

2010 Annual Report of Chunghwa Post

VII. Financial Statement

- 69 I. Financial Highlights
- 71 II. Condensed Balance Sheets and Income Statements for the Past 5 Years
- 72 III. Financial Analysis for the Past 5 Years
- 75 IV. Supervisors' Audit Report
- 76 V. Financial Statements for Most Recent Fiscal Year



I. Financial Highlights

Unit: NT\$ Million

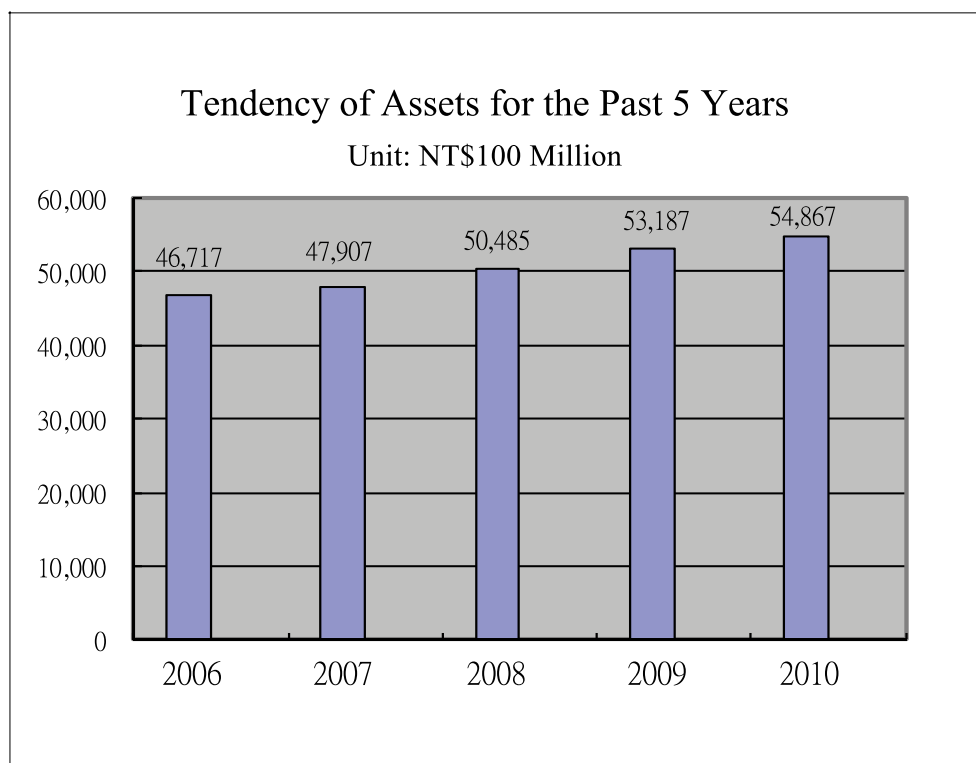
Item	2010	2009	2008	2007	2006
Assets	5,486,746	5,318,735	5,048,487	4,790,730	4,671,719
Discounts and Loans	41,300	40,706	37,873	36,158	31,556
Funds and Investment	3,039,301	1,970,025	1,562,558	1,466,042	1,745,657
Liabilities	5,369,489	5,218,314	5,019,877	4,675,281	4,556,989
Deposits and Remittances	4,582,455	4,543,373	4,447,242	4,135,015	4,041,748
Owners' Equity	117,257	100,421	28,610	115,449	114,730
Total Income	411,729	287,930	451,360	385,532	391,520
Interest Income	81,653	82,862	125,955	115,667	100,323
Total Expenses	404,093	277,205	441,224	369,308	377,826
Interest Expense	35,319	43,182	83,547	72,421	60,461
Net Income	7,636	10,725	10,136	16,224	13,694
Return on Assets	0.14%	0.21%	0.21%	0.34%	0.31%
Return on Equity	7.02%	16.62%	14.07%	14.10%	14.21%

