第一銀行
First Bank

2011 ANNUAL REPORT

第一銀行 ▪ First Bank　第一銀行 ▪ First Bank

Contents

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Executive Vice President

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Rating Agency
Taiwan Ratings Corp.
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Fitch Ratings Ltd.
Tel: 886-2-8175-7600

Highlights

(in millions)	12.31.2011 NTD	12.31.2010 NTD	12.31.2011 USD
Major financial data at year end			
Total assets	2,023,767	1,991,798	66,846
Bills discounted and loans	1,346,878	1,248,381	44,488
Deposits and remittances	1,602,756	1,582,852	52,940
Common stock	58,700	49,490	1,939
Stockholders' equity	116,689	95,861	3,854
Operating results			
Total revenues	45,390	39,315	1,499
Total expenses	35,248	31,114	1,164
Pre-tax income	10,142	8,201	335
Income tax	(1,517)	(1,862)	(50)
Net income	8,625	6,339	285
Capital adequacy ratio	10.94%	10.36%	
World rank			
The Banker - by tier 1 capital (12/10)	286	275	
The Banker - by total assets (12/10)	188	191	
Distribution network			
Domestic full/mini/sub-branches	190/0/0	187/3/0	
Overseas branches/sub-branches/rep. offices/OBU	16/2/1/1	15/2/2/1	
First Commercial Bank (USA)	1 main office and 7 branches	1 main office and 7 branches	
Number of employees	7,148	7,048	

*NT$30.275:US$1.00

History

First Commercial Bank has grown strongly and steadily with Taiwan's economic development over the last 112 years, and consistently adhered to the corporate philosophy of "Customer First, Service Foremost".

The Bank is committed to transforming into a global financial institution that is not only highly recognized by employees, but also is friendly, reliable and sound from customers' perspective.

- 1899 Savings Bank of Taiwan established
- 1912 Merged with Commercial and Industrial Bank of Taiwan (est. 1910)
- 1923 Merged with Chia-I Bank (est. 1905) and Hsin-Kao Bank (est. 1916)
- 1945 Reversion of Taiwan from Japanese Governance
- 1949 The Bank was renamed First Commercial Bank of Taiwan
- 1967 The Bank started international business
- 1976 The Bank's name was shortened to First Commercial Bank
- 1998 The Bank was privatized
- 1999 Centennial Anniversary
- 2003 First Financial Holding Co. established; The Bank transformed to be a wholly owned subsidiary of FFHC
- 2004 A new corporate structure created due to the organizational reshaping
- 2006 Awarded "Bank of the Year 2006" for Taiwan by The Banker, ISO 27001 Certification from BSI
- 2007 Continued winning glory and honor awards from The Banker (UK), Asiamoney (HK) and FSC (Taiwan)
- 2008 Graded A for "Loan Promotion Program to SMEs by Taiwanese Banks" by the FSC; winning "Credit Guarantee Partner Award" from the MOEA and the FSC; awarded "The Best Visa Debit Issuer of the highest Activation Rate in 2008" by Visa organization
- 2009 Establishing the First brand image in urban regeneration financing; receiving a "2009 ANZCham Business Excellence Award"; Winning "The 2nd Information Security Awards 2009" and "Enterprise PMP Benchmarking Awards"
- 2010 Shanghai Branch opened for business on December 23, making First Bank the first Taiwanese bank to operate in China
- 2011 Signing MOUs with China's six leading banks; upgrading Hanoi Representative Office into a branch; awarded "The Best Loan Promotion Program to SMEs by Taiwanese Banks" by FSC; OBU launched RMB-denominated business

Message to Our Shareholders

Ching-Nain Tsai
Chairman of the Board

Business Report for 2011

Overview of Global Economy

After a strong recovery in 2010, the global market and economic environment entered a phase of correction in 2011. Sovereign debt risks and high unemployment rates in developed economies and other macroeconomic concerns combined to weaken the momentum of global economic expansion. In the first quarter of 2011, geopolitical unrest in Middle East and North Africa raised fears of inflationary pressure triggered by soaring oil prices. During the second quarter, the March 11 earthquake in Japan sent shock waves throughout the world and plunged ICT (Information and Communication Technology) and automotive supply chain into chaos, while the lagging progress of Greece's deficit-cutting measures heightened the possibility of a sovereign debt default. From the third quarter on, the downgrade of U.S. government bond rating for the first time in history and lingering concerns over Europe's sovereign-debt crisis led to further turbulence in the global financial market. In the fourth quarter of 2011, as sovereign debt problems of Greece, Italy, and Spain crippled Eurozone, debates on the viability of the EU intensified. To avert a global economic slump, in early December 2011 several central banks announced coordinated action to establish temporary bilateral liquidity swap arrangements so as to lower short-term borrowing cost of US dollar for troubled European banks and keep the global economy free and clear of a credit crunch. However, the effect was far from significant. Macro problems in the U.S. and Eurozone, combined with turbulence in the financial market, still led banks to tighten the supply of credit and hurt investor confidence. The world seemed headed for a prolonged stretch of economic turbulence and uncertainty.

Tzuoo-Yau Lin
President

Overview of Domestic Economy

On the domestic front, Taiwan's strong export pace led the economic expansion to as high as 5.57% during the first half of 2011, with strong improvements experienced in employment and pay levels. Yet the growth started moderating amid European sovereign debt crisis and uncertain signs of economic recovery emerging from the U.S. According to statistics released in February 2012 by the Directorate General of Budget, Accounting and Statistics, for the full year of 2011, Taiwan's economy expanded by a modest 4.04% with quarterly GDP rates of 6.62%, 4.52%, 3.45% and 1.89% (est.), respectively. Despite the high volatility in the operating environment, lending and investments outstanding by financial institutions at the end of 2011 increased 6% from the prior year, and asset quality continued to improve. The industry-average NPL ratio decreased to 0.43% and the NPL coverage ratio increased to 251.83%, hitting a record high.

During the past year, Taiwan's interest rate environment remained generally favorable. Despite the economic uncertainty and rate cuts by emerging countries such as Brazil, Thailand and Philippines to stimulate growth, Taiwan's economy managed to expand at a moderate pace. In view of ample liquidity, steady growth of credit supply (instead of a credit crunch experienced in Europe and the U.S.), signs of imported inflation and consistently low interest rates, Taiwan's Central Bank kept rates unchanged for two consecutive quarters after halting the rate increases in the mid-year. However, to remove excess liquidity, the Central Bank continued to issue long-term certificates of deposit, which in turn pushed up overnight call rates for financial institutions from 0.250% at the beginning of 2011 to

0.405%. The loan-deposit spread rebounded to 1.44% in the third quarter of 2011, the best on record since 2009. Benefiting from sustained growth momentum in lending, a rising yield spread and good control over asset quality, Taiwan's banking industry saw profit grow significantly. In 2011, the industry's pre-tax profits totaled NT$200 billion, an increase of NT$16.8 billion over the year before. Return on equity (ROE) improved from 9.10% in 2010 to 9.33%, and return on assets (ROA) increased from 0.58% in 2010 to 0.59%.

Organizational Structure

To consolidate the integration of the organization, the following readjustments were carried out in February of 2011:

- To improve operating efficiency, the Corporate Banking Business Administration Division and Corporate Banking Business Marketing Division were merged to form a new Corporate Banking Business Administration Division; the Trading Division and Treasury Division were combined into the Treasury Division; and the IT Operation Division and IT Application Division were merged to become the Information Technology Division.
- In response to the booming development of Asia-Pacific business in the future, an Asia Pacific Business Department was set up under the Corporate Banking Business Administration Division, and an Overseas Banking Application Department was established under the Information Technology Division.
- To strengthen the Bank's customer information management, enhance customer relationship management, and consolidate the application of product marketing penetration, a Customer Relationship Management Department was set up under the Electronic Banking Division.
- To strengthen credit policy integration planning, a Credit Planning Department was established under the Credit Approval Division.

Performance of Operating Strategies

2011 started off on a positive note, continuing the economic recovery with mild expansion experienced in corporate financing activities and domestic consumption. Yet the momentum weakened against a backdrop of sovereign debt default crisis in the U.S. and Europe, geopolitical unrest and natural disasters. Overall, the banking industry was in good shape and well-positioned. In order to align with the trends that were shaping changes around the world, we drew inspiration from the parent company's management principles of "Building toward Excellence and Credibility, Seizing the Opportunity", while executing our five strategic priorities –

"Expand cross-border customer base and enlarge international financial scale", "Keep abreast of industry trends to provide comprehensive finance planning", "Integrate marketing penetration and enhance profitability synergies of core business", "Expand asset scale and optimize asset/ liability and capital allocation management", and "Pay close attention to environmental protection and green finance to manifest corporate social responsibility", so as to endeavor to achieve financial targets and realize our vision of becoming the bank of choice in Asia Pacific.

We considered the bank's performance in 2011 to be satisfactory in aggregate, as we achieved:

Robust operating performance

- Profit before tax up 23.67% to NT$10,142 million, or NT$1.87 per share
- Net income up 36.06% to NT$8,625 million, or NT$1.59 per share
- NPL ratio declined to 0.47%, an all-time low
- Coverage ratio improved to 217.90%, reflecting well-managed asset quality
- Above-target BIS ratio of 10.94% following a capital injection in September 2011

Industry-leading presence in Asia Pacific

To connect Taiwanese enterprises to the world through swift, reliable financial services, we continued to expand our market reach. During 2011, we upgraded Hanoi Representative Office into a branch and filed an application for our second mainland branch in Chengdu, Sichuan Province. We also realized a number of successes in the development of overseas market; these included achieving profitable growth of Shanghai Branch in the first year of operation, signing memorandums of understanding (MOU) with China's six leading banks and launching RMB-denominated business by Offshore Banking Branch (OBU) and Macau Branch.

Outstanding corporate banking business

As one of the most established corporate lenders, in 2011 we took actions to align our products and services to the evolving economic and industry landscape. Our lending activities targeted towards strategic sectors and SMEs and thus loans outstanding increased 21.20% over the year before, yielding excellent results. We were awarded by the Financial Supervisory Commission "The Best Loan Promotion Program to SMEs by Taiwanese Banks" for the second consecutive year. In addition, we were ranked as one of leading arrangers for domestic loan syndications, and our factoring and OBU financing businesses continued to show positive momentum with higher volume of transactions.

Diversified personal banking services

In 2011 we continued to develop and diversify the range of our personal banking services, including the introduction of several new credit card products such as Signature Business Card, Titanium Commercial Card, Naturally Plus Card, and Smile Corporate Card; new daily dollar-cost average (DCA) scheme and automatic profit-taking and loss-stopping mechanism for mutual fund investments; and upgrade of personal e-Banking and mobile banking platforms.

Vigorous participation in public-benefit activities

We are committed to social responsibility and operating as a good corporate citizen. To further our causes for education, arts, sports and social welfare, we took part in the following philanthropic programs in 2011:

- Establishing five employee volunteer teams to work on local service projects to help the needy and the poor.
- Hosting music concerts and offering free medical service in collaboration with National Taiwan University Hospital.
- Sponsoring a men's table tennis team to identify and develop talented athletes.
- Holding a charity fair in celebration of the Bank's 112th anniversary.
- Inviting renowned painters to exhibit art works in the hall of the headquarter office.
- Involving employees in the work of local charities and NGOs, including donating to schools, giving away used computers to remote villages, and sponsoring the admission to the Silk Road Exhibition for children receiving aids from Taiwan Fund for Children and Families.

Research and Development

With the rapid changes taking place in the financial operating environment, the Bank constantly follows the latest domestic and overseas economic, financial, and industrial developments; and, in response to domestic and overseas financial regulations change, issues research reports on an irregular basis and formulates the Bank's countermeasures. This greatly enhanced the depth and breadth of our research and analysis.

Budget Implementation, Growth and Profitability

Net Revenue totaled NT$30,924 million, an increase of NT$3,095 million over 2010, yielding net income of NT$8,625 million, an achievement of 111.51%.

- Deposits
  The average deposits were NT$1,580,389 million, a target of 103.10% and an increase of NT$90,855 million over 2010 or a growth of 6.10%.
- Loans
  The average loans were NT$1,334,314 million, an achievement of 105.47% and an increase of NT$194,601 million from 2010 or a growth of 17.07%.

- Wealth Management Business
  - The sales of non-discretionary money trust, including domestic and overseas funds, collective management account plus overseas securities, were NT$95,545 million, a target of 44.86% and a decrease of NT$58,679 million from 2010, a decline of 38.05%.
  - Premium income from bancassurance were NT$20,882 million, exceeding our given target by an impressive 254.66%, and an increase of NT$14,468 million over 2010 or a huge growth of 225.57%.
- Custodian Business

  Custodian funds amounted to NT$292,529 million, a target of 92.14%, a decrease of NT$23,061 million or a decline of 7.31%. Discretionary investment custodian assets were NT$194,439 million, reaching a target of 134.10%, an increase of NT$27,891 million or a growth of 16.75%.

Business Plans for 2012

Looking ahead into 2012, risks of sovereign debt default in the developed world and the resulting crisis of investor confidence shall remain and might impact global financial markets and economic growth as well. In addition, inflationary pressure, a subdued housing market and under-utilized industrial capacity in emerging countries will continue to raise challenges throughout 2012 and beyond. We are, however, confident that we will react to the changing environment cautiously, balancing development with stability as guided by our parent company's management principle. Meanwhile we will set up ***"Be First with Us, Your Priority Partner in Asia Pacific"*** as the pivot of our business strategy. We will therefore strive to deepen our presence in Asia-Pacific region, supporting our clients with intra-regional connectivity and immediate access to cross-border financial solutions. Furthermore, we are making strong headway in our efforts to become the most trusted green technology bank with a firm commitment to making positive changes in the communities we operate in.

Future Development Strategies

Strengthen cross-border services in Asia Pacific

Now with the liberalization of cross-strait banking and Taiwanese enterprises' increasing business activities across the Strait and in South-East Asia, we will continue our focus on Asia-Pacific region. In addition to setting up new branches in China and ASEAN, we will work to enhance the intra-regional connectivity so as to extend our advantage in corporate banking into new markets. We will also strengthen our comprehensive suite of financial products and services, in particular cash management, hedging and electronic transactions, and vigorously introduce RMB-related products to meet the cross-border financial needs faced by Taiwanese enterprises operating globally.

Optimize product portfolio to drive margin growth

We will strive to build a balance between stability and development in the face of heightened economic and geopolitical uncertainty. Through actions of optimizing our product portfolio, enhancing our profit growth model, prioritizing certain industries, regions and investment products, and placing great emphasis on client profit contribution and product penetration, we hope to further expand the interest spread and drive growth in volume and margin.

Manage to drive product penetration

Our deep local footprint, market leadership and a large, loyal client base are our core strengths. In order to drive cross-marketing, increase product penetration and develop new income sources, we will leverage our competitive advantages in lending to conglomerates and SMEs to drive foreign trade finance, deposits, cash flow services and wealth management businesses. This, in turn, should help the Bank enhance product penetration and realize profit synergies.

Capitalize on the changing environment and amplify innovative management capabilities

Positive about the opportunities in 2012, we aim to upgrade our innovative management capabilities. We will exercise a new set of mindsets and search for new ways to create new value in every facet of our operations, from product design, marketing strategy, operating procedures to distribution channel. Only through cultivating ideas, seizing the trend and exploring new opportunities can we remain competitively positioned.

Build capital strength and implement risk governance framework

An uncertain economic outlook, along with the challenges and threats we face when entering new markets and undertaking new business, present implications for our operations. We will continue to implement risk control and governance framework that encompasses a variety of risk factors relating to our day-to-day activities, including credit risk, market risk, liquidity risk, operational risk and legal risk. We will keep pursuing asset/liability allocation that reflects the optimal mix of risk, liquidity and return, while strengthening asset quality and deploying capital in an efficient and prudent manner. Through such actions we aim to enhance the Bank's long-term capability to withstand unforeseen risks.

Influence of the External Environments

External Competitive Environment

The cross-strait exchanges have flourished in recent years with restrictions on trade and financial transactions largely lifted by the Taiwan Government. China's prominence as the world's second-largest economy has prompted Taiwanese financial institutions to seize and capitalize on increasing trade and capital flows, along with moves to beef up their China presence. Going forward, as more and more local financial institutions are allowed to provide banking services denominated in RMB, the leveled playing field should support RMB remittance, deposits, loans, trade and investment services targeted for Taiwanese enterprises operating in China. We believe the RMB business should attract more Asian enterprises to set up business relationship with Taiwan's financial institutions, which in turn help contribute to the global competitiveness of local banks. Yet threats from China peers aiming to enter Taiwan are emerging and becoming a pressing reality that local banks must acknowledge.

Regulatory Environment

The mainland and Taiwan held the "Cross-strait Banking Governance and Cooperation Platform" conference for the first time on April 25, 2011, in a move to jointly establish the governance management framework. Bilateral agreement was reached on deepening cooperation in financial governance, liberalizing branch openings and furthering dialogue across the Strait, thus laying a solid foundation for facilitating data exchange and collaboration mechanism in the future. In the wake of the global financial crisis, financial supervisory authorities worldwide have come to a deep awareness of the importance of risk governance implemented by financial sector. To address current risk governance trends, the FSC, in a notice issued to local banks and credit unions on November 21, 2011, raised loan coverage ratio (provisions for loan losses as percentage of loans outstanding) requirement to above 1% as part of its efforts to step up regulatory oversight reforms.

Overall Operating Environment

In the backdrop of subdued export activities due to weak external demand, a slowdown in private-sector investment and consumption spending negatively impacted consumer lending, with 2011 growth dropping to 1.19% from 2.04% in the prior year. Growth of corporate loans also slowed to 6.00% from 6.19% during the same period. In addition, a correction in the housing sector caused a conservative reaction by banks toward real-estate backed lending, leading to lower growth in mortgage lending, home improvement loans and construction loans. In wealth management, the economic slowdown at home and abroad, coupled with the lingering sovereign debt crisis in Europe, continued to temper investor confidence. A weak global equity market that prevailed throughout the second half of 2011 further heightened the challenge of operating the wealth management business for banks. In sum, the uncertain economic and geopolitical backdrop raised challenges throughout 2011 for the local banking sector.

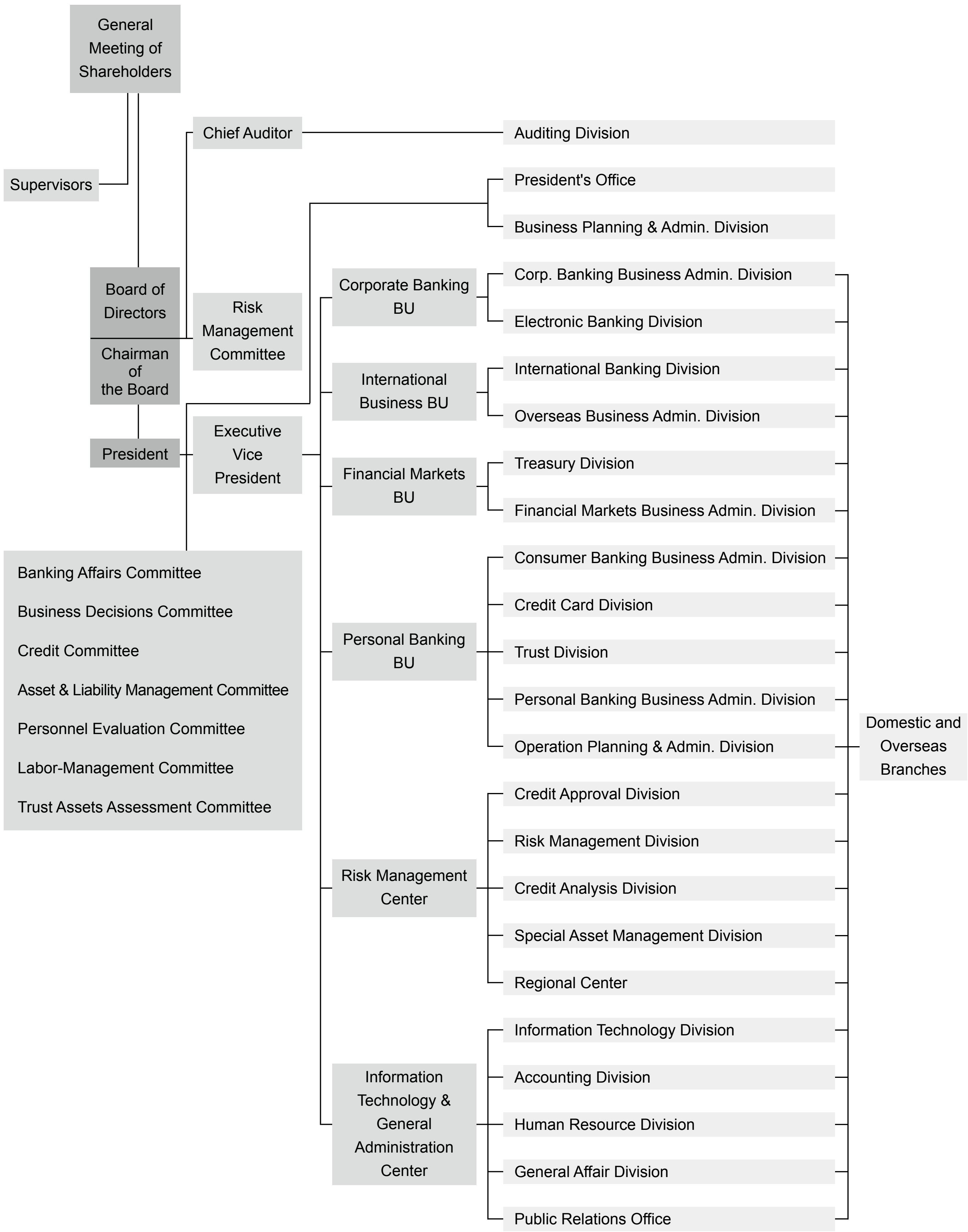
Credit-rating Results

2011				
Rating Institution	Published Date	ST	LT	Outlook
Fitch	August 29, 2011	F2	BBB+	Stable
Moody's	October 12, 2011	P-1	A3	Stable
Taiwan Ratings Co.	December 8, 2011	twA-1+	twAA	Stable
Standard & Poor's	December 8, 2011	A-2	BBB+	Stable

2010				
Rating Institution	Published Date	ST	LT	Outlook
Fitch	September 10, 2010	F2	BBB+	Stable
Moody's	November 2, 2010	P-1	A3	Stable
Taiwan Ratings Co.	October 27, 2010	twA-1+	twAA-	Stable
Standard & Poor's	October 27, 2010	A-2	BBB+	Stable

Looking into 2012, risks remain in global economy and the financial market, yet the political stability and continued economic and trade cooperation across the Strait shall support a mild domestic economic expansion. We will put greater emphasis on innovative management and profitability-enhancing initiatives to enable sustained profit growth in the year ahead. By introducing a new set of mindsets and approaches, we will transform the company in innovative ways to gain competitive edges in all areas of our business. Furthermore, we will capitalize on the opportunities of booming cross-strait activities to deepen our footprint in Asia Pacific and provide our customers with the best financial services to realize our customer-centric vision of ***"Be First with Us, Your Priority Partner in Asia Pacific"***.

Organization Chart



February 2012

Board of Directors and Supervisors

Title	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
Chairman of the Board	Ching-Nain Tsai	July 1'10	■ M.S., Industrial Management, National Cheng Kung University Director General, National Treasury Agency, MOF; President, Land Bank of Taiwan; Chairman, Taiwan Business Bank; Chairman, Taiwan Futures Exchange	Chairman, First Financial Holding Co., Ltd. (FFHC); Chairman, First Commercial Bank (USA)
Managing Director	Ming-Ren Chien	Aug. 22'08	■ M.S., Int'l Finance, National Taipei University EVP, FCB; President, FCB Leasing Co., Ltd.; Chairman & President, First Financial Asset Management Co., Ltd.	Director & President, FFHC; Chairman, First-Aviva Life Insurance Co., Ltd.; Director, Taiwan Asset Management Corp.
Managing Director	Tien-Yuan Chen	Oct. 22'97	■ B.A., Tamkang University Chairman, Taiwan Coca-Cola Co., Ltd.	Director, FFHC; Chairman, Golden Garden Investment Co., Ltd. & Golden Gate Motor Co., Ltd.
Managing Director	Hsien-Feng Lee	July 13'06	■ Ph.D., Bielefeld University, Germany Advisory Committee Consultant of Council for Economic Planning and Development, Executive Yuan; Director, Farmers Bank of China	Director, FFHC; Associate Professor, Dept. of Economics, National Taiwan University
Independent Managing Director	Yophy Huang	July 16'09	■ Ph.D., Indiana University Supervisor, Taipei Fubon Bank; Research Fellow, Taxation and Tariff Committee, MOF; Member, Taxation Revolution Committee, Executive Yuan	Independent Director, FFHC; Associate Professor, Dept. of Public Finance and Tax Administration, National Taipei College of Business
Independent Director	Chun-Shyong Chang	Apr. 28'11	■ Ph.D., University of Maryland Director, Taiwan Stock Exchange; Supervisor, FCB; Chairman, Pan Asia Bank; Managing Director, Bank of Kaohsiung	Director, Hwa-Hsia Leasing & Financial Corp.; Visiting Professor, Dept. of Finance and Banking, Shih Chien University
Independent Director	Du-Tsuen Uang	Aug. 25'11	■ Ph.D. in Law, National Chengchi University Commissioner, Fair Trade Commission, Executive Yuan; Associate Research Fellow, Associate Professor, Institute of International Relations, National Chengchi University	Professor, School of Law, Ming Chuan University
Director	Tzuoo-Yau Lin	Jan. 21'10	■ B.A., Tamkang University VP & Chief Representative of Manila Representative Office, FCB; SVP & GM of Los Angeles Branch, FCB; Chief of International Business Division, FCB; EVP, FCB; CEO, Chairman, First Commercial Bank (USA)	Director, First Commercial Bank (USA); Director, First-Aviva Life Insurance Co., Ltd.; President, FCB
Director	Jan-Yan Lin	Aug. 22'08	■ Ph.D. in Business Administration, National Chengchi University Dean of Academic Affairs, Kainan University; Secretary General, Chinese Professional Management Association	Professor, Chung Yuan Christian University
Director	Shang-Wu Yu	Sep. 25'08	■ Ph.D., University of Birmingham, U.K. Chief Secretary for Chairperson, Fair Trade Commission, Executive Yuan; VP, Dean of College of Management, Tungnan University	Director, FFHC; Independent Director, TXC Corporation; Dean, College of Management and Language, Yuanpei University
Director	Ping-Pin Lin	Nov. 20'08	■ MBA, John F. Kennedy University Managing Director, Small and Medium Enterprise Credit Guarantee Fund of Taiwan; Director, Taiwan Small Business Integrated Assistance Center	Chairman, Triad International Corporation; Independent Director, Bionet Corp.; Supervisor, Maywufa Co., Ltd.
Director	Yu-Ming Chen	Apr. 28'11	■ B.S., National Chengchi University Country Executive Taiwan, Grindlays Bank; Chief of Project Business Dept., China Development Industrial Bank; President, Air Asia Co., Ltd.	None
Director	Chia-Yin, Hung	Apr. 28'11	■ Ph.D. in Law, National Chengchi University Member of Complaint Review Board for Government Procurement, Taipei City Government; Member of Legal Affairs Committee, MOEA; Member of Petitions and Appeals Committee, MOF	Professor of School of Law, Dean of Student Affairs Office, Soochow University
Director	Hsiu-Hui Lin	May 22'08	■ B.A., National Taiwan University AVP & Deputy Manager of Regional Center, FCB	AVP & Deputy Manager of Fu-Hsing Branch, FCB
Standing Supervisor	Yung-Sun Wu	Sep. 16'04	■ B.A., Soochow University Professor, Soochow University; Professor & Head of The Management Science Graduate Institute, National Chiao Tung University; Supervisor, China United Trust & Investment Corp.; Supervisor, FFHC	Advisor, Taiwan Fuhbic Corp.

