

第一銀行 • First Bank 第一銀行 • First Bank



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## **First Commercial Bank**

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## **Spokesperson**

Mr. Po-Chiao Chou  
Executive Vice President

## **Auditor Report**

PricewaterhouseCoopers  
Tel: 886-2-2729-6666

## **Rating Agency**

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

# Highlights

(in millions)	12.31.2009 NTD	12.31.2008 NTD	12.31.2009 USD
<b>Major financial data at year end</b>			
Total assets	1,921,430	1,765,541	59,716
Bills discounted and loans	1,096,010	1,160,542	34,063
Deposits and remittances	1,519,949	1,384,754	47,239
Common stock	49,490	48,290	1,538
Stockholders' equity	89,913	89,457	2,794
<b>Operating results</b>			
Total revenues	41,547	62,173	1,291
Total expenses	39,532	51,162	1,229
Pre-tax income	2,015	11,011	63
Income tax	39	(2,046)	1
Net income	2,054	8,965	64
<b>Capital adequacy ratio</b>	11.01%	10.88%	
<b>World rank</b>			
The Banker - by tier 1 capital (12/08)	269	248	
The Banker - by total assets (12/08)	204	203	
<b>Distribution network</b>			
Domestic full/mini/sub-branches	187/3/2	187/3/2	
Overseas branches/sub-branches/rep. offices/OBU	14/2/3/1	13/1/3/1	
First Commercial Bank (USA)	1 main office and 7 branches	1 main office and 6 branches	
<b>Number of employees</b>	7,038	7,156	

\*NT\$32.176: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"

# Message to Our Shareholders

## **Overview of Global Financial Industry**

### **Business Report for 2009**

In the first half of 2009, the world continued to suffer from the impact of the financial tsunami and economies fell into severe recession. Asset prices collapsed everywhere, companies laid off massive numbers of workers, consumption and investment contracted together, and imports and exports plummeted. Governments adopted loose monetary and fiscal policies one after another in an attempt to halt the continuing economic slide. As the economic stimulus measures gradually took hold, the rate of the decline moderated, and the economy of mainland China led the world in showing signs of recovery. In the second half of the year, the global economy began to emerge from the shadows of the financial tsunami and the economic slump, but the overall momentum for recovery remained weak.

In Taiwan, the drastic decline in external demand did grave damage to export performance; this was the main cause of Taiwan's economic decline in 2009, and it led to such problems as sharply reduced private investment and spiraling unemployment. The devastation caused by Typhoon Morakot in August had an impact on some agricultural, industrial, and service activities; however, with the upturn in global demand, the initiation of post-typhoon reconstruction work, the government's stimulus policies, and the enlivening of the stock market, Taiwan's economy entered a steady recovery. Under this environment, the total amounts of loans and investments outstanding by major financial institutions at the end of 2009 showed a growth of 0.75% over a year earlier and the NPL ratio in local banks, thanks to their strenuous efforts to improve asset quality, declined from 1.54% at the end of 2008 to just 1.15% at the end of 2009 while NPL coverage ratio rose from 69.48% to 90.50%.

As for the interest rates, Taiwan's Central Bank responded to the poor economic conditions by lowering the rediscount rate seven times for a total of 2.375% from September 2008 to February 2009, bringing it finally to 1.25% and causing the overnight call rate for financial institutions to slip to a new low of 0.1%. Thereafter, with the domestic economy remaining to be rallied and no substantial rise in commodity prices, the Central Bank continued holding to its loose monetary policy in the hope that the low-interest environment would stimulate economic activity. Influenced by the repeated interest cuts by the Central Bank, the interest-rate spread between deposits and loans in Taiwan's banks narrowed from 1.71% in the fourth quarter of 2008 to 1.11% in the second quarter of 2009; the spread rose in the third and fourth quarter but still remained at a historic low level, severely affecting profitability in the banks' traditional deposit and loan business.

As the effects of the financial tsunami lingered in the first half of 2009, such factors as falling asset prices, a deteriorating economy, sluggish corporate investment, and weak private consumption led to poor profit performance in the banking industry. In the second half of 2009, however, the slow economic upturn and the gradual dissipation of such negative effects of the financial tsunami as credit contraction and asset devaluation brought on a substantial improvement in bank profits. In 2009, the pre-tax profits of local banks totaled NT\$83,919 million, an increase of NT\$39,555 million against the previous year. Return on equity (ROE) and return on assets (ROA)

also chalked up improvements, rising 2.02% and 0.12% to 4.49% and 0.28%, respectively.

## Organizational Structure

The Bank initiated the urban regeneration financing program with the Shanghua Renai Building. This project has drawn a widespread response from the public. To provide professional team services to the public and help with the renovation of old houses, an Urban Regeneration Department was set up within the Corporate Banking Business Administration Division to work continuously on establishing a position of primacy for the Bank's urban regeneration brand.

## Performance of Operating Strategies

With the aftereffects of the financial tsunami continuing to reverberate, the economy of Taiwan and the world remained in a slump in 2009; this forced banking operations into ever-greater difficulty until signs of recovery finally began to appear at the end of the year. To accommodate to changes in the external environment, the Bank cooperated with the parent Financial Holding Company's business objective of *"Integrating Marketing and Innovative Services,"* adopting *"Stabilizing of the Base and Deepening of Services"* as its core operating strategy and implementing five major operating strategies as its working directions for 2009: *"Consolidation of the Existing Business Foundation," "Enhancement of Operational Output Efficiency," "Improvement of Risk Management Techniques," "Provision of Comprehensive Financial Services,"* and *"Reinforcement of Customer Service Capabilities."* In this less-than-ideal operating environment, the Bank would strive to establish a firm operating base and enhance service efficiency so as to build up strong backing for business development efforts once the economy improves this year.

Thanks to the efforts of our entire staff, the implementation of the Bank's operating strategies in 2009 brought the following results:

### ***Reinforcement of bank condition and achievement of outstanding performance***

The Bank's before-tax net profit in 2009 amounted to NT\$2,015 million, giving a before-tax EPS of NT\$0.41, inferior to that of the previous year. It's because the Bank greatly heightened its reserves, lowered its NPL ratio, and increased its coverage ratio to a higher level that enhances the Bank's condition and conforms to the standard set by the Financial Supervisory Commission for doing business in mainland China.

The major achievements include:

- The Bank succeeded in establishing its image as the First brand in urban regeneration financing.
- The Bank was cited by the Executive Yuan for its handling of property trust for civil servants.
- The Bank received a "2009 ANZCham Business Excellence Award."
- The Bank won "The 2<sup>nd</sup> Information Security Awards 2009."
- The Bank won "Enterprise PMP Benchmarking Awards."

- The Bank passed three-year renewal of ISO 27001 information security management certification.

These achievements show that the Bank's efforts have achieved concrete results and prove that its high-quality financial services have won the recognition from the outside world.

***Widespread deployment of service bases and reinforcement of the e-banking network***

To provide more convenient financial services to local customers in Taiwan and Taiwanese businesses worldwide, the Bank continued expanding its domestic and overseas business network by establishing the Jiangzicui Branch in Taiwan, Chorm Chaov Sub-Branch of the Phnom Penh Branch in Cambodia, Brisbane Branch in Australia, and Fremont Branch of First Commercial Bank (USA) in the United States; at the same time, in Taiwan the Bank readjusted the locations of the Shao-Chuan-Tou, Min-Sheng, Hsin-Hu, and Chi-Cheng Branches in line with the development of local industrial chains. In addition to its physical network, the Bank has set up a dedicated website for urban regeneration financing and upgraded eATM Service facility to provide more convenient and secure online transactions for our customers. Our complete and intensive domestic and international physical service channel, together with virtual branch network, allows our customers to enjoy a full range of financial services any time, any place.

***Development of innovative products and constant improvement of business services***

The Bank constantly introduces new financial products and services that reflect its strong product development capability. In 2009 the Bank succeeded in helping with urban regeneration self-construction projects and took the industry lead to cooperate with other financial institutions in handling the export insurance business, developed an effective mutual fund investment program, introduced the FCB UUOne co-branded EasyCard, and instituted a full-dimensional foreign trade finance services plan; in addition, the Hong Kong Branch received permission to inaugurate the renminbi (RMB) business. The development of new products and improvement of services effectively expand the varieties of products and businesses on the shelves of the Bank's "Financial Department Store" in conjunction with the diversity of financial products offered by the First Financial Group, so that we shall satisfy the diverse financial needs of our customers.

***Care for the disadvantaged and creation of brand image***

The Bank held numerous public-benefit activities in 2009 to fulfill its social responsibility and show care for disadvantaged groups, participating in the government's efforts to help orange growers, donating funds to help students tide over tough times, supporting table-tennis sports, and donating funds to flood victims of Typhoon Morakot as well as providing financing at preferential terms to help with post-disaster reconstruction efforts. These activities manifested the spirit of taking on oneself the travails of others and paid something back to society for its support of and care for the Bank. The Bank also organized the Shimen Round-the-Lake Bicycling activity, Financial Leadership Experience Camp, concerts, and "Welcome the Dawn to Win First Place" activity on the Northeast Coast to forge closer relations with customers and establish an FCB young brand image.

## **Research and Development**

With the rapid changes sweeping the financial industry's operating environment, the Bank worked constantly to keep tabs on the latest economic, financial, and industrial developments at home and abroad, and produced research reports and formulated banking countermeasures in response to changes in domestic and overseas banking laws and regulations. This greatly enhanced the depth and breadth of the research and analysis conducted by the Bank.

## **Budget Implementation, Growth and Profitability**

- The average deposits were NT\$1,442,237 million, a target of 101.18% and an increase of NT\$156,108 million over 2008 or a growth of 12.14%.
- The average loans were NT\$1,100,936 million, a target of 96.51% and an increase of NT\$11,192 million from 2008 or a growth of 1.03%.
- The sales of non-discretionary money trust, including domestic and overseas funds, collective management account plus overseas securities, were NT\$143,154 million, an achievement of 77% and a decrease of NT\$38,099 million from 2008, a decline of 21.02%.
- Custodian funds amounted to NT\$324,779 million, a target of 123%, an increase of NT\$67,654 million or a growth of 26.31%. Discretionary investment custodian assets were NT\$140,341 million, a target of 164%, an increase of NT\$79,418 million or a growth of 130.36%.
- Revenue and expenses totaled respectively NT\$41,547 million and NT\$39,532 million, yielding a pre-tax income of NT\$2,015 million.

## **Business Plans for 2010**

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

Looking to the year 2010, we see that the global economic focus is shifting to the Asia-Pacific region. In response to changes in the external economic and financial environment as well as to meet the financing needs of Taiwanese enterprises operating overseas, the Bank will move in line with the parent Financial Holding Company's macroscopic operating strategy of *"Prospective Deployment, Broad Undertaking"* by committing itself to be *"First Bank - first choice in the new Asia-Pacific"* as the core strategy for the beginning of a "New Golden Decade" on its 111th anniversary. It will implement the five operating principles of *"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"* in order to realize the Bank's vision of becoming the first choice for Taiwanese businesses, youth group, various levels of customers, shareholders, and employees alike. Our hope is that the forward-looking development strategy mentioned above will help us meet our business targets for 2010, including bank-wide average deposits of NT\$1,482,919 million and average loans outstanding of NT\$1,157,099 million.

## Future Development Strategies

### ***Keeping abreast of regional industrial development and delicate selection of target customer groups***

With the shifting of the global economic dominion by the financial turmoil that ravaged the world, the economic position of the Asia-Pacific region is becoming more important. The Bank will deeply cultivate Asia-Pacific markets that have good potential for development and speed up the establishment of new overseas branches; it will grasp the opportunities of signing cross-straits MOUs and the Economic Cooperation Framework Agreement (ECFA) in the future to promote the Bank's various areas of business by developing operations in the Greater China area and taking full advantage of the business opportunities arising from China's economic growth. In addition, the Bank will focus its attention on industries with future growth potential, especially the "star industries" pinpointed for nurturing in the government's economic construction plans, such as green energy, LEDs, biotechnology, and urban regeneration, etc., to facilitate the development of related banking businesses. The Bank will carry out regional and industrial analyses and delicately select target customer groups that have the potential to generate steady profits, especially Taiwanese enterprises around the world, the top 1000 enterprises, small and medium businesses, securities customers, and salary-deposit customers, aiming to achieve the ultimate goal of gaining profit.

### ***Innovation in products and service processes, and satisfaction of demand through differentiation***

To satisfy the needs of customers for all kinds of financial services, as well as to save them time and money, the Bank constantly develops innovative products and improves all sorts of service processes so as to strengthen the market competitiveness. The innovative financial products successfully introduced by the Bank include "Trade Finance for Taiwanese Businesses," "International Factoring," "Supply Chain Finance," "Corporate Syndicated Loans," "Effective Mutual Fund Investment Program," "Web ATM Payment System," "Revolving Mortgages," "Family Setup Loans," and "House Improvement Finance." The Bank has also instituted an abundant variety of differentiated innovative service processes such as "Urban Regeneration Package Services," "Central Plant Funds Flow Services," "Online Finance for Suppliers," "ACH Collections and Payment Services," "Virtual Account Write-off Business," and a "Global Taiwanese Businesses Service Model," etc. With these innovations in products and service processes, together with the platforms provided by other group companies, customers' full range of demands for financial services from the First Financial Group can be met with differentiated satisfaction to generate the synergetic benefits of the Group's integrated marketing.

### ***A user-friendly physical and virtual branch network platform to strengthen competitive power***

The Bank currently maintains a network of 190 domestic branches and 15 overseas branches (including the OBU), a U.S. subsidiary with seven locations, and three overseas representative offices. To achieve the benefit of this broad physical branch network, besides vigorous operation at each location and the widespread installation of ATMs, the Bank will keep its finger on the pulse of each region and readjust branch locations flexibly; will augment the bank-wide information infrastructure and management function; and will support branch units in developing and extending their services so as to create marketing value for the branch network. The Bank will reinforce the functions of its virtual network by enhancing the telephone banking function and move in time with the Web 2.0 era by introducing "Corporate e-Banking," "Personal e-Banking," "eATM Service," "FEDI funds transfer," and a "Transnational e-Banking Platform." This will transform the Bank into a high-tech bank. Through coordination between the physical and virtual networks as well as establishment of

a friendlier and more humanized interface and website, customers would feel more convenient and be touched while using the Bank's various financial service platforms. This will shorten the distance between the Bank and its customers, and facilitate the marketing of the products of the Bank and all of the firms under the banner of the financial holding company.

**Improvement of assets and liabilities management to optimize profit synergies**

Irrespective of product development, operating and customer service processes, as well as system development, banking is a risk-management industry involving credit risk, market risk, interest-rate risk, operational risk, and legal risk. For this reason the Bank places special emphasis on the management of security, liquidity, and profitability. The Bank will build up a precise process design and IT support, and emplace a solid integrated risk management mechanism into each integrated business marketing strategy and operation. Furthermore, improvement of risk management techniques and allocation of assets, liabilities and capital will facilitate timely reaction to changes in the economy and the financial markets, and optimize profit-generating synergies following the risk readjustment.

