Life Insurance Co., Ltd.	CLSW910155 swap	2009.06.08~2010.03.10	2,942,730	(48,496)	"	(48,496)
BankTaiwan Life Insurance Co., Ltd.	CLSW910158 swap	2009.06.11~2010.09.15	1,941,000	(19,118)	"	(19,118)
BankTaiwan Life Insurance Co., Ltd.	CLSW910161 swap	2009.06.15~2010.03.17	976,230	(11,521)	"	(11,521)
BankTaiwan Life Insurance Co., Ltd.	CLSW910165 swap	2009.06.18~2010.06.22	647,040	(4,760)	"	(4,760)

December 31, 2009						
Name of related party	Title of derivative instruments	Contract period	Nominal account	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan 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)
BankTaiwan 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)
BankTaiwan Life Insurance Co., Ltd.	CLSW910207 swap	2009.08.04~2010.05.06	324,100	(2,717)	"	(2,717)
BankTaiwan Life Insurance Co., Ltd.	CLSW910228 swap	2009.08.26~2010.05.28	1,635,700	(29,315)	"	(29,315)
BankTaiwan Life Insurance Co., Ltd.	CLSW910259 swap	2009.09.28~2010.09.30	1,286,200	(5,619)	"	(5,619)
BankTaiwan Life Insurance Co., Ltd.	CLSW910267 swap	2009.10.13~2010.03.15	322,630	(1,060)	"	(1,060)
BankTaiwan Life Insurance Co., Ltd.	CLSW910287 swap	2009.10.19~2010.01.21	323,300	(1,629)	"	(1,629)
BankTaiwan Life Insurance Co., Ltd.	CLSW910298 swap	2009.10.23~2010.01.27	1,943,400	(13,637)	"	(13,637)
BankTaiwan Life Insurance Co., Ltd.	CLSW910313 swap	2009.11.04~2010.05.06	324,100	(2,717)	"	(2,717)
BankTaiwan Life Insurance Co., Ltd.	CLSW910315 swap	2009.11.05~2010.05.10	649,020	(6,293)	"	(6,293)
Wu Tsang Tai	AEAF910685 swap	2009.10.16~2010.04.14	609,630	(10,099)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - forward	(10,099)
Chen Yi Hong	0912290160 swap	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 swap	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

Financial Status

December 31, 2008						
Name of related party	Title of derivative instruments	Contract period	Nominal amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~2009.02.05	153,719	(516)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - forward	(516)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~2009.02.05	152,074	(511)	"	(511)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2009.02.06	159,485	(2,471)	"	(2,471)
Taiwan Life Insurance Co., Ltd.	BHSW510056 swap	2005.12.08~2009.02.10	328,190	(649)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(649)
Taiwan Life Insurance Co., Ltd.	BHSW610016 swap	2006.01.25~2009.02.10	656,380	(1,299)	"	(1,299)
Taiwan Life Insurance Co., Ltd.	BHSW610017 swap	2006.01.26~2009.02.10	328,190	(649)	"	(649)
Taiwan Life Insurance Co., Ltd.	BHSW610021 swap	2006.03.07~2009.01.08	361,980	31,296	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	31,296
Taiwan Life Insurance Co., Ltd.	BHSW710031 swap	2007.04.25~2009.01.23	1,119,125	27,681	"	27,681
Taiwan Life Insurance Co., Ltd.	BHSW710114 swap	2007.10.04~2009.02.05	328,700	(1,104)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(1,104)
Taiwan Life Insurance Co., Ltd.	BHSW810010 swap	2008.01.21~2009.01.23	955,890	27,085	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	27,085
Taiwan Life Insurance Co., Ltd.	BHSW810164 swap	2008.08.18~2009.02.06	985,110	(2,338)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(2,338)
Taiwan Life Insurance Co., Ltd.	BHSW810190 swap	2008.09.18~2009.02.23	631,360	23,362	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	23,362

December 31, 2008						
Name of related party	Title of derivative instruments	Contract period	Nominal amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW810193 swap	2008.09.19~2009.02.06	656,740	(1,559)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(1,559)
Taiwan Life Insurance Co., Ltd.	BHSW810194 swap	2008.09.19~2009.09.23	1,553,250	65,533	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	65,533
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2009.02.09	164,095	(318)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(318)
Taiwan Life Insurance Co., Ltd.	BHSW810259 swap	2008.12.04~2009.01.08	67,050	(1,503)	"	(1,503)
Taiwan Life Insurance Co., Ltd.	BHSW820003 swap	2008.09.19~2009.09.23	1,560,750	(58,095)	"	(58,095)
Chen Yi Hong	0812220020 foreign exchange option	2008.12.23~2009.01.06	59	-	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - foreign exchange option	-
Huang Rong Song	0812310020 foreign exchange option	2008.12.31~2009.01.15	3,277	9	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - foreign exchange option	6
					Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - foreign exchange option	9
BankTaiwan Life Insurance Co., Ltd.	AECL810370 forward	2008.05.06~2009.11.10	408,067	42,371	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - forward	42,371

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December 31, 2008						
Name of related party	Title of derivative instruments	Contract period	Nominal amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	AECL810569 forward	2008.08.01~2009.02.05	468,417	(43,208)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - forward	(43,208)
BankTaiwan Life Insurance Co., Ltd.	CLSW710062 swap	2007.08.02~2009.02.04	508,800	15,348	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	15,348
BankTaiwan Life Insurance Co., Ltd.	CLSW710066 swap	2007.08.08~2009.02.12	95,058	3,193	"	3,193
BankTaiwan Life Insurance Co., Ltd.	CLSW710070 swap	2007.08.14~2009.01.15	381,912	11,330	"	11,330
BankTaiwan Life Insurance Co., Ltd.	CLSW710075 swap	2007.08.29~2009.01.23	383,040	10,150	"	10,150
BankTaiwan Life Insurance Co., Ltd.	CLSW810005 swap	2008.01.17~2009.01.22	317,900	9,764	"	9,764
BankTaiwan Life Insurance Co., Ltd.	CLSW810009 swap	2008.01.18~2009.01.22	318,340	9,324	"	9,324
BankTaiwan Life Insurance Co., Ltd.	CLSW810011 swap	2008.01.22~2009.01.23	319,290	8,369	"	8,369
BankTaiwan Life Insurance Co., Ltd.	CLSW810012 swap	2008.01.22~2009.01.23	640,410	14,908	"	14,908
BankTaiwan Life Insurance Co., Ltd.	CLSW810013 swap	2008.01.23~2009.01.23	320,905	6,755	"	6,755
BankTaiwan Life Insurance Co., Ltd.	CLSW810015 swap	2008.01.24~2009.01.23	319,980	7,679	"	7,679
BankTaiwan Life Insurance Co., Ltd.	CLSW810016 swap	2008.01.28~2009.01.23	319,755	7,904	"	7,904
BankTaiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~2009.02.17	665,360	(10,442)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(10,442)
BankTaiwan Life Insurance Co., Ltd.	CLSW810108 swap	2008.05.07~2009.01.12	167,075	(3,215)	"	(3,215)
BankTaiwan Life Insurance Co., Ltd.	CLSW810109 swap	2008.05.07~2009.01.12	1,236,355	(23,791)	"	(23,791)
BankTaiwan Life Insurance Co., Ltd.	CLSW810130 swap	2008.06.30~2009.02.17	1,663,400	(26,106)	"	(26,106)
BankTaiwan Life Insurance Co., Ltd.	CLSW810207 swap	2008.09.26~2009.02.12	2,001,000	(35,871)	"	(35,871)
BankTaiwan Life Insurance Co., Ltd.	CLSW810208 swap	2008.09.26~2009.02.12	667,000	(11,957)	"	(11,957)

December 31, 2008						
Name of related party	Title of derivative instruments	Contract period	Nominal amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW810211 swap	2008.09.30~2009.02.12	566,950	(10,164)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(10,164)
BankTaiwan Life Insurance Co., Ltd.	CLSW810212 swap	2008.09.30~2009.02.12	1,000,500	(17,936)	"	(17,936)
BankTaiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~2009.02.17	2,994,120	(46,990)	"	(46,990)
BankTaiwan Life Insurance Co., Ltd.	CLSW810230 swap	2008.10.24~2009.01.08	1,205,604	(25,763)	"	(25,763)
BankTaiwan Life Insurance Co., Ltd.	CLSW810241 swap	2008.11.13~2009.02.17	665,360	(10,442)	"	(10,442)
BankTaiwan Life Insurance Co., Ltd.	CLSW810242 swap	2008.11.13~2009.02.17	1,663,400	(26,106)	"	(26,106)
BankTaiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~2009.01.22	1,297,200	13,466	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	13,466
BankTaiwan Life Insurance Co., Ltd.	CLSW810248 swap	2008.11.21~2009.01.22	1,621,500	16,833	"	16,833
BankTaiwan Life Insurance Co., Ltd.	CLSW810249 swap	2008.11.24~2009.02.24	325,000	2,362	"	2,362
BankTaiwan Life Insurance Co., Ltd.	CLSW810253 swap	2008.11.28~2009.02.27	329,230	(1,900)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(1,900)
BankTaiwan Life Insurance Co., Ltd.	CLSW810265 swap	2008.12.15~2009.02.17	332,680	(5,221)	"	(5,221)
BankTaiwan Life Insurance Co., Ltd.	CLSW810266 swap	2008.12.17~2009.01.20	99,474	(1,170)	"	(1,170)
BankTaiwan Life Insurance Co., Ltd.	CLSW810267 swap	2008.12.18~2009.01.20	330,710	(3,030)	"	(3,030)
BankTaiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~2009.01.22	324,300	3,367	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	3,367
BankTaiwan Life Insurance Co., Ltd.	CLSW810276 swap	2008.12.29~2009.02.27	328,710	(1,380)	Valuation adjustment of financial liabilities at fair value through profit or loss - current - held for trading - swap	(1,380)
BankTaiwan Life Insurance Co., Ltd.	CLSW810279 swap	2008.12.31~2009.02.27	691,383	(3,989)	"	(3,989)

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 balance 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.

k) The expense of shared assets were allocated to BOT, BTLI, BTS, the Company as follows:

	2009		2008	
	Amount	Percentage of account balance	Amount	Percentage of account balance
The Company	\$ 4,498	0.02	792	0.01
BTLI	44,226	0.15	37,918	0.32
BTS	61,813	0.21	52,499	0.44
Total	<u>\$ 110,537</u>	<u>0.38</u>	<u>91,209</u>	<u>0.77</u>

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

The related information about the salaries and bonus for BOT's major management in 2009 and 2008 is as follows:

	2009	2008
Salaries	\$ 21,062	23,162
Bonus	7,839	9,070
Business expenses	1,954	1,187

2. BTLI

(a) Name of related party and relationship

Name of related-party	Relationship with BTLI
Taiwan Financial Holding Co., Ltd. (the Company)	Parent Company
BOT	100%-owned subsidiary of the Company under the equity method
BTS	100%-owned subsidiary of the Company under the equity method
Other related parties	The relatives of main management

(b) Significant related-party transactions

a) Split-off information

In accordance with Accounting Research and Development Foundation Interpretation (91) No. 128, BOT split off its Department of Life Insurance and transferred capital of \$5 billion to set up BankTaiwan Life Insurance on January 2, 2008. As of the split-off date, the assets and liabilities yielded were follows:

	Amount
Cash and cash equivalents	\$ 30,381,161
Financial assets measured at fair value through profit or loss—current	610,198
Available-for-sale financial assets—current	18,999,886
Held-to-maturity financial assets—current	4,935,069
Bond investments with non-active market - current	655,003
Notes receivable, net	269,187
Other receivables	2,611,471
Prepaid expense and other prepayment	42,110
Bonds and bills purchased under resell agreements	13,387,011
Loans	7,460,787
Available-for-sale financial assets—non-current	1,360,232
Held-to-maturity financial assets—non-current	58,812,846
Bond investments with non-active market—non—current	7,276,634
Investments under equity method, net	4,517,603

Real estate investments, net	1,796,793
Fixed assets, net	776,945
Goodwill and intangible assets	4,886
Other assets	3,309,149
Financial liabilities measured at fair value through profit or loss — current	(40,248)
Commission payable	(63,902)
Due from representative organization	(33,575,145)
Other payables	(796,354)
Advance collections	(25,886)
Reserve for operations and other liabilities	(114,653,736)
Other liabilities	(3,032,124)
The amounts of fixed assets, available-for-sale financial assets, and investments under equity method under stockholders' equity:	
Additional paid-in capital	(360,065)
Unrealized increments on revaluation	(170,455)
Cumulative foreign currency translation adjustments	3,348
Unrealized gain on financial instruments	507,596
Issue of new shares	<u>\$ 5,000,000</u>

Part of the information systems and equipment were shared with BOT in 2008. But BTLI did not pay any expense to BOT.

b) Mortgage loans for real estate (in discounts and loans)

Mortgage loans for real estate for the Consolidated Companies' directors, supervisors, and staff and their spouses and close relatives for 2009 and 2008

	December 31, 2009	December 31, 2008
Mortgage loans for real estate	<u>\$ 57,541</u>	<u>25,237</u>
Interest receivable	<u>\$ 44</u>	<u>247</u>

For the years December 31, 2009 and 2008, the annual interest rates ranged from 0.79% to 2.01% and 2.10% to 6.55%, respectively.

