Chang Hwa Commercial Bank, Ltd.

Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chang Hwa Commercial Bank, Ltd.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Chang Hwa Commercial Bank as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

Chang Hwa Commercial Bank has separately prepared consolidated financial statements for the year ended December 31, 2010 on which we have issued an unqualified opinion, based on our audits.

April 13, 2011

<u>*Notice to Readers*</u>

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value of Capital Stock)

ASSETS	2010 Amount	2009 Amount	Percentage of Variation %
Cash and cash equivalents (Note 3)	$ 33,907,482	$ 26,998,776	26
Due from Central Bank and call loans to banks (Notes 3 and 25)	88,513,906	90,275,126	(2)
Financial assets at fair value through profit or loss, net (Notes 2 and 4)	19,303,952	13,543,837	43
Bonds and securities purchased under resell agreements (Note 2)	-	49,549	(100)
Receivables, net (Notes 2, 5 and 6)	23,568,205	11,187,747	111
Loans, net (Notes 2, 6 and 25)	1,046,553,781	1,011,067,871	4
Available-for-sale financial assets, net (Notes 2, 7 and 26)	44,084,734	30,297,240	46
Held-to-maturity financial assets, net (Notes 2, 8 and 26)	193,424,963	230,295,526	(16)
Investments accounted for by the equity method, net (Notes 2 and 9)	227,616	146,291	56
OTHER FINANCIAL ASSETS, NET			
Financial assets carried at cost (Notes 2 and 10)	4,728,434	4,737,188	-
Bond investments with no active market (Notes 2 and 11)	11,058,321	15,507,338	(29)
Hedging derivative financial instruments (Notes 2 and 18)	148,397	130,348	14
Other miscellaneous financial assets (Notes 2, 6 and 12)	92,358	127,265	(27)
Other financial assets, net	16,027,510	20,502,139	(22)
PROPERTY AND EQUIPMENT (Notes 2 and 13)			
Cost			
Land (including revaluation increments)	16,980,300	16,981,020	-
Buildings (including revaluation increments)	7,997,758	7,972,175	-
Machinery equipment	4,956,025	4,877,950	2
Transportation equipment	606,736	627,921	(3)
Miscellaneous equipment	1,444,194	1,466,476	(2)
Leasehold improvements	793,053	745,430	6
	32,778,066	32,670,972	-
Accumulated depreciation	(9,023,046)	(8,430,051)	7
	23,755,020	24,240,921	(2)
Construction in progress and prepayment for buildings and equipment	22,537	1,793	1,157
Property and equipment	23,777,557	24,242,714	(2)
INTANGIBLE ASSETS, NET (Note 2)	56,504	39,547	43
OTHER ASSETS			
Other miscellaneous assets (Notes 2, 14 and 26)	6,931,826	6,995,717	(1)
Deferred tax assets (Notes 2 and 23)	6,791,428	9,824,288	(31)
Total other assets	13,723,254	16,820,005	(18)
TOTAL	$ 1,503,169,464	$ 1,475,466,368	2

LIABILITIES AND SHAREHOLDERS' EQUITY	2010 Amount	2009 Amount	Percentage of Variation %
LIABILITIES			
Due to banks and Central Bank (Notes 15 and 25)	$ 95,108,981	$ 120,437,915	(21)
Financial liabilities at fair value through profit or loss (Notes 2, 4 and 25)	4,489,980	821,612	446
Bonds and securities sold under repurchase agreements (Notes 2 and 25)	13,636,714	5,419,388	152
Payables (Note 16)	25,544,088	22,082,484	16
Deposits (Notes 17 and 25)	1,240,988,877	1,211,599,406	2
Bank notes (Note 18)	28,493,150	23,473,942	21
Accrued pension liabilities (Notes 2 and 19)	288,415	2,473,876	(88)
Other financial liabilities	360,957	441,663	(18)
Other liabilities (Notes 2 and 13)	7,674,235	7,698,797	-
Total liabilities	1,416,585,397	1,394,449,083	2
SHAREHOLDERS' EQUITY (Note 20)			
Capital stock - 6,500,000,000 shares authorized			
Common stock issued and outstanding - 6,209,475,600 shares as of December 31, 2010 and 2009, respectively; par value - $10.00	62,094,756	62,094,756	-
Retained earnings			
Legal reserve	8,340,729	7,414,059	12
Unappropriated earnings (Note 23)	8,211,749	3,174,710	159
Other items of shareholders' equity			
Unrealized revaluation increments	8,058,163	8,079,304	-
Cumulative translation adjustments (Note 2)	52,779	226,445	(77)
Unrealized gains or losses on financial instruments (Note 2)	(174,109)	28,011	(722)
Total shareholders' equity	86,584,067	81,017,285	7
TOTAL	$ 1,503,169,464	$ 1,475,466,368	2

The accompanying notes are an integral part of the financial statements.

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010 Amount	2009 Amount	Percentage of Variation %
INTEREST INCOME (Notes 2 and 25)	$ 22,051,606	$ 22,600,931	(2)
INTEREST EXPENSE (Note 25)	(8,009,961)	(10,296,178)	(22)
NET INTEREST INCOME	14,041,645	12,304,753	14
NET INCOME OTHER THAN INTEREST INCOME			
Fee income, net (Notes 2, 21 and 25)	3,819,455	3,055,218	25
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 2, 4 and 25)	(1,956,924)	572,936	(442)
Realized gain on available-for-sale financial assets (Note 2)	495,383	480,676	3
Investment income recognized under the equity method (Notes 2 and 9)	173,696	105,968	64
Foreign exchange gain, net (Note 2)	3,179,391	1,107,966	187
Loss on assets impairment	-	(132,672)	100
Other non-interest net income and losses			
Gain on sale of nonperforming loans (Note 29)	1,445,856	733,509	97
Gain on collection of nonperforming loans (Note 2)	6,532,332	3,681,834	77
Gain on financial assets carried at cost (Note 2)	269,553	270,119	-
Gain on disposal of property (Note 2)	131,252	114,807	14
Other miscellaneous net income	354,688	351,581	1
GROSS INCOME	28,486,327	22,646,695	26
PROVISION FOR LOAN LOSS (Notes 2 and 6)	(4,749,980)	(5,285,784)	(10)
OPERATING EXPENSES			
Personnel (Note 22)	(8,618,424)	(7,604,220)	13
Depreciation and amortization (Note 22)	(914,839)	(940,318)	(3)
Others	(3,137,500)	(3,098,958)	1
Total operating expenses	(12,670,763)	(11,643,496)	9
INCOME BEFORE INCOME TAX OF CONTINUED OPERATIONS	11,065,584	5,717,415	94
INCOME TAX EXPENSE (Notes 2 and 23)	(3,239,032)	(2,628,517)	23
NET INCOME	$ 7,826,552	$ 3,088,898	153

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Pretax	**After-tax**	**Pretax**	**After-tax**
BASIC EARNINGS PER SHARE (Note 24)	$ 1.78	$ 1.26	$ 0.92	$ 0.50
DILUTED EARNINGS PER SHARE (Note 24)	$ 1.78	$ 1.26	$ 0.92	$ 0.50

The accompanying notes are an integral part of the financial statements. (Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Capital Stock	Retained Earnings		Equity Adjustment			
	Common Stock	Legal Reserve	Unappropriated Earnings	Unrealized Revaluation Increments	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Total
BALANCE, JANUARY 1, 2009	$ 62,094,756	$ 5,958,101	$ 5,267,456	$ 8,117,921	$ 233,975	$ (1,067,069)	$ 80,605,140
Appropriation of 2008 earnings							
Legal reserve	-	1,455,958	(1,455,958)	-	-	-	-
Cash dividends	-	-	(3,725,686)	-	-	-	(3,725,686)
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	1,095,080	1,095,080
Change in translation adjustments	-	-	-	-	(7,530)	-	(7,530)
Sale of land and buildings with revaluation increments	-	-	-	(38,617)	-	-	(38,617)
Net income for the year ended December 31, 2009	-	-	3,088,898	-	-	-	3,088,898
BALANCE, DECEMBER 31, 2009	62,094,756	7,414,059	3,174,710	8,079,304	226,445	28,011	81,017,285
Appropriation of 2009 earnings							
Legal reserve	-	926,670	(926,670)	-	-	-	-
Cash dividends	-	-	(1,862,843)	-	-	-	(1,862,843)
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	(202,120)	(202,120)
Change in translation adjustments	-	-	-	-	(173,666)	-	(173,666)
Sale of land with revaluation increments	-	-	-	(21,141)	-	-	(21,141)
Net income for the year ended December 31, 2010	-	-	7,826,552	-	-	-	7,826,552
BALANCE, DECEMBER 31, 2010	$ 62,094,756	$ 8,340,729	$ 8,211,749	$ 8,058,163	$ 52,779	$ (174,109)	$ 86,584,067

The accompanying notes are an integral part of the financial statements.

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,826,552	$ 3,088,898
Gains or losses with no effect on cash flows and other adjustments		
Depreciation and amortization	914,839	940,318
Investment income recognized under the equity method	(173,696)	(105,968)
Cash dividends received from equity-method investees	92,371	78,783
Gain on disposal of property, equipment and other miscellaneous assets	(131,252)	(114,807)
Loss on assets impairment	-	132,672
Provision for loan losses	4,749,980	5,285,784
Provision for other losses	2,683	2,410
Amortization of discount on investment in bonds	(346,847)	(105,057)
Valuation loss on financial assets and liabilities at fair value through profit or loss	2,096,951	11,808
Gain on disposal of available-for-sale financial assets	(356,593)	(440,592)
Valuation loss (gain) on hedging financial instruments	1,159	(3,304)
Deferred income tax expense	3,032,861	2,350,397
Net changes in operating assets and liabilities		
Financial assets for trading purpose	(3,260,509)	2,374,375
Receivables	(11,888,277)	3,594,556
Other financial assets	821,885	(1,091,950)
Other assets - other miscellaneous assets	49,212	1,559,019
Financial liabilities at fair value through profit or loss	(928,189)	(1,288,708)
Payables	3,461,604	(5,842,815)
Accrued pension liabilities	(2,185,461)	(30,120)
Other financial liabilities	(80,706)	(62,090)
Other liabilities	79,083	(248,528)
Net cash provided by operating activities	3,777,650	10,085,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from Central Bank and call loans to banks	1,761,220	(1,431,130)
Decrease in bonds and securities purchased under resell agreements	49,549	1,064,065
Increase in loans (including delinquent loans)	(40,690,751)	(37,312,516)
Purchase of available-for-sale financial assets	(79,817,572)	(48,486,945)
Proceeds received on sale of available-for-sale financial assets	66,490,754	51,837,383
Purchase of held-to-maturity financial assets	(1,140,129,178)	(1,384,292,010)
Proceeds received on redemption of matured held-to-maturity financial assets	1,176,988,494	1,328,252,459
Purchase of bond investments with no active market	(113,465)	(1,852,163)
Proceeds received on redemption of matured bond investments with no active market	3,704,962	3,198,980
Purchase of intangible assets	(34,218)	(20,379)

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
Purchase of property, equipment and other miscellaneous assets	$ (460,688)	$ (386,966)
Proceeds received on sale of property, equipment and other miscellaneous assets	140,194	115,167
Net cash used in investing activities	(12,110,699)	(89,314,055)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to banks and Central Bank	(25,328,934)	12,754,545
Increase (decrease) in bonds and securities sold under repurchase agreements	8,217,326	(11,379,106)
Increase in deposits	29,389,471	95,990,606
Increase (decrease) increase in bank notes	5,000,000	(13,000,000)
Cash dividends distributed	(1,862,843)	(3,725,686)
Net cash provided by financing activities	15,415,020	80,640,359
EFFECT FROM EXCHANGE RATE FLUCTUATION	(173,265)	(7,233)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,908,706	1,404,152
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,998,776	25,594,624
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 33,907,482	$ 26,998,776
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	$ 8,005,509	$ 12,814,109
Income tax	$ 340,597	$ 296,217

The accompanying notes are an integral part of the financial statements. (Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and got license from the Ministry of Economic Affairs in July 1950. Since February 1962 the Bank's shares have been listed and traded on the Taiwan Stock Exchange.

The Bank mainly engages in the following business:

a. All commercial banking operations allowed by the Banking Law;
b. Trust operations;
c. International banking operations;
d. Overseas branch operations authorized by the respective foreign governments; and
e. Other operations authorized by the central authority.

The Bank's head office is located in Taichung City, Taiwan. The Bank has banking and trust departments in head office, 181 domestic branches, an international financing branch, three agents conducting securities brokerage activities, seven overseas branches in New York, Los Angeles, Tokyo, London and Singapore, Hong Kong, and Kunshan China.

