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Taiwan Financial Holdings

2010

2010 ANNUAL REPORT

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臺灣金控
Taiwan Financial Holdings

2010 ANNUAL REPORT

INTEGRATE GROUP RESOURCES
REAP THE BENEFITS OF SYNERGY

TAIWAN

Date of Publication: June 2011

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Start With the Heart

Taiwan is our home

Its business is our business

At Taiwan Financial Holdings

We take things to heart

Because we care

I. Message to Shareholders

Chairperson Susan S Chang

2010 was a key year in the global economic recovery. After getting battered by the financial tsunami, the emerging economies of Asia drove a powerful rebound and acted as the engine of global economic growth, while the main developed nations experienced only sluggish growth due to a weak jobs recovery and anemic consumption and investment. Regionally uneven development and volatility in international commodities prices add a strong note of uncertainty to prospects for continued economic recovery. The government here in Taiwan has been pursuing a policy of sustainable and balanced economic development that has enabled our country to outpace other Asian economies in achieving economic restructuring, which has spurred private investment. Manufacturing has regained its former strength and consumer confidence is climbing. With the implementation of the ECFA and its Early Harvest list, exports and investment serving as dual engines of economic growth, Taiwan's economy grew at a rate of 10.88% in 2010, the fastest since 1987.

Support from the financial system is critical to recovery in the real economy. As Taiwan's only state-run financial holding company, Taiwan Financial Holding Co., Ltd. is duty-bound to coordinate with the

government's fiscal and economic policies by stabilizing the financial markets, helping industries to upgrade, and building up the nation's economic strength. We are called upon to take advantage of our enormous resources, vast customer base, highly developed business channels, and strength in universal banking to build up our business management capability and tap into the synergies generated through cross-selling, improved capital efficiency, and cost savings, thereby maximizing corporate value. Thanks to the tireless efforts of the management team and all employees, the Taiwan Financial Holdings Group in 2010 was able to post after-tax earnings of NT$7.424 billion, and if we add to this the burden we take on in support of government policy, our after-tax earnings actually come to NT$16.1 billion, the second highest among Taiwan's 15 financial holding companies. Each subsidiary achieved outstanding sales and earnings, and won multiple awards and recognition. The Bank of Taiwan, for instance, has been named a Gold Winner of the Reader's Digest Trusted Brands award for banks for the past four years running. And the excellent quality of the long-term life insurance products sold by BankTaiwan Life Insurance has enabled the company to achieve the best 13- and 25-month persistency rates in the industry. Meanwhile, the business performance of BankTaiwan Securities has skyrocketed now that the group's cross-selling arrangements are yielding results. These successes demonstrate the tremendous power and growth potential of a state-run financial holding company. In this report we will set out the 2010 operating results of Taiwan Financial Holding Co., Ltd. and each of its subsidiaries, their 2011 business plans, and their development strategies for the future.

1. 2010 Operating Results

(1) Economic and Financial Conditions at Home and Abroad

On the international front, economic stimulus packages and easy money policies adopted by governments around the world have gotten the global economy through the financial tsunami and begun a gradual worldwide economic recovery. The pace of growth slowed in the latter half of the year but, thanks to strong demand from the emerging economies of Asia, Global Insight still reported global economic growth of 4.1% for the year and forecasts growth of 3.7% in 2011.

On the domestic front, goods exports rose each quarter, cross-strait economic ties continued to grow stronger, and private demand was strong. These factors brought a marked improvement across the entire range of domestic economic indicators. Exports, export orders, and industrial production all broke above their pre-financial tsunami levels, while unemployment was on a clear downward path and consumer confidence rose. Economic growth for 2010 exceeded 10%. Meanwhile, the International Monetary Fund (IMF) forecasts continued stable economic growth in Taiwan for the next five years (2011-2015), and expects Taiwan to be the strongest performer among the four Asian Tigers from 2012 through 2015.

President Shou-Tzuoo Huang

(2) Business Plan and Strategy

i. Taiwan Financial Holding Co., Ltd.

(A) Mapped out a groupwide development strategy; acted upon the roadmap target of "integrating group resources while tapping into group synergies" as well at our position as Taiwan's state financial holding company; adopted groupwide business strategies and developmental blueprint to serve as action plans; reaped the benefits of group synergy.

(B) Accelerated moves to establish a presence in the Asia Pacific region; expanded overseas business locations and lines of business; took advantage of opening of cross-strait financial industry ties by adopting a mainland China market development plan; made use of the group's strengths in corporate finance, wealth management, and internet banking to expedite strategic position of the group in the mainland market.

(C) Tapped into cross-selling synergies; integrated groupwide products, channels, and customer resources; enhanced the cross-selling platform in terms of both quality and quantity; incorporated product design concepts into our cross-industry strategic tie-ups; created "one-stop shopping" convenience for customers; integrated the group's marketing performance review systems; adopted rolling target management and reviews; worked with subsidiaries to encourage them to get actively involved in cross-selling and tap into group synergies.

(D) Increased the benefits of resource integration; improved the operation of the group's shared logistics platform; established vertical and lateral linkages within the group, thereby exercising unified management of systems, policy making, planning, and execution under the central command of the financial holding company. These measures were intended to tap into the synergistic benefits of reduced costs, improved efficiency, and professional division of labor.

ii. Bank of Taiwan

BOT held deposits of NT$3.27 trillion, had outstanding loans of NT$2.04 trillion, and its foreign exchange business amounted to US$268 billion. The non-performing loan (NPL) ratio stood at 0.62%, the NPL coverage ratio was 88.75%, and the BIS ratio was 11.87%.

iii. BankTaiwan Life Insurance Co., Ltd.

At BTLI, first-year premium income came to NT$36.4 billion, continued premium income was NT$19.7 billion, gross premium income was NT$56.1 billion, the NPL ratio was 0.36%, 13-month, 25-month persistency ratio was 99.33%, 99.08% respectively and the RBC ratio stood at 292.03%.

iv. BankTaiwan Securities Co., Ltd.

At BTS, securities brokerage volumes came to NT$781.4 billion, average outstanding margin loans stood at NT$2 billion, proprietary tradings amounted to NT$2.11 billion and the BIS ratio was 651%.

(3) Budget

i. Budgeted and Actual Figures for 2010 (Taiwan Financial Holdings):

Unit: NT$1,000

Item	Actual	Budgeted	Budget Achievement Rate (%)
Net Revenues	87,494,423	70,647,253	123.85
Expenses and Losses	79,611,425	63,363,888	125.64
EBT From Continuing Operations	7,882,998	7,283,365	108.23
Net Earnings	7,424,120	6,795,447	109.25
Earnings Per Share (NT$)	0.82	0.76	107.89

ii. Budgeted and Actual Figures for 2010 (Subsidiaries)

Unit: NT$1,000

Subsidiary	Net Earnings	Budgeted Net Earnings	Budget Achievement Rate (%)
Bank of Taiwan	7,084,925	6,841,730	103.55
BankTaiwan Life Insurance	326,069	120,529	270.53
BankTaiwan Securities	119,630	45,748	261.50

(4) Revenues/Expenditures and Profitability

Unit: NT$1,000；%

Company	EBT from Continuing Operations	Net Earnings After Tax	Earnings Per Share After Tax (NT$)	Net Earnings Rate	ROA	ROE
Taiwan Financial Holdings and Subsidiaries, Consolidated	7,882,998	7,424,120	0.82	8.49	0.18	2.91
Taiwan Financial Holding Co., Ltd	7,374,801	7,424,120	0.82	98.91	2.81	2.91
Bank of Taiwan	7,826,763	7,084,925	1.01	27.76	0.18	2.88
BankTaiwan Life Insurance	62,922	326,069	0.36	0.69	0.12	3.59
BankTaiwan Securities	149,136	119,630	0.40	22.09	2.84	3.71

(5) Research and Development

Taiwan Financial Holding Co., Ltd. and its subsidiaries engaged in the following R&D activities in 2010:

i. Taiwan Financial Holding Co., Ltd.

(A) Prepared for IFRS conversion in 2013 by establishing a Groupwide IFRS Conversion Taskforce; adopted an IFRS conversion plan; revised the groupwide accounting system, internal controls, and related arrangements. These measures are intended to bring the group in line with international practices.

(B) Set up a groupwide corporate identity system; designed and produced standard advertising and promotional material samples for groupwide use, and applied to the Ministry of Economic Affairs for copyright protection. These measures are intended to make the group brand more identifiable and increase its market penetration.

(C) Set up a research team to study groupwide business management strategies and a development roadmap. This research team will evaluate the possible benefits of establishing a securities investment trust subsidiary, and to study a possible business plan for such a subsidiary. The task of developing a deployment strategy and business development plan for the mainland market is classified as part of the group's Greater China Market Development Blueprint. Taiwan Financial Holdings is now strengthening its research capacity and accelerating the expansion of groupwide economies of scale and scope.

ii. Bank of Taiwan

(A) The bank continued working to improve its capacity for dynamic analysis of domestic and international economic and financial conditions, as well as major economic sectors. It also issued business and financial publications, as well as various periodical and non-periodical reports, to serve as reference for the bank's other units in their efforts to grow their business and provide guidance to customers.

(B) Worked together with Chinatrust Commercial Bank and the ROC Bankers Association in jointly holding the 27th Asian Bankers Association Annual Meeting and Seminar. This event enabled Taiwan Financial Holdings to broaden international perspectives on the ABA platform.

iii. BankTaiwan Life Insurance Co., Ltd.

(A) Responded to aging demographics and a declining birth rate in Taiwan by proposing a feasible method for selling commercial annuity insurance. This proposal provides valuable reference to the government in its efforts to build a fully developed social safety net, and won the company an award from the Ministry of Finance for outstanding independent research.

(B) Responded to legislative, market, and channel requirements by continually developing innovative new products. The company launched eight new insurance products in 2010, thereby becoming more competitive in the market.

iv. BankTaiwan Securities Co., Ltd.

(A) Hired and trained securities and futures personnel, and sent employees to take part in pre-professional and on-the-job training programs.

(B) Built an independently operated securities information network architecture; strengthened information system functions; established a fast and stable trading environment for customers.

2. 2011 Business Plan

(1) Business Strategies

i. Understand financial market trends; innovate and integrate marketing platforms and modes of service; build up our cross-selling product lineup. These measures are intended to satisfy the increasingly diverse needs of customers and reap the benefits of synergy.

ii. Work to integrate information operations; improve customer relations management; provide differentiated and tailor-made services; raise our product penetration rate; work to maximize customer value.

iii. Appropriately allocate group resources; acquire (in accordance with the group's development strategy) subsidiaries with niche strengths; reap maximum returns on capital allocations.

iv. Take advantage of closer cross-strait financial ties by devising a business model covering Taiwan, mainland China, and Hong Kong; work together with core enterprises on joint business development activities; provide Taiwanese firms doing business in mainland China with integrated money flow services; create greater potential for increased groupwide operating revenues and profits.

v. Fulfill corporate social responsibility; flesh out corporate governance legal environment and operating mechanisms; promote integrated public marketing activities; act upon the core values of a leading brand; fulfill our social responsibilities as a corporate citizen.

(2) Business Targets

Taiwan Financial Holdings and its subsidiaries have adopted the following 2011 business targets based on actual business results in previous years, current business conditions, and future development trends:

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

Subsidiary	Line of Business	Target for 2011
Bank of Taiwan	Lending	1,860,785,494
	Deposit Taking	2,498,000,000
	Foreign Exchange	106,700,000
BankTaiwan Life Insurance	Premium Income	41,372,117
BankTaiwan Securities	Brokerage	550,000,000
	Underwriting	900,000
	proprietary tradings	1,950,000

(3) Important Business Policies

i. Flesh out cross-selling systems, improve business synergies

Make use of groupwide resource sharing and business cooperation mechanisms; take advantage of target management and performance evaluations; spur healthy competition and cooperation among subsidiaries; reap the benefits of strategic partnerships; drive continued growth in the group's core businesses.

ii. Effectively integrate resources, tap into synergies

Adopt information management technologies; flesh out the group's shared operating procedures; employ centralized management and division of labor; integrate the group's logistics resources; achieve synergies from enhanced efficiency and cost savings.

iii. Appropriately allocate capital, expand scope of business

Seize financial sector development opportunities afforded by the signing of the ECFA; suggest FSC to ease related statutory and regulatory restrictions; adopt efficient, corporate-style management; acquire subsidiaries running businesses that are highly complementary to the existing businesses of the Taiwan Financial Holdings Group; expand the group's scope of business; achieve economies of scale and scope.

iv. Improve risk management, consolidate the bases of our business

Strengthen the group's integrated risk management mechanisms; supervise subsidiaries to implement risk management; take steps to ensure sound management of the group; gain an advance understanding of the likely impact of IFRS and Basel III upon the group; ensure capital adequacy; establish firm foundation with the group's long-term prospects in mind.

v. Develop mainland market, strengthen Asia Pacific presence

Take advantage of closer cross-strait financial industry ties by establishing a bank branch in Shanghai and a life insurance representative office in Beijing, and by having our securities subsidiary move into the mainland market with the assistance of our banking and life insurance

subsidiaries; set up an early-stage business network; provide Taiwanese firms doing business in the mainland with integrated money flow services; create greater potential for increased groupwide operating revenues and profits.

vi. Fulfill social responsibility, enhance corporate value

Coordinate with government policy objectives; promote integrated public affair marketing activities; use community service activities to make clear our business philosophy to the general public; act upon the core values of a leading brand; create win-win-win situation for employees, customers, and shareholder.

3. Development Strategies

(1) Improve joint business development mechanisms, develop multiple profit engines

(2) Improve operation of shared platforms, integrate capital, achieve cost savings

(3) Carry out plan to expand business scope, increase scale and scope of business

(4) Adopt efficient management practices, build core competencies

(5) Integrate risk management mechanisms, ensure sustainable development

(6) Formulate cross-strait market strategy, take advantage of opportunities to expand business base

(7) Reap greater benefits from corporate governance, establish Taiwan Financial Holding Co., Ltd. as a model corporation

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

(1) The rapid rebound seen in the global economy has now moderated, the specter of European sovereign debt crises remains unresolved, the US policy of quantitative easing has sent hot money surging through global markets, oil prices are spiking due to the spread of tensions in North Africa and the Middle East, and inflation in emerging economies has gotten worse. All these factors are causing unsteady economic growth.

(2) Since the financial tsunami, emerging countries have gradually established themselves as the drivers of global economic growth. In the meantime, cross-strait economic and trade ties are growing stronger, while exports and domestic demand are both acting as engines of economic growth in Taiwan. Economic prospects thus appear quite good, and this can be expected to generate demand for financing, so there should be room for expansion in the financial services industry.

(3) Since the signing of the ECFA, mainland China markets have become a strategic focus in the financial services industry. In follow-up talks under the ECFA, the government intends to obtain commitments from the mainland to give Taiwanese firms special treatment. Domestic financial institutions are therefore sure to accelerate M&A activities in order to increase their scale of business and build up strength for a move into mainland China. It thus appears that "the big will keep getting bigger" in our financial sector.

(4) The arrival of the ECFA era will help domestic financial institutions grow their businesses and seize new business opportunities. However, mainland Chinese banks will also be able compete in the already saturated Taiwan market, so the ECFA presents our financial institutions with both opportunities and challenges. Optimism with caution are called for in equal measure.

(5) The ECFA and the Industrial Innovation Act are the dual mainsprings of the government' s plan to create a "Golden Decade" for the economy. At the same time, mainland China is pursuing its 12th Five-Year Plan, which will drive both investment and consumption and create more opportunities for financial institutions in Taiwan, Hong Kong, and the mainland to provide money flow services and expand their presence throughout Asia Pacific.

5. Credit Ratings

Subsidiary	Rating Agency	Assigned Rating		Outlook	Last Rating
		Long-term credit	Short-term credit		
Bank of Taiwan	S&P	A+	A-1	Stable	Oct. 2010
	Moody's	Aa3	P-1	Stable	Nov. 2010
	Taiwan Ratings	twAAA	twA-1+	Stable	Oct. 2010
BankTaiwan Securities	Fitch	AA+(twn)	F1+(twn)	Stable	Jun. 2010

We are celebrating the centennial of our republic this year, and we enter our nation's second century having been through an economic miracle that has laid a solid economic foundation for the country. It was the strength of this foundation that enabled Taiwan's economy to continue its pattern of stable growth after the recent financial tsunami ran its course. Our government is actively courting investments from around the world, and is now implementing its "homes for industries, industries for homes" initiative to spur private investment and generate job opportunities so that everyone in Taiwan can share in the fruits of our economic strength. Taiwan Financial Holding Co., Ltd. is working with industrial firms to help them upgrade, and taking steps to bring about industrial restructuring and achieve its goal of building a stronger economy. Looking ahead to the future, acceleration in the pace of cross-strait integration is an inevitable trend that will present both opportunities and challenges to Taiwan's financial institutions.

As financial institutions stride into a prosperous new century, Taiwan Financial Holding Co., Ltd. continues to plan for its future and seek opportunities for growth even as global markets remain volatile and unpredictable. We will work to consolidate our core competencies, and use the group's immense resources to support government policy and play a leading role in the financial markets. Operating in accordance with our development strategy—"establish a strong home base in Taiwan, bring the two sides of the Taiwan Strait together, establish a global presence"—we intend to obtain government support for an effort to expand either organically or through M&A activities, build up a comprehensive set of integrated risk management mechanisms, and enhance the group's synergies and competitiveness. If we can achieve these objectives, even more stellar business performance awaits ahead, amidst the "Golden Decade" to be ushered in under the ECFA.

Chairperson

Susan Chang

President

Huang Shou Tzuoo

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（BOT） 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 Securities（BTS） and BankTaiwan Life Insurance（BTLI）, 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" 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 Director, Supervisor and Major Shareholders: None

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

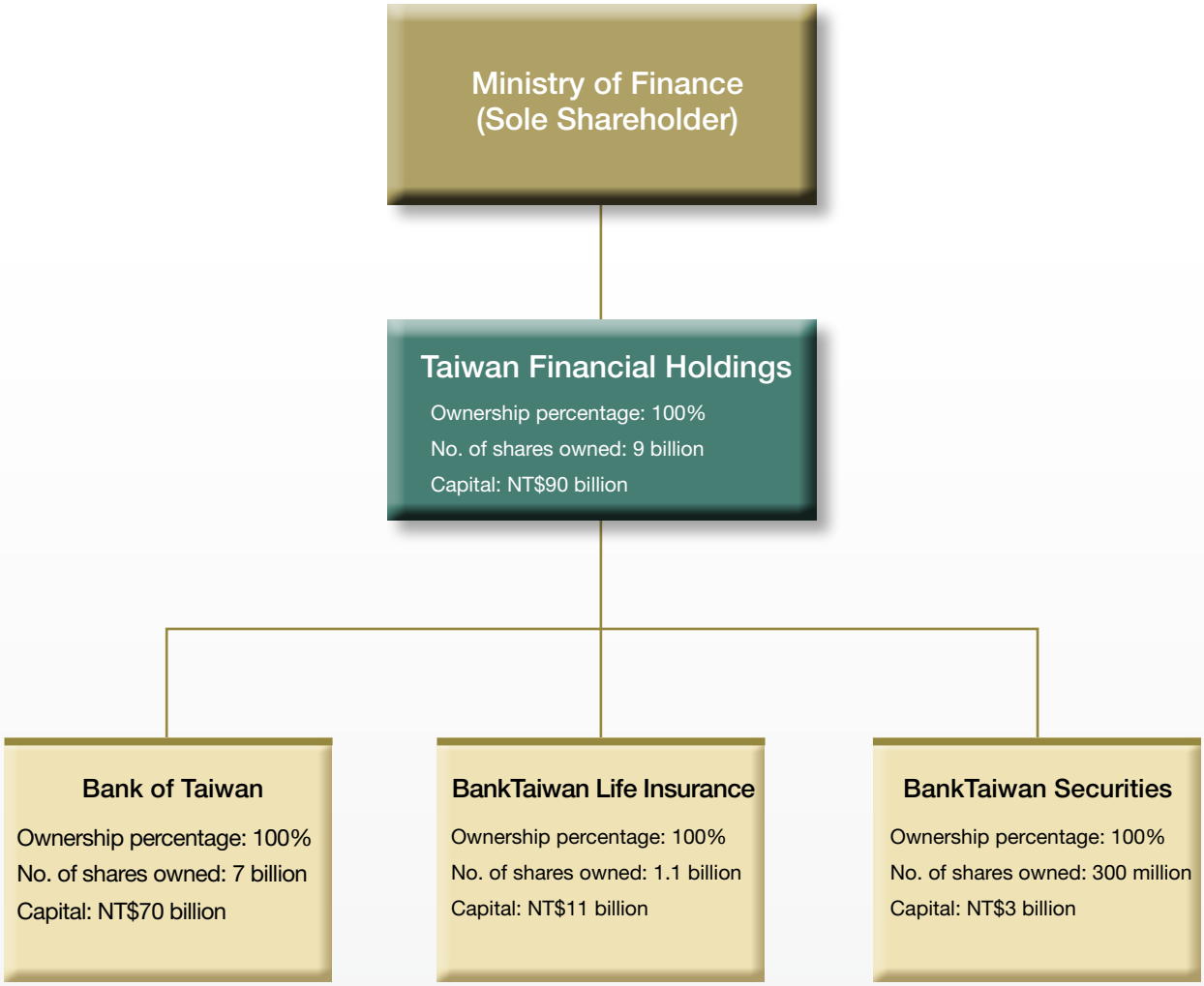
(4) Event Which Has a Material Impact on Shareholders' Equity:

Shou-Tzuoo Huang took over as President of Taiwan Financial Holdings. He replaces Fu-Chi Tsai who retired.

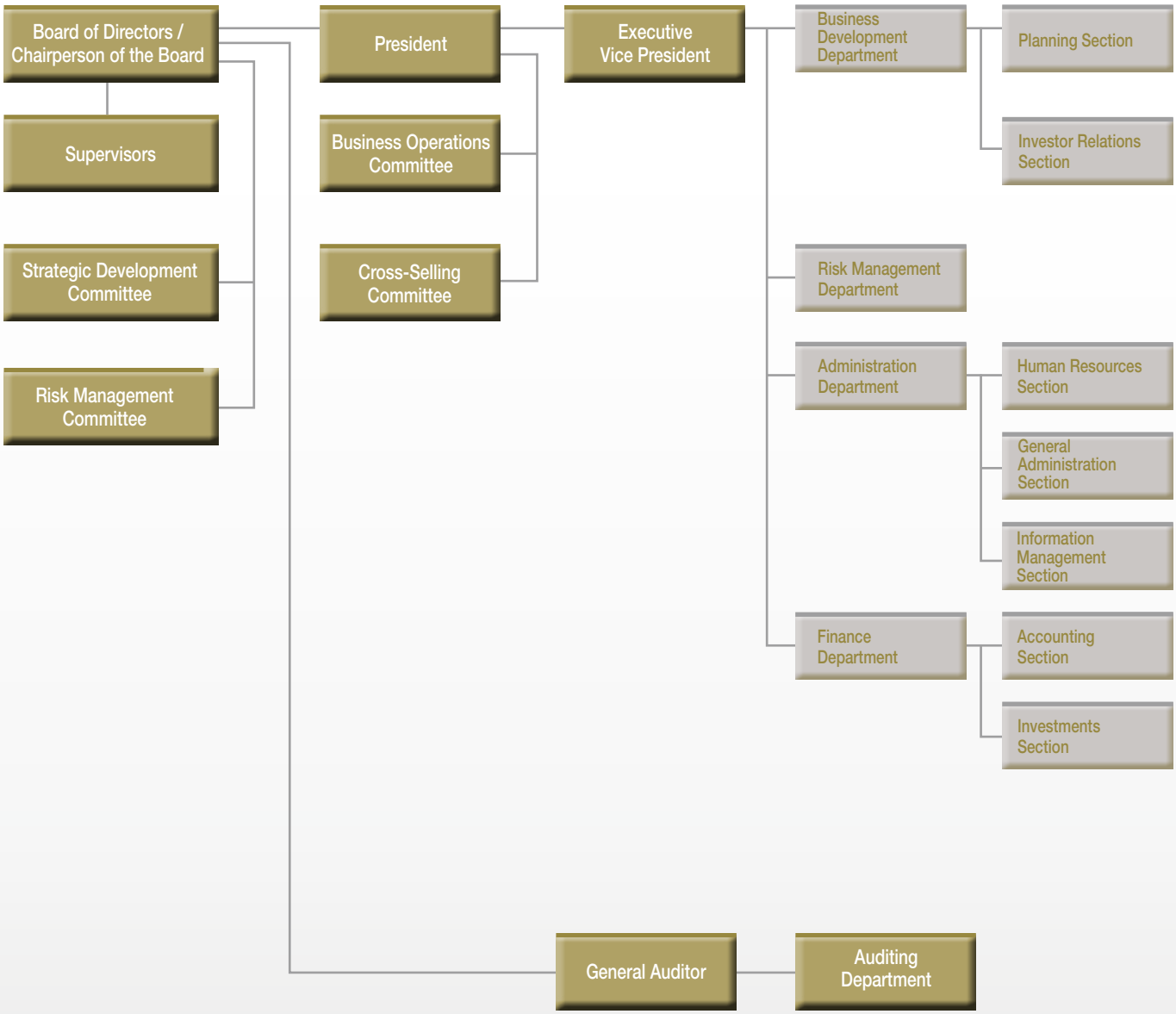
III. Corporate Governance Report

1. Organization

(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

Builds up the risk management systems, sets up key risk indicators,plans and manages capital adequacy,controls interested party transactions, and develops 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.

