

Contents

2009 Annual Report



<i>I. Letter to Shareholders</i>	1
<i>II. Bank Profile and Corporate Governance</i>	8
1. Introduction	9
2. Organization	11
3. Directors 、 Supervisors and Managers	14
4. Corporate Governance	29
<i>III. Fund Raising and Operational Highlights</i>	34
1. Capital and Shares	35
2. Financial Debentures and Capital Utilization Plan	37
3. Business Overview	39
<i>IV. Financial Information and Risk Management</i>	48
1. Financial Review 2005~2009	49
2. Financial Statement for 2009	57
3. Risk Management and Other Significant Issues	137
<i>V. Special Notes</i>	148
1. Information of Affiliates	149
2. Milestones of Yuanta Commercial Bank in 2009	151
3. Branches and Overseas Offices	152



2009 Annual Report

We Create **Fortune**



Letter to Shareholders



I. Letter to Shareholders

1. Business Report for 2009

Changes in the Financial Environment

The first half year of 2009 was swayed by the continued financial crisis and frail confidence in the market. Nonetheless, boosted by monetary and fiscal economy-stimulating policies in every country and massive bailout plans from advanced economic entities, such as the U.S.A and the E.U., global economy hit its bottom during the 3rd quarter and the recovery was becoming apparent. According to the latest IMF Global Economic Prospects released on 26 January 2010, the global economy declined by -0.8%. As actual economic activities turning more robust than expected, 2010 economic growth forecast has been raised, for the fourth time, to 3.9%.

Although conditions of global finance have ameliorated further, banks' continued decrease in financial leverage has caused prolonged shrinkage of financing and hidden credit loan problems. Moreover, gigantic government deficits and debts are placing some sovereign debts under pressure and even possibly affecting regional financial stability. The economic prospect is still highly challenged.

Domestically, even though the economy during the first half year was clumsy and the typhoon catastrophe in August resulted in severe loss of people in their lives and property, fortunately, the negative effect did not heighten afterwards. As the global economy rebounded moderately, coupled with the initiation of the MOU and ECFA talks and negotiations of relevant treaties, the prospect of cross-strait relationship seems promising. Additionally, because the inventory of the information technology industry is cleared, demand rebounds, export increases month by month and the domestic demand turns up, the growth drive for the domestic economy is expected to be seen. According to Domestic Economy Prospect released in November 2009 from the Directorate General of Budget, Accounting and Statistics, the economic growth rate is estimated to be -2.53% for 2009 and 4.39% for 2010.

Organizational Change

In response to changes in the financial environment, the Bank has not only persistently and closely watched the latest global trends, but also timely reviewed the efficiency and dynamics of the organization structure. Since the reorganizing and streamlining of the headquarters' departments in July 2008, the Bank has undergone smooth operation and horizontal integration. In 2009, the Bank focused its effort on solidifying the efficiency of centralized operation support and maximizing the operating value of branch channels; complementing them with personnel rearrangement and training, it is expected that individual average contribution and overall operating efficiency can be elevated.

In respect of enhancing the efficiency of centralized operation support, the Bank's major measures were as follows: The Credit Management Department closed the Evaluation



Department in June 2009 and outsourced hostage evaluation and credit verification. The North I and North III Credit Operation Centers were consolidated into North Credit Operation Center, thereby integrating regional services in order to achieve economies of scale for operations and minimize overall operating costs.

In respect of maximizing the operating value of branch channels, the Bank has strategically selected the same service locations as Yuanta Securities' to utilize the full synergy generated from the integration of financial holdings' resources. At the end of 2009, 13 banking branches operate at the same address as Yuanta Securities' brokerage offices. Also, in order to solidify business supervision, the Bank, has fortified its timeliness in information acquisition, sensitivity to market changes and execution of decisions through branch management. Ever since the implementation of the supervision system, it has become apparent that the operations are running with expected effectiveness whether in the business development, headquarters-branch interaction or information communication fronts.

Actual Accomplishments in 2009

The performance of the Bank's branches gradually emerges as our asset quality turns sound. Major banking services are elaborated hereby:

(1) Deposits:

Apart from striving to fine-tune its deposit structure, the Bank is also taking advantage of the leading position of Yuanta Securities as the No. 1 securities broker in the market by absorbing its settlement cash and turning them into deposits as well as providing a well-rounded service to securities clients to effectively lower the capital cost of deposit. In 2009, the Bank's total deposits amounted to NT\$ 293.54 billion with the share of demand deposits reaching NT\$ 144.76 billion, or 49.31%, which is a rise from 35.55% in 2008.

(2) Loans:

The Bank has placed strong emphasis on the ascension of asset quality for its loan services. The corporate banking business is centered on large-sized quality clients, complemented by mid- and small- sized companies' trading financing and secured loans. The Bank focused its effort on cultivating highly contributive and interactive core clients. In terms of mortgages for consumer banking, the Bank aimed to control risks for best profit through carrying out market segmentation, developing proactively diverse channels and differentiated product marketing as well as client's risk assessment model.

In 2009, the total loans amounted to NT\$ 231.43 billion, an increase of NT\$ 155 million from NT\$ 231.27 billion in 2008. Secured loans totaled NT\$ 150.79 billion, or 65.16% of total loans. Unsecured loans amounted to NT\$ 80.63 billion, or 34.84% of total loans.

(3) Foreign Exchange:

In order to further prosper cross-strait financial business and meet the demands of Taiwanese companies on capital transfer, the Bank has successfully established correspondent relationship with 32 foreign banks' mainland branches and 18 mainland banks' head offices.





In 2009, the Bank's foreign exchange business volume amounted to US\$ 15.14 billion or an increase of 4.15% from US\$ 14.54 billion in 2008, among which 5.71% was accounted for by import, 2.35% by export, 44.73% by outward remittances and 47.21% by inward remittances.

(4) Trust Business:

With respect of trust business, the Bank has strived to develop real estate and sales price trust services so as to broaden and solidify the foundation of its trust business. The total balance of the trust assets at the end of 2009 amounted to NT\$ 78.96 billion, an increase of NT\$ 20.34 billion or 34.7% from NT\$ 58.62 billion at the end of 2008.

(5) Wealth Management:

The Bank has established the wealth management service to accommodate the needs of our high net worth clients, providing financial planning and asset allocation recommendations with the goal of achieving stable growth of wealth. By the end of 2009, net fee income from wealth management services amounted to NT\$ 375 million, a decrease of NT\$ 47 million compared to 2008 due to impact from the financial crisis.

(6) Credit Card:

In order to better serve the platinum card customers, the Bank issued the JCB platinum cards in 2009 with various promotional offers through credit card receipts in hope for the elevation of credit card issuance and consumption amounts. At the end of 2009, the Bank issued a total of 301,800 valid cards with an effective ratio of 43.76%.

Budget Utilization, Financial Status and Profitability

In 2009, net income was NT\$ 5.55 billion, among which net interest income amounted to NT\$ 3.60 billion and net non-interest income totaled NT\$ 1.95 billion. Compared with 2008 net income of NT\$ 4.31 billion, 2009 net income increased by NT\$ 1.24 billion while net interest income dropped by 730 million from 2008. This was mainly because the interest rate spread decreased by 0.46% from 2008, which caused significant decrease in net interest income of deposit and loans, interest income from the placement to other banks, and interest income from securities investment. Non-interest income increased by NT\$ 1.97 billion mainly because of net income from financial product trading and exchange in the amount of NT\$ 819 million and NT\$ 1.63 billion for goodwill impairment recognized for 2008 and reimbursement allowance allocated for disputes of structured notes of Lehman Brothers.

The bad debt expense amounted to NT\$ 355 million throughout 2009, a decrease of NT\$ 2.85 billion from NT\$ 3.20 billion in 2008. The operating expense of 2009 numbered NT\$ 4.34 billion, a decrease of NT\$ 708 million from NT\$ 5.05 billion in 2008. To conclude, pretax income of 2009 was NT\$ 857 million and, with tax expense of NT\$ 412 million, after-tax income amounted to NT\$ 445 million, an increase of NT\$ 3.69 billion from a loss of after-tax income of NT\$ 3.24 billion in 2008.



Research and Development

- (1) Completion of the new core system.
- (2) Offered agency service for Taiwan Depositary Receipts.
- (3) Enhanced E-Channel and constructed a brand new personal and corporate online banking platform.
- (4) In accordance with the Basel II Accord, established a credit risk management system and a market risk management system.
- (5) Established a new generation of data warehouse system for data integration and strategic analysis.

2. Impacts of External Competitive, Regulative and Overall Operating Environment

The third amendment to the “Accounting for Financial Instruments” in *Amendment to Financial Accounting Standard No.34*, announced on December 4, 2008, incorporates loans and receivables originated by the banks into the scope of the said Standards. Hence, banks are required to value loans and receivables at fair value and evaluate the impairment loss. This differs greatly from the current practices of classifying allowance for bad debts into 5 categories based on the extent of debt security and non-performing duration and accord the minimum coverage ratio of each category for the purposes of recognizing the allowance for bad debts to. As a result, the relevant procedures and systems must be adjusted accordingly. The Bank has consequently established a cross-department team to develop responsive practices.

Financial Supervisory Commission announced on March 16, 2010 the “Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area”, which loosened its previous restriction on credit granting against Taiwan businesses in China. Every well-operated bank (i.e., non-performing ratio lower than 1.5%, coverage ratio over 80% and capital adequacy ratio over 10%) may raise its upper credit limit on Taiwanese businesses in China from 30% of OBU net worth to 50%. This amendment has a positive effect on the Bank’s OBU credit service.

In preview of 2010, the Directorate General of Budget, Accounting and Statistics indicated that the economy growth rate may reach 4.39%. With a more robust recovery of the global economy, the export of domestic products may hike by quarters. The growth of private consumption and fixed investments is expected to return as Taiwan’s government adopts loose fiscal and monetary policies and stimulating measures for domestic demand and consumption, and broadens public and local construction projects. . However, Taiwan’s financial industry still has tough challenges ahead including shrinking interest spread, increasing risks and oversupply.





3. Latest Credit Ratings

Rating Agency	Date	Long-term rating	Short-term rating	Outlook
Fitch	2010.01.27	A+ (tw)	F1 (tw)	Stable
S&P	2010.01.18	BBB	A-2	Stable
Taiwan Ratings Corp.	2010.01.18	twAA-	twA-1+	Stable

According to Taiwan Ratings Corp., our commercial banking business is consistent with the strategic objectives of providing “one-stop-shopping” of Yuanta Financial Holdings. The rating also reflects various advantages of the Bank, namely, proper capital adequacy and source of capital attributable to the support of the financial holding company and liquidity structure.

Fitch also recognizes the Bank’s effort in developing its professional marketing position in wealth management through the financial holdings’ leading position and eminent foundation in Taiwan’s securities market. The Bank’s persistent improvement in profitability and asset quality will influence the Bank’s individual rating positively.

4. Business Plan in 2010 and Outlook

Although facing a fiercely competitive and harsh operating environment, the Bank still insists on effective resource integration, careful planning as well as full execution, in an effort to enhance management efficiency and risk management. Besides striving to achieve the established performance target and proactively pursue the maximum value for all shareholders, the Bank has developed its business plans for 2010 as follows:

- (1) Utilize the synergy of the financial holdings and persistently elevate profitability to favor the overall profit of the group.
- (2) Center the Bank’s business on four cores, corporate banking, consumer banking, wealth management and financial trading and drive the business with corporate banking.
- (3) Target securities clients for the deposit business, actively manage clients and increase the transaction breadth and depth.
- (4) Continue managing core clients, carry out customer segmentation and risk-based pricing and maximize customer contribution.
- (5) Promote staff marketing and maximize operating efficiency of each branch.
- (6) Maximize the quality of workforce corresponding to business development.
- (7) Strengthen auditing, internal control and risk management, minimize loss contingency and maximize operating efficiency.
- (8) Master major economic development, expand and adjust operation network, utilize local advantages and increase the market share of each business.



- (9) Aggressively engage in the overseas service network, integrate resources inside the group to develop diverse cash flow and develop business opportunities in the Greater China area.
- (10) Utilize the niche, amass core resources, and achieve the economies of scale through M&As to maximize overall competitiveness.

The Bank is an important subsidiary of Yuanta Financial Holdings. In addition to providing a cash flow platform for the group, the Bank will continue to take advantage of joint marketing and integrate the resources of the group under the financial holdings structure in order to leverage its operating niches, expand customer base and business scale effectively, and maximize overall competitiveness, thereby resulting in effective cost control, stable profit growth and create profits.





2009 Annual Report

We Create **Fortune**



Bank Profile and Corporate Governance

II. Bank Profile and Corporate Governance

1. Introduction

Yuanta commercial Bank ("the Bank"), formerly Asia Pacific Commercial Bank, acquired approval for establishment from the Ministry of Finance on January 14th 1992 and launched its operation on February 12th 1992. Afterwards, in conformity with the development of the financial market and Government's financial reform, the Bank joined Fuhwa FHC on August 1st 2002 through stock transfer and became a wholly-owned subsidiary. In September 2002, Asia Pacific commercial Bank was approved to be renamed Fuhwa Commercial Bank. On April 2nd 2007, Yuanta Core Pacific Securities merged with Fuhwa FHC formally. On September 23rd 2007, the Bank was renamed Yuanta Commercial Bank.

In hopes of expanding its operating foundation and maximizing business competency, the Bank successively acquired four credit cooperatives, including Touliao Credit Cooperative in Yunlin County, Taitung Credit Cooperative, Tainan 7th Credit Cooperative and Tainan 6th Credit Cooperative and thus established 70 branches. In order to maximize the market share of channels, the Bank, on October 27th 2009, won an auction and acquired 18 branches of Good Bank with payout of NTD 19.3 billion to Resolution Trust Corporation (Funds). Upon the completion of merger in April, 2010, the Bank's service locations will hike to 88 branches. The Bank will elevate its proportion of urban locations in response to the Group's macroscopic channel strategies.

2009 October	Acquired and merged "Chin-Fon Bank" of 18 branches ; Total branches increased to 88
2007 September	Renamed "Yuanta Commercial Bank"
2005 December	Acquired and merged "Tainan 6th Credit Cooperative" ; Total branches increased to 70
2005 June	Acquired and merged "Tainan 7th Credit Cooperative" ; Total branches increased to 58
2004 June	Acquired and merged "Taitung Credit Cooperative" ; Total branches increased to 50
2003 July	Acquired and merged "Touliao Credit Cooperative" ; Total branches increased to 42
2002 August	Joined Fuhwa FHC ; Renamed "Fuhwa Commercial Bank"
1992 February	"Asia Pacific Commercial Bank" ; Total Branches 37

- ◆ Overseas Office: Hong Kong Representative Office
- ◆ Affiliate:
 - Yuanta Leasing Co., Ltd
 - Yuanta Property Insurance Agent Company
 - Yuanta Life Insurance Agent Company





Since joined Yuanta Group the Bank has been zealously introducing exceptional management models such as effective implementation, risk awareness, client orientation and Management By Objectives (MBO) and integrating the Group's ample resources in securities clients. The Bank is thus able to elevate itself and grow steadily in asset quality and operation scale.

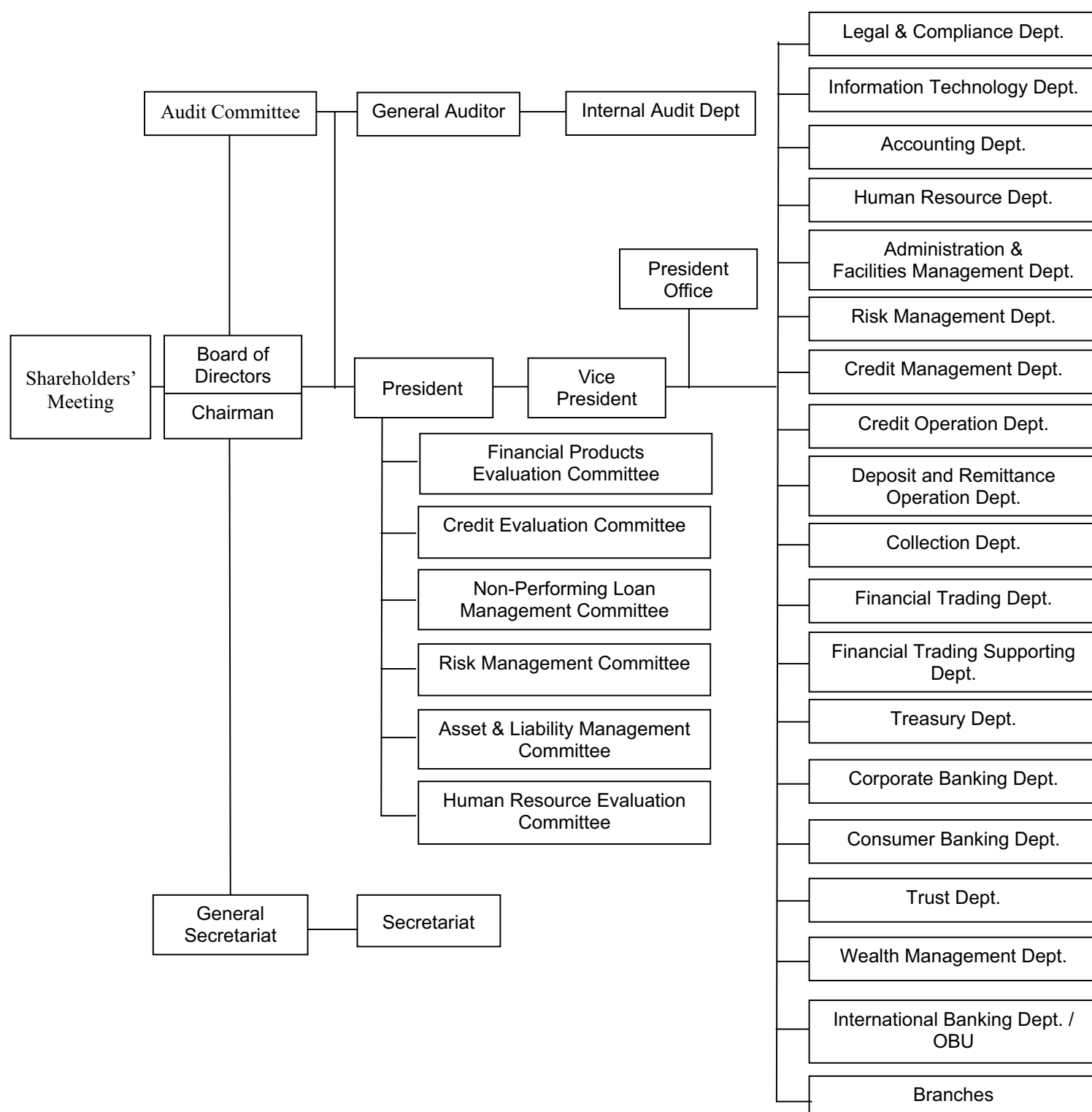
In the future, Yuanta Commercial Bank is going to accord with our management philosophy "Integrity, Stability, Service, Innovation and Attentiveness", provide clients with more diverse, more complete and more comprehensive professional financial services, take becoming the client's best asset management bank as its strategic goal so an integrated financial platform can be constructed for all services of the Group. Meanwhile, the Bank will strive toward its ultimate goal-provide ideal services to clients, create the most interest for shareholders and supply the feedback to the society wholeheartedly.



2. Organization

(1) Organization Chart

Base Date: March 31, 2010



**(2) Major Departments**

Base Date: March 31, 2010

Departments	Function
President Office	Analyze, plan and develop organization and service locations; supervise operation performance, compile budgetary objectives and manage business performance and strategies; plan and manage long-term equity investment and M&A, and manage public relations activities.
Internal Audit Dept	Manage the Bank's internal audits and supervise self auditing.
Legal & Compliance Dept.	Manage all of the Bank's legal affairs and act as the authority of legal conformity. Manage and execute the legal conformity system and assess self-evaluation.
Information Technology Dept.	Develop the Bank's IT policies. Construct and execute the IMS and plan, establish and manage the information facility, system and network, and plan and promote E-Banking.
Accounting Dept.	Develop the accounting system and procedures, process and manage accounting operations, summarize the Bank's budge, settle accounts and conduct tax related matters.
Human Resource Dept.	Manage human resource affairs, including recruitment, employment, promotion, transfer, appraisal, compensation, bonus, training, insurance and benefit.
Administration & Facilities Management Dept.	Conduct property management, including seal management, documentation, safety maintenance, construction and maintenance, procurement, and real estate rental and purchase, and other administrative affairs.
Risk Management Dept.	Construct credit risk, market risk and operational risk control mechanism. Monitor and manage risk-related affairs in the Bank.
Credit Management Dept.	Examine, approve and review credit accounts of institutional and consumer banking. Develop on credit Management policies, and real estate valuation policies.
Credit Operation Dept.	Manage the Bank's crediting operation and according regulations.
Deposit and Remittance Operation Dept.	Manage administrative affairs, development deposits and remittance regulations and training appraisal. Develop, plan and manage regulations on deposit services and train deposit personnel.
Collection Dept.	Collect the Bank's non-performing loans and other debts. Compile and analyze assets with non-performing loans.
Financial Trading Dept.	Manage research and development, transaction, marketing and promotion of financial products and the operation of trading books of the Bank.
Financial Trading Supporting Dept.	Conduct confirmation, delivery, account management and other affairs for financial products.



Treasury Dept.	Manage the Bank's asset and liability. Based on the Bank's outlook, initiate proactive deposit strategy, manage capital and liquidity gap.
Corporate Banking Dept.	Supervise operational objectives, budget objectives, business development and product research and development for institutional banking business and plan and integrate services featuring projects, policies, large size, and complexity.
Consumer Banking Dept.	Supervise, for consumer banking business (including house mortgages, credit loans, car loans, installment payments and credit cards), the operational policies, budget objectives, business development, product research and development, marketing activities, customer services, crediting credit card users and plan and manage all of business regions.
Trust Dept.	Plan, develop and manage trust business, execute annual budget objectives, and conduct R&D and integration of wealth management products and process trust business.
Wealth Management Dept.	Supervise the operational policies, budget objectives, business development, and marketing activities and plan and manage other financial services.
International Banking Dept./ Offshore Banking Branch (OBU)	Process foreign exchange business. Develop, plan and manage operational regulations.





3. Directors、Supervisors and Managers

(1) Information of Directors

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Spouse & Minor Shareholding	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Chairman : Representative of Yuanta Financial Holdings	Ching-Chang Yen	06.29.2007 (Note 1)	06.28.2010	06.30.2005			● L.L.M. University of Michigan ● R.O.C. Representative permanent to the World Trade Organization ; Minister and Deputy Minister, Ministry of Finance & Political	Chairman of Yuanta Commercial Bank ; Chairman of Yuanta Financial Holdings ; Chairman of Yuanta Foundation Co. Ltd. ; Director of Inotera Technology Co. Ltd.	
	Wei-Chen Ma	06.29.2007	06.28.2010	06.30.2005	100% owned by Yuanta FHC ; Shareholding when Elected: 1,800,000,000		● University of Southern California ● CEO of SysPower Technology ; Director of Yuanta Core Pacific Securities Co., Ltd. ; Chairman of Tzi-Fu International Co., Ltd. ; Chairman of Yuanta Construction Development Co., Ltd	(Note 2)	—
	Jin-Long Fang	06.29.2007	06.28.2010	06.29.2007	Current Shareholding: 2,150,000,000	—	● Provincial Chiayi Senior Vocational High School ● Supervisor of Yuanta Core Pacific Securities Co., Ltd. ● Bachelor of Business administration, U.S. Southwestern University ● Chairman of Taichung Securities ; Standing Director of Asia Pacific Bank ; Director of Asia Pacific Investment & Trust Co. ; Director of International Securities ; Chairman of Asia Pacific Leasing Co., Ltd. ; Chairman of Fuan Insurance Agent Co., Ltd.	Chairman of Yuan Kun Construction Co., Ltd. ; Chairman of Yuanta United Steel Corporation Co. Ltd. ; Chairman of Li Ching Industrial Co., Ltd	
Director : Representative of Yuanta Financial Holdings	Hsien-Tao Chiu	06.29.2007	06.28.2010	06.30.2005			● Bachelor of Business administration, U.S. Southwestern University ● Chairman of Taichung Securities ; Standing Director of Asia Pacific Bank ; Director of Asia Pacific Investment & Trust Co. ; Director of International Securities ; Chairman of Asia Pacific Leasing Co., Ltd. ; Chairman of Fuan Insurance Agent Co., Ltd.	Director of Yuanta Financial Holdings ; Director of Yuanta Leasing Co. Ltd. ; Supervisor of Deh-Mei Automobile Co. ; Chairman of Taiwan Yi-Her International Co. ; Director of Fong-Long Automobile Co. ; Director of Kong-Ya Investment Co., Ltd. ; Owner of Jin-Li Industry Co. ; Owner of Yi-Her Automobile Co., Ltd. ; Director of Rater Automobile Co., Ltd. ; Director of Cheng-Long Automobile Co., Ltd. ; Director of FIAT ; Director of Kuo-Chung Automobile Co., Ltd.	Vice President, Eric K Chiu, Kin with the second degree



Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Spouse & Minor Shareholding	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Director : Representative of Yuanta Financial Holdings	Arthur Chen	03.05.2008	06.28.2010	03.05.2008			● EMBA, National Chengchi University. ● CFO, Yuanta Financial Holdings ; President of Xiamen Branch of Credit Lyonnais ; President of China Region and Shanghai Branch of Royal Bank of Canada	(Note 3)	
	Cheng-Hsin Wang	09.16.2008	06.28.2010	09.16.2008	100% owned by Yuanta FHC ;		● Master of Public Finance of National Chengchi University ● CSO, Chinatrust Financial Holdings ; SEVP, Chinatrust Commercial Bank ; President, Jih Sun Financial Holdings	Chairman of Yuanta Securities Asia Financial Services, Ltd. ; CSO, Yuanta Financial Holdings	
	Chia-Lin Chin	04.16.2009	06.28.2010	04.16.2009	Shareholding when Elected: 1,800,000,000 Current Shareholding: 2,150,000,000	—	● Bachelor of Business Administration, National Chengchi University ● General Auditor of Fuhwa Financial Holdings ; General Auditor of Yuanta Core Pacific Securities Co. Ltd. ; Vice General Manager of Yuanta Core Pacific Securities Co. Ltd. ; Vice General Manager of SAMPO Securities Co. Ltd. ; Department Head of Atlas Technology Corp	President of Yuanta Commercial Bank ; Chairman of Yuanta Leasing Co., Ltd. ; Director of Yuanta Life Insurance Agent Co., Ltd. ; Director of Yuanta Asset Management Co., Ltd. ; Supervisor of Yuanta Financial Consulting Co., Ltd.	—
	Felice Chen	05.08.2009	06.28.2010	05.08.2009			● Bachelor of Laws, National Taiwan University ; Visiting Scholar of Stanford Graduate School of Business ● Independent Director of Sino Pac Holdings ; Vice Chairman of Asia Pacific and Responsible Person of Taiwan, UBS; Asia Pacific Director, ING	(Note 4)	
	Yu-De Chuang	05.08.2009	06.28.2010	05.08.2009			● Master of Public Finance, National Chengchi University ● Chairman of Yuanta Security Finance Co., Ltd. ; President of Fuhwa Securities Finance Co., Ltd. ; Section Chief of Bureau of Monetary Affairs, Ministry of Finance	Director and Executive VP of Yuanta Financial Holdings ; Chairman of Yuanta Security Finance ; Director of Yuanta foundation Co., Ltd.	





Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Spouse & Minor Shareholding	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Director : Representative of Yuanta Financial Holdings	Wu-Tien Lin	05.08.2009	06.28.2010	05.08.2009			● PhD, Industrial and Business, The Macau University of Science and Technology ● Executive VP, Yuanta Financial Holdings ; Chairman of Yuanta Asset Management Co., Ltd. ; Director of Fuhwa Commercial Bank	Director and COO of Yuanta Financial Holdings ; Director and CEO of Yuanta Foundation; Chairman of Yuanta Financial Consulting Co., Ltd. ; Director of Yuanta Venture Capital Co., Ltd. ; Director of Yuanta I Venture Capital Co., Ltd.; Chairman of Yuanta Asset Management Co., Ltd. ; Director of Digimedia technologies Co., Ltd.(Gayman)	—
	Dan Chang	05.08.2009	06.28.2010	05.08.2009	100% owned by Yuanta FHC ; Shareholding when Elected: 1,800,000,000 Current Shareholding: 2,150,000,000	—	● MBA, National Chengchi University ● Chief Strategy Officer of Yuanta Financial Holdings ; Executive VP of Yuanta Commercial Bank ; President Manager of Yuanta Securities Co., Ltd.; President of Yuanta Core Pacific Securities Co., Ltd. ; Deputy Manager of Tingkong Securities Co., Ltd.	Chief Finance Officer of Yuanta Financial Holdings ; Executive VP of Yuanta Securities Co., Ltd. ; Liquidator of Yuanta Financial Consulting; Supervisor of Yuanta Asset Management Co., Ltd. ; Supervisor of Yuanta Venture Capital Co., Ltd.; Supervisor of Yuanta I Venture Capital Co., Ltd.; Director of Yuanta Securities (Hong Kong) ; Director of Yuanta Securities Asia Financial Services ; Supervisor of Yuanta Securities Finance Co., Ltd. ; Director of Yuanta Securities Holding (B.V.I.)	
	Sam Lee	05.08.2009	06.28.2010	05.08.2009			● Master of Public Finance, National Chengchi University ● Managing Director of Citigroup Global Markets Taiwan Co., Ltd.; Vice President of Investment Banking, JP Morgan Chase & Co.; Deputy Manager of Corporate Financing, ABN AMRO Bank N.V.	Executive VP of Yuanta Securities Co., Ltd.	



Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Spouse & Minor Shareholding	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Independent Director : Representative of Yuanfa Financial Holdings	Dah-Hsian Seetoo	06.29.2007	06.28.2010	06.29.2007	100% owned by Yuanfa FHC ;	—	● PhD. in Business administration, Northwestern University ; MBA, University of Illinois ● Independent director of Yuanfa Core Pacific Securities Co., Ltd. ; Chairman of Strategy Management Committee of Chinese Management Association ; Vice President of National Chengchi University ; Chairman of Graduate Institute of Business Administration, National Chengchi University ; Director of Department of Business Administration, National Chengchi University	Independent director of Yuanfa Financial Holdings	—
	Pao-Kuei Chu (Note 5)	06.29.2007	06.28.2010	06.29.2007	Shareholding when Elected: 1,800,000,000 Current Shareholding: 2,150,000,000		● Bachelor of Business Administration, National Taiwan University ● Honorary Chairman of CPA Association, the R.O.C. ; Partner Chairman and Representative of Administrative Affairs of KPMG ; Director of KPMG international board of directors ; CEO of Visa Business Promotion Committee of CPA Association, the R.O.C. ; Standing director of Taipei City CPA Association ; Commissioner of finance and tax group of Economic Reform Committee, Executive Yuan ; Chairman of CPA Association, the R.O.C	(Note 5)	
	Jung-Hsien Huang	03.19.2008	06.28.2010	03.19.2008			● Bachelor of Public Finance of National Chengchi University. ● Independent director of Yuanfa Securities Co., Ltd ; Chairman of Central Trust of China. Co., Ltd. ; Counselor of Ministry of Finance & Political ; President of Taipei Bank ; Vice President of Chiao Tung Bank.	—	





Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected ; Current Shareholding	Spouse & Minor Shareholding	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Independent Director : Representative of Yuanta Financial Holdings	Chao-Lin Yang	10.01.2009	06.28.2010	10.01.2009	100% owned by Yuanta FHC ; Shareholding when Elected: 1,800,000,000 Current Shareholding: 2,150,000,000	—	● Department of Accounting and Statistics, National Cheng Kung University ● Chief operations officer of Formosa Plastic Group ; Executive Director, Formosa Plastics Corp. ; Executive Director of Formosa Chemical & Fiber Corp. ; Executive Director of Formosa Petrochemical Corp.	Independent director of Yuanta Financial Holdings ; Director of Formosa Plastic Transport Corporation ; Director of Chang Gung University ; Director of Chang Gung Institute of Technology ; Director of Chang Gung Memorial Hospital ; Chairman of Formosa Plastics Development Company ; Chairman of Asia Pacific Development ; Consultant of Hwa Ya Technology Park. ; Supervisor of Yu-Chi Development; Chairman of FPC Management Consulting ; Director of WK Technology Fund; Director of WK Technology Fund Corp; Director of Kuang Yuen Investment ; Director of Ming Chi Institute of Technology ; Independent Director of Solar Applied Materials Technology Corporation ; Director of Formosa Chemical & Fiber Corp ; Director of Formosa Technologies Corporation ; Director of Nan Ya Plastics Corp ; Director of Formosa Plastics Corp ; Director of Asia Pacific Investment ; Director of Formosa Petrochemical Corp. ; Director of Pan Asia Science And Technology ; Director of Nan Chung Petrochemical Corp.	—

Note 1: Yuanta FHC appointed directors and independent directors for the Bank's 6th term on June 29, 2007, whose terms of office commence from June 29, 2007 to June 28, 2010. Mr. Ching-Chang Yen was elected as the Chairman.

Note 2: Director Wei-chen Ma resigned his commission as the Bank's Director and all of commissions in Yuanta FHC on May 8, 2009. Felice Chen succeeded him as the Director.

Note 3: Director Chi-chang Chen resigned his commission as the Bank's Director and all of commissions in Yuanta FHC on April 9, 2009. Jia-lin Jin succeeded him as the Director on April 16, 2009.

Note 4: Director Felice Chen resigned her commission as the Bank's Director and all of commissions in Yuanta FHC on September 15, 2009.

Note 5: Independent Director Pao-Kuei Chu resigned on October 1, 2009 and was succeeded by Independent Director Chao-Lin Yang.