As of December 31, 2010 and 2009, the Bank had 6,428 and 6,491 employees, respectively.

The Bank's parent is Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding"), which had a 22.55% equity interest in the Bank as of December 31, 2010 and 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China ("ROC"). Under these regulations, law and principles, certain estimates and assumptions have been used for the valuation of financial instruments, allowance for loan losses, depreciation of property and equipment, pension cost, tax expense or benefit, asset impairment, guarantees, bonuses to employees, directors and supervisors, and so on. Actual results could differ from these estimates due to changes in operations and assumptions.

Because of its business characteristics, assets and liabilities of the Bank are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Basis of Financial Statements

The financial statements include the accounts of the head office, all domestic and overseas branches, offices and the international financial branch. All material intra-office account balances and transactions have been eliminated.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Bank recognizes a financial asset or a financial liability on its balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Bank has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value plus transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. The regular way purchases or sales of stocks and mutual funds financial assets are recognized and derecognized on a trade date basis. Settlement date basis is applied to all other financial assets.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Financial assets and liabilities designated upon initial recognition as at FVTPL include (a) compound financial instruments; and (b) financial assets or liabilities which have been designated to record at fair value upon initial recognition and for the purpose of eliminating major differences caused by inconsistent accounting process. In addition, a portfolio of financial assets, financial liabilities or its component which are managed by the risk control and investment policy of the Bank is designated as financial instruments at FVTPL.

Bonds or Securities Purchased/Sold under Specific Agreements

Bonds or securities purchased under resell agreement are recorded at purchase price and are accounted as financing transactions. Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

Delinquent Loans

According to the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans and Bad Debts, overdue loans or other credit items including their accrued interest receivables are reclassified to delinquent loans.

The delinquent loans which are reclassified from loans are reported under loans, while others are reported as other miscellaneous financial assets.

Allowance for Loan Losses and Reserve for Guarantees

Allowances for bad debts and losses on guarantees are estimated based on the uncollectibility of specific loans, receivables, delinquent loans, other financial assets and guarantees as well as the uncollectibility of overall credit portfolio referred to above.

The Bank assesses the collectibility of credit portfolio based on the borrowers'/clients' delinquent status and financial condition in accordance with regulations issued by the Ministry of Finance ("MOF").

The regulations classify deteriorating loans into "special mentioned", "substandard", "doubtful", and "uncollectible" categories. Provisions should be made at 2%, 10%, 50%, and 100% for each loan category, respectively, as the minimum standard of allowances for bad loans and guarantees.

Unrecoverable portions of delinquent loans are written off upon approval of the board of directors. Recovery of delinquent loans previously written off is recognized as recovery of allowance for loan losses and classified into other non-interest net income and losses.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. The regular way purchases or sales of stocks and mutual funds are recognized and derecognized on a trade date basis. Settlement date basis is applied to all other financial assets.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date or upon the shareholders' resolutions, except for dividends distributed from the pre-acquisition profit which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss of an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. Settlement date basis is applied to all held-to-maturity financial assets.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Investments Accounted for by the Equity Method

Investments in which the Bank exercises significant influence over the investees' operating and financial policy decisions are recognized at cost and the carrying amount is increased or decreased by the investor's share of the profit or loss of the investee. Distributions received from an investee reduce the carrying amount of the investment. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond Investments with No Active Market

Bond investments with fixed or determinable payments and without quoted prices in an active market are carried at amortized cost using the effective interest method. The accounting treatment for such bond investments is similar to that for held-to-maturity financial assets, except for the absence of restriction on the timing of their disposal.

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Financial Asset Securitization

According to the Statue for Financial Asset Securitization, mortgage loans and their related rights owned by original institution can be transferred to a specific purpose trust for issuing asset backed securities and funds raised from such issuance should be transferred to the original institution. Under such structure, controls over contractual rights of such financial assets are transferred to the buyers of the asset backed securities, except for subordinated asset backed securities, recorded as available-for-sale financial assets, issued for the purpose of credit enhancement. Therefore, transferred financial assets are derecognized and any resulting gains or losses are recognized in the net income or losses.

Because there is no market price for the retained right, fair value is assessed by making the best estimate of loss rate on the creditor's right, advanced principal repayment rate and discount rate of related risks to project the present value of future cash flows.

Property, Equipment, Leased Assets and Idle Assets

Property, equipment, leased assets and idle assets are stated at cost plus revaluation increment less accumulated depreciation. Major additions and improvements to property, equipment, leased assets and idle assets are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is calculated using the straight-line method over estimated useful lives as follows: Buildings - 10 to 60 years; machinery equipment - 4 to 16 years; transportation equipment - 2 to 30 years; miscellaneous equipment - 3 to 40 years; leasehold improvements - 5 years.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

If the recoverable amount of an item of property, equipment, leased assets and idle assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction of the unrealized revaluation increment.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment.

Assumed Collateral and Residuals

Assumed collateral and residuals are accounted as other miscellaneous assets and recorded at cost. An impairment loss is recognized when the cost is higher than fair value at each subsequent balance sheet date.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Computer software is amortized over 3-5 years.

Pensions

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the years in which employees render services.

Reserve for Accidental Losses

Reserve for accidental losses is accounted as other liabilities and provided for based on 2% of monthly brokerage income to cover the possible losses arising from mistakes in securities processing. The provision for accidental loss will be adjusted based on actual incurred losses.

Reserve for Default Losses

According to the Rules Governing the Administration of Securities Firms, 0.0028% of monthly brokerage income must be provided as a reserve for default losses (recorded as other liabilities) until the balance of the provision equals $200,000 thousand. Such reserve can only be used to offset default losses or other purposes as approved by the Securities and Futures Bureau (“SFB”).

Reserve for Losses on Trading Securities

According to the Rules Governing the Administration of Securities Firms, 10％ of the excess of monthly gains on trading securities over monthly losses should be set aside as a reserve (recorded as other liabilities) until the balance of the provision equals $200,000 thousand. Such reserve can only be used to offset actual losses.

Interest Income and Fee Income Recognition

The interest income on loans is recognized on an accrual basis. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is ceased. Interest income will be recognized when the delinquent interest is collected. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

Fee income is recognized when income is received and main service is completed.

Income Tax

The Bank applies intra-year and inter-year allocations for its income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Tax is separately levied on interest from short-term bills and securitized instruments, and recognized as tax expenses in current period.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Hedge Accounting

The Bank enters into derivatives in order to manage interest risk exposures arising from assets and liabilities. The transaction is accounted as fair value hedge to avoid the fair value risk of a fixed interest payable which resulted from market interest rate changes. At the inception of the hedge, the Bank prepared formal designation and documentation of the hedging relationship between hedging instruments and the hedged items or transactions, the risk management objective and strategy for and how the Bank will assess the hedging instrument effectiveness.

Under fair value hedge, gains or losses from hedging instrument are offset against the exposure of hedged item fair value attributable to the hedged risk. Changes in the fair value of derivatives that are designated and qualified as fair value hedges of interest rate risk are recorded as a gain or loss in current period. Changes in the fair value of the hedged items attributable to the hedged risk are recorded as a gain or loss and used to adjust the carrying value of the hedged items.

Commitments and Contingencies

If losses on commitments and contingencies are considered probable and can be reasonably estimated, the losses are recorded in the statement of income for the current period. If the amount could not be evaluated reasonably, the facts should be disclosed.

Foreign Currency Transactions

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
b. Shareholders' equity - at historical exchange rates;
c. Dividends - at the exchange rate prevailing on the dividend declaration date.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2010.

3. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

a. Cash and cash equivalents

	December 31	
	2010	2009
Cash on hand	$ 8,205,253	$ 8,104,903
Checks for clearing	6,165,941	5,189,749
Due from other banks	18,709,497	12,919,256
Foreign currencies on hand	826,791	784,868
	$ 33,907,482	$ 26,998,776

b. Due from Central Bank and call loans to banks

	December 31	
	2010	2009
Call loans to banks	$ 33,821,447	$ 34,869,746
Reserve for checking account	15,495,883	14,128,943
Reserve for demand account	32,675,457	31,199,933
Reserve for foreign deposit	195,715	148,390
Others	6,325,404	9,928,114
	$ 88,513,906	$ 90,275,126

4. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2010	2009
Financial assets at FVTPL		
Financial assets held for trading		
Investment in bills	$ 12,404,939	$ 8,606,705
Domestic quoted stocks	24,646	27,041
Mutual funds	97,313	30,872
Government bonds	2,705,502	1,718,963
Overseas corporate bonds and bank notes	91,591	199,140
Forward exchange contracts	336,773	101,573
Interest rate swaps	420,706	273,915
Cross-currency swaps	6,688	33,240
Currency swaps	1,276,588	332,110
Currency call option premium	245,361	38,461
Futures	93,207	143,705
	17,703,314	11,505,725
Designate financial assets at FVTPL		
Interest rate-linked combination instruments	1,600,638	2,038,112
	$ 19,303,952	$ 13,543,837

The par value of bonds and notes provided for transactions with repurchase agreements were $8,638,500 thousand and $1,602,400 thousand as of December 31, 2010 and 2009, respectively.

	December 31	
	2010	2009
Financial liabilities at FVTPL		
Financial liabilities held for trading		
Forward contracts	$ 274,612	$ 77,155
Currency swaps	3,310,816	345,850
Cross-currency swaps	165,539	45,337
Interest rate swaps	488,555	312,922
Currency put option premium	245,351	28,838
Asset-swap options	3,986	11,510
Government bonds short sales	1,121	-
	$ 4,489,980	$ 821,612

The Bank entered into derivative contracts during the years ended December 31, 2010 and 2009 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2010 and 2009 are as follows:

	December 31	
	2010	2009
Currency swaps	$ 157,030,844	$ 72,941,357
Currency options	16,968,098	5,623,855
Forward exchange contracts	32,352,125	19,163,794
Interest rate swaps and asset-swap options	66,551,332	43,586,651
Cross-currency swaps	2,468,118	2,112,837

Net gains on financial assets at FVTPL for the years ended December 31, 2010 and 2009 were $6,334,379 thousand (including gain on disposal of $3,834,163 thousand, gain on valuation of $2,499,606 thousand, and dividend revenue of $610 thousand) and $4,437,378 thousand (including gain on disposal of $3,357,524 thousand, gain on valuation of $1,078,848 thousand, and dividend revenue of $1,006 thousand), respectively. Net losses on financial liabilities at FVTPL for the years ended December 31, 2010 and 2009 were $8,291,303 thousand (including loss on disposal of $3,694,746 thousand and loss on valuation of $4,596,557 thousand) and $3,864,442 thousand (including loss on disposal of $2,773,786 thousand and loss on valuation of $1,090,656 thousand), respectively.

5. RECEIVABLES, NET

	December 31	
	2010	2009
Accounts receivable	$ 13,923,532	$ 1,971,468
Tax refund receivable	500,872	768,398
Revenue receivable	202,590	206,881
Interest receivable	2,041,132	2,047,179
Acceptance receivable	6,960,883	6,272,346
Other receivables	153,251	623,097
Less allowance for receivables	(214,055)	(701,622)
	$ 23,568,205	$ 11,187,747

Please refer to Note 6 for the movement of allowance for receivables.

6. LOANS, NET

a. The details of loans are as follows:

	December 31	
	2010	2009
Negotiated	$ 6,083,982	$ 6,584,295
Overdraft	1,194,037	1,628,845
Short-term loans	322,961,530	263,175,456
Receivable amount for margin loans	531,503	429,404
Medium-term loans	265,425,148	305,902,674
Long-term loans	458,181,190	433,635,698
Delinquent loans	5,627,585	12,203,402
	1,060,004,975	1,023,559,774
Less allowance for loan losses	(13,451,194)	(12,491,903)
	$ 1,046,553,781	$ 1,011,067,871

b. Movements of allowance for receivables and loans are as follows:

	Year Ended December 31, 2010				
	Receivables	Delinquent Loans Reclassified from Other Items (Excluding Loans)	For Losses on Specific Loans	For Losses on Overall Loan Portfolio	Total
Balance, January 1, 2010	$ 701,622	$ 36,122	$ 2,780,335	$ 9,711,568	$ 13,229,647
Provision (reversal) for loan losses	(443,180)	62,305	2,277,094	2,897,630	4,793,849
Loans written off	(56,017)	(99,085)	(3,929,516)	(148,541)	(4,233,159)
Reclassified reserve for guarantee as allowance for bad debts	11,659	8,222	31,973	(1,856)	49,998
Others	(29)	-	(76,562)	(90,931)	(167,522)
Balance, December 31, 2010	$ 214,055	$ 7,564	$ 1,083,324	$ 12,367,870	$ 13,672,813

	Year Ended December 31, 2009				
	Receivables	Delinquent Loans Reclassified from Other Items (Excluding Loans)	For Losses on Specific Loans	For Losses on Overall Loan Portfolio	Total
Balance, January 1, 2009	$ 537,485	$ 29,419	$ 3,935,193	$ 9,631,084	$ 14,133,181
Provision for loan losses	301,799	31,503	4,675,574	108,802	5,117,678
Loans written off	(102,377)	(113,054)	(5,870,651)	(25,487)	(6,111,569)
Reclassified reserve for guarantee as allowance for bad debts	(35,044)	106,875	47,804	3,053	122,688
Reclassification	-	(18,621)	18,621	-	-
Others	(241)	-	(26,206)	(5,884)	(32,331)
Balance, December 31, 2009	$ 701,622	$ 36,122	$ 2,780,335	$ 9,711,568	$ 13,229,647

The delinquent loans of which the accrual of interest income was ceased internally as of December 31, 2010 and 2009 were $5,627,585 thousand and $12,203,402 thousand, respectively. The ceased accrued interest income in 2010 and 2009 was $153,070 thousand and $317,288 thousand, respectively.