**Promotion of corporate cultural values and manifestation of a new brand image**

"Customer First, Service Foremost" has been the Bank's corporate philosophy and the cultural values of "Sincerity, Innovation, Professionalism, and Discipline" are always observed by all staff members to reinforce internal controls and stabilize its business foundation. Those values will be injected into the dimensions of "market customer," "channel marketing," "products processes," and "asset/liability risk management" so as to strengthen the ability of employees' business and service training and consolidate consensus. Such corporate culture will be internalized into daily life and become the value and standard of behavior for all employees. At the same time, the Bank will continue to hold "Welcoming the Dawn to Win First Place," charity concerts, and other public-benefit and cultural activities together with the First Financial Group and the First Education Foundation to bring the Bank and its customers closer together on the spiritual plane, enhance the Bank's image of fresh rejuvenation, and provide localized operation and caring services so as to strengthen the Bank's brand assets of sustainability and reliability.

## **Influence of the External Environments**

**External Competitive Environment**

A Memorandum of Understanding (MOU) on cooperation in cross-straits financial supervision was signed by Taiwan and mainland China in November of 2009. It symbolizes a new leaf in financial cooperation across the Taiwan Strait which, hopefully, will bring about more frequent financial exchanges between the two parties in the future. This will open up the possibility that Taiwanese banks will be able to break through the impasse of excessive competition by developing the Chinese market. However, the MOU also brings the threat of Chinese banks setting up in Taiwan.

**Regulatory Environment**

The financial tsunami prompted governments everywhere to re-examine their financial risk management systems. In Taiwan the government strengthened risk control in financial institutions as well, and announced Regulations Governing the Capital Adequacy and Capital Category of Banks, formerly Regulations Governing the Capital Adequacy Ratio of Banks, on June 30, 2009, dividing banks' capital into four grades: "Adequate Capital," "Inadequate Capital," "Significantly Inadequate Capital," and "Severely Inadequate Capital." The competent authority will adopt necessary

## Overall Operating Environment

measures, as stipulated in the Banking Act, for banks that fall into the "Inadequate Capital," "Significantly Inadequate Capital," or "Severely Inadequate Capital" categories. In addition, on July 23, 2009 the Financial Supervisory Commission announced Regulations Governing Offshore Structured Products, implementing a credit rating review mechanism for structured products and the financial institutions, and providing rules for marketing thresholds and methods so as to reinforce the ability of financial institutions to resist risk.

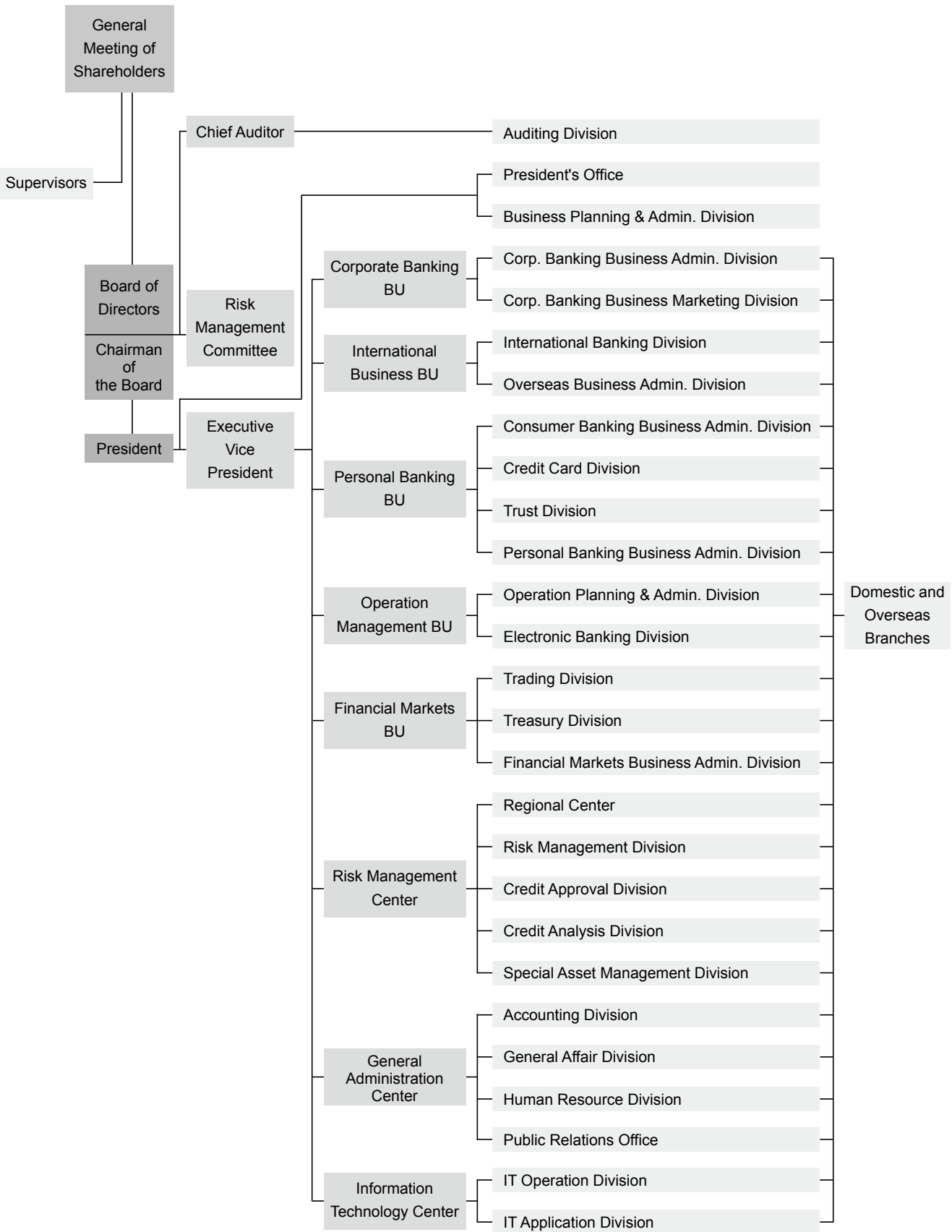
As global economic growth fell into a slump over the past year, Taiwan's economy was affected by the weakening of external demand and experienced negative growth. The Central Bank cut interest rates to historic lows, but corporate attitudes toward investment remained conservative and the outstanding amount of bank loans to corporations went into a slide. Consumer loans also underwent a large-scale reduction as consumers became reluctant to buy; only home loans, bolstered by government incentives, went against the trend and recorded a positive growth. The repeated reduction of interest rates by the Central Bank shaved the gap between domestic deposit and loan rates, further eroding the banks' profit. In addition, investor confidence was at a weak level and financial management practices turned conservative following the financial turmoil and the structured note incident, making it difficult for banks to expand their wealth management business.

## Credit-rating Results

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

Looking ahead to 2010, banking operations can look forward to gradually improving conditions with the steady recovery of growth momentum in the global economy. The Bank will reinforce its traditional business base by enhancing added value in its deposit, loan, and foreign trade finance businesses; build up a comprehensive international financial network by bolstering its overseas businesses and vigorously developing the Greater China Market; establish the concept of integrated marketing so as to fully satisfy the diverse financial needs of its customers; improve risk-management techniques to fully implement a culture of good risk management; and hold firmly to the corporate philosophy of "*Customer First, Service Foremost*" to manifest the customer oriented service spirit of "*Treating Customers as Intimate and Esteem*," to consolidate its customer base and to upgrade its operating performance so that it will be able to stand firm in the intensely competitive financial market and become the most competitive world-class bank for Chinese communities all over the world.

# Organization Chart



# Board of Directors and Supervisors

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
Chairman of the Board	Yuh-Chang Chen	July 10'08	■ MBA, National Taiwan University CPA; Managing Director, International Commercial Bank of China (currently named MEGA); Secretary General, Deputy Mayor, Taipei City Government; Chairman, EasyCard Corporation; Director, Taiwan Asset Management Corp; Chairman, First Commercial Bank (USA)	Chairman, First Financial Holding Co., Ltd. (FFHC); Supervisor, Taiwan Stock Exchange Corp.
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	Yun-Peng Chu	July 16'09	■ Ph.D., University of Maryland Commissioner, Fair Trade Commission, Executive Yuan; Director, Sun Yat-Sen Institute for Social Sciences and Philosophy, Academia Sinica; President, Jin-Wen Institute of Technology; Director of Research Center for Taiwan Economic Development, National Central University; Minister without Portfolio, Executive Yuan	Professor, Dept. of Economics, National Central University
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
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, Director, Chairman, First Commercial Bank (USA)	Chairman, First Commercial Bank (USA); Director, First-Aviva Life Insurance Co., Ltd.; President, FCB
Director	Hsien-Heng Lee	July 16'09	■ Ph.D., University of Texas at Austin Division Head, National Center for Research on Earthquake Engineering; Dean, Dept. of Civil Engineering, National Chi Nan University	Director, FFHC; Chairman, Taiwan Construction Research Institute; Professor, Dept. of Construction Engineering, National Taiwan University of Science and Technology
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	Director, FFHC; Independent Director, TXC Corporation; Professor, Dept. of Information Management, National Taiwan University of Science and Technology
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	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 Current Position
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

March 31, 2010

## Executive Officers

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
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, Director, Chairman, First Commercial Bank (USA)	Chairman, First Commercial Bank (USA); Director, First-Aviva Life Insurance Co., Ltd.; Director, FCB
EVP	Jin-Der Chiang	Jan. 8'04	■ M.S., Tamkang University VP & General Manager of Singapore Branch, FCB; SVP & General Manager of Information Technology Dept. and Savings Dept., FCB; Director, First Securities Investment Trust Co., Ltd.	EVP, FFHC; Chairman, First Venture Capital Co., Ltd.; Chairman, First Financial Management Consulting Co., Ltd.; Supervisor, First Securities Inc.; Director, Taiwan Financial Asset Service Corp.
EVP	Po-Chiao Chou	Sep. 16'04	■ B.S., National Cheng Kung University VP & General Manager of Accounting Dept. and General Affair Dept., FCB; SVP & General Manager of General Affair Division, FCB	Advisor & Head of Administration Management Dept., FFHC; Supervisor, First Securities Investment Trust Co., Ltd.; Supervisor, Tang Eng Iron Works Co., Ltd.; Director, Taiwan Asset Management Corp.
EVP	Jason Ko	Sep. 16'04	■ M.S., George Washington University SVP & General Manager, Information Technology Division, FCB	Advisor & Head of Information Technology Dept., FFHC
EVP	Tay-Pyng Yang	June 22'07	■ B.S., Feng Chia University VP & Chief of Overseas Business Division, FCB; SVP & Chief of Trading Division, FCB	Supervisor, Taipei Foreign Exchange Co., Ltd.; Director, CDIB & Partners Investment Holding Corp.
EVP	Jeff Chen	Dec. 14'07	■ B.S., Feng Chia University VP & Deputy Chief and SVP & Chief of Research Division, FCB; Supervisor, FCB Leasing Co., Ltd.	Advisor & Head of Risk Management Dept., FFHC
EVP	Grace M.L. Jeng	Sep. 25'08	■ B.A., National Taiwan University SVP & General Manager of Yuan-Shan Branch, FCB; SVP & Chief of Personal Banking Business Admin. Division, FCB	Director, First Securities Investment Trust Co., Ltd.
Chief Auditor	Hann-Chyi Lin	Dec. 24'09	■ B.S., Feng Chia University SVP & General Manager of International Dept., FCB; SVP & Chief of International Business Division, FCB; SVP & General Manager of Hong Kong Branch, FCB	None

March 31, 2010

## Main Shareholders of Sole Owner FFHC

Shareholders	Holding %
Ministry of Finance	14.91%
Bank of Taiwan	7.93%
Hua Nan Bank	2.97%
Shin Kong Life Insurance	1.99%
Civil Servants' Retirement Fund	1.96%
Custodian, J.P. Morgan Chase Bank N.A. Taipei for Saudi Arabian Monetary Agency	1.52%
Cathay Life Insurance	1.51%
China Life Insurance	1.38%
Fubon Life Insurance	1.35%
Bureau of Labor Insurance	1.18%

April 25, 2010

Executive Officers

# 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.
  - Other related business approved by the competent authorities.

## Main Figures for Business Operations

		2009		2008	
		NT\$,000	%	NT\$,000	%
<b>Deposits at year end</b>					
Current Deposits	Checking deposits	33,517,092	2.0	31,783,767	2.1
	Demand deposits	327,298,792	19.4	249,036,271	16.6
	Savings deposits	458,048,453	27.1	355,984,815	23.7
	Subtotal	818,864,337	48.5	636,804,853	42.4
Time Deposits	Time deposits	343,499,777	20.4	385,285,797	25.7
	Time savings deposits	355,257,578	21.1	361,805,151	24.1
	Subtotal	698,757,355	41.5	747,090,948	49.8
Others	Due to other banks	26,098,189	1.5	26,920,798	1.8
	Overdrafts from other banks	1,311,556	0.1	1,786,475	0.1
	Call loans from other banks	141,746,298	8.4	88,389,500	5.9
	Subtotal	169,156,043	10.0	117,096,773	7.8
<b>Total</b>		<b>1,686,777,735</b>	<b>100.0</b>	<b>1,500,992,574</b>	<b>100.0</b>
<b>Loans at year end</b>					
Corporate		577,325,621	52.8	616,802,790	53.5
Consumer		328,880,008	30.1	321,434,679	27.9
Domestic branches in foreign currencies		44,798,030	4.1	46,231,820	4.0
Foreign branches		139,878,683	12.8	166,109,254	14.4
Import-export negotiations		2,364,350	0.2	1,853,165	0.2
<b>Total</b>		<b>1,093,246,692</b>	<b>100.0</b>	<b>1,152,431,708</b>	<b>100.0</b>
<b>Foreign Trade and Payment (US\$,000)</b>					
FX buy	Export negotiations and collections	5,729,671	4.3	7,318,117	4.2
	Inward remittances	66,199,242	49.1	85,374,056	48.9
	Subtotal	71,928,913	53.4	92,692,173	53.1
FX sell	Import L/Cs and collections	4,630,213	3.4	6,796,947	3.9
	Outward remittances	58,216,357	43.2	75,003,888	43.0
	Subtotal	62,846,570	46.6	81,800,835	46.9
<b>Total</b>		<b>134,775,483</b>	<b>100.0</b>	<b>174,493,008</b>	<b>100.0</b>
<b>Total Revenues</b>					
Interest income		28,867,354	69.5	50,050,067	80.5
Fees and commissions		4,723,173	11.3	5,873,729	9.4
Gains on financial assets and liabilities		3,947,156	9.5	609,273	1.0
Income from equity investments accounted for under the equity method		21,159	0.1	44,111	0.1
Foreign exchange gains		-	-	938,768	1.5
Other non-interest income		3,988,152	9.6	4,656,804	7.5
<b>Total</b>		<b>41,546,994</b>	<b>100.0</b>	<b>62,172,752</b>	<b>100.0</b>
<b>Total Expenses</b>					
Interest expenses		12,856,594	32.5	26,098,574	51.0
Fees and commissions		651,866	1.6	832,510	1.7
Provision for credit losses		10,620,806	26.9	7,129,966	13.9
Foreign exchange losses		545,964	1.4	-	-
Business and administrative expenses		13,806,639	34.9	14,438,662	28.2
Other non-interest expenses and losses		1,049,895	2.7	2,662,250	5.2
<b>Total</b>		<b>39,531,764</b>	<b>100.0</b>	<b>51,161,962</b>	<b>100.0</b>