Note: 1. Return on Assets = Net Income/Average Assets

2. Return on Equity = Net Income/Average Equity

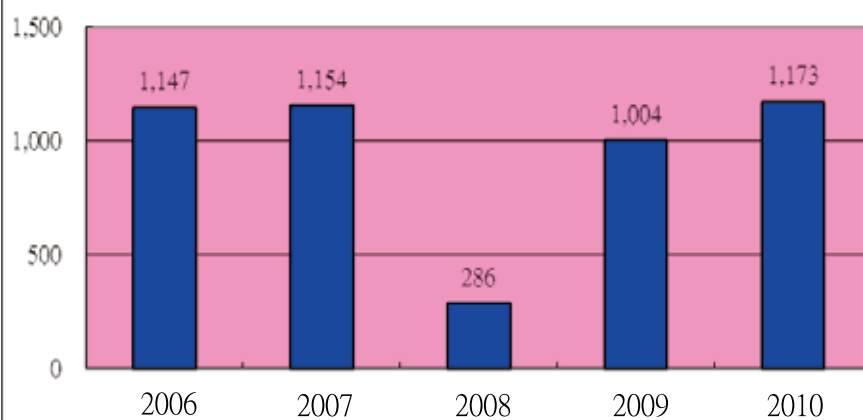
3. Total income includes Cumulative Effect of Accounting Principle Changes

4. Total expenses include income tax



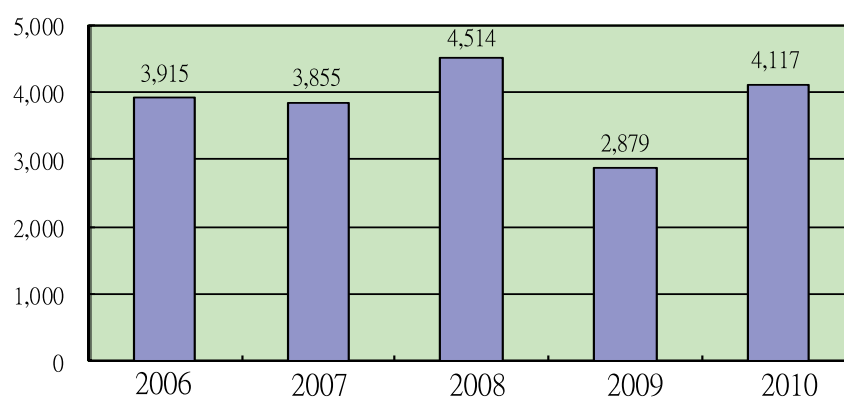
Tendency of Owners' Equity for the Past 5 Years

Unit: NT\$100 Million



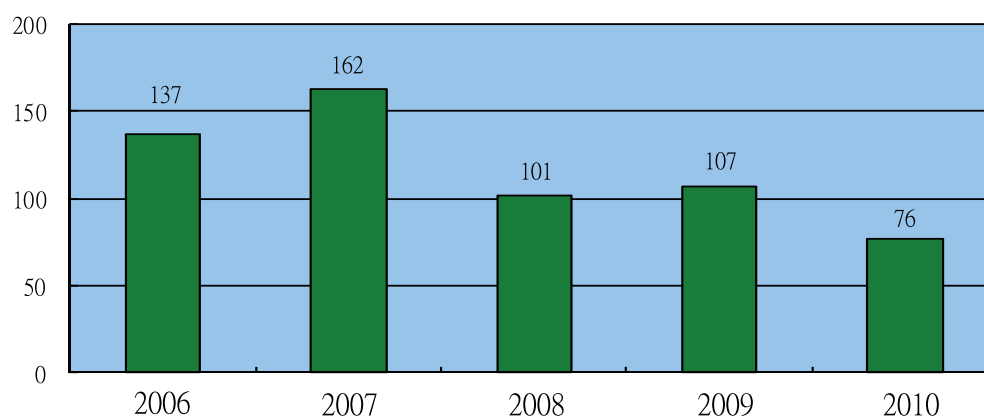
Tendency of Total Income for the Past 5 Years