The Bank did not write off any loans without legal claim process in 2010 and 2009.

c. Details of provision for loan losses for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
Provision for receivable and loan (including delinquent loan) losses	$ 4,793,849	$ 5,117,678
Reserve for guarantees	(43,869)	168,106
	$ 4,749,980	$ 5,285,784

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2010	2009
Domestic quoted stocks	$ 2,203,637	$ 2,128,698
Government bonds	29,180,872	19,803,157
Corporate bonds	5,585,127	2,252,436
Bank notes	7,115,098	6,112,949
	$ 44,084,734	$ 30,297,240

The par value of bonds provided for transactions with repurchase agreements were $4,393,000 thousand and $3,270,100 thousand as of December 31, 2010 and 2009, respectively.

Government bonds placed as deposits in courts as of December 31, 2010 and 2009 were $781,200 thousand and $650,800 thousand, respectively. Another $290,000 of government bonds were placed as operating deposits as of both December 31, 2010 and 2009.

In December 2004, the Bank entrusted residential mortgage loans with carrying value of $5,375,056 thousand to Deutsche Bank - Taipei Branch, which will issue asset backed securities on these loans, with terms from December 20, 2004 to August 20, 2025.

Designation	**Interest Rate**	**Class Initial Principal Amount**
Class A1	0.02%+ARM Index	$ 2,365,000
Class A2	0.37%+ARM Index	2,365,000
Class B	0.55%+ARM Index	135,000
Class C	0.65%+ARM Index	135,000
Class D	None	375,056

The Bank hold the subordinated asset backed certificates Class D of $375,056 thousand as available-for-sale financial assets with the right to claim residual interests after paying fixed interest of Class A1, A2, B and C securities. If the borrowers are not able to repay the loans on maturity, investors and Deutsche Bank - Taipei Branch does not have recourse to the Bank’s other assets. The right to claim loan principal follows the investors’ right, and its value depends on the credit risks, advanced principal payments, and interest risk on the principal transferred.

In July 2009, the Bank redeemed the remaining outstanding residential mortgage loans backed certificates ahead of schedule. As of December 31, 2009, all the subordinated asset backed certificates were paid off.

The cash flows received from and paid to securitization trustees are summarized as follows:

	Rights of Residential Mortgages
	Year Ended December 31, 2009
Other cash flows received on retained interests	$ 4,843
Service revenue	1,276
Cash flows from settle entrusted securities transaction	57,516

8. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2010	**2009**
Certificates of deposits issued by the Central Bank	$ 182,300,000	$ 216,800,000
Government bonds	264,800	954,963
Bank notes	7,427,513	8,970,533
Corporate bonds	3,432,650	3,570,030
	$ 193,424,963	$ 230,295,526

Government bonds placed as deposits in courts as of December 31, 2009 were $105,400 thousand.

The overseas branches placed bonds as collateral for operations as of December 31, 2010 and 2009 were $294,219 thousand and $523,282 thousand, respectively.

Certificate deposits placed as reserves for clearing at the Central Bank was $5,000,000 thousand and $6,000,000 thousand as of December 31, 2010 and 2009, respectively.

9. INVESTMENT ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Value	Ownership Interest (%)	Carrying Value	Ownership Interest (%)
CHB Life Insurance Agency Co., Ltd. (CHB Insurance Agency)	$ 189,531	100.00	$ 116,664	100.00
CHB Insurance Brokerage Co., Ltd. (“CHB Insurance Brokerage”)	38,085	100.00	29,627	100.00
	$ 227,616		$ 146,291	

The investment income for the years ended December 31, 2010 and 2009 was based on the investees’ financial statements audited by independent auditors for the same year. The investment income recognized under the equity method was as follows:

	2010	2009
CHB Insurance Agency	$ 151,160	$ 86,992
CHB Insurance Brokerage	22,536	18,976
	$ 173,696	$ 105,968

10. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2010	2009
Domestic unquoted common stocks	$ 4,728,434	$ 4,737,188

11. BOND INVESTMENT WITH NO ACTIVE MARKET

	December 31	
	2010	2009
Preferred stock - Taiwan High Speed Rail Co., Ltd.	$ 1,300,000	$ 1,300,000
Beneficiary securities and asset backed securities	602,258	852,105
Corporate bonds and bank notes	9,156,063	13,355,233
	$ 11,058,321	$ 15,507,338

The Bank recognized impairment loss of bond investment about $132,672 thousand for the year ended December 31, 2009.

12. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2010	**2009**
Inward remittance	$ 25,206	$ 42,201
Delinquent loans reclassified from other accounts (excluding loans)	74,716	121,186
Less allowance for loan losses	(7,564)	(36,122)
	$ 92,358	$ 127,265

Please refer to Note 6 for the movement of allowance for delinquent loans reclassified from other accounts (excluding loans).

13. PROPERTY AND EQUIPMENT

	December 31			
	2010			2009
	Cost	**Accumulated Depreciation**	**Carrying Value**	**Carrying Value**
Land	$ 16,980,300	$ -	$ 16,980,300	$ 16,981,020
Buildings	7,997,758	(2,979,694)	5,018,064	5,128,542
Machinery equipment	4,956,025	(3,710,384)	1,245,641	1,618,156
Transportation equipment	606,736	(485,333)	121,403	134,543
Miscellaneous equipment	1,444,194	(1,257,979)	186,215	194,754
Leasehold improvements	793,053	(589,656)	203,397	183,906
Construction in progress and prepayments for buildings and equipment	22,537	-	22,537	1,793
	$ 32,800,603	$ (9,023,046)	$ 23,777,557	$ 24,242,714

The Bank revalued its land in years 1956, 1961, 1962, 1968, 1970, 1971, 1975, 1980, 1987, 1991, 1992, 1997, and 2001 and revalued its buildings in year 1977. The total amounts of revaluation increments recognized for land and buildings were $17,600,470 thousand and $108,475 thousand, respectively.

Total revaluation increment of land and buildings decreases because of sale, disposal and expropriation by government. The balances of total revaluation increments as of December 31, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	Land	**Buildings**	**Land**	**Buildings**
Property and equipment	$ 12,480,372	$ 80,974	$ 12,481,090	$ 81,290
Other miscellaneous assets	4,397,674	12,533	4,430,558	12,217
	$ 16,878,046	$ 93,507	$ 16,911,648	$ 93,507

Reserve for land revaluation increment tax is accounted as other liabilities and amounted to $5,607,113 thousand and $5,619,574 thousand as of December 31, 2010 and 2009, respectively.

14. OTHER MISCELLANEOUS ASSETS

	December 31	
	2010	**2009**
Refundable deposits	$ 99,005	$ 116,766
Assumed collateral and residuals	62,632	62,632
Less: Accumulated impairment	(62,632)	(62,632)
Prepayments	1,706,186	1,728,194
Leased assets	5,097,805	5,105,208
Idle assets	27,038	27,038
Others	1,792	18,511
	$ 6,931,826	$ 6,995,717

As of December 31, 2010, the estimated future rental receivables under the contracts are as follows:

Period	**Amount**
2011	$ 185,494
2012	145,102
2013	87,119
2014	65,601
2015	55,787

15. DUE TO BANKS AND CENTRAL BANK

	December 31	
	2010	**2009**
Due to Central Bank	$ 30,353	$ 125,889
Due to other banks	21,731,307	22,266,530
Bank overdraft	1,378,872	2,259,887
Call loans from other banks	62,558,733	67,673,870
Deposits transferred from the Postal Bureau	9,409,716	28,111,739
	$ 95,108,981	$ 120,437,915

16. PAYABLES

	December 31	
	2010	2009
Accounts payable	$ 12,705,164	$ 11,092,636
Collections for customers	349,716	464,128
Accrued expenses	2,067,257	1,254,227
Interest payable	1,374,092	1,369,793
Acceptances	7,874,126	6,833,649
Dividends payable	138,528	138,827
Factoring payable	447,876	115,620
Others	587,329	813,604
	$ 25,544,088	$ 22,082,484

17. DEPOSITS

	December 31	
	2010	2009
Checking deposit	$ 35,753,409	$ 34,646,402
Demand deposit	263,119,909	233,221,577
Time deposit	269,386,756	293,688,256
Negotiable certificates of deposit	7,468,300	4,586,200
Savings deposit	664,319,577	644,566,533
Remittances	940,926	890,438
	$ 1,240,988,877	$ 1,211,599,406

18. BANK NOTES

The Bank has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The Bank issued subordinated bank notes on March 15, 2002, September 26, 2007, May 19, 2008, December 15, 2008, September 15, 2009, and June 29, 2010 as follows:

The Bank issued $20,000 million subordinated bank notes with terms from five to ten years on March 15, 2002. On March 15, 2007, bank note-91-1 A had been redeemed on maturity, and bank note-91-1 D had also been redeemed ahead of schedule. In addition, bank note-91-1 B and C had also been redeemed on maturity on March 15, 2009.

The Bank issued $5,000 million subordinated bank notes-96-1 with 7-year terms on September 26, 2007.

The Bank issued $5,000 million subordinated bank notes-97-1 with 7-year terms on May 19, 2008.

The Bank issued $8,350 million subordinated bank notes-97-2 with 7-year terms on December 15, 2008.

The Bank issued $5,000 million subordinated bank notes-98-1 with 7-year terms on September 15, 2009.

The Bank issued $5,000 million perpetual subordinated bank notes-99-1 on June 29, 2010.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note	Interest Rate and Maturity Date	December 31 2010	December 31 2009
Hedged financial liabilities at fair value			
97-1	7-year term, interest payable annually, annual interest 3.10%, maturity date: May 19, 2015	$ 2,000,000	$ 2,000,000
Valuation adjustment		143,150	123,942
		2,143,150	2,123,942
Non-hedged bank notes payable			
96-1	7-year term, interest payable annually, determined at the 90-day commercial paper fixing rate in the secondary market plus 0.35%, provided by Reuters Limited, maturity date: September 26, 2014	5,000,000	5,000,000
97-1	7-year term, interest payable annually, annual interest 3.10%, maturity date: May 19, 2015	3,000,000	3,000,000
97-2	7-year terms, interest payable annually, annual interest 3.05%, maturity date: December 15, 2015	8,350,000	8,350,000
98-1	7-year terms, interest payable annually, annual interest 2.30%, maturity date: September 15, 2016	5,000,000	5,000,000
99-1	No maturity date, interest payable annually, annual interest from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	-
		26,350,000	21,350,000
		$ 28,493,150	$ 23,473,942

The Bank engaged in derivative transactions as hedging tools for the 97-1 fixed interest bank notes with 7-year terms mentioned above to avoid fair value risks due to changes in interest rates. The interest rate swaps nominal principal was $2,000,000 thousand and the balance of $148,397 thousand and $130,348 thousand as of December 31, 2010 and 2009, accounted as hedging derivative financial assets.

19. PENSION EXPENSE

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were $169,378 thousand and $97,965 thousand for the years ended December 31, 2010 and 2009, respectively.

Based on the defined benefit plan under Labor Standard Law (the "LSL"), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts based on total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. The Bank recognized pension costs of $534,773 thousand and $580,791 thousand for the years ended December 31, 2010 and 2009, respectively.

