

第一銀行 ■ First Bank

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## **First Commercial Bank**

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## **Spokesperson**

Mr. Hann-Chyi Lin  
Executive Vice President

## **Auditor Report**

PricewaterhouseCoopers  
Tel: 886-2-2729-6666

## **Rating Agency**

Taiwan Ratings Corp.  
Tel: 886-2-8722-5800

# Highlights

(in millions)	12.31.2010 NTD	12.31.2009 NTD	12.31.2010 USD
<b>Major financial data at year end</b>			
Total assets	1,991,798	1,920,938	67,519
Bills discounted and loans	1,248,381	1,096,010	42,318
Deposits and remittances	1,607,248	1,519,949	54,483
Common stock	49,490	49,490	1,678
Stockholders' equity	95,861	89,913	3,250
<b>Operating results</b>			
Total revenues	39,315	41,001	1,333
Total expenses	31,114	38,986	1,055
Pre-tax income	8,201	2,015	278
Income tax	(1,862)	39	(63)
Net income	6,339	2,054	215
<b>Capital adequacy ratio</b>	<b>10.36%</b>	11.01%	
<b>World rank</b>			
The Banker - by tier 1 capital (12/09)	275	269	
The Banker - by total assets (12/09)	191	204	
<b>Distribution network</b>			
Domestic full/mini branches	187/3	187/3	
Overseas branches/sub-branches/rep. offices/OBU	15/2/2/1	14/2/3/1	
First Commercial Bank (USA)	1 main office and 7 branches	1 main office and 7 branches	
<b>Number of employees</b>	<b>7,048</b>	7,038	

\*NT\$29.50:US\$1.00

## History

First Commercial Bank has grown strongly and steadily with Taiwan's economic development over the last 110 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 2<sup>nd</sup> 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

# Message to Our Shareholders



**Ching-Nain Tsai**  
**Chairman of the Board**

## **Overview of the Financial Industry**

### **Business Report for 2010**

The global economy bottomed out and rebounded strongly in early 2010. However, following the debt problem exposed in Greece together with the weakening of economic stimulus programs, the shadow of double-dip recession and the European sovereign debt crisis immediately casted over world economy. The economies of the advanced countries like Europe and America, suffering from heavy debt burdens, weak banking systems, and lagging employment, were stuck in slow growth. Nevertheless, growth in the emerging countries led by China and India was relatively strong, leading to an unbalanced recovery situation. The major economies of America, Europe, and Japan maintained quantitative easing policies to assure continued economic growth, but this intensified the problem of excessive liquidity in international financial markets. This, in turn, led to surge in crude oil and raw materials prices and, in the emerging markets, stock, forex, as well as real estate prices. This added to global economic and financial instability, and gave rise to worries about inflation. In the second half of 2010 America's economic growth strengthened, driven by loose monetary policies and tax reduction programs; but fiscal difficulties in Ireland, Portugal, and other countries, plus the continued emergence of debt problems amid inability to comprehensively resolve the sovereign debt crisis, made the road to recovery in Europe very rocky. Japan was sunk in a deep deflationary morass and thereby its momentum for recovery was weak; and in China, despite government's efforts to control excessive production capacity and the overheated real estate market, economic performance remained heated. In general, the global economy took an upward turn in 2010; however, the pace of the recovery in America, Japan, and Europe remained sluggish while strong growth led by China, India, and the other emerging economies of Asia kept the global economic expansion going.



**Tzuoo-Yau Lin**  
**President**

Taiwan's economy, benefiting from the strong growth of emerging economies, enjoyed an apparent boom in exports and thus boosted the performance of its manufacturing industries. In addition, the signing of the Economic Cooperation Framework Agreement (ECFA) with China reflected the stability of economic and trade relations across the Strait, and heightened public confidence in Taiwan's economic prospects. Further, with increasing numbers of Chinese tourists visiting Taiwan, economic upturn and recovery of wages, the willingness to consume steadily strengthened. According to statistics compiled by the Directorate General of Budget, Accounting and Statistics, Taiwan's economic growth recovered from a negative 1.93% in 2009 to a positive 10.82% in 2010. Under this environment, the total amounts of loans and investments outstanding by major financial institutions at the end of 2010 showed a growth of 6.19%, and the NPL ratio in local banks, thanks to their strenuous efforts to improve asset quality, declined from 1.15% at the end of 2009 to just 0.61% at the end of 2010 while NPL coverage ratio rose from 90.50% to 158.07%.

In the field of interest rates, due to steady economic recovery and the increased risk of a real estate bubble, Taiwan's Central Bank moved to remove excess capital in the market and maintain price stability by raising interest rates by 0.125% each in June, September, and December of 2010, boosting the rediscount rate to 1.625%. The Central Bank also absorbed excess liquidity from the market by issuing increased amounts of long-term certificates of deposit, stimulating a moderate rise in the overnight call rate for financial institutions from 0.108% at the beginning of 2010 to 0.250% at its end. As a result of the increase in interest rates, the loan-deposit interest rate spread in Taiwan's banks rose slightly, from 1.31% at the end of 2009 to 1.40% at the end of 2010.

With the economy improving and the interest-rate spread widening, Taiwan's banks made a substantial improvement in their profitability. In 2010, the pre-tax profits of local banks totaled NT\$183.2 billion, an increase of NT\$99.3 billion over the year before. Their return on equity (ROE) rose from 4.49% in 2009 to 9.10%, and return on assets (ROA) increased from 0.28% in 2009 to 0.58%.

## Organizational Structure

- In line with the Bank's receipt of permission to concurrently conduct the securities investment consulting business, an Investment Consulting Department was set up under the Personal Banking Business Administration Division.
- 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

In 2010, with the global economy gradually breaking away from the effects of the financial tsunami, Taiwan benefited from the heating up of economic activities across the Taiwan Strait and in the Asia-Pacific region, stimulating the demand for corporate financing and private consumption. This moved banking environment along the path of stability. In response to changes in external conditions and in line with the parent financial holding company's core operating strategy of "Prospective Deployment, Broad Undertaking", the Bank has adopted *"First Bank—First Choice in the new Asia Pacific"* as its own operating strategy in implementing five major operating principles—*"Keeping Abreast of Regional Industrial Development and Delicate Selection of Target Customer Groups"*, *"Innovation in Products and Service Processes and Satisfaction of Demand through Differentiation"*, *"A User-friendly Physical and Virtual Branch Network Platform to Strengthen Competitive Power"*, *"Improvement of Assets and Liabilities Management to Optimize Profit Synergies"*, and *"Promotion of Corporate Cultural Values and Manifestation of a New Brand Image"*—so as to achieve the

three "Firsts" of "First in Asia-Pacific Deployment", "First in Corporate Financing Growth", and "First Brand in Urban Renewal" as we exert our utmost efforts to expand business and meet the targets of our financial budget.

Thanks to the concerted efforts of our entire staff, the Bank achieved the following results in the implementation of its operating strategy in 2010:

**Robust Profit Growth  
and Strong Operating  
Conditions**

Pre-tax net income in 2010 reached NT\$8,201 million, giving a pre-tax EPS of NT\$1.66, a huge increase over the previous year, reflecting an outstanding operating performance. At the same time the Bank moved to strengthen its asset quality by vigorously clearing out bad debt and continuing to boost the appropriation of reserves; these measures reduced the Bank's NPL ratio to a record low of 0.84%, increased its coverage ratio to 112.58%, and kept above the BIS target ratios. These achievements reflect the superior operating capabilities of the Bank's operating team and the solidity of its customer base, and show that we have outperformed the expectations of our shareholders.

**Success in Developing  
Overseas Markets and  
Continued Leadership in  
Asia-Pacific Deployment**

To provide our Taiwanese business customers all over the world with more convenient financial services, the Bank continued expanding the scope of its overseas operations and responding to the eastward shift in the global economic gravity by focusing deployment on the Asia-Pacific region. In 2010 we established Olympic Sub-Branch of our Phnom Penh Branch as well as Macau Branch, received permission to set up Hanoi Branch, and won approval for the upgrading of our New York Agency to a Branch. Our Shanghai Branch opened for business on December 23, making First Bank the first Taiwanese bank to operate there and achieving a significant milestone in the history of the Bank and cross-strait financial relations. Meanwhile, the Bank moved to reinforce its operations in the Chinese market by signing a Memorandum of Understanding (MOU) with Bank of China and, through its reinvested company, setting up FCB Leasing (Suzhou) Co. to engage in RMB leasing businesses so as to boost business competitiveness of our Shanghai Branch. By building up a complete and closely-knit global network, we can therefore provide our customers with a more comprehensive and more convenient range of all-dimensional financial services.



MOU Signing with Bank of China, Bank of Communications and Agricultural Bank of China

***Outstanding Growth of  
Corporate Financing and  
Rich Results in Policy  
Loans***

The Bank, taking seriously the financial industry's mission of promoting economic growth and advancing the welfare of the people, vigorously carries forward with financing business that assist the national economy and the people's livelihood. In 2010 the Bank strengthened the extension of SME loans, and loans outstanding increased 27.7% over the year before, outperforming the industry. With maturing experience in factoring, volume of this business has soared nearly four-fold, putting the Bank among the top five in the industry. The Bank also operated in line with the government's promotion of policy-related "Public Construction for Expansion of Domestic Demand and Procurement Financing", "SME Credit Guarantee Financing", "Non-SME Project Financing for Economic Revitalization", "Business Start-up Loans for Young Entrepreneurs", and "Young Family Loans". In the SME credit guarantee business the Bank won 10 major awards from the Ministry of Economic Affairs, along with three important awards in Business Start-up Loans for Young Entrepreneurs from the National Youth Commission, Executive Yuan.

***Reinforcement of the  
First Brand Image in  
the New Urban Renewal  
Business***

The Bank has won the praise of society for its professional brand image ever since inaugurating its urban renewal business. The Bank continued its efforts in 2010 with the implementation of its "urban renewal self-build financing for the Chunghua Market in Puli", successfully completing the first residential urban-renewal self-build project outside of Greater Taipei and contributing to post-disaster reconstruction and the development of tourism. The model of residential self-help urban renewal planned out by the Bank, combining its expertise in loan and trust businesses and innovating on urban renewal financing framework and procedures, won out over all other candidates for the "Best Practice Awards" at the fifth Best Business Innovation of the Taiwan Academy of Banking and Finance. This further burnished the Bank's brand image as the First in the urban renewal market.

***Showing Concern for  
Public Benefit and  
Fulfilling Corporate  
Social Responsibility***

The Bank holds firmly to the spirit of paying back to society and fulfilling its social responsibility. In 2010 the Bank initiated a variety of social-benefit activities including the organizing of five volunteer service teams by its staff to help bring emergency relief to the disadvantaged and carry out other charity activities; the establishment of a men's table tennis team and sponsoring its participation in healthy sports competitions; support for the development of local tourism by sponsoring the 2010 Taipei Lantern Festival, Taipei International Flora Exposition, 2nd Pacific Ocean Tourism Festival, and Welcoming Dawn of the New Year celebration in Northeast Coast, all to show the Bank's concern for the public benefit and its desire to fulfill its corporate social responsibility.

***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

- The average deposits were NT\$1,524,739 million, a target of 102.82% and an increase of NT\$82,502 million over 2009 or a growth of 5.72%.
- The average loans were NT\$1,139,713 million, a target of 98.50% and an increase of NT\$38,777 million from 2009 or a growth of 3.52%.
- The sales of non-discretionary money trust, including domestic and overseas funds, collective management account plus overseas securities, were NT\$154,224 million, an achievement of 89.32% and an increase of NT\$11,070 million from 2009, a growth of 7.73%.
- Custodian funds amounted to NT\$315,590 million, reached a target of 99.24%, a decrease of NT\$9,189 million or a decline of 2.83%. Discretionary investment custodian assets were NT\$166,548 million, reached a target of 114.86%, an increase of NT\$26,207 million or a growth of 18.67%.
- Revenue and expenses totaled respectively NT\$39,315 million and NT\$31,114 million, yielding a pre-tax income of NT\$8,201 million.

## Business Plans for 2011

### **Economic Outlook and Business Targets**

Looking ahead to 2011, we see that the cross-strait Economic Cooperation Framework Agreement opens up new opportunities for economic, trade, and industrial cooperation for Taiwan. However, the unbalanced recovery for the advanced countries and the emerging economies deepens the wrestling effect between exchange/interest rates and trade. To cope with changes in the external operating environment and satisfy customers' various financial needs, we referred to our parent company's core operating strategy of "Building toward Excellence and Credibility, Seizing the Opportunity" as well as the extension of the Bank's 2010 business development strategies in continuing to use *"First Bank—First Choice in the New Asia Pacific"* as our own core operating strategy for 2011 and firmly establishing four target *"Firsts"*—*"First in Asia-Pacific deployment"*, *"First in corporate banking growth"*, *"First in personal banking marketing"*, and *"First in green financial innovation"*—as we carry through with five major operating principles: *"Expansion of the cross-border customer base and enlargement of international financial scale"*, *"Grasping of industrial transition to form alliances and provision of comprehensive finance planning"*, *"Integration of marketing penetration and enhancement of profitability synergies of core business"*, *"Expansion of asset scale and optimization of asset/liability and capital allocation management"*, and *"Attention to environmental protection and green finance to manifest corporate social responsibility"*. In this way we will realize our operating vision of being a *"Trusted priority green technology bank in Asia Pacific"* and a bank that advances with the times and constantly innovates as it strives to achieve the budget targets of bank-wide average deposits of NT\$1,580,974 million and average loans outstanding of NT\$1,265,141 million.

## Future Development Strategies

### ***Expansion of the Cross-Border Customer Base and Enlargement of International Financial Scale***

After the financial tsunami that swept Europe and America, the global economic dominion is gradually shifting eastward and the importance of the Asia-Pacific region is growing steadily. Coupled with the signing of ECFA, boom in Chinese domestic demand market, and the switching of Taiwanese manufacturers to Southeast Asia, the value and supply chains (manufacturing, distribution channels, financial logistics) of Taiwanese companies are taking form in Taiwan, Shanghai, Hong Kong, Macau, Vietnam, and other places. This will lead to cross-border demand for financial services by Taiwanese companies. The Bank moves to seize the ensuing opportunities by deepening its local operations in overseas markets and working to establish more overseas bases so as to build up a comprehensive global financial service system, expand the customer base for cross-border business, and enlarge the scale of its international financial business.

### ***Grasping of Industrial Transition to Form Alliances and Provision of Comprehensive Financial Planning***

Taiwan's government has mapped out a "Development Blueprint for the Coming Golden Decade", including an industrial policy in which most of the six major emerging industries have linkage with China's seven strategic emerging industries of its 12th Five-Year Plan. This factor, plus the coming into effect of ECFA, enlarges the space for cooperation between companies across the Taiwan Strait via strategic alliances, equity participation, and mergers & acquisitions. In addition, with the rise of China's domestic demand market, Taiwanese companies there are shifting actively their focus to domestic demand industries. The Bank will take advantage of this wave of industrial cooperation, alliances, and transition by delicately selecting industries benefiting from this trend and the flagship enterprises and offering them a complete range of financial services including international finance, cash management, FX risk hedging, integrated financing planning, and wealth management. This will deepen relations with the Bank's clients, expand its customer base, and enhance its operating performance.

### ***Integration of Marketing Penetration and Enhancement of Profit Synergies of Core Business***

A large customer base founded on trust has always been the Bank's greatest operating advantage and is also the potential for cross-marketing. The Bank coordinates with the parent financial holding company's integrated marketing policy and carries out "all-staff marketing" to expand the scope of customers' business relations. This not only increases other income, but also deepens business ties between the Bank and its customers so as to enhance the profit synergies of such core businesses as the loan, trade finance, wealth management, and deposit.

