

The Bankers Association of The Republic of China

Annual Report 2009

2009

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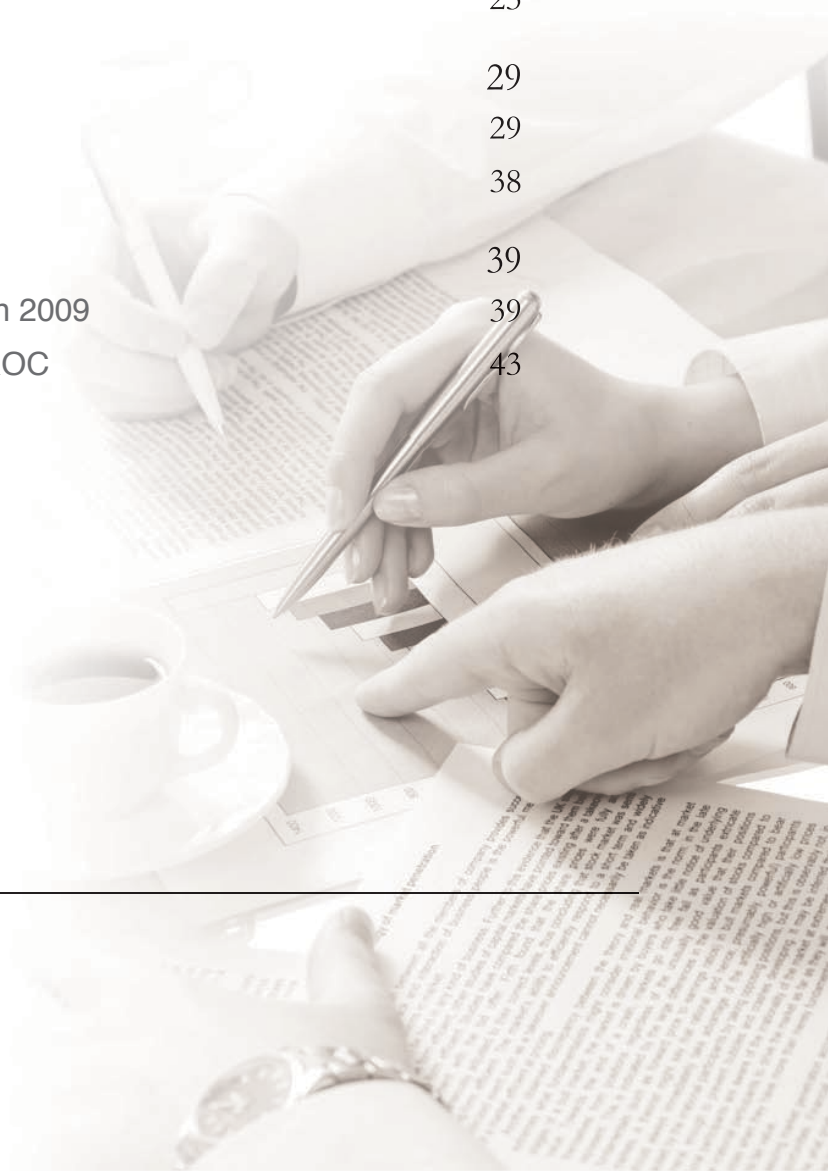
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I. Message of the Chairperson

The global financial turmoil aroused by the U.S. subprime crisis and the Lehman Brothers bankruptcy confronted the world's economy with unprecedented challenges. In Taiwan, growth plummeted in the first half of 2009 and the country was left in tough economic circumstances. The government took action to stimulate the economy by issuing consumption vouchers, providing preferential home loans, offering tax incentives, promoting employment, and adopting other economic revitalization programs designed to enhance willingness to invest and expand domestic demand. Other countries did the same; and, with the stimulation of these expansionary fiscal measures and easing-money policies, the global economy began gradually to break away

from the worst recession in half a century and advance along the road to recovery in the last half of 2009. Taiwan's own economy has begun to recover smoothly along with this trend; and, boosted further by the strengthening recovery in mainland China and other emerging Asian economies as well as booming peak-season demand in America and Europe, the island's economic growth rate jumped to 9.22% in the fourth quarter of the year. Indicators for the operations of domestic financial institutions began to climb steadily under the government's continuous risk-control reinforcement and financial monitoring. At the end of 2009 the non-performing loan ratio for Taiwan's domestic banks as a whole declined to 1.14%, bad-debt coverage ratio soared to 90.5%, before-tax profit in the domestic banking industry rose from NT\$44.36 billion in 2008 to NT\$83.92 billion in 2009, profitability growth reached 89.2%, and return on equity (ROE) rose to a two-year high of 4.49%. These figures indicate that Taiwan's financial institutions have emerged from the shadows of the financial tsunami and that their operations have returned to the track of stable growth.

The Bankers Association of the Republic of China has carried out numerous important tasks and completed many important missions over the past year. In response to the global financial crisis, the Association has mapped out regulations on the use of shares as collateral that are needed to provide continuous support for the government's "three supports" policy and coordinate with government-planned assistance measures such as the provision of financial assistance to help enterprises weather their operational difficulties and the provision of help for the involuntarily unemployed in delaying or extending the period



Chairperson Susan S.Chang

of repayment for home loans, as well as to prevent a falling stock market from influencing normal corporate operations. The Association has also actively coordinated with member banks in carrying out these measures so as to help enterprises and the public weather their difficulties in business operation and livelihood, and to bring the government's economic revitalization and employment promotion policies to fruition.

In addition, thanks to the efforts of the Association's Committee on Banking Consumer Disputes Resolution to uphold the interests of investors in structured notes, the review of the final batch of these cases was completed on Jan. 5, 2010. A total of 25,214 complaint cases were accepted; 14,782 of the cases were later withdrawn because of amicable settlements and other reasons, and 10,432 cases were submitted to the Committee for resolution. The evaluation of the cases and announcement of the results prompted the banks to set standards of compensation and to reach speedy and amicable settlements with the complainants; this helped with the disposition of structured notes disputes, bringing the contention about such instruments to a close and facilitating a return to normal business operations.

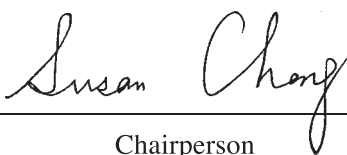
After Typhoon Morakot ravaged Taiwan in August of 2009 and caused huge amounts of damage, the Association moved to help the affected individuals and companies get over their difficulties by coordinating with the bank financing and other relief measures mapped out by the government, and by formulating loan-repayment extensions and other assistance measures for residential and corporate victims of the typhoon. By the end of the year, the terms of 4,063 individual loans with an approved amount of approximately NT\$3 billion had been extended and a “Typhoon Morakot Financial Assistance Measures” section had been set up on the Association's website to facilitate the timely announcement of information related to financial assistance for the reference of financial institutions and the public.

The global economy will experience a substantial upturn in 2010 under the influence of the strong relief policies that have been adopted by governments all over the world, and we can expect a gathering of strength for global recovery. Taiwan's economy will also bottom out and strengthen again. According to the revised forecast in the “World Economic Outlook” report issued by the International Monetary Fund (IMF) in April of 2010, the global economy will recover more rapidly than originally expected and growth for the year will reach 4.2%. Taiwan's economic growth for 2010 is forecast at 6.5%. With the economic recovery bringing a stronger demand for capital, in the interest of maintaining price stability the Central Bank is expected to make no further moves to guide market interest rates lower. This should lead to an improvement in the shrunken interest spread situation in the banking industry, and we can look forward to a major improvement in banking profitability.

With the cross-straits memorandum of understanding (MOU) on financial supervision taking effect on Jan. 16, 2010, we can expect topics related to the banking industry to be included in negotiations on the “early harvest” list of the Economic Cooperation Framework Agreement (ECFA) between Taiwan and mainland

China. This will provide Taiwanese banks with favorable conditions and opportunities for establishing bases and expanding business operations in China, thereby opening a new chapter in financial exchange and interaction across the Taiwan Straits. For the promotion of cross-straits cooperation in the banking industry and to work out related issues by conveying suggestions from Taiwan's banking industry at the appropriate time and submitting them for the reference of the authorities, the Association has established a "Mainland China Committee," made up of scholars, experts, and banking industry representatives with abundant experience in cross-straits affairs, which will address issues of concern to the industry with the aim of facilitating business cooperation and the exchange of information on banking operations in China.

In the years to come, the Bankers Association will work constantly to help our member banks implement the new systems and related financial measures such as the International Financial Reporting Standards (IFRS) and the New Basel Accord, and to coordinate with the implementation of government policy. The Association will also help member organizations to solve their business and operating problems, reinforce the disclosure of financial information, and carry out financial education and training activities; we will devote our efforts, as well, to the promotion of financial internationalization, the engagement of international cooperation, and the formation of strategic alliances so as to bolster the international competitiveness of our banks. The Association will continue steadfastly to fulfill its role as a bridge between the government and member banks, and between member banks and the public, so that together we can create a all-win situation for the government, the banking industry, and the consumers, devote our best to the sustainable operation and prosperous development of the financial industry, and pave the way to a brighter, more stable future for us all!



Susan Cheng

Chairperson

II. An Introduction of the Bankers Association of the Republic of China

A. History

The Bankers Association of the Republic of China (hereinafter referred to as BAROC) was founded on August 9, 1983, based on the original structure of the Bankers Association of Taipei. Together with the Bankers Association of Taiwan and the Bankers Association of Kaohsiung, BAROC was formed in accordance with the regulations of the Commercial Group Act, and was approved by the Ministry of the Interior. The Association was located on the eighth floor of No. 46, Kuan Chien Road, Taipei at the time. In January 1984, the Bankers Association of Taipei transferred the national banker association business to BAROC to allow it to take over its overall functions.

The Chairpersons of BAROC from the first session of the first General Assembly in August 1983 to the ninth session of the third General Assembly in September 2009 are shown as follows:

Chairperson	Session	Duration
I-shuan Sun	1, 2	1983 ~ 1989
Y. D. Sheu	3, 4	1989 ~ 1995
James C. T. Lo	5, 6	1995 ~ 2000
Yung-san Lee	7	2000 ~ 2002
Mu-tsai Chen	7	2002 ~ 2004
Shen-chih Cheng	8	2004 ~ 2006
Jer-Shyong Tsai	8	2006 ~ 2007
Teh-Nan Hsu	8, 9	2007 ~ 2008
Susan S. Chang	9	2008 ~

B. Aims, Functions and Organization

1. Aims

- (1) To assist the government in implementing financial policies
- (2) To promote economic development
- (3) To coordinate its members' relationship
- (4) To improve its members' mutual benefits

2. Functions

- (1) To help implement economic and financial policies and commercial decrees
- (2) To balance demand and supply of funds among various sectors in line with economic development
- (3) To formulate and compile common rules and regulations relating to various businesses of its members
- (4) To enhance communications, surveys, statistics, consultations, research, development and publications relating to national and international financial businesses
- (5) To protect the legitimate rights of its members and to help settle disputes among them
- (6) To promote the exchange, analysis and reporting of credit information among its members and to establish the credit files of the major clients of its members
- (7) To consolidate the planning of information systems among its members

- (8) To strengthen mutual support, assistance, education and interaction among the employees of its members, to sponsor activities for public benefit, and to help implement service ethics and self-disciplinary measures
- (9) To participate in international financial organizations and meetings
- (10) To enhance communications and collaborations with overseas bankers associations and to promote national diplomacy
- (11) To conduct research and make recommendations in response to requests from the government or private organizations
- (12) To participate in social charitable activities

3. Organization

BAROC consists of three association members, namely, the Bankers Association of Taipei, the Bankers Association of Taiwan, and the Bankers Association of Kaohsiung. As of the end of 2009, the head offices of member banks totaled 59, of which 52 belong to the Bankers Association of Taipei, 5 belong to the Bankers Association of Taiwan and 2 belong to the Bankers Association of Kaohsiung. The branches of member banks located in Taipei Kaohsiung and each county join their respective local bankers associations and participate in local association activities.

