



Agricultural Bank of Taiwan

Address: No.71, Guancian Rd.,Jhongheng District,
Taipei City 100,Taiwan (R.O.C)
TEL : +886-2-2-380-5100
Website : www.agribank.com.tw



2010 / Annual Report

June 2011



Agricultural Bank of Taiwan
2010 Annual Report



■ **Spokesperson**

Name : Shen Chi-Nan
Title : Vice President
Telephone : (02)2380-5105
E-mail : scn@agribank.com.tw

■ **Acting Spokesperson**

Name : Chu Kuang-Fu
Title : Vice President
Telephone : (02)2380-5107
E-mail : K.F.CHU@agribank.com.tw

■ **Agricultural Bank of Taiwan Corporation**

Address : No.71,Guancian Rd.,Jhongjheng District,
Taipei City 100,Taiwan (R.O.C)
Telephone : (02)2380-5100
Website : <http://www.agribank.com.tw>

■ **Credit Rating Agency**

Taiwan Ratings Corporation (T R C)
Address : 49F., No.7,Sec.5Sinyi District,
Taipei City 110,Taiwan (R.O.C)
Telephone : (02)8722-5800
Website : <http://www.taiwanratings.com.tw>

■ **Independent Auditor for 2010 Financial Statements**

Name : Chung Dan-Dan
Name of CPA firm : KPMG Taiwan
Address : F65,7 Xinyi Road,Sec.5,Taipei
Telephone : (02)8101-6666
Website : <http://www.kpmg.com.tw>

Agricultural Bank of Taiwan

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1. Message to Shareholders

With reference to global economic performance in 2010, advanced countries such as Europe, the USA and Japan have launched a series of policies for rejuvenating economy and appropriate currencies. With continuous development of effects, global economy has broken away from risks in the financial crisis in 2008 and shrinkage of liquidity. Economy in all countries is developed towards recovery. Emerging and developing economies grow very rapidly led by consumption and investment. However, due to burden with the tremendous government bonds and the high unemployment rates in main advanced countries, recovery fluctuates and growth slows down. In domestic economy, with recovery of international economy and sustainable expansion of emerging countries in Asia, enterprises and consumption have gone from good to better. Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. published the economic growth rate in 2010 as 10.82%, which is better than 9.98% compared to the previous expectation.

Looking forward to 2011, international agencies predict that global economic growth tends to slow down. Among them, according to estimation by Global Insight in February, global economy in 2011 will decrease from 4.1% in 2010 to 3.7%. Although a new round of economic stimulation actions have been taken one after another in countries like the USA and Japan, advanced countries previously leading global economy have very high certainty in economic prospect under the stress of high unemployment rates, sovereign-debt crises and financial economization actions that may restrain the motive forces of economic recovery; on the other hand, although the emerging and developing countries in the Asia have brought recovery of global economy, under the easing money policies in advanced countries, they lead to markets driving expansion of capital, and worry about asset price bubbling, which increases prices in catering and bulk commodities making inflationary pressure more serious. In addition, recently, political instability in North Africa and the Middle East, there has been an increasing sharp rise in prices of international crude oil, and prices of grain in the world will probably break the historical record. In domestic economy, benefited by the warm-up of global economy, economy in emerging countries such as Mainland China grows very rapidly. In addition, the motive force of nongovernmental consumption grows very mildly due to better economy. It is predicted by Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. that the economic growth rate in 2011 in our country will be 4.92%.



Mr.S.L. Liu (Chairperson)

The Bank takes in redeposits from farmers' and fishermen's associations as required by law. However in the midst of persistent lax money supply on the market, the continuing pool of enormous amount of redeposits accepted by the Bank has created significant burden on the bank operation. In the efforts to effectively channel the funds, we step up internal management of investment operations, avoid over-concentration in terms of investment product and associated risk, strengthen the identification of risk factors, elevate the level of authority for investment approval, adopt flexible asset-allocation strategy, enhance the operation of bond investment, and adjust our asset structure to lower interest rate risks and pursue steady development. In our lending business, we target primarily government agencies and state-run enterprises representing lower risk weighting to better manage our credit risk and give priority to policy-based agricultural loans, financing major government projects, syndicated loans, and financing medium and large-sized enterprises. We join forces with farmers' and fishermen's associations in launching syndicated loan program with the aims to enhance the competitive edge of the credit departments of farmers' and fishermen's associations and help improve their loan portfolio. This is a win-win strategy that will benefit the farmers, fishermen, farmers' and fishermen's associations, and the Bank. In our agency business, to help retain demand deposits, increase the income of risk-free fees and develop new clientele, the Bank continues to integrate the marketing channels to the farmers' and fishermen's associations. As the collection funds contracts have been signed by the Bank and organizations / companies, they will be transferred to entrust the farmers' and fishermen's associations for the fulfillment thereof so that the farmers' and fishermen's household expenditure can attain the goal of payment by the farmers' and fishermen's associations, in order to promote the farmers' and fishermen's associations develop towards livelihood orientation. In addition, the Bank plans to initiate debit card business in 2011, and to coordinate with the revision of Agricultural Finance Act. The Bank will be engaged in credit card business. The credit card business will combine resources of farmers' and fishermen's associations to enhance images of financial services in agriculture and to drive sales of farming and fishery products. On other fronts, we will continue to develop new revenue streams and cut costs, assist the "National Agriculture, Fishery and Finance Information Center" in system integration to put into effect the channel value of the finance system, provide guidance to the credit departments of farmers' and fishermen's associations in business and financial operations, develop new financial products and sell the products in joint efforts with farmers' and fishermen's associations, and focus on customer relationship management in the efforts to achieve the statutory assignments of the Bank. The earnings from continuing operations before income tax of the Bank in 2010 totaled NT\$1.609 billion, which is the best performance since its establishment. The Bank will continue to promote its businesses while stepping up business integration to help farmers' and fishermen's associations. While the Bank aspire to work closely with farmers' and fishermen's associations to achieve mutual benefits and prosperity, we look forward to your continuing encouragement and support for the sustained operation of the Bank.



Mr. S.H. Su (President)

A. Business Report 2010

1. Operating Results

1 \ Deposits

As of December 31, 2010, we had deposit balance amounting to NT\$620,203,085,000, on increase of NT\$62,676,414,000 or 11.24% from the same period of 2009. Redeposits from the farmers' and fishermen's associations totaled NT\$612,112,302,000, accounting for 98.70% of total deposits, and current account deposits totaled NT\$3,297,558,000 or 0.53% of the total deposits.

2 \ Loans

a. As of December 31, 2010, we had loan balance amounting to NT\$153,469,759,000, an increase of NT\$41,094,946,000 or 36.57% from the same period of 2009. Agricultural loans totaled NT\$14,167,865,000, accounting for 9.23% of total loans, and general loans totaled NT\$139,301,894,000, accounting for 90.77% of total loans

b. The Bank has acted as the leading bank and managing bank of the consortium comprising farmer's and fishermen's associations in processing syndicated loans totaling NT\$63,685,520,000 to county and city governments and general borrowers. There are 121 farmers' and fishermen's associations participating in the consortium that contributed in total NT\$12,224,380,000 (19.19%) to the syndicated loans. The Bank supplied NT\$51,461,140,000 for the loans (80.81%).

2. Budget execution and operating performance

1 \ Budget Execution

The Bank recorded income before tax in the amount of NT\$1,609,018,000 in 2010 or an attainment rate of 277.42.07% based on the approved budget target of NT\$580,000,000.

2 \ Operating Performance

The Bank CPA-audited net income in 2010 amounted to NT\$2,639,956,000, of which, net interest income accounted for NT\$1,367,462,000 and net non-interest income amounted to NT\$1,272,494,000.

3. Achievements in supervising the credit departments of farmers' and fishermen's associations in 2010

1 \ The operating results of credit departments of farmers' and fishermen's associations in 2010 are as follows:

Title	Year	2010	2009	Change	
				Amount	Percentage
Total deposits		1,499,982,861	1,439,837,708	60,145,153	4.18%
Total loans		742,682,270	721,702,292	20,979,978	2.91%
Amount of NPL		23,417,585	31,884,094	-8,466,509	-26.55%
Net Income		3,487,154	3,116,684	370,470	11.89%
Loan/Deposit ratio		46.62%	47.28%	-0.66%	
NPL ratio		3.15%	4.42%	-1.27%	
Capital adequacy ratio		12.86%	12.46%	0.4%	
Number of credit departments with NPL ratio higher than 15%		25	32	-7	

December 31, 2009

Unit : in NTD thousand

- 2 \ General and project guidance: In 2010, the Bank provided general guidance 3,765 times and project guidance 2,413 times, totaling 6,178 times. In addition, the Bank attended 858 business meetings held by the credit departments of farmers' and fishermen's associations, 184 liaison meetings with other agencies, and provided guidance to farmers, fishermen and farming enterprises 187 times.
- 3 \ Assistance to the credit departments of farmers' and fishermen's associations in making policy-based loans: In 2010, special loans under the agricultural policy of the Agricultural Development Fund were budgeted at NT\$30,000,000,000. The actual target amounted to NT\$38,500,000,000 after increasing the amount of NT\$85,000,000,000. The actual amount of loans extended under this category for the whole year amounted to NT\$38,435,000,000 after, or at the execution rate of 99.83%.
- 4 \ Business and financial audit and performance evaluation: The Bank has conducted 117 business audits and 162 financial audits (including the audit of cashable assets) on credit departments. The Bank also completed 300 evaluation reports on the 2009 performance evaluation of the credit department.
- 5 \ The Bank sponsored the Fourth Agricultural Gold Prize by Council of Agriculture, Executive Yuan, R.O.C, assisted in working out relevant regulations, fulfilled registration, performed reviews, summoned relevant working conferences and organized 31 large exchange meetings and review meetings, etc. The prize awarding ceremony was held on September 15, with Wu-Hsiung Chen, chief commissioner, conferred prizes and appraised of 67 credit departments of Farmers'and Fishermen's Associations as winners. And these have been highly appraised of by all walks of life.
- 6 \ The Bank held corporate credit and financial analysis, RMB currency note purchases and sales, and promoted 70 business lectures for employees from credit departments in respect of united credit business plans, with 5,395 trainees.

4. Research and Development

The Bank's research and development program is designed to strengthen the planning for asset allocation and the know-how on risk management and entails mainly engaging consultants to help construct the asset allocation and risk management system modules. The program includes the construction of counterparty risk assessment, product valuation and risk assessment module, asset duration allocation module, VaR control module, stress test and scenario analysis module, and risk management system. The Bank has earmarked NT\$600,000 for R&D expenditure.

B. Summary of 2011 Business Plan

1. Corporate Policy

The Bank shall comply with governmental policy in serving as a superior agency to the credit departments of all farmers' and fishermen's associations by providing them with assistance to establish viable internal systems, improve the quality of credit, vitalize the organization in operation, fortify the agricultural finance institutions, and drive in agricultural and fisheries development of the country. The Bank also seeks the operating performance to serve the shareholders.

2. Projected business targets for 2011 (year-end balance)

Deposits: NT\$ 669,000,000,000 (at annual average business volume of NT\$643,000,000,000)
 Loans: NT\$ 170,000,000,000 (at annual average business volume of NT\$149,084,000,000)
 Income before tax: NT\$ 1,000,000,000

3. Development strategy

- 1 \ Fulfilling policy goals and stabilizing agricultural finance in line with government's objective of establishing the Bank.
- 2 \ Strengthening and improving capital structure, maintaining proper capital adequacy ratio and enhancing internal control and risk control mechanisms.

- 3 \ Actively promoting policy-based agricultural project financing and providing loan management service for Agricultural Development Fund, and fostering the development of agricultural and fishery industries.
- 4 \ Continuing to accept redeposits from credit departments of farmers' and fishermen's associations and offer financing services, expanding lending business (with priorities given to agricultural, forestry, fishery and livestock business) and financial investment on a prudent manner, accelerating the improvement of capital structure, and fortifying business performance.
- 5 \ Providing guidance to the credit departments of farmers' and fishermen's associations on their business and financial operations, developing new financial products for co-selling, and enhancing the competitiveness of community financial institutions.
- 6 \ Emphasizing customer relationship management and stepping up the communication and exchange with borrower clients of farmers' fishermen' s associations and the Bank to increase customer satisfaction.
- 7 \ Expanding the Bank's core accounting system and planning the setup of regional service outlets to better address the needs of credit departments of farmers' and fishermen's associations and improve the quality of service as foundation for sustained operations and business development.
- 8 \ Participating in the operation of "National Agricultural, Fishery and Financial Information Center" to bring about the synergy of multi-channel integration in the agricultural finance system.

C. Credit Rating

Date of rating	Credit rating agency	Long-term rating	Short-term rating	Prospect
March 10, 2011	Taiwan Ratings Service	twAA+	twA-1+	Stable



Mr. K.F. Chu (Executive Vice President)

Mr. C.N. Shen (Executive Vice President)

II . Company Profile

A.Introduction

The establishment of the Agricultural Bank of Taiwan can be traced back to November 30, 2002 when, in response to the views of farmers' and fishermen's associations and with the aim to revitalize the financial system for the agricultural sector, the government called a "National Agricultural Finance Meeting." The legislation of the "Agricultural Finance Act" was completed on July 10, 2003 whereby the Council of Agricultural of the Executive Yuan established the "Bureau of Agricultural Finance" on January 30, 2004. Under the efforts of the bureau, an agricultural financial institution system was financial established to open the Agricultural Bank of Taiwan for building an integral, secure and autonomous system of agricultural finance. On July 16, 2004, work on the preparation of the Bank was launched and the Bank was approved to open for service on May 26, 2005.

The Bank is the only chartered financial institution in the country that is allowed to operate as an agricultural bank and a commercial bank to assist the government in caring for the financial needs of farmers and fishermen. Pursuant to the Agricultural Finance Act, the Bank and the credit departments of farmers' and fishermen's associations are collectively termed "agricultural financial institutions", and the Bank is designated the superior agency to the credit departments of farmers' and fishermen's associations. The Bank together with 1,154 head and branch offices of the credit departments of farmers' and fishermen's associations around the country form a nationwide agricultural finance service network to implement the government policy of "supporting the agricultural with finance system" and aid the steady development of agricultural economy.

The Bank invested NT\$3,000,000 on August 28, 2006 for the establishment of a wholly-owned subsidiary, the "Agricultural Bank Insurance Brokers Co., Ltd." The subsidiary integrates the channels availed by the farmers' and fishermen's associations for collective bargaining and leading insurers in Taiwan for joint marketing of insurance policies. With this move, the Bank has opened a new era for financial services in farmers' and fishermen associations.