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

The related information about the salaries and bonus for BTLI's major management in 2009 and 2008 is as follows:

	2009	2008
Salaries	\$ 8,766	7,385
Bonus	1,951	120
Business expenses	772	760

3. BTS

(a) Name of related party and relationship

Name of related party	Relationship with TBS
Taiwan Financial Holding Co., Ltd. (the Company)	Parent Company
BOT	100%-owned subsidiary of the Company under the equity method
BTLI	100%-owned subsidiary of the Company under the equity method

(b) Significant related-party transactions Split-off information

In accordance with Accounting Research and Development Foundation Interpretation (91) No. 128, BOT split off its Department of Securities and transferred capital of \$3 billion to set up BankTaiwan Securities on January 2, 2008. As of the split-off date, the assets and liabilities were as follows:

	Amount
Cash and cash equivalents	\$ 37
Margin loans receivable	1,762,328
Accounts receivable	27,844
Advance payment	1,000
Other receivables	2,027,388
Available-for-sale financial assets	235,904
Fixed assets, net	406,846
Goodwill and intangible assets	5,993
Operating guarantee deposits	56,481
Guarantee deposits	713
Net brokering accounts—debit	5,896
Deposits received from securities borrowers	(2,152)
Guaranteed price payable by other securities lenders	(2,344)
Collections for customers	(3,536)
Other payables	(1,256,966)
Reserves for default losses	(87,326)
Other liabilities	(92,726)
The amounts of fixed assets, available-for-sale financial assets, and investments under equity method under stockholders' equity:	
Unrealized increments on revaluation	(96,713)
Unrealized gain on financial instruments	11,333
Issue of new shares	<u>\$ 3,000,000</u>

Part of the information systems and equipment were shared with BOT in 2008. But BTS did not pay any expense to BOT.

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

The related information about the salaries and bonus for BTS's major management in 2009 and 2008 is as follows:

	2009	2008
Salaries	\$ 7,272	5,765
Bonus	252	-
Business expenses	-	400

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

The related information about the salaries and bonus for the Consolidated Companies' major management in 2009 and 2008 is as follows:

	2009	2008
Salaries	\$ 40,527	39,069
Bonus	11,689	9,940
Business expenses	6,444	6,279

(36) Pledged Assets

Pledged assets	Purpose of pledge	Book value	
		December 31, 2009	December 31, 2008
Available-for-sale financial assets - bonds	Guarantee deposit for provisional attachments or taxation appeals	\$ 944,900	704,900
Available-for-sale financial assets - bonds	Operating deposit for securities trading	150,000	110,000
Available-for-sale financial assets - bonds	Operating deposit for trust business	-	25,000
Available-for-sale financial assets - bonds	Guarantee deposit for trust business compensation reserve	50,000	50,000
Due to Central Bank - deposits in	Negotiable certificates of deposit (accounted for as cash)	20,000,000	20,000,000
Held-to-maturity financial assets - bonds	Guarantee deposit for provisional attachments or taxation appeals	7,200	11,800
Other assets - refundable deposits	Operating deposit	1,114,453	778,098
Other assets - refundable deposits	Public tender deposit	100,000	100,000
Other assets - refundable deposits	Rental deposit	21,925	1,362
Total		<u>\$ 22,388,478</u>	<u>21,781,160</u>

(37) Commitments and Contingencies

1) As of December 31, 2009 and 2008, the significant commitments of the Consolidated Companies were as follows:

	December 31, 2009	December 31, 2008
Trust liabilities	\$ 427,512,415	326,853,165
Guarantee payable	5,341,296	3,311,690
Collateral deposit	7,351,552	9,798,384
Guarantee note payable	490,802	612,200
Traveler's checks held on consignment	1,268,468	1,002,150
Collections for customers	60,460,069	76,508,546
Loans under custody on consignment	454,629,493	435,814,005
Book entry for government bonds under management	340,648,800	328,458,300
Depository for short-term marketable securities under management	109,033,863	161,692,509
sales of goods	2,023,084	2,134,836
Insurance for issuance of New Taiwan Dollars	1,124,848,281	1,056,400,700
Guarantee receivables	50,050,996	60,185,649
L/C receivables	38,357,884	40,915,854
Marketable securities held as custodian	1,422,552,994	1,712,961,756
Total	<u>\$ 4,044,569,997</u>	<u>4,216,649,744</u>

2) Construction in progress and significant purchase agreements:

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

Name of contract	December 31, 2009		December 31, 2008	
	Contract amount	Amount not paid	Contract amount	Amount not paid
Construction of Nan Zih Branch	\$ -	-	256,684	5,185
Construction of An Nan Branch	-	-	150,415	4,469
Construction of Yi Lan Branch	288,600	158,540	288,600	285,724
Construction of Dong Gang Branch	114,670	62,710	110,300	110,300
Total	<u>\$ 403,270</u>	<u>221,250</u>	<u>805,999</u>	<u>405,678</u>

3) Operating leases

All subsidiaries have entered into operating leases for their branches. As of December 31, 2009, the minimum payments on lease contract commitments for the next five years were as follows:

Period	Amount
2010.1.1~2010.12.31	\$ 406,747
2011.1.1~2011.12.31	270,940
2012.1.1~2012.12.31	197,024
2013.1.1~2013.12.31	99,424
2014.1.1~2014.12.31	30,783
	<u>\$ 1,004,918</u>

4) BTS had several proxy delivery agreements with certain securities companies. In accordance with these agreements, the companies have agreed to be BTS's first and second proxy. If BTS is unable to fulfill its obligations to the TSE, the proxies must then act pursuant to said obligations and responsibilities.

5) Balance sheet and details of asset management:

Trust assets	December 31, 2009	December 31, 2008
Deposits		
Deposits in the BOT	\$ 26,958,946	21,522,395
Deposits in other banks	2,542,790	6,205
Short-term investment		
Investment in funds	137,815,289	104,949,846
Investment in bonds	160,602,367	166,124,289
Common stock investment	55,576,372	13,516,434
Receivables		
Interest receivable	2,040,720	3,148,851
Cash dividend receivable	15	969
Receivables from trading securities	387,657	256,145
Prepaid expense	3,370	503
Real estate		
Land	1,018,300	933,396
Buildings	283,971	16,888
Construction in progress	1,241,991	1,271,795
Marketable securities held as custodian	39,040,627	15,105,449
Total	<u>\$ 427,512,415</u>	<u>326,853,165</u>

Trust liabilities	December 31, 2009	December 31, 2008
Short-term loans		
Long-term secured loans	\$ -	35,679
Long-term loans	986,818	1,089,734
Payables		
Payables from trading securities	424,105	225,661
Other payables	49	15
Payables from management fee	2,645	1,605
Payables from supervision fee	204	229
Tax payable	398	597
Pledge securities	39,040,627	15,105,449
Trust capital		
Money trust	309,051,531	260,695,393
Marketable securities trust	17,626,986	2,553,204
Real estate investment trust	1,727,133	1,204,226
Other reserve and accumulated income		
Accumulated loss	31,366,725	28,099,557
Foreign currency translation	12,639,631	13,307,961
Deferred unrealized income	10,262,657	(5,156,413)
Net income	4,382,906	9,690,268
Total	<u>\$ 427,512,415</u>	<u>326,853,165</u>

Property list	December 31, 2009	December 31, 2008
Deposits		
Deposits in the BOT	\$ 26,958,946	21,522,395
Deposits in other banks	2,542,790	6,205
Short-term investment		
Investment in funds	137,815,289	104,949,846
Investment in bonds	160,602,367	166,124,289
Common stock investment	55,576,372	13,516,434
Real estate		
Land	1,018,300	933,396
Buildings	283,971	16,888
Construction in progress	1,241,991	1,271,795
Pledge securities	39,040,627	15,105,449
Trust capital	<u>\$ 425,080,653</u>	<u>323,446,697</u>

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Trust income statement	2009	2008
Trust revenue:		
Interest revenue	\$ 7,249,334	9,427,798
Realized capital gain	873,644	2,462
Unrealized capital gain	44,099	-
Realized exchange gain	84,630	-
Cash dividend revenue	1,007,524	1,666,480
Income from beneficiary certificates	1,765	1,356
	<u>9,260,996</u>	<u>11,098,096</u>
Trust expense:		
Capital management fee	479,397	39,175
Tax expense	1,658	6,659
Other expenses of capital	51,738	115,809
Supervisor fee	216	216
Storage fee	11,457	34,023
Interest expense	-	9,575
Commission fee	93	36
Realized capital loss-bond	4,330,088	1,196,953
Unrealized capital loss	-	3,751
Income tax expense	515	337
Real estate tax	2,928	1,294
	<u>4,878,090</u>	<u>1,407,828</u>
Net income	<u>\$ 4,382,906</u>	<u>9,690,268</u>

(38) Significant Disaster Loss: None.

(39) Significant Subsequent Events: None.

(40) Others

- 1) A summary of personnel costs and depreciation, depletion, and amortization expenses, categorized by function, for the year ended December 31, 2009 and 2008, is as follows:

Function Nature	2009			2008		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs						
Salaries	291,822	10,228,832	10,520,654	211,916	10,049,171	10,261,087
Labor and health insurance	18,656	507,733	526,389	13,561	492,795	506,356
Pension	36,525	1,122,213	1,158,738	29,726	1,124,777	1,154,503
Other employment	17,489	187,324	204,813	22,923	228,693	251,616
Depreciation	23,631	1,354,286	1,377,917	22,467	956,566	979,033
Amortization	-	406,002	406,002	-	408,950	408,950

- 2) Cross-selling with subsidiaries

1. Cross-selling:

Please see Note 35.

2. Integrate business activities:

The Company established six business groups consisting of corporate finance, financial market, consumer finance, wealth management, investment and insurance. By promoting sales cooperation aggressively, the Company is expecting to make it more effective and efficient.

3. Cross utilization of information:

In support of government's policy for financial holding company and its subsidiaries, the company and its subsidiaries concluded and signed "Agreement of Privacy Exchange" on January 8, 2009, to cope with the change of duties in the company and to enhance the protection of privacy. The related information is disclosed on the web sites of any subsidiaries.

4. Locations and business utilities:

The company applied to government for "Location set up for operating other business" and had been approved. By 2009, the company had 146 branches, providing securities services; 162 branches and 6 simple-functioned branches, providing insurance services. They provide securities and insurances services in banks.