### ***Expansion of Asset Scale and Optimization of Asset/Liability and Capital Allocation Management***

With the favorable conditions under Taiwan's economic growth, the Bank will put emphasis on the growth of loan, investment, and other assets to keep its position of long-term market leadership. Even as it works to expand its asset scale, however, the Bank will carefully estimate cost-benefit and pay close attention to the management of credit risk, market risk, interest-rate risk, operational risk, and legal risk, and will place stress on safety, liquidity, and

**Attention to  
Environmental  
Protection and Green  
Finance to Manifest  
Corporate Social  
Responsibility**

profitability in managing assets and liabilities and handling capital allocation. The aim is to enhance risk management techniques, achieve more efficient capital allocation and utilization, and build a more optimal assets and liabilities structure so as to further upgrade operating performance.

Environmental protection and energy conservation have become global trends, and issues related to green economics, energy conservation, carbon reduction, consumer protection, and participation in public-benefit activities such as Ecofinance, the Equator Principles, and corporate social responsibility, are receiving widespread attention. The Bank will play the role of first mover in green finance, providing financial services to green energy-saving industries and using new techniques to create the image of an intelligent green-technology bank. To realize the ideal of local operation and local care, the Bank will continue to organize volunteer service teams in different areas, participate actively in local civic groups and public-benefit activities, and invite disadvantaged groups to join in the Bank's activities so as to fulfill the corporate social responsibility to care for the public benefit.

**External Competitive  
Environment**

### **Influence of the External Environments**

Memorandums of understanding between Taiwan and China on financial supervision in banking, insurance, and securities and futures took effect on January 16, 2010. These MOUs cover information exchange and confidentiality, financial supervision, and financial crisis handling in conformity with international practice, and provide for the mutual establishment of bank outlets across the Strait. The ECFA signed on June 29, 2010 relaxes the restrictions on Taiwanese banks doing business in China, bringing cross-strait financial cooperation to a new stage. Besides facing the threat of competition from Chinese banks in Taiwan, however, Taiwanese banks operating in China will have to compete with foreign-invested banks as well as Chinese banks. Given the extremely rapid changes in China's local financial system in recent years, and the great strides of progress made in the development of various kinds of financial business there, Taiwanese banks will be confronted with a competitive environment characterized by high risk and high profit potential at the same time.

**Regulatory  
Environment**

With increasing financial dealings across the Taiwan Strait, on March 16, 2010 Taiwan's Financial Supervisory Commission announced regulations governing business dealings and investments for the banking, securities and futures, and insurance businesses between Taiwan and China so as to provide for the concrete regulations of mutual establishment of presences on either side of the Strait. The regulations contain management rules for the two-way establishment of branches/units and equity participation across the Strait by banking, securities and futures, and insurance industries. Under a "cautious and progressive" strategy, Taiwanese financial institutions are guided into the Chinese market and Taiwan is opened progressively to Chinese financial institutions.

## Overall Operating Environment

With the steady warming of Taiwan's economy over the past year, investment willingness of domestic enterprises has been increasing and consumer spending confidence has gradually recovered, leading to a moderate growth in both corporate and consumer lending. Thanks to the Central Bank's raising of interest rates and broadening of the interest-rate gap, domestic banks have posted steady profits. Concerns about a potential bubble in the real estate market have led the Central Bank to institute control measures to limit and monitor banks' home mortgage business; while the amount of residential mortgage loans outstanding has continued to grow, the growth rate has slowed down slightly and the amount of home-improvement loans outstanding has been on a month-on-month decline. In the wealth management business, with the subsiding of the financial crisis and the economic recovery, domestic private investment willingness has strengthened and such banking business has shown a general improvement. Some financial institutions have set up special teams to serve high-asset groups and develop new customers in overseas markets.

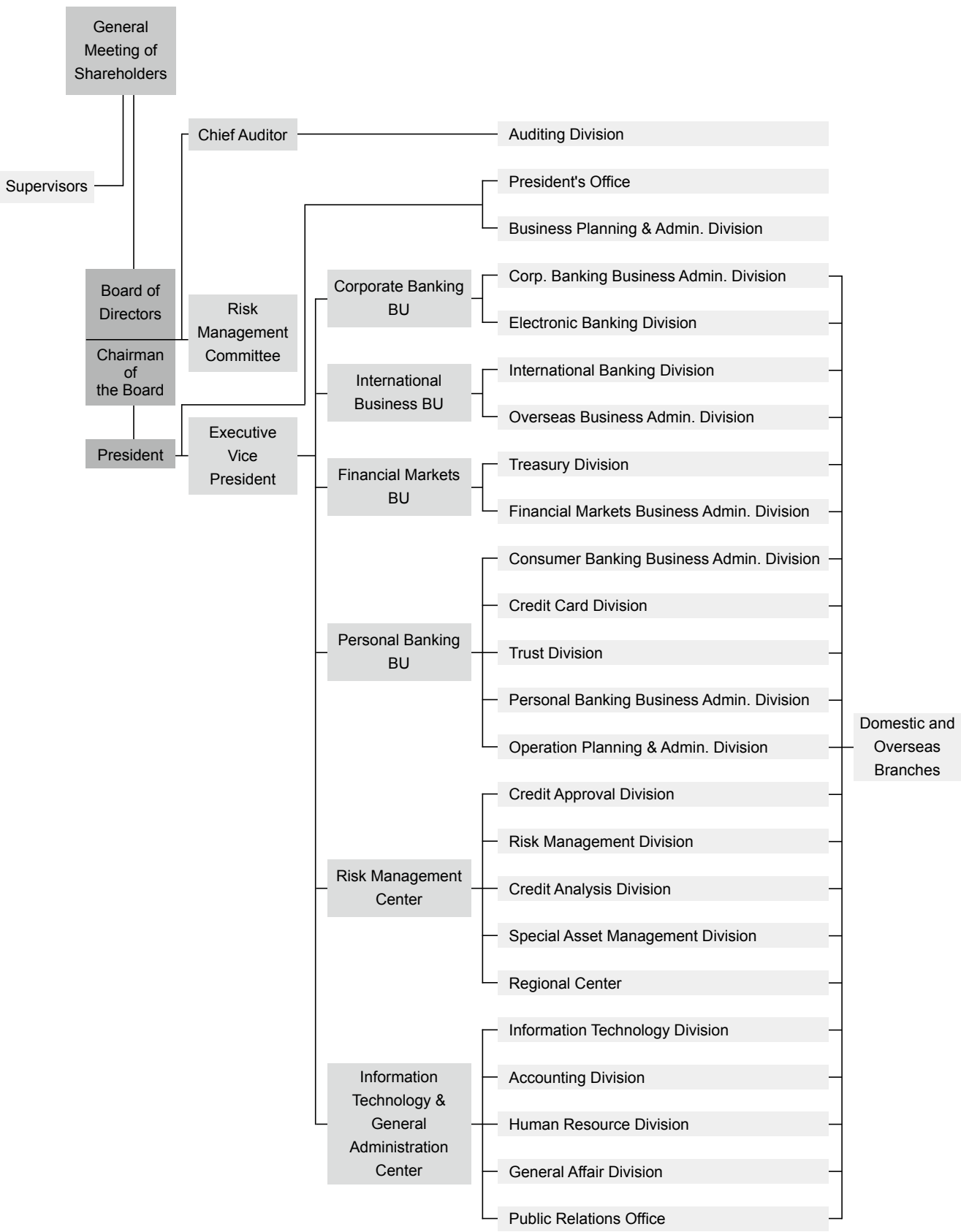
## Credit-rating Results

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

2009				
Rating Institution	Published Date	ST	LT	Outlook
Taiwan Ratings Co.	October 29, 2009	twA-1+	twAA-	Stable
Fitch	August 24, 2009	F2	BBB+	Stable
Moody's	July 23, 2009	P-1	A3	Stable
Standard & Poor's	October 29, 2009	A-2	BBB+	Stable

Looking forward to 2011, the banking industry's operating environment can be expected to undergo a continuous improvement as the global and domestic economies recover steadily and financial dealings across the Taiwan Strait intensify. The Bank has grown and strengthened steadily along with Taiwan's society and economy over the past century as we have held firmly to the corporate philosophy of "Customer First, Service Foremost" and worked to create greater value for our customers. In the future we will strive vigorously to develop the green financing business to fulfill our corporate social responsibility. Our goal is to become the most forward-looking and broad-visioned international bank for the Chinese community, the priority bank for trade finance for Taiwanese companies operating across the Taiwan Strait, and the first-choice trusted green technology bank in Asia Pacific. We are committed to providing the best financial services for our customers, superior and stable profits for our shareholders, and the finest career-development environment for our employees.

# Organization Chart



# 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 President, FCB Leasing Co., Ltd.; EVP, FCB; 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, Public Finance and Tax Administration, National Taipei College of Business
Independent Director	Rong-Chu Liu	July 16'09	■ M.S., University of San Francisco Chief Secretary, MOF; Director, Hua Nan Financial Holdings Co., Ltd.; Director General, Dept. of Customs Administration, MOF	None
Independent Director	Chun-Shyong Chang	Apr. 28'11	■ Ph.D., University of Maryland, U.S.A. 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
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	Jen-Hui Hsu	July 8'03	■ Ph.D., University of Southern California Commissioner of National Treasury Agency, MOF; Associate Professor, Dept. of Economics, Shih Hsin University; Chief of Finance Bureau, Taipei County Government	Professor and Dean, College of Management, Shih Hsin University
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	Chief of Research and Development Office, 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; Professor, Dept. of Information Management, National Taiwan University of Science and Technology	Director, FFHC; Independent Director, TXC Corporation
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	■ LL.D., 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

(to be continued)

Title	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
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.
Supervisor	Li-Jen Lin	Aug. 22'08	■ M.S., National Chengchi University Section Chief, Deputy Director-General, Dept. of Statistics, Ministry of Economic Affairs; 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

April 30, 2011

## 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, First Commercial Bank (USA); Director, FCB; 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	■ B.A., National Taiwan 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
Chief Auditor	Ying Wu	Jan. 14'11	■ B.S., National Chengchi University VP & GM of Jen-Ho Branch; SVP & GM of Hong Kong Branch	Supervisor, First Venture Capital Co., Ltd.; Supervisor, First Financial Management Consulting Co., Ltd.

April 30, 2011

## Main Shareholders of Sole Owner FFHC

Shareholders	Holding %
Ministry of Finance	14.91%
Bank of Taiwan	7.93%
Civil Servants' Retirement Fund	3.12%
Hua Nan Bank	2.90%
Cathay Life Insurance	1.90%
China Life Insurance	1.77%
Bureau of Labor Insurance	1.29%
Fidelity Funds	1.20%
Vanguard Emerging Markets Stock Index Fund	1.15%
Dimensional Emerging Markets Value Fund	0.97%

April 26, 2011

# 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 rental safe deposit box.
16. Engage in agency services related to the business listed on business license or approved by the competent authorities.
17. Engage in credit card business.
18. Act as agent to sell gold bullions, gold and silver coins.
19. Purchase and sale of gold bullions, gold and silver coins.
20. Engage in guarantee business of import and export of foreign trade, outward and inward remittances, foreign currency deposits and foreign currency loans.
21. Engage in outward and inward remittances and foreign currency deposits business.
22. Purchase and sale of foreign currency cash and traveler's checks.
23. Engage in derivative financial products business approved by the competent authorities.
24. Engage in trust business as regulated.
25. Handle the investment in foreign securities under non-discretionary trust of money service.
26. Sale of domestic mutual funds under non-discretionary trust of money service.
27. Purchase and sale of government bonds.
28. Act as broker, dealer, registrar, and underwriter for short-term debt instruments.

29. Provide financial consultation service for financing.
30. Act as agent to sell charity lottery tickets approved by the competent authorities.
31. Engage in foreign exchange margin trading.
32. Handle the investment in domestic securities investment trust funds under non-discretionary trust of money service.
33. Purchase and sale of corporate bonds and financial bonds.
34. 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, financial management 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

		2010		2009	
		NT\$,000	%	NT\$,000	%
<b>Deposits at year end</b>					
Current Deposits	Checking deposits	36,937,219	2.1	33,517,092	2.0
	Demand deposits	370,122,055	21.2	327,298,792	19.4
	Savings deposits	501,165,407	28.7	458,048,453	27.1
	Subtotal	908,224,681	52.0	818,864,337	48.5
Time Deposits	Time deposits	339,080,895	19.4	343,499,777	20.4
	Time savings deposits	358,321,934	20.5	355,257,578	21.1
	Subtotal	697,402,829	39.9	698,757,355	41.5
Others	Due to other banks	7,428,604	0.4	26,098,189	1.5
	Overdrafts from other banks	2,657,935	0.2	1,311,556	0.1
	Call loans from other banks	130,765,413	7.5	141,746,298	8.4
	Subtotal	140,851,952	8.1	169,156,043	10.0
<b>Total</b>		<b>1,746,479,462</b>	<b>100.0</b>	<b>1,686,777,735</b>	<b>100.0</b>
<b>Loans at year end</b>					
Corporate		699,094,638	55.9	577,325,621	52.8
Consumer		344,353,815	27.6	328,880,008	30.1
Domestic branches in foreign currencies		57,983,456	4.6	44,798,030	4.1
Foreign branches		146,650,476	11.7	139,878,683	12.8
Import-export negotiations		2,366,222	0.2	2,364,350	0.2
<b>Total</b>		<b>1,250,448,607</b>	<b>100.0</b>	<b>1,093,246,692</b>	<b>100.0</b>
<b>Foreign Trade and Payment (US\$,000)</b>					
FX buy	Export negotiations and collections	7,138,211	3.8	5,729,671	4.3
	Inward remittances	91,236,752	48.5	66,199,242	49.1
	Subtotal	98,374,963	52.3	71,928,913	53.4
FX sell	Import L/Cs and collections	7,083,242	3.8	4,630,213	3.4
	Outward remittances	82,588,549	43.9	58,216,357	43.2
	Subtotal	89,671,791	47.7	62,846,570	46.6
<b>Total</b>		<b>188,046,754</b>	<b>100.0</b>	<b>134,775,483</b>	<b>100.0</b>
<b>Total Revenues</b>					
Interest income		28,156,723	71.6	28,867,354	70.4
Fees and commissions		5,716,274	14.5	4,723,173	11.5
Gains on financial assets and liabilities		899,648	2.3	3,075,288	7.4
Income from equity investments accounted for under the equity method		134,805	0.3	21,159	0.1
Foreign exchange gains		1,472,337	3.8	325,904	0.9
Other non-interest income		2,935,388	7.5	3,988,152	9.7
<b>Total</b>		<b>39,315,175</b>	<b>100.0</b>	<b>41,001,030</b>	<b>100.0</b>
<b>Total Expenses</b>					
Interest expense		9,977,535	32.1	12,856,594	33.0
Fees and commissions		795,308	2.6	651,866	1.7
Provision for credit losses		5,428,680	17.4	10,620,806	27.2
Foreign exchange losses		-	-	-	-
Business and administrative expenses		14,199,729	45.6	13,806,639	35.4
Other non-interest expenses and losses		713,176	2.3	1,049,895	2.7
<b>Total</b>		<b>31,114,428</b>	<b>100.0</b>	<b>38,985,800</b>	<b>100.0</b>

NT\$,000		2010	2009
<b>Trust Business</b>			
Balance at year end	Custody of funds and discretionary investment assets	482,138,357	465,119,195
	Domestic trust assets	64,241,531	70,468,670
	Foreign trust assets	137,324,273	141,502,023
	Trustee accounts	55,577,083	61,704,214
	Family wealth trust assets	1,236,315	1,256,843
	Corporate employees' savings plan trust assets	1,075,941	1,215,978
	Real estate trust assets	7,401,614	7,486,745
	Securities trust assets	18,825,830	12,799,840
	Securitization trustee assets	16,733,295	20,056,195
	Project trust assets	1,277,449	1,229,007
	Collective management accounts	1,370,344	1,499,053
	Individual management accounts	14,873	5,046
Transaction volume	Registrar for issuance of securities	82,971,670	601,200,678
<b>Investment Business</b>			
Transaction volume	Bills outright buy/sell (OB/OS)	59,468	26,656,988
	Bills repurchase/resale (RP/RS)	-	98,923
	Bills underwriting	362,500	3,187,500
Balance at year end	Bonds	114,101,084	114,272,935
	Stocks (short-term investment)	3,349,742	2,950,547
<b>Credit Card Business</b>			
Number of active cards		359,743	300,162
Transaction volume		27,279,250	20,519,898
Revolving balance of credit cards		1,317,359	1,331,803
<b>Wealth Management Business at year end</b>			
Deposits		496,034,369	544,782,837
Mutual funds		110,968,646	110,131,983
Bonds/bills		4,610,418	8,213,957
Derivative financial instruments		4,345,634	6,909,274
Insurance products		19,113,089	19,673,721

# Market Analysis

**Multinational Network** The Bank has established a comprehensive financial services network. As of the end of 2010, the Bank operated 190 domestic branch units (including Business Division and mini branches). As for overseas, the Bank had 15 branches, two representative offices, and one subsidiary—First Commercial Bank (USA) with seven branches. In the future, the Bank will build on its large network of domestic and overseas branches and strong customer base to vigorously enhance the profit performance of its core businesses and diversify income sources.