(2) Major Institutional Shareholders:

Base Date: August 19, 2009

Name of institutional shareholders	Major shareholders of the institutional shareholders	
Yuanta Financial Holdings Co., Ltd	Tsun Chueh Investment Co., Ltd.	4.27%
	Kuang Hwa Investment Holdings Co., Ltd.	3.59%
	Yuan Hung Investment Co., Ltd.	3.38%
	Yuan Hsiang Investment Co., Ltd.	3.19%
	Yu Yang Investment Co., Ltd.	2.69%
	Bank of Taiwan Co., Ltd.	2.61%
	JP Morgan Chase Taipei Branch has been commissioned to manage the dedicated investment account on behalf of the Saudi Central Bank	2.50%
	Land Bank of Taiwan Co., Ltd.	2.35%
	Lien Ta Investment Co., Ltd.	1.85%
	Teng Ta Investment Co., Ltd.	1.55%

(3) Key Shareholders of Major Institutional Shareholders:

Base Date: March 31, 2010

Name of institutional shareholders	Major shareholders of the institutional shareholders	
Tsun Chueh Investment Co., Ltd.	Teng Ta Investment Co., Ltd.	18.91%
	Lien Ta Investment Co., Ltd.	18.11%
	Chiu Ta Investment Co., Ltd.	17.31%
	Lien Heng Investment Co., Ltd	15.92%
	Hsing Tsai Investment Co., Ltd	10.08%
	Victor Ma	8.27%
	Judy Tu Ma	4.69%
	Yung-Tsang Lin	3.23%
	Er-Tai Ma	1.68%
	Hao Yang	0.94%
Kuang Hwa Investment Holdings Co., Ltd.	Central Investment Holdings Co., Ltd.	100.00%
Yuan Hung Investment Co., Ltd.	Mei Chia Li Investment Co., Ltd.	45.88%
	Lien Heng Investment Co., Ltd	33.74%
	Teng Ta Investment Co., Ltd.	15.38%
	Judy Tu Ma	5.00%





Yuan Hsiang Investment Co., Ltd.	Lien Ta Investment Co., Ltd.	44.38%
	Lien Heng Investment Co., Ltd	19.00%
	Teng Ta Investment Co., Ltd.	18.69%
	Chiu Ta Investment Co., Ltd.	9.96%
	Judy Tu Ma	5.01%
	Hsing Tsai Investment Co., Ltd	2.96%
Yu Yang Investment Co., Ltd.	Jen-Jay Investment Co., Ltd.	100.00%
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings Co., Ltd	100.00%
Land Bank of Taiwan Co., Ltd.	Ministry of Finance	100.00%
Lien Ta Investment Co., Ltd.	Chiao Hua International Investment	45.79%
	Lien Heng Investment Co., Ltd	37.14%
	Chiu Ta Investment Co., Ltd.	14.02%
	Hsing Tsai Investment Co., Ltd	2.57%
	Judy Tu Ma	0.47%
	Hung Lien Chen	0.01%
Teng Ta Investment Co., Ltd.	Lien Heng Investment Co., Ltd	53.58%
	Mai Kao Venture Capital Investment Co., Ltd	45.86%
	Judy Tu Ma	0.55%
	Yung Ling Ma	0.01%
JP Morgan Chase Taipei Branch has been commissioned to manage the dedicated investment account on behalf of the Saudi Central Bank	N/A	



(4) Information of Managers:**A. Presidents, Vice Presidents and Department Heads:**

Base Date: April 15, 2010

Title	Name	Date of Appointment	Shareholdings 、 Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
President	Chia-Lin Chin	04.09.2009	N/A	● President ● Bachelor of Business Administration, National Chengchi University	Director of Yuanta Commercial Bank ; Chairman of Yuanta Leasing ; Director of Yuanta Life Insurance Agent ; Director of Yuanta Asset Management ; Supervisor of Yuanta Financial Consulting	N/A
General Auditor	Ji-Sheng Wang	08.10.2005		● General Auditor ● LL.M, National Taiwan University	Supervisor of Yuanta Life Insurance Agent ; Supervisor of Yuanta Leasing	
Executive Vice President	Tze-Fen Lin	07.01.2008		● Supervisor of Risk Management Dept. ● Ph.D. of Finance, National Taiwan University	Supervisor of Yuanta Securities Investment Trust	
Senior Vice President	Jhong-Ping Lyu	10.31.2008		● Senior V.P. and Business Supervisor ● Master of Accounting, National Chengchi University	N/A	
	Kang Wonglee	08.08.2008		● Business Supervisor ; Supervisor and Head of Corporate Banking Dept. ● Master of Information Management, National Taiwan University	Director of Yuanta Leasing	
	Lawrence Lou	07.31.2008		● Supervisor of Treasury Dept., Financial Treading Dept., and Financial Treading Supporting Dept. ● Bachelor of Accounting, Soochow University	N/A	
	Hung-Lin Wu	08.08.2008		● Head of Wealth Management Dept. ; Supervisor of Wealth Management Dept., Trust Dept., and Deposit and Remittance Operation Dept. ● IEMBA, National Taipei University	Director of Yuanta Life Insurance Agent	
	Hsin-Ying Chen	09.22.2009		● Supervisor of Legal & Compliance Dept. ● Master of Law, Columbia University	Supervisor of Yuanta Asset Management ; Supervisor of Yuanta Securities Investment Trust	
Vice President	Yung-Chung Huang	04.18.2008		● Business Supervisor ; Supervisor of International Banking Dept., and Credit Operation Dept. ● Bachelor of Business Administration, Tamkang University	Chairman of Chin Yin Asset Management Corp	
	Tien-Fu Kao	10.31.2008		● Supervisor of Administration & Facilities Management Dept., and Collection Dept. ● Bachelor of Statistics, Feng Chia University	Director of Chin Yin Asset Management Corp	





Title	Name	Date of Appointment	Shareholdings • Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Vice President	Eric K. Chiu	05.27.2008	N/A	● Supervisor and Head of Consumer Banking Dept. ● MBA, The University of Queensland, Australia	Director of Yuanta Leasing	N/A
Senior Assistant President	Chen-Rong Chen	12.01.2007		● Business Supervisor ● Master of Financial Operations, NKFUST	N/A	
	Wen-Jeng Chang	10.14.2005		● Chief of Hong Kong Representative Office and Business Supervisor ● MBA, George Washington University		
	Wen-Hsiang Chang	10.31.2008		● Business Supervisor ● Bachelor of Cooperative Economics, National Chung Hsing University		
	Sin-Yu Lin	10.31.2008		● Business Supervisor ● MBA, Arizona State University		
	Chao-Yuan Lin	09.01.2009		● Business Supervisor ● Bachelor of Economics, Soochow University		
	Ting-Yu Chang	08.28.2009		● Business Supervisor ● Bachelor of Public Finance, Fengchia University.	Director of Yuanta Leasing	
	Francis Wang	06.02.2008		● Manager of Treasury Dept ● Bachelor of International Trade, Fu Jen Catholic University	N/A	
	Yi-Chao Lin	10.17.2008		● Manager of Financial Trading Dept ● EMBA, National Chengchi University		
	Shu-Jyuan Jhuang	11.01.2007		● Manager of Trust Dept ● Master of Insurance, National Chengchi University		
	Hsiao-Keng Chang	10.01.2005		● Manager of Human Resource Dept. ● Bachelor of History, National Taiwan University		
	Siao-Jyuan Zeng	07.01.2008		● Manager of Credit Management Dept. ● Dept. of Accounting and Statistics, Shih Chien College		
	Siou-Mei Chen	04.13.2007		● Manager of Information Technology Dept. ● Bachelor of Economics, National Chung Hsing University		
	Yi-Liang Su	06.23.2006		● Manager of Risk Management Dept. ● Master of Accounting, Soochow University		
	Yu-Ching Su	12.29.2006		● Manager of Accounting Dept. ● Bachelor of Accounting, Tamkang University		
Assistant President	Chih-Hsun Chiang	07.01.2008		● Manager of Financial Trading Supporting Dept. ● Bachelor of Business Administration, Tamkang University		



Title	Name	Date of Appointment	Shareholdings • Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree	
Assistant President	Mei-Ju Chen	04.01.2009	N/A	● Manager of Legal & Compliance Dept. ● Master of Law School of Fu Jen Catholic University	Director of Chin Yin Asset Management Corp	N/A	
	Jung-Shu Chi	05.03.2004		● Manager of Collection Dept. ● National Hwa-nan Commercial High School			
Senior Manager	Hsiao-Shen Lou	02.02.2009		● Manager of International Banking Dept. and Offshore Banking Branch (OBU) ● Bachelor of Business Administration, Soochow University	N/A		
	Ciou-Yan Chen	07.01.2008		● Manager of Credit Operation Dept. ● Bachelor of Political Science, National Chengchi University			
	Mei-Jhu Jhang	07.01.2008		● Manager of Deposit and Remittance Operation Dept ● Dept. of Management, National Taipei College of Business			
	Joseph Huang	10.31.2008		● Manager of Administration & Facilities Management Dept. ● Master of Accounting, Soochow University			
Manager	Rita Yuan	03.19.2010		● Manager of President Office ● Master of Graduate Institute of National Development , National Taiwan University			



**B. Branch Managers:**

Base Date: April 15, 2010

Title	Name	Date of Appointment	Shareholdings , Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Manager	Jin-Ren Syu	08.28.2009	N/A	● Manager of Business Department ● Bachelor of Business Administration, Soochow University	N/A	N/A
Assistant President	Hsiu-Pao Lu	03.15.2010		● Manager of Chengjhong Branch ● Bachelor of Public Finance, National Chung Hsing University		
Manager	Janiffer Chiu	10.31.2008		● Manager of Chingmei Branch ● TamKang University International trade department		
Senior Manager	Jeng-Hwa Cherng	03.24.2006		● Manager of Nanking E. Road Branch ● Bachelor of Business Administration, Fu Jen Catholic University		
Assistant President	Jason Wang	09.14.2007		● Manager of Shihlin Branch ● National Chengchi University Dept. of Banking		
Senior Manager	Ben Tu	08.28.2009		● Manager of Guting Branch ● National Taiwan University MBA Degree		
Senior Manager	Jui-Yi Chien	06.23.2008		● Manager of Neihu Branch ● Dept. of News Administration, Shin-Hsin College		
Senior Assistant President	Mei-Lin Hsiung	02.02.2009		● Manager of Sinyi Branch ● Shih Chien University		
Assistant President	Michael Wang	10.15.2008		● Manager of Songiang Branch ● Master, Finance Department Ming Chuan University		
Manager	Wen-Hsiung Shih	08.08.2008		● Manager of Tianmu Branch ● Bachelor of Business Administration, National Chung Hsing University		
Manager	Ju-Jen Lee	06.30.2007		● Manager of Minsheng Branch ● Chihlee College of Business International Trade Department		
Senior Assistant President	Chin-Sheng Chang	11.12.2008		● Manager of Jhongshanbeilu Branch ● Dept. of Bank Management, Tamsui Institute of Business Administration		
Senior Manager	Li-Chang Lu	10.23.2008		● Manager of Jhongsiao Branch ● Dept. of Bank Insurance, National Taipei College of Business		
Senior Manager	Chien-Pin Wu	03.28.2008		● Manager of Chengde Branch ● Bachelor of Business Administration, National Chung Hsing University		
Senior Assistant President	Fred Liu	04.03.2010		● Manager of Yanji Branch ● Soochow University-Business Administration Department		
Senior Manager	Shih-Hsien Cheng	06.15.2006		● Manager of Hsintien Branch ● Dept. of General Administration, Yu Da High School of Commerce and Home Economics		



Title	Name	Date of Appointment	Shareholdings 、 Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Manager	Cheng-Yi Chang	08.17.2007	N/A	● Manager of Yonghe Branch ● National Chengchi University Executive Master Of Business Administration Program College Of Commerce	N/A	N/A
Senior Manager	Tai-Yuan Huang	02.27.2009		● Manager of Jhonghe Branch ● U.S.A University of North Alabama Master of Business Administration		
Senior Manager	Hong-Chih Lin	03.13.2009		● Manager of Sanchong Branch ● Soochow University International trade department		
Senior Manager	Ta-Hsiang Yuan	10.15.2009		● Manager of Sinjhuang Branch ● University Of Southern Queensland		
Assistant President	Sam Liu	02.02.2009		● Manager of Banciao Branch ● Department of Accounting Tamkang University		
Manager	Vincent Shih	04.03.2010		● Manager of Fulin Branch ● National Chung Cheng University, Master of Business Administration (MBA)		
Manager	Yen-Shan Lee	04.03.2010		● Manager of Daan Branch ● National Chung Hsing University Department of Statistics		
Assistant President	Chung-Hsi Chuang	02.02.2009		● Manager of Chungli Branch ● Administration junior college of the National Chengchi University of Department Eminent Public Administration		
Senior Manager	James Yang	02.27.2009		● Manager of Taoyuan Branch ● Bachelor of Economics, Soochow University		
Deputy Manager	Kung-Ming Wu	04.03.2010		● Manager of Nankaohsiung Branch ● National Cheng Kung University Dep of Accounting		
Assistant President	Ching-Sung Chen	05.08.2009		● Manager of Pingjhen Branch ● MBA by University of South Australia		
Senior Manager	Li-Ching Yu	03.13.2009		● Manager of Nankan Branch ● Bachelor of International Trade, Tung-Hai University		
Manager	Chien-Chen Lin	10.31.2008		● Manager of Linkou Branch ● Dept.of International Trade, Open College Affiliated with National Taipei College		
Senior Manager	Wen-Ting Huang	05.08.2009		● Manager of Hsinchu Branch ● Bachelor Of International Trade National Chengchi University		
Manager	Yu-Chien Hsu	05.08.2009		● Manager of Jhubei Branch ● National Chaio Tung University Management Science		
Manager	Sheng-Feng Chen	03.12.2007		● Manager of Hsinchu Science Park Branch ● Master of Economics, Feng Chia University		
Senior Manager	Samuel Wu	01.02.2008		● Manager of Luodong Branch ● Bachelor of Commerce, National Taiwan University		
Manager	Chih-Ming Chung	07.01.2008		● Manager of Kinmen Branch ● Master of Risk Management, NKFUS		





Title	Name	Date of Appointment	Shareholdings 、 Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Manager	Chi-Chen Lin	09.25.2009	N/A	● Manager of Hualien Branch ● Louisiana State University, Master of Science in Finance	N/A	N/A
Senior Manager	Yu-Ling Hsu	11.23.2007		● Manager of Miaoli Branch ● MBA, National Central University		
Assistant President	Chih-Sheng Pan	10.31.2008		● Manager of Taichung Branch ● Tunghai University MBA		
Senior Manager	Tsung-Chieh Lee	10.23.2009		● Manager of Wunsin Branch ● Master of Accounting, National Yunlin University of Science and Technology		
Assistant President	Ying-Wen Hung	10.31.2008		● Manager of Fusing Branch ● Bachelor of Law, Chinese Culture University		
Manager	Shih Ming Chen	02.27.2009		● Manager of ChongDe Branch ● Master of Information Management, Chaoyang University of Technology		
Manager	Yeh-Lu Lee	10.23.2009		● Manager of ChungGang Branch ● Department Of Economics Tunghai University		
Senior Assistant President	Kuang-Chung Liao	06.30.2007		● Manager of Shalu Branch ● MBA, National Sun Yat-Sen University		
Assistant President	Chi-Wen Tso	06.30.2007		● Manager of Fongyuan Branch ● Master of Finance, Chaoyang University of Technology		
Senior Manager	Pei-Pei Fang	10.23.2009		● Manager of Caotun Branch ● Bachelor of Banking, National Chengchi University		
Manager	Sheng-Wen Chien	10.31.2008		● Manager of Dali Branch ● MBA, Chaoyang University of Technology		
Manager	Shu-Chen Liao	10.31.2008		● Manager of Dajia Branch ● Lintung College Of Business		
Manager	Chien-Wei Pan	04.15.2010		● Manager of Dunbei Branch ● MBA in Finance, California State University		
Assistant President	Chang-Sen Wang	05.01.2007		● Manager of Changhua Branch ● Dept. of Accounting and Statistics, Transworld Junior College of Commerce		
Manager	Ping-Hwang Hu	06.30.2007		● Manager of Yuanlin Branch ● Fu-Jen Catholic University		
Senior Manager	An-Kuo Hung	11.23.2007		● Manager of Lugang Branch ● Dept. of Business Administration, Transworld Institute of Technology		
Senior Manager	Chung-Lin Yeh	02.27.2009		● Manager of Beidou Branch ● Master of Accounting, Chung Yuan Christian University		
Manager	Li-Fen Chang	03.19.2010		● Manager of Taiping Branch ● Dept. of Business Management, Ling Tung Junior College of Technology		
Assistant President	Jui-Chien Hsieh	10.31.2008		● Manager of Doushin Branch ● Dept. of Statistic, National Taipei College of Business		



Title	Name	Date of Appointment	Shareholdings 、 Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Manager	Tsung-Hwa Hsieh	11.23.2007	N/A	● Manager of Huwei Branch ● Dept. of Banking Management, Tamsui Institute of Business Administration	N/A	N/A
Manager	Hao Tsai	05.01.2007		● Manager of Dounan Branch ● Dept of International Trade, Taichung College of Commerce		
Manager	Steven Wu	11.28.2008		● Manager of Chiayi Branch ● National Sun Yat-Sen University Institute of Interdisciplinary Studies for Social Sciences Economics Division		
Manager	Victor Wang	05.08.2009		● Manager of Jiali Branch ● Bachelor of Statistics, Tung-Hai University		
Senior Manager	Jih-Shun Pan	05.08.2009		● Manager of Tainan Branch ● National Kaohsiung First University Of Science And Technology Financial Operations EMBA		
Manager	Chien-Sheng Wang	06.30.2007		● Manager of Fuchen Branch ● Dept. of Business Administration, Transworld Institute of Technology		
Manager	Jin-Hao Wang	05.08.2009		● Manager of Fudong Branch ● Dept. of Business Administration of Far East University		
Manager	Ming-Sheng Chen	11.03.2008		● Manager of KaiYuan Branch ● TaTung Junior College of Commerce Department of Bank Insurance		
Manager	Chien-Nan Tseng	07.12.2007		● Manager of Anhe Branch ● Dept of Foods, Chung Hwa University of Medical Technology		
Senior Manager	Ching-Chi Huang	05.08.2009		● Manager of Kaohsiung Branch ● Master of Financial Operations, NKFUST		
Senior Manager	Bih-Ru Liao	07.12.2007		● Manager of Boai Branch ● Master of Financial Management, NKFUST		
Manager	Woody Lin	02.13.2009		● Manager of Yongkang Branch ● National Cheng Chi University, Business Administration dept		
Manager	Wen-Pin Lu	11.28.2008		● Manager of Fongshan Branch ● Cheng Shiu University		
Senior Manager	Ming-Chia Tsai	11.28.2008		● Manager of Sanmin Branch ● Master of Economics, National Sun Yat-Sen University		
Manager	Yu-chao Cheng	10.31.2008		● Manager of Gangshan Branch ● The University Of Chinese Culture		
Manager	Fu-Min Yang	09.12.2006		● Manager of Pingtung Branch ● Bachelor of Accounting, Feng Chia University		
Manager	Shu-Hui Lai	06.05.2004		● Manager of Tungshin Branch ● Dept. of Real Estate Operation, Taiwan Hospitality and Tourism College		
Deputy Manager	Yu-Jun Chen	04.03.2010		● Manager of Songshan Branch ● Bachelor of Law, Soochow University		





Title	Name	Date of Appointment	Shareholdings 、 Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Manager	Ming-Hui Wu	04.03.2010	N/A	● Manager of Beisanchong Branch ● Bachelor of Business Management, National Sun Yat-sen University	N/A	N/A
Manager	Steven Lai	04.03.2010		● Manager of Xintai Branch ● Dept. of International Trade of Chinese Culture University		
Manager	Chien-Chung Wu	04.03.2010		● Manager of Beixin Branch ● Chang Jung Christian University		
Assistant President	Daisy Chen	03.15.2010		● Manager of Taipei Branch ● Bachelor of Public Finance , National Chung Hsing University		
Senior Manager	Luin-Chian Lin	03.22.2010		● Manager of Tucheng Branch ● Banking dept.of Tamkang University		
Senior Manager	Shu-Ying Lai	03.19.2010		● Manager of Sihou Branch ● Dept. of Business Administration, National Taichung Institute of Technology		
Manager	Spencer Lu	03.19.2010		● Manager of Taosin Branch ● Bachelor Degree in Business Administration of National Chengchi University		
Senior Manager	Cheng Liao	03.05.2010		● Manager of Lujhou Branch ● Master of Chung Hsing University		
Manager	Rachel Tu	04.03.2010		● Manager of Datong Branch ● University of Reading in U.K. Master of Science in International Banking & Financial Services		



4. Corporate Governance

(1) Accomplishments of Independent Directors:

Since assuming office, the independent directors of the Bank have been not only attending the routine Audit Committee Meetings and Board of Meetings, but also discussing corporate governance and business development with the Bank's managers, supervisors and responsible staff of each service in hopes of complementation with the management level. In order to completely understand the organizational efficiency and business plans of the Bank for fully performance of its duties and exercise of its due care as a good manager, independent directors of the Bank visit the Bank many times a week and devote a huge amount of time to study meeting materials and understand the Bank's practice in finance, accounting, auditing and risk management.

During the past year, the participation and review by independent directors are summarized below:

- A. Periodically attended the Bank's meetings, including Audit Committee Meeting, Board Meeting and Resale of Bad Debt Meeting.
- B. Appraised the performance of the Bank's accountants in conformity with the Bank's "The Audit Committee and Certified Accountants Communication Procedures".
- C. Conduct deep understanding on the risk management mechanism that the Bank constructed and advised in response to the risk management system, action plans and measures according to "Audit Committee and Risk Management Department Communication Procedures "
- D. Evaluated, according to "The Communication Procedures between Audit Committee and Internal Audit Dept" ., the internal audit performance of the Bank and periodically review the audit reports and results.
- E. Review the Bank's annual business plan, development strategies and annual budget.





(2) State of Corporate Governance:

Item	Operation	The Differences between the Corporate Governance Practice of the Bank and “Guidelines for Bank Corporate Governance” and Causes
1. Equity structure and shareholder equity of the Bank : (1) Methods used by the Bank to handle shareholder suggestion and complaints (2) The Bank maintains the list of major shareholders actually controlling it and the ultimate controllers of these major shareholders (3) The approach of establishing risk control mechanism and the firewall between the Bank and its affiliates.	(1) The Bank is wholly-owned by Yuanta Financial Holding. It accords its management of the Bank with Article 26 of Financial Holding Company Act, and maintains an unobstructed communication channels with the Bank. (2) Yuanta Financial Holding is the sole shareholder of the Bank. Therefore, Yuanta Financial Holding is the major shareholder actually controlling the Bank and the ultimate controller of the shareholder. (3) The Bank and its related party have been processing their finance independently, and the performance and division of responsibilities between both parties have been defined clearly, and also audited by CPA periodically. Additionally, the Bank has also established the stakeholder query system and developed according operation procedures and the controlling mechanism all according to Article 44 and Article 45 of Financial Holding Company Act and relevant policies of the parent company. The Bank also handled the cross-selling operation in accordance with Article 42 and 43 of Financial Holding Company Act and the relevant regulations.	Conformity
2. Composition and responsibilities of the board of directors : (1) Status of the Bank’s independent directors (2) Regular evaluation of the independence of the CPA	(1) The Bank now set up 12 directors, including 3 independent directors, who constitutes the Audit Committee and perform the duty of supervisors. Members of the Audit Committee not only possess rich experiences and erudition and demonstrate reputation, but also have expertise in their individual areas. In order to expedite the independent director’s full participation in the corporate operation and completely perform its supervision and consultancy functions, all colleagues cooperate with the supervision of independent directors in order to intensify the functions of directors and supervisors and aggressively further corporate governance. (2) The Bank report Audit Committee and Board of Directors the independence evaluation and employment of certified accountants.	Conformity
3. Communication with interested parties :	The Bank has defined the “Regulations Governing Interested Parties’ Suggestions and Disputes for Audit Committee” to establish the unobstructed communication and constructed “The Area for Employees and Interested Party’s Suggestions and Disputes for Audit Committee” as a communication channel on the website.	Conformity



Item	Operation	The Differences between the Corporate Governance Practice of the Bank and “Guidelines for Bank Corporate Governance” and Causes
4. Information Disclosure : (1) Establishment of the website to disclose information concerning financial affairs and corporate governance (2) Other information-disclosing approaches (e.g. English website, assignment of specific personnel to collect and disclose the Bank’s information, implementation of a spokesperson system, broadcasting of investor conferences via the bank website.)	(1) The Bank set up websites in both Chinese and English to provide critical financial information, such as annual reports, and corporate governance information as references of the general investors. (2) To maximize the correctness and timeliness for disclosure of critical information, the Bank appointed as the Bank’s speaker a person who possess comprehensive understanding on finance and business and is able to coordinate all departments to provide according information.	Conformity
5. Establishment of functional committees such as the nomination or compensation committees by the Bank :	Guidelines for Bank Corporate Governance requires, in Article 40, that the Bank set up Audit Committee to conduct a comprehensive review on performance appraisal and the compensation system and, if necessary, other functional committees.	Conformity
6. Please describe the Bank's corporate governance status, any departures from the Corporate Governance Practice Principles for the banking industry and reasons for such departures : In order to solidify corporate governance, the Bank set up independent directors and the audit committee. Current corporate governance is all complied with “Guidelines for Bank Corporate Governance”.		
7. Other important information enabling better understanding of the Bank’s corporate governance status : (1) Staff Right and Employee Care: The Bank established Employees' Welfare Committee and, on the corporate website, set up Employee’s Recommendation area as a communicative medium between employees and employers. (2) Investors Relations and Stakeholder’s Rights: The Bank’s sole investor is Yuanta Financial Holding Co., Ltd., which is the only shareholder and has smooth relationship with the Bank. (3) Director’s and Supervisor’s Further Education: The Bank developed “Director Further Education Procedures” (Please refer to Director’s Further Education. (4) The Implementation of Risk Management Policies and Risk Evaluation Criteria: The Bank has developed superior risk management policy approved by Board of Director, and constituted a well-structured risk management system in order to ensure various risk evaluation criteria. Meanwhile, the Bank also set up Risk Management Committee to integrate the deliberation, supervision and coordination of the Bank’s risk management. (5) The Implementation of Customers' Policies : The Bank has developed “Guidelines on Consumer Protection” to protect customers’ rights and conformed to customer confidentiality measures of the Financial Holdings to protect customer’s privacy. (6) Bank’s Purchase of Liabilities Insurance for Directors and Supervisors: The Bank has purchased liability insurance from AIG General Insurance Company for directors and supervisors. (7) The systems, measures and the performance conducted by the Bank towards environmental protection, community participation, social contribution, social services, public interests, consumer rights, human rights and safety and health and other social responsibility activities: To repay to the society, the Bank not only established an online charity platform on the corporate website in collaboration with 24 charities including Eden Social Welfare Foundation in order to carry out the charity and fully perform the business social responsibility, but also make donation to Yuanta Cultural & Educational		





Item	Operation	The Differences between the Corporate Governance Practice of the Bank and "Guidelines for Bank Corporate Governance" and Causes
	Foundation (Yuantan Foundation) annually to sponsor academic, art and charity events through Yuanta Foundation. a. In talent incubation, the Foundation offers colleges the summer thesis scholarship so graduate students is able to integrate theories and practices in a real financial environment and thus propose practical research papers. Also, to examine the effect of Harvard Case Study, the Foundation exclusively sponsored and, with College of Management of NTU and College of Commerce of NCCU, co-hosted "Inter-University EMBA Case Study Competition" and invited domestic and foreign universities to the competition. The Foundation also sponsored "Inter-University Summit" of EMBA Education Federation so schools can learn from each other the educational application of the case study approach. The sponsorship of the Foundation for The Financial Olympics on Global Dynamic Asset Allocation not only fortify college students' knowledge on the domestic financial market, but also help students build correct concepts of investment. The sponsorship for "The 21st Accounting Cup Debate" turned debating students the elites in logic. b. In respect of seminars, the Foundation sponsored Banking Education Association of Taiwan for its "2009 NTU Economy, Finance and Accounting International Symposium", "Taiwan Financial Market Development and Financial Reform Symposium", "International Economy Prospect Forum", "Taiwan's International Competence Forum", "2009 National Leadership Forum", "Cross-Strait Financial Forum" and "The 17th Conference on the Theories and Practices of Securities and Financial Markets", "International Forum on Derivatives Innovation and Risk Management", and 10 symposiums hosted by Taiwan Research Institute during 2009. c. In art and culture respect, The Foundation sponsored the exhibition "Harmony and Integrity: The Yongzheng Emperor and His Times", and initiated the cross-strait interaction in cultural relics. The sponsorship for Vox Nativa Taiwan made the indigene's flair reputable across the world. The Foundation has been long dedicated to art and culture, which honorably won the Bronze Wenxin Award of the 9th Year as recognition from Council for Cultural Affairs, Executive Yuan in 2008. d. In charity, the Foundation placed significant attention to the publicity about public health and disease prevention and sponsored the liver function tests of Liver Disease Prevention & Treatment Research Foundation every year. Staff of local securities agencies and bank branches in the hosting area volunteered for the test event and involved themselves enthusiastically in testing and publicity of liver disease prevention. The Foundation also developed long-term collaboration with The Formosa Cancer Foundation for the "Five Different Vegetable a Day" project to educate children regarding cancer prevention. In 2009, Typhoon Morakot brought not only a gigantic amount of rainfall but also death and injury. Many schools in the remote areas were drowned. The Foundation assisted the school recovery and restocked the book collection, which totaled a donation of cultural, geographical and medical books to as many as 60 elementary schools and the town libraries and enriched children's mind and inspired their wisdom. The Bank, in the future, is going to embrace such spirit and persist in hosting a wide variety of charity events.	
8.	If the Bank conducts a corporate governance self-assessment report or commissions a professional institution to compile a corporate governance assessment report, the results of self-assessment (or commissioned assessment), major deficiencies (or suggestions), and improvements should be stated : According to "The Self Assessment Procedures of the Audit Committee". The members of the Audit Committee have finished and filed The 2009 Audit Committee Self Assessment in written. The assessment was conducted by three independent directors filling the 11 assessment questionnaires, including authority regulations (9 questions in total), qualifications and appointment (3 questions in total), meeting convention (8 questions in total), training and related resources (7 questions in total), the review of financial statements (4 questions in total), internal control and risk management of finance (4 questions in total), the internal audit process (11 questions in total), The review of the certified accountant audit process (18 questions in total), the dispute system (1 question in total), The relation with the Board of Directors (3 questions in total) and the communication with shareholders (4 questions in total). Most of the self assessment showed excellent results. Members' Recommendations to Themselves: Better understanding on the implementation of both internal audits and the risk management mechanism, the internal audit system and risk management warning of new financial products and the development and control of the information system. The committee members should also assist the Board of Directors with timely response to the drastic changes in the internal and external environment. Since the Bank launched the corporate governance system in 2007, the Audit Committee, comprised by all of independent directors, not only demonstrates a well-rounded organization and a sound structure, but also	



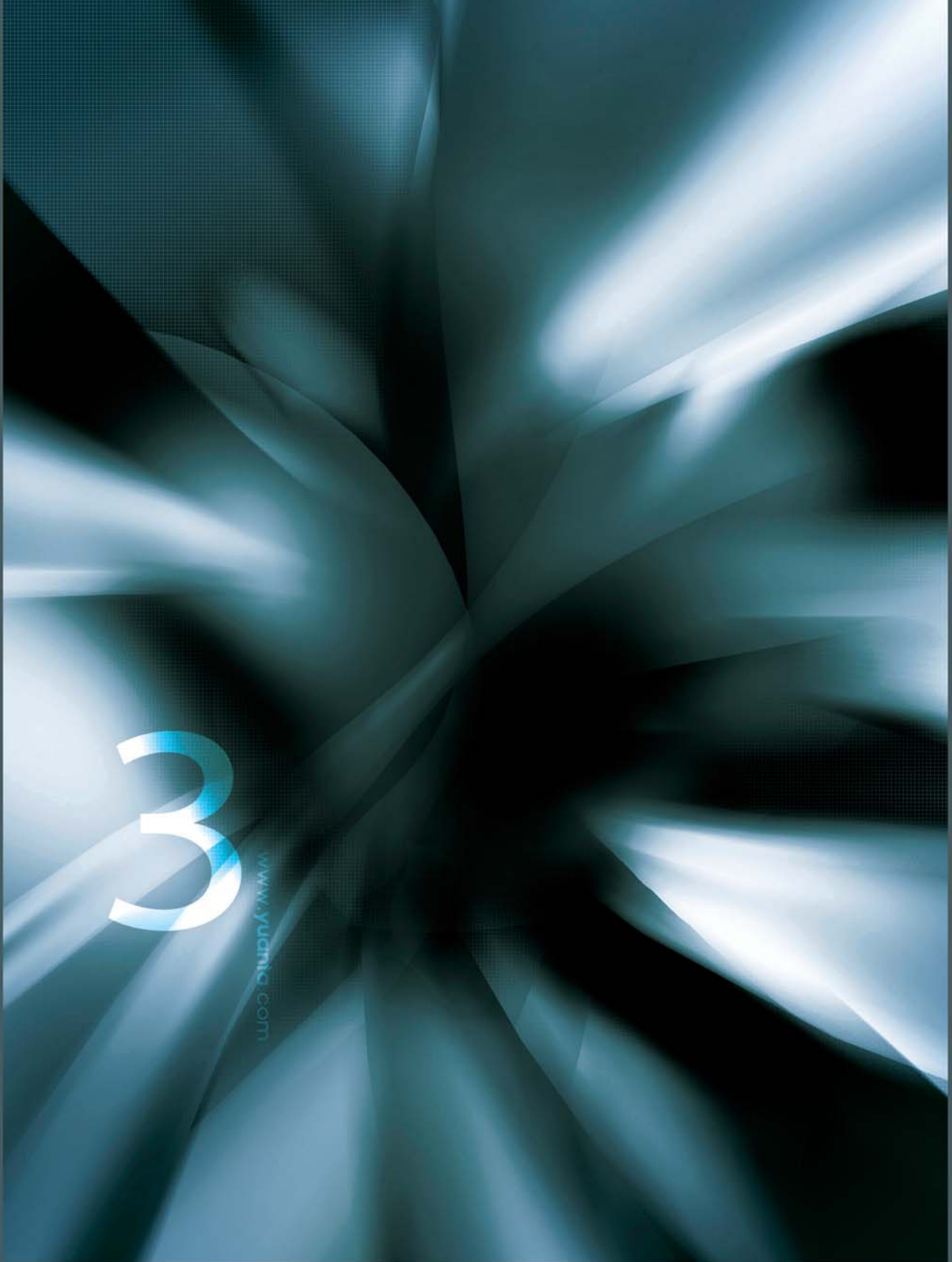
Item	Operation	The Differences between the Corporate Governance Practice of the Bank and “Guidelines for Bank Corporate Governance” and Causes
	realizes regulations of corporate governance. In particular, the Committee fully conforms to all of stipulations of stakeholder transactions in the Bank Law. It also intensifies the mechanism of internal control, internal audit and risk management. With the joint dedication of the Audit Committee, all of directors and supervisors, the management and managers and all of the staff and the fully implementation and conformity of the corporate governance system, the Bank is going to enjoy a sounder and better rounded structure and more massive and stable potential in development.	

Note 1: For on-job education of directors and supervisors, the Bank conforms to “The On-Job Education Guidelines of Directors and Supervisors of TSE and OTC Listed Companies” published by the Taiwan Stock Exchange (TSE).

Note 2: The implementation of risk management policies, risk-measuring standards and customer or client protection should be stated.

Note 3: The said “Self-assessment Report for Corporate Governance” means that the corporation, according to the self-assessment items for corporate governance, conducts self evaluation and explanation of the operation and implementation of each self-assessment items.





2009 Annual Report

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Fund Raising and Operational Highlights

III. Fund Raising and Operational Highlights

1. Capital and Shares

(1) Sources of Capital:

Unit:NT\$1,000、thousand shares ; Base Date: March 31, 2010

Date of Issue	Issue price	Authorized Capital		Issued Shares		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital	Others
Dec. 2002	\$ 10	1,211,514	12,115,136	1,211,514	12,115,136	Founding capital	
Dec. 2003	\$ 10	1,050,000	10,500,000	1,050,000	10,500,000	Capital decrease to make up for loss of 161,514 thousand shares	Note 1
Feb. 2004	\$ 10	1,350,000	13,500,000	1,350,000	13,500,000	Private placement of 300,000 thousand shares	Note 1
July. 2004	\$ 10	1,400,000	14,000,000	1,400,000	14,000,000	Recapitalization of earnings, 50,000 thousand shares	Note 2
July. 2005	\$ 10	1,800,000	18,000,000	1,800,000	18,000,000	Recapitalization of earnings, 100,000 thousand shares, and private placement of 300,000 thousand shares.	Note 3
Oct. 2007	\$ 10	2,400,000	24,000,000	2,400,000	24,000,000	Capital decrease to make up for loss of 400,000 thousand shares, and private placement of 1,000,000 thousand shares	Note 4
Mar. 2008	\$ 10	2,200,000	22,000,000	2,200,000	22,000,000	Capital decrease to make up for loss of 200,000 thousand shares	Note5
Mar. 2009	\$ 10	2,200,000	22,000,000	1,874,509	18,745,090	Capital decrease to make up for loss of 325,491 thousand shares	Note6
Mar. 2009	\$ 15	2,200,000	22,000,000	2,150,000	21,500,000	Private placement of 275,491 thousand shares	Note7

Note 1: Tai-Tsai-Rong-(2) - 0920047493 dated November 17, 2003

Note 2: Tai-Tsai-Cheng-(1)-0930126570 dated June 15, 2004

Note 3: Jin-Kuan-Cheng-(1)-0940115706 dated May 16, 2005 and Jin-Kuan-Yin-(6)-0940013937 dated June 17, 2005

Note 4: Jin-Kuan-Cheng-(1)-0960054153 dated October 9, 2007 and Jin-Kuan-Yin-(6)-09600427560 dated October 5, 2007

Note 5: Jin-Kuan-Cheng-(1) - 0970009643 dated March 19, 2008.

Note 6: Jin-Kuan-Cheng-(1) - 0980008865 dated March 17, 2009.

Note 7: Jin-Kuan-Yin-(6) - 09800093260 dated March 26, 2009.

Unit: thousand shares ; Base Date: March 31, 2010

Type of stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	2,150,000	50,000	2,200,000	Public offering

(2) Major Shareholders: 2,150,000 Shares and 100% owned by Yuanta FHC.





(3) Market Price, Book Value, Earnings and Dividends Per Share, and the Relevant Information Over the Most Recent two years:

Item \ Year			2008	2009	March.31,2010
Market Price/Share	Highest		Note	Note	Note
	Lowest		Note	Note	Note
	Average		Note	Note	Note
Book Value/Share	Before distribution		NT\$ 8.47	NT\$ 11	NT\$ 11.15
	After distribution		NT\$ 8.47	NT\$ 11	NT\$ 11.15
EPS	Weighted average shares (thousand shares)		1,874,509	2,082,825	2,150,000
	EPS	Before adjustment	NT\$ (1.47)	NT\$ 0.21	NT\$ 0.19
		After adjustment	NT\$ (1.73)	NT\$ 0.21	NT\$ 0.19
Dividend/Share (NTD/Share)	Cash dividends		—	—	—
	Stock dividends	By earnings	—	—	—
		By capital surplus	—	—	—
	Accumulated unpaid dividends		—	—	—
Return on investment	P/E ratio		Note	Note	Note
	Dividend yield		Note	Note	Note
	Cash dividend yield		Note	Note	Note

Note: The Bank is not a listed or OTC company; therefore, there is no public quotation available for reference.