5. Allocation on revenues, costs, expenses, profits and losses:

Allocation of Revenue, Cost and Expense is calculated based on the proportion of actual sales among subsidiaries.

3) Capital adequacy ratios

Unit: Thousand NTD, %

December 31, 2009			
Entity	Item	Ownership interest	Eligible capital
The Company		-	249,556,062
Bank of Taiwan		100.00	179,926,649
BankTaiwan Life Insurance		100.00	7,183,845
BankTaiwan Securities		100.00	2,869,108
Less: deductible item			(251,104,337)
Subtotal			188,431,327
Consolidated capital adequacy ratio			144.50

Unit: Thousand NTD, %

December 31, 2008			
Entity	Item	Ownership interest	Eligible capital
The Company		-	225,959,751
Bank of Taiwan		100.00	172,902,518
BankTaiwan Life Insurance		100.00	3,840,391
BankTaiwan Securities		100.00	2,696,758
Less: deductible item			(225,992,607)
Subtotal			179,406,811
Consolidated capital adequacy ratio			139.55

4) Eligible capital

Unit: Thousand NTD

December 31, 2009	
Item	Amount
Common stock	90,000,000
Additional paid-in capital	111,494,739
Legal reserve	732,150
Special reserve	2,928,599
Accumulated profit	8,790,072
Equity adjustments	35,637,841
Less: goodwill	-
Less: deferred assets	27,339
Less: treasury stock	-
Consolidated eligible capital	249,556,062

Unit: Thousand NTD

December 31, 2008	
Item	Amount
Common stock	90,000,000
Additional paid-in capital	111,495,264
Legal reserve	-
Special reserve	-
Accumulated profit	7,321,499
Equity adjustments	17,348,756
Less: goodwill	-
Less: deferred assets	8,214
Less: treasury stock	-
Consolidated eligible capital	226,157,305

- 5) Disclosures of total amounts or ratios with respect to credit extensions, endorsements, or other transactions undertaken by a financial holding company and its subsidiaries for the same individual, the same related individual, or the same affiliated enterprises in accordance with Article 46 of the "Financial Holding Company Act":

Unit: Million NTD, %

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
The same individual		
National Treasury Agency, Ministry of Finance, R.O.C.	241,511	96.77
Taiwan Power Company	139,776	56.00
Taiwan High Speed Rail Corporation	44,859	17.97
CPC Corporation, Taiwan	35,263	14.13
Taiwan Railway Administration	32,541	13.04
Taichung County Government	30,116	12.07
Taipei County Government	27,903	11.18
Central Bank of the Republic of China (Taiwan)	22,000	8.81
Bureau of National Health Insurance	21,200	8.49
Chi Mei Optoelectronics Corporation	19,900	7.97
Yilan County Government	17,580	7.04
Yunlin County Government	17,465	7.00
AU Optronics Corp.	16,780	6.72
Central Deposit Insurance Corp.	16,400	6.57
Nan Ya Plastics Corporation	15,074	6.04
Tainan City Government	14,142	5.67
Hsinchu County Government	13,089	5.24
Tainan County Government	13,010	5.21
Taiwan Water Corp.	12,940	5.18
Freddie Mac	12,748	5.11
Related to high speed railway construction funds	12,058	4.83
Taoyuan County Government	11,759	4.71
Daragon Steel Corporation	11,359	4.55
Chiayi County Government	11,328	4.54
Hua Nan Financial Holdings Co., Ltd.	11,052	4.43

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
EVA Airways Corporation	10,687	4.28
Nantou County Government	10,440	4.18
Taiwan Area National Freeway Bureau, MOTC	10,200	4.09
Yang Ming Marine Transport Corp.	10,159	4.07
China Airlines Ltd.	10,041	4.02
Tainwa Business Bank	9,705	3.89
Promos Technologies Inc.	9,553	3.83
Miaoli County Government	9,282	3.72
Wintek Corporation	8,764	3.51
Hsinchu City Government	8,628	3.46
Formosa Chemicals & Fibre Corp.	8,469	3.39
R.S.E.A. Engineering Corporaiton	8,417	3.37
Formosa Petrochemical Corporation	8,396	3.36
Kaohsiung County Government	8,323	3.33
Far Eastern Textile Ltd.	7,220	2.89
China Steel Corporation	6,831	2.74
Pingtung County Government	6,493	2.60
Southern Taiwan Science Park Administration	6,310	2.53
Cathay Financial Holding Co., Ltd.	6,268	2.51
Shin Kong Financial Holding Co., Ltd.	5,979	2.40
Fannie Mae	5,953	2.39
Formosa Plastics Corporation	5,938	2.38
KFW Bankengruppe	5,915	2.37
Construction and Planning Agency, Ministry of the Interior	5,900	2.36
Kommunalbanken	5,881	2.36
Prince Housing and Development Corp.	5,608	2.25
Chi Mei Corporation	5,511	2.21
Export processing zone adminstration, MOEA	5,472	2.19
Evergreen Marine Corporation	5,413	2.17
Central Taiwan Science Park Administration	5,150	2.06
Inotera Memories, Inc	5,129	2.06
Powerchip Semiconductor Corp.	5,079	2.03
SAC PEI Taiwan Holdings	4,725	1.89
Mega International Commercial Bank	4,569	1.83
Asian Development Bank	4,427	1.77
CSBC Corporation, Taiwan	4,379	1.75
Taipei City Department of Transportation	4,286	1.72
Hualien County Government	4,081	1.64
Changhua County Government	4,073	1.63
Nordic Investment Bank	4,006	1.61
Tang Eng Iron Works Co., Ltd.	3,885	1.56
Uni-President Enterprises Corp.	3,812	1.53

Financial Status

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Kaohsiung City Government	3,810	1.53
European Investment Bank	3,631	1.45
Nanya Technology Corporation	3,604	1.44
Chunghwa Picture Tubes, Ltd.	3,596	1.44
Taipei Financial Center Corporation	3,552	1.42
Tatung Company	3,493	1.40
Rich Development Construction Co., Ltd.	3,483	1.40
Taipei Public Transportation Office	3,400	1.36
Taitung County Government	3,370	1.35
International Bank for Reconstruction and Development	3,333	1.34
Taiwan Asset Management Corporation	3,247	1.30
First Financial Holding Co., Ltd.	3,242	1.30
Polaris Securities International Investment Trust Co., Ltd.	3,237	1.30
Taiwan Mobile Co., Ltd.	3,084	1.24
Taichung City Government	3,053	1.22
Chia Hsin Food and Synthetic Fiber Co., Ltd.	3,033	1.22
The same related individual		
Mr./Ms. Liao and related individual	3,626	1.45
Mr./Ms. Wang and related individual	4,981	2.00
The same affiliated enterprises		
Formosa Plastic Group	57,757	23.14
Chi Mei Corporation and its affiliates	30,680	12.29
China Steel Corporation Group	25,602	10.26
Evergreen Group	23,179	9.29
BenQ Group and its affiliates	19,521	7.82
Uni-President Enterprises Corp. and its affiliates	15,681	6.28
Yuanta Financial Holding Co., Ltd and its affiliates	13,989	5.60
Far Eastern Group	13,923	5.58
Shin Kong Financial Holding Co., Ltd. and its affiliates	12,694	5.09
Huanan Financial Holding Co., Ltd. and its affiliates	12,241	4.90
Tainan Spinning Co., Ltd. and its affiliates	10,481	4.20
Yang Ming Marine Transport Corp. and its affiliates	10,159	4.07
China Airlines Group	9,807	3.93
Promos Technologies Inc. and its affiliates	9,553	3.83
Wintek Corporation and its affiliates	9,459	3.79
Cathay Financial Group	8,418	3.37
Tatung Company and its affiliates	8,137	3.26
Fubon Financial Holding Co., Ltd. and its affiliates	7,563	3.03
Taiwan Cement Corporation and its affiliates	7,291	2.92
Mega Financial Holding Company and its affiliates	7,068	2.83
Powerchip Semiconductor Corp. and its affiliates	6,819	2.73
E United Group	6,111	2.45
First Financial Holding Co.,Ltd. and its affiliates	5,695	2.28

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Chinatrust Financial Holding Company Group	5,408	2.17
Lealea GROUP	5,404	2.17
Yuen Foong Yu Group	5,297	2.12
Taishin Financial Holding and its affiliates	5,122	2.05
Core Pacific Group and its affiliates	4,181	1.68
Tang Eng Iron Works Co., Ltd. and its affiliates	4,071	1.63
Chailease Group and its affiliates	4,020	1.61
Ruentex Group and it affiliates	3,944	1.58
The MiTAC-SYNNEX Group	3,866	1.55
E.SUN Financial Holding Co., Ltd. and its affiliates	3,570	1.43
Advanced Semiconductor Engineering Group and its affiliates	3,519	1.41
Taiwan Cogeneration Corporation and its affiliates	3,507	1.41
Chunghwa Telecom Co., Ltd. and its affiliates	3,410	1.37
Walsin Lihwa Corp. and its affiliates	3,133	1.26
Inventec Corporation and its affiliates	3,098	1.24
China Development Financial Holding Corporation and its affiliates	3,045	1.22
Total	<u>1,560,408</u>	

December 31, 2008		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
The same individual		
Ministry of Finance, R.O.C.	189,627	83.84
Taiwan Power Company	100,901	44.61
Bureau of Labor Insurance	40,848	18.06
Central Bank of the Republic of China (Taiwan)	29,400	13.00
Related to high speed railway construction funds	29,197	12.91
Taipei County Government	28,641	12.66
Taichung County Government	26,641	11.78
Bureau of National Health Insurance	24,500	10.83
Chi Mei Optoelectronics Corporation	22,316	9.87
CPC Corporation, Taiwan	21,653	9.57
Central Deposit Insurance Corp.	21,450	9.48
Taiwan Railway Administration	19,293	8.53
Tainan County Government	16,335	7.22
Yilan County Government	16,250	7.19
Taiwan Water Corp.	15,075	6.67
AU Optronics Corp.	14,052	6.21
Daragon Steel Corporation	13,496	5.97
Nan Ya Plastics Corporation	13,365	5.91

Financial Status

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Yunlin County Government	12,215	5.40
Central Taiwan Science Park Administration	12,040	5.32
Taoyuan County Government	11,337	5.01
Tainan City Government	10,922	4.83
EVA Airways Corporation	10,710	4.74
Hsinchu County Government	10,686	4.72
Hsinchu City Government	10,496	4.64
Chiayi County Government	10,413	4.60
Science Park Administration	10,347	4.57
China Airlines Ltd.	9,858	4.36
Promos Technologies Inc.	9,564	4.23
Formosa Petrochemical Corporation	9,235	4.08
Wintek Corporation	9,169	4.05
Chi Mei Optoelectronics Corporation	9,149	4.05
Formosa Chemicals & Fibre Corp.	8,859	3.92
Southern Taiwan Science Park Administration	8,840	3.91
R.S.E.A. Engineering Corporation	8,116	3.59
Miaoli County Government	8,103	3.58
Nantou County Government	7,477	3.31
China Steel Corporation	7,032	3.11
Kaohsiung County Government	6,800	3.01
Construction and Planning Agency, Ministry of the Interior	6,400	2.83
Prince Housing and Development Corp.	6,288	2.78
Taipei City Government Department of Transportation	6,074	2.69
Yang Ming Marine Transport Corp.	6,009	2.66
Pingtung County Government	5,389	2.38
Kaohsiung Rapid Transit Corp.	5,370	2.37
Powerchip Semiconductor Corp.	5,190	2.29
S.A.C. Pei Taiwan Holdings	4,725	2.09
China Shipbuilding Corporation	4,679	2.07
Taiwan Asset Management Corporation	4,625	2.04
Fubon Financial Holding Co., Ltd.	4,240	1.87
Chunghwa Picture Tubes, Ltd.	4,083	1.81
Far Eastern Textile Ltd.	3,953	1.75
Qisda Corporation	3,892	1.72
Rich Development Construction Co., Ltd.	3,894	1.72
Chailease Finance Co., Ltd.	3,620	1.60
Formosa Plastics Corporation	3,591	1.59
Hualien County Government	3,600	1.59
Ho Ping Power Company	3,450	1.53