NT\$,000		2009	2008
<b>Trust Business</b>			
Balance at year end	Custody of funds and discretionary investment assets	465,119,195	318,047,756
	Domestic trust assets	70,468,670	63,806,694
	Foreign trust assets	141,502,023	132,214,185
	Trustee accounts	61,704,214	53,346,912
	Family wealth trust assets	1,256,843	1,422,568
	Corporate employees' savings plan trust assets	1,215,978	964,647
	Real estate trust assets	7,486,745	4,429,186
	Securities trust assets	12,799,840	16,950,742
	Securitization trustee assets	20,056,195	26,934,256
	Project trust assets	1,229,007	1,076,258
	Collective management accounts	1,499,053	1,173,709
	Individual management accounts	5,046	-
Transaction volume	Registrar for issuance of securities	601,200,678	888,938,164
<b>Investment Business</b>			
	Bills outright buy/sell (OB/OS)	26,656,988	69,890
	Bills repurchase/resale (RP/RS)	98,923	256,665
	Bills underwriting	3,187,500	2,437,500
<b>Credit Card Business</b>			
	Number of active cards	300,162	228,064
	Transaction volume	20,519,898	21,025,767
	Revolving balance of credit cards	1,331,803	1,653,779
<b>Wealth Management Business at year end</b>			
	Deposits	544,782,837	459,014,347
	Mutual funds	110,131,983	100,092,091
	Bonds/bills	8,213,957	7,509,317
	Derivative financial instruments	6,909,274	14,702,950
	Insurance products	19,673,721	25,937,083

# Market Analysis

**Multinational Network** As of the end of 2009, the Bank operated a comprehensive financial services network with 190 domestic branch units (including mini branches), giving it the second-biggest number of operation locations in Taiwan. As for overseas, the Bank had 14 branches, three representative offices, and one subsidiary - First Commercial Bank (USA) with seven branches. In the future the Bank will continue expanding its reach by establishing more branches at home and overseas with the aim of building up a complete and closely knit global financial services network that provides clients with a full spectrum of banking services at any time, any place.

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

### ***The Supply Side***

Following the signing of a cross-straits Memorandum of Understanding on financial supervision, the two sides of the Taiwan Strait can be expected to speed up unloosing of financial restrictions. This will have a heavy impact on Taiwan's financial ecology. After Chinese banks set up operations in Taiwan, the island's local banks, with their relatively small asset scale, will be faced with fierce competition. Nevertheless, local banks may be able to use their advantages of long-term cultivation of Taiwanese business clients and more maturity in financial development to open up Chinese market and obtain more room for further development.

### ***The Demand Side***

The financial tsunami has produced a change away from the high-return mode of financial management that was espoused by investors in the past. The financial products that are easy to understand and offer guaranteed principal are in favor today. Much attention is to be paid to comprehensive financial planning and professional financial services. In addition, Taiwan's social structure has changed in recent years, with a rapidly aging population and a huge increase in the number of unmarrieds resulting in radically different consumption practices and modes of financial planning that give rise to a demand for new financial products and services. This offers new and lucrative opportunities for banks. In corporate banking, the corporate fund-raising planning will be more vigorous with the upturn of the economy, and the growing intensity of cross-straits economic and trade relations will bring a strengthening of corporate demand for cross-border financial services.

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

The Bank enjoys the universally competitive advantages of a widespread network of business locations, a large customer base, and a stable operation. In the future, however, it will confront challenges from the external operating environment.

***Favorable Factors***

- A comprehensive branch network and good customer base.
- A corporate culture of stable operations and a century-old brand value.
- Stable management resulting from a high ratio of government-held shares.
- Appropriate levels of capital and stable liquidity.
- Good asset quality and low NPL ratio.
- Stable overall profit performance and diversified sources of income.
- A 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.
- An industry-leading degree of internationalization.
- Shanghai Representative Office has been operating in China for years, with early deployment advantage.

***Unfavorable Factors***

- Weak domestic demand and slumping capital needs.
- Intense competition among banks, contracting spread between deposit and loan interest rates.
- Continuous unloosing of cross-straits financial policy, bringing competition from Chinese banks.
- Short history of the joint credit-investigation mechanism in mainland China, increasing the difficulty faced by Taiwanese banks in investigating the credit of borrowers and protecting creditors' claims there.

***Responsive Measures***

- Strongly holding the market shares of loans to SMEs, foreign trade finance, and trust businesses to maintain core profitability.
- Use of the marketing synergies of First Financial Holding Company to expand the scope of product joint marketing.
- Establishment of an all-dimensional financial services platform and deepening of the banking insurance business to strengthen competitiveness in wealth management.
- Grasping of the opportunities offered by the opening of cross-straits finance to expand business in the Greater China area.
- Increase of profit sources through strategic alliances with domestic and foreign financial institutions.
- Continued heightening of risk management capability and establishment of a comprehensive risk management system.

# Business Plans for 2010

## **Corporate Banking BU**

- The twin core businesses of urban regeneration and construction loans will be promoted vigorously so as to expand the Bank's leading position in the banking industry.
- Domestic syndicated loan business skills will be improved so as to establish a market-leading brand image for the Bank.
- The Bank will closely follow trends in industrial and regional development, open up key industries, integrate product services, and exploit high quality customers so as to satisfy clients' financial needs and expand the corporate banking domain.
- Changes in the financial environment will be closely watched and the sensitivity will be kept to facilitate quick reaction. Management of loan quota utilization will be strengthened in order to heighten profitability.

## **International Business BU**

- The full-dimensional foreign trade finance services will be constantly promoted and target customers will be recruited to establish business relationships with the Bank in order to pursue more foreign trade finance business.
- Service processes will be improved, existing customers will be cultivated, and new high-valued clients will be developed so as to expand the cross-straits Taiwanese corporate and international syndicated loan businesses.
- More overseas branch units will be set up and a comprehensive global financial services network for Taiwanese businesses will be deployed to provide clients with more-convenient and higher-quality financial services.
- IT and Internet banking systems will be integrated and enhanced so as to strengthen the Bank's business competitiveness.

## **Personal Banking BU**

- Superior products will be strictly selected, product sales management models will be pretty improved, and trustee responsibility will be fulfilled in the trust mechanism so as to win the lasting trust from customers.
- Target groups will be segmented and suitable products will be offered so as to stably increase customers' asset value and achieve the goal of "creating customer value and prospering together with customers."
- Areas and customer groups will be screened and equal emphasis will be placed on quantity, profit and risk; in addition, personal banking products will be diversified so as to satisfy customers' needs.
- The brand recognition and market leadership of the "First Credit Card" brand will be established, and the "I love to take First" brand image will be deeply instilled in the minds of the customers.

## **Operation Management BU**

- Target customer groups will be delicately selected and team strength will be elaborated.
- The deposit structure will be readjusted to expand the Bank's market share.
- Establishment of an outstanding platform and reinforcement of risk management.
- A user-friendly channel network will be used to boost the Bank's competitiveness.
- Channel value will be enhanced to shape a marketing culture.

***Financial Markets BU***

- The principle of "stable growth, profitability, and competitiveness" will be followed in responding to changes in the market, and appropriate financial tools will be used to cultivate capital market and reinforce position management and operation so as to optimize profitability synergies.
- Staff rotation and training will be strengthened and marketing know-how will be built up so as to provide international business opportunities and methods for international linkage.
- Products that embody both innovation and creativeness will be used along with professional marketing, price-quotation capabilities, and other special strengths of the Bank to create an image of full-dimensional financial professionalism.

# 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.; 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, 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. Pao-Chiao Chou, 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," 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 six 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.
- Headquarter's risk management unit: This unit 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 unit: This unit is responsible for auditing the effectiveness of the management framework and procedures.

## 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, 2009

Type of risk	Minimum capital requirements (in NT\$,000)
Interest rate risk	1,084,096
Equity position risk	427,988
Foreign exchange risk	36,390
Commodities risk	-
Total	1,548,474

## 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, industry, country and stocks listed on TSE or OTC etc. have been prescribed so as to control loans concentration risk.
- To operate efficiently 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, 2009 (in NT\$,000)

Type of risk	Credit exposures after risk mitigation	Minimum capital requirements
Sovereigns	569,627,261	218,109
Non-central government public sector entities	21,665,918	350,928
Banks (including multilateral development banks)	182,672,746	6,814,359
Corporates (including securities firms and insurance co.)	575,158,314	42,114,954
Regulatory retail portfolios	153,000,040	8,808,551
Residential property	341,743,203	12,420,350
Equity investments	4,869,407	1,548,103
Other assets	51,056,931	2,627,139
Total	1,899,793,820	74,902,493

## **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 can easily observe the risk profile and constantly monitor potential risks.
- If a unit discovers a major risk exposure that threatens the Bank's financial or business situation, it must report immediately to the auditing unit 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.
- 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, or the Board of Directors.

### **Risk Hedging**

- To transfer or mitigate the operational risk, insurance policy will be primarily employed.
- 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 implementation measure for dealing with the operation crisis has been set up and will be reported to the Risk Management Committee and the top executives from time to time.

The methodology for calculating capital requirements: basic indicator approach

The minimum capital requirements for operational risk as of December 31, 2009

Year	Operating profit	Minimum capital requirements (in NT\$,000)
2009	23,662,261	
2008	30,483,907	-
2007	32,285,588	
Total	86,431,756	4,321,588

## 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 business units 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, 2009

(in NT\$,000)

Type	Purchased or Held Securitized Products Exposure	Minimum capital requirements (Risk-weighted assets *8%)
Credit cards	-	-
Agency Mortgages	5,248,634	83,978
Bonds	578,725	36,177
Corporate loans	-	-
REATs	353,528	14,141
Accounts receivable	2,000,000	160,000
Total	8,180,887	294,296

Information on Securitized Products as of December 31, 2009

(in NT\$,000)

Items	Accounting category	Original cost	Gain/ Loss of accumulated valuation	Accumulated impairment	Book value
CDO	Held-to-maturity financial assets	638,275	-	482,514	638,406
CMO	Bond investments with no active market	1,723,389	-	-	1,723,815
	Held-to-maturity financial assets	3,510,721	-	-	3,510,995
REATs	Bond investments with no active market	34,333	-	-	34,333
	Held-to-maturity financial assets	353,528	-	-	353,528
CBO	Bond investments with no active market	253,020	-	-	253,020
	Held-to-maturity financial assets	124,378	-	-	124,378
	Financial instruments for trading purpose	325,705	3,849	-	329,554

# Corporate Responsibility and Ethical Behavior

The Bank continued fulfilling its corporate responsibility in 2009 to feedback to the community by vigorously promoting the following public-benefit activities:

- ▶ In February, the Bank donated to the Ministry of Education in sponsoring "Promotion of the Education Savings Account Network," providing assistance for 89 cases in 49 schools to meet their urgent needs and help them tide over the living difficulties.
- ▶ In February, the Bank supported the Taipei City Government's 2009 Taipei Lantern Festival activity.
- ▶ Following Typhoon Morakot in August, to fulfill its social responsibility and respond to the government's disaster relief program, First Financial Holding Company donated NT\$20 million and called for employees to donate one day's pay to help victims suffering from the typhoon rebuild their homelands.
- ▶ In September, the Bank cooperated with the Female Beauty Parlor Commercial Association of Kaohsiung in holding a charity hair-cutting activity named "Set out from the Heart, Start with the Head" in the disaster area of Kaohsiung County.
- ▶ In October, the Bank supported the Dept. of Labor, Taipei City Government in holding "The 2nd Taipei Top Chef Competition 2009" to promote interchange between domestic and foreign chefs and to spread Taiwan's culinary skills abroad.

## ■ The First Education Foundation

The Foundation fostered the following public-benefit activities in 2009, including:

- "Golden Melodies Welcome the Spring in the Port City" concert at Kaohsiung Arena.
- "Beautiful Sounds of Summer Love Songs" concert at Taichung's Hui Sun Auditorium.
- "Autumn Music and Pomelo Fragrance" concert at the Taipei International Convention Center to enrich cultural life of Taiwan's people.
- "We Can Be More Valiant" concert held with the Taipei County Hospital to allow the disabled to enjoy the music event in a carefree environment.

## ■ 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 violating ethical norms and doing harm to corporate image, the Bank has not only strengthened employee ethical evaluation but has also established an abnormal behavior reporting and follow-up guidance management mechanism to manifest staff care management and understand their work, physical, mental, and financial status. The Bank strictly prescribes employee behavior, and prosecutes violations of moral conduct.