2. Financial Debentures and Capital Utilization Plan

(1) Issuance of Financial Debentures:

Type of financial debentures	1 st term financial debentures 2006	1 st financial debentures at 2 nd term 2006	2 nd financial debentures at 2 nd term 2006
Date of approval & approval document No.	Jin-Kuan-Yin-(6)-09500034970 dated 2.15,2006	Jin-Kuan-Yin-(6)-09500480850 dated 11.2,2006	Jin-Kuan-Yin-(6)-09500480850 dated 11.2,2006
Date of issuance	2.24.2006	12.22.2006	12.27.2006
Par value	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$5 billion	NT\$1.8 billion	NT\$3 billion
Interest rate	2.55%	2.5%	3.25% within 5 years upon the issue date, and 4.25% upon expiration of the 5-year period, if the bonds are not redeemed
Duration	Duration: 5 years and 6 months Maturity: 8.24,2011	Duration: 6 years Maturity: 12.22,2012	Unless redeemed, no maturity applicable to the bonds
Priority	Second junior subordinated financial debentures	Second junior subordinated financial debentures	Second junior subordinated financial debentures
Guarantor	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certification attorney	Chien Yeh Law Offices: C. Y. Tsai; Y. F. Tseng	Chien Yeh Law Offices: C. Y. Tsai; Y. F. Tseng	Chien Yeh Law Offices: C. Y. Tsai; Y. F. Tseng
Certification CPA	KPMG CPA: Ann-Tien Yu	KPMG CPA: L. L. Lue	KPMG CPA: L. L. Lue
Certification financial Institution	Grand Bills Finance Co., Ltd.	None	None
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity	No maturity applicable; to be redeemed after five years
Outstanding balance	NT\$5 billion	NT\$1.8 billion	NT\$3 billion
Paid-in capital for previous year	NT\$18,000,000 thousand	NT\$18,000,000 thousand	NT\$18,000,000 thousand
Net value upon final account in the previous year	NT\$18,729,255 thousand	NT\$18,729,255 thousand	NT\$18,729,255 thousand
Performance	None	None	None
Terms of redemption or early repayment	None	Yuanta Commercial Bank is entitled to early redeem the bonds at par value in whole upon expiration of each year after two years upon the issue date. The underwriter or bondholder shall not reject the redemption.	Yuanta Commercial Bank is entitled to early redeem the bonds at par value in whole upon expiration of each year after five years upon the issue date. The underwriter or bondholder shall not reject the redemption.
Terms and conditions of conversion and exchange	None	None	None
Restrictions	None	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital
Ratio of reported issuing debt and balance of outstanding debt to the net book value in the previous fiscal year (%)	50.72%	60.33%	76.35%
Eligible entity capital and type	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit rating organization, date of rating and rating score	1.18,2010 Taiwan Ratings: twAA- (Bank rating)	1.18,2010 Taiwan Ratings: twAA- (Bank rating)	1.18,2010 Taiwan Ratings: twAA- (Bank rating)





(2) Acquisitions or Assignment of Other Financial Institutes:

- A. The Bank, on October 27th 2009, bid for Tranche A of 18 Domestic Branches of Chinfon Commercial Bank's asset, debt and operation (including foreign exchange and trust service) with NT\$ 19.3 billions compensate from the Resolution Trust Corporation (RTC). On October 30th 2009, the Bank signed the contract, with ChinFon Bank, Central Deposit Insurance Corporation and RTC, on General Assignment and Assumption, which received approval from Financial Supervisory Commission on February 5th 2010. The general assignment and assumption of the bidden asset, liabilities and services are planned to take effect on April 3rd 2010. The according matters are all compliant to The Financial Institutions Merger Act, The Banking Act of The Republic of China, Securities and Exchange Act, Company Act and Fair Trade Act.

This assignment does not involve any stock swap or issuance. Yu-shin Certified Public Accountants Firm was appointed for reviewing price rationality. Certified Accountants expressed appropriateness and rationality for the Bank adopted general accepted practice regarding the self evaluated pricing model and the computed results of this price.

- B. Upon the resolution of the Board of Directors on any merger or acquisition of other financial institution through new share issuance in the recent year and until the date of publication of the financial statement , the enforcement thereof and basic information of the merged or acquired financial institutions shall be disclosed:

Tranche A (18 branches)	Base Date:August 31, 2009	Base Date: March 31, 2010
	Unit:NT\$ in million	Unit:NT\$ in million
Total Assets	13,964	8,409
Total Liabilities	34,282	28,100
Net Assets	-20,318	-19,690
Bills Discounted and Loans - Net	8,304	6,401
Deposits and Remittances - Net	23,605	17,629

(3) Implementation Capital Utilization Plan

- A. With approval from the authority, the Bank issued subordinated debentures totaling NTD 5 billion on February 15th 2006, and issued subordinated debentures and General debentures each of NTD 5 billion on November 2nd 2006. In the first half of 2009, the bank expect to issue NTD 5 billion subordinated debentures in order to enhance capital adequacy ratio and respond to capital demand for loans and financial operation of financial products in Taiwan and foreign currencies.



B. As of March 31st 2010, the Bank issued debentures totaling NTD 98 billion.

Applying amount and the according execution are itemized as follows:

Date of approval & approval document No.	Total amount	Execution
Jin-Kuan-Yin-(6)-09500034970 dated February 15th 2006	The subordinated financial debentures for NTD 5 billion	The 1 st term financial debentures 2006 were issued on February 24 th 2006 and the applying capital was executed completely before the deadline.
Jin-Kuan-Yin-(6)-09500480850 dated November 2nd 2006	General financial debentures for NTD 5 billion.	General financial debentures of NTD 5 billion were originally applied to change the issuance to be USD General debentures of USD 150 million. The execution has been suspended upon re-evaluation.
	The subordinated financial debentures for NTD 5 billion	- The 2006 2nd term first subordinated financial debentures for NTD1.8 billion was issued on December 22nd 2006. - The 2006 2nd term second subordinated financial debentures for NTD 3 billion was issued on December 27th 2006. NTD 4.8 billion in total applying capital has been executed. As the Bank's capital adequacy rate has reached the requirement of the competent authorities, NTD 200 million is not issued upon the expiration date.

3. Business Overview

(1) Business Performance for 2008~2009:

With the integrated utilization of the Financial Holding's products and customer resources, the Bank endeavors to furnish customers more diverse financial services. Its operating performance gradually emerges. As of the end of 2009, the Bank achieved 70 branches or NTD 365.1 billion of asset. The total deposits of the year (excluding deposits from Central Bank) reached (the same hereunder) NTD 293.5 billion. Total loan amounted to NTD 231.4 billion (excluding overdue receivable). Accumulated net income reached NTD 445 million with EPS \$ 0.21. The splendid profit has been achieved by the Bank. While fully boosting the sales, the Bank did not fail to maintain the asset quality. At the end of 2009, the Bank led the industry in overall asset quality through 0.95% for the NPL ratio, 201.10% for the coverage rate and 12.05% for the capital adequacy ratio.



**A. Deposit:**

Unit:NT\$ in million 、%

Item	Dec.31.2009		Dec.31.2008		Comparison with 2008	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) Proportion (%)
Checking deposits	2,453	0.81	1,929	0.65	524	27.16
Demand deposits	39,749	13.14	25,046	8.50	14,703	58.70
Demand saving deposits	136,753	45.21	83,025	28.19	53,728	64.71
Time deposits	57,682	19.07	75,104	25.50	(17,422)	(23.20)
Time savings deposits	65,829	21.77	109,472	37.16	(43,643)	(39.87)
Total	302,466	100.00	294,576	100.00	7,890	2.68

Note: The deposits include foreign currency deposits but exclude the deposits at the Central Bank and other banks

B. Loan:

Unit:NT\$ in million 、%

Item	Dec.31.2009		Dec.31.2008		Comparison with 2008	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) Proportion (%)
Corporate Loans	146,342	61.33	144,786	60.65	1,556	1.07
General corporate loans	104,837	43.93	96,908	40.59	7,929	8.18
Small-and-medium business loans	40,533	16.99	43,260	18.12	(2,727)	(6.30)
Strategic loans	0	0.00	3,000	1.26	(3,000)	(100.00)
Delinquent	972	0.41	1,618	0.68	(646)	(39.93)
Consumer Loans	92,266	38.67	93,935	39.35	(1,669)	(1.78)
Mortgage	84,475	35.40	80,148	33.57	4,327	5.40
Car loans	1,520	0.64	2,950	1.24	(1,430)	(48.47)
Consumer unsecured loans	5,294	2.22	9,146	3.83	(3,852)	(48.12)
Delinquent	977	0.41	1,691	0.71	(714)	(42.22)
Total	238,608	100.00	238,721	100.00	(113)	(0.05)

C. Foreign Exchange:

Unit:US\$ 1,000 、%

Year Item	2009		2008		Comparison with 2008	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) Proportion (%)
Import	863,935	5.71	1,151,299	7.92	(287,364)	(24.96)
Export	355,748	2.35	316,120	2.18	39,628	12.54
Outward Remittance	6,772,339	44.73	6,539,676	44.98	232,663	3.56
Inward Remittance	7,149,558	47.22	6,530,925	44.92	618,633	9.47
Total	15,141,580	100.00	14,538,020	100.00	603,560	4.15



D. Trust Business:

Unit:NT\$ 1,000、%

Item \ Year		2009	2008	Comparison with 2008	
				Amount increase (decrease)	Increase (decrease) proportion (%)
Total balance of trust assets		78,955,582(Note1)	58,617,495(Note2)	20,338,087	34.70
Total revenue of trust business service fee		404,701	442,782	(38,081)	(8.60)
Scale of assets under custody of local securities investment trust fund and investment insurance policy		16,104,495	8,827,519	7,276,976	82.44
The custody asset in discretionary investment account		761,486	90,387	671,099	742.47
Scale of assets under custody of foreign investment		1,999,852	661,876	1,337,976	202.15
Scale of assets under custody of business guarantee bond		3,060,000	3,090,000	(3,000)	(0.97)
Custodian service fee income		18,677	23,886	(5,209)	(21.81)
Certification of securities	Amount of certification	51,006,022	72,788,880	(21,782,858)	(29.93)
	Revenue of certification service charges	4,570	2,762	1,808	65.46

Note 1: including OBU trust property in the amount of NTD\$307,643 thousand.

Note 2: including OBU trust property in the amount of NTD\$158,010 thousand

E. Credit card:

Unit: NT\$ in million、%

Item \ Year	2009	2008	Comparison with 2008	
			Amount increase (decrease)	Increase (decrease) Proportion (%)
Number of cards issued (card)	837,630	800,267	37,363	4.7%
Number of cards in circulation (card)	301,837	301,380	457	0.2%
Total amount charged (NTD in million)	9,509	10,356	(847)	(8.2%)
Revolving credit (NTD in million)	1,230	1,428	(198)	(13.9%)

F. Investment:

Unit: :NT\$ in million、%

Item \ Year	2009	2008	Comparison with 2008	
			Amount increase (decrease)	Increase (decrease) Proportion (%)
Bond trading volume	903,795	1,725,276	(821,481)	(47.61)
Bill trading volume	651,434	1,391,447	(740,013)	(53.18)

Unit: US\$ in million

Item \ Year	2009	2008	Comparison with 2008	
			Amount increase (decrease)	Increase (decrease) Proportion (%)
Spot transaction	30,563	27,850	2,713	9.74%
Forward exchange transaction	2,943	5,453	(2,510)	(46.03)%
Foreign exchange SWAP	8,809	8,076	736	9.12%
Option transaction	27,271	2,724	25,547	901.14%



**G. E-Banking:**

Unit: in thousands

Item \ Year		2009	2008	Comparison with 2008	
				Amount increase (decrease)	Increase (decrease) proportion (%)
Analysis of E-banking transactions	Total Internet banking transactions (in thousands)	22,635	14,798	7,837	52.96
	Total phone banking transactions (in thousands)	450	529	(79)	(14.93)
	Total web-ATM(SuperATM) transactions(in thousands)	284	265	19	7.17

(2) 2009 Operating Plan:

- A. Established a corporate banking team, Jumbo Team, in May to provide highly professional or complicated credit products and services and fully satisfy mid and large sized clients.
- B. Co-founded the ICB (Investment & Corporate Banking) team with Yuanta Securities in July to establish the integrated mechanism for the Bank's corporate banking and securities investment services. Through team cooperation and marketing resource integration (Joint Call) to develop customized financing plans and financial services.
- C. For quality customers with fixed assets, the Bank launched "Premium House Mortgage" to elevate customers' long term investment capability through flexible payment plans in order to create competitive product niches.
- D. Cooperated with car dealers and launched the car loan program for the original factory.
- E. Innovated the "Get It Now with Your Slip" approach to elevate credit card issuance and the active card rate.
- F. Irregularly launched "Short-Term Financing", according to the Bank's capital structure, to elevate the credit account's use rate and allotted the Bank's capital dynamically.
- G. Adjusted the deposit structure, and lowered the cost through effectively utilized the leading advantage of our No. 1 market share in securities broker services to solidify securities transfer deposits.
- H. As the integrated sales channel and cash flow platform for subsidiaries of the Financial Holdings, the Bank provides customers with diverse financial products and services, and deepens the business relationship between customers and the Financial Holdings. The overall risk management is planned by the Financial Holdings to maximize the overall profits.
- I. At the end of 2009, the Bank provide services in 96 offices of Yuanta Securities and 13 branches sharing service locations with securities exchange agencies to provide customers zero distance services, boost service efficiency and minimize the service cost.



- J.** The Bank is major sales channel of Yuanta Securities Investment Trust. In 2009, the Bank outran the sales goal of domestic fund issued by Yuanta Securities Investment Trust Company and the offshore fund of its agency.

(3) The Industry Status:

Since Q4 of 2008, the global economy has been suffering from deadly strike of the financial tsunami, triggered by the Lehman Brothers. The first half year of 2009 was swayed by the continued financial crisis and frail confidence in the market. Nonetheless, boosted by monetary and fiscal economy-stimulating policies in every country and massive bailout plans from advanced economic entities, such as U.S.A and EU, global economy hit its bottom during the 3rd quarter and the recovery was becoming apparent.

Domestically, as the global economy rebounded moderately, MOU and ECFA colloquies commenced and treaties were negotiated, the cross-strait relationship manifests a promising prospect. The growth of private consumption and fixed investment will possibly return while Taiwan adopts economy-boosting fiscal and monetary policies to stimulate domestic demand and consumption, aggrandize public construction and fortify local construction.

Even so, Taiwan banking industry still has to face the continuous tough challenges including shrinking interest spread, rising risks and oversupply in 2010. With more stringent operation, the prospect of the banking industry is still challenging.

(4) Research and Development

A. Economy research and market analysis:

In the future, the Bank will fortify its research on the domestic and foreign economy, the financial trend and industrial changes and profoundly evaluate any impact of the industrial and economic environment and regulations on the Bank's business in order to favor all business units with prompt knowledge of the industrial changes. Consequently, business expansion and risk warning can be expedited to fortify crediting quality and thus maximize its responsiveness.

B. Banking service research and development:

- a.** Combined novel financial products including exchange rates, interest rates, equity and credit; solidify marketing and designing of structured products and expanded financial trading service.
- b.** Persistently integrated and provided customers the financial products and services of the subsidiaries in the Financial Holdings.
- c.** Conducted the Basel II projects and broadened the risk asset coverage covered by each credit scoring and the VaR model to advance the Bank's quantitative risk management capability and carry it out through daily business and operation activities.
- d.** Launched innovative products to escalate sales and raise the profitability through risk pricing and differentiating marketing.
- e.** Submitted the application of the Hong Kong branch to Hong Kong Monetary Authority in June 2009 and developed financial services such as crediting and





investment. Also, incorporate the Greater China Strategies of the Financial Holdings to aggressively expand the sales in the Greater China area.

- f. Established a computation platform for loans and receivables impairment in response to the fact that the revision of SFAS 34 “Accounting for Financial Instruments” takes effect officially in 2011.

C.IT research and development projects:

- a. In 2009, the Bank established critical IT projects, including the new core-banking system, Bond and Bill system, the recovery computer center of remote side, the computer center relocation, and the general ledger accounting system upgrade.
- b. The IT projects currently under development include SFAS No.34 system, information system merged and conversion from the ChinFon Bank and telecommunication expense saving and etc.Among these projects, the top priority is placed on the establishment of “The New Generation of Data Warehouse Analysis System” to timely provide referential information for the executives to decision making upon the integration of cross-Bank information, the construction of “New Personal and Business Online Net Banking Platform” to enhance system efficiency, security, reinforce the marketing function and provide diverse E-Finance to customers of the Financial Holdings.
- c. The IT development projects expected to launch in 2010 include critical information projects such as the budget system of financial holding, the middle way system(EAI) upgrade, and the networking restructure of exterior branch ATM.

(5) The Long Term and Short Term Business Plans

The Bank serves as the cash flow service platform for the Financial Holdings. In response to the opening of the cross-strait financial service and the fleet changes of the domestic and foreign financial environment, the Bank will persistently exercise resources of the Financial Holdings, utilize its operating niche, effectively broaden its customer base and business scale, amass the core resources and maximize its comprehensive competence and contribution. The future business focuses and operating development plans are elaborated hereunder:

- A. Center the Bank’s business on four cores, corporate banking, consumer banking, wealth management and financial trading and drive the business with corporate banking.
- B. Center the deposit business on security clients, actively manage clients and increase the transaction breadth and depth.
- C. Aggressively engage in the overseas service network, integrate resources inside the group to develop diverse cash flow and develop business opportunities in Greater China.
- D. Evaluate and well tune the service location distribution to utilize the comprehensive channel value; achieve the economic scale through M&A. and maximize the comprehensive competence.



(6) Employee Composition :

Year		2008	2009	April.6.2010
Number of staff		2,612	2,318	2,463
Average age		36.04	36.63	37.76
Average seniority		5.24	5.74	5.51
Education level ratio	PhD	0.03 %	0.04 %	0.04 %
	Master	9.69 %	11.48 %	11.02 %
	University & College	83.51 %	83.05 %	83.58 %
	High School	6.74 %	5.39 %	5.33 %
	Below High School	0.03 %	0.04 %	0.04 %
Certificates and licenses held by Yuanta Commercial Bank employees	Certificates/Licenses	Number of staff	Certificates/Licenses	Number of staff
	Internal Control	1,675	Investment Insurance Salesperson	788
	Trust Salesperson	1,616	Financial Knowledge and Ethics	1,219
	Life Insurance Salesperson	1,700	Financial Planning Specialist	465
	Property Insurance Salesperson	1,058	Other Financial Certificates/Licenses	3,623

(7) Employee Welfare :

- A. In addition to enrolling employees in labor insurance and national health insurance in accordance with the government's laws and regulations, the Bank also enrolled employees in group insurance, including term life insurance, injury insurance, cancer insurance, hospitalization insurance and occupational disaster insurance, etc...
- B. Established Employees Welfare Committee and stipulated the relevant reimbursement procedures, such as providing subsidies to events of employee clubs and to the employee events or trips.
- C. Provided employees meal reimbursement and children scholarship.
- D. Provided preferential interest rates for savings accounts of employees, house loans, property remodeling loans and consumer loans.
- E. Provided employees with shareholdings trust service.

(8) IT Development Projects:**A. Hardware and software configuration of major information systems:**

The configuration of major information system, including NTD deposit and loan, domestic remittance, cross-bank transactions, foreign exchange, trust, accounting and data warehouse etc., are equipped with the hardware of IBM R6 p-Series, IBM AS/400 I-Series and SUN M5000 and operation systems.

B. The future development and procurement plans:

In response to the Bank's operation strategies and the future business goals, the Bank draws up budget for IT investment projects. The Bank not only persistently advances the Bank's IT infrastructure and management every year, but also, in response to business development, strengthens functions





of electronic services. The Bank's future plans to develop the information system are described below:

- a. Developed and established the new data warehouse system, the new collateral system, the SFAS No. 34, the Bank Image Platform, the Cross-Service Integrated Platform and the House Mortgage Scoring System.
- b. Planned to establish a new online banking platform, construct a new consumer internet banking system, and advance the security mechanism and functions of commercial banking system to unify commercial banking entrances into one.
- c. Follow the policies of the Financial Holdings and develop information systems for the financial holding budget, consolidated annual reports and the human resources of the financial holding.
- d. In response to the coming of ROC Year 100, the Bank will conduct any necessary adjustment in our current systems

C. Emergency backup and security measures:

In order to safeguard the smoothness of major system operation, local backup and remote backup mechanism is devised for the host of each connectivity system according to the service features. The maneuver is conducted semiannually. Not only is the responding capability of the trainers but also the effectiveness of the backup recovery procedures reviewed. In order to safeguard the equipment of the system and data storage, the Bank plans the following safety preventive measures:

a. Computer room security:

The computer facilities of the Bank are installed with equipment against earthquake, fire, thunder and disasters. Access control and the surveillance system are also well executed to tightly control entry and exit. Vital computer and equipment are periodically maintained and tested to safeguard the equipment operation.

b. Network Security:

i. Firewall:

Critical gateways in the internal network are shielded with Back To Back dual layer firewall to achieve double defense with hardware and software firewalls of different walls. Major external websites are setup on the N-tier structure. While the web server is placed in the DMZ area behind the layer 1 firewall, major application servers and database servers are placed behind the layer 2 firewall.

ii. IP address protection:

The user terminal of the Bank adopted MAC and IP address blocking system to protect the internal IP addresses of the Bank from being mistakenly or falsely used.

iii. Weakness scanning and flaw repair:

Scanned the weakness of all servers' hosts and automatically fix the system flaws of personal computers to improve system security.

iv. Anti-virus mechanism:



iv. Anti-virus mechanism:

All of personal computers, servers and emails are devised with anti-virus and anti-spam mail mechanism.





2009 Annual Report

We Create **Fortune**



Financial Information and Risk Management

IV. Financial Information and Risk Management

1. Financial Review 2005~2009

(1) Condensed Balance Sheet for Past Five Years

Unit: NT\$1,000

Item	Year	Financial information over the past five years (Note)					March.31.2010
		2009	2008	2007	2006	2005	
Cash and cash equivalent, deposited in Central Bank and due from interbank		82,930,864	42,407,254	64,336,771	63,275,717	35,492,474	55,934,387
Marketable securities purchased		-	-	-	-	-	-
Financial assets at fair value through income statement - net		10,809,287	44,581,784	5,940,952	12,071,805	7,781,535	8,875,483
RS and bonds investment		-	1,644,337	397,522	611,200	59,556	3,560,141
Receivables - net		14,926,753	9,829,041	15,034,704	16,832,116	9,265,445	21,577,434
Assets held for sale		-	-	778,668	-	-	-
Rebate and loans - net		234,054,597	232,873,593	236,802,168	226,180,652	228,842,212	250,491,876
Financial assets in available-for-sale - net		15,683,511	15,639,774	14,345,346	16,667,948	17,575,892	14,823,107
Financial assets in held-to-maturity - net		201,252	597,276	849,150	325,960	-	174,455
Equity investment under equity method		136,040	133,187	143,162	160,555	185,194	144,463
Other financial assets		326,805	482,593	1,312,653	2,101,809	2,372,896	323,990
Fixed assets - net		2,667,779	2,549,695	2,265,556	3,088,194	3,067,008	2,566,339
Intangible assets		607,896	232,017	1,466,021	1,446,600	1,455,523	592,204
Other assets - net		2,727,696	3,205,290	2,830,566	2,925,277	2,770,515	2,852,085
Total assets		365,072,480	354,175,841	346,503,239	345,687,833	308,868,250	361,915,964
Deposits at Central Bank and interbank		13,554,760	11,865,082	28,264,164	26,328,167	26,099,261	6,551,495
Financial liabilities at fair value through income statement		3,663,865	4,080,414	3,570,504	2,479,646	104,849	3,944,034
RP and bonds liabilities		209,596	7,325,426	7,909,694	12,140,286	10,796,321	2,763,646
Deposits and remittances		302,579,545	294,594,534	262,844,440	267,431,677	242,414,362	290,326,580
Funds due to Central Bank and interbank, payable financial bonds		9,800,000	9,800,000	12,166,000	12,166,000	4,500,000	9,800,000
Preferred stock liabilities		-	-	-	-	-	-
Accrued pension liabilities		54,998	-	-	21,783	57,482	69,134
Other financial liabilities		178,873	258,667	464,752	501,190	74,560	7,028,467
Other liabilities		11,381,044	7,620,383	9,454,905	10,656,957	6,092,160	17,464,808
Total liabilities	Before distribution	341,422,681	335,544,506	324,674,459	331,725,706	290,138,995	337,948,164
	After distribution	341,422,681	335,544,506	324,674,459	331,725,706	290,175,163	337,948,164
Capital stock		21,500,000	22,000,000	24,000,000	18,000,000	18,000,000	21,500,000
Capital surplus		1,377,456	-	-	14,673	14,673	1,377,456
Retained earnings	Before distribution	444,764	(3,254,911)	(2,014,728)	(4,028,159)	773,874	855,833
	After distribution	444,764	(3,254,911)	(2,014,728)	(4,028,159)	737,706	855,833
Unrealized income on financial products		366,427	(113,754)	(156,492)	15,273	-	273,359
Cumulative translation adjustment		-	-	-	-	-	-
Other shareholders' equity		(38,848)	-	-	(39,660)	(59,292)	(38,848)
Total shareholders' equity	Before distribution	23,649,799	18,631,335	21,828,780	13,962,127	18,729,255	23,967,800
	After distribution	23,649,799	18,631,335	21,828,780	13,962,127	18,693,087	23,967,800





(2) Condensed Income Statement for Past Five Years

Unit: NT\$1,000

Item \ Year		Financial information over the past five years (Note)					Chn. NT\$1,000
		2009	2008	2007	2006	2005	March.31.2010
Interest income – net		3,603,495	4,333,741	5,483,699	5,551,436	5,897,274	1,081,446
Non-interest income – net		1,948,133	(22,030)	1,110,464	1,585,949	1,091,540	471,383
Bad debt expenses		354,966	3,201,826	4,099,417	8,394,810	2,964,931	15,000
Operating expenses		4,339,552	5,048,074	5,089,484	4,402,563	3,949,796	1,076,854
Continuing operating income before tax		857,110	(3,938,189)	(2,594,738)	(5,659,988)	74,087	460,975
Continue operating income after tax		444,764	(3,240,183)	(2,001,242)	(4,777,022)	51,669	+11,069
Discontinued operation income (net after tax)		-	-	-	-	-	-
Extraordinary income (net after tax)		-	-	-	-	-	-
Cumulative effect of changes in accounting principles (net after tax)		-	-	-	11,158	-	-
Net Income		444,764	(3,240,183)	(2,001,242)	(4,765,864)	51,669	411,069
EPS(NT\$)	Before adjustment	0.21	(1.47)	(1.26)	(2.65)	0.03	0.19
	After adjustment	0.21	(1.73)	(1.61)	(4.36)	0.05	0.19

Note: The financial information from 2005 to 2009 has been audited and certified by CPA. The financial information for the period ended March 31, 2010 was related to the accounts closed by the Bank independently.

(3) Independent Auditors Over the Past Five Years and their Audit Opinions

Year	Independent auditing firm	CPA	Auditor's opinion
2005	KPMG Certified Public Accountants	Andrew Yu & Lily Lu	Standard unqualified opinion
2006	KPMG Certified Public Accountants	Andrew Yu & Lily Lu	Modified unqualified opinion
2007	PricewaterhouseCoopers	James Huang & Joseph Chou	Modified unqualified opinion
2008	PricewaterhouseCoopers	James Huang & Joseph Chou	Standard unqualified opinion
2009	PricewaterhouseCoopers	James Huang & Joseph Chou	Standard unqualified opinion



(4) Selected Financial Data

Item \ Year		Financial Analysis over the past five years					March.31.2010
		12.31.2009	12.31.2008	12.31.2007	12.31.2006	12.31.2005	
Operating performance	Ratio of deposits to loans	76.97	78.20	88.04	81.72	89.84	86.65
	NPL ratio	0.95	1.75	1.32	1.22	2.49	0.75
	Ratio of interest cost to annual average deposits	0.72	1.74	1.66	1.58	1.33	0.09
	Ratio of interest income to annual average loans outstanding	2.25	3.75	3.84	3.89	3.79	2.00
	Total assets turnover (times)	0.02	0.01	0.02	0.02	0.02	0.00
	Average operation revenue per employee (thousand NT\$)	2,395	1,651	2,302	2,471	2,200	678
	Average profit per employee (thousand NT\$)	192	(1,240)	(699)	(1,650)	18	180
Profitability	Return on tier I capital (%)	4.00	(19.26)	(15.41)	(37.71)	0.45	1.98
	Return on assets (%)	0.12	(0.92)	(0.58)	(1.46)	0.02	0.11
	Return on shareholders' Equity (%)	2.10	(16.02)	(11.18)	(29.16)	0.30	1.73
	Net income ratio (%)	8.01	(75.15)	(30.35)	(66.77)	0.82	26.47
	EPS (NT\$)	0.21	(1.73)	(1.61)	(4.36)	0.05	0.19
Financial Structure	Ratio of Liabilities to Assets	93.52	94.73	93.70	95.92	93.94	93.38
	Ratio of Fixed Assets to Equity	11.28	13.68	10.38	22.12	16.38	10.71
Growth rate	Rate of Assets growth	3.08	2.21	0.24	11.92	13.27	(0.86)
	Rate of earnings growth	121.76	(51.78)	54.16	(7,739.65)	(96.39)	(46.22)
Cash flow	Cash flow ratio	135.89	Note 2	21.17	Note 2	13.95	-
	Cash flow adequacy ratio	1,252.02	487.02	480.43	210.59	403.18	-
	Cash flow coverage ratio	84.36	Note 2	68.41	Note 2	21.16	-
Ratio of liquidity reserve (%)		28.30	26.80	21.70	20.00	13.40	20.90
Total balance of secured loans of related parties (thousand NT\$)		2,717,158	3,819,169	3,252,631	3,523,263	2,471,406	2,763,673
Ratio of total balance of secured loans of related parties to total balance of credit extension (%)		1.06	1.54	1.26	1.46	1.02	1.01
Operating scale	Asset market share (%)	1.19	1.20	1.24	1.26	1.16	1.19(1.31.2010)
	Net-worth market share (%)	1.22	1.03	1.22	0.83	1.11	1.23(1.31.2010)
	Deposits market share (%)	1.24	1.32	1.27	1.32	1.24	1.21(1.31.2010)
	Loans market share (%)	1.29	1.29	1.36	1.35	1.08	1.31(1.31.2010)
Explain the causes of financial various ratio changes within the past two years (not necessary, if the increase/decrease in the changes is no more than 20%).							
The Bank turned profitable during 2009 and dedicated its full effort to the maximization of asset quality. Although the interest rates in the market dropped, the Bank's profitability ratios hiked from 2008.							

Note 1: The financial information from 2005 to 2009 has been audited and certified by CPA. The financial information for the period ended March 31, 2010 was related to the accounts closed by the Bank independently, and not annualized.

Note 2: The net cash outflow from operating activities in the cash flow statement is excluded from the calculation of the cash flow ratio.





Note 3: The formulas of various ratios are as following:

1. Operating performance

- (1) Ratio of deposits to loans = Annual average loans outstanding / Annual average deposit (Including postal savings re-deposits)
- (2) NPL ratio = Total NPL / Total loans outstanding
- (3) Ratio of interest cost to annual average deposits = Total interest cost / Annual average deposits
- (4) Ratio of interest income to annual average loans outstanding = Total interest income / Annual average amount of loans outstanding
- (5) Total assets turnover (times) = Operating income / Average total assets
- (6) Average operation revenue per employee (Note 6) = Operating Revenues / Annual average total number of employees
- (7) Average profit per employee = Net income after tax / total employees

2. Profitability

- (1) Return on tier I capital = Before-tax profit or loss / Total amount of tier I capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on shareholders' Equity = Net income / Average net shareholders' equity
- (4) Net income ratio = Net income / Total operating revenues
- (5) EPS = Income after income tax-preferred stock dividend / Weighted average number of shares issued (Note 5)

3. Financial structure

- (1) Ratio of Liabilities to Assets = Liabilities / Total assets (Note 4)
- (2) Ratio of Fixed Assets to Equity = Fixed assets / Shareholders' equity

4. Growth rate

- (1) Rate of Assets growth = (Total assets for current year - Total assets for previous year) / Total assets for previous year
- (2) Rate of earnings growth = (Before-tax profit or loss for current year) - (Before-tax profit or loss for previous year) / Before-tax profit for previous year

5. Cash flow (Note 7)

- (1) Cash flow ratio = Net cash flow from operating activities / (interbank lending and overdraft + Financial liabilities at fair value of payable commercial paper through income statement + RP + Payable accounts-current portion)
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the latest five years / (Capital expenditure for the latest five years + cash dividends)
- (3) Cash flow coverage ratio = Net cash flow from operating activities / net cash flow from investing activities

6. Ratio of liquidity reserve = Liquidity assets defined by Central Bank / Accrual liquidity reserve liabilities

7. Scale of operations:

- (1) Asset market share = total assets / total assets of all financial institutions able to engage in deposit and loan business
- (2) Net-worth market share = net value / total net worth of all financial holding institutions able to engage in deposit and loan business
- (3) Deposit market share = total value of deposits / total value of deposits at all financial institutions able to engage in deposit and loan business
- (4) Loan market share = total value of loans / total value of loans at all financial institutions able to engage in deposits and loan business

Note 4: The total liabilities have deduct allowance for guarantee liability, allowance for breach of traded securities and allowance for accidental loss

Note 5: The following shall be noted in the equations of EPS of the preceding paragraph:

1. It is based on weighted average common stock shares in stead of the issued stock shares at the end of year.
2. For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
3. For capitalized retained earnings or a additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
5. If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.

Note 6: The income means the total interest income and non-interest income.

Note 7: The following shall be considered in measuring of cash flow analysis:

1. Net cash flow from operating activities means the net cash in flow from operating activities in the cash flow statement.
2. Capital expenditure means the cash outflow from capital investment per year.
3. Cash dividends include of common and preferred stocks.
4. Gross for fixed assets means the total fixed assets before deduction of accumulated depreciation.



Capital Adequacy

Unit: NT\$1,000

Year Item			Capital adequacy ratio over the past five years				
			2005	2006	2007	2008	2009
Self-owned capital	Tier I capital	Common stock	18,000,000	18,000,000	24,000,000	22,000,000	21,500,000
		Non-cumulative preferred stock	0	0	0	0	0
		Non-cumulative subordinated debts without maturity dates	0	0	0	0	0
		Capital collected in advance	0	0	0	0	0
		Capital surplus (exclusive of reserve for revaluation of fixed assets)	14,673	14,673	0	0	1,377,456
		Legal reserve	722,205	737,705	0	0	0
		Special reserve	0	0	0	0	0
		Retained earnings	51,669	(4,765,864)	0	0	444,764
		Minority equity	0	0	0	0	0
		Other shareholders' equity	(59,292)	(58,178)	(156,492)	(118,564)	(49,843)
		Less: Goodwill	1,319,535	1,319,535	1,319,535	0	0
		Less: Unamortized loss on sale of NPL	0	0	0	0	0
		Less: Capital deductions	239,816	226,859	1,451,384	2,059,483	250,204
		Total Tier I capital	17,169,904	12,381,942	21,072,589	19,821,953	23,022,173
	Tier II capital	Cumulative perpetual preferred stock	0	0	0	0	0
		Cumulative subordinated debts without maturity dates	0	3,000,000	3,000,000	3,000,000	3,000,000
		Reserve for revaluation of fixed assets	0	0	0	0	0
		45% of Unrealized gain on financial assets in available-for-sale	0	15,206	0	47,235	169,840
		Convertible bonds	0	0	0	0	0
		Operating reserve and allowance for bad debt	90,171	13,144	1,064,971	2,456,202	1,047,494
		Long-term subordinated bonds	1,800,000	6,304,400	4,440,000	3,080,000	1,720,000
		Non-perpetual preferred stock	0	0	0	0	0
		Total of non-cumulative perpetual stock and non-cumulative subordinated debts without maturity dates exceeding 15% of total Tier I capital	0	0	0	0	0
		Less: Capital deductions	239,816	226,858	1,451,384	2,059,483	250,204
		Total Tier II capital	1,650,355	9,105,892	7,053,587	6,523,954	5,687,130
	Tier III capital	Short-term subordinated debts	0	0	0	0	0
		Non-perpetual preferred stock	0	0	0	0	0
		Total Tier III capital	0	0	0	0	0
	Self-owned capital		18,820,259	21,487,834	28,126,176	26,345,907	28,709,303





Weighted risk-based assets	Credit risk	Standardized approach	218,313,531	217,610,839	212,632,661	212,605,116	210,651,610
		Internal ratings-based approach	-	-	-	-	-
		Securitization of assets	-	-	427,472	261,206	155,696
	Operational risk	Basic indicator approach	-	-	13,090,763	12,041,788	11,057,163
		Standardized approach/Optional standardized approach	-	-	-	-	-
		Advanced measurement approach	-	-	-	-	-
	Market risk	Standardized approach	12,845,576	15,819,906	10,785,088	10,062,775	16,318,538
		Internal models approach	-	-	-	-	-
	Total weighted risk-based assets		231,159,107	233,430,745	236,935,984	234,970,885	238,183,007
	Capital adequacy ratio		8.14	9.21	11.87	11.21	12.05
Ratio of Tier I capital in risk-based assets		7.43	5.31	8.89	8.44	9.67	
Ratio of Tier II capital in risk-based assets		0.71	3.90	2.98	2.77	2.38	
Ratio of Tier III capital in risk-based assets		0	0	0	0	0	
Ratio of common capital stock in total assets		5.83	5.21	6.93	6.21	5.89	

Note 1: Self-owned capital = Tier I capital + Tier II capital + Tier III capital

Note 2: Total weighted risk-based assets = Credit risk weighted risk-based assets + capital charge of (operational risk + market risk) × 12.5

Note 3: Capital adequacy ratio = Self-owned capital / Total weighted risk-based assets

Note 4: Ratio of Tier I capital in risk-based assets = Tier I capital / Total weighted risk-based assets

Note 5: Ratio of Tier II capital in risk-based assets = Tier II capital / Total weighted risk-based assets

Note 6: Ratio of Tier III capital in risk-based assets = Tier III capital / Total weighted risk-based assets

Note 7: Ratio of common capital stock in total assets = Common capital stock / total assets



Consolidated Capital Adequacy

Unit: NT\$1,000

Item			Year	Consolidated capital adequacy ratio over the past five years				
				2005	2006	2007	2008	2009
Self-owned capital	Tier I capital	Common stock		18,000,000	18,000,000	24,000,000	22,000,000	21,500,000
		Non-cumulative perpetual preferred stock		0	0	0	0	0
		Nonsol non-cumulative subordinated debts without maturity dates		0	0	0	0	0
		Capital collected in advance		0	0	0	0	0
		Capital surplus (exclusive of reserve for revaluation of fixed assets)		14,673	14,673	0	0	1,377,456
		Legal reserve		722,205	737,705	0	0	0
		Special reserve		0	0	0	0	0
		Retained earnings		51,669	(4,765,864)	0	0	444,764
		Minority equity		0	0	2,838	2,728	2,853
		Other shareholders' equity		(59,292)	(58,178)	(156,492)	(118,564)	(49,843)
		Less: Goodwill		1,319,535	1,319,535	1,319,535	0	0
		Less: Unamortized loss on sale of NPL		0	0	0	0	0
		Less: Capital deductions		157,219	146,581	1,379,803	1,992,890	182,185
		Total Tier I capital		17,252,501	12,462,220	21,147,008	19,891,274	23,093,045
	Tier II capital	Cumulative perpetual preferred stock		0	0	0	0	0
		Cumulative subordinated debts without maturity dates		0	3,000,000	3,000,000	3,000,000	3,000,000
		Reserve for revaluation of fixed assets		0	0	0	0	0
		45% of Unrealized gain on financial assets in available-for-sale		0	15,206	0	47,235	169,840
		Convertible bonds		0	0	0	0	0
		Operating reserve and allowance for bad debt		90,171	13,144	1,064,971	2,456,202	1,047,494
		Long-term subordinated bonds		1,800,000	6,304,400	4,440,400	3,080,000	1,720,000
		Non- perpetual preferred stock		0	0	0	0	0
		Total of non-cumulative perpetual preferred stock and non-cumulative subordinated debts without maturity dates exceeding 15% of total Tier I capital		0	0	0	0	0
		Less: Capital deductions		157,219	146,580	1,379,803	1,992,890	182,185
		Total Tier II capital		1,732,952	9,186,170	7,125,168	6,590,547	5,755,149
	Tier III capital	Short-term subordinated debts		0	0	0	0	0
		Non- perpetual preferred stock		0	0	0	0	0
		Total Tier III capital		0	0	0	0	0
	Self-owned capital			18,985,453	21,648,390	28,272,176	26,481,821	28,848,194





Weighted risk-based assets	Credit risk	Standardized approach	218,913,273	218,702,184	212,725,652	212,636,576	210,677,639
		Internal ratings-based approach	-	-	-	-	-
		Securitization of assets	-	-	427,472	261,206	155,696
	Operational risk	Basic indicator approach	-	-	13,382,963	12,254,313	11,189,675
		Standardized approach/optional standardized approach	-	-	-	-	-
		Advanced measurement	-	-	-	-	-
	Market risk	Standardized approach	12,878,476	15,819,906	10,785,088	10,106,000	16,518,538
		Internal models approach	-	-	-	-	-
	Total weighted risk-based assets		231,791,749	234,522,090	237,801,175	235,258,095	238,541,548
	Capital adequacy ratio (%)		8.19	9.23	11.89	11.26	12.09
Ratio of Tier I capital in risk-based assets (%)		7.44	5.31	8.89	8.46	9.68	
Ratio of Tier II capital in risk-based assets (%)		0.75	3.92	3.00	2.80	2.41	
Ratio of Tier III capital in risk-based assets (%)		0	0	0	0	0	
Ratio of common capital stock in total assets (%)		5.82	5.19	6.93	6.21	5.89	

Note1: Self-owned capital = Tier I capital + Tier II capital + Tier III capital

Note2: Total weighted risk-based assets = Credit risk weighted risk-based assets + capital charge of (operational risk + market risk) × 12.5

Note3: Capital adequacy ratio = Self-owned capital / Total weighted risk-based assets

Note4: Ratio of Tier I capital in risk-based assets = Tier I capital / Total weighted risk-based assets

Note5: Ratio of Tier II capital in risk-based assets = Tier II capital / Total weighted risk-based assets

Note6: Ratio of Tier III capital in risk-based assets = Tier III capital / Total weighted risk-based assets

Note7: Ratio of common capital stock in total assets = Common capital stock / Total assets





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REPORT OF INDEPENDENT ACCOUNTANTS

To: Yuanta Commercial Bank Co., Ltd.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yuanta Commercial Bank Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Business Accounting Act", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of Yuanta Commercial Bank Co., Ltd. and its subsidiaries (not presented herein) as of and for the year ended December 31, 2009, on which we have issued an unqualified opinion with explanatory paragraph thereon.