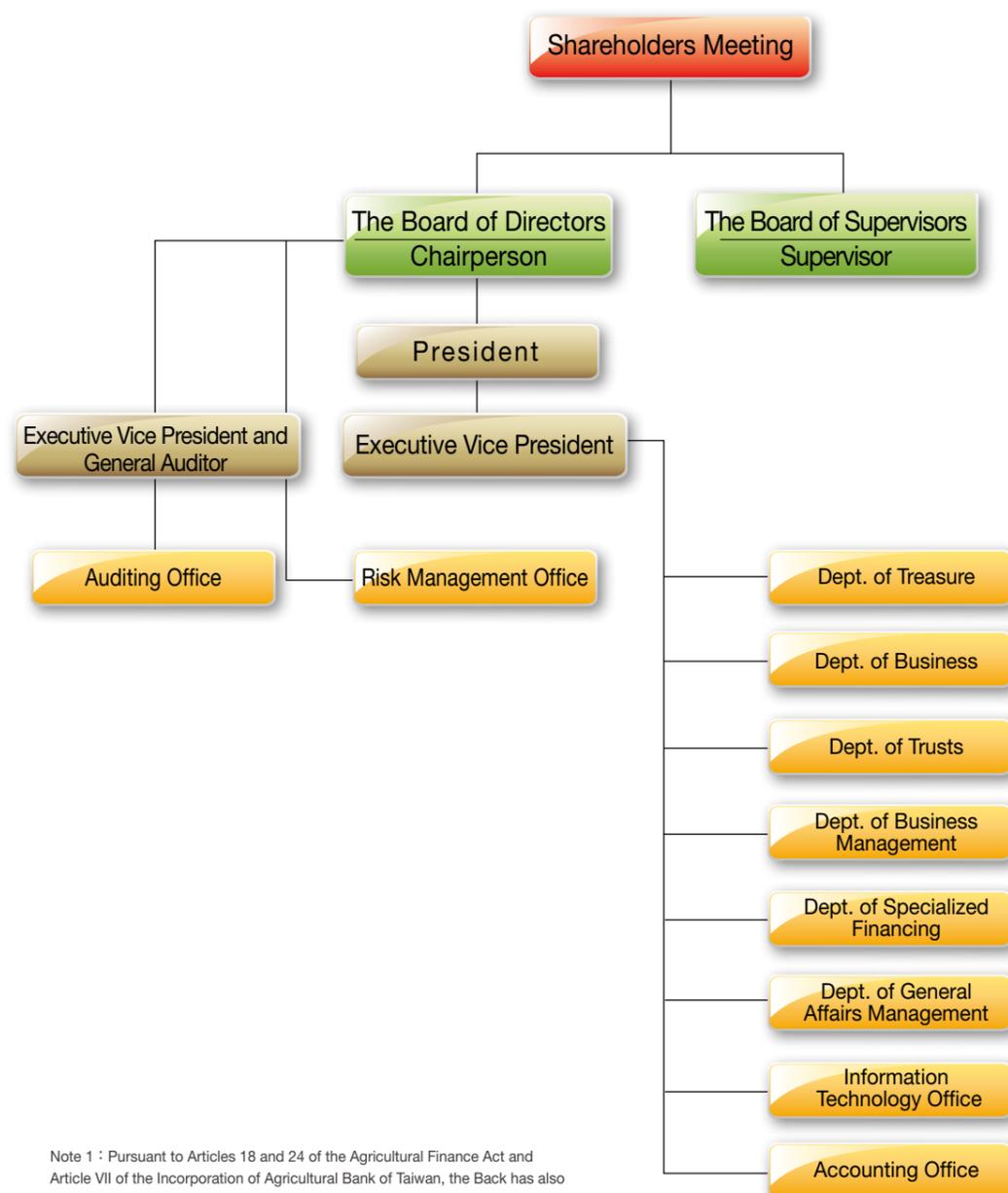
In the front row from left

| Mr.S.C. Tsai (Director of the Board) | Mr.Y.C. Chang (Director of the Board) | Mr.C.F. Liu (Supervisor) |
 | Mr.S.L. Liu (Chairperson) | Mr.T.Y. Yang (Director of the Board) | Mr.C.H. Chen (Director of the Board) |
 | Mr.S.H. Su (President) |

In the back row from left

Mr.S.C. Yang (Supervisor)	Mr.C.L Tsai (Director of the Board)	Mr.C.C Yo (Director of the Board)	
Mr.R.T. Yeh (Director of the Board)	Mr.Y.T. Chang (Supervisor)	Ms.L.F Lei (Supervisor)	
Ms.H.C Xiao (Director of the Board)		Mr.H.C. Lin (Supervisor)	Mr.S.S. Lin (Director of the Board)
Mr.K.N. Ou (Director of the Board)	Mr.M.T. Chao (Director of the Board)		
Mr.C.T. Yu (Director of the Board)			

B. Organization Structure



Note 1 : Pursuant to Articles 18 and 24 of the Agricultural Finance Act and Article VII of the Incorporation of Agricultural Bank of Taiwan, the Back has also established the following committees:

- Loans Review Committees
- Mutual Aid Funds Management Committees
- Trust Assets Review Committees
- Risk Management Committees
- Assets and Liabilities Management Committees
- Project Supervisor Committees
- Investment Review Committees

Direct Investment: Agricultural Bank Insurance Broker Co., Ltd. (100% hold)

C. Functions and Operations of Major Departments

Auditing Office	Handle the planning and execution of internal audits. Audit, inquiry, tracking and evaluation on the operations of all departments. Audit on expenditures. Joint audit with various departments for acquisition or purchasing or disposal issues regarding Bank's assets, in charge of supervision and inspection of any related issue. Presents audit reports regularly to the Board.
Risk Management Office	Handle the planning of management, planning and implementation of credit assessments, design of credit risk standards and methods of assessment, risk monitoring and control, compliance with Basel' II system and supervisory body of national government in risk management.
Dept. of Treasury	Handle the planning on the appropriation of funds in local and foreign currencies, trade in foreign funds, medium and long-term capital planning and management of bills, bonds and asset investment in both local and foreign currencies, planning, subscription and risk assessment of new financial products, design and planning of raising new capital and the issuance of preferred shares for the Bank, administer the allocation of funds, account transfer, clearing and settlement with the Central Bank, call loans, financial information services providers, clearing housed and inter-bank transactions.
Dept. of Business	Handle matters relating to all kinds of deposits, short, medium and long-term loans and bank guarantee, distribute different kinds of funds, warrants, gold, gold coins, silver coins, act as custodian agent of marketable securities and bond certificates.
Dept. of Trusts	Handle the planning, marketing and management of trust products, manage special trustee accounts and REIT.
Dept. of Business Management	Handle the revision and compilation of the Back rules, draft business policies and guideline, draft, execute, analyze and report the annual business plan, plan and manage deposit and agency business, design and execute marketing strategy and customer service, call and plan meetings of loan review committee and head office loan evaluation Team, draft rules for syndicated loans, and assist in the development, evaluation and advisory of syndicated loan business, supervise branch offices and new business, and plan and manage direct investments.
Dept. of Specialized Financing	Handle the planning and execution the governmental subsidizing plans for agricultural units of the government, guidance business, financial and operation audit of the credit departments of the farmers' and fishermen's associations, the loans of major agricultural establishment, agricultural project loans, planning, promotion and execution of loan plans in accordance with governmental policy.
Dept. of General Affairs Management	Handle the meeting arrangements for the Board of Directors, the study on legal cases, joint review of major internal regulations, operation manuals and contracts, planning and execution of human resources development training and utilization, purchase and management of equipment architectural work, construction, repair, and office supply, miscellaneous affairs, and disbursements.
Information Technology Office	Handle the planning, preparation and evaluation of computer operation plan, preparing budget on information service, computer and information operation security planning, design, installation and maintenance of networks, execution, control of machine room, design, write and test computer programs.
Accounting Office	Handle the planning, review and compilation of annual operation budget and financial forecasts, preparation and publication of monthly reports and quarterly reports, and clearing and settlement. Preparation and design of accounting system and accounting handbook, compilation of financial statistics, joint audit, supervision and joint inspection for acceptance of construction works and purchases.

D. Employees

Year		2009	2010	2011 as of Feb. 28, 2011
Number of employees	Full-time employees	141	149	149
	Contract employees	4	12	9
	Total	145	161	158
Average age		41.4	41.2	41.4
Average years of service		4.5	5.5	5.7
Distribution by education	Doctoral	0	0	0
	Master	35	48	47
	College and university	104	109	107
	Senior high school	6	4	4

III. Corporate Governance Report

A. Directors and Supervisors

December 31, 2010

Title	Name	Date elected (inaugurated)	Term	Date first elected	Major experience (education)	Any other position in the Bank and other companies
Chairperson Name of institutional shareholder: Council of Agriculture, Executive Yuan	S.L. Liu	12/30/2009	12/30/2009 ~ 12/29/2013	08/12/2008	Master of Public Administration Tunghai University CEO of Dajia Township Farmers' Association, Taichung county Chairperson of Farmers' and Fishermen's Association Central District information Center	Chairperson of National Agricultural, Fishery and Finance Information Center
Managing Director Name of institutional shareholder: Council of Agriculture, Executive Yuan	T.Y. Yang	12/30/2009	12/30/2009 ~ 12/29/2013	04/09/2009	Institute of Law, Fu Jen Catholic University; Deputy Director of Division III, Bureau of Agricultural Finance, Council of Agriculture, Executive Yuan	Deputy Director of Division III, Bureau of Agricultural Finance, Council of Agriculture, Executive Yuan
Managing Director Name of institutional shareholder: Council of Agriculture, Executive Yuan	S.C. Tsai	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Ph.D. in Business Management, NOVA Southeastern University; Chairperson of Agricultural Credit Guarantee Fund	Chairperson of Agricultural Credit Guarantee Fund
Managing Director Name of institutional shareholder: Taiwan Provincial Farmers' Association	Y.C. Chang	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Master of Management Science, Nashua University; CEO of Taiwan Provincial Farmers' Association	CEO of Taiwan Provincial Farmers' Association; Chairperson of National Training Institute for Farmers' organizations
Managing Director Name of institutional shareholder: Lujhou City Farmers' Association, Taipei County	C.H. Chen	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	B.A. of Tourism, Chinese Culture University; CEO of Lujhou City Farmers' Association	CEO of Lujhou City Farmers' Association

December 31, 2010

Title	Name	Date elected (inaugurated)	Term	Date first elected	Major experience (education)	Any other position in the Bank and other companies
Director Name of institutional shareholder: Council of Agriculture, Executive Yuan	C.C. Hsia	12/30/2009 (retired on 05/14/2010)	12/30/2009 ~ 12/29/2013	12/21/2006	Master of Public Administration, National Chengchi University Master of Urban Planning Asian Institute of Technology Director, Fifth Directorate, Executive Yuan	Director, Fifth Directorate, Executive Yuan
Director Name of institutional shareholder: Council of Agriculture, Executive Yuan	H.C. Xiao	05/14/2010	12/30/2009 ~ 12/29/2013	05/14/2010	Master of Agricultural Economy, National Taiwan University Deputy Director, Fifth Directorate, Executive Yuan	Deputy Director, Fifth Directorate, Executive Yuan
Director Name of institutional shareholder: Shulin City Farmers' Association, Taipei County	S.S. Lin	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Master of Management Science, National Chiao Tung University; CEO of Shulin City Farmers' Association	CEO of Shulin City Farmers' Association
Director Name of institutional shareholder: Taichung City Farmers' Association	C.L. Tsai	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	MBA, Dayeh University; CEO of Taichung City Farmers' Association	CEO of Taichung City Farmers' Association
Director Name of institutional shareholder: YongKang City Farmers' Association, Tainan County	M.T. Chao	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Section of General Education, Fuhua Senior High School; CEO of Yongkang City Farmers' Association	CEO of Yongkang City Farmers' Association
Director Name of institutional shareholder: Fongshan City Farmers' Association, Kaohsiung County	K.N. Ou	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Section of Chemistry, National ChinYi College of Technology, CEO of Fongshan City Farmers' Association	CEO of Fongshan City Farmers' Association

December 31, 2010

Title	Name	Date elected (inaugurated)	Term	Date first elected	Major experience (education)	Any other position in the Bank and other companies
Director (Independent director)	C.T. Yu	12/30/2009	12/30/2009 ~ 12/29/2013	12/24/2004	MBA, The Executive MBA Program in Senior Public Administration, National Taiwan University Director General, Department of Banking, Central Bank of ROC	Director General, Department of Banking, Central Bank of ROC
Director (Independent director)	R.T. Yeh	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Mater of Finance, National Taiwan University Consultant and Vice Director General, Department of Economic Research, Central Bank	—
Director (Independent director)	C.H. Lee	12/30/2009 (Departed on 03/19/2010)	12/30/2009 ~ 12/29/2013	12/30/2009	Ph. D. in Finance, University of California, Berkeley; Professor of Finance, National Taiwan University	Professor of Finance, National Taiwan University
Director (Independent director)	H.H. Liao	06/24/2010 (Departed on 08/02/2010)	12/30/2009 ~ 12/29/2013	06/24/2010	Ph. D. in Urban Planning and Strategic Development, State University of New Jersey; Professor of Finance, National Taiwan University; Vice Director of School of Professional and Continuing Studies, NTU	Professor of Finance, National Taiwan University; Vice Director of School of Professional and Continuing Studies, NTU
Director (Independent director)	C.C. Yo	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	J.D., Stanford University; Judge of Banchiao, Yilan, Hualien District Courts; Li and Lee, Attorneys of Law, Assistant Professor of Industrial and Business Management, Chang Gung University	Assistant Professor of Industrial and Business Management, Chang Gung University