# Significant Financial Information

## Condensed balance sheets

NT\$,000	12.31.2009	12.31.2008	12.31.2007	12.31.2006	12.31.2005
Cash and cash equivalents, due from the Central Bank and other banks	226,050,552	181,527,906	165,117,649	178,988,134	157,635,062
Marketable and trading securities	-	-	-	-	-
Financial assets at fair value through profit or loss	29,756,046	53,304,284	37,201,578	42,794,967	37,418,248
Investments in bills and bonds under resale agreements	-	-	-	501,616	-
Receivables	42,188,668	40,514,459	49,511,293	21,295,485	22,449,783
Bills discounted and loans (remittance purchased)	1,096,010,284	1,160,541,587	1,071,171,454	972,044,580	890,591,804
Available-for-sale financial assets	64,995,772	51,985,007	61,258,309	82,635,713	87,316,092
Held-to-maturity financial assets	419,430,881	229,985,592	217,897,599	213,747,427	235,942,624
Equity investments accounted for under the equity method	2,305,287	2,338,695	2,362,249	2,368,858	2,231,130
Long-term equity investments	-	-	-	-	-
Other financial assets	5,207,910	9,311,714	11,680,795	18,037,044	22,274,750
Property, plant and equipment	22,793,664	23,208,338	23,601,360	23,386,589	23,848,515
Intangible assets	328,778	480,176	417,230	369,867	203,767
Others assets	12,362,613	12,343,169	13,764,211	17,852,161	21,135,612
<b>Total assets</b>	<b>1,921,430,455</b>	<b>1,765,540,927</b>	<b>1,653,983,727</b>	<b>1,574,022,441</b>	<b>1,501,047,387</b>
Due to the Central Bank and other banks	169,399,153	117,270,987	140,315,847	116,955,966	144,771,206
Financial liabilities at fair value through profit or loss	54,600,071	74,910,421	51,376,164	51,811,768	36,064,034
Bills and bonds payable under repurchase agreements	9,682,738	12,759,545	12,207,113	15,241,566	15,395,150
Payables	54,562,291	60,912,403	66,723,480	50,027,772	46,675,896
Deposits and remittances	1,519,948,686	1,384,753,557	1,260,175,302	1,219,888,559	1,144,641,851
Funds borrowed from the Central Bank and other banks, financial bonds payable	13,472,296	14,945,067	22,926,661	22,181,525	24,233,168
Accrued pension liabilities	1,803,944	1,687,722	1,553,653	1,439,881	1,374,209
Other financial liabilities	485,858	624,352	541,814	534,011	2,215,649
Other liabilities	7,562,529	8,219,983	8,422,106	8,815,973	8,833,224
<b>Total liabilities</b>	<b>1,831,517,566</b>	<b>1,676,084,037</b>	<b>1,564,242,140</b>	<b>1,486,897,021</b>	<b>1,424,204,387</b>
Common stock	49,490,000	48,290,000	46,909,240	46,216,000	46,216,000
Additional paid-in capital	10,460,326	8,660,326	8,660,326	8,660,326	8,660,326
Retained earnings	20,942,847	25,164,775	24,616,798	20,216,598	16,231,462
Unrealized revaluation increments	5,059,317	5,183,916	5,298,124	5,527,177	5,533,543
Unrealized gains / losses on financial instruments	3,887,027	2,075,526	3,941,376	6,252,298	-
Cumulative translation adjustments	73,372	82,347	315,723	253,021	201,669
<b>Total stockholders' equity</b>	<b>89,912,889</b>	<b>89,456,890</b>	<b>89,741,587</b>	<b>87,125,420</b>	<b>76,843,000</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,921,430,455</b>	<b>1,765,540,927</b>	<b>1,653,983,727</b>	<b>1,574,022,441</b>	<b>1,501,047,387</b>

## Condensed statements of income

NT\$,000	2009	2008	2007	2006	2005
Net interest income	16,010,760	23,951,493	21,941,409	20,380,746	19,611,679
Net non-interest income	10,431,915	8,627,925	13,992,121	11,634,526	12,094,469
Provision for credit losses	(10,620,806)	(7,129,966)	(6,061,505)	(4,735,859)	(4,320,502)
Operating expenses	(13,806,639)	(14,438,662)	(14,200,118)	(13,585,526)	(13,784,511)
Income from continuing operations before income tax	2,015,230	11,010,790	15,671,907	13,693,887	13,601,135
Income from continuing operations after income tax	2,053,658	8,965,123	12,025,840	10,354,367	10,218,955
Cumulative effect of a change in accounting principle	-	-	-	563,169	-
Net income	2,053,658	8,965,123	12,025,840	10,917,536	10,218,955
Earnings per share (\$)	0.42	1.86	2.47	2.24	2.10

## Financial ratios (%)

	2009	2008	2007	2006	2005
<b>Financial structure</b>					
Debt ratio (total liabilities to total assets)	95.32	94.93	94.57	94.46	94.88
Fixed assets to net worth	25.35	25.94	26.30	26.84	31.04
<b>Solvency</b>					
Liquidity reserve ratio	36.57	21.58	23.36	27.20	31.22
<b>Operating performance</b>					
Loans to deposits	72.11	83.81	85.00	79.68	77.81
NPL ratio	1.32	1.45	1.50	1.57	1.72
Total assets turnover (times)	0.01	0.02	0.02	0.02	0.02
<b>Profitability</b>					
ROA (net income to average total assets)	0.11	0.52	0.75	0.71	0.69
ROE (net income to average shareholders' equity)	2.29	10.01	13.60	13.32	14.15
Profit margin ratio	7.77	27.52	33.47	34.10	32.23
<b>Cash flows</b>					
Cash flow adequacy ratio	353.44	485.96	539.91	683.67	648.25
<b>Capital adequacy</b>					
Capital adequacy ratio	11.01	10.88	10.80	11.00	10.24
Tier-one capital ratio	7.45	7.10	7.30	7.92	7.82
Tier-two capital ratio	3.56	3.78	3.50	3.08	2.42
<b>Market share</b>					
Assets	6.25	6.57	5.46	5.49	5.30
Net worth	4.64	4.98	4.76	4.82	4.47
Deposits	6.16	6.09	5.49	5.45	5.41
Loans	5.94	6.31	5.72	5.41	5.18

(98)PWCR09000438

REPORT OF INDEPENDENT ACCOUNTANTS

資誠聯合會計師事務所

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To: First Commercial Bank Co., Ltd.

We have audited the accompanying balance sheets of First Commercial Bank Co., Ltd. (the "Bank") as of December 31, 2009 and 2008, and the related statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Commercial Bank Co., Ltd. as of December 31, 2009 and 2008, 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 Accounting Act", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

*PricewaterhouseCoopers, Taiwan*

February 22, 2010

# Balance Sheets

as of December 31, 2009 and 2008

NT\$,000	Note	2009	2008
<b>Assets</b>			
Cash and cash equivalents	3(1)	\$ 20,912,258	\$ 25,924,642
Due from the Central Bank and other banks	3(2),4	205,138,294	155,603,264
Financial assets at fair value through profit or loss - net	3(3),4	29,756,046	53,304,284
Receivables - net	3(4),4	42,188,668	40,514,459
Bills discounted and loans - net	3(5),4	1,096,010,284	1,160,541,587
Available-for-sale financial assets - net	3(6),5	64,995,772	51,985,007
Held-to-maturity financial assets - net	3(7)	419,430,881	229,985,592
Equity investments accounted for under the equity method - net	3(8)	2,305,287	2,338,695
Other financial assets - net	3(9)	5,207,910	9,311,714
Property, plant and equipment	3(10),(25)		
Cost			
Land		16,426,097	16,427,207
Buildings		8,936,919	8,930,587
Machinery and equipment		2,683,929	3,028,329
Transportation equipment		876,189	901,236
Other equipment		1,682,415	1,764,526
Leasehold improvements		684,322	664,924
Subtotal		31,289,871	31,716,809
Less: Accumulated depreciation		(8,691,188)	(8,647,643)
Construction in progress and prepayments for equipment		194,981	139,172
Property, plant and equipment - net		22,793,664	23,208,338
Intangible assets - net		328,778	480,176
Other assets - net	3(11),(29),5	12,362,613	12,343,169
<b>Total assets</b>		<b>\$1,921,430,455</b>	<b>\$1,765,540,927</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Due to the Central Bank and other banks	3(12),4	169,399,153	117,270,987
Funds borrowed from the Central Bank and other banks		72,296	45,067
Financial liabilities at fair value through profit or loss	3(13),(17)	54,600,071	74,910,421
Bills and bonds payable under repurchase agreements	3(14)	9,682,738	12,759,545
Payables	3(15)	54,562,291	60,912,403
Deposits and remittances	3(16),4	1,519,948,686	1,384,753,557
Financial bonds payable	3(17)	13,400,000	14,900,000
Accrued pension liabilities	3(18)	1,803,944	1,687,722
Other financial liabilities	3(19)	485,858	624,352
Other liabilities	3(20)	7,562,529	8,219,983
<b>Total liabilities</b>		<b>1,831,517,566</b>	<b>1,676,084,037</b>
<b>Stockholders' Equity</b>			
Common stock	3(21)	49,490,000	48,290,000
Additional paid-in capital	3(22)	10,460,326	8,660,326
Retained earnings			
Legal reserve	3(23)	15,628,365	12,938,828
Unappropriated earnings	3(24),(29)	5,314,482	12,225,947
Other stockholders' equity			
Unrealized revaluation increments	3(25)	5,059,317	5,183,916
Cumulative translation adjustments	3(8)	73,372	82,347
Unrealized gains / losses on financial instruments		3,887,027	2,075,526
<b>Total stockholders' equity</b>		<b>89,912,889</b>	<b>89,456,890</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$1,921,430,455</b>	<b>\$1,765,540,927</b>

\*NT\$32.176:US\$1.00

# Statements of Income

for the years ended December 31, 2009 and 2008

NT\$,000	Note	2009	2008		
<b>Interest income</b>	4(2)	<b>\$28,867,354</b>	\$50,050,067		
Less: Interest expenses	4(2)	<b>(12,856,594)</b>	(26,098,574)		
Net interest income		<b>16,010,760</b>	23,951,493		
<b>Net non-interest income</b>					
Net service fee and commission income	4(2)	<b>4,071,307</b>	5,041,219		
Gains or losses on financial assets and financial liabilities at fair value through profit or loss	3(3)	<b>3,519,216</b>	(125,484)		
Realized gains or losses on available-for-sale financial assets		<b>448,013</b>	727,412		
Realized gains or losses on held-to-maturity financial assets		<b>(20,073)</b>	7,345		
Income from equity investments accounted for under the equity method	3(8)	<b>21,159</b>	44,111		
Foreign exchange gains or losses		<b>(545,964)</b>	938,768		
Asset impairment losses	3(26)	<b>(170,609)</b>	(1,352,524)		
Recovery of credit losses and overdue accounts		<b>2,655,842</b>	2,517,722		
Other non-interest income	3(27)	<b>453,024</b>	829,356		
<b>Net revenues</b>		<b>26,442,675</b>	32,579,418		
<b>Provision for credit losses</b>	3(5)	<b>(10,620,806)</b>	(7,129,966)		
<b>Operating expenses</b>	3(28),4(2)				
Personnel expenses		<b>(9,073,472)</b>	(9,409,583)		
Depreciation and amortization expenses		<b>(970,548)</b>	(1,000,211)		
Other business and administrative expenses		<b>(3,762,619)</b>	(4,028,868)		
Income from continuing operations before income tax		<b>2,015,230</b>	11,010,790		
Income tax benefit (expense)	3(29)	<b>38,428</b>	(2,045,667)		
<b>Net income</b>		<b>\$ 2,053,658</b>	\$ 8,965,123		
Earnings per common share (in dollars)		Before tax	After tax	Before tax	After tax
Net income	3(30)	\$0.41	\$0.42	\$2.28	\$1.86

# Statements of Changes in Stockholders' Equity

for the years ended December 31, 2009 and 2008

	Retained Earnings				Other Stockholders' Equity			
	Common stock	Additional paid-in capital	Legal reserve	Unappropriated earnings	Unrealized revaluation increments	Cumulative translation adjustments	Unrealized gains / losses on financial instruments	Total
NT\$,000								
For the year ended Dec. 31, 2008								
Balance, January 1, 2008	\$46,909,240	\$ 8,660,326	\$ 9,331,076	\$15,285,722	\$5,298,124	\$315,723	\$3,941,376	\$89,741,587
Earnings distribution for 2007								
Legal reserve	-	-	3,607,752	(3,607,752)	-	-	-	-
Employees' bonus	-	-	-	(673,447)	-	-	-	(673,447)
Cash dividends	-	-	-	(6,362,939)	-	-	-	(6,362,939)
Stock dividends	1,380,760	-	-	(1,380,760)	-	-	-	-
Net income for 2008	-	-	-	8,965,123	-	-	-	8,965,123
Changes of unrealized gains or losses on available-for-sale financial assets								
	-	-	-	-	-	-	(1,865,850)	(1,865,850)
Reversal of revaluation increments due to land disposal								
	-	-	-	-	(114,208)	-	-	(114,208)
Changes of cumulative translation adjustments								
	-	-	-	-	-	(233,376)	-	(233,376)
Balance, December 31, 2008	\$48,290,000	\$ 8,660,326	\$12,938,828	\$12,225,947	\$5,183,916	\$ 82,347	\$2,075,526	\$89,456,890
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	\$ 82,347	\$2,075,526	\$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								
	-	-	-	-	-	(8,975)	-	(8,975)
Changes of unrealized gains or losses on available-for-sale financial assets								
	-	-	-	-	-	-	1,811,501	1,811,501
Balance, December 31, 2009	\$49,490,000	\$10,460,326	\$15,628,365	\$ 5,314,482	\$5,059,317	\$ 73,372	\$3,887,027	\$89,912,889

# Statements of Cash Flows

for the years ended December 31, 2009 and 2008

NT\$,000	2009	2008
<b>Cash flows from operating activities</b>		
Net income	\$2,053,658	\$8,965,123
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation - property, plant and equipment	707,993	763,682
Depreciation - non-operating assets	25,658	26,128
Amortization	262,555	236,529
Provision for credit losses	10,620,806	7,129,966
Income from equity investments accounted for under the equity method	(21,159)	(44,111)
Loss on disposal of property, plant and equipment	2,834	19,786
Gain on sale of non-operating assets	(315,148)	(316,590)
Loss on sale of foreclosed assets	-	16,283
Asset impairment losses	170,609	1,352,524
Changes in assets		
Decrease (Increase) in financial assets at fair value through profit or loss - net	23,548,238	(16,102,706)
(Increase) Decrease in receivables	(2,208,592)	8,723,834
Cash dividends under the equity method	36,062	89,016
Decrease in remittance purchased	15,598	26,494
Decrease in other assets	235,180	449,212
(Increase) Decrease in deferred income tax assets	(525,075)	1,198,202
Changes in liabilities		
(Decrease) Increase in financial liabilities at fair value through profit or loss - net	(20,310,350)	23,534,257
Decrease in payables	(6,350,112)	(5,811,077)
Increase in accrued pension liabilities	116,222	134,069
(Decrease) Increase in other liabilities	(455,903)	40,755
Net cash provided by operating activities	7,609,074	30,431,376
<b>Cash flows from investing activities</b>		
Increase in due from the Central Bank and other banks	(49,535,030)	(10,384,817)
Decrease (Increase) in bills discounted and loans	54,362,953	(96,478,008)
(Increase) Decrease in available-for-sale financial assets	(11,200,928)	6,732,035
Increase in held-to-maturity financial assets	(189,540,960)	(12,796,683)
Decrease in other financial assets - net	4,079,284	2,342,587
Purchase of property, plant and equipment	(354,086)	(490,318)
Increase in intangible assets	(110,521)	(299,249)
Purchase of non-operating assets	-	(5,000)
Proceeds from sale of foreclosed assets	-	15,301
Decrease (Increase) in refundable deposits	176,050	(263,324)
Proceeds from sale of non-operating assets	387,046	-
Net cash used in investing activities	(191,736,192)	(111,627,476)

NT\$,000	2009	2008
<b>Cash flows from financing activities</b>		
Increase (Decrease) in due to the Central Bank and other banks	<b>\$52,128,166</b>	(\$23,044,860)
Increase (Decrease) in funds borrowed from the Central Bank and other banks	<b>27,229</b>	(81,594)
(Decrease) Increase in bills and bonds payable under repurchase agreements	<b>(3,076,807)</b>	552,432
Increase in deposits and remittances	<b>135,195,129</b>	124,578,255
Decrease in financial bonds payable	<b>(1,500,000)</b>	(7,900,000)
(Decrease) Increase in other financial liabilities	<b>(105,315)</b>	140,454
(Decrease) Increase in guarantee deposits received	<b>(269,835)</b>	75,885
Decrease in appropriated loan fund	<b>(33,179)</b>	(57,916)
Employees' bonus	-	(673,447)
Cash dividends paid to stockholders	<b>(6,275,586)</b>	(6,362,939)
Capital increase by cash	<b>3,000,000</b>	-
Net cash provided by financing activities	<b>179,089,802</b>	87,226,270
Net effect of foreign exchange rate changes on cash and cash equivalents	<b>24,932</b>	(4,730)
(Decrease) Increase in cash and cash equivalents	<b>(5,012,384)</b>	6,025,440
Cash and cash equivalents at beginning of year	<b>25,924,642</b>	19,899,202
Cash and cash equivalents at end of year	<b>\$20,912,258</b>	\$25,924,642
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year	<b>\$15,311,540</b>	\$26,303,609
Cash paid for income tax during the year	<b>\$ 694,116</b>	\$ 1,022,354

# Notes to Financial Statements

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

## 1. Summary of Significant Accounting Policies

The financial statements are prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Business 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. 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.