Information about the defined benefit plan was as follows:

a. Components of net pension cost

	Years Ended December 31	
	2010	2009
Service cost	$ 466,419	$ 488,000
Interest cost	146,292	140,240
Projected return on pension funds	(77,752)	(63,794)
Amortization	(186)	16,345
Net pension cost	$ 534,773	$ 580,791

b. Reconciliation of funded status of the plan and accrued pension cost

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	$ 3,588,082	$ 2,941,398
Non-vested benefit obligation	1,978,122	1,686,599
Accumulated benefit obligation	5,566,204	4,627,997
Additional benefit based on future salaries	1,476,455	1,268,691
Projected benefit obligation	7,042,659	5,896,688
Fair value of plan assets	(5,413,947)	(2,845,098)
Funded status	1,628,712	3,051,590
Unrecognized net transitional obligation	1,404	1,648
Unrecognized gains or losses	(1,350,873)	(590,740)
Others	9,172	11,378
Accrued pension cost	$ 288,415	$ 2,473,876
Vested benefit	$ 4,153,184	$ 3,556,448

c. Actuarial assumptions

	December 31	
	2010	2009
Discount rate used in determining present values	2.00%	2.50%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.50%

20. CAPITAL STOCK

Common Stock

As of December 31, 2010, the Bank's authorized and registered capital was $65,000,000 divided into 6,500,000 thousand shares at $10 dollars par value. The Bank's total paid-in capital was $62,094,756 divided into 6,209,476 thousand outstanding shares at $10 dollars par value.

Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par and donations may be capitalized, which however is limited to 10% of the Bank's registered capital. In addition, the capital surplus from share issued in excess of par can only be capitalized until the year after the permittion of the authorities.

Distribution of Earnings and Dividend Policy

Under the Bank's Articles of Incorporation, the Bank should make appropriations from its net income in the following order:

a. Payment of income taxes;

b. Offset of prior years' losses, if any;

c. 30% as legal reserve and if needed, special reserve;

d. Dividends to shareholders as proposed by the Board of Directors and resolved in the general shareholders' meeting.

e. 1% to 1.5% as bonuses to directors and supervisors based on the approval of the Board of Directors.

f. 1% to 8% as bonuses to employees based on the approval of the Board of Directors.

For the years ended December 31, 2010 and 2009, the bonus to employees was $563,512 thousand and $172,978 thousand, respectively, and the remuneration to directors and supervisors was $88,049 thousand and $21,622 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represent 8% and 1.25%, based on past experiences (2009: 8% and 1%), of net income (net of the bonus to employees and remuneration to directors and supervisors) minus legal reserve. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

An amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has reached 50% of the Company's paid-in capital, the surplus part may be used to pay the dividend and bonus, and up to 50% thereof may be transferred to paid-in capital.

The Bank cannot distribute cash dividends or purchase treasury stocks if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus is over the capital or the Bank's financial position satisfied the criteria by the authority and also the Bank appropriates the legal reserve based on the Company Law.

The Bank's dividends and bonus are mainly paid in cash and stock dividends shall not be more than half of total dividends. When the capital adequacy ratio is lower than the regulation ratio plus 1%, the cash dividends shall not be more than 30% of total dividends, and others will be stock dividends.

The appropriations of earnings for 2009 and 2008 had been approved in the shareholders' meetings on June 2, 2010 and June 19, 2009. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2009	**2008**	**2009**	**2008**
Legal reserve	$ 926,670	$ 1,455,958	$ -	$ -
Dividends of common stock - cash	1,862,843	3,725,686	0.3	0.6

On June 2, 2010 and June 19, 2009, the shareholders decided to distribute $172,978 thousand and $222,650 thousand of bonus to employees; $21,622 thousand and $37,108 thousand of remuneration to directors and supervisors from the 2009 and 2008 earnings, and the shareholders did not distribute stock as bonus to employees.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. FEE INCOME, NET

	Years Ended December 31	
	2010	**2009**
Fee income	$ 4,213,151	$ 3,393,056
Fee expense	(393,696)	(337,838)
	$ 3,819,455	$ 3,055,218

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31	
	2010	**2009**
Personnel expenses		
Salary	$ 7,444,287	$ 6,487,725
Labor and health insurance	404,263	378,961
Pension	704,151	678,756
Others	65,723	58,778
Depreciation	897,579	900,159
Amortization	17,260	40,159

23. INCOME TAX

a. A reconciliation of income tax expense based on income before income tax at the statutory rate (2010: 17%, 2009: 25%) and income tax expense was as follows:

	2010	2009
Income tax expense at the statutory rate	$ 1,881,149	$ 1,429,344
Tax effect on adjusting items:		
Permanent differences		
Tax-exempt income	(152,845)	(554,636)
Others	85	(8,724)
Temporary differences	(804,721)	183,840
Loss carryforwards used	(835,817)	(859,056)
Current income tax expense	87,851	190,768
Additional 10% income tax on unappropriated earnings	29,939	-
Deferred income tax expense		
Temporary differences	804,721	(183,840)
Loss carryforwards	835,817	843,165
Effect of tax law changes on deferred income tax	1,487,994	2,456,072
Adjustment in valuation allowance	-	(765,000)
Tax separately levied on interest from short-term bills	1,008	15,525
Non-deductible tax of overseas branches	56,957	40,582
Others	(65,255)	31,245
Income tax expense	$ 3,239,032	$ 2,628,517

1) In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years.

2) In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires (a) the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income; and (b) the profit-seeking enterprise that invests in beneficiary securities or asset-based securities issued under the Financial Asset Securitization Act or Real Estate Securitization Act to include from January 1, 2010 the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income.

3) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.

4) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

b. The details of deferred income tax assets and liabilities as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	**2009**
Deferred income tax assets		
Loss carryforwards	$ 4,894,177	$ 6,764,365
Unrealized loss on reserves	8,539	9,510
Allowance for bad debts in excess of tax limit	1,743,724	1,973,448
Pension reserves	-	426,432
Unrealized loss on investments	296,119	701,252
Unrealized loss on derivative financial instruments	341,390	-
	7,283,949	9,875,007
Deferred income tax liabilities		
Unrealized exchange gains	(483,380)	(50,719)
Deferred income on pension	(9,141)	-
	(492,521)	(50,719)
	$ 6,791,428	$ 9,824,288

c. Loss carryforwards as of December 31, 2010 and 2009:

	Unused Amount	
Expiry Year	**2010**	**2009**
2015	$ 4,894,177	$ 6,764,365

d. The 2007 income tax returns had been examined and cleared by the tax authority. The Bank had adjusted tax expense according to the 2007 income tax return examined and cleared by the tax authority as of March 31, 2010. Since the Bank has further doubts about the clearance, the Bank is filing an appeal to a high court.

e. Information about integrated income tax was as follows:

	December 31	
	2010	**2009**
Unappropriated earnings generated on and after January 1, 1998	$ 8,211,749	$ 3,174,710

As at December 31, 2010 and 2009, the balance of the imputation credits which can be allocated to the shareholders amounted to $160,680 thousand and $307,585 thousand.

The creditable ratio for distribution of earnings of 2010 and 2009 was 1.96% (estimate) and 9.74%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Bank is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

24. EARNINGS PER SHARE

	Year Ended December 31, 2010				
	Amounts (Numerator)		The Weighted Average Number of Shares Outstanding	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Basic EPS					
Income for the year	$ 11,065,584	$ 7,826,552	6,209,476	$ 1.78	$ 1.26
Effect of dilutive potential common stock					
Bonus to employees	-	-	21,757		
Diluted EPS	$ 11,065,584	$ 7,826,552	6,231,233	$ 1.78	$ 1.26

	Year Ended December 31, 2009				
	Amounts (Numerator)		The Weighted Average Number of Shares Outstanding	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Basic EPS					
Income for the year	$ 5,717,415	$ 3,088,898	6,209,476	$ 0.92	$ 0.50
Effect of dilutive potential common stock					
Bonus to employees	-	-	11,343		
Diluted EPS	$ 5,717,415	$ 3,088,898	6,220,819	$ 0.92	$ 0.50

The Bank presumes that the entire amount of the bonus to employees will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Various individuals	Directors, supervisors, managers
CHB Insurance Agency	Equity-method investee
CHB Insurance Brokerage	Equity-method investee
Taishin Financial Holding	The Bank’s corporate director
Taishin International Bank Co., Ltd. (“Taishin Bank”)	The Company is the subsidiary of the Bank's corporate director
Shin Kong Life Insurance Co., Ltd. (“Shin Kong Life Insurance”)	The Company’s chairman is the second immediate family of the Bank’s corporate director and supervisor
Anlon Co., Ltd.	Same as above
An Hsin Real-Estate	The Company is the equity method investee of the subsidiary of the Bank’s corporate director

(Continued)

Related Party	Relationship with the Bank
Dah Chung Bills Finance Corp.	The subsidiary of the Bank's corporate director is the corporate director of Dah Chung Bills
Other	As per SFAS No. 6 “Disclosure for related party transactions,” and the directors of the Company are the spouse or within the second immediate family of other companies

(Concluded)

b. Significant transactions with related parties

1) Deposits

	Balance	Percentage of Deposits (%)	Interest Rate Range (%)	Interest Expense
The balance as of December 31, 2010	$ 1,651,490	0.13	0-13	$ 22,649
The balance as of December 31, 2009	1,668,683	0.14	0-13	23,534

The interest rate for directors’, supervisors’ and managers’ deposits amounted to $480 thousand per person was 13% per annum. The part of deposit exceeding $480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

2) Loans

	Balance	Percentage of Loans (%)	Interest Rate Range (%)	Interest Revenue
The balance as of December 31, 2010	$ 558,254	0.05	1.12-2.83	$ 6,830
The balance as of December 31, 2009	454,728	0.04	0.01-7.26	5,490

	Year Ended December 31, 2010					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
25 accounts	$ 7,519	$ 9,192	$ 7,519	$ -	Credit	None
Self-use residential mortgage loans						
107 accounts	518,646	588,638	518,646	-	Real estate	None
Others						
Anlon Co., Ltd.	30,000	30,000	30,000	-	Real estate	None
9 accounts (Note)	2,090	4,175	2,090	-	Deposit	None

	Year Ended December 31, 2009					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
22 accounts	$ 7,467	$ 8,519	$ 7,467	$ -	Credit	None
Self-use residential mortgage loans						
107 accounts	417,259	472,872	417,259	-	Real estate	None
Others						
Anlon Co., Ltd.	30,000	30,000	30,000	-	Real estate	None
12 accounts (Note)	2	8,305	2	-	Deposit	None

Note: The balance of every single entity is not over 1% of the total ending balance

Loans to directors, supervisors and managers for mortgage within $8,000 thousand and credit loan within $800 thousand per person bore interest rate at 1.42% and 1.30% in 2010 and 2009, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

3) Derivatives

	2010					
Related Party	Derivative Contracts	Period	Nominal Principal Amount (In Thousands)	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Currency swaps	2010.04.28-2011.04.29	US$ 50,000	$ (88,943)	Financial liabilities at FVTPL	$ (88,943)
		2010.05.05-2011.05.09	US$ 30,000	(56,460)	Financial liabilities at FVTPL	(56,460)
		2010.12.29-2011.02.25	US$ 25,000	(3,397)	Financial liabilities at FVTPL	(3,397)

4) Due to other banks

Year	Related Party	Branch	Highest Amount	Ending Balance	Percentage of Due to Banks (%)
			(In Thousands)		
2010	Taishin Bank	New York Branch	US$ 57	US$ 16	-
2009	Taishin Bank	New York Branch	US$ 54	US$ 36	-

5) Loans, deposits and guaranteed loans

The Bank's due to related parties were as follows:

Year	Name of Related Parties	Department	Highest Balance (In Thousands)	Ending Balance (In Thousands)	Maximum Limit	Interest Rate %	Interest Expense (In Thousands)
2009	Taishin Bank	New York branch	US$ 30,000	$ -	According to counterparts	0.38-0.60	US$ 30
	Taishin Bank	London branch	US$ 16,000	-	According to counterparts	0.16-0.65	US$ 1
			EUR 6,600	-	According to counterparts	0.38-1.18	EUR 17
	Taishin Bank	OBU	US$ 27,000	-	According to counterparts	0.22-0.26	US$ 1

6) Operating leases

Both CHB Insurance Agency and CHB Insurance Brokerage rented offices from the Bank for three years and paid rental monthly. The rent revenue received from CHB Insurance Agency and CHB Insurance Brokerage was $1,565 thousand and $1,004 thousand, respectively for the years ended December 31, 2010 and 2009.

7) Repurchase of government bonds

The Bank and CHB Insurance Agency entered into contracts for government bonds transactions under specific agreements. The interest expense for 2009 was $195 thousand.

The Bank and CHB Insurance Brokerage entered into contracts for government bonds transactions under specific agreements. The interest expense for 2009 was $44 thousand.