## ***The Supply Side***

### **Future Market Supply, Demand, and Growth**

For a long time Taiwan's local banking industry has faced excessive competition in the market and the erosion of profits by a narrow interest-rate gap. With rapid loosening of restrictions on financial dealings across the Strait and China's steady opening of its financial market, Taiwan's banking sector was provided with greater scope for development. Foreign banks have already been operating in the Chinese market for quite some time, however, and even after being given permission to enter Chinese market, Taiwanese banks still have to confront a fiercely competitive environment and the accompanying operating risks in China. In addition, Taiwan is opening its market to China as well and those Chinese banks will be able to obtain the mother companies' credit information of Taiwanese firms in China, further carving out opportunities for business with overseas Taiwanese companies. This will bring about an entirely different form of competition in Taiwan's financial market.

## ***The Demand Side***

The rapid development of the Chinese economy in recent years has generated huge amounts of financial business opportunities. A steadily increasing demand for personal wealth management, for example, has come with the rapid accumulation of private wealth. However, the penetration of financial services in the SME sector, a vital support for China's economic growth, is extremely low, offering a customer group with high potential for in-depth development. In addition, the constant extension of pilot RMB settlements for cross-border trade transactions and the expansion of overseas demand by Chinese enterprises increase the demand for cross-border financial services by local enterprises. If Taiwanese banks can seize the opportunities of financial development in China, it will facilitate their own expansion and success in the market there.

### **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 widespread branch network and good customer base.
- A corporate culture of sustainable operations and a century-old brand value.
- A high ratio of government-held shares and stable management.
- Appropriate levels of capital and stable liquidity.
- Good asset quality and low NPL ratio.
- Stable overall profit performance and diversified sources of income.
- The comprehensive financial scope of the financial holding group with cross-marketing advantage.
- A constantly improving risk management system and product pricing strategy that conforms to the spirit of graded risk.
- Implementing internal organizational restructuring timely to respond as necessary to changes of the external environment.
- A high degree of internationalization.
- Active deployment in the Chinese market to grasp opportunities.

***Unfavorable Factors***

- The outward migration of Taiwanese enterprises, weakening the demand for capital.
- Fierce competition among Taiwanese banks, compressing the room for profits.
- The continuous liberalization of cross-strait policy, bringing competition from Chinese banks in Taiwan.
- The short history of development of the joint credit-investigation mechanism in China deepens the difficulty of Taiwanese banks in checking the creditworthiness of Taiwanese companies and in protecting their creditors' claims.

***Responsive Measures***

- Grab of opportunities presented by the opening of cross-strait financial market and vigorous expansion of business in the Greater China area.
- Strongly holding the market shares of loans to SMEs, foreign trade finance, and trust businesses to maintain core profitability.
- Establishment of an all-dimensional financial services platform and deepening of the banking insurance business to strengthen competitiveness in wealth management.
- Make full use of the marketing synergies of the Financial Holding Company to expand the scope of product penetration.
- Continued heightening of risk management capability and establishment of a comprehensive risk management system.

# Business Plans for 2011

## ***Corporate Banking***

- Consolidation of the operating base, and heightening of market share and loan-deposit ratio; increase of interest and fee income so as to achieve profit targets.
- Continuous solicitation of clients who take the Bank as their primary bank, and enhancement of product penetration and profit contribution; exploration of potential customers, and vigorous development of high-quality clients.
- Mapping out of major strategic industrial financing projects in line with government's policy.
- Elaborating business leadership value to drive common growth with other businesses; integration of Financial Holding Company's product resources and provision of clients with the finest financial services.
- Promotion of innovative financing projects for energy-conserving and low-carbon green industries.

## ***International Business***

- Focus on expansion of business in the Greater China market and establishment of a comprehensive financial services network for Taiwanese enterprises overseas.
- Accelerated promotion of new types of business and local operation in overseas markets so as to upgrade the overall profitability of international businesses.
- Seeking out of business cooperation with other international banks to reinforce cross-border services and business competitiveness.
- Integration and enhancement of IT and Internet banking systems so as to upgrade business operating capabilities.
- Reinforcement of credit risk, country risk, and legal risk management so as to control potential operating risks.

## ***Personal Banking***

- Taking the pulse of the market, innovation of products and services, and expansion of the operating base to heighten market share and ranking.
- Strict control of the product listing and delisting procedures so as to provide quality products that meet the trends and fulfill customer needs.
- Combining of the urban renewal and real estate financing businesses to expand the scale of the real estate trust business.
- Delicate selection of areas and customer groups and development and improvement of products to steadily promote consumer banking business.
- Heightening of sales capability using online marketing channels, and strengthened establishment of case development channels and quality maintenance.
- Strengthening of the loyalty and usage ratio of credit card customers with a long-term privilege strategy so as to drive the promotion of new cards.

## **Operation Management**

- Pinpointing of target customer groups for the strategic development of the deposit/remittance and electronic banking businesses.
- Establishment of an outstanding e-platform and development of new types of products and services so as to pursue e-commerce opportunities.
- Heightening of electronic channel service quality to increase the volume of automated business transactions.
- Keeping the pulse of different areas and development of all-staff marketing to upgrade channel operating performance.
- Emphasis on the service quality of front-line personnel so as to elaborate competitive advantage.
- Simplification of operating procedures and manifestation of supervisory performance to reinforce internal risk control.

## **Financial Markets**

- Cultivation of a professional service team, provision of comprehensive trading consultation, and development of potential customer sources.
- Inauguration of new derivative businesses in line with market trends and customer needs.
- Use of nimble long-and-short operating strategies along with risk-hedging trading portfolios to upgrade the performance of fund utilization.
- Reinforcement of fund position allocation management to optimize profit synergies.



Grand Opening of Shanghai Branch

# Corporate Governance

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
<b>A. Ownership Structure and Shareholders' Equity</b>		
1. The handling of shareholders' suggestions and disputes	1. The Bank's sole shareholder is First Financial Holding Co., Ltd.; communication channels are open.	fully compliant
2. Updating the details of major shareholders of controlling stake in the bank	2. The Bank is owned by a single shareholder, and the structure is quite simple.	fully compliant
3. Risk assessment and firewalls established against the operations with the affiliates	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
<b>B. Organization and Responsibilities of the Board of Directors</b>		
1. Establishing independent director(s)	1. The Bank has set up three independent directors, one of which is designated as independent managing director.	fully compliant
2. Evaluating the independence of the CPAs periodically	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
<b>C. Communications with Interested Parties</b>		
	1. To protect the interests of customers, the Bank has established "The Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" and has set up a customer feedback hotline and external website, providing for open communication with the interested parties.	fully compliant
	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
<b>D. Disclosure of Information</b>		
1. Setting up a website	1. Annual Report, major financial statements and corporate governance are publicized on the Bank's website.	fully compliant
2. Use of other methods	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

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
<b>E. Operation Status of the Nomination or Remuneration Committee or other Functional Committees</b>	None	subject to the implementation of relevant laws and regulations.
<b>F. Description of the Bank's Corporate Governance</b> (including its deficiency with the Corporate Governance Best-Practice Principles for Banks, and the reasons): All are disclosed as above.		
<b>G. Other Information:</b> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> <li>■ 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".</li> <li>■ 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.</li> <li>■ Consumer-protection policy: The Bank has set up the "Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" to assure that consumer interests are protected.</li> </ul>		

# 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 II, 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.

## 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, 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 methodology for calculating capital requirements: standardized approach.

The Minimum Capital Requirements for Market Risk as of December 31, 2010

Type of risk	Minimum capital requirements (in NT\$,000)
Interest rate risk	1,128,755
Equity position risk	316,491
Foreign exchange risk	38,835
Commodities risk	-
Total	1,484,081

## Credit Risk

### Process

- To conform to the implementation of Basel II, 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, 2010 (in NT\$,000)

Type of risk	Credit exposures after risk mitigation	Minimum capital requirements
Sovereigns	535,094,600	31,066
Non-central government public sector entities	39,526,362	647,384
Banks (including multilateral development banks)	111,969,106	3,734,037
Corporates (including securities firms and insurance co.)	681,294,096	50,133,025
Regulatory retail portfolios	162,233,325	8,889,958
Residential property	358,186,420	12,965,114
Equity investments	5,745,668	1,757,272
Other assets	51,459,214	2,681,611
Total	1,945,508,791	80,839,467

## **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, 2010

Year	Operating profit	Minimum capital requirements (in NT\$,000)
2010	25,388,896	
2009	23,662,261	-
2008	30,483,907	
Total	79,535,064	3,976,753

## Asset Securitization Risk

### Strategy and Process

- In order to heighten capital adequacy, assure adherence to the risk ceiling for loan assets, carry out assets and liabilities management, and promote the effective utilization of capital, the Bank engages in the asset securitization transactions in accordance with the provisions of the Financial Asset Securitization Act and Real Estate Securitization Act.
- 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 on 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 specific 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.

note: Currently the Bank only acts as a non-originating bank in this line of business. Therefore the relevant governing regulations concerning originating bank are not specifically listed in details.

The Asset Securitization Risk Exposures and Minimum Capital Requirements  
as of December 31, 2010

(in NT\$,000)

Type	Purchased or Held Securitized Products Exposure	Minimum capital requirements
Agency Mortgages	2,484,362	39,750
Accounts receivable	2,000,000	160,000
REATs	334,883	13,395
Bonds	89,169	7,134
Total	4,908,415	220,279

Information on Securitized Products as of December 31, 2010

(in NT\$,000)

Items	Accounting category	Original cost	Gain/ Loss of accumulated valuation	Accumulated impairment	Book value
CDO	Held-to-maturity financial assets	289,753	-	231,802	289,753
CMO	Bond investments with no active market	638,599	-	-	638,798
	Held-to-maturity financial assets	1,841,150	-	-	1,841,239
REATs	Bond investments with no active market	34,333	-	-	34,333
	Held-to-maturity financial assets	334,373	-	-	334,373
CBO	Held-to-maturity financial assets	61,864	-	-	61,864
	Financial instruments for trading purpose	40,108	(141)	-	39,967

# Corporate Responsibility and Ethical Behavior

The Bank has always endeavored to fulfill its social responsibility by carrying out public-benefit programs:

- ▶ Sponsoring The 2nd Pacific International Tourism Festival 2010 organized by Hualien County Government.
- ▶ Sponsoring 2010 Taipei Lantern Festival organized by Taipei City Government and 2010 Taiwan Lantern Festival organized by Chiayi City Government.
- ▶ Purchasing more than 35 metric tons of bananas through the Agriculture and Food Agency to help banana farmers and promote agricultural development.
- ▶ Organizing the "First Bicycling for the Environment" together with brother companies and participating in the "2010 Merida Round-the-Island Bicycle Race" and "2010 Merida Cup and Bike Festival" as well as the "Vegetarian Day for Carbon Reduction" activity organized by the Department of Environmental Protection, Taipei City Department.
- ▶ Organizing the "2010 FFHC Table Tennis Camp" and the "2010 FFHC Table Tennis Tournament" to enhance the physical condition of the nation's people and cultivate outstanding table tennis players.
- ▶ To celebrate the Bank's 111th anniversary, organizing a charity garden party and donating the proceeds to the Ministry of Education in sponsoring "Education Savings Account Scheme", providing assistance for 58 cases in 32 schools to help those students through temporary financial difficulties and appealing to the public to take care of disadvantaged groups.



## ■ The First Education Foundation

The Foundation promoted the following public-benefit activities in 2010:

- "The Splendor of Spring" concert to help the public enjoy a warmhearted Mother's Day.
- "Beautiful Sounds Greet the Summer Breezes" concert and the "Golden Melodies in the Ancient Capital" concert to promote cultural development and cultivate an appreciation of music.
- Sponsoring the Tiantan New Food Culture Promotion Association's efforts to promote qigong exercises for national health.

## ■ The First Volunteer Team

The Bank organized volunteer service teams in July 2010 and began providing services for disadvantaged groups, environmental protection, and related public-benefit activities. In the future these teams all over Taiwan will continue contributing their care through various kinds of public-benefit activities so that all Taiwan's people will be able to enjoy the warm feeling of the "First Bank is always by your side".

## ■ Safety and Health

To provide an ideal environment for customers and employees, the Bank conducts testing for CO<sub>2</sub> 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	12.31.2010	12.31.2009	12.31.2008	12.31.2007	12.31.2006
Cash and cash equivalents, due from the Central Bank and other banks	136,398,135	226,050,552	181,527,906	165,117,649	178,988,134
Marketable and trading securities	-	-	-	-	-
Financial assets at fair value through profit or loss	21,363,219	29,753,351	53,304,284	37,201,578	42,794,967
Investments in bills and bonds under resale agreements	-	-	-	-	501,616
Receivables	61,169,374	41,699,328	40,514,459	49,511,293	21,295,485
Bills discounted and loans (remittance purchased)	1,248,381,359	1,096,010,284	1,160,541,587	1,071,171,454	972,044,580
Available-for-sale financial assets	76,590,226	64,995,772	51,985,007	61,258,309	82,635,713
Held-to-maturity financial assets	406,186,980	419,430,881	229,985,592	217,897,599	213,747,427
Equity investments accounted for under the equity method	3,466,037	2,305,287	2,338,695	2,362,249	2,368,858
Long-term equity investments	-	-	-	-	-
Other financial assets	3,965,001	5,207,910	9,311,714	11,680,795	18,037,044
Property, plant and equipment	22,842,268	22,793,664	23,208,338	23,601,360	23,386,589
Intangible assets	233,654	328,778	480,176	417,230	369,867
Others assets	11,201,573	12,362,613	12,343,169	13,764,211	17,852,161
<b>Total assets</b>	<b>1,991,797,826</b>	<b>1,920,938,420</b>	<b>1,765,540,927</b>	<b>1,653,983,727</b>	<b>1,574,022,441</b>
Due to the Central Bank and other banks	140,889,666	169,399,153	117,270,987	140,315,847	116,955,966
Financial liabilities at fair value through profit or loss	47,947,887	54,597,376	74,910,421	51,376,164	51,811,768
Bills and bonds payable under repurchase agreements	7,250,102	9,682,738	12,759,545	12,207,113	15,241,566
Payables	60,730,985	54,072,951	60,912,403	66,723,480	50,027,772
Deposits and remittances	1,607,247,802	1,519,948,686	1,384,753,557	1,260,175,302	1,219,888,559
Funds borrowed from the Central Bank and other banks, financial bonds payable	21,501,683	13,472,296	14,945,067	22,926,661	22,181,525
Accrued pension liabilities	1,869,143	1,803,944	1,687,722	1,553,653	1,439,881
Other financial liabilities	352,543	485,858	624,352	541,814	534,011
Other liabilities	8,146,818	7,562,529	8,219,983	8,422,106	8,815,973
<b>Total liabilities</b>	<b>1,895,936,629</b>	<b>1,831,025,531</b>	<b>1,676,084,037</b>	<b>1,564,242,140</b>	<b>1,486,897,021</b>
Common stock	49,490,000	49,490,000	48,290,000	46,909,240	46,216,000
Additional paid-in capital	10,460,326	10,460,326	8,660,326	8,660,326	8,660,326
Retained earnings	25,844,290	20,942,847	25,164,775	24,616,798	20,216,598
Unrealized revaluation increments	4,998,561	5,059,317	5,183,916	5,298,124	5,527,177
Unrealized gains / losses on financial instruments	6,595,295	3,897,639	2,075,526	3,941,376	6,252,298
Cumulative translation adjustments	(1,475,364)	62,760	82,347	315,723	253,021
Unrecognized pension costs	(51,911)	-	-	-	-
<b>Total stockholders' equity</b>	<b>95,861,197</b>	<b>89,912,889</b>	<b>89,456,890</b>	<b>89,741,587</b>	<b>87,125,420</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,991,797,826</b>	<b>1,920,938,420</b>	<b>1,765,540,927</b>	<b>1,653,983,727</b>	<b>1,574,022,441</b>