2. TFH Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors

As of 31st Mar 2011

Position	Name	Date of Employment	Term of Employment	Date of First Appointment	Shareholding at Time of Appointment	Present Shareholding	Shareholding by Spouse and Minor 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	Aug.31,2010	Aug.30,2013	Jul.14,2008					M. A. in Economics, National Taiwan University Vice Chairperson, FSC 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, CEPD	Chairperson, Taiwan Financial Holding Co., Ltd. Chairperson, BOT Chairperson, the Bankers Association of the Republic of China Vice Chairperson, Taiwan Financial Services Roundtable Co., Ltd. Advisor, Taiwan Securities Association Managing Director, General Chamber of Commerce of the R.O.C Director, Joint Credit Information Center Director, Taiwan External Trade Development Council (TAITRA) Director, Taiwan Academy of Banking and Finance.	-	-	-
Director	Shou-Tzuoo Huang	Aug.31,2010	Aug.30,2013	Aug.31,2010					PhD in Management Science, Tamkang University M. A. in Public Finance, National Chengchi University Resident Supervisor, Taiwan Cooperative Bank President, Fuhwa Financial Holding Company Chairman, Fuhwa Securities Corporation Vice President, President and Director, Fuhwa Securities Finance Corporation Director, Fuhwa Commercial Bank Acting President, Grand Cathay Securities Corporation Director, Securities Exchange Commission, MOF	President, Taiwan Financial Holding Company	-	-	-
Director	Ming-Daw Chang	Aug.31,2010	Aug.30,2013	Jan.08,2010					LL.M 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 Director, Taiwan Stock Exchange Corporation Director, Taiwan Small Business Integrated Assistance Center Chairperson, Bankers Association of Taiwan.	-	-	-
Director	Fortune Ju	Aug.31,2010	Aug.30,2013	Aug.20,2008		Shares 100% Owned by MOF			M.A. in Economics, National Taiwan University President、Chairman, Taiwan Depository & Clearing Corporation President, TWSE	Chairman, BTS Director, Securities & Futures Institute Managing Director, Taiwan Securities Association	-	-	-
Director	Kuo-Ching Chang	Aug.31,2010	Aug.30,2013	Feb.20,2009					Dept. of Shipping and Transportation Management, National Taiwan Ocean University Executive Vice President, BOT	Chairman, BTLI	-	-	-
Director	Fu-Teng Hsieh	Aug.31,2010	Aug.30,2013	Dec.20,2008					M. A. in Accounting, National Chengchi University Comptroller, MOF Vice Comptroller、Comptroller,MOEA	President and Director,BTLI Director, The Life Insurance Association of the Republic of China	-	-	-
Director	Chang-Ming Chen	Aug.31,2010	Aug.30,2013	Dec.20,2008					M. A. in Accounting,Mississippi State University, U.S.A Excutive Vice President, EnTie Commercial Bank	President and Director, BTS	-	-	-
Director	Liang Chen	Aug.31,2010	Aug.30,2013	Aug.18,2009					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.	Chairman, Peak Capital Holdings Inc.	-	-	-
Director	Su-Chen Hsieh	Aug.31,2010	Aug.30,2013	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, MOTC Auditor, Securities and Futures Commission, MOF	Director, Second Division of National Treasury Agency, MOF	-	-	-
Director	Chung-Ying Hu	Aug.31,2010	Aug.30,2013	Sep.23,2009					Ph.D. in Geophysics, National Central University Counselor, CEPD Director, Economic Research Department, CEPD Director, Sectoral Planning Department, CEPD	Vice Chairman, CEPD, Executive Yuan Director, Hantech Venture Capital Corporation	-	-	-

Position	Name	Date of Employment	Term of Employment	Date of First Appointment	Shareholding at Time of Appointment	Present Shareholding	Shareholding by Spouse and Minor 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	Jui-Yun Wu	Aug.31,2010	Aug.30,2013	Dec.24,2009	Shares 100% Owned by MOF				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	-	-	-
Director	Chun-Jung Su	Mar.01,2011	Aug.30,2013	Mar.01,2011					Master in Computer Science,Boston University, U.S.A Deputy Director-General, Financial Data Center, MOF Deputy Director-General, Dept of Information Management, RDEC	Director-General,Financial Data Center, MOF	-	-	-
Independent Director	Chung-Hua Shen	Aug.31,2010	Aug.30,2013	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	Aug.31,2010	Aug.30,2013	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	Aug.31,2010	Aug.30,2013	Mar.05,2010					Ph. D. in Accounting, New York University, U.S.A Chairperson and Director-General,Dept. of Accounting, National Taiwan University Chair Professor, Dept. of Accounting, Tunghai University Director,Accounting Research and Develop Foundation Independent Supervisor, ShareHope Medicine Co., Ltd	Chief,College of Management, National Taiwan University Professor, Dept. of Accounting,National Taiwan University Managing Director, Taiwan Accounting Education Association Director, PwC Education Foundation Member of Listing Reviewing Committee, Taiwan Stock Exchange Corporation Member of Listing Reviewing Committee, GreTai Securities Market	-	-	-
Supervisor	Yeong-Chiwan Hwang	Aug.31,2010	Aug.30,2013	Sep.23,2009					Master's Degree,Dept. 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	Aug.31,2010	Aug.30,2013	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)	-	-	-
Supervisor	Chun An Sheu	Aug.31,2010	Aug.30,2013	Aug.23,2010					MBA, Regis University, USA Deputy Director-general, Taxation Agency, MOF Deputy Director-general, Taipei National Tax Administration, MOF Deputy Director-general, National Tax Administration of Northern Taiwan Province, MOF Senior Specialist, Director, Taxation Agency, MOF	Director-General, National Tax Administration of Southern Taiwan Province, MOF	-	-	-
Supervisor	Hwai-Chung Ho	Aug.31,2010	Aug.30,2013	Aug.31,2010					PhD in Mathematics, Wayne State University, USA Associate Research Fellow, Institute of Statistical Science, Academia Sinica Professor, Institute of Applied Mathematics, National Sun Yat-sen University	Research Fellow, Institute of Statistical Science, Academia Sinica Professor, Department of Finance, National Taiwan University	-	-	-
Supervisor	Hsin-Chang Lu	Mar.15,2011	Aug.30,2013	Mar.15,2011					Ph. D. in Economics, University of Chicago,U.S.A Director, China Development Financial Holdings Member of Communication Fare Committee, Ministry of Transportation and Communications Member of Energy Committee, Ministry of Economic Affairs	Associate Professor,Dept. of International Business, College of Management,National Taiwan University	-	-	-

i. Main Shareholders of Institutional Shareholders

As of 31st March 2011

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 2011

Conditions / Name	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	The Ministry of Finance (MOF) is the sole shareholder of TFH, and appoints all its directors and supervisors	0
Shou-Tzuoo Huang	v	v	v			v	v	v	v	v	v	v		0
Ming-Daw Chang			v			v	v	v	v	v	v	v		0
Fortune Ju			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	v		0
Jui-Yun Wu	v			v		v	v	v	v	v	v	v		0
Chun-Jung Su			v	v		v	v		v	v	v	v		0
Chung-Hua Shen	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		1(BOT)
Shu-Hsing Li	v			v	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
Chun An Sheu	v	v	v	v		v	v		v	v	v	v		0
Hwai-Chung Ho	v			v		v	v	v	v	v	v	v		0
Hsin-Chang Lu	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 two 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% of the voting shares.)
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of 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 five 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, Exective Vice President and Department Heads

As of 31st March, 2011

Position	Name	Date of Employ-ment	Shares Held	Shares Hold by Spouse and minor 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	Shou-Tzuoo Huang	Aug.31. 2010	Shares 100% Owned by MOF			PhD in Management Science, Tamkang University M. A. in Public Finance, National Chengchi University Resident Supervisor, Taiwan Cooperative Bank President, Fuhwa Financial Holding Company Chairman, Fuhwa Securities Corporation President and Director, Fuhwa Securities Finance Corporation Director, Fuhwa Commercial Bank Acting President, Grand Cathay Securities Corporation Director, Securities Exchange Commission, MOF		-	-	-
Executive Vice President	Sherry S.T. Chen	Apr.16. 2009				M. A. in Public Finance, National Chengchi University SVP & General Manager, Department of International Banking, BOT SVP & General Manager, Department of Treasury, BOT SVP & General Manager, Offshore Banking Branch, BOT		-	-	-
General Auditor	Cheng-Ho Chiang	Jul.16. 2009				Dept. of Accounting,Fu Jen Catholic University Director,Financial Examination Bureau,FSC Director,Bureau of Monetary Affairs, MOF		-	-	-
SVP & Acting Chief Secretary	Shu-Jen Chen	Aug.01. 2009				M. A. in Political Science,College of Social Sciences, National Taiwan University Senior Secretary, FSC Section Chief, National Treasury Agency, MOF Secretary, Bureau of Monetary Affairs, MOF	Senior Vice President,BOT	-	-	-
SVP & General Manager	Li-Shieu Tsai	May.15. 2009				M.A. in Finance, Ming Chuan University Supervisor, BTLI SVP & Chief Secretary,Taiwan Financial Holding Co.,Ltd. Vice President & Deputy Chief Secretary, BOT Assistant Vice President & General Manager, Xizhi Branch, Land Bank of Taiwan	Director,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, CTC	Supervisor, BTS	-	-	-
SVP & Acting General Manager	Lily Lee	Jul.15. 2009				M. A. in international Trade, Chengchi University Deputy General Manager, Department of Domestic Operations, BOT Deputy General Manager, Department of Risk Management, BOT	SVP & General Manager , Department of Risk Management, BOT	-	-	-
VP & Acting General Manager	Sheng-Chia Kuei	Mar.24. 2011				LL. M., Soochow University Manager, Investments Section, Department of Finance, Taiwan Financial Holding Co., Ltd. Manager, Department of Treasury, BOT		-	-	-

(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 15 times (denoted as "A" in the following table) in 2010, with attendance as shown:

Position	Name	Attendance in person (B)	Proxy Attendance	Actual Attendance Rate (B/A) (see note)	Remarks
Chairperson	Susan S. Chang	14	1	93.34	
Director	Shou-Tzuoo Huang	5	1	83.34	First appointed 31th Aug, 2010 (should attend 6 times)
Director	Fu-Chi Tsai	8	0	88.89	Appointment ended 31th Aug, 2010 (should attend 9 times)
Director	Ming-Daw Chang	14	1	93.34	
Director	Jun-Ji Shih	4	1	80.00	Appointment ended 17th May, 2010 (should attend 5 times)
Director	Fortune Ju	15	0	100.00	
Director	Fu-Teng Hsieh	14	1	93.34	
Director	Chang-Ming Chen	14	1	93.34	
Director	Kuo-Ching Chang	13	2	86.67	
Director	Liang Chen	14	1	93.34	
Director	Su-Chen Hsieh	15	0	100.00	

Position	Name	Attendance in person (B)	Proxy Attendance	Actual Attendance Rate (B/A) (see note)	Remarks
Director	Chung-Ying Hu	10	5	66.67	
Director	Jui-Yun Wu	12	3	80.00	
Director	Yun Jie Lee	5	1	83.34	First appointed 31th Aug, 2010 (should attend 6 times)
Independent Director	Chung-Hua Shen	11	4	73.34	
Independent Director	Yi-Hsiung Hsu	14	1	93.34	
Independent Director	Rong-Ruey Duh	1	0	100.00	Appointment ended 20th Jan, 2010 (should attend 1 times)
Independent Director	Shu-Hsing Li	10	3	76.93	First appointed 5th Mar, 2010 (should attend 13 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 15 times (denoted as "A" in the following table) in 2010, with attendance as shown:

Position	Name	Meetings Attended (B)	Actual Attendance Rate (B/A) (see note)	Remarks
Supervisor	Jui-Fang Ho	13	86.67	
Supervisor	Tzu-Hsin Wu	8	88.89	Appointment ended 23th Aug, 2010 (should attend 9 times)
Supervisor	Jung-Fang Chao	1	100.00	Appointment ended 1st Feb, 2010 (should attend 1 times)
Supervisor	Yeong-Chwan Hwang	14	93.34	
Supervisor	Kuei-Sun Wu	14	93.34	
Supervisor	Chun An Sheu	5	83.34	First appointed 23th Aug, 2010 (should attend 6 times)
Supervisor	Hwai-Chung Ho	6	100.00	First appointed 31th Aug, 2010 (should attend 6 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 (mops.twse.com.tw) in compliant with related regulations.

(4) Corporate social responsibility

Item	Status	Departure from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies; reason for the departure
1. Implementation of corporate governance (1) Has the company adopted a corporate social responsibility policy or system? Does it review the effectiveness of its implementation?	1. To better fulfill its corporate social responsibility, TFH incorporates corporate social responsibility into its management policy when drafting its annual business plan, and reports it to the board of directors for review before filing it with the Ministry of Finance. This serves as an important guideline for the group in the conduct of its business activities. 2. The TFH chairperson and president attend quarterly Ministry of Finance business review sessions, where they report on the group's business performance and actions taken to fulfill its corporate social responsibility. This is intended to improve the management of government-owned enterprises and ensure effective fulfillment of the group's corporate social responsibility.	No departure
(2) What is being done by the company unit that is solely (or concurrently) responsible for corporate social responsibility?	The TFH Planning Department holds concurrent responsibility for corporate social responsibility matters. It is tasked with integrating group resources and making unified plans for their utilization. At the beginning of each year, it adopts a tentative schedule and implementation plan for related activities, and then works with TFH subsidiaries and TFH headquarters to ensure proper implementation. The results of its work are reported quarterly at Ministry of Finance business review sessions.	No departure
(3) Does the company regularly hold corporate ethics training and consciousness-raising events for its directors, supervisors, and employees? Does it systematically factor ethics issues into employee performance reviews? Has it established a clear-cut and effective system of incentives and disciplinary measures?	1. To ensure ethical conduct, all TFH employees are required to abide by the Civil Servant Service Act, the Code of Conduct for Civil Servants, the TFH Personnel Management Rules, and the TFH Code of Ethical Conduct for Directors, Supervisors, and Executive Officers. In addition, TFH internal meeting regularly organizes training activities focusing on corporate ethics issues, and posts ethical principles on company bulletin boards to raise employee consciousness regarding ethical matters. 2. TFH attaches great importance to employee ethics, and conducts ethics reviews for its employees three times per year. In employee performance reviews, "ethical conduct" is included among the review items as a means of prompting employees to maintain ethical standards, mold an ethical corporate culture, and improve the ethical image of state-run enterprises.	No departure
2. Environmental sustainability (1) Does the company work to use resources more efficiently and make use of recycled materials, so as to reduce its environmental impact?	To increase the reuse of resources, TFH strictly requires reuse of copier paper on the reverse side, buys recycled paper for its copying machines, and requires that printers be set to print on both sides of each sheet of paper. The group also seeks whenever possible to purchase products with high energy efficiency ratios and products bearing seals certifying them as environmentally friendly, energy efficient, and water efficient.	No departure
(2) Has the company adopted an environmental management system suited to its particular industry of business?	As a state-run financial holding company, TFH works to computerize its services and office operations so as to reduce paper consumption. TFH also conducts tree planting activities to mitigate the greenhouse effect and reduce its carbon footprint.	No departure
(3) Has the company established a unit or appointed a person with sole responsibility for environmental management?	TFH has a unit (the Administration Department) that is charged with responsibility for environmental management in all company offices.	No departure
(4) Does the company pay attention to the impact of climate change on its business activities? Has it adopted strategies for reducing energy consumption and cutting emissions of CO2 and other greenhouse gases?	TFH is concerned about global warming, climate change, and other environmental issues, and is working to promote environmental consciousness and reduce energy consumption in its offices. Measures taken include turning up thermostats in the summer (to 26-28℃), installing curtains in windows, urging employees to turn off lights and unplug power cords, turning off lights for one hour at noon, installing water-saving faucet devices, and purchasing environmentally friendly products.	No departure

Item	Status	Departure from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies; reason for the departure
3. Community service (1) Does the company abide by applicable labor legislation? Does it safeguard its employees' lawful interests? Has it adopted appropriate management methods and procedures?	TFH has a comprehensive and fully implemented personnel management system. We have set up a personnel committee to rule fairly and objectively on employee matters that may arise, and have also established a "Chairperson's mailbox," "Communication line to the President," and "Supervisors' mailbox" to provide avenues for communication between employees and senior management. These comprehensive personnel management tools ensure the lawful interests of company employees.	No departure
(2) Does the company provide employees with a safe and healthy working environment? Does it provide them with regular training in safety and health matters?	Periodically or from time to time, TFH organizes company leisure activities, and either holds in-house training courses for employees or subsidizes their participation in courses offered elsewhere. TFH also enrolls its employees in Government Employees Insurance, Labor Insurance, and employee group insurance, provides them with health examinations, and subsidizes employees' domestic leisure travel. The company regularly inspects its fire extinguishing equipments, holds periodic fire drills, and has set up a Committee for Sexual Harassment Complaints and a complaint hotline.	No departure
(3) Has the company adopted and publicly announced a policy on the protection of consumer interests? Does it provide a transparent and effective procedure for consumers to lodge complaints regarding its products and services?	1. TFH works with its subsidiaries to ensure: robust management rules for consumer protection; comprehensive and correct disclosure of product information, fees, and interest rates; truthful advertising; and compliance with our Measures for the Protection of Customers' Personal Information when group subsidiaries share customer information in the course of their cross-selling activities. In connection with the sale of personal financial planning products, TFH requires full disclosure of the attendant risks, and proper handling of consumer disputes. 2. The TFH website has a contact us button that visitors can click on to access a page that they can use to submit suggestions or complaints. Within the company, we have employees who are specifically tasked with responsibility for responding promptly to all suggestions and complaints.	No departure No departure
(4) Does the company work together with suppliers to better fulfill its corporate social responsibility?	In its purchasing operations, TFH has always put priority on conservation of resources, protection of the environment, and maintenance of safety and human rights in its selection of suppliers. TFH maintain strong cooperative relations with its suppliers, and work together with them to fulfill its corporate social responsibility.	No departure
(5) Does the company use commercial activities, material donations, employee volunteer work, or other free-of-charge professional services to take part in community development and the activities of charity and community service groups?	Since its founding, TFH has been a frequent participant in community service activities, shown great concern for the less privileged members of society, and provided generous support for culture and the arts. Principal activities carried out in 2010 include the following: (1) Organized or sponsored professional baseball all-star games and supported orphanages, trash clean-ups in the mountains, parent-child ties, charity musical performances, the Taiwan Fund for Children and Families, charity bazaar and professional basketball. (2) To help the victims of Typhoon Morakot rebuild their homes and lives, TFH integrated group resources to provide loans on easy terms to help households and small businesses recover from the disaster, deferred insurance premium payments, and organized trips by employees wishing to volunteer. TFH made a donation of NT$20 million, and company employees generously chipped in as well. The group received a letter of thanks from the Ministry of the Interior for its efforts. (3) TFH coordinated with government policy by using group resources to fulfill its corporate social responsibility. On 22nd May 2010, working together with eight other state-run enterprises, TFH organized events to bring in blood donations and recognize companies known for their ethical business practices. This two-day affair yielded considerable results, including the donation of 300,000 cc of blood in summer, a season when blood donations tend to drop off. (4) TFH and its subsidiaries joined together again on 9th October 2010 with eight other banks in which the government is a major shareholder to organize a parent-child festival in Taipei, creating a dynamic and fun atmosphere in which to encourage visitors to donate their cash register receipts to charity. The event attracted huge crowds and received extensive media coverage.	

Item	Status	Departure from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies; reason for the departure
4. Information disclosure (1) Are the company's disclosures pertinent and reliable? Do they have any bearing on its corporate social responsibility?	Information relating to the corporate social responsibility of TFH is disclosed in various parts of its Annual Report (including the "Corporate Social Responsibility" and "Overview of operations" sections), and in the "Corporate Governance" section on its website.	No departure
(2) Does the company prepare a corporate social responsibility report in which it discloses the steps it has taken to fulfill its corporate social responsibility?	TFH is keenly aware of its social responsibility and mission. By actively supporting community service, athletic, cultural, artistic, and environmental activities, it gives back to society, the community, and the underprivileged, and acts as a model citizen. The group's corporate social responsibility initiatives are disclosed in various parts of its Annual Report (including the "Corporate Social Responsibility" and "Overview of operations" sections), and in the "Corporate Governance" section on its website.	TFH does not prepare a corporate social responsibility report.
5. If the company has adopted a set of corporate social responsibility best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," please describe the implementation of the principles and how it differs, if at all, from what is called for in the Best Practice Principles. Response: TFH has not adopted such principles.		
6. Other information that would afford a better understanding of the company's implementation of corporate social responsibility (e.g. systems and measures adopted by the company for the purpose of environmental conservation, community involvement, contribution to society, social service, community service, consumer protection, safeguarding of human rights, safety and public health, and other corporate social responsibility activities, and the implementation thereof): (1) Corporate social responsibility: As a state-run financial institution, TFH actively accommodated the government's financial policies, helped to stabilize the financial sector, ran its business in a professional manner, provided comprehensive financial services, engaged in community service, fulfilled its responsibilities as a corporate citizen, and sought to spur overall economic development and improve the well-being of the general public. (2) CSR disclosure: TFH provides full disclosure of its corporate social responsibility initiatives in various parts of its Annual Report (including the "Corporate Social Responsibility" and "Overview of operations" sections), and in the "Corporate Governance" section on its website. It engaged in a wide range of CSR activities in 2010. Among other activities, we organized the 2009 International Economic and Financial Forum, donated money and relief materials following the Typhoon Morakot disaster, sponsored the holding of an NBA basketball game in Taiwan, donated money to support disadvantaged groups, held a blood drive, took part in environmental cleanup campaigns, and worked to cut the group's energy consumption as well as its carbon footprint. (3) Issues of public interest: To help the public better understand various issues of public interest currently being addressed by the government, we have placed links on our website to point visitors toward information on a number of issues, such as society-wide initiatives to cut energy consumption and reduce carbon emissions, efforts by the Taiwan Stock Exchange to combat insider trading, talks on the cross-strait Economic Cooperation Framework Agreement, etc. This measure is intended to spur interest and participation in such issues by the general public, and to help the government implement public policy in these areas.		
7. If the company's products or corporate social responsibility reports are subject to accreditation by a certification organization, please indicate this fact. Response: Not applicable		

(5) Ethical corporate management

i. Corporate ethics rules at the national level: As a state-run enterprise wholly owned by the government, apart from certain activities undertaken in active support of government policy, TFH is no different from that of any private-sector enterprise, and is run with an eye to improving groupwide performance, maximizing profits paid to the treasury and bolstering the government's finances, thereby demonstrating the value of a state-run financial holding company. Beyond that, in order to ensure that the group is ethically run, all TFH employees are required to abide by the "Civil Servant Service Act," the "Code of Ethics for State-run Financial and Insurance Institutions," the "Code of Ethics for Civil Servants," the "Act on Recusal of Public Servants Due to Conflicts of Interest," and the "Administrative Neutrality Act for Civil Servants."

ii. Internal corporate ethics rules: In order to spur directors, supervisors, executive officers, and employees to conduct themselves in a manner that shows good faith and comports with ethical principles, TFH has adopted the "TFH Code of Ethical Conduct for Directors, Supervisors, and Executive Officers," the "TFH Personnel Management Rules," the "TFH Work Rules," and the "TFH Measures for the Protection of Customers' Personal Information." These rules are intended to help the directors, supervisors, executive officers, and employees of TFH and its subsidiaries to act in accordance with ethical standards, and to ensure that interested parties understand the corporate ethics standards that all group personnel must abide by in the performance of their job duties, so as to avoid conflicts of interest and improper competition for the purpose of personal profit. TFH and its subsidiaries bear an obligation to maintain the confidentiality of their customers' private information, and to protect company assets and make effective use thereof. They are also required to treat customers and employees fairly, and must not manipulate, conceal, or misuse information to which they become privy, or make false representations regarding matters of material significance, nor may they obtain illegitimate profit through unfair transactions. These restrictions are designed to mold an ethical organizational culture and enhance the ethical image of state-run enterprises.

(6) 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(mops.twse.com.tw) in compliant with related regulations.

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

(8) Major Resolutions of the Board of the Directors

i. 29th session of the 1st board of directors, 8th January 2010

The Ministry of Finance appointed Mr. Ming-Daw Chang to serve on the TFH board of directors as representative of Ministry of Finance equity holdings.

ii. 30th session of the 1st board of directors, 11th February 2010

Mr. Jung-fang Chao former representative of Ministry of Finance equity holdings on the TFH board of supervisors, was relieved of his position on 1st February 2010.

iii. 31st session of the 1st board of directors, 11th March 2010

(A) The Ministry of Finance appointed Mr. Ching-hsing Li to serve as an independent director of TFH.

(B) The board approved the TFH Statement on Internal Control and Plan for Needed Internal Control Improvements (the Statement on Internal Control covers the period from 1st January 2009 to 31st December 2009).

(C) The board approved a proposal to retain KPMG Taiwan for auditing and attestation of TFH's FY 2010 financial and tax records.

iv. 32nd session of the 1st board of directors, 8th April 2010

The board approved TFH's FY 2009 consolidated and parent-company business reports, financial reports, and FY 2009 earnings distributions.

v. 34th session of the 1st board of directors, 10th June 2010

The Ministry of Finance approved the 17th May 2010 resignation of Jun-Ji Shih as representative of Ministry of Finance equity holdings on the TFH board of directors.

vi. 2nd session of the 2nd board of directors, 31st August 2010

(A) Mr. Wu Tzu-hsin, the first appointed representative of Ministry of Finance equity holdings on the TFH board of supervisors, was relieved of his position and replaced by Mr. Chun-an Hsu effective as of 31st August 2010.

(B) The members of TFH's 1st board of directors and 1st board of supervisors completed their terms on 30th August 2010 and left their posts, then the Ministry of Finance appointed a list of appointees to the TFH's 2nd boards of directors and supervisors, to serve from 31st August 2010 to 30th August 2013.

(C) The board of directors approved the appointment of director Susan S. Chang as TFH chairperson.

(D) Mr. Fu-thi Tsai completed his term as TFH director and president on 30th August 2010, and was replaced by TFH director Mr. Shou Tzuoo Huang.

(E) The board of directors approved TFH's consolidated financial statements for the first half of FY 2010.

vii. 1st special session of the 2nd board of directors, 31st December 2010

(A) The members of the 1st board of directors and 1st board of supervisors at TFH subsidiary BankTaiwan Life Insurance (BTLI) will complete their terms on 1st January 2011 and leave their posts, and the term of the 2nd board of directors and 2nd board of supervisors will run from 2 January 2011 to 1 January 2014. BTLI chairman Mr. Kuo-ching Chang will continue serving as BTLI chairman, while Mr. Fu-deng Hsieh will to serve as BTLI president.

(B) The members of the 1st board of directors and 1st board of supervisors at TFH subsidiary BankTaiwan Securities (BTS) will complete their terms on 1st January 2011 and leave their posts, and the term of the 2nd board of directors and 2nd board of supervisors will run from 2 January 2011 to 1 January 2014. BTS chairman Mr. Fortune Ju will continue serving as BTS chairman, while Mr. Chang-Ming Chen will to serve as BTS president.

viii. 7th session of the 2nd board of directors, 17th February 2011

Mr. Jack Yun-Jie Lee, former representative of Ministry of Finance equity holdings on the TFH board of supervisors, left his position on 9th February 2011.

ix. 10th March 2011, 8th meeting of the second board of directors

Ministry of Finance appoints James Chun-Jung Su to represent it on the company's board of directors from 1st March 2011, and on that same day relieves Jui-fang Ho from his position as the Ministry of Finance representative on the TFH board of supervisors.

x. 24th March 2011, 2nd extraordinary meeting of the second board of directors

Ministry of Finance appoints Hsin-chang Lu to represent it on the company's board of supervisors from 15th March 2011.

(9) In 2010, 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 2010, 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:

Job title	Name	Start date	End date	Reason for termination
President	Fu-Chi Tsai	23rd July 2009	31st August 2010	Retired from principal position, terminated by administrative decree

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: None

(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 percent or more, disclose the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore: None.

5. Information on Replacement of Auditor：None.

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 2010, 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 , 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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Better With Time

As time passes,

Reputation builds

Taiwan Financial Holdings—

Together with you

Reaching for No.1

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 2007 (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 two fiscal years):

Unit: NT dollars, shares

Item \ Year			Past Two Fiscal Year		As of 31st Mar 2011
			2010	2009	
Price Per Share	High		—	—	—
	Low		—	—	—
	Average		—	—	—
Net Worth Per Share	Before Distributions		28.91	27.74	28.52
	After Distributions		28.24	27.30	27.86
Earnings Per Share	Weighted Average Issued Shares		9,000,000	9,000,000	9,000,000
	Earnings Per Share		0.82	0.98	0.08
Dividends Per Share	Cash Dividends		0.67	0.44	—
	Bonus shares	Dividends Out of Earnings	—	—	—
		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 2010

In closing the annual accounts for 2010, 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$6.02 billion (NT$0.67 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 2010 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 Published Shares or Private Placement of Shares: None

(2) Plan 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	2010	
	Dollar Amount	Share of Total
Investment Gains Recognized Under the Equity Method	7,533,568	99.96%
Other Operating Revenue	3,083	0.04%
Total Revenues and Gains	7,536,651	100.00%

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

Please refer to 2011 Business Plan (Page 42～44).

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 of the Republic of China) handles ancillary matters pertaining to the distribution of New Taiwan Dollar notes and coins, and engages in other lines of business as may be approved by the competent authorities.

a. 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.

b. Investment and Personal Financial Planning: domestic and international financial market transactions; wealth management; property trusts; charitable trusts; securities trusts; trusts for loans and related security interests; real estate trusts; trusts for surface rights.

c. Government Employees Insurance: provision of insurance for current and retired government employees, and payout of cash benefits.

d. 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 of the Republic of China(Taiwan) (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	2010	
	Dollar Amount	Share of Total
Net Interest Income	20,269,134	79.88%
Net Fee Income	4,963,124	19.56%
Financial Assets and Liabilities at Fair Value Through Profit or Loss	9,584,686	37.77%
Realized Gains (Losses) on Available-for-Sale Financial Assets	1,987,283	7.83%
Realized Gains (Losses) on Held-to-Maturity Financial Assets	—	—
Investment Gains/Losses Recognized Under the Equity Method	1,510,820	5.95%
Translation Gains/Losses	-677,764	-2.67%
Schedule of Asset Impairment Losses, and Gains on Reversal of Impairment	-88,625	-0.34%
Schedule of Other Net Non-Interest Income/Losses	-12,788,275	-50.40%
Gains on Property Transactions	612,974	2.42%
Net Earnings	25,373,357	100.00%

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

Please refer to 2011 Business Plan (Page 44～46).

iii. BTLI

(A) Main Lines of Business:

a. Personal insurances including life insurance, personal injury insurance, health insurance and annuity insurance.

b. Acts on behalf of the government in running military personnel insurance and insurance for men serving alternative military service.

c. Other lines of business as may be approved by the competent authorities.