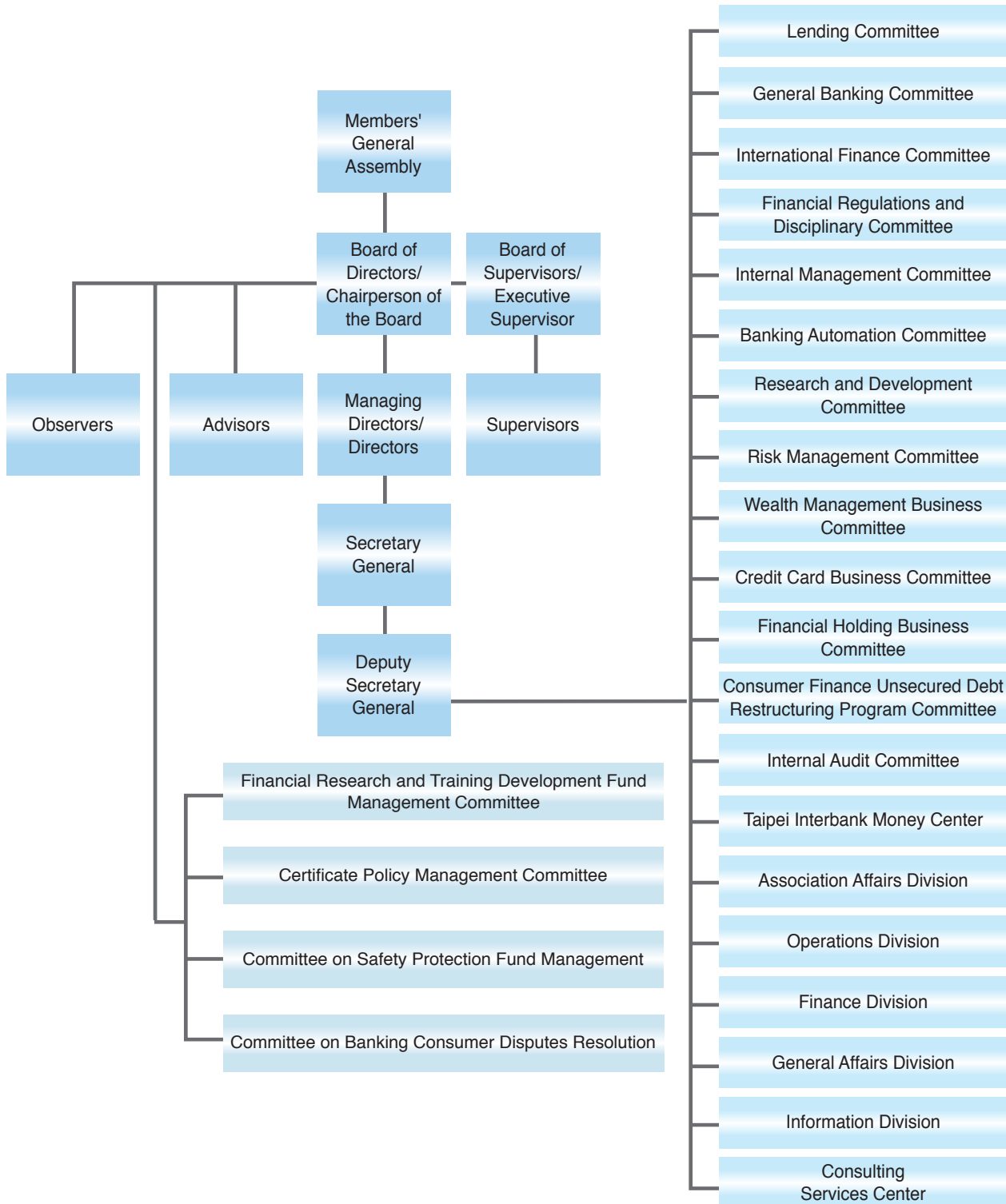
Member Banks of the Bankers Associations

Dec. 31, 2009

Member Banks	Number	
	Headquarters	Branches
Bankers Association of the Republic of China	59	
Bankers Association of Taipei	52	761
Bankers Association of Taiwan	5	1899
Bankers Association of Kaohsiung	2	317
Bankers Association of Taipei County	1	391
Bankers Association of Taoyuan County		242
Bankers Association of Hsinchu County		49
Bankers Association of Miaoli County		45
Bankers Association of Taichung County		140
Bankers Association of Changhwa County		101
Bankers Association of Nantou County		38
Bankers Association of Yunlin County		51
Bankers Association of Chiayi County		18
Bankers Association of Tainan County		93
Bankers Association of Kaohsiung County		97
Bankers Association of Pingtung County		61
Bankers Association of Ilan County		37
Bankers Association of Hualien County		22
Bankers Association of Taitung County		14
Bankers Association of Penghu County		5
Bankers Association of Keelung City		25
Bankers Association of Hsinchu City	1	78
Bankers Association of Taichung City	2	207
Bankers Association of Chiayi City		54
Bankers Association of Tainan City	1	131

BAROC has a Secretary General and two Deputy Secretary Generals. Three of them are responsible for the daily operations of BAROC under the supervision of the Chairperson. There are five Divisions within the Bankers Association, namely: Association Affairs, Operations, Finance, General Affairs, and Information. In addition, there is a Consulting Services Center. The Association's affairs are conducted through its 17 banking business related committees and 1 interbank money center.

Organizational Structure of BAROC



C. Directors, Supervisors, Advisors and Observers

As of Dec. 31 2009

Title	Name	Company Affiliation
Chairperson of the Board	Susan S. Chang	Chairperson, Bank of Taiwan
Managing Directors	Ming-Cheng Lin	Chairperson, Hua Nan Financial Holdings Co., Ltd.
	Gregory K.H. Wang	Chairperson, Cathay United Bank
	Yung-Jen Huang	Chairperson, E. Sun Financial Holding Co., Ltd.
	Teng-Cheng, Liu	Chairperson, Taiwan Cooperative Bank
	Jung-Chou Wang	Chairperson, Mega Financial Holdings Co., Ltd.
Directors	Ching-Chang Yen	Chairperson, Yuanta Financial Holdings Co., Ltd.
	Kenneth C.M. Lo	Chairperson, Industrial Bank of Taiwan
	Sheng-Yann Lii	Chairperson, the Export-Import Bank of R.O.C.
	Yi-Jen Chiu	President, The Shanghai Commercial & Savings Bank
	Eli Hong	President, Far Eastern International Bank
	Tseng-Chang Lee	Chairperson, Taiwan Shin Kong Commercial Bank
	Sheng-Hong Chen	Chairperson, Sunny Bank
	Cheng-Yi Wang	Chairperson, Bank of Taipei Commercial Bank
	Jung-Hsiung Lu	President, Mega Bills Finance Corporation
	Harvey Liu	President, International Bills Finance Corp.
	Cheng-Ching Wu	President, China Bills Finance Corp.
	Yu-Chang Chen	Chairperson, First Financial Holding Co., Ltd.
	Jesse Y. Ding	EnTie Commercial Bank
	Ming-Shien Li	Chairperson, Citibank Taiwan Limited
	Daniel M. Tsai	Chairperson, Taipei Fubon Commercial Bank Co., Ltd.
Shueh-Yun Hu	President, Chunghwa Post Co., Ltd.	
Executive Supervisor	Jeffrey L.S. Koo	Representative, Chinatrust Commercial Bank
Supervisors	Shiang-Chang Lee	Chairperson, Union Bank of Taiwan
	Ping-Hui Liu	Chairperson, Bank of Panhsin
	Yu-De Chuang	President, Yunta Securities Finance Company Limited
	Sung-Ling Liu	Chairperson, Agricultural Bank of Taiwan
	Yu-Ying Chung	President, Taichung Commercial Bank
	Chien-Chou Hsu	President, Ta Chong Bank

Title	Name	Company Affiliation
Advisors	Wu-Hu Chung	President, Bank of Kaohsiung
	Min-Chu Huang	Chairperson, Chinese Taiwan Securities Association
	Shun-Cheng Tan	Advisor, The Bankers Association of the Republic of China
	C. H. Chou	Advisor, The Bankers Association of the Republic of China
	Yang-Ching Chao	Chairperson, Financial Information Service Co., Ltd.
	Fu-Shiung Hu	Chairperson, Joint Credit Information Center
	Chin-Ting Chang	President, Cota Commercial Bank
	Cheng-Chih Tai	Deputy Chairperson, King's Town Bank
	Su-Nien Kao	President, Standard Chartered Bank
	Yao-Shing Wang	Chairperson, Land Bank of Taiwan
	Tu-Chin Liu	President, Chinfon Commercial Bank
	Chih-Chiang Fan	Chairperson, President, Taiwan Depository & Clearing Corporation
	Yu-Chi Kuo	Chairperson, EnTie Securities Finance Corp.
	Julius Chem	Chairperson, President, Chang Hua Commercial Bank
	Ming-Si Hsieh	President, Hwatai Bank
Observers	Yu-Tsai Tsai	President , Bank SinoPac
	Ching-Wen Wu	President , Taishin International Bank
	Jun-Chih Wang	President , Hua Nan Commercial Bank
	Che-Cheng Lo	Chairperson, Taiwan Business Bank
	Fu-Ji Tsai	Acting President, Bank of Taiwan
	Chue-Ji Tseng	President , China Development Industrial Bank
	Chih-Fang Wang	Acting President , Jih Sum International Bank
	Xia-Zhen Wu	Vice President, Taipei Branch, BNP Paribas
	Chung-Pei Li	Head, HSBC Investment Bank and Global Capital Market
	Liang Hen	V.P., Compliance Division, Taipei Branch, Bank of America
Mei-Fang Huang	V.P., Group Legal, Compliance & Secretariat, DBS Bank	
Yi-Ling Kuo	V.P., Compliance Division, Calyon Bank	

D. Major Staff Members of BAROC

As of Dec. 31 2009

Title/Position in BAROC	Name	Full-time or Part-time
Chairperson, Financial Research and Training Development Fund Management Committee	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Certificate Policy Management Committee	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Committee on Safety Protection Fund Management	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Committee on Banking Consumer Disputes Resolution	Sung-Lin Chai	Chairperson, Taiwan Hospitality and Tourism College, Part-time
Secretary General	Nancy Yang	Full-time
Deputy Secretary General	Yung Tsao Hsu	Full-time
Deputy Secretary General	Tsong-Ming Wang	Full-time
Secretary	D. F. Lu	Full-time
Secretary	S. S. Lai	Commissioner, Financial Holding Business Committee, Part-time
Chairperson, Lending Committee	Chien-Ping Ruan	EVP, Land Bank of Taiwan, Part-time
Chairperson, General Banking Committee	Chun-Sheng Lee	EVP, Taiwan Business Bank, Part-time
Chairperson, International Finance Committee	Derek, Y. P. Chang	EVP, Hua Nan Commercial Bank, Part-time
Chairperson, Financial Regulations and Disciplinary Committee	Cheng-Hsiu Chen	SVP & GM, Dept. of Loan Assets Management, Taiwan Cooperative Bank, Part-time
Chairperson, Internal Management Committee	Tien-Hsia Chang	EVP, Taipei Fubon Bank, Part-time
Chairperson, Banking Automation Committee	Shiao-Shuan Song	SVP&GM, Information Management Office, Bank of Taiwan, Part-time
Chairperson, Research and Development Committee	L.Y. Yang	E.V.P., Bank of Taiwan, Part-time
Chairperson, Risk Management Committee	M.Y. Wei	E.V.P., Mega Bank, Part-time
Chairperson, Credit Card Business Committee	Yi-Che Li	V.P., Citibank, Part-time
Chairperson, Financial Holding Business Committee	Chue-Ji Tseng	SVP, China Development Financial Holdings Corp., Part-time
Chairperson, Consumer Finance Unsecured Debt Restructuring Program Committee	C.Y. Yang	SVP, Retail Banking Group, Taishin International Bank, Part-time
Chairperson, Internal Audit Committee	Julie L. Chang	General Auditor, Chinatrust Financial Holding Co., Ltd., Part-time
Wealth Management Business Committee	Mei-Ling Cheng	V.P., First Commercial Bank, Part-time
Director, Taipei Interbank Money Center	F.C. Tsai	President, Bank of Taiwan, Part-time
Chief, Association Affairs Division	Y. M. Chou	Full-time
Chief, Operations Division	S.H. Kao	Full-time
Chief, Finance Division	Huei-Ling Li	Full-time
Chief, General Affairs Division	K. E. Wen	Full-time
Chief, Information Division	M. L. Tsai	Full-time
Chief, Consulting Services Center	Y. T. Lee	Full-time

III. An Overview of the Banking Operations

A. Macroeconomic Summary

1. Economic Conditions

(1) Economy out of the recession and show signs of growth

In the first half of 2009, the global economy declined under the impact of the financial tsunami in 2008. In the second quarter, due to the various economic stimulus policies, the global inventory was gradually reduced. Trade and industrial production showed significant increase and the global recession abated. The Asian emerging economies took lead in recovery. The economic revival force of China and India took the global economy out of recession. Accordingly, the economy of major countries showed a positive growth in the third and fourth quarters. However, the global recession in 2009 was the most severe since the World War II. According to official statistics of each country, the GDP of the U.S., the Euro area, the U.K., and Japan decreased by 2.4%, 4.1%, 5.0%, and 5.2%, respectively, compared to the 2008 figures. The GDP growth in China was 8.7% as compared to the previous year with the implementation of active financial policy and easy monetary policy. The target of "eight percent GDP growth" was thus reached"

The impact of the financial tsunami adversely affected domestic economic performance in 2009. Foreign trade and domestic demand plunged. Following a decrease of 7.11% in the fourth quarter of 2008, the GDP fell further by 9.06% and 6.85% in the first and second quarters of 2009, respectively. In the second half of 2009, large scale relief programs implemented by the U.S., the Europe and China started to show its effect and the global economy was gradually get back to its feet. Both export and domestic markets improved. The economic growth in the third quarter was narrowed to -0.98%. In the fourth quarter, benefitted from the stronger economic revival of Asian emerging economies such as mainland China, export growth turned from negative to positive. The growing number of mainland China tourists resulted in a huge increase of tourism income; moreover, economic revival policy facilitated private consumption and investment in equipments. Due to the significant increase of domestic demand and foreign net demand, as well as the low base compared to the same period last year, the GDP in the fourth quarter reached 9.22%, an outstanding figure. However, the annual GDP in 2009 still dropped by 1.87% from the figure of 2008.

(2) The seriousness of deflation was eased

To stimulate the weak consumption caused by the recession, business lowered the price of merchandise in the first half of 2009. As a result, the annual growth rate of the Consumer Price Index (CPI) in February turned negative to -1.33% and dropped further in the following

months, hitting a 39-year record low of -2.33% in July. This caused a growing concern about deflation. In August, the prices of vegetables and fruit went up because of the Typhoon Morakot, lowered the CPI growth to -0.82%. However, due to the ongoing doldrums and reduced overseas tour fees resulting from the H1N1 threat, the annual rate of CPI declined further to -1.89% in October. Later, with the economic revival and the eased seriousness of deflation, the CPI in November and December declined to a rate of -1.62% and -0.25%, respectively. For the whole of 2009, the annual CPI dropped 0.87% from the previous year.