8) Others

The Bank recognized fee income from CHB Insurance Agency and CHB Insurance Brokerage for providing personnel and channel services. The income from CHB Insurance Agency and CHB Insurance Brokerage for 2010 was $618,187 thousand and $54,800 thousand respectively, and for 2009 was $385,000 thousand and $50,000 thousand, respectively.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	**2009**
Salaries	$ 47,359	$ 42,523
Incentives	14,532	10,425
Bonus	90,120	18,458
	$ 152,011	$ 71,406

The compensation of directors, supervisors and management personnel for the years ended December 31, 2010 and 2009 was based on the estimation in 2011 and had been approved by shareholders in their annual meeting held in 2010. Additionally, two independent directors made a renunciation of their compensation $3,862 thousand for the year ended December 31, 2009.

26. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2010 and 2009 were as follows:

Pledged Assets	Description	2010	2009
Available-for-sale financial assets	Government bonds	$ 1,071,200	$ 940,800
Held-to-maturity financial assets	Government bonds, corporate bonds and certificate of deposits	5,294,219	6,628,682
Refundable deposits	Cash	99,005	116,766

27. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 4, the Bank had the following contingent liabilities and commitments as of December 31, 2010 and 2009:

	2010	2009
The repayment note and time deposit held for custody	$ 7,517,509	$ 11,250,150
The liabilities on joint loans	1,007,160	997,146
Guarantees arising from guarantee business	31,270,339	32,309,685
Unused issued letters of credit	29,093,509	26,577,705
Trust liabilities	264,972,425	271,701,538
Unused loan commitments	470,469,905	412,478,874

b. The Bank entered into operating leases for its domestic branch premises. Significant provisions of the contracts were as follows:

1) The lease period ranges from one to ten years. Rental payments are made annually.

2) As of December 31, 2010, the estimated future lease payments under the lease contracts were as follows:

	Amount
2011	$ 471,760
2012	345,148
2013	214,130
2014	126,669
2015	80,074

c. The Department of National Defense of Iran as the recipient requested Chang Hwa Bank to release US$15,000 thousand. On August 1, 2002, the Supreme Court decided in favor of Chang Hwa Bank. The Department of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taipei District Court. On September 10, 2004, the Taipei District Court decided in favor of Chang Hwa Bank. However, the Department of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taiwan High Court on October 6, 2004. On July 13, 2010, the Taiwan High Court decided in favor of Chang Hwa Bank. The Department of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taiwan Highest Court on August 10, 2010.

28. DISCLOSURES OF FINANCIAL INSTRUMENTS INFORMATION

a. Fair value of financial instruments

	December 31			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	$ 33,907,482	$ 33,907,482	$ 26,998,776	$ 26,998,776
Due from Central Bank and call loans to banks	88,513,906	88,513,906	90,275,126	90,275,126
Financial assets at FVTPL	19,303,952	19,303,952	13,543,837	13,543,837
Bonds and securities purchased under resell agreements	-	-	49,549	49,549
Receivables, net	23,568,205	23,568,205	11,187,747	11,187,747

(Continued)

	December 31			
	2010		2009	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Loans, net	$ 1,046,553,781	$ 1,046,553,781	$ 1,011,067,871	$ 1,011,067,871
Available-for-sale financial assets, net	44,084,734	44,084,734	30,297,240	30,297,240
Held-to-maturity financial assets, net	193,424,963	193,472,931	230,295,526	230,297,768
Investments accounted for by the equity method, net	227,616	-	146,291	-
Financial assets carried at cost	4,728,434	-	4,737,188	-
Bonds investment with no active market	11,058,321	10,103,570	15,507,338	14,434,881
Hedging derivative financial assets	148,397	148,397	130,348	130,348
Other miscellaneous financial assets	92,358	92,358	127,265	127,265
Refundable deposits	99,005	99,005	116,766	116,766
<u>Financial liabilities</u>				
Due to banks and Central Bank	95,108,981	95,108,981	120,437,915	120,437,915
Financial liabilities at FVTPL	4,489,980	4,489,980	821,612	821,612
Bonds and securities sold under repurchase agreements	13,636,714	13,636,714	5,419,388	5,419,388
Payables	25,544,088	25,544,088	$ 22,082,484	$ 22,082,484
Deposits	1,240,988,877	1,240,988,877	1,211,599,406	1,211,599,406
Bank notes	28,493,150	30,225,949	23,473,942	24,361,200
Other financial liabilities	360,957	360,957	441,663	441,663
Guarantee deposits	1,173,699	1,173,699	1,154,744	1,154,744

(Concluded)

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: due from the Central Bank and call loans from banks, bonds purchased under resell agreements, receivables, other financial assets, due to banks and the Central Bank, bonds and securities sold under repurchase agreements, payables, remittances and other financial liabilities.

2) Fair values of financial instruments at FVTPL, available-for-sale, held-to-maturity financial assets, hedging derivative financial instruments and bank notes are based on their quoted prices in an active market.

   For debt investments, the valuation model adopted by the Bank uses benchmark interest rate of each time period to infer every currency's zero-coupon yield curve and calculated forward rate and discount rate based on the assumption that there are no arbitrage opportunities in market. In addition, the Bank would set appropriate credit parameter based on the credit rating of the issuers of long-term debt instruments.

   For derivative instruments, the valuation model adopted by the Bank determines the fair value of holding position based on available parameter in public market.

   The fair value of forward exchange contract is determined by forward rate which is offered by the Reuters Pricing System on maturity date of each contract. Except for those offered by counter party, the fair value of interest rate swap and cross currency swap is evaluated by the average of bid and ask prices offered by the Reuters Pricing System of each contract, and applied consistently.

   Fair values of bond investments with no active market are based on their transaction prices or quoted prices made by market makers. For those investments with no transaction prices or quoted prices, their fair values are determined by use of valuation techniques.

3) Loans and deposits are interest-bearing financial assets and liabilities and their carrying values approximate their fair values. The carrying amount of delinquent loans is the estimated collectable amount which is the book value less allowance for bad debt. Therefore, the fair value of loans and deposits is determined at their carrying value.

4) Investments accounted for by the equity method and financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

5) Refundable deposits and guarantee deposits have no specific maturity dates. Fair value of these instruments was determined at their carrying value.

c. Fair values of financial assets and liabilities based on quoted market prices or valuation techniques were as follows:

	December 31			
	2010		2009	
	Quoted Market Price	Valuation Techniques	Quoted Market Price	Valuation Techniques
Financial assets				
Financial assets at FVTPL	$ 15,417,198	$ 3,886,754	$ 10,726,426	$ 2,817,411
Available-for-sale financial assets	44,084,734	-	30,297,240	-
Held-to-maturity financial assets	-	193,472,931	-	230,297,768
Bonds investment with no active market	-	10,103,570	-	14,434,881
Hedging derivative financial instruments	-	148,397	-	130,348
Financial liabilities				
Financial liabilities at FVTPL	-	4,489,980	-	821,612
Bank notes	-	30,225,949	-	24,361,200

d. Valuation losses arising from changes in fair value of financial instruments at FVTPL using quoted market prices were $3,397 thousand and $15,580 thousand for the years ended December 31, 2010 and 2009, respectively. Valuation (losses) gains arising from changes in fair value of financial instruments at FVTPL determined using valuation techniques were $(2,093,554) thousand and $3,772 thousand for the years ended December 31, 2010 and 2009, respectively.

e. The interest income (expense) associated with financial assets (liabilities) other than at FVTPL was as follows:

	Years Ended December 31	
	2010	2009
Total interest income	$ 21,955,259	$ 22,557,593
Total interest expense	7,903,799	10,296,178

f. Information of financial risk is as follows:

1) Market price risk

The Bank uses the market risk factor sensitivity as the instrument for market risk controls. The market risk factor sensitivity refers to the change in value resulting from a unit change in a specific market risk factor. Market risk factors include interest rate, exchange rate, price of equity instruments and commodity prices. The market risk factor sensitivity of the Bank discloses the market risks derived from different risk positions on the trading book.

Foreign exchange rate factor, FX Delta, refers to the net risk positions of different currencies on balance sheet date, that is, the effect of the change in present value due to 100% change in foreign exchange for each currency. The foreign exchange rate factor sensitivity not only includes those of foreign-currency derivatives, but also integrates the risk sensitivity of spot foreign rate positions for hedging purpose and spot position of different currencies.

Interest rate factor sensitivity refers to the effect (DV01 or PVBP) of change in present value of future cash flows generated from spot rate positions and interest-rate derivative positions incurred by moving upwards the yield curves under evaluation by 0.01% (one b.p.) on the interest rate structure.

Risk sensitivity of equity instruments refers to the effect of price change in the value of derivative positions due to 100% price change in equity instruments and in underlying assets of derivative instruments. The Bank engages in the trading of equity instruments including stock, exchange traded funds, and stock-index options.

		December 31	
Market Risk Type	**Currency**	**2010**	**2009**
Exchange rate risk value	EUR	$ 1,318	$ (10,757)
	JPY	7,117	216,186
	USD	918,394	1,072,463
	Others	371,911	264,364
Interest rate sensitivity DV01			
Interest curve of bonds	TWD	(14,329)	(7,872)
	USD	(432)	(25)
	EUR	(53)	-
	GBP	(11)	-
Interest curve of IRS	TWD	(243)	(143)
	USD	(93)	2
Interest curve of CCS	TWD	(37)	(35)
	USD	48	39
Equity securities risk value	TWD	29,486	57,913
	USD	92,795	-

2) Credit risk

Credit risks refer to the losses from financial instruments incurred by non-performance of the contracted obligations by the Bank's counterparties or others. The Bank provides loans, loan commitments and guarantees based on prudent credit evaluations. The average secured loans are weighted 75% approximately of overall loans. The collaterals that the Bank demands to be pledged on loans, loan commitments or guarantees are normally cash, inventory, marketable securities or other property. When the counterparties or others default, the Bank has rights to enforce the collaterals or other guarantees and effectively reduce credit risks. In disclosures on the maximum amounts for credit risk exposures, the market values of the collaterals are not considered.

The maximum credit risk exposures of various financial assets are the same as carrying values. Please refer to accompanying financial statements.

The contract amounts of financial assets with off-balance-sheet credit risks held by the Bank as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	**2009**
Guarantees arising from guarantee business	$ 31,270,339	$ 32,309,685
Unused issued letters of credit	29,093,509	26,577,705
Unused loan commitments (excluding credit card)	470,469,905	412,478,874

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics for concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration of one client or one transaction party, but have transaction parties of similar industry type or from similar region.

The prominent concentration of credit risk was as follows:

	December 31			
	2010		**2009**	
Industry Type	**Carrying Value**	**Percentage of Item (%)**	**Carrying Value**	**Percentage of Item (%)**
Financial and insurance	$ 46,475,316	4	$ 19,153,288	2
Manufacturing	288,350,355	27	304,827,574	30
Wholesale and retail	89,022,443	8	77,410,563	8
Real estate and leasing	39,122,028	4	35,389,042	3
Service	15,244,316	2	24,350,344	2
Individuals	373,994,704	35	357,787,953	35
Others	207,795,813	20	204,641,010	20
	$ 1,060,004,975		$ 1,023,559,774	

	December 31			
	2010		**2009**	
Geographic Location	**Carrying Value**	**Percentage of Item (%)**	**Carrying Value**	**Percentage of Item (%)**
Asia	$ 1,008,710,044	95	$ 960,715,274	94
Europe	7,513,528	1	10,828,989	1
North America	40,916,342	4	50,617,301	5
Others	2,865,061	-	1,398,210	-
	$ 1,060,004,975		$ 1,023,559,774	

3) Liquidity risk

The Bank's ratio of liquidity reserve is 20.86% and 24.08% as of December 31, 2010 and 2009, respectively. Since the capital and operating funds are deemed sufficient to meet the cash flow arising from the performance of all the contracted obligations. Therefore, liquidity risk is not considered to be significant.