(to be continued)

Title	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
Supervisor	Lee-Jen Lin	Aug. 22'08	■ M.S., National Chengchi University Section Chief, Deputy Director-General, Dept. of Statistics, MOEA; Director-General, Dept. of Statistics, Council of Labor Affairs, Executive Yuan	Supervisor, FFHC; Director General, Dept. of Statistics, MOF
Supervisor	Yih-Cherng Yang	July 15'00	■ M.S., National Taiwan University Director, FCB; Managing Director, Standing Supervisor, China Bills Finance Corp.	President, Small Business Integrated Assistance Center
Supervisor	Hwey-Jane Lin	July 16'09	■ M.S.; Doctoral Program, The Wharton School, University of Pennsylvania Associate Professor, Dept. of Accounting, Fu Jen Catholic University; CPA; Associate Professor, Dept. of Accounting, National Taiwan University	None
Supervisor	Liang Chen	June 30'11	■ MBA, Finance, Bernard M. Baruch College, The City University of New York Vice President, International Investments, Oppenheimer & Co. Inc.; Head of Asia, Investment Banking, Paine Webber Inc.; Director, Taiwan Financial Holding Co., Ltd.	Chairman, Peak Capital Co., Ltd.

March 31, 2012

Executive Officers

Title	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
President	Tzuoo-Yau Lin	Dec. 24'09	■ B.A., Tamkang University VP & Chief Representative of Manila Representative Office, FCB; SVP & GM of Los Angeles Branch, FCB; Chief of International Business Division, FCB; EVP, FCB; CEO, Chairman, First Commercial Bank (USA)	Director, FCB; Director, First Commercial Bank (USA); Director, First-Aviva Life Insurance Co., Ltd.
EVP	Po-Chiao Chou	Sep. 16'04	■ B.S., National Cheng Kung University SVP & GM of General Affair Division	EVP, FFHC; Chairman, First Venture Capital Co., Ltd.; Chairman, First Financial Management Consulting Co., Ltd.; Supervisor, First Securities Inc.
EVP	Grace M.L. Jeng	Sep. 25'08	■ MBA., National Chengchi University SVP & General Manager of Yuan-Shan Branch; SVP & Chief of Personal Banking Business Admin. Division	Director, First Securities Investment Trust Co., Ltd.
EVP	Dong-Ho Wang	Jan. 1'11	■ B.S., National Chengchi University SVP & GM of London Branch; Advisor & GM of London Branch; Advisor & Chief of Overseas Business Admin. Division	Director, First Commercial Bank (USA); Chief of Overseas Business Admin. Division, FCB
EVP	Hann-Chyi Lin	Jan 1'11	■ B.S., Feng Chia University SVP & Chief of International Business Division; SVP & GM of Hong Kong Branch; Chief Auditor	Advisor & Head of Administration Management Dept., FFHC; Supervisor, First Securities Investment Trust Co., Ltd.
EVP	Ming-Hua Cheng	Jan. 1'11	■ MBA, National Cheng Kung University SVP & GM of Nanking-East-Road Branch; Advisor	Advisor & Head of Risk Management Dept., FFHC; Director, Taiwan Asset Management Corp.
Chief Auditor	Ying Wu	Jan. 14'11	■ B.S., National Chengchi University Supervisor, First Venture Capital Co., Ltd.; Supervisor, First Financial Management Consulting Co., Ltd.	Chief Auditor, FFHC; Supervisor, First Securities Inc.

March 31, 2012

Main Shareholders of Sole Owner FFHC

Shareholders	Holding %
Ministry of Finance	13.35%
Bank of Taiwan	7.72%
Hua Nan Bank	2.89%
Labor Insurance Fund	2.33%
Civil Servants' Retirement Fund	2.30%
China Life Insurance	2.29%
Vanguard Emerging Markets Stock Index Fund	1.37%
Dimensional Emerging Markets Value Fund	1.10%
Cathay Life Insurance	0.94%
Government of Singapore	0.84%

April 24, 2012

Banking Operations

Scope of Operations

Banking Business Line

1. Receive all kinds of deposits.
2. Issue financial bonds.
3. Extend loans.
4. Discount bills and notes.
5. Invest in securities.
6. Engage in domestic remittances.
7. Engage in acceptance of commercial drafts.
8. Issue local letters of credit.
9. Guarantee the issuance of corporate bonds.
10. Engage in domestic guarantee business.
11. Act as collecting and paying agent.
12. Act as agent to sell government bonds, treasury bills, corporate bonds and stocks.
13. Act as securities underwriter.
14. Engage in securities trading on its own account.
15. Engage in warehousing and custodian services.
16. Engage in rental safe deposit box.
17. Engage in agency services related to the business listed on business license or approved by the competent authorities.
18. Engage in credit card business.
19. Act as agent to sell gold bullions, gold and silver coins.
20. Purchase and sale of gold bullions, gold and silver coins.
21. Engage in guarantee business of import and export of foreign trade, outward and inward remittances, foreign currency deposits and foreign currency loans.
22. Engage in outward and inward remittances and foreign currency deposits business.
23. Purchase and sale of foreign currency cash and traveler's checks.
24. Engage in derivative financial products business approved by the competent authorities.
25. Engage in trust business as regulated.
26. Handle the investment in foreign securities under non-discretionary trust of money service.
27. Sale of domestic mutual funds under non-discretionary trust of money service.
28. Purchase and sale of government bonds.
29. Act as broker, dealer, registrar, and underwriter for short-term debt instruments.
30. Provide financial consultation service for financing.
31. Act as agent to sell charity lottery tickets approved by the competent authorities.
32. Engage in foreign exchange margin trading.
33. Handle the investment in domestic securities investment trust funds under non-discretionary trust of money service.
34. Purchase and sale of corporate bonds and financial bonds.
35. Engage in wealth management business.

Trust Business Line

1. Trust Business
    - Trust of money
    - Trust of loans and related security interests
    - Trust of securities
    - Trust of real estate
    - Trust of superficies
    - Handling discretionary investment business by means of trust
2. Affiliated business
    - Act as agent for issuance, transfer, registration of securities, and for distribution and payment of dividends and bonuses.
    - Provide consultation services for securities issuance and subscription.
    - Provide registration for securities.
    - Act as trustee for issuance of bonds and engage in agency services related to the business.
    - Provide custody services.
    - Act as custodian of securities investment trust funds.
    - Provide consultation services in connection with investments, assets and real estate development.
    - Handle full discretionary investment business on a consignment basis.
    - Concurrently conduct securities investment consulting business.
    - Other related business approved by the competent authorities.

Main Figures for Business Operations

		2011 NT$,000	%	2010 NT$,000	%
Deposits at year end					
Current Deposits	Checking deposits	40,981,304	2.3	36,937,219	2.1
	Demand deposits	371,756,059	21.2	370,122,055	21.5
	Savings deposits	515,417,975	29.4	501,165,407	29.1
	Subtotal	928,155,338	52.9	908,224,680	52.7
Time Deposits	Time deposits	330,108,922	18.8	314,685,295	18.3
	Time savings deposits	342,716,119	19.6	358,321,934	20.8
	Subtotal	672,825,041	38.4	673,007,229	39.1
Others	Due to other banks	5,518,439	0.3	7,428,604	0.4
	Overdrafts from other banks	1,347,925	0.1	2,657,935	0.2
	Call loans from other banks	146,094,276	8.3	130,765,413	7.6
	Subtotal	152,960,640	8.7	140,851,952	8.2
Total		**1,753,941,019**	**100.0**	**1,722,083,861**	**100.0**
Loans at year end					
Corporate		752,606,864	55.6	699,094,638	55.9
Consumer		361,395,656	26.7	344,353,815	27.6
Domestic branches in foreign currencies		68,166,200	5.0	57,983,456	4.6
Foreign branches		169,614,821	12.5	146,650,476	11.7
Import-export negotiations		2,662,083	0.2	2,366,222	0.2
Total		**1,354,445,624**	**100.0**	**1,250,448,607**	**100.0**
Foreign Trade and Payment (US$,000)					
FX buy	Export negotiations and collections	7,783,093	3.9	7,138,211	3.8
	Inward remittances	98,955,735	49.4	91,236,752	48.5
	Subtotal	106,738,828	53.3	98,374,963	52.3
FX sell	Import L/Cs and collections	7,855,117	3.9	7,083,242	3.8
	Outward remittances	85,547,238	42.7	82,588,549	43.9
	Subtotal	93,402,355	46.7	89,671,791	47.7
Total		**200,141,183**	**100.0**	**188,046,754**	**100.0**
Total Revenues					
Interest income		33,073,697	72.9	28,156,723	71.6
Fees and commissions		5,720,438	12.6	5,716,274	14.5
Gains on financial assets and liabilities		2,654,645	5.8	899,648	2.3
Income from equity investments accounted for under the equity method		245,977	0.6	134,805	0.3
Foreign exchange gains		836,712	1.8	1,472,337	3.8
Other non-interest income		2,858,232	6.3	2,935,388	7.5
Total		**45,389,701**	**100.0**	**39,315,175**	**100.0**
Total Expenses					
Interest expense		12,312,489	34.9	9,977,535	32.1
Fees and commissions		894,578	2.5	795,308	2.6
Provision for credit losses		5,300,612	15.1	5,428,680	17.4
Foreign exchange losses		-	-	-	-
Business and administrative expenses		15,481,686	43.9	14,199,729	45.6
Other non-interest expenses and losses		1,258,816	3.6	713,176	2.3
Total		**35,248,181**	**100.0**	**31,114,428**	**100.0**

NT$,000		2011	2010
Trust Business			
Balance at year end	Custody of funds and discretionary investment assets	**486,968,214**	482,138,357
	Domestic trust assets	**66,901,742**	64,241,531
	Foreign trust assets	**134,815,362**	137,324,273
	Trustee accounts	**52,154,286**	55,577,083
	Family wealth trust assets	**1,266,911**	1,236,315
	Corporate employees' savings plan trust assets	**937,332**	1,075,941
	Real estate trust assets	**8,719,994**	7,401,614
	Securities trust assets	**97,815,644**	18,825,830
	Securitization trustee assets	**4,515,276**	16,733,295
	Project trust assets	**4,312,267**	1,277,449
	Collective management accounts	**922,808**	1,370,344
	Individual management accounts	**12,109**	14,873
Transaction volume	Registrar for issuance of securities	**156,080,896**	82,971,670
Investment Business			
Transaction volume	Bills outright buy/sell (OB/OS)	**908,713**	59,468
	Bills repurchase/resale (RP/RS)	**279,881**	-
	Bills underwriting	**30,000**	362,500
Balance at year end	Bonds	**104,776,231**	114,101,084
	Stocks (short-term investment)	**6,122,318**	3,349,742
Credit Card Business			
Number of active cards		**392,990**	359,743
Transaction volume		**31,288,233**	27,279,250
Revolving balance of credit cards		**1,329,272**	1,317,359
Wealth Management Business at year end			
Deposits		**518,823,145**	496,034,369
Mutual funds		**101,492,957**	110,968,646
Bonds/bills		**3,562,319**	4,610,418
Derivative financial instruments		**2,851,158**	4,345,634
Insurance products		**17,166,969**	19,113,089

Market Analysis

Multinational Network

As of the end of 2011, the Bank operated 190 domestic branch units. As for overseas, the Bank had 19 branches (including Chorm Chaov and Olympic Sub-Branches of Phnom Penh Branch in Cambodia), one representative office, and one subsidiary – First Commercial Bank (USA) with seven branches in California. In the future, our overseas deployment will focus on the Asia-Pacific region. In addition to consolidating our presence in Asian countries such as China, Vietnam, Cambodia, Hong Kong, and Macau to create regional revenue growth, we shall also continue to extend our footprint to ASEAN countries, building a more comprehensive global financial services network. By strengthening business cooperation and the integrated marketing network between our branches both at home and abroad, the Bank will be able to provide our clients with all-encompassing financial services.

Future Market Supply, Demand, and Growth

The Supply Side

With the gradual liberalization of cross-strait financial policies, entering the market in China, where we share the common cultural and racial heritage and where clustered with a large number of Taiwanese enterprises, will offer the Taiwanese banking industry a pivotal opportunity to transform and upgrade their business. However, the set up of branches in Taiwan by China peers to compete for clients with the local banks, coupled with increasing investments by foreign banks in Taiwanese banks in recent years, intensifies the competition in cross-border businesses for Taiwanese banking industry. Therefore, in the foreseeable future, the competition in the Taiwanese banking sector will escalate further, which might trigger a new wave of industry consolidation.

The Demand Side

In general, the corporate banking arm of Chinese banks tends to focus on large enterprises. In contrast, their approach towards the small and medium-sized business sector is relatively more conservative. To increase our revenue source, our banking industry can thus take advantage of our unique strength to develop the relevant businesses in this SME niche market by offering RMB funding to Taiwanese enterprises that expand into the Chinese market and developing wealth management services for the Taiwanese expatriates as well as local high net-worth clients in China. Moreover, due to economic development and improving investment environment in recent years, the Asia Pacific region is gaining grounds amongst investors. Hence, many Taiwanese enterprises, concerned about the rising operating costs in China, have gradually turned to countries in South East Asia such as Indonesia, Thailand, and Vietnam to look for alternative manufacturing base. If local banks could follow the footsteps of Taiwanese enterprises and meet their funding needs by providing a diverse range of financial services including trade finance, working capital, factory construction and equipment financing and overseas credit guarantee fund (OCGF) loans etc., this will greatly help enhance our profitability and further diversify business risks.

Competitive Advantages, Favorable and Unfavorable Factors for Development Prospects, and Responsive Measures

Confronted by a financial environment characterized by instant change and fierce competition, the Bank will consolidate and reinforce its existing niche foundation and, in relation to the external environment and its own conditions, will formulate related responsive measures so as to enhance operating performance and deal with the varied challenges it may face.

Favorable Factors

- A century-old brand with a strong heritage of solid management, sustainable development in innovative financial products.
- An extensive branch network and solid customer relationship.
- Integrated cross-marketing by the financial holding group to enhance synergy benefits from business diversifications.
- A high ratio of government-held shares and stable management.
- Sound asset quality and adequate control of risk management.
- A constantly improving risk management system and product pricing strategy that conforms to the spirit of graded risk.
- Emphasis on human resources development to strengthen competitiveness.
- Dedication to the business expansion in the Asia-Pacific region and Greater China; taking the lead among peers in level of internationalization.
- Success in expanding the Chinese market and seizure of new opportunities of RMB business.

Unfavorable Factors

- A decline in financing needs of SMEs associated with the domestic and global economic slowdown.
- Bank size below international standards, leaving room for improvement.
- Oversupply funds narrowing the interest spread.
- Over-banking in Taiwan bringing about fierce price competition.
- Taiwan's DRAM and LCD industries are entering into government bail-out phase, hence profitability will be adversely impacted by higher provisions.
- The continuous liberalization of cross-strait financial policy brings competition from Chinese banks in Taiwan.

Responsive Measures

- Connect the Asia-Pacific branches to deliver cross-border financial services.
- Strengthen business dynamics to exploit the core business advantage such as corporate loans, trade finance, and wealth management.
- Develop diversified services in trade-related cash flow and wealth management businesses to increase the contribution of fees income.
- Channel into e-Banking cash flow services, expand the scale of current deposits and optimize deposit structure.
- Cultivate core customer base, enhance product penetration and increase customers' profit contribution.
- Continue to expand the e-Banking platform and provide real-time financial services.
- Emphasize the quality of customer service to enhance customers' satisfaction and loyalty.
- Continue to improve the capability of risk management to effectively control various risks.
- Fulfill corporate social responsibility to build an exemplary brand image in the banking industry.

Business Plans for 2012

Corporate Banking

- Develop businesses in the Asia-Pacific region and strengthen the Bank's capability as a financial hub for Taiwanese enterprises.
- Deepen relationships with target clients such as conglomerates, SMEs, Taiwanese enterprises in the Asia-Pacific region and potential customers.
- Follow changes in macro-economy, industry and capital market, monitor the changing conditions of volume and interest rate of loan products effectively to increase profitability on lending.
- Continue to win over customers as their core banker to enhance profit contribution and services penetration.

International Business

- Focus on expansion in the Asian-Pacific market to perfect financial services network for Taiwanese enterprises.
- Compete for cross-border foreign trade cash flow business to enhance our market share and profitability.
- Seek out business cooperation with other international banks to reinforce competitiveness in trade finance business.
- Integrate and upgrade IT and Internet banking systems to enhance operating effectiveness.
- Reinforce internal control and compliance management to mitigate potential operating risks.

Personal Banking

- Broaden product offerings and improve quality control, capitalize on the e-Banking distribution channel to expand personal banking business scale.
- Enhance professional expertise and effectiveness of flagship franchise to create brand value and image.
- Broaden strategic alliances with non-banking partners, offer bespoke fiduciary services, and develop cross-strait financial fiduciary business.
- Prioritize certain regions and customer base to develop business in the consumer loans steadily; boost contribution from integrated loan-derived businesses.
- Continue to promote residential mortgages to establish market leadership in brand image.
- Redesign credit cards and improve rewards offerings; introduce profit-based quality joint credit cards, and improve market penetration.
- Introduce innovative personal banking services by offering payment services through Internet and smart phones.

Operation Management

- Adjust savings products structure to enhance the scale and proportion of current deposits.
- Offer a wide variety of payment facilities to satisfy funding needs from a broad range of clients and enterprises.
- Simplify operating procedures and optimize customer services to reinforce internal risk control.
- Adjust distribution network to accommodate regional development prospects and develop new types of distribution channels.
- Deepen monitoring of distribution channels and enhance service quality to strengthen the Bank's competitive advantage.

Financial Markets

- Actively launch new products and train professional sales team to develop potential clients both at home and abroad.
- Effectively manage the funding gap and monitor the liquidity position to realize the funding management goals of achieving profitability along with liquidity.
- Monitor risks rigorously in order to improve asset quality and investment returns, and strengthen risk-resistance of the investment portfolio.
- Reinforce fund allocation management to optimize profit synergies.

Corporate Governance

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
A. Ownership Structure and Shareholders' Equity		
1. The handling of shareholders' suggestions and disputes 2. Updating the details of major shareholders of controlling stake in the bank 3. Risk assessment and firewalls established against the operations with the affiliates	1. The Bank's sole shareholder is First Financial Holding Co., Ltd.; communication channels are open. 2. The Bank is owned by a single shareholder, and the structure is quite simple. 3. The subject matters are governed by the "Rule for Personnel, Information and Business Exchanges between First Commercial Bank and its Investee Companies".	fully compliant fully compliant fully compliant
B. Organization and Responsibilities of the Board of Directors		
1. Establishing independent director(s) 2. Evaluating the independence of the CPAs periodically	1. The Bank has set up three independent directors, one of which is designated as independent managing director. 2. When the Bank employs CPAs to audit financial condition and tax filing each year, it will seek independent statement from the auditor and submits the commissioning of the auditor to the Board of Directors for approval.	fully compliant fully compliant
C. Communications with Interested Parties		
	1. To protect the interests of customers, the Bank has established "The Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" and "Financial Consumer Protection Policy and Regulations for First Commercial Bank" and has set up a customer feedback hotline and external website, providing for open communication with the interested parties. 2. The Bank's internal website contains a discussion forum and bank-wide videoconferences are held regularly, providing for open communication with employees.	fully compliant fully compliant

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
D. Disclosure of Information		
1. Setting up a website 2. Use of other methods	1. Annual Report, major financial statements and corporate governance are publicized on the Bank's website. 2. The Bank has set up an English website, where Annual Report and monthly financial information, etc. are available. A spokesperson system has also been established; Mr. Hann-Chyi Lin, EVP is appointed spokesperson.	fully compliant fully compliant
E. Operation Status of the Nomination or Remuneration Committee or other Functional Committees	None	subject to the implementation of relevant laws and regulations.

F. Description of the Bank's Corporate Governance (including its deficiency with the Corporate Governance Best-Practice Principles for Banks, and the reasons):
All are disclosed as above.

G. Other Information:

- Continuing education of directors and supervisors:
  In addition to offering opportunities of advanced education in accordance with the individual wishes of directors and supervisors, the Bank also provides the relevant information of continuing education programs for their reference.
- Attendance of directors and supervisors at the Board meetings:
  They prepared well to attend the meetings, and provided sufficient and valuable opinions at appropriate times.
- Abstaining from the meetings involving director’s or supervisor’s own interest:
  They exercised a high degree of self-discipline to withdraw from the proposal discussion, in order to avoid the conflict of interest as regulated by the “Guideline for the Board of Directors Meetings of First Commercial Bank”.
- Risk control policy and implementation:
  The Bank has established a risk management policy and set up a mechanism for risk identification, risk assessment, risk oversight and risk control via a management system with an integrated framework. The Risk Management Committee is in charge of risk review, risk oversight and coordination of all risk related business activities. The primary goal of a consolidated risk management system, adopting a risk-centric approach business operating policy, is to achieve business targets in order to maximize shareholder returns.
- Consumer-protection policy:
  The Bank has set up the “Consumer Protection Principles and Implementation Guidelines for First Commercial Bank” and "Financial Consumer Protection Policy and Regulations for First Commercial Bank" to assure that consumer interests are protected.

Risk Management Overview

Risk Governance

The Bank's risk management program is established based on its risk management strategy and business operating objectives as approved by the Board of Directors, and in accordance with the "Risk Management Policies and Guiding Principles for the First Financial Holding Company and its Subsidiaries", Basel rules, and the relevant regulations of the competent authorities of Taiwan. The Policy is to be timely adjusted in response to economic change and industry cycle, and in view of the Bank's loan portfolio, asset quality and its business promotion strategy, etc. by the governed laws; and its adjustment has to be approved by the Board of Directors or reported to the top executives for approval.

Organization and Structure

The Board of Directors is the highest level of risk management oversight.
The Risk Management Committee is in charge of risk review, risk oversight, reporting and coordination of all risk related business activities.
The Top Executives oversee the implementation of the risk management program as approved by the Board of Directors.
The Risk Management Center consists of four Divisions and four Regional Centers and is responsible for the assessment and monitoring of credit risk, market risk, operational risk and integrated risk.

A centralized management framework in relation to ***operational risk*** is employed with three lines of defense, each with its defined authority and reporting threshold:

- Units bank-wide: All units should conduct regular control of business activities and carry out operational risk management within the scope of their respective duties and responsibilities.
- Risk Management Division: This Division is responsible for establishing the Bank's risk management system, planning of management tools and procedures, and implementation of exposure monitoring and reporting bank-wide.
- Auditing Division: This Division, independent of business units, is responsible for auditing and assessing whether the management framework is operating effectively.

Credit Risk

Strategy

- The Bank's credit policy is established with the objective of ensuring credit quality and supporting profit generation and development of our business while maintaining capital adequacy. It takes into account cost of funds, operational cost and expected/unexpected loss and defines risk tolerance levels to address the risk/reward profiles of the different components of our business. To ensure its effectiveness, the policy is reviewed and enhanced on a regular basis in light of the regulatory, economic and commercial environment in which we operate.
- All our lending activities are based on established systems, procedures and processes in strict compliance with related legislations and regulations. Our dynamic risk management mechanism prevents and detects credit risk factors in a timely manner, controls and mitigates the exposure as it develops, and monitors it through continuous auditing measures. The objective is to achieve the optimal mix of risk and reward.

Process

- To enhance the effectiveness of credit analysis and loans review and strengthen the monitoring of risks on lending, various internal and external modeling techniques for the rating of credit risk are gradually developed and further introduced to the processes of credit analysis and loans review, as well as linked with warning mechanism employed for the post-credit control, so as to establish a complete credit risk management process.
- The credit limits for the conglomerate, business type, country and stocks listed on TSE or OTC etc. have been prescribed so as to control loans concentration risk.
- To operate effectively on the process of risk management, the Bank sets up related internal auditing and control system.

Risk Reporting and Assessment

- Risk Management Report: To avoid the excessive concentration of credit risk and monitor the changes in credit rating of the loan assets, the Bank conforms to the limits for "one person", "a related person" and "a related enterprise". In addition, the credit risk analysis reports including credit rating, asset quality, NPL ratio and credit concentration etc. are submitted to the Risk Management Committee or the Board of Directors for their reviews periodically.
- Measurement system: We developed the risk modules to evaluate the risk of borrowers on the products of corporate banking, credit loans and mortgages, which are further put into system to perform stress test in order to quantify credit risk within the Bank's risk tolerance.

Risk Hedging

- Periodic monitoring and reporting of concentration risk by group, business type, country and stocks listed on TSE or OTC. According to the market conditions, the complexity of businesses and risk management strategies, we evaluate and adjust the risk limits.
- According to borrower's credit or the type of credit limit to request proper collateral or guarantee in order to lower credit risk.

The methodology for calculating capital requirements: standardized approach.

The Credit Exposures after Risk Mitigation and Minimum Capital Requirements
by the Standardized Approach as of December 31, 2011

Type of risk	Credit exposures after risk mitigation	Minimum capital requirements
Sovereigns	455,228,133	30,495
Non-central government public sector entities	5,999,276	98,367
Banks (including multilateral development banks)	116,952,709	3,548,350
Corporates (including securities firms and insurance co.)	787,167,829	57,015,460
Regulatory retail portfolios	188,903,057	10,590,086
Residential property	357,680,762	14,469,228
Equity investments	7,207,909	2,108,021
Other assets	67,668,966	2,730,484
Total	1,986,808,641	90,590,491

Market Risk

Strategy

Under the market risk appetite approved by the Board of Directors, the Bank sets risk limits and management, scheduled reporting process, the internal auditing system, independent monitoring and management units, and high-level committee organizations.

Process

- Appropriate market risk management indexes and quotas are established and updated on a scheduled basis in response to changes and trends in the market.
- Risk management methods are established for different areas of business, and the recognition, measurement, monitoring, and control of market risk are included within the rules of operating procedure.
- Market risk management department reports the current status and results of market risk management to the Board of Directors or the top executives on a scheduled basis.