Unit: NT\$100 Million



Tendency of Net Profit of Current Term for the Past 5 Years

Unit: NT\$100 Million



II. Condensed Balance Sheets and Income Statements for the Past 5 Years

Condensed Balance Sheets

Unit: NT\$ 1,000

Item		2010	2009	2008	2007	2006
Cash and Due from Banks		507,757,484	779,279,331	913,632,363	1,081,870,182	1,088,177,887
Due from Central Bank		1,755,756,167	2,399,944,883	2,325,582,003	2,030,503,759	1,591,561,120
Financial Assets at Fair Value through Income Statement--Net		12,101,491	3,126,470	57,771,367	18,286,766	66,754,874
Reverse REPO		3,580,315	3,391,993	11,096,964	21,771,225	17,606,118
Discounts and Loans		41,300,091	40,706,422	37,872,854	36,158,062	31,556,398
Funds and Investments		3,039,301,167	1,970,024,964	1,562,557,584	1,466,042,312	1,745,657,463
Fixed Assets -- Net		76,155,451	76,305,462	76,629,806	77,097,196	75,444,683
Other Assets		50,794,260	45,955,108	63,344,050	59,000,752	54,960,208
Deposits and Remittances		4,582,454,865	4,543,373,127	4,447,242,318	4,135,015,495	4,041,748,362
Operational Reserve		646,555,490	577,078,566	438,671,102	431,995,566	388,634,416
REPO		27,920,950	-	15,613,074	-	27,902,578
Other Liabilities		112,557,820	97,861,892	118,350,502	108,270,084	98,703,812
Capital		40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Capital Reserve		27,107,576	27,107,576	27,107,576	27,107,576	27,107,576
Retained Earnings	Before Distribution	33,717,701	34,561,577	31,001,898	32,858,546	26,904,964
	After Distribution	-	26,081,445	23,836,768	20,866,358	16,634,675
Other Owners' Equity		16,432,024	7,232,027	(62,334,349)	27,475,175	30,987,332
Assets		5,486,746,426	5,318,734,633	5,048,486,991	4,790,730,254	4,671,718,751
Liabilities	Before Distribution	5,369,489,125	5,209,833,453	5,012,711,866	4,663,288,957	4,546,718,879
	After Distribution	-	5,218,313,585	5,019,876,996	4,675,281,145	4,556,989,168
Owners' Equity	Before Distribution	117,257,301	108,901,180	35,775,125	127,441,297	124,999,872
	After Distribution	-	100,421,048	28,609,995	115,449,109	114,729,583

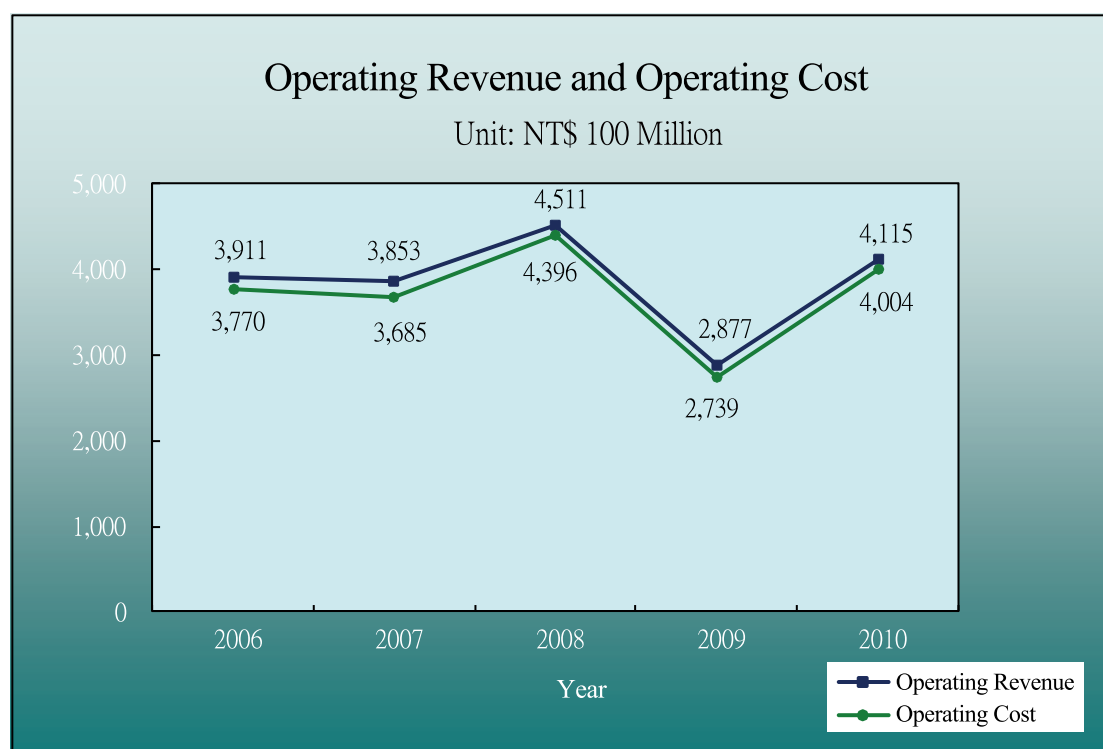
Note: 2010 retained earnings is a figure before dividends.