PricewaterhouseCoopers, Taiwan

February 25, 2010

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their application in practice.





Yuantia Commercial Bank Co., Ltd
Balance Sheets
December 31, 2009 and 2008
 (Expressed in Thousands of New Taiwan Dollars)

	2009	2008	Change Percentage %		2009	2008	Change Percentage %
	Amount	Amount			Amount	Amount	
ASSETS				LIABILITIES AND STOCKHOLDERS' EQUITY			
Cash and cash equivalents (Note IV(1))	\$ 6,696,050	\$ 6,407,428	5	Due to Central Bank and other banks (Note IV(14))	\$ 13,554,760	\$ 11,865,082	14
Due from Central Bank and call loans to banks (Note IV(2))	76,234,814	35,999,826	112	Financial liabilities at fair value through profit or loss – net (Note IV(15))	3,663,865	4,080,414	(10)
Financial assets at fair value through profit or loss – net (Notes IV(3), V and VI)	10,809,287	44,581,784	(76)	Bills and bonds payable under repurchase agreements (Notes IV(4), V and VI)	209,596	7,325,426	(97)
Investments in bills and bonds under resale agreements (Notes IV(4) and V)	-	1,644,337	(100)	Payables (Note IV(16))	11,172,514	7,372,607	52
Receivables – net (Notes IV(5) and V)	14,926,753	9,829,041	52	Deposits and remittances (Notes IV(17) and 5)	302,579,545	294,594,534	3
Bills discounted and loans – net (Notes IV(6) and V)	234,054,597	232,873,593	1	Financial debentures payable (Notes IV(18) and V)	9,800,000	9,800,000	-
Available-for-sale financial assets – net (Notes IV(7) and VI)	15,683,511	15,639,774	(66)	Accrued pension liabilities (Note IV(19))	54,998	-	-
Held-to-maturity financial assets (Note IV(8))	201,252	597,276	(66)	Other financial liabilities	178,873	343,667	(48)
Equity investments accounted for under the equity method – net (Note IV(9))	136,040	133,187	2	Other liabilities	208,530	162,776	28
Other financial assets – net (Note IV(10))	326,805	482,593	(32)	TOTAL LIABILITIES	341,422,681	335,544,506	2
Property, plant and equipment (Notes IV(11) and (24))				STOCKHOLDERS' EQUITY			
Cost:				Common stock (Note IV(20))	21,500,000	22,000,000	(2)
Land	1,243,893	799,346	56	Additional paid-in capital (Note IV(21))	1,377,456	-	-
Buildings	554,343	362,099	53	Unappropriated earnings (accumulated deficit)	-	-	114)
Office equipment	1,154,114	1,070,126	8	(Notes IV(23) and (25))	444,764	3,254,911	(114)
Transportation equipment	40,581	41,633	(3)	Other stockholders' equity			
Miscellaneous equipment	1,177,455	1,075,387	9	Unrealized profit or loss on available-for-sale financial assets (Note IV(7))	366,427	113,754	(422)
Subtotal	4,170,386	3,348,591	25	Unrealized net loss on accrued pension cost	(38,848)	-	-
Less: Accumulated depreciation	(1,598,805)	(1,337,961)	19	TOTAL STOCKHOLDERS' EQUITY	23,649,799	18,631,335	27
Construction in progress	96,198	539,065	(82)				
Property, plant and equipment - net	2,667,779	2,549,695	5				
Intangible assets (Note IV(12))	607,896	232,017	162	COMMITMENTS AND CONTINGENCIES			
Other assets				(Note VII)			
Other assets – others (Note IV(13))	1,184,346	1,093,070	8	TRUST ASSETS (Note X(4))			
Deferred income tax assets (Note IV(25))	1,543,350	2,112,220	(27)	SUBSEQUENT EVENTS (Note IX)			
Other assets – total	2,727,696	3,205,290	(3)	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL ASSETS	\$ 365,072,480	\$ 354,175,841	3	EQUITY	\$ 365,072,480	\$ 354,175,841	3

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

Yuanta Commercial Bank Co., Ltd.
Statements of Operations
For the Years Ended December 31, 2009 and 2008

(Expressed in Thousands of New Taiwan Dollars, Except for Earning (Loss) per Share)

	<u>2009</u>	<u>2008</u>	<u>Change</u>
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
			<u>%</u>
Interest income	\$ 6,048,323	\$ 10,110,975	(40)
Less: Interest expense	(2,444,828)	(5,777,234)	(58)
Net interest income	<u>3,603,495</u>	<u>4,333,741</u>	(17)
Net non-interest income (loss)			
Net service fee and commission income	655,308	783,108	(16)
Gain (loss) on financial assets and financial liabilities at fair value through profit or loss			
(Notes IV(3) and (15))	887,516	(576,639)	(254)
Realized gain on available-for-sale financial assets			
(Note IV(7))	185,831	7,185	2486
Realized loss on held-to-maturity financial assets		(131,440)	
(Note IV(8))	-		(100)
Income from equity investments accounted for under the equity method (Note IV(9))	9,676	13,938	(31)
Foreign exchange gains – net	(2,290)	1,015,145	(100)
Recovery gain (loss) from asset impairment loss	1,666	(1,244,166)	(100)
Other non-interest income – net	<u>210,426</u>	<u>110,839</u>	90
	<u>1,948,133</u>	<u>22,030</u>	(8943)
Net revenues	5,551,628	4,311,711	29
Provision for credit losses (Note IV(6))	(354,966)	(3,201,826)	(89)
Operating expenses			
Personnel expenses (Note IV(24))	(2,279,152)	(2,615,978)	(13)
Depreciation and amortization (Note IV(24))	(545,386)	(473,466)	15
Other general and administrative expenses	(1,515,014)	(1,958,630)	(23)
Income (loss) before income tax	857,110	(3,938,189)	(122)
Income tax (expense) benefit (Note IV(25))	(412,346)	698,006	(159)
Net income (loss)	<u>\$ 444,764</u>	<u>(\$ 3,240,183)</u>	(114)
<u>Basic earnings (loss) per share</u> (Note IV(26))			
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>
<u>Net income (loss)</u>	<u>\$ 0.41</u>	<u>\$ 0.21</u>	<u>(\$ 2.10)</u>
			<u>(\$ 1.73)</u>

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





Yuantan Commercial Bank Co., Ltd.
Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars)

		Retained earnings				
		Common stock	Additional paid-in capital	Unappropriated earnings / Accumulated deficit	Unrealized (loss) gain on available-for-sale financial assets	Unrealized net loss on accrued pension cost
						Total
<u>For the year ended December 31, 2008</u>						
Balance, January 1, 2008		\$ 24,000,000	\$ -	(\$ 2,014,728)	\$ 156,492	\$ -
Capital reduction to recover accumulated deficit		(2,000,000)	-	2,000,000	-	-
Net loss for the year ended December 31, 2008		-	-	(3,240,183)	-	-
Changes in unrealized gain on available-for-sale financial assets		-	-	-	42,738	-
Balance, December 31, 2008		\$ 22,000,000	\$ -	(\$ 3,254,911)	\$ 113,754	\$ 42,738
<u>For the year ended December 31, 2009</u>						
Balance, January 1, 2009		\$ 22,000,000	\$ -	(\$ 3,254,911)	\$ 113,754	\$ -
Issuance of common stock		2,754,911	1,377,456	-	-	-
Capital reduction to recover accumulated deficit		(3,254,911)	-	3,254,911	-	-
Net income for the year ended December 31, 2009		-	-	444,764	-	-
Unrealized net loss on accrued pension cost		-	-	-	-	(38,848)
Changes in unrealized gain on available-for-sale financial assets		-	-	-	480,181	-
Balance, December 31, 2009		\$ 21,500,000	\$ 1,377,456	\$ 444,764	\$ 366,427	\$ 38,848
						\$ 23,649,799

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

	2009	2008
<u>Cash Flows From Operating Activities</u>		
Net income (loss)	\$ 444,764	(\$ 3,240,183)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Provision for credit losses	354,966	3,201,826
Depreciation	383,079	370,863
Amortization	162,307	102,603
Income from sales of non-performing loans	-	(21,390)
Loss on sales of foreclosed assets	116	10,392
Gain on sales of idle assets	(103)	-
Gain on sales of available-for-sale financial assets	(185,831)	(7,185)
Loss on sales of held-to-maturity financial assets	-	131,440
Recovery gains on impairment of foreclosed assets	(1,666)	(8,468)
Impairment loss of foreclosed assets	-	8,020
Gains on disposal of assets held for sale	-	(231,107)
Asset impairment loss	-	1,244,614
Loss on disposal and retirement of property, plant and equipment	14,105	59,177
Loss on retirement of deferred assets	4,092	-
Investment income accounted for under the equity method	(9,676)	(13,938)
Changes in assets and liabilities		
(Increase) decrease in receivables	(5,184,942)	4,894,163
Decrease (increase) in deferred income tax assets	568,870	(366,075)
Decrease (increase) in financial assets at fair value through profit or loss - net	33,772,497	(38,960,729)
(Decrease) increase in financial liabilities at fair value through profit or loss, net	(416,549)	509,910
Increase (decrease) in payables	3,799,907	(1,597,966)
Increase in accrued pension liabilities	16,150	-
Decrease in other financial assets	155,788	775,297
Net cash provided (used in) by operating activities	<u>33,877,874</u>	<u>(33,138,736)</u>

(CONTINUED ON NEXT PAGE)





Yuanta Commercial Bank Co., Ltd.
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2009 and 2008
(Expressed in Thousands of New Taiwan Dollars)

	2009	2008
<u>Cash Flows From Investing Activities</u>		
(Increase) decrease in due from Central Bank and call loans to banks	(\$ 40,234,988)	\$ 24,020,597
Decrease (increase) in investments in bills and bonds under resale agreements	1,644,337	(1,246,815)
Decrease (increase) in available-for-sale financial assets	619,458	(921,791)
Cash dividends accounted for under the equity method	9,640	21,097
Proceeds from sales of non-performing loans	-	21,390
Proceeds from sales of property, plant and equipment	969	763
Acquisition of property, plant and equipment	(1,074,585)	(884,234)
Proceeds from sales of assets held for sale	-	1,010,570
(Increase) decrease in bills discounted and loans	(1,448,740)	1,093,013
Proceeds from sales of foreclosed assets	1,550	11,290
Proceeds from sales of idle assets	840	47,000
Increase in other assets	(59,261)	(89,157)
Increase in intangible assets	(16,682)	(7,365)
Decrease in held-to-maturity financial assets	396,024	
Net cash (used in) provided by investing activities	(40,161,438)	23,271,713
<u>Cash Flows From Financing Activities</u>		
Increase (decrease) in due to Central Bank and other banks	1,689,678	(16,399,082)
Decrease in bills and bonds payable under repurchase agreements	(7,115,830)	(584,268)
Increase in deposits and remittances	7,985,011	31,750,094
Decrease in financial debentures payable	-	(2,366,000)
Decrease in other financial liabilities	(164,794)	(206,085)
Increase (decrease) in other liabilities	45,754	(236,556)
Proceeds from issuance of common stock	4,132,367	-
Net cash provided by financing activities	6,572,186	11,958,103
Net increase in cash and cash equivalents	288,622	2,091,080
Cash and cash equivalents at beginning of year	6,407,428	4,316,348
Cash and cash equivalents at end of year	\$ 6,696,050	\$ 6,407,428
<u>Supplemental Disclosures of Cash Flow Information</u>		
Interest paid	\$ 3,159,489	\$ 5,727,534
Income tax paid	\$ 130,312	\$ 241,612
<u>Investing activities with no effect on cash flows</u>		
Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets	\$ -	\$ 319,897

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



Yuanta Commercial Bank Co., Ltd.Notes to Financial StatementsDecember 31, 2009 and 2008

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

I. Organization and business

- (1) Yuanta Commercial Bank Co., Ltd. (the “Bank”) was founded on January 14, 1992, and commenced operations on February 12, 1992. The Bank is principally engaged in commercial banking activities allowed by the Banking Laws of the Republic of China (R.O.C.) and in business activities authorized by the supervising authority of the central government. The Bank was authorized to be renamed Fuhwa Commercial Bank from Asia Pacific Bank in September 2002 and then authorized to be renamed Yuanta Commercial Bank from Fuhwa Commercial Bank in September 2007.
- (2) On August 1, 2002, in accordance with the Financial Holdings Company Law, the Bank became a subsidiary of Yuanta Financial Holdings Company (“Yuanta Financial Holdings”) by share exchange and was de-listed from the Taiwan Stock Exchange at the same time.
- (3) As of December 31, 2009, the Bank has a business department, trust department, foreign department, offshore banking unit, 69 branches and 1 overseas representative office.
- (4) The Bank's parent company is Yuanta Financial Holdings Co., Ltd. As of December 31, 2009, the number of the Bank's employees was 2,318.

II. Summary of significant accounting policies

The accompanying financial statements of the Bank are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Business Accounting Act”, “Regulation on Business Entity Accounting Handling” and accounting principles generally accepted in the Republic of China. Due to the nature of the banking industry, assets and liabilities in the accompanying financial statements are not classified into current and non-current items. Nevertheless, accounts are properly categorized according to the nature of each account and sequenced by the liquidity of assets and liabilities. A summary of the Bank’s significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

(1) Principles for preparation of the financial statements

- A. The financial statements include the accounts of the head office, its branches and offshore banking unit. All intra office balances and transactions have been eliminated for preparation of the financial statements.
- B. The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by the Bank. All the entrusted assets are booked in the memo account.

(2) Foreign currency transactions

Except for accounts of its Offshore Banking Unit (OBU) that are maintained in US dollars, other accounts of the Bank are maintained in New Taiwan dollars. Those transactions denominated in foreign currencies are recorded in their original foreign currencies. All income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, accounts in all foreign currencies of the financial statements are translated into New Taiwan dollars at closing exchange rates on that date. Differences from translation are recorded as gains or losses for the period.





(3) Cash and cash equivalents

Cash on hand, foreign currency on hand, checks for clearing and due from banks are considered as cash and cash equivalents.

(4) Deposit reserve

Deposit reserve is calculated by multiplying the monthly average balances of the various deposit accounts by legal reserve ratios promulgated by the Central Bank of China (CBC). The deposit reserve account with the CBC is maintained subject to monthly reserve requirement.

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

- A. The Bank recognizes the purchases or sales of such financial assets, including stocks, beneficiary certificates and convertible corporate bonds denominated in New Taiwan dollars and derivative financial instruments, using trade-date accounting and of other financial assets in this category using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.
- B. Financial assets and liabilities at fair value through profit or loss include debt securities, equity shares and derivative instruments held or issued by the Bank. These financial assets and liabilities can be classified into two subcategories: financial assets and liabilities held for trading purposes and designated financial assets and liabilities at fair value through profit or loss.
- C. The main purpose for acquisition or issuance of financial instruments held for trading purposes is to be sold or repurchased within a short period. The criteria used to designate financial assets and liabilities at fair value through profit or loss are as follows:
- Hybrid (combined) instruments;
 - The designation can eliminate or significantly reduce the inconsistency of accounting measurement or recognition;
 - The designation is in compliance with the risk management or investment strategy specified by the Bank to evaluate the performance of assets or liabilities based on the fair values.
- D. Financial instruments at fair value through profit or loss should be measured at their fair values. Fair values are the prices of financial instruments purchased or sold in an arm's-length transaction between transaction parties. A quoted market price, if available, in an active market is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price on the transaction day. The market price of open-end funds is the net value on the balance sheet date. The fair value of local bonds is the OTC's quoted market price on the transaction day. However, if a quoted market price is not available, the fair value of financial instruments should be estimated using information available or pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation methods available.
- E. The realized and unrealized gains or losses, including the amortization of discount and premium, of financial instruments at fair value through profit or loss are recognized in the income statement. Interest income (expense) and cash dividends received during the holding period are recorded under the account "gain (loss) on financial instruments at fair value through profit or loss". Cash dividends are recognized as income on the ex-dividend date or when the shareholders approve the distribution of cash dividends. Stock dividends are not recognized as income but noted as the increase of shares held.



- F. A financial instrument cannot be reclassified into or out of the category of financial instruments at fair value through profit or loss after initial recognition. In accordance with explanatory letter Ji-Mi-Zih No. 296 issued in 2006 by the Accounting Research and Development Foundation, after the implementation of SFAS No. 34 "Financial Instruments: Recognition and Measurement", financial assets held for trading purposes which are provided as collateral for loans or refundable deposits should still be recognized as financial assets held for trading purposes.

(6) Available-for-sale financial assets

- A. Except for stocks recognized using trade date accounting, the Bank recognizes the purchases or sales of such financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.
- B. Available-for-sale financial assets are subsequently evaluated at fair value, and the difference between fair value and amortized cost therein is recognized as unrealized gain (loss) in the shareholders' equity adjustment account. Fair value is based on the quoted market price or amount estimated by pricing model if the quoted market price is not available. When there is an indication of impairment in the value of the available-for-sale financial assets, the impairment loss should be recognized in the income statement. The impairment losses recognized in the income statement on debt instruments classified as available-for-sale financial assets can be reversed if the fair values of such debt instruments subsequently increase. However, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. When available-for-sale financial assets are sold, unrealized gains or losses previously recognized in equity are recognized in the income statement. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as income on the ex-dividend date or when the shareholders approve the distribution of cash dividends. Cash dividends received in the year of investment are deducted from the investment cost. Stock dividends are not recognized as income but noted as increase of shares held.

(7) Held-to-maturity financial assets

- A. The Bank recognizes the purchases or sales of held-to-maturity financial assets using settlement-date accounting. These financial instruments are initially recognized at fair values plus acquisition or issuance costs.
- B. The amortized cost, interest income or interest expense of held-to-maturity financial assets are calculated by the effective interest rate. If there is any objective evidence that the financial asset is impaired, impairment loss is recognized in profit or loss. If the fair value of the financial assets subsequently increases, and the increase can be objectively related to an event occurring after the impairment was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(8) Derivative financial instruments

- A. Derivative financial instruments include foreign exchange forward contracts, currency swaps, interest rate swaps, and cross currency swaps and options, which are entered into by the Bank in the foreign exchange, interest rate and capital markets. Derivative financial instruments are for trading purposes except for those accounted for under hedge accounting. Derivative financial instruments held for trading purposes include market maker, customer services, trading and other relevant activities.





- B. Derivative financial instruments held for trading purposes are evaluated at fair values. Changes in fair value are recognized in profit or loss. Fair values are the prices of the derivative financial instruments purchased or sold in an arm's-length transaction between transaction parties. A quoted market price, if available, in an active market is the best evidence of fair value; however, if a quoted market price is not available, fair value should be estimated using information available or pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation methods available.
- C. Derivative financial assets and liabilities arising from different transactions can only be offset if those transactions with a legal right to offset are with the same counterparty who intends to settle the net amount of the related cash flows.
- D. An embedded derivative financial instrument should be separated from the host contract and accounted for as a separate derivative if the embedded derivative financial instrument meets the definition specified in the related Statements of Financial Accounting Standards. The host contract whether it is a financial instrument or not, is recognized according to the related Statements of Financial Accounting Standards.

(9) Financial assets carried at cost

- A. Investment in or sale of unquoted equity instruments is recognized using trade date accounting and is accounted for initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. If there is any objective evidence of impairment, the impairment loss is recognized. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

(10) Debt instruments with non-active market

- A. Debt instruments with non-active market are accounted for using settlement date accounting. Such financial instruments are initially recognized at fair values plus acquisition or issuance costs.
- B. Debt instruments with non-active market shall be subsequently measured at amortized cost.
- C. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. If, subsequently, the fair value of the asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss shall be reversed to the extent of the amount of the amortized cost that would have been recognized at the date the impairment is reversed.

(11) Bills and bonds under resale and repurchase agreements

Bills and bonds under resale or repurchase agreements are accounted for under the financing method. Bills and bonds sold under repurchase agreements are recorded as "Bills and bonds payable under repurchase agreements" at the sale date. Bills and bonds invested under resale agreements are recorded as "Investments in bills and bonds under resale agreements" at the purchase date. The difference between the cost and the repurchase price is recorded as interest expense between the sale date and the repurchase date. The difference between the cost and the resale price is recorded as interest income between the purchase date and the resale date.



(12) Loans and allowance for credit losses

- A. The credit period of short term loans is within one year, the credit period of medium term loans is one to seven years, and the credit period of long term loans is more than seven years. Loans with pledged assets are recorded as secured loans.
- B. All loans are recorded initially at the actual amount lent out and purchase price, and reported at their outstanding principal balances net of any allowance for credit losses. At the period end, an allowance for credit losses is determined by the evaluation of the collectibility of loans and age of receivables (including non-performing loans and interest receivables) according to the amended “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans” and “Regulations Governing Institutions Engaging In Credit Card Business” of the MOF, and the doubtful accounts are written off when the possibility of recovery is remote.
- C. Principal or interest overdue over three months is categorized as non-performing loan. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to “non-accrual loans”. When this occurs, interest is calculated and booked only in the memo account.
- D. In accordance with the Article 11 of “Value-added and Non-value-added Business Tax Act”, the Bank should allocate 3% of sales for writing off non-performing loan or setting aside allowance for bad debts. The aforementioned allocation of 3% of sales should be stopped if the percentage of non-performing loan is lower than 1%. The aforementioned allowance is recognized under “provision for credit losses” and “Allowance for credit losses”.

(13) Long-term equity investments accounted for under the equity method

- A. Long-term equity investments in which the Bank owns at least 20% of the investees’ voting stock interests or exercises significant influence over the investees are accounted for under the equity method. Such equity investments are evaluated pursuant to the investment costs plus or minus the net income or loss and changes in stockholders’ equity of the investee recognized proportionally according to the percentage of the investee’s ownership held by the Bank. For stock dividends received from the distribution by the investees, the Bank does not need to increase the investment amount and recognize the investment income, but makes a memorandum entry to record additional shares that have been received.
- B. When the Bank disposes a long-term investment accounted for under the equity method, the difference between the cost and the selling price at the disposal date is recorded as gain (loss) on disposal of long-term equity investment. If there is any capital surplus arising from long-term investment under the equity method, such capital surplus is transferred to current income or loss in proportion to the percentage of disposal.
- C. In accordance with the amended Statement of Financial Accounting Standards (SFAS) No. 7 “Consolidated Financial Statements” in the Republic of China, the investees whose voting stock interests are more than 50% directly or indirectly held by the Company are included in the consolidated financial statements.





(14) Property, plant and equipment, and related depreciation

- A. Property, plant and equipment are stated at acquisition cost. Interest incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized. Major renewals and betterments of fixed assets are capitalized, while maintenance and repairs are expensed.
- B. Apart from land, depreciation is calculated on a straight-line method based on the asset's estimated useful lives. In addition, the residual value may be depreciated over the estimated remaining useful life of the fixed assets. Gains or losses on the disposal of property and equipment are recorded as non-interest income or losses. The estimated useful lives of property, plant and equipment are listed as follows:

Buildings	3~55 years
Office equipment	3~5 years
Transportation equipment	3~5 years
Leasehold improvements	3~10 years
Other equipment	3~20 years

- C. Rents paid on capital leases are capitalized and depreciated accordingly. Any gain (loss) on the sale and leased back is capitalized and amortized over the lease terms. For sale and leased back assets, if the fair value is less than the book value, the difference is recognized in the profit or loss.

(15) Other asset — foreclosed assets

Foreclosed assets are recorded at acquisition costs and are assessed at the balance sheet date. If there is any evidence that shows that the net fair value is lower than carrying amount, the difference is recognized as impairment loss; if net fair value is higher than carrying amount, the previously recognized impairment loss can be reversed to the extent of the carrying amounts and recognized as recovery gain. Net gain (loss) on sale of foreclosed assets is recorded under other non-interest income (loss).

(16) Other assets — idle assets

The Bank adopted ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", wherein the property, plant and equipment that are idle or have no value in use are reclassified to "other assets - idle assets" at original cost together with their respective accumulated depreciation and accumulated impairment. The idle assets are depreciated continuously. In accordance with ROC SFAS No. 35 "Impairment of Assets", the Bank evaluates impairment of the idle assets and performs the impairment test accordingly.

(17) Intangible assets — goodwill

Goodwill arose from in the acquisition of The Credit Cooperative of Douliou, The Credit Cooperative of Taidong, The Tainan Seventh Credit Cooperative, and The Tainan Sixth Credit Cooperative and is recognized at the purchase price less the fair value of tangible assets obtained. In accordance with ROC SFAS No. 35 "Impairment of Assets", the Bank shall evaluate impairment and perform the impairment test accordingly. The impairment loss recognized shall not be reversed. Starting from 2006, in accordance with the revised ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill shall not be amortized.



(18) Other intangible assets

Computer software expenditures are stated at the acquisition cost and amortized over 3 to 5 years.

(19) Deferred expenses

Deferred expenses, mainly telecommunication system, renovation cost, computer network and CPU installation costs, are amortized on a straight-line basis over 3 to 5 years.

(20) Asset impairment

The Bank adopts ROC SFAS No. 35 "Impairment of Assets". In accordance with ROC SFAS No. 35, the Bank assesses on the balance sheet date whether there are any indications that assets (other than assets that are inapplicable and goodwill) may have been impaired. If such indications exist, the Bank estimates the recoverable amount of the assets (the higher of its fair value less costs to sell and its value in use). The Bank recognizes impairment losses for assets whose carrying values are higher than the recoverable amounts. The Bank assesses the goodwill of cash generating units on an annual basis and recognizes impairment losses for the excess of carrying value over the recoverable amount.

The Bank reverses impairment losses recognized in prior periods for assets other than goodwill if there are any indications that the impairment losses recognized no longer exist or have decreased. The carrying amount of an asset after the reversal of impairment loss should not exceed the carrying amounts of the asset that would have been determined net of depreciation or amortization had no impairment loss been recognized for the asset in prior years. However, impairment loss of goodwill is not recoverable.

(21) Financial debentures

Financial debentures are issued and stated at face values. The related interest expenses are calculated at face value multiplied by the stated interest rate every month. The annual fee paid to the Greta Securities Market is recognized as operating expense.

(22) Retirement plan

- A. The original employee retirement plan of the Bank was established in 1992 for the benefit of all eligible employees. Effective from May 1, 1997, such plan was modified in order to comply with the Labor Standards Law. Pension payments are computed based on employees' years of service and average monthly salaries for the last six months prior to retirement. Effectively July 1, 2005, the Bank established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The amounts contributed are recognized as expenses.
- B. The year-end date is the measurement date of the actuarial report for the defined benefit plan. The minimum pension liability is recognized when the accumulated benefit obligation exceeds the fair value of pension plan assets. Under the defined contribution pension plan, net periodic pension cost are recognized as incurred, including service cost, amortization of net transition asset, prior service cost, and unrecognized pension gain or loss based on employees' average residual service years using the straight-line method. The minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit





obligation. If the minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the deferred pension cost should be charged; otherwise, net loss not yet recognized as net pension cost should be charged. Deferred pension cost is classified in other assets; unrecognized pension cost is classified as the reduction of stockholders' equity.

(23) Other liability—securities trading loss reserve

- A. According to the Regulation Governing Securities Firms, if the profit for trading securities for its own account exceeds the amount of loss, 10% of the proportion in excess should be allocated on a monthly basis as the trading loss reserves. The trading loss reserve shall not be used except for the purpose of covering the amount of trading loss in excess of the amount of trading profit. When the accumulated amount of trading loss reserve reaches \$200 million, allocation may be suspended. Such reserve can only be used to offset the losses from securities trading.
- B. The aforementioned trading loss reserve is recognized as other liability—reserve for securities trading loss reserve and other non-interest expense or income.

(24) Other liability—reserve for losses on guarantees

The reserve for losses on guarantees is determined by evaluating the potential losses on guarantees and commitments. The aforementioned reserve is recorded as other liability—reserve for losses on guarantees and non-interest expense or income.

(25) Income tax

- A. Income tax is estimated based on the accounting income. Deferred income tax is determined based on the differences between the tax basis of an asset or liability and its book value that will result in taxable or deductible amounts by using the enacted tax rate in future year when the recorded asset or liability is recovered or settled, respectively. The income tax effects attributable to temporary differences are recognized as deferred income tax liabilities. The income tax effects attributable to deductible temporary differences, loss carry forwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.
- B. The 10% surtax on undistributed earnings, computed according to the ROC Income Tax Act, is accounted for as income tax expense in the year of earnings distribution based on the resolution of the shareholders.
- C. In accordance with the Article 49 of the Financial Holding Company Act, Yuanta Financial Holdings, the parent company of the Bank and the taxpayer, has adopted the consolidated income tax return system for income tax filings and 10% surtax on undistributed earnings from 2003 with its qualified subsidiaries, including the Bank. When the Bank prepares its financial statements, the Bank accounts for its income tax in conformity with ROC SFAS No. 22 "Income Taxes". However, the Bank also adjusts the income tax in a reasonable and systematic way to reflect the differences under filing a consolidated income tax return system with Yuanta Financial Holding, the taxpayer. The adjustments resulting from filing a consolidated income tax return system are recorded under receivable from (payable to) related parties.
- D. Effective on January 1, 2006, in accordance with the Alternative Minimum Tax Act, the Bank calculates the alternative minimum tax in addition to the regular income tax. If the regular income tax is lower than the alternative minimum tax, the difference is accrued as an income tax adjustment.



- E. When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be recognized as an adjustment to income tax expense (benefit) for income from continuing operations in the current period.
- F. Investment tax credits arising from expenditures on employees' training are recognized in the period when the related expenditures are incurred.

(26) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2009, the Bank adopted R.O.C. SFAS No. 39, "Accounting for Share-based Payment" and EITF 96-052 of the Accounting Research and Development Foundation, R.O.C. "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year.

(27) Recognition of interest income

Revenues are recognized on the accrual basis when the earning process is substantially completed and are realized or realizable. Costs and expenses are recognized as incurred.

(28) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

(29) Contingency loss

If from the circumstances, it is probable that an asset has been impaired or a liability has been incurred by the date of the financial statements; and the amount of loss can be reasonably estimated, a loss should be recognized. If the loss cannot be reasonable estimated, the estimate amount of loss should be disclosed in the notes to the financial statements.

(30) Earnings per share

Earnings per share is computed by dividing the amount of net income (or loss) attributable to common stock by the weighted average shares of common stock outstanding. Treasury stock reduces the shares of outstanding common stock. The increase of shares by stock dividends from retained earnings or capital surplus and the decrease of shares due to capital reduction are adjusted retroactively to calculate EPS. Furthermore, if the record dates for stock dividends or capital reduction occur before the issuance of the financial statements, the earnings/loss per share are adjusted retroactively. The increase of capital through cash infusion should be computed based on its outstanding period.





III. Changes in accounting principles

- (1) Effective January 1, 2008, the Bank adopted R.O.C. SFAS No. 39, "Accounting for Share-based Payment" and EITF 2008-052 of the Accounting Research and Development Foundation, R.O.C. "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration". Such changes in accounting principles had no significant effect on the Bank's financial statements as of and for the year ended December 31, 2008.
- (2) Effective from July 1, 2008, the Bank remeasured and reclassified partial stocks listed on TSE or OTC originally classified as at fair value through profit or loss to available-for-sale financial assets in accordance with the Paragraph No. 104 of the revised statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement". As a result of the adoption of this standard, net loss decreased by \$93,113 and loss per share decreased by \$0.05 for the year ended December 31, 2008.

IV. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Cash on hand	\$ 2,125,561	\$ 2,147,179
Foreign currency on hand	238,610	292,154
Checks for clearing	646,961	994,260
Due from banks	<u>3,684,918</u>	<u>2,973,835</u>
Total	<u>\$ 6,696,050</u>	<u>\$ 6,407,428</u>

(2) Due from Central Bank and call loans to banks

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Reserve for deposits – account A	\$ 4,910,358	\$ 5,969,308
Reserve for deposits – account B	7,893,764	7,754,605
Reserve for deposits – foreign currency account	32,030	32,860
Reserve for deposits - Inter-bank clearing fund	215,692	215,150
Time deposits	57,300,000	18,200,000
Call loans to banks	<u>5,882,970</u>	<u>3,827,903</u>
Total	<u>\$ 76,234,814</u>	<u>\$ 35,999,826</u>



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

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Financial assets held for trading purpose		
Commercial paper	\$ 49,972	\$ 11,997,605
Beneficiary certificates	1,253,618	218,777
Government bonds	260,348	1,899,786
Corporate bonds	2,455,143	304,206
Convertible corporate bonds	-	29,081
Beneficiary securities	-	30,000
Negotiable certificates of deposit	2,600,000	24,890,000
Derivatives	3,520,570	4,094,521
Valuation adjustment for financial assets for trading purposes – hybrid instruments	-	1,650
Valuation adjustment for financial assets for trading purposes – non-derivatives	16,730	128,307
Subtotal	<u>10,156,381</u>	<u>43,593,933</u>
Designated financial assets at fair value through profit or loss		
Corporate bonds	540,743	552,663
Convertible corporate bonds	613,961	1,101,858
Valuation adjustment for designated financial assets at fair value through profit or loss	(501,798)	(666,670)
Subtotal	<u>652,906</u>	<u>987,851</u>
Total	<u>\$ 10,809,287</u>	<u>\$ 44,581,784</u>

- A. For the years ended December 31, 2009 and 2008, the net gain on financial assets at fair value through profit or loss (including interest income and dividend income) amounted to \$582,462 and \$9,211,056, respectively.
- B. Financial instruments designated at fair value through profit or loss are for hybrid (combined) instruments.
- C. Please refer to Note VI for details of financial assets at fair value through profit or loss pledged as collateral as of December 31, 2009.
- D. For stocks listed on TSE or OTC reclassified from financial assets at fair value through profit or loss to available-for-sale financial assets on September 30, 2008, please refer to Note IV(7) for details.