## Condensed Statements of Income

NT\$,000	2010	2009	2008	2007	2006
Net interest income	18,179,188	16,010,760	23,951,493	21,941,409	20,380,746
Net non-interest income	9,649,968	10,431,915	8,627,925	13,992,121	11,634,526
Provision for credit losses	(5,428,680)	(10,620,806)	(7,129,966)	(6,061,505)	(4,735,859)
Operating expenses	(14,199,729)	(13,806,639)	(14,438,662)	(14,200,118)	(13,585,526)
Income from continuing operations before income tax	8,200,747	2,015,230	11,010,790	15,671,907	13,693,887
Income from continuing operations after income tax	6,339,004	2,053,658	8,965,123	12,025,840	10,354,367
Cumulative effect of a change in accounting principle	-	-	-	-	563,169
Net income	6,339,004	2,053,658	8,965,123	12,025,840	10,917,536
Earnings per share (\$)	1.28	0.42	1.81	2.43	2.21

## Financial Ratios (%)

	2010	2009	2008	2007	2006
<b>Financial structure</b>					
Debt ratio (total liabilities to total assets)	95.19	95.32	94.93	94.57	94.46
Fixed assets to net worth	23.83	25.35	25.94	26.30	26.84
<b>Solvency</b>					
Liquidity reserve ratio	32.52	36.57	21.58	23.36	27.20
<b>Operating performance</b>					
Loans to deposits	77.67	72.11	83.81	85.00	79.68
NPL ratio	0.84	1.32	1.45	1.50	1.57
Total assets turnover (times)	0.01	0.01	0.02	0.02	0.02
<b>Profitability</b>					
ROA (net income to average total assets)	0.32	0.11	0.52	0.75	0.71
ROE (net income to average shareholders' equity)	6.82	2.29	10.01	13.60	13.32
Profit margin ratio	22.78	7.77	27.52	33.47	34.10
<b>Cash flows</b>					
Cash flow adequacy ratio	308.58	353.44	485.96	539.91	683.67
<b>Capital adequacy</b>					
Capital adequacy ratio	10.36	11.01	10.88	10.80	11.00
Tier-one capital ratio	7.00	7.45	7.10	7.30	7.92
Tier-two capital ratio	3.36	3.56	3.78	3.50	3.08
<b>Market share</b>					
Assets	6.08	6.25	6.57	5.46	5.49
Net worth	4.59	4.64	4.98	4.76	4.82
Deposits	6.06	6.16	6.09	5.49	5.45
Loans	6.29	5.94	6.31	5.72	5.41

# Report of Independent Accountants

PRICEWATERHOUSECOOPERS 

資誠會計師事務所

To: First Commercial Bank, Ltd.

We have audited the accompanying balance sheets of First Commercial Bank, Ltd. (the "Bank") as of December 31, 2010 and 2009, and the related statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing 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, 2010 and 2009, 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", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" 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, 2010 and 2009. Our reports expressed an unqualified opinion on those consolidated financial statements.

February 25, 2011

*PricewaterhouseCoopers, Taiwan*

# Balance Sheets

as of December 31, 2010 and 2009

NT\$,000	Note	2010	2009
<b>Assets</b>			
Cash and cash equivalents	3(1)	\$ 26,025,171	\$ 20,912,258
Due from the Central Bank and other banks	3(2),4	110,372,964	205,138,294
Financial assets at fair value through profit or loss - net	3(3),4	21,363,219	29,753,351
Receivables - net	3(4),4	61,169,374	41,699,328
Bills discounted and loans - net	3(5),4	1,248,381,359	1,096,010,284
Available-for-sale financial assets - net	3(6),5	76,590,226	64,995,772
Held-to-maturity financial assets - net	3(7)	406,186,980	419,430,881
Equity investments accounted for under the equity method - net	3(8)	3,466,037	2,305,287
Other financial assets - net	3(9)	3,965,001	5,207,910
Property, plant and equipment	3(10),(25)		
Cost			
Land		16,534,292	16,426,097
Buildings		9,333,120	8,936,919
Machinery and equipment		2,623,025	2,683,929
Transportation equipment		854,834	876,189
Other equipment		1,685,650	1,682,415
Leasehold improvements		700,330	684,322
Subtotal		31,731,251	31,289,871
Less: Accumulated depreciation		(9,024,652)	(8,691,188)
Construction in progress and prepayments for equipment		135,669	194,981
Property, plant and equipment - net		22,842,268	22,793,664
Intangible assets - net		233,654	328,778
Other assets - net	3(11),(29),5	11,201,573	12,362,613
Total assets		\$1,991,797,826	\$1,920,938,420
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Due to the Central Bank and other banks	3(12),4	140,889,666	169,399,153
Funds borrowed from the Central Bank and other banks		101,683	72,296
Financial liabilities at fair value through profit or loss	3(13),(17)	47,947,887	54,597,376
Bills and bonds payable under repurchase agreements	3(14)	7,250,102	9,682,738
Payables	3(15)	60,730,985	54,072,951
Deposits and remittances	3(16),4	1,607,247,802	1,519,948,686
Financial bonds payable	3(17)	21,400,000	13,400,000
Accrued pension liabilities	3(18)	1,869,143	1,803,944
Other financial liabilities	3(19)	352,543	485,858
Other liabilities	3(20)	8,146,818	7,562,529
Total liabilities		1,895,936,629	1,831,025,531
<b>Stockholders' Equity</b>			
Common stock	3(21)	49,490,000	49,490,000
Additional paid-in capital	3(22)	10,460,326	10,460,326
Retained earnings			
Legal reserve	3(23)	16,244,462	15,628,365
Unappropriated earnings	3(24),(29)	9,599,828	5,314,482
Other stockholders' equity			
Unrealized revaluation increments	3(25)	4,998,561	5,059,317
Cumulative translation adjustments	3(8)	(1,475,364)	62,760
Unrealized gains / losses on financial instruments		6,595,295	3,897,639
Unrecognized pension costs	3(18)	(51,911)	-
Total stockholders' equity		95,861,197	89,912,889
Total liabilities and stockholders' equity		\$1,991,797,826	\$1,920,938,420

\*NT\$29.50:US\$1.00

# Statements of Income

for the years ended December 31, 2010 and 2009

NT\$,000	Note	2010	2009		
<b>Interest income</b>	4(2)	<b>\$28,156,723</b>	\$28,867,354		
Less: Interest expense	4(2)	<b>(9,977,535)</b>	(12,856,594)		
Net interest income		<b>18,179,188</b>	16,010,760		
<b>Net non-interest income</b>					
Net service fee and commission income	4(2)	<b>4,920,966</b>	4,071,307		
Gains or losses on financial assets and financial liabilities at fair value through profit or loss	3(3)	<b>79,144</b>	2,647,348		
Realized gains or losses on available-for-sale financial assets		<b>761,515</b>	448,013		
Realized gains or losses on held-to-maturity financial assets		<b>58,989</b>	(20,073)		
Income from equity investments accounted for under the equity method	3(8)	<b>134,805</b>	21,159		
Foreign exchange gains		<b>1,472,337</b>	325,904		
Asset impairment losses	3(26)	<b>(89,185)</b>	(170,609)		
Recovery of credit losses and overdue accounts		<b>2,286,060</b>	2,864,157		
Other non-interest income	3(27)	<b>25,337</b>	244,709		
<b>Net revenues</b>		<b>27,829,156</b>	26,442,675		
<b>Provision for credit losses</b>	3(5)	<b>(5,428,680)</b>	(10,620,806)		
<b>Operating expenses</b>	3(28),4(2)				
Personnel expenses		<b>(9,459,850)</b>	(9,073,472)		
Depreciation and amortization expenses		<b>(831,576)</b>	(970,548)		
Other business and administrative expenses		<b>(3,908,303)</b>	(3,762,619)		
Income from continuing operations before income tax		<b>8,200,747</b>	2,015,230		
Income tax (expense) benefit	3(29)	<b>(1,861,743)</b>	38,428		
<b>Net income</b>		<b>\$ 6,339,004</b>	\$ 2,053,658		
Earnings per common share (in dollars)		Before tax	After tax	Before tax	After tax
Net income	3(30)	\$1.66	\$1.28	\$0.41	\$0.42

# Statements of Changes in Stockholders' Equity

for the years ended December 31, 2010 and 2009

	Retained Earnings				Other Stockholders' Equity				
							Unrealized gains / losses on financial instruments	Unrecognized pension costs	
NT\$,000	Common stock	Additional paid-in capital	Legal reserve	Unappropriated earnings	Unrealized revaluation increments	Cumulative translation adjustments			Total
For the year ended Dec. 31, 2009									
Balance, January 1, 2009	\$48,290,000	\$ 8,660,326	\$12,938,828	\$12,225,947	\$5,183,916	\$ 86,012	\$2,071,861	\$ -	\$89,456,890
Capital increase by cash	1,200,000	1,800,000	-	-	-	-	-	-	3,000,000
Earnings distribution for 2008									
Legal reserve	-	-	2,689,537	(2,689,537)	-	-	-	-	-
Cash dividends	-	-	-	(6,275,586)	-	-	-	-	(6,275,586)
Net income for 2009	-	-	-	2,053,658	-	-	-	-	2,053,658
Reversal of revaluation increments									
due to land disposal	-	-	-	-	(124,599)	-	-	-	(124,599)
Changes of cumulative translation									
adjustments	-	-	-	-	-	(23,252)	-	-	(23,252)
Changes of unrealized gains or									
losses on available-for-sale									
financial assets	-	-	-	-	-	-	1,825,778	-	1,825,778
Balance, December 31, 2009	\$49,490,000	\$10,460,326	\$15,628,365	\$5,314,482	\$5,059,317	\$ 62,760	\$3,897,639	\$ -	\$89,912,889
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
Unrecognized 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

# Statements of Cash Flows

for the years ended December 31, 2010 and 2009

NT\$,000	2010	2009
<b>Cash flows from operating activities</b>		
Net income	<b>\$6,339,004</b>	\$2,053,658
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation - property, plant and equipment	<b>620,545</b>	707,993
Depreciation - non-operating assets	<b>26,132</b>	25,658
Amortization	<b>211,031</b>	262,555
Provision for credit losses	<b>5,428,680</b>	10,620,806
Income from equity investments accounted for under the equity method	<b>(134,805)</b>	(21,159)
(Gain) Loss on disposal of property, plant and equipment	<b>(211,204)</b>	2,834
Gain on sale of non-operating assets	<b>(31,812)</b>	(315,148)
Gain on sale of foreclosed assets	<b>(393)</b>	-
Asset impairment losses	<b>89,185</b>	170,609
Cash dividends under the equity method	<b>10,311</b>	36,062
Changes in assets		
Decrease in financial assets at fair value through profit or loss - net	<b>8,390,132</b>	23,550,933
Increase in receivables	<b>(19,714,046)</b>	(1,719,252)
Decrease in remittance purchased	<b>1,037</b>	15,598
(Increase) Decrease in other assets	<b>(371,418)</b>	235,180
Decrease (Increase) in deferred income tax assets	<b>1,596,385</b>	(525,075)
Changes in liabilities		
Decrease in financial liabilities at fair value through profit or loss - net	<b>(6,649,489)</b>	(20,313,045)
Increase (Decrease) in payables	<b>6,658,034</b>	(6,839,452)
Increase in accrued pension liabilities	<b>13,288</b>	116,222
Increase (Decrease) in other liabilities	<b>601,272</b>	(455,903)
Net cash provided by operating activities	<b>2,871,869</b>	7,609,074
<b>Cash flows from investing activities</b>		
Decrease (Increase) in due from the Central Bank and other banks	<b>94,765,330</b>	(49,535,030)
(Increase) Decrease in bills discounted and loans	<b>(157,301,923)</b>	54,362,953
Increase in available-for-sale financial assets	<b>(8,889,014)</b>	(11,200,928)
Decrease (Increase) in held-to-maturity financial assets	<b>13,153,904</b>	(189,540,960)
Decrease in other financial assets - net	<b>1,237,606</b>	4,079,284
Purchase of property, plant and equipment	<b>(311,658)</b>	(354,086)
Purchase of non-operating assets	<b>(584)</b>	-
Increase in intangible assets	<b>(115,227)</b>	(110,521)
(Increase) Decrease in refundable deposits	<b>(353,679)</b>	176,050
Proceeds from sale of property, plant and equipment	<b>11,463</b>	-
Proceeds from sale of non-operating assets	<b>31,987</b>	387,046
Proceeds from sale of foreclosed assets	<b>2,534</b>	-
Increase in equity investments accounted for under the equity method	<b>(1,291,600)</b>	-
Net cash used in investing activities	<b>(59,060,861)</b>	(191,736,192)

NT\$,000	2010	2009
<b>Cash flows from financing activities</b>		
(Decrease) Increase in due to the Central Bank and other banks	<b>(28,509,487)</b>	52,128,166
Increase in funds borrowed from the Central Bank and other banks	<b>29,387</b>	27,229
Decrease in bills and bonds payable under repurchase agreements	<b>(2,432,636)</b>	(3,076,807)
Increase in deposits and remittances	<b>87,299,116</b>	135,195,129
Increase (Decrease) in financial bonds payable	<b>8,000,000</b>	(1,500,000)
Decrease in other financial liabilities	<b>(79,987)</b>	(105,315)
Increase (Decrease) in guarantee deposits received	<b>108,892</b>	(269,835)
Decrease in appropriated loan fund	<b>(53,328)</b>	(33,179)
Cash dividends paid to stockholders	<b>(1,437,561)</b>	(6,275,586)
Capital increase by cash	-	3,000,000
Net cash provided by financing activities	<b>62,924,396</b>	179,089,802
Net effect of changes in foreign exchange rate	<b>(1,622,491)</b>	24,932
Increase (Decrease) in cash and cash equivalents	<b>5,112,913</b>	(5,012,384)
Cash and cash equivalents at beginning of year	<b>20,912,258</b>	25,924,642
Cash and cash equivalents at end of year	<b>\$26,025,171</b>	\$20,912,258
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year	<b>\$ 9,997,286</b>	\$15,311,540
Cash paid for income tax during the year	<b>\$ 661,249</b>	\$ 694,116

# 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", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" 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, and the maturity of assets and liabilities are analyzed in the accompanying notes of the financial statements. 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) Bills discounted and loans

Bills discounted and loans (including non-accrual loans) are recorded at the amounts of principal outstanding. Interest income is recognized on an accrual basis except for interest on non-accrual loans.

Bills discounted and loans under which there is no principal payment after the lapse of six full months, lawsuit has been filed against borrower and guarantor(s) or the collaterals are executed shall be reclassified to non-accrual loans. Interest shall cease to be accrued for loans that are transferred to non-accrual loans account item. The ceased interest receivable will be recognized after cash is received.

When there is postponement or modification of the credit terms for the debtors, the Bank agrees to receive partial interest and the remaining interest will cease to be accrued and be recognized after cash is received.

#### **(5) Allowance for doubtful accounts**

The Bank shall classify credit assets of on- and off-balance sheet and determine the allowance for doubtful accounts by evaluating the recoverability of the outstanding balances of various loans at the balance sheet date according to "Guidance for Credit Assets Risk Assessment". As to non-credit assets, the Bank evaluates the possible risks by the characteristics of assets in accordance with "Guidance for Non-Credit Assets Risk Assessment", generally accepted accounting principles, and other related regulations.