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Taitung County Government	3,424	1.51
Chung Hung Steel Corporation	3,352	1.48
Evergreen Marine Corporation	3,084	1.36
Young Ching Corp.	3,000	1.33
Huang Hsiang Construction Corporation	3,003	1.33
The same related individual		
Mr./Ms. Wu and related individual	7,090	3.13
Mr./Ms. Liao and related individual	6,340	2.80
Mr./Ms. Wang and related individual	4,836	2.14
Mr./Ms. Lee and related individual	4,489	1.98
Mr./Ms. Shiao and related individual	3,773	1.67
Mr./Ms. Lin and related individual	3,202	1.42
Mr./Ms. Zeng and related individual	3,202	1.42
Mr./Ms. Shyue and related individual	3,067	1.36
The same affiliated enterprises		
Taiwan Power Co., Ltd. and its affiliates	100,901	44.61
Ya Suo Development Corp. and its affiliates	36,155	15.99
Chi Lin Technology Co., Ltd. and its affiliates	33,212	14.68
GIO Optoelectronics Corp. and its affiliates	31,505	13.93
CPC Corporation, Taiwan and its affiliates	31,299	13.84
Chi Mei Optoelectronics Corporation and its affiliates	24,537	10.85
CPC Corporation, Taiwan and its affiliates	23,955	10.59
Chi Mei Energy Corp. and its affiliates	22,645	10.01
Chi Mei Lighting Technology Corporation and its affiliates	22,597	9.99
Chi Hsin Electronics Corp. and its affiliates	22,516	9.96
Contrel Technology Co., Ltd. and its affiliates	22,416	9.91
Chi Mei Electronics Corporation and its affiliates	22,316	9.87
Himax Technologies Limited and its affiliates	22,316	9.87
Infochamp Systems Corp. and its affiliates	20,529	9.08
Dragon Steel Corporation and its affiliates	20,529	9.08
EVA Airways Corporation and its affiliates	19,473	8.61
Evergreen Marine Corporation and its affiliates	19,362	8.56
Taiwan Railways Administration and its affiliates	19,293	8.53
Qisda Corporation and its affiliates	18,239	8.06
Darfon Electronics Corp. and its affiliates	18,239	8.06
AU Optronics Corp. and its affiliates	18,239	8.06
Formosa Tafeeta Co., Ltd. and its affiliates	17,278	7.64
Nan Ya Plastics Corporation and its affiliates	16,767	7.41
Taipei Port Container Terminal and its affiliates	16,591	7.34
Taiwan Water Corp. and its affiliates	15,075	6.67

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Lextar Electronics Corporation and its affiliates	14,052	6.21
Nan Ya Plastics (Hong Kong) Corporation and its affiliates	13,365	5.91
Formosa Petrochemical Corporation and its affiliates	12,625	5.58
Evergreen Aviation Technologies Corporation and its affiliates	12,615	5.58
Kaohsiung Rapid Transit Corp. and its affiliates	12,403	5.48
Promos Technologies Inc. and its affiliates	12,189	5.39
Evergreen Sky Catering Corp. and its affiliates	11,360	5.02
Hsin Tao Power Corporation and its affiliates	11,013	4.87
Golden Win Steel Industrial Corp. and its affiliates	10,750	4.75
Uni President Development Co., Ltd. and its affiliates	10,583	4.68
Ye Long Enterprises Corp. and its affiliates	10,384	4.59
Chi Mei Materials Technology Corporation and its affiliates	9,973	4.41
Chi Mei Corporation and its affiliates	9,973	4.41
China Airlines Ltd. and its affiliates	9,922	4.39
China Pacific Laundry Services Ltd. and its affiliates	9,922	4.39
Chi Mei- Asahi Corp. and its affiliates	9,349	4.13
Wintek Corporation and its affiliates	9,169	4.05
Mactech Corporation and its affiliates	9,169	4.05
United Win (H.K.) Technology Limited and its affiliates	9,169	4.05
Masstop Asia Pacific Limited and its affiliates	9,169	4.05
Formosa Chemicals & Fibre Corp. and its affiliates	8,866	3.92
R.S.E.A. Engineering Corporation and its affiliates	8,116	3.59
China Steel Machinery Corporation and its affiliates	7,532	3.33
Tatung Co. and its affiliates	7,503	3.32
My-Funding Corp. and its affiliates	7,474	3.30
Ta Chen Construction & Engineering Corp. and its affiliates	7,462	3.30
Forward Electronics Co., Ltd. and its affiliates	7,403	3.27
Thintech Materials Technology Co., Ltd. and its affiliates	7,396	3.27
Grand Pacific Credit Company Ltd. and its affiliates	7,349	3.25
Uni-President Enterprises Corp. and its affiliates	7,245	3.20
Far Eastern Dept. Store, Ltd. and its affiliates	7,234	3.20
China Steel Chemical Corporation and its affiliates	7,032	3.11
China Ecotek Corporation and its affiliates	7,032	3.11
China Steel Express Corporation and its affiliates	7,032	3.11
CSE Transport Corp. and its affiliates	7,032	3.11
Taiwan Cement Co., Ltd. and its affiliates	6,985	3.09
Hoping Industrial Port Corporation and its affiliates	6,407	2.83
Prince Housing and Development Corp. and its affiliates	6,288	2.78
Far Eastern General Construction Inc. and its affiliates	6,156	2.72
Yang Ming Marine Transport Corp. and its affiliates	6,009	2.66
Taiwan Prosperity Chemical Corporation and its affiliates	5,945	2.63

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Yuen Foong Yu Paper Mfg. Co., Ltd. and its affiliates	5,839	2.58
KGI Securities Finance Co., Ltd. and its affiliates	5,706	2.52
Fubon Securites Co., Ltd. and its affiliates	5,343	2.36
Powerchip Semiconductor Corp. and its affiliates	5,290	2.34
Yuanta Securities Finance Corp. and its affiliates	4,854	2.15
Daxon Technology Inc. and its affiliates	4,778	2.11
BES Engineering Corporation and its affiliates	4,744	2.10
China Shipbuilding Corporation and its affiliates	4,679	2.07
Far Eastern Textile Ltd. and its affiliates	4,652	2.06
Taiwan Asset Management Corporation and its affiliates	4,625	2.04
Li Sing Asset Management Corp. and its affiliates	4,625	2.04
Fubon Financial Holding Co., Ltd. and its affiliates	4,240	1.87
Fubon Asset Management Co., Ltd and its affiliates	4,240	1.87
Green Forest Development Enterprise Co., Ltd. and its affiliates	4,187	1.85
Rich Development Construction Co., Ltd. and its affiliates	4,187	1.85
Chailease Finance Co., Ltd. and its affiliates	4,050	1.79
Kai Yuan International Investment Co., Ltd. and its affiliates	3,953	1.75
An Ho Garment Co., Ltd. and its affiliates	3,953	1.75
Yuan Tong Investment Corp. and its affiliates	3,953	1.75
Shin Sheng Corp. and its affiliates	3,750	1.66
Chailease Consumer Finance Co., Ltd. and its affiliates	3,720	1.64
China Man-made Fiber Corp. and its affiliates	3,714	1.64
Taiwan Cogeneration Corporation and its affiliates	3,649	1.61
Young Ching Corp. and its affiliates	3,614	1.60
Formosa Plastics Corporation and its affiliates	3,596	1.59
President Fair Development Corp. and its affiliates	3,583	1.58
China Petrochemical Development Corporation and its affiliates	3,566	1.58
TCEC Corporation and its affiliates	3,550	1.57
Tang Eng Iron Works Co., Ltd. and its affiliates	3,433	1.52
President Tokyo Corporation and its affiliates	3,369	1.49
Hong Li Steel Corporation and its affiliates	3,352	1.48
Yun Hong Investment Corp. and its affiliates	3,352	1.48
Chunghwa Picture Tubes, Ltd. and its affiliates	3,250	1.44
President Securities Corp. and its affiliates	3,239	1.43
Yieh United Steel Corporation and its affiliates	3,183	1.41
President Packaging Industrial Corp. and its affiliates	3,148	1.39
Evergreen International Storage and Transport Corporation and its affiliates	3,084	1.36
Uni-President Glass Industrial Co., Ltd. and its affiliates	3,075	1.36
Hsin Kuang Development Co., Ltd. and its affiliates	3,058	1.35
Hsin Kuang textile Co., Ltd. and its affiliates	3,055	1.35

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Pan Asian Plastics Corp. and its affiliates	3,055	1.35
Taishin Securities Co., Ltd. and its affiliates	3,055	1.35
Hannstar Display Corporation and its affiliates	3,038	1.34
Huang Hsiang Construction Corporation and its affiliates	3,003	1.33
Total	<u>2,159,367</u>	

Note 1: Taiwan High Speed Rail Corporation is included.

2. This form discloses total amounts which reach the lower of 5% of net worth or \$3 billion with respect to credit extensions, endorsements, or other transactions undertaken by a financial holding company and its subsidiaries for the same individual, the same related individual, or the same affiliated enterprises.
3. Credit extensions mean loans, discounts, overdrafts, acceptances, guarantees, and other business items designated by the central competent authority-in-charge.
4. Endorsements mean endorsements and guarantees of bills corporations.
5. Other transactions mean the following transactions with the same individual, the same related individual, or the same affiliated enterprises:
 - (1) Invest or purchase securities whose issuers are these related parties.
 - (2) Purchase these related parties' real estate or other assets.
 - (3) Sell securities, real estate, or other assets to these related parties.
 - (4) Sign contracts to give money or supply labor.
 - (5) Act as an agent or broker of the financial holding company or its subsidiaries, or supply services on a commission or expenses basis.
 - (6) Conducting the above transactions with third parties that are stakeholders in these related parties, or transactions in which these related parties participate with third parties.
 - (7) The amounts of negotiable certificates issued by a bank subsidiary are not included in the calculation.
 - (8) The amounts of financial institutions' repurchase agreements are not included in the calculation.
- 6) **The disclosures according to Statement of Financial Accounting Standards No 28:**
 1. Loan quality, concentration of credit risk, and policies on allowance for bad debts arising from loans and advances to customers
 - (a) Loan quality

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	2,683,845	139,215,979	1.93%	1,351,233	50.35%
Total		21,132,473	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	-

Type / Item			December 31, 2008				
			Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio
Enterprise	Secured		5,993,948	391,147,404	1.53%	2,620,426	43.72%
	Non-secured		4,912,250	1,042,827,253	0.47%	4,488,539	91.37%
Consumer finance	House mortgage		6,386,009	361,339,108	1.77%	2,378,736	37.25%
	Cash card		-	-	-	-	-
	Micro credit		436,734	17,820,177	2.45%	396,861	90.87%
	Others	Secured	1,052,522	58,142,221	1.81%	424,656	40.35%
		Non-secured	2,476,296	128,466,677	1.93%	1,363,376	55.06%
Total			21,257,759	1,999,742,840	1.06%	11,672,594	54.91%
			Overdue receivables	Account receivable	Ratio	Allowance bad debt	Cover ratio
Credit card business			8,693	1,158,361	0.75%	14,606	168.02%
Factoring receivables—non-recourse			-	1,298,819	- %	3,896	-

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 FSC. 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/Accounts receivable.

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 receivables 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 of credit card business in including overdue receivable, account receivable and other receivable.