Condensed Income Statement

Unit: NT\$ 1,000

Item	2010	2009	2008	2007	2006
Operating Revenue	411,546,557	287,710,355	451,127,565	385,255,839	391,097,027
Operating Cost	400,365,647	273,891,172	439,642,915	368,534,662	377,030,766
Operating Profit	11,180,910	13,819,183	11,484,650	16,721,177	14,066,261
Non-operating Profit (Loss)	(21,630)	59,693	(26,445)	(36,718)	(464,895)
Income before Taxes	11,159,280	13,878,876	11,458,205	16,684,459	13,601,366
Income Tax Expenses	3,523,024	3,154,067	1,322,665	460,588	48,148

Net Income before Cumulative Effect of Accounting Principle Changes	7,636,256	10,724,809	10,135,540	16,223,871	13,553,218
Cumulative Effect of Accounting Principle Changes	-	-	-	-	140,501
Net Income	7,636,256	10,724,809	10,135,540	16,223,871	13,693,719
Earnings per Share (NT\$)	1.91	2.68	2.53	4.06	3.42

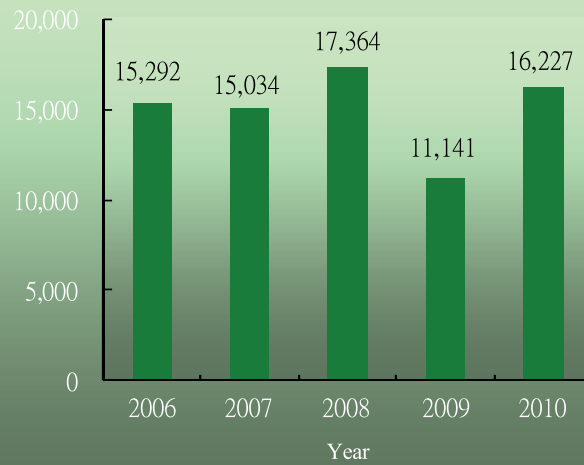


III. Financial Analysis for the Past 5 Years

Item		2010	2009	2008	2007	2006
Operating Capability	Turnover of Total Assets (time)	0.08	0.05	0.09	0.08	0.08
	Average Operating Revenue per Employee (NT\$1,000)	16,227	11,141	17,364	15,034	15,292
	Average Earnings per Employee (NT\$1,000)	301	415	390	633	535
Profitability	Return on Assets(%)	0.14	0.21	0.21	0.34	0.31
	Return on Stockholders' Equity(%)	7.02	16.62	14.07	14.10	14.21
	Net Income Ratio(%)	1.86	3.73	2.25	4.21	3.50
	Earning per share(NT\$)	1.91	2.68	2.53	4.06	3.42
Growth Rate	Asset Growth Rate	3.16	5.35	5.38	2.55	10.21
	Profit Growth Rate	(19.60)	21.13	(31.32)	22.67	5.81