Risk Reporting and Assessment

- Assets and derivative products on or off the balance sheet are at risk of potential losses caused by unfavorable changes in market prices. The "market price" referred to encompasses interest rate, equity, foreign exchange rate, and commodity price, etc.
- The Bank makes its investment portfolios based on risk factors.
- The risk-measuring tools of VaR and Greek are employed to evaluate risk exposure.
- The market risk reports will themselves present the extent of risk exposure, and be used as references by the management executives to timely adjust the risk control policy.

Risk Hedging

The trading positions of financial products dealt with customers will be properly hedged or squared, and some will be held as risk assets within adequate risk tolerance. The hedging financial derivatives primarily encompass interest rate swaps, cross-currency swaps, interest rate swap options, and interest caps or floors, etc. The Bank has engaged in interest rate swaps to mitigate the fair value risk of fixed-rate loan assets held by overseas branches.

The Minimum Capital Requirements for Market Risk as of December 31, 2011

Item	Minimum capital requirements (in NT$,000)
Standardized approach	
Interest rate risk	1,041,255
Foreign exchange risk	43,962
Equity position risk	260,267
Commodities risk	-
Internal model approach	-
Total	1,345,484

Operational Risk

Strategy

- A "risk appetite" instruction manual has been compiled to serve as a basis for the establishment of the Bank's risk control mechanism.
- Employees at different levels are directly charged with the management of risk within their own scope of responsibility, and are required to observe the internal control and auditing systems together with related rules.

Process

Methods of management are differentiated as risk recognition, assessment, monitoring, reporting, and countermeasures, and are exercised in line with the introduction of management tools such as Loss Data Collection (LDC), Risk and Control Self-Assessment (RCSA), Control Self-Assessment (CSA) and Key Risk Indicators (KRI).

Risk Reporting and Assessment

- Standardized operating methods are used for risk recognition and assessment so that managers would be able to observe the risk profile and constantly monitor potential risks.
- The headquarter's risk management unit discloses the status of bank-wide exposure monitoring on a regular basis, compiles bank-wide operational risk data, and reports to the top executives, the Risk Management Committee, and the Board of Directors.
- If a unit discovers a major risk exposure that threatens the Bank's financial or business situation, it must report immediately to the Auditing Division and the business management unit, and risk management unit involved must report to the chief auditor and the top executives. If the incident involves a regulatory violation, a report must also be submitted to the compliance unit.

Risk Hedging

- The primary method employed to transfer or mitigate the operational risk is insurance. To ensure the continuous implementation of those methods, RCSA and CSA are regularly conducted.
- To reduce the risk of potential losses from a stoppage of operations caused by fire, explosion, typhoon, earthquake, robbery, bank-run, labor strike, or other major incidents, the Bank has established the contingency and business non-interruption guidelines including the rules for implementation.

The methodology for calculating capital requirements: basic indicator approach.

The Minimum Capital Requirements for Operational Risk as of December 31, 2011

Year	Operating profit	Minimum capital requirements (in NT$,000)
2011	29,344,883	
2010	25,388,896	-
2009	23,662,261	
Total	78,396,040	3,919,802

Asset Securitization Risk

Strategy and Process

The Bank currently holds all of its asset securitized products as a non-originating bank, employing strategy and process the same as those for market risk management.

Risk Reporting and Assessment

- The Bank's asset securitization investment positions are all allocated to the banking book. Risk assessment and reporting are in accordance with the Bank's internal regulations.
- The Bank emphasizes the credit ratings and changes in market prices of the invested instruments. The results of related evaluations are reported regularly to the business management unit and top executives. Since the proportion of this investment is small, the same assessment system is employed without sepcific variations.

Risk Hedging

- The Bank's hedging policy for asset securitized products is the same as that for market risk.

The methodology for calculating capital requirements: standardized approach.

The Asset Securitization Risk Exposures and Minimum Capital Requirements as of December 31, 2011 (in NT$,000)

Type	Purchased or Held Securitized Products Exposure	Minimum capital requirements
Banking book		
Agency Mortgages	1,823,855	29,182
REATs	40,592	1,624
Trading book	-	-
Total	1,864,447	30,806

Information on Securitized Products as of December 31, 2011 (in NT$,000)

Items	Accounting category	Original cost	Gain/ Loss of accumulated valuation	Accumulated impairment	Book value
CDO	Held-to-maturity financial assets	-	-	-	-
CMO	Bond investments with no active market	367,311	-	-	367,361
	Held-to-maturity financial assets	1,454,296	-	-	1,454,375
REATs	Bond investments with no active market	34,333	-	-	34,333
	Held-to-maturity financial assets	40,236	-	-	40,236
CBO	Held-to-maturity financial assets	-	-	-	-
	Financial instruments for trading purpose	-	-	-	-

Corporate Responsibility and Ethical Behavior

The Bank has always endeavored to fulfill its social responsibility. In 2011, it continued to carry out public-benefit activities summarized below:

- Sponsoring 2011 Taipei Lantern Festival organized by the Taipei City Government.
- Sponsoring the plan "Create Digital Opportunity Center for Rural Areas" conducted by Ministry of Education with a view to reducing digital gaps in remote areas.
- Co-sponsoring with Ministry of Finance to hold "Uniform Invoice Cup Race in Celebration of the Nation's Centenary", originating a uniform invoice-donation activity for Children Are Us Foundation, which gave the Bank a certificate of appreciation for the contribution.
- Purchasing more than 32 metric tons of bananas through the Agriculture and Food Agency to help banana farmers to tide over their difficulties at a time when banana prices plummeted.
- Assisting Department of Labor, Taipei City Government to hold "Selection for Excellent Physically and Mentally Challenged Workers and Excellent Employers Who Hire Physically and Mentally Challenged Workers".
- Taking part in "Fiscal Cup: Joint Fun Sports Meeting and Charity Fair" held by Lank Bank of Taiwan, and donating recycled materials to Yu-Cheng Social Welfare Foundation.
- Holding a charity fair in celebration of the Bank's 112th anniversary, donating all the net income on the day to disadvantaged groups, and originating a uniform invoice-donation activity for Eden Social Welfare Foundation.
- Making donation to "Financially-at-Ease Program" for NCKU Students.

■ The First Education Foundation

The Foundation fostered the following public-benefit activities in 2011:

- Sponsoring two elementary schools, and providing psychological counseling and after-school academic assistance for children in need.
- Organizing "Centennial Spring Festival" and "Music in Kaohsiung Autumn" music concert.
- Quarterly organizing a series of charity activities at National Taiwan University Hospital by providing performance platform for physically challenged people.
- Organizing the "First Bank Bicycling for the Environment" together with sister companies.
- Organizing the "2011 FFHC Cheng Shin MAXXIS Tennis Tournament" and "2011 FFHC Table Tennis Tournament".

■ Safety and Health

To provide an ideal environment for customers and employees, the Bank conducts testing for CO_2 at each business unit every six months. The results of the testing all conform to standards of safety and hygiene.

■ Employee Ethical Behavior

To prevent employees from unethical behavior and doing harm to corporate image, the Bank has not only strengthened employees ethical evaluation but has also established an abnormal behavior reporting and follow-up guidance management mechanism designed to manifest staff care management and understand their work, physical, mental, and financial status. Staff behavior is strictly regulated, and violations of moral rules are handled in accordance with the law.

Significant Financial Information

Condensed Balance Sheets

NT$,000	12.31.2011	12.31.2010	12.31.2009	12.31.2008	12.31.2007
Cash and cash equivalents, due from the Central Bank and other banks	170,072,724	136,398,135	226,050,552	181,527,906	165,117,649
Marketable and trading securities	-	-	-	-	-
Financial assets at fair value through profit or loss	15,268,103	21,363,219	29,753,351	53,304,284	37,201,578
Investments in bills and bonds under resale agreements	-	-	-	-	-
Receivables	56,174,591	61,169,374	41,699,328	40,514,459	49,511,293
Bills discounted and loans (remittance purchased)	1,346,878,428	1,248,381,359	1,096,010,284	1,160,541,587	1,071,171,454
Available-for-sale financial assets	70,812,945	76,590,226	64,995,772	51,985,007	61,258,309
Held-to-maturity financial assets	322,633,882	406,186,980	419,430,881	229,985,592	217,897,599
Equity investments accounted for under the equity method	4,298,225	3,466,037	2,305,287	2,338,695	2,362,249
Long-term equity investments	-	-	-	-	-
Other financial assets	3,532,255	3,965,001	5,207,910	9,311,714	11,680,795
Property, plant and equipment	25,528,901	22,842,268	22,793,664	23,208,338	23,601,360
Intangible assets	158,941	233,654	328,778	480,176	417,230
Others assets	8,408,109	11,201,573	12,362,613	12,343,169	13,764,211
Total assets	**2,023,767,104**	**1,991,797,826**	**1,920,938,420**	**1,765,540,927**	**1,653,983,727**
Due to the Central Bank and other banks	152,999,324	140,889,666	169,399,153	117,270,987	140,315,847
Financial liabilities at fair value through profit or loss	25,662,026	47,947,887	54,597,376	74,910,421	51,376,164
Bills and bonds payable under repurchase agreements	9,479,214	7,250,102	9,682,738	12,759,545	12,207,113
Payables	59,509,109	60,730,985	54,072,951	60,912,403	66,723,480
Deposits and remittances	1,602,756,237	1,582,852,202	1,519,948,686	1,384,753,557	1,260,175,302
Funds borrowed from the Central Bank and other banks, financial bonds payable	27,779,073	21,501,683	13,472,296	14,945,067	22,926,661
Accrued pension liabilities	2,553,681	1,869,143	1,803,944	1,687,722	1,553,653
Other financial liabilities	17,946,078	24,748,143	485,858	624,352	541,814
Other liabilities	8,393,740	8,146,818	7,562,529	8,219,983	8,422,106
Total liabilities	**1,907,078,482**	**1,895,936,629**	**1,831,025,531**	**1,676,084,037**	**1,564,242,140**
Common stock	58,700,000	49,490,000	49,490,000	48,290,000	46,909,240
Additional paid-in capital	19,669,729	10,460,326	10,460,326	8,660,326	8,660,326
Retained earnings	30,197,856	25,844,290	20,942,847	25,164,775	24,616,798
Unrealized revaluation increments	6,750,704	4,998,561	5,059,317	5,183,916	5,298,124
Unrealized gains / losses on financial instruments	2,917,126	6,595,295	3,897,639	2,075,526	3,941,376
Cumulative translation adjustments	(854,281)	(1,475,364)	62,760	82,347	315,723
Unrecognized pension costs	(692,512)	(51,911)	-	-	-
Total stockholders' equity	**116,688,622**	**95,861,197**	**89,912,889**	**89,456,890**	**89,741,587**
Total liabilities and stockholders' equity	**2,023,767,104**	**1,991,797,826**	**1,920,938,420**	**1,765,540,927**	**1,653,983,727**

Condensed Statements of Income

NT$,000	**2011**	2010	2009	2008	2007
Net interest income	20,761,208	18,179,188	16,010,760	23,951,493	21,941,409
Net non-interest income	10,162,610	9,649,968	10,431,915	8,627,925	13,992,121
Provision for credit losses	(5,300,612)	(5,428,680)	(10,620,806)	(7,129,966)	(6,061,505)
Operating expenses	(15,481,686)	(14,199,729)	(13,806,639)	(14,438,662)	(14,200,118)
Income from continuing operations before income tax	10,141,520	8,200,747	2,015,230	11,010,790	15,671,907
Income from continuing operations after income tax	8,624,869	6,339,004	2,053,658	8,965,123	12,025,840
Cumulative effect of a change in accounting principle	-	-	-	-	-
Net income	8,624,869	6,339,004	2,053,658	8,965,123	12,025,840
Earnings per share ($)	1.59	1.20	0.40	1.74	2.34

Financial Ratios (%)

	2011	2010	2009	2008	2007
Financial structure					
Debt ratio (total liabilities to total assets)	94.23	95.19	95.32	94.93	94.57
Fixed assets to net worth	21.88	23.83	25.35	25.94	26.30
Solvency					
Liquidity reserve ratio	22.51	32.52	36.57	21.58	23.36
Operating performance					
Loans to deposits	84.04	78.87	72.11	83.81	85.00
NPL ratio	0.47	0.84	1.32	1.45	1.50
Total assets turnover (times)	0.02	0.01	0.01	0.02	0.02
Profitability					
ROA (net income to average total assets)	0.43	0.32	0.11	0.52	0.75
ROE (net income to average shareholders' equity)	8.12	6.82	2.29	10.01	13.60
Profit margin ratio	27.89	22.78	7.77	27.52	33.47
Cash flows					
Cash flow adequacy ratio	257.61	308.58	353.44	485.96	539.91
Capital adequacy					
Capital adequacy ratio	10.94	10.36	11.01	10.88	10.80
Tier-one capital ratio	8.28	7.00	7.45	7.10	7.30
Tier-two capital ratio	2.66	3.36	3.56	3.78	3.50
Market share					
Assets	5.85	6.08	6.25	6.57	5.46
Net worth	5.34	4.59	4.64	4.98	4.76
Deposits	5.81	6.06	6.16	6.09	5.49
Loans	6.32	6.29	5.94	6.31	5.72

Report of Independent Accountants

pwc 資誠

To: First Commercial Bank, Ltd.

We have audited the accompanying balance sheets of First Commercial Bank, Ltd. (the "Bank") as of December 31, 2011 and 2010, and the related statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Commercial Bank, Ltd. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms" and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of First Commercial Bank, Ltd. and its subsidiaries (not presented herein) as of and for the years ended December 31, 2011 and 2010. Our reports expressed an unqualified opinion on those consolidated financial statements.

March 2, 2012

PricewaterhouseCoopers, Taiwan

Balance Sheets

as of December 31, 2011 and 2010

NT$,000	Note	2011	2010
Assets			
Cash and cash equivalents	3(1)	$ 44,491,496	$ 26,025,171
Due from the Central Bank and other banks	3(2),4	125,581,228	110,372,964
Financial assets at fair value through profit or loss - net	3(3),4	15,268,103	21,363,219
Receivables - net	3(4),4	56,174,591	61,169,374
Bills discounted and loans - net	3(5),4	1,346,878,428	1,248,381,359
Available-for-sale financial assets - net	3(6),5	70,812,945	76,590,226
Held-to-maturity financial assets - net	3(7)	322,633,882	406,186,980
Equity investments accounted for under the equity method - net	3(8)	4,298,225	3,466,037
Other financial assets - net	3(9)	3,532,255	3,965,001
Property, plant and equipment	3(10),(26)		
Cost			
Land		18,993,448	16,534,292
Buildings		9,513,389	9,333,120
Machinery and equipment		2,597,494	2,623,025
Transportation equipment		845,016	854,834
Other equipment		1,725,096	1,685,650
Leasehold improvements		739,799	700,330
Leased assets		285,175	-
Subtotal		34,699,417	31,731,251
Less: Accumulated depreciation		(9,195,219)	(9,024,652)
Construction in progress and prepayments for equipment		24,703	135,669
Property, plant and equipment - net		25,528,901	22,842,268
Intangible assets - net		158,941	233,654
Other assets - net	3(11),(30),5	8,408,109	11,201,573
Total assets		$2,023,767,104	$1,991,797,826
Liabilities and Stockholders' Equity			
Liabilities			
Due to the Central Bank and other banks	3(12),4	152,999,324	140,889,666
Funds borrowed from the Central Bank and other banks		79,073	101,683
Financial liabilities at fair value through profit or loss	3(13),(17)	25,662,026	47,947,887
Bills and bonds payable under repurchase agreements	3(14)	9,479,214	7,250,102
Payables	3(15)	59,509,109	60,730,985
Deposits and remittances	3(16),4	1,602,756,237	1,582,852,202
Financial bonds payable	3(17)	27,700,000	21,400,000
Accrued pension liabilities	3(18)	2,553,681	1,869,143
Other financial liabilities	3(19)	17,946,078	24,748,143
Other liabilities	3(20)	8,393,740	8,146,818
Total liabilities		1,907,078,482	1,895,936,629
Stockholders' Equity			
Common stock	3(21)	58,700,000	49,490,000
Additional paid-in capital	3(22),(23)	19,669,729	10,460,326
Retained earnings			
Legal reserve	3(24)	18,146,163	16,244,462
Special legal reserve	1(15)	166,000	-
Unappropriated earnings	3(25),(30)	11,885,693	9,599,828
Other stockholders' equity adjustments			
Unrealized revaluation increments	3(26)	6,750,704	4,998,561
Cumulative translation adjustments	3(8)	(854,281)	(1,475,364)
Unrealized gains / losses on financial instruments		2,917,126	6,595,295
Unrecognized pension costs	3(18)	(692,512)	(51,911)
Total stockholders' equity		116,688,622	95,861,197
Total liabilities and stockholders' equity		$2,023,767,104	$1,991,797,826

*NT$30.275:US$1.00

Statements of Income

for the years ended December 31, 2011 and 2010

NT$,000	Note	2011	2010
Interest income	4(2)	$33,073,697	$28,156,723
Less: Interest expense	4(2)	(12,312,489)	(9,977,535)
Net interest income		20,761,208	18,179,188
Net non-interest income			
Net service fee and commission income	4(2)	4,825,860	4,920,966
Gains or losses on financial assets and financial liabilities at fair value through profit or loss	3(3)	1,937,386	79,144
Realized gains or losses on available-for-sale financial assets		705,922	761,515
Realized gains or losses on held-to-maturity financial assets		11,337	58,989
Income from equity investments accounted for under the equity method	3(8)	245,977	134,805
Foreign exchange gains		836,712	1,472,337
Asset impairment losses	3(27)	(351,999)	(89,185)
Recovery of credit losses and overdue accounts		2,330,712	2,286,060
Other non-interest income	3(28)	(379,297)	25,337
Net revenues		30,923,818	27,829,156
Provision for credit losses	3(5)	(5,300,612)	(5,428,680)
Operating expenses	3(29),4(2)		
Personnel expenses	3(22)	(10,244,177)	(9,459,850)
Depreciation and amortization expenses		(763,268)	(831,576)
Other business and administrative expenses		(4,474,241)	(3,908,303)
Income from continuing operations before income tax		10,141,520	8,200,747
Income tax expense	3(30)	(1,516,651)	(1,861,743)
Net income		$ 8,624,869	$ 6,339,004

Earnings per common share (in dollars)	Note	Before tax	After tax	Before tax	After tax
Net income	3(31)	$1.87	$1.59	$1.56	$1.20

Statements of Changes in Stockholders' Equity

for the years ended December 31, 2011 and 2010

NT$,000	Common stock	Additional paid-in capital	Retained Earnings: Legal reserve	Retained Earnings: Special legal reserve	Retained Earnings: Unappropriated earnings	Other Stockholders' Equity: Unrealized revaluation increments	Other Stockholders' Equity: Cumulative translation adjustments	Other Stockholders' Equity: Unrealized gains / losses on financial instruments	Other Stockholders' Equity: Unrecognized pension costs	Total
For the year ended Dec. 31, 2010										
Balance, January 1, 2010	$49,490,000	$10,460,326	$15,628,365	$ -	$5,314,482	$5,059,317	$62,760	$3,897,639	$ -	$89,912,889
Earnings distribution for 2009										
Legal reserve	-	-	616,097	-	(616,097)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,437,561)	-	-	-	-	(1,437,561)
Net income for 2010	-	-	-	-	6,339,004	-	-	-	-	6,339,004
Reversal of revaluation increments due to land disposal	-	-	-	-	-	(60,756)	-	-	-	(60,756)
Changes of cumulative translation adjustments	-	-	-	-	-	-	(1,538,124)	-	-	(1,538,124)
Changes of unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	2,697,656	-	2,697,656
Unrecongnized pension costs	-	-	-	-	-	-	-	-	(51,911)	(51,911)
Balance, December 31, 2010	$49,490,000	$10,460,326	$16,244,462	$ -	$9,599,828	$4,998,561	($1,475,364)	$6,595,295	($ 51,911)	$95,861,197
For the year ended Dec. 31, 2011										
Balance, January 1, 2011	$49,490,000	$10,460,326	$16,244,462	$ -	$9,599,828	$4,998,561	($1,475,364)	$6,595,295	($ 51,911)	$95,861,197
Earnings distribution for 2010										
Legal reserve	-	-	1,901,701	-	(1,901,701)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,227,303)	-	-	-	-	(1,227,303)
Stock dividends	3,210,000	-	-	-	(3,210,000)	-	-	-	-	-
Net income for 2011	-	-	-	-	8,624,869	-	-	-	-	8,624,869
Issuance of common stock	6,000,000	9,000,000	-	-	-	-	-	-	-	15,000,000
Stocks reserved for employees	-	209,403	-	-	-	-	-	-	-	209,403
Special reserve transferred from reserve for trading losses	-	-	-	166,000	-	-	-	-	-	166,000
Reversal of revaluation increments due to land disposal	-	-	-	-	-	(38,095)	-	-	-	(38,095)
Reserve for land revaluation increments	-	-	-	-	-	1,790,238	-	-	-	1,790,238
Changes of cumulative translation adjustments	-	-	-	-	-	-	621,083	-	-	621,083
Changes of unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	(3,678,169)	-	(3,678,169)
Unrecognized pension costs	-	-	-	-	-	-	-	-	(640,601)	(640,601)
Balance, December 31, 2011	$58,700,000	$19,669,729	$18,146,163	$ 166,000	$11,885,693	$6,750,704	($854,281)	$2,917,126	($ 692,512)	$116,688,622

Statements of Cash Flows

for the years ended December 31, 2011 and 2010

NT$,000	2011	2010
Cash flows from operating activities		
Net income	$8,624,869	$6,339,004
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation - property, plant and equipment	601,528	620,545
Depreciation - non-operating assets	25,192	26,132
Amortization	161,740	211,031
Provision for credit losses	5,300,612	5,428,680
Compensation costs under share-based payment	206,723	-
Income from equity investments accounted for under the equity method	(245,977)	(134,805)
Loss from abandonment of property, plant and equipment	2,790	1,225
Gain on sale of property, plant and equipment	-	(212,429)
Gain on sale of non-operating assets	(102,175)	(31,812)
Loss (Gain) on sale of foreclosed assets	6,559	(393)
Gain on reversal of impairment loss on non-financial assets	(14,283)	(812)
Financial asset impairment losses	366,282	89,997
Cash dividends under the equity method	23,697	10,311
Changes in assets		
Decrease in financial assets at fair value through profit or loss - net	6,095,116	8,390,132
Decrease (Increase) in receivables	5,876,011	(19,714,046)
Decrease in remittance purchased	1,257	1,037
Decrease (Increase) in other assets	658,125	(371,418)
Decrease in deferred income tax assets	1,480,753	1,596,385
Changes in liabilities		
Decrease in financial liabilities at fair value through profit or loss - net	(22,285,861)	(6,649,489)
(Decrease) Increase in payables	(1,221,876)	6,658,034
Increase in accrued pension liabilities	43,937	13,288
(Decrease) Increase in other liabilities	(236,785)	601,272
Net cash provided by operating activities	5,368,234	2,871,869

NT$,000	2011	2010
Cash flows from investing activities		
(Increase) Decrease in due from the Central Bank and other banks	(15,208,264)	94,765,330
Increase in bills discounted and loans	(103,669,829)	(157,301,923)
Decrease (Increase) in available-for-sale financial assets	1,805,956	(8,889,014)
Decrease in held-to-maturity financial assets	83,493,458	13,153,904
Decrease in other financial assets - net	431,489	1,237,606
Purchase of property, plant and equipment	(542,444)	(311,658)
Increase in intangible assets	(87,030)	(115,227)
Decrease (Increase) in refundable deposits	124,551	(353,679)
Purchase of non-operating assets	(1,247)	(584)
Proceeds from sale of property, plant and equipment	-	11,463
Proceeds from sale of non-operating assets	102,597	31,987
Proceeds from sale of foreclosed assets	7,724	2,534
Increase in equity investments accounted for under the equity method	(500,000)	(1,291,600)
Net cash used in investing activities	(34,043,039)	(59,060,861)
Cash flows from financing activities		
Increase (Decrease) in due to the Central Bank and other banks	12,109,658	(28,509,487)
(Decrease) Increase in funds borrowed from the Central Bank and other banks	(22,610)	29,387
Increase (Decrease) in bills and bonds payable under repurchase agreements	2,229,112	(2,432,636)
Increase in deposits and remittances	19,904,035	87,299,116
Decrease in other financial liabilities	(7,087,240)	(133,315)
Increase in financial bonds payable	6,300,000	8,000,000
Increase in guarantee deposits received	54,175	108,892
Proceeds from issuance of common stock	15,000,000	-
Cash dividends paid	(1,227,303)	(1,437,561)
Net cash provided by financing activities	47,259,827	62,924,396
Net effect of changes in foreign exchange rate	(118,697)	(1,622,491)
Increase in cash and cash equivalents	18,466,325	5,112,913
Cash and cash equivalents at beginning of year	26,025,171	20,912,258
Cash and cash equivalents at end of year	$44,491,496	$26,025,171
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year	$12,338,511	$ 9,997,286
Cash paid for income tax during the year	$ 225,007	$ 661,249

Notes to Financial Statements

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1. Summary of Significant Accounting Policies

The accompanying financial statements are prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms" and generally accepted accounting principles. Due to the characteristics of the banking industry, its business cycle cannot be clearly defined. Hence, the accounts on the accompanying financial statements are not classified into current and non-current items. Nevertheless, accounts are properly categorized according to the nature of each account and sequenced by their liquidity. Significant accounting policies of the Bank are summarized below:

(1) Principles for preparation of financial statements

The accompanying financial statements include head office account, branch account and offshore banking branch account. All inter-office accounts have been eliminated during the consolidation.

The Bank adopts the Statement of Financial Accounting Standards No. 28, "Financial Statement Disclosure Standards for Banks", whereby assets and liabilities are not required to be classified under current or non-current categories.

(2) Financial assets and financial liabilities at fair value through profit or loss

Equity securities, beneficiary certificates, derivative financial instruments and when-issued trading of central government bonds are accounted for using trade date accounting, and debt securities (excluding when-issued trading of central government bonds) are accounted for using settlement date accounting. Financial instruments are initially recognized at fair value.

Financial assets and financial liabilities at fair value through profit or loss shall be measured at fair value with changes in fair value recognized as gains or losses in the current period. For stocks listed on TSE or OTC and closed-end funds, fair value is determined based on the closing price at the balance sheet date. For open-end funds, fair value is determined based on the net asset value of the given fund at the balance sheet date. For beneficiary securities, fair value is determined based on the discounted value of expected future cash flows at the balance sheet date or the market price provided by Bloomberg, Reuters or counterparties. For bond investments, fair value is determined based on the latest transaction price of Automatic Order Matching and Execution System in OTC, the latest transaction price of the securities market or the fair value of bonds bulletined in OTC. For others, fair value is determined based on the discounted value of expected future cash flows at the balance sheet date or the market price provided by Bloomberg, Reuters or counterparties. For derivative financial instruments held for trading purpose, fair value is determined based on a quoted market price in an active market at the balance sheet date. If a quoted market price in an active market is not available, fair value is determined by applying other valuation techniques, such as discounted cash flow analysis or option pricing models.