E. The trading items and contract information of derivatives are as follows:

Financial instruments	December 31, 2009		December 31, 2008	
	Contract amount (Notional amount)	Credit risk	Contract amount (Notional amount)	Credit risk
For trading purpose:				
Exchange rate options purchased	\$ 24,469,960	\$ 253,681	\$ 1,715,457	\$ 95,947
Convertible bond options	519,215	11,610	512,200	-
Options purchased – asset swaps	345,500	49,326	253,500	12,634
FX contracts (FX swaps, forwards and cross currency swap)	33,391,000	358,055	6,598,744	220,312
Non-delivery forwards	416,390	5,127	-	-
Asset swap, interest rate swap and other interest rate swap	137,246,750	2,800,074	100,698,274	3,719,422
Interest rate futures (Note)	996,133	41,879	164,300	44,342
Fixed rate commercial paper commitments	-	-	550,000	1,864
Purchased CDS	137,500	818	-	-

Note: The credit risk of engaging in futures trading is the unrealized gains of \$191 and \$4 and the margin deposits of \$41,688 and \$44,338 as of December 31, 2009 and 2008, respectively.

(4) Investments in bills and bonds under resale agreement and bills and bonds payable under repurchase agreement

	December 31, 2009	December 31, 2008
Investments in bills and bonds under resale agreement	\$ -	\$ 1,644,337
Interest rate (%)	-	0.80%
Contract resale amount	\$ -	\$ 1,644,627
Bills and bonds payable under repurchase agreement	\$ 209,596	\$ 7,325,426
Interest rate (%) (Note)	-0.2%	0.38%~1.25%
Contract repurchase amount	\$ 209,576	\$ 7,326,645

Note: To comply with the GreTai Securities Market (GTSM)'s automatic bills and bonds under repurchase agreement (RP) trading of excess long positions by the computerized negotiation trading system, the Bank engaged in relevant transactions and, therefore, generated negative interest rate.

- A. As of December 31, 2009, the assets related to investment in bills and bonds under repurchase agreements treated as financing transactions were recognized as financial assets at fair value through profit or loss of \$206,060.
- B. As of December 31, 2008, the assets related to investment in bills and bonds under repurchase agreements treated as financing transactions were recognized as financial assets at fair value through profit or loss of \$2,941,393 and available-for-sale financial assets of \$4,294,267.



(5) Receivables – net

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Demand remittance receivable	\$ 8,118,197	\$ 3,193,623
Credit card receivable	2,043,789	2,286,904
Interest receivable	543,307	785,928
Acceptances receivable	827,425	762,487
Affiliated company receivable	2,006,512	1,686,397
Underwriting receivable and other receivables	<u>1,429,570</u>	<u>1,186,101</u>
Subtotal	14,968,800	9,901,440
Less: allowance for credit losses	(<u>42,047</u>)	(<u>72,399</u>)
Total	<u>\$ 14,926,753</u>	<u>\$ 9,829,041</u>

(6) Bills discounted and loans, net

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Import-export negotiations and bills discounted	\$ 257,601	\$ 449,463
Short-term loans and overdrafts	27,036,849	33,590,753
Short-term loans and overdraft secured	17,598,570	15,736,406
Medium-term loans	44,603,891	44,516,234
Medium-term loans secured	46,553,974	43,168,409
Long-term loans	7,996,410	8,655,847
Long-term loans secured	92,378,535	88,739,170
Accounts receivable factoring	232,361	554,707
Non-performing loans	<u>1,949,863</u>	<u>3,309,623</u>
Subtotal	238,608,054	238,720,612
Less: allowance for credit losses	(<u>4,553,457</u>)	(<u>5,847,019</u>)
Total	<u>\$ 234,054,597</u>	<u>\$ 232,873,593</u>

The Bank allocated allowance for credit losses by considering unrecoverable risks for the specific loans.





For the years ended December 31, 2009 and 2008, movements of allowance for credit losses were as follows:

	For the year ended December 31, 2009		
	<u>Specific provision</u>	<u>General provision</u>	<u>Total</u>
Beginning balance	\$ 5,981,522	\$ -	\$ 5,981,522
Add: Provision for credit losses	354,966	-	354,966
Recoveries of doubtful accounts	541,406	-	541,406
Less: Write-off	(2,234,910)	-	(2,234,910)
Foreign exchange translation adjustment and others	(2,320)	-	(2,320)
Ending balance	<u>\$ 4,640,664</u>	<u>\$ -</u>	<u>\$ 4,640,664</u>

	For the year ended December 31, 2008		
	<u>Specific provision</u>	<u>General provision</u>	<u>Total</u>
Beginning balance	\$ 4,598,615	\$ -	\$ 4,598,615
Add: Provision for credit losses	3,201,826	-	3,201,826
Recoveries of doubtful accounts	589,044	-	589,044
Less: Write-off	(2,340,929)	-	(2,340,929)
Foreign exchange translation adjustment and others	(67,034)	-	(67,034)
Ending balance	<u>\$ 5,981,522</u>	<u>\$ -</u>	<u>\$ 5,981,522</u>

In 2009 and 2008, the provisions for credit losses for loans were \$267,736 and \$2,835,562, respectively; provisions for credit losses for credit cards receivable were \$63,500 and \$311,500, respectively; provisions for credit loss for guarantees were \$17,715 and \$34,146, respectively, and other provision for credit losses were \$6,015 and \$20,618, respectively.

As of December 31, 2009 and 2008, loans and advances not accruing interest were \$1,949,863 and \$3,309,623, respectively. As of December 31, 2009 and 2008, the amounts of interest receivables that were not accrued from loans and advances were \$88,546 and \$45,552, respectively.

(7) Available-for-sale financial assets – net

	December 31, 2009		
	<u>Cost after amortization</u>	<u>Valuation adjustment</u>	<u>Fair value</u>
Government bonds	\$ 7,842,039	\$ 146,099	\$ 7,988,138
Corporate bonds	6,052,178	77,424	6,129,602
Convertible bonds	503,563	7,546	511,109
Listed (TSE and OTC) stocks	732,792	126,852	859,644
Financial debentures	598	9	607
Beneficiary securities	185,914	8,497	194,411
Total	<u>\$ 15,317,084</u>	<u>\$ 366,427</u>	<u>\$ 15,683,511</u>



December 31, 2008			
	Cost after amortization	Valuation adjustment	Fair value
Government bonds	\$ 6,563,787	\$ 60,109	\$ 6,623,896
Corporate bonds	6,979,222	9,518	6,988,740
Convertible bonds	492,014	2,003	494,017
Listed (TSE and OTC) stocks	1,090,055	(193,732)	896,323
Financial debentures	252,093	3,469	255,562
Beneficiary securities	373,540	7,696	381,236
Total	<u>\$ 15,750,711</u>	<u>(\$ 110,937)</u>	<u>\$ 15,639,774</u>

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

B. Due to global financial crisis, stocks listed on TSE or OTC originally classified as at fair value through profit or loss were reclassified to available-for-sale financial assets in accordance with the revised Paragraph No. 104 of Statement of Financial Accounting Standards No. 34. As of September 30, 2008, the financial assets reclassified as available-for-sale amounted to \$319,897 have been fully derecognized from the balance sheet in the first half of 2009.

Movements on fair value of the reclassified assets for the periods from January 1 to December 31, 2009 and 2008 were as follows:

	2009		2008	
	Recognized in profit or loss	Recognized in stockholders' equity	Recognized in profit or loss	Recognized in stockholders' equity
Stocks listed on TSE or OTC	<u>\$ 69,792</u>	<u>\$ -</u>	<u>(\$ 99,449)</u>	<u>(\$ 93,113)</u>

(8) Held-to-maturity financial assets

	December 31, 2009	December 31, 2008
Financial debentures	\$ -	\$ 328,600
Corporate bonds	160,150	164,300
Asset backed securities	41,102	104,376
Total	<u>\$ 201,252</u>	<u>\$ 597,276</u>

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

	December 31, 2009		December 31, 2008	
	Book Value	Percentage of ownership	Book Value	Percentage of ownership
Equity method:				
Yuanta Leasing Co., Ltd.	\$ 105,759	98.56	\$ 105,690	98.56
Yuanta Property Insurance Agent Company	5,224	80.00	4,729	80.00
Yuanta Life Insurance Agent Company	25,057	99.99	22,768	99.99
	<u>\$ 136,040</u>		<u>\$ 133,187</u>	





For the years ended December 31, 2009 and 2008, the investment income of the Bank accounted for under the equity method was based on the subsidiaries' audited financial statements for the corresponding periods, except for Yuanta Property Insurance Agent whose financial reports as of and for the year ended December 31, 2008 were not audited by independent auditors (total assets of the subsidiary as of December 31, 2008 accounted for 0.001% of the Bank's total assets; total net income of the subsidiary accounted for 0.01% of the Bank's total net income, that were considered to be immaterial.).

(10) Other financial assets – net

	December 31, 2009		December 31, 2008	
	Book value	Percentage of ownership	Book value	Percentage of ownership
Financial assets carried at cost:				
Taiwan Asset Management Co., Ltd.	\$ 100,000	0.57	\$ 100,000	0.57
Fubon Securities Financial Co., Ltd.	74,542	1.97	74,542	1.97
Grand Bills Finance Co., Ltd.	64,800	1.36	64,800	1.36
Financial Information Service Co., Ltd.	46,150	1.15	46,150	1.15
Yang Guang Asset Management Company	1,043	1.74	1,043	1.74
Taipei Forex Inc.	800	0.40	800	0.40
Ornatube Enterprise Co., Ltd.	155	0.05	155	0.05
MasterCard International	2,665	-	2,665	-
VISA Inc.	<u>15,853</u>	-	<u>15,853</u>	-
Subtotal	306,008		306,008	
Less: accumulated impairment	(<u>155</u>)		(<u>155</u>)	
	<u>305,853</u>		<u>305,853</u>	
Bond investment with non-active market:				
Financial debentures	<u>-</u>		<u>147,520</u>	
Others				
Advance and bills purchased	20,952		29,220	
Non-loans reclassified to non-accrual loans	<u>45,160</u>		<u>62,104</u>	
Subtotal	66,112		91,324	
Less: provision for credit losses	(<u>45,160</u>)		(<u>62,104</u>)	
	<u>20,952</u>		<u>29,220</u>	
Total	<u>\$ 326,805</u>		<u>\$ 482,593</u>	

The financial assets carried at cost are accounted for by the cost method since there are no quoted market prices and fair values available.

VISA International Service Association was reorganized and renamed as VISA Inc. in 2007 and calculated member's right based on the financial statements as of and for the year ended December 31, 2007. The Bank received cash dividends of \$19,326 and common stocks (C Class) of 11,537 shares, totaling to \$35,179. Common stocks (C Class) are held under the name of National Credit Card Center of R.O.C., a major member of VISA Inc. Due to lock-up period restriction, common stocks (C Class) cannot be converted to common stocks (A Class) which have market value, and the relevant restriction effects



cannot be measured reliably. Accordingly, such investment is listed under financial assets carried at cost.

In 2008, the Bank received cash dividends of \$26,062 and MasterCard International's common stocks (B Class) of 2,696 shares, totaling to \$28,727. Common stocks (B Class) are held under the name of National Credit Card Center of R.O.C., a major member of MasterCard International. Due to lock-up period restriction, common stocks (B Class) cannot be converted to common stocks (A Class) which have market value, and the relevant restriction effects cannot be measured reliably. Accordingly, such investment is listed under financial assets carried at cost.

(11) Property, plant and equipment

As of December 31, 2009 and 2008, the details of property, plant and equipment were as follows:

	December 31, 2009		
	Cost	Accumulated depreciation	Net book value
Land	\$ 1,243,893	\$ -	\$ 1,243,893
Buildings	554,343	(96,450)	457,893
Office equipment	1,154,114	(874,756)	279,358
Transportation equipment	40,581	(27,311)	13,270
Miscellaneous equipment	1,177,455	(600,288)	577,167
Construction in progress	96,198	-	96,198
	<u>\$ 4,266,584</u>	<u>(\$ 1,598,805)</u>	<u>\$ 2,667,779</u>

	December 31, 2008		
	Cost	Accumulated depreciation	Net book value
Land	\$ 799,346	\$ -	\$ 799,346
Buildings	362,099	(85,686)	276,413
Office equipment	1,070,126	(756,598)	313,528
Transportation equipment	41,633	(21,640)	19,993
Miscellaneous equipment	1,075,387	(474,037)	601,350
Construction in progress	539,065	-	539,065
	<u>\$ 3,887,656</u>	<u>(\$ 1,337,961)</u>	<u>\$ 2,549,695</u>

(12) Intangible assets

	December 31, 2009	December 31, 2008
Computer software	\$ <u>607,896</u>	\$ <u>232,017</u>

The Bank assessed that goodwill has been impaired and accordingly, recognized impairment loss in full in accordance with the Statement of Financial Accounting Standards No. 35 "Accounting for Impairment of Assets".



(13) Other assets

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Foreclosed assets	\$ -	\$ 1,666
Less: accumulated impairment loss	-	(1,666)
Subtotal	-	-
Idle assets	223,494	224,473
Less: accumulated depreciation	(252)	(207)
accumulated impairment loss	(141,577)	(141,831)
Subtotal	81,665	82,435
Refundable deposits	890,483	802,537
Other deferred expenses	140,658	103,012
Others	71,540	105,086
Total	<u>\$ 1,184,346</u>	<u>\$ 1,093,070</u>

In 2009 and 2008, the recognized impairment losses for foreclosed assets were \$0 and \$8,020, respectively, and the recognized gains on impairment recovery for foreclosed assets were \$1,666 and \$8,468, respectively.

(14) Due to Central Bank and other banks

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Due to Central Bank	\$ 15,891	\$ 4,234
Due to other banks	600,667	500,273
Overdrafts from banks	38,674	6,651
Call loans from banks	5,386,216	662,669
Redeposits from the directorate general of postal remittance	7,513,312	10,691,255
Total	<u>\$ 13,554,760</u>	<u>\$ 11,865,082</u>

(15) Financial liabilities at fair value through profit or loss - net

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Derivatives	<u>\$ 3,663,865</u>	<u>\$ 4,080,414</u>

A. For 2009 and 2008, net gains (losses) (including interest expense) of the financial liabilities at fair value through profit or loss were \$305,054 and \$(9,787,695), respectively.



B. The trading items and contract information of derivatives are as follows:

Financial instruments	December 31, 2009		December 31, 2008	
	Contract amount (Notional amount)	Credit risk	Contract amount (Notional amount)	Credit risk
For trading purpose:				
Exchange rate options written	\$ 24,238,951	\$ -	\$ 1,715,457	\$ -
Equity options written	551,300	-	862,500	-
Bond options written	-	-	200,000	-
Asset swap options written	30,000	-	353,720	-
Asset swap, interest rate swap and other interest rate swap	139,086,831	-	100,238,732	-
FX contracts (FX swaps, forwards and cross currency swap)	34,296,808	-	3,077,139	-
Non-delivery forwards	416,390	-	-	-
Credit default swap written	-	-	164,300	-
Interest rate futures	-	-	279,310	-

(16) Payables

	December 31, 2009	December 31, 2008
Demand remittance payable	\$ 8,122,817	\$ 3,193,972
Accounts payable	164,199	120,083
Underwriting payables	138,177	156,955
Interest payable	389,941	1,104,602
Bankers' acceptances	834,883	762,757
Collections payable for customers	130,368	84,332
Accrued expenses	421,569	371,249
Checks for clearing	646,961	994,260
Taxes payable	34,778	1,498
Compensation payable	78,210	306,480
Other payables	210,611	276,419
Total	<u>\$ 11,172,514</u>	<u>\$ 7,372,607</u>

The Bank provided reserves in accordance with the Financial Supervisory Commission, Executive Yuan and the Bankers Association of the Republic of China's resolution on principles for dealing with disputes of structured notes of Lehman Brothers. The Bank provided for the compensation of structured notes amounting to \$215,593 and unpaid balance amounting to \$78,210 as of December 31, 2009.



(17) Deposits and remittances

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Checking deposits	\$ 2,452,575	\$ 1,928,984
Demand deposits	39,749,296	25,045,709
Time deposits	57,681,924	75,104,169
Demand savings deposits	136,752,928	83,024,787
Time savings deposits	65,829,108	109,471,856
Remittances	<u>113,714</u>	<u>19,029</u>
Total	<u>\$ 302,579,545</u>	<u>\$ 294,594,534</u>

(18) Financial debentures

In order to increase the regulatory capital adequacy ratio and raise medium-term and long-term operating funds, the Board of Directors of the Bank decided to issue financial debentures on August 22, 2002, December 22, 2005, and September 21, 2006. The issuances of financial debentures were approved by the Bureau of Monetary Affairs through the Ministry of Finance Ruling Tai-Tsai-Rong (2) No. 0910042863 on September 24, 2002, the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500034970 on February 15, 2006, and the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500480850 on November 2, 2006.

In accordance with the original issuance plan, the Bank issued the first series of subordinate financial debentures in 2002 and 2006 totaling \$4,500,000 and \$5,000,000 at par on November 4, 2002 and February 24, 2006, respectively. The second series of general financial debentures and subordinate financial debentures both within the quota of \$5,000,000 were approved on November 2, 2006. The second issuance of the first series of subordinate financial debentures totaling \$1,800,000 and the second issuance of the second series of accumulated subordinate financial debentures with no maturity date totaling \$3,000,000 were issued at par on December 22 and 27, 2006, respectively. However, general financial debentures with the quota of \$5,000,000 and subordinate financial debentures with the quota of \$200,000 were expired as the issuance was not completed within one year after approval date.

The details of financial debentures were as follows:

First series of subordinate financial debentures in 2002 (Note)

	<u>Floating interest rate</u>	<u>Fixed interest rate</u>
Par value	\$ 3,100,000	\$ 1,400,000
Stated interest rate	6.15% less Libor (Note 1)	3.5%
Period	Five years and three months	Five years and three months
Interest payment date	Payable every half-year	Payable every half-year
Term of principal payment	Payable on maturity	Payable on maturity
Issue price	Price at face value on issuing date	Price at face value on issuing date

Note: First series of subordinate financial debentures in 2002 matured on February 4, 2009.



First series of subordinate financial debentures in 2006

	<u>Fixed interest rate</u>
Par value	\$ 5,000,000
Stated interest rate	Fixed interest rate at 2.55%
Period	Five years and six months
Interest payment date	Payable every year
Term of principal payment	Payable on maturity
Issue price	Price at face value on issuing date

First series of subordinate financial debentures in 2006, second issuance

	<u>Fixed interest rate</u>
Par value	\$ 1,800,000
Stated interest rate	Fixed interest rate at 2.50%
Period	Six years
Interest payment date	Payable every year
Term of principal payment	Payable on maturity (Note 2)
Issue price	Price at face value on issuing date

Second series of subordinate financial debentures in 2006, second issuance

	<u>Fixed interest rate</u>
Par value	\$ 3,000,000
Stated interest rate	Fixed interest rate at 3.25%, the interest rate will rise to 4.25% if the Bank does not call back after five years
Period	No maturity date
Interest payment date	Payable every year
Term of principal payment	(Note 3)
Issue price	Price at face value on issuing date

Note 1: The stated interest rates are recalculated every half-year according to the average six-month US dollar Libor rate.

Note 2: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required capital adequacy ratio, the Bank may redeem the debentures in whole at par value on the date two years after the issue date or on the same date in every subsequent year until maturity, if approved by the supervising authority. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Bank will announce the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

Note 3: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required capital adequacy ratio, the Bank may redeem the debentures in whole or in part at par value plus accrued and unpaid interest on the date five years after the issue date or on the same date in every subsequent year, if approved by the supervising authority. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Bank will announce





the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

As of December 31, 2009 and 2008, the details of financial debentures were as follows:

	2009	2008
Beginning balance	\$ 9,800,000	\$ 12,166,000
Financial debentures which matured during the year	-	(2,366,000)
Ending balance	<u>\$ 9,800,000</u>	<u>\$ 9,800,000</u>

(19) Accrued pension liabilities

A. The Bank has set up a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C., covering all formal employees who serve in the Company prior to the implementation of the Labor Pension Act on July 1, 2005 and who choose continuously to be applicable to the Labor Standards Law after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation for the last six months prior to retirement. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one point for each additional year of service after the 15th year, subject to a maximum of 45 points. The Bank contributes monthly an amount equal to 2.0 percent of the employees' monthly salaries, and such funds are deposited with the Bank of Taiwan under the names of the Bank's independent retirement fund committees. Pension expenses recognized for the years ended December 31, 2009 and 2008 were \$72,636 and \$89,915, respectively.

B. The following sets forth the pension information based on the actuarial report:

	2009	2008
Discounted rate	2.25%	2.75%
Expected rate of return on plan assets	3.00%	3.00%
Rate of compensation increase	2.25%	1.50%

C. Funded status of the pension plan

	December 31, 2009	December 31, 2008
Vested benefit obligation	\$ 124,989	\$ 236,555
Non-vested benefit obligation	<u>362,483</u>	<u>242,167</u>
Accumulated benefit obligation	487,472	478,722
Effect of future salary increments	<u>299,255</u>	<u>312,566</u>
Projected benefit obligation	786,727	791,288
Fair value of plan assets	(432,474)	(522,243)
Funded status	354,253	269,045
Unrealized net transition obligation	(12,545)	(14,636)
Unrecognized service cost in prior period	2,157	2,416
Unrecognized loss on plan assets	(338,103)	(288,968)
Additional minimum pension liabilities	<u>49,236</u>	<u>-</u>
Accrued (prepaid) pension	<u>\$ 54,998</u>	<u>(\$ 32,143)</u>
Vested benefit	<u>\$ 167,641</u>	<u>\$ 348,996</u>



D. Net pension cost comprises the following:

	2009	2008
Service cost	\$ 43,763	\$ 58,822
Interest cost	21,760	26,834
Actual return on plan assets	(7,834)	(13,788)
Amortization	14,947	18,047
Net pension cost	<u>\$ 72,636</u>	<u>\$ 89,915</u>

E. Effective from July 1, 2005, the Bank established a defined contribution plan (the “New plan”) for employees who are R.O.C. nationals pursuant to the Labor Pension Act (the “Act”). In accordance with the New Plan, the Bank contributes monthly an amount based on 6% of the employees’ monthly salaries to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. Under the New plan, pension expenses recognized for the years ended December 31, 2009 and 2008 were \$74,484 and \$86,892, respectively.

(20) Common stock

- A. As of December 31, 2009, the Bank’s authorized and issued capital was \$22,000,000 and \$21,500,000, respectively, consisting of 2.2 billion shares and 2.15 billion shares of common stock with \$10 (in dollars) par value per share. As of December 31, 2008, the Bank’s authorized and issued capital was both \$22,000,000, consisting of 2.2 billion shares of common stock with \$10 (in dollars) par value per share.
- B. The Board of Directors resolved to reduce the Bank’s capital by \$3,254,911 to offset against its accumulated deficit and issue new common stock amounting to \$2,754,911 on February 26, 2009. The capital reduction and capital injection were approved by the Financial Supervisory Commission of the Executive Yuan, effective on March 30, 2009 and March 31, 2009, respectively. The Bank has completed the corporate registration amendment for the above changes.
- C. The Board of Directors resolved to reduce the Bank’s capital by \$2,000,000 to offset its against accumulated deficit on February 21, 2008. The capital reduction was approved by the Financial Supervisory Commission of the Executive Yuan, effective on March 22, 2008. The Bank has completed the corporate registration amendment for the above change.

(21) Capital surplus

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficit. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and amounts donated to the Bank. The amount of capital surplus capitalized each year shall not exceed a certain percentage of the Bank’s issued share capital. Capital surplus from issuance of new share in excess of par value of common stock can be made only once per year, and cannot be capitalized in the same year of issuance of new shares.





(22) Legal reserve and appropriated special reserve

The Bank's Articles of Incorporation provides that the Bank may declare dividends after all tax payments and appropriation of 30% of remaining earnings as legal reserve. The Bank cannot distribute cash dividends exceeding 15% of total share capital until legal reserve reaches the amount equal to total share capital. Given that legal reserve reaches the amount equal to total share capital, or meets the soundness criteria of financial activities stipulated by the competent authorities and provides legal reserve pursuant to the Company Act, the Bank is not subject to the aforesaid regulations. In addition, apart from the appropriation of legal reserve, the Bank can also appropriate special reserve according to the resolution of the shareholders.

(23) Unappropriated earnings (accumulated deficit) and dividend policy

- A. According to the Bank's Articles of Incorporation, the current year's earnings, if any, shall first be used to offset prior year's operating loss and pay all taxes, and 30% of the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings are then distributed as follows: (1) 0.5% ~ 1% as directors' and supervisors' bonus (2) 0.5% ~ 1% as employees' bonus (3) the remaining earnings are subject to the Board of Directors' decision to propose a distribution plan and to be submitted to the Ordinary Stockholders' Meeting for approved.
- B. The Bank's Board of Directors acting on behalf of the stockholders resolved to amend the Bank's Articles on November 5, 2009, as follows: the current year's earnings, if any, shall first be used to offset prior year's operating loss and pay all taxes, and 30% of the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings are then distributed as follows: (1) 0.5% ~ 1% as employees' bonus (2) the remaining earnings are subject to the Board of Directors' decision to propose a distribution plan and to submit to the Ordinary Stockholders' Meeting.

In order to continuously expand its operations, increase earning capacity, and to maintain the capital adequacy ratio, the Bank has adopted the residual dividend policy. The ratio between cash dividends and stock dividends distributed is determined by the resolution of the Board of Directors in consideration of the related industry condition, market perceptions, and the Bank's business strategies. During the growing period of the Bank, in principle, stock dividends distributed shall not be lower than 80% unless changed by the Board of Directors as deemed necessary. Cash dividends shall be distributed after the distribution of earnings proposal is resolved by the stockholders, while stock dividends are distributed after obtaining approval documents from the supervising authority.

- C. After the Bank became a subsidiary of Yuanta Financial Holding Company, the rights of the stockholders were exercised by the Board of Directors.
- D. As of December 31, 2008 and 2007, no retained earnings could be distributed due to accumulated deficit.
- E. Information on the appropriation of the Bank's 2009 earnings has not been approved by the Board of Directors as of February 25, 2010. For information on the appropriation of the Bank's earning as resolved by the Board of Directors, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.



F. The estimated amount of \$1,557 for employees' bonuses is based on the ratio stipulated in the Bank's Articles of Incorporation of net income after taking into account of tax and legal reserve and recognized as operating expense for the year ended December 31, 2009. However, if the estimated amounts for employees' bonuses are significantly different from the actual distributed amounts resolved by the Bank's Board of Directors acting on behalf of the stockholders subsequently, the differences shall be recognized as gain or loss in the following year.

(24) Personnel, depreciation, and amortization expenses

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

	2009	2008
Personnel expenses	\$ 2,279,152	\$ 2,615,978
Salaries	1,928,192	2,190,541
Labor and health insurance	128,703	142,107
Pension	147,120	183,703
Others	75,137	99,627
Depreciation	383,079	370,863
Amortization	162,307	102,603

(25) Income tax

A. Income tax expense (benefit) and income tax payable are reconciled as follows:

	2009	2008
Income tax at the statutory tax rate	\$ 214,278	(\$ 984,548)
Tax effect of permanent differences	(219,746)	195,083
Tax effect of amendments to the tax laws	380,962	-
Tax effect of valuation allowance	(36,346)	-
Under (over) provision of prior year's income tax	16,136	(56,204)
Tax effect of investment tax credit	(2,333)	(3,392)
Separate income tax	59,395	151,055
Income tax expense (benefit)	412,346	(698,006)
Net changes on deferred income tax assets	(187,908)	366,075
Tax effect of amendments to the tax laws	(380,962)	-
Separate income tax	(59,395)	(151,055)
Under provision of prior year's income tax	(16,136)	-
Effects of adopting the consolidated income tax return system in prior years	29,767	23,722
Effects of adopting the consolidated income tax return system	230,113	459,264
Prior years' income tax payable	6,953	1,498
Income tax payable	\$ 34,778	\$ 1,498

B. The details of adopting the consolidated income tax return system are as follows:

	December 31, 2009	December 31, 2008
Consolidated income tax return receivable – parent company	\$ 2,006,512	\$ 1,686,397





C. Details of temporary differences, loss carryforwards and investment tax credits resulting in deferred income tax assets and liabilities were as follows:

	December 31, 2009		December 31, 2008	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets (liabilities)				
Unrealized exchange loss (gain)	\$ 95,989	\$ 19,198	(\$ 496,365)	(\$ 124,091)
Increase in allowance for credit losses in excess of tax limitation	2,156,975	431,395	3,574,823	893,707
Unrealized valuation loss (gain) on derivatives	227,472	45,494	(83,137)	(20,784)
Unrealized impairment losses on foreclosed assets	-	-	1,666	416
Unrealized impairment losses on idle assets	141,577	28,315	141,831	35,458
Unrealized compensation loss	78,210	15,642	306,480	76,620
Other financial assets impairment loss	155	31	155	39
Effect of amortization on goodwill	738,002	147,600	883,385	220,846
Loss carryforwards	<u>4,918,848</u>	<u>983,770</u>	<u>4,918,848</u>	<u>1,229,711</u>
	<u>\$ 8,357,228</u>	<u>1,671,445</u>	<u>\$ 9,247,686</u>	<u>2,311,922</u>
Investment tax credits		<u>19,505</u>		<u>21,144</u>
Subtotal		1,690,950		2,333,066
Valuation allowance		(<u>147,600</u>)		(<u>220,846</u>)
Deferred income tax assets – net		<u>\$ 1,543,350</u>		<u>\$ 2,112,220</u>

According to the revised Income Tax Act, the tax rate is adjusted down to 20%, effective from 2010. Adjustment of deferred income tax asset and liability for enacted change in tax rate measured by the balance sheet date is recognized as tax benefit or expense in the income statement for the period.

D. The Bank is eligible for investment tax credits under the Income Tax Act and Statute for Upgrading Industry. Details as of December 31, 2009 were as follows:

Qualifying item	Year	Unused tax credit	Final year tax credits are due
Employees' training	2006	\$ 6,714	2010
Employees' training	2007	6,398	2011
Employees' training	2008	4,060	2012
Employees' training	2009	<u>2,333</u>	2013
		<u>\$ 19,505</u>	

E. According to the revised Income Tax Act dated January 21, 2009, the losses could be carried forward for 10 years as deduction against the future taxable income. As of December 31, 2009, the details of the Bank's loss carryforward were as follows:

Year loss was incurred	Declared amount of loss	Year of expiration	Assessed by tax authority
2006	<u>\$ 4,918,848</u>	2016	Not yet assessed



F. Imputation tax credit account for stockholders and its related information

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Balances of the imputation tax credit account for stockholders	\$ <u>304,737</u>	\$ <u>227,627</u>

The creditable tax rate is estimated to be 33.33% for 2009 and the actual creditable tax rate was 0% for 2008 since there was no earning to be distributed.

G. Unappropriated earnings (accumulated deficit)

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Prior 1997 (including 1997)	\$ -	\$ -
Post 1998	<u>444,764</u>	(<u>3,254,911</u>)
	<u>\$ 444,764</u>	(<u>\$ 3,254,911</u>)

As of December 31, 2009, the Bank's annual income tax returns through 2005 have been assessed by the Tax Authority. For the Bank's annual income tax returns for 2003 to 2005, the previous trader taxes were assessed to be \$127,759, which has been settled as 65% of the withholding tax based on the TNTA's (Taipei National Tax Administration) settlement conditions. The Bank adjusted the income tax expense for appropriate accounting treatment.

The Bank's 10% surtax on unappropriated earnings for the year 1998 has been assessed by the Tax Authority and the ROC Tax Authority determined that the unrealized exchange gains from 1997 accounted for as taxable income in 1998 cannot offset unappropriated earnings in 1998. However, the Bank petitioned for a recheck of the above and won the lawsuit on July 17, 2008. The National Tax Administration of Central Taiwan Province has completed the re-assessment and refunded the tax payment on May 5, 2008.

The Bank's income tax returns for 2003, 2004 and 2005 had been assessed by the Tax Authority on December 12, 2006, May 15, 2009 and July 15, 2009, respectively. The Bank disagreed with the assessment about the amortization on goodwill and bond investments and filed appeals for reconsiderations of the assessments in March 2008, July 2009 and October 2009, respectively.



(26) Earnings (loss) per common share

For the year ended December 31, 2009

	<u>Amount</u>		<u>Adjusted weighted average outstanding common stock (In thousand shares)</u>	<u>Earnings per share (in NT dollars)</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
Net income	<u>\$857,110</u>	<u>\$444,764</u>	2,082,825	<u>\$ 0.41</u>	<u>\$ 0.21</u>

For the year ended December 31, 2008

	<u>Amount</u>		<u>Adjusted weighted average outstanding common stock (In thousand shares)</u>	<u>Loss per share (in NT dollars)</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
Net loss	<u>(\$3,938,189)</u>	<u>(\$3,240,183)</u>	1,874,509	<u>(\$ 2.10)</u>	<u>(\$ 1.73)</u>

When calculating the loss per share, the effect of the stock dividends had been adjusted retroactively. Due to such retroactive adjustments, the loss per share before and after income tax for the year ended December 31, 2008 increased from NT (\$1.79) and NT (\$2.10) to NT (\$1.47) and NT (\$1.73) dollars, respectively.

(27) Capital adequacy ratio

- A. In compliance with the Banking Act and other relevant regulations, the ratio between eligible capital and risk assets of banks shall not be less than eight percent (8%). If the actual ratio of banks is lower than the required ratio, the Competent Authority may prohibit such banks from paying dividends and/or take other necessary actions.
- B. As of December 31, 2009 and 2008, capital adequacy ratio was 12.05% and 11.21%, respectively.



V. Related party transactions

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship</u>
Yuanta Financial Holdings Co., Ltd. (“Yuanta Financial Holdings”)	Parent company of the Bank
Yuanta Securities Co., Ltd. (“Yuanta Securities”)	Affiliated company controlled by the same company as the Bank
Yuanta Securities Investment Trust Co., Ltd. (“Yuanta Securities Investment Trust”)	Affiliated company controlled by the same company as the Bank
Yuanta Asset Management Co., Ltd. (“Yuanta Asset Management”)	Affiliated company controlled by the same company as the Bank
Yuanta Futures Co., Ltd. (“Yuanta Futures”)	Affiliated company controlled by the same company as the Bank
Yuanta Securities Finance Co., Ltd. (“Yuanta Securities Finance”)	Affiliated company controlled by the same company as the Bank
Yuanta Securities Investment Consulting Co., Ltd. (“Yuanta Securities Investment Consulting”)	Affiliated company controlled by the same company as the Bank
Yuanta Venture Capital Co., Ltd. (“Yuanta Venture Capital”)	Affiliated company controlled by the same company as the Bank
Yuanta Securities Asia Financial Services Co., Ltd. (“Yuanta Securities Asia Financial Services”)	Affiliated company controlled by the same company as the Bank
Yuanta International Insurance Broker Co., Ltd. (“Yuanta International Insurance Broker”)	Affiliated company controlled by the same company as the Bank
Yuanta I Venture Capital Co., Ltd. (“Yuanta I Venture Capital”)	Affiliated company controlled by the same company as the Bank
Yuanta Securities (Hong Kong) Co., Ltd. (“Yuanta Securities (Hong Kong)”)	Affiliated company controlled by the same company as the Bank
Yuanta Securities Holding (BVI) Limited (“Yuanta Securities Holding (BVI)”)	Affiliated company controlled by the same company as the Bank
Fuhwa Securities Investment Trust Co., Ltd. (“Fuhwa Securities Investment Trust”)	Affiliated company controlled by the same company as the Bank (No longer the Bank’s related party since October 24, 2008)
Fuhwa Capital Management Co., Ltd. (“Fuhwa Capital Management”)	Affiliated company controlled by the same company as the Bank
Yuanta Life Insurance Agent Company (Yuanta Life Insurance Agent)	Investee controlled by the Bank
Yuanta Leasing Co., Ltd. (Yuanta Leasing)	Investee controlled by the Bank
Yuanta Property Insurance Agent Company (Yuanta Property Insurance Agent)	Investee controlled by the Bank
<u>Names of related parties</u>	<u>Relationship</u>
Funds managed by Yuanta Securities Investment Trust	Funds raised by Yuanta Securities Investment Trust
Funds managed by Fuhwa Securities Investment Trust	Funds raised by Fuhwa Securities Investment Trust (No longer the Bank’s related party since October 24, 2008)
Grand Asia Management	Related party in substance
Kim Eng Holdings Limited	Related party in substance
Grand Asia Services (Singapore)	Related party in substance





Yuanta Foundation	Related party in substance
HannStar Display Corporation (HannStar Display)	Related party in substance
Brightpro Resources Limited Corp. (Brightpro Resources)	Related party in substance
Jing Cai Yue Xin	Related party in substance
Hannspree Inc. (Hannspree)	Related party in substance
Yao Hua Enterprise Management Advisor Co., Ltd.	Related party in substance
Tsun Chueh Investment	Related party in substance
Modern Investment	Related party in substance
Hsu Tong Investment	Related party in substance
Yuanta Construction Development Co., Ltd. (Yuanta Construction Development)	Related party in substance
Yuan Ding International Construction Co., Ltd.	Related party in substance
Land Bank of Taiwan	Land Bank of Taiwan's vice general manager is the Bank's director (Resigned on December 19, 2009)
Others (each related party's deposits and loans are not over 1% of total deposits and loans)	The Bank's affiliated companies and directors, supervisors and managers, and their relatives

(2) Significant transactions and balances with related parties

A. Deposits

December 31, 2009			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ 8,801,981	2.91	0.00~5.85

December 31, 2008			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ 15,000,022	5.09	0.00~13.00

Apart from 5.85% and 13.00% interest rate on employees' certain demand savings deposits, for the years ended December 31, 2009 and 2008, the range of interest rate on other related parties' demand savings deposits was 0.00%~5.20% and 0.00%~5.88%, respectively. The interest rates and other terms provided to related parties were the same as those offered to the general public.