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 and derivative financial instruments are accounted for using trade date accounting, and debt securities 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 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. The difference between the cost and the repurchase price is recorded as interest expenses over the period between the sale date and the repurchase date. The difference between the cost and the resale price is recorded as interest income over the period between the purchase date and the 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-performing 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" and generally accepted accounting principles.

According to the amended "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans" of the MOF 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. Furthermore, the additional reserve is provided for specific loans as needed if the aforementioned allowance is insufficient according to generally accepted accounting principles.

Upon the approval of the Board of Directors and the notice to the supervisors of the Bank, the overdue loans are written off 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."

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

Equity securities are accounted for using trade date accounting. Debt securities 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.

#### **(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, it recognizes the offsetting effects on gains or losses of changes in the fair values of the hedging instrument and the hedged item. The Bank only has fair value hedge currently. The accounting treatment for hedging instruments is that the gain or loss from measuring the hedging instrument at fair value shall be recognized immediately in the statement of income. The accounting treatment for hedged items is that the 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**

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.

#### **(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 using the interest method 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 EITF96-052 of the Accounting Research and Development Foundation, dated March 16, 2007, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration," the costs of employees' bonus and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal obligation 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. Under the recalculation, 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 Policy and its Impact

Effective from January 1, 2008, the Bank has adopted the newly issued SFAS No. 39, "Accounting for Share-based Payment" and EITF96-052 "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration" prescribed by the Accounting Research and Development Foundation. Consequently, net income has been reduced by \$370,000 and earnings per share decreased by \$0.08 New Taiwan dollars for the year ended December 31, 2008.

## 3. Summary of Significant Accounts

### (1) Cash and cash equivalents

	December 31, 2009	December 31, 2008
Cash on hand	\$ 9,872,441	\$ 10,354,977
Checks for clearing	8,345,457	14,027,955
Due from other banks	2,694,360	1,541,710
Total	<u>\$ 20,912,258</u>	<u>\$ 25,924,642</u>

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

	December 31, 2009	December 31, 2008
Reserve for deposits - account A	\$ 37,218,630	\$ 31,142,014
Reserve for deposits - account B	37,964,738	33,299,483
Deposits with the Central Bank	8,500,000	1,100,000
Inter-bank clearing fund	2,215,010	2,532,143
Deposits of national treasury account	258,428	1,007,833
Deposits of overseas branches with foreign Central Banks	3,011,855	906,628
Reserve for deposits - foreign currency	182,406	208,082
Call loans and overdrafts to other banks	115,787,227	85,407,081
Total	<u>\$ 205,138,294</u>	<u>\$ 155,603,264</u>

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, 2009	December 31, 2008
<b>Financial assets for trading purpose</b>		
Short-term bills	\$ 29,727	\$ -
Stocks	632,859	-
Bonds	479,463	938,464
Other marketable securities	325,705	430,290
Derivative financial instruments	10,308,202	27,006,078
Valuation adjustment for financial assets for trading purpose - non-derivative instruments	63,946	22,891
Subtotal	<u>11,839,902</u>	<u>28,397,723</u>
<b>Financial assets designated as at fair value through profit or loss</b>		
Bonds	17,578,675	24,627,739
Valuation adjustment for financial assets designated as at fair value through profit or loss	337,469	278,822
Subtotal	<u>17,916,144</u>	<u>24,906,561</u>
Total	<u>\$ 29,756,046</u>	<u>\$ 53,304,284</u>

For the years ended December 31, 2009 and 2008, the net realized and unrealized gains or losses 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 \$3,519,216 and (\$125,484), 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:

Financial instruments	December 31, 2009		December 31, 2008	
	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
<b>Trading purpose</b>				
Foreign exchange contracts				
(FX swaps and forwards)	<b>\$152,021,625</b>	<b>\$702,216</b>	\$151,035,438	\$2,640,562
FX margin trading	<b>5,233,764</b>	<b>477,917</b>	5,099,388	562,434
Non-delivery FX forwards	<b>4,909,642</b>	<b>25,234</b>	21,311,296	328,991
FX options written	<b>22,197,383</b>	-	26,985,157	-
Interest rate swaptions written	<b>35,965,280</b>	-	41,983,220	-
Bond options written	<b>804,400</b>	-	-	-
Commodity options written	<b>27,482,004</b>	-	52,897,236	-
FX options held	<b>22,850,512</b>	<b>594,281</b>	23,905,954	1,607,936
Interest rate swaptions held	<b>17,565,280</b>	<b>137,322</b>	22,583,220	268,136
Commodity options held	<b>27,482,004</b>	<b>1,404,023</b>	52,897,236	10,644,022
Cross currency swap contracts	<b>34,118,130</b>	<b>57,295</b>	18,321,330	449,388
Interest rate swap contracts	<b>559,675,029</b>	<b>6,797,358</b>	542,633,552	10,448,524
Futures trading	<b>258,127</b>	<b>112,556</b>	-	56,085

#### (4) Receivables - net

	December 31, 2009	December 31, 2008
Spot exchange receivable	\$ 24,546,066	\$ 23,787,238
Acceptances receivable	6,576,253	4,648,381
Interest receivable	4,060,119	5,638,448
Credit card account receivable	3,515,474	3,319,843
Factoring receivable	1,970,102	1,723,175
Income tax refund receivable	1,067,000	724,974
Other receivables	1,104,013	1,018,246
	<b>42,839,027</b>	40,860,305
Less: allowance for doubtful accounts	<b>(650,359)</b>	(345,846)
Net amount	<b>\$ 42,188,668</b>	\$ 40,514,459

As of December 31, 2009 and 2008, the Bank's reserves for guarantees, including acceptances receivable and guarantees receivable, were both \$300,518, and such reserves are recorded under "other liabilities."

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

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Bills discounted	<b>\$ 7,765,756</b>	\$ 5,715,848
Overdrafts	<b>1,274,725</b>	2,443,247
Short-term loans	<b>317,132,837</b>	351,188,234
Medium-term loans	<b>311,829,248</b>	353,056,915
Long-term loans	<b>452,879,776</b>	438,174,299
Import-export negotiations	<b>2,364,350</b>	1,853,165
Non-accrual loans (transferred from loans)	<b>15,150,105</b>	17,474,404
Subtotal	<b>1,108,396,797</b>	1,169,906,112
Less: allowance for doubtful accounts	<b>(12,386,513)</b>	(9,364,525)
Net amount	<b>\$ 1,096,010,284</b>	\$ 1,160,541,587

As of December 31, 2009 and 2008, gains from hedge evaluation on loans were \$266,665 and \$371,980, 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 Notes 3(9) and 3(19) for information on relevant contracts).

As of December 31, 2009 and 2008, non-accrual loans and other credit extensions where interest accruals had been ceased were \$15,062,602 and \$17,351,254, respectively. Interest receivable not accrued amounted to \$347,196 and \$570,960, 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, 2009 and 2008.

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, 2009 and 2008 were as follows:

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

	<b>For the year ended December 31, 2008</b>		
	Unrecoverable risks for the specific loans	Inherent risks for the overall loan portfolio	Total
Beginning balance	<b>\$ 4,460,024</b>	<b>\$ 4,580,626</b>	<b>\$ 9,040,650</b>
Provision	<b>7,129,966</b>	-	<b>7,129,966</b>
Write-off	<b>(6,049,984)</b>	-	<b>(6,049,984)</b>
Foreign exchange translation difference and others	<b>2,786,751</b>	<b>(1,832,830)</b>	<b>953,921</b>
Ending balance	<b>\$ 8,326,757</b>	<b>\$ 2,747,796</b>	<b>\$ 11,074,553</b>

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

	<b>December 31, 2009</b>	December 31, 2008
Stocks	<b>\$ 4,563,498</b>	\$ 3,350,062
Bonds	<b>56,089,833</b>	45,651,846
Short-term bills	<b>455,414</b>	887,955
Valuation adjustment for available-for-sale financial assets	<b>3,887,027</b>	2,095,144
Total	<b>\$ 64,995,772</b>	\$ 51,985,007

Please refer to Note 5 for details of available-for-sale financial assets pledged as collateral as of December 31, 2009 and 2008.

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

	<b>December 31, 2009</b>	December 31, 2008
Certificates of deposit purchased	<b>\$ 378,500,000</b>	\$ 192,480,000
Bonds	<b>38,113,796</b>	34,204,824
Preferred stocks of Taiwan High Speed Rail Corporation	<b>2,000,000</b>	2,000,000
Short-term bills	<b>183,288</b>	243,583
Beneficiary securities	<b>477,906</b>	737,079
Others	<b>638,406</b>	716,604
Subtotal	<b>419,913,396</b>	230,382,090
Less: accumulated impairment losses - others	<b>(482,515)</b>	(396,498)
Total	<b>\$ 419,430,881</b>	\$ 229,985,592

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

## 1) Equity investments

Investee company	<b>December 31, 2009</b>		December 31, 2008	
	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
First Commercial Bank (USA)	<b>\$ 1,555,928</b>	100	\$ 1,561,952	100
FCB Leasing Co., Ltd.	<b>622,812</b>	100	624,675	100
First Insurance Agency Co., Ltd.	<b>115,763</b>	100	140,718	100
East Asia Real Estate Management Co., Ltd.	<b>10,784</b>	30	11,350	30
	<b>\$ 2,305,287</b>		<b>\$ 2,338,695</b>	

2) Investment income and cumulative translation adjustments from equity investments accounted for under the equity method for the years ended December 31, 2009 and 2008 were as follows:

	For the years ended December 31,	
	<b>2009</b>	2008
Investment income	<b>\$ 21,159</b>	\$ 44,111
Cumulative translation adjustments	<b>(18,505)</b>	21,352

3) The investment income or losses from the above equity investments accounted for under the equity method was recognized based on the investees' audited financial statements for the years ended December 31, 2009 and 2008.

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

	<b>December 31, 2009</b>	December 31, 2008
Bond investments with no active market	<b>\$ 2,011,168</b>	\$ 6,002,827
Financial assets carried at cost	<b>2,972,628</b>	3,017,093
Overdue receivables transferred from other subjects (excluding loans)	<b>1,478,114</b>	1,624,092
Remittance purchased	<b>16,286</b>	31,884
Subtotal	<b>6,478,196</b>	10,675,896
Less: allowance for doubtful accounts - overdue receivables transferred from other subjects (excluding loans)	<b>(1,270,286)</b>	(1,364,182)
Net amount	<b>\$ 5,207,910</b>	\$ 9,311,714

- 1) The Bank's investments in unlisted stocks, of which fair value cannot be measured reliably due to lack of quoted market price, are accounted for at cost.
- 2) For methods and assumptions used to measure fair value of debt instruments with no active market, please refer to Note 9 (1) 2) (g).
- 3) The fair value hedge of derivative financial assets 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
		December 31, 2009	December 31, 2008
Fixed-rate loans	Interest rate swap contracts	\$ -	\$ -

- 4) The nature of derivative financial instruments held for hedging and related contract information were as follows:

	December 31, 2009		December 31, 2008	
	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
Financial instruments				
Non-trading purpose:				
Interest rate swap contracts	\$ 2,312,170	\$ -	\$ 2,753,182	\$ -

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

	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>
	December 31, 2008			
	Cost	Revaluation increments	Accumulated depreciation	Book value
Land and improvements	\$ 7,259,513	\$ 9,167,694	(\$ 2,803)	\$ 16,424,404
Buildings	8,873,939	56,648	(3,550,736)	5,379,851
Machinery and equipment	3,028,329	-	(2,396,067)	632,262
Transportation equipment	901,236	-	(664,097)	237,139
Other equipment	1,764,526	-	(1,514,588)	249,938
Leasehold improvements	664,924	-	(519,352)	145,572
Construction in progress and prepayments for equipment	139,172	-	-	139,172
	<u>\$ 22,631,639</u>	<u>\$ 9,224,342</u>	<u>(\$ 8,647,643)</u>	<u>\$ 23,208,338</u>

The Bank revalued its assets in accordance with the relevant regulations. As of December 31, 2009 and 2008, the balances of the revaluation increments (including those for non-operating assets) amounted to \$15,316,142 and \$15,519,500, respectively, and relevant reserve for land revaluation increment tax recorded as other liabilities were \$5,369,272 and \$5,447,962, respectively. The difference was recorded under capital and other stockholders' equity. Please refer to Note 3(25).

There is no interest capitalized on property, plant and equipment purchased for the fiscal years ended December 31, 2009 and 2008.

As of December 31, 2009 and 2008, there is no property, plant and equipment pledged as collateral.

**(11) Other assets - net**

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Non-operating assets		
Cost		
Land	\$ 272,591	\$ 276,099
Buildings	1,362,919	1,286,094
Others	19,617	19,603
Subtotal	1,655,127	1,581,796
Revaluation increments	6,092,776	6,295,158
Total cost and revaluation increments	7,747,903	7,876,954
Less: accumulated depreciation	(497,302)	(453,657)
Net non-operating assets	7,250,601	7,423,297
Other assets		
Foreclosed assets		
Cost	152,358	152,358
Less: accumulated impairment losses	(144,750)	(144,750)
Net foreclosed assets	7,608	7,608
Deferred income tax assets - net	3,939,256	3,414,181
Prepaid income tax	136,127	331,891
Prepayments	599,502	559,906
Refundable deposits	427,960	604,010
Others	1,559	2,276
Total	\$ 12,362,613	\$ 12,343,169

Please refer to Note 5 for details of other assets pledged as collateral as of December 31, 2009 and 2008.

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

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Call loans from other banks	\$ 141,746,298	\$ 88,389,500
Transferred deposits from Chunghwa Post Co., Ltd.	25,666,454	26,451,361
Overdrafts from other banks	1,311,556	1,786,475
Due to other banks	431,735	469,437
Due to the Central Bank	243,110	174,214
Total	\$ 169,399,153	\$ 117,270,987

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

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Financial liabilities for trading purpose - derivative financial instruments	\$ 11,053,722	\$ 25,397,913
Financial liabilities designated as at fair value through profit or loss	42,800,000	47,800,000
Valuation adjustment for financial liabilities designated as at fair value through profit or loss	746,349	1,712,508
Total	\$ 54,600,071	\$ 74,910,421

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 information of derivative financial instruments.