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

Basic management policies adopted by the Bank for financial instruments are to match maturity and interest rate of financial assets and liabilities and to control unmatched gap. Because of uncertainty of transaction terms and different kinds, maturity and interest rate of financial assets and liabilities always can not match perfectly, and this kind of gap may cause potential gain or loss. The Bank does the maturity analysis of financial assets and liabilities according to their characteristic in order to analyze their liquidity. The maturity analysis was as follows:

	December 31, 2010						
Financial Instrument	**Less Than One Month**	**One Month to Three Months**	**Three Months to Six Months**	**Six Months to A Year**	**One Year to Seven Years**	**Over Seven Years**	**Total**
Assets							
Cash and cash equivalents	$ 29,423,482	$ 3,097,500	$ 1,386,500	$ -	$ -	$ -	$ 33,907,482
Due from Central Bank and call loans to banks	43,498,309	17,551,553	6,814,061	20,649,983	-	-	88,513,906
Financial assets at FVTPL	16,308,563	551,643	578,503	512,780	1,352,463	-	19,303,952
Interest receivable and revenue receivable	1,370,171	246,252	109,059	241,275	276,226	739	2,243,722
Loans (excluding delinquent loans)	91,179,446	122,791,788	119,527,851	105,651,476	334,315,512	280,911,317	1,054,377,390
Available-for-sale financial assets	396,227	749,823	422,218	859,927	36,893,490	4,763,049	44,084,734
Held-to-maturity financial assets	106,725,947	60,621,647	17,577,333	2,090,723	6,398,068	11,245	193,424,963
Investments accounted for by the equity method	-	-	-	-	227,616	-	227,616
Financial assets carried at cost	-	-	-	-	4,728,434	-	4,728,434
Bond investments with no active market	-	501,791	696,637	1,814,451	7,555,368	490,074	11,058,321
Hedging derivative financial instruments	-	-	-	-	148,397	-	148,397
Total assets	288,902,145	206,111,997	147,112,162	131,820,615	391,895,574	286,176,424	1,452,018,917
Liabilities							
Due to banks and Central Bank	56,773,984	26,419,476	2,438,645	67,160	-	-	85,699,265
Deposit transferred from the Postal Bureau	1,554,145	2,056,057	915,494	4,884,020	-	-	9,409,716
Financial liabilities held for trading	1,430,316	1,117,355	1,177,256	308,828	456,225	-	4,489,980
Bonds and securities sold under repurchase agreements	11,676,112	1,960,602	-	-	-	-	13,636,714
Interest payable	321,666	205,280	379,378	446,967	20,801	-	1,374,092
Deposits	203,506,399	159,653,154	144,947,753	239,151,877	492,788,768	-	1,240,047,951
Bank notes	-	-	-	-	28,493,150	-	28,493,150
Total liabilities	275,262,622	191,411,924	149,858,526	244,858,852	521,758,944	-	1,383,150,868
Net current gap	$ 13,639,523	$ 14,700,073	$ (2,746,364)	$ (113,038,237)	$ (129,863,370)	$ 286,176,424	$ 68,868,049

	December 31, 2009						
Financial Instrument	**Less Than One Month**	**One Month to Three Months**	**Three Months to Six Months**	**Six Months to A Year**	**One Year to Seven Years**	**Over Seven Years**	**Total**
Assets							
Cash and cash equivalents	$ 23,781,176	$ 3,217,600	$ -	$ -	$ -	$ -	$ 26,998,776
Due from Central Bank and call loans to banks	41,223,904	21,566,262	8,516,843	18,968,117	-	-	90,275,126
Financial assets at FVTPL	10,975,261	166,760	342,846	676,848	1,382,122	-	13,543,837
Bonds and securities purchased under resell agreements	49,549	-	-	-	-	-	49,549
Interest receivable and revenue receivable	1,321,851	190,683	172,429	221,163	347,145	789	2,254,060
Loans (excluding delinquent loans)	90,304,724	84,956,476	96,068,753	110,915,994	349,561,455	279,548,970	1,011,356,372
Available-for-sale financial assets	1,914,280	286,919	1,131,037	1,118,495	19,637,265	6,209,244	30,297,240
Held-to-maturity financial assets	106,103,289	64,588,411	46,591,576	2,805,349	10,206,901	-	230,295,526
Investments accounted for by the equity method	-	-	-	-	146,291	-	146,291
Financial assets carried at cost	-	-	-	-	4,737,188	-	4,737,188
Bond investments with no active market	32,159	852,076	1,324,856	1,113,748	10,695,869	1,488,630	15,507,338
Hedging derivative financial instruments	-	-	-	-	130,348	-	130,348
Total assets	275,706,193	175,825,187	154,148,340	135,819,714	396,844,584	287,247,633	1,425,591,651

(Continued)

Financial Instrument	December 31, 2009 Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Liabilities							
Due to banks and Central Bank	$ 65,878,659	$ 24,490,846	$ 1,952,769	$ 3,902	$ -	$ -	$ 92,326,176
Deposit transferred from the Postal Bureau	2,214,290	4,713,513	3,898,505	17,285,431	-	-	28,111,739
Financial liabilities held for trading	186,379	167,513	65,930	94,278	307,512	-	821,612
Bonds and securities sold under repurchase agreements	3,151,369	2,268,019	-	-	-	-	5,419,388
Interest payable	338,802	190,173	299,279	504,191	37,348	-	1,369,793
Deposits	208,317,543	170,286,559	139,247,740	238,026,997	454,830,129	-	1,210,708,968
Bank notes	-	-	-	-	23,473,942	-	23,473,942
Total liabilities	280,087,042	202,116,623	145,464,223	255,914,799	478,648,931	-	1,362,231,618
Net current gap	$ (4,380,849)	$ (26,291,436)	$ 8,684,117	$ (120,095,085)	$ (81,804,347)	$ 287,247,633	$ 63,360,033

(Concluded)

4) Cash flow risk and fair value risk from change in interest rates

The Bank’s cash flow risks as a result of change in interest rates refer to cash flow fluctuations in the future from its assets with floating rates and liabilities with floating rates. The Bank evaluates interest rates risks in trends of interest rate and engages in trading of interest rates swaps in accordance with risk levels and operational needs to reduce cash flow risks as a result of change in interest rates.

a) Expected revaluation date and expected settlement date

As of December 31, 2010 and 2009, expected revaluation date and expected settlement date are not affected by settlement date designated in the contract. Interest risks are presented with the carrying amounts of financial assets and liabilities according to revaluation date and settlement date in the following table.

Financial Instrument	December 31, 2010 Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Assets							
Due from Central Bank and call loans to banks	$ 38,860,041	$ 13,898,094	$ 2,713,419	$ 32,675,457	$ -	$ -	$ 88,147,011
Financial assets at FVTPL	15,793,541	681,465	327,666	-	-	-	16,802,672
Loans	301,204,234	640,188,319	76,838,076	27,341,876	8,022,717	782,168	1,054,377,390
Available-for-sale financial assets	3,602,168	3,809,577	667,879	902,940	28,397,670	4,500,863	41,881,097
Held-to-maturity financial assets	108,657,211	64,041,485	16,500,000	1,101,736	3,124,531	-	193,424,963
Bond investments with no active market	3,377,165	5,581,156	-	-	2,100,000	-	11,058,321
Hedging derivative financial instruments	-	-	-	-	148,397	-	148,397
Total assets	471,494,360	728,200,096	97,047,040	62,022,009	41,793,315	5,283,031	1,405,839,851
Liabilities							
Borrowing	65,101,227	17,423,825	2,398,815	63,232	-	-	84,987,099
Deposit transferred from Post Bureau	1,554,145	7,855,571	-	-	-	-	9,409,716
Bonds and securities sold under repurchase agreements	11,755,912	1,880,802	-	-	-	-	13,636,714
Deposits	225,037,148	282,550,647	611,072,631	78,995,509	5,316,642	-	1,202,972,577
Bank notes	-	5,000,000	-	-	18,493,150	5,000,000	28,493,150
Total liabilities	303,448,432	314,710,845	613,471,446	79,058,741	23,809,792	5,000,000	1,339,499,256
Interest sensitivity gap	$ 168,045,928	$ 413,489,251	$ (516,424,406)	$ (17,036,732)	$ 17,983,523	$ 283,031	$ 66,340,595

Financial Instrument	December 31, 2009 Less Than One Month	One Month to Three Months	Three Months to Six Months	Six Months to A Year	One Year to Seven Years	Over Seven Years	Total
Assets							
Due from Central Bank and call loans to banks	$ 26,894,108	$ 22,022,331	$ 3,281,917	$ 31,199,941	$ -	$ -	$ 83,398,297
Financial assets at FVTPL	10,333,959	1,313,819	918,607	-	-	-	12,566,385
Bonds and securities purchased under resell agreements	49,549	-	-	-	-	-	49,549
Loans	341,803,050	556,757,139	69,564,711	31,288,043	10,333,108	1,610,321	1,011,356,372
Available-for-sale financial assets	3,754,640	3,458,480	782,451	256,397	14,127,810	5,788,764	28,168,542
Held-to-maturity financial assets	108,865,073	69,140,153	45,613,161	2,071,221	4,605,918	-	230,295,526
Bond investments with no active market	5,257,581	8,693,958	255,799	-	1,300,000	-	15,507,338
Hedging derivative financial instruments	-	-	-	-	130,348	-	130,348
Total assets	496,957,960	661,385,880	120,416,646	64,815,602	30,497,184	7,399,085	1,381,472,357
Liabilities							
Borrowing	65,075,838	24,413,858	1,913,801	59	-	-	91,403,556
Deposit transferred from Post Bureau	2,214,289	25,897,450	-	-	-	-	28,111,739
Financial liabilities held for trading	1,421	-	-	-	-	-	1,421
Bonds and securities sold under repurchase agreements	3,151,369	2,268,019	-	-	-	-	5,419,388
Deposits	224,345,490	281,916,938	567,900,494	92,030,079	6,694,238	-	1,172,887,239
Bank notes	-	5,000,000	-	-	18,473,942	-	23,473,942
Total liabilities	294,788,407	339,496,265	569,814,295	92,030,138	25,168,180	-	1,321,297,285
Interest sensitivity gap	$ 202,169,553	$ 321,889,615	$ (449,397,649)	$ (27,214,536)	$ 5,329,004	$ 7,399,085	$ 60,175,072

b) Effective interest rate (excluding financial assets at FVTPL)

As of December 31, 2010 and 2009, the effective interest rate of financial instruments held or issued by the Bank grouping based on main currencies are as follows:

	December 31 2010 NTD	2010 USD	2009 NTD	2009 USD
Available-for-sale financial assets				
Government bonds	1.17%	2.63%	1.53%	-
Financial bonds	2.70%	0.50%	2.70%	0.49%
Corporate bonds	1.74%	2.56%	2.16%	2.09%
Asset-backed securities	-	1.04%	-	1.03%
Held-to-maturity financial assets				
Certificate deposits in Central Bank	0.72%	-	0.63%	-
Government bonds	-	-	1.98%	-
Financial bonds	2.71%	0.51%	2.71%	0.58%
Corporate bonds	1.41%	0.90%	1.69%	0.65%
Bond investments with no active market				
Financial bonds	-	0.61%	-	0.62%
Corporate bonds	2.65%	0.54%	-	0.66%
Asset-backed securities	-	0.62%	-	0.60%
Loans				
Short-term loan	1.73%	1.43%	1.92%	2.19%
Medium to long-term loans	1.84%	1.57%	1.69%	1.50%
Long-term liabilities				
Bank notes	2.58%	-	2.43%	-

g. Fair value hedge

Hedged Item	Financial Instrument Designated as Hedging Instrument	Designated as Hedging Instrument			
		December 31, 2010		December 31, 2009	
		Nominal Principal Amount	Fair Value	Nominal Principal Amount	Fair Value
Bank notes	Interest rate swap	$ 2,000,000	$ 148,397	$ 2,000,000	$ 130,348

1) Hedging type: Fair value hedging.

2) Hedging objective: To minimize risks due to the variation of the fair value, which resulted from fluctuation of interest rate, by converting fixed-rate note to floating-rate note.

3) Hedging method: By signing interest swap contract.

4) Hedging effect: 4 hedging trades were dealed in 2010. The actual offset result is considered highly effective since the variation of the fair value of the hedged instrument and of coverage instrument is included in 80%-125%, which has met the hedging accounting criterion suggested in the Statement of Financial Accounting Standards. The realized gain of fair-value hedging is $50,722 thousand for the year ended December 31, 2010, accounted as other non-interest net income and losses.

h. Reclassification information

On July 1, 2008, the Bank reclassified its financial assets in accordance with the newly amended SFAS No. 34, “Financial Instruments: Recognition and Measurement”. The fair values at the reclassification date were as follows:

	Before Reclassification	After Reclassification
Available-for-sale financial assets	$ 14,246,193	$ -
Bonds investments with no active market	-	14,246,193
	$ 14,246,193	$ 14,246,193

In view of the Bank’s intention of not selling the above mentioned available-for-sale financial assets within a short period of time as a result of the economic instability and deterioration of the world’s financial markets that has occurred during the third quarter of 2008, the Bank reclassified these available-for-sale financial assets to bonds investments with no active market.