For the years ended December 31, 2009 and 2008, interest expense on the above deposits were \$122,371 and \$330,784, respectively.



B. Loans

December 31, 2009

(Expressed in thousands of New Taiwan dollars)

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans	359 Yuanta Securities	\$ 16,825 408	\$ 8,917 -	\$ 8,917 -	\$ - -	None, movables None	None None
Home mortgage loans	118 Yuanta Securities	1,011,069 3,371	912,040 1,720	912,040 1,720	- -	Real estate Real estate & securities	None None
Other loans	HannStar Display 22 (Note)	1,700,000 39,095	1,226,170 22,246	1,226,170 15,597	- 6,649	Movables chattel Real estate & deposits	None None
Total			\$ 2,171,093	\$ 2,164,444	\$ 6,649		

December 31, 2008

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans	1	\$ 581	\$ 513	\$ 513	\$ -	None	None
Home mortgage loans	42 Yuanta Asset Management	337,641 480,000	249,177 -	249,177 -	- -	Real estate Stocks listed on TSE or OTC	None None
Other loans	Yuanta Securities	30,000	-	-	-	Real estate and other beneficiary certificates	None
Total	2 (Note)	899	150 \$ 249,840	150 \$ 249,840	\$ - -	None	None

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





In 2009 and 2008, loans to related parties were under the same terms as those to other customers, except for interest rates on loans to affiliated companies, ranging from 1.72% to 3.19% and 2.40% to 3.60%, respectively, and on loans to bank staffs, ranging from 0.80% to 10.90% and 1.65% to 4.74%, respectively.

During 2009 and 2008, interest income resulting from the above loans were \$46,739 and \$37,138, respectively.

C. Fee and commission income

As of and for the years ended December 31, 2009 and 2008, details of fee and commission income and related receivables were as follows:

Name	For the year ended December 31, 2009	
	Fee and commission income	Accounts receivable
Yuanta Life Insurance Agent	\$ 96,831	\$ 8,517
Yuanta Property Insurance Agent	7,448	566
Yuanta Securities Investment Trust	10,369	1,690
Total	<u>\$ 114,648</u>	<u>\$ 10,773</u>

Name	For the year ended December 31, 2008	
	Fee and commission income	Accounts receivable
Yuanta Life Insurance Agent	\$ 118,141	\$ 3,354
Yuanta Property Insurance Agent	8,301	-
Yuanta Securities Investment Trust	11,334	1,103
Fuhwa Securities Investment Trust	622	-
Total	<u>\$ 138,398</u>	<u>\$ 4,457</u>

The above income was mainly from commissions from sales of mutual funds and insurance.

D. Rental expenses

For the years ended December 31, 2009 and 2008, details of rental expenses were as follows:

Name	Usage	For the years ended December 31,	
		2009	2008
Yuanta Securities	Office premises	\$ 300,176	\$ 450,087
Yuanta Asset Management	Office premises	7,698	27,947
Yuanta Securities Finance	Office premises	6,820	12,907
Yuanta Futures	Office premises	206	3,779
Total		<u>\$ 314,900</u>	<u>\$ 494,720</u>



E. Other receivables

<u>Name</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Yuanta Financial Holding, Co., Ltd.	<u>\$ 2,006,512</u>	<u>\$ 1,686,397</u>

The above receivable represents the consolidated income tax return receivable from parent company.

F. Property transactions

- a. As of and for the years ended December 31, 2009 and 2008, the details of the Bank's investments in open-end funds were as follows:

<u>For the year ended December 31, 2009</u>			
	<u>Investment during the period</u>	<u>Ending balance</u>	<u>Gain on disposal</u>
Funds managed by Yuanta Securities Investment Trust	<u>\$ 1,315,000</u>	<u>\$ 1,225,000</u>	<u>\$ 17,805</u>

<u>For the year ended December 31, 2008</u>			
	<u>Investment during the period</u>	<u>Ending balance</u>	<u>Gain (loss) on disposal</u>
Funds managed by Yuanta Securities Investment Trust	<u>\$ 430,000</u>	<u>\$ 120,000</u>	<u>\$ 2,558</u>
Funds managed by Fuhwa Securities Investment Trust	<u>175,005</u>	<u>275,085</u>	<u>(4,189)</u>
Total	<u>\$ 605,005</u>	<u>\$ 395,085</u>	<u>(\$ 1,631)</u>

- b. For the years ended December 31, 2009 and 2008, the details of the Bank's engaging in outright purchase and sell transactions with affiliates in the open market were as follows:

<u>For the year ended December 31, 2009</u>			
	<u>Type</u>	<u>Purchase price</u>	<u>Selling price</u>
Yuanta Securities	Bond	<u>\$ 4,179,949</u>	<u>\$ 1,683,074</u>

<u>For the year ended December 31, 2008</u>			
	<u>Type</u>	<u>Purchase price</u>	<u>Selling price</u>
Yuanta Securities	Bond	<u>\$ 3,470,961</u>	<u>\$ 3,943,560</u>
Land Bank of Taiwan	Bond	<u>552,210</u>	<u>746,895</u>
Total		<u>\$ 4,023,171</u>	<u>\$ 4,690,455</u>





- c. For the years ended December 31, 2009 and 2008, the details of the Bank's engaging in beneficiary securities transactions with affiliates in the open market were as follows:

For the year ended December 31, 2009			
	Ending balance	Highest balance	Interest income
Yuanta Securities	\$ 91,338	\$ 138,922	\$ 3,571

For the year ended December 31, 2008			
	Ending balance	Highest balance	Interest income
Yuanta Securities	\$ 138,922	\$ 138,922	\$ -

- d. The Bank entered into a contract with Yuanta Asset Management for acquiring real estate amounting to \$635,067. As of December 31, 2009, the contract amount was fully paid and the transfer of ownership was completed.
- e. The Bank entered into contracts with Yuanta Asset Management to sell non-performing loans at the price of \$21,390 in 2008. The contracted amounts were fully collected as of December 31, 2008. The sale of non-performing loan is listed as follows:

Non-performing loans			Amount	Carrying amount	Allocation of selling price
Corporate Banking	Secured loans		\$ 387,531	\$ -	\$ 17,884
	Unsecured loans		1,974,856	-	3,506
Consumer Banking	Secured loans	Residential mortgage loans	-	-	-
		Automobile mortgage loans	-	-	-
		Others	-	-	-
	Unsecured loans	Credit cards	-	-	-
		Cash cards	-	-	-
		Small amount of credit loans	-	-	-
		Others	-	-	-
Total			\$ 2,362,387	\$ -	\$ 21,390



G. Others

a. Bills and bonds investment (payable) under resale (repurchase) agreement

For the years ended December 31, 2009 and 2008, transaction details of bills and bonds under repurchase or resale agreement with affiliated parties were as follows:

Name	For the year ended December 31, 2009		Interest rate (Note)	Interest revenue (expense)
	Highest balance	Ending balance		
Resale transactions:				
Yuanta Securities	\$ 421,734	\$ -	0.05~0.11	\$ 1
Repurchase transactions:				
Funds managed by Yuanta				
Securities Investment Trust:				
Yuanta Wan Tai Bond Fund	400,000	-	0.12	14
Yuanta Securities	2,109,351	209,596	-1.00~0.00	(296)
		209,596		(282)
Total		\$ 209,596		(\$ 281)

Name	For the year ended December 31, 2008		Interest rate (Note)	Interest revenue (expense)
	Highest balance	Ending balance		
Resale transactions:				
Yuanta Securities	\$ 220,000	\$ -	-10.00~1.80	(\$ 9)
Repurchase transactions:				
Funds managed by Yuanta				
Securities Investment Trust				
Yuanta Wan Tai Bond Fund	150,452	-	0.55~1.95	(187)
Funds managed by Fuhwa				
Securities Investment Trust:				
Fuhwa Wan Li Bond Fund	391,321	-	1.70~1.95	(1,006)
Fuhwa Superior Selection				
China Fund	100,000	-	1.73~1.75	(60)
Yuanta Securities	1,950,000	-	2.15~2.25	(3,607)
		-		(4,860)
Total		\$ -		(\$ 4,869)

Note: To comply with the GreTai Securities Market (GTSM)'s automatic bills and bonds under repurchase agreement (RP) trading of excess long positions by the computerized negotiation trading system, the Bank engaged in relevant transactions and, therefore, generated negative interest rate.

b. For the year ended December 31, 2008, the details of the Bank's selling of subordinate financial debentures to related parties were as follows:

Related party	For the year ended December 31, 2008			
	Highest balance	Ending balance	Interest rate	Interest expense
First series in 2002				
Yuanta Securities Finance	\$ 966,000	\$ -	0.79~1.30	\$ 1,173

As of December 31, 2008, the above transactions with Yuanta Securities Finance resulted in interest payable of \$0.





H. Information on remunerations to the Bank's directors, supervisors, general managers and vice general managers:

	2009	2008
Salaries	\$ 44,635	\$ 54,431
Bonus	50,202	15,730
Service execution	5,226	5,094
Earnings distribution	20	-
Total	<u>100,083</u>	<u>\$ 75,255</u>

- Salaries include salary, extra pay for duty, pension and severance pay.
- Bonus includes bonus and reward.
- Service execution fee includes transportation allowance, special expenditures, various allowances, dormitory, housing and vehicle benefits, etc..
- Earnings distribution includes estimated remunerations to be paid to supervisors and directors and bonus to be paid to employees in 2009.
- Please refer to the Bank's annual report for relevant information.

VI. Pledged assets

As of December 31, 2009 and 2008, the details of pledged assets were as follows:

Items	December 31, 2009	December 31, 2008	Purpose of pledge
Financial assets at fair value through profit or loss – commercial paper and government bonds	\$ 206,060	\$ 2,941,393	Bills and bonds payable under repurchase agreement
Available-for-sale financial assets – government bonds	-	4,294,267	Bills and bonds payable under repurchase agreement
Available-for-sale financial assets – government bonds	529,326	-	Deposits at the Resolution Trust Corporation (RTC)
Available-for-sale financial assets – government bonds	64,973	211,017	Provisional seizure
Available-for-sale financial assets – government bonds	54,180	55,132	Operating deposits of proprietary trading bills
Available-for-sale financial assets – government bonds	-	9,718	Operating deposits of proprietary trading bonds
Available-for-sale financial assets – government bonds	53,384	54,443	Trust fund reserve
Available-for-sale financial assets – government bonds	10,677	10,942	Operating deposits of proprietary trading securities
Available-for-sale financial assets – government bonds	3,780	-	VISA international card payment reserves
	<u>\$ 922,380</u>	<u>\$ 7,576,912</u>	



VII. Commitments and contingencies

(1) Operating leases

The Bank has entered into certain operating lease agreements for its branches. As of December 31, 2009, future lease contract commitments were as follows:

<u>Fiscal year</u>	<u>Rental amount</u>
2010	\$ 377,794
2011	229,196
2012	114,762
2013	65,100
2014 and after	191,290
	<u>\$ 978,142</u>

(2) Significant purchase agreements

As of December 31, 2009 and 2008, the Bank entered into agreements for asset acquisitions amounting to \$200,012 and \$864,360, respectively. The unpaid amounts of those agreements were \$103,814 and \$325,295, respectively.

(3) Others

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Consignment collection for others	\$ 11,638,977	\$ 12,811,086
Traveler's checks held on consignment for sale	83,931	161,861
Consignment securities, underwriting goods and custodial goods	10,782,666	9,235,822
Trust assets	<u>78,955,582</u>	<u>58,617,495</u>
	<u>\$ 101,461,156</u>	<u>\$ 80,826,264</u>
Credit lines provided but not used	<u>\$ 3,043,607</u>	<u>\$ 5,058,995</u>
Credit commitment on credit card	<u>\$ 64,427,351</u>	<u>\$ 62,541,212</u>
Other guarantees	<u>\$ 15,908,157</u>	<u>\$ 6,884,989</u>
Unused L/C balance	<u>\$ 3,254,698</u>	<u>\$ 2,314,733</u>
Securities commitment under repurchase agreement	<u>\$ 209,576</u>	<u>\$ 7,326,645</u>
Securities commitment under resale agreement	<u>\$ -</u>	<u>\$ 1,644,627</u>

VIII. Significant catastrophe loss: None.

IX. Significant subsequent events: None.





X. Others

(1) Disclosure of financial instruments

A. Fair value of financial instruments

	December 31, 2009		
		Fair value	
		Quotations in an	Estimated using a
<u>Non-derivative financial instruments</u>	<u>Book value</u>	<u>active market</u>	<u>valuation technique</u>
Assets			
Financial assets with fair value equal to book value	\$ 98,748,100	\$ -	\$ 98,748,100
Financial assets at fair value through profit or loss, net	7,288,717	4,630,606	2,658,111
Bills discounted and loans, net	234,054,597	-	234,054,597
Available-for-sale financial assets, net	15,683,511	8,985,414	6,698,097
Held-to-maturity financial assets	201,252	-	201,252
Other financial assets	20,952	-	20,952
Liabilities			
Financial liabilities with fair value equal to book value	\$ 24,951,852	\$ -	\$ 24,951,852
Deposits and remittances	302,579,545	-	302,579,545
Financial debentures	9,800,000	-	9,800,000
Other financial liabilities	178,873	-	178,873
	December 31, 2009		
		Fair value	
		Quotations in an	Estimated using a
<u>Derivative financial instruments</u>	<u>Book value</u>	<u>active market</u>	<u>valuation technique</u>
Assets			
Exchange rate options purchased	\$ 253,681	\$ -	\$ 253,681
Convertible bond options	11,610	-	11,610
Options purchased – asset swaps	49,326	-	49,326
FX contracts (FX swaps, forwards and cross currency swap)	358,055	-	358,055
Non-delivery forwards	5,127	-	5,127
Asset swap, interest rate swap and other interest rate swap	2,800,074	-	2,800,074
Interest rate futures	41,879	41,879	-
Purchased CDS	818	-	818
Liabilities			
Exchange rate options written	\$ 251,640	\$ -	\$ 251,640
Equity options written	76,320	-	76,320
Asset swap options written	368	-	368
Asset swap, interest rate swap and other interest rate swap	2,853,437	-	2,853,437
FX contracts (FX swaps, forwards and cross currency swap)	477,096	-	477,096
Non-delivery forwards	5,004	-	5,004



	December 31, 2008		
		Fair value	
		Quotations in an	Estimated using a
<u>Non-derivative financial instruments</u>	<u>Book value</u>	<u>active market</u>	<u>valuation technique</u>
Assets			
Financial assets with fair value equal to book value	\$ 54,683,169	\$ -	\$ 54,683,169
Financial assets at fair value through profit or loss, net	40,487,263	3,162,819	37,324,444
Bills discounted and loans, net	232,873,593	-	232,873,593
Available-for-sale financial assets, net	15,639,774	9,670,918	5,968,856
Held-to-maturity financial assets	597,276	-	597,276
Debt instruments with non-active market	147,520	-	147,520
Other financial assets	29,220	-	29,220
Liabilities			
Financial liabilities with fair value equal to book value	\$ 26,574,537	\$ -	\$ 26,574,537
Deposits and remittances	294,594,534	-	294,594,534
Financial debentures	9,800,000	-	9,800,000
Other financial liabilities	343,667	-	343,667

	December 31, 2008		
		Fair value	
Derivative financial instruments	Book value	Quotations in an active market	Estimated using a valuation technique
Assets			
Exchange rate options purchased	\$ 95,947	\$ -	\$ 95,947
Options purchased – asset swaps	12,634	-	12,634
FX contracts (FX swaps and forwards)	220,312	-	220,312
Asset swap, interest rate swap and other interest rate swap	3,719,422	-	3,719,422
Interest rate futures	44,342	44,342	-
Fixed rate commercial paper commitments	1,864	-	1,864
Liabilities			
Exchange rate options written	\$ 96,931	\$ -	\$ 96,931
Equity options written	12,741	-	12,741
Bonds options written	81	-	81
Credit default swap written	29,009	-	29,009
FX contracts (FX swaps and forwards)	60,038	-	60,038
Asset swap, interest rate swap and other interest rate swap	3,880,645	-	3,880,645
Asset swap options written	250	-	250
Interest rate futures	719	-	719





- B. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:
- a. The book values of the financial instruments which have a short maturity period are considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, due from Central Bank and call loans to banks, investments in bills and bonds under resale agreements, receivables, refundable deposit-out, other financial assets (excluding financial assets carried at costs and debt investments with non-active market), due to Central Bank and other banks, bills and bonds payable under repurchase agreements, payables, refundable deposits-in, financial debentures (excluding designated financial liabilities at fair value through profit or loss), other financial liabilities and other payables.
 - b. If financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets have quoted prices in an active market, the quoted prices are regarded as fair values. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The estimations and assumptions of the valuation technique are consistent with those used by market participants for the pricing of financial instruments. The discounted rates used are consistent with the expected rates of returns of financial instruments with the same terms and conditions. The terms and conditions include debtor's credit rating, the remaining period of the fixed interest rate contract, the remaining period for principal repayment, and the currency paid, etc.
Among the derivative financial instruments, exchange rate options are valued by the Black-Scholes model; stock options embedded in convertible bonds and interest rate swaps are evaluated by the quotes of the Bloomberg system; forward contracts, interest rate swaps and currency swaps are evaluated by discounting future cash flows using exchange rates from the Bloomberg system.
 - c. Since bills discounted and loans are interest-earning assets, the fair values of bills discounted and loans are their book values.
 - d. Other financial assets: If there are transaction prices or quoted market prices for debt instruments with non-active market, the fair values of such debt instruments will be determined by the latest actual transaction prices or quoted market prices. Moreover, if there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value by discounting future cash flows.
 - e. Deposits and remittances are financial liabilities bearing interests; therefore, the book values approximate the fair values.
 - f. The fair value measurement is not applicable to equity investments accounted for under the equity method. In addition, there is no quoted market price in an active market for the unlisted stocks under financial assets carried at cost, and the variances in the range of reasonable fair value estimates is significant and their probability of the various estimates within the range cannot be reasonably assessed, so the fair value of the unlisted stocks cannot be reliably measured. As a result, information of the book value and the fair value with respect to these financial assets is not disclosed.
- C. The Bank has recognized net profits on changes in fair value arising from valuation technique amounting to \$568,017 and \$203,845 for the years ended December 31, 2009 and 2008, respectively.



D. As of December 31, 2009 and 2008, the Bank had financial assets with fair value risk arising from interest rate changes amounting to \$125,228,813 and \$131,230,164, respectively.

E. As of December 31, 2009 and 2008, the Bank had financial assets with cash flow risk arising from interest rate changes amounting to \$210,504,109 and \$216,736,275, respectively.

F. For the years ended December 31, 2009 and 2008, total interest income for financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$6,048,323 and \$10,110,975, respectively; total interest expense on financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$2,444,828 and \$5,777,234, respectively. For available-for-sale financial assets, gains recognized directly in equity were \$663,195 and \$52,739, and the amounts removed from equity and recognized in profit or loss were \$185,831 and \$7,185 during the years ended December 31, 2009 and 2008, respectively. Adjustments from available-for-sale financial assets accounted for under the equity method were \$2,817 and \$2,816 for the years ended December 31, 2009 and 2008, respectively.

G. Risk management and hedging strategy (including financial hedge)

- a. The Bank engages in risk management and hedge under the principles of not only serving customers but also conforming to the Bank's operational goals, overall risk tolerance limit, and legal compliance to achieve risk diversification, risk transfer, and risk avoidance, and, moreover, to maximize the benefits of customers, shareholders, and employees. The Bank mainly faces the credit risk, market risk (including the interest rate, foreign exchange rate, equity securities, and instrument risk), operation risk, and liquidity risk regardless whether those risks are on or off balance sheets.
- b. The Bank's Board of Directors has the ultimate approval right in risk management. Major risk control items which include the bank-wide risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. The Bank has set up a risk management committee, which is responsible to review, supervise, report, and coordinate bank-wide risk management.
- c. The goal of market risk (interest rate risk) management of the Bank is to achieve optimal risk position, maintain proper liquidity position, and manage all market risk as a whole by considering the economic environment, competition condition, market value risk, and impact on net interest income. In order to achieve this risk management goal, the hedge activities of the Bank were concentrated on risk transfer and risk management of net interest income and market value risk. The Bank sets the strategy of fair value hedge of interest rate exposures according to the fund transfer pricing principle. The Bank primarily uses interest rate swaps for financial hedge purpose, and also to hedge interest rate exposures of certain fixed-rate loans and fixed-rate liabilities.

H. Financial risk information

To build a good risk management system and improve business development, the Bank established a risk management policy to achieve operation goals and to increase stockholders' values. The risk management policy approved by the Board of Directors is





to fulfill the implementation of the risk control system and to create stable and high-quality profits for stockholders.

The Bank follows the risk management policy and strives to quantify, assess, and manage risks for risk pricing and to obtain the optimal capital allocation.

The risks the Bank encountered were as follows:

a. Market risk

Market risk means changes of market prices such as interest rates, exchange rates, and the prices of equity securities and instruments which may result in losses, either on or off the balance sheet. The Bank has developed a market risk management standard. Through the market risk management system, the Bank is able to evaluate and control the market risk of all positions. The Bank also sets the limit approval, position limit, and stop loss limit and management control procedures for its investments in marketable securities according to different degrees of risk for each specific product.

As of December 31, 2009, the Bank possessed government bonds denominated in NT dollars amounting to \$8,251,042 (including financial assets held for trading of \$262,904 and available-for-sale financial assets of \$7,988,138), which were all with fixed-rate and their fair values may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate government bond investments by \$1,492. The Bank also possessed corporate bonds denominated in NT dollars amounting to \$8,594,642 (including financial assets held for trading of \$2,465,040 and available-for-sale financial assets of \$6,129,602). The fixed-rate corporate bonds amounted to \$8,283,260, and the fair values of fixed-rate corporate bond investments may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate corporate bond investments by \$2,110.

As of December 31, 2009, the Bank was engaged in foreign currency transactions which gave rise to foreign currency assets and liabilities. Therefore, changes in exchange rates may affect the fair values of the net position in foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD may cause a loss of \$2,513 on the net position of USD25,125.

As of December 31, 2008, the Bank possessed government bonds denominated in NT dollars amounting to \$8,544,782 (including financial assets held for trading of \$1,920,886 and available-for-sale financial assets of \$6,623,896), which were all with fixed-rate and their fair values may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate government bond investments by \$292,820. The Bank also possessed corporate bonds denominated in NT dollars amounting to \$7,294,084 (including financial assets held for trading of \$305,344 and available-for-sale financial assets of \$6,988,740) of which \$6,992,653 are fixed-rate corporate bonds and the fair values of fixed-rate corporate bond investments may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate corporate bond investments by \$160,023.

As of December 31, 2008, the Bank was engaged in foreign currency transactions which gave rise to foreign currency assets and liabilities. Therefore, changes in exchange rates may affect the fair values of the net position in foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD may cause a loss of \$3,847 on the net position of USD38,468.



b. Credit risk

Credit risk is the risk that borrowers or counterparties may not be able to fulfill contracts. The Bank has developed a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing the management structure.

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

	December 31, 2009	
	Book value	Maximum credit exposure
<u>Non-derivative financial assets</u>		
Financial assets with fair value equal to book value	\$ 98,748,100	\$ 98,748,100
Financial assets at fair value through profit or loss, net	7,288,717	7,288,717
Bills discounted and loans – net	234,054,597	234,054,597
Available-for-sale financial assets, net	15,683,511	15,683,511
Held-to-maturity financial assets	201,252	201,252
Other financial assets	20,952	20,952
Off-balance sheet accounts		
Guarantees receivable	-	15,908,157
L/C receivable	-	3,254,698

	December 31, 2009	
	Book value	Maximum credit exposure
<u>Derivative financial assets</u>		
Exchange rate options purchased	\$ 253,681	\$ 253,681
Convertible bond options	11,610	11,610
Options purchased – asset swaps	49,326	49,326
FX contracts (FX swaps, forwards and cross currency swap)	358,055	358,055
Non-delivery forwards	5,127	5,127
Asset swap, interest rate swap and other interest rate swap	2,800,074	2,800,074
Interest rate futures	41,879	41,879
Purchased CDS	818	818





	December 31, 2008	
	Book value	Maximum credit exposure
<u>Non-derivative financial assets</u>		
Financial assets with fair value equal to book value	\$ 54,683,169	\$ 54,683,169
Financial assets at fair value through profit or loss, net	40,487,263	40,487,263
Bills discounted and loans – net	232,873,593	232,873,593
Available-for-sale financial assets, net	15,639,774	15,639,774
Held-to-maturity financial assets	597,276	597,276
Equity investment with no active market	147,520	147,520
Other financial assets	29,220	29,220
Off-balance sheet accounts		
Guarantees receivable	-	6,884,989
L/C receivable	-	2,314,733

	December 31, 2008	
	Book value	Maximum credit exposure
<u>Derivative financial assets</u>		
Exchange rate options purchased	\$ 95,947	\$ 95,947
Options purchased-asset swaps	12,634	12,634
FX contracts (FX swaps and forwards)	220,312	220,312
Asset swap, interest rate swap and other interest rate swap	3,719,422	3,719,422
Interest rate futures	44,342	44,342
Fixed rate commercial paper commitments	1,864	1,864

The Bank conducts cautious credit assessments before providing loans, loan commitments, and guarantees. Loans with collateral amounted to 66.25% of the total loans in 2009. In order to obtain credit lines from the Bank, borrowers and guarantors are asked to provide collaterals such as cash, real estate, marketable securities, and other assets. Furthermore, in order to reduce credit risk, the Bank follows credit policies and negotiates credit limits with counterparties. In addition, the Bank may sign master netting agreements with the counterparty to reduce credit risk.

Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counterparty or a group of counterparties. Group concentration of credit risks exists if a number of counterparties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their abilities to fulfill contractual obligations simultaneously affected by changes in economic or other conditions. There was no significant concentration of credit risk from counterparties of the Bank. The related information can be found as follows:

	December 31, 2009	December 31, 2008
<u>Loans by regions</u>		
Domestic	\$ 226,904,902	\$ 228,607,379
Overseas	11,786,634	10,113,233
Total	<u>\$ 238,691,536</u>	<u>\$ 238,720,612</u>



	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<u>Loans by industries</u>		
Manufacturing	\$ 63,479,118	\$ 60,926,572
Private enterprises	14,166,363	24,169,687
Construction	5,012,889	5,013,896
Private individual	107,732,796	106,259,150
Others	<u>48,300,370</u>	<u>42,351,307</u>
Total	<u>\$ 238,691,536</u>	<u>\$ 238,720,612</u>

c. Liquidity risk

Liquidity risks include market liquidity risk and capital liquidity risk. Market liquidity risk is the risk that market prices may encounter obvious changes due to market disorder. Capital liquidity risk is the risk that payment obligations cannot be fulfilled due to inability to convert assets into cash or acquire enough cash. The Bank made related regulations for various funding demands to control overall market liquidity risks. The treasury department of the Bank manages daily funding and responds to funding demands for various situations or events that may cause systematic risk.

To control risk effectively, support and respect from senior management are essential in addition to the factors mentioned above. With full support and authorization of the management, the risk management system of the Bank has been established. It has gradually improved management efficiency and performance.

The Bank controls the transaction risks of the financial instruments by adopting the credit approval policy, setting position limitation and stop loss point, and implementing management control processes. In addition, the Bank maintains adequate current assets, and utilizes money market and foreign exchange market instruments to support its future cash flow requirements.

The liquidity reserve ratio for the Bank was 28.3% and 26.8% for the years ended December 31, 2009 and 2008, respectively. In addition, the Bank's capital and working capital were sufficient to fulfill all obligations. Thus, there was no material liquidity risk that could prevent the Bank from meeting the obligation.

Analyses for time to maturity of the Bank's assets and liabilities were as follows:





December 31, 2009

	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years	Total
	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)
Financial instruments							
Assets							
Non-derivative financial instruments	\$ 6,696,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,696,050
Cash and cash equivalents	54,432,751	3,829,611	11,193,201	2,518,300	4,260,951	-	76,234,814
Due from Central Bank and call loans to banks							
Financial assets held for trading purpose							
Government bonds	262,904	-	-	-	-	-	262,904
Corporate bonds	2,465,040	-	-	-	-	-	2,465,040
Beneficiary certificates	1,249,755	-	-	-	-	-	1,249,755
Commercial paper	49,987	-	-	-	-	-	49,987
Negotiable certificates of deposits	2,608,125	-	-	-	-	-	2,608,125
Designated financial assets at fair value through profit or loss							
Convertible corporate bonds	-	-	-	15,597	372,785	244,279	632,661
Asset swaps - convertible corporate bonds	-	-	-	20,245	-	-	20,245
Bills discounted and loans, net	17,810,570	18,365,137	15,689,505	25,737,092	32,869,516	123,582,777	234,054,597
Available-for-sale financial assets							
Government bonds	-	-	619,113	1,771,697	3,426,302	2,171,026	7,988,138
Corporate bonds	-	-	305,232	1,302,630	4,005,119	516,621	6,129,602
Convertible corporate bonds	-	-	-	15,709	495,400	-	511,109
Financial debentures	-	-	-	557	50	-	607
Beneficiary securities	-	-	-	49,669	144,742	-	194,411
Listed (TSE and OTC) stocks	859,644	-	-	-	-	-	859,644
Held-to-maturity financial assets							
Corporate bonds	-	-	-	-	160,150	-	160,150
Asset backed securities	-	-	-	-	-	41,102	41,102
Derivative financial instruments							
Financial assets at fair value through profit or loss - derivatives							
Option contracts purchased	162,343	47,465	34,337	40,614	29,858	-	314,617
FX contracts (forwards, swaps and cross currency swap)	214,824	89,181	54,050	-	-	-	358,055
Non delivery forward	-	-	-	5,127	-	-	5,127
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	757,580	1,993,830	46,907	1,757	-	-	2,800,074
Interest rate futures	41,879	-	-	-	-	-	41,879
CDS purchased	10	-	302	506	-	-	818
Total assets	87,611,462	24,325,224	27,942,647	31,479,500	45,764,873	126,555,805	343,679,511





December 31, 2008

	0-30 days Amount (recoverable amount or repayment amount)	31-90 days Amount (recoverable amount or repayment amount)	91-180 days Amount (recoverable amount or repayment amount)	181 days-1 year Amount (recoverable amount or repayment amount)	1-3 years Amount (recoverable amount or repayment amount)	Over 3 years Amount (recoverable amount or repayment amount)	Total Amount (recoverable amount or repayment amount)
Financial instruments							
Assets							
Non-derivative financial instruments							
Cash and cash equivalents	\$ 6,407,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,407,428
Due from Central Bank and call loans to banks	26,919,748	1,280,078	7,800,000	-	-	-	35,999,826
Financial assets held for trading purpose							
Government bonds	1,920,886	-	-	-	-	-	1,920,886
Corporate bonds	305,344	-	-	-	-	-	305,344
Convertible corporate bonds	-	-	-	30,731	-	-	30,731
Beneficiary certificates	195,615	-	-	-	-	-	195,615
Beneficiary securities	30,132	-	-	-	-	-	30,132
Commercial paper	12,005,363	-	-	-	-	-	12,005,363
Negotiable certificates of deposits	25,011,341	-	-	-	-	-	25,011,341
Designated financial assets at fair value through profit or loss							
Convertible corporate bonds	-	-	4,925	16,268	174,929	509,273	705,395
Asset swaps - convertible corporate bonds	65,431	-	49,250	82,000	85,775	-	282,456
Investment in bills and bonds under resale agreement	1,644,337	-	-	-	-	-	1,644,337
Bills discounted and loans, net	13,417,371	20,534,395	20,619,750	28,357,882	33,463,115	116,481,080	232,873,593
Available-for-sale financial assets							
Government bonds	4,200	-	-	232,521	4,510,008	1,877,167	6,623,896
Corporate bonds	-	-	249,926	552,883	4,281,264	1,904,667	6,988,740
Convertible corporate bonds	-	-	-	338,415	155,602	-	494,017
Financial debentures	-	-	-	254,488	-	1,074	255,562
Beneficiary securities	-	-	-	49,411	234,983	96,842	381,236
Listed (TSE and OTC) stocks	896,323	-	-	-	-	-	896,323
Held-to-maturity financial assets							
Financial debentures	-	-	-	-	-	328,600	328,600
Corporate bonds	-	-	-	-	-	164,300	164,300
Asset backed securities	-	-	-	-	-	104,376	104,376
Other financial assets	-	-	-	-	-	147,520	147,520
Non-active - financial debentures	-	-	-	-	-	-	-
Derivative financial instruments							
Financial assets at fair value through profit or loss - derivatives							
Option contracts purchased	47,591	17,459	30,897	72	12,562	-	108,581
FX contracts (forwards and swaps)	125,291	56,755	36,416	1,850	-	-	220,312
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	136	6,583	115,066	83,454	2,549,853	964,330	3,719,422
Interest rate futures	44,342	-	-	-	-	-	44,342
Fixed rate commercial paper commitment	-	-	-	1,864	-	-	1,864
Total assets	89,040,879	21,895,270	28,906,230	30,001,839	45,468,091	122,579,229	337,891,538

December 31, 2008

	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or	amount or
	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)
Financial instruments							
Liabilities							
Non-derivative financial instruments							
Due to Central Bank and other banks	\$ 1,649,767	\$ 3,732,625	\$ 4,042,133	\$ 2,440,557	\$ -	\$ -	\$ 11,865,082
Bills and bonds payable under repurchase agreements	7,205,341	120,085	-	-	-	-	7,325,426
Deposits and remittances	57,760,378	48,875,949	55,604,228	82,331,000	50,021,279	1,700	294,594,534
Financial debentures	-	-	-	-	5,000,000	4,800,000	9,800,000
Other financial liabilities	4,274	4,334	6,593	13,523	56,276	258,667	343,667
Derivative financial instruments							
Financial liabilities held for trading purpose - derivatives							
Option contracts written	48,656	17,459	30,898	86	12,904	-	110,003
FX contracts (forwards, swaps and cross currency swap)	39,634	10,793	9,611	-	-	-	60,038
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	-	14,170	82,735	172,050	2,536,653	1,075,037	3,880,645
Interest rate futures	719	-	-	-	-	-	719
Credit default swap written	-	-	-	29,009	-	-	29,009
Total liabilities	66,708,769	52,775,415	59,776,198	84,986,225	57,627,112	6,135,404	328,009,123
Net liquidity gap	\$ 22,332,110	(\$ 30,880,145)	(\$ 30,869,968)	(\$ 54,984,386)	(\$ 12,159,021)	\$ 116,443,825	\$ 9,882,415





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

Cash flow risk arising from changes in interest rates for future cash flows of floating rate assets and liabilities held by the Bank may fluctuate due to changes in interest rates. Thus, the Bank has entered into the interest rate swap contract after consideration of risk level and operation requirements to mitigate such risk.

i. Expected repricing date or expected maturity date

As of December 31, 2009 and 2008, the expected repricing date or expected maturity date were not affected by the contract date. The following table presents the book values of financial assets and financial liabilities classified by the earlier of the expected repricing date or expected maturity date and shows the interest rate risk of the Bank:



December 31, 2009

	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years	Total
	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)
Financial instruments							
Assets							
Non-derivative financial instruments							
Due from other banks	\$ 3,684,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,684,918
Due from Central Bank and call loans to banks	48,715,000	3,000,000	18,393,764	1,000,000	-	-	71,108,764
Financial assets held for trading purpose							
Government bonds	262,904	-	-	-	-	-	262,904
Corporate bonds	2,465,040	-	-	-	-	-	2,465,040
Commercial paper	49,987	-	-	-	-	-	49,987
Negotiable certificates of deposits	2,608,125	-	-	-	-	-	2,608,125
Designated financial assets at fair value through profit or loss							
Convertible corporate bonds	-	-	-	15,597	372,785	244,279	632,661
Assets swaps - convertible corporate bonds	-	-	-	20,245	-	-	20,245
Bills discounted and loans, net	16,782,238	16,169,214	12,278,629	18,828,907	31,312,126	138,644,942	234,016,056
Available-for-sale financial assets							
Government bonds	-	-	619,113	1,771,697	3,426,302	2,171,026	7,988,138
Corporate bonds	-	299,894	305,232	1,302,630	3,705,225	516,621	6,129,602
Convertible corporate bonds	-	-	-	15,709	495,400	-	511,109
Financial debentures	-	-	-	557	50	-	607
Beneficiary securities	-	-	-	49,669	144,742	-	194,411
Held-to-maturity financial assets							
Corporate bonds	-	-	-	-	160,150	-	160,150
Asset backed securities	-	-	-	-	-	41,102	41,102
Derivative financial instruments							
Financial assets held for trading purpose -derivatives							
Option contracts purchased	-	-	3,165	18,877	27,284	-	49,326
FX contracts (forwards, swaps and cross currency swap)	214,824	89,181	54,050	-	-	-	358,055
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	757,581	1,993,829	46,907	1,757	-	-	2,800,074
Interest rate futures	41,879	-	-	-	-	-	41,879
Total assets	75,582,496	21,552,118	31,700,860	23,025,645	39,644,064	141,617,970	333,123,153





