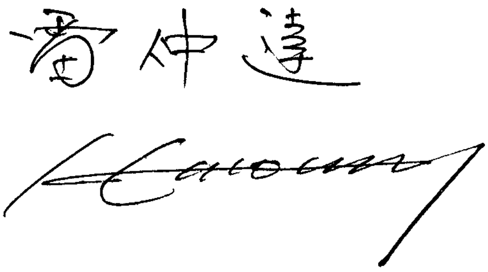


董事長
Chairman

各位股東女士、先生：

茲報告本行99年度營運結果、100年度營業計畫概要、未來發展策略及本行受到外部競爭環境、法規環境及總體經濟環境之影響如下：

壹、本行99年度營業結果

一、 國內外金融環境

在歷經金融海嘯衝擊後，99年全球在企業重建庫存、需求強勁提升之下，國內外景氣迅速回升，全球經濟與金融情勢好轉，部份國家因景氣穩步復甦或通膨升溫，已逐步調整寬鬆的貨幣政策。而國內在進出口、民間投資及民間消費均大幅成長下，民間資金需求回升，國內金融情勢亦相對樂觀，銀行對民間放款及投資均持續穩健上升。

鑑於經濟穩定復甦、失業情況改善、物價溫和上升、房市價量俱揚，國內陸續採行一系列強化銀行不動產貸款風險管理措施，以及利率調升政策，循序引導市場利率回歸正常水準，以維持物價及金融之

Dear Madam / Sir:

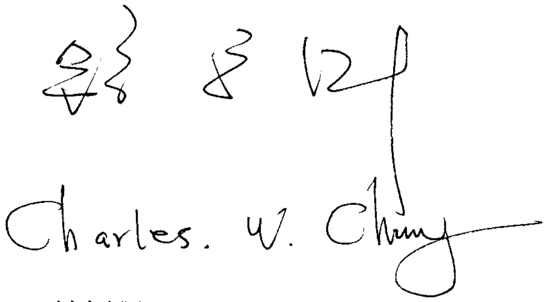
The Bank hereby reports its operation results in 2010, summary of business plan in 2011, future development strategies and the impact to the Bank by external competitive environment, laws & regulations and overall economic environment as follows:

The Bank's Operation Results in 2010 are Specified as Follows

I. Domestic and Foreign Financial Environment

In 2010, the global economy recovering from the aftermath of the worldwide financial crisis, driven by rises in inventory levels and commodity demands. Economic and financial activities recovered rapidly to the extent that certain countries had gradually adjusted their expansionary monetary policies in the face of inflation pressure mounting. Thanks to the significant growths in exports and imports, investments and consumption in the private sector, the financial outlook was rather optimistic with the demand for fund in private sector rebounded. Banks' loans as well as investments to private enterprises grew steadily.

In light of the stabilized economic recovery, reduced unemployment, mild increases in commodity prices, and surges in both real estate price and trading volume, a series of measures were taken to enhance the risk management of mortgage loan. This was accompanied by interest rate raise that sought to guide the market interest rate back to its normal level, thereby ensuring the stability of commodity prices and the financial market. A



總經理
President

穩定，而新台幣匯率微幅升值亦有助於減緩進口物價上漲之壓力。

總體而言，99年國內景氣快速擴張，企業營收、獲利明顯改善，銀行各項業務向上成長，授信資產品質好轉，利差擴大，手續費收入增加，下半年，為因應物價溫和上升及房地產價格屢創新高，國內已開始適時調整政策，陸續調升存放款利率，復甦力道轉趨緩和。

二、本行組織變化

99年本行組織無變化。

三、99年度營業計畫及經營策略實施成果

(一) 配合信用保證基金，推動中小企業放款

中小企業為國家經濟命脈之根本，本行所處之大高雄地區，企業規模即多屬中小企業，惟受限規模、資產等因素，中小企業融資管道有限，為扶植中小企業成長，並兼顧風險控管，本行積極配合中小企業信用保證基金機制，營造有利中小企業融資環境。

slight appreciation of the NTD currency also helped ease the rising costs of imported goods.

In general 2010 was a year filled with rapid economic expansion, significant improvements in corporate revenues and earnings, positive growth in banking businesses, enhanced asset quality, interest spread widening, and increases in fee-based income. In the second half of the year, both lending and deposit interest rates were adjusted upwards to mitigate the mild increases in commodity prices and the surging real estate prices; this in turn slowed down the pace of the recovery.

II. Transformation of the Bank's Organization

The Bank's organization remained unchanged for FY 2010.