December 31, 2010

Title	Name	Date elected (inaugurated)	Term	Date first elected	Major experience (education)	Any other position in the Bank and other companies
Director (Independent director)	M.H. Yang	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Ph.D. in Agricultural Economics, National Taiwan University; Director, Bureau of Agriculture, Changhua County Government; Association Dean, College of Business, Feng Chia University	Association Dean, College of Business, Feng Chia University
Resident Supervisor (Independent Supervisor)	C.F. Liu	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Department of Accounting, Soochow University; Comptroller of Academia Sinica; Comptroller, Prosecutors Office for Taiwan High Court; Comptroller of Directorate-General of Budget, Accounting and Statistics	Comptroller of Directorate-General of Budget, Accounting and Statistics
Supervisor Name of institutional shareholder: Donggang District Fishermen's Association, Pingtung County	H.C. Lin	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Section of Fishery Food Processing, National Kaohsiung Marine University; CEO of Doggang District Fishermen's Association	CEO of Doggang District Fishermen's Association
Supervisor Name of institutional shareholder: Dounan Township Farmers' Association, Yunlin County	Y.T. Chang	12/30/2009	2009/12/30 ~ 2013/12/29	12/30/2009	Section of Electricity, Ta Cheng Vocational High School; CEO of Dounan Township Farmers' Association	CEO of Dounan Township Farmers' Association
Supervisor (Independent Supervisor)	L.F. Lei	12/30/2009 (Departed on 04/28/2011)	12/30/2009 ~ 12/29/2013	12/30/2009	Ph.D. in Agricultural Economics, Iowa State University; Professor of Agricultural Economics, National Taiwan University	Professor of Agricultural Economics, National Taiwan University
Supervisor (Independent Supervisor)	S.C. Yang	12/30/2009	12/30/2009 ~ 12/29/2013	12/30/2009	Master of Accounting, Tamkang University Director, Accounting Office, Council of Agriculture	Director, Accounting Office, Council of Agriculture

B.Profiles of the Managers

December 31, 2010

Title	Name	Date appointer	Major experience (education)	Position in other companies
President	S.H. Su	08/12/2008	Bachelor, Business Management, Feng Chia University Chairperson, King's Town Bank Secretary General to Board of Directors, Taiwan Business Bank.	Chairperson, Agricultural Financing Insurance Brokers Co., Ltd.; Director, Agricultural Credit Guarantee Fund; Director, National Agricultural, Fishery and Finance Information Center
Executive Vice President (Manager, Dept. of Trusts)	C.N. Shen	05/26/2005 (09/17/2008~05/19/2010)	Master of Business Administration, National Chiayi University Division Manager, Farmers Bank of China	-
Executive Vice President	K.F. Chu	02/24/2006	Graduate from Dept. of Agricultural Economics, National Taiwan University Manager, Farmers Bank of China	Director, Agricultural Financing Insurance Brokers Co., Ltd.
Executive Vice President and General Auditor, Auditing office (Senior Vice President and General Manager, Department of Specialized Financing)	H.M. Yen	05/20/2010 (05/26/2005~05/19/2010)	Graduate School of Agricultural Economics, Kyushu University in Japan Manager, Farmers Bank of China	-
Senior Vice President and General Manager, Risk Management Office (Senior Vice President and General Manager, Accounting Office)	I.K. Hung	05/20/2010 (03/03/2008~05/19/2010)	Graduates school of Statistics, National Chengchi University Deputy Manager, Department of Planning, Farmers Bank of China	-
Senior Vice President and General Manager, Accounting Office	L.L. yang	05/20/2010	Department of Accounting, National Chung Hsing University Assistant Manager, Farmers Bank of China	Supervisor, Agricultural Financing Insurance Brokers Co., Ltd.
Senior Vice President and General Manager, Department of General Affairs Management	C.H. Han	05/26/2005 (retired on 05/03/2011)	Accounting and Statistics, Tamshui Industrial and Commercial Management School Deputy Manager, Land Bank of Taiwan	-
Senior Vice President and General Manager, Information Technology Office	M.S. Chen	05/26/2005	Dept. of Computer Science, Feng Chia University Professional commissioner, Fuhwa Commercial Bank	-
Executive Vice President and General Manager, Professional Finance Department (Executive Vice President and General Manager, Business Development Department)	H.T. Chen	05/20/2010 (09/17/2008~05/19/2010)	Credit Program in the International Business Operation and Management, Chinese Culture University Department of Business, National Open University Deputy Manager of Review Department, Bank of Land	-
Senior Vice President and General Manager, Business Development Department (Deputy chief auditor)	U.L. Chiang	05/20/2010 (10/23/2008~05/19/2010)	Master degree, Political Science, Chinese Culture University Senior Administrator, Department of Auditing, Financial Information Service Co., LTD.	Director, Agricultural Financing Insurance Brokers Co., Ltd.
Senior Vice President and General Manager, Department of Treasure	S.C. Lai	09/17/2008	Graduate from Dept. of Business Administration, National Chengchi University Senior Asst VIP, Taipei Fubon Bank	-
Senior Vice President and General Manager, Department of Business	Y.H. Chiou	05/26/2005	Dept. of Land Administration, National Chung Hsing University Manager, Land Bank of Taiwan	-
Senior Vice President and General Manager, Department of Trusts	S.H. Shih	05/20/2010	Graduate school of Agricultural Economy, National Chung Hsing University Manager, Hwa Tai Bank Manager, Bank of Panhsin	-

C. Corporate Governance

1. Status of Corporate Governance and its divergence from the practice in the banking industry and the reasons

December 31, 2010

Title	Status of Operations	Differences with Corporate Governance Practice Principle for Banks and Reasons
(1) Equity structure and shareholders' equity		
(a) Handling shareholders' suggestions and disputes	(a) Designated person is appointed to handle suggestions and disputes of the shareholders	None
(b) Major shareholders in actual control and the ultimate controller of major shareholders	(b) Designated person in appointed to control the list of major shareholders and final decision-makers can be retrieved at any time.	
(c) The risk-control mechanism and the firewall with the affiliated enterprise	(c) The Bank and affiliates are transparent and clear-cut in personnel, assets and financial management, and duly observe and enforce applicable internal control systems.	
(2) Composition and responsibility of the board of directors		
(a) Independent directors	(a) Subject to the provisions set out in Article 17 under the Agricultural Finance Act, for the purpose of number of directors as set out by the articles of association, directors are elected by the Meeting of shareholders, with the number of independent directors no fewer than 2, who may not be fewer than one third of directors.	None
(b) Regular assessment of the independence of CPA	(b) The Bank appoints the external CPA every year and presents it for the approval of the Board of Directors.	
(3) Communications with related parties	The Bank has offered "Customers Comments Mailbox", "Farmers' and Fishermen's Associations Interchange Network" to the public via the website for providing a channel for complaints and proper communications with customers and related parties.	None
(4) Disclosure of information		
(a) A website to disclose financial and corporate government information	(a) The Bank's website is http://www.agribank.com.tw . The Bank has designated staff to maintain the website and disclose financial, business and corporate governance information under the "Legally Required Disclosures" section on the website by the established deadlines, including information on corporate governance framework and rules, equity structure, structure and independent of board of directors, responsibilities of board of directors and management, composition, responsibility and independent of supervisors, continuing education of directors and supervisors, remuneration to directors and supervisors, leading to related parties, and capital adequacy that are disclosed respectively under the "Legally Required Disclosures" and "Capital Adequacy and Risk Management" section of Bank website as well as other major corporate events where disclosure of required by law.	None
(b) Other ways to disclose information (such as the setup of an English website, appointment of the specific person in charge of information collection and disclosure, adoption of the spokesperson system, disclosing the institutional investor road shows on the Bank's website)	(b) The Bank discloses its annual reports and related information on financial position and operations through the ABT's website. To ensure the accuracy and timelessness of the announcement of material information, the Bank also has a spokesperson and a deputy spokesperson who represent the Bank to make announcements to the public.	
(5) Operations of nomination, salary or other functional committees set up by the Bank	The Bank has not yet established any functional committee such as a Remuneration Committee.	The Bank plans to establish such functional committee according to its corporate development status.
(6) The status of corporate governance implementation and difference with the "Corporate Governance Best-Practice Principles for Banking Industry" and reasons for difference: Refer to the items 1~5.		

December 31, 2010

Title	Status of Operations	Differences with Corporate Governance Practice Principle for Banks and Reasons
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(7) Other important information that aids the understanding of status of corporate governance (e.g. employee benefits, employee care, investor relations, rights of stakeholders, continuing education of directors and supervisors, risk management policy and risk assessment criteria, execution of customer policy, purchase of liability insurance for directors and supervisors)

(a) In support of government policies, the Bank makes all kinds of policy-based agricultural loans and provides guidance to the credit departments of farmers' and fishermen's associations to bring about agricultural economic prosperity. In the future, the Bank will actively participate in public interest activities, attend to community affairs, and head the social responsibility to fulfill the corporate commitment of "What You Take From the Society, You Give Back to the Society."

(b) Advanced study take by director and supervisors: The Bank completed the re-election of directors and supervisors on December 30, 2009. The Bank asks the Taiwan Academy of Banking and Finance to offer corporate governance courses for the new directors and supervisors, and helps enroll them in other continuing education course according to their preference.

Name of director/supervisor	Training institute	Hours of courses taken	Name of director/supervisor	Training institute	Hours of courses taken
S.L. Liu	Council of Agriculture, Executive Yuan.	3	C.T. Yu	Central Bank of R.O.C.	66
T.Y. Yang	Council of Agriculture, Taiwan Academy of Banking and Finance	16	R.T. Yeh	Taiwan Corporate Governance Association	3
S.C. Tsai	Executive Yuan	12	C.H. Lee	-	-
Y.C. Chang	Council of Agriculture, Executive Yuan.	6	H.H. Liao	-	-
C.H. Chen	Taiwan Corporate Governance Association	3	C.C. Yo	-	-
C.C. Hsia	-	-	M.H. Yang	-	-
H.C. Hsiao	Central Personnel Administration, Executive Yuan	9	C.F. Liu	Directorate - General of Budget, Accounting and Statistics, Executive Yuan	26
S.S. Lin	Taiwan Academy of Banking and Finance	13	H.C. Lin	National Training Institute for Farmers' Organizations	7
C.L. Tsai	National Training Institute for Farmers' Organizations	24	Y.T. Chang	National Training Institute for Farmers' Organizations; Council of Agriculture	14
M.T. Chao	National Agriculture, Fishery and Finance Information Center	5	L.F. Lei	Ministry of Economic Affairs	3
K.N. Ou	National Training Institute for Farmers' Organizations	15	S.C. Yang	Council of Agriculture, Executive Yuan.	33

(c) Directors and supervisors attending the board of directors' meetings: The directors and supervisors attend board of directors meeting in accordance with Rules for the Conduct of Board of Directors Meetings and a sign-in book is set up to show attendance record.

(d) Execution of risk management policy and risk assessment criteria: The Bank has comprehensive risk management policy in place which stipulates credit risk, market risk and operational risk.

(e) Execution of consumer protection and customer policies: The Bank has established a Consumer Protection Self-Evaluation Form to harness the implementation of consumer protection work and periodically examines the business operations to make sure they comply with Consumer Protection Act and related regulation.

(f) Withdraw from conflict of interest by directors: Directors would withdraw from voting on motions of the board

(8) If there is corporate governance self-evaluation report or corporate governance assessment report prepared by another professional institution, describe the self-evaluation (or outside assessment) results, major deficiencies (or suggestions) found and corrective actions taken: The Bank does not yet have any corporate governance self-evaluation report.

2. Status of Internal Control

(1) Agricultural Bank of Taiwan Statement of Internal Controls

On behalf of the Agricultural Bank of Taiwan, Ltd., we hereby certify that from January 1, 2010 to December 31, 2010, the Bank has duly complied with the "Implementation Rules for Bank Internal Audit and Internal Control System" in establishing the internal control system and implementing risk management procedures. The Bank has been audited by independent auditors who submit reports to the board of directors and the supervisors (with respect to a bank which also engages in the securities business. The Bank has conducted evaluation of the effectiveness of the design and implementation of its internal control system in accordance with the criteria described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau, Financial Supervisory Commission). After prudent evaluation, except for the items listed in the attached schedule, the Bank's each department has implemented effective internal control and compliance systems during the year to which this statement relates. (This Statement will be a part of the Bank's annual report and be disclosed to the public. For making any false statement or any act of concealment, the Bank will be under penalty of perjury of Articles 20, 32, 171 and 174 of the Securities Law.)

To
Council of Agriculture, Executive Yuan

Chairperson: Liu Song-Lin



(authorized signature)

President : Su song-Hui



(authorized signature)

Executive Vice President and General Audit : Chiang Yue-Ling



(authorized signature)

Chief Compliance Office



(authorized signature)

March 7, 2011

(2) Independent Auditor's Examination Report on Agricultural Bank of Taiwan



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 +886 (2) 8101 6666
Fax 傳真 +886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

The Board of Directors
Agricultural Bank of Taiwan, Ltd.

We conducted our audits in accordance with the first paragraph of Article 28 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, promulgated by the Financial Supervisory Commission, Executive Yuan, Republic of China. It states that "If the annual financial report of a banking business is audited and certified by an accountant, the business should also delegate the accountant to conduct an audit on its internal control system. The accountant should also comment on the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, and the appropriateness of policies for loan loss reserves."

Chung Dan-Dan, Certified Public Accountant, KPMG Taiwan, has been delegated by the Agricultural Bank of Taiwan, Ltd. to conduct the audit affairs as mentioned above, and has submitted the report which has entailed the range, basis, procedure, and results of the audit as required by the first paragraph of Article 30 of the same law.

This report is for ABT's reference only. No other purpose or any other third parties are permitted to have this report, except the competent authorities.