In the first half of 2009, due to the low prices of base metal, chemicals, petroleum and coal products, and the high base period in 2008, the annual growth rate of the Wholesale Price Index (WPI) plummeted to a record low of -13.99% in July. In the second half of 2009, with a slowdown of the global recession and the rising prices of international agricultural and industrial raw materials, the WPI started to rise in November, the annual growth rate of WPI was 1.07%. The WPI rose further to 5.75% in December. For the whole of 2009, however, due to the high base period in 2008, the annual WPI in 2009 still decreased by 8.74%.

(3) Improvement of unemployment

Because of the 2009 financial tsunami, the annual average rates of unemployment, unemployment due to factory disclosure, and families affected by unemployment reached historical high. The unemployment rate in 2009 gradually rose month by month from 5.31% in January to 6.13% in August. However, the economic revival slowed down the unemployment rate to 5.74% in December. Still, the annual unemployment rate for the whole of 2009 amounted to 5.85%, an increase of 1.71 percentage points in contrast to the number in 2008. The average unemployment number in 2009 was 639,000, an increase of 189,000 from the previous year. The average unemployment number for those aged from 45 to 64 was 139,000, an increase of 51,000 or 57.75%, which ranked the top among the various age brackets, showing that workers of middle-age and beyond were hit the hardest by the recession. The employment number began to rise from April 2009 and totaled 10,384,000 in December 2009, a slight increase of 0.3% from the same period of the previous year. This was the first positive growth since December 2008; however, it did not reach the level prior to the financial tsunami. The annual average employment number was down by 1.2% from the previous year.

(4) The Decline in foreign trade eased and grew again by the year end

The global economy was still deep in recession. The global weak demand in the first half of 2009 hit the foreign trade hard, resulted in a 35% decline in the exports of Taiwan. In the third quarter, the recession weakened and led to the positive growth of export. Export increased by 19.3% in November and by 46.8% in December. On the other hand, imports also largely

increased by 55.6%, which was resulted from the global economic revival, increasing demand and low base period. For the whole year of 2009, the export and import figures decreased by 20.3% and 27.4%, respectively, compared with the previous year's figures. Total trade surplus amounted to US\$29.3 billion, a historical high.

(5) Balance of payments surplus reached new high

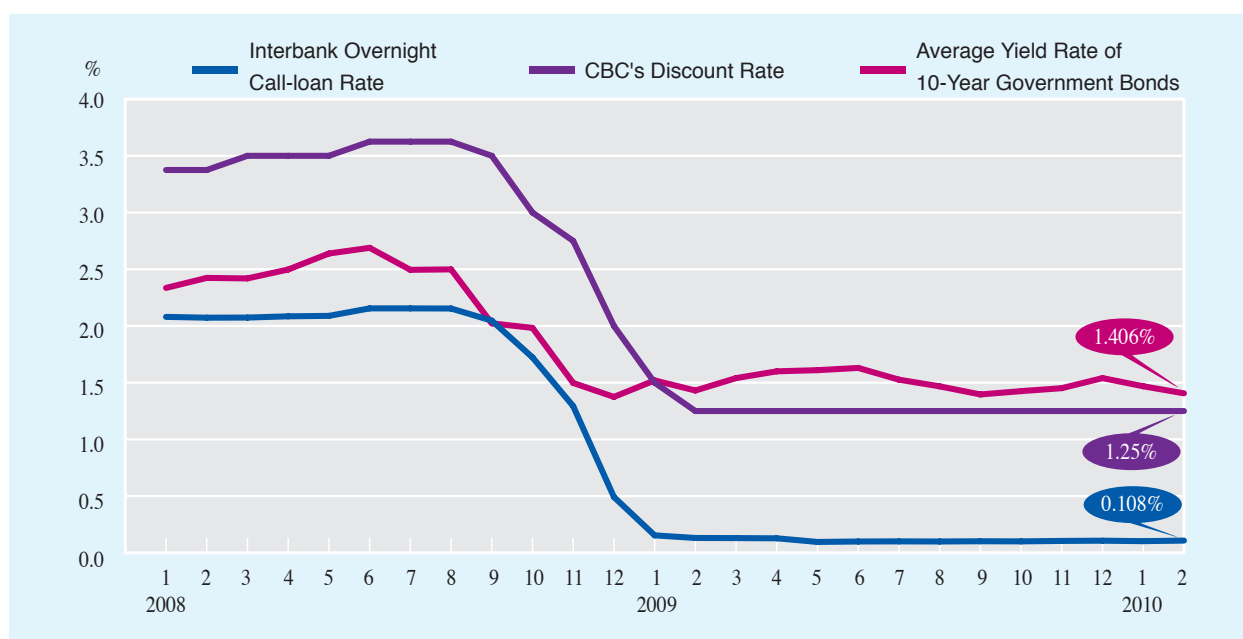
The financial accounts in 2009 showed a great increase of net inflow as the government lowered the estate and gift tax, and as the wealth tax in the U.S. accelerated the backflow of Taiwanese' overseas deposits. As a result, the private assets not affiliated to the government and banking institutions of other investment items in the financial accounts showed a significant increase of US\$25.05 billion at the year end. Due to an improved import and export growth, an increasing trend of trade in commodities, in services and balance of income surplus, the annual current accounts recorded a surplus US\$42.57 billion. The net inflow of the financial accounts amounted to US\$13.98 billion. The annual balance of payments showed a surplus of US\$54.13 billion, a historical high.

2. Financial Conditions

(1) Easy monetary policy and low interest rates

In March 2009, the Central Bank of the Republic of China (CBC) terminated its reduced

Changes in Interest Rates



Source: the CBC website, GreTai Securities Market Website

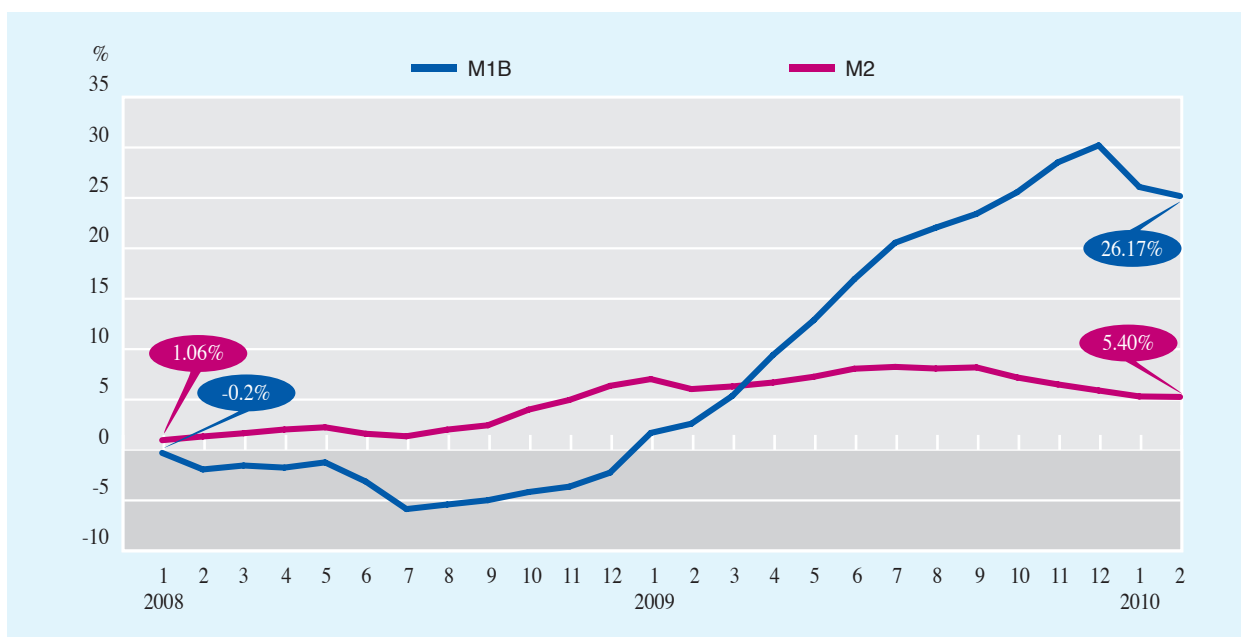
interest rate stance which started from September 2008, and thereafter maintained the discount rate and the rate on accommodations with collateral at 1.250% and 1.625%, respectively, to keep an easy monetary policy environment. Taking into account the national and international economy, prices and all relevant financial factors, the CBC decided to maintain an easy monetary policy to boost economic activities when the domestic economy revived slowly with no inflationary risk.

The easy monetary policy adopted continuously by the CBC lowered the Interbank Overnight Call-loan rate to 0.097% in May and June 2009 from 0.137% in March 2009. In the second half of 2009, the rate was around 0.100%. The annual weighted average of interbank overnight rate was 0.109%, 1.905 percentage points lower than the 2008 average of 2.014%. In January 2010, the Interbank Overnight Call-loan rate was 0.108%. The rates of the bills market showed a similar trend. The interest rates of commercial paper (CP) of 1-30 days in the secondary market fell from 0.420% at the beginning of 2009 to 0.150% in June and July 2009 and rose slightly to 0.250% from August to December. The CP of 1-30 days issuance rates in the secondary market fell from 0.630% in April to 0.390% in July and 0.370% in September, and rose to 0.430% from October to December. In January 2010, the average interest rate of CP of 1-30 days in the secondary market was 0.24%, and its average issuance rate was 0.40%.

(2) Monetary aggregates: positive growth in M2 and M1B reached new highs

Due to the inflow of foreign capital and active trading in the stock market from the end of

Annual Growth Rates of Daily Monetary Aggregates



Source: the CBC website

March 2009 along with the low base period in 2008, the annual growth rate of the of M1B rose from 1.78% in January 2009. In April, the annual growth rate of M1B (daily average) exceeded that of M2, which proclaim the initiation of a capital surge. Afterwards, the stock market was in a bull position. The annual growth rate of M1B continued to rise to 30.3% in December, a new high since September 1988. The average annual growth rate of M1B from January to December 2009 was 16.54%. Due to the CBC's easy monetary policy in 2009 and the rising annual growth rate of M2 driven by abundant capital, the annual growth rate of the M2 (daily average) soared to the peak of 8.33% in July 2009. Despite a slight decrease afterwards, the average annual growth rate of M2 for the year 2009 reached 7.21%, which was higher than the CBC's target range of 2.5%-6.5%.

(3) Low deposit and loan rates and the tightened spread

Due to the CBC's easy monetary policy, the banking rates decreased in 2009. The weighted average of domestic banks' deposits rates fell from 1.10% in the first quarter to 0.64% in the fourth quarter, a decrease of 1 percentage point compared to 1.64% in the fourth quarter of 2008. The weighted average of domestic banks' loans rates dropped from 2.41% in the first quarter to 1.95% in the fourth quarter, a decrease of 1.4 percentage points compared to the fourth quarter of 2008. The domestic banks' spread was 1.31 percentage points only, down from 1.71 percentage points in the fourth quarter of 2008.

NT Exchange Rates



Source: the CBC website

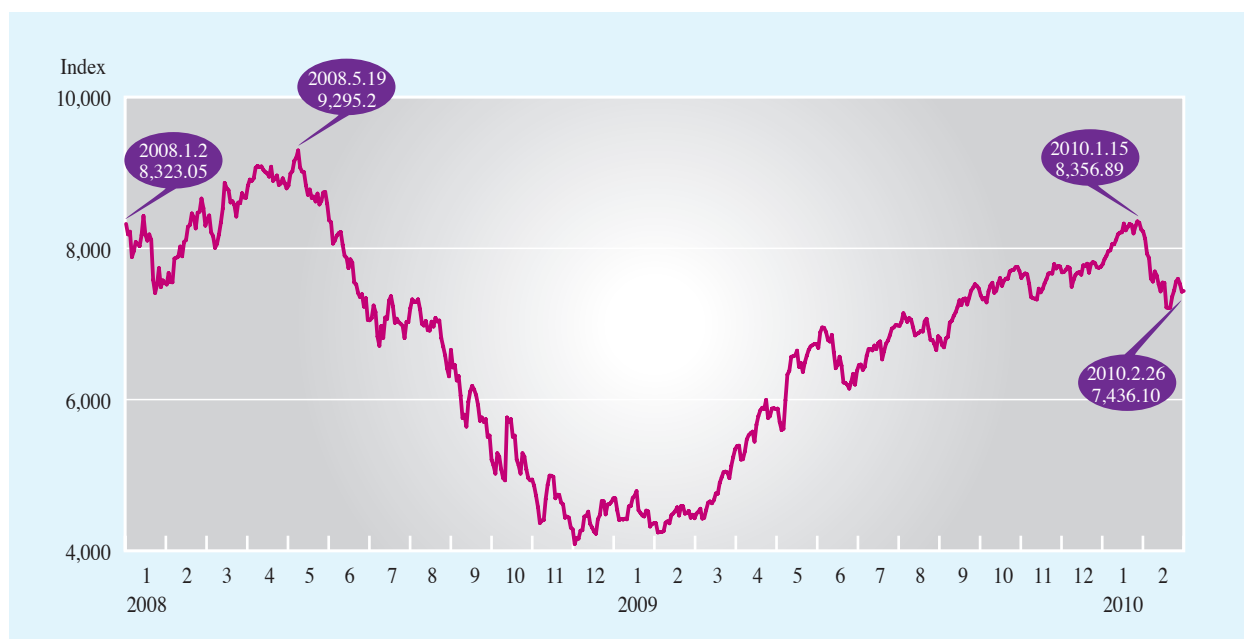
(4) Appreciation of NT dollar against US dollar

In the first quarter of 2009, the NT dollar depreciated against the US dollar. Under the impact of the significant depreciation of the Korean Won and the rumor of foreign capital leaving Asia, the exchange rate depreciated to NT\$35 per US dollar. On March 2, the exchange rate further depreciated to NT\$35.174 per US dollar, a record low in 22 years. However, due to the close cross-strait economic and business relations, weak US dollar and inflow of foreign capital, the exchange rate appreciated slowly thereafter. On June 1, the exchange rate rose to an eight-month record of NT\$32.375 per US dollar. Later, the exchange rate fluctuated between NT\$33.2-NT\$32.2 per US dollar. In the fourth quarter, the benefits of the cross-strait relations improvement and foreign capital net buy pushed up the exchange rate to NT\$32.0 per US dollar. After a series of fluctuations, the exchange rate was NT\$32.03 per US dollar at the end of 2009, an appreciation of 2.59% as compared with NT\$32.86 per US dollar at the end of 2008. This was the largest increase in 5 years.