Criteria to designate financial assets and financial liabilities as at fair value through profit or loss are as follows:

- ＊ Hybrid (combined) instruments;
- ＊ The designation can eliminate or significantly reduce a measurement or recognition inconsistency; or
- ＊ The designation is in compliance with a documented risk management or investment strategy of the Bank to evaluate the performance of assets or liabilities based on a fair value basis.

(3) Bills and bonds under repurchase or resale agreements

Bills and bonds under resale or repurchase agreements are accounted for under the financing method. Bills and bonds sold under repurchase agreements are recorded as "Bills and bonds payable under repurchase agreements" at the sale date. Bills and bonds invested under resale agreements are recorded as "Investments in bills and bonds under resale agreements" at the purchase date. Interest expenses and interest income are recognized on accrual basis over the period between sale or purchase date and repurchase or resale date.

(4) Loans and receivables

Loans and receivables are the non-derivative financial assets that are without quoted prices in an active market except the following items; such financial assets with fixed or determinable receivable amounts, including those originated and those not originated by the Bank and its subsidiaries.

- ＊ Assets that are to be disposed immediately or in a short period of time that shall be classified as assets for trading purposes.
- ＊ Assets designated to be measured at fair value through profit or loss at initial recognition or available-for-sale financial assets.
- ＊ Initial investments that are mostly unrecoverable due to reasons other than credit deterioration of the debtor.

Loans and receivables are measured at principal of loans plus significant transaction cost. Subsequently, the loans and receivables shall be carried at amortized cost using interest method; straight-line basis amortization could be adopted when there is no significant difference in the results.

(5) Evaluation, provision and reversal of impairment losses

If there is any objective evidence indicating that an individual or a group of financial assets are impaired from estimated future cash flow after initial recognition, impairment exists and is recognized as impairment losses.

Impairment of loans and receivables is evaluated based on individual or group (financial assets with similar characteristics to credit risks) classification; loans and receivables are evaluated based on whether objective evidence of significant impairment exists or whether they belong to significant monitored cases. When objective evidence of significant impairment does not exist, the assets shall be included in group of financial assets with similar characteristics for further impairment assessment.

The definitions of impairment losses' objective evidence, based on Letter No. 0971000003A dated September 24, 2008 of the Bankers Association (BAROC) and Guidelines of Loans and Receivables Impairment Evaluation, are as follows:

＊ There is no principal or interest payment after the lapse of 3 full months, lawsuit has been filed against borrower and guarantor(s) or the collaterals are executed.

＊ If a restructured loan meets the installment payment terms, the loan may be exempted from reporting as a non-performing loan.

＊ If a loan's negotiated terms meet regulations by the BAROC in 2006, the loan may be exempted from reporting as a non-performing loan.

＊ Cases approved and signed in the negotiations in accordance with the Statute for Consumer Debt Clearance.

＊ Cases that are in clearance or settlement proceedings by the court's ruling.

＊ Cases that have begun being restructured by the court's ruling.

＊ Cases that have been declared for bankruptcy by the court.

＊ Cases that meet the self-made evaluation items of the Bank.

After evaluating impairment of the loans and receivables of the Bank, the book value and future cash flow taking into consideration credit enhancements, including financial guarantees and net of collaterals, are discounted using the effective interest rate and the difference is recognized as impairment loss. If the impairment amount decreases in the subsequent period, and such decrease is obviously linked to the events after recognition, the recognized impairment amount is reversed through adjusting allowance for bad debts, as long as the book value does not exceed the amortized cost before recognizing impairment at the time of the reversal. Reversal amount is recognized as profit or loss of the period.

In accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans of the Financial Supervisory Commission of the Executive Yuan (FSC) and the Bank's Guidelines of Risk Evaluation of Credit Assets, credit assets are classified into five categories: (1) normal (2) special mentioned (3) substandard (4) doubtful and (5) loss. Except that the normal loans (excluding assets that represent claims against a government agency) are classified under category 1, which should be provided at 0.5% as allowance, the abnormal loans shall be evaluated based on the status of the credit, the length of time overdue and the loan collateral. The allowance for doubtful accounts for abnormal loans is provided at 2%, 10%, 50%, and 100% on loans classified under categories 2, 3, 4, and 5, respectively. The overdue loans are written off upon the approval of the Broad of Directors and the notice to the supervisors of the Bank.

(6) Available-for-sale financial assets

Equity securities and when-issued trading of central government bonds are accounted for using trade date accounting. Debt securities (excluding when-issued trading of central government bonds) are accounted for using settlement date accounting. Such financial instruments are initially recognized at fair value plus the acquisition or issuance cost.

Available-for-sale financial assets are measured at fair value with changes in fair value recognized in an adjustment account in the stockholders' equity. When the financial asset is derecognized, the cumulative unrealized gain or loss that was previously recognized in equity is recognized in profit or loss in the income statement. For stocks listed on TSE or OTC and closed-end funds, fair value is determined based on the closing price at the balance sheet date. For open-end funds, fair value is determined based on the net asset value of the given fund at the balance sheet date. For beneficiary securities, fair value is determined based on the discounted value of expected future cash flows at the balance sheet date or the market price provided by Bloomberg or Reuters. For bond investments, fair value is determined based on the fair value of bonds bulletined in OTC; for others, fair value is determined based on discounted value of expected future cash flows at the balance sheet date or the market price provided by Bloomberg or Reuters.

An impairment loss is recognized when there is objective evidence of impairment. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, for equity instruments, the decrease shall be recognized as an adjustment account in the stockholders' equity; and for debt instruments, the previously recognized impairment loss is reversed through profit or loss.

(7) Held-to-maturity financial assets

Held-to-maturity financial assets are accounted for using settlement date accounting and are initially recognized at fair value plus the acquisition or issuance cost. Gains or losses are recognized in the income statement when the investments are derecognized.

Held-to-maturity financial assets are measured at amortized cost using the interest method at the balance sheet date.

An impairment loss is recognized when there is objective evidence of impairment. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amounts shall not exceed the amortized cost assuming no impairment loss was recognized in prior years.

(8) Equity investments accounted for under the equity method

Long-term equity investments that the Bank owns at least 20% of the investees' voting stock interests or exercises significant influence over the investees are accounted for under the equity method. The carrying amounts of such equity investments are evaluated pursuant to the investment costs plus or minus the net income or loss and changes in stockholders' equity of the investee recognized proportionally according to the percentage of the investee's ownership held by the Bank. The cash dividends received from investees are recorded as deduction of the investment cost. When there is sufficient evidence to indicate that the fair value of the investment is impaired and the probability of the recovery is remote, the loss on investments is recognized in the current period. For the stock dividends received from investees, the investment amount will not be increased and the investment income will not be recognized. A memorandum entry will be made to record the additional shares received. When equity investments are disposed of, the cost is calculated under the weighted average method.

For an investee company accounted for under the equity method, if the Bank does not have control interests but can exercise significant influence over the investee, investment losses are recognized to the extent that the balance of the investment plus advances to the investee is reduced to zero, unless the Bank guarantees the debts of investee company or has a commitment or intention to provide financial support to the investee company and then recognizes the investment loss proportionally according to the percentage of the investee's ownership held by the Bank continuously. However, if the Bank has control interests over the investee company, the investment losses in excess of the investee's stockholders' equity's balance shall be fully recognized, unless other stockholders of the investee company have the obligation and ability to provide additional capital to absorb the losses. When the investee company begins to make a profit in the subsequent periods, the earnings are attributed to the Bank until the originally recognized excess losses are fully recovered.

The cumulative translation adjustment resulting from the financial statement translation of foreign equity investments accounted for under the equity method is recognized proportionally in the stockholders' equity account based on the percentage of the investees' ownership held by the Bank.

Investees in which the Bank holds control are accounted for under the equity method and included in the consolidated financial statements based on SFAS No.7 "Consolidated Financial Statements" and the parent company's need.

(9) Other financial assets and financial liabilities

1) Financial assets measured at cost

Long-term investments in equity securities, which are not listed on TSE or OTC, are accounted for using trade date accounting. Such financial instruments are initially recognized at fair value plus the acquisition or issuance cost and are subsequently carried at cost at the balance sheet date.

For financial assets measured at cost, an impairment loss shall be recognized if there is objective evidence of impairment. The impairment loss shall not be reversed.

2) Bond investments with no active market

Bond investments with no active market are accounted for using settlement date accounting. Such financial instruments are initially recognized at fair value plus acquisition cost. Gains or losses are recognized in the income statement when the investments are derecognized.

Bond investments with no active market shall be subsequently measured at amortized cost using the interest method.

An impairment loss is recognized when there is objective evidence of impairment. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amounts shall not exceed the amortized cost assuming no impairment loss was recognized in prior years.

3) Derivative financial assets and financial liabilities for hedging

Derivative financial assets and financial liabilities held for hedging are designated as effective hedging instruments under hedge accounting and are measured at fair value.

(10) Derivative financial instruments for hedging - fair value hedge

When all the criteria of fair value hedge accounting are met, the Bank recognizes the offsetting effects on gains or losses of changes in the fair values of the hedging instrument and the hedged item. The Bank currently only has fair value hedge. The accounting treatment for hedging instruments is that the gain or loss from re-measuring the hedging instrument at fair value shall be recognized immediately in the statement of income. Any gain or loss attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized immediately in the statement of income.

(11) Property, plant and equipment / Non-operating assets

Property, plant and equipment / non-operating assets are stated at cost except for revaluation increment as permitted under the relevant regulations. Depreciation is provided on a straight-line basis over the estimated service lives of the assets plus an additional year as salvage value, except for leasehold improvements, which are depreciated over the leasing periods of the lease agreement or 5 years whichever is lower. The estimated economic service lives of major property, plant and equipment are set forth below: land improvements: 3~30 years; buildings: 5~55 years; machinery and equipment: 3~4 years; transportation equipment: 5~10 years; miscellaneous equipment: 5~17 years and leased assets: over the lease term.

Major renewals and improvements, which are incurred to increase the future economic benefits of the assets, are capitalized and depreciated. Routine maintenance and repairs are charged to expenses as incurred. When assets are sold or abandoned, the cost and accumulated depreciation are removed from the respective asset accounts and the related gain or loss on the disposal of property, plant and equipment is recorded as "other non-interest income or losses".

Rental or idle assets are classified at carrying amount under other assets - non-operating assets. Depreciation for current period is recognized as "other non-interest income or losses" and valued at the lower of carrying amount or recoverable amount as of the balance sheet date.

(12) Intangible assets

Intangible assets, mainly comprising computer software costs, are initially recorded at cost and amortized over 3 years under the straight-line method.

(13) Other assets

Other assets are mainly comprised of non-operating assets, foreclosed assets, refundable deposits, temporary payments and suspense accounts, prepayments, and other assets to be adjusted, and so on.

Foreclosed assets are recorded at acquisition costs and are revalued at net realizable value as of the balance sheet date. If the foreclosed assets are impaired, an impairment loss is recognized in the current period. In the subsequent period, if the net realizable value increases, the previously recognized impairment loss is reversed to the extent that the carrying amounts, after the reversal, shall not exceed the carrying amounts assuming no impairment loss was recognized for the assets in the prior years.

(14) Pension plan

Under the defined benefit pension plan, net pension costs are recognized in accordance with the actuarial calculations. Net pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Under the defined contribution pension plan, net pension costs are recognized as incurred on an accrual basis.

Defined contribution plan is adopted for certain overseas branches in accordance with the laws and regulations of the jurisdiction.

(15) Other liabilities

Other liabilities are mainly comprised of estimated land revaluation increment tax accrual, reserve for securities trading losses, guarantee deposits received, advanced receipts, temporary receipts and suspense accounts, other carry forward accounts, reserve for guarantees, and so on.

Reserve for guarantees is determined based on the estimated losses arising from default possibility of the ending balances of acceptances receivable, guarantees receivable, and letters of credit receivable, net of the margin deposits received from customers.

As required by the "Rules Governing Securities Firms", the Bank has to set aside 10% of the excess of monthly gains over losses from trading securities as the reserve for securities trading losses. Such reserve can be only used to offset losses over gains arising from the aforesaid securities trading. When the accumulated reserve reaches $200,000, no further reserve provision is required.

The regulations for trading loss reserve and default loss reserve that shall be allocated by securities firms are deleted pursuant to the amendment of "Rules Governing Securities Firms". As of 31 December, 2010, the balance of reserve for securities trading losses and default losses shall be transferred as special reserve pursuant to Jin-Guan-Zheng-Zi No.0990073857 of the Financial Supervisory Commission dated January 11, 2011. The special reserve shall not be used other than covering the losses of the Bank, or when the special reserve reaches 50% of the amount of paid-in capital, half of it may be used for capitalization.

(16) Foreign currency transactions and translations of foreign currency financial statements

The Bank's foreign currency transactions are recorded in New Taiwan dollars at the spot rates of the transaction dates. The exchange differences between actual payments or receipts and recorded transaction amounts are recognized as foreign exchange gains or losses in the current period. Assets and liabilities denominated in foreign currencies are revalued using the closing exchange rates at the balance sheet date. For the foreign currency denominated long-term equity investments, the related foreign exchange gains or losses are recognized as the cumulative translation adjustment in the stockholders' equity. The exchange differences resulting from the other assets and liabilities of foreign currencies are included in the current statement of income.

When the financial statements of foreign operation units are translated into New Taiwan dollars, all asset and liability accounts are translated using the closing exchange rates at the balance sheet date, and the shareholders' equity accounts are translated at the historical foreign exchange rate except that the beginning retained earnings are stated at the translated carrying amount of the ending retained earnings in the prior year. The exchange differences are recorded as the cumulative translation adjustment in the stockholders' equity.

(17) Non-financial assets impairment

An impairment loss shall be recognized when changes in circumstances or events indicate that an asset's recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value, net of selling expense, and its value in use. The fair value, net of selling expense, is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. The value in use is the present value of the future cash flows expected to be derived from an asset.

If there is an indication that an impairment loss recognized in the prior periods for an asset may no longer exist or may have decreased, the impairment loss recognized could be reversed, and such a reversal shall not exceed the impairment loss recognized in the prior periods.

(18) Net interest income, commission fee income and expenses

Interest income and expenses of all financial instruments are calculated using the effective interest rate method and are recognized as interest income and expenses on the income statement.

However, interest income arising from loans which meet any of the following criteria is recognized on cash basis when cash is received:

* Reclassified as non-accrual loans.
* Interest from restructured loans that are agreed to extend their maturities is not recognized as interest income but recorded on the memo accounts.

Handling fees and expenses are recognized when loan is disbursed, or the earning process is substantially completed; service fee earned from performing significant items shall be recognized upon the completion of the service, such as syndication loan service fee received from sponsor. Handling fees and expenses of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period.

(19) Employees' bonus and directors' and supervisors' remuneration

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

(20) Income tax

According to the Statement of Financial Accounting Standards No. 22 "Accounting for Income Taxes", the Bank is required to apply the inter-period and intra-period income tax allocations. Under the inter-period income tax allocation, the income tax effects of deductible temporary differences, loss carry forwards, and income tax credits are recognized as deferred income tax assets or liabilities. Valuation allowance is provided against deferred income tax assets if it is more likely than not that the deferred income tax assets will not be realized. The 10% surtax on undistributed current earnings calculated pursuant to the Income Tax Law is recorded as income tax expense in the year when the earnings distribution is approved by the shareholders' meeting. The adjustment for over- or under-provision of previous years' income tax is included in the current year's income tax expense. Deferred income tax liabilities or assets will be recalculated in accordance with amendment to Income Tax Law in the year when the revision is promulgated. The effects on changes in deferred income tax liabilities or assets are reflected in the current period's income tax expense or revenue from continuing operations.

Pursuant to the Explanatory Letter Tai-Tsai-Shui No.910458039 of the MOF dated February 12, 2003 to promulgate the "Criteria for Profit-seeking Enterprises in Filing Consolidated Profit-seeking Enterprise Income Tax Returns According to Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers and Acquisitions Law", if a financial holding company holds at least 90% of the issued capital stock of its domestic subsidiaries for twelve months in a fiscal taxable year, starting from such a fiscal taxable year, the financial holding company may elect to have itself as the taxpayer to file the consolidated profit-seeking enterprise income tax returns. Accordingly, the Bank's parent company, First Financial Holding Co. has decided to file consolidated income tax return using a linked tax system in 2004 to include the Bank and the associated entities including First Securities Inc. (FS), First Securities Investment Trust Co., Ltd. (FSIT), First Financial Asset Management Co., Ltd. (FFAM), First Venture Capital Co., Ltd. (FVC), First Financial Management Consulting Co., Ltd. (FFMC) and First P&C Insurance Agency Co., Ltd. (FPCIA).

The accounting treatment for the Bank including its parent company and associated entities to adopt the linked tax system to file the consolidated income tax return is in compliance with the Explanatory Note (92) No. 240 of the Accounting Research Development Foundation dated October 3, 2003.

Effective January 1, 2006, in accordance with the Alternative Minimum Tax Act, the Bank should calculate the alternative minimum tax in addition to the regular income tax. If the regular income tax is lower than the alternative minimum tax, the differences should be accrued as an income tax expense adjustment.

(21) Share-based payment

The Bank's ultimate parent company, First Financial Holding Co., Ltd., reserves 15% shares for employees of the Bank and the Group during cash capital increases according to Article 267.1 of Company Law. Pursuant to SFAS No. 39, EITF 96-267 of Accounting Research and Development Foundation, dated Oct. 12, 2007 and EITF 97-017 dated January 18, 2008, the fair value of the service received should be measured during the vesting period (or at grant date if there is no vesting period) based on the fair value of equity instrument at the grant date, and account for those amounts as payroll expenses and relevant equities.

According to (101) EITF No. 0000000038 of Accounting Research and Development Foundation dated February 24, 2012, the determination of the grant date, applicable for 2011 financial statements, is based on the date that the bank's employees are informed of the quantity and price of the shares to subscribe after the resolution of the Board of Directors of parent holding company.

(22) Use of estimates

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

(23) Contingent loss

Due to the development of events, it is probably confirmed that assets have been impaired or liabilities have been incurred at the balance sheet date. Wherever the amount of losses could be reasonably estimated, the amount should be recognized as loss for the current year. For those losses that could not be reasonably estimated, it shall be disclosed in the note to financial statements.

(24) Operating segments

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

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

2. Changes in Accounting Principles

(1) Loans and receivables

Effective January 1, 2011, the Bank adopted the revised SFAS No. 34 "Financial Instruments: Recognition and Measurement", to assess loans and receivables and to recognize impairment losses (recorded as bad debt expenses) when objective of impairment evidence exists. For those with no objective evidence of impairment, collective assessment should be made according to the group financial assets with similar credit risk characteristics. This change in impairment assessment method had no significant impact on the net income and earnings per share for the year ended December 31, 2011.

(2) Operating segments

Effective January 1, 2011, the Bank adopted SFAS No. 41 "Operating Segments" to replace SFAS No. 20 "Segment Reporting". At initial adoption, the Bank restated the segment information of the previous period pursuant to the accounting standard.

3. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2011	December 31, 2010
Cash on hand	$ 10,900,329	$ 9,935,438
Checks for clearing	22,625,946	7,994,788
Due from other banks	10,965,221	8,094,945
Total	$ 44,491,496	$ 26,025,171

(2) Due from the Central Bank and other banks

	December 31, 2011	December 31, 2010
Reserve for deposits - account A	$ 25,944,348	$ 13,361,390
Reserve for deposits - account B	41,988,581	41,689,507
Deposits with the Central Bank	4,900,000	4,900,000
Inter-bank clearing fund	2,957,506	2,843,011
Deposits of national treasury account	209,199	152,908
Deposits of overseas branches with foreign Central Banks	809,211	641,270
Reserve for deposits - foreign currency	239,748	217,385
Call loans and overdrafts to other banks	48,532,635	46,567,493
Total	$ 125,581,228	$ 110,372,964

The Bank's reserve for deposits is required by the Banking Law and is determined by applying the reserve ratio set by the Central Bank to the monthly average balance of each kind of deposits. The reserve amount is deposited in the reserve deposit account at the Central Bank. According to the regulations, such reserve for deposits - account B can not be withdrawn except for monthly adjustments of the reserve for deposits.

(3) Financial assets at fair value through profit or loss - net

	December 31, 2011	December 31, 2010
Financial assets for trading purpose		
Short-term bills	$ 649,109	$ 29,728
Stocks	53,006	456,159
Bonds	876,626	880,022
Other marketable securities	-	40,108
Derivative financial instruments	10,798,834	10,157,797
Valuation adjustment for financial assets for trading purpose - non-derivative instruments	(2,098)	442
Subtotal	12,375,477	11,564,256
Financial assets designated as at fair value through profit or loss		
Bonds	2,868,222	9,703,646
Valuation adjustment for financial assets designated as at fair value through profit or loss	24,404	95,317
Subtotal	2,892,626	9,798,963
Total	$ 15,268,103	$ 21,363,219

For the years ended December 31, 2011 and 2010, the net realized and unrealized gains on financial assets and liabilities for trading purpose and on financial assets and liabilities designated as at fair value through profit or loss amounted to $1,937,386 and $79,144, respectively.

Financial instruments designated as at fair value through profit or loss are to eliminate or significantly reduce a measurement or recognition inconsistency.

Types of derivative financial instruments held for trading purpose and related contract information were as follows:

	December 31, 2011		December 31, 2010	
Financial instruments	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
Trading purpose				
Foreign exchange contracts (FX swaps and forwards)	$214,684,033	$1,910,416	$255,406,319	$2,957,258
FX margin trading	2,412,997	275,870	3,076,057	380,234
Non-delivery FX forwards	1,676,604	1,719	4,324,133	29,473
FX options written	23,300,737	-	24,558,380	-
Interest rate swap options written	30,000,000	-	35,885,000	-
Commodity options written	35,314,952	-	232,890	-
FX options held	24,045,698	3,135,163	25,858,586	1,201,191
Interest rate swap options held	15,600,000	275,890	17,485,000	196,620
Commodity options held	35,314,952	134,469	232,890	99,045
Cross currency swap contracts	33,302,500	1,234,731	44,615,380	155,541
Interest rate swap contracts	402,302,135	3,654,889	473,398,760	5,039,925
Futures trading	23,340	175,687	29,500	98,510

(4) Receivables - net

	December 31, 2011	December 31, 2010
Spot exchange receivable	$ 13,301,170	$ 26,763,020
Acceptances receivable	7,261,133	8,596,541
Interest receivable	3,899,423	3,837,386
Credit card account receivable	4,208,541	3,987,733
Factoring receivable	25,572,124	15,820,076
Income tax refundable	1,781,723	1,330,485
Other receivables	928,018	1,582,824
Subtotal	56,952,132	61,918,065
Less: allowance for doubtful accounts	(777,541)	(748,691)
Net amount	$ 56,174,591	$ 61,169,374

As of December 31, 2011 and 2010, the Bank's reserves for acceptances receivable and guarantees receivable were $559,872 and $215,472, respectively, and such reserves are recorded under "other liabilities".

The above tax refundable includes consolidated tax return receivables from the parent company and income tax refundable from overseas branches.

(5) Bills discounted and loans - net

	December 31, 2011	December 31, 2010
Bills discounted	$ 5,653,583	$ 7,892,337
Overdrafts	1,307,939	790,199
Short-term loans	436,241,560	408,424,699
Medium-term loans	378,770,424	332,401,121
Long-term loans	529,810,035	498,574,029
Import-export negotiations	2,662,083	2,366,222
Loans transferred to non-accrual loan	6,318,534	9,809,487
Subtotal	1,360,764,158	1,260,258,094
Less: allowance for doubtful accounts	(13,885,730)	(11,876,735)
Net amount	$ 1,346,878,428	$ 1,248,381,359

As of December 31, 2011 and 2010, gains from hedge evaluation on loans were $110,978 and $186,678, respectively. The fair values of fixed-rate loans held by overseas branches may fluctuate with changes in interest rates. The Bank assessed that the risk might be significant, so it has hedged such risk by engaging in interest rate swap contracts. (Please refer to Note 3(19) for information on relevant contracts).

As of December 31, 2011 and 2010, non-accrual loans and other credit extensions where interest accruals had been ceased as regulated were $6,297,142 and $9,757,175, respectively. Interest receivable not accrued amounted to $173,491 and $255,430, respectively.

Proper prosecutions of claims against debtors have been made before any credit extensions and loans were written off for the years ended December 31, 2011 and 2010.

As of December 31, 2011, assessment of impairment for loans and receivables were as follows:

1) Loans

Items		Loans December 31, 2011	Allowance for doubtful accounts December 31, 2011
With individual objective evidence of impairment	Individual assessment	$ 17,831,336	$ 5,581,017
	Collective assessment	3,355,038	1,202,394
Without individual objective evidence of impairment	Collective assessment	1,378,412,448	7,367,398

2) Receivables

Items		Loans December 31, 2011	Allowance for doubtful accounts December 31, 2011
With individual objective evidence of impairment	Individual assessment	$ 854,649	$ 682,205
	Collective assessment	-	-
Without individual objective evidence of impairment	Collective assessment	126,083,958	348

The Bank has revalued the allowance for doubtful accounts of loans and receivables. The movements in allowance for doubtful accounts of loans and receivables for the years ended December 31, 2011 and 2010 were as follows:

Loans	2011
Beginning balance	$ 12,118,604
Provision for doubtful accounts	5,227,112
Write-off of loans and advances	(3,560,147)
Foreign exchange translation adjustment and other movements	365,240
Ending balance	$ 14,150,809

Receivables	2011
Beginning balance	$ 1,645,504
Provision for doubtful accounts	73,500
Write-off of loans and advances	(860,027)
Foreign exchange translation adjustment and other movements	(176,424)
Ending balance	$ 682,553

	For the year ended December 31, 2010		
	Unrecoverable risks for the specific loans	Inherent risks for the overall loan portfolio	Total
Beginning balance	$ 7,318,623	$ 6,988,535	$ 14,307,158
Provision	5,416,758	-	5,416,758
Write-off	(5,427,021)	-	(5,427,021)
Foreign exchange translation difference and others	(1,831,898)	1,299,111	(532,787)
Ending balance	$ 5,476,462	$ 8,287,646	$ 13,764,108

(6) Available-for-sale financial assets - net

	December 31, 2011	December 31, 2010
Stocks	**$ 8,656,511**	$ 5,143,660
Bonds	**58,622,220**	64,401,446
Short-term bills	**151,377**	456,920
Beneficiary certificates	**17,275**	-
Others	**744,795**	-
Valuation adjustment for available-for-sale financial assets	**2,923,517**	6,588,200
Subtotal	**71,115,695**	76,590,226
Less: accumulated impairment losses	**(302,750)**	-
Total	**$ 70,812,945**	$ 76,590,226

Please refer to Note 5 for details of available-for-sale financial assets pledged as collateral as of December 31, 2011 and 2010.