To : Agricultural Bank of Taiwan

KPMG Taiwan
CPA : Chung Dan-Dan



March 16, 2011

IV. Capital Structure

A. Sources of Equity Capital

December 31, 2010 Unit: 1,000 shares; NTD 1,000

Year / month	Issue price	Authorized price		Paid-in price		Remark	
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Others
April 2005	10	2,000,000	20,000,000	2,000,000	20,000,000	Cash	None
July 2007	10	11,154	111,536	11,154	111,536	Resolved by a general session of Shareholders Meeting held on 06/27/2007 for issuing new shares through capitalization or retained earnings	Change in registration approved per MOEA Letter Ching-Shou-Shang-Zi-09601192630 dated 08/16/2007
July 2009	10	-1,011,154	-10,111,536	-1,011,154	-10,111,536	Resolved by a general session of Shareholders Meeting held on 06/29/2009 for decreasing the capitalization	Change in registration for capital decrease and increase approved per MOEA Letter Ching-Shou-Shang-Zi-09801290140 dated 12/18/2009
December 2009	10	1,000,000	10,000,000	1,000,000	10,000,000	Capital increase resolved by a general session of Shareholders Meeting held on 06/29/2009	
July 2010	10	8,014	80,139	8,014	80,139	Resolved by a general session of Shareholders Meeting held on 06/24/2010 for issuing new shares through capitalization or retained earnings	Change in registration approved per MOEA Letter Ching-Shou-Shang-Zi-09901194320 dated 08/27/2010

December 31, 2010 Unit : par share; %

Types of stock	Authorized capital			Remark
	Shares outstanding	Unissued shares	Total	
Common stock	1,558,013,900	-	1,558,013,900	Non-listed stock
Class A preferred stock	450,000,000	-	450,000,000	Non-listed stock

B. List of Major Shareholders

December 31, 2010 Unit : par share; %

Name	Shareholding	Shares held	Percentage
Council of Agriculture, Executive Yuan		894,601,567	44.55%
Taiwan Provincial Farmers' Association, Taiwan Supply Division of Provincial Farmers Association		77,609,868	3.87%
Agricultural Credit Guarantee Fund		66,766,188	3.32%
Dounan Township Farmers' Association, Yunlin County		35,366,179	1.76%
Shulin City Farmers' Association, Taipei County		32,843,130	1.64%
Banciao City Farmers' Association, Taipei County		23,722,018	1.18%
YongKang City Farmers' Association, Tainan County		21,845,240	1.09%
Hsin-Chuang City Farmers' Association, Taipei County		20,153,664	1.00%
Sanhong City Farmers' Association, Taipei County		19,179,385	0.96%
Lujhou City Farmers' Association, Taipei County		17,299,053	0.86%



• V. Status of Operation

A. Principal Business

1. Financing major agricultural establishment.
2. Financing special agricultural projects initiated by the government.
3. Financing the operations in farming, forestry, fishery and livestock under governmental policy on agriculture and fishery.
4. Business stated in Article 71 of The Banking Act.
5. Business permitted by competent authority at the national level.
6. Foreign exchanges at the approval of The Central Bank of China, Taipei.

B. Guidance, Audit, Performance Evaluation and Loans to Credit Departments of farmers' and fishermen's associations

1. General guidance: The guidance is given to credit departments with NPL ratio lower than 15% as follows:

- (1) Establishment of rules of operation, management system and the concept of cost to upgrade their operation performance.
- (2) Establishment of the internal control and internal audit system.
- (3) Appropriation of deposit reserve and liquidity reserve.
- (4) Deposit of surplus funds and financing.
- (5) Financing the farming, forestry, fishery and livestock sectors and consumer loans.
- (6) Service of financial instrument exchange and remittances.
- (7) Collection services for the national treasury and other financial institutions.
- (8) Audit on banking operation and correction of shortcomings.
- (9) Sound financial structure and upgrading the quality of assets.
- (10) Handling of nonperforming loans and the collection of overdue accounts.
- (11) Accounting, bookkeeping and preparation of different statements and tables.
- (12) Designing standardized forms and information systems for improving data exchange and statistical analysis.
- (13) Providing information on the operation of the agricultural financial institution and analysis of the capital needs in agricultural operation and the proper allocation of resources.
- (14) Employee training and introduction of new business.
- (15) Consultation service on related legal rules.
- (16) Other supervisory works as designed by competent authority level.

2. Special guidance: Special guidance is given to credit departments with non-performing loan ratio exceeding 15%. Credit departments under special guidance are expected to reduce their non-performing loans as projected in 2009. The scope of special guidance encompasses the content of general guidance and the following:

- (1) Monitoring business directions and assisting in improvement.
- (2) Monitoring deficiencies in business and financial operations and assisting in improvement.
- (3) Monitoring and assisting in the preservation of creditor rights on assets.
- (4) Monitoring and assisting in the internal control and internal audit system.
- (5) Monitoring and assisting in the setting aside allowances for doubtful accounts or transfer of doubtful accounts to bad debt.
- (6) Monitoring and assisting in bookkeeping and accounting and the preparation of financial statements.
- (7) Monitoring and assisting in asset acquisition and disposition.
- (8) Monitoring and assisting in the review of loan extension and management of assets and liabilities.
- (9) Attending meeting of the Board, Supervisors and credit review committee and present opinion.
- (10) Demanding the parent farmers' and fishermen's association whose credit departments are under special guidance and correction to present report on operation, financial position and other topics as requested within the stipulated span.
- (11) Auditing related accounting books, documents and assets.
- (12) Other assignments by competent authority.

3. Business and Financial Auditing:

The Bank has conducted 279 audits on the operation and financial status of the credit departments of farmers' and fishermen's associations in 2010. The primary task of the audit was to review the deficiencies detected in financial examinations and their status of corrective actions. The audit reports were forwarded to the competent authorities and related agencies. Audits on the liquidity of assets held by credit departments have also been conducted at the request of competent authority at the local level.

4. Performance Evaluation:

We conducted performance evaluations of credit departments of farmers' and fishermen's associations in six categories – capital adequacy, asset quality, internal management competence, profitability, liquidity and growth according to our "Credit Departments of Farmers' and Fishermen's Association Performance Evaluation Indicators and Standards" and forwarded the results to competent authorities and related agencies for reference.

5. Other Guidance Issues:

- (1) In 2010, our suggestions to amend the "Regulations for Assessment on Farmers' Associations", the "Regulations for the Custody and Utilization of Revenues and Expenditures of the Support Fund", the "Regulations for Management of Risk Control Ratios by the Credit Departments of Farmers' and Fishermen's Associations", the "Standards of Credit Authorization Granted by the Credit Departments of Farmers' and Fishermen's Associations to their Sponsor Members and Non-sponsor Members of and their Quota", and other related provisions are made for competent authorities and organizations concerned for reference.
- (2) In 2010, we executed the "Small Land Owners and Big Tenant Farmers Policy Education and Business Promotion Program" of the Council of Agriculture, and with subsidy from the Council of Agriculture. The workshops achieved the purposes of policy propagation and business promotion. The total amounts to NT\$5,052,056.
- (3) In 2010, the Plan of Council of Agriculture for Improving Life of Old Age People in Rural Areas was executed, with 10 farmers' associations having providing consulting services on financial planning for old farmers' retirement, and along with the training for 20 farmers' association in 2009, there have been more than 30 farmers' associations providing inquiry and service in respect of financial planning for retired old farmers.
- (4) The subsequent plan of Council of Agriculture for planting fruit trees and adoption was performed, and it assisted 9 farmers' associations at disastrous areas in dealing with adoption activity fund allotment, inquiry made to adoption public, distribution of fruit products as well as problems on adoption by enterprises. In 2010, the inquiry of adoption activities and customer services dealt with totaled 17,721 times.
- (5) The Bank trained credit departments to be entrusted to fulfill integrated fund loan business of Council of Indigenous Peoples, Executive Yuan, with increased business scopes. Currently, 7 farmers' associations such as ChiAn Township, Manchou Region, JenAi Township, Hsinyi Township, Taimali Region, Changpin Township, and Guanxi Region have been involved in the fulfillment thereof.
- (6) Aside from setting up a special website and providing counseling services, the Bank also attended the liaison meeting on debt workout under the Consumer Insolvency Act held by the Bankers Association.
- (7) We compiled the 2009 Analysis Report on the Business and Operation of Credit Departments of Farmers' and Fishermen's Associations and distributed the report to the central competent authority and related financial supervisory agencies (institutes) for reference.

6. Business Liaison and Exchanges:

- (1) In 2010, we conducted 60 location office advisory service meetings, in which the advisory staff jointly discussed the status of advisory service and shared their views and reflected the issues to central competent authorities. We also held two advisory service discussion with the central competent authorities in January and June in 2010 to communicate and exchange views on the issues as reference for policy-making or supervision.
- (2) The Bank held the lectures on corporate credit and financial analysis, the lectures on RMB cash note purchase and sale business, the lectures for pushing forward united credit business plans, the lectures on handling RMB cash note purchase and sale business, training for collection business integration network business and operation, the lectures on general deposits and clerk courtesy and lectures on financial legal services, and courses on trust business seminars and risks. There are altogether 70 of them with 5,395 trainees involved in them.

7. Policy-based Agricultural Loans:

- (1) Business on ABT's agricultural loans for policy-oriented projects is conducted by Operating Office of ABT. And it has been transferred to Professional Financial Department since April 2010. As Professional Financial Department used to handle the trusteeship and collection business for agricultural loans on policy-oriented projects, so they are familiar with relevant regulations on agricultural loans on policy-oriented projects. After they undertake such business, the link with management and fulfillment of the business enhances each other's beauty, which can improve performance of the fulfillment of agricultural loans on policy-oriented projects.
- (2) In 2010, nine cases by written statements and telephone inquiry cases from farmers were dealt with. In addition to provision of assistance for farmers and fishermen with changes in their operation to the extent that they were unable to repay loans in extending terms of loans and solving problems in their operations, disputes arising from the application for loans stated by farmers were also coordinated and communicated with in an active manner so that farmers and fishermen might succeed in obtaining capital necessary for their operations.
- (3) Trainers were appointed to attend lectures, seminars or training activities on farming operations in different areas, such as seminars of Agricultural Research and Extension Station Agricultural Research Institute on production and sale, training for employees by the farmer's and fishermen's Association. It was advocated that government policies on farming would be interpreted so that farmer and fisherman groups could understand detailed connotation of the policies and could fully coordinate with the execution thereof so as to attain the objectives of the policies and achieve good results. ABT additionally appointed trainers to attend lectures on farming operations to different parts of the country, and courses for holiday employee trainings by farmers' associations on agricultural loans. There were 21 lecturers in all.

C. Business Assets and Income to Total Assets and/or Revenue, Growth and Changes

1. The proportions of incomes from all business to corporate earnings and changes

Unit: in NTD thousand

Title	2010		2009	
	Amount	Percentage%	Amount	Percentage%
Net revenue	11,941,862	100.00	11,400,801	100.00
Net interest income	7,719,420	64.65	6,989,192	61.30
Net fee income	112,287	0.94	130,594	1.15
Gains (losses) from financial assets and liabilities at fair value through profit or loss	1,734,482	14.52	1,337,417	11.73
Realizes gains from available-for-sales financial assets	1,451,065	12.15	987,814	8.66
Exchange benefit	689,341	5.77	1,890,757	16.59
Loss on assets impairments	174,730	1.46	-	-
Other non-interest gain (loss), net	60,537	0.51	65,027	0.57

Reason for changes:

- (1) Increase in interest income in 2010 as compared to 2009 was mainly due to the rise in interest on loans and securities investments.
- (2) Increase in gains (losses) from financial assets and liabilities at fair value through profit or loss in 2010 as compared to 2009 was mainly due to increase in gain from disposal of financial assets at fair value through profit or loss.
- (3) Increase in realized gains from available-for-sales financial assets in 2010 as compared to 2009 was mainly due to the disposal of government bonds with higher return amid a drop in the yield of government bonds.
- (4) Decrease in exchange benefit in 2010 as compared to 2009 was mainly due to the effect of fluctuations in exchange rates.

2. Proportions of Business

(1) Proportion of deposits

Unit: in NTD thousand

Title	2010		2009	
	Amount	Percentage%	Amount	Percentage%
Total deposits	620,203,085	100.00	557,526,671	100.00
Current deposits	3,297,558	0.53	2,767,649	0.50
Time deposits	616,905,527	99.47	554,759,022	99.50

(2) Proportion of loans

Unit: in NTD thousand

Title	2010		2009	
	Amount	Percentage%	Amount	Percentage%
Total loans	153,469,759	100.00	112,374,813	100.00
Short loans	43,552,043	28.38	23,038,520	20.50
Medium loans	90,811,639	59.17	73,891,525	65.75
Long loans	17,834,875	11.62	14,482,280	12.89
Delinquent loans	1,271,202	0.83	962,488	0.86

(3) Proportion of major business assets to total assets

Unit: in NTD thousand

Title	2010		2009	
	Amount	Percentage%	Amount	Percentage%
Total assets	686,541,011	100.00	610,066,593	100.00
Cash and cash equivalents	2,546,879	0.37	5,041,200	0.83
Due from The Central Bank and other banks	351,315,369	51.17	279,639,178	45.84
Financial assets at fair value through profit or loss	21,590,038	3.14	25,312,657	4.15
Discounts and loans, net	152,379,008	22.20	111,824,062	18.33
Available-for-sales financial assets	103,209,920	15.03	126,481,473	20.73
Held-to-maturity financial assets	42,855,110	6.24	52,297,516	8.57
Other financial assets	8,727,547	1.28	5,655,357	0.93
Others	3,917,140	0.57	3,815,150	0.62

D. Market Analysis

Looking back to the end of 2010, there was a powerful recovery of economy in the first half of the year, but in the latter half of the year, as unemployment rates in advanced countries tended to be still high, European debt crises still lasted, and developing countries were faced with risks in monetary appreciation and capital bubbling, etc, the motive force of recovery of global economy tended to be mild. In addition, threats of European debt credit currently have not yet eliminated, and China's easing policies formally exited and other adverse information became developed, and had uncertain factors casted on the trends of international markets, so global economy has been depressed in a short run. According to information on forecast in February 2011 by Global Insight, it is predicted that global economic growth in 2010 is 4.1%, which is an increase by 0.1% compared to that estimated in November 2010; in 2011, the growth is 3.7%, which is a sharp rise by 0.4% compared to the growth rate of 3.3% predicted in November 2010. According to observation out of major economics, there has been no obvious improvement of unemployment in the USA, but the second round of quantitative easing (QE2) policies and tax reduction action periods extend, which will rejuvenate domestic demands, and depreciation in US dollars will benefit booming in export, so it is bound to speed up steps of recovery, with the predicted growth rate of 3.2% (compared to that of 2.9% in 2010), which is a sharp rise by 0.8% compared to the prediction in November 2010; China will still remain a powerful growth (by 9.5%) compared to the predicted growth rate of 10.3%; there was a great effect of the stimulation of domestic demands by the policies of Japan last year, with powerful economic growth, but in 2011, it will be reduced by 1.2% (4.3%); in Hong Kong, Singapore and South Korea, the grow rate is 5.0% (6.6%), 4.6% (14.7%) and 3.6% (6.1%) respectively; EU countries continue to be disturbed by sovereign-debt problems, so they are performing shrunken financial actions, with a minor growth rate by 1.7% (1.8%).