According to the amended "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans" of the Financial Supervisory Commission, Executive Yuan and "Guidance for Credit Assets Risk Assessment" of the Bank, credit assets are classified into five categories: (1) normal (2) special mentioned (3) substandard (4) doubtful and (5) loss. Except that the normal loans are classified under category 1, which should be provided at 0.04% 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 Board of Directors and the notice to the supervisors of the Bank. In accordance with generally accepted accounting principles, an additional reserve is provided for specific loans as needed if the aforementioned allowance is insufficient based on recoverability.

In accordance with the guideline of the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans", Banks should provide 0.5% of allowance for category 1 credit assets of on- and off-balance sheet net of governmental credit assets and the allowance should be fully provided within three years as from January 1, 2011.

#### **(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 take 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 resulted 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. 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 and miscellaneous equipment: 5~17 years.

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 and pension costs**

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.

#### **(15) Other liabilities**

Other liabilities are mainly comprised of estimated land revaluation increment tax accrual, guarantee deposits received, advanced receipts, temporary receipts and suspense accounts, other carry forward accounts, reserve for guarantees and reserve for securities trading losses, 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 to 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 company, 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 spot foreign exchange rates notified by the Central Bank 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 spot foreign exchange rate 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) Impairment losses**

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) Recognition of interest and fee income**

Interest income on loans is recognized on an accrual basis.

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 fee is recognized when cash is received, or the earning process is substantially completed.

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

Effective from January 1, 2008, pursuant to EITF 96-052, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration" dated March 16, 2007, of Accounting Research and Development Foundation, 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) 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.

#### **(22) 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 loss amount could not be reasonably estimated, it shall be disclosed in the note to financial statements.

## **2. Change in Accounting Principles: None**

## **3. Summary of Significant Accounts**

### **(1) Cash and cash equivalents**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Cash on hand	<b>\$ 9,935,438</b>	\$ 9,872,441
Checks for clearing	<b>7,994,788</b>	8,345,457
Due from other banks	<b>8,094,945</b>	2,694,360
Total	<b>\$ 26,025,171</b>	\$ 20,912,258

### **(2) Due from the Central Bank and other banks**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Reserve for deposits - account A	<b>\$ 13,361,390</b>	\$ 37,218,630
Reserve for deposits - account B	<b>41,689,507</b>	37,964,738
Deposits with the Central Bank	<b>4,900,000</b>	8,500,000
Inter-bank clearing fund	<b>2,843,011</b>	2,215,010
Deposits of national treasury account	<b>152,908</b>	258,428
Deposits of overseas branches with foreign Central Banks	<b>641,270</b>	3,011,855
Reserve for deposits - foreign currency	<b>217,385</b>	182,406
Call loans and overdrafts to other banks	<b>46,567,493</b>	115,787,227
Total	<b>\$ 110,372,964</b>	\$ 205,138,294

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, 2010	December 31, 2009
<b>Financial assets for trading purpose</b>		
Short-term bills	\$ 29,728	\$ 29,727
Stocks	456,159	632,859
Bonds	880,022	479,463
Other marketable securities	40,108	325,705
Derivative financial instruments	10,157,797	10,305,507
Valuation adjustment for financial assets for trading purpose - non-derivative instruments	442	63,946
Subtotal	11,564,256	11,837,207
<b>Financial assets designated as at fair value through profit or loss</b>		
Bonds	9,703,646	17,578,675
Valuation adjustment for financial assets designated as at fair value through profit or loss	95,317	337,469
Subtotal	9,798,963	17,916,144
Total	\$ 21,363,219	\$ 29,753,351

For the years ended December 31, 2010 and 2009, 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 \$79,144 and \$2,647,348, respectively.

Financial instruments designated as at fair value through profit or loss are to eliminate or significantly reduce a measurement or recognition inconsistency and to evaluate the performance of assets on a fair value basis.

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

	December 31, 2010		December 31, 2009	
Financial instruments	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
<b>Trading purpose</b>				
Foreign exchange contracts				
(FX swaps and forwards)	\$255,406,319	\$2,957,258	\$151,788,188	\$ 699,521
FX margin trading	3,076,057	380,234	5,233,764	477,917
Non-delivery FX forwards	4,324,133	29,473	4,909,642	25,234
FX options written	24,558,380	-	22,197,383	-
Interest rate swap options written	35,885,000	-	35,965,280	-
Bond options written	-	-	804,400	-
Commodity options written	232,890	-	27,482,004	-
FX options held	25,858,586	1,201,191	22,850,512	594,281
Interest rate swap options held	17,485,000	196,620	17,565,280	137,322
Commodity options held	232,890	99,045	27,482,004	1,404,023
Cross currency swap contracts	44,615,380	155,541	34,118,130	57,295
Interest rate swap contracts	473,398,760	5,039,925	559,675,029	6,797,358
Futures trading	29,500	98,510	258,127	112,556

**(4) Receivables - net**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Spot exchange receivable	<b>\$ 26,763,020</b>	<b>\$ 24,056,726</b>
Acceptances receivable	<b>8,596,541</b>	<b>6,576,253</b>
Interest receivable	<b>3,837,386</b>	<b>4,060,119</b>
Credit card account receivable	<b>3,987,733</b>	<b>3,515,474</b>
Factoring receivable	<b>15,820,076</b>	<b>1,970,102</b>
Income tax refundable	<b>1,330,485</b>	<b>1,067,000</b>
Other receivables	<b>1,582,824</b>	<b>1,104,013</b>
Subtotal	<b>61,918,065</b>	<b>42,349,687</b>
Less: allowance for doubtful accounts	<b>(748,691)</b>	<b>(650,359)</b>
Net amount	<b>\$ 61,169,374</b>	<b>\$ 41,699,328</b>

As of December 31, 2010 and 2009, the Bank's reserves for guarantees, including acceptances receivable and guarantees receivable were \$215,472 and \$300,518, respectively, and such reserves are recorded under "other liabilities".

Please refer to Note 3(26) for details of allowance for doubtful loans as of December 31, 2009, including the provision of other receivables -overdue notes and debt securities.

**(5) Bills discounted and loans - net**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Bills discounted	<b>\$ 7,892,337</b>	<b>\$ 7,765,756</b>
Overdrafts	<b>790,199</b>	<b>1,274,725</b>
Short-term loans	<b>408,424,699</b>	<b>317,132,837</b>
Medium-term loans	<b>332,401,121</b>	<b>311,829,248</b>
Long-term loans	<b>498,574,029</b>	<b>452,879,776</b>
Import-export negotiations	<b>2,366,222</b>	<b>2,364,350</b>
Loans transferred to non-accrual loans	<b>9,809,487</b>	<b>15,150,105</b>
Subtotal	<b>1,260,258,094</b>	<b>1,108,396,797</b>
Less: allowance for doubtful accounts	<b>(11,876,735)</b>	<b>(12,386,513)</b>
Net amount	<b>\$ 1,248,381,359</b>	<b>\$ 1,096,010,284</b>

As of December 31, 2010 and 2009, gains from hedge evaluation on loans were \$186,678 and \$266,665, 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, 2010 and 2009, non-accrual loans and other credit extensions where interest accruals had been ceased were \$9,757,175 and \$15,062,602, respectively. Interest receivable not accrued amounted to \$255,430 and \$347,196, 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, 2010 and 2009.

The Bank's business segment has revalued the allowance for doubtful receivables, remittance purchased, bills discounted, loans and non-accrual loans (including amounts transferred from loans and non-loans) by considering unrecoverable risks for the specific loans and inherent risks for the overall loan portfolio. Movements in allowance for doubtful accounts of doubtful receivables, remittance purchased, bills discounted, loans and non-accrual loans (including amounts transferred from loans and non-loans) for the years ended December 31, 2010 and 2009 were as follows:

	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

	For the year ended December 31, 2009		
	Unrecoverable risks for the specific loans	Inherent risks for the overall loan portfolio	Total
Beginning balance	\$ 8,326,757	\$ 2,747,796	\$ 11,074,553
Provision	7,705,806	2,915,000	10,620,806
Write-off	(7,375,828)	-	(7,375,828)
Foreign exchange translation difference and others	(1,338,112)	1,325,739	(12,373)
Ending balance	\$ 7,318,623	\$ 6,988,535	\$ 14,307,158

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

	December 31, 2010	December 31, 2009
Stocks	\$ 5,143,660	\$ 4,563,498
Bonds	64,401,446	56,089,833
Short-term bills	456,920	455,414
Valuation adjustment for available-for-sale financial assets	6,588,200	3,887,027
Total	\$ 76,590,226	\$ 64,995,772

Please refer to Note 5 for details of available-for-sale financial assets pledged as collateral as of December 31, 2010 and 2009.

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

	December 31, 2010	December 31, 2009
Certificates of deposit purchased	\$ 365,000,000	\$ 378,500,000
Bonds	38,442,839	38,113,796
Preferred stocks of Taiwan High Speed Rail Corporation	2,000,000	2,000,000
Short-term bills	290,388	183,288
Beneficiary securities	396,237	477,906
Others	289,319	638,406
Subtotal	406,418,783	419,913,396
Less: accumulated impairment losses - others	(231,803)	(482,515)
Total	\$ 406,186,980	\$ 419,430,881

Please refer to Note 3(26) for details of accumulated impairment losses.

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

1) Equity investments

	December 31, 2010		December 31, 2009	
Investee company	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
First Commercial Bank (USA)	\$ 2,710,603	100	\$ 1,555,928	100
FCB Leasing Co., Ltd.	620,353	100	622,812	100
First Insurance Agency Co., Ltd.	125,283	100	115,763	100
East Asia Real Estate Management Co., Ltd.	9,798	30	10,784	30
	\$ 3,466,037		\$ 2,305,287	

note: The Board of Directors approved a capital increase of USD\$40,000 thousand in First Commercial Bank (USA) in May, 2010.

- 2) Investment income, unrealized gains and losses for available-for-sale financial assets and cumulative translation adjustments from equity investments accounted for under the equity method for the years ended December 31, 2010 and 2009 were as follows:

	For the years ended December 31,	
	2010	2009
Investment income	\$ 134,805	\$ 21,159
Cumulative translation adjustments	(251,826)	(32,783)
Unrealized gains and losses for available-for-sale financial assets	(3,518)	14,278

- 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 statement of the same period (the Bank expects the effect to be immaterial assuming the financial statement has been audited), was recognized based on the investees' audited financial statements for the years ended December 31, 2010 and 2009.

#### (9) Other financial assets - net

	December 31, 2010	December 31, 2009
Bond investments with no active market	\$ 673,131	\$ 2,011,168
Financial assets carried at cost	2,968,156	2,972,628
Overdue receivables	1,447,147	1,478,114
Remittance purchased	15,249	16,286
Subtotal	5,103,683	6,478,196
Less: allowance for doubtful accounts - overdue receivables	(1,138,682)	(1,270,286)
Net amount	\$ 3,965,001	\$ 5,207,910

- 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 bond investments with no active market, please refer to Note 9 (1) 2) (g).
- 3) The Bank's overdue notes and debts 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, 2010 and 2009 were \$1,192,932 and \$1,324,999, respectively, and the balance for allowance for doubtful loans were \$1,027,306 and \$1,141,649, respectively. The abovementioned overdue notes and debts securities have been included in debts security and prosecution procedures.

#### (10) Property, plant and equipment

	December 31, 2010			
	Cost	Revaluation increments	Accumulated depreciation	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

	December 31, 2009			
	Cost	Revaluation increments	Accumulated depreciation	Book value
Land and improvements	\$ 7,259,537	\$ 9,166,560	(\$ 2,872)	\$ 16,423,225
Buildings	8,880,113	56,806	(3,764,840)	5,172,079
Machinery and equipment	2,683,929	-	(2,223,061)	460,868
Transportation equipment	876,189	-	(689,532)	186,657
Other equipment	1,682,415	-	(1,466,484)	215,931
Leasehold improvements	684,322	-	(544,399)	139,923
Construction in progress and prepayments for equipment	194,981	-	-	194,981
	<u>\$ 22,261,486</u>	<u>\$ 9,223,366</u>	<u>(\$ 8,691,188)</u>	<u>\$ 22,793,664</u>

The Bank revalued its assets in accordance with the relevant regulations. As of December 31, 2010 and 2009, the balances of the revaluation increments (including those for non-operating assets) amounted to \$15,214,530 and \$15,316,142, respectively, and relevant reserve for land revaluation increment tax recorded as other liabilities were \$5,328,443 and \$5,369,272, respectively. The difference was recorded under capital and other stockholders' equity. Please refer to Note 3(25).

There was no interest capitalized on property, plant and equipment purchased for the years ended December 31, 2010 and 2009.

As of December 31, 2010 and 2009, there was no property, plant and equipment pledged as collateral.

#### (11) Other assets - net

	December 31, 2010	December 31, 2009
Non-operating assets		
Cost		
Land	\$ 271,534	\$ 272,591
Buildings	1,315,267	1,362,919
Others	19,613	19,617
Subtotal	<u>1,606,414</u>	<u>1,655,127</u>
Revaluation increments	<u>5,883,497</u>	<u>6,092,776</u>
Total cost and revaluation increments	<u>7,489,911</u>	<u>7,747,903</u>
Less: accumulated depreciation	<u>(501,602)</u>	<u>(497,302)</u>
Net non-operating assets	<u>6,988,309</u>	<u>7,250,601</u>
Other assets		
Foreclosed assets		
Cost	150,215	152,358
Less: accumulated impairment losses	<u>(143,936)</u>	<u>(144,750)</u>
Net foreclosed assets	<u>6,279</u>	<u>7,608</u>
Deferred income tax assets - net	<u>2,342,871</u>	<u>3,939,256</u>
Prepaid income tax	76,220	136,127
Prepayments	1,004,722	599,502
Refundable deposits	781,639	427,960
Others	1,533	1,559
Total	<u>\$ 11,201,573</u>	<u>\$ 12,362,613</u>

Please refer to Note 5 for details of other assets pledged as collateral as of December 31, 2010 and 2009.

**(12) Due to the Central Bank and other banks**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Call loans from other banks	<b>\$ 130,765,413</b>	<b>\$ 141,746,298</b>
Transferred deposits from Chunghwa Post Co., Ltd.	<b>6,885,211</b>	<b>25,666,454</b>
Overdrafts from other banks	<b>2,657,935</b>	<b>1,311,556</b>
Due to other banks	<b>543,393</b>	<b>431,735</b>
Due to the Central Bank	<b>37,714</b>	<b>243,110</b>
Total	<b>\$ 140,889,666</b>	<b>\$ 169,399,153</b>

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

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Derivative financial instruments	<b>\$ 16,490,454</b>	<b>\$ 11,051,027</b>
Financial liabilities designated as at fair value through profit or loss	<b>30,500,000</b>	<b>42,800,000</b>
Valuation adjustment for financial liabilities designated as at fair value through profit or loss	<b>957,433</b>	<b>746,349</b>
Total	<b>\$ 47,947,887</b>	<b>\$ 54,597,376</b>

Financial instruments designated as at fair value through profit or loss are to eliminate or significantly reduce a measurement or recognition inconsistency and to evaluate the performance of liabilities on a fair value basis.

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**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Bonds under repurchase agreements	<b>\$ 7,250,102</b>	<b>\$ 9,682,738</b>

The Bank is obliged to repurchase the above bills and bonds at original sale price plus a mark-up pursuant to the repurchase agreements, and the repurchase agreement amounts for such bonds and bills were \$7,252,368 and \$0, and \$9,683,875 and \$0, respectively, as of December 31, 2010 and 2009.