(B) Types of Business

Unit: NT$1,000

Item \ Year	2010	
	Dollar Amount	Share of Total
Personal Life Insurance	54,861,189	97.78%
Personal Injury Insurance	153,891	0.27%
Personal Health Insurance	689,759	1.23%
Personal Annuity Insurance	235,655	0.42%
Group Life Insurance	33,778	0.06%
Group Personal Injury Insurance	104,546	0.19%
Group Health Insurance	21,349	0.04%
Reinsurance Assumed	5,775	0.01%
Gross Premium Income	56,105,942	100.00%

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

Please refer to 2010 Business Plan (Page 46～47).

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	2010	
	Dollar Amount	Share of Total
Securities Brokering and Underwriting Revenue	452,641	76.84%
Interest Revenue	100,839	17.12%
Income from Securities Sold	24,705	4.19%
Gain on Valuation of Financial Asset	3,151	0.54%
Income from Investment	2,013	0.34%
Income from Exchange	81	0.01%
Other Operating Revenue	5,670	0.96%
Total Operating Revenue	589,100	100.00%

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

Please refer to 2011 Business Plan (Page 47).

(2) 2011 Business Plan

i. TFH

(A) Build an integrated platform, reap the benefits of group synergy

Use groupwide resource sharing and cross-selling arrangements to create cross-selling synergies, increase the penetration rate of the group's products, and improve our management; use target management for subsidiaries and performance evaluation to expand the synergies of universal banking; effectively integrate logistics resources. These synergies mean higher efficiency and reduce overhead for TFH.

(B) Optimize capital allocations, improve financial performance
Watch closely for M&A and equity investment opportunities; actively seek out and evaluate appropriate M&A targets; exercise unified control over groupwide resources; flexibly adjust the fund raising methods of subsidiaries, and work with them to improve capital efficiency so as to optimize the group's capital allocations.

(C) Improve risk management, consolidate underpinnings of TFH's business
Establish an independent, effective mechanism for integrated risk management to improve the group's risk management capacity; work with TFH subsidiaries to ensure proper implementation of risk management, firm up the group's businesses, and pave the way for the group to establish a global presence; prepare for IFRS adoption in 2013 by setting up an IFRS adoption work team, adopting a switchover plan, and taking active steps to ensure that the group's accounting system, internal controls, and information operations are compatible with IFRS.

(D) Accelerate steps to establish international presence, expand the group's business range
Take advantage of the development of cross-strait financial ties; carefully work out a business model for operations in Taiwan, Hong Kong, and mainland China; capitalize on the group's strengths in corporate finance, consumer finance, retail banking, and personal financial planning; expand TFH business and create greater profit potential; integrate group resources; set up overseas business locations; accumulate experience in internationalization; unify and coordinate the group's core business operations; accelerate steps to position the group in Southeast Asia.

(E) Improve business management, tap into the enterprise value of TFH
Build up a fully developed groupwide information network; institute more thorough management of customer relations; provide differentiated marketing and superior services; achieve better business results; improve implementation of internal controls, internal audits, compliance, and risk management; draw upon the suggestions of outside consulting firms in ongoing efforts to improve corporate governance, so as to become a model of good corporate governance and information disclosure.

(F) Fulfill our corporate social responsibility, optimize group image

Help government achieve its policy objectives; integrate marketing activities to cooperate with government campaigns; take advantage of public service activities to communicate our corporate philosophy, thereby affording satisfaction to employees, customers, and shareholders; integrate group resources; tap into the power of a major state-run financial holding company; continue demonstrating concern for the underprivileged; respond to the needs of society by fulfilling our social responsibilities, thereby establishing a reputation as a model corporate citizen.

ii. BOT

(A) Take advantage of opportunities for cross-strait financial business

Respond to the competent authority's to allow cross-strait ties in the financial services sector by actively serving as an acquiring bank and a clearing bank for purchases made in Taiwan using the PRC's China UnionPay Card; establish a clearing mechanism with Chinese banks for purchases made in Taiwan, Hong Kong, and the mainland, thereby playing a pioneering role in the opening of cross-strait financial services.

(B) Expand the scope of corporate finance business

Coordinate with the government's policy of supporting small and medium enterprises (SMEs); facilitate the efforts of SMEs to obtain working and investment capital; step up efforts to act as agent for OBU services and otherwise expand overseas lending; develop online financing and accounts receivable factoring services in order to improve business performance and generate increased fee income.

(C) Improve retail banking marketing strategy

Continue improving the bank's Student Loan Portal website and provide a more diverse range of payment tools in order to improve service quality; improve credit card functions and add more payment channels in order to secure new cardholders; use a wide range of marketing models to increase the exposure of the bank's retail banking products.

(D) Expand foreign exchange and international financial services

Actively expand the menu of foreign exchange deposit electronic banking services in order to generate increased income and effectively lower the cost of foreign exchange capital; develop local overseas markets and actively integrate overseas branch operations in order to expand the bank's range of services, earn higher fee income, and enhance operational efficiency.

(E) Expand scope of electronic banking services

Promote electronic banking services; provide a full range of payment services; expand bank's menu of online banking services; set up mobile banking and smart analytics. These measures are intended to provide the public with convenient services.

(F) Develop diverse range of trust asset management services

Maintain businesses where the bank already enjoys a competitive advantage, handle more "trust business from investors at home and abroad" and more "securities investment trust fund custodial business" so as to generate increased fee income; develop a more diverse range of trust services and cooperate closely with the group's life insurance and securities subsidiaries to provide customers a full range of asset management services.

(G) Adopt a more flexible financial investment portfolio

Invest primarily in large blue-chip and high-yield stocks; actively divest from companies that have no strong connection to the company's business and are not achieving strong business performance; maintain overseas holdings of greater than 50% in the fund's portfolio investments in order to diversity investment risks and increase investment returns.

(H) Derive greater benefit from Government Employees Insurance business

Further improve coverage and cash benefits; continue holding Government Employees Insurance seminars and familiarizing the staff of insured organizations with related laws and regulations; continue implementing online reporting to reap the benefits of streamlined operations and employee education; continue strengthening management and use of the Government Employees Insurance reserve fund to improve returns.

(I) Capitalize on marketing platform to grow wealth management business

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) Build up breadth and depth of gold business

Continue holding sales promotions and events to familiarize potential customers with our gold business; provide the public with comprehensive and objective gold market information; step up frequency of gold business seminars; spur all employees to develop new customers. These measures are intended to consolidate our position as a leader in the gold business.

iii. BTLI

(A) Strengthen cross-selling, establish high-quality channels

Actively coordinate with TFH's cross-selling efforts; deepen cooperative relationships with cooperating banks as well as brokerages and agencies; continue developing and expanding sales channels. These measures are intended to earn higher premium income.

(B) Adjust asset allocations, increase return on capital

Coordinate with asset-liability management strategy; strengthen profitability of investments in domestic securities; increase percentage of investments in high-rated foreign bonds; actively evaluate real estate investment targets with potential for appreciation. These measures are intended to diversify investment income sources and achieve better return on capital.

(C) Develop niche products, strengthen product promotion

Coordinate with the company's asset-liability management strategy by continuing to bolster development of long-term production products with installment premiums as well as medical and annuity insurance products.

(D) Improve service quality, maintain high customer satisfaction

Establish a "claims settlement email hotline" and an "insurance claims settlement service

window" to expedite handling of customer complaints; strengthen training of customer service personnel; effectively handle policyholder inquiries and complaints; improve claims handling and service quality. These measures are intended to raise policy persistency.

(E) Strengthen risk management ability, ensure sound business

Respond to implementation of Statement of Financial Accounting Standard No. 40 by completing insurance product contract classifications and liability adequacy tests; respond to implementation of IFRS by adopting a switchover plan and related measures.

(F) Build up personnel quality, develop overseas presence

Continue holding internal and external education and training to improve employees' professional capabilities; respond to developing cross-strait trends in insurance industry by strengthening employee training in cross-strait legal matters and business development.

iv. BTS

(A) Take advantage of shared group platforms, expand brokerage business

Actively grow the firm's securities margin lending business and encourage institutions to place their trading orders through BTS; strengthen the functionality of the firm's information systems; improve the stability and efficiency of our electronic order submission system; derive greater benefits from advertising, promotional materials, and cross-selling activities. These measures are intended to increase business volume and generate increased fee income.

(B) Establish high level of professionalism, expand range of underwriting activities

Train a corps of professionals with experience in financial consulting; improve the service quality of our underwriting team; provide complete corporate financial planning services; help industrial and commercial firm raise long-term capital in the capital markets; closely track market trends.

(C) Strengthen asset allocation strategy, improve investment returns

Screen for investment targets with strong fundamentals and good growth prospects in order to achieve higher investment returns; conduct convertible bond asset swap business; develop repo trade; plan application for approval to conduct trading of futures as well as issue warrants related derivatives.

(3) Industry Condition

Sovereign debt crises in several European nations affected the holding company's overall performance, and appreciation of the **New Taiwan Dollar** caused foreign exchange losses, but economic recovery has put TFH in a strong position. In particular, the signing of the cross-strait Economic Cooperation Framework Agreement (ECFA) and the adoption under the ECFA of an Early Harvest list have enabled TFH to achieve a more clear-cut and aggressive strategy for embarking upon the mainland market.

With the global economy in recovery, the group's banking subsidiary is finding room for continued growth in its corporate finance, retail banking, wealth management, and overseas banking businesses, and this should drive stronger profitability. Meanwhile, premium income is trending upward for our insurance subsidiary, and its capital efficiency has improved, but foreign risk needs to be carefully hedged. The performance of the group's securities subsidiary is closely tied to stock trading volume, so the volume of its brokerage, dealing, and underwriting business can be expected to increase as the economy strengthens.

(4) Future Research and Development Projects

i R&D expenditures in the past two years: NT$1,047,000 in 2010; NT$944,000 in 2009.

ii R&D achievements in the past two years

(A) Prepared for IFRS conversion in 2013 by establishing a Groupwide IFRS Conversion Taskforce; adopted an IFRS conversion plan; revised the groupwide accounting system, internal controls and information system, as well as related bylaws and procedures. These measures are intended to bring the group in line with international practices.

(B) Set up a groupwide corporate identity system; designed and produced standard advertising and promotional material samples for groupwide use, and applied to the Ministry of Economic Affairs for copyright protection. These measures are intended to make the group brand more identifiable and increase its market penetration.

(C) Set up a research team to study groupwide business management strategies and a development roadmap. Funding has been allocated in the 2012 budget for this research team to evaluate the possible benefits of establishing a securities investment trust subsidiary, and to study a possible business plan for such a subsidiary. The task of developing a deployment strategy and business development plan for the mainland market is classified as part of the group's Greater China Market Development Blueprint. TFH is now strengthening its research capacity and accelerating the expansion of groupwide economies of scale and scope.

ili Future R&D projects

(A) Select employees to take part in training courses offered both in-house and at the Taiwan Academy of Banking and Finance, and to attend financial seminars held by other professional organizations; encourage employees to obtain professional licenses and take foreign language proficiency exams. These measures are intended to enhance their professional capabilities.

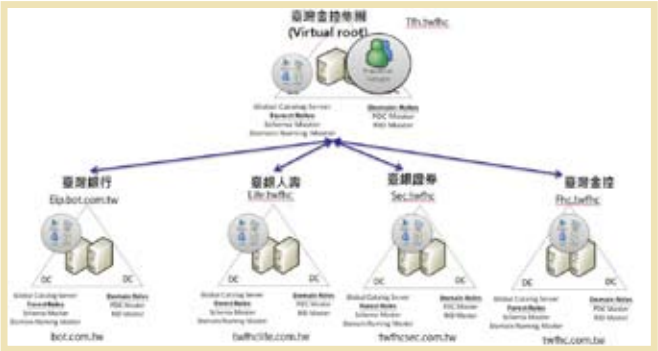
(B) Continue developing our corporate identity system to make TFH more easily identifiable by customers, and to reap the benefits of our strong brand while cultivating the loyalty of group employees.

(C) Study the risk management practices of financial holding companies in advanced countries, and use them as reference in efforts to improve the risk management systems of TFH; plan for the dispatch of employees for overseas training, thereby furthering the implementation of risk management. These measures are intended to enhance our professional understanding of risk management.

2. Cross-Selling

Built upon the cross-selling experience accumulated in 2009 by formulating a plan in 2010 for integrated marketing and joint operations designed to deliver the measurable benefits; used a performance evaluation system designed to encourage employees; created effective linkages between strategic planning, target management, front- and back-office resource integration, and back-office joint operations, thereby providing encouragement to subsidiaries and spurring rapid improvements in performance. These measures were intended to increase the benefits of synergy, and yielded considerable success:

(1) Cross-selling synergies



Set up an integrated marketing platform (front-office) covering eight major lines of business (securities brokering, underwriting, and proprietary trading; life insurance; corporate finance; wealth management; trust services; collection services); used the Bank of Taiwan's big customer base and channels for cross-selling of 19 products from other group subsidiaries; groupwide cross-selling volume in 2010 came to NT$403.6 billion, for a cross-selling ratio of 49%, thus demonstrating the considerable synergies and growth potential of this approach, tapping into a diverse range of synergies, and successfully expanding the group's core target markets.

(2) Resource integration and cost reductions

Established an integrated operating platform for eight major cross-subsidiary operations (information; training; legal affairs; real estate management; public relations; purchasing; sharing of financial and economic information; human resource sharing) subject to coordinated control via TFH platforms. The back-office logistics platform supported 4,155 cross-subsidiary operations in 2010, effectively cutting costs, enhancing efficiency, and supporting specialized divisions of labor. This measure enabled the group to fully tap into the synergies generated through the sharing of group resources.

(3) Benefits of cross-selling

i. The Bank of Taiwan cross-sold products of BankTaiwan Life Insurance in 2010, generating NT$29.955 billion in first-year premium income (82.3% of BankTaiwan Life Insurance's total first-year premium income) and NT$753 million in fee income; the assistance of the Bank of Taiwan enabled BankTaiwan Life Insurance to earn NT$36.4 billion in first-year premium income and NT$56.2 in total premium income. This outstanding sales performance highlighted the synergies inherent in cross-selling and the value of the banking channel.

ii. BankTaiwan Securities handled securities account openings via the Bank of Taiwan channel, and securities trading orders placed by customers referred by the bank amounted to NT$17.5 billion in 2010; there were 102 sales visits for the underwriting business conducted upon bank referral or in the company of bank personnel, resulting in 38 successfully concluded underwriting deals. These results demonstrate the synergies generated through the sharing of group resources and the conduct of joint business development operations.

3. Employee

(1) Profile

Year		2009	2010	As of Mar 31, 2011
Number of Employees	TFH	37	41	40
	BOT	7,847	7,893	7,875
	BTLI	196	222	234
	BTS	92	105	112
	Total	8,172	8,261	8,261
	Average Age	42.04	44.12	44.25
	Average Service Year	17.59	17.37	17.43
Education Level & Ratio	Doctor	0.02	0.05	0.05
	Master	9.13	11.02	11.26
	University & College	77.33	76.27	76.19
	Senior High School	11.71	10.99	10.84
	Below Senior High School	1.81	1.67	1.66

(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 2010, with 300 sessions attracting a total attendance of 22,194, while 3,256 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 1,204 persons in on-the-job training or other types of professional development.

ii. Group subsidiary Bank of Taiwan has had a learning platform in place for many years that provides easy access to online courses and tests. In 2010, TFH together with subsidiaries BankTaiwan Life Insurance and BankTaiwan Securities set up an e-learning environment and provided a diverse range of training courses and learning resources via this platform, thus enabling employees to study on their own and sharpen their professional capabilities.

4. Corporate Social Responsibility and Ethics

(1) In response to the Executive Yuan's Project to Conserve Energy and Reduce Carbon Footprint by Use of Electronic Documents, TFH reduced paper consumption in 2010 by 10.16% from the preceding year, successfully reaching its target for the year. It will continue working to reach its goal of eventually reducing paper consumption by 30%.

(2) Took part in three nationwide community service campaigns in 2010 to encourage people to show concern for society. By these efforts, TFH made use of its power as a state-run financial holding company to fulfill its corporate social responsibilities.

(3) Integrated three group's community service resources; actively took part in community service activities; supported the Child Welfare League Foundation, hospitals, remote orphanages, and other such community service organizations by donating money and goods, and by inviting underprivileged children to attend professional sports events; provided financial support for culture and the arts; participated in the 2010 Taipei International Flora Exposition; supported community environmental conservation initiatives. Numerous community service organizations sent letters of thanks to TFH, which was able to act on its philosophy of giving back to society.

(4) Called on all members of the public to be physically active; continued its long-running support for basketball; organized summer basketball camps; provided sponsorship for the pro baseball all-star game in order to support the government's campaign to revive professional baseball;

supported efforts to cultivate the skills of superior athletes. For these efforts, TFH received an award from the Sports Affairs Council recognizing its contributions to sports teams and individual athletes.

(5) Supported efforts in areas hit by Typhoon Morakot and Typhoon Fanapi to revive local economies and rebuild communities; provided loans on easy terms to disaster victims to help pay for physical rehabilitation; expedited the handling of insurance claims; purchased farm products from the disaster-affected areas for use as gifts in the group's business development activities; helped promote the sale of local farm products.

(6) 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 very 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) Major Hardware/Software Additions and Maintenance

i. TFH's major 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:

(A) Microsoft Windows 2003 Enterprise & Standard.

(B) Microsoft Office SharePoint Server, SharePoint Internet 2007 & Exchange Server 2007.

(C) Microsoft SQL Server 2005 Enterprise.

ii. All of the group's business and administrative functions have now been computerized. There are eight such functions: a search function to identify related parties of the holding company and all its subsidiaries; accounting; human resources; electronic documents; the group website; the group intranet; email; and goods management.

(2) Future Development Efforts or Procurement

i Systems development

(A) Build up infrastructure for groupwide shared information platform.

(B) Establish a laws and regulations database for the entire group

(C) Design and set up a groupwide customer relations management (CRM) system.

(D) Set up a TFH online learning platform.

(E) Add new functions to the TFH system for reporting overtime and applying for time off.

ii Equipment purchases: Purchase new network attached storage (NAS) equipment

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 Future Labor Disputes, and Response Measures: None.

7. Material Contract: None.

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Bright Future

No goal is impossible

No destination too far

We've set our sights

To reach the stars

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		
			2010	2009	2008
Cash and cash equivalents			60,551,598	72,498,553	80,104,961
Due from Central Bank and call loans to banks			518,166,823	1,248,000,974	996,241,280
Financial assets at fair value through profit or loss			102,094,813	94,008,327	78,655,045
Bills and bonds purchased under resell agreements			9,746,406	9,402,856	12,321,566
Receivables, net			90,593,396	94,848,447	105,973,044
Loans, net			2,083,747,129	2,053,171,504	1,997,536,704
Available-for-sale financial assets, net			891,936,602	175,919,557	175,527,297
Held-to-maturity financial assets, net			195,221,334	147,700,416	117,196,368
Equity investments using the equity method			36,181,254	34,373,421	31,125,626
Other financial assets, net			91,129,833	78,562,977	77,978,931
Real estate investments, net			3,351,986	1,982,445	2,003,965
Fixed assets, net			77,757,512	79,651,798	81,040,624
Intangible assets			982,123	1,121,713	1,451,116
Other assets, net			22,512,674	18,741,276	18,298,572
Total Assets			4,183,973,483	4,109,984,264	3,775,455,099
Due to Central Bank and other banks			207,612,937	204,950,860	181,489,738
Commercial paper payable, net			479,781	-	-
Financial liabilities at fair value through profit or loss			16,397,063	4,210,041	5,804,419
Bills and bonds sold under repurchase agreements			9,801,211	5,525,570	20,251,220
Payables			70,926,682	91,743,498	97,501,208
Deposits			3,167,175,151	3,165,389,168	2,932,562,905
Other financial liabilities			7,187,799	7,192,234	6,429,020
Reserves for operation and liabilities			415,927,106	355,414,596	279,848,256
Other liabilities			28,288,062	25,913,182	25,402,994
Total liabilities			3,923,795,792	3,860,339,149	3,549,289,580
Equity Attributable to Stockholders of TFH	Share capital		90,000,000	90,000,000	90,000,000
	Additional paid-in capital		111,516,202	111,494,739	111,495,264
	Retained Earnings	Before distribution	15,993,520	12,512,535	7,321,499
		After distribution	9,975,883	8,569,400	3,731,372
	Equity adjustments		42,667,969	35,637,841	17,348,756
Minority Interest			-	-	-
Total Stockholders' Equity	Before distribution		260,177,691	249,645,115	226,165,519
	After distribution		254,160,054	245,701,980	222,575,392

(2) Condensed income statement

Unit: NT$1,000

Item / Year		Financial Information for Past 5 years		
		2010	2009	2008
Net interest income		26,433,101	21,676,325	28,847,934
Revenues other than Interest		61,061,322	85,599,986	31,737,758
Credit provisions		374,535	4,431,377	1,598,254
Provisions for insurance policy reserves		60,749,024	76,342,481	33,710,940
Operating expenses		18,487,866	17,817,075	18,280,269
Income before Income Tax		7,882,998	8,685,378	6,996,229
Consolidated Net Income After Tax		7,424,120	8,781,163	7,321,499
Cumulative Effect of Changes in Accounting Principles (after tax)		-	-	-
Net interest income		-	-	-
Revenues other than Interest		-	-	-
Consolidated Net income	Attributable to TFH shareholders	7,424,120	8,781,163	7,321,499
	Attributable to Minority interest	-	-	-
Basic earnings per share		0.82	0.98	0.81

(3) Condensed balance sheet

Unit: NT$1,000

Item / Year		Financial Information for Past 5 years		
		2010	2009	2008
Cash and cash equivalents		37,114	1,406,943	348,555
Receivables, net		429,193	135	133
Equity Investments Accounted for by The Equity Method, net		265,594,540	251,166,051	226,195,089
Property And Equipment, net		7,854	7,757	5,274
Intangible Assets, net		45	59	14
Other Assets, net		5,793,134	3,078,567	3,593,413
Total Assets		271,861,880	255,659,512	230,142,478
Short-Term Borrowing		5,600,000	2,000,000	-
Payables		418,005	17,803	2,907
Accrued pension liabilities		45,206	41,396	122
Other Liabilities		5,620,978	3,955,198	3,973,930
Total Liabilities	Before distribution	11,684,189	6,014,397	3,976,959
	After distribution	6,063,324	2,059,394	3,127
Capital Stock		90,000,000	90,000,000	90,000,000
Capital Surplus		111,516,202	111,494,739	111,495,264
Retained Earnings	Before distribution	15,993,520	12,512,535	7,321,499
	After distribution	9,975,883	8,569,400	3,731,372
Equity Adjustments		42,667,969	35,637,841	17,348,756
Total Stockholders' Equity	Before distribution	260,177,691	249,645,115	226,165,519
	After distribution	254,160,054	245,701,980	222,575,392

(4) Condensed income statement

Unit: NT$1,000

Item / Year	Financial Information for Past 5 years		
	2010	2009	2008
Investment Income from Equity Investments Accounted for by the Equity Method	7,530,624	8,860,946	7,351,070
Other Income	3,083	4,086	3,612
Operating Expenses	131,247	99,960	36,394
Other Expenses and Losses	27,659	7,962	75
Income Before Income Tax	7,374,801	8,757,110	7,318,213
Net Income After Tax	7,424,120	8,781,163	7,321,499
Earnings per share (before tax)	0.82	0.97	0.81
Earnings per share (after tax)	0.82	0.98	0.81

2. Financial analysis for most recent 5 years

Unit: NT$1,000；%

Item		2010	2009	2008
Operating Ability	Total Assets Turnover	2.76	3.46	3.20
	Loans to Deposits Ratio of Banking Subsidiary (%)	65.19	63.35	66.36
	NPL Ratio of Banking Subsidiary (%)	0.62	1.03	1.06
	The Group's Average Operating Revenue Per Employee	10,075	11,733	6,631
	The Group's Average Profit Per Employee	855	960	801
Profitability	Return on Assets (%)	2.81	3.62	3.18
	Return on Equity (%)	2.91	3.69	3.24
	Net Margin (%)	98.91	99.14	99.55
	Earnings Per Share (NT$)	0.82	0.98	0.81
Financial structure(%)	Debt Ratio	4.30	2.35	1.73
	Liabilities to Net Worth Ratio	4.49	2.41	1.76
	TFH's Double Leverage Ratio	102.21	100.52	99.80
Leverage ratio	Operating Leverage Ratio	102.15	101.23	100.51
	TFH's Financial leverage ratio	100.32	100.07	100.00

Item			Year 2010	2009	2008
Growth Rates	Growth Rate of Assets		6.34	11.09	-
	Growth Rate of Profit		-15.78	19.66	-
Cash Flows	Cash Flow Ratio		1806.66	430.27	135702.44
	Cash Flow Adequacy Ratio		103.34	121.35	109.69
	Cash Flow Reinvestment Ratio		141.58	203.09	62746.46
Operating Scale	Market Share by Assets		14.50	15.15	15.39
	Market Share by Net Worth		13.07	12.92	13.67
	Market Share of Deposits of Banking Subsidiary		11.63	12.32	12.17
	Market Share of Loans of Banking Subsidiary		9.97	10.54	10.22
Capital Adequacy	Capital adequacy ratio	Bank of Taiwan	11.87	11.89	11.63
		BankTaiwan Life Insurance	292.03	252.52	147.66
		BankTaiwan Securities	651	679	1,503
	Eligible self-owned capital	Bank of Taiwan	176,521,653	179,926,649	172,902,518
		BankTaiwan Life Insurance	11,022,399	7,183,845	3,840,391
		BankTaiwan Securities	2,896,702	2,869,108	2,696,758
	Group's eligible capital		184,974,178	188,431,327	179,406,811
	Subsidiary's statutory capital requirement	Bank of Taiwan	118,922,025	121,023,652	118,957,766
		BankTaiwan Life Insurance	7,548,714	5,689,758	5,201,664
		BankTaiwan Securities	667,907	634,229	269,138
	Group's statutory capital requirement		127,186,654	130,406,739	128,559,770
	Group's capital adequacy ratio		145.44	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 (%)	744.01	470.78	420.12
		Single group of related parties (%)	2.82	2.21	15.93
		Single group of related enterprises (%)	174.54	161.48	519.55

3. Consolidated Financial Statements for 2010

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, 2010, 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 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 its subsidiaries do not prepare a separate set of combined financial statements.

Truthfully yours,

TAIWAN FINANCIAL HOLDING CO., LTD.

By

Susan S. Chang

Chairman

April 7, 2011

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, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2010 and 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 audits. We did not audit the financial statements of some investee companies. The Company's investment in those investee companies on December 31, 2010 and 2009, were $29,468,381 thousand and $27,530,017 thousand, respectively, constituting 0.70% and 0.67% of the related consolidated total, respectively, and its equity in earnings of those investee companies were $1,786,179 thousand and $1,306,366 thousand, respectively, constituting 22.66% and 15.04% of the related consolidated total, respectively, for the year ended December 31, 2010 and 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 (12).

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 audits 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, 2010 and 2009, and the results of their operations and their cash flows for the years ended December 31, 2010 and 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.

The consolidated financial statements of the Company shall be audited by the Ministry of Audit in accordance with the related regulations of the Law of Audit. The 2009 and 2008 consolidated financial statements of the Company were audited by the Ministry of Audit, the results are as described in note (41); the revised items were adjusted in the consolidated financial statements of the Company.