From the perspective of booming prospect of domestic economy in 2010, foreign demands were benefitted from continuous rise in global economy, with obvious growth in both import and export, and in domestic

demand, public consumption confidence has been enhanced with the improvement of labor markets and activation of financial markets, and consumption power has also been increased. On the basis of initial factors, the annual economic growth rate in 2010 is 10.82% (which is the summit in 1987, with growth by 11% in 1986). In respect of interest rates, there was a rise in domestic economy in 2010, with shadow of global financial storm gradually kept away. Central Bank of China has ended the quantitative monetary easing policies, and declared an increase in interest rates. In June, October and December, there was declaration of rise in discount interest rates by a half percent by Central Bank of China, making Central Bank of China to add discount interest rates, with security release financing interest rates and short-term financing interest rates rising from 1.25%, 1.625% and 3.5% to 1.625%, 2% and 3.875% respectively, which effectively leads to the rise in market interest rates. As there is much domestic idle capital, when Central Bank of China actively recovers market capital, monetary market interest rates rise steadily so that interbank call loan rate in financial industry and commercial paper interest rate increased from 0.108% and 0.30 in 2010 to 0.239% and 0.49% in December respectively; in respect of exchange rates, there was an appreciation trend in the exchange rate from NT\$ to USD in 2010 starting from the second quarter; the national average exchange rate is NT\$31.64, which is an appreciation by 4.45% compared to that last year; in the financial industry, although rise in interests by the Central Bank has limited improvement of difference between deposit and loans in the financial industry, yet, with the recovery of global economy, the GDP in Taiwan grows driving the growth of release of bank loans. In 2010, port financial gates were open, lists of earlier collection of MOU and ECFA were entered into, and Taiwan Office will be able to upgrade, and shorten the schedule of RMB business restriction. From the perspective of growth in grant of loans and difference in deposits and grant, the financial market will bring motive forces for the new growth of the financial industry in Taiwan.

Looking forward to domestic economy in 2011, in foreign trade, with continuous improvement of international economy, emerging economics demands maintain powerful forces. Domestic manufacturers put in more capital investment on a large scale last year, and such capital will gradually be launched to markets, and in addition, ECFA has been entered into between R.O.C and Mainland China and earlier successful projects have formally been brought to agenda, and such will enable export motive force in our country grow steadily; in domestic demands, with economic booming and recovery, there has been a great growth in export and increase in profit making by enterprises, which drives a rise in employment and salaries, and this year a great number of enterprises publish information on rise in salaries, which helps enhance confidence in public consumption. Although higher prices restrict part of consumption functions, folk consumption still tends to be active. In addition, large international technological manufacturers increase outside processing strategies one after another, which will promote capital expenditure in domestic semiconductor and related downstream manufacturers, and moreover, utilization of productivity of manufacturers maintains high. For the purpose of meeting requirements for export, there will be continuous capital investment in great amounts; in prices, global demands maintain powerful forces, and due to shortage of supply caused by abnormal climates, and too much capital investment has been launched into markets, there is still great stress in the rise in prices of international raw oil and agricultural and industrial raw materials, which will have impact on the rise in relevant prices in domestic food and energy, but appreciation of exchange rates between NT\$ and USD as well as government actions in stabilizing prices may ease part of such rise. It is predicted that CPI this year will rise by 2%. In general, Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. predicts that domestic economic growth rate in 2011 will be 4.92%

E. Favorable and Unfavorable Factors for Corporate Development

Favorable factors

- (1) Both the government and the farmers' and fishermen's associations are shareholders of the Bank. The government holds 44.55% of the stakes that entails high stability in the management.
- (2) The registered principal business of the Bank are financing major agricultural establishment, financial special agricultural projects of the government, financing the farming, forestry, fishery and livestock sectors in supporting the governmental policy of farming and fishery. These businesses feature distinctive market segmentation and grant the Bank greater opportunities to access borrowers in agricultural financing than others in the financial sector.
- (3) The Bank has integrated the credit departments of farmers' and fishermen's association and can fully utilize their business locations and personnel in developing new financial products and new channels for creating synergy. In the future, this form of presence will be a niche for business development.
- (4) The Bank accepts large amount of redeposits from the credit departments of farmers' and fishermen's associations, which provides the Bank with good liquidity.
- (5) The Bank offers integrative and policy-based agricultural financing and functions as an amalgamation of

agricultural bank and commercial bank that gives the Bank unique characteristics.

Unfavorable factors

- (1) The huge volume of deposit influx from the credit departments of farmers' and fishermen's associations compelled the Bank to pay a high amount of interest expenses.
- (2) Corporation and Institutions are accustomed to acquiring direct finance through local and overseas channels. As such, it is not easy for the Bank to expand its lending business with only one business outlet.
- (3) Financial holding companies can construct a financial environment for one-stop shopping, given their advantage in providing a full-range of financial services. This indeed poses a threat to banks that are not members of such holding companies.
- (4) Under rapidly increasing market risk and overflow of funds on the market, there are only a limited number of financial products available that offer steady return higher than the cost of funds.
- (5) The continual emigration of domestic companies and keen competition in corporate banking make it difficult for the Bank to broaden its customer base. Keen competition also narrows the profit margin from interest income, which in turn affects the profitability of the Bank.

Countermeasures

- (1) Make flexible use of asset portfolios to enhance the profit of the Bank to maintain its position as a supporter of governmental policy.
- (2) Fully integrate the resources of the Bank and the credit departments of farmers' and fishermen's associations in products, channels and clients to optimize the efficiency of the Bank in the system of agricultural finance.
- (3) Develop new business in the direction of diversity for the diversification of risks.
- (4) Continue to attract talented persons to strengthen the human resources of the Bank and enhance the overall performance capacity.
- (5) Enhance the image of the Bank in professional standing through the effective use of public relations, media and charity platforms.
- (6) Seek the approval of the competent authority to set up more business outlets.

F. R&D of Financial Instruments and Outlook of Business

1. Major financial products and new departments in the past two years and their sizes: None

2. R&D spending in the past two years and R&D plan in 2010:

The Bank spent NT\$900,000 on R&D in 2010 and 2009, respectively. The said spending was primarily used in the retaining of consultants for the installation of asset allocation and risk management system module including the tasks of: counterparty risk assessment, product evaluation and risk assessment module and asset allocation module. In 2011, the Bank will continue to update and maintain the aforesaid modules and expects to complete the stress test module and capital charge modules.

G. Short, Medium and Long-Term Business Development Plans

1. Short-term Plan

(1) Loans

To ensure steady income stream, the Bank will continue to expand the loan business. The target loan business and honor loan business set for 2011 are NT\$170 billion and NT\$180 billion respectively, and our business promotional strategies are as follows

- ① Continue to support government policy by offering policy agricultural loans.
- ② Cultivate relations with other banks in developing syndicated loan business.
- ③ Use the local forces of farmers' and fishermen's associations more effectively to expand grass-level farming loan and regional loan business.
- ④ Materialize customer relation management.

(2) Investment

① Securities investment

The Bank stresses the security, liquidity and profitability of funds with regard to investment and comply with the investment guidelines and limits approved by the competent authority.

② Financial operations

- A. Step up investment risk management and rigorously control the risk exposure of positions on financial products.
- B. Strengthen internal controls and adjust the limits of authorization in a timely manner.
- C. Adopt the investment strategy that focuses primarily on steady spread and secondarily on capital again.
- D. Adjust capital structure to reduce interest rate risk.
- E. Enhance the allocation of core assets to create diverse profit streams.
- F. Enhance the RP bond business to lower cost of funds.

(3) Guiding the credit departments of farmers' and fishermen's associations

- ① The target NPL ratio set for credit departments under the special guidance plan : The targets set for the end of 2011 by the Bank is to bring the NPL ratio of the credit departments of farmers' and fishermen's associations down to 3%.
- ② Conduct annual financial assessment and performance evaluation of 301 credit departments.
- ③ Offer training classes for the employees of credit departments.
The Bank plans 91 sessions of seminars on credit investigation and lending, project agricultural loans, collection of overdue accounts, financial managements, trust and insurance business for the employees of credit departments.
- ④ Actively handling loans for agricultural projects:
It is required to actively handle loans of agricultural development fund, Sino-America fund loans, small landlord and big tenant planned loans and loans for agricultural settlement so as to attain the goals of policies.
- ⑤ Recommendation on the revision of Agricultural Finance Act by competent authorities:
According to actual business training conditions and summary of information feedback by credit departments, appropriate recommendation to competent authorities on the revision of relevant Agricultural Finance Act will benefit the operation stability and business development of credit departments.
- ⑥ Increase in rules and regulations on different kinds of training
Timely review training business and search of comments made by competent authorities, credit departments and agencies, on the basis of which ABT training rules and regulations are revised so as to improve business quality and meet the requirements of credit departments.
- ⑦ Based on the actual business advisory experience and the opinions of the credit departments, make timely suggestions to the competent authority regarding the amendment of agricultural finance related regulations to facilitate the stable operation and business development of credit departments.
- ⑧ ABT supports the preparation of annual budget plans and provides financial support for credit departments.
- ⑨ It is required to summarize proposals or presentation from credit departments on a monthly basis, and to deliberate comments on the treatment thereof to the Bureau of Agricultural Finance for supervision and training reference.
- ⑩ Offer counseling service for the business of credit departments in association with the Consumer Insolvency Act.

(4) Trusts:

① Real estate trust

The Bank's Trust Department assists the farmers' and fishermen's associations in financing construction projects through real property investment trust service to enhance protection of debt and ensure smooth completion of the project. This measure also brings benefits to farmers' and fishermen's associations in financing the same project through separate accounts for higher yield.

② Money trust

This business offers the service of planning money trust products for the clients of farmers' and fishermen's associations and provides trust service to the clients of farmland banks and farmers who purchase or sell land to reduce transaction risk.

③ Securities trust

The business serves the needs of clients of farmers' and fishermen's association for estate planning.

(5) Insurance Brokerage

The business strategy is the training of personnel of farmers' and fishermen's associations into insurance professionals, development of niche insurance products, and providing customized services. The Bank will actively plan the selling of life and non-life insurance policies as a broker and pursue joint marketing with the farmers' and fishermen's associations to increase service fees income.

(6) Expand the Bank's core accounting system

Core account systems of ABT are expanded so as to cater for gradual initiation of new business of Bank to be involved in the core account systems for the increase in new operation functions, which will coordinate with the rapid growth of business for the following year and improving management efficiency. Such actions include increase in RMB exchange, Smart Pay and other new business as well as coordination with new specifications of competent authorities to perform new operations such as reduction of losses of capital investment and IFRS, etc according to No. 34 Bulletin.

(7) Participate in the operation of National Agricultural, Fishery and Financial Information Center

To promote the sharing of information on farmers' and fishermen's associations, The Bank, together with the competent authority and other sharing centers have set up a National Agricultural, Fishery and Financial Information Center for the construction of a shared accounting system among farmers' and fishermen's associations. In the future, the Bank will coordinate the system development and construction.

2. Medium and long-term plans

(1) Loans

To enhance profitability, the Bank will adjust its loan portfolio each year by placing more emphasis on agriculture related financing and regular loan business, continue to participate in syndicated loans, and join forces with the credit departments of farmers' and fishermen's associations to underwrite syndicated loans. We set our loan extension target at NT\$ 190 billion for 2012 and NT\$ 200 billion for 2013, and will increase the amount steadily every year thereafter.

(2) Investment

(a) Increasing weights of assets subject to floating pricing with balanced development of business

In the future, it is required to coordinate with the establishment of branches trying to expand credit services (with priority to deal with policy-oriented agricultural loans in farming, forestry, fishery and husbandry, etc), with the mid-term target as high will be developed towards steady operation.

(b) Regulating the strategies for negotiable securities operation and establishing steady investment portfolio

A. Establishing diversified investment portfolios

With consideration taken to the trend of overall financial environments, and security, liquidity and profitability of the utilization of capital, it is required to properly increase in purchases of stocks, funds and foreign bonds so as to decentralize risks in capital investment and to construct a firm investment portfolio.

B. It is required to gradually raise the levels of interest rates of bonds

Currently, interest rates of bonds are at a relatively low level. In 2010, levels of bonds were lowered for the attainment of income out of capital to reduce risks in interest rates. In the future, with a rise in interest rates, it will be required to apply the inverted triangle building strategy so that bond levels will be gradually established to increase income out of interests.

C. Investment in stocks mainly consists of acquisition of dividend income supplemented by income out of capital

It is required to strengthen the ability to judge financial trends and flexible operations to construct the stock mix mainly consisting of acquisition of income out of dividends supplemented by income out of capital

D. It is required to increase purchase of foreign bonds with good performance and credit at appropriate times

It is required to carefully consider prices of international bond markets. When the rate of the

return on foreign assets after deduction of risk avoidance costs is superior to the rate of return on domestic assets, there will be increase in purchase of bonds of good performance and credits issued or guaranteed by foreign governments or financial institutions.

③ create diverse profit streams; reduce the effect of fluctuations in profits

A. It is required to coordinate with the establishment of overseas departments, to increase weights of foreign exchange purchase and sale operations, and to increase marketing of commodities expressed in Taiwanese currency and foreign currencies to expand and increase income sources.

B. For bonds in Taiwanese currency, it is necessary to have the qualification as the dealer of bonds, and to actively enhance the activity of transactions so as to widen the space for profit making.

(3) Assistance to credit departments in boosting competitiveness

Under the guidance of the competent authorities and the assistance of the Bank, credit departments of farmers' and fishermen's associations have been able to reduce their NPL ratio, increase loan-to-deposit ratio and overall profits. Besides continuing the advisory works, the Bank will make more efforts on developing ideas to help credit departments to boost their overall competitiveness so they can continue to grow and serve farmers and fishermen in current intensely competitive environment.

(4) Implementing information sharing

The Bank has established a core accounting system and will carry on the planning of an agricultural financial information exchange platform and funds clearing mechanism. The Bank will assist the National Agricultural, Fishery and Financial Information Center in embarking on system integration so it can take over as soon as possible the operation of reserve deposits from credit departments currently being handled by the Taiwan Cooperative Bank. Through the integration to bring about real integration of "money flow", "physical distribution" and "information flow" in the national agricultural finance system.

(5) Bringing in extended counter and adding business outlets to better serve farmers' and fishermen's associations

The Bank was established on the idea of mutual aid and cooperation among farmers' and fishermen's associations. But currently the Bank has only one business outlet, which not only undermines the quality of service, but also increases operating costs, and is hence adverse to the development of agricultural finance. In the present stage, the Bank together with farmers' and fishermen's associations will adopt the idea of extended counter by working with regional representative farmers' and fishermen's associations to set up more business outlets so as to improve the quality of service. In the future, the Bank will seek the approval of the competent authorities to set up branches. With more branches in place, the Bank can perform its legal duties as a superior agency more efficiently, reinforce the examination of loans above a certain amount, guide the credit departments to speed up improvement of asset quality, and effectively promote policy agricultural loans. More branch offices will also drive the business growth of the Bank, moderately expand the Bank's business scale, lower operating costs, strengthen the Bank's ability to pay the higher interest on redeposits from farmers' and fishermen's associations and increase the interest rate on redeposits that will help increase the income of credit departments and promote the balanced regional development of the agricultural finance system.