III. Results of Business Plans and Operating Strategies for FY 2010

1. Promoted loan to SMEs backed by Credit Guarantee Fund

In general, small and medium enterprises are the foundation of the nation's economy. The Bank is based in the Kaohsiung region, where business entities are primarily consisted of small and medium enterprises. These SMEs have limited access to financing due to limitations of their business sizes and assets. In order to accommodate the growth of SMEs while ensuring sound risk control, the Bank strived to utilize the SME Credit Guarantee Fund and create a financial environment that is beneficial to small and medium enterprises.

單位：新台幣億元、%；Unit : NT$ 100 Million、%

項目 Item	2010.12.31	2009.12.31	成長率(%) Growth Rate
中小企業放款餘額 Balance on Loan to SMEs	327.51	270.17	21.22
總放款餘額 Total Balance on Loan	1,630.54	1,396.65	16.75
中小企業放款比率(%) Loan to SMEs (of Total Balance on Loan) Ratio	20.09	19.34	0.75

單位：新台幣億元、%；Unit : NT$ 100 Million、%

項目 Item	2010.12.31	2009.12.31	成長率(%) Growth Rate
移送信用保證基金餘額 Balance Backed by the Credit Guarantee Fund	53.10	37.73	40.74

(二) 配合高雄市政府市政推動，提供高雄市政府貸款

高雄市政府為打造永續之城市，積極推動諸項市政建設，本行為配合推動市政，積極參與市政貸款競標，承作高雄市政府貸款；並兼收提升本行授信資產品質，強化整體風險承擔能力之效益。

2. Supported the Kaohsiung City Government by Financing Its Administrative Policies

The Kaohsiung City Government had introduced several administrative policies and infrastructures in an ambition to promote the city's development. The Bank sought to accommodate the city government's policies by actively biding for loans to the Kaohsiung City Government. In return, the Bank improved the quality of its loan assets and enhanced its overall risk tolerance.

單位：新台幣億元、%；Unit : NT$ 100 Million、%

項目 Item	2010.12.31	2009.12.31	成長率(%) Growth Rate
高雄市政府貸款餘額 The Balance on Loan to the Kaohsiung City Government	436.95	300.73	45.30
總放款餘額 Total Balance on Loan	1,630.54	1,396.65	16.75
高雄市政府貸款比率(%) Kaohsiung City Government Loan (of Total Balance on Loan) Ratio	26.80	21.53	5.27

(三) 加強催理逾期放款，降低本行逾期放款比率

為改善資產品質及財務結構，本行除努力拓展放款業務外，並持續加強催理逾期戶及催收戶，有效降低本行逾期放款比率，持續強化經營體質。

3. Enhanced Management over Overdue Loans, therefore Reducing the Bank's NPL Ratio

To further improve asset quality and financial structure, the Bank strived to explore new lending opportunities while enhancing management over non-performing loans and overdue customers, thereby effectively reducing the Bank's overdue loan ratio and improving its revenue base.

單位：新台幣億元、%；Unit : NT$ 100 Million、%

項目 Item	2010.12.31	2009.12.31	成長率(%) Growth Rate
逾期放款金額 Amount of NPL	16.08	27.60	(41.74)
總放款餘額 Total Balance on Loan	1,630.54	1,396.65	16.75
逾期放款比率 (%) NPL Ratio	0.99	1.98	(0.99)

(四) 財富管理業務手續費收入持續成長

為提升經營績效，本行持續戮力拓展財富管理業務，期以手續費收入之增加實質增加本行盈餘。

4. Continuous Growth of Commission and Service Fees from Wealth Management Businesses

For better business performance, the Bank continued its efforts in the wealth management business in an attempt to raise earnings with the contribution of fee-based income.

單位：新台幣億元、%；Unit : NT$ 100 Million、%

項目 Item	2010.12.31	2009.12.31	成長率(%) Growth Rate
財富管理業務手續費收入 Commission and Service Fees from Wealth Management Businesses	3.10	2.34	32.48
總手續費收入 Total Commission and Service Fees	4.46	4.13	8.00
財富管理業務手續費收入比重(%) Commission and Service Fees from Wealth Management Businesses (of Total Commission and Service Fees) Ratio	69.51	56.66	12.85

四、預算執行情形

IV. Execution of Business Target

單位：新台幣 / 美金億元、%；Unit : NT$ /US$ 100 Million、%

營運項目 Operating Item / 執行情形 Execution	實際數 Outcome	預算數 Target	達成率 Achievement %
存款平均餘額 Average Deposits Balances (NT$)	1,728.23	1,653.40	104.53
放款平均餘額 Average Loans Balances (NT$)	1,481.44	1,455.00	101.82
外匯承作量(美金) Foreign Exchange Sales (US$)	42.57	36.00	118.24
財富管理業務手續費收入 Commission and Service Fees from Wealth Management Businesses (NT$)	3.10	2.58	120.16
累計稅前盈餘 Earnings before Tax (NT$)	2.06	4.00	51.50