(5) Strong rebound in stock market

In 2009, due to the reversal of economic condition and active trading in the international stock markets, the weighted stock price index (TAIEX) showed a rising trend starting in February after hitting the bottom at 4,247.97 at the end of January. With the favorable policies and improvement in cross-strait economic relations, confidence in the market increased. Combined with active foreign investment, come with an increase in stock prices and volume.

TSE Stock Price Index (TAIEX)



Source: TSE

On June 2, the TAIEX rose to 6,949.08, the same level as the end of August 2008. At the end of June, after a little pull back, the TAIEX was at 6,432.16. In the second half of 2009, the performance of Asian stock markets was generally good. Therefore, the international investors would expect an appreciation of Asian currencies, and strong Asian stock markets. In addition, the signing of cross-strait MOU and the Chiang/Chen Meeting, the TAIEX surged to 8,188 by the end of 2009, an increase of 3,597, or 78.34%, compared to 4,591 at the end of 2008. In 2009 the total market transaction volume amounted to NT\$29.68 trillion, an increase of NT\$3.57 trillion compared to the volume of 2008.

3. Outlook

In the second quarter of 2009, the global economy bottomed out, as the Asian economy leading the way. The strong Asian economic recovery led the global economy out of the deep recession. However, the unemployment rate of major countries remained high, while consumption expenditures were low. As a result, the conditions for the global economic recovery were fragile. The Global Insight Inc. foresaw that the global economy in 2010 would show a positive growth of 3.2%, with the GDP growth rate of the U.S., the Euro area and Japan rising by 3.0%, 1.0% and 1.8%, respectively, and the GDP growth rate of China was 10.1%. According to the IMF, the global economy in 2010 would register an increase of 3.9%. Nevertheless, the current weak economic recovery rendered varying recovery in various regions. The major Asian emerging economies are leading the global economic recovery. China and India are expected to be the leading force to the Asian economic growth. The forecasted economic growth of the U.S., the Euro area. and Japan are 2.7%, 1.0% and 1.7% respectively, while China shows a strong growth of 10.0%.

The UN World Economic Outlook issued on January 20, 2010 forecasted a moderate global economic recovery but a strong Asian economic growth. With continuing stimulus policies, average economic growth rate of 2.4% for the global, 6.7% and 5.5% for East Asia and South Asia respectively, and 2.1%, 0.4%, 0.9% and 8.8% for the U.S., the Euro area., Japan and China respectively. However, the global economy may be in second recession if said policies were ended too soon. Also, the World Bank indicated that the developing economies' strong recovery will expand the global economy in 2010.

The global economic growth rate in 2010 is estimated to be 2.7%. As for developing and developed economies, the growth rates were estimated to be 5.2% and 1.8% respectively. It also estimated a growth rate of 2.5%, 1.0%, 1.3% for the U.S., the Euro area and Japan China respectively. The annual increase in growth for China was estimated to be 9%. However, the bubbling asset pricing in China and other regions may be the largest risk to the global economy. The World Bank warns that a second recession may happen despite the fast global economic recovery if private demand is not sufficient to replace for government's stimulus policies.

Forecast on Global Economic Growth Rates

Unit: %

Area \ Institute	IMF		World Bank		UN		Global Insight Inc.	
	2009	2010	2009	2010	2009	2010	2009	2010
Global	-0.8 (-1.1)	3.9 (3.1)	-2.2 (-2.9)	2.7 (2.0)	-2.2 (-2.6)	2.4 (1.6)	-1.9 (-2.0)	3.2 (2.9)
US	-2.5 (-2.7)	2.7 (1.5)	-2.5 (-3.0)	2.5 (1.8)	-2.5 (-3.5)	2.1 (1.0)	-2.4 (-2.5)	3.0 (2.6)
Japan	-5.3 (-5.4)	1.7 (1.7)	-5.4 (-6.8)	1.3 (1.0)	-5.6 (-7.1)	0.9 (1.5)	-5.0 (-5.4)	1.8 (0.8)
Euro Area	-3.9 (-4.2)	1.0 (0.3)	-3.9 (-4.5)	1.0 (0.5)	-4.1 (-3.7)	0.4 (-0.1)	-4.1 (-3.9)	1.0 (1.0)
China	8.7 (8.5)	10.0 (9.0)	8.4 (8.4)	9.0 (10.1)	8.1 (7.6)	8.8 (8.2)	8.7 (8.5)	10.1 (9.9)

Note: Figures in () refer to the previous forecast

Sources: Jan., 2010, IMF

Jan., 2010, World Bank

Jan., 2010, UN

Feb., 2010, Global Insight Inc.

According to the forecast of the Directorate-General of Budget Accounting and Statistics (DGBAS) of Executive Yuan in February 2010, Taiwan's real GDP growth rate in 2010 may reach 4.72%. Taiwan's real GDP growth rate in 2010 was 4.2% and 4.9% as predicted by the Economist Intelligent Unit (EIU) and the Global Insight, respectively. Other international well-known institutions' prediction of Taiwan's real GDP growth rate falls within the range of 4-6.5%. According to the latest forecast of the Taiwan Institute of Economic Research (TIER) issued in January 2010, Taiwan's real GDP in 2010 may reach 4.81%.

Forecast on Taiwan Economic Growth Rates

Unit: %

Institution		2009	2010
Public and domestic institutions	DGBAS (2010.2)	-1.87 (-2.53)	4.72
	TIER (2010.1)	-2.75 (-2.89)	4.81
	CIER (2009.12)	-2.96 (-3.72)	4.66
	Academia Sinica (2009.12)	-2.46 (-3.46)	4.73
Foreign institutions	IMF (2010.4)	-1.9 (-4.1)	6.5
	Global Insight (2010.2)	-2.7 (-2.7)	4.9
	Asian Development Bank (2009.12)	-3.0 (-4.9)	3.5

Note: The date in () for the institutions indicate the forecast date; The figures in () for the 2009 data refer to the previous forecast

Source: DABAS, TIER, CIER, Academia Sinica, IMF, Global Insight and ADB

The rising global demand and abundant currency liquidity are expected to push up the prices of crude oil, certain agricultural and industrial raw materials, imported and domestic merchandise. According to the DGBAS's forecast, the WPI in 2010 will rise by 4.78% from the previous year, and the CPI will rise by 1.27% due to the rising prices pressure of raw materials spreading to downstream products.

With the economic recovery, the rising demand and the depreciation of the US Dollar, inflationary pressures emerged at the end of 2009. The CBC is expected to maintain a neutral monetary policy to stabilize prices and to prevent overly low real interest rates, which may adversely affect the allocation of capital and long-term financial stability. Although the expected GDP growth in 2010 was 4.7%, the real value to the production was likely similar to the previous year level. It is mainly due to the low base period in 2009 resulting from the weak economy. The DGBAS forecasts a price increase of 1.27%, therefore inflationary pressure would be under control. With regard to high housing prices issue, it is expected that the CBC will not raise the rates soon, with its believes that it is not appropriate to respond with monetary policy which may affect more than just the housing market.

The fluctuating NT dollar exchange rates may adversely impact export related industries and therefore the economic recovery. To avoid this, the CBC is expected to maintain a relatively stable exchange rate policy. With prospects for Asian economic growth that increase the demand for currencies of major Asian countries, coupled with weak US dollar and a heightening of appreciation pressure on RMB, the NT dollar is expected to appreciate in mid to long term. The TIER predicted that the average exchange rate for NTD would be 31.395 per US dollar in 2010.

B. Major Financial Measures

1. Financial Business Operations

- (1) The CBC lowered the policy rates on January 8, 2009 by 50 basis points and on February 19, 2009 by 25 basis points. The discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral were 1.25 percent, 1.625 percent and 3.50 percent, respectively, effective from February 19, 2009.
- (2) The Financial Supervisory Commission (FSC) announced on February 27, 2009 that the write-off data related to the same customer whose delinquent debt has been written off and the cumulative amount of write-off exceeds NT\$50 million, or the cumulative amount of delinquent debt of the same customer written off in half a year after the loan was made exceeds NT\$30 million will not be kept confidential in accordance with Article 48-2-2 of the Banking Act and shall be disclosed in the manner as stipulated in Article 49-2 of the said Act.

- (3) To reinforce money laundering prevention, the FSC issued the " Regulations Governing Cash Transaction Reports and Suspicious Transactions Reports by Financial Institutions" on December 18, 2008. Effective March 18, 2009, cash transactions above NT\$500 thousand, customer's ID is required for financial institutions' verifying the identity and cash transaction reporting in accordance with the regulations.
- (4) In order to comply with a United Nations resolution and international cooperation, the FSC and the CBC jointly obtained the approval from the Executive Yuan, inserting new language into the " Foreign Exchange Control Act" (Article 19-3) and the " Offshore Banking Act" (Article 5-2), restricting the use of accounts, money orders, cash, or other payment instruments held in banks by individuals, juristic persons, groups, organizations, or institutions connected with a specified nation, territory or terrorism organization, to prohibit withdrawals, account transfers, payments, deliveries, or assignments, and take other necessary measures.
- (5) To help resolve disputes involving structured notes between banks and their customers and to stabilize financial order, the FSC coordinated with the BAROC to rely on its Committee on Banking Consumer Disputes Resolution to find objective and impartial third parties to help solve disputes involving structured notes. The FSC has met on numerous occasions with banks to work out a consensus on how to handle disputes. To reach settlement, disputes involving senior citizens, persons with a low level of education or a serious injury or illness, and other socially disadvantaged parties will be given top priority so that the structured notes disputes can be solved as quickly as possible and banks can get back to normal business operations.
- (6) To assist reconstruction after Typhoon Morakot, the FSC proposed various financial disaster relief measures including:
 - a. The regulation of DBR22 is not applicable to individual victims of Typhoon Morakot newly applying loans without collaterals (excluding credit card and/or cash card) before end August 2009.
 - b. On September 10, 2009, the FSC issued the " Regulations Governing Interest Subsidies for Financial Institutions that Reschedule the Debts of Residents Affected by Typhoon Morakot".
 - c. Financial institutions may, upon application, extend 6 months to the enterprises that were in financial need and their principle of loans fell due before end December 2009.
- (7) To reasonably reflect the funding cost of bank deposits, the CBC lowered the remunerative rates on banks' reserve accounts (55% of legal reserves) on October 12, 2009. Reserves from demand deposits received 0.165 percent interest, while those from time deposits received 0.767 percent.
- (8) In view of the global and domestic economic and financial crisis remains unsolved, to ensure stability of financial market, the FSC, Ministry of Finance and CBC jointly announced on October 8, 2009 that the blanket guarantees of all bank deposits are set to run through

December 31, 2010.

- (9) The FSC sent a letter to BAROC on October 11, 2009, requesting the member banks to abide by Article 4, Paragraph 2 of the " Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals" that with immediate effect, the funds remitted into Taiwan by such investors can no longer be placed in time deposits, time deposits that such investors currently hold cannot be renewed upon maturity.

2. Cross-Strait Financial Relations

- (1) The FSC issued on April 29, 2009 the " Regulations Governing Securities Investments and Futures Trading in Taiwan by Investors from Mainland China" , specifying the scope of the term " investors from Mainland China" defined to include: any party that has been approved by the mainland securities authority as a Qualified Domestic Institutional Investor (QDII); a person of PRC nationality who is employed by a firm listed in Taiwan (or a subsidiary thereof) and has received stock dividends from his/her employer pursuant to regulations; persons of PRC nationality who own shares in an overseas company listed in Taiwan on the Taiwan Stock Exchange or the Gre Tai Securities Market and other parties may be approved by the competent authority. The regulations also specify the allowable scope and amount of securities investments and futures trades, and set out requirements regarding foreign exchange settlement, filing of transaction data with the securities exchange and the competent authority, the use of funds and restrictions on materially control or affect the companies' management, etc.
- (2) To coordinate with the policy decision to allow mainland Chinese entities to invest in Taiwan, the FSC on June 30, 2009 issued an amendment to the " Regulations Governing Approvals of Banks to Engage in Financial Activities Between the Taiwan Area and the Mainland Area" and took effect on the same day with " Measure Governing Investment Permit to the People of Mainland Area" , "Measure Governing Permit to the profit-seeking entities of Mainland Area to set up Branch Office or Representative Office" issued by the Ministry of Economic Affairs, and "Guidelines Governing Permit of the Registration and Transferring the Real Rights of Real Estates by People of the Mainland Area" issued by Ministry of Interior.
- (3) To make it more convenient for mainland tourists to shop in Taiwan and to enlarge economic benefits brought by the mainland tourists, the FSC issued an amendment to the same " Regulations Governing Approvals of Banks to Engage in Financial Activities Between the Taiwan Area and the Mainland Area" on July 15, 2009, allowing domestic credit card servicing institutions to apply for a permit to act as acquirer for purchases made in Taiwan using the PRC's China UnionPay Card.
- (4) The CBC amended part of the regulations for banks conducting foreign exchange operations

by adopting the negative list method for approval of remittance business and releasing the restriction on deposit resource of the people of the Mainland Area, which took effect on September 4, 2009.