VI. Financial Overview

A、Condensed Balance Sheet and Income Statement (2006-2010)

Condensed Balance Sheet

Unit: in NTD thousand

Title	Year	Financial Information 2005 ~ 2009				
		December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Cash、cash equivalents、deposits with the Central Bank and call loans to banks		353,862,248	284,680,378	158,921,321	166,975,436	178,202,692
Financial assets measured at fair value through profit or loss		21,590,038	25,312,657	27,713,152	944,206	608,876
Securities purchased under agreement to resell		-	-	-	-	8,300,000
Available-for-sale financial assets		103,209,920	126,481,473	41,108,103	59,183,370	45,787,633
Discount and loans		152,379,008	111,824,062	85,825,362	42,267,185	13,455,582
Receivables		3,750,747	3,712,445	3,147,305	3,356,162	2,175,176
Held-to-maturity financial assets		42,855,110	52,297,516	114,072,613	157,242,273	99,759,093
Investments under the equity method		32,644	15,167	8,553	4,021	2,680
Property and equipment		110,300	67,005	68,907	80,874	70,632
Other financial assets		8,727,547	5,655,357	8,647,892	9,677,896	4,490,226
Other assets		23,449	20,533	32,358	28,009	24,615
Total assets		686,541,011	610,066,593	439,545,566	439,759,432	352,877,205
Deposits from the Central Bank and other banks		19,037	20,517	20,965	20,000	20,000
Deposits and remittances		620,203,085	557,526,671	383,355,134	392,010,677	317,089,086
Financial liabilities measured at fair value through profit or loss		1,949,371	1,951,189	1,883,480	86,800	-
Bills and bonds sold under repurchase agreements		37,320,361	25,008,336	41,053,812	25,573,918	12,446,769
Accrued pension liabilities		28,650	23,787	16,958	12,118	6,618
Financial bonds payable		800,000	800,000	-	-	-
Other financial liabilities		2,403,589	2,395,067	2,410,207	2,645,177	2,428,050
Other liabilities		1,583,193	1,042,089	703,406	848,163	602,429
Total liabilities	Cum-dividend	664,307,286	588,767,656	429,443,962	421,196,853	332,592,952
	Ex-dividend	-	588,992,718	429,443,962	421,196,853	332,612,635
Capital stock		20,080,139	20,000,000	20,111,536	20,111,536	20,000,000
Retained earnings	Cum-dividend	1,677,428	508,669	(10,727,368)	206,126	218,699
	Ex-dividend	-	203,468	(10,727,368)	206,126	87,480
Unrealized gain/loss on available-for-sale financial assets		476,158	790,268	717,436	(1,755,083)	65,554
Total shareholders' Equity	Cum-dividend	22,233,725	21,298,937	10,101,604	18,562,579	20,284,253
	Ex-dividend	-	21,073,875	10,101,604	18,562,579	20,264,570

Note : The financial data above are CPA-audited.

Condensed Income Statement

Unit: in NTD thousand

Title	Year	Financial information from 2006 to 2010				
		2010	2009	2008	2007	2006
Net interest income		1,367,462	1,765,508	518,176	816,876	345,332
Net revenue other than interest		1,272,494	132,968	(9,529,465)	(165,560)	242,270
Bad debt expenses		540,000	200,000	500,000	31,400	20,000
Total Operating expenses		490,938	483,869	461,057	456,798	419,592
Earnings from continuing operations before income tax		1,609,018	1,214,607	(9,972,346)	163,118	148,010
Net income		1,473,960	1,124,501	(10,008,804)	118,646	130,021
Cumulative effect of accounting changes (net value after income tax)		-	-	-	-	6,490
Net Income		1,473,960	1,124,501	(10,008,804)	118,646	136,511
EPS		0.88	1.08	(4.98)	0.06	0.07

Note : The financial data above are CPA-audited.

Condensed Income Statement

Year	Name of CPA firm	Name of CPA	Audit Opinion
2010	KPMG Taiwan	Chung Dan-Dan	Unqualified opinion
2009	KPMG Taiwan	Chung Dan-Dan	Unqualified opinion
2008	KPMG Taiwan	Chung Dan-Dan	Revised unqualified opinion
2007	Solomon & Co., CPAs	Huang Yi-Rui	Revised unqualified opinion
2006	Solomon & Co., CPAs	Lu Ya-Tzer	Revised unqualified opinion

B、Financial Analysis (2006-2010)

Financial Analysis

Analysis item (Note 4)	Year	Financial Analysis 2006 - 2010				
		2010	2009	2008	2007	2006
Operating ability	Loan-to-deposit ratio (%)	24.75	20.16	22.53	10.80	4.25
	NPL ratio (%)	0.83	0.87	0.82	0.005	0
	Interest expenses/average annual deposit balance (%)	1.03	1.04	2.31	2.16	2.02
	Interest revenue/average annual loan balance (%)	1.45	1.57	3.23	3.18	2.73
	Total asset turnover (times)	0.004	0.003	(0.02)	0.001	0.002
Profit ability	Average return per employee (in NTD thousand)	16,397.24	13,092.94	(63,459.78)	4,554.66	4,289.07
	Average profit per employee (in NTD thousand)	9,155.03	7,755.18	(70,484.54)	829.69	996.43
	Return on Tier 1 Capital (%)	11.95	10.54	(80.12)	0.93	0.77
	ROA (%)	0.23	0.21	(2.28)	0.03	0.06
	ROE (%)	6.77	7.16	(69.83)	0.61	0.68
Financial structure	Net profit rate (%)	55.83	59.23	(Note 1)	18.22	23.23
	EPS (in NTD)	0.88	1.08	(4.98)	0.06	0.07
	Liabilities/total assets (%)	96.76	96.51	97.70	95.78	94.25
	Fixed assets/shareholders' equity (%)	0.50	0.31	0.68	0.44	0.35
	Growth rate	Asset growth rate (%)	12.54	38.79	(0.05)	24.62
Profit growth rate (%)		32.47	112.18	(6,213.58)	5.58	126.56
Cash flow	Cash flow ratio (%) (note 2)	15.88	14.94	-	-	-
	Cash flow adequacy rate (note 3)	1,092.86	97.44	-	-	-
	Cash flow sufficiency rate (%)	(7.69)	(2.33)	1.49	1.93	0.52
Liquidity ratio (%)	61.58	61.57	35.57	56.31	74.73	
Total loans guaranteed by related parties (in NTD thousand)	597,914	238,834	254,597	181,566	136,372	
Total loans guaranteed by related parties/ total loan balance (%)	0.35	0.19	0.29	0.42	1.01	
Business scale	Market share in assets (%)	1.94	1.82	1.41	1.44	1.16
	Market share in net worth (%)	0.99	1.01	0.52	0.96	1.10
	Market share in deposits (%)s	2.42	2.29	1.74	1.85	1.50
	Market share in loans (%)	0.77	0.60	0.49	0.23	0.08

- Increase of deposit-loan ratio comparing to that last year was because of increase of total amounts of loan.
- Increase of employees' average gainst last comparing to that last year was because of the increase of net gains
- Increase of employees' average profit comparing to that last year was because of the increase of after-tax net profits

Note 1: The after-tax profit and net income are all negative and not analyzed.

Note 2: The cash flow from operating activities between 2005 and 2008 registered net outflow. So the ratios were negative and not counted.

Note 3: The Bank officially launched its operation in May 2005, which was less than 5 years ago, so this ratio is not applicable.

Note 4: Equations for financial analysis:

(1) Operating ability

- Loans/deposit ratio = total loans/total deposits
- NPL ratio = total non-performing loans/total loans
- Interest expense to average annual deposit balance ratio = total interest expenses/average annual deposit balance
- Interest income to average annual loan balance ratio = total interest incomes/average annual loan balance
- Total assets turnover = earnings/total assets
- Employee average return rate = earnings/total number of employees
- Employee average profit rate = net income/total number of employees

(2) Profitability

- Return on Tier 1 Capital = earnings before tax (EBT)/average total amount of Tier 1 capital
- ROA = net income/average total asset
- ROE = net income/average net shareholders equity
- Profit rate = net income/return
- EPS = (earnings - dividends from preferred shares)/weighted average quantity of outstanding shares

(3) Financial Structure

- Liabilities to Assets ratio = total liabilities/total assets
- Fixed assets to net worth ratio = net fixed assets/net shareholders' equity

(4) Growth rate:

- Asset growth rate = (total assets in current year - total assets in previous year)/total assets in previous year
- Profit growth rate = (EBT in current year - EBT in previous year)/EBT in previous year

(5) Cash Flows

- Cash flow ratio = net cash flow from operation/(call loans from banks and overdraft + payable commercial papers + financial liabilities at fair value through profit and loss + liabilities of securities purchased under agreement to repurchase + current portion of payables)
- Net cash flow suitability rate = Net cash flow from operation in the last 5 years/(capital expenditure + cash dividend) in the last 5 years.
- Cash flow sufficiency rate = net cash flow from operation/net cash flow from investments

(6) Liquidity Reserve = current assets designated by The Central Bank/liabilities quoted for liquidity reserve

(7) Business Scale

- Asset market share = total assets/total assets of all financial institutions available for making deposits and loans (note 2)
- Net worth market share = net worth/total net worth of all financial institutions available for making deposits and loans
- Deposit market share = total deposits/total deposits of all financial institutions available for making deposits and loans
- Loan market share = total loans/total loans of all financial institutions available for making deposits and loans.
- Financial institutions available for making loans and deposits include domestic banks, branches of foreign banks in Taipei, credit unions, credit departments of farmers' and fishermen's associations, and investment trust companies.

Adequacy of Capital

Unit: in NTD thousand

Analysis item	Year	Capital adequacy ratio from 2008 to 2010 (Note)			
		2010	2009	2008	
Tier 1 Capital	Common shares	15,580,139	15,500,000	20,111,536	
	Non-cumulative perpetual preferred shares	-	-	-	
	Non-cumulative subordinate bonds with no maturity	-	-	-	
	Prepaid capital investment	-	-	-	
	Capital surplus (except from appreciation of fixed assets)	-	-	-	
	Legal reserve	203,468	-	134,938	
	Special reserve	-	-	71,188	
	Accumulated surplus	1,473,960	508,669	-	
	Minority shareholding	-	-	-	
	Other shareholders' equity	(100,334)	(127,804)	(96,055)	
	Less:good will	-	-	-	
	Less:unamortized loss from disposal of non-performing assets	-	-	(8,223,618)	
	Less:Accumulated loss	-	-	-	
	Capital deduction items	2,781,408	3,325,716	1,496,720	
	Total Tier/ Capital	14,375,825	12,555,148	10,501,269	
Equity Capital	Cumulative perpetual preferred shares	4,500,000	4,500,000	-	
	Cumulative subordinate bonds with no maturity	-	-	-	
	Capital surplus from appreciation of fixed assets	-	-	-	
	45% of unrealized gain of financial assets available for sales	259,422	413,133	366,071	
	Convertible bonds	-	-	-	
	Business reserve and allowance for doubtful accounts	788,705	255,845	543,805	
	Long-term subordinate bonds	1,920,000	2,440,000	1,800,000	
	Non-perpetual preferred shares	-	-	-	
	The total of Non-cumulative perpetual preferred shares and Non-cumulative subordinate bonds with no maturity in excess of total Tier 1 capital by 15%.	-	-	-	
	Less: Accumulated loss	-	-	2,709,876	
	Capital deduction items	2,781,408	3,325,716	-	
	Total Tier 2 Capital	4,686,719	4,283,261	0	
	Tier 3 capital	Short-term subordinate bonds	-	-	-
		Non-perpetual preferred shares	-	-	-
		Total Tier 3 Capital	-	-	-
Equity Capital	19,062,544	16,838,409	10,501,269		
Total weigh average risk asset	Credit risk	Standard method	149,567,542	121,643,732	116,222,084
		Internal rating method	-	-	-
		Asset securitization	5,928,888	8,992,634	6,656,913
	Operational risk	Basic Standard method	2,510,425	2,294,558	1,338,883
		Standard method/ Optional standard method	-	-	-
		Advanced Assessment method	-	-	-
Market risk	Standard method	7,862,650	14,194,193	36,174,563	
	Internal model method	-	-	-	
Total risk weighed risk assets	165,869,506	147,125,117	160,392,443		
Capital adequacy ratio	11.49%	11.44%	6.55%		
Ratio of Tier 1 capital to risk assets	8.67%	8.53%	6.55%		
Ratio of Tier 2 capital to risk assets	2.83%	2.91%	-		
Ratio of Tier 3 capital to risk assets	-	-	-		
Ratio of equity capital from common shares to total assets	2.27%	2.54%	4.58%		

Changes of capital adequacy ratio in the last 2 years and the reasons:

The Bank's capital adequacy ratio varies more significantly in the last two years mainly because the Bank has undergone capital increase in the amount of NT\$10 billion in December 2009, which significantly increase the Bank's equity capital.

Note: The equations for the calculation of capital adequacy are shown below:

- Equity capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
- Total risk weighed risk assets = Credit risk weighed risk assets + Capital allowance of (operational risk + market risk) x 1.25
- Capital adequacy ratio = equity capital /total weighed risk assets
- Ratio of Tier 1 capital to Risk Assets = Tier 1 Capital/ Total weighed risk assets
- Ratio of Tier 2 capital to Risk Assets = Tier 2 Capital/ Total weighed risk assets
- Ratio of Tier 3 capital to Risk Assets = Tier 3 Capital/ Total weighed risk assets
- Ratio of equity capital from common shares to total assets = equity capital from common shares/ total assets

C、Supervisors' Report

Supervisors' Report

We have examined the Agricultural Bank of Taiwan's 2010 (January 1, 2010 ~ December 31, 2010) financial statements balance sheets, statements of income, statements of changes in stockholders' equity and statements of cash flows), as well as the Bank's 2010 business report and proposal for earnings distribution in the second-term eighth supervisors' meeting held on April 19, 2011 and second-term ninth supervisors' meeting held on May 17, 2011 and did not find any nonconformity. The aforementioned financial statements were presented to us by the Bank's Board of Directors and have been audited by Chung Dan-Dan, Certified Public Accountant, KPMG Taiwan.