Please refer to Note 3(27) for details of accumulated impairment losses.

(7) Held-to-maturity financial assets - net

	December 31, 2011	December 31, 2010
Certificates of deposit purchased	$ 278,260,000	$ 365,000,000
Bonds	42,007,519	38,442,839
Preferred stocks of Taiwan High Speed Rail Corporation	2,000,000	2,000,000
Short-term bills	326,127	290,388
Beneficiary securities	40,236	396,237
Others	-	289,319
Subtotal	322,633,882	406,418,783
Less: accumulated impairment losses	-	(231,803)
Total	$ 322,633,882	$ 406,186,980

Please refer to Note 3(27) for details of accumulated impairment losses and writing offs.

(8) Equity investments accounted for under the equity method - net

1) Equity investments

	December 31, 2011		December 31, 2010	
Investee company	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
First Commercial Bank (USA)	$ 2,885,286	100	$ 2,710,603	100
FCB Leasing Co., Ltd. (note)	1,214,153	100	620,353	100
First Insurance Agency Co., Ltd.	191,334	100	125,283	100
East Asia Real Estate Management Co., Ltd.	7,452	30	9,798	30
	$ 4,298,225		$ 3,466,037	

note: According to Jin-Guan-Yin Kong Letter No. 10000003090 of the FSC and approval on December 17, 2010 by the Board of Directors at their meeting, the Bank increased its capital infusion of $500 million in FCB Leasing Co., Ltd. and made investments in Mainland China via FCBL Capital International (B.V.I) Ltd. The record date of capital increase was January 20, 2011.

2) Investment income, unrealized gains and losses for available-for-sale financial assets, cumulative translation adjustments and capital reserve from equity investments accounted for under the equity method for the years ended December 31, 2011 and 2010 were as follows:

	For the years ended December 31,	
	2011	2010
Investment income	$ 245,977	$ 134,805
Cumulative translation adjustments	120,714	(251,826)
Unrealized gains and losses for available-for-sale financial assets	(13,486)	(3,518)
Capital reserve - share-based payment	2,680	-

3) The investment income or losses from the above equity investments accounted for under the equity method, other than East Asia Real Estate Management Co., Ltd., that was recognized based on the unaudited financial statements of the same period (the Bank expects the effect to be immaterial assuming the financial statements had been audited), was recognized based on the investees' audited financial statements for the years ended December 31, 2011 and 2010.

(9) Other financial assets - net

	December 31, 2011	December 31, 2010
Overdue receivable	$ 318,563	$ 1,447,147
Financial assets carried at cost	2,968,146	2,968,156
Bond investments with no active market	401,645	673,131
Remittance purchased	13,992	15,249
Subtotal	3,702,346	5,103,683
Less: allowance for doubtful accounts - overdue receivables	(170,091)	(1,138,682)
Net amount	$ 3,532,255	$ 3,965,001

1) The Bank's investments in unlisted stocks, of which fair value cannot be measured reliably due to lack of quoted market price, are accounted for at cost.
2) For methods and assumptions used to measure fair value of debt instruments with no active market, please refer to Note 9 (1) 2) (g).
3) The Bank's overdue notes and debt securities affected by the financial crisis of Iceland and Washington Mutual, U.S.A. are recognized as other financial assets – overdue receivables, and the balance as of December 31, 2011 and 2010 were $159,617 and $1,192,932, respectively, and the balance of allowance for doubtful accounts were $12,110 and $1,027,306, respectively. At current stage, the abovementioned overdue notes and debt securities have been included in prosecution procedures in relation to creditors' right preservation.

(10) Property, plant and equipment

	December 31, 2011			
	Cost	Revaluation increments	Accumulated depreciation	Net book value
Land and improvements	$ 7,297,121	$ 11,696,327	($ 2,872)	$ 18,990,576
Buildings	9,456,596	56,793	(4,206,934)	5,306,455
Machinery and equipment	2,597,494	-	(2,139,600)	457,894
Transportation equipment	845,016	-	(701,882)	143,134
Other equipment	1,725,096	-	(1,485,691)	239,405
Leasehold improvements	739,799	-	(624,448)	115,351
Leased assets	285,175	-	(33,792)	251,383
Construction in progress and prepayments for equipment	24,703	-	-	24,703
	$ 22,971,000	$ 11,753,120	($ 9,195,219)	$ 25,528,901

	December 31, 2010			
	Cost	Revaluation increments	Accumulated depreciation	Net book value
Land and improvements	$ 7,260,052	$ 9,274,240	($ 2,872)	$ 16,531,420
Buildings	9,276,327	56,793	(4,011,675)	5,321,445
Machinery and equipment	2,623,025	-	(2,242,971)	380,054
Transportation equipment	854,834	-	(702,659)	152,175
Other equipment	1,685,650	-	(1,486,753)	198,897
Leasehold improvements	700,330	-	(577,722)	122,608
Construction in progress and prepayments for equipment	135,669	-	-	135,669
	$ 22,535,887	$ 9,331,033	($ 9,024,652)	$ 22,842,268

The Board of Managing Directors resolved to revalue its assets in September 2011 with balances of the revaluation increments amounting to $2,021,802 and the land revaluation increment tax amounting to $231,564. As of December 31, 2011 and 2010, the balances of the revaluation increments (including those for non-operating assets) amounted to $17,167,936 and $15,214,530, respectively, and relevant reserve for land revaluation increment tax recorded as other liabilities were $5,529,705 and $5,328,443, respectively. The difference was recorded under capital and other stockholders' equity. Please refer to Note 3(26) for details. In addition, the Board of Managing Directors resolved to revalue its assets in February 2012 with balances of the revaluation increments amounting to $730,269 and the land revaluation increment tax amounting to $212,797 and stockholders' equity amounting to $517,472 were recorded.

There was no interest capitalized on property, plant and equipment purchased for the years ended December 31, 2011 and 2010.

As of December 31, 2011 and 2010, there was no property, plant and equipment pledged as collateral.

(11) Other assets - net

	December 31, 2011	December 31, 2010
Non-operating assets		
Cost		
Land	$ 234,043	$ 271,534
Buildings	1,315,450	1,315,267
Others	20,898	19,613
Subtotal	1,570,391	1,606,414
Revaluation increments	5,414,816	5,883,497
Total cost and revaluation increments	6,985,207	7,489,911
Less: accumulated depreciation	(526,794)	(501,602)
Net non-operating assets	6,458,413	6,988,309
Other assets		
Foreclosed assets		
Cost	103,445	150,215
Less: accumulated impairment losses	(97,166)	(143,936)
Net foreclosed assets	6,279	6,279
Deferred income tax assets - net	862,118	2,342,871
Prepaid income tax	116,041	76,220
Prepayments	306,971	1,004,722
Refundable deposits	657,088	781,639
Others	1,199	1,533
Total	$ 8,408,109	$ 11,201,573

Please refer to Note 5 for details of other assets pledged as collateral as of December 31, 2011 and 2010.

(12) Due to the Central Bank and other banks

	December 31, 2011	December 31, 2010
Call loans from other banks	$ 146,094,276	$ 130,765,413
Transferred deposits from Chunghwa Post Co., Ltd.	5,068,664	6,885,211
Overdrafts from other banks	1,347,925	2,657,935
Due to other banks	449,775	543,393
Due to the Central Bank	38,684	37,714
Total	$ 152,999,324	$ 140,889,666

(13) Financial liabilities at fair value through profit or loss

	December 31, 2011	December 31, 2010
Financial liabilities for trading purpose - derivative financial instruments	$ 7,604,066	$ 16,490,454
Financial liabilities designated as at fair value through profit or loss	17,300,000	30,500,000
Valuation adjustment for financial liabilities designated as at fair value through profit or loss	757,960	957,433
Total	$ 25,662,026	$ 47,947,887

Financial instruments designated as at fair value through profit or loss are to eliminate or significantly reduce a measurement or recognition inconsistency.

Please refer to Note 3(3) for details of types of derivative financial instruments held for trading purpose and related contract information.

(14) Bills and bonds payable under repurchase agreements

	December 31, 2011	December 31, 2010
Government bonds	$ 5,321,126	$ 7,250,102
Financial bonds	3,928,233	-
Commercial papers	229,855	-
	$ 9,479,214	$ 7,250,102

The Bank is obligated to repurchase the above bills and bonds at original sale price plus a mark-up pursuant to the repurchase agreements. The repurchase agreement amounts of such bonds and bills were $9,270,337 and $229,913, and $7,252,368 and $0, as of December 31, 2011 and 2010, respectively.

(15) Payables

	December 31, 2011	December 31, 2010
Spot exchange payable	$ 13,298,706	$ 26,766,468
Accounts payable	28,288,596	15,157,574
Bank acceptances	7,339,138	8,961,842
Interest payable	2,281,950	2,307,972
Accrued expenses	3,878,964	2,947,383
Other payables	4,421,755	4,589,746
Total	$ 59,509,109	$ 60,730,985

(16) Deposits and remittances

	December 31, 2011	December 31, 2010
Checking deposits	$ 40,981,304	$ 36,937,219
Demand deposits	371,756,059	370,122,055
Time deposits	317,771,522	304,992,695
Negotiable certificates of deposit	12,337,400	9,692,600
Savings deposits	858,134,094	859,487,341
Outward remittances	22,153	32,138
Inward remittances	1,753,705	1,588,154
Total	$ 1,602,756,237	$ 1,582,852,202

(17) Financial bonds payable

To strengthen the Bank's capital adequacy ratio and to finance medium- and long-term operating capital, on October 3, 2002, November 14, 2003, June 24, 2005, August 18, 2006, February 29, 2008, February 27, 2009, June 25, 2010, and February 25, 2011 the Board of Directors of the Bank resolved to issue senior and subordinated financial bonds with the quotas of $30, $20, $20, $20, $20, $8, $8 and $10 billion New Taiwan dollars, respectively. The issuances of the financial bonds were approved by the MOF and FSC. The subordinated financial bonds take precedence over shareholders but rank junior in payment order to the other creditors in the event of liquidation. The detailed terms of each issuance are listed as follows:

	First to Ninth Issues, 2003
Issue date	January 20, February 25, May 2, September 10, October 27, and November 13, 2003 (maturity: on January 10, 2011)
Issue amount	NT$24.8 billion dollars (NT$24.8 billion dollars have been paid back)
Issue price	At par
Coupon rate	Part of interest rates is fixed rate of 2.9%, and the rest is either floating rates or inverse floating rates with the minimum yield rate of 0%. Interest rate indexes are USD 6M LIBOR, 90-day commercial paper rates or IRS rates.
Interest and repayment terms	For the fixed rates, interest is paid annually. For the floating rates, interest is to be paid either quarterly or semi-annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	4 years to 8 years

	First Issue, 2004
Issue date	May 25, 2004 (maturity: on May 25, 2011)
Issue amount	NT$4 billion dollars (NT$4 billion dollars have been paid back)
Issue price	At par
Coupon rate	Part of interest rates is fixed rate of 4%, and the rest is floating rate with the minimum yield rate of 0%. Interest rate indexes are USD 6M LIBOR.
Interest and repayment terms	Interest is paid semi-annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years

	First to Third Issues, 2006
Issue date	April 24, July 27 and December 4, 2006
Issue amount	NT$14 billion dollars (NT$6 billion dollars have been paid back)
Issue price	At par
Coupon rate	2.24%~2.75%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	5 years and 6 months to 10 years

	First to Third Issues, 2007
Issue date	March 9, June 25 and December 24, 2007
Issue amount	NT$14 billion dollars
Issue price	At par
Coupon rate	Part are with fixed rate (2.4%~3.16%), and others are with floating rate. Interest rate indexes are average interest rate of NTD 90-day commercial paper in secondary market provided by Reuters.
Interest and repayment terms	Floating rate: Interest is accrued quarterly and paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. Fixed rate: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7~10 years

	First to Third Issues, 2008
Issue date	June 23, October 21 and December 24, 2008
Issue amount	NT$8.7 billion dollars
Issue price	At par
Coupon rate	Part are with fixed rate (3.0%~3.10%), and others are with floating rate. Interest rate indexes are average interest rate of NTD 90-day commercial paper in secondary market provided by Reuters.
Interest and repayment terms	Floating rate: Interest is accrued quarterly and paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. Fixed rate: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years

	First to Third Issues, 2010
Issue date	September 28, 2010
Issue amount	NT$8 billion dollars
Issue price	At par
Coupon rate	1.5%~1.92%
Interest and repayment terms	Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years

	First to Second Issues, 2011
Issue date	March 30 and June 24, 2011
Issue amount	NT$6.3 billion dollars
Issue price	At par
Coupon rate	Fixed rate: 1.65% / 1.72%
Interest and repayment terms	Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 / 10 years

As of December 31, 2011 and 2010, interest rates of the above financial bonds ranged from 0% to 3.393% and 0% to 4.751%, respectively.

As of December 31, 2011 and 2010, the outstanding balances of the above mentioned financial bonds amounted to $45 billion and $51.9 billion New Taiwan dollars, respectively. In addition, among the above financial bonds, interest rate risk associated with the subordinated financial bonds with face value of $17.3 billion New Taiwan dollars as well as the senior financial bonds with face value of $7.2 billion New Taiwan dollars and the subordinated financial bonds with face value of $23.3 billion New Taiwan dollars were designated as held for trading financial liabilities and hedged by interest rate swap contracts. As such interest rate swap contracts were valued at fair value with changes in fair value recognized as profit or loss, the financial bonds stated above were designated as financial liabilities at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency.

(18) Accrued pension liabilities

1) The Bank has a defined benefit pension plan set up in accordance with the Labor Standards Law, covering all regular employees whose services are prior to the implementation of the Labor Pension Act on July 1, 2005 and those employees who choose continuously to apply the Labor Standards Law after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation in the last six months prior to retirement. Under the defined benefit plan, employees are granted two points for each year of service for the first 15 years and are granted one point for each additional year of service from the 16th year, but it is subject to a maximum of 45 points. The Bank makes contribution monthly based on 10% of salaries and such contributions are deposited in the designated pension account at the Trust Department of Bank of Taiwan under the names of the respective companies' independent retirement fund committees. The Bank recognized net pension costs of $687,132 and $638,592 for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, the balances of the pension fund deposited in the Bank of Taiwan were $5,369,294 and $5,004,636, respectively.

2) Actuarial assumptions are listed below:

	2011	2010
Discount rate	**1.60%**	2.00%
Rate of increase in salaries	**1.50%**	1.50%
Expected rate of return on plan assets	**1.60%**	2.00%

3) Funded status of the pension plan:

	December 31, 2011	December 31, 2010
Benefit obligation		
Vested benefit obligation	$ 6,199,149	$ 5,286,752
Non-vested benefit obligation	1,764,707	1,615,241
Accumulated benefit obligation	7,963,856	6,901,993
Effect of future salary increments	1,560,345	1,359,625
Projected benefit obligation	9,524,201	8,261,618
Fair value of plan assets	(5,415,762)	(5,037,196)
Funded status	4,108,439	3,224,422
Unrecognized gain on plan assets	(2,252,857)	(1,411,536)
Additional accrued pension liabilities	692,512	51,911
Accrued pension liabilities	$ 2,548,094	$ 1,864,797
Vested benefit	$ 7,175,025	$ 6,358,883

4) Net pension costs:

	For the years ended December 31,	
	2011	2010
Service cost	$ 595,995	$ 574,800
Interest cost	163,789	179,499
Expected return on plan assets	(104,294)	(120,405)
Amortization	31,642	4,699
Net pension costs	$ 687,132	$ 638,593

5) Effective July 1, 2005, the Bank established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Additionally, the Bank contributes monthly an amount no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The pension can be paid out on a monthly basis or in a lump sum with the amounts determined by the employees' individual pension accounts and the accumulated benefits. The pension costs under defined contribution pension plan for the years ended December 31, 2011 and 2010 were $100,586 and $91,332, respectively.

6) Provision of $9,335 and $8,452 for the years ended December 31, 2011 and 2010 were made by overseas branches according to the local regulations.

7) The exceeding interest of employee deposit for the preferential interest rate than the average market rate is recognized as interest expense when the payment is made to the employees. Other relevant liabilities should be accrued in the appropriate period.

(19) Other financial liabilities

	December 31, 2011	December 31, 2010
Appropriated loan fund	$ 124,577	$ 165,865
Derivative financial liabilities for hedging	110,978	186,678
Structured deposits	17,551,918	24,395,600
Lease payables	158,605	-
Total	$ 17,946,078	$ 24,748,143

1) The fair value hedge of derivative financial liabilities and related disclosure information were as follows:
Fair values of fixed-rate loans held by overseas branches may fluctuate with changes in interest rates. The Bank assessed that the risk might be significant, so it has hedged such risk by engaging in interest rate swap contracts.

	Designated hedging instruments		
Hedged item	Designated hedging instruments	Fair value December 31, 2011	Fair value December 31, 2010
Fixed-rate loans	Interest rate swap contracts	($110,978)	($186,678)

2) Nature of derivative financial instruments held for hedging and related contract information were as follows:

Derivative financial instruments	December 31, 2011 Contract amount (Notional principal)	December 31, 2011 Credit Risk	December 31, 2010 Contract amount (Notional principal)	December 31, 2010 Credit Risk
Non-trading purpose				
Interest rate swap contracts	$ 1,203,132	$ -	$ 1,583,169	$ -

(20) Other liabilities

	December 31, 2011	December 31, 2010
Reserve for land revaluation increment tax	$ 5,529,705	$ 5,328,443
Guarantee deposits received	1,106,840	1,052,664
Collections in advance	910,782	894,904
Reserve for losses on guarantees	559,872	215,472
Reserve for securities trading losses	-	200,000
Others	286,541	455,335
Total	$ 8,393,740	$ 8,146,818

(21) Common stock

As of December 31, 2011 and 2010, the Bank's authorized and issued capital was $58,700,000 and $49,490,000, respectively, consisting of outstanding 5,870,000 thousand shares and 4,949,000 thousand shares of common stock with $10 (in dollars) par value per share.

On April 22, 2011, the Bank's Board of Directors has approved and on behalf of stockholders resolved to increase capital through unappropriated earnings amounting to $3,210,000 by issuing 321,000 thousand shares with a par value of $10 (in dollar) on June 27, 2011. The capital increase was under the approval of Jin-Quan-Zheng-Fa Letter No. 1000034243, and the effective date was set on August 24, 2011. The Bank has completed the registration and the total capital was $52,700,000 after the capital increase.

In order to strengthen the Bank's capital structure and increase capital adequacy ratio, the Board of Directors has approved and resolved on behalf of stockholders to raise capital by $15,000,000 on August 19, 2011 and the resolution was adopted to issue 600,000 thousand shares at a premium price of NT$25 per share (face value is at NT$10 per share) via private placement effective September 30, 2011. Following the capital increase, total issued capital amounted to $58,700,000. The related registration of the capital increase has been completed. The above capital increase was approved and evidenced by the Explanatory Letter Jin-Guan-Yin Kong Letter No.10000305200 of the FSC.

(22) Share-based payment – employee indemnification plan

The following share-based payment is the 15 % cash capital increase reserved for employees provided by the parent company, First Financial Holding Co., Ltd., pursuant to Art. 267.1 of Company Law.

1) As of December 31, 2011, the Bank's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity (stock) granted	Vesting condition
Cash capital increase reserved for employee	August 24, 2011	103,374,450 shares	Vested immediately

2) Relevant salary expenses for share-based payment and capital reserve were both $206,723.

(23) Additional paid-in capital

Additional paid-in capital mainly includes capital in excess of par value on issuance of common stock and donation income.

As required by Company Law, additional paid-in capital resulting from price received in excess of par value of the issuance of capital stock and donation income received may not only be used to offset the accumulated deficit but also to issue new shares or distribute cash dividends in proportion to the original number of shares being held by shareholders provided there is no accumulated deficit. In addition, according to the Securities and Exchange Act, the additional paid-in capital used for capital increase shall not exceed 10% of total issued capital stock annually. A company should not use the capital reserve to cover its capital loss, unless the surplus reserve is insufficient.

As of December 31, 2011, the Bank’s additional paid-in capital is as follows:

	December 31, 2011
Stock premium	$ 19,460,326
Share-based payment (Note)	209,403
Total	$ 19,669,729

note: The above share-based payment has included subsidiaries.

(24) Legal reserve

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

(25) Unappropriated earnings

1) As stipulated by the Bank's Articles of Incorporation, the annual net income after income tax should be first used to offset accumulated losses, then 30% of it should be set aside as legal reserve and if the current year-end accounts in the stockholders' equity have debit balances, the Bank is required to appropriate a special reserve. The remaining earnings are to be distributed as follows:
   - ＊ 1% to 8% as employees' bonus.
   - ＊ Dividend and bonus to shareholders as proposed by the Board of Directors and approved by the shareholders at the shareholders' meeting. (The Board of Directors is appointed to act on behalf of the shareholders.)

2) Dividend policy for the next three years

   Banking industry is a fully developed industry and the Bank, operating under a solid financial base, has maintained a stable income. The Bank has set up its dividend policy to be primarily in form of cash dividends and supplemented by share dividends, as to increase its capital adequacy ratio and to enhance its competitiveness.

   If the legal reserve is less than the capital or the capital adequacy ratio is below the statutory ratio stipulated by the Banking Law, the maximum amount of cash dividend distribution has to be subject to the stipulations set out by the Banking Law and the governing authorities.

3) The appropriation of earnings for 2010 and 2009 had been approved at the shareholders' meeting (as resolved by the Board of Directors' meeting) on June 27, 2011 and June 25, 2010 respectively. Details of the appropriation of earnings for 2010 and 2009 are summarized as follows:

	Appropriation of earnings		Earnings per share (in dollars)	
	2010	2009	2010	2009
Legal reserve	$ 1,901,701	$ 616,097	$ -	$ -
Cash dividends on common stock	1,227,303	1,437,561	0.25	0.29
Stock dividends	3,210,000	-	0.65	-
	$ 6,339,004	$ 2,053,658	$ 0.90	$ 0.29

4) Information on the appropriation of the Bank's earnings as resolved by the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

5) Estimated employees' bonus totaling $478,000 was recognized as operating expense in 2011. Having taken into account legal reserve and other factors, the amount was arrived at by multiplying the net income after tax with the percentage stipulated in the Articles of Incorporation of the Bank. The employees' bonus approved by the Board of Directors and resolved at the stockholders' meeting amounted to $344,778 for the year ended December 31, 2010.

(26) Other stockholders' equity adjustments

The revaluation increments of land will adjust the original subject asset accounts, other liability account - reserve for land revaluation increment tax and other stockholders' equity account - unrealized revaluation increments. Upon disposal, the Bank will reverse other libilities - reserve for land revaluation increment tax and other stockholders' equity - unrealizd revaluation increments accounts and recognize the disposal gain or loss.

(27) Asset impairment losses

	For the years ended December 31, 2011	2010
Available-for-sale financial assets	$ 306,642	$ -
Held-to-maturity financial assets	59,640	89,997
Foreclosed assets recovery gain	(14,283)	(812)
Total	$ 351,999	$ 89,185

The impairment loss recognized for available-for-sale financial assets was mainly due to the increasing operating deficit of the convertible bonds' issuing corporation which encountered financial difficulties. The impairment loss recognized by the Bank amounted to $302,750. In addition, impairment loss of financial instruments held to maturity recognized for 2011 and 2010 was mainly due to some foreign currency securitized instruments - Collateralized Debt Obligation, of which the underlying asset pool has breached the contract or credit rating has been significantly downgraded. After the assessment, the Bank recognized impairment loss of $58,481 and $89,997 for the years 2011 and 2010, which was written off at the end of the year.

(28) Other non-interest income or losses

	For the years ended December 31, 2011	2010
Profit from financial assets carried at cost	$ 144,750	$ 94,747
Net rental income	238,499	238,805
Gain from disposal of property and equipment	94,994	244,687
Net other income or losses	(857,540)	(552,902)
Total	($ 379,297)	$ 25,337

(29) Personnel expenses, depreciation and amortization

Personnel expenses, depreciation and amortization incurred for the years ended December 31, 2011 and 2010 are summarized as follows:

	For the years ended December 31, 2011	2010
Personnel expenses	$ 10,244,177	$ 9,459,850
Salaries	8,411,371	7,863,490
Employees' bonus	478,000	349,000
Labor and health insurance expense	387,814	360,594
Pension expense	797,053	738,899
Others	169,939	147,867
Depreciation	601,528	620,545
Amortization	161,740	211,031

(30) Income tax

1) The details of income tax expense were as follows:

	For the years ended December 31, 2011	2010
Net changes in deferred income tax assets	$ 1,480,753	$ 1,596,385
Income tax payable	333,292	197,069
Income tax expense - foreign branches and adjustment for (over) under provision of prior years' income tax expense	(297,394)	68,269
Income taxes levied separately	-	20
Income tax expense	$ 1,516,651	$ 1,861,743

2) Deferred income tax assets - net

As of December 31, 2011 and 2010, the income tax effects of temporary differences that gave rise to the deferred tax assets are as follows:

	December 31, 2011		December 31, 2010	
	Amount	Tax effects	Amount	Tax effects
Temporary differences				
Allowance for doubtful accounts in excess of tax limits	$ 2,383,987	$ 405,278	$ 2,383,987	$ 405,278
Allowance for impairment losses of foreclosed assets	129,653	22,041	143,936	24,469
Loss carry forwards	1,060,590	180,300	9,575,894	1,627,902
Pension expense in excess of tax law limits	1,301,007	221,171	1,227,114	208,609
Others	(1,058,365)	(179,922)	(1,855,964)	(315,514)
	$ 3,816,872	648,868	$ 11,474,967	1,950,744
Overseas branches		362,765		524,885
Deferred income tax assets		1,011,633		2,475,629
Allowance for deferred income tax assets		(149,515)		(132,758)
Deferred income tax assets - net		$ 862,118		$ 2,342,871

3) As of December 31, 2011, losses available to be carried forward were as follows:

Year of loss	Unused amount	Year of expiration	Assessed by tax authorities
2003	$ 1,060,590	2013	Assessed

4) Imputation credit account for shareholders and its related information were as follows:

	December 31, 2011	December 31, 2010
Balances of imputation credit account for shareholders	$ 87,351	$ 152,505
Estimated imputation credit ratio for earnings distribution	0.73%	1.58%

5) The balances of unappropriated earnings were as follows:

	December 31, 2011	December 31, 2010
Unappropriated earnings generated after January 1, 1998	$ 11,885,693	$ 9,599,828

6) The Tax Authorities had assessed the Bank's income tax returns through 2006. However, the Bank disagreed with the assessments in respect of interest income increase as a result of amortization of bond premiums and filed for reexamination for the 2004, 2005 and 2006 tax filing which is currently in administrative remedy progress in accordance with the laws and regulations.