**(14) Bills and bonds payable under repurchase agreements**

	<b>December 31, 2009</b>	December 31, 2008
Bonds under repurchase agreements	<b>\$ 9,682,738</b>	\$ 12,759,545

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 \$9,683,875 and \$0, and \$12,794,913 and \$0, respectively, as of December 31, 2009 and 2008.

**(15) Payables**

	<b>December 31, 2009</b>	December 31, 2008
Spot exchange payable	<b>\$ 24,554,026</b>	\$ 23,791,849
Accounts payable	<b>14,341,109</b>	20,228,390
Bank acceptances	<b>6,798,752</b>	4,849,396
Interest payable	<b>2,327,722</b>	4,782,668
Accrued expenses	<b>2,408,251</b>	3,624,470
Import payable	<b>1,531,766</b>	1,327,987
Overseas trust funds payable	<b>658,881</b>	84,446
Other payables	<b>1,941,784</b>	2,223,197
Total	<b>\$ 54,562,291</b>	\$ 60,912,403

**(16) Deposits and remittances**

	<b>December 31, 2009</b>	December 31, 2008
Checking deposits	<b>\$ 33,517,092</b>	\$ 31,783,767
Demand deposits	<b>327,298,792</b>	249,036,271
Time deposits	<b>332,214,177</b>	372,474,897
Negotiable certificates of deposit	<b>11,285,600</b>	12,810,900
Savings deposits	<b>813,306,031</b>	717,789,966
Outward remittances	<b>38,880</b>	54,896
Inward remittances	<b>2,288,114</b>	802,860
Total	<b>\$ 1,519,948,686</b>	\$ 1,384,753,557

**(17) Financial bonds payable**

On November 14, 2003, June 24, 2005, August 18, 2006, February 29, 2008 and February 27, 2009, the Board of Directors of the Bank resolved to issue senior and subordinated financial bonds with the quotas of \$20, \$20, \$20, \$20 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\$9.3 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.
Interest and repayment terms	Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. Fixed rate: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7~10 years
	<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.
Interest and repayment terms	Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. Fixed rate: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years

As of December 31, 2009 and 2008, interest rates of the above financial bonds ranged from 0% to 4.718% and 0.798% to 4%, respectively.

As of December 31, 2009 and 2008, the outstanding balances of the above mentioned financial bonds amounted to \$56.2 billion and \$62.7 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 \$19.5 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 \$28.3 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 \$669,387 and \$648,833 for the years ended December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, the balances of the pension fund deposited in the Bank of Taiwan were \$4,626,398 and \$4,320,752, respectively.

2) Actuarial assumptions are listed below:

	2009	2008
Discount rate	2.50%	2.50%
Rate of increase in salaries	1.50%	1.50%
Expected rate of return on plan assets	2.50%	2.50%

3) Funded status of the pension plan:

	December 31, 2009	December 31, 2008
Benefit obligation		
Vested benefit obligation	\$ 4,424,296	\$ 3,990,432
Non-vested benefit obligation	1,643,869	1,535,991
Accumulated benefit obligation	6,068,165	5,526,423
Effect of future salary increments	1,203,228	1,144,737
Projected benefit obligation	7,271,393	6,671,160
Fair value of plan assets	(4,656,235)	(4,323,766)
Funded status	2,615,158	2,347,394
Unrecognized gain on plan assets	(815,239)	(659,672)
Accrued pension liabilities	\$ 1,799,919	\$ 1,687,722
Vested benefit	\$ 5,524,449	\$ 4,991,139

4) Net pension costs:

	December 31, 2009	December 31, 2008
Service cost	\$ 577,621	\$ 587,530
Interest cost	165,220	166,703
Expected return on plan assets	(112,539)	(110,651)
Amortization of unrecognized gain on plan assets	-	5,251
Net pension costs	<u>\$ 630,302</u>	<u>\$ 648,833</u>

- 5) Effective July 1, 2005, the Bank has 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. And, 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 benefits accrued are portable when the employment is terminated. The pension costs under defined contribution pension plan for the years ended December 31, 2009 and 2008 were \$86,263 and \$80,548, respectively.

**(19) Other financial liabilities**

	December 31, 2009	December 31, 2008
Appropriated loan fund	\$ 219,193	\$ 252,372
Derivative financial liabilities for hedging	266,665	371,980
Total	<u>\$ 485,858</u>	<u>\$ 624,352</u>

- 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
		December 31, 2009	December 31, 2008
Fixed-rate loans	Interest rate swap contracts	(\$266,665)	(\$371,980)

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

Derivative financial instruments	December 31, 2009		December 31, 2008	
	Contract amount (Notional principal)	Credit Risk	Contract amount (Notional principal)	Credit Risk
Non-trading purpose				
Interest rate swap contracts	\$ 2,312,170	\$ -	\$ 2,753,182	\$ -

**(20) Other liabilities**

	December 31, 2009	December 31, 2008
Reserve for land revaluation increment tax	\$ 5,369,272	\$ 5,447,962
Guarantee deposits received	943,773	1,213,608
Collections in advance	728,906	1,017,181
Reserve for losses on guarantees	300,518	300,518
Reserve for securities trading losses	200,000	200,000
Others	20,060	40,714
Total	<u>\$ 7,562,529</u>	<u>\$ 8,219,983</u>

## **(21) Common stock**

As of December 31, 2008, the authorized and issued capital stocks were both \$46,909,240. Total issued and outstanding shares were both 4,690,924 thousand shares with a par value of \$10 New Taiwan dollars per share.

On April 18, 2008 the Bank's Board of Directors approved to increase capital and on June 24, 2008 the resolution was adopted at the shareholders' meeting to distribute unappropriated earnings for the year 2007 in stock dividends for \$1,380,760 by issuing additional 138,076 thousand new shares. Following the capital increase, the authorized and issued capital stocks amounted to \$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. The above capital increase was approved and evidenced by the Explanatory Letter Jin-Guan-Jen (1) No.0970036939 of the FSC.

In order to strengthen the Bank's capital structure and increase capital adequacy ratio, the Board of Directors approved to raise capital by \$3,000,000 and on June 26, 2009 the resolution was adopted at the shareholders' meeting 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, 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' 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 2008 and 2007 had been approved by the shareholders' meeting on April 3, 2009 and June 24, 2008, respectively. Details of the appropriation of earnings for 2008 and 2007 are summarized as below:

	Appropriation of earnings		Earnings per share (in dollars)	
	2008	2007	2008	2007
Legal reserve	\$ 2,689,537	\$ 3,607,752	\$ -	\$ -
Cash dividends on common stock	6,275,586	6,362,939	1.30	1.36
Stock dividends	-	1,380,760	-	0.29
Employees' bonus	-	673,447	-	-
	<u>\$ 8,965,123</u>	<u>\$ 12,024,898</u>	<u>\$ 1.30</u>	<u>\$ 1.65</u>

- 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 totaled \$109,000 was recognized as operating expense in 2009. 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 \$305,621 for the year ended December 31, 2008.

#### (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,	
	2009	2008
Available-for-sale financial assets	\$ 66,016	\$ 675,417
Held-to-maturity financial assets	95,671	708,690
Other financial assets	8,922	-
Foreclosed assets (recovery gain)	-	(31,583)
Total	<u>\$ 170,609</u>	<u>\$ 1,352,524</u>

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

	For the years ended December 31,	
	2009	2008
Profit from financial assets carried at cost	\$ 142,542	\$ 117,183
Net rental income	245,203	245,218
Gain from selling property and equipment	315,170	316,590
Net other income or losses	(249,891)	150,365
Total	<u>\$ 453,024</u>	<u>\$ 829,356</u>

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

Personnel, depreciation, and amortization expenses incurred for the years ended December 31, 2009 and 2008 are summarized as follows:

	For the years ended December 31,	
	2009	2008
Personnel expenses	\$ 9,073,472	\$ 9,409,583
Salaries	7,718,807	7,805,856
Employees' bonus	109,000	370,000
Labor and health insurance expense	348,850	319,514
Pension expense (including overseas branches)	764,227	734,302
Others	132,588	179,911
Depreciation expense	707,993	763,682
Amortization expense	262,555	236,529

**(29) Income tax**

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

	For the years ended December 31,	
	2009	2008
Net changes in deferred income tax assets	(\$ 525,075)	\$ 1,735,695
Tax due to Alternative Minimum Tax Act	97,284	221,729
Income tax expense - foreign branches and adjustment for under provision of prior years' income tax expense	384,021	80,906
Income taxes levied separately	5,342	7,243
10% surtax levied on undistributed earnings	-	94
Income tax (benefit) expense	(\$ 38,428)	\$ 2,045,667

2) Deferred income tax assets - net

As of December 31, 2009 and 2008, the income tax effects of temporary differences that gave rise to the deferred tax assets or liabilities are as follows:

	December 31, 2009		December 31, 2008	
	Amount	Income tax effects	Amount	Income tax effects
Temporary differences				
Allowance for doubtful accounts in excess of tax limits	\$ 2,383,987	\$ 476,797	\$ 2,783,987	\$ 695,997
Allowance for impairment losses of foreclosed assets	144,750	28,950	144,750	36,188
Loss carry forwards	14,065,936	2,813,187	9,028,230	2,257,058
Pension expense in excess of tax law limits	1,255,522	251,104	1,099,261	274,815
Others	191,992	38,400	423,188	105,797
	<u>\$ 18,042,187</u>	<u>3,608,438</u>	<u>\$ 13,479,416</u>	<u>3,369,855</u>
Investment tax credits		5,635		2,951
Overseas branches		671,820		649,429
Deferred income tax assets		4,285,893		4,022,235
Allowance for deferred income tax assets		(346,637)		(608,054)
Deferred income tax assets - net		<u>\$ 3,939,256</u>		<u>\$ 3,414,181</u>

3) As of December 31, 2009, the details of tax credits are as follows:

Item for tax credits	Amount	Available period (year)
Personnel training costs	\$ 5,635	2009~2013

4) As of December 31, 2009, the details of the unused amount of loss carryforwards were as follows:

Year of losses	Unused amount	Year of expiration	Assessed by tax authorities
2003	\$ 13,341,693	2013	Assessed
2009	724,243	2019	Estimated

5) Imputation credit account for shareholders and its related information

	December 31, 2009	December 31, 2008
Balances of imputation credit account for shareholders	\$ 88,686	\$ 80,323
Estimated imputation credit ratio for earnings distribution	1.67%	0.66%

6) The balances of unappropriated earnings are as follows:

	December 31, 2009	December 31, 2008
Unappropriated earnings generated after January 1, 1998	\$ 5,314,482	\$ 12,225,947

7) The tax authorities had assessed the Bank's income tax returns through 2005. However, the Bank disagreed with the assessments and filed a recheck according to the laws and regulations.

### (30) Earnings per common share

	For the years ended December 31,			
	2009		2008	
	Before tax	After tax	Before tax	After tax
Net income from continuing operations	\$ 2,015,230	\$ 2,053,658	\$ 11,010,790	\$ 8,965,123
Net income	\$ 2,015,230	\$ 2,053,658	\$ 11,010,790	\$ 8,965,123
<b>Earnings per share (in NT dollars)</b>				
Weighted-average outstanding common shares (in thousand shares)	4,871,082	4,871,082	4,829,000	4,829,000
Net income from continuing operations	\$ 0.41	\$ 0.42	\$ 2.28	\$ 1.86
Earnings per share (in NT dollars)	\$ 0.41	\$ 0.42	\$ 2.28	\$ 1.86

### (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 11.01% and 10.88% as of December 31, 2009 and 2008, 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 director and supervisor (note)
Golden Garden Investment Co., Ltd.	FFHC's director
Global Investments Co., Ltd.	FFHC's director
Mercuries Jeantex Ltd.	FFHC's director and supervisor (note)
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) (formerly known as First Taisec Securities Inc.)	Subsidiary of FFHC
First Securities Investment Trust Co., Ltd. (FSIT) (formerly known as National Investment Trust Co., Ltd.)	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
Aviva International Holdings Ltd.	Parent company's related party
14 people including Yuh-Chang Chen, 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
33 people including Jia-Xin Chen, 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: After the re-election in May 2009, Bank of Taiwan solely acts as the Bank's supervisor and Mercuries Jeantex Ltd. resigned the positions of director and supervisor.

## (2) Related party transactions

### 1) Due from other banks

	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	0.096~0.5

	As of and for the year ended December 31, 2008			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Bank of Taiwan	\$ 2,500,000	\$ -	\$ 2,750	0.55~2.18

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, 2009			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	\$ 2,000,000	\$ -	\$ 49	0.098~0.1

	As of and for the year ended December 31, 2008			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	\$ 2,000,000	\$ 2,000,000	\$ 693	0.75~2.22

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

### 3) Deposits

	December 31, 2009		December 31, 2008	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
FFHC	\$ 2,830,919	0.19	\$ 758,548	0.05
FALI	1,205,949	0.08	60,006	-
FVC	304,789	0.02	310,244	0.02
FIA	98,575	0.01	122,759	0.01
FSIT	50,028	-	92,732	0.01
Others (note)	1,071,789	0.07	925,931	0.07
	<b>\$ 5,562,049</b>	<b>0.37</b>	<b>\$ 2,270,220</b>	<b>0.16</b>

The interest expenses paid to related parties above were \$5,193 and \$39,831 for the years ended December 31, 2009 and 2008, 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% and each of their deposit balance is below \$480.

#### 4) Loans

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

December 31, 2008							
	Number or name of related party	Maximum balance for current period	Ending balance	Status of performance		Collateral	Difference with third parties in transaction terms
				Normal loans	NPL		
Consumer loans	19	\$ 9,275	\$ 8,582	\$ 8,582	-	None	None
Residential mortgage loans	89	315,413	297,275	297,275	-	Real estate	None
Other loans	FCBL	3,143,000	2,326,500	2,326,500	-	Aircrafts and drafts	None
Other loans (note)	5	9,621	6,421	6,421	-	Certificates of deposit	None

Interest incomes received from the above related parties were \$23,521 and \$79,337 for the years ended December 31, 2009 and 2008, respectively.