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

(Expressed in thousand of New Taiwan Dollars)

	December 31, 2009		December 31, 2008	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	8,495	-	10,758	-
As a result of debt solvency and restart plan	136,769	2,104	20,044	-
Total	145,264	2,104	30,802	-

(c) Concentration of credit extensions

Unit: Million, %

December 31, 2009			
Rank (Note 1)	Group Name (Note 2)	Credit extensions balance (Note 3)	% of net asset value
1	Taiwan High Speed Rail—transportation and Storage	42,358	16.97%
2	Formosa Plastics—plastic products manufacturing	40,356	16.17%
3	Chimei—optoelectronic materials and components manufacturing	29,453	11.80%
4	Evergreen—transportation and storage	22,344	8.95%
5	China Steel—basic metal manufacturing	19,981	8.01%
6	BenQ—optoelectronic materials and components manufacturing	18,684	7.49%
7	Uni President—retail trade	13,932	5.58%
8	Yuanta Financial Holdings—financial intermediation	10,821	4.34%
9	Tainan Spinning—textiles mills	10,508	4.21%
10	Far Eastern—textiles mills	9,774	3.92%

December 31, 2008			
Rank	Group Name	Credit extensions balance	% of net asset value
1	Formosa Plastics—plastic products manufacturing	45,311	20.03%
2	Taiwan High Speed Rail—transportation and storage	43,097	19.06%
3	Chimei—optoelectronic materials and components manufacturing	36,995	16.36%
4	China Steel—basic metal manufacturing	31,672	14.00%
5	Evergreen—transportation and storage	21,687	9.59%
6	BenQ—optoelectronic materials and components manufacturing	19,683	8.70%
7	Uni-President—retail trade	15,518	6.86%
8	ProMOS Technologies—semi-conductors manufacturing	12,189	5.39%
9	Tainan Spinning—textiles mills	11,058	4.89%
10	Yuanta Financial Holdings—financial intermediation	10,699	4.73%

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 of credit risk of assets, liabilities, and off-balance-sheet items: Please see note 32.

3. The average amount of assets and liabilities, as well as the current rate, is disclosed as follows:

Subsidiary BOT

	December 31, 2009		December 31, 2008	
	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest-earnings assets:				
Call loans and placement with banks	\$ 158,243,672	1.25	158,137,960	2.28
Placement with Central Bank	1,125,584,864	0.72	640,658,855	2.02
Financial assets	163,700,926	2.44	187,821,011	3.25
Negotiation, discounts and total loans	1,980,430,190	1.68	1,974,798,106	3.12
Interest-bearing liabilities:				
Deposit of Central Bank	10,502,497	-	12,984,027	-
Deposits and call loans from banks	185,364,481	0.51	217,817,458	2.07
Demand deposit	217,120,068	0.10	179,240,450	0.54
Demand savings	608,085,352	0.64	378,091,857	1.36
Time savings	1,506,283,864	1.84	1,338,061,939	3.13
Time deposits	618,302,478	1.25	536,787,854	2.98
Government deposits	219,369,234	0.34	230,896,009	0.81

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

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

Balance sheet interest rate sensitivity for NTD

Subsidiary BOT

December 31, 2009

Unit: Thousand NTD, %

	1~90 days	91~180 days	181 days to one year	Over 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 sensitivity 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 sensitivity gap to net worth					(12.41)

December 31, 2008

	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate-sensitive assets	\$ 1,355,929,976	1,210,165,619	96,956,678	-	2,663,052,273
Interest-rate-sensitive liabilities	343,727,421	2,023,111,444	350,447,148	-	2,717,286,013
Interest rate sensitivity gap	1,012,202,555	(812,945,825)	(253,490,470)	-	(54,233,740)
Net worth					230,669,037
Ratio of interest-rate-sensitive assets to liabilities					98.00
Ratio of interest rate sensitivity gap to net worth					(23.51)

Note 1: The above amounts include only New Taiwan Dollar amounts held by the Bank subsidiary'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 sensitivity gap to net value = Interest rate sensitivity gap / net value.

Balance sheet interest rate sensitivity for USD

Subsidiary BOT
December 31, 2009

Unit: Thousand USD, %

	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 sensitivity 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 sensitivity gap to net worth					107.29

December 31, 2008

	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest-rate-sensitive assets	\$ 11,447,791	1,914,005	1,277,147	895,286	15,534,229
Interest-rate-sensitive liabilities	11,136,518	2,873,090	1,547,171	130,058	15,686,837
Interest rate sensitivity gap	311,273	(959,085)	(270,024)	765,228	(152,608)
Net worth					(154,569)
Ratio of interest-rate-sensitive assets to liabilities					99.03
Ratio of interest rate sensitivity gap to net worth					98.73

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 sensitivity gap to net value = interest rate sensitivity gap / net value.

5. Profitability

(a) The Company

Unit: %

Item		December 31, 2009	December 31, 2008
Return on total assets	Before income tax	3.58	3.18
	After income tax	3.59	3.18
Return on net worth	Before income tax	3.66	3.24
	After income tax	3.67	3.24
Profit margin		99.14	99.55

(b) The company and subsidiary

Unit: %

Item		December 31, 2009	December 31, 2008
Return on total assets	Before income tax	0.28	0.19
	After income tax	0.21	0.19
Return on net worth	Before income tax	3.65	3.09
	After income tax	3.67	3.24
Profit margin		8.13	12.08

(c) Subsidiary BOT

Unit: %

Item		December 31, 2009	December 31, 2008
Return on total assets	Before income tax	0.23	0.25
	After income tax	0.22	0.24
Return on net worth	Before income tax	3.70	3.60
	After income tax	3.50	3.53
Profit margin		26.98	30.15

(d) Subsidiary BTLI

Unit: %

Item		December 31, 2009	December 31, 2008
Return on total assets	Before income tax	-	(0.73)
	After income tax	0.24	(0.49)
Return on net worth	Before income tax	0.08	-
	After income tax	15.56	-
Profit margin		1.23	(2.49)

(e) Subsidiary BTS

Unit: %

Item		December 31, 2009	December 31, 2008
Return on total assets	Before income tax	4.17	(2.55)
	After income tax	3.57	(2.55)
Return on net worth	Before income tax	6.01	(4.44)
	After income tax	5.14	(4.44)
Profit margin		32.14	(23.40)

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 in the six months ended June 30, 2008.

6. Major foreign currency position, net

Subsidiary BOT

(expressed in thousands of New Taiwan Dollars)

December 31, 2009			December 31, 2008		
Currency	Amount in functional currency	Amount in New Taiwan Dollars	Currency	Amount in functional currency	Amount in New Taiwan Dollars
JPY	3,017,016	1,049,922	JPY	3,041,756	1,102,637
USD	30,912	994,625	USD	27,363	896,795
GBP	18,407	952,301	GBP	18,676	883,732
CNY	113,771	536,191	CNY	112,184	538,023
SGD	15,099	346,128	SGD	14,718	335,141

Note 1: The major foreign currencies are the top five amounts after all functional currencies are converted to New Taiwan Dollars.

Note 2: The major foreign currency net position is the absolute value of each foreign currency net position.

7. Duration analysis of assets and liabilities

Term Structure Analysis of NTD-denominated Assets and Liabilities

Subsidiary BOT

December 31, 2009

Unit: Thousand NTD

	Total	Amount for each remaining period to maturity				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Main capital inflow on maturity	\$ 3,708,126,774	740,472,473	486,333,797	282,170,650	273,016,215	1,926,133,639
Main capital outflow on maturity	4,283,223,732	503,243,869	494,657,653	493,963,038	1,112,494,845	1,678,864,327
Interval gap	(575,096,958)	237,228,604	(8,323,856)	(211,792,388)	(839,478,630)	247,269,312

December 31, 2008

	Total	Amount for each remaining period to maturity				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Main capital inflow on maturity	\$ 3,283,298,908	559,060,939	519,085,732	413,278,448	348,120,707	1,443,753,082
Main capital outflow on maturity	3,611,239,759	410,912,286	411,965,424	424,200,921	937,159,046	1,427,002,082
Interval gap	(327,940,851)	148,148,653	107,120,308	(10,922,473)	(589,038,339)	16,751,000

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-denominated Assets and Liabilities

Subsidiary BOT

December 31, 2009

Unit: Thousand USD

	Total	Amount for each remaining period to maturity				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Main capital inflow on maturity	\$ 16,390,375	6,302,312	4,369,693	2,635,455	1,962,368	1,120,547
Main capital outflow on maturity	16,351,558	10,122,855	2,506,197	1,776,354	1,553,742	392,410
Interval gap	38,817	(3,820,543)	1,863,496	859,101	408,626	728,137

December 31, 2008

	Total	Amount for each remaining period to maturity				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 181	Day 181 to 1 year	Over 1 year
Main capital inflow on maturity	\$ 12,374,295	4,817,199	3,640,140	1,491,537	1,327,151	1,098,268
Main capital outflow on maturity	12,342,139	5,845,428	3,288,559	1,369,376	1,540,068	298,708
Interval gap	32,156	(1,028,229)	351,581	122,161	(212,917)	799,560

Note 1: The above amounts are book values of the assets and liabilities of the onshore branches and offshore banking unit of the subsidiary BOT in U.S. dollars, 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.

8. The trade information about stakeholders who are borrowers, guarantors or collateral providers

(a) Name and relationship of the related party: Please see note 34. The credit part shows the stakeholders in accordance with "The Banking Act of the Republic of China", Article 33-1.

(b) Significant transactions with related party:

a) Loans: Please see note 35

b) Guarantee payment: none.

c) Transactions involving derivative financial instruments: none.

d) Transactions involving selling non-performing loans: none.

7) **Financial information classified by business type**

the year ended December 31, 2009

Unit: thousand NTD

Items	Businesses	Banking business	Insurance business	Securities business	Other business	Total
Net interest income		16,899,746	4,707,195	71,439	-	21,678,380
Net non-interest income		46,572,241	38,525,213	422,035	(2,054)	85,517,435
Net revenues		63,471,987	43,232,408	493,474	(2,054)	107,195,815
Bad debt expense		4,434,016	(1,272)	(1,367)	-	4,431,377
Provision for insurance reserves		34,251,029	42,091,452	-	-	76,342,481
Operating expense		17,012,243	399,018	245,545	79,898	17,736,704
Net income before cumulative effect of changes in accounting principle and income tax		7,774,699	743,210	249,296	(81,952)	8,685,253
Income tax expense		481,207	(518,548)	27,198	(24,053)	(34,196)
Cumulative effect of changes in accounting principle		-	-	-	-	-
Net income		7,293,492	1,261,758	222,098	(57,899)	8,719,449

the year ended December 31, 2008

Unit: thousand NTD

Items	Businesses	Banking business	Insurance business	Securities business	Other business	Total
Net interest income		24,958,750	3,807,046	82,138	-	28,847,934
Net non-interest income		(3,575,547)	35,146,642	165,595	1,068	31,737,758
Net revenues		21,383,203	38,953,688	247,733	1,068	60,585,692
Net revenues		1,545,337	56,207	(3,290)	-	1,598,254
Provision for insurance reserves		(4,978,929)	38,689,869	-	-	33,710,940
Operating expense		17,617,160	295,433	346,846	20,830	18,280,269
Net income before cumulative effect of changes in accounting principle and income tax		7,199,635	(87,821)	(95,823)	(19,762)	6,996,229
Income tax expense		145,420	(467,466)	62	(3,286)	(325,270)
Cumulative effect of changes in accounting principle		-	-	-	-	-
Net income		7,054,215	379,645	(95,885)	(16,476)	7,321,499

- 8) In accordance with state-owned enterprises accounting subject issued by the Directorate General of Budget, Accounting and Statistics, Executive Yuan on August 20, 2008, becoming effective from 2009, the consolidated companies reclassified the excess interest expenses arising from the preferential interest deposits for pensions of Military, Public and Teaching personnel from interest expenses to other net non-interest income. Therefore, the excess interest before 2008 was given the same reclassification treatment in order to match the financial statement presentation in 2009.