**(15) Payables**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Spot exchange payable	<b>\$ 26,766,468</b>	<b>\$ 24,064,686</b>
Accounts payable	<b>15,157,574</b>	<b>14,341,109</b>
Bank acceptances	<b>8,961,842</b>	<b>6,798,752</b>
Interest payable	<b>2,307,972</b>	<b>2,327,722</b>
Accrued expenses	<b>2,947,383</b>	<b>2,408,251</b>
Other payables	<b>4,589,746</b>	<b>4,132,431</b>
Total	<b>\$ 60,730,985</b>	<b>\$ 54,072,951</b>

**(16) Deposits and remittances**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Checking deposits	<b>\$ 36,937,219</b>	<b>\$ 33,517,092</b>
Demand deposits	<b>370,122,055</b>	<b>327,298,792</b>
Time deposits	<b>329,388,295</b>	<b>332,214,177</b>
Negotiable certificates of deposit	<b>9,692,600</b>	<b>11,285,600</b>
Savings deposits	<b>859,487,341</b>	<b>813,306,031</b>
Outward remittances	<b>32,138</b>	<b>38,880</b>
Inward remittances	<b>1,588,154</b>	<b>2,288,114</b>
Total	<b>\$ 1,607,247,802</b>	<b>\$ 1,519,948,686</b>

## (17) Financial bonds payable

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

<b>First to Ninth Issues, 2003</b>	
Issue date	January 20, February 25, May 2, September 10, October 27, and November 13, 2003
Issue amount	NT\$24.8 billion dollars (NT\$21.6 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
<b>First Issue, 2004</b>	
Issue date	May 25, 2004
Issue amount	NT\$4 billion dollars
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
<b>First to Third Issues, 2006</b>	
Issue date	April 24, July 27 and December 4, 2006
Issue amount	NT\$14 billion dollars
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

	<b>First to Third Issues, 2007</b>
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. 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.
Interest and repayment terms	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
	<b>First to Third Issues, 2008</b>
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. 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.
Interest and repayment terms	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
	<b>First to Third Issues, 2010</b>
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

As of December 31, 2010 and 2009, interest rates of the above financial bonds ranged from 0% to 4.751% and 0% to 4.718%, respectively.

As of December 31, 2010 and 2009, the outstanding balances of the above mentioned financial bonds amounted to \$51.9 billion and \$56.2 billion New Taiwan dollars, respectively. In addition, among the above financial bonds, interest rate risk associated with 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 as well as the senior financial bonds with face value of \$19.5 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 \$638,592 and \$669,387 for the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, the balances of the pension fund deposited in the Bank of Taiwan were \$5,004,636 and \$4,626,398, respectively.

2) Actuarial assumptions are listed below:

	2010	2009
Discount rate	2.00%	2.50%
Rate of increase in salaries	1.50%	1.50%
Expected rate of return on plan assets	2.00%	2.50%

3) Funded status of the pension plan:

	December 31, 2010	December 31, 2009
Benefit obligation		
Vested benefit obligation	\$ 5,286,752	\$ 4,424,296
Non-vested benefit obligation	1,615,241	1,643,869
Accumulated benefit obligation	6,901,993	6,068,165
Effect of future salary increments	1,359,625	1,203,228
Projected benefit obligation	8,261,618	7,271,393
Fair value of plan assets	(5,037,196)	(4,656,235)
Funded status	3,224,422	2,615,158
Unrecognized gain on plan assets	(1,411,536)	(815,239)
Additional accrued pension liabilities	51,911	-
Accrued pension liabilities	\$ 1,864,797	\$ 1,799,919
Vested benefit	\$ 6,358,883	\$ 5,524,449

4) Net pension costs:

	For the years ended December 31,	
	2010	2009
Service cost	\$ 574,800	\$ 577,621
Interest cost	179,499	165,220
Expected return on plan assets	(120,405)	(112,539)
Amortization	4,699	-
Net pension costs	\$ 638,593	\$ 630,302

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 based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The pension can be received 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, 2010 and 2009 were \$91,332 and \$86,263, respectively.

**(19) Other financial liabilities**

	<b>December 31, 2010</b>	December 31, 2009
Appropriated loan fund	<b>\$ 165,865</b>	\$ 219,193
Derivative financial liabilities for hedging	<b>186,678</b>	266,665
Total	<b>\$ 352,543</b>	\$ 485,858

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.

Hedged item	Designated hedging instruments		
	Designated hedging instruments	Fair value	Fair value
		<b>December 31, 2010</b>	December 31, 2009
Fixed-rate loans	Interest rate swap contracts	<b>(\$186,678)</b>	(\$266,665)

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

	December 31, 2010		December 31, 2009	
	Contract amount (Notional principal)	Credit Risk	Contract amount (Notional principal)	Credit Risk
Derivative financial instruments				
Non-trading purpose				
Interest rate swap contracts	<b>\$ 1,583,169</b>	\$ -	\$ 2,312,170	\$ -

**(20) Other liabilities**

	<b>December 31, 2010</b>	December 31, 2009
Reserve for land revaluation increment tax	<b>\$ 5,328,443</b>	\$ 5,369,272
Guarantee deposits received	<b>1,052,664</b>	943,773
Collections in advance	<b>894,904</b>	728,906
Reserve for losses on guarantees	<b>215,472</b>	300,518
Reserve for securities trading losses	<b>200,000</b>	200,000
Others	<b>455,335</b>	20,060
Total	<b>\$ 8,146,818</b>	\$ 7,562,529

**(21) Common stock**

As of January 1, 2009, the authorized and issued capital stocks were both \$48,290,000. Total issued and outstanding shares were both 4,829,000 thousand shares with a par value of \$10 New Taiwan dollars per share.

In order to strengthen the Bank's capital structure and increase capital adequacy ratio, the shareholders' meeting (as resolved by the Board of Directors' meeting) approved to raise capital by \$3,000,000 and on June 26, 2009 the resolution was adopted to issue 120,000 thousand shares at a premium price of NT\$25 per share (face value is at NT\$10 per share) via private placement effective August 26, 2009. Following the capital increase, total issued capital amounted to \$49,490,000. 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-Zhi No.09800336190 of the FSC. As of December 31, 2010 and 2009, the authorized and issued capital stocks were both \$49,490,000. Total issued and outstanding shares were both 4,949,000 thousand shares with a par value of \$10 New Taiwan dollars per share.

**(22) Additional paid-in capital**

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

The Company Law requires that additional paid-in capital, resulting from price received in excess of par value of the issuance of capital stock and donation income received, should be only used to recover losses or to increase the capital stock of the Bank subject to a maximum limit of 10% of the issued capital stock per year while the Bank has no accumulated deficit.

### (23) Legal reserve

According to the Company Law, legal reserve can be only used to recover accumulated deficits or to increase capital stock and shall not be used for any other purposes. Legal reserve can be used to increase capital stock if the balance of the legal reserve has reached fifty percent of the issued capital stock, but only half of the legal reserve can be capitalized.

### (24) 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 function is in an acting capacity of shareholders' meeting.)

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 2009 and 2008 had been approved at the shareholders' meeting on June 25, 2010 and April 3, 2009, respectively. Details of the appropriation of earnings for 2009 and 2008 are summarized as below:

	Appropriation of earnings		Earnings per share (in dollars)	
	2009	2008	2009	2008
Legal reserve	\$ 616,097	\$ 2,689,537	\$ -	\$ -
Cash dividends on common stock	1,437,561	6,275,586	0.29	1.30
	\$ 2,053,658	\$ 8,965,123	\$ 0.29	\$ 1.30

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

5) Estimated employees' bonus totaling \$349,000 was recognized as operating expense in 2010. 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 \$70,440 for the year ended December 31, 2009.

### (25) Other stockholders' equity

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 liabilities - reserve for land revaluation increment tax and other stockholders' equity - unrealized revaluation increments accounts and recognize the disposal gain or loss.

### (26) Asset impairment losses

	For the years ended December 31,	
	2010	2009
Receivables	\$ -	\$ 66,016
Held-to-maturity financial assets	89,997	95,671
Other financial assets	-	8,922
Recovery gain on foreclosed assets	(812)	-
Total	\$ 89,185	\$ 170,609

The Bank's investment in Turanalem Finance BV, recognized as receivables - overdue notes and debts securities, amounted to about USD\$3,000 thousand. An impairment loss of \$66,016 was recognized in 2009 and was settled in 2010.

The Bank's foreign currency securitized instruments - CDOs under held-to-maturity financial assets amounted to USD\$21,849 thousand, which later decreased rapidly due to the default of partial investments and the downgraded ratings by rating agencies as a result of financial crisis. Under the Bank's assessment, \$95,671 of impairment loss was set aside in 2009. As of December 31, 2009, the accumulative provision for impairment loss was \$482,515. An additional impairment loss of \$89,997 was provided and \$340,709 was written off in 2010. Accumulative impairment loss was \$231,803 as of December 31, 2010. (Please refer to Note 3(7) for amount of accumulated impairment losses.)

**(27) Other non-interest income or losses**

	For the years ended December 31,	
	2010	2009
Profit from financial assets carried at cost	\$ 94,747	\$ 142,542
Net rental income	238,805	245,203
Gain from selling property and equipment	244,687	315,170
Net other income or losses	(552,902)	(458,206)
Total	\$ 25,337	\$ 244,709

**(28) Personnel, depreciation, and amortization expenses**

Personnel, depreciation, and amortization expenses incurred for the years ended December 31, 2010 and 2009 are summarized as follows:

	For the years ended December 31,	
	2010	2009
Personnel expenses	\$ 9,459,850	\$ 9,073,472
Salaries	7,863,490	7,718,807
Employees' bonus	349,000	109,000
Labor and health insurance expense	360,594	348,850
Pension expense (including overseas branches)	738,899	764,227
Others	147,867	132,588
Depreciation	620,545	707,993
Amortization	211,031	262,555

**(29) Income tax**

1) The details of income tax expense (benefit) are as follows:

	For the years ended December 31,	
	2010	2009
Net changes in deferred income tax assets	\$ 1,596,385	(\$ 525,075)
Income tax payable	197,069	97,284
Income tax expense - foreign branches and adjustment for under provision of prior years' income tax expense	68,269	384,021
Income taxes levied separately	20	5,342
Income tax expense (benefit)	\$ 1,861,743	(\$ 38,428)

2) Deferred income tax assets - net

As of December 31, 2010 and 2009, the income tax effects of temporary differences that gave rise to the deferred tax assets or liabilities are as follows:

	December 31, 2010		December 31, 2009	
	Amount	Income tax effects	Amount	Income tax effects
Temporary differences				
Allowance for doubtful accounts in excess of tax limits	\$ 2,383,987	\$ 405,278	\$ 2,383,987	\$ 476,797
Allowance for impairment losses of foreclosed assets	143,936	24,469	144,750	28,950
Loss carry forwards	9,575,894	1,627,902	14,065,936	2,813,187
Pension expense in excess of tax law limits	1,227,114	208,609	1,255,522	251,104
Others	(1,855,964)	(315,514)	191,992	38,400
	<u>\$ 11,474,967</u>	<u>1,950,744</u>	<u>\$ 18,042,187</u>	<u>3,608,438</u>
Investment tax credits		-		5,635
Overseas branches		524,885		671,820
Deferred income tax assets		2,475,629		4,285,893
Allowance for deferred income tax assets		(132,758)		(346,637)
Deferred income tax assets - net		<u>\$ 2,342,871</u>		<u>\$ 3,939,256</u>

3) As of December 31, 2010, losses available to be carried forward were as follows:

Year of losses	Unused amount	Year of expiration	Assessed by tax authorities
2003	\$ 9,575,894	2013	Assessed

4) Imputation credit account for shareholders and its related information

	December 31, 2010	December 31, 2009
Balances of imputation credit account for shareholders	\$ 152,505	\$ 88,686
Estimated imputation credit ratio for earnings distribution	1.58%	1.67%

5) The balances of unappropriated earnings are as follows:

	December 31, 2010	December 31, 2009
Unappropriated earnings generated after January 1, 1998	\$ 9,599,828	\$ 5,314,482

6) The tax authorities had assessed the Bank's income tax returns through 2005. However, the Bank disagreed with the assessments and filed for administrative remedy according to the laws and regulations.

(30) Earnings per common share

	For the years ended December 31,			
	2010		2009	
	Before tax	After tax	Before tax	After tax
Net income from continuing operations	\$ 8,200,747	\$ 6,339,004	\$ 2,015,230	\$ 2,053,658
Net income	\$ 8,200,747	\$ 6,339,004	\$ 2,015,230	\$ 2,053,658
<b>Earnings per share (in NT dollars)</b>				
Weighted-average outstanding common shares (in thousand shares)	4,949,000	4,949,000	4,871,082	4,871,082
Net income from continuing operations	\$ 1.66	\$ 1.28	\$ 0.41	\$ 0.42
Earnings per share (in NT dollars)	\$ 1.66	\$ 1.28	\$ 0.41	\$ 0.42

(31) 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 10.36% and 11.01% as of December 31, 2010 and 2009, respectively.

#### 4. Related Party Transactions

##### (1) Details of related parties

Name of related parties	Nature of relationship
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
14 people including Ching-Nain Tsai, etc.	Representatives of the Bank's directors
4 people including Yung-Sun Wu, etc.	Representatives of the Bank's supervisors
245 people including Tzuoo-Yau Lin, etc.	The Bank's managers
29 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

note: On July 1, 2010, Mr. Ching-Nain Tsai was assigned the position of Chairman by FFHC.

##### (2) Related party transactions and balances

###### 1) Due from other banks

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
		<u>\$ -</u>	<u>\$ 228</u>	

As of and for the year ended December 31, 2009				
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Bank of Taiwan	\$ 8,000,000	\$ -	\$ 666	0.096~0.500
First Commercial Bank (USA)	16,439	-	1	0.350~0.400
		<u>\$ -</u>	<u>\$ 667</u>	

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, 2010				
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	\$ 8,100,000	\$ -	\$ 139	0.105~0.250

	As of and for the year ended December 31, 2009			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	\$ 2,000,000	\$ -	\$ 49	0.098~0.100

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

### 3) Deposits

	December 31, 2010		December 31, 2009	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
FFHC	\$ 8,230,206	0.51	\$ 2,830,919	0.19
FALI	743,822	0.05	1,205,949	0.08
FVC	198,968	0.01	304,789	0.02
FIA	105,656	0.01	98,575	0.01
FSIT	37,539	-	50,028	-
Others (note)	1,267,671	0.08	1,071,789	0.07
	<b>\$ 10,583,862</b>	<b>0.66</b>	<b>\$ 5,562,049</b>	<b>0.37</b>

The interest expenses paid to related parties above were \$9,815 and \$5,193 for the years ended December 31, 2010 and 2009, 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, 2010		December 31, 2009	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
First Commercial Bank (USA)	\$ 11,017	0.14	\$ 191,127	7.09
Bank of Taiwan	132,156	1.63	203,273	7.54
	<b>\$ 143,173</b>	<b>1.77</b>	<b>\$ 394,400</b>	<b>14.63</b>

### 5) Due to banks

	December 31, 2010		December 31, 2009	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
First Commercial Bank (USA)	\$ -	-	\$ 362	0.08

### 6) Loans

	December 31, 2010						
	Number or name of related party (note)	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

December 31, 2009							
	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	24	\$ 10,697	\$ 10,170	\$ 10,170	-	None	None
Residential mortgage loans	95	347,720	328,412	328,412	-	Real estate	None
Other loans	FCBL	2,646,000	1,450,000	1,450,000	-	Notes receivable from customers	None
Other loans (note)	5	3,794	3,440	3,440	-	Certificates of deposit	None

Interest income received from the above related parties was \$17,273 and \$23,521 for the years ended December 31, 2010 and 2009, respectively.

note 1: Numbers are based on the information as of December 31, 2010.