五、財務收支及獲利能力分析

(一) 財務收支

99年度淨收益23.43億元，放款呆帳費用3.08億元，營業費用18.29億元，稅前淨利2.06億元，稅後淨利1.27億元。

(二) 獲利能力

99年度稅後資產報酬率0.06%，稅後股東權益報酬率1.34%，稅後純益率5.43%，每股稅後盈餘0.24元。

V. Analyses of Financial Revenue, Expenditure and Profitability

1. Financial Revenue and Expenditure

In 2010, net revenue of NT$2,343 million; credit loss expenses of NT$308 million; operating expenses of NT$1,829 million; income before tax of NT$206 million; net income of NT$127 million.

2. Profitability

In 2010, the return on total assets after income tax was 0.06%; return on equity after income tax was 1.34%; net profit margin after income tax was 5.43%; EPS after tax was NT$0.24 per share.

六、研究發展狀況

建置資產負債管理系統(ALM)，協助規劃最適資產負債配置及管理流動性風險；運用徵授信電子化系統(E-Loan)及台灣企業信用風險指標(TCRI)等各類風險評估系統，監控信用風險、作業風險及市場風險；建構金融XML系統收付款行作業平台；開辦銀聯卡在國內ATM收單；國內應收帳款承購及我國境內美元匯款等業務。

VI. Status of R & D

Implementation of an Asset and Liability Management system (ALM) is to achieve the optimal allocation of assets and liabilities, as well as the optimal management over liquidity risks; utilize risk assessment tools such as the E-Loan system and the Taiwan Corporate Credit Risk Index (TCRI) etc to monitor credit, operational and market risks; implement an XML-based payment/collection platform; build the business to allow Union Pay card issuers to acquire transactions via domestic ATMs; introduce domestic factoring and domestic USD remittance services etc.

貳、 本行100年度營業計畫概要

Summary of the Bank's Business Plan in 2011

一、 經營方針

鑑於國內經濟穩定成長，中小企業營收、獲利狀況較佳，償債能力增強，相對提高銀行放款業務之安全性保障，爰本行將持續全力推動中小企業放款，機動提高中小企業放款目標，以提升經營績效。此外，為提升整體獲利能力，提高ROE及ROA，亦將持續致力提高活期性存款比重，改善存款結構，以降低營運成本。並賡續積極推展財富管理業務，提高手續費收入比例，以分散獲利來源，期強化本行競爭優勢及擴大競爭利基。

I. Business Policies

The domestic economy is now back on track to grow steadily. This facilitated better revenues and earnings performance from small and medium enterprises, which in turn translated into higher repayment capabilities and enhanced the security of the Bank's lending businesses. For this reason, the Bank shall be fully dedicated to the promotion of loan to SMEs, and flexibly adjust its loan to SMEs target for better performance. Furthermore, in order to raise overall profitability, ROE and ROA, the bank also strives to reduce operating costs by increasing the weight of demand deposit balances and thereby improving its deposit structures. This will be accompanied by ambitious promotional efforts in the wealth management business to generate higher fee-based income and diversify earnings sources, thereby enhancing the Bank's competitive advantage and niche.

二、 預期營業目標與其依據及重要之經營政策

(一) 預期營業目標

II. Expected Business Objective and Basis thereof, and Important Operating Policies

1.Expected Business Objectives

單位：新台幣 / 美金億元；Unit : NT$ /US$ 100 Million

營運項目 Item			預算數 Target
存款平均餘額	Average Deposits Balances	(NT$)	1,820.00
放款平均餘額	Average Loans Balances	(NT$)	1,600.00
外匯承作量（美金）	Foreign Exchange Sales	(US$)	42.00
財富管理業務手續費收入	Commission and Service Fees from Wealth Management Businesses	(NT$)	2.99

(二) 重要之經營政策

1. 辦理增資，強化資本結構

為強化資本結構，提高自有資本比率，以擴大授信業務規模，提升整體競爭力，規劃於本年度辦理增資。

2. 機動調整企業放款目標配置，加強深耕中小企業放款

中小企業為國家經濟命脈之根本，鑑於國內經濟穩定成長，中小企業及傳統產業展現非凡之活力，本行持續積極配合主管機關鼓勵銀行加強對中小企業放款之政策，機動調高中小企業放款目標比重，以逐步調高至6成為目標，期創造更多利息收入，提升獲利能力。