To
2011 General Shareholders' Meeting

Agricultural Bank of Taiwan

Resident Supervisor : Liu Chia-Fu



(authorized signature)

Supervisor : Chang Yo-Ze



(authorized signature)

Supervisor : Lin, Han-Chou



(authorized signature)

Supervisor : Yang Shun-Cheng



(authorized signature)

May 17, 2011

D、Auditors' Report



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 + 886 (2) 8101 6666

Fax 傳真 + 886 (2) 8101 6667

Internet 網址 www.kpmg.com.tw

Auditors' Report

The Board of Directors
Agricultural Bank of Taiwan, Ltd.

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

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 Agricultural Bank of Taiwan, Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the related financial accounting standards of the "Business Entity Accounting Law" and of the "Regulation on Handling Business Entity Accounting" and accounting principles generally accepted in the Republic of China.



Taipei, Taiwan, R.O.C.

March 16, 2011

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operation and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial statements are those generally accepted and applied in the Republic of China. The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.



(English Translation of Financial Report
Originally Issued in Chinese)
AGRICULTURAL BANK OF TAIWAN, LTD.
BALANCE SHEETS

DECEMBER 31, 2010 AND 2009
(Amounts Expressed in Thousands of New Taiwan Dollars)

ASSETS	December 31, 2010	December 31, 2009	Variance %	LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2010	December 31, 2009	Variance %
	Amount	Amount			Amount	Amount	
Assets				Liabilities			
Cash and cash equivalents	\$ 2,546,879	5,041,200	(49)	Deposits from the Central Bank and other banks	\$ 19,037	20,517	(7)
Deposits with the Central Bank and call loans to banks	351,315,369	279,639,178	26	Financial liabilities measured at fair value through profit or loss	1,949,371	1,951,189	-
Financial assets measured at fair value through profit or loss	21,590,038	25,312,657	(15)	Bills and bonds sold under repurchase agreements	37,320,361	25,008,336	49
Receivables, net	3,750,747	3,712,445	1	Payables	1,246,845	742,222	68
Discounts and loans, net	152,379,008	111,824,062	36	Deposits and remittances	620,203,085	557,526,671	11
Available-for-sale financial assets	103,209,920	126,481,473	(18)	Financial bonds payable	800,000	800,000	-
Held-to-maturity financial assets, net	42,855,110	52,297,516	(18)	Accrued pension liabilities	28,650	23,787	20
Investments under the equity method, net	32,644	15,167	115	Other financial liabilities	2,403,589	2,395,067	-
Financial assets measured at cost	250,000	250,000	-	Other liabilities	336,348	299,867	12
Debt instruments with no active market	8,472,072	5,401,882	57	Total Liabilities	664,307,286	588,767,656	13
Other financial assets, net	5,475	3,475	58	Stockholders' Equity			
Property and equipment, net	110,300	67,005	65	Capital stock			
Refundable deposits	14,757	14,650	1	Common stock	15,580,139	15,500,000	1
Other assets	8,692	5,883	48	Preferred stock	4,500,000	4,500,000	-
				Retained earnings			
				Legal reserve	203,468	-	-
				Undistributed earnings	1,437,960	508,669	190
				Other			
				Unrealized gain and loss on financial assets	476,158	790,268	(40)
				Total Stockholders' Equity	22,233,725	21,298,937	4
				Significant Commitments and Contingencies			
TOTAL ASSETS	\$ 686,541,011	610,066,593	13	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 686,541,011	610,066,593	13

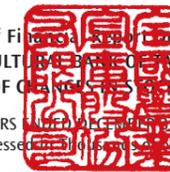
(English Translation of Financial Statements Originally Issued in Chinese)
 AGRICULTURE BIOTECH CO., LTD.
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
 (Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)



	2010	2009	Variance %
	Amount	Amount	
Interest revenue	\$ 7,719,420	6,989,192	10
Less: Interest expense	6,351,958	5,223,684	22
Net interest income	1,367,462	1,765,508	(23)
Non-interest income, net			
Commissions and handling fee, net	56,121	105,885	(47)
Gain from financial assets or liabilities measured at fair value through profit or loss	1,587,627	218,802	626
Realized gains on available-for-sale financial assets	1,443,114	910,524	58
Realized losses on held-to-maturity financial assets	(12,245)	(42,886)	71
Investment income recognized under the equity method	17,477	6,614	164
Foreign exchange losses	(1,972,474)	(475,235)	(315)
Reversal of impairment losses (losses on impairment)	174,730	(495,000)	135
Others, net	(21,856)	(95,736)	77
Sub-total	1,272,494	132,968	857
Net revenue (expense)	2,639,956	1,898,476	39
Bad debt expenses	540,000	200,000	170
Operating expenses			
Personnel expenses	263,758	234,795	12
Depreciation and amortization expenses	23,275	15,479	50
Other selling and administrative expenses	203,905	233,595	(13)
Total operating expenses	490,938	483,869	1
Earnings from continuing operations before income tax	1,609,018	1,214,607	32
Income tax expense	135,058	90,106	50
Net income (loss)	\$ 1,473,960	1,124,501	31

	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (in dollars)	\$ 0.96	0.88	1.16	1.08
Basic earnings per share (in dollars) - retroactively adjusted			1.16	1.07
Diluted earnings per share (in dollars)	\$ 0.80	0.73	1.14	1.05
Diluted earnings per share (in dollars) - retroactively adjusted			1.13	1.05

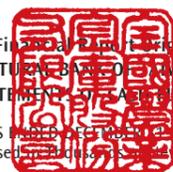
(English Translation of Financial Statements Originally Issued in Chinese)
 AGRICULTURE BIOTECH CO., LTD.
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
 (Amounts Expressed in Thousands of New Taiwan Dollars)



	Capital Stock		Retained Earnings			Unrealized gain and loss on financial assets	Total
	Common stock	Preferred stock	Legal reserve	Special reserve	Undistributed earnings		
Balance - January 1, 2009	\$ 20,111,536	-	134,938	71,188	(10,933,494)	717,436	10,101,604
Offset of capital surplus against accumulated deficit	(10,111,536)	-	(134,938)	-	10,246,474	-	-
Reversal of special reserve	-	-	-	(71,188)	71,188	-	-
Capital increase in cash	5,500,000	4,500,000	-	-	-	-	10,000,000
Net income for the year ended December 31, 2009	-	-	-	-	1,124,501	-	1,124,501
Unrealized gains and losses on financial assets	-	-	-	-	-	72,832	72,832
Balance - December 31, 2009	15,500,000	4,500,000	-	-	508,669	790,268	21,298,937
Appropriation of 2009 earnings:							
Legal reserve	-	-	203,468	-	(203,468)	-	-
Cash dividends—common stock	-	-	-	-	(186,001)	-	(186,001)
Cash dividends—preferred stock	-	-	-	-	(6,935)	-	(6,935)
Capital increase out of unappropriated earnings	80,139	-	-	-	(80,139)	-	-
Contribution to mutual support fund	-	-	-	-	(32,126)	-	(32,126)
Unrealized gains and losses on financial assets	-	-	-	-	-	(314,110)	(314,110)
Net income for the year ended December 31, 2010	-	-	-	-	1,473,960	-	1,473,960
Balance - December 31, 2010	\$15,580,139	4,500,000	203,468	-	1,473,960	476,158	22,233,725

(English Translation of Financial Report Originally Issued in Chinese)
 AGRICULTURE BANK OF TAIWAN, LTD.
 STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
 (Amounts Expressed in Thousands of New Taiwan Dollars)



	2010	2009
Cash flows from operating activities:		
Net income	\$ 1,473,960	1,124,501
Adjustment items:		
Depreciation	25,250	17,693
Amortization	2,500	2,261
Provision of bad debt expenses	540,000	200,000
Provision for securities trading loss reserve	45,217	122,473
Amortization of premiums (discounts) on financial assets	1,674,904	988,807
Investment income recognized under the equity method	(17,477)	(6,614)
Gain on disposal of investments	(1,323,702)	(849,886)
Impairment losses on financial assets	-	495,000
Reversal of impairment loss on financial assets	(174,730)	-
Amortization of unrealized gain and loss on financial assets	(3,320)	9,854
Net changes of operation assets and liabilities:		
Net changes of operation assets:		
Decrease in financial assets measured at fair value through profit or loss	3,722,619	2,422,407
Increase in receivables	(38,302)	(565,140)
Increase in other financial assets	(2,000)	(3,238)
Net changes of operation liabilities:		
Increase (decrease) in financial liabilities measured at fair value through profit or loss	(1,818)	45,797
Increase in payables	504,623	123,353
Increase in accrued pension liabilities	4,863	6,829
Net cash provided by operating activities	6,432,587	4,134,097
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(61,182,273)	(153,854,569)
Proceeds from disposition of available-for-sale financial assets	82,106,960	63,104,313
Repayment of shares from cancellation of capital stock of available-for-sale financial assets	7,818	-
Purchase of debt instruments with no active market	(4,537,531)	-
Proceeds from disposition of debt instruments with no active market	-	1,350,730
Proceeds received from debt instruments with no active market	1,501,946	1,207,678
Purchase of held-to-maturity financial assets	(21,672,060)	(9,348,409)
Proceeds from disposition of held-to-maturity financial assets	21,487,755	-
Proceeds received from held-to-maturity financial assets	9,894,548	71,223,226
Purchase of fixed assets	(68,545)	(533)
Increase in guarantee deposits paid	(107)	(5,091)
Purchase of intangible assets	(5,371)	(666)

(English Translation of Financial Report Originally Issued in Chinese)
 AGRICULTURE BANK OF TAIWAN, LTD.
 STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
 (Amounts Expressed in Thousands of New Taiwan Dollars)



	2010	2009
Increase in due from the Central Bank and call loans to banks	(71,676,191)	(129,754,391)
Increase in discounts and loans	(41,094,946)	(26,198,700)
Decrease in other assets	62	63
Proceeds received from available-for-sale financial assets	1,549,344	5,143,588
Net cash used in investing activities	(83,688,591)	(177,132,761)
Cash flows from financing activities:		
Issued for financial debentures	-	800,000
Increase (decrease) in bills and bonds sold under repurchase agreements	12,312,025	(16,045,476)
Increase (decrease) in other financial liabilities	8,522	(15,140)
Increase (decrease) in other liabilities	(40,862)	92,857
Cash Dividends	(192,936)	-
Cash capital increase	-	10,000,000
Decrease in deposits from the Central Bank and other banks	(1,480)	(448)
Increase in deposits and remittances	62,676,414	174,171,537
Net cash provided by financing activities	74,761,683	169,003,330
Net decrease in cash and cash equivalents	(2,494,321)	(3,995,334)
Cash and cash equivalents, beginning of the year	5,041,200	9,036,534
Cash and cash equivalents, end of the period	\$ 2,546,879	5,041,200
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 6,277,449	5,335,196
Income taxes	\$ 135,058	82,021
Non-cash investing and financing activities:		
Surplus provision for mutual support fund (recognized as other liabilities)	\$ 32,126	-

VII. Risk Management

A. Credit Risk Management

1. Credit Risk Management System

2010

Title	Content
Credit risk strategy, objective, policy, and process	<p>1 - Credit risk strategy, objective, and policy</p> <p>(1) According to the Bank's credit policies, investment policies and operation strategies as well as business plans, it is required to comply with Basal Capital Agreement and specifications of competent authorities, with consideration taken to the results out of the utilization of capital and quality of assets and to regulate the strategies for the management of credit risks at proper times.</p> <p>(2) It is required to develop perfect credit risk control mechanisms so as to effectively identify, measure, supervise and control credit risks so as to attain equilibrium between levels and expected remuneration standards in respect of risks.</p> <p>(3) All competent authorities for business control, while conducting business in relation to credit risks, shall assess the probability of loss out of credit risks arising from such credit, investment or transaction as well as severity of such loss, and it is necessary to take proper countermeasures for the control of credit risks, including avoidance of risks, transfer of risks, control over risks and assumption of risks.</p> <p>2 - Flow of management of credit risks</p> <p>(1) All competent authorities in charge of business, before undertaking the current or new types of business, must understand credit risks involved in them; or in the process of credit, investment or deal, identify factors of credit risks, such as features of credit granted customers. According to the categories of credit services, lending objects, purposes, repayment sources, repayment records, content of their deeds and credit granted customers' financial conditions or the effects of changes in overall markets on the possibility of exposure to risks. Moreover, it is necessary to evaluate risk offset tools such as surety or security, etc, and it is also necessary to consider other prospective lenders, issuers or other parties of dealers as well as changes in risks in respect of them. In addition to the consideration taken to separate risks in deals, it is also necessary to measure risks in credit grant and investment portfolios.</p> <p>(2) It is necessary to establish mechanisms for control over credit risks so as to control credit risks in separate credit grant and credit mix, with the control mechanisms including limited quota management, management after grant of loans, surety management and asset quality management.</p>
Organization and structure of credit risk management	<p>1 - The Board of Directors is the supreme decision making organization of the Bank's management of operation risks, and based on overall operating strategies and operating environments, verifies the methods of the Bank for the management of operation risks and substantial decision making, supervises the effective operation of the mechanisms of the management of operation risks and performs regular review thereof.</p> <p>2 - The Top Management shall be responsible for supervising the execution of criteria and mechanisms for the management of operation risks to ensure that different management levels will understand the roles and responsibilities for management of operation risks, with inspection of internal and external reports to see whether they meet the relevant regulations on the management of operation risks, and coordinate and communicate with all organizations in respect of matters on the management of operation risks.</p> <p>3 - The Risk Management Committee controls the mechanisms of the management of operation risks all over the Company and reviews the Bank's relevant criteria on operation risks according to the decision making on management of operation risks approved by the Board of Directors, including the formulation and revision of indicators of risks and measurement modes.</p> <p>4 - The Credit Review Committee and the credit review team: The Bank organizes a credit review team to be a staff unit for all levels' authorized officers. The headquarters also is equipped with the Credit Review Committee and the credit review team, which is a staff unit under leadership of the GM and the Board of Directors. The Credit Review Committee and the credit review team shall be responsible for the reviewing credit of the authority of the Vice GM so as to strengthen review functions. The Credit Review Committee shall have nine members consisting of General Manager of the Bank, vice general managers from the relevant business units, i.e. 4 supervisors and 5 independent members for the review of credits, who shall be responsible for the review of credit of the authority of the Board of Directors, with the methods and regulations of the Bank on the authorization of investment in negotiable securities provided with investment cases so as to strengthen review functions.</p> <p>5 - Risk Management Office, as the unit specifically in charge of management of risks for Bank, shall be responsible for planning, deploying and integrating operation of credit risks of the Bank, and regularly summarizing information on credit risks throughout the Company and reporting such information to the Board of Directors and Risk Management Committee; and performing provision for capital for credit risks and disclosing information on risks based on the regulations of the competent authorities.</p> <p>6 - Operation units shall be responsible for the identification, evaluation and measurement of risks, and shall take appropriate countermeasures for risks, observe regulations and methods of the Bank on credit, credit grant and management of credit risks, perform daily operation and management of credit risks, and as required, report to competent authorities in charge of business or Risk Management Office.</p>
The scope and features of credit risk reporting and assessment system	<p>Aside from risk management statistical reports required by the competent authorities, the Bank periodically compiles information on credit risk position, use of credit line, distribution of credit ratings, and borrowers by industry and submits such reports to senior management as well as Risk Management Committee and the board of directors.</p>
Credit risk hedging or risk mitigation policy, and the strategy and process for assuring the continuous effectiveness of hedging and risk mitigation instruments	<p>The Bank regulates the credit limits granted to the same individual, same related party, same affiliate or group enterprise, financial holding company and borrowers in the same industry to reduce credit risk. The Bank uses collaterals, guaranty by credit guaranty institutions, net value settlement, and derivative products as instruments for risk mitigation and continues the control of limits, post-approval management, collateral management, and asset quality management as the means for assuring the effectiveness of the risk mitigation instruments.</p>
Method for charging regulatory capital	<p>The Bank adopts the standardized approach to credit risk for calculating credit risk capital charges.</p>