- (5) To assist Hong Kong branches of the domestic banks expanding their business, on November 5, 2009, the FSC asked the BAROC to inform its members that their Hong Kong branches henceforth will be allowed to conduct bank business involving RMB. Where a Hong Kong branch wishes to do so, its head office will be required to apply for approval from the FSC in accordance with the provisions of Article 9 of the " Regulations Governing Permission for Taiwan Area Banks to Establish Branches and Subsidiaries in Hong Kong and Macao" , and to document such applications by submitting a business plan and a photocopy of an RMB settlement agreement. Once approval is granted, the Hong Kong branches of a domestic bank will be allowed to accept RMB deposits (including checking deposits), handle RMB currency conversions and remittances, and provide trade financing in RMB.
- (6) Cross-strait financial supervisory Memorandums of Understanding (MOUs) was signed on November 16, 2009, providing for the matters as information sharing, information confidentiality, on-site inspections, on-going coordination, and crisis management in the wake of the global financial tsunami. The MOUs took effect 60 days (January 16, 2010) after the signing.

3. Financial Institutions Management

- (1) To coordinate with the December 30, 2008 amendment to the Banking Act and establish a prompt corrective action regime, the FSC amended the " Regulations Governing the Capital Adequacy of Banks" and renamed the regulations as " Regulations Governing the Capital Adequacy and Capital Category of Banks" , expressly defining the bank's consolidated capital adequacy ratio and its own capital adequacy ratio shall not fall below 8% and the minimum requirement for capital adequacy ratio, and setting out specific capital categories of 8%, 6% and 2% for bank's capital adequacy ratio. The amended regulation took effect on June 30, 2009.
- (2) The FSC passed a resolution during the 280th commissioner meeting on December 3, 2009, amending partial articles of the "Regulations Governing Foreign Banks Branches and Representative Offices" and Article 7 of the "Rules Governing Offshore Banking Branches", and in accordance with Article 36-2 of the Banking Act, setting out requirements governing the ratio between qualified assets and New Taiwan Dollar deposits. Effective date would be announced at a later date to strengthen the protection of domestic depositors' rights and to promote the sound development of our financial market.

4. Financial Holding Companies

- (1) To help venture capital businesses assist emerging industry of non-exchange-listed or OTC-listed companies, the FSC issued the " Regulations Setting Out Specific Limits and Requirements on Investments by Financial Holding Company Venture Capital Subsidiaries in Non-financial Enterprises Not Listed on an Exchange or OTC Market" on June 24, 2009.
- (2) To coordinate with amendments of Article 25 to the Banking Act and Article 16 to the Financial Holding Company Act promulgated on December 30, 2008 and January 21, 2009, respectively, implemented on September 7, 2009, the FSC amended " Regulations concerning the Qualifications and Requirements of the Same Person or Same Concerned Person to Own More Than a Certain Percentage of the issued Voting Shares of a Same Financial Holding Company, and adopted " Regulations Governing Approvals of the Same Persons' or Same Concerned Persons' Applications to Own More Than a Certain Percentage of the Issued Voting Shares of a Same Bank" .
- (3) In order to exercise consolidated supervision of the aggregate exposures of the subsidiaries of financial holding companies to credit risks arising from certain types of transactions with non-group-affiliates, and to ensure proper disclosure of major risk exposures and financial information, on September 23, 2009, the FSC issued the " Regulations Governing Filings and Disclosures by Financial Holding Companies" under Article 46, paragraph 3 of the Financial Holding Company Act.
- (4) To specify the subsidiaries of a financial holding company to engage in cross-selling and to safeguard the interests of customers, the FSC issued on October 21, 2009 the " Regulations Governing Cross-selling Among a Financial Holding Company's Subsidiaries" .

C. Banking Operations in 2009

1. Changes in the Operating Units of Financial Institutions

Financial institutions in Taiwan are classified into two categories, namely: monetary financial institutions and other financial institutions. Monetary institutions are composed of the CBC and deposit money banks. The latter includes domestic banks, small and medium business banks, local branches of foreign banks, credit cooperatives, and credit departments of farmers' and fishermen's associations. Other financial institutions include the Chunghwa Post Co., trust and investment companies, and life insurance institutions. As of the end of December, 2009, there were 428 financial institutions in Taiwan compared with 418 at the end of December, 2008. The number of credit cooperatives was reduced by one, and the number of agricultural credit departments increased by ten (Ta Chong Bank took over Kaohsiung Second Credit Cooperative on September 1, 2009). The number of branches of financial institutions fell by 18, bringing the total number to 5,973 at the end of 2009, down from 5,991 at the end of 2008.

2. Amount and Ratio of Non-performing Loans (NPL)

Due to a gradual improvement in the asset quality and financial structure of domestic financial institutions, the domestic banks' non-performing loans (NPLs) have gradually declined. NPLs amounted to NT\$214.9 billion at the end of December 2009, compared with NT\$285.2 billion at the end of December 2008, a reduction of NT\$70.3 billion or 24.65%. The ratio of NPLs had been dropped by 0.39 percentage points, from a peak of 11.74% in the first quarter of 2002, to 1.15% by the end of December 2009 compared with 1.54% at the end of December 2008.

Furthermore, the coverage ratio (of allowances for bad debts) at the end of December 2009 was 90.50%, or an increase of 21.02 percentage points, compared with 69.48% at the end of December 2008, and an increase of 25.68 percentage points compared with 64.82% at the end of December 2007. This indicates an increased resiliency to risk for the domestic banks.

3. Summary of Banking Profits

In the past 2 years, the banking profits were adversely affected by the financial tsunami along with the low-interest policy and dropping interest margin which fell to 1.11% in the second quarter of 2009. Fortunately, the international economic revival in the second half of 2009 caused the domestic economic growth to turn positive from negative. The banking interest margin in the fourth quarter rose to 1.31%, resulting in a large increase of banking profits. The domestic banks' operating income in 2009 amounted to NT\$83.9 billion, a great growth of 88.96% compared with NT\$44.4 billion in 2008. This indicates that the domestic banks survived the global financial tsunami with improving profits. In addition, at the end of 2009, the domestic banks' ROA at 0.28% and ROE at 4.49% both represented the highest record in the past 4 years. The boom along with the liberalization policy on the cross-strait finance and economy will advance the domestic banking profits.

4. Major Operations of the Banking System

(1) Deposit Operations

The total deposits of major financial institutions, including all deposit monetary banks and Chunghwa Post Co., showed an increase in 2009. By the end of the year, the outstanding balance of deposits amounted to NT\$29.56 trillion, an increase of NT\$1.5781 trillion or 5.64% from the end of 2008. Time and savings deposits took the biggest share at 40.05%. Other than net balances for demand deposits, repurchase agreements and others (including monetary market mutual funds and banking structured products' principal), which decreased by 6.44%, 35.42% and 25.93%, respectively, from the end of 2008, all other deposits increased. Demand deposits recorded the largest increase, at NT\$2278.8 billion, or 31.13% for the year. This resulted from the active domestic stock market which caused the constant net inflow of foreign

capital and backflow of overseas funds, and the private/civil demand deposits transferred from time and savings deposits. Postal savings recorded the second largest at an increase of NT\$189.4 billion, or 4.48% for the year.

Changes in Deposits by Category of Major Financial Institutions

Unit: NT\$ 100 million

Item	Year	End of 2009	End of 2008	Amount change	Percentage change %
Demand deposits		95,990	73,202	+22,788	+31.13
Time and savings deposits		118,382	126,531	-8,149	-6.44
Foreign currency deposits		24,188	24,021	+167	+0.70
Government deposits		10,056	9,482	+574	+6.05
Postal savings deposits		44,215	42,321	+1,894	+4.48
Repurchase agreements		2,709	4,195	-1,486	-35.42
Others		20	27	-7	-25.93
Total		295,560	279,779	+15,781	+5.64

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2010.

(2) Loans and Investment Operations

The outstanding balance of loans and investments of major financial institutions amounted to NT\$21.49 trillion by the end of 2009, increasing by NT\$159.1 billion compared with the end of 2008. The growth rate was 0.75%, which showed a decrease compared with the 3.42% in 2008.

An analysis of the targets of the loans and investments shows that claims on the government increased by NT\$428.4 billion or 14.09% compared with the amount at the end of 2008, Claims on public enterprises decreased by NT\$81.5 billion or 8.16% in contrast to the 39.34% growth in 2008, and claims on the private sector decreased by NT\$187.8 billion or 1.09% compared with the amount in the previous year.

Loans and Investments by Sector of Major Financial Institutions

Unit: NT\$ 100 million

Item \ Year	End of 2009	End of 2008	Amount change	Percentage change %
Claims on the government	34,691	30,407	+4,284	+14.09
Claims on public enterprises	9,167	9,982	-815	-8.16
Claims on the private sector	171,048	172,926	-1,878	-1.09
Total	214,906	213,315	+1,591	+0.75

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2010.

(3) Foreign Exchange Operations

The daily average foreign exchange volume traded in 2009 (including bank-customer and interbank transactions) totaled US\$16.222 billion, down by 16.24% compared with the amount of the previous year. The bank-customer volume traded fell to US\$4.198 billion, down by 30.38% compared with that in the previous year, while interbank transactions fell by 9.84% from the previous year to US\$12.025 billion.

In 2009, apart from the swap trading volume having increased 1.57% and that of options trading standing still, the trading volume of all the other foreign exchange products decreased against the amount in 2008. Cross currency swaps transactions dropped the most at 37.76%, followed by forward transactions which fell by 22.88%.

Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item \ Year	2009	2008	Amount change	Percentage change (%)
Spot	4,932	6,108	-1,176	-19.25
Forward	627	813	-186	-22.88
Swap	5,492	5,407	+85	+1.57
Option	911	911	0	0
Cross currency swap	61	98	-37	-37.76
Total	12,025	13,337	-1,312	-9.84

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2010.

(4) Consumer Finance Operations

In 2009, under the impact of the global financial tsunami, the operations of credit card

business in Taiwan showed negative growth. The total number of credit cards issued by 38 financial institutions in circulation at the end of December 2009 totaled 30,566,700, a decrease of 9.97% compared with the number of the previous year. The value of transactions through credit cards amounted to NT\$208.107 billion, a decrease of 17.96% from the amount of the previous year end. Furthermore, the signed debt amounted to NT\$1,365.435 billion, representing a decrease of 2.05% from the amount of 2008, while cash advances dropped by 58.97% from that of 2008 and amounted to NT\$35.635 billion.

According to the FSC, the number of Automated Teller Machines (ATM) installed by the domestic financial institutions numbered 25,399 units at the end of 2009, representing a decrease of 0.63% compared with 25,560 at the end of 2008. A total of 148.53 million cards were issued by the end of 2009, an increase of 4.66 million or 3.24% from the number of 143.87 million cards at the end of 2008. Some 631.47 million ATM transactions were made in 2009, a decrease of 16.86% against 2008. The value of ATM transactions amounted to NT\$7,719.6 billion in 2009, a decrease of 30.38% compared with the NT\$11,087.6 billion transacted in the previous year.

(5) Financial Derivatives Business

The amount of unsettled contract derivatives undertaken by domestic banks (including offshore banking units) was equivalent to NT\$63.47 trillion as of December 2009, representing an increase of NT\$3.8 trillion, or a growth of 6.36% against NT\$59.68 trillion as of December 2008.

The over-the-counter (OTC) market accounted for 99.15% of these transactions while TAIEX made up only 0.85%. Within OTC market transactions, swaps accounted for the loan's share of 74.18% in overall unsettled contracts, followed by forward contracts at 16.45%, while sold and bought options made up 4.29% and 4.23%, respectively. Trade-related contracts made up 99.23% whereas non-trading related contracts made up 0.77%.

OTC market transactions recorded an increase of 7.25% as of end December 2009, compared with the amount as of December 2008. Within market transactions, swaps accounted for the highest share of 12.45%, followed by forwards at 7.06%. Bought options and sold options both showed a decrease of 21.50% and 25.13% respectively as of December 2008. TAIEX transactions posted a decrease of 45.86% as of December 2009 against the previous year end. Bought options showed a great performance with substantial increase of 524.82%, followed by sold options with an increase of 335.71%. Futures-long position and futures-short position showed decreases of 53.00% and 56.82%, respectively. Trade-related contracts and non-trading related contracts increased by 5.98% and 97.04%, respectively, as of December 2009 against December 2008.

Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$100 million, %

Item	End of Dec. 2009		End of Dec. 2008		Changes	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts	634,744	100.00	596,790	100.00	37,954	6.36
A. OTC	629,353	99.15	586,833	98.34	42,520	7.25
1. Forwards	104,410	16.45	97,528	16.34	6,882	7.06
2. Swaps	470,869	74.18	418,739	70.17	52,130	12.45
3. Bought option	26,821	4.23	34,168	5.73	-7,347	-21.50
4. Sold options	27,253	4.29	36,398	6.10	-9,145	-25.13
B. Exchange-traded	5,391	0.85	9,957	1.66	-4,566	-45.86
1. Futures- long positions	2,277	0.36	4,845	0.81	-2,568	-53.00
2. Futures- short positions	2,136	0.34	4,947	0.83	-2,811	-56.82
3. Bought options	856	0.13	137	0.02	719	524.82
4. Sold options	122	0.02	28	0.00	94	335.71
II. Notional Amounts	634,744	100.00	596,790	100.00	37,954	6.36
A. Total contracts held for trading	629,883	99.23	594,323	99.59	35,560	5.98
B. Total contracts held for other than trading	4,861	0.77	2,467	0.41	2,394	97.04

Source: The CBC website, February 2010.

IV. Report on the Work of BAROC

A. Major Achievements in 2009

1. Implementation of financing measures to enterprises and unemployed labors in compliance with government's "3S" policy

The bankruptcy of Lehman Brothers in September 2008 triggered the global financial tsunami and impacted the domestic economy. Many enterprises were confronted with difficulties. Not only assistance from government's related policies, financing from banking industry was also in need. To help enterprises tide over the difficulties, government proposed "3S" policy, i.e. government supporting banks, banks supporting enterprises and enterprises supporting employees. In accordance with the said policy, BAROC continuously undertook the following financing measures to enterprises and unemployed labors:

- (1) Constant implementation of BAROC member self-regulation claims debt consultation and control mechanism to provide financing assistance to help enterprises tide over the difficulties.
- (2) Constant implementation of temporary supplement principle of the banking industry in handling the pledged stocks to cope with the government revival of the economy to avoid selling of pledged stocks when stock market fell and affect enterprises' normal operation.
- (3) Constant implementation of financing programs for "caring enterprises" , pledging not to lay off their employees, by providing access to credit at preferential interest rate.
- (4) Constant implementation of operation outline for members to handle the residential housing mortgage payment period extension of involuntarily unemployed labor and in response to the financial need of the original residential housing mortgage account, the banks may extend the payment period to 30 years at most upon customers' application.
- (5) Continuously urging and summarizing the implementation result of the members' coordination with the program of credit guarantee for non-SME loans for revitalizing economy jointly issued by Ministry of Finance, the FSC, the CBC and Ministry of Economic Affairs to provide financing assistance to help non-SME overcome difficulties.
- (6) To comply with "local care, and actively serve the SME ad hoc" of the Executive Yuan, BAROC coordinated with bankers association of various counties and cities to provide contact windows and requested 12 banks send personnel to be stationed in "Real-time care service centers" of local governments and compiled "Q & A on SME Financing" for member banks' reference.

2. Deliberation of financing measures for Typhoon Morakot victims to help them tide over the difficulties

Typhoon Morakot hit Taiwan on August 7, 2009 and caused unexpected serious disaster on the following day. In addition to more than 700 perishing or missing persons, total damage in agriculture, fishery and infrastructure reached to NT\$16,468.63 millions. Many houses and land were also heavily damaged or lost. Some enterprises even temporarily stopped operating. To help

those victims and enterprises, BAROC, in coordination with the competent authorities, deliberated the following financing measures:

- (1) Set up the operation outlines for financial institutions undertaking reschedule of debts of residents affected by Typhoon Morakot.
- (2) Set up the operation outlines for financial institutions undertaking outstanding residential housing mortgage (buildings or buildings and land).
- (3) Set up the operation outlines for financial institutions undertaking reschedule of debts of enterprises affected by Typhoon Morakot.

3. Active engagement in disputes over structured notes and deliberation of relevant norms to expedite resolution mechanism

To deal with issues relating to Lehman structured notes, starting from October 14, 2008, BAROC has undertaken disputes over structured notes with the following achievements:

- (1) Proposing to the FSC that top priority should be given to investors in a relatively disadvantaged position (including Lehman notes and non-Lehman notes) together with "administrative guidance" to expedite settlement progress between banks and the claimers and set out schedule of progress to be reached.
- (2) Both parties of 239 disputes were invited to BAROC, among them, 174 disputes had reached settlement and 65 disputes failed with settlement ratio of 73%. Compensation ratio for settlement was between 15% to 20%.
- (3) Handling scope of structured notes dispute as approved by BAROC Board would not be limited to the contents of the complaints, but should firstly comply with the request of the competent authority (i.e. senior citizens, persons with a low level of education, individuals suffering from major illness, etc.) and identify whether the disputes were in accordance with nine categories of disputes involving Lehman Brother structure notes, and then review whether the complaints conform to assembled report on disputes relating to marketing structured notes compiled by BAROC.
- (4) BAROC had classified into 107 concrete disputes by collecting eight major categories and compensation ratio in consistency, and evaluate the non compliance degree of the claimed member banks in marketing the notes, namely serious defect, high defect, medium defect, low defect and no defect, basing on impartiality and social justice. Resolution members would accelerate the evaluation according to the contents of the complaints and disputes.
- (5) To clarify if member institutions had reached settlements with structured notes investors, would there be any tax imposed on investors' compensation or could the compensation be listed as an expense, BAROC had been requested by the FSC to ensure a proper handling way and a standard form on settlement as well as tax recommendations, submitting to the FSC to ask clarification from the Ministry of Finance and inform member institutions of the result.
- (6) In view of regulations relating to selling structured notes are scattering in competent

authority, trust association and BAROC, for easy reference of members of the ROC Bankers Association's Committee on Banking Consumer Disputes Resolution (CBCD) and those member institutions selling structured notes, BAROC edited summary of relevant guidelines governing banks' selling structured notes and provided to competent authority and its member banks.

- (7) Progress report on structured notes dispute resolution:
- a. 25,214 cases (excluding repeated claims) were accepted.
 - b. 14,782 accepted cases were withdrawn by settlement.
 - c. 8,285 out of 10,432 cases (79.4%) submitted to the CBCD were settled with compensation, with an average compensation ratio of 23.99%

4. Preparing for the adoption of international financial reporting standards (IFRS) in Taiwan

In response to the era of globalization, to increase the comparability of financial reporting of international businesses and to reduce the fund-raising cost of businesses in the international capital markets, the local accounting principles were adjusted to meet the international financial reporting standards (IFRS), and the working plans and relevant announcements were issued one after another. The FSC requested that the listed and OTC companies, emerging companies and financial businesses under the supervision of FSC's should draft their financial reports in accordance with IFRS starting from 2013 in the first phase. Public companies that are not listed, in OTC or in the emerging market, credit cooperations and credit card companies should draft their financial reports in accordance with the IFRS starting from 2015 in the second phase. The BAROC made the following preparation for IFRS accounting:

- (1) The BAROC actively participated in meetings of each division, delivered directives to member institutions, and to promote and to train the banks.
- (2) Certified public accountant Joseph Chou of PricewaterhouseCoopers Taiwan was invited by the BAROC to make a presentation at the joint conferences for directors and supervisors. His outline consisted of an introduction of IFRS, the timetable for inducing IFRS in Taiwan, the impact of IFRS to banks and important notes. Information was duly delivered to the management level of member institutions. With full cooperation from banks, the project was meant to be accomplished on schedule.

5. Establishment of financial XML modules and a safe and sound corporate funds payment system

- (1) In order to solve the corporate demand for fund transfers during the long Lunar New Year holiday, the FSC called a meeting on May 15 2009 to ensure that the financial XML modules would be available. With the Financial Information Services Co., Ltd. (FISC), the BAROC helped domestic banks and major foreign banks without XML to establish the preliminary

operations by the year end in order to offer real time services for incoming funds transfers. To achieve the above objective, the BAROC offered the developed financial XML modules to the 26 receiving banks with no XML on October 23, 2009 and hosted 3 seminars.

- (2) The BAROC achieved said objective before the Lunar New Year and a total of 20 banks (19 domestic banks and 1 foreign bank) have established the financial XML operations under guidance. As a result, the numbers of XML participants rose from 16 to 36. In addition, to promote the said measure, the BAROC printed 250,000 leaflets to member banks and was given to their corporate customers. 2 press releases were made during the Lunar New Year. The financial XML system worked well during the Lunar New Year, and the trading volume showed significant growth. There were 3,673 cross-banking transactions, which amounted to NT\$1 billion, registered growth rates of 353.46% and 881.23%, respectively. The average amount per cross-banking transaction was NT\$300,000.

6. Promotion of IC bank cards for transnational withdrawal and payment

- (1) The BAROC signed a memorandum of understanding (MOU) on IC card transnational withdrawal and payment with Hokkaido Bank of Japan, the FISC and NTT DATA in the Taipei Sheraton Hotel on April 28, 2009. Hokkaido Bank of Japan, Dogin Card Company, 9 domestic pioneer banks also signed a contract of business cooperation with the FISC on November 30, 2009. Yen withdrawal with ATM and payment to contracted stores in Japan by Taiwan's IC bank card, was available so as to enhance Taiwan-Japan financial and tourist interaction.
- (2) To provide more convenient oversea tours, the BAROC and the FISC, in association with 9 domestic banks, cooperated with Hokkaido Bank of Japan on transnational withdrawal and payment. Starting from January 27, 2010, Taiwanese may use Taiwan IC bank cards to withdraw cash from labeled ATMs and to make payments to the contracted stores in Hokkaido, Japan. With favorable transaction charges, such service can reduce exchange fees and avoid the inconvenience of carrying cash. Furthermore, the brand and services of Taiwan IC bank cards would be formally announced to the world.
- (3) To deepen the public's understanding of IC bank cards and to enhance the result of promoting IC bank card payment business, the BAROC sponsored the IC Card SmartPay Campus Promotion event and internet marketing activities. On November 18, 2009, the BAROC and the FISC sponsored the Presentation of "Accurate Use of IC bank card and Consume in a Safe Payment Environment" in the Ambassador Hotel. In December 2009, the BAROC and the Far Eastern Department Store sponsored the project "With IC Bank Cards, We Brings You Christmas Gifts" .

7. Studies on financial fraud preventive measures

- (1) The FSC asked the BAROC to deliberate on whether "deposits to third-party accounts without passbooks and withdrawal by senior citizen at the counter" should be subjected to questions asked with care at the counter. The BAROC revised the "sample questions to be asked at the

counter when exercising care for customers" which was reported to and approved by the FSC, and member institutions were duly notified.

- (2) The FSC Banking Bureau asked the BAROC to deliberate on whether virtual accounts were covered in "approaches for Bank Handling of Accounts with Suspicious or Unusual Transactions" and relevant operations for those notified as warning accounts. The suggestions from the BAROC were reported to the FSC Banking Bureau for reference.
- (3) The FSC Banking Bureau asked the BAROC to deliberate on specific preventive measures for the misuse of unregistered SmartPay issued by financial institutions in fraud. The measures were reported to the FSC Banking Bureau and member institutions were duly notified.
- (4) The FSC asked the BAROC to deliberate on whether there was a need to ask customers certain questions out of care when they are making outward remittance, to prevent illegal use of outward remittance in the case of fraud. The BAROC's suggestions to the FSC was similar to the existing regulation that foreign currency transaction exceeds NT\$500,000 must be reported to CBC, and certain questions to be asked out of care was focused on the customers whose outward remittance exceeds NT\$500,000. The revision was added to the "sample questions to be asked at the counter when exercising care for customers"

8. Other missions entrusted by the competent authority

- (1) Consumer Protection
 - a. The FSC Banking Bureau asked the BAROC to set a uniform format for agreement on mortgage-life insurance products that are relevant to important consumer rights and obligations. The sample of agreement was made and reported to the competent authority.
 - b. The FSC asked the BAROC to deliberate on account opening by vision-impaired customers, and installed audio function on ATM and to draft the "notices for developing system that supports web accessibility" . The suggestions were reported to the competent authority.
 - c. The FSC asked the BAROC to deliberate on relevant managing rules and suggestion plans on penalties claimed by credit card issuing institutions that caused public concerns. Suggestions on the maximum consecutive count of penalty et cetera were reported to the FSC.
 - d. The BAROC and the FSC coordinated with credit card issuing institutions to revise the current credit card contract and to delete the clause that "supplementary cardholders should bear joint liability" before "matters that shall or shall not to be stated in the credit card standardized contract" were promulgated. The regulations were promulgated and effective on July 10 2009. In addition, considering legal stability and other factors, card issuing institutions should exempt the joint liability of those economically disadvantaged supplementary cardholders for debts that were incurred prior to the amendment of contracts. Three types of cases were suggested for credit card issuing institutions when determining whether to exempt the joint liability of those supplementary cardholders that are not economically disadvantaged.