(31) Earnings per common share

For the year ended December 31, 2011

	Amount		Weighted-average outstanding common stock (In thousand shares)	Earnings per share (in NT dollars)	
	Before tax	After tax		Before tax	After tax
Net income	$ 10,141,520	$ 8,624,869	5,422,877	$ 1.87	$ 1.59

For the year ended December 31, 2010

	Amount		Weighted-average outstanding common stock (In thousand shares)	Earnings per share (in NT dollars)	
	Before tax	After tax		Before tax	After tax
Net income	$ 8,200,747	$ 6,339,004	5,270,000	$ 1.56	$ 1.20

Retroactive adjustments of the above-mentioned weighted-average outstanding stocks have been made based on the proportion of unappropriated earnings transferred for capital increase for the year ended December 31, 2010.

(32) Capital adequacy ratio

The minimum capital adequacy ratio, a measure of the adequacy of a bank's capital expressed as a percentage of its risk weighted credit exposures, is 8% as required by the Banking Law and other relevant rules and regulations in order to ensure a sound financial standing for banks. If the said ratio is less than the prescribed ratio, the bank's ability to distribute surplus profits may be restricted by the governing authority.

The capital adequacy ratio of the Bank was 10.94% and 10.36% as of December 31, 2011 and 2010, respectively.

4. Related Party Transactions

(1) Details of related parties

Names of related parties	Relationship with the Bank
First Financial Holding Co., Ltd. (FFHC)	Parent company
Bank of Taiwan Co., Ltd.	FFHC's supervisor
Golden Garden Investment Co., Ltd.	FFHC's director
Global Investments Co., Ltd.	FFHC's director
First Commercial Bank (USA)	Subsidiary of the Bank
FCB Leasing Co., Ltd. (FCBL)	Subsidiary of the Bank
First Insurance Agency Co., Ltd. (FIA)	Subsidiary of the Bank
East Asia Real Estate Management Co., Ltd. (EAREM)	Investee accounted for under the equity method
The First Education Foundation	Over one third of total fund is donated by the Bank
First Securities Inc. (FS)	Subsidiary of FFHC
First Securities Inc. (Asia)	Subsidiary of FFHC
First Capital Management Inc.	Subsidiary of FFHC
First Securities Investment Trust Co., Ltd. (FSIT)	Subsidiary of FFHC
First Financial Asset Management Co., Ltd. (FFAM)	Subsidiary of FFHC
First Venture Capital Co., Ltd. (FVC)	Subsidiary of FFHC
First Financial Management Consulting Co., Ltd. (FFMC)	Subsidiary of FFHC
First P&C Insurance Agency Co., Ltd.	Subsidiary of FFHC
First-Aviva Life Insurance Co., Ltd. (FALI)	Subsidiary of FFHC
Mutual funds managed by FSIT	Mutual funds managed by the subsidiary of FFHC
Waterland Financial Holdings Co., Ltd.	The Bank is one of its directors.
15 people including Ching-Nain Tsai, etc.	Representatives of the Bank's directors
5 people including Yung-Sun Wu, etc.	Representatives of the Bank's supervisors
242 people including Tzuoo-Yau Lin, etc.	The Bank's managers
30 people including Qin-Zhi Liu, etc.	Spouses of representatives of the Bank's directors and supervisors, chairman and president, and relatives within second degree of kinship of the Bank's chairman and president

(2) Related party transactions and balances

1) Due from other banks

	As of and for the year ended December 31, 2011			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Bank of Taiwan	$ 10,000	$ 10,000	$ 24	0.88
First Commercial Bank (USA)	45,413	-	1	0.320~0.400
		$ 10,000	$ 25	

	As of and for the year ended December 31, 2010			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Bank of Taiwan	$ 3,600,000	$ -	$ 226	0.104~0.170
First Commercial Bank (USA)	30,599	-	2	0.350~0.500
		$ -	$ 228	

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

2) Due to other banks

	As of and for the year ended December 31, 2011			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	$ 7,005,000	$ 5,000	$ 1,035	0.373~0.880

	As of and for the year ended December 31, 2010			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	$ 8,100,000	$ -	$ 139	0.105~0.250

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

3) Deposits

	December 31, 2011		December 31, 2010	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
FFHC	**$ 1,780,854**	**0.11**	$ 8,230,206	0.51
FALI	**432,515**	**0.03**	743,822	0.05
FVC	**304,284**	**0.02**	198,968	0.01
FS	**213,450**	**0.01**	44,107	-
FIA	**192,190**	**0.01**	105,656	0.01
Others (note)	**1,444,483**	**0.09**	1,261,103	0.08
	$ 4,367,776	**0.27**	$ 10,583,862	0.66

The interest expenses paid to related parties above were $13,691 and $9,815 for the years ended December 31, 2011 and 2010, respectively.

note: Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties, except that savings interest rate applied for the Bank's directors, supervisors and managers is 13.00% per annum and each of their deposit balance is below $480.

4) Due from banks

	December 31, 2011		December 31, 2010	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
First Commercial Bank (USA)	**$ 157,303**	**1.44**	$ 11,017	0.14
Bank of Taiwan	**127,588**	**1.16**	132,156	1.63
	$ 284,891	**2.60**	$ 143,173	1.77

5) Due to banks

	December 31, 2011		December 31, 2010	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
First Commercial Bank (USA)	**$ 417**	**0.09**	$ -	-

6) Loans

	December 31, 2011						
	Number or name of related party (note)	Maximum balance for current period	Ending balance	Status of performance: Normal loans	Status of performance: NPL	Collateral	Difference with third parties in transaction terms
Consumer loans	27	12,206	$ 11,964	$ 11,964	-	None	None
Residential mortgage loans	107	491,637	485,180	485,180	-	Real estate	None
Other loans	FCBL	1,108,263	844,464	844,464	-	Notes receivable from customers	None
Other loans	FFAM	137,000	-	-	-	Real estate	None
Other loans (note)	3	576	565	565	-	Certificates of deposit	None

	December 31, 2010						
	Number or name of related party	Maximum balance for current period	Ending balance	Status of performance		Collateral	Difference with third parties in transaction terms
				Normal loans	NPL		
Consumer loans	19	$ 10,144	$ 7,894	$ 7,894	-	None	None
Residential mortgage loans	97	390,079	376,791	376,791	-	Real estate	None
Other loans	FCBL	3,047,000	1,360,000	1,360,000	-	Notes receivable from customers	None
Other loans (note)	3	7,123	3,775	3,775	-	Certificates of deposit and commercial real estate	None

Interest income received from the above related parties was $9,644 and $17,273 for the years ended December 31, 2011 and 2010, respectively.

note 1: Numbers are based on the information as of December 31, 2011.

note 2: None of the ending balances of individual borrowers exceeded 1% of the total ending balance. Hence, the transactions are not listed individually in detail.

7) Guarantees

December 31, 2011: None.

	December 31, 2010				
	Maximum balance for current period	Ending balance	Reserve for guarantees	Fee rate	Collateral
FCBL	$ 2,050,000	$ -	$ -	0.50%	Aircrafts

8) Derivative transactions

	December 31, 2011					
	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance	
					Item	Balance
Bank of Taiwan	Foreign exchange contracts	2011/6/2~ 2012/3/16	$5,600,875	$105,931	Valuation adjustment for trading assets - foreign exchange rate	105,931
FALI	Foreign exchange contracts	2011/7/12~ 2012/1/12	47,958	1,350	Valuation adjustment for trading assets - foreign exchange rate	1,350
Mutual funds managed by FSIT	Foreign exchange contracts	2011/12/6~ 2012/3/20	2,028,425	2,808	Valuation adjustment for trading assets - foreign exchange rate	2,808

	December 31, 2010					
	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance	
					Item	Balance
Bank of Taiwan	Foreign exchange contracts	2010/5/14~ 2011/5/17	$5,900,000	$14,429	Valuation adjustment for trading assets - foreign exchange rate	$13,250
FALI	Foreign exchange contracts	2010/9/7~ 2011/3/7	47,413	(3,993)	Valuation adjustment for trading assets - foreign exchange rate	(3,993)

9) Receivables

	December 31, 2011	December 31, 2010
First Financial Holding Co., Ltd. (note)	**$ 1,552,322**	$ 1,154,558

note: Receivable as a result of consolidated income tax return filing of parent company.

10) Commission income and other income

	For the years ended December 31, 2011	2010
First Insurance Agency Co., Ltd.	$ 478,345	$ 102,727
First Securities Inc.	86,128	75,225
First Securities Investment Trust Co., Ltd.	36,807	31,392
First P&C Insurance Agency Co., Ltd.	21,736	19,817
First-Aviva Life Insurance Co., Ltd.	21,523	10,741
First Financial Holding Co., Ltd.	20,559	20,260
First Capital Management Inc.	14,042	7,647
First Financial Asset Management Co., Ltd.	3,670	3,855
FCB Leasing Co., Ltd.	3,599	4,418
Others	5,342	4,982
	$ 691,751	$ 281,064

Terms and conditions of above transactions are executed based on contracts entered.

11) Rent and other expenses

	For the years ended December 31, 2011	2010
First Financial Asset Management Co., Ltd.	$ 144,136	$ 120,768
First Securities Inc.	53,260	52,971
First Insurance Agency Co., Ltd.	41,772	22,407
FCB Leasing Co., Ltd.	15,966	10,583
First Financial Holding Co., Ltd.	7,963	7,931
	$ 263,097	$ 214,660

Terms and conditions of above transactions are executed based on contracts entered.

12) Information on salaries and remunerations to the Bank's directors, supervisors, president and executive vice presidents

	2011	2010
Salaries	$ 25,803	$ 36,943
Bonus	5,924	6,046
Business expenses	13,793	12,296
Earnings distribution	1,174	1,034
Total	$ 46,694	$ 56,319

- Salaries represent salary, extra pay for duty, pension and severance pay.
- Bonus represents bonus and reward.
- Business expenses represent transportation expense and extraneous charges.
- Earnings distribution represents estimated bonus to be paid to employees.

5. Pledged Assets

As of December 31, 2011 and 2010, the collateralized assets are listed below:

	December 31, 2011	December 31, 2010	Purpose
Available-for-sale financial assets - bonds	$ 1,806,600	$ 1,919,100	Guarantees deposited with the court for provisional seizure and trust fund reserves
Refundable deposits	657,088	781,639	Guarantees deposited with the court for provisional seizure and deposits for the building lease
Total	$ 2,463,688	$ 2,700,739	

6. Commitments and Contingent Liabilities

As of December 31, 2011 and 2010, the Bank has the following commitments and contingent liabilities:

(1) Major commitments and contingent liabilities

	December 31, 2011	December 31, 2010
Unused loan commitments	$ 41,507,871	$ 44,885,960
Unused credit commitments for credit cards	48,522,874	44,582,570
Unused letters of credit issued	35,246,017	38,067,555
Guarantees	63,803,816	50,721,759
Collections receivable for customers	157,266,562	146,595,527
Collections payable for customers	71,274,210	49,599,520
Traveler's checks consignment-in	426,992	408,993
Guaranteed notes payable	32,456,176	30,651,135
Trust assets	664,902,832	620,668,942
Customers' securities under custody	330,853,363	282,266,925
Book-entry for government bonds under management	115,341,450	131,175,550
Depository for short-term marketable securities under management	80,093,300	66,381,562

(2) Due to the collapse of the Tung Xin building caused by an earthquake disaster on September 21, 1999, the residents in 2000 filed a legal claim of loss of personal property against Hong Cheng Building Co., Ltd., Hong Ku Construction Co., Ltd., (including their directors and supervisors) and the Bank. As of the reporting date, in accordance with Criminal Sentence (98) Su-Zhi No. 7104 of the Taipei District Court, the Bank prevailed in the case because there was no evidence found between the cause of collapse and the Bank's maintenance construction works. In addition, the relevant staff of the Bank and construction contractors were found to be not guilty as well. The civil action is being litigated by the Taipei District Court, and the Bank's surveyor believed that there was no evidence found between the cause of the aforesaid event and the Bank. The Bank is not liable for compensation. Accordingly, no provision is made for the contingent liabilities in the Bank's financial statements.

(3) The Bank rented office spaces under operating leases. As of December 31, 2011, the estimated future lease commitments for the Bank are as follows:

Period	Amount
2012	$ 458,906
2013	405,497
2014	261,294
2015	198,562
2016 and thereafter	259,498
	$ 1,583,757

7. Significant Losses from Disasters: None.

8. Significant Subsequent Events: None.

9. Others

(1) Disclosure of financial instruments

1) Fair value of financial instruments

	December 31, 2011		December 31, 2010	
	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments				
Assets				
Financial assets with book value equal to fair value	$ 226,918,395	$ 226,918,395	$ 198,364,397	$ 198,364,397
Financial assets at fair value through profit or loss	4,469,269	4,469,269	11,205,422	11,205,422
Bills discounted and loans	1,346,878,428	1,346,878,428	1,248,381,359	1,248,381,359
Available-for-sale financial assets	70,812,945	70,812,945	76,590,226	76,590,226
Held-to-maturity financial assets	322,633,882	322,671,730	406,186,980	406,081,708
Other financial assets - bond investments with no active market	401,645	399,877	673,131	622,629
Liabilities				
Financial liabilities with book value equal to fair value	223,456,742	223,456,742	210,190,965	210,190,965
Financial liabilities at fair value through profit or loss	18,057,960	18,057,960	31,457,433	31,457,433
Deposits and remittances	1,602,756,237	1,602,756,237	1,602,756,237	1,602,756,237
Financial bonds payable	27,700,000	27,700,000	21,400,000	21,400,000
Other financial liabilities - structured deposits	17,551,918	17,551,918	24,395,600	24,395,600
Derivative financial instruments				
Assets				
Non-hedge				
FX contracts (swaps and forwards)	$ 1,910,416	$ 1,910,416	$ 2,957,258	$ 2,957,258
FX margin trading	275,870	275,870	380,234	380,234
Non-delivery forwards	1,719	1,719	29,473	29,473
FX options held	3,135,163	3,135,163	1,201,191	1,201,191
Interest rate swap options held	275,890	275,890	196,620	196,620
Commodity options held	134,469	134,469	99,045	99,045
Cross currency swap contracts (excluding the notional principal)	1,234,731	1,234,731	155,541	155,541
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	3,654,889	3,654,889	5,039,925	5,039,925
Futures trading	175,687	175,687	98,510	98,510
Liabilities				
Non-hedge				
FX contracts (swaps and forwards)	549,180	549,180	6,832,387	6,832,387
FX margin trading	246	246	410	410
Non-delivery forwards	993	993	55,818	55,818
FX options written	2,899,600	2,899,600	1,100,700	1,100,700
Interest rate swap options written	511,732	511,732	341,974	341,974
Commodity options written	325,649	325,649	99,078	99,078
Cross currency swap contracts (excluding the notional principal)	331,428	331,428	3,634,753	3,634,753
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	2,985,238	2,985,238	4,425,334	4,425,334
Hedge				
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	110,978	110,978	186,678	186,678

2) Methods and assumptions used by the Bank to measure the fair value of financial instruments are summarized as follows:

   (a) Cash and cash equivalents, due from the Central Bank and other banks, investment in bonds under resale agreements, receivables (net of allowance for doubtful accounts), remittance purchased, refundable deposits, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, bills and bonds payable under repurchase agreements, payables, guarantee deposits received, other financial liabilities and so on. The fair values of financial instruments listed above are estimated at carrying amounts at balance sheet date, as the maturity date is near the balance sheet date or the future receivable or payable amount is close to the carrying amount.

   (b) Bills discounted and loans (including non-accrual loans): Considering the nature of the financial service industry, which is the market rate (market price) maker, the effective interest rates of loans are generally based on the basic interest rate or the interest rate index plus (minus) certain adjustment (point) (equivalent to floating rate) to reflect the market rate. As a result, it is reasonable to assume that book value, after adjustments of reserves based on estimated recoverability, approximates fair values. Fair values for mid-term and long-term loans with fixed rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

   (c) The fair values of derivative financial instruments are estimated based on the amounts expected to receive or pay under the given situation that the derivative contracts are terminated pursuant to contract terms at the balance sheet date. In general, such amount includes unrealized gains or losses on outstanding derivative contracts. The Bank adopts the valuation model that is commonly used among financial industry to determine the fair values of derivative financial instruments if there is no quoted market price for reference.

   (d) When there is a quoted market price available in an active market for financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets, the fair value is determined using the quoted market price. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The estimation and assumption of the valuation technique used by the Bank is consistent with those used by the market participants for financial instrument pricing. The discount rate used is consistent with the expected return rate of the financial instruments that have the same conditions and characteristics. Such conditions and characteristics include the debtor's credit rating, the remaining period of the fixed interest rate contracts, the remaining period for principal repayment, the payment currency, etc.

   (e) Deposits and remittances: Considering the nature of the financial service industry, which is the market rate (market price) maker, and that deposit transactions usually mature within one year, a book value is a reasonable basis to estimate the fair value. Fair values for long-term fixed rate deposits shall be estimated using their discounted values of expected future cash flows. However, as these deposits account for only a small portion of all deposits and as their maturities are less than three years, it is reasonable to estimate the fair value by the book value.

   (f) Financial bonds payable: Since the coupon rates of the subordinated financial bonds issued by the Bank approximate the market rates, the fair value based on the discounted value of expected future cash flows approximates the book value.

   (g) Other financial assets - bond investments with no active market: If there is an actual transaction price or a quoted market price for bond investments with no active market, the fair value of such bond investments will be determined by the latest actual transaction price or quoted market price. Moreover, if there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The valuation technique of the Bank is the discounted value of expected future cash flows.

   (h) The fair value measurement is not applicable to equity investments accounted for under the equity method. In addition, there is no quoted market price in an active market for the unlisted stocks under the financial asset carried at cost, and their variability in the range of reasonable fair value estimates is not insignificant and their probability of the various estimates within the range can not be reasonably assessed, so the fair value of the unlisted stocks is not reliably measurable. As a result, information of the book value and the fair value with respect to these financial assets is not disclosed.

3) Fair value hierarchy of financial instruments:

(a) The three levels of financial instruments measured at fair value are defined as follows:

Level 1: In accordance with SFAS No. 34, if the market for the financial instrument is active, the fair value of the financial instrument is represented by the quoted prices for identical instruments. An active market refers to a market that meets all of the following conditions:

a) The financial instruments traded in the market are homogeneous;

b) Willing sellers and buyers can be found anytime;

c) The price information is available to the public.

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

Level 3: The inputs adopted to measure fair value at this level are not based on observable market data.

(b) Information of the three levels of financial instruments measured at fair value was as follows:

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purposes				
Stock investments	$ 51,406	$ 51,406	$ -	$ -
Bond investments	876,112	663,784	212,328	-
Others	649,125	-	649,125	-
Financial instruments designated at fair value at initial recognition	2,892,626	-	2,892,626	-
Available-for-sale financial assets				
Stock investments	11,467,998	11,467,998	-	-
Bond investments	58,436,609	651,876	57,115,935	668,798
Others	908,338	-	756,943	151,395
Other financial assets				
Bond investments with no active market	401,645	-	401,645	-
Liabilities				
Financial liabilities at fair value through profit or loss	18,057,960	-	18,057,960	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	10,798,834	175,687	7,552,288	3,070,859
Liabilities				
Financial liabilities at fair value through profit or loss	7,604,066	-	4,894,332	2,709,734
Derivative financial liabilities for hedging	110,978	-	110,978	-
Total	$ 112,255,697	$ 13,010,751	$ 92,644,160	$ 6,600,786

(c) Movements of financial assets and liabilities measured at fair value classified as level 3 were as follows:

	December 31, 2011						
	Movements of financial assets measured at fair value classified as level 3						
			Addition		Reduction		
	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' equity	Purchased or issued	Transferred into Level 3	Sold, disposed or settled	Transferred out of Level 3	Ending balance
Non-derivative financial instruments							
Available-for-sale financial assets	$ 828,107	$ 11,760	$ 1,030,878	$ -	$ 1,050,552	$ -	$ 820,193
Derivative financial assets							
Financial assets at fair value through profit or loss	116,298	2,071,158	1,115,999	-	232,596	-	3,070,859
Total	$ 944,405	$ 2,082,918	$ 2,146,877	$ -	$ 1,283,148	$ -	$ 3,891,052

	December 31, 2011						
	Movements of financial liabilities measured at fair value classified as level 3						
			Addition		Reduction		
	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' equity	Purchased or issued	Transferred into Level 3	Sold, disposed or settled	Transferred out of Level 3	Ending balance
Derivative financial liabilities							
Financial liabilities at fair value through profit or loss	$ 95,343	$ 1,801,220	$ 1,120,836	$ -	$ 307,665	$ -	$ 2,709,734
Total	$ 95,343	$ 1,801,220	$ 1,120,836	$ -	$ 307,665	$ -	$ 2,709,734

4) Fair values of the Bank's financial assets and liabilities determined directly by the quoted market price in an active market and by valuation techniques are analyzed as follows:

	Quoted market price		Amount by a valuation technique	
Non-derivative financial instruments	**December 31, 2011**	December 31, 2010	**December 31, 2011**	December 31, 2010
Assets				
Financial assets with book value equal to fair value	**$ -**	$ -	**$ 226,918,395**	$ 198,364,397
Financial assets at fair value through profit or loss	**715,190**	2,321,783	**3,754,079**	8,883,639
Bills discounted and loans	**-**	-	**1,346,878,428**	1,248,381,359
Available-for-sale financial assets	**12,119,874**	23,201,365	**58,693,071**	53,388,861
Held-to-maturity financial assets	**1,197,067**	1,275,977	**321,474,663**	404,805,731
Other financial assets - bond investments with no active market	**-**	-	**399,877**	622,629
Liabilities				
Financial liabilities with book value equal to fair value	**-**	-	**223,456,742**	210,190,965
Financial liabilities at fair value through profit or loss	**-**	-	**18,057,960**	31,457,433
Deposits and remittances	**-**	-	**1,602,756,237**	1,582,852,202
Financial bonds payable	**-**	-	**27,700,000**	21,400,000
Other financial liabilities - structured deposits	**-**	-	**17,551,918**	24,395,600
Derivative financial instruments				
Assets				
Non-hedge				
FX contracts (swaps and forwards)	**$ -**	$ -	**$ 1,910,416**	$ 2,957,258
FX margin trading	**-**	-	**275,870**	380,234
Non-delivery forwards	**-**	-	**1,719**	29,473
FX options held	**-**	-	**3,135,163**	1,201,191
Interest rate swap options held	**-**	-	**275,890**	196,620
Commodity options held	**-**	-	**134,469**	99,045
Cross currency swap contracts (excluding the notional principal)	**-**	-	**1,234,731**	155,541
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	**-**	-	**3,654,889**	5,039,925
Futures trading	**175,687**	98,510	**-**	-
Liabilities				
Non-hedge				
FX contracts (swaps and forwards)	**-**	-	**549,180**	6,832,387
FX margin trading	**-**	-	**246**	410
Non-delivery forwards	**-**	-	**993**	55,818
FX options written	**-**	-	**2,899,600**	1,100,700
Interest rate swap options written	**-**	-	**511,732**	341,974
Commodity options written	**-**	-	**325,649**	99,078
Cross currency swap contracts (excluding the notional principal)	**-**	-	**331,428**	3,634,753
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	**-**	-	**2,985,238**	4,425,334
Hedge				
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	**-**	-	**110,978**	186,678

5) The Bank has recognized $8,250,256 and $1,456,003 of current net gain on changes in fair value arising from valuation techniques for the years ended December 31, 2011 and 2010, respectively.

6) As of December 31, 2011 and 2010, the Bank has financial assets with fair value risk arising from interest rate changes amounting to $57,996,658 and $68,782,921, respectively.

7) As of December 31, 2011 and 2010, the Bank has financial assets with cash flow risk arising from interest rate changes amounting to $6,055,218 and $6,645,429, respectively.

8) For the years ended December 31, 2011 and 2010, the Bank has recognized interest income from the financial assets or financial liabilities not at fair value through profit or loss amounting to $33,073,697 and $28,156,723, respectively. The Bank has recognized interest expenses from the financial assets or financial liabilities not at fair value through profit or loss amounting to $12,312,490 and $9,977,535, respectively. The Bank has recognized the change in fair value of available-for-sale financial assets and has recorded it as an adjustment account in the stockholders' equity amounting to $2,917,126 and $6,595,295, respectively, and the amount of the gain on fair value change reclassified from the stockholders' equity into the statement of income was $705,922 and $761,515 for the years ended December 31, 2011 and 2010, respectively.

9) Risk management and hedging strategy (including financial hedge)

(a) The Bank engages in risk management and hedge under the principles of not only serving customers but also conforming to the Bank's operating goals, overall risk tolerance limit, and legal compliance to achieve risk diversification, risk transfer, and risk avoidance, and to maximize the benefits of customers, shareholders, and employees. The Bank mainly faces the credit risk, market risk (including the interest rate, foreign exchange rate, equity securities, and instrument risk), operational risk, and liquidity risk regardless whether they are on or off balance sheets.

(b) The Bank's Board of Directors has the ultimate approval right in risk management. Major risk management items that include the bank-wide risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. Under the Board of Directors, there is the Risk Management Committee, which is responsible for reviewing, supervising, reporting, and coordinating bank-wide risk management. Besides, Risk Management Center, which is independent from business units, is comprised of Regional Center, Risk Management Division, Credit Approval Division, Special Asset Management Division and Credit Analysis Division, and is responsible for implementing the risk management strategy of the Bank.

(c) The goal of market risk management of the Bank is to achieve optimal risk position, maintain proper liquidity position, and manage all market risk centralized by considering the economic environment, competition condition, market value risk, and impact on net interest income. In order to achieve this goal, the Bank's hedge activities concentrate on risk transfer and risk management of net interest income and market value risk. The Bank sets the strategy of fair value hedge of interest rate exposure according to the fund transfer pricing principle. The Bank primarily uses interest rate swaps to hedge fair value changes, and also hedges the interest rate exposure of partial fixed-rate loans and fixed-rate liabilities.

10) Financal risk information

(a) Market risk

The Bank sets the specific trade period, position limit, and stop loss limit for its investments in marketable securities according to different degrees of risk for each specific product. The Bank monitors those limitations by various risk indicators such as value at risk and DV01, etc. In addition, the Bank periodically conducts the risk sensitivity analysis of bank-wide positions.

Each derivative financial instrument transaction undertaken by the Bank has been set Greeks, the open aggregate position limit and maximum loss tolerance amount to control the market risk of derivative financial instruments within the Bank's tolerance. In addition, the profit or loss arising from fluctuations in the market interest rate or foreign exchange rate will be substantially offset by the profit or loss from hedged items, and thus those instruments would not expose the Bank to significant market risk.