9) The balance sheets and statements of income of government employees insurance department of BOT

1. Balance sheets

	Government employees insurance department	
	December 31, 2009	December 31, 2008
Cash and cash equivalents	\$ 10,874,978	11,927,740
Financial assets at fair value through profit or loss	70,554,036	39,023,254
Receivables, net	15,440,900	16,749,386
Held-to-maturity financial assets, net	36,974,557	30,382,274
Fixed assets	9,123	7,583
Intangible assets	2,111	2,891
Other assets, net	26,550,512	28,064,838
Total assets	\$ 160,406,217	126,157,966
Financial liabilities at fair value through profit or loss	-	15,591
Payables	47,046	34,118
Other liabilities	160,359,171	126,108,257
Total liabilities	160,406,217	126,157,966
Total Liabilities and Stockholders' Equity	\$ 160,406,217	126,157,966

2. Statements of income

	Government employees insurance department	
	2009	2008
Net interest income	\$ 1,069,982	1,523,787
Non-interest income, net		
Service fee expenses	5,266	(17,809)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	21,345,926	(19,071,275)
Foreign exchange gain (loss)	172,682	(348,478)
Other non-interest income	(22,462,168)	18,044,566
Net revenue	131,688	130,791
Bad debt expense	730	-
Operating expense		
Personnel expense	113,963	112,869
Depreciation and amortization expense	3,424	3,254
Other business and administrative expense	13,571	14,668
	130,958	130,791
Net income	\$ -	-

10) Financial statements of Taiwan Financial Holding Co., Ltd.

TAIWAN FINANCIAL HOLDING CO., LTD.

Balance Sheet

December 31, 2009 and 2008

(expressed in thousands of New Taiwan Dollars)

	December 31, 2009	December 31, 2008	Percentage change (%)
Assets			
Cash and cash equivalents	\$ 1,406,943	348,555	304
Receivables, net	527,268	133	396,342
Investments under equity method, net	251,104,337	226,195,089	11
Fixed assets, net	7,757	5,274	47
Intangible assets	59	14	321
Other assets, net	3,078,567	3,593,413	(14)
Total Assets	\$ 256,124,931	230,142,478	11
Liabilities and Stockholders' Equity			
Other loans	2,000,000	-	-
Payables	544,936	2,907	18,646
Other liabilities	3,955,198	3,973,930	-
Accrued pension payable	41,396	122	33,831
Total liabilities	6,541,530	3,976,959	64
Stockholders' equity			
Common stock	90,000,000	90,000,000	-
Additional paid-in capital	111,494,739	111,495,264	-
Retained earnings:			
Legal reserve	732,150	-	-
Special reserve	2,928,599	-	-
Unappropriated earnings	8,790,072	7,321,499	20
	12,450,821	7,321,499	70
Equity adjustments:			
Unrealized increments on revaluation	16,639,974	16,930,538	(2)
Cumulative foreign currency translation adjustment	(128,524)	(155,274)	(17)
Unrealized gain on financial instruments	19,126,391	573,492	3,235
	35,637,841	17,348,756	105
Total stockholders' equity	249,583,401	226,165,519	-
Total Liabilities and Stockholders' Equity	\$ 256,124,931	230,142,478	11

TAIWAN FINANCIAL HOLDING CO., LTD.

Statement of Income

For the period from January 1 to December 31, 2009, and January 1

(date of establishment) to December 31, 2008

(expressed in thousands of New Taiwan Dollars)

	2009	2008	Percentage change (%)
Revenues:			
Income from equity investments under equity method	8,799,232	7,351,070	20
Other gains	4,086	3,612	13
	8,803,318	7,354,682	20
Expenses:			
Operating expenses	99,960	36,394	175
Other expenses and losses	7,962	75	10,516
	107,922	36,469	196
Income before income tax	8,695,396	7,318,213	19
Income tax benefits	(24,053)	(3,286)	(632)
Net income	\$ 8,719,449	7,321,499	19

Financial Status

TAIWAN FINANCIAL HOLDING CO., LTD.
Statement of Changes in Stockholders' Equity
For the period from January 1 to December 31, 2009, and January 1
(date of establishment) to December 31, 2008

(expressed in thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized increments on revaluation	Cumulative foreign currency translation adjustments	Unrealized gain (loss) on financial instruments	Total
Balance as of January 1, 2008 (established through transfer of shares)	\$ 90,000,000	215,854,060	-	-	-	23,603,085	494,451	29,690,022	359,641,618
Adjustments for change in subsidiaries' special reserve	-	(320,552)	-	-	-	-	-	-	(320,552)
Capital surplus transferred to capital stock (audited by the MoA)	109,467,296	(109,467,296)	-	-	-	-	-	-	-
Non-cash share capital reduction (audited by the MoA)	(109,467,296)	5,429,052	-	-	-	(6,723,557)	(698,138)	(4,387,274)	(115,847,213)
Change in unrealized increments on revaluation (audited by the MoA)	-	-	-	-	-	51,010	-	-	51,010
Change in cumulative foreign currency translation adjustments (audited by the MoA)	-	-	-	-	-	-	48,413	-	48,413
Change in unrealized gain (loss) on financial instruments (audited by the MoA)	-	-	-	-	-	-	-	(24,729,256)	(24,729,256)
Net income for the year ended December 31, 2008 (audited by the MoA)	-	-	-	-	7,321,499	-	-	-	7,321,499
Balance as of December 31, 2008	90,000,000	111,495,264	-	-	7,321,499	16,930,538	(155,274)	573,492	226,165,519
Appropriated legal reserve	-	-	732,150	-	(732,150)	-	-	-	-
Appropriated special reserve	-	-	-	2,928,599	(2,928,599)	-	-	-	-
Appropriated dividends for government	-	-	-	-	(3,590,127)	-	-	-	(3,590,127)
Change in additional paid-in capital	-	(525)	-	-	-	-	-	-	(525)
Change in unrealized increments on revaluation	-	-	-	-	-	(290,564)	-	-	(290,564)
Change in cumulative foreign currency translation adjustments	-	-	-	-	-	-	26,750	-	26,750
Change in unrealized gain (loss) on financial instruments	-	-	-	-	-	-	-	18,552,899	18,552,899
Net income for the year ended December 31, 2009	-	-	-	-	8,719,449	-	-	-	8,719,449
Balance as of December 31, 2009	\$ 90,000,000	111,494,739	732,150	2,928,599	8,790,072	16,639,974	(128,524)	19,126,391	249,583,401

TAIWAN FINANCIAL HOLDING CO., LTD.

Statement of Cash Flows

For the period from January 1 to December 31, 2009, and January 1

(date of establishment) to December 31, 2008

(expressed in thousands of New Taiwan Dollars)

	2009	2008
Cash flows from operating activities:		
Net income	\$ 8,719,449	7,321,499
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	1,288	999
Cash dividends received in excess of gains on equity investments recognized using the equity method	(4,639,517)	(3,377,238)
Increase in receivables	(527,134)	(133)
Increase in other assets	(35,926)	-
Increase in payables	542,029	2,908
Deferred income tax	(24,053)	(3,286)
Increase in accrued pension liabilities	41,274	122
Net cash used in operating activities	4,077,410	3,944,871
Cash flows from investing activities:		
Increase in long-term investments under equity method	(2,000,000)	-
Increase in refundable deposits	(2,594)	-
Increase in fixed assets	(3,764)	(6,269)
Increase in intangible assets	(52)	(18)
Net cash used in investing activities	(2,006,410)	(6,287)
Cash flows from financing activities:		
Prepaid dividends (for government)	(3,012,708)	(3,590,127)
Increase in guarantee deposits received	96	98
Increase in short-term loans	2,000,000	-
Net cash provided by financing activities	(1,012,612)	(3,590,029)
Net increase in cash and cash equivalents	1,058,388	348,555
Cash and cash equivalents at beginning of year	348,555	-
Cash and cash equivalents at end of year	\$ 1,406,943	348,555

11) Subsidiaries' condensed consolidated balance sheets and statements of income

1. Condensed balance sheets

	BOT	
	December 31, 2009	December 31, 2008
Cash and cash equivalents	\$ 39,011,428	54,420,521
Due from Central Bank and call loans to banks	1,248,000,974	996,241,280
Financial assets at fair value through profit or loss	92,123,443	72,201,513
Bonds and bills purchased under resell agreements	368,349	298,262
Receivables, net	91,299,631	103,636,858
Discounts and loans, net	2,045,894,068	1,988,070,246
Available-for-sale financial assets, net	142,009,713	155,491,586
Held-to-maturity financial assets, net	37,859,403	31,818,435
Investments under equity method, net	29,815,276	26,959,682
Other financial assets, net	68,496,647	67,326,090
Fixed assets	78,474,877	79,953,507
Intangible assets	1,107,496	1,226,158
Other assets, net	16,590,347	16,735,325
Total assets	\$ 3,891,051,652	3,594,379,463
Due to Central Bank and other banks	\$ 204,950,860	181,489,738
Financial liabilities at fair value through profit or loss	4,535,308	6,002,275
Bonds and bills sold under repurchase agreements	5,486,934	19,217,840
Payables	58,561,964	63,901,807
Deposits and remittances	3,189,671,973	2,947,909,688
Accrued pension liability	2,695,402	2,396,018
Other financial liabilities	1,511,328	1,618,124
Other liabilities	183,127,172	148,010,097
Total liabilities	3,650,540,941	3,370,545,587
Common stock	45,000,000	45,000,000
Additional paid-in capital	110,062,555	110,063,016
Retained earnings	50,367,859	46,429,272
Others	35,080,297	22,341,588
Total stockholders' equity	240,510,711	223,833,876
Total Liabilities and Stockholders' Equity	\$ 3,891,051,652	3,594,379,463

	BTI	
	December 31, 2009	December 31, 2008
Current assets	\$ 105,588,340	79,994,494
Loans	9,237,637	9,438,540
Funds and investments	117,513,412	95,810,913
Fixed assets	913,162	850,696
Intangible assets	210,152	219,513
Other assets, net	7,918,835	6,261,713
Total assets	\$ 241,381,538	192,575,869
Current liabilities	\$ 33,008,322	33,774,346
Long-term liabilities	257,522	242,384
Reserve for operations and other liabilities	194,669,790	153,340,344
Other liabilities	6,001,742	5,880,134
Total liabilities	233,937,376	193,237,208
Common stock	7,000,000	5,000,000
Capital surplus	360,000	360,065
Accumulated deficit	(417,586)	(938,927)
Other stockholders' equity	421,748	(5,082,477)
Total stockholders' equity	7,364,162	(661,339)
Total Liabilities and Stockholders' Equity	\$ 241,301,538	192,575,869

	BTS	
	December 31, 2009	December 31, 2008
Current assets	\$ 2,942,137	4,523,825
Fixed assets	256,002	231,147
Intangible assets	4,044	5,431
Other assets, net	518,497	499,848
Net brokering accounts—debit	22,487	2,560
Total assets	\$ 3,743,167	5,262,811
Current liabilities	\$ 303,051	2,054,173
Other liabilities	210,654	186,085
Total liabilities	513,705	2,240,258
Common stock	3,000,000	3,000,000
Non-appropriated surplus	93,667	(67,092)
Unrealized incremental value from revaluation	89,070	89,070
Unrealized gain on financial instrument	46,725	575
Total stockholders' equity	3,229,462	3,022,553
Total Liabilities and Stockholders' Equity	\$ 3,743,167	5,262,811

2. Condensed income statements

	BOT	
	2009	2008
Net interest income	\$ 16,803,150	24,548,326
Non-interest income, net	13,284,694	3,166,464
Net revenue	30,087,844	27,714,790
Credit provisions	4,434,016	1,545,337
Operating expenses	17,055,490	17,666,944
Income before tax	8,598,642	8,502,509
Income after tax	8,117,131	8,357,089
EPS - before tax (dollars)	1.91	1.89
EPS - after tax (dollars)	1.80	1.86