The effective interest rate of the available-for-sale financial assets which have been reclassified to bonds investments with no active market financial assets is 1.90%. The estimated recoverable cash flows amounted to $8,474,871 thousand.

The reclassified financial assets (excluding those that had been derecognized) as of December 31, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds investments with no active market	$ 8,356,041	$ 8,233,834	$ 12,410,894	$ 12,136,439

The gains or losses and adjustments of shareholders' equity recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2010 and 2009) for the years ended December 31, 2010 and 2009 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	Years Ended December 31			
	2010		**2009**	
	Gains (Losses) Recorded	**Pro Forma Gains (Losses)**	**Gains (Losses) Recorded**	**Pro Forma Gains (Losses)**
Available-for-sale financial assets	$ 158,995	$ (464,986)	$ 268,950	$ 1,567,432

29. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type \ Item			December 31, 2010					December 31, 2009				
			Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured		$ 2,906,941	$ 291,316,568	1.00%	$ 5,029,848	173.03%	$ 7,220,352	$ 263,121,151	2.74%	$ 7,119,102	98.60%
	Unsecured		442,584	394,689,100	0.11%	3,318,794	749.87%	1,641,982	402,210,638	0.41%	1,641,982	100.00%
Consumer finance	Mortgage loans (Note d)		1,537,272	293,253,357	0.52%	3,674,292	239.01%	2,744,157	287,640,097	0.95%	2,744,157	100.00%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		17,050	2,006,714	0.85%	31,673	185.77%	14,287	2,287,036	0.62%	14,287	100.00%
	Others (Note f)	Secured	690,200	75,274,865	0.92%	1,238,749	179.48%	914,772	64,200,328	1.42%	914,772	100.00%
		Unsecured	132,592	3,464,371	3.83%	157,838	119.04%	57,603	4,100,524	1.40%	57,603	100.00%
Total			5,726,639	1,060,004,975	0.54%	13,451,194	234.89%	12,593,153	1,023,559,774	1.23%	12,491,903	99.20%

Business Type \ Item	December 31, 2010					December 31, 2009				
	Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-Performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Credit card	$ 1,288	$ 718,851	0.18%	$ 5,841	453.49%	$ 1,433	$ 677,808	0.21%	$ 11,756	820.38%
No recourse receivable factoring (Note g)	-	11,857,377	-	-	-	-	247,118	-	-	-

Business Type \ Item	December 31, 2010		December 31, 2009	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note i)	$ 1,189	$ 10,182	$ 1,486	$ 13,176
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note j)	2,585	6,605	2,671	6,404
Total	3,774	16,787	4,157	19,580

Note a: Nonperforming loans are in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005. (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Nonperforming loans ratio = Nonperforming loan ÷ Loans
Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Nonperforming loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Nonperforming loans of credit cards

Note d: Mortgage loans are for borrowers to build or repair buildings, providing the borrowers, spouse or minor children to fully collateralize their buildings and install the right on mortgage to financial institutions.

Note e: Credit loans are to fit in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank doesn’t engage in cash card business.

Note i: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note j: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as Non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

December 31, 2010			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%)**
1	A Corporation (014910 Railway transportation industry)	$34,737,562	40.12%
2	B Group (011820 Oil refining, petrochemicals and raw materials manufacturing industry)	30,471,261	35.19%
3	C Group (012641 Liquid crystal panel and components manufacturing industry)	20,939,014	24.18%
4	D Group (015101 Airline industry)	10,644,184	12.29%
5	E Group (012641 Liquid crystal panel and components manufacturing industry)	8,059,586	9.31%
6	F Group (012412 Steel manufacturing industry)	7,440,120	8.59%
7	G Group (012412 Steel manufacturing industry)	6,896,978	7.97%
8	H Group (016611 Securities industry)	6,847,715	7.91%
9	I Group (015010 Marine Transportation industry)	6,804,241	7.86%
10	J Group (012641 Liquid crystal panel and components manufacturing industry)	6,301,558	7.28%

December 31, 2009			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%)**
1	B Group (011820 Oil refining, petrochemicals and raw materials manufacturing industry)	$35,672,480	44.03%
2	A Corporation (014910 Railway transportation industry)	22,856,535	28.21%
3	K Group (012641 Liquid crystal panel and components manufacturing industry)	14,027,560	17.31%
4	D Group (015101 Airline industry)	11,027,787	13.61%
5	E Group (012641 Liquid crystal panel and components manufacturing industry)	7,856,590	9.70%
6	F Group (012412 Steel manufacturing industry)	7,507,199	9.27%
7	J Group (012641 Liquid crystal panel and components manufacturing industry)	6,828,073	8.43%
8	G Group (012412 Steel manufacturing industry)	6,225,674	7.68%
9	C Group (012719 Other computer peripheral products manufacturing industry)	6,157,320	7.60%
10	H Group (012499 Other metal manufacturing industry)	6,090,520	7.52%

Note a: Sort by the balance of loans on December 31, 2010 and 2009, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with the article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

c. Interest-earning assets and interest-bearing liabilities

The average balances and average interest rates of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	Average Value	**Average Interest Rate %**	**Average Value**	**Average Interest Rate %**
Assets				
Due from banks	$ 88,117,376	0.93	$ 132,408,401	1.53
Due from Central Bank	56,727,335	0.35	54,200,725	0.37
Financial assets - bonds and bills	270,418,410	0.89	278,029,707	0.97
Loans	1,007,267,860	1.76	951,534,909	1.94
Liabilities				
Due to banks and call loans from banks	136,186,195	0.80	164,885,488	1.15
Deposits transferred from the Postal Bureau	20,917,971	1.13	28,875,102	1.18
Demand deposits	636,557,922	0.28	562,071,047	0.31
Time deposits	546,093,661	0.85	585,536,445	1.19
Negotiable certificates of deposits	5,683,534	0.30	5,124,587	0.65
Bank notes	25,897,945	2.50	23,478,904	2.52

d. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2010				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,027,423,136	$ 69,143,362	$ 27,726,659	$ 80,947,579	$ 1,205,240,736
Interest-sensitive liabilities	379,029,140	598,176,879	65,544,248	28,386,451	1,071,136,718
Interest sensitivity gap	648,393,996	(529,033,517)	(37,817,589)	52,561,128	134,104,018
Net worth					84,134,664
Ratio of interest-sensitive assets to liabilities					112.52%
Ratio of interest sensitivity gap to net assets					159.39%

Note a: The amounts listed above include accounts in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$ (NT dollars only)

(In Thousands of U.S. Dollars; %)

Item	December 31, 2010				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 6,572,094	$ 831,329	$ 101,055	$ 42,386	$ 7,546,864
Interest-sensitive liabilities	8,342,793	446,588	440,688	-	9,230,069
Interest sensitivity gap	(1,770,699)	384,741	(339,633)	42,386	(1,683,205)
Net worth					76,041
Ratio of interest-sensitive assets to liabilities					81.76%
Ratio of interest sensitivity gap to net assets					(2,213.55%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (U.S. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

e. Profitability

Item		December 31	
		2010	2009
Return on total assets	Pretax	0.74%	0.40%
	After tax	0.53%	0.22%
Return on net worth	Pretax	13.20%	7.08%
	After tax	9.34%	3.82%
Profit margin		27.47%	13.64%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net worth = $\frac{\text{Income before (after) tax}}{\text{Average net worth}}$

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Gross income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

f. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2010				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 1,353,964,300	$ 268,486,025	$ 203,820,209	$ 120,078,799	$ 103,704,422	$ 657,874,845
Major maturity cash outflows	1,736,108,393	240,687,507	240,543,936	221,167,009	369,655,436	664,054,505
Gap	(382,144,093)	27,798,518	(36,723,727)	(101,088,210)	(265,951,014)	(6,179,660)

Note: The amounts listed above include accounts in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2010				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 9,112,575	$ 3,893,024	$ 2,179,546	$ 1,740,798	$ 518,954	$ 780,253
Major maturity cash outflows	10,528,139	4,360,762	1,859,616	956,465	1,274,792	2,076,504
Gap	(1,415,564)	(467,738)	319,930	784,333	(755,838)	(1,296,251)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

g. Special memorandum items

Item	Cases and Amount
Management or any employee being involved in lawsuit for any fault in business in one year	None
The Bank being fined for disobeying the Banking Law in one year	None
The Bank being punished by MOF for any fault in one year	Due to an incident in which an employee from a branch embezzled client's tax-payment money, the Bank was ordered by FSC to dismiss the employee and make improvement on such situation within three months starting from March 19, 2010, according to Article 61-1 of The Banking Act.
The Bank incurred losses over $50,000 thousand for management or employee fraud or for any security incident in one year	None

Note: "In one year" above means the one year period proceeding from December 31, 2010.

h. Transferring ownerships of non-performing loans

1) Summary of non-performing loans

	December 31, 2010						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain on Disposal (Note b)	Agreement with Added Terms	Relationship
Mega Asset Management Co., Ltd.	2009.12.18	Corporate secured loans	$ 755,740	$ 2,201,596	$ 1,445,856	Repurchased defective assets	None

	December 31, 2009						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain on Disposal (Note b)	Agreement with Added Terms	Relationship
Jing-Li Asset Management Co., Ltd.	2009.07.09	Corporate secured and non-secured loans	$ 7,085	$ 66,733	$ 55,172	Repurchased defective assets	None
Taiwan Asset Management Co., Ltd.	2009.09.11	Corporate and individual secured loans	335,838	1,020,858	678,337	Repurchased defective Assets and environmental protection defect	None

Note a: Book value = Original loan balance – Allowance

Note b: Gain on disposal = Transferring price – Book value – Related cost

2) The non-performing loans that amounted to $1 billion (excluding related-party transactions) were categorized as follows:

Entity: Mega Asset Management Co., Ltd. **Base Day: December 18, 2009**

<table>
<tr><th colspan="3">Composition of NPLs</th><th>Original Amounts (Note a)</th><th>Book Value</th><th>Authorized Price (Note b)</th></tr>
<tr><td rowspan="2">Corporate</td><td colspan="2">Secured</td><td>$ 2,195,730</td><td>$ 755,740</td><td>$ 2,201,596</td></tr>
<tr><td colspan="2">Unsecured</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="7">Individual</td><td rowspan="3">Secured</td><td>Mortgage loans</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Vehicles loans</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Others</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="4">Unsecured</td><td>Credit cards</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Cash cards</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Small amount consumer credit</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Others</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="3">Total</td><td>2,195,730</td><td>755,740</td><td>2,201,596</td></tr>
</table>

Entity: Taiwan Asset Management Co., Ltd. **Base Day: September 11, 2009**

<table>
<tr><th colspan="3">Composition of NPLs</th><th>Original Amounts (Note a)</th><th>Book Value</th><th>Authorized Price (Note b)</th></tr>
<tr><td rowspan="2">Corporate</td><td colspan="2">Secured</td><td>$ 3,562,556</td><td>$ 247,707</td><td>$ 853,642</td></tr>
<tr><td colspan="2">Unsecured</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="7">Individual</td><td rowspan="3">Secured</td><td>Mortgage loans</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Vehicles loans</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Others</td><td>1,108,807</td><td>88,131</td><td>167,216</td></tr>
<tr><td rowspan="4">Unsecured</td><td>Credit cards</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Cash cards</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Small amount consumer credit</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Others</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="3">Total</td><td>4,671,363</td><td>335,838</td><td>1,020,858</td></tr>
</table>

Note a: The original amounts include the aggregate of the balance of non-performing loans (without deducting allowance) and the amounts which had been written-off by the Bank.

Note b: The authorized price refers to the transferring price which is allocated among non-performing loans by estimating the recovery of loans.

i. Capital adequacy

Item			December 31, 2010	June 30, 2010	December 31, 2009
Self-owned capital	Tier I capital		$ 80,169,294	$ 75,838,225	$ 70,131,995
	Tier II capital		24,902,851	28,430,376	30,571,261
	Tier III capital		-	-	-
	Self-owned capital		105,072,145	104,268,601	100,703,256
Risk-weighted assets	Credit risk	Standardized approach	931,504,640	882,641,915	879,511,528
		IRB	-	-	-
		Real estate securitization	871,575	1,076,516	842,699
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/ optional standard	37,994,375	37,994,375	40,931,575
		Advanced internal-rating based approach	-	-	-
	Market price risk	Standardized approach	8,040,838	7,111,175	8,211,450
		Internal model approach	-	-	-
	Total		978,411,428	928,823,981	929,497,252
Capital adequacy ratio			10.74%	11.23%	10.83%
Tier I capital to risk weighted assets ratio			8.19%	8.16%	7.55%
Tier II capital to risk weighted assets ratio			2.55%	3.06%	3.29%
Tier III capital to risk weighted assets ratio			-	-	-
Common stock equity to total assets ratio			4.13%	4.26%	4.21%
Gearing ratio			5.38%	5.17%	4.88%

Note: 1. The ratios are calculated in accordance with the Letters issued by the MOF on January 4, 2007 (Ref. No. Jin-Guan-Yin 09610000025) and on June 30, 2009 (Ref. No. Jin-Guan-Yin 09810003110).