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

December 31, 2009						
	Maximum balance for current period	Ending balance	Reserve for guarantees	Fee rate	Collateral	
FCBL	\$ 2,050,000	\$ 2,050,000	\$ 820	0.50%	Aircrafts	

#### 8) Derivative transactions

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 liabilities - foreign exchange rate	(3,993)

December 31, 2009						
	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 swap contracts	2009/1/23~2010/10/21	\$2,895,840	\$21,841	Valuation adjustment for trading assets - foreign exchange rate	\$21,841

#### 9) Receivables

	December 31, 2010	December 31, 2009
First Financial Holding Co., Ltd. (note)	\$ 1,154,558	\$ 931,634

note: Consolidated income tax return from parent company

10) Commission income and other income

	For the years ended December 31,	
	2010	2009
First Insurance Agency Co., Ltd.	\$ 102,727	\$ 59,781
First Securities Inc.	75,225	67,281
First Securities Investment Trust Co., Ltd.	31,392	21,312
First Financial Holding Co., Ltd.	20,260	20,998
First P&C Insurance Agency Co., Ltd.	19,817	22,413
First-Aviva Life Insurance Co., Ltd.	10,741	3,670
First Capital Management Inc.	7,647	2,099
FCB Leasing Co., Ltd.	4,418	12,165
First Financial Asset Management Co., Ltd.	3,855	4,085
Others	4,982	4,443

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

11) Rent and other expenses

	For the years ended December 31,	
	2010	2009
First Financial Asset Management Co., Ltd.	\$ 120,768	\$ 138,231
First Securities Inc.	52,971	44,175
FCB Leasing Co., Ltd.	10,583	13,809
First Financial Holding Co., Ltd.	7,931	8,529

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

	2010	2009
Salaries	\$ 36,943	\$ 34,378
Bonus	6,046	4,197
Business expenses	12,296	13,234
Earnings distribution	1,034	1,475
Total	\$ 56,319	\$ 53,284

- 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, 2010 and 2009, the collateralized assets are listed below:

	December 31, 2010	December 31, 2009	Pledged Purpose
Available-for-sale financial assets - bonds	\$ 1,919,100	\$ 1,361,800	Guarantees deposited with the court for provisional seizure and trust fund reserves
Refundable deposits	781,639	427,960	Guarantees deposited with the court for provisional seizure and deposits for the building lease
Total	\$ 2,700,739	\$ 1,789,760	

## 6. Commitments and Contingent Liabilities

As of December 31, 2010 and 2009, the Bank has the following commitments and contingent liabilities:

### (1) Major commitments and contingent liabilities

	December 31, 2010	December 31, 2009
Unused loan commitments	\$ 44,885,960	\$ 48,281,000
Unused credit commitments for credit cards	44,582,570	37,905,401
Unused letters of credit issued	38,067,555	33,408,729
Guarantees	50,721,759	36,867,866
Collections receivable for customers	146,595,527	127,394,437
Collections payable for customers	49,599,520	26,688,971
Traveler's checks consignment-in	408,993	510,369
Guaranteed notes payable	30,651,135	21,593,977
Trust assets	620,668,942	644,002,160
Customers' securities under custody	282,266,925	264,528,600
Book-entry for government bonds under management	131,175,550	91,598,250
Depository for short-term marketable securities under management	66,381,562	58,430,282

(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 litigation is being processed 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, 2010, the estimated future lease commitments for the Bank are as follows:

Period	Amount
2011	\$ 481,629
2012	482,703
2013	339,631
2014	202,468
2015 and thereafter	396,138
	<u>\$ 1,902,569</u>

### (4) Others

As of December 31, 2010, the Bank entered into the major construction contracts for reconstruction of Tung Xin building in the amount of \$140,000, \$121,370 of which had been paid and recorded in "construction in progress and prepayments for equipment" account.

According to the joint venture agreement signed between FFHC and Aviva International Holdings Limited, the Bank and First-Aviva Life Insurance Co., Ltd. entered into an exclusive distribution agreement on January 2, 2008.

## 7. Significant Losses from Disasters: None.

## 8. Significant Subsequent Events:

According to Jin-Guan-Yin Kong-Zhi 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.) Ltd. The record date of capital increase was January 20, 2011.

## 9. Others

### (1) Disclosure of financial instruments

#### 1) Fair value of financial instruments

	December 31, 2010		December 31, 2009	
	Book value	Fair value	Book value	Fair value
<b>Non-derivative financial instruments</b>				
<b>Assets</b>				
Financial assets with book value equal to fair value	\$ 198,364,397	\$ 198,364,397	\$ 268,194,126	\$ 268,194,126
Financial assets at fair value through profit or loss	11,205,422	11,205,422	19,447,844	19,447,844
Bills discounted and loans	1,248,381,359	1,248,381,359	1,096,010,284	1,096,010,284
Available-for-sale financial assets	76,590,226	76,590,226	64,995,772	64,995,772
Held-to-maturity financial assets	406,186,980	406,081,708	419,430,881	420,006,449
Other financial assets - bond investments with no active market	673,131	622,629	2,011,168	1,869,869
<b>Liabilities</b>				
Financial liabilities with book value equal to fair value	210,025,100	210,025,100	234,170,911	234,170,911
Financial liabilities at fair value through profit or loss	31,457,433	31,457,433	43,546,349	43,546,349
Deposits and remittances	1,607,247,802	1,607,247,802	1,519,948,686	1,519,948,686
Financial bonds payable	21,400,000	21,400,000	13,400,000	13,400,000
<b>Derivative financial instruments</b>				
<b>Assets</b>				
Non-hedge				
FX contracts (swaps and forwards)	\$ 2,957,258	\$ 2,957,258	\$ 699,521	\$ 699,521
FX margin trading	380,234	380,234	477,917	477,917
Non-delivery forwards	29,473	29,473	25,234	25,234
FX options held	1,201,191	1,201,191	594,281	594,281
Interest rate swap options held	196,620	196,620	137,322	137,322
Commodity options held	99,045	99,045	1,404,023	1,404,023
Cross currency swap contracts (excluding the notional principal)	155,541	155,541	57,295	57,295
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	5,039,925	5,039,925	6,797,358	6,797,358
Futures trading	98,510	98,510	112,556	112,556
<b>Liabilities</b>				
Non-hedge				
FX contracts	6,832,387	6,832,387	1,255,496	1,255,496
FX margin trading	410	410	2,057	2,057
Non-delivery forwards	55,818	55,818	30,109	30,109
FX options written	1,100,700	1,100,700	520,672	520,672
Interest rate swap options written	341,974	341,974	261,340	261,340
Bond options written	-	-	5,472	5,472
Commodity options written	99,078	99,078	1,404,023	1,404,023
Cross currency swap contracts (excluding the notional principal)	3,634,753	3,634,753	1,157,575	1,157,575
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	4,425,334	4,425,334	6,414,283	6,414,283
Hedge				
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	186,678	186,678	266,665	266,665

- 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 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 fair value with respect to these financial assets is not disclosed.

3) 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:

Non-derivative financial instruments	Quoted market price		Amount by a valuation technique	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Assets</b>				
Financial assets with book value equal to fair value	\$ -	\$ -	\$ 198,364,397	\$ 268,194,126
Financial assets at fair value through profit or loss	2,321,783	3,840,713	8,883,639	15,607,131
Bills discounted and loans	-	-	1,248,381,359	1,096,010,284
Available-for-sale financial assets	23,201,365	23,432,425	53,388,861	41,563,347
Held-to-maturity financial assets	1,275,977	1,460,266	404,805,731	418,546,183
Other financial assets - bond investments with no active market	-	-	622,629	1,869,869
<b>Liabilities</b>				
Financial liabilities with book value equal to fair value	-	-	210,025,100	234,170,911
Financial liabilities at fair value through profit or loss	-	-	31,457,433	43,546,349
Deposits and remittances	-	-	1,607,247,802	1,519,948,686
Financial bonds payable	-	-	21,400,000	13,400,000
<b>Derivative financial instruments</b>				
<b>Assets</b>				
Non-hedge				
FX contracts (swaps and forwards)	\$ -	\$ -	\$ 2,957,258	\$ 699,521
FX margin trading	-	-	380,234	477,917
Non-delivery forwards	-	-	29,473	25,234
FX options held	-	-	1,201,191	594,281
Interest rate swap options held	-	-	196,620	137,322
Commodity options held	-	-	99,045	1,404,023
Cross currency swap contracts (excluding the notional principal)	-	-	155,541	57,295
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-	5,039,925	6,797,358
Futures trading	98,510	112,556	-	-
<b>Liabilities</b>				
Non-hedge				
FX contracts	-	-	6,832,387	1,255,496
FX margin trading	-	-	410	2,057
Non-delivery forwards	-	-	55,818	30,109
FX options written	-	-	1,100,700	520,672
Interest rate swap options written	-	-	341,974	261,340
Bond options written	-	-	-	5,472
Commodity options written	-	-	99,078	1,404,023
Cross currency swap contracts (excluding the notional principal)	-	-	3,634,753	1,157,575
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-	4,425,334	6,414,283
Hedge				
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-	186,678	266,665

- 4) The Bank has recognized \$1,456,003 and \$76,770 of current net gain and loss on changes in fair value arising from valuation techniques for the years ended December 31, 2010 and 2009, respectively.
- 5) As of December 31, 2010 and 2009, the Bank has financial assets with fair value risk arising from interest rate changes amounting to \$68,782,921 and \$65,253,411, respectively.
- 6) As of December 31, 2010 and 2009, the Bank has financial assets with cash flow risk arising from interest rate changes amounting to \$6,645,429 and \$9,734,380, respectively.
- 7) For the years ended December 31, 2010 and 2009, the Bank has recognized interest income from the financial assets or financial liabilities not at fair value through profit or loss amounting to \$28,156,723 and \$28,867,354, respectively. For the years ended December 31, 2010 and 2009, the Bank has recognized interest expenses from the financial assets or financial liabilities not at fair value through profit or loss amounting to \$9,977,535 and \$12,856,594, 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 \$6,595,295 and \$3,897,639, respectively, and the amount of the gain on fair value change reclassified from the stockholders' equity into the statement of income was \$761,515 and \$448,013 for the years ended December 31, 2010 and 2009, respectively.

8) 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.

9) Financial 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, 2010	December 31, 2009
Interest rate risk	\$ 1,128,755	\$ 1,084,096
Equity position risk	316,491	427,988
Foreign exchange risk	38,835	36,390

(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, 2010	
	Book value	Maximum credit exposure
<b>Financial instruments</b>		
<b>Non-derivative financial instruments</b>		
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
<b>Derivative financial instruments</b>		
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.

	December 31, 2009	
	Book value	Maximum credit exposure
Financial instruments		
<b>Non-derivative financial instruments</b>		
Financial assets held for trading purpose		
Bonds	\$ 478,915	\$ 478,915
Short-term bills	29,786	29,786
Other marketable securities	329,553	329,553
Financial assets designated for trading purpose		
Bonds	17,916,144	17,916,144
Bills discounted and loans	1,096,010,284	1,096,010,284
Available-for-sale financial assets		
Bonds	56,098,070	56,098,070
Short-term bills	449,475	449,475
Held-to-maturity financial assets	419,430,881	419,430,881
Bond investments with no active market		
Bonds	1,723,815	1,723,815
Beneficiary securities	287,353	287,353
<b>Derivative financial instruments</b>		
Non-hedging purpose		
FX contracts (swaps and forwards)	699,521	699,521
FX margin trading	477,917	477,917
Non-delivery forwards	25,234	25,234
FX options held	594,281	594,281
Interest rate swap options held	137,322	137,322
Commodity options held	1,404,023	1,404,023
Cross currency swap contracts (excluding the notional principal)	57,295	57,295
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	6,797,358	6,797,358
Futures trading	112,556	112,556
Unused letters of credit issued and guarantees	-	70,276,595

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, 2010	
	Book value	Maximum credit exposure
<b>Loans by industries</b>		
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	<u>\$ 1,260,258,094</u>	<u>\$ 1,260,258,094</u>
<b>Loans by regions</b>		
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	<u>\$ 1,260,258,094</u>	<u>\$ 1,260,258,094</u>

	December 31, 2009	
	Book value	Maximum credit exposure
<b>Loans by industries</b>		
Private enterprises	\$ 492,281,833	\$ 492,281,833
Private individual	368,614,642	368,614,642
Offshore entities	142,681,095	142,681,095
Government institutions	58,599,839	58,599,839
State-owned enterprises	33,911,943	33,911,943
Social insurance and pension	8,800,000	8,800,000
Non-profit organizations	3,487,445	3,487,445
Securities finance companies	20,000	20,000
Total	<u>\$ 1,108,396,797</u>	<u>\$ 1,108,396,797</u>
<b>Loans by regions</b>		
Asia	\$ 1,041,078,557	\$ 1,041,078,557
Europe	13,858,167	13,858,167
North America	49,812,036	49,812,036
Central America	144,218	144,218
Oceania	3,503,819	3,503,819
Total	<u>\$ 1,108,396,797</u>	<u>\$ 1,108,396,797</u>

(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 32.52%. 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, 2010 and 2009, the effective interest rates of main currencies for financial instruments held or issued by the Bank are as follows:

Financial instruments	December 31, 2010							
	NTD	USD	GBP	HKD	SGD	CAD	EUR	AUD
Available-for-sale financial assets								
Government bonds	1.37%	3.25%	4.38%	0.55%	-	-	-	-
Financial bonds	-	1.15%	-	-	-	1.66%	1.27%	5.79%
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%	-	-	-	-	-	-

Financial instruments	December 31, 2009							
	NTD	USD	GBP	SGD	CAD	JPY	EUR	AUD
Available-for-sale financial assets								
Government bonds	1.68%	3.26%	4.32%	-	-	-	-	-
Financial bonds	-	1.19%	-	-	0.88%	1.05%	1.05%	4.63%
Corporate bonds	1.80%	0.96%	-	-	-	-	-	-
Short-term bills	-	-	-	-	0.93%	-	-	-
Held-to-maturity financial assets								
Government bonds	1.18%	1.60%	-	-	-	-	-	-
Financial bonds	2.53%	0.66%	-	-	-	-	1.28%	4.90%
Corporate bonds	2.07%	0.25%	-	-	-	-	-	-
Short-term bills	-	-	-	0.54%	-	-	-	-
Loans and advances								
Short-term loans	1.84%	3.02%	-	-	-	-	-	-
Mid-term loans	1.73%	2.29%	-	-	-	-	-	-
Long-term loans	1.91%	2.96%	-	-	-	-	-	-
Financial bonds payable	2.30%	-	-	-	-	-	-	-
Deposits	0.73%	0.69%	-	-	-	-	-	-

10) Major financial assets and liabilities denominated in foreign currency

Unit: In thousands of foreign currency/NTD

		December 31, 2010			December 31, 2009		
	Currency	Amount	FX rate	NTD	Amount	FX rate	NTD
Financial assets							
Monetary items	USD	10,500,055	29.5000	309,751,623	9,589,843	32.1760	308,562,788
	JPY	140,123,636	0.3622	50,752,781	101,379,303	0.3480	35,279,997
	GBP	798,009	45.5510	36,350,108	652,352	51.7358	33,749,953
	AUD	796,518	30.0281	23,917,922	775,392	28.8715	22,386,730
	EUR	427,761	39.2468	16,788,250	544,112	46.2305	25,154,570
	HKD	3,995,923	3.7900	15,144,548	2,743,839	4.1490	11,384,188
	CAD	304,997	29.5118	9,001,010	277,178	30.5856	8,477,655
	NZD	223,549	22.7593	5,087,819	512,413	23.3437	11,961,615
	SGD	216,427	22.8718	4,950,075	229,468	22.9239	5,260,301
	CNY	219,553	4.4664	980,612	23,066	4.7129	108,708
Non-monetary items	USD	28,277	29.5000	834,172	19,932	32.1760	641,332
	JPY	114,367	0.3622	41,424	93,644	0.3480	32,588
	GBP	71	45.5510	3,234	217	51.7358	11,227
	AUD	116	30.0281	3,483	395	28.8715	11,404
	EUR	538	39.2468	21,114	397	46.2305	18,354
	HKD	7	3.7900	27	-	4.1490	-
	CAD	4	29.5118	118	-	30.5856	-
	NZD	56	22.7593	1,275	117	23.3437	2,731
	SGD	3	22.8718	69	689	22.9239	15,795
	Equity investments accounted for under the equity method	USD	91,885	29.5000	2,710,608	48,396	32.1760
Financial liabilities							
Monetary items	USD	13,339,770	29.5000	393,523,215	11,819,418	32.1760	380,301,594
	JPY	120,033,627	0.3622	43,476,180	103,745,069	0.3480	36,103,284
	GBP	923,524	45.5510	42,067,442	652,415	51.7358	33,753,212
	AUD	665,280	30.0281	19,977,094	706,059	28.8715	20,384,982
	EUR	529,671	39.2468	20,787,892	530,412	46.2305	24,521,212
	HKD	3,250,435	3.7900	12,319,149	2,215,948	4.1490	9,193,968
	CAD	322,538	29.5118	9,518,677	262,010	30.5856	8,013,733
	NZD	638,229	22.7593	14,525,645	546,798	23.3437	12,764,288
	SGD	68,608	22.8718	1,569,188	80,029	22.9239	1,834,577
	CNY	190,321	4.4664	850,050	2	4.7129	9
	Non-monetary items	USD	9,609	29.5000	283,466	32,082	32.1760
JPY		51,722	0.3622	18,734	25,508	0.3480	8,877
GBP		-	45.5510	-	33	51.7358	1,707
AUD		18	30.0281	541	315	28.8715	9,095
EUR		-	39.2468	-	116	46.2305	5,363
CAD		-	29.5118	-	31	30.5856	948
NZD		3	22.7593	68	121	23.3437	2,825
SGD		1,793	22.8718	41,009	229	22.9239	5,250

note: The information disclosed is based on the top 10 financial assets and financial liabilities 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, 2010					
	NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Corporate banking</b>					
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
<b>Consumer banking</b>					
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
<b>Others</b>					
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 (%)
<b>Credit card business</b>	7,719	3,987,733	0.19	51,462	666.69
<b>Factoring without recourse</b>	-	15,820,076	-	6,328	-
December 31, 2009					
	NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Corporate banking</b>					
Secured loans	5,211,477	310,833,291	1.68	4,148,375	79.60
Unsecured loans	5,771,773	465,201,727	1.24	5,771,773	100.00
<b>Consumer banking</b>					
Residential mortgage loans	3,437,861	325,395,361	1.06	2,274,375	66.16
Cash cards	57	53,047	0.11	535	938.60
Small amount credit loans	163,424	3,314,328	4.93	163,424	100.00
<b>Others</b>					
Secured loans	10,271	3,218,871	0.32	7,736	75.32
Unsecured loans	20,296	380,172	5.34	20,295	100.00
Gross loan business	14,615,159	1,108,396,797	1.32	12,386,513	84.75
	NPLs	Balance of accounts receivable	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Credit card business</b>	3,373	3,515,475	0.10	10,529	312.16
<b>Factoring without recourse</b>	-	1,970,103	-	788	-