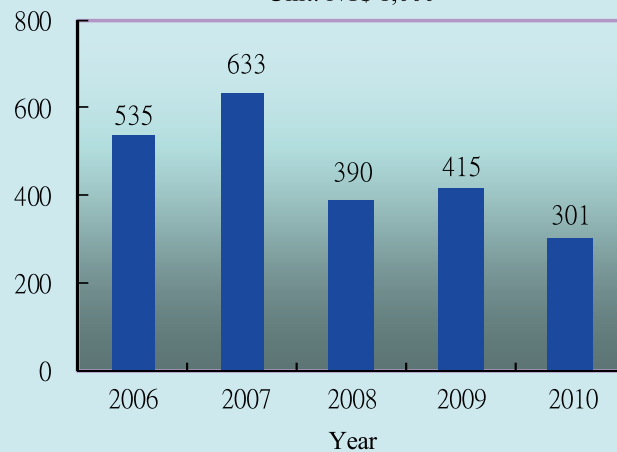
Average Operating Revenue per Employee

Unit: NT\$ 1,000

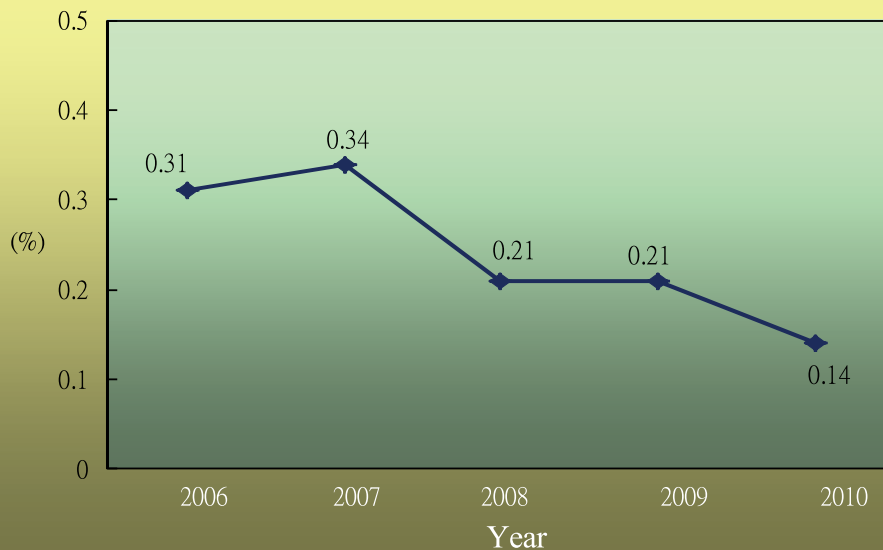


Average Earning per Employee

Unit: NT\$ 1,000



Return on Assets



Return on Stockholders' Equity

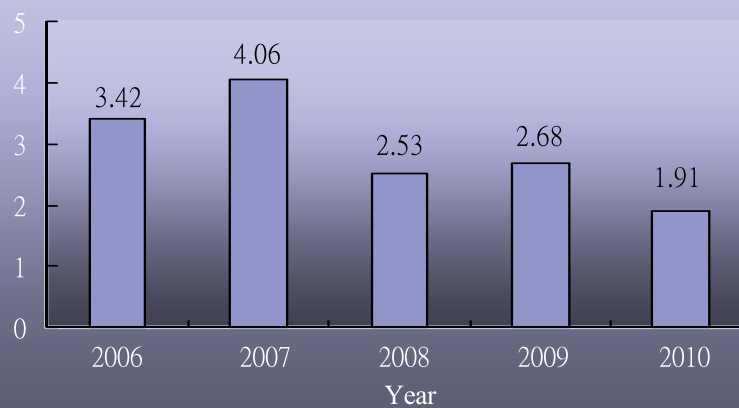


Net Income Ratio



Earnings per share

Unit: NT\$



IV. Supervisors' Audit Report

2010 Supervisors' Audit Report for Chunghwa Post Co., Ltd.

Chunghwa Post Co., Ltd. has duly submitted the business report, financial statements and a dividend distribution proposal for 2010 prepared by the company's board of directors. Pursuant to Article 20 of the Company Act, certified public accountant Y.C. Mei at KPMG Certified Public Accountants, upon request, has completed his audit on these financial statements. We, the supervisors, have reviewed the above mentioned business report, financial statements as well as the audit report of the CPA. We agreed with the opinion of the CPA and have found them to be consistent with the company's financial status and operational results. Therefore, pursuant to Article 219 of the company Act, Article 12 of the Regulations Governing Postal Remittances and Savings Operations, we issue this audit report.