KPMG

April 7, 2011

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2010 and 2009

(expressed in thousands of New Taiwan Dollars)

	December 31, 2010	December 31, 2009	Percentage change
Assets			
Cash and cash equivalents (notes 4 and 36)	$ 60,551,598	72,498,553	(16)
Due from Central Bank and call loans to banks (notes 5, 36 and 37)	518,166,823	1,248,000,974	(58)
Financial assets measured at fair value through profit or loss, net (notes 6, 34 and 36)	102,094,813	94,008,327	9
Bills and bonds purchased under resell agreements (note 7)	9,746,406	9,402,856	4
Receivables, net (notes 8, 9 and 28)	90,593,396	94,848,447	(4)
Discounts and loans, net (notes 9, 34 and 36)	2,083,747,129	2,053,171,504	1
Available-for-sale financial assets, net (notes 10, 32, 34 and 37)	891,936,602	175,919,557	407
Held-to-maturity financial assets, net (notes 11, 32, 34 and 37)	195,221,334	147,700,416	32
Investments under equity method (note 12)	36,181,254	34,373,421	5
Other financial assets, net (notes 8, 9, 13, 32 and 34)	91,129,833	78,562,977	16
Real estate investments, net (notes 14 and 15)	3,351,986	1,982,445	69
Fixed assets, net (notes 15, 26 and 32)	77,757,512	79,651,798	(2)
Intangible assets (note 16)	982,123	1,121,713	(12)
Other assets, net (notes 17, 32 and 37)	22,512,674	18,741,276	20
Total Assets	$ 4,183,973,483	4,109,984,264	2

	December 31, 2010	December 31, 2009	Percentage change
Liabilities and Stockholders' Equity			
Due to Central Bank and other banks (notes 18 and 36)	$ 207,612,937	204,950,860	1
Commercial paper payable (note 19)	479,781	-	-
Financial liabilities measured at fair value through profit or loss, net (notes 20, 34 and 36)	16,397,063	4,210,041	289
Bills and bonds sold under repurchase agreements (note 7)	9,801,211	5,525,570	77
Payables (note 21)	70,926,682	91,743,498	(23)
Deposits and remittances (notes 22 and 36)	3,167,175,151	3,165,389,168	-
Other financial liabilities (note 25)	7,187,799	7,192,234	-
Reserves for operation and liabilities (notes 24 and 34)	415,927,106	355,414,596	17
Other liabilities (notes 15, 26 and 27)	28,288,062	25,913,182	9
Total liabilities	3,923,795,792	3,860,339,149	2
Stockholders' equity (notes 28 and 29):			
Common stock	90,000,000	90,000,000	-
Additional paid-in capital	111,516,202	111,494,739	-
Retained earnings:			
Legal reserve	1,610,266	732,150	120
Special reserve	4,653,557	2,928,599	59
Unappropriated retained earnings	9,729,697	8,851,786	10
	15,993,520	12,512,535	28
Equity adjustments:			
Unrealized gain on revaluation increments	15,116,171	16,639,974	(9)
Cumulative translation adjustments	(465,473)	(128,524)	(262)
Unrealized gain on financial instruments	28,019,454	19,126,391	46
Net loss not recognized as pension cost	(2,183)	-	-
	42,667,969	35,637,841	20
Total stockholders' equity	260,177,691	249,645,115	4
Commitments and contingencies (note 38)			
Total Liabilities and Stockholders' Equity	**$ 4,183,973,483**	**4,109,984,264**	**2**

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2010 and 2009

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

	2010	2009	Percentage change
Interest income	$ 52,578,753	54,197,885	(3)
Less: interest expenses	26,145,652	32,521,560	(20)
Net interest income	26,433,101	21,676,325	22
Net non-interest income			
Net income on service charges and commissions	3,805,135	3,295,408	15
Net insurance business income (note 31)	33,874,695	32,530,803	4
Gains on financial assets and liabilities at fair value through profit or loss	9,835,901	30,234,603	(67)
Realized gains on available-for-sale financial assets	5,076,259	5,495,802	(8)
Realized gains (losses) on held-to-maturity financial assets	660,642	(64,468)	1,125
Gains on equity investments recognized under the equity method (note 12)	1,983,813	2,848,364	(30)
Gains on real estate investments	155,726	15,310	917
Foreign exchange gains (losses)	(3,600,578)	1,564,423	(330)
Asset impairment (losses) gains on reversal of impairment (note 32)	(415,133)	504,665	(182)
Other net non-interest income (losses):			
Self-managed and commissioned sales	79,647,398	45,399,449	75
Government grant income	17,871,279	15,000,052	19
Gains on disposal of properties, plant, and equipment (note 15)	612,974	2,645,425	(77)
Other miscellaneous income	1,236,273	2,017,577	(39)
Self-managed and commissioned cost of sales	(79,101,635)	(45,033,522)	(76)
Excess interest expenses (notes 8)	(9,740,877)	(9,919,818)	2
Other miscellaneous expenses	(840,550)	(934,087)	10
Net revenue	87,494,423	107,276,311	(18)
Bad debt expenses (note 9)	374,535	4,431,377	(92)
Provisions for insurance policy reserves (note 33)	60,749,024	76,342,481	(20)
Operating expenses:			
Personnel expenses (note 27)	12,521,364	12,218,867	2
Depreciation and amortization expenses	1,404,479	1,351,854	4
Other business and administrative expenses	4,562,023	4,246,354	7
Total operating expenses	18,487,866	17,817,075	4
Income before income taxes	7,882,998	8,685,378	(9)
Income tax expense (benefits) (note 28)	458,878	(95,785)	579
Consolidated total income	**$ 7,424,120**	**8,781,163**	**(15)**
Attributable to:			
Parent company shareholders	$ 7,424,120	8,781,163	(15)
Minority interest	-	-	-
	$ 7,424,120	**8,781,163**	**(15)**

	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share (note 30)	**$ 0.88**	**$ 0.82**	**$ 0.97**	**$ 0.98**

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2010 and 2009

(expressed in thousands of New Taiwan Dollars)

			Retained earnings			Equity adjustments				
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative foreign currency translation adjustments	Net loss not recognized as pension cost	Unrealized gains (losses) on financial instruments	Unrealized increments on revaluation	Total
Balance as of January 1, 2009	$ 90,000,000	111,495,264	-	-	7,321,499	(155,274)	-	573,492	16,930,538	226,165,519
Consolidated total income for the year ended December 31, 2009	-	-	-	-	8,781,163	-	-	-	-	8,781,163
Appropriation of retained earnings:										
Legal reserve	-	-	732,150	-	(732,150)	-	-	-	-	-
Special reserve	-	-	-	2,928,599	(2,928,599)	-	-	-	-	-
Cash dividends for government	-	-	-	-	(3,590,127)	-	-	-	-	(3,590,127)
Additional paid-in capital from investee company	-	(525)	-	-	-	-	-	-	-	(525)
Change in unrealized increments on revaluation	-	-	-	-	-	-	-	-	(290,564)	(290,564)
Change in unrealized gain (losses) of financial instruments	-	-	-	-	-	-	-	18,552,899	-	18,552,899
Change in cumulative foreign currency translation adjustments	-	-	-	-	-	26,750	-	-	-	26,750
Balance as of December 31, 2009	90,000,000	111,494,739	732,150	2,928,599	8,851,786	(128,524)	-	19,126,391	16,639,974	249,645,115
Consolidated total income for the year ended December 31, 2010	-	-	-	-	7,424,120	-	-	-	-	7,424,120
Appropriation of retained earnings:										
Legal reserve	-	-	878,116	-	(878,116)	-	-	-	-	-
Special reserve	-	-	-	3,512,466	(3,512,466)	-	-	-	-	-
Cash dividends for government	-	-	-	-	(3,943,135)	-	-	-	-	(3,943,135)
Special reserve reversal	-	-	-	(1,787,508)	1,787,508	-	-	-	-	-
Additional paid-in capital from investee company	-	21,463	-	-	-	-	-	-	-	21,463
Change in unrealized increments on revaluation	-	-	-	-	-	-	-	-	(1,523,803)	(1,523,803)
Change in unrealized gain (losses) on financial instruments	-	-	-	-	-	-	-	8,893,063	-	8,893,063
Change in cumulative foreign currency translation adjustments	-	-	-	-	-	(336,949)	-	-	-	(336,949)
Net loss not recognized as pension cost	-	-	-	-	-	-	(2,183)	-	-	(2,183)
Balance as of December 31, 2010	$ 90,000,000	111,516,202	1,610,266	4,653,557	9,729,697	(465,473)	(2,183)	28,019,454	15,116,171	260,177,691

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(expressed in thousands of New Taiwan Dollars)

	2010	2009
Cash flows from operating activities:		
Consolidated total income	$ 7,424,120	8,781,163
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	1,433,938	1,377,957
Credit provisions	374,535	4,431,377
Provisions for reserves	60,749,024	76,342,481
Amortization of discount on long-term bond investment	(2,598,290)	(1,885,926)
(Gain) loss on disposal of financial assets	(6,493,036)	(4,696,529)
Gain on disposal of fixed assets and non-operating assets	(728,652)	(2,618,790)
Investments income recognized under equity method	(1,983,813)	(2,848,364)
Cash dividend received from investee under equity method	444,298	1,251,684
Loss on write-off of printed matter	5,076	546
Gain on disposal of long-term investments under equity method	(424)	-
Reclassification of unrealized revaluation increment as other income	(12,372)	-
Reclassification of accumulated depreciation	-	(1,101)
Unrealized valuation loss (gain) on financial assets and liabilities	1,652,649	(19,918,083)
Impairment loss on financial assets	326,508	899,326
Gain on reversal of impairment on financial assets	-	(1,388,420)
Impairment loss on non-financial assets	102,729	4,451
Gain on reversal of impairment on non financial assets	(14,104)	(20,022)
Loss on bad debt received	3,714,457	1,800,217
Net Change of operating assets and liabilities		
Net change of operating assets		
Decrease in receivables	4,342,475	11,522,082
(Increase) decrease in bills and bonds purchased under resell agreements	(343,550)	3,818,732
Increase in deferred income tax assets	(38,519)	(569,017)
Decrease (increase) in trading financial asset	14,990,026	(631,627)
Increase in other financial assets	(2,380,193)	(6,505,440)
Increase in other assets	(453,518)	(114,498)
Net change of operating liabilities		
Decrease increase in payables	(18,975,578)	(5,976,236)
Increase in accrued pension liabilities	344,640	339,577
Increase in trading financial liabilities	(2,697,424)	(358,990)
Increase (Decrease) in bills and bonds sold under repurchase agreements	4,275,641	(15,625,673)
Increase in other financial liabilities	1,393	-
Decrease in other liabilities	(6,743,110)	(113,559)
Net cash provided by operating activities	56,718,566	47,297,318
Cash flows from investing activities:		
Acquisition of financial assets designated as at fair value through profit or loss	(11,920,743)	(5,190,634)
Proceeds from financial assets designated as at fair value through profit or loss	3,944,669	1,930,734
Proceeds from available-for-sale financial assets	3,844,203,117	151,891,462
Proceeds from disposal of available-for-sale financial assets	146,228,144	30,868,329
Proceeds from reducing capital of available-for-sale	58,135	9,681

Acquisition of bond investment in non-active market	(14,653,090)	-
Proceeds from disposal of bond investment from non-active market at cost	-	1,391,028
Proceeds from maturity of bond investment in non active market	4,951,256	5,526,356
Increase in held-to-maturity financial assets	(273,599,586)	(121,248,077)
Decrease (increase) in due from Central Bank	684,486,887	(220,251,116)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	-	180,844
Acquisition of available-for-sale financial assets	(4,021,649,219)	(162,645,798)
Proceeds from maturity of held-to-maturity financial assets	237,707,499	96,845,366
Dividends of available-for-sale	238,278	100,486
Decrease discounts and in loans	(34,718,413)	(57,367,122)
Acquisition of fixed assets	(936,301)	(987,460)
Increase in purchase of real estate investment	(1,439,249)	(1,484)
Disposal of long-term investment under equity method	609	-
Proceeds from disposal of fixed assets and non-operating assets	1,040,423	3,658,275
Increase in intangible assets	(302,876)	(289,020)
Proceeds from disposal of financial assets for hedging	5,157	196
Increase in other financial assets	(1,608)	(14,220)
Increase in other assets	(58,258)	(4,789,019)
Net cash provided by (used in) investing activities	563,584,831	(280,381,193)
Cash flows from financing activities:		
Increase in due to Central Bank and other banks	2,662,077	23,461,121
Increase in deposits	1,785,984	232,826,263
Decrease in other financial liabilities	(477,174)	(157,918)
Increase (decrease) in other liabilities	6,210,478	(348,595)
Prepaid dividends	(6,633,727)	(3,012,708)
Increase in commercial paper payables	479,781	-
Net cash provided by financing activities	4,027,419	252,768,163
Exchange effect	5,349,468	41,046
Net increase in cash and cash equivalents	629,680,284	19,725,334
Cash and cash equivalents at beginning of year	273,414,023	253,688,689
Cash and cash equivalents at end of year	$ 903,094,307	273,414,023
Supplemental disclosure of cash flow information:		
Interest paid	$ 36,585,828	49,910,581
Income tax paid	$ 1,130,416	478,324
Financial and investing activities not affecting cash:		
Unrealized increments on revaluation	$ (1,523,803)	(290,564)
Cumulative foreign currency translation adjustments	$ (336,949)	26,750
Unrealized gain on financial instruments	$ 8,893,063	18,552,899
Change in additional paid-in capital	$ 21,463	(525)
Net loss not recognized as pension costs	$ (2,183)	-

TAIWAN FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(1) Organization and Business

1) Taiwan Financial 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). Taiwan Financial Holding became a public company on November 17, 2009.

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

As of December 31, 2010 and 2009 , there were 8,684 and 9,143 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 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, 2010	December 31, 2009
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 Company and its subsidiaries 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 Company and its subsidiaries 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 2009 were approved by the MoA, and the beginning balance in 2010 and 2009 were the same as the approved closing balances in 2009 and 2008, respectively.

The differences between the financial statements certified by the MoA and that audited by the independent auditors are described in note 41(11).

3) Use of estimates

The preparation of the accompanying financial statements requires management of the Company and its subsidiaries 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 financial statements of the Company and its subsidiaries are presented in New Taiwan Dollar, generally rounded to the nearest thousand. Non-derivative transactions in foreign currency are translated at the exchange rate on the date of transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. All differences are taken to the Consolidated Income statement for the period. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains (loss) from such translation is reflected in the accompanying statement of income. If the non-monetary assets or liabilties are measured at fair value through shareholder's equity, the resulting unrealized exchange gains (loss) from such translation are recorded as a separate component of shareholder's equity.

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 shareholders' equity.

5) Asset impairment

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

The Company and its subsidiaries 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.

Taiwan Financial Holdings and its subsidiaries adopted Statement of Financial Accounting Standards (SFAS) No. 34, "Accounting for financial instruments", the accounting policies are as follows:

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

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) Financial instruments

The Company and its subsidiaries 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 though profit or loss, available-for-sale, held-to-maturity, financial assets carried at cost, and bond investment in non-active markets.

Financial instruments held by the Company and its subsidiaries 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 Company and its subsidiaries are classified according to the purpose of holding as follows:

1. An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.
   (a) Bought and held principally for the purpose of selling them in the near term. Derivatives held by the Company and its subsidiaries other than hedging securities, are classified in this category.
   (b) An embedded derivative shall be separated from the master contract, but if the entity is unable to determine reliably the fair value of an embedded derivative on the basis of its terms and conditions, 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.
4. Financial assets are carried at cost if their fair values are not available.
5. Debt investments without quoted price in active markets are recorded at amortized cost.

8) Hedge accounting

Financial instruments held by the Company and its subsidiaries 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.

9) 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 Company and its subsidiaries 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.

10) 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.

11) 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.

12) 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.

13) 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.

14) 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.

If the differences between investment cost and securities' net value arise from assets that can be depreciated or amortized, then an investor company shall amortize such differences over the estimated remaining economic lives. If the differences come from discrepancies between the carrying amounts of assets and their fair market values, then an investor company shall offset all unamortized differences when conditions making such over- or under-valuation are no longer present. When the investment cost exceeds the fair value of identifiable net assets acquired, the excess should be recorded as goodwill. Goodwill shall be evaluated on an annual basis or when there is any indication that goodwill may be impaired, the recoverable amount less than book value is recognized as impairment loss. If any such indication exists, the Company recognizes 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, the 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.

15) 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 letter number 340, the Company and its subsidiaries 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 Company and its subsidiaries 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 improvements	5 to 55 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.

16) Intangible assets

The Company and its subsidiaries adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, intangible assets are recorded at cost, 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 Company and its subsidiaries should revaluate 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 Company and its subsidiaries evaluate the residual value, the useful life and the method of amortization. Changes in those elements are considered changes in accounting estimate.

17) 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.

18) 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.

19) Other assets－collateral assumed

Collateral and assets received are stated at the net realizable value: the amount the Company and its subsidiaries 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 Company and its subsidiaries recognize impairment loss on collateral on the balance sheet date if the book value of collateral exceeds net fair value.

20) 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 as expenses for the period.

21) 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.

22) 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 Company and its subsidiaries 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 Company and its subsidiaries 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 15% 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 Company and its subsidiaries 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 Company and its subsidiaries 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 Company and its subsidiaries 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 Company and its subsidiaries 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.

23) Income tax

The income tax of the Company and its subsidiaries 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 Company and its subsidiaries 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 Company and its subsidiaries. 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 is recorded under receivable from (payable to) affiliated parties.

24) 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 in 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 losses and underlying debt accrued by May 30, 1999 has been replenished by MoF and recognized as revenue by the Company. The losses occurred after the aforementioned date is replenished by adjusting revenue rates.
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.

25) 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

Starting from January 1, 2009, the Company adopted ROC Statement of Financial Accounting Standards No. 18 "Pension" to reclassify, evaluate and disclose transaction－related pension, and profit after tax in 2009 decreased by $6,794 thousand.

(4) Cash and Cash Equivalents

	December 31, 2010	December 31, 2009
Cash on hand and petty cash	$ 10,568,262	9,913,490
Foreign currency on hand	4,753,513	4,272,147
Bank deposits	16,075,204	33,487,095
Notes and checks for clearing	6,578,023	7,075,304
Placement with banks	22,576,596	17,750,517
	$ 60,551,598	**72,498,553**

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

	December 31, 2010	December 31, 2009
Cash on hand	$ 60,551,598	72,498,553
Call loans to banks and bank overdraft	91,073,836	127,418,553
Placement with Central Bank, including reserve checking account and foreign－currency－denominated deposit reserves	27,993,867	36,996,414
Negotiable certificates of deposit (NCDs)	698,063,885	22,300,093
Investment in bills and securities maturing within 90 days	25,411,121	14,200,410
Total	**$ 903,094,307**	**273,414,023**

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

	December 31, 2010	December 31, 2009
Call loans to banks	$ 91,073,836	127,418,553
Reserves for deposits－A account and reserves for deposits－foreign-currency, etc.	27,993,867	36,996,414
Reserves for deposits－B account	60,676,386	60,246,178
Deposits in Central Bank	338,422,734	1,023,339,829
	$ 518,166,823	**1,248,000,974**

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, 2010 and 2009, 60% of the deposits collected by BOT on behalf of government institutions from government organizations amounting to $4,915,945 and $5,349,549, respectively, were deposited in the Central Bank and cannot 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, 2010 and 2009, $25,000,000 and $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.

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

		December 31, 2010	December 31, 2009
Financial assets held for trading			
Commercial paper	$	1,496,734	1,415,094
Government bonds		1,388,438	1,234,813
Listed stocks, beneficiary certificates and monetary instruments		62,999,262	69,021,805
Negotiable Certificates of Deposit		309,999	-
Domestic convertible bonds		361,296	1,476,616
Corporate and financial bonds		11,484	7,186
Foreign government bonds		3,679,635	3,948,149
Trading securities		18,673	187,852
Beneficiary securities		2,171,018	2,249,170
		72,436,539	79,540,685
Derivative financial instruments		10,953,606	3,619,456
Financial assets designated as at fair value through profit or loss:			
Foreign government and financial bonds		18,704,668	10,848,186
Total	$	**102,094,813**	**94,008,327**

For details of the valuation of financial assets measured at fair value through profit or loss, please see note 34, "Information on Financial Instruments".

(7) 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, 2010	December 31, 2009
Bills and bonds purchased under resell agreements:			
Government bonds	$	671,851	368,349
Negotiable certificates of deposit		2,141,558	-
Commercial paper		6,932,997	9,034,507
	$	**9,746,406**	**9,402,856**
Bills and bonds sold under repurchase agreements:			
Government bonds	$	8,973,240	5,525,570
Commercial paper		827,971	-
	$	**9,801,211**	**5,525,570**

(8) Receivables, Net

		December 31, 2010	December 31, 2009
Accounts receivable	$	1,114,235	1,204,809
Long-term receivable		41,261,142	40,526,237
Accrued revenue		374,142	430,084
Interest receivable		10,280,586	12,176,504
Insurance receivable		183,296	199,260
Refundable income tax		2,308,871	1,527,345
Notes receivable and acceptance notes receivable		3,798,386	3,433,230
Factoring receivable－without recourse		7,008,990	1,139,497
Margin loans receivable		2,687,905	1,499,116
Others－shall be replenished by state treasury		18,615,870	14,785,692
Others－undelivered spot exchange		-	15,661,635
Others		3,201,634	2,514,735
Subtotal		90,835,057	95,098,144
Less: allowance for doubtful accounts		241,661	249,697
Total	$	**90,593,396**	**94,848,447**

For the years ended December 31, 2010 and 2009, BoT paid excess interest rate amounting to 1.7535% and 1.8258%, and excess interest expenses (booked in other net non-interest income) amounting to $7,607,997 and $7,836,838, respectively, due to executing the government premium savings policy.

As of December 31, 2010 and 2009, BOT, on behalf of the government, had paid excess interest expenses amounting to $87,549,002 (booked in long-term receivable of $41,261,142 and other financial assets－short-term advance of $46,287,860). and $85,846,669 (booked in long-term receivable of $40,526,237 and other financial assets－short-term advance of $45,320,432), respectively. Please refer to note 13 "Other financial assets－net" for further description.

(9) Discounts and loans－Net

	December 31, 2010	December 31, 2009
Discounts and import-export negotiations	$ 3,994,541	4,253,895
Short-term loans and overdrafts	316,587,945	377,901,902
Short-term secured loans and secured overdrafts	79,134,136	79,430,593
Insurance loans	5,946,953	5,433,187
Medium-term loans	659,590,524	615,537,991
Medium-term secured loans	244,581,390	239,204,917
Long-term loans	184,008,225	210,235,964
Long-term secured loans	589,570,435	516,705,042
Nonperforming loans	12,003,306	17,449,665
Subtotal	2,095,417,455	2,066,153,156
Less: allowance for doubtful accounts	11,670,326	12,981,652
Total	**$ 2,083,747,129**	**2,053,171,504**

Movements of allowance for doubtful accounts were as follows:

	The year ended December 31, 2010			
	Unrecoverable risk for specific loans	Country risk	Potential risk of total loans mix	Total
Beginning balance	$ 10,078,882	2,945,142	243,885	13,267,909
Provision (reversal) for doubtful accounts	(1,099,306)	1,473,175	(18,762)	355,107
Write-off	(3,609,317)	(1,674,069)	(646)	(5,284,032)
Collected from write-off loans	3,625,256	89,201	-	3,714,457
Foreign exchange translation adjustment	-	(94,333)	-	(94,333)
Ending balance	**$ 8,995,515**	**2,739,116**	**224,477**	**11,959,108**

	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	-	(16,496)	-	(16,496)
Ending balance	**$ 10,078,882**	**2,945,142**	**243,885**	**13,267,909**

Details of allowance for doubtful accounts were as follows:

	December 31, 2010	December 31, 2009
Receivables	$ 241,661	249,697
Discounts and loans	11,670,326	12,981,652
Other financial assets	47,121	36,560
Total	**$ 11,959,108**	**13,267,909**

Details of bad debt expense were as follows:

	December 31, 2010	December 31, 2009
Provision for bad debt	$ 355,107	4,431,377
Reserve for guarantee liability	19,428	-
Total	**$ 374,535**	**4,431,377**

As of December 31, 2010 and 2009, the amount of loans where interest accruals had been ceased of the Company and its subsidiaries which are Bank of Taiwan and Bank Taiwan Life Insurance Co., Ltd. were $12,062,183 and $17,500,293, respectively, which was booked in discounts and loans－nonperforming loans and other financial assets－overdue receivables.

Please see note 34, "Information on Financial Instruments", for the valuation of loans granted by the Company and its subsidiaries.

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

	December 31, 2010	December 31, 2009
Domestic:		
Negotiable certificates of deposit	$ 694,691,274	22,004,830
Government bonds	38,014,496	34,746,910
Corporate bonds	15,874,346	8,766,063
Financial bonds	8,475,609	1,828,615
Real estate securitization	9,912	9,854
Financial asset securitization	996,661	996,661
Listed stocks and beneficiary certificates	73,903,298	64,267,928
Preferred stocks	1,390,841	1,200,594
Real estate Investment Trust	2,649,424	2,094,666
	836,005,861	135,916,121
Foreign:		
Foreign bonds	53,832,771	38,931,558
Real estate securitization	88,173	216,502
Beneficiary certificates	3,435,692	2,453,918
	57,356,636	41,601,978
Less: accumulated impairment	1,425,895	1,598,542
Total	**$ 891,936,602**	**175,919,557**

1) Please see note 34, "Information on Financial Instruments", for valuation of available-for-sale financial assets.
2) The Company and its subsidiaries 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. in 2008, as well as the financial asset securitization of E. Sun Bank 2007-1 Collateralized Bond obligations Special Purpose Trust Class B1 Beneficiary Certificates in 2009, whose book value amounted to $2,949,052. As these financial instruments had been impaired, the Company and its subsidiaries then recognized impairment losses amounting to $2,895,083 in 2009. The partial foregoing bonds have been sold for the year ended December 31, 2009, and the Company and its subsidiaries reversed the accumulated impairment of $1,380,046. Besides, as the foreign collateralized debt obligation (CDO) had been impaired, the Company and its subsidiaries recognized impairment losses amounting to $139,067.

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

	December 31, 2010	December 31, 2009
Domestic:		
Financial bonds	$ 24,581,934	21,380,706
Corporate bonds	46,699,865	30,727,185
Negotiable certificates of deposits	3,153,885	300,093
Commercial paper	23,916,094	12,788,541
Government bonds	24,023,324	17,386,136
Treasury bonds	497,783	998,182
Real estate securitization	32,040	35,288
Preferred stocks	291,090	291,090
Structured deposit	1,000,000	1,000,000
	124,196,015	84,907,221
Foreign:		
Foreign bonds	71,467,671	63,072,747
Less: accumulated impairment	(442,352)	(279,552)
	71,025,319	62,793,195
	$ 195,221,334	**147,700,416**

1) Please see note 34, "Information on Financial Instruments", for valuation of held-to-maturity investment.
2) The Company and its subsidiaries held Collateralized Debt Obligations (CDOs) and recognized impairment losses amounting to $294,635 and $184,339 for the years ended December 31, 2010 and 2009, respectively.

(12) Investments under Equity Method, Net

	December 31, 2010		December 31, 2009	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	29.36	$ 29,458,132	29.36	27,520,429
Taiwan Life Insurance Co., Ltd.	23.76	2,735,694	24.00	2,766,876
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	2,449,110	91.86	2,610,549
Tang Eng Iron Works Co., Ltd.	21.37	1,528,069	21.38	1,465,979
Tai Yi Real-Estate Management Co., Ltd.	30.00	10,249	30.00	9,588
Total		**$ 36,181,254**		**34,373,421**

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

Name of Investee	December 31, 2010	December 31, 2009
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.	1,451,074	1,451,462
Tai Yi Real Estate Management Co., Ltd.	3,793	3,793
	$ 11,750,343	**11,750,731**

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

Name of Investee	The year ended December 31, 2010	The year ended December 31, 2009
Hua Nan Financial Holdings Co., Ltd.	$ 1,785,518	1,306,355
Taiwan Life Insurance Co., Ltd.	350,303	1,222,076
Kaohsiung Ammonium Sulfate Co., Ltd.	(161,439)	(29,925)
Tang-Eng Iron Works Co., Ltd.	8,346	349,847
Gain on disposal of Tang-Eng Iron Works Co., Ltd.	424	-
Tai Yi Real-Estate Management Co., Ltd.	661	11
	$ 1,983,813	**2,848,364**

1. The financial statements of the Company and its subsidiaries' investee companies—Hua Nan Financial Holdings Co., Ltd. under equity method were audited by other auditors, and the related equity in earnings were $1,786,179 and $1,306,366 for the years ended December 31, 2010 and 2009, respectively.
2. The financial statements of the Company and its subsidiaries' some investee companies under equity method were not audited by auditors, and the related equity in losses were $(161,439) and $(29,925) for the years ended December 31, 2010 and 2009, 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 Company and its subsidiaries have no control power over such investee.
4. The Company and its subsidiaries sold the equity of Tang-Eng Iron Works Co., Ltd. of 20,000 shares on October 10 and 11, 2010; the proceeds amounted to $609. After offsetting the proceeds from long-term investment of $388, equity adjustment in long-term investment of $5, unrealized gain (losses) on financial instrument of $6, and the increment in unrealized revaluation of $202, the gain on disposal of the equity recognized was $424.