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

	December 31, 2010		December 31, 2009	
	NPLs	Overdue receivables	NPLs	Overdue receivables
Performance in accordance with debt negotiation	19,258	152,522	26,511	193,571
Performance in accordance with debt repayment schedule and restructuring plan	32,943	100,700	31,842	82,178
Total	52,201	253,222	58,353	275,749

3) Profile of concentration of credit risk and credit extensions

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

December 31, 2009			
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	30,893,488	35.85
2	Civil air transportation	13,625,016	15.81
3	Liquid crystal panel and components manufacturing	13,528,050	15.70
4	Liquid crystal panel and components manufacturing	12,175,625	14.13
5	Iron and steel smelting	10,111,672	11.73
6	Yarn spinning mills, cotton	9,820,090	11.39
7	Civil air transportation	8,837,453	10.25
8	Integrated circuits manufacturing	6,416,960	7.45
9	Private finance	5,964,064	6.92
10	Civil air transportation	5,937,589	6.89

note: The top ten enterprise groups listed are ranked by their total outstanding loan amount other than government and government enterprises.

4) Sensitivity analysis of interest rate for assets and liabilities

(a) 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.

(b) 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, OBU and overseas branches, excluding contingent assets and contingent liabilities.

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

	December 31, 2009				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,225,427,000	69,035,000	44,269,000	82,008,000	1,420,739,000
Interest-rate-sensitive liabilities	447,217,000	708,594,000	106,372,000	7,663,000	1,269,846,000
Interest-rate-sensitive gap	778,210,000	(639,559,000)	(62,103,000)	74,345,000	150,893,000
Total stockholders' equity					89,912,889
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					111.88
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					167.82

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, 2009				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	6,769,148	1,520,382	759,019	480,316	9,528,865
Interest-rate-sensitive liabilities	4,069,810	3,903,263	1,327,427	50,000	9,350,500
Interest-rate-sensitive gap	2,699,338	(2,382,881)	(568,408)	430,316	178,365
Total stockholders' equity					2,794,409
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					101.91
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					6.38

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

## 5) Profitability

		For the years ended December 31,	
		2010	2009
Return on total assets (%)	Before tax	0.42	0.11
	After tax	0.32	0.11
Return on stockholders' equity (%)	Before tax	8.83	2.25
	After tax	6.82	2.29
Net profit margin ratio (%)		22.78	7.77

## 6) Structure analysis of time to maturity

### (a) Structure analysis of NTD time to maturity

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)

December 31, 2009						
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	1,589,999,000	483,666,000	197,164,000	119,827,000	139,395,000	649,947,000
Primary funds outflow upon maturity	1,790,333,000	207,966,000	193,223,000	157,198,000	277,472,000	954,474,000
Gap	(200,334,000)	275,700,000	3,941,000	(37,371,000)	(138,077,000)	(304,527,000)

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, 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)

December 31, 2009						
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	10,230,221	4,047,342	2,851,908	1,311,480	595,750	1,423,741
Primary funds outflow upon maturity	10,148,679	3,491,243	2,215,520	1,294,331	1,793,307	1,354,278
Gap	81,542	556,099	636,388	17,149	(1,197,557)	69,463

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

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

	2010	
	Average value	Average rate of return (%)
<b>Interest-earning assets</b>		
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
<b>Interest-bearing liabilities</b>		
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	1,514,547,441	0.52
Negotiable certificates of deposit	10,191,080	0.57
	2009	
	Average value	Average rate of return (%)
<b>Interest-earning assets</b>		
Due from the Central Bank	\$ 69,768,623	0.30
Due from other banks (note)	102,866,064	1.56
Financial assets at fair value through profit or loss	25,168,095	2.55
Credit card accounts receivable	1,490,920	14.50
Bills discounted and loans	1,100,909,540	1.98
Available-for-sale financial assets	51,026,317	2.05
Held-to-maturity financial assets	334,622,786	0.95
Other financial assets	5,290,449	3.84
<b>Interest-bearing liabilities</b>		
Due to the Central Bank	\$ 198,528	-
Due to other banks	97,407,131	1.16
Funds borrowed from other banks	46,985	0.22
Financial bonds payable	56,413,699	2.30
Bills and bonds payable under repurchase agreements	10,329,137	0.22
Deposits	1,430,407,671	0.72
Negotiable certificates of deposit	11,829,136	1.15

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, 2010		December 31, 2009	
	Foreign Currency (in thousands)	NTD (in thousands)	Foreign Currency (in thousands)	NTD (in thousands)
Net position for major foreign currency transactions (market risk)	CNY	32,094	\$ 143,343	USD \$ 7,616
	USD	3,911	115,377	HKD 27,788
	EUR	1,524	59,793	CNY 19,796
	VND	39,690,393	59,536	VND 20,906,322
	HKD	14,824	56,183	JPY 73,920

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.

note 3: Spot exchange rate of CNY is 4.4664; spot exchange rate of USD is 29.5000.

### (4) Trust assets and liabilities

#### 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
Total	\$ 620,668,941	Accumulated profit or loss	107,726
		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**

<b>Trust revenues</b>	
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	<u>3,799,056</u>
<b>Trust expenses</b>	
Management fee	625
Handling charge (service charge)	615
Realized loss on bonds	24,775
Realized loss on stocks	62
Realized loss on mutual funds	1,901,557
Total trust expenses	<u>1,927,634</u>
Net income before tax (net investment income)	1,871,422
Income tax expense	(20)
Net income after tax	<u>\$ 1,871,402</u>

**Balance Sheet of Trust Accounts**  
**December 31, 2009**

<b>Trust assets</b>		<b>Trust liabilities</b>	
Bank deposits	\$ 3,807,567	Payables - customers' securities	
Bonds	60,517,181	under custody	\$ 324,778,546
Stocks	33,398,672		
Mutual funds	212,623,107		
Beneficiary certificates	380,180		
Real estate	6,992,808		
Net assets under collective management accounts	1,499,053		
Net assets under individual management accounts	5,046		
Customers' securities under custody	324,778,546	Trust capital	319,051,276
Total	<u>\$ 644,002,160</u>	Accumulated profit or loss	172,338
		Total	<u>\$ 644,002,160</u>

**Property List of Trust Accounts**  
**December 31, 2009**

<b>Investment items</b>	<b>Book value</b>
Bank deposits	\$ 3,807,567
Bonds	60,517,181
Stocks	33,398,672
Mutual funds	212,623,107
Beneficiary certificates	380,180
Real estate	6,992,808
Net assets under collective management accounts	1,499,053
Net assets under individual management accounts	5,046
Customers' securities under custody	324,778,546
Total	<u>\$ 644,002,160</u>

Income Statement of Trust Accounts  
For the year ended December 31, 2009

<b>Trust revenues</b>	
Interest income	\$ 28,277
Realized gain on bonds	213,634
Realized gain on stocks	12,060
Realized gain on mutual funds	4,366,633
Total trust revenues	<u>4,620,604</u>
<b>Trust expenses</b>	
Tax expense	97
Realized loss on bonds	57,058
Realized loss on stocks	1,399
Realized loss on mutual funds	4,401,506
Other expenses	508
Total trust expenses	<u>4,460,568</u>
Net income before tax (net investment income)	160,036
Income tax expense	(41)
Net income after tax	<u>\$ 159,995</u>

**(5) Capital adequacy ratio**

	December 31, 2010	December 31, 2009
<b>Capital</b>		
Tier 1 capital	\$ 75,748,734	\$ 75,511,899
Tier 2 capital	36,283,752	36,056,324
Tier 3 capital	-	-
Total eligible capital	<u>\$ 112,032,486</u>	<u>\$ 111,568,223</u>
<b>Risk-weighted assets</b>		
Credit risk		
Standardized approach	1,010,493,348	936,281,166
Internal ratings-based approach	-	-
Securitization	2,753,483	3,678,706
Operational risk		
Basic indicator approach	49,709,415	54,019,849
Standardized approach / alternative standardized approach	-	-
Advanced measurement approach	-	-
Market risk		
Standardized approach	18,551,007	19,355,925
Internal model approach	-	-
Total risk-weighted assets	<u>\$ 1,081,507,253</u>	<u>\$ 1,013,335,646</u>
Capital adequacy ratio	10.36%	11.01%
Tier 1 ratio	7.00%	7.45%
Tier 2 ratio	3.36%	3.56%
Tier 3 ratio	-	-
Ratio of common stock to total assets	2.48%	2.58%
Gearing ratio	3.89%	4.11%

## (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".

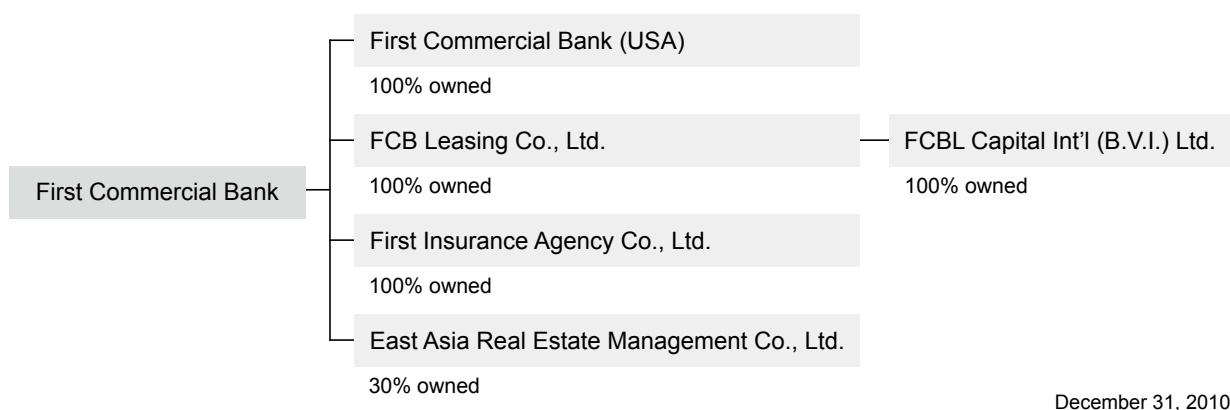
The Bank has entered into separate cooperative promotional or cross-selling marketing contracts with First P&C Insurance Agency Co., Ltd. and First Insurance Agency Co., Ltd. to provide solicitation, introduction and services on specific insurance products. Commission agreements are signed in accordance 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 2009 financial statements have been reclassified to conform to the presentation in the 2010 financial statements.

# FCB Subsidiaries & Affiliates



## Key Figures

As of and for the year ended December 31, 2010

(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	13,315,706	10,605,103	2,710,603	191,843	111,286	21.57
FCB Leasing Co., Ltd.	500,000	6,817,499	6,197,146	620,353	(10,570)	8,079	0.16
FCBL Capital Int'l (B.V.I.) Ltd.	1,620	587,213	506,156	81,057	9,571	9,571	191.43
First Insurance Agency Co., Ltd.	50,000	167,457	42,173	125,284	19,109	16,426	3.29
East Asia Real Estate Management Co., Ltd.	50,000	55,646	22,986	32,660	(3,286)	(3,286)	(0.66)

# 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: FCBKWTWP

## 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

## 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

## 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: FCBKWTWP301

## 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

## 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: FCBKWTWP701

## 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**

143, Cheng Kung Rd., Sec. 3,  
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  
Tel: 886-4-2662-1331

**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**

309, Sung Chiang Rd.,  
Taipei 104, Taiwan  
Tel: 886-2-2501-7171

**Sung-Shan Branch**

760, Pa-Teh Road, Sec. 4,  
Taipei 105, Taiwan  
Tel: 886-2-2767-4111

**Ta-An Branch**

48, Kee Lung Rd., Sec. 2,  
Taipei 110, Taiwan  
Tel: 886-2-2729-8111

**Ta-Chia Branch**

361, Shun Tien Rd., Ta Chia Dist.,  
Taichung 437, Taiwan  
Tel: 886-4-2688-2981

**Taichung Branch**

144, Tzu Yu Rd., Sec. 1, Taichung 403  
P.O.Box 7, Taichung, Taiwan  
Tel: 886-4-2223-3611  
SWIFT: FCBKTWTP401

**Taichung-Science-Park Branch**

6-3, Chung Ko Rd., Ta Ya Dist.,  
Taichung 428, Taiwan  
Tel: 886-4- 2565-9111

**Tainan Branch**

82, Chung Yi Rd., Sec. 2, Tainan 700  
P.O.Box 10, Tainan, Taiwan  
Tel: 886-6-222-4131  
SWIFT: FCBKTWTP601

**Tao-Yuan Branch**

55, Min Tsu Rd., Tao Yuan City,  
Tao Yuan County 330, Taiwan  
Tel: 886-3-332-6111

**Ta-Tao-Cheng Branch**

63, Ti Hua St., Sec. 1,  
Taipei 103, Taiwan  
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-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
▪ Chung-Ho	New Taipei
▪ Lien-Cheng	New Taipei
▪ Dan-Shui	New Taipei
▪ Hsi-Chih	New Taipei
▪ Dan-Feng	New Taipei
▪ Hsin-Chuang	New Taipei
▪ Tou-Chien	New Taipei
▪ Dapinglin	New Taipei
▪ Hsin-Tien	New Taipei
▪ Jui-Fang	New Taipei

Lu-Chou	New Taipei
▪ Hua-Chiang	New Taipei
▪ Jiangzicui	New Taipei
▪ Pan-Chiao	New Taipei
▪ Pu-Chien	New Taipei
▪ Chang-Tai	New Taipei
▪ Chung-Yang	New Taipei
▪ San-Chung-Pu	New Taipei
▪ Shu-Lin	New Taipei
▪ Tai-San	New Taipei
▪ Tu-Cheng	New Taipei
▪ Wu-Ku	New Taipei
▪ Wu-Ku Ind. Zone	New Taipei
▪ Ying-Ko	New Taipei
▪ Shuang-Ho	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
▪ Kao-Ko	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
▪ Chang-Chih	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., Charnvit 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  
MADALAI  
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: 855-23-880396
- **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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