The Bank calculates the capital requirements of financial instruments in compliance with the Standardized Approach, and the estimated values of the risk-weighted assets are stated as follows:

Type of market risk	December 31, 2011	December 31, 2010
Interest rate risk	$ 1,041,255	$ 1,128,755
Equity position risk	260,267	316,491
Foreign exchange risk	43,962	38,835

(b) Credit risk

Financial instruments held by the Bank may incur losses if counterparties are not able to fulfill their obligations at the maturity date. In order to prevent investments from significant credit risk concentration, the Bank sets up the upper credit tolerance limits for investment in stocks by industries and conglomerates. Bond investments are primarily composed of government bonds, financial bonds, and investment-grade corporate bonds. Each corporate bond is reviewed individually to control the credit risk.

Counterparties in the Bank's derivative financial instrument transactions are all financial institutions with good credit ratings. The Bank controls credit exposures of its counterparties by giving different risk limits to different counterparties based on their credit ratings.

The credit risk amounts stated below are for those with positive fair values as of the balance sheet date and those contracts with off-balance sheet commitments and guarantees.

For all financial instruments held by the Bank, the maximum credit exposures are as follows:

	December 31, 2011	
Financial instruments	Book value	Maximum credit exposure
Non-derivative financial instruments		
Financial assets held for trading purpose		
Bonds	$ 876,112	$ 876,112
Short-term bills	649,125	649,125
Financial assets designated for trading purpose		
Bonds	2,892,626	2,892,626
Bills discounted and loans	1,346,878,428	1,346,878,428
Available-for-sale financial assets		
Bonds	58,436,609	58,436,609
Short-term bills	149,861	149,861
Beneficiary certificates	13,682	13,682
Other marketable securities	744,795	744,795
Held-to-maturity financial assets	322,633,882	322,633,882
Bond investments with no active market		
Bonds	367,311	367,311
Beneficiary securities	34,334	34,334
Derivative financial instruments		
Non-hedging purpose		
FX contracts (swaps and forwards)	1,910,416	1,910,416
FX margin trading	275,870	275,870
Non-delivery forwards	1,719	1,719
FX options held	3,135,163	3,135,163
Interest rate swap options held	275,890	275,890
Commodity options held	134,469	134,469
Cross currency swap contracts (excluding the notional principal)	1,234,731	1,234,731
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	3,654,889	3,654,889
Futures trading	175,687	175,687
Unused letters of credit issued and guarantees	-	99,049,833

note: The maximum credit exposure of derivative instruments stated is for those with positive fair values.

Financial instruments	December 31, 2010 Book value	December 31, 2010 Maximum credit exposure
Non-derivative financial instruments		
Financial assets held for trading purpose		
Bonds	$ 876,910	$ 876,910
Short-term bills	29,791	29,791
Other marketable securities	40,746	40,746
Financial assets designated for trading purpose		
Bonds	9,798,963	9,798,963
Bills discounted and loans	1,248,381,359	1,248,381,359
Available-for-sale financial assets		
Bonds	64,296,312	64,296,312
Short-term bills	456,165	456,165
Held-to-maturity financial assets	406,186,980	406,186,980
Bond investments with no active market		
Bonds	638,798	638,798
Beneficiary securities	34,333	34,333
Derivative financial instruments		
Non-hedging purpose		
FX contracts (swaps and forwards)	2,957,258	2,957,258
FX margin trading	380,234	380,234
Non-delivery forwards	29,473	29,473
FX options held	1,201,191	1,201,191
Interest rate swap options held	196,620	196,620
Commodity options held	99,045	99,045
Cross currency swap contracts (excluding the notional principal)	155,541	155,541
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	5,039,925	5,039,925
Futures trading	98,510	98,510
Unused letters of credit issued and guarantees	-	88,789,314

note: The maximum credit exposure of derivative instruments stated is for those with positive fair values.

The credit exposure amounts stated above are for those with positive fair values as of the balance sheet date and those contracts with off-balance sheet commitments and guarantees. There will be a significant concentration of credit risk when the counterparty of the financial instruments is highly concentrated in a single customer or a group of counterparties who engage mostly in similar business activities with similar economic nature, and such business activities make their abilities to fulfill the contractual obligations influenced similarly by the economic affairs or other situations. The Bank does not engage in transactions that are concentrated significantly in a single customer or counterparty. However, the information on concentrations of credit risks, which represents up to 5% of the Bank's loans, bills discounted, and non-accrual loans, is classified below by counterparties and regions:

	December 31, 2011	
	Book value	Maximum credit exposure
Loans by industries		
Private enterprises	$ 679,565,939	$ 679,565,939
Private individual	408,682,110	408,682,110
Offshore entities	171,587,264	171,587,264
Government institutions	64,455,431	64,455,431
State-owned enterprises	34,375,251	34,375,251
Non-profit organizations	2,098,163	2,098,163
Total	$ 1,360,764,158	$ 1,360,764,158
Loans by regions		
Asia	$ 1,311,233,908	$ 1,311,233,908
Europe	7,267,263	7,267,263
North America	35,696,958	35,696,958
Oceania	6,566,029	6,566,029
Total	$ 1,360,764,158	$ 1,360,764,158

	December 31, 2010	
	Book value	Maximum credit exposure
Loans by industries		
Private enterprises	$ 609,948,794	$ 609,948,794
Private individual	388,396,999	388,396,999
Offshore entities	149,014,056	149,014,056
Government institutions	73,025,268	73,025,268
State-owned enterprises	21,732,983	21,732,983
Social insurance and pension	13,000,000	13,000,000
Deposit insurance companies	2,600,000	2,600,000
Non-profit organizations	2,239,994	2,239,994
Securities finance companies	300,000	300,000
Total	$ 1,260,258,094	$ 1,260,258,094
Loans by regions		
Asia	$ 1,203,116,940	$ 1,203,116,940
Europe	10,012,785	10,012,785
North America	41,415,767	41,415,767
Oceania	5,712,602	5,712,602
Total	$ 1,260,258,094	$ 1,260,258,094

(c) Liquidity risk

Stocks traded by the Bank are all listed on the Taiwan Stock Exchange or the OTC Securities Market. Thus, these stocks have high liquidity and are expected to be sold at fair value promptly when needed. Bonds that the Bank holds are primarily government bonds and their liquidity is within an acceptable range. As a result, the Bank does not have significant liquidity risk.

For the derivative financial instruments held by the Bank, all positions have an active market and high liquidity (except for those financial bonds issued by the Bank and structured with interest rate swap contracts, which have no need for further swaps). Thus, there is no significant concern for liquidity risk.

The liquid reserve ratio for the Bank is 22.51%. In addition, the Bank's capital and working capital are sufficient to fulfill all obligations. Thus, there is no material liquidity risk that the Bank may fail to meet the obligation.

(d) Cash flow risk and fair value risk arising from changes in interest rates

In order to stabilize the long-term profitability and maintain the business growth, the Bank sets a certain interval for each interest-rate-sensitivity indicator.

As of December 31, 2011 and 2010, the effective interest rates of main currencies for financial instruments held or issued by the Bank are as follows:

	December 31, 2011							
Financial instruments	NTD	USD	HKD	SGD	EUR	AUD	CAD	GBP
Available-for-sale financial assets								
Government bonds	1.32%	1.25%	4.33%	-	-	-	-	-
Financial bonds	-	1.41%	-	-	1.83%	5.86%	-	-
Corporate bonds	-	1.25%	-	-	-	-	-	-
Short-term bills	1.85%	0.71%	-	-	-	-	-	-
Other marketable securities	-	0.98%	-	-	-	-	3.67%	-
Held-to-maturity financial assets								
Government bonds	1.32%	1.31%	-	-	-	-	-	-
Financial bonds	2.27%	1.43%	-	-	1.95%	5.75%	-	-
Corporate bonds	1.92%	2.08%	-	-	-	-	-	-
Short-term bills	-	-	-	0.79%	-	-	-	-
Loans and advances								
Short-term loans	1.84%	2.01%	-	-	-	-	-	-
Mid-term loans	1.86%	2.22%	-	-	-	-	-	-
Long-term loans	2.20%	2.27%	-	-	-	-	-	-
Financial bonds payable	2.05%	-	-	-	-	-	-	-
Deposits	0.65%	0.46%	-	-	-	-	-	-

	December 31, 2010							
Financial instruments	NTD	USD	HKD	SGD	EUR	AUD	CAD	GBP
Available-for-sale financial assets								
Government bonds	1.37%	3.25%	0.55%	-	-	-	-	4.38%
Financial bonds	-	1.15%	-	-	1.27%	5.79%	1.66%	-
Corporate bonds	1.83%	0.92%	-	-	-	-	-	-
Short-term bills	-	0.34%	-	-	-	-	5.45%	-
Held-to-maturity financial assets								
Government bonds	1.03%	1.21%	-	-	-	-	-	-
Financial bonds	2.41%	0.86%	-	-	1.30%	6.08%	-	-
Corporate bonds	2.17%	1.50%	-	-	-	-	-	-
Short-term bills	-	-	-	0.29%	-	-	-	-
Loans and advances								
Short-term loans	1.81%	2.17%	-	-	-	-	-	-
Mid-term loans	1.72%	2.22%	-	-	-	-	-	-
Long-term loans	1.97%	2.24%	-	-	-	-	-	-
Financial bonds payable	2.02%	-	-	-	-	-	-	-
Deposits	0.54%	0.40%	-	-	-	-	-	-

11) Major financial assets and liabilities denominated in foreign currency

Unit: In thousands of foreign currency/NTD

		December 31, 2011			December 31, 2010		
	Currency	Amount	Rate	NTD	Amount	Rate	NTD
Financial assets							
Monetary items	USD	11,094,314	30.2750	335,880,356	10,500,055	29.5000	309,751,623
	JPY	88,337,891	0.3897	34,425,276	140,123,636	0.3622	50,752,781
	AUD	732,769	30.7450	22,528,983	796,518	30.0281	23,917,922
	EUR	481,123	39.2200	18,869,644	427,761	39.2468	16,788,250
	GBP	320,981	46.6800	14,983,393	798,009	45.5510	36,350,108
	HKD	3,102,796	3.8970	12,091,596	3,995,923	3.7900	15,144,548
	CAD	406,117	29.6700	12,049,491	304,997	29.5118	9,001,010
	SGD	147,240	23.3000	3,430,692	216,427	22.8718	4,950,075
	CNY	505,533	4.7970	2,425,042	219,553	4.4664	980,612
	NZD	39,985	23.4100	936,049	223,549	22.7593	5,087,819
Non-monetary items	USD	433,718	30.2750	13,130,812	28,277	29.5000	834,172
	EUR	25,990	39.2200	1,019,328	538	39.2468	21,114
	CAD	20,000	29.6700	593,400	4	29.5118	118
	CNY	99,335	4.7970	476,510	-	4.4664	-
	HKD	31,171	3.8970	121,473	7	3.7900	27
	AUD	868	30.7450	26,687	116	30.0281	3,483
	JPY	-	0.3897	-	114,367	0.3622	41,424
	GBP	-	47.6600	-	71	45.5510	3,234
	NZD	-	23.4600	-	56	22.7593	1,275
	SGD	-	23.3000	-	3	22.8718	69
Equity investments accounted for under the equity method	USD	95,213	30.2750	2,882,574	91,885	29.5000	2,710,608
Financial liabilities							
Monetary items	USD	13,636,213	30.2750	412,836,349	13,339,770	29.5000	393,523,215
	JPY	84,819,358	0.3897	33,054,104	120,033,627	0.3622	43,476,180
	AUD	661,657	30.7450	20,342,644	665,280	30.0281	19,977,094
	EUR	512,005	39.2200	20,080,836	529,671	39.2468	20,787,892
	GBP	384,674	46.6800	17,956,582	923,524	45.5510	42,067,442
	CAD	452,937	29.6700	13,438,641	322,538	29.5118	9,518,677
	HKD	2,681,463	3.8970	10,449,661	3,250,435	3.7900	12,319,149
	NZD	124,716	23.4100	2,919,602	638,229	22.7593	14,525,645
	CNY	552,133	4.7970	2,648,582	190,321	4.4664	850,050
	SGD	81,117	23.3000	1,890,026	68,608	22.8718	1,569,188
Non-monetary items	USD	220,611	30.2750	6,678,998	9,609	29.5000	283,466
	AUD	13,692	30.7450	420,961	18	30.0281	541
	NZD	14,298	23.4100	334,716	3	22.7593	68
	EUR	3,577	39.2200	140,290	-	39.2468	-
	JPY	230,877	0.3897	89,973	51,722	0.3622	18,734
	CAD	2,564	29.6700	76,074	-	29.5118	-
	SGD	396	23.3000	9,227	1,793	22.8718	41,009
	GBP	165	46.6800	7,702	-	45.5510	-
	ZAR	1,525	3.7100	5,658	-	4.4426	-

note: The information disclosed is based on the top 10 financial assets and financial liabilities denominated in foreign currency.

(2) Disclosure in accordance with the Statement of Financial Accounting Standards (SFAS) No. 28

1) Non-performing loans and assets quality

December 31, 2011	NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Corporate banking					
Secured loans	$ 2,801,563	$ 471,244,957	0.59	$ 4,437,038	158.38
Unsecured loans	2,500,291	526,960,120	0.47	6,303,228	252.10
Consumer banking					
Residential mortgage loans	1,038,701	350,768,723	0.30	2,994,521	288.29
Cash cards	36	20,836	0.17	292	811.11
Small amount credit loans	28,599	5,290,864	0.54	96,367	336.96
Others					
Secured loans	120	6,164,055	0.00	47,359	39465.83
Unsecured loans	3,256	217,800	1.49	6,925	212.68
Gross loan business	6,372,566	1,360,667,355	0.47	13,885,730	217.90
	NPLs	Balance of accounts receivable	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Credit card business	5,547	4,208,541	0.13%	81,072	1461.55
Factoring receivable without recourse	-	29,053,834	-	127,861	-

December 31, 2010	NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Corporate banking					
Secured loans	4,366,578	400,174,033	1.09	4,366,578	100.00
Unsecured loans	4,150,764	513,817,978	0.81	5,449,871	131.30
Consumer banking					
Residential mortgage loans	1,948,908	336,727,497	0.58	1,948,908	100.00
Cash cards	113	33,497	0.34	351	310.62
Small amount credit loans	71,896	4,895,872	1.47	94,398	131.30
Others					
Secured loans	2,632	4,254,872	0.06	5,236	198.94
Unsecured loans	8,677	354,345	2.45	11,393	131.30
Gross loan business	10,549,568	1,260,258,094	0.84	11,876,735	112.58
	NPLs	Balance of accounts receivable	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Credit card business	7,719	3,987,733	0.19	51,462	666.69
Factoring receivable without recourse	-	15,820,076	-	6,328	-

2) Non-performing loans and overdue receivables exempted from reporting to the competent authority

	December 31, 2011		December 31, 2010	
	NPLs	Overdue receivables	NPLs	Overdue receivables
Performance in accordance with debt negotiation	$ 11,561	$ 117,214	$ 19,258	$ 152,522
Performance in accordance with debt repayment schedule and restructuring plan	35,854	103,678	32,943	100,700
Total	$ 47,415	$ 220,892	$ 52,201	$ 253,222

3) Profile of concentration of credit risk and credit extensions

December 31, 2011

Ranking	Industry of enterprises	Total outstanding loan amount	Total outstanding loan amount/ net worth of the current year (%)
1	Plastic Sheets, Pipes and Tubes Manufacturing	32,796,286	28.11
2	Visual Display and Terminal Service Manufacturing	21,278,610	18.24
3	Liquid Crystal Panel and Components Manufacturing	16,257,306	13.93
4	Iron and Steel Melting	14,642,236	12.55
5	Yarn Spinning Mills, Cotton	14,446,475	12.38
6	Civil Air Transportation	11,700,460	10.03
7	Unclassified Other Financial Intermediation	9,173,794	7.86
8	Private Finance	8,954,000	7.67
9	Power Cable and Electric Cable Manufacturing	7,874,862	6.75
10	Civil Air Transportation	7,715,699	6.61

December 31, 2010

Ranking	Industry of enterprises	Total outstanding loan amount	Total outstanding loan amount/ net worth of the current year (%)
1	Plastic Sheets, Pipes and Tubes Manufacturing	32,418,448	36.64
2	Liquid Crystal Panel and Components Manufacturing	18,491,954	20.90
3	Yarn Spinning Mills, Cotton	13,735,938	15.53
4	Liquid Crystal Panel and Components Manufacturing	13,239,518	14.96
5	Iron and Steel Smelting	12,623,160	14.27
6	Civil Air Transportation	11,622,971	13.14
7	Civil Air Transportation	10,798,141	12.20
8	Semi-conductor packing and testing	7,277,363	8.23
9	Private Finance	6,887,824	7.79
10	Integrated Circuits Manufacturing	6,804,971	7.69

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

4) Sensitivity analysis of interest rate for assets and liabilities

(a) Sensitivity analysis of interest rate for assets and liabilities in NTD

	December 31, 2011				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,331,799,552	52,282,584	46,552,504	75,298,642	1,505,933,282
Interest-rate-sensitive liabilities	450,291,833	774,259,273	88,748,753	19,860,182	1,333,160,041
Interest-rate-sensitive gap	881,507,719	(721,976,689)	(42,196,249)	55,438,460	172,773,241
Total stockholders' equity					116,688,622
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					112.96
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					148.06

note: The amounts listed above represent the items denominated in NT dollars (excluding foreign currency) for both head office and domestic branches, excluding contingent assets and contingent liabilities.

(b) Sensitivity analysis of interest rate for assets and liabilities in USD

	December 31, 2011				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	11,838,315	3,137,706	834,191	233,292	16,043,504
Interest-rate-sensitive liabilities	9,618,183	5,474,806	1,022,297	4,187	16,119,473
Interest-rate-sensitive gap	2,220,132	(2,337,100)	(188,106)	229,105	(75,969)
Total stockholders' equity					3,854,290
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					99.53
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					(1.97)

note: The amounts listed above represent the items denominated in U.S. dollars for head office, domestic branches, and OBU, excluding contingent assets and contingent liabilities.

(c) Sensitivity analysis of interest rate for assets and liabilities in NTD

	December 31, 2010				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,343,985,000	61,895,000	37,089,000	91,659,000	1,534,628,000
Interest-rate-sensitive liabilities	480,356,000	761,701,000	88,128,000	6,834,000	1,337,019,000
Interest-rate-sensitive gap	863,629,000	(699,806,000)	(51,039,000)	84,825,000	197,609,000
Total stockholders' equity					95,861,197
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					114.78
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					206.14

note: The amounts listed above represent the items denominated in NT dollars (excluding foreign currency) for both head office and domestic branches, excluding contingent assets and contingent liabilities.

(d) Sensitivity analysis of interest rate for assets and liabilities in USD

	December 31, 2010				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	11,461,990	2,488,014	1,150,112	497,677	15,597,793
Interest-rate-sensitive liabilities	9,169,833	5,494,199	1,080,635	10,213	15,754,880
Interest-rate-sensitive gap	2,292,157	(3,006,185)	69,477	487,464	(157,087)
Total stockholders' equity					3,249,532
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					99.00
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					(4.83)

note: The amounts listed above represent the items denominated in U.S. dollars for head office, domestic branches, and OBU, excluding contingent assets and contingent liabilities.

5) Profitability

		For the years ended December 31, 2011	2010
Return on total assets (%)	Before tax	**0.51**	0.42
	After tax	**0.43**	0.32
Return on stockholders' equity (%)	Before tax	**9.54**	8.83
	After tax	**8.12**	6.82
Net profit margin ratio (%)		**27.89**	22.78

6) Structure analysis of time to maturity

(a) Structure analysis of NTD time to maturity

December 31, 2011

	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	1,697,674,894	431,240,874	231,486,272	145,130,486	132,597,467	757,219,795
Primary funds outflow upon maturity	1,996,862,080	216,992,787	245,787,995	171,208,673	257,439,307	1,105,433,318
Gap	(299,187,186)	214,248,087	(14,301,723)	(26,078,187)	(124,841,840)	(348,213,523)

December 31, 2010

	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	1,694,500,000	463,656,000	227,240,000	116,218,000	152,691,000	734,695,000
Primary funds outflow upon maturity	2,003,028,000	247,037,000	207,954,000	181,935,000	281,979,000	1,084,123,000
Gap	(308,528,000)	216,619,000	19,286,000	(65,717,000)	(129,288,000)	(349,428,000)

note: The amounts listed above represent the funds denominated in NT dollars only (excluding foreign currency) for both head office and domestic branches, excluding contingent assets and contingent liabilities.

(b) Structure analysis of USD time to maturity

December 31, 2011

	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	13,586,573	4,435,191	4,972,036	1,831,986	520,478	1,826,882
Primary funds outflow upon maturity	13,312,453	6,095,184	3,070,770	1,220,554	1,348,818	1,577,127
Gap	274,120	(1,659,993)	1,901,266	611,432	(828,340)	249,755

December 31, 2010

	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	13,419,862	5,676,284	3,501,652	2,012,131	910,672	1,319,123
Primary funds outflow upon maturity	13,233,477	5,599,282	2,868,933	1,772,644	1,432,954	1,559,664
Gap	186,385	77,002	632,719	239,487	(522,282)	(240,541)

note: The amounts listed above represent the funds denominated in U.S. dollars for head office, domestic branches and OBU, excluding contingent assets and contingent liabilities.

7) Average value and average interest rate analysis of interest-earning assets and interest-bearing liabilities

	2011	
	Average value	Average rate of return (%)
Interest-earning assets		
Due from the Central Bank	$ 74,976,513	0.35
Due from other banks (note)	56,659,605	1.20
Financial assets at fair value through profit or loss	6,018,161	2.67
Investment in bills and bonds under resale agreements	1,492	0.47
Credit card accounts receivable	1,309,971	15.69
Bills discounted and loans	1,334,297,192	2.03
Available-for-sale financial assets	62,115,453	1.50
Held-to-maturity financial assets	332,281,960	1.07
Other financial assets	21,415,152	0.96
Interest-bearing liabilities		
Due to the Central Bank	$ 38,294	-
Due to other banks	131,875,089	0.99
Funds borrowed from other banks	102,594	0.16
Financial bonds payable	50,075,068	2.05
Bills and bonds payable under repurchase agreements	9,295,475	1.07
Deposits	1,568,053,221	0.61
Negotiable certificates of deposit	12,336,046	0.82
Structured deposits	25,039,062	0.70

	2010	
	Average value	Average rate of return (%)
Interest-earning assets		
Due from the Central Bank	$ 72,678,996	0.29
Due from other banks (note)	79,215,804	1.09
Financial assets at fair value through profit or loss	16,313,464	2.61
Credit card accounts receivable	1,316,404	15.63
Bills discounted and loans	1,139,698,528	1.93
Available-for-sale financial assets	52,749,060	1.70
Held-to-maturity financial assets	357,633,960	0.95
Other financial assets	9,028,314	1.64
Interest-bearing liabilities		
Due to the Central Bank	$ 118,492	-
Due to other banks	117,449,127	0.85
Funds borrowed from other banks	86,113	0.07
Financial bonds payable	52,110,411	2.02
Bills and bonds payable under repurchase agreements	7,815,297	0.14
Deposits	1,479,342,441	0.52
Negotiable certificates of deposit	10,191,080	0.57
Structured deposits	35,205,000	0.49

note: This represents due from other banks under "cash and cash equivalents" and call loans to banks and bank overdrafts under "due from the Central Bank and other banks".

(3) Net position for major foreign currency transactions

	December 31, 2011				December 31, 2010					
		Foreign Currency (in thousands)		NTD (in thousands)			Foreign Currency (in thousands)		NTD (in thousands)
Net position for major foreign currency transactions (market risk)	CNY	53,434	$	256,324	CNY	$	32,094	$	143,343
	USD	5,372		162,651	USD		3,911		115,377
	HKD	12,766		49,749	EUR		1,524		59,793
	VND	32,585,333		48,878	VND		39,690,393		59,536
	EUR	954		37,402	HKD		14,824		56,183

note 1: The major foreign currencies are the top 5 currencies by position, which is expressed in New Taiwan dollars after exchange rate conversion.

note 2: Net position represents an absolute value of each currency.

(4) Trust assets and liabilities

Balance Sheet of Trust Accounts
December 31, 2011

Trust assets			Trust liabilities		
Bank deposits	$	6,430,737	Payables - customers' securities under custody	$	292,529,102
Bonds		52,100,812			
Stocks		102,672,471			
Mutual funds		202,369,790			
Real estate		7,865,003			
Net assets under collective management accounts		922,808			
Net assets under individual management accounts		12,109			
Customers' securities under custody		292,529,102	Trust capital		372,177,381
			Accumulated profit or loss		196,349
Total	$	664,902,832	Total	$	664,902,832

Property List of Trust Accounts
December 31, 2011

Investment items		Book value
Bank deposits	$	6,430,737
Bonds		52,100,812
Stocks		102,672,471
Mutual funds		202,369,790
Real estate		7,865,003
Net assets under collective management accounts		922,808
Net assets under individual management accounts		12,109
Customers' securities under custody		292,529,102
Total	$	664,902,832

Income Statement of Trust Accounts

For the year ended December 31, 2011

Trust revenues	
Interest income	$ 975
Cash dividends income	823
Realized gain on bonds	83,762
Realized gain on stocks	6,884
Realized gain on mutual funds	994,782
Total trust revenues	1,087,226
Trust expenses	
Management fee	1,108
Service fee	512
Realized loss on bonds	200,839
Realized loss on stocks	2,835,449
Realized loss on mutual funds	829
Other expenses	4,588
Total trust expenses	3,043,325
Net loss before tax (net investment loss)	(1,956,099)
Income tax expense	-
Net loss after tax	($ 1,956,099)

Balance Sheet of Trust Accounts

December 31, 2010

Trust assets		**Trust liabilities**	
Bank deposits	$ 2,214,042	Payables - customers' securities under custody	$ 315,590,392
Bonds	56,285,280		
Stocks	36,064,654		
Mutual funds	202,216,018		
Real estate	6,913,338		
Net assets under collective management accounts	1,370,344		
Net assets under individual management accounts	14,873		
Customers' securities under custody	315,590,392	Trust capital	304,970,823
		Accumulated profit or loss	107,726
Total	$ 620,668,941	Total	$ 620,668,941

Property List of Trust Accounts

December 31, 2010

Investment items	Book value
Bank deposits	$ 2,214,042
Bonds	56,285,280
Stocks	36,064,654
Mutual funds	202,216,018
Real estate	6,913,338
Net assets under collective management accounts	1,370,344
Net assets under individual management accounts	14,873
Customers' securities under custody	315,590,392
Total	$ 620,668,941

Income Statement of Trust Accounts

For the year ended December 31, 2010

Trust revenues	
Interest income	$ 5,169
Cash dividends income	560
Realized gain on bonds	35,420
Realized gain on stocks	15,700
Realized gain on mutual funds	3,742,207
Total trust revenues	3,799,056
Trust expenses	
Management fee	625
Service fee	615
Realized loss on bonds	24,775
Realized loss on stocks	62
Realized loss on mutual funds	1,901,557
Total trust expenses	1,927,634
Net income before tax (net investment income)	1,871,422
Income tax expense	(20)
Net income after tax	$ 1,871,402

(5) Capital adequacy ratio

	December 31, 2011	December 31, 2010
Capital		
Tier 1 capital	$ 99,299,574	$ 75,748,734
Tier 2 capital	31,859,227	36,283,752
Tier 3 capital	-	-
Total eligible capital	$ 131,158,801	$ 112,032,486
Risk-weighted assets		
Credit risk		
Standardized approach	1,132,381,132	1,010,493,348
Internal ratings-based approach	-	-
Securitization	385,067	2,753,483
Operational risk		
Basic indicator approach	48,997,525	49,709,415
Standardized approach / alternative standardized approach	-	-
Advanced measurement approach	-	-
Market risk		
Standardized approach	16,818,553	18,551,007
Internal model approach	-	-
Total risk-weighted assets	$ 1,198,582,277	$ 1,081,507,253
Capital adequacy ratio	10.94%	10.36%
Tier 1 ratio	8.28%	7.00%
Tier 2 ratio	2.66%	3.36%
Tier 3 ratio	-	-
Ratio of common stock to total assets	2.90%	2.48%
Gearing ratio	5.57%	3.89%

(6) Implementation of cross-selling marketing strategies implemented between the Bank and its subsidiaries, FFHC and its subsidiaries

The Bank has entered into cross-selling marketing contracts with First-Aviva Life Insurance Co., Ltd., First Securities Inc., First Venture Capital Co., Ltd., First Financial Management Consulting Co., Ltd., First Financial Asset Management Co., Ltd., First P&C Insurance Agency Co., Ltd., FCB Leasing Co., Ltd. and First Insurance Agency Co., Ltd. The contracts are effective from the respective contract dates but are not allowed to be terminated except with the written consent of FFHC. The contracts cover joint usage of operation sites and facilities as well as cross-selling marketing personnel. Expenses arising from joint usage of operation sites and facilities are allocated in accordance with separate agreements of the contracting parties. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the provisions under the "First Financial Group Scope of Cross-selling Marketing and Rules for Reward".