3) Details of the Company and its subsidiaries' 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	
	2010	2009	2010	2009
Hua Nan Financial Holdings Co., Ltd.	$ (1,198)	(65,474)	(27,250)	(11,259)
Taiwan Life Insurance Co., Ltd.	(12,484)	-	(4,424)	(1,465)
Tang Eng Iron Works Co., Ltd.	53,025	17,647	-	-
	$ 39,343	**(47,827)**	**(31,674)**	**(12,724)**

4) Details of the Company and its subsidiaries' 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	
	2010	2009	2010	2009
Hua Nan Financial Holdings Co., Ltd.	$ -	-	548,987	1,192,868
Taiwan Life Insurance Co., Ltd.	21,463	(526)	(307,913)	511,305
Tang Eng Iron Works Co., Ltd.	-	-	112	8,018
	$ 21,463	**(526)**	**241,186**	**1,712,191**

5) Details of the Company and its subsidiaries cash dividends from long-term investment under equity method were as follows:

	2010	2009
Hua Nan Financial Holdings Co., Ltd.	$ 368,353	1,251,684
Taiwan Life Insurance Co., Ltd.	75,945	-
	$ 444,298	**1,251,684**

(13) Other Financial Assets, Net

	December 31, 2010	December 31, 2009
Temporary advances	$ 54,068,656	51,688,589
Financial assets carried at cost	11,092,326	11,092,326
Bond investments with no active market	20,368,757	11,498,430
Less: accumulated impairment—bond investment with no active market	(593,916)	(1,466,075)
Overdue receivables	58,876	50,628
Less: allowance for doubtful accounts—overdue receivables	(47,083)	(36,524)
Hedging derivative financial assets	5,051	18,409
Separate account insurance product assets	6,139,271	5,680,906
Bills purchased	12,579	11,964
Less: allowance for doubtful accounts—bills purchased	(38)	(36)
Others	25,354	24,360
Total	**$ 91,129,833**	**78,562,977**

1) Please see note 34, "Information on Financial Instruments", for valuation of hedging derivative financial assets and bond investments with no active market.
2) Please see note 8, "Receivables", for description of temporary advance of excess interest expense on behalf of the government.
3) The Company and its subsidiaries which are Bank of Taiwan and Bank Taiwan Life Insurance Co., Ltd. recognized impairment losses of foreign Collateralized Debt Obligation (CDO) amounting to $31,873 (booked in impairment loss of assets) on December 31, 2010, and impairment losses of convertible bonds and CDO amounting to $567,544 (booked in impairment loss of assets) on December 31, 2009.

(14) Real Estate Investments, Net

	December 31, 2010	December 31, 2009
Real estate investments	$ 3,597,311	2,212,479
Less: accumulated depreciation	245,325	230,034
Total	**$ 3,351,986**	**1,982,445**

(15) Fixed Assets, Net

	December 31, 2010	December 31, 2009
Cost:		
Land	$ 4,869,569	4,871,014
Land revaluation increments	61,971,433	62,252,009
Land improvements	14,964	15,869
Buildings (including revaluation increments)	14,738,315	14,666,244
Machinery and equipment	5,787,537	5,657,173
Transportation equipment	1,119,987	1,115,210
Miscellaneous equipment	1,055,267	1,073,896
Leasehold improvements	640,415	631,599
Construction in progress and order parts	718,665	486,884
Subtotal	90,916,152	90,769,898
Accumulated depreciation:		
Land improvement	12,613	13,084
Buildings	5,224,250	4,940,294
Machinery and equipment	3,952,055	3,798,931
Transportation equipment	831,970	822,710
Miscellaneous equipment	801,959	801,719
Leasehold improvements	512,829	488,778
Subtotal	11,335,676	10,865,516
Accumulated impairment	1,822,964	252,584
Net	**$ 77,757,512**	**79,651,798**

On March 8, 2010 and March 17, 2009, BOT assessed individually asset and recognized an impairment loss amounting to $57,503 and $4,374, a reversal on impairment loss amounting to $13,774 and $15,776; reduced unrealized increments on revaluation by $1,526,651 and $96,521, respectively.

BOT has conducted revaluations of lands and buildings many times over past years. As of December 31, 2010 and 2009, revaluation increments of lands were $61,971,434 and $62,252,009, respectively, and estimated tax payables on land increments were $15,396,405 and $15,411,675 (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 Company and its subsidiaries sold land, buildings and equipments and recognized gains on disposal of property, plant and equipment of $612,974 and $2,645,425 for the years ended December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the Company and its subsidiaries did not pledge any fixed assets as a guarantee or collateral.

As of December 31, 2010, the part of the land and buildings (including real estate investment) of the Company and its subsidiaries were leased out. The book value (including revaluation increments) of the rental land was $32,612,536. Most of the rental buildings have been fully depreciated over their useful lives. The estimated future lease revenue was as follows:

Period	Amount
2011.01.01~2011.12.31	$ 228,065
2012.01.01~2012.12.31	156,001
2013.01.01~2013.12.31	79,636
2014.01.01~2014.12.31	21,545
2015.01.01~2015.12.31	14,453
	$ 499,700

(16) Intangible Assets

As of December 31, 2010 and 2009, the details of intangible assets were as follows:

	December 31, 2010	December 31, 2009
Original cost:		
Computer software	$ 1,127,307	1,239,151
Add: acquisition	305,603	289,020
Less: accumulated amortization	450,787	406,458
Ending balance	**$ 982,123**	**1,121,713**

(17) Other Assets－Net

	December 31, 2010	December 31, 2009
Prepayments	$ 7,462,261	5,132,786
Refundable deposits	1,816,396	1,345,746
Operating guarantee deposits and settlement and clearing funds	87,126	86,590
Temporary advance and amount being transferred	215,248	476,685
Deferred income tax assets, net	2,214,179	2,144,410
Non-operating assets (including revaluation increments)	8,138,402	8,184,756
Brokering transaction debit balance, net	-	22,487
Collateral assumed, net	1,076,959	1,076,959
Deferred pension cost	634,949	233,278
Others	867,154	37,579
Total	**$ 22,512,674**	**18,741,276**

1) Prepayments

	December 31, 2010	December 31, 2009
Prepaid expense	$ 685,737	755,331
Prepaid tax	50,170	210,729
Prepaid stock dividends and bonus	5,703,300	3,012,708
Other prepayments	1,023,054	1,154,018
	$ 7,462,261	**5,132,786**

2) Non-operating assets, net

		December 31, 2010	December 31, 2009
Land	$	8,251,546	8,251,546
Buildings		53,185	53,185
Miscellaneous equipment		92	92
Less: accumulated depreciation－buildings		22,179	20,781
accumulated impairment		144,242	99,286
	$	**8,138,402**	**8,184,756**

BOT recognized impairment loss of $45,226 and $78, reversal on impairment loss of $330 and $2,418, and unrealized increments on revaluation of $(61) and $11 based on the result of impairment assessment of individual asset on Mach 8, 2010 and March 17, 2009, respectively.

3) Collateral assumed, net

		December 31, 2010	December 31, 2009
Collateral assumed	$	1,093,456	1,095,788
Less: accumulated impairment		16,497	18,829
	$	**1,076,959**	**1,076,959**

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

(19) Commercial Paper Payable－Net

		December 31, 2010	December 31, 2009
Commercial paper	$	480,000	-
Less: commercial paper discount		219	-
Total	**$**	**479,781**	**-**

For the year ended December 31, 2010, the annual interest rates ranged from 0.52%~0.63%. As of December 31, 2010, unissued commercial paper facilities amounted to approximately $1,520,000 thousand. There were no assets pledged as collateral for issuing commercial paper for the year ended of 2010.

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

		December 31, 2010	December 31, 2009
Held-for-trading financial liabilities			
Foreign exchange options	$	29,246	9,079
Cross currency swaps		14,168,474	3,007,294
Interest rate swaps		916,724	952,683
Foreign exchange swaps		1,282,619	240,985
	$	**16,397,063**	**4,210,041**

For valuation of financial liabilities at fair value through profit or loss, please refer to note 34.

(21) Payables

	December 31, 2010	December 31, 2009
Accounts payable	$ 7,140,427	7,740,672
Receipts under custody	1,364,233	1,687,860
Accrued expense	2,795,368	2,704,538
Interest payable	11,628,448	12,327,500
Bank acceptances	3,753,620	3,272,781
Due from representative organization	30,399,824	33,023,880
Other payables－ATM temporary receipts, payments and inter-branch differences	1,400,110	-
Other payables－Spot foreign exchange awaiting delivery	7,227	15,667,772
Other payables－Collection bills	5,322,119	3,067,465
Other payables－Payments awaiting transfer	4,142,598	4,251,212
Other payables－Paid by connection banks	-	4,296,715
Other payables－Others	2,972,708	3,703,103
	$ 70,926,682	**91,743,498**

(22) Deposits and Remittances

	December 31, 2010	December 31, 2009
Checking account deposits	$ 32,852,752	28,731,791
Government deposits	233,009,445	211,783,672
Demand deposits	242,261,100	212,922,098
Time deposits	503,733,758	596,809,868
Savings account deposits	2,154,820,578	2,114,580,192
Remittances	497,518	561,547
	$ 3,167,175,151	**3,165,389,168**

(23) Other loans

As of December 31, 2010 and 2009, the unused limit of the Company and its subsidiaries' short-term loans were $9,900,000 and $17,800,000, respectively.

(24) Reserves for Operation and Liabilities

	December 31, 2010	December 31, 2009
Reserves for unearned premium	$ 362,353	357,562
Reserves for life insurance liability	238,128,800	191,242,566
Special reserves for life insurance	542,101	499,664
Reserves for claim outstanding	70,068	72,316
Reserves for operating loss	33,130	127,274
Reserves for default losses	138,062	116,154
Reserves for trading losses	-	5,880
Reserves for guarantees	281,340	263,603
Reserves for labor insurance liability	174,497,614	160,359,169
Reserve for insufficient premiums	1,873,638	2,370,408
Total	**$ 415,927,106**	**355,414,596**

(25) Other Financial Liabilities

	December 31, 2010	December 31, 2009
Appropriated loan funds	$ 793,180	1,270,228
Separate account－insurance liabilities	6,139,271	5,680,906
Hedging derivative financial liabilities	255,348	241,100
	$ 7,187,799	**7,192,234**

For details of hedging derivative financial liabilities on December 31, 2010 and 2009, please refer to note 34.

(26) Other Liabilities

	December 31, 2010	December 31, 2009
Advance collections	$ 1,833,612	799,471
Guarantee deposits received	4,962,574	4,885,771
Estimated tax payable on land increments	15,396,405	15,411,675
Temporary receipt awaiting transfer	1,031,962	480,964
Accrued pension liabilities	3,743,168	2,996,855
Others	1,320,341	1,338,446
	$ 28,288,062	**25,913,182**

(27) Pension

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

	December 31, 2010		December 31, 2009	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Benefit obligation:				
Vested benefit obligation	$ (5,078,892)	(384,331)	(4,896,223)	(374,734)
Non-vested benefit obligation	(3,784,179)	(482,611)	(3,142,515)	(453,749)
Accumulated benefit obligation	(8,863,071)	(866,942)	(8,038,738)	(828,483)
Additional benefits based on future salaries	(2,465,136)	(278,768)	(2,187,400)	(271,777)
Projected benefit obligation (PBO)	(11,328,207)	(1,145,710)	(10,226,138)	(1,100,260)
Fair value of plan assets	5,370,739	989,259	5,403,114	930,090
Funding status	(5,957,468)	(156,451)	(4,823,024)	(170,170)
Unrecognized transitional net benefit obligation (assets)	458,627	260,890	573,254	295,184
Unrecognized prior service cost	174,074	(16,419)	194,553	(20,067)
Unrecognized pension loss (gain)	2,330,624	(202,096)	1,400,123	(213,430)
Additional minimum pension liability recognized	(511,979)	(122,970)	(119,417)	(113,861)
Accrued pension liabilities	**$ (3,506,122)**	**(237,046)**	**(2,774,511)**	**(222,344)**
Vested benefit	**$ (6,170,478)**	**(468,994)**	**(6,166,899)**	**(462,072)**

The components of net pension costs for the year 2010 and 2009 were as follows:

	2010		2009	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Service cost	$ 800,930	57,718	789,155	55,703
Interest cost	239,340	26,460	222,152	24,368
Expected return on plan assets	(128,423)	(23,574)	(118,168)	(21,028)
Settlement gain	-	-	4,056	-
Amortization and deferred cost	157,474	20,629	154,517	18,873
Net pension costs	**$ 1,069,321**	**81,233**	**1,051,712**	**77,916**

The details of pension expenses for 2010 and 2009 as follows:

	2010	2009
Pension expenses:		
Defined benefit pension plan	$ 1,150,554	1,129,628
Defined contribution pension plan	119,598	29,110

Actuarial assumptions:

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

(28) Income Tax

The income tax expenses are summarized below:

	The year ended December 31, 2010	The year ended December 31, 2009
Current income tax	$ 557,079	498,220
Deferred income tax benefit	(98,201)	(594,005)
Income tax expense (benefit)	**$ 458,878**	**(95,785)**

The maximum income tax rate was lowered from 20% to 17% beginning 2010 according to the amendment of the "Income Tax Act" issued on June 15, 2010. Hence, the Company was subject to a maximum income tax rate of 17% and 25% in 2010 and 2009, respectively, and the Company adopted the "Income Basic Tax Act".

For the years ended December 31, 2010 and 2009 , 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, 2010	The year ended December 31, 2009
Expected income tax expenses	$ 1,340,111	2,171,467
Tax effect of interest income from short-term notes separately taxable income	7,035	(4,167)
Gain on securities transactions exempt from tax	(834,926)	(1,448,122)
Unrealized gain on evaluation of financial instruments	54,066	319,725
Tax-free earnings from OBU	(182,442)	(439,233)
Investment gains recognized under the equity method	(337,176)	(712,092)
Gain on disposal of land	(124,474)	(658,290)
Impairment loss of assets (reversal gain)	15,066	(1,342)
Tax-free dividends	(234,479)	(241,134)
Allowance for deferred income tax assets	(250,537)	(639,485)
Income tax expenses of overseas branches	261,721	456,766
Adjustments of outright purchase and sale of bills	-	(5,410)
Tax-free spread of bond transaction under agreement	-	4,042
Income basic tax	411,632	220,445
Adjustment of combined corporate income tax filing	(26,929)	-
Income tax effect of change in statutory income tax rate	101,165	445,531
Adjustment of income taxes estimated in prior years	235,715	401,697
Others	23,330	33,817
Income tax benefit	**$ 458,878**	**(95,785)**

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

	The year ended December 31, 2010	The year ended December 31, 2009
Pension costs in excess of tax limits	$ (58,589)	(67,941)
Decrease in reserve for accidental and default losses	(2,769)	(4,471)
(Gain) loss on valuation of foreign and derivative financial instruments	468,832	122,359
Unrealized gains on foreign currency exchange	(796,098)	(535,001)
Reversal of impairment loss on financial assets	137,429	57,481
Loss carryforward	(216,665)	(629,135)
Adjustment of combined corporate income tax filing	(26,929)	-
Deferred income tax expenses of overseas branches	155,948	309,916
Income tax effect of change in statutory income tax rate	235,715	148,451
Others	4,925	4,336
Deferred income tax benefit	**$ (98,201)**	**(594,005)**

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

	December 31, 2010		December 31, 2009	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Pension costs in excess of tax limits	$ 3,105,888	528,001	2,763,580	552,716
Loss carryforward	6,857,012	1,165,692	6,896,325	1,379,265
Accumulated impairment loss of collateral assumed	16,494	2,804	18,830	3,766
Impairment losses on collateral assumed	7,033,153	1,195,636	1,341,165	268,233
Unrealized losses on foreign currency exchange	1,155,747	196,477	2,009,665	401,933
Foreign deferred income tax assets－loss carryforward and exchange effect	-	341,914	-	409,737
Others	66,218	11,257	176,100	35,220
Subtotal		3,441,781		3,050,870
Allowance for deferred income tax assets		(969,243)		(753,231)
		$ 2,472,538		2,297,639
Deferred income tax liabilities:				
Unrealized gains on foreign currency exchange	1,161,488	197,453	240	48
Unrealized gains or losses on foreign and derivative financial instruments	223,159	37,937	739,985	147,997
Unrealized gains or losses on exchange difference and financial instruments	135,112	22,969	-	-
Foreign deferred income tax liabilities－changes in exchange	-	-	-	5,184
		$ 258,359		153,229
Deferred income tax assets－net		**$ 2,214,179**		**2,144,410**

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

Fiscal years	December 31, 2010	Last year offsetable
2008, applied amount	$ 32,856	2018
2009, approved amount	3,005,809	2019
2010, estimated amount	3,818,347	2020
	$ 6,857,012	

The Company and its subsidiaries' income tax returns for all years through 2009 were audited by the MoA. Except for 2008, the income tax returns for the years through 2009 were examined by the National Tax Administration.

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, 2010 and 2009, the details of receivables and payables resulting from income tax were as follows:

	The year ended December 31, 2010			
	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	-
2009	22,234	772,912	772,980	-
2010	28,140	430,221	430,272	-
	$ 50,374	**1,943,675**	**1,943,803**	**-**

	The year ended December 31, 2009			
	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)
2008	$ -	740,542	740,551	-
2009	22,234	772,912	772,980	-
	$ 22,234	**1,513,454**	**1,513,531**	**-**

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, 2010			
	Current income tax expense (gain)	Deferred income tax expense (gain)	Deferred income tax assets, net	Current income tax receivables
Amount computed under SFAS No. 22	$ 557,079	(98,201)	2,214,179	2,277,970
Difference adjustments	-	-	-	-
Amount computed for filing combined corporate income tax return	**$ 557,079**	**(98,201)**	**2,214,179**	**2,277,970**

	The year ended December 31, 2009			
	Current income tax expense	Deferred income tax expense	Deferred income tax asset, net	Current income tax receivables
Amount computed under SFAS No. 22	$ 498,220	(594,005)	2,144,410	1,513,532
Difference adjustments	-	-	-	-
Amount computed for filling combined corporate income tax returns	**$ 498,220**	**(594,005)**	**2,144,410**	**1,513,532**

As of December 31, 2010 and 2009, unappropriated retained earnings were as follows:

	December 31, 2010	December 31, 2009
1998 and after	**$ 9,729,697**	**8,851,786**

(29) 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, 2010, the Company had authorized and issued $90,000,000 of common stock.

2) Additional paid-in capital

The change in additional paid-in capital for the years ended December 31, 2010 and 2009 were as follows:

	Capital surplus	
	The year ended December 31, 2010	The year ended December 31, 2009
Beginning balance	$ 111,494,739	111,495,264
Recognition of change in the subsidiaries' additional paid-in capital under equity method	21,463	(525)
Closing balance	**$ 111,516,202**	**111,494,739**

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.

As a government-owned enterprise, the Company is obligated to pay cash dividends to the government. In 2009, net profit before tax was $8,781,163, apart from the provision of legal reserve amounting to $878,116 and special reserve of $3,512,465, the cash dividend paid was $3,943,135.

(30) Earnings per Share

	The year ended December 31, 2010		The year ended December 31, 2009	
	Pretax	After tax	Pretax	After tax
Net income (for common stockholders)	**$ 7,882,998**	**7,424,120**	**8,685,378**	**8,781,163**
Weighted average outstanding shares (shares in thousands)	**9,000,000**	**9,000,000**	**9,000,000**	**9,000,000**
Primary earnings per share (in Dollars)	**$ 0.88**	**0.82**	**0.97**	**0.98**

(31) Net Insurance Business Income

	The year ended December 31, 2010	The year ended December 31, 2009
Gross written premiums	$ 73,524,346	60,671,528
Reinsurance claims recovery	20,437	25,376
Investment-type insurance policy revenue	1,214,615	483,058
Insurance business income	74,759,398	61,179,962
Re-insurance expense	74,998	77,532
Direst business expense	40,800	333,549
Insurance payments	39,498,190	27,711,522
Stability fund	56,100	43,498
Investment-type insurance policy expense	1,214,615	483,058
Insurance business expense	40,884,703	28,649,159
Net insurance income	**$ 33,874,695**	**38,530,803**

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

	The year ended December 31, 2010	The year ended December 31, 2009
Available-for-sale financial assets	$ -	1,240,978
Held-to-maturity financial assets	(294,635)	(184,339)
Other financial assets	(31,873)	(567,544)
Fixed assets	(43,729)	11,402
Other assets	(44,896)	4,168
	$ (415,133)	**504,665**

(33) Provisions (Recovery) for Insurance Policy Reserves

	2010	2009
Provision for policyholders' reserve	$ 61,203,998	74,817,376
Provision for special reserve	44,044	20,779
Recovery for claim reserve	(2,248)	(3,252)
(Recovery) Provision for insufficient premium reserve	(496,770)	1,507,578
	$ 60,749,024	**76,342,481**

(34) Information on Financial Instruments

1) Information on fair value of financial instruments

	December 31, 2010		December 31, 2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Financial assets measured at fair value through profit or loss	$ 102,094,813	102,094,813	94,008,327	94,008,327
Loans	2,083,747,129	2,083,747,129	2,053,171,504	2,053,171,504
Available-for-sale financial assets	891,936,602	891,936,602	175,919,557	175,919,557
Held-to-maturity financial assets	195,221,334	194,826,599	147,700,416	153,662,632
Other financial assets	91,129,833	91,129,833	78,562,977	78,562,977
Financial Liabilities:				
Financial liabilities measured at fair value through profit or loss	16,397,063	16,397,063	4,210,041	4,210,041
Other financial liabilities	7,187,799	7,187,799	7,192,234	7,192,234

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

	December 31, 2010		December 31, 2009	
	Book value	Notional amount	Book value	Notional amount
Derivative financial assets:				
Buy side foreign exchange option	$ 25,985	4,461,625	9,111	7,736,913
Cross currency swaps	6,942,017	238,676,146	3,127,004	313,995,981
Interest rate swaps	612,525	75,949,443	138,290	6,174,282
Foreign exchange forward transaction	3,368,662	26,068,103	343,360	27,907,555
Commercial paper with fixed rate	4,417	700,000	1,691	700,000
Derivative financial liabilities:				
Sell side foreign exchange option	29,246	4,657,063	9,079	7,732,101
Cross currency swaps	14,168,474	412,998,459	3,007,294	328,099,484
Interest rate swaps	916,724	27,061,391	952,683	15,634,186
Foreign exchange forward transaction	1,282,619	35,806,999	240,985	18,174,443

3) Methods and assumptions used by the Company and its subsidiaries 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 Company and its subsidiaries 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 Company and its subsidiaries which were based on the quoted market price or a valuation model were as follows:

	December 31, 2010		December 31, 2009	
	Quoted market price	Valuation model	Quoted market price	Valuation model
Financial assets:				
Financial assets measured at fair value through profit or loss	$ 64,406,373	37,688,440	71,921,086	22,087,241
Discount and loans	-	2,083,747,129	-	2,053,171,504
Available-for-sale financial assets	123,638,286	768,308,316	102,669,349	73,250,208
Held-to-maturity investments	24,193,899	170,632,700	18,581,145	135,081,487
Other financial assets	-	91,129,833	-	78,562,977
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss	-	16,397,063	-	4,210,041
Other financial liabilities	-	7,187,799	-	7,192,234

For the year ended December 31, 2010 and 2009, the Company and its subsidiaries recognized gain (loss) on valuation of $(10,006,461) and $2,071,190, respectively, based on a valuation model.

5) Financial risk information

1. Market risk

(a) 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.

(b) BTI

Fair value of the domestic and foreign bonds held by the Company varies according to the fluctuation of market interest or exchange rate. In order to prevent the risk of exchange rate, the Company signed foreign exchange forward contracts to hedge.

The investments held by BTI are classified as trading security financial assets and available-for-sale financial assets. Due to the value of the assets are measured in fair value, BTI shall be exposed to the risk of changing price of market.

(c) BTS

Market risk is the risk that the Company will suffer losses due to market interest rate or exchange rate fluctuation. If the transaction purpose is to hedge, market risk will be eliminated by the hedged items. If the transaction purpose is trading, the Company will set a stop-loss point in the beginning. Therefore, the Company can confine the losses within an expected range.

BTS can manage its risk through the following:

a) The content, range of transaction, and authorization of levels should be clearly defined.
b) Risk should be identified, measured, supervised, and controlled while operating financial instrument, the risk undertaken should be within the capacity of BTS.
c) Establishing risk target of market, precaution system, overrunning handling, and communication system to take proper policy of market risk, in order to accomplish fully supervising and prevention.
d) Establishing market risk information management system, including transaction system, operating system, and risk management system to define the responsibility, ensure the independence of the system, and keep the system proper and in balance.
e) Create a model of market risk to assess and express the exposure of BTS, furthermore, to systematically manage the risk exposed.
f) Assessing market risk and preparing paper work before creating financial instrument, changing operating process, or developing information system and explore new financial services and products.
g) Enforcing the professional knowledge and training, and harness risk sensitivity within the corporation culture.

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 Company and its subsidiaries may cause a loss when the contractual debt obligations are not met. Therefore, the Company and its subsidiaries 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, 2010			
Item	Secured amount	Total amount	Percentage of total amount
Loan (note 1)	$ 1,014,049	2,095,417	48.39
Acceptances	145	3,683	3.94
Guarantees on loans	13,421	43,952	30.54

December 31, 2009			
Item	Secured amount	Total amount	Percentage of total amount
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

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

Collateral which the Company and its subsidiaries requires may include a deposit receipt, inventories, machinery and equipment, marketable securities, other property, and guarantees. If the customers default, the Company and its subsidiaries 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 maximum credit exposure

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

(In millions of NTD)

Items	December 31, 2010	
	Book value	Maximum credit exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	$ 102,095	100,707
Available-for-sale financial assets	891,937	159,230
Held-to-maturity financial assets	195,221	171,199
Loans and advances (note 1)	2,149,486	1,871,495
Hedging derivatives	5	5
Debt investments without quoted price in active markets	19,775	19,775
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; short-term loans and nonperforming loans.

Note 2: In the amounts of maximum credit exposure, held-for-trading financial assets exclude government bonds amounting to $1,388 million; available-for-sale financial assets exclude government bonds amounting to $38,015 million and negotiable certificates of deposit amounting to $694,691 million; held-to-maturity financial assets exclude government bonds amounting to $24,023 million; loans and advances exclude Central Government loans amounting to $240,087 million; Bureau of National Health Insurance loans to $24,600 million and Central Government short-term advance amounting to $13,304 million.

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

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	92,973
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; short-term loans and nonperforming loans.

Note 2: In the amounts of maximum 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 maximum 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 Company and its subsidiaries is disclosed below:

a) The details of loans to various industries and the greatest credit exposure for the year ended December 31, 2010 and 2009 , were as follows:

(In millions of NTD)

Industry type	December 31, 2010		
	Book value(note 1)	Percentage of total loans (%)	Greatest credit exposure (note 2)
Individuals	$ 666,534	31.72	666,534
Government agencies	474,044	22.56	237,344
Manufacturing	330,009	15.71	330,009
Shipping, warehousing and communications	137,845	6.56	137,845
Utilities	141,682	6.74	141,682
Others	345,303	16.71	350,950
Total	**$ 2,095,417**	**100.00**	**1,864,364**

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 $240,087 million to the Central Government and $24,600 million to the Bureau of National Health Insurance loans are deducted from book value.

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	**$ 2,066,153**	**100.00**	**1,829,453**

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 maximum credit exposure is the remaining amount when loans amounting to $236,700 million to the Central Government are deducted from book value.

b) The details of loans to various areas and the maximum credit exposure for the year ended December 31, 2010 and 2009, were as follows:

(In millions of NTD)

Areas type	December 31, 2010		
	Book value (note 1)	Percentage of total loans (%)	Greatest credit exposure (note 2)
Domestic	$ 1,979,370	94.47	1,711,000
Foreign	116,047	5.53	116,047
Total	$ 2,095,417	100.00	1,827,047

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 maximum credit exposure is the remaining amount when loans amounting to $240,087 million to the Central Government and $24,600 million to the Bureau of National Health Insuance loans are deducted from book value.