To
Ministry of Transportation and Communications

Supervisors: H.Y. Huang
M.H. Yang
C.T. Huang

April 26, 2011

V. Financial Statements for the Most Recent Fiscal Year**Independent Auditors' Report**

The Board of Directors
Chunghwa Post Co., Ltd.

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chunghwa Post Co., Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with government regulations, the requirements of "Business Entity Accounting Act" and "Regulation on Business Entity Accounting Handling" with respect to financial accounting standards, and generally accepted accounting principles in the Republic of China.

As stated in notes 2(a) and 3(a) to the financial statements, the financial statements of Chunghwa Post Co., Ltd. are based on the amounts audited by the Ministry of Audit of the Control Yuan. The accounts of Chunghwa Post Co., Ltd. as of and for the year ended December 31, 2009, have been examined by the Executive Yuan and the Ministry of Audit of the Control Yuan, and the adjustments from this examination have been recognized in the accompanying financial statements for 2009.

KPMG Certified Public Accountants
Accountant : Y.C. Mei

April 14, 2011

CHUNGHWA POST CO., LTD.
Balance Sheets

December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)

	2010		2009 (accounts examined by MOA)	
	Amount	%	Amount	%
Assets				
Cash and due from banks (note 4(a))	\$ 507,757,484	9	779,279,331	15
Due from Central Bank (note 4(b))	1,755,756,167	32	2,399,944,883	45
Financial assets measured at fair value through profit or loss, net (notes 4(c) and 4(d))	12,101,491	-	3,126,470	-
Bonds purchased under resell agreements	3,580,315	-	3,391,993	-
Receivables, net (note 4(e))	43,880,459	1	43,997,019	1
Prepaid expenses (note 4(s))	5,915,268	-	371,436	-
Loans, net (notes 4(f) and 5)	41,300,091	1	40,706,422	1
Funds and investments (note 4(c)):				
Available-for-sale financial assets, net	412,780,787	8	423,994,331	8
Held-to-maturity financial assets	2,454,796,371	45	1,250,463,077	24
Investments under equity method, net	52,127	-	49,744	-
Debt investments without active market	166,013,076	3	290,092,969	5
Real estate investments (note 4(h)):	1,052,943	-	1,064,622	-
Other financial assets	4,605,863	-	4,360,221	-
Property and equipment, net (note 4(i))	76,155,451	1	76,305,462	1
Other assets (notes 4(j) and 4(r))	998,533	-	1,586,653	-
Total assets	\$ 5,486,746,426	100	5,318,734,633	100
Liabilities and Stockholders' Equity				
Due to banks	\$ 39,755,000	1	13,115,000	-
Payables (notes 4(k) and 5)	69,888,923	1	81,862,636	1
Advance collections (note 4(l))	1,444,630	-	1,497,300	-
Deposits and remittances (note 4(m))	4,582,454,865	84	4,543,373,127	85
Financial liabilities measured at fair value through profit or loss (notes 4(c) and 4(d))	139,838	-	79,246	-
Bonds sold under repurchase agreements (note 4(n))	27,920,950	1	-	-
Accrued pension liability (note 4(q))	720,813	-	292,735	-
Operating reserves (note 4(o))	646,555,490	12	577,078,566	11
Guarantee deposits received and other liabilities (notes 4(i) and 4(p))	608,616	-	1,014,975	-
Total liabilities	5,369,489,125	99	5,218,313,585	97
Stockholders' equity (note 4(s))				
Common stock	40,000,000	1	40,000,000	1
Capital surplus	27,107,576	-	27,107,576	1
Retained earnings:				
Legal reserve	24,351,601	-	24,351,601	1
Special reserve	1,729,844	-	1,729,844	-
Unappropriated earnings	7,636,256	-	-	-
	33,717,701	-	26,081,445	1
Unrealized gains or losses on available-for-sale financial assets	14,470,747	-	4,841,057	-
Unrealized land revaluation increment (note 4(i))	2,682,090	-	2,683,705	-
Unrecognized pension cost (note 4(q))	(720,813)	-	(292,735)	-
	16,432,024	-	7,232,027	-
Total stockholders' equity	117,257,301	1	100,421,048	3
Commitments and contingencies (note 7)				
Total liabilities and stockholders' equity	\$ 5,486,746,426	100	5,318,734,633	100