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

#### 5) Guarantees

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	

December 31, 2008						
	Maximum balance for current period	Ending balance	Reserve for guarantees	Fee rate	Collateral	
FCBL	\$ 1,225,000	\$ 1,225,000	\$ 490	0.22%	Aircrafts	

#### 6) Derivative transactions

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

December 31, 2008						
	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	2008/11/25~2009/11/25	\$ 327,740	(\$1,609)	Valuation adjustment for trading liabilities - foreign exchange rate	(\$1,609)

7) Receivables

	December 31, 2009	December 31, 2008
First Financial Holding Co., Ltd. (note)	\$ 931,634	\$ 462,299
note: Consolidated income tax return from parent company		

8) Commission income and other income

	For the years ended December 31,	
	2009	2008
Aviva International Holdings Ltd.	\$ -	\$ 561,780
First Insurance Agency Co., Ltd.	80,291	172,687
First Securities Inc.	67,281	47,897
First P&C Insurance Agency	22,413	27,014
First Securities Investment Trust Co., Ltd.	21,312	16,011
First Financial Holding Co., Ltd.	20,998	19,960
FCB Leasing Co., Ltd.	12,165	10,639
First Financial Asset Management Co., Ltd.	4,085	4,296
Others	8,113	6,116

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

9) Rent expense and other expenses

	For the years ended December 31,	
	2009	2008
First Financial Asset Management Co., Ltd.	\$ 138,231	\$ 134,725
First Securities Inc.	44,175	34,644
FCB Leasing Co., Ltd.	13,809	20,579
First Financial Holding Co., Ltd.	8,529	8,855

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

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

	2009	2008
Salaries	\$ 34,378	\$ 35,480
Bonus	4,197	3,652
Business expenses	13,234	12,519
Earnings distribution	1,475	3,500
Total	\$ 53,284	\$ 55,151

- 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, 2009 and 2008, the collateralized assets are listed below:

	December 31, 2009	December 31, 2008	Pledged Purpose
Available-for-sale financial assets - bonds	\$ 1,361,800	\$ 2,078,700	Guarantees deposited with the court for provisional seizure and trust fund reserves
Refundable deposits	427,960	68,161	Guarantees deposited with the court for provisional seizure and deposits for the building leasing
Total	\$ 1,789,760	\$ 2,146,861	

## 6. Commitments and Contingent Liabilities

As of December 31, 2009 and 2008, the Bank has the following commitments and contingent liabilities:

### (1) Major commitments and contingent liabilities

	December 31, 2009	December 31, 2008
Unused loan commitments	\$ 48,281,000	\$ 48,079,585
Unused credit commitments for credit cards	37,905,401	31,471,984
Unused letters of credit issued	33,408,729	18,747,205
Guarantees	36,867,866	26,083,268
Collections receivable for customers	127,394,437	132,923,529
Collections payable for customers	26,688,971	7,889,273
Traveler's checks consignment-in	510,369	466,632
Guaranteed notes payable	21,593,977	12,993,361
Trust assets	644,002,160	559,444,207
Customers' securities under custody	264,528,600	204,034,881
Book-entry for government bonds under management	91,598,250	138,624,950
Depository for short-term marketable securities under management	58,430,282	37,125,296

- (2) Due to the collapse of the Tung Xin building caused by an earthquake disaster on September 21, 1999, the residents 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 (96) Su-Zhi No. 3181 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 constructions work. In addition, the relevant staffs of the Bank were found to be innocent as well. With respect to civic responsibility, 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, 2009, the estimated future lease commitments for the Bank are as follows:

Period	Amount
2010	\$ 485,661
2011	475,900
2012	396,406
2013	264,522
2014 and thereafter	575,146
	<u>\$ 2,197,635</u>

### (4) Others

As of December 31, 2009, the Bank entered into the construction contracts in the amount of \$140,000, \$120,498 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: None.

## 9. Others

### (1) Disclosure of financial instruments

#### 1) Fair value of financial instruments

	December 31, 2009		
	Book value	Quoted market price	Amount by a valuation technique
<b>Non-derivative financial instruments</b>			
<b>Assets</b>			
Financial assets with book value equaling fair value	\$ 268,683,466	\$ -	\$ 268,683,466
Financial assets at fair value through profit or loss	19,477,844	3,844,562	15,603,282
Bills discounted and loans	1,096,010,284	-	1,096,010,284
Available-for-sale financial assets	64,995,772	23,432,425	41,563,347
Held-to-maturity financial assets	419,430,881	1,460,266	418,546,183
Other financial assets - bond investments with no active market	2,011,168	-	1,869,869
<b>Liabilities</b>			
Financial liabilities with book value equaling fair value	234,660,251	-	234,660,251
Financial liabilities at fair value through profit or loss	43,546,349	-	43,546,349
Deposits and remittances	1,519,948,686	-	1,519,948,686
Financial bonds payable	13,400,000	-	13,400,000
<b>Derivative financial instruments</b>			
<b>Assets</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	\$ 702,216	\$ -	\$ 702,216
FX margin trading	477,917	-	477,917
Non-delivery forwards	25,234	-	25,234
FX options held	594,281	-	594,281
Interest rate swaptions 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	-
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-	-
<b>Liabilities</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	1,258,191	-	1,258,191
FX margin trading	2,057	-	2,057
Non-delivery forwards	30,109	-	30,109
FX options written	520,672	-	520,672
Interest rate swaptions written	261,340	-	261,340
Bond options written	5,472	-	5,472
Commodity options written	1,404,023	-	1,404,023
Cross currency swap contracts (excluding the notional principal)	1,157,575	-	1,157,575
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	6,414,283	-	6,414,283
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	266,665	-	266,665

	December 31, 2008		
	Book value	Quoted market price	Amount by a valuation technique
<b>Non-derivative financial instruments</b>			
<b>Assets</b>			
Financial assets with book value equaling fair value	\$ 222,127,854	\$ -	\$ 222,127,854
Financial assets at fair value through profit or loss	26,298,206	4,069,111	22,229,095
Bills discounted and loans	1,160,541,587	-	1,160,541,587
Available-for-sale financial assets	51,985,007	19,315,474	32,669,533
Held-to-maturity financial assets	229,985,592	21,076,290	209,714,619
Other financial assets - bond investments with no active market	6,002,827	-	5,361,740
<b>Liabilities</b>			
Financial liabilities with book value equaling fair value	191,837,627	-	191,837,627
Financial liabilities at fair value through profit or loss	49,876,491	-	49,876,491
Deposits and remittances	1,384,753,557	-	1,384,753,557
Financial bonds payable	14,900,000	-	14,900,000
<b>Derivative financial instruments</b>			
<b>Assets</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	\$ 2,640,562	\$ -	\$ 2,640,562
FX margin trading	562,434	-	562,434
Non-delivery forwards	328,991	-	328,991
FX options held	1,607,936	-	1,607,936
Interest rate swaptions held	268,136	-	268,136
Commodity options held	10,644,022	-	10,644,022
Cross currency swap contracts (excluding the notional principal)	449,388	-	449,388
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	10,448,524	-	10,448,524
Futures trading	56,085	56,085	-
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-	-
<b>Liabilities</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	2,401,950	-	2,401,950
FX margin trading	29,136	-	29,136
Non-delivery forwards	74,615	-	74,615
FX options written	1,958,516	-	1,958,516
Interest rate swaptions written	456,376	-	456,376
Bond options written	-	-	-
Commodity options written	10,644,022	-	10,644,022
Cross currency swap contracts (excluding the notional principal)	366,864	-	366,864
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	9,466,434	-	9,466,434
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	371,980	-	371,980

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-performing 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 an amount includes unrealized gains or losses on outstanding derivative contracts. The Bank adopts the valuation model that is commonly used among financial industry to determine the fair values of derivative financial instruments if there is no quoted market price for reference.
- (d) When there is a quoted market price available in an active market for financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets, the fair value is determined using the quoted market price. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The estimation and assumption of the valuation technique used by the Bank is consistent with those used by the market participants for financial instrument pricing. The discount rate used is consistent with the expected return rate of the financial instruments that have the same conditions and characteristics. Such conditions and characteristics include the debtor's credit rating, the remaining period of the fixed interest rate contracts, the remaining period for principal repayment, the payment currency, etc.
- (e) Deposits and remittances: Considering the nature of the financial service industry, which is the market rate (market price) maker, and that deposit transactions usually mature within one year, a book value is a reasonable basis to estimate the fair value. Fair values for long-term fixed rate deposits shall be estimated using their discounted values of expected future cash flows. However, as these deposits account for only a small portion of all deposits and as their maturities are less than three years, it is reasonable to estimate the fair value by the book value.
- (f) Financial bonds payable: Since the coupon rates of the subordinated financial bonds issued by the Bank approximate the market rates, the fair value based on the discounted value of expected future cash flows approximates the book value.
- (g) Other financial assets - bond investments with no active market: If there is an actual transaction price or a quoted market price for bond investments with no active market, the fair value of such bond investments will be determined by the latest actual transaction price or quoted market price. Moreover, if there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The valuation technique of the Bank is the discounted value of expected future cash flows.
- (h) The fair value measurement is not applicable to equity investments accounted for under the equity method. In addition, there is no quoted market price in an active market for the unlisted stocks under the financial asset carried at cost, and their variability in the range of reasonable fair value estimates is not insignificant and their probability of the various estimates within the range can not be reasonably assessed, so the fair value of the unlisted stocks is not reliably measurable. As a result, information of the book value and the fair value with respect to these financial assets is not disclosed.

- 3) The Bank has recognized \$76,770 and \$1,097,102 of current net loss and gain on changes in fair value arising from valuation techniques for the years ended December 31, 2009 and 2008, respectively.
- 4) As of December 31, 2009 and 2008, the Bank has financial assets with fair value risk arising from interest rate changes amounted to \$65,253,411 and \$60,335,896, respectively.
- 5) As of December 31, 2009 and 2008, the Bank has financial assets with cash flow risk arising from interest rate changes amounted to \$9,734,380 and \$12,197,162, respectively.
- 6) For the years ended December 31, 2009 and 2008, the Bank has recognized interest income from the financial assets or financial liabilities not at fair value through profit or loss amounted to \$28,867,354 and \$50,050,067, respectively. The Bank has recognized interest expenses from the financial assets or financial liabilities not at fair value through profit or loss amounted to \$12,856,594 and \$26,098,574, 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 amounted to \$3,887,027 and \$2,075,526, respectively, and the amount of the gain on fair value change reclassified from the stockholders' equity into the statement of income was \$448,013 and \$727,412 for the years ended December 31, 2009 and 2008, respectively.
- 7) 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 operational goal, 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.
- 8) 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 the 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, 2009	December 31, 2008
Interest rate risk	\$ 1,084,096	\$ 1,122,196
Equity position risk	427,988	105,248
Foreign exchange risk	36,390	453,527

(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, 2009	
	Book value	Maximum credit exposure
<b>Financial instruments</b>		
<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)	702,216	702,216
FX margin trading	477,917	477,917
Non-delivery forwards	25,234	25,234
FX options held	594,281	594,281
Interest rate swaptions 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
Hedging purpose		
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-
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.

	December 31, 2008	
	Book value	Maximum credit exposure
Financial instruments		
<b>Non-derivative financial instruments</b>		
Financial assets held for trading purpose		
Bonds	\$ 954,942	\$ 954,942
Other marketable securities	436,703	436,703
Financial assets designated for trading purpose		
Bonds	24,906,561	24,906,561
Bills discounted and loans	1,160,541,587	1,160,541,587
Available-for-sale financial assets		
Bonds	45,244,071	45,244,071
Short-term bills	863,881	863,881
Held-to-maturity financial assets	229,985,592	229,985,592
Bond investments with no active market		
Bonds	3,385,380	3,385,380
Beneficiary securities	2,617,447	2,617,447
<b>Derivative financial instruments</b>		
Non-hedging purpose		
FX contracts (swaps and forwards)	2,640,562	2,640,562
FX margin trading	562,434	562,434
Non-delivery forwards	328,991	328,991
FX options held	1,607,936	1,607,936
Interest rate swaptions held	268,136	268,136
Commodity options held	10,644,022	10,644,022
Cross currency swap contracts (excluding the notional principal)	449,388	449,388
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	10,448,524	10,448,524
Futures trading	56,085	56,085
Hedging purpose		
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-
Unused letters of credit issued and guarantees	-	44,830,473

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, 2009	
	Book value	Maximum credit exposure
<b>Loans by industries</b>		
Private enterprises	\$ 492,281,833	\$ 492,281,833
State-owned enterprises	33,911,943	33,911,943
Government institutions	58,599,839	58,599,839
Non-profit organizations	3,487,445	3,487,445
Private individual	368,614,642	368,614,642
Social insurance and pension	8,800,000	8,800,000
Securities finance companies	20,000	20,000
Offshore entities	142,681,095	142,681,095
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>

	December 31, 2008	
	Book value	Maximum credit exposure
<b>Loans by industries</b>		
Private enterprises	\$ 491,137,622	\$ 491,137,622
State-owned enterprises	55,200,403	55,200,403
Government institutions	75,010,825	75,010,825
Non-profit organizations	3,852,877	3,852,877
Private individual	356,763,789	356,763,789
Social insurance and pension	10,000,000	10,000,000
Deposit insurance companies	8,960,000	8,960,000
Offshore entities	168,980,596	168,980,596
Total	<u>\$ 1,169,906,112</u>	<u>\$ 1,169,906,112</u>
<b>Loans by regions</b>		
Asia	\$ 1,079,837,511	\$ 1,079,837,511
Europe	21,483,318	21,483,318
North America	64,685,437	64,685,437
Central America	176,607	176,607
Oceania	3,723,239	3,723,239
Total	<u>\$ 1,169,906,112</u>	<u>\$ 1,169,906,112</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 36.57%. 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, 2009 and 2008, the effective interest rates of main currencies for financial instruments held or issued by the Bank are as follows:

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%	-	-	-	-	-	-

Financial instruments	December 31, 2008							
	NTD	USD	HKD	SGD	CAD	JPY	EUR	AUD
Available-for-sale financial assets								
Government bonds	2.44%	2.60%	3.11%	-	-	-	-	-
Financial bonds	1.88%	3.03%	2.43%	-	-	0.72%	5.64%	5.63%
Corporate bonds	2.01%	2.39%	-	2.22%	-	-	-	-
Short-term bills	2.92%	-	-	-	2.79%	-	-	-
Held-to-maturity financial assets								
Government bonds	2.18%	4.77%	-	-	-	-	-	-
Financial bonds	2.61%	2.75%	-	-	-	-	5.50%	-
Corporate bonds	2.33%	1.44%	-	-	-	-	-	-
Short-term bills	-	-	-	1.40%	-	-	-	-
Loans and advances								
Short-term loans	3.29%	4.27%	-	-	-	-	-	-
Mid-term loans	3.11%	3.98%	-	-	-	-	-	-
Long-term loans	3.43%	4.24%	-	-	-	-	-	-
Financial bonds payable	2.36%	-	-	-	-	-	-	-
Deposits	1.40%	2.27%	-	-	-	-	-	-

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

1) Non-performing loans and assets quality

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 of credit loans	163,424	3,314,328	4.93	163,424	100.00
Others					
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	-
December 31, 2008					
	NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Corporate banking</b>					
Secured loans	5,974,038	293,077,604	2.04	1,828,995	30.62
Unsecured loans	6,566,270	551,289,506	1.19	6,566,270	100.00
<b>Consumer banking</b>					
Residential mortgage loans	4,103,700	316,689,273	1.30	704,589	17.17
Cash cards	340	90,208	0.38	700	205.88
Small amount of credit loans	228,464	4,292,039	5.32	228,464	100.00
Others					
Secured loans	10,563	3,951,133	0.27	2,947	27.90
Unsecured loans	32,560	516,349	6.31	32,560	100.00
Gross loan business	16,915,935	1,169,906,112	1.45	9,364,525	55.36
	NPLs	Balance of accounts receivable	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Credit card business</b>	17,350	3,319,844	0.52	23,065	132.94
<b>Factoring without recourse</b>	-	1,723,175	-	1,098	-