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	$ 2,066,153	100.00	1,829,453

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 maximum credit exposure is the remaining amount when loans amounting to $236,700 million to the Central Government are deducted from book value.

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

The Company and its subsidiaries, when offering services of loan commitments, net settlement, and offset rights, always assesses credibility carefully. Collateral acquired by the Company and its subsidiaries, due to loans, loan commitments, net settlement, and guarantee, could be disposed on the basis of a notice of ownership transfer in order to protect the rights and decrease the credit risk of the Company and its subsidiaries. The fair value of collaterals would not be considered when the greatest credit exposure is disclosed.

Unit: million dollars

Item	Amount of disclosure of the greatest credit exposure	
	December 31, 2010	December 31, 2009
Irrevocable loan commitments	$ 545,305	599,968
Amounts due from credit	$ 35,706	38,358
Guarantees receivable	$ 43,952	50,051
Acceptance receivable	$ 3,683	3,266

Note: This form assumes that the amount of greatest credit exposure at balance sheet date is positive. The Company and its subsidiaries assess the counterparty with off balance sheet commitment and guarantee without considering its type.

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 Company and its subsidiaries 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 Company and its subsidiaries are gradually implementing the risk management system.

The Company and its subsidiaries 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 Company and its subsidiaries utilize financial tools of the money market and foreign exchange market, together with appropriate liquid assets to plan for future cash demand.

Capital and working capital of the Company and its subsidiaries 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, 2010 and 2009 , is as follows:

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

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

	December 31, 2009				
	1~30 days	31~91 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
Receivable, net	17,141,571	982,430	579,926	16,847,920	35,551,847
Loans and discounts, net	151,992,079	200,172,038	319,143,569	1,365,781,562	2,037,089,248
Non-performing loans	19,242	-	-	17,435,901	17,455,143
Total assets	$ 642,635,159	774,355,833	546,053,848	1,613,622,915	3,576,667,755
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	$ 422,625,334	429,971,174	1,170,209,057	1,440,490,742	3,463,296,307
Gaps	$ 220,009,825	344,384,659	(624,155,209)	173,132,173	113,371,448

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

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

Floating assets and floating liabilities of the Company and its subsidiaries 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 reprising date

As of December 31, 2010 and 2009, 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 Company and its subsidiaries. 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 reprising 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:

(In millions of NTD)

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

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

	December 31, 2009				
	1~30 days	31~90 days	91 days~one year	Over one year	Total
Assets					
Financial assets measured at fair value through profit or loss	$ 3,605	2,349	2,986	12,629	21,569
Bonds and bills purchased under resell agreements	368	-	-	-	368
Available-for-sale financial assets	9,062	27,632	18,238	87,078	142,010
Held-to-maturity financial assets	-	-	501	384	885
Hedging through derivative assets	18	-	-	-	18
Financial assets carried at cost	-	-	-	11,092	11,092
Debt investment without quoted price in active market	-	-	-	5,647	5,647
Due from and call loans to banks	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
Investment under equity method	-	-	-	29,816	29,816
Other assets	18,826	2,271	522	228,816	250,435
Total assets	$ 594,282	775,645	545,997	1,808,155	3,724,079
Liabilities					
Deposits from Central Bank	$ 66,213	62,340	5,888	677	135,118
Financial liabilities measured at fair value through profit or loss	711	-	-	3,824	4,535
Bonds and bills sold under repurchase agreements	3,951	1,536	-	-	5,487
Hedging derivative liabilities	60	-	181	-	241
Other financial liabilities－appropriation for loans	-	-	-	1,271	1,271
Deposits	335,132	364,954	1,151,022	1,370,904	3,222,012
Long-term liabilities	-	-	-	19,284	19,284
Other liabilities	15,209	5,811	24,592	82,533	128,145
Total liabilities	$ 421,276	434,641	1,181,683	1,478,493	3,516,093
Stockholders' equity	$ 173,006	341,004	(635,686)	329,662	207,986

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

(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, 2010 and 2009, were as follows:

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

December 31, 2009		
Item	NTD	USD
Available-for-sale financial assets:		
Government bonds	0.7909%~6.9602%	5.7500%~9.6250%
Financial bonds	2.1100%~2.3000%	0.2634%~6.5000%
Corporate bonds	3.0500%~7.9400%	0.3506%~8.8800%
Negotiable certificates of deposit of Central Bank	0.5700%~0.7100%	-
Taipei City Government bonds	1.2000%~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%

5. Fair-value hedge

Financial instruments held by the Company and Subsidiaries are applicable to hedge accounting. The Company and Subsidiaries adopted fair value hedge accounting and should disclose the following:

(a) Fair value hedge

Gain (loss) due to re-measuring with fair value of hedge instrument, or change of exchange rate, should be recognized as gain (loss) of the period; gain (loss) due to hedging is the adjustment of the hedged target and should be recognized as gain (loss) of the period.

(b) Fair value hedge 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:

a. When the interest rate trends up, the Company and its subsidiaries adopt fair value hedging to avoid effects on income by swapping a fixed rate for a floating rate on fixed-rate bonds.

b. When the interest rate trends down, the Company and its subsidiaries 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, 2010	
		Original amount	Fair value
Foreign bonds	Swap	$ 590,241	5,051
Foreign bonds	Swap	4,639,975	(255,349)

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)

c) Nature of hedged risk:

The hedged items of the hedge accounting adopted by the Company and its subsidiaries 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).

(35) 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:

1. 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.
2. 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.
3. 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

1. Risk management structure and protocols

(a) Risk management structure

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

a) The Board of Director holds the highest responsibility in maintaining the risk management of the Bank, which includes formulating strategies accordingly, establishing the risk management policy, ensuring the consistency of the risk managing system, identifying all the risk matures and retain all the resources available for encountering all sorts of unexpected risks.

b) The role of risk management committee established by the Board of Directors includes implementing the risk management strategy and integrating risk-related issues between various units across the bank.

c) The role of the risk management department includes monitoring all risk management issues independently and on an operational level. The risk management department is also in charge in investigating into any relevant departments and reports directly to the Board of Directors. Similarly, if any risk exposures exceeding the capacity of the Bank is discovered, the department has the responsibility to take reasonable actions and report to the Board of Directors.

d) Every department shall identify, evaluate, and control the risks of any new products or operations and establish the risk management process accordingly. In addition, to monitor the relevant risks in compliance with the risk management policy of the Bank.

(b) Risk management protocols

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

a) Monitor the settlement ratio of the Bank in relevance to the operational size, credit risk, market risk, operational risk and the future prospects.

b) Establish a risk measuring and monitoring procedure system in order to measure and monitor risks effectively.

c) Taking in the risk capacity, capital reserve, nature of debts, performance and rewards into consideration, the Bank shall manage the risks of operating across all units.

d) Establish a valuation system for the quality and classification of assets to consistently monitor excess risk exposures with large concentration, and to accrue allowance for losses.

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

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

(a) 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.

(b) 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.

(c) 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

(i) 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%.

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

(iii) 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.

(iv) 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.

(d) 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.

(36) 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 and BTLI under the equity method
Taiwan Life Insurance Co., Ltd.	Investee company of BOT and BTLI 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, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	$ 4,338	0.02	8,223	0.02

2. Deposits of banks

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

Interest rates of related-party transactions are the same as those with non-related parties.

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

	2010			
	Highest balance	Ending balance	Annual interest rate (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	$ 11,056,085	447,500	0.104~1.35	14,758

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

Interest rates of related-party transactions are the same as those with non-related parties.

4. Deposits

	December 31, 2010		December 31, 2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	$ 42,391	-	49,547	-
Taiwan Life Insurance Co., Ltd.	505,498	0.02	28,341	-
Kaohsiung Ammonium	120,766	-	1,370,890	0.04
Tang-Eng Iron Works Co., Sulfate Co., Ltd.	165	-	305	0.01
Total	$ 668,820	0.02	1,449,083	0.05

The interest rates applied are computed by the basic rates displayed, thus, the interest rate for deposits are similar as those between the related parties and other general non-related parties.

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

Mortgage loans for real estate for the Company and its subsidiaries' directors, supervisors, and staff and their spouses and close relatives for the year ended December 31, 2010 and 2009:

	December 31, 2010	December 31, 2009
Mortgage loans for real estate	$ 231,827	57,541
Interest receivable	$ 125	44

The interest range was 0.79% to 1.70% and 0.79% to 2.01% for the year ended December 31, 2010 and 2009, respectively.

6. Loans

December 31, 2010							
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	31	19,553	15,600	15,600	-	None	None
House mortgages	130	444,831	408,070	408,070	-	Land and building	None
Other loans	Tang-Eng Iron Works Co., Ltd.	357,536	250,000	250,000	-	Land, building and securities	None
〃	Tang-Eng Iron Works Co., Ltd.	830,000	-	-	-	〃	None
〃	Tang-Eng Iron Works Co., Ltd.	600,000	-	-	-	〃	None
〃	Tang-Eng Iron Works Co., Ltd.	170,500	33,638	33,638	-	〃	None
〃	Tang-Eng Iron Works Co., Ltd.	1,500,000	1,500,000	1,500,000	-	〃	None
Call loans to banks	Hua Nan Financial Holding Co., Ltd.	8,303,775	5,000	5,000	-	None	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 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 Holding Co., Ltd.	6,613,800	5,000	5,000	-	None	None

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure 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, 2010						
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~ 2011.01.10	141,536	(3,594)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－forward	(3,594)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~ 2011.01.10	140,022	(3,556)	〃	(3,556)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~ 2011.01.10	145,058	(3,684)	〃	(3,684)
Taiwan Life Insurance Co., Ltd.	BHSW010121 swap	2010.05.07~ 2011.03.14	150,160	(2,900)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－swap	(2,900)
Taiwan Life Insurance Co., Ltd.	BHSW010122 swap	2010.05.07~ 2011.03.14	450,480	(8,701)	〃	(8,701)
Taiwan Life Insurance Co., Ltd.	BHSW010141 swap	2010.06.25~ 2011.01.07	2,688,930	(34,092)	〃	(34,092)
Taiwan Life Insurance Co., Ltd.	BHSW010179 swap	2010.09.08~ 2011.02.14	300,560	(5,861)	〃	(5,861)
Taiwan Life Insurance Co., Ltd.	BHSW010205 swap	2010.10.15~ 2011.03.22	594,364	(5,479)	〃	(5,479)
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~ 2011.01.31	159,345	(11,944)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－swap	(11,944)
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~ 2011.01.31	149,417	(11,200)	〃	(11,200)
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~ 2011.01.31	254,952	(19,111)	〃	(19,111)
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~ 2011.01.31	318,690	(23,888)	〃	(23,888)
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~ 2011.02.10	1,203,380	(24,505)	〃	(24,505)

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)

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.	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~ 2010.01.21	1,292,480	(5,795)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held for trading－swap	(5,795)
Taiwan Life Insurance Co., Ltd.	BHSW910340 swap	2009.12.18~ 2010.01.22	1,296,920	(10,264)	〃	(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 foreign exchange option	2009.12.30~ 2010.01.20	53,867	155	Financial liabilities at fair value through profit or loss－current－held for trading－foreign exchange option	(175)
Chen Yi Hong	0912290160 foreign exchange option	2009.12.30~ 2010.01.20	-	-	Financial assets at fair value through profit or loss－current－held for trading－foreign exchange option	155

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

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

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

3) Main management's remuneration

The related information about the salaries and rewards for the Company's main management in 2010 and 2009 is as follows:

	2010	2009
Salaries	$ 5,148	3,427
Bonus	1,940	1,647
Business expense	6,584	3,718

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, their spouses and relatives

(b) Significant related-party transactions

a) Receivables

	December 31, 2010	December 31, 2009
The Company	$ 213	595,182

b) Deposits of banks

	December 31, 2010	December 31, 2009
Hua Nan Financial Holdings Co., Ltd.	$ 168,398	319,870

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

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

	2010			
	Highest balance	Ending balance	Interest rate (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	$ 11,056,085	447,500	0.104~1.35	14,758

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

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

d) Other assets

	December 31, 2010	December 31, 2009
The Company	$ 5,620,865	3,955,003

e) Deposits

	December 31, 2010	December 31, 2009
Taiwan Life Insurance Co., Ltd.	$ 505,498	28,341
Kaohsiung Ammonium Sulfate Co., Ltd.	120,766	1,370,890
BTS	553,290	733,668
the Company	37,084	1,406,913
BTLI	18,211,604	22,527,356
Total	$ 19,428,242	26,067,168

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) Interest expense

	December 31, 2010	December 31, 2009
BTLI	$ 111,263	95,870

g) Fee revenue

	December 31, 2010	December 31, 2009
BTLI	$ 789,956	610,591

h) Other non-interest gain or losses, net

	December 31, 2010	December 31, 2009
Taiwan Life Insurance Co., Ltd.	$ 150,619	44,226

i) Loans

Subsidiary－BOT

December 31, 2010							
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-per forming loans		
Consumer loans	31	19,553	15,600	15,600	-	None	None
House mortgages	130	444,831	408,070	408,070	-	Land and building	None
Other loans	Tang-Eng Iron Works Co., Ltd.	357,536	250,000	250,000	-	Land, building and securities	None
〃	Tang-Eng Iron Works Co., Ltd.	830,000	-	-	-	Land, building and securities	None
〃	Tang-Eng Iron Works Co., Ltd.	600,000	-	-	-	Land, building and securities	None
〃	Tang-Eng Iron Works Co., Ltd.	170,500	33,638	33,638	-	Land, building and securities	None
〃	Tang-Eng Iron Works Co., Ltd.	1,500,000	1,500,000	1,500,000	-	Land, building and securities	None

December 31, 2010							
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-per forming loans		
〃	BankTaiwan Securities Co., Ltd.	603,017	82,017	82,017	-	Land, building, time deposit, and letter of guarantee	None
〃	Taiwan Financial Holding Co., Ltd.	5,600,000	5,600,000	5,600,000	-	Letter of guarantee	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	8,303,775	5,000	5,000	-	None	None

December 31, 2009							
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-per forming 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	-	Land and building	None
〃	Tang-Eng Iron Works Co., Ltd.	867,590	607,284	607,284	-	None	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	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

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	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~ 2011.01.10	141,536	(3,594)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－forward	(3,594)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~ 2011.01.10	140,022	(3,556)	〃	(3,556)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~ 2011.01.10	145,058	(3,684)	〃	(3,684)
Taiwan Life Insurance Co., Ltd.	BHSW010121 swap	2010.05.07~ 2011.03.14	150,160	(2,900)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－swap	(2,900)
Taiwan Life Insurance Co., Ltd.	BHSW010122 swap	2010.05.07~ 2011.03.14	450,480	(8,701)	〃	(8,701)
Taiwan Life Insurance Co., Ltd.	BHSW010141 swap	2010.06.25~ 2011.01.07	2,688,930	(34,092)	〃	(34,092)
Taiwan Life Insurance Co., Ltd.	BHSW010179 swap	2010.09.08~ 2011.02.14	300,560	(5,861)	〃	(5,861)
Taiwan Life Insurance Co., Ltd.	BHSW010205 swap	2010.10.15~ 2011.03.22	594,364	(5,479)	〃	(5,479)
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~ 2011.01.31	159,345	(11,944)	〃	(11,944)
Taiwan Life Insurance Co., Ltd.	BHSW910020 swap	2009.02.09~ 2011.01.31	149,417	(11,200)	〃	(11,200)
Taiwan Life Insurance Co., Ltd.	BHSW910022 swap	2009.02.18~ 2011.01.31	254,952	(19,111)	〃	(19,111)
Taiwan Life Insurance Co., Ltd.	BHSW910064 swap	2009.04.09~ 2011.01.31	318,690	(23,888)	〃	(23,888)
Taiwan Life Insurance Co., Ltd.	BHSW910339 swap	2009.12.17~ 2011.02.10	1,203,380	(24,505)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－swap	(24,505)
BankTaiwan Life Insurance Co., Ltd.	CLSW010067 swap	2010.03.04~ 2011.06.08	611,380	(24,068)	〃	(24,068)
BankTaiwan Life Insurance Co., Ltd.	CLSW010081 swap	2010.03.11~ 2011.06.15	1,216,700	(42,389)	〃	(42,389)
BankTaiwan Life Insurance Co., Ltd.	CLSW010095 swap	2010.04.01~ 2011.01.06	1,555,350	(80,407)	〃	(80,407)

December 31, 2010						
Name of related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW010111 swap	2010.04.19~ 2011.03.22	1,214,200	(36,395)	〃	(36,395)
BankTaiwan Life Insurance Co., Ltd.	CLSW010117 swap	2010.05.04~ 2011.05.09	1,067,500	(38,607)	〃	(38,607)
BankTaiwan Life Insurance Co., Ltd.	CLSW010164 swap	2010.08.16~ 2011.02.18	1,592,500	(119,036)	〃	(119,036)
BankTaiwan Life Insurance Co., Ltd.	CLSW010168 swap	2010.08.20~ 2011.01.24	2,068,950	(152,381)	〃	(152,381)
BankTaiwan Life Insurance Co., Ltd.	CLSW010172 swap	2010.08.25~ 2011.01.27	2,079,025	(162,607)	〃	(162,607)
BankTaiwan Life Insurance Co., Ltd.	CLSW010175 swap	2010.08.30~ 2011.03.01	1,914,120	(146,259)	〃	(146,259)
BankTaiwan Life Insurance Co., Ltd.	CLSW010181 swap	2010.09.13~ 2011.06.15	608,350	(21,194)	〃	(21,194)
BankTaiwan Life Insurance Co., Ltd.	CLSW010184 swap	2010.09.17~ 2011.03.22	910,650	(27,296)	〃	(27,296)
BankTaiwan Life Insurance Co., Ltd.	CLSW010196 swap	2010.09.28~ 2011.03.31	627,720	(38,948)	〃	(38,948)
BankTaiwan Life Insurance Co., Ltd.	CLSW010223 swap	2010.11.10~ 2011.02.14	1,226,080	(47,268)	〃	(47,268)
BankTaiwan Life Insurance Co., Ltd.	CLSW010235 swap	2010.11.22~ 2011.02.24	1,209,520	(30,913)	〃	(30,913)
BankTaiwan Life Insurance Co., Ltd.	CLSW010238 swap	2010.12.06~ 2011.06.08	1,528,450	(60,169)	〃	(60,169)
BankTaiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~ 2011.06.23	609,910	(22,917)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－swap	(22,917)
BankTaiwan Life Insurance Co., Ltd.	CLSW810108 swap	2008.05.07~ 2011.05.13	157,960	(10,983)	〃	(10,983)
BankTaiwan Life Insurance Co., Ltd.	CLSW810109 swap	2008.05.07~ 2011.05.13	1,168,904	(81,271)	〃	(81,271)
BankTaiwan Life Insurance Co., Ltd.	CLSW810130 swap	2008.06.30~ 2011.02.23	1,592,550	(119,199)	〃	(119,199)
BankTaiwan Life Insurance Co., Ltd.	CLSW810207 swap	2008.09.26~ 2011.05.13	1,895,520	(131,791)	〃	(131,791)

December 31, 2010						
Name of related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW810208 swap	2008.09.26~ 2011.05.13	631,840	(43,930)	〃	(43,930)
BankTaiwan Life Insurance Co., Ltd.	CLSW810211 swap	2008.09.30~ 2011.05.13	126,368	(8,786)	〃	(8,786)
BankTaiwan Life Insurance Co., Ltd.	CLSW810212 swap	2008.09.30~ 2011.05.13	947,760	(65,895)	〃	(65,895)
BankTaiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~ 2011.06.23	2,744,595	(103,125)	〃	(103,125)
BankTaiwan Life Insurance Co., Ltd.	CLSW810241 swap	2008.11.13~ 2011.02.23	637,020	(47,680)	〃	(47,680)
BankTaiwan Life Insurance Co., Ltd.	CLSW810242 swap	2008.11.13~ 2011.02.23	1,592,550	(119,199)	〃	(119,199)
BankTaiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~ 2011.04.22	1,231,560	(54,941)	〃	(54,941)
BankTaiwan Life Insurance Co., Ltd.	CLSW810265 swap	2008.12.15~ 2011.02.23	318,510	(23,840)	〃	(23,840)
BankTaiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~ 2011.04.22	153,945	(6,868)	〃	(6,868)
BankTaiwan Life Insurance Co., Ltd.	CLSW910009 swap	2009.01.23~ 2011.04.29	307,460	(13,380)	〃	(13,380)
BankTaiwan Life Insurance Co., Ltd.	CLSW910010 swap	2009.01.23~ 2011.04.29	307,460	(13,380)	〃	(13,380)
BankTaiwan Life Insurance Co., Ltd.	CLSW910011 swap	2009.01.23~ 2011.04.29	307,460	(13,380)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held-for-trading－swap	(13,380)
BankTaiwan Life Insurance Co., Ltd.	CLSW910012 swap	2009.01.23~ 2011.04.29	307,460	(13,380)	〃	(13,380)
BankTaiwan Life Insurance Co., Ltd.	CLSW910014 swap	2009.01.23~ 2011.04.29	614,920	(26,759)	〃	(26,759)
BankTaiwan Life Insurance Co., Ltd.	CLSW910017 swap	2009.02.04~ 2011.06.08	489,104	(19,254)	〃	(19,254)
BankTaiwan Life Insurance Co., Ltd.	CLSW910033 swap	2009.03.18~ 2011.04.22	307,890	(13,735)	〃	(13,735)
BankTaiwan Life Insurance Co., Ltd.	CLSW910101 swap	2009.05.04~ 2011.05.09	152,500	(5,515)	〃	(5,515)

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

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)

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.	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)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held for trading－swap	(724)
Taiwan Life Insurance Co., Ltd.	BHSW910001 swap	2009.01.05~ 2010.01.11	2,908,170	(12,503)	〃	(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~ 2010.01.21	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)
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)

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.	CLSW810207 swap	2008.09.26~ 2010.05.13	1,936,800	(8,732)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held for trading－swap	(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)
BankTaiwan Life Insurance Co., Ltd.	CLSW810276 swap	2008.12.29~ 2010.11.30	320,000	(505)	〃	(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)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held for trading－swap	(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)

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.	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)	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held for trading－swap	(4,760)
BankTaiwan Life Insurance Co., Ltd.	CLSW910174 swap	2009.06.29~ 2010.01.04	327,560	(5,800)	〃	(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)

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.	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 foreign exchange option	2009.12.30~ 2010.01.20	53,867	155	Valuation adjustment of financial liabilities at fair value through profit or loss－current－held for trading－foreign exchange option	(175)
Chen Yi Hong	0912290160 foreign exchange option	2009.12.30~ 2010.01.20	-	-	Adjustment of valuation adjustment of financial assets at fair value through profit or loss－current－held for trading－foreign exchange option	155

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

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

Note 3: The ending 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 was allocated to BOT, BTLI, BTS, and the Company as follows:

	2010		2009	
	Amount	Percentage of account balance	Amount	Percentage of account balance
The Company	$ 5,687	0.05	4,498	0.02
BTLI	39,303	0.32	44,226	0.15
BTS	56,300	0.46	61,813	0.21
Total	**$ 101,290**	**0.83**	**110,537**	**0.38**

(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 2010 and 2009 is as follows:

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

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	Directors, supervisors, managers, their spouses and relatives

(b) Significant related-party transactions－Mortgage loans for real estate (in discounts and loans)

Mortgage loans for real estate for the Company and its subsidiaries' directors, supervisors, and staff and their spouses and close relatives for 2010 and 2009

	December 31, 2010	December 31, 2009
Mortgage loans for real estate	$ 231,827	57,541
Interest receivable	$ 125	44

For the years ended December 31, 2010 and 2009, the annual interest rates ranged from 0.79% to 1.70% and 0.79% to 2.01%, 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 2010 and 2009 is as follows:

	2010	2009
Salaries	$ 8,955	8,766
Bonus	6,932	1,950
Business expenses	840	772

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
	The main management of BTS

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

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

	2010	2009
Salaries	$ 7,763	7,272
Bonus	4,226	252
Business expenses	410	-

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

The related information about the salaries and bonus for the Company and its subsidiaries' major management in 2010 and 2009 is as follows:

	2010	2009
Salaries	$ 42,788	40,527
Bonus	24,802	14,869
Business expenses	8,976	5,704

(37) Pledged Assets

Pledged assets	Purpose of pledge	Book value	
		December 31, 2010	December 31, 2009
Available-for-sale financial assets—bonds	Guarantee deposit for provisional attachments	$ 293,300	944,900
Available-for-sale financial assets—bonds	Operating deposit for securities trading	100,000	150,000
Available-for-sale financial assets—bonds	Guarantee deposit for trust business compensation reserve	150,000	50,000
Due to Central Bank—deposits in Central Bank	Central Bank - Interbank Funds transfer	25,000,000	20,000,000
Held-to-maturity financial assets—Government bonds	Guarantee deposit for provisional attachment	12,200	7,200
Other assets—refundable deposit	Operating guarantee deposit	1,708,352	1,114,453
Other assets—refundable deposit	Bid guarantee deposit	-	100,000
Other assets—refundable deposits	Lease guarantee deposit	2,580	21,925
Total		**$ 27,266,432**	**22,388,478**

Note: BTS's operating guarantee deposit pledged with time deposit of BOT, and proceed paid for client, amounting to $265,000 and $250,000, respectively, have been offset due to related party transaction.

(38) Commitments and Contingencies

1) As of December 31, 2010 and 2009, the significant commitments of the Company and its subsidiaries were as follows:

	December 31, 2010	December 31, 2009
Trust liabilities	$ 458,952,804	427,512,415
Guarantee payable	8,095,388	5,341,296
Guarantee received	5,565,933	7,351,552
Guarantee note payable	306,530	490,802
Traveler's checks held on consignment	910,992	1,268,468
Collections for customers	43,078,676	60,460,069
Loans under custody on consignment	732,568,354	454,629,493
Book entry for government bonds under management	301,422,600	340,648,800
Depository for short-term marketable securities under management	225,014,126	109,033,863
sales of goods	2,251,450	2,023,084
Insurance of New Taiwan Dollars	1,206,905,438	1,124,848,281
Guarantee receivables	43,951,879	50,050,996
L/C receivables	35,705,957	38,357,884
Contract deposit on behalf of counter-parties	1,583,086,920	1,422,552,994
Total	**$ 4,647,817,047**	**4,044,569,997**

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, 2010		December 31, 2009	
	Contract amount	Amount not paid	Contract amount	Amount not paid
Construction of Nan Zih Branch	$ 279,583	-	-	-
Construction of Yi Lan Branch	294,869	19,905	288,600	159,540
Construction of Dong Gang Branch	119,394	6,205	114,670	62,710
Total	**$ 693,846**	**26,110**	**403,270**	**222,250**

3) Operating leases

All subsidiaries have entered into operating leases for their branches. As of December 31, 2010, the minimum payments on lease contract commitments for the next five years were as follows:

Period	Amount
2011.1.1~2011.12.31	$ 421,711
2012.1.1~2012.12.31	274,813
2013.1.1~2013.12.31	171,015
2014.1.1~2014.12.31	78,586
2015.1.1~2015.12.31	21,891
	$ 968,016

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:

The preceding balance sheet, property list and income statement are disclosed in accordance with the Enforcement Rules of the Trust Enterprise Act, article 17.

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

Trust liabilities	December 31, 2010	December 31, 2009
Short-term loans		
Long-term loans	$ 511,090	986,818
Payables		
Payables from trading securities	653,417	424,105
Other payables	112	49
Payables from management fee	3,533	2,645
Payables from supervision fee	335	204
Tax payable	227	398
Pledge securities	48,291,544	39,040,627
Trust capital		
Money trust	338,063,497	309,051,531
Marketable securities trust	16,616,353	17,626,986
Real estate investment trust	11,441,091	1,727,133
Other reserve and accumulated income		
Accumulated loss	22,826,831	31,366,725
Foreign currency translation	(7,258,807)	12,639,631
Deferred unrealized income	20,631,600	10,262,657
Net income	17,171,981	4,382,906
Total	$ **468,952,804**	**427,512,415**

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

Trust income statement		2010	2009
Trust revenue:			
Interest revenue	$	7,108,814	7,249,334
Cash dividend revenue		3,225,534	1,007,524
Realized capital gain-stock		1,009,565	14,688
Realized capital gain－funds		2,348,960	858,956
Realized capital gain－bonds		953,829	-
Unrealized capital loss－funds		-	44,099
Realized exchange gain		3,239,813	84,630
Income from beneficiary certificates		3,436	1,765
		17,889,951	9,260,996
Trust expense:			
Capital management fee		565,429	479,397
Tax expense		3,694	1,658
Supervisory fee		347	216
Storage fee		6,220	11,457
Commission fee		616	93
Realized capital loss-bond		-	4,330,088
Other expense		141,664	55,181
Income tax expense		-	515
Real estate tax		-	2,928
		717,970	4,881,533
Net income	$	**17,171,981**	**4,379,463**

(39) Significant Disaster Loss: None.