CHUNGHWA POST CO., LTD.

Income Statements

For the years ended December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	2010		2009	
	Amount	%	Amount	%
Operating revenues:				
Postal revenue (note 4(t))	\$ 24,448,498	6	24,001,111	8
Interest income (notes 4(a) and 4(b))	81,653,398	20	82,861,738	29
Insurance premiums (note 4(u))	165,969,754	40	148,108,605	52
Reversal of premium reserves	108,862,425	26	19,301,250	7
Commission and service fees (note 5)	2,370,361	1	2,526,672	1
Gain on valuation of financial assets and liabilities measured at fair value through profit or loss (notes 4(c) and 4(d))	8,292,147	2	10,186,537	3
Investment income	19,177,103	5	-	-
Other operating revenues	<u>772,871</u>	<u>-</u>	<u>724,442</u>	<u>-</u>
	<u>411,546,557</u>	<u>100</u>	<u>287,710,355</u>	<u>100</u>
Operating costs				
Postal cost	19,588,766	5	19,431,519	7
Interest expenses	35,319,096	9	43,182,106	15
Claims and benefits	108,794,341	26	19,212,907	7
Provisions for policy reserve and claim reserve	178,332,178	43	157,707,383	55
Investment loss	-	-	3,723,314	1
Exchange loss	30,904,923	8	3,914,242	1
Other operating cost	<u>1,825,211</u>	<u>-</u>	<u>1,793,164</u>	<u>1</u>
	<u>374,764,515</u>	<u>91</u>	<u>248,964,635</u>	<u>87</u>
Gross profit	<u>36,782,042</u>	<u>9</u>	<u>38,745,720</u>	<u>13</u>
Operating expenses				
Personnel expenses	18,930,112	5	18,272,806	6
Depreciation and amortization expenses	1,761,025	-	1,819,988	1
Other general and administrative expenses	<u>4,909,995</u>	<u>1</u>	<u>4,833,743</u>	<u>2</u>
Total expenses	<u>25,601,132</u>	<u>6</u>	<u>24,926,537</u>	<u>9</u>
Operating income	<u>11,180,910</u>	<u>3</u>	<u>13,819,183</u>	<u>4</u>
Nonoperating income (note 4(c))	<u>182,679</u>	<u>-</u>	<u>219,306</u>	<u>-</u>
Nonoperating expenses (note 4(i))	<u>204,309</u>	<u>-</u>	<u>159,613</u>	<u>-</u>
Net income before tax	11,159,280	3	13,878,876	4
Income tax expense (note 4(r))	<u>3,523,024</u>	<u>1</u>	<u>3,154,067</u>	<u>1</u>
Net income	<u>\$ 7,636,256</u>	<u>2</u>	<u>10,724,809</u>	<u>3</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Primary earnings per share (note 4(v))	<u>\$ 2.79</u>	<u>1.91</u>	<u>3.47</u>	<u>2.68</u>

CHUNGHWA POST CO., LTD.