December 31, 2009

	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years	Total
	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)	Amount (recoverable amount or repayment amount)
Financial instruments							
Liabilities							
Non-derivative financial instruments							
Due to Central Bank and other banks	\$ 12,954,760	\$ -	\$ -	\$ 100,000	\$ 500,000	\$ -	\$ 13,554,760
Bills and bonds payable under repurchase agreements	209,596	-	-	-	-	-	209,596
Deposits	73,267,021	20,130,166	174,281,629	29,113,144	3,221,296	-	300,013,256
Financial debentures	-	-	-	-	6,800,000	3,000,000	9,800,000
Other financial liabilities	2,702	5,039	7,656	15,674	30,040	116,794	177,905
Derivative financial instruments							
Financial liabilities held for trading purpose – derivatives							
Option contracts written	445	57	7,798	37,886	30,502	-	76,688
FX contracts (forwards, swaps and cross currency swap)	211,959	172,380	92,757	-	-	-	477,096
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	828,248	1,830,355	183,590	2,002	9,242	-	2,853,437
Total liabilities	<u>87,474,731</u>	<u>22,137,997</u>	<u>174,573,430</u>	<u>29,268,706</u>	<u>10,591,080</u>	<u>3,116,794</u>	<u>327,162,738</u>
Interest-rate-sensitivity gap	<u>(\$ 11,892,236)</u>	<u>(\$ 585,879)</u>	<u>(\$ 142,872,570)</u>	<u>(\$ 6,243,061)</u>	<u>\$ 29,052,984</u>	<u>\$ 138,501,177</u>	<u>\$ 5,960,415</u>



December 31, 2008

	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or	amount or
	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)
Financial instruments							
Assets							
Non-derivative financial instruments							
Due from other banks	\$ 2,973,835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,973,835
Due from Central Bank and call loans to banks	12,980,685	1,280,078	15,554,605	-	-	-	29,815,368
Financial assets held for trading purpose							
Government bonds	1,920,886	-	-	-	-	-	1,920,886
Corporate bonds	305,344	-	-	-	-	-	305,344
Convertible corporate bonds	-	-	-	30,731	-	-	30,731
Commercial paper	12,005,363	-	-	-	-	-	12,005,363
Negotiable certificates of deposits	25,011,341	-	-	-	-	-	25,011,341
Designated financial assets at fair value through profit or loss							
Convertible corporate bonds	-	-	4,925	16,268	174,929	509,273	705,395
Assets swaps - convertible corporate bonds	65,431	-	49,250	82,000	85,775	-	282,456
Investment in bills and bonds under resale agreement	1,644,337	-	-	-	-	-	1,644,337
Bills discounted and loans, net	109,034,854	27,921,397	17,390,374	13,190,904	19,445,234	45,786,090	232,768,853
Available-for-sale financial assets							
Government bonds	4,200	-	-	232,521	4,510,008	1,877,167	6,623,896
Corporate bonds	300,157	-	249,926	552,883	3,981,107	1,904,667	6,988,740
Convertible corporate bonds	-	-	-	338,415	155,602	-	494,017
Financial debentures	-	-	-	254,488	-	1,074	255,562
Beneficiary securities	-	-	-	49,411	234,983	96,842	381,236
Held-to-maturity financial assets							
Financial debentures	-	-	-	-	-	328,600	328,600
Corporate bonds	-	-	-	-	-	164,300	164,300
Asset backed securities	-	-	-	-	-	104,376	104,376
Other financial assets	-	-	-	-	-	147,520	147,520
Non-active - financial debentures							
Derivative financial instruments							
Financial assets held for trading purpose - derivatives							
Option contracts purchased	-	-	-	72	12,562	-	12,634
FX contracts (forwards, swaps and cross currency swap)	125,291	56,755	36,416	1,850	-	-	220,312
Interest rate futures	44,342	-	-	-	-	-	44,342
Fixed rate commercial paper commitment	-	-	-	1,864	-	-	1,864
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)							
Interest rate swap	136	6,583	115,066	83,454	2,549,853	964,330	3,719,422
Total assets	166,416,202	29,264,813	33,400,562	14,834,861	31,150,053	51,884,239	326,950,730





December 31, 2008

	0~30 days Amount (recoverable amount or repayment amount)	31~90 days Amount (recoverable amount or repayment amount)	91~180 days Amount (recoverable amount or repayment amount)	181 days~1 year Amount (recoverable amount or repayment amount)	1~3 years Amount (recoverable amount or repayment amount)	Over 3 years Amount (recoverable amount or repayment amount)	Total Amount (recoverable amount or repayment amount)
<u>Financial instruments</u>							
<u>Liabilities</u>							
Non-derivative financial instruments							
Due to Central Bank and other banks	\$ 1,649,767	\$ 3,732,625	\$ 4,042,133	\$ 2,440,557	\$ -	\$ -	\$ 11,865,082
Bills and bonds payable under repurchase agreements	7,205,341	120,085	-	-	-	-	7,325,426
Deposits	84,732,579	40,756,716	126,624,384	37,834,212	2,695,830	2,800	292,646,521
Financial debentures	-	-	-	-	5,000,000	4,800,000	9,800,000
Other financial liabilities	4,274	4,334	6,593	13,523	56,276	258,667	343,667
<u>Derivative financial instruments</u>							
Financial liabilities held for trading purpose – derivatives							
Option contracts written	82	-	1	85	12,904	-	13,072
FX contracts (forwards, swaps and cross currency swap)	39,634	10,793	9,611	-	-	-	60,038
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	-	14,170	82,735	172,050	2,536,653	1,075,037	3,880,645
Fixed interest rate commercial paper							
guarantees	719	-	-	-	-	-	719
<u>Total liabilities</u>	93,632,396	44,638,723	130,765,457	40,460,427	10,301,663	6,136,504	325,935,170
Interest-rate-sensitivity gap	\$ 72,783,806	(\$ 15,373,910)	(\$ 97,364,895)	(\$ 25,625,566)	\$ 20,848,390	\$ 45,747,735	\$ 1,015,560



ii. Effective interest rates

As of December 31, 2009 and 2008, the effective interest rates for financial instruments (except for financial instruments at fair value through profit or loss) held or issued by the Bank were as follows:

December 31, 2009		
Items	NTD	USD
Available-for-sale financial assets		
Government bonds	1.03%~2.38%	-
Corporate bonds	0.69%~5.13%	-
Beneficiary securities	1.56%~2.76%	-
Financial debentures	-	2.90%~3.50%
Held-to-maturity financial assets		
Asset backed securities	-	6.85%
Loans and advances		
Short-term loans	1.99%	1.31%
Short-term secured loans	2.29%	2.07%
Mid-term loans	1.91%	1.83%
Mid-term secured loans	2.46%	1.44%
Long-term loans	2.33%	2.17%
Long-term secured loans	1.85%	1.63%
Financial debentures	2.50%~3.25%	-
Deposits		
Demand deposits	0.10%	0.02%
Time deposits	0.10%~0.85%	0.05%~0.95%
Redeposits from the Directorate general of postal remittance	0.72%	-
Demand savings deposits	0.15%	-
Time savings deposits	0.15%~0.89%	-





December 31, 2008		
Items	NTD	USD
Available-for-sale financial assets		
Government bonds	1.01%~2.35%	-
Corporate bonds	1.61%~5.30%	-
Beneficiary certificates	2.53%~10.00%	-
Financial debentures	-	2.90%~3.50%
Held-to-maturity financial assets		
Financial debentures	-	4.10%~4.45%
Asset backed securities	-	6.85%
Debt instruments with non-active market		
Financial bonds	-	6.00%
Loans and advances		
Short-term loans	3.29%	4.14%
Short-term secured loans	3.49%	5.15%
Mid-term loans	4.21%	4.25%
Mid-term secured loans	4.26%	4.45%
Long-term loans	3.79%	4.73%
Long-term secured loans	3.42%	4.65%
Financial debentures	2.50%~3.25%	-
Deposits		
Demand deposits	0.12%	0.96%
Time deposits	2.24%	3.16%
Redeposits from the directorate general of postal remittance	2.72%	-
Demand savings deposits	0.29%~9.57%	-
Time savings deposits	2.40%~2.54%	-



(2) Disclosures in accordance with the Statement of Financial Accounting Standards No. 28 “Disclosure in the Financial Statements of Banks”.

A. Non-performing loans and non-performing loan asset quality

Unit: thousands of New Taiwan dollars, %

Month / Year	Business / Items	December 31, 2009					December 31, 2008				
		Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for credit losses	Coverage ratio (%) (Note 3)	Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for credit losses	Coverage ratio (%) (Note 3)
Corporate Banking	Secured loans	\$ 734,180	\$ 71,935,019	1.02%	\$ 1,110,417	151.25%	\$ 940,562	\$65,462,589	1.44%	\$ 1,426,458	151.66%
	Unsecured loans	302,663	74,405,249	0.41%	837,591	276.74%	823,247	79,324,000	1.04%	1,526,454	185.42%
Consumer banking	Residential mortgage loans (Note 4)	821,415	73,614,006	1.12%	1,042,563	126.92%	1,220,954	67,427,452	1.81%	1,130,801	92.62%
	Cash card services	-	-	-	-	-	-	-	-	-	-
	Small amount of credit loans (Note 5)	179,443	5,440,040	3.30%	1,388,989	774.06%	647,777	9,167,734	7.07%	1,601,247	247.19%
	Others (Note 6)	215,208	12,590,681	1.71%	152,654	70.93%	523,939	16,871,526	3.11%	146,806	28.02%
	Secured loans										
Gross loan business	Unsecured loans	11,325	706,541	1.60%	21,243	187.58%	18,884	467,311	4.04%	15,253	80.77%
		2,264,234	238,691,536	0.95%	4,553,457	201.10%	4,175,363	238,720,612	1.75%	5,847,019	140.04%
Credit card services	Amount of overdue accounts		Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio
		\$ 26,513	\$ 2,077,938	1.28%	\$ 43,551	164.26%	\$ 21,704	\$ 2,326,583	0.93%	\$ 69,703	321.16%
Without recourse factoring (Note 7)		-	1,292,869	-	-	-	-	1,107,595	-	-	-

Note 1: The amount recognized as non-performing loans was in compliance with the “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit cards was in compliance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for credit losses for loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for credit losses for accounts receivable of credit cards/overdue accounts.





Note 4: For residential mortgage loans, the borrower provides his/her (or spouse's or minor child's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 09400494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

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

	December 31, 2009		December 31, 2008	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation (Note 1)	\$ 1,261,848	\$ 15,257	\$ 1,497,874	\$ 20,582
Perform in accordance with debt liquidation program and restructuring program (Note 2)	446,087	5,274	238,398	2,754
	1,707,935	20,531	1,736,272	23,336

Note 1: The additional disclosure requirement pertaining to way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of the FSC dated April 25, 2006.

Note 2: The additional disclosure requirement pertaining to the way and information disclosure of loan in the process of debt liquidation and restructuring program is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008.

B. Loan asset quality

Expressed In Thousands of New Taiwan Dollars (%)		
December 31, 2009		
Items	Amount	Non-performing loans/gross loans (%)
Non-performing loans A	\$ 2,069,087	0.87
Non-performing loans B	195,147	0.08
Gross non-performing loans	2,264,234	0.95
December 31, 2008		
Non-performing loans A	\$ 3,365,972	1.41
Non-performing loans B	809,391	0.34
Gross non-performing loans	4,175,363	1.75

Note 1: The amount recognized as non-performing loans (NPLs) was in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans”.

Note 2: Definitions of non-performing loans A and non-performing loans B are according to the Banking Bureau (1) Letter No.0941000251 dated April 19, 2005.

Note 3: Non-performing loan ratio = non-performing loans / gross loans

C. Contract amounts of remarkable credit risk concentration were as follows:

December 31, 2009			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total Amounts of Outstanding Loans (Note 3)	Total Amounts of Outstanding Loans / Total stockholders’ Equity (%)
1	Group A – Integrated Circuits Manufacturing	\$ 4,804,756	20.32
2	Group B – Integrated Circuits Manufacturing	3,518,621	14.88
3	Group C – Liquid Crystal Panel and Components Manufacturing	3,152,844	13.33
4	Group D – Monitors and Terminals Manufacturing	2,549,226	10.78
5	Group E – Civil Air Transportation	2,390,846	10.11
6	Group F – Other Metalworking Machinery Manufacturing	2,042,611	8.64
7	Group G – Integrated Circuits Manufacturing	1,900,091	8.03
8	Group H – Metal Surface Treating	1,289,012	5.45
9	Group I – Liquid Crystal Panel and Components Manufacturing	1,111,180	4.70
10	Group J – Other Civil Engineering Projects Construction	1,109,550	4.69





December 31, 2008			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total Amounts of Outstanding Loans (Note 3)	Total Amounts of Outstanding Loans / Total stockholders' Equity (%)
1	Group A – Liquid Crystal Panel and Components Manufacturing	\$ 3,893,652	20.90
2	Group B – Integrated Circuits Manufacturing	3,686,006	19.78
3	Group C – Integrated Circuits Manufacturing	3,064,839	16.45
4	Group D – Iron and Steel Smelting	2,219,596	11.91
5	Group E – Civil Air Transportation	2,209,525	11.86
6	Group F – Integrated Circuits Manufacturing	2,150,202	11.54
7	Group G – Other Metalworking Machinery Manufacturing	2,063,230	11.07
8	Group H – Data Storage Media Units Manufacturing	1,534,550	8.24
9	Group I – Liquid Crystal Panel and Components Manufacturing	1,372,189	7.36
10	Group J – Other Leather, Fur Products Manufacturing	1,311,321	7.04

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If a outstanding loan belongs to a enterprise group, the outstanding loan of enterprise group should be categorized and listed in total, and disclosed by “code” plus “industry type” (for example, company (or group) A – Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group should be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on the Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Reviews of Securities Listings”.

Note 3: Total amounts of credit extensions were various loans (including import negotiations, export negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, securities financing receivable, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue accounts), remittances purchased, advance accounts for factoring receivable, acceptances receivable, and guarantees receivable.



D. Sensitivity analysis of interest rate for assets and liabilities

Sensitivity analysis of interest rate for assets and liabilities (NTD)December 31, 2009

(Expressed in Thousands of New Taiwan Dollars, %)

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 71,290,783	\$ 28,794,134	\$ 22,982,862	\$ 178,478,562	\$ 301,546,341
Interest-rate-sensitive liabilities	78,266,002	172,726,638	26,411,404	13,021,296	290,425,340
Interest-rate-sensitive gap	(6,975,219)	(143,932,504)	(3,428,542)	165,457,266	11,121,001
Total stockholders' equity					23,409,152
Ratio of interest-rate-sensitive assets to liabilities (%)					103.83
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					47.51

Note: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head office and domestic branches and overseas branches.

Sensitivity analysis of interest rate for assets and liabilities (USD)December 31, 2009

(Expressed in thousands of US dollars, %)

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 462,691	\$ 93,953	\$ 13,502	\$ 166,180	\$ 736,326
Interest-rate-sensitive liabilities	726,188	38,641	75,514	-	840,343
Interest-rate-sensitive gap	(263,497)	55,312	(62,012)	166,180	(104,017)
Total stockholders' equity					7,501
Ratio of interest-rate-sensitive assets to liabilities (%)					87.62
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					(1,386.71)

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





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

December 31, 2008

(Expressed in Thousands of New Taiwan Dollars, %)

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 169,144,207	\$ 38,575,257	\$ 13,193,848	\$ 77,416,449	\$ 298,329,761
Interest-rate-sensitive liabilities	117,207,965	129,681,224	34,505,865	12,757,297	294,152,351
Interest-rate-sensitive gap	51,936,242 (	91,105,967)	(21,312,017)	64,659,152	4,177,410
Total stockholders' equity					18,717,918
Ratio of interest-rate-sensitive assets to liabilities (%)					101.42
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					22.32

Note: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head office and domestic branches and overseas branches.

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

December 31, 2008

(Expressed in thousands of US dollars, %)

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 396,546	\$ 109,013	\$ 37,604	\$ 115,338	\$ 658,501
Interest-rate-sensitive liabilities	556,463	31,285	109,132	-	696,880
Interest-rate-sensitive gap	(159,917)	77,728 (	71,528)	115,338 (	38,379)
Total stockholders' equity				(	2,635)
Ratio of interest-rate-sensitive assets to liabilities (%)					94.49
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					1,456.51

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



E. Profitability

		December 31,	
		2009	2008
Return on total assets (%)	Before tax	0.24	(1.12)
	After tax	0.12	(0.92)
Return on stockholders' equity (%)	Before tax	4.05	(19.47)
	After tax	2.10	(16.02)
Net profit margin ratio (%)		8.01	(75.15)

Note 1: $\text{Return on total assets} = \text{Income before (after) income tax} / \text{average total assets}$.

Note 2: $\text{Return on stockholders' equity} = \text{Income before (after) income tax} / \text{average stockholders' equity}$.

Note 3: $\text{Net profit margin ratio} = \text{Income after income tax} / \text{total operating revenues}$.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the reporting period of the balance sheet date.

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F. Structure analysis of time to maturity

December 31, 2009

(Expressed in Thousands of New Taiwan Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	\$ 75,221,084	\$ 19,370,226	\$ 25,623,368	\$ 32,624,106	\$ 174,593,785	\$ 327,432,569
Primary funds outflow upon maturity	25,558,209	35,313,977	26,163,586	56,592,266	182,591,261	326,219,299
Gap	49,662,875	(15,943,751)	(540,218)	(23,968,160)	7,997,476	(1,213,270)

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

December 31, 2009

(Expressed in Thousands of U.S. Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	\$ 409,491	\$ 189,989	\$ 99,538	\$ 14,366	\$ 171,499	\$ 884,883
Primary funds outflow upon maturity	696,967	117,787	41,426	76,246	(7,537)	939,963
Gap	(287,476)	72,202	58,112	(61,880)	163,962	(55,080)

Note : The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units, except otherwise indicated, included based on the carrying amount, for those not listed, disclosure is required (e.g. negotiable certificates of deposits, bonds and stocks under preparation for issuance).

December 31, 2008

(Expressed in Thousands of New Taiwan Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	\$ 77,912,443	\$ 16,077,492	\$ 27,369,968	\$ 36,313,595	\$ 169,955,039	\$ 327,628,537
Primary funds outflow upon maturity	53,370,911	49,081,772	59,712,853	87,109,938	79,306,737	328,582,211
Gap	24,541,532	(33,004,280)	(32,342,885)	(50,796,343)	90,648,302	(953,674)

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

December 31, 2008

(Expressed in Thousands of US Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	\$ 265,978	\$ 225,229	\$ 109,931	\$ 36,799	\$ 116,265	\$ 754,202
Primary funds outflow upon maturity	494,777	135,802	32,033	110,703	(2,600)	770,715
Gap	(228,799)	89,427	77,898	(73,904)	118,865	(16,513)

Note : The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units, except otherwise indicated, included based on the carrying amount, for those not listed, disclosure is required (e.g. negotiable certificates of deposits, bonds and stocks under preparation for issuance).





G. Average value and average interest rates of interest-earning assets and interest-bearing liabilities

	2009	
	Average value	Average rate of return (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 2,676,235	0.19
Due from Central Bank and call loans to other banks (excluding account A)	35,851,126	0.76
Financial assets at fair value through profit or loss	27,618,471	0.86
Investment in bills and bonds under resale agreements	2,868,352	0.08
Bills discounted and loans (excluding non-accrual loan) – total	231,707,842	2.25
Available-for-sale financial assets	15,914,147	1.99
Held-to-maturity financial assets	291,661	2.37
Debt instruments with non-active market	117,865	8.02
<u>Interest-bearing liabilities</u>		
Due to Central Bank and other banks	\$ 11,615,949	1.07
Bills and bonds payable under repurchase agreements	3,659,462	0.04
Demand deposits	142,784,290	0.13
Time deposits	138,236,708	1.32
Negotiable certificates of deposit	2,103,755	1.13
Financial debentures	9,800,000	2.75
Appropriated loan funds	166,572	0.36

	2008	
	Average value	Average rate of return (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 1,120,257	0.48
Due from Central Bank and call loans to other banks	32,802,616	2.25
Financial assets at fair value through profit or loss	43,936,383	2.00
Investment in bills and bonds under resale agreements	2,384,736	1.26
Bills discounted and loans (excluding non-accrual loan) – total	230,922,522	3.75
Available-for-sale financial assets	12,030,598	2.08
Held-to-maturity financial assets	726,467	4.36
Debt instruments with non-active market	291,731	6.05
<u>Interest-bearing liabilities</u>		
Due to Central Bank and other banks	\$ 15,045,478	2.49
Financial liabilities at fair value through profit or loss	2,134,000	1.27
Bills and bonds payable under repurchase agreements	3,352,363	1.61
Demand deposits	106,429,295	0.44
Time deposits	179,113,474	2.50
Negotiable certificates of deposit	5,894,010	2.17
Financial debentures	10,018,792	2.75
Appropriated loan funds	343,164	1.23



a. Net position for major foreign currency transactions

	December 31, 2009			December 31, 2008		
	Currency (in thousands)		NTD (in thousands)	Currency (in thousands)		NTD (in thousands)
Net position for major foreign currency transactions (Market Risk)	USD	\$ 25,125	\$ 804,769	USD	\$ 38,468	\$ 1,264,043
	EUR	2,021	93,307	EUR	1,995	92,389
	CNY	12,079	56,673	CNY	17,915	86,295
	JPY	76,094	26,435	HKD	10,788	45,739
	AUD	742	21,364	AUD	147	3,358

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

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

b. Trust assets and liabilities

In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet and trust property list are as follows:

Trust Balance Sheet			
December 31, 2009			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,537,212	Payable- Customers' securities under custody	\$ 11,653,960
Stocks	10,672,094	Pecuniary trust	54,847,027
Funds (Note)	46,792,549	Securities trust	9,437,118
Bonds	6,409,314	Real estate trust	1,992,931
Real estate	1,890,453	Co-Trust Fund	885,348
Customers' securities under custody	11,653,960	Total net income	44,706
		Retained earnings	94,492
Total trust assets	<u>\$ 78,955,582</u>	Total trust liabilities	<u>\$ 78,955,582</u>

Trust Balance Sheet			
December 31, 2008			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 485,550	Payable- Customers' securities under custody	\$ 3,668,069
Stocks	2,260,296	Pecuniary trust	49,236,897
Funds (Note)	38,618,137	Securities trust	1,141,289
Bonds	10,349,590	Real estate trust	1,358,149
Real estate	1,350,399	Pecuniary creditors' right and its collateral right trust	1,885,454
Customer's securities under custody	3,668,069	Co-Trust Fund	1,191,647
Other	1,885,454	Total net loss	(4,143)
		Retained earnings	140,133
Total trust assets	<u>\$ 58,617,495</u>	Total trust liabilities	<u>\$ 58,617,495</u>

Note: Includes mutual funds in money market.





Trust Income Statement

	For the years ended December 31,	
	2009	2008
Trust income:		
Interest income	\$ 4,390	\$ 783,640
Rental income	12,625	-
Dividend income	21,838	2,700
Investment income	23,088	7,156
Reserves	-	(752)
	<u>61,941</u>	<u>792,744</u>
Trust expenses:		
Management fees	10,561	6,149
Supervisory directors' fees	60	-
Tax expenses	1,622	11,154
Interest expense	-	74,164
Service fees	25	1,375
Audit fees	-	110
Lawyer fees	-	50
Loss on investment	4,657	14,776
Land registration charges	29	-
Refund trust principal	-	688,848
	<u>16,954</u>	<u>796,626</u>
Net income (loss) before income tax	44,987	(3,882)
Income tax expense	(281)	(261)
Net income (loss) after income tax	<u>\$ 44,706</u>	<u>(\$ 4,143)</u>

Schedule of investment for trust business

December 31, 2009		December 31, 2008	
Invested items	Book value	Invested items	Book value
Bank deposits	\$ 1,537,212	Bank deposits	\$ 485,550
Bonds	6,409,314	Bonds	10,349,590
Stocks	10,672,094	Stocks	2,260,296
Funds	46,792,549	Funds	38,618,137
Real estate		Real estate	
Land	1,890,453	Land	1,350,399
Customers' securities under custody	11,653,960	Customers' securities under custody	3,668,069
Other	-	Other	1,885,454
	<u>\$ 78,955,582</u>		<u>\$ 58,617,495</u>

Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2009 and 2008, was included in the trust balance sheet and schedule of investment for trust business.



c. Capital adequacy ratio

			December 31, 2009	December 31, 2008
Eligible capital		Tier 1 Capital	\$ 23,022,173	\$ 19,821,953
		Tier 2 Capital	5,687,130	6,523,954
		Tier 3 Capital	-	-
		Self-owned capital, net	28,709,303	26,345,907
Total risk - weighted assets	Credit risk	Standardized Approach	210,651,610	212,605,116
		Internal Ratings-Based Approach	-	-
		Asset securitization	155,696	261,206
	Operational risk	Basic Indicator Approach	11,057,163	12,041,788
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	16,318,538	10,062,775
		Internal Models Approach	-	-
	Total risk-weighted assets		238,183,007	234,970,885
Capital adequacy ratio			12.05%	11.21%
Tier 1 Risk-based Capital Ratio			9.67%	8.44%
Tier 2 Risk-based Capital Ratio			2.38%	2.77%
Tier 3 Risk-based Capital Ratio			-	-
Stockholders' equity/Total assets			5.89%	6.21%
Gearing ratio			6.41%	5.69%

Note 1: The consolidated capital adequacy ratio as of December 31, 2009 and 2008 was 12.09% and 11.26%, respectively.

Note 2: The eligible capital and risk-weighted assets in the table above should be filled in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" and "calculation method and table of self-owned capital and risk-weighted assets".

Note 3: The relevant formulas are as follows:

- 1: Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
- 2: Total risk-weighted assets = credit risk-weighted assets + (operational risk + market risk) * 12.5
3. Capital adequacy ratio = Eligible capital / Total risk-weighted assets
4. Tier 1 Risk-based Capital Ratio = Tier 1 capital / Total risk-weighted assets
5. Tier 2 Risk-based Capital Ratio = Tier 2 capital / Total risk-weighted assets
6. Tier 3 Risk-based Capital Ratio = Tier 3 capital / Total risk-weighted assets
7. Stockholders' equity to total assets ratio = Shareholder's equity/Total assets
8. Gearing ratio = Tier 1 capital / averaged assets after adjustments (average assets – tier 1 capital – goodwill – unamortized loss on sale of non-performing loans and amounts should be deducted from the tier 1 capital pursuant to "calculation method and table of self-owned capital and risk-weighted assets").





d. Presentation of financial statements

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified and presented in accordance with “Guidelines Governing the Preparation of Financial Reports by Public Banks”, to conform to the financial statements as of and for the year ended December 31, 2009. The reclassification does not have material impact on the presentation of the financial statements.

e. Cross-selling marketing strategies implemented between the Bank, the Yuanta Financial Holding Co. and its subsidiaries

- i. Please refer to Note V – related party transactions for business activities or transactions.
- ii. In order to achieve the integrated benefit for financial holding company, the Group adopts the cross-selling marketing approach to take advantage of the operation channels, branches and staff to satisfy various needs of the clients, to increase the Group’s sales performance and to enhance cost-saving efficiency. The cross-selling marketing approach was conducted in conformance with “Yuanta Commercial Bank Co., Ltd. Cross-selling Marketing Rules” which is established based on “Yuanta Financial Holdings Company Group Cross-selling Marketing Rules” to regulate the Bank, the Yuanta Financial Holdings Co. and its subsidiaries, to ensure clients’ rights.

f. Information exchange

As the Bank, the Yuanta Financial Holdings Co. and its subsidiaries or other third parties adopted cross-selling marketing approach, such entities should comply with Article 5 of “Yuanta Commercial Bank Co., Ltd. Cross-selling Marketing Rules” to disclose, transfer or exchange client information. Details of the rules are as follows:

- i. in accordance with regulations and authorities
- ii. the client has signed the covenant with a written agreement

Once the clients’ information have been disclosed, transferred or exchanged in conformance with the above rules, the clients’ rights and interests should not be damaged. Unless otherwise regulated by the rules and clients’ written consent, the information disclosed, transferred or exchanged should not include information in relation to the account, credit, investment or insurance other than clients’ personal information.

g. Common use of operation facilities or place

In accordance with Article 13 of “Yuanta Commercial Bank Co., Ltd. Cross-selling Marketing Rules”, written agreement between the Bank, the Yuanta Financial Holdings Co. and its subsidiaries or personnel from other subsidiaries for common use of operation facilities or place should be made for sharing management fees, service fees or commissions or other relevant expenses and duty of care.

There was no major common business marketing and information exchanged as of December 31, 2009.

h. Others

In order to provide clients more convenient and diverse financial services and boost the Bank’s long-term profitability, the Bank successfully bidded for 18 domestic branches of Chinfon Bank (Package A) on October 27, 2009 given that RTC compensated the Bank



for \$19.3 billion. The acquisition has been approved by the Board of Directors (acting on behalf of the stockholders) on November 5, 2009. In accordance with “The Financial Institutions Merger Act” and other related regulations, the acquisition date will be effective on April 3, 2010, which has been approved by the competent authority on February 5, 2010.





XI. Other Disclosure Items

(1) Related information on material transaction items:

A. Information regarding stock of long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

B. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Acquired company	Property	Acquisition date	Carrying value	Transaction price	Received	Counterparty	Relationship	Acquisition Purpose	Decision price	Other arrangement
Bank	Land (1F~7F and parking lot)	2009/5/27	-	444,547	(1)2009.05.06 \$63,507 (2)2009.05.08 \$254,027	Yuantan Asset Management	Related party	Office premise for operating use	Based on appraisal reports issued by appraisers	None
	Building (1F~7F and parking lot)	2009/5/27	-	190,520	(3)2009.05.18 \$254,026 (4)2009.05.25 \$63,507		Related party			
		Total	-	635,067	635,067					

C. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

The company listed accounts receivable	Counterparty	Relationship	Accounts receivable from related party	Turnover rate	Amount overdue		Amount received subsequently	Amount of allowance
					Amount	Handling method		
Yuantan Commercial Bank	Yuantan Financial Holdings	Parent Company	\$ 2,006,512 (Note 1)	-	-	-	-	-

Note 1: The amount above represents income tax refundable arising from the consolidated income tax return system.

F. Information regarding selling non-performing loans: None.

G. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transaction items which were significant to decision maker who use the information in the financial statement: None.

(2) Supplementary disclosure regarding investee companies:

A. Supplementary disclosure regarding investee companies

Name of the Investor	Name of the Investee	Investee Location	Investee's main operations	Percentage of ownership (%) at the end of current period	Carrying value of investments	Investment income (loss) recognized by the Bank for current period	The combined ownership of the investee company's common shares held by the Bank and its related parties		
							Number of ready shares	Number of pro-forma shares	Total Number of shares Percentage of ownership (%)
Yuanta Commercial Bank	Yuanta Leasing	9F., No. 68, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Chattel, real estate and property selling and leasing	98.56	\$ 105,759	(\$ 2,748)	19,700	None	19,700 100.00
Yuanta Commercial Bank	Yuanta Life Insurance Agent	7F., No. 66, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Life insurance agency	99.99	25,057	11,405	300	None	300 100.00
Yuanta Commercial Bank	Yuanta Property Insurance Agent	7F., No. 66, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Property insurance agency	80.00	5,224	1,019	-	None	- 100.00

B. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

C. Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.





- E. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- F. Information regarding selling non-performing loans: None.
- G. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: None.
- H. Other material transaction items which were significant to people who use the information in the financial statements: None.
- I. Lending to other parties: not applicable to Yuanta Leasing, for which this is one of its registered operating activities. Other investees: None.
- J. Guarantees and endorsements for other parties: None.
- K. Information regarding securities held as of December 31, 2009: None.
- L. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- M. Information regarding trading in derivative financial instruments: None.

(3) Investments in People's Republic of China: None.

XII. Segment Information: Not applicable.



3. Risk Management and Other Significant Issues

(1) Information of Credit Risk Management:

A. Credit Risk Management System in 2009

Item	Contents
1. Strategies, objectives, policies and procedure of credit risk	- Strategies and objectives: - Follow Basel II requirements to upgrade the Bank's ability in risk management and internationalism. - Well found and fully implement the various risk management systems and control procedures. - Strengthen the information integration, analysis and precautionary effect to exert the risk management actively. - Policies: - Cultivate the business strategies and organizations valuing credit risk management, and master the qualitative and quantitative management approaches as the reference in strategy making. - Establish the overall credit risk management system to be promoted and implemented by the Bank's Board of Directors, management at each level and employees. Control possible business risks during the process of operation in qualitative and quantitative manners through the identification, measurement, control and report of potential risks within the risk appetite, in hopes of ensuring the Bank's achievement of credit risk strategic objectives. - Authorize independent credit risk management entities and personnel to exercise job duties to ensure that the Bank's credit risk management systems is implemented effectively and to help the Board of Directors and management perform their duties fully to fulfill the bank's credit risk management systems. - Establish effective methods and controlling procedures to ensure the adequacy of deposits and withdrawal, and express the operating results in a proper manner through the risk adjustment, and create the objective for maximization of shareholders' value. - Management procedure: Credit risk identification, measurement, control and management, credit risk report and credit performance management.
2. Structure and organization of credit risk management	- Board of Directors: - The Board of Directors is the Bank's supreme policy-making entity for risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire credit risk management objectives. - Establish Audit Committee to review the risk-related proposal before proposing them to the Board of Directors and negotiate with the risk implementation entities. - Senior managers: Asset & Liability Management Committee, Risk Management Committee, Non-Performing Loan Management Committee and Credit Evaluation Committee are subordinated to the president. - Management entities: - Responsible for researching and drafting or suggesting the amendments to the Bank's credit risk management policies and guidelines to be proposed to Board of Directors for approval. - Establish the Bank's entire structure of measuring, controlling and evaluating quantitative risk. - Responsible for enforcing and controlling the Bank's credit risk management and credit risk management rules for the various businesses to ensure that all businesses may strictly apply with the Bank's credit risk management policies and guidelines. - Internal audit: The independent internal audit entities will review the enforcement of the Bank's credit risk management systems periodically and disclose it in the audit report truly, and will follow up the defects or extraordinary circumstances discovered by them in the process of review upon submitting the audit report, to ensure that the relevant entities have taken the corrective actions in a timely manner.





Item	Contents
3. Scope and characteristics of credit risk report and measurement systems	1. Scope and characteristics of credit risk report: (1) Report of Board of Directors. (2) Report of Audit Committee. (3) Monthly briefed report of Asset & Liability Management Committee. (4) Monthly briefed report of Risk Management Committee. (5) Monthly corporate banking asset quality report. (6) Monthly disclosure of information about the individual limits in the various countries. 2. Credit risk measurement systems include: (1) Capital charge calculation platform information system. (2) The credit information and investigation system. (3) The collection system: Asset appraisal. (4) The Bank's credit risk alarming system: The credit risk alarming mechanism. (5) Mid-term crediting management platform (Including post loan management and the review platform.) (6) Step-by-step establish consumer banking scorecard. Car loan applications scorecards, credit card applications scorecards and behavior scorecards are completed currently. (7) Step-by-step complete the establishment of the large exposure system (including the group, the industrial and the national limit).
4. Credit risk hedging or risk reduction policies, and strategies and procedures for controlling the ongoing effectiveness of hedging and risk reduction tools	1. Credit risk hedging or risk reduction policies: (1) Review the credit risk hedging planned and executed by the businesses of centralized risk or higher risk. (2) Plan to amend the Bank's regulations of risk reduction and controlling system to follow the risk reduction regulations in the Basel II. 2. Strategies and procedures for controlling effectiveness of hedging and risk reduction: Plan and establish the collateral management system in accordance with Basel II risk reduction regulations in 2009, and ensure the ongoing effective mess of risk reduction of collaterals through periodical revaluation of collaterals, loan-to-value ratio alert, analysis of centralization and stress testing.
5. Approach for regulatory capital charge	Standardized Approach

B. Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

Unit: NT\$1,000 ; Dec.31.2009

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Capital Charge
Sovereigns	83,090,353	0
Non Central –Government Public Sector Entities	199,492	0
Banks (Multilateral Development Banks included)	20,116,910	664,760
Cooperates(Securities firms and insurance companies included)	133,972,973	10,272,710
Retailed credit	43,790,587	2,840,627
Residential Property	75,673,796	2,752,242
Equity-securities investment	0	0
Other assets	6,904,103	321,789
Total	363,748,214	16,852,128



(2) Information of Asset Securitization Management:

A. Asset Securitization Management System in 2009

Item	Contents
1. The strategies and procedure of asset securitization risk management	The procedure of securitized product investment : Before the sales division invests in any securitized product, investment analysis must be conducted on product security, liquidity and profitability and such investment must be approved by the authorized levels according to the investment objectives.
2. The organization and structure of asset securitization management	—
3. Scope and characteristics of asset securitization risk report and measurement systems	—
4. The hedge of asset securitization or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools	—
5. Approach for regulatory capital charge	Standardized Approach

B. Engagement in Asset Securitization:

No information is to be disclosed, for the Bank has never been the originator for asset securitization.