2. Formula:

a. Self-owned capital = Tier I capital + Tier II capital + Tier III capital

b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk Capital + Market price risk Capital) × 12.5

c. Capital Adequacy = Self-owned capital ÷ Risk-weighted assets

d. Tier I capital to risk weighted assets ratio = Tier I capital ÷ Risk-weighted assets

e. Tier II capital to risk weighted assets ratio = Tier II capital ÷ Risk-weighted assets

f. Tier III capital to risk weighted assets ratio = Tier III capital ÷ Risk-weighted assets

g. Common stock equity to total assets ratio = Common stock equity ÷ Total assets

h. Gearing ratio = Tier I capital ÷ Average-assets adjusted

j. Primary foreign currencies

The foreign-currency financial assets and liabilities of materiality as of December 31, 2010 and 2009, were as follows:

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 7,329,791	29.5000	$ 216,228,835	$ 5,425,590	32.1760	$ 174,573,784
AUD	279,762	30.0281	8,400,721	316,326	28.8715	9,132,806
HKD	2,001,538	3.7900	7,585,829	1,509,639	4.1490	6,263,492
SGD	62,710	22.8718	1,434,291	91,548	22.9239	2,098,637
CAD	40,668	29.5118	1,200,186	40,811	30.5856	1,248,229
ZAR	51,907	4.4426	230,602	941,164	4.3425	4,087,005
JPY	77,976,781	0.3622	28,243,190	76,613,698	0.3480	26,661,567
EUR	179,390	39.2468	7,040,483	385,678	46.2305	17,830,087
NZD	51,803	22.7593	1,179,000	105,694	23.3437	2,467,289
Non-monetary items						
USD	484,914	29.5000	14,304,963	610,823	32.1760	19,653,841
AUD	253,081	30.0281	7,599,542	225,072	28.8715	6,498,166
EUR	88,901	39.2468	3,489,080	86,167	46.2305	3,983,543
Financial liabilities						
Monetary items						
USD	9,554,029	29.5000	281,843,856	7,597,551	32.1760	244,458,801
GBP	64,632	45.5510	2,944,052	66,772	51.7358	3,454,503
AUD	491,532	30.0281	14,759,772	494,041	28.8715	14,263,705
HKD	1,857,821	3.7900	7,041,142	1,570,867	4.1490	6,517,527
SGD	55,502	22.8718	1,269,431	77,651	22.9239	1,780,064
CAD	40,652	29.5118	1,199,714	40,642	30.5856	1,243,060
ZAR	659,849	4.4426	2,931,445	1,536,272	4.3425	6,671,261
JPY	72,842,115	0.3622	26,383,414	64,316,929	0.3480	22,382,291
EUR	365,159	39.2468	14,331,322	464,279	46.2305	21,463,850
NZD	176,813	22.7593	4,024,140	181,722	23.3437	4,242,064

Note: The amounts listed above include accounts in foreign currency for head office and domestic branches only (i.e., excluding oversea branches and OBU).

k. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	2009
Special purpose trust accounts - domestic	$ 34,744,192	$ 39,135,567
Special purpose trust accounts - foreign	66,045,420	61,706,381
Insurance trust	1,003	-
Retirement and breeds trust	172,184	162,666
Umbilical-cord-blood trust	526,220	472,971
Money claim and guarantee trust	605,014	408,220
Marketable securities trust	635,849	423,896
Real estate trust	3,582,461	2,900,126
Securities under custody	158,660,082	166,491,711
	$ 264,972,425	$ 271,701,538

l. Disclosures on trust assets and liabilities and assets register as required by the ROC Trust Law were as follows:

Balance Sheet of Trust

Trust Assets	December 31 2010	2009	Trust Liabilities	December 31 2010	2009
Bank deposits	$ 1,152,008	$ 905,431	Trust capital		
Insurance claims	145,200	168,400	Money trust	$ 101,817,669	$ 101,718,182
Financial assets			Insurance claims	145,200	168,400
Common stocks	520,586	360,639	Marketable securities trust	520,586	360,639
Mutual funds	101,108,082	101,079,701	Real estate trust	3,726,071	2,907,320
Bonds	-	5,810	Securities under custody payable	158,660,082	166,491,711
Adjustments	102,815	55,285	Administration payable	68	86
Mutual funds	-	31,213	Supervision payable	31	-
Interest receivable	579	1,664	Income taxes payable	58	166
Land	2,350,978	2,031,175	Profit and loss		
Buildings	13,114	8,791	Realized capital through profit and loss	(3,017)	(10,792)
Construction in progress	918,981	561,718	Investment profit and loss	(13,532)	16,345
Securities under custody	158,660,082	166,491,711	Unrealized capital gain - mutual funds	1,128	2,853
			Unrealized capital gain - common stocks	142,732	64,526
			Unrealized capital loss - mutual funds	(13,574)	(9,721)
			Unrealized capital loss - common stock	(27,471)	(1,270)
			Unappropriated retained earnings	16,394	(6,907)
Total trust assets	$ 264,972,425	$ 271,701,538	Total trust liabilities	$ 264,972,425	$ 271,701,538

Trust Assets Register

Investments	December 31 2010	2009
Bank deposits	$ 1,152,008	$ 905,431
Insurance claims	145,200	168,400
Financial assets		
Common stocks	635,848	423,895
Mutual funds	101,095,635	101,071,730
Bonds	-	5,810
Land	2,350,978	2,031,175
Buildings	13,114	8,791
Construction in progress	918,981	561,718
Others	579	32,877
Securities under custody	158,660,082	166,491,711
Total trust assets	$ 264,972,425	$ 271,701,538

Income Statement of Trust

Investments	Years Ended December 31 2010	2009
Revenue		
Interest income	$ 2,855	$ 4,038
Dividends	39,842	27,883
Gain on mutual funds	2,187	1,197
	44,884	33,118
Expense		
Maintenance	(2,166)	(2,219)
Tax expense	(249)	(488)
Others	(56,001)	(14,066)
	(58,416)	(16,773)
Unrealized capital gain - mutual funds	1,128	2,853
Unrealized capital gain - quoted stocks	142,732	64,526
Realized capital loss - mutual funds	(3,017)	(10,792)
Unrealized capital loss - mutual funds	(13,574)	(9,721)
Unrealized capital loss - quoted stocks	(27,471)	(1,270)
	$ 86,266	$ 61,941

30. LOANS TO PARTIES WITH COMMON INTERESTS

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a) Current Shares	Imputed Shares (Note b)	Shares	Ownership Interest (%)
CHB Insurance Agency (Note c)	Taipei City	Personal insurance agent	100.00%	$ 189,531	$ 151,160	$ 500,000	$ -	$ 500,000	100.00%
CHB Insurance Brokerage (Note c)	Taipei City	Property insurance broker	100.00%	38,085	22,536	800,000	-	800,000	100.00%
MasterLink Securities Corp.	Taipei City	Security brokerage	4.10%	798,631	-	60,047,459	-	60,047,459	4.10%
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00%	72,012	-	17,513,861	-	17,513,861	3.00%
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41%	61,540	-	32,286,333	-	32,286,333	0.41%
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71%	1,872,923	-	235,726,532	-	235,726,532	0.71%
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	New Taipei City	Western medicine manufacture and sell	0.61%	25,298	-	426,615	-	426,615	0.61%
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53%	7,000	-	860,000	-	860,000	4.34%
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00%	1,250	-	250,000	-	250,000	10.00%
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95%	500,000	-	54,000,000	-	54,000,000	4.95%
ING Securities Investment & Trust Co.	Taipei City	Securities investment trust	6.32%	40,812	-	3,197,700	-	3,197,700	6.32%
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.16%	46,446	-	13,734,000	-	13,734,000	3.43%
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00%	20,000	-	5,645,629	-	5,645,629	2.11%
Asia Pacific Broadband Telecom Co. (Note d)	Taipei City	Type I & type II telecommunications business	0.46%	30,000	-	30,000,000	-	30,000,000	0.91%
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35%	2,000,000	-	210,000,000	-	210,000,000	11.92%
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94%	50,000	-	10,000,000	-	10,000,000	5.88%

(Continued)

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Shares	Imputed Shares (Note b)	Shares	Ownership Interest (%)
Financial Evolution Co., Ltd	Taipei City	Financial information systems development	5.13%	$ 19,285	$ -	$ 1,771,047	$ -	$ 1,771,047	5.13%
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08%	6,749	-	1,484,556	-	1,484,556	0.50%
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70%	417	-	1,134,085	-	1,134,085	18.90%
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77%	(Note e)	-	5,748,382	-	5,748,382	4.77%
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	3.09%	(Note e)	-	556,965	-	556,965	3.09%

(Concluded)

Note a: The investees' voting shares, and imputed shares were owned by the Bank and related parties.

Note b: Imputed shares are considered if equity securities such as convertible bonds, warrants, etc., or derivative contracts such as stock options, are converted.

Note c: Include the original investment amount and profit and loss recognized under the equity-method.

Note d: Include the original investment amount of $150,000 thousand minus accumulated impairment of $120,000 thousand.

Note e: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

31. DISCLOSURES UNDER STATUTORY REQUIREMENTS

Material Transactions

According to Guidelines Governing the Preparation of Financial Reports by Public Banks Rule 16, the disclosure of related information was as follow:

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT$300 million or 10% of outstanding capital as of December 31, 2010	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital as of December 31, 2010	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital as of December 31, 2010	None
4	Discount on fees income from related parties over NT$5 million	None
5	Receivables from related parties over NT$300 million or 10% of outstanding capital	None
6	Sale of NPL	Note 29
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	Note 7
8	Other significant transactions which may affect decisions of the users of the financial statements	None

Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2010	None
5	Derivative instrument	None
6	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the year ended December 31, 2010	None
7	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31, 2010	None
8	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31, 2010	None
9	Discount on fees income from related parties over NT$5 million	None
10	Receivables from related parties over NT$300 million or 10% of outstanding capital	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

Investment in Mainland China: Table 2

32. SEGMENT INFORMATION

a. Industry segments

The Bank only operates business in accordance with Article 3 of the Banking Act of the Republic of China. Therefore, the Bank does not have industry segments for disclosure.

b. Geographical segments

The operating income of the Bank's overseas departments is not over 10% of consolidated operating income. In addition, their assets are not over 10% of total assets either. Thus, no financial information by geographical segments is disclosed.

c. Information of foreign sales

The revenue from foreign sales done by the domestic departments of the Bank to individuals is not over 10% of total revenue on income statement.

d. Information of important customers

The Bank doesn't have important customers contributing revenue more than 10% of total revenue.

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTEES' NAMES, LOCATIONS
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of Year 2010	End of Year 2009	Shares	Ownership Interest (%)	Book Value			
Chang Hwa Bank	CHB Insurance Agency	6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	Life insurance agency	$ 2,008	$ 2,008	500,000	100.00	$ 189,531	$ 151,160	$ 151,160	
	CHB Insurance Brokerage	6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	Property insurance brokerage	2,000	2,000	800,000	100.00	38,085	22,536	22,536	

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1.

Investee	Main Businesses and Products	Total Amount of Capital (US$ in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010 (US$ in Thousand)	Investment Flows (US$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2010 (US$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	$ 2,202,168 (US$ 74,650)	Note 1.e.	$ -	$ 2,202,168 (US$ 74,650)	$ -	$ 2,202,168 (US$ 74,650)	-	$ -	$ -	$ -

Accumulated Investment in Mainland China as of December 31, 2010 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment regulated by Investment Commission, MOEA (US$ in Thousand) (Note 2)
US$74,650	US$74,650	$12,152,593

Note 1: The five methods of investment are as follows:

a. Investment in Mainland China by remittance through a third area.
b. Investment in Mainland China through establishment of new enterprise in a third area.
c. Investment in Mainland China through reinvestment in existing enterprise in a third area.
d. Direct investment in Mainland China.
e. Others.

Note 2: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

a. Banks in Taiwan (or subsidiaries in a third area) which establish branches, subsidiaries or acquire shares or capital contribution from local shareholders in Mainland China.
b. The subsidiaries, whose issued stocks carrying voting rights or more than 50% capital held by banks in Taiwan, have investment in Mainland China.