(40) Significant Subsequent Events: None.

(41) Others

1) A summary of personnel costs and depreciation, depletion, and amortization expenses, categorized by function, for the year ended December 31, 2010 and 2009, is as follows:

Function / Nature	2010			2009		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs						
Salaries	-	10,653,961	10,653,961	-	10,520,654	10,520,654
Labor and health insurance	-	571,654	571,654	-	526,389	526,389
Pension	-	1,277,803	1,277,803	-	1,158,738	1,158,738
Other employment	-	190,535	190,535	-	204,813	204,813
Depreciation	28,336	958,988	987,324	23,631	948,464	972,095
Amortization	-	447,918	447,918	-	406,002	406,002

2) Cross-selling with subsidiaries

1. Cross-selling:

Please see Note 35 for further descriptions.

2. Integrate business activities:

From June 2009, the Company established marketing plans consolidating subsidiaries' distribution of channels and products to allocate resources more efficiently. Moreover, to promote sales of insurance, securities and wealth management. By promoting sales cooperation aggressively, the Company is excepting to make it more effective and efficient.

3. Cross utilization of information:

In accordance to the amendment of "Financial Holding Company Act" on January 21, 2009 and Regulations governing mutual marketing in subsidiaries" on October 21, 2009, the Company and its subsidiaries concluded and signed "Agreement of Privacy Exchange" on December 16, 2009, to cope with the change of duties in the company and to enhance the protection of privacy. The Company and its subsidiaries also signed "Agreement of Customer Privacy" on February 25, 2010 to further protect and limit inappropriate use of private details.

4. Locations and business utilities:

The company applied to government for "Location set up for operating other business" and had been approved. By 2010, the company had 154 branches, providing securities services; 157 branches and 5 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, 2010			
Entity \ Item	Ownership interest	Eligible capital	Legal capital
The Company	100.00	260,127,964	265,642,548
Bank of Taiwan	100.00	176,521,653	118,922,025
BankTaiwan Life Insurance	100.00	11,022,399	7,548,714
BankTaiwan Securities	100.00	2,896,702	667,907
Less: deductible item		(265,594,540)	(265,594,540)
Subtotal		184,974,178	127,186,654
Consolidated capital adequacy ratio			145.44

Unit: Thousand NTD, %

December 31, 2009			
Entity \ Item	Ownership interest	Eligible capital	Legal capital
The Company	-	249,556,062	254,163,438
Bank of Taiwan	100.00	179,926,649	121,023,652
BankTaiwan Life Insurance	100.00	7,183,845	634,229
BankTaiwan Securities	100.00	2,869,108	5,689,758
Less: deductible item		(251,104,337)	(251,104,337)
Subtotal		188,431,327	130,406,740
Consolidated capital adequacy ratio			144.50

4) Eligible capital

Unit: Thousand NTD

December 31, 2010	
Item	Amount
Common stock	90,000,000
Additional paid-in capital	111,516,202
Legal reserve	1,610,266
Special reserve	4,653,557
Accumulated profit	9,729,697
Equity adjustments	42,667,969
Less: goodwill	-
Less: deferred assets	40,565
Less: treasury stock	-
Consolidated eligible capital	260,137,126

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	25,637,841
Less: goodwill	-
Less: deferred assets	27,339
Less: treasury stock	-
Consolidated eligible capital	239,556,062

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, 2010		
Name	Total amount of credit extensions, endorsements or other transactions	% of net asset value
The same individual		
Central Bank of the Republic of China (Taiwan)	694,691	267.01
National Treasury Agency, Ministry of Finance, R.O.C.	277,058	106.49
Taiwan Power Company	160,193	61.57
Taiwan High Speed Rail Corporation	74,477	28.63
Taichung City Government	35,361	13.59
Taiwan Railway Administration	32,734	12.58
Hua Nan Financial Holdings Co., Ltd.	28,910	11.11
New Taipei City Government	26,600	10.22
Bureua of National Health Insurance	24,600	9.46

December 31, 2010		
Name	Total amount of credit extensions, endorsements or other transactions	% of net asset value
CPC Corporation, Taiwan	20,923	8.04
Chi Mei Optoelectronics Corpoation	20,774	7.98
Yunlin county Government	19,544	7.51
China Steel Corporation	18,811	7.23
Finance Bureau Kaohsiung City Government	17,925	6.89
Dragon Steel Corporation	16,205	6.23
Tainan City Government	14,700	5.65
Hsinchu County Government	14,616	5.62
AU Optronics Corp.	14,207	5.46
First Financial Holding Co., Ltd.	13,793	5.30
TaiwanBusiness Bank	13,721	5.27
Formosa Petrochemical Corporation	13,198	5.07
Yilan County Government	12,847	4.94
Ginnie Mae	12,648	4.86
Chiayi County Government	11,987	4.61
R.S.E.A. Engineering Corporation	10,769	4.14
Miaoli County Government	9,996	3.84
Yang Ming Marine Transport Corp.	9,940	3.82
Nan Ya Plastics Corproation Co., Ltd.	9,934	3.82
EVA Airways Corporation	9,898	3.80
Related to high speed railway construction funds	9,432	3.63
Formosa Chemicals & Fibre Corp.	9,344	3.59
Promos Technologies Inc.	9,308	3.58
Changhua County Government	9,295	3.57
Nantou County Government	9,128	3.51
Cathay Financial Holding Co., Ltd.	8,833	3.39
Taoyuan County Government	8,818	3.39
Central Deposit Insurance Corp.	8,100	3.11
Hsinchu City Government	8,067	3.10
Pingtung County Government	8,052	3.09
China Airlines Ltd.	7,405	2.85
Foxconn Technology Group	7,333	2.82
Mega International Commercial Bank	6,345	2.44
Mega Financial Holding Company	6,222	2.39
Kommunalbanken	5,968	2.29
Taiwan Water Corp.	5,957	2.29
Fubon Financial Holding Co., Ltd.	5,935	2.28
Shin Kong Financial Holding Co., Ltd.	5,800	2.23
Yuanta Financial Holdings	5,609	2.16
Freddie Mac	5,594	2.15
Taipei Fubon Commercial Bank Co., Ltd.	5,447	2.09
Apple Inc.	5,370	2.06

December 31, 2010		
Name	Total amount of credit extensions, endorsements or other transactions	% of net asset value
Prince Housing and Development Corp.	5,131	1.97
KFW Bankengruppe	5,109	1.96
Evergreen Marine Corporation	4,864	1.87
Hualien county Government	4,851	1.86
Export processing zone administration, MOEA	4,819	1.85
SAC PEI TAIWAN HOLDINGS	4,725	1.82
European Investment Bank	4,258	1.64
Inotera Memories, Inc.	4,213	1.62
CITIGROUP INC	4,017	1.54
Deutsche Bank	3,969	1.53
Municipality Finance PLC	3,817	1.47
Fannie Mae	3,766	1.45
Far Eastern Textile Ltd.	3,745	1.44
Australia and New Zealand Bank	3,722	1.43
Highwealth Construction	3,658	1.41
China Development Financial Holdings	3,653	1.40
Nordic Investment Bank	3,622	1.39
Rich Development Construciton Co., Ltd.	3,416	1.31
Inter-American Development Bank	3,378	1.30
Uni president Entreprises Corp.	3,370	1.30
Taiwan Mobile Co., Ltd.	3,323	1.28
North Rhine-Westphalian Bank	3,322	1.28
Tatung Company	3,312	1.27
Taipei Financial Center corporation	3,304	1.27
Chi Mei Corporation	3,290	1.26
Export Import Bank of Korea	3,265	1.25
Kaohsiung Rapid Transit Corp.	3,264	1.25
Chunghwa Picture Tubes, Ltd.	3,262	1.25
Tang-Eng Iron Works Co., Ltd.	3,250	1.25
Keelung City Government	3,233	1.24
Land Bank of Taiwan	3,159	1.21
Nanya Technology Corporation	3,152	1.21
Taitung County Government	3,079	1.18
Powerchip Semiconductor Corp.	3,040	1.17
Taishin Financial Holdings	3,038	1.17
E.SUN Financial Holding Co., Ltd.	3,007	1.16
The same related individual		
Mr./Ms. Chen and related individual	3,723	1.43
Mr./Ms. Kuo and related individual	3,623	1.39
The same affiliated enterprises		
Formosa Pastic Group	54,691	21.02
China Steel Corporation Group	43,204	16.61

December 31, 2010		
Name	Total amount of credit extensions, endorsements or other transactions	% of net asset value
Huanan Financial Holding Co., Ltd. and its affiliates	30,053	11.55
Foxconn Technology Group	30,004	11.53
Ever green Group	19,540	7.51
AU Optronics Corp. and its affiliates	17,834	6.85
Fubon Financial Holding Co., Ltd. and its affiliates	16,708	6.42
First Financial Holding Co., Ltd. and its affiliates	15,762	6.06
Mega Financial Holding Company and its affiliates	14,913	5.73
Cathay Financial Group	13,827	5.31
Shin Kong Financial Holding Co., Ltd. and its affiliates	12,305	4.73
Far Eastern Group	11,883	4.57
Yang Ming Marine Transport Corp. and its affiliates	10,093	3.88
Promos Technologies Inc.	9,308	3.58
Uni-President Enterprises Corp. and its affiliates	9,067	3.48
Tatung Company and its affiliates	8,852	3.40
Chi Mei Corporation and its affilaites	8,372	3.22
Taiwan Cement Corporation and its affiliates	7,573	2.91
China Airlines Group	7,430	2.86
Tainan Spinning Co., Ltd. and its affiliates	7,043	2.71
Yuanta Financial Holding Co., Ltd. and its affiliates	6,576	2.53
E United Group	5,996	2.30
Chinatrust Financial Holding Company Group	5,948	2.29
Yuen Foong Yu Group	5,601	2.15
Bigrichmedia and its affiliates	5,591	2.15
China Development Financial Holding Corporation and its affiliates	5,224	2.01
Taishin financial Holding and its affiliates	5,050	1.94
LEALEA GROUP	4,792	1.84
Tai Po Development and its affiliates	4,740	1.82
E.SUN Financial Holding Co., Ltd. and its affiliates	4,481	1.72
Advanced Semiconductor Engineering Group and its affiliates	4,479	1.72
JPMorgan Chase & Co.	4,429	1.70
Reuntex Group and its affiliates	4,392	1.69
Wintek Corporation and its affiliates	4,356	1.67
Chailease Group and its affiliates	4,227	1.62
United Microelectronics Corporation and its affiliates	4,221	1.62
Powerchip Semiconductor Corp. and its affiliates	4,166	1.60
Citigroup	4,151	1.60
Highwealth Construction and its affiliates	3,658	1.41
Compal Electronics Corporation and its affiliates	3,503	1.35
Barclays	3,418	1.31
Tang Eng Iron Works Co., Ltd. and its affiliates	3,410	1.31
Ideal Bike co., Ltd. and its affiliates	3,280	1.26
Total	**2,397,322**	

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	96.74
Taiwan Power Company	139,776	55.99
Taiwan High Speed Rail Corporation	44,859	17.97
CPC Corporation, Taiwan	35,263	14.13
Taiwan Railway Administration	32,541	13.03
Taichung County Government	30,116	12.06
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	5.66
Hsinchu County Government	13,089	5.24
Tainan County Government	13,010	5.21
Taiwan Water Corp.	12,940	5.18
Freedie 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
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

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
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	2.39
Fannie Mae	5,953	2.38
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	2.05
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	1.63
Changhua County Government	4,073	1.63
Noridc Investment Bank	4,006	1.60
Tang Eng Iron Works Co., Ltd.	3,885	1.56
Uni-President Enterprises Corp.	3,812	1.53
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

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Taichung City Government	3,053	1.22
Chia Hsin Food and Synthetic Fiber Co., Ltd.	3,033	1.21
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
Ever green Group	23,179	9.28
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	5.08
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
Chinatrust Financial Holding Company Group	5,408	2.17
Lealea Group	5,404	2.16
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	1.67
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

December 31, 2009		
Name	Total amount of credit extensions, endorsements, or other transactions	% of net asset value
Advanced Semiconductor Engineering Group and its affiliates	3,519	1.41
Taiwan Cogeneration Corporation and its affiliates	3,507	1.40
Chunghwa Telecom Co., Ltd. and its affiliates	3,410	1.37
Walsin Lihwa Corp. and its affiliates	3,133	1.25
Inventec Corporation and its affiliates	3,098	1.24
China Development Financial Holding Corporation and its affiliates	3,045	1.22
Total	**1,560,408**	

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, 2010				
			Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio
Enterprise	Secured		3,774,613	473,494,947	0.80%	3,424,698	90.73%
	Non-secured		3,045,462	1,006,570,258	0.30%	4,515,246	148.26%
Consumer finance	House mortgage		3,701,637	388,523,166	0.95%	2,012,207	54.36%
	Cash card		-	-	-	-	-
	Micro credit		177,289	11,175,663	1.59%	214,308	120.88%
	Others	Secured	629,450	65,048,818	0.97%	353,492	56.16%
		Non-secured	1,608,788	146,287,809	1.10%	1,022,031	63.53%
Total			12,937,239	2,091,100,661	0.62%	11,541,982	89.22%
			Overdue receivables	Account receivable	Ratio	Allowance bad debt	Cover ratio
Credit card business			3,198	1,050,171	0.30%	7,644	239.02%
Factoring receivables－non-recourse			-	7,008,990	-	21,027	-

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

Note 1: For loan business: Overdue loans represent the amounts of reported overdue loans pursuant to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the 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, 2010		December 31, 2009	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	6,996	-	8,495	-
As a result of debt solvency and restart plan	143,774	15,586	136,769	2,104
Total	150,770	15,586	145,264	2,104

(c) Concentration of credit extensions

Unit: Million, %

December 31, 2010			
Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	A Company－transportation and storage	71,971	27.66%
2	B Company－basic metal manufacturing	37,610	16.77%
3	C Company－plastic products manufacturing	31,847	12.24%
4	D Company－optoelectronic materials and components manufacturing	26,552	10.21%
5	E Company－optoelectronic materials and components manufacturing	19,483	7.49%
6	F Company－transportation and storage	16,491	6.34%
7	G Company－computer and peripheral equipment manufacturing	12,659	4.87%
8	H Company－real estate	9,232	3.55%
9	I Company－semiconductors manufacturing	8,865	3.41%
10	J Company－transportation and storage	8,721	3.35%

December 31, 2009			
Rank	Group Name	Credit extensions balance	% of net asset value
1	A Company－transportation and storage	42,358	16.97%
2	B Company－plastic products manufacturing	40,356	16.17%
3	C Company－optoelectronic materials and components manufacturing	29,453	11.80%
4	D Company－transportation and storage	22,344	8.95%
5	E Company－basic metal manufacturing	19,981	8.00%
6	F Company－optoelectronic materials and components manufacturing	18,684	7.48%
7	G Company－retail trade	13,932	5.58%
8	H Company－financial intermediation	10,821	4.33%
9	I Company－textiles mills	10,508	4.21%
10	J Company－textiles mills	9,774	3.92%

Note 1: Top ten borrowers (excluding government or state-owned utilities) according to total credit extensions. Arrange according to the total amount 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 34.

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

Subsidiary－BOT

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

Note: 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, 2010

Unit: Thousand NTD, %

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

December 31, 2009

	1~90 days	91~180 days	181 days to one year	Total
Interest-rate-sensitive assets	$ 1,649,857,006	1,177,829,812	113,479,353	2,941,166,171
Interest-rate-sensitive liabilities	363,226,669	2,384,891,335	223,120,808	2,971,238,812
Interest rate 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)

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, 2010

Unit: Thousand USD, %

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

December 31, 2009

	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest-rate-sensitive assets	$ 13,795,679	2,977,295	2,019,735	623,257	19,415,966
Interest-rate-sensitive liabilities	14,548,326	3,274,131	1,566,794	64,430	19,453,681
Interest rate 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

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, 2010	December 31, 2009
Return on total assets	Before income tax	2.80	3.61
	After income tax	2.81	3.62
Return on net worth	Before income tax	2.89	3.68
	After income tax	2.91	3.69
Profit margin		98.91	99.14

(b) The company and subsidiaries

Unit: %

Item		December 31, 2010	December 31, 2009
Return on total assets	Before income tax	0.19	0.22
	After income tax	0.18	0.22
Return on net worth	Before income tax	3.09	3.65
	After income tax	2.91	3.69
Profit margin		8.49	8.19

(c) Subsidiary－BOT

Unit: %

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

(d) Subsidiary－BTLI

Unit: %

Item		December 31, 2010	December 31, 2009
Return on total assets	Before income tax	0.02	-
	After income tax	0.12	0.24
Return on net worth	Before income tax	0.69	0.08
	After income tax	3.59	15.62
Profit margin		0.69	1.23

(e) Subsidiary－BTS

Unit: %

Item		December 31, 2010	December 31, 2009
Return on total assets	Before income tax	3.54	4.18
	After income tax	2.84	3.57
Return on net worth	Before income tax	4.62	6.02
	After income tax	3.71	5.14
Profit margin		22.09	28.00

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 first months accumulated to the current quarter.

6. Major foreign currency position, net

Subsidiary－BOT

(expressed in thousands of New Taiwan Dollars)

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

Note 1: The major foreign currencies 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, 2010

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	$ 3,759,621,399	889,994,289	578,316,017	348,684,135	231,059,106	1,711,567,852
Main capital outflow on maturity	4,290,523,630	544,127,505	495,347,238	543,412,244	1,019,809,738	1,687,826,905
Interval gap	(530,902,231)	345,866,784	82,968,779	(194,728,109)	(788,750,632)	23,740,947

December 31, 2009

	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

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, 2010

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	$ 20,312,625	7,119,199	5,938,070	4,382,325	1,350,149	1,522,882
Main capital outflow on maturity	19,907,610	11,254,352	4,469,203	2,302,642	1,271,577	609,836
Interval gap	405,015	(4,135,153)	1,468,867	2,079,683	78,572	913,046

December 31, 2009

	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	$ 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

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 36. 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 36
      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

For the year ended December 31, 2010

Unit: thousand NTD

Items / Businesses	Banking business	Insurance business	Securities business	Other business	Total
Net interest income	20,361,186	5,975,687	96,904	(676)	26,433,101
Net non-interest income	18,246,403	42,373,608	444,754	(3,443)	61,061,322
Net revenues	38,607,589	48,349,295	541,658	(4,119)	87,494,423
Bad debt expense	376,029	(1,429)	(65)	-	374,535
Provision for insurance reserves	14,138,445	46,610,579	-	-	60,749,024
Operating expense	17,285,334	766,841	326,429	109,262	18,487,866
Net income before cumulative effect of changes in accounting principle and income tax	6,807,781	973,304	215,294	(113,381)	7,882,998
Income tax expense	741,838	(263,147)	29,506	(49,319)	458,878
Cumulative effect of changes in accounting principle	-	-	-	-	-
Net income	6,065,943	1,236,451	185,788	(64,062)	7,424,120

For the year ended December 31, 2009

Unit: thousand NTD

Businesses / Items	Banking business	Insurance business	Securities business	Other business	Total
Net interest income	16,899,746	4,706,298	70,281	-	21,676,325
Net non-interest income	46,572,241	38,526,145	503,654	(2,054)	85,599,986
Net revenues	63,471,987	43,232,443	573,935	(2,054)	107,276,311
Net revenues	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	325,916	79,898	17,817,075
Net income before cumulative effect of changes in accounting principle and income tax	7,774,699	743,245	249,386	(81,952)	8,685,378
Income tax expense	421,927	(521,012)	27,353	(24,053)	(95,785)
Cumulative effect of changes in accounting principle	-	-	-	-	-
Net income	7,352,772	1,264,257	222,033	(57,899)	8,781,163

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

1. Balance sheets

	Government employees insurance department	
	December 31, 2010	December 31, 2009
Cash and cash equivalents	$ 16,895,308	10,874,978
Financial assets at fair value through profit or loss	64,574,377	70,554,036
Receivables, net	19,293,627	15,440,900
Held-to-maturity financial assets, net	53,631,156	36,974,557
Fixed assets	7,493	9,123
Intangible assets	1,254	2,111
Other assets, net	20,126,389	26,550,512
Total assets	**$ 174,529,604**	**160,406,217**
Payables	31,978	47,046
Other liabilities	174,497,626	160,359,171
Total liabilities	174,529,604	160,406,217
Total Liabilities and Stockholders' Equity	**$ 174,529,604**	**160,406,217**

2. Statements of income

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

9) Financial Statement of Financial Holding Co., Ltd.

TAIWAN FINANCIAL HOLDING CO., LTD.

Balance Sheet

December 31, 2010 and 2009

(expressed in thousands of New Taiwan Dollars)

	December 31, 2010	December 31, 2009	Percentage change (%)
Assets			
Cash and cash equivalents	$ 37,114	1,406,943	(97)
Receivables, net	429,193	135	317,821
Investments under equity method, net	265,594,540	251,166,051	6
Fixed assets, net	7,854	7,757	1
Intangible assets	45	59	(24)
Other assets, net	5,793,134	3,078,567	88
Total Assets	**$ 271,861,880**	**255,659,512**	**6**
Liabilities and Stockholders' Equity			
Other loans	5,600,000	2,000,000	180
Payables	418,005	17,803	2,248
Accrued pension liabilities	45,206	41,396	9
Other liabilities	5,620,978	3,955,198	42
Total liabilities	**11,684,189**	**6,014,397**	**94**
Stockholders' equity			
Common stock	90,000,000	90,000,000	-
Additional paid-in capital	111,516,202	111,494,739	-
Retained earnings:			
Legal reserve	1,610,266	732,150	120
Special reserve	4,653,557	2,928,599	59
Unappropriated earnings	9,729,697	8,851,786	10
	15,993,520	12,512,535	28
Equity adjustments:			
Unrealized increments on revaluation	15,116,171	16,639,974	(9)
Cumulative foreign currency translation adjustment	(465,473)	(128,524)	262
Unrealized gain on financial instruments	28,019,454	19,126,391	46
Net loss not recognized as pension cost	(2,183)	-	-
	42,667,969	35,637,841	20
Total stockholders' equity	260,177,691	249,645,115	4
Total Liabilities and Stockholders' Equity	**$ 271,861,880**	**255,659,512**	**6**

TAIWAN FINANCIAL HOLDING CO., LTD.

Statement of Income

For the years December 31, 2010 and2009

(expressed in thousands of New Taiwan Dollars)

	2010	2009	Percentage change(%)
Revenues:			
Income from equity investments under equity method	7,530,624	8,860,946	(15)
Other gains	3,083	4,086	(25)
	7,533,707	8,865,032	(15)
Expenses:			
Operating expenses	131,247	99,960	31
Other expenses and losses	27,659	7,962	247
	158,906	107,922	47
Income before income tax	7,374,801	8,757,110	(16)
Income tax benefits	(49,319)	(24,053)	(105)
Net income	**$ 7,424,120**	**8,781,163**	(15)

	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share	**$ 0.82**	**0.82**	**0.97**	**0.98**

TAIWAN FINANCIAL HOLDING CO., LTD.
Statement of Changes in Stockholders' Equity
For the years December 31, 2010 and2009

(expressed in thousands of New Taiwan Dollars)

	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative foreign currency translation adjustments	Net loss not recognized as pension cost	Unrealized gain (loss) on financial instruments	Unrealized increments on revaluation	Total
Balance as of January 1, 2009	$ 90,000,000	111,495,264	-	-	7,321,499	(155,274)	-	573,492	16,930,538	226,165,519
Net income for the year December 31, 2009	-	-	-	-	8,781,163	-	-	-	-	8,781,163
Appropriation of retained earnings:										
Legal reserve	-	-	732,150	-	(732,150)	-	-	-	-	-
Special reserve	-	-	-	2,928,599	(2,928,599)	-	-	-	-	-
Cash dividends for government	-	-	-	-	(3,590,127)	-	-	-	-	(3,590,127)
Additional paid-in capital from investee company	-	(525)	-	-	-	-	-	-	-	(525)
Change in unrealized increments on revaluation	-	-	-	-	-	-	-	-	(290,564)	(290,564)
Change in unrealized gain (loss) on financial instruments	-	-	-	-	-	-	-	18,552,899	-	18,552,899
Change in cumulative foreign currency translation adjustments	-	-	-	-	-	26,750	-	-	-	26,750
Balance as of December 31, 2009	90,000,000	111,494,739	732,150	2,928,599	8,851,786	(128,524)	-	19,126,391	16,639,974	249,645,115
Net income for the year December 31, 2010	-	-	-	-	7,424,120	-	-	-	-	7,424,120
Appropriation of retained earnings:										
Legal reserve	-	-	878,116	-	(878,116)	-	-	-	-	-
Special reserve	-	-	-	3,512,466	(3,512,466)	-	-	-	-	-
Cash divideds for government	-	-	-	-	(3,943,135)	-	-	-	-	(3,943,135)
Special reserve reversal	-	-	-	(1,787,508)	1,787,508	-	-	-	-	-
Additional paid-in capital from investee company	-	21,463	-	-	-	-	-	-	-	21,463
Change in unrealized increments on revaluation	-	-	-	-	-	-	-	-	(1,523,803)	(1,523,803)
Change in unrealized gain (loss) on financial instruments	-	-	-	-	-	-	-	8,893,063	-	8,893,063
Change in cumulative foreign currency translation adjustments	-	-	-	-	-	(336,949)	-	-	-	(336,949)
Net loss not recognized as pension cost	-	-	-	-	-	-	(2,183)	-	-	(2,183)
Balance as of December 31, 2010	$ 90,000,000	111,516,202	1,610,266	4,653,557	9,729,697	(465,473)	(2,183)	28,019,454	15,116,171	260,177,691

TAIWAN FINANCIAL HOLDING CO., LTD.
Statement of Cash Flows
For the years December 31, 2010 and2009

(expressed in thousands of New Taiwan Dollars)

		2010	2009
Cash flows from operating activities:			
Net income	$	7,424,120	8,781,163
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization		1,732	1,288
Cash dividends received in excess of gains on equity investments recognized under the equity method		(1,711,036)	(4,701,231)
Increase in receivables		(429,058)	(2)
Increase in deferred income tax		(22,389)	(24,053)
Increase in other assets		(2,309)	(2,686)
Increase in payables		400,202	14,896
Increase in accrued pension liabilities		4,676	8,034
Net cash provided by operating activities		5,665,938	4,077,409
Cash flows from investing activities:			
Increase in long-term investments under equity method		(4,000,000)	(2,000,000)
Increase in fixed assets		(1,815)	(3,764)
Increase in refundable deposits		(143)	(2,594)
Increase in intangible assets		-	(52)
Net cash used in investing activities		(4,001,958)	(2,006,410)
Cash flows from financing activities:			
Increase in short-term loans		3,600,000	2,000,000
(Decrease) increase in guarantee deposits received		(82)	97
Prepaid dividends		(6,633,727)	(3,012,708)
Net cash used in financing activities		(3,033,809)	(1,012,611)
Net (decrease) increase in cash and cash equivalents		(1,369,829)	1,058,388
Cash and cash equivalents at beginning of year		1,406,943	348,555
Cash and cash equivalents at end of year	$	**37,114**	**1,406,943**
Supplemental disclosure of cash flow information:			
Interst paid	$	**26,858**	**7,287**
Income tax paid	$	**51**	**69**
Financial and investing activities not affecting cash:			
Unrealized increments on revaluation	$	**(1,523,803)**	**(290,564)**
Cumulative foreign currency translation adjustments	$	**(336,949)**	**26,750**
Unrealized loss on financial instruments	$	**8,893,063**	**18,552,899**
Net loss not recognized as pension cost	$	**(2,183)**	**-**
Capital reserve	$	**21,463**	**(525)**