	BTLI	
	2009	2008
Operating revenues	\$ 61,024,742	67,368,040
Operating costs	60,802,980	67,626,265
Gross Profit	221,762	(258,225)
Operating expenses	441,855	394,391
Operating losses	(220,093)	(652,616)
Non-operating revenue	827,167	1,073,568
Non-operating expenses	604,281	1,827,345
Gain (loss) before tax	2,793	(1,406,393)
Gain (loss) after tax	521,341	(938,927)
EPS - before tax (dollars)	-	(2.81)
EPS - after tax (dollars)	0.87	(1.88)

	BTS	
	2009	2008
Operating revenue	\$ 634,561	378,547
Operating expenses	446,604	445,577
Income before tax	187,957	(67,030)
Income after tax	160,759	(67,092)
EPS - before tax (dollars)	0.63	(0.22)
EPS - after tax (dollars)	0.54	(0.22)

(41) 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 \$300 million or 10% of the Consolidated Companies' capital: none.
2. Information on the acquisition of real estate for which the purchase amount exceeded \$300 million or 10% of the Consolidated Companies' capital: none.
3. Information on the disposal of real estate for which the sale amount exceeded \$300 million or 10% of the Consolidated Companies' 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 Consolidated Companies' 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 investments:

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

Name	Location	Main operations	Percentage of shares	Invested amount	Gain (loss) on investment	Consolidated Information				Remarks
						Number of shares	Proforma shares	Total		
								Number of shares	Percentage of shares	
Bank of Taiwan Co., Ltd.	No.120, Section 1, Chongching South Road, Taipei City	Operation of banks	100.00%	240,510,711	8,117,131	45,000,000,000	-	45,000,000,000	100.00%	Note 4
BankTaiwan Life Insurance Co. Ltd.	6th floor, No.69, Section 2, Dunhua South Road, Taipei City	Life insurance	100.00%	7,364,162	531,241	7,000,000,000	-	7,000,000,000	100.00%	Note 4
BankTaiwan Securities Co. Ltd.	No.58, Section 1, Chongching South Road, Taipei City	Securities	100.00%	3,229,462	160,759	3,000,000,000	-	3,000,000,000	100.00%	Note 4
Hua Nan Financial Holding Co. Ltd.	No. 38, Sec.1, Chongching S. Rd. Taipei City	Investment according to Financial Holding Company Act	29.36%	27,520,429	1,306,355	1,841,764,662	-	1,841,764,662	29.36%	-
Taiwan Life Insurance Co. Ltd.	No.17, Syuchang St., Taipei City	Life insurance	24.00%	2,766,877	1,222,077	153,445,472	-	153,445,472	24.00%	-
Kaohsiung Ammonium Sulfate Co., Ltd.	4F, No.53, Tonghua 4th Rd., Kaohsiung	Liquidating	91.86%	2,610,549	(29,925)	303,131,576	-	303,131,576	91.86%	-
Tang Eng Iron Works Co., Ltd.	No. 4, Yanhai 2nd Rd., Siaogang Distr., Kaohsiung City	Iron industry	21.38%	1,465,979	349,847	74,822,414	-	74,822,414	21.38%	-
Tai Yi Real-Estate Management Co., Ltd.	3F, No.56, Dunhua N. Rd., Taipei City	Real-estate appraisal	30.00%	9,588	11	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.

Note 4: The above transactions had been eliminated in preparing consolidated financial statements.

2. Lending to other parties: none.
3. Guarantees and endorsements for other parties: none.
4. Information regarding securities held as of December 31, 2009: none.

5. Information regarding securities for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Consolidated Companies' capital: none.
6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Consolidated Companies' capital: none.
7. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Consolidated Companies' capital:

Disposing Company	Property Title	Transaction Date	Original Date Acquired	Book value	Transaction Amount	Conditions of Payment	Disposal Gain/Loss	Transaction party	Relation-ship	Purpose of Disposal	Reference for Price	Other
The Bank	No 14, 16, 18, 20, Lane 12, Qing Tien St., Da An district, 106 Taipei city Building: No. 486, 486-1, Jin Hua St., Da An district, 106 Taipei City Land.	October 2009	July 1, 2007	104,658	638,880	Bidder prepays 10% of the floor price as deposit at the time of bidding; after bid-opening, the bidder makes the payment in full within 40 days after receiving the Notice of Payment.	534,222	Wen-Jen Chen, Mao-Yin Lin, Qie-Line Guo	None.	To reach the budget goal	referring to appraiser's appraisal and examined by the Bank's real estate committee; after notifying the audit division of the board of directors, the floor price is verified by the general manager and published for bidding.	None.

8. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: none.
9. Information on regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Consolidated Companies' capital: none.
10. Information regarding trading in derivative financial instruments: please see note 33.
11. Information regarding selling non-performing loans:

(a) Details of selling non-performing loans

Transaction date	Transaction party	Details of non-performing loan	Book value	Selling price	Disposal gain / loss	Other	Relationship
2009.07.09	A	Working capital loans, capital expenditure loans	1,000	26,068	16,068	None	None

- (b) Details of selling non-performing loans for which the amount exceeded \$1 billion: none.
12. The type of and related information on securitized instruments which were authorized to be engaged in according to the "Financial Asset Securitization Act" or the "Real Estate Securitization Act": none.
13. Other material transaction items which were significant to people who use the information in the financial statements: none.

3) Information on subsidiaries' investment in China: none.

(42) Segment Information: please refer to note 40.

4. Cash Flow Difficulties at TFH and its Affiliates: None.

VII. Financial Status and Business Results, and Risk Management

1. Financial Status

Unit: NT\$1,000

Item \ Year	2009	2008	Difference	
			Amount	%
Cash and Cash Equivalents	1,406,943	348,555	1,058,388	303.65
Receivables-Net	527,268	133	527,135	396,342.11
Long-Term Investment at Equity-Net	251,104,337	226,195,089	24,909,248	11.01
Fixed Assets-Net	7,757	5,274	2,483	47.08
Intangible Assets-Net	59	14	45	321.43
Other Assets-Net	3,078,567	3,593,413	(514,846)	(14.33)
Total Assets	256,124,931	230,142,478	25,982,453	11.29
Short-Term Borrowing	2,000,000	—	2,000,000	—
Payables	544,936	2,907	542,029	18,645.65
Accrued Pension Liabilities	41,396	122	41,274	33,831.15
Other Debt	3,955,198	3,973,930	(18,732)	(0.47)
Total Debt	6,541,530	3,976,959	2,564,571	64.49
Capital	90,000,000	90,000,000	0	0
Additional Paid-In Capital	111,494,739	111,495,264	(525)	0
Retained Earnings	12,450,821	7,321,499	5,129,322	70.06
Other Items of Shareholders' Equity	35,637,841	17,348,756	18,289,085	105.42
Total Shareholders' Equity	249,583,401	226,165,519	23,417,882	10.35

Notes on Major Items :

1. Increase in Cash and Cash Equivalents: TFH's cash dividend incomes were larger than cash dividend payout.
2. Increase in Receivables-Net and Payables: Mainly caused by joint declaration of taxes.
3. Increase in Fixed Assets mainly came from personnel increase and purchase of office stationary.
4. Increase in Intangible Assets came from buying computer software.
5. Increase in Short-Term Borrowing mainly came from short-term borrowing of NT\$2 billion.
6. Increase in Accrued Pension Liabilities came from hiring more employees.
7. Increase in Retained Earnings came from higher after-taxes earnings than cash dividend payout.
8. Increase in Other Items of Shareholders' Equity came mainly from unrealized gain in financial products.

2. Business Results

Unit: NT\$1,000

Item \ Year	2009	2008	Difference	
			Amount	%
Investment Income Recognized Under Equity Method	8,799,232	7,351,070	1,448,162	19.70
Other Income	4,086	3,612	474	13.12
Operating Expenses	99,960	36,394	63,566	174.66
Other Expenses & Losses	7,962	75	7,887	10,516.00
Earnings Before Taxes	8,695,396	7,318,213	1,377,183	18.82
Earnings After Taxes	8,719,449	7,321,499	1,397,950	19.09

Note : 1. Increase in Operating Expenses came from personnel increase.

2. Increase in Other Expenses & Losses came mainly from interest of additional NT\$2 billion short-term borrowing.

3. Cash Flows

(1) Analysis of Cash Flow Changes in 2009

Item \ Year	2009	2008	Change
Cash Flow Ratio	748.24%	135702.48%	(99.45%)
Cash Flow Adequacy Ratio	121.31%	109.69%	10.59%
Cash Flow Reinvestment Ratio	203%	62746%	(99.68%)

Note:

1. Cash Flow Ratio is lower because of the increase of taxes payable in 2009.

2. Cash Flow Reinvestment Ratio is lower because of NT\$2 billion investment to BTLI.

(2) Cash Liquidity in the Coming Year

Unit: NT\$1,000

Beginning Cash Balance	Net cash flow from Operating Activities for Entire Year	Net Cash Outflows for Entire Year	Cash Surplus (or Deficit)	Measures to Make Up for Cash Deficit	
				Investment Plan	Financing Plan
1,406,943	5,658,120	5,502,663	1,562,400	None	None

Note: Analysis of cash flow changes in current year

1. Operating Activities: Mainly from net cash inflows generated by investment income.

2. Investment Activities: Mainly from long-term investment increase.

3. Financing Activities: Mainly from long-term debt increase and payout of cash dividends.

4. Impact of Material Capital Expenditures in 2009

(1) Material Capital Expenditures, and Source of Capital

TFH has obtained financing from BOT and used it to increase its investment in subsidiary BTLI by NT\$2 billion.

(2) Expected Benefits

This improved the financial structure of BTLI and its operating results.

5. Policy on Investment Subsidiaries, Main Reasons for Subsidiary Profits in 2009, Corrective Action Plans, and Investment Plans for the Coming Year

(1) Equity Investment Policy in 2009

1. Focus on endogenous growth to increase the operating scope and scale of subsidiaries BTLI and BTS. M&A would be considered if suitable target shows up for gathering momentum in operation and management of the whole group.
2. In addition to endogenous growth, merge and acquisition externally will be the focus of mid-term and long-term policy. TFH will search suitable M&A targets aggressively for gaining economies of scale and scope as BTLI and BTS reach appropriate sizes. The group will then grow with dual- or multi-core engines in such stage.

(2) Main Reasons for Subsidiary Profits and Corrective Action Plans

Excellent performance is shown due to rebound of domestic and foreign economic situations, earnings improvement plans of each subsidiaries and synergies tapping into group resources integration, operation efficiency, and cross-selling through a plethora of channels with enormous customer base.

(3) Investment Plans for 2010

Abide by the development plan of the whole group in 2010 to search for suitable investment targets through M&A or strategic alliance for strengthening the operations and competitive edges of the group.

6. Risk Management

(1) Risk Management Structure and Policy

(A) Risk Management Structure

TFH's risk management organizational structure includes the Board of Directors, the Risk Management Committee, the Department of Risk Management, and the subsidiaries. The responsibilities of each are as follows:

- a. The Board of Directors is TFH's highest risk management unit, and bears ultimate responsibility for the overall level of risk borne by the group.
- b. The Risk Management Committee reports to the Board of Directors, implements the risk management decisions adopted by the Board, and acts as a liaison between group members on risk management matters.
- c. The Department of Risk Management is an independent risk management unit. It is in overall charge of all risk management matters, monitors the implementation of risk management decisions and directives adopted by the Board of Directors and the Risk Management Committee, and reports to them on the findings of its monitoring operations.
- d. Each group subsidiary identifies, assesses, and controls the risks associated with its business operations and any new lines of business or new types of products, and adopts risk management bylaws, which it implements and reviews in order to meet the requirements of the Risk Management Department.
- e. The Risk Management Department at TFH and each of its subsidiaries reports regularly to the Board of Directors on the status of risk management in the areas it is responsible for, so that we can be aware of whether our risks are within acceptable bounds.