(2) Business Operations

- a. The FSC asked the BAROC to deliberate on the "principles for financial institutions on financial services charges" . The draft was reported to the competent authority for reference.
- b. To shorten the process and reduce the risk and cost of onshore US dollar payment, in accordance with competent authority to establish onshore US dollar clearing mechanism. The BAROC set the standards for selecting onshore US dollar clearing bank. The selection was carried out by the TBFA, the TDCC and the BAROC. Mega International Bank was selected as the clearing bank and being reported to the CBC and gets an approval.
- c. In response to WTO services industry negotiation and to help the banking industry expand their markets, the FSC Banking Bureau asked the BAROC to collect and update information semiannually regarding to "difficulties for domestic banks to expand their business overseas" and reported it to the FSC Banking Bureau for reference in case of negotiation between the government and other WTO member countries.
- d. To enhance the management of structural products such as dual currency deposits, the CBC Foreign Exchange Department asked the BAROC to deliberate on shortening the tenure of the product, simplifying the underlying asset and setting proper principal guarantee rate for natural person customers. The suggestions were reported to the CBC Foreign Exchange Department.
- e. The FSC Banking Bureau, in response to the query from the Congressional Office of Legislator Chung-Hsiung Hsu on the applicability of the rules on credit card business that were revised and passed by the Fed, U.S.A. on December 18, 2008, asked the BAROC to deliberate and to make comparisons for the current domestic supervisory regulations and that of the U.S.. The comparisons, suggestions and Regulation DD were reported to the FSC Banking Bureau.
- f. The BAROC, coordinating with the FSC, deliberated on the amendment of the "Regulations Governing Institutions Engaging In Credit Card Business" , participated in related hearings, offered opinions to its members, and reported the suggestions to the FSC regarding to the relevant articles of the amendment which have to be otherwise written in.
- g. The FSC Banking Bureau asked the BAROC to conduct comparison and analysis between the current way of cross selling and joint promotion for selling insurance products and that of delegate an internal department within banks to also engage in insurance agents and broker business. The pros and cons of the operations, legal relations and responsibility attribution in case of consumer disputes were covered. The results were reported to the FSC Banking Bureau.
- h. The FSC Banking Bureau asked the BAROC to deliberate on qualifications for banks conducting wealth management business and structured-products salesperson. The BAROC suggested that salesperson should pass the "certificate test for structured-product sales personnel" . With the approval from FSC Banking Bureau, member institutions were duly notified. The TABF was entrusted with the task of holding the said test with the BAROC.

(3) Risk Management

- a. In response to the advices given by the Asia/Pacific Group on Money Laundering on the second mutual evaluation and "Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions" implemented on March 18, 2009. The FSC asked the BAROC to amend "Points for Attention by Banks on Money Laundering Prevention". The amendment was reported to the FSC and both the Chinese and English versions were on the BAROC's website for member institutions to download.
- b. The FSC asked the BAROC to deliberate on the amendment of "corporate governance principles for banks" and "corporate governance principles for financial holdings". The amendments were reported to the FSC and member institutions were duly notified.
- c. To draft the "regulations governing the protection of customers' interests for banks conducting financial derivatives business" and to amend the "Directions for Banks Conducting Financial Derivatives Businesses", the FSC Banking Bureau asked the BAROC to deliberate on said issues. The suggestions were reported to the FSC Banking Bureau.
- d. FSC and the BAROC together pushed for the establishment of "The New Basel Capital Accord Taskforce". Four divisions within the Taskforce were first pillar division, second pillar division, third pillar division and stress test division. They were responsible for ongoing research on topics of (1) revising the rules for capital adequacy calculation, (2) amending disclosure requirements for supervisory review, (3) amending the disclosure requirements for domestic banks related to capital adequacy and (4) drafting the "Reference rules for Banks when conducting stress test.
- e. The FSC Banking Bureau asked the BAROC to deliberate on the feasibility of bank's internal audit reports signed by certified internal auditors (CIA). The suggestions were reported to the FSC Banking Bureau.

9. Held financial seminars and lectures to foster talents in the banking industry

(1) Jan-Mar 2009

The BAROC held a seminar on "labor safety and health organizations management and automatic check approach", a seminar on "Certified Documentary Credit Specialists", a lecture on "Regulations of collective labor", a symposium on "the impact of global financial tsunami on Taiwan's economy, industries and future outlook", a seminar on "the measurement and management of credit risk", a lecture on "complex loan framework", and a lecture on "corporate finance".

(2) Apr-Jun 2009

The BAROC held a seminar on "banking labor safety and health operations", a seminar on the "financial perspectives of ECFA", a seminar on the "Hong Kong experience and outlook for structured products", "advanced training courses for foreign exchange and OBU personnel", and "International financial talents development program".

(3) Jul-Sep 2009

The BAROC held a conference of "developing web accessibility" , a seminar on the "outlook on cross-strait financial interactions" , a seminar on "examining risk management" , "financial auditing and examination courses (China financial auditing courses)" , "advanced training for bank collectors (North and Central Regions)" , "management skills courses" , "leadership courses" , "banking accounting personnel courses" , "financial product trading personnel courses" , and "IC credit card basic training and its multifunctional applications" .

(4) Oct-Dec 2009

The BAROC held a seminar on "audit quality assurance and improvement plan report" , a seminar on "documentary L/C risk management and trade finance fraud prevention" , a seminar on " The Current Situation and Prospect of the Real Estate Market" , a seminar on "financial XML certificate joint middleware" , a seminar on "cross-strait financial industry" , "the effect of signing ECFA on the development of Taiwan banking industry in China" , the " newly amended articles of the Civil Law" , "advanced training for bank collectors (South Region)" , "training for bank high level management" , and a seminar on "credit card business and legal affairs" .

10. Actively engage in international conventions and strengthening cross-strait relations

- (1) Chairperson Susan S. Chang of the BAROC, as the advisor of CBC, participated in the 42nd annual meeting of Directors of Asian Development Bank in Bali, Indonesia on May 2-5, 2009.
- (2) The BAROC sent representatives to participate in the seminar on "international trade finance and semiannual meeting" , the seminar on "Uniform Rules for Demand Guarantee" , the "2009 international seminar on internal audit" , and the "SIBOS (SWIFT International Banker's Operations Seminar)" .
- (3) The BAROC received the delegations of the Mongolian Bankers Association on April 24, 2009. The CBC, the JCIC and the TABF were invited for presentation. The BAROC received the TBBC on June 8, 2009 to discuss financial issues.
- (4) The BAROC received the Shandong Jihnan Delegations, the Liaoning Province Bankers Association, Shenyang City Government, Harbin Bank, Shandong Province Qingdao City Government, the Shenzhen Bankers Association, and the Fujian Province Bankers Association. The BAROC also sent representatives to participate in "helping upgrade and transform Taiwan business in China" , "2009 financial delegation to Shanghai and Beijing" and the "cross-strait high level bank management training courses" to enhance cross-strait relations.
- (5) The BAROC invited the Shanghai Bankers Association to visit Taiwan from December 6 to 12, 2009. The delegation visited relevant member institutions, the TSE and the BAROC.

11. Preliminary negotiation for Statue on Consumer Debt Clearance for people having difficulties in paying back debt

The statue on Consumer Debt Clearance was implemented on April 11, 2008. To help consumers with financial difficulties to regain their financial strength and to secure fair payment for creditors and other stakeholders, the BAROC continued to handle preliminary negotiations regarding the regulations. The accomplishment in 2009 are summarized as follows :

- (1) To help customers with short-term payment difficulty due to involuntary unemployment, leave without payment and salary reduction as well as debtors breaching the contract for the same reasons, the BAROC, from January to June of 2009, coordinated with financial institutions to offer a short-term extension of payment mechanism and an individual negotiation mechanism to help debtors overcome the difficulties.
- (2) Total number of applications for preliminary negotiations in 2009 was 40,386, with the amount totaling NT\$59.034 billion. The number recognized by the court was 35,644 and the amount was NT\$54.545 billion.
- (3) The number of calls for consultation via the BAROC debt negotiation consulting hotline totaled 51,368 in 2009.

12. Financial consultation, activities and information available to the public

- (1) The Consulting Services Center took complaints from customers of member institutions and communicated with service centers of the member institutions to resolve the disputes. A total of 228 disputes (excluding credit-card cases) were mediated and arbitrated in 2009.
- (2) A total of 794 credit-card complaints were mediated and arbitrated via communications with credit card institutions through a Single Window for Credit Card Complaints of the BAROC in 2009.
- (3) The BAROC communicated with the media and releases news with regard to major financial operating measures. A total of 39 articles were released in 2009.
- (4) The BAROC helped the heirs of member institutions' customers to query on inheritance, including deposits and safe deposit boxes among banks. A total of 89 cases were dealt with in 2009.
- (5) The BAROC regularly summarized a list of debt collection institutions assessed and commissioned by member institutions, contracted loan marketing institutions and credit card marketing institutions outsourced by member institutions and made the information available to the public on the BAROC website.
- (6) The BAROC regularly summarized the information with regard to various standards of interest rates and charges for cash card of different member institutions, member institutions which charge different credit card interest rates for cardholders with different credit rating and the way charges are calculated on the BAROC website and made it available to the public.

- (7) To provide the public with correct knowledge of wealth management and to help member institutions develop small-amount prepaid card business, the BAROC, worked together with the TABF, the TII and county/city governments, sponsored 22 public financial seminars from June to December 2009.

B. Major Tasks in 2010

No	Tasks
1	To push for the use of XBRL in Financial Reporting for Listed and OTC Companies, and continue to prepare for the amendment for principles for accounting system in banking industry .
2	To help the government in promoting the IFRS.
3	The New Basel Capital Accord Taskforce, founded by the FSC and the BAROC, set up 4 divisions (first pillar, second pillar, third pillar and stress test) to study on (1) revising the rules on capital adequacy calculation, (2) amending the disclosure requirements for supervisory review, (3) amending disclosure requirement for domestic banks related to capital adequacy calculation and (4) drafting the "Reference rules for Banks when conducting stress test.
4	The BAROC established a regular Mainland China Committee in charge of promoting cooperation of cross-strait banking operations and deliberating on the related issues so as to offer suggestions and opinions to the competent authorities.
5	To enhance the bank and public understanding on the financial issues involved in the ECFA, the BAROC and the FSC sponsored several seminars on the "ECFA - Financial Issues" .
6	To enhance the professional competency of foreign exchange personnel in member institutions, the summary of opinions of ICC, the development trend of international rules and the summary of cases were translated into English available for their reference.
7	The BAROC help implementing bills and securities operational mechanisms in association with GreTai Securities Market, Taiwan Futures Exchange and Taiwan Depository Clearing Corporation.
8	To deliberate and push for the operations of financial XML payment system.
9	To track and to correct Year 100 Problems in information system.
10	To help the CBC integral inter-bank placement data for the full protection of deposits and to provid the said data to competent authority periodically.
11	To enhance the mediation mechanisms on financial disputes and consumer education.

V. Appendices

A. Chronology of Major Events in 2009

- ◎2009.1.8 The Shandong Jihnan Delegations visited the BAROC.
- ◎2009.1.14 The 5th meeting of the 9th Managing Directors was held.
- ◎2009.1.22 The 13th joint meeting of the 9th Directors and Supervisors was held.
- ◎2009.2.13 The Laioning Province Bankers Association visited the BAROC.
- ◎2009.2.26 The 14th joint meeting of the 9th Directors and Supervisors was held.
- ◎2009.3.23 The 6th meeting of the 9th Managing Directors was held.
- ◎2009.3.26 The 4th meeting of the 9th Directors was held.
- ◎2009.4.24 The Mongolian Bankers Association visited the BAROC and held a meeting with the representatives of the CBC Operating Bureau, the JCIC and the TABF to discuss on related issues.
- ◎2009.4.27 The BAROC and the TFSR held a seminar on "The Financial Perspective of ECFA"
- ◎2009.4.28 To facilitate the cooperation of consumer financial business between Taiwan and Japan, and to promote the technology of Taiwan's IC bank card in the world arena, the BAROC and the FISC signed a Memorandum of Understanding with Hokkaido Bank Japan and NTT DATE Corp.
- ◎2009.4.30 The 15th joint meeting of the 9th Directors and Supervisors was held.
- ◎2009.5.5 A series of seminars on "Analysis of The Foreign Exchange Issues of Export and Import " were held at the second conference room of the BAROC.
- ◎2009.5.15 The seminar on "The Experiences and Outlook of Structured Product in Hong Kong" was held at the second conference room of the BAROC.
- ◎2009.5.21 The 16th joint meeting of the 9th Directors and Supervisors was held.
- ◎2009.6.2 From June to October, 31 sessions of on- job training for the personnel in charge of the safety and health of labor in banks were held at the labor safety and health associations of Chungli City, Taichung City, Hsinchu City, Changhua City, Tainan City and Kaohsiung City as well as at the second conference room of the BAROC.
- ◎2009.6.8 The British representatives of the 11th joint meeting of the Taiwan Britain Business



Mongolian delegation visited the BAROC on April 24, 2009.

Council (TBBC) visited the BAROC. They communicated and discussed the issues of the present financial reform in Taiwan, the cross-strait financial cooperation and the global trend of the financial services industry with the BAROC.