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

1. Condensed balance sheets

	BOT	
	December 31, 2010	December 31, 2009
Cash and cash equivalents	$ 44,476,364	39,011,428
Due from Central Bank and call loans to banks	518,166,823	1,248,000,974
Financial assets at fair value through profit or loss	99,875,033	92,123,443
Bonds and bills purchased under resell agreements	600,294	368,349
Receivables, net	84,272,586	91,299,622
Discounts and loans, net	2,079,558,679	2,045,894,068
Available-for-sale financial assets, net	837,360,582	142,009,713
Held-to-maturity financial assets, net	54,207,507	37,859,403
Investments under equity method, net	31,330,008	29,815,276
Other financial assets, net	69,201,006	68,496,647
Fixed assets	76,596,999	78,474,877
Intangible assets	969,574	1,107,496
Other assets, net	18,607,244	16,590,347
Total assets	**$ 3,915,222,699**	**3,891,051,643**
Due to Central Bank and other banks	$ 207,612,937	204,950,860
Financial liabilities at fair value through profit or loss	18,985,604	4,535,308
Bonds and bills sold under repurchase agreements	9,429,373	5,486,934
Payables	38,951,861	58,502,675
Deposits and remittances	3,185,931,012	3,189,671,973
Accrued pension liability	3,389,155	2,695,402
Other financial liabilities	1,048,528	1,511,328
Other liabilities	198,325,665	183,127,172
Total liabilities	3,663,674,135	3,650,481,652
Common stock	70,000,000	45,000,000
Additional paid-in capital	105,581,440	110,062,555
Retained earnings	32,923,858	50,427,139
Others	43,043,266	35,080,297
Total stockholders' equity	251,548,564	240,569,991
Total Liabilities and Stockholders' Equity	**$ 3,915,222,699**	**3,891,051,643**

	BTLI	
	December 31, 2010	December 31, 2009
Current assets	$ 109,554,809	105,514,859
Loans	9,839,161	9,237,637
Funds and investments	161,083,772	117,513,412
Fixed assets	899,336	913,162
Intangible assets	225,761	210,152
Other assets, net	9,412,629	8,033,874
Total assets	**$ 291,015,468**	**241,423,096**
Current liabilities	$ 31,869,071	33,127,380
Long-term liabilities	307,528	257,522
Reserve for operations and other liabilities	241,010,090	194,669,790
Other liabilities	7,010,376	6,001,742
Total liabilities	280,197,065	234,056,434
Common stock	11,000,000	7,000,000
Capital surplus	362,579	360,000
Accumulated deficit	(89,017)	(415,086)
Other stockholders' equity	(455,159)	421,748
Total stockholders' equity	10,818,403	7,366,662
Total Liabilities and Stockholders' Equity	**$ 291,015,468**	**241,423,096**

	BTS	
	December 31, 2010	December 31, 2009
Current assets	$ 3,920,361	2,942,137
Fixed assets	253,323	256,002
Intangible assets	2,784	4,044
Other assets, net	516,336	518,448
Net brokering accounts—debit	-	22,487
Total assets	**$ 4,692,804**	**3,743,118**
Current liabilities	$ 1,202,272	303,067
Other liabilities	227,182	210,654
Net brokering accounts—credit	35,777	-
Total liabilities	1,465,231	513,721
Common stock	3,000,000	3,000,000
Non-appropriated surplus	147,710	93,602
Unrealized incremental value from revaluation	89,070	89,070
Unrealized gain on financial instrument	(9,207)	46,725
Total stockholders' equity	3,227,573	3,229,397
Total Liabilities and Stockholders' Equity	**$ 4,692,804**	**3,743,118**

2. Condensed income statements

	BOT		
		2010	2009
Net interest income	$	20,269,138	16,803,150
Non-interest income, net		5,256,978	13,284,694
Net revenue		25,526,116	30,087,844
Credit provisions		376,029	4,434,016
Operating expenses		17,323,324	17,055,496
Income before tax		7,826,763	8,598,338
Income after tax		7,084,925	8,176,411
EPS－before tax (dollars)		1.12	1.91
EPS－after tax (dollars)		1.01	1.82

	BTLI		
		2010	2009
Operating revenues	$	87,718,449	61,981,683
Operating costs		86,532,682	61,472,919
Gross Profit		1,185,767	508,764
Operating expenses		805,488	728,821
Operating losses		380,279	(220,057)
Non-operating revenue		48,524	827,167
Non-operating expenses		365,881	604,281
Income before tax		62,922	2,829
Income after tax		326,069	523,841
EPS－before tax (dollars)		0.07	-
EPS－after tax (dollars)		0.36	0.87

	BTS		
		2010	2009
Revenue	$	632,248	634,485
Expenses		483,112	446,438
Income before tax		149,136	188,047
Income after tax		119,630	160,694
EPS－before tax (dollars)		0.50	0.63
EPS－after tax (dollars)		0.40	0.54

11) Government audit adjustments for Fiscal Year Ended December 31, 2010 and 2009

The Company and its subsidiaries' accounting records as of and for the years ended December 31, 2009 and 2008, has 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 2010 and 2009. The revised items adjusted by the MoA are as follows:

December 31, 2009

Balance sheet	As audited by auditors December 31, 2009	Adjustments —Increase (decrease)	As audited by the MoA, December 31, 2009
Assets			
Cash and cash equivalents	$ 72,498,558	(5)	72,498,553
Receivables, net	95,050,125	(201,678)	94,848,447
Other assets	18,498,045	243,231	18,741,276
Liabilities			
Payable	91,773,529	(30,031)	91,743,498
Stockholders' equity			
Unappropriated retained earnings	8,790,072	61,714	8,851,786

Income statement	As audited by auditors December 31, 2009	Adjustments —Increase (decrease)	As audited by the MoA, December 31, 2009
Interest income	$ 54,199,940	(2,055)	54,197,885
Net income on service charges and commissions	3,216,707	78,701	3,295,408
Gains (losses) on available-for-sale financial assets	5,644,487	(148,685)	5,495,802
Foreign exchange gains (losses)	1,564,396	27	1,564,423
Other business and administrative expenses	4,530,883	(284,529)	4,246,354
Income before income taxes	8,685,253	125	8,685,378
Income tax benefits	(34,196)	(61,589)	(95,785)
Net income	8,719,449	61,714	8,781,163

December 31, 2008

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

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

12) Significant effect of foreign currency assets and liabilities is summarized as follows:

1. BOT

	December 31, 2010			December 31, 2009		
	Currency (thousand)	Exchange rate	NT	Currency (thousand)	Exchange rate	NT
Financial assets:						
Monetary items						
USD	9,001,651	29.5000	265,548,705	4,768,476	32.1760	153,430,484
HKD	7,666,903	3.7900	29,057,562	6,839,068	4.1490	28,375,293
MYR	2,495	9.5624	23,858	3,270	9.3972	30,729
GBP	497,898	45.5510	22,679,752	380,131	51.7358	19,666,381
AUD	598,990	30.0281	17,986,532	79,591	28.8715	2,297,912
CAD	6,330	29.5118	186,810	14,192	30.5856	434,071
SGD	1,180,280	22.8718	26,995,128	1,151,636	22.9239	26,399,989
CHF	4,738	31.5339	149,408	5,912	31.0789	183,738
JPY	109,938,180	0.3622	39,819,609	89,914,344	0.3480	31,290,192
ZAR	1,160,947	4.4426	5,157,623	665,084	4.3452	2,889,923
SEK	4,296	4.3671	18,761	8,713	4.3425	37,836
NZD	9,652	22.7593	219,673	6,445	23.3437	150,450
THB	156,570	0.9788	153,251	339,752	0.9645	327,691
PHP	16,641	0.6733	11,204	26,990	0.6957	18,777
IDR	2,399,609	0.0033	7,919	3,908,982	0.0034	13,291
EUR	431,135	39.2468	16,920,669	409,502	46.2305	18,931,482
KRW	5,058,219	0.0261	132,020	7,159,676	0.0275	196,891
CNY	163,159	4.4664	728,733	233,330	4.7129	1,099,661
VND	5,095,010	0.0015	7,643	9,858,460	0.0017	16,759
Non-monetary items						
USD	40	29.5000	1,180	6,881	32.1760	221,403
HKD	3,018	3.7900	11,438	6,350	4.1490	26,346
MYR	-	9.5624	-	42	9.3972	395
GBP	96	45.5510	4,373	41	51.7358	2,121
CAD	-	29.5118	-	286	30.5856	8,747
SGD	377	22.8718	8,623	123	22.9239	2,820
CHF	-	31.5339	-	17,652	31.0789	548,605
JPY	26,091	0.3622	9,450	18,272	0.3480	6,359
ZAR	1,773	4.4426	7,877	673	4.3452	2,924
VND	-	0.0015	-	88	0.0017	-

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

2. BTLI

	December 31, 2010			December 31, 2009		
	Currency (thousand)	Exchange rate	NT	Currency (thousand)	Exchange rate	NT
Financial assets:						
Monetary items						
AUD	163,403	30.0281	4,906,681	29,532	28.8715	852,630
CAD	25,318	29.5118	747,175	-	-	-
EUR	68,256	39.2468	2,678,827	89,864	46.2305	4,154,449
HKD	92,402	3.9700	350,205	508	4.1490	2,107
JPY	300	0.3622	109	300	0.3480	104
NZD	2,287	22.7593	52,055	2,075	23.3437	48,437
USD	2,606,461	29.5000	76,890,586	1,825,044	32.1760	852,595
Financial liabilities:						
Monetary items						
USD	105,365	29.5000	3,108,280	-	-	-

(42) 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 Company and its subsidiaries' capital: none.
2. Information on the acquisition of real estate for which the purchase amount exceeded $300 million or 10% of the Company and its subsidiaries' capital: none.
3. Information on the disposal of real estate for which the sale amount exceeded $300 million or 10% of the Company and its subsidiaries' 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 Company and its subsidiaries' 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%	251,548,564	7,084,925	7,000,000,000	-	7,000,000,000	100.00%	Note 4
BankTaiwan Life Insurance Co. Ltd.	6th floor, No.69, Section 2, Dunhua South Road, Taipei City	Life insurance	100.00%	10,818,403	326,069	1,100,000,000	-	1,100,000,000	100.00%	Note 4
BankTaiwan Securities Co. Ltd.	No.58, Section 1, Chongching South Road, Taipei City	Securities	100.00%	3,227,573	119,630	300,000,000	-	300,000,000	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%	29,458,132	1,785,518	1,943,061,717	-	1,847,288,662	29.36%	-
Taiwan Life Insurance Co. Ltd.	No.17, Syuchang St., Taipei City	Life insurance	23.76%	2,735,694	350,303	176,228,584	-	156,247,788	23.76%	-
Kaohsiung Ammonium Sulfate Co., Ltd.	4F., No.53, Tonghua 4th Rd., Kaohsiung	Liquidating	91.86%	2,449,110	(161,439)	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	21.37%	1,528,069	8,346	74,802,414	-	74,802,414	21.37%	-
Tai Yi Real-Estate Management Co., Ltd.	3F., No.56, Dunhua N. Rd., Taipei City	Real-estate appraisal	30.00%	10,249	661	1,500,000	-	1,500,000	30.00%	-

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

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

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

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

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

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, 2010: none.
5. Information regarding securities for which the purchase or sale amount for the period exceeded $300 million or 10% of the Company and its subsidiaries' capital: none.
6. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Company and its subsidiaries' capital: none.
7. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Company and its subsidiaries' capital: 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 Company and its subsidiaries' capital: none.
10. Information regarding trading in derivative financial instruments: please see note 33.
11. Information regarding selling non-performing loans: 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.

(43) Segment Information: please refer to note 41.

4. Cash flow difficulties at TFH and its affiliates: None.

VII. Financial Status, Business Results and Risk Management

1. Financial Status

Unit: NT$1,000

Item \ Year	2010	2009	Difference	
			Amount	%
Cash and Cash Equivalents	37,114	1,406,943	-1,369,829	-97.36
Receivables-Net	429,193	135	429,058	317,820.74
Long-Term Investment at Equity-Net	265,594,540	251,166,051	14,428,489	5.74
Fixed Assets-Net	7,854	7,757	97	1.25
Intangible Assets-Net	45	59	-14	-23.73
Other Assets-Net	5,793,134	3,078,567	2,714,567	88.18
Total Assets	271,861,880	255,659,512	16,202,368	6.34
Short-Term Borrowing	5,600,000	2,000,000	3,600,000	180.00
Payables	418,005	17,803	400,202	2447.95
Accrued Pension Liabilities	45,206	41,396	3,810	9.20
Other Debt	5,620,978	3,955,198	1,665,780	42.12
Total Debt	11,684,189	6,014,397	5,669,792	94.27
Capital	90,000,000	90,000,000	-	-
Additional Paid-In Capital	111,516,202	111,494,739	21,463	0.02
Retained Earnings	15,993,520	12,512,535	3,480,985	27.82
Other Items of Shareholders' Equity	42,667,969	35,637,841	7,030,128	19.73
Total Shareholders' Equity	260,177,691	249,645,115	10,532,576	4.22

2. Business Results

Unit: NT$1,000

Item \ Year	2010	2009	Difference	
			Amount	%
Investment Income Recognized Under Equity Method	7,530,624	8,860,946	-1,330,322	-15.01
Other Income	3,083	4,086	-1,003	-24.55
Operating Expenses	131,247	99,960	31,287	31.30
Other Expenses & Losses	27,659	7,962	19,697	247.39
Earnings Before Taxes	7,374,801	8,757,110	-1,382,309	-15.78
Earnings After Taxes	7,424,120	8,781,163	-1,357,043	-15.45

3. Cash Flows

(1) Analysis of Cash Flow Changes in 2010

Item \ Year	2010	2009	Change
Cash Flow Ratio	1806.66%	430.27%	319.89%
Cash Flow Adequacy Ratio	103.34%	121.35%	-14.84%
Cash Flow Reinvestment Ratio	141.58%	203.09%	-30.29%

Note:
1. The cash flow ratio was higher than the preceding year mainly due to increased dividend payouts..
2. The cash flow adequacy ratio was lower than the preceding year mainly due to increased issuance of cash dividends.
3. The cash flow reinvestment ratio was lower than the preceding year mainly due to a cash capital injection of NT$4 billion at TFH subsidiary BankTaiwan Life Insurance.

(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
37,114	4,453,758	-4,127,947	362,925	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 Information software procurement and fix-asset investment.
3.Financing Activities:Mainly from payout of cash dividends.

4. Impact of Material Capital Expenditures in 2010

(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$4 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 2010, Corrective Action Plans, and Investment Plans for the Coming Year

(1) Equity Investment Policy in 2010

i. 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.

ii. 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

All three TFH subsidiaries focused on growing their businesses. They adopted a pragmatic, steady growth strategy aimed at reaping the benefits of cross-selling, and as a result achieved outstanding operating revenues and profits in 2010.

(3) Investment Plans for 2011

Abide by the development plan of the whole group in 2011 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

i. 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.

ii. 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, legal risk, and so on. 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	
	2010.12.31	2011.3.31	2010.12.31	2011.3.31	2010.12.31	2011.3.31
Sovereign Nations	1,490,713,179	1,410,610,355	432,730	802,558	34,618	64,205
Non-Central Government Public Sector	586,536,813	556,346,355	185,703,058	178,537,451	14,856,245	14,282,996
Banks	162,964,127	179,141,030	61,026,536	67,434,877	4,882,123	5,394,790
Enterprises	725,828,004	709,158,868	629,395,572	613,337,735	50,351,646	49,067,019
Retail Debt	313,675,239	309,965,868	163,872,024	163,608,058	13,109,762	13,088,644
Residential Real Estate	440,358,850	444,531,225	199,933,613	201,741,808	15,994,689	16,139,345
Equity Investment	13,398,859	13,315,851	52,067,366	51,818,432	4,165,389	4,145,475
Other Assets	125,854,320	121,450,024	94,912,094	96,625,466	7,592,967	7,730,037
Total	3,859,329,391	3,744,519,576	1,387,342,993	1,373,906,385	110,987,439	109,912,511

b. Exposure on Asset-Securitization and Capital Accrued

Unit：NT$ 1,000

Risk Type / Time	Non-Originating Bank			
	Exposure Amount		Accrued Capital	
	2010.12.31	2011.3.31	2010.12.31	2011.3.31
Equity-MBS	3,350,995	3,110,912	53,616	49,776
Equity-REAT	41,302	41,409	2,049	2,061
CDO	167,809	164,898	2,171	2,133
Liquidity Facilities	2,000,000	2,000,000	160,000	160,000
Total	5,560,106	5,317,219	217,836	213,970

(B) Liquidity Risk

a. NTD-Denominated Maturity Date Structure as of Dec 31, 2010

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	3,759,621,399	889,994,289	578,316,017	348,684,135	231,059,106	1,711,567,852
Major Outflows of Matured Funds	4,290,523,630	544,127,505	495,347,238	543,412,244	1,019,809,738	1,687,826,905
Period Gap	-530,902,231	345,866,784	82,968,779	-194,728,109	-788,750,632	23,740,947

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

b. USD-Denominated Maturity Date Structure as of Dec 31, 2010

Unit：USD1,000

	Total	Time to Expiration				
		1~30days	31~90 days	91~180days	181days~1yr	Above 1 yr
Assets	20,312,625	7,119,199	5,938,070	4,382,325	1,350,149	1,522,882
Liability	19,907,610	11,254,352	4,469,203	2,302,642	1,271,577	609,836
Gap	405,015	-4,135,153	1,468,867	2,079,683	78,572	913,046
Accumulated Gap	405,015	-4,135,153	-2,666,286	-586,603	-508,031	405,015

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

(C) Market Risk

Unit: NT$ 1,000

Risk Type	Accrued Capital	
	2010.12.31	2011.3.31
Interest Risk	1,748,590	2,426,394
Equity Risk	934,435	1,805,616
Foreign Exchange Risk	1,291,342	1,390,504
Commodity Risk	—	—
Total	3,974,367	5,622,514

(D) Operational Risk

Unit：NT$ 1,000

Year	Profit	Capital Requirement
2008	25,862,675	—
2009	25,024,985	
2010	23,959,996	
Total	74,847,656	3,742,383

ii. BTLI

Unit: NT$ 1,000

Risk Type	2011.3.31.	2010.12.31.	2011.3.31.	2010.12.31.
	RBC (Unit: NT$ 1,000)		Ratio to RBC Before Adjustment	
Asset Risk	7,786,011	6,404,526	57.85%	54.57%
Insurance Risk	1,099,864	1,285,530	8.17%	10.96%
Interest Risk	3,608,568	3,119,893	26.81%	26.58%
Other Risk	965,309	926,229	7.17%	7.89%
RBC Before Adjustment	13,459,752	11,736,178	100.00%	100.00%
RBC	4,402,921	3,796,732	—	—

iii. BTS

Unit: NT$ 1,000

	2010.12.31	2011.3.31
1. Capital Adequacy Ratio	651%	632%
2. Net Eligible Equity Capital	2,888,252	2,872,981
2.1 Tier I Capital	2,888,252	2,872,981
2.2 Tier II Capital	0	0
2.3 Eligible and Used Tier III Capital	0	0
3. Operation Risk in Dollar Amount	424,455	454,785
3.1 Credit Risk Amount	246,446	248,481
3.2 Operational Risk Amount	69,747	69,747
3.3 Market Risk Amount	108,262	136,557

(3) Impact of important policy and legislative changes at home and abroad on the company's financial and operating status, and response measures

With the signing of the cross-strait financial supervisory MOUs and the Economic Cooperation Framework Agreement (ECFA), as well as implementation of the ECFA Early Harvest list, cross-strait financial dealings have become an on-the-ground reality. TFH, as Taiwan's state-run financial holding company, needs to serve as a rock of stability, and toward that end has set up a Taskforce for Development of the Greater China Market to formulate an overarching strategy for the group's efforts to enter the China market and develop its businesses there. By properly allocating group resources and replicating our success with cross-selling in Taiwan, we hope to expand our businesses to cover the entire Greater China market and lead the domestic financial services industry and other sectors of our economy forward.

To bring Taiwan's Statements of Financial Accounting Standards in line with international standards, TFH has set up an IFRS Taskforce that is now drafting an IFRS conversion plan to mesh with the IFRS conversion timeline being implemented by the Ministry of Finance and the Directorate General of Budget, Accounting and Statistics. In addition, our IFRS Taskforce is also carrying out a thorough analysis of the possible impact of IFRS conversion upon TFH operations, and formulating a number of concrete steps to be taken, together with risk management measures, to ensure stable business operations and sustainable development.

(4) 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.

(5) Impact from Material Share Transferring of a Director, Supervisor, or Shareholder with more than 1 Percent 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.)

(6) Impact from Change of Ownership

None (TFH is a state-run enterprise wholly owned by the government, with its shares owned by MOF. There has been no change in top management.)

(7) Litigious or Non-Litigious Matters

None

7. Crisis Management Mechanism

In order to establish a groupwide system for preventing the occurrence of emergency situations, to respond promptly and effectively once they do occur, and to follow up with remedial action to deal with the aftermath, TFH and its subsidiaries have adopted a number of emergency response measures and contingency plans. We have set up an Emergency Response Taskforce and Spokesperson system, and when an emergency occurs we will be prepared to activate our Groupwide Emergency Notification and Communications System. Specified emergency response units are now in place to take charge in case of emergency and handle events in accordance with established operating procedures.

8. Other Material Issue

None

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You can help us
Make Taiwan a better place

Taiwan Financial Holdings
Invites you to join
In its quest to be No.1

VIII. Miscellaneous

1. TFH Affiliates

(1) Organizational charts for TFH affiliates: See page 19, "Chart of Relations within the TFH Group" under "III. Corporate Governance Report".

(2) Basic Data on TFH Affiliates as of Mar 31, 2011.

Name	Date Founded	Address	Paid-in Capital	Main Businesses
BOT	May 20, 1946	No.120, Chongcing South Road Section 1, Taipei	NT$70 billion	Banking
BTLI	Jan 2, 2008	Fls. 2-8, No.69, Dunhua South Road Section 2, Taipei	NT$11 billion	Life Insurance
BTS	Jan 2, 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, insurance, and securities

(5) Information About Subsidiaries' Directors, Supervisors and Managers as of Mar 31, 2011.

Subsidiary	Title	Name	Share		Judiciary Person Representated
			Share Number	%	
BOT	Chairperson Managing Director and President Independent Managing Director Managing Director Managing Director Independent Director Independent Director Director Director Director Director Director Labor Director Labor Director Labor Director	Susan S. Chang Ming-Daw Chang Yi-Hsiung Hsu Sheng-Ford Chang Cheng-Chen Yang Chung-Hua Shen Tien-wei Lou Ming-Shyang Yang Chih-Hung Chang Hsiu-Hua Rau Jiin-Tarng Yue Kuang-Huei Lee Hsi-Chuan Chen Sheng-Tien Yang Hao-Hsuan Lee	7 Billion Shares	100%	TFH
BTLI	Chairperson Director and President Director Director Director Director Independent Director Independent Director Supervisor Supervisor	Kuo-Ching Chang Fu-Teng Hsieh Li-Shieu Tsai Jui-Mu Huang Fan Kang Lung-Cheng Pan Ray Chen jin-Long Peng Chen-Ying Huang Chih-Tung Hsieh	1.1 Billion Shares	100%	TFH

Subsidiary	Title	Name	Share		Judiciary Person Represented
			Share Number	%	
BTS	Chairperson Director and President Director Labor Director Independent Director Independent Director Supervisor Supervisor	Fortune Ju Chang-Ming Chen Kung-Hsiang Wang Shu-Yeh Huang Shu-Ying Chen Kwang-Lun Tseng Man-Yi Chu Chun-Lan Yen	300 Million Shares	100%	TFH

(6) Operations of Subsidiaries

Unit: NT$1000

Subsidiary	Capital	Asset	Liability	Equity	Profit (before taxes)	Profit (after taxes)	EPS(NT$)	Asset
BOT	70,000,000	3,915,222,699	3,663,674,135	251,548,564	25,526,116	7,826,763	7,084,925	1.01
BTLI	11,000,000	291,015,468	280,197,065	10,818,403	87,718,449	380,279	326,069	0.36
BTS	3,000,000	4,692,804	1,465,231	3,227,573	578,357	104,886	119,630	0.40

2. TFH has not conducted any private placement of securities in 2010 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 2010 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 :

Shou-Tzuoo Huang took over as President of Taiwan Financial Holdings. He replaces Fu-Chi, Tsai who retired.

5. Domestic and Overseas Branches of BOT

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

6. Domestic Branches of BTLI

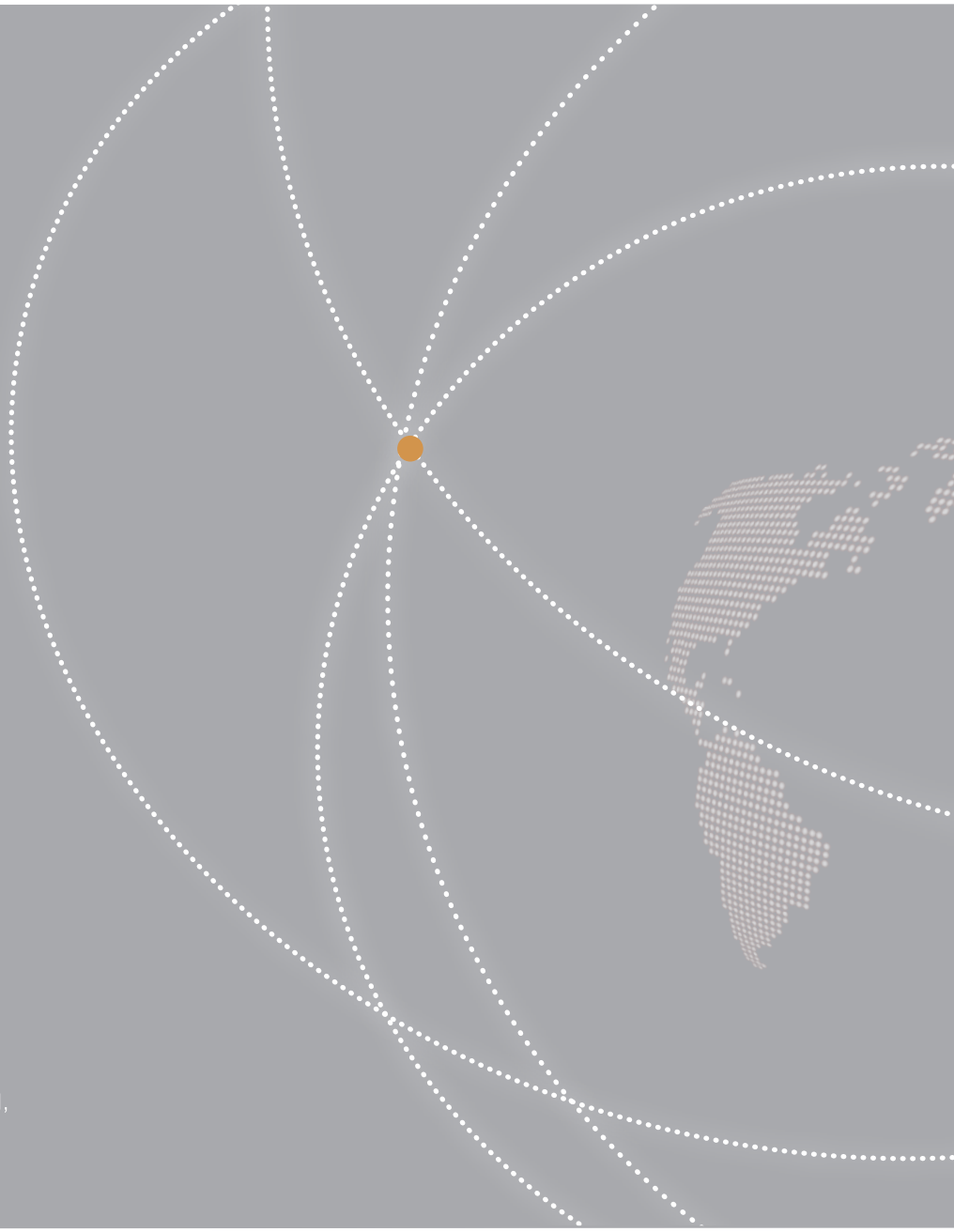
Please refer to www.twfhclife.com.tw

7. Domestic Branches of BTS

Please refer to www. twfhcsec.com.tw

Taiwan Financial Holdings

Chairperson Susan Chang



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