(B) Risk Management Policy

To strictly implement legal compliance and spur sound business practices throughout the group, TFH and its subsidiaries are paying close attention to the full range of risks, both on and off the balance sheet, including credit risk, market risk, operational risk, interest rate risk in the banking book, liquidity risk, country risk, and legal risk. In addition to complying with the requirements of the competent authority, each company in the group has also adopted risk management bylaws and procedures appropriate for the nature and size of its business.

(2) Risk Exposure

i. BOT

(A) Credit Risk

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

Unit : NT\$ 1,000

Risk Type Time	Exposure Following Risk Mitigation		Credit Risk-Based Assets		Accrued Capital	
	2009.12.31.	2010.3.31.	2009.12.31.	2010.3.31.	2009.12.31.	2010.3.31.
Sovereign Nations	1,517,846,411	1,603,384,459	107,106	177,283	8,568	14,183
Non-Central Government Public Sector	628,702,805	600,022,052	194,459,573	180,555,040	15,556,767	14,444,402

Financial Status and Business Results, and Risk Management

Risk Type Time	Exposure Following Risk Mitigation		Credit Risk-Based Assets		Accrued Capital	
	2009.12.31.	2010.3.31.	2009.12.31.	2010.3.31.	2009.12.31.	2010.3.31.
Banks	170,205,523	186,477,657	79,295,543	78,572,158	6,343,643	6,285,773
Enterprises	676,744,931	666,340,107	633,463,839	621,657,396	50,677,107	49,732,592
Retail Debt	284,422,361	277,999,348	154,619,869	151,110,286	12,369,590	12,088,823
Residential Real Estate	434,510,386	436,012,924	197,461,690	198,564,664	15,796,935	15,885,173
Equity Investment	13,491,619	13,479,806	65,940,618	52,441,219	5,275,249	4,195,298
Other Assets	127,400,162	120,783,776	100,317,378	97,011,038	8,025,390	7,760,883
Total	3,853,324,198	3,904,500,129	1,425,665,616	1,380,089,084	114,053,249	110,407,127

b. Exposure on Asset-Securitization and Capital Accrued

Unit : NT\$ 1,000

Risk Type Time	Non-Originating Bank			
	Exposure Amount		Accrued Capital	
	2009.12.31.	2010.3.31.	2009.12.31.	2010.3.31.
Equity-MBS	5,075,535	4,627,143	81,209	74,034
Equity-REIT	43,904	43,888	2,150	2,150
CDO	155,295	189,232	2,485	2,460
Liquidity Facilities	2,000,000	2,000,000	160,000	160,000
Total	7,274,734	6,860,263	245,844	238,644

(B) Liquidity Risk

a. NTD-Denominated Maturity Date Structure as of Dec 31, 2009

Unit : NT\$ 1,000

	Total	Time to Expiration				
		0~30 days	31~90 days	91~180 days	181 days~1yr	Above 1 yr
Major inflows of Matured Funds	3,708,126,774	740,472,473	486,333,797	282,170,650	273,016,215	1,926,133,639
Major Outflows of Matured Funds	4,283,223,732	503,243,869	494,657,653	493,963,038	1,112,494,845	1,678,864,327
Period Gap	(575,096,958)	237,228,604	(8,323,856)	(211,792,388)	(839,478,630)	247,269,312

Note: The table included only NTD amounts held in head office and the domestic branches, excluding foreign currencies.

Financial Status and Business Results, and Risk Management

b. USD-Denominated Maturity Date Structure as of Dec 31, 2009

Unit : USD1,000

	Total	Time to Expiration				
		1~30days	31~90 days	91~180days	181days~1yr	Above 1 yr
Assets	16,390,375	6,302,312	4,369,693	2,653,455	1,962,368	1,120,547
Liability	16,351,558	10,122,855	2,506,197	1,776,354	1,553,742	392,410
Gap	38,817	(3,820,543)	1,863,496	859,101	408,626	728,137
Accumulated Gap	38,817	(3,820,543)	(1,957,047)	(1,097,946)	(689,320)	38,817

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

(C) Market Risk

Unit : NT\$ 1,000

Risk Type	Accrued Capital	
	2009.12.31	2010.3.31
Interest Risk	1,612,119	2,605,308
Equity Risk	1,050,494	866,275
Foreign Exchange Risk	230,406	252,198
Commodity Risk	-	-
Total	2,893,019	3,723,781

(D) Operation Risk

Unit : NT\$ 1,000

Year	Profit	Capital Requirement
2007	25,743,144	—
2008	25,862,675	
2009	25,024,985	
Total	76,630,804	3,831,540

ii. BTLI

Risk Type	2010.3.31.	2009.12.31.	2010.3.31.	2009.12.31.
	RBC (Unit: NT\$ 1,000)		Ratio to RBC Before Adjustment	
Asset Risk	4,949,172	4,399,740	52.26%	50.62%
Insurance Risk	642,016	767,208	6.78%	8.83%
Interest Risk	3,093,719	2,788,193	32.67%	32.08%
Other Risk	784,795	736,957	8.29%	8.48%
RBC Before Adjustment	9,469,702	8,692,098	100.00%	100.00%
RBC	3,195,926	2,844,643	-	-

iii. BTS

Unit: NT\$ 1,000, %

	2009.12.31	2010.3.31
1. Capital Adequacy Ratio	676%	697%
2. Net Eligible Equity Capital	2,858,412	2,799,323
2.1 Tier I Capital	2,858,412	2,799,323
2.2 Tier II Capital	0	0
2.3 Eligible and Used Tier 3 Capital	0	0
3. Operation Risk in Dollar Amount	423,077	401,355
3.1 Credit Risk Amount	229,076	217,125
3.2 Operation Risk Amount	57,602	56,026
3.3 Market Risk Amount	136,333	128,203

(3) Concentration Risks and Response Measures

To avoid allowing our business to become overly concentrated, TFH's banking subsidiary has set limits on the percentage of loans and investments that can go to any particular type of customer or economic sector, or to affiliated enterprises. TFH has a detailed and comprehensive integrated risk control system to exercise rigorous monitoring and control over the degree of concentration of large risk exposures to any single party, single group of related parties, or single group of related enterprises.

(4) Impact from Material Share Transferring of Directors, Supervisors, or Shareholders with more than 1% Stake in TFH.

None (TFH is a state-run enterprise wholly owned by the government, with its shares owned by MOF. All our directors and supervisors are the Ministry's juristic-person representatives.)

(5) Impact from Change of Ownership

None (TFH is a state-run enterprise wholly owned by the government, with its shares owned by MOF.)

(6) Litigious or Non-Litigious Matters

None

7. Crisis Management Mechanism

TFH has adopted response plans to deal with a variety of different types of crises and emergencies, and has established an Emergency Response Team with a spokesman. When an incident occurs, a groupwide notification and response system kicks in, and designated people take the lead in organizing and implementing a response.

8. Other Material Issue

None

VIII. Miscellaneous 162

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Focus

sharpened by strategic acumen.



VIII. Miscellaneous

1. TFH Affiliates

(1) Organizational charts for TFH affiliates: See page 17, *"Chart of Relations within the TFH Group"* under *"III. Corporate Governance Report"*.

(2) Basic Data on TFH Affiliates

Name	Date Founded	Address	Paid-in Capital	Main Businesses
BOT	20 May, 1946	No.120, Chongcing South Road, Section 1, Taipei	NT\$45 billion	Banking
BTLI	2 Jan, 2008	Fls. 1 & 3-8, No.69, Dunhua South Road, Section 2, Taipei	NT\$7 billion	Life Insurance
BTS	2 Jan, 2008	Fls. 4, 6-9, No.58, Chongcing South Road, Taipei	NT\$3 billion	Securities

(3) None of these three affiliates has a relationship of control and subordination as defined in *Article 369-3 of the Company Act*.

(4) Types of business conducted by TFH affiliates:

Banking, life insurance, and securities

(5) Information About Subsidiaries' Directors, Supervisors and Presidents as of Dec 31, 2009.

Subsidiary	Title	Name	Share		Judiciary Person Represented
			Share Number	%	
BOT	Chairperson Managing Director& Acting President Managing Director Independent Managing Director Managing Director Director Director Director Director Labor Director Labor Director Labor Director Director Independent Director Independent Director	Susan S. Chang Fu-Chi Tsai Cheng-Chen Yang Yi-Hsiung Hsu Sheng-Ford Chang Jiin-Tarng Yue Hsiu-Hua Rau Chih-Hung Chang Kuang-Huei Lee Chang-Sheng Lin Hsi-Chuan Chen Chun-Hsiung Chen Ming-Shyang Yang Chung-Hua Shen Tien-Wei Lou	4.5 Billion Shares	100%	TFH
BTLI	Chairperson Director and President Director Director Director Director Labor Director Independent Director Supervisor Supervisor	Kuo-Ching Chang Fu-Teng Hsieh Chi-Sheng Tsai Jui-Mu Huang Fan Kang Lung-Cheng Pan Pai-An Lo Mao-Hsiung Lin Shu-Rong Liu Chih-Tung Hsieh	700 Million Shares	100%	TFH
BTS	Chairperson Director and President Director Director Supervisor Supervisor	Fu-Chun Chu Chang-Ming Chen Ruey-Ji Lee Monica Chiou Kung-Hsiang Wang Mu-Ying Wu Chun-Lan Yen	300 Million Shares	100%	TFH

(6) Operations of Subsidiaries in Year 2009

Unit: NT\$1,000

Subsidiary	Capital	Asset	Liability	Equity	Profit (before taxes)	Profit (after taxes)	EPS (NT\$)
BOT	45,000,000	3,891,051,652	3,650,540,941	240,510,711	8,598,338	8,117,131	1.80
BTLI	7,000,000	241,381,538	234,017,376	7,364,162	(220,093)	521,341	0.87
BTS	3,000,000	3,743,167	513,705	3,229,462	161,897	160,759	0.54

2. TFH has not conducted any private placement of securities in 2009 or in the current year as of the date of printing of this annual report.

3. None subsidiary held or disposed of TFH stock in 2009 or in the current year as of the date of printing of this annual report.

4. Event Which Has a Material Impact on Shareholders' Equity or Securities Prices Under *Article 36, Paragraph 2, Item 2 of the Securities Exchange Act* :

Mr. Fu-Chi Tsai, previous executive vice president of BOT, became president of TFH from July 23rd, 2009. Mr. Tze-Cheng Lo, previous acting president of TFH was relieved of duties at the same day.

5. Domestic and Overseas Branches of BOT:

Please refer to www.bot.com.tw/English

6. Domestic Branches of BTLI:

Please refer to www.twfhclife.com.tw

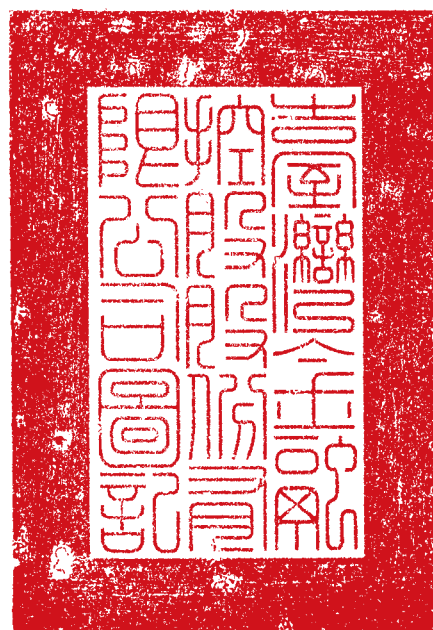
7. Domestic Branches of BTS:

Please refer to www.twfhcsec.com.tw

**Taiwan Financial Holding
Co., Ltd.**

Chairperson

Susan Chang





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