3. 因應高雄縣市合併之契機

99年12月25日原高雄縣、市合併為新高雄市，在地理、人口、組織結構及經濟上，各項資源互補，發揮乘數效應。本行已積極規劃增加人員編制，以承辦新高雄市之就學貸款業務；並積極爭取繼續代理公庫業務，以增加更多業務資源，創造契機。

4. 建置「資產負債管理系統暨資金移轉計價系統」

本行積極建置「資產負債管理系統暨資金移轉計價系統」，配合本行業務發展需要，提供全行資產負債產品組合，以有效管理資金成本、增加獲利，並依利率走向，監控淨利息收益變化，強化資金流動性管理，以提高本行營運績效。

5. 積極招攬台、外幣活期性存款，改善存款結構

為擴大存放款利差，本行積極規劃推出各項台、外幣活期性存款推展活動，期提高本行活期

2. Important Operating Policies

(1) Raise capital in cash to strengthen capital structure

In order to strengthen the Bank's capital structure and improve BIS ratio to facilitate more extensive growth and competitiveness in the credit business, the Bank plans to raise capital in cash during the current year.

(2) Flexibly allocate the target of corporate loans, develop loan to SMEs more thoroughly

Small and medium enterprises are the foundation of the nation's economy. The stabilized growth of the domestic economy had provided traditional industry as well as small and medium enterprises with prospects of extraordinary growth. The Bank shall continue its cooperation with competent authority's policy to increase the loans to small and medium enterprises, and flexibly adjust the weight of loan to SMEs as high as 60%; therefore maximizing interest revenues and profitability.

(3) Opportunities from the consolidation of Kaohsiung City and County

On Dec. 25, 2010, the former Kaohsiung County and City consolidated into new Kaohsiung City. This consolidation was believed to provide synergy by complement of each geographic, demographic, structural, and economic feature actively planned. The Bank has to increase work force to capture tuition loan opportunities throughout the new Kaohsiung City. The Bank also strives to service the public treasury in an attempt to broaden its revenue base and create business opportunities.

(4) Implementation of an "Asset and Liability Management and Fund Transfer Pricing System"

The Bank is actively implementing its "Asset and Liability Management and Fund Transfer Pricing System" to accommodate its business development. This system keeps track of all asset and liability products offered by the Bank for more effective management over funding costs and therefore improving profitability. The system also monitors interest rate movements and changes in net interest revenue and enhances liquidity risk management to improve the Bank's business performance.

(5) Actively source NTD and foreign currency demand deposits to improve the Bank's deposit structure

In an attempt to broaden the interest spread between deposit and loan, the Bank has actively launched promotional campaigns to solicit NTD and foreign currency demand deposits. These

性存款比率，以降低資金成本。

6. 積極推展財富管理業務，提高手續費收入比例，分散獲利來源

賡續積極推展國內外信託基金業務，持續推出單筆、扣扣樂、定期定額、B股基金專案活動；加速簽訂新系列基金，擴大投資產品面規模，增加客戶投資選擇；協助客戶妥善規劃保險保障；深耕客戶理財往來關係；以提高手續費收入比例，分散本行獲利來源。

參、本行未來發展策略

中小企業為台灣經濟發展命脈，為促進經濟成長，本行發展策略定位於扶植在地企業，協助中小企業發展，繁榮國內經濟，落實「在地生根」，並協助大股東高雄市政府推動市政，提供市政貸款，盡責辦理代理市庫業務。此外，持續發展財富管理業務，提升本行競爭優勢及擴大競爭利基。

肆、本行受到外部競爭環境、法規環境及總體經濟環境之影響

一、外部競爭環境之影響

國內銀行業在兩岸簽署「海峽兩岸經濟合作架構協議」(ECFA)後，為解決為數眾多台商之企業融資需求，積極登陸設立營業據點，有助於我國銀行業進一步發展，創造新的商機。然而，囿因營運規模及財務結構等因素影響，本行未能受惠。爰此，本行需順應經濟發展，充分運用中小企業信用保證基金，扶植中小企業及傳統產業，提升國內經濟成長，促進國內產業均衡發展，以鞏固本行營運基磐。

efforts were aimed to increase the weight of demand deposits and reduce funding costs.

(6) Grow wealth management businesses; increase commission and service fees and diversify earnings sources

Explore trust fund services in both the domestic and foreign content. Launch promotional campaigns on Lump Sum, commission prepayments, Dollar Cost Averaging, and B-share fund subscriptions etc. Shorten the time needed to introduce new fund series and enrich product lines to offer wider selections to customers. Help customers optimize insurance coverage; anchor customer relationship; increase fee-based income and diversify the Bank's earnings sources.