- ◎2009.6.9 The seminar on "The Foreign Exchange Business and Operations of Banks in China" was held at the second conference room of the BAROC.
- ◎2009.6.25 The 17th joint meeting of the 9th Directors and Supervisors was held.
- ◎2009.6.25 The conference of SWIFT users was held. Experts from SWIFT were invited to provide the latest information on the development of SWIFT products and SIBOS 2009 for member banks' reference.
- ◎2009.7.1 A seminar on key issues of consumer finance was held at the conference room of the BAROC.
- ◎2009.7.4 A seminar on labor safety and health in banks was held at the second conference room of the BAROC.
- ◎2009.7.20 An advanced training program for debt collectors was held at the second conference room of the BAROC.
- ◎2009.7.22 A seminar for bank personnel of managerial position to build up management skills was held at the second conference room of the BAROC.
- ◎2009.7.28 The Shenyang City Government delegations, led by Deputy Mayor Tsou, visited the BAROC.
- ◎2009.7.30 The 18th joint meeting of the 9th Directors and Supervisors was held.
- ◎2009.8.19 The 7th meeting of the 9th Managing Directors was held.
- ◎2009.8.26 A seminar for bank personnel of managerial position to build up management skills was held at the second conference room of the BAROC.
- ◎2009.8.27 The 19th joint meeting of the 9th Directors and Supervisors was held.
- ◎2009.9.4 The Bank of China (BOC) delegations visited the BAROC.
- ◎2009.9.16 The 3rd meeting of the 9th General Assembly was held at 6F of the Department of Public Treasury, Bank of Taiwan.
- ◎2009.9.24 The 5th meeting of the 9th Directors was held.
- ◎2009.10.15 The delegations of Harbin Bank, led by CEO Kao Su-Jen, visited the BAROC.
- ◎2009.10.29 The 20th joint meeting of the 9th Directors and Supervisors was held.



The Bank of China delegation visited the BAROC on September 4, 2009.

◎2009.10.30 The BAROC signed a MOU of Cooperation with the Sri Lanka Bankers Association and the Bankers Associations of the Philippines.

◎2009.11.3 The conference on audit quality assurance and improvement plan was held at the second conference room of the BAROC.

◎2009.11.5 Two seminars on "Managing Documentary Credit Risks and Trade Finance Fraud



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Prevention" were held at the auditorium of the Department of Public Treasury, Bank of Taiwan.

◎2009.11.6 The BAROC was awarded by the Ministry of the Interior (MOI) as an excellent group of the national social and occupational groups by the work evaluation in 2008. Deputy Secretary General Yung-Tsau Hsu accepted the award and the prize of NT\$50,000 on behalf of the BAROC.

◎2009.11.26 The BAROC sponsored the "2009 Taipei International Economic and Financial Masters' Forum" hosted by TSE.

◎2009.11.18 To enhance the knowledge of the public about the fund payment and fund deduction function of IC bank cards and to promote the use of IC bank cards, the BAROC and the FISC co-sponsored the presentation of " Use IC Bank Cards Accurately to Build a Sound Payment Environment" at the Ambassador Hotel where Chief Committee Chen of the FSC and Finance Minister Lee were invited to lecture. There were about 250 participants from the competent authorities, financial institutions, contracted stores and journalists attended.

◎2009.11.19 The delegation of "The Taiwanese Enterprise Association of Shandong Province Qingdao City", led by Min Chin, visited the BAROC.

◎2009.11.19 The seminar on "The Current Situation and Prospect of the Real Estate Market" was held at the second conference room of the BAROC, where Prof. Chang of Department of Land Economics, National Chengchi University lectured.

◎2009.11.20 The FSC of the Executive Yuan requested that the BAROC give assistance to banks without financial XML. The third conference on financial XML modules was held on November 20.

◎2009.11.26 The China Financial Business Research and Development Association invited the Shenzhen City domestic bankers association to visit Taiwan. The delegations, led by Ning Yang, CEO of CITIC Bank Chenzhen Branch, visited the BAROC.

©2009.11.26 The 21st joint meeting of the 9th Directors and Supervisors was held.

©2009.11.26 The conference on the standard contract of demand (savings) deposit bank card was held at the first conference room of the BAROC.



Excellent group and personnel awarded by MOI on November 6, 2009.

©2009.12.1 The conference on financial XML

certificate middleware was held at the second conference room of the BAROC.

©2009.12.6-12 The Shanghai Bankers Association delegation visited the BAROC.

©2009.12.9 The seminar on "The Strategies for Banks from Taiwan to Develop Business in China" was held at the TABF on Dec. 9, 16 and 21, 2009.

©2009.12.11 The ceremony of presenting certificate to bank personnel who completed the International Financial Professionals Training Course was held.

©2009.12.16 The Fujian Bankers Association visited the BAROC.

©2009.12.22 The seminar on "The Impact of ECFA on Taiwanese Banks to Develop Business in China" was held at the second conference room of the BAROC. Prof. Wang of the CIER was invited to lecture.

©2009.12.24 The 22nd joint meeting of the 9th Directors and Supervisors was held.

©2009.12.25 The presentation of the amended articles of the Civil Act was held at the second conference room of the BAROC.



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B. List of Member Banks of BAROC

December 2009

Institution	Position	Name	Telephone	Fax	Website
Bank of Taiwan	Chairman Deputy President	Susan S. Chang F.C. Tsai	(02)23493456	(02)23315840	www.bot.com.tw
Land Bank of Taiwan	Chairman President	Y.S. Wang L.M. Su	(02)23483456	(02)23757023	www.landbank.com.tw
Taiwan Cooperative Bank	Chairman President	D.C. Liu. C.J. Tsai	(02)23118811	(02)23890704	www.tcb-bank.com.tw
First Commercial Bank	Chairman President	Y.C. Chen Y.H. Lin	(02)23481111	(02)23892967	www.firstbank.com.tw
Hua Nan Commercial Bank, Ltd.	Chairman President	M.C. Lin J.C. Wang	(02)23713111	(02)23316741	www.hncb.com.tw
Chang Hwa Commercial Bank	Chairman President	Julius Chen William Lin	(02)25362951	(02)25716871	www.chb.com.tw
Citi Bank Taiwan, Ltd.	Chairman President	Morris Li Victor Kuan	(02)87269999	(02)87801300	www.citibank.com.tw
The Shanghai Commercial & Savings Bank, Ltd.	Chairman President	H.C. Yung Y.J. Chiou	(02)25817111	(02)25318501	www.scsb.com.tw
Taipei Fubon Commercial Bank	Chairman President	Daniel Tsai Jerry Harn	(02)27716699	(02)27736769	www.taipeifubon.com.tw
Cathay United Bank	Chairman President	Gregory K.H. Wang T.P. Chen	(02)87226666	(02)87898789	www.cathaybk.com.tw
The Export- Import Bank of the Republic of China	Chairman President	S.Y. Lii R.F. Chu	(02)23210511	(02)23940630	www.eximbank.com.tw
Bank of Kaohsiung	Chairman President	W.H. Huang W.H. Chung	(07)5570535	(07)5580529	www.bok.com.tw
Mega International Commercial Bank Co., Ltd.	Chairman President	R.J. Wang K.S. Shiu	(02)25633156	(02)23569169	www.megabank.com.tw
Agricultural Bank of Taiwan	Chairman President	S.L. Liu S.H. Su	(02)23805100	(02)23805252	www.agribank.com.tw
China Development Industrial Bank	Chairman President	C.C. Tung Chue-Ji Tseng	(02)27638800	(02)27660047	www.cdibank.com
Industrial Bank of Taiwan	Chairman President	Kenneth Lo Henry Peng	(02)87527000	(02)87519568	www.ibt.com.tw
Taiwan Business Bank	Chairman President	Peter T.C. Lo T.C. Liao	(02)25597171	(02)25507942	www.tbb.com.tw
Standard Chartered Bank	Chairman President	James McCabe Sunil Kaushal	(03)5245131	(03)5250977	www.standardchartered.com.tw
Taichung Commercial Bank	Chairman President	H.N. Huang Y.E. Chung	(04)22236021	(04)22240748	www.tcbbank.com.tw
King's Town Bank	Chairman President	Terence Tai Lynn Lin	(06)2139171	(06)2136885	www.ktb.com.tw
Bank of Taipei	Chairman President	C.I. Wong Margaret Hsu	(02)25575151	(02)25534883	www.bankoftaipei.com.tw
Hwatai Bank	Chairman President	P.Y. Lin M.S. Shieh	(02)27525252	(02)27775213	www.hwataibank.com.tw
Shin Kong Commercial Bank	Chairman President	T.C. Lee C.Y. Lai	(02)23895858	(02)23120164	www.skbank.com.tw
Sunny Bank	Chairman President	P.L. Lin W.H. Ding	(02)28208166	(02)28233414	www.esunnybank.com.tw
Bank of Panhsin	Chairman President	P.H. Liu A.H. Chen	(02)29629170	(02)29572011	www.bop.com.tw
Cota Commercial Bank	Chairman President	C.T. Liao C.T. Chang	(04)22245161	(04)22275237	www.cotabank.com.tw
Changhua Post Co., Ltd.	Chairman President	Oliver F.L. Yu S.Y. Hu	(02)23931260	(02)23911209	www.post.gov.tw
Union Bank of Taiwan	Chairman President	S.C. Lee Jeff Lin	(02)27180001	(02)27174093	www.ubot.com.tw
Far Eastern International Bank	Chairman President	C.I. Hou Eli Hong	(02)23786868	(02)23779000	www.feib.com.tw
Yuanta Bank	Chairman Deputy President	C.C. Yen C.L. Chin	(02)21736699	(02)27722455	www.yuantabank.com.tw

Institution	Position	Name	Telephone	Fax	Website
Bank Sinopac	Chairman President	C.H. Chiu McKinney Y.T. Tsai	(02)25063333	(02)81618485	www.banksinopac.com.tw
E.Sun Commercial Bank, Ltd.	Chairman President	Y.J. Huang W.L. Duh	(02)27191313	(02)27138713	www.esunbank.com.tw
Cosmos Bank, Taiwan	Chairman Deputy President	Paul Lo Paul Lo	(02)27011777	(02)27849848	www.cosmosbank.com.tw
Taishin International Bank	Chairman President	Thomas T.L. Wu Justin Tsai Spike Wu	(02)25683988	(02)25234551	www.taishinbank.com.tw
Ta Chong Bank	Chairman President	C.P. Chen Edmund Koh	(02)87869888	(02)87869800	www.tcbank.com.tw
Jih Sun International Bank	Chairman Deputy President	Donald Chen C.F. Wang	(02)25615888	(02)25217698	www.jihsunbank.com.tw
EnTie Commercial Bank	Chairman President	Jesse Ding Jesse Ding	(02)27189999	(02)27187843	www.entiebank.com.tw
Chinatrust Commercial Bank	Chairman President	Michael B.DeNoma James Chen	(02)27222002	(02)27251499	www.chinatrust.com.tw
Chinfon Commerical Bank	Deputy Chairman President	L.C. Pan T.C. Liu	(02)23114881	(02)23141068	www.chinfonbank.com.tw
Mega Bills Finance Co., Ltd	Chairman President	Gerry Y.G. Lee J.H. Lu	(02)23831616	(02)23822878	www.megabills.com.tw
China Bills Finance Co.	Chairman President	M.J. Lee Hermann Wu	(02)27021177	(02)27065540	www.cbf.com.tw
International Bills Finance Co., Ltd.	Chairman President	Victor W.C. Liu Y.T. Hsiao	(02)25181688	(02)25158430	www.ibfc.com.tw
Grand Bills Finance Co.	Chairman President	H.S. Wang L.C. Huang	(02)87802801	(02)87884031	www.grandbill.com.tw
Hua Nan Financial Holding Co., Ltd.	Chairman President	M.C. Lin M.H. Liu	(02)23713111	(02)23310654	www.hnfhc.com.tw
Fubon Financial Holding Co., Ltd.	Chairman President	Richard Tsai Victor Kung	(02)66366636	(02)66360111	www.fubongroup.com.tw
China Development Financial Holding Co.	Chairman President	M.T. Chen C.C. Tung	(02)27638800	(02)27660047	www.cdibh.com
Cathay Financial Holding Co., Ltd.	Chairman President	H.T. Tsai T.P. Chen	(02)27087698	(02)23252488	www.cathayholdings.com.tw
Chinatrust Financial Holding Co., Ltd.	Chairman President	Jeffery L.S. Koo Daniel I.K. Wu	(02)27222002	(02)27234767	www.chinatrustgroup.com.tw
Sinopac Financial Holding Co., Ltd.	Chairman President	S.C. Ho Mckinney Y.T. Tsai	(02)81618888	(02)81618485	www.sinopac.com
E.Sun Financial Holding Co., Ltd.	Chairman President	Y.J. Huang Joseph N.C. Huang	(02)21751313	(02)27199313	www.esunbank.com.tw
Yuanta Financial Holding Co., Ltd.	Chairman President	C.C. Yen Tony Shen	(02)27811999	(02)27721585	www.yuanta.com/chinese
Taishin Financial Holding Co., Ltd.	Chairman President	Thomas T.L. Wu K.H. Lin	(02)23268888	(02)37076889	www.taishinholdings.com.tw
Shin Kong Financial Holding Co., Ltd.	Chairman President	Eugene T.C. Wu Victor Hsu	(02)23895858	(02)23892868	www.skfhc.com.tw
Mega Financial Holding Co., Ltd.	Chairman President	R.J. Wang K.S. Shiu	(02)23578888	(02)33938755	www.megaholdings.com.tw
First Financial Holding Co., Ltd.	Chairman President	Y.C. Chen M.R. Chien	(02)23111111	(02)23119691	www.firstholding.com.tw
Jih Sun Financial Holding Co., Ltd.	Chairman President	Donald Chen Y.F. Chao	(02)25048888	(02)25175408	www.jsun.com
Waterland Financial Holdings	Chairman President	Steven Hung Harvey Liu	(02)25154567	(02)25010606	www.waterland-fin.com.tw
Taiwan Financial Holding Co., Ltd.	Chairman President	Susan S. Chang F.C. Tsai	(02)23493456	(02)23115060	www.twfhc.com.tw
Yuanta Securities Finance Co., Ltd.	Chairman President	Y.D. Chuang Lawrence Lee	(02)21736833	(02)27721101	www.yuantafinance.com.tw