C. Risk exposure and accrual capital charge for asset securitization :

Unit: NT\$1,000 ; Dec.31.2009

Type	Non- Originating bank		Originating bank					
	Purchase or Possession of Securitization Risk Exposure	Capital Charge	Exposure					Capital Charge before securitization
			Non-asset based commercial paper				Asset based commercial paper	
			Traditional		Portfolio			
			Retained position	Unrestrained position	Retained position	Unrestrained position		
Real Estate Asset Trust	96,200	5,859	—					
Collateralized Debt Obligation	99,055	5,938						
Other	41,220	659						
Total	236,475	12,456						





D. Information of investment in asset securitization products :

Unit: NT\$1,000 ; Dec.31.2009

Item	Listed Accounting Codes	Original cost	Accumulated value income	Accumulated impairment	Book Value
Other securitized products	Held until expiration	41,102	0	0	41,102
Notes issued at Structured Investment Vehicle (SIV)	at fair value through income statement	540,740	-540,740	0	0
Assets Backed Securities Consumer Loan Obligations, ties age-backed securities (ABS): including Collateralized Loan Obligations (CLO), Collateralized Bond Obligations (CBO), Credit Card Receivables Obligations, Auto Loan Obligations, Consumer Loan Obligations, Lease Receivables Obligations and other securitization securities or assets backed securities	Available-for-Sale	91,338	7,716	0	99,054
Real-estate Investment Trust Security: Refers to Real Estate Asset Trust (REAT)	Available-for-Sale	94,576	780	0	95,356

(3) Information of Operational Risk Management:

A. Operational Risk Management System in 2009

Item	Contents
1、The strategies and procedure of operational risk management	1. Formed a risk-oriented operation model and straightened business development to achieve its operation goals and maximize shareholder value. The Bank developed risk management policies, operational risk management principles, defined the scope and duties of operational risk management, and executed risk identification, risk evaluation and reporting processes including operational risk assessment and process analysis. 2. In response to existing or potential operation risks, all divisions in the Bank take effective improvement practices and persistently tract the according implementation. Before the undertaking or during the planning of new services, all related operational risks must be identified and the control of the process marked. The Bank additionally constructed contingency plans and conducted necessary simulation to assure incessant operation amid possible severe accidents.
2、The organization and structure of operational risk management	1. Board of Directors: The supreme authority in the Bank, in charge of approving risk management policies and according principles and monitoring execution of all systems in order to achieve the comprehensive goals. 2. Risk Management Committee: Supervise risk management execution and promotion and review risk management reports to ensure the effectiveness of the Bank's risk management. 3. Risk Management Department: Execute, evaluate, monitor and control the operational risk management so that the Bank's Risk Management Policy and Operational Risk Management Principles are followed on all services. 4. All departments in Head Office, supervising divisions and business divisions: According to operational risk management regulations, all departments and supervising divisions developed according business regulations as standards for execution of all service divisions. 5. Internal Audit: Internal audit divisions under Board of Directors are in charge of auditing the execution of operational risk management system in the Bank.



3、Scope and characteristics of operational risk report and measurement systems	The Bank measures and monitors operational risks through management tools including operational risk loss data collection, self-assessment of operational risk and control and operational risk indicators. All divisions in the Bank conduct online risk event reporting and self assessment through the operation risk report system and the self-assessment system of operational risk and control. Risk Management Dept. conducts operation process examination, compiled analysis and improvement practice tracking with the tendency of risk indicator changes, internal and external losses, and the self- assessment of all divisions on control. The result of risk identification, measurement and monitoring are periodically reported to the executives.
4、Operational risk hedging or risk reduction policies, and strategies procedures for controlling the continuously effectiveness of hedging and risk reduction tools	The Bank developed regulations on operation risk hedging or risk mitigation. The Bank responds to loss amount and the frequency of operation risks with according risk mitigation strategies, such as strengthening personnel training, improving operation processes, solidifying system control, and transferring risk through insurance or operation outsourcing. Periodical risk evaluation, benefit or claim capability should be conducted on outsourcing activities and insurance companies to safeguard the effectiveness of risk mitigation vehicle.
5、Approach for regulatory capital charge	Basic Indicator Approach

B. Accrued Capital Charge of Operational Risk :

Unit: NT\$1,000 ; Dec.31.2009

Year	Gross Income	Capital Charge
2007	6,618,287	-
2008	5,538,475	
2009	5,534,690	
Total	17,691,452	884,573





(4) Information of Market Risk Management:

A. Market Risk Management System in 2009 :

Item	Content
1. Market risk management strategies and processes	- In order to establish the fair risk management system and well found the development of business to boost the proper risk management-oriented business model and achieve the operational objectives and increase shareholders' value, the Bank's Board of Directors approves the risk management policies to fulfill the well-founded risk management system and create stable and high-quality profitability for shareholders. - Based on the existing risk management policies and guidelines, fulfill the quantification of market risk step by step and establish the management and appraisal mechanism for risk value and optimal allocation of capital. - Scope of business and underwritten products: enact the market risk management guidelines, define the scope of market risk management; the scope of businesses may include transactions in foreign exchange market, currency market and capital market, and transactions of derivative financial products. - Define the risk management procedure and application methods (e.g. sensitivity analysis, risk value calculation, scenario simulation and stress testing, etc.), require the relevant entities to set the limits of the various financial product transactions, e.g. the limit of position, limit of nominal amount and stop-loss limit, and also the approving authority and guidelines to process the excess in the limit. In order to enhance the transparency of the information about market risk, the risk management entities shall inspect and submit the risk management statement on a daily basis, and shall continue supervising and following up on extraordinary circumstances in the transactions, if any.
2. Market risk management organization and structure	- Board of Directors: - The Board of Directors is the Bank's supreme policy-making entity of risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire market risk management objectives. - Establish Audit Committee to review the risk-related motions before proposing them to the Board of Directors and negotiate with the risk implementation entities. - Senior management: Asset & Liability Management Committee and Risk Management Committee are subordinated to the president. - Develop the Bank's market risk management guidelines and rules according to the market risk management policies approved by Board of Directors, and ensure that the Bank has the express functions and operations for market risk management, effective market risk management procedure and proper market risk management system. - Authorize competent employees to execute the market risk management operation and ensure that they have the ability and expertise affordable to execute the market risk management business and comply with the relevant policies and procedures. - Market risk management entities: - Risk Management Dept., Financial Trading Dept., Treasury Dept., Financial Trading Supporting Dept. and operation divisions. - Responsible for researching and drafting or amending the Bank's risk management policies and market risk guidelines to be proposed to Board of Directors for approval. - Work with proprietary trading entities to research and draft or amend the various financial products business control rules, and propose them to the president for approval. - Plan and establish the Bank's structure of identifying, measuring and controlling market risk, execute the limit management report and inspection to alert excess in limit, in order to ensure that the various financial products



Item	Content
	businesses may strictly comply with the Bank's risk management policies and regulations.
3. Scope and characteristics of market risk report and measurement systems	To provide the market risk daily management reports to disclose the positions of the various financial products and profit and loss information, and work with the Summit system to establish and measure the interest rate, exchange rate, equity securities and commodity risk values.
4. The hedge of market risk or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools	When the market risk exposure is getting higher, the Bank will take some approaches such as risk exposure deduction or approved hedge to lower the market risk to the controllable level.
5. Approach for regulatory capital charge.	Standardized Approach.

B. Accrued Capital Charge of Market Risk :

Unit: NT\$1,000 ; Dec.31.2009

Type of Risk	Accrued capital charge
Interest rate risk	676,194
Equity securities risk	389,495
Foreign exchange risk	239,794
commodity risk	0
Total	1,305,483

C. Value at Risk for Trading Position (99%, one day, unit: NT\$1,000) :

Item	2009			
	Dec.31.2009	Average VaR	Minimum VaR	Maximum VaR
Interest rate	17,462	13,094	3,843	38,399
Equity securities	7,596	7,092	4,733	11,732
Foreign exchange	1,672	3,304	289	25,660
Commodity	-	-	-	-
Subtotal	26,730	23,490	-	-
Dispersed effect	(7,795)	(8,024)	-	-
Total risk value	18,935	15,466	6,124	43,138

Note: The Market Risk Measurement Model employs the variance-covariance method, calculating the VaR (Value-at-Risk) at 99 % of one-tailed confidence interval. The market risk is measured through inspecting the result of back testing through theoretical prices.





(5) Information of Liquidity Risk Management:

A. Mature Analysis of the assets and liability-NT\$

t: NT\$1,000: Dec.31.2009

	Total	Amount in residual period to maturity				
		1-30 days	31-90days	91-180 days	181-365days	Over 365days
Major Capital inflow	327,432,569	75,221,084	19,370,226	25,623,368	32,624,106	174,593,785
Major Capital outflow	326,219,299	25,558,209	35,313,977	26,163,586	56,592,266	182,591,261
Gap	1,213,270	49,662,875	(15,943,751)	(540,218)	(23,968,160)	(7,997,476)

Note: This table only contains the NTD amount of Head Office and foreign/domestic branches.
(exclusive of foreign currencies).

B. Mature Analysis of the assets and liability-US\$

Unit: thousand USD: Dec.31.2009

	Total	Amount in residual period to maturity				
		1-30 days	31-90days	91-180 days	181-365days	Over 365days
Major Capital inflow	884,883	409,491	189,989	99,538	14,366	171,499
Major Capital outflow	939,963	696,967	117,787	41,426	76,246	7,537
Gap	(55,080)	(287,476)	72,202	58,112	(61,880)	163,962

Note 1 : Unless otherwise provided, this table shall specify the total USDs of the Head Office, domestic branches and international banking branches. Please complete this table according to the nominal amount, and it is not necessary to specify the amount not stated into account. (if negotiable deposit certificates, bonds or stocks are planned to be issued)

Note 2 : Where the offshore assets account more than 10% of the Bank's total assets, it is necessary to make supplementary disclosure.

C. The Approach to Capital Liquidity Management:

Since the "Asset-Liability Management System" was established in August 2008, the Bank has been supervising the maturity gap on the Bank's asset, liability and stockholder's equity and following the authority's regulation that the ratio of the liquidity gap over total asset should not exceed -5% during a one-month period to respond liquidity asset allocation at different times in advance and fortify the Bank's asset and capital liquidity management.

The liquidity asset in the Bank's banking book is allocated centering on security, liquidity and profitability. The Treasury Dept. timely tunes the allocation of liquidity asset according to the daily loan-deposit gap and market demand and supply. Meanwhile, the Bank conducts scenario analysis and pressure testing, estimates the Bank's possible liquidity gap and evaluates possible capital sources and the funding timing for best evaluation of the Bank's liquidity. In addition, the Bank also set up multiple risk management indices and warning points of liquidity in order to supervise and management liquidity risk.



D. Capital gap and Assets/liabilities management plan:

The Bank's assets and liabilities management plan aims to fully utilize the assets and liabilities gap, and seek the maximum income for the Bank under controllable risks. Currently, income from the interest rate difference still accounts for about 75% of the Bank's total income. The business end will strive for the business performance under risk management. Meanwhile, risk management for the interest rate throughout the Bank is the first priority.

The Bank currently has Funds Utilization Section of the Treasury Dept. manage the entire bank's interest rate risks through Fund Transfer Pricing (FTP). The Bank is able to agilely adjust the amount and the structure of the deposit and adjust FTP suitable to each currency and deposits with different terms, according to the Bank's loan-deposit ratio, funding gap and business goals, in order to direct the development of deposit business and effectively manage interest rate risk.

(6) Effect of changes in important policies and regulations on the Bank's financial business, and responsive action thereof**A. Revision of "Partial clauses in General Principles and Family Sections of the Civil Code" —**

Revised clauses of the Civil Code on "the order of commencement of guardianship" and "order of commencement of assistance" were announced on May 23rd 2008 and took effect on November 23rd 2009. The Bank conducted according services for accepted cases, developed responsive measures and revised according internal policies.

B. Revision of "Partial Clauses in Succession Law of the Civil Code" —

Revised clauses on "Succession Law of the Civil Code" and "Enforcement Law for Part V, Succession Law of the Civil Code" were announced on June 10th 2009. The revision states that the general succession system in the Country will be revised to limited liability on general succession and the succession can be traced back before June 10th 2009. To respond to the revision of "Succession Law of the Civil Code" and "Enforcement Law for Part V, Succession Law of the Civil Code" and to ensure the creditor's rights, the Bank has tightened the evaluation of credits on the credit subject and adjusted its collection process.

C. The Implementation and Enforcement of "Regulations Governing Offshore Structured Products"

"Regulations Governing Offshore Structured Products" were announced on July 23rd 2009 and took effect on August 22nd. "Regulations Governing Offshore Structured Products" well defines standards for classifying professional investors and non-professional investors, management over issuers and general agents of offshore structure products, elaboration obligation, conditions and processes of product examination, code of conducts for related companies, constitution of examination





teams and policies that trusted or sales agencies shall follow. The Bank conformed to Article 20, established “Financial Product Examination Committee” to examine financial products and, pursuant to the regulations, and develops policies for carrying out “Professional Investors” and “Non-Professional Investors” classifying system.

D. Announcement and Enforcement of “Directions for Banks Conducting Financial Derivatives Businesses”

All of 44 revised points of “Directions for Banks Conducting Financial Derivatives Businesses” were announced on December 31st 2009. The 27th point will take effect in the 3rd month after the announcement date while the 17th, 28th, 30th, 33rd points will take effect on June 30th 2010. The rest points took effect immediately.

This revision introduces customer classification system (into professional and general customers), adds regulations on structure products and stipulates qualifications of derivatives salespersons and, if the transactions of derivatives between the Bank and the trading counterparts are early terminated the approach to the payable amount at settlement.

The Bank revised operating procedures and added regulations on classification standards of professional customers and general customers and on qualifications of derivatives salespersons to meet the legal requirements.

(7) The effect of changes in the Bank’s image on the Bank’s financial business , and responsive action thereof:

The Bank always conform to our philosophy “Sincerity, Stability, Service, Innovation and Attentiveness” and to the obedience with regulations and competent authority’s requirements to supply clients with more diverse, more complete and more comprehensive professional financial services and strive toward its ultimate goal-“provide ideal services to clients, create the most interest for shareholders and supply the feedback to the society wholeheartedly.”

(8) The expected effect, risks and responsive actions of M&A and expansion :

On November 5th 2009, the Bank obtained approval from the Board of Director (on behalf of shareholders’ meeting) and won an auction and acquired 18 branches of Good Bank with payout of NTD 19.3 billion to Resolution Trust Corporation (Funds). 10 of these branches will be opened at the same time on April 6th while the rest 8 branches will be opened upon the completion of relocation to Metro Taipei.

This merger signifies the Bank’s successful acquisition of domestic branches after the Bank succeed to merge with Tainan 6th Credit Cooperative. Upon the completion of merger in April, 2010, the Bank’s service locations will hike from 70 to 88 branches. In addition to expanding the service locations and marching toward a quality “mid-sized” bank as its goal, the Bank also strengthens the flexibility of its channel strategies, follows the Financial Holding’s comprehensive strategies and move its operation north to significantly raise the



Bank's operating value in Metro Taipei and further achieve its goal in expanding its operation, increasing its service locations and maximize its competence.

Please refer to "Acquisitions or Assignment of Other Financial Institutes:" in III. Fundraising (Page 46) for the details of such merger.

(9) Risks and Responses for Service Centralization.

A. Group Centralization Risk:

The Bank developed regulations and set the limits for trading groups and companies. These limits are adjusted timely to avoid over-centralized risks and decentralize credit risks of services the Bank undertakes.

B. Industry Centralization Risk:

The Bank developed regulations and set the industry limits on different transacting industries. These limits are adjusted timely to avoid over-centralized credit risks and decentralize credit risks of services the Bank undertakes.

C. Country Centralization Risk:

The Bank developed regulations and set the country limits on different transacting risky countries. These limits are adjusted timely to avoid over-centralized credit risks and decentralize credit risks of services the Bank undertakes.

D. Collateral Credit Risk:

The Bank, according to Article 72 of The Banking Act of The Republic of China, not only conducts corporate building and residence loans, but also develops according regulations on the crediting on collateralized stocks to control the credit risks on collateral.

(10) The effect, risks and responsive actions of changes in the management rights:

The Bank is a subsidiary 100% held by Yuanta Financial Holdings. Management rights did not change.

(11) Litigation and Non-Litigation:

There's no significant litigation.

(12) Information of Crisis Management

In order to perfect the Bank's crisis prevention and response mechanism, the Bank has defined the "Crisis Management Policies" and "Procedures and Crisis Management Response Manual", so that supervisors of related units may report the emergency via the various channels and research and draft responsive practices in the case of any risk or likelihood of risk, so as to restore the operation of the Bank's businesses expeditiously and effectively to minimize the damage. Meanwhile, the Bank has defined the SOP for the various emergencies (e.g. fire, robbery, or mass protest); periodically conduct security dry run for rapid and effective response to emergency.





2009 Annual Report

We Create **Fortune**



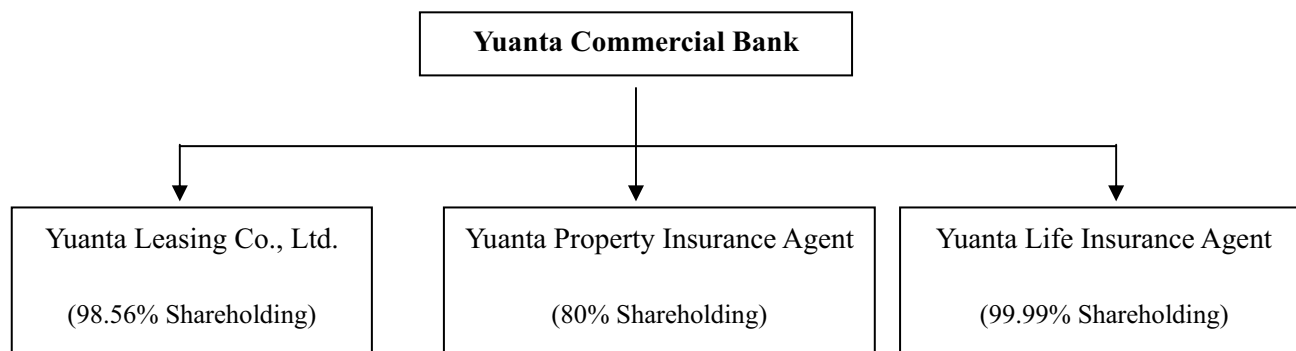
Special Notes

V. Special Notes

1. Information of Affiliates

(1) Organization Chart

Base Date: March 31, 2010



Corporate	Date of Establishment	Address	Paid-in Capital (NT\$1,000)	Scope of Business
Yuanta Leasing Co., Ltd.	07.24.1998	9F, No.68, Sec.1, Dunhua S. Rd., Taipei City	199,880	1. Leasing 2. Factoring business 3. Other business may not be prohibited or restricted by law.
Yuanta Property Insurance Agent Ltd.	10.02.1999	7F, No.66, Sec.1, Dunhua S. Rd., Taipei City	3,600	Property Insurance Agent
Yuanta Life Insurance Agent Co., Ltd.	11.20.2001	7F, No.66, Sec.1, Dunhua S. Rd., Taipei City	3,000	Life Insurance Agent

(2) Directors, Supervisors and Managers

Base Date: March 31, 2010

Corporate	Position	Name of Individual or Representative(s)	Shareholdings
Yuanta Leasing Co., Ltd.	Chairman Director Supervisor	Yuanta Commercial Bank Statutory Representatives: Chia-Lin Chin Kang Wonlee, Ting-Yu Chang, Hsien-Tao Chiu, Eric K. Chiu Ji-Sheng Wang	19,700,000 shares 98.56%
Yuanta Property Insurance Agent Ltd.	Chairman President	Yuanta Commercial Bank Statutory Representatives: De-Shan Wang De-Shan Wang	(a limited company) 80.00%
Yuanta Life Insurance Agent Co., Ltd.	Chairman Director Supervisor President	Yuanta Commercial Bank Statutory Representatives: De -Shan Wang Chia-Lin Chin, Hung-Lin Wu Ji-Sheng Wang De -Shan Wang	299,991 shares 99.99%



**(3) Business Overview**

Unit:NT\$1,000 ; Base Date: December 31, 2009

Corporate	Capital	Total Assets	Total Liabilities	Book Value	Operating Revenue	Operating Income	Income (after tax)	EPS (NT\$) (after tax)
Yuanta Leasing Co., Ltd.	199,880	107,425	120	107,305	395	(450)	(2,788)	(0.14)
Yuanta Property Insurance Agent Ltd.	3,600	9,381	2,851	6,530	19,014	1,591	1,274	3.54
Yuanta Life Insurance Agent Co., Ltd.	3,000	51,871	26,813	25,058	168,175	15,069	11,405	38.02

Milestones of Yuanta Commercial Bank in 2009

January	Launched a 3-month dollar-cost averaging program “Totally Yours” Part I.
February	Launched “Totally Bull”, a NTD premium CDs program.
	Completed “The New Core System”.
	Launched corporate short-term financing premium.
March	Launched Credit-Linked Structure Deposit.
April	Launched a 3-month dollar-cost averaging program “Totally Yours” Part II.
May	Completed Remote Back Up Facility
	Founded a corporate banking team, “Jumbo Team”.
July	Hosted a LOHAS workshop “Health Better, Wealth Better”. (3 workshops across the country).
	Launched a six-month dollar-cost averaging program “Totally Robust”.
	Co-founded an ICB (Investment Corporate Banking) team with Yuanta Securities to cultivate core customers of the Financial Holdings.
August	Launched Credit Default Swaps
September	Lunched “Yuanta 3 Plus”, a foreign exchange premium CDs program.
October	Hosted a VIP financial workshop “Embrace Your Future of Great Wealth” (4 workshops across the country).
	Launched dollar-cost averaging program “Totally Salary”.
	Serve as the sponsor unit of Pillar I Team of “New Basel Capital Accord(Basel II) Continuing Research Taskforce”, confounded by FSC and The Bankers Association Of The Republic Of China.
	Won the auctioning of 18 branches of Good Bank.
November	Hosted a VIP financial workshop “Embrace Your Future of Great Wealth” (6 workshops across the country).
December	Completed the integration of accounting and financial ERP systems of 11 subsidiaries in the Financial Holdings.
	Completed the machine facility relocation and elevated the Bank’s security of the Bank’s IT facilities.





Branches and Overseas Offices

Base Date: April 15, 2010

Name	Manager	Tel	Fax	Address
Business Department	Jin-Ren Syu	(02) 2173-6680	(02) 2772-1909	No.66 , Sec. 1, Dunhua S. Rd., Taipei City 105, Taiwan
Taipei Branch	Daisy Chen	(02) 2705-7888	(02) 2755-3751	No.38, Sec. 2, Dunhua S. Rd. , Taipei City 106, Taiwan
Chingmei Branch	Janiffer Chiu	(02) 8663-6766	(02) 8663-3139	No.3, Jingwun St. , Taipei City 116, Taiwan
Nanjing East Road Branch	Jeng-Hwa Cherng	(02) 2545-8777	(02) 2545-8118	No.219, Sec. 3, Nanjing E. Rd., Taipei City 104, Taiwan
Shihlin Branch	Jason Wang	(02) 2837-6638	(02) 2835-5886	No.314, Jhongjheng Rd. , Taipei City 111, Taiwan
Guting Branch	Ben Tu	(02) 2365-4567	(02) 2368-5959	No.37, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City 106, Taiwan
Neihu Branch	Jui-Yi Chien	(02) 8751-8759	(02) 8751-9858	No.618, Rueiguang Rd. , Taipei City 114, Taiwan
Sinyi Branch	Mei-Lin Hsiung	(02) 2703-2569	(02) 2701-2259	No.236-1, Sec. 4, Sinyi Rd., Taipei City 106, Taiwan
Songjiang Branch	Michael Wang	(02) 2516-8608	(02) 2516-1078	No.109, Songjiang Rd., Taipei City 104, Taiwan
Tianmu Branch	Wen-Hsiung Shih	(02) 2871-2558	(02) 2871-1117	No.14, Tianmu W. Rd. Taipei City 111, Taiwan
Minsheng Branch	Ju-Jen Lee	(02) 8712-9666	(02) 8712-7077	No.52-1, Sec. 4, Minsheng E. R d., Taipei City 105, Taiwan
Jhongshanbeilu Branch	Chin-Sheng Chang	(02) 2521-7888	(02) 2521-0678	No.135 Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan
Jhongsiao Branch	Li-Chang Lu	(02) 8786-7778	(02) 8786-7758	No.238, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan
Chengde Branch	Chien-Pin Wu	(02) 2592-0000	(02) 2592-1209	No.210, Sec. 3, Chengde Rd., Datong District, Taipei City 103, Taiwan
Chengjhong Branch	Hsiu-Pao Lu	(02) 2382-2888	(02) 2381-8399	No.42, Hengyang Rd., Jhongjheng District, Taipei City 100, Taiwan
Yanji Branch	Fred Liu	(02)2731-6177	(02)2775-1441	No.180, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan
Datong Branch	Rachel Tu	(02)2558-5869	(02)2550-0878	No.66, Nanjing W. Rd., Datong Dist., Taipei City 103, Taiwan
Songshan Branch	Yu-Jun Chen	(02)8785-7618	(02)8785-9711	No.675, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan
Daan Branch	Yen-Shan Lee	(02)2709-0636	(02)2709-1226	No.155, Sec. 1, Xinsheng S. Rd., Da'an Dist., Taipei City 106, Taiwan
Fulin Branch	Vincent Shih	(02)2832-5788	(02)2832-4081	No.626, Sec. 5, Zhongshan N. Rd., Shilin Dist., Taipei City 111, Taiwan



Name	Manager	Tel	Fax	Address
Dunbei Branch	Jian-Wei Pan	(02)2547-5188	(02)2547-5600	No.207-2, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan
Sindian Branch	Shih-Hsien Cheng	(02) 2912-5799	(02) 2914-1255	No.252, Sec. 2, Beisin Rd., Sindian City, Taipei County 231, Taiwan
Beixin Branch	Chien-Chung Wu	(02)8665-6188	(02)2915-9835	No.268, Sec. 2, Beixin Rd., Xindian City, Taipei County 231, Taiwan
Yonghe Branch	Cheng-Yi Chang	(02) 2232-5558	(02) 2232-5568	No.32, Sec. 2, Yonghe Rd., Yonghe City, Taipei County 234, Taiwan
Jhonghe Branch	Tai-Yuan Huang	(02) 2245-6789	(02) 8245-7669	No.1 & No.3, Taihe St. , Zhonghe City, Taipei County 235, Taiwan
Sanchong Branch	Hong-Chih Lin	(02) 2983-2255	(02) 2988-5810	No.111, Sec.3, Chongsin Rd. , Sanchong City , Taipei County 241, Taiwan
Beisanchong Branch	Ming-Hui Wu	(02)2982-9192	(02)2989-3060	No.195, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan
Xintai Branch	Steven Lai	(02)2990-5858	(02)2990-7955	No.267, Zhongzheng Rd., Xinzhuang City, Taipei County 242, Taiwan
Sinjhuang Branch	Ta-Hsiang Yuan	(02) 2206-7799	(02) 2206-9977	No.379, Jhongjheng Rd. , Sinjhuang City , Taipei County 242, Taiwan
Banciao Branch	Sam Liu	(02) 2953-6789	(02) 2953-3386	No.69, Sec. 1, Zhongshan Rd., Banciao City, Taipei County 220, Taiwan
Tucheng Branch	Luin-Chian Lin	(02) 2270-3030	(02) 2260-5151	No.255, Sec. 1, Jhongyang Rd., Tucheng City, Taipei County 236, Taiwan
Lujhou Branch	Cheng Liao	(02) 2281-8958	(02) 2281-0266	No.235, Changrong Rd., Lujhou City, Taipei County 247, Taiwan
Nankan Branch	Li-Ching Yu	(03) 312-9550	(03) 312-9551	No.309, Jhongjheng Rd. , Lujhu Township , Taoyuan County 338, Taiwan
Chungli Branch	Chung-Hsi Chuang	(03) 426-6007	(03) 426-6017	No.7, Jhongyang E. Rd. , Jhongli City, Taoyuan County 320, Taiwan
Taoyuan Branch	James Yang	(03) 337-2211	(03) 334-2381	No.429, Jhongshan Rd. , Taoyuan City, Taoyuan County 330, Taiwan
Taosin Branch	Spencer Lu	(03) 338-5518	(03) 338-5618	No.51-2, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan
Pingjhen Branch	Ching-Sung Chen	(03) 494-2690	(03) 494-3064	No.18, Huannan Rd. , Pingjhen City , Taoyuan County 324, Taiwan
Linkou Branch	Chien-Chen Lin	(03) 328-8999	(03) 328-8668	No.236 & No.238, Fusing 1st Rd., Gueishan Township , Taoyuan County 333, Taiwan
Hsinchu Branch	Wen-Ting Huang	(03) 545-6688	(03) 545-6008	No.276, Minsheng Rd. , Hsinchu City 300, Taiwan
Jhubei Branch	Yu-Chien Hsu	(03) 658-1212	(03) 658-1233	No.208, Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan
Hsinchu Science Park Branch	Sheng-Feng Chen	(03) 666-7888	(03) 666-7688	No.267, Sec. 1, Guangfu Rd., East District, Hsinchu City 300, Taiwan
Luodong Branch	Samuel Wu	(03) 956-8966	(03) 956-2333	No.38, Jhongjheng N. Rd., Luodong Township, Yilan County 265, Taiwan





Name	Manager	Tel	Fax	Address
Kin men Branch	Chih-Ming Chung	(082) 322-566	(082) 311-426	No.188-1 Mincyuan Rd., Jincheng Township, Kinmen County 893, Taiwan
Hualien Branch	Chi-Chen Lin	(03) 831-1708	(03) 832-1169	No.74, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan
Miaoli Branch	Yu-Ling Hsu	(037) 336-678	(037) 336-718	No.460, Zhongzheng Rd., Miaoli City, Miaoli County 360, Taiwan
Taichung Branch	Chih-Sheng Pan	(04) 2227-1799	(04) 2220-7499	No.66, Mincyuan Rd. , Taichung City 400, Taiwan
Wunsin Branch	Tsung-Chieh Lee	(04) 2297-0068	(04) 2296-5966	No.337, Sec. 3, Wunsin Rd. , Situn District, Taichung City 407, Taiwan
Fusing Branch	Ying-Wen Hung	(04) 2261-6889	(04) 2262-1060	No.269, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan
ChongDe Branch	Shih Ming Chen	(04) 2232-9961	(04) 2233-1818	No.46, Sec. 2, Chongde Rd. , Beitun District, Taichung City 406, Taiwan
ChungGang Branch	Yeh-Lu Lee	(04) 2465-0889	(04) 2465-0989	No.102-10, Sec. 3, Taichung Port Rd., Situn District, Taichung City 407
Shalu Branch	Kuang-Chung Liao	(04) 2665-6656	(04) 2663-3852	No.535, Jhongshan Rd. , Shalu Township , Taichung County 433, Taiwan
Fongyuan Branch	Chi-Wen Tso	(04) 2529-3366	(04) 2524-0028	No.23, Yuanhuan W. Rd. , Fongyuan City , Taichung County 420, Taiwan
Caotun Branch	Pei-Pei Fang	(049) 232-1661	(049) 232-1800	No.146, Sec. 2, Taiping Rd. , Caotun Township , Nantou County 542, Taiwan
Dali Branch	Sheng-Wen Chien	(04) 2492-2288	(04) 2493-2355	No.724, Tucheng Rd. , Dali City , Taichung County 412, Taiwan
Dajia Branch	Shu-Chen Liao	(04) 2688-6088	(04) 2688-6366	No.833, Sec. 1, Jhongshan Rd. , Dajia Township , Taichung County 437, Taiwan
Taiping Branch	Li-Fen Chang	(04) 2270-2688	(04) 2273-6000	No.53, Zhongxing Rd., Taiping City, Taichung County 411, Taiwan
Changhua Branch	Chang-Sen Wang	(04) 726-7001	(04) 726-6992	No.898, Sec. 2, Jhongshan Rd. , Changhua City , Changhua County 500, Taiwan
Yuanlin Branch	Ping-Hwang Hu	(04) 835-6403	(04) 835-2653	No.283, Sec. 2, Datong Rd. , Yuanlin Township , Changhua County 510, Taiwan
Lugang Branch	An-Kuo Hung	(04) 778-5799	(04) 777-9779	No.321, Jhongshan Rd. , Lugang Township , Changhua County 505, Taiwan
Beidou Branch	Chung-Lin Yeh	(04) 887-3881	(04) 887-3886	No.166, Guangfu Rd. , Beidou Township , Changhua County 521, Taiwan
Sihu Branch	Shu-Ying Lai	(04) 882-5656	(04) 882-5626	No.555, Donghuan Rd. , Siyu Township , Changhua County 514, Taiwan
Doushin Branch	Jui-Chien Hsieh	(05) 535-1799	(05) 535-1313	No.29, Wunhua Rd. , Douliou City , Yunlin County 640, Taiwan
Huwei Branch	Tsung-Hwa Hsieh	(05) 633-9169	(05) 633-9423	No.1, Heping Rd. , Huwei Township , Yunlin County 632, Taiwan
Dounan Branch	Hao Tsai	(05) 597-1138	(05) 597-1139	No.67, Jhongshan Rd. , Dounan Township , Yunlin County 630, Taiwan



Name	Manager	Tel	Fax	Address
Chiayi Branch	Steven Wu	(05) 232-7469	(05) 232-6415	No.185, Jhongsing Rd. , Chiayi City 600, Taiwan
Yongkang Branch	Woody Lin	(06) 312-6789	(06) 312-1228	No.511, Siaodong Rd. , Yongkang City , Tainan County 710, Taiwan
Jiali Branch	Victor Wang	(06) 721-4888	(06) 721-0249	No.278, Wunhua Rd. , Jiali Township , Tainan County 722, Taiwan
Tainan Branch	Jih-Shun Pan	(06) 293-8688	(06) 293-8699	No.348, Yonghua Rd., West Central District, Tainan City 700, Taiwan
Fuchen Branch	Chien-Sheng Wang	(06) 228-1281	(06) 222-2415	No.165, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan
Fudong Branch	Jin-Hao Wang	(06) 268-7815	(06) 267-3371	No.348, Sec. 2, Dongmen Rd., East District, Tainan City 701, Taiwan
KaiYuan Branch	Ming-Sheng Chen	(06) 238-3125	(06) 236-3661	No.461, Shengli Rd., North District, Tainan City 704, Taiwan
Anhe Branch	Chien-Nan Tseng	(06) 255-1236	(06) 256-9941	No.226, Sec. 1, Anhe Rd. , Annan District, Tainan City 709, Taiwan
Kaohsiung Branch	Ching-Chi Huang	(07) 222-9688	(07) 225-7728	No.38, Minzu 2nd Rd. , Sinsing District, Kaohsiung City 800, Taiwan
Nankaohsiung Branch	Kung-Ming Wu	(07)282-2101	(07)282-2160	No.143, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City 801, Taiwan
Boai Branch	Bih-Ru Liao	(07) 558-6088	(07) 558-3699	No.491, Mingcheng 2nd Rd. , Zuoying District, Kaohsiung City 813, Taiwan
Fongshan Branch	Wen-Pin Lu	(07) 715-2700	(07) 715-8500	No.280, Wujia 2nd Rd. , Fongshan City , Kaohsiung County 830, Taiwan
Sanmin Branch	Ming-Chia Tsai	(07) 395-1588	(07) 395-3288	No.715, Jiangong Rd. , Sanmin District, Kaohsiung City 807, Taiwan 8
Gangshan Branch	Yu-chao Cheng	(07) 621-8955	(07) 621-5358	No.380, Gangshan Rd. , Gangshan Township , Kaohsiung County 820, Taiwan
Pingtung Branch	Fu-Min Yang	(08) 735-0426	(08) 737-0121	No.690, Guangdong Rd., Pingtung City, Pingtung County 900, Taiwan
Tungshin Branch	Shu-Hui Lai	(089) 324-351	(089) 324-734	No.427, Sec. 1, Jhonghua Rd. , Taitung City , Taitung County 950, Taiwan

Overseas Office	Representative	Tel	Fax	Address
Hong Kong Representative Office	Wen-Jeng Chang	852-2810-9313	852-2810-9310	RM 1206, 12F., FarEast Consortium Building, No.121 Des Voeux Road Central, Central, Hong Kong

Affiliate	Tel	Fax	Address
Yuanta Leasing Co., Ltd	(02) 2173-6699	(02) 2772-1817	9F, No.68, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City
Yuanta Property Insurance Agent Company	(02) 2173-6879	(02) 2772-1995	7F, No.66, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City





Affiliate	Tel	Fax	Address
Yuanta Life Insurance Agent Company	(02) 2173-6879	(02) 2772-1466	7F, No.66, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City