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

	December 31, 2009		December 31, 2008	
	NPLs	Overdue receivables	NPLs	Overdue receivables
Performance in accordance with debt negotiation	26,511	193,571	28,619	251,761
Performance in accordance with debt repayment schedule and restructuring plan	31,842	82,178	190	12,407
Total	58,353	275,749	28,809	264,168

### 3) Profile of concentration of credit risk and credit extensions

December 31, 2009				
Ranking	Name of enterprise group	Type of industry	Total outstanding loan amount	Total outstanding loan amount/ net worth of the current year (%)
1	Formosa Plastics Group	Plastic sheets, pipes and tubes manufacturing	30,893,488	35.85
2	China Airlines	Civil air transportation	13,625,016	15.81
3	CHIMEI Group	Liquid crystal panel and components manufacturing	13,528,050	15.70
4	AU Optronics Corp.	Liquid crystal panel and components manufacturing	12,175,625	14.13
5	China Steel	Iron and steel smelting	10,111,672	11.73
6	Far Eastern Group	Yarn spinning mills, cotton	9,820,090	11.39
7	Evergreen Group	Civil air transportation	8,837,453	10.25
8	Walsin Lihwa	Integrated circuits manufacturing	6,416,960	7.45
9	Yulon Motors Group	Private finance	5,964,064	6.92
10	SHIHLIN Paper Group	Wholesale of other household appliance and supplies	5,937,589	6.89
December 31, 2008				
Ranking	Name of enterprise group	Type of industry	Total outstanding loan amount	Total outstanding loan amount/ net worth of the current year (%)
1	Formosa Plastics Group	Plastic sheets, pipes and tubes manufacturing	25,881,688	31.29
2	CHIMEI Group	Liquid crystal panel and components manufacturing	15,382,982	18.60
3	China Airlines	Civil air transportation	13,907,033	16.82
4	China Steel	Iron and steel smelting	11,531,781	13.94
5	AU Optronics Corp.	Liquid crystal panel and components manufacturing	11,132,956	13.46
6	Far Eastern Group	Yarn spinning mills, cotton	9,443,429	11.42
7	Powerchip Semiconductor Corporation	Integrated circuits manufacturing	7,248,234	8.76
8	Walsin Lihwa	Integrated circuits manufacturing	6,223,467	7.52
9	Evergreen Group	Civil air transportation	6,197,691	7.49
10	Yulon Motors Group	Private finance	4,421,763	5.35

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

4) Sensitivity analysis of interest rate for assets and liabilities

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

December 31, 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.

(b) 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.

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

December 31, 2008					
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,051,738,000	78,831,000	51,207,000	71,789,000	1,253,565,000
Interest-rate-sensitive liabilities	410,688,000	579,111,000	139,261,000	10,700,000	1,139,760,000
Interest-rate-sensitive gap	641,050,000	(500,280,000)	(88,054,000)	61,089,000	113,805,000
Total stockholders' equity					89,456,890
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					109.98
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					127.22

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, 2008					
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	10,353,607	1,780,223	659,118	379,528	13,172,476
Interest-rate-sensitive liabilities	8,515,891	2,982,459	1,180,449	42,000	12,720,799
Interest-rate-sensitive gap	1,837,716	(1,202,236)	(521,331)	337,528	451,677
Total stockholders' equity					2,729,508
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					103.55
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					16.55

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

		<b>December 31, 2009</b>	December 31, 2008
Return on total assets (%)	Before tax	<b>0.11</b>	0.64
	After tax	<b>0.11</b>	0.52
Return on stockholders' equity (%)	Before tax	<b>2.25</b>	12.29
	After tax	<b>2.29</b>	10.01
Net profit margin ratio (%)		<b>7.77</b>	27.52

## 6) Structure analysis of time to maturity

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

	<b>December 31, 2009</b>					
	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)
	<b>December 31, 2008</b>					
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	1,441,013,000	339,602,000	170,471,000	116,344,000	131,002,000	683,594,000
Primary funds outflow upon maturity	1,588,078,000	211,866,000	182,362,000	148,814,000	257,106,000	787,930,000
Gap	(147,065,000)	127,736,000	(11,891,000)	(32,470,000)	(126,104,000)	(104,336,000)

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

	<b>December 31, 2009</b>					
	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
	<b>December 31, 2008</b>					
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	10,152,520	3,725,443	3,282,196	1,254,487	630,671	1,259,723
Primary funds outflow upon maturity	9,949,695	3,739,618	2,640,801	1,183,284	1,449,766	936,226
Gap	202,825	(14,175)	641,395	71,203	(819,095)	323,497

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 rates of interest-earning assets and interest-bearing liabilities

	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
Investments in bills and bonds under resale agreements	-	-
Credit card account 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
	2008	
	Average value	Average rate of return (%)
<b>Interest-earning assets</b>		
Due from the Central Bank	\$ 57,623,890	0.76
Due from other banks (note)	86,850,867	4.16
Financial assets at fair value through profit or loss	27,168,864	2.66
Investments in bills and bonds under resale agreements	-	-
Credit card account receivable	1,821,074	14.71
Bills discounted and loans	1,089,677,778	3.47
Available-for-sale financial assets	50,030,052	2.74
Held-to-maturity financial assets	221,134,403	2.45
Other financial assets	9,075,605	3.89
<b>Interest-bearing liabilities</b>		
Due to the Central Bank	\$ 256,615	-
Due to other banks	141,413,932	3.50
Funds borrowed from other banks	61,724	1.58
Financial bonds payable	62,345,082	2.36
Bills and bonds payable under repurchase agreements	11,740,727	1.58
Deposits	1,275,699,872	1.56
Negotiable certificates of deposit	10,429,525	2.07

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, 2009			December 31, 2008		
	Currency (in thousands)	NTD (in thousands)		Currency (in thousands)	NTD (in thousands)	
Net position for major foreign currency transactions (market risk)	USD	34,609	\$ 1,113,581	USD	\$ 74,717	\$ 2,448,763
	CAD	29,725	909,157	CAD	29,337	788,364
	AUD	19,929	575,380	JPY	981,605	355,832
	HKD	107,788	447,212	GBP	6,181	292,479
	GBP	5,858	303,068	SGD	10,115	230,327

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

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

### (4) Trust assets and liabilities

#### Balance Sheet of Trust Accounts

December 31, 2009

Trust assets		Trust liabilities	
Bank deposits	\$ 3,807,567	Borrowings	\$ -
Bonds	60,517,181	Payables	-
Stocks	33,398,672	Payables - customers' securities	
Mutual funds	212,623,107	under custody	324,778,546
Beneficiary certificates	380,180	Other liabilities	-
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	\$ 644,002,160	Accumulated profit or loss	172,338
		Total	\$ 644,002,160

#### Property List of Trust Accounts

December 31, 2009

Investment items	Book value
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	\$ 644,002,160

**Income Statement of Trust Accounts**  
**From January 1 to 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>	
Management fee	-
Tax expense	97
Interest expense	-
Handling charge (service charge)	-
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>

**Balance Sheet of Trust Accounts**  
**December 31, 2008**

<b>Trust assets</b>		<b>Trust liabilities</b>	
Bank deposits	\$ 7,499,319	Borrowings	\$ -
Bonds	48,697,060	Payables	-
Stocks	44,042,698	Payables - customers' securities	
Mutual funds	196,763,859	under custody	257,125,049
Beneficiary certificates	390,180	Other liabilities	-
Real estate	3,752,333		
Net assets under collective management accounts	1,173,709		
Net assets under individual management accounts	-		
Customers' securities under custody	257,125,049	Trust capital	302,189,350
Total	<u>\$ 559,444,207</u>	Accumulated profit or loss	129,808
		Total	<u>\$ 559,444,207</u>

**Property List of Trust Accounts**  
**December 31, 2008**

<b>Investment items</b>	<b>Book value</b>
Bank deposits	\$ 7,499,319
Bonds	48,697,060
Stocks	44,042,698
Mutual funds	196,763,859
Beneficiary certificates	390,180
Real estate	3,752,333
Net assets under collective management accounts	1,173,709
Net assets under individual management accounts	-
Customers' securities under custody	257,125,049
Total	<u>\$ 559,444,207</u>

Income Statement of Trust Accounts  
From January 1 to December 31, 2008

<b>Trust revenues</b>	
Interest income	\$ 42,776
Realized gain on bonds	578,699
Realized gain on mutual funds	4,716,271
Realized gain on beneficiary certificates	883
Total trust revenues	<u>5,338,629</u>
<b>Trust expenses</b>	
Management fee	-
Tax expense	742
Interest expense	-
Handling charge (service charge)	-
Custodian charge	-
Realized loss on bonds	285,657
Realized loss on mutual funds	20,965,197
Realized loss on structured notes	-
Other expenses	224
Total trust expenses	<u>21,251,820</u>
Net loss before tax (net investment loss)	(15,913,191)
Income tax expense	(250)
Net loss after tax	<u>(\$ 15,913,441)</u>

**(5) Capital adequacy ratio**

	December 31, 2009	December 31, 2008
<b>Capital</b>		
Tier 1 capital	\$ 75,511,899	\$ 73,940,040
Tier 2 capital	36,056,324	39,396,940
Tier 3 capital	-	-
Deductions	-	-
Total eligible capital	<u>\$ 111,568,223</u>	<u>\$ 113,336,980</u>
<b>Risk-weighted assets</b>		
Credit risk		
Standardized approach	936,281,166	958,181,253
Internal ratings-based approach	-	-
Securitization	3,678,706	5,905,344
Operational risk		
Basic indicator approach	54,019,849	56,793,132
Standardized approach / alternative standardized approach	-	-
Advanced measurement approach	-	-
Market risk		
Standardized approach	19,355,925	21,012,140
Internal model approach	-	-
Total risk-weighted assets	<u>\$ 1,013,335,646</u>	<u>\$ 1,041,891,869</u>
<b>Capital adequacy ratio</b>	<b>11.01%</b>	<b>10.88%</b>
Tier 1 ratio	<b>7.45%</b>	<b>7.10%</b>
Tier 2 ratio	<b>3.56%</b>	<b>3.78%</b>
Tier 3 ratio	<b>-</b>	<b>-</b>
<b>Ratio of common stock to total assets</b>	<b>2.58%</b>	<b>2.74%</b>
<b>Gearing ratio</b>	<b>4.11%</b>	<b>4.34%</b>

**(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 of 2008 financial statements have been reclassified to conform to the presentation of the 2009 financial statements.

# Domestic Offices Appointed to Conduct International 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 City,  
Taipei County 241, Taiwan  
Tel: 886-2-2988-4433

## Cheng-Tung Branch

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

## Chi-Cheng Branch

508, Chung Cheng Rd.,  
Hsin Tien City,  
Taipei County 231, Taiwan  
Tel: 886-2-2218-4651

## 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 City, Taipei County 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

## Feng-Yuan Branch

423, Chung Shan Rd., Feng Yuan City,  
Taichung County 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 City,  
Taipei County 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 City,  
Taipei County 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 City, Taipei County 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 City,  
Taipei County 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 Town,  
Kaohsiung County 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**

134, 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 City,  
Taipei County 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 City,  
Taipei County 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 Town,  
Taichung County 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 Shiang,  
Taichung County 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	Chunggho, Taipei
▪ Lien-Cheng	Chunggho, Taipei
▪ Dan-Shui	Danshui, Taipei
▪ Hsi-Chih	Hsichih, Taipei
▪ Dan-Feng	Hsinchuang, Taipei
▪ Hsin-Chuang	Hsinchuang, Taipei
▪ Tou-Chien	Hsinchuang, Taipei
▪ Chi-Cheng	Hsintien, Taipei
▪ Hsin-Tien	Hsintien, Taipei

Jui-Fang	Juifang, Taipei
Lu-Chou	Luchou, Taipei
▪ Hua-Chiang	Panchiao, Taipei
Jiangzicui	Panchiao, Taipei
▪ Pan-Chiao	Panchiao, Taipei
Pu-Chien	Panchiao, Taipei
▪ Chang-Tai	Sanchung, Taipei
Chung-Yang	Sanchung, Taipei
▪ San-Chung-Pu	Sanchung, Taipei
Shu-Lin	Shulin, Taipei
Tai-San	Taisan, Taipei
Tu-Cheng	Tucheng, Taipei
Wu-Ku	Wuku, Taipei
Wu-Ku Ind. Zone	Wuku, Taipei
Ying-Ko	Yingko, Taipei
Shuang-Ho	Yunggho, Taipei
Yung-Ho	Yunggho, Taipei
▪ Keelung	Keelung
Shao-Chuan-Tou	Keelung
I-Lan	I Lan
Lo-Tung	Lotung, I Lan
Su-Ao	Suao, I Lan
Pei-Tao	Taoyuan
▪ Tao-Yuan	Taoyuan
▪ Chung-Li	Chungli, Taoyuan
Hsi-Li	Chungli, Taoyuan
Nei-Li	Chungli, Taoyuan
Ping-Cheng	Chungli, Taoyuan
Hui-Lung	Kueishan, Taoyuan
Lin-Kou	Kueishan, Taoyuan
Nan-Kan	Luchu, Taoyuan
Lung-Tan	Lungtan, Taoyuan
Ta-Nan	Pateh, Taoyuan
Ta-Hsi	Tahsi, Taoyuan
Ta-Yuan	Tayuan, 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-Pak	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
Dou-Nan	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
Shih-Chuan	Kaohsiung
Po-Ai	Kaohsiung
San-Min	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 international 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

### ■ El Salvador Branch

63a Av. Sur Y Alameda Roosevelt  
Lobby 2-3 Ctro. Financiero Gigante  
San Salvador, El Salvador, C.A.  
Tel: 503-2211-2121  
Fax: 503-2211-2130

### ■ 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

### ■ 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/F, 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: 1-213-362-0244

### ■ New York Branch

34 Fl., 750, Third Avenue  
New York, N.Y. 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 Cheychnomnoas, 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: 855-23-880394

### ■ Singapore Branch

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

### ■ Tokyo Branch

13 Fl., AIG Building  
1-3 Marunouchi, 1-Chome, Chiyoda-Ku  
Tokyo 100-0005, Japan  
Tel: 81-3-3213-2588  
Fax: 81-3-3213-5377

### ■ Toronto Branch

Suite 1803, 5000, Yonge Street  
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 Offices

### ■ Bangkok Representative Office

9 Fl., Sathorn City Tower  
175, South Sathorn Road  
Tungmahamek, Sathorn  
Bangkok 10120, Thailand  
Tel: 66-2-679-5291  
Fax: 66-2-679-5295

### ■ Hanoi Representative Office

Suite 603, 6 Fl., 3D Center, C2K  
Cau Giay Industrial Zone  
Cau Giay District, Hanoi, Vietnam  
Tel: 84-43-9362-111  
Fax: 84-43-9362-112

### ■ Shanghai Representative Office

Room 1501, Building A, Dawning Center  
500, Hongbaoshi Road  
Shanghai 201103, China  
Tel: 86-21-3209-8611  
Fax: 86-21-3209-6116

## 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: 1-510-8948838  
Fax: 1-510-8948836

#### ■ 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

First Bank

第一銀行



First Bank

第一銀行



First Bank