The Bank's Future Development Strategies are Specified as Follows

Small and medium enterprises are the foundation of Taiwan's economy. The Bank therefore focuses its business development strategy on supporting local SMES to prosper domestic economy and fulfill the "localizaion" vision. The Bank also supports the administrative policies of its major shareholder, the Kaohsiung City Government, by offering loans and treasury services. In addition, the Bank continues to develop its wealth management business for better competitive advantage and niche.

The Impacts to the Bank by External Competitive Environment, Laws and Regulations and Overall Economic Environment

I. Impact by External Competitive Environment

After the signing of the "Economic Cooperation Framework Agreement" (ECFA) between China and Taiwan, the local banking industry had taken initiative to establish their presence in China, in an attempt to offer corporate banking service to an enormous number of Taiwanese enterprises. ECFA is believed to create whole new opportunities and facilitate further developments to the local banking industry; however, the Bank is unable to benefit from the new framework due to the size of its business and its financial structure. Under the constraints of such limitations, the Bank needs to follow the current economic development, and support the growth of SMEs and conventional industry participants by fully utilizing the Small and Medium Enterprise Credit Guarantee Fund. This in turn will facilitate the growth of the domestic economy, strike balance among the local industries, and therefore strengthening the Bank's business foundation.

二、 法規環境之影響

為有序引導國內銀行業者進入大陸市場，健全銀行資產品質及保障存款大眾權益，主管機關陸續修正或發布「台灣地區與大陸地區金融業務往來及投資許可管理辦法」、「銀行及信用合作社之資產評估損失準備提列及逾期放款催收款呆帳處理辦法」、「存款保險條例」等法規，暨實施財務會計準則第34號公報。本行向來恪遵法規，依法行事，相關法規之修正或發布有助於本行資產品質之進一步提升及整體財務結構之改善。

三、 總體經濟環境之影響

隨著金融海嘯漸息，國際經濟景氣逐步復甦，政府推出各項提振景氣措施，如愛台十二建設及六大新興產業、簽署ECFA、大幅開放陸客來台觀光等，在政府及全體國人共同努力下，各項經濟指標均穩定提升，惟物價及房地產價格亦逐步攀升，中央銀行已開始調整貨幣政策，希望引導市場利率回升，以維持國內物價穩定。本行亦配合主管機關不動產風險控管政策，審慎規範本行購地及興建房屋貸款業務。

II.Impact by Laws and Regulations

In order to guide the local banking industry into the Chinese market in an orderly fashion, strengthen asset qualities, and protect the interests of deposit customers, the FSC amended its "Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area",, "Regulations Governing the procedures for Banks and Credit Cooperatives to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", "Deposit Insurance Act" etc., and acts "Financial Accounting Standards No.34". The Bank always complies with laws and regulations and acts pursuant to laws. The amendments or promulgation of the relevant laws and regulations might help to improve the Bank's asset quality and financial structure.

III. Impact by Overall Economic Environment

As the worldwide financial crisis dissipated and the global economy back on track to recovery, the government launched several economic stimulus policies such as the Twelve Taiwan Construction Projects supports to the 6 major emerging industries, ECFA signing, and deregulation on incoming Chinese tourists etc. With the joint efforts from both the public and the private sectors, most of the nation's economic indicators had stabilized and improved progressively, despite being accompanied by surges in commodity and housing prices. The Central Bank of China had begun adjusting its monetary policies in hope to raise the market interest rate and maintain the stability of domestic commodity prices. Meanwhile, the bank supports the real estate risk management policies enforced by the competent authority, by diligently assessing all land purchases and construction loans.

伍、本行最近一次之信用評等結果及其評等日期

99年12月22日中華信用評等（股）公司公布本行長期信用評等等級為「twA-」，短期信用評等為「twA-2」，評等展望「穩定」。

感謝各位股東女士、先生對本行之支持與愛護，我們由衷期盼各位股東之繼續支持及指教，以利本行業務持續發展與成長。最後，敬祝各位股東女士、先生，身體健康！萬事如意！平安快樂！

The Bank's Most Recent Credit Rating Result and Date of Rating

On Dec. 22, 2010, Taiwan Ratings Corp. announced that the Bank's long-term credit rating in 2010 was "twA-", and short-term credit rating "twA-2". The outlook was rated as "stable".

Thank You for all of your support to the Bank. The Bank look forward to your continuous instructions and support to help the Bank's business develop on an on-going basis. At last, the Bank sincere wishes to all shareholders. Wishing you health, prosperity, and happiness!