Statements of Changes in Stockholders' Equity
For the years ended December 31, 2010 and 2009
 (Expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Retained Earnings		Unrealized Gains (Losses) on Financial Assets	Unrealized Land Revaluation Increment	Unrecognized Pension Cost	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings			
Beginning balance as of January 1, 2009 (examined by MOA)	\$ 40,000,000	27,107,576	21,670,399	1,729,844	436,525	(65,018,054)	2,683,705	28,609,995
Changes in unrealized gains(losses) on available-for-sale financial assets	-	-	-	-	-	-	-	69,859,111
Net income for 2009	-	-	-	-	10,724,809	-	-	10,724,809
Increase in unrecognized pension cost	-	-	-	-	-	-	(292,735)	(292,735)
Distribution of earnings	-	-	-	-	-	-	-	-
Legal reserve	-	-	2,681,202	-	(2,681,202)	-	-	-
Dividends to the government	-	-	-	-	(8,480,132)	-	-	-
Balance as of December 31, 2009 (examined by MOA, note 3)	40,000,000	27,107,576	24,351,601	1,729,844	-	4,841,057	(292,735)	100,421,048
Changes in unrealized gains(losses) on available-for-sale financial assets	-	-	-	-	-	-	-	9,629,690
Net income for 2010	-	-	-	-	7,636,256	-	-	7,636,256
Land acquisition caused by the unrealized revaluation increment on land decrease	-	-	-	-	-	(1,615)	-	(1,615)
Increase in unrecognized pension cost	-	-	-	-	-	-	(428,078)	(428,078)
Balance as of December 31, 2010	\$ 40,000,000	27,107,576	24,351,601	1,729,844	7,636,256	2,682,090	(720,813)	117,257,301

CHUNGHWA POST CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)

	2010	2009
Cash flows from operating activities:		
Net income	\$ 7,636,256	10,724,809
Adjustments:		
Depreciation and amortization	2,485,907	2,579,565
Provision for operating reserve and others and valuation	61,191,746	147,513,175
Investment income under equity method	(8,342)	(6,621)
Cash dividends received from long-term investments under equity method	5,959	10,673
Loss on sale of property and equipment	20,201	54,653
Changes in operating assets:		
Decrease in financial assets held for trading	515,086	55,198,243
Decrease (increase) in bonds purchased under resell agreements	(188,322)	7,704,971
Decrease in due to banks	26,640,000	6,855,000
Decrease (increase) in receivables	112,155	16,060,395
Increase in deferred income tax assets	(303,924)	(78,603)
Decrease in prepaid expenses	23,207	31,899
Increase in other financial assets	(260,473)	(1,211,145)
Changes in operating liabilities:		
Decrease in financial liabilities held for trading	(2,740)	(19,266,238)
Increase (decrease) in bonds sold under repurchase agreements	27,920,950	(15,613,074)
Decrease in payables	(7,266,139)	(17,786,158)
Decrease in advance collections	(52,670)	(73,965)
Net cash provided by operating activities	<u>118,468,857</u>	<u>192,697,579</u>
Cash flows from investing activities:		
Decrease (increase) in available-for-sale financial assets	20,910,624	(99,607,560)
Decrease in debt investments without active market	122,959,988	46,031,718
Increase in held-to-maturity financial assets	(1,204,333,294)	(282,862,820)
Acquisition of property and equipment	(1,610,354)	(1,956,810)
Proceeds from disposal of property and equipment	38,633	19,554
Decrease (increase) in due from Central Bank	644,188,716	(74,362,880)
Increase in loans	(596,125)	(2,833,195)
Increase in other assets	(367,352)	(279,730)
Net cash used in investing activities	<u>(418,809,164)</u>	<u>(415,851,723)</u>
Cash flows from financing activities:		
Increase in deposits and remittances	39,081,738	96,130,809
Increase in other liabilities	8,161	28,600
Prepaid dividends to government	(5,567,039)	(3,775,732)
Distribution of cash dividends to government	(4,704,400)	(3,582,565)
Net cash provided by financing activities	<u>28,818,460</u>	<u>88,801,112</u>
Net decrease in cash and due from banks	<u>(271,521,847)</u>	<u>(134,353,032)</u>
Cash and equivalents at beginning of year	<u>779,279,331</u>	<u>913,632,363</u>
Cash and equivalents at end of year	<u>\$ 507,757,484</u>	<u>779,279,331</u>
Supplementary disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u>37,312,475</u>	<u>57,452,355</u>
Cash paid during the year for income tax	\$ <u>4,249,908</u>	<u>3,994,348</u>