The Bank has entered into separate cooperative promotional or cross-selling marketing contracts with First P&C Insurance Agency Co., Ltd. and First Insurance Agency Co., Ltd. to provide solicitation, introduction and services on specific insurance products. Commission agreements are signed in accordance with the terms of the contracts for the paying or receiving of commissions and the calculation of related remunerations.

The Bank has entered into cooperative contracts with First Financial Holding Co., Ltd., First-Aviva Life Insurance Co., Ltd., First Financial Asset Management Co., Ltd., First P&C Insurance Agency Co., Ltd. and First Insurance Agency Co., Ltd. for the joint usage of information equipment and the planning, development, implementation, operation, maintenance and management of information systems. Calculation methodologies for remuneration apportionment and expenses allocation have also been established.

(7) Financial statements presentation

According to the "Guidelines Governing the Preparation of Financial Reports by Public Banks", certain accounts in the 2010 financial statements have been reclassified to conform to the presentation in the 2011 financial statements.

FCB Subsidiaries & Affiliates

- First Commercial Bank
  - First Commercial Bank (USA) — 100% owned
  - FCB Leasing Co., Ltd. — 100% owned
    - FCBL Capital Int'l (B.V.I.) Ltd. — 100% owned
      - FCB Leasing (Suzhou) Co., Ltd. — 100% owned
  - First Insurance Agency Co., Ltd. — 100% owned
  - East Asia Real Estate Management Co., Ltd. — 30% owned

December 31, 2011

Key Figures

As of and for the year ended December 31, 2011

(in NT$,000)

	Paid-in capital	Total assets	Total liabilities	Stockholder's equity	Operating profit	Net income	EPS (in dollars)
First Commercial Bank (USA)	2,101,600	14,727,000	11,841,714	2,885,286	190,629	113,914	16.27
FCB Leasing Co., Ltd.	1,000,000	6,702,967	5,488,814	1,214,153	(15,415)	52,885	0.53
FCBL Capital Int'l (B.V.I.) Ltd.	582,404	1,318,519	589,393	729,126	25,515	20,826	1.04
FCB Leasing (Suzhou) Co., Ltd.	580,784	630,543	10,991	619,552	(6,268)	(4,833)	-
First Insurance Agency Co., Ltd.	50,000	289,557	98,223	191,334	97,876	81,524	16.30
East Asia Real Estate Management Co., Ltd.	50,000	34,637	9,794	24,843	(9,065)	(7,913)	(1.58)

Domestic Offices Appointed to Conduct Foreign Exchange Business

International Banking Division
3 & 4 Fl. 30, Chung King S. Rd., Sec. 1,
Taipei 100-05, Taiwan
Tel: 886-2-2348-1111
SWIFT: FCBKTWTP

Business Division
1 & 2 Fl. 30, Chung King S. Rd., Sec. 1,
Taipei 100-05, Taiwan
Tel: 886-2-2348-1111

An-Ho Branch
184, Hsin Yi Rd., Sec. 4,
Taipei 106, Taiwan
Tel: 886-2-2325-6000

Chang-Chun Branch
169, Fu Hsin N. Rd.,
Taipei 105, Taiwan
Tel: 886-2-2719-2132

Chang-Hua Branch
48, Ho Ping Rd., Chang Hua City,
Chang Hua County 500, Taiwan
Tel: 886-4-723-2161

Chang-Tai Branch
99, Chung Hsin Rd., Sec. 2,
San Chung Dist.,
New Taipei City 241, Taiwan
Tel: 886-2-2988-4433

Cheng-Tung Branch
103, Nanking E. Rd., Sec. 3,
Taipei 104, Taiwan
Tel: 886-2-2506-2881

Chia-Yi Branch
307, Chung Shan Rd.,
Chia Yi City 600, Taiwan
Tel: 886-5-227-2111

Chien-Cheng Branch
40, Cheng Teh Rd., Sec. 1,
Taipei 102, Taiwan
Tel: 886-2-2555-6231

Chien-Kuo Branch
161, Min Sheng E. Rd., Sec. 2,
Taipei 104, Taiwan
Tel: 886-2-2506-0110

Chung-Ho Branch
152, Chung Shan Rd., Sec. 2,
Chung Ho Dist., New Taipei City 235,
Taiwan
Tel: 886-2-2249-5011

Chung-Hsiao-Road Branch
94, Chung Hsiao E. Rd., Sec. 2,
Taipei 100, Taiwan
Tel: 886-2-2341-6111

Chung-Kang Branch
60-7, Taichung Kang Rd., Sec. 2,
Taichung 407, Taiwan
Tel: 886-4-2313-6111

Chung-Li Branch
146, Chung Cheng Rd., Chung Li City,
Tao Yuan County 320, Taiwan
Tel: 886-3-422-5111

Chung-Lun Branch
188, Nanking E. Rd., Sec. 5,
Taipei 105, Taiwan
Tel: 886-2-2760-6969

Chung-Shan Branch
61, Chung Shan N. Rd., Sec. 2,
Taipei 104, Taiwan
Tel: 886-2-2521-1111

Dapinglin Branch
82, Min Chuan Rd.,
Hsin Tien Dist.,
New Taipei City 231, Taiwan
Tel: 886-2-2218-4651

Dou-Liu Branch
16, Tai Ping Rd.,
Dou Liu City,
Yunlin County 640, Taiwan
Tel: 886-5-532-4311

Feng-Yuan Branch
423, Chung Shan Rd., Feng Yuan Dist.,
Taichung 420, Taiwan
Tel: 886-4-2522-5111

Fu-Hsing Branch
36-10, Fu Hsing S. Rd., Sec. 1,
Taipei 104, Taiwan
Tel: 886-2-2772-2345

Ho-Ping Branch
151, Ho Ping E. Rd., Sec. 2,
Taipei 106, Taiwan
Tel: 886-2-2703-5111

Hsi-Chih Branch
280, Ta Tung Rd., Sec. 1, Hsi Chih Dist.,
New Taipei City 221, Taiwan
Tel: 886-2-2647-1688

Hsin-Chu Branch
3, Ing Ming St., Hsin Chu 300
P.O. Box 30, Hsin Chu, Taiwan
Tel: 886-3-522-6111
SWIFT: FCBKTWTP301

Hsinchu-Science-Park Branch
611, Kwang Fu Rd., Sec. 1,
Hsin-Chu 300, Taiwan
Tel: 886-3-563-7111

Hsin-Chuang Branch
316, Chung Cheng Rd.,
Hsin Chuang Dist.,
New Taipei City 243, Taiwan
Tel: 886-2-2992-9001

Hsin-Hsing Branch
17, Chung Cheng 4th Rd.,
Kaohsiung 800, Taiwan
Tel: 886-7-271-9111

Hsin-Tien Branch
134, Chung Hsing Rd., Sec. 3,
Hsin-Tien Dist., New Taipei City 231,
Taiwan
Tel: 886-2-2918-1835

Hsin-Wei Branch
368, Fu Hsin S. Rd., Sec. 1,
Taipei 106, Taiwan
Tel: 886-2-2755-7241

Hsin-Yi Branch
168, Hsin Yi Rd., Sec. 2,
Taipei 106, Taiwan
Tel: 886-2-2321-6811

Hua-Chiang Branch
329, Wen Hua Rd., Sec. 1,
Pan Chiao Dist.,
New Taipei City 220, Taiwan
Tel: 886-2-2257-8091

Hua-Shan Branch
22, Chang An E. Rd., Sec. 1,
Taipei 104, Taiwan
Tel: 886-2-2536-8111

Jen-Ho Branch
376, Jen Ai Rd., Sec. 4,
Taipei 106, Taiwan
Tel: 886-2-2755-6556

Kang-Shan Branch
275, Kang Shan Rd., Kang Shan Dist.,
Kaohsiung 820, Taiwan
Tel: 886-7-621-2111

Kaohsiung Branch
28, Min Chuan 1st Rd., Kaohsiung 802
P.O. Box 16, Kaohsiung, Taiwan
Tel: 886-7-335-0811
SWIFT: FCBKTWTP701

Keelung Branch
103, Hsiao 3rd Rd.,
Keelung 200, Taiwan
Tel: 886-2-2427-9121

Ku-Ting Branch
95, Roosevelt Rd., Sec. 2,
Taipei 106, Taiwan
Tel: 886-2-2369-5222

Kwang-Fu Branch
16, Kwang Fu N. Rd.,
Taipei 105, Taiwan
Tel: 886-2-2577-3323

Ling-Ya Branch
61, Wu Fu 3rd Rd.,
Kaohsiung 801, Taiwan
Tel: 886-7-282-2111

Lu-Kang Branch
301, Chung Shan Rd., Lu-Kang Town,
Chang Hua County 505, Taiwan
Tel: 886-4-777-2111

Min-Chuan Branch
365, Fu Hsin N. Rd.,
Taipei 105, Taiwan
Tel: 886-2-2719-2009

Min-Sheng Branch
131, Min Sheng E. Rd., Sec. 3,
Taipei 105, Taiwan
Tel: 886-2-2713-8512

Nan-Taichung Branch
33, 35, Fu Hsin Rd., Sec. 4,
Taichung 401, Taiwan
Tel: 886-4-2223-1111

Nanking-East-Road Branch
125, Nanking E. Rd., Sec. 2,
Taipei 104, Taiwan
Tel: 886-2-2506-2111

Nei-Hu Branch
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Taipei 114, Taiwan
Tel: 886-2-2793-2311

Neihu-Science-Park Branch
388, Nei-Hu Rd., Sec. 1,
Taipei 114, Taiwan
Tel: 886-2-8797-8711

Pa-Teh Branch
3, Tun Hua S. Rd., Sec. 1,
Taipei 105, Taiwan
Tel: 886-2-2579-3616

Pan-Chiao Branch
107, Szu Chuan Rd., Sec. 1,
Pan Chiao Dist.,
New Taipei City 220, Taiwan
Tel: 886-2-2961-5171

Pei-Tun Branch
696, Wen Hsin Rd., Sec. 4,
Taichung 406, Taiwan
Tel: 886-4-2236-6111

Ping-Tung Branch
308, Ming Sheng Rd., Ping Tung City,
Ping Tung County 900, Taiwan
Tel: 886-8-732-5111

San-Chung-Pu Branch
70, San Ho Rd., Sec. 3,
San Chung Dist.,
New Taipei City 241, Taiwan
Tel: 886-2-2982-2111

Sha-Lu Branch
355, Chung Shan Rd., Sha Lu Town,
Taichung County 433, Taiwan
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Shih-Lin Branch
456, Chung Cheng Rd.,
Taipei 111, Taiwan
Tel: 886-2-2837-0011

Shih-Mao Branch
65, Tun Hua S. Rd., Sec. 2,
Taipei 106, Taiwan
Tel: 886-2-2784-9811

Sung-Chiang Branch
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Taipei 104, Taiwan
Tel: 886-2-2501-7171

Sung-Shan Branch
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Taipei 105, Taiwan
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Taichung-Science-Park Branch
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SWIFT: FCBKTWTP601

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Tao-Yuan Branch
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Tao Yuan County 330, Taiwan
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Ta-Tao-Cheng Branch
63, Ti Hua St., Sec. 1,
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Tel: 886-2-2555-3711

Ta-Tung Branch
56, Chung King N. Rd., Sec. 3,
Taipei 103, Taiwan
Tel: 886-2-2591-3251

Tun-Hua Branch
267, Tun Hua S. Rd., Sec. 2,
Taipei 106, Taiwan
Tel: 886-2-2736-2711

Tung-Men Branch
216, Tung Men St.,
Hsin Chu 300, Taiwan
Tel: 886-3-524-9211

Yen-Chi Branch
289, Chung Hsiao E. Rd., Sec. 4,
Taipei 106, Taiwan
Tel: 886-2-2731-5741

Yuan-Lin Branch
26, Yu-Ying Rd., Yuan Lin Town,
Chang Hua County 510, Taiwan
Tel: 886-4-832-8811

Yuan-Shan Branch
53, Min Chuan W. Rd.,
Taipei 104, Taiwan
Tel: 886-2-2597-9234

Yun-Ho Branch
161, Chung Cheng Rd.,
Tainan 700, Taiwan
Tel: 886-6-223-1141

Yung-Chun Branch
400, Chung Hsiao E. Rd., Sec. 5,
Taipei 110, Taiwan
Tel: 886-2-2720-8696

Business Network

	Name of Office	Location
▪	Business Division	Taipei
▪	An-Ho	Taipei
▪	Chang-Chun	Taipei
▪	Cheng-Tung	Taipei
▪	Chien-Cheng	Taipei
▪	Chien-Kuo	Taipei
	Chi-Lin	Taipei
	Chien-Tan	Taipei
	Ching-Mei	Taipei
▪	Chung-Hsiao-Road	Taipei
▪	Chung-Lun	Taipei
▪	Chung-Shan	Taipei
▪	Fu-Hsing	Taipei
▪	Ho-Ping	Taipei
	Hsi-Men	Taipei
	Hsin-Hu	Taipei
	Hsin-Sheng	Taipei
▪	Hsin-Wei	Taipei
	Hsin-Ya	Taipei
▪	Hsin-Yi	Taipei
▪	Hua-Shan	Taipei
	Jen-Ai	Taipei
▪	Jen-Ho	Taipei
	Kung-Kuan	Taipei
▪	Ku-Ting	Taipei
▪	Kwang-Fu	Taipei
▪	Min-Chuan	Taipei
▪	Min-Sheng	Taipei
	Mu-Cha	Taipei
	Nan-Kang	Taipei
▪	Nanking-East-Road	Taipei
	Nan-Men	Taipei
▪	Nei-Hu	Taipei
▪	Neihu-Science-Park	Taipei
▪	Pa-Teh	Taipei
	Pei-Tou	Taipei
▪	Shih-Lin	Taipei
▪	Shih-Mao	Taipei
	Shih-Pai	Taipei
	Shuang-Yuan	Taipei
▪	Sung-Chiang	Taipei
▪	Sung-Shan	Taipei
	Sung-Mao	Taipei
▪	Ta-An	Taipei
	Ta-Chih	Taipei
▪	Ta-Tao-Cheng	Taipei
▪	Ta-Tung	Taipei
	Tien-Mu	Taipei
▪	Tun-Hua	Taipei
	Tung-Hu	Taipei
	Wan-Hua	Taipei
	Wan-Lung	Taipei
▪	Yen-Chi	Taipei
▪	Yuan-Shan	Taipei
▪	Yung-Chun	Taipei
▪	Chang-Tai	New Taipei
▪	Chung-Ho	New Taipei
	Chung-Yang	New Taipei
	Dan-Feng	New Taipei
	Dan-Shui	New Taipei
▪	Dapinglin	New Taipei
▪	Hsi-Chih	New Taipei
	Hsi-Ko	New Taipei
▪	Hsin-Chuang	New Taipei
▪	Hsin-Tien	New Taipei
▪	Hua-Chiang	New Taipei
	Jiangzicui	New Taipei
	Jui-Fang	New Taipei
	Lien-Cheng	New Taipei
	Lu-Chou	New Taipei
▪	Pan-Chiao	New Taipei
	Pu-Chien	New Taipei
▪	San-Chung-Pu	New Taipei
	Shuang-Ho	New Taipei
	Shu-Lin	New Taipei
	Tai-San	New Taipei
	Tou-Chien	New Taipei
	Tu-Cheng	New Taipei
	Wu-Ku	New Taipei
	Wu-Ku Ind. Zone	New Taipei
	Ying-Ko	New Taipei
	Yung-Ho	New Taipei
▪	Keelung	Keelung
	Shao-Chuan-Tou	Keelung
	I-Lan	I Lan
	Lo-Tung	I Lan
	Su-Ao	I Lan
	Chung-Cheng	Taoyuan
	Pei-Tao	Taoyuan
▪	Tao-Yuan	Taoyuan
▪	Chung-Li	Taoyuan
	Hsi-Li	Taoyuan
	Nei-Li	Taoyuan
	Ping-Cheng	Taoyuan
	Hui-Lung	Taoyuan
	Lin-Kou	Taoyuan
	Nan-Kan	Taoyuan
	Lung-Tan	Taoyuan
	Ta-Nan	Taoyuan
	Ta-Hsi	Taoyuan
	Ta-Yuan	Taoyuan
	Chu-Pei	Hsinchu
	Chu-Tung	Hsinchu
▪	Hsin-Chu	Hsinchu
▪	Hsinchu-Science-Park	Hsinchu
	Kuan-Hsi	Hsinchu
▪	Tung-Men	Hsinchu
	Chu-Nan	Miaoli
	Miao-Li	Miaoli
	Tou-Fen	Miaoli
	Chin-Hua	Taichung
	Ching-Shui	Taichung
▪	Chung-Kang	Taichung
▪	Feng-Yuan	Taichung
▪	Nan-Taichung	Taichung
	Nan-Tun	Taichung
	Pei-Taichung	Taichung
▪	Pei-Tun	Taichung
▪	Sha-Lu	Taichung
▪	Ta-Chia	Taichung
▪	Taichung-Science-Park	Taichung
▪	Ta-Li	Taichung
	Ta-Ya	Taichung
▪	Taichung	Taichung
	Tai-Ping	Taichung
	Tung-Shih	Taichung
	Nan-Tou	Nantou
	Pu-Li	Nantou
	Tsao-Tun	Nantou
▪	Chang-Hua	Changhua
	Ho-Mei	Changhua
	Hsi-Hu	Changhua
▪	Lu-Kang	Changhua
	Pei-Dou	Changhua
▪	Yuan-Lin	Changhua
▪	Chia-Yi	Chiayi
	Hsin-Hsi	Chiayi
	Hsing-Chia	Chiayi
	Pu-Tzu	Chiayi
	Hsi-Lo	Yunlin
	Hu-Wei	Yunlin
▪	Dou-Liu	Yunlin
	Pei-Kang	Yunlin
	An-Nan	Tainan
	Chia-Li	Tainan
	Chih-Kan	Tainan
	Chin-Cheng	Tainan
	Chu-Hsi	Tainan
	Fu-Chiang	Tainan
	Hsin-Hua	Tainan
	Hsin-Ying	Tainan
	Kuei-Jen	Tainan
	Ma-Tou	Tainan
	Shan-Hua	Tainan
▪	Tainan	Tainan
	Tainan-Science-Park	Tainan
	Ta-Wan	Tainan
	Yen-Shui	Tainan
▪	Yun-Ho	Tainan
	Yung-Kang	Tainan
	Chi-Hsien	Kaohsiung
	Chi-Shan	Kaohsiung
	Chien-Cheng	Kaohsiung
	Ding-Tai	Kaohsiung
	Feng-Shan	Kaohsiung
	Hsiao-Kang	Kaohsiung
▪	Hsin-Hsing	Kaohsiung
▪	Kang-Shan	Kaohsiung
▪	Kaohsiung	Kaohsiung
	Lin-Yuan	Kaohsiung
▪	Ling-Ya	Kaohsiung
	Lu-Chu	Kaohsiung
	Nan-Tzu	Kaohsiung
	Po-Ai	Kaohsiung
	San-Min	Kaohsiung
	Shih-Chuan	Kaohsiung
	Tso-Ying	Kaohsiung
	Tzu-Beng	Kaohsiung
	Wan-Nei	Kaohsiung
	Wu-Chia	Kaohsiung
	Wu-Fu	Kaohsiung
	Yen-Cheng	Kaohsiung
	Chao-Chou	Pingtung
	Heng-Chun	Pingtung
▪	Ping-Tung	Pingtung
	Tung-Kang	Pingtung
	Wan-Luan	Pingtung
	Hua-Lien	Hualien
	Tai-Tung	Taitung
	Peng-Hu	Penghu

▪ Office appointed to conduct foreign exchange business

Overseas Network

Overseas Branches

- **Brisbane Branch**
  Mezzanine Fl., 199 George Street
  Brisbane QLD 4000, Australia
  Tel: 61-7-3211-1001
  Fax: 61-7-3211-1002

- **Guam Branch**
  330, Hernan Cortes Ave.
  Hagatna, Guam 96910 U.S.A.
  P.O.Box 2461, Hagatna, Guam
  Tel: 1-671-472-6864
  Fax: 1-671-477-8921

- **Hanoi Branch**
  8 Fl., Charmvit Tower
  117 Tran Duy Hung Street
  Trung Hoa Ward Cau Giay District
  Hanoi City, Vietnam
  Tel: 84-43-9362-111
  Fax: 84-43-9362-112

- **Ho Chi Minh City Branch**
  76, Le Lai Street, District 1
  Ho Chi Minh City, Vietnam
  Tel: 848-3823-8111
  Fax: 848-3822-1747

- **Hong Kong Branch**
  Rm 1101, 11 Fl, Hutchison House
  10, Harcourt Road, Central, Hong Kong
  Tel: 852-2868-9008
  Fax: 852-2526-2900

- **London Branch**
  Bowman House, 29, Wilson Street
  London EC2M 2SJ, U.K.
  Tel: 44-20-7417-0000
  Fax: 44-20-7417-0011

- **Los Angeles Branch**
  600, Wilshire Blvd., Suite 800
  Los Angeles, CA 90017, U.S.A.
  Tel: 1-213-362-0200
  Fax: 853-2872-2772

- **Macau Branch**
  16 Fl., Finance and IT Centre of Macau
  Avenida Comercial de Macau
  Tel: 853-2857-5088
  Fax: 853-2872-2772

- **New York Branch**
  34 Fl., 750, Third Avenue
  New York, NY 10017, U.S.A.
  Tel: 1-212-599-6868
  Fax: 1-212-599-6133

- **Palau Branch**
  P.O.Box 1605, P.D.C. Building
  MADALAII
  Koror, Palau 96940
  Tel: 680-488-6297
  Fax: 680-488-6295

- **Phnom Penh Branch**
  66, Norodom Blvd.
  Sangkat Cheychomnoas, Khan Daun Penh
  Phnom Penh, Cambodia
  Tel: 855-23-210026
  Fax: 855-23-210029

- **Chorm Chaov Sub-Branch**
  3-5, Prey Chisak Village, Sangkat
  Chorm Chaov, Khan Dangkor
  Phnom Penh, Cambodia
  Tel: 855-23-865171
  Fax: 855-23-865175

- **Olympic Sub-Branch**
  155AB, Street 215, Sangkat
  Phsar Depo 1, Khan Tuolkork
  Phnom Penh, Cambodia
  Tel: 855-23-880392
  Fax: 885-23-880396

- **Shanghai Branch**
  Room 1501, Building A, Dawning Center
  500, Hongbaoshi Road
  Shanghai 201103, China
  Tel: 86-21-3209-8611
  Fax: 86-21-3209-6117

- **Singapore Branch**
  77, Robinson Road, #01-01
  Singapore 068896
  Tel: 65-6593-0888
  Fax: 65-6225-1905

- **Tokyo Branch**
  23 Fl., Otemachi NOMURA Building 1-1
  Otemachi 2-Chome Chiyoda-Ku
  Tokyo 100-0004, Japan
  Tel: 81-3-3279-0888
  Fax: 81-3-3279-0887

- **Toronto Branch**
  5000 Yonge Street, Suite 1803
  Toronto, ON M2N 7E9, Canada
  Tel: 1-416-250-8788
  Fax: 1-416-250-8081

- **Vancouver Branch**
  Suite 100-5611, Cooney Road
  Richmond, BC V6X 3J6, Canada
  Tel: 1-604-207-9600
  Fax: 1-604-207-9638

Overseas Representative Office

- **Bangkok Representative Office**
  9 Fl., Sathorn City Tower
  175, South Sathorn Road
  Tungmahamek, Sathorn
  Bangkok 10120, Thailand
  Tel: 662-679-5291
  Fax: 662-679-5295

Subsidiary

First Commercial Bank (USA)

- **Main Office & Alhambra Branch**
  200, E. Main Street
  Alhambra, CA 91801, U.S.A.
  Tel: 1-626-300-6000
  Fax: 1-626-300-5972

- **Arcadia Branch**
  1309, S. Baldwin Ave.
  Arcadia, CA 91007, U.S.A.
  Tel: 1-626-254-1828
  Fax: 1-626-254-1883

- **Artesia Branch**
  17808, Pioneer Blvd., #108
  Artesia, CA 90701, U.S.A.
  Tel: 1-562-207-9858
  Fax: 1-562-207-9862

- **City of Industry Branch**
  18725, E. Gale Ave., #150
  City of Industry, CA 91748, U.S.A.
  Tel: 1-626-964-1888
  Fax: 1-626-964-0066

- **Fremont Branch**
  46691, Mission Blvd., #230
  Fremont, CA 94539, U.S.A.
  Tel: 1-510-894-8838
  Fax: 1-510-894-8836

- **Irvine Branch**
  4250, Barranca Parkway, Suite E
  Irvine, CA 92604, U.S.A.
  Tel: 1-949-654-2888
  Fax: 1-949-654-2899

- **Silicon Valley Branch**
  1141, S. De Anza Blvd.
  San Jose, CA 95129, U.S.A.
  Tel: 1-408-253-4666
  Fax: 1-408-253-4672

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