2. Exposure after risk reduction under the standardized approach and capital requirement

December 31, 2010

Unit: in NTD thousand

Type of exposure	Exposure after risk reduction	Capital requirement
Sovereign	412,013,512	0
Public sector beyond the central government	55,374,385	885,990
Banks (including multilateral development banks)	56,593,533	2,205,204
Corporate (including securities and insurance companies)	112,872,009	7,677,165
Retail	8,072,789	617,624
Residential mortgage	556,313	20,027
Equity	610,077	146,419
Others	5,694,890	412,974
Total	651,787,509	11,965,403

B.Asset Securitization Risk Management

1. Asset securitization risk management system

2009

Unit: in NTD thousand

Title	Content
Asset securitization strategy, objective, policy, and process	1. Bank is a non-originator bank for asset securities commodities, but performs investment activities only. 2. For investment activities in capitalized securities commodities, the Bank's management strategies and flows shall be subject to the Bank's investment policies, the methods for the authorization of investment in negotiable securities, the methods for the authorization of investment in assets in foreign currencies and methods for risk quotas and other relevant regulations.
Organization and structure of Assets securitization management	The Bank is a non-originator bank, so all possible risks arising from activities in investment in capitalized securities commodities (including credit risks, market risks and operation risks) shall be based on the organization and framework controlling such risks.
The scope and features of asset securitization reporting and assessment	Department of Risk Management compiles statistics on risk management for disclosure of the changes in credit ratings of securitization products the Bank has invested and the percentage of securitization exposure to total exposure at regular intervals. The department also singles out and keeps track on asset securitization products which credit ratings may possibly be downgraded.
Asset securitization risk hedging or risk mitigation policy, and the strategy and process for assuring the continuous effectiveness of hedging and risk mitigation instruments	The Bank is a non-originator bank, and therefore not only has established a standard credit rating and investment quota in the asset securitization products, but keeps track on the changes in the credit rating of the products to reduce risk in investment in asset securitization products.
Method for charging regulatory capital	The Bank adopts the standardized approach to credit risk for calculating credit risk capital charges.

2. Status of asset securitization: none

3. Exposures to asset securitization and capital charge

December 31, 2010

Unit: in NTD thousand

Type of exposure	Non-originator bank		Originator bank					Capital requirement before securitization
	Exposures to purchased or held securitization products	Capital charge	Exposure limit				Asset-backed commercial papers	
			Non asset-backed commercial papers		Synthetic			
			Traditional	With position				
20%	5,083,633	81,338	-	-	-		-	-
50%	2,569,535	102,781	-	-	-	-	-	-
100%	3,627,394	290,192	-	-	-	-	-	-
Capital deduction items	4,659,167	-	-	-	-	-	-	-
Total	15,939,729	474,311	-	-	-	-	-	-

C.Operational Risk Management

1.Operational Risk Management System

December 31, 2010

Title	Content
Operation risk strategy, objective, policy, and process	1. All organizations of ABT shall apply appropriate countermeasures such as avoidance, transfer, control or assumption, etc for all risk events possibly arising from daily operating activities and management flows in consideration of occurrence frequencies and severity of effects so as to reduce occurrence rates of substantial losses and events. 2. The flows of management of operation risks include identification, measurement, control and report. In consideration of business properties, personnel, systems and operating environments as well as other internal and external factors, based on operating activities or products, self evaluation of risks and other methods are used to identify daily operating activities and management flows that may give rise to all operation risks; for events of operation risks, it is necessary to analyze their causes, categories of events and results of impact, and moreover it is necessary to build the reporting mechanisms for events of operation risks and databases for data on loss out of operation risks so as to enhance the ability to measure operation risks; in addition, it is required to regularly summarize and analyze the execution of management of all operation risks in the Company, and present reports to the top management, risk Management committee and the Board of Directors, and regularly disclose externally on the basis of regulations of the competent authorities.
Organization and structure of Assets securitization management	1. The Board of Directors is the supreme decision making organization of the Bank's management of operation risks, and based on overall operating strategies and operating environments, verifies the methods of the Bank for the management of operation risks and substantial decision making, supervises the effective operation of the mechanisms of the management of operation risks and performs regular review thereof. 2. Top Management shall be responsible for supervising the execution of criteria and mechanisms for the management of operation risks to ensure that different management levels will understand the roles and responsibilities for management of operation risks, with inspection of internal and external reports to see whether they meet the relevant regulations on the management of operation risks, and coordinate and communicate with all organizations in respect of matters on the management of operation risks. 3. The Risk Management Committee controls the mechanisms of the management of operation risks all over the Company and deliberates the Bank's relevant criteria on operation risks according to the decision making on management of operation risks approved by the Board of Directors, including the formulation and revision of indicators of risks and measurement modes. 4. Personnel from organizations at different levels of the Bank shall observe the relevant regulations on the Bank's management of operation risks, and shall actively master and control operation risks under their control and within their capacity. All operation risks shall be dealt with immediately and reported by levels at proper times. 5. Risk Management Office shall be responsible for proposing and drafting strategies and procedures for the management of operation risks throughout the Company, for carrying out design and introduction of identification, measurement, control and reporting of operation risks as its management mechanism, and for building and managing databases of the Company for events of loss out of operation risks.

Title	Content
The scope and features of asset securitization reporting and assessment	The Bank has built its mechanisms for reporting events of operation risks and databases for events of losses, and performs self evaluation of operation risks. All organizations shall carry out self identification and evaluation of operation risks in their existing business in respect of their business or operation flows by means of systematic methods, proposes improvement solutions to intensify risk control, with results of such evaluation to be reported to Risk Management Committee and the Board of Directors.
Operation risk hedging or risk mitigation policy, and the strategy and process for assuring the continuous effectiveness of hedging and risk mitigation instruments	To reduce Operation risk, the Bank carries out risk transfer or offset through well-formulated operational rules, rigorous internal control and internal and external audits, and draws up improvement and/or response measures based on the audit reports. The Bank also cautiously selects insurance coverage and appoints contractors to transfer or adjust, and enhance the management of operational risk for optimal efficiency.
Method for charging regulatory capital	The Bank adopts the standardized approach to credit risk for calculating credit risk capital charges.

2.Operational Risk Capital Charge

December 31, 2010

Unit: in NTD thousand

Year	Gross profit	Capital requirement
2010	1,056,213	
2009	1,621,575	
2008	(8,066,718)	
Total	1,338,894	200,834

D.Market Risk Management

1.Asset securitization risk management system

December 31, 2010

Title	Content
Market risk strategy, objective, policy, and process	1. For market risks encountered in daily operating activities and management flows, the Bank shall take countermeasures such as avoidance, transfer, control and assumption of risks according to the occurrence frequencies and severity of them. For example, it is specified that such business may not be undertaken or no closing or sale may be taken or part or all risks may not be transferred to a third party by means of exchange or offset or other methods; and limited quotas of commodities must be specified and there must be requirements for stop of losses and power suspension mechanisms and over limit treatment so as to effectively control market risks. 2. The Process for the management of market risks includes identification, evaluation, measurement, control and reporting of risks. The Bank shall effectively identify interest rates of traded products or dealing activities as well as stock prices, and prices of foreign exchanges and commodities and other key risk factors; uniform evaluation mechanism will be used to properly evaluate loss and income of the portions evaluated; it is necessary to establish measurement modes such as statistical analysis method and sensitivity analysis, etc; to work out complete flow for control over risks. In the case of any lack of management of risks such as over limit quotas, or any other special conditions, such shall be reported abruptly. Moreover, supervision and control shall include Dept. of Treasury and Treasury products as a whole as well as individual dealing processes such as changes in locations, changes in loss and income, whether dealing modes and subject matters on deals meet requirements, and whether they are performed within the range of quotas and authority. The same must be regularly reported to the Top Management, Risk Management Committee and the Board of Directors by Dept. of Treasury and Risk Management Office.
Organization and structure of Assets securitization management	1. The Board of Directors shall verify the methods for the management of market risks and significant decision making on the basis of overall operating strategies and operating environments so as to ensure that market risk mechanisms will be effectively operated and regularly reviewed. 2. Top Management shall be responsible for performing the policies on and frameworks of market risk management as approved by the Board of Directors, and shall also supervise and review the appropriateness of the process of supervision and control and coordinate with matters on market risks across departments. 3. The Assets and Liabilities Management Committee comprises the president, executive vice president, and the head of Dept. of Treasury, Dept. of Business Management and Risk Management Office with the president acting as its convener. The Committee is responsible for reviewing the Bank's business strategies for deposits and loans, foreign exchange and capital market business interest rate sensitively ratios and the structure of major assets and liabilities by time to maturity, and other important policies to improve the Bank's business operations. 4. The Investment Review Committee comprises the Bank's president, executive vice president, and the head of Dept. of Business Management, Risk Management office, Accounting office, and Dept. of Treasury, with the president acting as its convener. The Committee is responsible for reviewing the Bank's investment in beneficiary securities, asset-backed securities, foreign currency assets, convertible bond asset swap, credit-linked notes, and structure product that combine basic contact with CLN or other Dept. of Treasury products, and the other major securities investment to strengthen the Bank's business operation. 5. Risk Management Committee shall control risk management mechanisms and deliberate regulations on market risks, including the formulation and revision of risk indicators and measurement methods based on the risk management decisions as approved by the Board of Directors. 6. Dept. of Treasury shall be responsible for executing identification, evaluation and measurement (either quantitative or non-quantitative) of risks, taking appropriate countermeasures for risks (including risk avoidance, transfer or offset, control and assumption), observing the regulations of the Bank on the management of market risks, performing part management, actively supervising and controlling different quotas, and presenting the same as required to Top Management or Risk Management Office. 7. Risk Management Office shall be specifically responsible for the management of market risks of the Company as a whole, summarizing control and revealing information on market risks throughout the Company as well as execution status, presenting regular reports to Risk Management Committee and the Board of Directors; and carrying out provision for market venture capital and disclosure of information on risks based on the requirements of competent authorities.
The scope and features of asset securitization reporting and assessment	1. Dept. of Treasury shall present information on deals to supervisors at different levels as required on a daily or regular basis, and ensure the correctness and effectiveness of such information. In the case of any over limit or exception, it shall be reported in a real-time manner. 2. Risk Management Office shall regularly present reports to Risk Management Committee and the Board of Directors with regard to the management and execution of market risks throughout the Company. Such shall include parts of market risks, risk levels, profit or loss status, utilization of quotas and compliance with the regulations on the management of market risks. 3. In the case of any substantial change in markets, Dept. of Treasury shall perform real-time reporting so as to minimize market risks, to reduce possible loss or impairment of fame and good reputation incurred to the Bank.

Title	Content
Operation risk hedging or risk mitigation policy, and the strategy and process for assuring the continuous effectiveness of hedging and risk mitigation instruments	<ol style="list-style-type: none"> Currently the hedge trading the Bank engages in is for hedging the risk of foreign currency assets and securities investments associated with fluctuation of exchange rate and interest rate, and the hedge instruments used are primarily swap contracts. For tracking the changes in the profit position of such instruments, the Bank conducts evaluation on the derivative trade for hedging at least twice a month based on their market value and reports the evaluation results to the senior management. The Bank has specified management methods for investment in negotiable securities business, and provided reasonable loss suspension mechanisms to intensify investment decision making by the Bank in respect of domestic securities, to properly adjust the portfolio of subject matters for capital investment, which may reduce risks in the investment in domestic securities. To better manage interest rate risk, the Bank conducts routine analysis on the gap position and ratios of interest rate sensitive assets (including deposits, loans, short-term investments, and borrowings) to reduce interest rate risk.
Method for charging regulatory capital	The Bank adopts the standardized approach to credit risk for calculating credit risk capital charges.

2. Market Risk Capital charge

December 31, 2010 Unit: in NTD thousand

Type of risk	Capital requirement
Interest rate	568,740
Equity	60,272
Exchange rate	-
Products	-
Option accounted for by simplified approach	-
Total	629,012

E. Liquidity Risk Management

1. Analysis of the maturity structure of NTD assets

December 31, 2010 Unit: in NTD thousand

	Total	Amount in days to maturity				
		1-30 days	31-90 days	91-180 days	181days-1 year	Over 1 year
Main stream of capital inflow at maturity	\$ 689,459,195	117,380,867	112,013,581	79,885,462	142,337,649	237,841,636
Main stream of capital outflow at maturity	792,365,215	92,142,994	196,718,116	172,740,326	294,466,020	36,297,759
Maturity Gap	(102,906,020)	25,237,873	(84,704,535)	(92,854,864)	(152,128,371)	201,543,877

2. Analysis of the maturity structure of USD assets:

December 31, 2010 Unit: in USD thousand

	Total	Amount in days to maturity				
		1-30 days	31-90 days	91-180 days	181days-1 year	Over 1 year
Main stream of capital inflow at maturity	\$ 11	11	-	-	-	-
Main stream of capital outflow at maturity	-	-	-	-	-	-
Maturity Gap	11	11	-	-	-	-



Agricultural Bank of Taiwan



Mr.S.L. Liu(Chairperson)

Agricultural Bank of Taiwan